



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, 2016

EXECUTIVE SUMMARY

A. Introduction

The National Labor Relations Commission (NLRC) was created under Article 213 of Presidential Decree No. 442, otherwise known as the Labor Code of the Philippines (LCP). The NLRC is attached to the Department of Labor and Employment for program and policy coordination.

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

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

The adjudicatory powers of the NLRC are being exercised by the 93 Offices of Labor Arbiters in the NLRC-Regional Arbitration Branches (RABs) and the Commission Proper that sits in eight Divisions. The Commission Proper is a tripartite in representation. Each of the eight divisions has three members with the Presiding Commissioner representing the government sector and the remaining two members representing the workers' and the employers' sectors. The first six Divisions handle appealed cases from the National Capital Region (NCR), and other parts of Luzon (Region Nos. I to V and CAR), the Seventh Division handles appealed cases in the Visayas Region and the Eight Division for appealed cases in the Mindanao area.

With the passage of Republic Act (RA) No. 9347, the NLRC Rationalization Act, which took effect on August 26, 2006, the Commission is composed of a Chairman, 23 Commissioners, 70 Commission Attorneys and 154 Labor Arbiters, of which 96 are in the NCR. It is presently headed by Chairman Gerardo C. Nograles, assisted by the Acting Executive Clerk of the Commission, Atty. Elenita F. Cruz, Labor Arbiter with the former having administrative supervision over the Commission, its regional branches and all its personnel, including the Executive Labor Arbiters and the Labor Arbiters.

The Commission has 1,272 plantilla positions of which 1,033 are filled-up as of year-end leaving a balance of 239 unfilled positions. The Main and RABs Offices have 236 and 797 officers and employees, respectively. There are 36 employees on Job Order basis and one casual.

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

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

B. Operational Highlights

The NLRC reported the following major accomplishments per its Major Final Output (MFO) No. 1 and Performance Indicators on Labor Disputes Resolution Services for Calendar Year (CY) 2016:

Level	Target	Accomplishment	Percentage
1. Number of cases settled and/or decided			
RABs-Original Cases	38,700 cases		
• Conciliation and Medication		24,563	
• Compulsory Arbitration		17,267	
Sub-total		41,830	108
Commission Proper-Appealed Cases	11,400 cases	11,157	98
Total		52,987	106
2. Percentage Increase in cases resolved through conciliation-mediation			
RABs	50 %	59%	117
3. Percentage of cases decided within three months from filing of cases			
RABs	60 %	72%	120
Commission Proper	60 %	93%	154

Under the Project SpeED both the NLRC RABs and Commission Proper attained 98.71 percent or 41,701 disposed cases, out of 42,247 targeted cases to be disposed within the prescribed period/process cycle of nine months for the RAB and six months for the Commission Proper, as presented below.

(Nine months for RABs and six months for Commission)

Level	Target cases to be disposed within the prescribed period	Actual cases disposed within the prescribed period	Percentage
Regional Arbitration Branches (RABs) – Original Cases	31,088	30,544	98.25
Commission Proper – Appealed Cases	11,159	11,157	99.98
Total	42,247	41,701	98.71

In CY 2016, under the MFO 1, the NLRC posted an overall case output of 52,987 cases, 24,563 cases were disposed of through conciliation and mediation including 11,286 settled RFAs under the Single-Entry Approach and 17,267 cases through compulsory arbitration by the RABs and 11,157 appealed cases by the Commission Proper.

The RABs achieved an actual disposition of 41,830 cases or 108 percent of their targets, 74 percent were resolved in favor of labor while 26 percent were decided in favor of the Management. On the other hand, the Commission Proper attained 98 percent or 11,157 of its target disposition of cases, of which 70 percent were resolved in favor of labor and 30 percent in favor of the Management. Details are presented below:

Labor Dispute Resolution Services

Office	Actual Cases Disposed of	Disposed Cases in Favor of:			
		Labor (Employee)	Percentage	Management (Employer)	Percentage
RABs	41,830	31,045	74	10,785	26
Commission Proper	11,157	7,833	70	3,324	30
Total	52,987	38,878	73	14,109	27

The Commission Proper received a total of 10,970 cases during the year. There was an increase of 214 cases as compared to the previous year of 10,756 cases. In the RABs, cases received in 2016 increased by 603 cases, from 29,739 in CY 2015 to 30,342 in CY 2016. At the end of 2016, eight thousand two hundred four original cases and 658 appealed cases or a total of 8,862 cases are still on hand which is lower by 389 cases as compared with the ending balance of 9,251 in CY 2015.

Labor Cases Received and Disposed

Office	Balance 12/31/15	Cases Received in CY 2016	Total Cases Handled	Disposed Cases	Percentage	Balance 12/31/16
Commission Proper	845	10,970	11,815	11,157	94	658
RABs	8,406	41,628	50,034	41,830	84	8,204
Total	9,251	52,282	62,378	52,987	85	8,862

Out of ₱7,175,962,524.95 judgment awards at the RABs benefiting 36,353 workers, ₱3,145,625,296.66 was awarded through compulsory arbitration settlement, benefiting 21,962 workers, and ₱4,030,337,228.29 through decision on the merits benefiting 14,391 workers. At the Commission Proper, ₱17,563,563,762.67 was awarded, benefiting 18,852 workers. Details are presented below:

Mode of Resolution	Amount Awarded	No. of Workers Benefitted
RABs		
- By way of settlement	3,145,625,296.66	21,962
- Decision on the merits	4,030,337,228.29	14,391
Sub-Total	7,175,962,524.95	36,353
Commission Proper	17,563,563,762.67	18,852
Total	24,739,526,287.62	55,205

Under the “Double-Barreled (Two-Cycle) Conciliation-Mediation Program”, a program wherein the venue for settlement of all labor disputes is done and exhausted through the following: a) mandatory conciliation-mediation prior to compulsory arbitration pursuant to the Single-entry Approach (SEnA) Rules of Procedure; and b) mandatory conciliation-mediation during compulsory arbitration pursuant to the CY 2011 NLRC Rules of Procedure, as amended, is presented as follows:

Double-Barreled Conciliation-Mediation Program

Regional Arbitration Branches (RABs)	No. of Settled Labor Disputes	No. of Workers Benefitted	Judgement Award
Mandatory conference under SEnA	11,286	13,513	1,520,486,865.49
Mandatory conference under Compulsory Arbitration	13,277	21,962	3,145,625,296.66
Total	24,563	35,475	4,666,112,162.15

C. Financial Highlights

The NLRC had a total appropriation of ₱756,295,000.00 under the General Appropriations Act (GAA) for Fiscal Year (FY) 2016. The total budget reached ₱1,090,833,867.00 with automatic appropriations amounting to ₱34,551,000.00 and Special Purpose Funds for Pension and Gratuity Fund, Retirement Gratuity and Miscellaneous Personnel Benefits totaling ₱299,987,867.00. Total allotments received amounted to ₱1,094,910,024.00, obligation incurred of ₱1,079,026,002.37 leaving a balance of ₱15,884,021.63. Details of allotments, obligations incurred and unobligated balance including the cash allocations are shown in the table on the next page:

a. Appropriations, Allotments, Obligations Incurred and Balances

Sources of Funds	Appropriations	Allotment	Obligations Incurred	Unobligated Balance
Current Year's Appropriations				
1. Regular Funds				
Personnel Services (PS)	567,974,000.00	565,595,157.00	565,595,157.00	-
Maintenance and Other Operating Expenses (MOOE)	153,167,000.00	153,167,000.00	153,154,849.53	12,150.47
Capital Outlay	35,154,000.00	35,154,000.00	20,120,050.72	15,033,949.28
Sub-total	756,295,000.00	753,916,157.00	738,870,057.25	15,046,099.75
2. Other Releases-Special Purpose Funds				
PGF- Pensions	-	46,939,097.00	46,338,249.00	600,848.00
PGF-Monetization	-	19,063,186.00	19,063,186.00	-
PGF-Terminal Leave	-	57,980,287.00	57,980,287.00	-
Retirement Gratuity	-	-	-	-
Miscellaneous Personnel Benefit Funds	-	176,005,297.00	176,005,297.00	-
Sub-total	-	299,987,867.00	299,387,019.00	600,848.00
3. Automatic Appropriations				
Retirement and Life Insurance Premiums	34,551,000.00	41,006,000.00	40,768,926.12	237,073.88
Sub-total	34,551,000.00	41,006,000.00	40,768,926.12	237,073.88
Total	790,846,000.00	1,094,910,024.00	1,079,026,002.37	15,884,021.63

b. Notice of Cash Allocation

Fund	Cash Allocation	Obligations Liquidated	Unutilized Balance	Reversion to National Treasury
101	1,050,705,108.00	947,229,357.74	103,475,750.26	103,475,750.26

The Agency's comparative financial position and performance for CYs 2016 and 2015 are as follows:

Particulars	2016	2015
Financial Position		
Assets	1,935,919,828.51	1,827,564,323.92
Liabilities	1,854,068,889.00	1,752,561,297.02
Equity	81,850,935.51	75,003,026.90
Financial Performance		
Revenue	21,710,009.81	21,373,080.24
Less: Current Operating Expenses		
PS	886,557,318.38	776,730,728.29
MOOE	155,160,783.70	141,848,835.90
Financial Expenses	6,629.44	9,005.00
Non-Cash Expenses	7,022,905.29	11,235,566.45

Particulars	2016	2015
Surplus (Deficit) from Current Operations	(1,027,037,627.00)	(908,451,056.01)
Net Financial Assistance/Subsidy	1,058,302,215.55	923,959,070.61
Gains	860,598.20	81,000.00
Losses	(23,076.05)	-
Surplus (Deficit) for the Period	32,102,110.70	15,589,025.21

For CY 2016, the NLRC-Main and RABs reported a total collections/receipts of nominal fees and charges of ₱24,574,690.13 from appeals, deposits, certifications, certified machine copies, filing and execution fees, interests on bank deposits, miscellaneous and other fees for the account of the National Government of which was totally remitted to the National Treasury. The depository banks of NLRC for Trust/Fiduciary Fund accounts are the Land Bank of the Philippines (LBP) starting in February 2009 and the United Coconut Planters Bank (UCPB). The latter is accredited by the Department of Finance as a depository bank of National Government Funds under its Memorandum dated November 12, 2002 and Department Order No. 27-05 dated December 9, 2005. The table below presents the details of collected fees and charges:

Sources of Nominal Fees and Charges	Amount
Appeal Fees	2,306,680.00
Certification Fees and Clearance Fees	3,324,237.88
Interest Income	3,338,751.65
Filing and Legal Fees	3,958,691.27
Miscellaneous Fees	8,781,649.01
Sub-Total Service Income	21,710,009.81
Add: Other receipts	2,864,680.32
Total	24,574,690.13

D. Scope of Audit

The audit covered the review of accounts and operations of the NLRC's Main Office, eight Divisions, 14 RABs and 10 Sub-RABs for CY 2016. The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementations of prior years' audit recommendations.

E. Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the NLRC for CY 2016 for reasons stated in the attached Independent Auditor's Report and as discussed in Part II of this Report.

F. Significant Audit Observations and Recommendations

The following are the significant observations and recommendations, among others, which were discussed in detail under Part II of this report:

1. Of the 50,034 original cases handled for the year 2016 by the NLRC RABs, 41,830 were disposed of exceeding the Agency's 38,700 targets provided in its Performance Indicator under the FY 2016 GAA. Likewise, under the Project Speedy and Efficient Delivery of Labor Justice (SpeED) which set the nine months process cycle time (PCT) for RABs and six months PCT for the Commission Proper to dispose of original and appealed labor cases, respectively, of the 42,247 cases that needed to be disposed of, 98.71 percent accomplishment rate was achieved. Moreover, of the 6,161 appealed cases before the Court of Appeals, 6029 or 98 percent were affirmed exceeding its 92 percent accomplishment rate per GAA commitment. **(Observation No. 1)**

We commended the high disposition rate of labor dispute resolution services in NLRC RABs VIII, X and XII and the Agency for achieving more than its 92 percent target of its appealed cases being affirmed by higher authority. We also recommended that Management continue to focus on its good performance for speedy disposition of labor cases.

2. Due to various errors in recording collections of NLRC Main Office, the reported asset, liability and Accumulated surplus/Deficit accounts were understated by ₱82,768.81, ₱20,152.84 and ₱62,615.97, respectively, in violation of the pertinent provisions of the Government Accounting Manual (GAM), Volume 1. Likewise, the Accountant did not submit monthly Bank Reconciliation Statements which prevented the immediate detection of discrepancies between the book and bank records and to draw promptly the adjusting entries thereon. Moreover, the accountable officer of NLRC, Sub-Regional Arbitration Board (Sub-RAB) VI did not deposit intact and regularly her collections contrary to Section 69 (1) of Presidential Decree (PD) No. 1445, thereby exposing the same to risks of loss and misuse. **(Observation No. 2)**

We recommended that the Management require the concerned officials of the Accounting Unit of NLRC-Main Office to:

- a. prepare monthly bank reconciliation statements;**
- b. exercise due care in recording transactions and using the proper accounts as prescribed in the pertinent provisions of Volumes I and III of the GAM;**
- c. prepare the appropriate adjusting journal entries to correct the aforementioned errors; and**

d. analyze thoroughly the accounts in the financial statements to ensure reliability thereof.

We likewise recommended to the NLRC RAB VI that the Accountable Officer must deposit her collections intact and regularly as required by PD No. 1445.

3. The Cash in Bank-Local Currency, Current Account (Execution Fund) of the NLRC Main Office was misstated as it reported an abnormal negative balance of ₱144,556.13 due to incomplete reports submitted, inaccurate bank reconciliation statements, discrepancies on the results of bank confirmation and insufficient documentation of bank transactions. **(Observation No. 3)**

We recommended that the Management require the Accountant to:

- a. **effect adjustments as a result of the bank reconciliation made for each month as required in Section 7, Chapter 21, Volume I of the GAM to come up with the corrected balance of the account;**
 - b. **exercise due care in recording transactions to ensure the reliability of the financial statements; and**
 - c. **submit monthly Bank Reconciliation Statements.**
4. The reported balance of Inventory accounts of the NLRC Main Office and four NLRC-RABs totaling ₱1,544,656.43 was inaccurate due to several deficiencies such as recording of issuances not duly supported with Report of Supplies and Materials Issued and other evidence of issuance, non-reconciliation between accounting and property records, non-maintenance of Supplies Ledger Cards, and erroneous recording of accounts which resulted to the understatement of PPE, intangible assets and Accumulated Surplus accounts, among others. **(Observation No. 9)**

We recommended that the Management require the:

a. Accountant to:

- **conduct a thorough verification on the noted deficiencies and prepare the necessary journal entries to correct them;**
- **maintain SLCs to record all receipts and issuances;**
- **coordinate and reconcile with the Supply Officer the accounting and property records appearing in the books;**
- **verify, investigate, and adjust immediately all discrepancies noted between the physical and book inventories; and**

- **record only issuances based on the submitted RSMIs which are duly supported with the requisition and issue slips;**

b. Supply Officer to:

- **submit regularly the RSMI to the Accountant so that issuances are promptly recorded by the latter; and**
- **comply with the prescribed form under the GAM in the preparation of the RSMI and RPCI; and**

c. The Accountant and the Supply Officer to regularly reconcile their records.

5. The reported balance of Property, Plant and Equipment (PPE) accounts was understated by ₱22,960,505.42 and correspondingly overstated Other Assets and understated Accumulated Surplus/Deficit by ₱20,825,409.68 and ₱2,135,095.74, respectively, due to errors committed, such as: a) transfer of PPE to Other Assets account, b) non-recording/misclassification of procured capital assets, c) unrecorded disposed assets and d) recording of issuances as expenses. Moreover, the integrity of property custodianship was not established due to incomplete physical count, unreconciled accounting and property records and absence of or un-updated subsidiary records. **(Observation No. 10)**

We recommended that the Managements of the NLRC Main and the concerned RABs undertake and require/direct the responsible officials/offices to undertake the following:

a. Accountant to -

- **prepare and record adjusting journal entries to: a) revert back to the PPE accounts all items reclassified as Other Assets, including unserviceable properties not disposed of; b) record all procured PPE items not previously recognized as PPE; and c) correct the issuance which was re-classified as expenses; and**
- **exercise due care in the recording of financial transactions to ensure the accuracy and reliability of financial reports;**

b. Accounting Units to:

- **maintain PPELCs for proper monitoring of receipt and disposal of properties;**

c. Property Units to

- **conduct complete physical count of all PPE accounts. and submit the corresponding RPCPPE, copy furnished the Audit Team**
- **maintain updated PCs for each PPE items to monitor all acquisitions/issuance and dispositions;**

d. Accounting and Property Units - conduct periodic reconciliation of their records.

6. Service Incentive amounting to ₱227,500.00 was granted to Job Orders (JOs) of the NLRC Main. The amount granted was sourced from the balance of the UCPB Payroll Account that was originally intended for payment of salaries of regular employees contrary to DBM Budget Circular (BC) No. 2016-7 dated December 1, 2016. **(Observation No. 16)**

We recommended that the Management strictly comply with the 6 Line Items in granting the CNA and provide basis why the grant should not be disallowed in audit.

7. Failure of the NLRC RAB VII Personnel-in-Charge to deduct from the leave credits (LC) the equivalent day for tardiness/undertime and absence and/or correctly reflect the equivalent day for the aforementioned events resulted to unreliable leave credit balances in violation of Section 34 of the Omnibus Rules on Leave, hence, the risk of possible loss of government funds. **(Observation No. 17)**

We recommended that management require the Leave Credit In Charge to reflect adjustments in the leave cards and be careful in recording in order not to commit the same mistake, thus, not to prejudice the employees of the agency or not to incur losses of government funds.

The foregoing audit observations and recommendations were communicated through Audit Observation Memorandum (AOM) and discussed in an exit conference with concerned NLRC officials and employees on June 21, 2017. Their comments were incorporated in the Consolidated Annual Audit Report, where appropriate.

G. Status of Settlement of Audit Suspensions and Disallowances

The total balances of disallowances and suspensions as of December 31, 2016 amounted to ₱1,240,740.44 and ₱318,878.90, respectively. The details of the settlement of disallowances and suspensions are discussed in Part II of this Report.

H. Status of Implementations of Prior Years' Audit Recommendations

The status of the implementation of Prior Years' Audit Recommendations is summarized in the table below, the details of which are shown in Part III of this report.

Status of Implementation	Number of Recommendations	Percentage
Fully Implemented	22	51
Partially Implemented	16	37
Not Implemented	5	12
Total	43	100

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PART I

AUDITED FINANCIAL STATEMENTS

PART II

OBSERVATIONS AND RECOMMENDATIONS

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS



Republic of the Philippines
COMMISSION ON AUDIT
National Government Sector
Cluster 5 –Education and Employment
Office of the Supervising Auditor
Audit Group 5-F DOLE Attached Agencies

INDEPENDENT AUDITOR’S REPORT

Chairman GERARDO C. NOGRALES

National Labor Relations Commission
PPSTA Building No.5
Banawe Avenue corner P. Florentino St.
Quezon City

We have audited the accompanying financial statements of the National Labor Relations Commission (NLRC) and its Regional Offices, which comprise the Statement of Financial Position as at December 31, 2016, and the Statements of Financial Performance, Changes in Net Assets/Equity, Cash Flows, Comparison of Budget and Actual Amounts, and Notes to Financial Statements comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Public Sector Accounting Standards (PPSASs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

As discussed in Part II – Observations and Recommendations, our audit disclosed the following audit observations, among others, which affected the fair presentation of the financial statements.

1. The reported balance of Property, Plant and Equipment (PPE) accounts was understated by the carrying amount of ₱22,960,505.42 and correspondingly overstated Other Assets and understated Accumulated Surplus/Deficit by ₱20,825,409.68 and ₱2,135,095.74, respectively, due to errors in recording such as: transfer of PPE to Other Assets account, non-recording/misclassification of procured capital assets, unrecorded disposed assets as well as recording of issuances as expenses.
2. Intangible Assets and Accumulated Surplus/Deficit were understated by ₱1,449,506.00 and ₱215,684.00, respectively, and Other Assets was overstated by ₱1,233,822.00 due to inclusion as issued purchased computer software amounting to ₱215,684.00, as issued office supplies and the erroneous reclassification of Intangible Assets as Other Assets by the carrying amount of ₱1,233,822.00.
3. Assets, Liabilities and Accumulated Surplus accounts were understated by ₱82,768.81, ₱20,152.84 and ₱62,615.97, respectively due to various errors in recording collections.
4. Various Liability accounts were misstated and Accumulated Surplus/Deficit was overstated by ₱1,153,243.39 due to repetitive errors as well interchanging of accounts used in recording financial transactions
5. The reported balance of Inventory accounts amounting to ₱2,649,741.48 was misstated due to several deficiencies such as recording of issuance not duly supported with RSMI and other evidences of issuance, erroneous accounts used, which also resulted in the understatement of property and intangible assets.

Qualified Opinion

In our opinion, except for the possible effects on the consolidated financial statements of the matters described in the basis for Qualified Opinion paragraph, the consolidated financial statements, present fairly, in all material respects, the financial position of the NLRC as at December 31, 2016, and its financial performance, changes in net asset/equity, cash flows, comparison of budget and actual amounts, and notes to financial statements for the year then ended in accordance with the PPSASs.

COMMISSION ON AUDIT


ALMA A. BACULI
OIC-Supervising Auditor
DOLE Attached Agencies Audit Group

June 20, 2017



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

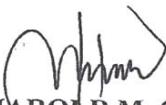


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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of National Labor Relations Commission is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2016 and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards (PPSAS) and generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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


HAROLD M. CARBO
Accountant IV

March 31, 2017
Date Signed


GERARDO C. NOGRALES
Chairman

March 31, 2017
Date Signed

NATIONAL LABOR RELATIONS COMMISSION
Consolidated Statement of Financial Position
All Funds
As at December 31, 2016

	<u>Note</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	4 P	1,828,411,707.28	P 1,723,472,098.10
Receivables	5	41,354,782.44	41,552,153.22
Inventories	6	2,649,741.48	2,113,204.74
Other Current Assets	7	7,178,788.95	6,907,404.28
Total Current Assets		<u>1,879,595,020.15</u>	<u>1,774,044,860.34</u>
Non-Current Assets			
Property, Plant and Equipment	8	32,219,410.10	49,726,192.52
Intangible Assets	9	34,960.00	1,261,197.37
Other Non-Current Assets	7	24,070,438.26	2,532,073.69
Total Non-Current Assets		<u>56,324,808.36</u>	<u>53,519,463.58</u>
Total Assets		<u>1,935,919,828.51</u>	<u>1,827,564,323.92</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	17,039,919.86	8,191,770.58
Inter-Agency Payables	11	11,879,584.17	15,949,267.79
Intra-Agency Payables	12	406,256.49	375,368.00
Trust Liabilities	13	1,804,021,107.89	1,724,597,841.41
Other Payables	14	20,722,020.59	3,447,049.24
Total Current Liabilities		<u>1,854,068,889.00</u>	<u>1,752,561,297.02</u>
Total Liabilities		<u>1,854,068,889.00</u>	<u>1,752,561,297.02</u>
Total Assets less Total Liabilities		<u>81,850,939.51</u>	<u>75,003,026.90</u>
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)	15	81,850,935.51	75,003,026.90
Total Net Assets/Equity	P	<u>81,850,935.51</u>	<u>P 75,003,026.90</u>

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

NATIONAL LABOR RELATIONS COMMISSION
Consolidated Statement of Financial Performance
All Funds
For the Year Ended December 31, 2016

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Revenue			
Service and Business Income	16	P <u>21,710,009.81</u>	P <u>21,373,080.24</u>
Total Revenue		<u>21,710,009.81</u>	<u>21,373,080.24</u>
Less: Current Operating Expenses			
Personnel Services	17	886,557,318.38	776,730,728.29
Maintenance and Other Operating Expenses	18	155,160,783.70	141,848,835.90
Financial Expenses	19	6,629.44	9,005.00
Non-Cash Expenses	20	<u>7,022,905.29</u>	<u>11,235,556.45</u>
Total Current Operating Expenses		<u>1,048,747,636.81</u>	<u>929,824,125.64</u>
Surplus/(Deficit) from Current Operations		<u>(1,027,037,627.00)</u>	<u>(908,451,045.40)</u>
Net Financial Assistance/Subsidy	21	1,058,302,215.55	923,959,070.61
Gains	22	860,598.20	81,000.00
Losses	23	<u>(23,076.05)</u>	<u>-</u>
Surplus/(Deficit) for the period		P <u><u>32,102,110.70</u></u>	P <u><u>15,589,025.21</u></u>

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

NATIONAL LABOR RELATIONS COMMISSION
Consolidated Statement of Changes in Net Assets/Equity
All Funds
For the Year Ended December 31, 2016

		Accumulated Surplus/ (Deficit)		
	<u>Note</u>	<u>2016</u>	<u>2015</u>	
Balance at January 1	P	75,003,026.90	P	87,994,290.03
Add/(Deduct):				
Changes in accounting policy		-		(575,446.64)
Prior period errors		-		(8,154,984.47)
Other adjustments		-		2,021,836.62
Restated balance		<u>75,003,026.90</u>		<u>81,285,695.54</u>
Add/(Deduct):				
Changes in Net Assets/Equity for the Calendar Year				
Surplus/(Deficit) for the period		32,102,110.70		15,589,025.21
Adjustment of net revenue recognized directly in net assets/equity ¹		(24,574,690.13)		(21,871,693.85)
Others ²		(679,507.96)		-
Balance at December 31	P	<u>81,850,939.51</u>	P	<u>75,003,026.90</u>

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

*2 - Direct adjustments to Net Assets/Equity which are not revenues or expenses (e.g. of the agency to another directly charged to Accumulated Surplus/(Deficit))

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

**NATIONAL LABOR RELATIONS COMMISSION
CONSOLIDATED STATEMENT OF CASH FLOWS
All Funds
FOR THE YEAR ENDED DECEMBER 31, 2016**

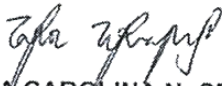
	<u>Notes</u>	<u>2016</u>		<u>2015</u>
Cash Flows From Operating Activities				
Cash Inflows				
Receipt of Notice of Cash Allocation	24	P 1,161,777,965.81	P	961,611,437.70
Collection of Income/Revenues		21,710,009.81		21,454,080.24
Collection of Receivables		-		19,440.03
Trust Receipts	25	1,803,032,063.01		1,682,667,646.17
Other Receipts	26	2,864,680.32		1,416,984.48
Other adjustments - Inflow	27	17,339,074.00		-
Total Cash Inflows		3,006,723,792.95		2,667,169,588.62
Cash Outflows				
Remittance to National Treasury		24,574,690.13		22,024,735.75
Payment of Expenses		868,190,416.86		760,085,483.73
Purchase of Inventories		13,679,501.62		9,395,969.73
Grant of Cash Advances		10,867,350.18		11,705,177.42
Prepayments		276,970.21		335,656.06
Payment of Accounts Payable		1,704,788,814.65		1,435,919,549.80
Remittance of Personnel Benefit Contributions and Mandatory Deductions		167,831,188.09		95,639,279.24
Other Disbursements	28	104,419.87		27,418,051.35
Reversal of Unutilized NCA	29	103,475,750.26		37,652,367.09
Reversion/Return of unused NCA (staled checks)		7,682,712.64		-
Total Cash Outflows		2,901,471,814.51		2,400,176,270.17
Net Cash Provided by (Used in) Operating Activities		105,251,978.44		266,993,318.45
Cash Flows from Investing Activities				
Cash Inflows				
Proceeds from Sale/Disposal of Property, Plant and Equipment		9,185.00		63,500.00
Total Cash Inflows		9,185.00		63,500.00
Cash Outflows				
Purchase/Construction of Property, Plant and Equipment		3,999,394.57		6,780,210.92
Total Cash Outflows		3,999,394.57		6,780,210.92
Net Cash Provided by (Used in) Investing Activities		(3,990,209.57)		(6,716,710.92)
Increase (Decrease) in Cash and Cash Equivalents		101,261,768.87		260,276,607.53
Effects of Exchange Rate Changes on Cash and Cash Equivalents		3,677,840.31		1,442,013.80
Cash and Cash Equivalents, January 1		1,723,472,098.10		1,461,753,476.77
Cash and Cash Equivalents, December 31		P 1,828,411,707.28		P 1,723,472,098.10

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

NATIONAL LABOR RELATIONS COMMISSION
CONSOLIDATED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
Regular Agency Fund
FOR THE YEAR ENDED DECEMBER 31, 2016

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
RECEIPTS				
Service and Business Income	44,700,000.00	44,700,000.00	24,574,690.13	20,125,309.87
Total Receipts	44,700,000.00	44,700,000.00	24,574,690.13	20,125,309.87
PAYMENTS				
Personnel Services	602,525,000.00	908,967,867.00	901,371,428.20	7,596,438.80
Maintenance and Other Operating Expenses	153,167,000.00	153,167,000.00	152,952,702.63	214,297.37
Capital Outlay	35,154,000.00	35,154,000.00	18,265,280.27	16,888,719.73
Total Payments	790,846,000.00	1,097,288,867.00	1,072,589,411.10	24,699,455.90
NET RECEIPTS/(PAYMENTS)	(746,146,000.00)	(1,052,588,867.00)	(1,048,014,720.97)	(4,574,146.03)

Prepared by:


MARIA CAROLINA N. CERVANTES
Acting Budget Officer

Certified Correct:


HAROLD M. CARBO
Accountant IV

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

National Labor Relations Commission
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

1. General Information/Agency Profile

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

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

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

The NLRC Mandate

The NLRC is a quasi-judicial body tasked to promote and maintain industrial peace based on social justice by resolving labor and management disputes involving both local and overseas workers through compulsory arbitration and alternative modes of disputes resolution.

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

Organizational Structure

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

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

The NLRC has 1,272 approved plantilla positions, 1,033 of which were filled positions as of December 31, 2016. 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 101 offices of Labor Arbiters and 45 offices for other services with the Executive Labor Arbiter handling administrative supervisory functions.

The NLRC Jurisdiction

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

The LCP enumerates and defines the jurisdiction of the NLRC.

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

1. Unfair labor practice cases;
2. Termination disputes;
3. If accompanied with a claim for reinstatement, those cases that workers may file involving wages, rates of pay, hours of work and other terms and conditions of employment;
4. Claims for actual, moral, exemplary and other forms of damages arising from employer-employee relations;
5. Except claims for employees compensation not included in the next succeeding paragraph, social security, medicare and maternity benefits, all other monetary claims arising from employer-employee relations including those of persons in domestic or household service, involving an amount exceeding ₱5,000.00, whether or not accompanied with a claim for reinstatement;
6. Cases arising from any violation of Article 264 of the LCP, including questions involving the legality of strikes and lockouts;
7. Wage distortion disputes in unorganized establishments not voluntarily settled by the parties pursuant to RA No. 6727;
8. Enforcement of compromise agreements when there is non-compliance by any of the parties pursuant to Article 227 of the LCP, as amended;
9. Money claims arising out of employer-employee relationship or by virtue of any law or contract, involving Filipino workers for overseas deployment, including claims for actual, moral, exemplary & other forms of damages as provided by section 10 of RA No. 8042, as amended by RA No. 10022; and
10. Other cases as may be provided by law.

Appellate Body of the NLRC (Commission Proper)

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

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

Powers of the Commission

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

1. To promulgate rules and regulations governing the hearing and disposition of cases before it and its regional branches, as well as those pertaining to its internal functions and such rules and regulations as may be necessary to carry out the purposes of this Code; (As amended by Section 10, RA No. 6715, March 21, 1989;
2. To administer oaths, summon the parties to a controversy, issue subpoenas requiring the attendance and testimony of witnesses or the production of such books, papers, contracts, records, statement of accounts, agreements, and others as may be material to a just determination of the matter under investigation, and to testify in any investigation or hearing conducted in pursuance of this Code;
3. To conduct investigation for the determination of a question, matter or controversy within its jurisdiction, proceed to hear and determine the disputes in the absence of any party thereto who has been summoned or served with notice to appear, conduct its proceedings or any part thereof in public or in private, adjourn its hearings to any time and place, refer technical matters or accounts to an expert and to accept his report as evidence after hearing of the parties upon due notice, direct parties to be joined in or excluded from the proceedings, correct, amend, or waive any error, defect or irregularity whether in substance or in form, give all such directions as it may deem necessary or expedient in the determination of the dispute before it, and dismiss any matter or refrain from further hearing or from determining the dispute or part thereof, where it is trivial or where further proceedings by the Commission are not necessary or desirable;

4. To hold any person in contempt directly or indirectly and impose appropriate penalties therefor in accordance with law.

A person guilty of misbehavior in the presence of or so near the Chairman or any member of the Commission or any Labor Arbiter as to obstruct or interrupt the proceedings before the same, including disrespect toward said officials, offensive personalities toward others, or refusal to be sworn, or to answer as a witness or to subscribe an affidavit or deposition when lawfully required to do so, may be summarily adjudged in direct contempt by said officials and punished by fine not exceeding five hundred pesos (₱500.00) or imprisonment not exceeding five days, or both, if it be the Commission, or a member thereof, or by a fine not exceeding one hundred pesos (₱100.00) or imprisonment not exceeding one day, or both, if it be a Labor Arbiter.

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

5. To enjoin or restrain any actual or threatened commission of any or all prohibited or unlawful acts or to require the performance of a particular act in any labor dispute which, if not restrained or performed forthwith, may cause grave or irreparable damage to any party or render ineffectual any decision in favor of such party: Provided, "That no temporary or permanent injunction in any case involving or growing out of a labor dispute as defined in this Code shall be issued except after hearing the testimony of witnesses, with opportunity for cross-examination, in support of the allegations of a complaint made under oath, and testimony in opposition thereto, if offered, and only after a finding of fact by the Commission, to the effect:
 - a) That prohibited or unlawful acts have been threatened and will be committed and will be continued unless restrained, but no injunction or temporary restraining order shall be issued on account of any threat, prohibited or unlawful act, except against the person or persons, association or organization making the threat or committing the prohibited or unlawful act or actually authorizing or ratifying the same after actual knowledge thereof;
 - b) That substantial and irreparable injury to complainant's property will follow;

- c) That as to each item of relief to be granted, greater injury will be inflicted upon complainant by the denial of relief than will be inflicted upon defendants by the granting of relief;
- d) That complainant has no adequate remedy at law; and
- e) That the public officers charged with the duty to protect complainant's property are unable or unwilling to furnish adequate protection.”

2016 Accomplishments

The NLRC's 2016 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.

Summary Table of Performance

The table below presents the CY 2016 case disposition per target based on the Major Final Output (MFO), to wit:

MFO 1: LABOR DISPUTE RESOLUTION SERVICES (Per FY 2016 GAA)			
Performance Indicators	Target	Actual	Percentage
Quantity: Number of Cases Settled and/or Decided:			
• Regional Arbitration Branches:	<u>38,700</u>	<u>41,830</u>	108
(a) Settled by SEADO (SEnA)		11,286	
(b) Settled by Labor Arbiter (CA)		13,277	
(c) Decided by Labor Arbiter (CA)		17,267	
• Commission Proper:			
(a) Decided by Commissioner (Appeal)	11,400	11,157	98
Quality: Percentage increase in cases resolved through conciliation-mediation:			
• Regional Arbitration Branches:	50%	59% (24,563)	117
(a) Settled thru conciliation-mediation by SEADO (SEnA)		11,286	
(b) Settled thru conciliation-mediation by Labor Arbiter (CA)		13,277	

MFO 1: LABOR DISPUTE RESOLUTION SERVICES (Per FY 2016 GAA)			
Performance Indicators	Target	Actual	Percentage
Timeliness: Percentage of cases resolved within three months from filing/receipt:			
• Regional Arbitration Branches	60%	72% (30,163)	120
• Commission Proper	60%	93% (10,342)	154

In 2016, the NLRC posted an overall case output of 41,830 (108%) of the 38,700 target major final output (MFO), 11,286 of which were settled by SEADO under the Single-Entry Approach (SEnA); and 13,277 and 17,267 were settled and decided, respectively by Labor Arbiter under the Compulsory Arbitration (CA). On appealed cases, the Commission Proper disposed 11,157 (98%) of the 11,400 target.

Under the “Double-Barreled (Two-Cycle) Conciliation-Mediation Program” (a program wherein venue for settlement of all labor disputes is done and exhausted through the following: (a) mandatory conciliation-mediation prior to compulsory arbitration pursuant to the Single-Entry Approach (SEnA) Rules of Procedure; and, (b) mandatory conciliation-mediation during compulsory arbitration pursuant to the 2011 NLRC Rules of Procedure, as amended). The NLRC settled 24,563 labor disputes, benefitting a total number of 35,475 workers involved, with settlement award of ₱4,666,112,162.15. The table below presents the summary of accomplishment of the program:

DOUBLE-BARRELED (TWO-CYCLE) CONCILIATION-MEDIATION PROGRAM (Settled Labor Disputes)			
Regional Arbitration Branches	No. of Settled Labor Disputes	No. of Workers Benefited	Judgment Award
Mandatory conference under the SEnA	11,286	13,513	1,520,486,865.49
Mandatory conference under the Compulsory Arbitration	13,277	21,962	3,145,625,296.66
Total	24,563	35,475	4,666,112,162.15

The following table summarizes the inflow and disposition of cases through Compulsory Arbitration Services:

Level	Beginning Balance	Total Cases Received regardless of age	Cases Handled	Cases Disposed	Percentage	Ending Caseload
RABs	8,406	30,342	38,748	30,544	79	8,204
Commission	845	10,970	11,815	11,157	94	658
Total	9,251	41,312	50,563	41,701	82	8,862

Under the Compulsory Arbitration Services of the NLRC RABs, out of 30,544 cases disposed of, 19,759 (65%) were resolved in favor of labor, and 10,785 (35%) in favor of management. Amount of judgment awards reached ₱7,175,962,524.95, benefitting 36,353 workers. Of the total amount awarded and workers benefitted, ₱3,145,652,296.66 were awarded through settlement, benefitting 21,962 number of workers involved, and ₱4,030,337,228.29 through decisions on the merit, benefitting 14,391 number of workers involved.

On appealed cases, the Commission Proper disposed 11,157; 7,833 (70%) of which were resolved in favor of labor and 3,324 (30%) in favor of Management. Amount of judgment awards reached ₱17,563,563,762.67, benefitting 18,852 number of workers involved.

Level	Actual Case Disposed	Case Disposition in Favor of:			
		Labor (Employee)	%	Management (Employer)	%
RABs	30,544	19,759	65	10,785	35
Commission Proper	11,157	7,833	70	3,324	30
Total	41,701	27,592	66	14,109	34

In terms of comparative inflow and outflow of regular cases, the NLRC Regional Arbitration Branches disposed of 30,544 (79%) of 38,748 cases handled in 2016, as compared to 30,863 (79%) of 39,269 cases handled in 2015. Percent of accomplishment is just maintained from 2015 to 2016 thus, the ending caseload of the NLRC RABs has decreased from 8,406 cases in 2015 to 8,204 cases in 2016, or a decreased of 202 (2%) cases. Of the 8,204 ending caseload of NLRC RABs by the end of 2016, 7,660 or 93% are newly-filed cases (“current” cases) or cases filed from April to December 2016 pursuant to the 9-month process cycle time of original cases.

Level	Handled Cases		Disposed Cases		Ending Caseload	
	2016	2015	2016	2015	2016	2015
RABs	38,748	39,269	30,544	30,863	8,204	8,406
Commission Proper	11,815	11,864	11,157	11,019	658	845

At the Commission level, in terms of total cases handled, the Divisions disposed of 11,157 (94%) of 11,815 cases handled in 2016, as compared to 11,019 (93%) of 11,864 cases handled in 2015. Thus, there is an increase of 1 percent accomplishment from previous year. As a result of one percent increase of number of cases disposed of, the ending caseload of the Divisions has decreased from 845 cases in 2015 to 658 cases in 2016, or a decreased of 187 (22%) cases. Of the 658 ending caseload of the Commission by the end of 2016, 656 or 99.7 percent are newly-filed cases (“current” cases) or cases filed from July to December 2016 pursuant to the 6-month process cycle time of appealed cases.

The table below presents the breakdown of 2016 ageing of cases:

Regional Arbitration Branches (RABs) - NCR to RAB XIII		
AGE OF ENDING CASELOAD		
9-Month Process Cycle Time	Actual	Percentage
1-3 months old (Oct. to Dec. 2016)	4,689	57
4-6 months old (Jul. to Sep. 2016)	2,220	27
7-9 months old (Apr. to Jun. 2016)	751	9
10 months old & above (Mar. 2016 & earlier)	544	7
Total	8,204	100

Commission Proper (1st to 8th Divisions)		
AGE OF ENDING CASELOAD		
6-Month Process Cycle Time	Actual	Percentage
1-3 months old (Oct. to Dec. 2016)	574	87.2
4-6 months old (Jul. to Sep. 2016)	82	12.5
7 months old & above (Jun. 2016 & earlier)	2	0.3
Total	658	100

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

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

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

3. Summary of Significant Accounting Policies

3.1 Basis of Accounting

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

3.2 Consolidation

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

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

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

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

The controlled entities are:

NLRC – Seventh Division at Cebu City

NLRC- Eight Division at Cagayan De Oro City

NLRC Regional Arbitration Branches (RABs):

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

3.3 Cash and cash equivalents

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

Collections and disbursements for fiduciary funds in foreign currencies are recognized in its prevailing exchange rate at the time of the actual deposit with the agency depository bank and revalued every reporting date at its closing rate using the Exchange Rate Index of the Bangko Sentral ng Pilipinas (BSP).

3.4 Inventories

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

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

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

3.5 Property, Plant and Equipment

Recognition

An item is recognized as Property, Plant and Equipment (PPE) if it meets the characteristics and recognition criteria as PPE.

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

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

Measurement at Recognition

An item recognized as PPE is measured at cost.

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

Cost includes the following:

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

Measurement after Recognition

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

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

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

Depreciation

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

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

Initial Recognition of Depreciation

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

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

Depreciation Method

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

Estimated useful life

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

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

Impairment

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

Derecognition

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

3.6 Leases

National Labor Relations Commission as a Lessee

Operating lease

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

3.7 Intangible Assets

Recognition and Measurement

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

Intangible assets acquired separately are initially recognized at cost.

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

Intangible Assets Acquired through Non-Exchange Transactions

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

Internally Generated Intangible Assets

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

Recognition of an Expense

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

Subsequent Measurement

The useful life of the intangible assets is assessed as either finite or indefinite.

Intangible asset with a finite life is amortized over its useful life.

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

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

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

3.8 Fund releases to Regional Arbitration Branches were made through Sub-allotments and Notice to Transfer Allocations (NTA).

3.9 Changes in Accounting Policies

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

3.10 Prior Period Adjustments

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

3.11 Employee Benefits

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

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

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

4. Cash and Cash Equivalents

Cash and Cash Equivalents are composed of the following:

Particulars	2016	2015
Cash on Hand	3,802,014.99	4,785,393.42
Cash in Bank – Local Currency, Current Account	1,776,025,781.84	1,655,861,275.70
Cash in Bank – Local Currency, Savings Account	2,154,546.66	1,989,553.99
Cash in Bank – Foreign Currency, Savings Deposit	41,158,127.74	53,351,414.33
Cash – Modified Disbursement System, Regular	-	7,484,460.66
Cash – Tax Remittance Advice	5,271,236.05	-
Total	1,828,411,707.28	1,723,472,098.10

- Petty Cash in the amount of ₱177,113.81 is maintained under the imprest system, utilized to pay out petty expenses. Replenishments are directly charged to the appropriate expense account. In addition, undeposited collections at the end of the year under the account of Cash-Collecting Officers amounted to ₱3,624,901.18.
- Cash in Bank-Local Currency, Current Account (Fiduciary Fund) amounting to ₱1,776,025,781.84 consists of funds in custodia legis from cash bonds posted by the respondent-companies and garnishments/enforcement of monetary claims/judgment awards in labor cases (Articles 223 & 224, LCP, 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 Landbank 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 EO No. 338.
- Cash in Bank – Local Currency, Savings Account in the amount of ₱2,154,546.66 represent the Payroll account of the NLRC Central Office and NCR.
- Cash in Bank – Foreign Currency, Savings Deposit has an ending balance of \$826,252.74 as of December 31, 2016 revalued using the Foreign Currency Exchange Rate Index of the BSP at ₱49.813 or equivalent amount of ₱41,158,127.74. This account is maintained at UCPB for the monetary judgment awards denominated in US Dollars involving OFW cases.
- Cash – Tax Remittance Advice (TRA) representing constructive receipt of cash amounted to ₱5,271,236.05 at the end of the year.

Presented in table below are breakdown of Cash in Bank-Local Currency, Current Account per region:

Particulars	2016	2015
Central Office and NCR	1,115,879,679.48	1,007,371,558.66
Seventh Division	3,283,982.36	2,931,525.67
Eight Division	3,752,144.27	2,836,949.02
Cordillera Administrative Region	20,509,386.06	34,102,098.14
Regional Arbitration Branch I	29,221,269.32	23,329,010.25
Regional Arbitration Branch II	11,422,176.97	10,803,266.98
Regional Arbitration Branch III	95,669,952.03	102,451,107.22
Regional Arbitration Branch IV	152,215,329.84	148,996,116.57
Regional Arbitration Branch V	22,484,359.49	31,231,119.57
Regional Arbitration Branch VI	70,543,730.87	59,043,822.36
Regional Arbitration Branch VII	98,465,577.70	95,300,403.00
Regional Arbitration Branch VIII	5,001,703.54	5,482,435.55
Regional Arbitration Branch IX	10,890,371.46	8,730,662.50
Regional Arbitration Branch X	38,989,267.30	30,835,705.61
Regional Arbitration Branch XI	52,216,437.55	52,226,532.50
Regional Arbitration Branch XII	24,523,600.98	22,057,142.96
Regional Arbitration Branch XIII	20,956,812.62	18,131,819.14
Balance at December 31, 2016	1,776,025,781.84	1,655,861,275.70

5. Receivables

Account	2016	2015
Inter-Agency Receivables	83,934.06	160,808.79
Other Receivables	41,270,848.38	41,391,344.43
Total	41,354,782.44	41,552,153.22

5.1 Inter-Agency Receivables

Account	2016	2015
Due from National Government Agencies	81,512.85	158,387.58
Due from Government Owned/Controlled Corporations (GOCCs)	2,421.21	2,421.21
Total	83,934.06	160,808.79

- Due from National Government Agencies in the amount of ₱81,512.85 pertains to the advance payment of common office supplies to the DBM-Procurement Service.

5.2 Other Receivables

Account	2016	2015
Receivables-Disallowances/Charges	1,171,800.51	1,201,055.51
Due from Officers and Employees	505,445.54	605,586.60
Other Receivables	39,593,602.33	39,584,702.32
Total	41,270,848.38	41,391,344.43

- The account Receivables – Disallowance/Charges pertains to payments/disbursements disallowed in audit by the NLRC Audit Team in the following offices:

Particulars	Amount	Aging	
		1 to 2 years	More than 2 years
Central Office	318,680.71	-	318,680.71
7 th Division	16,500.00	16,500.00	-
8 th Division	821,238.62	-	821,238.62
RAB VII	15,381.18	15,381.18	-
Total	1,171,800.51	31,881.18	1,139,919.33

Status of Disallowances/Charges:

Central Office – demand letters had been sent to concerned officials and employees.

7th Division – request for write-off of the said account is yet to be approved by COA.

8th Division – the management requested for the lifting of the Disallowance to COA on January 14, 2003. This request is yet to be decided by COA.

RAB VII – there is a pending request to write-off the balance of the said account.

- The account Due from Officers and Employees amounting to ₱505,445.54 consists of cash advances granted for local travels, cash shortage booked up under the account and the tax arrears of NLRC employees as a result of year-end tax adjustments in 2016.

Particulars	Amount	Ageing	
		Less than 1 year	More than 2 years
Central Office	425,144.14	-	425,144.14
RAB II	1,639.20	1,639.20	-
RAB VI	1,750.05	1,750.05	-
RAB X	56,912.15	56,912.15	-
RAB XII	20,000.00	20,000.00	-
Totals	505,445.54	80,301.40	425,144.14

- The account Other Receivables consists of the following:

Particulars	Amount	Year Occurred
Receivables with administrative or criminal charges filed:		
Reported deposits as per RCD but not credited by the bank as per Bank Statement	10,038,015.37	2006
Reported Cancelled Checks but Fraudulently Encashed In the Bank	28,877,520.45	2001 to 2006
Undeposited Collections of former Cashiers which form part of the Cash Shortages subject by the charges filed against them.	1,042,882.39	2004 to 2006
Sub-total	39,958,418.21	-
Overpayment in Trust Funds releases	90.07	2012
Nominal Fees from Returned Check Collections (Lanting Security)	1,401.96	2005
Overpayment of Salaries and Wages	8,193.49	2012
Adjustments for late clearing notes accounted as part of the undeposited collections of the former Cashier, NCR	(383,422.80)	
Adjustment in 2016	(100.00)	2016
RAB I	9,000.00	2016
RAB X	21.40	2016
Total	39,593,602.33	

6. Inventories

Accounts	2016	2015
Inventory Held for Consumption:		
Carrying Amount, Beginning	2,113,204.74	1,340,381.10
Procurement for 2016	14,855,150.56	9,395,969.73
Expensed During the Year except write-down	(14,318,613.82)	(8,623,146.09)
Carrying Amount, Ending	2,649,741.48	2,113,204.74

The inventory held for consumption consists of the following:

- Office Supplies Inventory in the amount of ₱1,506,362.98 represents the office supplies procured and stored at the stockroom of the NLRC Supply Officer.
- Accountable Forms, Plates and Stickers Inventory in the amount of ₱33,998.00 refer 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 ₱3,892.51 are the unissued first aid medicines that are found at the NLRC Clinic available for emergency first aid need of officials and employees which will be credited upon receipt of the monthly report of issued and utilized medicines.
- Other Supplies and Materials amounted to ₱4,292.57 at the end of the year.
- At the end of the year, inventory of Semi-Expandable Machinery and equipment amounted to ₱403,101.82 while inventory of Semi-Expandable Furniture, Fixtures, and Books amounted to ₱698,093.60.

7. Other Assets

Particulars	2016		2015	
	Current	Non-Current	Current	Non-Current
Advances	1,068,604.10	-	1,070,072.05	-
Prepayments	759,733.99	-	138,203.13	-
Deposits	5,350,450.86	-	5,699,129.10	-
Other Assets	-	24,070,438.26	-	2,532,073.69
Total	7,178,788.95	24,070,438.26	6,907,404.28	2,532,073.69

a. Advances consist of the following:

- Advances to Special Disbursing Officer in the amount of ₱981,825.68 represent unliquidated cash advances as of December 31, 2016 granted to disbursing officers for payroll and for other specific activity.

- Advances to Officers and Employees in the amount of ₱86,778.42 are the unliquidated cash advance for travel expenses as of December 31, 2016.

b. Prepayments represents the security deposit required under the lease contract entered, unexpired portion of insurance, and other prepayments broken down as follows:

Account	2016	2015
Prepaid Rent	698,200.00	-
Prepaid Insurance	50,144.37	66,884.07
Other Prepayments	11,389.62	71,319.06
Total	759,733.99	138,203.13

c. In 2016, Prepaid Rent which pertains to security deposit was reclassified as Other Deposits.

Account	2016	2015
Other Deposits	5,084,480.86	5,491,409.10
Guaranty Deposits	265,970.00	207,720.00
Total	5,350,450.86	5,699,129.10

d. Other Assets account consists of fully depreciated PPE awaiting disposal.

8. Property, Plant and Equipment (PPE)

	Land	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Leasehold Improvements	Other Property, Plant and Equipment	TOTAL
Carrying Amount, January 1, 2016	539,400.00	29,779,957.22	10,098,723.27	8,273,635.44	757,642.93	276,833.66	49,726,192.52
Additions/ Acquisitions	-	3,785,477.78	11,973,324.85	558,803.54	-	-	16,317,606.17
Adjustments	-	(19,095,154.13)	(227,425.93)	(5,824,581.14)	(674,155.47)	(1,548.70)	(25,822,865.37)
Total	539,400.00	14,470,280.87	21,844,622.19	3,007,857.84	83,487.46	275,284.96	40,220,933.32
Disposals	-	(290,475.47)	-	(609,581.08)	-	(80,401.38)	(980,457.93)
Depreciation	-	(3,477,948.74)	(3,028,561.17)	(267,765.67)	(26,515.22)	(98,828.24)	(6,899,619.04)
Impairment Loss	-	(121,446.25)	-	-	-	-	(121,446.25)
Carrying Amount, December 31, 2016	539,400.00	10,580,410.41	18,816,061.02	2,130,511.09	56,972.24	96,055.34	32,219,410.10
Gross amount	539,400.00	30,102,166.30	39,184,347.10	5,071,291.07	176,779.59	578,718.00	75,652,702.06
Accumulated Depreciation	-	(19,521,755.89)	(20,368,286.08)	(2,940,779.98)	(119,807.35)	(482,662.66)	(43,433,291.96)
Carrying Amount, December 31, 2016	539,400.00	10,580,410.41	18,816,061.02	2,130,511.09	56,972.24	96,055.34	32,219,410.10

9. Intangible Assets

Particulars	2016	2015
Computer Software		
Carrying Amount, Jan. 1, 2016	1,261,197.37	1,233,322.00
Adjustments	(1,261,197.37)	31,350.00
Additions	36,800.00	-
<i>Total</i>	<i>36,800.00</i>	<i>1,264,672.00</i>
Amortization Recognized	1,840.00	3,474.63
Carrying Amount, December 31, 2016	34,960.00	1,261,197.37

The Intangible Assets Account consists of licensed computer software. During the year, fully amortized computer software with carrying amount of ₱1,261,197.37 was transferred to Other Asset account.

10. Financial Liabilities

10.1 Payables

Account	2016	2015
Payables		
Accounts Payable	12,693,847.16	3,470,561.53
Due to Officers and Employees	4,346,072.70	4,721,209.05
Total	17,039,919.86	8,191,770.58

- The Accounts Payable account consists of the unclaimed checks at the end of the year for MDS and Trust Funds account and the unpaid obligations for 2016.
- Due to Officers and Employees are unpaid claims of officers and employees as of December 31, 2016.

11. Inter-Agency Payables

Account	2016	2015
Due to BIR	9,014,033.33	11,480,184.27
Due to GSIS	491,783.56	2,067,710.08
Due to PAG-IBIG	536,239.16	571,874.92
Due to PhilHealth	658,267.60	673,392.65
Due to National Government Agencies	359,537.83	285,498.50
Due to GOCCs	819,722.69	870,607.37
Total	11,879,584.17	15,949,267.79

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

- The account Due to NGAs consists of collections for legal and research fund for the month of December 2016.
- The account Due to GOCCs represents the amount deducted from the salaries of employees for payment of their loan from Land Bank of the Philippines and National Home Mortgage and Finance Corporation.

12. Intra-Agency Payables

Account	2016	2015
Due to Central Office	406,256.49	349,247.99
Due to Bureaus	-	26,120.01
Total	406,256.49	375,368.00

- Due to Central Office account represents the unremitted collections for execution of RAB VI. This account is subject for review and any adjustments will be made on CY 2017.

13. Trust Liabilities

Account	2016	2015
Trust Fund	1,802,854,541.12	1,716,247,469.88
Execution Fund	1,166,566.69	8,350,371.53
Total	1,804,021,107.89	1,724,597,841.41

Trust Liabilities in the amount of ₱1,804,021,107.89 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.

14. Other Payables

This account represents the amount payable to National Labor Relations Commission Employees Association (NLRCEA) as well as amounts representing deposits for injunction bonds, injunction expense funds and appeal bonds posted by private parties or entities as of December 31, 2016.

15. Net Assets/Equity

This account consists of:

Particulars	2016	2015
Balance at January 1	75,003,026.90	87,994,290.03
Changes in Accounting Policy	-	(575,446.64)
Prior Period Adjustments	-	(8,154,984.47)
Other Adjustments	-	2,021,836.62
Restated Balance	75,003,026.90	81,285,695.54
Surplus/(Deficit) for the period	32,102,110.70	15,589,025.21
Adjustments directly recognized in Net Assets/Equity	(24,574,690.13)	(21,871,693.85)
Others	(679,507.96)	-
Balance at December 31	81,850,939.51	75,003,026.90

16. Service Income

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

Account	2016	2015
Appeal Fees	2,306,680.00	2,546,642.00
Clearance Fees	2,086,608.88	1,753,192.00
Certification Fees	1,237,629.00	1,352,295.00
Filing and Legal Fees	3,958,691.27	4,216,552.70
Other Service Income	8,781,649.01	8,615,122.32
Miscellaneous Income	-	77,729.67
Interest Income from trust fund deposits	3,338,751.65	2,811,546.55
Total	21,710,009.81	21,373,080.24

17. Personnel Services

17.1 Salaries and Wages

Salaries and Wages represent payment to regular plantilla position personnel and casual employees. During the year, the Commission paid a total of ₱484,191,190.97 of Salaries and Wages.

Account	2016	2015
Salaries and Wages - Regular	484,103,582.40	399,896,821.69
Salaries and Wages - Casual/ Contractual	87,608.57	102,466.56
Total	484,191,190.97	399,999,288.25

17.2 Other Compensation

This account consists of:

Account	2016	2015
Personnel Economic Relief Allowance	24,054,415.85	22,375,752.60
Representation Allowance	28,918,830.95	26,440,338.50
Transportation Allowance	27,570,317.33	25,010,827.12
Clothing/Uniform Allowance	5,103,230.00	4,727,500.00
Productivity Incentive Allowance	579,518.05	1,647,000.00
Honoraria	70,600.00	52,000.00
Longevity Pay	6,521,376.80	4,394,377.43
Overtime and Night Pay	262,665.69	197,786.28
Year-End Bonus	78,156,226.75	33,349,556.48
Cash Gift	4,831,250.00	4,716,052.50
Other Bonuses and Allowances	19,301,754.38	44,425,005.97
Total	195,370,185.80	167,336,196.88

- Personnel Economic Relief Allowance (PERA) 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 the General Appropriations Act for 2016.
- Representation Allowance (RA) and Transportation Allowance (TA) are granted to authorized NLRC Officials as attached to their occupied positions and as authorized under the GAA for FY 2014 and NBC No. 546.
- Clothing/Uniform Allowance of ₱5,000.00 represents payment for annual clothing allowance per employee pursuant to the GAA, CY 2016.
- Productivity Incentive Allowance represents payment of incentives of ₱2,000.00 per employee pursuant to Administrative Order 161 dated December 16, 1994 and National Compensation Circulars Nos. 73 and 73-A dated 27 December 1994, and 01 March 1995.
- Honoraria are payments to resource speakers in an in-house seminars and trainings. This also includes honorarium paid to members of Bids and Awards Committee (BAC) for each successful bid and award of contracts.
- Overtime and Night Pay Differentials represent payment for overtime services of drivers and other duly authorized NLRC personnel.
- Year-End Bonus and Cash Gift are granted to NLRC officials and employees pursuant to RA No. 6686 as amended by RA No. 8441.

- Other Bonuses and Allowance are payments of Performance Enhancement Incentives and Performance Based Bonus as authorized under NBC 2010-3 and Executive Order No. 80.

17.3 Personnel Benefit Contributions

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

Account	2016	2015
Retirement and Life Insurance	38,627,006.73	32,808,380.35
Pag-IBIG	1,196,600.00	1,116,662.50
PhilHealth Insurance	3,765,025.00	3,396,915.98
Employees Compensation Insurance	1,195,111.43	1,096,532.18
Total	44,783,743.16	38,418,491.01

17.4 Other Personnel Benefits

This account consists of the following:

Account	2016	2015
Pension Benefits - Civilian	49,089,696.00	43,946,710.92
Retirement Gratuity - Civilian	68,236,926.00	74,388,306.65
Terminal Leave Benefits	25,284,893.15	35,195,662.00
Other Personnel Benefits	19,600,683.30	17,446,072.58
Total	162,212,198.45	170,976,752.15

- Pension Benefits – Civilian in the amount of ₱49,089,696.00 are the monthly pensions of retired Commissioners and Labor Arbiters pursuant to the Retirement Law of the Judiciary under RA No. 9347, as amended, Article 216 of the Labor Code of the Philippines and RA No. 9946.
- Retirement Gratuity – Civilian in the amount of ₱68,236,926.00 are the retirement gratuity benefits paid to the NLRC officials who have reached the retirement age under the regular retirement program for the government employees computed based on the provision of applicable retirement laws, rules and regulations.
- Terminal Leave Benefits in the total amount of ₱25,284,893.15 are payments of accumulated leave credits of the NLRC officials and employees who have retired from service computed based on the provisions of the Civil Service Commission Omnibus Rules on Leave Implementing Book V of EO No. 292.

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

18. Maintenance and Other Operating Expenses

18.1 Travelling Expense

Account	2016	2015
Travelling Expense -Local	4,338,305.50	3,701,209.38
Total	4,338,305.50	3,701,209.38

Travelling Expenses – Local in the amount of ₱4,338,305.50 are expended for local and domestic travels of officials and employees of Central Office and Regional Arbitration Branches in their mid-year and year-end performance assessments and corplanning activities, en banc sessions, attendance in seminars, trainings and conventions and the reimbursements of bailiffs and liaison officers.

18.2 Training and Scholarship

Particulars	2016	2015
Training and Scholarship	2,333,162.60	4,512,180.97
Total	2,333,162.60	4,512,180.97

Training and Scholarship Expenses in the amount of ₱2,333,162.60 are incurred during the conduct of various in-house trainings and seminars in line with the agency’s program on values enhancement and staff capability building.

18.3 Supplies and Materials Expenses

Account	2016	2015
Office Supplies Expenses	9,869,605.51	6,051,122.04
Accountable Forms Expenses	436,670.00	47,281.50
Drugs and Medicines Expense	38,334.70	6,689.55
Fuel, Oil and Lubricants Expenses	1,604,038.72	1,759,029.21
Textbooks and Instructional Materials Expenses	622,165.00	1,955.00
Semi-Expendable Machinery and Equipment Exp.	604,532.63	-
Semi-Expendable Furniture, Fixtures, and Books	952,984.65	-
Other Supplies and Materials Expenses	363,982.84	757,068.79
Total	14,492,314.05	8,623,146.09

- Office Supplies Expenses in the amount of ₱9,869,605.51 are consumptions of common office supplies used for the operational activity of the Agency.
- Accountable Forms Expense is the costs of government accountable forms such as official receipts, checks issued to the accountable officers at the Central Office and Regional Arbitration Branches.
- Gasoline, Oil and Lubricants in the amount of ₱1,604,038.72 represent fuel and gasoline expenses for NLRC vehicles used for general administrative services and the reimbursements of gasoline expenses of officials issued with government service vehicles who are not entitled to Transportation Allowance as per COA regulations and GAA for FY 2016.

18.4 Utility Expenses

Account	2016	2015
Water Expenses	4,086,051.65	3,457,149.36
Electricity Expenses	18,517,994.64	17,552,555.66
Total	22,604,046.29	21,009,705.02

18.5 Communication Expenses

Account	2016	2015
Postage and Courier Services	13,956,756.95	11,727,218.00
Telephone Expenses	6,390,613.40	5,147,408.71
Internet Subscription Expenses	1,240,077.19	1,234,546.00
Cable, Satellite, Telegraph and Radio Expenses	48,694.20	37,520.00
Total	21,636,141.74	18,146,692.71

- Postage and Courier Services in the total amount of ₱13,956,756.95 are payments made to Philippine Postal Corporation and Airfreight 2100, Inc for the cost of postage, stamps and delivery of all notices of hearings, decisions, orders, resolutions and other documents sent to parties in labor cases and other government offices.
- Telephone Expense – Landline in the amount of ₱6,390,613.40 are payments to PLDT and Bayantel for the telephone service lines as well as the reimbursement of authorized officials of their mobile expenses subject to the limitations set by the top management at the NLRC-CO and RABs for the year.
- Internet Expense in the amount of ₱1,240,077.19 represents payments to internet connections for NLRC for its case monitoring and internet services for online submission of reports and online remittance of taxes.

18.6 Confidential, Intelligence and Extraordinary Expenses

Account	2016	2015
Extraordinary and Miscellaneous Expenses	24,223,786.58	22,290,179.03
Total	24,223,786.58	22,290,179.03

Extraordinary and Miscellaneous Expenses in the amount of ₱24,223,786.58 are reimbursement of expenses incurred by the Offices of Commissioners, Executive Clerk of Court IV, Director, Management and Administrative Department, Executive Labor Arbiters and Labor Arbiters pursuant to the GAA 2016.

18.7 Professional Services

Account	2016	2015
Legal Services	91,150.00	64,510.00
Auditing Services	988,720.76	533,097.70
Consultancy Services	241,612.90	-
Other Professional Services	166,758.50	229,975.18
Total	1,488,242.16	827,582.88

Legal Services represent payments to appearance fee and expenses of legal staffs that are appearing in court hearings for the NLRC pursuant to the GAA of FY 2016.

18.8 General Services

Account	2016	2015
Janitorial Services	3,777,873.85	3,870,914.45
Security Services	9,899,225.95	10,522,574.96
Other General Services	3,449,727.84	3,625,778.60
Total	17,126,827.64	18,019,268.01

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

18.9 Repairs and Maintenance

Account	2016	2015
Repairs and Maintenance – Buildings and Other Structure	106,398.37	170,665.99
Repairs and Maintenance – Machinery and Equipment	572,752.69	615,121.64
Repairs and Maintenance – Transportation Equipment	1,602,517.59	1,675,085.73
Repairs and Maintenance – Furniture and Fixtures	450,797.45	234,463.61

Account	2016	2015
Repairs and Maintenance – Leased Assets Improvement	2,476,040.94	231,591.30
Repairs and Maintenance – Other Property, Plant and Equipment	1,299.75	18,335.00
Total	5,209,806.79	2,945,263.27

- Repairs and Maintenance – Buildings and other structures were incurred for the repair of rooms occupied for office space at rented building.
- Repairs and Maintenance – Transportation Equipment represent payments for regular maintenance of motor vehicles of NLRC.
- Repairs and Maintenance – Leased Assets Improvements are incurred for the repairs of office space at rented building.

18.10 Taxes, Insurance Premiums and Other Fees

Account	2016	2015
Taxes, Duties and Licenses	647,003.08	683,424.26
Fidelity Bond Premium	203,195.36	500,800.15
Insurance Expenses	341,627.74	440,505.31
Total	1,191,826.18	1,624,729.72

- Taxes, Duties and Licenses are 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 are payments of bond premiums to the Bureau of the Treasury for all NLRC Central Office and NCR bonded officers holding money and property accountabilities.
- Insurance expense payments to GSIS for the general insurance of NLRC properties.

18.11 Other Maintenance and Operating Expenses

Account	2016	2015
Advertising Expenses	213,098.40	696,256.00
Membership Dues and Contributions to Organization	-	500.00
Printing and Publication Expenses	566,552.56	841,096.44
Representation Expenses	1,761,822.90	687,435.00
Transportation and Delivery Expenses	706,628.02	571,329.25
Rent/Lease Expenses	36,504,753.60	36,718,140.08
Subscription Expenses	238,329.00	212,674.67
Other Maintenance and Operating Expenses	525,139.69	421,447.38
Total	40,516,324.17	40,148,878.82

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

19. Financial Expenses

This account represents bank charges paid during the year.

Account	2016	2015
Bank Charges	6,629.44	9,005.00
Total	6,629.44	9,005.00

20. Non-Cash Expenses

20.1 Depreciation

Account	2016	2015
Depreciation – Machinery and Equipment	3,530,605.88	3,998,584.44
Depreciation – Transportation Equipment	3,050,106.61	6,552,573.15
Depreciation – Furniture, Fixtures and Books	271,179.47	630,052.52
Depreciation – Leased Assets Improvements	26,515.22	20,301.22
Depreciation – Other PPE	21,211.86	30,570.49
Total	6,899,619.04	11,232,081.82

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

20.2 Amortization

Account	2016	2015
Amortization – Intangible Asset	1,840.00	3,474.63
Total	1,840.00	3,474.63

20.3 Impairment Loss

Account	2016	2015
Impairment Loss – Intangible Asset	121,446.25	-
Total	121,446.25	-

21. Net Financial Assistance/Subsidy - ₱923,959,070.61

Particulars	2016	2015
Notice of Cash Allocation (NCA)	1,050,705,108.00	874,565,927.00
Tax Remittance Advice	111,072,857.81	87,045,510.70
Total Subsidy from National Government	1,161,777,965.81	961,611,437.70
Reversion of Unutilized NCA	(103,475,750.26)	(37,652,367.09)
Net Financial Assistance/Subsidy	1,058,302,215.55	923,959,070.61

22. Gains

Particulars	2016	2015
Other Gains	860,598.20	81,000.00
Total	860,598.20	81,000.00

This account represents the amounts received from the sale of bidding documents during the year and gain on sale of disposed asset.

23. Losses

Particulars	2016	2015
Loss on Sale of PPE	23,076.05	-
Total	23,076.05	-

24. Receipt of Notice of Cash Allocation

Particulars	2016	2015
Notice of Cash Allocation (NCA)	1,050,705,108.00	874,565,927.00
Tax Remittance Advice (Constructive Receipt of NCA)	111,072,857.81	87,045,510.70
Total	1,161,777,965.81	961,611,437.70

25. Trust Receipts

Particulars	2016	2015
Trust Fund	1,788,472,103.88	1,671,341,413.10
Execution Fund	14,559,959.13	11,326,233.07
Total	1,803,032,063.01	1,682,667,646.17

25.1 Trust Fund

Trust fund receipts consist of the following:

Particulars	2016	2015
Central Office and NCR	1,209,061,847.57	1,092,897,915.85
7 th Division	-	443,506.34
8 th Division	4,734,199.55	2,312,137.07
CAR	18,404,358.38	28,963,578.98
RAB I	27,020,614.08	28,706,639.63
RAB II	20,385,066.01	13,669,558.73
RAB III	74,530,546.99	91,617,805.41
RAB IV	107,663,353.89	102,225,993.06
RAB V	17,792,145.63	32,525,571.71
RAB VI	70,635,528.67	64,008,259.23
RAB VII	92,530,442.86	108,112,294.37
RAB VIII	7,544,938.67	4,810,859.88
RAB IX	11,730,722.29	7,894,739.25
RAB X	39,495,793.06	27,851,034.86
RAB XI	54,534,540.75	30,433,559.29
RAB XII	22,162,181.18	24,816,246.32
RAB XIII	10,245,824.30	10,051,713.12
Total	1,788,472,103.88	1,671,641,413.10

25.2 Execution Fund

Execution fund receipts consist of the following:

Particulars	2016	2015
Central Office and NCR	11,361,326.66	8,273,411.90
7 th Division	-	-
8 th Division	841.04	13,713.59
CAR	47,137.58	43,350.52
RAB I	159,972.73	297,922.16
RAB II	154,617.01	81,209.45
RAB III	449,893.78	509,078.96
RAB IV	622,046.60	465,235.27
RAB V	-	-
RAB VI	314,152.76	299,780.95
RAB VII	614,551.21	760,810.51
RAB VIII	103,619.87	37,054.78
RAB IX	47,643.42	15,027.84
RAB X	-	-
RAB XI	579,475.95	273,766.76
RAB XII	70,068.53	189,532.90
RAB XIII	34,611.99	66,337.48
Total	14,559,959.13	11,326,233.07

26. Other Receipts

Other receipts represent the following:

Particulars	2016
Other Receipts (i.e. proceeds from sale of PPE, Bid Documents, etc.)	
Central Office and NCR	1,084,519.60
8 th Division	20.00
CAR	23,540.77
RAB I	1,640.00
RAB II	147,884.21
RAB III	7,360.00
RAB VII	30,721.22
RAB VIII	1,000.000
RAB IX	62,360.11
RAB X	3,820.00
RAB XII	1,420.00
RAB XIII	1,000.00
Sub-Total	1,365,285.91
Refund of Cash Advances and Payment of Disallowances	1,499,394.41
Total	2,864,680.32

27. Other Adjustments – Inflow

This account represents adjustments for staled/cancelled checks made by the following RABs.

Particulars	Amount
CAR	2,300,503.90
RAB I	1,181,179.12
RAB II	18,227.62
RAB IV	6,156,267.05
RAB VI	1,249,709.04
RAB VII	2,199,328.81
RAB VIII	3,862,903.01
RAB X	10,396.45
RAB XI	239,130.88
RAB XII	121,428.12
Total	17,399,074.00

28. Other Disbursements

The total amount of ₱104,419.87 represents other adjustment incurred by RAB VIII during the year.

29. Reversal of Unutilized NCA

Particulars	Amount
Central Office and NCR	81,480,445.58
7 th Division	3,518,789.84
8 th Division	2,527,917.48
CAR	921,717.41
RAB I	305,300.85
RAB II	363,114.19
RAB III	936,937.37
RAB IV	1,716,579.73
RAB V	826,623.08
RAB VI	1,629,365.30
RAB VII	2,061,662.83
RAB VIII	990,875.19
RAB IX	582,834.00
RAB X	1,588,777.11
RAB XI	1,239,436.76
RAB XII	2,258,319.58
RAB XIII	527,053.96
Total	103,475,750.26

OBSERVATIONS AND RECOMMENDATIONS

Value for Money Audit

Labor Disputes Resolution Services

1. **Of the 50,034 original cases handled for the year 2016 by the National Labor Relations Commission Regional Arbitration Branches (NLRC RABs), 41,830 were disposed of exceeding the Agency's 38,700 target provided in its Performance Indicator under the FY 2016 General Appropriations Act (GAA). Likewise, under the Project Speedy and Efficient Delivery of Labor Justice (SpeED) which set the nine months process cycle time (PCT) for RABs and six months PCT for the Commission Proper to dispose of original and appealed labor cases, respectively, of the 42,247 cases that needed to be disposed of, 98.71 percent accomplishment rate was achieved. Moreover, of the 6,161 appealed cases before the Court of Appeals, 6029 or 98 percent were affirmed exceeding its 92 percent accomplishment rate per GAA commitment.**
 - 1.1 The NLRC is a quasi-judicial body tasked to promote and maintain industrial peace based on social justice by resolving labor and management disputes involving both local and overseas workers through compulsory arbitration and other alternative modes of dispute resolution.
 - 1.2 Section 2, Rule I of the 2011 NLRC Rules of Procedure provides that the NLRC shall carry out the objective 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.
 - 1.3 The RABs Compulsory Arbitration involves the resolution of labor disputes in the fairest, quickest, and least expensive and most effective way possible. As provided in Section 4, Rule IV of the same Rules of Procedure on the Disposition of Cases, subject to the provisions of Article 263 (g) of the Labor Code, as amended, when a case is assigned to a Labor Arbiter, the entire case and any or all incidents thereto shall be considered assigned to him/her; the same shall be disposed of in the same proceedings to avoid multiplicity of suits or proceedings.
 - 1.4 Labor dispute may be resolved thru amicable settlement during the mandatory conciliation-mediation conference, and if not both parties shall submit their verified position papers to the Labor Arbiter in order to promulgate a decision.
 - 1.5 Labor dispute may be resolved thru amicable settlement during the mandatory conciliation-mediation conference, and if not both parties shall submit their

verified position papers to the Labor Arbiter in order to promulgate a decision.

- 1.6 On the other hand, the Appellate Level involves the resolution of cases decided by the Labor Arbiters assigned at RABs in the Compulsory Arbitration that are appealed before the Commission Proper. Section 1 of Rule VI stipulates the Period of Appeals. Decision, awards or orders of the Labor Arbiter shall be final and executory unless appealed to the Commission by any or both parties within 10 calendar days from receipt thereof, and in case of decisions or resolutions of the Regional Director of the Department of Labor and Employment (DOLE) pursuant to Article 129 of the Labor Code, within five calendar days from receipt thereof.
- 1.7 Under the Performance Indicators of the NLRC as provided in the FY 2016 GAA, the Agency committed to resolve 38,700 cases under compulsory arbitration and to increase from 90 percent to 92 percent, the percentage increase of its decisions affirmed by a higher authority, the Court of Appeals.
- 1.8 The NLRC also implemented the “Project Speedy and Efficient Delivery of Labor Justice (SpeED)”, one of the Key Strategies of the NLRC under RA No. 10717 or the GAA for FY 2016. It was a strategy adopted by all DOLE offices and agencies involved in case handling under the Philippine Labor and Employment Plan (LEP) from CYs 2011 to 2016 and one of the 22-point agenda of the Aquino Administration to sustain one of the LEP outcomes envisioned of reforming labor arbitration and adjudication systems by streamlining procedures, removing red tape, and at the same time, restore integrity and fairness in the system. It aims to reduce case backlog and to ensure that case dockets remain current. Under the SpeED, the NLRC prescribed the periods of deciding labor cases brought to the RABs and Appellate Level under its compulsory arbitration services. For the RAB’s nine-months process cycle time and six-months process cycle time for appealed cases at the Commission Proper.
- 1.9 Moreover, under the stewardship of the Chairman, En Banc Resolution No. 13-07, series of 2007 was issued which requires each Labor Arbiter of the RABs to observe the quota system (27 cases disposition per month) and the ageing of cases system [(no more than nine-month old cases, First in First out policy (FIFO)]. For failure to comply with this policy, the RATA of the Labor Arbiter is withheld and released only upon compliance with the quota and ageing system. If the Labor Arbiter fails to comply with the said performance standard for seven consecutive months, an administrative complaint will be filed before the Board of Inquiry (BOI) on the ground of gross neglect of duties.
- 1.10 Based on the submitted 2016 Performance Report for compulsory arbitration and appellate level by the Management, of the total 62,378 cases handled for the year, 52,987 or 85 percent were settled and decided leaving an unresolved

balance of 8,862 cases of which 546 or six percent are pending cases beyond the nine and six-month process cycle time. Details are shown in the table below:

2016 NLRC Accomplishment Report

Level	Beginning Balance	Total Cases Received	Total Cases Handled	Total Cases Disposed	Percentage	Ending Caseload
Commission Proper	845	10,970	11,815	11,157	94	658
RABs	8,406	41,628	50,034	41,830	84	8,204
Total	9,251	52,282	62,378	52,987	85	8,862

NCR Arbitration Branch- Age of Ending Caseload

9-Month Process Cycle Time	Actual	Percentage
1-3 months old (Oct. to Dec. 2016)	4,689	57
4-6 months old (July to Sept. 2016)	2,220	27
7-9 months old (April to June 2016)	751	9
Sub-Total	7,660	93
10 months old and above (March 2016 and earlier)	544	7
Total	8,204	100

Commission Proper (1st to 6th Divisions)

6-Month Process Cycle Time	Actual	Percentage
1-3 months old (Oct. to Dec. 2016)	574	87.23
4-6 months old (July. to Sept. 2016)	82	12.46
Sub-Total	656	99.70
7-9 months old (June 2016 and earlier)	2	0.30
Total	658	100

- 1.11 Of the RABs remaining caseload of 8,204, a total of 7,660 or 93 percent were original cases filed from April to December 2016 (current cases) which were still within the nine-month cycle time of disposition. While in the Commission Proper, 656 or 99.70 percent of the remaining 658 caseload were newly filed appealed cases from July to December 2016 and still within the six-month process cycle time of disposition.
- 1.12 The reported inflow and disposition of cases of the NLRC RABs which included the beginning balances, total number of cases received and total disposed cases on the total caseload handled for the year 2016, RABs VIII, X and XII got high disposition rates at 91, 88 and 86 percent, respectively. While RABs II, V and XIII had low disposition rates of 74, 73 and 72 percent, respectively, as shown on the next page:

RABs Compulsory Arbitration Services and Cases Settled in SENa

RABs	Beg. Caseload 12/31/15 a	Received Cases CY 2016 b	Total Caseload CY 2016 c	Disposed Cases		Percentage		Balance 12/31/16
				Target d	Actual e	Target e/d	Actual e/c	
NCR	3,602	22,739	26,341	21,293	22,596	106	86	3,745
CAR	245	548	793	653	706	108	89	87
RAB 1	134	580	714	542	580	107	81	134

RABs		Beg.	Received	Total	Disposed Cases		Percentage		Balance 12/31/16
		Caseload 12/31/15 a	Cases CY 2016 b	Caseload CY 2016 c	Target d	Actual e	Target e/d	Actual e/c	
RAB 2		39	593	632	510	543	106	86	89
RAB 3		364	1,786	2,150	1,524	1,701	112	79	449
RAB 4		1,170	2,726	3,896	2,052	2,412	118	62	1,484
RAB 5		80	624	704	539	579	107	82	125
RAB 6		894	2,233	3,127	2,385	2,551	107	82	576
RAB 7		860	3,789	4,649	3,690	4,043	110	87	606
RAB 8		60	472	532	443	486	110	91	46
RAB 9		51	497	548	377	471	125	86	77
RAB 10		375	2,110	2,485	2,043	2,233	109	90	252
RAB 11		258	1,463	1,721	1,338	1,473	110	86	248
RAB 12		148	878	1,026	830	908	109	88	118
RAB 13		126	590	716	481	548	114	77	168
Totals		8,406	41,628	50,034	38,700	41,830	108	84	8,204

- 1.13 In the appellate level or Commission Proper, 94 percent or 11,157 cases were disposed of. Remarkably, Third and Seventh Divisions attained 100 percent disposition rate on their total cases handled.

Appealed Cases, Commission Proper

Commission Proper	Beg.	Received	Total	Disposed Cases		Percentage		Balance 12/31/16
	Caseload 12/31/15	Cases CY 2016	Caseload CY 2016	Target	Actual	Target	Actual	
1 st Division	252	1,381	1,633	1,500	1,436	96	88	197
2 nd Division	44	1,262	1,306	1,500	1,252	83	96	54
3 rd Division	0	1,583	1,583	1,500	1,583	106	100	0
4 th Division	122	1,425	1,547	1,500	1,402	93	91	145
5 th Division	96	1,566	1,662	1,500	1,532	102	92	130
6 th Division	138	1,492	1,630	1,500	1,621	108	99	9
7 th Division	0	1,420	1,420	1,500	1,420	95	100	0
8 th Division	193	841	1034	900	911	101	88	123
Total (1st-8th Division)	845	10,970	11,815	11,400	11,157	98	94	658

- 1.14 Additionally, under the Project SpeED both the NLRC RABs and Commission Proper attained 98.71 percent or 41,701 disposed cases, out of 42,247 targeted cases to be disposed within the prescribed period/process cycle as presented on the next page:

(Nine months for RABs and six months for Commission)

Level	Target cases to be disposed within the prescribed period	Actual cases disposed within the prescribed period	Percentage
Regional Arbitration Branches (RABs) – Original Cases	31,088	30,544	98.25
Commission Proper – Appealed Cases	11,159	11,157	99.98
Total	42,247	41,701	98.71

- 1.15 Audit inquiry revealed that the target for SpeED was computed based on the total caseload handled for the year less the ending currently filed cases. For RABs, the target of 31,088 was arrived at by deducting from the total caseload handled of 38,748 for the year, the 7,660 cases pending/received from April to December 2016. In the Commission Proper, the target of 11,159 was computed by deducting from the total caseload of 11,815, the 656 appealed cases filed from July to December 2016.
- 1.16 The high disposition of cases was attributed to the above-mentioned strategies and policies of the Commission to provide a speedy and efficient delivery of labor justice.
- 1.17 Moreover, review of the NLRC accomplishment reports revealed that during the year, 6,161 of its decided cases were appealed by the concerned parties to higher authorities, which was the Court of Appeals. Of the said number of cases 6,029 or 98 percent were affirmed. Thus, the NLRC achieved and exceeded its target of increasing to 92 percent, the percentage of its decisions affirmed by a higher authority, an indication that the Commission's Labor Arbiters have a very good verdict of decided cases.
- 1.18 The Audit Team noted however, that the reported accomplishments submitted by RABs CAR, I, III, VII, VIII, XII and XIII, the number of disposed/decided labor disputes for the year did not reconcile with the report submitted by the NLRC Research Information Publication Division (RIPD) whose function is to monitor, validate, consolidate and to provide consistent data from the RABs and the Commission Proper. The RIPD based its report on the complete re-validation of RABs reported accomplishments, the purpose of which is to reconcile all cases at the end of the year as some transferred cases were not immediately reported by the transferor and transferee.

Comparative Data of Report on Disposition of Cases

RABs	MFO Target			Total Disposition			Total Caseload		
	Per RIPD	Per COA Report	Difference	Per RIPD	Per COA Report	Difference	Per RIPD	Per COA Report	Difference
CAR	660	653	7	503	505	(2)	589	592	(3)
I	-	-	-	420	424	(4)	550	558	(8)
III	-	-	-	-	-	-	1,795	1,794	1
VII	-	-	-	3,288	3,287	1	-	-	-
VIII	279	443	(164)	-	-	-	-	-	-
XII	-	-	-	712	697	15	830	815	15
XIII	360	481	(121)	-	-	-	-	-	-

- 1.19 The precedent table shows that RAB VIII and XIII have the most discrepancies in MFO Target for the year 2016, with 164 and 121, respectively. Likewise, RAB XII has the most discrepancy at total disposition of cases and total caseload for the year 2016 of 15 and 15, respectively.

- 1.20 According to Management, the RIPD Head was instructed to inform the Head of the RABs of any discrepancies in the submitted reports and maintained that the validated reports by the RIPD is the final report of the RABs. Thus, any discrepancies of RAB reports should be rectified once the final RIPD report is released in accordance with the procedures observed in the International Organization for Standardization, enrolled process. The RIPD report was properly audited, evaluated and validated including with the COA RABs findings.
- 1.21 **We commended the high disposition rate of labor dispute resolution services in NLRC RABs VIII, X and XII and the Agency for achieving more than its 92 percent target of its appealed cases being affirmed by higher authority. We also recommended that Management continue to focus on its good performance for speedy disposition of labor cases.**
- 1.22 The Management commented that they had adopted strategic policies towards speedy disposition of cases and effective execution of judgement. Further, they are currently reviewing the performance targets and indicators so that they can attain higher accomplishments and in line with the implementation by the DBM of Program Expenditures Classification (PREAC) targets for FY 2016. Moreover, they also coordinated the noted discrepancies with the concerned RABs so they can update their Accomplishment Reports.

Financial and Compliance Audit

Errors in Recording Collections and Collections not deposited intact/regularly

2. **Due to various errors in recording collections of NLRC Main Office, the reported asset, liability and Accumulated Surplus/Deficit accounts were understated by ₱82,768.81, ₱20,152.84 and ₱62,615.97, respectively, in violation of the pertinent provisions of the Government Accounting Manual (GAM), Volume 1. Likewise, the Accountant did not submit monthly Bank Reconciliation Statements (BRS) which prevented the immediate detection of discrepancies between the book and bank records and to draw promptly the adjusting entries thereon. Moreover, the accountable officer of NLRC, Sub-Regional Arbitration Board (Sub-RAB) VI did not deposit intact and regularly her collections contrary to Section 69 (1) of Presidential Decree (PD) No. 1445, thereby exposing the same to risks of loss and misuse.**
- 2.1 Section 7, Chapter 19, Volume I of the GAM, states that Financial Statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful presentation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenues and expenses set out in Philippine Public Sector Accounting Standards (PPSASs).

- 2.2 Section 7, Chapter 21, Volume I of the GAM, requires the Agency to submit the BRS within 20 days after receipt of the monthly bank statement.
- 2.3 Section 69 (1) Presidential Decree (PD) No. 1445 provides that “Public officers authorized to receive and collect moneys arising from taxes, revenues, or receipts of any kind shall remit or deposit intact the full amounts so received and collected by them to the treasury of the agency concerned and credited to the particular accounts to which the said moneys belong. The amount of the collections ultimately payable to other agencies of the government shall thereafter be remitted to the respective treasuries of these agencies xxx.”
- 2.4 The Agency was authorized thru approval from the Office of the President to maintain United Coconut Planters Bank (UCPB) Account No. 146-109566-1 as a parking account to deposit collections accruing to NLRC, such as Fiduciary Award, Execution Fees and Trust Funds collections which the UCPB shall transfer the amount intended for the General Fund to the Bureau of the Treasury (BTr).
- 2.5 In cases, wherein the Sheriffs personally collect fees from the losing party upon executing the monetary judgment, the collected fees are then directly deposited to the proper account whether it is for the fiduciary award, execution or other service income.
- 2.6 Disbursements of the fiduciary award upon finality of the decisions or on the execution proceedings are drawn from the said UCPB bank account.
- 2.7 Verification and review of all collections of the NLRC Main Office for CY 2016 which were deposited to the UCPB account No. 146-109566-1 or thru each assigned account, revealed the following:
- a. All collections for CY 2016 were properly deposited to each assigned account, however, the recording of the deposits of each kind of collections were either erroneously recorded or not recorded at all in the NLRC Main Office books as follows:

Particulars	Effect on the Accounts-Under/(Over)stated				
	Due to NGAs	Cash in Bank Local Currency, Current Account	Trust Liabilities	Cash Treasury/ Agency Deposit, Regular	Accumulated Surplus
1. Error in debiting the account Due to NGAs in recording the adjustment of overstated ₱20 Certification fees.	(20.00)	(20.00)			
2. Execution fee of ₱23,010.00 was erroneously recorded in the books in the amount of ₱14,089.89 only		8,920.11	8,920.11		

Particulars	Effect on the Accounts-Under/(Over)stated				
	Due to NGAs	Cash in Bank Local Currency, Current Account	Trust Liabilities	Cash Treasury/ Agency Deposit, Regular	Accumulated Surplus
3. Remittance of ₱37,050.77 from Cash in Bank-Local Currency, Current Account to the BTr for General Fund (GF) collections was recorded in the amount of ₱14,089.89 only, overstating Cash in Bank-Local Currency, Current Account and understating Cash-Treasury/Agency Deposit, Regular		(22,960.88)		22,960.88	
4. Deposit fees totaling ₱55,230.71 were not recorded in the books as Other service income and as addition to Cash in Bank-Local Currency, Current Account		55,230.71			55,230.71
5. Error in recoding general fund ₱2,078.43 as Cash in Bank-Local Currency, Current Account instead of Cash-Treasury/Agency Deposit, Regular		(2,078.43)		2,078.43	
6. Execution fees of ₱2,114.38 was erroneously charged to Clearance Fees instead of Trust Liabilities and as debit to Cash-Treasury/Agency Deposit, Regular instead of Cash in Bank-Local Currency, Current Account		2,114.38	2,114.38	(2,114.38)	(2,114.38)
7. Remittance from Cash in Bank-Local Currency, Current Account to the BTr for GF collections not recorded overstating Cash in Bank-Local Currency, Current Account and understating Cash-Treasury/ Agency Deposit, Regular		(53,344.38)		53,344.38	
8. Collection of Deposit fees not recorded in the Cash in Bank-Local Currency, Current Account Other Service Income understating both account		9,499.64			9,499.64
9. Unrecorded Trust collections-execution fees for December 2016.		9,118.35	9,118.35		
Net Under/ (Over)statements	(20.00)	6,479.50	20,152.84	76,269.31	62,615.97

- b. Moreover, the Accountant did not submit BRS for the UCPB Account No. 146-109566-1 but only prepared monthly monitoring reports for the said account, which prevented the agency from discovering occurrences of deficiencies and recording the adjusting entries for the discrepancies discovered.

- 2.8 Additionally, collections of the accountable officer of NLRC, Sub-Regional Arbitration Board (Sub-RAB) VI were not deposited intact and regularly contrary to Section 69 (1) of PD No. 1445 and Item 32, Chapter II of COA Memorandum No. 2013-004 or the Revised Cash Examination Manual, thereby exposing the same to risk or possible loss and misuse.
- 2.9 **We recommended that the Management require the concerned officials of the Accounting Unit of NLRC-Main Office to:**
- a. **prepare monthly bank reconciliation statements;**
 - b. **exercise due care in recording transactions and using the proper accounts as prescribed in the pertinent provisions of Volumes I and III of the GAM;**
 - c. **prepare the appropriate adjusting journal entries to correct the aforementioned errors; and**
 - d. **analyze thoroughly the accounts in the financial statements to ensure reliability thereof.**
- 2.10 **We likewise recommended to the NLRC RAB VI that the Accountable Officer must deposit the collections intact and regularly as required by PD No. 1445.**
- 2.11 Management of NLRC Main commented that they had already adjusted the affected accounts as per JEV No. 2017-04-136-D dated April 7, 2017.

Misstated Cash in Bank – Local Currency, Current Account

3. **The Cash in Bank-Local Currency, Current Account (Execution Fund) of the NLRC Main Office was misstated as it reported an abnormal negative balance of ₱144,556.13 due to incomplete reports submitted, inaccurate bank reconciliation statements, discrepancies on the results of bank confirmation and insufficient documentation of bank transactions.**
- 3.1 One of the qualitative characteristics of financial reporting as provided in Appendix A of the PPSASs 1 is reliability of information that is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.
 - 3.2 Section 7, Chapter 21, Volume I of the GAM, requires the Agency to submit the Bank Reconciliation Statement within 20 days after receipt of the monthly bank Statement.

- 3.3 Bank Reconciliation as defined under the GAM as a settlement of differences contained in the bank statement and the cash account in the agency's/entity's books of accounts. The preparation of Bank Reconciliation Statement is required to:
- a. check correctness of both the bank's and agency's/entity's records;
 - b. serve as a deterrent to fraud; and
 - c. enable the agency/entity or bank to take up charges or credits recognized by the bank or agency/entity but not yet known to the agency/entity or bank.
- 3.4 Verification and analysis of the account Cash in Bank-Local Currency, Current Account (Execution Fund) disclosed the following:
- a. The NLRC Main maintained two UCPB depository accounts for its Execution Fund with UCPB Account Numbers 20-1460-00203-9 and 10-146-003182-5.
 - b. As of December 31, 2016, the balance per books showed a negative balance of ₱144,556.13. Per bank confirmation dated March 14, 2017 however, disclosed that the balance per bank amounted to ₱4,150,061.41; hence, there was a difference of ₱4,294,617.54.
 - c. Instead of Subsidiary Ledgers (SLs), the accountant maintained an Execution Fund monitoring report. Verification of the report submitted showed a substantial discrepancy as compared to the ₱4,150,061.41 balance per Bank confirmation.
 - d. The agency also violated Paragraph 6, Sections A to F of the NLRC's EN Banc Resolution No. 08-12 series of 2012 for the non-submission of necessary reports and documents to be used in auditing the Execution Fund.
 - e. The BRS submitted by the agency for the period January to October 2016 were found unreliable due to the following deficiencies:
 - Debit memos for the payment of checkbooks remained unadjusted in the books from November 28, 2012 to October 30, 2016, which overstated the cash account (Execution Fund) and Accumulated Surplus/Deficit by ₱16,100.00.
 - Reconciling items indicated in the monthly BRS on various deposits were not adjusted in the books as the personnel in-charge in the preparation of the same did not take up the adjustment which resulted in the understatement of Cash account balance.

Dates	Amounts	Remarks
January 1, 2014	64,068.41	Deposit from Iloilo Current to Savings account
May 12, 2014	14,496.64	Additional deposit from Iloilo
September 30, 2014	146,878.42	Deposit from Baguio
January 12, 2015	6,015.00	Additional deposits from Baguio
May 3, 2015	2,786.83	
January 7, 2016	33,045.60	
July 16, 2014	1,000.00	
August 8, 2014	31,137.61	Unrecorded deposits
August 19, 2015	30,110.00	
Total	329,538.51	

- Outstanding checks as of October 31, 2016 totaling to ₱457,513.78 included staled checks amounting to ₱403,347.78, were not restored back in the books.

3.5 COA Circular No. 92-125A dated March 4, 1992, provides that the Accountant shall prepare correcting/adjusting entries for discrepancies/error or other reconciling items requiring corrections by the agency immediately after the BRS were made and after those items were properly analyzed and verified.

3.6 We recommended that the Management require the Accountant to:

- effect adjustments as a result of the bank reconciliation made for each month as required in Section 7, Chapter 21, Volume I of the GAM to come up with the corrected balance of the account;**
- exercise due care in recording transactions to ensure the reliability of the financial statements; and**
- submit monthly Bank Reconciliation Statements.**

3.7 Management have already submitted the bank reconciliation as of December 31, 2016 with a reconciled balance of ₱1,480,427.75. Adjusting entries for reconciling items in the BRS were already effected as of April, 2017.

Auditor's Rejoinder

3.8 Upon verification of the submitted BRS, it was observed that the reconciling items from CY 2014 statements were still included in the CY 2016 statements defeating the purpose of preparing BRS which is to effect adjusting entries immediately for the deficiencies discrepancies/noted.

Unreconciled balance of Cash in Bank, Local Currency Saving Account

4. The reported Cash in Bank, Local Currency, Savings Account of the NLRC Main had an accumulated balance of ₱2,110,472.22 as excess transferred payroll funds were perpetually retained instead of reverting the same to the Bureau of the Treasury (BTr). Moreover, the balance did not reconcile with the ₱1,220,875.81 balance per bank resulting in a discrepancy of ₱889,596.41 due to failure of the Accounting Division to prepare the monthly bank reconciliation statements, thus, the accuracy and existence of the reported account balance could not be established.

4.1 Advanced preparation of payroll resulted to accumulation of excesses from fund transfers of accounts Modified Disbursement System to Cash in Bank-Local Currency, Savings Account for salaries and allowances with a book balance ₱2,110,472.22. These excesses were due to partial/incomplete disbursements due to some changes/discrepancies found in payroll among which are withholding of salaries, allowances, etc. subject to clearance and adjustments and resignation of subject employees prior to the month covered by the payroll. These were retained perpetually and not reverted to the MDS account. Likewise, instead of paying from the payroll account, the remaining claims of the affected employees subject for adjustment were paid from the MDS account.

4.2 During the year, the amount of ₱308,418.23 intended for employees' salaries was not released due to resignation, no earned leave and suspension of subject employees. Furthermore, Service Incentives of Job Order Personnel for CY 2016 amounting to ₱227,500.00 was sourced from the accumulated balance of the Cash in Bank-Local Currency, Savings Account. No separate amount was transferred from Cash in Bank - Modified Disbursement System, Regular account to UCPB payroll account to finance the payment.

4.3 On the other hand, review of the bank statement for the account Cash in Bank-Local Currency, Savings Account furnished by the depository bank disclosed an outstanding balance of ₱1,220,875.81 as of December 31, 2016 which is ₱889,596.41 lower than the balance per books. There were also no BRS prepared for this account; thus, discrepancies between the book and bank balances were not known and adjusted immediately.

4.4 Moreover, payment of RATA amounting to ₱40,000.00 was not credited to Cash in Bank-Local Currency, Savings Account; thus, both the cash in bank account and Accumulated Surplus/Deficit accounts were overstated by the same amount due to the unrecorded expense.

4.5 We recommended that the Management require the Accounting Unit to:
a. revert to the BTr all excess funds transferred to the CiB-LCSA account including the amount used for JO Service Incentives;

- b. verify and analyze the unreconciled balance of ₱889,596.41 and prepare adjusting entries to recognize all reconciling items that require adjustment and correction in the books of accounts; and**
- c. prepare and submit promptly monthly BRS for all bank accounts maintained by the Agency.**

4.6 Management had already drawn JEV No. 2017-04-136-H to recognize unrecorded payment of RATA in 2016 and that the accumulated balance of the bank account will be reverted to the BTr once the preparation of the bank reconciliation statement of the same account is completed and come up with the corrected book balance.

Unremitted Interest Income

5. Interest income amounting to ₱9,104.38, net of tax, for the UCPB Account No. 10-146-003529-6 of the NLRC Main Office was not recognized in the books and was not remitted to the National Treasury contrary to Section 5 of General Provisions of the FY 2016 General Appropriation Act.

5.1 Section 5 of the General Provision of FY 2016 GAA provides that all fees, charges, assessments, and other receipts or revenues collected by departments, bureaus, offices, and instrumentalities of the National Government, including Constitutional Offices enjoying fiscal autonomy in the exercise of their mandated functions and at such rate as are now or may be approved by the appropriate approving authority shall be deposited with the National Treasury as income of the General Fund pursuant to Section 44, Chapter 5, Book VI of Executive Order No. 292, s. of 1987 and Section 65 of PD No. 1445.

5.2 Verification of the Cash in Bank-Local Currency, Savings Account showed that the interests earned were not remitted to the BTr as required and no entry drawn to recognize the interest income was drawn, thereby understating both the Interest Income account and the said Cash in Bank account.

5.3 We recommended that the Management require the transfer of the interest earned in the UCPB Account to the account of the National Treasurer of the Philippines and instruct the Accounting Unit to record in the books of accounts the interest income earned.

5.4 Management had already adjusted the affected accounts with JEV No. 2017-04-136-G, dated April 7, 2017 recognizing the interest income earned for CY 2016 of UCPB bank Account No. 10146-003529-6 and will be remitted to the BTr under Disbursement Voucher No. 2017-04-102.

Delayed liquidation of Cash Advances for Travel/Cash Advances for other Operating Expenses

6. Liquidation of cash advances granted to accountable officers for purposes of travelling expenses were delayed ranging from five to seven months, thus, expenses are recorded beyond the period these were incurred. Likewise, cash advances totaling ₱813,833.68 granted before CY 2006 remained unliquidated due to dismissal of accountable employees who committed irregularities in the office. Moreover, regular operating expenses totaling to ₱191,664.67 of the Regional Arbitration Board (RAB) -XIII were paid out of cash advance instead of directly paying the suppliers. Further, these cash advances erroneously recorded in the books as debit to Trust Liabilities-Execution Fund (EF) instead of Advances to Special Disbursing Officers which affects the fairness of presentation of the accounts in the financial statement.

6.1 COA Circular No. 97-002 dated February 10, 1997 provides the rules and regulations regarding the granting, utilization and liquidation of Cash Advances (CAs), among which are, as follows:

- Travelling Expenses – Within 30 days after the return of the official/employee concerned to his official station for local travel and within 60 days after the return of the official/employee concerned to the Philippines in case of foreign travel (paragraph 1.2);
- A CA shall be reported on as soon as the purpose for which it was given has been served (paragraph 4.1.3);
- The CA shall not be used for payment or regular expenses, such as rentals, subscriptions, light and water and the like. Payments out of cash advance shall be allowed only for amounts not exceeding ₱15,000.00 for each transaction, except when a higher amount is allowed by law and/or specific authority by the Commission on Audit. Splitting of transactions to avoid exceeding the ceiling shall not be allowed (paragraph 4.3.2);
- When a CA is no longer needed or has been used for a period of two months, it must be returned or refunded immediately. (paragraph 5.7); and
- No additional CA shall be allowed to any official or employee unless the previous CA given to him is first settled or a proper accounting thereof is made. (paragraph 4.1.2)

6.2 Verification of accounting records for cash advances granted by the NLRC Main office revealed the following:

- a. Submission of liquidation reports and refunds of unexpended cash advances for travelling expenses were delayed for more than five to six months, respectively. Additionally, refunds were made only after the

issuance of Notice of Disallowance. The details are presented in the table below:

Cash advance		Liquidation			No of months delayed	Excess Cash Advance		No of Months Delayed
Date Granted	Amount	Due date	Date Liquidated	Amount		Amount	Date Refunded	
5/27/16	9,100.00	6/9/16	11/8/16	9,014.00	5	86.00	1/18/2017	7
5/27/16	9,100.00	6/9/16	11/8/16	7,641.00		1,459.00	1/16/2017	
5/27/16	9,100.00	6/9/16	1/19/17	9,100.00	7			
5/27/16	9,100.00	6/9/16	11/18/16	7,641.00	5	1,459.00	1/18/2017	7
5/27/16	9,100.00	6/9/16	11/18/16	7,641.00		1,459.00	1/18/2017	
5/27/16	9,100.00	6/9/16	11/18/16	7,641.00		1,459.00	1/16/2017	
5/27/16	9,100.00	6/9/16	11/18/16	-		9,100.00	1/26/2017	
5/27/16	9,100.00	6/9/16	11/18/16	8,912.00	5	188.00	12/12/2016	6
5/27/16	1,600.00	6/9/16	1/19/17	1,200.00	7	400.00	1/19/2017	7
Total	74,400.00			58,790.00		15,610.00		

- b. The delayed submission of liquidation documents including the refund of excess cash advances did not allow the proper recording of expenses for the period these were incurred. Also, the practice of not returning on time or within the prescribed period the excess cash advances exposes government funds to risk of being misused.
 - c. In 2004, an employee was granted cash advances for salaries of NLRC employees, however, said employee was dismissed even before submission of the liquidation reports. Moreover, no employee complained that they did not receive their salaries for the period covering the unliquidated cash advance for NLRC employees.
 - d. A dismissed employee in 2000 and a resigned employee in 2006 who were both granted cash advances did not seek clearance and failed to submit their liquidation reports. The purposes of the cash advances granted to them had long been served before they were separated from the service which showed that the Accounting Unit had failed to send demand letters, thus resulted to long overdue unliquidated cash advances appearing in the books and contrary to the provision of COA Circular 97-002.
 - e. Based on the submitted Quarterly Statement of Unliquidated Cash Advances, 4th Quarter of 2016 had a balance of ₱840,055.68 which did not tally with the reported balance in the books of the agency as the Subsidiary Ledger (SL) maintained by the Accounting Division was not updated.
 - f. Advances to Officers and Employees reported a book balance of ₱38,258.42 while Advances to Special Disbursing Officers had a book balance of ₱979,325.68 or a total reported balance of ₱1,017,584.10.
- 6.3 On the other hand, at the RAB XIII, the AO was granted cash advances with amounts totaling ₱191,664.67 charged against the LBP Trust Fund account for the payment of the monthly operating expenses for CY 2016 as shown on the next page:

Date	Check No.	Amount	Month Covered	Remarks
03-04-2016	1991736	115,000.00	January to June	Lacks approved budget/estimate for operating expenses
08-09-2016	1991753	19,166.67	July	
11-07-2016	1991763	19,166.00	November	
12-13-2016	1991771	38,332.00	December	
		191,664.67		

6.4 It was also noted that the aforesaid cash advance was debited to Trust Liabilities-EF, and credited to Cash in Bank-Local Currency, Current Account-Land Bank of the Philippines (LBP).

6.5 We recommended that the Managements of:

a. NLRC-Main send demand letters to AOs including those separated/resigned personnel with outstanding cash advances to submit their liquidation reports and require the:

- Accounting Unit to:

- monitor regularly the outstanding cash advances and require the prompt settlement by the AOs of their cash advances pursuant to COA Circular Nos. 97-002 and 2009-002; and

- update their SLs so as to submit accurate reports and to immediately determine those with outstanding cash advances; and

- HRMO to prepare a Certification to be signed by the Chairman of NLRC that the salaries pertaining to the unliquidated cash advance intended for the NLRC employees were actually received by employees and that the payroll were nowhere to be found due to the immediate dismissal of the AO.

b. RAB XIII to:

- limit the granting of cash advances to AO by paying directly the suppliers covering regular expenses; and

- direct the Accountant to:

- adhere to the provision of COA Circular No. 2012-01 on the submission of supporting documents needed for payment and liquidation of cash advances; and

- record properly the transactions by using appropriate accounts as prescribed in the Revised Chart of Accounts with the following suggested journal entries:

<u>Particulars/Account Titles</u>	<u>Debit</u>	<u>Credit</u>
• <u>Receipt of cash allocation from CO</u>		
Cash in Bank-LCCA-LBP	xxx	
Trust Liabilities-Execution Fee		xxx
• <u>Grant of cash advance to AO</u>		
Advances to Special Disbursing Officers (SDO)	xxx	
Cash in Bank-LCCA-LBP		xxx
• <u>Liquidation of cash advance</u>		
Trust Liabilities-Execution Fee	xxx	
Advances to SDO		xxx

- c. Management agreed with the audit observations and are now sending demand letters to concerned AOs to liquidate the outstanding cash advances on time and failure to liquidate/refund the same will be deducted from their payrolls.

Dormant account

- 7. Prepaid Rent and Accounts Payable amounting to ₱58,200.00 and ₱130,368.00, respectively, in the RAB III books of accounts have remained inactive/dormant for the past seven years, thus, affecting the fair presentation of the said accounts.**

7.1 Section 53, Chapter 19, Volume I of the GAM provides:

- a. Adjustment for Deferred Items. These are adjusting entries transferring data previously recognized in an asset account to an expense account, or data previously recognized in a liability account to a revenue account. In contrast to the accrued items, it requires asset/expense adjustments and liability/revenue adjustments.
- b. Asset/Expense Adjustments. These pertain to assets, portion of which are consumed/used/incurred at the end of the accounting period. Examples of these adjustments are prepayments. Prepayments are expenses paid before they are incurred. At the end of the accounting period, the expired portion shall be determined and an adjusting journal shall be prepared to recognize the expenses applicable to the period being reported.

7.2 The provisions of Section 98 of PD No. 1445 states that:

“The Commission, upon notice of the Head of Agency concerned, may revert to the unappropriated surplus of the general fund of the national government, any unliquidated balance of accounts payable in the books of the national government, which has been outstanding for two years or more and against which no actual claim, administrative

or judicial has been filed or which is not covered by perfected contracts on record xxx.”

- 7.3 Examination of the accounts of NLRC RAB III disclosed that Prepaid Rent and Accounts Payable amounting to ₱58,200.00 and ₱130,368.00, respectively, have remained inactive/dormant in the books of the agency for years. According to the Accountant, the Prepaid Rent pertains to the one month deposit made for the office rental formerly occupied by the NLRC while the Accounts Payable represents the unpaid office rental for the months of November and December 2009 to the lessor the said accounts had been recorded in the books since 2009.
- 7.4 Management explained that this has been an observation in the previous years and no action has been taken pending a case of Breach of Contract filed by the lessor with the Legal Department of the NLRC in the Central Office. Management still awaits the decision of the Legal Department in this regard.
- 7.5 We recommended that Management immediately made a follow up on the status of the case with the concerned office of the NLRC so that proper adjustment/correction on the affected accounts in the books could be made for the fair presentation of the agency’s financial statements.**

Unliquidated Fund Transfers to the Procurement Service of the Department of Budget and Management (DBM)

- 8. The reported balance amounting to ₱81,512.85 of the account Due from National Government Agencies could not be relied upon due to unreconciled prior years’ difference of ₱141,703.91 between agency records and the Procurement Service of the Department of Budget Management.**
- 8.1 The account Due from National Government Agencies (NGAs) is defined in Section 3.3 of Volume III of the GAM as the account used to record advances for purchase of goods or services as authorized by law, fund transfers to the NGAs for implementation of projects and other receivables from NGAs. This account shall be credited upon receipt of goods/services, and liquidation of fund transfers or receivables.
- 8.2 The balance of the account shall at all times be reconciled with the account maintained in the other national agency after settlement of inter-agency and/or inter-office transactions, to ascertain the accuracy and completeness of recorded transactions.
- 8.3 The Due from National Government Agencies account balance of ₱81,512.85 represent unliquidated funds transferred to the DBM-PS for the procurement of various common office supplies and materials needed by the Agency.

- 8.4 Verification of the General Ledger (GL) against the Property Ledger Card for NLRC maintained by the PS-DBM showed a discrepancy of ₱141,703.91, presented as follows:

Particulars	Amount		
	Balance per GL	Balance per DBM-PS	Difference
Balance, January 1, 2016	158,387.58	300,091.49	(141,703.91)
Add: Advance Payments	3,033,118.96	3,033,118.96	-
<i>Total</i>	<i>3,191,506.54</i>	<i>3,333,210.45</i>	<i>(141,703.91)</i>
Less: Deliveries	3,109,993.69	3,109,993.69	-
Balance, December 31, 2016	81,512.85	223,216.76	(141,703.91)

- 8.5 The GL account balance of ₱81,512.85 consisted of the recorded ₱8,848.08 balance of funds transferred to PS-DBM in CY 2016 and the remaining prior years' balance of ₱72,664.77 pertaining to funds transferred on or before CY 2014. However, as per property records the balance amounted to ₱8,848.08 only, which pertained to the CY 2016 fund transfer.
- 8.6 It is worth mentioning that the Supply Officer reconciled regularly the property records with the DBM-PS Property Ledger Card for NLRC.
- 8.7 On the other hand, the Accounting Unit could not determine the actual undelivered supplies and materials as it did not reconcile with the records maintained by the Supply Office.
- 8.8 Unless the difference of the account Due from National Government Agency between the Agency's books and DBM-PS records is settled, the reported account balance could not be relied upon.
- 8.9 We recommended that the Management require the:**
- a. Accountant and the Supply Officer to conduct periodic reconciliation of their records on deliveries made by DBM-PS to ensure updated and accurate records; and**
 - b. Supply Officer to monitor closely the status of deliveries and make necessary follow up for the delivery of items paid under Agency Procurement Request;**
- 8.10 Management commented that the Supply Officer is already monitoring the payments made to the Procurement Service on the deliveries of supplies and materials, and will conduct reconciliation of the monitoring report with the accounting records and effect the necessary adjustments to come up with the corrected balance of due from NGAs account.

Deficiencies in Inventory Management

9. The reported balance of Inventory accounts of the NLRC Main Office and four NLRC-RABs totaling ₱1,544,656.43 was inaccurate due to several deficiencies such as recording of issuances not duly supported with Report of Supplies and Materials Issued and other evidence of issuance, non-reconciliation between accounting and property records, non-maintenance of Supplies Ledger Cards, and erroneous recording of accounts which resulted to the understatement of PPE, intangible assets and Accumulated Surplus accounts, among others.

9.1 Chapter 3, Volume III of the GAM-Revised Chart of Account defines Office Supplies Inventory as the account used to recognize the cost or value of purchased/acquired office supplies such as bond papers, inks, and small tangible items like staple wire removers, punchers, staplers and other similar items for government operations.

9.2 Section 17, Chapter 8, Volume I of the GAM enumerated the Records, Forms and Reports to be prepared and/or maintained. Among these are:

- Stock Card (SC) – shall be used to record all receipts and issues of supplies and the balance in quantity at any time. It shall be maintained by the Property and/or Supply Division/Unit for each item in stock.
- Supplies Ledger Card (SLC)– shall be used to record materials received, issued and the balance both in quantity and amount at any time. It shall be maintained by the Accounting Division/Unit for each kind of supplies and materials.
- Report on the Physical Count of Inventories (RPCI) – shall be used to report the physical count of supplies by type of inventory as at a given date. It shows the balance of inventory items per card and per count and shortage/overage, if any. These include the semi-expendable property wherein the issue is covered by ICS.
- Report of Supplies and Material Issued (RSMI) - shall be prepared by the Property and/or Supply Custodian based on the RIS and shall be used by the Accounting Division/Unit as basis in preparing the JEV to record the supplies and materials issued.

9.3 Analysis of the inventory accounts of NLRC Main with a book balance totaling ₱930,406.70 and review of the financial records revealed the following:

- a. During the year, the recorded total deliveries and issuance of office supplies inventory amounted to ₱5,026,700.18 and ₱4,956,036.76, respectively.

- b. The recorded issuances, however, were not duly supported by RSMIs and details of items issued. They also included purchases totaling ₱1,565,086.62 that were erroneously recognized as Office Supplies Inventory instead of the appropriate asset accounts as presented below:

Items Procured and Recorded as Office Supplies	Unit/quantity	Amount	Appropriate Asset Account
1. Junior Executive Table	2 pcs.	12,240.00	Semi-expendable Furniture and Fixtures
2. Computers	48 units	1,272,460.80	Information and Communication Technology Equipment
3. Microsoft Office Home and Business 2016	10 pcs.	100,000.00	Intangibles – Computer Software.
4. Microsoft Office Home and Business 2016	10 pcs	110,000.00	
5. Kaspersky Internet Security	4 pcs	5,684.00	
6. Various supplies *		64,701.82	Other Supplies and Materials Inventory
Total		1,565,086.62	

- c. The erroneously recorded Information and Communication Technology Equipment and Intangibles – Computer Software were among the items included as issued inventories; thus, Accumulated Surplus/Deficit was also affected.
- d. The amount totaling ₱124,504.00 was incorrectly posted to the Office Supplies Inventory instead of Other Supplies and Materials.
- e. Inventories were recorded using the current cost of the inventories instead of the weighted average method as prescribed in Section 6, Chapter 8, Volume I of the GAM.
- f. SLCs were not maintained for each type of supplies to record all receipts and issuances.
- g. The RSMI and RPCI prepared by the Supply officer were not in the prescribed forms and issuance of supplies and materials was not recorded on a monthly basis.
- h. The Accounting Unit and the Supply and/or Property Unit did not conduct periodic reconciliation of the SLC and SC to identify and adjust any discrepancy.
- 9.4 The above-mentioned errors/omission, resulted not only in the inaccurate balance of inventories totaling ₱930,406.70 but also understated other accounts as follows:

Accounts	Amount
Information and Communication Technology Equipment	1,272,460.80
Intangible Assets-Computer Software	215,684.00
Accumulated Surplus/Deficit	1,500,384.80

9.5 Moreover, the Audit Teams of the following RABs noted other deficiencies that affected the accuracy and existence of inventory accounts were as follows:

RAB	Deficiencies Noted	Account Balances
V	Unreconciled balances between RPCI for Semi-expendable machinery and equipment, furniture and fixtures and Office Equipment in the amount of ₱383,404.75 and balance per books amounting to ₱491,525.75	491,525.75
VII	Issuances during the period totaling ₱434,406.42 were not supported by the RSMI and RIS.	67,422.59
VIII	The GL Balance of inventories amounting to ₱10,619.78 per GL did not tally with ₱8,772.73 balance per RPCI thereby resulting to overstatement of Inventory account per book by ₱1,847.05.	10,619.78
IX	Purchase of Office Supplies and Materials amounting to ₱43,593.75 during the year was recorded directly as expenses instead of inventories.	44,681.61
Total		614,249.73

9.6 We recommended that the Management require the:

a. Accountant to:

- **conduct a thorough verification on the noted deficiencies and prepare the necessary journal entries to correct them;**
- **maintain SLCs to record all receipts and issuances;**
- **coordinate and reconcile with the Supply Officer the accounting and property records appearing in the books;**
- **verify, investigate, and adjust immediately all discrepancies noted between the physical and book inventories; and**
- **record only issuances based on the submitted RSMIs which are duly supported with the requisition and issue slips;**

b. Supply Officer to:

- **submit regularly the RSMI to the Accountant so that issuances are promptly recorded by the latter; and**
- **comply with the prescribed form under the GAM in the preparation of the RSMI and RPCI; and**

c. The Accountant and the Supply Officer to regularly reconcile their records.

9.7 Management comments based on the above observations and recommendations are as follows:

Office	Comments
Main	The Accounting Unit had started maintaining SLC in 2016. However, CY 2015 deliveries and issuances were yet to be reviewed and were not included in the said SLC. Consequently, a thorough investigation on the causes of the discrepancy will be conducted to reconcile the balance of the Property reports with the Accounting records and the Supply Officer has committed to submit RSMI using the prescribed form in the GAM. On the other hand, affected accounts were adjusted under JEV No. 2017-04136-E dated 7 April 2017.
RABs	
V	Management informed the Audit Team that the net variance of ₱108,121.00 in the Semi-Expendable Property Inventory was due to the non-inclusion of Equipment and Furniture and Fixtures, Unserviceable Semi-Expendable Property. The Agency will furnish the Audit Team a copy of the Inventory and Inspection of Unserviceable Semi-Expendable Property as soon as these are available and complete in order to justify and ascertain the discrepancy in their records.
VII	Management noted the non-conformity to the practice of submitting the Report of Supplies and Materials Issued, Requisition Slips and other documents to support the entries made in the issuance of supplies. Per re-checking of the accounts, they found out that there is an understatement of the Office Supplies Expense amounting to ₱68.85 and an overstatement of the Office Supplies Inventory by the same amount. Hence, an adjustment will be made for the understatement/overstatement.
VIII	The Accountant and the Supply Officer acknowledged the observation noted. Likewise, they are now in the process of complying with the required reconciliation records. The Accountant already started preparing the Supplies Ledger Cards.
IX	The Acting Accountant commented that she will strictly adhere to the rules and regulations relative to the recording of purchases of office supplies and record it as expense upon issuances.

Understated PPE Account balances

10. The reported balance of Property, Plant and Equipment (PPE) accounts was understated by ₱22,960,505.42 and correspondingly overstated Other Assets and understated Accumulated Surplus/Deficit by ₱20,825,409.68 and ₱2,135,095.74, respectively, due to errors committed, such as: (a) transfer of PPE to Other Assets account; (b) non-recording/misclassification of procured capital assets; (c) unrecorded disposed assets; and (d) recording of issuances as expenses. Moreover, the integrity of property custodianship was not established due to incomplete physical count, unreconciled accounting and property records and absence of or un-updated subsidiary records.

10.1 Chapter 10, Volume I of the GAM provides the following rules and regulations pertaining to PPE accounts, among others:

- a. *Section 3- Criteria for Recognition.* The cost of an item of PPE shall be recognized as assets if, and only if: (a). it is probable that the future economic benefits or service potential associated with the item will flow to the entity; (b) the cost or fair value of the item can be measured reliably; xxx and (e) it meets the capitalization threshold of ₱15,000. Under this recognition principle, an entity shall evaluate all its PPE costs at the time they are incurred. These costs include cost incurred initially to acquire or construct an item of PPE and costs incurred subsequently to add to, replace part of, or service the PPE.
- b. Section 38 - requires the entity to conduct periodic physical count of PPE, to be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as at December 31 of each year to be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.
- c. Section 40 (b) which provides that PPE is said to be fully depreciated when the carrying amount is equal to zero or residual value. The cost of fully depreciated assets remaining in service and the related accumulated depreciation and accumulated impairment losses shall not be removed from the books unless these are properly disposed of (underscoring supplied).
- d. Section 42 requires that “The Chief Accountant shall maintain the Property, Plant and Equipment Ledger Card (PPELC) for each category of PPE xxx. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life depreciation, impairment loss, disposal and other information about

the assets. For check and balance, the Property and Supply Officer/Unit shall likewise maintain Property Card for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like Property Acknowledgement Receipt.”

10.2 Chapter III, Volume III of the GAM on the other hand, provides the kinds of assets classified as Other Assets and are recognized in the books based on their fair values. Among them are:

- a. Forfeited Property/Assets- properties or assets forfeited as payment for tax debts.
- b. Confiscated Property/Assets- confiscated properties or assets for which ownership has been finally decided in favor of the government.
- c. Abandoned/Surrendered Property/Assets - abandoned or surrendered property or assets for which ownership has been finally decided in favor of the government.

10.3 Verification and review of accounting records pertaining to the account disclosed that the PPE account balance of NLRC Main was understated by the carrying amount of ₱22,955,141.52 due to the following errors and omission in recording PPE:

- a. Erroneous transfer of various PPE accounts and fully depreciated assets to Other Assets for the purpose of reconciling the GL balances with the Accounting Monitoring report maintained by the Accounting Unit which served as PPE subsidiary record and as substitute for the required PPELC. The summary of adjusting journal entries prepared and recorded in the books by the Accountant is presented in the next page:

Account Titles	Debit	Credit
Other Assets	20,768,824.47	
Accumulated Depreciation – Office Equipment	1,240,030.92	
Accumulated Depreciation – Information and Communications Technology Equipment		3,276,641.73
Accumulated Depreciation – Communications Equipment	549,438.50	
Accumulated Depreciation – Motor Vehicles	2,493,186.07	
Accumulated Depreciation – Furniture and Fixtures	2,275,889.72	
Accumulated Depreciation – Books	1,836,383.91	
Accumulated Surplus/Deficit	669,458.03	
Office Equipment		5,699,728.78
Information and Communications Technology Equipment		9,955,312.43
Communication Equipment		583,355.90
Motor Vehicles		2,721,522.00

Account Titles	Debit	Credit
Furniture and Fixtures		2,836,520.43
Library Books		3,977,808.82
Other Leased Improvements		669,458.03
Other Property, Plant and Equipment		112,863.50
Total	29,833,211.62	29,833,211.62

b. Erroneous recording of CY 2016 purchases as presented below:

Particulars	Acquisition cost	Computed Depreciation		Carrying Amount
		Period covered	Amount	
• Previously acquired office equipment and furniture and fixtures with acquisitions costs of ₱63,528.00 and ₱39,905.00 respectively. reclassified as Auditing Services expense upon issuance to COA.	103,433.00	April to December	14,739.20	88,693.80
• Acquisition of desktop computers recorded as Office Supplies Inventory and subsequently recorded as issued office supplies	1,272,460.80	November to December	40,294.59	1,232,166.21
• Acquisition of seven units Ipod amounting to ₱220,430.00 charged against Trust Liabilities which were included in the RPCPPE were not recorded as PPE	220,430.00	June to December	24,430.99	195,999.01
Total	1,596,323.80		79,464.78	1,516,859.02

- The Depreciation Expenses were computed by the Audit Team one month after date of acceptance up to December 31, 2016 using the straight line-method adopting the five percent salvage value set by Management and the estimated useful life per PPE classification as provided by COA to determine the carrying amount as of year-end.

10.4 At the RAB-CAR, the Information and Communications Technology Equipment account was also understated by the carrying amount of ₱5,363.90 and accounts Other Assets and Accumulated Surplus were overstated by ₱9,772.72 and ₱4,408.82, respectively, due to non-reclassification of PPE and issued semi-expendable properties previously transferred to Other Assets account. Further, accounts Other Assets and Accumulated Surplus/Deficit were overstated by ₱46,812.49, respectively, due to the non-recording of disposed ICT equipment and semi-expendable properties previously re-classified as Other Assets.

10.5 In summary, the effects of the above errors either understated or overstated the following groups of accounts:

Particulars	Accounts Affected (Over)/Understated			
	PPE Accounts	Accumulated Depreciation	Other Assets	Accumulated Surplus/Deficit
NLRC Main				
1. Erroneous reclassification of PPE to Other Assets	25,887,111.86	8,394,929.12 (3,276,641.73)	(20,768,824.47)	669,458.03
2. Erroneous reclassification to Auditing Services PPE Items issued to COA	103,433.00	14,739.20		88,693.80
3. Acquired Desktop recorded as Inventories an Expended upon issuance	1,272,460.80	40,294.59		1,232,166.21
4. Acquisition of IPod Charged against Trust Liabilities not recorded as PPE	220,430.00	24,430.99		195,999.01
NLRC RAB-CAR				
5. Disposed PPE items previously reclassified as Other Assets not dropped from the books			(46,812.49)	(46,812.49)
6. PPE items and Semi-expendable properties previously transferred to Other Assets account not reclassified	53,637.50	48,273.60	(9,772.72)	(4,408.82)
Total	28,206,531.19	5,246,025.77	(20,825,409.68)	2,135,095.74

10.6 Other deficiencies noted at the NLRC Main, NLRC 8th Division and in four RABs were as follows:

Main/RABs	Observations
<i>Incomplete Physical count/unreconciled Accounting and property Records</i>	
Main and NCRAB	The RPCPPE disclosed that some properties/equipment purchased prior to CY 2009 still existed per Property Office inventory report. However, the Accounting Unit presumed that these properties were already disposed of or fully depreciated. Thus, the transfer to Other Assets account. Moreover, the recorded PPE accounts per books including those reclassified as other assets with acquisition cost totaling ₱51,471,287.36 did not tally with the physical count of ₱48,330,217.17 or a difference of ₱3,141,070.19 while there was no physical inventory for two PPE accounts totaling ₱442,266.80.
V	The balances of the PPE accounts per books of ₱2,962,646.48 did not reconcile with the amount of ₱2,455,074.12 reported in the RPCPPE, showing net difference of ₱507,572.36.
VI	The balances of the PPE accounts per books of ₱3,124,084.85 did not reconcile with the amount of ₱1,251,692.91 reported in the RPCPPE, showing net difference of ₱1,872,391.94

Main/ RABs	Observations
VII	The PPE accounts balance totaling ₱1,303,070.73, net of accumulated depreciation, was doubtful/unreliable due to the absence of the RPCPPE, Inventory and Inspection Report of Unserviceable Property (IIRUP) and non-maintenance of Property Card (PC) and PPELC in violation of Section 15, Chapter 1 and Sections 38, 40 (d) and 42 of Chapter 10, Volume I of the GAM.
<i>Unutilized Property</i>	
II	The parcel of land allotted to the NLRC RAB 02 at the Regional Government Center in Carig, Tuguegarao City was not utilized, thus depriving the government of the benefits of owning the property and continued incurring rent expenses paid to private entity, contrary to Section 3 (1), Chapter 3, Volume I of the GAM.
<i>Unsecured Government Vehicle</i>	
NLRC 8 th Division	Motor vehicles were not kept in a government garage when not in use, contrary to COA Circular Nos. 75-6 dated November 7, 1975 and 75-6A dated December 15, 1975, thus exposing the said properties to the risks of being damaged, lost or misused. The said motor vehicles are brought by the three Commissioners in their respective home, while one vehicle intended for transfer without cost to other government agency, was parked in a limited space only, outside the building where NLRC-8 th Division is renting office space for its use.

10.7 We recommended that the Managements of the NLRC Main and the concerned RABs undertake and require/direct the responsible officials/offices to undertake the following:

Office/RAB	Recommendations
NLRC Main	<p>a. Accountant to -</p> <ul style="list-style-type: none"> • prepare and record adjusting journal entries to: <ul style="list-style-type: none"> ➤ revert back to the PPE accounts all items reclassified as Other Assets, including unserviceable properties not disposed of; ➤ record all procured PPE items not previously recognized as PPE; and ➤ correct the issuance which was recorded as expenses; and • exercise due care in the recording of financial transactions to ensure the accuracy and reliability of financial reports; and

Office/RAB	Recommendations
	b. Property Unit to conduct complete physical count of all PPE accounts. and submit the corresponding RPCPPE, copy furnished the Audit Team
NLRC Main/ RAB VII	a. Accounting Units to maintain PPELCs; and b. Property Units to - <ul style="list-style-type: none"> • submit RPCPPE, copy furnished the Audit Team; • maintain updated PCs for each PPE items to monitor all acquisitions/issuance and dispositions;
NLRC Main, RABs V and VI	Accounting and Property Units - conduct periodic reconciliation of their records.
RAB-CAR	Accountant to prepare and record the following adjusting entries to - <ul style="list-style-type: none"> • reclassify to ICT Equipment account the undisposed Other Assets; and • derecognize Other Assets and the corresponding Accumulated Surplus/Deficit accounts for properties already disposed of.
RAB II	Management to utilize the parcel of land allotted to them at the Regional Government Center in order that the same will not be reverted back to the RDC and to save the amount used in paying rental expenses.
NLRC 8th Division	Management to designate a secured area to serve as garage for its motor vehicles, especially after office hours and during weekends and holidays.

10.8 Management submitted the following comments:

Office/RAB	Comments
NLRC Main	Management had already adjusted the affected accounts under JEV No. 2017-04-136-J dated April 7, 2017 and agreed on all the audit recommendations.
NLRC 8 th Division	Management will make an arrangement with the Cagayan de Oro Police Station Precinct No. 1 for the use of their parking area during weekdays and holidays. The NLRC 8 th Division is situated right in front of the Police Station.
RABs	
CAR	Management agreed that they will take up the recommended adjustment in April 2017.

Office/RAB	Comments
II	Management already worked out the necessary documents which are needed for the construction of their office building. Management mentioned during the exit conference that an appropriation for the construction of their building is included in the 2017 GAA.
V	Management in its written reply dated March 20, 2017 requested for assistance from the Audit Team on the basis of amounts to be used in the RPCPPE. Further, it was informed that Management will also furnish the Audit Team of the IIRUP once the inventory of unserviceable PPE is completed and as soon as the required documents are finished.
VII	<p>When the Supply Officer resigned last August 12, 2016, an Acting Supply Officer was designated. However, the latter failed to submit the RPCPPE due to the non-availability of some documents. The Supply and Accounting Units are still in the process of reconciling their records.</p> <p>Currently, the Acting Supply Officer continues to determine the accountability of each employee in relation to the Physical Count of PPE. Management already prioritized the selection of the Incoming Supply Officer in order to re-establish the Inventory Committee. Management also promised to submit the RCPPE, as soon as possible.</p>

Understated Intangible Assets and Accumulated Surplus/Deficit Accounts

11. Intangible Assets and Accumulated Surplus/Deficit accounts were understated by ₱1,449,506.00 and ₱215,684.00, respectively, while Other Assets was overstated by ₱1,233,822.00 due to erroneous recording of accounts Intangible Assets as Other Assets with the carrying amount of ₱1,233,822.00.

- 11.1 As defined under Section 2(d), Chapter 12, Volume 1 of the GAM, intangible assets are identifiable non-monetary asset without physical substance. Section 3 thereof states that an item must possess the following elements: identifiability, control over a resource and existence of future economic benefits or service potential.
- 11.2 Common examples of intangible assets are computer software, patents, copyrights, franchise, motion picture films, trademarks or brand names, licenses, acquired import quotas, lists of users of a service, and relationships with users of a service.
- 11.3 The NLRC Main Office procured various computer software amounting to ₱215,684.00 together with various ICT equipment. As discussed in the audit of inventories these were all erroneously recorded as inventories.

- 11.4 The Audit Team traced the accounting records to verify whether these were eventually reclassified to the proper accounts as inventories would have a negative balance considering that the acquisition costs of the misclassified assets were much greater than the balanced of inventories at year-end. It was later discovered that the said items were included as issued and recorded as Office Supplies Expenses; thus, both the Intangible Assets-Computer Software and Accumulated Surplus/Deficit accounts were understated by ₱215,684.00.
- 11.5 Moreover, the Audit Team noted that the journal entries prepared and recorded by the Accountant in reclassifying PPE accounts to Other Assets included Intangible Assets-Computer Software with carrying amount of ₱1,233,822.00 (acquisition cost of ₱12,333,220.00 less total Accumulated Amortization amounting to ₱11,099,398.00). As a result, Intangible Assets and Other Assets were understated and overstated, respectively, by ₱1,233,822.00
- 11.6 We recommended that the Management of NLRC Main require the Accountant to adjust in the books of account the understatements of Intangible Assets-Computer Software and Accumulated Surplus/Deficit amounting to ₱1,449,506.00 and ₱215,684.00, respectively, and the ₱1,233,822.00 overstatement of Other Assets.**

Compliance with Section 5 of RA No. 656 or the “Property Insurance Law”

- 12. The properties of RAB XIII with the total acquisition cost of ₱961,455.13 were not insured with the General Insurance Fund of the Government Service Insurance System (GSIS), thus exposing the properties to risk of not being indemnified for any damage to or loss of properties due to fire, earthquake, storm or other unforeseen events contrary to RA No. 656, as amended.**
- 12.1 RA No. 656 or the Property Insurance Law, as amended by PD No. 245 dated July 13, 1973 requires that all government agencies to have their insurable properties, assets and interests insure with the GPI administered by the GSIS to ensure compensation with the equivalent value thereof in case of loss thru fire, theft or any unforeseen events.
- 12.2 COA Circular No. 92-390 dated November 17, 1992 provides that “all heads of national government agencies, local governments units and government owned and controlled corporations shall be responsible for the preparation and submission of inventory of all insurable assets” and Section 3.2 thereof requires submission to the GSIS not later than October 31 of the ensuing year.
- 12.3 Evaluation of the records disclosed that except for motor vehicles, other properties and equipment of the Agency were not insured under the General Insurance Fund of the GSIS. The uninsured properties are summarized on the next page:

Properties/Accounts	Acquisition Cost
Office Equipment	424,027.80
IT Equipment and Software	401,241.60
Furniture and Fixtures	24,099.00
Other PPE	112,086.73
Total	961,455.13

- 12.4 As a result, the Agency is not protected nor will be compensated of the value of the properties in case of fire, theft and other unforeseen events.
- 12.5 We recommended that the Management of RAB XIII direct the Property Officer-Designate to prepare the list of all insurable properties and have these be insured under the Property Insurance Fund of the GSIS as prescribed.**
- 12.6 The Management agreed with the recommendation and immediately insured their insurable properties. Official receipt for the payment of insurance premium was furnished to the Audit Team.

Errors/Omissions in recording and misclassification of liabilities

13. Various liability accounts were misstated and Accumulated Surplus/Deficit was overstated by ₱1,153,243.39 due to repetitive errors as well interchanging of accounts used in recording financial transactions in violation of the pertinent provisions of the GAM, Volumes I to III.

- 13.1 Section 7, Chapter 19, Volume I of the GAM, which implemented Section 27, of PPSAS No. 1, stated that “financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful presentation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenues and expenses set out in PPSASs.”
- 13.2 The information is reliable when it is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.
- 13.3 Section 111 of PD No. 1445 requires that the accounts of the agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government. Also, the highest standard of honesty, objectivity, and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.

13.4 Section 112 of PD No. 1445 provides that “Each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.”

**a. Due to GSIS - misclassification of accounts and mispostings/
interchanging of amounts recorded and unadjusted errors in
recording salary deductions**

Particulars	Accounts Affected (Over)/Understated						
	Due to GSIS	Due to BIR	Due to PHIC	Due from Officers and Employees	Due to GOCCs	Due to Officers and Employees	Accumulated Surplus/ Deficit
The amount recorded as Due to GSIS and Due from Officers and Employees of Sylvia Jean P. Salem Lopez amounting to ₱673.06 and ₱7,360.00 respectively, were interchanged.	(6,686.94)			(6,686.94)			
GSIS and PHIC Contribution of Manuel Torres amounting to ₱46.50 and ₱12.50 were recorded as Due to GSIS	(12.50)		12.50				
Amount withheld in salaries of Rochelle Macawili for payment of GSIS loans was recorded credited to Due to BIR	3,483.08	(3,483.08)					
Withholding taxes from salaries of various employees recorded in the JEVs as Due to BIR but posted in the GL as Due to GSIS	(887.69)	887.69					
GSIS contributions deducted from salaries of various employees recorded in the JEVs as Due to GSIS but posted in the GL as Due to BIR	3,425.59	(3,425.59)					
Salary deductions totalling ₱5,503.20 intended for GSIS Real Estate Loan and GSIS Low Cost Housing Loan erroneously credited as Due to GOCC	5,503.20				(5,503.20)		
Remittance of personal share erroneously debited to Retirement and Life Insurance Premium (Government Share) Expenses instead of Due to GSIS	(4,429,320.69)						4,429,320.69
Remittance of Government Share erroneously debited as Due to GSIS instead of as Retirement and Life Insurance premium	5,597,694.29						(5,597,694.29)
Erroneous posting of GSIS and BIR deductions	2,537.90	(2,537.90)					
Unadjusted Due to GSIS erroneously credited for GSIS premiums contributions not deducted from two employees whose requests for stop deductions were granted which understated their net pay	(4,073.58)					4,073.58	

Particulars	Accounts Affected (Over)/Understated						
	Due to GSIS	Due to BIR	Due to PHIC	Due from Officers and Employees	Due to GOCCs	Due to Officers and Employees	Accumulated Surplus/Deficit
Deduction from the salary due to a resigned employee was erroneously credited to Due to GSIS instead of a reduction to salaries expense	(1,716.93)						1,716.93
Net Under/(Over)statements	1,169,945.73	(8,558.88)	12.50	(6,686.94)	(5,503.20)	4,073.58	(1,166,656.67)

b. Due to GOCCs - erroneous recording, error in reclassification of accounts, unrecorded deductions and interchanging of either accounts or amounts

13.5 Errors in the recording of LBP Salary loan deductions and/or remittances of employees which understated Due to GOCCs and overstated Other Payables and Accumulated Surplus/Deficit. Details follow.

Particulars	Effects on the accounts- Under/(over)stated		
	Due to GOCCs	Other Payables	Accumulated Surplus
Other bonuses and Allowance expense was debited only for the ₱14,129.28 amount of cash received by an employee instead of the gross amount of ₱22,000.00. The difference of ₱7,870.72 representing the deduction for loan amortization of the payee was not debited as expense and the corresponding Due to GOCCs was not credited; thus, Accumulated Surplus/Deficit representing the unrecorded expense was overstated and Due to GOCCs was understated for the unrecorded deduction for loan amortization.	7,870.72		(7,870.72)
Mid-year bonus amounting to ₱48,625.00, which was fully used to pay for the salary loan of an employee was not debited as expense and no corresponding credit to Due to GOCCs (LBP), thus overstating Accumulated Surplus/Deficit for the unrecorded expense and understating Due to GOCCs for the unrecorded liability	48,625.00		(48,625.00)
Remittance of ₱4,130.20 deduction from salaries for the payment of LBP salary loan was erroneously debited to Other Payables instead of Due to GOCCs	4,130.20	(4,130.20)	
Remittance of the ₱55.00 deductions for loans from private entities was debited to Due to GOCC instead of Other Payables	(55.55)	55.55	
Deductions amounting to ₱3,097.66 for the repayment of an employee's LBP salary loan was recorded twice in the books, thus overstated Due to GOCCs and understated Accumulated Surplus/Deficit (for the overstated Salaries and Wages - Regular expenses)	(3,097.66)		3,097.66
Net Under/(Over)statements	57,472.71	(4,074.65)	(53,398.06)

13.6 Recorded November 2016 payroll deduction amounting to ₱5,420.90 from the salary of an employee for LBP loan amortization, which was adjusted/reversed on the same month was still remitted to LBP thru an MDS Check. However, a receivable for overpaid salary loan was not recognized and the Due to GOCCs previously debited was not restored to adjust the erroneous remittance and to prevent a negative SL balance of Due to GOCCs for the account of said employee. As a result, the accounts Due from

Government Owned and Controlled Corporations, for the receivable from LBP and to Due to GOCCs were both understated.

- 13.7 Remittance of ₱5,162.74 Housing Loan deduction to the National Home Mortgage Financing Corporation was erroneously recorded as debit to the Due to Pag-IBIG account instead of debiting Due to GOCCs resulting in the overstatement of the account Due to GOCCs and understatement of Due to Pag-IBIG both amounting ₱5,162.74.

c. Due to Officers and Employees - errors and omissions in recording CYs 2015-2016 payroll transactions for salaries and other employees' benefits

- 13.8 Error in recording the CYs 2015 and 2016 adjustments pertaining to Salaries and Wages Expenses and Due to Officers and Employees accounts representing amounts deducted from the salaries of NLRC Main officers and employees who are no longer entitled. Instead of adjusting only the over-recorded expense and liability accounts, the full amounts previously recorded were adjusted; thus, the accounts Due to Officers and Employees and Accumulated Surplus/Deficit accounts were understated and overstated, respectively. Details are presented below.

Year	Amounts of Recorded Adjustments	Over-recorded Amounts for Adjustment	Under/(Over)stated	
			Due to OE	Accumulated Surplus
2015	129,824.74	102,264.47	27,560.27	(27,560.27)
2016	444,308.36	202,965.01	241,343.36	(241,343.36)
Total	574,133.10	305,229.48	268,903.63	(268,903.63)

- 13.9 Overpaid salary of one employee amounting to ₱658.00 which overstated the recorded Salaries and Wages-Regular Expenses Account and Due to Officers and Employees was not adjusted to recognize receivables under the account Due from Officers and Employees, resulted to the understatement of the latter account and Accumulated Surplus/Deficit representing the over-recorded expense

d. Other errors affecting liabilities and other related payroll accounts

- 13.10 Over-recorded various accounts related to payroll were not adjusted as shown below:

Accounts Affected	Over-recorded Amounts		Totals	Effects on the Accounts
	Non-adjustment of journal entries for payroll accounts of two employees included in the payroll twice but paid only once	Non-reversal of journal entries for payroll accounts of employees included in the payroll, who were no longer entitled due to their separation from the service		

Accounts Affected	Over-recorded Amounts		Totals	Effects on the Accounts
Due to Officers and Employees	24,971.72	86,707.11	111,678.83	overstated
Due to BIR	10,041.93	13,993.95	24,035.88	
Due to GSIS	18,153.35	15,727.68	33,881.03	
Due to Pag-IBIG	200.00	200.00	400.00	
Due to Philhealth	662.50	800.00	1,462.50	
Due to GOCCs	3,263.00	3,226.72	6,489.72	
Other Payables	6,802.50	6,257.45	13,059.95	understated
Accumulated Surplus/ Deficit	64,095.00	126,912.91	191,007.91	

13.11 Error in adjusting entries drawn by the Accounting Unit upon release of remaining claims of several employees who were separated from the service.

Account	Debited/ (Credited) per JEV	Amounts				Effects on the Accounts
		Actual Receivable (August 1-11, 2016) Debit(Credit)	For Adjustment Debit/ (Credit)	Adjusting Entries Made Debit/ (Credit)	Discrepancies To be Adjusted	
Salaries and Wages	320,668.00	120,336.06	(200,331.94)	(58,282.88)	(142,049.06)	overstated
PERA	12,000.00	4,451.63	(7,548.37)	(5,548.37)	(2,000.00)	understated
Due from Officers and Employees	(433.39)	(2,166.95)	(1,733.56)	(7,460.21)	5,726.65	overstated
Due to BIR	(74,872.48)	108,445.52	(183,318.00)	(95,474.58)	(87,843.42)	
Due to GSIS	(41,426.95)	(41,426.95)	-	(41,426.95)	(41,426.95)	
Due to PhilHealth	(2,362.50)	(2,362.50)	-	(2,362.50)	(2,362.50)	
Due to Pag-IBIG	(1,600.00)	(1,600.00)	-	(1,600.00)	(1,600.00)	
Due to GOCC	(3,154.54)	(3,154.54)	-	(3,154.54)	(3,154.54)	
Other Payables	(1,935.00)	(1,935.00)	-	(1,935.00)	(1,935.00)	

13.12 The above errors and omissions in recording various accounts related to payroll resulted to the net overstatement/understatement of the following assets, liabilities and equity accounts summarized as follows:

Accounts	Understatement	Overstatement
Due from Officers and Employees		302.29
Due from Government Owned and Controlled Corporations	5,420.90	
Due to GSIS	1,094,637.75	
Due to BIR		120,438.18
Due to PhilHealth		3,812.50
Due to Pag-IBIG	3,162.74	
Due to GOCCs	42,583.41	
Due to Officers and Employees	161,298.38	
Other Payables		19,069.60
Accumulated Surplus/Deficit		1,153,243.39
Totals	1,642,818.15	1,296,865.96

13.13 Moreover, it can be gleaned from the above observations that recurring errors were committed in the recording and reporting of financial transactions; thus, the faithful presentation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenues and expenses set out in PPSASs were not adhered to.

e. Trust Liabilities account amounting to ₱71,118,885.60 not supported with schedules

13.14 The Accountant of RB VI did not submit schedule of Trust Liabilities detailing their creditors and the nature of these liabilities and to support the amount in the GL.

13.15 We recommended that the Management of NLRC Main require the Accountant to:

a. analyze thoroughly the accounts and be guided by the pertinent provisions of the GAM, Volumes I to III to ensure the accuracy and reliability of the reported account balances in the financial statements;

b. exercise due care in recording financial transactions to avert repetitive errors; and

c. prepare the appropriate adjusting journal entries to correct the errors.

13.16 We also recommended that the Accountant of RAB VI prepare the schedule of Trust Liabilities account and reconcile the total amount with the GL balance.

13.17 The Accountant of NLRC Main already adjusted the affected accounts for Due to GSIS under JEV No. 2017-04-036-B, Due to GOCC under JEV No. 2017-04-136-C and Due to Officers and Employees under JEV No. 2017-04-136-D dated April 7, 2017.

13.18 The Management of RAB VI commented that the acting accountant already started on, going over the records in order to prepare schedules of trust liabilities since it involves three banks in Bacolod and two banks in Iloilo.

Non-compliance with RA No. 9184

14. Purchases made by RAB XIII, other than common-use supplies, were not indicated in the approved Annual Procurement Plan (APP) for CY 2016, contrary to Sections 7.2 and 7.4 of RA No. 9184 and its Revised Implementing Rules and Regulations (IRR), thus the procured items may not be the actual needs of the agency, further resulting to uneconomical operations.

14.1 Section 7.2 of the Revised IRR of RA No. 9184 provides that:

No government procurement shall be undertaken unless it is in accordance with the approved Annual Procurement Plan of the Procuring Entity. The Annual Procurement Plan shall be approved by the Head of the Procuring Entity and must be consistent with its duly approved yearly budget. xxx.

14.2 Likewise, Section 7.4 of the same IRR:

Updating of the individual Project Procurement Management Plan and the consolidated APP for each procuring entity shall be undertaken every six (6) months or as often as may be required by the Head of the Procuring Entity. The updating of the PPMP shall be the responsibility of the respective end-user units of the Procuring Entities, while the consolidation of these PPMPs into an APP shall be lodged with the BAC Secretariat, subject to approval of the Head of the Procuring Entity.

14.3 Review of the payments pertaining to purchases other than common-use office supplies, totaling ₱203,884.82, revealed that these were not included in the approved APP for CY 2016. Detailed schedule of which is shown below:

Date	Check/ ADA No.	Particular	Amount
3-17-16	03-009-2016	Risograph Printing-3/16	1,368.75
3-21-16	1001561	Meals/Snacks-Gender Training	8,859.38
3-22-16	1001568	1 unit 3n1 wireless printer	10,363.39
3-22-16	1001569	1 unit Exec. Swivel chair	5,796.87
4-20-16	1001577	20 pcs. Polo shirt-Labor Day	7,003.57
6-15-16	1001612	Capability building seminar	40,603.00
8-10-16	1001637	Toner (2 bots) INEO 164	6,876.00
8-15-16	1001639	Toner (2 bots) INEO 164	6,507.65
8-23-16	1001646	1 unit INEO 4020 Printer/Scanner	42,589.28
9-22-16	1001663	GAD Forum cum Family Day	27,446.43
11-10-16	1001691	Meals and snacks	11,400.00
11-23-16	1001697	Repair of motor vehicle	2,881.14
12-14-16	1040815	Risograph printing	3,445.31
12-14-16	1040817	Meals and snacks	19,152.00
12-21-16	1040823	Various IT Equipment	9,592.05
Total			203,884.82

14.4 Interview conducted with the Supply Officer disclosed that they were not used to the inclusion of the above items in their APP. However, they were able to come up with the APP for non common-use goods and services in CY 2016. Nonetheless, upon review, it was observed that the mentioned APP was randomly prepared, the form was not properly filled-up, and the budget per activity was not indicated which should be consistent with the approved budget.

- 14.5 The aforementioned deficiencies in the preparations of the APP was due to Management's inadequate understanding of the provisions of RA No. 9184, specifically on the preparation of PPMP and APP. Likewise, APP randomly prepared indicated a poor procurement planning on the part of the Agency which could further affect the proper implementation of its PAPs.
- 14.6 We recommended that the Management instruct the agency officials concerned to prepare the APP in accordance with the guidelines set forth in Section 7, Rule II of the IRR of RA No. 9184, taking into consideration the different PAPs to ensure that supplies, materials and equipment needed in the operation of the Agency are included in the programmed procurement at any given calendar year.**
- 14.7 The Management will abide by the recommendation. The BAC was already instructed to prepare APP in accordance with the guidelines set by RA No. 9184.

Net pay of employees below ₱3,500.00

15. The NLRC Main failed to observe the provisions of Section 52, General Provision of RA No. 10717, GAA of FY 2016 by allowing its employees to received net monthly salary of as low as ₱96.97 to ₱3,499.98, which could not cope with the employee's needs for each month expenses.

- 15.1 Section 52 of RA No. 10717, otherwise known as the GAA FY 2016 enumerated the authorized deductions from salaries and benefits accruing to any government employee, in order of preference:
- a. The BIR, PHILHEALTH, GSIS and HDMF;
 - b. Non-stock savings and loan associations and mutual benefits associations duly operating under existing laws which are managed by and/or for the benefit of government employees;
 - c. Associations, cooperatives, or provident funds organized and managed by government employees for their benefit and welfare;
 - d. GFIs authorized by law and accredited by appropriate government regulating bodies to engage in lending;
 - e. Licensed insurance companies; and
 - f. Thrift banks and rural banks accredited by the BSP.

In no case shall the foregoing deductions reduce the employees' monthly net take home pay to an amount lower than Three Thousand Five Hundred Pesos (₱3,500.00).

15.2 Verification of NLRC's personnel monthly payrolls showed that from January 1 to December 31, 2016, there were 26 to 51 employees who received net monthly salaries between ₱3,499.98 to as low as ₱96.97 after deducting GOCCs required premiums and several loan amortizations from various lenders contrary to the above provisions of the FY 2016 GAA on the required minimum net pay of not lower than ₱3,500.00 monthly. Such can be attributed to the Management's failure to limit the granting of loan commensurate to the paying capacity of the employee based on the salary minimum take home pay of ₱3,500.00 as required.

15.3 We recommended that the Management:

- a. adhere strictly to the provision of Section 52, General Provision of RA No. 10717 on the net take home pay of each employee of ₱3,500 monthly; and**
- b. effect control measures to maintain the required minimum net pay of employees such as attaching a routing slip to a loan application/request duly signed by the person in charge of the payroll informing the lenders whether the net pay of employees is still sufficient/not sufficient to accommodate further deductions from their salaries prior to the grant of loan and/or requests for deduction of loan amortizations.**

15.4 Management had agreed with the audit observations and had devised a routing slip in the processing and approval of loan applications to ensure that the net take home pay of the employees will not fall below the minimum threshold required under the GAA.

Incentive Pay Granted to Job Order personnel

16. Service Incentive amounting to ₱227,500.00 granted to Job Orders (JOs) of the NLRC Main and sourced from the balance of the UCPB Payroll Account that was originally intended for payment of salaries of regular employees was contrary to Item No. 3 of Budget Circular (BC) No. 2016-7 dated December 1, 2016.

16.1 The payment of Service Incentive for the NLRC Job Orders in the total amount of ₱227,500.00 are not covered in the granting of CNA Incentive under Item No. 3 of Budget Circular (BC) No. 2016-7 dated December 1, 2016, which provides, among others, that:

- Rank-and-file employees who are members of an employees' organization which is accredited by the Civil Service Commission (CSC) as the sole and exclusive negotiating agent (thereinafter referred to as "Negotiating Agent") in accordance with the rules and regulations issued by the Public Sector Labor-Management Council (PSLMC);

- Rank-and-file employees who are not members of the CSC-accredited sole and exclusive negotiating agent referred to in item 3.1, but wants to enjoy or accept benefits under the CNA subject to payment of agency fee to the “negotiating agent” in accordance with PSLMC Resolution No. 1, s. 1993; and
- Those who perform managerial functions.

16.2 Although JO personnel contributed in the overall performance of the agency, they are not entitled to receive benefits received by the regular employees. This provision is clearly indicated in their contract of services as required under Section 3(C) of the Civil Service Commission Resolution No. 020790, which provides that “the contract of services, MOA or job order shall not contain the following provision: The employee is entitled to benefits enjoyed by government employees such as ACA, PERA and RATA and other benefits given by the agency such as mid-year bonus, productivity incentive, Christmas bonus and cash gifts.”

16.3 Thus, hiring of JO Contractors has no employer and employee relationship.

16.4 It was noted further that the payment of said Service Incentive was sourced from accumulated balance of Cash in Bank-Local Currency, Savings Account (UCPB Payroll Account) which was intended for salaries of regular employees, contrary to Section 4.3 of the above BC.

The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2016, provided the same have become available as a result of cost-cutting and systems improvement measures undertaken by the agencies, which are identified in their respective CNA and supplements thereof. Such fund sources shall be limited to the following MOOE items as defined under the Government Accounting and Auditing Manual:

- a. Traveling Expenses
- b. Communication Expenses
- c. Repairs and Maintenance
- d. Transportation and Delivery Expenses
- e. Supplies and Materials; and
- f. Utility Expenses

16.5 We understand that the Agency granted the incentive to their Job Order Personnel in recognition of their efforts in the overall performance of the Agency, but such recognition must have a legal basis and fund to which the benefits will be sourced from.

16.6 We recommended that the Management strictly comply with the 6 Line Items in granting the CNA and provide basis why the grant should not be disallowed in audit.

16.7 Management agreed with the audit observation, however, in view of the Administrative Order No. 02 dated January 31, 2017 issued by the Office of the President, authorizing the grant of gratuity pay to JO personnel of ₱2,000.00, the management requested consideration to offset the said amount from the total amount of ₱227,500.00 and the remaining amount will be reverted back to the National Treasury.

Erroneous deduction of absences and tardiness/undertime from Leave Cards

17. Failure of the NLRC RAB VII Personnel-in-Charge to deduct from the leave credits (LC) the equivalent day for tardiness/undertime and to reflect correctly the equivalent day thereof resulted to unreliable leave credit balances in violation of Section 34 of the Omnibus Rules on Leave, hence, the risk of possible loss of government funds.

17.1 Section 34 of the Omnibus Rules on Leave provides, as follows:

Tardiness and undertime are deducted from vacation leave credits and shall not be charged against sick leave credits, unless the undertime is for health reasons supported by medical certificate and application for leave.

17.2 Verification of records revealed that from the months of January to November 2015, several errors and omissions were made on the entries on the leave cards most especially for tardiness/undertime and absences, which resulted to inaccurate leave credit balances. The deficiencies are as follows:

- a. erroneous computation of the equivalent day of the tardiness/undertime and absences incurred;
- b. failure to deduct undertime leave cards of the employees concerned, and;
- c. Tardiness/undertime were added to the leave credit balances instead of being deducted while others were excessively added resulting to overstatement of the leave credits balance at the end of the month.

Errors in the Entry of Undertime							
	Name of Employee	Month With Defect in Computation of LC	Not Deducted From LC	Added to, Instead of Deducted From LC	Correct and Should Be	Recorded as LC	Variance
1	Aldave, Leonor L.	June			0.102	0.140	(0.038)
2	Bernadez, Jose	January	0.002				
		July		0.577			
		October		0.146			

Errors in the Entry of Undertime						
Name of Employee	Month With Defect in Computation of LC	Not Deducted From LC	Added to, Instead of Deducted From LC	Correct and Should Be	Recorded as LC	Variance
3	Cabanhug, Sarah	January			0.123	0.271 (0.148)
		August			0.083	0.260 (0.177)
4	Carin, Annabelle	May	0.340			
5	Castillo, Dodgie	January			0.394	0.240 0.154
		April			0.512	0.660 (0.148)
6	Echavez, Rhodora	April			0.262	0.325 (0.063)
7	Emia, Oliver	April			1.556	0.854 0.702
8	Encina, Maria Corazon	January			2.752	2.815 (0.063)
9	Famor, Maricel R.	November		0.044		
10	Galo, Teresita	January		0.023		
		April			0.496	1.256 (0.760)
11	Landiza, Jenilyn	April		0.219		
12	Lapiz, Ophelia	January			178.367	180.367 (2.000)
13	Lerida, Imelda	January			0.817	0.796 0.021
		May			0.233	0.046 0.187
14	Licavan, Jaylord	January	0.062			
15	Mansueto, Ma.Monalei	August			0.325	0.531 (0.206)
		October			0.531	0.325 0.206
16	Mansueto, MaryAnne	October	0.244			
17	Moiado, Leilani	May			0.571	0.433 0.138
18	Mondano, Edilberto	July	0.167			
19	Navarro, Mathias	April			0.800	0.785 0.015
		May			1.206	1.290 (0.084)
		July			1.233	1.228 0.005
		August			1.125	0.019 1.106
20	Padrid, Peter Samson	May	0.575			
21	Patrosa, Cleofe	March	0.135			
22	Pracuelles, Licensia	April			0.606	0.106 0.500
		June			0.885	
23	Santiago, Fernando	May			0.065	0.046 0.019
24	Tamparong, Jeffrey	March	0.137			
25	Yntig, Celedonia	March			0.423	0.785 (0.362)
		April			1.129	0.635 0.494
		July			0.352	0.379 (0.027)
		September	0.012			
		Sept. VI-17	17.000			
Total			18.026	0.885	6.939	5.273 1.666

17.3 Failure to deduct the correct equivalent day of an employee's tardiness will result to prejudice either on the employee's future money claim in the conversion of leave credits in case of over deduction, otherwise, it shall result to losses of government funds considering that a government employee may be paid for more than what is due him in case of under deduction.

17.4 We recommended that Management require the Leave Credit In-Charge to reflect adjustments in the leave cards and be careful in recording in order not to commit the same mistake, thus, not to prejudice the employees of the agency or not to incur losses of government funds.

17.5 Management had already effected the adjusting entries.

Non-compliance with Laws, Rules and Regulations

18. Non-compliance to the provisions of pertinent laws, rules and regulations affecting the agency’s operations and financial transactions rendered doubtful the accuracy and integrity of financial information as well as the efficiency of operations.

18.1 Audit and evaluation of financial transactions and operations of NLRC disclosed the following deficiencies which are contrary to pertinent laws, rules and regulations:

RAB	Deficiencies Noted	Laws, Rules and Regulations
III	The Accountable Officers (AOs) of the NLRC RAB III were not bonded despite having money and property accountabilities, contrary to Section 4 of the Treasury Circular No. 02-2009, thus exposing government funds and properties to the risks of loss or misappropriation without the benefit of recovery.	Section 4 of the Treasury Circular No. 02-2009
IV	Cashbooks of the AO were not properly maintained, and accounting records were not updated regularly every month-end	Section 6 of COA Circular No. 97-002 and Section 6 and Revised Cash Examination Manual Chapter II, Paragraphs 6 and 7
VII	Leave of absences (LOAs) of three employees were not duly supported with Approved Application for Leave and they have given a full month salary notwithstanding the presence of unauthorized leave of absence.	Sections 50, 51 and 53 of the Omnibus Rules on Leave.
VIII	The Accounting Unit did not use the form Index of Payments (IP) and Notice of Obligation Request & Status Adjustment (NORSA), and does not indicate the Disbursement Voucher (DV) Number on every sheet of the supporting documents	GAM for NGAs
IX	Incomplete documentary requirements to support the payments on some common transactions	COA Circular No, 2012 – 001
XII	Non-provision of adequate and suitable storage room for post-audited disbursement vouchers, journal entry vouchers, official receipts, monthly/ quarterly/annual reports and various records and documents	Section 20 and 43 of PD No.1445

18.2 We recommended that Management undertake the following actions:

RAB	Recommendations
III	Direct the personnel concerned to immediately apply or renew the bonds of the Accountable Officers (AOs) to protect government funds and properties against possible loss or misappropriation. We also recommended that Management strictly comply with the requirements of law and be more responsible in the application thereof.
IV	<p>The AO/ Collecting Officer (CO) maintain a cashbook for Cash, Collecting Officer to record the collections received (Debit column) and deposits (Credit column), and the balance (Balance column) daily. The CO shall reconcile the cashbook balance (Balance column) with the cash on hand daily. The AO/CO may record the collections individually or the total collections for the day depending on the volume of the transactions.</p> <p>The Executive Labor Arbiter instruct the Special Collecting/ Disbursing Officer and AO-I/Acting Accountant to update and reconcile their corresponding records regularly to determine the condition of the agency account. The agency may require a more frequent reconciliation for proper monitoring and control of their financial condition.</p>
VII	<p>The concerned personnel of the Region are requested to:</p> <ol style="list-style-type: none"> a. submit Approved Applications for Leave of the employees or submit an explanation or justification in case of no Approved Application for Leave. b. ensure that disbursement vouchers for salaries are supported with complete documents; and c. deduct from the salary of the employees the corresponding days of absence without the approved leave in conformity with Section 50 of the Omnibus Rules on Leave.
VIII	Require all concerned personnel regarding the use of proper forms and complete adherence to prescribed procedures for disbursements as provided in the GAM for NGAs. This is to ensure proper processing of DVs and complete documentation of transactions which shall eventually facilitate the attainment of easier, complete and accurate reporting including the maintenance of adequate financial records.
IX	The Acting Accountant to review the required supporting documents to a particular transaction prescribed under COA Circular No. 2012-001 dated June 14, 2012, before affixing her signature in Box A of the disbursement voucher to avoid possible suspension and/or disallowance in audit.

RAB	Recommendations
XII	Provide adequate, safe and secured storage/stockroom for post-audited disbursement vouchers, various documents/records and reports over which the Commission on Audit has legal custody.

18.3 The Management submitted the following comments:

RAB	Management Comments
VII	Management submitted copies of the Approved LOAs of the two employees and were already deducted from their respective leave credit balances in 2015. As to the other one, the salary corresponding the day(s) of absence without approved leave will be deducted.
VIII	During the exit conference Management assured that said deficiencies will be corrected in the ensuing year in compliance with the Government Accounting Manual for National Agencies (NGAs) as mandated under COA Circular No. 2015-007.
IX	Management commented that they are amenable with the observation and the Acting Accountant assured the Audit Team that she will carefully review all supporting documents before she will affix her signature in Box A of the disbursement voucher.

Incomplete documentation of financial transactions

19. Payments amounting to ₱8,355,754.56 were made despite the lack of documentary requirements contrary to Section 4(6) of PD No. 1445 and pertinent provisions of COA Circular No. 2012-001, thus, the propriety and regularity of the transactions cannot be immediately established.

19.1 Section 4(6) of PD No. 1445 requires that claims against government funds shall be supported with complete documentation while COA Circular No. 2012-001 dated June 14, 2012 provides for the documentary requirements for various types of transactions.

19.2 Review and evaluation of paid transactions of NLRC RABs disclosed disbursements amounting to ₱8,355,754.56 were not supported with necessary supporting documents/information, as follows:

Nature of Transaction	Office/ RAB Concerned	Amount	Deficiencies/Lacking Documents/Information
Payments for zumba instructors	VII	6,402.24	Acknowledgment Receipts were not submitted as proof of payments
		47,016.45	
Payment for repair and maintenance for IT equipment, air – con and motor vehicle	NLRC 7 th Division	48,644.55	DVs not supported with Pre and Post Repair Inspection

Nature of Transaction	Office/ RAB Concerned	Amount	Deficiencies/Lacking Documents/Information
Payment for various disbursements	XII	740,310.42	<ul style="list-style-type: none"> • DVs not approved/signed by the head of office or his duly authorized representative • rent expenses without the billing/statements of account • payment of salaries with no Daily Time Records (DTRs) or proof of services rendered attached
	XIII	7,435,033.40	DVs not supported with Budget Utilization Request and Status (BURS)
Payment of wages for JOs		78,347.50	Payments not supported with Contract of Service/Job Order Contract, Accomplishment Report, Personnel Locator Slip or Travel Order
TOTAL		8,355,754.56	

19.3 The practice of paying transactions with incomplete documents/information renders the completeness, regularity and propriety of the transactions doubtful.

19.4 We recommended that Management take the following corrective measures:

Office/ RAB	Recommendations
NLRC 7th Division	<ul style="list-style-type: none"> • Require the Property Officer to submit immediately the copy of the Pre- and Post Repair Inspection Reports for the transactions listed above to avoid suspension/disallowance in audit. • Require the disbursing officer to ask the payee to issue either official receipt or acknowledgment receipt to acknowledge receipt of the payment.
VII	Require the disbursing officer to ask the payee to issue either official receipt or acknowledgment receipt to acknowledge receipt of the payment.
XII	• Require the Bookkeeper, Cashier to strictly adhere to the rules and regulations requiring that claims against government funds should be supported with complete documentations;

Office/ RAB	Recommendations
	<ul style="list-style-type: none"> • Require the Cashier to exercise extra diligence to ensure that all claims for payments are duly approved/signed by authorized official before issuing the check/ADA for payment; and • Require the Cashier to certify/sign the correctness of the Report of Checks Issued (RCI) before submitting them to the Office of the Audit Team.
XIII	<p>Instruct the Accountant to strictly adhere with the documentary requirements for government transactions as prescribed in COA Circular No. 2012-001 dated June 14, 2012 and strengthen the internal control system over the handling of various government claims.</p>

19.5 The Management submitted the following comments:

Office/RAB	Management Comments
NLRC 7 th Division	<p>Management explained that:</p> <ul style="list-style-type: none"> • some of the repair pertains to their monthly maintenance of air conditioners and IT equipment. However, they only typed in the disbursement vouchers as repair and maintenance which misled the auditor. Only two items identified above which are really for repair and maintenance, hence, pre and post repair inspections is ready for submission to the auditor; and • thought that signature of the payee as in “E. Receipt Payment” in the disbursement voucher is enough, hence, they no longer ask for the official/acknowledgment receipt. But since the auditor required for the submission of the official/acknowledgment receipt, therefore, they are now ready to submit it to the auditor.
VII	<p>Management already submitted the required acknowledgment receipts.</p>
XIII	<p>The Management commented that they are willing to apply the recommendation immediately without prejudice to the final posture of the NLRC Main Office concerning the said findings.</p>

Delayed/non-submissions of financial reports

20. Delayed/Non-submissions of financial reports on time caused unnecessary delay to evaluate and determine the regularity, validity, completeness and accuracy of recorded transactions contrary to the existing laws and COA rules and regulations.

- 20.1 Section 60, Chapter 19, Volume 1 of the GAM provides that all NGAs must prepare and submit the financial reports within the prescribed deadline set.
- 20.2 Section 122 of PD No. 1445 provides that failure on the part of the officials concerned to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission.
- 20.3 Records showed that as of December 31, 2016, the reports and other documents were either not submitted by the following NLRC offices and RABs or their submission were delayed contrary to the above-mentioned law, rules and regulations:

Financial Reports/ Documents	Division/ Region	As of December 31, 2016			
		Submitted Reports	No. of Days Delayed	Unsubmitted Reports	No. of Days Overdue
A. Journal Entry Vouchers (JEVs) for:					
1. Disbursements – including Report of Checks Issued (RCI) and Disbursement Vouchers (DVs) MDS/General Fund (GF)	XII	Jan-Aug. 2016	12-101	Sept-Dec, 2016	86 to 137
	X	Jan.-Sep. 2016	30-93	Oct.-Dec. 2016	21-111
	8 th Division	Jan.-Sep. 2016	18-168	Oct.-Dec. 2016	31-86
• Trust Fund (TF)	8 th Division	Jan.-Sep. 2016	18-168	Oct.-Dec. 2016	31-86
2. Collections - including Reports of collection and Official Receipts	8 th Division	Jan.-Dec. 2016	18-141		
	X	Jan.-Sep. 2016	30-93	Oct.-Dec. 2016	21-111
	XII	Jan-Dec. 2016	86-137		
3. Liquidation reports	8 th Division	Jan-Dec. 2016	21-162		
	X	Jan-Dec. 2016	30-210		
B. Financial Statements					
1. Statements of (i) Financial Position (ii) Performance (iii) Cash Flows	8 th Division	Mar, Jun & Sep. 2016	20-281	Dec. 2016	1-21
	X	March, June, Sep. 2016	21-44	Dec. 2016	21-43
2. Trial Balances	8 th Division	Jan-Nov. 2016	18-141	Dec. 2016	1-21
	X	Jan-Nov. 2016	3-19	Dec. 2016	21-43
C. Bank Reconciliation statement	8 th Division	Jan.-May 2016	21-162	June-Dec. 2016	20-190
	X	Jan.-Oct. 2016	21-74	Nov-Dec. 2016	3-63

- 20.4 In RAB III, monthly Reports and Disbursement Vouchers together with the corresponding supporting documents were not submitted on time, thus, preventing the timely examination by the Audit Team thereof.
- 20.5 Moreover, in RAB XII the following DVs with total disbursements of ₱774,959.91 were not attached in the Report of Checks Issued for the months of January to July 2016 under the Trust Fund account:

DV No.	Check No	Date	Payee	Particulars	Amount
1601-003	1356034	1/07/16	Saguitarius Mines, Inc.	Excess cash bond	180,000.00
1601-004	1356035	1/07/16	Asiatic Protective Services, Inc.		65,855.00
1601-005	135603	1/07/16			35,100.00
1601-006	1356037	1/07/16	Ligaya Peres	Partial judgment award	4,607.50
1601-003	135604	1/21/16	Teresita C. Rosales	Nominal award	60,000.00
1604-186	1356079	4/14/16	Altrade, Inc. &/or Harry Alvares	Return of appeal bond	216,111.19
1604-194	1356080	4/25/16	Josephine Dolde	Full judgment award	6,528.78
1606-285	1356104	6/22/16	Galberto L. Acion	Full satisfaction	28,007.44
1607-349	1439235	7/27/16	Katotohan Pagkakaisa at Serbisyo (KPS)	Cash Bond	178,750.00
Total					774,959.91

20.6 We recommended that the Management require the Accountants and other responsible officials of the Regional Offices to:

- a. comply strictly with the prescribed submission of financial reports and documents to the Office of the Auditor to facilitate the complete review and audit of accounts and to affirm the reliability of the Management's assertion on the existence/occurrence, validity, accuracy and completeness of the recorded transactions; and**
- b. take appropriate action against officials and employees responsible for such deficiencies pursuant to Section 122 of PD No. 1445.**

Gender and Development (GAD)

21. Of the 14 RABs of the NLRC, only eight and one Commission-Division were able to program and implement activities on Gender and Development (GAD) Program for CY 2016, while there were no GAD plan and budget (GPB) allocation for the implementation of the program for RABs I, II, III, IV and XIII contrary to Section 35 of the general provisions of RA No. 10717 (GAA CY 2016) and Joint Circular No. 2004-1 of the Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and Philippine Commission on Women (PCW), thus, depriving its officers and employees of the benefits that they can derive regarding the gender equality and economic empowerment of women.

21.1 Section 35 of the General Provision of RA No. 10171 or the FY 2016 GAA on Programs and Projects Related to Gender and Development provides as follows:

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

Development Goals (2000-2015), the Philippine Plan for Gender-Responsive Development (1995-2015), and the Philippine Development Plan (2011-2016).

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

21.2 Section 6.1 of PCW-NEDA-DBM JC No. 2012-01 provides that,

At least five percent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency’s Maintenance and Other Operating Expenses (MOOE), Capital Outlay (CO), and Personal Services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency’s total budget appropriations.

21.3 The preparation and submission of the annual GPB and annual GAD Accomplishment Reports shall be guided by Joint Circular No. 2004 -1 dated April 5, 2004 issued by the DBM, NEDA and PCW (formerly the National Commission on the Role of Filipino Women), as well as other guidelines on GAD Planning and Budgeting that may be issued by the appropriate oversight agencies.

21.4 The following GAD programs and activities undertaken by the different RABs of NLRC including its Main Office and 7th Commission Division of which total disbursements amounted to ₱2,003,692.38 against the targets of ₱11,276,661.07 as required under the FY 2016 GAA and DBM, NEDA and PCW (formerly NCRFW), Joint Circular No. 2004-1:

Main Office and RABs	Amount		Observations
	Targets	Disbursements	
Main and NCRAB	5,409,100.00	1,591,829.81	Only ₱1,591,829.51 or 29.43 percent of the ₱5,409,100.00 or the 5 percent of total NLRC approved budget for GAA FY 2016 were utilized for the implementation of GAD program/ projects/activities

Main Office and RABs	Amount		Observations
	Targets	Disbursements	
7 th Division	2,454,067.99	22,233.30	Management failed to integrate in their regular activities for the GAD Plan at least 5% of their budget. However, Management was able to set up a lactation area for mothers and wellness center for the GAD activities.
RABs			
CAR	-	-	The agency prepared its GPB for CY 2016. It also implemented GAD activities, but did not specify what activities undertaken and how much was spent for the activities.
I	-	-	No GAD Plan from the Head Office was cascaded to the RAB I.
II	-	-	The Agency conducted a Seminar Workshop on the Continuing Education on Gender and Development (GAD) Cum Team Building on November 24, 2016, but did not specify the cost of the activity.
III	-	-	Management failed to implement activities on GAD Program
IV	-	-	RAB IV has no GAD Plan since the implementation of GAD is undertaken by their Main Office.
V	100,000.00	80,000.00	RAB No. V was able to substantially achieve its targeted GAD programs/ activities by conducting seminar on GAD awareness and physical fitness.
VII	1,817,043.08	11,424.00	Management merely allocated ₱36,000.00 with incurred expenses of 0.36% for GAD thus, failed in contributing towards the successful attainment of the objectives of said program.
VIII	504,300.00	36,000.00	Management merely allocated ₱36,000.00 with incurred expenses of 0.36% for GAD thus, failed in contributing towards the successful attainment of the objectives of said program.
IX	193,500.00	87,054.37	Management only spent 2.25% of its budget, thus failed to fully implement activities on GAD Program
X	-	125,000.00	RAB-X was able to substantially and successfully undertake GAD projects and activities on the Understanding of the importance of responsiveness toward Gender issues.
XII	798,650.00	50,151.20	RAB XII had undertaken four out of five activities in relation to GAD with fund utilization of ₱50,151.20 or 0.3% of the agency's budget of ₱15,973,000.00

Main Office and RABs	Amount		Observations
	Targets	Disbursements	
XIII	-	-	NLRC RO XIII failed to create its GAD Focal Point System (GFPS)
Total	11,276,661.07	2,003,692.38	

21.5 Moreover, RABs I, III, IV, XII and XIII had not created their GAD Focal Point System (GFPS) to prepare the GPB and GAD accomplishment reports.

21.6 We recommended that the Management of the RABs:

- a. formulate and identify significant programs, projects and activities that would promote gender-responsive governance to address gender issues and concerns not only of the agency but also to its clientele;**
- b. strictly comply with the provisions of the GAA and DBM/NEDA/PCW JC No. 2012-01 on the preparation and submission of GPB and corresponding GAD accomplishment reports; and**
- c. For RABs I, III, IV, XII and XIII to create their GFPS to prepare annual GPB and implement it as required.**

21.7 Management will formulate a plan, program and projects for GAD in compliance with the audit recommendations.

Senior Citizens and Persons with Disability

22. The NLRC Main and the RABs were not able to formulate plans and programs that will address the concerns of senior citizens and persons with disability and to integrate the same in their regular activities contrary to Section 35 of the General Provisions of RA No. 10717, the GAA for FY 2016; thus, the concerns of the senior citizens were not properly addressed and the mobility, safety and welfare of persons with disability were not reasonably enhanced.

22.1 Though no plans and programs were formulated, NLRC-Main and NCRAB, 7th Division, RAB VII had provided signage in their facilities to give priority to senior citizens, persons with disability and pregnant women. Likewise, RAB XIII provided a receiving area for senior citizens and clients with disabilities.

22.2 Likewise, NLRC RAB VII and 7th Division provided a well-kept area/ comfort room for persons with disability to comply with RA No. 7277.

22.3 We recommended that the Management integrate in its regular activities, the plans, programs and projects intended to address the concerns, particularly on the facilities to enhance the mobility, safety and welfare of the elderly and differently-abled persons.

22.4 Management will formulate a plan, program and projects for Senior Citizens and Persons with Disability for 2017 in compliance with the audit recommendations.

Compliance with Tax Laws

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

Office	Amount			
	Beg. Balance	Withheld	Remitted	Balance End
Main and NCR	11,230,513.44	84,230,683.66	86,540,919.23	8,920,277.87
7 th Division	-	6,561,345.41	6,561,345.41	-
8 th Division	-	5,371,713.90	5,371,713.90	-
RAB CAR	-	1,065,136.00	1,065,136.00	-
RAB I	-	1,309,000.78	1,309,000.78	-
RAB II*	72,064.36	924,911.68	988,226.04	8,750.00
RAB III	-	2,555,967.43	2,555,967.43	-
RAB IV	-	3,360,808.27	3,360,808.27	-
RAB V	-	1,347,221.43	1,347,221.43	-
RAB VII	345.00	6,310,110.81	6,310,110.81	345.00
RAB VIII	-	948,107.96	948,107.96	-
RAB IX	-	1,092,001.90	1,092,001.90	-
RAB X	-	2,617,701.22	2,617,701.22	-
RAB XII	-	2,109,282.62	2,094,559.70	14,722.92
RAB XIII	-	933,322.91	929,333.76	3,989.15
Total	11,302,922.80	120,737,315.98	123,092,153.84	8,948,084.94

Compliance with RA No. 8291 or the GSIS Act of 1997 on Proper Deduction and Remittance of Government Service Insurance System (GSIS) Premiums

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

Office	Amount			
	Balance	Withheld	Remitted	Balance
Main and NCR	1,863,849.15	31,440,809.52	31,666,116.45	1,638,542.22
7 th Division	-	4,006,665.33	4,006,665.33	-
8 th Division	-	5,481,866.42	5,481,866.42	-
RAB CAR	-	1,003,164.19	1,003,164.19	-
RAB I	-	1,598,972.63	1,309,000.78	298,971.85
RAB II	-	1,045,019.23	1,045,019.23	-
RAB III	-	1,890,091.17	1,890,091.17	-
RAB IV	-	1,440,291.34	1,440,291.34	-

Office	Amount			
	Balance	Withheld	Remitted	Balance
RAB V	-	1,960,681.97	1,960,681.97	-
RAB VII	-	3,160,785.32	3,160,785.32	-
RAB VIII	-	964,907.57	964,907.57	-
RAB IX	-	2,027,961.00	2,027,961.00	-
RAB X	-	3,226,529.46	3,226,529.46	-
RAB XII	-	2,896,483.72	2,894,832.35	1,651.37
RAB XIII	-	1,036,130.58	1,036,130.58	-
Total	1,863,849.15	63,180,359.45	63,114,043.16	1,930,165.44

The Accountant of NLRC Main and NCR is in the process of reconciling the beginning balances of their Due to GSIS account so they can effect the necessary adjusting entries and reflect the correct amount of Due to GSIS still payable.

Status of Settlements of Audit Suspensions and Disallowances

25. The Summary of the Status of Suspension, Disallowances and Charges of NLRC Main and NCRAB, 7th and 8th Divisions, RABs II, VI, VII, XI and XII is presented below:

Office/Regions	Disallowances			
	Beginning Balance (January 1, 2016)	Issued During the Year	Settlement	Ending Balance (December 31, 2016)
Main and NCRAB	294,577.64	10,500.00	37,457.00	267,620.64
7 th Division	16,500.00	-	-	16,500.00
8 th Division	821,238.62	-	-	821,238.62
V	-	1,760.00	1,760.00	-
VII	15,381.18	-	-	15,381.18
XI	120,000.00	-	-	120,000.00
Total	1,267,697.44	12,260.00	39,217.00	1,240,740.44

Office/Regions	Suspensions			
	Beginning Balance (January 1, 2016)	Issued During the Year	Settlement	Ending Balance (December 31, 2016)
Main and NCRAB	-	20,191.81	20,191.81	-
7 th Division	-	66,350.86	66,350.86	-
II	-	795,402.98	795,402.98	-
VI	318,878.90	-	-	318,878.90
VII	-	9,701,794.34	9,701,794.34	-
XII	-	20,486.39	20,486.39	-
Total	318,878.90	10,604,226.38	10,604,226.38	318,878.90

25.1 In NLRC Main Office and NCRAB, the Notice of Disallowances (NDs) ending balance as of December 31, 2015 amounted to ₱361,982.94 consisting of NDs issued prior to and during the effectivity of the Rules and Regulations on the Settlement of Accounts (RRSA) in the amounts of ₱67,405.30 and ₱294,577.54, respectively. This year's ND beginning balance already excluded the unsettled NDs prior to the implementation of the RRSA and was restated at ₱294,577.54. The audit suspensions issued in CY 2016 totalling ₱20,191.81 were all settled immediately during the year.

- 25.2 Of the disallowed claims amounting to ₱67,405.30 representing the NDs issued by the previous NLRC Main and NCRAB Audit Teams prior to the RRSA, ₱65,614.35 or 97 percent was settled in CY 2016 leaving a balance of ₱1,790.95.
- 25.3 During the year, the NLRC Main Office and NCRAB Audit Team issued six Notices of Finality of Decision for NDs which were not appealed and became final and executory after six months from receipt thereof, as follows:

NFD No.	Date Issued	Persons Liable	Particulars	Amount
NFD 2016-01/ ND 2009-011-101(2008)	6/20/2016	Jessivel G. Bermundo	Excess cash advance for travel in 2008	2,254.00
NFD 2016-02/ ND 2009-013-101(2007)	6/20/2016	Atty. Jonalyn M. Gutierrez		1,190.95
NFD 2016-03/ ND 2009-002-101(2008)	6/20/2016	Mr. Dominador Valerio, Sr., Ms. Rosemarilou Gertes, Mr. Roberto A. Balatbat Atty. Raul T. Aquino, Ms. Elvira F. Cruz	NSF paid in CY 2009 for the monetary award to Mr. Dominador Valerio, Sr.	56,078.80
NFD 2016-04/ ND 2010-003-101(2009)	6/20/2016	Atty. Jonalyn M. Gutierrez	Unliquidated cash advance for travel in 2009	7,091.00
NFD 2016-05/ ND 2011-002-101(2011)	6/20/2016	Dulce Fabrero	Switching of netpays/payroll embezzlement in 2011	204,450.84
NFD 2016-06/ ND 2012-001-101(2011)	6/21/2016	Fortunato F. Dizon	Honorarium on the conduct of public bidding in 2011	3,000.00
Total				274,065.59

- 25.4 Out of ₱274,065.59 NFDs issued in 2016, ₱4,654.00 was immediately settled during the year while ₱8,881.95 were settled in February 15, 2017. The NFD of ₱56,078.80 for possible settlement in 2017, while the ₱204,450.84 NFD is for legal action.
- 25.5 In RAB XI, ND in the amount of ₱120,000.00 was not recorded in the books of accounts due to the appeal made by the Executive Labor Arbiter Elbert Restauro as reported in 2015 NLRC CAAR.
- 25.6 **We recommended that the Managements of the NLRC Main and the RABs periodically monitor the settlement of audit suspensions and disallowances and require the concerned persons liable/responsible to settle their accounts.**

STATUS OF IMPLEMENTATION OF PRIOR YEARS' RECOMMENDATIONS

Out of the 26 audit recommendations in CY 2015, thirteen were fully implemented, 11 were partially implemented and two were not implemented. For CY 2014, nine were fully implemented, five were partially implemented and three were not implemented.

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p><i>Disposition of Labor Dispute Cases</i></p> <p>1. Of the 51,133 total cases handled for the year 2015 for NLRC RABs Compulsory Arbitration and Commission Appellate level, a total of 41,882 cases were disposed of with a remaining balance of 9,251 cases of which 400 cases were still remaining unresolved/pending beyond the process cycle time of nine months for RABs and six months for Commission Proper pursuant to the Key Strategies of First-In-First-Out Policy of the General Appropriations Act (GAA) of 2015. Likewise, on its targeted cases to be disposed within the prescribed period of 42,282 original cases and appealed cases, a total disposition rate of 99 percent were attained which were carried out through the continuous monitoring and implementation of the Project Speedy and Efficient Delivery of Labor Justice (SpeED).</p>	<p>2015 CAAR Pages 42-47</p>	<p>The targets set are based on the cases to be disposed of within the process cycle time of the Commission. The process cycle time of disposition in the RABs is 9 months and 6 months in the Commission Proper from filing/receipt of the case. Thus, the total actual cases received for the current year, especially for the last quarter, cannot be disposed of 100% because the same has to undergo compulsory arbitration process, such as mandatory conferences, hearings, and other court-related processes, in accordance with the 2011 NLRC Rules of Procedure, as amended and the Labor Code of the Philippines, as amended.</p> <p>Coordinated the noted discrepancy with the concerned RABs and updated the Accomplishment Report for 2015.</p>	

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>We commended the high disposition rate of labor dispute resolution services in NLRC RABs II, VIII and IX and recommended that Management continue to focus on its good performance for its speedy disposition of labor cases based on its targets. As regards its performance based on actual receipt of cases, we recommended that Management review its targets in establishing the performance indicators during the current year to attain higher accomplishment rate.</p> <p>For the unreconciled report of RABs CAR, I, II, III, VI, VIII, XI, XII and XIII with the RIPD, we recommended that the Management instruct the Head of the RIPD to inform the Head of the RABs regarding the discrepancies incurred and reevaluate the correctness of the reported accomplishment of the said RABs to come up with the accurate data</p>			<p>Fully Implemented</p> <p>Fully Implemented</p>
<p><i>Settlement of labor disputes under the Single Entry Approach (SEnA)</i></p> <p>2. For the year 2015, 100 percent disposition rate was reported by the NLRC-RIPD for the Single Entry Approach (SEnA), governing the 30-day</p>	<p>2015 CAAR Pages 47-50</p>	<p>The SEADO strictly monitor the status of each RFAs handled within the 30-day mandatory conciliation-mediation period. The scheduled two</p>	

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>mandatory conciliation-mediation period over labor disputes prior to compulsory arbitration of which out of the 40,728 total Request for Assistance (RFAs) received, a total of 12,675 or 31 percent were settled and 26,788 or 66 percent were referred to NLRC compulsory arbitration pursuant to the SEnA Rule of Procedure. Also, there were 327 RFAs disposed beyond the 30-day mandatory conciliation mediation period in RAB III, thus resulting to unreconciled data of accomplishment between the NLRC Main and RAB III</p> <p>We recommended that the SEADO who provide assessment, evaluation, counseling and conciliation-mediation services to both parties strictly monitor the status of each case handled and exert effort to address constraints toward the early settlement of labor disputes. Also, Management should ensure that vital details about RFA settlement are made available thru timely submission of reports.</p> <p>For the data on the disposition of RFAs which does not tally between the RIPD and RABs III, VIII, and XII, we recommended that</p>		<p>mandatory conferences is strictly followed within the 30-day period, subject to extension agreed upon by the parties. After the lapse of 30-day period, without amicable settlement, the RFAs are indorsed by the SEADO to the appropriate agency for case filing in accordance with the SEnA Rules of Procedure. Efforts toward settlement of labor disputes are already exerted as shown in the increasing percentage of RFAs settled for the past three years.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>Management instruct the Head of the RIPD to inform the head of the RABs regarding the discrepancies encountered between the reported NLRC RABS and the COA RABs reports. Also make the necessary revalidation of the submitted accomplishment reports of the RABs as against submitted report at the COA NLRC RABs to come up with the correct figures.</p>			
<p><i>Unreconciled Cash in Banks – Local Currency, Current Account – Main and RABs NCR, CAR, No. IV-A, V, and VI</i></p> <p>3. Unreconciled variance of ₱35,071,537.02 was noted in the Cash in Bank- Local Currency Current Account of the NLRC Main and NCRAB per books amounting to ₱1,007,371,558.66 and the bank balance of ₱1,042,443,095.68 was due to the absence of Subsidiary Ledgers (SLs) and Bank Reconciliation Statements (BRSs) causing doubtful validity of the account. Likewise, stale checks for more than two years amounting to ₱797,591.49 remained unadjusted in the books of the RAB VI which resulted in the understatement of Cash in Bank and the Payable accounts.</p>	<p>2015 CAAR Pages 51-54</p>	<p>The Management of NLRC Main and NCRAB agreed with the audit observations and recommendations. Also, the Management and Financial Division (MFD) is currently in the process of updating and preparing the BRSs. Upon completion of the reconciliation, the MFD will provide the COA copies of the BRSs.</p>	

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>We recommended that Management of Main, NCRAB and RAB VI require the Accountant and Cashier to:</p> <p>a. maintain SLs of each bank account in compliance with Section 403 of the GAAM Volume II and reconcile the GL balance of the Cash in Bank- Local Currency Current Account with the recorded/stated in the individual SL balance of each bank account;</p> <p>b. prepare and submit the lacking monthly BRS of the respective bank accounts so as to reconcile and verify the correctness of the amount stated and recorded in the books not later than 15 days from the end of each month as required under Sections 74 and 122 of PD No. 1445; and</p> <p>c. cancel staled checks for over two years and re-issue checks upon request of the payee to avoid succeeding cancellation and prepare the corresponding Journal Entry Voucher to effect the cancellation of the stale checks.</p>			<p>Fully Implemented</p> <p>Partially Implemented</p> <p>The NCRAB are still in the process of verifying, validating and updating cash balances and preparation of BRS.</p> <p>Fully Implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p><i>Granting of Cash Advances to Officers and Employees – RABs. V and VI</i></p> <p>4. Deficiencies noted in the granting of cash advances such as a) Accountable Officer in RAB V not properly bonded contrary to COA Circular No. 2012-001 dated June 14, 2012 and b) unliquidated cash advances granted to officers and employees of RAB No. VI totalling ₱54,028.00 were not liquidated at the end of the year contrary to the provisions of COA Circular No. 97-002 dated February 10, 1997.</p> <p>We recommended that Management of RAB V and VI:</p> <p>a. strictly comply with the rules and regulations on the granting of cash advances. All cash advances, except for travels, shall be granted only to officers and employees who are bonded; and</p> <p>b. require the concerned officers and employees to immediately liquidate their cash advances. Henceforth, strictly comply with the provisions of COA Circular No. 97-002.</p>	<p>2015 CAAR Pages 54-55</p>	<p>Management ensure that all accountable officers and employees handling money and property are bonded. They also issued notice/memo to remind the concerned officials and employees to liquidate their outstanding cash advances.</p>	<p>Fully implemented</p> <p>Fully Implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p><i>Unreconciled Inventory account – Main, NCRAB, RABs II, III, IX, XII</i></p> <p>5. A difference of ₱542,456.02 between the reported balance of Inventory accounts per books and the Report of Inventory of Supplies was noted due to non-reconciliation between the Accounting and the Supply and Property records and the non-inclusion of inventory for Drugs and Medicines amounting to ₱23,953.21 at year end. Also, the failure to submit Report on the Physical Count of Inventory (RPCI), and the recording of purchases to an expense account, causing the validity of the existence and accuracy of the inventories unascertained.</p> <p>We recommended that Management of Main and NCRAB, RAB II, III, IX and XII require the Accountant and Supply Officer to:</p> <p>a. reconcile the accounting and property/supply records and make the necessary adjusting entries for the cleared accounts to ascertain the accuracy of the accounts and amounts stated in the books;</p>	<p>2015 CAAR Pages 54-56</p>	<p>The majority of noted discrepancy in Main and NCRAB pertains to the inventory of Construction Materials amounting to ₱403,100.79. Upon verification with the Supply Officer it was determined that these supplies have already been issued as of December 31, 2015.</p> <p>As of December 31, 2016, Supplies Inventory per accounting and supplies custodian record at the Main Office and BCRA are already reconciled.</p>	<p>Fully Implemented</p> <p>Fully implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>b. conduct annual physical count of inventory to determine and validate the existence of the account;</p> <p>c. maintain SLs/SLCs, for accurate recording by the accounting unit of the account and prepare schedules and detailed breakdown of the items recorded;</p> <p>d. observe strictly existing rules and regulations in the recording of the purchase/receipt and issuance of inventories to ensure control over inventories and ascertain reliability of financial reports; and</p> <p>e. record the items as expense upon issuance of the small tangible items and issue the corresponding Inventory Custodian Slip (ICS) to the personnel to whom the items are issued for proper monitoring control and accountability.</p>			<p>Fully implemented</p> <p>Partially implemented</p> <p>RAB IX - There were still instances wherein purchases of supplies were still directly charge to office supplies expense and paid out of PCF</p> <p>Fully Implemented</p>
<p><i>Property, Plant and Equipment – Main, NCRAB, RABs CAR, II, V, VI, VIII, and XIII</i></p> <p>6. The reliability, accuracy and existence of the accounts Property, Plant and Equipment (PPE) recorded in the books could not be ascertained due to: a) unreconciled inventory</p>	<p>2015 CAAR Pages 57-61</p>	<p>Main and NCRAB is on the process of reconciling PPE accounts as per Accounting records and record of the Property Unit.</p>	

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>reports; b) failure to complete the physical inventory; and c) non updating and maintenance of Property and PPE Ledger Cards by the Property and Accounting Units contrary to Sections 73 and 43, Volume I and Sections 12 and 42, Volume II of the MNGAS.</p> <p>We recommended that Management of the RABs require the:</p> <p>a. Accounting and Property Units to:</p> <ul style="list-style-type: none"> • update and reconcile the accounting records of the PPE accounts with the Report of the Physical Count of PPE and to effect the necessary Journal Entries for any cleared adjustments on discrepancies noted; • maintain individual property ledger and property cards of the PPE accounts to facilitate checking and correction of balances of the two units/sections; and <p>b. Inventory Committee to complete inventory taking of all PPE account and to submit the RPCPPE as of December 31, 2015 to the</p>		<p>Adjustment of the affected accounts and corresponding entries shall be made upon completion of the physical inventory.</p>	<p>Partially implemented</p> <p>Main, NCRAB, RABs II and V are still in the process of reconciling the PPE accounts</p> <p>Partially implemented</p> <p>Main and NCRAB failed to maintain individual property ledger cards of the PPE account</p> <p>Partially implemented</p> <p>NLRC Main and NCRAB are in the</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>Accounting Unit as basis for recognizing, reconciling items to adjust the PPE account, of any; and to Audit Team for validating audit.</p>			<p>process of completing the inventory of all their PPE Account</p>
<p><i>Trust Liabilities account – Main, NCRAB, RABs III, IV-A, VI, XI, XII</i></p> <p>7. Out of the ₱1,077,073,661.40 Trust Liabilities account balance representing payables for fiduciary trust, the amount of ₱297,109,537.35 was not supported with Schedules/ Statement for judgment awards, execution fund and other related fund, and SLs were not updated to reconcile and verify the correctness of the GL balance at year-end. Likewise, in RAB III, IV-A, VI, XI, and XII, Trust Liabilities were doubtful due to: a) lack of supporting records/ documents b) un-reconciled Cash in Bank LCCA and Trust Liabilities account, c) existence of stale checks, d) unremitted interest income from trust fund, and e) over-released amounts due to the error in computation and over deposit of collections.</p>	<p>2015 CAAR Pages 60-63</p>	<p>For Main, NCRAB, and RAB III, RAB IV, the subsidiary ledger for trust fund deposits are being verified and updated.</p> <p>Management of RAB XII directed the Technical personnel to conduct inventory of cases with claims deposited in the NLRC Trust Fund account and to notify the claimants submit documents needed to come up with the resolution of their case filed.</p>	

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>We recommended that Management require:</p> <p>a. the Main and NCRAB, to a) prepare and submit the supporting schedules of the Trust Liabilities account for account maintained with the LBP; b) maintain and reconcile the SLs with the GL balance of the account to correct/update the account stated in the books and prepare the necessary adjusting entries for the cleared accounts; and c) reconcile its records with the inventory list of cases submitted by the Labor Arbiters to come up with the account balances duly supported with valid claimants;</p> <p>b. the RAB IV-A to: reconcile the accounts Other Payables account (Trust Fund) and Cash in Bank-Local Currency Current Account and use the Trust Liabilities account instead of Other Payables (Trust Fund) in the Detailed Statement of Financial Position;</p> <p>c. the RAB VI, to: instruct the Acting Cashier to cancel staled checks for over two years amounting to ₱797,591.49 and re-issue checks upon request of the payees to avoid succeeding</p>			<p>Not implemented</p> <p>The management had not yet submitted the schedules since they are still in the process of updating and verifying their subsidiary ledger for trust fund deposit with LBP.</p> <p>Partially Implemented</p> <p>Management of RAB IV is still in the process of reconciliation the accounts.</p> <p>Fully implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>cancellation; and prepare the corresponding JEV to effect the cancellation;</p> <p>d. the RAB XI, Accountable Officer to immediately withdraw and remit the total interest earned to the Bureau of the Treasury; and</p> <p>e. the RAB XII, to: i) exhaust all possible means to contact the claimants of the judgment awards, appeal/ cash bonds, garnished sum, sheriff's fee and other of similar nature such as sending notices to the last known addresses of the claimants or publish the names in newspapers of wide circulation and if unsuccessful, revert the funds to the National Treasury and ii) effect adjusting entries to correct the over release of judgment awards due to errors in computation and to recognize the over deposit.</p>		<p>Efforts to exhaust all possible means to contact the claimants had already been done.</p> <p>With regards to the adjusting entries, RAB XII had already discussed it with NLRC Central Office and will effect the adjustment once the issue is resolved in the Commission Proper.</p>	<p>Not implemented</p> <p>Partially Implemented</p> <p>The Management had a hard time reaching out the claimants of the dormant accounts.</p> <p>RAB XII had not yet effect the adjusting entries and still awaiting instruction from the Central Office</p>
<p><i>Non-compliance with Audit Requirements – RABs II, III, V, VI, VII, IX, X, XI, XIII</i></p> <p>8. Audit Observations on various recurring expenses in the total amount of ₱16,434,277.54 and reports to be submitted to COA Audit Team by RABs showed lack of</p>	<p>2015 CAAR Pages 64-66</p>	<p>The Management instructed the accountant and head of concerned offices to comply with the Audit requirements of COA.</p>	

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>requirements/compliance with the rules and regulations on government transactions.</p> <p>We recommended that Management require the RABs to comply with the rules and regulations on procurement of government transactions and reports to be submitted on time to COA Office.</p>			<p>Partially Implemented</p> <p>RABs II and IX had complied while other RABS commits to comply with the audit requirements.</p>
<p><i>Gender and Development (GAD) – Main and RABs</i></p> <p>9. Of the 14 RABs of the NLRC, only 6 and one Commission-Division were able to programmed and implement activities on the GAD Program for CY 2015, while there were no GAD plan and budget allocation for the implementation of the program for RABs I, II, III, IV, VI and VII contrary to that required under Section 34 of RA No. 10651 (GAA CY 2015) and Joint Circular No. 2004-1 of the DBM, NEDA and PCW, thus, depriving its officers and employees of the benefits that they can derived regarding the gender equality and economic empowerment of women.</p>	<p>2015 CAAR Pages 65-68</p>	<p>NLRC formulated GAD plan for 2016 and mainstream it with the regular program activities to be implemented. Magna Carta for Women are also being implemented.</p>	

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>We recommended that Management of the RABs:</p> <p>a. Formulate and identify significant programs, projects and activities that would promote gender-responsive governance to address gender issues and concerns not only of the agency but also to its clientele; and</p> <p>b. strictly comply with the provisions of the GAA and DBM/NEDA/PCW JC No. 2012-01 on the preparation and submission of GPB and corresponding GAD accomplishment reports</p>			<p>Partially Implemented</p> <p>NLRC RABs I, III, IV, VI, XIII and 8th Divisions failed to implement GAD activities in their office.</p> <p>Partially Implemented</p> <p>RABs CAR, II, VII, VIII, IX and 7th Divisions failed to follow the five (5) % agency's total budget allocation for GAD-related activities contrary to the General Provision of the Republic Act or GAA, FY 2016.</p>
<p><i>Senior Citizens and Differently-abled</i></p> <p>10. The NLRC Main and RABs were not able to formulate plans and programs that will address the concerns of senior citizens and persons with disability and to integrate the same in their regular activities contrary to Section 35 of the General Provisions of RA No. 10651, the GAA for FY 2015; thus, the concerns of</p>	<p>2015 CAAR Page 68</p>	<p>Signage were installed "Reserved for PWDs and Senior Citizens" and priority lanes provided for senior citizens and differently abled citizens.</p>	

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>the senior citizens were not properly addressed and the mobility, safety and welfare of persons with disability were not reasonably enhanced.</p> <p>We recommended that Management integrate in its regular activities, the plans, programs and projects intended to address the concerns of elderly and differently-abled persons.</p>			<p>Partially Implemented</p> <p>Other plans and programs that will address the concerns of senior citizens and differently are still for implementation.</p>
<p><i>Asset management</i></p> <p>RAB No. II</p> <p>11. NLRC RAB No. 2 failed to utilize the donated lot given by the Provincial Government of Cagayan and could have saved the amount of ₱2,988,000.00 for the lease/rental of Regional Office building from CYs 2003 to 2014. This amount could have been utilized to construct its own building</p> <p>We recommended that Management renew/request for the extension of the grace period as stated in the MOA with RDC – RPOC No. 2. Likewise, we recommended that Management make representation with the officials of NLRC Central</p>	<p>2014 CAAR Pages 48- 49</p>	<p>The Central Office presented again to the DBM the proposed projects of the construction of NLRC-RAB2 Bldg.</p> <p>The proposed construction of NLRC-RAB2 building was not approved during the 2015 budget hearing.</p> <p>Constant verbal follow-up with the concerned official.</p>	<p>Not Implemented</p> <p>Request for the proposed budget for building was denied by the DBM.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>Office to allocate funds for capital outlay to be used for the construction of their office building rather than continue incurring expenses for rental of office space.</p>			
<p><i>Office Equipment</i></p> <p>RAB No. X</p> <p>12. Office equipment in RAB No. 10 with a total purchase price of ₱80,000.00 acquired by the agency in the year 2000 had not been used for almost ten years now because the sole supplier where the equipment was acquired and the only source of ink needed to operate the said machine no longer exist. Hence, the agency was deprived the use of said equipment for so long of which amount expended could have been used for other purposes.</p> <p>We recommended that Management:</p> <p>a. instruct the Supply Officer to undertake thorough canvass and evaluation of agency's procurement activities to come up with products that are economical, long lasting and whose parts and services are readily available in the local market;</p>	<p>2014 CAAR Pages 49-50</p>	<p>The Management formed a disposal committee and in the processing of posting an invitation for possible buyer.</p>	<p>Fully Implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>of the Government Accounting and Auditing Manual (GAAM) Volume II.</p> <p>RAB No. II</p> <p>Cash in Bank – PPSB-LCCA account amounting to ₱9,507,694.78 did not tally with the account Other Payables amounting to ₱9,508,694.78 or a difference of ₱1,000.00 due to failure of the management to reconcile its records.</p> <p>RAB No. III</p> <p>The accuracy and reliability of the LBP, Cash in Bank – LCCA amounting to ₱13,989.92 as of December 31, 2014 could not be ascertained because it included outstanding checks amounting to ₱722,530.70 for almost two to nine years.</p> <p>RAB No. IV-A</p> <p>Failure of the Accountant to restore the amount of cash equivalent to the total amount of unreleased checks, thus understating the balances of Cash in Bank-LCCA, Cash-MDS Regular and the related liability accounts amounting to ₱1,453,809.66.</p>		<p>Adjusted the overstated recording of trust liabilities for previous years.</p> <p>The Acting Accountant already reverts the stale checks amounting to ₱722,530.70 on February 2015 Bank Reconciliation Statement</p> <p>Although the unreleased checks were already recognized as of December 31, 2015, errors in the treatment of reconciling items and in the recognition of transactions caused the discrepancy between the cash accounts and the related liability accounts.</p>	

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>RAB No. VIII</p> <p>Unidentified/Undocumented reconciling items totaling ₱22,790.18 in the BRS as of December 31, 2014 and the reported balance for Cash in Bank, LCCA, DBP account amounting to ₱7,135,264.97 remained doubtful at year end. Likewise, BRSs were not prepared and submitted within the reglementary period.</p> <p>We recommended that Management of:</p> <p>a. Main and NCRAB, require the Accountant to prepare and provide the SLs for LBP Fiduciary account in compliance with Section 403 of the GAAM Volume II and reconcile the GL balance of the Cash In Bank-LCCA with that recorded/stated in the individual SL balance of individual bank account composing the account;</p> <p>b. RAB No. II, require the Accountant to submit documents to support the reconciling items of the Cash in Bank LCCA account and its corresponding account of RABs and take up the necessary adjusting entries in the JEV for cleared items/accounts;</p>		<p>The Accountant is still exerting efforts to locate the related documents in order to identify the undocumented reconciling items amounting to ₱22,790.18 and make necessary adjustment/s in the books.</p>	<p>Partially Implemented</p> <p>Reconciliation of subsidiary ledgers for LBP and UCPB account are still on going</p> <p>Fully Implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>c. RAB Nos. II, III and IV-A require the Accountant to prepare and submit the corresponding monthly BRS of each bank account to reconcile and verify the correctness of the amount stated and recorded in the books not later than 15 days from the end of each month as required under Sections 74 and 122 of PD No. 1445;</p>			Fully Implemented
<p>d. RAB No. IV-A require the Accountant to strictly comply with the provisions of GAFMIS Circular Letter No. 2002-001 dated December 16, 2002 and the proper treatment of reconciling items;</p>			Fully Implemented
<p>e. RAB No. VI - a) require the Cashier to deposit collections regularly and intact pursuant to Section 69 of PD No. 1445 and Section 21 of the Manual on the New Government Accounting System, Volume I to avoid exposing government funds to risk of possible misuse; and b) require the Cashier and the Acting Accountant to reconcile Cash Receipt Records with the SLs and GL for the account Cash-Collecting Officer;</p>			Fully Implemented

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>f. RAB No. VIII, instruct the Accountant to work back on the accounts to be able to identify as well as document those reconciling items so that adjustments could immediately be recorded in the books for fair presentation of the financial statements, specifically the Cash in Bank-LCCA and related accounts; and</p>			<p>Not Implemented</p> <p>The amount of ₱22,70.18 remained as the reconciling items in the BRS recently submitted</p>
<p><i>Trust Liabilities account</i></p> <p>RAB No. III</p> <p>14. Accounts Payable amounting to ₱130,368.00 remained outstanding for over two years, resulting in the overstatement of the liabilities account contrary to Section 98 of PD No. 1445.</p> <p>A portion of agency's Other Payables- Cash Bonds amounting to ₱10,063,854.76 could not be established for lack of supporting records and documents; hence, its accuracy and validity could not be ascertained</p> <p>RAB No. IV-A</p> <p>Other Payables account amounting to ₱109,805,093.14 did not tally with balance of Cash in Bank LCCA (Trust)</p>	<p>2014 CAAR Pages 54-58</p>	<p>The Finance Management Division of Central Office is in the process of drafting their guidelines and mechanics as to the declaration of dormancy for the unclaimed bonds/ awards which will be disseminated to RABs as soon as practicable. For the meantime, RABs are encourage to review their listing and create their own internal guidelines as to how many notices to furnish the claimants before it will be remitted to the Bureau of the Treasury.</p> <p>This account was endorsed to our Legal Department in the Central Office, hence we will make the necessary</p>	

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>amounting to ₱112,170,921.43 or a difference of ₱2,365,828.29 due to failure of the Acting Accountant to correct the amount of unreleased checks of ₱1,472,725.18.</p> <p>We recommended that Management for:</p> <p>a. RAB No. III, (a) require the Labor Arbiters to conduct inventory of all pending cases in their salas and submit the complete list and status of cases to facilitate the maintenance and updating of the complete record of all cases; and (b) require the Acting Accountant to reconcile records with the inventory list of cases submitted by the Labor Arbiters to come up with the account balances duly supported with valid claimants;</p> <p>b. RAB No. IV-A, require the Accountant to reconcile the difference between the Other Payables account and the Cash in Bank-LCCA to correct the balance of the account;</p> <p>c. Main and RAB Nos. I, II, III, IV-A, VII, VIII and NCR to create a Committee to look into the status of prior years' cases</p>		<p>representation to them the soonest possible time for the reversion of this account. Although the unreleased checks were already recognized as of December 31, 2015, errors in the treatment of reconciling items and in the recognition of transactions caused the discrepancy between the cash accounts and the related liability accounts.</p>	<p>Partially Implemented A Memorandum was issued creating a committee who will look into the cases files</p> <p>Partially Implemented Reconciliation is on-going.</p> <p>Partially Implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>filed and prepare a report thereon to enable the Accountant to come up with the correct balances duly supported with valid claimants to avoid accumulation of the amount which remained idle in the depository bank.</p>			
<p><i>Non-compliance with Audit Requirements</i></p> <p>RAB No. II</p> <p>15. Procurement of common-use supplies were made from local suppliers instead of buying them from the Procurement Services (PS) of the Department of Budget and Management (DBM) amounting to ₱55,680.88.</p> <p>We recommended that Management require the concerned officers of RAB II to comply with the rules and regulations on government transactions.</p>	<p>2014 CAAR Pages 58-61</p>	<p>The entity had been procuring available common use supplies from Procurement Service of DBM since February 2015</p>	<p>Partially Implemented</p> <p>Purchase Orders showed that purchases of supplies were made to suppliers other than DBM PS.</p>
<p>8th Division</p> <p>16. The account Receivables-Disallowances and Charges totaling ₱821,238.62 as of December 31, 2014 remained unsettled for more than ten years in violation of Section 10.4 of COA</p>	<p>2014 CAAR Pages 64-65</p>	<p>The management is on the process of locating documents to support the request for the write-off of the said account.</p>	

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>Circular No. 2009-06, dated September 15, 2009.</p> <p>We recommended that Management require the Regional Accountant-Designate to submit the necessary supporting documents needed to the Office of the Auditor for the possible adjustment of this account in the books of the agency.</p>			<p>Not Implemented</p> <p>Supporting documents needed were not yet submitted.</p>
<p><i>Non-disposal of unserviceable PPE</i></p> <p>RAB No. I</p> <p>17. The unserviceable properties with an undetermined appraised value have not been disposed of as provided under Section No. 79, PD No. 1445, thus exposing them to further deterioration and loss to the government and depriving the agency of the use of the space being occupied by said properties.</p> <p>We recommended that Management of the Main and RAB Nos. NCR and I:</p> <p>a. require the Property Officer to prepare the IIRUP for the disposal of these assets to prevent further deterioration and to derive income from sale of said properties;</p>	<p>2014 CAAR Pages 68-70</p>	<p>Inspection of unserviceable motor vehicles are already inspected by the Disposal Committee</p>	<p>Fully Implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
b. ensure disposal of the unserviceable properties to prevent exposure to theft and avoid further deterioration that will result to lesser values of the properties at the time of sale.			Fully Implemented

Office : National Labor Relations Commission - CO
 Aging of Outstanding : Advances to Officers and Employees (19901040 00)
 As of 30 June 2017

Name	Fund	Particulars	Reference	Date Granted	Amount Granted	Aging			
						1-30 days	31-60 days	61-90 days	over 90 days
Edilberto Barcelona	01101101	CA for Ocular Inspection in Mindoro, July 2-27, 2000	Check No. 101537	7/20/2000	2,240.00				2,240.00
Jerson Sanota	01101101	CA for travel to Palawan, August 21-24, 2006	Check No. 211237	8/28/2006	12,380.00				12,380.00
Jose del Valle	01101101	CA for task force of 3rd Division at Tagaytay, July 17	Check No. 196569	7/26/2005	1,880.00				1,880.00
Belen Nicasio	01101101	CA for travelling expenses to attend training	ADA No. 17-06-123	6/13/2017	10,401.81	10,401.81			
Total					26,901.81	10,401.81	-	-	16,500.00

Office : National Labor Relations Commission - CO
 Aging of Outstanding : Advances to Special Disbursing Officers (19901030 00)
 As of 30 June 2017

Name	Fund	Particulars	Reference	Date Granted	Amount Granted	Aging			
						1-30 days	31-60 days	61-90 days	over 90 days
Rosemarilou D. Gertes	01101101	CA for Seminar-Workshop, April 24-26, 2002	Check No. 158035	4/17/2002	17,000.25				17,000.25
Roberto C. Francisco	01101101	CA for employees training expenses	ADA No. 17-06-126	6/16/2017	40,000.00	40,000.00			
Total					57,000.25	40,000.00	-	-	17,000.25

National Labor Relations Commission

Banawe Avenue, Quezon City

AGENCY ACTION PLAN and STATUS of IMPLEMENTATION

Audit Observations

For the Calendar Year 2016

As of June 30, 2017

Ref.	AUDIT OBSERVATIONS	AUDIT RECOMMENDATIONS	AGENCY ACTION PLAN				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken/ Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
CAAR	<p>Value for money audit</p> <p>Of the 50,034 original cases handled for the year 2016 by the National Labor Relations Commission Regional Arbitration Branches (NLRC RABs), 41,830 were disposed of exceeding the Agency's 38,700 target provided in its Performance Indicator under the FY 2016 General Appropriation Act (GAA). Likewise, under the Project Speedy and Efficient Delivery of the Labor Justice (SpeED) which set the nine months process cycle time (PCT) for RABs and six months PCT for the Commission Proper to dispose of the original and</p>	<p>We commended the high disposition rate of the Labor dispute resolution services in NLRC RABs VIII, X and XII and the Agency for achieving more than its 92 percent target of its appealed cases being affirmed by higher authority. We also recommended that Management continue to focus on its good performance for speedy disposition of labor cases.</p>	<p>Continue to monitor, evaluate, and improve performance.</p>	<p>Heads of NLRC offices</p>	<p>Immediate</p>	<p>N/A</p>	<p>Implemented</p>	<p>The Management adopted strategic policies towards speedy disposition of cases and effective execution of judgement. The ISO certified process on monitoring of performance of Labor Arbiters, RABs and the Commission is strictly implemented and continually enhanced to ensure attainment of the agency's performance targets.</p>	

Ref.	AUDIT OBSERVATIONS	AUDIT RECOMMENDATIONS	AGENCY ACTION PLAN				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken/ Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	<p>appealed labor cases, respectively of the 42,247 cases that needed to be disposed of, 98.71 percent accomplishment rate was achieved. Moreover, of the 6,161 appealed cases before the Court of Appeals, 6029 or 98 percent were affirmed exceeding its 92 percent accomplishment rate per GAA commitment.</p>								
<p>CAAR</p>	<p>Financial and Compliance Audit</p> <p>Due to various errors in recording collection of NLRC Main Office, the reported asset, liability and Accumulated Surplus/ Deficit accounts were understated by ₱ 82,768.81, ₱20,152.84 and ₱62,615.97, respectively, in violation of the pertinent provisions of the Government Accounting Manual (GAM), Volume 1. Likewise, the Accountant did not submit monthly Bank Reconciliation Statements (BRS) which prevented the immediate detection of discrepancies</p>	<p>We recommended that the Management require the concerned officials of the Accounting Unit of NLRC-Main Office to:</p> <p>a) Prepare monthly bank reconciliation statement;</p> <p>b) Exercise due care in recording transaction and using the proper accounts as prescribed in the pertinent provisions of Volumes I and III of the GAM;</p> <p>c) Prepare the appropriate adjusting journal entries</p>	<p>Prepare adjusting entries and prepare bank reconciliations.</p>	<p>Accounting</p>	<p>Jun-17</p>	<p>Dec-17</p>	<p>Partially implemented</p>	<p>We have already adjusted the affected accounts under JEV No. 2017-04-136-F, dated 07 April 2017, except for items recommended for adjustment nos. 2, 4, and 8 discussed under subsection 2.7 of the AOM for the following reasons:</p> <p>a. Item no. 2, the amount of ₱23,010.00 refers to amount deposited by various RABs for remittance to the Bureau of the Treasury, hence this was not</p>	

Ref.	AUDIT OBSERVATIONS	AUDIT RECOMMENDATIONS	AGENCY ACTION PLAN				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken/ Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	<p>between the book and the bank records and to draw promptly the adjusting entries thereon. Moreover, the accountable officer of NLRC, Sub-Regional Arbitrations Board (Sub-RAB) VI did not deposit intact and regularly her collections contrary to Section 69 (1) of Presidential Decree (PD) No. 1445, thereby exposing the same to risks of loss and misuse.</p>	<p>to correct the aforementioned errors; and</p> <p>d) Analyze thoroughly the accounts in the financial statements to ensure reliability thereof.</p> <ul style="list-style-type: none"> We likewise recommended to the NLRC RAB VI that the Accountable Officer must deposit the collection intact and regularly as required by PD No. 1445. 						<p>recorded as execution fee.</p> <p>b. Item no. 4, refers to quarterly remittances to the Bureau of the Treasury of deposit fees deducted from trust disbursements. Recording these as addition to CiB-LCCA would misstate the balance of the said account.</p> <p>c. Item no. 8, refers also to income collections which has already been recorded and being remitted to the Bureau of the Treasury.</p> <p>With regard to the preparation of bank reconciliation statements, we are on the process of reconciling previous years bank statements with that of the accounting records. Considering the volume of transactions being handled by NLRC we would like to ask COA for consideration to give us more time to fully</p>	

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								implement this recommendation.	
CAAR	<p>Misstated Cash in Bank – Local Currency, Current Account</p> <p>The Cash in the Bank-Local Currency, Current Account (Execution Fund) of the NLRC Main Office was misstated as reported as abnormal negative balance of ₱144,556.13 due to incomplete reports submitted, inaccurate bank reconciliation statement, discrepancies on the result of the bank conformation and insufficient documentation of the bank transactions.</p>	<p>We recommended that the Management require the Accountant to:</p> <p>a) Effect adjustment as a result of the bank reconciliation made for each month as required in Section 7, Chapter 21, Volume I of the GAM to come up with the corrected balance of the account;</p> <p>b) Exercise due care in recording transaction to ensure the reliability of the financial statement; and</p> <p>c) Submit monthly Bank Reconciliation Statements.</p>	Prepare bank reconciliation and prepare adjusting entries.	Accounting	N/A		Implemented	The CiB-LCCA (Execution Fund) has a balance of ₱1,480,427.75. Bank reconciliation as of 31 December 2016 for the said account had already been submitted to COA. In addition, adjusting entries for reconciling items in the BRS were already effected through JEV No. 2017-04-136-I dated 07 April 2017.	
CAAR	Unreconciled balance of Cash in Bank, Local currency Saving Account								

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	The reported Cash in Bank, Local Currency, Savings Account of the NLRC Main had an accumulated balance of ₱2,110,472.22 as excess transferred payroll funds were perpetually retained instead of reverting the same of the Bureau of Treasury (BTr). Moreover, the balance did not reconcile with the ₱1,220,875.81 balance per bank resulting is a discrepancy of ₱889,596.41 due to failure of the Accounting Division to prepare the monthly bank reconciliation statements, thus, the currency and existence of the reported account balance could not be established.	We recommended that the Management require the Accounting Units to: a) Revert to the Btr all excess funds transferred to the CiB-LCSA account including the amount used for JO Service Incentives; b) Verify and analyze the unreconciled balance of ₱889,596.41 and prepare adjusting entries to recognize all reconciling items that require adjustment and correction in the books of account; and c) Prepare and submit promptly monthly BRS for all bank accounts maintained by the Agency	Revert the balance of payroll account to the Bureau of the Treasury. Prepare bank reconciliation statement.	Accounting	N/A		Implemented	In compliance with the audit recommendation, the accumulated balance of UCPB Bank Account No. 10146-003529-6 was remitted to the Bureau of the Treasury on 21 June 2017. We will submit bank reconciliation statements.	
CAAR	Unremitted Interest Income Interest income amounting to ₱9,104.38, net of tax, for the UCPB Account No. 10-146-003529-6 of the NLRC	We recommended that the Management require the transfer of the interest earned in the UCPB	Recognized and remit the interest income.	Accounting	N/A		Implemented	We have already recognized the interest income of UCPB Bank Account No. 10146-	

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	Main Office was not recognized in the books and was not remitted to the National Treasury to Section 5 of General Provisions of the FY 2016 General Appropriation Act.	Account to the Account to the account of the National Treasurer of the Philippines and instruct the Accounting Unit to record in the book of accounts the interest income earned.							003529-6 for 2016 under JEV No. 2017-04-136-G, dated 07 April 2017 and it was remitted to the Bureau of the Treasury on 21 June 2017.
CAAR	Delayed Liquidation of Cash Advances for Travel/Cash Advances for other Operating Expenses Liquidation of cash advances granted to accountable officers for purposes of travelling expenses were delay ranging from five to seven months, thus, expenses are record beyond the period there were incurred. Likewise, cash advances totaling ₱813,833.68 granted before CY 2006 remained unliquidated due	We recommended that the Management of: NLRC-Main send demand letters to AOs including those separated/resigned personnel with outstanding cash advances to submit their liquidation reports and require the: Accounting Unit to:	Monitor and send demand letters to officers and employees with unliquidated cash advances. Issue demand letters for prior years cash advances and request permission from COA to write-	Accounting MAD	Jun-17	Dec-17	Implemented For implementation		We send demand to liquidate and even effect deduction from payroll for those who failed to liquidate their cash advances on time.

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	to dismissal of accountable employees who committed irregularities in the office. Moreover, regular operating expenses totaling to ₱191,664.67 of the Reginal Arbitration Board (RAB) – XIII were paid out of cash advance instead of directly paying the supplier. Further, these cash advances erroneously recorded in the books as debit to Trust Liabilities-Execution Fund (EF) instead of Advances to Special Disbursing Officer which affects the fairness of presentation of the accounts in the financial statement.	<ul style="list-style-type: none"> Monitor regularly the outstanding cash advances and require to prompts settlement by the AOs of their cash advances pursuant to COA Circular Nos. 97-002 and 2009-002; and Update their SLs so as to submit accurate reports and to immediately determine those with outstanding cash advances; and <p>HRMO to prepare a Certification to be signed by the Chairman of NLRC that the salaries pertaining to the unliquidated cash advance intended for NLRC employees were actually received by employees and that the payroll were nowhere to be found due to the immediate dismissal of the AO.</p> <p>RAB XIII to:</p> <p>Limit the granting of cash advances to OA by paying directly the supplier</p>	<p>off uncollectible accounts.</p> <p>Submit certification that cash advances for payroll has been released to employees.</p> <p>Limit the granting of cash advances and pay suppliers through checks or</p>	HRMO	N/A		Implemented	We have already submitted the required certification to COA on 29 June 2017 and recognized the adjustment for the cash advance under JEV No. 2017-06-248A.	
				Administrative Division and Accounting	N/A		Implemented	RAB XIII The Accountant was directed to regulate/limit the granting of cash advances	

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		covering regular expenses; and Direct the Accountant to: <ul style="list-style-type: none"> Adhere to the provision of COA Circular No. 2012-01 on the submission of supporting documents needed for payments and liquidation of cash advances; and Record properly the transaction by using appropriate accounts as prescribed in the Revised Chart of Accounts. 	ADA covered by Disbursement Vouchers.					by paying directly the suppliers through checks covering regular expenses and adhere to the provision of COA Circular 2012-002 on relevant supporting documents needed for its liquidation. The accountant was also directed to properly record the transaction by using proper accounts prescribe in the Chart of Account.	
CAAR	Dormant Account Prepaid Rent and Account Payable amounting to ₱58,200.00 and ₱130,368.00 respectively, in the RAB III books of accounts have remained inactive/dormant for the past seven years, thus, affecting the fair presentation of the said accounts.	<ul style="list-style-type: none"> We recommended that Management immediately made a follow up on the status of the case with the concerned office of the NLRC so that proper adjustment/correction on the affected accounts in the books could be made for the 	Resolve/settle the account with the lessor.	RAB III Management	Jun-17	Dec-17	On-going	RAB III have set a meeting with their previous lessor and its building administrator to discuss the settlement of the accounts subject of audit observation.	

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		fair presentation of the agency's financial statements.							
CAAR	<p>Unliquidated Fund Transfer to Procurement Service of the Department of Budget and Management (DBM)</p> <p>The reported balance amounting to ₱81,512.85 of the account Due from National Government Agencies could not be relied upon due to unreconciled prior year' difference of ₱141,703.91 between agency records and the Procurement Service of the Department of Budget Management.</p>	<p>We recommended that the Management required the:</p> <p>a) Accountant and the Supply Officer to conduct periodic reconciliation of their records on deliveries made by DBM-PS to ensure updated and accurate records; and</p> <p>b) Supply Officer to monitor closely the status of deliveries and make necessary follow up for the delivery of items paid under Agency Procurement Request.</p>	Reconcile monthly and update regularly the accounting and supply records.	Accounting and Supply unit	N/A		Implemented	Complied. The Supply Officer is maintaining a monitoring report of funds deposited with Procurement Service and this fund is credited whenever deliveries of supplies and materials are received. On 31 December 2017, the monitoring report of the Supply Officer and the Subsidiary Ledger for Due from NGAs which is maintained in the accounting have a reconciled balance of ₱81,512.85.	

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CAAR	<p>Deficiencies in Inventory Management</p> <p>The reported balance of Inventory accounts of the NLRC Main Office and four NLRC- RABs totaling ₱1,544,656.43 was inaccurate due to several deficiencies such as recording of issuances not duly supported with Report of Supplies and Materials Issued and other evidence of issuance non-reconciliation between accounting and properly records, non- maintenance of Supplies Ledger Cards, and erroneous recording of accounts which resulted to the understatement of PPE, intangible assets and Accumulated Surplus accounts, among others.</p>	<p>We recommended that the Management required the:</p> <p>Accountant to:</p> <p>Conduct a thorough verification on the noted deficiencies and prepare the necessary journal entries to correct them;</p> <ul style="list-style-type: none"> Maintain SLCs to record all receipts and issuances; Coordinate and reconcile with the Supply Officer the accounting and property records appearing in the books; Verify, investigate, and adjust immediately all discrepancies noted between the physical and book inventories; and Record only issuances based on the submitted RSMLs which are duly supported with the 	<p>Verify the noted discrepancy, maintain SLCs and RSML, and regularly reconcile the balances of each report.</p>	Accounting and Supply Unit of all NLRC offices	Jun-17	Dec-17	On-going	<p>We are conducting thorough verification of deliveries and issuances of office supplies and materials, including drugs and medicines to verify the correct amount of inventory and to reconcile it with the accounting records and adjust the same for any discrepancy.</p> <ul style="list-style-type: none"> The accounting unit had started to maintain Supplies Ledger Card (SLC) in 2016. We commit to review our entries on deliveries and issuance for 2015. The Supply Officer is now using the Report of Supplies and Materials Issued (RSML) using the prescribed form under GAM. We have already adjusted the affected accounts mentioned in audit under JEV No. 	

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		requisition and issue slips Supply Officer to: <ul style="list-style-type: none"> • Submit regularly the RSMI to the Accountant so that issuances are promptly recorded by the letter; and • Comply with the prescribed form under the GAM in the preparation of the RSMI and RPCI; and <ul style="list-style-type: none"> a) The Accountant and the Supply Officer to regularly reconcile their records. 						2017-04-136-E, dated 07 April 2017. RAB VII had already implemented the COA recommendation. The Accountants and Supply Officers of RAB V, VIII and IX is in the process of reconciling their records.	
	Understated PPE Account balances The reported balance of Property, Plant and Equipment (PPE) accounts was understated by ₱22,960,505.42 and correspondingly overstated Other Assets and understated Accumulated Surplus/Deficit by	We recommended that the Management of the NLRC Main and the concerned RABs undertake and required/direct the responsible officials/offices to undertake the following:	Adjust the PPE Accounts Prepare PPELC Prepare PC Conduct physical inventory	Accounting, Property, Administrative Division, and Inventory committee of each NLRC offices	Jun-17	Dec-17	Partially implemented	NLRC Main have already adjusted the accounts recommended for adjustment under JEV No. 2017-04-136-J, dated 07 April 2017. Copy of the adjusting entries was submitted to COA on 11 April 2017.	

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	<p>₱20,825,409.68 and ₱2,135,095.74, respectively, due to errors committed, such as: (a) transfer of PPE to Other Assets account; (b) non-recording/misclassification of procured capital assets; (c) unrecorded disposed assets; and (d) recording of issuances as expenses. Moreover, the integrity of property custodianship was not established due to incomplete physical count, unreconciled accounting and property records and absence of or un-updated subsidiary records.</p>	<p>NLRC MAIN</p> <p>Accountant to:</p> <ul style="list-style-type: none"> • Prepare and record adjusting journal entries to; • Revert back to the PPE accounts all items reclassified as Other Assets, including unserviceable properties not disposed of; • Record all procedure PPE items not previously recognized as PPE; and • Correct then issuance which was recorded as expenses; and <p>Exercise due care in the recording of financial transaction to ensure the accuracy and reliability of financial reports; and</p> <ul style="list-style-type: none"> • Property Unit to conduct complete physical count of all PPE accounts. And submit the 	<p>Construct new office building for RAB II</p> <p>Look for a secured area to serve as garage of motor vehicles of 8th Division</p>					<p>NLRC Main, RAB VI and VII have already implemented the preparation of RPCPPE, PPELC and PCs.</p> <p>Property unit and inventory committee has been instructed to conduct physical count and prepare property card for PPEs.</p> <p>RAB-CAR have already disposed its obsolete and unserviceable properties and the same was derecognized in its books through JEV No. 01-2017-03-080 dated 31 March 2017.</p> <p>RAB II - Construction of its new building is on-going.</p> <p>8th Division will make an arrangement with the Cagayan de Oro Police Station Precinct No. 1 for the use of their parking area.</p>	

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		<p>corresponding RPCPPE, copy furnished the Audit Team</p> <p>NLRC Main RAB VII</p> <ul style="list-style-type: none"> Accounting Units to maintain PPELCs; and <p>Property Units to-</p> <ul style="list-style-type: none"> Submit RPCPPE, copy furnished the Audit Team; Maintain updated PCs for each PPE items to monitor acquisition/issuance and dispositions; <p>NLRC Main RABs and VI</p> <p>Accounting and Property Units – conduct periodic reconciliation of their records.</p> <p>RAB-CAR</p> <p>Accountant to prepare and record the following adjusting entries to-</p>							

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		<ul style="list-style-type: none"> Reclassify to ICT Equipment account the undisposed Other Assets; and Derecognize Other Assets and the corresponding Accumulated Surplus/Deficit accounts for properties already disposed of. <p>RAB II</p> <p>Management to utilize of the parcel of land allotted to them at the Regional Government Center in order that the same will not be reverted back to the RDC and to save the amount used in paying rental expenses.</p> <p>NLRC 8th Division</p> <p>Management to designate a secured area to serve as garage vehicles, especially after office hours and during weekends and holidays.</p>							

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CAAR	<p>Understand Intangible Assets and Accumulated Surplus/ Deficit Accounts</p> <p>Intangible Assets and Accumulated Surplus/Deficit accounts were understated by ₱1,449,506.00 and ₱215,684.00, respectively, while Other Assets was overstated by ₱1,233,822.00 due to erroneous recording of accounts intangible Assets as Other Assets with the carrying amount of ₱1,233,822.00.</p>	<p>We recommended that the Management of NLRC Main require the Accountant to adjust in the books of account the understatement of Intangible Assets- Computer Software and Accumulated Surplus/Deficit amounting to ₱1,449,506.00 and ₱215,684.00, respectively and the ₱1,223,822.00 overstatement of Other Assets.</p>	<p>Verify the observation and adjust the accounts for any discrepancy.</p>	Accounting	Jun-17	Dec-17	For implementation		<p>We will verify and adjust the affected accounts.</p>
CAAR	<p>Compliance with Section 5 of RA No. 656 or the "Property Insurance Law"</p> <p>The properties of RAB XIII with the total acquisition cost of ₱961,455.13 were not insured with the General Insurance Fund of the Government Service Insurance System (GSIS), thus exposing the properties to risk of not</p>	<p>We recommended that the Management of RAB XIII direct the Property Officer-Designate to prepare the list of all insurable properties and have there be insured under the</p>	<p>Procure insurance of properties</p>	Administrative division	N/A		Implemented		<p>RAB XIII already insured the properties subject of audit observation.</p>

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	being indemnified for any damage to or loss of properties due to fire, earthquake, storm or other unforeseen events contrary to RA No. 656, amended	Property Insurance Fund of the GSIS as prescribed.							
CAAR	<p>Errors/Omissions in recording and misclassification of liabilities</p> <p>Various liability accounts were misstated and Accumulated Surplus/Deficit was overstated by ₱1,153,243.39 due to repetitive errors as well interchanging of accounts used in recording financial transaction in violation of the pertinent provisions of the GAM, Volumes I to III.</p>	<p>Due to GSIS – misclassification of accounts and mispostings/interchanging of amounts recorded and unadjusted errors in recording salary deductions</p> <p>Due to GOCCs-erroneous recording, error in reclassification of accounts, unrecorded deduction and interchanging of either accounts or amounts.</p> <p>Due to Officer and Employees- error and omissions in recording CYs 2015-2016 payroll</p>	<p>Adjust the affected accounts</p> <p>Reconcile trust liabilities account of RAB VI</p>	Accounting	N/A		Implemented	<p>Due to GSIS</p> <p>We have already adjusted the affected accounts under JEV No. 2017-04-136-B, dated 07 April 2017.</p> <p>Due to GOCCs</p> <p>We have already adjusted the affected accounts under JEV No. 2017-04-136-C, dated 07 April 2017.</p> <p>Due to Officers and Employees</p> <p>We have already adjusted the affected accounts under JEV No. 2017-04-136-D, dated 07 April 2017.</p>	

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		<p>transaction for salaries and other employees' benefits</p> <p>Other errors affecting liabilities and other related payroll accounts</p> <p>Trust Liabilities account amounting to ₱71,118,885.60 not supported with schedules</p> <ul style="list-style-type: none"> • We recommended that the Management of NLRC Main require the Accountant to: <ul style="list-style-type: none"> a) Analyze thoroughly the accounts and be guided by the pertinent provisions of the GAM, Volumes I to III to ensure the accuracy and reliability of the reported account balances in the financial statements; b) Exercise due care in recording financial transaction 						RAB VI have already reconciled the discrepancies in compliance with the audit recommendation.	

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		<p>to avert repetitive errors; and</p> <p>c) Prepare the appropriate adjusting journal entries to correct the errors.</p> <ul style="list-style-type: none"> We also recommended that the Accountants of RAB VI prepare the schedule to Trust Liabilities account and reconcile the total amount with the GL balance. 							
CAAR	<p>Non-Compliance with RA no. 9184</p> <p>Purchases made by RAB XIII, other than common-use supplies, were not indicated in the approved Annual Procurement Plan (APP) for CY 2016 contrary to Section 7.2 and 7.4 of RA No.9184 and its revised Implementing Rules and Regulations (IRR), thus the procured items may not be the actual needs of the</p>	<p>We recommended that the Management instruct the agency officials concerned to prepare the APP in accordance with the guidelines set forth in Section 2, Rule II of the IRR of RA no. 9184, taking into consideration the different PAPs to ensure that the supplies, materials and equipment needed in the</p>	<p>Prepare APP in accordance with existing guidelines</p>	<p>Accounting, Administrative Division and BAC</p>	<p>N/A</p>		<p>Implemented</p>	<p>RAB XIII, have already complied with the audit recommendation.</p>	

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	agency, further resulting to uneconomical operations.	operation of the Agency are included in the programmed procurement at any given calendar year.							
CAAR	<p>Net pay of employees below ₱3,500.00</p> <p>The NLRC Main failed to observe the provisions of Section 52, General Provision of RA No. 10717, GAA of FY 2016 by allowing its employee to received net monthly salary of as low as ₱96.97 to ₱3,499.98. which could not cope with the employee's needs for each month expenses.</p>	<p>We recommended that the Management:</p> <ul style="list-style-type: none"> Adhere strictly to provision of Section 52, General Provision of RA No. 10717 on the net take home pay of each employee of ₱3,500.00 monthly; and Effect control measures to maintain the required minimum net pay of employees such as attaching a routing slip to a loan application/request duly signed by the person in charge of the payroll informing the lenders whether the net pay of employees is still 	Devise a route slip for approving of loans which would indicate the eligibility of applicant for new loans.	Administrative and accounting	N/A		Implemented	We have devised a route slip in the processing and approval of loan applications to ensure that the net take home pay of our employees will not fall below the minimum threshold required under the GAA. We would like to note however, that if PERA amounting to ₱2,000.00 will be included in the computation of net take home pay of COA, the number of employees falling below the requirement of ₱3,500.00 in its report will substantially decrease.	

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		sufficient/not sufficient to accommodate further deductions from their salaries prior to the grant of loan and/or request for deduction of loan amortizations.							
CAAR	<p>Incentive Pay Granted to Job Order personnel</p> <p>Service Incentive amounting to ₱227,500.00 granted to Job Orders (JOs) of the NLRC Main and sourced from the balance of the UCPB Payroll Account that was originally intended for payment of salaries of regular employees was contrary to Item No.3 Budget Circular (BC) No. 2016-7 dated December 4,2016.</p>	<ul style="list-style-type: none"> We recommended that the Management strictly comply with the 6 Line Items in granting the CAN and provide basis why grant should not be disallowed in audit. 	Return to the Bureau of the Treasury the excess amount granted to Job Order personnel	MFD	N/A		Implemented	We have already remitted the amount subject of AOM to the Bureau of the Treasury less the amount allowed under Administrative Order No. 02 dated 31 January 2017. The AO which was issued by the President of the Republic of the Philippines authorizes the grant of gratuity pay to JO personnel of ₱2,000.00.	
CAAR	<p>Erroneous deduction of absences and tardiness/undertime from Leave Cards</p> <p>Failure of NLRC RAB VII Personnel-in-Charge to</p>	We recommended that Management require the	Adjust leave card of employees with discrepancies.	HRMO	N/A		Implemented	Complied with audit recommendation.	

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	deduct from the leaves credits (LC) the equivalent day for tardiness/undertime and to reflect correctly the equivalent day thereof resulted to unreliable leave credit balances in violation of Section 34 of the Omnibus Rules of Leave, hence, the risk of possible loss of government funds.	Leave Credit In-Charge to reflect adjustments in the leave cards and be careful in recording in order not to commit the same mistake, thus , not to prejudice the employees of the agency or not to incur losses of government funds							
CAAR	Non-compliance with Laws, Rules and Regulations Non-compliance to the provision of pertinent laws, rules and regulations affecting the agency's operations and financial transactions rendered doubtful the accuracy and integrity of financial information as well as the efficiency of operations.	We recommended that the Management undertake the following actions: RAB III Direct the personnel concerned to immediately apply or renew the bonds of the accountable officer (AOs) to protect government funds and properties against possible loss or misappropriation. We also recommended that Management strictly comply with the requirements of law and be	Ensure that accountable officers are properly bonded Maintain cash book, reconcile accounts and submit all the documentary requirements required by COA	Administrative Division, Cashier, and Accounting	Jun-17	Dec-17	Partially Implemented	RAB III, VII, VIII, IX, and XII already complied with the audit recommendations. RAB IV is in the process of reconciling its records in compliance with the audit recommendation.	

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		<p>more responsible in the application thereof. RAB IV</p> <p>The AO/ Collecting Officer (CO) maintain a cashbook for Cash, Collecting Officer to record the collections received (Debit column) and deposit (Credit column), and the balance (Balance column) daily. The CO shall reconcile the cashbook balance (Balance column) with the cash on hand daily. The AO/CO may record the collections individually or the total collection for the day depending on the volume of the transactions.</p> <p>The Executive Labor Arbiter instruct the Special Collecting/Disbursing Officer and AO-I/ Acting Accountant to update and reconcile their corresponding records regularly to determine the condition of the agency account. The agency may require a more frequent reconciliation for proper</p>							

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		<p>monitoring and control of their financial condition.</p> <p>RAB VII</p> <p>The concerned personnel of the Region are requested to:</p> <ul style="list-style-type: none"> • Submit Approved Application for Leave of the employees or submit an explanation of justification in case of no Approved Application for Leave. • Ensure that disbursement vouchers for salaries are supported with complete documents; and • Deduct from the salary of the employees the corresponding days of absence without the approved leave in conformity with Section 50 of the Omnibus Rules on Leave. <p>RAB VIII</p>							

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		<p>Require all concerned personnel regarding the use of proper forms and complete adherence to prescribed procedures for disbursements as provided in the GAM for NGAs. This is to ensure proper processing of DVs and complete documentation of transaction which shall eventually facilitate the attainment of easier, complete and accurate reporting including the maintenance of adequate financial records.</p> <p>RAB IX</p> <p>The Acting Accountant to review the required supporting documents to a particular transaction prescribed under COA Circular No. 2013-001 dated June 14, 2012, before affixing her signature in Box A of the disbursement voucher to avoid possible suspension and/or disallowance in audit.</p>							

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		<p>RAB XII</p> <p>Provide adequate, safe and secured storage/stockroom for post-audited disbursement vouchers, various documents/records and reports over which the Commission on Audit has legal custody.</p>							
	<p>Incomplete documentation of financial Transactions</p> <p>Payments amounting to ₱8,355,754.56 were made despite the lack of documentary requirements contrary to Section 4(6) of PD No. 1445 and pertinent provisions of COA Circular No. 2012-001, thus, the propriety and regularity of the transactions cannot be immediately established.</p>	<p>We recommended that Management take the following corrective measures:</p> <p>NLRC 7th Division</p> <p>Require the Property Officer to submit immediately the copy of the Pre- and Post-Repair Inspection Reports for the transaction listed above to avoid suspension/disallowance in audit.</p> <p>Require the disbursing officer to ask the payee to</p>	<p>Submit all the reports and documents required by COA</p>	<p>Administrative Division, Cashier, and Accounting</p>	<p>Jun-17</p>	<p>Dec-17</p>	<p>Partially Implemented</p>	<p>7th Division will submit the necessary documents to COA in compliance with the audit recommendation.</p> <p>RAB VII, XII, and XIII already complied with the audit recommendation.</p>	

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		<p>issue either official receipt or acknowledgement receipt to acknowledge receipt of the payment.</p> <p>RAB VII</p> <p>Require the disbursing officer to ask the payee to issue either official receipt or acknowledgement receipt to acknowledge receipt of the payment.</p> <p>RAB XII</p> <p>Require the Bookkeeper, Cashier to strictly adhere to the rules and regulations requiring that claims against government funds should be supported with complete documentation;</p> <p>Require the Cashier to exercise extra diligence to ensure that all claims for payments are duly approved/signed by authorized official before issuing the check /ADA for payment; and</p> <p>RAB XIII</p>							

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		Instruct the Accountant to strictly adhere with the documentary requirements for government transactions as prescribed in COA Circular No. 2012-001 dated June 14,2012 and strengthen the internal control system over the handling of various government claims.							
	<p>Delayed/non-submissions of financial reports</p> <p>Delayed/Non-submission of financial reports on time caused unnecessary delay to evaluate and determine the regularity, validity, completeness and accuracy or recorded transactions contrary to the existing laws and COA rules and regulations</p>	<p>We recommended that the Management require the Accountants and other responsible officials of the Reginal Offices to:</p> <p>Comply strictly with the prescribed submission of financial reports and documents to the Office of the Auditor to facilitate the complete review and audit of accounts and affirm the reliability of the Management's assertion on the existence/</p>	Submit all the reports and documents required by COA	Administrative Division, Cashier, and Accounting	N/A		Implemented	Complied.	

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		<p>occurrence, validity, validity, accuracy and completeness of the recorded transactions; and</p> <p>Take appropriate action against officials and employees responsible for such deficiencies pursuant to Section 122 of PD No. 1445.</p>							
	<p>Gender and Development (GAD)</p> <p>Of the 14 RABs of the NLRC, only eight one Commission-Division were able to program and implement activities on Gender and Development (GAD) Program for CY 2016, While there were no GAD plan and budget (GPB) allocation for the implementation of the program for RABs I, II, III, IV, and XIII contrary to Section 35 of the general provision of RA No.10717 (GAA CY 2016) and Joint Circular No. 2004-1 of the Department of Budget and Management, National</p>	<p>We recommended that the Management of the RABs:</p> <ul style="list-style-type: none"> Formulate and identify significant programs, projects and activities that would promote gender-responsive governance to address gender issues and concerns not only of the agency but also to its clientele; Strictly comply with the provisions of the GAA DBM/NEDA/ PCWJC No.2012-01 on the preparation and 	<p>Prepare plan, project and program for GAD for 2017</p>	GAD Committee	Jun-17	Dec-17	For implementation	<p>We will formulate a plan, program, and projects for GAD for 2017 in compliance with the audit recommendation.</p> <p>For CY 2016, we have already provided COA with a copy of NLRC GAD Accomplishments.</p>	

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	Economic and Development Authority and Philippines Commission on Women, thus depriving its officer and employees of the benefits that they can derive regarding the gender equality and economic empowerment of women.	<p>submission of GPB and corresponding GAD accomplishment reports; and</p> <ul style="list-style-type: none"> For RABS, I, III, IV, XII and XIII to create their GFPS to prepare annual GPB and implement its as required. 							
	<p>Senior Citizen and Persons with Disability</p> <p>The NLRC Main and the RABs were not able to formulate plans and programs that will address the concerns of senior citizens and persons with disability and to integrate the same in their regular activities contrary to Section 35 of the General Provisions of RA No. 10717, the GAA for FY 2016; thus, the concern of the senior citizens was not properly addressed and he mobility, safety and welfare or persons with disability were not reasonably enhanced.</p>	<p>We recommended that the Management integrate in its regular activities, the plan, programs and projects intended to address the concern, particularly on the facilities to enhance to mobility, safety and welfare of the elderly and differently-abled persons.</p>	<p>Prepare plan, project and program for Senior Citizens and Persons With Disability for 2017</p>	MAD	Jun-17	Dec-17	For implementation	<p>We will formulate a plan, program, and projects for Senior Citizens and Persons with Disability for 2017 in compliance with the audit recommendation.</p>	

Prepared by:

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