

EXECUTIVE SUMMARY

A. Introduction

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

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

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

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

Aside from the aforementioned cases, the Labor Arbiters also have jurisdiction over the following:

- Claims arising out of an employer-employee relationship or by virtue of any law or contract involving Overseas Filipino Workers (OFWs) for overseas deployment, including claims for actual, moral, exemplary and other forms of damages¹;

¹ Sec. 10 of RA No. 8042, otherwise known as Migrant Workers and Overseas Filipinos Act of 1995, as amended by RA No. 10022

- Wage distortion disputes²;
- Disputes over compromise settlements³; and
- Other cases as may be provided by law.

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

The Commission is composed of a Chairman, 22 Commissioners, 101 Commission Attorneys and 142 Labor Arbiters, of which 60 are in the NCR. It is presently headed by Chairman Gerardo C. Nograles, assisted by the Acting Executive Clerk of the Commission, Atty. Elenita F. Cruz, with the former having administrative supervision over the Commission, its regional branches and all its personnel, including the Executive Labor Arbiters and the Labor Arbiters.

The Commission has 1,295 approved plantilla positions, of which 1,113 are filled-up as of yearend, leaving a balance of 182 unfilled positions. The NLRC Central Office (CO) and RAB Offices have 325 officers and 788 rank and file employees. There are 42 employees on Job Order basis and one casual employee.

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

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

² Par. 5 of Art. 124 of the Labor Code

³ Art. 233 of the Labor Code

B. Operational Highlights

The NLRC reported the following major accomplishments under the Performance Indicators in its Organizational Outcome on Labor Disputes Resolution Services for Calendar Year (CY) 2021:

| Performance Indicators | Target | Accomplishment | Variance (Percentage) |
|--|--------|----------------|-----------------------|
| 1. Percentage increase in cases resolved through conciliation-mediation | 61% | 25.81% | (35.19) |
| 2. Percentage of original/appealed cases processed within nine months or 270 days/six months or 180 days | 98% | 85.57% | (12.43) |
| 3. Percentage of decisions affirmed by a higher court | 69% | 42.07% | (26.93) |
| 4. Percentage of cases resolved within three months from filing of case | 98% | 98.87% | 0.87 |

The NLRC posted an overall case output for Compulsory Arbitration totaling 18,042 cases, of which 3,927 cases were disposed of through conciliation and mediation under the Single-Entry Approach (SEnA) and 14,115 cases through compulsory arbitration by the RABs. On appeal, the CP resolved 8,171 cases. As compared to the previous year, the number of settled cases under the Compulsory Arbitration increased by 2,896 or 25.81 percent, from 11,219 cases in CY 2020 to 14,115 in the current year.

Under the Double-Barreled (Two-Cycle) Conciliation-Mediation Program, a program wherein the venue for settlement of all labor disputes is done and exhausted through the following: (a) mandatory conciliation-mediation prior to compulsory arbitration pursuant to the SEnA Rules of Procedure; and (b) mandatory conciliation-mediation during compulsory arbitration, pursuant to the CY 2011 NLRC Rules of Procedure, as amended. The NLRC settled 18,042 labor disputes with monetary award aggregating ₱1,953,453,502.23 which benefitted a total of 18,205 workers, details as presented below:

| RABs | No. of Settled Labor Disputes | No. of Workers Benefitted | Monetary Award (In Pesos) |
|---|-------------------------------|---------------------------|---------------------------|
| Mandatory conference under SEnA | 3,927 | 5,958 | 842,111,685.51 |
| Mandatory conference under Compulsory Arbitration | 14,115 | 12,247 | 1,111,338,816.72 |
| Total | 18,042 | 18,205 | 1,953,450,502.23 |

Under the regular Compulsory Arbitration Services of the NLRC (RABs Original Cases and Appealed Cases with the CP), excluding the Request for Assistance (RFAs) received thru SEnA, the following table presents the accomplishment of the NLRC on labor cases that were resolved/disposed of in CY 2021 based on inflow of cases received including the beginning balances:

Regular Inflow and Outflow of Cases (Excluding SENa)

| Level | Beginning Balance (January 1, 2021) | Total Cases Received Regardless of Age | Cases Handled | Actual Cases Disposed (2021) | Percentage | Ending Caseload (December 31, 2021) |
|--------------|-------------------------------------|--|---------------|------------------------------|------------|-------------------------------------|
| RABs | 10,087 | 27,113 | 37,200 | 24,262 | 65 | 12,938 |
| CP | 1,004 | 8,052 | 9,056 | 8,171 | 90 | 885 |
| Total | 11,091 | 35,165 | 46,256 | 32,433 | 70 | 13,823 |

Out of 24,262 cases disposed, 13,306 or 55 percent were resolved in favor of labor (employee), and 10,956 or 45 percent in favor of management (employer). The amount of judgment awards reached ₱3.743 billion, benefiting 27,946 workers. Of the total amount awarded and workers benefited, ₱1.111 billion was awarded through settlement, benefiting 12,247 number of workers involved, and ₱2.632 billion through decisions on the merit, benefiting 15,699 number of workers involved.

On appealed cases, the CP disposed 8,171 cases, of which 6,303 or 77 percent were resolved in favor of labor (employee) and 1,868 or 23 percent in favor of management (employer). The amount of judgment awards reached ₱1.613 billion, benefiting 9,012 number of workers involved.

The NLRC also implemented the Project Speedy and Efficient Delivery of Labor Justice (SpeED), which prescribes the periods of deciding labor cases brought to the RABs and Appellate Level under its compulsory arbitration services. For the RABs, the Process Cycle Time (PCT) is nine months, while for the appealed cases at the CP, the PCT is six months; the First-In, First-Out (FIFO) Policy (En Banc Resolution No. 13-07), which requires a minimum level of performance (quota system of 27 cases per month) and the aging of cases system (no more than 9-month old cases, FIFO Policy). Both the NLRC RABs and CP attained 85.57 percent or 27,754 disposed cases, out of 32,433 original/appealed cases to be disposed within the prescribed period/process cycle of nine months for the RAB and six months for the CP. Under the same project, the Agency disposed a total of 13,646 cases, equivalent to 42.07 percent of 32,433 original/appealed cases, within the three-month PCT.

Moreover, the NLRC achieved and exceeded its target of 98 percent of its decisions affirmed by a higher authority, one of which is the Court of Appeals. During CY 2021, 4,421 of its decided cases were appealed by the concerned parties to higher authorities. Of the said number of cases, 4,371 or 98.87 percent of its decisions were affirmed.

C. Financial Highlights

The NLRC had an Agency-Specific Budget of ₱1,316,608,000.00 (net of adjustments) under the General Appropriations Act (GAA) for Fiscal Year (FY) 2021, which is augmented by budget releases of ₱67,868,000.00 from the Automatic Appropriations for Retirement and Life Insurance Premiums (RLIP), ₱96,030,981.00 from the Miscellaneous Personnel Benefits Fund (MPBF) and ₱255,615,469.00 from the Pension and Gratuity Fund (PGF). Total allotments received amounted to

₱1,736,122,450.00, with obligations incurred of ₱1,733,475,119.71, thus leaving an unobligated balance of ₱2,647,330.29. Details of allotments, obligations incurred and unobligated balance are shown as follows:

Appropriations, Allotments, Obligations Incurred and Balances

| Source | Adjusted Appropriations | Adjusted Allotments | Obligations Incurred | Unobligated Amount |
|---|-------------------------|-------------------------|-------------------------|------------------------|
| | (In PhP) | | | |
| Current Year's Appropriations | | | | |
| 1. Agency-Specific Budget | | | | |
| Personal Services (PS) | 1,145,310,500.00 | 1,145,310,500.00 | 1,205,398,127.52 | (60,087,627.52) |
| Maintenance and Other Operating Expenses (MOOE) | 167,747,500.00 | 167,747,500.00 | 167,729,025.44 | 18,474.56 |
| Capital Outlay | 3,550,000.00 | 3,550,000.00 | 3,531,257.60 | 18,742.40 |
| Sub-total | 1,316,608,000.00 | 1,316,608,000.00 | 1,376,658,410.56 | (60,050,410.56) |
| 2. Automatic Appropriations | | | | |
| RLIP | 67,868,000.00 | 67,868,000.00 | 65,349,445.63 | 2,518,554.37 |
| Sub-total | 67,868,000.00 | 67,868,000.00 | 65,349,445.63 | 2,518,554.37 |
| 3. Special Purpose Fund | | | | |
| MPBF | 96,030,981.00 | 96,030,981.00 | 37,889,967.99 | 58,141,013.01 |
| PGF | 255,615,469.00 | 255,615,469.00 | 253,577,295.53 | 2,038,173.47 |
| Sub-total | 351,646,450.00 | 351,646,450.00 | 291,467,263.52 | 60,179,186.48 |
| Total | 1,736,122,450.00 | 1,736,122,450.00 | 1,733,475,119.71 | 2,647,330.29 |

The Agency's financial position and performance for CY 2021 with comparative figures for CY 2020 are as follows:

| Particulars | 2021 | 2020 |
|--|---------------------------|---------------------------|
| | (In PhP) | |
| Financial Position | | |
| Assets | 3,731,355,072.50 | 3,286,955,473.98 |
| Liabilities | 3,624,086,294.25 | 3,203,904,611.52 |
| Net Assets/Equity | 107,268,778.25 | 83,050,862.46 |
| Financial Performance | | |
| Revenue | 18,587,768.97 | 15,163,928.46 |
| Less: Current Operating Expenses | | |
| PS | 1,577,494,289.54 | 1,531,035,325.36 |
| MOOE | 165,808,415.55 | 157,968,151.16 |
| Financial Expenses | 24,429.44 | 15,974.35 |
| Non-Cash Expenses | 6,459,030.54 | 7,298,405.84 |
| Total Current Operating Expenses | 1,749,786,165.07 | 1,696,317,856.71 |
| Surplus (Deficit) from Current Operations | (1,731,198,396.10) | (1,681,153,928.25) |
| Net Financial Assistance/Subsidy | 1,775,395,702.90 | 1,713,300,376.79 |
| Sale of Assets | - | 18,580.00 |
| Gains | 3,788,422.50 | 79,784.32 |
| Losses | (581,802.95) | (2,723,038.08) |
| Surplus (Deficit) for the Period | 47,403,926.35 | 29,521,774.78 |

D. Scope of Audit

The audit covered the review of accounts and operations of the NLRC-CO, eight Divisions, 15 RABs and 10 Sub-RABs for CY 2021. The audit was conducted to: (a) ascertain the level of assurance that may be placed on Management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; and (c) determine the extent of implementations of prior years' audit recommendations.

E. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the NLRC for CY 2021. As stated in the Independent Auditor's Report and discussed in detail in Part II of this Report, a total misstatement of ₱13,154,190.39 was found in Cash and Cash Equivalents, Inventories, Other Current Assets, Property, Plant and Equipment, Liabilities, Revenues, and Expenses accounts of the NLRC-CO and its RABs due to accounting errors and omissions as well as deficiencies in the presentation and disclosure of accounts in the Notes to the Financial Statements (FS), and other accounting deficiencies, thus the accuracy, completeness, cut-off, classification, existence, rights and obligations, valuation and presentation of said accounts cannot be relied upon, thereby affecting the fair presentation of the FS.

F. Summary of Significant Audit Observations and Recommendations

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

FINANCIAL AUDIT

1. The total misstatement of ₱13,154,191.39 found in the audit of Cash and Cash Equivalents, Inventories, Other Current Assets, Property, Plant and Equipment, Liabilities, Revenues and Expenses accounts of the NLRC Central Office (CO) and Regional Arbitration Branches (RABs) due to accounting errors and omissions, as well as the deficiencies in the presentation and disclosure of accounts in the Notes to the Consolidated FSs, and other accounting deficiencies, affected the fair presentation of its FSs for the year ended December 31, 2021. (*Observation No. 1*)

A. ACCOUNTING ERRORS AND OMISSIONS

We recommended and the Management agreed to:

Misstatements in Cash and Cash Equivalents Accounts

- a. recognize all corrections/adjustments in the books to reflect the correct balance of the Cash and Cash Equivalents account and other affected accounts (CO and NCRAB, RABs V, VI, VIII, XI and CAR);
- b. create a specific action plan to fast-track/facilitate the verification of the long-standing overstatement in the Fiduciary Award (LBP Trust) (0662-1011-84) account amounting to ₱13,562,529.63 and take up the necessary adjustments/corrections to reflect the correct balance of the said Cash in Bank account, as recommended in the previous years; and (CO and NCRAB);
- c. make representation with the concerned bank to immediately correct the bank errors noted in the last BRSs (CO and NCRAB and RAB V);

Misstatements in Inventories Accounts

- d. RAB II to:
 - i. direct the Accountant to prepare a correcting entry to reflect the accurate balance of the Inventories account;
 - ii. instruct the Accountant and the Property and Supply Officer to coordinate with each other and reconcile their records regularly to ensure that inventory items already issued to end-users be properly recognized as Expense;
- e. RAB VIII to instruct the Accountant to be cautious in the recording in the books of accounts to avoid errors specifically on purchases and issuances of items;

Misstatements in Other Current Assets Account

- f. RAB IX to direct the Acting Accountant to recognize prepaid expenses in the accounting records and in the FS of the periods to which they relate, pursuant to the accrual basis of accounting;

Misstatements in Property, Plant and Equipment Accounts

- g. RABs II, V, XI and XIII to recognize all corrections/adjustments in the books to reflect the correct balance of the PPE and other affected accounts;

Misstatements in Liabilities Accounts

- h. CO and NCRAB to :**
 - i. communicate with the concerned agency for the submission of the necessary documents in support of the adjusting entry made under JEV No. 2020-12-476 dated December 31, 2020 to ascertain its propriety and validity;**
 - ii. prepare an adjusting entry to restore the reduced balances of the Due to GSIS, Due to Pag-IBIG and Due to PhilHealth accounts corresponding to the amount unduly reverted to Accumulated Surplus/(Deficit) account;**

- i. RAB VII to:**
 - i. prepare a JEV to reverse the entry made under the Accounts Payable account and adjust the Accumulated Surplus/(Deficit), copy of which to be immediately furnished the Audit Team for further verification;**
 - ii. refrain from setting up Accounts Payable for procurement of goods not yet delivered, services not yet served and billing statements/statement of accounts not yet received regardless of the year of incurrence of such obligations pursuant to DBM Circular Letter No. 2013-16;**

- j. RAB CAR to direct the Accountant to prepare adjusting entry to correct the error noted in recording the collection of deposit fee amounting to ₱320.00;**

Misstatements in Revenues Account

- k. Seventh Division to direct the Accountant to recognize interest earned from bank deposits as Interest Income, in accordance with the account's definition in the RCA prescribed under COA Circular No. 2020-001 dated January 8, 2020;**

Misstatements in Expenses Account

- l. RAB IX to prepare the necessary adjusting entry to reclassify the assembled CPU to its proper account and provide for its depreciation;**

- m. RAB IX to record expenses according to the nature of the transactions involved to ensure that accounts are not misstated, and the FS are fairly presented;**

B. DEFICIENCIES IN THE FS AND ITS ACCOMPANYING NOTES

- n. revisit the errors noted in audit and adjust the amounts presented in the FS, as necessary, to reflect the accurate balances of the affected accounts;
- o. provide complete and adequate disclosures in the Notes to FS relative to the accounts presented in the FS which are considered significant to users of financial information in their understanding of the Agency's financial operations and decision-making;
- p. prepare separate FS for Trust Receipts, as required in Section 5, Chapter 19 of the GAM for NGAs, Volume I;
- q. prepare separate FARs for NLRC-CO and NCRAB, as required in COA-DBM Joint Circular No. 2013-1 dated March 15, 2013, as amended by COA-DBM Joint Circular Nos. 2014-1 and 2019-1 dated July 2, 2014 and January 1, 2019, respectively;

C. OTHER ACCOUNTING DEFICIENCIES

Deficiencies affecting the reliability of the Cash and Cash Equivalents account balances

- r. ensure compliance with Section 40, Chapter 5 of the GAM, Volume I, NLRC 2021 Citizen's Charter and NLRC Administrative Order (AO) No. 02-05, series of 2016 on the preparation of the Assessment Forms, OPs and DROPI to strengthen the Agency's Internal Control System on the collection of Judgment Award/ Cash Bond under the Labor Case Management Program (RABs I and V);
- s. instruct the Cashier to collect Judgment Award/ Cash Bond based on the OP and other supporting documents (RAB I);
- t. direct the Acting Accountant to prepare and issue immediately the Advice of Receipt of Cash Bonds with the required attachments, to the handling Arbitration Unit for every cash bond recorded during the day (RAB V);
- u. identify the nature of the net discrepancy of ₱3,316,674.28 noted in the comparison between the Daily Summary of Collections and RCDs and the entries made in the CRJ, and prepare the corresponding adjusting entries, as warranted (CO and NCRAB);
- v. design a reconciliation report, either daily or monthly, whichever is practicable, based on the Daily Summary of Collection submitted by

the bank and the DROPI prepared by the Cashier as part of the Agency's control policy aimed at easy and prompt detection of fraud or errors in the recording of collections, in harmony with the common control policies provided in the NGICS issued by the DBM (CO and NCRAB);

- w. require the the Accountant to stop recording collections directly deposited to the bank in the CRJ. Instead record the same in the GJ, pursuant to the procedures for collections through AAB/AGDB provided in Chapter 5, Section 41 of the GAM for NGAs, Volume I (CO and NCRAB);
- x. make representation with the concerned bank to discuss the provisions under the Terms of Service on the Collection Services Agreement (RAB V);
- y. require the Acting Cashiers to stop issuing Official Receipts for collections directly deposited to the UCPB or LBP by the payors pursuant to Section 41, Chapter 5, of the GAM for NGAs, Volume I (RAB V);
- z. secure the bank statements from the depository banks monthly so that preparation of the Bank Reconciliation Statements (BRS) will be made earlier and prompt submission will be ascertained (Eight Division);
- aa. require the Accountant to prepare and submit the BRS promptly and regularly to facilitate detection and correction of errors (Eight Division);

Deficiencies affecting the reliability of the Receivables account balances

- bb. periodically submit to the Audit Team an updated status of the cases filed with the courts, together with all the supporting documents (CO and NCRAB);
- cc. submit information on any contingency plan of the Management on the possible recovery of the trust fund while awaiting the court's decision (CO and NCRAB);

Deficiencies affecting the reliability of Advances account balances

- dd. CO and NCRAB agreed to:
 - i. exert more efforts to demand from Ms. Gertes and Mr. Sanota the immediate settlement of their accountabilities, including the filing

of claims against their fidelity bond, if any; and

ii. in case all remedies have already been exhausted:

- assess the eligibility of the dormant, unliquidated, and unsupported cash advances recorded in the books, except that of Ms. Gertes whose criminal case is still pending in the RTC of Quezon City, for possible write-off pursuant to the procedures prescribed in COA Circular No. 2016-005 dated December 19, 2016;
- prepare all the necessary working papers/documentation in support of the results of verification and analysis of the unliquidated cash advance amounting to ₱109,239.18 to establish the validity thereof; and
- in the event that further verification and analysis constantly yield negative results, consider requesting for write-off;

ee. RAB VI agreed to:

- i. see to it that all cash advances are fully liquidated at the end of each year pursuant to Section 5.8 of COA Circular No. 97-002 dated February 10, 1997 and Section 89 Presidential Decree No. 1445 dated June 11, 1978; and
- ii. strictly monitor the granting and liquidation of cash advances and immediately issue a demand letter to the concerned accountable officer after the lapse of the prescribed period for liquidation;

Deficiencies affecting the reliability of Inventories account balances

ff. CO and NCRAB agreed to direct the Accounting Unit to:

- i. observe accrual basis of accounting in recording receipt of inventories;
- ii. immediately recognize Expense when the inventories are distributed to the end-users;

gg. direct the Supply Unit to:

- i. prepare RSMI and submit the same promptly to the Accounting Unit to facilitate the recording of inventories distributed to end-users;
- ii. update the SCs in order to avoid negative (abnormal) balances;

hh. submit the lacking documentary requirements noted in the post-audit of disbursements for the purchase of inventories;

- ii. require the Inventory Committee to submit the RPCI within the period prescribed in par. (E), Appendix 66 of the GAM for NGAs, Volume II;
- jj. RAB VIII to instruct the Accountant to strictly comply with the standards in the recognition of inventories in the Agency books;

Deficiencies affecting the reliability of PPE account balances

- kk. direct the Accountant and the Supply Officer to coordinate with each other to regularly reconcile their respective reports to ensure correctness and reliability of the amounts stated therein (RABs II, VI, VII, X and XIII);
- ll. direct the Property/Supply Officer to update the PCs and PARs for all issued PPEs in accordance with Sec. 42, Chapter 10 of the GAM, Volume I (RAB VII);
- mm. strictly comply with the disposition and derecognition procedures of non-existing/missing PPEs as per COA Circular No. 2020-006 dated January 31, 2020 (RAB X);
- nn. require the Inventory Committee to conduct a timely physical inventory to ensure preparation of a correct and reliable Report on the Physical Count of PPE (RABs VI and XIII);
- oo. direct the Property/Supply Officer to record the unserviceable properties in the IIRUP for approval of the agency head and furnish the same to the Accountant as her basis to derecognize upon disposal the cost of these unserviceable properties and their corresponding accumulated depreciation from the PPE accounts for proper presentation in the financial statements (RABs II and XII);
- pp. concerned Officer to ensure compliance with Section 79 of PD No. 1445 and Sections V and VI of COA Circular No. 89-296 on the disposal of unserviceable properties, by instructing the Property Officer to complete the preparation of the necessary documents for the disposal, and dispose of the unserviceable properties in accordance with the guidelines under COA Circular No. 89-296 and NBC Circular No. 425 (Manual on Disposal of Government Property) (RAB I);
- qq. Accountant-Designate to prepare the necessary adjustments for the reclassification of the affected PPE accounts and the corresponding recording of the affected accumulated depreciation from the time of acquisition of assets (RAB VIII);

Deficiencies affecting the reliability of the Liabilities account balances

- rr. CO and NCRAB, and RABs I and VII agreed to re-establish contact with the claimants of dormant cash bonds/awards thru service of notices to the last known addresses of the claimants;
- ss. CO and NCRAB, and RABs I and IX agreed to direct their respective Accounting Units to update the subsidiary records and/or other supporting schedules to identify reconciling items, minimize/eliminate the discrepancies noted and reflect the correct balance in support of the GL balance of the Trust Liabilities account;
- tt. CO and concerned RABs agreed to maintain prepare and maintain SLs for each Trust Liability containing all information necessary for verification;
- uu. CO and NCRAB, and RABs I, V and VI-SRAB Iloilo agreed to reconcile the balances of the Trust Liabilities account with the related Cash in Bank accounts to establish the correct balance of trust liabilities and the available cash for disbursement to execute the Judgment Awards;
- vv. CO and NCRAB agreed to direct the Accounting Unit to update the RCIs and supporting schedules to identify reconciling items, minimize/eliminate the discrepancies noted and reflect the correct balance of the Trust Liabilities account;

Deficiencies affecting the reliability of Expenses account balances

- ww. CO and NCRAB to refrain from using Janitorial Services and Security Services accounts in recording transactions other than the contract cost of janitorial and security services. Henceforth, observe proper recording of transactions using appropriate accounts, in accordance with GAM for NGAs, Volume III (Updated 2019), to avoid misclassification of accounts;
- xx. RAB IV to reclassify, pursuant to the Revised Chart of Accounts (Updated 2019), the recording of expenditures noted in the Other Supplies and Materials Expenses to their appropriate accounts;

Delayed/non-submission of financial reports

- yy. CO and NCRAB, VI (Sub-RAB Iloilo), VII and XII agreed to strictly comply with the submission of financial reports/documents within the period prescribed, for the Management to take corrective actions in

case of errors or omissions, and for the Audit Team to perform timely audit.

COMPLIANCE AUDIT

2. Of the total allotments received amounting to ₱1,736,122,450.00, ₱1,733,475,119.71 or 99.85 percent was obligated, leaving the remaining balance of ₱2,647,330.29 or only 0.15 percent unutilized. However, deficiencies in the utilization and reporting thereof were observed, such as: (a) incurrence of obligations not covered by allotments for Personal Services (PS) amounting to ₱27,245,223.85, contrary to Section 41, Chapter V, Book VI of the Administrative Code of 1987; and (b) errors in reporting allotments resulting in obligated amounts more than the allotments received. (*Observation No. 2*)

We recommended and the Management agreed to:

- a. **limit the incurrence of obligations only up to the amount of allotments received, in strict observance with the provisions of Section 41, Chapter V, Book VI of the Administrative Code of 1987. Thereafter, prepare and submit to DBM accurate budget execution plan and correct cash programming to avoid incurrence of obligations in excess of the allotments; otherwise, parties responsible thereto shall be held personally liable; and**
 - b. **direct the Budget Officer to prepare MAF duly approved by the Agency Head for modification of allotments, to be reflected in the RAODs and reported in accountability reports.**
3. The Agency's implementation of strategies to improve its performance under the Labor Arbitration Program during the pandemic resulted in a steady progress with 32,433 cases disposed in FY 2021 which was 4,417 cases higher than the 28,016 disposed cases in the prior year. However, only the output indicator for appealed cases affirmed before higher authorities with a target of 98 percent was achieved with accomplishment rate of 98.87 percent while targets for the three outcome/output performance indicators in FY 2021 GAA were not attained due to extended adoption of Alternative Work Arrangements (AWA) where only the skeletal workforce was allowed to physically report to the office, and with reduced office hours especially during the surge of COVID-19 pandemic. Only (a) 25.81 percent increase, as against the target of 61 percent increase in the cases resolved through conciliation-mediation was accomplished; (b) 85.57 percent of original or appealed cases, as opposed to the 98 percent target, were decided within the nine-month process cycle time (PCT) for the RABs and six-month PCT for the Commission Proper (CP); and (c) 42.07 percent of cases, which is below the 69 percent target, were resolved within three months from filing thereof. (*Observation No. 7*)

Although majority of the targets on the outcome/output indicators for the implementation of the Labor Arbitration Program was not achieved in CY 2021, we still commend the Agency for exerting efforts to carry on with the implementation of its programs despite the challenges caused by the pandemic in CY 2021. However, we reiterated our prior year's recommendation and the Management agreed to:

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

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOMs) and discussed with Management officials in an Exit Conference conducted on May 19, 2022 and their comments were incorporated in this Report, where appropriate.

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

The total balances of suspensions, disallowances and charges as of December 31, 2021 amounted to ₱2,920,890.33, ₱1,825,581.62 and ₱404,823.47, respectively. The details of the settlement of suspensions, disallowances and charges are discussed in Part II of this Report.

H. Status of Implementation of Prior Years' Audit Recommendations

Out of the 65 prior years' audit recommendations, which were contained in the CYs 2018, 2019 and 2020 CAARs, 31 were fully implemented while 34 were not implemented as of December 31, 2021, of which 22 were reiterated in Part II of this Report. The details of prior year's recommendations, excluding those that were reiterated, are discussed in Part III of this Report.

| Status of Implementation | Number of Recommendations | Percentage |
|--------------------------|---------------------------|---------------|
| Fully Implemented | 31 | 72.09 |
| Not Implemented | 12 | 27.91 |
| Total | 43 | 100.00 |