

EXECUTIVE SUMMARY

A. Introduction

The Department of Labor was established by virtue of Act No. 4121 enacted on December 8, 1933. It became a Ministry in 1978 and was reorganized and expanded into the Ministry of Labor and Employment in 1980. In 1986, it was renamed as the Department of Labor and Employment (DOLE) to suit the presidential form of government re-established after the EDSA Revolution in 1986.

The DOLE is mandated to formulate policies, implement programs and services, and serve as the policy-coordinating arm of the Executive in the field of labor and employment. It is also mandated to promote gainful employment opportunities, develop human resources, protect workers and promote their welfare and maintain industrial peace. Consistent with the national development plan, its vision is the attainment of decent and productive employment for every Filipino worker.

To carry out its mandate, the Department has 16 Regional Offices (ROs) with 83 Field Offices (FOs), 36 Philippine Overseas Labor Offices (POLOs), six bureaus, and seven support or staff services. There are also 11 agencies attached to it for policy and program supervision and/or coordination. The Department is headed by a Secretary, three Undersecretaries and three Assistant Secretaries.

In implementing its vision, mission and goals and its ROs, the DOLE has a total personnel complement of 2,383 consisting of 2,130 regular employees and 253 non-regular personnel as of December 31, 2015.

B. Operational Highlights

The Department reported, among others, the following accomplishments per Major Final Output (MFO) and Performance Indicator for Calendar Year (CY) 2015:

MFOs and PERFORMANCE INDICATORS	TARGET	ACTUAL ACCOMPLISHMENTS	PERCENTAGE OF ACCOMPLISHMENTS
MFO 1 – Labor Policy Services			
1. No. of policies updated, issued and disseminated	17	54	318
MFO 2: Employment Facilitation and Capacity-Building Services			
1. No. of qualified persons referred for placement	1,700,000	2,039,464	120
2. No. of individuals reached through Labour Market Information (LMI)	1,700,000	3,294,780	194
3. No. of beneficiaries under Special Program for Employment of Students (SPES)	250,000	207,898	83
4. No. of beneficiaries provided with livelihood assistance (P6,700 on the average per capita cost/project)	62,370	84,491	135

MFOs and PERFORMANCE INDICATORS	TARGET	ACTUAL ACCOMPLISHMENTS	PERCENTAGE OF ACCOMPLISHMENTS
5. Percentage of beneficiaries who rate the services provided as satisfactory or better	70%	93% (17,041/18,229)	133
6. Percentage of workers provided with services within the prescribed process cycle time (PCT)	100%	94% (1,078/1,146)	94
MFO 3: Labor force Welfare Services			
1. No. of workers served	4,000,000	4,540,069	114
MFO 4: Employment Regulation Services			
1. No. of establishments inspected	76,767	50,161	65
2. No. of workers covered as a result of inspections conducted	4,556,674	1,805,683	40

C. Financial Highlights

For CY 2015, the DOLE has a total appropriations of ₱5,248,105,259.27 as provided for in the General Appropriations Act (GAA) for Fiscal Year (FY) 2015 or Republic Act (RA) No. 10651. This includes the amount of ₱208,095,000 sourced from collection of verification fees earned in foreign posts recorded as income under the Special Account in the General Fund (formerly Fund 151). During the year, the Department received a total allotments of ₱5,248,105,259.27, including releases for Automatic Appropriation for Retirement and Life Insurance Premiums. Of the total allotments, total obligations of ₱4,852,660,974.50 were incurred leaving an unexpended balance of ₱395,444,284.77 as at year-end, details as follows:

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
A. Current Year Budget				
General Fund 101				
Personal Expenses (PS)	1,145,074,067.98	1,145,074,067.98	1,128,577,212.81	16,496,855.17
Maintenance and Other Operating Expenses (MOOE)	2,970,212,630.18	2,970,212,630.18	2,695,076,237.07	275,136,393.11
Financial Expenses	120,000.00	120,000.00	120,000.00	0.00
Capital Outlay	46,185,250.00	46,185,250.00	31,625,210.35	14,560,039.65
Sub-total	4,161,591,948.16	4,161,591,948.16	3,855,398,660.23	306,193,287.93
Verification Fee Fund 151				
PS	144,448,000.00	144,448,000.00	144,448,000.00	0.00
MOOE	63,647,000.00	63,647,000.00	59,976,572.97	3,670,427.03
Sub-total	208,095,000.00	208,095,000.00	204,424,572.97	3,670,427.03
Automatic Appropriations				
Retirement and Life Insurance Premium				
PS	91,713,501.84	91,713,501.84	89,673,189.43	2,040,312.41
Sub-total	91,713,501.84	91,713,501.84	89,673,189.43	2,040,312.41
Special Allotment Release Order (SARO) Releases				
PS	468,138,927.64	468,138,927.64	468,084,454.25	54,473.39
MOOE	31,913,565.00	31,913,565.00	19,504,260.21	12,409,304.79
Sub-total	500,052,492.64	500,052,492.64	487,588,714.46	12,463,778.18

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
B. Continuing Appropriations				
MOOE	286,136,437.63	286,136,437.63	215,485,002.41	70,651,435.22
CO	515,879.00	515,879.00	90,835.00	425,044.00
Sub-total	286,652,316.63	286,652,316.63	215,575,837.41	71,076,479.22
Total	5,248,105,259.27	5,248,105,259.27	4,852,660,974.50	395,444,284.77

The DOLE, thru the Bureau of Workers with Special Concerns (BWSC), also administers a Special Project Fund (SPF) under the Social Amelioration Program (SAP) for the benefit of workers in the sugar industry pursuant to RA No. 6982, the Sugar Amelioration Act of 1991. Total reported collections in CY 2015 for BWSC-SAP amounted to ₱70,205,505.20 of which ₱51,604,986.66 were allocated for death and maternity benefits and socio-economic projects for the sugar workers.

The DOLE also received ₱8,587,811.60, as fund transfers, from the Department of Agrarian Reform for the implementation of the Self-Reliant Organizations-Comprehensive Agrarian Reform Program.

The Department's financial position and financial performance for CY 2015 are as follows:

Particulars	Amount
Financial Position	
Assets	5,234,575,688.67
Liabilities	1,637,595,333.93
Equity	3,596,980,354.74
Financial Performance	
Revenue	792,771,732.37
Less: Current Operating Expenses	
PS	1,442,685,908.29
MOOE	1,300,673,663.98
Financial Expenses	6,106,085.71
Non-Cash Expenses	85,745,883.61
Surplus (Deficit) from Current Operations	(2,042,439,809.22)
Financial Assistance/Subsidy from the National Government	4,255,674,504.73
Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs	759,566,432.56
Net Financial Assistance/ Subsidy	3,496,108,072.17
Gains/(Losses)	(6,550,326.83)
Surplus for the Period	1,447,117,936.14

D. Scope and Objectives of Audit

The audit covered the CY 2015 transactions on a test basis, the accounts and operations of the DOLE in accordance with the Philippine Public Sector Standards of Auditing (PPSSA). 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 implementation of prior year's audit recommendations.

E. Independent Auditor's Report

A qualified opinion was rendered on the fairness of presentation of the financial statements. Some accounting errors and deficiencies were noted and these are discussed in detail in Part II of the report.

F. Significant Audit Observations and Recommendations

The significant observations and recommendations, among others, as discussed with Management and detailed in Part II of the report are as follows:

1. The potential income of beneficiaries from livelihood projects amounting to at least ₱123.522 million was not fully realized due to deficiencies in program implementation that resulted in: (a) unutilized/unimplemented livelihood projects; (b) livelihood projects that ceased operations; (c) delayed implementation or release of checks to the intended beneficiaries; (d) funds not utilized for intended projects; and (e) delayed release of funds. **(Observation No. 1)**

We recommended that the Management strengthen the qualification and evaluation process in the grant of funds for livelihood projects, release funds on time to the beneficiaries, conduct regular monitoring, visitation and inspection of projects to determine whether or not the different programs have been successfully implemented. Further, undertake appropriate and timely interventions to address problems that may occur and validate accomplishment reports submitted by the Accredited Co-Partners to ensure that the projects were efficiently executed and agency objectives attained. We also recommended that the Management institute proper planning and assessment on project proposals being submitted for approval to ensure proper implementation of the projects.

2. The standardized monitoring and reporting system for KABUHAYAN Programs prescribed under DOLE DO No. 137-14, series of 2014 was not utilized in five Regions, thus, the success of the program totaling ₱159.848 million extended to 21,296 beneficiaries could not be adequately measured. **(Observation No. 2)**

We recommended that the Management of concerned Regional Offices (ROs) comply with the monitoring, reporting and evaluation of the programs as prescribed under DOLE DO No. 137-14, series of 2014, as amended and as stated in the provisions of the MOU.

3. Three hundred fifty beneficiaries employed under the TUPAD Program with a total claim of ₱3.096 million were not paid for services rendered as at year-end, thus the immediate relief and receipt of needed income as intended by the program was jeopardized. Moreover, checks amounting to ₱25.458 million under the Emergency Employment Program of Region VI were released with a time log of two to 114 working days from date of checks while checks amounting to ₱6.590 million issued in 2014 remained unreleased as of December 31, 2015, thus defeats the purpose of providing emergency employment to 6,339 beneficiaries. **(Observation No. 5)**

We recommended that the Management of DOLE Regions II and VI:

- a. **make representations with the DOLE Central Office for the timely release of funds for the benefit of the program beneficiaries. Likewise, it is recommended that the ROs exert more effort in requiring immediate liquidation of cash advances so as not to deprive beneficiaries who are poor and marginalized of the timely receipt of their benefits; and**
- b. **carefully select prospective beneficiaries of the TUPAD Program and prioritize those qualified as stated in DOLE DO No. 137-14.**

We also recommended that the Acting Accountant of Region VI refrain from processing and signing Disbursement Vouchers without complete supporting documentation and henceforth, closely coordinate with concerned Local Government Units/Accredited Co-Partners/proponents for the documentation of funds to be released to ensure that funds will be used immediately for the intended purpose.

4. The attainment of the objective of the Balik Pinay! Balik Hanapbuhay! Project of the National Reintegration Center for OFWs (NRCO) in Region XIII cannot be determine due to the absence of accomplishment reports and other relevant documents as proof that the activities were actually undertaken. Likewise, the low fund utilization rate for current appropriation of only 49.03 percent implies a low operating efficiency, thus the policy objective stipulated in DOLE DO No. 79-07 dated February 16, 2007, which is to enhance, strengthen and build responsive reintegration programs for the Overseas Filipino Workers (OFWs) and their families' benefits cannot be ascertained. **(Observation No. 6)**

We recommended that the Management direct the NRCO Regional Coordinator to submit reports on accomplishments for CY 2015 and related documents for performance validation so that the achievement of the

program objectives can be determined. Likewise, ensure efficient utilization of funds and effectively manage the program implementation so that the policy objectives, as envisioned by DOLE shall be achieved in an efficient and effective manner.

5. Cash-in-Bank Local Currency Current Account (LCCA) included accounts maintained by the agency without specific authority or legal basis, with a total balance of ₱45.619 million as of December 31, 2015, which is not in accordance with the guidelines and procedures prescribed in COA Circular No. 2015-001 dated January 29, 2015 and pertinent General Provisions of the GAA for FY 2015 requiring all trust receipts be deposited with the National Treasury for the optimum use of the government. **(Observation No. 7)**

We recommended that the Management close the unauthorized bank accounts and remit to the National Treasury the remaining outstanding cash balances in accordance with the guidelines and procedures prescribed in COA Circular No. 2015-001 and the pertinent General Provisions in the GAA.

6. While there was a remarkable liquidation of transferred funds from the DOLE CO to Non-Government Organizations/People's Organizations (NGOs/POs) in CYs 2011 to 2015 with only ₱1.590 million or 6.44 percent of its outstanding account balance remained unsettled as of December 31, 2015, account balances in eight Regions amounting to ₱121.077 million, of which 95.55 percent were prior years' balances, remained unliquidated over the years due to the: (a) non-enforcement of the provisions of COA Circular No. 2007-001 and (b) the inadequate monitoring of project implementation by the NGOs/POs as required under Section VIII (A) and (B) of DOLE Department Order No. 36-02, series of 2002, resulting in the difficulty of ascertaining the proper utilization of funds and doubtful validity of the reported balance of such receivables as their settlement becomes more difficult. **(Observation No. 12)**

We reiterated the prior year's recommendations that the Management:

- a. **direct the program implementers/facilitators to exert utmost efforts to monitor the implementation of the projects and assist the beneficiaries in the preparation and consolidation of their terminal/liquidation reports to ensure correctness of the liquidation reports and immediate/prompt submission thereof;**
- b. **conduct regular inspection of the recipient NGOs/POs; prepare an inspection/monitoring schedule covering current and prior years' projects to determine if funds transferred to them were properly utilized in accordance with the provisions of the MOAs; and constantly update their addresses and contact numbers to facilitate monitoring of their whereabouts;**

- c. **send demand letters to all NGOs/POs with outstanding balances requiring immediate settlement particularly those that were more than three years overdue and those with unutilized balances to refund the same; and**
 - d. **strictly adhere to the provisions of COA Circular Nos. 94-013 and 2007-001 on the grant and liquidation of fund transfers to NGOs/POs and enforce the terms and conditions provided for in the MOA particularly on the obligation of the Proponent to immediately refund any unutilized funds and for the DOLE RO to institute appropriate actions against Proponents violating the same.**
7. Fund transfers to LGUs, NGAs, and GOCCs totaling ₱585.184 million for the implementation of livelihood projects and other DOLE Programs remained unliquidated from one year to over three years, due to: (i) inadequate monitoring of project implementation; and (ii) non-enforcement of the provisions of COA Circular No. 94-013 and MOAs between the DOLE and the LGUs, NGAs and GOCCs resulting in difficulty of ascertaining the proper utilization of funds, casting doubt on the validity of the reported balances of such receivables and actual expenses not reported in the year it was incurred. Meanwhile, actual project expenses on fund transfers utilized by LGUs and NGAs for the completion of project implemented were unrecorded amounting to ₱31.104 million affecting the fair presentation of the financial statements. **(Observation No. 13)**

We recommended that the Management:

- a. **strictly enforce existing regulations on the submission of utilization/liquidation reports for funds granted to NGAs, LGUs and upon completion of the projects pursuant to COA Circular Nos. 94-013 and 2007-001. Factors that cause the delay in the submission of utilization/liquidation documents should be identified so that immediate remedial measures can be instituted; and**
 - b. **continuously send demand letters to all funds recipients with outstanding balances requiring the concerned officials of the Implementing agencies particularly those that were more than one year overdue to immediately settle their long outstanding receivables.**
8. The accuracy of the balances of Property, Plant and Equipment (PPE) accounts of DOLE-CO and two Regions totaling ₱472.156 million and the existence of the PPE items per property records could not be established due to noted deficiencies, such as: (a) unreconciled balances totaling ₱140.97 million between accounting and property records; (b) for each item of PPE updated Property Cards and Property Ledger Cards were not maintained by the Property and Accounting Divisions, respectively; (c) indicated end-users of various PPE items of DOLE-CO totaling ₱16.180 million were not accurate as items returned to the Property

Division and those transferred to another accountable officer were not reflected in the CY 2014 RPCPPE or no end-users were indicated in the said report; and (d) no physical count was conducted in CY 2015. In addition, properties of NCR amounting to ₱40.213 million were not insured thus the DOLE is exposed to risk of not being indemnified, in case of damage or loss of property. (**Observation No. 17**)

We recommended that the Management require:

a. the Property and Accounting Divisions in the CO to undertake the following:

- **Property Division to: (i) prepare the RPCPPE that reflect the actual physical count conducted; (ii) complete the reconciliation of the inventory report with existing property records; and (iii) conduct a physical count and submit an RPCPPE based on the said activity;**
- **Accounting Division to update recording of properties acquired and disposed in previous years and in CY 2015 based on the reports of the property division; and**
- **Both Divisions to coordinate with each other for the proper turn-over of documents to effect adjustments of the identified discrepancies in their records to reflect an accurate and reliable PPE account balances of the agency.**

b. RO VIII to direct the designated Supply Officer and the Accountant to analyze the overstatement or understatement of corresponding PPE accounts and effect the necessary adjustments to present fairly the financial statements. In addition, require the Accountant to update regularly the Property Ledger Cards.

c. NCR to strictly adhere to the provisions of Section 489 of GAAM, Volume I. Secure insurance coverage for all the agency's properties to ensure recovery of cost in case of loss or damage.

G. Summary of Audit Suspensions, Disallowances and Charges

As of December 31, 2015, DOLE had a total unsettled suspensions, disallowances and charges of ₱84,467,283.04, ₱51,223,538.93 and ₱3,987.52, respectively, or a total of ₱135,694,809.49.

H. Status of Implementations of Prior Year's Audit Recommendations

Of the 63 audit recommendations embodied in the prior year's Consolidated Annual Audit Report, 23 were fully implemented, 32 partially implemented, and eight were not implemented as shown below. The details of prior year's recommendations are discussed in Part III of the Report.

Status	Number	Percent
Fully Implemented	23	34.92
Partially Implemented	32	52.38
Not Implemented	8	12.70
Total	63	100.00