

EXECUTIVE SUMMARY

A. Introduction

The Institute for Labor Studies (ILS) traces its roots from the Institute of Labor and Manpower Studies (ILMS) created by virtue of Presidential Decree No. 620 issued on December 21, 1974 by President Ferdinand E. Marcos to provide the then Ministry of Labor and Employment with technical support in policy making and program implementation. The mandates of the ILMS extend from undertaking policy researches and studies to implementing capacity building programs for the officials and employees of the Department of Labor. The rationalization and restructuring of the organizational and functional structures of government agencies and instrumentalities had led to the changes in its organizational state. The issuance on January 31, 2012 of Executive Order (EO) No. 126 by then President Corazon C. Aquino abolished the ILMS and its research and publications functions and these were absorbed by the newly created Center for Labor Studies (CLS). The CLS became ILS on July 25, 1987 through EO No. 251 in response to the growing need of the Department of Labor and Employment (DOLE) for more comprehensive and innovative research to back up its policy recommendations.

Pursuant to Section 3 of EO No. 251, the ILS is the policy research and advocacy arm of the DOLE. It seeks to influence national labor and employment plans and policies through its research undertakings, projects and initiatives.

As a research institute, the ILS shall come up with relevant research information, studies, papers, materials, projects, seminars and activities that would be of help and value to labor policymakers, planners, advocates and workers.

As the government's premiere labor think-and-do tank, the ILS also aims to undertake responsive and proactive policy research initiatives that are anchored on the DOLE's three strategic themes: employment and manpower development; labor relations; and labor standards and social protection.

As an advocacy arm, the ILS promotes better labor policies in the Philippines through the accomplishment of its research and thrusts which are rooted in advancing the welfare and well-being of the Filipino worker.

The ILS is led by Ms. Mary Grace L. Riguer, OIC-Executive Director III. It has four technical divisions, namely: Employment Research Division (ERD), Workers' Welfare Research Division (WWRD), Labor and Social Relations Research Division (LSSRD), and the Advocacy and Publications Division (APD). It has one administrative and support unit, the Finance and Administrative Division (FAD). As of December 31, 2015, ILS has a total 39 personnel who are all regular in status.

B. Operational Highlights

The ILS has identified one Major Final Output (MFO) with four performance indicators. For Calendar Year (CY) 2015, it had accomplished 100 percent all the targeted performance indicators under Major Final Output (MFO) 1 – Labor and Employment Research Services, as presented below:

Major Final Output/Performance Indicator	Target	Actual	Percentage of Accomplishment
MFO 1 : Labor and Employment Research Services			
- Number of research studies conducted and published or disseminated	15	15	100
- Number of technical assistance papers or reports produced	195	195	100
- Percentage of researches used in policy instruments and program documents increased	20%	20%	100
- Percentage of policy research studies completed within original project schedule	100%	100%	100

C. Financial Highlights

The Institute's financial position and financial performance for CYs 2015 and 2014, are as follows:

Particulars	2015	2014
Financial Position		
Assets	4,221,373.16	4,087,564.22
Liabilities	801,753.24	1,489,486.62
Government Equity	3,419,619.92	2,598,077.60
Financial Performance		
Revenue	653,497.31	-
Less: Current Operating Expenses		
Personnel Services	21,329,325.19	20,810,385.51
Maintenance and Other Operating Expenses	6,571,106.02	6,331,488.13
Non-Cash Expenses	1,141,123.23	1,652,765.48
Surplus (Deficit) from Current Operations	(28,388,057.13)	(28,794,639.12)
Subsidy from National Government	29,214,630.10	26,527,977.16
Net Subsidy	29,214,630.10	26,527,977.16
Gains/(Losses)	4,000.00	1,000.00
Surplus for the Period	830,572.97	2,265,661.96

The ILS had a total appropriations of ₱30,976,730.00 of which ₱24,258,000.00 is from the General Appropriations Act (GAA) for FY 2015 (Republic Act No. 10651), continuing appropriations for Maintenance and Other Operating Expenses (MOOE) amounting to ₱1,724,416.00, automatic appropriations for Retirement and Life Insurance Premiums amounting to ₱1,603,000.00 and Special Purpose Funds for Personnel and Terminal Leave Benefits amounting to ₱3,391,314.00. While total allotments received was ₱30,976,730.00 of which the obligations incurred amounted to ₱28,559,778.88, leaving an unobligated balance of ₱2,416,951.12 as at year-end, details of which are presented below:

Sources of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
Current Year Budget				
Agency Specific Budget				
PS	15,225,000.00	16,339,000.00	16,322,984.42	16,015.58
MOOE	8,878,000.00	7,587,000.00	6,729,401.67	857,598.33
CO	155,000.00	332,000.00	154,750.00	177,250.00
Sub - Total	24,258,000.00	24,258,000.00	23,207,136.09	1,050,863.91
Special Purpose Funds				
Miscellaneous Personnel Benefits Fund	3,064,265.00	3,064,265.00	3,064,265.00	0.00
Terminal Leave Benefits	327,049.00	327,049.00	327,049.00	0.00
Sub - Total	3,391,314.00	3,391,314.00	3,391,314.00	0.00
Automatic Appropriations				
Retirement and Life Insurance Premiums	1,603,000.00	1,603,000.00	1,592,026.77	10,973.23
Sub - Total	1,603,000.00	1,603,000.00	1,592,026.77	10,973.23
Prior Year's Budget/Continuing Appropriations				
MOOE	1,724,416.00	1,724,416.00	369,302.02	1,355,113.98
Total	30,976,730.00	30,976,730.00	28,559,778.88	2,416,951.12

The Institute also reported ₱2,168,000.00 receipts from the International Labor Organization (ILO) and the World Bank for the implementation of its projects. These funds were used to implement projects entitled Philippine Employment Projections Model (PEPM) Training Workshop, Consultation and Knowledge Workshop on Development of DepEd Policy on Child Labour, Human Resource Development Road Mapping, Tracer Study of OWWA's Education for Development Scholarship Program (EDSP) and KNOMAD on Low Skilled Labor Migration.

D. Scope of Audit

The audit covered the accounts and operations of the ILS for the year 2015. The audit was conducted to: (a) verify the level of assurance that maybe placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementations of prior year's audit recommendations.

E. Auditor's Report on the Financial Statements

We rendered an unmodified opinion on the fairness of the presentation of the financial statements of ILS as of December 31, 2015.

F. Significant Audit Observations And Recommendations

The following is a summary of significant observations and recommendations, among others, the details of which are discussed in Part II - Observations and Recommendations of the report:

1. The targeted fifteen (15) policy researches and 195 technical assistance papers/reports with a total cost incurred amounting to ₱2,216,675.44 were completed on time, however the policy researches conducted were not uploaded in the ILS website nor printed in monograph form due to non-completion of external proofreading process in the absence of timelines set required to complete thereof, thus depriving the relevant stakeholders of the timely information and value therefore. (Observation No. 1)

We recommended that Management adopt guidelines with specific timelines to accomplish proofreading in order to ensure timely publication and dissemination of all the policy researches in the ILS website and printed monographs.

2. The Office Supplies Inventory account balance of ₱383,048.85 is unreliable due to the recognition of the undelivered office supplies in the books of accounts amounting to ₱68,075.00 and non-reconciliation of inventory and accounting records contrary to Section 43, Volume I, and Section 65, Volume II of the Manual on New Government Accounting System (NGAS). (Observation No. 2)

We recommended that Management:

- a. make the necessary adjustments on the discrepancies noted to reflect the correct balance of the Office Supplies Inventory account in the financial statements; and**
 - b. direct the Supply Officer to update the Stock Cards to reconcile with the Ledger Cards of the Accounting Unit.**
3. The cost of ten tablets amounting to ₱89,900.00 procured thru the World Bank funded KNOMAD TWG on Low-Skilled Labor Migration Project as Information Communication and Technology (ICT) Equipment were not recorded in the books and Acknowledgement Receipt for Equipment (ARE) were not issued to end-users contrary to the provisions of IPSAS 17 and Section 56, Volume II of Manual on NGAS, thus understating the ICT Equipment account. (Observation No. 3)

We recommended that Management:

- a. **require the Accountant to record in the books the cost of tablet under the ICT Equipment account; and**
 - b. **require the Property Officer to record the tablets in the Property Stock Cards, include them in the inventory list, and issue Acknowledgement Receipts for Equipment to the end-users to pinpoint responsibility and accountability.**
4. Payment of honoraria amounting to ₱39,233.11 to three resource speakers for training-workshop was charged to Other Professional Services account instead of Training Expenses account contrary to Section 5.2.2 of Chapter III, Volume III of the Government Accounting Manual (GAM). (Observation No. 5)

We recommended that Agency Head direct the Accountant to prepare a JEV to reclassify the Other Professional Services account to Training Expenses account.

The observations and recommendations were discussed with the concerned agency officials in an exit conference conducted on March 29, 2016. Management's comments were considered in this report, where appropriate.

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

The status of implementation of audit recommendations embodied in the 2014 Annual Audit Report of the ILS is shown below, the details of which are discussed in Part III of this Report.

Status	Number	Percentage
Fully Implemented	2	50
Partially Implemented	2	50
Not Implemented	-	-
Total	4	100