

EXECUTIVE SUMMARY

A. Introduction

By virtue of Executive Order (EO) No. 366, the Bureau of Workers with Special Concerns (BWSC) was created under the approved Department of Labor and Employment (DOLE) Rationalization Plan to assume the merged functions, programs, projects and services of the former Bureau of Rural Workers (BRW) and Bureau of Women and Young Workers. The BWSC will continue the mission and mandate entrusted to BRW towards rural workers' welfare, protection and development under Presidential Decree (PD) No. 1365, implement and supervise the Social Amelioration Program (SAP) for workers in the sugar industry pursuant to PD No. 621 and Republic Act (RA) No. 6982, known as Sugar Amelioration Act of 1991.

The SAP is an amelioration and welfare scheme for the sugar workers derived from the contribution of the millers and planters which started in the early 1970's. In 1974, by virtue of PD No. 621, the SAP was formally created providing for the mandatory payment of a stabilization fee of ₱1.00 per picul, which was later increased to ₱2.00 per picul pursuant to PD No. 1209, a decree creating an Agricultural and Rural Development Scholarship Fund. PD No. 621 also vested upon the general supervision and control of SAP to the Secretary of Labor but was transferred to the BRW when it was created on May 1, 1978 under PD No. 1365.

The SAP was strengthened by the passage of RA No. 6982, with the provision of additional monetary and welfare benefits for sugar workers and with the institutionalization of a tripartite approach in policy formulation and program development and implementation. Section 7 of RA No. 6982 provides that effective sugar crop year 1991-1992, a lien of ₱5.00 per picul of sugar shall be imposed on the gross production of sugar, provided that there shall be an automatic additional lien of ₱1.00 for every two years for the succeeding ten years from the effectivity of the Act.

The SAP aims to augment the income of the sugar workers; finance socio-economic programs/projects geared to provide additional livelihood and employment opportunities to the sugar workers and their families; promote sugar workers' welfare and social protection; and increase stakeholders' participation in decision making, particularly on policies related to workers and development under the Act.

From Crop Years 2001-2002 to 2015-2016, the sugar lien under RA No. 6982 was increased to ₱10.00 per picul or an equivalent of ₱7.90513 per 50-kilo bag (LKG) and was allocated as shown in next page.

Allocation of Sugar Lien of ₱10.00 per Picul

Fund	Percentage Allocation		Amount	Programs/ Projects intended for Sugar Workers
Cash Bonus (CB) Fund	80		₱8.00	CB for sugar workers
Socio-Economic Program Related Funds (SEPRF):		20	2.00	SEPRF
• Sugar Workers Maternity Benefit Fund (SWMBF)	3			Maternity Benefit Program
• Sugar Workers Death Benefit Fund (SWDBF)	5			Death Benefit Program
• Socio-economic Project Fund (SEPF)	9			Socio-Economic Projects
• Administrative Expense Fund (AEF)	3			Administrative expenses of the STC, DTC and BWSC
Total	20	100	₱10.00	

The 20 percent SEPRF is taken up in the BWSC-SAP books of accounts. The three percent SWMBF, five percent SWDBF and nine percent SEPF are recorded as trust funds under the Account “Trust Liabilities” while the three percent AEF is recorded under Account “Income from Grants and Donations”.

The DOLE manages and supervises the Program through the BWSC with the assistance of the Sugar Tripartite Council (STC) which serves as an advisory body. The STC is composed of 10 members; the Secretary of DOLE or her authorized representative as an ex-officio Chairman, one representative from the Sugar Regulatory Administration (SRA) who likewise sits in an ex-officio capacity, two representatives from the millers’ sector, two representatives from the mill workers sector, two representatives from the field workers sector, and two representatives from the planters’ sector. Representatives from the planters, millers and workers’ sectors shall serve a term of three years. The STC shall meet for its regular meeting once every three months.

Further, under Section 6 of the same Act, a District Tripartite Council (DTC) was created in each milling district in the Philippines to ensure greater participation of planters, millers and workers in the social and economic programs and policy determination. The DTC consists of seven members, the DOLE Regional Director as the ex-officio Chairman, two representatives each from the planters and field workers’ sectors, and one representative each from the millers and mill workers’ sectors, as members.

The SAP in the sugar industry has the following components:

- a. CB Distribution Program;
- b. Maternity Benefit Program;
- c. Death Benefit Program;
- d. Socio-Economic Projects; and
- e. Tripartite Consultative Mechanisms.

In 2011, through the recommendations of the STC, DOLE Secretary signed DOLE Department Order (DO) No. 114-11 to take effect starting Crop Year 2011-2012 which clarified the persons who are eligible to receive benefits under the SAP. The persons who are eligible beneficiary of SAP are as follows:

1. All mill and field workers directly employed by the sugar mill or planter in any manner except managerial employees;
2. All migratory sugar workers directly employed by the planter and those migratory sugar workers hired by contractors and sub-contractors to provide services to the planter;
3. All mill and field workers through contracting and sub-contracting arrangements and performing functions necessary and indispensable in the production of sugar; and
4. All farmers whose landholding are five hectares and below and who directly cultivate sugar land as beneficiaries under the Comprehensive Agrarian Reform Law.

The BWSC is headed by Ms. Ahmma Charisma L. Satumba, Acting Director IV. The Workers Social Amelioration Development Division (WSADD) is for SAP Fund supervised by Mr. Luis Reynoso, Chief Labor and Employment Officer. As of December 31, 2016, the BWSC-SAP WSADD had total personnel complement of 10 regular employees and 23 job order/outsourced personnel, six of which are assigned in the Central Office and 17 in the DOLE Regional Offices.

B. Operational Highlights

For the Calendar Year (CY) 2016, among the significant accomplishments reported by the BWSC-SAP were:

Performance Indicator	Accomplishments
A. Major Final Output 1: Labor Policy Services	
Social Amelioration Program for Sugar Workers under RA No. 6982	Facilitated issuance of the following DOLE Dos: <ul style="list-style-type: none"> • DOLE DO No. 114-11A dated May 4, 2016, increasing the amount of maternity benefits of qualified sugar workers from ₱2,000.00 to ₱5,000.00 and death benefits from ₱7,000.00 to ₱10,000.00; • DOLE DO No. 158-16 dated June 22, 2016, Guidelines Implementing Educational Assistance Program for Sugar Workers and Their Dependents under 9% Socio-Economic Program Related Fund of the SAP; • DOLE DO No. 159-16 dated June 22, 2016, Guidelines for the Employment of Migratory Sugarcane Workers; and

Performance Indicator	Accomplishments
	<ul style="list-style-type: none"> • DOLE DO No. 166-16 dated November 17, 2016, Guidelines on the Utilization of ₱4,504,500.00 for the Emergency Employment Project for Sugar Workers Affected by Super Typhoon Lawin. <p>Issued a memorandum advisory to concerned DOLE ROs regarding the Uncollected, Unremitted, Unclaimed and Undistributed/ Unliquidated Cash Bonus Fund (UCBF).</p> <p>Prepared a proposal to streamline/decentralize the processing and release of maternity and death benefit claims under RA No. 6982 and tap money transfer companies for the release of funds to program beneficiaries.</p>
B. Support to Policy Development	
	<p>Facilitated the approval of 13 STC Resolutions.</p> <p>Prepared the evaluation reports on project proposals submitted to the STC's for approval:</p> <ul style="list-style-type: none"> • Budget proposal of project implementers (Sugar Industry Foundation Inc., United Sugar Producers' Federation of the Philippines, National Federation of Sugarcane Planters) • Project Proposals of DOLE RO6, DOLE Negros Island Region and Pagkakaisa ng Manggagawang Bukid sa Tubuhan (PAMATU) <p>The agency also conducted the following activities, among others:</p> <ul style="list-style-type: none"> ▪ Orientation of DOLE regional implementers on DOLE DO No. 159-16 and Trainers' Training on the Orientation on Pre-Employment of Migratory Sugarcane Workers (OPEM); ▪ Series of meetings with the members of the Technical Working Group on Human Resource Development Master Plan for Workers in the Sugar Industry; ▪ Consultation meetings with officers and union members from the Central Azucarera de Don Pedro regarding the distribution of Cash Bonus Fund to workers under job-contracting arrangements and with representatives of selected sugar milling districts regarding the implementation of RA No. 809; ▪ Dialogue meetings with members of Kaisahan ng mga Manggagawang Bukid sa Batangas (KAISAHAN-

Performance Indicator	Accomplishments												
	<p>LUMABAN) & Katipunan ng mga Samahang Magbubukid sa Timog Katagalugan (KASAMA-TK) (local workers' unions) regarding SAP implementation;</p> <ul style="list-style-type: none"> ▪ Validation of SAP Funds receipt and utilization in DOLE ROs VII and VIII; ▪ Assessment on the condition of sugar workers affected by super typhoon Lawin in Cagayan Valley and monitoring of the distribution of wages to the beneficiaries of the Emergency Employment Project to sugar workers affected by said typhoon; ▪ Monitored activities of 26 District Tripartite Councils (DTCs) from 10 sugar producing regions; <p>SAP Lien</p> <p>Analyzed regional status reports and prepared consolidated report on lien remittance based on submitted reports of DOLE ROs.</p> <p>Cash Bonus Fund Distribution</p> <p>Analyzed the regional status reports and prepared consolidated report on Cash Bonus Fund (CBF) release and distribution to sugar workers based on reports of DOLE ROs. For Crop Year 2015-2016, a total of ₱97,641,798.92 has been distributed to 266,666 workers, as evidenced by submitted CBF special payrolls.</p> <p>Sugar Workers Maternity and Death Benefit Program</p> <p>Out of the amount disbursed for Maternity and Death Benefit Program totaling ₱9,669,000.00, funds released/replenished amounted to ₱720,000.00 and ₱7,973,000.00, respectively:</p> <table border="1" data-bbox="641 1543 1412 1703"> <thead> <tr> <th>Program</th> <th>Amount Disbursed</th> <th>Number of Beneficiaries</th> </tr> </thead> <tbody> <tr> <td>Maternity Benefit</td> <td>1,390,000.00</td> <td>581</td> </tr> <tr> <td>Death Benefit</td> <td>8,279,000.00</td> <td>1,058</td> </tr> <tr> <td>Total</td> <td>9,669,000.00</td> <td>1,639</td> </tr> </tbody> </table> <p>Socio-Economic Projects (SEPs)</p> <p>Released a total amount of ₱29,287,589.98 for the year 2016 to fund various socio-economic projects for sugar workers and their families through program partners and DOLE ROs:</p>	Program	Amount Disbursed	Number of Beneficiaries	Maternity Benefit	1,390,000.00	581	Death Benefit	8,279,000.00	1,058	Total	9,669,000.00	1,639
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Performance Indicator	Accomplishments	
	Program Implementer	Amount
	Sugar Industry Foundation Inc. (SIFI)	21,390,000.00
	United Sugar Producers' Federation of the Philippines (UNIFED)	5,457,649.98
	National Federation of Sugarcane Planters (NFSP), Inc.	1,935,000.00
	DOLE Regional Office No. 6	504,940.00
	Total	29,287,589.98

C. Financial Highlights

For CY 2016, the BWSC-SAP had total collections of ₱86,088,196.86 consisting of 20 percent SEPRF amounting to ₱65,208,124.91, ₱1,944,772.55, ₱5,007,339.55 and ₱11,417,429.73 for sugar workers under RA No. 6982, social amelioration workers program for Biofuels under RA No. 9367, Coco Methyl Esther (CME) Bio-Diesel (RA No. 9367) DO No. 123-12, and Molasses Based Ethanol, respectively. Out of ₱83,577,666.97 SEPRF, ₱72,683,493.85 was allocated for death/maternity benefits and socio-economic programs and ₱10,894,173.12 for administrative expenses in accordance with the provision of RA Nos. 6982 and 9367 as shown below:

Socio Economic Program Related Funds	Percent	Amount
SAP (RA No. 6982)		
Sugar workers' death benefit program of ₱7,000 per claim	5	16,302,031.23
Socio economic projects for sugar workers undertaken by the BWSC/planters/millers, organizations, workers' organizations and/or the Sugar Industry Foundation, Inc.	9	29,343,656.21
Maternity benefits for the women sugar workers of ₱2,000 per claim	3	9,781,218.74
Administrative expense for administrative expenses of the STC, DTCs, ROs and the Bureau in implementing the Act.	3	9,781,218.74
Sub-total SAP	20	65,208,124.92
BIO-ETHANOL (RA No. 9367) – DO #100-10		
Death benefit program	5	486,193.20
Socio economic program fund	9	875,147.75
Maternity benefit program	3	291,715.92
Administrative expense fund	3	291,715.92
Sub-total	20	1,944,772.79
Coco Methyl Esther (CME) BIODIESEL (RA No. 9367) – DO #123-12		
Socio economic program fund	95	4,756,972.57
Administrative expense fund	5	250,366.98
Sub-total		5,007,339.53
MOLASSES BASED ETHANOL		
Socio economic program fund	95	10,846,558.24
Administrative expense fund	5	570,871.49
Sub-total		11,417,429.73
Totals SAP/Bio-Ethanol Biodiesel and Molasses		83,577,666.97

The collections were remitted to the Land Bank of the Philippines (LBP), Intramuros Branch under Interest Bearing Current Account (IBCA) Collection Account LBP No. 0012-1156-79, SAP depository bank pursuant to Section 4, Rule VI of the Implementing Rules and Regulations (IRR) of RA No. 6982.

The Agency's financial position and financial performance for CY 2016 are as follows:

Particulars	2016	2015
Financial Position		
Assets	549,476,135.20	512,455,274.51
Liabilities	531,242,697.77	491,377,869.62
Net Assets/Equity	18,233,437.43	21,077,404.89
Financial Performance		
Revenue	11,417,303.14	11,220,673.88
Less: Current Operating Expenses		
Personnel Services		864,335.21
MOOE	13,947,404.18	13,653,315.13
Financial Expenses	3,900.00	0.00
Non-Cash Expenses	1,202,411.62	1,920,807.17
Deficit for the Period	(3,736,412.66)	(5,217,783.63)

D. Scope of Audit

The audit covered the review of accounts and operations of the BWSC-SAP for Sugar Workers for CY 2016. The audit was conducted to: (a) verify the level of assurance that may be place 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 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 BWSC-SAP for the 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 audit observations and recommendations, which were discussed in details in Part II – Observations and Recommendations of this Report:

1. Accumulated Unclaimed Cash Bonus Fund (UCBF) balance of ₱596,866,549.87 remained unliquidated/unremitted by the Mills/Planters

Associations/Planters Members to the DOLE-ROs due to inadequate validation, confirmation and assessment of CBF by the BWSC-SAP Management with the DOLE-ROs, as required in Rule VIII of the IRR of RA No. 6982 and DOLE DO No. 70-04 s. 2004, as amended. Likewise, the forfeited UCBF amounting to ₱107,397,861.09 remitted by the DOLE-ROs to BWSC showed a difference of ₱10,289,810.28 as compared with ₱97,108,050.81, the amount deemed forfeited, after the lapse of three-year prescriptive period due to non-reconciliation of said balances, which adversely affected its utilization for socio-economic projects for the benefit of sugar workers. (Observation No. 1)

We recommended that the Management:

- a) **issue demand letters to Mills/PAs/Coops who failed to liquidate the cash bonuses advanced to them and require them to submit liquidation documents or refund the amount due;**
 - b) **impose strict compliance with Section 1, Rule VIII of DOLE DO No. 114-11;**
 - c) **require the Accountant to maintain SL for easy monitoring of CBF maintained in the ROs and establish the correct amount of forfeited UCBF through confirmation with the DOLE ROs and take up in the BWSC-CO books the reconciled amounts as its receivables from DOLE ROs and payables by the DOLE ROs to BWSC-CO.**
 - d) **require the DOLE-ROs to monitor the immediate remittance of the total unclaimed/undistributed CBF by the mills/planters/cooperatives;**
 - e) **conduct information dissemination campaign to make sugar workers aware of their rights and benefits under the SAP program; and**
 - f) **the BWSC thru the STC to prepare an updated database for all sugar workers thru their Millers/Planters as basis for cash bonus releases; and for migrant workers, if possible prepare payroll immediately for each crop schedule and ask the assistance of DOLE-RO personnel to release cash bonus at a scheduled time convenient to the sugar workers.**
2. The reported balances per books of two bank accounts under Cash in Bank-Local Currency, Current Account and the balances per bank statements were not periodically reconciled which showed a discrepancy of ₱136,701.80, and the absence of bank statements for Account Nos. 0422-1206-10 and 0152-1007-10 maintained by the agency in Regions VI and X, thus, the accuracy of the account balances were not established. (Observation No. 2)

We recommended that the Management require the accountant to:

- a. **adjust the account Cash in Bank-Local Currency, Current Account by restoring the amount of stale checks and ensure to do the same for all stale checks in the future; and**
 - b. **obtain copies of bank statements of SWLCs to verify accuracy of cash balances reported and prepare monthly bank reconciliation statements to ascertain the accuracy of cash balances and to adjust/correct immediately any noted discrepancies.**
3. The absence of documentary evidence on the actions taken by Management to enforce collection and prove that collectability is nil, hinders the filing of request for write-off of accounts Loans Receivables-Others amounting to ₱13,922,806.80. Moreover, Management's inability to submit the required documents to support the requested write-off of receivables amounting to ₱2,704,958.69 million delayed its approval by the Commission on Audit and its adjustment in the books; thus, casting doubts on the validity of the Loans Receivable - Others account, which were dormant for 20 to over 30 years. (Observation No. 4)

We recommended that the Management:

- a. **require the assigned personnel to facilitate the completion of all evidence to support the non-existence/bankruptcy of the concerned Worker's Organizations, Accredited Co-Partners and Rural Worker's Associations and the actions taken by the Management in enforcing collection thereof; and**
 - b. **comply with Item 7 of COA Circular No. 2016-005 on the specific guidelines in the reporting, monitoring and analysis of receivables and request COA for the write-off of dormant receivables following the procedures set forth under item 8 thereof, if their collectability is nil and unrecoverable.**
4. Despite the effort exerted by the Management to validate and reconcile with the regions the Due from ROs account, the validity of the ₱37,722,199.64 reported balance was doubtful as it did not tally with RO records showing a discrepancy of ₱24,742,793.07, which included unrecorded financial assistance of ₱4,504,500.00; and embezzled amount of ₱11,339,190.33 with pending case in court. (Observation No. 5)

We recommended that the Management:

- a. **formulate monitoring scheme to keep track of the funds transferred to the regions and to ensure the accuracy of data submitted;**

- b. **require the Accountant to coordinate closely with the DOLE ROs for the reconciliation of the records and effect all adjustments necessary; establish balance per fund; and effect adjustment in the Subsidiary Ledgers;**
 - c. **require the DOLE-ROs to submit liquidation report within 15 days after the end of reference month as required in the Manual of Operations for SAP or liquidate and refund immediately to BWSC any unutilized balances, if the purposes had already been served: and**
 - d. **send demand letters to ROs for fund transfers not settled within the prescribed period.**
5. The reported balance of Property Plant Equipment (PPE) accounts totaling ₱40,864,830.61 was inaccurate due to: a) unaccounted various equipment amounting to ₱909,272.07 during the conduct of physical count; b) unadjusted balance of Land, Land improvements and Other Structures totalling ₱784,534.55, which no longer exist for lack of supporting documents; c) erroneous recording of Information and Communication Technology (ICT) equipment amounting to ₱128,864.16 as expenses; and d) un-reclassified semi-expendable items amounting to ₱475,703.84. Moreover, their existence was not established due to incomplete conduct of physical count. (Observation No. 8)

We recommended that the Management require the:

- a. **Accountant, to request pertinent supporting documents from the DOLE-ROs on the disallowed/settled, destroyed, dilapidated and disposed of properties so these can be derecognized in the books of accounts; and prepare adjusting entries to correct the erroneously classified ICT Equipment;**
- b. **Property Officer, to prepare Inventory and Inspection Report of Unserviceable Property for unserviceable properties to facilitate their disposal; issue PARs for all PPE in the custody of end-users and identify the persons responsible for PPE items which could no longer be located/found based on the RPCPPE to pay the cost of such items or request for relief from accountability for losses of property in accordance with Section 73 of PD No. 1445, if warranted;**
- c. **Accountant and Property Officer, to reconcile regularly their records; and**
- d. **Staff/SAP Officer assigned in Regions and Centers, to conduct annual physical count of PPE under their accountability and submit RPCPPE to the BWSC-SAP.**

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed during the exit conference with concerned BWSC-SAP officials and employees on April 6, 2017. Their comments were incorporated, where appropriate.

G. Status of Settlement of Audit Suspensions and Disallowances

Audit disallowance of ₱273,004.06 remained unsettled as of year-end which includes ₱271,934.86 issued prior to the effectivity of the 2009 Revised Rules and Regulations on Settlement of Accounts (RRSA) dated September 15, 2009 and ₱1,069.20 total disallowances upon the effectivity of the 2009 RRSA.

H. Status of Implementation of Prior Year’s Audit Recommendations

Of the 15 audit recommendations embodied on the prior year’s Annual Audit Report, four were fully implemented, nine were partially implemented and two were not implemented as shown below. The details of prior year’s recommendations are discussed in Part III of the Report:

Status of Implementation	Number	Percentage
Fully Implemented	4	26.67
Partially Implemented	9	60.00
Not Implemented	2	13.33
Total	15	100.00