

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 then 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.

The ILS is the policy research and advocacy arm of the DOLE as articulated in Section 3 of EO No. 251. 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. It has four technical divisions, namely, Employment Research Division, Workers' Welfare Research Division, Labor and Social Relations Research Division, and the Advocacy and Publications Division. It has one administrative and support unit, the Finance and Administrative Division. As of December 31, 2016, ILS had a total of 41 personnel who are all regular in status.

B. Operational Highlights

The ILS has identified one Major Final Output (MFO) with six Performance Indicators. For calendar year (CY) 2016, it rendered 220 out of the targeted 220 outputs under the Performance Indicators, as presented below:

Major Final Output/ Performance Indicators	Targets	Actual Accomplish- ments	Percentage of Accomplish- ments
Organizational Outcomes			
Utilization of labor and employment researches policy development and program implementation increased			
Percentage of researches adopted as input to labor and employment policy or program development	60%	60%	100
Percentage of clients who gave at least satisfactory rating for researches increased	60%	60%	100
Major Final Output			
MFO1: 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	205	205	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

During Fiscal Year (FY) 2016, ILS had a total appropriation of ₱28,978,000.00 under the General Appropriations Act (GAA) for FY 2016 (Republic Act No. 10717). In addition, the Institute had existing continuing appropriations for Maintenance and Other Operating Expenses and Capital Outlay amounting to ₱857,598.33 and ₱177,250.00, respectively; automatic appropriations for Retirement and Life Insurance Premiums amounting to ₱1,769,175.00 and Special Purpose Funds for Personnel and Terminal Leave Benefits amounting to ₱3,175,637.00. Out of the ₱34,924,284.33 total allotments received, obligations incurred amounted to ₱33,542,583.48, thereby leaving an unobligated balance of ₱1,381,700.85 as at year-end, details of which is presented in the next page.

Sources of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
A. Current Year Budget				
Personnel Services (PS)	17,687,000.00	18,678,624.00*	18,678,154.92	469.08
Maintenance and Other Operating Expenses (MOOE)	10,230,000.00	9,205,000.00	8,633,431.17	571,568.83
Capital Outlay (CO)	1,061,000.00	1,061,000.00	639,963.61	421,036.39
Sub - Total	28,978,000.00	28,944,624.00	27,951,549.70	993,074.30
B. Special Purpose Funds				
Miscellaneous Personnel Benefits Fund (MPBF)	2,910,753.00	2,910,753.00	2,909,042.72	1,710.28
Pension and Gratuity Fund (PGF)	264,884.00	264,884.00	264,884.00	-
Sub - Total	3,175,637.00	3,175,637.00	3,173,926.72	1,710.28
C. Automatic Appropriations				
Retirement and Life Insurance Premiums	1,769,175.00	1,769,175.00	1,769,175.00	-
Sub - Total	1,769,175.00	1,769,175.00	1,769,175.00	-
D. Prior Year's Budget/Continuing Appropriations				
MOOE	857,598.33	857,598.33	482,299.72	375,298.61
CO	177,250.00	177,250.00	165,632.34	11,617.66
Sub - Total	1,034,848.33	1,034,848.33	647,932.06	386,916.27
Grand Total	34,957,660.33	34,924,284.33	33,542,583.48	1,381,700.85

* Includes realignment amounting to ₱1,025,000.00 from MOOE

The Institute also received financial assistance totaling ₱2,035,758.73 from the International Labor Organization (ILO), World Bank and other Agencies for the implementation of its projects. These funds were used to defray the final expenditures of the ILO Projects entitled “Philippine Employment Projection Model”, “Human Resource Development Mapping”, and “Consultation and Knowledge Sharing Workshop on Development of Department of Education Policy on Child Labour”; from World Bank to defray the final expenditure of the WB Project entitled “KNOMAD TWG on Labor Migration”; and from the National Reintegration Center for OFWs and Chamber of Mines of the Philippines to defray expenditures for policy papers entitled “A Typology of Returning Overseas Filipino Workers: Phase 1 – Asia” and “Skills and Compensation Survey for Mining and Other Mineral Extraction Industry”, respectively.

The Institute’s Statements of Financial Position and Financial Performance for CY 2016 with corresponding figures for CY 2015, are shown in next page:

Particulars	2016	2015
Financial Position		
Assets	4,711,620.58	4,221,373.16
Liabilities	1,791,829.42	801,753.24
Equity	2,919,791.16	3,419,619.92
Financial Performance		
Revenue	-	653,497.31
Less: Current Operating Expenses		
PS	23,706,811.30	21,329,325.19
MOOE	7,869,796.70	6,571,106.02
Non-Cash Expenses	1,093,700.16	1,141,123.23
Surplus (Deficit) from Current Operations	(32,670,308.16)	(28,388,057.13)
Net Financial Assistance/Subsidy	32,500,024.61	29,214,630.10
Gains/(Losses)	13,504.00	4,000.00
Surplus (Deficit) for the Period	(156,779.55)	830,572.97

D. Scope of Audit

The audit covered the review of accounts and operations of the ILS for the period January 01 to December 31, 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's improvement opportunities; and (d) determine the extent of implementations of prior year's audit recommendations.

E. Auditor's Report on the Financial Statements

The Auditor rendered an unqualified opinion on the fairness of the presentation of the financial statements of ILS for CY 2016.

F. Summary of Significant Audit Observations and Recommendations

The following are significant observations and recommendations, which were discussed with Management officials in an exit conference conducted on April 07, 2017, the details are discussed in Part II of the Report:

1. The targeted 15 policy researches and 205 technical assistance papers/reports with total cost incurred amounting to ₱1,697,955.12 were completed on time and uploaded in the ILS Website in working paper format. However, due to non-completion of external proofreading, the publication of the committed four policy papers was not done as at year-end; thus, depriving the relevant stakeholders of the timely use thereof. (Observation No. 1)

We recommended that the Management continuously improve its efficiency in carrying out its mandated function and facilitate the completion of the publication/dissemination of its research work in their final form to the end-users and other stakeholders in compliance with ILS Administrative Order No. 33 dated March 22, 2016.

2. The reported balance of the account Other Assets was overstated by ₱445,132.85, with corresponding understatement in the Property Plant and Equipment (PPE) and Semi-expendable inventories accounts by ₱438,746.21 and ₱6,386.64, respectively, due to misclassification of various agency properties to the latter accounts in compliance with the Revised Chart of Accounts prescribed under the Government Accounting Manual (GAM), Volume III. Moreover, the Property Officer did not prepare an Inventory and Inspection Report of Unserviceable Property (IIRUP) for the undisposed properties as required in GAM. (Observation No. 2)

We recommended and Management agreed to require the:

- a. **Accountant to reclassify items in the Other Assets account to their specific PPE or semi-expendable properties account;**
 - b. **Supply and/or Property Officer to prepare the IIRUP to facilitate disposal of the unserviceable properties; and**
 - c. **dispose promptly items that do not have economic values which are recommended for immediate condemnation or destruction.**
3. The Institute achieved its targeted Gender and Development (GAD) plans and activities for the CY 2016 and utilized more than five percent of its FY 2016 appropriations. However, preparation, submission and receipt to and from Philippine Commission on Women (PCW) of CY 2016 GAD Plans and Budgets (GPB) as well as GAD Accomplishment Report (GAD AR) were not in accordance with the guidelines provided by PCW-NEDA-DBM Joint Circular No. 2012-01 and the objectives in the Annual GPB did not adopt the SMART model in defining and setting the same as provided in the guidelines under Annex A of the same Joint Circular. (Observation No. 4)

We recommended that the Management:

- a. **continuously provide GAD funds to implement projects and activities pursuant to the GAA; and**
- b. **align the GAD Objectives with the SMART Objectives Criteria particularly that of Time Bound to ensure a more accurate evaluation of Agency performances.**

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

Of the 10 audit recommendations contained in the CY 2015 Annual Audit Report (AAR), eight were fully implemented and two were partially implemented.

Status of Implementation	Number	Percentage
Fully Implemented	8	80
Partially Implemented	2	20
Not Implemented	-	-
Total	10	100