

EXECUTIVE SUMMARY

A. Introduction

The National Conciliation and Mediation Board (NCMB) was created by virtue of Executive Order (EO) No. 126 that reorganized the Department of Labor and Employment (DOLE). It is tasked to formulate policies, develop plans and programs and set standards and procedures relative to the promotion of conciliation and voluntary arbitration, facilitation of labor-management cooperation through joint mechanisms for information sharing, effective communication and consultation and group problem solving. NCMB serves as machinery that shall ensure prompt response to all labor-management disputes that may arise and shall work towards their early and amicable settlement.

The NCMB, as an attached agency of the DOLE, under the administrative supervision of the Secretary of Labor and Employment, absorbs the conciliation, mediation, labor-management cooperation and voluntary arbitration functions of the Bureau of Labor Relations and its counterparts in the Regional Offices (ROs) of the Department in accordance with Section 29 (c) of EO No. 126. The Board started its operations on January 4, 1988.

The NCMB, as a staff and line office, has the following functions:

1. Formulate policies, programs, standards, procedures, manuals of operations and guidelines pertaining to effective mediation and conciliation of all labor disputes; perform preventive mediation and conciliation functions;
2. Coordinate and maintain linkages with other sectors or institutions, and other government authorities concerned with matters relative to the prevention and settlement of labor disputes;
3. Formulate policies, plans, programs, standards, procedures, manual of operations and guidelines pertaining to the promotion of cooperative and non-adversarial schemes, grievance handling, voluntary arbitration and other voluntary modes of dispute settlement;
4. Administer the voluntary arbitration program, maintain/update a list of voluntary arbitrators, compile arbitration awards and decisions; provide counseling and preventive mediation assistance particularly in the administration of collective agreements; and
5. Monitor and exercise technical supervision over the Board's programs being implemented in ROs and performs such other functions as may be provided by law or assigned by the Secretary of the DOLE.

The NCMB is headed by Executive Director Shirley M. Pascual and assisted by the two Deputy Executive Directors, all of whom were appointed by the President upon the recommendation of the Secretary of the DOLE. The Central Office has two departments with three divisions each, namely:

1. Technical Services Department – Conciliation/Mediation Division; Workplace Relations and Enhancement Division; and Voluntary Arbitration Division;
2. Internal Services Department – Administrative Division; Financial and Management Division; and Research and Information Division.

The Board maintains 16 regional branches all over the country, each headed by a Director II and assisted by technical and support staff.

Attached to the NCMB is the Tripartite Voluntary Arbitration Advisory Council, in accordance with Section 4 of EO No. 251 dated July 25, 1987. It advises the NCMB on matters pertaining to the promotion of voluntary arbitration as the preferred mode of dispute settlement. It is composed of the Executive Director of the NCMB as Chairman, one member from the government, two members representing labor, and two other members representing the management. The members are all appointed by the President and serve a term of three years, without compensation.

In Calendar Year (CY) 2016, the personnel complement of NCMB nationwide, is 230 itemized regular positions but only 202 are filled-up as follows:

Office	Plantilla Position	Filled-up	Unfilled
NCMB Main	53	47	6
RCMB NCR	32	27	5
RCMB CAR	13	10	3
RCMB I	9	8	1
RCMB II	7	6	1
RCMB III	14	11	3
RCMB IV-A	15	15	0
RCMB IV-B	3	3	0
RCMB V	10	10	0
RCMB VI	11	10	1
RCMB VII	13	12	1
RCMB VIII	10	9	1
RCMB IX	9	7	2
RCMB X	12	10	2
RCMB XI	12	10	2
RCMB XII	7	7	0
Total	230	202	28

B. Operational Highlights

The NCMB reported the following for CY 2016, among others:

Organizational Outcomes (OOs)/ Major Final Outputs (MFOs)/ Performance Indicators (PIs)	Target	Actual		
		Number of Clients	Quantity	Percentage
OO 1 – Labor Management Cooperation (LMC) improved				
I. Increased plant-level settlement of labor disputes by companies with LMCs	At least 80% of companies with LMC are not involved in labor disputes	2,835	2,648	93.40
OO 2 – Workplace Conflicts reduced				
I. Increased plant-level settlement of labor disputes by companies with Grievance Machineries (GMs)	At least 80% of companies with GMs are not involved in labor disputes	3,335	3,131	93.88
OO 3 – Labor Disputes reduced				
I. Reduced incidence of work stoppages	Incidence of work stoppages maintained at single-digit		15	
OO 4 – Labor Disputes effectively settled/resolved				
I. Increased settlement rate				
a. Requests for Assistance (RFAs)	88%	6,250	4,617	73.87
b. PM Cases	90%	449	393	87.52
c. NS/L	75%	213	158	74.18
II. Percentage of VA case decisions upheld by a higher court	80%	10	7	70
MFO 1: TECHNICAL ADVISORY SERVICES				
Number of advisory services provided	3,494		4,723	135.17
Percentage of advisory services provided that result in the adoption of at least one major recommendation (targeted facilitated and enhanced LMCs and GMs)	87%	4,723	3,569	75.57
Percentage of clients with LMCs/GMs that are not involved in NS/L or PM Cases	91%	6,169	5,778	93.66
Percentage of clients who rate the timeliness of delivery of advisory services as good or better	97%	4,057	3,956	97.53

Organizational Outcomes (OOs)/ Major Final Outputs (MFOs)/ Performance Indicators (PIs)	Target	Actual		
		Number of Clients	Quantity	Percentage
MFO 2: LABOR, CONCILIATION, MEDIATION AND ARBITRATION SERVICES				
Number of cases resolved/ settled	5,595		5,543	99.07
Percentage of VA case decisions appealed to the Supreme Court (SC)/ Court of Appeals (CA)	Not more than 20%	289	25	8.65
Percentage of case decisions that are overturned by higher authority	Not more than 25%	25	3	12
Percentage of conciliation mediation successfully disposed/ settled within the Process Cycle Time	85%	8,257	4,768	76.20

C. Financial Highlights

The Agency's consolidated financial position and sources and application of funds for the CY's 2016 and 2015, are as follows:

Particulars	2016	2015
Financial Position		
Assets	82,583,828.06	52,325,168.97
Liabilities	46,339,669.58	11,454,552.04
Equity	36,244,158.48	40,870,616.93
Financial Performance		
Revenue	451,076.60	443,147.98
Less: Current Operating Expenses		
Personnel Services	133,952,996.69	124,433,298.41
Maintenance and Other Operating Expenses	62,655,959.47	57,158,706.23
Financial Expenses	1,200.00	2,750.00
Non-Cash Expenses	8,999,072.59	8,266,448.99
Total Current Operating Expenses	205,609,228.75	189,861,203.63
Surplus (Deficit) from Current Operations	(205,158,152.15)	(189,418,055.65)
Net Financial Assistance/Subsidy	203,595,385.70	184,693,694.57
Gains/(Losses)	(71,917.39)	(25,421.88)
Surplus (Deficit) for the Period	(1,634,683.84)	(4,749,782.96)

The NCMB had a total appropriations of ₱214,238,214.03 of which ₱175,869,075.70 is from the General Appropriations Act (GAA) for Fiscal Year (FY) 2016 (Republic Act No. 10717), ₱8,252,714.03 from Continuing Appropriations, ₱10,541,760.53 from Automatic Appropriations for Retirement and Life Insurance Premiums and Special Voluntary Arbitration, and ₱19,574,663.77 from Special Purpose

Funds for Personnel Benefits and Pension and Gratuity. Total allotments received was ₱214,238,214.03, of which the obligations incurred amounted to ₱200,465,476.06, leaving an unobligated balance of ₱13,772,737.97 as at year-end, details of which are presented as follows:

Source of Funds	Appropriations	Allotment	Obligations Incurred	Unobligated Balance
A. Current Year Budget				
1. Agency Specific Budget				
1.1 Regular Program				
Personnel Services (PS)*	107,033,075.70	107,033,075.70	106,331,032.29	702,043.41
Maintenance and Other Operating Expenses (MOOE)*	63,463,000.00	63,463,000.00	54,627,847.16	8,835,152.84
Capital Outlay (CO)	5,373,000.00	5,373,000.00	4,547,144.50	825,855.80
Sub-Total	175,869,075.70	175,869,075.70	165,506,023.95	10,363,051.75
2. Automatic Appropriations				
2.1 Retirement and Life Insurance Premium				
PS	10,041,760.53	10,041,760.53	9,810,216.21	231,544.32
2.2 Special Voluntary Arbitration Fund				
MOOE	500,000.00	500,000.00	293,461.04	206,538.96
Sub-Total	10,541,760.53	10,541,760.53	10,103,677.25	438,083.28
3. Special Purpose Fund				
3.1 Miscellaneous Personnel Benefits Fund				
PS	17,416,639.77	17,416,639.77	15,741,214.84	1,675,424.93
3.2 Pension and Gratuity Fund				
PS	2,158,024.00	2,158,024.00	2,157,327.85	696.15
Sub-Total	19,574,663.77	19,574,663.77	17,898,542.69	1,676,121.08
B. Prior Year's Budget/ Continuing Appropriations				
1. Agency Specific Budget				
1.1 Regular Program				
MOOE	8,252,714.03	8,252,714.03	6,957,232.17	1,295,481.86
Sub-Total	8,252,714.03	8,252,714.03	6,957,232.17	1,295,481.86
Grand Total	214,238,214.03	214,238,214.03	200,465,476.06	13,772,737.97

* The amount of ₱4,990,000.00 was re-aligned from MOOE to PS to cover payment of Collective Negotiation Agreement (CNA) Incentive in accordance with DBM Budget Circular No. 2016-07.

D. Scope of Audit

The audit covered the accounts and operations of the NCMB for the year 2016. The audit was conducted to: (a) verify the level of assurance that maybe placed on management's assertions on the financial statements; (b) determine the extent of compliance with applicable laws, rules and regulations; (c) recommend agency 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 a qualified opinion on the fairness of the presentation of the financial statements of the NCMB for CY 2016 for reasons stated in the attached Independent Auditor's Report and as discussed in detail in Part II of this Report.

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 NCMB's accomplishments exceeded its targeted outputs for three of the four Performance Indicators (PIs) committed by the Agency to perform for MFO I under the GAA for the FY 2016 ranging from 102 percent to 135 percent accomplishment rate, while one still registered a high accomplishment rate of 98.7 percent despite the low accomplishment rate by 10 Regional Branches; thus, the objective of maintaining and enhancing harmonious labor-management relations to improve both the workers welfare and the companies productivity, and competitiveness were attained. (Observation No. 1)

We commended the RCMBs for their concerted efforts in the efficient and effective implementation of the Agency's targeted programs and activities under MFO I for CY 2016 and continue to intensify its advocacy in the promotion of workplace cooperation and partnership program to fully achieve the agency's targets.

We also recommended that the Management of RCMBs NCR, V, VII and VIII exert extra effort to convince both parties of the companies in the facilitation/operationalization/institutionalization of the LMC and GM; and instruct the Conciliator-Mediator to assist the Technical staff in the promotion of the NCMB program as well as to facilitate LMC and GM to both parties of the companies.

2. Of the 5,963 total Request for Assistance (RFAs) handled under the Single Entry Approach (SEnA) of the NCMB Main and 16 RCMBs, 3,001 or 70 percent were settled within the 30-day mandatory conciliation-mediation period over labor disputes prior to compulsory arbitration; thus, the Agency was unable to meet its 85 percent commitment under MFO 2 of the FY 2016 GAA. Moreover, at the RCMB NCR, 48 of the RFAs were pending for one year to over two years as the assigned SEnA Desk Officer (SEADO)/Conciliator-Mediator (Con-Med) was unable to properly monitor the status of the RFAs being handled by them contrary to Section 2 of Republic Act (RA) No. 10396; thus, defeated the purpose of the SEnA for the judicious and speedy settlement of labor issues or conflicts. (Observation No. 2)

We commended the Management of RCMB CAR, I, II, III, IV-B, VI, IX, X, XII and XIII on their efforts to attain the agency's commitment under the GAA through prompt and speedy settlement of labor disputes which is among the MFOs of NCMB specifically MFO 2 or the Labor Conciliation Mediation and Arbitration Services.

We also recommended that the Management of:

- a. NCMB Main and RCMB IX - direct the SEADO who provide assessment, evaluation, counseling and conciliation-mediation services to both parties to monitor the status of each case handled and exert effort to address constraints toward the early settlement of labor disputes referred to the Agency to be able to achieve a 100 percent accomplishment rating or even surpass its target during the year.**
- b. NCMB NCR - direct the SEADO to:**
 - monitor each case and inform both parties to cooperate during conciliation-mediation proceedings in order to attain the early settlement of the case in accordance with the SEnA;**
 - issue referral to the requesting party within one day under the following circumstances:**
 - expiration of the 30-day mandatory conciliation-mediation period, unless there is a request for extension;**
 - failure of the parties to reach an agreement within the 30-day mandatory conciliation-mediation period;**
 - non-appearance of the responding party in two scheduled consecutive conferences despite due notices;**
 - non-settlement of one or some issues but not all RFAs with multiple issues; and**
 - non-compliance with the Agreement.**
 - exert best effort to address constraints toward the early settlement of labor disputes; and**
 - dispose/settle pending RFAs pursuant to the rules and regulations of the DOLE Order No. 151-16 series of 2016.**
- c. RCMB IV-A, V, VII, VIII, X and XI - exert its best efforts to settle the RFAs through SEnA at their level.**

3. The purpose of the recorded ₱39,241.87 under Cash in Bank - Local Currency, Current Account held under Trust Fund in NCMB Main cannot be determined as there was no corresponding Trust Liability reported. Moreover, the account Other Payables was overstated by ₱44,125,434.35 and the account Trust Liability was understated by the same amount since the account Other Payables was used to record the receipt of garnished funds instead of the Trust Liability account. (Observation No. 4)

We recommended that the Management require the Accounting Unit to remit to the BTr the amount of ₱39,241.87 under the Trust Fund; reclassify Other Payables account to Trust Liabilities account; and henceforth, account for the monetary awards related to the decisions of Voluntary Arbitrators as Trust Liabilities.

4. Deficiencies in managing cash were noted such as: (a) lapses in the reporting and recording of Petty Cash Fund (PCF) at the NCMB-Main and three RCMBs caused by non-maintenance of records, replenishment not regularly and immediately undertaken, payments not supported with Petty Cash Vouchers (PCVs), and reports of paid PCVs not submitted; thus, cash accountabilities were not properly monitored and the same were exposed to risk of loss or possible misuse; and (b) delays in the deposit of ₱15,661,102.45 collections in NCMB Main. Moreover, the designation as PCF Custodians at the NCMB Main and RCMB NCR on top of their property accountability and as procuring officer resulted in incompatible functions as defined by good internal control. (Observation No. 6)

We recommended that the Management of:

- a. **NCMB Main and RCMB NCR - assign another PCF Custodian to segregate the incompatible functions of the SPO; instruct the Accounting Unit to assist the PCF Custodian on how to accomplish the required forms and reports; and, henceforth, require PCF Custodian to henceforth prepare PCVs for each payment directly charged to the fund; RRPCV for every replenishment of PCF; and PCFRec to immediately record all transactions for the day; and reconcile daily the PCF balance per record and cash on hand, to avoid overages and/or shortages;**
- b. **NCMB Main - require the CO to comply strictly with the provision of Section 69 of PD No. 1445 on the deposit of collections made to its AGDB; and the Accountant to monitor the receipt of collection and deposit made by the CO for proper control and recording in the books of account;**
- c. **RCMB NCR - lump multiple petty cash accountabilities into one; and;**
- d. **RCMB II and IV-A - limit the grant of PCF for small operating expenses of the agency to one-month requirement and replenish the PCF as soon as the disbursements reached at least 75% or as needed.**

5. The reported balances of Property, Plant and Equipment (PPE) accounts of NCMB Main and eight RCMBs were overstated by ₱1,279,345.84 due to: a) non-derecognition of lost property; b) non-reclassification of tangible properties with acquisition costs below ₱15,000.00 as Semi-expendable properties and Information and Communications Technology Equipment to Intangible Assets; and c) erroneous computation of depreciation. Likewise, the accuracy and existence of the PPE items was not established due to unreconciled variances of ₱120,704.73 between the accounting and property records and failure to conduct physical count for assets totaling ₱2,720,376.97. (Observation No. 9)

We recommended that the Management of NCMB Main and RCMBs direct the Accounting unit of the respective Board/Branches to make the necessary adjusting entries to correct the understatement or overstatement of PPE in their respective books to present accurate balances in the financial statements; and direct the responsible employees and officials to correct the deficiencies and lapses noted over property accounting and management, by taking the suggested corrective measures.

6. The Computer Software account was understated by ₱1,193,523.30 and correspondingly overstated the Information and Communications Technology Equipment account due to non-reclassification of various computer software recorded in the books as Property, Plant and Equipment contrary to Chapter 12, Volume I of the GAM. (Observation No. 12)

We recommended that the Management reclassify the computer software from ICT Equipment account to Computer Software account by the carrying amount of ₱1,193,523.30 together with the related Accumulated Depreciation recorded in the books; re-assess the estimated useful life already provided for each of the computer software and determine the accumulated amortization as of date using the straight line method and zero residual value; and account for acquisition of computer software and other similar assets as intangible assets pursuant to the pertinent provisions of GAM.

The above audit observations and recommendations were discussed with agency officials in an exit conference conducted on May 30, 2017 and their comments were considered in the Report, where appropriate.

G. Status of Settlement of Audit Suspensions and Disallowances

NCMB Main and all RCMBs reported that no balances of suspensions, disallowances and charges are reflected in the Statement of Audit Suspensions, Disallowances and Charges (SASDC) for the period ended December 31, 2016.

H. Status of Implementation of Prior Years' Audit Recommendations

Out of the 89 prior year's audit recommendations, 66 or 74 percent were fully implemented, 20 or 23 percent were only partially implemented/on-going, and three or three percent was not implemented. The details of Prior Year's recommendations are discussed in Part III of the report.

Status of Implementation	Number	Percentage
Fully Implemented	66	74
Partially Implemented/On-going	20	23
Not Implemented	3	3
Total	89	100