

## EXECUTIVE SUMMARY

### A. Introduction

The National Wages and Productivity Commission (NWPC) and the Regional Tripartite Wages and Productivity Boards (RTWPBs) in all regions of the country were created on July 1, 1989 by virtue of Republic Act (RA) No. 6727, also known as the “Wage Rationalization Act”.

The NWPC is the key policy making body on wages, incomes and productivity, mandated to determine minimum wages at the regional, provincial and/or industry levels; and promote productivity improvement and gain-sharing schemes, particularly among micro, small and medium enterprises. It is an attached agency of the Department of Labor and Employment (DOLE).

To attain its mandate, it provides quality services that will contribute to the attainment of a highly productive, competitive and well compensated Filipino workforce; continuously improve its services for the satisfaction of its internal and external customers through continual process and systems improvement; comply with all applicable regulatory requirements; and develop its human resource.

The NWPC and RTWPBs provide the following services on wages, income, and productivity:

Category	Services
Research and Policy	<ul style="list-style-type: none"><li>• Advise the President and Congress on matters relating to wages, incomes, and productivity;</li><li>• Determine and fix minimum wage rates at the regional, provincial, and industry levels;</li><li>• Undertake researches and studies on wages and productivity; and</li><li>• Formulate policies and guidelines on wages, income, and productivity.</li></ul>
Training and Consulting	<ul style="list-style-type: none"><li>• Provide training courses on quality and productivity (Q&amp;P) improvement for company owners, managers, supervisors, and workers of qualified small and medium enterprises (SMEs);</li><li>• Extend firm level consulting and technical assistance on the actual implementation of Q&amp;P improvement projects for beneficiary-SMEs; and</li><li>• Promote gain sharing schemes at the firm level.</li></ul>
Information and Publication	<ul style="list-style-type: none"><li>• Render information services in the areas of wages, incomes, and productivity to walk-in and phone -in clients, as well as through the NWPC website and library;</li></ul>

Category	Services
	<ul style="list-style-type: none"> <li>Disseminate publication and information materials on minimum wages and Q&amp;P improvement and gain-sharing; and</li> <li>Conduct wage clinics or one-on-one consultation with clients on wage related concerns.</li> </ul>

The NWPC is governed by a Commission Proper composed of the following:

- The Secretary of Labor and Employment as ex-officio Chairman, Director General of the National Economic and Development Authority (NEDA) as ex-officio Vice Chairman.
- Two representatives each from the worker and employer sectors (appointed by the President for a term of five years) as Members.
- The Executive Director of the NWPC Secretariat as ex-officio member.

As of December 31, 2016, the NWPC was manned by 171 permanent and 27 job order personnel, or a total of 198.

The RTWPBs, which are being assisted by their respective Secretariat, is composed of the following:

- The DOLE Regional Director as ex-officio Chairman;
- The Regional Directors of the NEDA and Department of Trade and Industry as ex-officio Vice Chairmen; and
- Two representatives each from the worker and employer sectors (appointed by the President for a term of five years) as Members.

## B. Operational Highlights

The NWPC reported the following accomplishments for Calendar Year (CY) 2016:

Major Final Output (MFO)/ Program/ Indicators	Target	Actual	Percentage
<b>MFO 1: Technical Advisory Services</b>			
• Number of productivity advisory assignments undertaken	277,000	305,683	110
• Percentage of clients who rate technical advice as satisfactory or better	60%	83%	138
• Percentage of requests for advice acted upon within 5 days of receipt of request	100%	100%	100
<b>MFO 2: Wage Regulation Services</b>			
• Conduct of Wage Consultations/Public Hearings/board deliberations	32	38	119

<b>Major Final Output (MFO)/ Program/ Indicators</b>	<b>Target</b>	<b>Actual</b>	<b>Percentage</b>
• Issuance of Wage Orders	16	15	94
• Percentage of wage consideration case decisions upheld by a higher authority	50%	100%	200
• Percentage of wage cases resolved within 45 days upon receipt of Application for Exemption	90%	100%	111

### **C. Financial Highlights**

The NWPC had total appropriations of ₱210,369,363.81 of which ₱178,350,000.00 was from the General Appropriations Act (GAA) for FY 2016 (RA No. 10717), continuing appropriations for Maintenance and Other Operating Expenses (MOOE) amounting to ₱3,028,507.37, automatic appropriations for Retirement and Life Insurance Premiums amounting to ₱8,704,000.00, and Special Purpose Fund amounting to ₱20,286,856.44. Total allotments received was ₱210,369,363.81 of which obligations incurred amounted to ₱195,679,610.86, leaving an unobligated balance of ₱14,689,752.95 as at year-end. Details as follows:

<b>Sources of Funds</b>	<b>Appropriations</b>	<b>Allotment</b>	<b>Obligations Incurred</b>	<b>Unobligated Balance</b>
<b>A. Current Year Budget</b>				
Personnel Services	102,800,000.00	111,000,000.00	100,600,913.11	10,399,086.89
MOOE	69,854,000.00	61,654,000.00	61,408,702.44	245,297.56
Capital Outlay	5,696,000.00	5,696,000.00	5,163,180.93	532,819.07
<b>Sub – Total</b>	<b>178,350,000.00</b>	<b>178,350,000.00</b>	<b>166,172,796.48</b>	<b>11,177,203.52</b>
<b>B. Special Purpose Funds</b>				
General Administration and Support Services	8,061,867.39	8,061,867.39	7,070,520.85	991,346.54
MFO 2	12,224,989.05	12,224,989.05	11,210,897.77	1,014,091.28
<b>Sub – Total</b>	<b>20,286,856.44</b>	<b>20,286,856.44</b>	<b>18,281,418.62</b>	<b>2,005,437.82</b>
<b>C. Automatic Appropriations</b>				
Retirement and Life Insurance Premiums	8,704,000.00	8,704,000.00	8,273,367.19	430,632.81
<b>D. Continuing Appropriations</b>				
MOOE	3,028,507.37	3,028,507.37	1,952,028.57	1,076,478.80
<b>Total</b>	<b>210,369,363.81</b>	<b>210,369,363.81</b>	<b>195,679,610.86</b>	<b>14,689,752.95</b>

The NWPC's comparative financial position and financial performance for CYs 2016 and 2015 are as follows:

<b>Particulars</b>	<b>2016</b>	<b>2015</b>
<b>Financial Position</b>		
Assets	34,791,431.74	44,433,625.91
Liabilities	2,531,533.36	6,553,769.99
Government Equity	32,259,898.38	37,879,855.92
<b>Financial Performance</b>		
Revenue	1,051.55	627,457.43
Less: Current Operating Expenses		
Personnel Services	123,143,219.43	117,668,762.60
Maintenance and Other Operating Expenses	67,453,010.99	60,447,250.80
Financial Expenses	922.74	-
Non-Cash Expenses	6,948,868.13	8,921,612.58
<b>Surplus (Deficit) from Current Operations</b>	<b>(197,544,969.74)</b>	<b>(186,410,649.55)</b>
Subsidy from National Government	192,496,314.98	180,714,540.38
Less: Financial Assistance/Subsidy to National Government Agencies	-	75,818.75
Net Financial Assistance/Subsidy	192,496,314.98	180,638,721.63
Gains	-	481.00
Losses	81,102.10	(231,921.68)
<b>Deficit for the period</b>	<b>(5,129,756.86)</b>	<b>(6,003,368.60)</b>

#### **D. Scope of Audit**

The audit covered the review of accounts and operations of the NWPC – Main and Regional Offices for CY 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 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 implementations of prior years' 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 the NWPC for CY 2016.

## **F. Significant Audit Observations and Recommendations**

The following are the significant audit observations and recommendations, among others, the details are discussed in Part II of the Report:

1. The NWPC exceeded by 10 percent the Agency's CY 2016 targets by providing 277,000 Micro, Small and Medium-sized Enterprises (MSMEs) with productivity improvement programs (PIPs) or a total of 305,386 MSMEs beneficiaries. Moreover, RTWPB-NCR equaled its 2016 target of monitoring and documenting the action plan implementation of 10 MSMEs that were provided with PIPs. **(Observation No. 1)**

**We commended the Management for exceeding its CY 2016 targets and utilizing its available resources and we recommended that the:**

- a. **Regional Board-NCR continue to maintain its remarkable accomplishments, and**
  - b. **Management of NWPC closely supervise and continuously monitor the implementation of targeted programs and activities in order that all Regions meet or surpass their targets.**
2. NWPC-Main Office was able to: (a) upgrade/revise its existing training modules on Industrious, Systematic, Time-conscious, Innovative Value (ISTIV) for succeeding in business and strong Value-Bayanihan; and (b) finalize the e-learning modules on the 5S (Sort, Sweep, Systematized, Sanitized and Standardized) of Good Housekeeping and Productivity during the year; thus, the objective of meeting the Agency's target or expected output was fully realized. **(Observation No. 2)**

**We recommended that the Management continue its good performance in accomplishing its expected outputs.**

3. The designated Petty Cash Fund Custodian (PCFC) of RTWPB-NCR with multiple PCF accountabilities did not: (a) submit duly accomplished Petty Cash Vouchers (PCV) and reports of paid PCVs; and (b) maintain PCF records, as required under the Government Accounting Manual (GAM), thus, resulting in difficulty of monitoring PCF utilization, replenishment and balances. Likewise, the PCFC was performing incompatible functions such as cashiering, disbursing, procurement and property custodianship contrary to good internal control. Moreover, in Region IV-A, PCF of the previous PCFC was transferred to the incumbent instead of liquidating the full amount, while replenishments of PCF were not made as disbursements reached 75 percent level as required in the general guidelines on the grant and liquidation of cash advances under COA Circular No. 2012-001 dated June 14, 2012. **(Observation No. 3)**

**We recommended that the Management of RTWPBs:**

- a. **NCR – (a) assign another personnel as PCFC and Special Disbursing Officer for special activities/projects to avoid incompatible functions; (b) require the PCF Custodian to prepare duly accomplished PCVs for each payment; RRPCV for every replenishment of PCF; and PCFRec in order to immediately account for the daily utilization and replenishments of the PCF; and (c) instruct the Accounting Unit to assist the PCFC on how to accomplish the required reports in accordance with the GAM.**
  - b. **IV-A – (a) require the PCFC to liquidate/replenish the PCF as soon as the disbursements reach 75 percent so as not to hamper operations of the agency; and (b) require full liquidation of cash advances of retiring agency officials and refrain from transferring cash advances from one accountable officer to another.**
4. Unserviceable/Obsolete properties of NWPC Main and three RBs totaling ₱2,430,123.59 included in the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) were not disposed of, contrary to Section 79 of Presidential Decree No. 1445, thereby exposing the assets to further deterioration and depriving the agency the opportunity to earn additional income. Moreover, the Supply/Property Officers did not prepare and submit Inventory and Inspection Report of Unserviceable Property (IIRUP) in compliance with Sec. 40 (c), Chapter 10, Volume I of the GAM, to facilitate their disposal. **(Observation No. 6).**

**We recommended that Management require the:**

- a. **Supply and/or Property Officers to prepare IIRUP to facilitate disposal of unserviceable properties; and**
  - b. **Disposal Committee to undertake the necessary procedures for the disposal of unserviceable/obsolete Property, Plant and Equipment and semi-expendable assets, among others.**
5. The validity and accuracy of the reported balance of Due to BIR account amounting to ₱1,089,274.16 could not be established due to (a) negative balances in the subsidiary ledgers (SLs) totaling ₱844,945.89; and (b) unreconciled SL balance amounting to ₱130,771.94 while negative account balance amounting to ₱13,073.03 existed due to failure of the Accountant to maintain SLs to monitor individual personnel deductions and remittances. Moreover, the nature of Other Payables account amounting to ₱14,671.65 could not be ascertained due to lack of schedule of payables. **(Observation No. 9)**

**We recommended that the Management require:**

- a. the Accountants to exercise due care in recording transactions to avoid the incurrence of the noted errors.**
- b. NWPC Main – to conduct a thorough review of the SL Balances and effect the necessary adjustments to reflect the true balances of the accounts. Prepare the necessary adjusting entries to set up the liabilities; and**
- c. RB X – to verify the abnormal balance and maintain SLs for each personnel to monitor individual deductions and remittances. Ensure recovery of the excess payment, if any, and if still within the two-year period. Additionally, prepare and submit the necessary Schedules of Other Payables.**

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda and discussed with management officials in an Exit Conference conducted on May 31, 2017 and their comments were incorporated in this Report, where appropriate.

**G. Status of Settlement of Audit Suspensions, Disallowances and Charges**

For the CY 2016, the total balances of Suspensions and Disallowances amounted to ₱1,291,968.68 and ₱1,988,236.07, respectively, the details of which are presented in Part II of this Report

**H. Status of Implementation of Prior Years' Audit Recommendations**

Of the 18 audit recommendations contained in the CY 2015 Consolidated Annual Audit Report (CAAR), 10 were fully implemented and eight were partially implemented as shown below, the details of which are discussed in Part III of this Report.

<b>Status of Implementation</b>	<b>Number</b>	<b>Percentage</b>
Fully Implemented	13	72
Partially Implemented	5	28
<b>Total</b>	<b>18</b>	<b>100</b>