

EXECUTIVE SUMMARY

A. Introduction

The Department of Labor was established by virtue of Act No. 4121 enacted on December 8, 1933. It became a Ministry in 1978 and was reorganized and expanded into the Ministry of Labor and Employment in 1980. In 1986, it was renamed as the Department of Labor and Employment (DOLE) to suit the presidential form of government re-established after the EDSA Revolution in 1986.

The DOLE is mandated to formulate policies, implement programs and services, and serve as the policy-coordinating arm of the Executive in the field of labor and employment. It is also mandated to promote gainful employment opportunities, develop human resources, protect workers and promote their welfare and maintain industrial peace. Consistent with the national development plan, its vision is the attainment of decent and productive employment for every Filipino worker.

To ensure inclusive development, prosperity, and labor justice, the Labor Secretary came up with an Eight-Point Labor and Employment Agenda as a contribution of the Department to help achieve President Rodrigo R. Duterte's overall vision for our workers and their families, as well as for employers as follows:

1. to continuously enhance and transform DOLE into an efficient, responsive, purposeful, and accountable institution;
2. to address the persistent problems of unemployment and underemployment;
3. to continuously strengthen protection and security of Overseas Filipino Workers (OFWs);
4. to ensure full respect of labor standards and the fundamental principles and rights at work;
5. to bring more focus and accessibility to workers' protection and welfare programs;
6. to achieve a sound, dynamic, and stable industrial peace with free and democratic participation of workers and employers in policy and decision-making processes affecting them;
7. to have a labor dispute resolution system that ensures just, simplified, and expeditious resolution of all labor disputes; and
8. to have responsive, enabling, and equitable labor policies, laws, and regulations.

To carry out its mandate, the Department has 17 Regional Offices (ROs) with 84 Field Offices (FOs) and six Satellite Offices, 36 Philippine Overseas Labor Offices (POLOs), six Bureaus, and seven Support or Staff Services. There are also 10 agencies attached to it for policy and program supervision and/or coordination, namely: Employees' Compensation Commission (ECC), Institute for Labor Studies (ILS), National Conciliation and Mediation Board (NCMB), National Labor Relations Commission (NLRC), National Maritime Polytechnic (NMP), National Wages and Productivity Commission (NWPC), Occupational Safety and Health Center (OSHC), Overseas Workers Welfare Administration (OWWA), Philippines Overseas Employment Administration (POEA), Professional Regulation Commission (PRC). The Department is headed by Secretary Silvestre H. Bello III and assisted by five Undersecretaries and six Assistant Secretaries, who shall head the five Clusters, through the Administrative Order 656, series 2017, as follows:

Cluster	Cluster Heads	Bureau/Agency
Labor Relations, Special Concerns, Mindanao Regional Operations and Financial Services Cluster	Undersecretary Joel B. Maglunsod Assistant Secretary Ma. Gloria A. Tango	Bureaus -Bureau of Labor Relations -Bureau of Working Conditions -Bureau of Workers with Special Concerns -Mindanao Regional Offices Staff Service -Financial and Management Service Attached Agency -National Conciliation and Mediation Board
Workers Protection, Human Resources and Internal Auditing Services Cluster	Undersecretary Ciriaco A. Lagunzad III Assistant Secretary Amuerfina R. Reyes	Attached Agencies -National Wages and Productivity Commission -Employees' Compensation Commission -Occupational Safety and Health Center Staff Services -Human Resource Development Service -Internal Audit Service
Employment, Luzon-Visayas Regional Operations and Policy Support Cluster	Undersecretary Dominador R. Say Assistant Secretary Alex V. Avila	Bureaus -Bureau of Local Employment -Luzon Regional Offices -Visayas Regional Offices Attached Agencies -Institute for Labor Studies -Philippine Overseas Employment Administration Staff Services -Planning Service -Information and Publication Service

Cluster	Cluster Heads	Bureau/Agency
Human Capital Development, Legislative Affairs and Administrative Services Cluster	Undersecretary Jacinto B. Paras Assistant Secretary Federico V. Abuan Assistant Secretary Mariano R. Alquiza	Attached Agencies -Professional Regulation Commission -National Maritime Polytechnic Staff Services -Department Legislative Liaison Office -Administrative Service
Legal and International Affairs Cluster	Undersecretary Claro A. Arellano Assistant Secretary Ma. Joji V. Aragon	Bureaus -International Labor Affairs Bureau -Philippine Overseas Labor Offices -National Reintegration Center for OFWs Attached Agencies -Overseas Workers Welfare Administration -National Labor Relations Commission Staff Service -Legal Service

In implementing its vision, mission and goals, the DOLE and its ROs has a total personnel complement of 3,326 consisting of 2,247 regular employees, 437 hired contractual personnel and 642 outsourced (Job Order) staff as of December 31, 2017.

B. Operational Highlights

The Department reported the following major accomplishments per Major Final Output (MFO) and Performance Indicator (PI) and the corresponding fund allocation for Calendar Year (CY) 2017:

Major Final Outputs (MFOs)/ Performance Indicators (PIs)	Allocation (in '000)	Utilized (in '000)	Physical Accomplishment		% of Accomplish- ment
			Target	Actual	
GENERAL ADMINISTRATION AND SUPPORT	1,098,675	1,164,195			
SUPPORT TO OPERATIONS	26,685	22,496			
OPERATIONS	7,218,829	5,970,601			
MFO 1 - Labor Policy Services	165,897	158,196			
• Policies Updated, issued and disseminated			19	44	232
MFO 2 - Employment Facilitation and Capacity					
Building Services	3,713,620	3,332,126			
• Philippine Employment Service Office (PESO)	20,610	19,506			
- Qualified persons referred for placement			1,812M	2,187M	121
• JobStart Philippines Program	168,156	113,645			
- Youth beneficiaries provided with JobStart services			4,200	3,708	88
• Special Program for Employment of Students (SPES)	708,643	612,873			
- Beneficiaries under the Special Program for the Employment of students (SPES)			163,802	205,823	126
- Individuals who rate the services provided as satisfactory and better			100%	100%	100
- Individuals provided services within the prescribed process cycle time (PCT)			10,000	9,540	95
- Workers provided services within the prescribed PCT			100%	99%	99

Major Final Outputs (MFOs)/ Performance Indicators (PIs)	Allocation (in '000)	Utilized (in '000)	Physical Accomplishment		% of Accomplish- ment
			Target	Actual	
• DOLE Integrated Livelihood Program (DILP)	1,733,475	1,565,247			
- Beneficiaries provided with livelihood assistance			47,163	98,489	209
• Government Internship Program (GIP)/ Tulong Panghanapbuhay sa Ating Disadvantage/ Displaced Workers (TUPAD)	1,062,340	1,004,136			
- GIP Beneficiaries			16,243	18,711	115
- TUPAD Beneficiaries			46,971	255,448	544
• Child Labor Program	5,000	3,200			
• Employment Promotion Division (EPD) and 18 Resettlement (Job Fairs)	15,396	13,519			
MFO 3- Labor Force Welfare Services	2,872,555	2,034,321			
- Workers served			4,191M	4,231M	101
• Workers Organization Development Program (WODP)	19,786	16,711			
Tripartism and Social Dialogue	7,546	7,192			
• Women Workers' Emp. through Entrep. Dev't. (WEED)	248	248			
• Adjustment Measures Program (AMP)	1,547,109	1,153,094			
• Philippine Overseas Labor Office (POLO)	1,192,789	757,330			
- OFWs monitored			2,025M	1,387M	69
• Reintegration Services for OFWs	68,158	62,562	8,757	15,300	175
- OFWs provided with assistance					
• Workers Amelioration and Welfare Services	36,919	37,184			
- Workers who rate the services provided as satisfactory or better			70%	96%	137
- Affected workers provided services within the prescribed PCT			100%	100%	100
- Advisory request acted upon			4,400	4,368	99
MFO 4- Employment Regulation Services	466,757	445,958			
• Enforcement of labor laws, regulations and standards	455,184	435,336			
- Establishments inspected			54,530	60,732	111
- Establishments with deficiencies given appropriate assistance leading to compliance			100%	88%	88
• Settlement and disposition of labor disputes through collective bargaining	10,817	9,975			
- Appealed labor disputes disposed (SpeEd)			77%	72%	94
- Complaints and Requests for Assistance (RFAs) settled within 30 days from filing (SEnA)			5,400	4,847	90
• Adjudication of appealed cases	756	647			
- Cases resolved/settled out of the Board's total caseload			40,000	39,674	99
- Cases settled and/or decided at Regional Arbitration Branches and at the Commission Proper			36,722	33,324	91
- License registration and certification applications acted upon (Overseas Employment regulation)			100%	100%	100
- Application for permits/licenses/ registration processed with prescribed Process Cycle Time			2,525.15	2,704.59	107
- OFWs documented/contracts reviewed			2	3	150
Locally-Funded Projects	200,038	174,030			
• Skills Registry Program - BLE	28,604	22,277			
• Computerization Program – Planning Service (PS)	71,434	52,038			
• Emergency Repatriation Program - ILAB	100,000	99,715			
TOTAL NEW APPROPRIATIONS	8,544,227	7,331,322			
Add: Automatic Appropriations	112,434	115,708			
• Retirement and Life Insurance Premiums	112,434	115,708			
GRAND TOTAL	8,656,661	7,447,030			

C. Financial Highlights

For CY 2017, the DOLE has a total appropriation of ₱11,382,099,268.85 as provided for in the General Appropriations Act (GAA) for Fiscal Year (FY) 2017, or Republic Act (RA) No. 10924. This includes the amount of ₱76,578,000.00 sourced from collection of verification fees earned in foreign posts recorded as income under the Special Account in the General Fund (formerly Fund 151). During the year, the Department received total allotments of ₱11,203,545,688.85, including releases for Automatic Appropriation for Retirement and Life Insurance Premiums. Of the total allotments, total obligations of ₱9,341,099,421.35 were incurred, leaving an unexpended balance of ₱1,862,446,267.50 as at year-end, details as follows:

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
A. Current Year Budget				
Regular Agency Fund				
Personnel Services (PS)	2,077,926,639.93	2,049,373,059.93	1,717,648,089.72	331,724,970.21
Maintenance and Other Operating Expenses (MOOE)	6,256,378,150.00	6,106,378,150.00	5,412,989,321.55	693,388,828.45
Financial Expenses	3,000,000.00	3,000,000.00	2,980,325.01	19,674.99
Capital Outlay	201,676,000.00	201,676,000.00	198,153,497.20	3,522,502.80
Sub-total	8,538,980,789.93	8,360,427,209.93	7,331,771,233.48	1,028,655,976.45
Special Accounts - Locally Funded (VF)				
PS	16,521,000.00	16,521,000.00	13,147,409.74	3,373,590.26
MOOE	60,057,000.00	60,057,000.00	44,094,006.11	15,962,993.89
Sub-total	76,578,000.00	76,578,000.00	57,241,415.85	19,336,584.15
Automatic Appropriations				
Retirement and Life Insurance Premium	117,680,210.07	117,680,210.07	115,708,426.84	1,971,783.23
Sub-total	117,680,210.07	117,680,210.07	115,708,426.84	1,971,783.23
Special Allotment Release Order (SARO) Releases				
PS	75,827,103.00	75,827,103.00	75,490,749.89	336,353.11
Sub-total	75,827,103.00	75,827,103.00	75,490,749.89	336,353.11
B. Continuing Appropriations				
MOOE	2,475,432,941.19	2,475,432,941.19	1,664,048,472.63	811,384,468.56
CO	97,600,224.66	97,600,224.66	96,839,122.66	761,102.00
Sub-total	2,573,033,165.85	2,573,033,165.85	1,760,887,595.29	812,145,570.56
Total	11,382,099,268.85	11,203,545,688.85	9,341,099,421.35	1,862,446,267.50

The DOLE, thru the Bureau of Workers with Special Concerns (BWSC), also administers a Special Project Fund (SPF) under the Social Amelioration Program (SAP) for the benefit of workers in the sugar industry pursuant to RA No. 6982, the Sugar Amelioration Act of 1991.

The Department's financial position and financial performance for CY 2017, with comparative figures from CY 2016, are as follows:

Particulars	2017	2016
Financial Position		
Assets	₱ 7,255,360,311.51	₱ 6,055,969,983.13
Liabilities	2,221,951,048.04	1,460,354,267.71
Net Assets/Equity	5,033,409,263.47	4,595,615,715.42
Financial Performance		
Revenue	₱ 1,403,442,345.80	₱ 1,093,422,246.34
Less: Current Operating Expenses		
PS	1,884,916,973.99	1,640,715,624.48
MOOE	1,395,596,974.00	1,643,005,904.81
Financial Expenses	3,834,103.41	6,143,559.40
Non-Cash Expenses	119,756,878.12	218,507,748.25
Surplus (Deficit) from Current Operations	(2,000,662,583.72)	(2,414,950,590.60)
Financial Assistance/Subsidy from the National Government	7,829,107,980.94	7,555,729,782.18
Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs	3,037,600,846.50	2,506,674,251.35
Net Financial Assistance/ Subsidy	4,791,507,134.44	5,049,055,530.83
Gains/(Losses)	(1,495,928.52)	20,487,362.53
Surplus for the Period	₱ 2,789,348,622.20	₱ 2,654,592,302.76

D. Scope of Audit

The audit covered the review of accounts and operations of DOLE and its ROs for CY 2017. 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 improvement opportunities; and d) determine the extent of implementation of prior year's audit recommendations.

E. Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of DOLE for the year ended December 31, 2017. The reasons stated in the Independent Auditor's Report are discussed in detail in Part II of this Report.

F. Significant Audit Observations and Recommendations

The significant observations and recommendations, among others, which were discussed with concerned Management in an Exit Conference conducted on April 24, 2018, are as follows:

1. The Cash Allocations of ₱2,541,910,782.89 for the implementation of projects and programs transferred to Regional Offices (ROs) were not fully utilized because the amount of ₱1,434,857,309.64 or 56.45 percent was transferred only in the last quarter of the year, thus not providing ample time for the projects to be adequately implemented which resulted in the non-utilization of ₱815,142,502.83 or 32.07 percent of the project funds at year-end (*Observation No. 1*).

We recommended that Management: a) require the Financial Management Service (FMS) to develop and maintain a cash program to avoid non-utilization of cash allocations transferred at year-end; b) conduct regular monitoring, visitation and inspection of projects being implemented to determine whether or not the programs have been successfully implemented in a timely manner and whether ultimate objectives are attained; c) require implementing government agencies to submit required liquidation reports and refund the unutilized balances especially if the projects are already completed; d) require the Accounting Division to demand from the agencies copy of the liquidations made and reconcile records with the recipients regarding the total funds received to ensure the reliability and accuracy of the financial records; e) require the concerned officials, particularly the Planning Service (PS) and the Bureaus, to ensure the proper utilization of funds transferred thru Notice of Transfer of Cash Allocations (NTCAs) issued to ROs and Staff Bureaus for implementation of different projects and programs by fulfilling their responsibilities as provided in Administrative Order (AO) No. 39, s. 2014 and AO 77, s. 2011; and f) instruct the ROs' Accounting Unit and Technical Services and Support Division-Employment Promotion and Workers' Welfare (TSSD-EPWW) to submit utilization/liquidation report for NTCAs received from DOLE-Central Office (CO) and refund the unutilized balances especially if the projects are already completed.

2. Of the ₱20,610,000.00 total allotment for Public Employment Service Offices (PESOs), ₱16,952,000.00 or 82.25 percent was allocated to support existing 455 institutionalized PESOs, while only ₱1,118,000.00 or 5.42 percent was intended for institutionalization which resulted in only 40 additional PESOs institutionalized during the year, thereby, informations related to employment opportunities of jobseekers, livelihood prospects of women and income augmentation of the underemployed were not extended to those 1,431 PESOs not institutionalized pursuant to Republic Act (RA) No. 10691, as amended (*Observation No. 2*).

We recommended that Management aggressively make representations with the Department of Interior and Local Government (DILG) for the recognition of PESOs in Local Government Unit (LGU) organizational structure, Department of Budget and Management (DBM) for funding requirement of the office and Civil

Service Commission (CSC) for the creation of the official position to fully institutionalize the remaining 1,431 PESOs in accordance with RA No. 10691 and provide sufficient funds for the institutionalization and capacity building for those not yet operating.

3. Foreign Grants through the Bureau of Local Employment (BLE) from the Asian Development Bank (ADB) for Technical Assistance (TA) totaling \$14,460,000.00 for the JobStart Philippines (JSP) Program and related transactions pertaining thereto were neither in accordance with COA-GAFMIS Circular Letter No. 2003-005 dated November 21, 2003 and Section 5 of the General Provisions of the General Appropriations Act (GAA) of 2017 nor fully disclosed in the financial statements in accordance with Sections 4 and 5(f), Chapter 19, Volume I of Government Accounting Manual (GAM) for National Government Agencies (NGAs) and were claimed by the ADB representative to be impliedly agreed-upon in the absence of the Terms of Reference (*Observation No. 3*).

We recommended that Management require the BLE to submit a copy of the unsigned agreement mentioned by ADB for review as to its propriety and comply with Paragraphs 2.1 and 2.3 of GAFMIS Circular No. 2003-005 for full disclosures and Section 5 of the General Provisions of the GAA in recording the transactions pertaining to grants and donations. Furthermore, accomplishments as to the TA granted since year 2014 to present stated in paragraphs 3.7 and 3.8 should likewise be reported and submitted to the Department for acknowledgement.

4. There was a delay in the implementation and utilization of the JSP CY 2016 continuing fund of ₱95,615,912.91 and CY 2017 current appropriation of ₱168,156,000.00 which resulted in the delayed release and utilization of the funds due to divided priorities of the JSP Project Management Team in focusing between the implementation of JSP Technical Assistance from ADB fund totaling \$14,460,000.00 and JSP fund as appropriated in FY 2016-2017 GAA. Moreover, there was a very low Job Placement of 10.81 percent or 401 out of 3,708 enrollees, thus, an indication of mediocre program performance (*Observation No. 4*).

We recommended that the Management instruct the BLE to: a) submit a comprehensive accomplishment report for the JSP Program in CYs 2016-2017 showing the number of beneficiaries who were in Tracks 1, 2 and 3 that were actually placed for employment to easily measure the success and status of the program; b) separate the beneficiaries funded out of the CY 2016 & 2017 GAA fund and the beneficiaries funded out of the ADB Technical Assistance; and c) provide the status of the 6,150 beneficiaries that were enrolled in Life Skills Training (LST) but were not yet placed for wage employment.

5. The 38-day Process Cycle Time (PCT) for payment of the 40 percent DOLE counterpart of the student salaries resulted in the non-payment of stipends of ₱32,312,050.00 thereby delaying the income augmentation of poor student-beneficiaries to keep them in school and finish their education pursuant to RA No. 10917, as amended (*Observation No. 5*).

We recommended that Management revisit the 38-day PCT and consider the most practical way of paying the stipends immediately right after the completion of the services on dates pre-determined and specified for the convenience of the student-beneficiaries. Deposit to the Bureau of the Treasury (BTr) the ₱32,312,050.00 unclaimed stipends of the students and to pay the claims of the students out of the funds deposited at the BTr.

6. The appropriation of ₱500,000,000.00 in CY 2016 implementation of the DOLE Adjustment Measures Program (AMP) for Displaced Workers in the K to 12 Curriculum was too excessive, where ₱392,107,039.31 remained unutilized after two years because out of the 14,243 Higher Education Institution (HEI) personnel, only 606 availed the program despite of the increased amount of financial assistance and intensified information dissemination activities. Moreover, another ₱150,000,000.00 appropriation in CY 2017 was not released at all, thereby showing that the K to 12 Program had no adverse economic impact in the transition period (*Observation No. 6*).

We recommended that Management revert the unused fund and henceforth develop a program that will genuinely redound in improving the living condition of other displaced poor workers who are underemployed.

7. The Department did not take advantage of the Government Internship Program (GIP) to augment its manpower shortage contained in the AO No. 260, Series of 2015 in the implementation of various programs with its ₱790,716,712.24 funds which employed a total of 29,502 interns in various government agencies resulting in unused funds of ₱129,936,592.10 (*Observation No. 7*).

We recommended that Management implement the program in accordance with its objective to include utilizing funds to assist Bureau of Workers with Special Concerns (BWSC) implement the Anti-Child Labor Law, assisting BLE update its Skills Registry System and provide BLE a database of the DOLE GIP beneficiaries.

8. Out of 138 kiosks installed in the different agencies in Metro Manila and six DOLE Regional Offices, only 45 kiosks are serviceable while the other 93 units costing ₱20,460,000.00 are either defective or idle and not maintained as agreed upon, an indication that the usefulness and the amount invested therein were disregarded and wasted (*Observation No. 8*).

We recommended that Management require the BLE to: a) conscientiously monitor the use and proper maintenance of the 93 units of kiosks costing ₱20,460,000.00 and address immediately the requests for repair in various areas;

b) update the data contained in the kiosks to simultaneously require the PESO Employment Information System (PEIS), to fast track and update data/information of job vacancies and manpower needs by the employers to the Labor Market Information (LMI) to address the needs of the jobseekers; c) train and instruct focal persons on basic proper care and maintenance of kiosk, fix the defective parts if possible thru the help of the manual, if not, report immediately to BLE-LMI for proper monitoring; and d) install in strategic locations like malls, MRT/LRT and schools for the benefit of the intended users.

9. The Bottom-up Budgeting (BuB) funds of ₱929,499,799.48, which was allotted in CY 2016 and utilized until end of CY 2017 for the implementation of the targeted 917 projects did not impact the poverty reduction initiatives of the government due to lack of monitoring and coordination by the project focal persons of the BWSC, BLE and National Reintegration Center for OFWs (NRCO), which delayed the implementation of the 452 projects that were started in 2016 and remained unfinished in 2017. Moreover, 32 projects were not implemented in Regions III, IV-A, V and VII (*Observation No. 9*).

We recommended that the respective Directors of BWSC, BLE, and NRCO establish strategic coordination and monitoring tools in the implementation of the projects such that the work and financial plans for the given period are carried out in the regions as scheduled, simplify implementing rules and regulations and revert to the General Fund the unutilized fund of ₱118,941,200.52.

10. The DOLE Integrated Livelihood and Emergency Employment Program (DILEEP) funds of ₱2,558,803,091.59 were not fully used despite that physical accomplishments exceeded its target because the release of fund totaling ₱753,577,347.02 or 29.45 percent was either delayed or not released at all due to lack of appropriate planning and implementation strategies required of a dynamic government service, thereby, the poor/displaced worker beneficiaries were deprived of the available funds and services due them (*Observation No. 10*).

We recommended that Management make use of the Work and Financial Plan (WFP) as a monitoring tool to implement the programs and to come up with better program planning and project implementation strategies to maximize the allocated budget, release funds on time, so as not to deprive other programs that could have been funded, had the DILP-18 resettlement site and DILP-KSA were allotted a budget that is enough for its target beneficiaries and to fast track the submission of the utilization rate and physical accomplishment of DILP-KSA for further analysis of the program.

We also recommended that Management of CAR, ROs II, IV-B, VI, X and XI properly identify and assess the beneficiaries and the substance or feasibility of the proposed projects. Likewise, strictly monitor the implementation of livelihood project grants to beneficiaries in accordance with Department Order (DO) No. 173-17.

11. The Child Labor Prevention and Elimination Program (CLPEP) was not aggressively pursued for lack of strategies to implement the program, thereby, the funds of ₱5,000,000.00 for activities that would deter Child Labor was not fully utilized resulting in the underutilization of funds by ₱3,659,467.24 or 73.19 percent as at year-end (*Observation No. 11*).

We recommended that Management should conduct a comprehensive study on how the strategic interventions can be effectively implemented for the prevention and elimination of child laborers.

12. Lack of a steering body that coordinates a DOLE wide Information System Strategic Plan (ISSP) for CYs 2015-2017 resulted in the significant delays in the full implementation of the plan amounting to ₱149,090,000.00, where two vital Information Systems were not pursued at all, thereby delaying the effective and efficient delivery of the basic services by the DOLE (*Observation No. 12*).

We recommended that Management: a) instruct the BWSC to apply the fund for the development and enhancement of the DILEEP Monitoring System for the desired sophisticated infrastructure instead of DOLE KABUHAYAN Information System (DKIS); b) require the BLE and Bureau of Labor Relations (BLR) to submit their justification on their respective systems softwares that showed delays in the procurement and/or operations were not pursued; c) require the respective offices who own the Information and Communication Technology (ICT) projects/information systems to effectively and efficiently use the ICT programs to better serve their clients; d) determine and provide the manpower needed in order for the systems to become operational; and e) require the Planning Service to closely monitor the implementation of the DOLE-ISSP.

13. Due to the absence of a monitoring system for the funds transferred to government agencies for the implementation of the projects and for failure to review and analyze the outcome, the implementation of the fund transfers totaling ₱3,480,946,272.38 is doubtful. Moreover, the validity of the total account balances at year-end is likewise doubtful due to failure of Implementing Agencies (IA) to submit liquidation reports. (*Observation No. 13*).

We recommended that Management require the Bureau Directors in coordination with the Planning Service to closely monitor the project implementation and strictly require the IAs on the monthly submission of Report of Disbursements.

14. The administration and operations of Philippine Overseas Labor Office (POLO) may not be smoothly carried out due to separate funding allocations and disbursement of funds for the DOLE and for Overseas Workers Welfare Administration (OWWA) as stated in Sections 57 to 59 of the AO No. 168, Series of 2013, also known as Manual of Operations, Policies and Guidelines for the POLOs, which are not consistent with Sections 3.A and 7 of the same Manual. (*Observation No. 14*).

We recommended that Management revisit the POLO Manual, particularly Section 57 where management of fund to be remitted combined for the account of the POLO where the head shall be primarily responsible and shall be disbursed in accordance with the approved Integrated Physical and Financial Plan (IPFP) and the Office Performance Commitment and Review (OPCR), and pursuant to Section 102 of PD No. 1445.

15. Disclosures in the Notes to Financial Statements (NFS) as of December 31, 2017 were inadequate, contrary to Sections 7, 30 and 31, Chapter 19 of the GAM for NGAs, Volume I, thus, deprived the users of the relevant financial information and disclosures necessary in understanding and achieving a fair presentation of financial statements (*Observation No. 16*).

We recommended that Management require all Accountants to: a) disclose all relevant material financial information not presented on the face of the Statement of Financial Position (SFPo), Statement of Financial Performance (SFPe), Statement of Comparison of Budget and Actual Amounts (SCBAA), Statement of Changes in Net Assets/Equity (SCNAE) and Statement of Cash Flows (SCF); and b) analyze the NFS and adjust/correct errors in the disclosure of account balances.

16. Total deposits of ₱418,674,863.64 in various banks were not remitted back to the BTr, in violation of RA No. 10924 or the 2017 GAA and EO No. 338 dated May 17, 1996, thus depriving the government of the use of the funds for other priority projects. Moreover, accuracy of the balances in Regions II, III, V, VI, VIII, IX and XI were not ascertained due either to non-preparation or late submission of Bank Reconciliation Statements (BRS), while existence of stale checks in Regions II, VII, XIII and NCR totaling ₱3,864,173.69 were not adjusted in the books (*Observation No. 17*).

We recommended that Management: a) require the remittance of the ₱418,674,863.64 to the BTr where ₱117,717,335.28 to be credited to Treasury/Agency Deposit-Trust account and ₱300,957,528.36 to be credited to Treasury/Agency Deposit-Special Account; b) secure the monthly bank statements or snapshots of bank transactions at the end of each month and/or enroll the accounts of the ROs in the bank's i/we-Access given by the Landbank of the Philippines (LBP) in order to facilitate the timely preparation of the BRS; and c) direct the Accountant to immediately take-up the adjustments for all reconciling items in the books of account through the preparation of Journal Entry Voucher and thereon reconcile the ledger and cash book balances.

17. The Cash in Bank-Foreign Currency, Current Account and Foreign Currency, Savings Account were overstated by ₱5,214,281.80 for using the Average Conversion Rates to the dollar instead of using the Closing Rates as prescribed under Section 4, Chapter 16, GAM for NGAs, Volume I (*Observation No. 18*).

We recommended that Management direct the Accounting Division to: a) use the Bangko Sentral ng Pilipinas (BSP) Closing Rate in translating foreign currencies in accordance with the provisions stated in Section 4, Chapter 16, GAM for NGAs, Volume I instead of the Average Rate; and b) make necessary adjustments for the accounts affected in the erroneous use of conversion rate, to come up with the correct information as presented in the financial statement.

18. Undeposited collections totaling ₱11,019,232.70 by various Collecting Officers of the Department were not deposited intact daily and at year-end in violation of the provisions of DOLE/DFA/DBM/DOF/COA Joint Circular (JC) No. 3-99 dated September 28, 1999 and GAM for NGAs and the Gain on Foreign Exchange of ₱1,557,741.99 was not realized thereon (*Observation No. 19*).

We recommended that Management require the concerned Labor Attachés/ Welfare Officer (LabAtts/WelOf) through International Labor Affairs Bureau (ILAB) to settle/deposit intact the collections amounting to ₱5,851,338.77 and request regular remittance of collections for approval of the Secretary when it is not possible to remit the next day for justifiable reasons and Accounting Division to translate the foreign currency cash accounts at its Closing Rate.

19. The full liquidation of the ₱419,864,341.31 account balance of the Due from Non-Government Organizations/People's Organizations (NGOs/POs) is doubtful because ₱46,872,632.24 remained dormant for over five to 20 years, and due to the deficient documentation and poor monitoring of reports from NGOs/POs and laxity in the enforcement of the provisions of DO No. 26 series of 1995 and Sections 5.3 and 5.4 of COA Circular No. 2007-001 dated October 25, 2007 (*Observation No. 20*).

We recommended that Management closely coordinate and monitor the activities of the NGOs/POs specially in giving financial assistance for an undertaking until such time that a completion report is rendered and, together with the Report of Disbursements, submitted to the DOLE Accountant, otherwise, the concerned Bureau officials will have to be personally accountable therefor.

20. The Loans and Receivables account totaling ₱177,561,265.86 granted to various labor organizations since 1995 to 1997 and Other Receivables amounting to ₱76,841,195.56 remained dormant for more than three to 50 years and considered dormant pursuant to COA Circular No. 2016-005 and of doubtful collection due to failure of Management to apply the provisions specific to loans stated in the DOLE DO No. 26 Series of 1995 dated October 23, 1995. In addition, the possible collectability of the said account had not been assessed pursuant to the pertinent provisions of COA Circular No. 97-001 dated February 05, 1997, hence, exposing the account to the possible risks of loss (*Observation No. 21*).

We recommended that Management: a) require the BLR to report on the status of the Workers Organization and Development Program Project and perform legal confirmation of loans; b) enforce collection of loan balances including interest; c) pursue collection on those Labor Unions with criminal cases filed against them; and d) for the Accountant to analyze the accounts and review guidelines on the dormant accounts in accordance with COA Circular No. 2016-005 and make proper recommendations to Management on appropriate disposition of the account.

We also recommended that Management undertake as much as practicable to comply with the provisions of the Philippine Public Sector Accounting Standards (PPSASs) to allow the faithful representation of financial statements; and require the Accountant to make a detailed assessment of the possible collectability/settlement of the Other Receivables account pursuant to the pertinent provisions of COA Circular No. 97-001 dated February 05, 1997.

21. Due to failure of the Accounting and Property Office to adopt the Perpetual Inventory Method, on the maintenance of Supplies Ledger Cards (SLC) and the Stock Cards (SC) for the respective office and, the failure of the Property Office to conduct physical count of inventories at least at year-end, and to submit a report thereon, the accuracy and existence of the supplies and materials totaling ₱87,238,885.91 are doubtful (*Observation No. 22*).

We recommended that the Accounting and Property officials strictly adopt the Perpetual Inventory Method, in the Inventory Accounting System prescribed in Chapter 8 of the GAM for NGAs, Volume I which includes: a) maintenance of SLC by the Accounting Office; b) maintenance of SC by the Property Office; c) reconciliation of both records SLC and SC; and d) constitute an Inventory Team to conduct of physical count and submit reconciled Report on Physical Count of Inventories (RPCI) within the prescribed period.

22. The Property, Plant and Equipment (PPE) account balance of ₱1,064,703,705.42 is unreliable due to an unreconciled difference between Accounting and Property records totaling ₱410,515,399.01 attributed to: a) discrepancy of ₱1,834,873.15 between the submitted Notes to Financial Statements and Lapsing Schedule of PPE in RO IV-A and misclassified items as PPE in CO and RO II amounting to ₱35,300,216.72; b) unrecorded acquisitions/transfers/disposals of PPE in DOLE CO and RO V totaling ₱222,304,961.17; c) unserviceable and obsolete properties not disposed in RO X amounting to ₱2,167,102.00 and d) the improper accomplishment of Report on the Physical Count of Property, Plant and Equipment (RPCPPE), contrary to the pertinent provisions of the GAM for NGAs (*Observation No. 23*).

We recommended that Management: a) constitute an Inventory Committee to undertake periodic physical count of PPE, determine its whereabouts and condition, prepare reports, reconcile the difference and submit the reconciled reports; b) require the Accountants of RO IV-A to correct the discrepancy of ₱1,834,873.15 in the financial statements and CO and RO II to classify correctly those PPE items below the ₱15,000.00 threshold; c) require the Accountants and Property officers to record all acquisitions/procurements, transfers and disposals of PPEs; d) require the reconstitution of a Disposal Committee pursuant to Executive Order (EO) No. 309 dated March 08, 1996 to properly dispose all unserviceable/obsolete properties in ROs; and e) require the Accountant and the Property officer to properly accomplish and update and reconcile the Property, Plant and Equipment Ledger Cards (PPELC) and RPCPPE in accordance with the provisions of GAM for NGAs.

23. The Other Assets account was overstated by ₱15,011,005.00 due to misclassification of copyrights and computer software which should be treated as Intangible Assets, pursuant to Chapter 3 of GAM for NGAs, Volume III (*Observation No. 24*).

We recommended that Management require the Accountant to: a) undertake proper disposal procedures on the Other Assets contained in the Inspection Report of Unserviceable Property amounting to ₱330,294.71; b) account for the prior years' balance of ₱4,857,995.54 for proper disposition; and c) reclassify the ₱15,011,005.00 consisting of eight computer software and one copyright for the Industry Career Guides.

We also recommended that Management: a) initiate legal action against Admired Technologies, Inc. for abandoning completely the project costing ₱2,300,000.00 and for the BLE, Bureau of Working Conditions (BWC), and Human Resource Development Service (HRDS) to give reason for the non-completion; b) explain why the respective system totaling ₱563,540.00 of the BLR and BLE have become unserviceable and were not restored to its operating condition; and c) update and fully operate the respective software of PS, BLE, ILAB to better serve the jobseekers and OFWs.

24. Cash advances totaling ₱572,946,511.77 consisting of: a) Advances for Operating Expenses of ₱231,231,387.49; b) Advances to Special Disbursing Officers of ₱331,511,783.65; and c) Advances to Officers and Employees of ₱10,203,340.63 were not liquidated at year-end, contrary to the provisions of COA Circular No. 97-002 dated February 10, 1997 and Section 62 of DOLE AO No. 168 series of 2013 (*Observation No. 25*).

We recommended that Management: a) strictly enforce the submission of liquidation documents as soon as the purpose of the cash advance has been served, within the prescribed period of 30 days pursuant to COA Circular No. 97-002 dated February 10, 1997 or when a new cash advance is necessary, which ever period is shorter; b) adopt a stricter measure to account for outstanding unliquidated cash advances by imposing sanctions against the accountable

officers/employees who continue to neglect their obligations in accordance with the provision of COA Circular No. 97-002 dated February 10, 1997 and Section 62 of DOLE AO No. 168 series of 2013; c) further analyze the nature of transactions regarding the remaining long outstanding balances of the officials and employees who were no longer in the service; and d) send final demand letters to those officers and employees who failed to liquidate their outstanding cash advances and cause the withholding of their salaries for failure to comply within 30 days from receipt of the demand letter pursuant to the provision of COA Circular No. 97-002 dated February 10, 1997.

25. Unclaimed accounts for more than two years of ₱3,176,432.97 in DOLE-CO and the absence of ageing schedule in some Regional Offices affected the validity of Accounts Payable and Other Payables account balances totaling ₱1,223,646,422.51 as of December 31, 2017, contrary to Section 98 of the PD No. 1445 and EO No. 109 as implemented by DBM-COA JC No. 99-6 dated November 13, 1999 (*Observation No. 26*).

We recommended that Management require the Accountant of CO to revert immediately the long outstanding payables of ₱3,176,432.97 and the Regional Accountants to comply with the maintenance of ageing schedule to facilitate monitoring and eventual reversion of unclaimed payables pursuant to Section 98 of the PD No. 1445 and EO No. 109 as implemented by DBM-COA JC No. 99-6 dated November 13, 1999 to avoid penalties stated Section 43, Chapter 5, Book VI of EO No. 292.

26. The Accountant continued to fail to clear the various asset and liability accounts accumulating to ₱77,693,641.54 without details and recorded in the Subsidiary Ledger (SL) labeled as “For reconciliation” and other similar terms; thus, adversely affecting the fair presentation of financial statements, contrary to the provisions of GAM for NGAs and COA Circular No. 97-001 dated February 5, 1997 (*Observation No. 27*).

We recommended that Management compel the Accountant to reconcile and undertake proper disposition of unreconciled balances of ₱75,036,398.53 in accordance with COA Circular No. 97-001 dated February 5, 1997 and reclassify the ₱2,657,243.01 to appropriate SL accounts in accordance with GAM for NGAs to avoid administrative disciplinary action in accordance with the provisions of Section 122 (2), Chapter 3, Title III, PD 1445 and Section 55, Chapter 10, Sub-title I-B, Book V of EO No. 292, series of 1987, of the Revised Administrative Code of the Philippines.

27. The correctness and sufficiency of the insurance coverage of ₱8,946,593.39 by the General Insurance Fund (GIF) was not determined due to the unreconciled difference between the Accounting and Property records of ₱410,551,399.01 as against its insurable assets of ₱1,028,729,124.54 contrary to the provisions of RA No. 656 otherwise known as the Property Insurance Law (*Observation No. 28*).

We recommended that Management prepare a reconciled RPCPPE with the Accounting records to correctly establish the value of insurable assets of the DOLE and protect properties from loss, damage or other fortuitous events. Submit to COA a reconciled and verified RPCPPE and PPELC of the Property Officials and Accountant, respectively.

28. Granting of appreciation cash gifts amounting to ₱3,237,500.00 to honor the invaluable services of retiring officials and employees of the DOLE for CYs 2015-2017 is without legal basis and not in accordance with the CSC Memorandum Circular No. 7 series of 1998 dated March 13, 1998, COA Circular No. 2013-003 dated January 30, 2013 and Sec. 28(b) of Commonwealth Act No. 186 dated November 14, 1936 as amended by the Teves Retirement Law dated June 17, 1967 (*Observation No. 29*).

We recommended that Management stop the practice of granting monetary appreciation gifts and to demand refund of ₱3,237,500.00 given during CYs 2015-2017 from concerned retired employees.

29. Only four out of the 27 identified Gender and Development (GAD) activities in the approved GAD Plan with the total allotted budget of ₱427,211,350.00 were not fully carried out thus, the intended benefits of the plan were not fully achieved contrary to Section 30 of the GAA FY 2017 or RA No. 10924. Some GAD activities' actual expenditures exceeded the approved budget by ₱339.245 million which signifies that the GAD Plan and Budget (GPB) budget allocation was not used as planned (*Observation No. 30*).

We recommended that Management: a) ensure that all lined-up activities pertaining to identified GAD issues are accomplished as planned; b) justify the reason/s for the actual costs that exceeded the approved budget by the Philippine Commission on Women (PCW); and c) faithfully adhere to the guidelines on the preparation of GPB and Accomplishment Reports as per JC No. 2012-01 of the PCW-NEDA-DBM.

30. Some DOLE ROs were able to formulate and implement plans, programs and projects intended to address the concerns of the Senior Citizens (SC), Persons with Disability (PWD) and indigenous people, in so far as it relates to their mandated functions and integrate the same in its regular activities as required under Section 31 of the RA No. 10924 or GAA CY 2017 (*Observation No. 31*).

We recommended that the Focal Executive Committee strictly require those non-complying ROs to comply with the regulations of the SC/PWD project in formulating its plans and programs as basis for the implementation pursuant to Section 31 of the RA No. 10924 under the GAA CY 2017 and conduct SC/PWD related activities within the approved Philippine Plans and budget in the succeeding years.

31. Taxes withheld from employees' salaries and suppliers/contractors of goods and services for CY 2017 were not completely remitted to the Bureau of Internal Revenue (BIR), in compliance with Revenue Regulations No. 1-87 dated March 3, 2013 (*Observation No. 32*).

We recommended that Management direct: a) DOLE-CO to remit ₱1,314,107.53 to the BTr pending reconciliation and ₱5,025,291.18 to BIR; b) NCR to review over remittance of ₱7,780.10 and make proper adjustment; c) RO VIII to remit immediately the ₱1,216,034.33 and d) fast track the review and evaluation of the unremitted balances of ₱12,010,100.44.

32. Deductions withheld for the account Due the Government Service Insurance System (GSIS) totaling ₱4,585,367.81 were timely remitted in accordance with Sections 6 and 7 of RA No. 8291 or the GSIS Act of 1997 (*Observation No. 33*).

We recommended that Management instruct the Chief Accountant to: a) remit immediately the outstanding balance, after appropriate analysis of the account and to adhere in Sections 6 and 7 of RA No. 8291 or the GSIS Act of 1997; and b) avoid monthly penalty and surcharges of even simple interest of two percent because of the delayed remittance due to the negligence of the accountant; otherwise penalties shall be borne by the employee concerned.

33. Deductions withheld from employees' salaries credited to Due to Pag-IBIG account amounting to ₱227,248.92 were not yet remitted, contrary to Section 23 of RA No. 9679 dated July 21, 2009 and Home Development Mutual Fund (HDMF) Circular No. 275 (*Observation No. 34*).

We recommended that Management remit all deductions withheld from the employee and employer contributions on the prescribed period of remittance to avoid penalties and surcharges.

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed with the Agency Officials in the Exit Conference conducted on April 24, 2018, and their comments were incorporated in this Report, where appropriate.

G. Summary of Audit Suspensions, Disallowances and Charges

As of December 31, 2017, DOLE had total unsettled suspensions, disallowances and charges of ₱132,797,045.66, ₱39,344,545.92 and ₱3,987.52, respectively.

H. Status of Implementations of Prior Year's Audit Recommendations

Of the 103 audit recommendations embodied in the prior year's Consolidated Annual Audit Report, 35 were fully implemented, 26 partially implemented, and 42 were not implemented as shown below. The details of prior year's recommendations are discussed in Part III of the Report.

Status	Number	Percent
Fully Implemented	35	33.98
Partially Implemented	26	25.24
Not Implemented	42	40.78
Total	103	100.00