

## 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:

- To continuously enhance and transform DOLE into an efficient, responsive, purposeful, and accountable institution;
- To address the persistent problems of unemployment and underemployment;
- To continuously strengthen protection and security of Overseas Filipino Workers (OFWs);
- To ensure full respect of labor standards and the fundamental principles and rights at work;
- To bring more focus and accessibility to workers' protection and welfare programs;
- 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;
- To have a labor dispute resolution system that ensures just, simplified, and expeditious resolution of all labor disputes; and
- To have responsive, enabling, and equitable labor policies, laws, and regulations.

To achieve its mandate, the Department has 16 Regional Offices (ROs) with 83 Field Offices (FOs) and four 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), and Professional Regulation Commission (PRC). The Department is headed by Secretary Silvestre H. Bello III assisted by five Undersecretaries and six Assistant Secretaries, who shall head the five Clusters, through the Administrative Order No. 56-C, series of 2018 dated September 27, 2018, as follows:

<b>Cluster</b>	<b>Cluster Heads</b>	<b>Agency/Bureau/Support Services</b>
Labor Relations, Special Concerns and Regional Operations	Undersecretary Ana C. Dione, CESO III  Assistant Secretary Benjo Santos M. Benavidez	-NCMB -Bureau of Labor Relations (BLR) -Bureau of Working Conditions (BWC) -Bureau of Workers with Special Concerns (BWSC) -16 Regional Offices
Workers Protection, Human Resource and Internal Auditing Services	Undersecretary Ciriaco A. Lagunzad III  Assistant Secretary Alex V. Avila, CESO IV	-NWPC -ECC -OSHC -Human Resource Development Service (HRDS) -Internal Audit Service (IAS)
Employment, Migrant Workers Welfare, Financial and Administrative Services	Undersecretary Renato L. Ebarle  Assistant Secretary Mariano R. Alquiza	-OWWA including National Reintegration Center for OFWs (NRCO) -NMP -Bureau of Local Employment (BLE) -Financial and Management Service (FMS) -Administrative Service (AS)
Human Capital Development, Overseas Employment Administration and Policy Support	Undersecretary Jacito B. Paras  Assistant Secretary Federico V. Abuan	-PRC -POEA -ILS -Planning Service (PS)
Legal, International, Legislative and Media Affairs	Undersecretary Claro A. Arellano  Assistant Secretary Ma. Joji V. Aragon  Assistant Secretary Atty. Philip A. Paredes	-NLRC -International Labor Affairs Bureau (ILAB) including all POLOs -Legal Service (LS) -Information and Publication Service (IPS) -Department Legislative Liaison Office (DLLO)

In implementing its vision, mission and goals, the DOLE and its ROs has a total personnel complement of 3,210 consisting of 2,326 regular employees, 314 hired contractual personnel and 570 outsourced (Job Order) workers as of December 31, 2018.

## B. Operational Highlights

The Department reported the following major accomplishments per Organizational Outcome (OO) and Performance Indicator (PI) and the corresponding fund allocation for Calendar Year (CY) 2018:

Programs/projects	Lead Office	Adjusted Allotment	Obligation	Physical Accomplishments		Percentage of Accomplishments
				Target	Actual	
<b>(In Million Pesos)</b>						
<b>General Administration and Support</b>	CO and ROs	1,103,843	1,078,203			
<b>Support To Operations</b>		92,005	84,586			
1. Attendance to local, regional, international conferences and participation of tripartite delegation in the international labor organizations in Geneva, Switzerland	ILAB	4,244	4,012			
2. Legal Services	LS	24,699	24,413			
3. Computerization Program	PS	63,062	56,161			
<b>Operations</b>		5,975,338	5,669,951			
1. Employability of workers and competitiveness of Micro Small Medium Enterprises (MSMEs) enhanced		860,801	845,871			
• Promotion of Local Employment	BLE	28,643	26,256	-	2 Policies Updated	
• Youth Employability		729,241	723,504			
➢ Special Program for Employment of Students (SPES)	BLE, ROs	708,556	704,230	194,075 Youth Assisted	187,680 Youth Assisted	96.70
➢ JobStart Philippines Program	BLE, ROs	20,685	19,274	400 Youth Assisted	400 Youth Assisted	100
• Job Search Assistance		74,313	70,244			
➢ Public Employment Service	BWSC, BLE, ROs	63,590	60,128	2.330M Jobseekers	2.330M Jobseekers	100
➢ Labor Market Information	BLE	1,535	1,469	2.426M Indv.	4.185M Indv.	172.51
➢ Career Guidance Em-ployment Coaching (CGEC)	BLE	3,188	3,155	3 CGEC	3 CGEC	100
➢ Job Fairs	BLE, ROs	5,000	4,938	-	1,176 Job Fairs	

Programs/projects	Lead Office	Adjusted Allotment	Obligation	Physical Accomplishments		Percentage of Accomplishments
				Target	Actual	
(In Million Pesos)						
➤ PhilJobNet	BLE	1,000	554	-	41,130	
• National Skills Registry System	BLE	28,604	25,867	-	Jobseekers 1.141M Indv.	
2. Protection of workers' rights and maintenance of industrial peace ensured		524,437	514,101			
• Promotion of Good Labor-Management Relations	BLR	31,447	29,249	-	1 Guidelines Issued	
• Promotion of Rights at Work and Labor Standards	BWC	33,921	33,918	-	6 Department Orders(DOs) / Manual 32 Labor Advisories	
• Tripartism and Social Dialogue	BLR, ROs	7,546	7,274	-	7 Issuances	
• Workers Organization Development and Empowerment		21,852	20,965			
➤ Registration of Union	BLR	659	567			
➤ Workers Organization Development Program (WODP)	BLR, ROs	20,352	19,558	3,297	5,313	161.15
➤ Labor and Employment Education Services (LEES)	BLR, ROs	841	840	425,000 Workers Employers and Students	655,853 Workers Employers and Students	154.32
• Labor Laws Compliance		417,617	410,737			
➤ Labor Inspection Program	BWC, ROs	416,617	409,747	54,530 Est. Inspected	59,380 Est. Inspected	108.89
➤ Accreditation of OSH Personnel and Organization	BWC, ROs	1,000	990	-	2 Capacity Building	
• Case Management		12,054	11,958			
➤ Conciliation-Mediation	ROs	11,075	11,019	-	Single Entry Approach (SEnA) 75%	
➤ Adjudication of Labor Cases	BWC, BLR,	979	939	-	Speedy and Expeditiou s Delivery of Labor Cases (SPeED) 88.7%	53%

Programs/projects	Lead Office	Adjusted Allotment	Obligation	Physical Accomplishments		Percentage of Accomplishments
				Target	Actual	
(In Million Pesos)						
ROs, LS						
3. Social protection for vulnerable workers strengthened		4,590,100	4,309,979			
• Promotion of Rights and Welfare of Workers with Special Concerns	BWSC, ROs	49,789	49,412	-	2 Labor Advisories and 1 Administrative Order (AO) issued	
• Promotion of International Labor Affairs	ILAB, POLOs	31,005	30,716	-	Forged 9 Bilateral Labor Agreement with 6 Countries and International Organization for Migration (IOM)	
• Livelihood and Emergency Employment		3,342,975	3,157,301			
➢ DOLE Integrated Livelihood and Emergency Employment Program (DILEEP)		3,244,205	3,061,566			
- DOLE Integrated Livelihood Program (DILP)	BWSC, ROs	1,000,115	995,777	47,136 Benef.	85,471 Benef.	181.32
- Tulong Panghanapbuhay sa Ating Disadvantaged/ Displaced Workers (TUPAD)	BWSC, ROs	2,244,090	2,065,789	123,417 Benef.	370,230 Benef.	299.98
➢ Adjustment Measures Program	BWSC, BLE, ROs	98,770	95,735	-	548 Benef.	
➢ K-12				-	332 Benef.	
• Welfare Services		1,065,791	974,535			
➢ Child Labor Prevention and Elimination Program	BWSC	15,000	12,735	-	81,016 Children Profiled	
➢ Family Welfare Program and Kasambahay Program	BWSC	96,549	95,965	-	1,264 Est.	
➢ On-site Welfare Services for OFWs	ILAB, POLOs	954,242	865,835	802,000 OFWs	831,169 OFWs	103.64
• Reintegration Services		100,540	98,015			

Programs/projects	Lead Office	Adjusted Allotment	Obligation	Physical Accomplishments		Percentage of Accomplishments
				Target	Actual	
(In Million Pesos)						
for OFW Returnees						
➤ Promotion of Reintegration of OFW Returnees	NRCO, ROs	67,167	65,350	-	Conducted 11 Learning Journeys	
➤ Livelihood Development Assistance Program	NRCO, ROs	12,960	12,793	1,090 OFWs	1,585 OFWs	145.41
➤ Balik-Pinas, Balik-Hanapbuhay Program	NRCO, ROs	19,013	18,563	1,661 OFWs	1,932 OFWs	116.32
➤ Financial Awareness Seminar (FAS) and Small Business Management Training (SBMT)	NRCO, ROs	1,400	1,309	3,061 OFWs	4,651 OFWs	151.94
<b>Grand Total</b>		<b>7,171,186</b>	<b>6,832,740</b>			

### C. Financial Highlights

For CY 2018, the DOLE has a total appropriation of ₱8,111,699,864.00 as provided for in the General Appropriations Act (GAA) for Fiscal Year (FY) 2018, or Republic Act (RA) No. 10964. This includes the amount of ₱232,166,000.00 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 ₱8,092,585,963.00, including releases for Automatic Appropriations for Retirement and Life Insurance Premiums. Of the total allotments, total obligations of ₱7,743,328,404.96 were incurred, leaving an unexpended balance of ₱349,257,558.04 as at year end, details as follows:

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
<b>A. Current Year Budget</b>				
Regular Agency Fund				
Personnel Services (PS)	2,135,284,806.45	2,124,821,905.45	2,024,647,428.59	100,174,476.86
Maintenance and Other Operating Expenses (MOOE)	4,907,376,879.00	4,907,376,879.00	4,693,628,216.70	213,748,662.30
Financial Expenses	3,000,000.00	3,000,000.00	1,852,991.04	1,147,008.96
Capital Outlay	144,641,000.00	135,990,000.00	112,615,578.75	23,374,421.25
<i>Subtotal</i>	<i>7,190,302,685.45</i>	<i>7,171,188,784.45</i>	<i>6,832,744,215.08</i>	<i>338,444,569.37</i>
Special Accounts - Locally Funded (VF)				
PS	205,766,000.00	205,766,000.00	200,436,601.54	5,329,398.46
MOOE	26,400,000.00	26,400,000.00	23,653,452.35	2,746,547.65
<i>Subtotal</i>	<i>232,166,000.00</i>	<i>232,166,000.00</i>	<i>224,090,053.89</i>	<i>8,075,946.11</i>
Automatic Appropriations				
Retirement and Life	130,912,314.55	130,912,314.55	128,273,393.87	2,638,920.68

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
Insurance Premium				
<i>Subtotal</i>	<i>130,912,314.55</i>	<i>130,912,314.55</i>	<i>128,273,393.87</i>	<i>2,638,920.68</i>
Special Allotment Release Order (SARO) Releases				
PS	41,329,366.00	41,329,366.00	41,237,783.65	91,582.35
MOOE	516,989,498.00	516,989,498.00	516,982,958.47	6,539.53
<i>Subtotal</i>	<i>558,318,864.00</i>	<i>558,318,864.00</i>	<i>558,220,742.12</i>	<i>98,121.88</i>
<b>Total</b>	<b>8,111,699,864.00</b>	<b>8,092,585,963.00</b>	<b>7,743,328,404.96</b>	<b>349,257,558.04</b>

The DOLE, thru the 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 2018, with comparative figures from CY 2017, are as follows:

Particulars	2018	2017
<b>Financial Position</b>		
Assets	7,538,216,987.87	7,255,360,311.51
Liabilities	1,779,003,184.60	2,221,951,048.04
Net Assets/Equity	5,759,213,803.27	5,033,409,263.47
<b>Financial Performance</b>		
Revenue	1,706,715,621.00	1,403,442,345.80
Less: Current Operating Expenses		
PS	2,142,124,108.48	1,884,916,973.99
MOOE	1,255,533,371.98	1,395,596,974.00
Financial Expenses	5,571,950.84	3,834,103.41
Non-Cash Expenses	74,741,515.96	119,756,878.12
<i>Surplus (Deficit) from Current Operations</i>	<i>(1,771,255,326.26)</i>	<i>(2,000,662,583.72)</i>
Financial Assistance/Subsidy from the National Government	8,488,652,213.60	7,829,107,980.94
Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs	3,414,449,580.01	3,037,600,846.50
Net Financial Assistance/ Subsidy	5,074,202,633.59	4,791,507,134.44
Gains/(Losses)	(10,910,322.60)	(1,495,928.52)
<b>Surplus for the Period</b>	<b>3,292,036,984.73</b>	<b>2,789,348,622.20</b>

#### D. Scope of Audit

The audit covered the review of accounts and operations of DOLE and its ROs for CY 2018. 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; and c) determine the extent of implementation of prior year's audit recommendations.

## **E. Independent 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, 2018. 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**

1. Cash in Bank totaling ₱40,951,143.88 were unremitted to the BTr, contrary to Section 6 of the General Provisions of GAA, Fiscal Year (FY) 2018 or RA No. 10964, Permanent Committee Joint Circular No. 4-2012 dated September 11, 2012 and Executive Order (EO) No. 431, series of 2005; thus, depriving the national government of the proper disposition of these funds. (Observation No. 3)

**We recommended that the Management remit the amount to the BTr in pursuance of the abovementioned law and regulations.**

2. The undistributed Cash Bonus Fund (CBF) of ₱412,838,799.55 was not remitted by the 204 Millers and Planters Associations to BWSC, contrary to Sections 9 and 10 of RA No. 6982 and the validity of the distribution in CY 2018 of ₱431,285,154.70 is doubtful due to insufficient documents and accounting reports supporting the distribution done. Moreover, there was lack of public announcements made by the DOLE Secretary on the availability of cash bonus and other benefits due the sugar workers (SWs), thus the accumulation of undistributed fund and unavailed benefits. (Observation No. 4)

**We recommended that the Management implement the following:**

### **a. The Secretary of DOLE, thru the Regional Directors, to:**

- a.1 **make at least three publications in local newspapers; announcements in radio stations operating in the area; and posting of unclaimed cash bonus in conspicuous places in the area where the beneficiaries reside before the end of the year;**
- a.2 **demand from the millers/planters remittance of the undistributed CBF;**
- a.3 **identify the socio-economic programs to be funded from the forfeited CBF;**



- a.4 **inform the Sugar Tripartite Council (STC) of the accumulation of undistributed CBF and prepare the proposed solution for discussion in the STC regular meeting; and**
  - a.5 **initiate legal actions to those who intentionally violate the provisions pursuant to Sections 7-11, 13 and 14 of RA No. 6982.**
  - b. **Require the BWSC-Social Amelioration Program (SAP) and concerned Regional Accountants to:**
    - b.1 **determine/establish accounting records for unremitted/undistributed and forfeited CBF;**
    - b.2 **establish database for SWs;**
    - b.3 **account for the 20% share on the liens for socio-economic plans and programs recommended by the STC;**
    - b.4 **recognize in the books the account Other Receivables for the unremitted amount.**
3. Non-liquidation of cash advances (CAs) totaling ₱256,831,259.62, of which, the accounts of DOLE CO, BWSC-SAP and RO No. II amounting to ₱1,889,279.30 were dormant for 10 to over 30 years and not requested for write-off as required under COA Circular No. 2016-005 dated December 19, 2016; while the unutilized CAs pertained to the officers and employees of DOLE CO, NCR, and RO No. XI of ₱13,541,870.71, contrary to COA Circular No. 97-002. (Observation No. 5)

**We recommended that the concerned:**

- a. **Accountants send demand letters to Accountable Officers (AOs), strictly enforce the submission of liquidation documents as soon as the purpose for which the CA was granted has been served and refund simultaneously any excess amount thereof, otherwise, cause the withholding of salaries pursuant to COA Circular No. 97-002 dated February 10, 1997, and update records to facilitate proper monitoring;**
- b. **Regional Directors stop the practice of granting additional CAs to AOs with outstanding unliquidated CAs; and**
- c. **AOs submit the required supporting documents and prospectively, comply with the requirements set forth by the COA Circular No. 2012-001 on the documentary requirements.**

4. The Management failed to take necessary actions on account balances of Receivables and Payables totaling ₱239,316,929.62 and ₱1,646,914.37, respectively, that remained dormant in the books, contrary to COA Circular Nos. 2016-005 and 97-001. (Observation No. 6)

**We recommended that the respective Directors of:**

- a. **FMS - send demand letters to all those with unliquidated accounts for the settlement of the receivable balances and report to Legal Service (LS) those delinquent beneficiaries for proper legal action;**
- b. **LS - review reports of delinquencies submitted by FMS and impose appropriate sanction for non-settlement;**
- c. **BLR - ensure that policies set in the Memorandum of Agreement/Understanding (MOA/MOU) to the fund transfers to the workers' unions and associations are strictly in order, lawful and the implementation is in accordance with the purpose cited in the MOA/MOU; and**
- d. **BLE and BWSC - ensure strict monitoring of Public Employment Service Offices/Local Government Units (PESOs/LGUs), Accredited Co-Partners' (ACPs) proper implementation and require immediate full reporting of accomplished projects.**

**We also recommended that the Management remit to the General Fund of the BTr the unused funds amounting to ₱1,441,870.93 and revert the amount of ₱205,043.44 to the Accumulated Surplus/Deficit.**

5. Non-compliance by Central Office (CO) and four ROs with the rules and regulations on government expenditures resulted in irregular/unnecessary/excessive expenditures totaling ₱174,146,854.36, contrary to COA Circular No. 2012-003. (Observation No. 7)

**We recommended that the concerned offices refund the excessive/irregular/unnecessary expenditures and submit the lacking documents; and henceforth, comply with the existing rules and regulations on government expenditures to avoid audit suspensions/disallowances.**

6. The late and incomplete submission of financial and property reports in the DOLE - ROs beyond the due date as required under PD No. 1445, GAM for NGAs and pertinent COA Circulars, thus, affecting the timely audit of the Agency's financial transactions and property accountabilities during the year and use of the financial data and relevant information. (Observation No. 8)

**We recommended that the Management strictly comply with the reporting schedule and suspend the payments of salaries of those responsible AOs who failed to submit reports on time until they have complied with the requirements on the submission of reports.**

7. Payments totaling ₱676,249,031.25 were made despite the lack of documentary requirements, contrary to Section 4(6) of PD No. 1445 and pertinent provisions of COA Circular No. 2012-001, documentary requirements under DOLE administrative issuances on the disbursement of POLO Allowances, DILEEP, SPES and JobStart funds, thus the propriety/regularity of the transactions cannot be immediately established. (Observation No. 9)

**We recommended that Management require the concerned offices to ensure that the basic requirements prescribed under existing laws, rules and regulations are complied with before processing claims for payments and cause the submission of the required documents.**

8. Deficiencies in the implementation of DILEEP were noted in DOLE-ROs totaling ₱69,341,190.20 such as: a) insufficient monitoring, poor planning, and lenient implementation totaling ₱40,402,195.17; b) ineligible beneficiaries for TUPAD amounting to ₱295,800.00; c) delayed/unreleased financial assistance to ACPs amounting to ₱28,143,195.03; and d) non-procurement of necessary raw materials, equipment, tools and jigs by the ACP amounting to ₱500,000.00, contrary to the provisions of Department Order No. 173 Series of 2017. (Observation No. 10)

**a. We recommended that the DOLE-NCR, RO I, RO II, and RO IX:**

**a.1 properly identify/assess beneficiaries and conduct thorough assessment and feasibility of the proposed projects;**

**a.2 conduct monitoring, assessment and evaluation of the implementation of the Program; and**

**a.3 coordinate with the implementing partners, LGU/congressional districts on the setting of targets and complement the same with the regional targets, so that problems could be addressed at the earliest time.**

**b. We also recommended that the:**

**b.1 DOLE RO No. XIII early identify, evaluate and ensure all the Kabuhayan project proposals and its supporting documentations are complete and intact prior to its inclusion in their respective PMPs and budget for the ensuing year;**

- b.2 DOLE RO No. II require the persons liable to refund the amount equivalent to the wages paid to the 37 beneficiaries who are ineligible for the program in the total amount of ₱295,800.00;**
- b.3 concerned Provincial Heads and Regional focal person of the livelihood program in RO No. XIII ensure complete documentations of all project proposals from Provincial Offices prior to its submission to the RO so that the financial assistance will be released to the ACPs within 15 working days as prescribed and make representations with DOLE CO for additional Plantilla positions who shall be specifically assigned in the Provincial Offices; and**
- b.4 ACPs of DOLE RO No. X comply with the rules set out in the Department Order No. 173-17, series of 2017 on the procurement of necessary raw materials, equipment, tools and jigs indicated in the approved project proposal and rules required by RA No. 9184 in the procurement process.**

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed during the Exit Conference with concerned DOLE officials and employees on May 9, 2019. Their comments were incorporated in this Consolidated Annual Audit Report (CAAR), where appropriate.

**G. Summary of Audit Suspensions, Disallowances and Charges**

As of December 31, 2018, DOLE had total unsettled suspensions, disallowances and charges of ₱134,557,788.04, ₱39,563,106.68 and ₱23,688.19, respectively.

**H. Status of Implementations of Prior Year’s Audit Recommendations**

Of the 77 audit recommendations embodied in the prior year’s CAAR, 27 were fully implemented and 50 were not implemented as shown below. The details of prior year’s recommendations are discussed in Part III of the Report.

<b>Status</b>	<b>Number</b>	<b>Percent</b>
Fully Implemented	27	35.06
Not Implemented	50	64.94
<b>Total</b>	<b>77</b>	<b>100.00</b>