



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

**NATIONAL GOVERNMENT AUDIT SECTOR
CLUSTER 5 – EDUCATION AND EMPLOYMENT**

June 28, 2022

Ms. MARIA TERESITA L. CANCIO
Executive Director IV
National Conciliation and Mediation Board
Quezon Ave., Quezon City

NATIONAL CONCILIATION AND MEDIATION BOARD
OFFICE OF THE EXECUTIVE DIRECTOR

RECEIVED BY: Juny 6/29/22

Dear Director Cancio:

We are pleased to transmit the Consolidated Annual Audit Report on the National Conciliation and Mediation Board for Calendar Year 2021 in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Presidential Decree No. 1445, the State Audit Code of the Philippines.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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 the implementation of prior year's audit recommendations. We believe that the audit provides a reasonable basis for rendering an unmodified opinion on the fairness of the presentation of the financial statements.

The attached report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and the Status of Implementation of Prior Year's Audit Recommendations which were discussed with the concerned Management officials and staff.

We request a status report on the actions taken on the audit recommendations within sixty (60) days from receipt of the report hereof, pursuant to Section 91 of the General Provisions of the General Appropriations Act of Fiscal Year 2021 (RA No. 11518) using the attached Agency Action Plan and Status of Implementation (Annex A), copy furnished the Department of Budget and Management, the Speaker of the House of Representatives, the President of the Senate of the Philippines, the House Committee on Appropriations and the Senate Committee on Finance.

We express our appreciation for the valuable support and cooperation extended to the Audit Team by the officials and staff of the Agency.

Very truly yours,


ELINORE C. LAVILLA
Director IV



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CONSOLIDATED ANNUAL AUDIT REPORT

on the

NATIONAL CONCILIATION AND MEDIATION BOARD

For the Year Ended December 31, 2021

EXECUTIVE SUMMARY

A. Introduction

The National Conciliation and Mediation Board (NCMB) was created by virtue of Executive Order (EO) No. 126 on January 31, 1987 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 is under the administrative supervision of the Secretary of Labor and Employment. It 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 counselling 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 Maria Teresita L. Cancio, and assisted by a Deputy Executive Directors. 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; and
2. Internal Services Department – Administrative Division; Financial and Management Division; and Research and Information Division.

The Board has 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.

For Calendar Year (CY) 2021, the NCMB has 249 itemized regular positions, of which 203 were filled-up and 46 were unfilled at yearend.

B. Operational Highlights

For CY 2021, the NCMB reported the following accomplishments:

Programs/Projects/Activities	Target	Accomplishments	Percentage of Accomplishment
LABOR MANAGEMENT PARTNERSHIP AND EMPOWERMENT PROGRAM			
Labor Management Cooperation (LMC) Improved			
Outcome Indicators:			
Percentage of incidence of Preventive Mediation (PM) and Notices of Strike/Lockout (NS/L) cases involving companies with LMCs	Not more than 10%	121 companies out of the 4,429 companies with LMC have incidence of PM and NS/L cases	2.73
Percentage of incidence of Preventive Mediation (PM) and NS/L cases involving companies with Grievance Machineries (GMs)	Not more than 10%	121 GMs out of the 4,410 companies with active GMs have incidence of PM and NS/L cases	2.74
Output Indicators:			
LMCs Facilitated	322	346	107.45
LMCs Enhanced	1,343	1,815	135.14
GMs Institutionalized/ Operationalized	322	343	106.52

Programs/Projects/Activities	Target	Accomplishments	Percentage of Accomplishment
GMs Enhanced	1,343	1,815	135.14
Labor Dispute Settled/Resolved			
LABOR CASE MANAGEMENT PROGRAM			
Outcome Indicators:			
Not more than 6% of NS/L handled resulted to strike incidence	Not more than 6% of NS/L handled resulted to strike incidence	1/158	0.63
Output Indicators:			
<i>Disposition Rate:</i>			
Actual Strike/Lockout (AS/L)	100%	2/4	50.00
Voluntary Arbitration (VA) cases	60%	1,328/1,766	75.20
<i>Settlement Rate:</i>			
Single Entry Approach (SENA)	70%	2,207/3,602	61.30
Request for Assistance (RFAs)			
Preventive Mediation (PM) cases	85%	405/448	90.40
NS/L cases	70%	125/158	79.11
RFAs/Cases Settled within Process	60%	2,521/3,996	63.09
Cycle Time (PCT)			

C. Financial Highlights

The NCMB had the total appropriations of ₱295,721,670.00 under RA No. 11518, the General Appropriations Act (GAA) for Fiscal Year (FY) 2021, consisting of agency specific budget of ₱263,602,000.00, augmented by automatic appropriations of ₱15,597,520.00 and Special Purpose Funds of ₱16,522,150.00. The total allotments received amounted to ₱295,360,670.00, of which obligations of ₱269,182,139.25, were incurred leaving an unobligated balance of ₱26,178,530.75 as at yearend, summary of which is presented below:

Source of Funds	Appropriations	Allotment	Obligations Incurred	Unobligated Balance
(In PhP)				
A. Current Year Budget				
1. Agency Specific Budget				
Personnel Services (PS)	166,728,500.00	166,728,500.00	166,728,500.00	0.00
Maintenance and Other Operating Expenses (MOOE)	86,041,500.00	86,041,500.00	63,199,445.82	22,842,054.18
Capital Outlay (CO)	10,832,000.00	10,832,000.00	7,498,123.73	3,333,876.27
Subtotal	263,602,000.00	263,602,000.00	237,426,069.55	26,175,930.45
2. Automatic Appropriations				

Source of Funds	Appropriations	Allotment	Obligations Incurred	Unobligated Balance
	(In PhP)			
Retirement and Life Insurance Premium	15,236,520.00	15,236,520.00	15,236,520.00	0.00
Special Voluntary Arbitration Fund	361,000.00			0.00
Subtotal	15,597,520.00	15,236,520.00	15,236,520.00	0.00
3. Special Purpose Funds				
Miscellaneous Personnel Benefits Fund	16,522,150.00	16,522,150.00	16,519,549.70	2,600.30
Subtotal	16,522,150.00	16,522,150.00	16,519,549.70	2,600.30
Grand Total	295,721,670.00	295,360,670.00	269,182,139.25	26,178,530.75

The NCMB also had a Continuing Appropriations totaling ₱5,734,639.95 from FY 2020 unobligated allotment, in which total obligations of ₱5,710,049.63 were incurred, leaving an unexpended balance of ₱24,590.32 as at yearend, as follows:

Source of Funds	Appropriations	Allotment	Obligations Incurred	Unobligated Balance
	(In PhP)			
B. Continuing Appropriations				
Personnel Services (PS)	151,611.19	151,611.19	151,611.19	0.00
Maintenance and Other Operating Expenses (MOOE)	4,787,327.26	4,787,327.26	4,787,327.26	0.00
Capital Outlay (CO)	795,701.50	795,701.50	771,111.18	24,590.32
Total	5,734,639.95	5,734,639.95	5,710,049.63	24,590.32

The Agency's comparative financial position and performance for CYs 2021 and 2020 are as follows:

Particulars	CY 2021 (In PhP)	CY 2020 (In PhP)
		(restated)
Financial Position		
Assets	92,678,455.78	70,177,999.38
Liabilities	49,891,661.84	30,356,643.63
Equity	42,786,793.94	39,821,355.75
Financial Performance		
Revenue	319,103.73	235,239.92
Less: Current Operating Expenses		
Personnel Services	198,414,580.89	178,074,005.47
Maintenance and Other Operating Expenses	61,219,429.68	50,199,842.17
Financial Expenses	583,120.68	654,955.08
Non-Cash Expenses	9,718,577.58	8,880,559.70

Particulars	CY 2021 (In PhP)	CY 2020 (In PhP)
Total Current Operating Expenses	269,935,708.33	237,809,362.42
Surplus (Deficit) from Current Operations	(269,616,605.10)	(237,574,122.50)
Net Financial Assistance/Subsidy	272,641,563.90	245,269,291.37
Sale of Assets	1,500.00	850.00
Gains	2,702.00	4,500.00
Losses	29,002.65	114,358.54
Surplus (Deficit) for the Period	3,000,158.15	7,586,160.33

D. Scope of Audit

The audit covered the accounts and operations of the NCMB for the year 2021. The audit was conducted to: (a) ascertain 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; and (c) determine the extent of implementations of prior years' audit recommendations.

E. Independent Auditor's Report on the Financial Statements

The Audit Team rendered an unmodified opinion on the fairness of the presentation of the NCMB's consolidated financial statements for CY 2021.

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 of this Report:

1. Total misstatements of ₱667,905.48 was found in the audit of Inventories, Other Current Assets, Property, Plant and Equipment (PPE) and Intangible Assets accounts of the NCMB due to accounting errors, omission and misstatements thus affecting the accuracy, existence, classification, and valuation assertions on the reported balances of the affected accounts. The impact of such errors and omissions does not significantly affect the overall fair presentation of the financial statements as at December 31, 2021. (*Observation No. 1*)

We recommended and Management agreed to:

For Inventories Assets account

- **require the Accountant-Designate to effect the necessary adjustment to reflect the correct balance of Office Supplies Inventory and related accounts as of December 31, 2021. (RCMB XI)**

- ascertain compliance with the above-stated provisions, particularly Section 10(b), Chapter 8, Volume 1 of the GAM. (RCMB IV-A)
- require the Accountant-Designate to strictly adhere and observe properly the Perpetual Inventory Method of accounting for supplies and materials and to effect the necessary adjustment to reflect the correct balance of Office Supplies Inventory and related accounts as of December 31, 2021. (RCMB NCR)

For Other Current Assets

- to require the Accountant Designate to reclassify Prepaid Rent to Guaranty Deposit, pursuant to COA Circular No. 2020-001 or the Revised Chart of Accounts (Updated 2019). (RCMB IV-A)
- comply with the recommendation to direct the Accountant Designate to record expenses relating to the year incurred, using the proper accounts and set up pertinent prepayments to achieve fair presentation of the FS. (RCMB IX)

For Property, Plant and Equipment accounts

We recommended and the Regional Branch Director agreed to:

RCMB I, II, and XIII

- ensure compliance with Sections 27 and 40 of the GAM, Volume I on the proper use of accounting estimates for the computation of depreciation of PPE. Henceforth, observe proper provision of depreciation of the PPE taking into consideration the date of acquisition and estimated useful life of the equipment.
- direct the Accountant-Designate to maintain a lapsing schedule for all PPE items to facilitate the computation of depreciation expenses. Adjust the overstatement of the Accumulated Depreciation and Accumulated Surplus (Deficit) accounts to rectify the errors and to present the PPE at its appropriate carrying amount. Instruct the Accountant Designate to effect the necessary adjusting entries.

For Intangible Assets

We recommended and Management has agreed to require the Accountant:

- **to reclassify the Computer Software to its proper account-Information and Communications Technology Equipment and take up the corresponding depreciation expenses. (RCMB IV-A)**
 - **to make the necessary adjusting journal entries to appropriately recognized the payment made for 1 year subscription of adobe creative cloud to present fairly the reported balance of the related accounts in the FS. (RCMB NCR)**
2. Various deficiencies were noted in the accounting records and supporting schedules/documents due to lack of reconciliation, non-preparation or submission of supporting documents/schedules, misclassification of accounts used, lapses in the internal controls which affected the reliability of the year-end balances of Cash, Inventories, Other Assets, Intangibles, PPE, Liabilities and Expenses accounts in the aggregate amount of ₱12,929,947.14. (*Observation No. 2*).

We recommended and Management agreed to:

For Cash Account

- a. **direct the Accountant-Designate to effect the necessary adjustments by debiting particular expenses and crediting Cash, MDS Regular, in all payment for operating expenses and require the Accountant-Designate to record all transactions to its appropriate account to ensure that accurate account balances are reflected in the financial statements. (RCMB XIII)**
- b. **require the Accountant-Designate to account for canceled checks in accordance with the guidelines laid down in Chapter 6 Section 44 and 45 of Government Accounting Manual (GAM) Volume I. (RCMB NCR)**
- c. **direct the Accountant-Designate to prepare the necessary adjusting entry on the cancellation of the stale-dated checks for the fairness of accounts presentation in the financial statements and to strictly observe provisions of GAM, particularly Chapter 21 on the preparation of the BRS, and Sec. 44 of Chapter 6, Section 56, Chapter 19 on the proper treatment of stale, voided, or spoiled checks. (RCMB XI)**

For Inventories account

- d. direct the Accountant-Designate to reclassify to the appropriate accounts the procurement of the Anti-Virus Software to achieve fair presentation of the FS. (RCMB VIII and IX)**
- e. instruct the Accountant-Designate and Property/Supply Officer to reconcile the unaccounted balances of Inventories accounts per SLC and SC amounting to ₱78,671.98 to present accurately the receipt and issuance of supplies and materials. Likewise regular reconciliation be done between Accountant-Designate and Property/Supply Officer.(RCMB NCR)**
- f. ensure compliance with COA Circular 2020-001 by instructing the Accountant to use the proper account titles prescribed under the Revised Chart of Accounts for fair presentation of the Agency's financial statements. (RCMB I and XI)**
- g. direct the Accountant to prepare and submit to the Audit Team the necessary adjustments for reclassification of the affected Office Supplies Inventory Account and the corresponding recording of the Semi-Expendable Machinery and Equipment Account. (RCMB VIII)**
- h. require the Accountant to provide the lacking documents for the procured office supplies totaling P126,081.00 and the adjustment for erroneous recording of inventory items amounting P5,600.00 and ensure that all JEV are supported with the required documents. (NCMB CO)**
- i. instruct the Accounting Unit to prepare their Supply Ledger Cards and record promptly the acquisition and issuance of the inventory items. (RCMB X)**
- j. require the Accountant to accomplish the "unit cost and amount" portion of the RSMIs and provide the required RIS to support the recording of the issued inventory items and ensure all RSMI are duly signed and completely accomplished. (NCMB CO)**
- k. require the Property/Supply Officer to accomplish and maintain Stock Cards in the receipts and issuances of Office Supplies Inventory and ensure all RSMI are duly signed and completely accomplished and supported with RIS as required by Chapter 8 of Volume I of the GAM.(NCMB CO)**
- l. require the Inventory Committee to conduct inventory taking in a timely manner and submit the required RPCI within the prescribed**

period as required by Section 17, Chapter 8 of Volume I of the GAM to enable the audit team to make a decision in audit. (RCMB NCR)

- m. require the Inventory Committee to conduct inventory taking in a timely manner and submit the required RPCI within the prescribed period as required by Section 13 and 17, Chapter 8 and Section 38, Chapter 10 of Volume I of the GAM to enable the audit team to make a decision in audit and members of the Inventory Committee. (NCMB CO, RCMB NCR and XI)**
- n. submit an explanation/justification why they were not able to conduct the scheduled Physical Inventory Count for CY 2021 (NCMB CO and RCMB NCR)**
- o. require the Property/Supply Officer-Designate to accomplish and maintain ICS for issued Semi-Expendable Items as required by Section 11, Chapter 8 of Volume I of the GAM. (RCMB NCR)**

For Property, Plant and Equipment accounts

- p. require the Accountant – Designate and the Property/Supplier Officer to conduct regular reconciliation of their records to establish the existence, completeness and accuracy of the account balance as required in Section 58, Chapter 2 of PD No.1445 and Section 42(g), Chapter 10 of GAM for NGAs, Volume I to arrive at a reconciled account balances per books and per count. (RCMB IV-A and NCR).**
- q. require the Accountant to reclassify the recording in the Agency's books the misclassified accounts pursuant to the Revised Chart of Accounts-Updated 2019 of COA Circular 2020-001 dated January 8, 2020 and immediately furnish the Audit Team with a copy of the Journal Entry Voucher. (RCMB VIII and CO)**
- r. require the Property/Supplier Officer to the accomplish the IIRUP for disposal of these properties and submit the same to the Disposal Committee for their appropriate inspection/appraisal and cause the immediate disposal of those unserviceable property in accordance with Section 40(d), Chapter 10 of GAM for NGAs, Volume I to prevent further loss of its economic value, and to enable the Agency to use the space presently being occupied by the said property for other beneficial purposes. (RCMB NCR);**
- s. communicate to end-users to inform the Property Office of the list of properties that are no longer in use for inclusion in the IIRUP for disposal. (NCMB CO)**

- t. require The Property/Supplier Officer to provide the necessary documents on the approval of the head of the agency pertaining to the transfer/return of the ICT Equipment made to DOLE-ILAB pursuant to COA Circular No. 89-296 dated January 27, 1989 otherwise held the previous Property/Supply Officer liable on the unauthorized transfer made as required under Section 101 of PD 1445. (RCMB NCR)
- u. submit a written explanation on the Agency's non-conduct of physical count of Inventories and PPE during the calendar year 2021; (RCMB XI).
- v. require the Inventory Committee to fully comply/observe the Guidelines and Procedures in the conduct of Physical Count of PPE in accordance with provisions set forth in COA Circular No. 2020-006 dated January 31, 2020. (NCMB CO and NCR)
- w. require the Accountant to submit to the Audit Team the supporting/lapsing schedules to the monthly JEV to account Depreciation Expense in CY 2021 (NCMB CO)
- x. require the Property/Supply Officer to maintain and regularly update the PCs as required by Section 42, Chapter 10 of Volume I of the GAM and prepare and regularly update the required Property Transfer Report and Property Acknowledgement Receipt (PAR) for the returned fully depreciated but still usable properties issued to current end-users in order to establish accountability thereof. (RCMB CO and NCR)
- y. require The Property/Supplier Officer to accomplished the IAR upon actual delivery of the PPE and make sure to submit the same to the Accounting Section together with other documentary requirements necessary for appropriate recording in the books. (RCMB NCR)

For Liabilities accounts

- z. require the Accountant Designate to follow strictly COA Circular No. 2020-001 dated January 8, 2020 on the description of accounts and to prepare an adjusting journal entry to reclassify the unpaid claims of employees totaling P280,600.00 recorded under Accounts Payable instead of Due to Officers and Employees account and immediately furnish the Audit Team with a copy of the Journal Entry Voucher (JEV). (RCMB II,VII, XIII)
- aa. require the Accountant to immediately submit to the audit team the supporting documents to verify the validity of the claims and to

record only accounts payable with complete and valid supporting documents and to strictly comply with the above cited rulings to recognize liabilities. (NCMB CO)

bb. require the Accountant to reconsider/review if the previous employees still have accountabilities from money, property and legal accountabilities and exhaust best effort to inform the payee/former employee on the supporting documents that needs to comply with for the payment of their last salary. (RCMB NCR)

cc. require the Accountant to revert the outstanding payable for two years or more and those without the required supporting documents pursuant to Section 98 of the PD No. 1445 and Executive Order (EO) No. 87, s. 2019 dated August 13, 2019. (RCMB NCR)

For Expenses accounts

dd. require the Accountant to make the necessary adjusting entry in the recording of the above purchased of adobe creative clouds and the one (1) year subscription for thirteen (13) hosts of Zoom Meeting with ESCO Unified Solutions Inc. Records. (NCMB CO)

ee. use the appropriate accounts in recording transactions pursuant to COA Circular No. 2020-001 or the Revised Chart of Accounts (Updated 2019, for the correct presentation of the financial statements. (RCMB I,II,IV-A and IX)

For Various accounts

ff. direct the Accountant-Designate to update the required General Ledgers and Subsidiary Ledgers pursuant to the pertinent provisions of the GAM for National Government Agencies and PD 1445 in order to facilitate review of the account balances at any given time. (RCMB X)

gg. require the Accountant Designate to correct all the deficiencies noted and provide all the information and disclosure requirements necessary in the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Asset/ Equity, Statement of Cash Flows, Notes to Financial Statements, and Statement of Comparison of Budget and Actual Amounting compliance with the above cited provisions under Government Accounting Manual for NGAs, Volume I. (RCMB IV-A)

- 3. Of the Requests for Assistance (RFAs) handled under SEnA of the NCMB CO and its RCMBs totaling 3,602, only 2,207 or 61.30 percent were settled**

against a performance target of 70 percent. Moreover, only 58.9 percent were settled within the Process Cycle Time (PCT) against the performance target of 60 percent, contrary to the provision of Section 2 of RA No. 10396. Hence, the purpose of SEnA for the judicious speedy settlement of labor issues or conflicts was not fully attained. (*Observation No. 3*)

We recommended that the Management continue to focus on its good performance for disposition of RFAs based on its targets.

On the settlement of RFAs however, we reiterate our previous year's recommendation that Management direct the SEADO to:

- a. continue to monitor the status of each case handled and exert their best effort to address constraints toward the early settlement of labor disputes and eventually to achieve a high settlement rate; and**
 - b. issue referral to the requesting party within one day under the following circumstances:**
 - b.1. expiration of the 30-day mandatory conciliation-mediation period, unless there is a request for extension;**
 - b.2. failure of the parties to reach an agreement within the 30-day mandatory conciliation-mediation period;**
 - b.3. non-appearance of the responding party in two scheduled consecutive conferences despite due notices;**
 - b.4. non-settlement of one or some issues but not all RFA with multiple issues; or**
 - b.5. non-compliance with the Agreement.**
4. The Board achieved a disposition rate of 75.20 % or 1,328 decided/settled cases out of 1,766 total cases handled for resolution as of December 31, 2021 which is beyond the target disposition rate of 60% for the VA Program committed under the FY 2021 GAA. However 342 or 78.08 percent of the 438 cases pending at year-end were already beyond the 90-day PCT, indicating the need to improve the speedy disposition of cases. Moreover, the RCMB NCR's Summary Report on VA cases handled for the period January to December 2021 showed discrepancies with the data reported by the Voluntary Arbitration Division (VAD) of the NCMB Central Office (CO). (*Observation No. 4*)

We recommended that the Management continuously:

- a. monitor the timeframe within which arbitration cases submitted for resolution are decided/disposed;**

- b. maintain continuous communication with the AVAs to remind them of the current status of their pending cases to ensure that cases are disposed within the 90-day PCT and cases are decided by the Arbitrator within the period agreed by the parties or twenty (20) calendar days from submission of case for decision; and
- c. have a proper accounting and monitoring of data to avoid the discrepancy noted in the current beginning balance as compared to previous year's ending balance.

We further recommended that RCMB NCR coordinate with Voluntary Arbitration Division of Central Office to review the system related to the data management and controls to test the completeness, accuracy, validity of information and reliability of reports generated on case disposition and reconcile the status of reports.

The above audit observations and recommendations were discussed with Agency officials in an Exit Conference on May 12, 2022 and their comments were considered in the Report, where appropriate.

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

Audit disallowances and suspensions amounting to ₱70,324,645.95 and ₱375,428.37, respectively, remained unsettled as of December 31, 2021. The details are shown in Part II of this Report.

H. Status of Implementation of Prior Years' Audit Recommendations

Out of the 56 prior years' audit recommendations, 43 or 76.79 percent were fully implemented and 13 or 23.21 percent was not implemented. The details of prior years' recommendations are discussed in Part III of this Report.

Status of Implementation	Number	Percentage
Fully Implemented	43	76.79
Not Implemented	13	23.21
Total	56	100.00

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PART I

AUDITED FINANCIAL STATEMENTS

PART II

OBSERVATIONS AND RECOMMENDATIONS

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

Ms. MARIA TERESITA L. CANCIO
Executive Director
National Conciliation and Mediation Board
Quezon Avenue, Quezon City

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the **National Conciliation and Mediation Board (NCMB)**, which comprise the Statement of Financial Position as at December 31, 2021, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the **NCMB** as at December 31, 2021, and its financial performance, changes in net assets/equity, cash flows, comparison of budget and actual amounts for the year then ended in accordance with the International Public Sector Accounting Standards (IPSASs).

Basis for Unmodified Opinion

We conducted the audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the **NCMB** in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Official and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the NCMB financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatements of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NCMB's internal control.
- Evaluate appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

COMMISSION ON AUDIT



MOONYEEN G. ESPINO
OIC - Supervising Auditor

May 15, 2022



Republic of the Philippines

DEPARTMENT OF LABOR AND EMPLOYMENT

NATIONAL CONCILIATION AND MEDIATION BOARD

4th-6th Floors, Arcadia Building, 860 Quezon Avenue, Brgy. Paligsahan, Quezon City 1103

Tel Nos.: (02) 8332-4176 / 8332-4179 / 8332-4180/8256-5090


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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **National Conciliation and Mediation Board** is responsible for all information and representations contained in the accompanying Statement of Financial Position as at **December 31, 2021** and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the International Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal control to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.


HARRY A. CURAZA
Accountant III
April 20, 2022


MARIA TERESITA D. LACSAMANA - CANCIO
Executive Director IV
April 20, 2022

NATIONAL CONCILIATION AND MEDIATION BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(ALL FUNDS)
As at December 31, 2021

	Note	2021	2020 (As Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	P 41,131,526.98	P 19,819,997.76
Receivables	7	233,127.02	6,012,670.25
Inventories	8	3,268,918.62	2,172,550.04
Other Current Assets	9	1,668,911.58	1,129,325.53
Total Current Assets		46,302,484.20	29,134,543.58
Non-Current Assets			
Property, Plant and Equipment	10	45,157,451.24	39,794,707.80
Intangible Assets	11	675,639.68	478,814.75
Other Non-Current Assets	12	542,880.66	769,933.25
Total Non-Current Assets		46,375,971.58	41,043,455.80
Total Assets		92,678,455.78	70,177,999.38
LIABILITIES			
Current Liabilities			
Financial Liabilities	13	9,890,521.33	11,578,335.62
Inter-Agency Payables	14	479,070.24	208,964.99
Trust Liabilities	15	39,476,013.27	18,523,286.02
Deferred Credits/Unearned Income	16	46,057.00	46,057.00
Other Payables		-	-
Total Current Liabilities		49,891,661.84	30,356,643.63
Total Liabilities		49,891,661.84	30,356,643.63
TOTAL ASSETS LESS TOTAL LIABILITIES		42,786,793.94	39,821,355.75
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)		42,786,793.94	39,821,355.75
TOTAL NET ASSETS/EQUITY		P 42,786,793.94	P 39,821,355.75

This statement should be read in conjunction with the accompanying notes.

NATIONAL CONCILIATION AND MEDIATION BOARD
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
(ALL FUNDS)
For the Year Ended December 31, 2021

	Note	2021	2020 (As Restated)
Revenue			
Service and Business Income	17	P 319,103.73	P 235,239.92
Shares, Grants and Donations		-	-
Total Revenue		319,103.73	235,239.92
Less: Current Operating Expenses			
Personnel Services	18	198,414,580.89	178,074,005.47
Maintenance and Other Operating Expenses	19	61,219,429.68	50,199,842.17
Financial Expenses	20	583,120.68	654,955.08
Non-Cash Expenses	21	9,718,577.58	8,880,559.70
Total Current Operating Expenses		269,935,708.83	237,809,362.42
Surplus (Deficit) from Current Operations		(269,616,605.10)	(237,574,122.50)
Net Financial Assistance/Subsidy	22	272,641,563.90	245,269,291.37
Sale of Assets	23.1	4,202.00	850.00
Gains	23.2	-	4,500.00
Losses	23.3	29,002.65	114,358.54
Surplus (Deficit) for the period		P 3,000,158.15	P 7,586,160.33

This statement should be read in conjunction with the accompanying notes.

NATIONAL CONCILIATION AND MEDIATION BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS/EQUITY
(ALL FUNDS)
For the Year Ended December 31, 2021

	<u>Note</u>	<u>2021</u>	<u>2020</u> <u>(As Restated)</u>
Balance at January 1	P	39,821,355.75	P 34,719,443.73
Add/(Deduct):			
Prior Year's Adjustments	5	-	436,343.31
Restated Balance		<u>39,821,355.75</u>	<u>35,155,787.04</u>
Add/(Deduct):			
Changes in Net Assets/Equity for the Calendar Year			
Adjustment of Net Revenue recognized in net assets/equity		(204,206.65)	(341,539.73)
Surplus/(Deficit) for the period		3,000,158.15	7,149,817.02
Other Adjustments	25	169,486.69	(2,142,708.58)
Balance at December 31	P	<u>42,786,793.94</u>	P <u>39,821,355.75</u>

This statement should be read in conjunction with the accompanying notes.

NATIONAL CONCILIATION AND MEDIATION BOARD
CONSOLIDATED STATEMENT OF CASH FLOWS
(ALL FUNDS)

For the Year Ended December 31, 2021

	Note	2021	2020 (As Restated)
Cash Flows From Operating Activities			
Cash Inflows			
Receipt of Notice of Cash Allocation	22	P 304,464,351.00	P 251,063,658.00
Collection of Income/Revenues		303,068.70	246,050.00
Collection of Receivables		910.25	28,947.00
Trust Receipts		21,358,889.20	4,725,659.53
Other Receipts		359,939.35	618,128.06
Adjustments		435,736.96	32,671.75
Total Cash Inflows		326,922,895.46	256,715,114.34
Cash Outflows			
Remittance to National Treasury		204,206.65	341,539.73
Payment of Expenses		186,825,458.78	178,940,049.60
Purchase of Inventories		4,835,347.88	3,230,943.15
Grant of Cash Advances		2,074,984.44	2,987,519.99
Prepayments		411,230.45	251,776.56
Payment of Accounts Payable		4,311,966.97	6,002,427.28
Remittance of Personnel Benefit Contributions and Mandatory Deductions		41,871,028.54	20,564,139.27
Grant of Financial Assistance/Subsidy		35,000.00	50,000.00
Release of Inter-Agency Fund Transfers		-	173,604.36
Other Disbursements		1,942,661.68	1,503,263.22
Reversal of Unutilized NCA		55,483,125.76	26,915,303.87
Adjustments		382,158.97	985,308.60
Total Cash Outflows		298,377,170.12	241,945,875.63
Net Cash Provided by Operating Activities		28,545,725.34	14,769,238.71
Cash Flows from Investing Activities			
Cash Inflows			
Proceeds from Sale/Disposal of Property, Plant and Equipment		2,700.00	-
Proceeds from Sale of Other Assets		702.00	-
Total Cash Inflows		3,402.00	-
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		7,237,598.12	10,498,141.65
Purchase of Intangible Assets		-	167,261.43
Total Cash Outflows		7,237,598.12	10,665,403.08
Net Cash Provided Used by Investing Activities		(7,234,196.12)	(10,665,403.08)
Increase(Decrease) in Cash and Cash Equivalents		21,311,529.22	4,103,835.63
Add: Cash Balance, January 1		19,819,997.76	15,716,162.13
Cash Balance, December 31	6	P 41,131,526.98	P 19,819,997.76

This statement should be read in conjunction with the accompanying notes.

NATIONAL CONCILIATION AND MEDIATION BOARD
CONSOLIDATED
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
(ALL FUNDS)
For the Year Ended December 31, 2021
(In Pesos)

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
RECEIPTS				
Service Income	400,000.00	400,000.00	303,000.00	(97,000.00)
Total Receipts	400,000.00	400,000.00	303,000.00	(97,000.00)
PAYMENTS				
Personnel Services	174,196,000.00	198,638,781.19	195,863,775.95	2,775,005.24
Maintenance and Other Operating Expenses	93,996,964.00	91,189,827.26	65,138,858.92	26,050,968.34
Capital Outlay	12,061,195.00	11,627,701.50	7,204,703.73	4,422,997.77
Total Payments	280,254,159.00	301,456,309.95	268,207,338.60	33,248,971.35
NET RECEIPTS/(PAYMENTS)	(279,854,159.00)	(301,056,309.95)	(267,904,338.60)	(33,345,971.35)

NATIONAL CONCILIATION AND MEDIATION BOARD

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2021

1. General Information/Agency Profile

The consolidated financial statements (FSs) of the National Conciliation and Mediation Board (NCMB) were authorized for issue on April 20, 2022 as shown in the Statement of Management's Responsibility for Financial Statements signed by Mr. Harry A. Curaza, Accountant III, and Ms. Maria Teresita D. Lacsamana-Cancio, Executive Director IV.

Created by virtue of Executive Order (EO) No. 126, reorganizing the Department of Labor and Employment, the NCMB 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. The Agency's registered office is located in 4th-6th Floors, Arcadia Building, 860 Quezon Avenue, Quezon City.

2. Statement of Compliance and Basis of Preparation of Financial Statements

The consolidated FSs have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) issued by the Commission on Audit per COA Resolution No. 2020-001 dated January 9, 2020.

The consolidated FSs have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

3. Summary of Significant Accounting Policies

3.1 Basis of accounting

The consolidated FSs are prepared on an accrual basis in accordance with the IPSASs.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as detailed above, net of outstanding bank overdrafts.

3.3 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for an nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the NCMB.

Semi-expendable property are tangible items which are below the capitalization threshold of ₱15,000.00 and above. They are accounted as inventory account upon initial recognition and recognized as expenses upon issuance to the end-user.

3.4 Property, Plant and Equipment (PPE)

Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity;
- The cost or fair value of the item can be measured reliably; and
- Tangible items which meet the capitalization threshold of ₱15,000.00 and above.

Measurement at Recognition

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Expenditure that is directly attributable to the acquisition of the items; and
- Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement After Recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the NCMB recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if

the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

Depreciation Method

The straight-line method of depreciation shall be adopted unless another method is more appropriate for agency operation.

Estimated Useful Life

The NCMB uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.

The NCMB uses a residual value equivalent to at least five percent of the cost of the PPE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

Derecognition

The NCMB derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.5 Intangible Assets

Recognition and Measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in PPSAS 5, Borrowing Costs.

Recognition of an Expense

Expenditure on an intangible item shall be recognized as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

Subsequent Measurement

The useful life of the intangible assets is assessed as either finite or indefinite.

An intangible asset with a finite life is amortized over its useful life.

The straight-line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset with indefinite useful life shall not be amortized.

Intangible assets with an indefinite useful life or an intangible asset not yet available for use are assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

3.6 Provisions

Provisions are recognized when the NCMB has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the NCMB expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Provisions are reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

Contingent liabilities

The NCMB does not recognize a contingent liability, but discloses details of any contingencies in the Notes to FSs, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The NCMB does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the NCMB in the Notes to the FSs. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the FSs. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.7 Changes in accounting policies and estimates

The NCMB recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The NCMB recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

The NCMB correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- restating the comparative amounts for prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.8 Revenue from non-exchange transactions

Recognition and Measurement of Assets from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

Recognition Revenue from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As NCMB satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

Measurement of Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

Fees and fines not related to taxes

The NCMB recognizes revenues from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Gifts and Donations

The NCMB recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which were ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value is ascertained by reference to quoted prices in an active and liquid market.

Transfers

The NCMB recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Board and can be measured reliably.

3.9 Budget information

The annual budget is prepared on a cash basis and is published in the government website.

As a result of the adoption of the cash basis for budgeting purposes, a separate Statement of Comparison of Budget and Actual Amounts is presented showing the basis, timing or entity differences.

3.10 Impairment of Non-Financial Assets

Impairment of cash-generating assets

At each reporting date, the NCMB assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the NCMB estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or the CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Board estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit.

Impairment of non-cash-generating assets

The NCMB assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the NCMB estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

The NCMB classifies assets as cash-generating assets when those assets are held with the primary objective of generating a commercial return. Therefore, non-cash generating assets would be those assets from which the NCMB does not intend (as its primary objective) to realize a commercial return.

3.11 Employee benefits

The employees of the NCMB are members of the Government Service Insurance System (GSIS), which provides retirement and life insurance coverage.

The NCMB recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

The NCMB recognizes expenses for accumulating compensated absences when these are paid (commuted or paid as terminal leave benefits). Unused entitlements that have accumulated at the reporting date are not recognized as expense. Non-accumulating compensated absences, like special leave privileges, are not recognized.

3.12 Measurement uncertainty

The preparation of consolidated FSs, in conformity with IPSAS, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. Changes in Accounting Policies

On January 2014, the Board adopted the IPSAS, which replaced the existing accounting standards. The new standards include the requirement for recognition, measurement, presentation and disclosure of elements of FSs and are effective on January 1, 2014. This accounting change had no significant impact on the NCMB's consolidated FSs.

5. Prior Period Adjustments

The NCMB has determined that errors can arise in respect of the recognition, measurement, presentation, or disclosure of elements of FSs. However, errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the FSs for that subsequent period.

Particulars	Net Effect/Adjustment to Accumulated Surplus/(Deficit)
Adjustment of Due from Officers and Employees (Central Office)	37,515.79
Adjustment of Amortization-Computer Software (Central Office)	(119,485.96)
Adjustment of Office Supplies Inventory (RCMB NCR)	98,024.94
Adjustment of Accounts Payable (RCMB NCR)	34,705.00
Adjustment of Traveling Expenses (RCMB NCR)	3,500.00
Adjustment of Overtime Pay (RCMB NCR)	771.59
Adjustment of Prepaid Insurance (RCMB CAR)	(9,516.81)
Adjustment of Prepaid Insurance (RCMB II)	36,050.00
Adjustment of Accounts Payable (RCMB IV-A)	(17,836.84)
Adjustment of Prepaid Rent (RCMB IV-A)	75,400.00
Adjustment of Guaranty Deposit (RCMB IV-A)	150,800.00
Adjustment of Information and Communication Technology Equipment (RCMB IV-B)	160,125.00
Adjustment of Communication Equipment (RCMB VIII)	(6,349.40)
Adjustment of Information and Communication Technology Equipment (RCMB VIII)	(12,400.00)
Adjustment of Petty Cash Fund (RCMB VIII)	240.00
Adjustment of Office Equipment (RCMB IX)	4,800.00
Total	₱436,343.31

6. Cash and Cash Equivalents

Accounts	Amount	
	2021	2020 (As Restated)
Cash-Collecting Officers	₱21,225.99	₱0.00
Petty Cash	250,642.36	155,854.13
Cash in Bank - Local Currency, Current Account	20,000.00	80,212.25
Cash in Bank - Local Currency, Savings Account	500.00	500.00
Cash – Treasury/Agency Deposit, Special Account	1,198,085.36	895,085.36
Cash – Treasury/Agency Deposit, Trust	39,641,073.27	18,688,346.02
Total	₱41,131,526.98	₱19,819,997.76

- 6.1** The Cash-Collecting Officers account include refund of cash advance made in December 2021 which was deposited in January 2022.
- 6.2** The Petty Cash account pertains to the amount granted to duly designated Petty Cash Custodian for payment of authorized petty or miscellaneous expenses. The CY 2020 balance was restated from ₱155,614.13 to ₱155,854.13 due to an adjustment for unreplenished expenses incurred in prior year amounting to ₱240.00

6.3 The Cash in Bank – Local Currency, Current Account consists of:

Particulars	2021	2020
NCMB CO		
ATM Payroll Account	₱10,000.00	₱10,000.00
NCMB-SF (Trust)	10,000.00	70,212.25
Grand Total	₱20,000.00	₱80,212.25

6.4 The Cash in Bank - Local Currency, Savings Account pertains to the HDMF Remittance Facility of RCMB VII pursuant to HDMF Fund Circular No. 355.

6.5 The Cash – Treasury/Agency Deposit, Special pertains to the accumulated deposits of Collective Bargaining Agreement (CBA) registration fees remitted to the Bureau of Treasury (BTr).

6.6 The Cash – Treasury/Agency Deposit, Trust pertains to the deposited collections with the National Treasury for payment/release of garnishment/award/execution fees on Voluntary Arbitration cases and collection of receivables from audit disallowances.

7. Receivables

7.1 Inter-Agency Receivables

The Due from National Government Agencies account balance of ₱125,491.28 represents outstanding balance from the advance payments to the Department of Budget and Management-Procurement Service (DBM-PS) and ₱20,397.03 from the Bureau of Internal Revenue (BIR), as shown below:

Accounts	2021	2020
Due from DBM-PS		
NCMB CO	₱7,694.09	₱20,465.09
RCMB NCR	117,734.54	2,979.88
RCMB IVA	62.65	5,055.15
RCMB IVB	0.00	649.39
<i>Sub-total</i>	<i>₱125,491.28</i>	<i>₱29,149.51</i>
Due from BIR		
NCMB CO	20,397.03	20,397.03
<i>Sub-total</i>	<i>20,397.03</i>	<i>20,397.03</i>
Due from DPWH		
RCMB II	0.00	5,839,000.00
<i>Sub-total</i>	<i>0.00</i>	<i>5,839,000.00</i>
Total	₱145,888.31	₱5,888,546.54

The balance of ₱5,839,000.00 in CY 2020 pertains to fund transfer to Department of Public Works and Highways which said agency has already submitted liquidation report for the construction of RCMB II Building which was completed and accepted in CY 2021.

7.2 Other Receivables

Accounts	2021	2020 (As Restated)
Due from Officers and Employees	₱52,638.78	₱89,523.78
Other Receivables	34,599.93	34,599.93
Total	₱87,238.71	₱124,123.71

7.2.1 The Due from Officers and Employees account pertains to the amount collectible from agency's officials' overpayment of Transportation Allowances (TA). The CY 2020 balance was restated from ₱52,007.99 to ₱89,523.78 due to an adjustment on recording of TA deductions and Philhealth interest/surcharge totaling to ₱37,515.79, broken down as follows:

Particulars	Reference	Amount
Interest and/or surcharges incurred for the period December 2016, with SPA No. 7985080 and PAR No. 313708835 dated 15 February 2017.	JEV-2021-03-000148	₱627.25
To record TA deductions of NCMB-CO Officials for CY 2020.	JEV-2021-01-000010; JEV-2021-02-000068; JEV-2021-02-000088 and JEV-2021-03-000144	26,596.22
To record salary deductions re: absent without official leave (AWOL) of one employee for CY 2020.	JEV-2021-03-000184	10,292.32
Total		₱37,515.79

7.2.2 The balance of Other Receivables account for CY 2021 pertains to the amount collectible from the Accountable Officer for the lost motorcycle.

8. Inventories

Accounts	Inventories carried at the lower of cost and net realizable value	
	2021	2020 (As Restated)
Inventory Held for Consumption		
Carrying Amount, January 1	₱2,172,550.04	₱2,560,185.92
Purchases/Adjustment during the year	6,171,017.89	3,405,984.99
Expensed during the year except write-down	(5,074,649.31)	(3,793,620.87)
Total Carrying Amount, December 31	₱3,268,918.62	₱2,172,550.04

All purchases are coursed thru the inventory account and issuances are recorded as they take place, except for purchases out of the Petty Cash Fund, which are charged directly to the appropriate expense account.

Items below the capitalization threshold of ₱15,000.00 were accounted as Semi-Expendable Inventory and recognized as expense upon issue to the end-user.

The Inventory balance in 2020 was restated from ₱2,074,525.10 to ₱2,172,550.04 in view of the ₱98,024.94 net adjustment caused by prior period error.

9. Other Current Assets

Accounts	2021	2020 (As Restated)
Advances to Special Disbursing Officer	₱50,000.00	₱7,380.00
Advances to Contractors	324,850.00	89,250.00
Prepaid Rent	885,884.48	752,828.48
Prepaid Registration	0.00	1,658.46
Prepaid Insurance	114,347.83	123,890.84
Other Prepayments	9,100.27	7,188.75
Guaranty Deposits	284,729.00	147,129.00
Total	₱1,668,911.58	₱1,129,325.53

- 9.1 The Advances to Special Disbursing Officer account pertains to unliquidated advances granted to accountable officers for special purpose/time-bound undertakings. The total amount was liquidated in January 2022.
- 9.2 The Advances to Contractors account represents the advance payment for mobilization fee to supplier/contractor for the development of Alternative Dispute Resolution Information System (ADRS) and Human Resource Management Information System (HRMIS).
- 9.3 Prepaid rent consists of two (2) months advance for office space for Central Office, RCMBs IV-A, IV-B and XII amounting to ₱657,428.48, ₱75,400.00, ₱133,056.00 and ₱20,000.00, respectively. The CY 2020 balance was restated from ₱677,428.48 to ₱752,828.48 due to an adjustment amounting to ₱75,400.00.
- 9.4 Prepaid Insurance pertains to the unexpired portion of fire and non-mortgage insurance of motor vehicles, equipment and various supplies of the NCMB. The CY 2020 balance was restated from ₱133,407.65 to ₱123,890.84 due to an adjustment on recording amounting to ₱9,516.81.
- 9.5 Other Prepayments represents payment of bond renewal of accountable officers of RCMB VI.
- 9.6 Guaranty Deposits represent deposits made by RCMB IV-A to Region & Sons, Inc. for office space, amounting to ₱150,800.00, and RCMB IV-B to Arcadia Realty Inc. for ₱118,800.00, respectively and payment to Davao Light and Power Company by RCMB XI, amounting to ₱15,129.00 to guaranty the payment of the monthly bill.

10. Property, Plant and Equipment

Particulars/ Accounts	Land	Buildings	Machinery and Equipment	Furniture, Fixtures and Books	Motor Vehicles	Other PPE	Leased Assets, Land	Leased Assets, Buildings and Other Structures	TOTAL
Carrying Amount, January 1, 2021 (As Restated)	539,600.00	4,194,675.00	13,441,217.34	1,394,418.59	11,594,465.03	182,396.43	5,851,405.35	2,596,530.06	39,794,707.80
Acquisitions	0.00	5,733,998.94	7,581,796.21	0.00	0.00	365,931.89	0.00	0.00	14,524,213.44
Adjustments/ Reclassification	0.00	0.00	0.00	(9,214.78)	(7,345.25)	0.00	0.00	0.00	(16,560.03)
Total	539,600.00	9,928,673.94	21,023,013.55	1,385,203.81	11,587,119.78	548,328.32	5,851,405.35	2,596,530.06	54,302,361.21
Disposals/ Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation/ Impairment Loss	0.00	(238,134.11)	(3,814,837.39)	(303,528.01)	(3,278,201.76)	(212,884.33)	0.00	(384,219.60)	(9,074,291.60)
	0.00	0.00	(70,618.37)	0.00	0.00	0.00	0.00	0.00	(70,618.37)
Carrying Amount, December 31, 2021	539,600.00	9,690,539.83	17,137,557.79	1,081,675.80	8,308,918.02	335,443.99	5,851,405.35	2,212,310.46	45,157,451.24
Gross Cost	539,600.00	10,405,048.94	48,629,462.40	3,719,883.07	33,742,692.00	865,677.48	5,851,405.35	5,830,378.13	109,584,147.37
Less : Accumulated Depreciation	0.00	(714,509.11)	(31,491,904.61)	(2,638,207.27)	(25,433,773.98)	(530,233.49)	0.00	(3,618,067.67)	(64,426,696.13)
Accumulated Impairment loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Carrying Amount, December 31, 2021	539,600.00	9,690,539.83	17,137,557.79	1,081,675.80	8,308,918.02	335,443.99	5,851,405.35	2,212,310.46	45,157,451.24

All PPE items below the capitalization threshold of ₱15,000.00 were accounted as Semi-Expendable Property and recognized as expense upon issuance to the end-user.

Items with individual values below the threshold but which work together in the form of a group of network asset whose total value exceeds the threshold were recognized as PPE.

The carrying amount of Machinery and Equipment account in 2020 was restated from ₱13,295,041.74 to ₱13,441,217.34 in view of the ₱36,050.00 adjustment caused by prior period errors.

Meanwhile, the carrying amount of Buildings account in 2020 was restated from ₱4,158,625.00 to ₱4,194,675.00 in view of the ₱36,050.00 adjustment caused by prior period errors.

11. Intangible Assets

Particulars	Computer Software	
	2021	2020 (As Restated)
Carrying Amount, January 1	₱478,814.75	₱2,443,346.29
Acquisition	748,728.95	239,636.00
Reclassification/Adjustment	0.00	(1,098,074.33)
Amortization	(551,904.02)	(1,106,093.21)
Carrying Amount, December 31	₱675,639.68	₱478,814.75

The Intangible Assets pertain to Computer Software account. The depreciable amount of Computer Software was allocated on a systematic basis over its useful life of five years. The residual value of Computer Software was assumed to be zero.

The carrying amount of Intangible assets account in 2020 was restated from ₱598,300.71 to ₱478,814.75 due to prior year's adjustment of amortization of computer software totaling ₱119,485.96.

12. Other Non-Current Assets

Accounts	2021	2020 (As Restated)
Guaranty Deposits		
NCMB CO	₱538,204.00	₱538,204.00
RCMB IVA		150,800.00
Sub-Total	₱538,204.00	₱689,004.00
Other Assets	4,676.66	80,929.25
Sub-Total	4,676.66	80,929.25
Total	₱542,880.66	₱769,933.25

12.1 The Guaranty Deposits account represent security deposit for the lease of office building. The CY 2020 balance was restated from ₱538,204.00 to ₱689,004.00 due to an adjustment amounting to ₱150,800.00.

12.2 The Other Assets account pertains to the cost of serviceable and unserviceable assets not used in the operation and those waiting for disposal.

13. Financial Liabilities

Particulars	2021	2020 (As Restated)
Accounts Payable	₱2,630,549.04	₱3,936,392.91
Due to Officers and Employees	1,157,998.43	705,566.17
Finance Lease Payable	6,096,931.54	6,936,376.54
Tax Refunds Payable	5,042.32	0.00
Total	₱9,890,521.33	₱11,578,335.62

13.1 The Accounts Payable account pertains to the unpaid obligations and liabilities to various outside suppliers and employees of the Board as of December 31, 2021. The Accounts Payable in 2020 was restated from ₱3,957,532.66 to ₱3,936,392.91 in view of the ₱21,139.75 net adjustment caused by prior period errors.

13.2 The Due to Officers and Employees account includes accrued salaries and other personnel benefits to officers and employees as at year-end.

13.3 The Finance Lease Payable pertains to liability arising from finance lease contract of RCMB VII.

- 13.4** The Tax Refunds Payable represents the amount refundable to taxpayers for excess amount paid/withheld.

14. Inter-Agency Payables

Particulars	2021	2020
Due to BIR	₱474,954.00	₱201,561.64
Due to GSIS	3,600.26	6,794.55
Due to Pag-IBIG	400.00	200.00
Due to PhilHealth	115.98	408.80
Total	₱479,070.24	₱208,964.99

- 14.1** The Due to BIR account is composed of withholding taxes deducted from CY 2021 accounts payable. The balance was remitted in January 2022. NCMB withholds and remits applicable taxes imposed under the National Internal Revenue Code.

- 14.2** The Due to GSIS, Pag-IBIG and PhilHealth accounts pertain to unremitted contributions for CY 2021. These were remitted to the agencies concerned in January 2022.

15. Trust Liabilities

Particulars	2021	2020
Trust Liabilities	39,476,013.27	18,523,286.02

Trust Liabilities account balance of ₱39,476,013.27 pertains to collection of garnishments for payment of judgement award and execution fees.

16. Other Deferred Credits

Other Deferred Credits account balance of ₱46,057.00 represents the depreciated replacement cost of the lost motorcycle of the NCMB.

17. Service and Business Income

Particulars	2021	2020
<i>Service Income:</i>		
Registration Fees	₱303,000.00	₱235,000.00
Sub-Total	<i>₱303,000.00</i>	<i>₱235,000.00</i>
Fines and Penalties – Business Income	16,103.73	239.92
Sub-Total	<i>₱16,103.73</i>	<i>₱239.92</i>
Total Service and Business Income	₱319,103.73	₱235,239.92

- 17.1** Registration Fees pertains to Collective Bargaining Agreement (CBA) fees collected during the year pursuant to Article 231 of the Labor Code as amended by RA 6715.

- 17.2** Fines and Penalties – Business Income pertains to penalties and liquidated damages charged for an amount equal to at least one-tenth (1/10) of one percent (1%) of the cost of the unperformed portion of the work for undelivered goods for every day of delay.

18. Personnel Services

18.1 Salaries and Wages

Particulars	2021	2020 (As Restated)
Salaries and Wages – Regular	₱127,673,548.44	₱119,092,322.99

The balance in CY 2020 was restated from ₱119,102,615.31 to ₱119,092,322.99 in view of the ₱10,292.32 adjustment caused by prior period error.

18.2 Other Compensation

Particulars	2021	2020 (As Restated)
Personal Economic Relief Allowance (PERA)	₱4,783,184.04	₱4,671,887.47
Representation Allowance (RA)	3,939,108.87	3,942,750.00
Transportation Allowance (TA)	3,617,308.30	3,673,618.54
Clothing/Uniform Allowance	1,146,000.00	1,164,000.00
Productivity Incentive Allowance	0.00	359,012.50
Hazard Pay	378,300.00	214,088.76
Longevity Pay	35,000.00	26,900.36
Overtime and Night Pay	178,587.59	62,661.45
Year End Bonus	11,253,488.60	10,043,756.20
Cash Gift	1,022,500.00	970,500.00
Mid-Year Bonus	10,001,729.00	9,836,260.00
Other Bonuses and Allowances	10,903,817.24	9,951,116.29
Total	₱47,259,023.64	₱44,916,551.57

The Other Compensation in 2020 was restated from ₱44,939,313.79 to ₱44,916,551.57 in view of the ₱22,762.22 adjustment caused by prior period errors.

18.3 Employees Future Benefits

The NCMB and its employees contribute to GSIS, HDMF and PhilHealth in accordance with the existing laws. The GSIS administers the plan, including payment of pension benefits to employees.

18.4 Personnel Benefit Contributions

Particulars	2021	2020 (As Restated)
Retirement and Life Insurance Premiums	₱15,258,719.09	₱3,981,309.83
Pag-IBIG Contributions	238,000.00	237,600.00
PhilHealth Contributions	1,433,732.16	1,355,697.00
Employees Compensation Insurance Premiums	238,800.00	232,900.00
Total	₱17,169,251.25	₱5,807,506.83

The Personnel Benefit Contributions in CY 2020 was restated from ₱5,808,134.08 to ₱5,807,506.83 in view of the ₱627.25 adjustment caused by prior period error.

18.5 Other Personnel Benefits

Particulars	2021	2020
Terminal Leave Benefits	₱3,347,351.21	₱5,607,882.39
Other Personnel Benefits	2,965,406.35	2,649,741.69
Total	₱6,312,757.56	₱8,257,624.08

19. Maintenance and Other Operating Expenses

19.1 Traveling Expenses

Particulars	2021	2020 (As Restated)
Traveling Expenses – Local	₱1,296,309.21	₱1,119,190.93

The Traveling Expenses in 2020 was restated from ₱1,127,536.52 to ₱1,119,190.93 in view of the ₱8,345.59 net adjustment caused by prior period errors.

19.2 Training and Scholarship Expenses

Particulars	2021	2020
Training Expenses	₱1,640,625.86	₱780,525.03
Scholarship Grants/Expenses	24,188.50	39,699.56
Total	₱1,664,814.36	₱820,224.59

19.3 Supplies and Materials Expenses

Particulars	2021	2020 (As Restated)
Office Supplies Expenses	₱5,074,649.31	₱3,741,595.93
Accountable Forms Expenses	10,675.00	17,750.00
Drugs and Medicines Expenses	742.50	0.00
Fuel, Oil and Lubricants Expenses	1,887,017.68	1,086,146.04

Particulars	2021	2020 (As Restated)
Semi-Expendable Machinery and Equipment Expenses		251,436.10
Textbooks and Instructional Materials Expenses	65,316.00	0.00
Semi-Expendable Machinery and Equipment Expenses - Machinery	1,180,967.35	185,272.00
Semi-Expendable Machinery and Equipment Expenses - Office Equipment	541,110.16	315,475.06
Semi-Expendable Machinery and Equipment Expenses - ICT Equipment	694,578.34	448,088.33
Semi-Expendable Machinery and Equipment Expenses - Communication Equipment	2,400.00	0.00
Semi-Expendable Machinery and Equipment Expenses - Disaster Response and Rescue Equipment	3,900.00	145.00
Semi-Expendable Machinery and Equipment Expenses - Medical Equipment	35,152.32	33,138.88
Semi-Expendable Machinery and Equipment Expenses - Other Equipment	0.00	456.50
Semi-Expendable Furniture, Fixtures and Books Expenses	812,308.05	588,757.58
Semi-Expendable Furniture, Fixtures and Books Expenses - Furniture and Fixture	191,595.25	309,226.26
Semi-Expendable Furniture, Fixtures and Books Expenses – Books	4,679.75	140,722.91
Other Supplies and Materials Expenses	713,242.51	718,860.55
Total	₱11,218,334.22	₱7,837,071.14

Supplies and Materials Expenses in 2020 was restated from ₱7,935,096.08 to ₱7,837,071.14 in view of the ₱98,024.94 adjustment caused by prior period error.

19.4 Utility Expenses

Particulars	2021	2020
Water Expenses	₱413,974.82	₱331,700.65
Electricity Expenses	4,359,621.63	3,560,964.33
Total	₱4,773,596.45	₱3,892,664.98

19.5 Communication Expenses

Particulars	2021	2020 (As Restated)
Postage and Courier Services	₱655,199.63	₱608,933.45
Telephone Expenses	1,827,484.31	1,695,242.13
Internet Subscription Expenses	2,663,719.63	1,905,627.71
Cable, Satellite, Telegraph and Radio Expenses	6,000.00	0.00
Total	₱5,152,403.57	₱4,209,803.29

Communication Expenses in 2020 was restated from P4,191,966.45 to P4,209,803.29 in view of the P17,836.84 adjustment caused by a prior period error.

19.6 Confidential, Intelligence and Extraordinary Expenses

Particulars	2021	2020
Extraordinary and Miscellaneous Expenses	₱1,978,392.05	₱1,939,137.27

19.7 Professional Services

Particulars	2021	2020
Auditing Services	₱41,221.00	₱22,398.96
Consultancy Services	111,000.00	0.00
Other Professional Services	2,321,691.63	1,785,818.44
Total	₱2,473,912.63	₱1,808,217.40

Other Professional Services account pertains to expenses for Psychometric Assessment Services (People Dynamics, Inc.), and honoraria paid to the Committee of Labor Task Force from the Office of the Solicitor General and Tripartite Voluntary Arbitration Advisory Council (TVAAC) Commissioners per Section 4 of Executive Order No. 251 dated 25 July 1987.

19.8 General Services

Particulars	2021	2020
Janitorial Services	₱3,984,105.34	₱3,696,057.66
Security Services	6,621,778.56	5,804,345.35
Other General Services	2,490,845.49	2,054,430.00
Total	₱13,096,729.39	₱11,554,833.01

19.9 Repairs and Maintenance

Particulars	2021	2020 (As Restated)
Repairs and Maintenance –Building and Other Structures	₱189,614.65	₱154,538.57
Repairs and Maintenance - Machinery and Equipment	1,092,264.35	519,822.83
Repairs and Maintenance - Transportation Equipment	1,470,062.20	1,533,330.89
Repairs and Maintenance – Furniture and Fixtures	107,876.50	119,146.25
Repairs and Maintenance - Leased Assets	13,382.13	148,426.73
Repairs and Maintenance – Other Leased Assets Improvements	15,950.00	47,040.00
Repairs and Maintenance - Other Property, Plant and Equipment	6,000.00	26,500.00

Particulars	2021	2020 (As Restated)
Repairs and Maintenance-Semi-Expendable Machinery and Equipment	0.00	23,045.00
Repairs and Maintenance-Semi-Expendable Furniture, Fixtures and Books	550.00	40,523.87
Total	₱2,895,699.83	₱2,612,374.14

Repairs and Maintenance in 2020 was restated from ₱2,647,079.14 to ₱2,612,374.14 in view of the ₱34,705.00 adjustment caused by a prior period error.

19.10 Taxes, Insurance Premiums and Other Fees

Particulars	2021	2020 (As Restated)
Taxes, Duties and Licenses	₱64,172.20	₱43,279.76
Fidelity Bond Premiums	553,923.67	487,971.14
Insurance Expenses	558,734.66	436,058.01
Total	₱1,176,830.53	₱967,308.91

The Taxes, Insurance Premiums and Other Fees in 2020 was restated from ₱957,792.10 to ₱967,308.91 in view of the ₱9,516.81 adjustment caused by a prior period error.

19.11 Other Maintenance and Operating Expenses

Particulars	2021	2020 (As Restated)
Advertising Expenses	₱52,416.00	₱0.00
Printing and Publication Expenses	79,375.00	41,736.00
Representation Expenses	1,457,990.92	979,621.24
Transportation and Delivery Expenses	11,139.00	13,724.48
Rent/Lease Expenses	12,257,365.04	10,893,152.19
Subscription Expenses	512,232.10	682,322.37
Donations	114,043.50	124,741.13
Other Maintenance and Operating Expenses	1,850,332.28	703,719.10
Total	₱16,334,893.84	₱13,439,016.51

The Other Maintenance and Operating Expenses account include expenses incurred during the Mid-Year and Year-end Performance Assessment, GAD Programs and other regular and special activities/projects of the Board, which cannot be classified under specific financial expense accounts.

The Maintenance and Operating Expenses account was restated from ₱13,665,216.51 to ₱13,439,016.51 in view of the ₱226,200.00 net adjustment caused by a prior period error.

20. Financial Expenses

Particulars	2021	2020
Interest Expenses	₱577,347.24	₱648,470.40
Other Financial Charges	5,773.44	6,484.68
Total	₱ 583,120.68	₱654,955.08

21. Non-Cash Expenses

21.1 Depreciation

Particulars	2021	2020 (As Restated)
Depreciation-Buildings and Other Structures	₱238,134.11	₱231,750.00
Depreciation - Machinery and Equipment	3,814,837.39	3,580,967.07
Depreciation - Transportation Equipment	3,278,201.76	3,127,181.75
Depreciation - Furniture, Fixtures and Books	303,528.01	274,713.19
Depreciation-Leased Assets	384,219.60	384,219.60
Depreciation - Other Property, Plant and Equipment	212,884.33	92,198.92
Total	₱ 8,231,805.20	₱7,691,030.53

The Depreciation Expense in 2020 was restated from ₱7,837,206.13 to ₱7,691,030.53 in view of the ₱146,175.60 net adjustment caused by prior period errors.

21.2 Amortization

Particulars	2021	2020 (As Restated)
Amortization – Intangible Assets	₱551,904.02	₱1,225,579.17

The Amortization in 2020 was restated from ₱1,106,093.21 to ₱1,225,579.17 in view of the ₱119,485.96 net adjustment caused by prior period errors.

21.3 Impairment Loss

Particulars	2021	2020
Impairment Loss-Property, Plant and Equipment	₱70,618.37	₱0.00
Impairment Loss - Intangible Assets	15,959.60	0.00
Impairment Loss - Other Assets	5,803.99	0.00
Total	₱92,381.96	₱0.00

22. Net Financial Assistance/Subsidy

Financial Assistance/Subsidy from NGAs, LGUs, GOCCs

Particulars	2021	2020
Subsidy from National Government	₱272,676,563.90	₱245,319,291.37
Subsidy from Central Office	0.00	2,533,400.00
Financial Assistance/Subsidy	₱272,676,563.90	247,852,691.37
Subsidy to Regional Offices/Staff Bureaus	0.00	(2,533,400.00)
Subsidies-Others	(35,000.00)	(50,000.00)
Net Financial Assistance/Subsidy	₱272,641,563.90	₱245,269,291.37

The account consists of Notice of Cash Allocation (NCA) received from the Department of Budget and Management (DBM) and Tax Remittance Advices (TRAs) for CY 2021.

For this year, NCA amounting to ₱304,464,351.00 was received from the DBM for current operating expenses and payment of execution fees. Details are as follows:

Particulars	Amount
Operating Requirements	304,058,188.00
Payment of execution fees	406,163.00
Total	304,464,351.00

The total amount of ₱185,629,906.25 was released to the Regional Branches to fund their operating requirements for the year and prior year's liabilities.

On the other hand, the account Subsidy to Regional Offices/Staff Bureaus pertains to the amount of assets transferred by the Central Office to the Regional Branches.

23. Non-Operating Income, Gains or Losses

23.1 Non-Operating Income

Particulars	2021	2020
Sale of Unserviceable Property	₱1,500.00	₱850.00
Miscellaneous Income	2,702.00	0.00
Total Non-Operating Income	₱ 4,202.00	₱850.00

Miscellaneous Income includes proceeds from the sale of the bidding documents

23.2 Gains

Particulars	2021	2020
Other Gains	₱0.00	₱4,500.00

23.3 Losses

Particulars	2021	2020
Loss on Sale of Property, Plant and Equipment	₱29,002.65	₱114,358.54

24. Surplus/ (Deficit)

The Surplus/(Deficit) for CY 2020 was restated from ₱7,149,817.02 to ₱7,586,160.33 in view of the ₱436,343.31 net adjustments caused by prior period errors in Note 5 hereof.

25. Other Adjustments in Net Assets/Equity Others

Particulars	2021	2020
Adjustment of Net Revenue recognized in net assets/equity	(₱204,206.65)	(₱341,539.73)
Others Adjustments	₱169,486.69	(₱2,142,708.58)

The adjustment of Net Revenue recognized in net assets/equity pertains to the closing of account Cash - Treasury/Agency Deposit – Regular.

While the Other Adjustments includes adjustments on the disposal of unserviceable PPE and adjustments in dropping of PPE from the books.

PART II - OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AUDIT

Accounting Errors, Omissions and Misstatements

- 1. Total misstatements of ₱667,905.48 was found in the audit of Inventories, Other Current Assets, Property, Plant and Equipment (PPE) and Intangible Assets accounts of the NCMB due to accounting errors, omission and misstatements thus affecting the accuracy, existence, classification, and valuation assertions on the reported balances of the affected accounts. The impact of such errors and omissions does not significantly affect the overall fair presentation of the financial statements as at December 31, 2021.**

- 1.1 Section 15, Chapter 2 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, states that *“The FSs shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS¹. ”*
- 1.2 Moreover, Section 111 of Presidential Decree (PD) No. 1445 provides that the accounts of the agency shall be kept in such details as necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by the fiscal or control agencies of the government.
- 1.3 Audit of the NCMB’s financial statements (FSs) for the year ended December 31, 2021 was conducted to verify the level of assurance that may be placed on Management’s assertions on the FSs. It was also aimed to determine the fair presentation and reliability of the NCMB’s FSs which responsibility rests with the Management.
- 1.4 Audit of the accounts disclosed total misstatements/error of ₱667,905.48, as summarized in the table below:

Table 1: Summary of Uncorrected Misstatements in the FS

Account	Office/RCMB	Balance as at December 31, 2021	Amount of Misstatement	Table
Inventories	NCR, IV-A and XI	3,268,918.62	135,849.52	2
Other Current Assets	IV-A, IX	1,668,911.58	84,071.66	3
PPE	I, II and XIII	45,157,451.24	337,734.30	4

¹ Renamed to International Public Sector Accounting Standards (IPSAS) with corresponding Philippine Application Guidance, pursuant to COA Resolution No. 2020-001 dated January 9, 2020

Table 1: Summary of Uncorrected Misstatements in the FS

Account	Office/RCMB	Balance as at December 31, 2021	Amount of Misstatement	Table
Intangible Assets	NCR, IV-A	675,639.68	110,250.00	5
Total Uncorrected Misstatements in the FS			667,905.48	

- 1.5 Section 4, Chapter 19 of the GAM for NGAs, Volume I, on Financial Reporting, provides that the *"Responsibility for the fair presentation and reliability of FS rests with the management of the reporting agency, particularly the head of finance/accounting office and the head of entity or his authorized representative."*
- 1.6 Section 6, Chapter 19 of the GAM for NGAs, Volume I, on Qualitative Characteristics of Financial Reporting, states that *"An entity shall present information including accounting policies in a manner that meets the following qualitative characteristics enumerated in IPSAS,*

Xxxx

e. Reliability – reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.

f. Faithful representation – information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form.

- 1.7 Moreover, Section 112 of PD No. 1445 provides that *"Each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations."*
- 1.8 The details of the misstatements and related accounting deficiencies and the corresponding specific recommendations are discussed further in the succeeding paragraphs.

INVENTORIES

a. Misstatements in Inventories account – ₱135,849.52

- 1.9 The balance of Inventories accounts as at December 31, 2021 was misstated by ₱135,849.52 due to the following errors:

Table 2: Misstatement in Inventories Account

Account Class	Nature of Deficiency/ Misstatement	Office/ RCMB	Amount	Affected Account	Amount Under/ (Over)
Inventories	a.1 Issued items not yet included in the Expense account	RCMB IV-A, RCMB XI	101,009.52	Accumulated Surplus/ (Deficit)	101,009.52
				Office Supplies Inventory	22,710.02
				Semi – Expendable Other Machinery & Equipment	78,299.50
	a.2 Purchase of Office Supplies directly charged to Expense account	RCMB NCR	34,840.00	Office Supplies Inventory	34,840.00
				Accumulated Surplus/ (Deficit)	34,840.00
Total Misstatements			135,849.52		

a.1. Issued items not yet included in the Expense account

- 1.10 Section 9, Chapter 8 of GAM, Volume I provides that Perpetual Inventory System requires accounting records to show the amount of inventory on hand at all times through the maintenance of the Supplies Ledger Card (SLC) by the Accounting Division/Unit and Stock Card (SC) by the Supply and/or Property Division/Unit for each item in stock. Regular purchases shall be coursed through the inventory account and issues thereof shall be recorded as they take place except for supplies and materials purchased out of Petty Cash Fund (PCF) for immediate use or on emergency cases which shall be charged directly to the appropriate expense accounts.
- 1.11 Section 10(b), Chapter 8, Volume 1 of the same Manual provides that Semi-Expendable Property shall be recognized as expenses upon issue to the end-user.
- 1.12 Comparison between the schedules for Semi-Expendable Inventories and the Supply Officer's Report on the Physical Count of Inventories (RPCI) of RCMB XI revealed that the balances for Semi-Expendable Inventory Account as at December 31, 2021 included the Semi-Expendable Properties (SEPs) that were already issued to the end-users totaling ₱78,299.50

- 1.13 In RCMB IV-A, issued office supplies amounting to ₱22,710.02 were not recorded as expense by the Accountant-Designate. Hence, the Office Supplies Inventory account was overstated while the Supplies and Materials Expenses account is understated by the same amount.

Table 2.1: Issued Supplies Not Yet Recorded as Expense

Inventory Account	Office/ RCMB	Amount
Office Supplies Inventory	IV-A	22,710.02
Semi-Expendable – Office Equipment	XI	9,600.00
Semi- Expendable – ICT Equipment		10,400.00
Semi-Expendable – Communication Equipment		1,200.00
Semi-Expendable – Furniture and Fixtures		57,099.50
Total		101,009.52

- 1.14 **We recommended and Management agreed to:**

RCMB XI

- a. **require the Accountant-Designate to effect the necessary adjustment to reflect the correct balance of Office Supplies Inventory and related accounts as of December 31, 2021; and**

RCMB IV-A

- b. **ascertain compliance with the above-stated provisions, particularly Section 10(b), Chapter 8, Volume 1 of the GAM.**

Management's Comments

- 1.15 The Management submitted a reply letter dated March 22, 2022 and informed that the Accountant-Designate already made an adjusting entry on the overstatement of inventories. (RCMB XI)
- 1.16 Management commented that they will provide the Audit Team with the revised financial statements and will comply with the recommendations (RCMB IV-A)

a.2. Purchased Office Supplies directly charged to Expense account

- 1.17 In RCMB NCR, verification disclosed that the various supplies amounting to ₱34,840.00 were found in the Administrative Office and not kept in the Agency's Stock Room. Records showed that supplies/items delivered were immediately issued to the end-users and were recorded as Office Supplies

Expense instead of setting up the Inventory account contrary to the principle of Perpetual Inventory method of Accounting. The remaining inventoriable items were not recognized as inventories in the books and were not properly stored in the stock room. Thus, this might expose the supplies for possible loss and misuse and also, the reported GL balance of the Office Supplies Inventory Account as of December 31, 2021 is understated by ₱34,840.00 and Office Supplies Expense is overstated by the same amount, as shown on the table below:

Table 2.2 Inventories directly recorded as Expense

Particulars	Qty	Unit Cost	Amount
Toner HP Laser Jet, #17A, Black	11	1,800.00	19,800.00
Toner HP Laser Jet, #85A, Black	2	2,000.00	4,000.00
Ink, Epson L3110, Black (Epson 003)	18	230.00	4,140.00
Ink, Epson L3110, Magenta (Epson 003)	10	230.00	2,300.00
Ink, Epson L3110, Cyan(Epson 003)	10	230.00	2,300.00
Ink, Epson L3110, Yellow(Epson 003)	10	230.00	2,300.00
Total			34,840.00

1.18 **We recommended that the Management require the Accountant-Designate to strictly adhere and observe properly the Perpetual Inventory Method of accounting for supplies and materials and to effect the necessary adjustment to reflect the correct balance of Office Supplies Inventory and related accounts as of December 31, 2021.**

1.19 Management commented that the Accountant-Designate shall adhere and observe the Perpetual Inventory Method of accounting for supplies and materials purchased other than the ones procured from PS-DBM. While the adjustment on the understated amount of ₱34,840.0 was made through JEV No. 2022-03-084 on March 31, 2022 to fairly present the affected accounts in the financial statement. (RCMB NCR).

OTHER CURRENT ASSETS

b. Misstatements in Other Current Assets account – ₱84,071.66

1.20 The following are the misstatements found in the audit of Other Current Assets, to wit:

Table 3: Misstatements in Other Current Assets account

Account Class	Nature of Deficiency/ Misstatement	Office/ RCMB	Amount (In PhP)	Affected Account	Amount Under/ (Over) (In PhP)
Prepayment	Erroneous recording of guaranty deposit to prepaid account	RCMB IV-A	75,400.00	Guaranty Deposit	75,400.00
				Prepaid Rent	(75,400.00)
	Erroneous recording of prepayment as outright	RCMB IX	8,671.66	Prepaid Insurance	8,671.66

	expense			Accumulated Surplus/ (Deficit)	8,671.66
	Total		84,071.66		

b.1. Erroneous recording of guaranty deposit to prepaid account

- 1.21 COA Circular No. 2020-001 dated January 8, 2020 or the Revised Chart of Accounts (RCA) (Updated 2019) for NGAS prescribes the use of the following accounts:

*“**Prepaid Rent** - This account is debited to recognize the amount advanced/deposited for leases/rentals of property, plant and equipment used in government operations. This account is credited for the expended amount, and/or adjustments.”*

*“**Guaranty Deposits** - This account is debited to recognize amount deposited for goods such as deposit for containers and deposits made to guarantee compliance with the terms of an agreement. This account is credited for application of deposit or refund of deposit from contracting parties upon contract termination/completion (e.g., deposits made for airfare and gasoline which are refundable upon contract termination), and/or adjustments.”*

- 1.22 In RCMB IV-A, the Contract of Lease provides that “The Lessee’s rental deposit in the amount of ₱150,800.00 and additional ₱75,400.00 or a total of ₱226,200.00 shall be retained. It is hereby agreed that if the Lessee has unpaid obligation upon expiration or termination of this lease, the deposit shall be applied as payment of arrears for rental and electricity.” The additional payment of ₱75,400.00, although not labelled as deposit in the agreement, is to be treated as such. The same amount was however recorded as Prepaid Rent instead of Guaranty Deposit account,

- 1.23 **We recommended and Management agreed to require the Accountant Designate to reclassify Prepaid Rent to Guaranty Deposit, pursuant to COA Circular No. 2020-001 or the RCA (Updated 2019).**

Management’s Comments

- 1.24 The Management commented that they will provide the Audit Team with the revised financial statements and will comply with the recommendations.

Auditor’s Rejoinder

- 1.25 The Management was not able to comply with the recommendations, thus said error was not adjusted in the FS.

b.2. Erroneous recording of prepayment as outright expense

- 1.26 Section 6, Chapter 1 of the GAM for NGAs, Volume I states the basic government accounting and budget reporting principles which emphasize that each government entity shall recognize and present its financial transactions and operations conformably to the accrual basis of accounting in accordance with the IPSAS.
- 1.27 Audit of payments for insurance renewal of motor vehicle in RCMB IX revealed that the whole amount of ₱21,390.45 paid was treated as outright expenses regardless of the term or period covered by the premiums paid, when such amounts should have been recorded using the accrual basis and expenses are recognized when they are incurred. As at yearend, the unexpired portion of ₱8,671.66 should have been recorded to Prepaid Insurance account following the above-cited provisions.
- 1.28 **We recommended and Management agreed to comply with the recommendation to direct the Accountant Designate to record expenses relating to the year incurred, using the proper accounts and set up pertinent prepayments to achieve fair presentation of the FS.**

Auditor's Rejoinder

- 1.29 The Management was not able to comply with the recommendations, thus said error was not adjusted in the FS.

PROPERTY, PLANT AND EQUIPMENT

c. Misstatement in PPE Accounts – ₱337,734.30

- 1.30 The following are the misstatements found in the audit of various PPE account balances and transactions, which the Management did not adjust in their books of accounts:

Table 4: Misstatements in PPE Account

Account Class	Nature of Deficiency/ Misstatement	Office/ RCMB	Amount	Affected Account	Amount Under/ (Over)
Property, Plant and Equipment (PPE)	Errors in the computation of depreciation for CY 2021 and previous year	I	229,801.16	Accumulated Depreciation	(229,801.16)
				Accumulated Surplus/ (Deficit)	229,801.16
		II	96,331.81	Accumulated Depreciation	(96,331.81)
				Accumulated Surplus/ (Deficit)	96,331.81
		XIII	11,601.33	Accumulated Depreciation	(11,601.33)
				Accumulated	11601.33

Table 4: Misstatements in PPE Account

Account Class	Nature of Deficiency/ Misstatement	Office/ RCMB	Amount	Affected Account	Amount Under/ (Over)
				Surplus/ (Deficit)	
Total Misstatement			337,734.30		

c.1. Errors in the computation of depreciation for CY 2021 and previous year

1.31 Pertinent provisions of GAM for NGAs, Volume I are as follows:

- a. Section 27 (k), Chapter 10 provides, among others, the following policies on depreciation of PPE:

[k]. The computation of monthly depreciation expense shall be as follows:

$$\text{Depreciation Expense} = \frac{\text{Cost} - \text{Residual Value}}{\text{Estimated Useful Life (in months)}}$$

[l]. Depreciation expense shall be recognized on a monthly basis

c. For simplicity and to avoid proportionate computation, depreciation shall be for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation shall be for the succeeding month.

- b. Section 40 of Chapter 10 defines the policies on fully depreciated PPE which states that, a PPE is said to be fully depreciated when the carrying amount is equal to zero or residual value. The cost of fully depreciated assets remaining in service and the related accumulated depreciation and accumulated impairment losses shall not be removed from the accounts.
- c. Section 2, Chapter 10 defines carrying amount as the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

1.32 In RCMB I, audit of the Accumulated Depreciation accounts totaling ₱2,772,712.62 revealed an overstatement in the account due to errors in the computation of depreciation expenses for CY 2021 and previous years for Office Equipment, Information and Communications Technology (ICT) Equipment, Motor Vehicle (MV) and Furniture and Fixtures totaling ₱229,801.16.

1.33 In RCMB II, analysis of the Accumulated Depreciation of the various PPE accounts showed that the year-end balances totaling ₱4,145,777.70 were inaccurate due to erroneous computation of the CY 2021 depreciation and accumulated depreciation balances brought about by the erroneous adoption of

the estimated useful life of the PPE items. Recalculation of depreciation in accordance with the guidelines provided under Section 27, Chapter 10 of the GAM, revealed an overstatement of ₱96,331.81 of the account, thus the carrying value of the affected PPE accounts and the Accumulated Surplus (Deficit) were misstated by the same amount.

- 1.34 In RCMB XIII, review of the financial position as of December 31, 2021 disclosed that the office equipment has a balance of ₱140,944.00 in the books of accounts with an accumulated depreciation of ₱152,545.33, thus the asset has a negative balance of ₱11,601.33. Verification revealed that the Accountant-Designate still recognized depreciation for the period even if the corresponding accumulated depreciation of the asset had exceeded its acquisition cost. The provision of accumulated depreciation for Office Equipment even if the said asset was fully depreciated resulted in a negative balance of the equipment account by ₱11,601.33 thus, affected its fair presentation in the financial statement.
- 1.35 The current and prior years' erroneous computation of depreciation expense of the abovementioned PPE accounts resulted in the understatement of the following accounts:

Table 4.1: Errors in Computation of Depreciation Expense for CY 2021 and PYs

Office/RCMB	PPE Account	Effect Under/ (Over)
I	Office Equipment	(38,034.51)
	ICT Equipment	305,299.52
	Motor Vehicle	9,769.87
	Furniture, Fixtures, and Books	(47,233.72)
	Subtotal	229,801.16
II	Office Equipment	20,102.18
	Furniture, Fixtures, and Books	3,073.67
	ICT Equipment	73,155.96
	Subtotal	96,331.81
XIII	Office Equipment	11,601.33
	Total	337,734.30

- 1.36 **We recommended and the Regional Branch Director agreed to:**

RCMB I, II and XIII

- a. ensure compliance with Sections 27 and 40 of the GAM, Volume I on the proper use of accounting estimates for the computation of depreciation of PPE. Henceforth, observe proper provision of depreciation of the PPE taking into consideration the date of acquisition and estimated useful life of the equipment.
- b. direct the Accountant-Designate to maintain a lapsing schedule for all PPE items to facilitate the computation of depreciation expenses. Adjust the overstatement of the Accumulated Depreciation and

Accumulated Surplus (Deficit) accounts to rectify the errors and to present the PPE at its appropriate carrying amount. Instruct the Accountant Designate to effect the necessary adjusting entries.

Management's Comments

- 1.37 Management committed to prepare the recommended adjusting entries to correct the balance of the Accumulated Depreciation. They also promised to observe proper provision of depreciation of the PPE taking into consideration the date of acquisition and estimated useful life of the PPE. (RCMB I)
- 1.38 In a letter-response dated February 2, 2022, Management informed that they already instructed the Accountant-Designate to adjust the misstatement/overstatement on the Accumulated Depreciation and Accumulated Surplus (Deficit) using the recommended entry. (RCMB II)
- 1.39 Management commented that by the end of March 2022, the necessary adjustments amounting to ₱11,601.33 will be effected by debiting Accumulated Depreciation and crediting accumulated deficits. Further, it is also assured that the presentation of Accumulated Depreciation is accurate and fair presentation in the financial statement. (RCMB XIII)
- 1.40 In addition, Management also commented that since they only assigned the accounting task and duties to personnel in the region, the Accountant-Designate may at times be not fully aware of the proper accounting treatment or the appropriate way to record or recognize transactions in the FSs.

Auditor's Rejoinder

- 1.41 The Audit Team requested that a copy of the Journal Entry Voucher (JEV) taking up the adjustment/correction on the noted misstatement be submitted for reference and as evidence.

INTANGIBLE ASSETS

d. Misstatements in Intangible Assets – ₱110,250.00

- 1.42 The following are the misstatements found in the audit of Intangible Assets, to wit:

Table 5: Misstatements in Intangible Asset Account

Account Class	Nature of Deficiency/ Misstatement	Office/ RCMB	Amount	Affected Account	Amount Under/ (Over)
Intangible Assets	Erroneous recording of PPE-ICT and Subscription Expense	RCMB NCR, RCMB	110,250.00	Computer Software	(110,250.00)
				Accumulated	(46,250.00)

Table 5: Misstatements in Intangible Asset Account

Account Class	Nature of Deficiency/ Misstatement	Office/ RCMB	Amount	Affected Account	Amount Under/ (Over)
	to Intangible Assets	IV-A		Amortization - Computer Software	
				Information and Communication Technology Equipment	95,475.00
				Accumulated Surplus/ (Deficit)	61,025.00
Total Misstatement			110,250.00		

d.1. Erroneous recording of PPE-ICT and Subscription Expense to Intangible Asset

- 1.43 Section 6, Chapter 1 of the GAM for NGAs, Volume I states the basic government accounting and budget reporting principles which emphasize that each government entity shall recognize and present its financial transactions and operations conformably to the accrual basis of accounting in accordance with the IPSAS.
- 1.44 The RCA (Updated 2019) prescribed under COA Circular No. 2020-001 dated January 8, 2020 provides the modified account titles and descriptions of the accounts to properly recognize and present the Agency's financial transactions.
- 1.45 In RCMB NCR and RCMB IV-A the amount of ₱110,250.00 was erroneously classified as Intangible Assets. Audit of the account Computer Software under the Intangible Assets in RCMB IV-A revealed that the amount of ₱50,250.00 was part of an IT Equipment hardware found inside the computer equipment upon acquisition but accounted separately by the Accountant-Designate with a carrying amount of ₱5,025.00 in the detailed Statement of Financial Position for 2021. Review of the PPE ledger card maintained by the Accountant-Designate revealed the amount of ₱50,250.00 from balance forwarded in 2021 up to the end of December 31, 2021. The depreciation cost of ₱45,225.00 is also absent in the ledger card. Thereby no data are available about the computer software.
- 1.46 While in RCMB NCR, payment for Adobe Creative Cloud for Teams All Apps Subscription for one (1) year amounting to ₱60,000.00 was erroneously recorded in the books as Computer Software account instead of Subscription Expense, contrary to Section 9(b) Chapter 12 of the GAM for NGAs, Volume I. As a result, the Subscription Expenses account is understated by ₱60,000.00 while the Computer Software account is overstated by ₱60,000.00 and its related Accumulated Amortization by ₱4,000.00.

1.47 **We recommended and Management agreed to require the Accountant:**

RCMB IV-A

- a. **to reclassify the Computer Software to its proper account - Information and Communications Technology Equipment and take up the corresponding depreciation expenses; and**

RCMB NCR

- b. **to make the necessary adjusting journal entries to appropriately recognize the payment made for 1 year subscription of Adobe Creative Cloud to present fairly the reported balance of the related accounts in the FS.**

Management Comments

1.48 Management commented that they will abide and comply with the recommendations by the Audit Team.

OTHER ACCOUNTING DEFICIENCIES

2. Various deficiencies were noted in the accounting records and supporting schedules/documents due to lack of reconciliation, non-preparation or submission of supporting documents/schedules, misclassification of accounts used, lapses in the internal controls which affected the reliability of the year-end balances of Cash and Cash Equivalents, Inventories, PPE, Liabilities and Expenses accounts in the aggregate amount of ₱12,929,947.14.

- 2.1 Section 6(e) Chapter 19, Volume I of the GAM for NGAs, which enumerated the qualitative characteristics of financial reporting, required an entity to present information including accounting policies in a manner that meets the reliable information which is free from material error and bias and can be depended on by users to represent faithfully that which it purports to present or could reasonably be expected to represent.
- 2.2 Erroneous use of accounts may affect the fair presentation of financial statements and mislead the users of the financial statements. For expense accounts involved, these have no direct effect on the financial statements as a whole as these were closed to Accumulated Surplus at yearend. However, for purposes of correct and fair presentation of transactions at interim dates, the Audit Team found it proper and necessary to inform Management on this matter.

- 2.3 Other accounting deficiencies in recording and reporting financial transactions were also noted which resulted from lack of reconciliation between the books of accounts and schedules/other documents. The following accounting and property control deficiencies rendered of doubtful accuracy the reported balances of Cash and Cash Equivalents, Inventories, PPE, Liabilities and Expenses accounts in the aggregate amount of ₱12,929,947.14 to wit:

Table 6: Summary of Other Accounting Deficiencies per Account

Account	Office/RCMB	Table	Amount
Cash and Cash Equivalents	NCR, XI, XIII	7	6,524,416.71
Inventories	CO, NCR, I, VIII, IX, X, XI	8	728,991.48
PPE	CO, NCR, IV-A, VII, XI	9	4,350,632.40
Liabilities	CO, NCR, II, VII, XIII,	10	642,795.54
Expenses	CO, I, II, IV-A, IX	11	683,111.01
Various Accounts	IV-A	12	N/A
Total			12,929,947.14

CASH

a. Deficiencies affecting the reliability of Cash account

- 2.4 Sound internal control on cash requires prompt and correct recording and reporting of transactions to ensure that financial information are reliable and accurate and reported within the given accounting period.
- 2.5 The table below presents the deficiencies affecting the reliability of the Cash and Cash Equivalents account, to wit:

Table 7: Summary of Deficiencies Affecting the Reliability of Cash Accounts

Deficiencies	Offices/RCMB	Amount
Misclassification of Cash account to record disbursements	XIII	6,230,386.40
Inaccurate recording of canceled stale checks	NCR	286,270.31
Non-cancellation of stale checks to Cash MDS-Reg	XI	7,760.00
Total		6,524,416.71

a.1. Misclassification of Cash Account used to record disbursements

- 2.6 Chapter 3 of the GAM for NGAs, Volume III explained the following terms:

Cash in Bank-Local Currency, Current Account is used to recognize deposits with Authorized Government Depository Bank (AGDB) of income received for which the agency has authority to use; trust receipts authorized under specific contracts and agreements; Revolving Fund under specific

laws; credit advices/memos received from AGDBs. Credit this account for check disbursements and debit advices/memos received from the AGDBs.

Cash-Modified Disbursement System (MDS), Regular is used to recognize in the agency books the NCA received for its operating requirements. Credit this account upon issuance of MDS check/advice to Debit the Account (ADA) and reversion of lapsed NCA with a corresponding debit to Subsidy from NG account.

- 2.7 Analysis of the journal entries made by the Accountant in RCMB XIII showed that upon payment of disbursement for operating expenses totaling ₱6,230,386.40, it was directly recorded as debit to a particular expense account and credit to CIB-LCCA instead to Cash-MDS, Regular. Per inquiry, the Accountant-Designate confirmed that payment of operating expenses was not recognized in the books as credit to Cash-MDS, Regular. The existing condition of not fully crediting the Cash-MDS, Regular account for operating expenses affected the accounts in the financial statements.
- 2.8 **We recommended and Management agreed to direct the Accountant-Designate to effect the necessary adjustments by debiting particular expenses and crediting Cash-MDS, Regular in all payments for operating expenses and require the Accountant-Designate to record all transactions to their appropriate accounts to ensure that accurate account balances are reflected in the financial statements.**
- 2.9 The Management agreed and complied with the recommendations and ensured that correct account will be used to record all disbursements of the Agency.

a.2. Inaccurate recording of canceled stale checks

- 2.10 The guidelines for accounting canceled checks are provided in Chapter 6, Section 44 of the GAM for NGAs, Volume I.

Section 44. Accounting for Cancelled Checks. Checks may be cancelled when they become stale, voided or spoiled. The depository bank considers a check stale, if it has been outstanding for over six months from date of issue or as prescribed.

Section 45. Illustrative Accounting Entries for Cancelled Checks

- a. Cancellation and Replacement of Stale/Voided/Spoiled MDS check issued in the current year

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Modified Disbursement System (MDS),			
Regular	10104040	xxx	
Accounts Payable	20101010		xxx

To recognize the cancellation of stale/voided/spoiled MDS checks

Accounts Payable		20101010	xxx
Cash-Modified	Disbursement	System	
(MDS), Regular		10104040	xxx

To recognize the replacement of stale/voided/spoiled MDS checks.

- 2.11 Review of the Bank Reconciliation Statements (BRS) for CY 2021 in RCMB NCR disclosed that several stale checks were cancelled and replaced totaling ₱286,270.31. Further review of transactions revealed that the Accountant-Designate prepares the journal entries in relation to the cancelation and replacement of the stale checks by erroneously debiting the account Subsidy from National Government (SING) and crediting the account Cash - MDS, Regular by the same amount. As a consequence of these entries, therefore, the Subsidy from National Government and Cash - MDS, Regular accounts were both understated by ₱286,270.31, affecting the accuracy of the monthly financial statements and trial balances. However, since the lapsed NCA is being debited to Subsidy from National Government account, subsequently, the understatements will be extinguished already in the quarterly financial statements.
- 2.12 Audit of the BRS also revealed that the cancellation and replacement of these stale checks were presented under the column of Bank Reconciling items when it should be properly presented as a Book Reconciling item in the BRS of the month.
- 2.13 **We recommended and Management agreed to require the Accountant-Designate to account for canceled checks in accordance with the guidelines laid down in Chapter 6, Sections 44 and 45 of GAM Volume I.**

Management Comments

- 2.14 Management commented that they shall adhere to the recommendations of COA to account canceled checks to Accounts Payable instead of SING in accordance with the guidelines laid down in Chapter 6, Sections 44 and 45 of the GAM for NGAs, Volume I.
- a.3. Non-restoration/cancellation of stale checks*
- 2.15 Paragraph 5.0 of Treasury Circular No. 03-2017 dated October 20, 2017 provides the transitory provisions that Modified Disbursement System (MDS) checks to be issued starting January 2, 2018 shall already indicate “valid for three months from date of issue.”
- 2.16 Pertinent provisions of GAM for NGAs, Volume I are as follows:

- a. Section 44, Chapter 6 states that the depository bank considers a check stale, if it has been outstanding for over six months from date of issue or as prescribed.
 - b. Section 56, Chapter 19 provides that all unreleased checks at the end of the year shall be reverted back to the cash accounts. A Journal Entry Voucher (JEV) shall be prepared to recognize the restoration of the cash equivalent to the unreleased checks and the recognition of appropriate liability/payable account.
- 2.17 Review of the Bank Reconciliation Statement of RCMB XI as at December 31, 2021 for MDS Account No. 2016-9025-20 revealed that Outstanding Checks totaling ₱104,768.62 included the MDS checks that have become stale and not cancelled by the Agency totaling ₱7,760.00.
- 2.18 **We recommended and Management agreed to direct the Accountant-Designate to prepare the necessary adjusting entry on the cancellation of the stale checks for the fairness of accounts presentation in the financial statements and to strictly observe provisions of GAM, particularly Chapter 21 on the preparation of the BRS, and Sec. 44 of Chapter 6, and Section 56 of Chapter 19 on the proper treatment of stale, voided, or spoiled checks.**

Management's Comments

- 2.19 In a letter-reply dated March 9, 2022, Management required the Accountant-Designate to prepare the necessary adjusting entries on the cancellation of stale-dated checks amounting to ₱7,760.00 and to submit the revised financial statements.

Auditor's Rejoinder

- 2.20 The Audit Team appreciates Management's immediate action on the recommendation pertaining to adjustments and revision of the financial statements. Implementation of other audit recommendations by the Agency shall be monitored by the Team.

INVENTORIES

b. Deficiencies affecting the reliability of Inventories account

- 2.21 The table below summarizes the deficiencies that affected the reliability of Inventories account:

Table 8: Summary of Deficiencies Affecting the Reliability of Inventories Accounts

Deficiencies	Offices/ RCMB	Amount
Misclassification of recording of Anti-Virus Security Software to Inventory account	IX, VIII	50,880.00
Unreconciled difference between the SLC and SC	NCR	78,671.98
Misclassification of Inventory Accounts	I, VIII, XI	29,926.50
Non-submission of IAR, DR and Original JEV	CO	120,481.00
Failure to prepare the Supplies Ledger Card (SLC)	X	229,895.00
Report of Supplies and Materials Issued (RSMI) and Requisition and Issue Slip (RIS) were not duly accomplished	CO	Not Stated
Non-maintenance of Stock Cards (SCs) by the Property Office,	CO	Not Stated
RPCI for CY 2021 not accomplished nor submitted to the Audit Team	NCR	Not Stated
Deficiencies in the conduct of physical inventory-taking and non-conduct of physical count of inventories	CO, NCR, XI	N/A
Non-maintenance of ICS	NCR	219,137.00
Total		728,991.48

b.1. Misclassification of recording of Anti-Virus Security Software to Inventory account

- 2.22 The RCA (Updated 2019) prescribed under COA Circular No. 2020-001 dated January 8, 2020 provides the modified account titles and descriptions of the accounts to properly recognize and present the agency's financial transactions.
- 2.23 IPSAS 1 on Presentation of FS defines the accrual basis of accounting as a basis "under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate."
- 2.24 While Section 6, Chapter 1 of the GAM for NGAs, Volume I states the basic government accounting and budget reporting principles which emphasize that each government entity shall recognize and present its financial transactions and operations conformably to the accrual basis of accounting in accordance with the IPSAS.
- 2.25 In RCMB IX, review of purchased 12 units of Anti-Virus Total Security Software was recorded as Office Supplies Inventory which could have been appropriately recorded as Subscriptions Expense in accordance with the accrual basis of accounting. Anti-virus software is without physical substance hence, must not be classified as Inventory. Since the software license is allowed to be only used for two years as opposed to the traditional Computer Software which have perpetual license. In effect, Subscription Expense is

understated by ₱33,000.00 and Office Supplies Inventory are overstated by the same amount.

- 2.26 In the same manner, RCMB VIII purchased six (6) units of Anti-Virus Software totaling ₱17,880.00 was erroneously recorded as Semi-Expendable Information and Communication Equipment instead of Subscription Expenses account. As a result, the SEP –ICT Equipment is overstated by ₱17,880.00 and Subscription Expenses, by the same amount
- 2.27 **We recommended and Management agreed to direct the Accountant-Designate to reclassify to the appropriate accounts the procurement of the Anti-Virus Software to achieve fair presentation of the FS. (RCMB VIII and IX)**

Management's Comments

- 2.28 Management replied through a letter that necessary adjustments were already made during the month of March 2022 and will furnish the Audit Team with the Journal Entry Vouchers regarding the adjustments. (RCMB VIII)

b.2. Unreconciled difference between the SLC and SC

- 2.29 Section 17(g and i), Chapter 8 of GAM, Volume I provides that, the Report on the Physical Count of Inventory (RPCI) shall be used to report the physical count of supplies by type of inventory as at a given date. It shows the balance of inventory items per card and per count and shortage/overage, if any. These include the semi-expendable property wherein the issue is covered by Inventory Custodian Slip (ICS). It shall be prepared semi-annually by the Inventory Committee and by fund cluster. The report shall be submitted to the COA Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively. It shall be reconciled with the SLCs and SCs maintained by the Accounting Division/Unit and Property and/or Supply Division/Unit, respectively. Any discrepancies shall be verified and/or adjusted accordingly.
- 2.30 In RCMB NCR, SLC and SC were maintained to monitor the issuance of supplies and materials. However, regular updating of both records was not conducted by the Accountant-Designate and Property/Supply Officer - Designate, which resulted in unreconciled balance of ₱78,671.98 as of December 31, 2021.
- 2.31 **We recommended and Management agreed to instruct the Accountant-Designate and Property/Supply Officer to reconcile the unaccounted balances of Inventories accounts per SLC and SC amounting to ₱78,671.98 to present accurately the receipt and issuance of supplies and materials. Likewise, regular reconciliation should be done between the records of the Accountant-Designate and Property/Supply Officer.**

Management's Comments

- 2.32 Management commented that the unreconciled difference noted for CY 2021 between the SLC and SC was already reconciled as of March 31, 2022.

b.3. Misclassification of Inventory Accounts

- 2.33 The RCA (Updated 2019) prescribed under COA Circular No. 2020-001 dated January 8, 2020 provide the modified account titles and descriptions of the accounts to properly recognize and present the agency's financial transactions.
- 2.34 Post-audit of transactions of the RCMB I for CY 2021 disclosed that disbursements totaling ₱14,365.00 were not recorded using the prescribed account titles Other Supplies Inventories and Semi-Expendable-Information and Communication Technology (ICT). The said transactions were misclassified as Office Supplies Inventory.
- 2.35 While in RCMB XI, Semi-Expendable – Furniture and Fixtures account contained items totaling ₱9,961.50 that should have been classified as Other Supplies and Materials Inventory.
- 2.36 In CY 2021, the RCMB VIII procured semi-expendable properties totaling ₱99,420.00 that were erroneously recorded to Office Supplies Inventory account and were all issued to end-users in CY 2021, reported as expense and eventually closed to Accumulated Surplus at the end of the year. All but one item amounting to ₱5,600.00 was already issued to end-users in CY 2021, hence should be reported as Semi-expendable instead of Office Supplies Inventory Account.

- 2.37 **We recommended and the Regional Branch Director agreed to:**

RCMB I and XI

- a. **ensure compliance with COA Circular No. 2020-001 by instructing the Accountant to use the proper account titles prescribed under the RCA for fair presentation of the Agency's financial statements, and**

RCMB VIII

- b. **direct the Accountant to prepare and submit to the Audit Team the necessary adjustments for reclassification of the affected Office Supplies Inventory Account and the corresponding recording of the Semi-Expendable Machinery and Equipment account.**

Management's Comments

- 2.38 Management committed to use the proper account titles prescribed under the RCA as recommended. (RCMB I)
- 2.39 Management of RCMB VIII replied through a letter that one of the abovementioned Semi-Expendable Machinery and Equipment have already been issued, effectively recording them as expense before the end of December 2021. Further, the necessary adjustments were already made during the month of March 2022 and will furnish to the Audit Team with the Journal Entry Vouchers on the adjustments.
- 2.40 On the other hand, the Management of RCMB XI submitted a reply letter dated March 22, 2022 and informed that the Accountant-Designate already made an adjusting entry on the misclassification of inventories accounts.

b.4. Non-submission of IAR, DR and Original JEV

- 2.41 Section 17(b) Chapter 8 of GAM Volume I states that the IAR, RIS, PO and DR serve as the original sources of information for making entries on the card.
- 2.42 Audit of the transactions for Office Supplies Inventory of NCMB CO for CY 2021 disclosed that receipt of items procured from DBM-PS and purchased of ink cartridge from a regular supplier amounting to ₱12,771.00 and ₱113,310.00, respectively, were recorded in the books without the corresponding IAR and DR. Absence of the required supporting documents to the submitted DV and JEV casts doubt on whether the items delivered were appropriately inspected by the concerned personnel and had been verified as to quantity and conformity to specifications based on the DR and approved PO. Also, the said documents are needed by the Accounting Section for proper recording on the receipt of the inventories in the books. On the other hand, we noted that the recording in the General Ledger was made even without supporting document/s as shown in JEV No. 2021-12-001017 amounting to ₱5,600.00.
- 2.43 **We recommended and Management agreed to require the Accountant to provide the lacking documents for the procured office supplies totaling ₱126,081.00 and the adjustment for erroneous recording of inventory items amounting to ₱5,600.00 and ensure that all JEV are supported with the required documents.**

Management's Comments

- 2.44 Management commented that it has taken note of the audit observations and recommendations and will submit the required documents pertaining to the receipt, issuances and monitoring of Office Supplies Inventory account.

b.5. Failure to prepare the Supplies Ledger Card (SLC)

- 2.45 Section 17, Chapter 8 of the GAM for National Government Agencies (NGAs) Volume I, prescribes the use of the following record: *“Supplies Ledger Card (SLC) (Appendix 57) – shall be used to record materials received, issued and the balance both in quantity and amount at any time. It shall be maintained by the Accounting Division/Unit for each kind of supplies and materials. The IAR, RIS, RSMI, PO and DR serve as the original sources of information for making entries on the card.”*
- 2.46 In RCMB X, verification of records revealed that the Accountant-Designate failed to prepare the SLC due to her sick leave, work from home scheme and maternity leave, thus the amount of ₱229,895.00 cannot be verified.
- 2.47 **We recommended and Management agreed to instruct the Accounting Unit to prepare their SLC and record promptly the acquisition and issuance of the inventory items.**
- 2.48 Management commented that the Branch will prepare their SLC and record the acquisition and issuance of the inventory items.
- b.6. Report of Supplies and Materials Issued (RSMI) and Requisition and Issue Slip (RIS) were not duly accomplished*
- 2.49 Section 17(g) Chapter 8 of GAM, Volume I provides that the Report of Supplies and Materials Issued (RSMI) shall be prepared by the Property or Supply Custodian based on the Requisition and Issue Slip (RIS) and shall be used as a basis by the Accounting Section in preparing the JEV to record the supplies and materials issued.
- 2.50 The RSMIs prepared by NCMB-CO as attachment to the JEV to record the issuance of various office supplies were not duly/properly accomplished. Likewise, the same were not duly filled out by the Accounting Division as to unit cost and amount portion thereof, not signed by the Accounting and Property Division and were not supported with RIS pertaining thereto. The said documents shall be used as a basis by the Accounting Section in preparing the JEV to record the supplies and materials issued. However, since the same were not properly accomplished, the accuracy and reliability of the amount involved could not be ascertained.
- 2.51 **We recommended and Management agreed to require the Accountant to accomplish the “unit cost and amount” portion of the RSMIs and provide the required RIS to support the recording of the issued inventory items and ensure all RSMIs are duly signed and completely accomplished.**

2.52 Management commented that it has taken note of the audit observations and recommendations and will submit the required documents pertaining to the receipt, issuances and monitoring of Office Supplies Inventory account.

b.7. Non-maintenance of Stock Cards (SCs) by the Property Officer

2.53 Section 17(b), Chapter 8 of GAM, Volume I states that the Stock Card (SC) shall be used to record all receipts and issues of supplies and the balance in quantity at any time. It shall be maintained by the Property and/or Supply Division/Unit for each item in the stock.

2.54 In NCMB CO, SLC and SC are to be maintained to monitor the issuance of supplies and materials. Likewise, for check and balance, those two records are compared together with RPCI. However, the Property Office fails to maintain the required SC, comparison thereof with the SLC and RPCI could not be made, thus the records of the Property and Accounting Office could not be reconciled.

2.55 We recommended and Management agreed to require the Property/Supply Officer to accomplish and maintain Stock Cards in the receipts and issuances of Office Supplies Inventory and ensure all RSMIs are duly signed and completely accomplished and supported with RIS as required by Chapter 8 of the GAM Volume I.

Management's Comments

2.56 Management commented that it has taken note of the audit observations and recommendations and will submit the required documents pertaining to the receipt, issuances and monitoring of Office Supplies Inventory account.

b.8. RPCI for CY 2021 not accomplished nor submitted to the Audit Team

2.57 Section 17(g and i) Chapter 8, GAM, Volumes I, states that the Report on the Physical Count of Inventory (RPCI) shall be used to report the physical count of supplies by type of inventory as at a given date. It shows the balance of inventory items per card and per count and shortage/overage, if any. These include the semi-expendable property wherein the issue is covered by Inventory Custodian Slip (ICS). It shall be prepared semi-annually by the Inventory Committee and by fund cluster. The report shall be submitted to the COA Auditor concerned not later than July 31 and January 31 of each year for the first and second semester.

2.58 In RCMB NCR, RPCI for the 1st and 2nd semesters of CY 2021 were not yet submitted by the Management. Since the report has yet to be submitted, comparison between the physical count of inventories with the book balance reported as of December 31, 2021 cannot be done.

- 2.59 **We recommended and Management agreed to require the Inventory Committee to conduct inventory-taking in a timely manner and submit the required RPCI within the prescribed period as required by Section 17, Chapter 8 of the GAM Volume I to enable the Audit Team to make a decision in audit.**

Management's Comments

- 2.60 Management commented that the Property/Supply Officer-Designate shall update and submit the required reports.

b.9. Deficiencies in the conduct of physical inventory-taking/non-conduct of physical count of inventories

- 2.61 Section 13, Chapter 8 GAM, Volume I, states that Physical count/inventory, which is required semi-annually, is an indispensable procedure for checking the integrity of property custodianship.
- 2.62 In NCMB CO, the Inventory Committee failed to comply with the required semi-annual physical count of inventory as evidenced by the non-submission of the RPCI for the 1st semester of CY 2021. According to the Management, physical count of inventory for the 1st semester was not completed due to the pandemic. Also, physical inventory-taking for the 2nd Semester of CY 2021 was not duly conducted by the members of the Inventory Committee.
- 2.63 In RCMB NCR, the Inventory Committee failed to conduct timely inventory-taking of supplies and materials as shown in the non-submission of the RPCI for CY 2021.
- 2.64 While RCMB XI failed to conduct physical count as at yearend and doing it at a later date defeated the purpose of validating the existence and completeness of the items reported at yearend, as well as the accuracy of the balances in the books for Inventories amounting to ₱299,316.51.

- 2.65 **We recommended and Management agreed to:**

NCMB CO, RCMB NCR and XI

- a. **require the Inventory Committee to conduct inventory-taking in a timely manner and submit the required RPCI within the prescribed period as required by Section 13 and 17, Chapter 8 and Section 38, Chapter 10 of the GAM Volume I to enable the Audit Team to make a decision in audit; and**

NCMB CO

- b. submit an explanation/justification why they were not able to conduct the scheduled Physical Inventory Count for CY 2021.**

Management's Comments

- 2.66 In their letter-reply dated March 22, 2022, the Management admitted their failure to conduct the physical count of the inventories and PPEs in CY 2021 due to series of trainings and workshops held towards the end of the year and the transition of Agency personnel to new designations. (RCMB XI)

Auditor's Rejoinder

- 2.67 The Audit Team acknowledges the Management's willingness to comply with the Audit Team's recommendations and will monitor their compliance and evaluate it appropriately.

b.10. Non-maintenance of ICS

- 2.68 Section 11 Chapter 8, GAM, Volume I provides that Inventory Custodian Slip (ICS) shall be issued to end-user of Semi-expendable Property to establish accountability over them. Accountability shall be extinguished upon return of the item to the Property and Supply Division/Unit or in case of loss, upon approval of the relief from property accountability.
- 2.69 In RCMB NCR, ICS was not immediately accomplished upon issuance of Semi-expendable Equipment totaling ₱219,137.00, thus monitoring of accountability cannot be established which may result in possible losses or misuse of government properties.
- 2.70 **We recommended and Management has agreed to require the Property/Supply Officer-Designate to accomplish and maintain ICS for issued Semi-Expendable Items as required by Section 11, Chapter 8 of the GAM Volume I**
- 2.71 Management commented that the Property/Supply Officer-Designate shall update and submit the required reports while the ICS was already submitted to the COA Office on April 1, 2022.

PROPERTY, PLANT AND EQUIPMENT

c. Deficiencies affecting the reliability of PPE accounts

- 2.72 The table below summarizes the deficiencies that affected the reliability of PPE account:

Table 9: Summary of Deficiencies Affecting the Reliability of PPE Accounts

Deficiencies	Offices/ RCMB	Amount
Discrepancy between the balances reported per books and Report on the Physical Count of PPE (RPCPPE)	IV-A, NCR	262,551.89
Misclassification of PPE Accounts	VII, CO	324,802.00
Unserviceable properties still recorded in the books and remained undisposed	CO, NCR	996,969.03
Unauthorized Inter-Agency Transfer of PPE	NCR	154,000.00
Guidelines and procedures in the conduct of physical count of PPE were not observed and failure to conduct year-end inventory-taking of PPE	CO, NCR, XI	N/A
Non-submission of supporting schedules to account depreciation expense for CY 2021	CO	1,738,146.48
Non-maintenance of Property Cards (PCs) and non-updating of Property Acknowledgement Receipts (PARs)	CO, NCR	Not Stated
Inspection and Acceptance Report (IAR) was not accomplished and submitted	NCR	874,163.00
Total		4,350,063.24

c.1. Discrepancy between the balances reported per books and Report on the Physical Count of PPE (RPCPPE)

- 2.73 Section 58, Chapter 2 of PD No.1445 on the Audit of Assets states that “The examination and audit of assets shall be performed with a view to ascertaining their existence, ownership, valuation and encumbrances as well as the propriety of items composing the respective asset accounts; determining their agreement with records; proving the accuracy of such records; ascertaining if the assets were utilized economically, efficiently and effectively; and evaluating the adequacy of controls over the accounts.”
- 2.74 In Section 42(g), Chapter 10 of GAM for NGAs, Volume I, on the Accounting and Property Records to be maintained for PPE, the RPCPPE is one of the forms/reports necessary to account for PPE. The RPCPPE shall be used to report the physical count and condition of PPE by type as at a given date, including those which are unrecorded and those which could not be accounted for. It shows the balance of PPE per Property Cards and per count and the shortage/overage, if any. It shall be rendered by the Inventory Committee on its yearly physical count of properties owned by the entity.
- 2.75 Comparison made with the PPE total book balances in RCMB IV-A and NCR amounting to ₱2,358,972.59 and ₱8,447,166.99, respectively, said balances did not agree with the balances per RPCPPE of ₱2,379,199.48 and ₱8,204,841.99 or a total difference of ₱262,551.89. Analysis of the PPE book balances and the RPCPPE showed that the discrepancy was due to PPEs recorded but not existing during the physical count. The unreconciled supply records, particularly the RPCPPE and the accounting records cast doubt on the

existence and reliability of the PPE account balances as reflected in the Agency's books and financial statements as of yearend.

- 2.76 **We recommended and Management agreed to require the Accountant – Designate and the Property/Supplier Officer to conduct regular reconciliation of their records to establish the existence, completeness and accuracy of the account balance as required in Section 58, Chapter 2 of PD No.1445 and Section 42(g), Chapter 10 of GAM for NGAs, Volume I to arrive at a reconciled account balances per books and per count. (RCMB IV-A and NCR).**

Management's Comments

- 2.77 Management commented that they will provide the Audit Team with the revised financial statements and will comply with the recommendations. (RCMB IV-A). Management commented that they shall comply with the Auditor's recommendations, the Accountant-Designate and Property/Supply Officer to conduct reconciliation quarterly to ensure completeness and accuracy of the account balances. (RCMB NCR)

Auditor's Rejoinder

- 2.78 The revised financial statements, upon submission by the Management will be reviewed and validated by the Audit Team. (RCMB IV-A)

c.2. Misclassification of PPE Accounts

- 2.79 The RCA (Updated 2019) prescribed under COA Circular No. 2020-001 dated January 8, 2020 provide the modified account titles and descriptions of the accounts to properly recognize and present the Agency's financial transactions.
- 2.80 Verification of the RPCPPE of RCMB VII as of December 31, 2021 disclosed that there are items that are not properly classified in the books of the RCMB in accordance with the RCA - Updated 2019. Pursuant to COA Circular No. 2020-001 dated January 8, 2020, video camera and DSLR cameras totaling ₱225,625.00 should have been classified as "Technical and Scientific Equipment." While the laptop and projector amounting to ₱64,695.00 should have been classified as "Information and Communications Technology Equipment" and "Office Equipment," respectively.
- 2.81 Meanwhile, NCMB-CO procured biometric time recorder amounting to ₱34,482.00 as per JEV# 2021-12-000968 dated December 29, 2021. Our review of the said transaction revealed that it was erroneously recorded as Other Property, Plant and Equipment account instead of Other Machinery and Equipment, resulting in the misclassification of PPE accounts as presented in the Statement of Financial Position as of December 31, 2021.

- 2.82 **We recommended and Management agreed to reclassify the recording in the Agency's books the misclassified accounts pursuant to the RCA-Updated 2019 of COA Circular 2020-001 dated January 8, 2020 and immediately furnish the Audit Team with a copy of the Journal Entry Voucher (JEV). (RCMB VII and CO)**

Management's Comments

- 2.83 The Management acknowledged that the year-end balances of the "Office Equipment" and Technical and Scientific Equipment accounts were understated while Information and Communications Technology Equipment was overstated due to erroneous classification of PPE accounts, contrary to COA Circular No. 2020-001 dated January 8, 2020, thus affecting the fair presentation of the financial statements. As recommended, the Accountant Designate prepared a JEV to reclassify the PPEs composing the "Office Equipment," "Information and Communications Technology Equipment" and other affected accounts under JEV Nos. 2022-04-0208, 2022-04-0209 and 2022-04-0210 dated April 6, 2022. These were furnished to the Supply and Property Officer to correct the classification of PPEs. (RCMB VII)
- 2.84 Management commented that it has taken note of the audit observations and the Accountant already prepared the adjusting entry to correct the misclassified accounts per JEV No. 2022-03-000216 dated March 1, 2022.

c.3. Unserviceable properties still recorded in the books and remained undisposed

- 2.85 Unserviceable properties must be reported in the IIRUP as cited in Section 40(d), Chapter 10 of GAM for NGAs, Volume I, which shall later be dropped from the books by debiting Impairment Loss-Property, Plant and Equipment (cost of the PPE less Accumulated Depreciation.) Inclusion of unserviceable properties not properly disposed of, thus unnecessarily occupying space and exposing them to further deterioration and decreasing salvage value.
- 2.86 Review of the RPCPPE of RCMB NCR as of December 31, 2021, includes various unserviceable properties totaling ₱996,969.03 and these items were just reported as "unserviceable" in the submitted report. Also, the branch has yet to submit the Inventory and Inspection Report of Unserviceable Property (IIRUP) for CY 2021. While in NCMB CO, IIRUP as of December 31, 2021 submitted was reported "none." Verification made by the Audit Team during the physical count noted that some offices still have assigned properties which were no longer in use. These unserviceable properties were not listed in the IIRUP and have not been disposed and continued deteriorating. No action was initiated to dispose said properties since the items were not yet surrendered to the Property Office for inclusion in the IIRUP.

2.87 The process for disposal has yet to commence hence these items remained in the custody of the Agency and as such, properties not properly disposed of unnecessarily occupy space, thus exposing them to further deterioration, decreasing salvage value and depriving the government of additional revenue that may be generated from their sale.

2.88 **We recommended and Management agreed to:**

RCMB NCR

- a. **require the Property/Supplier Officer to accomplish the IIRUP for disposal of these properties and submit the same to the Disposal Committee for their appropriate inspection/appraisal and cause the immediate disposal of those unserviceable property in accordance with Section 40(d), Chapter 10 of GAM for NGAs, Volume I to prevent further loss of its economic value, and to enable the Agency to use the space presently being occupied by the said property for other beneficial purposes. (RCMB NCR); and**

NCMB CO

- b. **communicate to end-users to inform the Property Office of the list of properties that are no longer in use for inclusion in the IIRUP for disposal.**

Management Comments

2.89 Management commented that it has taken note of the audit observations and to determine all unserviceable or disposable properties of the Central Office (NCMB CO) and that they shall comply with the Auditor's recommendations, the Accountant-Designate and Property/Supply Officer will conduct reconciliation quarterly to ensure completeness and accuracy of the account balance. (RCMB NCR)

c.4. Unauthorized Inter-Agency Transfer of PPE

2.90 COA Circular No. 89-296 dated January 27, 1989 and Section 76 of PD No. 1445 states that, "Any government property that is no longer serviceable or needed by the agency to which it belongs may be transferred without cost, or at an appraised value to other agencies of the government upon authority of the respective heads of the agencies in the national government, or of the governing bodies of government-owned or controlled corporations, other self-governing boards or commissions or the government, or of the local legislative bodies for local government units concerned."

2.91 Based on the submitted RPCPPE, two (2) air conditioning units totaling ₱154,000.00 were marked as "return to building admin." However, records

showed that these properties had always been part of the reported PPE Account in the financial statements of the RCMB-NCR since year 1999 and were also depreciated accordingly. Clearly the Agency has the ownership and rights on the said equipment. According to the Property-Officer Designate, the two (2) aircons were apparently returned/transferred to DOLE Building Administration – Institute of Labor (ILab) by the previous Property-Officer Designate during the renovation of the office building in CY 2019. Further, the aircons were just dismantled from the RCMB-NCR Office Ground Floor without any prior approval from the head of the agency, contrary to provisions under COA Circular No. 89-296 dated January 27, 1989 and Section 76 of PD No. 1445. Absence of the necessary documents to support the supposed transfer made to other government agency indicates procedural lapses, thus casts doubt on the validity and legality of the transfer made.

- 2.92 **We recommended and Management agreed to require the Property/Supplier Officer to provide the necessary documents on the approval of the head of the agency pertaining to the transfer/return of the ICT Equipment made to DOLE-ILAB pursuant to COA Circular No. 89-296 dated January 27, 1989, otherwise, hold the previous Property/Supply Officer liable for the unauthorized transfer made as required under Section 101 of PD No. 1445.**

c.5. *Guidelines and procedures in the conduct of physical count of PPE were not observed and failure to conduct year-end inventory taking of PPE*

- 2.93 COA Circular No. 2020-006 dated January 31, 2020 consists of the following provisions:

Item 5.2 “The Head of the Agency shall create an Inventory Committee composed of adequate number of members xxx. The Inventory Committee shall have at least one member each from the Accounting and Property Divisions/Unit of the agency.”

Item 5.3 – “The members of the Inventory Committee shall be temporarily relieved of all their regular duties to devote their full time in the conduct of the physical inventory taking until the same is completed.”

Item 5.6 – “Each government agency shall adopt a uniform property identification system for PPE wherein a unique Property Number shall be assigned for each PPE item xxx.”

Item 5.9 – “In coordination with the Property Unit, the Inventory Committee shall plan/strategize on how to conduct and complete the physical inventory within the prescribed period. It shall prepare a Physical Inventory Plan (PIP) xxx.”

Item 5.10 – “The PIP shall be approved by the Head of the Agency.”

Item 5.11 – “The Inventory Committee shall submit the approved PIP to the COA Audit Team at least ten (10) calendar days before the scheduled start of inventory taking activities.”

- 2.94 There was no representative from the Accounting Office during the physical count in RCMB NCR, requiring participation thereof as being one of the Inventory Committee Members, is provided for in COA Circular No. 2020-006 dated January 31, 2020. The RPCPPE was also submitted beyond the deadline set contrary to Section 38, Chapter 10 of GAM Volume I.
- 2.95 NCMB CO did not observe the required presence of Inventory Committee members to conduct the physical inventory count, there being no representative from the Property Office and other Inventory Committee members during the physical count on January 24-26, 2021 as required under Item 5.2 of COA Circular No. 2020-006. Moreover, the Agency did not comply with some of the important abovementioned provisions of COA Circular No. 2020-006, particularly on Item 5.3, 5.6, 5.9, 5.10 and 5.11.
- 2.96 While in RCMB XI, the non-conduct of the physical count of the Agency's Inventories and Property, Plant, and Equipment (PPE) during the CY 2021 contravened the pertinent provisions of the GAM, thereby rendering questions on the existence and completeness of the items reported at yearend as well as the accuracy of the balances in the books amounting to ₱3,713,712.94.
- 2.97 **We recommended and Management agreed to:**

RCMB XI

- a. submit a written explanation on the Agency's non-conduct of physical count of Inventories and PPE for Calendar Year 2021;**

NCMB CO and RCMB NCR

- b. require the Inventory Committee to fully comply/observe the Guidelines and Procedures in the conduct of Physical Count of PPE in accordance with the provisions set forth in COA Circular No. 2020-006 dated January 31, 2020.**

Management's Comments

- 2.98 Management commented that they shall comply with the Auditor's recommendations, our Accountant-Designate and Property/Supply Officer to conduct reconciliation quarterly to ensure completeness and accuracy of the account balances. (RCMB XI)

- 2.99 The Management directed the Supply Officer-Designate and the Inventory Committee to conduct semi-annual physical count of inventories and annual physical count of PPEs with COA representative/s to comply with the related GAM provisions. (NCMB CO)

Auditor's Rejoinder:

- 2.100 The Audit Team acknowledged the Management's willingness to comply with the Audit Team's recommendations. The Audit Team will monitor their compliance. (RCMB XI)

c.6. Non-submission of supporting schedules to account depreciation expense for CY 2021

- 2.101 In NCMB CO, the depreciation expense recognized in the Statement of Financial Performance for CY 2021 totaling ₱1,738,146.48 were not supported with the necessary schedules that must be attached to the monthly JEV. Non-submission of those documents to the Audit Team casts doubt on the reliability and validity of Depreciation Expense and Accumulated Depreciation accounts, thus affecting the carrying amount of the PPE accounts as at yearend.

- 2.102 **We recommended and Management agreed to require the Accountant to submit to the Audit Team the supporting/lapsing schedules to the monthly JEV to account for Depreciation Expenses in CY 2021.**

Management's Comments

- 2.103 Management commented that it has taken note of the audit observations and instructed the Accounting Unit to submit the required reports to account for the Depreciation Expenses for CY 2021.

Auditor's Rejoinder

- 2.104 The Audit Team shall verify the Schedule of Depreciation Expenses extracted per e-NGAS.

c.7. Non-maintenance of Property Cards (PCs) and non-updating of Property Acknowledgement Receipts (PARs)

- 2.105 Section 42, Chapter 10 of GAM, Volume I states that, "The Chief Accountant shall maintain the Property, Plant and Equipment Ledger Card (PPELC) for each category of PPE xxx. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life depreciation, impairment loss, disposal and other information about the assets. For check and balance, the Property and Supply Officer/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The

balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.

- 2.106 The Property Officer of RCMB NCR failed to properly maintain PCs and PAR for majority of the PPE items to monitor receipt, transfer and disposition of PPE. Some PPEs have no PCs, hence no record to reconcile the balance per PPELC maintained by the Accounting Division. The Audit Team also noted that PAR was not updated when there is change in accountability or custodianship of the property, hence making it difficult to hold the accountable officer who possesses the items responsible and liable in case of loss, damage, improper and unauthorized use thereof.
- 2.107 Inspection and inquiry on the records maintained by the NCMB CO pertaining to their PPE accounts revealed that although PPELC is being maintained by the Accounting Office, its counterpart which is the PC was not maintained by the Property Office, pursuant to Section 42, Chapter 10, Volume I of the GAM for NGAs. Both records serve as sources of verifiable data that will substantiate the PPE account balances. Absence of such records would render difficult the reconciliation of items under the PPE accounts thereby affecting its faithful presentation in the Agency's financial statements. Moreover, updated PARs were not also maintained as they were not renewed for at least every three (3) years or every time there is a change in accountability or custodianship of the property, as required in Section 21, Chapter 10 of Volume I of the GAM for NGAs.
- 2.108 **We recommended and Management agreed to require the Property/Supply Officer to maintain and regularly update the PCs as required by Section 42, Chapter 10 of Volume I of the GAM for NGAs and prepare and regularly update the required Property Transfer Report and PAR for the returned fully depreciated but still usable properties issued to current end-users in order to establish accountability thereof. (NCMB CO and RCMB NCR)**
- 2.109 The Property Office was also directed to update the PCs and PARs, to determine all unserviceable or disposable properties of the Central Office and to conduct periodic reconciliation between the PPELC and PC.(NCMB CO). Management commented that they shall comply with the Auditor's recommendations, our Accountant-Designate and Property/Supply Officer to conduct reconciliation quarterly to ensure completeness and accuracy of the account balances. (RCMB NCR)

c.8. Inspection and Acceptance Report (IAR) was not accomplished and submitted

- 2.110 Section 19, Chapter 10 of GAM for NGAs, Volume I provides that the receipt of items purchased by the agency shall be inspected by the inspection officer/committee before acceptance by the Supply/Property Custodian.

Acceptance shall be made only if the PPE delivered conform to the standards and specifications in the Purchase Order, Inspection and Acceptance shall be made using the IAR.

2.111 RCMB NCR's ICT equipment totaling ₱874,663.00 were recorded in the books without IAR which is not in accordance with Section 19 Chapter 10 of the GAM for NGAs, Volume I.

2.112 **We recommended that Management require the Property/Supplier Officer to accomplish the IAR upon actual delivery of the PPE and make sure to submit the same to the Accounting Section together with other documentary requirements necessary for appropriate recording in the books.**

LIABILITIES

d. Deficiencies affecting the reliability of Liabilities accounts

2.113 The table below summarizes the deficiencies that affected the reliability of Liabilities account:

Table 10: Summary of Deficiencies Affecting the Reliability of Liabilities Accounts

Deficiencies	Offices/ RCMB	Amount
Misclassification of recording to Accounts Payable instead of Due to Officers and Employees account	II, VII, XIII	280,600.00
Incomplete supporting documents of Accounts Payable	CO, NCR	346,763.28
Unreverted Accounts Payable	NCR	15,432.26
Total		642,795.54

d.1. Misclassification of Liabilities accounts

2.114 COA Circular No. 2020-001 dated January 8, 2020 prescribes the RCA-Updated 2019 for National Government Agencies in recording government transactions.

2.115 In the review of the financial statements of RCMB II, VII and XIII for the year ended December 31, 2021, it was observed that the unpaid claims of employees totaling ₱280,600.00 were misclassified to Accounts Payable instead of Due to Officers and Employees.

2.116 **We recommended and Management agreed to:**

RCMB II,VII, XIII

- **require the Accountant-Designate to follow strictly COA Circular No. 2020-001 dated January 8, 2020 on the description of accounts and to prepare an adjusting journal entry to reclassify the unpaid claims of**

employees totaling ₱280,600.00 recorded under Accounts Payable instead of Due to Officers and Employees account and immediately furnish the Audit Team with a copy of the Journal Entry Voucher (JEV).

Management's Comments

- 2.117 The Management acknowledged that the year-end balance of Accounts Payable amounting to ₱153,200.00 was overstated due to erroneous recording of unpaid claims of employees as Accounts Payable instead of Due to Officers and Employees, contrary to COA Circular No. 2020-001 dated January 8, 2020, thus overstating and understating the A/P and Due to Officers and Employees accounts, respectively, by the same amount of ₱153,200.00 as of December 31, 2021. (RCMB VII)
- 2.118 Management commented that as of February 2022 Monthly Financial Report, the books of accounts has already been corrected and adjusted to the appropriate classifications as per recommendation. Further, the Management ensured that all transactions are appropriately and consistently recorded in the books of accounts in accordance with the classification of the IPSAS. (RCMB XIII)
- 2.119 Management informed that the Accountant-Designate has already complied to the audit recommendations and to strictly observe the adoption of appropriate accounts in recording transactions.(RCMB II)

Auditor's Rejoinder:

- 2.120 The said findings were already corrected with JEV Nos. 01-2022-01-0003 amounting to ₱120,000.00 and 01-022-02-0061 amounting to ₱33,200.00 dated January 7 and February 10, 2022, respectively. The corresponding JEVs were attached in the reply to AOM for reference. (RCMB VII)
- 2.121 The Audit Team requested that a copy of the JEV taking up the adjustment on the error in the use of accounts using the recommended entry be submitted for reference. (RCMB II)

d.2. Incomplete supporting documents of Accounts Payable

- 2.122 Paragraph 6 of Section 4 of Presidential Decree (PD) No. 1445 provides that claims against government funds shall be supported with complete documentation.
- 2.123 Section 37, Chapter 2, GAM, Volume I provides that, "No obligation shall be certified to accounts payable unless the obligation is founded on a valid claim that is properly supported by sufficient evidence and unless there is proper authority for its incurrence. Any certification for a non-existent or fictitious

obligation and/or creditor shall be considered void. The certifying official shall be dismissed from the service, without prejudice to criminal prosecution under the provisions of the Revised Penal Code. Any payment made under such certification shall be illegal and every official authorizing or making such payment, or taking part therein or receiving such payment, shall be jointly and severally liable to the government for the full amount so paid or received.” (Book VI, Section 41 of EO No. 292)

2.124 The Audit Team’s analysis of the account showed that Accounts Payable of NCMB CO was set up and recorded at yearend even without the supporting documents to prove the validity of claims amounting to ₱218,152.79. Moreover, audit of disbursement related to Terminal Leave Benefits (TLB) of one employee amounting to ₱25,225.60 revealed that the transaction was not supported with Resignation Letter duly accepted by the Head of the Agency and the computation of the TLB was certified by the Chief Administrative Division instead of the Accountant. Review of Purchase Order (PO) No. 2020-12-013 dated December 28, 2020 pertaining to the purchase of Adobe Creative Cloud for Teams All Apps amounting to ₱62,720.00, revealed that the PO was neither signed under “Conforme” nor received by the supplier nor was it dated. Also, the attached IAR No. 009-21 dated March 4, 2021 the date of inspection and acceptance were not indicated therein.

2.125 RCMB NCR’s Schedule of Aging of Accounts Payable at yearend disclosed that ₱40,664.89 were not supported with complete documentary requirements to support the validity of the unpaid obligations. The Accountant-Designate explained that the claims pertain to the last salaries of NCMB Employees however, clearance from money, property and legal accountabilities has yet to be complied/submitted despite communications made to them.

2.126 **We recommended that Management:**

NCMB CO

- a. **require the Accountant to immediately submit to the Audit Team the supporting documents to verify the validity of the claims and to record only accounts payable with complete and valid supporting documents and to strictly comply with the above cited rulings to recognize liabilities; and**

RCMB NCR

- b. **require the Accountant to reconsider/review if the previous employees still have accountabilities from money, property and legal accountabilities and exhaust best effort to inform the payee/former employee on the supporting documents that need to be complied with for the payment of their last salary.**

Management Comments

2.127 Management took note of the audit observations and reminded the Accounting Unit to be very careful in recording financial transactions. They were also instructed to ensure that all recorded Accounts Payable as of December 31, 2021 are duly supported with proper and complete documents pursuant to Section 4 (6) of PD No. 1445 and COA Circular No. 2012-001

2.128 Management commented that the Branch shall reconsider/review the accountabilities from money, property and legal accountabilities of the former employees. The former employees were already notified through email for the submission of relevant official documents on March 22, 2022.

d.3. Unreverted Accounts Payable

2.129 Executive Order (EO) No. 87, s. 2019 dated August 13, 2019 provides that all accounts payable which remain outstanding for two years or more in the books of national government agencies be reverted to the accumulated surplus or deficit of the general fund, or the cumulative result of operations of the national government.

2.130 Based on the submitted Schedule of Aging of Accounts Payable at year-end of RCMB NCR, the amount of ₱15,432.26 was recorded in the books for more than two years and was not reverted to the accumulated surplus or deficit of the general fund of the national government.

2.131 **We recommended that Management require the Accountant to revert the outstanding payable for two years or more and those without the required supporting documents pursuant to Section 98 of the PD No. 1445 and Executive Order (EO) No. 87, s. 2019 dated August 13, 2019.**

2.132 Management commented that the Branch shall reconsider/review the accountabilities from money, property and legal accountabilities of the former employees. The former employees were already notified through email for the submission of relevant official documents on March 22, 2022.

EXPENSES

e. Deficiencies affecting the reliability of Expenses accounts

2.133 The table below summarizes the deficiencies that affected the reliability of Expenses account:

Table 11: Summary of Deficiencies Affecting the Reliability of Expense Accounts

Deficiencies	Offices/ RCMB	Amount
Erroneous recording of Current Years' Expenses as Prior years' Expenses	CO	206,639.63
Misclassification of Expenses Accounts	I, II, IV-A, IX,	476,471.38
Total		683,111.01

e.1. Erroneous recording of Current Years' Expenses as Prior Years' Expenses

- 2.134 Section 2(a), Chapter 6 of the GAM for NGAs defines Accounts Payable as valid and legal obligations of the NGAs/OU's, for which, goods/services/projects have been delivered/rendered/completed and accepted, regardless of the year these obligations were incurred.
- 2.135 Section 6, Chapter 1 of the GAM for NGAs, Volume I states the basic government accounting and budget reporting principles which emphasize that each government entity shall recognize and present its financial transactions and operations conformably to the accrual basis of accounting in accordance with the IPSAS.
- 2.136 In NCMB CO, disbursements pertaining to the purchase of Adobe Creative Cloud for Teams All Apps amounting to ₱62,720.00 and one year subscription for 13 hosts of Zoom Meeting with ESCO Unified Solutions Inc. Records amounting to ₱143,919.63 or a total of ₱206,639.63 were recorded in CY 2020. Verification of the related records and supporting documents revealed that the said expenses should be recorded in CY 2021, thereby understating and overstating the related expenses in CY 2021 FS. Since the said transaction was directly recorded to the Expense account and closed to the Accumulated Surplus/(Deficit) account, subsequently, the misstatements have no direct effect in CY 2021.
- 2.137 **We recommended that Management require the Accountant to make the necessary adjusting entry in the recording of the above purchase of Adobe Creative Cloud and the one year subscription for 13 hosts of Zoom Meeting with ESCO Unified Solutions Inc. Records.**

Management's Comments

- 2.138 Management commented that they concur with the audit observations pertaining to the erroneous recording on the purchase of one license Adobe Creative Cloud for Teams All Apps and one year Zoom Subscription with 13 hosts. The two items should be recorded in CY 2021. Thorough review of the pertinent documents showed that the Adobe Creative Cloud for Teams All Apps and Zoom Subscription with 13 hosts were activated on January 18 and 05, 2021, respectively. The Accountant was already instructed to make the necessary adjusting entries to reflect the correct balances of affected accounts.

e.2. Misclassification of Expenses Accounts

- 2.139 The RCA (Updated 2019) provides the modified account titles and descriptions of the accounts to properly recognize and present the Agency's financial transactions.
- 2.140 Section 15, Chapter 10 of GAM for NGAs, Volume I prescribes the proper accounting entry for transfer of PPE from one government entity to another.
- 2.141 In RCMB I, recording of the Voluntary Arbitration (VA) Subsidy of ₱25,000.00 in the Agency's books, was misclassified under Other Professional Services instead of Assistance/ Subsidies- Others.
- 2.142 In RCMB II, review of the financial statements for the year ended December 31, 2021 revealed that Repairs and Maintenance-Other PPE and Depreciation Expense-Other PPE amounting to ₱6,000.00 and ₱147,329.88, respectively, were the accounts used by the Branch instead of Repairs and Maintenance-Machinery and Equipment and Depreciation Expense- Machinery and Equipment.
- 2.143 RCMB IV-A recorded the Inter-agency transfer of PPE purchased from previous years with the total amount of ₱107,108.50 as Donation Expense but should have been recorded as deduction from Accumulated Surplus/(Deficit).
- 2.144 In RCMB IX, charging of motor vehicle registration renewal of ₱4,703.12 was recorded as a debit to Insurance Expense instead of Taxes, Licenses and Duties account.
- 2.145 **We recommended that the Management use the appropriate accounts in recording transactions pursuant to COA Circular No. 2020-001 or the RCA (Updated 2019), for the correct presentation of accounts in the financial statements of RCMB I, II, IV-A, IX.**

VARIOUS ACCOUNT

f. Deficiencies affecting the reliability of various accounts

Table 12: Summary of Deficiencies Affecting the Reliability of Various Accounts

Deficiencies	Offices/ RCMB	Amount
GLs and SLs were not updated	X	N/A
Deficiencies in the preparation of FS	IV-A	N/A

f.1. GLs and SLs were not updated

- 2.146 Section 12 of the GAM for NGAs prescribes the use of Books of Accounts and Registries. The books of accounts and registries of the National Government entities consist of:
- Journals
 - Ledgers
 - Registries
- 2.147 Section 109 of PD No. 1445 states that Government accounting encompasses the process of analyzing, recording, classifying, summarizing and communicating all transactions involving the receipt and disposition of government funds and property, and interpreting the results thereof.
- 2.148 Sec. 114 of PD No. 1445 states also that the government accounting system shall be a double entry basis with a General Ledger in which all financial transactions are recorded and subsidiary records shall be kept where necessary.
- 2.149 Upon review and verification of financial accounts of RCMB X, it was observed that the general ledger and subsidiary ledgers were not updated, contrary to Section 12 of GAM for NGAs and Sections 109 and 114 of PD No. 1445, thus auditorial review of account balances cannot be undertaken at any given time, thereby, exposing government funds to possible misuse or abuse. Ledgers were not updated by the Accountant-Designate due to her sick leave, Work from Home scheme and maternity leave.
- 2.150 **We recommended that the Management direct the Accountant- Designate to update the required General Ledgers and Subsidiary Ledgers pursuant to the pertinent provisions of the GAM for NGAs and PD No. 1445 in order to facilitate review of the account balances at any given time.**
- 2.151 The Branch will religiously update the books of accounts - General Ledgers and Subsidiary Ledgers pursuant to Section 12 of GAM for NGAs and Sections 109 and 114 of PD No. 1445.

f.2. Deficiencies in the preparation of FS

- 2.152 Deviations from the salient provisions of Chapter 19 of GAM for NGAs, Volume I on the preparation of the FS were noted in RCMB IV-A, as follows:

Table 13: Summary of Deficiencies in the Preparation of FS

Deficiencies Noted	Criteria/Basis
<ul style="list-style-type: none"><i>Lapses in the Disclosure to FS</i> <p>The Accountant failed to properly disclose the nature, amount, and extent of the</p>	<ul style="list-style-type: none">Section 9 states that: “Consistency of Presentation. The presentation and classification of items in the financial statements shall be retained from one period

Table 13: Summary of Deficiencies in the Preparation of FS

Deficiencies Noted	Criteria/Basis
<p>changes in presentation and/or the correction of prior period errors, whichever is applicable and if such discrepancies noted are true changes and/or correction of errors or just lapses of the Accountant in the presentation of line items and balances.</p>	<p>to the next unless:</p> <ul style="list-style-type: none"> a. it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IPSAS 3; or b. a IPSAS requires a change in presentation. (Par. 42, IPSAS 1)" <ul style="list-style-type: none"> • Section 44 provides Disclosure of Prior Period Errors. An entity shall disclose the following: <ul style="list-style-type: none"> a. the nature of the prior period error; b. for each prior period presented, to the extent practicable, the amount of the correction for each financial statements line item affected; c. the amount of the correction at the beginning of the earliest prior period presented; and if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.
<ul style="list-style-type: none"> • <i>Lapses in the information presented in the face of the FSs</i> <p>The Agency also failed to present and disclose in any of the FSs (Annex A-F) the following: (a) Whether the financial statements cover the individual entity or a group of entity; (b) Name of fund cluster; and (c) The reporting currency.</p>	<p>Section 13, Chapter 19 of GAM for NGAs, Volume I provides for the information to be displayed prominently in the face of the financial statements:</p> <p>"Identification of the Financial Statements. The financial statements shall be identified clearly, and distinguished from other information in the same published document. (Par. 61, IPSAS 1). In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:</p> <ul style="list-style-type: none"> a. The name of the reporting entity or other means of identification, and any change in that information from the preceding reporting date; b. Whether the financial statements cover the individual entity or a group of entity;

Table 13: Summary of Deficiencies in the Preparation of FS

Deficiencies Noted	Criteria/Basis
	<p>c. The reporting date or the period covered by the financial statements, whichever is appropriate to that component of the financial statements;</p> <p>d. Name of fund cluster;</p> <p>e. The reporting currency; and</p> <p>f. The level of rounding used in presenting amounts in the financial statements.</p> <p>(Par. 63, IPSAS 1)</p>
<ul style="list-style-type: none"> • <i>Improper and non-referencing of Notes to Financial Statements</i> <p>The Accountant failed to properly cross-reference each line item, with information to help clarify the account, in the face of the FS to their respective notes in the Notes to Financial Statements. In some accounts in the FSs, the Accountant failed to update and erroneously refer a different note to FS.</p>	<p>Section 30. "Notes shall, as far as practicable, be presented in a systematic manner. Each item on the face of the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity, and Statement of Cash Flows shall be cross-referenced to any related information in the notes."</p>
<ul style="list-style-type: none"> • <i>Deficiencies in the preparation of Statement of Financial Position</i> <p>The Accountant did not present the appropriate heading for the "Assets" and the heading and subtotal of "Total Assets Less Total Liabilities" in her preparation of the Statement of Financial Position.</p>	<p>Section 17, Chapter 19 of GAM for NGAs, Volume I, states that:</p> <p>"Additional line items, headings, and sub-totals shall be presented on the face of the Statement of Financial Position when such presentation is relevant to an understanding of the entity's financial position. (Par. 89, IPSAS 1)"</p> <p>"An entity shall disclose, either on the face of the Statement of Financial Position or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations. (Par. 93, IPSAS 1)"</p>
<ul style="list-style-type: none"> • <i>Deficiencies in the preparation of Statement of Financial Performance</i> <p>The Accountant did not present the appropriate heading for Registration fee (Service and Business Income) and the subtotal of the Surplus/(Deficit) from Current Operations</p>	<p>Section 19, Chapter 19 of GAM for NGAs, Volume I, provides provisions of the presentation of information in the Statement of Financial Performance:</p> <p>a. Additional line items, headings, and subtotals shall be presented on the face of the statement of financial performance when such presentation is relevant to an understanding of the entity's financial performance.</p> <p>b. An entity shall present, either on the face of the statement of financial performance or in the notes:</p> <p>c. sub-classification of total revenue, classified in a manner appropriate to the entity's operations; and,</p>

Table 13: Summary of Deficiencies in the Preparation of FS

Deficiencies Noted	Criteria/Basis
	<p>d. an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant.”</p>
<p>• <i>Deficiencies in the preparation of Statement of Changes in Net Assets/Equity</i></p> <p>The Accountant failed, due to multiple errors in presentation of amounts, to present the correct balance of accumulated surpluses or deficits at the beginning of the period and at the reporting date, and the changes during the period for both CYs 2020 and 2021.</p> <p>The CY 2021 adjustment of net revenue recognized directly in net assets/equity which consists of the net revenue deposited with the National Treasury is erroneously presented as to its mathematical operation. Said adjustment should be a deduction to the Net Assets/Equity for the Calendar Year.</p> <p>The Accountant also failed to disclose the nature, amount, and extent of the changes in presentation and/or the correction of prior period errors, whichever is applicable and if such discrepancies noted are true changes and/or correction of errors or just lapse of the accountant in the presentation of line items and balances.</p>	<p>Section 20, Chapter 19 of the GAM for NGAs, Volume I, provides for the information to be presented in the face of the statement of changes in net assets/equity:</p> <ul style="list-style-type: none"> a. Surplus or deficit for the period; b. Each item of revenue and expense for the period that, as required by other Standards, is recognized directly in net assets/equity, and the total of these items (example: unrealized gain/(loss) from changes in the fair value of financial assets); c. Total revenue and expense for the period (calculated as the sum of (a) and (b); d. The effects of changes in accounting policies and corrections of errors for each component of net asset/equity disclosed and e. The balance of accumulated surpluses or deficits at the beginning of the period and at the reporting date, and the changes during the period.
<p>• <i>Deficiencies in the preparation of Statement of Cash Flows</i></p> <p>The Accountant-Designate failed to completely and properly present the Agency’s Statement of Cash Flows. She did not provide for the Net Increase (Decrease) in Cash and Cash Equivalents, beginning balance and ending balance of Cash and Cash Equivalents for both Calendar Years 2021 and 2020. Additionally, the balances for the CY 2020 are different from the CY 2020 audited FS. Therefore, the Cash balance at the end of the year as shown in the Statement of Cash Flows cannot be validated against the Cash balance at the end of the year as shown in</p>	<p>Section 23, Chapter 19 of GAM for NGAs, Volume I, states: “The net increase in cash provided by (used in) operating activities, investing activities and financing activities for the year, and the cash balance at the start of the year, shall equal the cash balance at the end of the year as shown in the Statement of Financial Position.”</p>

Table 13: Summary of Deficiencies in the Preparation of FS

Deficiencies Noted	Criteria/Basis
<p>the Statement of Financial Position.</p> <ul style="list-style-type: none"> • <i>Deficiencies in the preparation of Notes to Financial Statements</i> <p>In the review of the Notes to Financial Statements that there were various lapses in the information/explanation and disclosure requirements that were not provided such as:</p> <ul style="list-style-type: none"> c. Statement of Compliance and Basis of Preparation of Financial Statements – The Agency presents its Financial Statements under the generally accepted state accounting principles and not in accordance with the Philippine Public Sector Accounting Standards (IPSAS), later renamed to International Public Sector Accounting Standards (IPSAS), by virtue of COA Circular No. 2021-004 dated July 21, 2021; d. Adequate disclosures on the summary of significant accounting policies adopted and followed and supporting information for items and accounts presented on the face of the Financial Statements in compliance with Sections 31 and 32, Chapter 19 and Annex F (the pro-forma Notes to FS) of the GAM for NGAs, Volume I; e. Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit) per Section 24, Chapter 19 of GAM for NGAs, Volume I. in accordance with Note 30 in the sample NFS of GAM for NGAs, Volume I; f. Explanation whether the changes between the original and final budget are a consequence of reallocations within the budget by way of note disclosure in the FSs per Section 27, Chapter 3 of GAM for NGAs, Volume I; g. Reconciliation of Actual Amounts on a Comparable Basis (Budget) and Actual Amounts in the Financial Statements (SCF) per Section 28, Chapter 3 of GAM for NGAs, Volume I. The data on Actual Amounts shall be verified by the Accounting Division/Unit in the 	<p>Sections 31 and 32, Chapter 19 of GAM for NGAs, Volume I, provides the structure and contents of the Notes to FS:</p> <p>“Structure of the Notes to Financial Statements. The notes shall:</p> <ul style="list-style-type: none"> a. present information about the basis of preparation of the financial statements and the specific accounting policies used, in accordance with paragraphs 132-139; b. disclose the information required by IPSASs that is not presented on the face of the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity, and Statement of Cash Flows; and c. provides additional information that is not presented on the face of the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity, and Statement of Cash Flows, but that is relevant to an understanding of any of them. (Par. 127, IPSAS 1) <p>Sec. 32. Contents of Notes to FS. The Notes to Financial Statements should contain the following:</p> <ul style="list-style-type: none"> a. a statement of compliance with IPSASs; b. summary of significant accounting policies adopted and followed by the reporting entity shall include: <ul style="list-style-type: none"> 1. the measurement basis (or bases) used in preparing the financial statements; 2. the extent to which the entity has applied any transitional provisions in any IPSAS; and 3. the other accounting policies used that are relevant to an understanding of the financial statements; c. supporting information for items

Table 13: Summary of Deficiencies in the Preparation of FS

Deficiencies Noted	Criteria/Basis
<p>Statement of Cash Flows (SCF) per Section 26, Chapter 3 of GAM for NGAs, Volume I; and</p> <p>h. Adequate explanation of the material differences between the budget and actual amounts per Section 26.c, Chapter 3 of GAM for NGAs, Volume I.</p>	<p>presented on the face of the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity or Statement of Cash Flows, in the order in which each statement and each line item is presented; and</p> <p>d. additional information required by IPSAS that is not shown on the face of the financial statements but is relevant to an understanding of any of them which includes the following:</p> <ol style="list-style-type: none"> 1. disclosure that the budgeted amounts have not been exceeded. If any budgeted amounts or appropriations have been exceeded or expenses incurred without appropriation/allotment, then details shall be disclosed; (Par. 24 (b) IPSAS 1) 2. nature and extent of prior period errors; (IPSAS 3) 3. events after the reporting date that have a material effect on the financial statements; (IPSAS 14) 4. contingent liabilities (IPSAS 19), and unrecognized contractual commitments; 5. related party disclosure (IPSAS 20); and 6. non-financial disclosures, e.g., the entity's financial risk management objectives and policies. (IPSAS 15) <p>Section 24, of the same Chapter, Manual and Volume provides:</p> <p>“Direct Method of Reporting Cash Flows from Operating Activities. The entity shall report cash flows from operating activities using the direct method disclosing major classes of gross cash receipts and gross cash payments (PAG 2, IPSAS 2). Information about major classes of gross cash receipts and gross cash payments may be obtained either:</p> <ol style="list-style-type: none"> a. From the accounting records of the entity; or b. By adjusting operating revenues,

Table 13: Summary of Deficiencies in the Preparation of FS

Deficiencies Noted	Criteria/Basis
	<p>operating expenses (interest and similar revenue, and interest expense and similar charges for a public financial institution) and other items in the statement of financial performance for:</p> <ol style="list-style-type: none"> 1. Changes during the period in inventories and operating receivables and payables; 2. Other non-cash items; and 3. Other items for which the cash effects are investing or financing cash flows. (Par. 28, IPSAS 2) <p>Entities reporting cash flows from operating activities using the direct method shall provide a reconciliation of the surplus/deficit from ordinary activities with the net cash flow from operating activities. This reconciliation shall be provided in the notes to the financial statements. (Par. 29, IPSAS 2)”</p> <p>Section 26, Chapter 3 of the same Manual, Volume I, provides Statement of Comparison of Budget and Actual Amount. The statement shall present the following:</p> <p>“c. By way of note disclosure, an explanation of the material differences between the budget and actual amounts, which are not included in the financial statements shall be presented.”</p> <p>Section 27 of the same Chapter, Manual and Volume states:</p> <p>“Changes from Original to Final Budget. An entity shall present an explanation of whether the changes between the original and final budget are a consequence of reallocations within the budget by way of note disclosure in the FSs.”</p> <p>Section 28, Chapter 3 of GAM for NGAs, Volume I, provides:</p> <p>“Reconciliation of Actual Amounts on a Comparable Basis (Budget) and Actual Amounts in the Financial Statements. The actual amounts presented on a comparable basis to the budget shall be reconciled with</p>

Table 13: Summary of Deficiencies in the Preparation of FS

Deficiencies Noted	Criteria/Basis
	<p>the actual amounts presented in the FSs identifying separately the differences classified as follows:</p> <ul style="list-style-type: none">a. Basis Differences, which occur when the approved budget is prepared on a basis other than the accounting basis;b. Timing Differences, which occur when the budget period differs from the reporting period reflected in the FSs; andc. Entity Differences, which occur when the budget omits program or entities that are part of the entity for which the FSs are prepared.

- 2.153 **We recommended that Management require the Accountant-Designate to correct all the deficiencies noted and provide all the information and disclosure requirements necessary in the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Asset/Equity, Statement of Cash Flows, Notes to Financial Statements, and Statement of Comparison of Budget and Actual Amount, in compliance with the above-cited provisions under GAM for NGAs, Volume I.**

Management's Comments

- 2.154 Management commented that they will provide the Audit Team with the revised FSs and will comply with the recommendations.

Auditor's Rejoinder:

- 2.155 It was also discussed with the Management during the Exit Conference, to which they agreed, that their preparation and presentation of financial statements, as a whole, is not compliant with the pro-forma financial statements under the GAM for NGAs, Volume I. The revised financial statements, upon submission by the Management will be reviewed and validated by the Audit Team.

COMPLIANCE AUDIT

Labor Case Management Program

Decline in Settlement Rate of Labor Disputes under Single-Entry Approach (SEnA)

3. Of the Requests for Assistance (RFAs) handled under SEnA of the NCMB CO and its RCMBs totaling 3,602 only 2,207 or 61.30 percent was settled against a performance target of 70 percent. Moreover, of the 3,645 cases disposed, 2,040 or 58.90 percent was settled within the Process Cycle Time (PCT) against the performance target of 60 percent, contrary to the provision of Section 2 of RA No. 10396. Hence, the purpose of SEnA for the judicious speedy settlement of labor issues or conflicts was not fully attained.

3.1 RA No. 10396 institutionalized the SEnA Program of the Department of Labor and Employment (DOLE) and its attached agencies. Pursuant to the RA, the DOLE then issued Department Order (DO) No. 151-16, Series of 2016, known as the “Single Entry Approach Implementing Rules and Regulations or SEnA IRR.” Department Order No. 107-10, Series of 2010 was also issued for the purpose and provided the following:

- a. SEnA refers to an administrative approach to provide a speedy, impartial, inexpensive and accessible settlement procedure of all labor disputes or conflicts to prevent them from ripening into full blown disputes. Conciliation-mediation process shall be utilized as immediate intervention to effect amicable settlement among the differing parties.
- b. The 30-day mandatory conciliation-mediation period refers to the 30 calendar days maximum period within which to conduct the mandatory conciliation-mediation proceedings, and to refer the issue to the appropriate agency if unsettled, except:
 - Notices of strike/lockout or preventive mediation cases with the NCMB;
 - Applications for exemption from Wage Orders with the National Wages and Productivity Commission (NWPC);
 - Issues involving violations of: (i) Alien Employment Permit; (ii) Private Employment Agency Authority License; (iii) Working Child Permit and violations of RA No. 9231 (Anti-Child Labor Law); and (iv) Registration under Department Order No. 18-A, Series of 2011, among others.
 - Violations of POEA Rules and Regulations involving:

- Serious offenses and offenses penalized with cancellation of license; and
- Disciplinary actions against overseas workers/seafarers, which are considered serious offenses or which carry the penalty of delisting from the POEA registry at first offense, among others.

- 3.2 The 30-day period cannot be extended except upon mutual agreement of the parties and there is a possibility for settlement. Such settlement shall not exceed 15 calendar days.
- 3.3 Under the Organizational Outcome (OOs) and Performance Indicators (PIs) of NCMB as provided in the General Appropriations Act of Fiscal Year 2021, for Labor Case Management Program with regard to Requests for Assistance (RFAs) for the settlement of labor disputes, the Agency committed to effectively settle conciliation and mediation cases within the 30 days/process cycle (PCT) from 63% baseline to 60% in CY 2021.
- 3.4 Review of the accomplishment report submitted by the Management on the disposition and settlement of RFAs and other documents pertaining to labor dispute cases for resolution under the SEnA Program disclosed the following:

Table 14: Result of SEnA Program for CY 2021

Office	RFAs Handled	Disposition				Settled Within PCT	Settled Beyond PCT	Rate of Settled Within PCT	Monetary Benefits (In Php)	No. of Workers Benefitted	Pending Cases at the End of the Period
		Settled	Settlement Rate	Disposed other than through settlement ²	Total Disposed						
(a)	(b)	(c)	(c/b)	(e)	(c+e)	(g)	(h)	(g/f)	(j)	(k)	(l)
CO	104	56	53.8%	31	87	50	6	57.5%	2,321,159.18	65	17
NCR	2,064	1,079	52.3%	900	1,979	976	103	49.3%	129,434,714.11	1,430	85
CAR	6	4	66.7%	2	6	4	0	66.7%	7,300.00	2	0
I	3	1	33.3%	2	3	1	0	33.3%	0.00	0	0
II	2	2	100.0%	0	2	2	0	100.0%	18,000	4	0
III	126	78	61.9%	42	120	75	3	62.5%	2,698,248.76	154	6
IV-A	280	162	57.9%	117	279	147	15	52.7%	8,823,926.80	243	1
IV-B	1	1	100.0%	0	1	1	0	100.0%	35,000.00	1	0
V	3	3	100.0%	0	3	3	0	100.0%	90,451.91	7	0
VI	15	13	86.7%	1	14	11	2	78.6%	9,676,877.49	21	1
VII	834	674	80.8%	134	808	645	29	79.8%	53,674,709.80	1,150	26
VIII	55	48	87.3%	7	55	44	4	80.0%	700,067.00	60	0
IX	29	25	86.2%	4	29	25	0	86.2%	456,014.08	45	0
X	36	23	63.9%	13	36	22	1	61.1%	276,081.45	24	0
XI	12	7	58.3%	4	11	6	1	54.5%	184,433.76	13	1
XII	21	21	100.0%	0	21	21	0	100.0%	703,073.25	18	0
XIII	11	10	90.9%	1	11	7	3	63.6%	225,166.59	21	0
Total	3,602	2,207	61.3%	1,258	3,465	2,040	167	58.9%	209,325,224.18	3,258	137
Actual Rate		61%						59%			
Target per GAA		70%						60%			

² Disposed on RCMBs either by way of withdrawal or lack of interest of parties, referred to NLRC, DOLE SMC or DOLE Regional Offices or referred to voluntary arbitration.

- 3.5 Under the SEnA, the 30-day conciliation mediation is mandatory in order to assist the parties to arrive at a settlement agreement. From the data presented above, the following were noted:
- The Agency had reached a high disposition rate of 96 percent or 3,465 disposed cases out of 3,602 handled.
 - RCMBs II, IV-B, V, VI, VII, VIII, IX, XII, and XIII had successfully settled RFAs beyond the performance target of 70 percent settlement rate.
 - Majority of the RFAs handled for the year fall under the jurisdiction of RCMB NCR comprising of 57.30 percent of the total RFAs, however, RCMB NCR attained only 52.3 percent accomplishment on settlement and 49.3 percent with the target on PCT. While the CO represented only 53.8 percent settlement rate and attained a 57.5 percent of cases settled within the PCT.
 - Other than through settlement, of the 3,465 disposed RFAs, 109 were withdrawn, 154 were dropped due to lack of interest, 967 were referred to compulsory arbitration and 28 referred to other government offices or to voluntary arbitration. The table below shows the data.

Table 15: Disposition Other than Through Settlement of RFAs for CY 2021

Withdrawn	Dropped/ Lack of Interest	Referred RFAs					Total
		Compulsory Arbitration		To DOLE ROs	To other Government Office/s	To Voluntary Arbitration	
		to NLRC	to DOLE SMC				
109	154	967	0	24	1	3	1,258

- The Agency, as a whole, was not able to achieve the performance target of 70 percent within the 30-day PCT. This is due to cases that were not disposed through settlement totaling 1,258, which already comprised 34.9 percent of all cases handled.
 - The 167 RFAs were settled beyond the 30-day PCT, contrary to the speedy settlement of labor issues or conflicts per DOLE Department Order No. 107.
- 3.6 **We recommended that the Management continue to focus on its good performance for disposition of RFAs based on its targets.**
- 3.7 **On the settlement of RFAs, however, we reiterate our previous year's recommendation that Management direct the SEADO to :**

- a. **continue to monitor the status of each case handled and exert their best effort to address constraints toward the early settlement of labor disputes and eventually to achieve a high settlement rate; and**
- b. **issue referral to the requesting party within one day under the following circumstances:**
 - b.1. expiration of the 30-day mandatory conciliation-mediation period, unless there is a request for extension;**
 - b.2. failure of the parties to reach an agreement within the 30-day mandatory conciliation-mediation period;**
 - b.3. non-appearance of the responding party in two scheduled consecutive conferences despite due notices;**
 - b.4. non-settlement of one or some issues but not all RFA with multiple issues; or**
 - b.5. non-compliance with the Agreement.**

3.8 The Management gave the following comments:

Office	Management Comments
NCMB CO	Management commented that the SEADOs/Con-Meds were continuously being reminded and instructed to continue monitoring the status of each RFA and to exert efforts to address issues/concerns of disputing parties within the PCT and also to encourage them to strengthen their persuasion and facilitation efforts to convince the parties to settle. However, considering the voluntary nature of the process, they cannot force them to choose to disagree even to the most reasonable proposal. The Board has also issued a reiteration Memorandum to NCMB-CO SEADOs and Conciliator-Mediators to exhaust all conciliation-mediation efforts to encourage the parties to amicably settle prior to referral of unresolved issues to other DOLE Offices/Attached Agencies. As to accounting and monitoring of RFAs, there is a SENA Focal Person tracking and monitoring the progress of these RFAs. Also, the Board is now conducting a First User Acceptance Testing for the Alternative Dispute Resolution Information System (ADRIIS). The said system will receive and process all data from the regional branches to generate statistical reports. The accounting of RFAs will be generated automatically.

Delayed Settlement of cases under the Voluntary Arbitration (VA) Program

4. **The Board achieved a disposition rate of 75.20% or 1,328 decided/settled cases out of 1,766 total cases handled for resolution as of December 31, 2021, which is beyond the target disposition rate of 60% for the Voluntary Arbitration (VA) Program committed under the FY 2021 GAA. However, 342 or 78.08 percent of the 438 cases pending at yearend were already beyond the 90-day PCT, indicating the need to improve the speedy disposition of cases. Moreover, the RCMB NCR's Summary Report on VA cases handled for the period January to December 2021 showed discrepancies with the data reported by the Voluntary Arbitration Division (VAD) of the NCMB Central Office (CO).**

- 4.1 VA is an alternative mode of settling labor-management disputes by which the parties select a competent, trained and impartial person who shall decide on the merits of the case and whose decision is final, executory and binding unless appealed with the proper court. It is the terminal step in the parties' grievance machinery. It is third party settlement of a labor dispute involving the mutual consent by the representative of the company and the labor union involved in a labor dispute to submit their case to a neutral third party.
- 4.2 Issues submitted by either party to VA would include interpretation and enforcement of company personnel policies, wage distortion issues, disciplinary actions, and dismissal cases, grant of employee's benefits and non-compliance with the provisions of Collective Bargaining Agreements.
- 4.3 Under the Organizational Outcome (OOs) and Performance Indicators (PIs) of NCMB as provided in the General Appropriations Act of Fiscal Year 2021, for Labor Case Management Program, the Board committed to a disposition rate of 60% for Voluntary Arbitration in CY 2021.
- 4.4 The Regional Performance Report of the Voluntary Arbitration Division (VAD) on the cases submitted for arbitration/resolution as well as the cases settled/decided or withdrawn covering the period January to December 2021 showed that out of 1,766 total cases handled for resolution a total of 1,328 cases or 75.20 percent were decided/settled as of December 31, 2021, while 929 or 60.74 percent were resolved within the 90-day PCT and 399 or 39.26 percent were beyond PCT. Furthermore, the program had benefitted 1,591 workers with a monetary amount totaling ₱3,245,160,001.44.
- 4.5 However, it was noted that the CY 2021 beginning balance of 465 cases reflected in the table below differed from that of the 466 cases indicated as ending balance in the previous year accomplishment report of the Board. The status of the VA cases is presented as follows:

Table 16: Voluntary Arbitration Program Status for CY 2021

Voluntary Arbitration Cases	Quantity	Within PCT	Percentage Within PCT	Beyond PCT	Percentage Beyond PCT
Ending Balance, 12/31/2020	465				
Received Cases	1,301				
Total Cases Handled	1,766				
Less: Disposition Settled					
Decided	957	896	93.63	61	6.37
	371	33	8.89	338	91.11
Total Disposed	1,328	929	60.74	399	39.26
Pending at Year-	438	96	21.92	342	78.08

Table 16: Voluntary Arbitration Program Status for CY 2021

Voluntary Arbitration Cases	Quantity	Within PCT	Percentage Within PCT	Beyond PCT	Percentage Beyond PCT
End					
Disposition Rate (Total Cases Disposed/Total Cases Handled) (1328/1766)	75.20%				
Target Rate per GAA	60.00%				

- 4.6 At the end of CY 2021, 342 or 78.08 percent of 438 cases pending at yearend were already beyond the PCT. The above information indicated a need to further ensure that the 90-day prescribed disposition period and more importantly for the Voluntary Arbitrators to render an award or decision within 20 calendar days from the date of submission of the dispute to voluntary arbitration as prescribed in the Procedural Guidelines in the Conduct of VA Proceeding.
- 4.7 The reasons mentioned by VA Unit for RCMB NCR for cases disposed beyond the PCT are as follows:
- a. When there is a Motion for an extension to file position paper/reply/rejoinder; and
 - b. The parties requesting additional conference/s to discuss the issue for possible settlement.
- 4.8 The Board also indicated that since the VAs are not employees of NCMB, hence the Branch has no control on the schedule of hearing aside from the agreement of parties for additional conferences prior to its submission for decision. However, NCMB had been working with Tripartite Voluntary Arbitration Advisory Council (TVAAC) which is currently in the process of revising the TVAAC Guidelines.
- 4.9 According to the Board Technical Division, the Management had been reminding and communicating to the Association on Voluntary Arbitration (AVA) the current status of their pending cases. The NCMB Central Office (CO) also sent letters to the AVAs as an extended assistance to the Branch in resolving the observed delays in the disposition of cases.
- 4.10 Furthermore, the reported Summary of VA Cases Handled as of December 31, 2021 by the RCMB NCR showed discrepancies from the reported data of the VAD from NCMB CO as presented below:

Table 17: Summary of VA Cases Handled for CY 2021

Particulars	Per RCMB NCR Summary of VA Cases Handled	Per VAD NCMB CO Report	Difference
New Cases filed (2021)	1,259	1,243	16
Total Cases Handled	1,691	1,675	16
Disposed	1,292	1,276	16
Decided	321	327	6
Settled	965	949	16
Pending End	399	399	-
Monetary Benefits	3,640,856,935.35	3,190,513,495.91	(450,343,439.44)
Workers Benefited	1582	1,564	(18)

4.11 As explained by the Board, the discrepancies were caused by corrections discovered by the Central Office in the consolidation of their data; hence the report of the latter is more updated and reliable. The RCMB NCR agreed to further improve their data management and regularly reconcile their data with the Central Office.

4.12 **We recommended that the Management continuously:**

- a. **monitor the timeframe within which arbitration cases submitted for resolution are decided/disposed;**
- b. **maintain continuous communication with the AVAs to remind them of the current status of their pending cases to ensure that cases are disposed within the 90-day PCT and cases are decided by the Arbitrator within the period agreed by the parties or twenty (20) calendar days from submission of case for decision; and**
- c. **have a proper accounting and monitoring of data to avoid the discrepancy noted in the current beginning balance as compared to previous year's ending balance.**

4.13 **We further recommended that RCMB NCR coordinate with Voluntary Arbitration Division of Central Office to review the system related to the data management and controls to test the completeness, accuracy, validity of information and reliability of reports generated on case disposition and reconcile the status of reports.**

Management's Comments

4.14 The RCMB NCR commented that the Management will closely monitor the timeframe within which arbitration cases submitted for resolution are decided/disposed through the creation of VA TWG, wherein, VA TWG can monitor the progress of VA cases whether on site or on work from home set-up, through the utilization of a shared Google dbase; continue to facilitate necessary adjustment in the VA proceedings such as the change of Panel Members or

Chairman to ensure compliance of the 90-day PC; and to constantly coordinate with VAD of NCMB CO for proper reconciliation of reports on a quarterly basis.

Budget Utilization

- 5. Out of the ₱301,095,309.95 allotments received by the NCMB in CY 2021, ₱274,892,188.88 or 91.30 percent was obligated, leaving an unobligated balance of ₱26,203,121.07 or 8.70 percent unutilized as at yearend. The total unspent allotment was due to the: (a) unobligated allotments due to various constraints brought about by the current COVID-19 pandemic, which resulted in numerous cancellations and limitations in the full maximization of the available funds and b) savings generated due to the prudent and economical implementation of its CY 2021 programs, projects and activities.**

- 5.1 Under the National Budget Circular (NBC) No. 585 dated January 26, 2021, departments, bureaus and offices of the National Government Agencies as a general rule shall spend what is programmed in their respective appropriations. It highly encouraged, among others, the full budget utilization of each agency and provides for the following guidelines on the release of funds for FY 2021, to wit:

1.0 Purposes

To provide policies, procedures, rules and regulations on the release, utilization of funds, and monitoring of items authorized under Republic Act No. 11519, (An act Extending the Availability of Appropriations under R.A. No. 11494, otherwise known as the “Bayanihan to Recover as One Act”) and R.A. No. 11520 (An act extending the Availability of the FY 2020 Appropriations to December 31, 2021, amending for the purpose Section 60 of the General Provisions of R.A. No. 11465 or the General Appropriations Act (GAA) for FY 2020.

3.0 General Guidelines

- 3.1 *R.A. Nos 11519 and 11520, which extends the availability of appropriations under R.A. Nos. 11494 and 11465, respectively, shall take effect on February 2, 2021, fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation, consistent with Article 2 of R.A. No. 386 or the Civil Code of the Philippines, as amended by Executive Order No. 200 dated June 18, 1987.*
- 3.2 *The appropriation under R.A. Nos. 11465 and 11494, as extended shall be available for release, obligation and disbursement not later than the following dates:*

- 3.2.1 *June 30, 2021 – Appropriations under R.A. No. 11494 (Bayanihan to Recover as One Act) extended pursuant to R.A. No. 11520*
 - 3.2.2 *December 31, 2021 – Appropriations under R.A. No. 11465 (FY 2020 GAA) extended pursuant to R.A. No. 11520*
- 3.3 *With the extended availability of the appropriations under R.A. Nos. 11465 and 11494, release of funds chargeable against the unreleased appropriation of said laws, as extended shall take effect only on February 2, 2021.*

The usual procedures in recording received allotments shall be observed. Hence, agencies shall not set-up their Registry of Appropriations and Allotments (RAPAL) pending the receipt of allotment.

- 3.4 *In the same way, agencies may continue to implement the specific programs/activities/projects covered by the unobligated allotments on the said date.*

- 3.5 *For this purpose, agencies shall observe the following procedural guidelines:*

- 3.5.1 *Close at year-end, the balances of unobligated allotments under R.A. No. 11465 and 11494 in their respective Registry of Allotment, Obligations and Disbursements (RAODs) for PS, MOOE, FinEX or CO by negating the said amount in the Registry, consistent with Section 60 of the General Provisions under R.A. No. 11465 and in accordance with Section 28, Chapter 4, Book VI of E.O. No. 292, that all unobligated allotment shall be reverted to the unappropriated surplus of the General Fund.*

- 3.5.2 *Adjust their year-end FY 2020 Financial Accountability Report (FAR) I consistent with the aforecited reversion of the unobligated allotments charged against R.A. No. 11465 and 11494;*

- 3.5.3 *Set-up the beginning balances of R.A. Nos. 11519 and 11520 on February 2, 2021, by posting unobligated allotments as authorized by these Acts in the RAPAL. A separate RAPAL shall be created and maintained for each Act, by funding cluster, by program/activity/project.*

3.5.4 Prepare separate FAR No.1 for Continuing Appropriations, R.A. Nos 11519 and 11520. Then, encode in column 4 i.e., Adjustments (transfer [To]/From, Modifications, Augmentations) the unobligated balances of these Appropriations as part of the adjusted appropriations.

- 5.2 With the extended validity period of FY 2021 GAA until December 31, 2022, the government agencies have another year to use their respective allocations under the FY 2021 national budget. However, the budget validity extension would not cover funds for Personnel Services and thus, this will expire by the end of 2021.
- 5.3 Review of the Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB) as at December 31, 2021 showed that NCMB had total allotment of ₱295,360,670.00, for its programs/projects which comprise of Current Year Appropriations pursuant to RA No. 11518, known as the General Appropriations Act (GAA) for Fiscal Year (FY) 2021 and a Continuing Appropriations of ₱5,734,639.95. The Total Allotments received during the year included the agency specific budget of ₱263,602,000.00, automatic appropriations of ₱15,236,520.00, and special purpose funds of ₱16,522,150.00 under Current Year Appropriations and agency specific budget of ₱5,734,639.95 under Continuing Appropriations. Total Obligations incurred during the year amounted to ₱274,892,188.88, leaving an unobligated balance of ₱26,203,121.07 as at yearend.
- 5.4 In the last three years, there is a yearly decrease in the utilization of allotments. In terms of percent rate of utilization, there is a decrease in the obligated allotments in CY 2021 or a rate of 91.30 percent compared with the 97.43 percent in CY 2020, and also showed a decrease in utilization as compared with 97.92 percent in CY 2018, details shown in the succeeding table:

Table 18: Summary of Allotment Utilization in CYs 2021, 2020 and 2019

Type of Expenditures	Allotments Received	Obligations Incurred		Unobligated Balance	
		Amount	%	Amount	%
	(In PhP)			(In PhP)	
<i>2021</i>					
PS	198,638,781.19	198,638,180.89	100.00	2,600.30	0.00
MOOE	90,828,827.26	67,986,773.08	74.85	22,842,054.18	25.15
CO	11,627,701.50	8,269,234.91	71.12	3,358,466.59	28.88
Total	301,095,309.95	274,892,188.89	91.30	26,203,121.07	8.70
<i>2020</i>					
PS	178,296,569.93	178,103,287.26	99.89	193,282.67	0.11
MOOE	58,401,031.54	52,446,598.54	89.80	5,954,433.00	10.20
CO	12,860,499.52	12,587,471.50	97.88	273,028.02	2.12
Total	249,558,100.99	243,137,357.30	97.43	6,420,743.69	2.57
<i>2019</i>					

Table 18: Summary of Allotment Utilization in CYs 2021, 2020 and 2019

Type of	Allotments	Obligations Incurred		Unobligated Balance	
PS	181,035,845.00	177,093,911.76	97.82	3,941,933.24	2.18
MOOE	68,612,707.28	67,324,401.31	98.12	1,288,305.97	1.88
CO	12,668,151.92	12,431,117.40	98.13	237,034.52	1.87
Total	262,316,704.20	256,849,430.47	97.92	5,467,273.73	2.08

5.5 Analysis of the Board's budget utilization showed a significant increase in the unobligated allotments of 8.70 percent in CY 2021 compared with the CY 2020 unobligated allotment rate of 2.57 percent. Likewise, the rate for CY 2020 unobligated allotments is higher than the CY 2019 rate of 2.08 percent unutilized allotments, presented in the above table.

5.6 The next table illustrates the details of the CY 2021 unobligated allotments of ₱26,203,121.07 as reported in the Consolidated SAAODB, in relation to the various programs, projects and activities (PPAs) of the Agency.

Table 20: Details of the CY 2021 Unobligated Allotments per PPA

Programs	Unobligated Current Year Allotment			Unobligated Continuing Allotment	Total Unobligated Allotments
	PS	MOOE	CO	CO	
	(In PhP)				
<i>Agency Specific Budget</i>					
<i>General Administration & Support</i>					
General Management& Supervision	0.00	19,964,098.44	3,333,876.27	510.32	23,298,485.03
<i>Support to Operations</i>					
Policy & Program Formulation, Monitoring and Evaluation and Conciliation/Mediation and Voluntary Arbitration	-	2,387,015.57	-		2,387,015.57
<i>Operations</i>					
OO1-LABOR-MANAGEMENT PARTNERSHIP AND EMPOWERMENT					
Facilitation/Operationalization/Institutionalization/Str engthening and Enhancement of Workplace Cooperation Partnership Mechanisms, and Workplace Dispute Prevention and Settlement Mechanisms	-	275,079.18	0.00	24,080.00	299,159.18
OO2 – LABOR CASE MANAGEMENT PROGRAM					
Labor Conciliation-Mediation of Requests for Assistance	-	215,860.99			215,860.99
<i>Special Purpose Fund</i>					
Misc. Personnel Benefits Fund					
<i>General Administration & Support</i>					
General Management & Supervision	2,600.30				2,600.30
Total Unobligated Allotments	2,600.30	22,842,054.18	3,333,876.27	24,590.32	26,203,121.07
Percent to Total Allotment	0.000%	7.586%	1.107%	0.008%	8.70%

- 5.7 As can be gleaned from the table, significant unspent balances were noted in the Current Year Allotment for MOOE and CO in the Agency's regular fund totaling ₱26,175,930.45. Verification showed that the current year's unobligated MOOE and CO allotment were due to the implemented economy measures and other reasons, as follows:

Table 21: Justifications of Unobligated Allotment for CY 2021

Unobligated Allotments	Amount	Remarks
<i>Current Appropriation</i>		
Special Purpose Funds Basic Salary – Civilian	2,599.54	The balance of ₱2,599.54 pertains to salaries and wages of officials and employees who retired and transferred to other government agencies.
Performance Based Bonus - Civilian	0.76	Released allotments were rounded up.
Traveling Expenses – Local	10,709.75	Released allotments were rounded up. Limited travels in FY 2021 due to travel restrictions imposed by the government due to COVID-19 pandemic
ICT Training Expenses	2,151,305.00	<p>The following ICT Trainings amounting to ₱2,000,000.00 were not conducted in FY 2021:</p> <ul style="list-style-type: none"> a. Alternative Dispute Resolution Information System (ADRIS) User's Training b. Human Resources Management Information System (HRMIS) User's Training c. Budget Treasury and Management System (BTMS) Training d. Videography and Web Training e. Property Management Information System (PMIS) User's Training <p>The system development for ADRIS and HRMIS is still ongoing. The contracts were extended due to the additional enhancements/changes that need to be included in the system. There are some additional fields/information which is deemed necessary in the generation of required data.</p> <p>For the BTMS training, we are still awaiting instructions from the DBM for the proper implementation of the said system.</p> <p>The Videography and Web Trainings did not push through due to non-availability of competent IT speakers and restrictions on the movement of people due to COVID-19 pandemic.</p> <p>The Terms of Reference (TOR) of PMIS is still subject for review and approval of officials concerned.</p> <p>Reduced ICT training and other related expenses considering that these were conducted via online platform due to restrictions on the movement of people and implementation of Alternative Work Arrangements (AWA) in the government due to</p>

Table 21: Justifications of Unobligated Allotment for CY 2021

Unobligated Allotments	Amount	Remarks
		COVID-19 pandemic.
Training Expenses	1,157,068.06	<p>Reduced trainings, seminars and other related expenses considering that these were now conducted via zoom to accommodate the Board's personnel who are physically reporting for work including those who are on work-from-home arrangement.</p> <p>Some trainings and seminars were not conducted due to the implementation of community quarantine throughout the country due to the Coronavirus Disease 2019 (COVID-19) pandemic.</p>
Scholarship Grants/Expenses	75,811.50	Only a few officials and employees availed of the DOLE Educational Support Program (DESP) to pursue a master's degree and review for the bar examination.
ICT Office Supplies	1,558,796.18	<p>The ₱1,558,796.18 and ₱729,151.53 balances of ICT Supplies and Office Supplies Expenses, respectively, were due to the following:</p> <p>a. Purchases of office supplies were limited due to unavailability of stocks in the DBM-PS.</p> <p>b. Reduced purchases of office supplies due to the continuous implementation of AWA in the government.</p> <p>c. Delays in the procurement of various office supplies since some business establishments remained closed due to implementation of community quarantine.</p> <p>d. The procurement of goods/equipment was awarded to winning bidders with the lowest calculated and responsive bids whose transactions have lower amount than the approved cost.</p> <p>e. Savings generated due to efficient spending and continuous adoption of austerity/ cost-cutting measures to reduce expenses in the government</p>
Office Supplies Expenses	729,151.53	
Accountable Forms Expenses	9,200.00	Reduced expenses on procurement of accountable forms such as official receipts and checks. The List of Due and Demandable Accounts Payable with Advice to Debit Account (LDDAP-ADA) per DBM Circular Letter was used for payment of accounts payable due to creditors/payees.
Fuel, Oil and Lubricants Expenses	208,981.53	Gasoline expenses were reduced since the Board shifted from face-to-face to online platforms in the conduct of trainings and seminars, meetings, conciliation conferences and other related activities due to restrictions on the movement of people and observance of physical distancing measures pursuant to the guidelines prescribed by the Inter-Agency Task Force on Emerging Infectious Disease (IATF-EID) & local government units to lessen the transmission of COVID-19.

Table 21: Justifications of Unobligated Allotment for CY 2021

Unobligated Allotments	Amount	Remarks
		Savings generated due to efficient spending and continuous adoption of austerity/ cost-cutting measures to reduce expenses in the government.
Other Supplies & Materials Expenses	3,558.45	Savings generated due to continued adoption of austerity/ cost-cutting measures to reduce expenses in the government.
Postage and Courier Services	326,530.70	<p>Official communications to the Regional Branches and Notices of Conferences to parties were sent thru emails, thus reducing the costs of courier expenses incurred. These were sent through emails to stem transmission of COVID-19 and considering that forwarding companies are still temporarily closed and/or on reduced workforce in FY 2021.</p> <p>The contract for the annual courier services was awarded to the winning bidder with the lowest calculated and responsive bid whose offer is lower than the Approved Budget for the Contract (ABC).</p>
Mobile	231,602.56	Savings generated due to efficient spending and continuous adoption of austerity/ cost-cutting measures to reduce expenses in the government.
Landline	396,819.97	Savings generated due to efficient spending and continuous adoption of austerity/ cost-cutting measures to reduce expenses in the government.
Internet Subscription Expenses	2,264,245.19	Strictly complied with RA 9184 and its IRR in the procurement of internet subscription. Awarded to the winning bidder having the lowest calculated and responsive bid whose offer is lower than the ABC.
Extraordinary & Miscellaneous Expenses	600.00	Savings generated due to efficient spending and continuous adoption of austerity/ cost-cutting measures to reduce expenses in the government.
Auditing Services	154.00	Savings generated due to efficient spending and continuous adoption of austerity/ cost-cutting measures to reduce expenses in the government.
ICT Consultancy Services	4,100,000.00	<p>The system developments of ADRIS Phase 2 and HRMIS II were postponed pending completion of ADRIS Phase 1 and HRMIS I. While the TOR of PMIS is still subject to review and approval of officials concerned.</p> <p>The system development costs of HRMIS and PMIS are ₱1,650,000.00 each. While the ADRIS costs ₱800,000.00.</p>

Table 21: Justifications of Unobligated Allotment for CY 2021

Unobligated Allotments	Amount	Remarks
Other Professional Services	1,176,117.09	<p>The following activities were canceled due to COVID-19 pandemic:</p> <p>a. Labor Day Celebration – ₱3,000.00</p> <p>b. Independence Day Celebration - ₱3,000.00</p> <p>c. Phil. Civil Service Anniv. - ₱30,000.00</p> <p>d. DOLE Anniversary – ₱60,500.00 (minimal expenses were incurred)</p> <p>e. Conduct of CO-RB Management Consultation- ₱30,000.00</p> <p>f. Regional Visits/ Cluster Activity/ Conciliation Conference - ₱142,000.00</p> <p>g. Sports and Cultural Activities - ₱90,000.00</p> <p>h. Coordination with OSG Labor Task Force/ Court of Appeals/Supreme Court - ₱120,500.00</p> <p>While the procurement of the Certifying Body for ISO 9001:2015 Quality Management System amounting to ₱400,000.00 was rescheduled in FY 2022.</p> <p>₱297,117.09 savings generated due to continued adoption of austerity/ cost-cutting measures to reduce expenses in the government.</p>
Janitorial Services	266,476.85	Savings generated due to strict compliance with Procurement Law. The procurement of services was awarded to the winning bidder with the lowest calculated and responsive bids whose transactions have lower amounts than the approved cost.
Security Services	1,620,498.99	Savings generated due to strict compliance with Procurement Law. The procurement of services was awarded to the winning bidder with the lowest calculated and responsive bids whose transactions have lower amounts than the approved cost.
Other General Services	234,025.96	Savings generated due to strict compliance with Procurement Law. The procurement of manpower agency for the job order personnel was awarded to the winning bidder with the lowest calculated and responsive bid whose transactions have a lower amount than the approved cost.
R & M - Buildings & Other Structures	50,000.00	No repairs and maintenance cost for the building and other structures was incurred during the year due to the implementation of AWA in the government.
R & M - Infrastructure Assets	2,510.00	Savings generated due to efficient spending and continuous adoption of austerity/ cost-cutting measures to reduce expenses in the government.
R & M - Office Equipment	25,119.17	
R & M -Information & Communication Technology	1,754,221.59	
R & M - Motor Vehicle	210,029.74	The procurement of repairs and maintenance was awarded to the winning bidder with the lowest calculated and responsive bids whose transactions have a lower amount than the approved cost.
R & M - Furniture & Fixtures	76,020.25	

Table 21: Justifications of Unobligated Allotment for CY 2021

Unobligated Allotments	Amount	Remarks
R & M - Other Machinery and Equipment	343,033.34	No repairs and maintenance cost for other machinery and equipment was incurred during the year due to the implementation of AWA in the government.
Fidelity Bond Premiums	22,149.98	Reduced the bonded employees.
Insurance Expenses	8,086.66	Savings generated due to lower cost of insurance.
Printing & Publication Expenses	70,627.50	Publication of the NCMB Chronicle for the 2nd semester and printing of appointment papers amounting to ₱50,000.00 and ₱5,000.00, respectively, were delayed due to failure in the bidding process. Savings generated due to strict compliance with Procurement Law.
Representation Expenses	297,600.04	Reduced official meetings, conferences and other related expenses considering that these were conducted via Zoom/online platforms to accommodate the Board's personnel who are physically reporting for work including those who are on work-from-home arrangement. Minimal expenses for food were incurred. Participation in various DOLE Inter-agency and Technical Working Group meetings and congressional inquiries, and BITC were conducted online. Attendance to budget hearings were likewise conducted online.
Rents - Building & Structures	1,562,711.17	Savings generated due to strict compliance with Procurement Law. The lease was awarded to the winning bidder with the lowest calculated and responsive bids whose transactions have a lower amount than the approved cost.
Rents – Equipment	69,019.23	
ICT Software Subscription	1,396,675.37	Savings generated due to strict compliance with Procurement Law. The procurement of goods/equipment was awarded to winning bidders with the lowest calculated and responsive bids whose transactions have lower amounts than the approved cost.
Other Subscription Expenses	81,346.00	
Other Maintenance & Operating Expenses	351,250.83	Reduced or no expenses were incurred on the following due to COVID-19 pandemic and implementation of community quarantine: a. Laundry charges and dry cleaning of curtains - this has an approved budget of ₱20,000.00 b. Provision for drug test for NCMB personnel, with an approved budget of ₱12,500.00 Savings generated due to efficient spending and continuous adoption of austerity/ cost-cutting measures to reduce expenses in the government.
Printing Equipment	595,400.00	Delay in the procurement of ₱2,197,000.00 various ICT Equipment due to two failed
ICT Equipment	2,472,476.27	

Table 21: Justifications of Unobligated Allotment for CY 2021

Unobligated Allotments	Amount	Remarks
ICT Software P266,000.00	266,000.00	competitive biddings. No prospective bidders submitted their bids. Generated P1,137,000.00 savings due to strict compliance with Procurement Law. The procurements of goods/equipment were awarded to winning bidders with the lowest calculated and responsive bids which transactions have lower amounts than the approved cost.
Total Unobligated	26,178,530.75	
<i>Continuing Appropriations</i>		
ICT Equipment	24,590.32	Savings generated due to strict compliance with RA 9184 and its IRR in the procurement of goods and services and more often than not, awarded to winning bidders those having the lowest calculated and responsive bids. Most of the transactions awarded have lower amounts than the approved cost per Purchase Request.
Total Unobligated	24,590.32	
Grant Total	26,203,121.07	

- 5.8 We recommended that the Management monitor activities affected by the pandemic and to continue to develop initiatives, such as conducting activities online or inside the office instead of outside office premises resulting in prudent utilization of resources and achievement of the target agency performance on its mandated programs, projects and activities.

Incomplete Documentation of Various Disbursements

6. Various transactions in RCMBs NCR, I, III and XI totaling P1,115,576.73 were paid despite the lack of necessary documentary requirements, contrary to Section 4, Paragraph 6 of PD No. 1445 and pertinent provisions of COA Circular No. 2012-001, thus casting doubt on the legality and propriety of the transactions. Moreover, practices which deviate from sound internal control and prescribed government rules and regulations were also observed in the processing of payments and disbursements in seven RCMBs.

- 6.1 Section 4, Paragraph 6 of PD No. 1445 provides that claims against government funds shall be supported with complete documentation.
- 6.2 Furthermore, COA Circular No. 2012-001 dated June 14, 2012 prescribes the revised guidelines and documentary requirements for common transactions.
- 6.3 Review and evaluation of the various disbursements of RCMBs NCR, I, III, and XI amounting to P1,115,576.73 were found to be not supported with the necessary documentary requirements, hence casting doubt on the validity, legality and propriety of transactions, as shown in the table below:

Table 22: Summary of Disbursement with Lacking Documentary Requirements

RCMB	Nature of Transaction	Amount	Deficiencies/
		(In Pesos)	Lacking Documents
RCMB I	Payment of VA Subsidy	25,000.00	The payment on the grant of VA Subsidy of ₱25,000.00 during CY 2021 was not supported with complete documentation, which was not compliant with the requirements of the NCMB Tripartite Voluntary Arbitration Advisory Council (TVAAC) Resolution 3, s. 2006, thus resulting in doubtful validity of the transaction.
RCMB III	Non-proportionate reduction on TA	376,000.00	The RCMB III paid its officials and employees their full Representation and Transportation Allowance (RATA) in the amount of ₱376,000.00 despite non-submission of necessary supporting documents. It also failed to compute the corresponding proportionate reduction on Transportation Allowance upon use of government vehicles issued to their office, contrary to COA Circular No. 2000-005 resulting in overpayment of Transportation Allowance and casting doubt on the reliability and correctness of the payment made.
RCMB NCR	Procurement of Adobe Creative Cloud for Teams All Apps Subscription for one (1) year	60,000.00	The Approved Procurement Plan pertaining to the procurement of Adobe Creative Cloud for Teams All Apps Subscription for one (1) year amounting to ₱60,000.00 was not submitted.
RCMB XI	PCF	38,012.50	Petty Cash Fund disbursements amounting to ₱38,012.50 were not supported with complete documentation thereby casting doubts on the veracity and propriety of the claims.
RCMB NCR		61,327.54	Disbursements totaling ₱61,327.54 were not supported with proper receipts and canvass.
		555,236.69	The Accounting Division proceeded in processing the replenishment of PCF amounting to ₱555,236.69 even without complete documents yet, thus substantial delay and non-submission of Disbursement Vouchers (DVs) pertaining to PCF Replenishments and Liquidation Reports occurred, which hampered the timely review and verification of the transactions.
Total		1,115,576.73	

6.4 Moreover, practices which deviate from sound internal control and prescribed government rules and regulations were also observed in the processing of payments and disbursements, as follows:

Table 23: Summary of Transactions which Deviate from Sound Internal Control and Prescribed Government Rules and Regulations

Nature of Transaction	RCMB	Deficiencies	Laws, Rules and Regulations Not Complied
Canceled checks although not yet stale	NCR	Checks amounting to ₱25,093.75 were immediately canceled and replaced even though they were not yet stale.	Section 5.0 of Treasury Circular No. 03-2017 dated October

Table 23: Summary of Transactions which Deviate from Sound Internal Control and Prescribed Government Rules and Regulations

Nature of Transaction	RCMB	Deficiencies	Laws, Rules and Regulations Not
			21, 2017
Non-immediate return of unused cash advance for more than two months		Cash advance of ₱15,000.00 which has not been used for more than two months was not immediately returned or refunded.	Section 5.7 of COA Circular 97-002
Non-assessment of the Price Quotations on the Procurement of Office Supplies	RCMB IX	Savings of ₱4,200.45 from the procurement of office supplies could have been availed by RCMB IX had the Bids and Awards Committee (BAC) assessed the price quotations from several suppliers on a per item basis and awarded each item to different suppliers under different contracts as contemplated in Section 21.1(b) of RA No. 9184.	Section 21.1(b) ; Section 48, Article XVI of RA 9184 ; NPM No. 139-2016 dated December 29, 2016
Reimbursement of Expenses	Region IX, XI	Payments that could be made directly to suppliers by check totaling ₱132,794.60 were coursed through reimbursements, raising doubt on the transparency and economy of the purchases made as well as depriving the government of collecting taxes that could have been withheld from payments thereof.	COA Circular No. 97-002 dated February 10, 1997; Section 3 of RA No. 9184; Section 10, Rule IV, Section 48 of Rule XVI, Section 48 of Rule XVI - Revised Implementing Rules and Regulations (IRR) of RA 9184
Advance Payment for services rendered	Region III	Salaries and wages for regular personnel for October 01-15, 2021 amounting to ₱260,296.59 were paid in advance without requiring first the rendition of actual services resulting in irregular disbursement of government funds.	Section 88 of PD 1445; COA Circular No. 368-91 - Instituting a Government Accounting and Auditing Manual and Prescribing its Use, Section 191 and 194, Title 5, Book I
Transfer of accountability of Petty Cash Fund	Region IX	The establishment of the Petty Cash Fund for the Pagadian Satellite Office in the amount of ₱5,000.00 with the Cashier-Designate who is assigned at the Regional Branch in Zamboanga City as the Petty Cash Fund Custodian (PCFC)	Sections 101.1 and 77 of PD No. 1445; Item 4.1.6; 3.2 of COA Circular No. 97-002 dated February 10, 1997; Annex C of Treasury Circular No. 02-

Table 23: Summary of Transactions which Deviate from Sound Internal Control and Prescribed Government Rules and Regulations

Nature of Transaction	RCMB	Deficiencies	Laws, Rules and Regulations Not
			2009 dated August 6, 2009
Poor planning in the procurement of supplies and materials for stocking purposes resulted to over and excessive stocking	Region VII	The year-end balance of Office Supplies Inventory account in the amount of ₱568,968.25 exceeded the normal three-month requirement of the Agency due to failure of the supply officer to monitor the inventory level for each type of supplies inventory. This shows the Agency's poor planning in the procurement of supplies and materials for stocking purposes, thus resulted to over and excessive stocking.	Annex D of COA Circular No. 2012-003 dated October 29, 2012 and Section 26 of the General Provisions of Republic Act (RA) No. 11518 or known as The General Appropriations Act of Fiscal Year 2021
Unutilized Anti-Virus Security Software – ₱33,000.00	Region IX	Anti-virus security software costing ₱33,000.00 procured in October 2021 has not been used/utilized since current anti-virus software installed in the Agency's computers have not yet expired.	PD No. 1445 or the Government Auditing Code of the Philippines, Section 2
Various Disbursement	I, IX	Box C which contains the certifications of the Accountant-Designate as to the availability of cash, completeness of supporting documents and propriety of amount claimed is not ticked by the Accountant-Designate;	Section 4 of PD No. 1445; Section 41 of the GAM for NGAs, Volume 1; Section 36 of Chapter 2 of the GAM, Volume 1; COA Circular No. 2012-001 dated June 14, 2012; ; Sec. 6.1, 6.2,7,9.2. 9.1.3.4; COA Circular No. 2012- 001; Section 15, Chapter 3 of GAM for NGAs Vol. 1; Sec 18 and 68 of RA 9184; Section 4(6) of PD 1445
	I, IX	DVs totaling ₱916,988.90, do not bear the approval of the Branch Director, do not contain signatures of either the Accountant Designate or the Regional Branch Director, and some certifications on the payment of Telephone Services and Extraordinary and Miscellaneous Expenses were not signed by the authorized official and Branch Director	
	IX	DVs and ORS of CY 2021 transactions showed that the Advice to Debit Account (ADA)/checks were prepared and released by the Cashier despite the lack or absence of approval and certifications of the proper officials.	
	I, IX	Repairs and Maintenance of various Office Equipment, and Information and Communications Technology Equipment totaling ₱26,144.64 were not supported by the Pre-repair and Post-Repair Inspection Reports and Waste Material Report for replaced parts; to gauge the condition of the items before and after the repairs performed.	

Table 23: Summary of Transactions which Deviate from Sound Internal Control and Prescribed Government Rules and Regulations

Nature of Transaction	RCMB	Deficiencies	Laws, Rules and Regulations Not
	IX	Representation Expenses for meals during webinars amounting to ₱30,874.45 was also paid out without proof of attendance in the said webinars.	
	VIII	18 DVs totaling ₱540,188.38 were obligated and issued with checks prior to complete delivery of the items procured thus, documentary requirements are also incomplete at the time of obligation and Payments totaling ₱104,088.31, constituting five DVs, were released to suppliers 1 to 69 days before items were fully delivered. Procurement of uninterruptible power supply (UPS) and desktop totaling ₱102,744.10 indicated the brand and model of the items in their Purchase Orders.	

6.5 In the absence of sufficient and relevant documents and information supporting the claims, the validity, propriety and regularity of the payments could not be immediately ascertained.

6.6 **We recommended that the Management of the following offices:**

Office/RCMB	Recommendations
RCMB NCR	a. submit the APP for the procurement made by the Agency as required under Section 9.2 of COA Circular No. 2012-001.
	b. require the Property Officer to submit the aforementioned lacking documentary requirements on the procured materials/items under COA Circular No. 2012-001 dated June 14, 2012 and the accountable officer to strictly comply with the immediate return of unused cash advance for more than two months in accordance with Section 5.7 of COA Circular No. 97-002.
	c. require the Accountant-Designate to provide explanation/justification on why two checks totaling ₱25,093.75 were immediately cancelled and replaced even though they were not yet stale.
RCMB I	d. ensure compliance with TVAAC Resolution 3, s. 2006 and Section 4.6 of PD 1445 by instructing the Accountant to submit the lacking supporting documents to prove the validity of the transaction, and henceforth, ensure correctness of

	<p>recording of the grant of the subsidy, for fair presentation of the Expense account in the financial statements.</p> <p>e. require the Accountant to submit the duly approved/certified Disbursement Vouchers and lacking supporting documents to establish validity of the disbursement transactions; and to ensure that all subsequent payments are supported with properly signed Disbursement Vouchers and complete supporting documents.</p>
RCMB II	f. direct the designated Property Officer/concerned agency officials to acquire insurance cover of its building and other insurable assets with the General Insurance Fund of the GSIS against any insurable risk pursuant to RA No. 656 to ensure that the government will be secured or indemnified for any damage or loss of properties and appropriate funds for the insurance of its building and other insurable assets.
RCMB III	<p>g. require officials and officers to submit the necessary certification required under COA Circular No. 2012-001 and the Accountant to (i) revisit, recompute and make refund (January 2021 to August 2021) on the overpayment of transportation allowances in proportionate to their usage of the government vehicles; and (ii) henceforth, apply the corresponding proportionate reduction on transportation allowances of personnel concerned when using government vehicle.</p> <p>h. require the Accountant to discontinue the practice of paying in advance the salaries and wages of personnel whose services were not yet rendered; and direct the Administrative Officer and the Accountant to strictly adhere to the rules and regulations set forth in Section 88 of PD 1445 and COA Circular No. 368-91.</p>
RCMB VII	<p>i. monitor closely the movement of inventories to avoid purchasing office supplies in excess of the three-month consumption; and</p> <p>j. strictly comply with Section 26 of the General Provisions of GAA for FY 2021 and subsequent GAAs and COA Circular No. 85-855A on stocking of supplies and materials.</p>

RCMB VIII	k. to stop the practice of processing the payment to suppliers before items procured are completely delivered, refrain from indicating the brand/model on the procurement or supporting documents, and compute and deduct the liquidated damages from the amount due to the supplier, if necessary.
RCMB IX	l. refrain from the practice of transferring cash advances from one AO to another and instead consider granting the PCF to the RCMB IX personnel assigned at the Pagadian Satellite Office. Management may also consider the grant of a special cash advance for Field Current Operating Expenses instead of a PCF, subject to the appropriate rules on bonding of AOs.
	m. direct the Accountant-Designate to refrain from processing the payment of regular expenses and or/purchases of goods and services through reimbursements, taking exception to emergency or cases of a similar nature; and strictly adhere to COA Circular No. 97-002 and the provisions of RA No. 9184 and its RIRR in all its procurement activities;
	n. to adhere to the principles of Section 4 of PD No. 1445 and Sections 36 and 41, Chapter 2, Volume 1 of the GAM for NGAs in the disbursement of government funds and ensure that all portions of the DV and the ORS are ticked, certified and signed by the appropriate agency officials; Concerned personnel to submit their respective proof of attendance in the listed webinars; Cashier to only prepare checks and/or ADA when all signatures in the DV and ORs are complete; and Accountant to ensure that all supporting documents are attached
	o. direct the BAC to assess price quotations of suppliers on a per item basis and award the item to the supplier offering the least cost especially in procurements where items are divisible and readily identifiable so that the most advantageous price may be availed of by the Agency.
	p. to comply that for future purchases of ICT software they will consider the appropriate timing of its purchase so that the benefits that may be derived therefrom may be optimally attained.

RCMB XI	<p>q. immediately submit an explanation why the petty cash expenses incurred by the Agency for CY 2021 totaling ₱38,012.50 should be accepted as valid transactions; and direct the Petty Cash Fund Custodian to accomplish properly the PCVs and the CENRRs and ascertain completeness of the documentary requirements before submission to the Office of the Auditor; and strictly comply with the pertinent provisions of PD No. 1445, COA Circular No. 2012-001, GAM for NGAs, Volume I and COA Circular No. 2017-001.</p>
	<p>r. Submit a written explanation on the Agency's non-compliance with the above-stated RA No. 9184 provisions on the procurement of meals and snacks; stop the practice of making payments through reimbursement; and ascertain compliance with the provisions of the RA No. 9184 to adhere to the governing principles on government procurement.</p>

6.7 The Management commented as follows:

Office/RCMB	Management Comments
NCR	Management commented that the accountable officer will strictly comply with the immediate return of unused cash advance for more than two months in accordance with Section 5.7 of COA Circular No. 97-002. Also, the Property Officer submitted the lacking documentary requirements on the procured materials/items on liquidation reports.
I	Management agreed to comply with the audit recommendations.
II	In a letter-response dated February 9, 2022, Management committed to comply with the audit recommendations and to allocate funds for the insurance of its buildings and other insurable assets this 2022.
III	The Branch complied with COA Circular No. 2012-001 dated June 14, 2012, Par. 5.2 and required the personnel concerned to submit the required certifications and documents. Management also applied the corresponding proportionate deduction on Transportation Allowances of personnel when using the government vehicle.
	In September 2021, the Branch still has a cash balance in the bank intended for the payment for the service providers, suppliers and utility bills. Since statement of accounts and bill were not yet available, to avoid the reversions and to maximize the utilization of available cash in bank, the Branch resorted to payment in advance the salaries of the personnel for the period October 1-15, 2021. The Branch will take note and discontinue the practice of paying in advance the salaries and wages of NCMB RIII personnel, whose services are not yet rendered.
VII	The Management acknowledged the inadvertence of not knowing the above-cited COA Circular. As recommended, the Supply/Property Officer will monitor closely the movement of inventories to avoid procurement of office supplies in excess of the three-month consumption and strictly comply with Section 26 of the General Provisions of GAA for FY 2021 and subsequent GAAs and COA Circular No. 85-855-A on stocking of supplies and materials.

VIII	Management acknowledged their mistake and commits to comply with the recommendation to prevent similar findings in the future.
IX	Management commented that the Branch shall consider allowing the personnel assigned at Pagadian City, a cash advance amounting to no more than Five Thousand Pesos (₱5,000.00) per month to cover necessary operating expenses in the satellite office. An Office Order regarding this matter shall also be issued for reference.
	Management commented that there may be instances that when the Branch assesses the prices per item, there might be occurrences that a supplier may only be awarded with one to three items which may not be advantageous for the Branch in terms of processing of payments. Moreover, for the first quarter supplies which were purchased on January 26, 2022, the Branch had followed the same practice before this observation.
	Management commented that the recommendation is well taken and will be complied with through the Accountant and Cashier-Designate who shall double check all the supporting documents before processing for payment and disbursing of public funds to avoid violations of Section 4 of PD No. 1445 and the GAM for NGAs for future transactions.
	Management commented that the Branch shall consider allowing the personnel assigned at Pagadian City, a cash advance amounting to no more than ₱5,000.00 per month to cover necessary operating expenses in the satellite office. An Office Order regarding this matter shall also be issued for reference.
	Require the Accounting Unit to remit the unremitted taxes and to strictly comply with the withholding of appropriate taxes. Remit the same in accordance with BIR Revenue Regulations. The Branch will remit the unremitted taxes and strictly comply with withholding of taxes from suppliers and compensation of person.
XI	<p>The Management submitted their reply letter dated March 9, 2022 with attachments and stated the following:</p> <ul style="list-style-type: none"> a. That the attached Office Orders issued by the Central Office state that officials and staff are allowed to claim reimbursement of actual meal expenses during the activity; b. That Management is of the belief that with the authority granted by the NCMB Head of Office, they can personally pay for their meals and will be reimbursed at a later date; and c. That payment made to one person for meals claimed by the participants of the activity was more convenient for the Branch to process and track reimbursements. <p>The Management, nevertheless, fully acknowledged its deficiency in complying with the provisions of RA No. 9184 and appreciated the audit observation calling their attention and for suggesting alternative modes of procurement as provided in the IRR of RA No. 9184.</p> <p>The Management directed the BAC, Finance and Administrative Units to stop the practice of making payment through reimbursement and to strictly adhere to the provisions of RA No. 9184 and its IRR.</p>

Auditor's Rejoinder

Office/RCMB	Auditor's Rejoinder
II	The Audit Team to monitor the extent of Management's compliance with the audit recommendation and request Management to submit copies of insurance cover of all its insurable assets.
IX	We concur with the point raised by Management in accordance with the principle that fiscal responsibility rests with Management who exercises authority over the financial affairs, transactions, and operations of the government agency. Nevertheless, such prerogative is qualified by guidelines found in various Circulars and Memoranda and the circumstances at hand, which must all be taken into consideration before decisions by Management are made.
XI	The Audit Team appreciates the Agency's cooperation to comply with the audit recommendations.

Delayed -submission of financial reports/records and other required documents

7. Financial reports/statements, budget and financial accountability reports, records and supporting schedules and documents for CY 2021 were not submitted within the prescribed period, were submitted late, or remained not yet submitted, contrary to the rules and regulations provided in COA Circular No. 2009-006 dated September 15, 2009, Section 122 of PD No. 1445 and the GAM for NGAs, Volume I, hence precluded the prompt audit of accounts and financial transactions, and the timely reporting of the audit results.

- 7.1 Section 7.1.1.a of COA Circular No. 2009-006 dated September 15, 2009 provides that the Head of the agency, who is primarily responsible for all government funds and property pertaining to his agency, shall ensure that the required financial and other reports and statements are submitted by the concerned agency officials within the period prescribed by the Commission.
- 7.2 Section 68 of the 2016 Revised Implementing Rules and Regulations of RA No. 9184 states that: "All contracts executed in accordance with the Act and this IRR shall contain provision on liquidated damages which shall be payable by the contractor in case of breach thereof. For the procurement of Goods, Infrastructure Projects and Consulting Services, the amount of the liquidated damages shall be at least equal to one-tenth of one percent (0.001) of the cost of the unperformed portion for every day of delay. xxx"
- 7.3 The Accounting Unit of NCMB-CO, RCMBs NCR, III, IV-A, V, VIII, IX, XII and CAR failed to comply with the submission of various financial reports and documents for CY 2021 on due dates set by the Commission. The same practice had been observed in the previous year. Significant delays in submission were noted ranging from 11 to 102 days from due dates, summarized in the table below:

Table 24: Delays in the Submission of Various Financial Reports/Documents

Report Title	Office	Period Covered (2021)	Date Due	Days Delayed	Basis
Report of Collections and Deposits (RCD),	CO	March	Every 10 th day after the end of each month	34	Sec.7.2.1.a of the Rules and Regulations on the Settlement of Accounts (RRSA) as prescribed under COA Circular No. 2009-006 dated Sept. 15, 2009
	NCR	December		15	
Report of Checks Issued (RCI)	CO	March, April, May, June, August, December	Every 10 th day after the end of each month	34;35;47;38;17;45	
	NCR	May, August, September, December		30;33;11;25	
Disbursement Vouchers-Authority to Debit Account (ADA)	NCR	December	Every 10 th day after the end of each month	25	
Report of Accountability for Accountable Forms (RAAF)	CO	March	Every 10 th day after the end of each month	34	Section 60b, Chapter 19 GAM Vol. I
Journal Entry Vouchers (JEVs)	CO	March, June, December	10 days after the end of the month	34;10;42	
	NCR	May, June, July, August, September		112;82;51;33;12	
Monthly Trial Balances and supporting Journal Entry Vouchers (JEVs)	NCR	December	10 days after the end of the month	16	
Bank Reconciliation Statements (BRS)	CO	March, April, May, June, August, December	20 days after the receipt of the monthly BS	102;72;41;11;13;28	Section 7, Chapter 21, GAM Vol. I
FAR No.1, FAR No.1-A, FAR No.1-B, FAR No. 2, FAR No.2-A; FAR No.3; FAR No.4; FAR No.5 (Quarterly)	CO	As of March 2021; As of June 2021; As of September 2021; As of December 2021	30 days after the end of each quarter	32;33;37;54	Section 32a, Chapter 3, GAM Vol. I
Monthly Report of Disbursements – All Regions	CO	January, March, December	30 days after the end of each quarter	30;34;53	

7.4 The delayed submission of financial reports precluded the timely conduct of audit and evaluation of the regularity, propriety, completeness and accuracy of the accounts and recorded transactions and the timely reporting of the audit results in the Management Letter for CY 2021 for consolidation into the Consolidated Annual Audit Report (CAAR).

7.5 Other deficiencies in the submission of documents/reports are as follows:

Table 25: Other Deficiencies in the Submission of Documents

Office//RO	Deficiencies Noted
RCMB VIII	The Accounting Unit does not maintain the Index of Payment (IP) to record/monitor payments made to each creditor/payee, thus rendering it non-compliant with GAM for NGAs, specifically Appendix 38, Volume III and Section 15, Chapter 6, Volume I.
RCMB IV-A	Copies of Purchase Orders (POs) including supporting documents in the amount of ₱2.495 million were not submitted to the Audit Team within five working days from execution, contrary to COA Circular No. 2009-001 dated February 12, 2009 and COA Circular No. 2009-006 dated September 15, 2009, thus precluded the timely review and evaluation of the regularity, propriety, completeness and accuracy of the accounts and recorded transactions.
RCMB IX, RCMB V	<p>In RCMB IX, POs for procurement activities undertaken totaling ₱89,131.20 were incompletely accomplished resulting in the difficulty to establish grounds on the imposition of sanctions particularly liquidated damages in case of possible delays in delivery of procured goods, while liquidated damages amounting to ₱4,064.39 were not imposed on deliveries that were made beyond the delivery terms indicated in the PO.</p> <p>In RCMB V, PO and Job Orders issued on the procurement of goods and services amounting to ₱821,182.12 did not contain the required data, such as the date of receipt of the supplier, delivery term, date of delivery and the payment term. The failure of the designated Property/Supply Officer to indicate all the above important details in the Purchase Orders/Job Orders resulted in non-detection of late deliveries of goods and services and non-imposition of liquidated damages on the concerned suppliers, hence to the disadvantage of the Agency.</p>
RCMB NCR	<p>List of Unreleased checks to support the Report of Checks Issued (RCI) was not submitted, contrary to Chapter 6, Section 44 of GAM, for NGAs Volume I.</p> <p>Submission of the Monthly Report on Official Travel/Monthly Report on Fuel Consumption (with Driver's Trip Ticket) for the months of May to December (Ace Cuadra) and October to December (Marcial Sulit) incurred significant delays ranging from 50 to 264 days. Non-submission thereof on the prescribed time not only, precluded the Audit Team from conducting timely audit and thorough review and evaluation of the correctness of reports but also prevented the early detection and correction of any deficiency/error in audit.</p>
RCMB III	The driver's trip tickets supporting the disbursements for fuel prescribed under the Manual on Audit for Fuel Consumption of Government Motor Vehicles were not submitted / attached to the payment vouchers, thus the reasonableness of the gasoline consumed could not be ascertained.
RCMB VIII & XII	Disbursement Vouchers (DVs) and supporting documents with an aggregate total of ₱378,554.74 remained unsubmitted within the prescribed period as required under Section 7.2 of COA Circular No. 2009-006 dated September 15, 2009 and Section 107 of PD No. 1445, thus validity and propriety of said disbursements could not be ascertained.

Table 25: Other Deficiencies in the Submission of Documents

Office//RO	Deficiencies Noted
CAR	The petty cash vouchers (PCVs) amounting to ₱8,228.04, which were not replenished as of yearend, were not submitted to the Accounting Unit for recording in the books of accounts, contrary to Section 54, Chapter 19, Volume 1 of the GAM for NGAs, thereby affecting the fair presentation of the Expenses account in the financial statements as of yearend.

- 7.6 The non-submission of contracts/POs within five days upon perfection of the same and non-filling up of the required data therein are contrary to the aforementioned law, rules and regulations, hence prevented the auditorial, legal and technical review of the same on time and the possible discovery of terms and conditions disadvantageous to the government.
- 7.7 Upon interview, the Agency replied that they are not aware of the preparation and maintenance of the IP. The non-maintenance of the IP indicates that they are not compliant with the prescribed form in GAM for NGAs.
- 7.8 It must also be emphasized that the List of Unreleased Checks attached to the RCI must be reported and submitted by the Cashier, presented therein the voided, spoiled or unclaimed stale checks for the month. The RCI shall include all checks drawn during the day whether released or unreleased to the payees including cancelled ones.
- 7.9 Audit of transactions pertaining to payment of fuel from January 2021 to August 2021 showed that only the summary of invoices (statement of account) was attached to the DVs. The concerned employees failed to attach/submit the driver's trip ticket, thus reasonableness of the gasoline consumed could not be ascertained. (RCMB III)
- 7.10 The continued delay in the submission of financial reports in accordance with the foregoing regulation, may subject the persons responsible thereof to administrative actions pursuant to the provisions of Section 122 of PD No. 1445, which states that:

“Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.

Failure on the part of the officials concerned to submit the documents and reports mentioned herein shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission.”

7.11 We recommended and Management agreed to :

- a. direct the Accountant to record and monitor payment of claims through the maintenance of the Index of Payment in conformity with GAM for NGAs (RCMB VIII);**
- b. direct the Supply Officer-Designate to ensure that the concerned supplier indicate the date of receipt of PO from which the counting of delivery term will commence and the Accountant-Designate in all future transactions of the same nature, to ensure that when liquidated damages are imposed, these are duly deducted from the amount paid to the contractor/supplier in delay (RCMB IX); and instruct the Supply Officer to submit copy of perfected contract/purchase order and all its supporting documents to the Auditor within five working days from date of execution, in compliance with COA Circular No. 2009-001 dated February 12, 2009 (RCMB IV A); and comply with the recommendation on the observations noted in the issuance and proper accomplishments of the Purchase Orders and Job Orders as required under COA Circular No. 96-010 (RCMB V);**
- c. require the Cashier-Designate to prepare and submit a List of Unreleased Checks attached to the RCI for the month; (RCMB NCR)**
- d. the Administrative Officer and the Driver to exercise tighter control over the use of government vehicles through properly accomplished and duly approved serially numbered driver's trip tickets; and Accountant to submit the driver's trip tickets in relation to the travel where the above fuel and toll expenses were paid for (RCMB III and NCR);**
- e. require the Cashier and Accountant to submit immediately the lacking disbursement vouchers and its supporting documents as required under Section 7.2 of COA Circular No. 2009-006 dated September 15, 2009 and Section 107 of P.D. 14 (RCMB VIII and XII); and**
- f. the Petty Cash Fund Custodian submits disbursements made out of Petty Cash Fund, together with the supporting documents that are not replenished as of yearend, to the Accountant; and the Accountant to prepare a Journal Entry Voucher in recording the disbursements by debiting the appropriate account and crediting the "Petty Cash" account. (CAR)**

Management Comments

7.12 The Management commented as follows:

Office/RCMB	Management Comments
NCR	Management commented that the Cashier-Designate has already prepared and submitted the List of Unreleased Checks to COA on March 21, 2022.
CAR	Management concurred with the recommendations set by the Team.
III	The Branch adhered to the Audit Team's recommendation and has exercised tighter internal control over the use of government vehicles, accomplished properly driver's trip tickets in consonance to the travel where the fuel and toll expenses are used.
IV-A	Management assured the Audit Team compliance with the above recommendation.
V	During the Exit Conference, the Audit Team emphasized that Management should use the standard form of Purchase Order and to have the "font" used readable because as of the present practice, the font used is font 8 which is hard to read.
VIII	Management replied through a letter that Index of Payments for the months of January and February 2022 were already prepared. Management further commits to continue updating the Index of Payment prospectively.
	Management replied through a letter that disbursement vouchers were properly accounted for as either submitted late or subsequently cancelled and therefore submitted at a later date.
IX	Management has commented that the Supply Officer-Designate shall ensure that the suppliers indicate the date receipt of PO to properly address due deductions if applicable. Moreover, in cases where there is delay of delivery of goods as stated in the POs, the Accountant Designate shall ensure imposition of due deductions as recommended.
XII	Management justified during the Exit Conference that the unsubmitted DVs were remittances to GSIS and Pag-IBIG, of which Official Receipts were not immediately issued upon payment. They assured the Audit Team to submit immediately and comply with the COA rules and guidelines.

Auditor's Rejoinder

Office/RCMB	Auditor's Rejoinder
IV-A	The Audit Team will continuously monitor the submission of copies of perfected POs and/or contracts within the required period.
VIII	During the Exit Conference, the Audit Team stressed the importance of on time submission of disbursement vouchers. Further, it was noted by the Audit Team that disbursement vouchers submitted late, including the canceled checks, where just compiled with the recent month's submission making it difficult for identification. As a rejoinder, the Audit Team recommends for a separate monthly folder and transmittal for any disbursement voucher and canceled checks submitted late.

Gender and Development (GAD)

8. The NCMB had allocated and utilized at least five percent of their FY 2021 appropriation for GAD programs and activities, in compliance with Section 32 of the General Provisions of the GAA for FY 2021. However, deficiencies were noted, such as: (a) failure to fully implement all the identified GAD activities in the approved GAD Plan and absence of completeness of data in the report and detailed breakdown of expenditure in NCMB CO and RCMB NCR; (b) non-maintenance of the GAD database in RCMB II; (c) non-submission of PCW-endorsed GAD Plan and Budget and GAD Accomplishment Report in RCMB IV-A; and (d) non-utilization of the Harmonized Gender and Development Guidelines (HGDG) tool resulting in non-determination of proper attribution cost in RCMBs IX, XI and XIII, contrary to the guidelines set forth in PCW-NEDA-DBM Joint Circular No. 2012-01.

8.1 Section 32 of the RA No. 11518, otherwise known as the GAA of FY 2021, requires all agencies of the government, among others, that:

- a. the GAD Plan shall be integrated in the regular activities of the agencies which shall be at least five percent (5%) of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.
- b. the preparations and submission of the annual GAD Plan and annual GAD Accomplishment Report (AR) shall be subject to the guidelines issued by the agencies concerned.

8.2 Section 4.4 of Joint Circular No. 2012-01 of the Philippine Commission on Women, National Economic and Development Authority, and DBM (PCW-NEDA-DBM) on the institutionalization of the GAD Database/Sex-disaggregated Data states that the agency shall develop or integrate in its existing database GAD information to include gender statistics and sex-disaggregated data that have been systematically produced or gathered as inputs or bases for planning, budgeting, programming, and policy formulation.

8.3 Further, Section 6 of the same Circular which provides for the guidelines in costing and allocation of the GAD budget, states that *"if an agency intends to attribute a portion or the whole budget of major programs during the GAD planning and budgeting phase, it may subject the program to gender analysis using the HGDG tool."* Section 6.4.4 states that *"during the preparation of its*

GAD AR, the agency will again administer the HGDG test to determine the extent that the targeted HGDG score is attained. This score will be the basis in determining actual expenditure that can be attributed to the GAD budget.”

- 8.4 Section 4(i) of Republic Act No. 9710 defines “Gender Mainstreaming” as the strategy for making women’s as well as men’s concerns and experiences an integral dimension of the design, implementation, monitoring, and evaluation of policies and programs in all political, economic, and societal spheres so that women and men benefit equally and inequality is not perpetuated. It is the process of assessing the implications for women and men of any planned action, including legislation, policies, or programs in all areas and at all levels.
- 8.5 The Annual GAD Accomplishment Report of NCMB for FY 2021 submitted to PCW showed that the Board had allocated ₱17,868,242.50 or 6.41 percent of its FY 2021 appropriation and utilized ₱17,018,188.55 or 6.11 percent for GAD programs and activities, in compliance with Section 32 of the General Provisions of the GAA for FY 2021. GAD Fund budget and utilization of NCMB CO and the RCMBs are shown on the table:

Summary of GAD Fund Budget and Utilization of NCMB CO and the RCMBs as Reflected in the GAD AR Submitted for PCW Endorsement

Office/ RCMB	Appropriation per GAA	GAD Fund Allocation	Percent	Utilized Amount	Percent
	(In PhP)			(In PhP)	
CO	92,750,000.00	4,746,328.50	5.12%	4,749,182.89	5.12%
RCMBs					
NCR	40,162,000.00	2,008,100.00	5.00%	2,261,065.25	5.63%
CAR	12,567,000.00	647,593.29	5.15%	697,136.48	5.55%
I	6,670,000.00	624,767.66	9.37%	345,674.28	5.18%
II	7,593,000.00	1,182,948.17	15.58%	788,936.57	10.39%
III	16,804,000.00	838,093.22	4.99%	1,281,641.64	7.63%
IV-A	14,328,000.00	1,381,488.00	9.64%	1,147,044.42	8.01%
IV-B	2,916,000.00	145,850.00	5.00%	290,156.61	9.95%
V	6,368,000.00	316,700.00	4.97%	325,781.00	5.12%
VI	12,512,000.00	722,101.32	5.77%	1,102,748.75	8.81%
VII	15,251,000.00	899,500.00	5.90%	579,696.52	3.80%
VIII	9,764,000.00	577,168.46	5.91%	531,905.26	5.45%
IX	8,079,000.00	1,115,224.82	13.80%	740,767.29	9.17%
X	11,541,000.00	768,834.97	6.66%	713,291.26	6.18%
XI	12,796,000.00	748,958.25	5.85%	766,840.58	5.99%
XII	6,425,000.00	739,968.39	11.52%	422,804.05	6.58%
XIII	2,064,000.00	404,617.45	19.60%	273,515.70	13.25%
Total	278,590,000.00	17,868,242.50	6.41%	17,018,188.55	6.11%

- 8.6 Based on the above data, NCMB CO and all RCMBs, except RCMB VII, reported to have utilized funds of more than five percent of their appropriation in the integration of GAD-related programs in the implementation of the Agency’s regular activity.

8.7 Deficiencies, however, were noted in the implementation of GAD Activities in NCMB CO and various RCMBs:

Deficiencies Noted in the Implementation of GAD	
Office	Observations
NCMB CO	<p>Evaluation of the Agency's GAD implementation for CY 2021, based on its approved GPB and GAD AR, disclosed that of the 11 formulated GAD activities, NCMB-CO had implemented eight of its specific GAD Mandates thru integration of gender responsive programs, projects and activities in the regular activities of the Agency. However, the Agency was not able to undertake three target GAD Activities. As commented by the Management in their GAD AR, these activities were significantly affected by the COVID-19 pandemic, declaration of community quarantine throughout the country and lack of available resource speaker.</p> <p>It was noted that the intended GAD budget for the conduct of GAD advocacy activities to celebrate the National Women's Day amounting to ₱927,359.64 was not fully utilized, thus leaving an unexpended GAD Budget allocation of ₱812,498.46.</p> <p>Moreover, the GAD AR was submitted with inadequate copies of supporting documents for expenditures of other GAD Activities, such as the maintenance of GAD Corner and lactation facility. Also, it lacks the breakdown of expenditure that would provide the details of what actually comprises the amount of Actual Cost per GAD Activity as required under Column 9, Annex B of PCW-NEDA-DBM Joint Circular No. 2012-01, thus hampering the Audit Team in the conduct of proper validation of accomplishments vis-à-vis targeted outputs.</p>
RCMB NCR	<p>The RCMB-NCR had eight client-focused activities thru integration of gender responsive programs, projects and activities in the regular activities of the Agency. However, it was noted that the Agency failed to allocate PS and MOOE attribution pertaining to the accomplished activity; hence no actual cost was reported on the six (6) GAD Activities. The lack of reported actual cost of the abovementioned GAD Activities renders the GAD Accomplishment Report incomplete and will hamper the assessment of actual accomplishments vis-à-vis the properly endorsed GAD Plan and Budget to ascertain its correct utilization. It can be also be noted that one (1) client focused activity exceeds the total budget per submitted GPB by ₱440,593.64.</p> <p>Moreover, nine out of 12 organization-focused activities were without specific allocated GAD Budget per GAD AR, although they are one of the Responsible Units as stated in the PWC- Endorsed GPB. It includes GAD activities such as the conduct and participation to Capacity-Building Seminar for GFPS, Trainers' Training for NCMB Program Implementers, Seminars for NCMB Case Handlers to integrate, Quarterly Director's Meeting, and NCMB-wide GAD Planning and Budgeting for GFPS. As inquired with the GAD Secretariat, he failed to coordinate the GAD Budget allocation of the RCMB-NCR from the consolidated GPB for the said GAD Activities. It can be also be noted that two of the said organization-focused activities exceeded the total budget per submitted GPB by ₱456,733.44.</p> <p>Ocular inspection likewise revealed that the GAD Corner was not properly maintained by the Agency. It was located inside the Administrative Office instead of being situated in the area where their respective clients may read those materials. Also, some brochures were already infested with termites. Hence, the gender issue identified which is to provide access to information regarding</p>

	<p>policies on women and the rights of each worker was not addressed.</p> <p>Further verification of the GAD AR disclosed that the Agency also was not able to undertake the two target GAD Activities with the specific objectives of strengthening the capacity of NCMB to mainstream GAD programs/projects and produce a well-defined framework in the conduct of capacity development across NCMB Regional Branches by means of conducting Seminar Workshop to orient Labor Information Officers with GAD and participating in Capacity-Building Seminar for GFPS.</p>						
RCMB II	<p>Evaluation revealed that NCMB BO2 Management has not created or established a GAD Database for employees and clients which should consist of gender statistics, age- and sex-disaggregated data, and other relevant further disaggregation. Management, however, revealed that they really do not have any GAD database maintained by their office for gender information, etc.</p> <p>Accordingly, with the non-maintenance of the GAD database, gender-based issues and concerns were not readily identified by the Agency which should have been responded thru GAD programs and projects that advance the mandates of the Agency.</p>						
RCMB IV- A	<p>The Agency only submitted an Accomplishment Report which is non-compliant with the prescribed form under Annex B of the PCW-NEDA-DBM Joint Circular No. 2012-01. The GAD Accomplishment Report submitted did not include the GAD Mandate, Gender Issues, Cause of Gender Issues and GAD Objectives. While the PCW-endorsed GAD Plan and Budget and GAD Accomplishment Report of the NCMB IV-A for the Calendar Year 2021 was not submitted to the Audit Team precluding the Audit Team from conducting a timely review of the GAD Plan and Budget and GAD Accomplishment Report.</p> <p>Thus, whether the GAD program/activity/project addressed the identified gender issues cannot be determined.</p>						
RCMB IX	<p>Review of the GPB and GAD AR of NCMB RB IX disclosed that the GPB cost attribution performed did not use the HGDG tool to assess the extent of GAD responsiveness of the programs to be implemented nor was the tool used to determine the costs to be attributed to the GAD AR. Finally, it was also found that there were some programs included in the GAD AR but were not initially included in the GPB.</p>						
RCMB XI	<p>A schedule of the breakdown of GAD expenses was also provided by the GAD Focal Person and summarized as follows:</p> <table border="1"> <tr> <td>Personnel Services (PS)</td><td>₱ 490,639.30</td></tr> <tr> <td>Maintenance and Other Operating Expenses (MOOE)</td><td>334,961.28</td></tr> <tr> <td>Total GAD Expenses</td><td>₱ <u>825,600.58</u></td></tr> </table> <p>Review of the said schedule revealed that the Agency attributed 25% of the utilized budget of certain Agency activities/programs as well as those expenses incurred for PS and MOOE, e.g., landline and internet subscription, mobile phone loads, electricity bills, office supplies expenses incurred in the operation of the Regional Branch XI for CY 2021.</p> <p>The Agency, however, did not provide any basis such as the results of their gender analysis using the HGDG tool or any official document authorizing them to use the rate of 25% in determining the actual expenditure that can be attributed to the GAD budget. The GAD Focal Person just informed that they received instructions from the Central Office through a Group Chat (GC) to use the rate of</p>	Personnel Services (PS)	₱ 490,639.30	Maintenance and Other Operating Expenses (MOOE)	334,961.28	Total GAD Expenses	₱ <u>825,600.58</u>
Personnel Services (PS)	₱ 490,639.30						
Maintenance and Other Operating Expenses (MOOE)	334,961.28						
Total GAD Expenses	₱ <u>825,600.58</u>						

	25% of the RB's total utilized budget per activity for GAD attribution.
RCMB XIII	Audit Observation Memorandum was issued in CY 2020 and requires the GFPS to conduct gender analysis using the HGDG tool for each major program/project to identify which accomplishment can be attributed as GAD related projects. This audit recommendation is still unimplemented in CY 2021.

8.8 We recommended that Management require the GAD Focal Point System and the Implementing Department Heads to:

- a. continue developing and implementing more GAD-related programs, projects and activities that promote gender equality.
- b. re-evaluate if GAD programs, projects and activities would be doable and attainable in adapting to the current situation in the state of pandemic, to ensure its implementation and accomplishment of GAD objectives, and proper utilization of the GAD Fund/Budget for each program in the approved and endorsed GPB;
- c. complete the details of the Accomplishment Report, compute for the proper attribution of cost to the programs and activity conducted, and provide a detailed breakdown of expenditure to support the amount of Actual Cost per GAD Activity together with the complete supporting documents.

8.9 We further recommended that the Management require the GAD Focal Point System of concerned branches to:

- a. RCMB II- create and develop a GAD Database containing GAD information to include gender statistics and age- and sex-disaggregated data in consonance with Section 37.D, Rule VI of the IRR of Republic Act No. 9710 to determine and respond to the gender issues of the employees and clients of the Branch through gender-responsive programs and/or projects within the mandates of the Agency;
- b. RCMB IV-A- submit immediately the PCW-endorsed GAD Plans and Budgets for CY 2021 as prescribed in MC 2020-05 along with the GAD Accomplishment Report for the year; and
- c. RCMBs IX, XI and XIII- coordinate and make representations with NCMB Central Office on the need to utilize the HGDG tool when assessing the Agency's major programs in order to determine the cost to be attributed to the GAD Plan and the GAD Accomplishment Report.

Management Comments

8.10 The Management gave the following comments:

Office	Comments
NCMB CO	Management commented that the Board exerted its effort to hold its programmed activities despite the surge of COVID-19 cases and continuous restrictions imposed by the government through the country. Some GAD programs, projects and activities were not implemented due to the following reasons due to a) surge in the number of COVID-19 cases; b) implementing of community quarantine throughout the country; and c) difficulty in inviting or lack of available resource speakers. The GAD focal Point System shall continue to re-evaluate, develop and implement more GAD related programs, projects and activities that promote gender equality while adapting the current situation in the state of pandemic. Furthermore, the Board shall continue to allocate at least 5% of the total appropriations for GAD programs and activities, and implementation and monitoring of plan, programs and projects duly approved by the PCW.
RCMB NCR	Management commented that the Branch will register with PCW organized online trainings with the facilitation of the GAD Secretariat in addition to CO's organized trainings, commits to effect necessary adjustments for the proper attribution of cost, continue to implement planned projects and activities and will allocate budget for each GAD Activity in the GPB.
RCMB II	<p>Management informed that RCMB II established different tools to gather sex-disaggregated data which serve as the source of information for gender-responsive planning, programming, and policy-making specifically in the conduct of the Branch Annual GAD Planning and Budgeting that is submitted to NCMB Central Office as per timeline of submission and aid NCMB top executives in policy formulation. They informed that the tools used in determining and collecting sex-aggregated data are the following:</p> <ul style="list-style-type: none">a. Attendance Sheet during face-to-face orientation seminars and webinars;b. Case Docketing Monitoring System-Online;c. Survey on Company Profile that includes;d. DOLE Form-QF-AA-01 on Notice of Strike/Lockout/Preventive Mediation, etc.;e. DOLE Case Information Sheet;f. DOLE Request Assistance Form; and

Office	Comments
	<p>g. 201 file serve as the source and reference for sex-aggregated data on RCMB II employees.</p> <p>As to the audit recommendation on the establishment of GAD Database, RCMB II Management committed to create/establish a database containing GAD information both for NCMB RB2 employees and agency clients.</p>
RCMB IV-A	Management promised to submit the GAD Plan and Budget and GAD Accomplishment Report for CY 2021.
RCMB IX	Management will coordinate with the NCMB Central Office to clarify matters on the GAD cost attribution to fully comply with the recommendation.
RCMB XI	<p>The Management submitted their letter-reply dated March 24, 2022 and acknowledged the deficiency made by the Branch in the usage of twenty-five percent (25%) GAD attribution and that there was no written document that would support it.</p> <p>The Management explained that the GAD Focal Person prepared the 2021 Accomplishment Report based on what transpired during the seminar-workshop entitled Gender and Development Capacity-Building for GAD Focal Point Systems/Alternates she attended on July 8 to 10, 2019.</p> <p>The Management also informed that they coordinated with the Central Office after the receipt of the Audit Observation Memorandum and they were told that the attribution is based on the number of hours spent for GAD activity/program for the PS and on the actual amount spent for MOOE. The Board, however, is still in the process of studying the HGDG.</p> <p>A revised GAD Accomplishment Report for CY 2021 was submitted together with the reply to the AOM.</p> <p>The Management committed to do its best to strictly comply with the aforementioned GAD provisions to ascertain the propriety of attributions made to GAD.</p>

Auditor's Rejoinder

8.11 RCMB I

The Audit Team will do a follow-up to the extent of Management's compliance with the audit recommendation.

RCMB IV-A

The Office of the Auditor will review and validate the submitted GAD Plan and Budget and GAD Accomplishment Report with the submitted DVs for CY 2021.

RCMB XI

Upon examination of the revised GAD AR for CY 2021, the amounts reported as actual GAD expenditures cannot be verified and relied upon due to the absence of supporting documents. Further examination of the revised GAD AR shall be conducted by the Audit Team.

Programs for Senior Citizens and Differently Abled Persons

9. The NCMB CO and the 16 RCMBs had formulated plans, programs and activities related to Senior Citizens (SCs) and Persons with Disability (PWDs), implemented and integrated the same in their regular activities in accordance with Section 33 of the GAA for FY 2021. Thus, the Agency was able to address the concerns of SCs and PWDs.

9.1 Section 33 of the General Provisions of RA No. 11518 or the GAA of FY 2021 provides that:

“All agencies of the government shall formulate plans, programs and projects intended to address the concerns of senior citizens and persons with disability, insofar as it relates to their mandated functions, and integrate the same in their regular activities.”.

9.2 Moreover, all government infrastructures and facilities shall provide architectural or structural features, designs or facilities that will reasonably enhance the mobility, safety and welfare of persons with disability pursuant to Batas Pambansa Blg. 344 and RA No. 7277.

9.3 The NCMB CO and the 16 RCMBs had formulated an Agency Plan for SCs and PWDs and had accomplished as follows:

Table 28: Summary of SC and PWD Accomplishments for CY 2021`

Office	Accomplishments	Amount (In PhP)
NCMB CO, RCMBs NCR, CAR, IV-A, IV-B & VII	Posted priority seats signages/tarpaulin at office relative to Elderly Filipino Week, a comfortable waiting area with drinking water and snacks was provided for SCs and PWD. Also, assistance was provided to senior citizen personnel in the preparation of documents for the transfer of office, documentary requirements for retirement and coordinated with GSIS and Central Office for an online seminar intended for retiring personnel.	149,018.49

Table 28: Summary of SC and PWD Accomplishments for CY 2021`

Office	Accomplishments	Amount (In PhP)
	Involved the Senior Citizens in the seminars and other activities conducted by the Board such as the following:	
NCMB CO	a) Learning Session on managing physical and mental health issues for elders on October 13, 2021;	3,460.00
NCMB CO	b) Lecture on Ageism at work: Understanding the value of older employees on November 26, 2021;	8,210.00
NCMB CO	c) Expenses in 2021 18-day campaign to end violence against women from November 12 to December 25, 2021;	3,500.00
NCMB CO	d) Purchase of t-shirts for our senior citizens (Women's Month and 18-day campaign to end VAW);	6,300.00
RCMB IV-B	e) Lecture/learning session for elders on October 13, 2021 via Zoom;	519.80
RCMB IV-B	f) Joint outreach program with ORMIPA conducted on Oct. 14, 2021 entitled " Safety Mo, Sagot Ko" - thru the distribution of health kits, a total active (23) LMCs in Mindoro with senior citizens or PWDs employees benefitted the activity (10 senior citizens & 3 PWDs);	10,000.00
RCMB V	g) In-house activities such as seminar, team building and planning (2 incumbent and 1 retired SC)	63,680.00
RCMB X	g) Initiated a gift-giving activity to fifteen (15) deaf-mute students of Pilgrim Christian College (PCC), an LMC practitioner - Equally distributed packs containing vitamin packs, emergency medicines, face masks, face shields, alcohol, rice, canned goods and noodles;	12,500.00
RCMB X	h) Initiated a gift-giving activity to thirty-five (35) senior citizens of Sitio San Juan, Lapasan, Cagayan de Oro City. Equally distributed packs containing vitamin packs, emergency medicines, face masks, face shields, alcohol, rice, canned goods and noodles;	12,500.00
RCMBs X	i) Attend Online Webinar Session to promote awareness that senior citizens must not be disregarded but must be given equal importance in the society;	3,783.35
RCMB X	j) Attend Online Webinar Sessions on Volunteerism among different sectors of society	4,076.26
RCMB III	Implemented the following activities: 1) SCs and PWDs Corner Improvement; 2) IEC Materials; 3) COVID-19 Prevention and Control Measures; 4) 2020 International Day of PWDs-streamer; and 5) Repairs of two printers of SC and PWD personnel.	180,025.47
RCMBs IV-A	The Agency disbursed a total of ₱848,228.19 on programs and activities that would benefit Senior Citizens and Differently-abled Persons such as: a) Invested on IT Equipment that will cater to the virtual platform to be provided to personnel (senior	848,228.19

Table 28: Summary of SC and PWD Accomplishments for CY 2021`

Office	Accomplishments	Amount (In PhP)
	citizen) and vulnerable clients; b) Invested on ICT Supplies that will cater to the virtual platform to be provided to personnel (senior citizen) and vulnerable clients; and c) 149 companies enhanced with convergence to DOLE and other attached agencies, TESDA, CDA & PADPAO to benefit senior citizen and PWD workers.	
NCMB CO, RCMBs NCR, & I	Provided the NCMB offices with emergency medicines and medical supplies and equipment such as air purifiers, aneroid sphygmomanometer, stethoscope, nano misting spray, folding beds with foams, hand sanitizer (refillable), alcohol dispenser (refillable), thermal scanner with tripod, rubber mats, Lysol, air freshener, disinfectant spray, COVID-19 disinfection (misting), curtains, pillows, blankets, refrigerator, breast pump, sofa bed, table, chairs, face masks, spray bottles alcohol, oximeter, and eye lubricants.	465,577.55
NCMB CO	Provided transportation for SCs availing of AWA arrangement	10,000.00
NCMB CO & RCMB XII	Provided token of appreciation and plaque of appreciation to all retired clienteles and active social partners during AIPA's meeting on Feb. 4, 2021; and conducted Salamat See You Around Program in honor of our retiring colleague F. Saguinsin	57,064.04
Total		1,838,443.15

- 9.4 In RCMB NCR, however, as verified by the Audit Team, most of their purchases were office supplies and various goods/items to mitigate or control the spread of the COVID-19. The projects/programs were not responsive enough to meet the needs and concerns of senior citizens and PWDs, contrary to the above-cited provisions.
- 9.5 **We recommended that the RCMB NCR establish and plan a more suitable program/project or activity to address the concerns of the senior citizens and PWDs and not just focus merely on the procurement of various office supplies but to provide or design facilities that will reasonably enhance the mobility, safety and welfare of person with disability pursuant to BP Blg. 344 and RA No. 7277, as amended.**
- 9.6 **We commended the Management of NCMB CO and the 16 RCMBs for their efforts in implementing program/ projects or activities to address the concerns of the SCs and PWDs and enhance their mobility, safety and welfare.**
- 9.7 **The Board committed to continue to formulate and implement plans, programs and projects intended to address the concerns of senior citizens**

and PWDs and integrate them to its regular activities and allocate the required funds for the implementation of the programs.

Compliance with RA No. 656 or the Property Insurance Law

10. The NCMB CO and RCMBs insured their properties and assets totaling ₱70,291,174.54 with the General Insurance Fund (GIF) administered by the Government Service Insurance System (GSIS) in accordance with the provisions of RA No. 656, as amended, and COA Circular No. 92-390 dated November 17, 1992. However, RCMBs NCR and II failed to insure their properties totaling ₱8,988,908.30, thus exposing itself to the risk of not being indemnified with the equivalent amount thereof, contrary to RA No. 656, as amended by PD No. 245 dated July 13, 1973 while RCMB IV-A only insured their motor vehicles.

10.1 COA Circular No. 92-390 dated November 17, 1992 requires that all heads of the national agencies shall be responsible for the preparation and submission of the inventory of all insurable physical assets to the nearest GSIS Branch/Office. The inventory shall be undertaken every year thereafter and shall be submitted not later than October 31 of the ensuing year. Also, RA No. 656 as amended, mandates all government agencies to insure all their insurable properties, assets and interests with the GIF of the GSIS in order to indemnify the government from any loss or damage to property against loss due to fire, earthquake, storm or other fortuitous event.

10.2 NCMB CO and 14 RCMBs insured their properties and assets with the GIF administered by GSIS, in compliance with RA No. 656 or Property Insurance Law, details of which are shown below:

Table 29: Summary of Insured Properties

Office	Property Insured	Amount of Insured Asset	Amount of Premium
		In (Php)	
CO	Office Supplies and Equipment	20,316,548.97	96,224.39
	Motor Vehicle	5,000,802.85	32,555.73
CAR	Property Other than Motor Vehicle	980,310.43	7,696.62
	Motor Vehicle	953,673.71	6,942.18
I	Motor Vehicle	50,701.43	8,007.79
	Other PPE	514,975.90	15,063.58
III	Various office supplies furniture, fixtures and equipment	964,108.61	7,598.15
	Motor Vehicle	2,078,335.92	8,792.82
IV-A	Various office supplies furniture, fixtures and equipment	653,652.72	7,087.96
	Motor Vehicle	128,000.00	6,428.11
	Motor Vehicle	977,384.23	6,096.18

Office	Property Insured	Amount of Insured Asset	Amount of Premium
		In (Php)	
IV-B	Various Office Supplies, Furniture, Fixtures and Equipment	1,227,050.00	2,933.15
V	Various PPE	1,086,931.00	9,421.52
	Motor Vehicle	650,000.00	7,189.91
VI	Motor Vehicle	1,939,426.00	10,937.67
	Various Office Equipment, ICT Equipment, and Furniture and Fixtures	1,575,036.00	10,196.16
VII	Various office supplies furniture, fixtures and equipment	1,595,411.24	8,791.35
	Motor Vehicle Sportivo	486,614.62	8,482.35
	Building Insurance	8,255,825.61	67,311.72
VIII	Various office supplies furniture, fixtures and equipment	1,365,636.40	11,868.00
	Motor Vehicle	1,209,426.00	7,489.36
IX	Various properties and equipment	727,086.50	9,619.10
	Motor Vehicle	1,280,000.00	6,474.00
X	IT Equipment	507,130.00	31,569.28
	Office Equipment and Furniture and Fixtures	1,955,479.74	11,223.53
	Motor Vehicle	2,120,000.00	11,636.40
XI	Contents of Building	4,200,000.00	20,079.36
	Motor Vehicle	1,650,000.00	8,997.53
XII	Motor Vehicle	1,712,360.16	4,280.90
	Electronic Equipment Insurance	756,414.00	1,891.04
XIII	ICT Equipment	1,312,852.50	9,447.87
	Motor Vehicle	2,060,000.00	9,059.36
Total		70,291,174.54	471,393.07

10.3 RCMBs NCR and II, however, failed to insure their properties, thus exposing to the risk of not being indemnified with the equivalent amount thereof, contrary to RA No. 656, as amended by PD No. 245 dated July 13, 1973. While RCMB IV-A only insured their motor vehicle. Government properties should have been covered with property insurance with the GSIS as required under RA No. 656 and COA Circular No.2018-002 dated May 31, 2018, to protect the interest of the government against loss from fortuitous events.

10.4 **We recommended that RCMBs NCR and II adhere to the provisions of RA No. 656 and COA Circular No. 2018-002 dated May 31, 2018 to insure all assets, properties and interests of the government with Government Insurance Fund under the administration of the GSIS.**

Management's Comments

10.5 The Regional Branches concerned committed to insure all their assets and properties with GSIS in FY 2022.

Remittances to BIR, GSIS, PhilHealth and Pag-IBIG Fund

11. The following are the audit observations and recommendations pertaining to the NCMB's compliance with BIR, PhilHealth, Pag-IBIG and GSIS laws and regulations, to wit:

Table 30: Deficiencies Noted in Compliance with BIR, GSIS, PhilHealth and Pag-IBIG Fund Laws and Regulations

Audit Area	Audit Observations/Deficiencies	Recommendations
Compliance with Tax Laws	<p>The NCMB CO and 16 RCMBs complied with the revenue regulations on withholding of ₱22,529,056.18 taxes due on salaries, benefits and procurement of goods and services and the prompt remittance thereof pursuant to Revenue Memorandum Circular No. 23-2007 dated March 23, 2007 and BIR Tax Revenue Regulation No. 10-2008 dated July 8, 2008.</p> <p>However, taxes of ₱53,344.85 withheld by NCMB CO in December 2021 was not remitted on or before the 15th day of the succeeding month to the BIR, which runs counter to Section 7 of the RR No. 1-2013.</p> <p>In contrast, RCMB NCR had an over remittance of taxes amounting to ₱21,415.89, of which the agency made the necessary adjustments to the Due to BIR account instead of filing for a tax credit/refund under Section 204(c) of the National Internal Revenue Code (NIRC).</p> <p>While in RCMB X, taxes withheld from the suppliers and compensation of personnel amounting to ₱387,708.34 were not remitted, contrary to BIR Revenue Regulations (RR) No. 2-98, as amended, and other BIR issuances, thus deprived the government of the much needed revenue to finance government programs and projects.</p>	<p>a. We commended NCMB Management for complying with the revenue regulations on withholding and remittance of taxes and further recommended for their continuous strict compliance therewith.</p> <p>b. We recommended that Management require the Chief Accountant to remit immediately the outstanding balances of the Due to BIR after appropriate analysis and prepare necessary entries, if needed.</p> <p>c. We recommended that Management require the Accounting Unit to remit the unremitted taxes in accordance with the BIR Revenue Regulation and to strictly comply with the withholding of appropriate taxes. (RCMB X)</p>
Compliance with the Government Service Insurance System (GSIS) Law	<p>Pursuant to RA No. 8291 or the GSIS Act, the NCMB CO and all RCMBs complied with the requirements on withholding and remittances of GSIS contributions and loan amortizations in CY 2021 amounting to ₱43,577,716.36.</p> <p>However, the account Due to GSIS of NCMB CO has an unremitted balance of ₱1,555.72 as</p>	<p>We commended the Management for strictly complying with the provisions of RA No. 8291 and we recommended that they ensure continuous compliance of the same.</p>

Table 30: Deficiencies Noted in Compliance with BIR, GSIS, PhilHealth and Pag-IBIG Fund Laws and Regulations

Audit Area	Audit Observations/Deficiencies	Recommendations
	of December 31, 2021. Likewise, the same is true in RCMB NCR having an unremitted balance of ₱56.23.	We recommended that Management require the Chief Accountant remit immediately the outstanding balances of the Due to GSIS after appropriate analysis and prepare necessary entries, if needed.
Compliance with Home Development Mutual Fund (HDMF) Law	<p>The NCMB-CO and all RCMBs had deducted and remitted promptly to the HDMF the Pag-IBIG premium contributions and loan amortizations totaling ₱5,766,203.39 of their officials and employees together with the corresponding government share in accordance with the provisions of RA No. 9679.</p> <p>However, the account Due to Pag-IBIG of NCMB CO has an unremitted balance of ₱400.00 as of December 31, 2021.</p>	<p>We commended the Management for strictly complying with the provisions of RA No. 9679 and we recommended that it continue to ensure the same.</p> <p>We recommended that Management require the Chief Accountant remit immediately the outstanding balances of the Due to Pag-IBIG after appropriate analysis and prepare necessary entries, if needed.</p>
Compliance with National Health Insurance Act of 2013	PhilHealth premium contributions of their officials and employees together with the corresponding government share totaling ₱2,528,159.97 were deducted and remitted promptly to the PhilHealth by the NCMB-CO and 16 RCMBs.	We commended the Management for strictly complying with the National Health Insurance Act.

11.1 The Management gave the following comments:

Office	Comments
NCMB CO	The Board commits to comply with the audit recommendations and implement it accordingly. Also, they commit to immediately remit any unremitted withholding taxes in compliance with RMC No. 23-007 dated March 23, 2007 to avoid penalties/surcharges.
RCMB NCR	The Branch commits to comply with the audit recommendations and implement it accordingly. Also, they commit to immediately remit any unremitted withholding taxes, in compliance with RMC No. 23-007 dated March 23, 2007 to avoid penalties/surcharges.

Status of Settlement of Audit Suspensions, Disallowances and Charges

12. Audit Suspensions and Disallowances amounting to ₱375,428.37 and ₱70,324,645.95, respectively, remained unsettled at yearend.

12.1 Section 7.1 of the 2009 Rules and Regulations on the Settlement of Accounts (RRSA) requires that the Head of the agency ensure that the settlement of disallowance and charges is made within the prescribed period. Furthermore, Section 7.2 of the same rules, the Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that the audit suspension, disallowances and charges including their settlements are properly monitored and reconciled with the SASDC issued by the Auditor.

12.2 There were suspensions of ₱375,428.37 and disallowances of ₱70,324,645.95 remained unsettled at yearend, as shown hereunder:

Table 31: Summary of Disallowances, Suspensions and Settlements for CY 2021

Office/ Region	Amount							
	Beginning Balance		Issued		Settled		Ending Balance	
	Disallowances	Suspensions	Disallowances	Suspensions	Disallowances	Suspensions	Disallowances	Suspensions
	(In PhP)							
NCMB CO	70,273,407.79	632,880.38				257,452.42	70,273,407.79	375,428.37
RCMBs:								
NCR	50,000.00			3,174,673.16		3,174,673.16	50,000.00	
III				33,025.20		33,025.20		
VIII			1,540.64	4,684.82	302.48	4,684.82	1,238.16	
XII		525,426.00				525,426.00		
XIII			910.25		910.25			
Total	70,323,407.79	1,158,306.38	2,450.89	3,212,383.18	1,212.73	3,995,261.60	70,324,645.95	375,428.37

12.3 The unsettled disallowances amounting to ₱70,323,407.79 consist of the unauthorized benefits or Appreciation Gift given to NCMB personnel who retired from service during CYs 2012 to 2016 amounting to ₱94,940.00 and the Judgement Award of ₱70,228,467.79 paid even without an approved money claim from COA. The said disallowances remained unsettled, pending Petition for Review with the Commission Proper (CP) of COA.

12.4 We recommended that Management continuously enforce settlement of suspensions and disallowances as required in the 2009 RRSA.

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We have followed up the actions taken by the Agency to implement the prior years' audit recommendations and noted the following:

Status of Implementation	Recommendations	
	Number	Percentage
Fully Implemented	43	76.79
Not Implemented	13	23.21
Total	56	100.00

Observations and Recommendations	Ref.	Management Action/ Comment	Status of Implementation and Results of Auditor's Validation
<p>1. Total misstatements of ₱326,774.34 were found in Inventories, Intangible Assets and Property, Plant and Equipment accounts of the NCMB due to accounting errors and omissions, thus affecting the accuracy, existence, classification, and valuation assertions on the reported balances of the affected accounts. The impact of such errors and omissions, however, is below the materiality threshold set, hence does not significantly affect the overall fair presentation of the financial statements as at December 31, 2020.</p> <p>a. INVENTORIES</p> <p>Unused stored Inventory items recorded issued at yearend- ₱98,024.94</p>	CAAR pages 34-39 CY 2020		

<p>We recommended that the Management of RCMB-NCR make the necessary adjustments to reflect the correct balance of Office Supplies Inventory and related accounts as of December 31, 2020.</p>		<p>The Branch already made an adjustment to set up the correct balance for office supplies inventory on May 2021 based on the actual physical count found in the stock room.</p>	<p>Fully Implemented</p> <p>The Management already complied with the recommendation as supported by an adjusting journal entry under JEV No. 2021-05-202.</p>
<p>b. INTANGIBLE ASSETS</p> <p>PPE-ICTE item erroneously classified as Intangible Assets - ₱210,000.00</p> <p>We recommended that the Management of RCMB IV-B require the Accountant-Designate to reclassify the firewall appliance to its proper account-Information and Communication Technology Equipment and take up the corresponding depreciation expenses pursuant to COA Circular No. 2020-001 or the Revised Chart of Accounts</p>		<p>Journal Entry Vouchers (JEVs) have been prepared on February 2021 to correct the balances of affected accounts.</p>	<p>Fully Implemented</p> <p>The Management already complied with the recommendation supported by JEV Nos. 21-05-178 and 21-05-179.</p>
<p>c. PROPERTY, PLANT AND EQUIPMENT (PPE)</p> <p>Issued Semi-expendable equipment in prior years misclassified as PPE.</p>			
<p>We recommended that the Management of RCMB VIII require the Accountant to record the issuance to end-users of the semi-expendables ICTE and Communications</p>		<p>The Branch has made the necessary adjustments on its May 2021 reports.</p>	<p>Fully Implemented</p> <p>The Management already complied with the recommendation</p>

Equipment misclassified as PPE, recognizing the same as a reduction in the Asset accounts and in the Accumulated Surplus/(Deficit).			supported by JEV No. 21-02-049.
<p>2. Various deficiencies in accounting and property controls in the total amount of ₱12,989,769.45 were also observed, which affected the reliability of the year-end balances of Inventories, PPE, Liabilities and Expenses accounts.</p> <p>INVENTORIES</p> <p>a. Stock Cards (SCs) for Inventory Items not maintained/updated</p> <p>We recommended that Management require the Property/Supply Officer to maintain/update SCs for recording the receipt and issues of Inventories. as required by Section 17, Chapter 8 of Volume I of the GAM;</p> <p>b. JEVs for inventories issued not supported with RIS and RSMI</p> <p>We recommended that the Management of RCMBs-NCR & VII require:</p> <p>a. the Accountant-Designate to submit the RSMI, RIS and required documents supporting the JEV for the issuance of supplies and materials inventories and semi-</p>	<p>CAAR pages 40-60 CY 2020</p> <p>CY 2019 CAAR, pages 37-47</p>	<p>The Property Officer is now maintaining the required SCs, and still in the process of updating the same. He committed to complete updating the required SCs on or before October 31, 2021</p> <p>Both RCMBs NCR and VII have already submitted to their respective COA Audit Team copies of the FY 2020 RIS and RSMI in support the JEV for the issuance of inventories and semi-expendable properties.</p>	<p>Not Implemented</p> <p>Supplies Ledger Card and Stock Cards were still unreconciled as of December 31, 2021.</p> <p>Fully Implemented</p> <p>JEVs to record the issuances of Office Supplies in CY 2020 were prepared and submitted with the attached RSMI and RIS.</p>

<p>expendable properties in CY 2020; and b. the Supply/Property Officer to henceforth, require end-users to prepare RIS for all requisitions of semi-expendable inventories; and summarize all the accomplished RIS in the properly-accomplished RSMI and forward the same to the Accountant-Designate to support the recording of the issuance of semi-expendable properties.</p> <p>c. Non-issuance of ICS to end-user of Semi-Expendable Property</p> <p>We recommended that the Management of RCMBs NCR, VII & VIII to direct the Supply/Property Officer to issue ICS to the concerned end-user/s of various semi-expendable items to establish and monitor accountability.</p>		<p>As recommended, the Supply/Property Officers concerned required end-users to prepare RIS of semi-expendable inventories for FY 2020 and for future requisitions.</p> <p>Both Supply/Property Officers are now complying with the audit recommendations.</p> <p>RCMB-VII is now complying with the audit recommendations. ICS were issued to end-users upon issuance of the semi-expandable properties to them.</p> <p>In RCMB-VIII, an Office Order was issued to the Supply Officer Designate to ensure that the ICS will be issued to end-users upon issuance of the semi-expandable properties and submitted as an attachment in the appropriate disbursement voucher.</p> <p>The ICS are now issued to end-users and attached to the DV as required.</p> <p>While in RCMB-NCR, the employee concerned is till updating the ICS.</p>	<p>Fully Implemented</p> <p>RSMIs were submitted on November 11, 2021.</p> <p>Not Implemented</p> <p>ICS were still not maintained in RCMB NCR as of December 31, 2021.</p> <p>In RCMB VIII, ICS were prepared for release of properties or items to end-users. While in RCMB VII, ICSs were already issued upon issuance of books.</p>
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<p>PROPERTY, PLANT AND EQUIPMENT</p> <p>a. Undisposed unserviceable properties under the PPE</p> <p>We recommended that Management of NCMB CO and RCMB NCR to require the Property Officer to:</p> <p>a.cause the immediate disposal of those unserviceable property in accordance with Section 79 of PD No. 1445 to prevent further loss of its economic value, and to enable the Agency to use the space presently being occupied by the said property for other beneficial purposes;</p> <p>b.prepare the required PAR for the fully depreciated but still usable properties issued to current end-users in order to establish accountability thereof; and</p> <p>c. determine which unserviceable properties can be transferred/donated to another government entity then prepare the required Property Transfer Report.</p>		<p>The Central Office have forwarded to the COA Audit Team the duly accomplished IIRUP of properties to be disposed and copy of Disposal Committee's Resolution recommending the mode of disposal.</p> <p>While in RCMB-NCR, the Property/Supply Officer Designate was instructed to prepare the IIRUP of unserviceable PPEs amounting to P 173,675.00.</p> <p>The Central Office already disposed its unserviceable properties on 28 July 2021.</p> <p>RCMB-NCR, on the other hand committed to dispose its unserviceable properties on or before 31 October 2021.</p> <p>The Property Officer of the CO has already updated the PAR as of May 31, 2021.</p> <p>The Property/Supply Officer-Designate of RCMB-NCR shall issue PAR to each current end-</p>	<p>Not Implemented</p> <p>No proper disposal of unserviceable properties was held by RCMB NCR as of December 31, 2021.</p> <p>Not Implemented</p> <p>No PTR and PAR was prepared as of December 31, 2021.</p> <p>Not Implemented</p> <p>No proper determination and disposal of unserviceable properties was held as of December 31, 2021.</p>
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<p>b. Variance in the value of PPE in the RPCPPE and PAR</p> <p>We recommended and the Branch Director of RCMB IV-B agreed to require the Supply and Property Officer - Designate to reflect the correct amount of the subject equipment in the PARs and include the PPE found at station in the RPCPPE to properly establish the accountability of the respective end-users.</p> <p>c. No JEVs and schedules to support depreciation expenses for CY 2020</p> <p>We recommended that RCMB–NCR Management require the Accountant–Designate to provide the Audit Team with the JEV supported with the required documents in the provision of CY 2020 Depreciation Expenses for PPE.</p> <p>d. Property Identification Tags not updated</p> <p>We recommended that Management direct the Property Custodian/ Supply Officer to update the Property Identification Tags to properly monitor the assets, prevent loss, theft and/or unauthorized transfers and facilitate the maintenance of accurate</p>		<p>user/ employee the assigned PPEs to establish accountability.</p> <p>The Branch, on February 15, 2021, has submitted to the Office of COA the revised RPCPPE - Information Technology Equipment which already includes the firewall appliance and the revised PARs issued to end-users on 10 February 2021.</p> <p>The Accountant-Designate prepared JEVs for each month to record the Depreciation Expense of PPEs for CY 2020. The JEVs supported with the Depreciation Schedule was submitted to the COA Audit Team on 24 February 2021.</p> <p>The Property/Supply Officer-Designate was instructed to update the Property Identification Tags to each PPE item in order to properly monitor the assets, prevent loss, theft and/or unauthorized transfers</p>	<p>Fully Implemented</p> <p>The concerned Branch submitted the revised RPCPPE which already includes the firewall appliance and the revised PARs for properties issued to end-users.</p> <p>Fully Implemented</p> <p>JEVs to record the depreciation of various PPE in CY 2020 were prepared and submitted</p> <p>Not Implemented</p> <p>Property Identification Tags were not maintained and updated as of December 31, 2021</p>
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<p>records pursuant to the above cited regulations.</p> <p>e. Failure to conduct Physical Count of PPE</p> <p>We recommended that Management require the Inventory Committee or concerned personnel to conduct physical count of PPE; prepare the RPCPPE as of December 31, 2020 and reconcile with the Accounting records and PPELCs to assure that the PPE balances as at yearend are all existing, valid and reliable and that discrepancies that may be noted between the RPCPPE and PPELCs are adjusted accordingly. (RCMB VIII)</p> <p>f. Missing PPE Items during the Physical Count</p> <p>We recommended that Management of RCMB-NCR hold accountable the Property/Supply Officer for the four units missing PPE items.</p> <p>g. Misclassification of PPEs</p> <p>We recommended and the Management of RCMB VI agreed that the Accountant-Designate reclassify the listed PPE items from ICTE to Office Equipment and update the IT Equipment and Software accounts used in</p>	<p>and facilitated the maintenance of accurate records pursuant to the existing regulations.</p> <p>The Property/Supply Officer-Designate already updated the Property Identification Tags on August 2021.</p> <p>The Branch's Inventory Committee conducted a semestral physical count and submitted the required RPCPPE on June 22, 2021.</p> <p>The concerned personnel are now maintaining the required Property Cards and PPE Ledger Cards. An Office Order was likewise issued requiring them to regularly reconcile the PPELCs and PCs to assure reliability of the PPE balances at year-end. An Office Order will be issued to the Supply Officer Designate and Accountant Designate directing them to:</p> <p>a. maintain Property Cards and PPE Ledger Cards,</p> <p>b. conduct a proper physical count of PPE and submit the required Report on the Physical Count of PPE as of December 31, 2020 and</p>	<p>Fully Implemented</p> <p>Supply Officer Designate already maintained Property Cards. RPCPPE as of December 31, 2021 also submitted to the Audit Team.</p> <p>Not Implemented</p> <p>No Relief of Property Accountability was filed as of December 31, 2021.</p> <p>Fully Implemented</p> <p>The Accountant prepared the necessary adjusting entries</p>
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<p>the RPCPPE to ICTE account.</p> <p>h. Serviceable PPE tagged without value, not recorded in the books</p> <p>We recommended that Management of RCMB IX direct the Supply Officer and the Accountant-Designate to determine the ownership of the two air conditioning units and if it is settled that there is no claimant, then require the Accountant to record the PPE items in the books of the Agency.</p> <p>i. Procured ICTE recorded as Expenses</p> <p>We recommended that the Management of RCMB VIII make the necessary adjustments to the affected PPE and Accumulated Surplus accounts.</p> <p>LIABILITIES</p> <p>a. Erroneous classification of Due to Officers and Employees to Accounts Payable</p> <p>We recommended that Management of RCMB XIII require the Accountant-Designate to adjust the affected liability accounts for correctness and accuracy in the</p>		<p>c. reconcile with the Accounting records and PPELCs to assure reliability of the PPE balances at year-end.</p> <p>The Branch shall strictly adhere with the audit recommendations.</p> <p>The Branch already complied with the audit recommendations. Adjusting entry has been made to reflect the correct balances of affected accounts.</p> <p>The two (2) units of aircon were already booked-up on of March 24, 2021.</p> <p>The Branch has made the necessary adjustments.</p> <p>The Accountant Designate has already corrected the books of accounts on February 2021</p>	<p>Fully Implemented</p> <p>The concerned Branch has fully complied with the recommendation.</p> <p>Fully Implemented</p> <p>Adjusting entries were prepared and submitted by the concerned Branch.</p> <p>Fully Implemented</p> <p>Adjusting entries were prepared and submitted by the concerned Branch.</p>
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<p>presentation of the financial reports.</p> <p>b. Accounts Payable aged more than two years and without supporting documents not reverted</p> <p>We recommended that Management of RCMB-NCR require the Accountant to:</p> <p>a. revert to the Accumulated Surplus of the General Fund the long outstanding payables and those not supported with the required documents pursuant to Section 98 of PD No. 1445 and EO No. 87, s. 2019 dated August 13, 2019; and</p> <p>b. monitor the aging schedule of payables in order to avoid the delay in the settlement/reversion of such payables.</p> <p>EXPENSES</p> <p>a. Various Expenses erroneously recorded to inappropriate Expenses accounts</p> <p>We recommended that the Management of RCMB VIII and IX require the Accountant to strictly follow the accounts</p>			
		<p>Adjusting entries were drawn to reflect the correct balance of the Accounts Payable per JEV Nos. 2021-01-039 and 040, both dated January 31, 2021.</p> <p>The Branch Accountant Designate monitors the aging schedule of payables. Further, the Accountant was reminded to be extra careful in recoding financial transactions and process only claims with complete supporting documents.</p> <p>The Accountant Designates are now more careful in recording expenses and to strictly comply with</p>	<p>Not Implemented</p> <p>The Accountant failed to consider the factors affecting the taxes involved in the adjusting entries; hence further action and adjustment were necessary.</p> <p>Fully Implemented</p> <p>Aging of Accounts Payable as of December 31, 2020 was prepared and submitted.</p> <p>Fully Implemented</p> <p>Adjusting entries to correct the errors in recording were</p>

<p>in recording donations taking into consideration the period in which the transaction occurred and in accordance with the provisions of GAM for NGAs.</p>		<p>transactions taking into consideration the provisions of the GAM for NGAs.</p> <p>The Branch also committed to ensure that the erroneous use of accounts in recording transfer/donations of PPE will not happen.</p>	<p>the proper recording of donations.</p>
<p>3. Of the Requests for Assistance (RFAs) handled under SEnA of the NCMB CO and its RCMBs totalling 3,402, only 2,095 or 61.58 percent were settled against a performance target of 70 percent. Moreover, only 59.63 percent were settled within the Process Cycle Time (PCT) against the performance target of 70 percent, contrary to the provision of Section 2 of RA No. 10396. Hence, the purpose of SEnA for the judicious speedy settlement of labor issues or conflicts was not fully attained.</p> <p>We recommended that the Management continue to focus on its good performance for disposition of RFAs based on its targets.</p> <p>We reiterated our previous year's audit recommendation for NCMB CO and concerned RCMBs that their respective SEnA Officers, in the aspects of providing</p>	<p>CAAR pages 60-64 CY 2020</p>	<p>The Board shall continue to focus on its good performance for disposition of RFAs based on its targets.</p> <p>The Management reiterated its instructions to all SEADOs/CON-Meds to continue monitoring the status of RFAs and exert efforts to address issues/concerns</p>	<p>Fully Implemented</p> <p>Per verification, the pending balance of RFAs as of December 31, 2020 was already disposed in the year 2021.</p> <p>Fully Implemented</p> <p>The RFAs pertaining to CY 2020 were already disposed as of December 31, 2021.</p>

<p>assessment, evaluation, counseling and conciliation-mediation services to both parties, continue to monitor the status of each case handled and exert their best effort to address constraints toward the early settlement of labor disputes and eventually to achieve a high settlement rate.</p> <p>We also reiterated our previous year's audit recommendation for RCMB NCR to:</p> <p>a. monitor each case and encourage both parties to cooperate during conciliation-mediation proceedings in order to attain the early settlement of the case in accordance with the SENa; and</p> <p>b. issue referral to the requesting party within one day whenever: (i) the 30-day mandatory conciliation mediation period expire, unless there is a request for extension; (ii) the parties failed to reach an agreement within the 30-day PCT; (iii) failed to appear in two scheduled consecutive conferences despite due notices; (iv) failed to settle one or some issues but not all RFA with multiple issues; or (v) any of the parties fail to</p>		<p>of disputing parties within the PCT. They are also encouraged to strengthen their persuasion and facilitation skills by convincing both parties to just settle the issue. However, since said process is voluntary in nature, the Board cannot simply force settlement unless mutually agreed upon by both sides.</p> <p>RCMB NCR committed to consistently monitor RFAs handled to ensure disposition according to target.</p> <p>The Management likewise directed all its SEADOs:</p> <p>a. To monitor the aging of RFAs and advise or update respective handlers to remind compliance to PCT;</p> <p>b. To coordinate regularly with Conciliators-Mediators and remind status of PCTs of RFAs handled highlighting those exceeding PCTs without referral yet.</p> <p>The emergence of a national emergency due to COVID-19 pandemic</p>	<p>Fully Implemented</p> <p>The RFAs pertaining to CY 2020 were already disposed as of December 31, 2021.</p> <p>Fully Implemented</p> <p>The RFAs pertaining to CY 2020 were already disposed as of December 31, 2021.</p>
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<p>comply with their Agreement.</p>		<p>has disrupted government services where the conduct of face-to-face conferences were limited due to imposition of quarantine measures and non-availability of transportation services;</p> <p>In order to facilitate settlement of RFAs, the Board managed to use online platforms or other alternative modes of meeting with the parties such as telephone conference, e-mail, messenger, viber, etc. However, those parties with no internet access and cannot be easily reached waited until community quarantines were lowered, before conference were thereafter scheduled.</p>	
<p>4. Of the 1,332 total cases handled for resolution in CY 2020 under the VA program, a total of 866 cases or 65.02% were decided/settled and withdrawn as of December 31, 2020, achieving the target disposition rate of 60% for the VA Program committed under the FY 2020 GAA. However, 365 cases or 78.33% of the 466 pending cases at the end of the year were already beyond the 90-day PCT indicating the need to improve the speedy disposition of cases.</p>	<p>CAAR pages 64-66 CY 2020</p>		

<p>We recommended that the Management:</p> <p>a. monitor the timeframe within which arbitration cases submitted for resolution are decided/disposed;</p> <p>b. determine and validate causes of the cases that are disposed beyond the 90-day PCT and cases that are decided by the Arbitrator beyond the period agreed by the parties or beyond the 20 calendar days from submission of case for decision; and</p>		<p>Diligent effort is exerted to continuously monitor pending VA cases through constant reminder to the Handling AVAs.</p> <p>However, AVAs are not employees of NCMB hence the Board has no control on the schedule of hearing and on the agreement of parties for additional conferences prior to its submission for decision.</p> <p>Below were the identified causes:</p> <p>a. there were Motions for Inhibition by either party whether the complainant or respondent in case of doubt on the integrity of the Arbitrator handling their case;</p> <p>b. there were Motions for an extension to file position paper/reply/rejoinder;</p> <p>c. either party to the dispute were given time to discuss the issue for possible settlement; and</p> <p>d. Arbitrator handling the case would for one reason or another failed to render the</p>	<p>Fully Implemented</p> <p>The Board achieved a disposition rate of 75.20% for the year 2021, which is beyond the target of 60% disposition rate stated in the GAA CY 2021.</p> <p>Fully Implemented</p> <p>Branch had exerted efforts in communicating and reminding the AVAs of their cases pending decision.</p>
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		<p>decision within the prescribed period.</p> <p>Based on the Rules in the Accreditation and De-accreditation and De-listing of Voluntary Arbitrators, sanctions can be instituted when the Accredited Voluntary Arbitrator has been the subject of a report and/or complaint for commission of any of the following:</p> <ol style="list-style-type: none"> a. Misrepresentation or falsification in the application for accreditation; b. Violation of the terms and conditions of Accreditation; c. Continuous and consistent display of lack of interest as shown by his/her failure to attend national and chapter assemblies of PAVA, and continuing education seminars jointly sponsored by the NCMB and PAVA; d. Violation of the Code of Professional Responsibility for Accredited Voluntary Arbitrators; or e. Delay in rendering of decisions and its submission to the NCMB; 	
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<p>c. have a proper accounting and monitoring of data to avoid the discrepancy noted in the current beginning balance as compared to previous year's ending balance.</p>		<p>f. Commission of a crime involving moral turpitude.</p> <p>Discrepancies in the beginning balance as compared to previous year's ending balance are due to the continuous revisions late submission of RCMB reports.</p> <p>All RCMBs were reminded to submit timely and accurate reports while the Voluntary Arbitration Division was instructed to validate the data/reports submitted.</p> <p>Rest assured that the Board shall continue to monitor data to avoid discrepancy.</p> <p>Attached is the corrected FY 2020 VAP Status.</p>	<p>Fully Implemented</p> <p>Reconciliation of data were facilitated by the Branches and the Central Office.</p>
<p>5. Out of the ₱249,558,100.99 allotments received by the NCMB in CY 2020, P243,137,357.30 or 97.43 percent was obligated, leaving an unobligated balance of P6,420,743.69 or 2.57 percent unutilized as at yearend. The total unspent allotment was due to the: (a) unobligated allotments due to various constraints brought about by the current COVID-19 pandemic which, thus resulted in numerous cancellations and limitations</p>	<p>CAAR pages 67-72 CY 2020</p>		

<p>in the full maximization of the available funds and b) savings generated due to the prudent and economical implementation of its CY 2020 programs, projects and activities.</p> <p>We commended the Management in its effort in implementing cost-cutting measures and the reduction of related expenses showing an efficient utilization of financial resources, but have to re-assess the budget needs and estimates for a more improved budget utilization of its programmed appropriations, while ensuring achievement of the target agency performance on its mandated programs, projects and activities.</p>		<p>The Board shall continue its efforts in the adoption of austerity/cost-cutting measures to reduce expenses in the government while ensuring achievement of the target agency performance on its mandated programs, projects and activities.</p>	<p>Fully Implemented</p> <p>The Board's implementation was verified by the Audit Team.</p>
<p>6. Various transactions in NCMB-CO, RCMBs III and XI totaling P440,817.28 were paid despite the lack of necessary documentary requirements, contrary to Section 4, Paragraph 6 of PD No. 1445 and pertinent provisions of COA Circular No. 2012-001, thus casting doubt on the legality and propriety of the transactions. Moreover, practices which deviate from sound internal control and prescribed government rules and regulations were also observed in the processing of</p>	<p>CAAR pages 72-76 CY 2020</p>		

<p>payments and disbursements in four RCMBs.</p> <p>Review and evaluation of the various disbursements of NCMB-CO, RCMBs III and XI amounting to P440,817.28 were found to be not supported with the necessary documentary requirements, hence casting doubt on the validity, legality and propriety of transactions.</p> <p>We recommended that the Management of the concerned offices to:</p> <p>a. require the concerned officers of NCMB-CO, RCMBs III & XI to support all payment of claims against government funds with complete documentation in accordance with PD No. 1445 and relevant laws, rules and regulations prescribed by COA, DBM and other government agencies;</p> <p>b. refrain from processing payments for claims that are not yet due and without any valid documents to support such claim in compliance with PD No. 1445. (RCMB V, IX)</p> <p>c. instruct the Accountant and those involved in processing of claims for</p>		<p>All lacking documents required in CO, RCMBs III and XI were already submitted to their respective auditors.</p> <p>Regional branches concerned were reminded that no claim shall be processed unless with complete supporting documents.</p> <p>The Board directed all Accountant Designates</p>	<p>Fully Implemented</p> <p>The concerned Branches already submitted the required supporting documents to their Audit Team.</p> <p>Fully Implemented</p> <p>The concerned Branches have complied with ensuring processed claims were with complete supporting documents.</p> <p>Fully Implemented</p>
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<p>payments to review the completeness of the information required to be indicated in the DVs in consonance with DBM Circular Letter No. 2013-16; (RCMB V, IX)</p> <p>d. instruct the Cashier to stamp "PAID" the DVs as well as the supporting documents to deter double payment and other irregular use of the documents. (RCMB II)</p> <p>e. discontinue the payment of monthly regular expenses out of the PCF, instead, prepare a separate disbursement voucher (RCMB III)</p> <p>f. comply with the two-month requirement of inventory of supplies in procuring office supplies and materials. (RCMB V)</p>		<p>to review the completeness of the information required to be indicated in the DVs.</p> <p>The Branch already notified the concerned personnel responsible for stamping "PAID" on the Disbursement Vouchers documents before submitting to COA Office.</p> <p>The Branch discontinued the payment of regular expenses out of the PCF.</p> <p>Moreover, they committed to comply and adhere to the provisions of the law in the use of Petty Cash Fund (PCF), direct payment of regular recurring expenses to supplier to avoid irregular disbursements and withhold the correct amount of taxes as authorized by law.</p> <p>The Management shall strictly comply with the two-month requirement of inventory of supplies in procuring office supplies and materials. Appropriate action to correct the said omission shall be done to avoid repetition of the same.</p>	<p>The concerned Branches have duly instructed their Accountant designate to comply with the guidelines.</p> <p>Fully Implemented</p> <p>Management had fully complied with the audit recommendations.</p> <p>Fully Implemented</p> <p>The Branch has complied with the audit recommendation.</p> <p>Fully Implemented</p> <p>The Branch has complied with the audit recommendation.</p>
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<p>7. Financial reports/statements, budget and financial accountability reports, records and supporting schedules and documents for CY 2020 were not submitted within the prescribed period, incurred significant delays, or remained not yet submitted, contrary to the rules and regulations provided in COA Circular No. 2009-006 dated September 15, 2009, Section 122 of PD No. 1445 and the GAM for NGAs, Volume I, hence precluded the prompt audit of accounts and financial transactions, and the timely reporting of the audit results.</p> <p>We recommended and Management agreed to require:</p> <p>a. the AO/concerned Offices to submit the required financial reports and documents to the Auditor within the period prescribed in COA rules and regulations. Remind concerned officials of the possible administrative actions which may be imposed for their failure to comply with the requirements; (NCMB – CO, RCMB IV-A, II, VIII, X, XIII)</p>	<p>CAAR pages 77-81 CY 2020</p>	<p>All Accountable Officers were again reminded to comply with the rules and regulations on the submission of financial reports/records.</p> <p>For Central Office, all required reports for FY 2020 were already submitted to the COA.</p> <p>RCMBs II, IV-A, VIII, X and XIII have already complied with the auditor's recommendations.</p>	<p>Fully Implemented</p> <p>Per verification of the Audit Teams, the Board submitted the CY 2020 financial reports and documents.</p>
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<p>b. the Supply Officer to prepare the POs with complete data or information consistent with the provisions of Item B, Appendix 6 of GAM Volume II; (RCMBs VIII & XIII); and</p>		<p>The Regional Branch Director of RCMB-VIII issued an Office Order to the Supply Officer Designate instructing her to indicate in the Purchase Order the delivery terms as well as the date it was received by the supplier.</p> <p>RCMB-XIII directed the Supply Officer Designate to ensure that the information details such as place of delivery, date of delivery, delivery term payment term and date as when supplier received and signed the POs shall be indicated and submitted.</p> <p>Both Supply Officer Designates are now complying with the directives.</p>	<p>Fully Implemented</p> <p>As verified by the Audit Team of the concerned Branches, complete data were already indicated in the POs.</p>
<p>c. the concerned personnel to prepare the prescribed form of Driver's Trip Tickets and properly accomplish the said form; and the Monthly Report of Fuel Consumption and the Monthly Report of Official Travels to support the fuel expenses pursuant to COA Circular No. 75-61 dated September 26, 1977. (RCMB II)</p>		<p>The concerned personnel is now complying with the rules and regulations on the use of government vehicles:</p> <p>a. using the prescribed form of Driver's Trip Tickets and properly accomplishing the same</p> <p>b. submission of the Monthly Report of Fuel Consumption and the Monthly Report of Official Travels</p>	<p>Fully Implemented</p> <p>Management had adopted the prescribed form of Driver's Trip Tickets as well as prepared the Monthly Report of Fuel Consumption and the Monthly Report of Official Travels.</p>

<p>8. NCMB had allocated and utilized at least five percent of their FY 2020 appropriation for GAD programs and activities in compliance with Section 31 of the General Provisions of the GAA for FY 2020. However, deficiencies were noted, such as: (a) failure to fully implement all the identified GAD activities in the approved GAD Plan in NCMB CO and RCMB NCR;(b) under-utilization of GAD Budget for GAD activities in RCMB II; (c) lack of essential details and discrepancies as to the presentation of GAD Accomplishment Reports (AR) in RCMB XI; and (d) failure to use the Harmonized Gender and Development Guidelines (HGDG) tool resulting to non-determination of attribution cost in RCMBs IX and XIII, contrary to the guidelines set forth in PCW-NEDA-DBM Joint Circular 2012-01. Moreover, the reports on GAD fund budget allocation and utilized amounts submitted by the Board to PCW differ from the RCMB Regional report.</p> <p>We recommended that Management require the GAD Focal Point System and the Implementing Department Heads to:</p> <p>a. adhere with the proper utilization of the GAD</p>	<p>CAAR pages 81-86 CY 2020</p> <p>CAAR pages 79-82 CY 2019</p>	<p>The dawn of the COVID-19 pandemic is</p>	<p>Fully Implemented</p>
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<p>Fund/Budget for each program in the approved GPB and to coordinate with the PCW for endorsement of the revised GAD program, activities and budget, as necessary, as basis for fair evaluation of the agency GAD accomplishments;</p> <p>b. use the prescribed GAD AR template to ascertain completeness of the information required and to coordinate with the CO for the earlier dissemination of the approved GPB;</p>		<p>unprecedented and unforeseen. The Board exerted efforts to hold its programmed activities despite limited time and personnel. The limited use of resources affected the utilization and non-utilization of funds allocated.</p> <p>For FY 2020, some GAD programs, projects and activities were not implemented due to the following reasons:</p> <p>a. implementation of community quarantine in NCR due to COVID-19 pandemic;</p> <p>b. limited personnel who physically report for work due to the implementation of Alternative Work Arrangements (AWA) in the government;</p> <p>c. the need for online facilities such as the online video conferencing for the online meetings and trainings was only realized with the onslaught of the pandemic, hence, procurement was not immediately implemented; and</p> <p>d. difficulty in inviting or no available speakers.</p>	<p>The Board had allocated 6.41 percent of its FY 2021 appropriation and utilized ₱17,018,188.55 or 6.11 percent for GAD programs and activities in compliance</p> <p>Not Implemented</p> <p>RCMB IV-A submitted an accomplishment report which is non-compliant with the prescribed form.</p>
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<p>c. facilitate reconciliation of GAD data with each branch to ensure accuracy, validity of information, reliability of reports, and to avoid discrepancy of data.</p>		<p>The Board already directed to use the prescribed GAD AR template to ascertain completeness of the information required. Likewise, the GFPS was instructed to disseminate to RCMBs the approved GPB.</p> <p>The discrepancy in the FY 2020 GAD AR submitted to COA and PCW were due to the following:</p> <p>a. The GAD Secretariat reviewed the GAD AR of RCMBs and noted that the actual cost in some indicators was not reflected.</p> <p>b. The FMD corrected the total GAA agency budget reflected in the RCMB GAD ARs.</p> <p>The GFPS and FMD were enjoined to reconcile and review the GAD data to ensure accuracy, validity of information, reliability of reports, and to avoid discrepancy of data.</p>	<p>Not Implemented</p> <p>GAD Data and information of the Branches and Central Office were still not reconciled.</p>
<p>9. The NCMB CO and the 16 RCMBs had formulated plans, programs and activities related to Senior Citizens (SCs) and Persons with Disability (PWDs), implemented and integrated the same in their regular</p>	<p>CAAR pages 86-88 CY 2020</p>		

<p>activities in accordance with Section 32 of GAA for FY 2020. Thus, the agency was able to address the concerns of SCs and PWDs.</p> <p>We commended the Management of NCMB CO and the 16 RCMBs for their efforts in implementing program/projects or activities to address the concerns of the SCs and PWDs and enhance their mobility, safety and welfare.</p>			<p>Fully Implemented</p> <p>The NCMB CO and nine RCMBs had formulated and implemented plans, programs and activities related to SCs and PWDs for CY 2021 as verified by the Audit Teams.</p>
<p>10. The NCMB CO and RCMBs insured their properties and assets totaling ₱59,788,789.11 with the General Insurance Fund (GIF) administered by the Government Service Insurance System (GSIS) in accordance with the provisions of RA No. 656, as amended, and COA Circular No. 92-390 dated November 17, 1992. However, RCMBs II and XII only insured their motor vehicles.</p> <p>RCMBs II and XII, however, only their respective motor vehicles were insured in CY 2020. The other property and equipment should have been covered with property insurance with the GSIS as required under RA No. 656 and COA Circular No.2018-002 dated May 31, 2018, to protect the interest of the</p>	<p>CAAR pages 88-90 CY 2020</p>		

<p>government against loss from fortuitous events.</p> <p>We recommended that RCMBs II and XII adhere to the provisions of RA No. 656 and COA Circular No. 2018-002 dated May 31, 2018 to insure all assets, properties and interests of the government with Government Insurance Fund under the administration of the GSIS.</p>		<p>The concerned Regional Branch already insured its property, plant and equipment with GSIS.</p>	<p>Fully Implemented</p> <p>RCMBs NCR and II, failed to insure their properties in accordance with the pertinent rule.</p>
<p>11. The following are the audit observations and recommendations pertaining to the NCMB's compliance with BIR, PhilHealth, Pag-IBIG and GSIS laws and regulations, to wit:</p> <p>a. Compliance with Tax Laws</p> <p>The NCMB CO and all RCMBs complied with the revenue regulations on withholding of P22,530,451.66 taxes due on salaries, benefits and procurement of goods and services and the prompt remittance thereof pursuant to Revenue Memorandum Circular No. 23-2007 dated March 23, 2007 and BIR Tax Revenue Regulation No. 10-2008 dated July 8, 2008.</p> <p>However, taxes of ₱1,200.00 withheld by RCMB IV-B on December 12, 2020 from payment of hazard pay was not remitted on or before the 15th day of the succeeding</p>	<p>CAAR pages 90-91 CY 2020</p>		

<p>month to the BIR which runs counter from Section 7 of the RR No. 1-2013.</p> <p>We commended NCMB Management for complying with the revenue regulations on withholding and remittance of taxes and we recommended for their continuous strict compliance therewith.</p> <p>We recommended and the Branch Director agreed to require the Cashier Designate to include the ₱1,200.00 unremitted tax withheld in the subsequent filing of tax returns and payment thru e-TRA on or before the 10th day of February 2021.</p> <p>b. Compliance with the Government Service Insurance System (GSIS) Law</p> <p>Pursuant to RA No. 8291 or the GSIS Act, the NCMB</p>		<p>The Board shall continue to comply with tax laws and regulations.</p> <p>The Branch Director directed the Accountable Officer to include the said unremitted tax withheld in the subsequent filing of tax returns and payment on or before February 10, 2021 thru the Electronic Filing and Payment System (eFPS).</p> <p>In compliance thereto, the Branch already submitted to the Office of the COA during the exit conference the Tax Remittance Advice (TRA) 1601C with reference no. 02100040117544 dated February 5, 2021 amounting to P16,714.26 and the corresponding statement of withholding taxes for the month of January 2021 which includes the P1,200 unremitted taxes withheld in 2020.</p>	<p>Fully Implemented</p> <p>The Board complied with the Revenue Memorandum Circular No. 23-2007 dated March 23, 2007 and BIR Tax Revenue Regulation No. 10-2008 dated July 8, 2008 as per validation of the Audit Teams.</p> <p>Fully Implemented</p> <p>The Management submitted a copy of TRA No. 012100040117544 dated February 5, 2021 and the corresponding statement of withholding taxes which includes the unremitted taxes of ₱1,200.</p>
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<p>CO and all RCMBs complied with the requirements on withholding and remittances of GSIS contributions and loan amortizations in CY 2020 amounting to P21,383,159.29.</p> <p>However, RCMB-NCR Retirement and Life Insurance Premium (RLIP) (Government Share) Contributions to GSIS, RCMB-NCR totaling P386,705.52 for the months of April and May 2020 was remitted to GSIS, contrary to Department of Budget and Management (DBM) Budget Circular No. 2020-6 dated March 30, 2020 which mandates the DBM to directly remit to the GSIS the government share in the RLIP contribution for all departments, bureaus and offices of the national government effective April 1, 2020 , thus resulted to the double or overpayment of the said amount to the GSIS.</p> <p>We commended the Management for strictly complying with the provisions of RA No. 8291 and we recommended that they must ensure continuous compliance of the same.</p> <p>We recommended that the Management of RCMB</p>			
		<p>The Board shall continue to comply with GSIS laws and regulations.</p>	<p>Fully Implemented</p> <p>The Board complied with the Revenue Memorandum Circular No. 23-2007 dated March 23, 2007 and BIR Tax Revenue Regulation No. 10-2008 dated July 8, 2008 as per</p>

<p>NCR require the Accountant Designate to:</p> <p>a. Continuously coordinate with the GSIS about the refund to DBM of the said RLIP overpayment; and</p> <p>b. Make necessary adjusting entries to correct the recording of the double or overpayment of RLIP expenses upon receipt of the GSIS notice/proof of refund.</p> <p>c. Compliance with Home Development Mutual Fund (HDMF) Law</p> <p>The NCMB-CO and all RCMBs had deducted and remitted promptly to the HDMF the Pag IBIG premium contributions and loan amortizations totaling P5, 397,295.86 of their officials and employees together with the corresponding government share in accordance with the provisions of RA No. 9679.</p> <p>We commended the Management for strictly complying with the provisions of RA No. 9679 and we recommended that</p>		<p>The Board already communicated the overpayment of RLIP with the GSIS and DBM, awaiting for reply. The FMD was instructed to closely coordinate with the GSIS on the refund to DBM of the said RLIP overpayment.</p> <p>Adjusting entries to correct the recording of the double or overpayment of RLIP shall be made upon the receipt of the GSIS notice/proof of refund.</p> <p>The Board shall continue complying with the rules and regulations on the deductions and remittances of HDMF premium contributions.</p>	<p>validation of the Audit Teams.</p> <p>Fully Implemented</p> <p>The concerned RCMB NCR continuously coordinates with the GSIS about the refund to DBM of the said RLIP overpayment.</p> <p>Not Implemented</p> <p>The necessary adjusting entries to correct the recording of the overpayment of RLIP expenses will be made only upon receipt of RLIP expenses upon receipt of the GSIS notice/proof of refund which is not yet available as of date.</p> <p>Fully Implemented</p> <p>The Board adhered with the provisions of RA No. 9679 as per</p>
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<p>it continue to ensure the same.</p> <p>d. Compliance with National Health Insurance Act of 2013</p> <p>PhilHealth premium contributions of their officials and employees together with the corresponding government share totaling P2,559,728.40 were deducted and remitted promptly to the PhilHealth by the NCMB-CO and 16 RCMBs.</p> <p>We commended the Management for strictly complying with the National Health Insurance Act.</p>			<p>validation of the Audit Teams.</p> <p>Fully Implemented</p> <p>The Board continues to adhere with the provisions of the pertinent law.</p>
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