



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

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

June 27, 2023

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

NATIONAL CONCILIATION AND MEDIATION BOARD
OFFICE OF THE EXECUTIVE DIRECTOR

RECEIVED BY: May 6/29/23

Dear Director Cancio:

We are pleased to transmit the Consolidated Annual Audit Report on the **National Conciliation and Mediation Board** for the Calendar Year 2022 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.

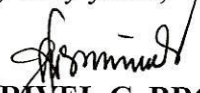
The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance 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, the Audited Financial Statements, the Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations which were discussed with the concerned Management officials and staff.

We request for a status report on the actions taken on the audit recommendations within 60 days from the date of receipt of the report pursuant to Section 97 of the General Provisions of the General Appropriations Act of Fiscal Year 2022 (Republic Act No. 11639), 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,


MARIVEL C. BROÑOLA
OIC-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, 2022

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 Conciliation and Mediation Board (RCMB) 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) 2022, the NCMB has 249 itemized regular positions, of which 197 were filled-up and 52 were unfilled at yearend.

B. Operational Highlights

For CY 2022, 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%	142 companies out of the 4,650 companies with LMC have incidence of PM and NS/L cases	3.05
Percentage of incidence of Preventive Mediation (PM) and NS/L cases involving companies with Grievance Machineries (GMs)	Not more than 10%	177 GMs out of the 4,693 companies with active GMs have incidence of PM and NS/L cases	3.77
Output Indicators:			
LMCs Facilitated	288	310	107.64
LMCs Enhanced	1,897	2,172	114.50
GMs Institutionalized/ Operationalized	288	311	107.99
GMs Enhanced	1,897	2,127	112.12

Programs/Projects/Activities	Target	Accomplishments	Percentage of Accomplishment
Labor Dispute Settled/Resolved			
LABOR CASE MANAGEMENT PROGRAM			
Outcome Indicators:			
Not more than 6% of NS/L handled resulted to strike incidence	162	4	2.47
Output Indicators:			
<i>Disposition Rate:</i>			
Actual Strike/Lockout (AS/L)-100%	8	8	100.00
Voluntary Arbitration (VA) cases - 60%	1,196	1,467	122.66
<i>Settlement Rate:</i>			
Single Entry Approach (SENA) Request for Assistance (RFAs) – Target: 70%	2,279	2,107	92.45
Preventive Mediation (PM) cases– Target:85%	332	353	106.48
NS/L cases – Target: 70%	113	122	107.58
RFAs/Cases Settled within Process Cycle Time (PCT) – Target = 60%	2,570	2,428	94.48

C. Financial Highlights

The NCMB had the total appropriations of P314,446,332.00 under RA No. 11639, the General Appropriations Act (GAA) for Fiscal Year (FY) 2022, consisting of agency specific budget of P276,514,000.00, augmented by automatic appropriations of P15,574,898.00 and Special Purpose Funds of P22,357,434.00. The total allotments received amounted to P314,446,332.00 of which, obligations of P283,938,735.35, were incurred leaving an unobligated balance of P30,507,596.65 as at yearend, summary of which is presented below:

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
(In PhP)				
A. Current Year Budget				
1. Agency Specific Budget				
Personnel Services (PS)	180,569,000.00	180,569,000.0	180,401,371.85	167,628.15
Maintenance and Other Operating Expenses (MOOE)	85,066,000.00	85,066,000.00	57,310,892.94	27,755,107.06
Capital Outlay (CO)	10,879,000.00	10,879,000.00	8,496,304.24	2,382,695.76
Sub-total	276,514,000.00	276,514,000.00	246,208,569.03	30,305,430.97
2. Automatic Appropriations				
Retirement and Life Insurance Premium	15,574,898.00	15,574,898.00	15,372,736.56	202,161.44
Sub-total	15,574,898.00	15,574,898.00	15,372,736.56	202,161.44
3. Special Purpose Funds				
Pension and Gratuity Fund/Terminal Leave Benefits	14,535,725.00	14,535,725.00	14,535,721.03	3.97

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
	(In PhP)			
Personnel Benefits	7,821,709.00	7,821,709.00	7,821,708.73	0.27
Sub-total	22,357,434.00	22,357,434.00	22,357,429.76	4.24
Grand Total	314,446,332.00	314,446,332.00	283,938,735.35	30,507,596.65

The NCMB also had a Continuing Appropriations totaling P26,165,220.70 from FY 2021 unobligated allotment, in which total obligations of P23,355,068.11 were incurred leaving an unexpended balance of P2,810,152.59 as at yearend, as follows:

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
	(In PhP)			
B. Continuing Appropriations				
1. Agency Specific Budget				
Maintenance and Other Operating Expenses (MOOE)	22,831,344.43	22,831,344.43	20,179,225.11	2,652,119.32
Capital Outlay (CO)	3,333,876.27	3,333,876.27	3,175,843.00	158,033.27
Total	26,165,220.70	26,165,220.70	23,355,068.11	2,810,152.59

The Agency's comparative financial position and performance for CYs 2022 and 2021 are as follows:

Particulars	CY 2022 (In PhP)	CY 2021 (In PhP)
		(restated)
Financial Position		
Assets	86,235,848.50	91,606,438.76
Liabilities	44,029,662.25	49,824,629.06
Equity	42,206,186.25	41,781,809.70
Financial Performance		
Revenue	204,191.47	319,103.72
Less: Current Operating Expenses		
Personnel Services (PS)	217,321,806.43	198,357,579.22
Maintenance and Other Operating Expenses (MOOE)	79,940,924.17	61,983,455.34
Financial Expenses	517,892.28	583,120.68
Non-Cash Expenses	8,206,521.70	10,016,537.82
Total Current Operating Expenses	305,987,144.58	270,940,693.06
Surplus (Deficit) from Current Operations	(305,782,953.11)	(270,621,589.34)
Net Financial Assistance/Subsidy	307,975,176.79	272,641,563.90
Sale of Assets	4,700.00	4,202.00
Gains	1,448.01	0.00
Losses	9,400.00	29,002.65
Surplus (Deficit) for the Period	2,188,971.69	1,995,173.91

D. Scope of Audit

The audit covered the review of accounts and operations of the NCMB and its RCMB's for the year 2022. 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 2022.

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 P172,315.49 was found in Property Plant and Equipment (PPE) of the NCMB due to accounting errors and improper accounting treatment of transaction, thus affecting the accuracy, existence, classification, and valuation assertions on the reported balances of the uncorrected account. However, the uncorrected misstatement does not significantly affect the overall fair presentation of the financial statements as at December 31, 2022. (*Observation No. 1*)

For Property, Plant and Equipment accounts

We recommended and the Management agreed to direct the Accountant - Designate to:

- a. **prepare the necessary adjusting entries to correct the balances of the affected PPE accounts, including all related Accumulated Depreciation accounts and in future periods, ensure that the computation of depreciation is in compliance with the guidelines set forth in Section 27, Chapter 10 of the GAM for National Government Agencies (NGAs), Volume I; and**
 - b. **thereafter, maintain a lapsing schedule for all PPE items to facilitate the computation of depreciation expenses and to present the PPE at its appropriate carrying amount. (RCMB II and XIII)**
2. Other accounting deficiencies were observed in the recording and reporting of financial transactions due to lack of reconciliation, non-preparation or submission of supporting documents/schedules and misclassification of accounts used which affected the reliability of the year-end balances of Cash

and Cash Equivalents, Due from NGAs – Procurement Service -Department of Budget and Management (PS DBM), Inventories, Cash Advance, PPE, Accounts Payable, Inter-Agency Payables and Expenses accounts. (*Observation No. 2*)

For Cash and Cash Equivalent account:

We recommended and the Management agreed to:

- a. **direct the Accountant- Designate to ensure the correct and fair presentation of the account balances in accordance with the GAM for NGAs, Volume I and analyze the Statement of Cash Flows and make the necessary adjustments; (RCMB VIII)**
- b. **to require the Accountant-Designate to make the corresponding entry to Cash- Collecting Officer upon collection to impute accountability to the collecting officers and to prepare the JEV for each transaction duly signed and numbered as prescribed by Sec. 40 of Chapter 5 of the GAM for NGAs, Volume I to properly record in the books of accounts of the Regional Office; and (RCMB X)**
- c. **direct the Petty Cash Fund (PCF) Custodian to refrain from charging of expenditures that go against the purpose for which the PCF was established, instead appropriately disburse these through check/ADA. (RCMB IX)**

For Due from NGAs – PS DBM account

We recommended and the Management agreed to require the Accountant-Designate and Supply Officer – Designate of NCR to regularly monitor the purchases made with the DBM and its delivery and to assess the necessity of the undelivered items and if found to be no longer needed, require the PS-DBM to immediately refund/remit the amount to the BTr; and/or replace the items which are needed by the Office that are available in the PS-DBM to fully utilize the fund transfers made. (RCMB NCR)

For Inventories account

We recommended and the Management agreed to:

- **require the concerned personnel to immediately correct the pro-forma format for the inventory account and effect the true costing for each item of inventories to arrive at a reconciled amount between the accounting book balance and the property book balance; (RCMB III)**
- **direct the Property and Supply Officer Designate to reconcile the differences noted in the quantities reported in the RPCI and the SC and**

subsequently regularly coordinate with the Accountant Designate to ensure that the quantities and costs reported between their records tally to establish the proper balances of Office Supplies Inventory as of year-end or at any given period as necessary;

- direct the Accountant Designate to record all succeeding purchases of supplies as inventory, following the perpetual inventory method, such that all regular purchases shall be recorded through inventory account and issuances thereof shall be recorded as they take place, except those purchased through PCF; (RCMB IX)
- instruct the Supply and Property Officer-Designate and the Accountant-Designate to henceforth prepare and maintain the SCs and SLCs respectively, as required in GAM for NGAs, Volume I and COA Circular No. 2022-004; (RCMB III, IV-B and IX)
- instruct the Supply Officers to prepare the RIS, to be used as basis for the recording in the books and to direct the Property and Supply Officer Designate to ensure that all future issuances of semi-expendable property are duly supported by ICS, and to prepare the RSPI to report/summarize all issued semi-expendable property; and (RCMB IX)
- reflect/include the semi-expendable items in the RSPI for proper monitoring and to issue ICS on the various reference books to the end-user/library custodian to establish accountability thereto. (CO)

For Cash Advance accounts

We recommended and the Management agreed to:

- stop the practice of using the PCF to defray program funds; (CO)
- require the Accountant-Designate to record the granting of cash advances to their appropriate Advances accounts and recognize expenses only upon liquidation of the cash advances, and prepare the adjusting entries for the fair presentation of the Advances account in the FSs; and (RCMB XII)
- require the Accountant-Designate to strictly comply with the submission of the financial report and other supporting documents in compliance with GAM for NGAs and other relevant COA rules and regulations. (RCMB IV-A)

For Property, Plant and Equipment accounts

We recommended and the Management agreed to:

- **require the Accountant – Designate and the Property/Supplier Officer to coordinate with the DOLE Property Office on the details or whereabouts of the missing two air-conditioning and make appropriate adjustment/reconciliation thereof;**
- **require the Accountant – Designate and the Property/Supplier Officer to coordinate or communicate with the DOLE Property Office on the details or whereabouts of the purportedly donated three air-conditioning units and make appropriate adjustment/correction in the books of accounts;**
- **require the Property/Supplier Officer Designate to accomplish the IIRUP for unserviceable properties and submit the same to the Disposal Committee for their appropriate inspection and disposal of thereof in accordance with Section 79 of PD No. 1445;**
- **require the Inventory Committee to fully comply/observe the presence of required personnel in the conduct of inventory in accordance with provisions set forth in COA Circular No. 2020-006 dated January 31, 2020; (RCMB NCR)**
- **conduct regular reconciliation of their records to establish the existence, completeness and accuracy of the account balances; (RCMB VIII and IX)**
- **direct the Appraisal and Disposal Committee to immediately perform the necessary actions to dispose of the remaining unserviceable properties;**
- **refer to COA Circular Nos. 2022-04 and 2020-006 to guide the Appraisal and Disposal Committee on the appropriate actions to be taken in disposing of the unserviceable properties (in addition to the existing laws on disposal of government properties);**
- **upon completion of the disposal activity, direct the Appraisal and Disposal Committee to provide the necessary documents to the NCMB XI Accountant for the derecognition of the unserviceable properties from the books of accounts; and**
- **submit to the Office of the Auditor proof of NCMB XI's completed disposal and derecognition of the unserviceable properties. (RCMB XI)**

For Accounts Payable account

We recommended and the Management agreed to require the Accountant to immediately submit or provide to the audit team the supporting documents for further verification. (CO)

For Inter-Agency Payables account

We recommended and the Management agreed to require the Accountant to analyze/assess the causes of the unreconciled balances and immediately effect the necessary adjustments if warranted to correct the reported balances of the affected accounts in the FSs. (RCMB NCR, I, IV-A, IV-B, VIII and CO)

For Expenses account

We recommended and the Management agreed to instruct the Accountant-Designate to properly classify the charges according to the nature of the transactions and review the classification made by the PCF Custodians prior to the recording of expenses to ensure that the accounts charged are appropriate. (RCMB V, IX and X)

For Various account

We recommended and the Management agreed to require the concerned Accountant-Designate to:

- a. correct all the lapses and deficiencies above-noted and provide all the information and disclosure requirements necessary in the SCNAE, SCF, SCBAA and NFS, in compliance with the related provisions under GAM for NGAs, Volume I per COA Circular Nos. 2015-007; and**
 - b. furnish the Audit Team copies of the correction/adjustments/revisions made to correct the deficiencies noted. (RCMB IV-A and V)**
- 3. Out of the P340,611,552.70 allotments received by the NCMB in CY 2022, P307,293,803.46 or 90.22 percent was obligated, leaving an unobligated balance of P33,317,749.24 or 9.78 percent unutilized as at yearend. The unutilized allotment pertains to the allocation for seminars and trainings and procurement of various office supplies which were not implemented due to the shifting to online platforms and hybrid modalities, unavailability of stocks and other constraints brought about by the current pandemic. However, out of P323,205,080.00 Notice of Cash Allocation (NCA) received for the year,**

P14,346,146.17 or 4.44% was reverted, thus affecting the optimal use of available resources. (*Observation No. 3*)

We recommended and the Management agreed to conduct regular monitoring on the use of allotment and ensure optimum utilization thereof, to timely implement the mandated programs, projects, and activities of the Board.

4. The Board achieved a disposition rate of 96.71 percent or 3,149 disposed cases out of 3,256 handled under the SEnA. Of the 3,149 Requests for Assistance (RFAs) disposed, 2,002 or 64 percent was settled within the Process Cycle Time (PCT) which is beyond the performance target of 60 percent committed under the FY 2022 GAA. Hence, the purpose of SEnA for the judicious speedy settlement of labor issues or conflicts was attained. (*Observation No. 4*)

We recommended and the Management agreed to:

- a. **continue to focus on its good performance for disposition of RFAs based on its targets;**
 - b. **on the settlement of RFAs, direct the SEADO to 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 issue referral to the requesting party as prescribed by laws, rules and regulations; (CO)**
 - c. **the Regional Branch Director to ensure strict compliance with Section 4, Rule I and Sections 1 and 2, Rule IV of the DOLE DO No. 151, series of 2016, and the NCMB Citizens Charter 2022 Edition, by directing the SEADO to use the required SENA forms on the settlement of the Requests for Assistance, and to check the completeness of the details in the RFA form and Minutes of Conference, for proper documentation of the handling and settlement of the cases; and (RCMB I)**
 - d. **reconcile the submitted reports with the CO and make the necessary corrections to ensure the accuracy of the data in the reports. (RCMB NCR)**
5. The Board achieved a disposition rate of 73.57% or 1,467 decided/settled cases out of 1,994 total cases handled for resolution as of December 31, 2022, which is beyond the target disposition rate of 60% for the Voluntary Arbitration (VA) Program committed under the FY 2022 GAA. However, 350 or 66.41 percent of 527 cases pending at yearend were already beyond the 90-day PCT, indicating the need to improve the speedy disposition of cases. (*Observation No. 5*)

We commended the Management for its strategies which resulted in achieving disposition rate of 73.57 % which is beyond the 60% target rate.

However, we recommended and Management agreed to:

- a. explain and identify the causes of the delays in the disposition of cases; and**
- b. reconcile and make the necessary corrections on the submitted reports by the RCMB NCR and VAD NCMB CO.**

The above audit observations and recommendations were discussed with Agency officials in an Exit Conference conducted on May 25th 2023 and their comments were considered in the Report, where appropriate.

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

Audit disallowances amounting to P70,323,407.79 remained unsettled as of December 31, 2022. The details are shown in Part II of this Report.

H. Status of Implementation of Prior Years' Audit Recommendations

The 70 prior years' audit recommendations, were 100 percent implemented. The details of prior years' recommendations are discussed in Part III of this Report.

Status of Implementation	Number	Percentage
Fully Implemented	70	100.00
Not Implemented	0	0.00
Total	70	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, 2022, 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, 2022, 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 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's 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.

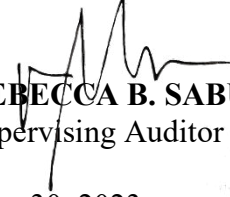
As part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- 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



REBECCA B. SABUELBA
Supervising Auditor

May 30, 2023



Republic of the Philippines
DEPARTMENT OF LABOR AND EMPLOYMENT
NATIONAL CONCILIATION AND MEDIATION BOARD

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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 of **December 31, 2022** 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.

BEN CARLO P. RAMOS
Accountant II
April 28, 2023

MARIA TERESITA L. CANCIO
Executive Director IV
April 28, 2023

**NATIONAL CONCILIATION AND MEDIATION BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(ALL FUNDS)
As at December 31, 2022**

	Note	2022	2021 (As Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	6 P	35,497,102.50 P	41,139,735.01
Receivables	7	179,987.03	229,032.08
Inventories	8	2,396,944.14	3,305,815.76
Other Current Assets	9	2,264,496.13	1,696,330.97
Total Current Assets		40,338,529.80	46,370,913.82
Non-Current Assets			
Property, Plant and Equipment	10	42,787,163.35	44,274,993.55
Intangible Assets	11	2,193,435.35	417,650.73
Other Non-Current Assets	12	916,720.00	542,880.66
Total Non-Current Assets		45,897,318.70	45,235,524.94
Total Assets		86,235,848.50	91,606,438.76
LIABILITIES			
Current Liabilities			
Financial Liabilities	13	10,059,042.95	9,823,516.53
Inter-Agency Payables	14	182,333.46	479,042.26
Trust Liabilities	15	33,742,228.84	39,476,013.27
Deferred Credits/Unearned Income	16	46,057.00	46,057.00
Total Current Liabilities		44,029,662.25	49,824,629.06
Total Liabilities		44,029,662.25	49,824,629.06
TOTAL ASSETS LESS TOTAL LIABILITIES		42,206,186.25	41,781,809.70
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)		42,206,186.25	41,781,809.70
TOTAL NET ASSETS/EQUITY	P	42,206,186.25 P	41,781,809.70

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, 2022

	Note	2022	2021 (As Restated)
Revenue			
Service and Business Income	17	P 204,191.47	P 319,103.72
Total Revenue		204,191.47	319,103.72
Less: Current Operating Expenses			
Personnel Services	18	217,321,806.43	198,357,579.22
Maintenance and Other Operating Expenses	19	79,940,924.17	61,983,455.34
Financial Expenses	20	517,892.28	583,120.68
Non-Cash Expenses	21	8,206,521.70	10,016,537.82
Total Current Operating Expenses		305,987,144.58	270,940,693.06
Surplus (Deficit) from Current Operations		-305,782,953.11	-270,621,589.34
Net Financial Assistance/Subsidy	22	307,975,176.79	272,641,563.90
Sale of Assets	23.1	4,700.00	4,202.00
Gains	23.2	1,448.01	0.00
Losses	23.3	9,400.00	29,002.65
Surplus (Deficit) for the period		P 2,188,971.69	P 1,995,173.91

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, 2022

	<u>Note</u>	<u>2022</u>	<u>2021</u> <u>(As Restated)</u>
Balance at January 1	P	41,781,809.70	P 39,821,355.75
Add/(Deduct):			
Prior Year's Adjustments	5	0.00	(1,004,984.24)
Restated Balance		<u>41,781,809.70</u>	<u>38,816,371.51</u>
Add/(Deduct):			
Changes in Net Assets/Equity for the Calendar Year			
Adjustment of Net Revenue recognized in net assets/equity	25	0.00	(204,206.65)
Surplus/(Deficit) for the period		2,188,971.69	3,000,158.15
Others	25	(1,764,595.14)	169,486.69
Balance at December 31	P	<u>42,206,186.25</u>	<u>P 41,781,809.70</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, 2022

	Note	2,022.00	2,021.00 (As Restated)
Cash Flows From Operating Activities			
Cash Inflows			
Receipt of Notice of Cash Allocation	22 P	499,157,635.40	P 304,464,351.00
Collection of Income/Revenues		411,500.00	303,068.70
Collection of Receivables		10,000.00	910.25
Trust Receipts		19,167,179.35	21,358,889.20
Other Receipts		266,592.05	359,939.35
Adjustments		46,702.45	435,736.96
Total Cash Inflows		519,059,609.25	326,922,895.46
Cash Outflows			
Remittance to National Treasury		486,206.23	204,206.65
Payment of Expenses		217,668,836.54	186,817,250.75
Purchase of Inventories		4,844,493.91	4,835,347.88
Grant of Cash Advances		2,708,469.47	2,074,984.44
Prepayments		385,944.47	411,230.45
Payment of Accounts Payable		3,076,802.26	4,311,966.97
Remittance of Personnel Benefit Contributions and Mandatory Deductions		57,419,187.42	41,871,028.54
Grant of Financial Assistance/Subsidy		112,500.00	35,000.00
Release of Inter-Agency Fund Transfers		11.91	0.00
Release of Intra-Agency Fund Transfers		189,485,525.63	0.00
Other Disbursements		24,947,666.24	1,942,661.68
Reversal of Unutilized NCA		0.00	55,483,125.76
Adjustments		14,356,557.20	382,158.97
Total Cash Outflows		515,492,201.28	298,368,962.09
Net Cash Provided by Operating Activities		3,567,407.97	28,553,933.37
Cash Flows from Investing Activities			
Cash Inflows			
Proceeds from Sale/Disposal of Property, Plant and Equipment		2,500.00	2,700.00
Proceeds from Sale of Other Assets		400.00	702.00
Adjustments (Capital Outlay NCA)		261,250.00	0.00
Total Cash Inflows		264,150.00	3,402.00
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		8,123,783.52	7,237,598.12
Purchase of Intangible Assets		1,350,406.96	0.00
Total Cash Outflows		9,474,190.48	7,237,598.12
Net Cash Provided Used by Investing Activities		(9,210,040.48)	(7,234,196.12)
Increase(Decrease) in Cash and Cash Equivalents		(5,642,632.51)	21,319,737.25
Add: Cash Balance, January 1		41,139,735.01	19,819,997.76
Cash Balance, December 31	6 P	35,497,102.50	P 41,139,735.01

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, 2022
(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	442,000.00	42,000.00
Total Receipts	400,000.00	400,000.00	442,000.00	42,000.00
PAYMENTS				
Personnel Services	187,776,000.00	218,501,332.00	218,012,591.22	488,740.78
Maintenance and Other Operating Expenses	95,110,802.10	107,897,344.43	72,485,486.48	35,411,857.95
Capital Outlay	11,943,531.18	14,212,876.27	11,597,147.24	2,615,729.03
Total Payments	294,830,333.28	340,611,552.70	302,095,224.94	38,516,327.76
NET RECEIPTS/(PAYMENTS)	(294,430,333.28)	(340,211,552.70)	(301,653,224.94)	(38,474,327.76)

NATIONAL CONCILIATION AND MEDIATION BOARD

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2022

1. General Information/Agency Profile

The consolidated financial statements (FSs) of the National Conciliation and Mediation Board (NCMB) were authorized for issue on April 28, 2023 as shown in the Statement of Management's Responsibility for Financial Statements signed by Mr. Ben Carlo P. Ramos, Accountant II, and Ms. Maria Teresita L. Cancio, Executive Director.

Created by virtue of Executive Order (EO) No. 126, reorganizing the Department of Labor and Employment (DOLE), 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 and compliance with the International Public Sector Accounting Standards (IPSASs) with corresponding Philippine Application Guidance as prescribed by COA Resolution No. 2020-001 and COA Circular No. 2021-004 dated January 09, 2020 and July 21, 2021, respectively.

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 IPSAS.

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 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 a 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 P50,000.00 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 P50,000.00 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 IPSAS 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 financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. 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 Accounts Payable (RCMB-NCR)	P13,446.99
Adjustment of Due to Officers and Employees (RCMB-NCR)	43,634.57
Adjustment of Office Supplies Inventory (RCMB-NCR)	34,840.00
Adjustment of Due from National Government Agencies (RCMB-NCR)	(264.44)
Adjustment of Depreciation Expense-Information and Communication Equipment (RCMB-NCR)	(57,857.21)
Adjustment of Depreciation Expense-Office Equipment (RCMB-NCR)	(77,210.65)
Adjustment of Depreciation Expense-Furniture and Fixtures (RCMB-NCR)	(104,998.36)
Adjustment of Depreciation Expense-Technical and Scientific Equipment (RCMB-NCR)	(2,184.90)
Adjustment of Amortization-Computer Software (RCMB-NCR)	(77,988.95)
Adjustment of Petty Cash Account (RCMB-CAR)	8,228.04
Adjustment of Petty Cash Account (RCMB-I)	(20.00)
Adjustment of Cash in Bank-Local Currency, Current Account (Central Office)	(0.01)
Adjustment of Due from National Government Agencies (Central Office)	(7,694.09)
Adjustment of Due from Officers and Employees (Central Office)	3,863.59
Adjustment of Advances to Special Disbursing Officer (Central Office)	(5,785.00)
Adjustment of Accounts Payable (Central Office)	419.73
Adjustment of Due to BIR (Central Office)	27.98
Adjustment of Due to Officers and Employees (Central Office)	9,503.51
Adjustment of Depreciation Expense-Information and Communication Equipment (Central Office)	(227,082.30)
Adjustment of Depreciation Expense-Office Equipment (Central Office)	(111,165.11)
Adjustment of Depreciation Expense-Other Equipment (Central Office)	(27,930.36)

Particulars	Net Effect/Adjustment to Accumulated Surplus/(Deficit)
Adjustment of Depreciation Expense-Motor Vehicle (Central Office)	(760.00)
Adjustment of Depreciation Expense-Furniture and Fixtures (Central Office)	(40,862.87)
Adjustment of Depreciation Expense-Other Property, Plant and Equipment (Central Office)	(58,739.04)
Adjustment of Amortization-Computer Software (Central Office)	(180,000.00)
Adjustment of Prepaid Insurance (RCMB-IX)	17,336.31
Adjustment of Prepaid Registration (RCMB-IX)	2,600.69
Adjustment of Other Prepayments (RCMB-IX)	13,267.39
Adjustment of Office Supplies Inventory (RCMB-IX)	2,057.14
Adjustment of Depreciation Expense-Information and Communication Equipment (RCMB-IX)	(142,403.74)
Adjustment of Depreciation Expense-Office Equipment (RCMB-IX)	(20,273.90)
Adjustment of Depreciation Expense-Furniture and Fixtures (RCMB-IX)	(10,989.25)
Total Net Effect	P(1,004,984.24)

6. Cash and Cash Equivalents

Accounts	Amount	
	2022	2021 (As Restated)
Cash-Collecting Officer	P0.00	P21,225.99
Petty Cash	301,468.30	258,850.40
Cash in Bank - Local Currency, Current Account	20,000.00	19,999.99
Cash in Bank - Local Currency, Savings Account	500.00	500.00
Cash – Treasury/Agency Deposit, Special Account	1,267,845.36	1,198,085.36
Cash – Treasury/Agency Deposit, Trust	33,907,288.84	39,641,073.27
Total	P35,497,102.50	P41,139,735.01

6.1 The Cash-Collecting Officers account includes refund of cash advance made in December 2021 which was deposited in January 2022.

6.2 The Petty Cash account in CY 2022 pertains to the unreplenished balance as of year-end.

The Petty Cash account in CY 2021 was restated from P250,642.36 to P258,850.40 in view of the P8,208.04 net adjustment caused by prior period errors.

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

Particulars	2022	2021 (As Restated)
NCMB CO		
ATM Payroll Account	P10,000.00	P9,999.99
NCMB-SF (Trust)	10,000.00	10,000.00
Total	P20,000.00	P19,999.99

- 6.4** The Cash in Bank - Local Currency, Savings Account pertains to the Home Development Mutual Fund (HDMF) Remittance Facility of RCMB VII pursuant to HDMF Circular No. 355.
- 6.5** The Cash in Bank - Local Currency, Current Account in CY 2021 was restated from P20,000.00 to P19,999.99 in view of the P0.01 net adjustment caused by prior period errors.
- 6.6** The Cash – Treasury/Agency Deposit, Special account pertains to the accumulated deposits of Collective Bargaining Agreement (CBA) registration fees remitted to the Bureau of Treasury (BTr).
- 6.7** Cash – Treasury/Agency Deposit, Trust account pertains to the deposited collections with the BTr for payment/release of garnishment/award/execution fees on Voluntary Arbitration cases and collection of receivables from audit disallowances.

7. Receivables

Accounts	Amount	
	2022	2021 (As Restated)
Inter-Agency Receivables	P105,660.80	P137,929.78
Other Receivables	74,326.23	91,102.30
Total	P179,987.03	P229,032.08

7.1 Inter-Agency Receivables

The Due from National Government Agencies (NGAs) account balance of P85,263.77 represents outstanding balance from the advance payments to the Department of Budget and Management (DBM) - Procurement Service (PS) and P20,397.03 from the Bureau of Internal Revenue (BIR), as shown below:

Accounts	Amount	
	2022	2021 (As Restated)
Due from DBM-PS		
NCMB CO	P2.02	P0.00
RCMB NCR	84,600.45	117,470.10
RCMB IVA	11.91	62.65
RCMB IVB	649.39	0.00
<i>Sub-total</i>	<i>85,263.77</i>	<i>117,532.75</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>
Total	P105,660.80	P137,929.78

- 7.1.1** The Due from NGAs (DBM-PS) account in CY 2021 was restated from P125,491.28 to P117,532.75 in view of the P7,958.53 net adjustment caused by prior period errors.

7.2 Other Receivables

Accounts	Amount	
	2022	2021 (As Restated)
Receivables-Disallowances/Charges	P5,569.72	P0.00
Due from Officers and Employees	34,156.58	56,502.37
Other Receivables	34,599.93	34,599.93
Total	P74,326.23	P91,102.30

- 7.2.1** The Due from Officers and Employees account pertains to the amount collectible from the agency's officials' overpayment of Transportation Allowances (TA). The CY 2021 account balance was restated from P52,638.78 to P56,502.37 in view of the P3,863.59 net adjustment caused by prior period errors.

- 7.2.2** The Other Receivables account for CY 2022 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	
	2022	2021 (As Restated)
Inventory Held for Consumption		
Carrying Amount, January 1	P3,270,975.76	P2,174,607.18
Purchases/Adjustment during the year	4,883,229.13	6,205,857.89
Expensed during the year except write-down	(5,757,260.75)	(5,074,649.31)
Total Carrying Amount, December 31	P2,396,944.14	P3,305,815.76

- 8.1** 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.
- 8.2** Items below the capitalization threshold of P50,000.00 were accounted as Semi- Expendable Inventory and recognized as expense upon issue to the end-user.
- 8.3** The Inventory account balance in CY 2021 was restated from P3,268,918.62 to P3,305,815.76 in view of the P36,897.14 net adjustment caused by prior period errors.

9. Other Current Assets

Accounts	Amount	
	2022	2021 (As Restated)
Advances to Payroll	P560,715.25	P0.00
Advances to Special Disbursing Officer	64,375.00	44,215.00
Advances to Officers and Employees	28,087.36	0.00
Advances to Contractors	61,935.00	324,850.00
Prepaid Rent	790,484.48	885,884.48
Prepaid Registration	2,272.42	2,600.69
Prepaid Insurance	116,550.99	131,684.14
Other Prepayments	87,326.63	22,367.66
Guaranty Deposits	552,749.00	284,729.00
Total	P2,264,496.13	P1,696,330.97

- 9.1** The Advances to Special Disbursing Officer account pertains to unliquidated advances to accountable officers for special purpose/time-bound undertakings. The total amount was liquidated in January 2022. The CY 2021 account balance was restated from P50,000.00 to P44,215.00 in view of the P5,785.00 net adjustment caused by prior period errors.
- 9.2** Advances to Officers and Employees account represents cash advance for travelling expenses that was not liquidated at year-end.
- 9.3** The Advances to Contractors account represent the advance payment for mobilization fee to supplier/contractor for the development of Alternative Dispute Resolution Information System (ADRI) and Human Resource Management Information System (HRMIS).
- 9.4** Prepaid Rent account consists of two months advance for office space for Central Office and RCMB IV-B amounting to P657,428.48 and P133,056.00 respectively.
- 9.5** Prepaid Registration account represents the unexpired portion of amount advanced for registration of motor vehicle of RCMB IX.
- 9.6** The Prepaid Registration account in CY 2021 was restated from P0.00 to P2,600.69 in view of the P2,600.69 net adjustment caused by prior period errors.
- 9.7** Prepaid Insurance account in CY 2022 pertains to the unexpired portion of fire and non-mortgage insurance of motor vehicles, equipment and various supplies of the NCMB.
- 9.8** The Prepaid Insurance account balance in CY 2021 was restated from P114,347.83 to P131,684.14 in view of the P17,336.31 net adjustment caused by prior period errors.

9.9 Other Prepayments account in CY 2022 represents payment of bond renewal of accountable officers of RCMBs VI, IX and XI amounting to P5,569.98, P43,636.68 and P38,119.97 respectively.

9.10 The Other Prepayments account in CY 2021 was restated from P9,100.27 to P22,367.66 in view of the P13,267.39 net adjustment caused by prior period errors.

10. Property, Plant and Equipment

Particulars/ Accounts	Land	Building	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, 2022 (As Restated)	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
Acquisitions	0.00	0.00	6,637,777.41	0.00	0.00	7,146.91	0.00	0.00	6,644,924.32
Adjustments/ Reclassification	0.00	0.00	56,113.56	(315,297.68)	0.00	(56,113.56)	0.00	0.00	(315,297.68)
Total	539,600.00	9,690,539.83	23,831,448.76	766,378.12	8,308,918.02	286,477.34	5,851,405.35	2,212,310.46	51,487,077.88
Disposals/ Adjustments	0.00	0.00	(666,108.17)	(156,850.48)	(760.00)	(58,739.04)	0.00	0.00	(882,457.69)
Depreciation/ Impairment Loss	0.00	(293,443.22)	(5,020,267.58)	(227,782.86)	(1,719,181.03)	(172,562.55)	0.00	(384,219.60)	(7,817,456.84)
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Carrying Amount, December 31, 2022	539,600.00	9,397,096.61	18,145,073.01	381,744.78	6,588,976.99	55,175.75	5,851,405.35	1,828,090.86	42,787,163.35
Gross Cost	539,600.00	10,405,048.94	40,136,678.90	2,037,807.00	33,727,492.00	77,168.88	5,851,405.35	5,830,378.13	98,605,579.20
Less : Accumulated Depreciation	0.00	(1,007,952.33)	(21,991,605.89)	(1,656,062.22)	(27,138,515.01)	(21,993.13)	0.00	(4,002,287.27)	(55,818,415.85)
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, 2022	539,600.00	9,397,096.61	18,145,073.01	381,744.78	6,588,976.99	55,175.75	5,851,405.35	1,828,090.86	42,787,163.35

10.1 All PPE items below the capitalization threshold of P50,000.00 were accounted as Semi-Expendable Property and recognized as expense upon issuance to the end-user.

10.2 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.

10.3 Communication Equipment and Other Property, Plant and Equipment accounts were reclassified together with their respective Accumulated Depreciation accounts to Technical and Scientific Equipment per COA Circular No. 2020-001 dated January 8, 2020 amounting to P129,580.00 and P155,590.42, respectively, with corresponding Accumulated Depreciation amounting P15,387.60 and P126,108.00.

Particulars	2022	2021 (As Restated)
Land	P539,600.00	P539,600.00
Building	9,397,096.61	9,690,539.83
Machinery and Equipment	18,145,073.01	16,471,449.62
Furniture, Fixtures and Books	381,744.78	924,825.32
Motor Vehicles	6,588,976.99	8,308,158.02
Other PPE	55,175.75	276,704.95
Leased Assets, Land	5,851,405.35	5,851,405.35
Leased Assets, Building and Other Structure	1,828,090.86	2,212,310.46
Carrying Amount, December 31	P42,787,163.35	P44,274,993.55

10.4 The Machinery and Equipment account in CY 2021 was restated from P17,137,557.79 to P16,471,449.62 in view of the P666,108.17 net adjustment caused by prior period errors.

10.5 The Furniture, Fixtures and Books account in CY 2021 was restated from P1,081,675.80 to P924,825.32 in view of the P156,850.48 net adjustment caused by prior period errors.

10.6 The Transportation Equipment account in CY 2021 was restated from P8,308,918.02 to P8,308,158.02 in view of the P760.00 net adjustment caused by prior period errors.

10.7 The Other Property, Plant and Equipment account in CY 2021 was restated from P335,443.99 to P276,704.95 in view of the P58,739.04 net adjustment caused by prior period errors.

11. Intangible Assets

Particulars	Amount	
	2022	2021 (As Restated)
Carrying Amount, January 1	P495,639.68	P478,814.75
Acquisition	1,319,618.00	748,728.95
Development in Progress – Computer Software	709,165.00	0.00
Reclassification/Adjustment	61,839.87	(257,988.95)
Amortization	(392,827.20)	(551,904.02)
Carrying Amount, December 31	P2,193,435.35	P417,650.73

11.1 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.

- 11.2** The carrying amount of the Intangible Assets account in CY 2021 was restated from P675,639.68 to P417,650.73 in view of the P257,988.95 net adjustment caused by prior period errors.

12. Other Non-Current Assets

Accounts	2022	2021
Guaranty Deposits	P538,204.00	P538,204.00
Other Assets	378,516.00	4,676.66
Total	P916,720.00	P542,880.66

- 12.1** The Guaranty Deposits account represent security deposit for the lease of office building in NCMB CO.

- 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	2022	2021 (As Restated)
Accounts Payable	P4,659,660.54	P2,616,682.32
Due to Officers and Employees	226,084.30	1,104,860.35
Finance Lease Payable	5,192,258.14	6,096,931.54
Tax Refunds Payable	(18,960.03)	5,042.32
Total	P10,059,042.95	P9,823,516.53

- 13.1** Accounts Payable accounts pertain to the unpaid obligations and liabilities to various outside suppliers and employees of the Board as of December 31, 2022.

- 13.2** The Account Payable account in CY 2021 was restated from P2,630,549.04 to P2,616,682.32 in view of the P13,866.72 net adjustment caused by prior period errors.

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

- 13.4** The Due to Officers and Employees account in CY 2021 was restated from P1,157,998.43 to P1,104,860.35 in view of the P53,138.08 net adjustment caused by prior period errors.

- 13.5** The Finance Lease Payable account pertains to liability arising from finance lease contract of RCMB VII.

- 13.6** The Tax Refund Payable account represents the amount refundable to taxpayers for excess amount paid/withheld.

14. Inter-Agency Payables

Particulars	2022	2021 (As Restated)
Due to BIR	P178,000.95	P474,926.02
Due to GSIS	4,300.20	3,600.26
Due to Pag-IBIG	0.00	400.00
Due to PhilHealth	32.31	115.98
Total	P182,333.46	P479,042.26

14.1 The Due to BIR account is composed of withholding taxes deducted from CY 2022 accounts payable, while Due to GSIS and PhilHealth accounts pertain to unremitted contributions for CY 2022.

14.2 The Due to BIR account in CY 2021 was restated from P474,954.00 to P474,926.02 in view of the P27.98 net adjustment caused by prior period errors.

15. Trust Liabilities

Particulars	2022	2021
Trust Liabilities	P33,742,228.84	P39,476,013.27

Trust Liabilities account balance of P33,742,228.84 pertains to collection of execution fees for CY 2022.

16. Other Deferred Credits

Particulars	2022	2021
Lost Motorcycle – Oscar Duero	P46,057.00	P46,057.00

Other Deferred Credits account balance of P46,057.00 represents the depreciated replacement cost of the lost motorcycle of the NCMB CO.

17. Service and Business Income

Particulars	2022	2021 (As Restated)
<i>Service Income:</i>		
Registration Fees	P188,000.00	P303,000.00
<i>Business Income:</i>		
Fines and Penalties	16,191.47	16,103.72
Total Service and Business Income	P204,191.47	P319,103.72

17.1 Registration Fees account 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 account 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.

17.3 The Fines and Penalties – Business Income account in CY 2021 was restated from P16,103.73 to P16,103.72 in view of the P0.01 net adjustment caused by prior period errors.

18. Personnel Services

Particulars	2022	2021 (As Restated)
Salaries and Wages – Regular	P128,485,460.07	P127,626,050.28
Other Compensation	46,939,915.52	47,249,520.13
Personnel Benefit Contributions	18,044,831.36	17,169,251.25
Other Personnel Benefits	23,851,599.48	6,312,757.56
Total	P217,321,806.43	P198,357,579.22

18.1 Salaries and Wages

Particulars	2022	2021 (As Restated)
Salaries and Wages – Regular	P128,485,460.07	P127,626,050.28

The Salaries and Wages – Regular account in CY 2021 was restated from P127,673,548.44 to P127,626,050.28 in view of the P47,498.16 net adjustment caused by prior period errors.

18.2 Other Compensation

Particulars	2022	2021 (As Restated)
Personal Economic Relief Allowance(PERA)	P4,746,630.35	P4,783,184.04
Representation Allowance (RA)	3,820,991.45	3,939,108.87
Transportation Allowance (TA)	3,426,606.71	3,617,308.30
Clothing/Uniform Allowance	1,188,000.00	1,146,000.00
Productivity Incentive Allowance	136,741.50	0.00
Hazard Pay	0.00	370,300.00
Longevity Pay	0.00	35,000.00
Overtime and Night Pay	261,966.26	177,084.08
Year End Bonus	10,563,699.25	11,253,488.60
Cash Gift	995,250.00	1,022,500.00
Mid-Year Bonus	11,043,268.50	10,001,729.00
Other Bonuses and Allowances	10,756,761.50	10,903,817.24
Total	P46,939,915.52	P47,249,520.13

18.2.1 The Hazard Pay account pertains to the COVID-19 Hazard Pay pursuant to Administrative Order (AO) No. 261 dated March 23, 2020, and DBM Budget Circular No. 2020-1 dated March 24, 2020.

18.2.2 The Hazard Pay account in CY 2021 was restated from P378,300.00 to P370,300.00 in view of the P8,000.00 net adjustment caused by prior period errors.

18.2.3 The Overtime and Night Pay account in CY 2021 was restated from P178,587.59 to P177,084.08 in view of the P1,503.51 net 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	2022	2021
Retirement and Life Insurance Premiums	P15,373,763.24	P15,258,719.09
Pag-IBIG Contributions	236,300.00	238,000.00
PhilHealth Contributions	2,199,068.12	1,433,732.16
Employees Compensation Insurance Premiums	235,700.00	238,800.00
Total	P18,044,831.36	P17,169,251.25

18.5 Other Personnel Benefits

Particulars	2022	2021
Terminal Leave Benefits	P18,562,943.82	P3,347,351.21
Other Personnel Benefits	5,288,655.66	2,965,406.35
Total	P23,851,599.48	P6,312,757.56

19. Maintenance and Other Operating Expenses

Particulars	2022	2021 (As Restated)
Travelling Expenses	P3,302,064.15	P1,280,439.18
Training and Scholarship Expenses	7,483,095.11	1,664,814.36
Supplies and Materials Expenses	14,595,643.80	11,188,947.90
Utility Expenses	6,412,020.71	4,773,596.45
Communication Expenses	5,523,776.25	5,152,403.57
Confidential, Intelligence and Extraordinary Expenses	2,033,878.95	1,978,392.05
Professional Services	1,856,285.19	2,473,912.63
General Services	14,224,013.58	13,096,729.39
Repairs and Maintenance	3,860,135.35	2,895,699.83

Particulars	2022	2021 (As Restated)
Taxes, Insurance Premiums and Other Fees	1,336,436.59	1,156,893.53
Other Maintenance and Operating Expenses	19,313,574.49	16,321,626.45
Total	P79,940,924.17	P61,983,455.34

19.1 Traveling Expenses

Particulars	2022	2021 (As Restated)
Traveling Expenses – Local	P3,302,064.15	P1,280,439.18

The Traveling Expenses – Local account in CY 2021 was restated from P1,296,309.21 to P1,280,439.18 in view of the P15,870.03 net adjustment caused by prior period errors.

19.2 Training and Scholarship Expenses

Particulars	2022	2021
Training Expenses	P7,037,802.55	P1,640,625.86
Scholarship Grants/Expenses	445,292.56	24,188.50
Total	P7,483,095.11	P1,664,814.36

19.3 Supplies and Materials Expenses

Particulars	2022	2021 (As Restated)
Office Supplies Expenses	P5,029,649.81	P5,045,262.99
Accountable Forms Expenses	22,600.00	10,675.00
Drugs and Medicines Expenses	0.00	742.50
Fuel, Oil and Lubricants Expenses	2,890,106.15	1,887,017.68
Semi-Expendable Machinery and Equipment Expenses	439,931.07	0.00
Textbooks and Instructional Materials Expenses	0.00	65,316.00
Semi-Expendable Machinery and Equipment Expenses - Machinery	533,546.00	1,180,967.35
Semi-Expendable Machinery and Equipment Expenses - Office Equipment	802,178.28	541,110.16
Semi-Expendable Machinery and Equipment Expenses - ICT Equipment	2,248,021.44	694,578.34
Semi-Expendable Machinery and Equipment Expenses – Communication Equipment	0.00	2,400.00
Semi-Expendable Machinery and Equipment Expenses - Disaster Response and Rescue Equipment	0.00	3,900.00

Particulars	2022	2021 (As Restated)
Semi-Expendable Machinery and Equipment Expenses - Medical Equipment	0.00	35,152.32
Semi-Expendable Machinery and Equipment Expenses - Sport Equipment	7,691.00	0.00
Semi-Expendable Machinery and Equipment Expenses - Other Equipment	5,600.00	0.00
Semi-Expendable Furniture, Fixtures and Books Expenses	490,429.10	812,308.05
Semi-Expendable Furniture, Fixtures and Books Expenses - Furniture and Fixture	308,277.80	191,595.25
Semi-Expendable Furniture, Fixtures and Books Expenses – Books	287,384.38	4,679.75
Other Supplies and Materials Expenses	1,530,228.77	713,242.51
Total	P14,595,643.80	P11,188,947.90

The Office Supplies Expenses account in CY 2021 was restated from P5,074,649.31 to P5,045,262.99 in view of the P29,386.32 net adjustment caused by prior period errors.

19.4 Utility Expenses

Particulars	2022	2021
Water Expenses	P419,875.12	P413,974.82
Electricity Expenses	5,992,145.59	4,359,621.63
Total	P6,412,020.71	P4,773,596.45

19.5 Communication Expenses

Particulars	2022	2021
Postage and Courier Services	P563,751.31	P655,199.63
Telephone Expenses	1,831,399.69	1,827,484.31
Internet Subscription Expenses	3,126,625.25	2,663,719.63
Cable, Satellite, Telegraph and Radio Expenses	2,000.00	6,000.00
Total	P5,523,776.25	P5,152,403.57

19.6 Confidential, Intelligence and Extraordinary Expenses

Particulars	2022	2021
Extraordinary and Miscellaneous Expenses	P2,033,878.95	P1,978,392.05

19.7 Professional Services

Particulars	2022	2021
Legal Services	P6,660.00	P0.00
Auditing Services	15,769.00	41,221.00
Consultancy Services	111,000.00	111,000.00

Particulars	2022	2021
Other Professional Services	1,722,856.19	2,321,691.63
Total	P1,856,285.19	P2,473,912.63

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 251 dated 25 July 1987.

19.8 General Services

Particulars	2022	2021
Janitorial Services	P4,200,634.13	P3,984,105.34
Security Services	7,504,028.38	6,621,778.56
Other General Services	2,519,351.07	2,490,845.49
Total	P14,224,013.58	P13,096,729.39

19.9 Repairs and Maintenance

Particulars	2022	2021
Repairs and Maintenance – Building and Other Structures	P523,125.45	P189,614.65
Repairs and Maintenance – Machinery and Equipment	1,749,986.62	1,092,264.35
Repairs and Maintenance – Transportation Equipment	1,496,306.28	1,470,062.20
Repairs and Maintenance – Furniture and Fixtures	6,870.00	107,876.50
Repairs and Maintenance – Leased Assets	6,057.00	13,382.13
Repairs and Maintenance – Other Leased Assets Improvements	60,800.00	15,950.00
Repairs and Maintenance – Other Property, Plant and Equipment	16,990.00	6,000.00
Repairs and Maintenance-Semi-Expendable Furniture, Fixtures and Books	0.00	550.00
Total	P3,860,135.35	P2,895,699.83

19.10 Taxes, Insurance Premiums and Other Fees

Particulars	2022	2021 (As Restated)
Taxes, Duties and Licenses	P45,713.29	P61,571.51
Fidelity Bond Premiums	559,278.61	553,923.67
Insurance Expenses	731,444.69	541,398.35
Total	P1,336,436.59	P1,156,893.53

19.10.1 The Taxes, Duties and Licenses account balance in CY 2021 was restated from P64,172.20 to P61,571.51 in view of the P2,600.69 net adjustment caused by prior period errors.

19.10.2 The Insurance Expenses account balance in CY 2021 was restated from P558,734.66 to P541,398.35 in view of the P17,336.31 net adjustment caused by prior period errors.

19.11 Other Maintenance and Operating Expenses

Particulars	2022	2021 (As Restated)
Advertising Expenses	P0.00	P52,416.00
Printing and Publication Expenses	46,598.00	79,375.00
Representation Expenses	1,897,013.68	1,457,990.92
Transportation and Delivery Expenses	15,974.50	11,139.00
Rent/Lease Expenses	12,969,166.37	12,257,365.04
Subscription Expenses	2,506,963.55	498,964.71
Donations	46,598.50	114,043.50
Other Maintenance and Operating Expenses	1,831,259.89	1,850,332.28
Total	P19,313,574.49	P16,321,626.45

19.11.1 The Subscription Expenses account balance in CY 2021 was restated from P512,232.10 to P498,964.71 in view of the P13,267.39 net adjustment caused by prior period errors.

19.11.2 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.

20. Financial Expenses

Particulars	2022	2021
Interest Expenses	P499,916.88	P577,347.24
Other Financial Charges	17,975.40	5,773.44
Total	P517,892.28	P583,120.68

21. Non-Cash Expenses

21.1 Depreciation

Particulars	2022	2021 (As Restated)
Depreciation-Buildings and Other Structures	P329,493.22	P238,134.11

Particulars	2022	2021 (As Restated)
Depreciation - Machinery and Equipment	5,020,267.58	4,480,945.56
Depreciation - Transportation Equipment	1,602,031.26	3,278,961.76
Depreciation - Furniture, Fixtures and Books	227,782.86	460,378.49
Depreciation-Leased Assets	384,219.60	384,219.60
Depreciation - Other Property, Plant and Equipment	172,562.55	271,623.37
Total	P7,736,357.07	P9,114,262.89

21.1.1 The Depreciation – Machinery and Equipment account in CY 2021 was restated from P3,814,837.39 to P4,480,945.56 in view of the P666,108.17 net adjustment caused by prior period errors.

21.1.2 The Depreciation – Transportation Equipment account in CY 2021 was restated from P3,278,201.76 to P3,278,961.76 in view of the P760.00 net adjustment caused by prior period errors.

21.1.3 The Depreciation – Furniture, Fixtures and Books account in CY 2021 was restated from P303,528.01 to P460,378.49 in view of the P156,850.48 net adjustment caused by prior period errors.

21.1.4 The Depreciation – Other Property, Plant and Equipment account in CY 2021 was restated from P212,884.33 to P271,623.37 in view of the P58,739.04 net adjustment caused by prior period errors.

21.2 Amortization

Particulars	2022	2021 (As Restated)
Amortization – Intangible Assets	P392,827.20	P809,892.97

The Amortization - Intangible Assets account in CY 2021 was restated from P551,904.02 to P809,892.97 in view of the P257,988.95 net adjustment caused by prior period errors.

21.3 Impairment Loss

Particulars	2022	2021
Impairment Loss-Property, Plant and Equipment	P77,337.43	P70,618.37
Impairment Loss-Intangible Assets	0.00	15,959.60
Impairment Loss-Other Assets	0.00	5,803.99
Total	P77,337.43	P92,381.96

22. Net Financial Assistance/Subsidy

22.1 Financial Assistance/Subsidy from NGAs, LGUs, GOCCs

Particulars	2022	2021
Subsidy from National Government	P308,183,926.79	P272,676,563.90
Financial Assistance/Subsidy	P308,183,926.79	P272,676,563.90
Subsidies-Others	(208,750.00)	(35,000.00)
Net Financial Assistance/Subsidy	P307,975,176.79	P272,641,563.90

22.1.1 The account consists of Notice of Cash Allocation (NCA) received from the DBM and Tax Remittance Advices (TRAs) for CY 2022.

22.1.2 For this year, NCA amounting to P499,157,635.40 was received from the DBM for current operating expenses and payment of execution fees. Details are as follows:

Particulars	Amount
Operating Requirements	P474,068,903.40
Payment of execution fees	25,088,732.00
Total	P499,157,635.40

22.1.3 The total amount of P194,251,012.31 was released to the Regional Branches to fund their operating requirements for the year and prior year's liabilities.

22.1.4 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	2022	2021
Sale of Unserviceable Property	P700.00	P1,500.00
Miscellaneous Income	4,000.00	2,702.00
Total Non-Operating Income	P4,700.00	P4,202.00

Miscellaneous Income account includes proceeds from the sale of the bidding documents and refund of excess of cash advances.

23.2 Gains

Particulars	2022	2021
Other Gains	P1,448.01	P0.00

23.3 Losses

Particulars	2022	2021
Loss on Sale of Property, Plant and Equipment	P9,400.00	P29,002.65

24. Surplus/ (Deficit)

The Surplus/(Deficit) for CY 2021 was restated from P3,000,158.15 to P1,995,173.91 in view of the P1,004,984.24 net adjustments caused by prior period errors in Note 5 hereof.

25. Other Adjustments in Net Assets/Equity

Particulars	2022	2021
Adjustment of Net Revenue Recognized in Net Assets/Equity	P 0.00	(P 204,206.65)
Others Adjustments	(P1,764,595.14)	P169,486.69

The Adjustment of Net Revenue Recognized in Net Assets/Equity pertains to the closing of Cash – Treasury/Agency Deposit – Regular account, while the Other Adjustments account include 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 P172,315.49 was found in the audit of Property Plant and Equipment (PPE) of the National Conciliation and Mediation Board (NCMB) due to accounting errors and improper accounting treatment of transaction, thus affecting the accuracy, existence, classification, and valuation assertions on the reported balances of the uncorrected account. However, the uncorrected misstatement does not significantly affect the overall fair presentation of the Financial Statements (FSs) as at December 31, 2022.

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 Section 111 of Presidential Decree (PD) No. 1445 provides the following:

- 1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.
- 2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.

1.3 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 1: Summary of Uncorrected Misstatements in the FS				
Nature of Deficiency/ Misstatement	RCMB/ Office	Amount (in Php)	Affected Account	Amount Under/ (Over) in Php
Errors in the computation of depreciation for	II	17,414.43	Accumulated Surplus/ (Deficit)	17,414.43
			Accumulated Depreciation - ICTE	17,414.43
	IX	154,901.06	Accumulated Surplus/ (Deficit)	154,901.06

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				
Nature of Deficiency/ Misstatement	RCMB/ Office	Amount (in Php)	Affected Account	Amount Under/ (Over) in Php
CY 2022 and previous year			Accumulated Depreciation – Office Equipment	7,612.85
			Accumulated Depreciation - ICTE	43,788.21
			Accumulated Depreciation – Motor Vehicle	103,500.00
Total Misstatements		172,315.49		

- 1.4 The details of the misstatements and related accounting deficiencies and the corresponding specific recommendations are discussed further in the succeeding paragraphs.

PROPERTY, PLANT AND EQUIPMENT

Errors in the computation of depreciation for CY 2022 and previous year – P172,315.49

- 1.5 Section 27, Chapter 10 of GAM for NGAs, Volume I provides the guidelines and policies regarding the computation of depreciation of PPE.
- 1.6 In RCMB II, the audit team recalculated the depreciation in accordance with the guidelines provided under Section 27, Chapter 10 of the GAM, Upon comparison with what was recognized in the books, it was determined that there was an understatement of P17,414.43 pertaining to the account Information & Communications, Technology Equipment, thus the carrying value of this PPE account and the Accumulated Surplus (Deficit) were misstated by the same amount.
- 1.7 Likewise, in RCMB IX, audit of the PPE accounts revealed that the Accountant Designate used the residual value percentage of 10% instead of the prescribed 5% in computing for depreciation expenses in the current and prior periods. Thus, the PPE accounts are misstated by P154,901.06.
- 1.8 **We recommended and the Management agreed to direct the Accountant - Designate of RCMB II and IX to:**
- a. **prepare the necessary adjusting entries to correct the balances of the affected PPE accounts, including all related Accumulated Depreciation accounts and in future periods, ensure that the computation of depreciation is in accordance with the guidelines set forth in Section 27, Chapter 10 of the GAM for NGAs, Volume I; and**

- b. thereafter, maintain a lapsing schedule for all PPE items to facilitate the computation of depreciation expenses and to present the PPE at its appropriate carrying amount.

Management's Comments:

- 1.9 The adjustment for the errors in the depreciation expense was already been made and recorded per Journal Entry Voucher (JEV) No. 01-2023-001 dated January 2023 (RCMB II) and JEV No. 2023-05-0259 dated March 2023 (RCMB IX).

ACCOUNTING DEFICIENCIES

2. **Other accounting deficiencies were observed in the recording and reporting of financial transactions due to lack of reconciliation, non-preparation or submission of supporting documents/schedules, and misclassification of accounts used which affected the reliability of the year-end balances of Cash and Cash Equivalents, Due from NGAs – Procurement Service -Department of Budget and Management (PS DBM), Inventories, Cash Advance, PPE, Accounts Payable, Inter-Agency Payables and Expenses accounts.**

- 2.1 Section 6(e) Chapter 19 of the GAM for NGAs Volume I enumerated the qualitative characteristics of financial reporting, which 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 Other accounting deficiencies in recording and reporting financial transactions identified, are summarized on the table below:

Table 2: Summary of Other Accounting Deficiencies per Account			
RCMB/ Office	Account	Deficiencies	Amount of Deficiency (in Php)
VIII	Cash and Cash Equivalents	a. Inaccurate presentation of the cash on hand balance in the FS	19,983.00
X		b. Directly recording collections to Cash - Treasury Regular account	16,000.00
IX		c. Improper charging against Petty Cash Fund (PCF)	6,717.60
NCR	Due from NGAs (PS-DBM)	d. Insufficient monitoring of procured items/supplies from PS-DBM	84,600.45
III, IX	Inventories	e. Non-reconciliation of Inventory reports	2,209,292.66
IX		f. Inventories/Semi-Expendable items recorded as outright expense	144,223.00
III, IV-B, IX		g. Non-maintenance of Stock Card (SCs) and Supplies Ledger Card (SLCs)	Not stated

Table 2: Summary of Other Accounting Deficiencies per Account			
RCMB/ Office	Account	Deficiencies	Amount of Deficiency (in Php)
CO, IX		h. Non-submission and non-preparation of Requisition and Issue Slip (RIS), RSPI and Inventory Custodian Slip (ICS)	682,243.05
CO	Cash Advance	i. Erroneous reclassification of Advances to SDO to PCF account	50,000.00
XII		j. Direct recording of cash advance to expense account	270,046.00
IV-A		k. Non-submission of Liquidation Voucher/Report, JEVs, RCIs and RCDs	Not stated
NCR, VIII, IX	PPE	l. Discrepancy between the balances reported per books and RPCPPE	185,745.59
NCR		m. Donated PPEs from DOLE were neither recorded in the books nor included in the RPCPPE	559,640.05
NCR, XI		n. Unserviceable properties still recorded in the books and remained undisposed	1,047,816.70
CO	Accounts Payable	o. Incomplete Supporting documents of Accounts Payable	875,726.68
CO, NCR, I, IV-A, IV-B, VIII	Inter – Agency Payable	p. Unreconciled Balances of Due to BIR, Due to GSIS and Due to PhilHealth	182,333.46
V, IX, X	Expenses	q. Misclassified Expense Accounts	112,418.42
IV-A	Various Accounts	r. Deficiencies in the preparation of FSs	N/A

CASH AND CASH EQUIVALENTS

a) Inaccurate presentation of the cash on hand balance in the FSs

- 2.3 Sound internal control on cash requires prompt and correct recording and reporting of transactions to ensure that financial information is reliable and accurate and reported within the given accounting period.
- 2.4 Section 23, Chapter 19 of the GAM for NGAs, Volume I, provides the guidelines on the Presentation of Statement of Cash Flows.
- 2.5 A review of RCMB VIII's submitted FSs for CY 2022 which includes the Statement of Cash Flows revealed that the beginning cash balance is not included in the computation and presentation thereof. The cash and cash equivalents balance of P4,556.85 as of December 31, 2021, is not added as cash balance at the start of the year for the CY 2022 Statement of Cash Flows. The Cash on Hand balance in the submitted Statement of Financial Position as of December 31, 2022, is also incorrectly stated at P19,983.00.

- 2.6 **We recommended and the Management agreed to direct the RCMB VIII Accountant-Designate to ensure the correct and fair presentation of the account balances in accordance with the GAM for NGAs, Volume I and analyze the Statement of Cash Flows and make the necessary adjustments.**

b) Direct recording of collections to Cash -Treasury Regular account

- 2.7 Annex H of the GAM for NGAs, Volume I illustrate the journal entries in the recognition of collections and remittances.
- 2.8 Upon review of the documents submitted on the collections and deposits, there were no JEVs attached to support the recording of the collections in the books of accounts in RCMB X. Upon inquiry, the Accountant-Designate directly records the collection to the Cash – Treasury Regular account. In effect, there is an understatement in the Cash – Collecting Officer account of P16,000.00 Although the same is credited resulting to a zero balance upon remittance to the Bureau of Treasury (BTr).
- 2.9 **We recommended and the management agreed to require the Accountant-Designate to make the corresponding entry to Cash- Collecting Officer upon collection to impute accountability to the collecting officers and to prepare the JEV for each transaction duly signed and numbered as prescribed by Sec. 40 of Chapter 5 of the GAM for NGAs, Volume I to properly record in the books of accounts of the Regional Office. (RCMB X)**

c) Improper charging against PCF

- 2.10 Section 35, Chapter 6 of the GAM for NGAs Volume I provides the guidelines on the grant, utilization and replenishment of the PCF.
- 2.11 For the period CY 2022 among the expenses charged against the PCF in RCMB IX are annual subscription to multimedia applications Wondershare Filmora (perpetual subscription) and Canva Subscription (one year) amounting to P4,177.60 and P2,540.00, respectively. The practice of reimbursing the payment and charging them against the PCF is contrary to the very nature of the fund. Moreover, the amounts could have been more appropriately reimbursed through the regular disbursement process and paid through check/Advice to Debit Account (ADA) to the personnel. Non-compliance with the guidelines for the grant and utilization of the PCF despite complete documentation nevertheless affects the regularity of transactions being disbursed.
- 2.12 **We recommended and the Management agreed to direct the PCF Custodian to refrain from charging expenditures that go against the purpose for which the PCF was established, instead appropriately disburse these through check/ADA. (RCMB IX)**

DUE FROM NGAs PS-DBM

d) Insufficient monitoring of procured items/supplies from PS-DBM

- 2.13 All agencies of the government shall purchase common-use supplies from the PS as mandated under LOI No. 755 dated October 18, 1978, E.O. No. 359 s. 1989, A.O. No. 17 s. 2011 and such other guidelines issued thereon. Common-use supplies shall refer to those included in the Electronic Catalogue of the PS which shall be regularly updated to include all items commonly procured by agencies of the government.
- 2.14 In NCR, the fund transfers to PS-DBM totaling P328,267.60 vis-à-vis deliveries in CY 2022 of P243,667.15, thus, a balance of P84,600.45 which pertains to the cumulative undelivered items of office supplies and equipment for CY 2022. It was also noted that P9,927.76 of the said balance pertains to prior year's undelivered procurements. Our validation with the concerned personnel showed that monitoring of deliveries was not regularly being performed, thus resulting in the accumulated balance thereof. In fact, the procured items made in the previous year were partially delivered in May, June, and July of CY 2022.
- 2.15 **We recommended and the Management agreed to require the Accountant-Designate and Supply Officer – Designate of NCR to regularly monitor the purchases made with the DBM and its delivery and to assess the necessity of the undelivered items and if found to be no longer needed, require the PS-DBM to immediately refund/remit the amount to the BTr; and/or replace the items which are needed by the Office that are available in the PS-DBM to fully utilize the fund transfers made.**

Management's Comments:

- 2.16 As to the unutilized funds amounting to P84,600.45, the Branch requested the PS-DBM on February 14, 2023 to directly remit to the BTr said amount.

INVENTORIES

e) Non-reconciliation of Inventory reports

- 2.17 Section 17, Chapter 8 of GAM for NGAs, Volume I, provides among others the specific guidelines and procedures in recording the acquisition, issue and disposal of Inventories and also the preparation and/or maintenance of the prescribed records such as, RIS, ICS, Report on the Physical Count of Inventories (RPCI); Report of Supplies and Materials Issued (RSMI), SC and SLC.
- 2.18 Analysis of the inventory accounts of RCMB III disclosed that there is a discrepancy of P2,209,091.70 based on the submitted FSs as of December 31,

2022 between the accounting records and the property records worth P173,441.58 and P2,068,613.48 respectively. Upon inquiry from the Management, the variance noted in the office supplies inventory account was due to incorrect amounts that were picked up (i.e., the itemized costs instead of the amount in total) and the pro-forma format being used by the Management.

- 2.19 On the other hand, a review of the General Ledger, SCs, SLCs, related Disbursement Vouchers (DVs), RIS and RPCI of RCMB IX showed that there are differences in the ending balances per quantities of various supplies noted per RPCI, SLC, SC and per audit using the summarized RIS resulting in unreconciled difference of P200.96. No reconciliation is performed by the accounting and supply unit with regard to the differences in the reports prepared, to wit:

Table 3: Summary of Unreconciled Difference	
RCMB/Office	Unreconciled Difference
III	2,209,091.70
IX	200.96
Total	2,209,292.66

- 2.20 **We recommended and the Management agreed to:**

- a. **require concerned personnel to immediately correct the pro-forma format for the inventory account and effect the true costing for each item of inventories to arrive at a reconciled amount between the accounting and property records; (RCMB III) and**
- b. **direct the Property and Supply Officer Designate to reconcile the differences noted in the quantities reported in the RPCI and the SC and coordinate regularly with the Accountant Designate to ensure that the quantities and costs reported between their records tally to establish the proper balances of Office Supplies Inventory as of year-end or at any given period as necessary. (RCMB IX)**

f) Inventories/Semi-Expendable items recorded as outright expense

- 2.21 Section 9, Chapter 8 of GAM for NGAS Volume I provides the use of Perpetual Inventory Method as the prescribed system to record the supplies and materials purchased for inventory purposes.
- 2.22 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.
- 2.23 Audit of DVs and JEV in RCMB-IX revealed that purchases of supplies and materials totaling P25,135.00 were taken up as an outright office supplies expense, instead of recognizing the same at the time of purchase/delivery in the

Other Supplies and Materials Inventory. The recording of expense should have been made only upon issuance to end-users.

- 2.24 Audit also revealed that purchases of semi-expendable property in RCMB-IX totaling P119,088.00 were taken up as outright Semi-expendable Machinery and Equipment Expenses and Semi-expendable Furniture and Fixtures Expenses in the amount P110,650.00, and P8,438.00, respectively, which should have been recorded as inventory under the Semi-expendable Machinery and Equipment and Semi-expendable Furniture and Fixtures, respectively. Purchases of items/properties taken up as outright expense is summarized on the table below:

Table 4: Purchases of items/properties taken as outright expense		
Date	Particulars	Amount (in Php)
<i>Other Supplies and Materials Inventory</i>		
01/14/2022	NCMB 34Th Anniversary Shirt 2022	3,960.00
01/19/2022	7Pcs Of 2022 Planner	1,155.00
06/13/2022	Customized Shirts For Labor Day Celebration For The Month Of May 1, 2022	5,600.00
09/05/2022	Token Gong For The Speaker On Instagrammable Webinar	2,600.00
09/20/2022	Table Signages	3,000.00
10/26/2022	T-Shirts For The Dole-Rcc9 Sports Fest 2022.	8,820.00
<i>Sub-Total</i>		<i>25,135.00</i>
<i>Semi – Expendable Machinery and Equipment</i>		
03/28/2022	2 Unit Laser Pointer (Generic No Brand)	1,600.00
04/06/2022	Various Information Systems Strategic Plan (ISSP) Office Supplies	8,910.00
03/22/2022	1 unit Epson L3210 printer and 6 units Secure UPS for replacement.	9,540.00
10/26/2022	2 units printer Canon G3010	21,620.00
12/06/2022	portable trolley sound speaker	10,990.00
12/06/2022	1 unit Tablet Ipad Mini 6 th Gen-64GB	45,000.00
12/06/2022	1 unit wireless microphone system	2,200.00
12/28/2022	1 unit stylus pen for Ipad Mini	10,790.00
<i>Semi-expendable Furniture and Fixtures</i>		
09/29/2022	1 unit steel cabinet 4 doors	8,438.00
<i>Sub-Total</i>		<i>119,088.00</i>
Total		144,223.00

- 2.25 **We recommended and the Management agreed to direct the Accountant Designate to record all succeeding purchases of supplies as inventory, following the perpetual inventory method, such that all regular purchases shall be recorded through inventory account and issuances thereof shall be recorded as they take place, except those purchased through PCF. (RCMB IX)**

g) Non-maintenance of SCs and SLCs

- 2.26 Section 17, Chapter 8 of GAM for NGAs, Volume I, provides among others the specific guidelines, procedures and forms/reports in recording the acquisition, issuance and disposal of Inventories which includes the SC, SLC among others.

- 2.27 Item 4.7.1 and 4.7.2 of COA Circular No. 2022-004 dated May 31, 2022 prescribe the forms, registry, and reports to strengthen controls over semi-expendable property, such as Semi-Expendable Property Card (SPC) and Semi-Expendable Property Ledger Card (SPLC).
- 2.28 In RCMB III, the audit is precluded in confirming the existence and the correct actual balance of the inventories due to inability to maintain and/or non-submission of SLCs and SCs of the agency. These SCs provide a system that records all stock movement and which allows someone to compare the stock balance on record with the actual physical stock present. This aids the property officer in correctly amplifying the inventory usage of the agency as well as proper planning for the future use of inventories of the agency.
- 2.29 In RCMB IV-B, the Accountant-Designate and the Supply & Property Officer-Designate failed to prepare/maintain SCs, SLCs, SPC and SPLCs for proper recording, monitoring and reporting of inventory items, thereby limiting the ability of the Management to effectively reconcile the Inventories accounts to establish the correct amount of the asset.
- 2.30 Further, in RCMB IX, six items do not have SLC. No reconciliation is performed by the accounting and supply unit with regard to the differences in the reports prepared.
- 2.31 **We recommended and the Management agreed to require the concerned offices to prepare and maintain the SCs and SLCs respectively, as required in GAM for NGAs, Volume I and COA Circular No. 2022-004. (RCMB III, IV-B and IX)**

h) Non-submission and non-preparation of RIS, RSPI and ICS

- 2.32 Section 17, Chapter 8 of GAM for NGAs, Volume I, provides among others the specific guidelines, procedures and forms/reports in recording the acquisition, issuance and disposal of Inventories, which includes the RIS, ICS, RSMI, RPCI among others.
- 2.33 Section 4.7.7 of COA Circular No. 2022-004 dated May 31, 2022 provides the preparation and maintenance of the Report of Semi-Expendable Property Issued (RSPI).
- 2.34 In CO, inspection made by the audit team and subsequent confirmation thereof revealed that various reference books that should have been classified as semi-expendable assets² totaling P559,640.05 were found in the library room/office of the NCMB. It was noted that the said items were not reflected in the RSPI and

² Section 4.0 COA Circular No. 2022-004 dated May 31, 2022 – Tangible items which meet the definition and recognition criteria of PPE but cost is below Fifty Thousand (P50,00.00) shall be accounted in the books of the agencies as semi-expendable property. XXX..

likewise ICS was not issued to the end-user to establish proper accountability thereto.

- 2.35 Audit of DVs and JEV in RCMB IX, revealed that purchases of supplies and materials totaling P35,645.00 were not supported with RIS, wherein P10,510.00 for purchase of various ISSP supplies were also not supported with the corresponding ICS.
- 2.36 Likewise, it was noted that for Semi-Expendable Machinery and Equipment no RSPI was prepared for the purchased items totaling P86,958.00 and among those purchased items, two items amounting to P13,190.00 were issued without issuance of ICS
- 2.37 **We recommended and the management agreed to:**
 - a. **reflect/include the semi-expendable items in the RSPI for proper monitoring and to issue ICS on the various reference books to the end-user/library custodian to establish accountability thereto; (CO)**
 - b. **instruct the Supply Officers to prepare the RIS, to be used as basis for the recording in the books and to direct the Property and Supply Officer Designate to ensure that all future issuances of semi-expendable property are duly supported by ICS, and to prepare the RSPI to report/summarize all issued semi-expendable property. (RCMB IX)**

CASH ADVANCE

i) Erroneous reclassification of Advances to SDO to PCF account

- 2.38 Section 2, Chapter 6, GAM for NGAs, Volume I provides the definition of the PCF and Special Cash Advance.
- 2.39 In the CO, CA was recognized under the Advances to Special Disbursing Officer account per JEV No. 2022-06-000438 dated June 7, 2022. However, it was reclassified to the Petty Cash account per JEV No. 2022-06-000348 dated June 7, 2022 without appropriate justification and consideration of the nature or purpose of the grant, contrary to the above-cited provisions under COA Circular No. 97-002 dated February 10, 1997.
- 2.40 An inquiry made with the management revealed that this was made to expedite the purchases/procurement of the supplies needed and other incidental expenses in connection with the Health and Wellness Program of the agency. However, as this was included in the agency's APP, the management could have procured the needed supplies and materials on time had they strictly planned and follow the APP.

- 2.41 **We recommended and the Management agreed to stop the practice of using the PCF to defray program funds. (CO)**

Management's Comments:

- 2.42 The Management commented that since Health and Wellness Program was only launched in FY 2022 and due to continuity of the activity, cash advances are inconvenient and will only take much time since the SDO's will need to liquidate from time to time before they can be granted cash advances again. Hence, the management have resorted to Petty Cash citing that these were only minor or incidental expenses that are small to merit in writing and paying through checks or ADA.

j) Direct recording of cash advance to expense account

- 2.43 Chapter 3, Annex A, of the Revised Charts of Accounts (RCA) or GAM for NGAs Volume III provides the description of accounts in the FSs, which includes the Advances for Operating Expenses, Advances for Payroll and Advances to Officers and Employees.
- 2.44 In RCMB XII, cash advances for traveling expenses and gasoline, and a special cash advance totaling P270,046.00 were directly recorded as expenses. The practice of recognizing cash advances directly as expenses upon grant casts doubt on the correctness of the recorded expenses. Moreover, the balance of the related Advances accounts cannot be established since disbursements were not recognized as advances. No misstatement was noted for both accounts, as the cash advances were fully liquidated at year-end.
- 2.45 **We recommended and the Management agreed to require the Accountant-Designate to record the granting of cash advances to their appropriate Advances accounts and recognize expenses only upon liquidation, and prepare the adjusting entries for the fair presentation of the Advances account and related expense accounts in the FSs. (RCMB XII)**

k) Non-submission of Liquidation Voucher/Report, JEVS, RCIs and RCDs

- 2.46 Liquidation Voucher/Report for cash advance per DV No. 2022-04-156; JEVs for December 2022; and RCIs and RCDs for December 2022 in RCMB IV-A were not yet submitted to the Office of the Auditor, contrary to pertinent COA issuances which set the timelines for the submission or rendering of accounts and reports to the Commission. Thus, hindered the early detection and correction of errors/deficiencies, if any, and timely reporting of the audit results to the Management.

- 2.47 **We recommended and the Management agreed to require the Accountant-Designate to strictly comply with the submission of the financial report and other supporting documents in compliance with GAM for NGAs and other relevant COA rules and regulations. (RCMB IV-A)**

PROPERTY, PLANT AND EQUIPMENT (PPE)

l) Discrepancy between the balances reported per books and RPCPPE

- 2.48 Section 58, Chapter 2 of PD No.1445 provides the guidelines on the examination and audit of Assets.
- 2.49 Section 42(g), Chapter 10 of GAM for NGAs, Volume I provide that the RPCPPE is one of the necessary forms/reports maintained by the Accounting and Property Records to account for PPE.
- 2.50 The identified unreconciled balances generated from supply records, RPCPPE, accounting records among others are summarized on the table below:

Table 5: Summary of Unreconciled Balance per Books and per RPCPPE		
RCMB/ Office	Amount (In Php)	Causes of Discrepancy
NCR	154,000.00	The identified discrepancy pertains to the two air conditioning units that were marked as “return to building admin” recognized in the books but where not physically counted. As mentioned in prior years report, these properties had always been part of the reported PPE Account in the FSs of the RCMB-NCR, to date, no appropriate action has been taken by the branch to address the matter.
VIII	22,490.00	The difference pertains to the ICTE account, which reported a nil balance in the submitted RPCPPE but recorded in the books, indicating that the equipment was not physically counted nor included in the property report at year-end.
IX	9,255.59	Comparison of the PPELC and GLs for ICTE similarly showed that the amounts reported as Accumulated Depreciation – ICT and Depreciation Expense – ICT in the documents does not tally with a net difference of P9,255.59. Implying that there might be an incorrect computation of depreciation expense that likewise affects that corresponding accumulated depreciation.
Total	185,745.59	

- 2.51 **We recommended and the Management agreed to require the Accountant – Designate and the Property/Supplier Officer to:**
- a. **conduct regular reconciliation of their records to establish the existence, completeness and accuracy of the account balances. (RCMB VIII, IX); and**

- b. coordinate with the DOLE Property Office on the details or whereabouts of the missing two air-conditioning units, and make appropriate adjustment/reconciliation thereof. (RCMB NCR)**

m) Donated PPEs from DOLE were neither recorded in the books nor included in the RPCPPE

- 2.52 Section 101 of PD 1445 provides that every officer or any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor and for the safekeeping thereof in conformity with law.
- 2.53 COA Circular No. 89-296 dated January 27, 1989 and Section 76 of PD 1445 provide the audit guidelines on the divestment or disposal of property and other assets of NGAs.
- 2.54 Physical count conducted last January 20, 2023, for PPE items revealed that three air-conditioning units are found in different RCMB-NCR Offices. Per inquiry from the Supply Officer Designate, the said units were donated from DOLE Main after the renovation of the Branch's office in CY 2019, however, the said donation/transfer was not adequately supported with proper documentation such as Property Transfer Report (PTR), etc., as a basis for the recording in the books of RCMB-NCR.
- 2.55 **We recommended and the Management agreed to require the Accountant – Designate and the Property/Supplier Officer to coordinate or communicate with the DOLE Property Office on the details or whereabouts of the purportedly donated three air-conditioning units and make appropriate adjustment/correction in the books of accounts. (RCMB NCR)**

n) Unserviceable properties still recorded in the books and remained undisposed

- 2.56 Unserviceable properties must be reported in the IIRUP as cited in Section from the books by debiting Impairment Loss-PPE (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.
- 2.57 Summary of Unserviceable PPE per RCMB, as follows:

Table 6: Summary of Unserviceable PPE		
RCMB/ Office	Amount (in Php)	Details of Unserviceable PPE
NCR	456,260.00	A review of the RPCPPE as of December 31, 2022, includes various unserviceable properties which were just reported as "unserviceable" in the submitted report. Moreover, the IIRUP as of December 31, 2022, was not submitted. Upon verification made by

Table 6: Summary of Unserviceable PPE		
RCMB/ Office	Amount (in Php)	Details of Unserviceable PPE
		the Audit Team during the physical count, it was observed that some properties are no longer in use. This was noted to have been stored in some rooms and areas located on the 1st floor of the DOLE Building. As per Property Officer Designate, these unserviceable properties were already listed in the IIRUP when inventory taking was conducted last year. However, they still have not been disposed of and are observed to be further deteriorating. The said IIRUP remains unsubmitted to the Audit Team and the Accounting Unit. No action was initiated to dispose of the said properties, in fact, these items can still be found in the RCMB NCR office premises.
XI	591,556.70	The Audit Team witnessed the conduct of the yearend physical count of PPE and Semi-Expendable Properties (SEPs) and observed that several unserviceable properties were still seen on the fifth floor of the Agency's rented building. It should be noted that these items were already inspected and appraised by a State Technical Audit Specialist of the Regional Technical Services, Commission on Audit – Regional Office XI, and the related Appraisal Review Report on Property for Disposal was transmitted by the Audit Team on August 18, 2022. Although the Management opted to dispose of some of the said unserviceable properties through transfer without cost last September 8, 2022, a total of 90 unserviceable items costing P591,556.70, however, were still left without further action at the time of the physical count.
Total	1,047,816.70	

2.58 We recommended and the Management agreed to:

- a) require the Property/Supplier Officer Designate to accomplish the IIRUP for unserviceable properties and submit the same to the Disposal Committee for their appropriate inspection and disposal of thereof in accordance with Section 79 of PD No. 1445; (RCMB NCR)**
- b) direct the Appraisal and Disposal Committee to immediately perform the necessary actions to dispose of the remaining unserviceable properties;**
- c) refer to COA Circular Nos. 2022-04 and 2020-006 to guide the Appraisal and Disposal Committee on the appropriate actions to be taken in disposing of the unserviceable properties (in addition to the existing laws on disposal of government properties);**
- d) direct the Appraisal and Disposal Committee to provide the necessary documents to the Accountant for the derecognition of the unserviceable properties from the books of accounts; and**

- e) **submit to the Office of the Auditor proof of completed disposal and derecognition of the unserviceable properties. (RCMB XI)**

ACCOUNTS PAYABLE

o) Incomplete Supporting documents of Accounts Payable

- 2.59 Item 6.1.2 of DBM Circular Letter No. 2013-16 dated December 23, 2013 provides guidelines to recognized obligations as Accounts Payable by the NGA/OU.
- 2.60 Section 2(a), Chapter 6 of the GAM for NGAs, Volume I define Accounts Payable as a valid and legal obligations of the NGAs/OUTs, for which, goods/services/projects have been delivered/rendered/completed and accepted, regardless of the year these obligations were incurred.
- 2.61 Paragraph 6 of Section 4 of the General Provisions of PD No. 1445 provides that claims against government funds shall be supported with complete documentation.
- 2.62 Validation made by the audit team disclosed that the amount booked as an outstanding balance of unpaid obligations totaling P875,726.68 of the CO lack the necessary documents such as billings/SOA/invoices to recognize the same under the Accounts Payable account of the Office. Although the management claimed that services have already been rendered and goods have been delivered, the lack of proof/evidence to support its claims casts doubt on the validity and accuracy of the amount recorded therein.
- 2.63 **We recommended and the Management agreed to require the Accountant to immediately submit or provide the audit team the supporting documents for further verification. (CO)**

INTER-AGENCY PAYABLES

p) Unreconciled Balances of Due to BIR, Due to GSIS and Due to PhilHealth

- 2.64 Unreconciled balances amounting to P178,000.95, P4,300.20 and P32.31 were noted in the Due to BIR, Due to GSIS and Due to PhilHealth accounts respectively, details are as follows:

Table 7: Summary of Unreconciled Balances		
Account	RCMB/Office	Unreconciled Amount (in Php)
Due to BIR	CO	42,960.27
	NCR	31.20
	I	3,788.89

Table 7: Summary of Unreconciled Balances		
Account	RCMB/Office	Unreconciled Amount (in Php)
	IV-B	131,220.59
	<i>Sub-total</i>	<i>178,000.95</i>
<i>Due to GSIS</i>	CO	2,095.22
	IV-A	216.67
	VIII	1,988.31
	<i>Sub-total</i>	<i>4,300.20</i>
<i>Due to PhilHealth</i>	CO	32.31
	Total	182,333.46

- 2.65 Verification disclosed that the said balances pertain to accumulated unreconciled amounts from prior years of which no reconciliation has been done by the management.
- 2.66 **We recommended and the Management agreed to require the concerned Accountants to analyze/assess the causes of the unreconciled balances and immediately effect the necessary adjustments if warranted to correct the reported balances of the affected accounts in the FSs.**

EXPENSES

q) Misclassified Expense Accounts

- 2.67 The RCA (Updated 2019) provides the modified account titles and descriptions of the accounts to properly recognize and present the Agency's financial transactions.
- 2.68 Summary of misclassified accounts is shown on the succeeding table:

Table 8: Summary of Misclassified Expense accounts			
Particulars	Recorded as	Proper Account	Amount (in Php)
RCMB V			
Meal Expenses during staff meeting and various event	Other General Services	Representation Expense	52,387.50
Issuance of Various other supplies and materials		Other Supplies and Materials Expenses	15,767.35
<i>Sub-total</i>			<i>68,154.85</i>
RCMB IX			
Tricycle and Bus Fares within ZC or ZDS	Travelling Expenses	Transportation Expenses	11,300.00
Purchase of LPG and other supplies	Office Supplies	Other Maintenance and Operating Expense	3,745.00
Accountable Forms, Documentary Stamps		Bank Transaction Fee	2,550.00

Table 8: Summary of Misclassified Expense accounts			
Particulars	Recorded as	Proper Account	Amount (in Php)
Car Wash and Cleaning Materials, Stencil Services	Repairs and Maintenance - Motor Vehicles	Other Maintenance and Operating Expense	3,415.00
Service Charges for Deposits	Freight Expenses	Bank Charges	450.00
Power bank 10000MAH	Repairs and Maintenance- Machinery and Equipment – ICT Equipment Expenses	Semi-Expendable Machinery and Equipment as	2,985.00
Extension wire, 4 gang, 3 prong, #14 wire, 10 meters			2,840.00
Extension wire, 4 gang, 3 prong, #14 wire, 20 meters			2,270.00
HDMI Splitter, 1 input, 4 outputs			4,600.00
HDMI, 10 meters			1,596.00
USB 3.0 HUB			750.00
Anti-Static Power Socket	Office Supplies Expense		2,000.00
USB HUB, Hytac 4 port			899.00
USB HUB, Hytac 4 port			825.00
<i>Sub-total</i>			<i>40,225.00</i>
RCMB X			
Purified drinking water	Water Expenses	Other Maintenance and Operating Expense	4,088.57
Total			112,468.42

- 2.69 We recommended and the Management agreed to instruct the Accountant-Designate to properly classify the charges according to the nature of the transactions and review the classification made by the PCF Custodians prior to the recording of expenses to ensure that the accounts charged are appropriate. (RCMB V, IX and X)

VARIOUS ACCOUNT

r) Deficiencies in the preparation of FSs

- 2.70 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 and V, as follows:

Table 9: Summary of Deficiencies in the Preparation of FS			
RCMB/ Office	Criteria Chapter 19 of GAM for NGAs Vol 1	Deficiencies Noted	Particulars
IV-A	<ul style="list-style-type: none"> Section 44 Item 5, Annex F, 	<i>Corrections of prior period errors and adjustments which are not</i>	The Calendar Year (CY) 2021 restated figures in the Statement of Financial Performance and Statement of Financial Position accounts totaling P187,307.05 and P447,307.05, respectively, were not disclosed in the current

Table 9: Summary of Deficiencies in the Preparation of FS			
RCMB/ Office	Criteria Chapter 19 of GAM for NGAs Vol 1	Deficiencies Noted	Particulars
		<i>supported with adequate disclosures in the NFS of the current year</i>	year's Notes to the Financial Statements (NFS) as Prior Year Errors and Adjustments, thus inconsistent with the balances reflected in the CY 2022 FSs and casted doubt on the accuracy, completeness, reliability and overall fair presentation of the FSs.
	• Section 13	<i>Lapses in the information presented in the face of the FSs</i>	Review of the presentation of the FSs showed that there were lapses in the information pertaining to the reporting dates/period covered indicated in the face of the FSs.
	• Section 30	<i>Improper and non-referencing of Notes to FSs</i>	It was noted that the FSs were not properly cross-referred to the NFS, where the 'Note Number' in each line item on the FSs should correspond to the 'Note Number' in the NFS which contains the necessary information to help clarify the accounts on the face of the FSs. In other instances, notes in the NFS for some accounts on the FSs were not updated or referred to a different account. While no 'Note Numbers' was provided in the Statement of Changes in Net Assets/Equity (SCNAE), Statement of Cash Flows (SCF) and Statement of Comparison of Budget and Actual Amounts (SCBAA), and consequently, no disclosures corresponding to them were found in the NFS.
	• Section 16	<i>Preparation of Statement of Financial Position</i>	Guaranty Deposit in the amount of P398,820.00 and P226,200.00 in the CYs 2022 and 2021, respectively, were presented as Other Current Assets, instead of Other Non-Current Assets. These deposits did not satisfy any of the criteria for classification to current assets in Sec 16(a), Chapter 19 of the GAM for NGAs, Volume I. There is no indication that these are expected to be realized within twelve months after the reporting date.
	• Section 20 • Section 44	<i>Preparation of Statement of Changes in Net Assets/Equity</i>	Review of the SCNAE revealed that the restated balance for the CY 2022 was erroneous due to improper presentation of the amounts of changes during the period. Per review of the SCNAE and the related general journal and supporting schedules, the above-mentioned line items presented in column (b) are the proper line items that should be used to present the Changes in Accounting Policy and Prior Period Errors to come up with the correct restated beginning balance of P686,965.85 for CY 2022. The said line items were incorrectly presented as Other

Table 9: Summary of Deficiencies in the Preparation of FS			
RCMB/ Office	Criteria Chapter 19 of GAM for NGAs Vol 1	Deficiencies Noted	Particulars
			<p>Adjustments, while the Surplus/(Deficit) for the period was incorrectly presented as Changes in Accounting Policy, hence resulted to incorrect restated beginning balance of P1,363,555.51.</p> <p>Likewise, the line item Others² contained incorrect amount of P39,250.07 as an addition to the restated balance, but instead it should be a deduction totaling P45,050.07 which consists of P39,250.07 pertaining to the transfer of PPE to another government agency and P5,800.00 for the derecognized expired software. Although the foregoing errors resulted to the same balances at year-end of P1,275,305.44, the restated beginning balances yielded otherwise.</p> <p>Moreover, there was no disclosure on 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 lapses of the accountant in the presentation of line items and balances.</p>
	<ul style="list-style-type: none"> Section 23 	<i>Preparation of Statement of Cash Flows</i>	<p>Review of the SCF revealed the following errors:</p> <p>a) no beginning balance was provided for the Cash and Cash Equivalents; and</p> <p>b) the Increase/(Decrease) in Cash and Cash Equivalents of P25,000.00 was erroneous, as per audit, there should be no balance for the said line item. Therefore, the cash balance at the end of the year presented on the face of the SCF was consequently erroneous.</p>
	<ul style="list-style-type: none"> Section 24 Sections 31 and 32, Section 27 	<i>Preparation of NFS</i>	<p>It was noted in the review of the NFS that there were various lapses in the information/explanation presented, while several disclosure requirements were not presented, among others, such as:</p> <ul style="list-style-type: none"> Note for Inventories in the NFS lacked information on the carrying amount of inventories carried at fair value less costs to sell, the amount of inventories recognized as an expense during the period, the amount of any write-down of inventories recognized as an

Table 9: Summary of Deficiencies in the Preparation of FS			
RCMB/ Office	Criteria Chapter 19 of GAM for NGAs Vol 1	Deficiencies Noted	Particulars
			<p>expense in the period, and the amount of any reversal of any write-down that is recognized in the Statement of Financial Performance in the period, if any, contrary with Sec. 12 (c, d, e, & f), Chapter 8 and Annex F (Note 9) of the GAM for NGAs, Volume I;</p> <ul style="list-style-type: none"> • Note for PPE in the NFS was erroneous. The beginning Carrying Amount presented pertained to the total acquisition cost of the PPEs. Also, depreciation was not indicated, hence, the ending Carrying Amount was erroneous; • Note for Inter-Agency Payables in the amount of P216.67 was not presented; • Note for Subsidy from National Government in the NFS lacked comparative information for the year 2021 and the amounts presented for the year 2022 did not tally with the amount per Statement of Financial Performance Note for Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit) was presented erroneously. The Net Cash Flows from Operating Activities in the SCF did not tally with the amount presented in the Reconciliation.
V	<ul style="list-style-type: none"> • Sections 27, 28, and 29, Chapter 3 of GAM for NGAs, Volume I 	<i>Preparation of SCBAA</i>	Non-preparation and maintenance of budget registries, records and reports by the Budget Unit and the non-inclusion of information that requires disclosures in the NFS by the Accountant Designate, precluded the preparation of a reliable SCBAA which could have provided verifiable budget information to the users of the FSs.

2.71 **We recommended and the Management agreed to require the concerned Accountant-Designate to:**

- a. **correct all the lapses and deficiencies above-noted and provide all the information and disclosure requirements necessary in the SCNAE, SCF, SCBAA and NFS, in compliance with the related provisions under GAM for NGAs, Volume I per COA Circular Nos. 2015-007; and**

- b. furnish the Audit Team copies of the correction/adjustments/revisions made to correct the deficiencies noted.**

Management's Comments

- 2.72 The Management is amenable and will submit the revised NFS for the year ended December 31, 2022, with the correction of lapses and deficiencies for the SCNAE, SCF, SCBAA and NFS.

Auditor's Rejoinder:

- 2.73 The revised NFS was submitted to the Audit Team on March 16, 2023. However, only the following were addressed by the Management, to wit: the deficiencies on the general information/agency profile, cash and cash equivalent, receivables, fidelity bond premiums and insurance expenses were addressed in the revised NFS. The rest of the deficiencies are yet to be addressed by the Management.

OTHER AUDIT AREAS

Budget Utilization

- 3. Out of the P340,611,552.70 allotments received by the Board in CY 2022, P307,293,803.46 or 90.22 percent was obligated, leaving an unobligated balance of P33,317,749.24 or 9.78 percent unutilized as at yearend. The unutilized allotment pertains to the allocation for seminars and trainings and procurement of various office supplies which were not implemented due to the shifting to online platforms and hybrid modalities, unavailability of stocks and other constraints brought about by the current pandemic. However, out of P323,205,080.00 Notice of Cash Allocation (NCA) received for the year, P14,346,146.17 or 4.44% was reverted, thus affecting the optimal use of available resources.**

- 3.1 Section 3.3 of the National Budget Circular (NBC) No. 587 dated January 3, 2022³, prescribe policies, procedures, rules and regulations on the release of funds authorized under Republic Act (RA) No. 11649, the FY 2022 General Appropriations Act (GAA), Continuing Appropriations under RA No. 11518 (FY 2021 GAA) as extended under RA No. 11640, as well as programmed automatic appropriations.
- 3.2 As presented in the Executive Summary of this report, for FY 2022, the Summary of Appropriations, Allotments, Obligations, and Balances of NCMB showed a total adjusted allotment of P340,611,552.70 of which 90.22% or P307,293,803.46 was obligated, resulting in a net 9.78% or P33,317,749.24 unobligated allotment.

³ Guidelines on the release of funds for FY2022

3.3 The succeeding table illustrates the details of the CY 2022 unobligated allotments of P33,317,749.24 as reported in the Consolidated SAAODB, in relation to the various programs, projects and activities (PPAs) of the Agency, to wit:

Table 10: Details of the CY 2022 Unobligated Allotments per PPA						
Programs	Unobligated Current Year Allotment			Unobligated Continuing Allotment		Total Unobligated Allotments
	PS	MOOE	CO	MOOE	CO	
	(In PhP)					
Agency Specific Budget						
General Administration & Support						
General Management& Supervision	0.00	24,962,133.81	2,382,695.76	2,637,915.88	158,033.27	30,140,778.72
Support to Operations						0.00
Policy & Program Formulation, Monitoring and Evaluation and Conciliation/Mediation and Voluntary Arbitration	167,628.15	2,788,676.47	0.00	14203.44	0.00	2,970,508.06
Operations						
OO1-LABOR-MANAGEMENT PARTNERSHIP AND EMPOWERMENT						
Labor Conciliation-Mediation of Requests for Assistance (RFAs), Preventive Mediation (PM), Notices of Strike / Lockout (NS/L), Actual Strike / Lockout (AS/L) and Arbitration Services	0.00	4,296.78				4,296.78
Automatic Appropriations						
Retirement and Life Insurance Premiums	202,161.44					202,161.44
Special Purpose Fund						
Pension and Gratuity Fund	3.97					3.97
For payment of Personnel Benefits	0.27					0.27
General Management & Supervision						0.00
Total Unobligated Allotments	369,793.83	27,755,107.06	2,382,695.76	2,652,119.32	158,033.27	33,317,749.24
Percent to Total Allotment	0.11%	8.15%	0.70%	0.78%	0.05%	9.78%

3.4 As can be gleaned from the table, significant unspent balances were noted in the Current and Continuing Year Allotment for MOOE and CO in the Agency's regular fund totaling P32,789,922.14.

- 3.5 Verification showed that the P29,248,088.38 or 96.19% of the P30,407,226.38 unobligated MOOE allotment were mainly attributed to saving generated through the continued adoption of austerity/ cost-cutting measures to reduce expenses in the government; meetings, conferences, travels and other related expenses were reduced due to shift to online platforms and hybrid modalities; cancelled activities due to government imposed pandemic restrictions and strict compliance with Procurement law among others, to wit:

Table 11: Summary of Unutilized MOOE Allotment				
P/A/Ps	Amount (In PhP)			%
	Adjusted Allotment	Obligation	Unutilized Allotment	
A. Current Year				
Traveling Expenses – Local	4,748,466.10	3,110,365.29	1,638,100.81	34.50
ICT Training Expenses	2,060,000.00	730,680.19	1,329,319.81	64.53
Training Expenses	3,971,679.75	3,271,376.97	700,302.78	17.63
ICT Office Supplies Expenses	3,100,000.00	1,281,553.35	1,818,446.65	58.66
Office Supplies Expenses	3,775,860.65	2,316,810.65	1,459,050.00	38.64
Fuel, Oil and Lubricants Expenses	3,705,419.12	2,570,076.02	1,135,343.10	30.64
Electricity Expenses	7,235,534.77	5,992,145.65	1,243,389.12	17.18
ICT Consultancy Services	1,700,000.00	0.00	1,700,000.00	100.00
Other Professional Services	2,821,606.19	1,646,606.19	1,175,000.00	41.64
Janitorial Services	4,718,658.68	3,806,711.11	911,947.56	19.33
Security Services	7,923,390.88	5,022,685.76	2,900,705.12	36.61
Other General Services	2,712,754.06	1,434,829.83	1,277,924.23	47.11
Printing & Publication Expenses	891,598.00	46,598.00	845,000.00	94.77
Representation Expenses	2,345,392.78	1,700,782.87	644,609.91	27.48
Rents - Building & Structures	13,794,681.24	9,560,665.24	4,234,016.00	30.69
ICT Software Subscription	5,908,000.00	2,412,755.58	3,495,244.42	59.16
Other Maintenance & Operating Expenses	1,472,436.16	1,066,790.37	405,645.79	27.55
Sub-total	72,885,478.38	45,971,433.07	26,914,045.31	
B. Continuing Appropriation				
ICT Office Supplies	359,796.18	(46,084.30)	405,880.48	112.81
Postage and Courier Services	293,840.86	85,182.79	208,658.07	71.01
Mobile	310,634.32	168,342.41	142,291.91	45.81
Landline	367,869.14	98,542.84	269,326.30	73.21
Internet Subscription Expenses	1,422,637.84	891,749.32	530,888.52	37.32
Other Professional Services	566,739.70	169,500.00	397,239.70	70.09
ICT Software Subscription	1,396,675.37	1,016,917.28	379,758.09	27.19
Sub-total	4,718,193.41	2,384,150.34	2,334,043.07	49.47
Total	37,715,493.35	8,467,404.97	29,248,088.38	

- 3.6 Moreover, P2,382,695.76 or 93.78% of the P2,540,729.03 unobligated CO allotment were mainly attributed to unprocured PPE , to wit:

Table 12: Summary of Unutilized CO Allotment				
P/A/Ps	Amount (In PhP)			%
	Adjusted Allotment	Obligation	Unutilized Allotment	
A. Current Year				
Office Equipment	74,000.00	71,468.00	2,532.00	3.42
ICT Equipment	8,355,000.00	7,299,193.94	1,055,806.76	12.64
Printing Equipment	450,000.00	301,025.00	148,975.00	33.10
ICT Software	2,000,000.00	824,618.00	1,175,382.00	58.77
Total	10,879,000.00	8,496,304.24	2,382,695.76	

- 3.7 While, said expenditures is still available for appropriation in the following year, the managements inability to carry out the scheduled projects/programs in the year it was planned signifies unaccomplished activities that could have provided better service to the public.

Cash Utilization

- 3.8 The NBC No. 587 dated January 3, 2022 provides that the Monthly Disbursement Program (MDP) or BED No.3 shall serve as basis for the DBM's release of disbursement authorities including the comprehensive NCA and those to be covered by other disbursement authorities. It is understood that all NCA balances of regular MDS sub-accounts at the end of each quarter are considered lapsed after the last working hour of said quarter.
- 3.9 Analysis of NCA Utilization Report shows P14,346,146.17 or 4.44% was reverted thus affecting the optimal use of resources, details are as follows:

Table 13: Summary of Lapsed NCA per RCMB					
NCA					
RCMB/ Office	Received (in PhP)	Utilized (in PhP)	%	Reverted/Lapsed (in PhP)	%
Central Office	133,752,133.97	122,482,672.74	91.57%	11,269,461.23	8.43%
NCR	32,261,445.53	30,842,533.57	95.60%	1,418,911.96	4.40%
CAR	10,597,894.96	10,416,305.02	98.29%	181,589.94	1.71%
I	6,040,207.73	5,919,403.58	98.00%	120,804.15	2.00%
II	7,466,925.20	7,312,164.06	97.93%	154,761.14	2.07%
III	17,788,714.58	17,425,519.60	97.96%	363,194.98	2.04%
IV-A	17,484,384.94	17,277,072.37	98.81%	207,312.57	1.19%
IV-B	6,835,484.04	6,795,708.95	99.42%	39,775.09	0.58%
V	7,344,460.74	7,290,710.22	99.27%	53,750.52	0.73%
VI	8,836,364.47	8,797,436.37	99.56%	38,928.10	0.44%
VII	16,275,000.06	16,275,000.06	100.00%	-	0.00%
VIII	10,315,808.37	10,232,611.57	99.19%	83,196.80	0.81%
IX	7,207,865.51	7,083,033.68	98.27%	124,831.83	1.73%
X	12,360,811.56	12,242,289.12	99.04%	118,522.44	0.96%
XI	11,027,440.71	10,953,541.54	99.33%	73,899.17	0.67%
XII	9,815,341.01	9,719,112.17	99.02%	96,228.84	0.98%
XIII	7,794,796.63	7,793,819.22	99.99%	977.41	0.01%
TOTAL	323,205,080.00	308,858,933.83	95.56%	14,346,146.17	4.44%

- 3.10 **We recommended and the Management agreed to conduct regular monitoring on the use of allotments and ensure optimum utilization thereof, to timely implement the mandated programs, projects, and activities of the Board.**

Labor Case Management Program

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

- 4. The Board achieved a disposition rate of 96.71 percent or 3,149 disposed cases out of 3,256 handled under the SEnA. Of the 3,149 Requests for Assistance (RFAs) disposed, 2,002 or 64 percent was settled within the Process Cycle Time (PCT) which is beyond the performance target of 60 percent committed under the FY 2022 GAA. Hence, the purpose of SEnA for the judicious speedy settlement of labor issues or conflicts was attained.**

- 4.1 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.”
- 4.2 DO No. 107-10, series of 2010 states that 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.
- 4.3 Same DO provides the 30-day mandatory conciliation-mediation period to conduct the mandatory conciliation-mediation proceedings, and to refer the issue to the appropriate agency if unsettled and its exceptions.
- 4.4 Under the Organizational Outcome (OOs) and Performance Indicators (PIs) of NCMB as provided in the GAA of FY 2022, for Labor Case Management Program with regard to Requests for Assistance (RFAs) for the settlement of labor disputes, the agency committed to a settlement rate of 70% and to effectively settle conciliation and mediation cases within the 30 days/process cycle time (PCT) from 63% baseline to 60% in CY 2022.
- 4.5 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 is shown on the next page.

Table 14: Result of SEnA Program for CY 2022											
Office	RFAs Hand-led	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 ⁴	Total Disposed						
(a)	(b)	(c)	(c/b)	(e)	(c+e)	(g)	(h)	(g/f)	(j)	(k)	(l)
CO	317	222	70%	79	301	208	14	69%	9,068,517.11	272	16
NCR	1,836	1,027	56%	740	1,767	980	47	55%	239,215,500.17	1,329	69
CAR	8	7	88%	1	8	7	0	88%	399,133.35	7	0
I	8	7	88%	1	8	7	0	88%	66,156.28	4	0
II	1	1	100%	0	1	1	0	100%	8,000.00	1	0
III	170	100	59%	69	169	98	2	58%	2,979,725.66	92	1
IV-A	159	105	66%	54	159	102	3	64%	1,904,137.96	95	0
IV-B	0	0	0	0	0	0	0	0	0.00	0	0
V	2	1	50%	1	2	1	0	50%	4,745.00	1	0
VI	16	11	69%	5	16	10	1	63%	846,885.41	50	0
VII	522	430	82%	72	502	408	22	81%	42,098,937.42	1,049	20
VIII	122	107	88%	15	122	99	8	81%	2,030,742.85	160	0
IX	17	17	100%	0	17	17	0	100%	343,944.16	53	0
X	40	35	88%	4	39	31	4	79%	1,945,640.99	133	1
XI	6	6	100%	0	6	3	3	50%	9,429,501.06	6	0
XII	22	22	100%	0	22	22	0	100%	488,182.19	32	0
XIII	10	9	90%	1	10	8	1	80%	4,348,523.40	8	0
Total	3,256	2,107	64.71%	1,042	3,149	2,002	105	63.58%	315,178,273.01	3,292	107
Actual Rate			65%		96.71%			64%			
Target per GAA			70%					60%			

4.6 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 Board had reached a high disposition rate of 96.71 percent or 3,149 disposed cases out of 3,256 handled.
- The CO, RCMBs CAR, I, II, VII, VIII, IX, X, XI, 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 56.39 percent of the total RFAs, however, RCMB NCR attained only 56 percent accomplishment on settlement and 55 percent with the target on PCT. While the CO achieved 70 percent settlement rate and attained a 69 percent of cases settled within the PCT.
- Other than through settlement, of the 3,149 disposed RFAs, 106 were withdrawn, 141 were dropped due to lack of interest, 780 were referred to compulsory arbitration and 15 referred to other government offices or to voluntary arbitration. The table on the next page shows the data.

⁴ 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.

Table 15: Disposition Other than Through Settlement of RFAs for CY 2022						
Withdrawn	Dropped /Lack of Interest	Referred RFAs				Total
		Compulsory Arbitration to NLRC	To DOLE ROs	To other Government Office/s	To Voluntary Arbitration	
106	141	780	13	2	0	1,042

- 4.7 Moreover, it was noted in the RCMB I that the Settlement Agreement and Quitclaim and Release forms were not regularly prepared on the settlement of claims covered by the RFA under the SEnA filed with the Branch, which are not in accordance with Section 4, Rule I and Sections 1 and 2, Rule IV of the DOLE DO No. 151, series of 2016 (SEnA Implementing Rules and Regulations (IRR) pursuant to RA No. 10396). Likewise, the RFA form was not regularly checked as to completeness and accuracy, contrary to the requirement of the NCMB Citizens Charter on the handling of Request for Assistance.
- 4.8 Furthermore, the Cumulative Report of SEnA as of December 31, 2022 by the RCMB-NCR showed discrepancies from the consolidated report SEnA RFA Handled and Disposed from CO as presented on the next table:

Table 16: Discrepancy between the submitted report per RCMB NCR and CO			
Particulars	RCMB NCR Cumulative Report of SEnA	CO Report	Difference
New Cases filed (2022)	1,735	1,758	23
Total Cases Handled	1,813	1,836	23
Disposed	1,722	1,767	45
Settled	997	1,027	30
Referred	530	543	13
Pending	91	69	22
Monetary Benefits	238,348,377.99	239,215,500.17	867,122.18
Workers Benefitted	1,299	1,329	30

- 4.9 **We recommended and the Management agreed to:**
- continue to focus on its good performance for disposition of RFAs based on its targets;**
 - on the settlement of RFAs, direct the SEADO to 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 issue referral to the requesting party as prescribed by laws, rules and regulations; (CO)**
 - the Regional Branch Director to ensure strict compliance with Section 4, Rule I and Sections 1 and 2, Rule IV of the DOLE DO No. 151, series of 2016, and the NCMB Citizens Charter 2022 Edition, by directing the SEADO to use the required SENA forms on the settlement of the**

Requests for Assistance, and to check the completeness of the details in the RFA form and Minutes of Conference, for proper documentation of the handling and settlement of the cases; and (RCMB I)

- d. reconcile the submitted reports with the CO and make the necessary corrections to ensure the accuracy of the data in the reports. (RCMB NCR)**

Management's Comments:

RCMB/ Office	Comments
CO	The management already disposed all the 16 RFAs last January 2023, 14 of which were disposed within the 30-day PCT. As for the two cases noted as pending beyond the PCT, the same were likewise disposed of as of January 2023.
NCR	<p>Management commits the following:</p> <p>Identified the factors on the causes of delays in the disposition of cases, to wit: resetting of conferences and extension of submission of positions papers as agreed by the parties, the time spent for the efforts made by settlement at their level, and the processing time of routing of decision for signatures of the panel of VAs. Hence, the branch intensifies its monitoring of cases and communicates reminder to VAs even to those cases pending 30 days prior to the lapse of the 80-day period.</p> <p>To continue to determine and validate causes of delays in disposition of cases from submission of case for decision through the created VA TWG tasked to closely monitor the same and eventually increase the rate of disposition for those beyond the 90-day PCT.</p>

Settlement of cases under the Voluntary Arbitration (VA) Program

- 5. The Board achieved a disposition rate of 73.57% or 1,467 decided/settled cases out of 1,994 total cases handled for resolution as of December 31, 2022, which is beyond the target disposition rate of 60% for the Voluntary Arbitration (VA) Program committed under the FY 2022 GAA. However, 350 or 66.41 percent of 527 cases pending at yearend were already beyond the 90-day PCT, indicating the need to improve the speedy disposition of cases.**

- 5.1 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.
- 5.2 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.

- 5.3 Under the Organizational Outcome (OOs) and Performance Indicators (PIs) of NCMB as provided in the General Appropriations Act of Fiscal Year 2022, for Labor Case Management Program, the Board committed to a disposition rate of 60% for Voluntary Arbitration in CY 2022.
- 5.4 The Regional Program 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 2022 showed that out of 1,994 total cases handled for resolution a total of 1,467 cases or 73.57 percent were decided/settled as of December 31, 2022, while, 350 or 66.41 percent of 527 cases pending at yearend were already beyond the 90-day PCT, indicating the need to improve the speedy disposition of cases Furthermore, the program had benefitted 1,566 workers with a monetary amount totaling P3,991,462,466.10
- 5.5 However, it was noted that the CY 2022 beginning balance of 430 cases reflected in the table below differed from that of the 438 cases indicated as ending balance in the previous year accomplishment report of the Board. The status of the VA cases is presented on the table below.

Table 17: Voluntary Arbitration Program Status for CY 2022					
Voluntary Arbitration Cases	Quantity	Within PCT	Percentage Within PCT	Beyond PCT	Percentage Beyond PCT
Ending Balance, 12/31/2021	430				
Received Cases	1,564				
Total Cases Handled	1,994				
Less: Disposition					
Settled	1,037	984	94.89	53	5.11
Decided	430	41	9.53	389	90.47
Total Disposed	1,467	1,025	69.87	442	30.13
Pending at Year-End	527	177	33.59	350	66.41
Disposition Rate (Total Cases Disposed/Total Cases Handled) (1467/1994)	73.57%				
Target Rate per GAA	60.00%				

- 5.6 At the end of CY 2022, 350 or 66.41 percent of 527 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.

- 5.7 The reasons mentioned by VA Unit for RCMB NCR for cases disposed beyond the PCT are as follows:
- When there is a Motion for an extension to file position paper/reply/rejoinder; and
 - The parties requesting additional conference/s to discuss the issue for possible settlement.
- 5.8 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.
- 5.9 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.
- 5.10 Furthermore, as already noted in the previous year, the reported Summary of VA Cases Handled as of December 31, 2022, by the RCMB NCR still showed discrepancies from the reported data of the VAD from CO as follows:

Table 18: Summary of VA Cases Handled for CY 2022			
Particulars	Per RCMB NCR Summary of VA Cases Handled	Per VAD CO Report	Difference
Pending Beginning	393	390	3
New Cases filed (2022)	1,504	1,503	1
Total Cases Handled	1,897	1,893	4
Disposed	1,413	1,409	4
Decided	372	380	8
Settled	1,032	1,029	3
Monetary Benefits	4,178,738,043.69	3,950,602,199.82	228,135,843.87
Workers Benefitted	2,107	1,551	556

- 5.11 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.
- 5.12 **We commended the Management for its strategies which resulted in achieving disposition rate of 73.57 % which is beyond the 60% target rate.**

5.13 **However, we recommended and the Management agreed to:**

- a. explain and identify the causes of the delays in the disposition of cases; and**
- b. reconcile and make the necessary corrections on the submitted reports by the RCMB NCR and CO.**

Management's Comments

5.14 The RCMB NCR commits to identify the factors on the causes of delays in the disposition of cases, to wit: resetting of conferences and extension of submission of positions papers as agreed by the parties, the time spent for the efforts made by settlement at their level, and the processing time of routing of decision for signatures of the panel of VAs. Hence, the branch intensifies its monitoring of cases and communicates reminder to VAs even to those cases pending 30 days prior to the lapse of the 80-day period.

5.15 Further, the Management commits to continue to determine and validate the causes of delays in disposition of cases from submission of case for decision through the created VA TWG tasked to closely monitor the same and eventually increase the rate of disposition for those beyond the 90-day PCT.

Internal Control

6. Deficient observance by eight RCMBs of the Internal Control System under Sections 123 and 124 of PD No. 1445 on the proper handling/safekeeping, monitoring and accounting of cash collections and disbursements, property accountability, segregation of duties, thus risk of loss of funds, properties and documents may not be prevented.

6.1 Section 123 and 124 of the PD No. 1445 provides the following:

- a. Section 123. Definition of internal control. Internal control is the plan of organization and all the coordinate methods and measures adopted within an organization or agency to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies.
- b. Section 124 Installation. It shall be the direct responsibility of the agency head to install, implement and monitor a sound system of internal control.

6.2 The Internal Control Standards for the Philippine Public Sector (ICSPPS) is a professional pronouncement promulgated by the Commission on Audit that provides guidelines on a broad framework, within which the internal control

system of government agencies shall be built in and integrated with the basic management processes of planning, executing, and monitoring.

6.3 ICSPPS defines segregation (or separation) of duties as the type of control where no singular, individual or team should control all key stages (authorizing, processing, recording, reviewing) of a transaction or event to reduce the risk of error, waste, or wrongful acts, and the risk of not detecting such problems.

6.4 Deficiencies noted are as follows:

Table 19: Summary of Internal Control Weaknesses		
RCMB/ Office	Basis	Observation
<i>Improperly maintained Property Reports/Forms/Records</i>		
NCR	Section 21, Chapter 10, GAM for NGAs Volume I;	Updated PARs were not prepared for some PPE items while some are not renewed for at least every three (3) years or every time that there is a change in accountability or custodianship of the property, as required in Section 21, Chapter 10, GAM for NGAs, Volume I.
X	Appendix 26 of the GAM for NGAs Volume II ; Section 39 of Chapter 5, Volume I; Section 68 of PD 1445	The format of the RCD prepared by the Collecting Officer was not compliant with the form prescribed thus, lacked the following information: <ul style="list-style-type: none"> a. Responsibility Center Code; b. Payor; c. Particulars; d. MFO/PAP; e. Breakdown of Collections; f. Certification of the Collecting Officer g. No amount in words; indicated in the Accountable Forms (AF). h. No marked check as to mode of payment (Cash/Check/ Money Order); in the AF i. No name of the Collecting Officer printed in the OR.
	Section 40 of Chapter 5 of the GAM for NGAs, Volume I	There was a CRR or Cashbook maintained by the Collecting Officer. However, deposits or remittances to the BTr were not recorded in the CRR. Hence, the CRR reflects only the collections but no credits as to the remittances and the balance column was not filled in. Upon inquiry, it was found that the Accountant and Collecting Officer were newly designated and they lacked the training necessary in the discharge of their duties and responsibilities. Thus, there is a deficiency in the preparation of the reports and other documents. Furthermore, it was found that no JEVs were printed and duly signed for all transactions in the agency. Instead, the transactions were directly recorded in the General Journal.
<i>Incompatible duties and functions due to lack of personnel</i>		
II	COA Circular No. 2018-007 dated February 1, 2018	The Administrative Officer signs "Box A", certifying that expenses/cash advance necessary, lawful and incurred under his direct supervision. Considering his designation as Cashier, he also prepares and issues check /ADA for payment. This present set-up of the agency signifies weakness in internal control which might compromise the integrity of transactions, particularly on disbursements made by the Branch. The CO designated Mr. Caliguiran as the Cashier, since the Branch has only six permanent employees on board, who are also holding multiple designations
XII	Items 8 and 8.1 of the Handbook on Cash Management and Control System	The Cashier performs multiple tasks involving the recording of transactions for both Cashiering, Budgeting and Human Resource Officer functions. Interviewed by the Cashier it was due to a lack of manpower. However, the Team commends the Cashier for the non-delayed submission of the deadlines of reports to both the CO and the Office of the Audit Team.

Table 19: Summary of Internal Control Weaknesses		
RCMB/ Office	Basis	Observation
<i>Non-Liquidation of previous cash advance</i>		
VIII	Section 4.1.2; 4.1.7;4.3.3;4.4.3 of COA Circular 97-002 dated February 10, 1997	Simultaneous cash advances were granted to the Cashier-Designate without liquidating first her previous cash advances contrary to the abovementioned provision of COA Circular. It was observed that the Cashier-Designate is granted several cash advances on the same day, with three to four checks at most issued on the same day totaling P1,912,597.12. Likewise, Payment of Salaries, Allowances, and Bonuses of regular personnel of the branch was paid through cash advance weekly instead of using the payment method of ADA. Also, cash advances for other specific purposes were encashed and disbursed thru the Cashier-Designate, which resulted in the accumulation of cash advances without proper liquidation of previous cash advances.
<i>Lack of policy on estimated useful life of Semi-Expendable Properties</i>		
XI	Items 4.7 to 4.13 COA Circular No. 2022-004 dated May 31, 2022	<p>Non-issuance of the Board's policy on the estimated useful life of the issued semi-expendable properties (SEPs) costing by at least P2,749,299.86 as at yearend contravened Sections 4.12 and 4.13 of the COA Circular No. 2022-004, thus leading to lack of basis to determine the extent of accountability of every branch personnel/end-user as at a given date as well as lack of deciding factor to determine the propriety of procuring another SEP of similar nature/type requested by the same end-user.</p> <p>Management could have: (1) assigned property numbers (PNs) indicating the year of acquisition as the first 4 figures of the PN which could facilitate easy determination of the age of the SEPs; or (2) referred to Item 5.6 of COA Circular No. 2020-006 dated January 31, 2020 on the assignment of property numbers for PPE.</p> <p>The Board has not issued, so far, its own Policy determining/providing the estimated useful life (EUL) of each semi-expendable property.</p>
<i>Failure to conduct physical count</i>		
IV-B	Section 13, Chapter 8 of GAM for NGAs, Volume 1	Verification revealed that RCMB IV-B did not conduct an actual physical count of inventories in CY 2022. Hence, the non-submission of the Physical Count of Inventory and other corresponding reports, affects the existence and completeness of the recorded items in the books. Likewise, the accuracy of the year-end balances could not be ascertained.
<i>Guidelines and procedures in the conduct of physical count of PPE were not observed and failure to conduct year-end inventory taking of PPE</i>		
NCR	Section 38, Chapter 10 of the GAM for NGAs Volume I; Item 5.2, 5.3, 5.6, 5.9, 5.10 and 5.11 of COA Circular No. 2020-006 dated January 31, 2020	The Branch did not observe the required presence of Inventory Committee members in conducting the physical inventory count. Verily, there were no representatives from the Accounting Unit and other Inventory Committee members during the physical count conducted last January 20, 2023, in contravention of section 5.2 of COA Circular 2020-06. Moreover, the agency did not comply with some of the important provisions of COA Circular 2020-06, particularly on Items 5.3,5.6,5.9,5.10, and 5.11.
IV-B		The Branch did not conduct an actual physical count of inventories and PPE in CY 2022. In view thereof, the existence and completeness of the recorded items in the books as well as the accuracy of the year-end balances could not be ascertained.
V		The Inventory Committee has no approved Physical Inventory Plan (PIP) and the branch did not prepare the PIP, no inventory working papers, no list of PPEs found at station or list of non-existing/missing PPE, some PPEs were not recorded individually in the PPELC as compared to the recording in the PC. It was noted that the PPE and other Semi Expendable Equipment were already tagged/labeled with property stickers before the activity. The tagging of the property sticker should be done during the physical count of the PPE as this will vouch that the inventory taking of PPE indeed took place.

6.5 We recommended and the Management agreed to:

- a. require the Property/Supplier Officer to maintain and update regularly the PARs as required and conduct at least semestral reconciliation of their records and reports with the accounting records; (RCMB NCR)**
- b. require the Inventory Committee to fully comply/observe the presence of required personnel in the conduct of inventory in accordance with provisions set forth in COA Circular No. 2020-006 dated January 31, 2020; (RCMB NCR)**
- c. make representation with the DBM for additional plantilla positions; (RCMB II and XII)**
- d. to instruct the Supply and Property Officer-Designate to regularly conduct physical count of inventory pursuant to GAM for NGAs, Volume I and the related guidelines and procedures in COA Circular No. 2020-006 dated January 31, 2020; (RCMB IV-B)**
- e. require the Accountant-Designate, Supply and Property Officer-Designate Inventory Committee to regularly conduct physical count of inventory and PPE items pursuant to GAM for NGAs, Volume I and the related guidelines and procedures in COA Circular No. 2020-006 dated January 31, 2020; (RCMB IV-B and V)**
- f. enjoin the Inventory Committee to complete the physical inventory taking, including the other procedures for the one-time cleansing of PPE which should be completed within three months but not later than October 31, 2023 and submit the PIP to the Audit Team, at least ten (10) days before the scheduled physical inventory taking; (RCMB V)**
- g. use the ADA as a method of paying salaries, allowances, bonuses; and require the Accountant to refrain/stop granting additional cash advances to officers and employees without first liquidating their previous cash advance/s; (RCMB VIII)**
- h. require the Collecting Officer to prepare and maintain the prescribed format of the Report of Collections and Deposits and Cash Receipts Records and fill out all the particulars on the face of the Official Receipt (Accountable Form 51); (RCMB X) and**
- i. create a Technical Working Group (TWG) to determine the specific estimated useful life for each semi-expendable property and for approval by the Head of the Agency. (RCMB XI)**

Management's Comments:

RCMB/ Office	Comments
NCR	The Branch commented that the Inventory Committee shall fully comply/observe the presence of required personnel in the conduct of inventory in accordance with provisions set forth in COA Circular No. 2020-006 dated January 31, 2020.
IV-B	The Management commented that the Regional Branch Director already directed the Supply and Property Officer-Designate to consistently conduct physical count of inventory and PPE of the Branch and ensure to observe the pertinent provisions of GAM for NGAs, Volume I. The Branch Director further instructed the Supply and Property Officer-Designate to immediately coordinate with the Audit Team to set the physical count of PPE and inventories as early as possible.
V	The former Supply Officer Designate explained that the conduct of physical inventory this year was based on the manner of the conduct of inventory since 2018. It was only during the monitoring on implementation of one-time cleansing of PPE when he realized that there are procedures that they did not perform and that they will abide by the procedures in the Circular and the timelines.
XI	<p>The Branch already referred to the Central Office the concern on the determination of the Estimated Useful Life of each type of semi-expendable property and the latter is already in the process of drafting the policy which will be disseminated to all regional branches.</p> <p>The Supply Officer-Designate will replace the property number of each semi-expendable property with one that contains the year of acquisition. Prescribed forms were already used for reports related to SEPs.</p>
XII	Management justified during the exit conference that the Branch has only six (6) personnel composed of the Regional Director, Supervising LEO, Senior LEO, LEO III, Admin Officer IV and Admin Aide II. Currently, two (2) personnel were in the Admin section and other personnel were all technical staff. As per their functions, they are required to be in field in the promotion of the Board's Program areas, hence, in as much as, the branch wants to maintain internal control in all aspect of their financial operations, they could not comply just as yet due to lack of enough manpower to segregate functions or designations on cash accountabilities to personnel. The position of AO III is currently vacant, and its filling-up is still on process. With the limited personnel, the branch assures to enhance its internal control over cash transactions while assumption of the branch new AO III is still pending.

Auditor's Rejoinder:

RCMB/ Office	Rejoinder
XI	We commend Management's immediate action on referring the matter to the Central Office for the issuance of a policy that will be used by all regional branches. The Audit Team will expect updates from Management on the matter as well as validate the changes made on the property numbers.

Compliance with RA 9184

- 7. Inadequate compliance with some provisions of the Revised Implementing Rules and Regulations (RIRR) of RA No. 9184 in the procurement of goods and services was observed in the CO and four RCMBs, thus precluding other eligible suppliers**

to participate and ensuring that the most economical and advantageous prices were accorded to the government.

- 7.1 Annex H of R.A No. 9184 and the revised Implementing Rules and Regulations (IRR) of 2016 provides the Consolidated Guidelines for the Alternative Methods of Procurement, which shall be resorted only in the highly exceptional cases provided in the Guidelines, and subject to the prior approval of the head of Procuring Entity upon recommendation of the Bids and Awards Committee (BAC). In all instances, the Procuring Entity shall ensure that the most advantageous price for the government is obtained.
- 7.2 On the other hand, another alternative method of procurement provided in the RIRR of RA No. 9184 is Negotiated Procurement. Primarily, it states under Section 53 that “Negotiated Procurement is a method of procurement of Goods, Infrastructure Projects and Consulting services, whereby the Procuring Entity directly negotiates a contract with a technically, legally and financially capable supplier, contractor...”. One form of which is Small Value Procurement (SVP).
- 7.3 Section 53.9 provides that Small Value Procurement is applicable to procurement of Goods, Infrastructure Projects and Consulting Services, where the amount involved does not exceed the threshold prescribed in Annex "H" of this IRR or P1,000,000.00. Provided that, in case of Goods, the procurement does not fall under shopping in Section 52 of the IRR.
- 7.4 Section 52. Shopping-Annex H of the revised Implementing Rules and Regulations of R.A. 9184 (Updated as of 31 March 2021) provides the guidelines on direct purchase/procurement of airline tickets.
- 7.5 The Consolidated Guidelines for the Alternative Methods of Procurement as incorporated in Annex H (E) of RA 9184 and its RIRR states the guidelines on the Advertisement and Posting of Procurement Opportunity for alternative methods of procurement.
- 7.6 Summary of deficiencies noted per RCMB is shown on the following table:

Table 20: Summary of Observations per Office		
RCMB/ Office	Applicable Laws, Rules & Regulations	Observation
<i>Planned project/activity did not undergo the price canvass or request for quotation</i>		
CO	Section 7.1, Section 52.1 (b) of the IRR of RA 9184;	Purchases of goods/meals totaling P184,932.72 for a planned program/activity were paid in cash instead of a check. Records showed that disbursements for the procurement of meals or food during the conduct of the six planned programs of the agency were made through cash advance. It was noted that purchases were made from various suppliers/establishments including markets, stores, restaurants, and groceries for a specific program on a given day without adhering to the necessary procurement process.
<i>Inappropriate Adoption of Alternative Method of Procurement of Goods</i>		
I	Section 10 Rule IV; Section 48.1 Rule XVI of the	The procurement of the desktop and laptop computers totaling P138,400.00, were made by adopting Small Value Procurement instead of procuring it from

Table 20: Summary of Observations per Office		
RCMB/ Office	Applicable Laws, Rules & Regulations	Observation
<i>Planned project/activity did not undergo the price canvass or request for quotation</i>		
CO	Section 7.1, Section 52.1 (b) of the IRR of RA 9184;	Purchases of goods/meals totaling P184,932.72 for a planned program/activity were paid in cash instead of a check. Records showed that disbursements for the procurement of meals or food during the conduct of the six planned programs of the agency were made through cash advance. It was noted that purchases were made from various suppliers/establishments including markets, stores, restaurants, and groceries for a specific program on a given day without adhering to the necessary procurement process.
	2016 RIRR of RA 9184; Section 53 of IRR -RA 9184	<p>The DBM PS or adopting Shopping as the mode of procurement, which is not in conformity with the provisions of Rule XVI of the IRR of RA 9184.</p> <p>The desktop and laptop computers are included in the List of commonly-used equipment per the DBM PS catalogue, thus, must be procured from the DBM PS, or if not available, to adopt Shopping as the mode of procurement.</p> <p>Since the Branch adopted the SVP, they awarded the contract to the single supplier who submitted the quotation, depriving the government of the chance to obtain the most advantageous price of the items had they procured it from the DBM PS or adopted Shopping as the mode of procurement, wherein three price quotations should have been obtained and evaluated.</p>
<i>Non-posting of Procurement Opportunities and Awards</i>		
II	Annex H (E) of RA 9184; Section 52.1(b), Section 37.6, 53.1 and 53.9 of the IRR of RA 9184	<p>In the Procurement of one unit Desktop and one unit Laptop funded thru the ISSP CY 2022- Capital Outlay totaling P149,980.00, it was noted that the RFQ and Notice of Award were not posted in PhilGEPS or in any conspicuous place reserved for the purpose in the premises of the PE.</p> <p>The BAC and BAC Secretariat admitted that they overlooked the posting requirement per R.A. 9184 and its Revised IRR. As a result, suppliers other than those who quoted during the canvass were not given the opportunity to offer their price quotation and at the same time the public was not informed as to the awarding to the winning supplier. Hence, transparency in the said stages of procurement was not achieved.</p>
<i>Lapses in the conduct of procurement through shopping</i>		
III	Section 52.1.b of the R.A. 9184; Item 3.1.2 (Minimum Requirements) Manual of Procedures for the Procurement of Goods	<p>Comparison of Branch's bidders for the procurement of one unit desktop per Check No. 2721244 dated June 20, 2022; and procurement of two (2) laptops per Check No. 2721245 dated June 06, 2022; Check No. 2721245 dated June 06, 2022 showed that procuring entity chose the winning supplier over the other bidders with lower prices because of the premium or additional features offered even if they are not listed as minimum requirements in the purchase request and RFQ. This is evident by the signed abstracts of bids/canvass attached to the transaction.</p> <p>Given the item descriptions stated in the purchase requests, RFQs posted in the PhilGEPS and the physical copies of request for price quotation, the item descriptions were all met by all the losing bidders / suppliers who submitted their quotations. These descriptions are the minimum requirements such that the presence or absence of the technical requirements is the sole basis for determining technical compliance. The procuring entity shall ensure that all bids / quotations are responsive to the minimum requirements as specified in the bidding documents or in these cases in the RFQs posted.</p> <p>Due to these lapses, the procurement of information technology equipment showed disparity in evaluating the minimum requirements set forth by them. The requirements and additional information were not transparently provided to potential suppliers. The process was skirt according to their desired specifications without being crystal clear to other suppliers. Ultimately, this decry the stated policy of the R.A. 9184 to promote good governance and its effort to adhere to the principles of transparency, accountability, equity, efficiency, and economy in its procurement process.</p>

Table 20: Summary of Observations per Office		
RCMB/ Office	Applicable Laws, Rules & Regulations	Observation
<i>Planned project/activity did not undergo the price canvass or request for quotation</i>		
CO	Section 7.1, Section 52.1 (b) of the IRR of RA 9184;	Purchases of goods/meals totaling P184,932.72 for a planned program/activity were paid in cash instead of a check. Records showed that disbursements for the procurement of meals or food during the conduct of the six planned programs of the agency were made through cash advance. It was noted that purchases were made from various suppliers/establishments including markets, stores, restaurants, and groceries for a specific program on a given day without adhering to the necessary procurement process.
<i>Procurement of Airline Tickets from Private Agencies</i>		
XII	Section 52. (ii) Shopping-Annex H of the revised Implementing Rules and Regulations of R.A. 9184	<p>The airline ticket for official travels of its official/ employees were being procured from private travel agencies instead of directly procuring the same flight from the airline company.</p> <p>Verification of records showed that the airline tickets were being procured from two private travel agencies, the F and J Travel and Tours and Travelsure International Travel and Tours as of December 31, 2022, total payments made to these amounted to P78,825.00 for CY 2022.</p> <p>The practice of the Agency of procuring airline tickets for the official travels of its officials and employees from private travel agencies results in the incurrence of additional costs due to the services fees being charged by the said agencies. Hence, such additional cost is unnecessary and irregular and could have been avoided had the airline tickets been procured directly from the airline company.</p>

7.7 We recommended and the Management agreed to:

- a. strictly follow the rules and regulations on granting, utilization and liquidation of cash advances provided in COA Circular 97-002 dated February 10, 1997 and submit the lacking documentary requirements;
- b. submit/secure justification on the granting of CAs for the implementation of programs/activities instead of the regular mode of disbursement through payments of checks to the suppliers and deviation made deviation made on securing at least three price quotation from the known or bonafide suppliers/dealer; (CO)
- c. purchase commonly-used supplies and equipment from the DBM PS or if not available, to conduct Shopping as an alternative mode of procurement or adopt the appropriate alternative mode of procurement of goods, taking into consideration the conditions enumerated under Annex H (Consolidated Guidelines for the Alternative Methods of Procurement) of the 2016 Revised IRR of RA 9184;
- d. instruct the BAC and BAC Secretariat to strictly comply with the posting and other requirements for procurement as prescribed in RA 9184 and its Revised IRR; (RCMB I and II)

- e. **require the Accountant to submit the documentary requirements to the Audit Team and ensure the completeness of documents before payment to substantiate the regularity of claims;**
- f. **instruct the Bids and Awards Committee to strictly adhere to the standards set forth in the Revised IRR of R.A. No. 9184 to ensure transparency and accountability in the procurement process;**
- g. **direct the BAC Chairman to explain why the contracts were awarded to the bidders with higher price and why they subscribed to the additional features offered by the suppliers, even if these are not among the minimum requirements set forth;**
- h. **require the Procurement Officers provide a set of precise and clear specifications to procure the right products that will serve the needs effectively and efficiently; and (RCMB III)**
- i. **stop the practice of procuring airline tickets from a private agency. (RCMB XII)**

Management's Comments:

RCMB/ Office	Management's Comments
CO	On granting of cash advance for the implementation of programs/activities instead of regular mode of disbursement through payments of checks, the management commented that the vendors prefer cash payments since some of the activities were only done in half day and activities only require small expenses.
III	Management commented thru AOM Reply dated December 02, 2022 that they believed that higher specs greatly affect the utility and performance of the computer. Since the quoted amounts were within the approved budget, the Branch resorted to procure the said ICT equipment which was against and in violation of RA 9184.

Incomplete documentation of financial transactions

8. Disbursements totaling P1,142,079.10 were made 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 dated June 14, 2012, thus legality and propriety of the recorded transactions cannot be immediately established.

- 8.1 Section 4, Paragraph 6 of PD No. 1445 provides that claims against government funds shall be supported with complete documentation.
- 8.2 Section 68(1), P.D. No. 1445 provides that as official receipt shall be immediately issued as acknowledgement of payment of any nature received by the collecting officer.

- 8.3 Section 40 of Chapter 5 of the GAM for NGAs, Volume I provides that based on the Report of Collections and Deposits (RCD), the Accounting Unit shall prepare a JEV in two copies and signed "Prepared by" and "Certified Correct by" in the portion of the JEV.
- 8.4 Furthermore, COA Circular No. 2012-001 dated June 14, 2012 prescribes the revised guidelines and documentary requirements for common transactions.
- 8.5 Review and evaluation of the various disbursements of CO, RCMBs VI, IX, X, and XIII amounting to P1,142,079.10 were found to be not supported with the necessary documentary requirements, hence casting doubt on the validity, legality and propriety of transactions, as shown on the following table:

Table 21: Summary of Financial Transactions with Incomplete documentation			
RCMB/ Office	Nature of Transaction	Amount (In Php)	Deficiencies/ Lacking Documents
CO	Payment for Internet Access for the months of October to December 2022	131,221.87	Several payments made thru ADA lacks the necessary ORs issued by the payee.
	Toll Fees	7,278.00	Toll Fees were only supported with RER instead of Official Receipts (ORs), contrary to Section 1.2 of COA Circular 2012-001 dated June 14, 2012
VI	Purchase of supplies, furniture, and equipment	473,077.04	DRs supporting the purchase of supplies, furniture, and equipment were lacking required signatures, inconsistent with Section 9.2 of COA Circular No. 2012-001 dated June 14, 2012, thereby casting doubt on the validity of submitted documents, and may deprive the Agency of the primary documentary proof of the actual delivery.
IX	Fuel Expense	107,790.67	The required documents and reports for monitoring the fuel consumption were not properly accomplished as prescribed by the Manual on Audit for Fuel Consumption of Government Motor Vehicles particularly the Driver's trip tickets, which is used to monitor and control the use of government motor vehicles in relation to the fuel, milage and the users of the vehicles are concerned
X	Refund of unutilized Cash Advance	908.85	<p>The refund of unutilized cash advance was deposited to the Bureau of the Treasury – Regular Fund with LBP Account No. 3402-2844-20 on September 7, 2022 but no Official Receipt (OR) was issued by the Collecting Officer for such refund.</p> <p>Upon inquiry, the Accountant and Collecting Officer were confused as to the nature of the collection, thus, it was directly deposited to the BTr account without an OR issued. A copy of the validated ONCOLL Payment Slip was instead</p>

Table 21: Summary of Financial Transactions with Incomplete documentation			
RCMB/ Office	Nature of Transaction	Amount (In Php)	Deficiencies/ Lacking Documents
			submitted as supporting document in the liquidation of the cash advance.
	Collections	16,000.00	There were no JEVs attached as evidentiary support in the recording of the collections in the books of accounts
XIII	Office and Information and Communication (ICT) Equipment	311,629.58	No Property Acknowledgement Receipt (PAR) to establish the accountability of the property of the issued property instead they issued Inventory Custodian Slip which is used for semi-expendable properties.
	Repair and Maintenance for motor vehicle and ICT equipment	94,173.09	Absence of pre-repair inspection and post-repair inspection.
	Collective Negotiation Agreement		Without certification from the Head of the Agency that the incentive was sourced solely from the available balances of allowable MOOE allotments and as a result of cost-cutting and systems improvement measures as undertaken collectively by the agency and its personnel, comparative statement of DBM approve level of operating expensed and actual operating expenses.
Total		1,142,079.10	

- 8.6 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.
- 8.7 **We recommended and the Management agreed to require the concerned Offices to submit the lacking documents/ documents with complete data or information, if necessary.**
- 8.8 The Management commented as follows:

Office/ RCMB	Management Comments
CO	<p>The Board has already coordinated with the concerned suppliers for the issuance of the corresponding ORs for the remaining three (3) DVs, for eventual submission to the auditor's office before the end of April 2023.</p> <p>With regards to inappropriate documentary requirements, the management commented that the toll fees were either lost and no available OR from the machine when they loaded the RFID Autosweep. The FMD already instructed the concerned personnel to ask the store for the issuance of OR before transacting and always ask for receipt for every transaction and to be mindful of the ORs since these are necessary documentary requirement liquidate the advances granted.</p>

Non -submission/non-preparation of property reports/records and other required documents

9. Delayed or non-submission/preparation of property and other reports in the two RCMBs is contrary to PD No.144, GAM for NGAs and pertinent COA Circulars, hence precluded the prompt audit of accounts and financial transactions, property accountabilities and the timely reporting of the audit results.

- 9.1 Various COA issuances, including pertinent GAM for NGAs provisions, require the submission of financial reports and other documents to the Audit Team within the deadlines provided therein, to wit:

Table 22: CY 2022 Summary submission of financial reports/records	
Basis	Particulars
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.
Section 1.2 of COA Circular 2012-001 dated June 14, 2012.	Prescribes the revised guidelines and documentary requirements for common transactions.
Section D.5, D.6 and D.7 of COA Circular No.75-6 dated November 7,1975 and COA Circular 77-61 dated September 26,1977; Manual on Audit for Fuel Consumption of Government Vehicles,	Provides the requirements applicable to the audit of fuel consumption and the use of government vehicle
Section 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009	Copy of any purchase order irrespective of amount, and each and every supporting document, shall, within five (5) working days from issuance thereof, be submitted to the Auditor concerned.

- 9.2 Deficiencies noted in the submission of documents/reports are as follows:

Table 23: Summary of reports/documents not submitted/prepared for CY 2022	
RCMB/ Office	Observations
NCR	<p>The Monthly Report on Official Travel and Monthly Report on Fuel Consumption together with the accompanying Driver's Trip Ticket for CY 2022 were not yet completely submitted to the Audit Team, which hampers the timely audit and evaluation of the regularity, propriety, completeness and accuracy of recorded transactions as required by existing laws, rules and regulations.</p> <p>Upon inquiry with the concerned personnel revealed that one of the assigned drivers of the branch was issued with Administrative Charge due to simple neglect of duty, violation of reasonable office rules and regulations, and insubordination and was suspended for one year from May 26, 2022, to May 25, 2023. On the other hand, the submitted reports of Mr. Cuadra cover only the months of January to February 2022 and are still subject for revisions due to inconsistencies of the data provided</p>

Table 23: Summary of reports/documents not submitted/prepared for CY 2022	
	therein. Meanwhile, report covering March to May 2022 were not yet reported/submitted to the branch.
IV-A	Copies of approved Purchase Orders (POs) and contracts with aggregate amount of P1,300,129.69 were either delayed or not submitted to the Office of the Auditor within the prescribed period, contrary to Section 3.2.1 of COA Circular No. 2009-001, thus auditorial review could not be undertaken and hindered the early detection and rectification of defects/deficiencies, if any. Moreover, 16 POs did not have conformity dates by the suppliers, thus posing risk of loss to the government funds such that penalties for non-performance, short deliveries or non-conformity with the PO specifications by the supplier may not be imposed, contrary to Section 104 of Presidential Decree (PD) No. 1445.

- 9.3 The continued delay in the submission of property 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.
- 9.4 **We recommended and the Management agreed to require the concerned offices to strictly comply with the preparation and submission of the property and other reports and supporting documents, and other reports in compliance with GAM for NGAs and other relevant COA rules and regulations within the prescribed period.**

Gender and Development (GAD)

10. The NCMB had allocated and utilized at least five percent of their FY 2022 appropriation for GAD programs and activities, in compliance with Section 34 of the General Provisions of the GAA for FY 2022. However, deficiencies were noted in the submitted GAD Plan and Budget (GPB) and GAD Accomplishment Report contrary to the guidelines set forth in PCW-NEDA-DBM Joint Circular No. 2012-01.

- 10.1 Section 34 of the RA No. 11639, otherwise known as the GAA of FY 2022, requires that the GAD Plan shall be integrated in the regular activities of the agencies which shall be at least five percent (5%) of their budgets and the preparations and submission of the annual GAD Plan and annual GAD Accomplishment Report (AR) subject to the guidelines issued by the agencies concerned.
- 10.2 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.

- 10.3 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.”*
- 10.4 The Annual GAD Accomplishment Report of NCMB for FY 2022 submitted to PCW showed that the Board had allocated P19,060,479.93 or 6.52 percent of its FY 2022 appropriation and utilized P16,913,748.73 or 5.79 percent for GAD programs and activities, in compliance with Section 34 of the General Provisions of the GAA for FY 2022.
- 10.5 Deficiencies, however, were noted in the implementation of GAD Activities in CO and various RCMBs as follows:

Table 24: Deficiencies Noted in the Implementation of GAD	
RCMB/ Office	Observations
CO	<p>10 of the 11 formulated GAD activities were implemented by NCMB- CO, however, the maintenance of the lactation facility was not accomplished to date.</p> <p>It was also noted that the variance of P58,353.49 between GAD Budget and Actual Cost was a result of both under and over utilization of the intended GAD Budget for various GAD Activities. The agency explained that this was due to the following: a.) additional time spent by the official and employees increased the PS attribution; b.) increased number of attendees; and c.) some face-to-face seminars were conducted thru online platforms because of the continuous risk brought by COVID-19.</p>
NCR	<p>The Branch had seven (7) client-focused activities listed in their PWC-endorsed GPB, to be implemented thru integration of gender responsive programs, projects and activities in the regular activities of the branch. It was noted that the agency had actual results for the specific GAD activity for the Conduct of gender and development and orientations, joint consultation meetings with companies with LMCs and social partners, but it failed to allocate PS and MOOE attribution pertaining to the accomplished activity; hence, no actual cost was reported. The lack of reported actual cost of the abovementioned GAD Activities renders the GAD Accomplishment Report incomplete and will deter the assessment of actual accomplishments vis-à-vis the properly endorsed GAD Plan and Budget to ascertain its correct utilization. Moreover, four (4) of the client-focused GAD Activities were not accomplished, hence, the intended benefits of the plan were not fully achieved.</p> <p>Furthermore, the Branch has ten (10) organization-focused activities which were implemented except from the maintenance of lactation facility, thereby; no attribution was reported for such. Ocular inspection likewise revealed that the GAD Corner was already maintained by the agency; hence, the gender issue identified which is to provide access to information regarding policies on women and the rights of each worker was addressed.</p>

Table 24: Deficiencies Noted in the Implementation of GAD	
RCMB/ Office	Observations
II	<p>There was no endorsed GPB and GAD AR for CY 2022 submitted to the COA contrary to Section V of COA Circular No. 2014-001 dated March 8, 2014.</p> <p>In view of the absence of the duly endorsed GPB and approved GAD AR, the Audit Team was not able to fully verify and validate Management's compliance on the implementation of programs and projects related to GAD as required by the GAA</p>
IX	<p>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. Rather, the GAD Focal directly computed the cost of the PS and the MOOE regardless of whether the programs were purely GAD activities or mainstreamed agency programs that would need to be assessed using the HGDG tool to determine its GAD responsiveness.</p> <p>It was also found that the GAD AR submitted is not in compliance with the prescribed format given in PCW-NEDA-DBM Joint Circular (JC) 2012-01 and there were some programs included in the GPB but were not accomplished during the year.</p>
XI	<p>Inquiry with the Regional GAD Focal Person disclosed that Management only prepared the Region's CY 2022 GPB after they received the approved Branch wide Annual GPB from the Central Office.</p> <p>This action is inconsistent with the prescribed schedule to be observed in GAD planning and budgeting as detailed above. The CY 2022 GPB should have been prepared and submitted by the Regional Branch XI to the Central Office by November of 2020 and not 2022, thus, it should be prior to the dissemination of the approved NCMB GPB.</p> <p>Inquiry with the GAD Focal Person also revealed that there was still no gender analysis conducted by them to determine the actual expenditure that can be attributed to the GAD budget. Despite being the subject of an audit observation during the calendar year 2021, the situation remains unchanged.</p> <p>It must be reiterated that attribution can only be determined by assessing the gender-responsiveness of every program or activity thru the conduct of gender analysis using the HGDG tool.</p>

- 10.6 We commended the Management on its effort and commitment to implement the GAD-related programs/projects of at least five percent of its total approved appropriations for CY 2022, as required in Section 34, General Provisions of RA No. 11639 (FY 2022 GAA), for promoting gender-responsive governance, women's economic empowerment, protection and fulfillment of women's human rights.**
- 10.7 However, we recommended and the Management agreed to provide relevant training opportunities for the regional personnel to gain more knowledge and skills on the preparation of the annual GPBs; to capacitate them in identifying gender issues at the regional level and its appropriate programs and activities to resolve the issues; and to enable them to make gender analysis that also demonstrates how the HGDG tool is used.**

Management's Comments

10.8 The Management gave the following comments, as follows:

RCMB/ Office	Comments
CO	The NCMB-CO exerted efforts to hold its programmed activities despite the surge of COVID-19 cases and continuous restrictions imposed by the Government throughout the country. In 2021 and prior years, the management provided a room that was dedicated to lactating personnel and clientele. However, in 2022 the said facility was temporarily converted into office/work space to accommodate the two newly appointed personnel for the recently approved plantilla position. The management is now in the process of identifying the area or space for the lactation room and are committed to comply with the audit recommendation.
II	In a letter dated February 1, 2023, Management informed that honestly they are not aware of the timelines in the submission of the GPB and GAD AR to COA, however, they explained that they prepared and submitted the 2022 Annual GPB of the branch to NCMB Central Office to meet the timeline in their OPCR and likewise submitted the GAD AR to COA on January 12, 2023 which according to Management is seven (7) days delayed per COA timelines stated in the COA Circular.
XI	<p>Management explained that the Branch was actually able to submit a GPB for CY 2022 on September 18, 2020. However, the Central Office (CO) asked the Regional Branches (RBs) to use the old format, thus revised GPB was submitted on September 30, 2021. The CO then asked for reconsideration from the PCW relative to the endorsement of the Agency GPB. On November 7, 2021, the GAD Technical Working Group provided the RBs with details pertaining to the comments and observations of the PCW needing action, thus resulting in a series of revisions from February 1, 2022 until April 9, 2022. It was only on July 18, 2022 that the PCW-endorsed GPB was finally disseminated to the RBs.</p> <p>Management further clarified that the CY 2022 GPB submitted to the Central Office on November 10, 2022 was actually for the RB to comply with one of the indicators in the Branch's OPCR.</p> <p>Management informed that the GAD personnel concerned were able to attend seminars entitled "Capacity Building for Gender and Development Focal Point System (GFPS)/Alternates Gender Analysis: Use of HGDG and GMEF" on July 8-10, 2019 and the "Gender Mainstreaming Evaluation Framework (GMEF) Workshop" on October 24, 2022 via Zoom. Hence, the Branch takes opportunity to learn more about the application of HGDG and shall coordinate with the Central Office GFPS to resolve the issue.</p> <p>Management committed to do its best to strictly comply with the guidelines issued by the agencies concerned.</p>

Auditor's Rejoinder:

RCMB /Office	Comments
XI	Based on the comments of the management relative to the audit finding, necessary details were not provided to the Audit Team when the GAD Focal Person was asked for a copy of the RB XI's CY 2022 GPB. In this regard, it is suggested that the

RCMB /Office	Comments
	<p>Audit Team be immediately furnished a copy of the submitted GPB to the CO for consolidation, to support the Branch's observance of the prescribed timeline for the preparation and submission of Regional GPBs.</p> <p>On the other hand, the series of GPB revisions that were still happening during the supposedly year of implementation, and consequently the dissemination on July 18, 2022 of the PCW-endorsed CY 2022 GPB which gave only less than half of the year to implement the approved GAD PAPs, would however manifest flaws on the observance of the prescribed timeline on the submission of GPB by the Agency.</p> <p>The Audit Team encourages continuous development to improve the capabilities of the personnel concerned to proficiently comply with the requirements and meet the objectives of GAD.</p>

Programs for Senior Citizens and Differently Abled Persons

11. The CO and the 16 RCMBs had formulated plans, programs and activities related to Senior Citizens (SCs) and Differently Abled Persons implemented and integrated the same in their regular activities in accordance with Section 35 of GAA for FY 2022. Thus, the agency was able to address the concerns of SCs and PWDs.

- 11.1 Section 35 of the General Provisions of RA No. 11639 or the GAA of FY 2022 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.
- 11.2 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.
- 11.3 The CO and the 16 RCMBs had formulated an Agency Plan for SCs and PWDs and had accomplishment as follows:

Table 25: SC and PWDs Accomplishments for CY 2022		
RCMB/ Office	Accomplishments	Amount (In PhP)
CO, RCMBs NCR, CAR, III, IV-B & X	Posted priority seats signages, a comfortable waiting area with potable drinking water, coffee/tea (including disposable cups & stirrer) was provided for SCs and PWD employees and clients. Also, assistance was provided to senior citizens in the preparation/accomplishment of documentary requirements to the Central Office and GSIS and coordinated with GSIS and Central Office for the availment of the pre-retirement seminar from GSIS. Moreover, Antigen Testing Kits to Senior Citizen & Differently abled employees who attended activities held outside the office premises was provided.	123,640.74
	Involved the Senior Citizens in the seminars and other activities conducted by the Board such as follows:	

Table 25: SC and PWDs Accomplishments for CY 2022		
RCMB/ Office	Accomplishments	Amount (In PhP)
CO	a) Women's Month Celebration and Online Lecture on Attending to the Affairs of the Heart on Feb. 14, 2022;	1,167.00
	b) Capacity Building Program entitled, "Reinforcing Employees Relations Amidst Adversity for a Productive Workforce, 20-22 April 2022	51,213.84
	c) Online Lecture on Nutrition for a Healthy Life, 18 July 2022;	1,977.14
	d) Online Lecture on Maintaining a Healthy Memory, 5 October 2022;	1,947.23
	e) Online Lecture on Elder Abuse and National Situationer of the Older Person in the Philippines, 2 December 2022;	17,646.74
	f) Purchase of T-shirts for our Senior Citizen;	8,650.00
II	g) Conduct of 34th NCMB Founding Celebration on January 4, 2022;	3,490.00
	g) Online Webinar on Volunteerism among senior citizen/older adults on October 5, 2022, 10AM-12NN;	1,277.00
III	Implemented the following activities: 1) SCs and PWDs Corner Improvement; 2) IEC Materials; 3) COVID-19 Prevention and Control Measures LS/Seminars	214,548.05
IV-B	h) Lectured on Elder Abuse and National Situationer of the Older Person in the Philippines, December 2, 2022 via Zoom platform.;	308.75
V	Webinar on E Konsulta	2,913.91
	Online Healing Mass	1,409.53
	In house Seminar on Nutrition and Diet	8,545.76
	Year End Activity with Senior Citizen	26,500.65
VII	i) Conduct of Lecture-Forum on Senior Citizens' Affairs at Barangay Lupa, Compostela, Cebu, 17 September 2022;	10,835.80
	j) Participation of Branch personnel in the Group Learning Session on Lecture on Maintaining a Healthy Memory, 05 October 2022;	2,500.00
	k) Inclusion of Laws/Issuances on PWD (RA7277) in the Learning Session of NCMB in cooperation with the Association of Industrial Peace Advocates of Central Visayas on 24 October 2022 held at Goldberry Suites, Cebu City attended by 89 participants from 49 companies.	2,075.80
VIII	Implemented the following activities: 1. Facilitated the administration of Covid Booster Shots of senior citizen employees at RTR Hospital; 2. Invited the four retirees of the branch to the NCMB Anniversary Celebration and Year-End Celebrations; 3. Attendance of all staff in online lecture on Elder Abuse and National Situationer of the Older Persons in the Philippines; 4. Attendance of all staff in Online Lecture on Pneumococcal Disease and Vaccination in the Workplace; and 5. Streamers/Banners posted in the branch FB page: 19th Celebral Palsy Awareness Protection and National Elderly Week	13,550.00
X	Initiated a gift-giving activity to six (6) children with disabilities, two (2) blind, one (1) mentally incapacitated, one (1) with cerebral palsy, one (1) with cleft palate, one (1) with collodion skin condition and seventeen (17) victims of circumstances under the care of the Reception and Study Center for Children under DSWD-	28,100.00

Table 25: SC and PWDs Accomplishments for CY 2022		
RCMB/ Office	Accomplishments	Amount (In PhP)
	X. The Branch provided essentials, such as, diapers, moisturizing lotion, milk, garments, toiletries, footwear and food.	
CO, RCMBs NCR, I, VIII, X	Provided the NCMB offices with emergency medicines, Inoculated Flu & Pneumonia Vaccines and medical supplies and equipment such as Face masks, Alcohol (Unprescribed Medicines-First Aid Kit), Sanitizers, Air Freshener, Disinfectant Spray, Covid-19 Disinfection (Misting), Table, BP Apparatus., weighing scale, and Employee Health Wellness Check Kit.	176,791.87
CO	Provided transportation for SCs availing of AWA arrangement	10,000.00
CO, RCMBs I, VII & XII	Provided token of appreciation and plaque of appreciation to all retired personnel; Conducted Tribute to Retiree – Salamat See You Around Program and convergence of Team Enhancement Exercises in Honor of our Retiring Personnel: Director Rogen S. Cumba (Feb. 14, 2022), Conciliator-Mediator Maribeth N. Gopez (June 29, 2022), Director Gil G. Caragayan (October 12-13, 2022) and Mr. Edgar M. Pesidas on December 02, 2022; and distribution of plaque of appreciation to all retired clienteles and active social partners	141,730.63
Total		850.820.44

- 11.4 We commended the Management of 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.**

Compliance with RA No. 656 or the Property Insurance Law

12. The CO and RCMBs insured their properties and assets totaling P98,882,783.64 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.

- 12.1 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.
- 12.2 The CO and 16 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 on the next page.

Table 26: Summary of Insured Properties			
RCMB/ Office	Property Insured	Amount of Insured Asset	Amount of Premium
		(In PhP)	
CO	Office Supplies and Equipment	23,256,944.62	122,844.85
	Motor Vehicle	4,590,802.40	34,530.01
NCR	Furniture, Fixtures and Equipment	4,503,266.99	28,145.17
	Motor Vehicle	2,939,665.00	16,445.39
CAR	Property Other than Motor Vehicle	1,067,132.94	9,313.77
	Motor Vehicle	953,673.71	6,513.55
I	Equipment	1,781,827.13	19,810.13
	Motor Vehicle	1,003,136.50	8078.83
II	Motor Vehicle	960,618.23	6,732.65
	Office Building including Garage, Fence, Flagpole and Landscaping	9,726,589.83	111,877.20
	Office Contents	602,248.81	
III	Various Office Supplies, Furniture, Fixtures and Equipment	964,108.61	7,598.15
	Motor Vehicle	4,212,679.10	20,113.94
IV-A	Motor Vehicle	2,345,968.12	17,265.26
	Various PPE	889,118.15	10,622.88
IV-B	Various Office Supplies, Furniture, Fixtures and Equipment	2,036,078.94	4,867.38
	Motor Vehicle	922,645.81	6,397.83
V	Furniture, Fixtures and Equipment	1,039,084.00	12,497.58
	Motor Vehicle	1,209,426.00	14,962.09
VI	Motor Vehicle	3,424,185.00	20,685.26
	Various PPE (Office Equipment, ICT Equipment, and Furniture and Fixtures)	2,354,067.00	16,940.30
VII	Various office supplies, furniture, fixtures and equipment	1,562,999.54	9,574.25
	Motor Vehicle	1,112,652.95	20,674.72
	Building	7,871,606.01	50,543.00
VIII	Office Equipment	259,191.00	2,252.40
	IT Equipment	880,350.90	7,650.35
	Furnitures and Fixtures	182,256.50	1,583.83
	Communication Equipment	43,838.00	381.42
IX	Various Office Furnitures, Fixtures, Equipment and Contents	651,506.50	9,428.23
	Motor Vehicle	2,510,000.00	10,628.26
X	IT Equipment	419,070.00	26,087.42
	Office Equipment and Furniture and Fixtures	1,950,408.74	14,552.95
	Motor Vehicle	2,034,000.00	10,865.39
XI	Contents of Building	2,976,178.87	14,228.94
	Motor Vehicle	1,280,000.00	9,434.43
XII	Information Technology Equipment	1,712,360.76	4,280.90
	Motor Vehicle	1,340,244.48	6,449.78
XIII	ICT Equipment	1,312,852.50	9,447.87
Total		98,882,783.64	704,306.36

12.3 **We commended the Management of the CO and 16 RCMBs for their strict adherence 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.

Compliance with other Mandatory Deductions or the withholding and remittance of other Inter-Agency Payables

13. For CY 2022, the Board has substantially complied with timely remittances of the mandatory member's and government agency's contributions pursuant to the laws and regulations of the BIR, GSIS, HDMF and PhilHealth.

13.1 Inter-agency payables are taxes/premium payments withheld from employees and other entities for remittance to the different government agencies/institutions. These are payables to BIR, GSIS, PhilHealth and Pag-IBIG.

13.2 Remittances of contributions, withheld or collected amounts as inter-agency payables to BIR, GSIS, PhilHealth and Pag-IBIG are governed by the following provisions of law and issuance:

Agency	Legal Basis/ Provisions
BIR	<p><i>BIR Revenue Regulations No. 11-2018 and RR No. 2-98, as amended</i>, provides the pertinent provisions relative to the withholding of income taxes on compensation while <i>BIR Revenue Memorandum Circular No. 23-2007 dated March 20, 2007</i> provides the clarifications on the computations of withholding taxes and other requirements on government money payments due or payable to suppliers of goods and/or services.</p> <p><i>Section VI of BIR Revenue Memorandum Order No. 23- 2014</i> The following officials are duty bound to deduct, withhold and remit taxes: For NGAs, GOCCs and other Government Offices, the Chief Accountant and the Head of Office or the Official holding the highest position (such as the President, Chief Executive Officer, Governor, General Manager).</p> <p>The penal provisions of the same Memorandum Order provide under Section VII thereof: “Every officer or employee of the Government of the Republic of the Philippines or any of its agencies and instrumentalities, its political subdivisions, as well as government-owned or controlled corporations, including the Bangko Sentral ng Pilipinas (BSP), who is charged with the duty to deduct and withhold any internal revenue tax and to remit the same is guilty of any offense herein below specified shall, upon conviction for each act or omission be punished by a fine of not less than Five thousand pesos (P5,000) but not more than Fifty thousand pesos (P50,000) or suffer imprisonment of not less than six (6) months and one (1) day but not more than two (2) years, or both:</p> <ol style="list-style-type: none"> Failing or causing the failure to deduct and withhold any internal revenue tax under any of the withholding tax laws and implementing rules and regulations; Failing or causing the failure to remit taxes deducted and withheld within the time prescribed by law, and implementing rules and regulations
GSIS	<p><i>RA No. 8291 on Proper Deductions and Remittances of Government Service Insurance System (GSIS) Premiums</i></p> <ol style="list-style-type: none"> Section 6(b) - Each employer shall remit directly to the GSIS the employees' and employers' contributions within the first ten (10) days of the calendar

Agency	Legal Basis/ Provisions
	month following the month to which the contributions apply. The remittance by the employer of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees.
PhilHealth	<i>RA No. 7875 on PhilHealth Premium Contributions</i> Section 11- Remittance of contribution shall be mandatory for all members. It shall be made to PhilHealth offices or to any of the accredited collecting agents. Failure to timely remit the appropriate premium contribution shall be subject to interest and penalties as prescribed by the Corporation without prejudice to other applicable penalties as provided by law.
Pag-IBIG	<i>RA No. 9679 on Proper Deductions and Remittances of PAG-IBIG Premiums</i> Under Rule VII, Section 3(a) - All employers shall remit to the Fund their contributions and the contributions of their covered employees as well as the latter's loan amortizations or payments to the Fund, as provided for under Section 2 of this Rule, when applicable, within fifteen (15) days from the date the same were collected unless another period is previously agreed upon between the employer and the Fund, or within such periods as the Fund may prescribe otherwise.

- 13.3 The NCMB's Statement of Financial Position as of December 31, 2022 as shown on the table below:

Table 27: Summary of withholding and remittances of Inter-agency payables			
Account	Amount (In PhP)		
	Transactions as at December 31, 2022		
	Withheld including prior Balances	Remitted	Unremitted
Due to BIR	26,040,005.81	25,862,004.86	178,000.95
Due to GSIS	41,762,092.20	41,757,792.00	4,300.20
Due to PhilHealth	4,363,379.86	4,363,347.55	32.31
Due to Pag-IBIG	4,601,549.05	4,601,549.05	0.00
Balance	76,767,026.92	76,584,693.46	182,333.46

Status of Settlement of Audit Suspensions, Disallowances and Charges

14. Audit Disallowances amounting P70,323,407.79 remained unsettled at yearend.

- 14.1 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.
- 14.2 There were no unsettled audit Charges, while the beginning balance of Suspensions amounting to P375,428.37 was settled in CY 2022, and Disallowances of P70,323,407.79 remained unsettled at yearend, as shown on the next page.

Table 28: Summary of Disallowances, Suspensions and Settlements for CY 2022								
Office/ Region	Amount							
	Beginning Balance		Issued		Settled		Ending Balance	
	Disallowances	Suspensions	Disallowances	Suspensions	Disallowances	Suspensions	Disallowances	Suspensions
	(In PhP)							
CO	70,273,407.79	375,428.37				375,428.37	70,273,407.79	-
RCMBs:								
NCR	50,000.00						50,000.00	
VIII	1,238.16				1,238.16		-	
Total	70,324,645.95	375,428.37	0.00	0.00	1,238.16	375,428.37	70,323,407.79	0.00

- 14.3 The unsettled disallowances amounting to P70,323,407.79 consist of the unauthorized benefits or Appreciation Gift given to NCMB personnel who retired from the service during CYs 2012 to 2016 amounting to P94,940.00 and the Judgement Award of P70,228,467.79 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.

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

We have followed up on the actions taken by the Board to implement the prior year's audit recommendations and noted that 70 or 100 percent were implemented by the Board. The details of implemented audit recommendations are presented hereunder:

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p><i>Accounting Errors, Omissions, and Misstatements</i></p> <p>Total misstatements of P667,905.48 were 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, omissions and misstatements thus affecting the accuracy, existence, classification, and valuation assertions on the reported balances of the affected accounts.</p> <p>INVENTORIES a. Misstatements in Inventories account – P135,849.52</p> <p>RCMB-IVA and RCMB-XI – issued items not yet included in the expense account.</p> <p>b. Purchased Office Supplies directly charged to Expense account of P34,840.00. (RCMB NCR)</p>	<p>CAAR pages 35-46 CY 2021</p>		

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>We recommended and Management agreed to:</p> <p>RCMB-XI</p> <p>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</p> <p>RCMB-IVA</p> <p>b. Ascertain compliance with the above-stated provisions, particularly Section 10(b), Chapter 8, GAM Volume I.</p> <p>RCMB-NCR</p> <p>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.</p>		<p>The Accountant-Designates of RCMBs IVA and XI already made adjusting entries to correct the balances of affected accounts.</p> <p>The Accountant Designate of RCMB-IVA on the other hand is now complying with provisions of Section 10(b), Chapter 8, GAM Volume I. Semi-Expendable Properties are recognized as expense upon issuance to the end-users.</p> <p>The Accountant Designate of RCMB-NCR now uses the Perpetual Inventory Method of accounting for supplies and materials.</p> <p>Supplies are now recorded as Office Supplies Inventory upon receipt and expense upon issuance to end-users.</p> <p>Journal Entry Voucher No. 2022-03-084 was drawn to correct the balances of affected accounts.</p>	<p>Implemented</p> <p>Adjusting entries were made by the Accountant per JEV Nos. 2021-12-748 to 2021-12-753, dated December 31, 2022, totaling P68,338.00.</p> <p>Implemented</p> <p>Adjustment was made as per JEV No. 2022-05-255 dated May 31, 2022.</p> <p>Implemented</p> <p>Per verification in GL, RCMB NCR is already recording Inventory as an Asset upon purchase/receipt and Expense when issued.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>OTHER CURRENT ASSETS</p> <p>a. Misstatements in Other Current Assets account by P84,071.66. (RCMB IV-A)</p> <p>b. Erroneous recording of prepayment as outright expense</p> <p>Audit of payments for insurance renewal of motor vehicle in RCMB IX revealed that the whole amount of P21,390.45 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 P8,671.66 should have been recorded to Prepaid Insurance account following the above-cited provisions.</p> <p>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).</p>		<p>The Branch has made the necessary adjustments.</p> <p>JEVs have been drawn to correct the balances of affected accounts.</p>	<p>Implemented</p> <p>Adjusting entries for the reclassification to proper accounts were made thru JEV No.2022-03-134 dated March 31, 2022</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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.</p> <p>PROPERTY, PLANT AND EQUIPMENT</p> <p>a. Errors in the computation of depreciation for CY 2021 and previous year</p> <p>In RCMB I, audit of the Accumulated Depreciation accounts totaling P2,772,712.62 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 P229,801.16.</p> <p>In RCMB II, analysis of the Accumulated Depreciation of the various PPE accounts showed that the year-end balances totaling</p>			<p>Implemented</p> <p>Adjusting entries were made to reflect the unexpired portions thru JEV Nos. 2022-03-0174 to 178 dated March 31, 2022.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>P4,145,777.70 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.</p> <p>In RCMB XIII, review of the financial position as of December 31, 2021 disclosed that the office equipment has a balance of P140,944.00 in the books of accounts with an accumulated depreciation of P152,545.33, thus the asset has a negative balance of P11,601.33.</p> <p>We recommended and the Regional Branch Director agreed to:</p> <p>RCMB I, II and XIII</p> <p>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</p>		<p>Accountant Designates concerned were instructed to comply with the proper use of accounting estimates in computing depreciation of PPEs.</p> <p>Adjusting entries have been made to correct the balances of affected accounts.</p> <p>RCMB-XIII's Accountant Designate is now maintaining the Schedule of Depreciation Expenses for PPEs to facilitate the computation and</p>	<p>Implemented</p> <p>The concerned Branches already complied with the audit recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>estimated useful life of the equipment.</p> <p>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.</p> <p>INTANGIBLE ASSETS</p> <p>a. Erroneous recording of PPE-ICT and Subscription Expense to Intangible Asset</p> <p>In RCMB NCR and RCMB IV-A the amount of P110,250.00 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 P50,250.00 was part of an IT Equipment hardware found inside the computer equipment upon acquisition but accounted</p>		<p>recording of depreciation expenses.</p> <p>The Accumulated Depreciation and Accumulated Surplus (Deficit) accounts have been adjusted in March 2022.</p> <p>The Accountant Designate committed to be careful in computing depreciation expenses.</p>	<p>Implemented</p> <p>The concerned Branches already complied with the audit recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>separately by the Accountant-Designate with a carrying amount of P5,025.00 in the detailed Statement of Financial Position for 2021. Review of the PPE ledger card maintained by the Accountant-Designate revealed the amount of P50,250.00 from balance forwarded in 2021 up to the end of December 31, 2021. The depreciation cost of P45,225.00 is also absent in the ledger card. Thereby no data are available about the computer software.</p> <p>While in RCMB NCR, payment for Adobe Creative Cloud for Teams All Apps Subscription for one (1) year amounting to P60,000.00 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.</p> <p>We recommended and Management agreed to require the Accountant:</p> <p>RCMB IV-A</p> <p>a. to reclassify the Computer Software to its proper account -</p>		<p>Adjusting entry has been made to reclassify the Computer Software to its proper Information and Communications Technology Equipment account.</p> <p>The Branch has made the necessary adjusting</p>	<p>Implemented</p> <p>The reclassification of the account</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>Information and Communications Technology Equipment and take up the corresponding depreciation expenses; and</p> <p>RCMB NCR</p> <p>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.</p>		<p>entries to correct the balances of affected accounts.</p>	<p>Computer Software, was reflected on March Accounting Report with JEV No. 2022-03-135 dated March 31, 2022.</p> <p>Implemented</p> <p>RCMB NCR already made adjusting entries under JEV No. 2022-03-134, 2022-03-135 and 2022-03-137 all dated March 31, 2022.</p>
<p><i>Other Accounting Deficiencies</i></p> <p>CASH</p> <p>a. Misclassification of Cash Account used to record disbursements</p> <p>Analysis of the journal entries made by the Accountant in RCMB XIII showed that upon payment of disbursement for operating expenses totaling P6,230,386.40, it was directly recorded as debit to a particular expense account and credit to CIB-LCCA instead to Cash-MDS, Regular.</p>	<p>CAAR pages 46-50 CY 2021</p>		

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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.</p> <p>b. Inaccurate recording of cancelled stale checks</p> <p>Review of the Bank Reconciliation Statements (BRS) for CY 2021 in RCMB NCR disclosed that several stale checks were cancelled and replaced totaling P286,270.31. 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</p>		<p>The Branch already complied with the auditor's recommendations and committed that the appropriate accounts shall be used in the disbursement of funds.</p>	<p>Implemented</p> <p>The concerned Branches already complied with the audit recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>entries, therefore, the Subsidy from National Government and Cash - MDS, Regular accounts were both understated by P286,270.31, affecting the accuracy of the monthly financial statements and trial balances.</p> <p>We recommended and Management agreed to require the Accountant-Designate to account for cancelled checks in accordance with the guidelines laid down in Chapter 6, Sections 44 and 45 of GAM Volume I.</p> <p>c. Non-restoration/cancellation of stale checks</p> <p>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 P104,768.62 included the MDS checks that have become stale and not cancelled by the Agency totaling P7,760.00.</p> <p>We recommended and Management agreed to direct the Accountant-Designate to prepare the necessary adjusting entry</p>		<p>The Branch already adhered with the auditor's recommendations to account the cancelled checks to Accounts Payable instead of Subsidy from NG.</p> <p>The Branch has made the necessary adjustments.</p>	<p>Implemented</p> <p>The concerned Branches already complied with the audit recommendation.</p> <p>Implemented</p> <p>The Accountant was directed to prepare the necessary</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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.</p>			<p>adjustment and he immediately complied as evidenced by JEV No. 2021-12-747 dated 12/31/21.</p> <p>Revised FS was submitted on April 4, 2022.</p>
<p>INVENTORIES</p> <p>a. Misclassification of recording Anti-Virus Security Software to Inventory account</p> <p>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. In effect, Subscription Expense is understated by P33,000.00 and Office Supplies Inventory are overstated by the same amount.</p> <p>In the same manner, RCMB VIII purchased six (6) units of Anti-Virus Software totaling P17,880.00 was erroneously recorded as</p>	<p>CAAR pages 50-58 CY 2021</p>		

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>Semi-Expendable Information and Communication Equipment instead of Subscription Expenses account.</p> <p>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)</p> <p>b. Unreconciled difference between the SLC and SC</p> <p>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 P78,671.98 as of December 31, 2021.</p> <p>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</p>		<p>Both RCMBs VIII and IX have drawn the JEVs to correct the balances of affected accounts. JEVs were already forwarded to their respective auditors.</p> <p>The unreconciled difference between the SLC and SC has been reconciled in March 2022.</p> <p>Accountant- Designate and Property/Supply</p>	<p>Implemented</p> <p>The concerned Branches already complied with the audit recommendation thru JEV Nos. 2022-03-0181 and 2022-03-001 to 002 dated March 28, 2022.</p> <p>Implemented</p> <p>The balances were already reconciled as of December 31, 2022.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>amounting to P78,671.98 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.</p> <p>c. Misclassification of Inventory Accounts</p> <p>Post-audit of transactions of the RCMB I for CY 2021 disclosed that disbursements totaling P14,365.00 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.</p> <p>While in RCMB XI, Semi-Expendable Furniture and Fixtures account contained items totaling P9,961.50 that should have been classified as Other Supplies and Materials Inventory. In CY 2021, the RCMB VIII procured semi-expendable properties totaling were erroneously recorded to Office Supplies Inventory account and were all issued</p>		<p>Officer were also directed to conduct regular reconciliation of office supplies inventory account per books and per count.</p>	

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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 P5,600.00 was already issued to end-users in CY 2021, hence should be reported as Semi-expendable instead of Office Supplies Inventory Account.</p> <p>We recommended and the Regional Branch Director agreed to:</p> <p>RCMB I and XI</p> <p>a. ensure compliance with COA Circular No. 2020-001 by instructing the Accountant to use the proper account titles prescribed under the RCA.</p> <p>RCMB VIII</p> <p>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</p> <p>d. Non-submission of IAR, DR and Original JEV</p>		<p>Both RCMBs I and XI committed to use the proper account titles prescribed under the RCA starting January 2022.</p> <p>The Accountant Designate of RCMB-VIII have already made the necessary adjusting entries in March 2022.</p>	<p>Implemented</p> <p>The concerned Branches already complied with the audit recommendation.</p> <p>Implemented</p> <p>The concerned Branch already complied with the audit recommendation. Adjustments were made and JEV Nos. 22-03-003 to 004 were submitted to the Audit Team on March 28, 2022.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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 P12,771.00 and P113,310.00, respectively, were recorded in the books without the corresponding IAR and DR.</p> <p>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 P5,600.00.</p> <p>We recommended and Management agreed to 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 to P5,600.00 and ensure that all JEV are supported with the required documents.</p>		<p>The Central Office has already complied with the auditor's recommendations. All lacking documents were already submitted to the Office of the Auditor.</p> <p>For FY 2022, all JEVs submitted to COA were supported with the required documents.</p>	<p>Implemented</p> <p>NCMB-CO was able to provide the lacking documents pertaining to this procurement of office supplies. Moreover, adjustment for erroneous recording was effected under JEV No. 2021-12-001017 dated December 29, 2021.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>e. Failure to prepare the Supplies Ledger Card (SLC)</p> <p>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 P229,895.00 cannot be verified.</p> <p>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.</p> <p>f. Report of Supplies and Materials Issued (RSMI) and Requisition and Issue Slip (RIS) were not duly accomplished.</p> <p>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</p>		<p>The Accountant Designate is now maintaining the required SLC and promptly records the acquisition and issuance of the inventory items.</p>	<p>Implemented</p> <p>The Branch prepared their SLC and recorded the acquisitions and issuance of the inventory items.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>supported with RIS pertaining thereto.</p> <p>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.</p> <p>g. Non-maintenance of Stock Cards (SCs) by the Property Officer</p> <p>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.</p> <p>We recommended and Management agreed to require the Property/Supply Officer to</p>		<p>The Accounting Unit have already complied with the audit recommendations. RSMIs are properly accomplished before submission to COA.</p> <p>The Supply/Property Officer is now complying with the audit recommendations.</p>	<p>Implemented</p> <p>The concerned Branch already complied with the audit recommendation.</p> <p>Implemented</p> <p>As per verification, SCs were already</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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.</p> <p>h. RPCI for CY 2021 not accomplished nor submitted to the Audit Team</p> <p>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.</p> <p>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.</p>		<p>He was instructed to ensure that all RSMIs are properly accomplished/signed and duly supported with RIS.</p> <p>The required reports were already submitted to the Office of the Auditor</p> <p>The respective Inventory Committees in RCMBs NCR and XI and the Central Office were already instructed to conduct inventory-taking in a timely manner and submit the required RPCI within the prescribed period.</p>	<p>maintained by the Supply Officer.</p> <p>Implemented</p> <p>The concerned Branch already complied with the audit recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>i. Deficiencies in the conduct of physical inventory-taking/non-conduct of physical count of inventories</p> <p>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.</p> <p>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.</p> <p>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</p>			

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>or misuse of government properties.</p> <p>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.</p>		<p>The Property/Supply Officer-Designate of RCMB-NCR is now maintaining the required ICS</p>	<p>Implemented</p> <p>ICS were already issued and maintained by the Branch.</p>
<p>PROPERTY, PLANT AND EQUIPMENT</p> <p>a. Discrepancy between the balances reported per books and Report on the Physical Count of PPE (RPCPPE)</p> <p>Comparison made with the PPE total book balances in RCMB IV-A and NCR amounting to P2,358,972.59 and P8,447,166.99, respectively, said balances did not agree with the balances per RPCPPE of P2,379,199.48 and P8,204,841.99 or a total difference of P262,551.89. 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.</p>	<p>CAAR pages 58-67 CY 2021</p>		

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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).</p> <p>b. Misclassification of PPE Accounts</p> <p>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 P225,625.00 should have been classified as "Technical and Scientific Equipment". While the laptop and projector amounting to</p>		<p>The concerned Accountant Designates and Property/Supply Officers were already instructed to conduct regular reconciliation of PPE balances per books and per count.</p>	<p>Implemented</p> <p>The concerned Branches already complied with the audit recommendation. The records of both the Accountant Designate and Property Officer were reconciled.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>P64,695.00 should have been classified as "Information and Communications Technology Equipment" and "Office Equipment", respectively.</p> <p>NCMB-CO procured biometric time recorder amounting to P34,482.00 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.</p> <p>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).</p>		<p>The CO and RCMB-VII have made the necessary adjustments.</p> <p>JEV No. 2022-03-000216 was drawn on March 11, 2022 to adjust the erroneous recording of the Biometric Time Recorder in the books of accounts. The said JEV was submitted to the Office of the Auditor on April 6, 2022.</p>	<p>Implemented</p> <p>The concerned Branches already complied with the audit recommendation by making the necessary adjustments thru JEV Nos. 2022-03-000216 and 2022-04-0208 to 0210 dated March 11, 2022 and April 6, 2022, respectively.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>c. Unserviceable properties still recorded in the books and remained undisposed</p> <p>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.</p> <p>We recommended and Management agreed to:</p> <p>NCMB CO</p> <p>a. 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.</p> <p>e. Guidelines and procedures in the conduct of physical count of PPE were not observed and failure to conduct year-end inventory taking of PPE</p> <p>There was no representative from the Accounting Office during the physical count in RCMB NCR, requiring</p>		<p>The Central Office already complied with the audit recommendations. The Property Officer informed all end-users to surrender the properties no longer in use. She was likewise instructed to update the PARs of those who returned their serviceable fully depreciated equipment that were later transferred to another end-user.</p>	<p>Implemented</p> <p>IIRUP was submitted by the Board to the Auditor's Office.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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.</p> <p>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.</p> <p>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 P3,713,712.94.</p>			

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>We recommended and Management agreed to:</p> <p>RCMB XI</p> <p>a. submit written explanation on the Agency's non-conduct of physical count of Inventories and PPE for Calendar Year 2021;</p> <p>CO and RCMB NCR</p> <p>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.</p> <p>f. Non-submission of supporting schedules to account depreciation expense for CY 2021</p>		<p>The Branch already submitted to COA their explanation on the non-conduct of physical count of Inventories and PPE for Calendar Year 2021.</p> <p>The Central Office already instructed all its regional branches, including the Inventory Committee in the CO, to conduct physical count of Inventories for FY 2022 and observe the Guidelines and Procedures in the conduct of the same.</p>	<p>Implemented</p> <p>A letter of explanation dated March 22, 2022 was submitted to the Office of the Auditor.</p> <p>The Branch conducted Physical counts of Inventories, SEPs and PPEs with the Audit Team as witness.</p> <p>Inventories and SEPs – 7/15/22 and 12/28/22 PPE – 12/28/22</p> <p>Implemented</p> <p>The concerned Branches already complied with the audit recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>In NCMB CO, the depreciation expense recognized in the Statement of Financial Performance for CY 2021 totaling P1,738,146.48 were not supported with the necessary schedules that must be attached to the monthly JEV.</p> <p>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.</p> <p>h. Inspection and Acceptance Report (IAR) was not accomplished and submitted</p> <p>RCMB NCR's ICT equipment totaling P874,663.00 were recorded in the books without IAR which is not in accordance with Section 19 Chapter 10 of the GAM for NGAs, Volume I.</p> <p>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</p>		<p>The monthly supporting schedules of Depreciation Expenses for CY 2021 were already submitted to the Office of the Auditor on 10 March 2022.</p> <p>The Property/Supplier Officer concerned is now complying with the audit recommendations.</p>	<p>Implemented</p> <p>NCMB-CO submitted the Depreciation schedules on March 10, 2022.</p> <p>Implemented</p> <p>IARs were already accomplished to substantiate the delivery and receipt of purchased PPEs.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
Accounting Section together with other documentary requirements necessary for appropriate recording in the books.			
<p>LIABILITIES</p> <p>a. Misclassification of Liabilities accounts</p> <p>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 P280,600.00 were misclassified to Accounts Payable instead of Due to Officers and Employees.</p> <p>We recommended and Management agreed to:</p> <p>RCMB II,VII, XIII</p> <ul style="list-style-type: none"> • 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 	<p>CAAR pages 67-70 CY 2021</p>	<p>All Accountant Designates in the Regional Branches were instructed to follow strictly COA Circular No. 2020-001 on the proper use of accounts in recording financial transactions.</p> <p>The concerned Branches have made the necessary adjustments. Copies of the JEVs were forwarded to COA.</p>	<p>Implemented</p> <p>Accountants of the concerned Branches already adjusted and followed the suggested accounting entries thru JEV Nos. 2022-02-0061, 22-01-028 dated February 10, and January 31, 2022, respectively.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>instead of Due to Officers and Employees account and immediately furnish the Audit Team with a copy of the Journal Entry Voucher (JEV).</p> <p>b. Incomplete supporting documents of Accounts Payable</p> <p>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 P218,152.79. Moreover, audit of disbursement related to Terminal Leave Benefits (TLB) of one employee amounting to P25,225.60 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 P62,720.00, revealed that</p>			

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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.</p> <p>RCMB NCR’s Schedule of Accounts Payable at year end disclosed that P40,664.89 were not supported with complete documentary requirements to support the validity of the unpaid obligations.</p> <p>We recommended that Management: NCMB CO</p> <p>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</p> <p>RCMB NCR</p> <p>b. require the Accountant to reconsider/review if the previous employees still have accountabilities from</p>		<p>The FMD already submitted to the Office of the Auditor the supporting documents of all recognized accounts payable for CY 2021.</p> <p>Likewise, they were reminded to record only accounts payable that are valid claims and legal obligations of the Board, and those with complete supporting documents.</p> <p>The Branch shall comply with the audit recommendations.</p>	<p>Implemented</p> <p>The Board already submitted the supporting documents</p> <p>Implemented</p> <p>The Accountant Designate was</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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.</p> <p>c. Unreverted Accounts Payable</p> <p>Based on the submitted Schedule of Aging of Accounts Payable at year-end of RCMB NCR, the amount of P15,432.26 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.</p> <p>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</p>		<p>The Branch already sent messages thru email and text to the former employee to submit the complete supporting documents to facilitate the processing of her last salary.</p> <p>The Branch already reverted accounts payable outstanding for two years or more and those without the required supporting documents. Adjusting entry has also been made to reflect the correct balance of Accounts Payable account.</p>	<p>instructed to review and take action on outstanding accountabilities.</p> <p>Implemented</p> <p>Adjusting entry was made to effect the reversion of outstanding payables under JEV No. 2022-03-133.</p>
EXPENSES	CAAR pages 70-72		

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>a. Erroneous recording of Current Year's Expenses as Prior Years' Expenses In NCMB CO, disbursements pertaining to the purchase of Adobe Creative Cloud for Teams All Apps amounting to P62,720.00 and one year subscription for 13 hosts of Zoom Meeting with ESCO Unified Solutions Inc. Records amounting to P143,919.63 or a total of P206,639.63 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.</p> <p>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.</p> <p>b. Misclassification of Expenses Accounts In RCMB I, recording of the Voluntary Arbitration (VA)</p>	CY 2021	JEVs have been made to correct the erroneous recording of current year's expenses as prior years' expenses.	<p>Implemented</p> <p>Adjusting Entries were already made by the Accountant thru JEV No. 2021-12-001141 and 2020-12-001169 dated December 31, 2021.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>Subsidy of P25,000.00 in the Agency's books, was misclassified under Other Professional Services instead of Assistance/ Subsidies- Others.</p> <p>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 P6,000.00 and P147,329.88, respectively, were the accounts used by the Branch instead of Repairs and Maintenance- Machinery and Equipment and Depreciation Expense- Machinery and Equipment.</p> <p>RCMB IV-A recorded the Inter-agency transfer of PPE purchased from previous years with the total amount of P107,108.50 as Donation Expense but should have been recorded as deduction from Accumulated Surplus/(Deficit).</p> <p>In RCMB IX, charging of motor vehicle registration renewal of P4,703.12 was recorded as a debit to Insurance Expense instead of Taxes, Licenses and Duties account.</p>			

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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.</p>		<p>The Branches concerned have made the necessary adjustments.</p> <p>All Accountant Designates were reminded to be careful in recording disbursements of funds.</p>	<p>Implemented</p> <p>Adjusting entries were already made by the concerned Branches thru JEV Nos. 2022-03-136 and 2022-03-0177 dated March 31, 2022 and JEV No. 22-12-613 dated December 29, 2022.</p>
<p>VARIOUS ACCOUNT</p> <p>a. GLs and SLs were not updated</p> <p>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.</p> <p>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.</p>	<p>CAAR pages 72-80 CY 2021</p>	<p>The Accountant Designate of RCMB-X has already updated the required General Ledgers and Subsidiary Ledgers.</p>	<p>Implemented</p> <p>The Branch already adhered to the recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p><i>COMPLIANCE AUDIT</i></p> <p>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.</p> <p>We recommended that the Management continue to focus on its good performance for disposition of RFAs based on its targets.</p> <p>On the settlement of RFAs, recommendation that Management direct the SEADO to :</p> <p>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</p>	<p>CAAR pages 81-84 CY 2021</p>	<p>The Management reiterated its instructions to all SEADOs/Con-Meds to continue monitoring status of each RFA and strengthens their persuasion and facilitation efforts to convince the parties to settle within the prescribed process cycle time (30-45 days).</p> <p>Considering the voluntary nature of the process, mutual agreement of the parties</p>	<p>Implemented</p> <p>The Agency achieved a disposition rate of 96.71% and 64% was settled within the PCT for CY 2022.</p> <p>Implemented</p> <p>NCMB CO, RCMBs CAR, I. II, VII, VIII, IX, X, XI, XII, and XIII had successfully</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>eventually to achieve a high settlement rate; and</p> <p>b. issue referral to the requesting party within one day under the following circumstances:</p> <ol style="list-style-type: none"> 1. expiration of the 30-day mandatory conciliation-mediation period, unless there is a request for extension; 2. failure of the parties to reach an agreement within the 30-day mandatory conciliation-mediation period; 3. non-appearance of the responding party in two scheduled consecutive conferences despite due notices; 4. non-settlement of one or some issues but not all RFA with multiple issues; or 5. non-compliance with the Agreement. 		<p>is necessary in the settlement of RFAs. Parties cannot be forced to agree if one or both of them chose to disagree even to the most reasonable proposal.</p> <p>The Board, again, directed all its SEADOs:</p> <ol style="list-style-type: none"> a. To monitor the aging of RFAs and advise or update respective handlers to remind compliance to PCT; b. To coordinate regularly with Conciliators-Mediators and remind status of PCTs of RFAs handled highlighting those exceeding PCTs without referral yet; and c. To strictly comply with the rules and regulations on the settlement/disposition of RFAs. 	<p>settled RFAs beyond the performance target of 70 percent settlement rate for CY 2022.</p> <p>Implemented</p> <p>The pending RFAs as of December 31, 2021 were all disposed in CY 2022.</p>
The Board achieved a disposition rate of 75.20% or 1,328 decided/settled cases out of 1,766 total cases	CAAR pages 84-88		

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<p>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 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).</p> <p>We recommended that the Management continuously:</p> <p>a. monitor the timeframe within which arbitration cases submitted for resolution are decided/disposed;</p> <p>b. maintain continuous communication with the AVAs to remind them of</p>	CY 2021	<p>The Board shall comply with the audit recommendations. The Board shall exert diligent effort to continuously monitor pending VA cases through constant reminder to the Handling AVAs, personally through phone and during meetings with the AVAs.</p> <p>However, AVAs are not employees of NCMB hence the Board has no control on the schedule</p>	<p>Implemented</p> <p>The Board achieved a disposition rate of 73.57% for the year 2022, which is beyond the target of 60% disposition rate stated in the GAA CY 2022.</p> <p>Implemented</p>

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<p>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.</p>		<p>of hearing and on the agreement of parties for additional conferences prior to its submission for decision.</p>	<p>Branch had exerted efforts in communicating and reminding the AVAs of their pending decision on cases.</p>
<p><i>Budget Utilization</i></p> <p>Out of the P301,095,309.95 allotments received by the NCMB in CY 2021, P274,892,188.88 or 91.30 percent was obligated, leaving an unobligated balance of P26,203,121.07 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.</p> <p>We recommended that the Management monitor activities affected by the pandemic and to continue</p>	<p>CAAR pages 88-97 CY 2021</p>	<p>The Board shall continue its efforts in the adoption of austerity/cost-cutting measures to reduce</p>	<p>Implemented</p> <p>The Board's implementation was</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
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.		expenses in the government while ensuring achievement of the target agency performance on its mandated programs, projects and activities.	verified by the Audit Team.
<p><i>Incomplete Documentation of Various Disbursements</i></p> <p>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.</p>	CAAR pages 97-106 CY 2021		

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>We recommended that the Management of the following offices:</p> <p>RCMB-NCR</p> <p>a. submit the APP for the procurement made by the Agency as required under Section 9.2 of COA Circular No. 2012-001.</p> <p>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.</p> <p>c. require the Accountant-Designate to provide explanation/justification on why two checks totaling P25,093.75 were immediately cancelled and replaced even though they were not yet stale.</p>		<p>The Approved Procurement Plan pertaining to the procurement of Adobe Creative Cloud for Teams All Apps Subscription was already submitted to COA.</p> <p>All procurement documents including the canvass were already submitted to their respective auditors.</p> <p>On the other hand, all Accountable Officers in RCMB-NCR were instructed to immediately return of unused cash advances, otherwise, their salaries will be hold for failure to liquidate cash advances within the prescribed period.</p> <p>RCMB-NCR submitted its justification/explanation why the checks amounting to P25,093.75 were immediately cancelled and replaced even though they were not yet stale.</p>	<p>Implemented</p> <p>The required documents were already submitted by the Branch.</p> <p>Implemented</p> <p>The required documents were already submitted by the Branch to the Office of the Auditor.</p> <p>Implemented</p> <p>The Branch already complied to the audit recommendation.</p>

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<p>RCMB-I</p> <p>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 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> <p>RCMB- II</p> <p>f. direct the designated Property Officer/concerned agency officials to acquire insurance cover of its building and other insurable assets with the</p>		<p>The Management of RCMB-I committed to comply with the auditor's recommendations.</p> <p>Likewise, the Accountant Designate was instructed to process only claims with complete supporting documents and ensure correctness of recording of the grant of the subsidy in the books of accounts.</p> <p>All lacking documents required in RCMB I was already submitted to their resident auditors.</p> <p>The concerned Regional Branch already insured its property, plant and equipment including its building with GSIS.</p>	<p>Implemented</p> <p>The lacking supporting documents were subsequently submitted to the Audit Team and found in order.</p> <p>Implemented</p> <p>Per validation, the Agency submitted properly signed CY 2021 DVs.</p> <p>Implemented</p> <p>Insurance for the said properties was already acquired.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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.</p> <p>RCMB-III</p> <p>g. 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.</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</p>		<p>The concerned Regional Branch already insured its property, plant and equipment GSIS.</p> <p>The Accountant Designate and Administrative Officer were instructed to discontinue the practice of paying in advance the salaries and strictly adhere to the rules and</p>	<p>Implemented</p> <p>The concerned Branch already complied with the audit recommendation.</p> <p>Implemented</p> <p>The Branch discontinued the practice of paying in advance the salaries and wages of personnel whose</p>

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<p>to strictly adhere to the rules and regulations set forth in Section 88 of PD 1445 and COA Circular No. 368-91.</p> <p>RCMB-VII</p> <p>i. monitor closely the movement of inventories to avoid purchasing 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. 85-855A on stocking of supplies and materials.</p> <p>RCMB-VIII</p> <p>j. 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.</p> <p>RCMB-IX</p> <p>k. refrain from the practice of transferring cash advances from one AO to</p>		<p>regulations set forth in Section 88 of PD 1445 and COA Circular No. 368-91.</p> <p>The Branch is now complying with the audit recommendations. The Management shall strictly comply with the three-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 Branch already discontinued the following:</p> <p>a. processing the payment to suppliers before items procured are completely delivered</p> <p>b. indicating the brand/model on the procurement or supporting documents.</p> <p>The Branch does not indicate the brand of an item to be purchased in its procurement documents except in the Purchase Order.</p>	<p>services are not yet rendered.</p> <p>Implemented</p> <p>The concerned Branch already complied with the audit recommendation.</p> <p>Implemented</p> <p>For CY 2022, the agency neither paid suppliers with incomplete deliveries nor paid in advance. Purchase Orders for CY 2022 do not include the specific brand names of items procured.</p> <p>Implemented</p>

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<p>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.</p> <p>l. 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.</p> <p>m. 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</p>		<p>However, since the COA advised them that indicating the brand name in the Purchase Order is in violation of procurement rules, they have likewise refrained from doing so.</p> <p>The Branch already stopped the practiced of transferring cash advances from one AO to another.</p> <p>All lacking documents required in RCMB-IX was already submitted to their auditor.</p> <p>Regional branch was reminded that no claim shall be processed unless with complete supporting documents.</p> <p>Likewise, the Board directed its Accountant Designate to review the completeness of the information required to be indicated in the DVs and ORS.</p> <p>The BAC was also instructed to carefully review and evaluate all bids/quotations submitted by bidders, and award the same to</p>	<p>The Branch already adheres to the audit recommendation.</p> <p>Implemented</p> <p>The Branch adhered to the audit recommendation.</p> <p>Implemented</p> <p>The Branch adhered to the audit recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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.</p> <p>n. 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> <p>o. 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.</p> <p>RCMB-XI</p> <p>p. immediately submit an explanation why the petty cash expenses incurred by the Agency for CY 2021 totaling P38,012.50 should be accepted as valid</p>		<p>the most responsive bidder.</p> <p>Also, they were directed to strictly comply with the rules and regulations of RA 9184 and its revised implementing rules and regulations.</p> <p>The Branch shall comply with the audit recommendations to properly plan the purchases of its ICT software. They were further instructed to prepare PPMP and APP for its ISSP.</p> <p>The Branch already submitted its justification/explanation on the expenses charged against the PCF to their auditor.</p> <p>The petty cash expenses incurred by the Branch for CY 2021 totaling P38,012.50 should be accepted as valid transactions as these are necessary in the operations of the Branch.</p> <p>All accountable officers of the branch were instructed to properly accomplish the petty cash vouchers,</p>	<p>Implemented</p> <p>The Branch adhered to the audit recommendation.</p> <p>Implemented</p> <p>The Branch adhered to the audit recommendation.</p> <p>Implemented</p> <p>Letter of explanation dated February 24, 2022 was submitted by Management to</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>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>q. 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>		<p>particularly boxes "C" and "D".</p> <p>The Branch believed that they don't need to fill-out the said boxes since disbursement is usually based on the exact amount requested by the payee, hence no refund or reimbursements is usually made.</p> <p>The Management had already directed the Cashier-Designate to accomplish properly the PCVs and the CENRRs and ascertain the completeness of the documentary requirements before submission to the Office of the Auditor;</p> <p>With this observation, the Branch undertakes to strictly comply with the provisions in GAM and COA Circulars on this subject matter.</p> <p>The Branch submitted its written explanation on the non-compliance with RA No. 9184 provisions on the procurement of meals and snacks. The management has already directed the BAC, Finance, and</p>	<p>the Office of the Auditor.</p> <p>Implemented</p> <p>Letter of explanation dated March 9, 2022 was submitted to the Office of the Auditor.</p> <p>Per Management's reply the BAC was directed to stop the practice of making payments through reimbursement.</p>

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		Admin Unit to strictly comply with the provisions of the R.A. 9184 and to adhere to the governing principles in government procurement.	
<p><i>Delayed submission of financial reports/records and other required documents</i></p> <p>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.</p> <p>We recommended and Management agreed to:</p> <p>a. direct the Accountant to record and monitor payment of claims through the maintenance of the Index of Payment in</p>	<p>CAAR pages 106-111 CY 2021</p>	<p>The Branch has started maintaining its Index of Payments last March 2022.</p> <p>The Supply Officer and Accountant Designates were directed to ensure</p>	<p>Implemented</p> <p>Index of Payment for CY 2022 is</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>conformity with GAM for NGAs (RCMB VIII);</p> <p>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);</p> <p>d. 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);</p> <p>e. require the Cashier-Designate to prepare and submit a List of Unreleased Checks attached to the RCI for the month; (RCMB NCR);</p>		<p>that all POs are properly accomplished particularly the date of receipt/conforme by the supplier to determine the amount of the liquidated damages to be imposed, if any.</p> <p>The Supply Officer already submitted the required POs including its supporting documents.</p> <p>Likewise, they committed to submit within 5 working days from date of execution copies of perfected contract/ purchase order and all its supporting documents.</p> <p>The Management of RCMB-V will also comply with the recommendations on the issuance and proper accomplishment of the Purchase Orders and Job Orders as required under COA Circular No. 96-010.</p> <p>The Cashier-Designate of RCMB-NCR is now preparing the Monthly List of Unreleased Checks. Said reports are submitted with the</p>	<p>maintained and updated.</p> <p>Implemented</p> <p>The Branch already complied with the audit recommendation.</p> <p>Implemented</p> <p>The Branch already complied with the audit recommendation.</p> <p>Implemented</p> <p>The List of Unreleased checks were prepared and submitted by the Branch to the Office of the Auditor.</p>

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<p>f. 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);</p> <p>g. 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</p> <p>h. 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</p>		<p>Branch's RCI for the month.</p> <p>RCMB-III has complied with the audit observation, and is now exercising tighter internal control over the use of government vehicles.</p> <p>The duly accomplished driver's trip tickets and the RFID statement of accounts are now attached to the disbursement vouchers.</p> <p>While in RCMB-NCR, the Administrative Officer was instructed to closely monitor and ensure that the Monthly Report on Official Travel/Monthly Report on Fuel Consumption with Driver's Trip Ticket are submitted on time.</p> <p>The Management of RCMB-VIII submitted its reply to COA on March 22, 2022. Attached to the reply were copies of transmittal letters duly received by COA showing that all the unsubmitted DVs mentioned in this audit finding were already</p>	<p>Implemented</p> <p>The concerned Branches already complied with the audit recommendation.</p> <p>Implemented</p> <p>Lacking DVs for CYs 2021 and 2022 were completely submitted to the Audit Team.</p> <p>Implemented</p> <p>The Branch already complied with the audit recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
and crediting the "Petty Cash" account. (CAR)		<p>previously received by their office.</p> <p>For RCMB-XII, all lacking disbursement vouchers and its supporting documents were submitted to its resident auditor.</p> <p>The Petty Cash Custodian was advised to strictly follow the GAM, particularly on the disbursement of petty cash funds.</p> <p>A journal entry was prepared to correct the affected accounts.</p>	
<p>PROPERTY, PLANT AND EQUIPMENT</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 records pursuant to the above cited regulations.</p>	<p>CAAR pages 40-60 CY 2020</p>	<p>The Property/Supply Officer-Designate already updated the Property Identification Tags on August 2021.</p>	<p>Implemented</p> <p>Property Tags were already placed but the updating is still on-going.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation and Results of Auditor's Validation
<p>LIABILITIES</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.</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>Implemented</p> <p>The Branch already complied with the necessary adjustments.</p>