

EXECUTIVE SUMMARY

A. Introduction

The Institute for Labor Studies (ILS) traces its roots from the Institute of Labor and Manpower Studies (ILMS) created by virtue of Presidential Decree (PD) No. 620 issued on December 21, 1974 by then President Ferdinand E. Marcos to provide the then Ministry of Labor and Employment with technical support in policy making and program implementation. With the issuance on January 31, 1987 of Executive Order (EO) No. 126 by then President Corazon C. Aquino, the ILMS was abolished and its research and publications functions were absorbed by the newly created Center for Labor Studies (CLS). The CLS became ILS on July 25, 1987 through EO No. 251 in response to the growing need of the Department of Labor and Employment (DOLE) for more comprehensive and innovative research to back up its policy recommendations.

The ILS is the policy research and advocacy arm of the DOLE as articulated in Section 3 of EO No. 251. It seeks to influence national labor and employment plans and policies through its research undertakings, projects and initiatives.

As a research institute, the ILS shall come up with relevant research information, studies, papers, materials, projects, seminars and activities that would be of help and value to labor policymakers, planners, advocates and workers. The ILS also aims to undertake responsive and proactive policy research initiatives that are anchored on the DOLE's three strategic themes, namely: employment and manpower development; labor relations; and labor standards and social protection.

As an advocacy arm, the ILS promotes better labor policies in the Philippines through the accomplishment of its research and thrusts which are rooted in advancing the welfare and well-being of the Filipino worker.

The ILS is led by Ms. Ahmma Charisma Lobrin-Satumba, Acting Executive Director. It has four technical divisions, namely, Employment Research Division, Workers' Welfare Research Division, Labor and Social Relations Research Division, and the Advocacy and Publications Division. It has one administrative and support unit, the Finance and Administrative Division. As at December 31, 2018, ILS had a total of 42 personnel who are all regular in status.

B. Operational Highlights

The ILS has identified one Organizational Output with four performance indicators. For Calendar Year (CY) 2018, the Institute accomplished 100 percent of the total 15 policy research papers and it rendered 349 technical assistance papers or reports out of the targeted 284 outputs under the performance indicators, as presented in the next page:

Performance Indicator	Targets	Accomplishment	Percentage (%) of Accomplishments
1. Number of research studies conducted	15	15	100
2. Percentage of Technical Assistance papers or reports produced	80%	98.31%	122.89
3. Percentage of researches used in policy instruments and program documents increased	10%	10%	100
4. Percentage of policy research studies completed within original project schedule	100%	100%	100

C. Financial Highlights

The ILS had a total appropriations of ₱36,451,000.00 under Republic Act (RA) No. 10964, the General Appropriations Act (GAA) for FY 2018 and it had no existing continuing appropriations for Maintenance and Other Operating Expenses (MOOE) and Capital Outlay. The Institute had automatic appropriations for Retirement and Life Insurance Premiums amounting to ₱2,213,000.00 and Special Purpose Funds for Miscellaneous Personnel Benefit Fund and Pension and Gratuity Fund amounting to ₱1,510,066.00. Of the ₱40,174,066.00 total allotments received, obligations incurred amounted to ₱39,856,341.17, thereby leaving an unobligated balance of ₱317,724.83 as at year-end, details of which are presented below:

Sources of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
A. Current Year Budget				
Personnel Services	23,914,000.00	24,914,000.00	24,912,821.07	1,178.93
MOOE	10,877,000.00	9,777,000.00	9,577,745.86	199,254.14
Capital Outlay	1,660,000.00	1,760,000.00	1,689,361.46	70,638.54
Sub – Total	36,451,000.00	36,451,000.00	36,179,928.39	271,071.61
B. Special Purpose Funds				
Miscellaneous Personnel Benefits Fund (MPBF)	743,669.00	743,669.00	743,669.00	-
Pension and Gratuity Fund (PGF)	766,397.00	766,397.00	766,397.00	-
Sub - Total	1,510,066.00	1,510,066.00	1,510,066.00	-
C. Automatic Appropriations				
Retirement and Life Insurance Premiums	2,213,000.00	2,213,000.00	2,166,346.78	46,653.22
Sub - Total	2,213,000.00	2,213,000.00	2,166,346.78	46,653.22
Total	40,174,066.00	40,174,066.00	39,856,341.17	317,724.83

The Institute's Statements of Financial Position and Financial Performance for CY 2018 with corresponding figures for CY 2017 are as follows:

Particulars	2018	2017
Financial Position		
Assets	5,839,824.36	4,673,282.24
Liabilities	1,744,113.40	1,093,176.82
Net Assets/Equity	4,095,710.96	3,580,105.42
Financial Performance		
Revenue	-	-
Less: Current Operating Expenses		
Personnel Services	28,636,983.85	26,945,916.77
Maintenance and Other Operating Expenses	9,780,247.48	7,818,466.48
Non-Cash Expenses	1,018,475.94	699,341.91
Surplus/(Deficit) from Current Operations	(39,435,707.27)	(35,463,725.61)
Net Financial Assistance/Subsidy	39,937,610.34	37,623,637.31
Gains/(Losses)	-	67,548.00
Surplus (Deficit) for the Period	501,903.07	2,227,460.15

D. Scope of Audit

The audit covered the review of accounts and operations of the ILS for the period January 01 to December 31, 2018. The audit was conducted to: (a) ascertain the level of assurance that may be placed on Management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; and (c) determine the extent of implementations of prior year's audit recommendations.

E. Auditor's Opinion on the Financial Statements

The Auditor rendered an unqualified opinion on the fairness of the presentation of the financial statements of ILS for CY 2018.

F. Summary of Significant Audit Observations and Recommendations

The following are the significant observations and recommendations, which were discussed with Management Officials concerned in an exit conference conducted on March 28, 2019, the details of which are discussed in Part II of this Report:

1. Payments for seminars/trainings attended by ILS officials and employees in the total amount of ₱238,275.48 were not supported with complete documentation, such as Official Receipts and Certificate of Appearance required under Section 4(6) of Presidential Decree (PD) No. 1445 and COA Circular No. 2012-001

dated June 14, 2012, thus casting doubts on the validity of these transactions. (Observation No. 2)

We recommended that the Management require the concerned officers in-charge of trainings and the Accountant to submit the necessary documents to support the payments for Training Expenses; and henceforth, strictly comply with the prescribed rules/guidelines on the documentary requirements for all types of disbursements in COA Circular No. 2012-001 dated June 14, 2012.

2. The Institute achieved a 100 percent accomplishment of its targets of completing 15 policy research papers and produced 349 technical assistance papers/reports, which at 98.31 percent is 122.89 percent higher than the targeted 80 percent. However, as of report date, all papers were still undergoing further review and lay-out of the monographs, thus none have been printed and disseminated/distributed to the end-users and other stakeholders. (Observation No. 3)

We recommended that the Management continuously improve its efficiency in carrying out its mandated function and expedite the completion of the dissemination/distribution of its research work in their final form to their end-users and stakeholders.

The aforementioned audit observations and recommendations were discussed with Agency Officials in an Exit Conference conducted on March 28, 2019 and their comments were considered in the Report, where appropriate.

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

The Audit Team had no findings for issuance of Notices of Suspension and Disallowance in CY 2018 and there were no prior years' unsettled audit suspensions or disallowances/charges.

H. Status of Implementation of Prior Years' Audit Recommendations

The Institute has fully implemented all or 100 percent of the eight prior years' audit recommendations embodied in the CYs 2017 and 2016 Annual Audit Reports (AARs), with six and two recommendations respectively, as shown below:

Status of Implementation	Number	Percentage
Fully Implemented	8	100
Total	8	100