

Republic of the Philippines
 DEPARTMENT OF LABOR AND EMPLOYMENT
EMPLOYEES' COMPENSATION COMMISSION
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**MANAGEMENT COMMENTS/ACTION TAKEN
 CY 2012 ANNUAL AUDIT REPORT ISSUED BY COA
 As of January 09 2014**

OBSERVATIONS	RECOMMENDATIONS	COMMENTS/ACTIONS TAKEN	VALIDATION (To be made by IAS/Designated Internal Auditor)
<p>CY2012</p> <p>1.The ECC has insufficient mechanism to monitor the management and the use of the State Insurance Fund under the custody of the Social Security Sytem and the Government Insurance System, thereby depriving ECC with adequate</p>	<p>1. To closely monitor the investment of SIF and require the system to regularly submit audited financial statement of the SIF;</p>	<p>Complied</p> <p>Monitoring of SIF investment -Continuous monitoring on compliance with Board Resolution No. 02-05-338 approved on May 3, 2002 on the submisssion of the quarterly financial status report on the collections and disbursement of SIF and reports on investment earnings including information on where the funds are invested and the distribution of such investment has been undertaken by ECC to ensure the stability and liquidity of the SIF.</p> <p>The status of the SSS and GSIS- SIF managed funds were reported to the Commission for information either</p>	

<p>information in making decisions to perform its mandate as provided for under Art. 177 of P.D. 626, as ammended creating the Employees' Compensation (ECC) and State Insurance Fund(SIF)</p>	<p>2. Define ECC's risk appetite to guide the Sytem in investing the SIF;</p>	<p>by the ECC or the Systems representative/officer.</p> <p>During the 2nd ECC and OSHC Joint Commission meeting on April 8, 2013, SSS SVP Rizaldy Capulong presented to the Commission the Status and its investments as of December 31, 2012.</p> <p>The GSIS presented to the Board in its August 7, 2013 Board Meeting the 2013 Actuarial Study on the GSIS Employees' Compensation Insurance Fund.</p> <p>The created Technical Working Group (composed of representative from the ECC, GSIS, SSS, the employers sector and the workers sector) report on the general investment policy options (based on existing charters and guidelines of the Systems) namely as (1) low risk, low yield scheme and (2) meduim risk, meduim yield were presented to the Commission. However, the Commission requested that the Systems submit a proposed investment portfolio for the EC SIF. Letters on this were sent to both Systems on September 2013.</p> <p>To' date the GSIS submitted the EC-Insurance Investment Report and the proposed CY 2014 investment portfolio for the GSIS-Administered EC State Insurance Fund while the SSS has yet to</p>	
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	<p>3. Conduct periodic actuarial study to assess the SIF's capability; and</p>	<p>submit.</p> <p>The Commission is set to study carefully the investment scheme for the ECC SIF.</p> <p>Actuarial studies have been continuously conducted by both Systems. Copies of their reports are submitted to the Commission for information and comments.</p> <p>In August 2013, the GSIS presented to the Board the 2013 Actuarial Study on the Employees' Compensation Insurance Fund which shows that the GSIS –managed State Insurance Fund (SIF). The study showed that the Fund can finance the increase of EC benefits for the public sector on the resumption of the payment of pensions to previously suspended pensioners and the resumption of the medical reimbursement to EC disability pensioners. The increase in funeral benefits to P20,000, and the 10% across-the-board increase in pension benefits is also viable but deferred in the meantime; Upon implementation of these benefit increases, a periodic review of the viability of the fund will be undertaken, preferably once in every 3 years, or as often as may be necessary.</p> <p>In April 2013, SSS SVP Rizaldy Capulong presented to the Commission the Status of</p>	
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	<p>4. Formulate policy on the charging of management fees by the System (reiteration of CY 2009 and 2006 audit findings)</p>	<p>Employees' Compensation Fund and reported that EC Fund to last beyond 2074; Change in contribution structure will cause contributions to overtake benefit payments by 2017; Benefit payments eventually overtake contributions by 2049 onwards; Net revenue turns negative by 2062 onwards; No direct link between contributions and benefits bases;</p> <p>Several Board Resolutions increasing the EC benefits have been approved in 2013 based on actuarial study of the Systems.</p> <p>On the charging of Management fees -A letter was send to GSIS dated October 31, 2012 requesting for the status of the 10% management fee.</p> <p>No formal respond has received as of date despite constant follow ups.</p>	
<p>2. The payment of 30-second radio spots totaling Ph 1.715 million may be dispensed with in favor of other modes of information dissemination that will promote beneficiary and stakeholder awareness</p>	<p>To suspend the radio spots advertising and consider other alternatives that will bring the ECC program awareness to the intended stakeholders at lower costs.</p>	<p>COMPLIED</p> <p>A letter dated March 18, 2013 was sent to the COA Audit Team Leader justifying the disbursement of such amount for 30-second radio spots and requesting considerations, however, the ECC has yet to verify COA's action on our letter request.</p> <p>In the meantime, contract with radio stations are</p>	

<p>at costs more beneficial to the ECC.</p>		<p>temporarily suspended and alternative info dissemination medium are utilized.</p>	
<p>3. The significant part of the ECC's Gender and Development (GAD) activities is incongruous with the intention of Republic Act 7192, otherwise known as the "Women in Development and Nation Building Act."</p>	<p>To coordinate with Information and Public Assistance Division (IPAD) and Work Contingency Prevention and Rehabilitation Division (WCPRD) to integrate into their respective programs developed by Policy, Programs, and Systems Management Division (PPSMD), gender issues in compliance with the IRR of RA 7192.</p>	<p>COMPLIED</p> <p>GAD activities were properly coordinated with the said Divisions.</p>	
<p>CY 2011</p> <p>1. A total of Ph 60,000.00 paid as a cash rewards to six employees who have rendered 25 years continuous service at ECC has no valid basis because such an incentive was not among the loyalty awards under ECC PRAISE approved by the Civil Service</p>	<p>Require the Committee to amend the guidelines in the implementation of the ECC Praise in accordance with CSC existing circular, and henceforth, made sure that guidelines are formulated within the ambit of existing policies; and</p> <p>Take immediate steps to effect the refund of Ph 60,000.00.</p>	<p>PARTIALLY COMPLIED</p> <p>Payment of loyalty service awards for employees who have rendered 25 years of service and other incentives not covered under the approved ECC PRAISE were stopped.</p> <p>Amendment of the ECC PRAISE and its policy guidelines is in progress subject to the approval of the Civil Service Commission (CSC).</p> <p>Necessary actions such as submission of appeal to COA or refund are set upon receipt of the Notice of</p>	


Commission (CSC)		Disallowance from COA Audit Team Leader.	
<p>CY 2009</p> <p>1. Additional traditional cash gift of Ph 25,000.00 each or a total of P 1,460,000.00 was granted to ECC employees without approval from the Office of the President as required under Memorandum Order No. (MO) No. 20 and Administrative Order No. 103 resulting in unauthorized disbursement of government funds.</p>	<p>For Management to strictly comply with AO No. 103 and MO No. 20 pending receipt of the approval from the Office of the President</p>	<p>COMPLIED</p> <p>The grant of any form of additional gratuity has been continuously stopped pursuant to EO No. 80 issued by Pres. B. Aquino, III on July 20, 2012</p> <p>Pending appeal, ECC assures to strictly adhere to the existing laws on the grant of any additional bonuses and other allowances.</p>	
<p>2006</p> <p>1. Function of the ECC is not properly addressed such as "to determine the rate of contribution payable by and employer whose</p>	<p>Management to coordinate with the Systems regarding the submission of the required information to perform this function. If possible enter into a MOA to enforce compliance with the Systems as the administering</p>	<p>COMPLIANCE IN PROGRESS</p> <p>In the April 2013 Commission Meeting, the Commission required the Systems to submit on a quarterly basis data on employers showing a high frequency of work accidents or occupational diseases.</p> <p>The ECC and OSHC were instructed to conduct a</p>	

<p>records show a high frequency of work accidents or occupational disease due to failure by the said employer to observe adequate measures" was not carried out</p>	<p>agencies.</p>	<p>study on increasing the EC contributions for employers whose records show a high frequency of work accidents.</p> <p>Required data gathered by the ECC relating to the study has been referred to OSHC as input to the study.</p>	
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