



Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Cluster 2 – Social Security Services and Housing

March 30, 2016

MS. STELLA ZIPAGAN-BANAWIS

Executive Director
Employees' Compensation Commission
355 Sen. Gil J. Puyat Avenue
Makati City



Dear Ms. Banawis:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and operations of the Employees' Compensation Commission (ECC) for the years ended December 31, 2015 and 2014.

The attached report consists of four parts: Part I - Audited Financial Statements, Part II - Observations and Recommendations, Part III - Status of Implementation of Prior Years' Audit Recommendations and Part IV - Annex A on the Status of Disallowances, Suspensions and Charges.

We expressed an unqualified opinion on the fairness of the presentation of the financial statements of the ECC. Notwithstanding our opinion, we observed that the DBM approved annual budget for ECC has exceeded its actual expenditures by a total of P63.793 million or 14.54% over the five-year period from 2011 to 2015. The yearly excess over the years which have accumulated to P388.087 million were placed in time deposits earning minimal interest rather than utilizing them for the increase in member benefits and/or other ECC programs authorized under P.D. No. 626, as amended.

We recommended that Management:

- a. Make an actuarial study and issuance of a specific policy/implementing rules and regulations on:
 - a.1 The utilization of the excess in the loading fund derived from the State Insurance Fund for other ECC benefits, such as but not limited to increase in existing member benefits, introduction of new programs, or the enhancement of existing programs on the rehabilitation of Persons with Work-Related Disability, or the increase in the public awareness through the Employees' Compensation Program information dissemination services;
 - a.2 Use of the twelve (12) per cent loading fund as the ceiling of expenses that may be charged thereto and the return of the excess amount to the SIF at end of the year;

- b. Re-compute for the reasonable amount of cash requirement for at least one year. Utilize the accumulated surplus as the loading fund of ECC for the succeeding years until it has reached the reasonable amount of liquidity. Request for the quarterly remittances of the loading fund from the SSS and GSIS after the fund with the ECC has reached the reasonable amount of cash requirement or liquidity;
- c. Follow the specific guidelines in the preparation of the agency annual budget proposals and other budgetary items as provided in the yearly Budget Calls issued by DBM to conform closely to actual expenditure for prior years.
- d. Formulate implementing rules and guidelines on the proportionate sharing of the loading fund ceiling for SSS, GSIS, ECC and OSHC.

Other observations are discussed in detail in Part II - Observations and Recommendations portion of the report.

We therefore respectfully request that the recommendations contained in the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing and submitting the attached Annex A - Agency Action Plan and Status of Implementation within 60 days from receipt thereof.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the submission of the report.

Very truly yours,


MARY S. ADELINO
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned and Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library



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

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Employees' Compensation Commission
4th & 5th Floors, ECC Building
355 Sen. Gil J. Puyat Avenue, City of Makati

Report on the Financial Statements

We have audited the accompanying financial statements of the Employees' Compensation Commission (ECC), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of profit and loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the Philippines, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ECC as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with generally accepted accounting principles in the Philippines.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation Nos. 15-2010 and 19-2011 in Note 15 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the Management of ECC. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


ROCHIE J. FELICES
Supervising Auditor

March 15, 2016



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Employees' Compensation Commission (ECC) is responsible for the preparation and fair presentation of all information and representations contained in the Financial Statements for Calendar Years 2015 and 2014. The financial statements have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate considerations to materiality.

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

The Board of Commissioners authorizes the issuance of the financial statements to the regulators and other users.

The Commission on Audit has examined the financial statements of the ECC in accordance with the Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit in its report to the Board of Commissioners.


MARIA TERESA M. URBANO
Chief, Finance Division


STELLA ZIPAGAN-BANAWIS
Executive Director

February 1, 2016

EMPLOYEES' COMPENSATION COMMISSION
STATEMENT OF FINANCIAL POSITION
December 31, 2015
With Comparative Figures for 2014
(In Philippine Peso)

	Note	2015	2014
ASSETS			
Current Assets			
Cash and cash equivalents	3	392,027,962	364,427,283
Receivables	4	9,214,298	9,416,064
Other current assets	5	1,631,455	625,853
		402,873,715	374,469,200
Non-current Assets			
Receivables, net	4	9,810,764	10,826,759
Investment property	6	167,483	167,483
Property and equipment, net	7	37,491,420	36,180,299
Other assets, net	8	3,380,395	3,088,564
		50,850,062	50,263,105
TOTAL ASSETS		453,723,777	424,732,305
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable - trade	9	11,686,187	6,306,322
Due to officers and employees		476,260	833,494
Inter-agency payables		78,821	65,713
Other liabilities		7,859,880	7,074,239
		20,101,148	14,279,768
Non-current Liabilities			
Leave benefits payable	9	13,361,258	12,124,269
Accounts payable - trade		1,518,390	1,165,833
Due to officers and employees		359,077	202,442
Other liabilities		7,312,550	25,014,383
		22,551,275	38,506,927
TOTAL LIABILITIES		42,652,423	52,786,695
EQUITY		411,071,354	371,945,610
TOTAL LIABILITIES AND EQUITY		453,723,777	424,732,305

The Notes on pages 8 to 20 form part of these financial statements.

