



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

March 27, 2017



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, 2016 and 2015.

The 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.

We expressed an unqualified opinion on the fairness of the presentation of the financial statements of the ECC for the years ended December 31, 2016 and 2015. Notwithstanding our opinion, we observed that the Accounts Receivable of ECC totaling to P13.811 million remained long outstanding or dormant for more than ten years depriving the Commission of additional funds for its operation and further affecting the fair presentation of the account in the financial statements.

For the above observation, we recommend that Management exert more effort to collect the outstanding receivables and consider requesting from the Commission on Audit authority to write-off dormant receivables for more than ten years in accordance with the COA Circular No. 2016-005 dated December 19, 2016.

Other observation is discussed in details in Part II - Observations and Recommendations portion of the report.

We respectfully request that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation on the audit observations and recommendations contained in the report within 60 days from the date of 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,

COMMISSION ON AUDIT

By:


MARY S. ADELINO
Director IV
Cluster Director

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 on Government Owned or Controlled Corporations
The Presidential Management Staff, Office the President
The UP Law Center
The National Library

EXECUTIVE SUMMARY

INTRODUCTION

The Employees' Compensation Commission (ECC) and the State Insurance Fund (SIF) were created by virtue of Presidential Decree (PD) No. 626, dated December 27, 1974, as amended and as embodied in Title II of Book IV of the Labor Code of the Philippines. Said PD took effect on January 1, 1975 and the ECC became fully operational by March 17, 1975. Under PD No. 626, ECC is mandated to provide meaningful and appropriate compensation to workers and their dependents in the event of work-related contingencies such as sickness, injury, disability or death. These benefits are being processed by the Government Service Insurance System (GSIS) and the Social Security System (SSS) for the public and the private sectors, respectively.

The ECC is a quasi-judicial corporate entity attached to the Department of Labor and Employment (DOLE) for policy coordination and guidance. As an appellate body, it decides cases denied by GSIS and SSS which are elevated to it for resolution. Cases denied by ECC are appealable to the Court of Appeals.

The governing body of the ECC is the Board of Commissioners composed of (a) six ex-officio members, namely: the Secretary of DOLE, the GSIS General Manager, the SSS President, the Chairman of Philippine Health Insurance Corporation, the Chairman of Civil Service Commission and the Executive Director of ECC; and (b) two appointive members, representing the employees and the employers, to be appointed by the President of the Philippines for a term of six years. The Board is assisted by the ECC Secretariat in discharging its functions.

As at December 31, 2016, ECC has 62 regular employees, 21 casual employees and four co-terminus employees assigned in the Office of the Board of Commissioners.

The registered office of the Commission is located at the 4th and 5th floors of ECC Building, Sen. Gil J. Puyat Avenue, Makati City. It has 13 regional offices throughout the country.

The funds of ECC approved by the Department of Budget and Management (DBM) for CY 2016 amounted to P141.563 million, of which P118.749 million for personal services and maintenance and other operating expenses was sourced from the remittances of GSIS and SSS as mandated under PD No. 626. Budget for capital outlay amounting to P22.814 million was obtained from the ECC's accumulated earnings. The budget utilization is shown below:

	DBM Approved Budget	Utilization	Variance
Personal services	59,930,000	53,729,090	6,200,910
Maintenance and other operating expense	58,819,000	48,792,761	10,026,239
Capital outlay	22,814,000	1,067,918	21,746,082
	141,563,000	103,589,769	37,973,231

FINANCIAL HIGHLIGHTS (In Philippine Peso)**I. Comparative Financial Position**

	2016	2015	Increase (Decrease)
Assets	484,996,240	453,723,777	31,272,463
Liabilities	43,507,808	42,652,423	855,385
Equity	441,488,432	411,071,354	30,417,078

II. Comparative Results of Operations

	2016	2015	Increase (Decrease)
Income	133,063,554	114,309,092	18,754,462
Expenses	106,494,316	99,537,427	6,956,889
Net profit	26,569,238	14,771,665	11,797,573

OPERATIONAL HIGHLIGHTS

Activities	Targets	Accomplishments	Variance
1. Development and Review of Policies and Issuances on the Employees' Compensation Program (ECP)	5	6	1
2. ECC – Quick Response Program (QRP)			
• Monitored contingencies responded to/extended with services within 7 days from date of contingency	138	138	-
• All EC claims of ECC-QRP beneficiaries facilitated within 30 days upon completion of requirements	290	290	-
3. Kagabay Projects			
• Person with Work-related Disabilities (PWRDs) referred for vocational skills/entrepreneurial training and provided with start-up kits, as appropriate	275	278	3
• Home/Company visits conducted	83	119	36

	Activities	Targets	Accomplishments	Variance
4.	Job Placement Facilitation			
	• PWRDs referral for job placement facilitated	as necessary	1	-
	• Children of PWRDs enrolled under the Special Program of Employment for Students (SPES)	50	46	(4)
5.	Physical Restoration of PWRDs Project			
	• PWRDs provided with physical/ occupational therapy services	220	252	32
	• PWRDs provided with rehabilitation appliances/prosthesis	38	60	22
	• Memorandum of Agreements with program partners on physical restoration and training of PWRDs signed	13	38	25
	• Home/Company visits conducted	83	143	60
6.	Intensification of ECP Information Campaign (ECP Advocacy)	460 advocacy seminar	569 advocacy seminar	109
		26,000 Participants	29,373 Participants	3,373
		12,000 Companies	12,103 Companies	103
7.	Speedy disposition of EC appealed cases	100% disposition rate by EO 2016 for EC appealed cases received as of 20 November 2016	95% disposition rate (81 cases disposed out of 85 cases handled)	(5%)
		100% disposition rate of cases resolved within the process cycle time (PCT)	100% disposition rate within the PCT (81 cases resolved within the PCT out of 81 cases resolved)	-

SCOPE OF AUDIT

Our audits covered the significant accounts and operations of the ECC for calendar years 2016 and 2015. Our audits were aimed to ascertain the accuracy of financial records and reports and the fairness of the presentation of the financial statements in

accordance with generally accepted accounting principles, and to assess the propriety of the financial transactions and compliance of ECC with laws, rules and regulations.

INDEPENDENT AUDITOR'S OPINION

We rendered an unqualified opinion on the fairness of the presentation of the financial statements of the ECC for the years ended December 31, 2016 and 2015.

SUMMARY OF SIGNIFICANT AUDIT OBSERVATION AND RECOMMENDATION

Accounts Receivable totaling to P13.811 million remained long outstanding or dormant for more than ten years depriving the Commission of additional funds for its operations and further affecting the fair presentation of the account in the financial statements.

We recommended that Management exert more effort to collect the outstanding receivables and consider requesting from the Commission on Audit authority to write-off dormant receivables for more than ten years in accordance with the COA Circular No. 2016-005 dated December 19, 2016.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 16 prior years' audit recommendations, 11 were fully implemented, four were partially implemented and one was not implemented. Details are presented in Part III of this Report.



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

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners

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

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, 2016 and 2015, and the statements of financial performance, 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, 2016 and 2015, 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

February 21, 2017



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 2016 and 2015. 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, the legally mandated independent auditors, 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.


MARIA TERESA M. URBANO
Chief, Finance Division


STELLA ZIPAGAN-BANAWIS
Executive Director

February 7, 2017

EMPLOYEES' COMPENSATION COMMISSION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	3	437,903,751	392,027,962
Receivables - net	4	1,726,346	9,214,298
Inventories	5	222,832	298,400
Other assets	6	1,332,030	1,333,055
		441,184,959	402,873,715
Non-current Assets			
Receivables - net	4	7,638,761	9,810,764
Investment property	7	167,483	167,483
Property and equipment - net	8	33,288,985	37,491,420
Other assets - net	6	2,716,052	3,380,395
		43,811,281	50,850,062
TOTAL ASSETS		484,996,240	453,723,777
LIABILITIES			
Current Liabilities			
Financial liabilities	9	19,780,956	19,858,687
Inter-agency payables	10	1,082,783	78,822
Trust liabilities	11	77,500	163,640
		20,941,239	20,101,149
Non-current Liabilities			
Financial liabilities	9	22,457,636	22,442,341
Trust liabilities	11	108,933	108,933
		22,566,569	22,551,274
TOTAL LIABILITIES		43,507,808	42,652,423
TOTAL ASSETS LESS TOTAL LIABILITIES		441,488,432	411,071,354
NET ASSETS/EQUITY			
Government equity			
Government equity		414,919,194	396,299,689
Add: Net surplus		26,569,238	14,771,665
TOTAL NET ASSETS/EQUITY		441,488,432	411,071,354

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

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015
REVENUE			
Service and Business Income	12	133,063,554	114,309,092
		133,063,554	114,309,092
LESS: CURRENT OPERATING EXPENSES			
Personal Services	13	53,729,090	59,417,120
Maintenance and Other Operating Expenses	14	48,792,761	37,000,441
Non-Cash Expenses	15	3,972,465	3,119,866
		106,494,316	99,537,427
NET SURPLUS FOR THE PERIOD		26,569,238	14,771,665

The Notes on pages 8 to 21 form part of these financial statements.

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	Note	Accumulated Surplus/(Deficit)	
		2016	2015
BALANCE AT JANUARY 1		411,071,354	371,945,610
Prior period adjustments	16	3,847,840	24,354,079
RESTATED BALANCE		414,919,194	396,299,689
Add:			
Changes in Net Assets/Equity for the Calendar Year			
Surplus for the period		26,569,238	14,771,665
BALANCE AT DECEMBER 31		441,488,432	411,071,354

The Notes on pages 8 to 21 form part of these financial statements.

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of loading fund from the SSS and GSIS		126,372,267	101,507,021
Collection of receivables from tenants		14,333,260	14,774,273
Cash receipts from International Labor Organization		-	1,636,624
Return of cash advance		1,423,163	733,012
Cash receipts from overpayments/disallowance		157,385	250,794
Cash receipts from bidders		-	160,140
Collection from sale of bid forms		20,000	57,500
Rebates from remittance NHMFC		313	313
Miscellaneous cash receipts		143,663	13,742
Payments to suppliers and employees		(99,838,780)	(90,667,123)
Net cash provided by operating activities		42,611,271	28,466,296
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on time deposits		4,166,254	3,890,239
Interest earned on savings deposits		17,730	15,762
Collection of receivables - LOI 1401		148,452	-
Purchase of furniture, fixture and equipment		(1,067,918)	(3,300,020)
Purchase of motor vehicle		-	(1,471,598)
Net cash used in investing activities		3,264,518	(865,617)
NET INCREASE IN CASH		45,875,789	27,600,679
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		392,027,962	364,427,283
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	437,903,751	392,027,962

The Notes on pages 8 to 21 form part of these financial statements.