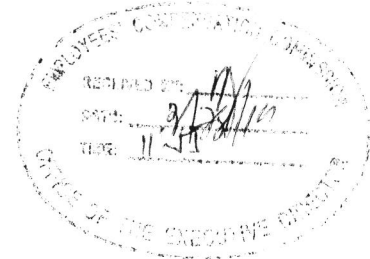




Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Cluster 2 – Social Security Services and Housing

March 27, 2019

Ms. Stella Zipagan-Banawis
Executive Director
Employees' Compensation Commission
4th floor, ECC Bldg., Sen. Gil J. Puyat Ave.,
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, 2018 and 2017.

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.

The Auditor rendered an unmodified opinion on the fairness of the presentation of the financial statements of the Commission as at December 31, 2018 and 2017.

The significant observations and recommendations that need immediate actions are as follows:

1. Due to Officers and Employees account totaling P5.640 million or 54 per cent of the account balance as at December 31, 2018, consists of payables which are no longer valid obligations and/or not supported with documents to prove the validity of the obligations, contrary to Section 4 (6) of Presidential Decree No. 1445.

We recommended that Management:

- a. Strictly comply with Section 4 (6) of P.D. No. 1445 on the recognition of payables affecting the Due to Officers and Employees account; and
 - b. Exert more efforts to locate the related documents to be able to analyze and review the validity of the payables recorded as Due to officers and employees; and
 - c. Revert to Surplus account specifically the accrual of PBB amounting to P5.133 million which has been disapproved by the GCG and those accounts that require adjustments.
2. Other Deferred Credits–Unreceipted Deposits account amounting to P1.884 million representing receipt of collection from unidentified payors directly deposited to OSHC bank account remained unreconciled with the appropriate Accounts Receivable account, contrary to the provision of Section 111(2) of P.D. No. 1445,