



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

## **INDEPENDENT AUDITOR'S REPORT**

**The Board of Commissioners**  
Employees' Compensation Commission  
Makati City

We have audited the accompanying financial statements of the Employees' Compensation Commission (ECC), which comprise the balance sheet as at December 31, 2008, and the statements of income and expenses, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

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### Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of ECC as at December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT

  
ANGELINA B. VILLANUEVA  
Director III  
Cluster A - Financial  
Corporate Government Sector

April 20, 2009

**EMPLOYEES' COMPENSATION COMMISSION**  
**BALANCE SHEET**  
December 31, 2008  
(In Philippine Peso)

	Notes	2008	2007 (As Restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	179,524,294	159,690,855
Receivables, net	4	43,011,224	29,340,190
Other current assets	5	492,447	568,782
		<u>223,027,965</u>	<u>189,599,827</u>
<b>Non-Current Assets</b>			
Investment property, net	6	13,723,454	12,820,697
Property and equipment, net	7	51,756,743	58,398,412
Other assets	8	401,448	93,598
		<u>65,881,645</u>	<u>71,312,707</u>
<b>TOTAL ASSETS</b>		<u><u>288,909,610</u></u>	<u><u>260,912,534</u></u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Payables	9	14,152,882	15,682,427
Inter-agency payables	9	8,634	155,787
Other liabilities	9	372,216	216,678
<b>TOTAL LIABILITIES</b>		<u>14,533,732</u>	<u>16,054,892</u>
<b>TOTAL EQUITY</b>		<u>274,375,878</u>	<u>244,857,642</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><u>288,909,610</u></u>	<u><u>260,912,534</u></u>

The Notes on pages 10 to 16 form part of these financial statements.



**EMPLOYEES' COMPENSATION COMMISSION**  
**STATEMENT OF INCOME AND EXPENSES**  
For the Year Ended December 31, 2008  
(In Philippine Peso)

	Notes	2008	2007 (As Restated)
<b>INCOME</b>			
	2.5		
Service income		74,120,900	97,613,145
Rent income		4,485,537	4,210,195
Interest income		3,502,728	2,836,927
Dividend income		2,100	-
Miscellaneous income(charges)		50,543	80,341
<b>TOTAL INCOME</b>		<b>82,161,808</b>	<b>104,740,608</b>
<b>EXPENSES</b>			
	2.6		
<b>Personal Services (Schedule 1)</b>			
Salaries and wages		12,903,690	12,036,981
Other compensation		10,681,824	7,424,094
Personnel benefits contribution		1,828,976	1,712,908
Other personnel benefits		1,432,254	10,459,541
		<b>26,846,744</b>	<b>31,633,524</b>
<b>Maintenance and Other Operating Expenses (Schedule 2)</b>			
Non-cash expenses		8,268,987	8,469,028
Professional/other services		6,016,696	5,573,608
Utility expenses		2,470,608	2,272,711
Training and scholarship expenses		2,033,510	400,732
Communications expenses		1,519,301	1,402,659
Supplies and materials expenses		1,380,344	1,157,716
Repairs and maintenance		1,120,338	676,691
Travelling expenses		931,710	435,145
Confidential, intelligence and miscellaneous expenses		832,853	616,033
Advertising expenses		724,507	905,687
Taxes, insurance premiums and other fees		158,679	211,774
Subsidies and donations		25,000	58,000
Others		314,295	551,133
		<b>25,796,828</b>	<b>22,730,917</b>
<b>TOTAL EXPENSES</b>		<b>52,643,572</b>	<b>54,364,441</b>
<b>NET INCOME</b>		<b>29,518,236</b>	<b>50,376,167</b>

The Notes on pages 10 to 16 form part of these financial statements.

**EMPLOYEES' COMPENSATION COMMISSION**  
**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended December 31, 2008  
(In Philippine Peso)

	Notes	Current Surplus	Invested Surplus	Contingent Surplus	Total
Balance, January 1, 2007 as restated		193,142,129	1,271,194	68,152	194,481,475
Net income before restatement		54,396,131	-	-	54,396,131
Prior period adjustments		(4,019,964)			(4,019,964)
Net income as restated		50,376,167	-	-	50,376,167
<b>Balance, December 31, 2007 as restated</b>	<b>10</b>	<b>243,518,296</b>	<b>1,271,194</b>	<b>68,152</b>	<b>244,857,642</b>
Balance at January 1, 2008 as restated		243,518,296	1,271,194	68,152	244,857,642
Net income		29,518,236	-	-	29,518,236
<b>Balance, December 31, 2008</b>		<b>273,036,532</b>	<b>1,271,194</b>	<b>68,152</b>	<b>274,375,878</b>

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**EMPLOYEES' COMPENSATION COMMISSION**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2008  
(In Philippine Peso)

	Notes	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt of loading fund from the SSS and GSIS		60,185,402	76,726,545
Collection of receivables (tenants/employees)		8,257,121	8,338,958
Return of cash advance		421,065	285,432
Cash receipt from bidders		208,424	80,672
Cash receipts from overpayments/disallowance		119,359	135,019
Cash receipts (miscellaneous)		54,297	26,191
Collection from sale of bid forms		33,500	49,000
Receipt from employees' personal calls		17,222	11,865
Dividend - PLDT		2,100	-
Others		754	754
Payments to suppliers and employees		(50,603,929)	(41,305,498)
<b>Net cash provided by operating activities</b>		<b>18,695,315</b>	<b>44,348,938</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earned on time deposits		3,340,590	2,728,533
Collection of receivables - LOI 1318		381,797	-
Collection from Notes Receivable - LOI 1401		190,653	66,409
Interest earned on savings deposits		63,298	72,333
Purchase of IT equipment	7	(1,403,347)	(301,135)
Purchase of office equipment	7	(1,380,052)	(151,124)
Purchase of other machineries	7	(26,828)	-
Purchase of furniture and fixtures	7	(22,497)	(950)
Purchase of library books	7	(5,490)	(42,752)
Purchase of medical equipment		-	(19,085)
<b>Net cash provided by investing activities</b>		<b>1,138,124</b>	<b>2,352,229</b>
<b>Net increase(decrease) in cash</b>		<b>19,833,439</b>	<b>46,701,167</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>159,690,855</b>	<b>112,989,688</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>3</b>	<b>179,524,294</b>	<b>159,690,855</b>

The Notes on pages 10 to 16 form part of these financial statements.



**EMPLOYEES' COMPENSATION COMMISSION**  
**PERSONAL SERVICES**  
For the Year Ended December 31, 2008  
(In Philippine Peso)

	2008	2007 (As Restated)
<b>Salaries and Wages</b>		
Salaries and wages - regular	12,853,107	11,935,424
Salaries and wages - casual	50,583	101,557
	12,903,690	12,036,981
<b>Other Compensation</b>		
Bonuses and allowances	2,695,210	2,395,000
Hazard pay	2,442,377	-
Subsistence and laundry allowance	1,603,800	1,102,945
Additional compensation	1,120,136	1,176,657
Year end bonus	1,108,416	1,053,851
PERA	373,611	392,219
Representation allowance	346,800	309,300
Cash gift	320,000	337,510
Clothing allowance	248,000	272,000
Transportation allowance	210,000	202,500
Productivity incentive allowance	121,700	122,000
Overtime and night pay	55,274	60,112
Honorarium	36,500	-
	10,681,824	7,424,094
<b>Personnel Benefits Contribution</b>		
Life and retirement insurance premium	1,525,687	1,415,616
Philhealth contribution	151,150	142,088
EC contribution	76,139	76,504
Pag-IBIG contribution	76,000	78,700
	1,828,976	1,712,908
<b>Other Personnel Benefits</b>		
Employee benefits - Leave credits	679,871	5,639,557
Terminal leave benefits	275,083	409,521
Others	477,300	4,410,463
	1,432,254	10,459,541
<b>TOTAL PERSONAL SERVICES</b>	<b>26,846,744</b>	<b>31,633,524</b>

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**EMPLOYEES' COMPENSATION COMMISSION**  
**MAINTENANCE AND OTHER OPERATING EXPENSES**  
For the Year Ended December 31, 2008  
(In Philippine Peso)

	2008	2007 (As Restated)
<b>Non-cash Expenses</b>		
Depreciation - office building	4,717,602	6,314,845
Depreciation - investment property	1,597,243	-
Depreciation - IT equipment	752,138	977,597
Depreciation - office equipment	495,736	452,762
Depreciation - furniture and fixtures	463,129	465,166
Depreciation - motor vehicles	206,893	223,457
Depreciation - library books	27,394	24,789
Depreciation - other machineries	4,903	4,902
Depreciation - medical/dental equipment	2,336	618
Depreciation - sports equipment	1,613	1,613
Bad debts expense	-	3,279
	8,268,987	8,469,028
<b>Professional/Other Services</b>		
Security services	3,061,633	2,846,365
Janitorial services	1,788,333	1,554,463
Auditing services	1,031,679	1,091,880
Legal services	82,619	51,500
Other professional services	52,432	29,400
	6,016,696	5,573,608
<b>Utility Expenses</b>		
Electricity expenses	2,203,450	1,994,626
Water expenses	267,158	278,085
	2,470,608	2,272,711
<b>Training and Scholarship Expenses</b>		
	2,033,510	400,732
<b>Communication Expenses</b>		
Telephone expenses - landline	848,179	791,267
Telephone expenses - mobile	212,737	177,711
Internet expenses	194,880	186,215
Membership dues and contribution to organization	178,000	178,000
Postage and deliveries	74,868	59,441
Cable, satellite, telegraph and radio expenses	10,637	10,025
	1,519,301	1,402,659
<b>Supplies and Materials Expenses</b>		
Office supplies	744,567	651,514
Other supplies expenses	352,105	282,761
Gasoline, oil and lubricants expenses	281,572	223,441
Textbooks and instructional materials expenses	2,100	-
	1,380,344	1,157,716



	2008	2007 (As Restated)
<b>Repairs and Maintenance</b>		
Repairs and maintenance - office building	679,009	315,076
Repairs and maintenance - motor vehicles	300,888	212,090
Repairs and maintenance - office equipment	121,715	115,873
Repairs and maintenance - IT equipment	15,748	33,652
Repairs and maintenance - furniture and fixtures	2,978	-
	<u>1,120,338</u>	<u>676,691</u>
<b>Travelling Expenses</b>		
Travelling expenses - foreign	654,863	296,218
Travelling expenses - local	276,847	138,927
	<u>931,710</u>	<u>435,145</u>
<b>Confidential, Intelligence and Miscellaneous Expenses</b>		
Miscellaneous expenses	443,127	338,164
Extraordinary expenses	389,726	277,869
	<u>832,853</u>	<u>616,033</u>
<b>Advertising Expenses</b>		
Representation expenses	448,587	642,067
Advertising expenses	90,487	79,758
Subscription expenses	85,241	92,153
Printing and binding expenses	79,000	71,000
Transportation and delivery expenses	21,192	20,709
	<u>724,507</u>	<u>905,687</u>
<b>Taxes, Insurance Premiums and Other Fees</b>		
Insurance expenses	118,010	174,649
Fidelity bond premiums	40,669	37,125
	<u>158,679</u>	<u>211,774</u>
<b>Subsidies and Donations</b>		
	25,000	58,000
<b>Others</b>		
	314,295	551,133
<b>TOTAL MOOE</b>	<u>25,796,828</u>	<u>22,730,917</u>

The Notes on pages 10 to 16 form part of these financial statements