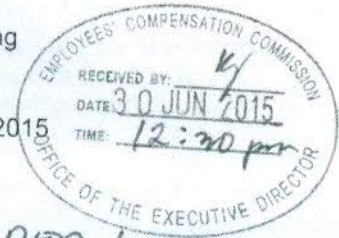




Republic of the Philippines  
**COMMISSION ON AUDIT**  
Corporate Government Sector  
Cluster 2 – Social Security Services and Housing

June 30, 2015



**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 year ended December 31, 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.

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 ECC has not completed the study on the appropriate contribution rate of an employer with high frequency of work accidents or occupational disease due to failure to observe adequate safety measures contrary to Paragraph (b), Article 177 of P.D. No. 626. Thus, the contribution rates paid by the employers and the related benefits are just at par with employers observing adequate safety measures to the disadvantage of their employees.

We recommended that Management:

- a. Coordinate with the SSS, OSHC and DOLE through its bureau, the BWC and other concerned government agencies to obtain the necessary and additional information that will facilitate the completion of a study and the proper approach to address the ECC function of determining the appropriate contribution rate;
- b. Evaluate the data provided by SSS, OSHC and BWC to determine the appropriate rate of contribution of employers with high record of work accidents or occupational disease due to failure by such employers to observe adequate safety measures; and
- c. Request the DOLE Regional Offices to indicate in the reports on work accidents submitted a conclusion on employers at fault for the accident that happened at the workplace to enable ECC to determine the appropriate rates to be imposed.

*DECLINED /  
Rheiza,  
Congrats to all !! For  
ref and further action. Pls  
provide a copy to Manny  
B.  
TH  
SW  
7/07*

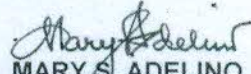


Other observations are discussed in detail in Part II - Observations and Recommendations portion of the report.

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





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 statement of financial position as at December 31, 2014, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year 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 audit. We conducted our audit in accordance with International 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.



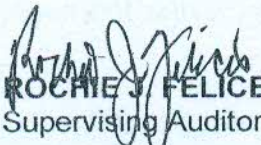
## Opinion

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

## Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2014 required by the Bureau of Internal Revenue as disclosed in Note 15 to the financial statements is presented for purposes of additional analysis and is not required part of the basic financial statements prepared in accordance with generally accepted accounting principles in the Philippines. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, 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

May 27, 2015






Republic of the Philippines  
DEPARTMENT OF LABOR AND EMPLOYMENT  
**EMPLOYEES' COMPENSATION COMMISSION**  
ECC Building, 355 Sen. Gil J. Puyat Avenue, City of Makati

Tel. No. 899-4251 • Fax. No. 897-7597 • E-mail: ecc\_mails@yahoo.com • Website: <http://www.ecc.gov.ph>

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Employees' Compensation Commission (ECC) is responsible for all information and representations contained in the Financial Statements for Calendar Year 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.

  
MARIA TERESA M. URBANO  
Chief, Finance Division

  
STELLA ZIPAGAN-BANAWIS  
Executive Director



**EMPLOYEES' COMPENSATION COMMISSION**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2014  
(In Philippine Peso)

	Note	2014	2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	364,427,283	330,730,547
Receivables	4	9,416,064	11,380,935
Other current assets	5	625,853	714,538
		<b>374,469,200</b>	<b>342,826,020</b>
<b>Non-current Assets</b>			
Receivables, net	4	10,826,759	5,329,254
Investment property	6	167,483	167,483
Property and equipment, net	7	36,180,299	31,991,059
Other assets	8	3,088,564	3,088,564
		<b>50,263,105</b>	<b>40,576,360</b>
<b>TOTAL ASSETS</b>		<b>424,732,305</b>	<b>383,402,380</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable - trade	9	6,306,322	1,505,072
Due to officers and employees		833,494	146,402
Inter-agency payables		65,713	48,832
Other liabilities		7,074,239	5,297,758
		<b>14,279,768</b>	<b>6,998,064</b>
<b>Non-current Liabilities</b>			
Leave benefits payable	9	12,124,269	11,468,938
Accounts payable - trade		1,165,834	949,175
Due to officers and employees		202,442	114,289
Other liabilities		25,014,383	19,961,224
		<b>38,506,928</b>	<b>32,493,626</b>
<b>TOTAL LIABILITIES</b>		<b>52,786,695</b>	<b>39,491,690</b>
<b>EQUITY</b>		<b>371,945,610</b>	<b>343,910,690</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>424,732,305</b>	<b>383,402,380</b>

See accompanying notes to financial statements.



**EMPLOYEES' COMPENSATION COMMISSION**  
**STATEMENT OF PROFIT OR LOSS**  
For the Year Ended December 31, 2014  
(In Philippine Peso)

	Note	2014	2013
<b>INCOME</b>			
Service income	10	99,823,000	90,388,000
Rent income	11	7,323,827	6,317,027
Interest income	12	2,779,773	3,759,107
Miscellaneous income		15,373	34,313
		<b>109,941,973</b>	<b>100,498,447</b>
<b>EXPENSES</b>			
<b>Personal Services</b>			
Salaries and wages		27,190,962	20,372,931
Other compensation		15,629,238	14,265,887
Personnel benefits contribution		5,934,592	2,883,465
Other personnel benefits		2,836,500	3,320,111
		<b>51,591,292</b>	<b>40,842,394</b>
<b>Maintenance and Other Operating Expenses</b>			
Professional/other services		12,123,453	10,689,409
Training expenses		6,003,009	5,795,130
Depreciation expense		5,169,553	11,368,721
Utilities expenses		3,322,134	2,620,769
Travelling expenses		2,940,261	2,130,033
Communications expenses		2,077,573	1,534,963
Supplies and materials expenses		1,760,056	1,231,142
Repairs and maintenance		1,531,399	1,132,337
Representation expenses		890,133	681,759
Advertising expenses		838,274	646,054
Printing and binding expenses		585,195	607,320
Bad debt expense		544,382	-
Rent expense		446,400	21,600
Extraordinary and miscellaneous expenses		427,054	512,080
Membership dues and contribution to organizations		115,500	100,000
Transportation and delivery expenses		104,767	109,933
Taxes, insurance premiums and other fees		91,459	106,042
Subsidies and donations		53,499	131,000
Subscription expenses		42,302	44,736
Other maintenance and other operating expenses		721,928	573,661
		<b>39,788,331</b>	<b>40,036,689</b>
<b>TOTAL EXPENSES</b>		<b>91,379,623</b>	<b>80,879,083</b>
<b>NET PROFIT</b>		<b>18,562,350</b>	<b>19,619,364</b>

See accompanying notes to financial statements.

**EMPLOYEES' COMPENSATION COMMISSION**  
**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended December 31, 2014  
(In Philippine Peso)

	2014	2013
<b>Accumulated Surplus</b>		
Balance, January 1	343,910,690	323,712,896
Prior period adjustments	13      9,472,570	578,430
Net income	18,562,350	19,619,364
<b>Balance, December 31</b>	<b>371,945,610</b>	<b>343,910,690</b>

See accompanying notes to financial statements.



**EMPLOYEES' COMPENSATION COMMISSION**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2014  
(In Philippine Peso)

	Note	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt of loading fund from the SSS and GSIS		101,238,025	81,486,250
Collection of receivables from tenants		13,190,967	12,161,585
Return of cash advance		939,197	549,295
Cash receipts from bidders		231,620	186,200
Cash receipts from overpayments/disallowance		43,804	43,922
Collection from sale of bid forms		15,000	34,000
Rebates from remittance NHMFC		313	-
Miscellaneous cash receipts		151,421	7,338
Payments to suppliers and employees		(78,461,776)	(70,560,260)
Net cash provided by operating activities		37,348,570	23,908,330
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earned on time deposits		2,762,773	3,736,019
Interest earned on savings deposits		17,000	23,088
Collection of receivables - LOI 1318		11,186	44,600
Purchase of furniture, fixture and equipment		(4,997,261)	(616,471)
Purchase of motor vehicle		(1,445,533)	(1,298,500)
Net cash provided by (used in) investing activities		(3,651,834)	1,888,736
<b>NET INCREASE IN CASH</b>		<b>33,696,735</b>	<b>25,797,066</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>330,730,548</b>	<b>304,933,481</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	3	<b>364,427,283</b>	<b>330,730,547</b>

See accompanying notes to financial statements.