



**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 4<sup>th</sup> and 5<sup>th</sup> 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
	<b>141,563,000</b>	<b>103,589,769</b>	<b>37,973,231</b>

**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
<b>Equity</b>	<b>441,488,432</b>	<b>411,071,354</b>	<b>30,417,078</b>

## 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
<b>Net profit</b>	<b>26,569,238</b>	<b>14,771,665</b>	<b>11,797,573</b>

**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 <ul style="list-style-type: none"> <li>• PWRDs referral for job placement facilitated</li> <li>• Children of PWRDs enrolled under the Special Program of Employment for Students (SPES)</li> </ul>	as necessary  50	1  46	-  (4)
5.	Physical Restoration of PWRDs Project <ul style="list-style-type: none"> <li>• PWRDs provided with physical/ occupational therapy services</li> <li>• PWRDs provided with rehabilitation appliances/prosthesis</li> <li>• Memorandum of Agreements with program partners on physical restoration and training of PWRDs signed</li> <li>• Home/Company visits conducted</li> </ul>	220  38  13  83	252  60  38  143	32  22  25  60
6.	Intensification of ECP Information Campaign (ECP Advocacy)	460 advocacy seminar  26,000 Participants 12,000 Companies	569 advocacy seminar  29,373 Participants 12,103 Companies	109   3,373  103
7.	Speedy disposition of EC appealed cases	100% disposition rate by EO 2016 for EC appealed cases received as of 20 November 2016  100% disposition rate of cases resolved within the process cycle time (PCT)	95% disposition rate (81 cases disposed out of 85 cases handled)  100% disposition rate within the PCT (81 cases resolved within the PCT out of 81 cases resolved)	(5%)   -

## 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

