



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 2- SOCIAL SECURITY

March 30, 2022

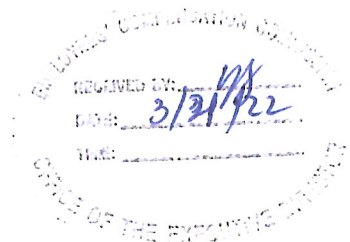
Ms. Stella Zipagan-Banawis

Executive Director

Employees' Compensation Commission

4th floor, ECC Building, 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 transactions of the Employees' Compensation Commission (ECC) for the years ended December 31, 2021 and 2020.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations and the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the ECC as at December 31, 2021 and 2020.

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

1. Management was still unable to come up with one Restructuring Plan (RP) for approval of the Governance Commission for Government Owned or Controlled Corporations (GCG) to effect the Organizational Structure and Staffing Pattern appropriate for an integrated function and business of both ECC and OSHC which resulted in: (a) redundancy of positions and functions of ECC and OSHC and (b) accountabilities and responsibilities of ECC and OSHC's officials and employees are not properly defined. Such delay in the finalization of the RP entails higher administrative cost amounting to P12.594 million.

We strongly reiterated our previous years' recommendations that Management:

- a. Fast track the preparation and submission to GCG of the required RP that considers the proper delineation of the accountabilities and responsibilities of the ECC Executive Director as well as the Center's officials and employees, the Center being a department of ECC, to avoid redundancy of positions and functions; and
- b. In the meantime, that the RP is not yet available, the ECC Board has to revisit the current organizational set up of the ECC and Center and to come up with appropriate guidelines to ensure proper check and balance in all of its transactions. The same should be considered in the proposed RP.



2. The appraised value of the ECC building amounting to P144.128 million determined in CY 2014 was not updated, and the fair values of the land where the ECC building stands and Center's building were not disclosed in the financial statements (FS), thus, complete information relevant to the understanding of the ECC's Property and Equipment (PE) account as required under Paragraphs 45 and 94 of International Public Sector Accounting Standard (IPSAS) 17 were not provided to the users of the FS.

We recommended that Management:

- a. Have a recognized and qualified member of the valuation profession to undertake the appraisal of the ECC building, ECC land located in Makati City and Center's building in Quezon City, and disclose in the FS the current/updated fair values of the said properties; and
 - b. Issue a policy on appraisal or revaluation of PE to include the frequency or necessity of the appraisal in order to determine the changes in their fair values, and appropriately disclose in the FS.
3. The continuous inability of the ECC to enforce the audit recommendation to revoke/terminate the authority granting the Employers' Confederation of the Philippines (ECOP), a private organization, free occupancy of ECC's office space resulted in opportunity loss estimated at P8.163 million in rental income from CYs 2019 to 2021, thereby depriving the ECC of the much-needed funds for the benefits of its members. Likewise, ECC's mandate to manage a sound, strong, and wisely invested State Insurance Fund was not appropriately executed.

We reiterated with modification our previous years' recommendations that Management:

- a. Recommend to the ECC Board of Directors the revocation/termination of the board resolution granting ECOP the free occupancy of ECC's office space;
- b. Have ECOP enter a lease contract with ECC with rental rates based on the prevailing rate of the other leases of the ECC building;
- c. Determine applicable rental rates for the years 2019 to 2021 for the office space occupied by ECOP and issue billing statements/statement of accounts to collect the rents from ECOP; and
- d. If a lease agreement is not reached, offer the space to tenants through public bidding.

The other audit observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on March 09, 2022, are presented in detail in Part II of the report.

We respectfully request that the recommendations contained in Parts II and III 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 Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.



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:

COA Signed: 2022-03-30 19:17:12

MA. LISA P. INGUILLO
MA. LISA P. INGUILLO

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





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 Audit of the Financial Statements

Opinion

We have audited the financial statements of **Employees' Compensation Commission (ECC)**, which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of financial performance, statements of changes in net assets/equity, statements of cash flows and statement of comparison of budget and actual amounts for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ECC as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of ECC in accordance with the Code of Conduct and Ethical Standards for COA Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, 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.

In preparing the financial statements, management is responsible for assessing ECC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate ECC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ECC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 ECC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ECC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ECC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 in Note 31 to the financial statements is presented for the purpose 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 and 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


ANGELITA R. MANGABAT
OIC-Supervising Auditor

March 29, 2022



Republic of the Philippines
DEPARTMENT OF LABOR AND EMPLOYMENT
EMPLOYEES' COMPENSATION COMMISSION
4th & 5th Floors, ECC Building, 355 Sen. Gil J. Puyat Avenue, City of Makati

Tel No 899-4251, 899-4252 • Fax No 897-7597 • E-mail: info@ecc.gov.ph • Website: http://www.ecc.gov.ph



STATEMENT OF MANAGEMENT'S RESPONSIBILITY

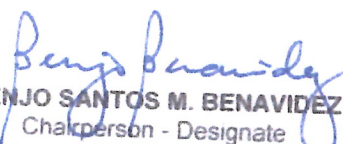
The management of the Employees' Compensation Commission (ECC) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and December 31, 2020 in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the financial statements, management is responsible for assessing the Employees' Compensation Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Employees' Compensation Commission or to cease operations, or has no realistic alternative to do so.

The Board of Commissioners is responsible for overseeing the Employees' Compensation Commission's financial reporting process.

The Board of Commissioners reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders or members.

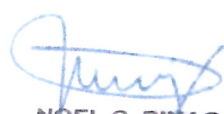
The Commission on Audit, through its authorized representative, has examined the financial statements of the ECC pursuant to Section 2, Article IX- D of the Philippine Constitution and Section 28 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions and the auditor, in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


BENJO SANTOS M. BENAVIDEZ
Chairperson - Designate
Department of Labor and Employment

3/29/2022
Date Signed


STELLA ZIPAGAN-BANAWIS
Executive Director, ECC

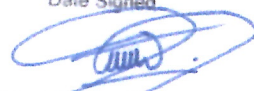
3/29/2022
Date Signed


NOEL C. BINAG, CE, MPA
Executive Director, OSHC

3/29/2022
Date Signed


MARIA TERESA M. URBANO
Chief, Finance Division

3/29/2022
Date Signed


PRINCE RAINER C. DOMINGO
Chief, Finance and Administrative Division

3/29/2022
Date Signed

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 (As restated)
ASSETS			
Current Assets			
Cash and cash equivalents	4	266,902,162	261,242,365
Investments	5	412,025,142	446,247,256
Receivables - net	6	189,336,954	157,674,510
Inventories	7	7,621,339	4,218,503
Other current assets	8	1,305,351	1,236,418
		877,190,948	870,619,052
Non-Current Assets			
Investment property	10	167,483	167,483
Property and equipment - net	11	164,943,952	166,268,385
Other non-current assets	9	3,261,151	3,102,043
		168,372,586	169,537,911
TOTAL ASSETS		1,045,563,534	1,040,156,963
LIABILITIES			
Current Liabilities			
Financial liabilities	12	121,663,327	187,064,931
Inter-agency payables	13	5,145,057	2,360,296
Trust liabilities	14	6,125,091	6,173,553
Deferred credits	15	2,069,995	2,058,166
Provisions	17	3,503,852	12,462,363
Other payables	16	3,282,196	4,155,821
		141,789,518	214,275,130
Non-Current Liabilities			
Provisions	17	49,964,598	41,553,458
		49,964,598	41,553,458
TOTAL LIABILITIES		191,754,116	255,828,588
TOTAL ASSETS LESS TOTAL LIABILITIES		853,809,418	784,328,375
NET ASSETS/EQUITY			
Equity			
Government equity		249,042,285	249,042,285
Accumulated surplus		604,767,133	535,286,090
TOTAL NET ASSETS/EQUITY		853,809,418	784,328,375

The Notes on pages 10 to 42 form part of these financial statements.

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 (As restated)
REVENUE			
Business income	18	16,987,188	22,498,206
		16,987,188	22,498,206
CURRENT OPERATING EXPENSES			
Personnel services	19	160,500,924	166,974,635
Maintenance and other operating expenses	20	236,036,909	246,499,222
Financial expenses	21	62,692	2,087
Non-cash expenses	22	26,145,292	24,761,478
		422,745,817	438,237,422
SURPLUS/(DEFICIT) FROM OPERATIONS		(405,758,629)	(415,739,216)
Loading fund from other government entities	26	475,239,672	418,025,602
NET SURPLUS FOR THE PERIOD		69,481,043	2,286,386

The notes on pages 10 to 42 form part of these financial statements.

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	Government Equity	Accumulated Surplus/(Deficit)	Total
BALANCE AT DECEMBER 31, 2020		249,042,285	535,286,090	784,328,375
Changes in Net Assets/Equity for CY 2021				
Surplus for the period		0	69,481,043	69,481,043
BALANCE AT DECEMBER 31, 2021		249,042,285	604,767,133	853,809,418
BALANCE AT JANUARY 1, 2020		249,042,285	531,399,499	780,441,784
Prior period adjustments	27	0	1,600,205	1,600,205
RESTATED BALANCE AT JANUARY 1, 2020		249,042,285	532,999,704	782,041,989
Changes in Net Assets/Equity for CY 2020				
Surplus for the period		0	2,286,386	2,286,386
BALANCE AT DECEMBER 31, 2020		249,042,285	535,286,090	784,328,375

The notes on pages 10 to 42 form part of these financial statements.

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Receipt of loading fund from the SSS and GSIS		444,268,231	364,609,943
Collection of receivables		16,612,077	17,804,683
Collection of income		896,327	3,313,482
Cash receipt from bid bond		639,799	1,507,632
Interest earned on savings deposits		29,201	1,250,708
Return of cash advance		953,260	701,571
Cash receipts from overpayments/disallowances		0	227,829
Receipt of refunds in excess of previous payments		351,587	44,431
Collection from sale of bid forms		88,000	23,000
Total Cash Inflows		463,838,482	389,483,279
Cash Outflows			
Payment of operating expenses		294,280,520	172,933,561
Payment of salaries and wages		127,143,775	127,596,630
Remittance to GSIS/Pag-ibig/Philhealth and others		23,313,334	21,700,939
Remittance to BIR		17,791,446	19,682,598
Payment of leave benefits payables		3,348,060	3,872,268
Refund of bidders' bond/guaranty deposits		1,724,775	761,029
Payment of prepaid expenses		529,821	491,315
Total Cash Outflows		468,131,731	347,038,340
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		(4,293,249)	42,444,939
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from investment in time deposit		126,129,480	110,421,788
Interest earned on time deposits		921,365	1,694,530
Total Cash Inflows		127,050,845	112,116,318
Cash Outflows			
Investment in time deposit		89,554,462	60,000,000
Purchase of medical equipment		0	21,552,779
Renovation/repainting of the Center's building		8,176,853	15,973,374
Purchase of office equipment		1,689,507	7,586,734
Purchase of technical and scientific equipment		0	4,952,082
Purchase of other structures		0	2,750,236
Purchase of IT and communication equipment		14,173,624	1,142,053
Purchase of other machineries and equipment		0	81,588
Purchase of furniture and fixtures		3,503,353	33,500
Total Cash Outflows		117,097,799	114,072,346
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		9,953,046	(1,956,028)
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,659,797	40,488,911
CASH AND CASH EQUIVALENTS, JANUARY 1		261,242,365	220,753,454
CASH AND CASH EQUIVALENTS, DECEMBER 31	4	266,902,162	261,242,365

The notes on pages 10 to 42 form part of these financial statements.

EMPLOYEES' COMPENSATION COMMISSION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2021
(In Philippine Peso)

	Note	Budgeted Amounts		Actual Amounts on a Comparable Basis	Difference Between Budget and Actual Amounts
		Original	Final		
SOURCES OF FUNDS	24				
Corporate Funds					
State Insurance Fund/Loading Fund		497,165,000	497,165,000	414,528,500	82,636,500
Accumulated Surplus		105,468,000	105,468,000	48,356,723	57,111,277
		602,633,000	602,633,000	462,885,223	139,747,777
USES OF FUNDS	24				
Personnel Services					
State Insurance Fund/Loading Fund		178,648,000	173,517,000	153,805,170	19,711,830
		178,648,000	173,517,000	153,805,170	19,711,830
Maintenance and Other Operating Expenses					
State Insurance Fund		318,517,000	323,648,000	260,723,330	62,924,670
Accumulated Surplus		28,850,308	6,847,308	53,540,540	(46,693,232)
		347,367,308	330,495,308	314,263,870	16,231,438
Capital Outlays					
Financial Expenses		76,555,000	76,555,000	27,543,337	49,011,663
		62,692	62,692	62,692	0
		76,617,692	76,617,692	27,606,029	49,011,663
		602,633,000	580,630,000	495,675,069	84,954,931
NET FUND SOURCES/(USES)		0	22,003,000	(32,789,846)	54,792,846

The notes on pages 10 to 42 form part of these financial statements.