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

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 2 – SOCIAL SECURITY

March 30, 2023

EMPLOYEES' COMPENSATION COMMISSION
RECEIVED BY: [signature]
DATE: 3/31/23
TIME: 2:20 pm
OFFICE OF THE EXECUTIVE DIRECTOR

Engr. JOSE MARIA S. BATINO
OIC-Executive Director
Employees' Compensation Commission
4th Floor, ECC Building, Sen. Gil J. Puyat Avenue
Makati City

Dear Engr. Batino:

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, 2022 and 2021.

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 expressed an unmodified opinion on the fairness of presentation of the financial statements of the ECC for the years ended December 31, 2022 and 2021.

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

1. After almost eight years, Management was still unable to come up with one Restructuring Plan (RP) for approval by 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) not properly defined accountabilities and responsibilities of ECC and OSHC's officials and employees. Such delay in the finalization of the RP entails higher administrative cost which amounted to P13.457 million for CY 2022.

   We strongly reiterated our previous year's 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 restructuring plan is not yet available, the ECC Board has to revisit the current organizational set up of the ECC and Center and come up with appropriate guidelines to ensure proper check and balance in all its transactions. The same should be considered in the proposed RP.

We also recommended that Management strictly observe the required timeline in the crafting of the RP of the ECC and the OSHC under BR No. 22-12-39 dated December 16, 2022.

2. The continuous inability of the ECC to enforce the audit recommendation to revoke/terminate the authority granting the ECOP, a private organization, free occupancy of ECC's office space, contrary to Sections 2 and 4(2) of P.D. No. 1445, resulted in opportunity loss estimated at P10.843 million in rental income from CYs 2019 to 2022, thereby depriving the ECC of the much needed funds to provide benefits to its members. Likewise, ECC's mandate to manage a sound, strong, and wisely invested State Insurance Fund was not appropriately executed.

We strongly reiterated our previous years' recommendations that Management:

a. Recommend to the ECC Board of Commissioners 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. Offer the space to prospective tenants through public bidding if a lease agreement is not reached to prevent continuous losses; and

d. Determine applicable rental rates for the years 2019 to 2022 for the office space occupied by ECOP and issue billing statements/statement of accounts to collect the rents from ECOP.

We also recommended that Management seek guidance from the DPWH on the determination of lease terms and rates that will be reasonable to both parties, to include those for the years 2019 to 2022. Moreover, continue the negotiation with the ECOP to solve the matter within the year.

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 2, 2023, are discussed 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 (Annex A) and returning the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus, facilitating the completion of this report.

Very truly yours,

COMMISSION ON AUDIT

By:

Ma. Lisa P. Inguillo

MA. LISA P. INGUILLO
Director IV

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 of the President
The UP Law Center
The National Library

Annex A

EMPLOYEES' COMPENSATION COMMISSION
4th and 5th Floor, ECC Building, 355 Sen. Gil J. Puyat Avenue, Makati City

AGENCY ACTION PLAN and STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Years 2022 and prior years
As of ________________

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reasons for Delay/Non-Implementation, if applicable	Action Taken/ Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation date				
					From	To			

Agency sign-off

______________________________ ________________
Name and Position of Agency Officer Date

Note: Status of Implementation may either be (a) Implemented (FI), (b) On-going (O), (c) Not Implemented (NI), or (d) Delayed (D)

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, 2022 and 2021, and the statements of financial performance, statements of changes in net assets/equity, statements of cash flows, statement of comparison of budget and actual amounts for the years then ended, and notes to the 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, 2022 and 2021, 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 Commission on Audit 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 Management 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

ANGELICA R. MANGABAT
OIC-Supervising Auditor

March 02, 2023

Republic of the Philippines
Department of Labor and Employment
EMPLOYEES' COMPENSATION COMMISSION

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, 2022 and December 31, 2021 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.

BIENVENIDO E. LAGUESMA
Chairperson
Department of Labor and Employment

ENGR. JOSE MARIA S. BATINO, CESO IV
OIC Executive Director

MARIA TERESA M. URBANO
Chief, Finance Division
Date: March 16, 2023

4th &5th Floors, ECC Building,
355 Sen. Gil J. Puyat Avenue,
City of Makati, Philippines 1206
(02) 8899-4251
www.ecc.gov.ph

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 (As restated)
REVENUE			
Business income	18	**19,397,971**	18,012,629
		19,397,971	18,012,629
CURRENT OPERATING EXPENSES			
Personnel services	19	**177,055,499**	164,101,896
Maintenance and other operating expenses	20	**414,345,580**	235,907,728
Financial expenses	21	**207,528**	62,692
Non-cash expenses	22	**27,017,050**	25,541,186
		618,625,657	425,613,502
DEFICIT FROM OPERATIONS		**(599,227,686)**	(407,600,873)
Loading fund from other government entities	26	**588,360,308**	475,239,672
NET SURPLUS/(DEFICIT) FOR THE PERIOD		**(10,867,378)**	67,638,799

The notes on pages 10 to 43 form part of these financial statements.

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 (As restated)
ASSETS			
Current Assets			
Cash and cash equivalents	4	**339,053,377**	266,902,162
Investments	5	**348,078,386**	412,025,142
Receivables - net	6	**285,448,328**	191,396,573
Inventories	7	**6,671,498**	7,621,339
Other current assets	8	**2,455,910**	1,305,351
		981,707,499	879,250,567
Non-Current Assets			
Investment property	10	**167,483**	167,483
Property and equipment - net	11	**144,564,635**	160,289,224
Other non-current assets	9	**3,589,260**	3,201,860
		148,321,378	163,658,567
TOTAL ASSETS		**1,130,028,877**	1,042,909,134
LIABILITIES			
Current Liabilities			
Financial liabilities	12	**189,128,407**	93,024,887
Inter-agency payables	13	**4,830,157**	5,166,110
Trust liabilities	14	**4,344,574**	6,047,591
Deferred credits	15	**87,057**	0
Provisions	16	**8,696,223**	3,503,852
Other payables	17	**913,303**	795,952
		207,999,721	108,538,392
Non-Current Liabilities			
Provisions	16	**50,757,671**	52,231,879
		50,757,671	52,231,879
TOTAL LIABILITIES		**258,757,392**	160,770,271
TOTAL ASSETS LESS TOTAL LIABILITIES		**871,271,485**	882,138,863
NET ASSETS/EQUITY			
Equity			
Government equity		**249,042,285**	249,042,285
Accumulated surplus		**622,229,200**	633,096,578
TOTAL NET ASSETS/EQUITY		**871,271,485**	882,138,863

The Notes on pages 10 to 43 form part of these financial statements.

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Receipt of loading fund from the SSS and GSIS		**492,383,792**	444,268,231
Collection of receivables		**16,954,818**	16,612,077
Collection of income		**2,202,814**	896,327
Cash receipt from bid bond		**567,120**	639,799
Interest earned on savings deposits		**78,928**	29,201
Return of cash advance		**3,332,469**	953,260
Cash receipts from overpayments/disallowances		**1,523,674**	0
Receipt of refunds in excess of previous payments		**27,654**	351,587
Collection from sale of bid forms		**171,000**	88,000
Total Cash Inflows		**517,242,269**	463,838,482
Cash Outflows			
Payment of operating expenses		**306,132,022**	294,280,520
Payment of salaries and wages		**133,648,488**	127,143,775
Remittance to GSIS/Pag-ibig/Philhealth and others		**25,464,322**	23,313,334
Remittance to BIR		**21,122,106**	17,791,446
Payment of leave benefits payables		**10,458,274**	3,348,060
Refund of bidders' bond/guaranty deposits		**2,235,427**	1,724,775
Payment of prepaid expenses		**2,097,753**	529,821
Total Cash Outflows		**501,158,392**	468,131,731
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**16,083,877**	(4,293,249)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from investment in time deposit		**127,323,909**	126,129,480
Interest earned on time deposits		**849,795**	921,365
Total Cash Inflows		**128,173,704**	127,050,845
Cash Outflows			
Investment in time deposit		**60,369,600**	89,554,462
Renovation/repainting of the Center's building		**2,977,325**	8,176,853
Purchase of office equipment		**843,391**	1,689,507
Purchase of technical and scientific equipment		**176,600**	0
Purchase of IT and communication equipment		**6,221,950**	14,173,624
Purchase of motor vehicle		**1,500,000**	0
Purchase of furniture and fixtures		**17,500**	3,503,353
Total Cash Outflows		**72,106,366**	117,097,799
NET CASH PROVIDED BY INVESTING ACTIVITIES		**56,067,338**	9,953,046
NET INCREASE IN CASH AND CASH EQUIVALENTS		**72,151,215**	5,659,797
CASH AND CASH EQUIVALENTS, JANUARY 1		**266,902,162**	261,242,365
CASH AND CASH EQUIVALENTS, DECEMBER 31	**4**	**339,053,377**	266,902,162

The notes on pages 10 to 43 form part of these financial statements.

EMPLOYEES' COMPENSATION COMMISSION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2022
(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		879,092,000	879,092,000	492,383,791	386,708,209
Accumulated Surplus		155,662,604	150,072,000	21,526,008	128,545,992
		1,034,754,604	**1,029,164,000**	**513,909,799**	**515,254,201**
USES OF FUNDS	24				
Personnel Services					
State Insurance Fund/Loading Fund		201,272,000	201,272,000	186,631,718	14,640,282
Accumulated Surplus		12,451,604	6,861,000	4,061,472	2,799,528
		213,723,604	208,133,000	190,693,190	17,439,810
Maintenance and Other Operating Expenses					
State Insurance Fund		677,820,000	654,401,910	301,690,602	352,711,308
Accumulated Surplus		27,889,472	9,604,562	9,604,562	0
		705,709,472	664,006,472	311,295,164	352,711,308
Capital Outlays		97,282,000	96,782,000	10,699,275	86,082,725
Financial Expenses		207,528	207,528	207,528	0
		97,489,528	96,989,528	10,906,803	86,082,725
		1,016,922,604	**969,129,000**	**512,895,157**	**456,233,843**
NET FUND SOURCES/(USES)		**17,832,000**	**60,035,000**	**1,014,642**	**59,020,358**

The notes on pages 10 to 43 form part of these financial statements.

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	Government Equity	Accumulated Surplus/(Deficit)	Total
BALANCE ATJANUARY 1, 2022		**249,042,285**	**633,096,578**	**882,138,863**
Deficit for the period		0	(10,867,378)	(10,867,378)
BALANCE AT DECEMBER 31, 2022		**249,042,285**	**622,229,200**	**871,271,485**
BALANCE AT JANUARY 1, 2021		**249,042,285**	**562,758,343**	**811,800,628**
Adjustments:				
Changes in accounting policy	27		2,468,511	2,468,511
Prior period adjustments (net)	27	0	230,925	230,925
RESTATED BALANCE AT JANUARY 1, 2021		**249,042,285**	**565,457,779**	**814,500,064**
Surplus for the period		0	67,638,799	67,638,799
BALANCE AT DECEMBER 31, 2021		**249,042,285**	**633,096,578**	**882,138,863**

The notes on pages 10 to 43 form part of these financial statements.

EMPLOYEES' COMPENSATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

The Employees' Compensation Commission (ECC) is a government corporation created by virtue of Presidential Decree (PD) No. 626, dated December 27, 1974, as amended and as embodied in Title II of Book IV on Employees' Compensation and State Insurance Fund 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 the Commission for resolution. Cases denied by ECC are appealable to the Court of Appeals.

The ECC is mandated by law to provide a complete and comprehensive package of benefits and services for workers and their dependents in the event of work-related contingencies. Its mission is to build and sustain among employees and employers a culture of safety and healthful environment in the workplace; ensure at all times that workers are informed of their rights, benefits and privileges under the Employees' Compensation Program; develop and implement innovative policies, programs and projects that meet the needs of workers with work-related contingencies; promptly and fairly resolve all cases brought before it; restore dignity and self-esteem among occupationally disabled workers; and safeguard the integrity of the State Insurance Fund (SIF). All revenues that are not needed to meet the current operational expenses shall be accumulated in a fund to be known as the SIF. Under PD No. 626, the GSIS and the SSS shall manage the ECC funds.

The ECC is exempted from levy and other taxes pursuant to Article 204 of PD No. 626 as amended on December 27, 1974, which is hereunder quoted:

> *"All laws to the contrary notwithstanding, the State Insurance Fund and all its assets shall be exempt from any tax, fee, charge, levy or customs or import duty, and no law hereafter enacted shall apply to the State Insurance Fund unless it is provided therein that the same is applicable by expressly stating its name."*

On November 4, 1987, President Corazon C. Aquino issued Executive Order (EO) No. 307, establishing an Occupational Safety and Health Center (Center) in the ECC. The Center is envisioned as the national authority for research and training on matters pertaining to safety and health at work. It provides the expertise and intervention mechanism to improve workplace conditions in the Philippines.

The Center has a dual mandate of protecting Filipino workers against accidents and illnesses and promoting worker's welfare through effective programs that enhance productivity, worker's well-being and affording social protection to its client sector. It adopts a multi-sectoral strategy with its partners – business sector, worker's group, other Government Organizations (GOs) and Non-Government Organizations (NGOs) and the academe, to fulfill its mandate. Specifically, the Center is tasked to:

- Undertake continuing studies and researches on occupational safety and health (OSH);
- Plan, develop and implement OSH training programs;
- Serve as clearing house for OSH information, methods, techniques and approaches; and, institute an information dissemination mechanism;
- Monitor work environment and conduct medical examinations of workers;
- Serve as duly recognized agency for testing and setting standard specifications of personal protective equipment and other safety devices;
- Assist other GOs in policy and standards formulation on OSH matters; issue technical guidelines for prevention of occupational disease and accidents;
- Enlist assistance of GOs and NGOs in achieving the objectives of the Center; and
- Perform such other acts appropriate for the attainment of the above functions and enforcement of the provisions of EO No. 307.

In July 1991, the Center has been designated as the national CIS or Centre International d'Informations de Securite et de Sante au Travail (International Occupational Safety and Health Information Center) for the Philippines to become the focal agency which receives information matters from the CIS Center in Geneva and the Asia-Pacific Regional Program on OSH based in Bangkok, which is under the International Labour Organization (ILO), and disseminates these matters of the inter-agency committee and the other data users in the Philippines. This is consistent with its critical responsibility to provide access and improve the quality of occupational safety and health information in the Philippine workplace. CIS Center is the knowledge management arm of the In Focus Programme on Safety and Health at Work and the Environment (SafeWork).

Pursuant to the direction of the Secretary of DOLE in bringing OSH services closer to the provinces, the Center established Regional Extension Units (REUs) at Regions II, III, IV-A, V, VI, VII, VIII, IX, X, XI, XII, CAR and CARAGA Region during Calendar Year (CY) 2017. The REUs are under the immediate supervision of the Center's Deputy Executive Director with close coordination with DOLE Regional Directors in the implementation of OSH programs and projects.

The programmed activities of the REUs included learning sessions on Developing Occupational Safety and Health Services, Risk Assessment for the Prevention of Sexual Harassments, Industrial Hygiene, Work Environment Measurement, Mandatory Safety Trainings, and Safety Audits. The REUs were given revolving funds to defray monthly expenses for operational supplies and materials. Recording of the transactions is centralized in the Main Office.

The Commission on Audit (COA) in its Resolution Nos. 2002-005 and 2008-012 dated May 17, 2002 and October 10, 2008, respectively, vested audit jurisdiction over the ECC and the OSHC, to two separate audit clusters of the Corporate Government Audit Sector

(CGAS). Records of the COA show that even prior to CY 2002 until CY 2017, separate Annual Audit Reports (AARs) have been issued to cover separately the results of audit of the OSHC from that of ECC.

However, under COA Resolution No. 2019-001 dated January 30, 2019, OSHC was delisted as a government-owned or controlled corporation (GOCC) as it is not considered a GOCC. This is in concurrence with the position of the Governance Commission for GOCCs (GCG) in their letters dated February 10, 2017 and March 22, 2017 to ECC that OSHC is not organized as a stock or non-stock corporation as defined in RA No. 10149 and does not have operational autonomy that is separate and distinct from the ECC treating OSHC merely as part of the ECC. It further stated in said Resolution, that ECC and OSHC shall henceforth be audited as one government entity and will be issued one AAR as ECC. Thus, the financial reports presented are the integrated accounts of ECC and OSHC.

ECC's registered office address is at the 4th and 5th floors of ECC Building, Sen. Gil J. Puyat Avenue, Makati City.

The governing body of the ECC is the Board of Commissioners composed of five ex-officio members, namely: the Secretary of DOLE as Chairman, the GSIS General Manager, the SSS Administrator, the Chairman of the Philippine Medical Care Commission now Philippine Health Insurance Corporation (PHIC), and the Executive Director of the ECC Secretariat, and two appointive members, one of whom shall represent the employees and the other, the employers, to be appointed by the President of the Philippines for a term of six years.

The financial statements of ECC as at December 31, 2022 were approved and authorized for issue on March 02, 2023, but the members of the Board of Commissioners were able to convene only on March 16, 2023 for the signing of Board Resolution No. 23-03-08 on the said approval.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of ECC have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) prescribed for adoption by the public sector classified as Non-Commercial Public Sector Entity.

2.2 Basis of Preparation of Financial Statements

The financial statements of ECC have been prepared on historical cost basis unless otherwise indicated.

The accounting policies have been consistently applied throughout the years presented.

2.3 Functional and Presentation Currency

The financial statements are presented in peso, which is also the country's functional currency. Amounts are rounded off to the nearest peso.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements on accrual basis in accordance with IPSAS requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Financial Instruments

a. Financial assets

i. Initial recognition and measurement

Financial assets within the scope of IPSAS 29-Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The ECC determines the classification of its financial assets at initial recognition.

An entity shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

When a financial asset or financial liability is recognized initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the ECC commits to purchase or sell the asset.

The ECC's financial assets include: cash and cash equivalents; trade and other trade receivables and investment in time deposits as at December 31, 2022.

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through surplus or deficit

   Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit.

2. Loans and receivables

   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

3. Held-to-maturity

   Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the ECC has the positive intention and ability to hold it to maturity.

   After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

iii. Derecognition

The ECC derecognizes a financial asset or, where applicable, a part of a financial asset or part of similar assets of ECC when:

1. the contractual rights to the cash flows from the financial asset expired or waived; and

2. the ECC has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in IPSAS 29-Financial Instruments: Recognition and Measurement; and either the entity has:

   - transferred substantially all the risks and rewards of ownership of the financial asset; or

- neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset but has transferred the control of the asset.

iv. Impairment of financial assets

The ECC assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty;

2. Default or delinquency in interest or principal payments;

3. The probability that debtors will enter bankruptcy or other financial reorganization; and

4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

v. Financial assets carried at amortized cost

For financial assets carried at amortized cost, the ECC first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the ECC determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the ECC. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

b. Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit, or loans and borrowings, as appropriate. The ECC determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The ECC's financial liabilities include trade and other payables, due to officers and employees, tax refund payables, employees benefit payables and other financial liabilities.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit.

Financial liabilities at fair value through surplus or deficit include financial liabilities designated upon initial recognition at fair value through surplus or deficit. Subsequently, gains or losses on liabilities held for trading are recognized in surplus or deficit.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

3.2 Revenue from exchange transactions

Revenue is recognized when it is probable that economic benefits or service potential associated with the transaction will flow to the Commission and the revenues can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue includes transfer or receipts of loading fund from other government entities, rental income, interest income and other business income, which are recognized on the accrual basis.

3.3 Revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

The Commission will recognize assets and revenues that will be received when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

3.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

3.5 Investment Property

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property is measured using the cost model and are depreciated over their estimated useful life of [number] years.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use.

3.6 Property and Equipment

a. Recognition

An item is recognized as property and equipment (PE) if it meets the characteristics and recognition criteria as a PE.

The characteristics of PE are as follows:

i. tangible items;
ii. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
iii. are expected to be used during more than one reporting period.

An item of PE is recognized as an asset if:

i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
ii. the cost or fair value of the item can be measured reliably; and
iii. the cost is at least P15,000.

b. Measurement at recognition

An item recognized as PE is measured at cost.

A PE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PE is the cash price equivalent or, for PE acquired through non-exchange transaction, its cost is its fair value as at recognition date. Cost includes the following:

i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

ii. expenditure that is directly attributable to the acquisition of the items; and

iii. initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

After recognition, all PE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PE are required to be replaced at intervals, the ECC recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Major repairs and improvement are added to the initial cost and depreciated for the remaining life of the property. Minor repairs and maintenance are charged against the proper expense accounts during the period in which they are incurred.

d. Depreciation

Each part of an item of PE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PE is available for use on or before the 15th of the month. However, if the PE is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation method

The straight-line method of depreciation is adopted unless another method is more appropriate for ECC operation.

iii. Estimated useful life

The ECC uses the following life span of PE in determining the specific estimated useful life for each asset based on its experience:

Particulars	No. of years
Buildings and other structures	30
Machinery and equipment	5
Transportation equipment	7
Furniture and fixtures	10

iv. Residual value

The ECC uses a residual value equivalent to at least five per cent of the cost of the PE.

e. Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

f. Derecognition

The ECC derecognizes items of PE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.7 Leases

a. ECC as a lessee

i. Finance lease

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of the leased item to the ECC.

Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The ECC also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured at the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

ii. Operating lease

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership of the leased item to the ECC. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

b. ECC as a lessor

i. Finance lease

The ECC recognizes lease payments receivable under a finance lease as assets in the statement of financial position. The assets are presented as receivable at an amount equal to the net investment in the lease.

The finance revenue is recognized based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

ii. Operating lease

Leases in which the ECC does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for PE are applied to similar assets leased by the entity.

3.8 Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

Provisions are recognized when the ECC has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the ECC expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

b. Contingent liabilities

The ECC does not recognize a contingent liability but discloses details of any contingencies in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

c. Contingent assets

The ECC does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the ECC in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.9 Changes in Accounting Policies and Estimates

The ECC recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The ECC recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

The ECC corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or

b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.10 Budget Information

The annual budget is prepared on a cash basis and is published in the government website. A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget.

3.11 Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3.12 Events After the Reporting Date

Post year-end events that provide additional information about ECC's financial position at the end of reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3.13 Employee Benefits

The employees of the ECC are members of the Government Service Insurance System (GSIS) which provides life and retirement insurance coverage.

The ECC recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

The ECC recognizes expenses for accumulating earned leaves. Non-accumulating compensated absences, like special leave privileges, are not recognized.

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2022	2021
Cash on hand – Collecting officer	**402,653**	173,326
Cash in bank – Savings account	**7,298,165**	3,337,257
Cash in bank – Current account	**120,161,322**	120,826,834
Cash in bank – Time deposits	**211,021,237**	142,549,745
Petty cash fund	**170,000**	15,000
	339,053,377	266,902,162

This account includes time deposits that are short-term, highly liquid investments maturing within 90 days or less than three months from placement.

The increase in this account was due to the maturity of long-term investments in time deposits. The proceeds from the investment were placed into a short-term time deposit.

The *Cash in bank* accounts earn interest at the respective bank deposit interest rates ranging from one to 1.25 per cent per annum.

5. INVESTMENTS

This account represents investments in time deposits amounting to P348.078 million and P412.025 million for CYs 2022 and 2021, respectively, that are long-term and maturing within 180 days or more than six months from placements.

6. RECEIVABLES-NET

This account consists of the following:

	2022	2021 (As restated)
Accounts receivables	**17,924,236**	25,011,546
Receivables – disallowances/charges	**7,915,734**	10,305,580
Notes receivable	**456,740**	456,740
Lease receivable	**1,637,351**	373,879
Due from Government Corporations (GSIS/SSS)	**271,419,350**	169,530,628
Due from NGAs	**3,683,419**	3,646,259
Due from officers and employees	**361,288**	184,321
Other receivables	**946,142**	429,310
	304,344,260	209,938,263
Less: Allowance for impairment	**18,895,932**	18,541,690
	285,448,328	191,396,573

6.1 Accounts Receivables

This account represents collectibles from private entities for services rendered such as training, research, information and technical expertise, and use of the dormitory.

Portion of the account includes receivables from tenants/miscellaneous account which consists of unpaid rentals, electric and water bills from a former tenant, MECO Enterprises, Inc. amounting to P10.308 million from 1990 to 1999. On June 14, 2000, ECC filed a case of “Collection of Sum of Money” against the former tenant.

On May 31, 2013, the Regional Trial Court, Makati Branch 56 ordered the issuance of Writ of Execution on MECO Enterprises, Inc. for the collection of sum of money as follows:

	Amount
Principal obligation	10,308,161
Interest	812,764
Amount due	11,120,925
Liquidated damages	2,224,185
	13,345,110

The P11.121 million represents the total amount of its principal obligation from 1990 to December 31, 1999 plus interest of six per cent per annum to be counted from May 26, 2000 while the P2.224 million represents 20 per cent of the amount due as liquidated damages pursuant to Paragraph 16 of the July 16, 1995 amended Contract of Lease. This account is provided with 100 per cent allowance for impairment.

The account also includes Accounts Receivable – LOI No. 1318 amounting to P240,536 consists of advances to different hospitals for the purchase of rehabilitation equipment under the lease purchase agreement pursuant to LOI No. 1318. The said accounts are past due and were provided with ten per cent allowance for impairment.

6.2 Receivables – disallowances/charges

Receivables from disallowances and charges consist of the following disallowances which have become final and executory:

	2022	2021
Magna Carta Benefits for CYs 2020 & 2019	**1,828,863**	2,503,490
Emergency Subsidy Allowance for CY 2020	**0**	1,715,219
Longevity pay for CY 2008 and for January to June 2009 and subsistence and laundry allowance	**256,850**	256,850
Subsistence and laundry allowance from CY 2006 to September 2009	**883,610**	883,610
Equalization benefits for CY 2008	**134,962**	134,962
Milestone anniversary bonus for CY 2008	**146,900**	146,900
Collective Negotiation Agreement for CYs 2005 to 2006 and CY 2008	**468,120**	468,120
Rice subsidy in CY 2006	**132,000**	132,000
Magna Carta Benefits for CY 2005	**904,461**	904,461
Travel allowance of Executive Directors	**120,819**	120,819
PRAISE incentives	**88,087**	88,087
25 Years Incentive Award	**10,000**	10,000
Excess anniversary bonus	**48,000**	48,000
Disallowances from CYs 1994 to 1997	**2,893,062**	2,893,062
	7,915,734	10,305,580

Pending approval of the ECC's request for authority to pay on installment basis to the Prosecutor and Litigation Office, Legal Services Sector, COA, dated August 3, 2016, settlements have been made on installment thru deductions from the salary and other benefits received by persons liable, in accordance with a schedule of proportional amount of the employees' net take home pay. The balances with no movement pertain to the remaining liable employees that are no longer connected with ECC. Others were already retired when the final action from COA was received.

6.3 Notes receivable

Notes receivable represents the principal amount of loans granted to hospitals under LOI No. 1401 which was provided with 100 per cent allowance for impairment.

6.4 Lease receivable

Lease receivable represents the uncollected rental fees from ECC tenants.

6.5 Due from Government Corporations (GSIS/SSS)

This account consists of the following:

	2022	2021 (As restated)
GSIS	**211,780,813**	89,399,007
SSS	**59,638,537**	80,131,621
	271,419,350	169,530,628

This account represents Inter-agency receivables collectibles from GSIS and SSS for the unremitted SIF for the ECC Corporate Operating Budget.

6.6 Due from National Government Agencies (NGAs)

Due from NGAs account represents collectibles from national government agencies for services rendered such as training, research, information and technical expertise, and use of the dormitory totaling P3.683 million and P3.646 million as at December 31, 2022 and 2021, respectively. Provision for doubtful accounts of one (1) per cent was recognized on this account for more than one (1) year and five (5) per cent for those outstanding for more than three years.

6.7 Other receivables

This account consists of receivables pertaining to undelivered supplies from Procurement Service - Department of Budget and Management (PS-DBM) and prior years' receivable from resigned/separated employees totaling P946,142 and P429,310 for CYs 2022 and 2021, respectively.

6.8 Allowance for impairment

Movements of the allowance for impairment of loans and receivables are as follows:

CY 2022

	Balance, 1/1/2022 (As restated)	**Additional Provision**	**Adjustments**	**Balance, 12/31/2022**
Accounts receivable	15,375,123	173,905	0	15,549,028
Notes receivable	456,740	0	0	456,740
Due from NGAs	2,709,827	180,336	1	2,890,164
	18,541,690	**354,241**	**1**	**18,895,932**

CY 2021

	Balance, 1/1/2021	**Additional Provision**	**Adjustments**	**Balance, 12/31/2021**
Accounts receivable	15,203,691	171,432	0	15,375,123

Forward

	Balance, 1/1/2021	Additional Provision	Adjustments	Balance, 12/31/2021
Notes receivable	456,740	0	0	456,740
Due from NGAs	2,529,520	180,308	(1)	2,709,827
	18,189,951	**351,740**	**(1)**	**18,541,690**

7. INVENTORIES

This account consists of the following:

	2022	2021
Textbooks and instructional materials inventory	**2,214,134**	4,799,262
Medical, dental and laboratory supplies inventory	**267,431**	409,775
Office supplies inventory	**1,908,364**	1,695,693
Drugs and medicines inventory	**14,379**	33,105
Other supplies and materials inventory	**2,267,190**	683,504
	6,671,498	7,621,339

8. OTHER CURRENT ASSETS

This account consists of the following:

	2022	2021
Prepaid insurance	**925,019**	163,714
Prepaid rent	**839,946**	595,212
Guaranty deposits	**318,380**	183,080
Advances to officers and employees	**21,451**	0
Prepaid registration	**6,318**	3,915
Other prepayments	**334,766**	349,400
Other assets	**10,030**	10,030
	2,455,910	1,305,351

9. OTHER NON-CURRENT ASSETS

	2022	2021 (As restated)
Land	**2,500,000**	2,500,000
Unserviceable equipment	**141,760**	141,760
Guaranty deposits	**947,500**	560,100
	3,589,260	3,201,860

The parcel of land owned by ECC located at Barrio Cuyambay, Tanay, Rizal is recorded at its cost of P2.500 million. The 50 hectares parcel of land was purchased as a future site of the envisioned Workers' Rehabilitation Center Complex for disabled workers pursuant to LOI No. 856. The Tanay property is presently occupied by squatters in some portions. Construction of concrete posts to fence the property is only 75 per cent completed due to the Cease and Desist Order issued on April 28, 2005 by the Department of Agrarian Reform (DAR) Regional Director for Rizal Province. Although the case was reversed on appeal by the DAR Secretary, the claimants have filed a Motion for Reconsideration. On June 18, 2007, an Order of Finality was issued by DAR declaring that the 50 hectares land holding is outside the ambit of the Comprehensive Agrarian Reform Program (CARP). The DAR categorically declared that the ECC Tanay property is not covered by CARP since the same is part of the area which was declared as Watershed Reservation.

With the reserved status of the Tanay property under Presidential Proclamation No. 573, the inherent power of Eminent Domain of the State shall prevail. The ECC will have to wait until the commencement of the expropriation proceedings or the taking of property for public use or purpose upon payment of just compensation. In view of said status, the cost of the land previously recorded as Investment Property was reclassified to Other Assets in 2011.

10. INVESTMENT PROPERTY

This account pertains to a land in Talisay, Batangas which is a foreclosed mortgaged property in favor of the ECC from Anillo General Hospital. By virtue of the Certificate of Sale from Anillo General Hospital, the property is recorded in the books at cost equivalent to the amount of the principal loan balance of P167,483 pending transfer of title of the said property. It has a total land area of 8,466 square meters and has a market value of P12.241 million based on appraisal made by an independent appraisal company on August 4, 2017.

11. PROPERTY AND EQUIPMENT – NET

The details of the account are shown below:

	Land	Bldgs. & Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Construction in Progress	Total
Cost							
Jan. 1, 2022	11,019,218	282,963,241	228,328,679	33,568,917	8,000,400	25,219,911	589,100,366
Additions	0	20,271,202	8,300,196	0	17,500	0	28,588,898
Adjustments	0	0	68,539	(1,195,600)	(1,262,563)	(17,599,918)	(19,989,542)
	11,019,218	303,234,443	236,697,414	32,373,317	6,755,337	7,619,993	597,699,722
Accumulated Depreciation							
Jan. 1, 2022	0	251,242,070	147,576,888	22,750,994	7,241,190	0	428,811,142
Depreciation	0	6,564,366	17,992,076	2,085,664	20,703	0	26,662,809
Adjustments	0	0	0	(1,076,040)	(1,262,824)	0	(2,338,864)
	0	257,806,436	165,568,964	23,760,618	5,999,069	0	453,135,087
Net book value, Dec. 31, 2022	**11,019,218**	**45,428,007**	**71,128,450**	**8,612,699**	**756,268**	**7,619,993**	**144,564,635**

	Land	Bldgs. & Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Constructi on in Progress	Total
Cost							
Jan. 1, 2021	11,019,218	282,637,540	219,849,388	38,677,739	10,418,202	25,213,560	587,815,647
Additions		339,588	22,557,520	1,500,000	110,688	6,351	24,514,147
Change in accounting policy	0	0	(11,225,641)	0	(2,528,490)	0	(13,754,131)
Adjustments	0	(13,887)	(2,852,588)	(6,608,822)	0	0	(9,475,297)
	11,019,218	282,963,241	228,328,679	33,568,917	8,000,400	25,219,911	589,100,366
Accumulated Depreciation							
Jan. 1, 2021	0	247,122,978	138,669,701	26,626,555	9,051,878	0	421,471,112
Depreciation	0	4,119,092	18,214,200	2,688,234	167,920	0	25,189,446
Change in accounting policy	0	0	(9,307,013)	0	(1,978,608)	0	(11,285,621)
Adjustments	0	0	0	(6,563,795)	0	0	(6,563,795)
	0	251,242,070	147,576,888	22,750,994	7,241,190	0	428,811,142
As restated – Net Book value, Dec. 31, 2021	**11,019,218**	**31,721,171**	**80,751,791**	**10,817,923**	**759,210**	**25,219,911**	**160,289,224**

11.1 Land

This account comprises of a parcel of land with 2,740 square meters owned by ECC since 1984 and recorded in the books at a cost of P11.019 million located at 355 Sen. Gil J. Puyat Avenue, Makati City. The appraised value of the ECC land is P437,500 per square meter or a total market value of P1.199 billion based on the appraisal report dated September 02, 2022 of an independent appraiser.

11.2 Buildings and Other Structures

This account comprises the ECC five-storey office building with basement located at 355 Sen. Gil J. Puyat Avenue, Makati City, with a total floor area of 8,046 square meters and OSHC building located at North Avenue corner Agham Road, Quezon City with net book value as of December 31, 2022 of P11.356 million and P34.072 million, respectively. The ECC building was appraised by an independent appraisal company on September 02, 2022 at a market value of P114.126 million. The OSHC building was constructed on a two-hectare lot owned by the Philippine Overseas Employment Administration (POEA) by the Japan International Cooperation Agency (JICA) and donated to the OSHC. The OSHC building and other land improvements was appraised by an independent appraisal company on April 18, 2022 at a market value of P138.882 million.

The bulk of the additions in this account pertains to the renovation of the OSHC's building, dormitory, training rooms and comfort rooms totaling P17.600 million previously recorded in construction in progress account.

11.3 Machinery and Equipment, Transportation Equipment and Furniture, Fixtures and Books

JICA also donated office equipment, furniture and fixtures, technical and scientific equipment worth P84.261 million and transportation equipment costing P12.176 million. The office equipment, furniture and fixtures and technical and scientific equipment were turned over to OSHC in a lumpsum amount. However, these items have practically been fully depreciated and now recognized at residual value except for those considered unserviceable items recognized at scrap value.

The bulk in the additions/acquisitions of the Machinery and Equipment in CY 2022 consists of office equipment and ICT equipment amounting to P7.065 million.

The adjustments of P1.196 million and P1.076 million under the cost and accumulated depreciation, respectively, pertain to the disposal of old vehicles through a Deed of Donation with the LGU of Roxas, Isabela, as a donee/recipient, under Board Resolution No. 22-05-04, Series of 2022, dated May 5, 2022.

11.4 Construction in progress

This account pertains to the repainting of the Center's building including the dormitory which is still subject for acceptance by the Center's Technical Working Group.

12. FINANCIAL LIABILITIES

This account consists of the following:

	2022	2021 (As restated)
Accounts payable	**167,058,919**	77,026,804
Due to officers and employees	**22,069,488**	15,912,646
Tax refunds payable	**0**	85,437
	189,128,407	93,024,887

The *Accounts payable* account consists of amounts owed to various suppliers for goods and services purchased on account. There is a pending lawsuit of Veterans Security versus ECC for the unpaid obligation amounting to P256,374 under the *Accounts payable* account. The amount due was withheld by ECC pending resolution of the case for the two laptop computers lost in a robbery that took place at the ECC premises in December 2002.

Due to officers and employees include unpaid amounts of reimbursements, living allowance, salaries and wages, social amelioration, rice allowance, other benefits and provision for Longevity Pay and PRAISE.

13. INTER-AGENCY PAYABLES

This account consists of the following:

	2022	2021 (As restated)
Due to BIR	**4,192,886**	4,975,530
Due to GSIS	**520,780**	140,246
Due to PHIC	**91,356**	24,976

Forward

	2022	2021 (As restated)
Due to Pag-IBIG	**5,761**	5,909
Others	**19,374**	19,449
	4,830,157	5,166,110

Due to BIR pertains to the amount of taxes withheld during the month of December 2022 from the officials/employees and suppliers/contractors which are due for remittance on the succeeding month of the following year. Amounts due to other government agencies are due for remittances every 10th and 15th day of the following month.

14. TRUST LIABILITIES

This account pertains to guaranty/security deposits payable amounting to P4.345 million and P6.048 million for CYs 2022 and 2021, respectively. This consists of security deposits paid by the suppliers/contractors for the awarded contracts during the year.

15. DEFERRED CREDITS

This account consists of unidentified deposits amounting to P87,057 for CY 2022. This includes bank reconciling items which will be closed once the payee/depositor is identified through its contra account, *Accounts receivable* account.

16. PROVISIONS

This account consists of leave benefits payable pertaining to the cash value of the accumulated earned vacation and sick leave credits of the employees as follows:

	2022	2021 (As restated)
Current	**8,696,223**	3,503,852
Non-current	**50,757,671**	52,231,879
	59,453,894	55,735,731

Fifty per cent of the leave credits can be monetized once a year and the balance is payable upon resignation/retirement.

17. OTHER PAYABLES

This account consists mainly of unclaimed hazard pay, subsistence and laundry allowance of the resigned and retired employees from CY 2005 to CY 2018. This also includes funds held in trust by OSHC for specific programs/undertakings which are being administered by the Center, payment of loans of employees from the OSHC Union collected through payroll, and the unremitted share of income from the canteen concessionaire.

18. BUSINESS INCOME

This account consists of the following:

	2022	2021 (As restated)
Rent/lease income	**10,863,579**	12,049,609
Interest income	**4,082,339**	3,279,062
Income from printing and publication	**0**	107,950
Seminar/training fees	**1,679,997**	1,025,441
Income from dormitory	**15,300**	0
Other business income	**2,756,756**	1,550,567
	19,397,971	18,012,629

18.1 Rent/Lease income

This account consists of rental fees earned from rental/lease of the following:

	2022	2021
Building *(Note 23)*	**10,746,767**	12,001,795
Canteen	**76,978**	47,814
Auditorium	**26,575**	0
Training room	**13,259**	0
	10,863,579	12,049,609

18.2 Interest income

This account consists of interests earned from time deposits placements and savings deposit with authorized depository banks amounting to P4.082 million and P3.279 million for CYs 2022 and 2021, respectively.

18.3 Income from printing and publication

This account consists of income from sale of Occupational Safety and Health (OSH) Standards books amounting to zero and P107,950 for CYs 2022 and 2021, respectively.

18.4 Seminar/training fees

This account consists of the following:

	2022	2021 (As restated)
Basic Occupational Safety and Health (BOSH)	**0**	1,025,441
Construction Occupational Safety and Health (COSH)	**1,036,357**	0
Work Environment Measurement (WEM)	**238,410**	0
Introduction to Industrial Hygiene/Ventilation	**143,430**	0
Ergonomics in the workplace	**172,200**	0
Work relatedness of diseases	**89,600**	0
	1,679,997	1,025,441

18.5 Income from dormitory

This account includes income earned from the rental of the three-storey dormitory.

18.6 Other business income

This account consists of the following:

	2022	2021
Technical services and laboratory fee	**1,775,700**	771,263
OSH accreditation fee	**550,010**	649,536
Miscellaneous	**431,046**	129,768
	2,756,755	1,550,567

19. PERSONNEL SERVICES

This account consists of the following:

	2022	2021 (As restated)
Salaries and wages	**90,582,622**	83,427,445
Personnel benefits contribution	**12,552,588**	11,702,944
Other personnel benefits	**26,957,692**	21,852,223
Other compensation	**46,962,597**	47,119,284
	177,055,499	164,101,896

20. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2022	2021 (As restated)
Assistance/subsidy/contribution	**219,276,000**	75,295,000
General services	**54,144,927**	53,475,832
Training expenses	**39,583,167**	27,119,842
Professional services	**18,272,331**	15,926,741
Supplies and materials	**16,302,478**	11,456,643
Utility expenses	**12,207,029**	9,894,265
Repairs and maintenance	**8,901,724**	8,034,240
Traveling expenses	**7,440,928**	1,383,154
Communication expenses	**5,446,546**	5,451,819
Taxes, insurance premiums and other fees	**2,012,949**	1,856,840
Extraordinary expenses	**523,390**	426,297
Other MOOE	**30,234,111**	25,587,055
	414,345,580	235,907,728

20.1 Assistance/subsidy/contribution

This account pertains to the payment of cash assistance to workers contracted with Coronavirus disease (COVID-19) and non-COVID-19 under the ECC's Quick Response Program (QRP) amounting to P219.276 million and P75.295 million for the years ended December 31, 2022 and 2021, respectively.

20.2 General services

This account consists of the following:

	2022	2021 (As restated)
Janitorial services	**42,722,871**	42,756,061
Security services	**11,363,256**	10,719,771
Environment/sanitary services	**58,800**	0
	54,144,927	53,475,832

20.3 Training expenses

Beginning September 2013, income from seminar fees is recorded at gross and cost of meals is taken up as training expense. For in-house training, P700 per day is allotted for cost of meals, while for regional training, cost of meals varies based on the prevailing cost of catering service in the locality.

The Center was constrained to cancel all classroom occupational safety and health (OSH) training courses starting March 15, 2020 due to the COVID-19 pandemic. The Center continues to conduct free online OSH trainings in lieu of the face to face or classroom type training as per approved Board Resolution No. 2020-07-02, s. 2020. Starting CY 2022, some trainings are slowly transitioning to the face to face or classroom type.

This account also pertains to human resource development, in-house seminar for employees' compensation program (ECP), lectures and various seminars.

20.4 Professional services

This account consists of the following:

	2022	2021 (As restated)
Auditing services	**4,687,503**	4,576,892
Legal services	**69,500**	57,500
Consultancy services	**45,000**	68,920
Other professional services	**13,470,328**	11,223,429
	18,272,331	15,926,741

Other professional services cover the expenses for the physical therapy/overtime (PT/OT), electromyography (EMG) services and other rehabilitation services provided to persons with related disabilities (PWRDs) under the ECC rehabilitation program.

20.5 Supplies and materials expenses

This account consists of the following:

	2022	2021 (As restated)
Office supplies expenses	**4,055,541**	4,506,779
Semi-expendable expenses	**4,013,554**	937,730
Fuel, oil and lubricant expenses	**3,155,843**	2,070,270
Medical/dental/laboratory supplies expenses	**1,789,896**	1,916,924
Drugs and medicines expenses	**725,172**	140,120
Accountable form expenses	**7,200**	7,200
Other supplies and materials expenses	**2,555,272**	1,877,620
	16,302,478	11,456,643

20.6 Utility expenses

This account consists of the following:

	2022	2021 (As restated)
Electricity expenses	**10,689,891**	8,276,106
Water expenses	**1,517,138**	1,618,159
	12,207,029	9,894,265

20.7 Repairs and maintenance

This account consists of the following:

	2022	2021
Repairs and maintenance-building and other structures	**3,718,809**	2,056,802
Repairs and maintenance-machinery and equipment	**3,632,990**	4,526,953
Repairs and maintenance-transportation equipment	**1,522,260**	1,368,085
Repairs and maintenance-land improvements	**0**	82,400
Repairs and maintenance-furniture and fixtures	**27,665**	0
	8,901,724	8,034,240

20.8 Traveling expenses

This account consists of the following:

	2022	2021 (As restated)
Traveling expenses – local	**5,670,327**	1,383,154
Traveling expenses – foreign	**1,770,601**	0
	7,440,928	1,383,154

The increase in travelling expenses was due to the lifting of travel restrictions during the COVID-19 pandemic.

20.9 Communication expenses

This account consists of the following:

	2022	2021 (As restated)
Telephone expenses	**3,089,859**	3,265,712
Internet subscription expenses	**1,738,398**	1,584,511
Postage and courier services	**618,289**	601,596
	5,446,546	5,451,819

20.10 Taxes, insurance premiums and other fees

This account consists of the following:

	2022	2021
Insurance expenses	**1,641,801**	1,610,985
Fidelity bond premiums	**166,473**	194,988
Taxes, duties and licenses	**204,675**	50,867
	2,012,949	1,856,840

20.11 Other maintenance and other operating expenses

This account consists of the following:

	2022	2021 As restated
Advertising, promotional and marketing expenses	**11,660,136**	11,180,011
Rent/lease expenses *(Note 23)*	**7,039,012**	6,261,487
Representation expenses	**3,362,286**	4,008,947
Subscription expenses	**568,027**	98,320
Donations	**217,560**	229,332
Printing and publication expenses	**200,000**	25,500
Membership dues and contributions to organizations	**100,000**	106,800
Transportation and delivery expenses	**15,910**	2,000
Other MOOE	**7,071,180**	3,674,658
	30,234,111	25,587,055

The representation expenses pertain to the ECC and Center's calamity fund for the provision of all necessary health and wellness support such as RT-PCR tests, face masks, face shield, vitamins, alcohol, sanitizers to all Center's employees, including agency-hired personnel, regional extension units (REUs) staff, as well as security and janitorial service providers in helping combat the COVID-19.

21. FINANCIAL EXPENSES

This account consists of bank charges amounting to P207,528 and P62,692 for CYs 2022 and 2021, respectively.

22. NON-CASH EXPENSES

This account consists of the following expenses:

	2022	2021 As restated
Depreciation – machinery and equipment	**17,992,076**	18,214,200
Depreciation – building and other structures	**6,564,366**	4,119,092
Depreciation – transportation equipment	**2,085,664**	2,688,234
Depreciation – furniture, fixtures and books	**20,703**	167,920
Impairment loss	**354,241**	351,740
	27,017,050	25,541,186

23. OPERATING LEASE

ECC is a lessor under an operating lease from which rental income was derived from the following tenants:

Name of Tenants	Lease Term	Rental income	
		2022	2021
1. Social Security System (SSS)	5 years	**7,946,148**	7,946,148
2. DOLE-NCR	1 year	**2,680,619**	2,552,962
3. National Maritime Polytechnic (NMP)	1 year	**0**	1,382,685
4. ECC Employees Union	1 year	**120,000**	120,000
Rental income for the year		**10,746,767**	12,001,795

Only the SSS has a 5-year lease contract with ECC which will expire on December 31, 2024. The rest of the tenants have a yearly renewable contract.

The NMP ended its lease contract with ECC on July 30, 2021.

The total future minimum rentals on the operating lease pertaining to SSS amounted to P7.946 million for CY 2022.

All leases held by ECC are classified as operating lease. Part of the building being leased is also occupied by ECC *(Note 18.1).*

Further, the ECC as a lessee rents office space for its REUs staff. The lease term is for a period of one year and renewable thereafter. The related rent expense amounted to P7.039 million and P6.261 million for CYs 2022 and 2021, respectively *(Note 20.11).*

24. BUDGET INFORMATION

The annual budget is prepared on a cash basis. A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on a comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget.

ECC Corporate Operating Budget (COB) was submitted to the Department of Budget and Management (DBM) upon approval of the endorsement by the ECC Governing Board. The original COB of the ECC was approved by the DBM on August 31, 2022.

The DBM-approved COB consists of the: (a) proposed/original budget of P1.034 billion which were sourced from the Social Insurance Fund (SIF) and Accumulated Surplus in the amount of P879.092 million and P155.663 million, respectively. The budget for the Capital Outlay amounting to P97.282 million is chargeable to Accumulated Surplus; and (b) approved/final budget of P969.129 million sourced from the SIF and Accumulated Surplus amounting to P855.881 million and P113.248 million, respectively.

On October 26, 2022, the DBM approved a supplemental budget in the amount of P6.861 million to cover the payment for salary differential due to ECC's adoption of the approved Compensation and Position Classification System (CPCS) as per Governance Commission for GOCCs (GCG) dated June 08, 2022, which the amount is chargeable to Accumulated Surplus.

The ECC annual budget is co-shared by the SSS and GSIS on a 70 per cent and 30 per cent sharing basis, respectively.

25. RECONCILIATION OF ACTUAL AMOUNTS ON A COMPARABLE BASIS AND ACTUAL AMOUNTS IN THE FINANCIAL STATEMENTS

A reconciliation between the actual amounts on a comparable basis as presented in the SCBAA and the actual amounts in the Statement of Cash Flows (SCF) for the year ended December 31, 2022 is presented as follows:

	SCBAA-Actual vs SCF	SCBAA- Budget vs SCF
Net cash flow	**339,053,377**	**339,053,377**
Differences in amounts and items included in SCBAA but not included in statement of cash flows		
Unappropriated accumulated surplus	0	128,545,992
State insurance fund - unutilized loading fund	0	386,708,209
Difference in payments to suppliers and employees (personnel services and maintenance and other operating expenses)	0	(370,151,118)
	0	145,103,083
Differences in amounts and items included in statement of cash flows but not included in SCBAA		
Proceeds from investment in time deposits	(127,323,909)	(127,323,909)
Investment in time deposits	60,369,600	60,369,600

Forward

	SCBAA-Actual vs SCF	SCBAA- Budget vs SCF
Interest earned on time deposits	(849,795)	(849,795)
Return of cash advance	(3,332,469)	(3,332,469)
Unutilized capital outlays	0	(86,082,725)
Cash and cash equivalents at beginning of year	(266,902,162)	(266,902,162)
	(338,038,735)	(424,121,460)
Net fund sources/uses	**1,014,642**	**60,035,000**

26. LOADING FUND

The loading fund consists of the quarterly remittance from the SSS and GSIS on a 70 per cent and 30 per cent sharing basis, respectively, based on the ECC's annual budget chargeable to the SIF and approved by the DBM, breakdown is shown below:

	2022	2021
SSS	**348,565,226**	332,667,770
GSIS	**239,795,082**	142,571,902
	588,360,308	475,239,672

Under PD No. 626, the ECC and the SIF were created to provide meaningful and appropriate compensation to workers in the event of work-related contingencies through the implementation of the employees' compensation program. As provided by PD No. 626, GSIS and SSS shall collect all revenues, deposit, invest, administer and disburse these funds in accordance with the same conditions, requirements and safeguards as provided under the Social Security Act of 1997. As administrators, all funds not needed for current operations are accumulated to the SIF which shall be deposited with an authorized depository bank approved by ECC or invested for liquidity needs. The fund under the administration of the GSIS and SSS are as follows:

Particulars	**SSS**		**GSIS**	
	***As at September 30, 2022**	**As at December 31, 2021 (As restated)**	***As at December 31, 2022**	**As at December 31, 2021 (As restated)**
Assets	45,583,812,138	44,915,702,084	35,447,052,328	34,952,971,974
Liabilities	38,294,890,063	38,289,127,376	173,860,002	94,853,353
Reserves/Net worth	**7,288,922,075**	**6,626,574,708**	**35,273,192,326**	**34,858,118,621**
Revenues	3,740,016,658	4,477,371,888	3,644,782,800	5,119,777,028
Expenses	2,277,057,124	17,783,436,633	838,779,076	801,373,341
Net income	1,462,959,534	(13,306,064,745)	2,806,003,724	4,318,403,688
Other comprehensive Income (loss)	(590,261,056)	1,182,307,483	(2,390,930,019)	(1,591,562,104)
Total comprehensive Income	**872,698,478**	**(12,123,757,262)**	**(415,073,705)**	**2,726,641,584**

**Based on the unaudited financial statements submitted by the GSIS and the SSS.*

Actual remittances received for the operating expenses of the ECC and its Center from the SSS and GSIS chargeable to SIF are as follows:

Particulars	SSS		GSIS	
	CY 2022	CY 2021	CY 2022	CY 2021
ECC	174,906,200	176,068,900	56,593,575	38,236,797
OSHC	124,382,738	86,829,499	53,306,888	55,818,963
	299,288,938	**262,898,399**	**109,900,463**	**94,055,760**

ECC's significant influence on the administration of the employees' compensation program are the policies and guidelines formulated for the effective implementation of its program and the review of employees' compensation claims denied by both Systems (GSIS and SSS). ECC also approves rules and regulations governing the processing of claims and the settlement of disputes, also as provided under PD No. 626, as amended.

27. PRIOR PERIOD ADJUSTMENTS

This account consists of the following adjustments in the beginning balance of CY 2020 financial statements:

	Income	Expense	Adjustments
Miscellaneous income – seminar fee	(1,025,441)		(1,025,441)
Various expenses		(1,419,929)	(1,419,929)
Net book value – property and equipment accounts		(2,468,511)	(2,468,511)
Adjustment on liabilities		7,613,317	7,613,317
	(1,025,441)	**3,724,877**	**2,699,436**

The adjustment on net book value for property and equipment accounts is pursuant to COA Circular No. 2022-004 dated May 31, 2022 relative to the increase in the capitalization threshold from P15,000 to P50,000.

The adjustment on liabilities pertains to reversion of payables from various suppliers and unclaimed employees benefits in previous years.

28. RESTATEMENT AND RECLASSIFICATION OF ACCOUNTS

The financial statements for CY 2021 have been restated. The effect of the restatement on the financial statements is summarized below.

Particulars	Previously reported	Adjustments	Restated
Revenue			
Business income:			
Seminar/training fees	0	1,025,441	1,025,441

Forward

Particulars	Previously reported	Adjustments	Restated
Personnel services:			
Salaries and wages	82,417,954	1,009,491	83,427,445
Personnel benefits contribution	11,582,480	120,464	11,702,944
Other personnel benefits	19,584,942	2,267,281	21,852,223
Other compensation	46,915,548	203,736	47,119,284
Maintenance and other operating expenses (MOOE):			
Training expenses	27,143,771	(23,929)	27,119,842
General Services	53,476,275	(443)	53,475,832
Professional services	15,910,727	16,014	15,926,741
Supplies and Materials expenses	11,561,053	(104,410)	11,456,643
Traveling expenses	1,385,691	(2,537)	1,383,154
Utilities expenses	9,894,511	(246)	9,894,265
Communication expenses	5,460,314	(8,495)	5,451,819
Extraordinary expenses	440,218	(13,921)	426,297
Other MOOE	25,578,268	8,787	25,587,055
Non-cash expenses:			
Depreciation-machinery and equipment	18,809,958	(595,758)	18,214,200
Depreciation-furniture, fixtures and books	176,269	(8,349)	167,920

	Effect in CY 2021
Net increase in Revenue	(1,025,441)
Net increase in Personnel Services	3,600,972
Net decrease in MOOE	(129,180)
Decrease in Depreciation Expenses	(604,107)
Net restatements	1,842,244
Net surplus previously reported	69,481,043
Net restatements	(1,842,244)
Net surplus, as restated	67,638,799
Increase in Receivables - net	2,059,619
Decrease in Property and Equipment - net	(4,654,728)
Decrease in Non-Other Current Assets	(59,291)
Net decrease in Assets	(2,654,400)
Decrease in Financial Liabilities	(28,638,440)
Increase in Inter-Agency Payable	21,053
Decrease in Trust Liabilities	(77,500)
Decrease in Deferred Credits	(2,069,995)
Decrease in Other Payables	(2,486,244)
Increase in Provisions	2,267,281
Net decrease in Liabilities	(30,983,845)
Net Decrease in assets	(2,654,400)
Net Decrease in Liabilities	(30,983,845)
Net increase in Net Assets/Equity	(28,329,445)

Various accounts in CY 2021 were reclassified to conform to the current year presentation. These accounts are as follows:

	As Previously Presented	Adjustment	As Reclassified
Statements of Financial Position			
Accounts receivable	67,541,460	(42,529,914)	25,011,546
Lease receivable	0	373,879	373,879
Due from government corporations - GSIS	47,242,972	42,156,035	89,399,007
Statements of Financial Performance			
Other MOOE	100,882,055	(75,295,000)	25,587,055
Assistance/subsidy/ contribution		75,295,000	75,295,000

29. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET SURPLUS/(DEFICIT)

	2022	2021
Net (deficit)/surplus for the period	**(10,867,378)**	67,638,799
Non-cash movements:		
Depreciation and impairment loss	**27,017,050**	25,541,186
Increase in receivables from operating activities	**(90,516,010)**	(29,413,819)
(Increase)/decrease in payables from operating activities	**90,450,215**	(68,059,415)
	16,083,877	(4,293,249)

30. RELATED PARTY DISCLOSURES

As at December 31, 2022, the composition of the ECC Board of Commissioners is as follows:

Board Position	Name	Position from other agency
1. Chairman	Bienvenido E. Laguesma (Represented by Benjo Santos M. Benavidez, USEC - DOLE as Chairman-Designate)	Secretary, DOLE
2. Vice-Chairman	Jose Arnulfo A. Veloso (Represented by Atty. Nora M. Malubay, SVP – GSIS)	President and General Manager, GSIS
3. Member	Michael G. Regino (Represented by Rizaldy T. Capulong, EVP-SSS)	President and CEO, SSS
4. Member	Maria Rosario S. Vergeire (Represented by Francis Jay E.	Chairman, PHIC

Board Position	Name	Position from other agency
	Remigio, Acting SVP - PHIC)	
5. Member	Jose Maria S. Batino	OIC, Executive Director, ECC
6. Member	Carlito P. Roble	National Executive Vice-President, Alliance of Filipino Workers (AFW), Representing Employees
7. Member	Vacant	Representing Employers

30.1 Key Management Personnel Remuneration and Compensation

The key management personnel of the ECC are the two Executive Directors, two Deputy Executive Directors, and the Division Chiefs of the various operating groups. The remunerations of key management personnel during the year are as follows:

	2022	2021
Salaries	**18,217,885**	17,184,189
Other allowances and benefits	**8,391,137**	9,100,121
	26,609,022	26,284,310

Meanwhile, the total remunerations received by the Board of Commissioners amounted to P65,000 and P70,000 for CY 2022 and CY 2021, respectively.

31. COMPLIANCE WITH TAX LAWS

The ECC is withholding and remitting to the Bureau of Internal Revenue (BIR) applicable taxes withheld imposed under the National Internal Revenue Code and its implementing rules and regulations.

In compliance with the requirements set forth under BIR Revenue Regulation (RR) Nos. 15-2010 and 19-2011, as amended, hereunder are the taxes paid/remitted by ECC during the taxable year:

BIR Form	Particulars	Amount
1600	VAT and Other Percentage Taxes Withheld	6,041,856
1600-4-E	Creditable IT Withheld Expanded	2,972,548
1604-CF	Taxes withheld from employees	11,608,427

Moreover, in compliance with BIR RR No. 2-2014 issued on February 4, 2014, the ECC being a corporation exempt from tax under Article 204 of PD No. 626 as amended, will file an Annual Income Tax Return on or before April 15, 2022 using BIR Form 1702-EX version June 2013.