

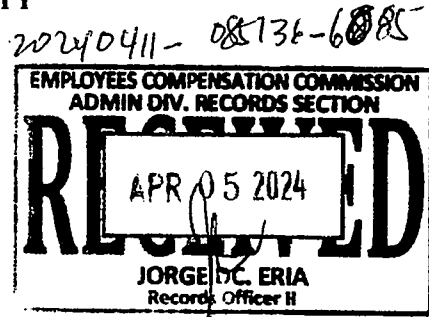


REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 2 - SOCIAL SECURITY

April 5, 2024

Atty. Kaima Via B. Velasquez
Executive Director
Employees' Compensation Commission
4th floor, ECC Building, Sen. Gil J. Puyat Avenue,
Makati City



Dear Atty. Velasquez:

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, 2023 and 2022.

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

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the ECC as at December 31, 2023 and 2022.

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

1. The rental income derived from the leasing facilities of the Center (OSHC) cannot be verified due to the absence of a document which shows the Center's validation of the external transactions of the canteen concessionaire, casting doubt on the balance of the Rent Income account amounting to P11.348 million as at December 31, 2023.

We recommended that Management instruct the Finance and Administrative Division to:

- a. Instruct the Samahan ng Manggagawa ng OSHC (SaMa-OSHC) to require the concessionaire to comply with the contract, particularly on the submission of the Monthly Sales Report;
- b. Instruct the SaMa-OSHC to adopt measures to properly monitor the catering services carried out by the canteen concessionaire; and
- c. Demand from the concessionaire the remittance of the Center's share in the net sales generated from external transactions, if any.

2. Expenses incurred for the electricity and water on the ongoing building construction of National Labor Relations Commission (NLRC) by a private contractor is being charged to the utility expense of the Center, which is not in accordance with Section 4 (b) of Presidential Decree (PD) 1445.

We recommended and Management agreed to instruct the Finance and Administrative Division to:

- a. Send billing to NLRC for the utilities consumed during the construction; and
 - b. Execute an agreement with the NLRC stipulating the terms and conditions on the settlement of the utilities provided by the Center.
3. Unpaid and overdue accounts, along with interest and actual damages owed by a Lessee amounting to P13.597 million, remain uncollectible due to Management's inaction over the past four years in enforcing the Regional Trial Court (RTC) Decision, contrary to Section 2 of PD No. 1445, resulting in the dormancy of the receivable account.

We recommended that Management instruct the Finance Division to:

- a. Exert all possible means including legal action to recover the outstanding amount owed by the former lessee; and
- b. Consider requesting authority to write-off if the collection of the outstanding amount from the former lessee becomes impracticable or unfeasible.

The other audit observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on March 06, 2024, are presented in detail in Part II of the report.

We respectfully request that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.

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

Very truly yours,

COMMISSION ON AUDIT

By:


DIGNA CRESCENCIA G. FILLER
Officer-in-Charge



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, 2023 and 2022, 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, 2023 and 2022, 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 the 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 the 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


ELEONOR S. NAVARRO
OIC-Supervising Auditor

March 06, 2024



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, 2023 and December 31, 2022 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


KAIMA VIA B. VELASQUEZ
Acting Executive Director


MARIA TERESA M. URBANO
Chief, Finance Division
Date: March 6, 2024

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 POSITION
As at December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022 (As restated)
ASSETS			
Current Assets			
Cash and cash equivalents	4	465,781,366	339,053,377
Investments	5	345,091,525	348,078,386
Receivables - net	6	286,440,374	285,945,521
Inventories	7	6,871,852	6,671,498
Other current assets	8	5,793,583	2,455,910
		1,109,978,700	982,204,692
Non-Current Assets			
Investment property	10	167,483	167,483
Property and equipment - net	11	149,778,328	144,564,635
Other non-current assets	9	3,903,344	3,589,260
		153,849,155	148,321,378
TOTAL ASSETS		1,263,827,855	1,130,526,070
LIABILITIES			
Current Liabilities			
Financial liabilities	12	193,167,548	199,905,592
Inter-agency payables	13	7,754,859	4,957,573
Trust liabilities	14	4,975,806	4,344,574
Deferred credits	15	85,364	87,057
Other Payables	16	731,650	913,303
Provisions	17	12,786,911	8,696,223
		219,502,138	218,904,322
Non-Current Liabilities			
Provisions	17	56,275,573	50,757,671
		56,275,573	50,757,671
TOTAL LIABILITIES		275,777,711	269,661,993
TOTAL ASSETS LESS TOTAL LIABILITIES		988,050,144	860,864,077
NET ASSETS/EQUITY			
Equity			
Government equity		249,042,285	249,042,285
Accumulated surplus		739,007,859	611,821,792
TOTAL NET ASSETS/EQUITY		988,050,144	860,864,077

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

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022 (As restated)
REVENUE			
Business income	18	22,342,141	19,432,821
		22,342,141	19,432,821
CURRENT OPERATING EXPENSES			
Personnel services	19	193,243,496	186,858,589
Maintenance and other operating expenses	20	340,084,381	414,514,628
Financial expenses	21	111,404	207,528
Non-cash expenses	22	25,033,787	27,017,051
		558,473,068	628,597,796
DEFICIT FROM OPERATIONS		(536,130,927)	(609,164,975)
Loading fund from other government entities	26	663,316,994	588,360,308
NET SURPLUS/(DEFICIT) FOR THE PERIOD		127,186,067	(20,804,667)

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

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	Government Equity	Accumulated Surplus/(Deficit)	Total
BALANCE AT JANUARY 1, 2023		249,042,285	611,821,792	860,864,077
Surplus for the period		0	127,186,067	127,186,067
BALANCE AT DECEMBER 31, 2023		249,042,285	739,007,859	988,050,144
BALANCE AT JANUARY 1, 2022		249,042,285	633,096,578	882,138,863
Adjustments:				
Prior period adjustments (net)	27	0	(470,119)	(470,119)
RESTATED BALANCE AT JANUARY 1, 2022		249,042,285	632,626,459	881,668,744
Deficit for the period		0	(20,804,667)	(20,804,667)
BALANCE AT DECEMBER 31, 2022		249,042,285	611,821,792	860,864,077

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

EMPLOYEES' COMPENSATION COMMISSION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Receipt of loading fund from the SSS and GSIS		668,729,709	492,383,792
Collection of receivables		18,347,647	16,954,818
Collection of income		3,182,791	2,202,814
Cash receipt from bid bond		755,377	567,120
Interest earned on savings deposits		800,279	78,928
Return of cash advance		3,769,268	3,332,469
Cash receipts from overpayments/disallowances		1,019,003	1,523,674
Cash receipts - miscellaneous		70,742	27,654
Collection from sale of bid forms		122,000	171,000
Total Cash Inflows		696,796,816	517,242,269
Cash Outflows			
Payment of operating expenses		333,212,151	306,132,022
Payment of salaries and wages		159,259,440	133,648,488
Remittance to GSIS/Pag-ibig/Philhealth and others		31,053,559	25,464,322
Remittance to BIR		23,721,445	21,122,106
Payment of leave benefits payables		3,004,654	10,458,274
Refund of bidders' bond/guaranty deposits		392,813	2,235,427
Payment of prepaid expenses		4,418,442	2,097,753
Total Cash Outflows		555,062,504	501,158,392
NET CASH GENERATED FROM OPERATING ACTIVITIES		141,734,312	16,083,877
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from investment in time deposit		30,220,156	127,323,909
Interest earned on time deposits		2,002,714	849,795
Total Cash Inflows		32,222,870	128,173,704
Cash Outflows			
Investment in time deposit		24,370,677	60,369,600
Renovation/repainting of the Center's building		0	2,977,325
Purchase of other structures		1,019,228	0
Purchase of office equipment		4,044,233	843,391
Purchase of medical equipment		934,218	0
Purchase of technical and scientific equipment		8,800,000	176,600
Purchase of IT and communication equipment		3,303,948	6,221,950
Purchase of motor vehicle		3,676,889	1,500,000
Purchase of furniture and fixtures		0	17,500
Purchase of other machineries and equipment		1,080,000	0
Total Cash Outflows		47,229,193	72,106,366
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(15,006,323)	56,067,338
NET INCREASE IN CASH AND CASH EQUIVALENTS		126,727,989	72,151,215
CASH AND CASH EQUIVALENTS, JANUARY 1		339,053,377	266,902,162
CASH AND CASH EQUIVALENTS, DECEMBER 31	4	465,781,366	339,053,377

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

EMPLOYEES' COMPENSATION COMMISSION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2023
(In Philippine Peso)

	Budgeted Amounts		Actual Amounts on a Comparable Basis	Difference Between Budget and Actual Amounts
	Original	Final		
SOURCES OF FUNDS				
Corporate Funds				
State Insurance Fund/Loading Fund	880,294,000	880,294,000	668,729,709	211,564,291
Accumulated Surplus	148,730,000	148,730,000	22,452,717	126,277,283
	1,029,024,000	1,029,024,000	691,182,426	337,841,574
USES OF FUNDS				
Personnel Services				
State Insurance Fund/Loading Fund	202,932,000	202,932,000	202,932,000	-
Accumulated Surplus	-	-	4,767,197	(4,767,197)
	202,932,000	202,932,000	207,699,197	(4,767,197)
Maintenance and Other Operating Expenses				
State Insurance Fund	704,812,000	581,728,000	347,251,903	234,476,097
Accumulated Surplus	-	-	-	-
	704,812,000	581,728,000	347,251,903	234,476,097
Capital Outlays				
Financial Expenses	102,700,000	102,700,000	22,858,516	79,841,484
	-	-	111,404	(111,404)
	102,700,000	102,700,000	22,969,920	79,730,080
NET FUND SOURCES/(USES)	18,580,000	141,664,000	113,261,406	28,402,594

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