

## METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM COMMENTS AND OBSERVATIONS

### I. FINANCIAL STATEMENTS

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- 1. The validity and accuracy of the Property, Plant and Equipment account balance of P41.554 Billion (net of depreciation) as of December 31, 2009, cannot be established because Management has not conducted a physical inventory of the System's fixed assets and has not reconciled the accounting records on Land with the records of the Property Management Department (PMD).**

#### No physical inventory-taking of fixed assets

Physical inventory of government property is conducted not only to check the integrity of property custodianship but also to establish the existence and condition of Property, Plant and Equipment (PPE).

Our audit revealed that Management did not conduct a physical inventory of the System's PPE to establish their existence and to eventually reconcile the result with the accounting records. The records showed that the last inventory-taking was carried out in 2006. In the absence of an inventory of the fixed assets and the resulting reconciliation with the accounting records, the validity and accuracy of the balance of the PPE account as at December 31, 2009 cannot be established.

We recommend that management conduct an annual physical inventory of government property which shall be reconciled with the accounting records.

The Regulatory Office, in its reply, commented that they already formed a committee to undertake the inventory taking of all their fixed assets account and committed to submit their report when completed.

#### Unrecorded Land

As at balance sheet date, the PPE account included Land in the amount of P12.780 billion. The records of the Finance Department (FD) disclosed that this amount represented appraisal costs for a total area of 72,975,119.30 square meters. The Property Management Department (PMD), which maintains records of land titles and other deeds of conveyances, however, reported an area of 66,489,337.92 square meters or a difference of 6,485,781.38 square meters. As of July 2010, PMD came up with a Summary of Real Estate Properties which disclosed a total land area of 46,406,472.77 but this was not reconciled with the accounting records. In the absence of a reconciliation between the two records, we cannot establish the validity and accuracy of Land recorded in the books.

Further, Management did not conduct an inventory of its land titles to ensure that ownership over the land recorded in the books was not transferred.

Incidentally, Management informed us that portions of the untitled lands were occupied by informal settlers.

We recommend that Management reconcile the records of the FD with the PMD and recognize the unrecorded Land. We further recommend that Management prioritize the acquisition of TCT of untitled properties and exert effort to evict the unauthorized settlers therein.

**2. The validity of Accounts Receivable and Other Receivables which include unsubstantiated and long-outstanding accounts totaling P 1.22 Billion and P1.56 Billion, respectively, cannot be established.**

Accounts Receivable

As of December 31, 2009, Accounts Receivable(AR) amounting to P 1.36 billion (net) include unsubstantiated and long outstanding accounts for more than three (3) years as follows:

<b>Accounts Name</b>	<b>Account Code</b>	<b>Amount (In million pesos)</b>
AR-Water/Sewer	121-01-PY	1,117.10
AR-MWCI & MWSI	121	105.80
Loans Receivable	126	0.90
		<b>1,223.80</b>
AR-disallowances/charges	146	1.20
<b>Total</b>		<b>1,225.00</b>

The amount of P1,117 million pertains to water and sewerage services rendered to customers by MWSS prior to its privatization in 1997 and have been outstanding for more than ten (10) years. This amount is not supported by subsidiary ledgers and other documents that would support the agency's claim against the customers. Some of these accounts were already deemed inactive but management contends that pertinent documents for these may be recovered from their records room. MWSS has continued its agreement with the Development Bank of the Philippines Services Corporation (DBPSC) wherein the latter assists in the collection of these receivables.

The Accounts Receivable from MWCI and MWSI represent concession fees for Debt Service interests, Guarantee fees and Progress billings amounting to P39.54 million and P66.32 million, respectively.

Loans Receivable of P 0.90 million is part of the account pertaining to housing project loans granted to MWSS Officials and employees which is shown in the agency ledgers as subject to verification.

Out of the total amount of P1.20 million Receivables from disallowances/charges, P609,942.00 is for reconciliation because pertinent records are not available while the amount of P587,400.00 is the total amount of fringe benefits received by Mr. Gregorio Vigilar, former Chairman of the MWSS Board of Trustees, which

was disallowed in audit. The Motion for reconsideration of Mr. Vigilar has been denied under COA Decision No. 2000-237 and the subject disallowances were affirmed with finality.

Other Receivables

Other Receivables account which is reported at P 4.87 billion as of December 31, 2009 still includes the amount of P1.56 billion due from concessionaires and other suppliers which have been outstanding from seven to more than ten years as follows:

Account Name	MWCI	MWSI	Total
	(In million pesos)		
Guarantee deposits	72.21	95.00	167.21
Inventory held-in-trust	43.75	98.05	141.80
Penalty on delayed remittance	13.18	1,118.31	1,131.49
Interest/penalty on unpaid borrowing cost		95.24	95.24
Mabuhay vinyl		5.00	5.00
LMG (Chemphil)	7.73	4.63	12.36
AWSOP Telemetry	0.78	0.78	1.56
La Vista	0.59		0.59
<b>Total</b>	<b>138.24</b>	<b>1,417.01</b>	<b>1,555.25</b>

Guarantee deposits and Inventory held-in-trust are accounts prior to privatization and the pertinent records need to be sorted and organized. Management disclosed that the Interest/penalty on unpaid borrowing cost which has been outstanding since 2003 is being disputed by MWSI for the reason that a penalty has already been charged on the delayed remittance of the Concession fee.

The above-mentioned audit observations and the corresponding recommendations have been included in our CY 2008 Annual Audit Report. Management, in their letter dated March 16, 2010 relative to the actions they have taken on our recommendations, reported that they have created an Accounts Receivable Task Force under MWSS Office Order No. 2010-015 dated January 22, 2010, which shall facilitate the verification, reconciliation and finally collection of prior years' accounts. They have committed a timetable of 3 years for the task force to complete these activities. They further reported that reconciliation of the accounts of the avalees of housing loans had been made and subsidiary ledgers for each employee is presently being set-up. Management has not acted upon our recommendation to enforce settlement on the receivables from disallowances/charges.

We reiterate our previous recommendations that Management:

- a. Coordinate with its concessionaires for the reconciliation of accounts and the settlement of the amounts being disputed:
- b. Enforce collection of the legitimate claims from Concessionaires and request for write-off of accounts for which the agency has no valid claim;

- c. Closely monitor the accomplishments of the Accounts Receivable Task Force to ensure that its objective of verifying, reconciling and collecting prior years' accounts will be achieved within the timeframe committed; and
  - d. Enforce the settlement of the disallowances amounting to P587,400.00 representing the benefits received by then Chairman of the Board, Mr.Gregorio Vigilar, if no appeal on certiorari was filed with the Supreme Court.
3. **The balance of Construction in Progress account in the amount of P1.24 billion as of December 31, 2009 cannot be accurately established because accounts totaling P797.26 million were not supported by subsidiary ledgers and project costs totaling P80.48 million were unsubstantiated. It also is misstated by the inclusion of the costs of completed and operational projects and discontinued projects.**

In our 2008 Annual Audit Report, we reported the following observations which we reiterate as the conditions remain.

Absence of subsidiary ledgers

Construction in Progress (CIP) accounts totaling P797.26 million were not supported by subsidiary ledgers and other supporting documents. The details of which are as follows:

<b>Project</b>	<b>Amount (In Pesos)</b>
AWSOP (F-77)	2,098,690.08
MWSDP (78)	3,103,585.18
UATP	24,539,374.66
F-05	767,523,490.14
	<b>797,265,140.66</b>

While Management claims that there is still a possibility that these balances maybe reconciled with the particular contracts and other supporting documents, no actions were taken towards that end.

Unsubstantiated project costs of LBAQ-4A project

According to Management, the balance of P80.48 million refers to the La Mesa/Balara Aqueduct Project under Contract Code LBAQ-4A which started prior to privatization in 1994 to 1996. It claims that there was no formal turnover of documents such as contracts/agreements and other pertinent papers and explained that a subsidiary ledger was extracted from the old MWSS computer records that may support this amount, there are no other supporting documents. As at year-end, Management has not shown efforts to establish the same.

Completed and operational projects not transferred to corresponding Property, Plant and Equipment (PPE) accounts

During the year, completed projects amounting to P157.67 million were transferred to their appropriate PPE accounts. As at year-end, however, the balance of the account still includes project costs amounting to P182.72 million pertaining to projects for the period 2000 to 2004 which were already completed and are operational. The Engineering and Project Management Department (EPMD) is yet to provide the copies of the Certificate of Completion and Acceptance to the Finance Department to record the transfer. The non-transfer to the appropriate PPE account resulted in the understatement of depreciation expense and the overstatement of income because depreciation was not recognized.

Discontinued project

Costs incurred for the proposed replacement of water mains at Sampaloc, Manila (NC-06-CEP) totaling P23.56 million are still booked as CIP although the project was terminated on April 2, 2002 due to insufficient funds. The costs recorded as CIP represent disbursements for: a) advance payment of P4.94 million b) materials on site amounting to P9.38 million and c) work accomplishment of P5.34 million.

We reiterate our recommendations that Management:

- a. Continue to issue Certificate of Completion and Final Acceptance to serve as basis for the transfer of CIP accounts to appropriate PPE and re-compute current and prior years' depreciation;
- b. Reconstruct accounts and provide for subsidiary ledgers of all on-going projects;
- c. Create a task force to reconcile and substantiate the account balances;
- d. Record the cost of discontinued projects as Other Assets and not as Construction in Progress; and,
- e. Consider fund sourcing for the continuation of these projects.

Management commented that the EPMD recently issued the Certificate of Completion and Final Acceptance pertaining to NC-06-CEP-005 project. On the first quarter of CY2010, the CIP balance of this project was subsequently transferred to appropriate PPE accounts and the corresponding prior years' depreciation was recognized. MWSS is positive that this undertaking shall be completed this year.

For the un-reconciled accounts, Management informed us that they are in the process of reconstructing subsidiary ledgers, some of which have been established and will be adjusted in the books. At present, Management is in the process of creating a task force to verify and reconcile CIP accounts. It further stated that those pertaining to discontinued projects shall be reclassified to Other

Asset account and that it shall explore on the possibility of continuing unfinished projects.

- 4. The validity and accuracy of the Accounts Payable balance of P563.11 Million cannot be established because P530.70 Million or 94.24 per cent of the year-end balance is not supported with subsidiary ledgers and includes an abnormal debit balance of P4.725 million which cannot be substantiated.**

The Accounts Payable account of the MWSS-Corporate Office is stated at P563.11 million as at year-end. Of this amount P530.70 million is not supported with subsidiary ledgers. Moreover, this account contains an abnormal debit balance of P4.72 million which cannot be substantiated.

In the absence of subsidiary ledgers, the presence of unexplained abnormal balances and accounts for reconciliation, the validity and accuracy of the balance of the account cannot be established. Other alternative procedures to establish the correct balance cannot be performed because the documents are not easily available or do not exist.

We recommended and Management agreed to analyze the accounts and establish the valid obligations, provide the necessary subsidiary ledgers to support the balances and make necessary adjustments.

- 5. The validity and accuracy of the Prepayment account balance cannot be established because it includes accounts for reconciliation amounting to P116.80 Million and unsubstantiated abnormal balances amounting to P46.97 Million. It also included advance payments totaling P263.55 Million which remained un-recouped for more than five (5) years rendering the account balance doubtful.**

In our 2008 Annual Audit Report (AAR), we reported that the Prepayment account balance included accounts for reconciliation amounting to P116.80 Million and unsubstantiated abnormal balances amounting to P46.97 Million. It also included advance payments totaling P263.55 Million which remained un-recouped for more than five (5) years rendering the account balance doubtful.

We also noted that non-reconciliation of the accounts may conceal intentional errors and that non-recoupment may result in losses to the government.

As disclosed in our 2008 AAR, Management explained that some may have been recovered but the accounts were not merely reconciled. They represented that as of 31 December 2008, P116.77 million or 33.86 per cent of the account balance is subject to reconciliation and that some documents/records are still available to substantiate the account balances or clear them from the account. On the recovery of mobilization, Management admitted that recovery may be impossible because the pertinent projects are no longer active.

In 2009, we are pleased to note that reconciliations were made and adjustments totaling P 10.33 million to erroneous entries were effected. We, however, believe

that on the matter of reconciliation, more efforts need to be done considering the significance of the amount of reconciling items totaling P 116.80 million and the unsubstantiated abnormal balances of P46.97 million.

We recommended and Management agreed to pursue its efforts to reconcile the accounts. We further reiterate our recommendation that Management pinpoint responsibility for the non-recoupment of advance payments.

Management also assured us that reconciliation of un-recouped advances will be given top priority.

**6. The validity and accuracy of Other Liabilities account cannot be established because it contains accounts totaling P116.93 million which were not substantiated.**

The Other Liabilities account in the total amount of P938.70 million includes account balances amounting to P113.54 million and abnormal debit balances of P3.38 million which were not fully substantiated. Accordingly, the validity and accuracy of these account balances totaling P116.93 million or 12 per cent of the Other Liability account balance cannot be established .

We recommended and Management agreed to identify valid accounts and adjust invalid payable accounts.

**7. Cash account is overstated by P16.8 million as of December 31, 2009 due to various unrecorded book reconciling items. Withdrawals of cash amounting to P35.36 million in previous years that were irregular and unsubstantiated are carried in the cash balance.**

The Cash in bank account consists of five current accounts and eight savings accounts maintained by MWSS Corporate Office in three depository banks, namely, LBP, PNB, and DBP.

Review of the bank reconciliation statements as of December 31, 2009 revealed the following observations:

<b>Book reconciling items</b>	<b>Amount (In Pesos)</b>	<b>Number of years outstanding</b>
<b>PNB:</b>		
Unrecorded check withdrawals	(10,819,532.39)	1 mo.- 3 yrs.
Unreverted stale checks	326,478.50	1 - 3 yrs.
Unrecorded bank credits	171,420.11	1 - 9 yrs.
Unrecorded bank debits	(1,053,930.21)	1 - 6 yrs.
Unsettled book errors (net)	(2,009,549.60)	1 - 8 yrs.
Unreconciled fund transfers(net)	(132,928.45)	
<b>DBP:</b>		
Unrecorded bank credits	800,644.39	6 - 9 yrs.

Unrecorded bank debits	(4,110,179.39)	4 - 9 yrs.
Net Understatement (overstatement) in Cash	(16,827,577.04)	
PNB:		
Various bank errors (net)	53,191.39	1 - 6 yrs.

Review of the Bank Reconciliation Statements (BRS) submitted as of December 31, 2009 disclosed numerous reconciling items mostly referring to prior year's accounts and that the bank debit/credit advices and Journal Vouchers to support the validity of these items were not submitted. Management contends that they are in the process of securing the pertinent documents that would support these transactions and that they have coordinated with the banks for the production of the pertinent debit and credit advices.

As of December 31, 2009, check withdrawals from the Main fund (PNB Account No. 244-850012-0) and Corporate fund (PNB Account No. 244-850075-9) in the total amount of P10,819,532.39 remained unrecorded from 1 month to 3 years and 5 months. Included in the bank withdrawals are checks paid in 2007 to Ms. Iris Mendoza, former Supervising Cashier of MWSS, in the amount of P1,860,000.00 and to Mr. Genaro Bautista in the amount of P2 Million. Outstanding checks in the total amount of P326,478.50 were included as reconciling items in the Main and Corporate funds. The various checks were issued in 2006 to 2008 but remained outstanding in the Reconciliation Statement. Since these checks had already been stale, these should have been reverted back to the cash account.

Shown among the reconciling items of three bank accounts are various fund transfers which pertain to prior years' transactions. According to management, these are book balances of project funds that were already closed. The nature of these fund transfers could not be fully explained due to the absence of supporting documents. The total additions to Fund 05 book balance amounted to P3,375,173.98 while deductions amounted to P3,508,102.43.

It was also noted that most of the reconciling items consisted of errors. Under PNB-account no. 244-529203-9, in 2007, an error in the encoding of the amounts in the bank transmittal slip caused the overpayments to employees who are already separated from service. Likewise, under account 244-500163-8, there is a reconciling item indicated as erroneous fund transfer in the amount of P2 Million which is likewise not supported with documents.

The agency's account with DBP (SA No. 5-08390-405-5) has unrecorded bank debits and credits pertaining to accounts for the years 2000 to 2005 such as unrecorded cash and check deposits. Management contends that the bank credits are collections made by DBP for the account of MWSS, the former being a collection agent of prior years' receivables from customers. Per inquiry, it was learned that the various bank debits for the years 2000 to 2005 in the total amount of P3,112,069.39 are commissions being charged by DBP based on a certain percentage of the total amount collected. Furthermore, the nature/details of other reconciling items in the total amount of P998,110.00 for this account could not be fully explained in the BRS.



The balance of cash per bank is understated by P53,191.39 due to some errors committed by the bank which remained unadjusted to date. The various errors had been outstanding for 1 to 6 years now.

The long outstanding unsubstantiated book reconciling items render the cash account balance doubtful of validity and accuracy and misstate other affected accounts such as expenses and income. The cash in bank balance is overstated by P16,827,577.05. We are also concerned on whether the bank debits, particularly the withdrawals, are authorized in the absence of a duly approved disbursement voucher and other supporting documents.

We also reiterate the audit finding in 2008 that cash withdrawals amounting to P35.36 million made in previous years were irregular and unsubstantiated and the outcome of investigations may result in possible adjustments to affected accounts. We have also suspended these transactions in audit.

We recommend that Management:

- a. Coordinate with the banks for the submission of debit and credit advices or other substitute documents that would give information on the nature of the transactions that would support their eventual recording in the books. Likewise, request the concerned banks to correct/adjust the errors in their records;
- b. Investigate and hold the persons accountable for their participation on cash withdrawals without supporting documents;
- c. Exert effort to recover the amount of overpayment of benefits to the payees who are already separated from the service.
- d. Revert to cash checks which have become stale.

Management informed us that they reiterated their request for submission of debit and credit advices from the banks to effect the necessary adjustments on the reconciling items. Of the total check withdrawals of P10.82 Million which remained unrecorded, 82 per cent or P8.89 Million has already been taken up in the books during the first quarter of 2010.

Of the outstanding checks which had become stale, 95 per cent or an equivalent amount of P0.31 Million has been reverted to cash account in 2010. On the various fund transfers of three (3) bank accounts, Management explained that the fund transfers of three (3) bank accounts were ledger balances of pre-privatization inherited from old MWSS, but in actual, there is no more cash.

For erroneous fund transfer of P2 Million, Management is trying their best to find all pertinent documents to support for its adjustment.

A representative from MWSS went to DBP Service Corporation office to reconcile accounts and have already requested for debit and credit advices. DBP Service

Corporation will provide management records of their deposits to support adjustments in bank reconciliation.

**8. Cash Advances account includes long outstanding cash advances, executive check-up and confidential fund totaling P0.870 million as at balance sheet date.**

COA Circular No. 97-002 dated February 10, 1997, provides, among others, that “(a) a cash advance shall be reported on as soon as the purpose for which it was given has been served. (Section 4.1)” It further stated that “no additional cash advances shall be allowed to any official or employee unless the previous cash advance granted to him is first settled or a proper accounting thereof is made. (Section 4.1.1)”

The final Trial Balance of MWSS- Corporate Office as of December 31, 2009 revealed the following balances of the Cash Advances account:

Account	Code	Amount (In Pesos)
Cash Disbursing Officer	103	781,419.23
Petty Cash Fund	104	104,299.48
Due from Officers & Employees-Travel & seminars	123-02	4,840.50
Due from Officers & Employees-Miscellaneous	123-05	65,846.03
<b>Total</b>		<b>1,086,405.24</b>

Long outstanding cash advance

The Cash Disbursing Officer (Account 103) still includes the amount of P380,177.98 which pertains to long outstanding cash advances of former MWSS employees prior to privatization in 1997. Likewise, included in the Due from Officers and Employees –Miscellaneous (Account 123-05) are cash advances for executive check-up of two Officials separated in the amount of P 90,000.00 which remained unliquidated as of year-end. Management commented that the concerned Accountable Officers still have outstanding claims from MWSS from which they could offset/deduct the outstanding cash advances. Despite our previous recommendation embodied in the 2008 Annual Audit Report for them to apply amounts withheld from the retired/separated Accountable Officers as full liquidations of their cash advances, management still failed to implement the aforementioned recommendation.

Confidential funds

An analysis of the Cash Disbursing Officer account (103) likewise revealed that, for CY 2009, a total amount of P 400,000.00 representing Confidential Funds were booked as Cash Advances. Our inquiry disclosed that management has not obtained an authority from the Office of the President for the establishment and use of a confidential fund in violation of COA Circular 2003-002 dated July 30, 2003. Section 2.b of said circular states that one of the documentary

requirements to be submitted to support the establishment of a confidential fund for the year is the approval of the President.

Violations of Pre-audit rules and regulations

We also noted that the following construction projects were paid through cash advances. The payment was made in violation to Section 4.1.3 (viii) of COA Circular No. 2009-002 dated May 18, 2009 which states that“(n)o cash advances shall be granted for payments of infrastructure projects or other undertaking on a project basis.” Moreover, these were not submitted to COA for pre-audit and were booked-up without the corresponding Credit Notice in violation of Section 4.1.2 of the above-mentioned Circular.

<b>Name of Project</b>	<b>Amount (In Pesos)</b>
Construction of firewall at Angat Field Office	55,608.00
Reconstruction of La Mesa CHB fence	444,428.25
Fire Exit Roof extension	82,600.00

Management, in its letter dated March 16, 2010, informed us that the unliquidated cash advances for the executive check-up of former MWSS Officials can be deducted from claims due to them. They are also in the process of computing retirement benefits of Mr. Dela Peña to be applied to his outstanding cash advance.

Petty Cash Fund

Our audit of the Petty Cash Fund (PCF) account for the year 2009 revealed that there were disbursements made from the fund in excess of the ten thousand pesos (P10,000.00) limit per disbursement contrary to the policy issued by management which is clearly stated in the Office Orders of each designated Petty Cash Custodian, to wit, “ (p)ayment out of the cash advance shall be allowed only for an amount not exceeding P 10,000.00 for each transaction.” Further, most procurement of office supplies and materials chargeable to the PCF were not supported with a duly accomplished and approved Requisition and Issue Slip (RIS) required under Section 446 of the General Accounting and Auditing Manual (GAAM). Under the New Government Accounting System (NGAS), the RIS shall be prepared for all requests for supplies and materials and should be approved by authorized approving officials.

We reiterate our previous recommendations that Management:

- a. Withhold from the outstanding monetary claims of separated/retired Officials and employees and apply fully to their unliquidated cash advances;
- b. Strictly implement the use of properly accomplished Requisition and Issue Slip (RIS) for all procurement of office supplies and materials;

- c. Submit to COA for audit and issuance of Credit Notice, all liquidations of cash advances that were previously pre-audited before recording the same in the books pursuant to COA Circular No. 2009-002 dated May 18,2009;
  - d. Obtain from the Office of the President an approval for the use of Intelligence/Confidential Fund and adhere to the guidelines set forth under COA Circular No. 2003-002; and
  - e. Stop the practice of charging to cash advances project-related expenses such as constructions and major renovations of office buildings. These types of expenses should be undertaken with an approved program of work and the payment should be made directly to the concerned contractor/supplier.
- 9. The presentation in the financial statements of the reciprocal accounts, Due to Operating Unit-RO and Due from CO as two separate line items, Intra-agency receivables and Intra-agency payables, respectively, misstated the total assets and liabilities by undetermined amounts. Further, the correct balance of the reciprocal accounts cannot be ascertained because of absence of reconciliation and the practice of offsetting without authority and notification.**

This is a reiteration of the 2008 audit observation. Under the Concession Agreements, MWSS shall allocate from the concession fees paid by the Concessionaires and pay the Regulatory Office for that year its annual budget.

The concession fees and other transactions between the two offices are recorded under the reciprocal accounts, Due to Operating Units-Regulatory Office (RO) in the Corporate Office books and the Due from Corporate Office (CO) account in the Regulatory Office books. At year-end, the balances of the accounts are consolidated in the financial statements and in the process of consolidation, the account balances should be eliminated. As of December 31, 2009, the account balances were not eliminated and were instead reported as separate items in the financial statements. Due from CO amounting to P16.57 million is reported as Intra-agency receivables and Due to Operating Units-RO amounting to P417.38 million is reported as part of Intra-agency payables, resulting in the overstatement of the total assets and liabilities of the agency.

We cannot ascertain the correct balances of the reciprocal accounts because they do not reconcile. Moreover, the general ledger balance of the Due to Operating Units-RO (component of Intra-agency payable) does not agree with its subsidiary ledgers and the Intra-agency payable carries an abnormal debit balance of P0.62 million. In addition, the CO offset shared expenses/charges against their payables to RO without authority and notification. This practice resulted in unreconciled accounts and unrecorded expenses and assets by RO thereby understating the expense or income accounts by undetermined amounts.

We recommend that Management reconcile the reciprocal accounts and eliminate them in the consolidation process and discontinue the practice of offsetting to avoid discrepancies and to ensure that only legitimate and authorized shared expenses are recorded and charged against the RO.

## II. COMPLIANCE AND FINANCIAL CONTROLS

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### **10. The Corporate Operating Budget (COB) for the Fiscal Year 2009 of MWSS- Corporate Office of P422.310 Million and Regulatory Office of P177.736 Million or a total of P600.046 Million did not pass the review and approval of the President through the Department of Budget and Management (DBM).**

Section 6 of Executive Order No. 518, series of 1979 directs the preparation of an operating budget by each government-owned or controlled corporation which shall be recommended by the Governing Board of the Corporation, for consideration and final approval by the President.

Section 19, Chapter 3, Book VI of Executive Order No. 292, series of 1987 provides that the internal operating budgets of government-owned or controlled corporations shall be approved by their respective governing boards in accordance with a budget calendar and format as may be approved by the President: Provided, that such budgets shall be subject to review and approval as part of the budget process in cases where national government budgetary support is needed, in terms of (a) capital or equity inputs, (b) operating contributions to support specific activities undertaken by the institution as part of its regular functions, and (c) guarantee of the national government for obligations or contracts entered into by the corporations: provided, further, that the submission of interim financial statements may be required by the Secretary.

It further provided under Section 43 that “(e)very expenditure or obligation authorized or incurred in violation of the provisions of this Code xxx shall be void. Every payment made in violation of said provisions shall be illegal and every official or employee authorizing or making such payment, or taking part therein, and every person receiving such payment shall be jointly and severally liable to the Government for the full amount so paid or received.”

MWSS has existing loan contracts which are guaranteed by the national government which condition falls under item (c), Section 19, chapter 3, Book VI of EO 292. Accordingly, their COB should be covered by the above-cited regulations. Despite our recommendation in our 2008 AAR that they submit their COBs for approval by the DBM, our verification disclosed that as of audit report date, the 2009 COB of MWSS Regulatory Office was not submitted while the COB of MWSS Corporate Office was submitted only on December 16, 2009 and is still pending approval by DBM. The last COB approved by DBM was in 2006 and 2005 for MWSS Corporate and Regulatory Office, respectively.

We reiterate our recommendation that Management seek the required approval by the DBM of its COB. Without the requisite approval, all payments under an un-approved COB shall be subject to audit disallowance.

The Regulatory Office commented that necessary steps are already being undertaken towards the submission of 2009 and 2010 COB to DBM.

**11. Various bonuses, allowances and other benefits were authorized by the System's Governing Board and paid by Management without sufficient legal basis.**

In our 2008 AAR, we reported that payments of the different bonuses, allowances and other benefits to MWSS officers and employees without the approval of the Office of the President (OP) or Department of Budget and Management (DBM) are considered illegal disbursements of funds and may be disallowed in audit. We also disclosed in the report that the same were granted to the members of the Board without legal basis.

Under COA Decision No. 2009-072 dated September 1, 2009, COA affirmed the disallowances made by the Auditor on Mid-Year Financial Assistance, Year-end Financial Assistance, Bigay Pala Anniversary Bonus, Productivity Incentive Bonus, Medical Allowance and RATA on the ground that their grant has no legal basis. It also ruled that the recipient employees should not be compelled to refund the disallowed amount. However, the agency officials who authorized/approved the grant of the questioned disallowances shall remain liable therefore because despite the prohibition, they still authorized the payment thereof.

The System's Governing Board, however, continued to authorize the payment of the above-mentioned benefits and further authorized the grant of additional bonuses and allowances and other fringe benefits despite our recommendation in our 2008 AAR to stop the grant of the same due to lack of sufficient legal basis. We also noted that some of these disbursements amounting to P129.19 million were reported as Other Maintenance and Operating Expenses instead of Other Bonuses and Allowances under Personal Services.

In CY 2010, we have disallowed in audit various bonuses, allowances and other benefits amounting to P150.28 million granted in 2009. These are covered by various Notices of Disallowance (ND). We shall continue to issue NDs on the remaining balance of the benefits found to be without sufficient legal basis.

We recommend that Management stop the grant of bonuses, allowances and other benefits without sufficient legal basis. We further recommend that such types of disbursements be recognized in Other Bonuses and Allowances account under Personal Services.

**12. The continuous payment of Cost of Living Allowance (COLA) and Amelioration Allowance (AA) equivalent to 40 per cent and 10 per cent of the basic salary, respectively, are in violation of the provisions of the Salary Standardization Law.**

Section 12 of RA 6758 known as the Salary Standardization Law reads as follows:

*“Consolidation of Allowances and Compensation”. All allowances, except for representation and transportation allowances; clothing and laundry allowances; subsistence allowance of marine officers and crew on board government vessels and hospital personnel; hazard pay; allowances of foreign service personnel stationed abroad; and such other additional compensation not otherwise specified herein as may be determined by the DBM, shall be deemed included in the standardized salary rates herein prescribed. Such other additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized. xxx”*

The Department of Budget and Management (DBM) issued Corporate Compensation Circular (CCC) No. 10, implementing the SSL which specified that the COLA, AA and equity pay previously granted to government employees shall be deemed included in the basic salary. On August 12, 1998, the Supreme Court nullified DBM-CCC No. 10 in *De Jesus vs. Commission on Audit* due to its non-publication in the Official Gazette or in a newspaper of general circulation in the country. In the light of this decision, government personnel claimed back pay for COLA.

CCC No. 10 has long been published and effective. COLA and AA are deemed integrated into the standardized salary rates. In the 2006 MWSS Corporate Operating Budget, DBM disapproved the budget for COLA and AA for lack of legal basis. Despite these, Management continued to pay COLA and AA on top of their standardized salary rates in violation of the provisions of RA 6758.

We reiterate our recommendations on previous similar findings incorporated in the 2008 AAR that Management discontinue the payment of COLA and AA for lack of legal basis. All payments of COLA and Amelioration Allowance on top of their standardized salary rates shall be disallowed in audit.

**13. The RATA paid to MWSS officials and employees in the total amount of P6.309 Million was not in accordance with the GAA prescribed rates and entitled positions.**

*RATA paid at 40 per cent of the basic salary*

Prior to Salary Standardization Law (RA 6758), Management paid RATA to its officials and employees pursuant to LOI 97 which was provided at 40 per cent of basic salary. When RA 6758 took effect, Management continued to grant RATA using the rates authorized under LOI 97.

The Supreme Court has ruled, in the case of *Philippine Ports Authority vs. COA* ( 214 SCRA 653 ), that LOI 97 which provides RATA equivalent to 40 per cent of basic salary shall apply only to officials who were incumbents and were receiving RATA as of July 1, 1989. It stressed that the giving of RATA to officials

hired after July 1, 1989 will be tantamount to the conferment of additional financial incentives which is no longer allowed under Section 16 of R.A. 6758.

It was noted that, in 2008 and in 2009, officials entitled to receive RATA under GAA prescribed rates and positions are receiving them at rates authorized under LOI 97 or at 40 per cent of their basic salary.

Only those incumbents and those holding RATA-positions as of July 1, 1989 are entitled to rates authorized under LOI 97. While some were incumbents as of July 1, 1989, they were not holding RATA-positions at that period. Their entitlements to RATA attached after July 1, 1989, hence, the rates applicable to them are those authorized under the General Appropriations Act (GAA).

#### RATA paid to those not entitled

Under the GAA Special Provisions, RATA shall be granted to the following officials and those of equivalent rank, to wit: Department, Secretaries, Department Undersecretaries, Department Assistant Secretaries, Bureau Directors and Assistant Bureau Regional Directors and Chief of Divisions, identified as such in the Personal Services Itemization and Plantilla of Personnel.

There were, however, employees who are being paid RATA but who do not fall under any of the above position/salary grade to be entitled to RATA. Neither are they appointed as officers-in-charge nor performing the functions of the positions. The payment of RATA to them is without legal basis.

Further, employees whose positions are below SG24 and whose positions are not among those mentioned in the General Appropriations Act (GAA) were also paid RATA based on LOI 97.

As enunciated in PPA vs. COA, the Supreme Court ruled that payment of RATA shall be in accordance with the provisions of the GAA but only if their positions are among those mentioned therein. Section 41 of the 2009 GAA allowed RATA only to Division Chiefs and above or those positions with SG24 and above.

#### RATA paid to the Board

Section 6 of RA 6234 (MWSS Charter), as amended, provides that all members of the Board shall be entitled to reasonable transportation, representation and/or other allowances as shall be fixed by the Board.

Each member of the Board receives RATA at the rate of P28,000 per month. A careful reading of the law indicates that the grant of transportation allowance is allowed provided it is reasonable.

We believe, that in the absence of a specific rate provided for under MWSS charter, the rates that can be considered reasonable are those provided under the GAA for the equivalent rank of a Board member or at a rate of P15,000 a month. We have disallowed in audit RATA paid in excess of the GAA amounting to P672,000 under various NDs.



### Use of government vehicles

Management implemented the provision under DBM Publication Manual under section 3.9.5.2.6 which states that “(t)he *Transportation Allowance (TA) shall not be granted to officials who are assigned or who use government service vehicles in the performance of their duties and responsibilities.*” We observed, however, that a flat rate of P800.00 per month was deducted from their RATA for their regular monthly use of government vehicles instead of the whole amount of transportation allowance which varies with each employee depending on his entitlement.

We reiterate our recommendations in the 2008 AAR that Management:

- a. Apply GAA-rates in the payment of RATA;
- b. Discontinue the grant of RATA to employees who are not entitled under the GAA;
- c. Cause the refund of transportation allowances of officers and employees who are using government service vehicles.

In the 2008 AAR, Management explained that under Exhibit F of the Concession Agreement (CA), the RATA granted to officials and employees of MWSS is 40 per cent of their basic pay. They believed that the benefits being enjoyed by employees prior and after privatization of MWSS may not be diminished for it would impair a valid and existing Agreement. It also added that the CA sought to avoid the diminution of benefits already being received by the pre-privatization employees of MWSS.

We maintain our stand that the allowances and benefits enumerated in the CA are intended for the protection and benefit of former MWSS employees who were hired by the concessionaires upon the privatization of MWSS.

Payments of RATA which is not in accordance with the GAA rates shall be disallowed in audit.

#### **14. The officials and employees of MWSS were paid hazard pay in the total amount of P2.306 Million in violation of Section 54 of the GAA, Section 311-313 of GAAM Vol. 1, Section 68 of EO 292 and the pertinent provision of the DBM Publication Manual.**

Verification of the records showed that the MWSS Corporate and Regulatory Office paid hazard pay to their officials and employees in the total amount of P2.306 Million from January 1 to December 31, 2009, although their office located at MWSS Compound, Old Balara, Quezon City, is not a strife-torn or embattled area, in violation of R.A. No. 9336 and the pertinent provisions of the DBM Publication Manual.

Hazard Duty Pay is authorized under Section 54, General Provisions of the GAA which provides, to wit:

*“It is a compensation premium granted to each performing officials and employees actually assigned to, and performing in strife-torn or embattled areas.” Not covered are “Those who are not actually assigned to nor performing their duties and responsibilities in strife-torn or embattled areas.”.*

Since the office of MWSS at the MWSS Compound, Balara, Quezon City is certainly not a strife-torn or embattled area, the granting of hazard pay is therefore not allowed.

Further, we noted that the certification issued by the then Secretary of the Department of Health, Dr. Carmencita Noriega Reodica, which was the basis of Management for the grant of hazard pay is no longer applicable, since the certification issued is valid only for CY 1995.

We reiterate our 2008 recommendation that Management discontinue the granting of hazard duty pay to MWSS officials and employees as this is without any legal basis.

Management commented that the Concession Agreement remains to be one of the bases for their grant of hazard pay. Further, the disallowance of hazard pay would violate the principle of non-diminution of benefits to MWSS employees as stipulated in the CA.

We maintain our view that the applicable laws on hazard pay are Section 54 of GAA, Section 68 of EO 292, Sections 311 to 313 of GAAM Vol. 1 and the DBM Publication Manual, and having not met the conditions provided therein, payment of hazard pay is without any legal basis. We have disallowed payment of hazard pay amounting to P991,800 under various NDs.

**15. Payment of Extraordinary and Miscellaneous Expenses (EME) to the Board, officers and employees was not in accordance with the General Appropriations Act (GAA).**

Management continues to grant the EME at rates exceeding the prescribed ceiling in the GAA despite our recommendation to stop such practice. MWSS being a government-owned and controlled corporation is covered by RA 6758 and follow the Compensation and Position Classification System. The authority to grant EME, therefore, is derived from the General Appropriations Act (GAA), hence, the amounts fixed therein for certain positions shall be followed.

Management, however, invoked Section 4 of its Charter granting plenary power of the Board of Trustees to fix emoluments of MWSS officers and employees. For the year 2009, a total of P 2.111 Million was paid in excess of GAA rates for those entitled to receive EME while a total of P1.325 Million was paid to employees holding positions not entitled to EME (below SG-26).

We have disallowed in audit Extraordinary Expenses paid in excess of GAA rates amounting to P3,436,568.25 covered under various NDs.

We reiterate our recommendation that Management adhere to GAA provisions in fixing EME rates and in granting EME. EME paid in excess of the GAA prescribed rates and given to those not entitled shall be disallowed in audit.

**16. The grant of Collective Negotiation Agreement (CNA) Incentive for Calendar Year 2009 amounting to P 34.299 Million was not in accordance with the conditions cited under DBM Budget Circular No. 2006-01 dated February 1, 2006.**

The Office of the President issued Administrative Order No. 135 on December 27, 2005, authorizing the grant of Collective Negotiation Agreement (CNA) Incentive to employees in government agencies. Section 2 of the Administrative Order provides the following:

*“Sec. 2. Limitation -The CNA Incentive shall be granted only to rank-and-file employees x x x”*

In compliance with Section 6 of the same Administrative Order, the Department of Budget and Management (DBM) issued Budget Circular No. 2006 - 01 dated February 1, 2006 prescribing the policy and procedural guidelines on the grant of CNA Incentive. Hereunder are the salient provisions of the Circular as follows:

*“5.4.2 Existing cash incentives in the CNAs which are already provided under existing laws, administrative orders, or with Presidential approval, or under the CSC approved Program on Awards and Incentives for Service Excellence (PRAISE) established under CSC Memorandum No. 01 s. 2001, shall not be part of the CNA Incentive to preclude double compensation which is prohibited under the Constitution, and as payments thereof are subject to separate authority and pertinent conditions.*

*5.4.3 Henceforth, all CNAs and supplements thereto shall only provide for the CNA Incentive as the cash incentive.*

5.6 The amount/rate of the individual CNA incentive:

*5.6.2 Shall not be given upon signing and ratification of the CNAs or supplements thereto, as this gives the CNA Incentive the character of the CNA Signing Bonus which the Supreme Court has ruled against for not being a truly reasonable compensation. (Social Security System vs. Commission on Audit, 384 SCRA 548, July 11, 2002)*

6.2 The Employees' Organization - Management Consultative Committee or similar body in GOCCs and GFIs shall determine if the employees concerned are entitled to the CNA

Incentive based on compliance with the following conditions, pursuant to Sec.2, PSLMC Resolution No. 02, series 2003:

- a) *Actual operating income at least meets the targeted operating income in the Corporate Operating Budget (COB) approved by the Department of Budget and Management (DBM)/Office of the President for the year. For GOCCs/GFIs, which by the nature of their functions consistently incur operating losses, the current year's operating loss should have been minimized or reduced compared to or at most equal that of prior year's level;*
- b) *Actual operating expenses are less than the DBM approved level of operating expenses in the COB as to generate sufficient source of funds for the payment of CNA Incentive; and*
- c) *x x x “*

Our verification disclosed that CNA incentive was paid to MWSS officials and employees. We noted that the CNA incentive includes allowances which are already provided under existing laws/regulations, such as the uniform and meal allowances which are provided under the GAA and LOI 97, respectively. Furthermore, it also includes signing bonus which according to the Supreme Court ruling under 5.6 above is not a truly reasonable compensation.

The System did not submit their COB for approval by the DBM. Hence, to determine if it has savings for the payment of the CNA incentive, we used the COB approved by their Board of Trustees (BOT). Our computation showed that the System did not incur any savings from operating expenses; instead it incurred expenses in 2008 in excess of the BOT-approved budget by P138.519 million. Evidently, MWSS-CO was not able to meet the conditions set under DBM Budget Circular No. 2006-01 dated February 1, 2006. Despite such circumstances, the System still approved the grant of the CNA Incentive to all covered rank and file employees.

It must be emphasized that under Section 7.3 of the same Budget Circular, GOCCS/GFIs may pay the CNA Incentives from savings in their respective approved corporate budgets. The computation of savings for the CNA Incentives in GOCCs and GFIs is illustrated in Annex A of the said Budget Circular.

CNA incentive was, likewise, granted to MWSS-RO employees without adhering to procedures prescribed under the above-cited DBM Circular.

Both MWSS-CO and MWSS-RO granted and paid CNA Incentive before the end of the year. This demonstrates a violation of the intents and purposes of the DBM Circular in prescribing the rules and regulations in the grant of the CNA Incentive. Specifically, the Circular directed that CNA Incentive for the year shall be paid as a one-time benefit after the end of the year. It is the intention of DBM to regulate the grant of the CNA Incentive by prescribing compliance to certain conditions such as the determination of savings and its proper apportionment

and the establishment that the planned programs/activities/projects have been implemented and completed in accordance with the performance targets prior to grant and payment of the incentive. These conditions could not possibly be met prior to payment in December 2009.

We also noted that those performing managerial functions were also granted CNA Incentive contrary to Section 2 of Administrative Order No. 135 and Section 3 of DBM Budget Circular No. 2006-1 dated February 1, 2006 limiting the payment of CNA Incentive to rank and file employees only.

We recommend that Management strictly follow the provisions of Administrative Order No. 135 dated December 27, 2005 and Budget Circular No. 2006-01 dated February 1, 2006 prescribing the policy and procedural guidelines on the grant of CNA Incentive.

**17. MWSS-Corporate Office hired an excessive number of Contract of Service personnel, totalling 69 COS, representing fifty percent of the total regular employees of 137. The contracts were not submitted to the CSC-RO concerned for review purposes as required under Memorandum Circular No. 17 and 24 series of 2002.**

Our audit disclosed that for the Year 2009, the MWSS-Corporate Office hired a total of 69 Contract of Service personnel (COS), consisting of 58 COS and 11 co-terminus positions, representing fifty percent of the total regular employees of 137. The contracts of these COS were not submitted to the Civil Service Commission Regional Office/ Field Office (CSCRO/FO) concerned for review purposes as required under Memorandum Circular No. 17 and 24 Series of 2002.

Further, the COS assigned duties are mostly duplication of the functions already being performed by the regular employees of the System and the work to be performed do not require a special or technical skills not available in the agency. Furthermore, most of these COS have been hired for more than one (1) year thus violating the maximum period of service of only one (1) year as prescribed under Section 1, a. of CSC Resolution No. 021480 which states that *“(c)ontract of service refers to the engagement of the services of a person, private firm, non-governmental agency or international organization to undertake a specific work or job requiring special or technical skills not available in the agency to be accomplished within a specific period not exceeding one (1) year. The person engaged performs or accomplishes the specific work or job under his own responsibility and with minimum supervision by the hiring agency.”*

We recommend that Management strictly follow the guidelines for contract of services provided under Memorandum Circular Nos. 17 and 24, Series of 2002, particularly on the submission of the contract to the CSC Regional Office concerned for review of its stipulations, and limit the hiring of COS personnel to those that are extremely needed and necessary only.

Management replied that they will abide with COA's recommendations and by June 30, 2010 only those COS that are needed will be retained. Further, they will not extend COS for more than one year except those which were previously

hired as contractual employees but converted into Contract of Service and whose functions are the same as regular employees.

**18. A number of disbursement vouchers (DV) for the payment of various benefits granted to the Board of Trustees, officers and employees were noted to have been paid without the certification or the signature of the proper official rendering the disbursements of funds irregular.**

*Section 138 e. of GAAM Vol. I states that: "Disbursement or disposition of government funds or property shall invariably bear the approval of the proper official."*

Expenses under the following disbursement vouchers (DV) including payrolls amounting to P857,660.00 were certified by the Chairman of the Governing Board as to their necessity and legality:

- |  |                   |
|--|-------------------|
| a. DV No. 09-01-0160-Alberto Agra & Co.  | P 171,660.00      |
| b. DV No. 09-02-0305- Alberto Agra & Co. | <u>686,000.00</u> |

**P 857,660.00**

It was observed that the Chairman of the Board, who is not an organic personnel and is therefore not the proper signing authority, signed on some of the payrolls and DVs paid to the members of the Board of Trustees. The primary duty of the Governing Board is to formulate and adopt policies and measures for the management and operation of the System and other similar activities. The function of certifying the necessity and legality of expenses is a management function and is not within the realm of the functions of a Chairman of the Board.

Further, the following DVs were paid even without the signature of the authorized officials rendering the transaction irregular for want of authorization:

- |   |                  |
|---|------------------|
| a. DV No. 09-02-397-Dizon Dayvie & Co.  | P 40,000.00      |
| b. DV No. 09-03-834-Ronald Abrigo & Co. | 371,371.30       |
| c. DV No. 09-03-849- Alban, Joan & Co.  | <u>52,500.00</u> |

**P 463,871.30**

The payment of expenses without the proper certification/approval of DVs showed a weak internal control in disbursements. In case the authorized signatory would refuse to sign the already consummated transaction, then the Cashier shall be held liable thereof.

We recommended to Management that the Administrator or his duly designated representative shall be the one to certify and sign Box No. 1 of the DVs for payments made to the Board. We also recommend that Management institute and implement controls on disbursements to ensure that DVs are properly accomplished/approved before payment/release of checks is made.

Management acknowledged that they overlooked the signatures in the vouchers. In the future, however, they will make sure that all boxes in the disbursement vouchers are properly signed.

Further, Management stated that they are considering all of COA's recommendations and that they will be sterner in implementing the procedures with regards to sound internal control on disbursements to ensure that DVs are properly approved and authorized before payment/release of checks.

## **19. Summary of Unsettled suspensions, disallowances and charges**

### *NDs, NSs and NCs issued prior to 2009*

Notices of Disallowance (ND) were issued in 2000 disallowing in audit the payment of Mid-Year Financial Assistance, Year-end Financial Assistance, Bigay Pala Anniversary Bonus, Productivity Incentive Bonus, Medical Allowance and RATA amounting to P8,740,837.56. These disallowances were affirmed under COA Decision No. 2009-072 dated September 1, 2009, ruling that their grant has no legal basis. On September 29, 2009, the System has moved for reconsideration of the above-cited decision on the ground that it is contrary to facts, laws and jurisprudence. The resolution of the motion is pending with the COA Commission Proper.

### *NDs, NSs and NCs issued in 2010 for 2009 transactions*

Notices of Disallowance were issued in 2010 to disallow in audit the following 2009 transactions: a) allowances, bonuses and other benefits amounting to P150.28 million, b) Hazard pay amounting to P991,800.00 and, c) Extraordinary Expenses paid in excess of GAA rates amounting to P3,436,568.25. The NDs were not settled and are appealable within six months from receipt thereof.

Notice of Suspension(NS) was issued on cash withdrawals amounting to P35,361,133.40 suspending them in audit because these transactions were not substantiated. Under the NS, we requested submission of supporting documents such as DVs and paid checks. As of report date, the period within which to comply with the requirements of the NS has not yet prescribed.

## **III. GENDER AND DEVELOPMENT**

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### **20. The MWSS has not fully institutionalized Gender and Development and has not fully complied with the requirements set under EO No. 273 and Joint Circular No. 2004-1 dated April 5, 2004.**

The DBM, NEDA, NCRFW Joint Circular No. 2004-1 dated April 5, 2004 defined the following terms as follows:

*Gender and Development (GAD) -- is a development perspective that recognizes the unequal status and situation of women and men in society. Women and men*

*have different development needs and interests as a result of said inequality, which is institutionalized and perpetuated by cultural, social, economic and political norms, systems and structures.*

*As a development approach, GAD seeks to equalize the status and condition of and relations between women and men by influencing the processes and outputs of policymaking, planning, budgeting, implementation, and monitoring and evaluation so that they would deliberately address the gender issues and concerns affecting the full development of women.*

*Gender Mainstreaming -- At the agency level, gender mainstreaming means raising people's GAD awareness and building GAD-related capabilities; putting in place policies, structures, systems, and mechanisms that would facilitate and institutionalize the pursuit of gender equality and women's empowerment; applying GAD-related skills and tools to develop programs, activities and projects addressing gender issues; continuously implementing, monitoring, evaluating and enhancing the agency's gender mainstreaming and women's empowerment efforts; and incorporating GAD in all aspects of the agency's operations.*

*Annual GAD budget -- the cost of implementing the annual GAD plan, which may include agency P/A/Ps designed to address gender issues and promote women's empowerment and gender equality.*

*GAD Focal Point -- is the group of people within the agency tasked to catalyze and facilitate the institutionalization of gender mainstreaming and women's empowerment within the agency. While it is clearly the agency that is responsible for implementing programs, activities and projects addressing gender issues, it is the GAD Focal Point who advocates for, coordinates, guides and monitors the development and implementation of the agency's GAD plan and GAD-related programs, activities and projects.*

*The GAD Focal Point is created through a policy directive made by the head of agency. The GAD Focal Points of agencies meet through the GAD Assemblies organized by the National Commission on the Role of Filipino Women to share their experiences and their agencies' useful practices on gender mainstreaming.*

*GAD Plan and Budget -- is a systematically designed set of programs, projects and activities with corresponding*



*budget carried out by agencies over a given period of time to address the gender issues and concerns in their respective sectors and constituents. It systematizes an agency's approach to gender mainstreaming and women's empowerment.*

The General Appropriations Act (GAA) provides that agencies are tasked to formulate a GAD Plan and to implement the same by utilizing at least five (5%) percent of their total budget appropriations.

Verification revealed that both the MWSS-Corporate and Regulatory Office had already created their respective GAD Focal Point under Office Order No. 2009-175 dated November 18, 2009 and Office Order No. 023 dated February 13, 2007, as defined above, to monitor the development and implementation of the System's GAD Plan and GAD-related programs, activities and projects for the year.

Verification of GAD funds disclosed that the MWSS-Corporate Office and Regulatory Office appropriated an amount of P1.000 Million and P3.176 Million respectively, for their budget. Out of the said amount, P.405 Million and P3.010 Million were used for the GAD-related activities of the respective offices.

Interviews revealed that the Annual GAD Plan and Budget of the Corporate Office for CY 2009 was not prepared, however, there were GAD-related activities conducted for the year. These activities include the attendance to the three (3) day summit held in Pampanga and attendance to a two (2) day Gender Sensitivity Training at the MWSS board room.

Likewise, the Annual GAD Plan and Budget of the Regulatory Office for CY 2009 was prepared, but however, some of the activities included therein were not provided with the corresponding budget as required in the above-mentioned DBM Circular. Some of the activities undertaken during the year were as follows:

- a. Participation in the Civil Servants "health and Wellness" month activities;
- b. Participation at CCP Complex crusade against drug abuse;
- c. The "biggest loser" challenge activity on health and wellness; and
- d. Conduct of in-house bowling tournament.

We recommend that Management strictly implement the provisions of EO No. 273 and Joint Circular No. 2004-01 and the pertinent provision of the GAA, particularly on the provision of the required budget and the preparation of the Annual GAD Plan and Budget of the System.