



Republika ng Pilipinas
PANGASIWAAN NG TUBIG AT ALKANTARILYA SA KALAKHANG MAYNILA
Metropolitan Waterworks and Sewerage System
REGULATORY OFFICE
Katipunan Road, Balara, Quezon City 1105, Philippines

ELIGIBILITY DOCUMENTS

**CONSULTANCY SERVICES FOR THE
2015 REGULATORY FINANCIAL AUDIT
Contract No. RO-CS2015-002**

June 2015

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Section I. Request for Expression of Interest



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**REQUEST FOR EXPRESSION OF INTEREST
CONSULTANCY SERVICES FOR THE
2015 REGULATORY FINANCIAL AUDIT
CONTRACT NO. RO-CS2015-002**

The Metropolitan Waterworks and Sewerage System-Regulatory Office (MWSS-RO), through the MWSS-RO Corporate Operating Budget for 2015 intends to apply the sum of Nine Million Three **Hundred Twenty-Two Thousand Eight Hundred Eight Pesos (PhP 9,322,808.00)** being the Approved Budget for the Contract (ABC) to payments under the contract for Consultancy Services for Regulatory Financial Audit (Contract No.RO-CS2015-002). Bids received in excess of the ABC shall be automatically rejected at the opening of the financial proposals.

The MWSS-RO now calls for the submission of eligibility documents for the above-mentioned Consultancy Services. Interested consultants must submit their Expression of Interest and secure eligibility documents upon payment of non-refundable fee of One Thousand Six Hundred Pesos (PhP 1,600.00) on or before 14 July 2015, 2:00P.M. at the MWSS-RO Bids and Awards Committee (MWSS-RO BAC), 3rd Floor, Engineering Building, MWSS Complex, Katipunan Road, Balara, Quezon City. The deadline for submission of the accomplished Eligibility Documents shall be at 2:00P.M. of 14 July 2015 at the aforementioned address. Applications for eligibility will be evaluated based on a non-discretionary “pass/fail” criterion.

The BAC shall draw up the short list of consultants from those who have submitted Expression of Interest/Eligibility Documents and have been determined as eligible in accordance with the provisions of Republic Act 9184 (RA 9184), otherwise known as the “Government Procurement Reform Act”, and its Implementing Rules and Regulations (IRR). The short list shall consist of five (5) prospective bidders who will be entitled to submit bids. The criteria and rating system for short listing are:

| Criteria | Rating |
|---|---------------|
| Applicable Experience of Firm/Company | 50 points |
| Quality of Key Staff that may be Assigned | 30 points |
| Current Workload Relative to Job Capacity | 20 points |

An eligible consultant should pass the minimum score of 75 points to be included in the short listing.

The consultant firm and any key member of the proposed team of consultants never had any previous professional relationship or engagement, directly or indirectly with the MWSS Corporate Office or any of its Concessionaires, their subsidiaries or affiliates in the past five (5) years immediately preceding the day of submission of bids.

Bidding will be conducted through open competitive bidding procedures using non-discretionary “pass/fail” criterion as specified in the IRR of RA 9184. Bidding is restricted to Filipino citizens/sole proprietorships, partnerships, or organizations with at least sixty percent (60%) interest or outstanding capital stock belonging to citizens of the Philippines.

The Procuring Entity shall evaluate bids using the Quality Based Evaluation/Selection (QBE/QBS) procedure. The criteria and rating system for the evaluation of bids shall be provided in the Instructions to Bidders.

The official timer for purposes of determining the official time shall be the bundy clock located at the 3rd Floor of the MWSS-RO guard reception area.

The contract shall be completed within two (2) months.

The MWSS-RO reserves the right to reject any and all bids, annul the bidding process, or not award the contract at any time prior to contract award, without thereby incurring any liability to the affected bidder or bidders.

For further information, please refer to:

MWSS RO-BAC Secretariat
MWSS Regulatory Office
3rd Flr. Engineering Bldg, MWSS Compound
Katipunan Road, Balara, Quezon City
Telephone No. 436-3226/ 435-8904

GERARDO A. SULLANO
Chairman, MWSS RO-BAC

Section II. Eligibility Documents

1. Eligibility Criteria

- 1.1. The following persons/entities shall be allowed to participate in the bidding for Consulting Services:
 - (a) Duly licensed Filipino citizens/sole proprietorships;
 - (b) Partnerships duly organized under the laws of the Philippines and of which at least sixty percent (60%) of the interest belongs to citizens of the Philippines;
 - (c) Corporations duly organized under the laws of the Philippines and of which at least sixty percent (60%) of the outstanding capital stock belongs to citizens of the Philippines;
 - (d) Cooperatives duly organized under the laws of the Philippines, and of which at least sixty percent (60%) interest belongs to citizens of the Philippines; or
 - (e) Persons/entities forming themselves into a joint venture, *i.e.*, a group of two (2) or more persons/entities that intend to be jointly and severally responsible or liable for a particular contract: Provided, however, That Filipino ownership or interest thereof shall be at least sixty percent (60%). For this purpose, Filipino ownership or interest shall be based on the contributions of each of the members of the joint venture as specified in their JVA.
- 1.2. When the types and fields of Consulting Services involve the practice of professions regulated by law, those who will actually perform the services shall be Filipino citizens and registered professionals authorized by the appropriate regulatory body to practice those professions and allied professions specified in the **EDS**.
- 1.3. If the Request for Expression of Interest allows participation of foreign consultants, prospective foreign bidders may be eligible subject to the qualifications stated in the **EDS**.
- 1.4. Government corporate entities may be eligible to participate only if they can establish that they (a) are legally and financially autonomous, (b) operate under commercial law, and (c) are not dependent agencies of the GOP or the Procuring Entity.

2. Eligibility Requirements

- 2.1. The following eligibility requirements shall be submitted on or before the date of the eligibility check specified in the Request for Expression of Interest and Clause 5 for purposes of determining eligibility of prospective bidders:
 - (a) Class “A” Documents –
Legal Documents

- (i) Registration certificate from Securities and Exchange Commission (SEC), Department of Trade and Industry (DTI) for sole proprietorship, or Cooperative Development Authority (CDA) for cooperatives, or any proof of such registration as stated in the **EDS**;
- (ii) Mayor's permit issued by the city or municipality where the principal place of business of the prospective bidder is located;
- (iii) Tax clearance per Executive Order No. 398, Series of 2005, as finally reviewed and approved by the BIR

Technical Documents

- (iv) Statement of the prospective bidder of all its ongoing and completed government and private contracts, including contracts awarded but not yet started, if any, whether similar or not similar in nature and complexity to the contract to be bid, within the relevant period provided in the **EDS**. The statement shall include, for each contract, the following:
 - (iv.1) the name and location of the contract;
 - (iv.2) date of award of the contract;
 - (iv.3) type and brief description of consulting services;
 - (iv.4) consultant's role (whether main consultant, subcontractor, or partner in a JV)
 - (iv.5) amount of contract;
 - (iv.6) contract duration; and
 - (iv.7) certificate of satisfactory completion or equivalent document specified in the **EDS** issued by the client, in the case of a completed contract;
- (v) Statement of the consultant specifying its nationality and confirming that those who will actually perform the service are registered professionals authorized by the appropriate regulatory body to practice those professions and allied professions in accordance with Clause 1.2.

Financial Document

- (vi) The consultant's audited financial statements, showing, among others, the consultant's total and current assets and liabilities, stamped "received" by the BIR or its duly accredited and authorized institutions, for the preceding calendar year which should not be earlier than two (2) years from the date of bid submission.

(b) Class “B” Document –

Valid joint venture agreement (JVA), in case a joint venture is already in existence. In the absence of a JVA, duly notarized statements from all the potential joint venture partners stating that they will enter into and abide by the provisions of the JVA in the instance that the bid is successful, shall be included in the bid. Failure to enter into a joint venture in the event of a contract award shall be ground for the forfeiture of the bid security. Each partner of the joint venture shall submit the legal eligibility documents. The submission of technical and financial documents by any of the joint venture partners constitutes compliance.

- 2.2. In the case of foreign consultants, the foregoing eligibility requirements under Class “A” Documents may be substituted by the appropriate equivalent documents, if any, issued by the foreign consultant’s country.
- 2.3. The eligibility requirements or statements and all other documents to be submitted to the BAC must be in English. A translation of the documents in English certified by the appropriate embassy or consulate in the Philippines must accompany the eligibility requirements under Classes “A” and “B” Documents if they are in other foreign language.
- 2.4. Prospective bidders may obtain a full range of expertise by associating with individual consultant(s) and/or other consultants or entities through a JV or subcontracting arrangements, as appropriate. However, subcontractors may only participate in the bid of one short listed consultant. Foreign Consultants shall seek the participation of Filipino Consultants by entering into a JV with, or subcontracting part of the project to, Filipino Consultants.
- 2.5. If a prospective bidder has previously secured a certification from the Procuring Entity to the effect that it has previously submitted the above-enumerated Class “A” Documents, the said certification may be submitted in lieu of the requirements enumerated in Clause 2.1 above.

3. Format and Signing of Eligibility Documents

- 3.1. Prospective bidders shall submit their eligibility documents through their duly authorized representative on or before the deadline specified in Clause 5.
- 3.2. Prospective bidders shall prepare an original and copies of the eligibility documents. In the event of any discrepancy between the original and the copies, the original shall prevail.
- 3.3. The eligibility documents, except for unamended printed literature, shall be signed, and each and every page thereof shall be initialed, by the duly authorized representative/s of the prospective bidder.
- 3.4. Any interlineations, erasures, or overwriting shall be valid only if they are signed or initialed by the duly authorized representative/s of the prospective bidder.

4. Sealing and Marking of Eligibility Documents

- 4.1. Unless otherwise indicated in the EDS, prospective bidders shall enclose their original eligibility documents described in Clause 2.1, in a sealed envelope marked “ORIGINAL – ELIGIBILITY DOCUMENTS”. Each copy of shall be similarly sealed duly marking the envelopes as “COPY NO. ____ - ELIGIBILITY DOCUMENTS”. These envelopes containing the original and the copies shall then be enclosed in one single envelope.
- 4.2. The original and the number of copies of the eligibility documents as indicated in the EDS shall be typed or written in indelible ink and shall be signed by the prospective bidder or its duly authorized representative/s.
- 4.3. All envelopes shall:
 - (a) contain the name of the contract to be bid in capital letters;
 - (b) bear the name and address of the prospective bidder in capital letters;
 - (c) be addressed to the Procuring Entity’s BAC specified in the EDS;
 - (d) bear the specific identification of this Project indicated in the EDS; and
 - (e) bear a warning “DO NOT OPEN BEFORE...” the date and time for the opening of eligibility documents, in accordance with Clause 5.
- 4.4. If the eligibility documents are not sealed and marked as required, the Procuring Entity will assume no responsibility for its misplacement or premature opening.

5. Deadline for Submission of Eligibility Documents

Eligibility documents must be received by the Procuring Entity’s BAC at the address and on or before the date and time indicated in the Request for Expression of Interest and the EDS.

6. Late Submission of Eligibility Documents

Any eligibility documents submitted after the deadline for submission and receipt prescribed in Clause 5 shall be declared “Late” and shall not be accepted by the Procuring Entity.

7. Modification and Withdrawal of Eligibility Documents

- 7.1. The prospective bidder may modify its eligibility documents after it has been submitted; provided that the modification is received by the Procuring Entity prior to the deadline specified in Clause 5. The prospective bidder shall not be allowed to retrieve its original eligibility documents, but shall be allowed to submit another set equally sealed, properly identified, linked to its original bid marked as “ELIGIBILITY MODIFICATION” and stamped “received” by the

BAC. Modifications received after the applicable deadline shall not be considered and shall be returned to the prospective bidder unopened.

- 7.2. A prospective bidder may, through a letter of withdrawal, withdraw its eligibility documents after it has been submitted, for valid and justifiable reason; provided that the letter of withdrawal is received by the Procuring Entity prior to the deadline prescribed for submission and receipt of eligibility documents.
- 7.3. Eligibility documents requested to be withdrawn in accordance with this Clause shall be returned unopened to the prospective bidder concerned. A prospective bidder may also express its intention not to participate in the bidding through a letter which should reach and be stamped by the BAC before the deadline for submission and receipt of eligibility documents. A prospective bidder that withdraws its eligibility documents shall not be permitted to submit another set, directly or indirectly, for the same project.

8. Opening and Preliminary Examination of Eligibility Documents

- 8.1. The Procuring Entity's BAC will open the envelopes containing the eligibility documents in the presence of the prospective bidders' representatives who choose to attend, at the time, on the date, and at the place specified in the **EDS**. The prospective bidders' representatives who are present shall sign a register evidencing their attendance.
- 8.2. Letters of withdrawal shall be read out and recorded during the opening of eligibility documents and the envelope containing the corresponding withdrawn eligibility documents shall be returned unopened to the withdrawing prospective bidder. If the withdrawing prospective bidder's representative is present during the opening, the original eligibility documents and all copies thereof shall be returned to the representative during the opening of eligibility documents. If no representative is present, the eligibility documents shall be returned unopened by registered mail.
- 8.3. A prospective bidder determined as "ineligible" has three (3) calendar days upon written notice or, if present at the time of the opening of eligibility documents, upon verbal notification, within which to file a request for reconsideration with the BAC: Provided, however, that the request for reconsideration shall not be granted if it is established that the finding of failure is due to the fault of the prospective bidder concerned: Provided, further, that the BAC shall decide on the request for reconsideration within seven (7) calendar days from receipt thereof. If a failed prospective bidder signifies his intent to file a request for reconsideration, in the case of a prospective bidder who is declared ineligible, the BAC shall hold the eligibility documents until such time that the request for reconsideration or protest has been resolved.
- 8.4. The eligibility documents envelopes and modifications, if any, shall be opened one at a time, and the following read out and recorded:
 - (a) the name of the prospective bidder;

- (b) whether there is a modification or substitution; and
 - (c) the presence or absence of each document comprising the eligibility documents vis-à-vis a checklist of the required documents.
- 8.5. The eligibility of each prospective bidder shall be determined by examining each bidder's eligibility requirements or statements against a checklist of requirements, using non-discretionary "pass/fail" criterion, as stated in the Request for Expression of Interest, and shall be determined as either "eligible" or "ineligible." If a prospective bidder submits the specific eligibility document required, he shall be rated "passed" for that particular requirement. In this regard, failure to submit a requirement, or an incomplete or patently insufficient submission, shall be considered "failed" for the particular eligibility requirement concerned. If a prospective bidder is rated "passed" for all the eligibility requirements, he shall be considered eligible to participate in the bidding, and the BAC shall mark the set of eligibility documents of the prospective bidder concerned as "eligible." If a prospective bidder is rated "failed" in any of the eligibility requirements, he shall be considered ineligible to participate in the bidding, and the BAC shall mark the set of eligibility documents of the prospective bidder concerned as "ineligible." In either case, the BAC chairperson or his duly designated authority shall countersign the markings.

9. Short Listing of Consultants

- 9.1. Only prospective bidders whose submitted contracts are similar in nature and complexity to the contract to be bid as provided in the **EDS** shall be considered for short listing.
- 9.2. The BAC of the Procuring Entity shall draw up the short list of prospective bidders from those declared eligible using the detailed set of criteria and rating system to be used specified in the **EDS**.
- 9.3. Short listed consultants shall be invited to participate in the bidding for this project through a Letter of Invitation to Bid issued by the BAC of the Procuring Entity.
- 9.4. Only bids from short listed bidders shall be opened and considered for award of contract. These short listed bidders, whether single entities or JVs, should confirm in their bids that the information contained in the submitted eligibility documents remains correct as of the date of bid submission.

Section III. Eligibility Data Sheet

Eligibility Data Sheet

| Eligibility Documents | |
|-----------------------|--|
| 1.2 | <p>Technical Services involves the conduct of a regulatory audit which does not only look into the legitimacy of expense and the correctness of the entries in the financial statements submitted by MWCI and MWSI but more importantly the propriety of charging those expenses in the Opening Cash Position (OCP) covering the period July 2012 to December 2014.</p> <p>Key staff that will actually perform the work shall be registered professionals by the Philippine Regulation Commission (PRC).</p> <p>Any key member of the proposed team of consultants has never been a partner, director, officer, or employee of the MWSS Corporate Office, Regulatory Office or any of its Concessionaires, their subsidiaries or affiliates in the past 5 years immediately preceding the day submission of bids.</p> <p>Any key member of the proposed team of consultants has no familial relationship within the 3rd civil degree of consanguinity or affinity with any of the employees or officers of the MWSS Corporate Office, the Regulatory Office or any of its Concessionaires, their subsidiaries or affiliates, or representatives of the current members of the Bids and Awards Committee of the MWSS Corporate Office or the Regulatory Office.</p> |
| 1.3 | No further instructions. |
| 2.1(i) | No additional requirements. |
| 2.1(iv) | The statement of all ongoing and completed government and private contracts shall include all such contracts within ten (10) years prior to the deadline for the submission and receipt of eligibility documents. |
| 2.1(iv.7) | Certificate of satisfactory completion or any document issued by the client stating therein that the project was satisfactorily completed. |
| 4.2 | Each prospective bidder shall submit one (1) original and four (4) copies of its eligibility documents. |
| 4.3(c) | <p>MWSS RO-BAC Secretariat MWSS Regulatory Office 3rd Flr. Engineering Bldg, MWSS Compound Katipunan Road, Balara, Quezon City Telephone No. 436-32-26</p> |
| 4.3(d) | Consultancy Services for the 2015 Regulatory Financial Audit - Contract No. RO-CS2015-002. |
| 5 | The address for submission of eligibility documents is |

| | <p>MWSS RO-BAC Secretariat MWSS Regulatory Office 3rd Flr. Engineering Bldg, MWSS Compound Katipunan Road, Balara, Quezon City Telephone No. 436-32-26</p> <p>The deadline for submission of eligibility documents is 2:00 PM of 14 July 2015.</p> | | | | | | | | | | | | | | | | | | | | | | |
|---|---|-----------------|---------------|---------------------------------|------------------|---|-----------|---|-----------|--|------------------|---------------------|----------|----------------------|-----------|---|------------------|----------------------------|-----------|---------------------|----------|-----------------|----------|
| 8.1 | <p>The place of opening of eligibility documents is</p> <p>MWSS-Regulatory Office Main Conference Room Office of the Chief Regulator 3rd Floor, Engineering Building, MWSS Complex Katipunan Road, Balara, Quezon City</p> <p>The date and time of opening of eligibility documents is 2:00PM of 14 July 2015.</p> | | | | | | | | | | | | | | | | | | | | | | |
| 9.1 | <p>Similar contracts shall refer to completed projects as follows:</p> <p>a. Financial Audit for rate setting and/or due diligence audit required for valuation such as mergers and acquisition of large infrastructure projects and / or companies with large infrastructure projects, preferably in the water, sewerage, power and/or telecommunications sector.</p> <p>The consultant should have completed at least one (1) project for each of the foregoing items, otherwise, the consultant shall be disqualified.</p> | | | | | | | | | | | | | | | | | | | | | | |
| 9.2 | <p>Criteria for the short listing of consultants.</p> <table border="0"> <thead> <tr> <th style="text-align: center;"><u>Criteria</u></th> <th style="text-align: center;"><u>Rating</u></th> </tr> </thead> <tbody> <tr> <td>I. Applicable Experience</td> <td style="text-align: right;">50 points</td> </tr> <tr> <td>Completed consulting services of size, complexity and technical specialty to the contract to be bid</td> <td style="text-align: right;">40 points</td> </tr> <tr> <td>Other completed consulting services related to the contract under consideration</td> <td style="text-align: right;">10 points</td> </tr> <tr> <td>II. Quality of Staff that may be Assigned</td> <td style="text-align: right;">30 points</td> </tr> <tr> <td>Key Staff Education</td> <td style="text-align: right;">6 points</td> </tr> <tr> <td>Key Staff Experience</td> <td style="text-align: right;">24 points</td> </tr> <tr> <td>III. Current Workload Relative to Capacity</td> <td style="text-align: right;">20 points</td> </tr> <tr> <td>No. of Technical Personnel</td> <td style="text-align: right;">10 points</td> </tr> <tr> <td>Firm's Productivity</td> <td style="text-align: right;">5 points</td> </tr> <tr> <td>Firm's Workload</td> <td style="text-align: right;">5 points</td> </tr> </tbody> </table> | <u>Criteria</u> | <u>Rating</u> | I. Applicable Experience | 50 points | Completed consulting services of size, complexity and technical specialty to the contract to be bid | 40 points | Other completed consulting services related to the contract under consideration | 10 points | II. Quality of Staff that may be Assigned | 30 points | Key Staff Education | 6 points | Key Staff Experience | 24 points | III. Current Workload Relative to Capacity | 20 points | No. of Technical Personnel | 10 points | Firm's Productivity | 5 points | Firm's Workload | 5 points |
| <u>Criteria</u> | <u>Rating</u> | | | | | | | | | | | | | | | | | | | | | | |
| I. Applicable Experience | 50 points | | | | | | | | | | | | | | | | | | | | | | |
| Completed consulting services of size, complexity and technical specialty to the contract to be bid | 40 points | | | | | | | | | | | | | | | | | | | | | | |
| Other completed consulting services related to the contract under consideration | 10 points | | | | | | | | | | | | | | | | | | | | | | |
| II. Quality of Staff that may be Assigned | 30 points | | | | | | | | | | | | | | | | | | | | | | |
| Key Staff Education | 6 points | | | | | | | | | | | | | | | | | | | | | | |
| Key Staff Experience | 24 points | | | | | | | | | | | | | | | | | | | | | | |
| III. Current Workload Relative to Capacity | 20 points | | | | | | | | | | | | | | | | | | | | | | |
| No. of Technical Personnel | 10 points | | | | | | | | | | | | | | | | | | | | | | |
| Firm's Productivity | 5 points | | | | | | | | | | | | | | | | | | | | | | |
| Firm's Workload | 5 points | | | | | | | | | | | | | | | | | | | | | | |

Section IV. Consultant's Confidential Application for Eligibility



Republika ng Pilipinas
PANGASIWAAN NG TUBIG AT ALKANTARILYA SA KALAKHANG MAYNILA
 Metropolitan Waterworks and Sewerage System
REGULATORY OFFICE
 Katipunan Road, Balara, Quezon City 1105, Philippines

CONSULTANT’S CONFIDENTIAL APPLICATION FOR ELIGIBILITY
Consultancy Services for the 2015 Regulatory Financial Audit
Contract No. RO-CS2015-002

Date: _____

The Chairman
MWSS-RO Bids and Awards Committee (MWSS-RO BAC)

Gentlemen:

I _____ of legal age, with postal address at _____
 _____, under oath, hereby deposes and states:

1. That I am the _____ of _____ duly authorized to make this statement, as evidence by the attached written authority from the proprietor/governing board of the firm;
2. I understand that any information found to be false or misrepresentation of my firm/company would constitute grounds for disqualification; and
3. That I hereby present the attached Information for Eligibility and to Bid with the Metropolitan Waterworks and Sewerage System – Regulatory Office (MWSS-RO).

IN WITNESS WHEREOF, I hereby affix my signature this ___ day of _____, 2015 at _____, Philippines.

 AFFIANT

SUBSCRIBED AND SWORN TO before me this ___ day of _____, 2015, affiant exhibiting to me his/her Community Tax Certificate No. _____ issued on _____ at _____, Philippines.

NOTARY PUBLIC

Until _____
 PTR No. _____
 Date _____
 Place _____
 TIN _____

Doc. No.: _____
 Page No.: _____
 Book No.: _____
 Series of _____

A. GENERAL INFORMATION

A.1 Name of Primary Firm/Company: _____

- a. Acronym : _____
b. Year Established : _____
c. Main Office Address : Street#: _____ Street Name _____
Town/City Name: _____
Postal Code: _____ Region: _____
d. Phone Number : _____ e. Email Address _____
f. Fax Number : _____ g. Telex Number _____
h. Former Names of the Firm/Company: _____

i. Type of Organization (please check all that apply):

- Sole Proprietorship Corporation
 Partnership Others _____

j. Type of Consulting Services Offered (please check all that apply)

- Advisory and Review Services Pre-Investment or Feasibility Study
 Design Construction Supervision
 Management and Related Services Other Technical Services or
Special Studies

A.2 Contact Person 1

- a. Name : _____
b. Designation : _____
c. Phone Number : _____
d. Specimen Signature : _____

A.3 Contact Person 2

- a. Name : _____
b. Designation : _____
c. Phone Number : _____
d. Specimen Signature : _____

B. ASSOCIATE FIRMS

B.1 Firm 1

- a. Acronym : _____
b. Year Established : _____
c. Main Office Address : Street#: _____ Street Name _____
Town/City Name: _____
Postal Code: _____ Region: _____
d. Phone Number : _____ e. Email Address _____
f. Fax Number : _____ g. Telex Number _____
h. Former Names of the Firm/Company: _____

i. Type of Organization (please check all that apply):

- Sole Proprietorship Corporation
 Partnership Others _____

j. Type of Consulting Services Offered (please check all that apply)

- Advisory and Review Services Pre-Investment or Feasibility Study
 Design Construction Supervision
 Management and Related Services Other Technical Services or Special Studies

B.2 Firm 2

- a. Acronym : _____
b. Year Established : _____
c. Main Office Address : Street#: _____ Street Name _____
Town/City Name: _____
Postal Code: _____ Region: _____
d. Phone Number : _____ e. Email Address _____
f. Fax Number : _____ g. Telex Number _____
h. Former Names of the Firm/Company: _____

i. Type of Organization (please check all that apply):

- Sole Proprietorship Corporation
 Partnership Others _____

j. Type of Consulting Services Offered (please check all that apply)

- Advisory and Review Services Pre-Investment or Feasibility Study
 Design Construction Supervision
 Management and Related Services Other Technical Services or Special Studies

C. OWNERSHIP (complete a separate form for the Primary Firm and each Associate Firm)

Name of Firm/Company: _____

| Name(s) of Owner/Stockholders /Partners | Tax ID Number*/PRC No.* /Passport No.** TIN *Local **Foreign | Nationality |
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D. PERSONNEL (complete a separate form for the Primary Firm and each Associate Firm)

Name of Consultant : _____

Business Address : _____

| a. Number of Key Technical Personnel by Professional Category: | | Number of Technical Support Personnel by Professional Category: | | |
|---|--|---|---------|-------------|
| 1. Accountants | | 1. Accountants | | |
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| | | c. Number of Administrative Staff: | | |
| TOTAL NO. OF PERSONNEL: (a+b+c) | | | | |
| d. Names of Professional Staff that may be Assigned to this Project | TaxID No.*/PRC No.*/Passport No.** * Local ** Foreign | Professional Category | Status* | Nationality |
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D.1 Personnel Biodata (complete a separate form for the Primary Firm and each Associated Firm for all personnel listed in Section D that may be assigned to this project)

- 1. Name : _____
- 2. Date of Birth : _____
- 3. Nationality : _____
- 4. Education and Degrees : _____
- 5. Specialty : _____
- 6. Registration : _____
- 7. Length of Service with the Firm : _____ Year from _____ (months) _____ (year)
To _____ (months) _____ (year)
- 8. Years of Experience : _____
- 9. Training: : (indicate significant training since graduation and inclusive dates of attendance)

- 10. If Item 7 is less than ten (10) years, give name and length of service with previous employers for a ten (10)-year period (attached additional sheet/s), if necessary:

| <u>Name and Address of Employer</u> | <u>Length of Service</u> |
|-------------------------------------|-----------------------------------|
| _____ | _____ year(s) from _____ to _____ |
| _____ | _____ year(s) from _____ to _____ |
| _____ | _____ year(s) from _____ to _____ |

11. Work Experience:

This should cover personnel years of experience. (Attach as many pages as necessary to show involvement of personnel in projects. Starting with present position, list in reverse order every employment held. List all positions held by staff member since graduation, giving dates, names of employing organizations, titles of positions held, locations of projects and description of duties. For experience in last ten years, also give types of activities performed and client references, where appropriate).

E. CLASS “A” DOCUMENTARY REQUIREMENTS

E.1 Legal Documents

E.1.1 Registration/Licenses

| | Registration/ License # | Place of Registration | Date of Reg. (mm/dd/yy) | Expiration Date (mm/dd/yy) |
|---|------------------------------------|----------------------------------|------------------------------------|---------------------------------------|
| DTI Business Name Registration (if sole proprietorship) | | | | |
| SEC (if partnership or corporation) Certificate | | | | |
| SEC Registration (if Foreign Consultant) | | | | |
| CDA Registration Certificate (for Cooperatives) | | | | |
| Valid and Current MAYOR’S Permit | | | | |
| Tax Clearance Certificate | | | | |

Note: In case of foreign consultants, the above requirements may be substituted by the appropriate equivalent documents issued by the foreign consultant’s country.

Percentage of ownership of the firm’s assets:

Filipino : _____ %
Other Nationalities : _____ %

E.2 Technical Documents

E.2.1 Experience (complete a separate form for the Primary Firm and each Associate Firm)

A. Consultant’s **Comparable** Work Experience - List of (maximum of 10 for all firms) government and private consulting services contracts of size, complexity and technical specialty **comparable** to the project under consideration completed by the Firm/Company for the last preceding 10 years. Cost must be in Philippine Pesos computed on the date of the signing of the contract.

a.1. Financial Audit for rate setting and/or due diligence audit required for valuation such as mergers and acquisition of large infrastructure projects and / or companies with large infrastructure projects, preferably in the water, sewerage, power and/or telecommunications sector.

Name of Firm/Company : _____

| Contract Name | Location | Name of Client | Contract Date (mm/dd/yy) | | Cost of Consultancy Contract | % Participation | Primary or Associate Firm P or A | Category of Service Rendered |
|---------------|----------|----------------|--------------------------|-------------------|------------------------------|-----------------|---|------------------------------|
| | | | Start | Actual Completion | | | | |
| 1. | | | | | | | | |
| 2. | | | | | | | | |
| 3. | | | | | | | | |
| 4. | | | | | | | | |
| 5. | | | | | | | | |
| 6. | | | | | | | | |
| 7. | | | | | | | | |
| 8. | | | | | | | | |
| 9. | | | | | | | | |
| 10. | | | | | | | | |

Category of Services Rendered: A – Advisory and Review Services, P – Pre-Investment or Feasibility Studies, D – Detailed Design, C – Construction Supervision, M – Management and Related Services, O – Other Technical Services or Special Studies

Note: Attach certified copy of Certificate of Satisfactory Completion issued by the Client (Annex E)

- b. Consultant's **Related** Work Experience – List of (maximum of 10 for all firms) government and private consulting services contracts related to the project under consideration completed by the Firm/Company for the last preceding 10 years. Cost must be in Philippine Pesos computed on the date of the signing of the contract.

Name of Firm/Company : _____

| Contract Name | Location | Name of Client | Contract Date (mm/dd/yy) | | Cost of Consultancy Contract | % Participation | Primary or Associate Firm <u>P or A</u> | Category of Service Rendered |
|---------------|----------|----------------|--------------------------|-------------------|------------------------------|-----------------|---|------------------------------|
| | | | Start | Actual Completion | | | | |
| 1. | | | | | | | | |
| 2. | | | | | | | | |
| 3. | | | | | | | | |
| 4. | | | | | | | | |
| 5. | | | | | | | | |
| 6. | | | | | | | | |
| 7. | | | | | | | | |
| 8. | | | | | | | | |
| 9. | | | | | | | | |
| 10. | | | | | | | | |

Category of Services Rendered: *A – Advisory and Review Services, P – Pre-Investment or Feasibility Studies, D – Detailed Design, C – Construction Supervision, M – Management and Related Services, O – Other Technical Services or Special Studies*

Note: Attach certified copy of Certificate of Satisfactory Completion issued by the Client (Annex E)

- c. List of on-going government and private contracts including contracts already awarded but not yet started. Cost must be in Philippine Pesos computed on the date of the signing of the contract.

Name of Firm/Company : _____

| Contract Name | Location | Name of Client | Contract Date (mm/dd/yy) | | Cost of Consultancy Contract | % Participation | Primary or Associate Firm <u>P or A</u> | Category of Service Rendered |
|---------------|----------|----------------|--------------------------|-------------------|------------------------------|-----------------|--|------------------------------|
| | | | Start | Actual Completion | | | | |
| 1. | | | | | | | | |
| 2. | | | | | | | | |
| 3. | | | | | | | | |
| 4. | | | | | | | | |
| 5. | | | | | | | | |
| 6. | | | | | | | | |
| 7. | | | | | | | | |
| 8. | | | | | | | | |
| 9. | | | | | | | | |
| 10. | | | | | | | | |

Category of Services Rendered: A – Advisory and Review Services, P – Pre-Investment or Feasibility Studies, D – Detailed Design, C – Construction Supervision, M – Management and Related Services, O – Other Technical Services or Special Studies

E.2.2 Project Profile (complete a separate form for the Primary Firm and each Associate Firm for all projects listed in Section E.2.1)

Name of Firm/Company : _____

| | | |
|--|-------------------------------|---|
| Project Name: | | Country: |
| Location within Country: | | Professional Staff Provided by Your Firm/Entity: |
| Name of Client: | | No. of Staff: |
| Address: | | No. of Staff-Months; Duration of Project: |
| Start Date (Month/Year): | Completion Date (Month/Year): | Total Project Costs (in PhP): Approx. Value of Services (in PhP): |
| Name of Associated Consultants, if any: | | No. of Months of Professional Staff Provided by Associated Consultants: |
| Name of Senior Staff (Project Director/Coordinator, Team Leader) Involved and Functions Performed: | | |
| Narrative Description of Project: | | |
| Description of Actual Services Provided/Being Provided by Your Staff: | | |

E.2.3 Statement On Citizenship & Professional Registration

Date of Issuance

JOEL C. YU
Chief Regulator
MWSS Regulatory Office
Katipunan Road, Balara, Quezon City

Attention : The Chairman
Bids and Award Committee

Dear Sir/Madame:

In compliance with the requirements of the MWSS Regulatory Office BAC for the bidding of the Consultancy Services for the 2015 Regulatory Financial Audit-Contract No.RO-CS2015-002, I hereby certify that:

- I am (Nationality) citizen wishing to participate in the bidding.
- I have the technical and financial capabilities to satisfactorily render the required services.

I certify further that all of the owners/principals/partners and key staff of _____ (Name of the Bidder) possess the required professional licenses issued by the Professional Regulation Commission or other appropriate regulatory body.

Very truly yours,

Name and Signature of Authorized Representative
Position
Name of the Bidder

E.3 Financial Document (complete a separate form for the Primary and each Associate Firm)

Name of Firm/Company : _____

Summary of the Consultant’s audited financial statements, showing, among others, the Consultant’s total and current assets and liabilities, stamped “RECEIVED” by the Bureau of Internal Revenue (BIR) or its duly accredited and authorized institutions, for the preceding calendar year which should not be earlier than two (2) years from the date of bid submission.

| | | Year 20__ |
|----|---------------------------|-----------|
| 1. | Total Assets | |
| 2. | Current Assets | |
| 3. | Total Liabilities | |
| 4. | Current Liabilities | |
| 5. | Net Worth (1-3) | |
| | Net Working Capital (2-4) | |

Annual volume of gross fees for the last five (5) years in Philippine Pesos

- Year 2010: _____
- Year 2011: _____
- Year 2012: _____
- Year 2013: _____
- Year 2014: _____

Bank Information

| Name of Bank and Branch | Present Credit Line Amount | EFFECTIVE PERIOD | |
|-------------------------|----------------------------|-----------------------|---------------------|
| | | From Date mm/dd/yy | To Date mm/dd/yy |
| | | | |
| | | | |
| | | | |
| | | | |

Submitted by:

Name and Signature of Authorized Representative

Position

Date : _____

Note: Attach latest audited Financial Statement stamped received by the BIR (Annex F)

F. CLASS “B” DOCUMENTARY REQUIREMENTS

F.1 Valid Joint Venture Agreement (JVA)

KNOW ALL MEN BY THESE PRESENTS:

That this JOINT VENTURE AGREEMENT is entered into By and Between _____, of legal age, _____ (*civil status*), owner/proprietor of _____ and a resident of _____.

- and -

_____ of legal age, _____ (*civil status*) owner/proprietor of _____ a resident of _____.

That both parties agree to join together their manpower, equipment, and what is needed to facilitate the Joint Venture to participate in the Eligibility, Bidding and Undertaking of the here-under stated project to be conducted by the MWSS Regulatory Office.

NAME OF PROJECT

CONTRACT AMOUNT

That both parties agree to be jointly and severally liable for the entire assignment.

That both parties agree that _____ and/or _____ shall be the Official Representative of the Joint Venture, and is granted full power and authority to do, execute and perform any and all acts necessary and/or to represent the Joint Venture in the bidding as fully and effectively and the Joint Venture may do and if personally present with full power of substitution and revocation.

That this Joint Venture Agreement shall remain in effect only for the above stated Project until terminated by both parties.

Done this _____ day of _____, in the year of our Lord _____.

WITNESSES

ACKNOWLEDGEMENT

BEFORE ME, A Notarial Public in and for _____, this _____ day of _____ personally appeared the following:

NAME: _____ Community Tax Certificate No: _____
Issued on: _____
Issued at: _____

NAME: _____ Community Tax Certificate No: _____
Issued on: _____
Issued at: _____

Known to me to be the same person who executed the foregoing instrument acknowledge the same to their own free and voluntary act and deed as well as that of the entity/corporations herein represented.

WITNESS MY HAND AND NOTARIAL SEAL on the date and place above written.

NOTARY PUBLIC

Until _____
PTR No. _____
Date _____
Place _____
TIN _____

Doc. No.: _____
Page No.: _____
Book No.: _____
Series of _____

INSTRUCTIONS

- 1.0 The Applicant shall accomplish/answer all items in the Application using the English language. Answers must be given to all questions in the aforesaid statement. All blanks shall be properly filled up. If necessary, additional sheets may be added to the form or if the form has limited space, it can be reproduced and enlarged to suit the Applicant's needs. Documents submitted on forms or in any format other than that prescribed in the aforesaid Statement shall be considered non-complying and will be rejected outright. Forms that may require attachments shall be clearly marked, and provided with "dog ear", i.e., Annex A, Annex B, etc.
- 2.0 The information/data submitted by the interested Firm/Company are to be used by the MWSS-RO in determining, according to its judgement and discretion, the eligibility and qualification of prospective Firm/Company. In view thereof, the interested Firm/Company is encouraged to communicate with the MWSS-RO for any clarification or interpretations on the documents as request for reconsideration will not be entertained on any erroneous interpretations or conclusions made by the Applicant. An interested Firm/Company submitting its qualifications as prospective Firm/Company for review and consideration waives any claim against any decision thereon. The signing by the Firm/Company or his duly authorized representative of the Registry Application Statement acknowledges the truth and correctness of all statements made thereon; otherwise, the Firm/Company shall be liable for perjury as provided in the Revised Penal Code.
- 3.0 The following documents shall, among others, comprise the Consultant's Application for Eligibility:

General Information

Annex A: Original copy of the appointment/designation of the Authorized Person to sign and submit application for eligibility from the Owner/Governing Board of the firm with specimen signature and photographs (2x2). If Corporation, it should be in the form of a Board Resolution certified by the Board Secretary.

Annex B: Prospective Bidder's certified copy of valid Certificate of Registration of Business Name from the Department of Trade and Industry (DTI), if Sole Proprietor, or;

Prospective Bidder's certified copy of Certificate of Registration from the Securities and Exchange Commission (SEC), if Partnership or Corporation or Foreign Consultant, or;

Prospective Bidder's certified copy of Registration from Cooperative Development Authority (CDA), if Cooperative.

Annex C: Prospective Bidder's certified copy of valid and current Mayor's permit.

Annex D: Prospective Bidder’s certified copy of valid and current Tax Clearance Certificate.

Annex E: Prospective Bidder’s certified copy of Certificate of Satisfactory Completion issued by the Client (attachment to Sections E.2.1.a. and E.2.1.b)

Annex F: Latest audited Financial Statement stamped “RECEIVED” by the BIR or its duly authorized agents (attachment to Item E.3)

4.0 Each page of the annexes, attachments and other supporting documents shall be marked in the right top corner, i.e. Annex A, page 1 of 5; Annex A page 2 of 5; etc, as the case may be.

5.0 The MWSS-RO reserves the right to accept or reject any application without any liability to the affected applicants or any obligation to inform the applicants of the grounds for the action taken thereon.

6.0 Definitions and terms

Acronym

Abbreviation of the firm/company’s name.

Annual volume of gross fees

The gross annual fees earned by the firm for the previous five (5) years.

Associate Firms

Information about firms/companies joining with the primary firm/company listed in Section B for purposes of eligibility application for the contract in question.

Category of Service Rendered

The nature of service rendered whether A-Advisory and Review Services, P-Pre-Investment or Feasibility Studies, D-Detailed Design, C-Construction Supervision, O-Other Technical Services or Special Studies

Name of Client

The name of the client firm.

Consultant’s On-Going and Awarded Contracts

A list of all on-going contracts including private contracts already awarded but not yet started.

Consultant’s Comparable Work Experience

A list of the firm’s most comparable contracts (maximum of 10 for all firms combined) successfully completed by the firm/company for the last 10 years. “Comparable” means consulting services of size, complexity and technical specialty, comparable to the job under consideration including quality of performance.

Consultant’s Related Work Experience

A list of the most related contracts (maximum of 10 for all firms combined) successfully completed by the firm/company for the last 10 years. “Related” means consulting services related to the job under consideration.

Contact Person 1

The name, designation and telephone number of an employee who can answer questions concerning the application statement.

Contact Person 2

The name, designation and telephone number of an additional employee who can answer questions concerning the application statement.

Contract Date Actual Completion

The month, day, year of the contract's actual completion.

Contract Date Start

The month, day, year the contract started.

Contract Name

The name of each contract listed.

Cost of Consultancy Contract

The cost in Philippine Peso of the consultancy contract computed on the date of the contract signing.

Date Degree Awarded

The month, day and year the degree was awarded to the employee.

Date of Assignment

The month, day and year when the employee began working on the contract and the month, day and year when the employee finished working in the contract.

Degrees

A list of all degrees earned by the employee.

Description of Project

A narrative description of the project giving a summary explanation of the size, purpose, objectives and benefits of the project.

Description of Actual Services Provided/Being Provided

A narrative description of the work done for the contract assignment. It is very important to complete this item thoroughly and in detail. Descriptions should be detailed and specific with regard to what was done and how it was done.

Email Address

The email address of the head office.

Estimated Completion

The month, day and year the contract is scheduled to be complete.

Experience

This section must be completed for the primary firm and all associate firms listed in Section B.

Fax Number

The fax number of the head office.

Former Names of the Firm/Company

A list of all names the firm has previously used in conducting business.

Main Office Address

The address of the firm/company's head office.

Institution

The name of the institution where the degree was earned.

Key Staff Assigned

The name, identification number and assignment dates for each employee assigned to the contract.

Location

The name of the location where the contract took place.

Name of Associate Firm/Company

The associate consultant firm name.

Name of Primary Firm/Company

The firm name of the primary consultant submitting the application.

Names of Key Personnel that May Be Assigned

The names of key personnel of the firm/company that will possibly be appointed for the particular contract in question.

Names of Owners/Stockholders/Partners

The names of all persons who have ownership in the firm/company.

Nationality

The name of the country of citizenship for the person concerned.

Number of Administrative Staff

The number of administrative staff employed by the firm/company.

Number of Key Technical Personnel by Professional Category

The number of principal technical personnel employed by the firm/company categorized by professional category.

Number of Technical Support Personnel by Professional Category

The number of technical support personnel employed by the firm/company categorized by professional category.

Percentage Participation

The firm's percent participation in the contract in the case of associate firms working together on the contract based on cost.

Primary or Associate Firm

For the listed contract indicate if the firm/company was the prime consultant or the associate consultant.

Professional Category

The nature or professional expertise of each employee listed using the categories listed in items "a" and "b" under Section D.

Tax ID Number/PRC Number/Passport Number

A unique number identifier for each name listed.

Telephone Number

The telephone number of the head office.

Type of Organization

The category that describes the ownership of the firm/company.

Work Experience

The list of contract/employment the employee has been assigned.

Year Established

The year the firm/company was established.

Years with Firm

The number of years the employee has worked for the firm.

Section V. Terms of Reference

TERMS OF REFERENCE

CONSULTANCY SERVICES FOR THE 2015 REGULATORY FINANCIAL AUDIT

Background Information

The Concession Agreements (CAs) of the Manila Waterworks and Sewerage System ("MWSS") with Manila Water Co. Inc. ("MWCI") and Maynilad Water Services, Inc. ("MWSI") allows the concessionaire's books and records to be audited by an independent auditor appointed by, or acceptable to, the MWSS Regulatory Office ("MWSS-RO") pursuant to internationally accepted accounting practices.

Section 13.2 of the CA can require the concessionaire's books and records relating to the concession be audited on an interim basis by the MWSS-RO or by an outside auditor and the concessionaire shall cooperate fully with all such audits.

The recently concluded 2012 Rate Rebasing exercise identified the difficulties encountered by the MWSS-RO and its' consultants, MWCI, and MWSI in auditing 5-year coverage of historical cash flows with immense volume of transactions and tight deadlines. As a result, it was agreed upon by MWSS-RO, MWCI, and MWSI to have the detailed regulatory financial audit conducted in a yearly manner for the period July 1, 2012 to December 31, 2014.

Historical cash flows as defined in Article 1 of the CA include both Receipts and Expenditures efficiently and prudently incurred by the Concessionaire in the course of carrying out its obligations. Receipts as likewise defined in the CA means all cash receipts from customers and grants from third parties (including from the Republic) to the Concessionaire, excluding any interest and dividends. Total cash inflows includes cash received that may arise out of water sales, collection of environmental and sanitation fees, and all other fees collected in the normal course of the concessionaires' business operations. Cash outflow or expenditures as defined in the CA, include pre-operating and operating expenditures, capital maintenance and investments expenditures, concession fees and Philippine business taxes of the Concessionaire, but excluding penalties, interest charges on late payments, financing cost, bad debts provision and depreciation provision.

Hence, in preparation for the 2017 Rate Rebasing exercise, the MWSS-RO deemed it appropriate to conduct an interim Regulatory Financial Audit on the books and records of MWCI and MWSI for the period July 1, 2012 up to December 31, 2014.

Objective of the Consultancy Services

The 2015 regulatory financial audit is a thorough exercise that support and aid the upcoming 2017 Rate Rebasing Exercise. The regulatory financial audit of the historical cash flows seeks to establish the allowable OPEX, CAPEX and Revenues/Receipts by applying the principles of efficiency and prudence and the general provisions under the CA upon which the 2018 rebased tariff will be determined. Thus, MWSS-RO needs to engage the services ("Consultancy Services") of a reputable auditing firm with expertise in statutory and/or regulatory financial audit.

The general objective of the engagement of Consultancy Services is to ensure the proper and successful conduct of the regulatory financial audit exercise, specifically the following:

1. That the exercise is methodical, fair and equitable to all stakeholders;

2. That the process and the results thereof are consistent with the CA, as amended, and the Term Extension Agreement;
3. That the RO's determination of the allowances and disallowances is defensible in any and all forum including the Appeals Panel;
4. That all issues and concerns between the contracting parties (MWSS and MWSI/MWCI) are resolved;
5. That the process, including all changes agreed upon, be fully documented; and
6. That the necessary amendments and supplements to the CA and appropriate policies, based on global best practices are identified.

Scope of Work

The Consultancy Services shall be provided by a reputable auditing firm with expertise in statutory and/or regulatory financial audit in accordance with the Concession Accounting and Auditing Guidelines (CAAGs)¹ formulated by the RO.

At the outset, it bears stressing that the MWSS-Regulatory Office (RO) is conducting a "regulatory audit" as compared to an ordinary "financial audit." This means that the MWSS-RO does not **only** look into the legitimacy of expense and the correctness of the entries in the financial statements of the Concessionaires but more importantly, the **propriety** of the charging those expenses in the Opening Cash Position (OCP). In other words, the RO passes judgment on the propriety of passing on the expenses being charged by the Concessionaires to the Customers by way of tariff. Thus, while the Regulatory Office acknowledges that certain expense items are ordinarily considered as legitimate business expenses, it should also be borne in mind that NOT all of these expenses are allowed by the Concession Agreement to be charged to the OCP.

It must also be emphasized that the RO cannot assume that the expenses being charged to OCP are all legitimate and accurate expenses, without looking at the necessary supporting documents for the transactions. In its ordinary signification, an audit is defined as "an examination of records or financial accounts to check their accuracy."

This requirement to look into the necessary supporting documents finds greater significance in the context of a regulatory audit. As stated earlier, the expenses RO is examining are not ordinary expenses. These are expenses that are ultimately passed on to the Customers. Moreover, the Concessionaires are given premium in the form of the Appropriate Discount Rate (ADR) for these expenses.

In the absence of supporting documents, acceptable alternative auditing procedures may be resorted to. However, where the legitimacy, accuracy and propriety of these expenses could not be established through alternative auditing procedures, the RO has no choice but to disallow those unsupported expense items.

Specifically, the Consultants shall undertake the following responsibilities:

¹ to be approved by the MWSS Board of Trustees

(1) Audit of the Historical Receipts

An understatement/overstatement in receipts will result in lower/higher cash inflow thereby, increase/decrease in estimated water rates. Under this scenario, there is a heightened risk that receipts reported by the concessionaires are not complete and accurate.

The risk assessment considered, among others, concessionaires' revenue streams, percentage contribution of each revenue stream to total revenues, equivalent cash receipts arising from revenues, corresponding weight in the financial model, nature and volume of transactions, and the level of automation and manual intervention involved in capturing, processing, and recording revenue data.

The procedures are sought to be conducted, but not limited to the following:

- a. Read the CA and obtained a thorough understanding as to which receipts should be included in determining water rates for rate rebasing purposes.
- b. Evaluate the revenues and related working capital components of the financial model to determine completeness of these components taking into consideration industry knowledge, Concessionaires' audited financial statements, audited trial balance and other accounting records.
- c. Discuss with the concessionaire to understand the nature and structure of revenues, and performed reviews of revenue information (i.e., analysis by revenue sources, historical trends, etc.) to understand the major revenue streams (water supply and sanitation/sewerage), how they are segregated, and their correlation to sources of receipts.
- d. Gain an understanding of the Revenue and collection cycle by documenting the process and performing walkthroughs on how revenue data are initially collected, transferred from one information technology (IT) system to another, processed and then recorded into the automated financial reporting system (i.e., data and transaction flows).
- e. As a result of the walkthrough, identify key points throughout the process such as the applicable accounting policies and systems documentation relating to revenue calculation and eventually, determination of receipts.
- f. Obtain documentation on approved rates for the period covered by the rate rebasing and then perform a comparison with the rates set-up/defined in the IT system.
- g. Using Audit Command Language (ACL) software tool, a computer assisted audit technique (CAAT), perform independent recalculation of major revenue streams which were processed by the IT system to check the completeness and accuracy of revenue amounts.
- h. Compare the derived revenue amounts with their corresponding amounts in the subsidiary ledger and investigate any variances noted.
- i. Compare the subsidiary ledger amounts with their corresponding amounts in the general ledger.
- j. Review the revenue and receivables recognition policies and the accounting entries to record the major revenues streams and the corresponding receivables.

- k. Based on the identified revenue streams and various sources of revenues, determine if they are properly classified.
- l. Used CAATs to perform the following:
 - I. Test completeness and accuracy of journal entry population covering the period from to July 1, 2012 to December 31, 2014; and
 - II. Generate list of non-standard journal entries. Non-standard journal entries were defined and included the following type of entries:
 - Journal entries for revenue transactions with consumption dates within the current accounting period but recorded in the next (cut-off)
 - Manual revenue adjustments
 - Largest journal entries (manual and/or automated) testing based on specified threshold (i.e., monetary value)
 - Unusual general ledger account combinations (e.g., entries to revenue that do not impact cash, accounts receivable, or deferred revenue)
 - Journal entry activity that is reversed in a subsequent period (e.g., month-end, quarter-end). This test identified whether one or both sides of the journal entry are reversed in the subsequent period
 - Journal entries not documented in the general ledger (such as reclassification made to a reporting system, where general controls over the general ledger may not apply)
 - Journal entries with a net P&L impact over a certain amount
 - Infrequently used general ledger accounts
- m. Examine specific journal entries and other adjustments. Audit procedures include examining the related supporting documentation giving special attention to the appropriateness and nature of the underlying transactions. Likewise, the procedures are designed to detect inappropriate entries.
- n. Examine the disaggregated components of revenues and related working capital accounts and evaluate appropriateness of their inclusion/exclusion in light of the requirements of the Concession Agreement.
- o. Review all sources of receipts taking into consideration industry knowledge, concessionaires' audited financial statements, audited trial balance and other accounting records.

(2) Audit of the Historical Operating Expenditures, Capital Expenditures and Concession Fee Payments

(a) OPERATING EXPENDITURE

The primary objective of the audit is to ascertain that OPEX identified by the Concessionaires as recoverable and valid, reasonable or prudent in the normal course of business operations particularly water delivery and sewerage within respective concession zones, and efficient.

Based on the objective of the audit, it was determined that the tests of details are appropriate and most responsive to the assessed risks, as well as most effective in the absence of any access provided to the IT system (i.e., SAP). Guidance stated in International Standards on Auditing (ISA) 500, *Audit Evidence*, an effective test provides appropriate audit evidence to an extent that with other audit evidence obtained or to be obtained, will be sufficient for the auditor's purposes. In selecting items for testing, the auditor is required to determine the relevance and reliability of information to be used as audit evidence; the other aspect of effectiveness (sufficiency) is an important consideration in selecting items to test. The said standard likewise provides the following generalizations with respect to the reliability of audit evidence:

- Audit evidence is more reliable when it is obtained from independent sources outside the entity;
- Audit evidence that is generated internally is more reliable when the related controls imposed by the entity are effective;
- Audit evidence obtained directly by the auditor is more reliable than audit evidence obtained indirectly or by inference ;
- Audit evidence is more reliable when it exists in documentary form, whether paper, electronic, or other medium; and
- Audit evidence provided by original documents is more reliable than audit evidence by photocopies or facsimiles.

The procedures are sought to be conducted, but not limited to the following:

- a. Read the CA and obtained a thorough understanding as to which expenses should be included in determining water rates for rate rebasing purposes.
- b. Evaluate the expenses and related working capital components of the financial model to determine completeness of these components taking into consideration industry knowledge, Concessionaires' audited financial statements, audited trial balance and other accounting records.
- c. Discuss with the concessionaire to understand the nature and structure of expenditures, and performed reviews of expenditures information (i.e., analysis by sources, historical trends, etc.) to understand the major expenditure streams (water supply and sanitation/sewerage), how they are segregated, and their correlation to sources of receipts.
- d. Gain an understanding of the major operating expense cycle which may include but not limited to:
 - i. Purchasing and payment cycle;
 - ii. Inventory management process;
 - iii. Payroll process; and
 - iv. Revolving / Petty Cash Fund systems
- e. Document the understanding of the various cycles and perform walkthroughs on how expense data are initially collected, transferred from one information technology (IT) system to another, processed and then recorded into the automated financial reporting system (i.e., data and transaction flows).
- f. Used CAATs to perform the following:
 - i. Test completeness and accuracy of journal entry population covering the period from to July 1, 2012 to December 31, 2014; and

- ii. Generate list of non-standard journal entries. Non-standard journal entries were defined and included the following type of entries:
 - Journal entries for expense transactions
 - Manual expenditure adjustments
 - Largest journal entries (manual and/or automated) testing based on specified threshold (i.e., monetary value)
 - Unusual general ledger account combinations
 - Journal entry activity that is reversed in a subsequent period (e.g., month-end, quarter-end). This test identified whether one or both sides of the journal entry are reversed in the subsequent period
 - Journal entries not documented in the general ledger (such as reclassification made to a reporting system, where general controls over the general ledger may not apply)
 - Journal entries with a net P&L impact over a certain amount
 - Infrequently used general ledger accounts
- g. Examine specific journal entries and other adjustments. Audit procedures include examining the related supporting documentation giving special attention to the appropriateness and nature of the underlying transactions. Likewise, the procedures are designed to detect inappropriate entries.
- h. Examine the disaggregated components of expenses and related working capital accounts and evaluate appropriateness of their inclusion/exclusion in light of the requirements of the Concession Agreement.
- i. Ring – fencing of concessionaire’s operating expense for MWSS service area. This is to ascertain that operating expenses being included in the Opening Cash Position relate only to operating expenditures used in the operations of the MWSS Service Area.

(b) CAPITAL EXPENDITURES and CONCESSION FEE PAYMENTS

An overstatement/understatement in capital expenditures will result in lower/higher opening cash position and thereby, increase in estimated water rates. Under this scenario, there is a heightened risk that capital expenditures reported by the two Concessionaires are not valid and accurate. For this audit, capital expenditures are divided into those for infrastructure, and general and administration (G&A).

For infrastructure, the audit will cover validity and accuracy of the capital expenditures while for G&A, the audit will also cover prudence and efficiency.

The procedures are sought to be conducted, but not limited to the following

- a. Read the CA to understand which capital expenditures should be included in determining water rates.
- b. Discussed with the Concessionaires, and reviewed capital expenditure information (i.e., analysis by CAPEX sources, projects, etc.) to better understand the major capital expenditures (i.e., infrastructure projects and fixed asset acquisitions for G&A).
- c. Reviewed the capital expenditure policy and the accounting entries being prepared to record the major capital expenditures;

- d. Gain an understanding of the procurement and capital expenditure processes by documenting the processes and performing walkthrough on how these expenditures are initially determined, authorized and then recorded into the automated financial reporting system.
- e. From detailed listings of capital expenditures for the period from July 1, 2012 to December 31, 2014, the audit team needs to perform the following:
 - i. Perform target testing by selecting capital expenditure items based on specified threshold (i.e., monetary value) and criteria;
 - ii. Examine supporting documents corresponding to the items selected, which consist, but not limited to, supplier invoices, official receipts, delivery documents, purchase requisitions, supplier quotation, bidding documents and corresponding contracts and agreements that will confirm the sample transactions to be valid;
 - iii. For G&A capital expenditures only, assess if it was made taking into consideration prudence and efficiency criteria; and
 - iv. Based on the results of (a) to (c), assess if there is a need to select another set of samples for items not covered by target testing using non-statistical sampling.
- f. Used CAATs to perform the following:
 - i. Test the completeness and accuracy of journal entry population covering the period from July 1, 2012 to December 31, 2014;
 - ii. Generate a list of non-standard journal entries using specific criteria (refer to revenue audit examples of criteria);
 - iii. Test for improper capitalization of expenditures. Report of all items capitalized into property can be generated and then sorted/summarized by type and source of item being capitalized (payroll, purchases, overhead, etc.). The report can be sorted to highlight large items by asset type and source type. In addition, the report can be generated for various time periods (monthly, quarterly, yearly) to identify any unusual trends in amounts being capitalized; and
 - iv. Ascertain reliability of detailed listings of capital expenditures as generated from respective accounting systems by specifically confirming accuracy and completeness.
- g. Examine specific journal entries and other adjustments (refer to same procedure under revenue audit).
 - i. Ring-fencing of concessionaire's other capital expenditures for MWSS service area to ascertain that CAPEX being included in the Opening Cash Position relate only to the operations of the MWSS Service Area.
 - ii. Review and evaluation of the actual concession fees payment relating to the both foreign and local denominated loans by both concessionaires.

Deliverables

The following reports shall be submitted and presented as necessary to the RO and the MWSS Board of Trustees.

| <i>Deliverables</i> | <i>Submission Timeline</i> |
|--|---|
| 1. Inception Report which shall include a detailed methodology and approach for the conduct of the Regulatory Financial Audit exercise. | 10 days from commencement date |
| 2. Monthly Accomplishment Reports <ul style="list-style-type: none"> • Percentage of scope of work done based on amount and number of samples on a per account basis; • Presentation of initial and final audit findings and issues, proposed resolution to these issues, and proposed policies to be adopted by MWSS for the 2017 Rate Rebasing exercise concerning these issues, if any. | 1 month from commencement date |
| 3. Detailed Audit Report, Findings and Recommendations <ol style="list-style-type: none"> a. First Draft b. Second Draft c. Final Report <p>The detailed audit report should contain but not limited to the following, for each account audited:</p> <ol style="list-style-type: none"> a. Balance submitted by the concessionaire; b. Adjustments or differences which should be specified as follows but not limited to exclusions, inclusions, reclassifications, errors, etc.); c. Audited or the Recommended Value (OCP); d. Initial response of the concessionaire relative to the audited or the Recommended Value; e. Auditor's recommendation for future audit. | <ol style="list-style-type: none"> a. 20 days from commencement date b. 35 days from commencement date c. 60 days from commencement date |
| 4. Additional Requirements <ol style="list-style-type: none"> i. Presentation of the recommendations for the enhancement of the Regulatory Audit Framework, specifically for Finance / Accounting; ii. Enhancement of the Regulatory Financial Audit Design, Approach, and Methodology and preparation of a detailed audit program and procedures on a per account basis, and if warranted, alternative procedures. | <p>60 days from commencement date</p> <p>60 days from commencement date</p> |

Contract Duration

The engagement of the Consultants shall be from the receipt of the Notice to Proceed (NTP). Contract duration shall be for a period of two (2) months to be reckoned from the receipt of the NTP.

| Team Composition | No. of Persons | No. of Man-hours |
|-----------------------------|-----------------------|-------------------------|
| <u>Professional Staff</u> | | |
| Audit Partner / Team Leader | 1 | 100 |
| Audit Manager | 2 | 160 |
| Audit Supervisor | 4 | 960 |
| Audit Senior Staff | 16 | 4480 |
| | | |
| Sub total | 23 | 5700 |
| | | |
| <u>Administrative Staff</u> | | |
| Administrative Officer | 1 | 320 |
| Secretary/Encoder | 2 | 640 |
| Utility Man/Messenger | 1 | 320 |
| | | |
| Sub total | 4 | 1280 |
| | | |
| TOTAL | 27 | 6980 |

Audit Partner (National):

The audit partner shall act as Team Leader. He shall be responsible for application of the financial and accounting principles and parameters involved in the regulatory financial audit including interpretation and all analyses and assessment of historical cash flows. He/she shall likewise ensure summarizing and presentation of all key findings and recommendations to the MWSS-RO and MWSS Board and Board Advisory Committee, as well as the timely submission of all deliverables under this engagement.

He/she must have a Bachelor's Degree in Accountancy or Business Administration major in Accounting, a Certified Public Accountant and a masteral degree in Finance, Economics, or Business Administration or related courses, with at least 15 years extensive work experience and exposure in financial audit, financial analysis, financial valuation and/or financial planning, preferably of the water/sewerage/power sector, 5 years of which should be as a Team Leader/Audit Partner of a multi-discipline team with financial and economic expertise.

Audit Manager (National):

The audit manager shall be responsible for application of the financial and accounting principles and parameters involved in the regulatory financial audit including interpretation and all analyses and assessment of historical cash flows. He/she shall assist the audit partner in managing the engagement in an organized and timely manner, and shall be initially responsible for summarizing and presenting audit issues and findings.

He/she must have a Bachelor's Degree in Accountancy, a Certified Public Accountant and preferably with a masteral degree in Finance, Economics, or Business Administration or related courses, with at least 10 years extensive work experience and exposure in financial audit, financial analysis, financial valuation and/or financial planning, preferably of the water/sewerage/power sector, 5 years of which should be as an Audit Manager.

Audit Supervisor (National):

The audit supervisor shall be responsible preparing preliminary evaluation of the existing internal controls, makes an assessment on the reliance thereto. He/she is directly responsible for the planning and supervision of the fieldwork being performed by an audit senior staff in the course of an audit engagement. After the fieldwork, he/she drafts the audit report and management comments and recommendations and submits the same to higher management for proper disposition.

He/she must have a Bachelor's Degree in Accountancy, a Certified Public Accountant, with at least 5 years extensive work experience and exposure in financial audit, financial analysis, financial valuation and/or financial planning, preferably of the water/sewerage/power sector.

Audit Senior Staff (National):

The audit senior staff is directly responsible to perform the audit fieldwork with the supervision of an audit supervisor and a set of customized audit program. He/she shall perform the audit in accordance with the Philippine financial reporting standards (PFRS) and using the firms adopted audit techniques, procedures and methodologies and the Regulatory Financial Audit Parameters. He/she shall communicate to the audit supervisor all audit findings that need disposition.

He/she must have a Bachelor's Degree in Accountancy, a Certified Public Accountant, with at least 2 years extensive work experience and exposure in financial audit, financial analysis, financial valuation and/or financial planning, preferably of the water/sewerage/power sector.

Constraints

To ensure fairness and objectivity, the following constraints shall apply:

1. The consultant firm and any key member of the proposed team of consultants never had any previous professional relationship or engagement, directly or indirectly with the MWSS Corporate Office or any of its Concessionaires, their subsidiaries or affiliates in the past 5 years immediately preceding the day of submission of bids;
2. Any key member of the proposed team of consultants has never been a partner, director, officer, or employee of the MWSS Corporate Office, Regulatory Office or any of its Concessionaires, their subsidiaries or affiliates in the past 5 years immediately preceding the day submission of bids;
3. Any key member of the proposed team of consultants has no familial relationship within the 3rd civil degree of consanguinity or affinity with any of the employees or officers of the MWSS Corporate Office, the Regulatory Office or any of its Concessionaires, their subsidiaries or affiliates, or representatives of the current members of the Bids and Awards Committee of the MWSS Corporate Office or the Regulatory Office;
4. The provision of Section 47 (Disclosure of Relations) of the Implementing Rules and Regulations of Republic Act No. 9184 (RA 9184) shall apply to all personnel of the consultant; and
5. All other provisions of RA 9184 and its IRR shall also apply to the consultant firm and any key member of the proposed team of consultants.

Assistance to be provided by RO

The RO shall provide the following assistance to the Consultants:

1. The RO shall provide fully furnished office space with telephones/internet access;
2. The RO shall make its personnel available to support this undertaking, it is preferable that each team shall involve a RO personnel during the course of the audit
3. The RO shall provide additional logistics required; and
4. The RO shall assist the Consultants in securing data needed from the concessionaires and the MWSS.

