

## STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

The MWSS Audit Group recognized the efforts of Management on fully implementing two prior years' audit recommendations resulting in the following :

1. Elimination of the unreconciled reciprocal accounts in the financial statements; and
2. Collection of the rental fee of P175 million inclusive of taxes from Manila Water Company, Inc. (MWCI) for the use of the land in San Juan Reservoir and Aqueduct Complex in N. Domingo, San Juan City, Metro Manila from May 2006 to February 2015 and an initial annual lease of P16.200 million for its continued use commencing March 2015.

Out of the **87** audit recommendations embodied in CY 2013 Annual Audit Report, **46** were implemented, **29** were partially implemented and **12** were not implemented as shown in the following table:

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
<b>B. Current Year's Audit Observations and Recommendation</b>			
<b>B.1 MWSS - Corporate Office</b>			
CY 2013 AAR B.1.1 Page 40	The carrying value of PPE at P35.408B not correctly stated due to non-conduct of revaluation/ appraisal since 1995	<p>Look into the possibility of using the report on the valuation of assets used in operation by MWSS and its Concessionaires and the review and validation of the Concessionaires' Asset Condition Report as of CY 2010 submitted by the Consultant hired for the purpose and whose report was accepted by the Regulatory Office;</p> <p>Immediately conduct appraisal of all its property, plant and equipment by hiring an independent and qualified appraiser or expert as required under PAS 16</p>	<p><i>Partially implemented</i></p> <p><i>The report was applied only on the Land account.</i></p> <p><i>Partially implemented</i></p> <p><i>The Terms of Reference for the hiring of appraiser was</i></p>

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		and COA Resolution No. 89-17.	<i>prepared by Property Management Department for submission to the Bids &amp; Awards Committee.</i>
CY 2013 AAR B.1.2 Page 41	The year-end balance of Construction-in-Progress account at P6.401 billion was not correctly stated in view of the written information from the Deputy Administrator for Engineering & Operations, which was validated by the Audit Team, that MWSS had no on-going construction projects as of the end of CY 2013.	<p>Require the Controllership Division to reclassify to the appropriate asset account the cost of the completed project; Recognize corresponding depreciation on the cost of the project;</p> <p>Require coordination between the project implementers and the Controllership Division to ensure the timely recording of projects completed; and</p> <p>Immediately review the charges made to the CIP account which are dormant and for reconciliation with the General Ledger account and effect the necessary adjustments.</p>	<p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p> <p><i>Partially implemented</i></p> <p><i>Reiterated under C.1.5</i></p> <p><i>The CIP balance in CY 2014 totalled P157,496 compared to CY 2013 of P6.401B</i></p>
CY 2013 AAR B.1.3 Page 44	The Cash and cash equivalents in the amount of P2.149 billion was not sufficient to cover the Loans Payable to the Bureau of Treasury (BTr), which have been collected from the concessionaires and all	Efficiently monitor its cash flows to ensure that funds are disbursed solely for the intended purposes and strictly adhere to the provision of Section 6 of the GAA FY 2013.	<p><i>Not implemented</i></p> <p><i>Reiterated under C.1.3</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	<p>recognized Trust Accounts, totalling P2.583 billion at the end of the year. This is indicative that the funds for remittance to the BTr and that the funds intended for specific purposes were used for other purposes.</p>		
<p>CY 2013 AAR B.1.4 Page 46</p>	<p>MWSS may face the risk of possible lawsuit arising from the lease of MWSS property along Katipunan Avenue covered by a Lease Agreement between MWSS and SM Prime Holdings Inc. which the MWSS Board of Trustees declared as null and void. MWSS received initial deposit of P33.248 million on July 13, 2010.</p>	<p>Take the best possible legal action to resolve the issue on the Lease Agreement with SM Prime Holdings Inc.</p>	<p><i>Fully implemented</i></p> <p><i>MWSS has filed the complaint with the Office of the Ombudsman.</i></p> <p><i>OGCC is preparing the necessary Civil Action against SM Prime Holdings, Inc. (SM Prime) for the Nullification of the Contract of Lease and the Consignation of the amounts received by MWSS from SM Prime Holdings, Inc.</i></p>
<p>CY 2013 AAR B.1.5 Page 50</p>	<p>Accounts Receivable from the Concessionaire – MWSI totalling US\$55 million or P2.200 billion based on current dollar rate, representing the disputed claim between MWSS and MWSI arising from MWSI's refusal to pay for the additional COB incurred by the MWSS, remained uncollected.</p>	<p>Take immediate legal action to settle the dispute and demand for the payment of the disputed claim equivalent to \$55M or P2.2B from MWSI.</p>	<p><i>Partially implemented</i></p> <p><i>Reiterated under C.1.1</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	Had the amount been collected, the loan could have been avoided and payments totalling P1.164 billion as of December 31, 2013 could have been used for the improvements of the Retained Assets of MWSS.		
CY 2013 AAR B.1.6 Page 52	Funds withheld for GSIS, PAGIBIG, Philhealth and BIR under account Inter-agency Payables in the aggregate amount of P30.303 million as of December 31, 2013 were not remitted on time which in effect, may cause forfeiture of claims/benefits due the members/employees of MWSS and may deprive the concerned agencies of the timely use of the funds due them.	<p>Require the responsible officials/ employees to remit immediately the withheld funds to GSIS, Pagibig, Philhealth and NHMFC funds;</p> <p>In the case of the Due to BIR account, analyze the accounting entry made and prepare necessary adjustment to ensure that the Due to BIR account properly pertains to the amount of tax withheld from the contractors/suppliers that are to be remitted to BIR; and</p> <p>Require the Finance Department to reconcile the accounts with abnormal balances and make the necessary adjusting entries to correct the account balance in the balance sheet.</p>	<p><i>Fully implemented</i></p> <p><i>Partially implemented</i></p> <p><i>Reiterated under B.2.2</i></p> <p><i>Partially implemented</i></p> <p><i>Reiterated under B.1.9 and B.2.2</i></p>
CY 2013 AAR B.1.7 Page 56	Prior years' transactions amounting to P28.176 million were recorded only in the current year, resulting in numerous Prior Years' adjustments.	<p>Require the Controllership Division for future transactions to:</p> <p>Coordinate with the Engineering Dept.</p>	<p><i>Fully implemented</i></p> <p><i>Restatement was made in CY 2013 Financial</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		<p>to determine whether there are other completed feasibility studies/consultancy services with the civil works component of the project not implemented; verify the account where the payments were previously debited and prepare necessary adjusting entries if necessary;</p> <p>Henceforth, record all payments for consultancy works on research or from research phase of an internal project as expenditures on the year incurred in accordance with PAS 38;</p> <p>Strictly comply with the guidelines issued by the DBM on the payment of CNA Incentive specifically on the charging of expenses;</p> <p>Strictly record transactions as they occur to ensure that account balances are correctly stated;</p> <p>Clarify/explain the issues raised on the payment of consultancy services of Ms. Marian Roces.</p>	<p><i>Statements.</i></p> <p><i>Fully implemented</i></p> <p><i>Fully implemented</i></p> <p><i>Fully implemented</i></p> <p><i>Fully implemented</i></p>
<p>CY 2013 AAR B.1.8 Page 60</p>	<p>Fifteen pieces of paintings and four brass sculptures acquired during the old NAWASA with acquisition cost of P69,400 were missing and the accountability of the</p>	<p>Hold liable the officials/employees responsible for the missing 15 pieces of paintings and four brass sculptures applying the measure of liability</p>	<p><i>Fully implemented</i></p> <p><i>The finding was referred to NBI for investigation that</i></p>

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	<p>persons responsible have not been settled.</p> <p>Moreover, all paintings with recorded value of P0. 542 million were not appraised by the National Museum as required under COA Memo 88-569 and Financial Reporting Standard (FRS) 30, resulting in the undervaluation of the value of the assets recorded in the books.</p> <p>Also, the oil painting by H.R. Ocampo “Abstract in Red and Black” and the water color painting “Rooster” by Kiukok, both declared National Artists of the Philippines, were not registered in the Philippine Registry of Cultural Property of the National Museum contrary to the IRR of RA 10066.</p>	<p>expressed in Section 105(1) of PD 1445.</p> <p>Make proper representation with the National Museum on the conduct of appraisal and authentication of all its paintings and works of arts and the registration with the Philippine Registry of Cultural Property in compliance with the IRR of RA 10066.</p>	<p><i>started on March 30, 2014.</i></p> <p><i>Fully implemented</i></p>
<p>CY 2013 AAR B.1.9 Page 63</p>	<p>The reimbursement of food and gasoline/toll expenses in the amount of P0.712 million by some members of the Board of Trustees lacked sufficient documentation to establish validity of the claims especially those expenses incurred during non-working days amounting to P171,144.</p>	<p>Require the concerned members of the Board of Trustees to justify the reimbursements showing that the same were incurred in pursuance with Section 12 of EO 24 and/or GCG Memorandum Circular No. 2012-2 dated May 2, 2012;</p> <p>Ensure that henceforth, expenses of BOT shall be supported with justifications that the reimbursements were for the purposes of business</p>	<p><i>Fully implemented</i></p> <p><i>Fully implemented</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		<p>meeting as provided in the above mentioned regulations.</p> <p>Strictly comply with COA Circular 96-004 which provides that under no circumstances should fuel be issued to privately owned motor vehicles.</p> <p>Require the Board Secretariat to ensure that food expenses to be incurred during Board meetings are limited to those who are required/invited to attend and that attendance sheets are duly signed by the attendees or supported with relevant documents that would show proof of attendance in the meetings.</p>	<p><i>Fully implemented</i></p> <p><i>Fully implemented</i></p>
<p>CY 2013 AAR B.1.10 Page 66</p>	<p>Discrepancies between the records of the Board Secretariat and the Finance Department in the number of board meetings attended were noted, hence the accuracy of the amount of per diems paid to the BOT under account, Personnel Expenses - Honorarium, totalling P2.877 million was not established.</p>	<p>Require the concerned Office to exercise diligence in the reporting of data and that the same be validated with the Finance Department to get an accurate information.</p>	<p><i>Fully implemented</i></p>
<p>CY 2013 AAR B.1.11 Page 67</p>	<p>Inconsistencies/differences in the signatures of the workers appearing in the Daily Attendance Sheet, the Payroll Sheet and in the Consolidated Report of</p>	<p>Submit conclusive proof that the amounts disbursed were received by the legitimate workers/payees;</p>	<p><i>Fully implemented</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	Attendance were observed in the payment of salaries of the 162 workers for the Ipo Watershed reforestation program.	Require the persons who certified as to the correctness of the daily attendance sheet and the payroll to be held liable for the overpayment of salaries to workers who were absent on the dated mentioned in paragraph 11.2 (d)	<i>Fully implemented</i>
CY 2013 AAR B.1.12 Page 69	MWSS CO did not comply with the submission of Contracts/Purchase Orders/Letter Orders (PO/LO) and its supporting documents required under Section 3.1.1 of COA Circular No. 2009-001, thus, no timely review of contracts was undertaken by the Auditor.	Henceforth, submit all contracts and Purchase/Letter Orders and its supporting documents to COA in compliance with COA Circular 2009-001.	<i>Fully implemented</i>
CY 2013 AAR B.1.12 Page 69	<p>Disclosure in the Notes to Financial Statements on the detailed breakdown of input VAT taxes claimed during the year required under BIR Revenue Regulation No. 15-2010 was not complied with. Moreover, the accuracy of the Other Prepaid Expense – Input VAT account balance of P383,771 was not established due to:</p> <p>a. discrepancy of P1.941 million between the total debits (Actual Input VAT) during the year and the Input VAT Summary list of Purchases/BIR return submitted to BIR; and</p>	<p>Prepare detailed breakdown of Input VAT claimed during the year showing the Input VAT at the beginning of the year; Input Tax from Current year's domestic purchases/payments; Claim for tax credit/refund and other adjustments; and the Input VAT balance at the end of the year pursuant to Section 2 of Revenue Regulations 15-2010 of the Bureau of Internal Revenue; thereafter, include the same in the Notes to Financial Statements; and</p> <p>Ensure that all returns filed with the BIR are reviewed diligently to ensure that the information contained in the returns are</p>	<p><i>Fully implemented</i></p> <p><i>Fully implemented</i></p>



Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	<p>b. non-indication of the carryover balance of input VAT of P2.011 million in the 1<sup>st</sup> Quarterly VAT return for CY 2013, hence it appearing that there were no prepaid tax credits.</p>	<p>correct; If possible amend the 3<sup>rd</sup> and 4<sup>th</sup> Quarterly VAT returns to correct inputted entries to avoid assessments from the Bureau of Internal Revenue.</p>	
<b>B. Current Year's Audit Observations and Recommendation</b>			
<b>B.2 MWSS - Regulatory Office</b>			
<p>CY 2013 AAR B.2.1 Page 73</p>	<p>The consultant's final report and other deliverables in the consultancy services contract for the MWSS Regulatory Office 2013 Rate Rebasing in the total amount of P61.397 million contracted by MWSS Regulatory Office (RO) and Isla Lipana &amp; Co. Joint Venture with Lahmeyer IDP Consultant, Inc. was not submitted within the six-month contract period reckoned from the receipt of the Notice to Proceed to the Consultant due to the request of the Regulatory Office for the consultant to do further evaluation of the items that were raised/disputed in the arbitration.</p> <p>Deficiencies were noted in the consultancy contracts for the following purposes:</p> <p>a. In the Consultancy services for the 2013 Rate Rebasing in the amount of P61.597M, changes in the key personnel were not in accordance with</p>	<p>Set a realistic and reasonable timeframe for completion to avoid the occurrence of delay in the submission/ completion of the deliverables In future similar consultancy contract, Management, in determining timetables for deliverables or project completion should, in the procurement planning stage,</p> <p>Submit justification/ explanation on the necessity of changing the key personnel of the Consultant as required under Section 39.5 of the GCG, the SCC and</p>	<p><i>No similar transaction occurred during CY 2014</i></p> <p><i>Fully implemented</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	<p>the General Conditions/ Special Conditions of the contract and Section 33.6 of IRR of RA 9184;</p> <p>b. In the contract for the Review and Validation of the Concessionaires' Asset Condition Report (ACR) with a contract cost of P21.028 million, the validity of the claim for reimbursable costs was questionable due to (i) issues raised on the rental of vehicles claimed to have been used for the project and (ii) the purchase of laptops and cameras for the project were not warranted.</p>	<p>Sec. 33.6 of IRR of RA 9184.</p> <p>Investigate to confirm and determine the propriety of allowing the payment of the reimbursable cost in view of the findings in the audit regarding questionable issues raised on the rental of service vehicles which were claimed to have been used for the implementation of the contract.</p> <p>Justify payment of the reimbursable costs such as, for the purchase of eight (8) laptops and six (6) digital cameras, taking into account the duration of their utilization in the implementation of the contract</p> <p>In future biddings, require the project proponent to include in the computation of reimbursable costs the justification for the rental or acquisition of the equipment and the proposed utilization schedule of the desired equipment as required in Vol. 4 of the Manual of Procedures for the procurement of Consulting Services.</p>	<p><i>Fully implemented</i></p> <p><i>Fully implemented</i></p> <p><i>No similar transaction occurred during CY 2014</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
CY 2013 AAR B.2.3 Page 88	Transfer of funds of P70M from PNB combo account to LBP current bank account, both maintained by MWSS-RO, was effected without proper documentation.	Require the Accounting Division to support the disbursement for transfer of funds with cash position report or equivalent document to establish the need to transfer the fund from one bank account to another bank account, together written request to the Acting Chief Regulator for the approval of the said fund transfer.	<i>Fully implemented</i>
CY 2013 AAR B.2.4 Page 89	Advances to UP National Engineering Center (NEC) for the Public assessment of Water Services Project (PAWS) Phase II Years 3-5 with outstanding balance of P6.130 million were not refunded even though the project had been completed in 2011.	Demand for the immediate refund of the unexpended balance of advances to UP in accordance with the provision of the Memorandum of Agreement.	<i>Not implemented</i>  <i>Reiterated under C.2.3</i>
CY 2013 AAR B.2.5 Page 89	The period of action on procurement activities for General Services contracts exceeded the period required under Sec. 38 of the IRR of RA 9184, which was disadvantageous to both contracting parties. Delay without justifiable cause in the required three months procurement process is punishable under Sec. 65 of the IRR of RA 9184.	Strictly comply with the provision of Section 38.1 of the IRR of RA 9184 which states that the procurement process from the opening of bids up to the award of contract shall not exceed three months, or at a shorter period to be determined by the procuring entity concerned.	<i>No similar transaction occurred during CY 2014</i>
<b>B. Current Year's Audit Observations and Recommendation</b>			
<b>B.3 Common to MWSS CO and RO</b>			

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
<p>CY 2013 AAR B.3.1 Page 91</p>	<p>The validity of Payable's aggregated balance of P515.678M was found doubtful due to the inclusion of:</p> <p>a. Accounts totaling P181.548M outstanding for more than 2 years;</p> <p>b. Undocumented Accounts totaling P32.180M; and</p> <p>c. Accounts with abnormal or debit balance of P3.281M</p>	<p>Review the payable accounts to determine their validity and completeness; thereafter, revert to the Retained Earnings account all undocumented payables which have been outstanding for more than two years as provided under Section 98 of PD 1445;</p> <p>Analyze the Due to Officers and Employees – Payroll account to determine the reasons for the abnormal account balance and make the necessary adjustments.</p> <p>Require the submission of receipts/billings/invoices to support the obligation of expenditures; and in case of obligation of terminal leave benefits, ensure that there is a Board Resolution approving the accrual of earned leaves of employees; and</p> <p>Require the MWSS CO Finance Department to strictly comply with the provisions of COA Circular 94-001 on the timely submission of vouchers and other reports.</p>	<p><i>Fully implemented- CO</i></p> <p><i>Partially implemented-RO</i></p> <p><i>Reiterated under C.2.1</i></p> <p><i>Fully implemented- CO</i></p> <p><i>Partially implemented-RO;</i> <i>Reiterated under C.2.1</i></p> <p><i>Partially implemented</i></p> <p><i>Reiterated under C.2.1</i></p> <p><i>Partially implemented</i></p> <p>There were delay in the submission of vouchers and a memorandum was sent to the Finance Department on June 17, 2015 requiring the immediate submission.</p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
<p>CY 2013 AAR B.3.2 Page 96</p>	<p>The PPE accounts exclusive of land, with net book value of P22.907B as at year end were not reasonably valued due to:</p> <p>At the MWSS RO, depreciation for IT equipment costing P115.447M was computed based on useful life of 20 yrs instead of 5 yrs required under COA Cir. 2003-007; the Physical Inventory Report and the accounting records showed unreconciled difference of P29.023M, with the amount per books of accounts more than the value of the assets in the inventory report; and unserviceable assets valued at P13.002M were included in the PPE account and not transferred to Other Assets;</p> <p>Property at the MWSS RO with acquisition costs of P41.087M were carried in the books at net book value of P572.00 and in the MWSS CO, property with acquisition costs of P19.783M were carried at net book value of P3.562 M. instead of the residual value of 10% of acquisition cost, contrary to PAS 16 and COA Cir 2003-007; and</p> <p>Items with acquisition cost below P10,000.00 were included in the PPE accounts of both the MWSS CO and RO,</p>	<p>Compute for the residual value of PPE which are fully depreciated in the accounting records but are still serviceable or used in operations; and</p> <p>Comply with COA Circular 1997-005 on the recording in the books of accounts, as Inventories-semi-expendable property or Supplies &amp; Materials expense as may be applicable, of items costing below P10T per unit; and prepare adjusting entries</p> <p>Require the Accounting Division to:</p> <ol style="list-style-type: none"> <li>a. Recompute the depreciation of the IT equipment based on the 5-year estimated useful life in accordance with the COA Circular 2003-007; and prepare necessary adjusting entries thereafter.</li> <li>b. Reclassify to Other Assets account the unserviceable equipment pending sale, disposition or condemnation</li> <li>c. Require the Inventory Committee to sign the inventory report and have it approved by the Acting Chief</li> </ol>	<p>Partially implemented <i>Reiterated under C.2.2</i></p> <p>Partially implemented <i>Reiterated under C.2.2</i></p> <p><i>Partially implemented</i> <i>Reiterated under C.2.2</i></p> <p><i>Not implemented</i> <i>Reiterated under C.2.2</i></p> <p><i>Fully implemented</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	with corresponding accumulated depreciation contrary to COA Cir. 1997-005	Regulator; thereafter, require the Finance & Administrative Division to reconcile the physical inventory report with the accounting records; and  d. Maintain Property Acknowledgement Receipt for all semi-expendable items for purposes of control and accountability.	Partially implemented Memorandum Receipt was used by Management instead of Property Acknowledgement Receipt
CY 2013 AAR B.3.3 Page101	The appointment of a member of the Board of Trustees as Acting Chief Regulator of the MWSS-Regulatory Office in concurrent capacity was in violation of the provisions of Item 2 of Exhibit A – Organization and Operation of the Regulatory Office of the Concession Agreement.	Said member of the Board of Trustee should forthwith inhibit himself from performing the function of an Acting Chief Regulator of the MWSS Regulatory Office.	<i>Fully implemented</i>
<b>C. Reiteration of Prior Years' Audit Observations and Recommendations</b>			
<b>C.1 MWSS Corporate Office</b>			
CY 2013 AAR C.1.1 Page 102	In compliance with prior years' audit recommendation, Management was able to reconcile Balance Sheet accounts with net amount of P127.529 million. At year-end, however, 42 General Ledger accounts with net amount of P362.735 million remained unreconciled with the Subsidiary Ledger	Facilitate the immediate reconciliation cited above pursuant to the provisions of IAS 1 in order that their financial statements will be able to provide the financial users the accurate information about the Agency's financial position, financial performance and cash flows.	<i>Partially implemented</i>  <i>Reiterated under C.1.5</i>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	and unverified for lack of supporting documents.		
CY 2013 AAR C.1.2 Page 106	<p>The balance of the Land account in the amount of P12.444 B was not correctly stated due to:</p> <p>a. The dropping from the books of accounts of land with carrying value of P89.725M was not effected because of the discrepancy in land area by P29.573M sq. m. between the accounting records and TCT No. 36069, with an area per accounting records higher than the area per land title. Likewise, a difference of 2,594.40 sq. m. was noted between the area in the remaining lots per land title and the area per inventory after the sale of the lots</p> <p>b. Land with an area of 92.61 hectares, titled under MWSS name was not recorded in the books;</p> <p>c. TCTs of 128 lots with an area of 194.91 hectares were not found during the actual inventory of land titles which were recorded in the books but were not included in the inventory list of</p>	<p>a. Consider conducting an independent survey of all land and land rights to determine the actual area of MWSS owned lands and to confirm and validate the existing TCTs with the end in view of getting the accurate carrying value of all its owned land; thereafter, prepare reconciliation with accounting records and necessary adjustments if warranted;</p> <p>b. Require the Accounting and PMD to reconcile their records to facilitate the recording of the land with an area of 926,142 square meters titled under MWSS name;</p> <p>c. Immediately require the person/s responsible for the custody of TCTs to account for the TCTs of the 1,949,081.19 square meters of land not found during the actual inventory of land titles;</p> <p>d. Ensure that all lots owned by MWSS are properly recorded in the books;</p>	<p><i>Not implemented</i></p> <p><i>Reiterated under C.1.7</i></p> <p><i>Partially implemented</i></p> <p><i>Reiterated under C.1.7</i></p> <p><i>Partially implemented</i></p> <p><i>Reiterated under B.1.7</i></p> <p><i>Partially implemented</i></p> <p><i>Reiterated under B.1.7</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	<p>TCTs in MWSS vault.</p> <p>d. Transfer Certificate of Titles of eight lots with an area of 7.78 hectares were not found during the actual inventory of land titles; these were land recorded in the books and included in the inventory of TCTs in MWSS vault.</p>	<p>e. Facilitate the transfer of ownership to MWSS of land under the name of the NHA covered by Land Title No. 11095.</p>	<p><i>Not implemented</i></p> <p><i>Reiterated under C.1.7</i></p>
<p>CY 2013 AAR C.1.3 Page 112</p>	<p>Of the 4 individual loan accounts with foreign and local lending banks under the Bonds/Loans Payable accounts with year-end balance of P11.993B, two loans accounts posted variance against the confirmed balances by the foreign lending institutions with the latter higher by P112.488M. The reconciliation between MWSS and the foreign and local lending banks records have not been consistently pursued.</p>	<p>Require the Finance Department to reconcile the discrepancies in the Loans Payable account in order to arrive at the correct balances of the account at year-end.</p>	<p><i>Partially implemented</i></p> <p><i>Reiterated under C.1.4</i></p>
<p>CY 2013 AAR C.1.4 Page 115</p>	<p>The collections from the two concessionaires for the payment of foreign loans from CY 2005 to 2013 in the total amount of P1.863B were not remitted to the BTR due to the unresolved issue on whether the loan was equity of the government or will remain as a loan since the concessionaires continued the implementation of the Project.</p>	<p>Considering that the Bureau of Treasury has billed MWSS for the loan obligations, we reiterated our previous year recommendation that Management remit immediately to the Bureau of the Treasury all collections from the two concessionaires for the JBIC and SPIAL.</p>	<p><i>Not implemented</i></p> <p><i>Reiterated under C.1.2</i></p>



Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
CY 2013 AAR C.1.5 Page 119	The accuracy and validity of the Loans Payable-Domestic account with outstanding balance of P714.741M was not established due to unreconciled variance between the MWSS books of accounts and the confirmed balance from the Bureau of Treasury with the latter higher by P532.778M.	a. Coordinate with NHA and BTR regarding MWSS loan with NHA. Facilitate the confirmation and subsequent preparation of MOA between MWSS, NHA and the two concessionaires for the immediate settlement of the outstanding balance of P98.795M; and  b. Reconcile with BTR the discrepancies found in the Loan Payable account in order to arrive at the correct balances at year end. Facilitate the recording of settlement of IBRD 2676 in BTRs books which was fully paid in CY 2006.	<i>Partially implemented</i>  <i>Reiterated under C.1.4</i>         <i>Partially implemented</i>  <i>Reiterated under C.1.4</i>
CY 2013 AAR C.1.6 Page 120	The year-end balance of the Inter Agency Payables – Due to the BTR account in the amount of P233.665M was doubtful of accuracy due to the variance of P871.821 M between the MWSS and the BTR's books on the balances of the respective receivables and payables accounts.	a. Require the Finance Department to coordinate with the BTR to reconcile the book balances of accounts related to foreign loans to arrive at the correct amount of liability at the end of the year.  b. Decide on the actions to be undertaken in the settlement of the dormant accounts in the amount of P185.938M and Interest on SPIAL of P101.904M; and	<i>Not implemented</i>  <i>Reiterated under C.1.4</i>         <i>Fully implemented</i>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		c. Remit immediately to the BTR the amount of P3.522M representing deposit to the Special Reserve Fund.	<i>Fully implemented</i>
CY 2013 AAR C.1.7 Page 123	MWSS may incur losses totaling P292.303M due to non-recoupment of advances to contractors on various projects.	Ensure that henceforth, all advances to contractors are fully recouped upon completion of the projects and prior to the payment of the final billing. Otherwise, hold the officials/personnel involved in the processing of the claims/billings personally liable for any unrecouped amount.	<i>Not implemented</i>  <i>Reiterated under C.1.6</i>
CY 2013 AAR C.1.8 Page 125	As reported in the CY 2012 AAR, interest on the P2.250B floating rate Bond issuance under DBP/LBP Club Deal Arrangement guaranteed by the National Government in the amount of P203.605M as of yearend was not recognized by MWSS as its liability to MWSS, hence its collection was doubtful.	Immediately take legal action to enforce the payment of the interest in the DBP/LBP Club Deal loan to avoid further possible losses to MWSS.	<i>Partially implemented</i>  <i>Reiterated under C.1.1</i>
CY 2013 AAR C.1.9 Page 125	MWSS has not collected its 40% share in the net income from CYs 2004 to 2013 on the operation of the La Mesa Ecopark (La Mesa Resort Zone) by the ABS CBN Foundation Inc. (AFI) due to the unresolved issue on the 15% management fee being charged by AFI. Likewise, the MWSS Board of Trustees post facto	Collect the 40% share in the net income from CYs 2004 to 2013 on the operation of the La Mesa Ecopark (La Mesa Resort Zone) by the ABS CBN Foundation Inc. (AFI);  Settle the issue on the 15% management fee deducted from the	<i>Partially implemented</i>  <i>Reiterated under C.1.9</i>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	<p>approval of the Memorandum of Agreement (MOA) which will make the agreement fully effective has not been secured.</p>	<p>gross revenue as management fee of AFI; thereafter, secure the approval of the Board of Trustees in order to comply with Section 1.1 of the MOA;</p> <p>Look into the effectivity of the MOA considering that it has no post facto approval/ratification by the Board of Trustees as of to date and therefore not in compliance with the provision of Section 22 thereof;</p> <p>If the Agreement will still be found valid, we restate the prior years' recommendation which were as follows:</p> <p>Create the LMRZ-EC that will formulate policies regarding the LMRZ aside from other functions and responsibilities stated in the MOA. Upon creation, members of said body should convene regularly to address and assess the operations and concern of the LMRZ/La Mesa Ecopark;</p> <p>Clearly designate the stewardship and control of the Environmental Trust Fund to either LMEB or the LMRZ-EC; and</p> <p>Comply with the provisions of Section 6 of the MOA in order to maintain sound internal controls by opening an account</p>	

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		in the name of the three (3) contracting parties. All transactions shall be authorized with the consent of MWSS representative.	
<p>CY 2013 AAR C.1.10 Page 128</p>	<p>Collection efficiency of rental income for the use of Right of Way properties decreased by 34% or P1.046M, from P3.102M in CY 2012 to P2.056M in CY 2013, due to the non-renewal of contract of lease.</p>	<p>Revisit MC 02-11 on ROW rental in conjunction with the CA and decide on whether MWSS will continue to allow the lease of ROW facilities and collect rental fees;</p> <p>Explain why the contract of lease were not renewed;</p> <p>Enforce collection of all rental fees on the use/lease of MWSS properties in accordance with existing guidelines;</p> <p>Take appropriate actions to ensure collection of back rentals from those who are continuously occupying the properties and apply sanction on late payment/s thereof as provided for in the respective original contracts.</p>	<p><i>Partially implemented</i></p> <p><i>Reiterated under C.1.8</i></p> <p><i>Fully implemented</i></p> <p><i>Not implemented</i></p> <p><i>Reiterated under C.1.8</i></p> <p><i>Not implemented</i></p> <p><i>Reiterated under C.1.8</i></p>
<p>CY 2013 AAR C.1.11 Page 129</p>	<p>The reconciling items appearing in the bank reconciliation statements over the years in the amount of P4.252M remained unadjusted; thus, the Cash-in-Bank balance of P40.952M was not correctly</p>	<p>Make a follow-up with all the banks the submission of documents necessary to immediately reconcile the discrepancies noted, giving priority to items pertaining to prior years in order to arrive at the</p>	<p><i>Partially implemented</i></p> <p><i>Reiterated under C.1.10</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	stated.	correct Cash in Bank book balance.	
<b>C. Reiteration of Prior Years' Audit Observations and Recommendations</b>			
<b>C.2 MWSS Regulatory Office</b>			
CY 2013 AAR C.2.1 Page 131	Deficiencies were noted in the handling of the cash advance / collections by the accountable officers.	<p>In view of the lack of personnel in the Finance Section which cannot be addressed immediately, institute compensating controls to ensure reasonable assurance that the weaknesses in the ineffective segregated functions are reduced, such as:</p> <p>Increase supervisory review by the Department Manager or other higher officials of the RO through observation and inquiry on transactions completed by the employees assigned in the cashiering and accounting functions; and</p> <p>Improve the review being done by the Department Manager of the transactions and supporting documents to ensure that they are complete and accurately processed.</p> <p>Instruct the Cash Collecting Officer to maintain a separate cashbook/cash</p>	<p><i>Fully implemented</i></p> <p><i>Fully implemented</i></p> <p><i>Fully implemented</i></p> <p><i>Partially implemented</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		<p>receipt record of the collections and deposits as required under Section 6.2 of COA Circular 97-002</p> <p>Require the accountable officers to stamp "PAID" all vouchers and its supporting documents;</p> <p>Ensure that the AOs' office should be properly enclosed and secured/protected to avoid the possibility of theft and intrusion of unauthorized persons;</p> <p>Require the accountable officers to be solely responsible for the safekeeping of the unused checks;</p> <p>Ensure that there is a change in the combination of the vault/safe whenever there is a newly designated accountable officer.</p>	<p>Presently, the Cash Collecting Officer (CCO) maintains his cash receipt records of collections and deposits in the computer (electronic file)</p> <p><i>Fully implemented</i></p> <p><i>Fully implemented</i></p> <p><i>Fully implemented</i></p> <p><i>Fully implemented</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		Comply with the provisions set forth in Treasury Circular No. 02-2009 dated August 6, 2009 on the cancellation of the fidelity bond of the separated/resigned SDO;	<i>Fully implemented</i>
CY 2013 AAR C.2.2 Page 133	Actual Extraordinary and Miscellaneous Expenses (EME) for CY 2013 exceeded the DBM approved COB by P0.608M. In CY2012, same observation was incorporated in the AAR.	Incur expenditures within the limits of the DBM approved budget.	<i>Fully implemented</i>
CY 2013 AAR C.2.3 Page 135	As reported in CY 2012 AAR, the policy on monetization of leave credits under Sec. 22 of Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of EO 292) was not observed , as employees were allowed to monetize their leave credits although their vacation leave credits were less than five days after monetization.	Strictly comply with the provisions set forth under Sec. 22 of Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order 292 and CSC MC No. 41, s.1998.	<i>Fully implemented</i>
<b>C. Reiteration of Prior Years' Audit Observations and Recommendations</b>			
<b>C.3 Common to MWSS Corporate and Regulatory Offices</b>			
CY 2013 AAR C.3.1 Page 136	Reciprocal accounts between MWSS CO and MWSS RO in the amount of P1.689B and P749.296M respectively, remained unreconciled with a difference of P940.177M due to unsettled issues on sharing of concession fees and expenses, resulting in the non-elimination of the	Immediately settle the issue on the sharing of concession fees and expenditures between the CO and RO so that the necessary reconciliation of reciprocal accounts can be effected in the books to come up with valid and reliable balances of the asset and	<i>Fully implemented</i>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	<p>reciprocal accounts at the end of the year.</p> <p>Moreover, the unreconciled amount increased by P227 million during the year.</p>	<p>liability accounts in the consolidated financial statements; and</p> <p>Thereafter, make a periodic reconciliation of these accounts and see to it that the balances are always reconciled. Ensure that only legitimate and authorized shared expenses are recorded in the books of each office.</p>	<p><i>Fully implemented</i></p>
<p>CY 2013 AAR C.3.2 Page 138</p>	<p>Collection of receivables from MWSS officials, employees and non-MWSS employees for car and housing loans with year-end outstanding balance of P89.908 million was doubtful due to the moratorium on the payment of MWSS-based loans granted under MWSS Memorandum Circular 2012-002 in compliance with Board Resolution No. 2012-127-H. Moreover, the grant of said loans did not show approval from the Office of the President of the Philippines in compliance with Section 5 of PD 1597. .</p>	<p>Immediately look into other measure/options on how the unpaid loans could be paid/settled by the concerned officers and employees. Otherwise, the unpaid balance of the loans will be disallowed in audit considering that the grant of the loans was prohibited under Section 4(2) of PD 1445 and has no approval from the Office of the President of the Philippines in compliance with Section 5 of PD 1597; and</p> <p>For the MWSS RO, the demand for the return by the MWSS RO Multi-Purpose Cooperative of the P25 million seed money should be made.</p>	<p><i>Partially implemented</i></p> <p><i>Reiterated under C.3.1</i></p> <p><i>Not implemented</i></p> <p><i>Reiterated under C.3.1</i></p>
<p>CY 2013</p>	<p>The actual expenditures for Personal</p>	<p>Ensure that all expenditures incurred</p>	<p><i>Fully implemented</i></p>



Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
AAR C.3.3 Page 141	Services (PS) for CY 2013 exceeded the DBM Approved Corporate Operating Budget by P9.921 million, contrary to Section 4(1) of PD 1445 and Section 47 of PD 1177.	are within the limits of the DBM approved budget	
CY 2013 AAR C.3.4 Page 144	The grant of CNA to MWSS Officials and Employees in the total amount of P4.350 million was not supported with documents that showed compliance with the pertinent guidelines under DBM Budget Circular No. 2013-4.	Submit documents showing proof of compliance with the requirements on the payment CNA. Otherwise, the concerned officers and employees may be required to refund the amount of CNA received.	<i>Fully implemented</i>
CY 2013 AAR C.3.5 Page 146	MWSS did not have approved Gender and Development Plan (GAD) for CY 2013 and did not make any budget allocation of its total agency appropriation for Gender and Development contrary to Joint Circular No. 2004-1 of DBM, NEDA and Philippine Commission for Women (PCW).	Strictly comply with the requirements set forth under Joint Circular No. 2004-1 and the provision of the GAA with regards to the preparation of GAD Plan and budget allocation of at least 5% of total agency appropriation.	<i>Not implemented</i>  <i>Reiterated under C.3.3</i>
<b>D. VALUE FOR MONEY (VFM) AUDIT – CORPORATE OFFICE</b>			
CY 2013 AAR D.1 Page 146	1. The Pinugay Sewerage Treatment Plant (STP) project was not completed/utilized but MWSS had paid mobilization fees of P70.989 million to the contractor and still has to pay the ADB Loan 1746 Phi for the project which as of December 31,	Provide alternative courses of action to be undertaken by MWSS on the failure of MWCI to complete the project considering further that the public did not benefit from the project and yet made to assume its cost.	<i>Partially implemented</i>  MWSS CO, MWSS RO and MWCI are finalizing the timelines and courses of action.

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	<p>2013 amounted to P196.176 million.</p> <p>In addition, the concessionaire, Manila Water Company Inc, assumed the obligation of MWSS to pay the amount of P375.000 million for the progress billings claimed by the contractor. As a passed-on cost, the amount was included in the rate rebasing computation, as stated in the Project Continuity Agreement, which added amount yielded a higher water rate for the consumers who did not even benefit from the project. Likewise, MWCI did not complete the project as required in the Project Continuity Agreement which according to MWSI was due to supervening events that prompted them to revisit and review the timing and implementation of the project.</p> <p>2. Various parcels of Land with total acquisition value of P143.222 million remained idle as of December 31, 2013 and have not been serving the purposes for which they were acquired in previous years.</p>	<p>Make a documentary inventory of the lands to confirm and validate the Transfer Certificates of Title establishing the required government land registrations and MWSS ownership over the above mentioned properties.</p>	<p><i>Partially implemented</i></p> <p>Management will hire a consultant for real estate who will determine the highest and best use for idle lands</p>