



Ref	Audit Observation	Audit Recommendation	Status of Implementation
	<p>PPE account and not when the asset was used as required under PAS 16, resulting in an understatement of P218.733 million; and</p> <p>c. Inclusion of the cost of consultancy services for the feasibility study and preliminary design of Angat Water Utilization and Aqueduct Improvement Project (AWUAIP) Phase II incurred in CY 2005 in the amount to P18.50 Million, contrary to PAS 38.</p>		
<p>B.1.2 (COA AAR CY 2014) p. 46-48</p>	<p>Documentary requirements enumerated in Annex E of the Revised IRR of RA 9184 relative to the contract for the implementation of the Angat Water Utilization and Aqueduct Improvement Project (AWUAIP) Phase II with the revised contract amount after final quantification of P5.805 billion were not complied with.</p>	<p>Recommended that Management:</p> <p>a. Obtain Notice of Findings from the Contractor notifying MWSS thru its Construction Consultant of the need for Variation order; and</p> <p>b. Submit approved Variation Order and the Notice to Proceed issued prior to the commencement of the work in accordance with the amended contract.</p>	<p><i>Partially Implemented</i></p> <p><i>Partially Implemented</i></p>
<p>B.1.3. (COA AAR CY 2014) p. 48-52</p>	<p>For Accounts Receivable of P1.118 billion and P95.247 million representing amount collectible from Maynilad Water Services Inc. (MWSI) for penalties on delayed</p>	<p>Recommended and Management agreed to:</p> <p>a. Require the Finance Department to immediately analyze and review</p>	<p><i>Not Implemented;</i></p>

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	<p>payment of concession fee, and of borrowing cost, respectively, the account, Other Deferred Credits, a liability account, was credited instead of the appropriate income account. This erroneous entry made in CY 2007 remained uncorrected as at December 31, 2014.</p> <p>Also, although part of the balance of Other Deferred Credits amounting to P97.660 million was already earned income, this remained unclassified to the appropriate Income account/Retained Earnings.</p>	<p>each of the subsidiary ledgers of the Other Deferred Credits account to ensure that only cash collections received in advance for services that are yet to be rendered are included in the Other Deferred Credits account at the end of each accounting period; and thereafter, prepare the necessary adjusting entries; and</p> <p>b. Deposit to the Bureau of Treasury special account the amount equivalent to 35% of proceeds from sales of non-operating assets retained by MWSS in compliance with Section 2.2 of the MOA between MWSS and DOF.</p>	<p><i>Reiterated under B.1.6</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.6</i></p>
<p>B.1.4. (COA AAR CY 2014) p.52-55</p>	<p>Revenue from Concession Income in the amount of P464.434 million was not accurately reported due to (a) Income pertaining to CY 2013 with an aggregate total of P229.229 million was recognized as revenue during the year and (b) income received in CY 2014 totaling P235.205 million was not recognized as current year's income.</p> <p>Also, no accrual of income from debt service and progress billing</p>	<p>Recommended and Management agreed to require the Finance Department to:</p> <p>a. Record the Concession Fee due to Term Extension on the year the amount was received; and stop the practice of amortizing/deferring income over the period of one year to comply with PAS 1 and the Conceptual Framework in the Preparation and Presentation of Financial Statements; and</p>	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.17</i></p>

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	<p>totaling P34.541 million was made contrary to PAS 1 and the Conceptual Framework for the Preparation and Presentation of Financial Statements.</p>	<p>b. Accrue all income earned at the end of the year by promptly issuing Statement of Accounts (SOAs) /Billing Statements to Concessionaires and other debtors.</p>	<p><i>Not Implemented;</i> <i>Reiterated under B.1.17</i></p>
<p>B.1.5. (COA AAR CY 2014) p. 55-61</p>	<p>The carrying amount of various PPE – General &amp; Administrative Equipment (GAE) accounts with aggregate balance of P376.956 Million was doubtful of validity and accuracy due to the following:</p> <p>a. Inclusion of unserviceable assets valued at P213.623 million which should be properly reclassified to Other Assets account;</p> <p>b. Non-recognition of impairment loss on obsolete and unserviceable assets per PAS 36 and Note 4 of the Notes to the Financial Statements;</p> <p>c. Inclusion of accounts with negative carrying amount and with a debit balance in Accumulated Depreciation;</p> <p>d. Recording of Equipment turned over from the AWUAIP Phase II project as Other Structures and</p>	<p>Recommended that Management:</p> <p>a. Immediately conduct the disposal process thru auction or sale of the unserviceable properties to generate additional fund considering that the non-operating assets are subject to further deterioration and diminishing market value;</p> <p>b. Conduct periodic inventory and inspection of all unserviceable GAE property to avert possible losses;</p> <p>c. Determine the recoverable amount from the obsolete and unserviceable assets and recognize appropriate impairment loss;</p> <p>d. Reclassify the obsolete and unserviceable GAE assets to the Other Asset account;</p> <p>e. Immediately review the accounting records to determine the GAE</p>	<p><i>Not Implemented;</i> <i>Reiterated under B.1.11&amp; C.1</i></p> <p><i>Fully Implemented</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.11</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.11</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.11</i></p>

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	<p>not to the appropriate PPE account;</p> <p>e. Unaccounted unserviceable PPE-GAE totaling P33.995 million; and</p> <p>f. Discrepancy of P4.309 million between the records of the PMD and the Finance Department in the unit costing of motor vehicles turned over from the project.</p> <p>Also, failure to observe timely disposal of unserviceable assets resulted in further deterioration and decline in its value totaling P213.623 million.</p>	<p>assets eligible for dropping and reconcile with the records of the Property Management Department;</p> <p>f. Immediately review the accounting records and facilitate reconciliation of the accounts with negative book value and debit balance of accumulated depreciation;</p> <p>g. Determine the cost of the AWUAIP Phase II GAE and reclassify them into appropriate PPE accounts, review depreciation charges and effect adjustments to correct the accounting entries;</p> <p>h. Conduct an investigation to determine the officers and employees responsible for the unaccounted unserviceable GAE property and equipment and hold them liable;</p> <p>i. Reconcile the discrepancy of P4.309 million between the PMD records and the books of accounts on the cost of the motor vehicles; and</p> <p>j. Prepare the necessary correcting entry on the erroneous recording of prior period depreciation.</p>	<p><i>Fully Implemented</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.11</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.11</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.11</i></p> <p><i>Fully Implemented</i></p>

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B.1.6 (COA AAR CY 2014) p. 61-62	Dividends payable to the National Government in the amount of P282.477 million for CY 2014 has not been booked up and remitted as required under Section 7(a) of RIRR of RA 7656.	Recommended that Management immediately record in its books of accounts the amount of dividends payable and remit the same to the Bureau of Treasury.	<i>Fully Implemented</i>
B.1.7. (COA AAR CY 2014) p. 62-65	Other Payables accounts totaling P65.269 million consisting of P36.055 million money claims for retirement benefits of former MWSS employees and P29.214 million Cost of Living Allowance and Amelioration Allowance of former MWSS employees, the setting up of which was pursuant to Supreme Court Decisions, were reverted/closed to Retained Earnings account without first complying with the Supreme Court ruling that MWSS submit a report of its compliance on the payment of Retirement benefits under RA 1616 of former MWSS employees and a report showing that MWSS has paid all the respondents and other employees who are similarly situated with their COLA and AA pursuant to SC Decision GR No. 171351 dated March 14, 2008, an audit requirement.	<p>Recommended and Management agreed to require the Finance Department to:</p> <ul style="list-style-type: none"> <li>a. Reverse the entries made to close its obligations covered by Supreme Court rulings and payables to the government bodies/agencies not supported with documents/analysis of transactions in the aggregate amount of P67.318 million;</li> <li>b. Comply with the Supreme Court ruling requiring the submission of a report of its compliance on the payment of Retirement Benefits under RA 1616 of former MWSS employees;</li> <li>c. As regard the money claims for COLA and AA amounting to P29.214 million, prepare a report showing that MWSS has paid the COLA and AA pursuant to SC Decision GR No. 171351 dated</li> </ul>	<p><i>Not Implemented;</i> <i>Reiterated under B.1.20</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.20</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.20</i></p>

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	Also, the Intra-Agency Payables - Due to GSIS, Pag-ibig and other GOCCS amounting to P2.047 million were reverted/closed to Retained Earnings without any supporting document.	<p>March 14, 2008 to all the respondents and other employees similarly situated; and</p> <p>d. Analyze the accounts and prepare adjustments in the books of accounts as may be necessary.</p>	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.23</i></p>
B.1.8. (COA AAR CY 2014) p. 65-66	Various cash accounts prior to the MWSS privatization in 1997 totaling P55.145 million were reclassified to Other Assets account without any valid basis and contrary to Section 73(1) of PD 1445 and COA Circular 2004-008.	<p>As the accumulated balance of these accounts is material, it was recommended for Management to:</p> <p>a. Require the Finance Department to justify the recording of the balances to Other Assets account;</p> <p>b. Substantiate the validity of these account balances by providing sufficient and relevant supporting documents/information; and</p> <p>c. Immediately take legal action to run against erring accountable officers and MWSS creditors responsible for the outstanding cash accountabilities.</p>	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.8</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.8</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.8</i></p>
B.1.9. (COA AAR CY 2014) p. 67	A difference of P15.998 million was noted between the book balance of the Investment in the Special Reserve Fund as at year-end and the amount confirmed by the BTr as of December 31, 2014.	Recommended and Management agreed to examine and analyze the outstanding balance confirmed by the BTr, reconcile the fund balance with the BTr and effect the corresponding adjustments for the difference noted	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.9</i></p>

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		amounting to P15.998 million.	
B.1.10. (COA AAR CY 2014) p. 67-70	Payments made to the Contract Collectors for their Gratuity/Separation Pay amounting to P14.635 million from CYs 2007 to 2011 pursuant to Supreme Court Ruling and Civil Service Commission Resolution were not supported with the documentation required under COA Circular 2012-001. Similarly, the accuracy of the year-end balance of the Other Payables – Contract Collectors account of P45.57 million representing unpaid claims of the Contract Collectors for their gratuity/separation pay was not established.	<p>In the processing of individual claims, it is recommended that Management:</p> <ol style="list-style-type: none"> <li>a. Require the Human Resource and Records Management Department to properly name/identify and certify correct the schedules/computation sheet attached to the vouchers and used as basis in the computation of the separation pay; and</li> <li>b. Submit the documents required under COA Circular No. 2012-001 dated June 14, 2014 such as service record or proof of employment and contract agreement of the 139 contract collectors who were paid separation pay totalling P6.886 million; and likewise submit the Special Power of Attorney of the four Contract Collectors and the Disbursement Voucher and its supporting documents for the payment made to Gloria Fajardo (in behalf of Roman Fajardo).</li> </ol>	<p><i>Not Implemented;</i></p> <p><i>Notice of Disallowance No.15-004-05-(PY) dtd. June 30, 2015 issued</i></p> <p><i>Not Implemented;</i></p> <p><i>Notice of Disallowance No.15-004-05-(PY) dtd. June 30, 2015 issued</i></p>
B.1.11. (COA AAR CY 2014) p. 70-71	The validity and existence of the Sinking Fund totaling P29.510 million for the redemption of the Angat Serial Bonds was not	Recommended and Management agreed to require the Finance Department to immediately reconcile the sinking fund transactions with the	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.18</i></p>



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	established due to the negative result of confirmation by the Bureau of Treasury.	Bureau of Treasury on the sinking fund transactions to determine the correctness of the sinking fund balance recorded in the books.	
B.1.12. (COA AAR CY 2014) p. 71-73	<p>Deficiencies were noted in the sale of 53 units of unserviceable vehicles, to wit:</p> <p>a. The negotiated price in the sale of the unserviceable vehicle in the amount of P2.420 million was found to be lower than P3.025 million, the minimum price equivalent to 80% of the appraised value of P3.782 million, required under Section J of the Manual on Disposal of Government Property;</p> <p>b. Discrepancy in the unit costs of the unserviceable vehicles between the records of the Property Management Department and Finance Department; and</p> <p>c. A difference of one unit of motor vehicle was noted between the actual number of vehicles withdrawn from the MWSS Stockyard supported with gate pass, and the total</p>	<p>Recommended that Management:</p> <p>a. Require the Disposal Committee to submit justification to COA Audit Team on why the negotiated price in the sale of the unserviceable vehicle was lower than 80% of the appraised value which is not in accordance with Section J of the Manual on Disposal of Government Property;</p> <p>b. Strictly comply with the provisions of the Manual on Disposal of Government Property in the disposal of government property to avoid any transactions that are disadvantageous to the Government;</p> <p>c. Reconcile the Finance and Property records on all vehicles included in the Motor Vehicles Account and substantiate all additions/deductions from the account; thereafter, review accounting entries made to record the sale and dropping from the</p>	<p><i>Not Implemented;</i> <i>Reiterated under B.1.11</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.11</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.11</i></p>

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	number of vehicles in the Notice of Award to the buyer	<p>books of the 53 unserviceable vehicles and prepare the necessary adjusting entries, if warranted; and</p> <p>d. Reconcile the records of the Property Management Department against the report on the actual number of vehicles pulled out from the stockyard.</p>	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.11</i></p>
B.1.13. (COA AAR CY 2014) p. 73-75	MWSS continued to allow the employment of some personnel and payment of their salaries/benefits despite the invalidation of their appointments by the Civil Service Commission (CSC) in their letter dated January 30, 2008.	Recommended that Management comply with the recommendation of the CSC to make due representation to the CSC Commission Proper by way of an appeal to reconcile the lapses made without prejudice to the filing of appropriate charges to those who may have erred or caused such lapses.	<p><i>Fully Implemented;</i></p> <p><i>Notice of Disallowance No. 15-002-05(PY) dtd. April 20, 2015 was issued to Ms. Jhoanna L. Evangelista due to the invalidation of her appointment by the CSC.</i></p>
B.1.14. (COA AAR CY 2014) p. 75-76	Payment by MWSS of the electricity expenses in the Balara Guest House occupied by a private individual/guest totaling P194,156 from CY 2011 to 2013 was considered an illegal expenditure of government fund under Annex B of COA Circular 2012-03 which provides for the updated guidelines for the prevention and disallowance of irregular, unnecessary, excessive, extravagant and unnecessary expenditures of government funds.	<p>Recommended that Management immediately demand from the occupant the immediate payment of the electricity expenses shouldered by MWSS in the amount of P194,156.50.</p> <p>Also, considering that Management continued to allow the present occupant the use of the Balara Guest House, we recommended the preparation of the contract/agreement and demand for the immediate payment of all unpaid rental fees.</p>	<p><i>Fully Implemented;</i></p> <p><i>Notice of Disallowance No. 15-005-05-(PY) dtd. July 22, 2015 issued; settled in CY 2015</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.14</i></p> <p><i>Notice of Charge No.15-001-05(PY) dtd. July 22, 2015 issued</i></p>

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	Likewise, notwithstanding that the occupant had an unpaid rental fee amounting to P155,254, MWSS allowed the continued use of the guest house.		
B.1.15 (COA AAR CY 2014) p. 77-78	<p>Payments of the claim for reimbursement for transportation and miscellaneous expenses incurred by the lawyers of the Office of the Government Corporate Counsel (OGCC) in the amount of P540,000 were not supported with official receipts and other documents to support the validity and necessity of the expenses incurred.</p> <p>Likewise, the reimbursements for gasoline expenses and personal expenses totaling P166,365 were considered illegal expenditures under COA Circular 2012-003 since the OGCC lawyers were paid Representation and Transportation allowance by OGCC.</p>	<p>Recommended that Management:</p> <ol style="list-style-type: none"> <li>a. Require the submission of the supporting documents necessary to support the validity and propriety of the reimbursed expenses totaling P540,000;</li> <li>b. Require the concerned OGCC lawyers who have claimed RATA from OGCC to refund the amount of P161.465 corresponding to the gasoline expenses reimbursed and cost of the polo shirt ; and</li> <li>c. Abide by the guidelines set forth under COA Circular 2012-003 to prevent irregular, unnecessary, extravagant and excessive use of government funds to avoid audit disallowances.</li> </ol>	<p><i>Not Implemented;</i></p> <p><i>Notice of Disallowance No. 15-010-05-(14) dtd. Nov 23, 2015 issued</i></p> <p><i>Not Implemented;</i></p> <p><i>Notice of Disallowance No. 15-010-05-(14) dtd. Nov 23, 2015 issued</i></p> <p><i>Not Implemented;</i></p> <p><i>Notice of Disallowance No. 15-010-05-(14) dtd. Nov 23, 2015 issued</i></p>
B.1.16 (COA AAR CY 2014) p.78-80	The procurement activities for the janitorial service contract were completed in 166 days, thereby exceeding the allowable 124	Recommended and Management agreed to strictly comply with the provisions under Section 38.2 of the IRR of RA 9184 on the implementation	<p><i>Not Implemented</i></p> <p><i>Similar observation was noted in the review of the contract for</i></p>

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	calendar days period of action for procurement of goods required under Section 38.2 of the IRR of RA 9184 by 48 days.	and period of action of procurement activities on the procurement of goods and Section 32.3 with respect to the preparation of the Abstract of Bid as Calculated.	<i>Security Services. Reiterated under B.1.24</i>
<b>B. Current Year's Audit Observations and Recommendation</b>			
<b>B.2 MWSS - Regulatory Office</b>			
B.2.1 (COA AAR CY 2014) p. 80-83	<p>Payment of honoraria and reimbursable expenses to two expert witnesses totaling P946,179 were not supported with contracts required under COA Circular 2012-001 dated June 14, 2012 to establish validity of claim.</p> <p>Moreover, the engagement of the legal experts as expert witnesses in the arbitration cases between MWSS and the Concessionaires was not in accordance with Annex B of the IRR of RA 9184 and lacked compliance with the provisions of Memorandum Circular No. 9 dated August 27, 1998 of the Office of the President, and COA Circular No. 86-255, as amended by COA Circular No. 95-011.</p>	<p>Recommended that Management:</p> <ol style="list-style-type: none"> <li>a. Submit copy of the contract between MWSS and the expert witnesses;</li> <li>b. Comply with the pertinent provisions of Memorandum Circular No. 9 dated August 27, 1998 of the Office of the President, COA Circular 86-255, as amended by COA Circular No. 95-011; and</li> <li>c. Henceforth, strictly abide with the pertinent provision under Annex B of the IRR of RA 9184</li> </ol>	<p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p>
B.2.2 (COA AAR CY 2014)	The reported year-end balance of Inter-Agency Payables to BIR, GSIS, PAG-IBIG Fund and	Recommended and Management agreed to:	



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	expenses of the government officials/employees found liable for the expenditure.		<i>Analyzed liquidation of cash advances made after the latest appeal on various NDs, we verified that MWSS-RO did not use public funds to pay for filing fees.</i>
<b>C. Reiteration of Prior Years' Audit Observations and Recommendations</b>			
<b>C.1 MWSS Corporate Office</b>			
C.1.1 (COA AAR CY 2014) p. 88-91	Of the balance of Other Receivables at P5.832 billion, which includes dormant accounts totaling P296.825 million, the amount of P5.110 billion or 88% were not recognized as liabilities in the books of the Concessionaires; hence its collection was doubtful.	<p>Reiterated prior years' recommendation and Management agreed to:</p> <p>a. Submit a report on the updates on the arbitration of the disputed claims with MWSI as reported in the Audit Action Plan and Status of Implementation; and</p> <p>b. Decide on actions to be taken on dormant accounts receivables from the Concessionaires as these have been non moving for several years already and were not acknowledged as their liabilities.</p>	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.3</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.3</i></p>
C.1.2 (COA AAR CY 2014) p. 91-92	Among the foreign loans under the Long-Term Liabilities of MWSS was JBIC/OECF loan (Loan #PH110) of P1.275 billion for which no loan payment was remitted to the Bureau of Treasury despite the collections made from the	Reiterated prior year's recommendation that MWSS Immediately remit to the Bureau of Treasury the amount collected from the Concessionaires as payment for the JBIC/OECF loan.	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.7</i></p>

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	<p>Concessionaires amounting to P1.614 billion. This was attributed to the unresolved issue between MWSS and the Bureau of Treasury on whether the said is a liability of MWSS, or an equity of the Government to MWSS.</p>		
<p>C.1.3 (COA AAR CY 2014) p. 92-94</p>	<p>The Cash and cash equivalents in the amount of P2.212 billion remained insufficient to cover the unpaid foreign loans already billed by the Bureau of Treasury and all recognized Trust Accounts, aggregating P2.455 billion at year-end. The Cash and cash equivalents already include the amount of P1.924 billion representing collections from the Concessionaires for the payment of the said foreign loans. (With related finding under Audit Observation No. C.1.2)</p> <p>Also, collections for the payment of foreign loans totaling P1.803 billion were not restricted.</p>	<p>Recommended that Management:</p> <ol style="list-style-type: none"> <li>a. Enforce the immediate collection of receivables from MWSI to ensure the cash sufficiency; and</li> <li>b. Require the Finance Department to set up in the books a separate account restricted for the collections received from the Concessionaires for the payment of foreign loans.</li> </ol>	<p><i>Not Implemented;</i> <i>Reiterated under B.1.5</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.5</i></p>
<p>C.1.4 (COA AAR CY 2014) p. 94-96</p>	<p>For domestic and foreign loans from five creditors under Long Term Liabilities, net negative variances totaling P91.645 million was noted between the aggregate</p>	<p>To provide valid and reliable information, reiterated and Management agreed with prior year's recommendation to:</p>	

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	<p>balance of P405.103 million per MWSS records and the balances of P496.748 million as confirmed by the Bureau of Treasury. On the other hand, a foreign loan from IBRD with Loan No. 2676 in the amount of P361.386 million appeared in the records of the Bureau of the Treasury but the MWSS records reflected a zero balance.</p>	<p>a. Examine and analyze the outstanding balance confirmed by NHA amounting to P5.630 million and effect the corresponding adjustments for the difference noted amounting to P93.165 million;</p> <p>b. Provide the BTr with the amortization schedule and the necessary documents to prove full payment of IBRD 2676 loan account since BTr confirmed an outstanding balance of P361.386 million; and</p> <p>c. Request for the verification of its accounts for SPIAL, IBRD Nos. 1272, 4227 and Natixis Loan for the differences noted.</p>	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.4</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.4</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.4</i></p>
<p>C.1.5 (COA AAR CY 2014) p. 97-99</p>	<p>As reported in previous years' audit reports, the reliability and accuracy of some accounts in the MWSS' Statement of Financial Position cannot be ascertained due to the unreconciled/unverified accounts in the net amount of P353.825 million.</p>	<p>Reiterated previous years' recommendations that Management facilitate the immediate reconciliation of the unreconciled accounts shown in the Statement of Financial Position totaling P353.824 million; likewise, duly support all reconciling entries with an analysis and detailed breakdown of the reclassification made, duly signed by the responsible accounting personnel.</p>	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.16</i></p>
<p>C.1.6 (COA AAR</p>	<p>Advances to Contractors account totaling P357.226 million was not</p>	<p>Reiterated that Management:</p>	



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CY 2014) p. 99-100	accurate and valid due to lack of supporting documents. Management did not submit the information/data relative to the advances/mobilization which are necessary to facilitate the audit of the accounts and to determine the persons responsible/liable for the outstanding advances to contractors.	<ul style="list-style-type: none"> <li>a. Determine the persons responsible for the failure to deduct the outstanding advances from the progress billings and immediately submit the same to this Office;</li> <li>b. Institute legal action against the contractors for the unrecouped advances to contractors; and</li> <li>c. Take action for the blacklisting of the contractors who have outstanding advances from MWSS.</li> </ul>	<p><i>Not Implemented;</i> <i>Reiterated under B.1.15</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.15</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.15</i></p>
C.1.7 (COA AAR CY 2014) p. 100-102	The validity of the dropping from the books of accounts of various land accounts totaling P267.207 million was not established due to inadequate documentation.	<p>Recommended and Management agreed to:</p> <ul style="list-style-type: none"> <li>a. On the adjustment amounting to P228.18 Million, submit proof that there was an appraisal on the land in previous period;</li> <li>b. On the adjustment amounting to 39.03 Million, <ul style="list-style-type: none"> <li>i. Revert the entry made considering the reason for dropping from the books of accounts was merely due to “typographical error” which is not acceptable in audit; thereafter,</li> </ul> </li> </ul>	<p><i>Not Implemented;</i> <i>Reiterated under B.1.2</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.2</i></p>

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		<p>prepare reconciliation with accounting records and necessary adjustments;</p> <p>ii. Secure from Land Registration Authority (LRA) the information on the actual land area to determine the correct total of land sold to Silhouette Trading. Thereafter, analyze the transaction and prepare necessary adjustments; or</p> <p>iii. Conduct an independent survey of all land and land rights to determine the actual area of the land, and reconcile the discrepancy of 29,573,398.09 sq.m.</p>	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.2</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.2</i></p>
C.1.8 (COA AAR CY 2014) p. 102-106	<p>Income from rental of leased properties in the amount of P86.797 million was not properly reported due to:</p> <p>a. Absence of contract of lease for collected rent income amounting to P23.204 million;</p> <p>b. Recognition of income pertaining to prior years but collected in CY 2014 with an aggregate amount of P10.290</p>	<p>Recommended that Management:</p> <p>a. Require the Property Management Department to renew lease contracts in accordance with government rules and regulations and MWSS policy on lease of ROWs as signed contracts served as legal document/basis for the collection of income from leased property;</p> <p>b. Comply with the provisions on</p>	<p><i>Partially Implemented;</i></p> <p><i>Reiterated under B.1.14</i></p> <p><i>Partially Implemented;</i></p>

Ref	Audit Observation	Audit Recommendation	Status of Implementation
	<p>million as current year's income contrary to PAS 1 and paragraph 92 of the Conceptual Framework for the Preparation and Presentation of Financial Statements;</p> <p>c. Negative results of confirmation of receivables from lessees in the amount P7.019 million; and</p> <p>d. Receivables from various lessees in the amount of P5,051,235.63 without supporting documents.</p>	<p>recognition of income under paragraphs 25-26 of PAS 1 and paragraph 92 of the Conceptual Framework for the Preparation and Presentation of Financial Statements;</p> <p>c. Reconcile discrepancies of receivable from lease of properties with the lessees and make necessary adjustments, if necessary;</p> <p>d. Consider requesting from the Commission on Audit for authority to write off from the books, accounts which qualifies for de-recognition pursuant to the guidelines in COA Circular 97-001 dated February 5, 1997 on the Guidelines on the Proper Disposition/Closure of Dormant Funds, and COA Resolution No. 2003-002 dated January 30, 2003; and</p> <p>e. Require the Finance Department to first determine if the amount of rent collected was already billed and recorded as income before the same is recorded in the books to avoid double recording of revenue.</p>	<p><i>Reiterated under B.1.14</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.21</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.21</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.14</i></p>

Ref	Audit Observation	Audit Recommendation	Status of Implementation
C.1.9 (COA AAR CY 2014) p. 106-108	The share of MWSS equivalent to 40% share in the net income from CYs 2004 to 2014 on the operation of the La Mesa Ecopark (La Mesa Resort Zone) by the ABS CBN Foundation Inc. (AFI) remained unrecorded as receivables in the books due to the unresolved issue on the 15% management fee being charged by AFI. Likewise, the post facto approval by the MWSS Board of Trustees of the Memorandum of Agreement (MOA) which will make the agreement fully effective has not been secured.	<p>Reiterated prior years' audit recommendations that Management:</p> <ul style="list-style-type: none"> <li>a. Collect the 40% share in the net income from CYs 2004 to 2014 on the operation of the La Mesa Ecopark (La Mesa Resort Zone) by the ABS CBN Foundation Inc. (AFI);</li> <li>b. Settle the issue on the 15% management fee deducted from the 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; and</li> <li>c. 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.</li> </ul> <p>If the Agreement were to be found valid, COA restate their prior years' recommendations, as follows:</p> <ul style="list-style-type: none"> <li>a. Create the LMRZ-EC that will formulate policies regarding the LMRZ aside from other functions and responsibilities stated in the</li> </ul>	<p><i>Not Implemented;</i> <i>Reiterated under B.1.12</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.12</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.12</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.12</i></p>

Ref	Audit Observation	Audit Recommendation	Status of Implementation
		<p>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>b. Clearly designate the stewardship and control of the Environmental Trust Fund to either LMEB or the LMRZ-EC; and</p> <p>c. Comply with the provisions of Section 6 of the MOA in order to maintain sound internal controls by opening an account in the name of the three (3) contracting parties. All transactions shall be authorized with the consent of MWSS representative.</p>	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.12</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.12</i></p>
C.1.10 (COA AAR CY 2014) p. 108-113	<p>Reconciling items for Cash in bank – Savings and Current accounts totaling P3.265 million remained unadjusted in the books of accounts despite prior years’ audit recommendation for Management to follow up the submission by the banks of the documents necessary to immediately reconcile the discrepancies noted. Other deficiencies noted are:</p> <p>a. Discrepancy of</p>	<p>Recommended and Management agreed to:</p> <p>a. Strengthen the internal control on check disbursements to ensure that all checks issued were duly countersigned by authorized officials and were all properly recorded in the books; thorough review of the bank reconciliation statements and its supporting schedules should be done to ascertain the accuracy of the report;</p>	<p><i>Not Implemented;</i></p> <p><i>Reiterated under B.1.22 &amp; C.2</i></p>

Ref	Audit Observation	Audit Recommendation	Status of Implementation
	<p>P867,110 existed between the Cash in bank – Time deposits (local and foreign currency) accounts book balance and the confirmed bank balance.</p> <p>b. Weaknesses in the recording of check disbursements were observed, resulting in unrecorded disbursements and inaccurate schedule of outstanding checks.</p> <p>c. No bank reconciliation statements had been prepared for Foreign Currency Savings account since CY 2000 as required under Section 74 of PD 1445.</p>	<p>b. Require the Finance Department to recognize gain or loss from foreign currency adjustments on the settlement of monetary items in compliance to paragraph 38 of PAS 21; and</p> <p>c. Prepare bank reconciliation statement on all foreign currency bank accounts in compliance with Section 74 of PD 1445.</p>	<p><i>Not Implemented;</i> <i>Reiterated under A.1.6</i></p> <p><i>Not Implemented;</i> <i>Reiterated under B.1.22</i></p>
<b>C. Reiteration of Prior Years' Audit Observations and Recommendations</b>			
<b>C.2 MWSS Regulatory Office</b>			
<p>C.2.1. (COA AAR CY 2014) p. 113-115</p>	<p>The validity of the reported balance of Accounts Payable at P87.649 million was found doubtful due to:</p> <p>a. Accrual of undocumented expenses totaling P45.825 million;</p> <p>b. Inclusion of obligation of legal expenses in the amount of</p>	<p>Recommended and Management agreed to prepare the necessary adjusting entries to correct the obligation of payables already paid and recorded as Guaranty Deposits.</p> <p>Reiterated prior year's audit recommendations and Management agreed to:</p>	<p><i>Fully Implemented</i></p>

Ref	Audit Observation	Audit Recommendation	Status of Implementation
	<p>P14.724 million which have been paid; and</p> <p>c. Inclusion of accounts with abnormal balance of P3.281 million.</p>	<p>a. Require the submission of receipts/billings/invoices to support the obligation of expenditures; and</p> <p>b. Analyze the Due to Officers &amp; Employees- Payroll account to determine the reason for the abnormal account balance and make the necessary adjustments.</p>	<p><i>Partially Implemented;</i></p> <p><i>Reiterated under B.2.2</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under B.2.2</i></p>
<p>C.2.2. (COA AAR CY 2014) p. 116-119</p>	<p>The accuracy and validity of PPE accounts costing P153.162 million (exclusive of Building costing P2.815 million) as of December 31, 2014 were doubtful mainly due to:</p> <p>a. The Physical Inventory Report was not reconciled with the accounting records, showing a variance of P125.928 million;</p> <p>b. Motor vehicles totaling P8.379 million not yet delivered were already recorded in the books;</p> <p>c. Various PPEs with aggregate cost of P4.896 million were improperly recorded as fully depreciated due to error in the application of the estimated useful life of the assets provided under COA Circular</p>	<p>Reiterated prior year's recommendation and Management agreed to:</p> <p>a. Reconcile the Physical Inventory Report with the accounting records;</p> <p>b. Record the acquisition of assets only upon deliveries of the items purchased;</p> <p>c. Prepare the necessary adjustments to arrive at the correct net book value of PPEs by using the appropriate estimated useful life of assets provided in COA Circular No. 2003-007 dated December 11, 2003;</p> <p>d. Reclassify all unserviceable assets to Other Assets account;</p>	<p><i>Partially Implemented;</i></p> <p><i>Reiterated under B.2.1</i></p> <p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p> <p><i>Partially Implemented;</i></p> <p><i>Reiterated under B.2.1</i></p>

Ref	Audit Observation	Audit Recommendation	Status of Implementation
	<p>No. 2003-007 dated December 11, 2003;</p> <p>d. Various unserviceable assets in the amount of P3.742 million remained recorded under the PPE account instead of Other Assets;</p> <p>e. Various items costing below P10,000 were included in the PPE account; thus, overstating it by P787,105; and</p> <p>f. Laptops and cameras totaling P618,598 were not recorded in the books.</p>	<p>e. Review all PPEs costing below P10,000 and reclassify the items to Semi-expendable property or Supplies and Materials expense as may be applicable as provided for under COA Circular No. 1997-005;</p> <p>f. Record the twelve (12) units laptop and six (6) units digital camera in the PPE account and in the Physical Inventory Report; and</p> <p>g. Analyze the PPE accounts such as Furnitures and Fixtures, IT Equipment and Software, Other Machineries and Equipment and Motor Vehicles with unserviceable cost lesser than the cost dropped from the books.</p>	<p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p>
<p>C.2.3. (COA AAR CY 2014) p. 116-119</p>	<p>As reported in the CY 2013 Annual Audit Report, the outstanding advances to UP National Engineering Center (NEC) in the amount of P5.967 million as at year end for the Public Assessment of Water Services Project (PAWS) was not refunded by UP to MWSS although the project was completed in 2011</p>	<p>Recommended that Management take appropriate action to compel UP-NEC to submit the required financial statements to facilitate the liquidation of the outstanding balance.</p>	<p><i>Partially Implemented:</i></p> <p><i>Reiterated under B.2.3</i></p>



Ref	Audit Observation	Audit Recommendation	Status of Implementation
<b>C. Reiteration of Prior Years' Audit Observations and Recommendations</b>			
<b>C.3 Common to MWSS Corporate and Regulatory Offices</b>			
C.3.1. (COA AAR CY 2014) p. 120-122	The collectability of the receivables totaling P108.553 million which consisted of Due From MWSS Officers and employees and Loans Receivable from non-MWSS employees remained doubtful due to Management decision allowing the payment of the loans at the debtor's discretion and not on the agreed monthly amortization and the inaction of Management to recover the receivables from debtors no longer connected with MWSS	<p>Recommended to both MWSS CO and RO to:</p> <p>a. Reconsider its decision allowing the payment of loans at the debtor's discretion. Instead, enforce collection of monthly amortization such that the loans are fully paid within the period stipulated in the contract; and</p> <p>b. Initiate legal action to recover the unpaid receivables from officers and employees no longer connected with MWSS.</p> <p>For MWSS CO, recommended that Management require the Finance Department to reconcile its records and monitor the balances due from employees, officers and non-employees thru the preparation of quarterly aging schedule.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under B.3.1</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under B.3.1</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under B.3.1</i></p>
		Also, reiterated prior year's recommendation that MWSS RO Management demand for the return by the MWSS Multi-Purpose Cooperative of the P25 million seed money.	<p><i>Not Implemented</i></p> <p><i>Reiterated under B.3.1</i></p>
C.3.2.	The rules and regulations on the	Recommended and Management	<i>Not Implemented</i>

Ref	Audit Observation	Audit Recommendation	Status of Implementation
(COA AAR CY 2014) p. 123-128	grant, utilization and liquidation of cash advances/revolving funds/petty cash funds were not observed by the Accountable Officers/Special Disbursing Officers.	agreed to comply with COA Circular No. 97-002 on the grant, utilization and liquidation of the cash advance and Section 1.2 of COA Circular 2012 -001 on its liquidation.	<i>Reiterated under B.3.2</i>
C.3.3. (COA AAR CY 2014) p. 128-129	As in previous years, MWSS had no approved GAD plan and budget for CY 2014 required under EO 273 and Joint Circular 2004-1 of DBM, NEDA and Philippine Commission on Women (PCW).	Reiterated prior years' audit recommendation and Management agreed to comply with the provisions of Executive Order No. 273 and the guidelines of Joint Circular 2004-1 on the deadline for the submission of GAD plans and budget.	<i>Not Implemented</i>  <i>Reiterated under B.3.3</i>
<b>D. VALUE FOR MONEY (VFM) AUDIT – CORPORATE OFFICE</b>			
D.1. (COA AAR CY 2014) p. 129-138	The structural integrity of the Bigte-La Mesa Aqueduct Right of Way (ROW) traversing from Quezon City to Angat, Bulacan and composed of lands located above the water pipes and tunnel of MWSS covering an estimated length of 17 kilometers and a width of about 60 meters and the potability of the water sourced from the reservoirs were found compromised as portions of the Aqueduct ROW including its vicinity were occupied by residential houses and various business establishments and some portions were fenced by private	Recommended that Management:  a. Cause the immediate relocation of the illegal settlers along the aqueduct right of way;  b. Demolish the structures and unauthorized improvements constructed along the MWSS Right of Way at owner's expense;  c. Enforce collection of rental fees to serve as just compensation for the use of MWSS ROW by private entities or institute legal action for	<i>Not Implemented;</i>  <i>Reiterated under D.2</i>   <i>Not Implemented;</i>  <i>Reiterated under D.2</i>   <i>Not Implemented;</i>  <i>Reiterated under D.2</i>

Ref	Audit Observation	Audit Recommendation	Status of Implementation
	<p>individuals and with immovable improvements, thus resulting in the following:</p> <ul style="list-style-type: none"> <li>• Increasing the risks of contamination of the soil surrounding the facilities, which in turn, raises the risk of contamination of the water therein;</li> <li>• increasing the risks of leaks/breakages;</li> <li>• hindering the application of remedial measures in case of accidents; and</li> <li>• hampering efficient maintenance of the aqueduct by the concessionaire.</li> </ul>	<p>their use without prior consent or approval from the System;</p> <p>d. Enforce compliance by the MWSS-hired security services with the contract provision on the safeguarding of property; and implement the provision of Section G of the Terms of Reference of the contract on the corresponding penalty or damages, if any; and</p> <p>e. Investigate possible irregularities on the management of ROW and furnish this Office on the result of the investigation.</p>	<p><i>Not Implemented;</i></p> <p><i>Reiterated under D.2</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under D.2</i></p>
<p>D.2. (COA AAR CY 2014) p. 139-145</p>	<p>MWSS incurred revenue loss from raw water due to:</p> <p>a. The failure of MWSS to perform its contractual obligation to repair/replace defective and missing water meters of the raw water customers;</p> <p>b. Allowing the use of defective water meters and tolerated some customers with no meters;</p>	<p>Recommended that Management:</p> <p>a. Comply with the provisions of the contract for raw water service connection by purchasing and installing water meters to ensure that accurate water consumption are billed and collected;</p> <p>b. Take action to repair all defective meters and henceforth, maintain them as provided in the Policies and Guidelines on Raw Water Accounts and the Service Contract;</p>	<p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p>

Ref	Audit Observation	Audit Recommendation	Status of Implementation
	<p>c. Uncollected arrearages of P2.18 million since CY 2007; and</p> <p>d. Increase in the number of raw water consumers with defective water meters from three customers in CY 2010 to 12 customers in CY 2014</p> <p>Also, billing and collection function for Raw Water accounts were concurrently handled by only one person, a weakness in internal control which poses the risk of misappropriation.</p>	<p>c. Strictly monitor unusual fluctuations in water meter consumptions that may possibly suggest defect in the water meters to address such problems in a timely manner;</p> <p>d. Explain and justify the lack of action to replace the water meters and take immediate action to enforce compliance of San Jose Del Monte Water District in the MOA by compelling them to repair/replace their defective water meters as part of the conditions attached to the grant of additional 30 MLD of raw water allocation;</p> <p>e. Strictly monitor unpaid balances by requiring the personnel handling Accounts Receivables for raw water accounts to maintain aging of accounts receivable and impose interests and penalties to late payments of water bills; and</p> <p>f. Institute controls to minimize the risk caused by incompatible duties being performed by only one personnel by designing and implementing compensating controls such as review of the work by higher authority and increase</p>	<p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p> <p><i>Not Implemented;</i> <i>Reiterated under D.4</i></p> <p><i>Fully Implemented</i></p>

Ref	Audit Observation	Audit Recommendation	Status of Implementation
		supervision on the Billing and Collection of the raw water accounts; Require the collecting officer to render a separate report of accountability.	
D.3.3. (COA AAR CY 2014) p. 139-145	<p>Lapses in the lease of MWSS property resulted in lost opportunity for MWSS to increase rent income.</p> <p>The bidding for the lease of the lots for telecommunication towers was not initiated in CY 2014 despite Management commitment to undertake it in CY 2014. Thus, MWSS lost the opportunity to collect higher rental rate.</p> <p>MWSS lost the opportunity to increase by 10% annually, from P58.94 to P86.28, the rental rate per square meter, on the lease of the Balara Quarters by Manila Water Co. Inc. employees. Lease from October 2013 to December 2014 was not paid due to failure of MWSS to issue billing statement to MWCI.</p> <p>Also, employees no longer connected with MWCI continued to occupy the quarter without paying the monthly rent.</p>	<p>Reiterated previous years' audit recommendation that:</p> <p>a. The two lots occupied by Globe Telecom Inc. in Balara, Quezon City and Julia Vargas, Pasig City, be offered for lease through public bidding; and</p> <p>b. Similarly, the other lots leased to other telecom companies be also offered in public bidding to allow MWSS to be properly compensated for the use of its property.</p> <p>As regard the use of the Balara quarters, recommended and Management agreed to:</p> <p>a. Require the Property Management Department to execute a new contract with MWCI on its lease of the Balara Living Quarters, provided, that the Engineering and Project Management Department (EPMD) has determined that MWSS is in no immediate need of</p>	<p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p> <p><i>Not Implemented;</i></p> <p><i>Reiterated under D.3</i></p>

Ref	Audit Observation	Audit Recommendation	Status of Implementation
		<p>the area as provided in MC Circular No. 02-11 dated July 22, 2002;</p> <p>b. Monitor the lessee's (MWCI) compliance with the provisions of the contract, specifically on the monitoring, reporting and eviction of the sub-lessees no longer connected with MWCI;</p> <p>c. Immediately issue billing statements/statement of accounts and collect the amount due from the lessee;</p> <p>d. Collect the unpaid lease from the occupants who are no longer employees of MWCI and decide on the appropriate action to be taken on these occupants; and</p> <p>e. Secure the Balara Compound area to protect the said MWSS property and to avert the entry of additional illegal settlers; Take appropriate action on the illegal occupants in the Balara Compound.</p>	<p><i>Not Implemented;</i> <i>Reiterated under D.3</i></p> <p><i>Not Implemented;</i> <i>Reiterated under D.3</i></p> <p><i>Not Implemented;</i> <i>Reiterated under D.3</i></p> <p><i>Not Implemented;</i> <i>Reiterated under D.3</i></p>
<b>E. COMPLIANCE WITH TAX LAWS</b>			
	The Due to BIR account of the MWSS Corporate Office as of	In the CY 2013 AAR, recommended that the Due to BIR account should be	<i>Not Implemented;</i>

Ref	Audit Observation	Audit Recommendation	Status of Implementation
	December 31,2014 amounted to P7.103 million and remittance made in January 2015 totaled P3.330 million. The balance of P3.772 million pertained to adjustments to the account for transactions in previous periods which are for reconciliation/ verification and remittance to BIR.	analyzed and supported with documents before necessary adjustments are recorded in the books and ensure that the Due to BIR account properly pertains to the amount of tax withheld from the contractors/ suppliers and employees that are to be remitted to BIR as of yearend.	<i>Reiterated under B.1.19</i>