

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

Out of the **115** audit recommendations embodied in CY 2016 Annual Audit Report, **16** were implemented, **24** were partially implemented and **75** were not implemented as shown in the following table:

Reference	Audit Observation	Audit Recommendation	Status of Implementation
<b>A. Financial Audit – Corporate Office</b>			
A.1 (COA AAR CY 2016) pp. 44-48	The presentation of the year-end balance of Appraisal Capital Stock in the Financial Statement amounting to P28.428 billion was not in accordance with the Philippine Public Sector Accounting Standards (PPSAS) on Property, Plant and Equipment (PPE).	<p>a. Make the necessary reversal of the balance of Appraisal Capital Stock and the corresponding PPE accounts as presented in the table detailing the year-end balance of Appraisal Capital Stock; and</p> <p>b. Make the necessary correcting and reversal entries on the erroneous realization of Appraisal Capital Stock amounting to P7,504,501,148.14.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.1</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.1</i></p>
A.2 (COA AAR CY 2016) pp. 48-54	<p>The reported year-end balance of the account Other Receivables of P5.623 billion was unreliable due to:</p> <p>a. Recognition of the disputed claims by Concessionaire MWSI consisting of borrowing cost and penalty on delayed remittance of concession fee of P4.048 billion and P1.118 billion, respectively, or a total of P5.166 billion, not in accordance with PPSAS 19;</p> <p>b. Inclusion of Guarantee Deposits with Concessionaires</p>	<p>a. Properly present in the financial statement the cost of borrowing totaling P4.048 billion in accordance with PPSAS 19 re: contingent assets to which the realization or collection of the subject claims is virtually uncertain, pending outcome of the local arbitration proceedings;</p> <p>b. Submit an updated report on the arbitration on the disputed claims with MWSI as reported in the AAPSI for CY 2015;</p> <p>c. Account for and make necessary adjustments</p>	<p><i>Partially Implemented</i></p> <p><i>Reiterated under A.6</i></p> <p><i>Not Implemented</i></p> <p><i>Not Implemented</i></p>

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	<p>MWSI and MWCI of P64.798 million and P55.681 million, respectively, representing active customer's deposits withheld by Concessionaires from the collection of accounts receivable from water and sewer services of MWSS, contrary to the Conceptual Framework for Financial Reporting as prescribed by PPSAS; and</p> <p>c. Variance of P4.734 billion and P163.865 million between the book balances and the confirmed balances of the accounts with MWSI and MWCI.</p>	<p>in the account Other Receivables, representing the guarantee deposits of active customers which have been transferred to the concessionaires;</p> <p>d. Verify the discrepancies noted amounting to P10,052,992.85 between the year-end balance of guarantee deposits receivable totaling P160,579,648.05 and balance of guarantee deposits payable totaling P170,632,640 and ensure that the recorded guarantee deposits payable pertain only to those claims other than those of the active customers which should be transferred to the concessionaires;</p> <p>e. Provide justification on the recording of Guarantee Deposits Payable only during the MWSS privatization; and</p> <p>f. Reconcile the other receivables accounts with MWSI and MWCI showing a variance per confirmation as against balance per books totaling P4.734 billion and P163.865 million, respectively, and demand payment of the valid</p>	<p><i>Reiterated under A.6</i></p> <p><i>Not Implemented</i></p> <p><i>Not Implemented</i></p> <p><i>Partially Implemented</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
<p>A.3 (COA AAR CY 2016) pp. 55-59</p>	<p>Reliability, existence and completeness of the PPE were doubtful due to the deficiencies noted on the report of the physical inventory-taking of the MWSS' properties as of December 31, 2016, to wit:</p> <p>a. Non-reconciliation of records between the Finance Department and Property Management Department pertaining to the Office Building, Other Structures and General and Administrative Equipment (GAE) on the Physical Inventory Report submitted and lack of information provided on the reconciliation report on the Land and Land rights;</p> <p>b. Various Office Buildings and Other Structures totaling P1.157 billion were not found/missing, dilapidated, abandoned, and not-in-service/inactive, while various Land and Land rights with total area of 1,909,542 sq. m. were classified as not-in-service;</p> <p>c. Various Land and Land Rights with area totaling 1,846,396 sq.m. were found during the inventory-</p>	<p>receivables.</p> <p>a. Prepare reconciliation report of records of the Finance and Property Management Department pertaining to the Office Building, Other Structures and GAE in accordance with COA Circular No. 80-124;</p> <p>b. Complete the data on the reconciliation report for the Land and Land Rights;</p> <p>c. Establish, implement, maintain, and monitor effective and efficient asset/property management system to ensure that government properties are safeguarded from deterioration and losses;</p> <p>d. Utilize the properties which were found not-in-service to generate benefit to the agency;</p> <p>e. Account for all properties found during the physical inventory-taking but not recorded in the books and prepare the necessary adjustment or recognition, thus, ensure completeness of recording of the PPE in the accounting books;</p> <p>f. Reconcile the net variance noted in the balance of the PPE in</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.3</i></p> <p><i>Partially Implemented</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.3</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.3</i></p> <p><i>Partially Implemented</i></p> <p><i>Partially Implemented</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
	<p>taking but not recorded in the books;</p> <p>d. Net variance of P3.280 billion was noted on the PPE book balance of Office Building, Other Structures and GAE as of December 31, 2016 as against the Physical Inventory Report of PMD;</p> <p>e. Various unserviceable GAE with total cost of P239.353 million returned to MWSS by the concessionaires in CYs 2006 to 2015 remained undisposed, contrary to the Manual on Disposal of Government Property; and</p> <p>Various retained assets with carrying amount of P96.043 million were reportedly used by the Concessionaires and Common Purpose Facilities (CPF).</p>	<p>the accounting books as against the PMD records; and</p> <p>g. Immediately conduct disposal of the unserviceable properties in accordance with the Manual on Disposal of Government Property, to generate additional fund to the agency and avoid further deterioration and diminishing market value.</p>	<p><i>Reiterated under A.3</i></p> <p><i>Partially Implemented</i></p> <p><i>Reiterated under A.3</i></p>
<p>A.4 (COA AAR CY 2016) pp. 59-62</p>	<p>Of the year-end balance of the account Other Deferred Credits, the amount of P1.815 billion or 98.61 per cent was found not valid obligations since these are (a) credits with no collections received totaling P1.719 billion, (b) credits with collections already earned totaling P94.964 million, and (c) misclassifications to the account totaling P1.820 million.</p>	<p>Analyze and review each of the subsidiary ledgers of the Other Deferred Credits account to ensure that only cash collections received in advance are recognized at the end of each accounting period, and thereafter, prepare the necessary adjusting entries.</p>	<p><i>Partially Implemented</i></p> <p><i>Reiterated under A.8</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
<p>A.5 (COA AAR CY 2016) pp. 62-68</p>	<p>The accuracy and validity of year-end balances of various asset and liability accounts totaling P1.564 billion and P265.095 million, respectively, cannot be ascertained due to lack of supporting documents and the accounts have been dormant for more than five years.</p>	<p>a. Comply with the provisions of Section 111 (1) and (2) as regards recording of the accounts;</p> <p>b. Verify, review, and analyze the dormant asset and liability accounts in paragraphs 5.3.1 and 5.3.3 totaling P1.564 billion and P265.095 million, respectively, as required under COA Circular No. 97-001 and effect necessary adjustment/s to arrive at the correct account balances at year-end; and</p> <p>c. For receivable accounts mentioned in paragraph 5.3.1 totaling P32.054 million which were dormant for more than 10 years and which may be written off, be guided by the procedures in the write-off of dormant accounts as set forth in the COA Circular No. 2016-005.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.13</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.13</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.13</i></p>
<p>A.6 (COA AAR CY 2016) pp. 68-69</p>	<p>Unreconciled material variance of P1.526 billion existed between book balance of long-term liabilities account of P1.961 billion and the aggregate balance of P3.487 billion confirmed by the National Housing Authority (NHA), Bureau of the Treasury (BTr), and foreign lending</p>	<p>Require the Finance Department to reconcile the discrepancies in the Loans Payable account to arrive at the correct balances at year-end.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.7</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
	institutions.		
A.7 (COA AAR CY 2016) pp. 70-83	The validity and accuracy of the account Other Assets with year-end balance of P1.926 billion were doubtful due to non-adoption of the Philippine Public Sector Accounting Standards (PPSAS) 16 and 31, and COA Circular 2015-010 on proper accounting recognition and inclusion of garnished, dormant, unreconciled, and unserviceable asset accounts totaling P1.326 billion.	<p>a. Reclassify the subsidiary accounts of the parcel of lands identified as idle totaling P593.706 million to the appropriate Investment Property account;</p> <p>d. Comply with PPSAS 16 and 31 and COA Circular 2015-010 for the proper recording and accounting of the financial transactions.</p> <p>Further, reiterated that Management:</p> <p>a. Provide reliable basis for recognition, measurement, presentation, and disclosure in the books of accounts of the Other Assets (290) amounting to P1.323 billion; and</p> <p>b. On the cash accountabilities transferred to Other Assets account, require the Finance Department to justify the recording of the balances to the Other Assets account; substantiate the validity of these accounts by providing sufficient and relevant supporting documents/information and immediately identify and take legal action to run against erring accountable officers and MWSS</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.3</i></p> <p><i>Not Implemented</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.5</i></p> <p><i>Not Implemented</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
		creditors responsible for the outstanding cash accountabilities.	
A.8 (COA AAR CY 2016) pp. 83-89	<p>The probability of collecting Accounts Receivable totaling P1.186 billion was remote since these accounts have been outstanding for 5 to 20 years.</p> <p>Due from Officers and Employees and Loans Receivables accounts amounting to P26.786 million and P5.979 million, respectively, registered a very low collection efficiency of 8.75 per cent and 1.12 percent, respectively for the year.</p>	<p>a. On Long Outstanding Receivables, request from the Commission on Audit for authority to write off from the books, accounts which qualify for derecognition pursuant to COA Circular No. 97-001 on the Guidelines on the Proper Disposition/ Closure of Dormant Funds, and COA Circular No. 2016-005 on Guidelines and Procedure on the Write-off of Dormant Receivable Accounts in particular, the water sewer customer accounts;</p> <p>b. On Raw Water accounts, enforce Paragraphs 14 and 15 of the Policies and Guidelines for Raw Water Accounts as regards penalties and interest on late payments;</p> <p>c. On Due From Officers and Employees and Loans Receivables, send regular statement of accounts to officers/employees with outstanding loans to ensure that the loans will be settled within the period stipulated in the contract; and</p> <p>d. Initiate legal action to</p>	<p><i>Not Implemented</i> <i>Reiterated under A.6</i></p> <p><i>Partially Implemented</i></p> <p><i>Not Implemented</i> <i>Reiterated under A.6</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
		collect receivables from officers/employees and individuals who are no longer connected with the MWSS.	<i>Not Implemented</i> <i>Reiterated under A.6</i>
A.9 (COA AAR CY 2016) pp. 89-90	Asset and liability accounts with balances aggregating P578.853 million and P884.548 million, respectively, remained unreconciled/unverified, thus, the reliability and accuracy of the account balances were doubtful.	Facilitate the immediate reconciliation of the unreconciled/unverified accounts for fair presentation of the Statement of Financial Position.	<i>Not Implemented</i>  <i>Reiterated under A.13</i>
A.10 (COA AAR CY 2016) pp. 90-93	Account Advances to Contractors with year-end balance of P357.226 million remained unrecouped/outstanding for three years and documents pertaining to the projects were not made available to determine the persons liable or responsible for the non-recoupment.	<p>a. Analyze the advances to contractors account to reflect in the books the correct and accurate balance as at year-end;</p> <p>b. Determine the officers/employees responsible for failure to deduct the outstanding advances from the progress billings and institute administrative sanctions;</p> <p>c. Initiate legal action against the contractors to recoup the advances; and</p> <p>d. Blacklist the contractors who have outstanding advances from MWSS.</p>	<p><i>Not Implemented</i> <i>Reiterated under A.9</i></p> <p> <i>Not Implemented</i></p> <p> <i>Not Implemented</i> <i>Reiterated under A.9</i></p> <p> <i>Not Implemented</i> <i>Reiterated under A.9</i></p>
A.11 (COA AAR CY 2016) pp. 93-97	Unsubstantiated adjustments totaling P267.21 million in the PPE - Land account, thus affecting the accuracy and reliability of the account balance of P19.983 billion at year-end.	<p>On the adjustment amounting to P228.18 million:</p> <p>a. Submit proof that there was an appraisal on the land in previous period pertaining to the land under TCT No.</p>	<i>Not Implemented</i>  <i>Reiterated under A.3</i>



Reference	Audit Observation	Audit Recommendation	Status of Implementation
		<p>61126; and</p> <p>b. Prepare the necessary and appropriate adjustments to derecognize the carrying value of the land under TCT No. 61126 since it was already sold in CY 2006.</p> <p>On the adjustment amounting to P39.03 million:</p> <p>a. Secure from Land Registration Authority (LRA) the information on the actual land area to determine the correct total of land sold to Silhouette Trading; and</p> <p>b. Submit proof of valuation of the land under TCT No. 36069 to corroborate the erroneous measurement recognized in the books once proved that there is typographical error in the land area. Thereafter, analyze the transaction and prepare necessary adjustments.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.3</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.3</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.3</i></p>
A.12 (COA AAR CY 2016) pp. 97-101	The validity and accuracy of the year-end balance of PPE-GAE accounts with carrying amount totaling P203.325 million was doubtful due to unaccounted disposed unserviceable GAE	a. Require the reconciliation of records between the Finance and Property Management Departments to examine the discrepancy on the	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.3</i></p>

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	<p>amounting to P29.527 million as the variance between the assets per Property Management Department and Finance Department's records.</p> <p>Also, the non-immediate disposal of unserviceable assets totaling P213.623 million as required under NBC 425 resulted in further deterioration and decline in their value.</p> <p>Moreover, deficiencies were noted in the sale of 53 units of unserviceable assets in CY 2014.</p>	<p>disposal/sale of the unaccounted unserviceable GAE and make the necessary adjustments;</p> <p>b. Conduct periodic inventory and inspection of all unserviceable GAE and cause their immediate disposal through public auction to avoid further deterioration and decline in value of the subject assets and generate additional funds for the corporation;</p> <p>c. Submit justification on the negotiated price for the sale of unserviceable vehicles that was lower than 80 percent of the appraised value which is not in accordance with the Manual on Disposal of Government; and</p> <p>d. Reconcile the Finance and Property Management Departments' records on the 53 sold unserviceable vehicles and make the necessary adjustments.</p>	<p><i>Partially Implemented</i></p> <p><i>Reiterated under A.3</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.3</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.3</i></p>
A.13 (COA AAR CY 2016) pp. 101-103	The reliability of the balance of Construction in Progress (CIP) totaling P677.033 million was doubtful due to the inclusion of completed	a. Review and analyze the cost of completed projects and make the necessary reclassification to their appropriate PPE	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.3</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
	<p>projects and unreconciled accounts amounting to P159.654 million and P453.902 million, respectively.</p>	<p>accounts supported with Certificate of Completion and Acceptance; and</p> <p>b. Review the unreconciled accounts classified under the CIP and effect the necessary adjustments.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.12</i></p>
<p>A.14 (COA AAR CY 2016) pp. 103-105</p>	<p>The validity of the account Domestic Loans Payable-NHA amounting to P98.795 million was doubtful due to the absence of a Memorandum of Agreement (MOA) signed by and between the MWSS, National Housing Authority (NHA), MWSI, and MWCI.</p>	<p>a. Execute the MOA with the NHA and the two Concessionaires to establish the validity of the Loans Payable; and include the loan account in the debt service letter to the two Concessionaires (MWSI and MWCI); and</p> <p>b. Determine and collect from the Concessionaires the prior year's debt service of the loan account.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.7</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.7</i></p>
<p>A.15 (COA AAR CY 2016) pp. 105-108</p>	<p>The initial deposit of SM Prime Holdings Inc., including interest earned, totaling P36.250 million for the supposed lease of MWSS property along Katipunan Avenue was still retained in the MWSS' books due to the refusal of the former to accept the deposit despite declaration by the MWSS Board of Trustees that the pertinent contract is null and void. This might expose the MWSS of possible lawsuit for having no legal right to retain the same.</p>	<p>a. Immediately consign to the Court the initial deposit/payments received from SM Prime Holdings Inc., including interest earned thereof (net of 20 per cent final tax) otherwise, take possible legal action to resolve the issue on the Lease Agreement or consider other courses of action; and</p> <p>b. Refrain from debiting the account bank charges/taxes, duties and licenses to record the 20 percent final tax</p>	<p><i>Partially Implemented</i></p> <p><i>According to Management, the issue is under litigation.</i></p> <p><i>Not Implemented</i></p>

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	In addition, the 20 percent final tax on interest earned was not deducted but was taken up as bank charges, thus, reported as expense of the MWSS.	on the interest income earned.	
A.16 (COA AAR CY 2016) pp. 108-109	The propriety to derecognize the account Sinking Fund in the amount of P29.510 million was questionable due to non-reconciliation of the balance with the Bureau of the Treasury (BTr) to ascertain the correct sinking fund balance at year-end.	<p>a. Explain the earned interest of P77,321.51 even after the redemption date of the Angat Serial Bonds and remittance of the remaining balance of the Sinking Fund by the BTr; and</p> <p>b. Reverse the entries made in JEV-2016-12-004219 (i) pending reconciliation of the balance of the Sinking Fund Reserve with the BTr; and (ii) submission of the copy/ies of bank statement/s of the Current Account No. 244-500163-8 maintained by MWSS with PNB MWSS Branch.</p>	<p><i>Not Implemented</i></p> <p><i>Not Implemented</i></p>
A.17 (COA AAR CY 2016) pp. 109-112	<p>The reported year-end balance of the account Foreign Loans Payable of P8.761 billion and Loss on Foreign Exchange of P510.984 million were unreliable due to:</p> <p>a. Account Foreign Loans Payable (ADB 1746-PHI) and the related Loss on Foreign Exchange were understated by P19.945 million and P0.623 million, respectively, due to improper adjustment</p>	<p>a. Prepare the necessary adjusting entry to correct the understatement in the reported year-end balance of Foreign Loans Payable – ADB 1746-PHI and its related Loss on FOREX amounting to P19.945 million and P.623 million, respectively;</p> <p>b. Reconcile with the Bureau of the Treasury on the outstanding loan balance of ADB 1746-</p>	<p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
	<p>made in the books; and</p> <p>b. Exchange differences arising from the settlement of foreign loans were not recognized on the settlement date, which is not in accordance with PPSAS 4.</p>	<p>PHI between records per books and per BTr; and</p> <p>c. Ensure that the exchange differences arising from payment of loans be recognized on the settlement date and not upon loan revaluation at the end of each quarter, pursuant to Section 32 of PPSAS 4.</p>	<p><i>Not Implemented</i></p>
<p>A.18 (COA AAR CY 2016) pp. 112- 113</p>	<p>Unreconciled variance of P18.245 million existed between the book balance of the Investment in Special Reserve Fund and the balance confirmed by the Bureau of the Treasury (BTr) thus, affecting the accuracy of the account balance of P399.353 million at year-end.</p>	<p>Immediately reconcile the fund balance recorded in its books as against the balance of investment with the BTr and effect the corresponding adjustment for the difference noted amounting to P18.245 million.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.11</i></p>
<p>A.19 (COA AAR CY 2016) pp. 113- 117</p>	<p>The reported year-end balance of the account Other Liability of P526.769 million was unreliable due to:</p> <p>a. Inclusion of P14.085 million which cannot be ascertained due to unsubstantiated transactions and/or lack of supporting documents;</p> <p>b. Unremitted salary deductions of MWSS employees totaling P4.876 million in payment of loans/ dues to the respective MWSS Associations where the amounts withheld are due; and</p>	<p>a. Submit copy/ies of Memorandum of Agreement/Trust Agreement and other supporting documents of all trust liabilities with outstanding balance as of year-end;</p> <p>b. Ensure that the recorded outstanding liabilities in the books pertain only to those claims which are supported with complete documentation;</p> <p>c. Analyze the accuracy and validity of the outstanding balance of the other liability and its various accounts such</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.10</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.10</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.10</i></p>

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	<p>c. Improper accounting entries in recognizing and derecognizing Trust Liabilities in the books of accounts.</p>	<p>as but not limited to liabilities with various MWSS Associations totaling P4.925 million as well as the abnormal balance of P48,195.29;</p> <p>d. Record trust liabilities that comply with the definition of trust funds as provided under Section 3(4) of PD No. 1445;</p> <p>e. Derecognize only trust liabilities received for the Operational Expenses in UATF and Salaries of Ipo Watershed workers upon liquidation of funds to the Concessionaires; and</p> <p>f. For the amount due to MCMC totaling P2,340,916.72, require it to settle the issues raised in Audit Finding No. E.1 before remittance can be made.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.10</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.10</i></p> <p><i>Not Implemented</i></p>
<p>A.20 (COA AAR CY 2016) pp. 117-119</p>	<p>Abnormal/Negative balances in the Asset and Liability accounts totaling P14.059 million and P1.618 million, respectively, were not in accordance with Sections 111 and 112 of Presidential Decree (PD) No. 1445, thus, the net account balances of P14.057 million at year-end was doubtful.</p>	<p>Analyze and determine the causes of the abnormal/negative balances, and effect necessary adjustments to reflect the correct balances of the affected accounts.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.13</i></p>
<p>A.21 (COA AAR CY 2016) pp. 119-</p>	<p>The account Other Prepaid Expenses-Expanded Withholding Tax (OPE-EWT) with an</p>	<p>Verify and substantiate the tax credits variance per BIR Form 1702 against the recorded book balance of</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.15</i></p>

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120	accumulated beginning balance of P15.339 million did not reconcile with the remaining tax credits per CY 2015 Annual Income Tax Return amounting to P2.688 million, thereby showing a variance of P12.762 million, contrary to Section 2.57(B), BIR Revenue Regulation 2-98.	the account Other Prepaid Expense-EWT, and prepare the necessary adjusting entry to correct the misapplication of creditable tax credit in the books.	
A.22 (COA AAR CY 2016) pp. 121- 124	<p>The year-end balance of the Accounts Payable of P31.149 million was unreliable due to:</p> <p>a. The recording of accruals for various Maintenance and Other Operating Expenses (MOOE) amounting to P6.587 million, despite the absence of documents to support the validity of recorded claims;</p> <p>b. Re-accruing the previously accrued loyalty and terminal leave pay totaling P0.336 million was not compliant with sound accounting practice and Sections 111(2) and 112 of P.D. No. 1445;</p> <p>c. The amount accrued for the CY 2015 Performance-Based Bonus (PBB) exceeding the amount approved by P0.864 million; and</p> <p>d. Non-maintenance of subsidiary ledgers on</p>	<p>a. Ensure that all obligations are supported with complete documentation to comply with Section 4(6) of PD 1445;</p> <p>b. Stop the practice of re-accruing the previously accrued personnel services in compliance with sound accounting practice and Sections 111(2) and 112 of P.D. No. 1445;</p> <p>c. Inform the employees who are qualified to receive the loyalty incentive to avoid accumulation of long outstanding claims;</p> <p>d. Disburse PBB for CY 2015 to the 99 eligible officers and employees as authorized by GCG totaling P4,004,411; and</p> <p>e. Maintain subsidiary ledgers for all accounts payable as provided under Section 114(2) of P.D. 1445.</p>	<p><i>Not Implemented</i> <i>Reiterated under A.10</i></p> <p><i>Not Implemented</i> <i>Reiterated under A.10</i></p> <p><i>Not Implemented</i></p> <p><i>Partially Implemented</i></p> <p><i>Not Implemented</i> <i>Reiterated under A.10</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
	Payable accounts.		
A.23 (COA AAR CY 2016) pp. 124-130	<p>The accuracy and validity of reported income for CY 2016 in the amount of P95.679 million was found doubtful due to:</p> <p>a. Net understatement of Rent Income of P1.594 million as a result of improper recognition of income, contrary to Paragraph 1 of PPSAS 1 and Philippine Application Guidance (PAG);</p> <p>b. Non-imposition of rent escalation of 10 percent and adjustment based on Consumer Price Index (CPI) changes as provided in the Contracts of five lessees, resulting in an estimated P7.195 million loss in income; and</p> <p>c. Non-renewal of the expired Contract of Lease of five tenants.</p>	<p>a. Recognize income when earned in accordance with accrual basis of accounting as provided under Paragraph 1 of PPSAS 1 and PAG 1, and prepare the necessary adjustments for errors noted in the recognition of income;</p> <p>b. Enforce the provisions/stipulations of the Contract of Lease as regards the escalation/adjustment of rental rate to collect the exact income; and</p> <p>c. Execute new contracts on expired lease agreements to guaranty its enforceability.</p>	<p><i>Partially Implemented</i></p> <p><i>Partially Implemented</i></p> <p><i>Not Implemented</i> <i>Reiterated under A.6</i></p>
A.24 (COA AAR CY 2016) pp. 131-133	<p>Accounts Due to GSIS, Pag-IBIG, and PhilHealth showed an unremitted/unreconciled prior years' balance totaling P47,406.49 as of December 31, 2016.</p> <p>Moreover, closing of accounts Due to GSIS/Pag-IBIG/Other GOCCs to Retained Earnings in CY 2014 totaling P2.047 million cannot be ascertained due to lack of supporting documents.</p>	<p>a. Reconcile and explain the non-remittance of the prior years' outstanding balances of Due to GSIS/Pag-IBIG/PhilHealth/other GOCCs and analyze the accounts with negative balances; and</p> <p>b. Analyze the payable accounts and submit documents supporting the reversion made in CY 2014.</p>	<p><i>Not Implemented</i> <i>Reiterated under F</i></p> <p><i>Not Implemented</i></p>
A.25	The validity and accuracy	a. Immediately produce	<i>Not Implemented</i>



Reference	Audit Observation	Audit Recommendation	Status of Implementation
(COA AAR CY 2016) pp. 133-134	of the account Investment in Stocks totaling P2.524 million was unreliable due to inclusion of stocks totaling to P2.012 million or 79.80 percent that cannot be validated or without complete/original copies of stock certificates.	<p>the stock certificates with PLDT and MERALCO pertaining to the variance noted during inspection totaling P1.544 million, including the original copies of the stock certificates for its investment in stocks with MERALCO amounting to P0.468 million; and</p> <p>b. Reconcile the outstanding balance of investment in stocks with PLDT (account 192-01) for the variance noted per confirmation amounting to P0.372 million and closely communicate with PLDT and MERALCO to establish the correct year-end balance of investment in stocks.</p>	<i>Not Implemented</i>
A.26 (COA AAR CY 2016) pp. 135-138	<p>Deficiencies were noted in the balance of the account Due to BIR as of December 31, 2016, to wit:</p> <p>a. No provision for Tax Refunds Payable and recognition of Other Prepaid Expense amounting to P459,643.26 were made at year-end pertaining to the over withheld tax on employee compensation for the period January to November 2016;</p>	<p>a. Determine the Tax Refunds Payable due to the employees and Other Prepaid Expenses for the tax credits and effect the necessary adjusting entries at year-end; and</p> <p>b. Review and analyze the negative balances of the various subsidiary ledgers of Due to BIR and account for possible unremitted tax collections and remit the same to BIR if any.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated under A.16</i></p> <p><i>Partially Implemented</i></p> <p><i>Reiterated under A.16</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
	<p>b. The adjusted year-end balance for CY 2016, after taking into account the remittance for December 2016 tax collections, showed unremitted balance of P200,739.85; and</p> <p>c. Three sub-accounts comprising Due to BIR account showed negative balances totaling P425,644.88 as of year-end.</p>		
<p>A.27 (COA AAR CY 2016) pp. 138- 140</p>	<p>The forty percent share of the MWSS in the net income from operations of the La Mesa Ecopark/La Mesa Resort Zone (LMRZ), as stated in Section 11 of the Memorandum of Agreement signed by and among MWSS, ABS-CBN Foundation Inc. (AFI) and the Local Government of Quezon City, remained unenforced/uncollected as of CY 2016.</p>	<p>a. Require the AFI to comply with Section 11 of the MOA specifically the submission of the Annual Financial Reports to determine the MWSS 40 percent share in income from operations in the LMRZ;</p> <p>b. Settle the issue on the 15 percent management fee and capital expenditures deducted by AFI from the revenue in determining the net income;</p> <p>c. Assess, bill and collect from AFI the 40 percent share of income of MWSS from the operation of LMRZ; and</p> <p>d. Secure a post facto approval of the MOA by the Board of Trustees as required in Section 22 which</p>	<p><i>Not Implemented</i> <i>Reiterated under A.12</i></p> <p><i>Not Implemented</i> <i>Reiterated under A.12</i></p> <p><i>Not Implemented</i> <i>Reiterated under A.12</i></p> <p><i>Not Implemented</i> <i>Reiterated under A.12</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
		provides that the Agreement shall become effective after the same shall have been signed by the parties, approved by the proper authorities, reviewed by the Office of the Government Corporate Counsel, and ratified by the LGQC Sanggunian.	
<b>B. Financial Audit – Regulatory Office</b>			
B.1 (COA AAR CY 2016) pp. 140- 141	Inclusion of long outstanding Accounts payable totaling P0.281 million or 16 percent of the Accounts Payable – Vouchers Payable account (401-1) year-end balance of P1.791 million, thus, affecting the validity and accuracy of the account.	Management agreed to evaluate the validity of the accounts payable, existence of contract and determine if no actual claim, administrative or judicial has been filed and effect the necessary reversal of obligation, if warranted.	<i>Fully Implemented</i>
B.2 (COA AAR CY 2016) pp. 141- 142	Over-accrual amounting to P0.415 million of Terminal Leave Benefits for CY 2016, was contrary to Section 22 of Omnibus Rules on Leave.	Management agreed to consider the provisions set forth under the Omnibus Rules on Leave and Section 4 of PD 1445 as regards the accrual of terminal leave benefits and effect the necessary adjustment, as necessary.	<i>Fully Implemented</i>
B.3 (COA AAR CY 2016) p. 143	Unreconciled Cash in Bank balance of P1.367 million was included as part of Other Assets, thus affecting the accuracy of the account balance.	Management agreed to reverse the reclassification entry and continue to exert efforts to reconcile the book and bank balances before proper adjustment can be effected.	<i>Fully Implemented</i>
B.4 (COA AAR CY 2016) pp. 144- 145	The validity of PPE accounts costing P149.381 million (exclusive of Building costing P2.815 million) as of December 31, 2016 remained doubtful mainly due to: (a) non-conduct of	Management agreed to conduct annual physical count of property to establish existence and determine their physical condition.	<i>Fully Implemented</i>  <i>Report on the Physical Inventory conducted for CY 2017 was received in February 2018.</i>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
	physical inventory count; and (b) lapses in the implementation of physical monitoring procedures and issuance of property to end-users, contrary to COA Circular No. 80-124.	Management agreed to implement the use of the PAR in the issuance of equipment and other property to strengthen the establishment of accountability of end-users, however, MWSS-RO requested that the same be made only upon release or approval of the GAM for GOCCs.	<i>Fully Implemented</i>
<b>C. Compliance Audit – Corporate Office</b>			
C.1 (COA AAR CY 2016) pp. 145-146	The accumulated P1.914 billion collections from the two Concessionaires for the payment of the JBIC/OECF loan remained unremitted in spite of the continuous demand by the Bureau of the Treasury (BTr) to settle the payable, due to the unresolved issue on whether the loan should be treated as a grant/equity from the National Government or remain as a loan since the Concessionaires continued the project	Immediately remit to the Bureau of the Treasury the amount collected from the Concessionaires as payment for the JBIC/OECF loan.  As a rejoinder, Management should set a deadline to locate/submit the necessary documents to prove that the ¥6.593 billion should have been taken up as equity considering that this observation has been reiterated since CY2012. However, as informed, Management should make representations with the BTr at the earliest possible time to settle the unpaid loan with an outstanding balance per BTr records of only P200 million.	<i>Not Implemented</i>  <i>Reiterated under A.7</i>
C.4 (COA AAR CY 2016) pp. 151-152	MWSS-CO has no PCW-approved GAD Plans and Budget (GPB) from CYs 2011 to 2016, no GAD Accomplishment Reports (AR) and just allotted P7.5 million or a measly 0.16 percent of total appropriation for CY 2016, which were not in accordance with the	Strictly abide with the provisions of PCW-NEDA-DBM Joint Circular No. 2012-01, General Appropriations Act and relevant PCW Memorandum Circulars on the preparation and submission of the GAD Plan and Budget.	<i>Not Implemented</i>  <i>Reiterated under B.19</i>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
	PCW-NEDA-DBM Joint Circular No. 2012-01.	As rejoinder, Management should still comply for the early submission of the GAD plan to the PCW.	
C.5 (COA AAR CY 2016) pp. 152-161	<p>Noted were deficiencies in the handling of Cash-in-banks accounts, to wit:</p> <p>a. Despite the bank migration programs submitted by Management, MWSS still maintained one of its accounts with a bank other than the Government Financial Institutions (GFIs) required under Department of Finance (DOF) Department Circular No. 001-2015 and 002-2015;</p> <p>b. Funds received for specific purposes such as payment for foreign loans were not deposited in restricted accounts, contrary to Section 4.3 of P.D. 1445;</p> <p>c. Recurring Reconciling Items amounting to net of P3.581 million remained unadjusted for as long as 16 years resulting in a misstated Cash in Bank – Local Currency, Current and Savings Account of P48.844 million; and</p> <p>d. Non-submission of Monthly Bank Reconciliation Statement (BRS) on</p>	<p>a. Effect the bank migration program and close any account maintained with private depository banks as required under DOF Department Circular Nos. 001-2015 and 002-2015;</p> <p>b. Maintain separate bank accounts for the trust receipts from SM Prime Holdings and the Concessionaires as they have specific purposes and to facilitate establishing the cash balance at any time during the year;</p> <p>c. Make representation with the banks for the submission of debit and credit advices to support the reconciling items for purposes of recording in the books; and investigate the recurring reconciling items to determine their nature and make the necessary adjusting entries, if necessary; and</p> <p>d. Prepare BRS on all local/foreign currency savings accounts at the end of each month in compliance with Section 74 of PD 1445.</p>	<p><i>Fully Implemented</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.14</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.14</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under A.14</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
	<p>certain Local and Foreign Currency Savings Account contrary to Section 74 of P.D. 1445.</p>		
<p>C.6 (COA AAR CY 2016) pp. 161-164</p>	<p>Grant and liquidation of cash advances were found not compliant with the prescribed guidelines, to wit:</p> <p>a. Cash Advances amounting to P664,715 were granted to employees despite unliquidated/unsettled previous cash advances, contrary to Section 89 of P.D. 1445;</p> <p>b. Cash Advances were liquidated beyond the prescribed period contrary to Section 5.1 of COA Circular No. 97-002; and</p> <p>c. Special purpose cash advances were granted to officers/employees who were not bonded contrary to Section 4.1 of the Treasury Circular No. 02-2009.</p>	<p>a. Issue a Certification as required in Section 1.1 of COA Circular No. 2012-001 to ensure that employees/officers are granted cash advances only after the settlement/liquidation of their previous cash advances in compliance with Section 89 of P.D.1445;</p> <p>b. Comply with the prescribed liquidation period of cash advances per Section 5.1 of COA Circular 97-002; and</p> <p>c. Require adequate bonding of all Accountable Officers in accordance with Section 4.1 of the Treasury Circular No. 02-2009.</p>	<p><i>Partially Implemented</i></p> <p><i>Partially Implemented</i></p> <p><i>Not Implemented</i></p>
<p>C.7 (COA AAR CY 2016) pp. 165-168</p>	<p>Monetization of employees' vacation and sick leave credits for CY 2016 amounting to P480,158 was not in accordance with the CSC Resolution No. 98-3142 re: Omnibus Rules on Leave.</p> <p>Further, 12 employees were found to have negative balance in their</p>	<p>a. Observe and apply Sections 22 and 23 of the Omnibus Rules on Leave (CSC Resolution No. 98-3142) including relevant CSC resolutions, in the computation of claims for monetization of leave credits monetization; and</p> <p>b. Delete from the payroll</p>	<p><i>Not Implemented</i></p> <p><i>Partially</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
	VL credits as of December 31, 2016.	system the employees with negative leave credit balances and deduct from their salary claim the corresponding over availment of monetization of leave credits therefrom and require the HRRMD to regularly monitor the employees' leave balances.	<i>Implemented</i>
C.8 (COA AAR CY 2016) pp. 168-170	Trip tickets authorizing the use of government vehicles for official purpose were not properly accomplished and none was issued to four service vehicles. Also, the Monthly Report of Official Travels was not submitted to the Office of the Auditor as required in Item V of COA Circular No. 75-6.	<p>a. Require the concerned employees/officers to submit the duly filled out trip tickets to support the use of the four service vehicles and henceforth, ensure that trip tickets are accomplished and duly approved by authorized officials before embarking on a trip;</p> <p>b. Enhance or improve the format of trip ticket by including spaces for the names and number of passengers; and</p> <p>c. Submit to the Office of the Auditor the Monthly Report of Official Travels for audit as required under COA Circular No. 75-6.</p>	<p><i>Partially Implemented</i></p> <p><i>Not Implemented</i></p> <p><i>Not Implemented</i></p>
<b>D. Compliance Audit – Regulatory Office</b>			
D.1 (COA AAR CY 2016) pp. 171-172	Loans amounting to P25 million granted to MWSS-RO Multi-Purpose Cooperative for land development and house construction remained with the Cooperative in	Take legal action against the MWSS-RO Multi-Purpose Cooperative to collect or ensure the refund of the seed money including all accruing interest from CY 2005 up	<p><i>Partially Implemented</i></p> <p><i>Reiterated under C.21</i></p>



Reference	Audit Observation	Audit Recommendation	Status of Implementation
	spite of the non-realization/non-accomplishment of the project.	to the present.	
D.2 (COA AAR CY 2016) pp. 172-176	The Petty Cash Fund (PCF) granted to the Special Disbursing Officer (SDO) amounting to P200,000 was in excess of the MWSS-RO's monthly disbursement requirements pursuant to Section 4.3.1 of COA Circular No. 97-002; and the amount of P723,541 or 54.56 percent of total PCF expenses for the year pertained to meals, snacks and grocery expenses.	<p>a. Reduce the PCF of the SDO in such amount necessary to cover petty expenses for one month pursuant to Section 4.3.1 of COA Circular No. 97-002;</p> <p>b. Follow the guidelines set forth by COA Circular No. 96-004 in defraying travel allowances to the employees; and</p> <p>c. Stop the practice of charging from the PCF the meals, snacks, and grocery expenses, including the travelling expenses and be guided by the provisions of COA Circular 2006-001 and COA Circular 96-004.</p>	<p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p>
D.3 (COA AAR CY 2016) p. 176	Receivables totaling P1.425 million from separated/retired officers/employees representing Motor Vehicle Loans remained outstanding for more than 10 years.	Management agreed to finally take the appropriate legal action to recover the unpaid receivables from the remaining three employees in order to protect its interest and more importantly recover public funds.	<p><i>Partially Implemented</i></p> <p><i>Reiterated under C.24</i></p>
D.4 (COA AAR CY 2016) pp. 176-177	The 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) remained unliquidated despite the project completion in CY 2011.	Management agreed to demand from UP-NEC the immediate return/refund of the outstanding advances from the project and if no response is received, to consider other legal remedies to enforce collection of the advances.	<p><i>Partially Implemented</i></p> <p><i>Reiterated under C.26</i></p>



Reference	Audit Observation	Audit Recommendation	Status of Implementation
<p>D.5 (COA AAR CY 2016) pp. 177-178</p>	<p>The MWSS RO's GAD Plans and Budget of P1.095 million representing 0.55 percent of its CY 2016 Corporate Operating Budget (COB) was not compliant with the provisions under Sections 6 and 8 of PCW-NEDA-DBM Joint Circular No. 2012-01. Further, optimum use of GAD funds was not achieved because the planned activities were not fully accomplished.</p>	<p>a. Mainstream the GAD programs, activities and projects to the regular activities of the Corporation in order to attain the GAD budget minimum requirement of at least 5 percent of the Corporation's approved COB; and</p> <p>b. Revisit or improve the planning and implementation of MWSS-RO's GAD activities to achieve its intended objectives.</p>	<p><i>Partially Implemented</i></p> <p><i>Reiterated under C.35</i></p> <p><i>Partially Implemented</i></p> <p><i>Reiterated under C.37</i></p>
<p>D.6 (COA AAR CY 2016) pp. 178-182</p>	<p>Grant of Transportation Allowance (TA) totaling P183,750 to agency officials with assigned motor transportation was inconsistent with the pertinent provisions of DBM National Budget Circular No. 548; and total proportionate amount of P46,062.84 was not deducted from the TA of 15 agency officials notwithstanding their frequent use of motor vehicles during the year, contrary to COA Circular No. 2000-005.</p>	<p>a. Require the refund of the TA amounting to P183,750 paid to officials with assigned motor vehicles, pursuant to DBM National Budget Circular No. 548, with explanation that the service vehicles were assigned to the concerned officials for accountability purposes but not for their exclusive use; and</p> <p>b. Deduct from succeeding claims of TA the proportionate amount of P46,062.84 that should have been deducted from TA of the concerned officials who frequently used motor vehicles during the year, in line with Section 2.3 of COA Circular No. 2000-005, otherwise, a Notice of Disallowance shall be</p>	<p><i>Fully Implemented</i></p> <p><i>Not Implemented</i></p> <p><i>Reiterated under C.32</i></p>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
		issued.	
<b>E. Value for Money Audit – Corporate Office</b>			
E.1 (COA AAR CY 2016) pp. 183- 189	MWSS was deprived of income and incurred additional expenses from the operations of its basement area by allowing the MWSS Corporate Office Multi-Purpose Cooperative (MCMC) to manage and lease the same to private individuals and shoulder the electricity expenses consumed in the area, totaling P1.6 million and P0.89 million, respectively, for CY 2016. Further, an area leased by the MWSI was being occupied by a food establishment without approval/consent from MWSS.	<p>a. Submit to this Office the authenticated documents bearing the name of officers who approved/allowed the MWSS Multi-Purpose Cooperative to manage and lease out the basement areas;</p> <p>b. Enforce collection/remittance of MWSS' share on the income derived from the canteen space and the payment of electric consumption for the last two years;</p> <p>c. Comply with the provision of Section 4(2) of PD 1445 as regards the use of government property; and</p> <p>d. Take appropriate action in accordance with paragraph 14 of the lease contract thru written notice to the defaulting party with regard to MWSI's failure to comply with the terms and conditions of the contract, in particular, Paragraphs 2.1 and 8, and rescind or terminate the same should the defaulting party fail to remedy the breach within 30 days from its receipt of the written notice.</p>	<p><i>Not Implemented</i></p> <p><i>Partially Implemented</i></p> <p><i>Fully Implemented</i></p> <p><i>Fully Implemented</i></p>
<b>F. Value for Money Audit – Regulatory Office</b>			
F.1	Validation procedures	a. Obtain samples on a	<i>Fully Implemented</i>

Reference	Audit Observation	Audit Recommendation	Status of Implementation
(COA AAR CY 2016) pp. 189-208	performed by the Water Quality Control Department (WQCD) relating to the assessment of the water quality of treated water from the distribution system done by the two Concessionaires were not in accordance with prescribed standards set by Department of Health Administrative Order No. 2007-0012, also known as the Philippine National Standards for Drinking Water 2007.	random basis, with the exact location of the sample point in zone or area varying between sample rounds; and  b. Include water-refilling stations as sample point in compliance to Section 2.5 of DOH Administrative Order No. 2007-0012.	<i>Fully Implemented</i>
<b>H. Compliance with GSIS Premium/Loan Amortization Deductions and Remittances</b>			
H.1 (COA AAR CY 2016) p. 209	For MWSS-CO, the accounts <i>Due to GSIS, Pag-IBIG, and PhilHealth</i> showed an unremitted amount aggregating P47,406.49 as of December 31, 2016	Reconcile and explain the non-remittance of the prior years' outstanding balances of Due to GSIS/ Pag-IBIG/PhilHealth/ other GOCCs.	<i>Not Implemented</i>  <i>Reiterated under F</i>