



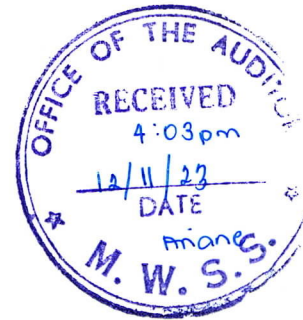
07 December 2023

**MARIA CHRISTINA P. ANTONIS**

OIC-Supervising Auditor

Commission On Audit

Metropolitan Waterworks and Sewerage System

**Attention: BIN MUDJAHEED S. MANDA**  
OIC - Audit Team LeaderDear **Auditor Antonis**:

In relation to your letter dated 28 November, 2023, we are respectfully transmitting herewith the Metropolitan Waterworks and Sewerage System Regulatory Office's Agency Action Plan and Status of Implementation for Calendar Year (CY) 2022 and 2021<sup>1</sup> as of 30 November 2023 as shown below:

RECOMMENDATION TYPE	PART				Total	%
	II. Audit Observation and Recommendations		III. Prior Years' Audit Recommendation			
		%		%		
A.NON- PPE (PBB – Sustained Compliance with Audit Findings)	6	100.00%	2	100%	8	100.00%
On-going	1	16.67%	2	100%	3	37.50%
Not Implemented	1	16.67%	0	0.00%	1	12.50%
Fully Implemented	4	66.66%	0	0.00%	4	50.00%
B. PPE	6	100.00%	0	0.00%	6	100.00%
Partially Implemented	2	33.33%	0	0.00%	2	33.33%
On-going	1	16.67%	0	0.00%	1	16.67%
Not Implemented	1	16.67%	0	0.00%	1	16.67%
Fully Implemented	2	33.33%	0	0.00%	2	33.33%

For the purpose of the 30% required sustained compliance with the Audit Findings for the CY 2023 Performance-Based Bonus, the MWSS RO fully implemented 50% of the Non-PPE audit recommendations.

Thank you very much.

Respectfully yours,

  
**CLAUDINE B. OROCIO-ISORENA**

Deputy Administrator, Administration and Legal Affairs

<sup>1</sup> Annex "A"



Annex “A”

MWSS RO  
 AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION  
 Audit Observations and Recommendations  
 For Calendar Years 2022 and 2021  
 As of: 30 November 2023

Ref	Audit Observation	Audit Recommendation	Agency Action Plan					Reasons for Partial/ Delay/ Non-implementation, if applicable	Action Taken/ Actions to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date		Status of Implementation		
					From	To			
A.2 Financial Audit – MWSS REGULATORY OFFICE									
CY 2022 AAR A.2 pages 94-96	<b>Due from Central Office / Head Office</b>	a. Require the Accounting Section to derecognize the Receivable from the MWSS CO amounting to P256.272 million to correct the overstatement of the Income from Waterworks and Due from Central Office / Home Office accounts;	a. To make the necessary adjusting entry derecognizing the Receivable from the MWSS CO	Admin Dept. – Finance Section	July 2023	Dec 2023	Fully Implemented	N/A	The Admin – Finance Section already prepared and recorded the necessary adjusting journal entry derecognizing the Receivable from MWSS CO and the Income from Waterworks (JV-08-23-48)
	The recognition of Receivable amounting to P256.272 million representing the funding of the Regulatory Office (RO) for CY 2022 from the MWSS CO is without basis and is contrary to Article 12.2 of the Revised Concession Agreements executed between the MWSS and the Concessionaires and IPSAS 1 and 9, resulting in the overstatement of both the Receivable and Revenue accounts by P256.272 million as at December 31, 2022	b. Seek clarification from the Office of the President on the source of funding of MWSS RO for CY 2022	b. To follow-up with the Office of the President the clarification on the source of funding of MWSS RO for CY 2022	Legal Affairs Dept.	June 2023	Aug 2023	Fully Implemented	N/A	Various correspondences were sent to the OP seeking clarification on the sources of funding.
CY 2022 AAR A.2 pages	<b>Property, Plant and Equipment</b>	a. Property Section to assess the fair market value of the land turned over by MWSS CO and the Accounting Section	a. To assess the fair market value of the land turned over by the MWSS CO;	Admin Dept. – Property Section	July 2023	Dec 2023	Fully Implemented	N/A	The Admin. Dept. in its memorandum dated 29 September 2023, assessed the fair market value of
	The balance of PPE amounting to P160.876 million as at December 31, 2022 contains the following errors: a)								

Ref	Audit Observation	Audit Recommendation	Agency Action Plan					Reasons for Partial/ Delay/ Non-implementation, if applicable	Action Taken/ Actions to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date		Status of Implementation		
					From	To			
96-101	non-recognition of land controlled by MWSS RO; b) non-recognition of depreciation expense estimated at P1.379 million on the building amounting to P102.114 million resulting in the overstatement of the PPE account by P1.379 million; and c) recognition of unaccounted items with carrying amounts totaling P11.663 million, contrary to IPSAS 1 and 17	to recognize the subject parcel of land at its fair market value;	b. To make the corresponding journal entry recognizing the subject parcel of land;	Admin Dept. – Finance Section					the land turned-over by the CO to PhP 87,500,000.00 (Ca-2 with base unit value of P35,000), based on Quezon City Ordinance No. SP-2556, S-2016 titled "An ordinance approving the schedule of fair market values of lands and basic unit construction for buildings, and other structures for the revision of real property assessments in Quezon City, pursuant to the provisions of the Local Government Code of 1991 (RA 7160) and its Implementing Rules and Regulations, and for other purposes". The Admin – Finance Section already prepared



Ref	Audit Observation	Audit Recommendation	Agency Action Plan					Reasons for Partial/ Delay/ Non-implementation, if applicable	Action Taken/ Actions to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date		Status of Implementation		
					From	To			
		<p>b. Accounting Section to provide the necessary adjusting journal entries to recognize the depreciation expense of the newly constructed office building; and</p> <p>c. Accounting and Property Sections to reconcile their records on the unaccounted PPE items, provide sufficient details and supporting documents, and take up the necessary adjustment to the PPE account</p>	<p>c. To make the necessary adjusting journal entries recognizing the depreciation expenses of the newly constructed office building;</p> <p>d. To reconcile the unaccounted PPE items, provide sufficient details and supporting documents and take up the adjustment if necessary</p>	<p>Admin Dept. – Finance Section</p> <p>Admin Dept. Property Section &amp; Finance Section</p>	<p>April 2023</p> <p>July 2023</p>	<p>May 2023</p> <p>Dec 2024</p>	<p>Fully Implemented</p> <p>On-going</p>	<p>N/A</p> <p>N/A</p>	<p>and recorded the necessary adjusting journal entry recognizing the land turned over by the MWSS CO (JV-09-23-50)</p> <p>The Admin – Finance Section already prepared and recorded the necessary adjusting journal entry recognizing the depreciation expense of the newly constructed office building (JV-04-23-16)</p> <p>The Property Section is currently consolidating all the supporting documents of the subject PPE items. A corresponding adjusting entry will be made once completed.</p>

Ref	Audit Observation	Audit Recommendation	Agency Action Plan					Reasons for Partial/ Delay/ Non-implementation, if applicable	Action Taken/ Actions to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date		Status of Implementation		
					From	To			
CY 2022 AAR A.2 pages 101-103	<b>Other Deferred Credits</b>  Reimbursements from the concessionaires in CY 2022 amounting to P17.984 million was recognized under the Other Deferred Credits instead of Due to Concessionaires account contrary to IPSAS 1 and the Revised Concession Agreements resulting in the overstatement of the balance of Other Deferred Credits account by P17.984 million and understatement of the Due to Concessionaires account by the same amount as at December 31, 2022	a. Take-up the adjusting entry to reclassify the Other Deferred Credits amounting to P17.984 million to Other Payables; and  b. Refund the amount of P17.984 million to the Concessionaires pursuant to Article 12.2 of the Revised Concession Agreement	a. To make the necessary journal entry reclassifying the Other Deferred Credits to Other Payables  b. To refund the amount of P17.984 million	Admin Dept. – Finance Section  Admin Dept.	July 2023  Sept 2023	Aug 2023  Dec 2023	Fully Implemented  Not Implemented	N/A  RO constrained to follow the recommendation to refund the amount to the concessionaires considering such amount were part of the passed on expenses recovered from the consumers	The Admin – Finance Section already prepared and recorded the necessary adjusting journal entry reclassifying the Other Deferred Credits to Other Payables (JV-08-23-49)  Seek guidance from the DBM and or Bureau of Treasury (BTr) whether the RO can remit the subject refund to the BTr and considered as government income.
B.2 Non-Financial Audit Observation - MWSS REGULATORY OFFICE									
CY 2022 AAR B.2 pages	<b>Procurement</b>  Procurement of consultancy services relative to the Fifth (5 <sup>th</sup> ) Rate Rebasing have the following deficiencies a) reimbursable expenses amounting to	a. Require the Rate Rebasing Management Committee (RRMC) and the Accounting Section to Provide documents on	a.To submit copy of accomplished and accepted reports and other supporting documents as required under the	RRMC & Admin Dept. – Finance Section	Sept. 2023	Mar 2024	On-going	N/A	As of date, the Admin Dept. already received the reports on Historical Cash Flows and Future



Ref	Audit Observation	Audit Recommendation	Agency Action Plan					Reasons for Partial/ Delay/ Non-implementation, if applicable	Action Taken/ Actions to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date		Status of Implementation		
					From	To			
112-116	P3.342 million were not duly supported with the required deliverables/milestones; and b) utilization of Technology and Knowledge Transfer from the four previous rate rebasing contracts was not evident as shown in the hiring of almost exactly the same number of consultants, contrary to COA Circular No. 2012-001, the 2016 Revised Implementing Rules and Regulations (RIRR) of RA 9184 and the pertinent provisions of the Consulting Services Agreement	deliverables to support payment of reimbursements amounting to P3.342 million; and   							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Reasons for Partial/ Delay/ Non-implementation, if applicable	Action Taken/ Actions to be Taken	
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				Status of Implementation
					From	To			
		under the 2016 RIRR of RA 9184	the delivery of the MWSS RO’s services and in the attainment of its mandates and core functions. Given the lack of manpower in the MWSS RO to conduct the Rate Rebasing Exercise and to prevent any perception of biases, the MWSS RO cannot utilize the technology and knowledge transfer in such a way that the MWSS RO, on its own, will conduct the next Rate Rebasing Exercise.					of the concessionaires.	
CY 2022 AAR B.2 pages 117-118	<b>Unserviceable Assets</b>  The non-disposal by the MWSS RO of the unserviceable properties totaling P1.986 million as of December 31, 2022 is contrary to Section 79 of Presidential Decree NO. 1445 and DBM National Budget Circular No. 425 dated January 28, 1992, resulting in further deterioration of the assets	a. Property Section to prepare the Inventory Report of Unserviceable Properties as basis for disposal	a. To prepare the Inventory Report of Unserviceable Properties;	Admin Dept. – Property Section	July 2023	Dec 2024	Partially Implemented	N/A	The Property Section is currently preparing the inventory of the unserviceable properties as basis for disposal. An initial list was submitted to the



Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reasons for Partial/ Delay/ Non-implementation, if applicable	Action Taken/ Actions to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
		b. Property Section to take action on the registration of the vehicles and the transfer of ownership to MWSS RO to facilitate disposal	b. To take action on the registration of the vehicles and the transfer of ownership to MWSS RO to facilitate disposal	Admin Dept. – Property Section	July 2023	Dec 2023	Not Implemented	The Property Section already sought assistance with the Legal Dept. The Legal Dept. on its issued opinion advised that the subject vehicles may be disposed without the need to transfer first its ownership under the name of the RO	COA last 01 September 2023;  The RO also sought guidance to the Land Transportation Office (LTO) on the documents that need to be issued to the winning buyer. The LTO, in its letter, advised the RO would need to issue the following in favor of the winning buyers: a. Certificate of sale; b. Notarized Affidavits stating that the pertinent requirements under RA 11057 and its IRR have been fully complied with  In view of the foregoing, the Disposal Committee already



Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reasons for Partial/ Delay/ Non-implementation, if applicable	Action Taken/ Actions to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
		c. Disposal Committee to work for the disposal of unserviceable assets in compliance with Section 79 of PD 1445 and DBM NBC MP. 425	c. To expedite the disposal of the remaining unserviceable assets	Admin Dept. - Property Section & Disposal Committee	June 2023	Dec 2024	Partially Implemented	No bidder to some of the unserviceable assets for disposal	<p>included the subject vehicles in the list of properties for disposal.</p> <p>The RO already conducted disposal last June 2023. Post bidding documents were submitted to the COA last 08 August 2023.</p> <p>Also, the RO submitted to the COA the bidding documents for the Disposal of remaining unserviceable vehicles for review and approval. As of this date, the Disposal Committee is still waiting for the reply of the COA on this matter.</p>
Part III. Prior Year's									
CY 2021 AAR B. 19	The validity and reliability of the Due from Officers and Employees, Other Payables and negative prepayment accounts amounting to	a. Review, analyze, and reconcile the details of the Due from Officers and Employees and	a. To review, analyze, and reconcile the details of the Due from Officers and	Admin Dept. - Finance Section	Sept. 2023	Dec 2024	On-going	N/A	The RO hired a Financial Analyst (Contract of Service) to assist in

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Reasons for Partial/ Delay/ Non-implementation, if applicable	Action Taken/ Actions to be Taken	
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				Status of Implementation
					From	To			
pages 105-107	P1.354 million, P0.664 million, and P145,855 respectively, cannot be established due to non-submission of documents which affected the fair presentation of the said account balances and contrary to IPSAS 1, PD 1445, COA Circular No. 2016-05, DBM –COA Joint Circular No. 1 s. 2021, and Executive Order Mo. 87 s. 2019.	Other Payables accounts as well as the negative items in the Prepayments accounts;  b. Prepare the necessary adjustments and maintain the necessary subsidiary records for the fair presentation of accounts	Employees and Other Payables accounts as well as the negative items in the Prepayments accounts;  b. To prepare the necessary adjustments and maintain the necessary subsidiary records for the fair presentation of accounts	Admin Dept. – Finance Section	Sept 2023	Dec 2024	On-going	N/A	reconciliation of the subject accounts. Once reconciled, a corresponding adjusting entries will be made. As of this date, the Financial Analyst already vouched the records from CY 2002-2007.

Agency Sign-off:



**CLAUDINE B. OROCIO-ISORENA**  
 DA for Administration and Legal Affairs  
 MWSS Regulatory Office

Note: Status of Implementation may either be a) Fully Implemented; b) On-going; c) Not Implemented; d) Partially Implemented; or e) Delayed