



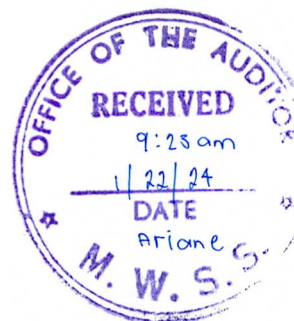
19 January 2024

**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 05 January 2024, 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 15 January 2024 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	0	0.00%	2	100%	2	25.00%
Partially Implemented	1	16.67%`	0	0.00%	1	12.50%
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"



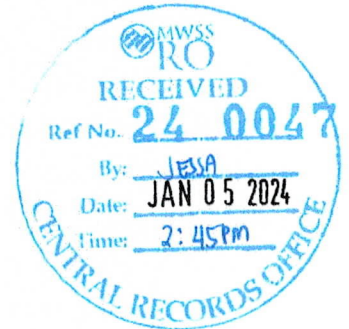
Republic of the Philippines  
**COMMISSION ON AUDIT**  
OFFICE OF THE AUDITOR  
**METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM**

Katipunan Road, Balara, Quezon City  
Telefax no. 928-25-16



January 5, 2024

**Atty. PATRICK LESTER N. TY**  
Chief Regulator  
Metropolitan Waterworks and Sewerage System  
-Regulatory Office  
H. Ventura Street cor. Katipunan Avenue  
Brgy. Pansol, Balara, Quezon City



**Subject: Agency Action Plan and Status of Implementation (AAPSI)**

Dear **Chief Regulator Ty**,

Relative to the latest validation of the MWSS-RO's actions on our audit recommendations as of November 30, 2023, it is informed that the Management implemented four (4) out of twelve (12) audit recommendations or an **implementation of 33%**.

In line with our continuous validation of the implementation of the Management of the audit recommendations, may we request the submission of the **Updated Agency Action Plan and Status of Implementation (AAPSI) as of January 15, 2024**, for the Audit Recommendations contained in the 2022 Annual Audit Report (AAR) together with the supporting documents relative to the entries provided or actions taken.

Kindly submit the requested AAPSI **on or before January 22, 2024**.

Thank you.

Very truly yours,

  
**MARIA CHRISTINA P. ANTONIS**  
OIC – Supervising Auditor

COA Signed  
2024-01-05  
14:17:31



Annex “A”

MWSS RO  
AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION  
Audit Observations and Recommendations  
For Calendar Years 2022 and 2021  
As of: 15 January 2024

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	Due from Central Office / Head Office	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. As of this date, we have secured an appropriation of PhP 168.397M thru the General Appropriation Act

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									to cover the operating requirements of the office for CY 2024.
CY 2022 AAR A.2 pages 96-101	<b>Property, Plant and Equipment</b>  The balance of PPE amounting to P160.876 million as at December 31, 2022 contains the following errors: a) 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	a. Property Section to assess the fair market value of the land turned over by MWSS CO and the Accounting Section to recognize the subject parcel of land at its fair market value;	a. To assess the fair market value of the land turned over by the MWSS CO;  b. To make the corresponding journal entry recognizing the subject parcel of land;	Admin Dept. - Property Section Admin Dept. - Finance 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 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

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					From	To			
		b. Accounting Section to provide the necessary adjusting journal entries to recognize the depreciation expense of the newly constructed office building; and	c. To make the necessary adjusting journal entries recognizing the depreciation expenses of the newly constructed office building;	Admin Dept. – Finance Section	April 2023	May 2023	Fully Implemented	N/A	Code of 1991 (RA 7160) and its Implementing Rules and Regulations, and for other purposes". The Admin – Finance Section already prepared and recorded the necessary adjusting journal entry recognizing the land turned over by the MWSS CO (JV-09-23-50)  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)

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		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	d. To reconcile the unaccounted PPE items, provide sufficient details and supporting documents and take up the adjustment if necessary	Admin Dept. Property Section & Finance Section	July 2023	Dec 2024	On-going	N/A	The Property Section is currently consolidating all the supporting documents of the subject PPE items. A corresponding adjusting entry will be made once completed.
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	a. To make the necessary journal entry reclassifying the Other Deferred Credits to Other Payables	Admin Dept. – Finance Section	July 2023	Aug 2023	Fully Implemented	N/A	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)
		b. Refund the amount of P17.984 million to the Concessionaires pursuant to Article 12.2 of the Revised Concession Agreement	b. To refund the amount of P17.984 million	Admin Dept.	Sept 2023	Dec 2023	Not Implemented	RO constrained to follow the recommendation to refund the amount to the concessionaires considering such amount were part of the passed on	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.

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								expenses recovered from the consumers	
B.2 Non-Financial Audit Observation – MWSS REGULATORY OFFICE									
CY 2022 AAR B.2 pages 112-116	<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 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	a. Require the Rate Rebasing Management Committee (RRMC) and the Accounting Section to Provide documents on deliverables to support payment of reimbursements amounting to P3.342 million; and	a.To submit copy of accomplished and accepted reports and other supporting documents as required under the Consultancy Services Contract and Terms of Reference. However, consistent with the MWSS RO’s reply dated 03 April 2023 to COA AOM No. RO-2023-008, “the payment of Reimbursable Expenditures is not premised on the submission of Deliverables. Upon showing that the Reimbursable Expenditures were reasonably incurred and that the Consultants have submitted the required documents, the MWSS RO can	RRMC & Admin Dept. – Finance Section	Sept. 2023	Mar 2024	Partially Implemented	N/ A	All of the remaining reports were already received by the RO.  Copy of reports on Historical Cash Flows and Future Cash Flows were already transmitted to the COA last 27 October 2023. Copy of the preliminary Rate Rebasing Report will be included in the 4thQ CY 2023 submissions of DVs.  Currently, the RRMC is conducting final review and evaluation of the Final Rate Rebasing. Once completed and accepted by the

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		b. Utilize the reports of previous Rate Rebasing Exercises pursuant to the Technology and Knowledge Transfer provision of the contract as required under the 2016 RIRR of RA 9184	already reimburse the Consultants.”  b. To utilize as reference the reports of previous Rate Rebasing Exercises, specifically in the improvement of 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	MWSS RO	Sept. 2023	Dec 2023	Fully Implemented	N/A	RRMC, copy of the report will be transmitted to the COA.  Currently, reports were already used as reference in the annual adjustment of rates, and in determining the opening cash flows of the concessionaires.

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			Rate Rebasing Exercise.						
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 and updating the Inventory and Inspection Report of Unserviceable Properties as basis for disposal. An initial report was submitted to the COA last 01 September 2023;
		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	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;



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									Property as recommended by the COA. The Disposal Committee will be reconstituted considering the mandatory retirement of the Chairperson and the resignation of one of the members. Once completed, the disposal committee will commence the disposal of the remaining unserviceable assets.
Part III. Prior Year's									
CY 2021 AAR B. 19 pages 105-107	The validity and reliability of the Due from Officers and Employees, Other Payables and negative prepayment accounts amounting to 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.	a. Review, analyze, and reconcile the details of the Due from Officers and Employees and Other Payables accounts as well as the negative items in the Prepayments accounts;	a. To review, analyze, and reconcile the details of the Due from Officers and Employees and Other Payables accounts as well as the negative items in the Prepayments accounts;	Admin Dept. – Finance Section	Sept. 2023	Dec 2024	On-going	N/A	The RO hired a Financial Analyst (Contract of Service) to assist in reconciliation of the subject accounts. Once reconciled, a corresponding adjusting entries will be made. As of this date, the Financial Analyst

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					From	To			
	2021, and Executive Order Mo. 87 s. 2019.	b. Prepare the necessary adjustments and maintain the necessary subsidiary records for the fair presentation of 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	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