

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

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### A. Financial Audit – Corporate Office

#### ***Presentation of Appraisal Capital Stock***

1. **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).**
  - 1.1. Analysis of the account *Appraisal Capital Stock* disclosed that the recognition, measurement and presentation of accounts are based on the Philippine Financial Reporting System (PFRS) since MWSS accounts were migrated to e-NGAS in CY 2007. The *Appraisal Capital Stock* account is used to record changes in the carrying amount of items of PPE as a result of revaluation. As used in PAS 16, *Appraisal Capital Stock* is the same as Revaluation Surplus.
  - 1.2. In CY 2015 Annual Audit Report (AAR), it was reported that the year-end balance of the *Appraisal Capital Stock* and the carrying value of PPE amounting P36.383 billion and P46.251 billion, respectively, were found unreliable due to the (a) non-conduct of regular revaluation/appraisal of PPE, (b) non-realization of revaluation surplus to Retained Earnings for disposed PPE and depreciable PPE still in use after revaluation and (c) erroneous recording of appraisal value for the idle lands which should be credited to Retained Earnings instead of *Appraisal Capital Stock*.

- 1.3. As of December 31, 2016, Appraisal Capital Stock account showed an ending balance of P28.428 billion as shown below.

Account Code	Account Title	Beginning Balance since e-NGAS migration	Balance as of December 31, 2016
506-01	Land	P 12,433,271,046.56	P 12,205,095,286.30
506-02	Structures and Improvements	292,485,820.08	292,485,820.08
506-03	Collecting and Impounding Reservoirs	1,111,404,829.76	1,111,404,829.76
506-04	Supply Mains	3,097,555,967.64	3,097,555,967.64
506-05	Distribution Reservoirs and Booster Station	2,432,331,003.83	2,432,331,003.83
506-06	Buildings and Improvements	485,838,405.52	485,838,405.52
506-07	Wells and Facilities	76,762,346.09	76,762,346.09
506-08	Water Treatment Equipment	103,483,461.33	103,483,461.33
506-09	Sewer Treatment Equipment	4,192,576.06	4,192,576.06
506-10	Water Treatment Plant	126,236,850.33	126,236,850.33
506-11	Transmission and Distribution Mains	7,730,461,900.55	7,730,461,900.55
506-12	Water Meters	98,315,761.86	98,315,761.86
506-13	Transmission and Discharge Mains	482,090,989.28	482,090,989.28
506-14	Public Faucets/Sanitary Facilities	15,954,953.27	15,954,953.27
506-15	Sewer Treatment Plant and Pumping Stations	82,942,887.94	82,942,887.94
506-16	Hydrants	9,799,180.72	9,799,180.72
506-17	Manholes and Accessories	13,968,231.40	13,968,231.40
506-18	House Water Connection	8,177,984.69	8,177,984.69
506-19	House Sewer Connection	38,709,102.51	38,709,102.51
506-20	Electrical Installation and Lighting System	12,096,251.11	12,096,251.11
<b>Total</b>		<b>P 28,656,079,550.53</b>	<b>P 28,427,903,790.27</b>

This amount should have been realized upon retirement or depreciation of the assets had the Management complied with Paragraph 41 of PAS 16 which provides:

*“The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognized. This may involve transferring the whole of the surplus when the asset is retired or disposed of.*

*However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from revaluation surplus to retained earnings are not made through profit or loss."*

- 1.4. However, it was observed that except for land, all other sub-account balances of *Appraisal Capital Stock* have been non-moving from the time MWSS' accounts were migrated to e-NGAS. Hence, no piecemeal realization of revaluation surplus has been transferred to Retained Earnings for assets still in use after revaluation, nor when MWSS' revalued assets are disposed of.
- 1.5. Further, no changes have been made to the account *Appraisal Capital Stock* to record realization of revaluation surplus considering that MWSS had disposed some of its unserviceable assets in previous years and there was no record showing the specific assets where the revaluation surplus was recorded in the books.
- 1.6. In CY 2014, various adjustments were made to the account *Appraisal Capital Stock* with a total net credit amount of P7.955 billion. These were posted to adopt the appraised value of the retained assets of MWSS as of 31 December 2010 based on the Asset Condition Report as of CY 2010, submitted by the two concessionaires as verified by private consultants engaged by the MWSS Regulatory Office in CY 2013.

All of these adjustments except for nine journal entries pertained to the appraisal of various land accounts recorded in the books as PPE – Land (201). The nine journal entries presented below adjusting the *Appraisal Capital Stock* with a total net credit amount of P450.484 million pertained to the revaluation of idle lands accounted for as investment property and recorded in the books as Other Assets (290).

	<b>JEV No.</b>	<b>Debit</b>	<b>Credit</b>
1	JEV-2014-12-005347	P 490,930.29	
2	JEV-2014-12-005336	428,759.69	
3	JEV-2014-12-005342	19,665,100.44	
4	JEV-2014-12-005345	6,772.20	
5	JEV-2014-12-005348		P 24,203,816.26
6	JEV-2014-12-005341		434,363,510.08
7	JEV-2014-12-005335		4,406,074.00
8	JEV-2014-12-005346		7,512,971.68
9	JEV-2014-12-005343		589,611.37
	<b>Total</b>	<b>P 20,591,562.62</b>	<b>P 471,075,983.39</b>

- 1.7. To comply with the prior year's audit recommendations, the following adjusting journal entries were posted in CY 2016 to realize the revaluation surplus to Retained Earnings:

a. JEV-2016-12-004292

<i>Appraisal Capital Stock</i>	471,075,983.39
<i>Retained Earnings</i>	471,075,983.39

	<i>Retained Earnings</i>	20,591,562.62
	<i>Appraisal Capital Stock</i>	20,591,562.62
b. JEV-2016-12-0045320		
		694,247,066.00
	<i>Appraisal Capital Stock</i>	694,247,066.00
	<i>Retained Earnings</i>	
c. JEV-2016-12-004314		
		10,815,063.86
	<i>Retained Earnings</i>	10,815,063.86
	<i>Appraisal Capital Stock</i>	
d. JEV-2016-12-004382		
		5,370,017,679.80
	<i>Retained Earnings</i>	5,370,017,679.80
	<i>Appraisal Capital Stock</i>	
	<i>Appraisal Capital Stock</i>	12,191,086,825.80
	<i>Retained Earnings</i>	12,191,086,825.80

However, further verification revealed that adjusting entries b to d with a net amount totaling P7,504,501,148.14 pertained to various Land accounts still with carrying value in the books, not yet dispose of. Management should have recognized the realization of the *Appraisal Capital Stock* pertaining to Land only upon disposal of the asset.

1.8. Meanwhile, under COA Circular No. 2015-003 dated 16 April 2015, MWSS is classified as a Non-Government Business Entity (Non-GBE) and under COA Resolution No. 2015-040 dated 1 December 2015, the adoption of the PPSAS by Non-GBEs is until 1 January 2016.

1.9. MWSS, being a non-GBE, the following PAGs apply:

a. Philippine Application Guidance (PAG) 2 of PPSAS 17 covering PPE states:

*“Paragraph 42 provides that an entity shall choose either the cost model or the revaluation model as its accounting policy, and shall apply that policy to an entire class of property, plant, and equipment.*

*For consistency and uniformity, **the cost model shall be adopted for all classes of PPE.**”*

- b. PAG 2 of PPSAS 16 covering Investment property states:

*“Paragraph 39 permits the entity to choose between the fair value model and the cost model as accounting policies applicable to its investment property.*

*For consistency and uniformity, **the cost model shall be adopted.**”*

- 1.10. In view of the series of adjustments made to the **Appraisal Capital Stock** and the first time adoption of PPSAS by MWSS which employs the cost model for all types of PPE and Investment Property, we recommended that Management:

- 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 above Pro-forma entry as follows:

Appraisal Capital Stock	28,427,903,790.27
Various PPE account	28,427,903,790.27

- b. Make the necessary correcting and reversal entries on the erroneous realization of Appraisal Capital Stock amounting to P7,504,501,148.14.

Retained Earnings	7,504,501,148.14
Land	7,504,501,148.14

- 1.11. Management informed that the balance of the Appraisal Capital Stock and the corresponding PPE Accounts as presented in the details of year-end balance of Appraisal Capital Stock was done before the MWSS was classified as a Non-GBE.

- 1.12. However, MWSS has a pending request to this Commission to reclassify MWSS as a GBE. MWSS requested that all necessary reversal as recommended be done after the receipt of the decision of the Commission on Audit.

### ***Other Receivables***

2. The reported year-end balance of the account ***Other Receivables*** of P5.623 billion was unreliable due to:
- 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;
  - b. Inclusion of Guarantee Deposits with Concessionaires 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

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.**

2.1. The account Other Receivables showed a year-end balance of P5,623,495,515.81 comprising of receivables from the Concessionaires and other entities to which MWSS has a claim. As defined under COA Circular No. 2015-010 dated 01 December 2015, *Other Receivables* is used to recognize amount due from debtors and other entities not falling under any of the specific receivable account. This account is credited for payment/liquidation of receivables.

2.2. Audit of the account disclosed the following:

2.2.1. Recognition of the disputed claims by MWSI consisting of borrowing cost and penalty on delayed remittance of concession fee amounting to P4.048 billion and P1.118 billion, respectively, or a total of P5.166 billion was not in accordance with PPSAS 19. The details are shown below:

Particulars	Amount
Cost of Borrowing	
<i>MWSI-Borrowing Cost-BNP PARIBAS-US\$150M-Interest, Withholding Tax and Others</i>	P3,952,833,427.60
<i>Interest/Penalty on Unpaid Borrowing Cost</i>	95,246,566.31
<i>Subtotal</i>	<u>4,048,079,993.91</u>
MWSI-Penalty on Delayed Remittance of Concession Fee- Debt Service	1,118,315,273.76
<b>Total</b>	<b>P5,166,395,267.67</b>

- a. The cost of borrowing as disclosed in the Notes to the Financial Statements, included principal, interest and finance charges such as bank conversions, documentary stamps, cable charges and penalties. The Notes also stated that *“MWSS is still pursuing the disputed claims on cost of borrowings from Maynilad Water Co., Inc. relative to the BNP Paribas loan. Should MWSS be able to collect additional cost of borrowings, the said amount will be used to pay the loan with LBP/DBP Bonds Facility.”*
- b. On matters regarding penalty on delayed remittance of concession fee, the Notes to the Financial Statements mentioned that *“On December 19, 2007, the Rehabilitation Court issued an order, Special Proceeding No. Q-03-071 disallowing the penalty and the Order was confirmed on February 6, 2008. In that regard, MWSS requested the Commission on Audit in a letter dated February 13, 2012 for the dropping from the books of the subject penalty based on the order of the rehabilitation court.”*
- c. In the Agency Action Plan and Status of Implementation (AAPSI) for CY 2015, Management informed that it sent a follow-up letter to the COA on its request for write-off of *Other Receivable – MWSI-Penalty on Delayed Remittance of Concession Fee*. It further stated that arbitration

regarding cost of borrowing is on-going. Taken into consideration the result of arbitration which is beyond the control of the entity, the said claim can therefore be considered contingent assets.

- d. A contingent asset as defined under PPSAS 19 is “*a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. **An example is a claim that an entity is pursuing through legal processes, where the outcome is uncertain.***” (Emphasis ours).
- e. Paragraph 39 of the same standard states that *an entity shall not recognize a contingent asset*. Further, paragraph 41 provides that “*Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.*”

2.2.2. Inclusion of guarantee deposits with MWSI and MWCI representing active customer’s deposits withheld from the collections of accounts receivable from water and sewer services of MWSS amounting to P64.798 million and P55.681 million, respectively, was not in line with the recognition of assets and liabilities under Conceptual Framework for Financial Reporting as prescribed by PPSAS.

- a. Accounting records showed the year-end balance of *Other Receivables - Guarantee Deposits* account with Concessionaires, as follows:

Account with	Balance
Maynilad Water Services Inc (MWSI)	P 94,996,518.27
Manila Water Company Inc. (MWCI)	65,583,129.78
<b>Total</b>	<b>P 160,579,648.05</b>

- b. Guarantee deposits as discussed in Notes to the Financial Statements for CY 2016, “*are customer deposits prior to the privatization of MWSS. The amounts were withheld by the two concessionaires from collection of accounts receivable from water and sewer services of MWSS on the onset of privatization where the two concessionaires were authorized to collect. xxx*”
- c. On 11 May 2011, the MWSS Administrator requested from the MWCI the refund of guarantee deposits which was deducted from the collections of the MWSS customers receivables covering the period August 1997, including the 2.91 per cent interest, with a grand total of P9,901,983.00. In view thereof, on 30 November 2011, MWCI paid P6,626,987.00 as

evidenced by JEV-2011-11-006275 thus, leaving an unremitted balance of P3,274,996.00.

- d. Likewise, on 6 June 2014, MWSS also requested the other Concessionaire, MWSI, for the refund of guarantee deposits of P30,197,647.94. However, to date, no refund/payment was received by the System.
- e. Further verification showed that in the event that the computation and assessment of MWSS is accurate and acceptable to the Concessionaires, the balance of guarantee deposits of active costumers prior to privatization should have been P120,480,017.11. The details are as follows:

Account	Balance	MWSS' claim for refund	Should be balance after refund
Other Receivables			
<i>MWSI-Guarantee Deposits</i>	P94,996,518.27	P(30,197,647.94)	P64,798,870.33
<i>MWCI-Guarantee Deposits</i>	65,583,129.78	(9,901,983.00)	55,681,146.78
<b>Total</b>	<b>P160,579,648.05</b>	<b>P(40,099,630.94)</b>	<b>P120,480,017.11</b>

- f. Furthermore, the aforementioned guarantee deposits should not be recognized as receivables from Concessionaires and at the same time as payable (guarantee deposits payable) to customers since it is contrary to the PPSAS conceptual framework.
- i. In recognizing asset/rights and liability/obligations, Conceptual Framework for Financial Reporting as prescribed by PPSAS, provides that:

*“An asset is recognized in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. [F 4.44]*

*A liability is recognized in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. [F 4.46]”*

- ii. Based on the foregoing, the P40,099,630.94 claim for refund should only be the amount to be recognized in the books which represents the deposits from inactive customers, unaccounted deposits and/or those not within the service area of the two Concessionaires.



- g. In addition, a variance of P10.052 million existed between the year-end balance of *Guarantee Deposits Receivable* and the balance of *Guarantee Deposits Payable*, as shown below:

Particulars	Amount	Total
<b>Guarantee Deposits Receivable (149-03-01-01/02-01)</b>		
MWSI-Guarantee Deposits	P94,996,518.27	
MWCI-Guarantee Deposits	65,583,129.78	P 160,579,648.05
<b>Guarantee Deposits Payable (426)</b>		
Republic Cement Plant	30,000.00	
Samson, Wenceslao	30,000.00	
Francisco, Aniceta	756.00	
Berin, Warlita	15,120.00	
Onor, Cerda	756.00	
Angelita R. Chang	7,560.00	
Edgardo Laureano	7,500.00	
Sitio Spar	7,560.00	
Glenn Pelayo	1,000.00	
For Reconciliation	170,532,388.90	170,632,640.90
<b>Variance</b>		<b>P 10,052,992.85</b>

- h. Also, the propriety of recording the MWSS customers guarantee deposits deducted by the Concessionaires from their remittance to the MWSS cannot be ascertained due to:
- Lack of details and supporting documents to determine the accuracy of the guarantee deposits paid by the customers prior to privatization of its operation; and
  - The proposed accounting entry as recommended by the accounting firm hired by the MWSS as shown below, could have resulted in a double recognition of payable.

Other Receivables-MWSI & MWCI	xxx
Guarantee Deposits Payable-For Recon	xxx

- 2.2.3. Variance of P4.734 billion and P163.865 million existed between the book balances and the confirmed balances of the accounts with MWSI and MWCI, thus posed doubt on the accuracy of the year-end balances, as discussed below.

- a. Other receivables from MWSI with book balance of P5,445,333,994.20 differed from the confirmed balance of P710,715,773.84, resulting in a difference of P4,734,618,220.36. The details of which are shown below:

Receivable Accounts	Per book	Per Confirmation	Variance
Leased Property – MWSI	P 2,010,725.51	P 1,840,258.88	P 170,466.63
MWSI Electricity & Phone	1,686,004.79	1,647,488.81	38,515.98
Guarantee Deposit	P 94,996,518.27		P 94,996,518.27
LMG (Chemphil)	4,627,025.16		4,627,025.16

Inventory Held-in-trust	158,479,797.63	97,261,018.22	61,218,779.41
MWSI – Penalty on Delayed Remittance of Con Fee – Debt Service	1,118,315,273.76	607,217,007.93	511,098,265.83
AWSOP Telemetry – MWSI	781,914.72		781,914.72
Mabuhay Vinyl	4,993,546.00		4,993,546.00
Bldg. Rental Deposit (Tandang Sora Branch)	427,300.00		427,300.00
MWSI Rehabilitation – Related Expenses	97,065.00		97,065.00
Interest/Penalty on Unpaid Borrowing Cost	95,246,566.31		95,246,566.31
BNP Paribas	3,952,833,427.60		3,952,833,427.60
Bidding Expenses	532,089.83		532,089.83
Financial Plan Fee for field based investigation	56,739.62		56,739.62
Financial Assistance (AWUIAP, BNAQ-6, Phase-2)	2,750,000.00	2,750,000.00	0.00
Phil. Information Agency (PIA) Mass Media	7,500,000.00		7,500,000.00
<b>Total</b>	<b>P 5,445,333,994.20</b>	<b>P 710,715,773.84</b>	<b>P 4,734,618,220.36</b>

The difference can be attributed to the following reasons:

- i. Mabuhay Vinyl and LMG Chemphil accounts were part of Inventory Held in Trust;
- ii. Bldg. Rental Deposit – Tandang Sora Branch account should be charged to Manila Water (not Maynilad Concession Area);
- iii. Other Expenses related to MWSI Rehab Bidding Expenses and Bidding Expenses accounts should be charged to MWSS;
- iv. Financial Plan Fee for field based inv. (Laiban Dam) account should have been charged to Daruma – Consultant for Laiban Study;
- v. AWUIAP, BNAQ-6 Phase 2 account represents balance of AWUIAP;
- vi. AWSOP Telemetry account is a shared cost with MWCI if proven legitimate;
- vii. Phil. Information Agency (PIA) Mass Media account, MWSI contests that no Memorandum of Agreement was executed with MWSS; and

- viii. MERALCO/Telephone/Rental accounts, MWSI commented that these are brought by timing differences.
- b. MWSI further disputed the claims of MWSS on Inventories Held in Trust account.
- c. As regards MWCI, it confirmed that there is no outstanding payable to MWSS, however the MWSS' records showed a book balance of P163,865,610.28.

**2.3. We recommended that Management:**

- 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;**
  - b. **Submit an updated report on the arbitration on the disputed claims with MWSI as reported in the AAPSI for CY 2015;**
  - c. **Account for and make necessary adjustments in the account Other Receivables, representing the guarantee deposits of active customers which have been transferred to the concessionaires;**
  - 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;**
  - e. **Provide justification on the recording of Guarantee Deposits Payable only during the MWSS privatization; and**
  - 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 receivables.**
- 2.4. Management commented that they will pursue collection of the disputed claims on borrowing cost, and shall disclose the same in the Notes to Financial Statements. With regard to the disputed claim on delayed remittance of concession fee, Management informed that a request for write-off was already made to this Commission.

### ***Results of the Physical Inventory-taking of Property, Plant and Equipment***

3. **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:**
  - 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;**
  - 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;**
  - c. **Various Land and Land Rights with area totaling 1,846,396 sq.m. were found during the inventory-taking but not recorded in the books;**
  - 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;**
  - 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**
  - f. **Various retained assets with carrying amount of P96.043 million were reportedly used by the Concessionaires and Common Purpose Facilities (CPF).**
- 3.1. This is a reiteration of previous year's findings and recommendations.
- 3.2. Our audit was guided by Article IX-D of the Philippine Constitution, Presidential Decree (P.D.) No. 1445 - State Audit Code of the Philippines and COA Circular No. 80-124 re: Inventory of Fixed Assets of Government Owned and/or Controlled Corporations (GOCC):
  - 3.2.1. Article IX-D states that one of the principal duties of the Commission on Audit is to examine, audit and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property owned or held in trust by, or pertaining to, the government.
  - 3.2.2. Section 44 of PD 1445 states that the auditor shall from time to time conduct a careful and thorough check and audit of all property or supplies of the agency to which he is assigned.
  - 3.2.3. COA Circular 80-124 dated January 18, 1980 was issued since the physical inventory-taking, being an indispensable procedure for checking the integrity of property custodianship, has to be regularly enforced. It states the responsibility

and accountability of the head of agency to exercise the ordinary diligence to prevent the incurrence of loss of government property. It also includes the guidelines for Inventory-taking stating that the inventory report shall be properly reconciled with the accounting and inventory records.

- 3.3. MWSS, as an asset-based agency, registers a large number of asset classes that range from small-value general administrative equipment to complex and high-value government resources which include land and land rights, buildings and other structures and the largest among them are the service concession assets assigned to the concessionaires by virtue of the Concession Agreement entered into with MWSI and MWCI.
- 3.4. MWSS' PPE are broadly classified as follows:
  - a. Service Concession Assets – These include land and land rights, buildings and other structures.
    - Assigned to Concessionaires;
    - Assigned to Common-Purpose Facilities (CPF); and
    - MWSS-retained assets
  - b. General Administrative Equipment (GAE) – These include old GAEs prior to MWSS' privatization; and GAEs acquired thru projects implemented by MWSS.
    - Turned over Old GAEs to Concessionaires;
    - Turned over Project GAEs to Concessionaires;
    - MWSS-retained old GAEs; and
    - MWSS-retained Project GAEs
- 3.5. In CY 2016 report on the physical inventory-taking, it was observed that there was no reconciliation between the records of the Finance and Property Management Departments for the Office Building, Other Structures and GAE, thus, the reliability of the balance reported in the Agency books cannot be ascertained. Only the report on Land and Land rights has presented the reconciliation as required by the guidelines on physical inventory-taking set under COA Circular No. 80-124. However, no specific sub- ledger accounts were compared on the reconciliation, thus, making it difficult to ascertain the reliability of the reconciliation report.

Also, it was observed that out of the various Office Buildings and Other Structures with total carrying amount of P1.157 billion, 6.3 per cent or a total of P72.853 million of which were not found/missing per Management Inventory Report. while 93.7 per cent or a total of P1.084 billion were abandoned, dilapidated, and not-in-service/inactive, thus, the existence of the PPE as reported in the books cannot be ascertained. Details are summarized as follows:

Status	Items	Carrying Amount	
Not existing	237		P72,853,188.18
Abandoned	7	P314,168,333.05	
Dilapidated	64	13,724,489.64	

Not-in-service	287	756,397,229.27	
Sub-Total			1,084,290,051.96
<b>Grand Total</b>	<b>595</b>		<b>P1,157,143,240.14</b>

- 3.6. On the other hand, various Land and Land rights consisting of 57 lots with total area of 1,909,542 sq.m. were classified as not-in-service, thus, considered as idle lands. Details are shown in the table below.

Location	No. of Lots	Area (in sq.m.)
Angono	3	73,410
Antipolo	10	178,414
Marikina City	2	7,024
Muntinlupa	1	8,000
Pasig City	1	97
Quezon City	8	227,545
Rodriguez	8	45,790
San Juan	6	53,169
San Mateo	7	206,259
Norzagaray	11	1,109,834
<b>Total</b>	<b>57</b>	<b>1,909,542</b>

- 3.7. Furthermore, the report revealed that various Land and Land rights consisting of 71 lots with area totaling 1,846,396 sq.m. as summarized below were found during the physical inventory taking, but not recorded in the books. Thus, completeness of the PPE as reported in the books is doubtful.

Particulars	PMD Records		Finance Records		Variance	
	Lot	Area (in sq.m.)	Lot	Area (in sq.m.)	Lot	Area (in sq.m.)
Lands Classified as Watershed	201	49,781,333.06	183	48,243,036.06	18	1,538,297.00
Lands Comprising the MWSS-Balara Complex	13	751,983.30	11	726,505.30	2	25,478.00
Lands Comprising the Ipo-Novaliches Road (Quirino Highway)	47	348,728.00	45	304,272.00	2	44,456.00
Not-In-Service (NIS) Lands	69	2,027,421.65	57	1,909,542.00	12	117,879.65
Lands Transferred to the Joint Venture	77	1,262,359.00	67	1,193,190.00	10	69,169.00
Lands Transferred to the	257	373,955.16	239	339,808.91	18	34,146.25

Maynilad Water Services						
Lands Transferred to the Manila Water Company Inc.	114	787,287.95	105	770,318.05	9	16,969.90
<b>Total</b>	<b>778</b>	<b>55,333,068.12</b>	<b>707</b>	<b>53,486,672.32</b>	<b>71</b>	<b>1,846,395.80</b>

- 3.8. Total net variance of P3.280 billion was noted on the PPE balance of Office Building, Other Structures and GAE as of December 31, 2016 as against the balance reported by PMD on the Physical Inventory Report, thus, reliability of the PPE cannot be ascertained. Details are presented below:

Account	Cost		Variance
	Finance	PMD	
Office Building	P1,109,207,719.26	P1,103,871,181.43	P 5,336,537.83
Other Structures	66,354,717,744.39	69,357,848,092.52	(3,003,130,348.13)
GAE	1,602,992,151.73	1,885,401,164.46	(282,409,012.73)
<b>Total</b>	<b>P69,066,917,615.38</b>	<b>P72,347,120,438.41</b>	<b>P (3,280,202,823.03)</b>

- 3.9. Meanwhile, the variance on the Land and Land Rights, if any, cannot be accounted since no corresponding amount was indicated in the report of the physical inventory-taking.
- 3.10. Various unserviceable GAE consisting of 1,283 items with total cost of P239.353 million returned to MWSS in CYs 2006 to 2015 remained included in the report of the physical inventory-taking as of December 31, 2016, and not dispose of, contrary to the Manual on Disposal of Government Property issued thru National Budget Circular 425 dated January 28, 1992.

The Manual provides that the disposal proceedings should be immediately initiated to avoid further deterioration of the property and consequent depreciation in its value. Below is the summary of the unserviceable GAE as included in the report.

Particulars	Items	Cost
Turned Over Old GAE by MWSI	217	P 549,987.44
Turned Over Old GAE by MWCI	129	1,324,515.00
Turned Over Project GAE by MWSI	544	131,344,548.95
Turned Over Project GAE by MWCI	393	106,133,837.91
<b>Total</b>	<b>1,283</b>	<b>P 239,352,889.30</b>

- 3.11. During the audit of prior year's inventory taking, there were items of retained assets presented in the report but remarked as being used by the concessionaires and CPF. The report of inventory taking for CY 2016 showed 95 items of Office Buildings and Other Structures with carrying amount of P96.043 million were being used by the concessionaire and common purpose facility.

Details are shown below.

Particulars	Items	Carrying Amount
Office Buildings - used by MWCI	1	P 2,472,605.76
Other Structures - used by MWCI	49	1,180,788.15
Office Buildings - used by MWSI	6	3,660,203.62
Other Structures - used by MWSI	35	87,887,313.45
Other Structures - used as CPF	4	841,817.40
<b>Total</b>	<b>95</b>	<b>P 96,042,728.38</b>

**3.12. We recommended that Management:**

- 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;**
- b. **Complete the data on the reconciliation report for the Land and Land Rights;**
- c. **Establish, implement, maintain and monitor effective and efficient asset/property management system to ensure that government properties are safeguarded from deterioration and losses;**
- d. **Utilize the properties which were found not-in-service to generate benefit to the agency;**
- 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;**
- f. **Reconcile the net variance noted in the balance of the PPE in the accounting books as against the PMD records; and**
- 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.**

3.13. Management commented that they will adhere to the audit recommendations.

***Not Valid Obligations included in Other Deferred Credits account***

4. **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.**



- 4.1. This is a reiteration of prior years' audit observation with the recommendation to analyze and review 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 account at the end of each accounting period; and thereafter, prepare the necessary adjustments.
- 4.2. PPSAS 1 on the Presentation of the Financial Statements provides that **liabilities are present obligations of the entity arising from past events**, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.
- 4.3. Analysis of the account *Other Deferred Credits* disclosed that it is the accounting practice of the MWSS to credit this account in recognizing a receivable or due from the Concessionaires which is not in accordance with PPSAS 1 that liabilities are present obligations.
- 4.4. The account *Other Deferred Credits* showed a year-end balance of P1,840,979,556. Of this balance, the significant amount of P1,815,341,097.17 or 98.61 per cent were not proper credits since these are (a) receivables or credits with no collections received from the Concessionaires, (b) credits with collections already earned or (c) credits misclassified to the *Other Deferred Credits* account. Details and discussions are presented below.

<b><i>Subsidiary ledger account- Other deferred credits</i></b>	<b><i>Amount</i></b>
<b><i>Credits with no collections received</i></b>	
a. Deferred Credits to Income – Concession Fee Corporate Operating Budget (COB)	P 504,994,350.55
b. Deferred credits to Income – Penalty on delayed payment –Concession Fee – MWSI	1,118,315,273.77
c. Deferred credits to Income – Penalty on delayed payment –Borrowing Cost – MWSI	95,246,576.31
<b>Sub-Total</b>	<b>1,718,556,200.63</b>
<b><i>Credits with collections already earned</i></b>	
d. Other Deferred credits to Income – Miscellaneous- Others	50,821,287.15
e. Other Deferred credits to Income – Disposal Public Auction	31,124,027.60
f. Other Deferred credits to Income – Cost of Lot for Housing	13,019,097.58
<b>Sub-Total</b>	<b>94,964,412.33</b>
<b><i>Credits misclassified to Other Deferred Credits</i></b>	
g. Miscellaneous	1,752,678.95
h. Cash Bond and others	42,100.00
i. Amount withheld for liquidated damages	25,705.26
<b>Sub-total</b>	<b>1,820,484.21</b>
<b>Total</b>	<b>P1,815,341,097.17</b>

#### 4.4.1. *Credits with no collections received*

- a. *Deferred Credits to Income-Concession Fee COB* pertains to the CY 2017 Concession Fees totaling P504.994 million which the Management expects to collect from the Concessionaires.
- b. *Deferred Credits to Income-Penalty on delayed payment-Concession Fee-MWSI* refers to the penalties on delayed remittance of Concession Fees by MWSI from the period 12 March 2001 to 20 July 2005 amounting to P1,118.315 million. The collection of the penalty from MWSI was not allowed by the Rehabilitation Court in an Order dated February 6, 2008. Subsequently, MWSS requested COA for authority to drop said amount from its books of accounts.
- c. *Deferred Credits to Income-Penalty on delayed payment-Borrowing Cost-MWSI* pertains to the accounts of the MWSI totaling P95.247 million that have not been collected to date. This was recognized in CY 2007.

#### 4.4.2. *Credits with collections already earned*

- a. *Other Deferred Credits to Income-Miscellaneous-Others* pertains to the Grant received from the International Bank for Reconstruction and Development (IBRD) in CY 2004 as assistance to MWSS in the preparation for the Manila Third Sewerage Project (Fund 91). The amount of P50.821 million was already disbursed since the subsidiary ledger for the Fund 91 showed a debit to the *Construction in Progress* account. Hence, it is no longer a proper credit to the deferred credit account.
- b. *Other Deferred Credits to Income-Disposal Public Auction* refers to the accumulated proceeds of P31.124 million from the disposal/public auction of unserviceable assets pending request for the dropping from the books of the corresponding PPE account and its accumulated depreciation.

Section 2.2 (a) of the Memorandum of Agreement (MOA) between MWSS and the Department of Finance dated September 16, 1997 provides that 35 per cent of the proceeds from sales of non-operating assets retained by MWSS shall be deposited in a special account with the Bureau of the Treasury (BTr).

Records disclosed that the proceeds from the sale of unserviceable assets in accordance with the MOA were not recorded in the books. Consequently, the PPE account and its accumulated depreciation are overstated while the gain/loss from sale of property is understated on the year the transaction occurred.

- c. *Other Deferred Credits to Income-Cost of Lot for Housing* pertains to the undistributed collections totaling P13.019 million for the cost of lot-La Mesa Housing Project and showed that the proceeds from the sale of the lot was not properly allocated in accordance with Section 2.2(a) of the same MOA.

#### 4.4.3. *Credits misclassified to Other Deferred Credit*

- a. *Other Deferred credits to Income-Miscellaneous* refers to the advance payment of P1.753 million to the consultant for the Pasig River Environmental and Rehabilitation Sector Development Program (PREMRSDP) as described in the subsidiary ledger. As such, the credit to the account did not meet the definition of a deferred credit to income.
  - b. *Other Deferred Credits to Income-Cash Bond* pertains to the collection of cash bonds totaling P42,100 for the rent of MWSS premises for media production purposes that are refundable to the payees. This should have been reclassified to other payable account.
- 4.5. **We reiterated our audit recommendation that Management 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.**
- 4.6. Management commented that they are awaiting authority from the COA to drop from the books the amount of P1.118 billion pertaining to deferred credits to income penalty on delayed payment-concession fee-MWSI.

#### ***Dormant Accounts***

5. **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.**
- 5.1. This is a consolidation of dormant accounts noted in prior year's audit observations including but not limited to paragraphs B.1.6.4, B.1.8.2, B.1.19, B.1.20.2, B.1.20.4, B.1.21.3, B.3.1.2 and D.1.5 of the CY 2015 Annual Audit Report.
- 5.2. Our audit was anchored on the following rules and regulations:
- 5.2.1. Section 111 of PD No. 1145 states that:
- “(1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.*
- (2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.”
- 5.2.2. Also, COA Circular No. 97-001 defines Dormant Accounts as an *individual account or group of accounts which balances remained non-moving for more than five years*. Section III(B) of the Circular also provides the guidelines on these accounts, as follows:

- a. *Dormant accounts in on active fund shall be reviewed, analyzed and reconciled together with the other related accounts in the trial balance.*
  - b. *After the review and validation of accounts, the following procedures shall be followed:*
    - b.1 *Effect the adjusting journal entries and prepare the preliminary trial balance;*
    - b.2 *Determine proper disposition of reconciled and validated accounts;*
    - b.3 *If there are cash accounts which will affect the books of the National Treasury, furnish the Bureau of Treasury (BTr) with the JV pertaining thereto; and*
    - b.4 *If the analysis/review of the accounts/funds is not possible due to absence of records and documents, the agency head concerned should request for write-off and/or adjustment of account balances from the COA, supported by:*
      - b.4.1 *List of available records and extent of validation made on the accounts; and*
      - b.4.2 *Certifications and reasons why the books of accounts/records, financial statements/schedules and supporting vouchers/ documents cannot be located.*
- 5.2.3. COA Circular No. 2016-005 dated 19 December 2016 further defines Dormant Receivable Accounts as *accounts which balances remained inactive or non-moving in the books of accounts for 10 years or more and where settlement/collectability could no longer be ascertained.*
- 5.2.4. On the procedures to write-off dormant accounts, Section 8 of the same COA Circular provides that:
- “8.2 The head of the government entity shall file the request for authority to write-off dormant receivable accounts, unliquidated cash advances, and fund transfers to the COA Audit Team Leader and/or Supervising Auditor (SA). No filing fee is required.*
- 8.3 The request shall be supported by the following documents:*
- a. *Schedule of dormant accounts by accountable officer/debtor/government entity and by account, certified by the accountant and approved by the Head of the government entity;*
  - b. *Certified relevant documents validating the existence of the conditions, as applicable, such as:*

xxx

*b.6 Proof of exhaustion of all remedies to collect the receivables and demand to liquidate the cash advances and fund transfers, such as but not limited to copies of served or returned demand letters;*

*b.7 Certification by the responsible officials of the entity to the effect that there are no records/documents available to validate claim; and*

*b.8 Other justifications, like in the case of request for write-off due to loss of documents, the circumstances of the loss should be stated in the letter-request”*

5.3. Verification of the trial balance as of 31 December 2016 and its supporting Subsidiary Ledgers (SL) disclosed various assets and liabilities totaling P1.564 billion and P265.095 million, respectively which remained dormant. The details are discussed below:

5.3.1. The Asset and liability accounts totaling P64.496 million and P110.140 million, respectively, which have been dormant for more than 10 years are the remaining balances of the P98.222 billion representing total beginning or carry-over balances as a result of the Agency’s adoption and implementation of the electronic-New Government Accounting System (e-NGAS) starting 1 January 2007. The various Journal Entry Vouchers (JEVs) are as follows:

<b>JEV No.</b>	<b>Fund Type</b>	<b>Amount</b>
2007-01-002478	Corporate Fund – 05	P 92,254,600,334.13
2007-01-003667	Angat Water Supply Optimization Project (AWSOP) -75	2,089,983,985.46
2007-01-003677	Pasig River Environment Mgmt. & Rehab Sector Devt. Program (PREMRSDP) – 89	259,226,882.90
2007-01-003690	New Water Sources Development Project (NWSDP) – 90	54,337,273.01
2007-01-003695	Manila Water Supply Project III – 63	183,082,505.08
2007-01-003723	Manila Third Sewerage Projects (MTSP) – 91	50,834,188.16
2007-01-003726	Manila Water South Distribution Project (MWSDP-Peso) – 78	670,240,266.79
2007-01-004055	Manila Second Sewerage Project (MSSP) – 84	156,710,163.76
2007-01-004076	Umiray Angat Transbasin Project (UATP) – 82	2,256,791,249.62
2007-01-004486	Angat Water Supply Optimization Project (AWSOP BONDS) – 77	244,447,299.60
	<b>Total</b>	<b>P 98,220,254,148.51</b>

- 5.3.2. It was observed that when the beginning balances were set up, no supporting documents were attached to the submitted JEVs to at least, describe the nature of the accounts hence, the accuracy and validity of the recognized beginning balances in CY 2007 are doubtful. The details of which are shown below:

Dormant accounts as a result of recognition of beginning balances in the books  
As of December 31, 2016

Account Title	Account Code	Amount
<b>Assets</b>		
<u>Accounts Receivables</u>		
Terminal Pay	123-03	P 5,823,391.79
DPWH - Office Rental	136-01-01	1,209,411.05
DPWH – Others	136-01-04	2,654,086.44
PRRC - Office Rental	136-03-01	391,343.40
PRRC – Electricity	136-03-02	443,799.01
Ninoy Aquino Int'l Airport	137-01	4,195.56
Local Waterworks Utility Administration	137-02	154,249.77
City of Manila	138-01	13,023.67
<u>Other Receivables</u>		
PhilAqua-Electricity	149-02-04-02	20,140.28
Canteen-Water	149-02-05-01	158,094.93
WASSSLAI-Electricity	149-02-06-02	25,374.27
KKMK-Electricity	149-02-07-02	2,517.55
KKMK(WEST)-Electricity	149-02-08-02	2,517.55
LMG (Chemphil)	149-03-01-02	7,730,290.55
Back Rental of Right of Way (Loyola)	149-03-01-03	1,196,408.37
Awsop Telemetry – MWCI	149-03-01-06	781,914.72
La Vista	149-03-01-08	591,346.80
LMG (Chemphil)	149-03-02-02	4,627,025.16
Awsop Telemetry – MWSI	149-03-02-06	781,914.72
Mabuhay Vinyl	149-03-02-08	4,993,546.00
Bldg. Rental Deposit (Tandang Sora Branch)	149-03-02-09	427,300.00
Deposits-UBIX	149-05-02	22,727.27
<b>Sub total</b>		<b>32,054,618.86</b>
<u>Prepayments</u>		
Mobilization - For Reconciliation	181-01-99	47,535.54
Franchise Tax	185-04	32,395.29
<u>Other Assets</u>		
Guaranty Deposits-Regulatory Office	186	64,625.00
Manila Electric Company (MERALCO)	186-01	24,869.34
Maynilad Water Services, Inc. – Meralco	186-02	10,637,080.99
MWCI - BALARA Quarters	186-03	1,050.00

Structures and Improvements	290-01-01-03	144,866.40
Distribution, Reservoir and Standpipes	290-01-01-04	146,067.50
Buildings and Improvements	290-01-01-05	14,252,070.28
Wells and Facilities	290-01-01-06	3,734,776.65
Structures and Improvements	290-01-02-01	1,160,000.00
Sewer Treatment Equipment	290-01-02-02	427,200.00
Consultancy and Others	290-03-01-01	1,396,765.08
<u>Investments</u>		
PLDT Stocks	192-01	372,650.00
<b>Sub total</b>		<b>32,441,952.07</b>
<b>Total Assets</b>		<b><u>P64,496,570.93</u></b>
<b>Liabilities</b>		
<u>Other Payables</u>		
Contractors	427-01-03	P6,424.50
Atty.'s Fee - RATA (Excess 1 Hr. & 49.50)	439-05-01	7,524,350.20
Medicaid Health Care	439-06	61,360.00
Financial Assistance – PAGCOR	439-13-01	2,000,000.00
<u>Long Term Liabilities</u>		
Domestic Loans Payable – NHA	444-01-01	98,795,399.07
<u>Deferred Credits</u>		
Miscellaneous – Others	455-03-04-01	1,752,678.95
<b>Total Liabilities</b>		<b><u>P 110,140,212.72</u></b>

- 5.3.3. Further verification revealed that there are asset and liability accounts in the books totaling P1.500 billion and P154.955 million, respectively, which remained dormant for more than five years, as follows:

Dormant accounts for more than five years  
As of December 31, 2016

Account Title	Account Code	Amount	Dormant since
<b>Assets</b>			
<u>Cash</u>			
Various Disbursing Officer (Old MWSS)	103-000001	P 168,654.13	Oct 2010
Miguel, Marivic L.	103-491464	174,643.84	Jan 2011
<u>Accounts Receivables</u>			
Cellphone	123-05-02	(3,876.14)	Dec 2010
Balara Quarter Rental	123-05-04	(150,843.67)	Mar 2011
Loan Rec. - MCMC (Board Resolution No.97-2002)	126-02-01	467,722.05	Jun 2011
Due from NGA - DBM Procurement Service	136-05	11,344.50	Mar 2011
<u>Other Receivables</u>			
Secretary Vigilar	146-01	587,400.00	Jan 2009
Multi Media	149-01-004-574-945-000	388,098.43	Jun 2011

PNB-Telephone	149-02-03-03	76,578.93	Nov 2009
PhilAqua-Electricity	149-02-04-02	20,140.28	Mar 2009
Canteen-Water	149-02-05-01	158,094.93	Nov 2011
Financial Plan Fee for field based investigation	149-03-01-13	22,200.00	May 2008
Financial Assistance (AWUAIP,BNAQ-6 Phase 2)	149-03-01-14	1,977,500.00	Oct 2010
Arbitration Expenses-Contract No. STP-01	149-03-01-15	66,094.54	Sep 2009
Guarantee Deposit	149-03-02-01	94,996,518.27	Dec 2008
Inventory Held In-trust	149-03-02-04	158,479,797.63	Jul 2011
MWSI-Penalty on Delayed Remittance of Con Fee-Debt Service	149-03-02-05-01	1,118,315,273.76	Jan 2008
MWSI Rehabilitation-Related Expenses	149-03-02-10	97,065.00	Feb 2007
Interest/Penalty on Unpaid Borrowing Cost	149-03-02-13	95,246,566.31	Jan 2008
Bidding Expenses	149-03-02-14	532,089.83	Apr 2007
Financial Plan Fee for field based investigation	149-03-02-16	56,739.62	Jan 2008
Financial Assistance (AWUAIP, BNAQ-6,Ph. 2)	149-03-02-17	2,750,000.00	Feb 2008
Phil. Information Agency (PIA) Mass Media	149-03-02-18	7,500,000.00	May 2009
Refundable Gratuity	149-07	214,416.81	Jun 2010
<u>Prepayments</u>			
Bail Bonds-Real Estate	185-07	300,000.00	Jan 2008
<u>Investments</u>			
MERALCO Stocks	192-02	2,151,517.79	Nov 2007
<u>Other Assets</u>			
300 MLD (Technical Assistance	290-03-02-01	4,445,570.25	Feb 2010
Review of Loan Documents	290-03-03-01-01	20,000.00	Jan 2010
Investigation and Survey	290-03-04-04	349,720.05	Dec 2009
Garnished Account	290-04	10,613,511.99	Oct 2010
<b>Total Assets</b>		<b>P1,500,032,539.13</b>	
<b>Liabilities</b>			
<u>Accounts Payable</u>			
Interest Payable - JBIC – AWSOP	409-03-JBIC	64,419,457.73	Dec 2010
<u>Inter-agency Payable</u>			
Guarantee Fee- Bridge Loans	411-01-02	79,926,050.00	Oct 2008
Income Tax Withheld from Salaries and Other Compensation – Contractual	412-01-01-02	45,923.12	Dec 2010
Pag-ibig Premium GS –	414-01-02	100.00	Dec 2011



Contractual			
Multi-Purpose Loan – Contractual	414-03-02	(1,456.32)	Jul 2010
GMA	427-01-04	10,000.00	Dec 2009
Cash Bond - Right of Way	427-01-07	78,795.64	Feb 2011
WASSSLAI - Board of directors (Various Employees)	439-02-01-03	(2,000.00)	Mar 2010
KKMK (New)	439-08	66,000.00	Sep 2010
Trust Fund 25% (A.A.)	439-09	361,608.82	Mar 2011
Special Power of Attorney (A.A.)	439-10	1,041.15	Jun 2010
MCMC Inos Classic Chef Collection	439-12-03	39,762.25	Jun 2011
MCMC Construction of Chapel	439-12-04	10,000.00	Jan 2011
Due to Philippine Information Agency (PIA)	439-27	10,000,000.00	Sep 2009
<b>Total Liabilities</b>		<b>P 154,955,282.39</b>	

**5.4. We recommended that Management:**

- a. **Comply with the provisions of Section 111 (1) and (2) as regards recording of the accounts;**
- 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**
- 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.**

5.5. Management informed that reconciliation of dormant accounts is still on-going.

***Material Variances of Loans Payable accounts***

**6. 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 institutions.**

- 6.1. Section 111 of Presidential Decree No. 1445 provides that *the accounts of an agency shall be kept in such detail as necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government. The highest standards of honesty, objectivity and consistency shall be*

*observed in the keeping of accounts to safeguard against inaccurate or misleading information.*

- 6.2. In CY 2015 Annual Audit Report, a negative variance of P1,861.503 million was reported between the confirmed balance and book balance of long-term liabilities. We then recommended that Management reconcile its accounts for the NHA Loan, ADB 779/780 IBRD 1272, JBIC/OECF and NATIXIS Loan.
- 6.3. In the Agency Action Plan and Status of Implementation (AAPSI) for CY 2015, Management informed that reconciliation of the loan accounts with discrepancies is on-going.
- 6.4. Results of the Audit Team confirmation from the NHA, BTr and foreign lending institutions disclosed that a material variance of P1.526 billion remained unreconciled against the balance per books of the long-term liabilities as shown below:

Loan Account	Amount		Difference
	per Books	per Confirmation	
Domestic Loans			
NHA	P 98,795,399.07	P 5,630,350.23	P 93,165,048.84
ADB 779/780	185,565,824.95	376,870,125.12	(191,304,300.17)
IBRD 1272	71,941,292.00	76,047,032.00	(4,105,740.00)
ADB 1746	136,433,133.05	136,312,621.17	120,511.88
Subtotal	492,735,649.07	594,860,128.52	(102,124,479.45)
Foreign Loans			
JBIC/OECF PH-110	1,462,778,618.21	2,887,378,951.58	(1,424,600,333.37)
NATIXIS	5,623,081.01	5,623,191.95	(110.94)
Sub total	1,468,401,699.22	2,893,002,143.53	(1,424,600,444.31)
Total	P 1,961,137,348.29	P 3,487,862,272.05	P (1,526,724,923.76)

- 6.5. As regards the Asian Development Bank (ADB) and the China Eximbank for the confirmation of ADB 1150, ADB 1379 and China Eximbank loan balances, no replies were received from the two banks.
- 6.6. **We recommended that Management require the Finance Department to reconcile the discrepancies in the *Loans Payable* account to arrive at the correct balances at year-end.**
- 6.7. Management informed that the NHA Loan and JBIC/OECF will be adjusted as discussed in the audit finding nos. A.14 and C.1.

## **Presentation of Other Assets**

7. 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.

7.1. This is a reiteration of previous year's findings and recommendations.

7.2. Our audit was anchored on the PPSAS 16 and 31, COA Circular 2015-010 and the Conceptual Framework for Financial Reporting as being prescribed by the PPSAS.

7.2.1. PPSAS 16 – Investment Property provides that:

*“x x x Investment property is property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation, or both, rather than for: (a) Use in the production or supply of goods or services, or for administrative purposes; or (b) Sale in the ordinary course of operations. x x x;*

*“x x x **Land held for a currently undetermined future use.** (If an entity has not determined that it will use the land as owner-occupied property, including occupation to provide services such as those provided by national parks to current and future generations, or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation). x x x” (emphasis ours)*

7.2.2. PPSAS 31 – Intangible Asset states that:

*“x x x An intangible asset is an identifiable non-monetary asset without physical substance. x x x”;*

*x x x A class of intangible assets is a grouping of assets of a similar nature and use in an entity's operations. Examples of separate classes may include: x x x;*

*x x x (e) Copyrights, patents, and other industrial property rights, **service, and operating rights**; x x x”. (emphasis ours)*

7.2.3. The following are the description of accounts as provided by the Revised Chart of Accounts (RCA) per Annex 1 of the COA Circular 2015-010:

*Account Title : Investment Property, Land*

*Account Number : 10501010*

*Normal Balance : Debit*

*Description : This account is used to recognize the cost of land or part of a land held by the owner (or by the lessee under a finance*

*lease) to earn rentals or for capital appreciation or both. Credit this account for disposal or reclassification to Property, Plant and Equipment account when the property will be used other than to earn rental or for capital appreciation. For entities adopting the fair value model, this account shall be debited/credited for the increase/decrease in fair value of investment property.*

*Account Title : Other Intangible Assets*

*Account Number : 10801980*

*Normal Balance : Debit*

*Description : This account is used to recognize the cost of obtaining other nonmonetary assets without physical substance which grants the owner legal and contractual rights and future economic benefits not otherwise classified under the specific intangible asset accounts. This includes trademarks, motion picture films, marketing rights, franchises and the like. Credit this account for termination and/or revocation of rights and benefits, transfers or other disposal.*

*Account Title : Other Assets*

*Account Number : 19999990*

*Normal Balance : Debit*

*Description : This account is used to recognize assets not falling under any of the specific asset accounts. Credit this account for disposal or reclassification to specific asset accounts.*

#### 7.2.4. The Conceptual framework discusses that:

*“Financial Reporting, as defined in the Conceptual Framework refers to the provision of information about an entity’s financial position, performance and changes in financial position that is useful to a wide range of users in making economic decisions.*

*Financial statements also show the results of the stewardship of management, or the accountability of management for the resources entrusted to it. For this reason, financial information, specifically the elements of financial statements or the quantitative information contained therein should be relevant and faithfully represented to become useful as basis for making decisions.*

*The Framework provides that an “asset” is recognized when these two conditions are present - It is probable that future economic benefits will flow to the entity; and the cost or value of the asset can be measured reliably.”*

- 7.3. Audit of CY 2016 balance of *Other Assets* (290) amounting to P1,925,927,202.19 disclosed that 64 sub-accounts aggregating P593.706 million pertained to parcels of lands held by MWSS for currently undetermined future use, hence remained idle. Further, balance as of December 31, 2016 remained the same as follows:

Particulars	Subsidiary Account Code.	Amount
Laiban Site at Tanay Rizal	290-01-01-02-01	P 484,292.00
Marcelino Sy Chengco, Tinucan Tanay Rizal, OCT # 162, Lot #353 Survey # PLS 39 Lot area 35,055 sq.m. H.C. 325,275.00	290-01-01-02-02-162	325,275.00
Corazon Escobar, Sta Ines Tanay Rizal OCT# NP-165, Survey # PSU 220673, Lot area 200,813 sq.m. H.C. 1,666,747.90	290-01-01-02-02-165	1,666,747.90
Corazon Escobar, Sta Ines tanay Rizal, OCT# NP-167, Survey # 220759, Lot area 99341 sq.m. H.C. 824,530.30	290-01-01-02-02-167	824,530.30
Corazon Escobar, Sta Ines Tanay Rizal, Survey # PSU 220576, Lot area 229,400 sq.m., H>C> 1,904,020.00	290-01-01-02-02-220576	1,904,020.00
Corazon Escobar, Sta Ines Tanay Rizal, Lot area 142,618 sq.m. H.C. 1,183,729.40	290-01-01-02-02-220580	1,183,729.40
Laiban Tanay Rizal TCT 26999, Lot # 252, Survey # PLS 39, Lot area 59,395 sq.m. H.C. 99,783.60	290-01-01-02-02-26999	99,783.60
Elizabeth Mapa, Mamuyao Tanay Rizal, OCT# M-42785, Lot # 69 Survey # PLS-475-D, lot area 100,000 sq.m. H.C. 1,000,000.00	290-01-01-02-02-42785	1,000,000.00
Cecilia wong Medina/Consolacion Munar, Heirs of Emilio Medina, Sto Nino Tanay Rizal, Oct # 649, Lot # 372, Survey # PLS 39, Lot area 54,206 sq.m. H.C.	290-01-01-02-02-649	125,215.86
Isidro Salonga, Laiban Tanay Rizal, OCT # 718, Lot # 489, Survey # PLS 39, Lot area 64,498 sq.m. H.C. 612,731.00	290-01-01-02-02-718	612,731.00
Vitaliano Celon, Laiban Tanay Rizal, OCT# 719, Lot # 232, Survey # PLS -39, Lot area 60,704 sq.m. H.C. 424,928.00	290-01-01-02-02-719	424,928.00
Violeta C. Garcia, Conchita dela Cruz, Elizabeth A. Lubao, Violeta g. Aranas, Atty. -in-fact raul Aranan & Jose Mina, Mamuyao Tanay Rizal, OCT # M-782	290-01-01-02-02-782	498,298.80
Pedro Nuynuyan, tinucan Tanay Rizal, OCT # 506-M-0025, Lot # 289, Survey # PLS-39, Lot area 59,155 sq.m.	290-01-01-02-02-M-0025	479,155.50
Editha T. Porciuncula, Sta Ines Tanay Rizal, OCT M-0030, Lot # 28, survey # NG-124-D Lot area 40,000 sq.m. H.C. 320,000.00	290-01-01-02-02-M0030	320,000.00
Florante Eborla Laiban Tanay Rizal, OCT M-0043, Lot # 143, Survey # PLS 475-D, Lot area 100,000 sq.m. H.C. 870,000.00	290-01-01-02-02-M0043	870,000.00
Flor E. Mandacruz for Heirs of deceased Marcelino Endriga & Rosalina Carreon & son Celerino Endriga, Mamuyao Tanay Rizal, Tct # M-126, Lot # 67	290-01-01-02-02-M-126	490,000.00
Alejandro Benito, Mamuyao, Tanay Rizal, OCT # 370-M-133, Lot # 82, Survey # PLS 475-D, Lot area 100,000sq.m. H.C. 850,000.00	290-01-01-02-02-M-133	850,000.00
Evelyn Pereyra, Laiban Tanay Rizal, TCT M-2-504, Lot #452, Survey # PLS 39, Lot area 59,762 sq.m. H.C. 418,334.00	290-01-01-02-02-M-2-504	418,334.00
Natividad M. Villena, Laiban Tanay Rizal TCT # M87370, Lot # 220, Survey # PLS 39, Lot area 60,009 sq.m. H.C. 418,334.00	290-01-01-02-02-M-87370	100,815.12

Francisco Vertudes, Sta Ines Tanay Rizal, Homestead Patent No. 26, Lot # 52, Survey # NG# 124-D, Lot area 40,000 sq.m. H.C. 80,000.00	290-01-01-02-02-Patent26	80,000.00
Malinta Antipolo, Survey # Psu-15536, Lot area 894 sq.m.	290-01-01-02-03-042875	715,200.00
Boso-Boso Antipolo Rizal, Survey # Lrc Psd 307094, Lot# 11 H, Lot area 20,005 sq.m.	290-01-01-02-03-133952	800,200.00
Boso-Boso Antipolo Rizal, Survey # Lrc Psd 307094, Lot # 11-G, Lot area 20,007 sq.m.	290-01-01-02-03-133953	800,280.00
Boso-Boso Antipolo Rizal, Survey # Psd 69438 Lot # 3 Blk 3 Lot area 309	290-01-01-02-03-204093	12,360.00
Sitio Binuhan Boso-Boso Antipolo, Survey # 223816, Lot area 61,537 sq.m.	290-01-01-02-03-204106	2,461,480.00
Bo. San Jose , Boso-Boso, Antipolo, Survey # Psd 69438 Lot # 1 Blk 2 Lot area 286 sq.m.	290-01-01-02-03-204114	11,440.00
Bo. San Jose Boso-Boso Antipolo, Survey # Psd 69438 Lot # 2 Blk 2, Lot area 297 sq.m.	290-01-01-02-03-204115	11,880.00
Sitio Binuhan Boso-Boso Antipolo, Survey # Lrc Psd-67990, Lot # 3 Blk 5, Lot area 1,000 sq.m	290-01-01-02-03-204148	40,000.00
Boso-Boso Antipolo Rizal, Survey # Lrc Psd 307094, Lot # 11-F, Lot area 20,005 sq.m.	290-01-01-02-03-206588	800,200.00
Bo. San Jose Boso-Boso Antipolo, Survey # 246910, Lot # 7 B, Lot Area 54,074 sq.m.	290-01-01-02-03-225373	40,440.00
15th Ave. Cor. Boni Serrano Cubao ( Mapintud San Juan Rizal), Survey # Psd-10654, Lot # 23-D-1, Lot area 1,635 sq.m.	290-01-01-02-04-027255	4,905,000.00
North Fairview Park Commonwealth Ave., survey # Psd-13-004385, Lot # Blk 62- B, Lot area 24,220 sq.m.	290-01-01-02-04-378154	290,640,000.00
Blue Ridge Santolan Q.C. Survey # 73270, Lot # 2, Lot area 1,525 sq.m.	290-01-01-02-04-LW2-34	4,575,000.00
Santolan Rd. Q.C., Survey # Psu-73270, Lot # 3, Lot area 859 sq.m.	290-01-01-02-04-LW235	1,718,000.00
Santolan Rd. Q.C. Survey \$ Psu 73270, Lot # 4, Lot area 83,153 sq.m.	290-01-01-02-04-LW236	166,306,000.00
Bo. Libis Murphy Santolan Q.C. (Marikina River-Santolan Rd.) survey # Psu-73270, Lot # 1, Lot area 21,153 sq.m.	290-01-01-02-04-LW2-37	42,306,000.00
Burgos Montalban Rizal, Survey # Psu-73270, Lot # 23, Lot area 12,222 sq.m.	290-01-01-02-05-13433B	122,220.00
Burgos Montalban Rizal, Survey # Psu 73270, Lot # 24, Lot area 1,159 sq.m.	290-01-01-02-05-13433C	11,590.00
Mucabud Bagong Iloalban, Survey # Psu 73270, Lot No 25, Lot area 185 sq.m.	290-01-01-02-05-13433D	1,850.00
Macabud Bagong Ilog Montalban Rizal, Survey # Psu-73270, Lot # 26, Lot area 19,142 sq.m.	290-01-01-02-05-13433E	191,420.00
San Rafael/Montalban Rizal, Survey # 73270, Lot # 27, Lot area 5,924 sq.m.	290-01-01-02-05-13433F	59,240.00
San Rafael /Montalban Rizal, Survey # Psd 5126 Lot # B., Lot area 260 sq.m.	290-01-01-02-05-13433K	2,600.00
San Rafael (Wawa Montalban Rizal) Survey # Psd-68750, Lot # A, Lot area 4,656 sq.m.	290-01-01-02-05-392591	46,560.00

Burgos (San Mateo Rizal) Survey # Psu-73270, Lot # 22, Lot area 2,242 sq.m.	290-01-01-02-05-LW2-14	448,400.00
Bo. Matictic Norzagaray Bulacan, survey # AGT 2874, Lot # G-25567, Lot area 73,331 sq.m.	290-01-01-02-06-000001	109,965.00
Bo. Matictic Norzagaray Bulacan, Survey # ACT 2874, Lot # H-53230, Lot area 22,741 sq.m.	290-01-01-02-06-000002	341,115.00
Bo. Matictic Norzagaray Bulacan, Survey # ACT 2874, Lot # G-25659, Lot area 27,850 sq.m.	290-01-01-02-06-000003	417,750.00
Bo. Matictic Norzagaray Bulacan, Survey # ACT 2874, Lot # H-16384, Lot area 71,768 sq.m.	290-01-01-02-06-000004	1,076,520.00
Bo. Matictic Norzagaray Bulacan, Survey # ACT 2874, Lot # G-24594, Lot area-152,753 sq.m.	290-01-01-02-06-000005	2,291,295.00
Bo. Matictic Norzagaray Bulacan, Survey # ACT2874, Lot # H-36196, Lot area 126,871 sq.m.	290-01-01-02-06-000006	1,903,065.00
Bo. Matictic Norzagaray Bulacan, Survey # ACT 2874, Lot # G-15982, Lot area 85,327sq.m.	290-01-01-02-06-000007	1,279,905.00
Bo. Matictic Norzagaray Bulacan, Survey # ACT 2874, Lot # G-12291, Lot area 109,050 sq.m.	290-01-01-02-06-000008	1,635,750.00
Bo. Matictic Norzagaray Bulacan, Syrvey # ACT 2874, Lot # G-14097, Lot area 137,965 sq.m.	290-01-01-02-06-000009	2,069,475.00
Bo. Matictic Norzagaray Bulacan, Survey # ACT 2874, Lot# G-12689 Lot area 149,437 sq.m.	290-01-01-02-06-000010	2,241,555.00
Bo. Matictic Norzagaray Bulacan, Survey # ACT 2874, Lot # H-27704 Lot area 152,741 sq.m.	290-01-01-02-06-000011	2,291,115.00
Rainbow Village San Isidro Angono, Survey # Lrc-Psd-224040, Lot # 2-F-1, Lot area 30,637 sq.m.	290-01-01-02-07-619363	18,382,200.00
Angono Rizal, Survey # Psd-04-048486, Lot # 1-A-1, Lot area 16,300 sq.m.	290-01-01-02-07-622571	9,780,000.00
Rainbow Village San Isidro Angono, Survey # Lrc-Psd 224039, Lot # 2-E-1, Lot area 26,473 sq.m.	290-01-01-02-07-622572	15,883,800.00
Pinaglabanan Santolan Rd (rd.lot) Survey # 73270-AMD, Lot # 5-E. Lot area 14,842 sq.m	290-01-01-02-08-01-001	2,270,830.00
Pinaglabanan (portion occupied by San Juan Mun. High /Sch) Survey # 73270-AMD Lot # 5-G, Lot area 4,102 sq.m.	290-01-01-02-08-03-052	276,890.00
Don Emilio Ejercito C. de Jesus(leased by IMAP) Survey # 73270 Rel-04-000468, Lot # 5-A, Lot area 919 sq.m.	290-01-01-02-08-04029	165,420.00
Pinaglabanan Don Emilio Ejercito Cor. Jose Gil, (occupied by Pinaglabanan Elem. Sch.) Survey # Psu-73270-AMD Rel-04-000468, Lot # 5-B, lot area 12,476	290-01-01-02-08-04030	1,309,980.00
Pinaglabanan Don Emilio Ejercito Cor.C. De Jesus (Occupied by Pinaglabanan Elem Sch. Survey # 73270--Rel-04-000468, Lot # 5-C, Lot area 3,014 sq.m.	290-01-01-02-08-04031	105,490.00
Pinaglabanan C. De Jesus, (Rd. lot), Survey # Psu-73270, Lot # 5-D, Lot area 17,816 sq.m	290-01-01-02-08-05-004	89,080.00
<b>Total</b>		<b>P 593,706,416.48</b>

The foregoing, being idle lands, should be recognized as Investment Property and accounted for under PPSAS 16.

- 7.4. Meanwhile, Angat Dam Water Rights is an intangible asset per definition provided by the PPSAS, however, it is observed that it is recorded and being accounted for as *Other Assets* (290) with a carrying amount of P6,161,065.99 as at year-end.
- 7.5. Furthermore, CY 2015 audit revealed the lack of basis for various items in the Financial Statement totaling P1,326,059,719.72 to be recognized as assets thus, questioning the validity of inclusion of these items in the balance of Other Assets (290) as at year-end.
- 7.6. The following observations were reported in the Annual Audit Report (AAR) for CY 2015, however, per verification of the current year transactions, no Management action has been taken to address the audit findings.
- 7.6.1. Various garnished and dormant accounts were recorded and retained under *Other Assets* (290) amounting to P672.102 million to which Management was not able to provide sufficient and relevant documents to support the validity and/or existence. Details are as follows:

Account Code	Account Description	Account Balance
<b>Garnished Accounts</b>		
290-04-99	For Reconciliation (Beg Balance as of Dec. 1997)	P 847,774.80
290-04-01	Isabelo Ong Const. Co. Inc./CIAC No. 04-96 Civil Case No. 91-148(Wholesale Commodity and Exch. Inc)	328,373.13
290-04-04	Philippine Infrastructures Inc. c/o Sheriff Emmanuel Santos	1,062,650.58
290-04-06	A.M. Oreta & Co. Inc. c/o Sheriff Mercedes S. Gatmaytan Vs. MWSS/CIAC Case MP/06-97	6,949,023.49
290-04-07	Isabelo Ong Const. Co. Inc, Vs. MWSS /CIAC No.16-97	2,273,464.79
<b>Dormant Accounts</b>		
290-05-01	Deposits for the exercise of an option to buy/lease	1,092,093.00
290-05-02	Performance Deposits	306,102.07
290-05-03	Restoration Works	29,054,312.65
290-05-04	Customers Account for Write-off	525,703,918.74
290-05-05	Others (various old accounts)	10,857,814.70
290-05-06	Due from National Government	3,575,826.62
290-05-07	Due from Local Government	4,272,542.89
290-05-08	Expropriation	258,987.62
290-05-10	Accounts Receivable Under Government Litigation	85,519,514.71
<b>Total</b>		<b>P 672,102,399.79</b>



- 7.6.2. Also included in the subsidiary ledger were cash accountabilities prior to privatization of operations in CY 2007 with outstanding balances totaling P55.145 million presented as follows:

Account Code	Account Description	Account Balance
290-05-09	Unaccounted/Unliquidated Cash Advance	P 875,350.67
290-05-11	Claims from Accountable Officers for Cash Shortage	3,509,305.72
290-05-12	Returned Dishonored Checks	17,586,551.27
290-05-13	Bank Reconciliation	5,747,157.91
290-99-08	Cash-Collecting Officers	6,720,010.42
290-99-09	Cash - LBP East Branch	2,792,960.22
290-99-10	Cash – LBP Malabon Branch	7,515,962.53
290-99-11	Over the Counter (OTC)	10,397,543.76
<b>Total</b>		<b>P 55,144,842.50</b>

- 7.6.3. Audit observations on these accounts were communicated to Management in CY 2014 but sufficient and relevant documents were not provided to support their existence. Rather, it committed to look into the audit report rendered by a private auditing firm engaged during the privatization of MWSS' operations.
- 7.6.4. Unreconciled accounts totaling P477.362 million included account balances prior to the privatization of MWSS operations and remained as such due to lack of documents, other financial records and sufficient manpower to do the task which hindered the facilitation of proper financial accounting and reporting.
- a. Unallocated cost of consultancy and other services amounting to P157.267 million spent on MWSS projects in prior years were transferred to *Other Assets*.

Account Code	Account Description	Account Balance
Consultancy and Others		
290-03-01-01-01	Salary & Int'l. Fare of Mr. Kaare Hoeg, For His Consultancy Services As Dam Expert From Nov. 14-20, 2002 (1,700us\$/Day For 7days & Nok31,547 Airfare 1	P 877,660.92
290-03-01-01-02	Hotel Accommodation & Other Expenses of Mr. Kaare Hoeg, Dam Expert From Nov. 15-19, 2002 (Charged From His Citibank)	13,152.00
290-03-01-01-03	Reimbursement of Other Expenses For Mr. Kaare Hoeg, Dam Expert From Nov. 15-19, 2002 (Charged From His Citibank)	4,416.00
290-03-01-01-04	Salary & Int'l Fare of Dr. Kaare Hoeg, Dam Expert For The Initial Safety Assessment of Angat Dam	183,600.00

Account Code	Account Description	Account Balance
	Per Ba# 278-2002, 267-2002, & 238-2002 For November	
290-03-01-01-05	Payment of Salary & Airfare For Dr. Kaare Hoeg, Dam Expert For The Initial Safety Assessment of Angat Dam & Carbon Dating of Soil & Rock Samples Along	317,935.55
290-03-01-01-06	Under Take-Up Adjustment of Salary & Airfare of Dr. Kaare Hoeg, Dam Expert For The Initial Safety Assessment of Angat Dam & Carbon Dating of Soil & Roc	0.61
300 MLD		
290-03-02-01	Technical Assistance	4,445,570.25
290-03-02-99	For Reconciliation	20,866,444.39
Consultancy and Others		
290-03-03-01-01	Review of Loan Documents	20,000.00
290-03-03-01-99	For Reconciliation	5,735,088.66
Investigation and Survey		
290-03-04-02-99	Unreconciled	124,453,409.88
290-03-04-04-01	Evaluation/Review of Laiban Dam Project	349,720.05
<b>Total</b>		<b>P157,266,998.31</b>

- b. Unreconciled amounts recorded under *Other Assets* (290) totaling P320.095 million challenged the faithful representation of the financial statements:

Account Code	Account Description	Account Balance
290-99-01-01	Office Supplies	P 274,244.42
290-99-01-02	Construction Materials	126,255,269.06
290-99-01-03	Water Meters	82,362,028.10
290-99-01-04	Fire Hydrants	5,084.15
290-99-02-01	Main	699,374.10
290-99-02-02	El Nino	312,356.90
290-99-03-01	Main	644,295.16
290-99-03-02	El Nino	521,420.00
290-99-04	PLDT - Bill Deposit	49,210.00
290-99-05	MWCI - Water Meter Deposit	2,040.00
290-99-06	Printed Forms	11,127,047.46
290-99-07	Land Acquisition (MWSP II)	378,309.89
290-02-01-99	For Recon – Construction Mats & Hardware	96,861,591.76
290-02-02-99	For Recon – Water Meters	603,172.76
<b>Total</b>		<b>P320,095,443.76</b>

7.6.5. Unserviceable assets of P121.450 million consisted of the following:

- a. Unserviceable Assets-Pipes amounting to P101.585 million existed in the books, to wit:

Account Code	Account Description	Account Balance
290-01-01-01-01	Unoperational Assets - Tapping and Laying of 150mm Service Pipe	P 583,000.00
290-01-01-01-02	Unoperational Assets - Feeder Main Asbestos	24,597,000.00
290-01-01-01-03	Unoperational Assets - Feeder Main 12" 16"24"	20,955,000.00
290-01-01-01-04	Unoperational Assets - Feeder Main 20" 24"30"	28,971,000.00
290-01-01-01-05	Unoperational Assets - Unoperational Assets - 3"CI Pipe	72,000.00
290-01-01-01-06	Unoperational Assets - Unoperational Assets - 4"CI Pipe	2,558,589.20
290-01-01-01-07	Unoperational Assets - Unoperational Assets - 5"CI Pipe	147,000.00
290-01-01-01-08	Unoperational Assets - Unoperational Assets - 6"CI Pipe	2,489,000.00
290-01-01-01-09	Unoperational Assets - Unoperational Assets - 7"CI Pipe	13,000.00
290-01-01-01-10	Unoperational Assets - 8"CI Pipe	1,502,000.00
290-01-01-01-11	Unoperational Assets - 9"CI Pipe	10,000.00
290-01-01-01-12	Unoperational Assets - 10"CI Pipe	963,000.00
290-01-01-01-13	Unoperational Assets - 12"CI Pipe	1,823,000.00
290-01-01-01-14	Unoperational Assets - 14"CI Pipe	138,000.00
290-01-01-01-15	Unoperational Assets - 16"CI Pipe	887,000.00
290-01-01-01-16	Unoperational Assets - 18"CI Pipe	24,000.00
290-01-01-01-17	Unoperational Assets - 20"CI Pipe	411,000.00
290-01-01-01-18	Unoperational Assets - 22"CI Pipe	79,000.00
290-01-01-01-19	Unoperational Assets - 24"CI Pipe	334,000.00
290-01-01-01-20	Unoperational Assets - 26"CI Pipe	214,000.00
290-01-01-01-21	Unoperational Assets - 30"CI Pipe	449,000.00
290-01-01-01-22	Unoperational Assets - 36"CI Pipe	518,000.00
290-01-01-01-23	Unoperational Assets - 42"CI Pipe	314,000.00
290-01-01-01-24	Unoperational Assets - 48"CI Pipe	312,000.00
290-01-01-01-25	Unoperational Assets - 54"CI Pipe	242,000.00
290-01-01-01-26	Unoperational Assets - 61"CI Pipe	18,000.00
290-01-01-01-27	Unoperational Assets - 4"ACP	1,158,000.00
290-01-01-01-28	Unoperational Assets - 6"ACP	2,048,000.00
290-01-01-01-29	Unoperational Assets - 6"ACP2	622,000.00
290-01-01-01-30	Unoperational Assets - 8"ACP	2,651,000.00
290-01-01-01-31	Unoperational Assets - 10"ACP	90,000.00

Account Code	Account Description	Account Balance
290-01-01-01-32	Unoperational Assets - 12"ACP	540,000.00
290-01-01-01-33	Unoperational Assets - 16"ACP	251,000.00
290-01-01-01-34	Unoperational Assets - 20"ACP	490,000.00
290-01-01-01-35	Unoperational Assets - 24"ACP	261,000.00
290-01-01-01-36	Unoperational Assets - 4" Steel Pipe	6,000.00
290-01-01-01-37	Unoperational Assets - 6" Steel Pipe	21,000.00
290-01-01-01-38	Unoperational Assets - 30" Steel Pipe	159,000.00
290-01-01-01-39	Unoperational Assets - 42" Steel Pipe	73,000.00
290-01-01-01-40	Unoperational Assets - 42"Steel Pipe2	1,079,000.00
290-01-01-01-41	Unoperational Assets - 12" Reinforced Concrete Pipe	18,000.00
290-01-01-01-42	Unoperational Assets - 48" Concrete Pipe	76,000.00
290-01-01-01-43	Unoperational Assets - 54" Concrete Pipe	149,000.00
290-01-01-01-44	Unoperational Assets - Upgrading of WSC & Meter Assy.	150,913.70
290-01-01-01-45	Unoperational Assets - Upgrading of WSC & Meter Assy2	1,534,238.13
290-01-01-01-46	Unoperational Assets - Tapping of Elect. Feeder Line	1,584,313.50
<b>Total</b>		<b>P101,585,054.53</b>

- b. Examination of accounting records revealed that the latest transaction involving subject accounts was the sale of unserviceable pipes to several MWSS employees. It can be drawn from the transaction that the accounts included pipes previously classified as inventories. In addition, verbal information from the Finance Department disclosed various uninstalled pipes before the privatization of MWSS' operations that were not accepted by the Concessionaires, hence retained by MWSS.
- c. There were no information on how much of the total amount of P101,585,054.53 was previously classified as inventories and how much was classified as part of the Property, Plant and Equipment (PPE) account, if any.

It is important that the proper classification of these items be established so that appropriate accounting and reporting standards can be applied on the preparation of financial statements.

- d. Unoperational Assets-Structures and Improvements and Water Distribution Facilities with aggregate amount of P19.865 million showed the following balances:

Account Code	Account Description	Account Balance
Structures and Improvements		
290-01-01-03-01	Unoperational Assets - Consolidation of Cavite to Manila & Suburbs	P144,866.40
290-01-02-01-01	Unoperational Assets - Sludge Drying Beds	1,160,000.00
Distribution, Reservoir and Standpipes		
290-01-01-04-01	Unoperational Assets - Consolidation of Cavite to Manila & Suburbs	146,067.50
Buildings and Improvements		
290-01-01-05-01	Unoperational Assets - Balara Compound-Bodega	129,000.00
290-01-01-05-02	Unoperational Assets - Balara Compound-Fabricated Shop	151,000.00
290-01-01-05-03	Unoperational Assets - Building IX – Canteen	2,364,000.00
290-01-01-05-04	Unoperational Assets - Building XI – Warehouse	1,120,000.00
290-01-01-05-05	Unoperational Assets - Building XII - Over Seer's Quarters(Formerly Census Bldg./Office Quarter- South Side)	1,827,000.00
290-01-01-05-06	Unoperational Assets - Building XIII - Meter Replacement Building(Formerly Census Bldg./Office Quarter- South Side)	889,000.00
290-01-01-05-07	Unoperational Assets - Building XIV - Property Bodega & Gas Storage(Formerly Census Bldg./Office Quarter- South Side)	1,823,000.00
290-01-01-05-08	Unoperational Assets - Building XV - Waterworks and Bodega Building(Formerly Bodega for Pipes & Fittings)	368,000.00
290-01-01-05-09	Unoperational Assets - Building XVI - Repair & Maintenance Building(Formerly Bodega for Unserviceable Properties)	224,000.00
290-01-01-05-10	Unoperational Assets - Building XXI - Warehouse(Formerly Bodega for Unserviceable Properties)	176,000.00

Account Code	Account Description	Account Balance
290-01-01-05-11	Unoperational Assets - Shop Building / Foundry / Carpentry(Formerly Bodega for Unserviceable Properties)	132,670.07
290-01-01-05-12	Unoperational Assets - Building IV - Service Center Warehouse(Burned down by Fire)	4,145,000.00
290-01-01-05-13	Unoperational Assets - Consolidation of Cavite to Manila & Suburbs (Formerly Provincial Waterworks Bldg.)	903,400.21
Wells and Facilities		
290-01-01-06-01	Unoperational Assets - Isla Valenzuela	605,340.00
290-01-01-06-02	Unoperational Assets - Bagong Lipunan Health Center, Valenzuela	562,061.28
290-01-01-06-03	Unoperational Assets - Balance Per Status Report (Cavite)	368,375.37
290-01-01-06-04	Unoperational Assets - Katarungan, Bagong Barrio, Caloocan	1,125,000.00
290-01-01-06-05	Unoperational Assets - Barangay Panghulo, Malabon	1,074,000.00
Sewer Treatment and Equipment		
290-01-02-02-01	Unoperational Assets - Robot blower #2-Sutorilt 115mm displacement	55,200.00
290-01-02-02-02	Unoperational Assets - Robot blower #2-dresser root blower & vacuum pump	241,000.00
290-01-02-02-03	Unoperational Assets - Electric generating set-Reiner model JR 60211	131,000.00
<b>Total</b>		<b>P19,864,980.83</b>

It must be noted that the subject accounts were transferred to *Other Assets* (290) only in 2007 when the Agency started to implement the eNGAS. Their transfer to *Other Assets* (290) precluded their inclusion in the conduct of physical inventory taking, hence, existence cannot be ascertained.

In addition, granting that these items actually exist, no provision for impairment losses has been recorded in the books considering that they already exhibited indications of impairment.

The non-assessment of the realistic value of these items, measured at their recoverable amount, renders misstatements in the financial statements.

- 7.6.6. We are concerned on the materiality of the foregoing items which form part of the reported assets of MWSS. The inaction of Management to provide sufficient substantiation or documentation to prove the valuation, accuracy, completeness and existence of these items poses a challenge on the faithful representation and reliability of financial information appearing in the agency's financial statements, thus its usefulness to the users is diminished.
- 7.7. In relation to the prior year audit findings, CY 2016 analysis of the financial accounting and reporting revealed that due to the effectivity of the adoption of PPSAS and the RCA thru COA Circular No. 2015-010, the various unserviceable/unoperational assets do not qualify to be recorded under the account *Other Assets*.
  - 7.7.1. COA Circular No. 2004-008 dated September 20, 2004 prescribes that unserviceable/unoperational assets shall be recognized as *Other Assets* which is defined as an account used to record the value of obsolete and unserviceable assets awaiting final disposition as well as those assets still serviceable but are no longer being used.
  - 7.7.2. However, it should be observed that all PPE accounts as provided in the RCA - Description of Accounts should only be credited upon disposal and derecognition. Reclassification of unserviceable/unoperational assets to account *Other Assets* is no longer prescribed. Also, the description provided by the RCA on the *Other Assets* account does not include the recognition of which.
- 7.8. **We recommended that Management:**
  - a. **Reclassify the subsidiary accounts of the parcel of lands identified as idle totaling P593.706 million to the appropriate Investment Property account;**
  - b. **Reclassify the subsidiary account Angat Dam Water Rights amounting to P6.161 million to the appropriate Intangible Asset account;**
  - c. **Upon presentation of valid justification on the prior year audit findings, reclassify the various unserviceable/unoperational assets on the appropriate PPE accounts; and**
  - d. **Comply with PPSAS 16 and 31 and COA Circular 2015-010 for the proper recording and accounting of the financial transactions.**
- 7.9. **Further, we reiterated that Management:**
  - 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**

- 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 creditors responsible for the outstanding cash accountabilities.
- 7.10. Management informed that subsidiary accounts were already identified in *the Other Assets* Account since 2016, however, reclassification in the books of accounts is yet to be done. One dilemma encountered was that there is no Investment Property Account although request was already made coursed to the COA Central Office to assist them in the creation.

Management also emphasized that the server of e-NGAS could only accommodate so much and MWSS has yet to procure a bigger server for the RCA implementation in CY 2017.

#### ***Accounts Receivable Collection Efficiency***

8. The probability of collecting Accounts Receivable totaling P1.186 billion was remote since these accounts have been outstanding for 5 to 20 years.

***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 per cent, respectively for the year.

- 8.1. Accounts Receivable showed a year-end balance of with details below.

Account Name	Account No.	Balance as of December 31, 2016
Water Sewer Accounts	121-01-PY	P1,116,986,530.01
	<b>Sub-total</b>	<b>1,116,986,530.01</b>
CHINA WATER 1	121-01-000-000-001-716	100.00
CRUZ, RODOLFO	121-01-000-000-000-344	7,044.86
DEMAYO, JUANITO	121-01-000-000-001-130	712.00
FRANCISCO, FLORA	121-01-000-000-001-480	186.04
GROGUN COMPOUND	121-01-000-000-001-112	1,384.32
RAMOS, PELAGIO	121-01-000-000-000-339	1,504,447.86
SEVERINO, ABELA	121-01-000-000-000-346	555.00
<b>Raw Water Accounts Sub-total</b>		<b>1,514,430.08</b>
MWCI - Concession Fee - Debt Service - Principal - AWSOP	121-02-01-01-01-ADB 986	5,362,830.67
MWCI - Concession Fee - Debt Service - Interest - ADB 2012	121-02-01-01-02-ADB 2012	2,550.18
MWCI - Concession Fee -	121-02-01-01-02-ADB	20,545.71



Account Name	Account No.	Balance as of December 31, 2016
Debt Service - Interest - MWSRP II	947	
MWCI - Concession Fee - Debt Service - Interest - AWSOP	121-02-01-01-02-ADB 986	20,094,260.85
MWCI-Concession Fee - Debt Service-Guarantee Fee	121-02-01-01-03-ADB 2012	13,903.35
MWCI-Concession Fee - Debt Service-Guarantee Fee- AWSOP	121-02-01-01-03-ADB 986	4,751,993.07
MWCI-Concession Fee - Debt Service-Guarantee Fee- AWSOP2	121-02-01-01-03-IBRD 3124	883,103.81
<b>Receivable from MWCI Sub-total</b>		<b>31,129,187.64</b>
MWSI-Concession Fee-Debt Service-Principal-ADB 2012	121-02-02-01-01-ADB 2012	150.00
MWSI-Concession Fee-Debt Service-Principal AWSOP	121-02-02-01-01-ADB 986	20,327,520.29
MWSI-Concession Fee-Debt Service-Interest AWSOP1	121-02-02-01-02-ADB 986	546,080.90
MWSI-Concession Fee-Debt Service-Guarantee Fee AWSOP1	121-02-02-01-03-ADB 986	12,975.85
<b>Receivable from MWSI Sub-total</b>		<b>20,886,727.04</b>
Terminal Pay	123-03	5,823,391.79
Health Maintenance Incorporated (HMI)	123-05-01-02	15,712.96
Miscellaneous	123-05-05	43,400.00
Overpayments	123-05-06	7,264.51
<b>Due from Officers and Employees Sub-total</b>		<b>5,889,769.26</b>
Housing Loan	126-01-01	711,122.52
Housing Project Loan(La Mesa Dam)	126-01-03	3,959,773.99
Medicard	126-01-04	193,908.04
Health Maintenance Incorporated (HMI)	126-01-05	4,646.81
Loan Rec. - MCMC (Board Resolution No.97-2002)	126-02-01	467,722.05
<b>Loans Receivable Sub-total</b>		<b>5,337,173.41</b>
DPWH – Office Rental	136-01-01	1,209,411.05
DPWH – Others	136-01-04	2,654,086.44
PRRC – Office Rental	136-03-01	391,343.40
PRRC – Electricity	136-03-02	443,799.01
DBM Procurement Service	136-05	11,344.50
<b>Due from NGAs Sub-total</b>		<b>4,709,984.40</b>
Ninoy Aquino International	137-01	4,195.56

Account Name	Account No.	Balance as of December 31, 2016
Airport (NAIA)		
Dormant Accounts	137-03	277,580.40
<b>Due from OGCCs Sub-total</b>		<b>281,775.96</b>
City of Manila	138-01	13,023.67
<b>Due from LGUs Sub-total</b>		<b>13,023.67</b>
<b>Total</b>		<b>P 1,186,748,601.47</b>

The above accounts were found outstanding for five years to 20 years. Hence, their collectability was very low.

- 8.2. For CY 2016, no movement in the above receivable accounts was noted, as discussed below.

8.2.1 *Water Sewer Accounts*

- a. The amount of P1,116,986,530.01 represents accounts from water service customers prior to MWSS' privatization in 1997, specifically covering the period 1988 to 1996. Details comprising the P1.117 billion dormant accounts were not established since summary of customers and subsidiary ledgers are not available
- b. The only available document supporting the receivable account was the voluminous collection stubs kept at the MWSS storage room. To date, provision amounting to P1.117 billion was set up for the potential loss from said receivables. Be it noted that collection of receivables is an agency responsibility but Management's inability to collect the receivables resulted in a loss to government of P1.117 billion.

8.2.2 *Raw Water*

- a. Receivables from Raw Water arise from sale of service water to areas not covered by the service areas of MWSI.
- b. Seven Raw Water customers were also inactive and balances still remained outstanding, with one customer Mr. Pelagio Ramos having significant receivable amount of P1,504,447.86. Records also showed that last payment on the account occurred in 2014 for water consumption in 2011. As of 31 December 2016, total outstanding balance of inactive Raw Water Customers amounted to P1,514,430.08, with details as follows:

Particulars	Account Code	Amount
China Water 1	121-01-000-000-001-716	P 100.00
Cruz, Rodolfo	121-01-000-000-000-344	7,044.86
Demayo, Juanito	121-01-000-000-001-130	712.00
Francisco, Flora	121-01-000-000-001-480	186.04

Grogun Compound	121-01-000-000-001-112	1,384.32
Ramos, Pelagio	121-01-000-000-000-339	1,504,447.86
Severino, Abela	121-01-000-000-000-346	555.00
<b>Total</b>		<b>P1,514,430.08</b>

- c. As mentioned earlier, it is the operating responsibility of the agency to collect these receivables. Thus, Management is expected to exert efforts to recover/collect said receivables being legitimate income and source of funds. However, not a single cent was collected during the year. Also, it has been noticed that allowance for bad debts was not provided for the raw water accounts, which is not in line with paragraph 72 of PPSAS 29 which states:

*“If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in surplus or deficit.”*

- d. In addition, interest charges were not applied to late payments made by raw water customers as required in paragraphs 14 and 15 of the Policies and Guidelines for Raw Water Accounts which state that:

*“Payment made more than ten (10) working days after the receipt of bill shall be subject to interest charges.”*

*“An account left unpaid after the due date is subject to interest charge computed at one and one-half (1-1/2%) per cent per month of the amount due.*

- e. Audit disclosed that interest/penalties amounting to P767,890.66 were not charged to late payments or payments made after due date by the following Raw Water customers:

Customer	Interest
Barangay Hall Bigte (Samson Wenceslao)	P 1,080.50
Carlos Rayo	2,684.09
Ernesto Lazaro	5.58
San Jose Del Monte Water District - WTP1	258,790.73

Customer	Interest
San Jose Del Monte Water District - WTP2	467,470.45
Sitio Crusher Homeowners Assn.	889.28
Tungkong Mangga Barangay Water Services	33,439.76
Victoria Wave Limited Inc.	3,530.27
<b>Total</b>	<b>P 767,890.66</b>

- f. Penalty for payments after due date was also included in the Statement of Accounts billed by MWSS to its Raw Water customers.

### 8.2.3 Inter-Agency Transfer account

- a. The receivables from government agencies showed undocumented and dormant balances totaling P5,004,784.03, with details as follows:

	Account No.	Amount
<b>Due from NGAs</b>		
DPWH – Office Rental	136-01-01	P1,209,411.05
DPWH – Others	136-01-04	2,654,086.44
PRRC – Office Rental	136-03-01	391,343.40
PRRC – Electricity	136-03-02	443,799.01
DBM Procurement Service	136-05	11,344.50
<b>Sub Total</b>		<b>4,709,984.40</b>
<b>Due from GOCCs</b>		
Ninoy Aquino International Airport (NAIA)	137-01	4,195.56
Dormant Accounts	137-03	277,580.40
<b>Sub Total</b>		<b>281,775.96</b>
<b>Due from LGUs</b>		
City of Manila	138-01	13,023.67
<b>Sub Total</b>		<b>13,023.67</b>
<b>Total</b>		<b>P5,004,784.03</b>

- b. As previously discussed in prior years' audit observations, these accounts remained non-moving for more than 10 years. The nature and purpose of these accounts could not be determined due to unavailability of historical data to support their existence. Thus, collection of receivables is nil.
- c. As to the DBM Procurement Service account, the receivable was set up in CY 2011 under JEV-2011-03-001748 wherein payment for the procured supplies in February 2007 was more than the amount delivered resulting in a discrepancy of P11,344.50.

- 8.3. Accounts, *Due from Officers and Employees* and *Loans Receivables* amounting to P26.786 million and P5.979 million, respectively, as of year-end, showed a very low collection efficiency of 8.75 per cent and 1.12 per cent, respectively, for the year.

- 8.3.1. The OIC-Finance Department in his letter dated 08 December 2016 addressed to the Human Resources Department, requested to look into the possibility of enforcing collection of monthly amortization in order that loans contracted by employees will be fully paid within the period stipulated in the loan contracts. However, if this is effected, the monthly take-home pay of the employees would be lower than the allowable P3,500.00 as required by law. It was agreed though, that once the CPCS and ERIP are approved and implemented, all deductions would be enforced. But to date, CPCS and ERIP are yet to be approved and implemented.

As a result, the amortization of loan is still kept at a minimum through salary deductions:

Account No.	Description	2016	2015	Decrease	Percentage Decrease
123-01-01	Housing Loan	P3,411,275.55	P3,574,242.93	162,967.38	4.56%
123-01-02	Car Loan	10,514,117.20	10,804,759.03	290,641.83	2.69%
123-01-03	Housing Project Loan	12,860,906.31	14,976,627.58	2,115,721.27	14.13%
	Sub-total	<b>26,786,299.06</b>	<b>29,355,629.54</b>	<b>2,569,330.48</b>	<b>8.75%</b>

- 8.3.2. In CY 2016, for the *Due from Officers and Employees* on housing and car loans (Account 123) percentage decrease from CY2015 balance, was below 15 per cent as presented in the table above. There is a possibility of the loans not being settled within the stipulated period since the maximum deduction from the employees' salaries is around P6,000.00 and the minimum is only P100.00 per month or P1,200 a year.
- 8.3.3. Further verification disclosed that out of the P26.786 million outstanding balance due from Officers and Employees, P5,391,173.94 or 20.13 per cent represents receivables from individuals who are no longer connected with the MWSS, thus collection can no longer be effected thru salary deductions.
- 8.3.4. With regard to receivables from non-MWSS officers and employees on housing and car loans (Account 126), the latter was reduced by P67,500.00 in CY 2016. The said amount was deducted from the amount to be received by OGCC lawyers in their reimbursement for transportation and miscellaneous expenses for April to December 2015. The claim is questionable since previous claims by OGCC lawyers were disallowed.

Account No.	Description	2016	2015	Decrease	Percentage Decrease
126-01-01	Housing Loan	P711,122.52	P711,122.52	P 0.00	0.00%
126-01-02	Car Loan	1,308,259.68	1,375,759.68	67,500.00	4.91%
126-01-03	Housing Project Loan	3,959,773.99	3,959,773.99	0.00	0.00%
	Sub-total	<b>P5,979,156.19</b>	<b>P6,046,656.19</b>	<b>P67,500.00</b>	<b>1.12%</b>

8.4. **We reiterated our previous year's recommendations that Management:**

- 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;
- 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;
- 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
- d. **Initiate legal action to collect receivables from officers/employees and individuals who are no longer connected with the MWSS.**

8.5. Management committed to comply with audit recommendations.

#### ***Unreconciled/Unverified Accounts***

9. **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.**

9.1. This is a reiteration of a prior years' audit observation.

9.2. Section 111 of Presidential Decree 1445 states that:

*(1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.*

*(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.*

9.3. With the adoption by MWSS of the e-NGAS in 2007, maintenance of subsidiary ledgers for all accounts is necessary as they support the balance of the general ledger account. However, there were General Ledger (GL) accounts with balances prior to privatization in 1997 with no subsidiary ledgers. To establish the e-NGAS, all GL accounts without subsidiary ledgers were temporarily recorded and lumped to the suspense account 000-00-99. Subsequently, Management prepared the subsidiary ledgers for each of the GL accounts under 000-00-99 account subject to reconciliation/verification.

- 9.4. In the past years, Management took the initiative to gradually reduce the unreconciled/unverified accounts. To further address the issue and as mentioned in the Agency's Action Plan, Management hired Contract of Service employees specifically tasked to reconcile the accounts.
- 9.5. As reported in previous years' Audit Reports, the MWSS' Statement of Financial Position as at year-end showed unreconciled/unverified balances of asset and liability accounts totaling P578.85 million and P884.55 million, respectively. Details are as follows:

Account Title	Amount
Accounts Receivable (Net)	P 21,625,745.16
Other Receivables	1,108,354.16
Prepayments	96,513,124.72
Property, Plant and Equipment(Net)	22,162,725.69
Construction in Progress	457,018,738.82
Other Assets	(19,575,783.42)
<b>Total Assets</b>	<b>578,852,905.13</b>
Payable Accounts	533,802,866.88
Other Liability Account	328,112,668.18
Deferred Credits	22,632,719.52
<b>Total Liabilities</b>	<b>P 884,548,254.58</b>

- 9.6. Compared to last year's balance of P588,742,507.51, there was an insignificant decrease of P9,889,602.38 or 1.68 per cent to the unreconciled/unverified balance of the total assets, as a result of Management's effort to clean up the books. As regards the liability account, it was reduced by P1,000.00 merely due to reclassification of entry.
- 9.7. The accuracy and reliability of the year-end account balances in the Statement of Financial Position remained doubtful and that the unreconciled/unverified accounts could overstate or understate the assets and liabilities as of year-end.
- 9.8. **We reiterated our prior years' audit recommendation that Management facilitate the immediate reconciliation of the unreconciled/unverified accounts for fair presentation of the Statement of Financial Position.**
- 9.9. Management commented that it will hire a contract of service personnel to assist in the verification/reconciliation of accounts.

#### **Advances to Contractors**

10. **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.**
- 10.1. This is a reiteration of prior year's audit observations as to the long outstanding advances to contractors totaling P278.402 million at year-end which was doubtful due

to incomplete data on the projects for which the advances were granted and the lack of documents needed to determine the persons liable/responsible for the non-recoupment.

10.2. Our audit was anchored on Section 5.3 of the same Annex of the Revised IRR of RA 9184 states that, "The procuring entity shall deduct the following from the certified gross amounts to be paid to the contractor as progress payment, xxx; b) Portion of the advance payment to be recouped for the month."

10.3. Audit of the year-end balance of *Advances to Contractors* account totaling P357.226 million remained unrecouped and data/information relevant to the projects were incomplete or not available to determine the persons liable/responsible for the non-recoupment, as discussed below.

10.3.1. Based on e-NGAS, the account Advances to Contractor totaling P357.226 million remained dormant since January 2013, which consisted of the following advances granted to the following contractors:

	Account Code	Contractor	Balance
1	181-01-000-000-000-042	Consuelo Builders Corp.	P 2,500,340.59
2	181-01-000-000-000-058	FF Cruz Const & Co. Inc.	2,959,907.17
3	181-01-000-000-000-063	Filipino Pipes & Foundry Corp	34,792,597.88
4	181-01-000-000-000-076	Gotesco Kawalan Joint Venture	16,184,338.44
5	181-01-000-000-000-110	Makati Development Corp.	4,675,912.94
6	181-01-000-000-000-137	Pacifico Austria & Sons	704,028.70
7	181-01-000-000-000-160	R.D. Tuazon	9,459,323.95
8	181-01-000-000-000-170	Sigma Const.	132,812.02
9	181-01-000-000-000-197	Wilper Construction	212,062.79
10	181-01-000-000-000-351	A.M. Oreta &Co.	47,970,710.51
11	181-01-000-000-000-355	W.M. Lewis & Assoc.	73,523.29
12	181-01-000-000-000-356	B.C. Cuerto Const. Corp.	1,309,449.55
13	181-01-000-000-000-357	Dev 't of Environmental System	127,839.48
14	181-01-000-000-000-649	Bousted Technologies Inc./Salcon Ltd.	70,989,440.27



15	181-01-000-000-000-674	First Global Hydro Corp.	25,712.45
16	181-01-000-000-000-687	A.G. & P./Hydro Resources Const. Corp	4,418,767.89
17	181-01-000-282-265-000	JV Angeles Const. Corp.	35,495,704.55
18	181-01-000-314-915-000	DM Consunji, Inc.	16,170,003.29
19	181-01-000-725-926-000	R II Builders	56,005.10
20	181-01-110-439-160-000	MMRR Construction	47,680,244.28
	Subtotal		295,938,725.14
	181-01-99	Accounts for reconciliation	54,612,913.28
	181-01-99 Fund77	Prepaid Material Cost	10,309,890.78
	Various SL 181-01	Various Contractors	(3,635,198.23)
	<b>Total</b>		<b>P 357,226,330.97</b>

10.3.2. Since the advances to contactors remained dormant since CY 2013, audit observation and recommendation were continuously reiterated for Management to (a) immediately submit details of the said advances; (b) initiate legal action to recoup the advance payments to contractors; (c) determine and hold liable the persons responsible for the non-recoupment; and (d) take action for the blacklisting of the contractors who have outstanding advances from MWSS.

10.3.3. Moreover, in the course of validating available documents pertaining to the grant of outstanding advance payments for various contracts with Filipino Pipes Foundry Corporation and MMRR Construction amounting to P39.264 million and P34.451 million, respectively, it was noted that no deduction was made in majority of their periodic progress payments which resulted in unrecouped advance payments totaling P34.793 million and P32.573 million, respectively, as follows:

Contractor	Contract No.	Total Payments Made	Total Advance Payment (A)	Total Recoupment (B)	Unrecouped/ Unrecovered Advance Payment (A-B)
Filipino Pipe and Foundry Corp	MSS-01C	P38,577,329.86	P19,199,218.92	P829,270.21	P18,369,948.71
	MS-07	26,502,546.09	7,426,354.95	1,708,276.02	5,718,078.93
	MSS-02E	14,937,628.93	6,071,516.24	817,938.45	5,253,577.79
	MS-0405	18,623,939.88	6,566,587.85	1,115,595.41	5,450,992.44
Total		98,641,444.76	39,263,677.96	4,471,080.09	<b>34,792,567.87</b>
MMRR	MSS-01A	21,245,370.19	6,812,833.20	19,565.89	6,793,267.31

Construction	MSS-01B	32,175,418.89	11,087,683.32	880,310.83	10,207,372.49
	MSS-02C	17,958,870.38	3,449,999.85	978,056.90	2,471,942.95
	MSS-02F	26,246,892.41	13,099,999.95	-	13,099,999.95
<b>Total</b>		<b>P97,626,551.87</b>	<b>P34,450,516.32</b>	<b>P1,877,933.62</b>	<b>P32,572,582.70</b>

10.3.4. In the AAPSI for the AAR CY 2015, Management informed that billing was again sent to contractors and those without addresses were verified from BIR. In our letter dated 10 January 2017 addressed to Finance Manager, we requested submission of the complete addresses of the contractors with outstanding balances in the books. However, to date, no reply was received regarding said request, thus, no validation can be made.

10.4. **We recommended that Management:**

- a. **Analyze the advances to contractors account to reflect in the books the correct and accurate balance as at year-end;**
- b. **Determine the officers/employees responsible for failure to deduct the outstanding advances from the progress billings and institute administrative sanctions;**
- c. **Initiate legal action against the contractors to recoup the advances; and**
- d. **Blacklist the contractors who have outstanding advances from MWSS.**

10.5. Management submitted the following comments:

- a. On the Advances to Contractors that have been dormant prior to CY 2013, Management informed that the responsible employees who processed these Contractors payments have already been separated and/or retired from the service, but they commit to exhaust all possible means to trace the contractors, as well the people who may have knowledge of these unresolved issues.
- b. With regard the recommendations on the long outstanding advances, Management will abide with what is applicable.

10.6. As our rejoinder, Management should provide this Office a copy of (a) FIDIC Conditions of Contract for Construction to validate Management's comment and (b) complete addresses of the contractors with outstanding balances in the books.

#### ***Property, Plant and Equipment (PPE) - Land***

11. **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.**

11.1. This is a reiteration of our CY 2014 and CY 2015 audit observation pertaining to the validity of adjustments in dropping from the books of accounts and the adjustment to

record the difference in the cost of the sale of various Land totaling P267.207 million which were not established due to inadequate documentation. We recommended that the management should substantiate the entries made by submitting valid proof and make the necessary adjustments to the books. Details are shown below.

Date	JEV No.	Particulars	Amount
12-23-13	2013-12-005604	To take up into account adjustment in the value of land wherein the book value of the 580,000 sq.m. (TCT 61126) sold to NWSA employees/awardees (c/o Genaro Bautista - attorney -in-fact) was P231,267,160.26 at the time of sale but was sold for P3,091,400.00 only per OR# 1315018K dated March 8, 2006 based on Supreme Court decision G.R. No. L-33535 dated January 17, 1975.	P 228,175,760.26
12-23-14	2014-12-004950	To take up into account adjustment of land under TCT No. 36069 wherein land areas were overstated due to typographical error. Likewise, lots under said TCT were subdivided, portions of which were sold to Silhouette Trading.	39,031,614.49
		<b>Total</b>	<b>P 267,207,374.75</b>

11.2. Validation of the above recommendation and analysis of the current year transactions disclosed the adjustments amounting to P228,175,760.26 and P39,031,614.49 as discussed below:

11.2.1. *For the adjustment of P228.175 million:*

- a. During the audit of CY 2014 financial statements, it was disclosed that the adjustment pertains to the sale of a 580,000 sq.m. land with Transfer Certificate of Title (TCT) No. 61126 in CY 2006.
- b. The sale was based on the Supreme Court decision G.R. No. L-33535 dated January 17, 1975 and evidenced by a Deed of Absolute Sale

executed on February 25, 2006. It was sold at P5.50 per sq.m or a total amount of P3,091,400.00.

- c. When the accounts were migrated to e-NGAS in CY 2007 the carrying value of the land (201-01-01-13-61126) amounting to P231,267,160.26 was included in the accounts transferred in the beginning balances notwithstanding that the same was already sold in CY 2006.
- d. The excess of the carrying value over its selling price amounted to P228,175,760.26, thus, the downward adjustment in CY 2013 thru the journal entry presented above. The adjustment was made by debiting the *Appraisal Capital Stock* (506) and crediting *Land* (201).
- e. However, the validity and accuracy of the adjustment was not verified due to lack of pertinent supporting documents proving the appraisal of the subject land that would amount to P228,175,760.26.
- f. Further, the subsidiary ledger (201-01-01-13-61126) reflected a carrying value as of December 31, 2014 and 2015 for a lot with TCT no. 61126 of P3,091,400.00 even if it was already sold in CY 2006.

Relative to these, an audit observation was reported in AAR for CY 2014 and reiterated in AAR for CY 2015.

- g. Current year's audit revealed that, still, no action was taken by Management to address the audit findings. Furthermore, the subsidiary ledger of the land (201-01-01-13-61126) presents a carrying value of P3,091,400.00 as of December 31, 2016.

11.2.2. *On the adjustment totaling P39.032 million:*

- a. This was posted by debiting *Retained Earnings* (510) and crediting *Land* (201) and pertained to following subsidiary ledgers of land under TCT No. 36069:

Subsidiary Ledger No./ Property No.	Carrying Amount
201-01-01-13-36069A	P 32,100,406.28
201-01-01-13-36069E	6,249,199.66
201-01-01-13-36069F	617,679.07
201-01-01-13-36069G	64,329.48
<b>Total</b>	<b>P 39,031,614.49</b>

- b. Adjustment was made to drop from the books the carrying value of the subject lots sold to Silhouette Trading in CY 1984.
- c. In the AAR for CY 2013, we recommended that Management prepare reconciliation of the discrepancies of the land area between the book records and the appraisal report which was reported on December 31, 1976.

However, the following lots were not reconciled as summarized below.

Subsidiary Ledger No./ Property No.	Area per books (sq.m.)	Area per Appraisal Report (sq.m.)	Discrepancy (sq.m.)
201-01-01-13-36069A	25,402,840	254,028.40	25,148,811.60
201-01-01-13-36069E	3,743,320	37,433.20	3,705,886.80
201-01-01-13-36069F	363,360	3,633.60	359,726.40
201-01-01-13-36069G	37,920	379.20	37,540.80
Total	29,547,440	295,474.40	29,251,965.60

- d. Consequently, the adjustment was made attributing the noted discrepancies to typographical error pertaining to the land area of the lots.
- e. Relative to this, an audit observation was reported in AAR for CY 2014 and reiterated in AAR for CY 2015 stating that the dropping from the books of the carrying value of the land was not acceptable in audit unless sufficient and appropriate evidence of the correct land area with its supporting documents for proper valuation and the sale of the land are presented.
- f. Verification revealed that no action was taken by the Management to address the prior year's audit recommendation.

**11.3. We reiterated our prior years' audit recommendation that Management:**

***On the adjustment amounting to P228.18 million -***

- a. Submit proof that there was an appraisal on the land in previous period pertaining to the land under TCT No. 61126; and
- 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.

***On the adjustment amounting to P39.03 million -***

- c. 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
- d. 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.

- 11.4. Management informed that documentation to the adjustment to be prepared are still insufficient to warrant the entries to be made, thus the recommendation was put on hold.
- 11.5. Nonetheless, as recommended, adjustments will be done as soon as documents are found.

***Doubtful balance of PPE- General Administrative Equipment (GAE)***

12. **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 amounting to P29.527 million as the variance between the assets per Property Management Department and Finance Department's records.**

**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.**

**Moreover, deficiencies were noted in the sale of 53 units of unserviceable assets in CY 2014.**

- 12.1. This is a reiteration of prior years' audit observation with the recommendation to reconcile the variance accounted on the disposed GAE as reported by the PMD against Finance Department and to comply with NBC 425 on the disposal of the government property.
- 12.2. Our audit was guided by the Philippine Public Sector Accounting Standards (PPSAS) and NBC 425 Manual on Disposal of Government Property.
  - 12.2.1. PPSAS 1, Presentation of Financial Statements, requires the entity to present information, including accounting policies, in a manner that meets a number of qualitative characteristics. Reliability as one of the qualitative characteristics provides that reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.
  - 12.2.2. Part I. Section A of NBC 425 Manual on Disposal of Government Property provides that:

*"Property disposal is the third and last phase in the supply management cycle where the first two phases consist of procurement and utilization and maintenance. Disposal occurs when a piece of equipment or property can no longer provide efficient service or though still working, has been rendered useless due to obsolescence.*

*Disposal proceedings should be immediately initiated to avoid further deterioration of the property and consequent depreciation in its value. A systematic and timely disposal will yield benefits of, among others, a higher appraised value and by enabling storage areas available for other purposes."*

While Part III, Section J states that:

*“In case the second public bidding fails, the property may be sold at a private or negotiated sale. Negotiation within one (1) month from the date of the second failed bidding shall be done with the bidders of the first and/or second failed bidding and other prospective bidders (such as those who obtained bid forms but did not submit bid tenders) at a price not lower than 80% of the appraised value. If the negotiation is done after one (1) month, participants in the negotiation shall be expanded to include other potential buyers aside from those aforementioned.”*

- 12.3. The GAE account which includes various items of PPE showed a carrying amount of P203.325 million as of December 31, 2016, with details as follows:

<b>GAE Account</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Carrying Amount</b>
Office Equipment	P 8,768,179.57	P 7,732,720.94	P 1,035,458.63
Furniture and Fixtures	6,895,503.63	5,501,420.82	1,394,082.81
IT Equipment & Software	119,990,227.48	105,176,413.72	14,813,813.76
Library Books	167,507.50	141,638.25	25,869.25
Communication Equipment	5,234,760.94	4,474,597.54	760,163.40
Construction and Heavy Equipment	268,784,823.55	221,806,564.04	46,978,259.51
Medical, Dental and Laboratory Equipment	51,519,752.37	44,655,432.31	6,864,320.06
Sports Equipment	1,603.00	1,310.18	292.82
Technical & Scientific Equipment	190,864,118.77	171,611,607.90	19,252,510.87
Other Machinery & Equipment	81,177,353.79	68,105,536.87	13,071,816.92
Motor Vehicles	59,647,409.98	52,191,947.54	7,455,462.44
Other Transportation Equipment	507,515,721.10	415,842,326.68	91,673,394.42
<b>Total</b>	<b>P1,300,566,961.68</b>	<b>P1,097,241,516.79</b>	<b>P203,325,444.89</b>

- 12.4. During the CY 2014 audit on the disposal/sale of unserviceable motor vehicles and other transportation equipment, discrepancy was observed amounting to P33,995,067.84 between the PMD inventory report and the accounting records. The PMD reported P107,551,580.26, while the accounting records reflected five journal entries pertaining to the dropping of GAE totaling P73,556,512.42 as presented on the next page. This was reported in AAR for CY 2014 and reiterated in CY 2015.

Particulars	JEV No.	Amount
To take up dropping of assets (motor vehicles) which was sold thru public bidding for the year 1998-2000.	2012-12-005970	P 2,545,245.00
To take up dropping of assets (motor vehicles) which was sold thru public bidding for the year 2001.	2012-12-005976	5,679,515.00
To take up dropping of assets (motor vehicles) which was sold thru public bidding for the year 1999 to 2001.	2012-12-006002	4,441,236.60
To take up dropping of Assets from account 248 (Other Transportation Equipment) which was sold thru public bidding conducted last January 29, 2013 per Board Resolution No. 2012-178 dated Dec. 14, 2012.	2013-07-002965	58,147,614.42
Collection of Full payment from Michael Carreon Re: 53 units of motor vehicles sold thru public bidding.	2014-09-004219	2,742,901.40
<b>Total</b>		<b>P 73,556,512.42</b>

- 12.5. In the current year audit, three adjustments totaling P4,468,405.00 were posted to address the audit recommendation. The journal entries were drawn to drop the GAE accounts from the books that pertained to the sale of Motor Vehicles and Other Transportation Equipment thru public auction in CY 2013, thus, further reducing the amount of noted discrepancy to P29,526,662.84.

Particulars	JEV No.	Amount
To take up into account dropping of assets (Motor Vehicles) sold thru public bidding as per Board Resolution No. 2012-178 dated 12/14/12 as per attached supporting documents.	2015-04-002214	P 1,735,694.00
To take up dropping of assets under account 241 (Motor Vehicles) sold thru public bidding as per attached supporting documents and Board Resolution No. 2012-178 dated 12/14/12.	2016-03-001344	424,031.00
To take up dropping of assets under account 248 (Other Transportation Eqpt.) sold thru public bidding as per attached supporting documents and Board Resolution No. 2012-178 dated 12/14/12.	2016-03-001439	2,308,680.00
<b>Total</b>		<b>P 4,468,405.00</b>

- 12.6. Also, as reported in AAR for CY 2014 and reiterated in CY 2015, it was observed that Management did not comply on the timely disposal of unserviceable assets as prescribed by NBC No. 425 - Manual on Disposal of Government Property.



- 12.6.1. The summary list of returned GAE from previous projects of MWSS showed unserviceable GAEs turned over by the concessionaires from CYs 2001 to 2014 with original cost of P321.175 million. While some of these unserviceable items have been disposed at P107.552 million, the remaining assets of P213.623 million have been awaiting disposal to date. Details are as follows:

GAE Account	Received	Disposed	Balance
Other Transportation	P147,509,943.31	P107,551,580.26	P39,958,363.05
Laboratory and Medical	11,230,890.10	0	11,230,890.10
Construction and Engineering	75,881,113.26	0	75,881,113.26
Communication	4,646,482.42	0	4,646,482.42
Tools, Shop and Garage	2,881,172.39	0	2,881,172.39
Technical and Scientific	67,630,465.65	0	67,630,465.65
Computer Hardware and Software	2,307,990.75	0	2,307,990.75
Office Equipment	9,086,570.50	0	9,086,570.50
<b>Total</b>	<b>P321,174,628.38</b>	<b>P107,551,580.26</b>	<b>P213,623,048.12</b>

- 12.6.2. Management could have prevented further deterioration of these assets and generated additional funds to finance its operations, had the assets been disposed earlier as provided in NBC No. 425. Because of the non-immediate disposal, the salvage values of the assets had declined.
- 12.7. Further, deficiencies were noted on the sale of 53 units of unserviceable vehicles in CY 2014.
- 12.7.1. The reasonableness of the negotiated price of the 53 units of unserviceable vehicles sold in CY 2014 in the amount of P2,421,241.43 as supported by JEV No. 2014-09-004219 was not ascertained due to the absence of justification on the further reduction of negotiated price to lower than 80 per cent of the appraised value of P3,781,627.24 after failure of two public biddings held on July 8 and 30, 2014, contrary to the Manual on Disposal of Government Property.
- 12.7.2. There was no reconciliation on the noted discrepancy in the unit costs of the 49 vehicles out of the 53 unserviceable vehicles sold in CY 2014 which resulted in over/understatement in the recognition of gain or loss on disposal and the cost and related depreciation charges dropped from the books.

Particulars	Unit	Unit Cost			Total Variance
		Per Finance	Per PMD	Variance	
KIA Ceres Panoramic	24	P420,909.09	P(1,010,181.84)	P(42,090.91)	P(1,010,181.84)
Nissan ADMAX Panel	25	450,818.18	395,454.50	15,818.18	395,454.50
KIA Ceres Sewer	4	685,725.35	685,725.35	-	-
<b>Total</b>					<b>P (614,727.34)</b>

**12.8. We reiterated our recommendations that Management:**

- a. **Require the reconciliation of records between the Finance and Property Management Departments to examine the discrepancy on the disposal/sale of the unaccounted unserviceable GAE and make the necessary adjustments;**
- 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;**
- c. **Submit justification on the negotiated price for the sale of unserviceable vehicles that was lower than 80 per cent of the appraised value which is not in accordance with the Manual on Disposal of Government; and**
- d. **Reconcile the Finance and Property Management Departments' records on the 53 sold unserviceable vehicles and make the necessary adjustments.**

12.9. Management commented that they will adhere with the audit recommendations.

***Construction in Progress***

13. **The reliability of the balance of Construction in Progress (CIP) totaling P677.033 million was doubtful due to the inclusion of completed projects and unreconciled accounts amounting to P159.654 million and P453.902 million, respectively.**

13.1. This is a reiteration of previous year's findings and recommendations.

13.2. Our audit was guided by the following PPSAS and COA Circular No. 2015-010 dated December 1, 2015 regarding the Adoption of the Revised Chart of Accounts (RCA):

- a. PPSAS 1, Par. 27 states that "Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions,

other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSASs.”

- b. RCA provides that Construction in Progress account is used to recognize the accumulated cost or other appropriate value of various Property, Plant and Equipment (PPE) which are still in the process of construction or development. This account will be credited to reclassify it to the appropriate PPE account upon completion.

- 13.3. The CIP account balance of P677.033 million as of December 31, 2016 consisted of projects financed thru foreign loans and were accounted under various funds set up for the purpose, as follows:

<b>Fund No.</b>	<b>Fund Name</b>	<b>CIP Balance</b>
Fund 77	Angat Water Supply Optimization Project (AWSOP)	P 82,574,730.99
Fund 78	Manila Water South Distribution Project (MWSDP)	3,103,585.18
Fund 82	Umiray Angat Transbasin Project (UATP)	10,002,972.67
Fund 84	Manila Second Sewerage Project (MSSP)	2,478,439.72
Fund 90	New Water Sources Development Project	10,817,116.53
Fund 91	Manila Third Sewerage Project (MTSP)	50,677,422.49
Fund 05	For Reconciliation	453,901,592.21
	Angat Water Transmission Improvement Project (AWTIP)	63,477,629.47
	<b>Total</b>	<b>P 677,033,489.26</b>

- 13.4. Prior years’ audit revealed that various projects were already completed with accumulated cost aggregating P159.654 million but still presented under CIP account. Information obtained from prior year audit as to the date of completion are summarized below:

<b>Fund Name (with Various Contracts)</b>	<b>Amount</b>	<b>Year Completed</b>
Angat Water Supply Optimization Project (AWSOP)	P 82,574,730.99	2003
Manila Water South Distribution Project (MWSDP)	3,103,585.18	2002
Umiray Angat Transbasin Project (UATP)	10,002,972.67	2002
Manila Second Sewerage Project (MSSP)	2,478,439.72	2003
New Water Sources Development Project	10,817,116.53	2009
Manila Third Sewerage Project (MTSP)	50,677,422.49	-
<b>Total</b>	<b>P 159,654,267.58</b>	

- 13.5. Audit also disclosed that the above projects were no longer included in the Consolidated Quarterly Report on Government Projects/Programs/Activities as of December 31, 2016.

- 13.6. Further, it was also observed that 28 sub-accounts of the account Construction in Progress under Corporate 05 Fund balance totaling P453.902 million remained unreconciled.
- 13.7. The presence of these completed projects and unreconciled accounts in the CIP account resulted in the understatement of the appropriate PPE accounts, overstatement of CIP and overstatement of Retained Earnings for the unrecognized depreciation expenses.
- 13.8. **We reiterated our prior years' recommendation that Management:**
  - a. **Review and analyze the cost of completed projects and make the necessary reclassification to their appropriate PPE accounts supported with Certificate of Completion and Acceptance; and**
  - b. **Review the unreconciled accounts classified under the CIP and effect the necessary adjustments.**
- 13.9. Management submitted the following comments:
  - a. Analysis and review has been ongoing with the hiring of the Contract of Services (COS) but was stopped due to non-renewal of the latter.
  - b. Management is now hiring new COS with the appointment of the new Administrator and reconciliation will be continued.
  - c. With the dismissal of five regular employees of the Finance mostly involved in this function will however delay the reconciliation until such time that new employees are appointed to the vacant positions.

#### ***Domestic Loans Payable - NHA***

14. **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.**
  - 14.1. Section 59 of P.D. No. 1445 - Audit of Liabilities provides that:
 

*"In his audit of liabilities, the auditor shall seek to establish that all obligations of the agency have been accurately recorded; only bonafide obligations of the agency have been included; the obligations incurred are properly authorized; xxx."*
  - 14.2. The MWSS Notes to Financial Statements (FSs) in CY 2016 disclosed that the NHA loan was transferred by NHA to MWSS before the privatization that financed the transfer of water and sewer systems of Tondo Foreshore, Dagat-Dagatan and Kapitbahayan. The validity of the account is still subject to confirmation and subsequent preparation of MOA between MWSS, NHA and the two concessionaires.

- 14.3. Moreover, NHA Schedule and Notes to FS of the account *Loans Payable-Domestic* as of December 31, 2016 showing a balance of P95,278,405.89 revealed that the loan is still recorded in the NHA books with a notation that it be assumed by MWSS pursuant to the MOA between MWSS and NHA which is still under negotiation.
- 14.4. Likewise, NHA Notes to FS states that the IBRD-Urban III, LA#1821- P95.278 million (net of overpayment to Bureau of the Treasury (BTr) of P1.723 million) pertains to loan to be assumed by MWSS for water system funded by the World Bank under the Zonal Improvement Projects is subject to issuance of negative Advice of Allotment by the BTr.
- 14.5. Further, in a letter response to our query dated 14 February 2017 to the Deputy Administrator for Administrative and Support Services on the status of the account, Management quoted the report of Mr. Mario V. Canaria dated 30 June 2007, a former MWSS contractual employee, portion of which states “*In March 2006, the president of MWCI wrote a letter acknowledging the transfer of assets and the corresponding Urban III loan subject to appropriate adjustments in the 2008 rate rebasing. For projects under the concession area of MWSI there was still no report if the water and sewer systems are operational or not.*” Presently, the NHA is finalizing the Deed of Transfer of the said Urban III Projects. Once MWSS acknowledged the transfer, the corresponding loan will be an additional loan payable to the National Government and therefore constitutes additional concession fee from the two Concessionaires.”
- 14.6. The Finance Department further averred in their letter response that the information contained in a report submitted by Mr. Canaria is the only data it can provide at the moment.
- 14.7. Furthermore, verification of the demand letters sent by the MWSS to the Concessionaires on the Concession Fee under Section 6.4 (a) of the Concession Agreement, representing actual share of the company on the total principal and interest, fees or other amount due under an MWSS loan, the *Loans Payable-NHA* was not included.
- 14.8. It is also worth mentioning that in a confirmation reply from the BTr on the foreign loan balance/s accounts of MWSS-CO as of December 31, 2016, the aforementioned loan account was not mentioned, however, the schedule attached thereof showed IBRD # 1821 under the account of the NHA.
- 14.9. Considering the foregoing, and in view of the lack of a MOA between the parties, the validity of the account *Loans Payable-NHA* was doubtful.
- 14.10. **We recommended that Management:**
- 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**

**b. Determine and collect from the Concessionaires the prior year's debt service of the loan account.**

- 14.11. Management commented that it will drop from the books the account Domestic Loans Payable-NHA Loan and the corresponding asset account since there is no MOA to support the loan.
- 14.12. We then request submission of the journal voucher and supporting documents to drop from the books the NHA Loan.

***Other Payables – Trust Liabilities***

15. **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.**

**In addition, the 20 per cent final tax on interest earned was not deducted but was taken up as bank charges, thus, reported as expense of the MWSS.**

- 15.1. This is a reiteration of prior year's audit observations as to the risk of possible lawsuit for having no legal right to retain the initial deposit received from SM Prime Holdings Inc.
- 15.2. Our audit was anchored on Republic Act No. 386 otherwise known as The Civil Code of the Philippines.
- 15.2.1 Article 1231 of which enumerated various modes of extinguishing obligations, among them is by payment or performance.
- 15.2.2 Further, Articles 1256 to 1260 thereof discussed tender of payment and consignation, as follows:

***“Art. 1256. If the creditor to whom tender of payment has been made refuses without just cause to accept it, the debtor shall be released from responsibility by the consignation of the thing or sum due.***

*Art. 1257. In order that the consignation of the thing due may release the obligor, it must first be announced to the persons interested in the fulfilment of the obligation.*

*The consignation shall be ineffectual if it is not made strictly in consonance with the provisions which regulate payment. (1177)*

*Art. 1258. Consignation shall be made by depositing the things due at the disposal of judicial authority, before whom the tender of*

*payment shall be proved, in a proper case, and the announcement of the consignation in other cases.*

*The consignation having been made, the interested parties shall also be notified thereof. (1178)*

*Art. 1259. The expenses of consignation, when properly made, shall be charged against the creditor. (1178)*

***Art. 1260. Once the consignation has been duly made, the debtor may ask the judge to order the cancellation of the obligation.***”(emphasis supplied)

- 15.3. A Contract was entered into by and between MWSS and SM Prime Holdings, Inc. on May 27, 2010 for the lease of MWSS property along Katipunan Avenue for which the latter paid the sum of P33,248,892.86 as the initial deposit on 13 July 2010.
- 15.4. However, on 12 August 2010, the MWSS Board of Trustees declared the Contract null and void for being non-compliant with the policies and guidelines set by the Office of the Government Corporate Counsel (OGCC) as discussed in Board Resolution No. 2010-113.
- 15.5. Verification disclosed that the amount of P36,250,872.94, including the interest earned of P3,001,980.08, was recognized in the books under the account Other Payables-Trust Liabilities. Details are as follows:

Particulars	Amount
<i>Collection of initial deposit for rent:</i>	
Security Deposit	P 17,004,000.00
Advance Rental	15,182,857.14
Value-added tax	1,821,142.86
Expanded withholding tax	(759,107.14)
Net Amount	33,248,892.86
<i>Interest Income:</i>	
Earned for the period 13 July 2010 to 31 December 2016	3,001,980.08
<b>Total</b>	<b>P 36,250,872.94</b>

- 15.6. The MWSS exerted efforts to return the sum of money to the SM Prime Holdings, Inc., but to no avail.
- 15.7. Considering that the Contract was declared null and void, the MWSS might be at risk of possible lawsuit for having no legal right to retain the total amount of P36.251 million maintained in a separate bank account No. 1451-1140-20.

- 15.8. It was further observed that Management did not deduct the 20 per cent final tax on the interest income earned, but was treated as bank charges which eventually reported as expense of the MWSS.

The pro-forma entry made to take-up the interest income is as follows:

Cash in Bank – Local Currency, Time Deposits	xxx	
Bank Charges/Taxes, Duties and Licenses	xxx	
Other Payables		xxx

- 15.9. The amount credited to the account *Other Payables* represents the gross interest income earned while the account *Bank Charges* was debited for the 20 per cent final tax. Having no legal right to retain the funds which is supposed to be returned to SM Prime Holdings Inc., the corresponding 20 per cent final tax should not be recorded as an expense of MWSS but instead deducted in the amount of interest income recognized in Other Payables, and in effect, be deducted in the amount that will be returned to SM Prime Holdings, Inc.

The entry that should have been made is as follows:

Cash in Bank – Local Currency, Time Deposits	xxx	
Other Payables		xxx

- 15.10. In CY 2013 Annual Audit Report, we recommended that Management immediately take the best possible legal action to resolve the issue on the Lease Agreement. However, to date, the funds remain in trust with MWSS despite efforts by Management to return the amount including interest earned thereof (net of 20 per cent final tax) to SM Prime Holdings Inc., which refused to accept the sum of money.

- 15.11. **We recommended that Management:**

- 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**
- b. **Refrain from debiting the account bank charges/taxes, duties and licenses to record the 20 per cent final tax on the interest income earned.**

- 15.12. Management submitted the following comments:

- a. Relative to the initial deposit made by SM Prime Holdings Inc. totaling P36.25 million for the supposed lease of MWSS property, legal action has already been taken on the said issue with Case No. R-QZN-15-07616-CV filed with the Regional Trial Court Branch No. 223 of Quezon City;
- b. MWSS legal counsel, the OGCC, will include in the subject matter the request for the Court to grant permission to consign the amount. As soon as



granted, MWSS will immediately consign the amount including the interest earned to the Court; and

- c. On the take up of bank charges/taxes, duties and licenses to record the 20 per cent final tax on interest income earned, Management will abide with the recommendation.

### ***Sinking Fund account***

#### **16. 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.**

- 16.1 In CY 2015, the accuracy and validity of the year-end balance of account Sinking Fund at P29.510 million was highly doubtful as confirmation from the BTr showed negative sinking fund balance.
- 16.2 On 12 December 1989, a Sinking Fund was set up in connection with the issuance of the MWSS Angat Serial Bonds which matured on 30 April 2002. The Fund is being managed by the Bangko Sentral ng Pilipinas and later on transferred to the Bureau of the Treasury (BTr) on 30 June 1995.
- 16.3 In previous Annual Audit Report, we recommended to immediately reconcile with the BTr the sinking fund balance considering that the BTr consistently confirmed the non-existence of the fund.
- 16.4 As at year-end, the account *Sinking Fund* reported a zero balance due to the adjustment made under JEV-2016-12-004219 dated 28 December 2016 amounting to P29,510,406.78 since Management claimed that the Angat Serial Bonds were already redeemed and paid by the BTr per PNB Credit Advice dated 4 September 2003 under Current Account No. 244-500163-8. While the JEV was supported with some documents, the bank statements pertaining to this current account have not been submitted to validate the adjustment.
- 16.5 On the contrary, the general ledger showed interest totaling P77,321.51 that was earned for the 4<sup>th</sup> quarter of 2003 and 3<sup>rd</sup> quarter of 2004, way beyond the maturity date of the Angat Serial Bonds on 30 April 2002 and payment date of the sinking fund on 4 September 2003. Further, no document was submitted to confirm that the interest earned after redemption date was indeed credited to the MWSS account. The details of the interest earned after redemption date were as follows:

Particular	JEV Date	JEV No.	Debit
To take up interest earned on MWSS Sinking Fund with BTr for the 4 <sup>th</sup> Q of 2003	1/13/04	05-506/03	P22,050.40
To adjust the overstatement on the estimated amount of interest earned for the 4 <sup>th</sup> Q of	2/2/04	05-516-03	(11,581.15)

2003 per BTr letter dated 15 January 2004			
To take up interest earned on MWSS Angat Sinking Fund for the 3 <sup>rd</sup> Q of 2004 per BTr letter dated 7 October 2004	10/11/04	05-/04	66,852.26
<b>Total</b>			<b>P77,321.51</b>

- 16.6 Also, the journal voucher revealed that no reconciliation with the BTr was made despite the audit recommendation and that the attached documents were insufficient to support the derecognition of the account.
- 16.7 It can be deduced that Management merely prepared an adjusting entry to conform the MWSS book balance with the BTr records without proper reconciliation and supporting documents.
- 16.8 **We recommended that Management:**
- 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**
  - 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.**
- 16.9 Management will reconcile the balance of Sinking Fund with the BTr.

***Understatement of Foreign Loans Payable-ADB 1746-PHI and Loss on Forex Exchange (FOREX)***

17. 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:
- 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 made in the books; and**
  - 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.**
- 17.1 This is a reiteration of prior year's audit observations.

- 17.2 Our audit was anchored on Sections 23, 27 and 32 of Philippine Public Sector Accounting Standard (PPSAS) 4 on the effects of changes in foreign exchange rates provides that:

*“Section 23. A Foreign currency transaction is a transaction that is denominated or requires settlement in a foreign currency, including transactions arising when an entity:*

- (a) Buys or sells goods or services whose price is denominated in a foreign currency;*
- (b) Borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency; or*
- (c) Otherwise acquires or disposes of assets, or incurs or settles liabilities denominated in a foreign currency.*

Section 27. At each reporting date (a) Foreign currency monetary items shall be translated using the closing rate; xxx”

Closing rate is defined in Section 10 of the same Standards as the spot exchange rate at the end of the reporting period.

Section 32. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in surplus or deficit in the period in which they arise, except as described in paragraph 37.”

- 17.3 The adjustment per JV No. 2016-09-003397 dated 30 September 2016 totaling P19,322,447.84 was made to reconcile the *Foreign Loans Payable*-ADB 1746-PHI per books and per records of the Bureau of the Treasury (BTr), as shown below:

Particulars	Balances as of August 2016
Balance of ADB 1746-PHI per MWSS books	\$ 3,139,313.32
Balance of ADB 1746-PHI per BTr records	2,738,906.17
Variance (adjustment)	400,407.15
Multiply by the exchange rate	x 48.2570
Peso Equivalent of variance (adjustment)	P 19,322,447.84

- 17.4 However, audit disclosed that it was not supported with proper reconciliation with the BTr and relevant supporting documents to prove the propriety of the adjustment.

- 17.5 Consequently, the related *Loss on Foreign Exchange* upon loan revaluation was understated by P623,033.52 arrived at:

Particulars		Amount
Improper Adjustment		\$ 400,407.15
Exchange Rate on 29 December 2017 (rate on closing date)	49.8130	
Exchange Rate on 30 September 2017 (rate on adjustment date)	48.2570	
Exchange Rate Difference		x 1.56
Understatement of Loss on FOREX		P 623,033.52

- 17.6 Considering the foregoing, the account *Foreign Loans Payable*-ADB 1746-PHI was understated by P19,945,481.36 (P19.322 million plus P.623 million) and the related *Loss on Foreign Exchange* by P623,033.52.
- 17.7 Moreover, the exchange differences as a result of payment and/or settlement of foreign loans were recognized in the books only upon loan revaluation at the end of each quarter, not at the time of loan settlement/payment, as provided in Section 32 of the PPSAS 4.

The following pro-forma entries made are as follows:

- (a) To take into account payment of loans
- |                         |     |     |
|-------------------------|-----|-----|
| Interest Payable        | xxx |     |
| Loans Payable – Foreign | xxx |     |
| Interest Expenses       | xxx |     |
| Other Financial Charges | xxx |     |
| Cash in Bank – LCCA     |     | xxx |
- (b) To recognize forex loss upon loan revaluation
- |                          |     |     |
|--------------------------|-----|-----|
| Loss on Foreign Exchange | xxx |     |
| Loans Payable - Foreign  |     | xxx |
- (c) To recognize forex gain upon loan revaluation
- |                          |     |     |
|--------------------------|-----|-----|
| Loans Payable – Foreign  | xxx |     |
| Gain on Foreign Exchange |     | xxx |

The pro-forma entries that should have been made for the above entry (a) are as follows:

- (d) To recognize forex loss upon payment of loans
- |                          |     |     |
|--------------------------|-----|-----|
| Interest Payable         | xxx |     |
| Loans Payable – Foreign  | xxx |     |
| Interest Expenses        | xxx |     |
| Other Financial Charges  | xxx |     |
| Loss on Foreign Exchange | xxx |     |
| Cash in Bank – LCCA      |     | xxx |
| Loans Payable – Foreign  |     | xxx |

(e) To recognize forex gain upon payment of loans		
Interest Payable	xxx	
Loans Payable – Foreign	xxx	
Interest Expenses	xxx	
Other Financial Charges	xxx	
Loans Payable – Foreign	xxx	
Cash in Bank – LCCA		xxx
Gain on Foreign Exchange		xxx

**17.8 We recommended that Management:**

- 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;**
- b. **Reconcile with the Bureau of the Treasury on the outstanding loan balance of ADB 1746-PHI between records per books and per BTr; and**
- 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 the PPSAS 4.**

17.9 Management will confirm to the BTr the correct balance of the ADB1746-PHI loan since the book balance is based only in the amount provided by the MWCI. With regard to the foreign exchange differences, Management has committed to comply with the audit recommendations.

***Special Reserve Fund***

**18. 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.**

18.1 This is a reiteration of prior year's observation for the difference noted between the book balance of the Fund and the amount confirmed by the BTr amounting to P17.186 million.

18.2 The Special Reserve Fund with the Bureau of the Treasury (BTr) is intended as guarantee for the financial obligations of MWSS during the concession period which was established in pursuance to Article 2.1 of the Memorandum of Agreement (MOA) between the Department of Finance (DOF) and MWSS.

18.3 In previous Annual Audit Reports, we recommended to reconcile the fund balance with the BTr and effect the necessary adjustments, however, confirmation with the BTr of the year-end balance of *Investment in Special Reserve Fund* showed a

variance of P18.245 million against the book balance as at year-end, which cast doubt on the accuracy of the account balance, computed as follows:

Per Confirmation (MWSS-SRF)	
Government Securities	P 247,483,591.99
Cash Retained at BSP-TSA	133,624,791.84
Balance per Confirmation, December 31, 2016	381,108,383.83
Balance per Books, December 31, 2016	399,353,478.15
<b>Unreconciled Variance</b>	<b>P 18,245,094.32</b>

- 18.4 **We reiterated our recommendation that Management 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.**
- 18.5 Management informed that the reconciliation meeting with the BTr has not yet been scheduled, as well as the explanation on the background for the unreconciled statements.

#### ***Other Liability Account***

19. **The reported year-end balance of the account *Other Liability* of P526.769 million was unreliable due to:**
  - a. **Inclusion of P14.085 million which cannot be ascertained due to unsubstantiated transactions and/or lack of supporting documents;**
  - 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**
  - c. **Improper accounting entries in recognizing and derecognizing Trust Liabilities in the books of accounts.**
- 19.1 Our audit was guided by the following criteria:
  - 19.1.1 Section 3(4) of Presidential Decree No. 1445 defined trust funds as, *“funds which have come officially into the possession of any agency of the government or of a public officer as trustee, agent, or administrator, or which have been received for the fulfillment of some obligation.”*
  - 19.1.2 Also, Section 4(6) of the same Decree requires that, *“Claims against government funds shall be supported with complete documentation.”*
  - 19.1.3 In recording transactions, Section 112 thereof, states that:
 

*“Each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.”*

- 19.2 As of 31 December 2016, the balance of the account *Other Liability* was P526.769 million, consisting of the following:

Particular	Amount
Guaranty Deposits Payable	P 99,952.06
Performance/Bidders/Bail Bonds Payable	268,621.42
Trust Liabilities	101,310,718.56
Other Liability Accounts	96,977,260.47
Unreconciled Amount	328,112,668.18
<b>Total</b>	<b>P 526,769,220.69</b>

- 19.3 Audit of the account revealed that:

- 19.3.1. Trust liabilities/funds totaling P14.085 million lacked supporting documents as required by COA Circular No. 2012-001, the most basic of which is the Memorandum of Agreement/Trust Agreement to confirm the validity and propriety of the recorded liabilities. The details are as follows:

Account Code	Trustor (to whom funds came from)	Book Balance
439-13-01	Philippine Amusement and Gaming Corporation (PAGCOR)	P 2,000,000.00
439-13-02	Manila Water Company Inc. (MWCI)	2,549,490.00
439-13-03	Maynilad Water Services Inc. (MWSI)	3,169,950.00
439-26	Department of Environment and Natural Resources (DENR)	23,466.67.00
439-30-01	MWCI	3,468,186.20
439-30-02	MWSI	2,491,207.31
439-31	MWCI/MWSI	383,644.00
<b>Total</b>		<b>P 14,085,944.18</b>

- 19.3.2. Further analysis showed that the amounts of P2.549 million and P3.170 million from MWCI and MWSI, respectively, are the unexpended financial assistance to the affected families within the 25-meter pipe alignment of the Angat Water Utilization and Aqueduct Improvement Project (AWUIAP) – Phase 2. The Notice to Proceed was issued on 17 March 2010. However, starting July 2010, there were no further claims, hence the funds may now be returned to the Concessionaires upon proper liquidation and the corresponding liabilities be derecognized in the books.
- 19.3.3. The amount withheld from the salaries of MWSS employees totaling P4,876,425.09 as of 31 December 2016 remained unremitted to the

respective MWSS Associations where the amounts withheld are due, contrary to sound accounting practice that what was withheld should be remitted to the concerned Association. Details are shown below:

Account Code	Creditors	Beginning Balance as of 1 January 2016	Amount Withheld in CY 2016	Amount Remitted in CY 2016	Outstanding Balance as of 31 December 2016
439-02	WASSSLAI	P 301,150.49	P 3,876,893.46	P3,861,009.49	P 317,034.46
439-03	MWSS Welfare Fund	2,637,002.39	2,010,183.39	2,587,914.38	2,059,271.40
439-04	MWSS Labor Association	83,787.80	67,150.00	70,900.00	80,037.80
439-06	Medicard Health Care	61,360.00	-	-	61,360.00
439-08	KKMK-MWSS	66,000.00	-	-	66,000.00
439-12	MCMC	1,763,684.10	943,423.62	366,191.00	2,340,916.72
	<b>Sub-total</b>	<b>4,912,984.78</b>	<b>6,897,650.47</b>	<b>6,886,014.87</b>	<b>4,924,620.38</b>
439-24	MWSS La Mesa Heights Home Owners Association	(56,362.00)	450,690.00	442,523.29	(48,195.29)
	<b>Total</b>	<b>P 4,856,622.78</b>	<b>P 7,348,340.47</b>	<b>P 7,328,538.16</b>	<b>P 4,876,425.09</b>

*Acronyms:*

WASSSLAI – Water and Sewerage Sector Savings and Loans Association, Inc.

KKMK-MWSS – Kaisahan at Kapatiran ng mga Manggagawa at Kawani sa MWSS

MCMC – MWSS-Corporate Office Multi-Purpose Cooperative

- 19.3.4. Trust liabilities with Concessionaires totaling P15 million in the form of receivables do not meet the definition of trust funds as provided under PD No. 1445, for which funds received from trustor should have been officially transferred to the MWSS.

JEV No. 2009-05-003783 recognized a receivable on intensive information and education campaign for public awareness and generation of public appreciation on its development, recorded as follows:

Other Receivables	xxx
Other Payables	xxx

The entry clearly shows that there was no actual receipt of funds, but only a set-up of receivable from the trustor. This liability has an outstanding balance of P10 million as of year-end.

- 19.3.5. Other payables/trust liabilities totaling P7,664,746.71 representing funds received from the Concessionaires treated as cash advances were derecognized when the funds were drawn in the name of the assigned Accountable Officers (AOs)/Special Disbursing Officers (SDOs) and not upon liquidation to the Concessionaires.



The funds were intended for the Operational Expenses in Umiray Angat Transbasin Facility (UATF) and Salaries of Ipo Watershed workers, and the cash advances were drawn by Teodoro M. Alipio and Lilybeth A. Santos, respectively.

The current pro-forma entries made are as follows:

- a. To take up into account receipt of funds from Concessionaires:
 

Cash Collecting Officer	xxx	
Other Payables		xxx
- b. To take up into account deposit of collection from Concessionaires:
 

Cash in Bank – LCCA	xxx	
Cash Collecting Officer		xxx
- c. Grant of one-time Cash Advance to the Accountable Officer:
 

Other Payables	xxx	
Cash in Bank – LCCA		xxx

19.4 **We recommended that Management:**

- 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;**
- b. **Ensure that the recorded outstanding liabilities in the books pertain only to those claims which are supported with complete documentation;**
- c. **Analyze the accuracy and validity of the outstanding balance of the other liability and its various accounts such as but not limited to liabilities with various MWSS Associations totaling P4.925 million as well as the abnormal balance of P48,195.29;**
- d. **Record trust liabilities that comply with the definition of trust funds as provided under Section 3(4) of PD No. 1445; and**
- 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 by using the following entries:**

- i. Payment/grant of one-time cash advance to the AO

Advances to Special Disbursing Officer	xxx	
Cash in Bank – LCCA		xxx

- ii. Upon liquidation of funds to the Concessionaires

Other Payables	xxx	
Advances to Special Disbursing Officer		xxx

- 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.**
- 19.5 Management commented that reconciliation of account will be made and resolve the issue within the year. With regard to the account of the MCMC amounting to P2.340 million, the same will be offset on the amount due MCMC from their collections of rent and electricity consumption by canteen's concessionaires.

### ***Abnormal/Negative Balances***

20. **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.**
- 20.1 This is a consolidation of abnormal/negative balances noted in prior year's audit observations including but not limited to paragraphs B.1.19.e and B.3.1 of CY 2015 Annual Audit Report.
- 20.2 Our audit was anchored on the following rules and regulations:
- 20.2.1. Section 111(2) of PD No. 1145 provides that:
- "The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information."*
- 20.2.2. Also, in recording financial transactions, Section 112 of the same PD states that:
- "Each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations."*
- 20.2.3. Sound accounting practice dictates that the normal balance of asset and expense accounts should be debit; and the liabilities, equity and income accounts should be credit.
- 20.3 Verification of the trial balance as of December 31, 2016 and its supporting Subsidiary Ledgers (SL) disclosed abnormal/negative balances in the asset and liabilities accounts totaling P14.059 million and P1.618 million, respectively.
- 20.4 Audit also revealed that the abnormal/negative balances resulted from (a) over-remittance of the withheld amount to various concerned agencies/cooperatives and/or errors in the computation of amount payables, and (b) misclassification/reclassification/adjustment made on the accounts.

The details of which are shown below:

Accounts with abnormal/negative balances  
As of December 31, 2016

Account Title	Account Code	Amount	Negative/ abnormal outstanding balance since
<b>Assets</b>			
<u>Cash</u>			
Local C/A– PNB-MWSS Br- Corporate Office	111-05-CA 244-850075-9	P 10,539.42	Oct 2016
Local C/A– PNB-MWSS Br – Main Fund	111-05-CA 244-850012-0	211,307.69	Jan 2014
Philippine National Bank	113-000-188- 209-185	488,502.91	Oct 2015
<u>Accounts Receivable</u>			
Cellphone	123-05-02	3,876.14	Dec 2010
Balara Quarter Rental	123-05-04	150,843.67	Jan 2007
<u>Other Receivable</u>			
Smart Communication	149-01-005- 393-443-000	80.00	Oct 2016
MWSI-Telephone	149-02-02-03	102,370.90	Apr 2007
<u>Prepayments</u>			
Prepaid Material Cost – for reconciliation (net)	181-02	13,091,089.52	Jan 2007
<b>Total Assets</b>		<b><u>14,058,610.25</u></b>	
<b>Liabilities</b>			
<u>Inter-Agency Payable</u>			
For Deposit to Special Reserve Fund – 35% of Proceeds from sale of unserviceable assets	411-03-01	42,425.03	Aug 2014
Final Withholding Tax	412-01-10	2,802.55	Jan 2015
Policy Loan - Contractual	413-03-02	2,000.00	Feb 2014
Optional Insurance Prem. - Regular	413-08-01	23.00	Jul 2016
Salary/Enhanced Salary Loan - Contractual	413-10-02	3,350.48	Oct 2007
Cash Advance (e-card) - Regular	413-13-01	388.66	Jun 2016
State Insurance Fund - Contractual	413-15-02	200.00	Feb 2009
Restructured Loan – Regular	413-16-01	5,868.22	Jun 2009
Restructured Loan - Contractual	413-16-02	4,516.47	Dec 2013
Multi-Purpose Loan - Contractual	414-03-02	1,456.32	Jan 2007

<b>Other Liabilities</b>			
WASSSLAI–Contractual (Various Employees)	439-02-01-02	5,692.05	Jan 2011
WASSSLAI–Board of directors (Various Employees)	439-02-01-03	2,000.00	Dec 2009
Contract of Service	439-02-01-04	153.39	Aug 2015
WASSSLAI Loan - Contractual	439-02-02-02	5,167.00	Oct 2016
Eripians	439-02-02-04-01	1,482,182.33	Dec 2015
Attorney’s Fee – Atty. Cariaga	439-05-04	10,985.38	Dec 2016
MCMC – QB Stove	431-12-11	501.50	Mar 2015
MWSS La Mesa Heights Home Owner Association	439-24	48,195.29	Nov 2011
<b>Total Liabilities</b>		<b><u>P 1,617,907.67</u></b>	

- 20.5 From the above table, the abnormal/negative balances of some accounts have been in existence since 2007 or almost 10 years now, while the latest occurred in December 2016. It showed that Management has not taken any action to analyze and determine the causes of abnormality.
- 20.6 **We recommended that Management analyze and determine the causes of the abnormal/negative balances, and effect necessary adjustments to reflect the correct balances of the affected accounts.**
- 20.7 Management informed that they will hire a Contract of Service personnel to do the reconciliation and analysis of the accounts with abnormal/negative balances.

### ***Other Prepaid Expenses***

21. **The account *Other Prepaid Expenses-Expanded Withholding Tax (OPE-EWT)* with an 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.**
- 21.1 This is a reiteration of a previous audit observation that the beginning balance of the OPE-EWT account per books did not reconcile with the remaining tax credit per Annual Income Tax Return submitted to BIR.
- 21.2 Analysis of the OPE-EWT account and the 2015 Annual Income Tax Return filed disclosed a variance of P12.762 million arrived at:

<b>OPE-Expanded Withholding Tax Account (185-03)</b>	<b>Amount</b>
Beg. Balance (1/1/16)	P 15,339,298.56
Add: Misapplication of tax credit (discussed in par.21.5)	110,090.78
<b>Total EWT (1/1/16), adjusted</b>	<b>15,449,389.34</b>
<b>Less: Excess Credits per BIR Form 1702 filed in CY 2015</b>	<b>2,687,577.00</b>
<b>Difference/Discrepancy</b>	<b>P 12,761,812.34</b>

21.3 Section 2.57(B) of the BIR Revenue Regulation 2-98 provides that

*“Under the creditable withholding tax system, taxes withheld on certain income payments are intended to equal or at least approximate the tax due of the payee on said income. The income recipient is still required to file an income tax return, as prescribed in Section 51 and Section 52 of the NIRC, as amended, to report the income and/or pay the difference between the tax withheld and the tax due on the income. Taxes withheld on income payments covered by the expanded withholding tax (referred to in Section 2.57.2 of these regulations) and compensation income (referred to in Section 2.78 also of these regulations) are creditable in nature.”*

21.4 Verification from the MWSS Accounting Department revealed that the discrepancy noted pertained to tax credits already applied in previous years, but not recorded in the books under the Other Prepaid Expense – EWT.

21.5 Also, the misclassified creditable withholding tax applied against Value-Added Tax payable in CY 2015 amounting to P110,090.78 remained unadjusted in the books, as discussed below.

- a. Section 2.57.2 of RR No. 2-98 (as amended by Section 2 of RR No. 14-2002) is explicit on the application of the Creditable Withholding Tax (Expanded Withholding Tax on Rentals-5%); in which, the amount of creditable tax withheld shall be allowed as a tax credit against the income tax liability of the payee and not against Value-Added Tax payable. Instead, the creditable Withholding VAT (5%) for Government Money Payments (Other Prepaid Expenses – Output VAT (185-02) can be used against Output VAT payment.
- b. In CY 2015, the recording of VAT remittances showed that the allowable tax credit against Output tax was credited to OPE-EWT instead of OPE-Output VAT. Management corrected the previous entries and made the necessary adjustment in the same year, but the amount of P110,090.78 remain unadjusted, to date. The misapplication of creditable withholding taxes overstated *OPE-Output VAT* and understated the *OPE-EWT*, both by P110,090.78.

21.6 **We recommended that Management verify and substantiate the tax credits variance per BIR Form 1702 against the recorded book balance of the account *Other Prepaid Expense-EWT*, and prepare the necessary adjusting entry to correct the misapplication of creditable tax credit in the books.**

21.7 Management committed to comply with the audit recommendation.

## ***Accounts Payable***

22. The year-end balance of the ***Accounts Payable*** of P31.149 million was unreliable due to:
- 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;
  - 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;
  - c. The amount accrued for the CY 2015 Performance-Based Bonus (PBB) exceeding the amount approved by P0.864 million; and
  - d. **Non-maintenance of subsidiary ledgers on Payable accounts.**
- 22.1 This is a reiteration of prior years' audit observation on the practice of accruing obligations at the end of the year without complete documentation to support and validate the recorded obligations.
- 22.2 Our audit was guided by the following issuances
- 22.2.1 Accrued expenses are expenses that a company has incurred as of the balance sheet date, but have not yet been recorded or paid, and reported as current liabilities.
  - 22.2.2 Section 4(6) of P.D. No. 1445 provides that, *"Claims against government funds shall be supported with complete documentation."*
  - 22.2.3 In addition, Section 111(2) states that, *"The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information."*
  - 22.2.4 In recording its transaction, Section 112 requires that, *"Each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations."*
  - 22.2.5 Section 114(2) of P.D. 1445 also provides that, *"Subsidiary records shall be kept where necessary."*
- 22.3 Analysis of various accounts payable disclosed the following:
- 22.3.1 Recording various accrued MOOE amounting to P14,917,290.07 was not in accordance with Section 4(6) of P.D. No. 1445

- a. Liabilities amounting to P550,000.00 were accrued per JEV-2016-02-000502 for reimbursement of transportation and miscellaneous expenses of OGCC lawyers, despite absence and/or non-attachment of documents such as Official Receipts to support the claims.
- b. Likewise, the recorded payable per JEV-2016-12-004602 totaling P6,587,254.96 for various MOOE accounts was not supported with complete documentation. The only documents attached to the JEVs are – the summary of accruals as prepared by various personnel showing the amounts accrued but not supported with signed contracts/MOA; billing statement from creditors; official receipts for reimbursement of expenses; and other documents to support and validate the recorded obligation for CY 2016.
- c. Based on the above Journal Entry Voucher (JEV), the details of the accrued MOOE totaling P6.587 million are shown below:

Particulars	Amount
Printing and Binding Expenses	P 167,125.18
Representation Expenses	1,690,000.00
Consultancy Services	160,000.00
Taxes, Duties and Licenses	4,376,629.78
Other Maintenance and Operating Expenses	193,500.00
<b>Total</b>	<b>P 6,587,254.96</b>

22.3.2 Recording various accrued PS account was not in compliance with sound accounting practice and with Sections 111(2) and 112 of P.D. No. 1445

- a. The practice of re-accruing the previously accrued personnel services totaling P336,200.00 per JEV-2016-12-004617 was not in compliance with sound accounting practice, as well as with Sections 111(2) and 112 of P.D. No. 1445. The details of which are:

Particulars	Period Covered	Accrued Amount
<i>Loyalty Award:</i>		
Arnulfo Agluba	1997-2012	P 15,000.00
Marivic Ascan	2011-2015	6,500.00
Ronald Atara	2005-2015	10,000.00
Virgilito Avancena	2010-2015	6,500.00
Rogelio Bayagosa	2005-2015	10,000.00
Reynaldo Caoyonan	2005-2015	10,000.00
Renato Caspillo	2005-2015	10,000.00
Leonor Cleofas	1999-2013	15,000.00
Edgar Cruz	2005-2015	10,000.00
Elenita De Leon	2001-2015	15,000.00
Modesto De Villa	2007-2012	6,500.00
Montano Dela Cruz	2005-2015	10,000.00
Jose Alfredo Escoto	2000-2016	15,000.00
Alexander Francisco	2007-2012	6,500.00
Ma. Florita Inzon	2012-2016	10,000.00
Susanne Sta. Maria	2004-2014	10,000.00

Francisco Tayam	1992-2016	10,000.00
Soledad Tolentino	2008-2012	6,500.00
Arturo Tuason	1990-2015	6,500.00
Noel Yamson	2011-2015	6,500.00
Rene Zapiter	2011-2016	5,000.00
Subtotal		<u>200,500.00</u>
<i>Terminal Leave Benefits:</i>		
Jeff Codamon	Legal Dept	8,700.00
Narciso Jerome Dela Cruz	PMD	5,000.00
Manolito Estioko	Eng	45,000.00
Mar John Mananghaya	Legal Dept	76,000.00
Mario Rodrigo Sejera	Legal Dept	1,000.00
Subtotal		<u>135,700.00</u>
<b>Total</b>		<b><u>P 336,200.00</u></b>

- b. It can be gleaned from the above table that majority of the accrued loyalty pay pertained to employees' claims for the service period from CY1990 to CY 2016 which should have been given to the qualified service awardees.
- c. In addition, the said amount of loyalty and terminal pay remained valid claims of the employees, hence, it is not proper to close the accrued expenses and/or due to officers and employees account previously set-up and thereafter recognized the same on the following year.
- d. The above-mentioned amount were included in the previously accrued personnel services recognized in CY 2015 per JEV-2015-12-005127 and subsequently closed per JEV-2016-12-003985 when it remained unpaid in CY 2016 totaling P826,634.39. Details are as follows:

Particulars	Amount
Loyalty Pay	P 219,172.37
Terminal Leave Benefits	154,462.02
Step Increment Differential	439,500.00
Per Diem	13,500.00
<b>Total</b>	<b>P 826,634.39</b>

- 22.3.3 Likewise, the amount accrued for the grant of PBB for CY 2015 per JEV-2016-12-004617 exceeded the amount authorized by the GCG by P864,533.00. The amount is computed as follows:

Particulars	Amount
Accrued Amount	P 4,864,944.00
Amount Authorized	4,000,411.00
<b>Excess</b>	<b>P 864,533.00</b>

- 22.3.4 In a letter dated 26 August 2016, GCG mentioned that "MWSS CO has satisfied the requirements of GCG Memorandum Circular (MC) No.



2015-05 and the Checklist of Documents to be submitted by GOCCs to qualify for the FY 2015 Performance-Based Bonus (PBB). This notwithstanding, MWSS CO will still be allowed to grant the FY 2015 PBB to its officers and employees, but **EXCLUDING** the Head of Procuring Entity, BAC Chairperson and BAC Secretariat in accordance with AO 25 IATF Memorandum dated 28 April 2016. Accordingly, the Governing Board of the **MWSS CO is hereby authorized to grant PBB FY 2015, with a grand total of P4,000,411.00 to 99 eligible officers and employees xxx.**" (emphasis supplied)

22.3.5 It was also noted that no subsidiary ledgers were maintained for the account payable accounts, resulting to difficulty in validating the identity of the creditors and the corresponding obligations of the Agency.

22.4 **We recommended that Management:**

- a. **Ensure that all obligations are supported with complete documentation to comply with Section 4(6) of PD 1445;**
- b. **Stop the practice of re-accruing the previously accrued personnel services in compliance with sound accounting practice and Section 111(2) and 112 of P.D. No. 1445;**
- c. **Inform the employees who are qualified to receive the loyalty incentive to avoid accumulation of long outstanding claims;**
- d. **Disburse PBB for CY 2015 to the 99 eligible officers and employees as authorized by GCG totaling P4,004,411.00; and**
- e. **Maintain subsidiary ledgers for all accounts payable as provided under Section 114(2) of P.D. 1445.**

22.5 Management agreed to comply with the recommendations and to resolve the issues within the year.

### ***Rent Income***

23. **The accuracy and validity of reported income for CY 2016 in the amount of P95.679 million was found doubtful due to:**

- 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);**
- b. **Non-imposition of rent escalation of 10 per cent 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**
- c. **Non-renewal of the expired Contract of Lease of five tenants.**

23.1 We used the following audit criteria in the herein audit observations:

- a. Paragraph 1 of the Philippine Public Sector Accounting Standards (PPSAS) 1 states that:

*“This Standard should be applied in the presentation of all general purpose financial statements prepared and presented under the accrual basis of accounting in accordance with Philippine Public Sector Accounting Standards.”*

- b. Philippine Application Guidance (PAG) 1, providing supplementary guidance on the proper implementation of PPSAS 1 states:

*“Generally, the Philippine Public Sector Accounting Standards is on **accrual basis** except for transactions otherwise accounted for as required by law.”*  
(emphasis ours)

- c. Accrual Basis as defined under paragraph 7 of PPSAS, is a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.”
- d. Section 60 of PD 1445 on Audit of revenue accounts, provides that *“the examination and audit of revenue accounts shall be performed with a view to ascertaining that all earned revenues have been duly recorded; xxx.”*
- e. Rental on leased properties is one of the sources of funds of MWSS. The leased properties of the MWSS include among others, the Administration and Engineering Buildings and Right-of-Ways (ROWs) used by private individuals being charged with reasonable fees.

23.2 Verification of the rent income account disclosed that it was understated by P1,594,183.49 and the reported income was not compliant with the requirement on fair presentation as described below:

Description	Amount	Effect on reported Rent Income
Earned income for the year but was erroneously recorded as income in the previous year. Manila Water Company, Inc. Income earned for Jan to Feb 2016	P(2,700,000.00)	understatement

Income recognized in CY 2016 pertaining to prior years –  Manuel Quizon Northrail Luzon Railways Corporation	25,692.01 1,080,124.50	overstatement
<b>Net effect</b>	<b>P(1,594,183.49)</b>	<b>understatement</b>

23.3 Further review of the contracts revealed that the rate adjustment or escalation stipulated was not effected, particularly on the following lessees. Discussion follows.

Lessee	Leased Property	Estimated Income with escalation/ adjustment	Income per books	Difference
Manila Water Company, Inc. (MWCI)	Various areas in the MWSS Administration Building 3,708.05 sq.m. 36.4 sq.m.	P 25,333,471.77 248,685.51		
		25,582,157.28	P 18,451,451.40	P 7,130,705.88
Water and Sewer Services Cooperative (WASSECO)	Former carpentry and foundry shop, situated at P. Mack St., Balara Filters Compound	138,333.04	101,247.46	37,085.58
Northrail Luzon Railways Corporation	Portion of the third floor of the MWSS Engineering Building	1,870,874.40	1,851,642.00	19,232.40
Manuel Quizon	Balara Guesthouse located at Carriedo Street, Old Balara, Quezon City	88,392.84	80,357.16	8,035.68
<b>Total</b>		<b>P27,679,757.56</b>	<b>P20,484,698.02</b>	<b>P7,195,059.54</b>

#### 23.3.1 MWCI -

- MWCI is the East Zone Concessionaire that leases various MWSS property including some areas in the MWSS Administration Building which Contract of Lease has expired on October 29, 2011 thus, the monthly rental rate for the leased premises remained at P1,522,673.65 (exclusive of VAT) since 2012.
- Also, rental rate for the lease of an area of 36.4 sq.m. located at the basement level of the MWSS Administration Building has not been

increased/escalated despite the stipulation in paragraph 4.A of the Contract which expressly states:

*“xxx. The rental will be escalated annually by ten per cent (10%) starting on the second year of the Term of this Contract.”*

- c. Because of the failure to impose increase in the rental rate, MWSS was deprived of an additional income of P7,130,705.88 exclusive of VAT, details as follows:

Period	Estimated Monthly Rate	Estimated Rent Income (exclusive of VAT)	Estimated Cash
<b>Various areas in the Admin. Building 3,708.05 sq.m.</b>			
Jan to July 2016	546.56	P 14,186,702.67	P 15,179,771.88
Aug to Dec 2016	601.22	11,146,769.10	11,927,042.95
<b>Sub-total</b>		<b>25,333,471.77</b>	<b>27,106,814.83</b>
<b>Basement Level 36.4 sq.m.</b>			
Jan to July 2016	546.56	139,263.46	149,011.87
Aug to Dec 2016	601.22	109,422.05	117,081.60
<b>Sub-total</b>		<b>248,685.51</b>	<b>266,093.47</b>
<b>Total</b>		<b>25,582,157.28</b>	<b>27,372,908.30</b>
<b>Per books</b>		<b>18,451,451.40</b>	<b>19,743,053.02</b>
<b>Difference</b>		<b>P 7,130,705.88</b>	<b>P 7,629,855.28</b>

- d. Further, the Contract of Lease for the living quarters situated at Balara Filters Compound, Pansol, Balara, Quezon City remained not renewed and collection of rental fee on said leased property only amounted to P891,355.98 for the year. The lease pertaining to the living quarters is still subject to reconciliation per inquiry from the Finance Department.

### 23.3.2 Water and Sewer Services Cooperative (WASSECO) -

- a. The lease contract of the former carpentry and foundry shop, situated at P. Mack St., Balara Filters Compound by the Water and Sewer Services Cooperative started April 26, 2005 until April 25, 2006. The contract stipulated an initial monthly rental rate of P4,166.67 subject to annual escalation of 10 per cent in case of renewal/extension of the contract. Audit showed that an estimated total income of P138,333.04 could have been earned if the rental rate was escalated, but records revealed that only an income of P101,247.46 was recognized for the year or a difference of P37,085.58.
- b. There was a discrepancy between the base rental used in the Statement of Account (SOA) for WASSECO and the set-up of receivable and income in the books pertaining to these accounts, since per SOA the 10 per cent escalation was included, while per books the same was unrecognized.

### 23.3.3 Northrail Luzon Railways Corporation -

Rental rate was not adjusted despite the stipulation in the Contract of monthly rate adjustment based on the Consumer Price Index between May of the weighting year and May of the prior year as published by National Statistics Office. Income earned for the year should have been P1,870,874.40 instead of P1,851,642.00 or an understatement of P19,232.40.

	Rent Income	Cash
Estimated earned income for the year: Jan to Apr 2016 (P154,303.50 x 4 months) May to Dec 2016 (156,707.55 x 8 months)	P617,214.00 <u>1,253,660.40</u> 1,870,874.40	P1,908,291.81
Per books: Current year Jan to Dec 2016 (154,303.50 x 12 months)	1,851,642.00	1,888,674.44
<b>Difference</b>	<b>P19,232.40</b>	<b>P19,617.37</b>

### 23.3.4 Manuel Quizon -

Mr. Quizon leased the Balara Guesthouse located at Carriedo Street, Old Balara, Quezon City since April 2011 with one (1) year Contract ending on March 31, 2012. In his letter dated August 14, 2015, Mr. Quizon requested an extension of his lease for another year with a reasonable rate escalation from the previous monthly contract rate of P6,696.43 (exclusive of VAT) however, the escalation was not effected by Management and continued to bill and collect the P7,500.00 (inclusive of VAT) per month. If the rate was escalated by 10 per cent, a monthly rate of P7,366.07 could have been recognized for the year 2016 as shown below:

	Rent Income	Cash
Estimated earned income for the year (P7,366.07 x 12 months)	P88,392.84	P99,000.00
Per books:  Current year (P6,696.43 x 12 months)	  80,357.16	  90,000.00
<b>Difference</b>	<b>P8,035.68</b>	<b>P9,000.00</b>

- 23.4 In addition, the Local Water Utilities Administration (LWUA) monthly rental fees of P14,652.24 and P18,025.85 have not been adjusted since CY 2007 (past available record per eNGAS). Section 2 of the two Contracts of Lease executed by and between MWSS and LWUA covering two areas consisting of 4,097 sq.m and 5,947.00 sq.m, provides that the monthly rental is subject to adjustment every two years based on the value of the peso on the date of execution of the contracts

however, no adjustment was made since 2007. Moreover, the two Contracts were dated January 1, 2000 and July 1, 1979, respectively.

- 23.5 New contracts were not executed by MWSS and its five tenants for 1 to 10 years after expiration and they continued to occupy the MWSS premises. Details are as follows:

Lessee	Leased Property	Contract Expiration
Water and Sewer Services Cooperative (WASSECO)	total area of approximately 500 sq.m., located at P.Mack St., Balara Filters Compound, Barangay Pansol, Balara, Quezon City.	April 25, 2006
Smart Communications, Inc.	roofdeck of the MWSS Administration Building with an area of approximately 40 sq.m. The property is to be subjected to re-bidding.	June 30, 2009
Manila Water Company, Inc.	3,708.05 sq.m. of floor area located at various areas in the MWSS Administration Building	October 29, 2011
	MWSS living quarters situated at Balara Filters Compound, Pansol, Balara, Quezon City	October 26, 2011
Manuel Quizon	Balara Guesthouse located at Carriedo Street, Old Balara, Quezon City	March 31, 2012
Office of the Government Corporate Counsel	3 <sup>rd</sup> floor of the MWSS Administration Building with an area of 1,675.30 sq. m	December 31, 2015

- 23.6 Furthermore, contracts with the following tenants have already expired in CY 2016:

Lessee	Leased Property	Contract Expiration
Digitel Mobile Philippines, Inc.	Parcel of land situated at Katipunan Road, Balara, Quezon City	June 30, 2016
Globe Telecom, Inc.	225 sq.m. parcel of land/portion of MWSS Pasig Reservoir Compound, Doña Julia Vargas Avenue, Pasig City	June 30, 2016
	300 sq.m. parcel of land/portion of MWSS Balara Complex, Katipunan Road, Balara, Quezon City	June 30, 2016

- 23.7 Also, income from lease of MWSS Right-of-Ways (ROWs) of P2,889,135.15 for CY 2016 was mostly billed and collected based on “reasonable compensation” due to absence of binding contracts and income was recognized only when collected.
- 23.8 Further, execution of a lease contract is important, provided stipulations, clauses, terms and conditions are not contrary to law, morals, good customs, public order or public policy, and are established in writing and binds the contracting parties. Without a lease contract, there is no document binding between the agency and occupants/lessees of the latter’s property. Lease contracts are considered Revenue Generating Contracts based on Section 531 of GAAM Vol. 1.

*“A revenue generating contract is an agreement whereby the government agency grants to a lessee, contractor, concessionaire the right to manage and operate the revenue-generating project or facility of the former for a fixed fee, such as but not limited to, buildings, market and market stalls and spaces, slaughterhouses, land, parking lots, portorage services, stalls and advertising spaces, port facilities, cargo handling, warehouse operations, stevedoring, transport service and the like, Except for the rental or lease market stalls and spaces, no such contracts shall be awarded for the first time or renewed and entered into without required public bidding. Such public bidding shall be in accordance with pertinent laws, rules and regulations.”*

23.9 **We recommended that Management:**

- 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;**
- b. **Enforce the provisions/stipulations of the Contract of Lease as regards the escalation/adjustment of rental rate to collect the exact income; and**
- c. **Execute new contracts on expired lease agreements to guaranty its enforceability.**

23.10 Management submitted the following comments:

- a. *On unadjusted rental rate escalation of the following lessee;*
  - i. MWCI, the PMD, Finance Department and MWCI are in reconciliation of the 3,708.05 sq. m. property. Result thereof will cause the preparation of a Lease Contract to include all properties leased out to MWCI;
  - ii. For WASSECO, the lessee requested that the rental rate escalation be waived considering that the WASSECO members are all former MWSS employees. This issue is subject to Board approval;
  - iii. For NLRC, the annual escalation will start in May 2017 which will be adjusted as soon as CPI for May 2017 is available;

- iv. For Manuel Quizon, the leased property will be vacated on or before the end of May 2017 as the same will be used by the new Board members; and
  - v. For LWUA, execution of new lease contract will be prepared as soon as agreement between two parties are settled.
- b. For OGCCI, there are pending issues on rental collection tax liability which are subject of discussion and reconciliation. Preparation of Agreement will ensue thereafter;
  - c. For ROW, the Legal and Property Departments were instructed to prepare binding contracts and adjustment of rental rate as needed to support the billing of the ROW leased properties;
  - d. Management will recognize income when earned in accordance with the accrual basis of accounting as provided under paragraph 1 of the Philippine Public Section Accounting Standards (PPSAS) and Philippine Application Guidance (PAG); and
  - e. The mandate of the new Administrator is to update and adjust the rental rates of all Lessees and execute new contracts of lease of all those lessees whose contracts have already expired.

***Inter-Agency Payable – Due to GSIS, Pag-IBIG, PhilHealth and Other GOCCs***

24. ***Accounts Due to GSIS, Pag-IBIG and PhilHealth*** showed an unremitted/ unreconciled prior years' balance totaling P47,406.49 as of December 31, 2016.

**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.**

24.1 This is a reiteration of prior years' audit observations and recommendations.

- 24.1.1 Due to GSIS/Pag-IBIG/PhilHealth are funds withheld from employees' salaries and include accrual of government share at the end of the year that will be immediately remitted on the following month. Audit of the account revealed that there were outstanding balances relating to prior years that remained unremitted as of December 31, 2016 amounting to P47,406.49, with details shown below:

Account	Ending Balance, December 31, 2016	Accrual for December 2016	Difference
Due to GSIS	P1,129,468.95	P1,085,445.49	P44,023.46
Due to Pag-ibig	92,284.52	91,728.24	556.28
Due to Philhealth	70,351.75	67,525.00	2,826.75
<b>Total</b>	<b>P1,292,105.22</b>	<b>P1,244,698.73</b>	<b>P47,406.49</b>



24.1.2 Likewise, analysis of the subsidiary ledger of each accounts showed the following:

- a. Negative balances totaling P17,803.15 which may indicate over remittance and/or unreconciled prior year balances, to wit:

Account Code	Amount
<b>GSIS Account</b>	
413-03-02	P2,000.00
413-08-01	23.00
413-10-02	3,350.48
413-13-01	388.66
413-15-02	200.00
413-16-01	5,868.22
413-16-02	4,516.47
<b>Pag-IBIG Account</b>	
414-03-02	1,456.32
<b>Total</b>	<b>P17,803.15</b>

- b. GSIS Policy loan deducted from one of the employees under 413-03-01-000349 account amounting to P600.00 was refunded to him per JEV-2016-10-003619, although the same was remitted to GSIS under JEV-2016-11-003802.

24.2 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.

24.2.1 To date, documents supporting the reversal of the payables in CY 2014 totaling P2,047,961.28 has not been submitted to this Office, thus, the validity of the written-off accounts cannot be ascertained:

Account	Amount
Due to GSIS	P1,519,417.70
Due to Pag-IBIG	98,368.74
Due to other GOCCs	430,174.84
<b>Total</b>	<b>P2,047,961.28</b>

24.2.2 These unaccounted/unreconciled accounts may consist of funds withheld from employees. However, without any documents showing that these outstanding balances were verified and reconciled with the records of the concerned agencies the amounts should not be written off. Otherwise, the same should be remitted to the agencies concerned.

24.3 **We reiterated our prior years' recommendation that Management:**

- 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**
- b. **Analyze the payable accounts and submit documents supporting the reversion made in CY 2014.**

24.4 Management commented that the unreconciled balance is a result of an error in posting.

24.5 As our rejoinder, Management should analyze and reconcile the unremitted/unreconciled balance noted and thereafter, submit the Journal Entry Voucher effecting the adjustment made.

### ***Investment in Stocks***

25. **The validity and accuracy 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 per cent that cannot be validated or without complete/original copies of stock certificates.**

25.1 Our audit was anchored on Section 111 of Presidential Decree No. 1445 which provides that:

*“(1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.*

*“(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.”*

25.2 Audit of the year-end balance of Investment in Stocks account totaling P2.524 million revealed the following:

25.2.1 On 11 March 2016, inspection/inventory was conducted on all stock certificates owned by MWSS from Philippine Long Distance Telephone Company (PLDT) and Manila Electric Company (MERALCO) under the custody of Treasury Office.

The result of inspection/inventory revealed a variance of P2.012 million which were not properly documented, as shown below:

Investment in Stocks	Per Inspection/ Inventory	Per Books	Variance
PLDT shares*	P 330,900.00	P 372,650.00	P 41,750.00
MERALCO shares**	180,400.00	2,151,517.79	1,971,117.79
Total	P 511,300.00	P 2,524,167.79	P 2,012,867.79

\*(1,850 shares @ par/nominal value)

\*\* (64,894 shares @ par/nominal value)

- 25.2.2 Of the Investment in Stocks-MERALCO, the amount of P468,540.00 was evidenced merely by photocopies of stock certificates.
- 25.2.3 The variance of P1.544 million (P2.013 million less P.469 million) were not supported by any stock certificates which casts doubt on the existence and accuracy of the year-end balance of the account.
- 25.2.4 Further, the shares of PLDT and MERALCO were long outstanding since the certificates were issued from 1974-1986 and 1979-1999, respectively.
- 25.3 Confirmation letters dated 17 January 2017 were sent to PLDT and MERALCO requesting for the outstanding balance of MWSS investment in stocks in their books, including the number of shares outstanding and par value per share as of 31 December 2016. Results are as follows:
- 25.3.1 Reply from PLDT disclosed that MWSS has no stock holdings as of 31 December 2016, however, it has a recorded investment in stocks per books amounting to P0.372 million.
- 25.3.2 As regards MERALCO, its confirmation reply is yet to be received.
- 25.4 **We recommended that Management:**
- Immediately produce 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**
  - 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.**
- 25.5 Management will abide with the COA recommendation and will also call on the attention of the PLDT and MERALCO on the copies of stocks certificates needed to be produced.

***Due to Bureau of Internal Revenue (BIR)***

26. Deficiencies were noted in the balance of the account ***Due to BIR*** as of December 31, 2016, to wit:

- 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;
- 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
- c. Three sub-accounts comprising Due to BIR account showed negative balances totaling P425,644.88 as of year-end.

26.1 This is a reiteration of previous year's audit observation relative to the accounting of various tax collections and remittance to the BIR.

26.2 Our audit was guided by the PPSAS, COA Circular No. 2015-010 re: Adoption of the Revised Chart of Accounts (RCA) for Government Corporations and National Internal Revenue Code of the Philippines, as presented below.

26.2.1 The Revised Chart of Account states the following:

- a. the account *Due to BIR* is used to recognize taxes withheld from officers/employees and other entities other than Value Added Tax Payable and Income Tax Payable;
- b. the account *Deferred Credits – Output Tax* is used to recognize the value added tax on the sale of goods/property and services; and
- c. the account *Tax Refunds Payable* is used to recognize amount refundable to taxpayers for excess amount paid/withheld.

26.2.2 Section 79 (H) of the NIRC provides:

*“(H) Year-End Adjustment. - On or before the end of the calendar year but prior to the payment of the compensation for the last payroll period, the employer shall determine the tax due from each employee on taxable compensation income for the entire taxable year in accordance with Section 24(A). The difference between the tax due from the employee for the entire year and the sum of taxes withheld from January to November shall either be withheld from his salary in December of the current calendar year or refunded to the employee not later than January 25 of the succeeding year.”*

26.2.3 Section 251 of the NIRC also provides:

*“SEC. 251. Failure of a Withholding Agent to Collect and Remit Tax. - Any person required to withhold, account for, and remit any tax imposed by this Code or who willfully fails to withhold such tax, or account for and remit such tax, or aids or abets in any manner to evade any such tax or the payment thereof, shall, in addition to other penalties provided for under this Chapter, be liable upon conviction to a penalty equal to the total amount of the tax not withheld, or not accounted for and remitted”.*

26.3 Audit of CY 2016 transactions disclosed that Management did not recognize Tax Refunds Payable and Other Prepaid Expense as of year-end aggregating P459,643.26.

26.4 Analysis of the JEVs revealed that Management temporarily debited on January 2017 the account *Due to BIR* upon refund of excess tax withheld from employee for January to November 2016. On February 2017, upon remittance of January 2017 tax withheld, the amount debited pertaining to the tax refund was credited back to offset from the taxes remitted on February 2017. The current practice pro-forma entries are presented below:

26.4.1 To record the withholding of taxes from compensation on January 2017

Salaries and Wages	xxx
Cash	xxx
Due to BIR	xxx

26.4.2 To record payment of tax refund for CY 2016 on January 2017

<b>Due to BIR</b>	<b>xxx</b>
Cash	xxx

26.4.3 To record the remittance on February 2017 and the claim for tax credits equal to the amount of taxes refunded to employees applied against the remittance of taxes withheld on January 2017

Due to BIR ( <i>taxes withheld for January 2016</i> )	xxx
Cash ( <i>amount payable</i> )	xxx
<b>Due to BIR (<i>equal to tax refunded</i>)</b>	<b>xxx</b>

26.4.4 Although the accounts will be properly presented in February 2017 posting, this accounting practice misrepresents the amount of liability as of 31 December 2016 due to the non-recognition of Tax Refunds Payable to various employees and non-recognition of Other Prepaid Expenses on the tax credit to be applied on the 1st remittance of taxes withheld in January 2017.

26.5 As of December 31, 2016, the account *Due to BIR* showed the following balances:

Account Code	Account Title	Amount
412	Due to BIR	P 1,269.98
412-01-01-01	Income Tax Withheld from Salaries and Other Compensation – Regular	485,700.32
412-01-01-02	Income Tax Withheld from Salaries and Other Compensation – Contractual	45,923.12
412-01-02	VAT Withheld	502,879.15
412-01-03	Professional Tax	74,216.92
412-01-04	Franchise Tax	58,592.18
412-01-05	Expanded Withholding Tax	56,724.07
412-01-08	Output VAT	489,005.69
412-01-010	Final Withholding Tax	(2,802.55)
	<b>Total</b>	<b>P 1,711,508.88</b>

26.6 Analysis of subsequent transactions disclosed that after considering the tax remittance in January 2017 pertaining to the December 2016 tax withheld, the *Due to BIR* showed an unremitted amount of P200,739.85 as of December 31, 2016. Details are as follows:

Account Title	Unadjusted Balance as of December 31, 2016	December Tax withheld Remitted on January 2017	Adjusted Balance as of December 31, 2016
Due to BIR	P 1,269.98	P 0	P 1,269.98
Income Tax Withheld from Salaries & Other Compensation – Regular	485,700.32	51,251.57	434,448.75
Income Tax Withheld from Salaries & Other Compensation - Contractual	45,923.12	0	45,923.12
VAT Withheld	502,879.15	484,943.55	17,935.60
Professional Tax	74,216.92	6,001.82	68,215.10
Franchise Tax	58,592.18	0	58,592.18
Expanded Withholding Tax	56,724.07	192,940.59	(136,216.52)
Output VAT	489,005.69	773,830.94	(284,825.25)
Final Withholding Tax	(2,802.55)	1,800.56	(4,603.11)
<b>Total</b>	<b>P 1,711,508.88</b>	<b>P 1,510,769.03</b>	<b>P 200,739.85</b>

26.7 It was also observed that the three sub-accounts showed negative balances totaling P425,644.88.

26.8 **We reiterated our recommendations that Management:**

- a. **Determine the Tax Refunds Payable due to its employees and Other Prepaid Expenses for the tax credits and effect the necessary adjusting entries at year-end; and**

- 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.**

26.9 Management submitted the following comments:

- a. Henceforth, it will abide with the audit recommendations;
- b. The negative balances of Due to BIR has been reviewed and analyzed and found that there were indeed unremitted tax on compensation; and
- c. However, remittances corresponding to the year said taxes were withheld has already ended and has zeroed out the tax due for the said year. The unremitted tax withheld would therefore be refunded to the personnel concerned.

***Revenue sharing from operations of La Mesa Ecopark/La Mesa Resort Zone***

- 27. **The forty per cent 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. and the Local Government of Quezon City, remained unenforced/uncollected as of CY 2016.**

27.1 This is a reiteration of previous years' audit finding.

27.2 Section 11 of the Agreement between and among Metropolitan Waterworks and Sewerage System (MWSS), ABS-CBN Foundation Inc. (AFI) and the Local Government of Quezon City (LGQC) expressly states:

*"AFI shall share with MWSS and the LGQC the net income after tax derived annually from its LMRZ operations on a 30%-40%-30% basis, respectively, subject to Section 6 hereof. The Financial Report shall be prepared and submitted by AFI to the 1LMEB for the LMRZ's initial operation ending June 30, 2005. Thereafter, an Annual Financial Report shall be prepared and submitted by AFI to the 1LMEB and the net income, if any, shall be distributed among the parties accordingly."*

*1LMEB is an abbreviation for La Mesa Executive Board*

- 27.3 Verification revealed that the 40 per cent share in the net income from operations of the La Mesa Ecopark/ La Mesa Resort Zone has not been recognized/collected and the post-facto approval/ratification of the Memorandum of Agreement by the Board of Trustees has not been secured and other deficiencies noted in the contract have not been acted upon until now. Moreover, the required Financial Reports were not submitted to date, in order to determine the income sharing of the parties.
- 27.4 In CY 2013, Management created an Audit Team to examine the financial documents of Bantay Kalikasan (BK)/ABS-CBN Foundation Inc. and at present, no conclusion or action from the result of the Audit Team's findings has been made by Management.

Based on the observations by the MWSS Audit Team, the documents for audit pertaining to CYs 2004 to 2011 were not available due to the following:

27.4.1 Documents pertaining to CYs 2004 to 2009 were submerged in murky water/mud since the AFI Treasury Department was flooded brought about by typhoon “Ondoy” in September 2009 as evidenced by an affidavit executed by Ms. Melody Marasigan, Head of the Treasury Department, ABS-CBN Foundation, Inc.

27.4.2 The CYs 2010 to 2011 documents pertaining to revenues/receipts were not available in spite of the presentation of the Cash Receipts files since it is composed only of disbursements/expenses. The disbursement file was disorganized inasmuch as it included files of other AFI subsidiaries.

27.5 On the foregoing observations by the MWSS Audit team, the AFI was not compliant with Section 12 of the MOA which states that AFI should maintain a book or chart of accounts solely for the project.

27.6 Revenue sharing was also presented by the MWSS Audit Team covering the period CYs 2004 to 2011 as shown in the table below:

	Share in NI	w/o Management Fee and CAPEX	w/ Management Fee and w/o CAPEX	w/ Management Fee and CAPEX
AFI	30%	P14,388,056	P5,565,011	P(5,085,872)
MWSS	40%	19,184,075	7,420,015	(6,781,162)
LGQC	30%	14,388,056	5,565,011	(5,085,872)
		<b>P47,960,187</b>	<b>P15,550,037</b>	<b>P(16,952,906)</b>

27.7 As can be gleaned on the above table, MWSS could have earned and collected the amount of P19.18 million as its 40 per cent share from net income on LMRZ operations for CYs 2004 to 2011, if both Management Fee of 15 per cent and CAPEX were not considered in the computation of the net income or P7.42 million if Management Fee was considered. Further, since CY 2005, no distribution in the share from the net income was done by AFI.

27.8 Furthermore, the MWSS Audit Team letter/report also mentioned that a bank account is being maintained by the AFI as evidenced by a photocopy of a BDO passbook with Savings Account No. 1270847749 with a balance of P7,876,536.22 as of June 30, 2009 under the account name of ABS-CBN Foundation, which is not in accordance with Section 6 of the MOA which states that:

*“All funds generated from the operation of the LMRZ shall be deposited under Special Account (herein referred to as ETF) to be opened in the name of MWSS, AFI and LGQC.”*

27.9 To date, Management has not taken any concrete action to collect its revenue share equivalent to 40 per cent of the net income from operations of the La Mesa Ecopark.



27.10 We reiterated our previous audit recommendations that Management:

- 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 per cent share in income from operations in the LMRZ;
- b. Settle the issue on the 15 per cent management fee and capital expenditures deducted by AFI from the revenue in determining the net income;
- c. Assess, bill and collect from AFI the 40 per cent share of income of MWSS from the operation of LMRZ; and
- d. Secure a post facto approval of the MOA by the Board of Trustees as required in Section 22 which 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.

27.11 Management will study and assess the issue on income sharing arising from the operations of La Mesa Ecopark

## B. Financial Audit – Regulatory Office

1. Inclusion of long outstanding Accounts payable totaling P0.281 million or 16 per cent 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.

- 1.1. Section 98 of P.D. 1445 provides for the reversion of *any unliquidated balances of accounts payable, which has been outstanding for two (2) years or more and against which no actual claim, administrative or judicial has been filed or which is not covered by perfected contracts on record.*
- 1.2. Analysis of the payables schedule revealed that five accounts have been outstanding for more than two years, with details shown below:

Date / DV No.	Payee	Amount	Particulars	No. of years outstanding
12/30/10 DV884	Former Ex-Officio Member BOT	P 22,274.88	Reimbursement of medical expenses for CY 2010 per BOT Res. no. 2009-166 and Office order 075 series of 2009	6
6/9/11 DV263	People's Chronicle	5,625.00	Payment of print ad relative to advertising, placement/ greetings	5.5

Date / DV No.	Payee	Amount	Particulars	No. of years outstanding
6/13/12 DV246	Former Sr. Water Utilities Reg.Offr.	55,838.13	Payment of last salaries and allowances for the period Jan 1-17, 2012, CNA Incentive for CY 2011 & Terminal Pay	4.5
3/18/13 DV085	Former DM-Operations Monitoring	22,500.00	Payment of collective Negotiation Agreement (CNA) Incentive Bonus for CY 2012	3.5
6/10/14 DV234	Former DA-Financial Regulations	175,082.33	Last Salary and allowances November 1-3, 2013	2.5
	<b>Total</b>	<b>P 281,320.34</b>		

- 1.3. Further, inquiry from Management disclosed that several verbal follow-ups were made to the concerned creditors, however, no response was received by the Office.
  - 1.4. Also, records disclosed that no subsidiary ledgers (SL) were maintained for all accounts payable (AP). An SL contains the details to support a general ledger control account, like AP-SL which shows creditor details, transaction history and amounts due for each supplier or creditor for purchases made or goods and services received. It should also be periodically reconciled with the GL to ensure accuracy of the account balances.
  - 1.5. **We recommended and 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.**
2. **Over-accrual amounting to P0.415 million of Terminal Leave Benefits for CY 2016, was contrary to Section 22 of Omnibus Rules on Leave.**
    - 2.1. Section 22 of the Omnibus Rules on Leave, provides,

*“x x x Officials and employees in the career and non-career service whether permanent, temporary, casual, or coterminous, who have accumulated fifteen (15) days of vacation leave credits shall be allowed to monetize a minimum of ten (10) days: Provided, that at least five (5) days is retained after monetization...x x x”*
    - 2.2. Analysis of the accrual of terminal leave benefit expense for CY 2016 revealed that it was overstated by P415,161.62 due to excess computation of the accrued terminal leave benefit. The amount was computed by comparing the monetary value of the MWSS-RO employees’ vacation leave and sick leave credits as of December 31, 2016 to the unadjusted balance of account *Due to Officer/ Employee - Claims Payable* without considering the five days retained for vacation leave credits as required under the aforementioned regulation.

- 2.3. The details of the over-accrual are shown below:

	Amount
Accrued Terminal Leave Benefits, 12/31/2016	P 4,869,434.37
Terminal Leave Benefits, per audit *	4,454,272.75
<b>Difference</b>	<b>P 415,161.62</b>

*\*The per audit TLB was computed by excluding 5 days pursuant to Section 22 of the Omnibus Rules on Leave.*

- 2.4. Discussion with concerned management personnel revealed that the basis for the full accrual of terminal leave benefits is PAS 19 (Employee Benefits), which states, Short term employee benefits are employee benefits (other than termination benefits) that are **expected to be settled wholly before twelve months** after the end of the annual reporting period in which the employees render the related service.
- 2.5. Worth mentioning is that PAS 19 is not applicable to MWSS, where the corporate and regulatory office accounts are consolidated at every reporting date, since it is classified as a Non-GBE (Government Business Enterprise) by the Commission on Audit. However, it is not to say that the standard is incorrect, rather its applicability remains unresolved with the pending adoption of its equivalent in the public sector as PPSAS 25. This notwithstanding, applicable laws, rules and regulation must take precedence over PAS 19.
- 2.6. This finds support in Section 4 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, which provides,

*“Section 4. Fundamental principles. Financial transactions and operations of any government agency shall be governed by the fundamental principles set forth hereunder, to wit:*

*x x x*

*8. Generally accepted principles and practices of accounting as well as of sound management and fiscal administration shall be observed, **provided that they do not contravene existing laws and regulations.**”(emphasis ours)*

- 2.7. Finally, it must be emphasized that the adoption of current accounting standards which makes the financial reports more reliable are actually encouraged but it must be tempered with adherence to pertinent rules and regulations applicable to all public or government entities.
- 2.8. **We recommended and 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.**

3. **Unreconciled Cash in Bank balance of P1.367 million was included as part of Other Assets, thus affecting the accuracy of the account balance.**

3.1. The account *Other Assets* showed a balance of P1,542,912.35 as of December 31, 2016, with details shown below:

Particulars	Amount
Unserviceable assets as of December 31, 2015	P 119,872.80
Unserviceable assets as of December 31, 2016	55,673.90
Unreconciled PNB1 & PNB2 book balances	1,367,365.65
<b>Total</b>	<b>P 1,542,912.35</b>

3.2. In compliance with our audit observation in CY 2015, the MWSS-RO closed its PNB 1 and PNB 2 accounts on 7 April 2016. The Unreconciled PNB bank balance of P1,367,365.65, can be broken down, as follows:

Account No.	Description	Amount
3988886800025	Reclassification entry PNB07-005-99 dated 7/28/99	P 118,437.22
3988886800025	Reclassification of entry to PNB1 for JV05-145	514,313.53
3988886800025	Reversal of misposted deposit entry dated 05/26/08 of DB Fernandez	327,839.06
3988886800025	Uneconciled Difference 2000-2008	378,153.39
388332100027	Unreconciled difference PNB-MVFP account	28,622.45
<b>Total</b>		<b>P 1,367,365.65</b>

3.3. It is worth mentioning that during CY 2015 audit and as contained in AOM No. RO-15-02, dated 24 February 2016, Management committed to close the PNB accounts after completion of the reconciliation between book and bank balances. Management was able to close the depository accounts, but failed to reconcile the difference between the book and bank balances.

3.4. The reclassification of the unreconciled Cash in Bank balance to Other Assets is incorrect. It is in effect, transferring a current asset to a non-current asset. As the amount is now booked as a non-current asset, monitoring of its movement may no longer be a priority.

3.5. **We recommended and 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.**

4. 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 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.

- 4.1. Section 102 of Presidential Decree (PD) 1445, provides,

*“Section 102. Primary and secondary responsibility.*

*(1) The head of any agency of the government is immediately and primarily responsible for all government funds and property pertaining to his agency.*

*(2) Persons entrusted with the possession or custody of the funds or property under the agency head shall be immediately responsible to him without prejudice to the liability of either party to the government.”*

- 4.2. Also, item V of COA Circular No. 80-124, dated January 18, 1980, states that *“Government property shall be properly labelled and identified by the Inventory Committee. Inventory labels of special materials shall contain among others the individual property number to be provided by the corporation concerned. These numbers shall be uniformly printed in India Ink, to achieve permanence and best results, and shall be posted on a prominent but secure portion of the property for easy identification.*
- 4.3. Lastly, Section 21, Chapter 10, Property, Plant and Equipment, of the Government Accounting Manual for NGAs (Volume 1), states that *“Based on approved RIS, the Supply and/or Property Custodian shall prepare the Property Acknowledgement Receipt (PAR) (Appendix 71) to support the issue of property to end-user. The PAR shall be renewed at least every three years or every time there is a change in accountability or custodianship of the property.”*
- 4.4. For CY 2016, Management has not initiated the conduct of the annual physical inventory count since the Physical Inventory report submitted on January 31, 2017 was the same report provided in CY 2015, only with the inclusion of acquisitions made during the year. It bears emphasis that, *physical inventory-taking being an indispensable procedure for checking the integrity of property custodianship has to be regularly enforced.*
- 4.5. Likewise, inspection was conducted on all equipment purchased during the year totaling P2,648,133.00, of which P2,229.633.00 or 84 per cent representing 42 items were observed without inventory tags, while seven items costing P202,497.00 were without Inventory tags/issued Property Accountability Receipt (PAR), with the details shown below:

Particulars	Amount	No. of items
No Inventory tag	P 2,027,136.00	42
No Inventory tag and PAR	202,497.00	7
<b>Total</b>	<b>P 2,229,633.00</b>	

- 4.6. In addition, we observed that MWSS-RO was not updated in the use of a document or report evidencing issuance of equipment or other property to end-users since it still uses the old Memorandum Receipt.
- 4.7. Considering that the above situation was already noted in last year's Annual Audit Report, but continued to be disregarded, we reiterate the importance of ascertaining actual existence and status as to serviceability of all property and equipment as of reporting date.
- 4.8. **We recommended and Management agreed to conduct annual physical count of property to establish existence and determine their physical condition.**
- 4.9. **We also recommended and 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, RO requested that the same be made only upon release or approval of the GAM for GOCCs.**

### **C. Compliance Audit – Corporate Office**

#### ***Unremitted collections from the Concessionaires for the payment of the loan JBIC/OECF***

1. **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**
  - 1.1 The Japan Bank International Cooperation/Overseas Economic Cooperation Fund (JBIC/OECF), intended for the Angat Water Supply Optimization Project (AWSOP), under the Loan Agreement No. PH-110 was entered between the OECF and the Government of the Republic of the Philippines on 09 February 1990. Based on the loan agreement, the Government of the Philippines was identified as the “Borrower” of the loan and the MWSS as the “Executing Agency” to implement the project.
  - 1.2 In 1997, MWSS was privatized, thus the Concessionaires, MWCI and MWSI, continued the project and the loan is to be paid by the Concessionaires as provided under Section 6.4 of the Concession Agreement:

*“a) Not later than 14 days prior to the date on which any scheduled payment of principal, interest, fees or other amount is due under a MWSS loan, MWSS shall notify the Concessionaire in writing of the total amount due on that payment date and of the “Peso equivalent” calculated at the then prevailing exchange rate. Not later than one business day prior to each such payment date, the Concessionaire shall remit to such account as MWSS shall instruct an amount, in pesos, exclusive of any penalties, or default, interest charges not attributable to a later payment of the Concession fee by the Concessionaire.”*

- 1.3 Total collections made by MWSS, both for principal and interest on the JBIC/OECF loan, from the two Concessionaires for the period CY 2006 to CY 2016 accumulated to P1,913,648,338.37, inclusive of the P300,111,431.70 collected in CY 2016. These collections remained unremitted as of 31 December 2016 to the Bureau of the Treasury (BTr). Management explained that there is an 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.
- 1.4 However, thru a letter dated April 14, 2014, the BTr has already informed MWSS that of the total loan of ¥6,593,113,021.00, only the amount of ¥416,046,615.00 or Php106,072,026.00 represents equity of the government and there was no document that would show that the loan is to be treated as a grant or subsidy of the government. In the Agency Action Plan submitted by Management, it was mentioned that it shall continue to reconcile its records with the BTr.
- 1.5 Moreover, in the BTr's latest letter dated 20 February 2017 regarding MWSS' account under JICA PH-110, the accumulated amount due is already P2,887,378,951.58 as of 31 December 2016 net of the repayment made in April and September 2005 in the amount of P200,000,000.00 and P111,322,049.07, respectively or a total of P311,322,049.07. The BTr again requested MWSS to make the necessary arrangement and/or facilitate other mode of settlement.
- 1.6 **We reiterate our prior year's recommendation that Management immediately remit to the Bureau of the Treasury the amount collected from the Concessionaires as payment for the JBIC/OECF loan.**
- 1.7 Management insists that MWSS shall hold in abeyance the remittances to the BTr related to the loan pending the necessary documentation to attest the fact that the ¥6.593 billion should have been taken up as equity, considering that the Authorized Capital Stock of P8 billion per MWSS Charter to be issued by the National Government has not yet been fully paid. Of the P8 billion, only P6.095 billion has been issued with unpaid subscription of P1.904 billion.
- 1.8 As our rejoinder, Management should set a definite period to locate 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 earlier, 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.

#### ***Assessment of the Bureau of Internal Revenue (BIR) on Tax deficiencies***

2. **Tax deficiency for taxable year 2013 totaling P329.210 million inclusive of interest charges of P117.337 million was assessed by the Bureau of Internal Revenue (BIR) due to non-filing of the required returns and non-payment of the corresponding tax liability pursuant to Section 255 of the National Internal Revenue Code in relation to Section 250 of the same Code as amended by Republic Act 8424.**



**Moreover, the Concessionaires have an accumulated deficit of P392,248 million, on the payment of Concession Fee – Corporate Operating Budget for Taxable Years 2013 to 2016 due to non-inclusion of VAT in the computation of concession fee.**

- 2.1 On 18 November 2016, the Formal Letter of Demand on Final Assessment Notice on Deficiency Taxes for CY 2013 of the BIR was received by the MWSS which mentioned that *“Upon privatization, MWSS loses its exemption from taxes as indicated in its charter. xxx. Upon privatization of MWSS, it becomes a regular GOCC, subject to income tax. MWSS, as a government-owned and controlled corporation (GOCC), is not among the list of GOCC’s exempted from the payment of corporate income tax, hence subject to income tax per Section 27 (C) of the Tax Code, as amended.”*
- 2.2 Likewise, *“Twenty per cent (20%) interest per annum has been imposed pursuant to Section 249 (B) of the National Internal Revenue Code due to the failure to pay the tax within the time prescribed by law for its payment.”*
- 2.3 The BIR’s investigation report on MWSS for taxable year 2013 revealed tax deficiency of P211,871,951.29 and interest charges of P117,337,811.91 or a total tax deficiency of P329,209,763.20 per final letter of demand, with details shown below:

	<b>Tax Deficiency</b>	<b>Interest Charge</b>	<b>Total</b>
I. Income Tax	P 83,641,076.68	P 43,913,238.08	P 127,554,314.76
II. Value Added Tax	121,567,111.67	69,565,563.98	191,132,675.65
III. Withholding Tax on Compensation	776,264.80	448,525.80	1,224,790.60
IV. Withholding Tax on Expanded	1,573,698.40	911,824.70	2,485,523.10
V. Final Withholding VAT	4,313,799.74	2,498,659.35	6,812,459.09
<b>Total</b>	<b>P 211,871,951.29</b>	<b>P 117,337,811.91</b>	<b>P 329,209,763.20</b>

- 2.4 The BIR Formal Letter of Demand showed an accumulated interest charges as follows:

	<b>Interest Charge</b>	
	<b>as of Sept. 30, 2016 (Preliminary Assessment Notice)</b>	<b>as of Oct. 30, 2016 (Final Letter of Demand)</b>
Income Tax	P 41,124,644.58	P 43,913,238.08
Value Added Tax	65,173,344.24	69,565,563.98
Withholding Tax on Compensation	422,645.13	448,525.80
Withholding Tax on Expanded	859,357.60	911,824.70
Final Withholding VAT	2,354,837.26	2,498,659.35
<b>Total</b>	<b>P 109,934,828.81</b>	<b>P 117,337,811.91</b>



- 2.5 On 20 December 2016, the MWSS requested from the Commissioner of the BIR that the assessment for tax deficiencies be cancelled and the case be considered closed and terminated since the concession fees received by MWSS are excluded from gross income, pursuant to Section 32(B)(7)(b) of the National Internal Revenue Code.
- 2.6 To date, no reply was received by MWSS from the BIR concerning the matter.
- 2.7 As regards accumulated deficit of P392.248 million, the BIR in its Formal Letter of Demand on Final Assessment Notice on Deficiency Taxes for CY 2013 cited that “xxx. **The adjustment is likewise subject to Value-Added Tax pursuant to Section 108 of the Tax Code, as amended**”. (Emphasis Supplied)
- 2.8 Examination of the items included in the assessment revealed that the Concession Fee-COB was also included in the computation of Output tax (VAT) amounting to P110,030,144.46, as shown below:

Name	Journal Entry Voucher No.	Amount	Total
Manila Water Company, Inc.	2013-01-000037	P 229,229,467.62	P458,458,935.24
	2013-10-004341	229,229,467.62	
Maynilad Water Services, Inc.	2013-01-000039	229,229,467.62	458,458,935.24
	2013-04-001826	229,229,467.62	
<b>Total</b>			<b>916,917,870.48</b>
<b>Value Added Tax</b>			<b>12%</b>
<b>Output Tax</b>			<b>P110,030,144.46</b>

- 2.9 On the basis of the above, we audited the payment of COB by the Concessionaires from CYs 2013 to 2016 and arrived at an accumulated deficit of P382,316,700.21 representing the 12 per cent output tax, to wit:

Year	Concession Fee – COB Payment (A)	12% VAT (B)	2% CWT (C)	Should be Remitted by the Concessionaire (D = A+B-C)	Deficiency (E = D-A)
<b>Manila Water Company Inc. (MWCI)</b>					
2013	P458,458,935.24	P55,015,072.23	<b>P9,169,178.70</b>	P504,304,828.76	<b>P45,845,893.52</b>
2014	466,964,936.92	56,035,792.43	<b>9,339,298.74</b>	513,661,430.61	<b>46,696,493.69</b>
2015	489,697,189.70	58,763,662.76	<b>9,793,943.79</b>	538,666,908.67	<b>48,969,718.97</b>
2016	496,552,950.36	59,586,354.04	<b>9,931,059.01</b>	546,208,245.40	<b>49,655,295.04</b>
<b>Sub Total</b>	<b>1,911,674,012.22</b>	<b>229,400,881.46</b>	<b>38,233,480.24</b>	<b>2,102,841,413.44</b>	<b>191,167,401.22</b>
<b>Maynilad Water Services Inc. (MWSI)</b>					
2013	458,458,935.24	55,015,072.23	<b>9,169,178.70</b>	504,304,828.76	<b>45,845,893.52</b>
2014	466,783,914.55	56,014,069.75	<b>9,335,678.29</b>	513,462,306.01	<b>46,678,391.46</b>

2015	489,697,189.70	58,763,662.76	<b>9,793,943.79</b>	538,666,908.67	<b>48,969,718.97</b>
2016	496,552,950.36	59,586,354.04	*	556,139,304.40	<b>59,586,354.04</b>
Sub Total	1,911,492,989.85	229,379,158.78	28,298,800.78	2,112,573,347.85	201,080,358.00
Grand Total	P3,823,167,002.07	P458,780,040.24	P66,532,281.02	P4,215,414,761.29	P392,247,759.22

\* The 2% CWT in the amount of P9,931,059.00 for 2016 CF-COB payment was already reimbursed to MWSI under JEV-2016-10-003466 dated October 4, 2016.

2.10 Considering the foregoing, the aggregate deficit of P392,247,759.22 should be collected from the Concessionaires and the amount pertaining to the output VAT should be remitted to the BIR.

2.11 **We recommended that Management:**

- a. **Follow up the status of the MWSS letter dated 20 December 2016 to the BIR Commissioner, requesting cancellation of the Formal Letter of Demand on Final Assessment Notice on Deficiency Taxes for year 2013 to avoid accumulation of interest charges; and**
- b. **Inform the Concessionaires of the BIR assessment pertaining to the 12 per cent VAT and collect from the Concessionaires the P392.248 million that represents the deficiency on concession fee – COB.**

2.12 Management informed that on 25 April 2017 the BIR denied their request and issued the Final Decision on Disputed Assessment. Hence, an Appeal was filed with the Court of Tax Appeal on May 25, 2016.

2.13 As our rejoinder, Management should copy furnish this Office the appeal to be filed before the Court of Tax Appeals and all succeeding actions thereof.

However, with regard to par. 1.3, items III to V, final resolutions of the BIR should be secured.

### ***Unremitted Dividends due to the NG***

3. **Dividends due to the National Government for CY 2015 totaling P209.480 million were not remitted to the Bureau of the Treasury pursuant to Sections 5(a) and 6(a) of the Revised Implementing Rules and Regulations of Republic Act No. 7656 (2016).**

3.1 The Revised Implementing Rules and Regulations of Republic Act No. 7656 dated 26 January 2016, requires Government-Owned and Controlled Corporations to declare and remit dividends, under certain conditions, to the National Government (NG) in order to raise additional revenues for the latter.

Sections 5(a) and 6(a) thereof provides that:

*"Section 5. Dividends*

*a. xxx, all GOCCs covered by these Rules, regardless of shareholdings, shall annually declare and remit Dividends directly to the National Government in the name of the Treasurer of the Philippines in accordance with the following guidelines:*

*On or before 15 May of each year, at least fifty per cent (50%) of their Net Earnings, as Cash, Stock and/or Property Dividends to the national Government. xxx*

*Section 6. Schedule of Remittance*

*a. All GOCCs shall declare and remit to the Bureau of the Treasury (BTr) in the name of the Treasurer of the Philippines the Dividends due for a given Dividend Year subject to Section 5(a) of these Rules. xxx"*

- 3.2 As at year-end, the account *Dividends Payable* showed an outstanding balance of P212,089,380.94 which, upon verification, represents the unremitted dividends due to the NG pertaining to CY 2015, as shown below:

Net Earnings/Income for CY 2015*	P 724,178,781.87
Multiply: dividend rate	x 50%
Dividends due to the NG for CY 2015	362,089,380.94
Less: remittance to the BTr per check no. 521348	(150,000,000.00)
Unremitted dividends due as of December 31, 2016	P 212,089,380.94

*\*Per Statement of Comprehensive Income for the year ended 31 December 2015*

- 3.3 Contrary to the above-cited provisions of RIRR of RA No. 7656, the dividends due to the NG has not been fully remitted by the MWSS to the BTr on or before 15 May 2016.
- 3.4 Likewise, it is worth mentioning that the 50 per cent dividend rate was applied to the Net Earnings/Income per Statement of Comprehensive Income instead of per Annual Income Tax Return for the dividend year, as redefined in the RIRR of RA No. 7656:

*"Net Earnings shall include:*

- i. Income subject to income tax, as provided in the Annual Income Tax Return, net of tax;*
- ii. Income subject to final tax, as provided in the Annual Income Tax Return Schedule on Supplemental Information, net of tax; and*
- iii. Income exempt from tax, as provided in the Annual Income Tax Return Schedule on Gross Income/Receipts Exempt from Income Tax, net of tax."*

- 3.5 Per MWSS Annual Income Tax Return for the year ended 2015, the Net Taxable Income/Net Income amounted to P718,961.223, hence, the dividends payable to the NG for the year 2015 should be P359,480,611.50 and that the revised unremitted dividend balance would be P209,480,611.50.
- 3.6 **We recommended that Management immediately remit to the Bureau of the Treasury the Dividends still due to the National Government amounting to P209.480 million pursuant to RIRR of RA No. 7656 (2016).**
- 3.7 Management commented that they have informed the DOF that payments of dividends will be put on hold pending reply of the latter to their letter request dated 4 July 2016 for the recomputation and redetermination of MWSS Corporate Dividends for CY 2015.
- 3.8 Pending DOF approval on the said request, it is but proper for the Management to contribute to the national coffers through payment of dividends.

#### ***Gender and Development (GAD)***

4. **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 per cent of total appropriation for CY 2016, which were not in accordance with the PCW-NEDA-DBM Joint Circular No. 2012-01.**
  - 4.1 This is a reiteration of prior years' observation that there was no approved plans and programs for CY 2015 as required under Executive Order (EO) No. 273 to address GAD issues in the workplace.
  - 4.2 By virtue of EO No. 273, all government agencies, departments, bureaus, offices, and instrumentalities, including government-owned and controlled corporations are directed to incorporate and reflect GAD concerns in their annual agency plans, agency performance commitment contracts, annual budget proposals and work and financial plans.
  - 4.3 Likewise, paragraph 4 of said EO provides that the mainstreaming of GAD in various government agencies shall be the responsibility of the heads of the concerned agencies, with the assistance of their respective GAD Focal Points, to ensure institutionalization thereof.
  - 4.4 Section 7 of the PCW-NEDA-DBM Joint Circular No. 2012-01 provides significant dates to be observed in GAD Planning and Budgeting, including among others but not limited to:
    - *September (2 years before budget year) – PCW issues notification letters to all line departments or central offices for the submission of their annual GPB and GAD ARs to PCW; and*

- *January (1 year before budget year) – Submission of reviewed GPBs and ARs to PCW.*
- 4.5 Audit revealed that for six consecutive years starting 2011, MWSS-CO failed to prepare and submit on time its GPB to the Philippine Commission for Women (PCW) despite reiteration of audit observations and recommendations, and extensions of deadline set by the PCW.
  - 4.6 Moreover, Management allotted only P7,500,000.00 or a measly 0.16 per cent of its total appropriation of P4,694,780,000.00 per Corporate Operating Budget for CY 2016, which fell short of the 5.0 per cent requirement under Section 6.1 of the Joint Circular, which states that:
 

***“At least five per cent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency’s maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services (PS). xxx”***  
(emphasis ours)
  - 4.7 In addition, Section 35 of the 2016 General Appropriations Act (GAA) tasked all agencies to formulate a GAD Plan and to implement the same by utilizing at least five per cent (5%) of their total budget appropriations.
  - 4.8 Nevertheless, Management still participated in an Inter-Agency (NAPC, LWUA, MWSS-CO and OGCC) Joint-GAD Activity in observance of the *18-day Campaign to End Violence Against Women (VAW)* last 5 December 2016 and incurred expenses for the VAW shirt and snacks amounting to P19,355.00 and P6,320.00, respectively, charged to Training Expenses account (753).
  - 4.9 **We reiterated that Management 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.**
  - 4.10 Management will abide with the provisions of the PCW-NEDA-DBM Joint Circular No. 2012-01 for the preparation of the GAD Plan and Budget.
  - 4.11 As our rejoinder, Management should still comply for the early submission of the GAD plan to the PCW.

### ***Cash in Bank***

5. **Noted were deficiencies in the handling of Cash-in-banks accounts, to wit:**
  - 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;**

- 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;**
- 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**
- d. **Non-submission of Monthly Bank Reconciliation Statement (BRS) on certain Local and Foreign Currency Savings Account contrary to Section 74 of P.D. 1445.**

5.1 This is a reiteration of prior years' audit findings and recommendations.

5.2 The reported Cash in Bank amounted to P2.938 billion for CY 2016, breakdown as follows:

Account Name	Account Code	Amount
Local Currency, Current Account	111	P 43,408,737.98
Local Currency, Savings Account	112	5,435,151.24
Local Currency, Time Deposit	113	2,888,119,371.31
Foreign Currency, Savings Account	116	54,409.75
Foreign Currency, Time Deposits	117	1,618,277.84
	<b>Total</b>	<b>P 2,938,635,948.12</b>

5.3 Audit of Cash in Bank account resulted in the following observations:

5.3.1 Despite the bank migration programs submitted by the 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 Nos. 001-2015 and 002-2015.

- a. Section 5.2 of DOF Department Circular No. 001-2015 dated 01 June 2015 states:

*“As part of the Government’s effort to strengthen its overall fiscal position, all NGAs, GOCCs, and LGUs specifically allowed by law, rules and regulations to retain income and/or for operations and/or working balances shall deposit and maintain accounts with GFIs with a universal bank license and a CAMELS rating at least “3”.”*

- b. Furthermore, DOF Department Circular No. 002-2015 dated 10 July 2015 which amended the transitory provisions of the previous Department Circular, provides:

***“6. TRANSITORY PROVISIONS***

*6.1 All NGAs, GOCCs or LGUs maintaining accounts with banks not compliant with the requirements of Section 5.2, except those allowed under Sections 5.3 and 5.4, shall have one (1) year from the effectivity of this Circular to transfer all funds and cash balances to a bank compliant with the provisions of Section 5.2 hereof.*

*6.2 During the period mentioned in Section 6.1, NGAs, GOCCs and LGUs may maintain existing accounts with a non-compliant bank but may not make further deposits thereto.*

*6.3 Once the period mentioned in Section 6.1 lapses and the bank is still unable to meet the requirements of Section 5.2, NGAs, GOCCs and LGUs must transfer all funds and cash balances to banks that meet the requirements of Section 5.2.”*

- c. In compliance to the DOF Department Circular, Board Resolution No. 2015-096 was issued authorizing the Administrator to enter into and execute such documents to fully implement the migration programs submitted to the COA.
- d. As of December 31, 2016, confirmation reply from the Philippine National Bank (PNB), disclosed that the MWSS still maintained its account for COLA/Gratuity with the PNB, contrary with Section 5.2 of DOF Department Circular No. 001-2015.
- e. Per the migration program submitted by Management to COA, the above-mentioned account should have been closed within 30 working days from the date of Management’s letter which was on 06 August 2015. Furthermore, the bank balance of P402,050.83 should have been transferred to the authorized depository bank in July 2016, pursuant to Section 6.3 of DOF Department Circular No 002-2015.
- 5.3.2 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
- a. Trust Funds are defined in Section 3(4) of P.D. 1445 as *“funds which have come officially into the possession of any agency of the government or of a public officer as trustee, agent, or administrator, or which have been received for the fulfillment of some obligation.”*

- b. Funds which should be considered as Trust Funds include the following:

Description	Amount as of Dec. 31, 2016
Funds representing collection from SM Prime Holdings	P 36,000,052.59
Funds representing collection from the Concessionaires for the payment of JBIC loan	1,913,648,338.37
<b>Total</b>	<b>P 1,949,648,390.96</b>

- c. Funds such as the lease payment received from SM Prime Holdings and collection from the two Concessionaires for the payment of the JBIC loan are to be considered as Trust Funds pursuant to Section 3(4) of PD 1445. Such funds are to be segregated and reported separately from the operating bank accounts of the agency to prevent the use of the fund for purposes other than for which it was created as prescribed in Section 4.3 of P.D. 1445 which states that:

*“Trust Funds shall be available and may be spent only for the specific purpose for which the trust was created or the funds received.”*

- d. Verification disclosed that the funds mentioned above are deposited in time deposit accounts but no separate trust account is set up in the books. The funds are co-mingled with other funds in the Cash in Bank – Local Currency, Time Deposit Account.
- e. Furthermore, subsidiary ledgers were not maintained to show details of the individual accounts lumped under Cash in Bank – Local Currency, Time Deposits amounting to P2,888,119,371.31, contrary to Section 114(2) of P.D. 1445 which states that *“Subsidiary record shall be kept where necessary.”*

Account No.	Per confirmation/audit	Per books	Variance
<b>LandBank of the Philippines</b>			
1	P 14,163,289.48		
2	36,000,052.59		
3	139,328,459.07		
4	132,513,961.10		
5	18,245,172.28		
6	181,990,217.50		
7	104,872,019.07		
8	220,788,235.38		
9	170,810,093.84		
10	192,171,106.09		
11	60,636,669.59		
12	188,135,828.75		



Account No.	Per confirmation/audit	Per books	Variance
13	3,524,029.78		
14	164,000,000.00		
15	32,191,265.38		
16	30,000,000.00		
	<b>P 1,689,370,399.90</b>	<b>P1,689,329,388.08</b>	<b>P41,011.82</b>
<b><i>Development Bank of the Philippines</i></b>			
1	10,530,064.28		
2	485,612,822.26		
3	2,199,071.52		
4	14,667,950.19		
5	35,297,144.69		
6	9,224,495.99		
7	21,713,536.52		
8	15,428,226.55		
9	58,326,695.07		
10	45,000,000.00		
11	248,781,304.01		
12	252,497,175.26		
	<b>1,199,278,486.34</b>	<b>1,199,278,486.14</b>	<b>0.20</b>
<b><i>Philippine National Bank</i></b>			
	<b>0.00</b>	<b>(488,502.91)</b>	<b>488,502.91</b>
<b>Total</b>	<b>P 2,888,648,886.24</b>	<b>P2,888,119,371.31</b>	<b>P529,514.93</b>

- f. Variance of P529,514.93 was noted between bank records (passbook)/bank confirmation and book balances. Most noticeable variance is the negative balance of P488,502.91 for the depository account with PNB, a closed account in compliance to DOF Department Circular Nos. 001-2015 and 002-2015.

5.3.3 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 – Current and Savings Account totaling P48.844 million

- a. The reported book balances of the *Cash in Bank – LCCA* and *Cash in Bank - LCSA* and net recurring reconciling items are shown below:

Account	Book Balance	Recurring Reconciling Items
Cash in Bank – Local Current, Current Account (LCCA)	P43,408,737.98	P 221,847.11
Cash in Bank – Local Current, Savings Account (LCSA)	5,435,151.24	3,359,516.91
<b>Total</b>	<b>P 48,843,889.22</b>	<b>P 3,581,364.02</b>

- b. Review of the Bank Reconciliation Statements (BRS) pertaining to the above depository accounts showed various reconciling items that were continuously carried in the monthly reports and remain unadjusted in the books for almost 16 years. On the Cash in Bank – Local Currency, Current Account (CIB-LCCA), the recurring reconciling items correspond to the two PNB current/checking accounts (Corporate Office and Main/COLA Fund) with negative book balances totaling P221,847.11.
- c. As discussed in par. 5.3.1.e, due to bank migration, the PNB – Corporate Office Fund was closed in June 2016 in compliance with DOF Department Circulars, but the PNB – Main/COLA Fund account (CIB-LCCA) still exists as of December 31, 2016. The subsidiary ledger of the CIB-LCCA account, PNB- Corporate Office has a negative book balance of P10,539.42, while the PNB -Main Fund account has negative book balance of P211,307.69 or a total negative balance of P221,847.11, brought about by these recurring reconciling items:

Recurring Reconciling Items		Year	Amount	
Corporate Office Fund Account CA 116-521-900-073				
Outstanding Checks:	34887	2011	45,000.00	P (45,901.11)
	38396	2014	750.00	
	40887	2015	151.11	
Check No. 9981 dated 11/19/03 was double debited by the bank on 11/28/03 and 12/29/03		2003	15,000.00	
Unrecorded Encashed Checks:	33645	2010	20,361.69	35,361.69
Sub total, Balance per Book				(10,539.42)
Main Fund (COLA) Account CA 116-521-900-065				
Outstanding Checks:	220863	2012	182,447.27	(241,675.90)
	222579	2013	18,511.17	
	222814	2014	20,897.15	
	222245	2014	19,820.31	
Bank error (Double debited by the bank check no. 179247 dated 10/14/03)		2003		(7,936.97)
Already encashed by the claimant dated 2/24/03 with check no. 171017 same appeared bank statement dated 3/13/03		2003		8,344.49
Unrecorded Encashed Checks:	221586	2013	16,093.81	29,960.69
	221729	2013	13,866.88	
Sub Total, Balance per Book				(211,307.69)
Total				P (221,847.11)

- d. Likewise, the Cash in Bank – Local Currency, Savings Account (CIB-LCSA) maintained with PNB and DBP, was not correctly reported due to reconciling items which remained unadjusted/unreconciled for the past years, with reconciling items dated as early as CY 2000. In CY 2016,

Cash in Bank – LCSA showed a book balance of P5,435,151.24 inclusive of net reconciling items of P3,359,516.91 accounted as follows:

<b>Recurring Reconciling Items</b>	<b>Account</b>	<b>Year</b>	<b>Amount</b>
Unrecorded Cash/Check/Credit Memos	SA 116521900112 (PNB)	2009	P 10,000.00
		2013	18,520.56
	SA 0405-018508-530 (DBP)	2000	56,991.41
		2003	743,652.95
	<b>sub-total</b>		<b>829,164.92</b>
Unrecorded Debit Memos	SA 116521900112 (PNB)	2007	(15,000.00)
		2012	(101.50)
		2013	(203.00)
	SA 0405-018508-530 (DBP)	2000	(3,093,557.57)
		2001	(17,649.32)
		2005	(862.50)
	<b>sub-total</b>		<b>(3,127,373.89)</b>
Overpayments by the bank	SA 116521900112 (PNB)	2003	(6,069.96)
		2007	(20,568.75)
		2011	(356.00)
		2012	(3,000.00)
	SA 1165-2190010-4 (PNB)	2007	(1,210.75)
		2008	(31,992.48)
	<b>sub-total</b>		<b>(63,197.94)</b>
Other Reconciling Items	SA 0405-018508-530 (DBP)		(998,110.00)
	<b>sub-total</b>		<b>(998,110.00)</b>
	<b>Total</b>		<b>P(3,359,516.91)</b>

- e. Management claimed that the unrecorded cash/check and debit memos reported as reconciling items for the DBP savings account pertained to the commissions directly deducted by the bank and paid or transferred directly to the account of the Collecting Agency – DBP Services (CADBP) at the time the Accounts Receivable from customers are being contracted out. Despite the request made by the MWSS, the supporting documents could not be produced since they are no longer available, citing the Bangko Sentral ng Pilipinas (BSP) requirement of five years standard retention period for maintaining data. As a rejoinder in past years observation, the Audit Team requested Management that data in the passbook be authenticated by the bank as basis for the adjustments of the reconciling items. To date no action has been undertaken.

- f. The table above also disclosed an unsubstantiated “Other Reconciling Items” of P998,110.00, which nature/origin could not be determined since they pertained to the previous DBP bank account as claimed by Management.
- g. As regards the reconciling item of P63,197.94, this amount was an overpayment made by the bank, which should be recorded as receivables from payees/recipients of the overpayment. Details shown below:

Treasury Control No.	Amount
4797	P 7,500.00
4855	13,068.75
7829	356.00
8317	3,000.00
2188 & 2186	6,069.96
192	31,992.48
31, 32 & 33	1,210.75
<b>Total</b>	<b>P 63,197.94</b>

- h. Despite our recommendation to effect the necessary adjustments in the books to arrive at the correct cash balance at year-end, reconciling items remained to be recurring in the BRS.
- i. Likewise, Service Charge amounting to P51,600.00 was debited to the MWSS’ PNB closed account. Per Bank Statement, the debit entry on the bank account pertained to “SC PAYWISE ADB INST”. Per documents submitted, nature of the transaction and details of the service charges were not supported.

Date	Amount	JEV No.
12-07-15	P 2,000.00	2016-05-002127
01-05-16	300.00	2016-05-002127
02-05-16	900.00	2016-05-002127
03-07-16	14,100.00	2016-05-002127
04-05-16	12,900.00	2016-06-002450
05-05-16	11,400.00	2016-06-002450
06-06-16	10,000.00	2016-07-002706
<b>Total</b>	<b>P 51,600.00</b>	

- 5.3.4 Non-submission of Monthly Bank Reconciliation Statement (BRS) on some Local and Foreign Currency Savings Account was contrary to Section 74 of P.D. 1445.

- a. Monthly Bank Reconciliation Statement was not prepared and submitted regularly for five local and foreign currency savings account maintained by MWSS as prescribed in Section 74 of PD 1445, to wit:

	Account Code	Balance per books	Months without BRS
Foreign S/A-BSP Manage by BTr	116-05-SA 01085295	P 14,681.39	CY 2016
Foreign S/A-LBP-Katipunan Br-Main Fund	116-05-SA 1464-0008-91	39,728.36	CY 2016
Local S/A-DBP-Makati Branch-old acct 5-08390-405-5	112-05-SA 0405-018508-530	4,337,449.6	Jan, Feb, Apr, May, Jul, Aug, Oct and Nov
Local S/A-LBP-UP Diliman Branch	112-05-SA 3071-0220-80	545,588.2	Jan, Feb, Apr, May, Jul, Aug, Oct and Nov
Local S/A-LBP Managed by TOP-Special Peso Acct	112-05-SA-0113393-36	100,080.73	CY 2016

- b. Bank reconciliation is an internal control measure of comparing agency records as against the bank records to determine the differences between book balances with the balances per bank. A bank reconciliation will aid the agency to identify any unusual transactions that might cause fraud or accounting errors.
- c. The non-submission of the Bank Reconciliation Statements of the bank accounts mentioned above is not accordance to Section 74 of P.D. 1445 states:

*“Section 74. Monthly Report depositories to agency head. – At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.”*

**5.4 We recommended that Management:**

- 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;**
- 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;**
- 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

- d. Prepare BRS on all local/foreign currency savings accounts at the end of each month in compliance with Section 74 of PD 1445.

5.5 Management commented that the account maintained with the PNB was garnished, hence, cannot be closed. As regards other audit recommendations, Management agreed to comply therewith.

### ***Grant and Liquidation of Cash Advances***

6. Grant and liquidation of cash advances were found not compliant with the prescribed guidelines, to wit:

- 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;
- b. Cash Advances were liquidated beyond the prescribed period contrary to Section 5.1 of COA Circular No. 97-002; and
- 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.

6.1. Audit of Cash in Bank account resulted in the following observations:

#### ***6.1.1. On the grant of Cash Advances despite unliquidated/unsettled previous cash advances, contrary to Section 89 of P.D. 1445.***

- a. Section 89 of Presidential Decree 1445 provides that “*No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.*”
- b. Audit of the grant of Cash Advances showed that advances amounting to P664,715.00 were granted to officials/employees before the settlement or liquidation of their previous cash advances, as shown below:

JEV No.	Check No.	Check Date	Amount	Purpose	Date Liquidated and Purpose of Previous Cash Advance granted
02-000636	519894	02/12/16	P330,165.00	Competency Training per O.O. 2016-099	02/22/16; Celebration of 138 <sup>th</sup> Anniversary of MWSS-CO on 02/18/16 per O.O. 2016-22; Check No. 519926
04-001189	521349	04/17/16	282,900.00	Joint Validation Survey with	04/26/16; Competency Training from 02/17/16

JEV No.	Check No.	Check Date	Amount	Purpose	Date Liquidated and Purpose of Previous Cash Advance granted
				PAMB of Quezon Province NCWSP-KDP O.O. 2016-044	to 04/22/16 per O.O. 2016-099; Check No. 519894
11-003815	523942	11/09/16	24,000.00	Physical Inventory of MWSS Property Plant & Equipment under O.O. 2016-126	12/06/16; Physical Inventory of MWSS Property from 09/23/16 to 10/13/16 per O.O. 2016-99; Check No. 522134
12-004195	529619	12/02/16	27,650.00	Joint Activity in observance of the 18 <sup>th</sup> day campaign to end Violence Against Women (VAW) per O.O. 2016-141	12/13/16; 4 <sup>th</sup> Cluster agency meeting Christmas party on 12/07/16 per O.O. 2016-138; Check No. 529617
<b>Total</b>			<b>P664,715.00</b>		

- c. The grant of additional Cash Advances to disbursing officers who have yet to liquidate their previous cash advances could have been avoided if Certification from the Accountant, that the previous cash advances have already been liquidated and accounted for in the books were issued, as required in Section 1.1 of COA Circular 2012-001.
- d. **We recommended that Management 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.**
- e. No Management comment was received.

**6.1.2. On the liquidation of Cash Advances beyond the prescribed period contrary to Section 5.1 of COA Circular No. 97-002.**

- a. Section 5.1.3 of COA Circular No. 97-002 on liquidation of cash advance for official travel, provides that “xxx within sixty (60) days after return to the Philippines in the case of foreign travel or within thirty (30) days after return to his permanent official station in the case of local travel xxx.”
- b. Verification revealed that the following cash advances were liquidated for more than 30 days after the return of the Accountable Officer to his/her permanent official station contrary to Section 5.1.3 of COA Circular No. 97-002:

JEV No. (grant)	Check No.	Amount	Purpose	Date Liquidated	Date should be liquidated	No. of days delayed
02-000644	519957	P15,100.00	Expenses for the mapping and Validation of requested access road by Municipality of General Nakar and Water System at Barangay Pagsanghan from 02/25/16-02/27/16	03/31/16	03/30/16	1 day
06-002282	521666	6,460.00	Expenses for the witness of donation of water tank and securing certificate and permits for Sumag River Diversion and UATP Rehabilitation Project from 06/16/16-06/17/16	07/27/16	07/20/16	7 days
06-002286	521683	44,000.00	Site inspection of Kaliwa Dam Project for the new Joint Technical Working Group from 06/28/16-06/29/16	08/31/16	07/30/16	32 days
09-003178	522134	113,400.00	Inventory of Fixed Assets from 09/23/16-10/13/16	12/06/16	11/15/16	21 days
11-003815	523942	24,000.00	Conduct of Physical Inventory of MWSS Property, Plant and Equipment from 11/14/16-11/18/16	12/28/16	12/21/16	7 days
05-001960	521542	17,500.00	42 <sup>nd</sup> Annual National Directorate Meeting and Convention of Geodetic Engineers from 05/18/16-05/21/16	06/24/16	06/22/16	2 days
11-004039	523971	21,700.00	15 <sup>th</sup> Annual Career Executive Service (CES) Conference from 11/23/16-11/5/16	01/12/17	12/28/16	

- c. It can also be noted from the table above that, of the original cash advance for local travel of P21,700.00, the amount of P6,500.00 was refunded only on 12 January 2017 which is not in accordance to Section 5.8 of COA Circular No. 97-002 which states that all cash advances shall be fully liquidated at the end of each year.
- d. **We recommended that Management comply with the prescribed liquidation period of cash advances per Section 5.1 of COA Circular 97-002.**
- e. No Management comment was received.



6.1.3. **Grant of Special purpose cash advances to officers/employees who were not bonded contrary to Section 4.1 of the Treasury Circular No. 02-2009.**

- a. Section 4.1 of Treasury Circular No. 02-2009 states that *“Every officer, agent, and employee of the Government of the Philippines or the companies or corporations of which the majority of stock is held by the National Government (NG), regardless of the status of their appointment shall, whenever the nature of the duties performed by such officer, agent or employee permits or requires the possession, custody or control of funds or properties for which he is accountable, be deemed a bondable officer and shall be bonded or bondable and his fidelity insured.”*
- b. One-time cash advances for Special Purposes totaling P266,380.00 were granted to officers who were not bonded/insured contrary to Section 4.1 of Treasury Circular No. 02-2009, to wit:

JEV No.	Check No.	Purpose	Amount
02-000640	519928	Honoraria for the participation in the filing of Construction and Quarry Permit for Sumag River Diversion Project (SRDP)	P6,000.00
03-001103	521282	To witness the donation and secure permits for UATF Rehabilitation and SRDP Project	6,700.00
06-002286	521683	Expenses for the site inspection of Kaliwa Dam Project for the new Joint Technical Working Group	44,000.00
08-002883	522051	Meal allowance for 12 days relative to the conduct of Physical Inventory	17,280.00
09-003175	522104	To cover the cost on the Outdoor Lounge at Helipad Area	79,000.00
09-003178	522134	To cover expenses for the Inventory of Fixed Assets	113,400.00
		<b>Total</b>	<b>266,380.00</b>

- c. Moreover, for special purpose/one time activity, the cash advance should be secured by the bonded officer/employee to avoid payment of additional fidelity bond.
- d. Consequently, it is important that employees/officials whose nature of the duties performed permits or requires the possession, custody or control of funds or properties for which he/she is accountable are bonded .
- e. **We recommended that Management require adequate bonding of all Accountable Officers in accordance with Section 4.1 of the Treasury Circular No. 02-2009.**
- f. No Management comment was received.

### **Monetization of Leave Credits**

7. **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.**

**Further, 12 employees were found to have negative balance in their VL credits as of December 31, 2016.**

- 7.1. This is a reiteration of prior year's audit observations as to non-compliance with the provision under Section 22 of the Omnibus Rules on Leave requiring five days minimum VL balance prior to the monetization.
- 7.2. Section 22 of the Omnibus Rules on Leave (CSC Resolution No. 98-3142 dated December 14, 1998), provides that:

*"Officials and employees in the career and non-career service whether permanent, temporary, casual, or coterminous, who have **accumulated fifteen (15) days of vacation leave credits shall be allowed to monetize a minimum of ten (10) days**: Provided, that **at least five (5) days is retained after monetization** and provided further that a maximum of thirty (30) days may be monetized in a given year."* (emphasis supplied)

- 7.3. Contrary to the above provision of the Omnibus Rules on Leave, 16 employees who have less than 15 days accumulated vacation leave credits were allowed to monetize at a total amount of P480,157.71. The employees are as follows:

<b>Name of Employee</b>	<b>Cut-off month</b>	<b>VL Balance</b>	<b>Days monetized</b>	<b>Amount monetized</b>
1. Alipio, Teodoro	9/30/16	9.083	15	P 16,992.99
2. Aragao, Joey	9/30/16	6.116	10	11,216.37
3. Banaag, Wilson	9/30/16	11.015	15	11,836.61
4. Batasin, Florendo Jr.	12/31/15	9.856	10	28,584.05
5. Caser, Conrad Nixon	12/31/15	7.468	10	7,906.60
6. Codamon, Emelda	1/31/16	9.730	15	27,316.59
	7/31/16	9.730	10	18,211.06
7. Cruz, Stella	7/31/16	11.293	10	16,861.66
8. De Guzman, Editha	1/31/16	10.06	30	48,401.86
	5/31/16	10.061	30	48,401.86
9. Domagsang, Florencia	9/30/16	1.494	10	18,211.06
10. Dorado, Jose	7/31/16	1.820	30	65,132.43
11. Fabie, Sonia	8/31/16	5.788	15	11,955.16
12. Isip, Erlinda	1/31/16	11.013	15	27,920.20
	7/31/16	9.370	15	27,920.20
13. Mendoza, Michelle	8/31/16	12.647	30	46,838.97
14. Ordoña, Cenon	11/30/15	10.26	10	6,841.90

Name of Employee	Cut-off month	VL Balance	Days monetized	Amount monetized
	7/31/16	8.162	10	6,769.63
	10/31/16	8.912	10	6,896.86
15. Suacillo, Mariecor	12/31/15	1.318	10	5,164.33
	9/30/16	2.562	10	5,164.33
16. Yamzon, Noel	7/31/16	1.943	10	15,612.99
<b>Total</b>			<b>330</b>	<b>P 480,157.71</b>

- 7.4. After monetization, the vacation leave credits of two employees fell short of the required five days retained VL, namely:

Name of Employee	Cut-off month	VL Balance before monetization	VL monetized/ applied	VL Balance after monetization
1. Codamon, Emelda	7/31/16	9.730	5.00	<b>4.730</b>
2. Isip, Erlinda	1/31/16	11.013	7.50	<b>3.513</b>

- 7.5. Inquiry with the Human Resource and Records Management Division (HRRMD) revealed that monetization of sick leave credits may be allowed only for valid and justifiable reasons. However, audit of the submitted certified true copies of leave cards showed that six employees were allowed to monetize their sick leave credits without valid and justifiable reasons, contrary to Section 23 of the Omnibus Rules on Leave:

*“Monetization of 50% of vacation/sick leave credits – Monetization of fifty per cent (50%) of all the accumulated leave credits may be allowed for **valid and justifiable reasons** subject to the discretion of the agency head and the availability of funds.” (emphasis supplied)*

- 7.6. Further, 16 employees were allowed to monetize their sick leave credits although they still have available vacation leave credits, contrary to CSC Resolution No. 000034 dated 5 January 2000 re: Belen Maslan’s Query on the Monetization of Leave Credits, that ruled **vacation leave credits must be exhausted first before sick leave credits may be used**. Details are as follows:

Name of Employee	Cut-off month	Total days monetized	SL Balance	SL monetized	VL Balance	VL monetized	With justification
1. Alipio, Teodoro	9/30/16	15	23.083	15	9.083	0	√
2. Aragao, Joey	9/30/16	10	14.875	9	6.116	1	√
3. Banaag, Wilson	9/30/16	15	14.125	9	11.015	6	√
4. Batasin, Florendo	12/31/15	10	21.250	7	9.856	3	X
5. Caser, Conrad Nixon	12/31/15	10	7.501	7	7.468	3	X
6. Codamon, Emelda	1/31/16	15	13.250	7.5	9.730	7.5	X
	7/31/16	10	13.250	5	9.730	5	√

Name of Employee	Cut-off month	Total days monetized	SL Balance	SL monetized	VL Balance	VL monetized	With justification
7. Cruz, Stella	7/31/16	10	17.169	5	11.293	5	√
8. De Guzman, Editha	1/31/16	30	57.25	25	10.06	5	X
9. Domagsa ng, Florencia	9/30/16	10	16.250	10	1.494	0	√
10. Dorado, Jose	7/31/16	30	41	30	1.820	0	√
11. Fabie, Sonia	8/31/16	15	40.543	15	5.788	0	√
12. Isip, Erlinda	1/31/16	15	69.50	7.5	11.013	7.5	X
	7/31/16	15	63.50	15	9.370	0	√
13. Mendoza, Michelle	8/31/16	30	83.750	30	12.647	0	√
14. Ordoña, Cenon	11/30/15	10	42.55	5	10.26	5	X
	7/31/16	10	11.075	7	8.162	3	X
	10/31/16	10	7.825	6	8.912	4	√
15. Suacillo, Maricor	12/31/15	10	18.458	5	1.318	5	√
	9/30/16	10	19.708	10	2.562	0	√
16. Yamzon, Noel	7/31/16	10	35.417	10	1.943	0	√
		300					

- 7.7. As regards negative balances in VL credits and as previously recommended, the HRRMD should review on a regular basis, the leave card balances of all employees to ensure that accurate balances are reflected in the employees' leave cards.
- 7.8. We observed that several employees have negative balance in their accumulated VL credits; in SL credit; and in both VL and SL credits as of December 31, 2016, as follows:

Name of Employee	SL balance	VL balance
1. Am-is, William	11.250	(5.450)
2. Atara, Richelle	4.958	(8.192)
3. Atara, Ronald	2.792	(14.250)
4. Avanceña, Virgilito	20.25	(12.893)
5. Cleofas, Veronica	46.750	(5.237)
6. Dacanay, Evangeline	38.667	(19.289)
7. De Guzman, Willy	5.083	(4.471)
8. Francisco, Alexander	(3.629)	(16.169)
9. Inzon, Ma. Florita	8.002	(28.851)
10. Manalansan, Aida	2.475	(1.090)
11. Nacar, Diosdado	19.250	(1.579)
12. Naz, Ma. Lourdes	(32.875)	4.176
13. Sejera, Gloria	7.583	(27.410)
14. Zapiter, Rene	21.208	(1.490)

7.9. **We recommended that Management:**

- 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; and**
- b. **Delete from the payroll 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.**

7.10. Management submitted the following comments:

- a. Employees were allowed to monetize as long as they have available sick leave credits and duly approved by the Head of the Agency pursuant to Sec. 23.
- b. They have recovered the money value of the negative leave credit balance of Ms. Veronica Cleofas through salary deduction. As for others, MWSS will ensure that any absences/undertime/ tardiness incurred without pay and the leave earned in a month are properly recorded to off-set the negative balance.

7.11. As our rejoinder, henceforth, non-compliance with the documentary requirements prescribed in the Omnibus Rules on Leave will cause issuance of the necessary Notice of Suspension.

***Trip Ticket of MWSS-owned Vehicles***

8. **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.**

8.1. Item V of COA Circular No. 75-6 on the regulations in the proper use of government vehicle states that:

*"Use of trip tickets - The use of government motor vehicles by the bureaus and offices enumerated under Section 12 of Presidential Decree No. 733 for the purpose herein indicated shall be authorized only through the issuance of each trip ticket, duly signed by the Chief or the Administrative Officer of the bureau, office or entity concerned xxx. At the end of each month, the date shown on all the trip tickets issued during the month should be transcribed or summarized in chronological order in a Monthly Report of Official Travels to be accomplished by the driver of each car concerned. The Monthly Report of Official Travels should be accomplished in triplicate, the original thereof supported by all the Driver's Trip Tickets, to be submitted, thru the administrative officer*

*(or equivalent officer) of the bureau, office or entity concerned, to the auditor thereof, the duplicate to be kept by the bureau, office or entity, and the triplicate to be retained by the driver (General Circular No. 26, dated July 28, 1953).*

*Except in emergency cases, under no circumstance should government motor vehicles be used without the corresponding trip ticket having been duly issued by the official designated for the purpose. In case of use of said vehicles without such trip tickets, **the official to whom the vehicle is assigned, his driver and other passengers shall be held personally liable for the unauthorized use thereof.***” (emphasis ours)

- 8.2. The use of government vehicles shall be authorized only through the issuance of trip tickets serially numbered and duly signed by authorized officials. It is a tool in limiting the use of government vehicles to official and essential activities and minimize unnecessary trips for purposes other than official function/business.
- 8.3. Verification of various MWSS Driver's Trip Tickets, on a test basis, disclosed the following deficiencies:
  - 8.3.1. Necessary details in the trip ticket were not properly filled-out such as but not limited to:
    - a. Name of Authorized Passenger;
    - b. Division/Department;
    - c. Purpose of Travel;
    - d. No. of Other Passengers;
    - e. Places to be Visited; and
    - f. Odometer Reading and time in and out of the vehicle (For Security Guard)
  - 8.3.2. Names of Other Passengers were not specified nor were the signatures affixed on the space provided under the certification portion that the use of vehicle is exclusively for official business. It is a control measure to name the other passengers in ensuring regularity of trips/travels.
  - 8.3.3. There is no indication of a requesting party for the use of government vehicle, but only approval thereof.
- 8.4. Also, no trip tickets were issued to the following government vehicles:

Plate No.	Description	Annual Fuel Consumption
SKC 206	Mitsubishi Montero	18,049.62
SHU 976	Nissan Teana	50,181.22
SGZ 339	Kia Truck Dropside	30,374.15
WMV 696	Nissan Frontier	96,316.44
<b>Total</b>		<b>P194,921.15</b>

- 8.5. Verification of the Monthly Fuel Issuance Report disclosed that the vehicles incurred gasoline expenses totaling P194,921.15 as shown in the above table. It is further observed that the Nissan Frontier with plate no. WMV 696 is being utilized as service patrol at the La Mesa dam, however, the gasoline consumption amounted to P96,316.44. Considering the location of the property being serviced, the gasoline consumption may be regarded as excessive.
- 8.6. Inquiry from the Management disclosed that vehicle with plate number SGZ 339 is assigned at the Umiray Angat Transbasin Project (UATP) and vehicle with plate number WMV 696 is a service patrol at La Mesa Dam. On the other hand, vehicles with plate numbers SKC 206 and SHU 976 are intended as carpool for the Admin. Office as reflected in the monthly fuel issuance summary. Although, interview from the driver concerned of SKC 206, disclosed that since CY 2010, the vehicle is assigned at the Office of the Administrator and no corresponding trip ticket for every official travel was prepared.
- 8.7. Further, Monthly Report of Official Travel was not submitted to the Office of the Resident Auditor for audit purposes as required under COA Circular No. 75-6.
- 8.8. Trip tickets with incomplete information and non-submission of the Monthly Report of Official Travels do not provide sufficient evidence or documentation to determine legitimacy of travels made and accuracy of gasoline/fuel consumption.
- 8.9. **We recommended that Management:**
- 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;**
  - b. **Enhance or improve the format of trip ticket by including spaces for the names and number of passengers; and**
  - c. **Submit to the Office of the Auditor the Monthly Report of Official Travels for audit as required under COA Circular No. 75-6.**
- 8.10. Management commented that they will adhere to the audit recommendations.

## D. Compliance Audit – Regulatory Office

### 1. Loans amounting to P25 million granted to MWSS-RO Multi-Purpose Cooperative for land development and house construction remained with the Cooperative in spite of the non-realization/non-accomplishment of the project.

- 1.1. Included in the Loans Receivable was an account of the MWSS-RO Multi-Purpose Cooperative in the amount of P25,000,000.00 which has been long outstanding since it was granted in CY 2005, paid under Disbursement Voucher No. 0565 dated August 1, 2005. The loan was a seed money of the MWSS-RO Multipurpose Cooperative for the land development and housing construction in MWSS real property located at Barangay Greater Lagro, Novaliches, Quezon City, as the proposed RO Housing Project, specifically described as follows:

*“A parcel of land, Lot 1-B-1 of the proposed subdivision plan, (being a portion of Lot 1 (LRC) Pcs – 8998, LRC Rec. No. 6563), situated in Novaliches, Quezon City, Metro Manila, Island of Luzon. Bounded on the North, along lines 5-6-7 by Lot 1-A (MWSS Housing Project); on the East, along line 7-1 by Lot 670-A, Pcs-7 (La Mesa Road); on the South and west, along lines 1-2-3-4-5 by Lot 1-B-2, of the proposed subdivision plan. Beginning at a point marked ‘1’ on plan, being S.17 deg. 55'E., 223.36 m. from LM No. 11, Tala Estate; thence N.84 deg. 18'W., 93.50 m. to point 2; thence S.5 deg. 42'W., 23.00 m. to point 3; thence N.84 deg. 18'W, 62.30 m. to point 4; thence N.5 deg. 42'E., 189.75 m. to point 5; thence S.60 deg. 02'E., 138.00 m. to point 6; thence N.29 deg. 58'E.,” (Board Resolution No. 2005-102- Annex 1)*

- 1.2. The release of the amount was approved by virtue of Board Resolution Nos. 2004-01 and 2005-135 on the condition that the same shall be used for the RO housing project only. The amount was confirmed received by the MWSS-RO Multi-Purpose Cooperative.
- 1.3. The Disbursement Voucher evidencing the release of the loan to the Cooperative was not supported by a Contract between MWSS-RO and the MWSS-RO Multi-Purpose Cooperative, contrary to Item 4 of COA Circular No. 97-004 and Section 4 (6) of PD 1445 which states that *“Claims against government funds shall be supported with complete documentation”*.
- 1.4. Documents revealed that a demand letter dated December 8, 2015 was served to the Cooperative by the MWSS-RO requesting the return/refund of the amount including the accounting of all expenses incurred/charged against the loan and submission of all documents supporting the disbursements.
- 1.5. Moreover, all documents pertaining to the payment of P25 million to RO Multipurpose Cooperative as seed money for the housing program were forwarded to the COA Fraud Audit Office in accordance with COA Office Order Nos. 2010-504 and 2010-679 dated July 29, 2010 and October 15, 2010 respectively, regarding audit of the MWSS disbursement of funds from CY 2005 to June 30, 2010.



- 1.6. Considering the above, it appears that the attainment of the purpose of the grant may not be achieved now or in the near future and therefore, the return of the P25 million loan should be immediately imposed.
- 1.7. **We recommended that Management take legal action against the MWSS-RO Multipurpose Cooperative to collect or ensure the refund of the seed money including all accruing interest from CY 2005 up to the present.**
- 1.8. In a letter dated 26 April 2017, Management submitted the following comments, after a meeting with the MWSS-RO Cooperative:
  - a. The apparent ambiguous treatment of the audit office of the P25M amount, either as “loan,” “seed money” and/or “grant”;
  - b. That the P25M seed money per representation made by the RO-Coop is under a “valid and subsisting” agreement for which RO management recognizes, thus, any demand letter or refund will be premature, especially without any declaration by the MWSS-BOT; and
  - c. That since the amount partakes the nature seed money any accounting treatment which converts it as interest bearing is of no moment since its purpose is clear and that there was no stipulation in the agreement that it is interest bearing.
- 1.9. As our rejoinder, we make the following statements:
  - a. Semantics aside, the purpose of P25M “seed money”, “loan” and/or “grant” should be revisited by the MWSS-RO and the current MWSS-BOT to consider legal actions, as warranted.
  - b. Needless to say, the very intent of the disbursement cannot be claimed as imbued with public purpose, for which any “valid and subsisting” agreement can support.
  - c. As to the issue of the interest, it bears mention that what this Office refers to is the bank interest accumulating in favor of the fund under the control of the RO-Coop which must be accounted for as it still rightfully forms part of the public coffers.
  - d. Finally, we request that we be provide with information on the current balance of the fund and status of the housing project for reference in future audit.
2. **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 per cent of total PCF expenses for the year pertained to meals, snacks and grocery expenses.**
  - 2.1. In Office Order No. 001, series of 2016, dated 04 January 2016, an SDO was authorized to draw regular cash advance amounting to P200,000.00 which shall be used for the following expenses in the next page:

- a. Purchase of non-stock supplies, materials, vehicle and office equipment spare parts and repairs;
- b. Travelling expenses;
- c. Necessary official entertainment expenses;
- d. PR gestures
- e. Refreshments/meals for official business meetings;
- f. Other operational expenses to be incurred by the office

2.2. Verification of the PCF Disbursement Voucher replenishments of the SDO showed an average monthly utilization of P110,508.80 which is less than the PCF granted of P200,000.00.

2.3. Audit of the monthly petty cash expenses disclosed the following:

Month	Check No.	DV No.	Date	Amount Spent	Breakdown of Expenses
January	498603	DV034	1/26/16	138,287.42	Meals – 102,355.75
	498644	DV074	2/19/16		Supplies – 14,304.50 Repair & Maintenance – 3,965.00 Travelling Expenses – 931.00 Miscellaneous – 16,731.17
February	498644	DV074	2/19/16	110,945.87	Meals – 84,682.37
	498696	DV121	3/22/16		Supplies – 7,799.00 Repair & Maintenance – 4,274.50 Travelling Expenses – 3,079.00 Miscellaneous – 11,111.00
March	498696	DV121	3/22/16	104,592.94	Meals – 40,883.60
	498719	DV136	4/7/16		Supplies – 13,589.00
	498751	DV170	4/26/16		Repair & Maintenance – 26,120.34 Travelling Expenses – 11,697.00 Miscellaneous – 12,203.00
April	498751	DV170	4/26/16	133,551.81	Meals – 31,991.50
	498806	DV212	5/18/16		Supplies – 30,001.07 Repair & Maintenance – 9,836.60 Travelling Expenses – 26,760.24 Miscellaneous – 34,962.40
May	498806	DV212	5/18/16	134,690.72	Meals – 84,570.81
	498848	DV248	6/7/16		Supplies – 8,852.55
	498901	DV298	6/30/16		Repair & Maintenance – 4,645.20 Travelling Expenses – 25,187.16 Miscellaneous – 11,435.00
June	498901	DV298	6/30/16	117,636.16	Meals – 54,345.00
	498980	DV363	8/2/16		Supplies – 16,458.64 Repair & Maintenance – 24,509.52 Travelling Expenses – 1,759.00 Miscellaneous – 20,564.00
July	498980	DV363	8/2/16	98,160.10	Meals – 59,137.84

	499038	DV413	9/6/16		Supplies – 13,080.70 Repair & Maintenance – 1,243.00 Travelling Expenses – 3,326.50 Miscellaneous – 21,372.06
August	499038	DV413	9/6/16	109,457.21	Meals – 63,556.83 Supplies – 1,592.00 Repair & Maintenance – 19,583.15 Travelling Expenses – 2,041.00 Miscellaneous – 22,684.23
	499116	DV476	10/17/16		
September	499116	DV476	10/17/16	86,992.00	Meals – 41,182.20  Supplies – 3,387.50 Repair & Maintenance – 25,213.30 Travelling Expenses – 5,259.00 Miscellaneous – 11,950.00
	499172	DV533	11/11/16		
October	499172	DV533	11/11/16	120,079.12	Meals – 72,016.22 Supplies – 18,151.00 Repair & Maintenance – 4,609.90 Travelling Expenses – 2,102.00 Miscellaneous – 23,200.00
	499218	DV570	12/8/16		
November	499218	DV570	12/8/16	107,380.44	Meals – 53,887.40 Supplies – 11,949.04 Repair & Maintenance – 11,730.00 Travelling Expenses – 20,041.00 Miscellaneous – 9,773.00
	JV-12-16-076		12/29/16		
December	JV-12-16-076		12/29/16	64,331.75	Meals – 34,931.80 Supplies – 3,097.95 Repair & Maintenance – 10,060.00 Travelling Expenses – 737.00 Miscellaneous – 15,505.00
<b>Total</b>				<b>1,326,105.54</b>	Meals – 723,541.32 Supplies – 142,262.95 Repair & Maintenance – 145,790.51 Travelling Expenses – 102,919.90 Miscellaneous – 211,590.86
<b>Average Monthly Expenditures</b>				<b>P110,508.80</b>	

2.4. In summary, the following is the percentage of expenses spent from the PCF:

Type of Expense	Amount	%
Meals, snacks, grocery items	P 723,541.32	54.56%
Supplies	142,262.95	10.73%
Repair & Maintenance	145,790.51	10.99%
Travelling Expenses	102,919.90	7.76%
Miscellaneous	211,590.86	15.96%
<b>Total</b>	<b>P 1,326,105.54</b>	<b>100%</b>

- 2.5. The meal expenses charged against the PCF account for 24 per cent to 76 per cent of the monthly expenses. Such expenses should have been appropriately charged against the Extraordinary and Miscellaneous Expense allocation of the officials as provided under Section 47, General Provisions of the General Appropriations Act for FY 2016 and emphasized in the scope and coverage paragraph of COA Circular No. 2006-001, dated January 3, 2006, which enumerates the appropriate use of extraordinary and miscellaneous expenses, to wit:

*“x x x...It shall cover extraordinary and miscellaneous expenses and other similar expenses, such as discretionary, business development expenses, **representation expenses and the like**, provided that the nature or purpose of said expenditures pertain to any of the following:*

*Meetings, seminars and conferences;  
Official entertainment;  
Public relations; x x x” (emphasis ours)*

- 2.6. In addition, travelling expenses totaling P102,919.90 charged against the petty cash fund consists of payments of toll fees, parking fees, airfare, and travel allowances amounting to as follows:

Type of Expense	Amount
Toll Fees	P 15,369.00
Parking Fees	8,355.00
Public Transportation	1,332.50
Airfare & Terminal fee	38,403.40
Per diem allowance	39,460.00
<b>Total</b>	<b>P 102,919.90</b>

- 2.7. The per diem allowances amounting to P39,460.00 pertained to local seminars/conferences attended by the agency’s employees. Charging the travel allowance against the petty cash fund is not in line with the general guidelines for traveling allowance provided under section 2.1 of COA Circular No, 96-004 dated 19 April 1996, which states that:

*“Both official local and foreign travels shall be treated and accounted for as cash advances...x x x.”*

- 2.8. The excessive grant of PCF may give an accountable officer the opportunity to use agency funds for personal purpose or may be used for expenses not related to the discharge of public office, hence, the amount of P200,000.00 set up as revolving fund is considered excessive and not in line with Section 4.3.1. of COA Circular No. 97-002, which states:

*“4.3.1 The cash advance shall be **sufficient for the recurring expenses** of the agency for one month...xxx” (emphasis ours)*

- 2.9. **We recommended and Management agreed to:**
- 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;**
  - b. **Follow the guidelines set forth by COA Circular No. 96-004 in defraying travel allowances to the employees; and**
  - 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.**
3. **Receivables totaling P1.425 million from separated/retired officers/employees representing Motor Vehicle Loans remained outstanding for more than 10 years.**
- 3.1 In the Agency Action Plan and Status of Implementation (AAPSI) submitted by Management, it informed that it has initiated legal action by sending demand letters to the concerned former officers and employees relative to their Motor Vehicle Loan Agreement with the MWSS-RO executed in June 1999.
  - 3.2 Verification showed that Management sent demand letters dated 28 July 2016 to four former employees for the settlement of their outstanding obligations to the MWSS-RO, amounting to P1,460,976.45 as of December 31, 2015.
  - 3.3 However, in 2016, only one of the four employees with an outstanding obligation of P36,130.03 paid in three installments from August to October 2016, leaving a balance of P1,424,846.42 as at year-end, due from the other three employees, hence, a reiteration of our previous year's audit finding.
  - 3.4 **We recommended and 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.**
4. **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.**
- 4.1. This is a reiteration of a previous audit observation in the CYs 2014 and 2015 Annual Audit Reports.
  - 4.2. The MWSS-RO transferred an aggregate amount of P51.914 million to the UP Diliman National Engineering Center for the PAWS project for Years 3 and 5. In the Agency Action Plan and Status of Implementation (AAPSI) submitted by MWSS-RO in August 2016 and January 2017, Management informed that on 12 July 2016, the PAWS Project Manager, submitted the Final Financial Report on the Project to the Resident COA Auditor- UP Diliman, for the remaining balance of P2.070 million. The

Project Manager further averred that the P2.070 million is still subject to the audit/verification of the Resident COA Auditor, UP-Diliman, before liquidation/refund can be effected.

- 4.3. Furthermore, the contract between MWSS-RO and UP Diliman signed on 24 October 2007 for the PAWS project did not provide an explicit requirement for the COA Resident Auditor of UP Diliman to conduct audit or verify first any report aside from a supposed *pre-approved MWSS format*. Such supposed audit action by the COA Resident Auditor- UP Diliman on the Final Financial Report is totally unnecessary as this is tantamount to pre-audit which has long been lifted by the Commission.
- 4.4. As of year-end, the advances to UP-NEC showed the full amount of P5.967 million. However, MWSS-RO sent a demand letter to UP-NEC on 10 March 2017, for the refund of the P2.070 million in as much as this amount is considered free from any issues in compliance with previous audit recommendation of this Office. To date no response has been received by Management.
- 4.5. **We recommended and 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.**
- 4.6. In response to the latest demand letter of RO, the UP NEC informed the RO through a letter dated 24 March 2017 that the UP Accounting Office has granted the release of half of the total unexpended or P1,035,206.62. The remaining balance, it reiterated will be released upon clearance by the UP-COA of their financial/ liquidation report.
5. **The MWSS RO's GAD plans and budget of P1.095 million representing 0.55 per cent 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.**
  - 5.1. Section 6 of the aforementioned Joint Circular requires that at least 5 per cent of the agency budget shall be allocated to GAD activities. Further, Section 8 provides the submission of the GAD Plan and budget to the PCW for review and endorsement to DBM.
  - 5.2. Verification revealed that the GAD budget for the year totaled P1,095,000.00 or a mere 0.55 per cent of the total approved Corporate Operating Budget of MWSS-RO of P199,311,000.00 which is not compliant with Section 6 of the Joint Circular.
  - 5.3. The PCW Memorandum Circular 2015-02 reminded/informed all concerned agencies that the deadline to submit the CY 2016 GAD Plan and Budget (GPB) was extended to March 31, 2015. Despite the time extension, MWSS-RO was unable to meet the deadline for submission.

- 5.4. The Annual GAD Accomplishment Report of MWSS RO showed that GAD activities and fund utilization were not fully maximized. Of the total budgeted GAD fund of P1,095,000, the actual disbursement for the year amounted to P913,148.71, or 83 per cent, leaving an unutilized amount of P181,851.29.
- 5.5. Likewise, the GAD Accomplishment Report showed seven activities were performed out of the nine planned activities, hence, gender issues were not fully addressed to provide optimum benefits for the employees.
- 5.6. **We recommended and Management agreed to:**
  - 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 five per cent (5%) of the Corporation's approved COB; and**
  - b. **Revisit or improve the planning and implementation of MWSS-RO's GAD activities to achieve its intended objectives.**
- 5.7. Management will comply with the provisions of the PCW-NEDA-DBM Joint Circular No. 2012-01 on the preparation of the GAD Plan and Budget.
6. **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.**
  - 6.1 Representation Allowance and Transportation Allowance (RATA) are benefits/allowances distinct from salary and entitlement thereto is limited to officials identified in the General Appropriations Act (GAA) and those specifically determined by the Department of Budget and Management, who, by the very nature of their offices and functions, incur representation and transportation expenses.
  - 6.2 Quoted below are pertinent provisions of DBM National Budget Circular No. 548 dated May 15, 2013 re: *Amended Rules and Regulations on the Grant of Representation and Transportation Allowance*:
    - 5.2.3 *The TA **shall not be granted** to officials/employees who are assigned or presently use government motor transportation.*
    - 7.2 *For Incumbents Who Are Assigned or Who Use Government Motor Transportation*
      - 7.2.1 *Those who are assigned or who use government motor transportation **shall no longer be entitled to the TA**, but only to the commutable RA for the month.(emphasis ours)*

- 6.3 The following agency officials were paid full TA in CY 2016 despite being assigned with the following vehicles:

	Position	Assigned Vehicles	Monthly TA	TA for the year
1	DM, Water Quality and Control	Toyota Avanza/SAA-3327 Toyota Avanza/SAA-3328	P 7,500.00	P 90,000.00
2	DM, Administration	Toyota Innova/TBI-923 Toyota Hilux/SAA-3326 Toyota Hilux/SAA-3329 Toyota Hi ace Grandia/SAA-3330 Toyota Hiace Grandia/SAA-3331	P 7,500.00	P 93,750.00*
	<b>Total</b>			<b>P 183,750.00</b>

\*includes TA as acting DA for Administration and Legal Affairs from November 24, 2015 to March 15, 2016.

- 6.4 In addition, 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 dated October 4, 2000 which provides that:

*“Whenever an official or employee entitled to transportation allowance uses the government vehicle issued to his office, a corresponding proportionate reduction on his transportation allowance shall be made.”*

- 6.5 The table below shows the names of officials with TA who frequently used motor vehicles:

	Position	Vehicle/ Plate No.	Period used per approved trip ticket	Amount to be refunded*
1	Chief Regulator	Toyota HiLux/SAA-3326	Sept 13, Oct 13, Oct 19	P 8,181.82
		Toyota HiLux/SAA-3329	Jan 27	
		Toyota HiaceGrandia/SAA-3330	Jan 12, Feb 1, Apr 20, Apr 29, May 5, May 20, Aug 18, Sept 14	
		Toyota HiaceGrandia/SAA-3331	Mar 18, Oct 6, Oct 7, Oct 12, Oct 13, Oct 18, Oct 21	
2	DA, Administration & Legal Affairs	Toyota HiLux/SAA-3326	Apr 15, Sep 22	4,500.00
		Toyota HiLux/SAA-3329	Apr 13	
		Toyota HiaceGrandia/SAA-3330	May 5, Aug 22, Sep 22	
		Toyota HiaceGrandia/SAA-3331	Mar 17, Mar 18, Jun 22, Sep 28, Dec 12	



	Position	Vehicle/ Plate No.	Period used per approved trip ticket	Amount to be refunded*
3	DA, Technical Regulation	Toyota Innova/TBI-923	Sep 20, Dec 22	4,500.00
		Toyota HiLux/SAA-3326	Jun 10	
		Toyota HiLux/SAA-3329	Sep 27	
		Toyota HiaceGrandia/SAA-3330	Feb 9, Apr 6, May 20, Oct19	
		Toyota HiaceGrandia/SAA-3331	Mar 18, Apr 27, Sep 9	
4	DA, Customer Service Regulation	Toyota HiLux/SAA-3326	Jul 22	5,318.18
		Toyota HiLux/SAA-3329	Feb 4, Sep 27	
		Toyota HiaceGrandia/SAA-3330	Mar 17, Apr 6, Apr 15, May 20, Jun 22, Aug 5, Aug 18	
		Toyota HiaceGrandia/SAA-3331	Mar 18, Jun 7, Sep 28	
5	ADA, Financial Regulation	Toyota Avanza/SAA-3327	Aug 31	3,681.82
		Toyota HiaceGrandia/SAA-3330	Apr 20, Jun 22, Jul 22, Sep 10, Sep16	
		Toyota HiaceGrandia/SAA-3331	Mar 18, Jun 7	
		Toyota Revo/SGY-578	Jul 20	
6	DM, Administration	Toyota Innova/TBI-923	Jun 16, Jul 5	<i>Covered in paragraph 4</i>
		Toyota HiLux/SAA-3326	Jan 25, Feb 22, Nov 18, Nov 21, Dec20	
		Toyota Avanza/SAA-3327	Oct 3	
		Toyota HiLux/SAA-3329	Feb 12, Mar 2, Apr 7, May 12, May 16	
		Toyota HiaceGrandia/SAA-3330	May 5, Oct 18	
		Toyota HiaceGrandia/SAA-3331	Dec 7	
		Toyota Revo/SGZ-487	Feb 5, Apr 12	
		Toyota Revo/SGY-578	Feb 1, Sep 8, Sep 28	
7	ADM, Legal Affairs	Toyota HiLux/SAA-3329	Apr 14, May 12	2,386.36
		Toyota HiaceGrandia/SAA-3330	Jun 22	
		Toyota HiaceGrandia/SAA-3331	Jun 1	
		Toyota Revo/SGY-578	Feb 1, Mar 14, Sep 28	
8	DM, Water Quality & Control	Toyota Innova/TBI-923	Jul 14	<i>Covered in paragraph 4</i>
		Toyota HiLux/SAA-3326	Jun 15, Aug 4, Aug 15	

	Position	Vehicle/ Plate No.	Period used per approved trip ticket	Amount to be refunded*
		Toyota Avanza/SAA-3327	Dec 7	
		Toyota HiLux/SAA-3329	Jun 15	
		Toyota HiaceGrandia/SAA-3330	Mar 14	
		Toyota HiaceGrandia/SAA-3331	Apr 27, Jul 20, Jul 22, Sep 8, Sep 28	
9	ADM, Operations Monitoring	Toyota Innova/TBI-923	Sep 20	3,068.18
		Toyota HiaceGrandia/SAA-3330	Jan 25-29, Apr 15, Oct 19	
		Toyota HiaceGrandia/SAA-3331	Apr 27	
10	DM, Complaints	Toyota HiaceGrandia/SAA-3330	Jun 22, Aug 18	1,363.64
		Toyota HiaceGrandia/SAA-3331	Jun 1, Sep 28	
11	ADM, Tariff Control and Monitoring	Toyota Innova/TBI-923	Jul 28, Sep 28	2,727.27
		Toyota HiLux/SAA-3329	Jul 22	
		Toyota HiaceGrandia/SAA-3330	Mar 17, Mar 18, Apr 20, Jul 22	
		Toyota Revo/SGY-578	Jul 20	
12	ADM, Public Information	Toyota HiLux/SAA-3326	Oct 13, Oct 19, Dec 27	7,159.09
		Toyota HiaceGrandia/SAA-3330	Jan 12, Feb 1, Apr 20, Apr 29, May 5, May 20, May 31, Aug 18, Sep 14	
		Toyota HiaceGrandia/SAA-3331	Mar 17, Mar 18, Oct 6, Oct 7, Oct 12, Oct 13, Oct 18, Oct 21, Dec 12	
13	ADM, Administration	Toyota HiLux/SAA-3326	Jan 25	681.82
		Toyota HiLux/SAA-3329	Mar 2	
14	DM, Metering Efficiency	Toyota HiaceGrandia/SAA-3331	Sep 28	340.91
15	ADM, Financial Audit and Assets Monitoring	Toyota Avanza/SAA-3327	Aug 31	2,153.75
		Toyota HiaceGrandia/SAA-3330	Mar 17, Mar 18, Jul 22, Sep 10, Sep 16, Nov 10	
		Toyota Revo/SGY-578	Jul 20	
<b>Total</b>				<b>P 46,062.84</b>

\*proportionate amount computation: (monthly TA x No. of days the vehicle was used for the month) / 22 working days

**6.6 We recommended that Management:**

- 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, otherwise, a Notice of Disallowance shall be issued; and**
- 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 issued.**

6.7 Management commented that the seven motor vehicles were indeed “assigned” to two of its officers thru MRs but were executed only for “accountability purposes,” in compliance with COA Circular No. 80-124, dated January 18, 1980. Also, it averred that the MRs of the vehicles is not the “assignment” contemplated under COA Circular No. 2005-005 since it was not intended to “assign” subject vehicles to the identified officers for their use or transportation in the context of the TA where records will bear that they are not actually and frequently using the vehicles on a daily and regular basis and said vehicles are in fact used for operations.

To avoid any confusion in the future, Management committed to cancel the MRs for the seven vehicles issued to the concerned officers and will transfer them to the “lone” Property Officer. Consequently, the RO will increase the Fidelity Bond of the Property Officer, who will assume the custody, control and accountability over subject vehicles.

Management also commented that on the matter of the proportionate amount of TA not deducted, Management pointed to the seeming disproportionate computation of the proposed reduction of the TA per respective officer owing to a simplistic formula adopted in the audit. Also, Management suggested a reverse application of Section 7.2.3 of DBM National Budget Circular No. 548 to entitle an official 100 per cent monthly TA even if he/she used a government vehicle for two days in a month.

6.8 We maintain our recommendation that a Notice of Disallowance will be issued on the non-deduction of proportionate TA from concerned officers if the same is not refunded immediately.

## E. Value for Money Audit – Corporate office

### *Loss of income and incurred additional expenses*

1. **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 MWSS was being occupied by a food establishment without approval/consent from MWSS.**

- 1.1 MWSS Canteen is located at the basement of the Operations and Engineering Building and has been leased out to concessionaires as early as CY 2004 for its operations. The free use of the area by the MWSS Corporate Office Multi-Purpose Cooperative was allowed by the MWSS Management citing Article 62 paragraph 2 of R.A. 9520, also known as the Cooperative Code of the Philippines, as its privilege to use the space. It states:

*“Cooperatives organized among government employees, notwithstanding any law or regulation to the contrary, shall enjoy the free use of any available space in their agency whether owned or rented by the government.”*

- 1.2 The cooperative then leased out the area to private individuals/persons. The canteen space is approximately measured at 966 square meters (sq.m) and is now occupied by two concessionaires - canteens A and B, namely Bobber Food Services and Henrilyn Food Stop, two of the largest spaces in the MWSS canteen. The area is also occupied by small stalls, such as, Gloria Empanada Espesyal, Well Tea, Potato Giant, Red Bowl, Lemonade Bar, Siomai House, a computer repair shop, fruits and vegetables shop/stand, and eye clinic. These stalls pay their monthly rental to MCMC.
- 1.3 Verification from the report of collections, disclosed that the last inflow of income received by MWSS from the rental of space in the basement area and outside, covered CY 2013 amounting to P109,412.82, and no rental remittance/collection was received since then. Approximately, P1,608,000.00 could have been earned in CY 2016 alone from 42 small stalls and two large canteen occupants. Shown in the next page is the estimated rental fee of the lessee of the basement area:

	<b>Estimated Monthly Rental</b>	<b>Total Estimated Monthly Collection</b>	<b>Total Estimated Yearly Collection</b>
42 stalls/stands	P2,000.00 for each stall	P 84,000.00	P 1,008,000.00
Canteen A and B	25,000.00 for each canteen	50,000.00	600,000.00
<b>Total</b>		<b>P 134,000.00</b>	<b>P 1,608,000.00</b>

- 1.4 Likewise, aside from the canteen/stall areas, rentals from the temporary stalls set up for the “tiangge/bazaar” during the holiday season were also collected by the cooperative.



- 1.5 Hence, the practice is contrary to Sections 2 and 4 (2) of P.D. 1445 which state:

*“Section 2. Declaration of Policy – It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view of ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.”*

*“Section 4. (2) Government funds or property shall be spent or used solely for public purposes.”*

- 1.6 Furthermore, it also falls under the cases considered as **“Illegal”** Expenditures as provided in Case No. 5.3 of Annex B of COA Circular No. 2012-003:

*“Use of government property such as office supplies and office equipment, and government facilities and buildings for personal purposes”*

- 1.7 Clearly, the provision mentioned in Article 62 par. 2 of RA 9520 is not absolute. Although the cooperative has the privilege to enjoy the use of the portion of the area, to lease/sub-lease it to other tenants is another thing, since it is a direct violation of Sections 2 and 4 (2) of PD 1445. Moreover, even the power/electric consumption of the tenants in the basement area are being shouldered by the MWSS with an estimated amount of P889,801.92 for the billing period December 26, 2015 to November 25, 2016.

- 1.8 Consequently, the MWSS was deprived and being deprived of annual opportunity income, more or less of P3,216,000.00, for two years (CYs 2014 and 2015), a very conservative estimate, and incurred additional/unnecessary expenses of P1,400,000.00 for two years for electric consumption of the tenants in the basement area.
- 1.9 Further, interview and documents secured with some tenants in the canteen area also revealed that the receipts currently being issued by the MCMC is merely a printed Acknowledgement Receipt and not an Official Receipt registered with the Bureau of Internal Revenue.



- 1.10 Furthermore, information gathered from an MWSS employee disclosed that MCMC is collecting rental from one of the restaurants located at the Balara Filters area, also an MWSS property.

Images of the restaurant located at the Balara Filters area:





Images of the restaurant also located on MWSS property, allegedly owned by an MWSS employee:



Images of the MWSS canteen concessionaires are shown below:

- Outside MWSS canteen area with seven occupants:



- Canteen A and Canteen B (two largest spaces in the canteen area)



- Inside the canteen area



- 1.11 It was also observed that other employees' associations/groups are provided with office spaces in the basement area. Per interview with and MWSS employee, these offices are not paying rent and utility consumption. It is also informed that WASSLAI has a MOA with MWSS. The employees' groups are as follows:

1.11.1. KKMK MWSS Union;

1.11.2. Water and Sewer Services Cooperative (WASSECO); and

1.11.3. Water and Sewerage Sector Savings and Loans Ass., Inc. (WASSLAI)

- 1.12 It is also worth citing, that on 14 February 2017, our Office requested from the MCMC Chairman for data and documents pertaining to the operations of the Cooperative of the MWSS canteen area. The Chairman in her letter dated 15 February 2017, requested for one week extension to submit the documents/data, however, to date, the data/documents have yet to be submitted.



1.13 It was also noted that beginning 01 October 2011, Maynilad Water Services Inc. (MWSI) leased an additional area of 6,275.45 sq. m. in the Engineering Building, 553.35 sq. m. at the ground floor and 177.47 sq. m. at the second floor or a total leased premises of 7,006.27 sq. m. as of CY 2011. However, in November 2013, leased premises were again increased from 7,006.27 sq. m. to 7,058.66 sq.m.

1.14 Paragraphs 2.1 and 8 of the lease agreement between MWSS and MWSI state:

*“2.1 The LESSEE shall use the Leased Premises exclusively for office purposes”*

*“8 The LESSEE shall not assign or sublease the whole or any part of the Leased Premises without the written consent of the LESSOR. Otherwise, such assignment or sublease shall be null and void.”*

1.15 Inspection of the area leased by MWSI revealed that it is being occupied by a food establishment without approval/consent from MWSS. The lease agreement between MWSS and MWSI stipulated that the Lessee (MWSI) agreed that it shall only use the leased premises exclusively for office purposes and that it shall not assign/sublease the whole or any part of the Leased Premises without the written consent of the Lessor (MWSS). Otherwise, such assignment or sublease shall be null and void.

1.16 Finally, the management and utilization of government resources, such as the MWSS Canteen Area, rest with the agency head and/or employees directly responsible therefor as provided in Sections 101 to 103 of PD No. 1445:

*“Section 101 (1) – Every officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor and for the safekeeping thereof in conformity with law.”*

*“Section 102 Primary and secondary responsibility. – (1) The head of any agency of the government is immediately and primarily responsible for all government funds and property pertaining to his agency.*

*(2) Persons entrusted with the possession or custody of the funds or property under the agency head shall be immediately responsible to him without prejudice to the liability of either party to the government.”*

*“Section 103 General liability for unlawful expenditures. – Expenditures of government funds or uses of government property in violation of law or regulations shall be a personal liability of the official or employee found to be directly responsible therefor*

**1.17 We recommended that Management:**

- 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;**
- 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;**
- c. **Comply with the provision of Section 4(2) of PD 1445 as regards the use of government property; and**
- d. **Take appropriate action in accordance with paragraph 14 of the lease contract thru written notice to the defaulting party with regard to MWSS'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 thirty (30) days from its receipt of the written notice.**

1.18 Management commented that the concessionaires/occupants of the canteen space have already been informed to directly pay to the MWSS Treasury. Amount due from the MCMC for the collections made from the rent and electricity consumption of the canteen concessionaires shall also be determined and payment shall be demanded from the cooperative.

**F. Value for Money Audit – Regulatory Office**

1. **Validation procedures 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).**
  - 1.1. The WQCD is tasked to monitor the performance of the two MWSS Concessionaires with their service obligations to supply water that meets the standards set by the Philippine National Standards for Drinking Water.
  - 1.2. The assessment of water quality is based on the reports submitted and the sampling conducted by the Concessionaires. These reports are validated by WQCD through regular sampling.
  - 1.3. Per walkthrough of the water sampling process of treated water from the distribution system, the MWSS-RO receives an annual sampling schedule from the two Concessionaires. The Agency then determines the schedule wherein Agency personnel could join the concessionaire in water sampling. The determination of location to be sampled by the Agency is done on a judgmental basis, which is not in line with Section 1.4.3 of the Philippine National Standards for Drinking Water 2007

(PNSDW) under the Administrative Order No. 2007-0012 of Department of Health (DOH), dated March 9, 2007, which states the guidelines on Sampling and Analysis for Microbiological Quality, to wit:

*“To determine the safety and acceptability of drinking-water supply, appropriate laboratory examinations **should be conducted on representative samples of water** taken at all critical stages in the production and consumption of water supply...x x x” (emphasis ours)*

- 1.4. The current sampling selection method used by the Agency is a non-random type of sampling, which is prone to bias and may increase the misrepresentation of the population.
- 1.5. Verification revealed that the MWSS-RO representative obtained approximately 100 ml of tap water from the sampling point for testing of its Physical and Chemical Quality for Acceptability aspects such as Turbidity and Chlorine level using Turbidimetry and Colorimetric Method, respectively. Afterwards, another 500 ml of tap water is obtained which shall be sent to the third-party laboratory (*CRL Environmental Corporation, a private company accredited by the DOH and DENR*) to test its Microbiological Quality (Coliform and Fecal Coliform) using Multiple Tube Fermentation Technique. The standards for the above mentioned aspects of water quality are provided under the PNSDW, to wit:

#### *1.3 Standard Methods of Detection and Values for Microbiological Quality*

<b>Parameters</b>	<b>Method of Determination</b>	<b>Value</b>	<b>Units of Measurement</b>
<i>Total coliform</i>	<i>Multiple Tube Fermentation Technique</i>	< 1.1	MPN/ 100 mL
<i>Fecal coliform</i>	<i>Multiple Tube Fermentation Technique</i>	< 1.1	MPN/ 100 mL

#### *2.12 Standard Values for Physical and Chemical Quality for Acceptability Aspects*

<b>Constituent</b>	<b>Maximum Level or Characteristic</b>
<i>Turbidity</i>	5 NTU

#### *2.13 Standard Values for Chemicals Used in Treatment and Disinfection and Disinfection by-products*

<b>Constituent</b>	<b>Maximum Level (mg/L)</b>	<b>Occurrence</b>
<i>Chlorine Residual</i>	0.3 min	<i>Detected at the farthest point of the distribution system</i>
	1.5 max	<i>Detected at any point in the distribution system</i>

- 1.6. The sample testing was considered failed if any of the above levels are exceeded. Re-sampling of the sampling point is conducted once there was a failed testing, as well as to its surrounding area (left and right), to determine if the problem is widespread, or if the first failure was only an incidental occurrence. The number of samples for treated water from distribution centers during CYs 2015 and 2016 are as follows:

Period	No. of samples	No. of Failure
CY 2015	1,623	17 (1.04%)
CT 2016	1,631	10 (0.62%)

Should the standards be breached from re-sampling, WQCD, jointly with the concerned Concessionaire, shall carry out an investigation as to the cause, where necessary. The Concessionaire will be asked to take appropriate remedial action. Residents are advised on tap hygiene, and the Concessionaires are reminded that inappropriate plumbing arrangements should be acted upon irrespective of sample results.

- 1.7. The non-random type of sampling done by the Water Quality Control Department resulted in having most of the 2016 sample points similar to the sample points in 2015. In addition, re-sampling was also conducted to sampling points that did not fail the first testing. The number of samples per area conducted are as follows:

Table 1: Samples for CY 2015			
Area	No. of samples for CY 2015	No. of Samples repeated w/in the year	% of samples repeated within the year
Angono	22	19 samples: Angono National High School - 2x (3/12, 12/16) San Vicente Elementary School - 4x (4/7, 7/14, 10/13, 11/24) Barangay Hall - Mahabang Parang - 4x (4/7, 8/18, Oct 13, Dec 16) Mahabang Parang Health Center - 4x (7/14, 9/18, 10/13, 11/16) Joaquin Guido Elementary School - 3x (7/14, 11/24, 12/16) University of Rizal System - 2x (11/24, 12/16)	86%
Antipolo	65	34 samples Antipolo National High School - Main - 3 x (5/7, 7/14, 11/3) Bagong Nayon 2 Elementary School - 2x (1/26, 2/3) Antipolo National High School - 2x (11/3, 12/11) Bagong Nayon IV Elementary School - 2x (5/7, 11/3) Barangay Hall - Brgy. San Isidro - 2x (7/29, 12/11) Barangay Hall - Brgy. San Roque - 2x (8/6, 9/18) Juan Sumulong Elementary School - 2x (3/12, 12/16) Kaila Elementary School - 2x (8/18, 12/16) Mayamot Elementary School 3x (7/14, 8/18, 9/18) MUSA Marketing Corp - 2x (3/25, 8/6) San Antonio Elem. School - 3x (4/13, 7/29, 11/3) San Jose National High School - 2x (11/3, 7/29)	52%

Table 1: Samples for CY 2015			
Area	No. of samples for CY 2015	No. of Samples repeated w/in the year	% of samples repeated within the year
		San Roque National High School - 2x (8/18, 12/16) Sta. Cruz Elementary School - 3x (5/7, 7/29, 12/11) Summerville Academy - 3x (3/25, 9/18, 12/11)	
Baras	5	3 samples Santiago Elementary School - 3x (4/13, 7/29, 11/3)	60%
Binangonan	16	13 samples: Pag-asa Barangay Hall - 2x (3/25, 10/13) Rizal National Science Highschool - 4x (4/7, 7/14, 10/13, 11/24) Child Jesus of Prague Inc. Elementary School - 4x (4/7, 7/14, 10/13, 11/24) University of Rizal System - 4x (4/7, 7/14, 10/13, 11/24)	81%
Cainta	37	15 samples: San Juan Elementary School - 3x (1/21, 11/26, 12/2) St. Francis of Assisi School - 2x (3/16, 5/18) Francisco P. Felix Memorial National Highschool - 5x (1/21, 4/23, 7/7, 11/26, 12/2) Marick Subd. Barangay Hall - 2x (3/16, 5/18) Exodus Elementary School - 3x (3/16, 5/18, 11/26)	41%
Jala Jala	8	6 samples: Jala-jala Central Elementary School - 3x (4/13, 7/29, 11/3) Ynares Municipal Hospital - 3x (4/13, 7/29, 11/3)	75%
Makati	60	29 samples: Bangkal Elementary School I - 2x (7/13, 9/14) Bangkal National High School - 3x (2/10, 6/8, 9/21) Cembo Elem School - 4x (3/4, 9/4, 9/21, 10/19) Cembo Health Center - 3x (1/30, 9/4, 12/4) Gen. Pio del Pilar Elementary School (Main) - 2x (9/21, 10/14) Guadalupe Viejo Elementary School - 3x (1/30, 6/18, 10/19) Guadalupe Viejo Health Center - 3x (1/30, 9/4, 12/4) Magallanes Village Club House (canteen) - 2x (1/14, 2/10) Nemesio Yabut Elementary School - 2x (6/18, 9/21) Pitogo Elementary School - 3x (8/4, 9/21, 10/19) San Jose Elementary School - 2x (2/9, 10/19)	48%
Malabon	46	15 samples: Hulong Duhat Puericulture Center - 2x (4/22, 7/22) Imelda Elementary School - 2x (5/19, 9/22) Malabon National High School - 2x (3/24, 7/22) Maysilo Elem. School - 2x (1/7, 2/4) Muzon Elem. School - 2x (1/7, 2/4) Santolan Elementary School - 3x (4/22, 5/19, 9/22) Tañong Elem. School - 2x (3/24, 4/22)	33%
Mandaluyong	72	31 samples: # 231 Talayan near Basilan St - 2x (1/8, 2/5) # 601 Calderon cor. Shaw Blvd. - 2x (1/8, 2/5) Andres Bonifacio Elementary School - 2x (10/26, 12/15) Bagong Silang Health Center - 2x (9/10, 11/10) Barangay Hall - Hagdang Bato Itaas 2x (11/10,	43%

Table 1: Samples for CY 2015			
Area	No. of samples for CY 2015	No. of Samples repeated w/in the year	% of samples repeated within the year
		12/15) Bonifacio Javier National High School - 2x (1/8, 2/5) Health Center Crista Circle - 2x (1/8, 2/5) Hulo Elementary School - 3x (6/16, 8/27, 10/6) Mandaluyong Elementary School - 3x (1/13, 11/10, 12/15) Mandaluyong High School - 3x (1/13, 8/27, 12/15) Nueve de Febrero Elementary School - 3x (6/1, 10/26, 12/15) Renato Lopez Elementary School - 3x (4/20, 5/18, 8/27) Saniboy Health Center - 2x (4/20, 10/15)	
Manila	138	55 samples: # 1656-A Bulacan St. cor. Oroquieta St. Brgy. 381, Sta. Cruz -2x (2/6, 4/10) #1694 Alvarez St., Sta. Cruz, Manila - 2x (2/6, 4/10) Araullo High School - 2x (4/29, 11/27) Arellano High School - 2x (4/29, 11/27) Bacood Elementary School - 3x (3/19, 8/25, 11/2) Dr. Alejandro Albert Elementary School - 2x (8/25, 11/2) Elpidio Quirino High School - 3x (6/10, 5/12, 11/2) Esperanza Health Center - 2x (11/2, 12/1) F. Amorsolo Elementary School - 2x (6/18, 10/19) Gen. Emilio Aguinaldo Elementary School - 2x (2/9, 10/19) Gen. Emilio Aguinaldo Integrated School - 2x (2/9, 10/19) Jose Corazon de Jesus Elementary School - 3x (4/29, 9/11, 11/27) Laong Laan Elementary School - 3x (5/21, 8/25, 11/2) Luzviminda Health Center - 2x (5/12, 9/11) M. Clara Health Center - 2x (9/1, 11/2) M. Hizon Elementary School - 2x (6/10, 12/1) M. Roxas de Ayala Elementary School - 2x (10/19, 11/25) P. Pelaez Elementary School - 2x (8/25, 11/2) Plaridel Elementary School - 2x (3/13, 12/1) Pres. Sergio Osmena High School - 2x (2/6, 4/10) R. Avanceña High School - 2x (2/6, 4/10) San Nicolas Health Center - 2x (9/1, 12/1) Tomas Earnshaw Elem School - 2x (4/17, 10/19) Trinidad Tecson Elem. School - 3x (2/6, 4/10, 8,25) Velasquez Health Center - 2x (2/6, 4/10)	40%

Table 1: Samples for CY 2015			
Area	No. of samples for CY 2015	No. of Samples repeated w/in the year	% of samples repeated within the year
Marikina	53	35 samples: Balubad Health Center - 3x (1/29, 5/22, 10/21) Concepcion Integrated School - 3x (1/29, 5/22, 11/24) Fortune Elementary School - 2x (6/30, 9/2) H. Bautista Elementary School - 2x (6/24, 11/24) Malanday Elementary School - 2x (6/3, 7/24) Malanday High School - 2x (1/29, 5/22) Marikina Heights High School - 2x (2/24, 11/24) Nangka Elementary School - 5x (2/24, 7/24, 9/2, 10/21, 11/24) Nangka High School - 2x (4/15, 10/21) Pamantasan Ng Lungsod Ng Marikina - 2x (9/16, 11/24) Parang High School - 3x (2/24, 6/30, 11/24) Roosevelt College - 2x (3/6, 8/14) St. Mary Elementary School - 3x (3/6, 8/14, 10/21) Sto Niño Health Center - 2x (2/24, 11/24)	66%
Montalban	44	14 samples: Burgos Elementary School - 4x (3/18, 5/22, 9/2, 10/21) Burgos National High School - 3x (2/24, 7/9, 10/21) Eastern Valley High School - 2x (5/22, 9/2) Gen. Licerio Geronimo Memorial National High School - 2x (7/9, 8/14) Kasiglahan Elementary School - 2x (2/24, 9/16) San Jose Elementary School - 3x (9/16, 10/21, 12/8)	32%
Muntinlupa	75	37 samples: #411 Bldg. 4 Bliss Site, Brgy. Putatan - 4x (2/17, 5/7, 9/2, 12/17) Ayala Alabang Village Reservoir 1 - 6x (4/17, 4/30, 5/10, 5/21, 6/3, 11/26) Ayala Alabang Village Reservoir 2, - 2x (3/10, 4/30) Bagong Silang Elementary School - 2x (6/17, 11/26) Cupang Elementary School - 2x (4/17, 12/10) Maynilad - Ayala Alabang Village Reservoir 1 - 6x (7/8, 7/22, 8/24, 9/16, 1-6, 12/17) Maynilad- Ayala Alabang Village Reservoir 2 - 6x (7/22, 8/5, 8/24, 9/2, 9/16, 12/10) Muntinlupa Business High School - 2x (8/5, 9/2) Muntinlupa Science High School - 3x (8/5, 9/17, 12/10) Pedro Diaz High School (canteen) - 2x (4/30, 7/8) Soldiers Hills Elementary School - 2x (9/17, 9/28)	49%
Navotas	18	5 samples: San Roque Health Center - 2x (1/7, 2/4) Tanza Elementary School - 3x (4/22, 5/19, 9/22)	28%
Noveleta	5	4 samples: Barangay Hall-Brgy. Magdiwang - 2x (4/21, 11/23) Hon. Pacifico Aquino Elementary School - 2x (4/21, 11/23)	80%

Table 1: Samples for CY 2015			
Area	No. of samples for CY 2015	No. of Samples repeated w/in the year	% of samples repeated within the year
Parañaque	47	17 samples: Moonwalk National High School - 2x (3/26, 11/25) Parañaque Elementary School - 3x (5/6, 7/28, 12/3) Paranaque Elementary School Unit II - 2x (7/23, 7/28) Rogelio G. Gatchalian Elementary School - 2x (3/26, 11/25) San Antonio Elementary School - 4x (3/5, 5/6, 10/7, 12/3) Tambo Elem. School - 2x (3/5, 8/13) Yosemite St., South Green Park Village, Phase 7, Brgy. Merville - 2x (3/26, 11/25)	36%
Pasay	60	25 samples: #104 M. Santos St. cor. F.B. Harrison, Brgy. 26 - 2x (1/14, 6/8) A. Mabini High School - 3x (1/14, 2/10, 6/8) Apelo Cruz Elementary School - 2x (7/13, 9/14) Bernabe Elementary School - 2x (7/13, 9/14) Cuyegkeng Health Center - 2x (7/13, 9/14) Don Carlos Village Elementary School - 2x (2/10, 6/8) GSIS Bldg. (Senate Canteen)- 2x (1/14, 6/8) Marcela Marcelo Elementary School - 2x (2/26, 3/30) P. Burgos Elementary School - 2x (1/14, 10/26) Rivera Village Elementary School - 2x (3/30, 5/25) San Pablo Health Center - 2x (5/25, 10/14) Villamor Health Center 2x (2/26, 3/30)	42%
Pasig	59	Andres Bonifacio High School - 2x (6/11, 10/15) Afable Multi Purpose Hall - 2x (10/6, 11/26) Sta. Lucia Mini Health Center - 2x (1/8, 2/5) Ilugin Elem. School - 2x (3/16, 5/18) Maybunga Elementary School - 2x (10/6, 11/26) Pineda Elem. School - 2x (2/5, 9/8) Rizal High School - Annex - 3x (6/11, 9/8, 11/26) Rizal High School - Main - 3x (10/15, 9/8, 11/26) Sagad Elem. School - 2x (4/23, 10/6)	34%
Pateros	24	Pateros National High School - 4x (1/6, 5/5, 7/28, 11/9) Sto. Rosario Elementary School - 3x (6/18, 7/28, 11/9) Sta. Ana Elementary School - 2x (6/5, 7/28) Capt. Hipolito Francisco Elementary School - 2x (7/28, 12/4) Delfin Salonga Health Center - 2x (7/28, 12/4)	54%



Table 1: Samples for CY 2015			
Area	No. of samples for CY 2015	No. of Samples repeated w/in the year	% of samples repeated within the year
Quezon City	276	89 samples: #57 P. Senador St., Brgy. San Antonio (Ridge School) - 2x (4/6, 9/24) Apolonio A. Samson Elementary School - 3x (2/20, 10/28, 11/27) Balara Elementary School - 2x (7/24, 11/15) Benigno S. Aquino Elem. School (Annex) - 2x (3/2, 10/9) Bernardo Health Center - 2x (2/3, 10/27) Blk 19, Lot 5, G. Silang St. - 2x (3/9, 5/8) Blk 21, Lot 7, Doña Engracia St., Greenfields III Subd., Brgy. San Agustin - 2x (2/20, 11/27) Bonifacio Memorial Elementary School - 3x (1/27, 9/24, 10/28) Culiati Elementary School - 2x (1/13, 6/9) Culiati High School - 2x (1/13, 6/9) Damong Maliit Elementary School - 3x (2/16, 9/24, 11/11) Don Quintin Paredes High School - 2x (7/16, 10/27) DSWD Guard House - 2x (1/27, 9/24) E. Rodriguez Sr. Elementary School - 2x (4/20, 6/29) Ernesto Rondon High School - 2x (6/29, 9/10) Jose P. Laurel High School - 2x (1/13, 6/9) Juan Sumulong High School - 2x (1/13, 6/9) Kamuning Elementary School - 4x (5/20, 6/29, 8/28, 12/15) Lucas Pascual Elementary School - 2x (7/15, 10/28) Marcelo H. Del Pilar School - 2x (2/3, 12/7) Masambong Elementary School - 3x (2/16, 8/26, 9/24) Masambong High School - 2x (8/20, 10/28) Melencio M. Castelo Elementary School (Payatas - A Elementary School) - 3x (7/24, 11/11, 11/27) Mines Elementary School - 2x (6/29, 9/10) Multi-Purpose Hall, Ilang-Ilang St. Mapayapa Village, Brgy. Holy Spirit - 2x (3/9, 5/8) Novaliches High School - 2x (9/24, 11/11) Old Balara Elementary School Annex - 2x (2/26, 12/7) Old Balara Health Center - 2x (2/17, 12/7) P. Tuazon Elementary School - 2x (2/3, 8/28) Phil. Science High School - 2x (3/23, 11/23) Pres. Corazon Aquino Elementary School - 2x (7/24, 11/11) Project 3 Elementary School - 2x (5/11, 10/27) Project 4 Health Center - 2x (2/3, 10/27) Project 6 Elementary School - 2x (6/29, 9/10) Pura Kalaw Elementary School - 2x (5/11, 8/28) Quezon City Science High School - 3x (2/25, 3/23, 11/23) San Antonio Health Center - 2x (1/27, 9/24) San Francisco High School - 3x (3/23, 6/26, 11/23) Sta. Lucia High School - 2x (1/27, 9/24) The Seed Montessori School - 2x (2/27, 12/7)	32%

Table 1: Samples for CY 2015			
Area	No. of samples for CY 2015	No. of Samples repeated w/in the year	% of samples repeated within the year
Rosario	8	4 samples: # 277 Evangelista St. - 2x (7/10, 8/13) #237 Pugeda St., Brgy. Kanluran - 2x (4/21, 11/23)	50%
San Juan	23	10 samples: Batis Health Center - 2x (3/23, 11/10) Pinaglabanan Elementary School - 2x (8/27, 9/10) Salapan Elementary School - 2x (5/20, 8/27) Pedro Cruz Elementary School - 2x (5/11, 8/27) Mababang Paaralan ng Kabayanan - 2x (6/1, 11/10)	43%
San Mateo	36	16 samples: Banaba Elementary School - 5x (1/29, 5/22, 7/9, 4/5, 10/21) Barangay Hall Gulod Malaya - 2x (7/9, 12/8) San Mateo National High School - 5x (1/29, 2/13, 5/22, 7/9, 10/21) St Mathew Hospital - 2x (3/6, 8/14) Sta. Maria Elementary School - 2x (1/29, 10/21)	44%
Taguig	41	16 samples: Dr. Natividad Elementary School - 2x (11/9, 12/4) Napindan Brgy. Hall & Health Center - 2x (1/6, 5/5) Napindan Elementary School - 2x (1/6, 5/5) Pinagsama Health Center - 2x (8/4, 11/9) Ricardo P. Cruz Elementary School - 2x (1/6, 5/5) Taguig Elementary School - 2x (11/9, 12/4) Tipas Elementary School - 2x (1/6, 5/5) Ususan Health Center - 2x (8/4, 11/9)	39%
Taytay	25	4 samples: Blk. 56 Sitio Panghulo San Juan - 2x (1/21, 12/2) United Methodist Church - 2x (3/16, 5/18)	16%
Teresa	5	2 samples: Quiterio San Jose Elementary School - 2x (7/29, 11/3)	40%
Valenzuela	84	26 samples: #5102 B. Juan St., Brgy. Ugong - 2x (1/7, 2/4) #6132 A S. Feliciano St., Brgy. Ugong - 2x (1/7, 2/4) Andres Mariano Elem. School - 2x (1/7, 2/25) Apolonia F. Rafael Elementary School - 2x (3/11, 9/9) Bisig Health Center, Bisig St. - 2x (5/19, 9/22) Caruhatan East Elementary School - 2x (3/11, 9/9) Gen. T. de Leon Elementary School - 2x (10/5, 10/20) Malinta Elem. School - 2x (3/24, 4/22) Marulas Lying-in Clinic - 2x (2/25, 5/27) Maysan Elementary School - 2x (5/19, 9/22) Silvestre Lazaro Elementary School - 2x (6/19, 11/16) Tugatog Elementary School - 2x (3/11, 9/9) Valenzuela City Science High School - 2x (3/24, 4/22)	31%
Bacoor	26	6 samples: Mabolo Elementary School - 2x (7/10, 8/13) Maliksi Elementary School - 2x (7/10, 8/13) #138-D Piñahan St., Brgy. Mabolo III - 2x (7/10,	23%

Table 1: Samples for CY 2015			
Area	No. of samples for CY 2015	No. of Samples repeated w/in the year	% of samples repeated within the year
		8/13)	
Caloocan	171	65 samples: # 14 Flordelis St., Liliesville Subd - 2x (9/15, 12/17) #1 Kalantas St. cor. Malanting St., Amparo Subd. - 2x (3/27, 5/26) #118 Victory Ave., Victory Heights Subd - 2x (3/27, 5/26) #163 Mercury St. Constellation Subd. - 2x (3/27, 5/26) #4568 Scorpio St., Ma. Luisa Subd - 2x (3/27, 5/26) A. Bonifacio Elem. School - 2x (1/12, 7/27) Bagong Silang Elementary School - 2x (2/2, 11/4) Barangay Hall and Health Center - 2x (6/17, 10/12) Blk 1 Lot 2 Phase IV, Dela Costa Homes II - 2x (3/27, 5/26) Blk 1 Lot 9 Emerald St. cor. Ruby St., Soldiers Hills Subd. - 2x (3/27, 5/26) Blk 10 Lot 10, King Solomon St., Del Rey Subd. - 2x (3/27, 5/26) Blk 16 Lot 27 Dahlia St., Evergreen Executive Village - 2x (3/31, 9/29) Blk 2 La Forteza I - 2x (3/31, 9/29) Blk 2 Lot 9-D Thunderbird Drive, Thunderbird Subd. - 2x (3/31, 9/29) Blk 7 Lot 19-B, Gumamela St., Metrocor Homes - 2x (3/27, 5/26) Blk 9-C Lot 16, Kingstown I Subdivision - 2x (3/31, 9/29) Caloocan Elementary School (Central) - 3x (2/2, 7/27, 11/4) Eulogio Rodriguez Elementary School - 2x (7/6, 11/4) Gomburza Elementary School - 3x (2/2, 7/27, 11/4) Grace Park Elementary School (Main) - 3x (6/17, 7/27, 10/12) Grace Park Puericulture and Health Center - 2x (2/2, 10/20) Jollibee 5th Ave. LRT - #56 Rizal Ave. Ext. - 2x (6/17, 10/12) Kasarinlan High School - 2x (2/2, 11/4) Lot 12 Blk 1 Crispulo St., Victory Heights Subdivision - 2x (3/31, 9/29) M.B. Asistio Sr. High School - 2x (2/2, 11/4) Maria Clara High School Annex - 3x (6/27, 7/27, 10/12) Montevilla Town Homes (guardhouse), Congressional Rd. - 2x (9/15, 12/17) Morning Breeze Elementary School - 2x (2/2, 11/4) Silanganan Elementary School - 2x (8/7, 8/17) Tala Elementary School - 3x (8/17, 9/15, 12/17) Tandang Sora Integrated School - 2x (7/27, 11/4)	38%
Cavite City	8	4 samples: #663 Lopez Jaena St., Brgy. 33 - 2x (6/4, 12/8)	50%

Table 1: Samples for CY 2015			
Area	No. of samples for CY 2015	No. of Samples repeated w/in the year	% of samples repeated within the year
		1111 Rose Rd., Brgy. 28 - 2x (6/4, 12/8)	
Imus	9	4 samples: Rovi Eatery, Villa Amparo Subd - 2x (7/10, 8/13) #637 Anabu I-E, Aguinaldo Highway, Brgy. Anabu I-E - 2x (7/10, 8/13)	44%
Kawit	8	4 samples: Brgy. Hall, Brgy Sta Isabel - 2x (4/21, 11/23) #367 Tramo St. cor. Tramo, Brgy. Magdalo - 2x (6/4, 8/13)	50%
Las Piñas	49	22 samples: #51 B15 L20 J.B. Tan St. Nr Westfield Science High School - 2x (5/6, 12/3) #68 Amelita St. Cor CRM Ave. Brgy. Almanza 2 - 2x (3/26, 11/25) Almanza Elementary School Annex, Ilang Ilang St., T.S. Cruz Subd., Brgy. Almanza 2 - 2x (7/2, 9/28) Blk 1, Lot 2, Macopa St., Casimiro Village Phase III, Brgy. Pulang Lupa 1 - 2x (5/6, 11/3) Blk.12, Unit II, Palmento Cresant, Rio Grande Homes, Brgy. Almanza 1 - 2x (5/6, 11/3) CAA Elementary School - 2x (5/13, 8/12) FBFHAI CRM Ave. cor. Zeny St., BF Homes, Brgy. Almanza 2, - 2x (3/26, 11/25) Las Piñas Elementary School - 2x (5/6, 11/3) Talon 3 Elementary School - 2x (3/5, 10/7) Talon Elementary School, - 2x (3/5, 9/28) Zapote Elementary School - 2x (3/5, 10/7)	45%
<b>Total</b>	<b>1623</b>	<b>662 samples</b>	<b>41%</b>

Table 2: Samples for CY 2016					
Area	No. of samples for CY 2016	No. of samples repeated from 2015	% of samples repeated from 2015	No. of samples repeated w/in the year	% of samples repeated within the year
Angono	17	11	65%	4 samples: University of Rizal System - 2x (4/13, 10/11) Angono Medics Hospital - 2x (10/11, 12/21)	24%

<b>Table 2: Samples for CY 2016</b>					
<b>Area</b>	<b>No. of samples for CY 2016</b>	<b>No. of samples repeated from 2015</b>	<b>% of samples repeated from 2015</b>	<b>No. of samples repeated w/in the year</b>	<b>% of samples repeated within the year</b>
Antipolo	94	39	41%	18 samples: Antipolo Doctor's Hospital - 2x (1/18, 11/7) Antipolo National Highschool - 2x (5/5, 8/22) Bagong Nayon I Elementary School - 2x (8/12, 12/21) Marjan's Fashion Boutique, 142 ML Quezon St.- 2x (10/11, 12/21) Mayamot Barangay Hall - 2x (7/15, 11/4) Mayamot Elementary School - 2x (7/15, 12/21) San Antonio Elementary School - 2x (3/14, 7/18) San Jose National High School - 2x (1/21, 11/7) San Roque Health Center - 2x (8/22, 12/21)	19%
Baras	11	2	18%	5 samples Santiago Elementary School - 2x (3/14, 5/2) Ospital ng Baras - 3x (1/18, 5/2, 9/13)	45%
Binangonan	15	5	33%	4 samples Angono-Binangonan Petroglyphs - 2x (5/17, 10/5) Prime East Properties Inc., Eastridge Ave., Binangonan, Rizal - 2x (5/17, 10/5)	27%
Cainta	40	17	43%	4 samples: Francisco P. Felix Memorial National Highschool - 4x (1/20, 5/4, 9/22, 10/6)	10%
Jala Jala	10	4	40%	3 samples: Jala-Jala Central Elementary School - 3x (Mar 14, Jul 18, Nov 7)	30%
Makati	47	19	40%	2 samples: Bangkal Elementary School II - 2x (3/28, 11/28)	4%
Malabon	29	20	69%	6 samples: Imelda Elementary School - 2x (3/18, 11/23) Panghulo National High School - 2x (5/31, 7/26) Potrero Elementary School -	21%

<b>Table 2: Samples for CY 2016</b>					
<b>Area</b>	<b>No. of samples for CY 2016</b>	<b>No. of samples repeated from 2015</b>	<b>% of samples repeated from 2015</b>	<b>No. of samples repeated w/in the year</b>	<b>% of samples repeated within the year</b>
				2x (9/23, 11/3)	
Mandaluyong	48	25	52%	12 samples: #231 Talayan St. near Basilan St. - 2x (6/2, 11/10) Bonifacio Javier National High School - 2x (6/2, 11/10) Cresta Circle Health Center - 2x (6/2, 11/10) Mandaluyong Medical Center - 2x (5/11, 11/16) Mauway Health Center - 2x (6/2, 11/10) JSP Car Clinic - 2x (5/11, 11/16)	25%
Manila	154	86	56%	38 samples: A. Regidor Elementary School - 2x (1/19, 12/20) Antonio A. Maceda Integrated School - 2x (1/19, 8/24) B. Aldana Elementary School - 2x (1/13, 8/24) Bacood Elementary School - 3x (1/19, 3/17, 12/20) Bagong Barangay Elementary School - 3x (1/19, 3/17, 12/20) Beata Elementary School - 2x (2/4, 6/8) Dimasalang Health Center - 2x (1/19, 3/17) Doña Aurora Quezon Health Center, - 2x (2/4, 11/9) Gen. Geronimo Elementary School - 2x (10/13, 11/9) Hermenegildo Atienza Elementary School - 2x (3/2, 9/27) M. Earnshaw Health Center - 2x (6/1, 11/9) Marcella Agoncillo Elementary School - 2x (7/21, 11/20) MWSI Arroceros Compound (Refilling Faucet) - 2x (7/21, 8/24) P. Burgos Elementary School - 4x (2/4, 7/21, 8/24, 12/20) Pedro Pelaez Elementary	25%

<b>Table 2: Samples for CY 2016</b>					
<b>Area</b>	<b>No. of samples for CY 2016</b>	<b>No. of samples repeated from 2015</b>	<b>% of samples repeated from 2015</b>	<b>No. of samples repeated w/in the year</b>	<b>% of samples repeated within the year</b>
				School - 2x (1/19, 4/28) Pio del Pilar Elementary School - 2x (1/19, 3/2) Trinidad Tecson Elementary School - 2x (8/11, 11/9)	
Marikina	72	37	51%	20 samples: # 43 Sandal Wood St. cor. Olive, SSS Village, Brgy. Concepcion 2, Marikina - 2x (7/22, 11/22) Balubad Health Center - 2x (10/7, 11/8) Barangay Hall - San Roque - 2x (10/7, 11/8) Fortune Elementary School - 2x (6/15, 12/7) Kapitan Moy Elementary School - 2x (6/15, 12/7) Marikina Heights High School - 2x (7/22, 11/22) Nangka Elementary School - 2x (7/22, 11/8) Parang High School - 2x (7/22, 11/22) SSS Village Elementary School - 2x (10/25, 11/8) Sta Elena Health Center- 2x (2/10, 11/8)	28%
Montalban	37	9	24%	8 samples: Burgos National High School - 2x (2/10, 11/8) Guardhouse, Eastwood Greenview Subdivision Phase 5 - 2x (6/15, 12/7) Lot 14 Doña Nemencia St. Litex Subdivision - 2x (10/7, 12/7) San Jose Elementary School - 2x (2/10, 11/8)	22%
Muntinlupa	71	47	66%	33 samples: #301-D St. Anthony St. - 2x (3/3, 8/18) AAV-R1 - University Ave - 2x (10/11, 10/17) AAV-R2 - Acacia Ext., cor. Calaca St - 3x (9/11, 10/11, 10/27) Bayanan Elementary School	46%

<b>Table 2: Samples for CY 2016</b>					
<b>Area</b>	<b>No. of samples for CY 2016</b>	<b>No. of samples repeated from 2015</b>	<b>% of samples repeated from 2015</b>	<b>No. of samples repeated w/in the year</b>	<b>% of samples repeated within the year</b>
				(Main) - 2x (1/13, 11/14) Maynilad - Ayala Alabang Village Reservoir 1, - 14x Maynilad- Ayala Alabang Village Reservoir 2 - 10x Muntinlupa Elementary School (Central) - 2x (6/27, 11/10)	
Navotas	17	7	41%	2 samples: Tanza Elementary School - 2x (3/18, 11/23)	12%
Noveleta	6	3	50%	nil	0%
Parañaque	41	16	39%	nil	0%
Pasay	60	41	68%	27 samples: #104 M. Santos St. cor. F.B. Harrison St. - 2x (9/5, 12/5) A. Mabini High School - 2x (9/5, 12/5) Cuneta Elementary School - 2x (1/25, 10/24) Don Carlos Village Elementary School - 2x (9/5, 12/5) Doña Martha Health Center - 2x (3/28, 11/28) GSIS Bldg. (Senate Canteen) - 2x (9/5, 12/5) Lopez Court - 2x (9/5, 12/5) Marcela Marcelo Elementary School - 2x (3/28, 11/28) MIA Health Center - 2x (1/25, 10/24) Rafael Palma Elementary School - 2x (3/28, 11/28) Rivera Village Elementary School - 3x (1/25, 3/28, 11/28) San Pablo Health Center - 2x (1/25, 10/24) Villamor Health Center - 2x (3/28, 11/28)	45%
Pasig	71	40	56%	Bagong Ilog Elementary School - 2x (3/7, 10/6) DMCI Riverfront Residences - 2x (6/2, 11/10) Dona Juana Townhomes - Guardhouse - 2x (4/5, 12/13) Francisco Legazpi	27%



<b>Table 2: Samples for CY 2016</b>					
<b>Area</b>	<b>No. of samples for CY 2016</b>	<b>No. of samples repeated from 2015</b>	<b>% of samples repeated from 2015</b>	<b>No. of samples repeated w/in the year</b>	<b>% of samples repeated within the year</b>
				Elementary School - 2x (3/7, 7/20) Greenville College - 2x (4/5, 12/13) Pineda Elementary School - 2x (6/2, 11/10) Rizal High School - Annex - 3x (4/5, 4/14, 12/13) Rizal High School - Main - 2x (3/7, 7/20) Sta. Lucia Mini Health Center - 2x (6/2, 11/10)	
Pateros	6	3	50%	nil	0%
Quezon City	290	140	48%	56 samples: # 36 Pratt St., Filinvest II, Brgy. Batasan Hills - 2x (3/8, 7/11) #47 Pontiac St., Brgy. Fairview (Samaka) - 2x (2/24, 8/5) Bago Bantay Elementary School - 2x (9/14, 12/14) Balara Elementary School - 2x (9/14, 12/14) Balingasa High School - 2x (1/27, 3/22) Bayanihan Elementary School - 2x (1/27, 7/13) Brgy. Paligsahan Super Health Clinic - 2x (9/14, 12/14) Cambridge Health Center - 2x (5/6, 10/18) Camp Crame Elementary School - 2x (5/11, 11/16) Don Quintin High School - 2x (3/10, 10/19) Doña Aurora Quezon Elementary School - 2x (7/27, 9/26) Dona Josefa E. Marcos Elementary School - 2x (5/11, 10/19) Fort Aguinaldo Elementary School - 2x (3/10, 10/19) Kalantiaw Elementary School - 2x (3/10, 10/19) Lagro High School, - 2x (2/24, 3/22)	19%

<b>Table 2: Samples for CY 2016</b>					
<b>Area</b>	<b>No. of samples for CY 2016</b>	<b>No. of samples repeated from 2015</b>	<b>% of samples repeated from 2015</b>	<b>No. of samples repeated w/in the year</b>	<b>% of samples repeated within the year</b>
				Lupang Pangako Elementary School - 2x (7/11, 8/5) Manuel L. Quezon Elementary School - 2x (1/27, 10/27) Old Balara Health Center - 2x (2/24, 8/23) Osmeña High School - 2x (1/27, 10/27) Phil. Science High School - 2x (2/23, 10/19) Philippine Children's Medical Center - 2x (2/23, 10/19) Pres. Corazon Aquino Elementary School - 2x (1/27, 2/24) Quezon City Jail - 2x (5/11, 11/16) Quezon City Science High School - 2x (2/23, 10/19) Rodel's Store, #103 Banlat Road, Brgy. Tandang Sora - 2x (9/14, 12/14) Roosevelt College - 2x (5/11, 11/16) San Francisco High School - 2x (2/23, 10/19) San Gabriel Elementary School - 2x (7/28, 10/27)	
Rosario	12	2	17%	nil	0%
San Juan	25	15	60%	9 samples: Batis Health Center - 2x (1/26, 2/23) Kabayanan Health Center - 2x (5/11, 11/16) Mababang Paaralan ng Sta. Lucia - 2x (3/10, 7/12) Tibagan Health Center - 3x (1/26, 5/11, 11/16)	36%
San Mateo	28	10	36%	4 samples: Banaba Elementary School - 2x (10/7, 11/8) Guitnang Bayan I Barangay Hall - 2x (7/22, 11/22)	14%
Taguig	61	20	33%	Nil	0%
Taytay	28	8	29%	2 samples: Manila East Medical Center - 2x (7/15, 10/5)	7%

<b>Table 2: Samples for CY 2016</b>					
<b>Area</b>	<b>No. of samples for CY 2016</b>	<b>No. of samples repeated from 2015</b>	<b>% of samples repeated from 2015</b>	<b>No. of samples repeated w/in the year</b>	<b>% of samples repeated within the year</b>
Teresa	8	5	63%	4 samples: Queterio Elementary School - 2x (1/18, 11/7) # 91 E Rodriguez Ave., Brgy. May -iba, Teresa, Rizal - 2x (3/14, 7/18)	50%
Valenzuela	53	33	62%	12 samples: Bisig Health Center - 2x (3/18, 11/23) Mabolo Barangay Hall - 2x (3/18, 11/23) Marulas Elementary School - 2x (4/26, 10/28) Maysan Elementary School - 2x (3/18, 11/23) Santiago A. De Guzman Elementary School - 2x (5/31, 10/28) Valenzuela National High School - 2x (3/18, 11/23)	23%
Bacoor	39	15	38%	4 samples: Aniban Central School - 2x (5/3, 8/17) JAB Gasoline Station, Brgy. Ligas III - 2x (8/17, 9/7)	10%
Caloocan	164	89	54%	26 samples: #140 Nuestra Senora St. nr. 6th Ave. & 5th St. nr. cor. Bonifacio Ave. - 2x (4/22, 6/27) Amparo Elementary School - 2x (3/15, 11/11) Caloocan High School - 2x (9/23, 12/12) Cielito Zamora High School - 2x (6/27, 7/19) East Bagong Barrio Elementary School - 2x (4/22, 6/27) Grace Park Elementary School (Main) - 2x (5/16, 12/12) Grace Park Puericulture Center - 2x (9/1, 12/12) Gregoria Elementary School - 2x (9/23, 10/20) Kasarinlan Elementary School - 2x (9/1, 10/20)	16%

<b>Table 2: Samples for CY 2016</b>					
<b>Area</b>	<b>No. of samples for CY 2016</b>	<b>No. of samples repeated from 2015</b>	<b>% of samples repeated from 2015</b>	<b>No. of samples repeated w/in the year</b>	<b>% of samples repeated within the year</b>
				La Consolacion College - 2x (2/26, 11/11) Lina Eatery - #48 Tirad Pass St. nr. cor. Ponce St. - 2x (4/22, 6/27) Maria Clara High School Annex - 2x (9/23, 10/20) St. Bernard Day Care Center, William Shaw near cor. B. Serrano St - 2x (4/22, 6/27)	
Cavite City	12	5	42%	4 samples: #523 San Nicolas St. nr. cor. J. Auditor St. - 2x (7/5, 10/10) #663 Lopez Jaena St., Brgy. 33 2x (2/29, 7/5)	33%
Imus	22	1	5%	4 samples: #125 Tanzang Luma II - 2x (6/28, 11/29) #200 Palico Daanan St, Brgy. Palico IV - 2x (6/28, 11/29)	18%
Kawit	8	4	50%	2 samples: Binakayan Elementary School - 2x (7/5, 12/6)	25%
Las Piñas	35	20	57%	2 samples: Las Piñas East National High School - 2x (5/24, 11/14)	6%
<b>Total</b>	<b>1631</b>	<b>798</b>	<b>49%</b>	<b>334 samples</b>	<b>20%</b>

- 1.8. Furthermore, the government recognizes that there is a proliferation of water refilling stations as alternative (or main) sources of drinking water. However, the Agency failed to obtain samples from any water refilling stations in CYs 2015 and 2016. This is not in line with Section 2.5 of the PNSDW under the DOH Administrative Order No. 2007-0012, that states:

*The minimum frequency of sampling for drinking water supply systems for physical and chemical analysis is provided in Table 2.*

*Table 2. Minimum Frequency of Sampling for Drinking-Water Supply Systems for Physical and Chemical Analysis*

<b>Source and mode of Supply</b>	<b>Minimum Frequency of Sampling</b>
<i>Level I</i>	<i>Once a year</i>
<i>Level II</i>	
<i>Level III</i>	
<i>Emergency Supplies of Drinking Water</i>	
<b>Water Refilling Stations</b>	<b>Twice a year</b>
<i>Water Vending Machines</i>	

1.9. **We recommended that Management:**

- a. **Obtain samples on a 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.**

1.10. Management commented that RO is in compliance with the Guidelines of PNSDW 2007 in the conduct of water sampling and the audit made a mistake in characterizing the manner of collecting samples for testing turbidity, chlorine levels and for microbiological quality. It added that the RO and the Concessionaires are allowed under the same guideline to collect samples from previously identified RSPs, especially when all the sampling groups have been covered. Finally, it lodged monitoring of compliance to the PNSDW of water refilling stations to local health officers pursuant to existing regulations.

1.11. Although the Regulatory Office is compliant with the guidelines of PNSDW, the Office is not precluded from employing alternative methods in the conduct of its water sampling activities.

## **G. Compliance with Tax Laws**

1. For MWSS CO, the Due to BIR account as of December 31, 2016 amounted to P1.712 million and remittance made in January 2017 totaled P1.511 million. The unremitted balance of P200,740 pertained to adjustments to the account for transactions in previous periods which are for reconciliation/ verification. See related Audit Observation under paragraph A.26 of this Report.
2. For MWSS RO, all income taxes withheld on salaries for January to November 2016 were remitted in CY 2016 while income taxes withheld on December 2016 were remitted on January 6, 2017.

## H. Compliance with GSIS Premium/Loan Amortization Deductions and Remittances

### 1. Unremitted Amount as of December 31, 2016

- 1.1 For MWSS CO, the accounts *Due to GSIS*, *Pag-IBIG* and *PhilHealth* showed an unremitted amount aggregating P47,406.49 as of December 31, 2016. Details are as follows:

Account	Ending Balance, Dec. 31, 2016	Accrual for December 2016	Difference
Due to GSIS	P 1,129,468.95	P 1,085,445.49	P 44,023.46
Due to Pag-IBIG	92,284.52	91,728.24	556.28
Due to PhilHealth	70,351.75	67,525.00	2,826.75
<b>Total</b>	<b>P 1,292,105.22</b>	<b>P 1,244,698.73</b>	<b>P 47,406.49</b>

- 1.2 **We recommended that Management reconcile and explain the non-remittance of the prior years' outstanding balances of Due to GSIS/Pag-IBIG/PhilHealth /other GOCCs.**
- 1.3 For MWSS RO, the amount withheld from employees for their GSIS, PAG-IBIG and PhilHealth contributions from January to November 2016 were all remitted in CY 2016 while the December 2016 GSIS, Pag-IBIG and PhilHealth contributions were remitted on January 6, 2017.
2. **Remittance of government share of P31,011 to GSIS, Pag-IBIG and PhilHealth corresponding to contributions in favor of an employee without valid appointment, was contrary to Civil Service Commission Decision No. 160660 promulgated on June 10, 2016.**

- 2.1 CSC Decision No. 160660 promulgated on June 10, 2016 states that:

***"WHEREFORE,** the Appeal of xxx, Office of the Board of Trustees, Metropolitan Waterworks and Sewerage System (MWSS), from the letter dated November 23, 2015 of the Civil Service Commission Field Office – University of the Philippines (CSCFO-UP), Quezon City, is hereby **DISMISSED.** xxx appointment which is co-terminous to former MWSS xxx, already expired on October 5, 2015, the date of xxx resignation.*

*The services rendered by xxx, who assumed the duties and responsibilities of the xxx position without a valid appointment shall not be credited and the salaries and benefits she received from October 6, 2015 up to the effectivity of this Decision shall be the personal accountability of the person who made her assumed office pursuant to **Section 5, Rule IV of CSC Memorandum Circular No. 40, s. 1998 (Omnibus Rules on Appointment and Other Personnel Actions).**"*

- 2.2 The salaries and benefits received by the former MWSS employee were already disallowed under Notice of Disallowance No. 16-007-05-(15) dated

September 19, 2016. However, the corresponding government shares remitted to the GSIS, Pag-IBIG and PhilHealth were excluded in the disallowed amounts.

- 2.3 Verification showed that Management remitted the government share of one of its former employees to GSIS, Pag-IBIG and PhilHealth in the amount of P31,010.64 covering the period October 6, 2015 to March 11, 2016, details shown below:

Gov't Agencies	Month	JEV No.	Official Receipt		Government Share	Total
			No.	Date		
GSIS	Oct. 2015	2016-06-002040	890023049	06/09/16	P 5,389.00	
	Nov. 2015	2016-06-002109	890023239	06/15/16	5,218.24	
	Dec. 2015	2016-06-002054	890023050	06/09/16	5,218.24	P 28,223.14
	Jan. 2016	2016-06-002054	890023012	06/08/16	5,218.24	
	Feb. 2016	2016-06-002052	890023048	06/09/16	5,218.24	
	Mar. 2016	2016-06-002052	890023047	06/09/16	1,961.18	
		2016-06-002041				
		2016-06-002042				
Pag-IBIG	Oct. 2015 to Feb. 2016	2016-06-002067	521602	06/06/16	500.00	500.00
PhilHealth	Oct. 2015	2016-05-001970	66071271	05/31/16	437.50	
	Nov. 2015	2016-05-001966	66071272	05/31/16	437.50	
	Dec. 2015	2016-05-001967	66071273	05/31/16	437.50	2,287.50
	Jan. 2016	2016-05-001968	66071269	05/31/16	437.50	
	Feb. 2016	2016-05-001969	66071270	05/31/16	437.50	
	Mar. 2016	2016-06-002051	66080002	06/09/16	100.00	
<b>Total</b>						<b>P 31,010.64</b>

- 2.4 Essentially, the lack of valid appointment indicates that government share should no longer be remitted to the concerned government agencies. Any government contribution made should be the personal liability of the person who made him/her assumed office pursuant to Section 5, Rule IV of CSC Memorandum Circular No. 40, s. 1998.
- 2.5 **We recommended that Management request/require the concerned employee to refund the government share remitted by MWSS in his/her behalf to GSIS/Pag-IBIG/PhilHealth; otherwise, Notice of Disallowance will be issued for the purpose.**
- 2.6 No Management comment was received.

## I. Status of Audit Suspensions, Disallowances and Charges

1. A summary of the audit disallowances and suspensions issued for transactions ending December 31, 2016 is shown below:

Particulars	MWSS – Corporate Audit Office	MWSS- Regulatory Office
Audit Disallowances/Charges with Pending Appeal with the Cluster 3/Commission Proper or Without Appeal Received but Appeal Period has not yet Expired	P 329,339,652.30	P 114,198,190.47
Notice of Disallowances which are final and executory	18,063,314.51	91,963,268.95
<b>Total</b>	<b>P 347,402,966.81</b>	<b>P206,161,459.42</b>

2. Shown below are tables showing status of audit disallowances for transactions of the MWSS CO and RO:

### MWSS Corporate Office List of Notices of Disallowances

ND NO.	Date	Nature of Disallowance	Amount	Status
<b>A. Audit Disallowance with pending Appeal with the Cluster3/Commission Proper or Without Appeal Received but Appeal Period has not yet Expired</b>				
10-001-05-(09)	July 16, 2010	Year-End Financial Assistance	6,565,910.90	COA Decision No. 2016-394 dated December 5, 2016  Cluster B Decision No. 2011-007  Petitions for Certiorari with Urgent Application for Temporary Restraining Order/Writ of Preliminary Injunction filed before the Supreme Court by the  (a) MWSS-CO Employees and Officials (GR No. 228761) and  (b) Darlina Uy, Evangeline Dacanay, Hydie Baluca and Marivic Ascan, Atty.



ND NO.	Date	Nature of Disallowance	Amount	Status
				<p>Benedicto R. Arellano (per Manifestation dated Janaury 17, 2017) (GR No. 228760)</p> <p>Consolidated with cases under GR Nos. 228425 and 228443</p> <p>With Manifestation and Motion to seek extension until April 13, 2017 within which to file the required comment for both GRs (approved by En Banc)</p> <p>With Comment by the COA on the Petition for Certiorari of the Petitioners (MWSS)</p>
10-002-05-(09)	July 16, 2010	Anniversary Bonus	5,417,999.39	-do-
10-003-05-(09)	July 16, 2010	Anniversary Bonus	5,688,443.56	-do-
10-004-05-(09)	July 16, 2010	Monetization of Leave credits	1,178,209.03	-do-
10-005-05-(09)	July 16, 2010	Traditional Anniversary Bonus	686,000.00	-do-
10-006-05-(09)	July 16, 2010	Mid-Year Financial Assistance	5,818,138.91	-do-
10-007-05-(09)	July 16, 2010	RATA for January 2009	104,000.00	-do-
10-008-05-(09)	July 16, 2010	RATA for February 2009	104,000.00	-do-
10-009-05-(09)	July 16, 2010	RATA for March 2009	104,000.00	-do-
10-010-05-(09)	July 16, 2010	Family Day Allowance (Regular)	1,800,000.00	-do-
10-011-05-(09)	July 16, 2010	Rate Rebasing Bonus (Regular)	5,764,746.31	-do-
10-012-05-(09)	July 16, 2010	Family Week Allowance (Regular)	6,454,899.70	-do-
10-013-05-(09)	July 16, 2010	Performance Enhancement Incentive	6,524,033.20	-do-
10-014-05-(09)	July 16, 2010	GOCC Incentive For CY 2008	5,471,382.77	-do-

ND NO.	Date	Nature of Disallowance	Amount	Status
10-015-05-(09)	July 16, 2010	Scholarship Allowance (1 <sup>st</sup> Tranche)	3,985,333.71	-do-
10-016-05-(09)	July 16, 2010	Scholarship Allowance (2 <sup>nd</sup> Tranche)	6,603,893.90	-do-
10-029-05-(09)	Aug. 16, 2010	Corporate Christmas Package for CY 2009	10,730,286.97	-do-
10-017-05-(09)	July 29, 2010	PX Mart Allowance (4 <sup>th</sup> Quarter)	2,630,000.00	With Cluster B Decision No. 2011-012 dated November 9, 2011. With Petition for Review filed before the Commission Proper under CP Case No. 2011-371
10-018-05-(09)	July 29, 2010	Grocery Incentive Pay (1 <sup>st</sup> Quarter)	2,048,273.83	-do-
10-019-05-(09)	July 29, 2010	Grocery Incentive Pay (2 <sup>nd</sup> Quarter)	2,053,273.85	-do-
10-020-05-(09)	July 29, 2010	PX Mart Allowance (3 <sup>rd</sup> Quarter)	2,635,000.00	-do-
10-021-05-(09)	July 29, 2010	Efficiency Incentive Benefit for CY 2009	5,929,843.97	-do-
10-022-05-(09)	July 29, 2010	Privatization Financial Assistance	5,679,037.49	-do-
10-023-05-(09)	July 29, 2010	Educational Assistance	5,741,017.42	-do-
10-024-05-(09)	July 20, 2010	Extraordinary Expenses	1,325,375.40	-do-
10-025-05-(09)	July 29, 2010	Extraordinary Expenses	2,111,192.85	-do-
10-030-05-(09)	Aug.18, 2010	Grocery Allowance (2 <sup>nd</sup> Quarter – BOT)	77,628.50	-do-
10-031-05-(09)	Aug.18, 2011	Grocery Allowance (1 <sup>st</sup> Quarter – BOT)	73,747.09	-do-
10-032-05-(09)	Aug.18, 2011	Grocery Allowance (3 <sup>rd</sup> Quarter – BOT)	90,000.00	-do-
10-033-05-(09)	Aug.18, 2011	Grocery Allowance (4 <sup>th</sup> Quarter – BOT)	120,000.00	-do-

ND NO.	Date	Nature of Disallowance	Amount	Status
Amended/Supplemental ND No. 2012-01-(05-08) dated March 15, 2012 (ND was issued by FAIO)		Various allowances and benefits for the period CY 2005 to 2008	60,483,592.40	ND issued by Fraud Audit Office (FAO), Special Services Sector, COA  Appeals filed are pending at the FAO
13-001-05-(12)	Jun 13, 2013	Amelioration Allowance	3,680,227.14	COA Decision No. 2016-384 dated 21 November 2016 (Motion for Reconsideration)  COA Decision No. 2016-202 dated 12 August 2016 (Petition for Review)  With CGS Cluster 3 Decision No. 2015-01 dated Jan. 14, 2015  Petition for Certiorari with Urgent Application for Temporary Restraining Order/Writ of Preliminary Injunction filed before the Supreme Court a. Florendo Batasin, Nathaniel Santos, Zoilo Andin (GR No. 228443)  b. Darlina Uy, Leonor Cleofas, Mario Sejera (GR No. 228425)  Consolidated with cases under GR Nos. 228760 and 228761  With Motion for Extension of Time to File Comment until April 13, 2017 (approved by En Banc)
13-002-05-(12)	Jun 14, 2013	COLA	14,720,328.21	-do-
13-003-05-(12)	July 1, 2013	RATA	6,001,992.84	-do-
13-004-05-(12)	July 1, 2013	RATA	2,704,617.28	-do-
13-005-05-(12)	July 1, 2013	Procurement of private health	3,072,183.95	CGS Cluster 3 Decision No. 2016-33 dated August

ND NO.	Date	Nature of Disallowance	Amount	Status
		insurance		9, 2016  CGS Cluster 3 Decision No 2016-13 dated April 29, 2016  Petition for Review filed before the Commission Proper under Case No. 2016-808
13-006-05-(12)	July 1, 2013	-do-	857,205.00	-do-
13-007-05-(12)	July 1, 2013	-do-	2,985,516.00	-do-
13-009-05-(12)	Dec. 3, 2013	Hazard and Longevity Pay	1,269,627.39 5,017,297.07	CGS Cluster 3 Decision No. 2016-33 dated August 9, 2016  CGS Cluster 3 Decision No. 2016-20 dated June 9, 2016
14-001-05-(12)	Feb. 4, 2014	Janitorial Services	2,855,968.14	COA CGS Cluster Decision No. 2016-45 dated 25 October 2016  Petition for Review filed before the COA Commission Proper
14-002-05-(12)	April 25, 2014	Rice Allowance	2,716,030.99	COA CGS Cluster Decision Nos. 2016-11 dated April 8, 2016  COA CGS Cluster 3 Decision No. 2016-12 dated and April 29, 2016
14-005-05-(12)	Jun 30, 2014	Meal Allowance	2,094,571.00	COA CGS Cluster Decision No. 2016-08 dated March 31, 2016  COA CGS Cluster 3 Decision No. 2016-56 dated December 6, 2016
14-006-05-(12)	Jun 30, 2014	Meal Allowance	2,033,200.00	COA CGS Cluster Decision No. 2016-08 dated March 31, 2016  COA CGS Cluster 3 Decision No. 2016-56 dated December 6, 2016

ND NO.	Date	Nature of Disallowance	Amount	Status
14-007-05-(13)	Jun 30, 2014	Meal Allowance	2,038,752.00	COA CGS Cluster Decision No. 2016-08 dated March 31, 2016  COA CGS Cluster 3 Decision No. 2016-56 dated December 6, 2016
14-008-05-(13)	Jun 30, 2014	Meal Allowance	1,910,880.00	COA CGS Cluster Decision No. 2016-08 dated March 31, 2016  COA CGS Cluster 3 Decision No. 2016-56 dated December 6, 2016
14-009-05-(13)	Oct. 1, 2014	Hazard and Longevity Pay	1,120,917.28 5,166,462.69	COA CGS Cluster Decision No. 2016-21 dated June 9, 2016  COA CGS Cluster 3 Decision No. 2016-56 dated December 6, 2016
14-010-05-(13)	Oct. 14, 2014	RATA	1,736,399.47	CGS Cluster 3 Decision No. 2016-09 dated March 31, 2016
14-011-05-(13)	Oct. 3, 2014	RATA	3,649,328.00	COA CGS Cluster Decision No. 2016-09 dated March 31, 2016  COA CGS Cluster 3 Decision No. 2016-56 dated December 6, 2016
14-012-05-(13)	Nov. 4, 2014	Rice Allowance	2,697,161.04	CGS Cluster 3 Decision No. 2016-10 dated April 7, 2016
14-013-05-(13)	Nov. 24, 2014	Janitorial Services	3,657,198.05	COA CGS Cluster Decision No. 2016-45 dated 25 October 2016  Petition for Review filed before the COA Commission Proper
15-002-05-(PY)	Apr 20, 2015	Validity of Appointment	822,129.00	Appeal with the Cluster Director
15-003-05-(PY)	Jun 29, 2015	Consultancy Services	1,315,000.00	CGS Cluster 3 Director reversed the subject ND and the Cluster Decision is endorsed to the

ND NO.	Date	Nature of Disallowance	Amount	Status
				Commission Proper (CP) for COA Decision
15-004-05-(PY)	Jun 30, 2015	Separation Pay – Contract Collectors	6,886,524.79	Appeal with the Cluster Director
15-007-05-(14)	Nov 3, 2015	RATA	366,372.00	COA CP Case No. 2017-223  COA CGS Cluster 3 Decision No. 2017-08 dated February 21, 2017  Petition for Review filed before the Commission Proper
15-008-05-(14)	Nov 3, 2015	RATA	519,596.00	COA CP Case No. 2017-223 COA CGS Cluster 3 Decision No. 2017-08 dated February 21, 2017
15-009-05-(14)	Nov 3, 2015	Hazard and Longevity Pay	751,962.93 5,032.26	COA CGS Cluster 3 Decision No. 2017-01 dated January 19, 2017  Petition for Review filed before the COA Commission Proper
15-010-05-(14)	Nov 23, 2015	Reimbursement OGCC Lawyers	728,232.33	Appeal with the Cluster Director
16-001-05-(14)	Jan 26, 2016	Rice Allowance	1,085,745.81	COA CGS Cluster Decision No. 2016-51 dated November 15, 2016  Petition for Review filed before the Commission Proper
16-002-05-(14)	Jan 26, 2016	Meal Allowance	1,041,600.00	COA CGS Cluster 3 Decision No. 2017-02 dated January 27, 2017  Petition for Review filed before the Commission Proper
16-003-05-(14)	Jan 26, 2016	Meal Allowance	1,132,567.09	-do-
16-04-05-(15)	May 31, 2016	Hazard Pay	652,338.86	COA CGS Cluster 3 Decision No. 2016-58 dated December 13, 2016  Petition for Review filed

ND NO.	Date	Nature of Disallowance	Amount	Status
				before the Commission Proper
16-05-05-(15)	Aug 8, 2016	RATA	70,000.00	COA CGS Cluster 3 Decision No. 2017-18 dated 26 April 2017  Petition for Review filed before the Commission Proper
16-06-05-(15)	Aug 31, 2016	Deficiency Taxes	77,491,573.88	Appeal with the Cluster Director
16-07-05-(15)	Sep 19, 2016	Invalidated Appointment	485,852.66	COA CGS Cluster 3 Decision No. 2017-16 dated 17 April 2017
<b>Audit Disallowance with pending Appeal with the Cluster3 /Commission Proper – MWSS Corporate Office</b>			<b>P 329,339,652.30</b>	
<b>B. Audit Disallowances which are final and executory</b>				
2000-017-07-(99)	Aug 15, 2000	RATA, Longevity, Rice, Meal, Children's and Medical Allowance	4,710,423.60	COA Decision No. 2003-071 dated April 8, 2003 was issued.  Notice of Finality of Decision dated January 26, 2016 was issued.  Darlina Uy appealed before the Commission Proper for exclusion from the Order of COA to refund the benefits per COA NFD dated Jan 26, 2016 on account of Decision No. 2003-071 dated Apr 8, 2003.  NSSDC No. 17-002 dated January 27, 2017 for partial settlement of P 103,851.60
2001-025-05-(00)	Mar 19, 2001	Mid-year FA 2000	2,128,780.40	Legal and Adjudication Office-Corporate Decision No. 2002-012 dated November 2, 2002, COA Decision 2009-072 dated September 1, 2009  COA (Resolution) Decision

ND NO.	Date	Nature of Disallowance	Amount	Status
				No. 2010-145 dated December 30, 2010 were issued.  Notice of Finality of Decision dated March 24, 2011 and COA Order of Execution No. 2015-174 dated August 6, 2015 were issued.
2001-006-05-(00)	Feb 28, 2001	Mid-year 2000 FA	601,919.70	-do-
2001-024-05-(00)	Mar 9, 2001	Year-end 2000 FA	1,929,610.60	-do-
2001-022-05-(00)	Mar 6, 2001	Year-end 2000 FA	735,243.34	-do-
2001-021-05-(00)	Mar 6, 2001	Bigay Pala Anniversary Bonus	742,573.90	-do-
2001-023-05-(00)	Mar 8, 2001	PIB	2,157,932.65	-do-
2001-019-05-(00)	Mar 6, 2001	Medical Allow.	287,500.00	-do-
2001-018-05-(00)	Mar 5, 2001	RATA	179,387.72	-do-
10-026-05-(09)	Jul 28, 2010	Cash Token-Jim G. Fondevilla	200,000.00	Notice of Finality of Decision dated May 22, 2014 and COA Order of Execution dated June 13, 2014 for failure to appeal within the appeal period of six months were deferred.  COA CGS Cluster 3 Decision No. 2016-44 dated October 6, 2016 (Alberto Agra)  COA CGS Cluster 3 Decision No. 2016-42 dated October 4, 2016 (Jim G. Fondevilla)  COA CGS Cluster 3 Decision No. 2016-40 dated October 3, 2016 (Jocelyn M. Toledo)  The last two Decisions are subject to automatic



ND NO.	Date	Nature of Disallowance	Amount	Status
				review of the Commission Proper.
10-027-05-(09)	July 28, 2010	Financial Assistance- Lorenzo S. Sulaik	250,000.00	<p>Notice of Finality of Decision dated May 22, 2014 and COA Order of Execution dated June 13, 2014 for failure to appeal within the appeal period of six months were deferred.</p> <p>COA CGS Cluster 3 Decision No. 2016-44 dated October 6, 2016 (Alberto Agra)</p> <p>COA CGS Cluster 3 Decision No. 2016-40 dated October 3, 2016 (Jocelyn M. Toledo)</p> <p>The last Decision is subject to automatic review of the Commission Proper.</p>
10-028-05-(09)	July 28, 2010	Medical/Financial Assistance- Oscar Garcia	450,000.00	<p>Notice of Finality of Decision dated May 22, 2014 and COA Order of Execution dated June 13, 2014 for failure to appeal within the appeal period of six months were deferred.</p> <p>COA CGS Cluster 3 Decision No. 2016-44 dated October 6, 2016 (Alberto Agra)</p> <p>COA CGS Cluster 3 Decision No. 2016-42 dated October 4, 2016 (Jim G. Fondevilla)</p> <p>COA CGS Cluster 3 Decision No. 2016-40 dated October 3, 2016 (Jocelyn M. Toledo)</p> <p>The last two Decisions are subject to automatic review of the Commission</p>

ND NO.	Date	Nature of Disallowance	Amount	Status
				Proper.
14-003-05-(12)	May 21, 2014	CY 2012 Welfare Fund	11,848,750.23	<p>Notice of Finality of Decision dated December 21, 2016</p> <p>COA CGS Cluster 3 Decision No. 2016-15 dated May 2, 2016</p> <p>NSSDC No. 17-003 dated January 27, 2017 for full settlement of the disallowance</p>
15-006-05-(14)	Jul 23, 2015	Welfare Fund – Government Share	1,524,881.13	<p>Notice of Finality of Decision dated December 21, 2016</p> <p>COA CGS Cluster Decision No. 2016-14 dated May 2, 2016</p> <p>NSSDC No. 2017-001 dated January 17, 2017 for full settlement of the disallowance</p>
14-004-05-(13)	May 26, 2014	CY 2013 Welfare Fund	3,789,683.15	<p>Notice of Finality of Decision dated December 21, 2016</p> <p>COA CGS Cluster 3 Decision No. 2016-15 dated May 2, 2016</p> <p>NSSDC No. 17-004 dated January 27, 2017 for full settlement of the disallowance</p>
<b>Notice of Disallowances which are final and executory</b>			<b>P 18,063,314.51</b>	
<b>Total disallowances - Corporate Office</b>			<b>P 347,402,966.81</b>	

**MWSS Regulatory Office  
List of Notices of Disallowances**

ND No.	Date	Nature of Disallowance	Amount	Status
<b>A. Audit Disallowance with pending Appeal with the Cluster3/Commission Proper or Without Appeal Received but Appeal Period has not yet Expired</b>				
13-001-RO-(12)	June 06, 2013	Amelioration Allowance	1,991,974.15	COA Decision No. 2015-405 dated December 28, 2015
13-002-RO-(12)	June 10, 2013	COLA	7,910,835.98	-do-
13-004-RO-(12)	June 10, 2013	Productivity Incentive Bonus CY 2011	3,924,797.50	-do-
13-005-RO-(12)	June 10, 2013	RATA CY 2012	4,389,873.84	-do-
13-006-RO-(12)	June 10, 2013	Health Insurance	2,940,705.00	-do-
14-001-RO-(12)	February 05, 2014	Janitorial Services CY 2012	686,587.61	CGS Cluster-3 Decision No. 2017-11 dated March 7, 2017 With Petition for Review to CP dated March 28, 2017
14-002-RO-(12)	February 11, 2014	Security Services CY 2012	1,334,050.05	CGS Cluster-3 Decision No. 2017-11 dated March 7, 2017 With Petition for Review to CP dated March 28, 2017
14-006-RO-(12)	June 10, 2014	EME CY 2012	628,272.99	CGS Cluster-3 Decision No. 2017-15 dated March 28, 2017 With Petition for Review to CP dated April 10, 2017
14-007-RO-(13)	June 26, 2014	EME CY 2013	443,217.87	CGS Cluster-3 Decision No. 2017-15 dated March 28, 2017 With Petition for Review to CP dated April 10, 2017

14-008-RO-(13)	June 30, 2014	Private Health Insurance	32,438.13	CGS Cluster-3 Decision No. 2017-15 dated March 28, 2017 With Petition for Review to CP dated April 10, 2017
14-009-RO-(12)	June 27, 2014	Meal Allowance CY 2012	2,278,667.44	CGS Cluster-3 Decision No. 2016-57 dated December 6, 2016
14-010-RO-(13)	June 27, 2014	Hazard Duty Pay	406,545.17	CGS Cluster-3 Decision No. 2016-57 dated December 6, 2016
14-011-RO-(13)	June 27, 2014	Meal Allowance CY 2013	2,022,150.00	CGS Cluster-3 Decision No. 2016-57 dated December 6, 2016
14-012-RO-(13)	September 04, 2014	Janitorial Services	770,228.00	Appeal with Cluster Director
14-013-RO-(13)	September 09, 2014	Longevity Pay	1,665,500.00	Appeal with Cluster Director
14-014-RO-(13)	November 12, 2014	RATA SG 24 and below	1,880,772.08	Appeal with Cluster Director
14-015-RO-(13)	November 12, 2014	RATA SG 24 and above	942,166.96	Appeal with Cluster Director
14-016-RO-(13)	December 04, 2014	Security services	1,432,122.36	Appeal with Cluster Director
15-001-RO-(12, 13 & 14)	June 25, 2015	Subsistence - Children's Allowance	117,770.78	Appeal with Cluster Director
15-002-RO-(14)	June 26, 2015	RATA (SG-24 & above)	294,611.60	CGS Cluster-3 Decision No. 2017-05 dated February 8, 2017
15-003-RO-(14)	September 29, 2015	Welfare Fund - Government Share (Jan.- June 2012)	559,504.08	CGS Cluster-3 Decision No. 2017-09 dated February 23, 2017 With Petition for Review to CP dated March 9, 2017
16-001-RO-(14)	June 07, 2016	Appeal Filing Fee	40,460.00	Appeal with Cluster Director
16-006-05-(15)	September 01, 2016	Tax Penalty	77,491,573.88	Appeal with Cluster Director

16-002-RO-(15)	September 22, 2016	Children's Allowance	13,365.00	Appeal with Cluster Director
<b>Audit Disallowance with pending Appeal with the Cluster /Commission Proper – MWSS Regulatory Office</b>			<b>P114,198,190.47</b>	
<b>B. Audit Disallowances which are final and executory</b>				
RO10-001-719-3(09)	July 16, 2010	Anniversary Bonus (Traditional)	622,000.00	COA Decision No. 2015-040 dated January 30, 2015 with G.R. No. 224240 With COE No. 2016-097 from LSS Office of the General Counsel dated December 28, 2016 With Notice of Finality of Decision from CPASSSS Commission Secretariat dated January 24, 2017
RO10-002-719-3(09)	July 16, 2010	Productivity Enhancement Pay (PEP)	622,000.00	-do-
RO10-003-510(09)	July 16, 2010	Rate Rebasing Allowance	622,000.00	-do-
RO10-004-510(09)	July 16, 2010	Rate Rebasing Incentive Pay (Premium)	622,000.00	-do-
RO10-005-510(09)	July 16, 2010	Family Day & Educational Allowances	416,000.00	-do-
RO10-006-719-6(09)	July 16, 2010	Traditional Christmas Bonus	793,400.00	-do-
RO10-007-510(09)	July 16, 2010	Productivity Incentive Bonus (PIB) 1	793,400.00	-do-
RO10-008-510(09)	July 16, 2010	GOCC Incentive	793,400.00	-do-
RO10-009-510(09)	July 16, 2010	Collective Negotiation Agreement (C N A) Incentive	793,400.00	-do-
RO10-010-510(09)	July 16, 2010	Scholarship Allowance ( 2 <sup>nd</sup> Tranche)	793,400.00	-do-
RO10-011-510(09)	July 20, 2010	Efficiency Incentive Bonus	447,400.00	-do-
RO10-012-510(09)	July 20, 2010	Scholarship Allowance ( 1st Tranche)	597,400.00	-do-

RO10-013-510(09)	July 20, 2010	Family Week Allowance	793,400.00	<b>-do-</b>
RO10-014-510(09)	July 20, 2010	Performance Enhancement Incentive	793,400.00	<b>-do-</b>
RO10-015-510(09)	July 20, 2010	Calamity Economic Assistance 1	793,400.00	<b>-do-</b>
RO10-016-510(09)	July 20, 2010	Calamity Economic Assistance 2	793,400.00	<b>-do-</b>
RO10-017-510(09)	July 20, 2010	Corporate Christmas Package	793,400.00	<b>-do-</b>
RO10-018-717-1(09)	July 20, 2010	Productivity Incentive Bonus 2	695,400.00	<b>-do-</b>
RO10-019-510(09)	July 20, 2010	Additional Educational Allowance	622,000.00	<b>-do-</b>
RO10-020-883-3(09)	July 22, 2010	Health & Wellness Allowance	150,000.00	<b>-do-</b>
RO10-021-717-1(09)	July 20, 2010	Productivity Incentive Bonus 3	793,400.00	<b>-do-</b>
RO10-022-510(09)	July 22, 2010	Rate Rebasing Additional	447,400.00	<b>-do-</b>
RO10-023-510(09)	July 22, 2010	RATA Differential	756,000.00	<b>-do-</b>
RO10-024-719-3(09)	July 22, 2010	Privatization Anniversary Bonus 1	597,400.00	<b>-do-</b>
RO10-025-719-3(09)	July 22, 2010	Privatization Anniversary Bonus 2 (Additional)	597,400.00	<b>-do-</b>
RO10-026-510(09)	July 22, 2010	Performance Bonus	695,400.00	<b>-do-</b>
RO10-027-717-1(09)	July 22, 2010	Performance Enhancement Incentive	3,175,426.20	<b>-do-</b>
RO10-028-717-1(09)	July 22, 2010	Productivity Incentive Benefit	5,943,527.44	<b>-do-</b>

RO10-029-717-1(09)	July 22, 2010	Productivity Incentive Bonus	3,454,313.88	-do-
RO10-030-719-1(09)	July 22, 2010	Collective Negotiation Agreement (C N A) Incentive	3,482,425.50	-do-
RO10-031-717-1(09)	July 22, 2010	Performance Bonus	3,451,319.10	-do-
RO10-032-719-1(09)	July 22, 2010	GOCC Incentive	3,482,425.50	-do-
RO10-033-721 (09)	July 22, 2010	Hazard Duty Pay- Jan to June 2009	498,000.00	-do-
RO10-034-721 (09)	July 22, 2010	Hazard Duty Pay- July to Dec 2009	493,800.00	-do-
RO10-035-719-1 (09)	July 22, 2010	Anniversary Bonus	2,712,493.34	-do-
RO10-036-719-1 (09)	July 22, 2010	Anniversary (Bigay Pala I)	2,737,201.58	-do-
RO10-037-510 (09)	July 22, 2010	Rate Rebasing Incentive 1	5,554,413.46	-do-
RO10-038-883-4 (09)	July 22, 2010	Grocery Incentive Pay 1st Quarter	1,330,000.00	-do-
RO10-039-883-4 (09)	July 22, 2010	Grocery Incentive Pay 2nd Quarter	1,340,000.00	-do-
RO10-040-883-4 (09)	July 22, 2010	Grocery Incentive Pay 3rd Quarter	1,350,000.00	-do-
RO10-041-883-4 (09)	July 22, 2010	Grocery Incentive Pay 4th Quarter	1,375,000.00	-do-
RO10-042-510 (09)	July 22, 2010	Educational Assistance 1	1,513,200.00	-do-
RO10-043-510 (09)	July 22, 2010	Rate Rebasing Incentive 2	2,451,400.00	-do-
RO10-044-510 (09)	July 22, 2010	Educational Assistance 2	1,519,000.00	-do-
RO10-045-510 (09)	October 21, 2010	Productivity Enhancement Pay	3,015,729.40	-do-

RO10-046-719-1(09)	October 22, 2010	Corporate Christmas Package	5,554,413.46	-do-
RO10-047-717-1(09)	October 08, 2010	Scholarship Allowance (1)	3,392,897.70	-do-
RO10-048-719-1(09)	October 08, 2010	Calamity Economic Assistance for CY 2009	3,444,769.20	-do-
13-007-RO-(12)	December 03, 2013	Hazard Duty Pay	464,127.10	CGS Cluster-3 Decision No. 2016-29 dated June 28, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
13-008-RO-(12)	December 03, 2013	Longevity Pay	1,816,335.48	CGS Cluster-3 Decision No. 2016-29 dated June 28, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
14-003-RO-(12)	April 25, 2014	Rice Allowance CY 2012	1,371,805.56	CGS Cluster-3 Decision No. 2016-30 dated June 30, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
14-004-RO-(12)	May 21, 2014	Welfare Fund CY 2012	7,121,527.82	CGS Cluster-3 Decision No. 2016-18 dated May 31, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
14-005-RO-(13)	May 26, 2014	Welfare Fund CY 2013	1,231,430.82	CGS Cluster-3 Decision No. 2016-18 dated May 31, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
15-004-RO-(14)	November 10, 2015	Meal Allowance	905,250.00	CGS Cluster-3 Decision No. 2016-39 dated September 20, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
15-005-RO-(14)	November 10, 2015	Rice Allowance	543,836.41	CGS Cluster-3 Decision No. 2016-38 dated September 5, 2016 With Notice of Finality of Decision from CD dated December 21, 2016



<b>Notice of Disallowances which are final and executory</b>	<b>P91,963,268.95</b>	
<b>Total Disallowance for MWSS-Regulatory Office</b>	<b>P206,161,459.42</b>	