



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

FILE COPY

**Corporate Government Sector
Cluster 3 – Public Utilities**

August 26, 2020

ATTY. PATRICK LESTER N. TY

Chief Regulator

Metropolitan Waterworks and Sewerage System
489 Katipunan Avenue,
Balara, Quezon City

received by:
Upel
AUG 26 2020
5:47pm

Dear Atty Ty:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the Metropolitan Waterworks and Sewerage System (MWSS) for the years ended December 31, 2019 and 2018.

The report consists of three Parts: I – the Independent Auditor's Report and the Audited Financial Statements, II – the Audit Observations and Recommendations, and III – the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered an adverse opinion on the fairness of presentation of the consolidated financial statements of MWSS.

In addition, the other significant audit observations and recommendations that need immediate action are the following:

1. Consultancy service contracts entered into by MWSS-RO totaling P88.192 million were for the conduct of regular functions of the MWSS-Regulatory Office, contrary to COA-CSC-DBM Joint Circular No. 1 s. 2017 dated June 15, 2017 despite the existence of knowledge transfers from past similar consultancy service engagements as provided by Section 4.4, Annex H, of the IRR of RA No. 9184, resulting in excessive consultancy expenses and uneconomical operations of the Agency.

Recommendations:

- a. Ensure to maximize the functions of the financial and technical regulation areas, and utilize the previous reports of the consultants in the conduct of future rate rebasing exercises, validation of asset condition report, and regulatory financial audit; and
 - b. Analyze the manpower requirements that will conduct its regular functions and consider it in its reorganization.
2. The advances to UP National Engineering Center (UP-NEC) in the amount of P4.925 million as at year end for the Public Assessment of Water Services Project (PAWS) remained

unliquidated despite the project completion in CY 2011 resulting in the overstatement in assets and retained earnings account.

Recommendation:

Set a definite plan of action as to the settlement of the unliquidated cash advance considering the nine years that lapsed since the completion of the project.

The foregoing audit observations together with the recommended courses of action are discussed in detail in Parts II and III of the report.

We respectfully request that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken by accomplishing the Agency Action Plan and Status of Implementation form (copy attached) and return the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus, facilitating the completion of this report.

Very truly yours,

COMMISSION ON AUDIT

By:


MA. LYDIA F. DE JOYA
Officer-in-Charge

Copy Furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The UP Law Center
The National Library

METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
 489 Katipunan Avenue, Balara, Quezon City

AGENCY ACTION PLAN and STATUS of IMPLEMENTATION
 Audit Observations and Recommendations
 For the Calendar Years 2019 and 2018¹
 As of _____

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation ²	Reasons for Partial/Delay/Non-implementation, if applicable	Action Taken/Actions to be Taken
			Action Plan	Person/ Department Responsible	Target Implementation Date				
					From	To			

Prepared by:

Reviewed by:

Noted by:

¹For partially and not implemented audit recommendations for 2018

²Note: Status of implementation may either be (a) Fully Implemented (b) Ongoing (c) Not Implemented (d) Partially Implemented or (e) Delayed.