



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City
Telephone No.:9328033

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

National Irrigation Administration
EDSA, Quezon City

We have audited the accompanying financial statements of the National Irrigation Administration Corporate Fund (F501), which comprise the balance sheet as of December 31, 2011, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with State accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Philippine Standards on Auditing. Because of the matters described in the following paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As discussed in Part II.A - Comments and Observations, our audit disclosed the following which we consider in forming our audit opinion:

1. The existence, valuation and accuracy of Property, Plant and Equipment (PPE) accounts stated at P36,921.526 million as of December 31, 2011 were not ascertained due to the non-conduct/non-submission of physical inventory report in some NIA Regional Offices for PPE totaling P1,230.587 million; non-preparation and maintenance of subsidiary ledgers and property/construction-in-progress ledger cards totaling P1,520.216 million; non-reconciliation of property and accounting records with discrepancy amounting to P2,295.427 million; non-recording of assets purchased and donated; and non-reclassification of long completed projects costing P59.103 million to the proper PPE accounts. (*Comments and Observations No. 1*)
2. The accuracy and validity of Accounts Receivable with year-end aggregated balance of P16,461.603 million were not established due to the absence of subsidiary ledgers for accounts of individual farmers and other debtors totaling P644.345 million and unsupported/undocumented balances of Accounts Receivable – irrigator's service fee (ISF) totaling P953.346 million. Also, Receivables in NIA RO 1, 12, 13 and CAR totaling P430.658 million were dormant for 7 to 15 years. (*Comments and Observations No. 2*)

3. The existence, validity and accuracy of Cash-in-Bank accounts totaling P684.284 million could not be substantiated due to non-preparation/updating of Bank Reconciliation Statements (BRS) for account balances totaling P98.096 million; non-reconciliation of bank and book balances with discrepancy totaling P16.791 million; non-maintenance/improperly maintained subsidiary ledgers for accounts with negative balances of P151.457 million; existence of dormant accounts totaling P54.106 million; and existence of accounts with abnormal balances of P189.615 million. Likewise, fund transfers amounting to P12.019 million were made from the General Fund to Corporate Fund contrary to Section 37 of PD 1177 and Section 4 of PD 1445. Further, among the reconciling items for the BRS for December 2011 of account Philippine National Bank (PNB) Current Account were unrecorded disbursements prior to 1988 amounting to P151.656 million which remained undocumented. (*Comments and Observations No. 3*)
4. The accuracy and validity of the year-end balance of *Due to Other NGAs* stated at P13,123.691 million was not correctly stated as its sub-account, *Due to BTr - Casecnan*, with a balance of P13,195.785 million showed a huge variance of P42,179.966 million as compared with the BTr's records at P55,303.657 million, with the variance pertaining to the advances made by the BTr to California Energy Casecnan Water and Energy (CECWE) and the same remained unrecorded in NIA's books as at year-end. Likewise, Inter/Intra-Agency Payables and Other Payables amounting to P31.836 million were of doubtful validity due to lack of subsidiary records and were still dormant for several years. (*Comments and Observations No. 4*)
5. Elimination of reciprocal accounts, namely: Due to Central Office, Due from Central Office, Due to Regional Offices and Due from Regional Offices in the consolidation of balance sheet accounts resulted in a discrepancy of P492.679 million in receivable and P60.411 million in payable. These accounts should have zero balance after elimination, hence, the accuracy and validity of the reciprocal accounts was doubtful. (*Comments and Observations No. 5*)

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

COMMISSION ON AUDIT


ROBERTO Z. RABULAN -
Supervising Auditor
Audit Group B- Irrigation and Fishery
Cluster C – Corporate Government Sector

June 28, 2012

**NATIONAL IRRIGATION ADMINISTRATION
CORPORATE FUND (F501)
BALANCE SHEET**

December 31, 2011

(With corresponding figures for 2010)

(In Philippine Peso)

	Notes	2011	2010
ASSETS			
Current Assets			
Cash	4	783,860,377	1,140,663,170
Receivables - net	3a, 5	31,129,537,751	28,829,877,556
Inventories - net	3b, 6	116,647,568	129,571,734
Prepayments	7	60,518,619	68,087,578
Other Current Assets	8	(212,531,065)	(214,021,035)
Total Current Assets		31,878,033,250	29,954,179,003
Non-current Assets			
Investments	3c, 9	11,224,500	11,224,500
Property, Plant and Equipment - Net	3d, 10	24,537,347,825	29,729,531,596
Other Assets	11	601,326,844	627,303,481
Total Non-current Assets		25,149,899,169	30,368,059,577
TOTAL ASSETS		57,027,932,419	60,322,238,580
LIABILITIES AND EQUITY			
Current Liabilities			
Payables	12	716,417,175	630,258,248
Inter/Intra-agency Payables	13	13,544,835,257	13,586,282,272
Other Liabilities	14	1,178,909,190	1,396,088,298
Total Current Liabilities		15,440,161,622	15,612,628,818
Non-current Liabilities			
Long-term Liabilities	15	11,506,340,534	11,506,340,534
Deferred Credits	16	17,120,665,063	14,766,359,672
Total Non-current Liabilities		28,627,005,597	26,272,700,206
Equity	17	12,960,765,200	18,436,909,556
TOTAL LIABILITIES AND EQUITY		57,027,932,419	60,322,238,580

The notes on pages 7 to 20 form part of these financial statements.

NATIONAL IRRIGATION ADMINISTRATION
CORPORATE FUND (F501)
INCOME STATEMENT
For the Year Ended December 31, 2011
(With corresponding figures for 2010)
(In Philippine Peso)

	Notes	2011	2010
INCOME			
Operating Income			
Irrigation Service Fees (ISF)		1,343,420,371	1,198,993,063
10% Discount on ISF	5	(86,499,709)	(76,569,835)
Loss on Sale of Palay		(2,772,761)	(19,435,224)
Net Irrigation Service Fees		1,254,147,901	1,102,988,004
Rent Income		107,974,838	112,941,136
Fines and Penalties-Service Income		23,188,437	16,846,068
		1,385,311,176	1,232,775,208
Non-Operating Income			
Management Fees		750,864,582	766,256,692
CIP/CIS/RIS Amortization and Equity		149,701,628	177,219,112
Pump Amortization and Equity		9,991,885	11,447,296
Other Fines and Penalties		116,640	110,829
Income form Grants and Donations		-	7,720
Miscellaneous Income	19	451,440,211	474,788,052
		1,362,114,946	1,429,829,701
		2,747,426,122	2,662,604,909
EXPENSES			
Personal Services	20	1,285,194,887	1,256,584,496
Maintenance and Other Operating Expenses	20	1,779,038,477	1,650,220,595
Financial Expenses			
Interest Expense		49,296	25,267
Bank Charges		102,846	49,566
		3,064,385,506	2,906,879,924
LOSS FROM OPERATION		316,959,384	244,275,015
OTHER INCOME (EXPENSE)			
Interest Income		24,834,477	29,243,850
Loss on FOREX		(3,430,920)	-
Gain on Sale of Assets		1,556,519	163,930
LOSS BEFORE SUBSIDY		293,999,308	214,867,235
Subsidy Income from Local Government Units		-	3,250
NET LOSS		293,999,308	214,863,985

The notes on pages 7 to 20 form part of these financial statements.

**NATIONAL IRRIGATION ADMINISTRATION
CORPORATE FUND (F501)**

**STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2011**

(With corresponding figures for 2010)

(In Philippine Peso)

	Notes	Capital Stock	Government Equity (Note 17)	Retained Operating Surplus	Total
Balances, January 1, 2010		5,559,191,864	12,616,013,497	382,990,283	18,558,195,644
Loss				(214,863,985)	(214,863,985)
Correction of Prior Period Errors	18		1,875,079	573,614,589	575,489,668
Adjustments			5,959,581,219	(5,959,581,219)	-
Adjustments - Central Office				(21,250,000)	(21,250,000)
Adjustments - Field Offices				(189,789,209)	(189,789,209)
Dividends to DOF				(18,000,000)	(18,000,000)
Income and Expense Summary			40,696,016	(43,871,129)	(3,175,113)
Property, Plant and Equipment - Public Infrastructures			(253,991,472)	4,294,023	(249,697,449)
Balances, December 31, 2010		5,559,191,864	18,364,174,339	(5,486,456,647)	18,436,909,556
Loss				(293,999,308)	(293,999,308)
Correction of Prior Period Errors	18		143,364,587	(4,662,707,690)	(4,519,343,103)
Adjustments - Field Offices	17			(41,162,500)	(41,162,500)
Set up of CNA for 2010	17			(191,865,000)	(191,865,000)
Dividends to DOF				(6,850,000)	(6,850,000)
Income and Expense Summary				44,162,317	44,162,317
Property, Plant and Equipment - Public Infrastructures			(447,362,783)		(447,362,783)
Transfer of PIDP 501 to Fund 102			(7,131,186)		(7,131,186)
Payment of Corporate Advances by Fund 102 to Fund 501 (MMIP)			(10,000,000)		(10,000,000)
Reversal of Unreconciled Reciprocal Accounts (BBMP)			557,547		557,547
Transfer of various PPE to Other Projects (BBMP)			(3,150,340)		(3,150,340)
Balances, December 31, 2011		5,559,191,864	18,040,452,164	(10,638,878,828)	12,960,765,200

The notes on pages 7 to 20 form part of these financial statements.

NATIONAL IRRIGATION ADMINISTRATION
CORPORATE FUND (F501)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011
(With corresponding figures for 2010)
(In Philippine Peso)

	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Irrigation Users and Other Customers		3,094,782,063	3,945,467,896
Receipt of Management Fee		750,639,582	766,256,692
Collection of Other Receivables		257,747,982	36,236,644
Other Payables		110,745,193	-
Prior Period Errors		56,495,464	47,186,426
National Government Agencies (NGAs)		46,406,108	100,074,542
Fund Transfer from Other Funds		34,965,311	-
Controlled Corporations (GOCCs)		31,453,767	3,351,009
Interest on Deposits		27,003,153	29,186,642
Trust Deposits		13,226,270	33,380,701
Refund of Cash Advances and Disallowance		2,848,466	3,211,049
Receipt of Inter/Intra-Agency Cash Transfer		626,927	79,480,671
Receipt of Subsidy from Local Government Units (LGUs)/			
Cash Received from Other Government-Owned and/or			
Cash Paid to Suppliers, Employees and Others		(3,125,380,499)	(4,783,993,600)
Payment of Other Payables		(420,857,997)	(198,301,313)
Payment of Accounts Payable		(300,237,243)	(224,557,472)
Advance Payment to Contractors		(270,072,821)	(77,441,863)
Remittances to BIR, GSIS, Pag-IBIG and PHILHEALTH		(268,918,542)	(221,163,577)
Adjustments		(62,858,306)	(28,748,906)
Fund Transfer to Other Funds		(60,497,051)	(440,406,993)
Advances to LGUs		(34,328,864)	(42,685,433)
Cash Advances Granted to Officers and Employees		(32,339,861)	(11,684,293)
Advances to NGAs		(12,522,080)	(73,308,696)
Payment to Other GOCCs		(4,828,709)	(99,186,026)
Refund of Performance/Bidders' Bond		(1,894,122)	(6,027,407)
Repair/Rehabilitation of Existing Irrigation Facilities		(1,251,598)	(3,439,094)
Bank Charges		(13,147)	(40,941)
Advances to GOCCs		-	(20,000)
Net Cash Used in Operating Activities		(169,060,554)	(1,167,173,342)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Property and Equipment		31,465	163,930
Purchase of Office and IT Equipment and Software		(175,943,184)	(121,705,484)
Dividends to DOF		(6,850,000)	(18,000,000)
Office Buildings		(4,980,520)	-
Net Cash Used in Investing Activities		(187,742,239)	(139,541,554)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of Loan from National Development Company		-	3,000,000,000
Payment of Loan		-	(2,000,000,000)
Payment of Penalty		-	(6,169,064)
Payment of Interest on Loan		-	(165,666,667)
Net Cash Provided by Financing Activities		-	828,164,269
NET DECREASE IN CASH		(356,802,793)	(478,550,627)
CASH, BEGINNING OF YEAR	4	1,140,663,170	1,619,213,797
CASH, END OF YEAR	4	783,860,377	1,140,663,170

The notes on pages 7 to 20 form part of these financial statements.