



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City
Telephone No.: 9328033; Telefax No.: 9524969

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
National Irrigation Administration
EDSA, Quezon City

We were mandated by the 1987 Philippine Constitution to audit the accompanying financial statements of the National Irrigation Administration Corporate Fund (F501), which comprise the balance sheet as of December 31, 2012, and the statement of income and expenses, 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 International Standards on Auditing. Because of the matters described in the following paragraphs, 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 – Observations and Recommendations of the audit report, the following were considered in forming our audit opinion:

1. The existence, valuation and accuracy of the balance of Property, Plant and Equipment (PPE) account with a net book value of P24.157 billion could not be ascertained due to inadequacies and deficiencies in accounting and property records, thus affecting the fair presentation of the account balance in the financial statements.
2. Accounts Receivable-Irrigation Service Fees (ISF) and Communal Irrigation System amounting to P17.252 billion was doubtful and unreliable in view of inaccurate/inadequate accounting records and accounting deficiencies, thus impairing the fair presentation of the account in the financial statements.


3. The validity and accuracy of the year-end balance of Cash in Bank account amounting to P2.037 billion cannot be substantiated due to accounting deficiencies such as unreconciled balances between subsidiary ledgers of Cash in Bank-Field Office and the controlling records being maintained by the provincial offices or Irrigation Management Offices (IMOs); non-maintenance of subsidiary ledgers (SL) for Cash in Bank accounts; non-preparation of Bank Reconciliation Statements (BRS) regularly; unreconciled differences in the comparison of balances per general ledger (GL), SL, bank statements and cashbook; and non-reconciliation/updating of the GL and SL balances of bank accounts.

4. The validity and accuracy of the Government Equity and Retained Earnings accounts balances totaling P18.027 billion and P(10.030) billion, respectively, could not be substantiated due to non-submission of supporting documents.

Disclaimer of Opinion

Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion paragraphs, 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


ELENA L. AGUSTIN
Supervising Auditor
Audit Group B – Irrigation
Cluster 5, Corporate Government Sector

July 31, 2013

**NATIONAL IRRIGATION ADMINISTRATION
CORPORATE FUND (F501)
BALANCE SHEET
December 31, 2012
(In Philippine Peso)**

	Note	2012	2011
ASSETS			
Current Assets			
Cash	4	2,163,804,055	783,860,377
Receivables - Net	3a, 5	32,044,394,999	31,129,537,751
Inventories - Net	3b, 6	109,107,023	116,647,568
Prepayments	7	99,851,923	60,518,619
Other Current Assets	8	(205,759,007)	(212,531,065)
Total Current Assets		34,211,398,993	31,878,033,250
Non-current Assets			
Investments	3c, 9	11,224,500	11,224,500
Property, Plant and Equipment - Net	3d, 10	24,157,341,391	24,537,347,825
Other Assets	11	521,953,427	601,326,844
Total Non-current Assets		24,690,519,318	25,149,899,169
TOTAL ASSETS		58,901,918,311	57,027,932,419
LIABILITIES AND EQUITY			
Current Liabilities			
Payables	12	1,053,322,468	716,417,175
Inter/Intra-agency Payables	13	13,727,345,307	13,544,835,257
Other Liabilities	14	1,335,293,556	1,178,909,190
Total Current Liabilities		16,115,961,331	15,440,161,622
Non-current Liabilities			
Long-term Liabilities	15	11,506,340,534	11,506,340,534
Deferred Credits	16	17,801,141,052	17,120,665,063
Total Non-current Liabilities		29,307,481,586	28,627,005,597
Total Liabilities		45,423,442,917	44,067,167,219
Equity	18	13,478,475,394	12,960,765,200
TOTAL LIABILITIES AND EQUITY		58,901,918,311	57,027,932,419

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

NATIONAL IRRIGATION ADMINISTRATION
CORPORATE FUND (F501)
STATEMENT OF INCOME AND EXPENSES
For the Year Ended December 31, 2012
(In Philippine Peso)

	Note	2012	2011
INCOME			
Operating Income			
Irrigation Service Fees (ISF)		1,445,575,656	1,343,420,371
10% Discount on ISF	5	(94,880,041)	(86,499,709)
Loss on Sale of Palay		(231,138)	(2,772,761)
Net Irrigation Service Fees		1,350,464,477	1,254,147,901
Rent Income		162,174,298	107,974,838
Fines and Penalties-Service Income		20,234,928	23,188,437
		1,532,873,703	1,385,311,176
Non-Operating Income			
Management Fees		33,957,526	750,864,582
CIP/CIS/RIS Amortization and Equity		324,909,493	149,701,628
Pump Amortization and Equity		14,195,631	9,991,885
Service Fees - Water		480,857,158	-
Other Fines and Penalties		154,353	116,640
Miscellaneous Income	20	143,666,508	451,440,211
		997,740,669	1,362,114,946
		2,530,614,372	2,747,426,122
EXPENSES			
Personal Services	21	1,685,012,627	1,285,194,887
Maintenance and Other Operating Expense:	21	1,643,646,317	1,779,038,477
Financial Expenses		366,280,579	152,142
		3,694,939,523	3,064,385,506
LOSS FROM OPERATION		1,164,325,151	316,959,384
OTHER INCOME (EXPENSE)			
Interest Income		38,503,691	24,834,477
Loss on FOREX		(2,139,756)	(3,430,920)
Gain on Sale of Assets		1,637,000	1,556,519
		38,000,935	22,960,076
LOSS BEFORE SUBSIDY		1,126,324,216	293,999,308
Subsidy Income from National Government -			
Management Fee			
5% Management Fee	17	984,362,420	-
NET LOSS		141,961,796	293,999,308
ADD:			
SUBSIDY FOR THE IMPLEMENTATION			
OF VARIOUS PROJECTS			
Budgetary Support - 2.85% General Engineering,			
Supervisory and Administrative (GESA)	17	561,086,580	-
Disbursement Acceleration Program (DAP)	17		-
Jalaur River Multipurpose Project II		450,000,000	-
Casecnan Multipurpose Irrigation and Power Project II		200,000,000	-
Malitubog Maridagao Irrigation Project II		101,400,000	-
Umayam River Irrigation Project (URIP)		9,500,000	-
		1,321,986,580	-
NET INCOME AFTER SUBSIDY FOR THE			
IMPLEMENTATION OF VARIOUS PROJECTS/NET LI		1,180,024,784	293,999,308

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, 2012
(In Philippine Peso)

	Note	Capital Stock	Government Equity (Note 18)	Retained Operating Surplus	Property, Plant and Equipment - Public Infrastructures	Total
Balance, January 1, 2011		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			143,364,587	(4,662,707,690)		(4,519,343,103)
Adjustments - Field Offices				(41,162,500)		(41,162,500)
Set up of CNA for 2010				(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)
Balance, December 31, 2011		5,559,191,864	18,040,452,164	(10,638,878,828)		12,960,765,200
Net Income After Subsidy for the Implementation of Various Projects				1,180,024,784		1,180,024,784
Correction of Prior Period Errors	19		(1,391,952)	(144,924,943)		(146,316,895)
Transfer of Account from F501 PIDP to F102 PIDP				(12,425,578)		(12,425,578)
Set up of CNA for 2011				(398,000,000)		(398,000,000)
Payment to the BTr of CNA charged to Project Funds instead of COB funds				(2,181,665)		(2,181,665)
Set up of ENERCON for CYs 2009, 2010 and 2011				(4,930,419)		(4,930,419)
Set up of Rice and Transportation Subsidy for MARIIS for CYs 2009 and 2010				(18,046,012)		(18,046,012)
Income and Expense Summary			85,845,429	(88,916,510)		(3,071,081)
Adjustment CAR - NDC			(98,060,409)	98,060,409		-
Adjustment of Account 421 - MARIIS - NDC				87,379		87,379
Adjustment Public Infra - Region I - NDC					1,006,959	1,006,959
Balance of Account 255-2012 Region 3 closed to Gov't Equity					(6,305,746)	(6,305,746)
Completed and turned-over projects Regions 4A and 7 - NDC					(41,137,275)	(41,137,275)
Public Infra Account - CAR - NDC closed to Government Equity					(11,339,199)	(11,339,199)
Public Infra Account - CAR - Regular closed to Government Equity					(19,655,058)	(19,655,058)
Balance, December 31, 2012		5,559,191,864	18,026,845,232	(10,030,131,383)	(77,430,319)	13,478,475,394

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, 2012
(In Philippine Peso)

	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Irrigation Users and Other Customers		2,812,752,976	3,094,782,063
Receipt of Subsidy from the National Government		2,309,880,590	-
Fund Transfer from Other Funds		178,938,331	34,965,311
Receipt of Subsidy from Local Government Units (LGUs)		74,484,379	46,406,108
Other Payables		64,532,086	110,745,193
Trust Deposits		59,842,417	13,226,270
Refund of Cash Advances and Disallowance		32,208,611	2,848,466
Collection of Other Receivables		18,353,533	257,747,982
Interest on Deposits		18,194,969	27,003,153
Prior Period Errors		14,517,300	56,495,464
Cash Received from Other Government-Owned and/or Controlled Corporations (GOCCs)		6,665,354	31,453,767
Receipt of Management Fee		2,609,451	750,639,582
Receipt of Inter/Intra-Agency Cash Transfer		-	626,927
Bank Charges		(3,042)	(13,147)
Repair/Rehabilitation of Existing Irrigation Facilities		(595,575)	(1,251,598)
Advances to GOCCs		(881,615)	-
Advances to LGUs		(2,588,313)	(34,328,864)
Payment to Other GOCCs		(4,853,154)	(4,828,709)
Refund of Performance/Bidders' Bond		(5,337,279)	(1,894,122)
Payment of Guaranty Deposits Payable		(14,572,567)	-
Adjustments		(18,011,731)	(62,858,306)
Advance Payment to Contractors		(40,639,168)	(270,072,821)
Advances to NGAs		(47,100,180)	(12,522,080)
Fund Transfer to Other Funds		(64,499,664)	(60,497,051)
Cash Advances Granted to Officers and Employees		(97,926,420)	(32,339,861)
Due to Officers and Employees		(152,812,839)	-
Payment of Accounts Payable		(202,460,515)	(300,237,243)
Inter-Agency/Intra-Agency Transfers		(290,300,378)	-
Payment of Other Payables		(299,950,918)	(420,857,997)
Remittances to BIR, GSIS, Pag-IBIG and PHILHEALTH		(312,940,273)	(268,918,542)
Cash Paid to Suppliers, Employees and Others		(2,012,286,984)	(3,125,380,499)
Net Cash Provided by/(Used in) Operating Activities		2,025,219,381	(169,060,554)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Property and Equipment		9,400	31,465
Dividends to DOF		-	(6,850,000)
Office Buildings		(23,900,285)	(4,980,520)
Purchase of Office and IT Equipment and Software		(168,916,483)	(175,943,184)
Construction in Progress		(342,468,335)	-
Net Cash Used in Investing Activities		(535,275,703)	(187,742,239)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of Interest on Loan		(110,000,000)	-
Net Cash Provided by/(Used in) Financing Activities		(110,000,000)	-
CASH, BEGINNING OF YEAR		783,860,377	1,140,663,170
CASH, END OF YEAR	4	2,163,804,055	783,860,377

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