



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

## **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 at December 31, 2013, 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 our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

### ***Basis for Adverse Opinion***

We rendered an adverse opinion on the fairness of the presentation of the financial statements in view of the following:

1. The accuracy of the Property, Plant and Equipment (PPE) account with net book value of P25.605 billion was not reasonably substantiated due to, among others, absence of Transfer Certificates of Title (TCTs) to prove ownership and existence of parcels of land valued at P3.469 billion (13.6 per cent), lack of reports for completed irrigation projects of more than P0.500 billion, inadequate accounting and property records, significant variances between books and physical counts, and the inclusion of unserviceable properties.
2. The reliability of the balance of Cash in Bank account of P2.632 billion could not be ascertained due to inadequate or absence of records to support the account balance, delayed or non-preparation of bank reconciliation statements (BRS) and discrepancies in balances among accounting records. Moreover, 28 bank accounts are maintained in three banks which are not authorized as government depository banks.
3. The accuracy and validity of Accounts Receivable - Irrigation Service Fees (ISF) and Communal Irrigation System (CIS) with a balance of P18.081 billion is affected due to, among others, unreconciled difference of P1.628 billion between records as a result of inconsistency in the valuation of receivables; receivables of P1.531 billion with lacking supporting documents; discrepancy of P0.370 billion between books and aging schedule; and receivables that have been dormant for over 15 to 40 years without adequate accounting records.

### ***Adverse Opinion***


Because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs, the consolidated financial statements do not present fairly the financial position of the **National Irrigation Administration Corporate Fund (F501)** as at December 31, 2013, and their financial performance and their cash flows for the year then ended in accordance with State accounting principles

### ***Emphasis of Matter***

We draw attention to Note 9 to financial statements which defines Other Investment – California Energy (CE) - Casecan as cash advances made by the Bureau of the Treasury (BTr) to California Energy Casecan Water Electric Company, Inc. (CECWECI) for the account of NIA for water deliveries under the Build, Operate and Transfer (BOT) scheme of the project agreement entered into by and between CECWECI and NIA on November 13, 1994. In a meeting called for by the Department of Finance on June 6, 2012 among the representatives from the BTr, NIA and Commission on Audit, it was agreed that NIA shall book up the advances by debiting Other Investment – CE Casecan account and crediting Due to the National

Treasury account. As at December 31, 2013, Other Investment - CE Casecan account already amounted to P56.265 billion or 47.8 per cent of the total assets of P117.737 billion.

**COMMISSION ON AUDIT**

  
**ELENA L. AGUSTIN**  
Supervising Auditor  
Audit Group B - Irrigation  
Cluster 5-Corporate Government Sector

June 27, 2014



**Pambansang Pangasiwaan ng Patubig**  
(NATIONAL IRRIGATION ADMINISTRATION)  
Lungsod ng Quezon

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OUR REFERENCE:

December 31, 2013

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **NATIONAL IRRIGATION ADMINISTRATION** is responsible for all information and representations contained in the accompanying Consolidated Central Office Trial Balance, Balance Sheet, Statement of Government Equity as of December 31, 2013 and the related Statement of Income and Expenses and Cash Flow for the year then ended under Fund 501 (Corporate Fund and NDC). The financial statements have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

  
**NOEMI V. VILLANUEVA**  
Acting Manager, Accounting Division

  
**LORNA GRACE B. ROSARIO**  
Acting Deputy Administrator for Finance  
and Administrative Sector

  
**CLARO V. MARANAN**  
Administrator

**NATIONAL IRRIGATION ADMINISTRATION  
CORPORATE FUND (F501)  
BALANCE SHEET  
December 31, 2013  
(In Philippine Peso)**

	Note	2013	2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	4	2,746,163,584	2,163,804,055
Receivables - net	5	32,481,203,173	32,044,394,999
Inventories - net	6	63,163,951	63,282,322
Prepayments	7	171,444,917	145,676,624
Other current assets	8	(198,643,759)	(205,759,007)
		35,263,331,866	34,211,398,993
<b>Non-current assets</b>			
Investments	9	56,276,662,585	11,224,500
Property, plant and equipment - net	10	25,604,865,596	24,157,341,391
Other assets	11	591,778,559	521,953,427
		82,473,306,740	24,690,519,318
<b>TOTAL ASSETS</b>		<b>117,736,638,606</b>	<b>58,901,918,311</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Payables	12	1,451,877,160	509,450,537
Inter/intra-agency payables	13	70,487,850,137	14,271,217,238
Other liabilities	14	1,265,551,304	1,335,293,556
		73,205,278,601	16,115,961,331
<b>Non-current liabilities</b>			
Long-term liabilities	15	11,506,340,534	11,506,340,534
Deferred credits	16	18,582,378,511	17,801,141,052
		30,088,719,045	29,307,481,586
		103,293,997,646	45,423,442,917
<b>Equity</b>	18	14,442,640,960	13,478,475,394
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>117,736,638,606</b>	<b>58,901,918,311</b>

The Notes on pages 9 to 23 form part of these financial statements.

**NATIONAL IRRIGATION ADMINISTRATION**  
**CORPORATE FUND (F501)**  
**STATEMENT OF INCOME AND EXPENSES**  
**For the Year Ended December 31, 2013**  
(In Philippine Peso)

	Note	2013	2012
<b>INCOME</b>			
<b>Operating income</b>			
Irrigation service fees (ISF)		1,647,756,436	1,445,575,656
10% Discount on ISF	5	(92,840,269)	(94,880,041)
Loss on sale of palay		(353,586)	(231,138)
		1,554,562,581	1,350,464,477
Rent income		169,020,636	162,174,298
Fines and penalties-service income		24,979,839	20,234,928
		1,748,563,056	1,532,873,703
<b>Non-operating income</b>			
Management fees		28,462,937	33,957,526
CIP/CIS/RIS amortization and equity		329,455,380	324,909,493
Pump amortization and equity		21,169,485	14,195,631
Service fees - water		460,798,798	480,857,158
Energy delivery fees - NPC		94,935,267	-
Other fines and penalties		816,822	154,353
Miscellaneous income	20	150,363,459	143,666,508
		1,086,002,148	997,740,669
		2,834,565,204	2,530,614,372
<b>EXPENSES</b>			
Personal services	21	1,661,608,641	1,685,012,627
Maintenance and other operating expenses	21	2,018,632,327	1,643,646,317
Financial expenses	21	422,519,999	366,280,579
		4,102,760,967	3,694,939,523
<b>LOSS FROM OPERATION</b>		(1,268,195,763)	(1,164,325,151)
<b>OTHER INCOME (EXPENSE)</b>			
Interest income		23,704,068	38,503,691
Loss on FOREX		(2,329,875)	(2,139,756)
Gain (Loss) on sale of assets		(259,180)	1,637,000
		21,115,013	38,000,935
<b>LOSS BEFORE SUBSIDY</b>		(1,247,080,750)	(1,126,324,216)
Subsidy income from national government			
5% Management fee	17	1,187,039,841	984,362,420
<b>NET LOSS BEFORE SUBSIDY</b>		(60,040,909)	(141,961,796)
<b>SUBSIDY FOR THE IMPLEMENTATION OF VARIOUS PROJECTS</b>			
Budgetary support - 2.85% general engineering, supervisory and administrative (GESA)	17	676,611,159	561,086,580
Disbursement acceleration program (DAP):	17		
Jalaur River Multipurpose Project II		-	450,000,000
Casecnan Multipurpose Irrigation and Power Project II		283,620,000	200,000,000
Malitubog Maridagao Irrigation Project II		233,181,000	101,400,000
Umayam River Irrigation Project (URIP)		105,445,000	9,500,000
		1,298,857,159	1,321,986,580
<b>PENSION AND GRATUITY FUND</b>	17	417,490,784	-
Less: Disbursement for pension and gratuity fund		(417,490,784)	-
		-	-
<b>NET INCOME AFTER SUBSIDY FOR THE IMPLEMENTATION OF VARIOUS PROJECTS</b>		<b>1,238,816,250</b>	<b>1,180,024,784</b>

The Notes on pages 9 to 23 form part of these financial statements.

**NATIONAL IRRIGATION ADMINISTRATION  
CORPORATE FUND (F501)  
STATEMENT OF CHANGES IN EQUITY  
For the Year Ended December 31, 2013  
(In Philippine Peso)**

	Note	Capital stock	Government equity (Note 18)	Retained operating surplus (Note 18)	Property, plant and equipment - public infrastructures (Note 18)	Total
<b>Balance, January 1, 2012</b>		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)
Set up of CNA for 2011		-	-	(398,000,000)	-	(398,000,000)
Remittance to BTr - refund of project		-	-	(12,425,578)	-	(12,425,578)
Funds of CNA payments, should						
be charged to F501 funds		-	-	(2,181,665)	-	(2,181,665)
Set up of ENERCON allowance for 2011		-	-	(4,930,419)	-	(4,930,419)
Set up of rice and transportation						
subsidy for MARIIS for CYs 2009-2010		-	-	(18,046,012)	-	(18,046,012)
Income and expense summary		-	85,845,429	(88,916,510)	-	(3,071,081)
Public infra account (F501 - regular						
closed to government equity) - CAR		-	-	-	(19,655,058)	(19,655,058)
Adjustments to F501 NDC account						
CAR (Cordillera Administrative Region)		-	(98,060,409)	98,060,409	-	-
MARIIS		-	-	87,379	-	87,379
Region I		-	-	-	1,006,959	1,006,959
Regions IV-A and VII (completed and						
turned over projects		-	-	-	(41,137,275)	(41,137,275)
CAR - Public infra account		-	-	-	(11,339,199)	(11,339,199)
Region III - balance of account 255-						
2012 closed to government equity		-	-	-	(6,305,746)	(6,305,746)
<b>Balance, December 31, 2012</b>		<b>5,559,191,864</b>	<b>18,026,845,232</b>	<b>(10,030,131,383)</b>	<b>(77,430,319)</b>	<b>13,478,475,394</b>
Net income after subsidy for the						
implementation of various projects		-	-	1,238,816,250	-	1,238,816,250
Correction of prior period errors	19	-	-	(54,367,717)	-	(54,367,717)
Remittance to BIR -						
CNA charged to project funds		-	-	(824,000)	-	(824,000)
Disallowed expenses		-	-	(250,000)	-	(250,000)
Set up of CNA for CY 2012		-	-	(244,734,000)	-	(244,734,000)
Income and expense summary		-	720,527,025	(609,402,290)	-	111,124,735
Adjustments		-	-	(29,998)	-	(29,998)
Rice and transportation subsidy-UPRIIS		-	-	(916,587)	-	(916,587)
Rice subsidy-MARIIS for CY 2012		-	-	(22,994,627)	-	(22,994,627)
Rice and transportation subsidy						
from ENERCON		-	-	(6,732,148)	-	(6,732,148)
Public infra (NDC account closed						
to government equity) - Region I		-	-	-	(6,037,000)	(6,037,000)
- CAR		-	-	-	(25,548,476)	(25,548,476)
Completed and turned over projects						
Region VII		-	-	-	(23,340,866)	(23,340,866)
<b>Balance, December 31, 2013</b>		<b>5,559,191,864</b>	<b>18,747,372,257</b>	<b>(9,731,566,500)</b>	<b>(132,356,661)</b>	<b>14,442,640,960</b>

The Notes on pages 9 to 23 form part of these financial statements.

**NATIONAL IRRIGATION ADMINISTRATION  
CORPORATE FUND (F501)  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2013  
(In Philippine Peso)**

	Note	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from irrigation users and other customers		2,719,976,394	2,812,752,976
Receipt of subsidy from the national government		2,903,387,784	2,309,880,590
Fund transfer from other funds		139,618,439	178,938,331
Receipt of subsidy from local government units (LGUs)		15,774,770	74,484,379
Other payables		-	64,532,086
Guarantee deposits		110,662,916	-
Trust deposits		105,529,459	59,842,417
Refund of cash advances and disallowances		41,423,960	32,208,611
Collection of other receivables		23,313,966	18,353,532
Interest on deposits		20,291,936	18,194,969
Prior period errors		38,597,902	14,517,300
Cash received from other government-owned and/or controlled corporations (GOCCs)		132,635,928	6,665,354
Receipt of management fee		28,462,935	2,609,451
Receipt of inter/intra-agency cash transfer		252,464,172	-
Bank charges		(1,030)	(3,042)
Repair/rehabilitation of existing irrigation facilities		(296,414)	(595,575)
Advances to GOCCs		(4,040,597)	(881,615)
Advances to LGUs		(2,703,631)	(2,588,313)
Payment to other GOCCs/NGAs		(30,000)	(4,853,154)
Refund of performance/bidders' bond		(13,631,676)	(5,337,279)
Payment of guaranty deposits payable		-	(14,572,567)
Adjustments		(13,181,400)	(18,011,731)
Advance payment to contractors		(16,305,100)	(40,639,168)
Advances to NGAs		(29,448,782)	(47,100,180)
Fund transfer to other funds		(174,929,267)	(64,499,664)
Cash advances granted to officers and employees		(53,310,206)	(97,926,420)
Due to officers and employees		(3,448,862)	(152,812,839)
Payment of accounts payable		(349,140,284)	(202,460,515)
Inter-agency/intra-agency transfers		-	(290,300,378)
Payment of other payables		(515,658,131)	(299,950,918)
Remittances to BIR, GSIS, Pag-IBIG and PHILHEALTH		(403,532,845)	(312,940,273)
Cash paid to suppliers, employees and others		(2,889,731,438)	(2,012,286,984)
		<u>2,062,750,898</u>	<u>2,025,219,381</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment		371,530	9,400
Office buildings		(856,535)	(23,900,285)
Purchase of office and IT equipment and software		(221,262,509)	(168,916,483)
Construction in progress		(1,258,643,855)	(342,468,335)
		<u>(1,480,391,369)</u>	<u>(535,275,703)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of interest on loan		-	(110,000,000)
		-	(110,000,000)
<b>CASH, BEGINNING OF YEAR</b>		<u>2,163,804,055</u>	<u>783,860,377</u>
<b>CASH, END OF YEAR</b>	4	<u><b>2,746,163,584</b></u>	<u><b>2,163,804,055</b></u>

The Notes on pages 9 to 23 form part of these financial statements.