



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

Report on the Audit of the Financial Statements

Opinion

We were mandated to audit the financial statements of the **National Irrigation Administration (NIA)**, which comprise the statement of financial position as at December 31, 2017, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the NIA. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The Prior Period Adjustments (PPAs) aggregating P102.632 million and P2.667 billion in the Combined Statement of Changes in Net Assets/Equity (SCNA/E) for calendar years 2017 and 2016, respectively, directly presented in the SCNA/E instead of restating the affected accounts in which errors occurred contrary to Philippine Public Sector Accounting Standard 3, and could mislead the users of the financial information. Likewise, these adjustments have no disclosures and lacked appropriate supporting documents.

Also, the reliability of Property, Plant and Equipment (PPE) account with carrying amount of P231.816 billion could not be established due to capitalization of payments of P20.646 billion under PPE account without sufficient legal basis to confirm control or ownership over irrigation canals, laterals, regulating structure, and other non-power component of the project, unreconciled variance of P68.086 billion between results of physical count vis-a-vis Accounting records and Engineering and Operations Division reports, non-conduct of physical count for PPE items with total amount of P9.829 billion, inadequate accounting and property records for PPE items of P37.106 billion, non-reclassification of long-completed irrigation projects amounting to

P23.240 billion to proper asset accounts, non-derecognition of the net carrying amount of the irrigation facilities that have undergone major rehabilitations/repairs, and non-provision and incomplete details of depreciation expenses.

Moreover, the balances of the accounts Cash in Bank of P9.729 billion, Accounts Receivable-Irrigation Service Fees (ISF) of P22.304 billion, Accounts Payable of P3.701 billion, Intra-Agency Receivable - Due from Regional Offices of P492.679 million and Intra-Agency Payables - Due to Central Office of P60.411 million, and Inter-Agency Receivables of P124.672 million could not be relied upon due to, among others, non-preparation of bank reconciliation statements, unsupported/unidentified reconciling items, non-provision of impairment loss on unpaid ISF of farmers with eight hectares landholdings and below and past due accounts of Irrigators Associations, variances between balances of subsidiary and general ledgers, existence of negative/abnormal balances, dormant outstanding receivable and payable balances, non-maintenance or incomplete subsidiary records or absence of supporting documents.

We were not able to obtain sufficient appropriate audit evidence about the balances of the above-mentioned accounts as well as other affected accounts due to inadequacy of accounting and property records. Consequently, we were unable to determine whether any adjustments to these accounts were necessary.

Emphasis of Matter

We draw attention to paragraph 5 of Note 1 to Financial Statements which discusses the approval of Republic Act (RA) No. 10969, or the Free Irrigation Service, amending RA No. 3601, on February 2, 2018 which provides condonation and writing off of all unpaid irrigation service fees and corresponding penalties of farmers with eight hectares and below, and all loans, past due accounts and penalties of farmers and Irrigators Associations and corresponding interests and penalties.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP), 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of NIA's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of this report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines and we have fulfilled our other ethical responsibilities under those ethical requirements.

Report on the Supplementary Information Required Under BIR Revenue Regulations 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2017 required by the Bureau of Internal Revenue as disclosed in Note 22 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with GAAP. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT



ANNIE L. RECABO

OIC-Supervising Auditor

Audit Group B – National Irrigation Administration

Cluster 5, Corporate Government Sector

June 29, 2018



Republic of the Philippines
National Irrigation Administration
(PAMBANSANG PANGASIWAAN NG PATUBIG)
Quezon City

Office Address: National Government Center
EDSA, Diliman, Quezon City, Philippines
Telephone Nos.: (02) 929-6071 to 78
Website: www.nia.gov.ph

Telefax No. (632) 928-9343
TIN No. 000-916-415

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


The management of NATIONAL IRRIGATION ADMINISTRATION is responsible for the preparation of the financial statements as at December 31, 2017, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors granted authority to the Administrator to issue the Financial Statements of National Irrigation Administration (NIA) for the Calendar Year ended December 31, 2017 per Board Resolution No. 8543-18 S. of 2018.

The Commission on Audit has audited the financial statements of the National Irrigation Administration in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.


EDITHA D. MORALES

Acting Manager, Financial Management
Department


MGEN ROMEO G. GAN (Ret)
Deputy Administrator for Finance
and Administrative Sector


GEN RICARDO R. VISAYA (Ret)
Administrator

6-29-2018

NATIONAL IRRIGATION ADMINISTRATION
STATEMENT OF FINANCIAL POSITION
December 31, 2017
ALL FUNDS
(In Philippine Peso)

			2016
	Note	2017	As restated
ASSETS			
Current assets			
Cash and cash equivalents	4	9,847,365,875	7,805,409,697
Receivables - net	5	36,483,169,619	36,910,314,982
Inventories - net	6	111,515,587	117,111,950
Other current assets	7	4,242,541,924	2,569,575,928
		50,684,593,005	47,402,412,557
Non-current assets			
Investments	8	69,342,413,375	66,401,148,202
Property, plant and equipment - net	9	231,815,682,001	210,392,122,344
Other non-current assets		549,229	547,909
		301,158,644,605	276,793,818,455
TOTAL ASSETS		351,843,237,610	324,196,231,012
LIABILITIES AND EQUITY			
Current liabilities			
Payables	10	7,221,848,355	6,906,765,198
Trust liabilities	11	905,728,299	771,831,473
Inter-agency payables	12	80,247,758,798	80,320,520,491
Intra-agency payables	13	558,031,928	478,622,940
		88,933,367,380	88,477,740,102
Non-current liabilities			
Long-term liabilities	14	8,581,340,534	9,556,340,534
Deferred credits	15	23,103,165,665	22,568,896,906
		31,684,506,199	32,125,237,440
		120,617,873,579	120,602,977,542
Equity	17	231,225,364,031	203,593,253,470
TOTAL LIABILITIES AND EQUITY		351,843,237,610	324,196,231,012

The Notes on pages 11 to 27 form part of these financial statements.

**NATIONAL IRRIGATION ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
ALL FUNDS**

(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL/CORPORATE INFORMATION

The National Irrigation Administration (NIA) was formally created as a government corporation under Republic Act (RA) No. 3601 on June 22, 1963 with an authorized capital of P300 million. In calendar year (CY) 1974, under Presidential Decree (PD) No. 552, its capitalization was increased to P2 billion, and under PD No. 1702 dated July 17, 1980, it was further increased to P10 billion. The capital was to be subscribed and paid for entirely by the Philippine Government. Section 2, paragraph (b) of PD No. 552 provides NIA's sources of operating capital.

The Corporation was originally attached to both the Department of Public Works and Highways (DPWH) and the Department of Agriculture (DA), was later transferred to the Office of the President, and subsequently attached to DA under Administrative Order (AO) No. 17 dated October 14, 1992. On May 5, 2014, Executive Order (EO) No. 165, s. 2014 transferred NIA together with the National Food Authority (NFA), the Philippine Coconut Authority (PCA) and the Fertilizer and Pesticide Authority from DA to the Office of the President under the Office of the Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM). In view of the change in Administration in CY 2016, the OPAFSAM was abolished. Under EO No. 1, s. 2016 dated June 30, 2016, the supervision of NFA and PCA was placed under the Cabinet Secretary while the NIA was not included among the agencies listed under the supervision of the Cabinet Secretary. However, in a Memorandum dated November 3, 2016 of the Executive Secretary, the Cabinet Secretary was designated as the Acting Chairperson of the NIA Board of Directors.

The financial statements of the NIA for the calendar year ended December 31, 2017 were authorized for issue on June 29, 2018.

The principal function of NIA was initially to develop, maintain, operate, improve and rehabilitate irrigation systems including communal and pump irrigation projects. However, with the reorganization of the government that occurred after NIA's creation, the Corporation also assumed the irrigation activities of other government agencies, including those of the Irrigation Service Unit of the then Presidential Assistance on Community Development. Thereafter, with the passage of RA No. 6978, otherwise known as "An Act to Promote Rural Development by Providing for an Accelerated Program within a Ten-Year Period of the Construction of Irrigation Projects," the activities of NIA were significantly increased to cover the remaining 1.5 million unirrigated but irrigable hectares of land nationwide.

In 2017, with the pronouncement of the current administration, NIA no longer collects Irrigation Service Fee. To formally adopt the Free Irrigation Service, RA No. 10969, amending RA No. 3601 was approved by the President last February 2, 2018 implementing the scope of Free Irrigation Service and the Condonation and Writing Off

of Loans, Past Due Accounts and Penalties of Farmers and Irrigators Association with landholdings of eight hectares and below only.

1.1 Personnel Profile and Organizational Structure

NIA is headed by an Administrator, assisted by a Senior Deputy Administrator and supported by Deputy Administrator for Administrative and Finance and Deputy Administrator for Engineering and Operations. The Corporation had 5,398 and 6,700 personnel in CYs 2017 and 2016, respectively. The breakdown is as follows:

	2017	2016
Monthly Paid - Rationalized		
Permanent – Corporate Operating Budget (COB) charged filled	3,870	3,799
Casual/Daily Paid		
COB charged	453	397
Project charged	1,075	2,504
	5,398	6,700

The NIA is composed of the Central Office (CO), 17 Regional Irrigation Offices (RIOs) including the Upper Pampanga River Integrated Irrigation System (UPRIIS) and the Magat River Integrated Irrigation System (MARIIS), 50 Irrigation Management Offices (IMOs) inclusive of 9 interim IMOs, and 10 Project Management Offices (PMOs). These are the offices that exist as a result of implementation of the Rationalization Plan. The Corporation manages 307 National Irrigation Systems (NISs) nationwide with a total service area of 848,617 hectares with firmed-up service area of 748,829 hectares. The total irrigated areas were 597,259 hectares during the dry season (November to April), 633,443 hectares during the wet season (May to October), and 15,538 hectares for the third crop (Quick Turn-Around program and Ratooning).

1.2 Projects and Operational Profile

NIA pursued the implementation of 2,072 infrastructure projects for CY 2017. Of the total number, 1,214 projects are in Luzon, 423 in Visayas, and 435 in Mindanao. Other activities for the year were planning and development of irrigation projects, repair, rehabilitation and restoration projects of national and communal irrigation systems, organization and development of irrigators associations (IAs), implementation and monitoring of Irrigation Management Transfer (IMT), and execution and monitoring of climate change adoption works.

The CY 2017 program included the: generation of 23,115 hectares (ha); restoration of 13,507 ha; repair and rehabilitation works of 249 kilometers (km) earth canal; 1,133 km concrete lined canal, 66 km high density polyethylene (HDPE) pipe, 344,906 square meters (sq.m.) coconet slope protection area, 19 km concrete roads, 67 km gravel and 3,461 unit canal structures.

The Agency accomplished 19,679 ha new area generation, and 17,788 ha area restoration. Repair works dwelt on 480.29 km of earth canals, 1,880.21 km canal lining, 224.38 km HDPE pipe, 377,243 sq. m. coconet slope protection area, 31.84 km concrete roads, 84.95 km gravel and 5,458 unit canal structures. These included accomplishments under the CY 2017 Program and carry-over projects.

1.3 Allotments/Cash Allocations – from National Government

Funding sources for the implementation of NIA Irrigation Development Program were appropriated under the General Appropriations Act (GAA) of Fiscal Year (FY) 2017, RA No.10924 for the National Irrigation Administration (Section XXXVI-Budgetary Support to Government Corporations, K.9. Other Executive Offices-NIA), summarized as follows:

CY 2017 Irrigation Program (In Thousand Pesos)				
	Appropriation	Allotment	Release Cash/ Non Cash	Obligation
CY 2017 Irrigation Program				
A1. Programs for Operations	25,651,737	25,651,737	16,883,408	24,868,926
B1. Locally-Funded Projects	9,554,575	9,554,575	2,531,437	8,229,157
B2. Foreign-Assisted Projects	3,170,129	3,170,129	504,964	2,401,965
	38,376,441	38,376,441	19,919,809	35,500,048

Carry Over Funds (In Thousand Pesos)			
	Unobligated Balance 2016	Release Cash/ Non Cash	Obligation
A1. Operations	1,562,530	4,958,811	1,452,879
B1. Locally Funded	8,775,108	3,668,653	7,909,794
B2. Foreign Assisted	4,586,329	55,882	3,847,339
	14,923,967	8,683,346	13,210,012

2. BASIS FOR REPORTING

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). Accounts name and code conformed to the Revised Chart of Accounts prescribed under COA Circular No. 2014-003 dated April 15, 2014.

In a letter dated April 25, 2018, the COA Government Accountancy Sector (GAS) approved NIA's request for deferment of the adoption for CY 2017 of Philippine Public Sector Accounting Standards (PPSASs) prescribed under COA Resolution No. 2014-003 dated January 24, 2014, as amended by COA Resolution No. 2015-040 dated December 1, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Allowance for Bad Debts

The Corporation sets up allowance for bad debts for all outstanding receivables, except reciprocal accounts, and for installment receivables based on the aging of accounts at the rate of one per cent for accounts that are one to 60 days due, two per cent for accounts that are 61 to 80 days due, three per cent for accounts that are 81 days to one year due, and five per cent for accounts that are more than one year due.

b. Inventories

Inventories are measured at lower of cost or net realizable value.

c. Investments

Long-term investments are valued at cost.

d. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method at rates ranging from two per cent to 10 per cent per annum.

Major repairs are capitalized while minor repairs are charged to operations as incurred.

The Construction Period Theory is applied in the costing of assets that are under construction. Related expenses incurred during the construction period are capitalized, while those incurred after the construction of the project form part of the operating cost.

e. Revenue Recognition

Income is taken up on a modified cash basis, i.e., income from space and facilities rental, bid documents and management fee are taken up on a cash basis, whereas income from operations is taken up on an accrual basis.

f. Expense Recognition

Accrual method of accounting is adopted where expenses are recognized when incurred regardless of when paid.

g. Foreign Currencies transactions

Transactions in foreign currencies are recorded in Philippine Peso based on the Bangko Sentral ng Pilipinas (BSP) rate of exchange prevailing at the date of transactions. At the end of the year, these are revalued using the rate of exchange at reporting date. Foreign currency denominated monetary assets and liabilities at reporting date are restated based on BSP exchange rate at that date.

4. CASH AND CASH EQUIVALENTS

This account includes the following:

	2017	2016
Cash-collecting officers	116,152,733	79,306,474
Petty cash	2,354,389	2,331,926
Cash-treasury/agency deposit, regular	71,210	71,210
Cash in bank-national treasury, MDS	-	58,420
Cash in bank-local currency, current account	9,034,848,110	7,125,720,680
Cash in bank-local currency, savings account	112,221,827	156,350,725
Cash in bank-local currency, time deposit	375,486,905	369,656,007
Cash in bank- foreign currency savings account	167,262,120	35,724,463
Cash in bank- foreign currency time deposit	38,968,581	36,189,792
	9,847,365,875	7,805,409,697

Cash in Bank – Local Currency Current account includes the amount of cash deposited in current account by different regional and project offices nationwide with authorized government depository banks.

Cash in Bank - Foreign Currency Savings account represents amounts deposited with authorized government depository banks denominated in US dollars and Japanese yen. These constitute monies from foreign lending banks for the implementation of irrigation projects.

Cash, Treasury/Agency Deposit, Regular account represents the balance from “Due from National Treasury” account before it was converted to conform with the Revised Chart of Accounts.

5. RECEIVABLES

This account consists of the following:

	2017	2016 (As restated)
Accounts receivable	22,304,409,153	22,387,818,603
Allowance for impairment	(1,528,756,347)	(1,289,453,589)
Net value-accounts receivable	20,775,652,806	21,098,365,014
Loans receivables-others	2,784,408	3,376,078
Inter-agency receivable	14,531,897,761	14,641,593,415
Intra-agency receivable	669,594,625	610,219,047
Other receivables	503,240,019	556,761,428
	36,483,169,619	36,910,314,982

5.1 Accounts Receivable

	2017	2016
Accounts receivable-ISF	135,186,009	22,387,818,603
Accounts receivable-ISF back account	13,745,470,395	-
Accounts receivable-pump/CIP/CIS-current	2,325,494,586	-
Accounts receivable-pump/CIP/CIS-non-current	5,960,180,543	-
Accounts receivable-others	138,077,620	-
	22,304,409,153	22,387,818,603

Accounts Receivable account comprises trade/business receivables from Irrigation Service Fees (ISF). Memorandum Circular (MC) No. 26 dated June 7, 1976 requires annual adjustment of the account in the books due to increase in the government support price for palay. MC No. 62 dated December 5, 1977 and MC No. 62-A dated December 22, 1977 grant 10 per cent discount to farmers for payment of irrigation fees on or before due dates. The account also includes current installment receivables from amortization of irrigation pumps, communal irrigation projects (CIP), communal irrigation systems (CIS) and motorcycles. MC No. 54, s. of 2013 serves as a follow up to the Incentive Policy on the payment of Back Accounts (BA) since previous related MCs had lapsed on December 31, 2009. This policy covers all irrigation users of NISs with BA in ISF.

With the passage of RA No. 10969, NIA will condone and write -off past due accounts and penalties of Accounts Receivable-ISF of Farmers and Irrigators Association with landholdings of eight hectares and below only.

5.2 Inter-Agency Receivable

	2017	2016
Due from national government agencies (NGAs)	856,701,834	881,620,050
Due from local government units (LGUs)	204,173,161	298,375,372
Due from government-owned and/or controlled corporations (GOCCs)	13,471,022,766	13,461,597,993
	14,531,897,761	14,641,593,415

Due from NGAs account includes the amounts of unliquidated advances/fund transfers to the: (a) Department of Environment and Natural Resources (DENR) and Department of Health (DOH) as partners in the implementation of the irrigation component under Environment and Health per loan package for Southern Philippines Irrigation Sector Project (SPIISP) extended by the Asian Development Bank (ADB), (b) DPWH District Offices for the construction/rehabilitation of farm to market roads out of the National Development Company (NDC) loan proceeds, and (c) DPWH-Autonomous Region in Muslim Mindanao (ARMM) and Philippine Rice Research Institute (PhilRice).

Due from LGUs account represents advances made as a result of Memoranda of Agreement (MOAs) between NIA and LGUs to implement repair and rehabilitation of irrigation facilities subject to liquidation after implementation of the projects. Also, this includes releases to LGUs out of loan proceeds from NDC, for the implementation of farm to market road projects.

Due from GOCCs account includes receivables from the National Power Corporation (NPC) relative to the sale of electrical energy generated by the Casecnan Multi-Purpose Irrigation and Power Project (CMPIPP) per Power Purchase Agreement dated June 30, 1995 and Supplemental Agreement dated September 25, 2003.

5.3 Intra-Agency Receivable

	2017	2016
Due from central office	19,282,200	20,615,356
Due from regional offices	492,696,204	495,679,204
Due from other funds	157,616,221	93,924,487
	669,594,625	610,219,047

Due from Regional Offices is the reciprocal account of Due to Central Office which are both closed at year-end during consolidation of financial statements. However, due to inadequate reconciliation, the accounts remain open as at December 31, 2017.

Due from other funds account represents advances or borrowings from the General Fund to the Corporate Fund with repayment condition as soon as funds are available.

5.4 Other Receivables

	2017	2016 (As restated)
Other receivables	455,773,726	513,685,014
Receivables-disallowances/charges	36,013,740	30,450,152
Due from officers and employees	11,452,553	12,626,262
	503,240,019	556,761,428

Other Receivables account includes claims from accountable officers for cash shortages, claims for dishonored checks and other miscellaneous contingent assets.

6. INVENTORIES

This account includes the following:

	2017	2016
Merchandise inventory	59,558,586	61,569,309
Allowance for impairment	(93,179)	(93,179)
	59,465,407	61,476,130
Office supplies inventory	47,606,172	47,686,036
Semi-expendable-other machinery and equipment	85,760	-
Semi-expendable-office equipment	120,414	-
Semi-expendable-information and communication technology equipment	67,509	-
Semi-expendable-furniture and fixtures	604,339	-
Fuel, oil and lubricants inventory	2,130,839	7,547,585
Construction materials inventory	30,497	30,497
Other supplies and materials inventory	1,404,650	371,702
	111,515,587	117,111,950

Merchandise Inventory represents carried over balance which has been dormant for several years now and under verification.

Semi-expendable accounts were adopted during CY 2017.

Office supplies, gasoline, oil and lubricants, spare parts and other supplies inventories are held for consumption.

7. OTHER CURRENT ASSETS

This account is composed of the following:

7.1 Advances

	2017	2016
Advances to officers and employees	19,301,725	26,492,655
Advances to special disbursing officers	21,571,955	19,152,021
Advances for payroll	8,772,802	12,815,109
Advances to operating expense	261,846	-
	49,908,328	58,459,785

7.2 Prepayments

	2017	2016
Advances to contractors	4,149,665,061	2,472,792,995
Prepaid rent	7,510,433	7,550,561
Other prepayments	8,666,344	8,905,344
	4,165,841,838	2,489,248,900

The account Advances to contractors represents the 15 per cent mobilization fees for the implementation of the projects subject for proportionate recoupment from the Contractors' Progress Billings.

Other prepayments account represents payments to the Procurement Service under the Department of Budget and Management (DBM) and to Petron Philippines for the delivery of office supplies and gasoline, respectively.

7.3 Deposits

	2017	2016
Deposit on letters of credit	199,788	199,788
Guarantee deposits	26,591,970	21,667,455
	26,791,758	21,867,243

8. INVESTMENTS

This account consists of:

	2017	2016
Investment in stocks	11,207,000	11,207,000
Investment in bonds	1,600	1,600
Other investments and marketable securities	15,900	15,900
Other investment – CE Casecnan	69,331,188,875	66,389,923,702
	69,342,413,375	66,401,148,202

Investment in stocks account comprises investment in NIAConsult, Inc. (NIACI), a subsidiary of NIA, amounting to P10 million in the form of drilling rigs and auxiliary equipment with appraised value of P12.639 million and cash under Treasury Warrant No. B0481390 dated October 2, 1980 in the amount of P0.750 million. Per Board Resolution No. 3791-82, NIA's investment in NIACI is up to P10 million only and the excess in the amount of P3.389 million is considered as advances and recorded as receivables. As of to date, NIACI is on the process of winding up its operation. This account also includes investment in Gasifier and Equipment Manufacturing Corporation (GEMCOR) shares of stocks, 937 shares purchased in CY 1981 and another 250 shares acquired in CY 1984 both at P1,000 per share. In CY 1988, the GEMCOR privatization plan, which called for its dissolution, was approved. As at audit date, NIA's inquiry on the chance of recovering its investment remains unanswered.

Investment in bonds account consists of 25-year six per cent Land Bank of the Philippines (LBP) bonds with various maturity dates depending on the dates of issue.

Other Investment – CE Casecnan account represents the cash advances made by the Bureau of the Treasury (BTr) to California Energy Casecnan 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. The project was aimed to: (i) divert certain water in the Casecnan Watershed and transfer that water into the Pampanga watershed at the Pantabangan Reservoir for NIA's subsequent irrigation use in the Central Luzon Valley; (ii) make available new installed electrical capacity and electrical energy to NPC Luzon grid; and (iii) increase electrical energy generation at the existing Pantabangan and Masiway facilities.

On June 26, 1995, NIA and CECWECI entered again into the Amended and Restated Project Agreement to amend and restate in its entirety the original project agreement by reason of the General Agreement on Tariffs and Trade-Uruguay Round (GATT-UR) Agreement on agriculture and for NIA to implement an accelerated irrigation program for 1,500,000 hectares over the next 10 years.

Consequently, on June 30, 1995 a Power Purchase Agreement (PPA) was entered between NIA and NPC relative to the energy delivery for 20 years of commercial operation or such longer period as may be determined in accordance with the contract.

On September 29, 2003, NIA and CECWECI entered into another Supplemental Agreement regarding the Amended and Restated Casecnan Project Agreement whereby the parties agreed to: (i) Excess Energy Delivery Fees – the excess energy fees chargeable by NIA to NPC shall be reduced to the equivalent of the variable energy rates provided under this supplemental agreement, thereby resulting in the accrual of the benefits relating to excess energy in favor of NPC; (ii) Dispatch Protocol – assumption by NPC of all obligations of NIA relating to dispatch and contractual obligation for energy; and (iii) Cooperation on co-Minimization – both parties acknowledged that the failure or inability to prevent or reduce water spillage or wastage will increase both parties' energy and water delivery fees to CECWECI.

From the very start of the cooperation period in CY 2002 up to the present, the BTr advances the payment of NIA's contractual obligation upon approval of its request by the Department of Finance (DOF). However, NIA stopped the recording of these advances effective CY 2009.

In a meeting called for by the DOF on June 6, 2012 among the representatives from the BTr, NIA and Commission on Audit (COA), it was agreed that NIA would book up the advances by debiting Other Investment - CE Casecnan account and crediting Due to the National Treasury account.

Included also in this account is the ten-year US\$97 million bonds issued on October 15, 2003 by NIA and guaranteed by the Republic of the Philippines and the guarantee fee of one per cent per annum as approved by the DOF.

9. PROPERTY, PLANT AND EQUIPMENT

This account consists of:

	Infrastructure assets irrigation systems	Land and land improvement	Building and improvements	Machineries, equipment, furniture and fixtures	Construction in progress (CIP)	Total
Cost:						
Balance, 01/01/17, as restated	66,270,301,320	38,725,392,083	1,555,870,220	4,008,964,564	114,992,903,791	225,553,431,978
Additions	10,384,808,145	2,435,124	20,122,039	77,636,383	10,968,044,134	21,453,045,825
CIP transfer to PPE account	72,175,564	1,017,970	946,220	45,449,458	(77,096,138)	42,493,074
Reclassification of PPE account	5,323,115	-	-	(5,323,115)	-	-
Adjustment	1,734,404,258	(163,534,893)	25,671,856	(6,125,571)	(358,282,355)	1,232,133,295
Balance, 12/31/17	78,467,012,402	38,565,310,284	1,602,610,335	4,120,601,719	125,525,569,432	248,281,104,172
Accumulated depreciation:						
Balance, 01/01/17, as restated	1,187,885,695	11,685,931,823	302,165,307	1,985,326,809	-	15,161,309,634
Depreciation charges	18,398,530	1,139,122,120	41,625,363	165,169,345	-	1,364,315,358
Adjustment	43,773,039	(91,012,053)	(7,721,181)	(5,242,626)	-	(60,202,821)
Balance, 12/31/17	1,250,057,264	12,734,041,890	336,069,489	2,145,253,528	-	16,465,422,171
Net, 12/31/17	77,216,955,138	25,831,268,394	1,266,540,846	1,975,348,191	125,525,569,432	231,815,682,001
Net, 12/31/16, as restated	65,082,415,625	27,039,460,260	1,253,704,913	2,023,637,755	114,992,903,791	210,392,122,344

Land and Land Improvements account includes cost of farm to market roads in various LGUs financed out of the P346 million proceeds of loan from NDC.

Land Improvements account refers to the total cost of completed irrigation projects which have generally rebounded to the benefit of the farmers in terms of service areas. This also includes those funded out of appropriations from the National Government through the DPWH and the DA in CY 1990 until CY 1996.

Construction in Progress (CIP) account represents cost of projects implemented out of project funds directly released to NIA by DBM.

Tangible items with capitalization threshold of P15,000 shall be accounted for as semi – expendable property.

10. PAYABLES

This account consists of:

	2017	2016
Accounts payable	4,780,946,316	5,036,684,638
Due to officers and employees	199,327,416	22,909,136
Notes payable	128,022	128,022
Other payables	2,241,446,601	1,847,043,402
	7,221,848,355	6,906,765,198

Accounts Payable are mostly claims of foreign and local contractors on their project accomplishments and claims of suppliers for the delivery of goods.

11. TRUST LIABILITIES

	2017	2016
Guarantee/security deposit payables	870,890,638	736,614,102
Customers deposit payable	1,639,158	1,457,538
Performance/bidders/bail bonds	33,198,503	33,759,833
	905,728,299	771,831,473

Guaranty/Security Deposit Payables account represents “retention money” from claims of contractors implementing the Corporation’s projects to cover for uncorrected discovered defects and third party liabilities.

12. INTER-AGENCY PAYABLES

	2017	2016
Due to National Treasury	65,383,828,696	65,381,343,171
Due to other NGAs	13,819,470,350	13,702,158,800
Due to other GOCCs	577,499,337	828,313,425
Due to Bureau of Internal Revenue	403,353,901	351,343,958
Due to Government Service Insurance System	24,074,715	22,183,228
Due to local government units	25,188,710	21,744,250
Due to Pag-IBIG fund	7,169,568	6,622,812
Due to PhilHealth	6,643,821	6,810,847
Due to NIAConsult, Inc.	529,700	-
	80,247,758,798	80,320,520,491

Due to National Treasury is the amount of the cash advances made by the BTr on account of NIA for payment of water delivery fees to CECWECL.

Due to Other NGAs account represents fund transfers received/trust receipts from national government agencies (i.e. DA, DAR, NAFC and DPWH) for the implementation of irrigation projects.

Due to Other GOCCs account pertains to trust receipts from government-owned and/or controlled corporations to finance specific projects or to pay specific obligations.

13. INTRA-AGENCY PAYABLES

	2017	2016
Due to central office	60,487,171	64,830,862
Due to regional offices	222,140,354	225,004,405
Due to other funds	275,404,403	188,787,673
	558,031,928	478,622,940

Due to Regional Offices account is the reciprocal account of Due from Central Office which represents balances in unfunded Advice of Sub-allotments (ASAs) of the Regional Offices in the Project Management Office (PMO) books at the time of conversion to New Government Accounting System (NGAS) which is subject for review and reconciliation by the PMO and Regional Offices.

14. LONG-TERM LIABILITIES

This account consists of loans and advances payable to the following:

	2017	2016
Loans payable – domestic and advances payable–national government agencies		
Asian Development Bank	2,829,468,741	2,829,468,741
International Bank for Reconstruction and Development	3,107,554,082	3,107,554,082
Overseas Economic Cooperation Fund	266,583,721	266,583,721
Special Project Implementation Assistance Loan	156,479,931	156,479,931
	6,360,086,475	6,360,086,475
Loans payable – NDC	1,950,000,000	2,925,000,000
Loans payable – foreign		
Asian Development Bank	139,039,695	139,039,695
International Bank for Reconstruction and Development	83,155,142	83,155,142
International Fund for Agricultural Development	49,059,222	49,059,222
	271,254,059	271,254,059
	8,581,340,534	9,556,340,534

Loans Payable – Domestic and Advances Payable to National Government Agencies represent payments made by the BTr to lending banks in favor of NIA. The BTr periodically forwards notices of payments to NIA which serve as basis of the latter in the recording of advances made by the former. Most of these payments cover only the interest incurred on loans.

The Loans Payable to NDC was an offshoot of the implementation of economic pump-priming projects of the National Government, which NIA is involved in, and completion of NIA's repair and rehabilitation program of existing national and communal irrigation systems (NIS/CIS). As the required fund, in the total amount of P3.700 billion, was not programmed in the proposed FY 2006 GAA, the NIA Board of Directors authorized the NIA Administrator, under Board Resolution No. 7370-06, series of 2006 dated March 3, 2006, to negotiate for a loan with NDC.

In relation to this, a Memorandum of Agreement (MOA) was entered into by and among NIA, NDC, DBM, DOF and DA on May 11, 2006 which defines the roles and responsibilities of the concerned agencies to carry out the said lending activity and the implementation and monitoring of the project. On the same date, NIA entered into a loan agreement with NDC for P1 billion as interim financing, as approved under Board Resolution No. 7375-06 dated April 24, 2006. The loan has a term of six years and bears a fixed interest rate of 10 per cent per annum plus taxes, payable quarterly in arrears.

In October 2006, NIA availed itself of an additional P2 billion loan from NDC, as approved by Board Resolution No. 7391-06, series of 2006. Another MOA was executed among NDC, DBM, DOF and DA for the utilization and repayment of said loan. The terms include utilization of P1 billion for full payment of the interim loan and P1 billion for financing NIA's additional requirements for repair and rehabilitation of NIS/CIS including farm-to-market roads and other projects.

As of December 31, 2017, proceeds from the loan had a remaining balance of P23.601 million. The increase pertains to the remittances of unused funds from Regional Offices. Breakdown of the fund is shown as follows:

Funds Maintained in:	2017	2016
Cash in bank - CA	9,507,806	513,253
Cash in bank - SA	14,093,627	14,093,627
	23,601,433	14,606,880

Loans Payable – Foreign account represents the proceeds of foreign loan avallment usually evidenced by the lending institution’s payment advice and Bangko Sentral ng Pilipinas credit advice ticket. Verification as to the nature and status of these payables are on-going.

15. DEFERRED CREDITS

This account includes the following:

	2017	2016
Deferred credits	20,197,439,584	20,852,752,881
Other deferred credits	2,905,726,081	1,716,144,025
	23,103,165,665	22,568,896,906

Deferred Credits account represents income to be realized upon collection of previously billed irrigation fees and unearned income on installment sales, equipment rentals and CIS amortizations.

Other Deferred Credits account pertains to miscellaneous liabilities and undistributed collections converted to this account.

16. NET FINANCIAL ASSISTANCE/SUBSIDY

This account represents the subsidy received from the National Government for the following:

	2017	2016
Corporate Fund		
Budgetary Support for NIA operations – PS, MOOE and Capital Outlay	3,034,412,750	1,332,103,250
Payment of NDC Loan – principal and interest	1,498,870,000	1,498,870,000
	4,533,282,750	2,830,973,250
General Fund		
Implementation of project – locally funded	22,124,513,677	13,333,951,068
Implementation of foreign assisted projects including grants	2,036,478,833	2,899,783,591
Payment to PSALM for NPC advances of NIA’s share in the debt service for the loan from JBIC for the San Roque Multi-Purpose Project (SRMPP)	2,642,010,000	3,360,582,000
	26,803,002,510	19,594,316,659
Special Fund		
Implementation of Comprehensive Agrarian Reform Program (CARP) – Irrigation component (IC) – Capital Outlay	246,074,604	150,000,000
Operation of CARP IC Project Management Office	107,040,000	90,645,344
Tax Remittance Advice	102,228	-
	353,216,832	240,645,344
	31,689,502,092	22,665,935,253

Payments to NDC and Power Sector Assets and Liabilities Management Corporation (PSALM) was released directly to NDC and PSALM through the BTr pursuant to Sections 5 and 6, respectively, of the Special Provisions of the GAA for FY 2017 to be used exclusively to cover the payment of the Agri-Agra Bonds issued by NDC in CYs 2006 and 2009 relative to the repair and rehabilitation of NIA existing irrigation systems and payment of non-power component-irrigation share cost of the San Roque Multi-purpose Project in CYs 1999 to 2014.

17. EQUITY

	Accumulated Surplus	Capital Stock	Retained Earnings	Total
Balance, January 1, 2016	191,729,189,706	5,559,191,864	(11,176,371,747)	186,112,009,823
Adjustments on prior years	(2,666,069,970)	-	-	(2,666,069,970)
Balance, January 1, 2016, as restated	189,063,119,736	5,559,191,864	(11,176,371,747)	183,445,939,853
Add: Surplus for CY 2016, as reported	21,118,347,631	-	(201,101,264)	20,917,246,367
Add/(deduct) adjustments of CY 2016 surplus				
Unrecorded Other income	2,593,120	-	-	2,593,120
Erroneously recorded expenses:				
Personnel services	(13,182,617)	-	-	(13,182,617)
MOOE	(23,168,591)	-	-	(23,168,591)
	(33,758,088)	-	-	(33,758,088)
Surplus for CY 2016, as restated	21,084,589,543	-	(201,101,264)	20,883,488,279
Add/(deduct) other adjustments:				
Unrecorded subsidy	941,900	-	-	941,900
Changes in accounting policy-PPE to				
Semi-expendable	(128,022)	-	-	(128,022)
PPE capitalization	1,203,806	-	-	1,203,806
Impairment loss - PPE	(6,627)	-	-	(6,627)
Interest earnings	4,534	-	-	4,534
Transfer to Bureau of the Treasury (BTr)				
- reversions	(7,457,098)	-	-	(7,457,098)
Transfer to BTr - interest earnings	(83,083)	-	-	(83,083)
Completed projects	(751,489,652)	-	-	(751,489,652)
Others	173,011,860	-	(134,404,411)	38,607,449
Others-Regions 4B, 6, 7, 8, 9 and 13,	(17,767,869)	-	-	(17,767,869)
	(601,770,251)	-	(134,404,411)	(736,174,662)
Balance, December 31, 2016, as restated	209,545,939,028	5,559,191,864	(11,511,877,422)	203,593,253,470
Add: CY 2017 surplus, reported	27,993,005,828	-	(463,527,233)	27,529,478,595
Other adjustments	79,772,936	-	22,859,030	102,631,966
Balance, December 31, 2017	237,618,717,792	5,559,191,864	(11,952,545,625)	231,225,364,031

The Accumulated Surplus account includes: (a) capital invested by the National Government for various irrigation systems/projects implemented and maintained by NIA and (b) surplus/deficit from the operations.

18. OPERATING INCOME

Service Income pertains to Operating and Service Income that comes from collections of Irrigation Service Fees and CIS, Pumps, CIP Amortization.

Rent Income includes income from rental of hostels/dormitories and other facilities such as convention halls and classrooms.

Fines and penalties are charges imposed from late payment of outstanding irrigation service fees.

19. NON-OPERATING INCOME

Collection of Management Fee is made upon completion of projects. For CY 2017, the amounts of P8,757,013 and P10,000,000 were collected for completed projects of Comprehensive Agrarian Reform Program (CARP) – Irrigation Component (IC) and Agrarian Reform Infrastructure Support Project Phase III (ARISP III), respectively.

Interest Income includes interest earned from high yield savings account in Development Bank of the Philippines (DBP), United Coconut Planters Bank (UCPB) and Land Bank of the Philippines (LBP) amounting to P11,070,249. In 2017, majority of it came from DBP.

Other fines and penalties – are income from the imposition of penalties/fines due to late deliveries of purchased supplies, equipment, etc. from contractors/suppliers and surcharges due to late payment of rentals from tenants.

Income from grants and donations in kind pertains to MRIIS 10 sets of irrigation pumps from the DA - Regional Office No. 02 during the year 2010 to mitigate the effect of El Niño phenomenon.

Gains pertain to gains from foreign currency, time/savings deposit transactions and gains on sale of property and equipment.

20. MISCELLANEOUS INCOME

The account is detailed as follows:

	2017	2016 (As restated)
Bid documents	11,730,716	34,780,741
Scrap of property and equipment	3,690,914	517,771
Contract price adjustment/liquidated damages	910,100	1,296,444
Disallowances	388,360	703,046
Laboratory analysis – soil and water	65,201	404,410
Income from NIA housing	34,340	29,957
Hauling/milling/drying fish	21,968	54,818
Printing/photocopy/radio	4,029	61,100
Income from National Home Mortgage Finance Corporation	1,020	968
Sale of goods and materials	-	160,152
Payment for lost items	-	13,282
Other miscellaneous income	54,460,802	115,535,827
	71,307,450	153,558,516

Other miscellaneous income includes: (a) income derived from sale of electrical energy generated by the Casecnan Multi-Purpose Irrigation and Power Project per Power Purchase Agreement dated June 30, 1995; and (b) service fee for the operation and maintenance of non-power components of the 100 Mega Watts (MW) Pantabangan Hydroelectric Power Plant and 12 MW Masiway Hydroelectric Power Plant per Operations and Maintenance Agreement dated November 13, 2006, and Magat Power Plant Complex per Operations and Maintenance Agreement dated December 13, 2006.

21. EXPENSES

The account consists of:

	2017	2016 (As restated)
Personnel services		
Salaries and wages	1,095,887,518	971,822,625
Terminal leave benefits	239,337,719	164,102,229
Other bonuses and allowances	210,136,976	185,712,677
Year-end bonus	158,180,817	155,199,038
Life and retirement insurance contributions	128,826,598	117,987,246
Personnel economic relief allowance	94,614,399	93,385,140
Cash gift	39,771,524	26,604,066
Clothing/uniform allowance	19,226,658	19,320,500
Productivity incentive allowance	16,186,500	3,240,837
PhilHealth contributions	11,626,655	10,602,993
Overtime and night pay	10,959,875	9,090,781
Representation allowance	9,214,060	9,106,325
Transportation allowance	7,354,961	7,102,625
Pag-IBIG contributions	4,839,467	4,869,773
ECC contributions	4,771,469	4,724,187
Other personnel benefits	2,872,387	10,091,761
Longevity pay	2,300,100	1,992,689
Retirement benefits	1,723,023	4,141,185
Honoraria	615,758	2,345,442
Subsistence Allowance	27,885	-
Hazard pay	-	550
	2,058,474,349	1,801,442,669
Maintenance and other operating expenses (MOOE)		
Depreciation	1,364,315,358	862,580,722
Other maintenance and operating expenses	590,725,221	409,162,630
Impairment loss-loans and receivables	190,322,591	89,835,649
Electricity expenses	127,133,621	136,084,394
Repair and maintenance-transportation equipment	52,270,526	54,572,615
Fuel, oil and lubricants expenses	47,822,889	45,178,166
Training expenses	44,214,101	17,960,096
Travelling expenses - local	37,177,724	30,435,502
Auditing services	35,795,376	41,762,860
Office supplies expenses	28,310,884	24,316,623
Repair and maintenance-machinery and equipment	23,256,255	22,951,292
Repair and maintenance-infrastructure assets	22,688,289	38,196,061
Other supplies and materials expenses	20,710,566	18,069,387
Representation expenses	12,718,913	6,811,766
Repair and maintenance-buildings and other structures	12,341,973	16,276,773
Telephone expenses	12,207,434	11,518,535
Janitorial services	11,397,675	5,148,766
Repair and maintenance-land improvements	8,660,025	452,701
Taxes, duties and licenses	7,983,098	40,587,244
Insurance expenses	6,501,187	6,885,286
Security services	5,851,309	2,223,500
Water expenses	5,344,347	5,067,344
Consulting services	4,082,806	1,975,000
Rent/lease expenses	3,807,367	4,716,356
Fidelity bond premiums	3,589,014	2,372,092
Internet subscription expenses	2,772,872	3,388,781
Printing and publication expenses	1,847,634	1,161,875
Repair and maintenance-other property, plant and equipment	1,507,377	499,950
Other general services	1,420,683	214,578

	2017	2016 (As restated)
Postage and courier services	1,082,270	836,281
Cable, satellite, telegraph, and radio expenses	868,348	859,194
Travelling expenses - foreign	741,484	2,031,986
Transportation and delivery expenses	708,589	370,223
Other professional services	700,635	692,884
Legal services	660,466	1,042,828
Survey expense	619,568	-
Subscription expenses	596,476	743,660
Extraordinary and miscellaneous expenses	560,767	264,069
Drugs and medicines expenses	556,867	265,493
Advertising, promotional and marketing expenses	416,220	1,141,262
Semi-expendable furniture, fixtures and books expenses	349,176	-
Repair and maintenance-furniture and fixtures	309,754	215,926
Accountable forms expenses	249,019	379,890
Awards/rewards expenses	226,000	210,000
Semi-expandable-machinery and equipment expenses	159,848	43,570
Food supplies expense	144,243	97,740
Membership dues and contributions to organizations	77,788	62,136
Medical, dental and laboratory supplies expenses	68,896	27,373
Textbooks and instructional materials expenses	64,125	3,137
Donations	16,000	36,400
	2,695,953,654	1,909,730,596
Financial expenses		
Interest expense	526,045,036	527,407,220
Bank charges	28,226	24,938
	526,073,262	527,432,158
TOTAL	5,280,501,265	4,238,605,423

22. COMPLIANCE WITH TAX LAWS

Remittances of taxes withheld by the NIA to the Bureau of Internal Revenue (BIR) for the procurement of goods, services and infrastructure contracts for the implementation of projects which were funded by the DBM under the Modified Disbursement Scheme is in accordance with the DOF, DBM and COA Joint Circular No. 1-2000 dated January 3, 2000 which provided the guidelines in the remittance of all taxes withheld using the Tax Remittance Advice.

For CY 2017, the Tax Remittance Advice filed by the Corporation to the DBM and BIR for the remittance of the taxes withheld amounted to P110,387,655.

Moreover, under its all funds, NIA remitted to the BIR the total amount of P55,987,575 representing taxes withheld from salaries and wages and suppliers/contractors for CY 2017.