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

Disclaimer of Opinion

We have audited the financial statements of the **National Irrigation Administration (NIA)** which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of financial performance, statements of changes in net assets/equity, statements of cash flows for the years then ended, statement of comparison of budget and actual amounts for the year ended December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements prepared by the NIA in accordance with the Philippine Public Sector Accounting Standards (PPSAS). Because of the significance of the matters described in the *Basis for Disclaimer* of Opinion section of our report, we are unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The net off book adjustments on the Net Assets/Equity (NA/E) in the total net negative amount of P9.348 billion and inactive accounts of 75 completed projects with NA/E net positive amount of P22.726 billion, equivalent to 3.63 per cent and 8.82 per cent, respectively, of the total NA/E of P257.628 billion as at December 31, 2018 cast doubt on the reliability of the respective balances of assets, liability and equity accounts, which consequently affected the fair presentation of the Financial Statements (FS) as a whole, as required under Paragraph 7 of Philippine Public Sector Accounting Standards (PPSAS) 1. Of the total NA/E adjustments for 75 completed projects of P22.726 billion, 56.16 per cent or P12.763 billion for 39 completed projects were not supported with documentation such as schedules or subsidiary records, thus further affecting the reliability of the account balances presented in the Statement of Financial Position (SFP).

Also, the prior period errors and other adjustments aggregating P5.289 billion in the Statement of Changes in Net Assets/Equity (SCNA/E), are not supported with appropriate documents and are not adequately disclosed and properly presented. These also cast doubt on the reliability of the account balances presented in the SCNA/E and likewise affected the fair presentation of the SFP.

Moreover, the carrying amount of the Property, Plant and Equipment (PPE) aggregating P267.696 billion, as stated in the SFP, cannot be relied upon due to adverse effects of the: (a) variances of P66.857 billion between the accounting records and Report on Physical Count of Property, Plant and Equipment (RPCPPE) as well as the Engineering and Operations Division reports; (b) inadequate accounting and property records to substantiate the PPE items costing P62.029 billion; and (c) non-reclassification of completed infrastructure projects and non-infrastructure PPEs amounting to P30.756 billion and P492.084 million, respectively, from Construction in Progress to the appropriate accounts i.e., asset/expense account. Also, the non-disposal of unserviceable properties aggregating P65.754 million resulted in the non-derecognition of said properties from the books.

Likewise, the net amount of Receivables of P33.499 billion in the SFP is overstated due to non-provision of Allowance for Impairment of P7.277 billion for accounts aged 10 years and above to bring the balance of the Accounts Receivable-Irrigation Service Fees aggregating to P23.500 billion to its net realizable value. Also, the Inter-agency Receivables account balance of P14.506 billion is unreliable due to: (a) negative/abnormal balances totaling P14.895 million, (b) incomplete subsidiary records and schedules and unsupported accounts of P7.000 million and (c) discrepancies of P14.058 billion between books and confirmed balances rendered.

Further, the Inter-agency Payables account balance of P79.924 billion in the SFP particularly the Due to National Government Agencies and Due to Government Owned and Controlled Corporations accounts could not be ascertained due to: (a) unreconciled variance amounting to P11.557 billion between the records of NIA and confirmed balances of the Source Agencies; (b) absence of subsidiary records and supporting documents for accounts totaling P3.316 billion; (c) abnormal balances aggregating P1.149 billion; and (d) misclassification of transactions to the account totaling P7.320 million. Likewise, Financial Liabilities account of P12.371 billion included outstanding balances of Accounts Payable (AP) of P12.320 billion in Notes 16 to FS. The AP balance is doubtful because of: (a) dormant and long outstanding accounts without supporting claims aggregating P2.484 billion; (b) absence of complete subsidiary records; (c) discrepancies of P851.025 million between books and confirmed balances; and (d) negative balances aggregating P1.149 billion.

Lastly, the reciprocal accounts totaling P1.346 billion which were not eliminated during the process of combination of Trial Balances of Central Office and Regional Offices at year-end overstated the intra-agency receivable and payable accounts by P1.107 billion and P239.447 million, respectively, in the SFP.

As a result of the matters discussed in the preceding paragraphs, we were unable to determine the necessary adjustments on the above stated accounts and other affected accounts due to the inadequacy of accounting and property records as well as project documents.

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of NIA 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 in accordance with these requirements.

Emphasis of Matter

Without modifying our disclaimer of opinion, we draw attention to paragraph 4 of Note 1 to financial statements which discusses the approval of Republic Act (RA) No. 10969, or the Free Irrigation Service Act, 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 PPSAS, 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 NIA'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 NIA or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAI, we exercise professional judgment and maintain profession skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 NIA's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NIA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NIA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, 2018 required by the Bureau of Internal Revenue as disclosed in Note 37 to financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PPSAS. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT

DIVINA M. TELAN
OIC-Supervising Auditor
Audit Group B - National Irrigation Administration
Cluster 5, Corporate Government Sector

July 9, 2019

Republic of the Philippines
National Irrigation Administration
(PAMBANSANG PANGASIWAAN NG PATUBIG)
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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of NATIONAL IRRIGATION ADMINISTRATION **(NIA)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing NIA'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 NIA or to cease operations, or has no realistic alternative to do so.

The Board of Directors reviews and approves the financial statements, including the schedules therein, and submits the same to the stakeholders.

The Commission on Audit, through its authorized representative, has examined the financial statements of NIA pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 28 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions and the auditor, in its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such audit.

GEN RICARDO R VISAYA (Ret)
Vice-Chairman of the Board / Administrator

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

EDITHA D. MORALES
Manager
Financial Management Department

Signed this 12th day of 2019 MARCH

NATIONAL IRRIGATION ADMINISTRATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 and 2017 and January 1, 2017
(In Philippine Peso)

	Note	2018	2017 (As Restated)	January 1, 2017 (As Restated)
ASSETS				
Current assets				
Cash and cash equivalents	7	6,426,650,087	9,847,413,417	7,805,409,697
Receivables, net	8	33,498,666,514	36,533,077,947	36,910,314,982
Inventories, net	9	117,194,910	111,515,587	117,111,950
Prepayments	10	5,744,338,751	4,166,041,626	2,547,908,473
Other current assets	11	26,591,970	26,591,970	21,667,455
Total current assets		**45,813,442,232**	**50,684,640,547**	**47,402,412,557**
Non-current assets				
Financial assets	12	72,699,124,300	69,342,413,375	66,401,148,202
Investment property	13	49,769,000	49,769,000	-
Property, plant and equipment, net	14	267,695,700,602	231,464,695,393	210,274,973,130
Biological assets	15	549,229	549,229	547,909
Other non-current assets		60,302,324	76,012,793	117,149,214
Total non-current assets		**340,505,445,455**	**300,933,439,790**	**276,793,818,455**
TOTAL ASSETS		**386,318,887,687**	**351,618,080,337**	**324,196,231,012**
LIABILITIES				
Current liabilities				
Financial liabilities	16	12,370,930,603	4,980,401,754	5,059,721,796
Inter-agency payables	17	79,924,017,136	80,247,689,702	80,320,520,491
Intra-agency payables	18	239,446,824	558,031,928	478,622,940
Trust liabilitites	19	1,179,351,071	905,728,299	771,831,473
Provisions	20	308,131,451	159,761,880	-
Other payables	21	2,785,810,339	2,081,684,721	1,847,043,402
Total current liabilities		**96,807,687,424**	**88,933,298,284**	**88,477,740,102**
Non-current liabilities				
Financial liabilities	16	7,606,340,534	8,581,340,534	9,556,340,534
Deferred credits	22	24,276,352,931	23,103,165,665	22,568,896,906
Total non-current liabilities		**31,882,693,465**	**31,684,506,199**	**32,125,237,440**
		128,690,380,889	**120,617,804,483**	**120,602,977,542**
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		**257,628,506,798**	**231,000,275,854**	**203,593,253,470**
NET ASSETS/EQUITY				
Accumulated Surplus/(Deficit)	23	252,069,314,934	225,441,083,990	198,034,061,606
Government Equity	24	5,559,191,864	5,559,191,864	5,559,191,864
TOTAL NET ASSETS/EQUITY		**257,628,506,798**	**231,000,275,854**	**203,593,253,470**

The Notes on pages 12 to 64 form part of these Financial Statements.

NATIONAL IRRIGATION ADMINISTRATION
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017 (As Restated)
REVENUE			
Service and business income	25	750,187,009	1,021,594,546
TOTAL REVENUE		**750,187,009**	**1,021,594,546**
CURRENT OPERATING EXPENSES			
Personnel services	26	2,344,571,621	1,898,712,469
Maintenance and other operating expenses	27	1,325,605,179	1,141,315,705
Financial expenses	28	525,560,028	526,073,262
Non-cash expenses	29	5,850,068,747	1,714,399,829
TOTAL CURRENT OPERATING EXPENSES		**10,045,805,575**	**5,280,501,265**
DEFICIT FROM CURRENT OPERATIONS		**(9,295,618,566)**	**(4,258,906,719)**
Other non-operating income	30	117,180,195	88,193,064
Gains on foreign exchange	31	5,840,321	10,690,313
Losses		(3,396,456)	-
DEFICIT BEFORE TAX		**(9,175,994,506)**	**(4,160,023,342)**
Less: Income tax expense		-	-
DEFICIT AFTER TAX		**(9,175,994,506)**	**(4,160,023,342)**
Assistance and subsidy	32	33,304,103,946	31,689,502,092
NET SURPLUS FOR THE PERIOD		**24,128,109,440**	**27,529,478,750**

The Notes on pages 12 to 64 form part of these Financial Statements.

NATIONAL IRRIGATION ADMINISTRATION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2018
(In Philippine Peso)

	Accumulated Surplus/(Deficit)	Government Equity	Total
	Note 23	Note 24	
BALANCE AT JANUARY 1, 2017, as restated	**198,034,061,606**	**5,559,191,864**	**203,593,253,470**
Changes in Net Assets/Equity for CY 2017			
Add/(Deduct):			
Surplus for the period, (as restated)	27,529,478,750	-	27,529,478,750
Adjustments due to accounting errors	(122,456,366)	-	(122,456,366)
BALANCE AT DECEMBER 31, 2017, AS RESTATED	**225,441,083,990**	**5,559,191,864**	**231,000,275,854**
Changes in Net Assets/Equity for CY 2018			
Add/(Deduct):			
Surplus for the period	24,128,109,440	-	24,128,109,440
Other adjustments	2,500,121,504	-	2,500,121,504
BALANCE AT DECEMBER 31, 2018	**252,069,314,934**	**5,559,191,864**	**257,628,506,798**

The Notes on pages 12 to 64 form part of these Financial Statements.

NATIONAL IRRIGATION ADMINISTRATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018
(In Philippine Peso)

	Note	2018	2017 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Receipt of assistance/subsidy	32	33,304,103,946	31,698,045,070
Collection of revenue		701,699,968	756,364,288
Trust receipts		121,803,686	103,046,978
Collection of receivables		23,618,444	103,228,849
Receipt of inter/intra-agency fund transfers		-	147,147,496
Other receipts		385,177,465	782,525,209
Total cash inflows		**34,536,403,509**	**33,590,357,890**
Adjustments on inactive completed projects		36,243,914	47,542
Adjusted cash inflows		**34,572,647,423**	**33,590,405,432**
Cash outflows			
Payment of expenses		5,191,415,022	2,701,518,324
Remittance of personnel benefit contributions		2,900,415,515	1,405,184,316
Prepayments		1,706,739,547	2,759,880,249
Payment of accounts payable		977,978,044	503,846,192
Release of inter/intra-agency fund transfers		957,036,216	427,889,768
Grant of cash advances		243,290,208	122,355,747
Refund of deposits		38,311,980	18,738,084
Other disbursements		2,821,334,129	214,035,178
Total cash outflows		**14,836,520,661**	**8,153,447,858**
Net cash provided by operating activities		**19,736,126,762**	**25,436,957,574**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Receipt of interest earned		15,142,709	20,011,955
Proceeds from sale/disposal of PPE		3,295,117	1,901,692
Total cash inflows		**18,437,826**	**21,913,647**
Cash outflows			
Purchase/construction of PPE		21,676,721,928	21,917,997,501
Total cash outflows		**21,676,721,928**	**21,917,997,501**
Net cash used in investing activities		**(21,658,284,102)**	**(21,896,083,854)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of loan to National Development Company (NDC)		975,000,000	975,000,000
Payment of interest on loan to NDC		523,870,000	523,870,000
Total cash outflows		**1,498,870,000**	**1,498,870,000**
Net cash used in financing activities		**(1,498,870,000)**	**(1,498,870,000)**
Net (decrease)/increase in cash and cash equivalents		**(3,421,027,340)**	**2,042,003,720**
Effect of exchange rate changes		264,010	-
Cash and cash equivalents, January 1		**9,847,413,417**	**7,805,409,697**
Cash and cash equivalents, December 31	7	**6,426,650,087**	**9,847,413,417**

The Notes on pages 12 to 64 form part of these Financial Statements.

NATIONAL IRRIGATION ADMINISTRATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Philippine Peso)

	Notes	Budgeted Amount Original	Budgeted Amount Final	Actual Amounts on Comparable Basis	Difference Final Budget and Actual
RECEIPTS					
Service and business income	25	**473,896,789**	**473,896,789**	**750,187,009**	**(276,290,220)**
Irrigation Service Fee (ISF)		-	-	67,494,238	-
CIP/CIS/RIS amortization & equity		-	-	10,626,114	-
Pump amortization and equity		-	-	561,783	-
Fines & penalties - service income		-	-	7,016,051	-
Rent income		-	-	97,362,204	-
Management fee		-	-	14,104,652	-
Service fees		-	-	479,256,025	-
Energy delivery fee - NPC		-	-	73,765,942	-
Other non-operating income	30	**43,007,634**	**43,007,634**	**117,180,195**	**(74,172,561)**
Interest		-	-	18,083,844	-
Miscellaneous income		-	-	98,149,541	-
Other fines and penalities		-	-	867,128	-
Income from grants and donations in kind		-	-	79,682	-
Gains on on foreign exchange	31	-	-	**5,840,321**	**(5,840,321)**
Assistance and subsidy	32	**45,982,702,858**	**45,982,702,858**	**33,304,103,946**	**12,678,598,912**
Total Receipts		**46,499,607,281**	**46,499,607,281**	**34,177,311,471**	**12,322,295,810**
PAYMENTS					
Personnel services (PS)	26				
Basic salaries		**1,659,924,876**	**1,657,990,876**	**1,335,437,278**	**322,553,598**
Other Compensation		**761,793,394**	**750,129,394**	**682,602,033**	**67,527,361**
Year-end bonus		138,327,073	134,299,073	210,905,684	(76,606,611)
Personnel Economic and Relief Allowance (PERA)		136,368,000	136,368,000	105,261,966	31,106,034
Representation and Transportation Allowance (RATA)		23,172,000	23,172,000	19,610,067	3,561,933
Clothing allowance		34,092,000	34,092,000	25,195,570	8,896,430
Cash gift		28,410,000	28,410,000	41,951,784	(13,541,784)
Overtime and night pay		15,617,760	15,617,760	18,901,017	(3,283,257)
Honoraria - Bids and Awards Committee (BAC)		2,000,000	-	1,453,579	(1,453,579)
Longevity pay		2,500,000	2,500,000	3,011,000	(511,000)
Other bonuses and allowances:		381,306,561	375,670,561	256,311,366	119,359,195
Performance-based bonus		137,600,000	137,600,000	42,096,838	95,503,162
Medical allowance		*3,045,600*	*3,045,600*	*2,429,713*	615,887
Per diems		*2,376,000*	*768,000*	*216,000*	552,000
Meal allowance		*1,005,048*	*1,005,048*	*747,903*	257,145
Children allowance		*330,840*	*330,840*	*175,273*	155,567
Special counsel allowance		*600,000*	*600,000*	*207,500*	392,500
Collective Negotiation Agreement (CNA)		-	-	83,464,500	(83,464,500)
Anniversary bonus		-	-	11,056,000	(11,056,000)
PIB		-	-	103,934,463	(103,934,463)
Other bonuses and allowances		236,349,073	232,321,073	11,983,176	220,337,897
Personnel benefit contributions		**233,917,346**	**170,392,346**	**180,914,471**	**(10,522,125)**
Life and retirement insurance		*199,190,985*	*141,942,985*	*153,217,699*	(11,274,714)
Philhealth contributions		*21,089,561*	*14,812,561*	*16,549,093*	(1,736,532)
Pag-ibig contributions		*6,818,400*	*6,818,400*	*5,438,789*	1,379,611
ECC contributions		*6,818,400*	*6,818,400*	*5,708,890*	1,109,510
Other personnel benefits	20 & 26	**263,337,277**	**263,337,277**	**453,749,290**	**(190,412,013)**
Terminal leave benefits		179,033,121	179,033,121	428,409,106	(249,375,985)
Retirement benefits		55,862,156	55,862,156	6,477,683	49,384,473
Productivity enhancement incentive		28,410,000	28,410,000	13,645,175	14,764,825
Subsistence allowance		32,000	32,000	27,840	4,160
Other personnel benefits		-	-	5,189,486	(5,189,486)
Total personnel services		**2,918,972,893**	**2,841,849,893**	**2,652,703,072**	**189,146,821**
Maintenance and other operating expenses (MOOE)	27				
Supplies and material expenses		**283,127,419**	**100,603,419**	**147,857,968**	**(47,254,549)**
Fuel, oil and lubricants		*133,463,841*	*50,419,841*	*76,036,726*	(25,616,885)
Office supplies		*88,016,919*	*24,712,919*	*40,207,284*	(15,494,365)
Other supplies		*50,250,322*	*20,849,322*	*27,595,862*	(6,746,540)

	Notes	Budgeted Amount Original	Budgeted Amount Final	Actual Amounts on Comparable Basis	Difference Final Budget and Actual
Drugs and medicine		*5,984,422*	*2,006,422*	*830,949*	1,175,473
Accountable forms		*3,432,215*	*1,951,215*	*154,527*	1,796,688
Medical, dental and laboratory supplies		*1,646,500*	*551,500*	*14,856*	536,644
Textbook and instructional materials		*333,200*	*112,200*	-	112,200
Food supplies		-	-	407,255	(407,255)
Semi-expandable-machinery and equipment		-	-	*1,446,320*	(1,446,320)
Semi-expendable furniture, fixtures and books		-	-	*1,164,189*	(1,164,189)
Professional services		**143,098,609**	**143,098,609**	**197,036,437**	**(53,937,828)**
Auditing services		*105,300,509*	*105,300,509*	*159,886,193*	*(54,585,684)*
Consultancy services		*19,800,000*	*19,800,000*	*33,844,526*	*(14,044,526)*
Other professional services		*10,958,000*	*10,958,000*	*1,806,729*	*9,151,271*
Legal services		*7,040,100*	*7,040,100*	*1,498,989*	*5,541,111*
General Services		**24,405,259**	**24,405,259**	**21,633,335**	**2,771,924**
Janitorial services/general services		*15,207,659*	*15,207,659*	*14,984,376*	*223,283*
Security services		*8,451,600*	*8,451,600*	*6,400,809*	*2,050,791*
Environment & sanitary service		*746,000*	*746,000*	-	*746,000*
Other general services		-	-	*248,150*	*(248,150)*
Travelling		**65,104,108**	**65,104,108**	**60,843,720**	**4,260,388**
Training		**76,737,567**	**45,097,567**	**121,463,998**	**(76,366,431)**
Utility		**114,302,464**	**114,302,464**	**180,326,667**	**(66,024,203)**
Electricity		97,959,497	97,959,497	172,780,980	*(74,821,483)*
Water		16,342,967	16,342,967	7,481,422	*8,861,545*
Other Utility Expenses		-	-	64,265	*(64,265)*
Repair and maintenance		**404,638,743**	**137,240,742**	**152,749,824**	**(15,509,082)**
Machineries and equipment		*120,848,175*	*34,701,175*	*33,360,454*	*1,340,721*
Transportation equipment		*114,594,429*	*56,355,429*	*62,621,016*	*(6,265,587)*
Infrastructure, Irrigation/ Agricultural equipment		*92,020,826*	*20,661,826*	*38,161,221*	*(17,499,395)*
Office buildings and other structure		*51,228,514*	*19,285,514*	*17,475,833*	*1,809,681*
Furniture and fixtures		*16,950,599*	*3,727,598*	*486,932*	*3,240,666*
Other property and equipment		*8,996,200*	*2,509,200*	*511,760*	*1,997,440*
Land and land improvements		-	-	132,608	*(132,608)*
Communication expense		**41,374,309**	**21,388,310**	**14,564,893**	**6,823,417**
Telephone expenses		*25,692,979*	*15,056,600*	*7,593,290*	*7,463,310*
Internet subscription		*7,290,012*	*4,439,205*	*4,887,838*	*(448,633)*
Cable, Satellite, Telegraph		*4,977,668*	*416,259*	*458,327*	*(42,068)*
Postage and courier services		*3,413,650*	*1,476,246*	*1,625,438*	*(149,192)*
Taxes, insurance premiums and other fees		**98,139,659**	**98,139,659**	**23,290,051**	**74,849,608**
Taxes, duties and licenses		*82,759,785*	*82,759,785*	*7,489,373*	*75,270,412*
Insurance expense		*10,343,169*	*10,343,169*	*10,579,649*	*(236,480)*
Fidelity bond premiums		*5,036,705*	*5,036,705*	*5,221,029*	*(184,324)*
Other maintenance and operating expenses		**1,193,517,963**	**1,184,132,963**	**405,838,286**	**778,294,677**
Representation expenses		*11,831,910*	*11,453,910*	*18,053,367*	*(6,599,457)*
Rent expenses		*7,115,945*	*7,115,945*	*13,119,622*	*(6,003,677)*
Printing and publication		*5,908,175*	*5,616,175*	*3,824,088*	*1,792,087*
Advertising		*4,639,180*	*1,188,180*	*665,792*	*522,388*
Subscription expenses		*4,531,369*	*765,369*	*866,623*	*(101,254)*
Transportation and delivery expenses		*2,172,873*	*674,873*	*692,552*	*(17,679)*
Membership dues and contributions		*965,816*	*965,816*	*151,853*	*813,963*
Awards and rewards		*500,000*	*500,000*	*631,900*	*(131,900)*
Donations/Grants/Subsidies/Contributions		*186,000*	*186,000*	*1,088,177*	*(902,177)*
Survey expenses		-	-	*1,921,987*	*(1,921,987)*
Other maintenance and operating expenses		1,155,666,695	1,155,666,695	364,822,325	*790,844,370*
Contractual services		-	-	*25,295,845*	*(25,295,845)*
Job order		-	-	*33,524,136*	*(33,524,136)*
Irrigator's share		-	-	*180,172,256*	*(180,172,256)*
Laboratory analysis of soil & water sample		-	-	-	-
Collection expenses		-	-	*24,665*	*(24,665)*
Loss on sale of palay		-	-	*3,565*	*(3,565)*
Motorcycle allowance		-	-	*22,105*	*(22,105)*
Sports		-	-	*1,279,850*	*(1,279,850)*
Other miscellaneous expenses		-	-	*17,833,070*	*(17,833,070)*
Extraordinary expenses		548,000	548,000	*8,352,774*	*(7,804,774)*
Others		*1,155,118,695*	*1,155,118,695*	*98,314,059*	*1,056,804,636*
Total other maintenance and operating expenses		**2,444,446,100**	**1,933,513,100**	**1,325,605,179**	**607,907,921**
Capital outlay		**39,637,318,288**	**39,637,318,288**	**21,676,721,928**	**17,960,596,360**
Financial expenses	28	**1,498,870,000**	**1,498,870,000**	**525,560,028**	**973,309,972**
Total Payments		**46,499,607,281**	**45,911,551,281**	**26,180,590,207**	**19,730,961,074**
		-	**588,056,000**	**7,996,721,264**	**(7,408,665,264)**

The Notes on pages 12 to 64 form part of these Financial Statements.

NATIONAL IRRIGATION ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
ALL FUNDS
(All amounts in Philippine Peso unless otherwise stated)

1. 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.

NIA 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. NIA houses its Central Office (CO) at NIA Complex, EDSA, Diliman, Quezon City.

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, NIA 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 Act, 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.

In order to achieve its mandate, NIA has the following objectives:

a. Develop and maintain irrigation systems in support of the agricultural program of the government;

b. Provide adequate level of irrigation service on a sustainable basis in partnership with the farmers and local government units;

c. Provide technical assistance to institutions in the development of water resources for irrigation; and

d. Improve and sustain the operation of NIA as a viable corporation and service-oriented agency.

With these objectives, NIA is tasked to:

a. Investigate, study, and develop all available water resources in the country, primarily for irrigation purposes;

b. Plan, design, construct, and/or improve all types of irrigation projects and appurtenant structures;

c. Operate, maintain, and administer all national irrigation systems (NIS);

d. Supervise the operation, maintenance, and repair, or otherwise, administer temporarily all communal and pump irrigation systems constructed, improved, and/or repaired wholly or partially with government funds;

e. Delegate the partial or full management of NIS to duly organized cooperatives or associations; and

f. Construct multiple-purpose water resources projects designed primarily for irrigation, and secondarily for hydraulic power development and/or other uses such as flood control, drainage, land reclamation, domestic water supply, roads and highway construction, and reforestation, among others, provided, that the plans, designs, and the construction thereof, shall be undertaken in coordination with the agencies concerned.

The then NIA Consult, Inc. (NIACI), a wholly owned subsidiary of NIA was fully absorbed by the latter on June 30, 2018 in view of its abolition by the Office of the President of the Philippines on August 17, 2014.

Vision

By 2020, NIA is a professional and efficient irrigation agency contributing to the inclusive growth of the country and in the improvement of the farmers' quality of life.

Mission

To construct, operate and maintain irrigation systems consistent with integrated water resource management principles to improve agricultural productivity and increase farmers' income.

The financial statements of NIA were approved and authorized for issue by the NIA Governing Board on March 12, 2018.

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. NIA had 6,911 and 5,398 personnel in CYs 2018 and 2017, respectively. The breakdown is as follows:

	2018	2017
Monthly Paid – Rationalized		
Permanent – Corporate Operating Budget (COB) charged filled	3,418	3,870
Casual/Daily Paid		
COB charged	642	453
Project charged	2,851	1,075
	6,911	**5,398**

NIA is composed of the Central Office (CO), 16 Regional Irrigation Offices (RIOs) including the Upper Pampanga River Integrated Irrigation System (UPRIIS) and the Magat River Integrated Irrigation System (MARIIS), 67 Irrigation Management Offices (IMOs) inclusive of 13 interim IMOs, and 10 Project Management Offices (PMOs), manages 242 NISs nationwide with a total service area of 859,948 hectares with firmed-up service area of 770,103 hectares. The total irrigated areas were 644,813 hectares during the dry season (November to April), 660,781 hectares during the wet season (May to October), and 23,488 hectares for the third crop (Quick Turn-Around program and Ratooning).

1.2 Projects and Operational Profile

NIA pursued the implementation of 140 infrastructure projects for CY 2018. Of the total number, 40 projects are in Luzon, 31 in Visayas, and 18 in Mindanao and 51 in selected provinces nationwide. 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 2018 program included the: generation of 33,247 hectares; restoration of 14,460 hectares; repair and rehabilitation works of 354 kilometer (km) earth canal; 1,530 km concrete lined canal, 176 km high density polyethylene (HDPE) pipe, 391,148 square meter (sq.m) of coconet slope protection area, 53 km concrete roads, 227 km gravel and 5,152 unit of canal structures.

NIA accomplished 31,872 hectares new area generation, and 17,608 hectares area restoration. Repair works dwelt on 583.90 km of earth canals, 2,195 km of canal lining, 168.55 km of HDPE pipe, 643,538 sq. m. of coconet slope protection area, 80.62 km concrete roads, 235.28 km gravel and 7,094 unit of canal structures. These included accomplishments under the CY 2018 Program and carry-over projects from years 2014 to 2017.

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) 2018, RA No.10964 for NIA (Section XXXVI-Budgetary Support to Government Corporations, K.10. Other Executive Offices-NIA), summarized as follows:

	CY 2018 Irrigation Program (In Thousand Pesos)			
	Appropriation	**Allotment**	**Release Cash/ Non Cash**	**Obligation**
CY 2018 Irrigation Program				
General Administration and Support	11,382,793	11,382,793	11,382,793	10,967,561
Support to Operations	2,264,716	2,264,716	849,668	1,479,609
Operations	28,021,653	28,021,653	9,741,451	26,454,218
Total	**41,669,162**	**41,669,162**	**21,973,912**	**38,901,388**

	Carry Over Funds (In Thousand Pesos)		
	Unobligated Balance 2017	**Release Cash/ Non Cash**	**Obligation**
Various Projects	4,313,541	14,372,163	2,006,180

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in Philippine Peso, which is also the country's functional currency and amounts are rounded off to the nearest thousand, unless otherwise stated.

The financial statements are presented in comparative figures with the immediately preceding year.

The financial statements in compliance with the adopted Philippine Public Sector Accounting Standards (PPSAS) require the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies.

3. ADOPTION OF PHILIPPINE PUBLIC SECTOR ACCOUNTING STANDARDS

The financial statements have been prepared in compliance with the PPSAS prescribed for adoption by the Commission on Audit (COA) in COA Resolution No. 2014-003 dated January 24, 2014. Said COA Resolution prescribed the adoption of 25 PPSAS effective January 1, 2014 by non-government business enterprises (Non-GBEs), as amended by COA Resolution No. 2015-040 dated December 1, 2015, moving the effectivity of the adoption of the PPSAS from May 22, 2015 to January 1, 2016. These PPSAS were based on the International Public Sector Accounting Standards (IPSASs) which were published in the 2012 Handbook of International Public Sector Accounting Pronouncements (HIPSAP) of the International Public Sector Accounting Standards Board. COA Resolution No. 2017-006 dated April 26, 2017 prescribed the adoption of additional six PPSAS and updates on the PPSAS prescribed in COA Resolution No. 2014-003 in accordance with the 2016 Edition of the HIPSAP**.** Further, COA Circular No.2017-004 dated December 13, 2017 was issued prescribing the guidelines on the implementation of the PPSAS by Non-GBEs which were not able to adopt the PPSAS in CY 2016 and shall be considered first-time adopter in CY 2017 and on the years thereafter.

These are the NIA's first financial statements prepared in accordance with PPSAS and PPSAS 33 *First-time Adoption of Accrual Basis PPSAS* has been applied. The accounting policies have been consistently applied throughout the year presented.

3.1 Accounting Standards that are Relevant for Adoption by NIA

Below is a list of PPSAS issued as at December 31, 2018 that are adopted for the first time by the NIA in preparing the financial statements for the year ended December 31, 2018, the comparative information presented in these financial statements for the year ended December 31, 2017 and in the preparation of an opening PPSAS statement of financial position at January 1, 2017 (the NIA's transition date to PPSAS).

Effective for periods beginning January 1, 2014

- PPSAS 1, Presentation of Financial Statements

  This Standard sets overall considerations for the presentation of financial statements, guidance for their structure, and minimum requirements for the content of financial statements prepared under the accrual basis of accounting.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 2, Cash Flows Statements

  This Standard requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement that classifies cash flows during the period from operating, investing, and financing activities.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors

  This Standard prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and correction of errors.

- PPSAS 4, The Effects of Changes in Foreign Exchange Rates

  The Standard prescribes the guidelines on how to recognize foreign currency transactions and foreign operations in the Financial Statement of an entity, and how to translate financial statements into a presentation currency.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 5, Borrowing Costs

  This Standard prescribes the accounting treatment for borrowing costs. The Standard generally requires the immediate expensing of borrowing costs. However, the Standard permits, as an allowed alternative treatment, the capitalization of borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset. (See Notes 16.1 and 28)

- PPSAS 9, Revenue from Exchange Transaction

  This Standard provide guidance for identification, measurement and disclosure of revenues of public sector entities derived from exchange transactions. An exchange is one in which the entity receives asset or services, or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange. These transactions are rendering of services, sale of good and use by other entity assets yielding interest, royalties, and dividends.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 12, Inventories

  This Standard sets out the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS. (See Notes 4.6 and 9)

- PPSAS 13, Leases

  This Standard prescribes, for lessees and lessor, the appropriate policies and disclosures to apply in relation to finance and operating leases. It also prescribes specific identifications of transactions, which are considered as lease agreement and those which are not. Also, it presents the two specific classifications of lease agreement and how they are presented in the financial statements. (See Notes 4.10, 25 and 27.10)

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 14, Events After the Reporting Date

  This Standard prescribes the circumstances in which adjustments for events after the reporting period are required. It also prescribes the disclosure requirements regarding the date of authorization for issue and information received after the reporting period.

  It requires that an entity should not prepare its financial statements on going concern basis if events after the reporting date indicate that going concern assumption is not appropriate.

- PPSAS 16, Investment Property

  This Standard prescribes the accounting treatment for investment property and related disclosure requirements. Investment Property shall be measured initially at cost except when it is acquired through a non-exchange transaction such as donation, or when it pertains to a property interest held under an operating lease. After initial recognition, the entity shall choose either fair value or cost model and shall apply that valuation policy to all its Investment Property. At any case, the fair value shall be determined either for measurement (if the entity uses the fair value model) or disclosure (if it uses the cost model). (See Notes 4.7, 4.10, 13)

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 17, Property, Plant and Equipment

  This Standard prescribes the guidelines on the recognition, measurement at recognition, measurement after recognition, depreciation, impairment, derecognition and disclosure requirements dealing with transactions and events affecting Property, Plant and Equipment of the Philippine public sector. The principal issues in accounting for Property, Plant, and Equipment are: (a) the recognition of the assets, (b) the determination of their carrying amounts, and (c) the depreciation charges and impairment losses to be recognized in relation to them. (See Notes 4.8 and 14)

  In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for Property, Plant and Equipment was applied. Tangible items below the capitalization threshold of P15,000 were accounted as semi-expendable property (if not yet issued to end-user), expense accounts (if issued within the year), or accumulated surplus/(deficit) (if issued in prior years).

- PPSAS 19, Provisions, Contingent Liabilities and Contingent Assets

  This Standard defines provisions, contingent liabilities and contingent assets, and identifies the circumstances in which provision should be recognized, how they should be measured, and the disclosures that should be made about them. It also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand the nature, timing and amount. (See Notes 4.11 and 20)

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 20, Related Party Disclosures

  This Standard sets out the requirement of the disclosure of the existence of related party relationships where control exists, and the disclosure of information about transactions between the entity and its related parties in certain circumstances. This information is required for accountability purposes, and to facilitate a better understanding of the financial position and performance of the reporting entity. The principal issues in disclosing information about related parties are: (a) identifying which parties control or significantly influence the reporting entity, and (b) determining what information should be disclosed about transactions with those parties. (See Notes 4.15 and 34)

  The NIA has provided additional disclosures on the key management personnel and key management personnel compensations as required by this Standard.

- PPSAS 21, Impairment of Non-cash Generating Asset

  The objective of this Standard is to prescribe the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognized. This Standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)

  This Standard prescribes the requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. This Standard deals with issues that need to be considered in recognizing and measuring revenue from non-exchange transactions, including the identification of contributions from owners. (See Note 30)

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 24, Presentation of Budget Information in Financial Statements

  This Standard prescribes a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities. This Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. The main issue in the implementation of this Standard is how the comparison of budget and actual amounts shall be presented in the financial statements. (See Notes 4.14 and 36)

  The Statement of Comparison of Budget and Actual Amount (SCBAA) and the disclosure on the material differences between the budget and actual amounts were prepared in accordance with this Standard.

- PPSAS 26, Impairment of Cash Generating Asset

  The objective of this Standard is to prescribe the procedures that an entity applies to determine whether a cash-generating asset is impaired, and to ensure that impairment losses are recognized. This Standard also specifies when an entity should reverse an impairment loss, and prescribes disclosures.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 27, Agriculture

  This Standard prescribes the accounting treatment and disclosures related to agricultural activity. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, or for distribution at no charge or for a nominal charge or for conversion into agricultural produce or into biological assets. (See Notes 4.9 and 15)

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 28, Financial Instruments: Presentation

  This Standard establishes principles for presenting financial instruments as liabilities or net assets/equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends or similar distribution, losses and gains; and circumstances in which financial assets and financial liabilities should be offset.

  This Standard complement the principles for recognizing and measuring financial assets and financial liabilities in PPSAS 29, "*Financial Instruments: Recognition and Measurement,*" and for disclosing information about them in PPSAS 30, "*Financial Instruments: Disclosure.*"

- PPSAS 29, Financial Instruments: Recognition and Measurements

  This Standard prescribes the accounting principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It complements the principles for presenting information about financial instruments in PPSAS 28, "Financial Instruments: Presentation" and for disclosing information about them in PPSAS 30, "Financial Instruments: Disclosures." (See Note 4.3)

  It also prescribes principles for hedge accounting. Hedge accounting aims to reduce the volatility of an entity's financial performance by offsetting gains and losses on certain instruments. An entity may elect to apply hedge accounting, but only if prescribed conditions are met.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 30, Financial Instruments: Disclosures

  This Standard requires entities to provide disclosures in their financial statements that enable users to evaluate: (a) the significance of financial instruments for entity's financial position and financial performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

  The principles in this Standard complement the principles for presenting and recognizing and measuring financial assets and financial liabilities in PPSAS 28, *"Financial Instruments: Presentation*" and PPSAS 29, "*Financial Instruments: Recognition and Measurement*."

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 32, Service Concession Arrangements: Grantor

  The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity. Arrangements within the scope of this Standard involve the operator providing public services related to the service concession asset on behalf of the grantor. (See Notes 25.2 and 25.3)

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

  Effective for periods beginning January 1, 2017

- PPSAS 33, First-time Adoption of Accrual Basis PPSASs

  This Standard provides guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis PPSASs, in order to present high quality information: *(See Note 5)*

(a) That provides transparent reporting about a first-time adopter's transition to accrual basis PPSAS;

(b) That provides a suitable starting point for accounting in accordance with accrual basis PPSAS irrespective of the basis of accounting the first-time adopter has used prior to the date of adoption; and

(c) Where the benefits are expected to exceed the costs.

The NIA did not adopt any of the transitional exemptions in PPSAS 33 that may impact fair presentation of the financial statements.

3.2 Currently effective Standards that are not relevant and not adopted by NIA

The following Standards are mandatorily effective for annual periods beginning on or after January 1, 2018, but are not relevant to the NIA's financial statements:

- PPSAS 6 - *Consolidated and Separate Financial Statements*

  The Standard sets out requirements of the preparation and presentation of consolidated financial statements of an economic entity under the accrual basis of accounting. It contains guidance on the scope of a consolidated group of economic entity and described the consolidation procedures.

- PPSAS 8 - *Interest in Joint Ventures*

  This Standard apply in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, revenue and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place.

- PPSAS 31 - *Intangible Assets*

  This Standard requires recognition of an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets, and requires specified disclosures about intangible assets.

- PPSAS 34 - *Separate Financial Statements*

  This Standard establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- PPSAS 36 - *Investments in Associates and Joint Ventures*

  This Standard prescribes the accounting for investments in associates and joint ventures and set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

- PPSAS 37 - *Joint Arrangements*

  This Standard establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.

- PPSAS 38 - *Disclosure of Interests in Other Entities*

  This Standard require an entity to disclose information that enables users of its financial statements to evaluate: (a) The nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and (b) The effects of those interests on its financial position, financial performance and cash flows.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of Accounting

The NIA's financial statements are prepared on an accrual basis in accordance with the PPSAS.

4.2 Combination of Financial Statements

Financial statements are combination of financial report of NIA CO and 16 RIOs including the UPRIIS and the MARIIS, and 10 PMOs in accordance with NIA's One Fund Accounting System Manual.

All significant intra-agency receivables/ intra-agency payables transactions are eliminated in the combination.

The combined financial statements reflect the assets, liabilities, revenues and expenses of NIA's CO and ROs/PMOs.

Financial statements of inactive accounts with total Net Assets/Equity of P22.726 billion from ROs/PMOs are included in the preparation of Combined Financial Statements. These inactive accounts' balances are accounts of 75 completed projects in Corporate and General Funds that were forwarded from previous years despite their being turned-over to their respective ROs/PMOs. Such projects are completed and turned-over to their respective ROs/PMOs but the accounts in their respective Financial Statements still exist. Of these accounts, 39 completed projects with a total Net Assets/Equity of P12.763 billion are not supported with documentation.

A. Inactive accounts

	Net Assets/ Equity
Corporate Fund	4,005,144,238
General Fund	8,757,824,501
Total Net Assets/Equity	**12,762,968,739**

B. Off-book Adjustments

These entries are result of prior year intra-agency transactions and working paper adjustments which are recognized in the preparation of Financial Reports, hence some of the accounts are for verification for the reason that its supporting documents are not available. The following are the adjustments made which were recognized in the combined financial statements:

Account Name	Net Off-book Adjustments
Cash and Cash Equivalents	(273,362,281)
Receivables	(11,398,069,218)
Inventories	72,430,081
Prepayments	(77,500)
Investments	(18,000)
PPE	2,250,868,425
Total Assets Adjustments	(9,348,228,493)
Financial Liabilities	(20,720,715)
Intra-agency Payables	(8,004,458,977)
Inter-agency Payables	(1,428,906,214)
Trust Liabilities	555,917
Other Payables	(28,221,641)
Deferred Credits	70,423,513
Total Liability Adjustments	(9,411,328,117)
Net Assets/Equity Adjustments	63,099,624
Net off-book adjustments to Net Assets/Equity	**(9,348,228,493)**

C. NIA Consult Inc. (NIACI)

The Financial Statement of NIACI is consolidated in the NIA Corporate Fund due to its abolition by the Office of the President of the Philippines on August 7, 2014. It also approved the reversion of its assets and liabilities to NIA, its parent GOCC.

4.3 Financial Instruments

a. Financial assets

Initial recognition and measurement

Financial assets within the scope of PPSAS 29, *Financial Instruments: Recognition and Measurements* are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The NIA determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that NIA commits to purchase or sell the asset.

NIA's financial assets include: cash and cash equivalents, trade and other trade receivables and other investment. (See Notes 7, 8 and 12)

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through surplus or deficit are carried in the Statement of Financial Position at fair value with changes in fair value recognized in surplus or deficit.

2. Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit. (See Note 8)

3. Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the NIA has the positive intention and ability to hold it to maturity. (See Note 12)

Held-to-maturity investments, which consist of government treasury bills, are initially measured at its selling price upon placement and as indicated on the Confirmation of Sale without Recourse. Upon termination of the treasury bills, any discount of premium on acquisition and fees/costs and taxes due are recognized in the surplus or deficit.

Derecognition

NIA derecognizes a financial asset or where applicable, a part of a financial asset or part of similar financial assets of NIA when:

1. The contractual rights to the cash flows from the financial asset expired or waived; and

2. The NIA has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or

more recipients in an arrangement that meets the conditions set forth in PPSAS 29 *Financial Instruments: Recognition and Measurement*; and either the entity has:

- transferred substantially all the risks and rewards of ownership of the financial asset; or
- neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset

Impairment of financial assets

NIA assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. (See Note 8.1)

Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty.
- Default or delinquency in interest or principal payments.
- The probability that debtors will enter bankruptcy or other financial reorganization.
- Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults).

b. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of PPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

NIA's financial liabilities include trade payables to suppliers, employees and other contractors as well as notes payable. (See Note 16)

Subsequent measurement

The measurement of financial liabilities depends on their classification.

1. Financial liabilities at fair value through surplus or deficit.

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by PPSAS 29.

2. Loans and borrowings

   After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well through the effective interest method amortization process.

   Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. The recognition of a new liability and the difference in the respective carrying amounts is recognized in surplus or deficit.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. (See Note 7)

4.5 Receivables

Receivables are recognized initially at transaction cost. These are subsequently measured at amortized cost less provision for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that NIA will not be able to collect the amounts due according to the original terms of settlement of the receivable accounts. (See Note 8)

Trade receivables are financial assets with fixed or determinable payment that are not quoted in an active market. They arise when NIA provides money, goods, or services directly to a debtor/customer with no intention of trading receivables. Receivables are carried at cost or amortized cost in the statement of financial position. Receivables are included in current assets if maturity is within 12 months of the financial reporting date while those maturity beyond 12 months are identified as non-current assets.

Recoverability of specific receivables is evaluated based on the best available facts and circumstances, the length of NIA's relationship with its debtors, the debtors' payment behavior and known market factors. These specific reserves are re-evaluated and adjusted if additional information received affects the amount estimated to be uncollectible.

Allowance for impairment-accounts receivable

Allowance for impairment of accounts receivable was provided in the books specifically on NIA fees in accordance with Corporate Order No. 04, series of 2016.

The policy of providing allowance includes the aging of receivables method of estimating uncollectible accounts. By this method, the accounts are classified according to age from one day to over 10 years and provisions for the allowance for impairment-accounts receivable shall be as follows:

1	-	60 days	1 per cent
61	-	180 days	2 per cent
181 days	-	1 year	3 per cent
More than 1 year to 10 years			5 per cent
Over 10 years			100 per cent
Accounts with legal constraints			100 per cent

Writing-off of receivables

The policy under Memorandum Circular (MC) No. 81 s. 2017 includes that the following conditions must be present to support the request for approval to COA for writing-off of receivables:

A. Absence of records or documents to validate/support the claim and/or unreconciled receivable accounts

B. Death of the accountable officer/employee/debtor

C. Unknown whereabouts of the accountable officer/employee/debtor, and that he/she could not be located despite diligent efforts to find him/her

D. Incapacity to pay or insolvency

E. Exhaustion of all possible remedies by the Management to collect the receivables and to demand liquidation of each advances and fund transfers

F. No pending case in court involving the subject dormant accounts.

Writing off and Condonation of Irrigation Service Fee

With the passage of RA No. 10969 or the "Free Irrigation Service Act", NIA issued its Implementing Rules and Regulations (IRR) under MC No. 108 S. 2018 to set a policy for collection and writing off of receivables for Irrigation Service Fee (ISF). The IRR state the following:

1. Upon the effectivity of RA No. 10969, all farmers with landholdings of eight hectares and below are exempted from paying ISF for water derived from national irrigation systems (NIS) and communal irrigation systems (CIS) that were, or are to be, funded, constructed, maintained and administered by the NIA and other government agencies, including those that have been turned over to irrigators associations (IAs).

2. A registry of farmer and other irrigation system users shall also be prepared and maintained which shall contain the name of farmer/landowner, actual tiller, size, and location of the landholding, and Original Certificate of Title (OCT) number.

3. Farmers with more than eight hectares of land, corporate farms, and plantations drawing water for agricultural crop production, fishponds, and other persons, natural or juridical, drawing water for non-agricultural purposes from NIS and CIS, or using the irrigation systems as drainage facilities, shall continue to be subject to the payment of ISF.

4. All unpaid ISF and the corresponding penalties of farmers with eight hectares and below to NIA, and all loans, past due accounts and the corresponding interests and penalties of IAs to NIA will be condoned and written off from the books of NIA. Upon completion of the Registry described in Rule 4.2 of the IRR, NIA shall, in compliance with Article 1270 of the Civil Code, secure the written acceptance of each farmer or landowner whose debt is to be condoned considering that condonation or remission is essentially gratuitous. Furthermore, the condonation and writing off of indebtedness pursuant to Section 5 of the IRR shall be in accordance with all applicable accounting and auditing guidelines and procedures.

4.6 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory is received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Subsequently, inventories are valued using the weighted average method. (See Note 9)

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of NIA.

4.7 Investment property

Investment Property (IP) is measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing IP at the time that cost is incurred if the recognition criteria are met and excludes the cost of day-to-day maintenance of an IP. (See Note 13)

IP acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, IP is measured using the cost model and is depreciated over its estimated useful life using the straight-line method of depreciation. It adopted the life span for buildings of 30 years prescribed by the Commission on Audit for PPE in determining its estimated useful life.

IPs are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Transfers are made to or from IP only when there is a change in use.

NIA uses the following criteria to distinguish IP from owner-occupied property and from property held for sale in the ordinary course of operations (inventory):

A property (land or a building - or part of a building - or both) shall be recorded and classified as IP if it is held to earn rentals or for capital appreciation, or both rather than for:

- Use in the production or supply of goods or services, or for administrative purposes; or
- Sale in the ordinary course of operations.

4.8 Property, plant and equipment

Recognition

An item is recognized as Property, Plant, and Equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity;
- The cost or fair value of the item can be measured reliably; and
- The cost is at least P15,000.

Measurement at recognition

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Expenditure that is directly attributable to the acquisition of the items; and
- Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement after recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses. (See Note 14)

When significant parts of PPE are required to be replaced at intervals, NIA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

   Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, depreciation starts in the month succeeding the month of acquisition.

ii. Depreciation method

The straight-line method of depreciation is adopted unless another method is more appropriate for Entity's operation.

iii. Estimated useful life

NIA uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience, as follows:

Buildings	30 years
Machinery and equipment	10 years
Motor vehicles	7 years
Furniture and fixtures	10 years
Office equipment	5 years

iv. Residual value

NIA uses a residual value equivalent to at least five per cent (5%) of the cost of the PPE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

Derecognition

NIA derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized. (See Note 14)

4.9 Biological assets

Biological Assets are measured at fair value less costs to sell. The fair value of livestock is determined based on market prices of biological assets of similar age, breed and genetic merit. Agricultural produce are initially measured at its fair value less cost to sell at the time of produce. The fair value of agricultural produce are based on market prices in the local area. (See Note 15)

4.10 Leases

Operating lease - NIA as a lessor

Leases other than finance lease are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Rent received from an operating lease is recognized as income on a straight-line basis over the lease term.

Leases in which NIA does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned. (See Note 25)

The depreciation policies for PPE are applied to similar assets leased by the entity.

Operating lease - NIA as a lessee

NIA adopts Lease Purchase Agreement (LPA) in acquiring motor vehicles in its ROs. Rental payments is recognized as Rent/Lease expense and PPE-Donation is recognized upon full payment of the motor vehicle equivalent to its contract cost. (See Note 27.10)

4.11 Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognized when the NIA has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the NIA expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

Employee benefits

The employees of NIA are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

NIA recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

Contingent liabilities

The NIA does not recognize a contingent liability, but discloses details of any contingencies in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The NIA does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NIA in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

4.12 ADJUSTMENTS OF DUE TO CHANGES IN ACOUNTING POLICIES AND ESTIMATES

Due to Change in Accounting Policy

NIA has determined and restated accounts with the net effect in the financial statements due to change in accounting policy.

Due to Change in Accounting Estimates

NIA recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

Due to Prior Period Errors

Prior period errors are omission from and misstatement in an entity's financial statements for one or more period arising from a failure to use or misuse of reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those statements. NIA shall correct in accordance with material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

(a) Restating the comparative amounts for prior period(s) presented in which the error occurred; or

(b) If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

4.13 Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of Services

NIA recognizes revenue from rendering of services based on the stage of completion when the outcome of the transaction can be measured reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours. (See Note 25)

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to NIA.

Interest Income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period. (See Note 30)

Rental Income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue. (See Note 25)

4.14 Budget Information

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in Note 36.

These budget figures are those approved by the governing body.

4.15 Related Parties

The NIA regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over NIA, or vice versa.

Members of key management are regarded as related parties and comprise of the Chairman, Members of the Governing Board, and the Principal Officers. (See Note 34)

4.16 Measurement Uncertainty

The preparation of combined financial statements in conformity with PPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of a capital asset, estimated employee benefits, impairment of assets, etc.

Estimates are based on the best information available at the time of preparation of the combined financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these combined financial statements. Actual results could differ from these estimates.

5. EXPLANATION OF TRANSITION TO PPSAS

As stated in Note 2, these are the NIA's first financial statements prepared in accordance with PPSAS, although the revised chart of accounts was already adopted in CY 2017. The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended December 31, 2017, the comparative information presented in these financial statements for the year ended December 31, 2017 and in the preparation of an opening PPSAS statement of financial position as at January 1, 2017. (NIA's date of transition)

In preparing its opening statement of financial position, NIA has adjusted amounts reported previously in financial statements prepared in accordance with previous Generally Accepted Accounting Principles (GAAP). An explanation of how the transition from previous GAAP to PPSAS has affected NIA's financial statements is set out in the following tables:

Reconciliation of Net Assets/Equity
As of January 1, 2017

		Effect of transition to PPSAS			
	GAAP	**Reclassification**	**Difference in recognition and measurement**	**PPSAS**	
ASSETS					**ASSETS**
Current Assets					**Current assets**
Cash and cash equivalents	7,805,409,697	-	-	7,805,409,697	Cash and cash equivalents
Receivables- net	36,910,314,982	-	-	36,910,314,982	Receivables -net

Reconciliation of Net Assets/Equity
As of January 1, 2017

	GAAP	Effect of transition to PPSAS Reclassification	Difference in recognition and measurement	PPSAS	
Inventories - net	117,111,950	-	-	117,111,950	Inventories
	-	2,547,908,473	-	2,547,908,473	Prepayments
Other current assets	2,569,575,928	(2,547,908,473)	-	21,667,455	Other current asset
Total Current Assets	**47,402,412,557**	**-**	**-**	**47,402,412,557**	**Total Current Assets**
Non-current assets					**Non-current assets**
Investments	66,401,148,202	-	-	66,401,148,202	Financial Assets
PPE-net	210,392,122,344	(117,149,214)	-	210,274,973,130	PPE - net
	-	117,149,214	-	117,149,214	Other Assets
Other non-current assets	547,909	(547,909)	-	-	
	-	547,909	-	547,909	Biological assets
Total Non-current Assets	**276,793,818,455**	**-**	**-**	**276,793,818,455**	**Total Non-current Assets**
TOTAL ASSETS	**324,196,231,012**	**-**	**-**	**324,196,231,012**	**TOTAL ASSETS**
LIABILITIES					**LIABILITIES**
Current Liabilities					**Current Liabilities**
Payables	6,906,765,198	(1,847,043,402)	-	5,059,721,796	Financial liabilities
Trust liabilities	771,831,473	-	-	771,831,473	Trust liabilities
Inter-agency payables	80,320,520,491	-	-	80,320,520,491	Inter-agency payables
Intra-agency payables	478,622,940	-	-	478,622,940	Intra-agency payables
	-	1,847,043,402	-	1,847,043,402	Other payables
Total Current Liabilities	**88,477,740,102**	**-**	**-**	**88,477,740,102**	**Total Current Liabilities**
Non-Current Liabilities					**Non-Current Liabilities**
Long-term liabilities	9,556,340,534	-	-	9,556,340,534	Financial liabilities
Deferred credits	22,568,896,906	-	-	22,568,896,906	Deferred credits
Total Non-current Liabilities	**32,125,237,440**	**-**	**-**	**32,125,237,440**	**Total Non-current Liabilities**
TOTAL LIABILITIES	**120,602,977,542**	**-**	**-**	**120,602,977,542**	**TOTAL LIABILITIES**
EQUITY					**NET ASSETS/EQUITY**
Accumulated surplus/(deficit)	209,545,939,028	(11,511,877,422)	-	198,034,061,606	Accumulated surplus/(deficit)
Capital stock	5,559,191,864	-	-	5,559,191,864	Government equity
Retained earnings	(11,511,877,422)	11,511,877,422	-	-	
Equity	**203,593,253,470**	**-**	**-**	**203,593,253,470**	**Total Net Assets/Equity**
TOTAL LIABILITIES AND EQUITY	**324,196,231,012**	**-**	**-**	**324,196,231,012**	**TOTAL LIABILITIES AND NET ASSETS/EQUITY**

Reconciliation of Net Assets/Equity
As of December 31, 2017

	GAAP	Effect of transition to PPSAS Reclassification	Difference in recognition and measurement	PPSAS	
ASSETS					**ASSETS**
Current Assets					**Current Assets**
Cash and cash equivalents	9,847,365,875		47,542	9,847,413,417	Cash and cash equivalents
Receivables - net	36,483,169,619	49,908,328	-	36,533,077,947	Receivables -net
Inventories	111,515,587	-	-	111,515,587	Inventories
	-	4,166,041,626	-	4,166,041,626	Prepayments
Other current assets	4,242,541,924	(4,215,949,954)	-	26,591,970	Other current asset
Total Current Assets	**50,684,593,005**	**-**	**47,542**	**50,684,640,547**	**Total Current Assets**
Non-current Assets					**Non-current Assets**

Reconciliation of Net Assets/Equity
As of December 31, 2017

	GAAP	Effect of transition to PPSAS: Reclassification	Effect of transition to PPSAS: Difference in recognition and measurement	PPSAS	
Investments	69,342,413,375	-	-	69,342,413,375	Financial assets
PPE-net	231,815,682,001	(125,781,793)	(225,204,815)	231,464,695,393	PPE - net
		49,769,000		49,769,000	Investment Property
	-	76,012,793	-	76,012,793	Other asset
Other non-current assets	549,229	(549,229)	-	-	
	-	549,229	-	549,229	Biological assets
Total Non-current Assets	**301,158,644,605**	**-**	**(225,204,815)**	**300,933,439,790**	**Total Non-current Assets**
TOTAL ASSETS	**351,843,237,610**	**-**	**(225,204,815)**	**351,618,080,337**	**TOTAL ASSETS**
LIABILITIES					**LIABILITIES**
Current Liabilities					**Current Liabilities**
Payables	7,221,848,355	(2,241,446,601)	-	4,980,401,754	Financial liabilities
Trust liabilities	905,728,299	-	-	905,728,299	Trust liabilities
Inter-agency payables	80,247,758,798	-	(69,096)	80,247,689,702	Inter-agency payables
Intra-agency payables	558,031,928	-	-	558,031,928	Intra-agency payables
		159,761,880		159,761,880	Provisions
	-	2,081,684,721	-	2,081,684,721	Other payables
Total Current Liabilities	**88,933,367,380**	**-**	**(69,096)**	**88,933,298,284**	**Total Current Liabilities**
Non-Current Liabilities					**Non-Current Liabilities**
Long - term liabilities	8,581,340,534	-	-	8,581,340,534	Financial liabilities
Deferred credits	23,103,165,665	-	-	23,103,165,665	Deferred credits
Total Non-current Liabilities	**31,684,506,199**	**-**	**-**	**31,684,506,199**	**Total Non-current Liabilities**
Total Liabilities	**120,617,873,579**	**-**	**(69,096)**	**120,617,804,483**	**Total Liabilities**
EQUITY					**NET ASSETS/EQUITY**
Accumulated surplus/(deficit)	237,618,717,792	(11,952,545,625)	(225,088,177)	225,441,083,990	Accumulated surplus/(deficit)
Capital stock	5,559,191,864			5,559,191,864	Government equity
Retained earnings	(11,952,545,625)	11,952,545,625	-	-	
	231,225,364,031	**-**	**(225,088,177)**	**231,000,275,854**	**Total Net Assets/Equity**
TOTAL LIABILITIES AND EQUITY	**351,843,237,610**	**-**	**(225,157,273)**	**351,618,080,337**	**TOTAL LIABILITIES AND NET ASSETS/ EQUITY**

Reconciliation of Surplus/Deficit
For the year ended December 31, 2017

	Previous GAAP	Effect of transition to PPSAS: Reclassification	Effect of transition to PPSAS: Difference in recognition and measurement	PPSAS	
REVENUE					**REVENUE**
Operating income		1,021,594,546	-	1,021,594,546	Service business income
Irrigation Service Fee	236,131,874	(236,131,874)	-	-	-do-
10% Discount on ISF	(952,625)	952,625	-	-	-do-
Rent income	100,960,708	(100,960,708)	-	-	-do-
Fines and penalties-service income	28,297,529	(28,297,529)	-	-	-do-
Non-operating income			-	-	
Management fees from subsidy income	18,757,013	(18,757,013)	-	-	-do-
CIP/CIS/RIS amortization and equity	43,430,996	(43,430,996)	-	-	-do-
Pump amortization and	13,763,155	(13,763,155)	-	-	-do-

Reconciliation of Surplus/Deficit
For the year ended December 31, 2017

	Previous GAAP	Effect of transition to PPSAS: Reclassification	Effect of transition to PPSAS: Difference in recognition and measurement	PPSAS	
equity					
Service fees - FGEN,BHEPP,SNAP	524,532,734	(524,532,734)	-	-	-do-
Energy deliver fees-NPC	56,673,162	(56,673,162)	-	-	-do-
		88,192,909	155	88,193,064	Other non-operating income
Interest income	15,051,414	(15,051,414)	-	-	-do-
Other fines and penalties	1,748,285	(1,748,285)	-	-	-do-
Income from grants and donations	85,760	(85,760)	-	-	-do-
Miscellaneous income	71,307,450	(71,307,450)	-	-	-do-
Gains	10,690,313	-	-	10,690,313	Gains on foreign exchange
TOTAL REVENUE	**1,120,477,768**	**-**	**155**	**1,120,477,923**	**TOTAL REVENUE**
EXPENSES					**CURRENT OPERATING EXPENSES**
Personnel services	2,058,474,349	(159,761,880)	-	1,898,712,469	Personnel services
Maintenance and other operating expenses	2,695,953,654	(1,554,637,949)		1,141,315,705	Maintenance and other operating expenses
Financial expenses	526,073,262	-	-	526,073,262	Financial expenses
	-	1,714,399,829		1,714,399,829	Non-cash expenses
TOTAL EXPENSES	**5,280,501,265**	**-**	**-**	**5,280,501,265**	**TOTAL CURRENT OPERATING EXPENSES**
				(4,160,023,342)	**SURPLUS/(DEFICIT) BEFORE TAX**
		-	-	-	Less: Income tax expense
		-	-	(4,160,023,342)	**SURPLUS/(DEFICIT) AFTER TAX**
Net financial assistance/ subsidy	31,689,502,092	-	-	31,689,502,092	Assistance and Subsidy
SURPLUS FOR THE PERIOD	**27,529,478,595**			**27,529,478,750**	**NET SURPLUS/(DEFICIT) FOR THE PERIOD**

6. RISK MANAGEMENT OBJECTIVES AND POLICIES

This note presents information about NIA's exposure to risks and NIA's objectives, policies and processes for measuring and managing risks.

NIA has an overall responsibility for the establishment and oversight of NIA's risk management framework. NIA has established a committee and technical working group, which is responsible for the preparation of outline of Disaster Risk Reduction Management Plan.

The Committee's role is to design the framework, which will help NIA to develop and implement an effective and pro-active risk management plan in response to the circumstances the organization may face, perform risk assessment and develop strategies to mitigate risks using the resources available. The NIA Risk Reduction Management Plan (NIANDRRMP) 2019-2023 was covered by Memorandum Circular No. 2019-035 dated May 10, 2019. The Plan is aligned with the objectives of the NDRRMP 2011-2028 that will address four areas of components such as: (a) Disaster Prevention and Mitigation, (b) Disaster Preparedness, (c) Disaster Response, and (d) Disaster Rehabilitation and Recovery. The MC will take effect immediately.

6.1 Risk Management Framework

The Risk Management Team shall perform oversight function in ensuring that the established risk controls and related activities are consistently implemented; plan and coordinate effective and efficient use of risk control tools; and ensure that risk-related information are maintained and retained.

7. CASH AND CASH EQUIVALENTS

This account includes the following:

	2018	2017 (As restated)
Cash in bank-local currency, current account	5,873,473,965	9,034,895,652
Cash in bank-local currency, time deposit	383,533,661	375,486,905
Cash in bank- foreign currency savings account	62,507,095	167,262,120
Cash in bank-local currency, savings account	51,343,704	112,221,827
Cash in bank- foreign currency time deposit	42,492,912	38,968,581
Cash-collecting officers	10,494,902	116,152,733
Petty cash	2,732,638	2,354,389
Cash-treasury/agency deposit, regular	71,210	71,210
	6,426,650,087	**9,847,413,417**

Cash in bank-local currency-current account includes the amount of cash maintained with authorized government depository banks by the CO, ROs, PMOs and IMOs.

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. The account represents US Dollar deposit with the Land Bank of The Philippines (LBP). The year-end balance of the foreign currency deposit shall be translated using the Bangko Sentral ng Pilipinas (BSP) closing rate effective CY 2019.

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.

Cash in bank-foreign currency-time deposit account represents US Dollar time deposit with the Philippine Veterans Bank.

Included in the Cash and Cash equivalents are the following:

	NIACI	Inactive Accounts	Off-book Adjustment
Cash in bank-local currency, current account	3,574,688	87,929,392	(231,448,260)
Petty cash	(5,458)	461,592	97,454
Cash-collecting officers	(65,383)	174,907	-
Cash in bank-local currency, savings account		(4,782,761)	
Cash in bank-local currency, time deposit			(42,011,475)
Cash-treasury/agency deposit, regular		25,946	

	3,503,847	**83,809,076**	**(273,362,281)**

Refer to Note 4.2

8. RECEIVABLES, net

This account consists of the following:

	2018	2017 (As restated)
Accounts receivable	17,311,797,238	20,775,652,806
Inter-agency receivables	14,505,819,998	14,531,897,761
Intra-agency receivables	1,106,825,229	669,594,625
Advances	53,819,549	49,908,328
Loans receivable - others	4,924,652	2,784,408
Other receivables	515,479,848	503,240,019
	33,498,666,514	**36,533,077,947**

Included in the Receivables are the following:

	NIACI	Inactive Accounts	Off-book Adjustment
Accounts receivable			
Accounts receivable - ISF	-	-	59,450,665
Accounts receivable –ISF back account	-	(100)	-
Accounts receivable – pump/CIP/CIS	-	8,000	-
Accounts receivables - others	4,734,342	157,340	-
Allowance for impairment	(9,166,855)	-	(807,566)
	(4,432,513)	**165,240**	**58,643,099**
Inter-agency receivables			
Due from GOCCs	529,700	704,079	17,532,300
Due from NGAs	-	24,481,721	4,615,004
Due from LGUs	-	148,925	7,000,000
	529,700	**25,334,725**	**29,147,304**
Intra-agency receivables			
Due from central office	-	200	(9,554,772)
Due from regional offices	-	492,679,204	(11,502,062,434)
Due from other funds	-	48,843,044	1,171,518
	-	**541,522,448**	**(11,510,445,688)**
Advances			
Advances to officers and employees	2,100,074	269,771	-
Advances to special disbursing officer	-	2,456,151	14,960,103
Advances for payroll	-	186,961	-
	2,100,074	**2,912,883**	**14,960,103**
Other receivables			
Receivable-disallowances and charges	5,676,611	131,685	2,119,331
Due from officers and employees	-	1,036,866	4,595,547
Other receivables	19,222,497	5,228,610	2,911,086
	24,899,108	**6,397,161**	**9,625,964**
Loans receivable - others	**2,144,068**	**-**	**-**
Net Total	**25,240,437**	**576,332,457**	**(11,398,069,218)**

Refer to Note 4.2

8.1 Accounts receivable

	2018	2017 (As restated)
Accounts receivable-ISF back account	14,978,554,228	13,745,470,395
Accounts receivable-pump/CIP/CIS-non-current	7,803,373,069	5,960,180,543
Accounts receivable-pump/CIP/CIS-current	503,828,556	2,325,494,586
Accounts receivable-others	134,630,367	138,077,620
Accounts receivable-ISF	80,067,332	135,186,009
	23,500,453,552	22,304,409,153
Allowance for impairment	(6,188,656,314)	(1,528,756,347)
	17,311,797,238	**20,775,652,806**

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.

8.2 Inter-agency receivable

	2018	2017 (As restated)
Due from Government-Owned and/or Controlled corporations (GOCCs)	13,462,349,963	13,471,022,766
Due from National Government (NGAs)	855,670,572	856,701,834
Due from Local Government Units (LGUs)	187,799,463	204,173,161
	14,505,819,998	**14,531,897,761**

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.

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 (SPISP) extended by the Asian Development Bank; (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 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.

8.3 Intra-agency receivable

	2018	2017 (As restated)
Due from Regional Offices (RO)	1,106,825,229	492,696,204
Due from Central Office (CO)	-	19,282,200
Due from Other Funds (OF)	-	157,616,221
	1,106,825,229	**669,594,625**

Due from ROs is the reciprocal account of Due to CO 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, 2018.

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

The balances of the reciprocal accounts were due to timing difference in recording transaction, thus, reconciliation of the accounts shall be undertaken by both CO and concerned ROs.

8.4 Advances

	2018	2017 (As restated)
Advances to special disbursing officer	22,873,203	21,571,955
Advances to officers and employees	21,861,556	19,301,725
,Advances for payroll	8,325,340	8,772,802
Advances for operating expense	759,450	261,846
	53,819,549	**49,908,328**

8.5 Other Receivables

	2018	2017 (As restated)
Receivables-disallowances/charges	43,431,286	36,013,740
Due from officers and employees	12,182,739	11,452,553
Other receivables	459,865,823	455,773,726
	515,479,848	**503,240,019**

Receivables-disallowances/charges account is used to record the amount of disallowances/charges in audit due from officers and employees and other persons liable that have become final and executory.

Due from officers and employees account refers to the balance of cash advances which remained unliquidated as at December 31, 2018.

9. INVENTORIES, net

	2018	2017 (As restated)
Inventory held for consumption, net	115,911,040	110,637,565
Semi-expendable furniture and fixtures	606,715	604,339
Semi-expendable information and communication technology	319,482	67,509
Semi-expendable office equipment	235,156	120,414
Semi-expendable machinery and equipment	85,760	85,760
Semi-Expendable printing equipment	30,387	-
Semi-expendable communication equipment	6,370	-
	117,194,910	**111,515,587**

9.1 Inventory held for consumption consist of:

	2018	2017 (As restated)
Merchandise inventory	59,558,586	59,558,586
Allowance for impairment	(93,179)	(93,179)
Merchandise inventory - net	**59,465,407**	**59,465,407**
Office supplies inventory	31,508,051	47,606,172
Fuel, oil and lubricants inventory	6,691,249	2,130,839
Construction materials inventory	69,477	30,497
Other supplies and materials inventory	18,176,856	1,404,650
	115,911,040	**110,637,565**

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

Semi expendable accounts such as: Semi-expendable - machinery and equipment, Semi-expendable office equipment, Semi-expendable-information and communication equipment and Semi-expendable-furniture and fixtures accounts are used to recognize tangible items with cost below the capitalization threshold of P15,000. Semi-expendable items remain as inventory until their issuance to the end user.

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

Included in the Inventory Held for consumption are the following:

	NIACI	Inactive Accounts	Off-book Adjustment
Merchandise inventory	-	74,675	47,407,269
Office supplies inventory	-	563,797	25,149,220
Construction materials inventory	-	30,497	-
Other supplies and materials inventory	318,393	106,065	(126,408)
	318,393	**775,034**	**72,430,081**

Refer to Note 4.2

10. PREPAYMENTS

Prepayments consist of the following:

	2018	2017 (As restated)
Advances to contractors	5,727,962,185	4,149,665,061
Other prepayments	8,666,344	8,666,344
Prepaid rent	7,510,434	7,510,433
Deposit on Letters of Credit	199,788	199,788
	5,744,338,751	**4,166,041,626**

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

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

11. OTHER CURRENT ASSETS

This account is composed of Guarantee deposits in the total amount of P26.592 million.

Included in Prepayments and Other current assets are the following:

	NIACI	Inactive Accounts	Off-book Adjustment
Advances to contractors	307,290	11,012,444	-
Prepaid rent	-	7,510,434	-
Guaranty deposit	-	12,198	-
Deposit on letters of credit	-	2,700	-
Other prepayments	-	68,984	(77,500)
	307,290	**18,606,760**	**(77,500)**

Refer to Note 4.2

12. FINANCIAL ASSETS

This account consists of:

	2018	2017 (As restated)
Financial Assets – held to maturity		
Investment in stocks	1,207,000	11,207,000
Investment in bonds	1,600	1,600
Other investments and marketable securities	15,900	15,900
	1,224,500	11,224,500
Other investment - CE Casecnan	72,697,899,800	69,331,188,875
	72,699,124,300	**69,342,413,375**

The Investment in stock account 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 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 with a guarantee fee of one per cent per annum as approved by the DOF.

The account includes off-book adjustments of P18,000.

13. INVESTMENT PROPERTY

This account is composed of:

	Land	Building	Total
As at December 31, 2018:			
Cost, January 1, 2018	48,300,000	1,469,000	49,769,000
Additions:	-	-	-
Balance, December 31, 2018	**48,300,000**	**1,469,000**	**49,769,000**
As at December 31, 2017:			
Cost, January 1, 2017	-	-	-
Additions:	48,300,000	1,469,000	49,769,000

Balance, December 31, 2017	**48,300,000**	**1,469,000**	**49,769,000**

These properties were leased out to third parties under operating lease for 25 years, which was terminated in 2017. However, the Contract was extended until October 2018.

The building will be depreciated over its estimated useful life using the straight-line method of depreciation effective CY 2019.

14. PROPERTY, PLANT AND EQUIPMENT, net

An illustration of the analysis of this account is shown below:

	Infrastructure Assets irrigation systems	Land	Land and land improvements	Building and improvements	Machineries, equipment, furniture and fixtures	Construction in progress (CIP)	Total
Cost, 1-1-18	78,404,460,209	5,707,608,614	32,809,401,670	1,663,693,527	4,007,298,755	125,335,805,824	247,928,268,599
Additions	-		-	619,980,594	1,932,512,108	19,079,055,255	21,631,547,957
CIP transfer to PPE account	6,026,205,912		559,315,509		17,495,091	(6,603,016,512)	-
Adjustment	9,132,036,469	3,084,345	(660,721,672)	(556,982,147)	(1,657,547,020)	10,183,422,308	16,443,292,283
Cost, 12-31-18	93,562,702,590	5,710,692,959	32,707,995,507	1,726,691,974	4,299,758,934	147,995,266,875	286,003,108,839
Less: Accumulated depreciation, 1-1-18	1,219,339,436	-	12,734,041,890	366,787,317	2,143,404,563	-	16,463,573,206
Depreciation charges	328,213,584	-	230,158,661	57,095,096	257,251,595	-	872,718,936
Adjustment	1,115,616,542	-	(25,554,015)	(1,322,819)	(117,623,613)	-	971,116,095
Accumulated depreciation, 12-31-18	2,663,169,562	-	12,938,646,536	422,559,594	2,283,032,545	-	18,307,408,237
Net, December 31, 2018	**90,899,533,028**	**5,710,692,959**	**19,769,348,971**	**1,304,132,380**	**2,016,726,389**	**147,995,266,875**	**267,695,700,602**

	Infrastructure assets irrigation systems	Land	Land and land improvement	Building and improvements	Machineries, equipment, furniture and fixtures	CIP	Total
Cost, 1-1-17, as restated	66,965,145,276	5,755,038,448	32,970,353,635	1,612,515,916	3,888,829,099	115,010,671,660	226,202,554,034
Additions	10,384,808,145	870,166	1,564,958	26,028,535	84,468,884	10,760,512,657	21,258,253,345
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	(48,300,000)	-	(1,469,000)	(5,323,115)	-	(49,769,000)
Adjustment	977,008,109	-	(163,534,893)	25,671,856	(6,125,571)	(358,282,355)	474,737,146
Cost, 12-31-17, as restated	78,404,460,209	5,707,608,614	32,809,401,670	1,663,693,527	4,007,298,755	125,335,805,824	247,928,268,599
Less: Accumulated depreciation, 1-1-17, as restated	1,162,392,743	-	11,685,931,823	327,658,259	1,963,595,378	-	15,139,578,203
Depreciation charges	18,398,530	-	1,139,122,120	41,625,363	165,169,345	-	1,364,315,358
Adjustment	38,548,163	-	(91,012,053)	(2,496,305)	14,639,840	-	(40,320,355)
Accumulated depreciation, 12-31-17, as restated	1,219,339,436	-	12,734,041,890	366,787,317	2,143,404,563	-	16,463,573,206
Net, 12-31-17, as restated	77,185,120,773	5,707,608,614	20,075,359,780	1,296,906,210	1,863,894,192	125,335,805,824	231,464,695,393

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 CYs 1990 to 1996.

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

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

NIA reviewed the carrying value of property and equipment for any impairment as at December 31, 2018. Based on its evaluation, no impairment loss has occurred and no property and equipment has been pledged as security for liabilities.

Included in PPE are the NIACI, inactive, and off-book accounts as disclosed in Note 4.2, as follows:

	NIACI	Inactive Accounts	Off-book Adjustment
Land	-	2,187,932,171	-
Other land improvements	-	2,694,894,350	34,957,074
Buildings	-	491,886,348	6,351,475
Office equipment	80,991	12,546,807	525,888
Furniture and fixtures	172,692	55,362,575	7,230
Info. & communication technology equipment	-	2,531,159	998,364
Books	-	7,909	-
Agricultural and forestry equipment	-	487,481,979	-
Communication equipment	673	686,939	179,465
Construction & heavy equipment	-	-	(46,527,104)
Disaster response and rescue equipment	-	69,500	(741)
Technical and scientific equipment	-	6,441,052	(780,962)
Other machineries and equipment	-	-	9,370,225
Machinery	-	60,867,044	(228,173)
Other machineries and equipment	-	23,291,634	(146,732)
Motor vehicles	-	658,437	(7,397,432)
Other transportation equipment	144,907	-	(135,621)
Other property, plant and equipment	-	690,900	-
Water supply systems	-	649,136,034	-
Construction in progress - infrastructure assets	-	6,328,067,642	-
CIP - agency assets	-	54,233,923	2,664,850
CIP - irrigation, canals and laterals	-	554,449,790	2,124,999,078
Other assets	-	1,041,380	-
Other current assets	-	-	(108,096,066)
Other assets-unserviceable assets	-	10,891,881	234,127,607
	399,263	**13,623,169,454**	**2,250,868,425**

15. BIOLOGICAL ASSETS

This account consists of work/zoo animals in NIA Region V.

16. FINANCIAL LIABILITIES

16.1 Financial Liabilities-Current

This account consists of:

	2018	2017 (As restated)
Accounts payable	12,319,915,243	4,780,946,316
Due to officers and employees	50,887,338	128,022
Notes payable	128,022	199,327,416
	12,370,930,603	**4,980,401,754**

Accounts payable pertains mostly to claims of contractors, who are either foreign or local, on their project accomplishments; and claims of suppliers for the delivery of goods. Due and demandable Accounts payable are usually submitted to the Department of Budget and Management for their approval and release of Cash Subsidy for payment.

Due to Officers and Employees account consists of payables to NIA employees.

The account under noncurrent financial liabilities consists of long-term liabilities, loans and advances payable.

Included in Financial liabilities are the following:

	NIACI	Inactive Accounts	Off-book Adjustment
Accounts payable	23,452,808	17,823,512	(20,720,715)
Due to officers and employees	-	4,687,682	-
	23,452,808	**22,511,194**	**(20,720,715)**

Refer to Note 4.2

16.2 Financial Liabilities-non current

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

	2018	2017 (As restated)
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	975,000,000	1,950,000,000
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
	7,606,340,534	**8,581,340,534**

Loans payable - Domestic and Advances payable to NGAs 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 BTr. 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). 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 interim financing, 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.

Loans payable - Foreign account represents the proceeds of foreign loan availment 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.

17. INTER-AGENCY PAYABLES

	2018	2017 (As restated)
Due to National Treasury	65,388,452,176	65,383,858,910
Due to Other NGAs	13,730,039,792	13,819,466,766
Due to Bureau of Internal Revenue (BIR)	423,661,129	403,258,426
Due to Other GOCCs	306,141,718	578,029,036
Due to Government Service Insurance System (GSIS)	30,111,911	24,074,715
Due to Local Government Units (LGUs)	27,270,022	25,188,710
Due to PhilHealth	9,178,978	6,643,571
Due to Pag-IBIG fund	9,161,410	7,169,568
	79,924,017,136	**80,247,689,702**

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

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 BIR account consists of taxes withheld from employees and other entities.

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.

Due to GSIS, Due to Home Development Mutual Fund (Pag-IBIG), and Due to Philippine Health Insurance Corporation (PhilHealth) accounts represent employees' premium payments and other payables withheld for remittance to the concerned government agencies/institutions.

Included in Inter-agency payables are the following:

	NIACI	Inactive Accounts	Off-book Adjustment
Due to National Treasury	-	-	45,061,604
Due to other NGAs	-	485,529,747	(1,473,326,513)
Due to BIR	2,860,757	4,736,596	5,076
Due to other GOCCs	11,292	2,698,831	(639,281)
Due to GSIS	-	198,878	-
Due to LGU	-	92,093	-
Due to PhilHealth	1,720	172,579	1,288
Due to Pag-IBIG fund	1,502	81,082	5,214
	2,875,271	**493,509,806**	**(1,428,892,612)**

Refer to Note 4.2

18. INTRA-AGENCY PAYABLES

	2018	2017 (As restated)
Due to Other Funds (OFs)	131,441,894	222,140,354
Due to Regional Offices (ROs)	108,004,930	275,404,403
Due to Central Office (CO)	-	60,487,171
	239,446,824	**558,031,928**

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

Included in Intra-agency payables are the following:

	Inactive Accounts	Off-book Adjustment
Due to CO	928,342,150	(8,009,927,223)
Due to ROs	58,349,062	7,743,512
Due to OFs	-	(2,288,868)
	986,691,212	**(8,004,472,579)**

Refer to Note 4.2

19. TRUST LIABILITIES

	2018	2017 (As restated)
Guarantee/security deposit payables	1,146,887,410	870,890,638
Performance/bidders/bail bonds	30,824,503	33,198,503
Customers deposit payable	1,639,158	1,639,158
	1,179,351,071	**905,728,299**

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

Included in Trust Liabilities are the following:

	Inactive Accounts	Off-book Adjustment
Guarantee/security deposit payables	99,307	5,157
Performance/bidders/bail bonds	18,047	550,760
	117,354	**555,917**

Refer to Note 4.2

20. PROVISIONS

This account is used in accruing the money value of leave credits of NIA employees in compliance with PPSAS 19. The unused vacation and sick leave of employees were recognized in the books in the total amount of P308.131 million as of December 31, 2018 and P159.762 million as of December 31, 2017.

21. OTHER PAYABLES

This account consists of other liabilities not falling under any of the specific payable account amounting to P2.786 billion and P2.081 billion in CYs 2018 and 2017, respectively.

Included in Other payables are the following:

	NIACI	Inactive Accounts	Off-book Adjustment
Other Payables	1,958,116	8,297,718	(28,221,641)

Refer to Note 4.2

22. DEFERRED CREDITS

This account includes the following:

	2018	2017 (As restated)
Deferred credits	23,867,677,355	20,197,439,584
Other deferred credits	408,675,576	2,905,726,081
	24,276,352,931	**23,103,165,665**

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.

Included in Deferred Credits/Unearned income are the following:

	NIACI	Inactive Accounts	Off-book Adjustment
Deferred credits	-	1,021,921	70,423,513
Other deferred credits	-	(746,675)	-
	-	**275,246**	**70,423,513**

23. ACCUMULATED SURPLUS/(DEFICIT)

Accumulated Surplus/(Deficit) as at January 1, 2017	**209,545,939,028**
Add/Deduct : Retained Earnings January 1, 2017	(11,511,877,422)
Accumulated Surplus/(Deficit) as at January 1, 2017, as restated	**198,034,061,606**
Add/Deduct:	
Net Income for CY 2017 after Subsidy, as reported	27,529,478,595
Adjustment made to interest income of PIDP	155
Net Income for CY 2017 after subsidy, as restated	27,529,478,750
Adjustments	(122,456,366)
Accumulated Surplus/(Deficit) as at December 31, 2017, as restated	**225,441,083,990**
Add:	
CY 2018 net income after subsidy, as reported	24,128,109,440
Reclassification of PPE to its proper account and amount	1,500,196,500
Adjustment to erroneous entry made to various accounts	402,297,942
LARISEP	35,059,323
Transfer of fund	22,296,725
Tax remittance advice	12,399,183
Interest income earned	1,298,891
CARP transactions	110,792
Reactivation of dormant account	10
Other adjustments	1,780,410,633
Bank charges	(7,320)
Liquidation of cash advance	(14,015)
Reclassification of inventory account	(84,113)
Unrecorded transactions	(103,494)
Transactions subject to verification	(764,242)
Refund of cash	(827,361)
Transfer of interest income earned	(1,431,523)
Closure of dormant accounts	(3,122,057)
Reports of Check Issued	(3,459,357)
Adjustment made by CO to various accounts	(99,902,455)
Various accounts closed to Accumulated surplus/(deficit)	(117,883,679)
Prior years' depreciation expense for PPE	(1,026,348,879)
Accumulated Surplus/(Deficit), December 31, 2018	**252,069,314,934**

This 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.

It also includes inactive accounts and Off-book adjustment amounting to P4.005 million and P18.773 million, respectively.

24. GOVERNMENT EQUITY

The share capital amounted to P5.559 billion as at December 31, 2018, having no movement from January 1, 2017.

25. SERVICE AND BUSINESS INCOME

This account comprises:

	2018	2017 (As restated)
Service fees	479,256,025	524,532,734
Rent income	97,362,204	100,960,708
Energy delivery fees-NPC	73,765,942	56,673,162
Irrigation service fees	67,494,238	235,179,248
Management fees	14,104,652	18,757,013
CIP/CIS/RIS amortization & equity	10,626,114	43,430,996
Fines and penalties-service income	7,016,051	28,297,529
Pump amortization & equity	561,783	13,763,155
	750,187,009	**1,021,594,545**

25.1 Service fees

Service Fees are fees collected for the services rendered or performed by NIA for the operation, maintenance and rehabilitation of the Non-power Components and other appurtenant structures in 360 MW Magat Hydro Electric Power Plant and 112 MW Pantabangan-Masiway Hydro Electric Power Plant in accordance with the Operation and Maintenance Agreement (O&MA) entered into between:

1. NIA and SN Aboitiz Power, Inc. (SNAP) for the Magat Electric Power Plant dated December 13, 2006; and
2. NIA and First Gen Hydro Power Corporation (FGHCP) for the Pantabangan-Masiway Hydro Electric Power Plant dated November 13, 2006.

The Service fees are collected on a *monthly basis per cubic meter of water used for power generation*. NIA exclusively use the service fees collected to fulfill its obligations and discharge its responsibilities as provided in the Agreement.

25.2 Energy delivery fees - NPC

Energy delivery fees- NPC are management fees collected from the Power Sector Asset and Liabilities Management Corporation (PSALM) in behalf of National Power Corporation (NPC) pursuant to the Power Purchase Agreement (PPA) entered between NIA and NPC relative to Energy Delivery from CE-Casecnan Water and Energy Co. Inc. (CECWECI).

25.3 Irrigation service fees

Irrigation Service Fees (ISF) refer to the charge or levy being imposed upon users of irrigation water and services provided by an irrigation system. This include collections from farmers with more than eight hectares of land, corporate farms, and plantations drawing water for agricultural crop production; fishponds, and other persons, natural or juridical, drawing water for non-agricultural purposes from NIS and CIS, or using the irrigation systems as drainage facilities who shall continue to be subject to the payment of ISF pursuant to RA No.10969.

26. PERSONNEL SERVICES

This account consists of the following:

	2018	2017 (As restated)
Salaries and wages	1,335,437,278	1,095,887,518
Other compensation	682,602,033	552,375,128
Personnel benefit contributions	180,914,471	150,064,189
Other personnel benefits	145,617,839	100,385,634
	2,344,571,621	**1,898,712,469**

26.1 Salaries and wages

Salaries and Wages account represents payment of services rendered by NIA employees occupying regular positions.

26.2 Other compensation

	2018	2017 (As restated)
Year-end bonus	210,905,684	158,180,817
Personnel economic relief allowance (PERA)	105,261,966	94,614,399
Cash gift	41,951,784	39,771,524
Clothing/uniform allowance	25,195,570	19,226,658
Overtime and night pay	18,901,017	10,959,875
Representation allowance (RA)	10,819,820	9,214,060
Transportation allowance (TA)	8,790,247	7,354,961
Longevity pay	3,011,000	2,300,100
Honoraria	1,453,579	615,758
Other bonuses and allowances	256,311,366	210,136,976
	682,602,033	**552,375,128**

26.3 Personnel benefit contributions

These are NIA's share in premium contributions, i.e., GSIS, Pag-IBIG and PhilHealth:

	2018	2017 (As restated)
Retirement and life insurance premium	153,217,699	128,826,598
PhilHealth contributions	16,549,093	11,626,655
Pag-IBIG contributions	5,438,789	4,839,467
Employees compensation insurance premium	5,708,890	4,771,469
	180,914,471	**150,064,189**

26.4 Other personnel benefits

	2017

	2018	(As restated)
Terminal leave benefits	120,277,655	79,575,839
Productivity incentive allowance	13,645,175	16,186,500
Retirement gratuity	6,477,683	1,723,023
Subsistence allowance	27,840	27,885
Others	5,189,486	2,872,387
	145,617,839	**100,385,634**

27. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2018	2017 (As restated)
Professional services	197,036,437	41,239,283
Utility expenses	180,326,667	132,477,968
Repairs and maintenance	152,749,824	121,034,199
Supplies and material expenses	147,857,968	98,436,513
Training expenses	121,463,998	44,214,101
Travelling expenses	60,843,720	37,919,208
Taxes, insurance premiums and other fees	23,290,051	18,073,299
General services	21,633,335	18,669,667
Communication expenses	14,564,893	16,930,924
Other maintenance and operating expenses	405,838,286	612,320,543
	1,325,605,179	**1,141,315,705**

27.1 Professional services

	2018	2017 (As restated)
Auditing services	159,886,193	35,795,376
Consulting services	33,844,526	4,082,806
Other professional services	1,806,729	700,635
Legal services	1,498,989	660,466
	197,036,437	**41,239,283**

Other professional services account includes payment of services of personnel under Job order contract.

27.2 Utility expenses

	2018	2017 (As restated)
Electricity expenses	172,780,980	127,133,621
Water expenses	7,481,422	5,344,347
Other utility expenses	64,265	-
	180,326,667	**132,477,968**

27.3 Repairs and maintenance

	201	2017 (As restated)

	201	2017 (As restated)
Repairs and maintenance-transportation equipment	62,621,01	52,270,526
Repairs and maintenance-infrastructure assets	38,161,221	22,688,289
Repairs and maintenance -machinery and equipment	33,360,45	23,256,255
Repairs and maintenance-buildings and other structures	17,475,83	12,341,973
Repairs and maintenance-other property, plant & equipment	511,76	1,507,377
Repairs and maintenance-furniture & fixtures	486,93	309,754
Repairs and maintenance -land improvements	132,60	8,660,025
	152,749,82	**121,034,199**

27.4 Supplies and materials expenses

	2018	2017 (As restated)
Fuel, oil and lubricants expenses	76,036,726	47,822,889
Office supplies expenses	40,207,284	28,310,884
Other Supplies and materials expenses	27,595,862	20,710,566
Semi-expandable-machinery and equipment expenses	1,446,320	159,848
Semi-expendable furniture, fixtures and books expenses	1,164,189	349,176
Drugs and medicines expenses	830,949	556,867
Food supplies expense	407,255	144,243
Accountable forms expenses	154,527	249,019
Medical, dental & laboratory supplies expenses	14,856	68,896
Textbooks and instructional materials expenses	-	64,125
	147,857,968	**98,436,513**

27.5 Training expenses

Represents expenses incurred in attending various trainings to expand knowledge and skills required.

27.6 Travelling expenses

	2018	2017 (As restated)
Travelling expenses - local	55,046,826	37,177,724
Travelling expenses - foreign	5,796,894	741,484
	60,843,720	**37,919,208**

27.7 Taxes, insurance premiums and other fees

	2018	2017 (As restated)
Insurance expenses	10,579,649	6,501,187
Taxes, duties and licenses	7,489,373	7,983,098
Fidelity bond premiums	5,221,029	3,589,014
	23,290,051	**18,073,299**

27.8 General services

	2018	2017 (As restated)

Janitorial services	14,984,376	11,397,675
Security services	6,400,809	5,851,309
Other general services	248,150	1,420,683
	21,633,335	**18,669,667**

27.9 Communication expenses

	2018	2017 (As restated)
Telephone expenses	7,593,290	12,207,434
Internet subscription expenses	4,887,838	2,772,872
Postage and courier services	1,625,438	1,082,270
Cable, satellite, telegraph, and radio expenses	458,327	868,348
	14,564,893	**16,930,924**

27.10 Other maintenance and operating expenses

	2018	2017 (As restated)
Representation expenses	18,053,367	12,718,913
Rent/lease expenses	13,119,622	3,807,367
Printing and publication expenses	3,824,088	1,847,634
Survey expense	1,921,987	619,569
Donations	1,088,177	16,000
Subscription expenses	866,623	596,476
Transportation and delivery expenses	692,552	708,589
Advertising, promotional and marketing expenses	665,792	416,220
Awards/rewards expenses	631,900	226,000
Membership dues & contributions to organizations	151,853	77,788
Others maintenance and operating expenses	364,822,325	591,285,987
	405,838,286	**612,320,543**

Other maintenance and operating expenses are further broken down as follows:

	2018	2017 (As restated)
Irrigator's share	180,172,256	153,233,037
Job order	33,524,136	18,087,992
Contractual services	25,295,845	24,010,903
Extraordinary expenses	4,940,197	4,404,553
Sports	1,279,850	1,389,031
Collection expenses	24,665	238,924,638
Motorcycle allowance	22,105	128,574
Loss on sale of palay	3,565	-
Laboratory analysis of soil & water sample	-	218,685
Other miscellaneous expenses	21,245,647	15,391,070
Others	98,314,059	135,497,503
	364,822,325	**591,285,986**

28. FINANCIAL EXPENSES

	2018	2017 (As restated)
Interest expense	525,533,123	526,045,036
Bank charges	26,905	28,226
	525,560,028	**526,073,262**

29. NON-CASH EXPENSES

	2018	2017 (As restated)
Impairment on loans and receivables	4,669,218,360	190,322,591
Vacation and Sick Leave	308,131,451	159,761,880
Depreciation - infrastructure assets	328,213,584	18,398,530
Depreciation - land improvements	230,158,661	1,139,122,120
Depreciation-other property, plant and equipment	135,562,280	4,815,613
Depreciation-machinery and equipment	101,169,914	138,296,302
Depreciation-buildings and other structures	57,095,096	41,625,364
Depreciation-transportation equipment	16,583,614	19,114,919
Depreciation-furniture, fixtures and books	3,935,787	2,942,510
	5,850,068,747	**1,714,399,829**

30. NON-OPERATING INCOME

	2018	2017 (As restated)
Miscellaneous income	98,149,541	71,307,450
Interest	18,083,844	15,051,569
Other fines and penalties	867,128	1,748,285
Income from grants and donations in kind	79,682	85,760
	117,180,195	**88,193,064**

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 10 sets of irrigation pumps from the received by MARIIS from the DA - RO No. II in 2010 to mitigate the effect of El Niño phenomenon.

31. GAINS

Gains refer to gain from foreign currency transactions.

32. ASSISTANCE AND SUBSIDY

NIA received subsidy from the National Government in the total amount of P33.304 billion and P31.689 billion in 2018 and 2017, respectively.

33. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)

	2018	2017 (As restated)
Surplus for the year	24,128,109,440	27,529,478,750
Subsidy from the national government for capital expenditures	(21,676,721,928)	(21,736,172,266)
Non-cash (income/expenses):		
Impairment loss	4,669,218,360	190,322,591
Prior period adjustments	2,500,121,504	(122,456,366)
Depreciation	872,718,936	1,364,315,358
Terminal leave benefits	308,131,451	159,761,880
Adjustments in inactive completed projects	36,243,914	47,542
Gain from sale/disposal of PPE	(5,860,691)	(103,576)
Expenses for Financing Activities - NDC interest:	523,870,000	523,870,000
(Increase)/decrease in asset accounts:		
Receivables (net)	3,034,411,433	377,237,035
Other non-current assets	15,710,469	41,136,421
Inventories	(5,679,323)	5,596,363
Investment property	(49,769,000)	-
Prepayments	(1,578,297,125)	(1,618,133,153)
Other investment	(3,356,710,925)	(2,941,265,173)
Other current asset	-	(4,924,515)
Increase/(decrease) in liability accounts:		
Financial liabilities	7,390,528,849	(79,320,042)
Deferred credits	1,173,187,266	534,268,759
Other payables	852,495,189	394,403,199
Trust liabilities	273,622,772	133,896,826
Intra-agency payables	(318,585,104)	79,408,988
Inter-agency payables	(323,672,566)	(72,830,788)
Other Adjustments	1,273,053,841	20,678,419,741
Total Cash provided from Operating Activities	**19,736,126,762**	**25,436,957,574**

34. RELATED PARTY TRANSACTIONS

34.1 Related Party Transactions

NIA does not have control or significant influence over other parties in making financial or operating decisions, nor dealings with related parties involving transfer of resources and obligations between NIA and other parties.

34.2 Key Management Personnel

The key management personnel of the NIA are the Administrator, Senior Deputy Administrator, and two Deputy Administrators. The NIA Board consists of the Chairman, Vice Chairman and the four board members, representing the Department of Public Works & Highways, National Power Corporation, National Economic and Development

Authority and one representing the Private sector which all are appointed by the President of the Philippines. The Cabinet Secretary of the Office of the Cabinet Secretary or his authorized representative acts as Ex-Officio Chairman of the Board and is not remunerated by NIA.

34.3 Key Management Personnel Compensation

The aggregate remuneration of the members of the governing body and the number of members determined on a fulltime equivalent basis receiving remuneration within this category, are shown on the next page:

	2018	2017 (As restated)
Basic salary	6,023,556	3,574,036
Allowances and other benefits	2,365,659	2,102,233
Extraordinary and Miscellaneous Expenses	546,319	508,255
Per diem	225,000	270,000
	9,160,534	**6,454,524**

**Based on the Report on Salaries and Allowances (ROSA) including Extraordinary and Miscellaneous Expenses by Principal Officers and Members of Governing Board*

35. CAPITAL MANAGEMENT

The primary objective of the NIA's capital management is to ensure that resources of NIA is geared towards the attainment of its mandate and the implementation of its objectives through the programs to be undertaken for the promotion and advancement of the irrigation development with the participation of the private sector and for the improvement of the working conditions of the farmers. NIA manages its net assets/equity by establishing controls in collection of fees and other sources of revenues, monitoring status of projects and periodic reporting of funds and disbursements while maintaining compliance to rules, regulations, and other legal requirements.

36. BUDGET INFORMATION

The proposed NIA Corporate Operating Budget (COB) for FY 2018 in the amount of P46.500 billion was approved by the NIA Board on February 14, 2018 and submitted to the Department of Budget and Management (DBM) for review/evaluation. The COB was approved by DBM on October 24, 2018 amounting to P45.912 billion. Changes between the original and final budget was due to DBM's approved level of Personnel Services and MOOE broken down as follows:

	Proposed	Approved	Variance
Personnel services	2,918,972,893	2,841,849,893	77,123,000
Maintenance and other Operating Expenses	3,943,316,100	3,432,383,100	510,933,000
Capital Outlay	39,637,318,288	39,637,318,288	-
	46,499,607,281	**45,911,551,281**	**588,056,000**

The COB was sourced from the Internally Generated Income of NIA and the subsidy from the National Government. The allocation covers NIA's operating requirements, contractual obligations & for the implementation of infrastructure projects.

Material differences between the actual expenses as against the budget as presented in SCBAA is also noted particularly on the following:

a. Expended at the time of receipt of variance for over provision of expenses listed below per DBM approval, received by the office of Administrator on October 29, 2018;

Particulars	2018
Personnel services	
Honoraria	2,000,000
Life & retirement insurance premium	57,248,000
PhilHealth contribution	6,277,000
	65,525,000
Maintenance and other operating expenses	
Communication expenses	19,986,000
Repairs and maintenance - government vehicles	58,239,000
Supplies and material expenses	99,480,000
Training and seminar expenses	31,640,000
Fuel, oil and lubricants	83,044,000
Representation expense	378,000
Subscription expense	3,766,000
	296,533,000
	362,058,000

b. There are accrued expenses obligated in 2017 but had been paid/expensed during the year 2018;

c. Charged to savings, which refer to portions or balances of allotment pertaining to personnel services and maintenance and other operating expenses which have not been obligated; and

d. Reclassification recognized in 2018, transactions from CY 2010 to 2018 booked up under Construction in Progress account (Fund 102 PIDP) to expense accounts. These are expenses paid for consultancy services, training expenses, rent expense and survey expense.

37. DISCLOSURES REQUIRED BY BIR UNDER REVENUE REGULATION (RR) NO. 15-2010

In compliance with RR No. 15-2010, amending RR No. 21-2002, *"[I]n addition to the disclosures mandated under the xxx, and such other standards and/or conventions as may heretofore be adopted, the Notes to Financial Statements shall include information on taxes, duties and license fees paid or accrued during the taxable year."*

NIA has been regularly deducting taxes from salaries and other benefits due from its employees as well as from cost of goods and services procured. Likewise, the amounts withheld from the same were remitted to the BIR within the prescribed deadlines.

Taxes and licenses

Taxes and licenses, local and national, under "Operating Expenses" for CY 2018 , include licenses and permit fees in the total amount of P7,489,373 comprising P312,093 and P7,177,280 in the Central Office (CO) and Regional Offices (ROs), respectively.

Withholding taxes

The amount of withholding taxes paid/accrued for CY 2018 in NIA Central Office and Regional Offices amounted to:

	2018
Withholding taxes on compensation and benefits	54,722,981
Creditable withholding taxes	689,557,421
	744,280,402

As at year end, the breakdown of creditable withholding taxes in CO for CY 2018 are as follows:

Percentage		**2018**
10	Withholding tax on professionals	5,356,867
2	Income payments made by GOCCs to suppliers of services	169,789,295
1	Income payments made by GOCCs to suppliers of goods	21,273,383
3	Withholding percentage tax	7,981,739
5	Withholding VAT	483,339,300
	Others	1,816,837
		689,557,421

The balance of the Due to BIR totaling P423,661,129, net of negative balance of P6,600,461 is composed of prior years' balances totaling P151,540,674, accounts of NIACI of P2,860,757, accounts of completed projects classified as inactive accounts totaling P4,736,596 and off-book adjustment of P5,076. These accounts will be subject to further analysis, adjustment, if necessary, and remittance to the BIR. The remaining balance of P264,518,026 pertained to taxes withheld in December 2018 due for remittance in January 2019.

38. COMPLIANCE WITH GSIS LAW, REPUBLICT ACT (RA) NO. 8291

NIA has been regularly deducting premiums from its employees and remitting the total amount withheld as well as the government share to GSIS. The employees' and employer's shares remitted to GSIS for CY 2018 are as follows:

	2018
Employee's Share	142,572,361
Employer's Share	153,217,699
	295,790,060

The balance of the Due to GSIS totaling P30,111,911 comprises prior years' balances totaling P3,509,742 and accounts of completed projects classified as inactive accounts totaling P198,878 which will be subject to further analysis, adjustment, if necessary, and remittance to the GSIS while P26,403,291 pertained to deductions withheld in December 2018 due for remittance in January 2019.

39. COMPLIANCE WITH HDMF LAW, HDMF CIRCULAR NO. 275

NIA has been regularly deducting monthly contributions and remitting the total amount withheld as well as the government share to the nearest Pag-IBIG branch or its authorized collecting banks, together with the duly accomplished Membership Contribution Remittance Form (MCRF), in accordance with HDMF circular no. 275. The employees' and employer's shares remitted are as follows:

	2018
Employee's Share	25,763,164
Employer's Share	5,438,789
	31,201,953

The balance of the Due to Pag-IBIG Fund of P9,161,410 comprises prior years' balances totaling P705,721, accounts of NIACI of P1,502, accounts of completed projects classified as inactive accounts totaling P81,082 and off-book adjustment of P5,214. These accounts will be subject to further analysis, adjustment, if necessary, and remittance to the Pag-IBIG while P8,367,891 pertained to deductions withheld in December 2018 due for remittance in January 2019.

40. COMPLIANCE WITH PHIC CIRCULAR NO. 0001, S 2014

NIA has been regularly deducting premiums from its employees and remitting the total amount withheld as well as the government share to PHIC. The employees' and employer's shares remitted to PHIC for CY 2018 are as follows:

	2018
Employee's Share	17,762,625
Employer's Share	16,549,093
	34,311,718

The balance of the Due to PhilHealth of P9,178,978 comprises prior years' balances totaling P1,714,192, accounts of NIACI of P1,720, accounts of completed projects classified as inactive accounts totaling P172,579 and off-book adjustment of P1,288 which will be subject to further analysis, adjustment, if necessary, and remittance to the PhilHealth while P7,286,499 pertained to deductions withheld in December 2018 due for remittance in January 2019.