



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

National Irrigation Administration
EDSA, Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **National Irrigation Administration (NIA)** which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of financial performance, statements of changes in net assets/equity, statements of cash flows for the years then ended and statement of comparison of budget and actual amounts for the year ended December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of NIA as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

Bases for Qualified Opinion

The unadjusted accounting errors/omissions in the aggregate amount of P1.884 billion resulted in the overstatement of Construction in Progress (CIP), Property, Plant and Equipment (PPE), Intra-agency Receivables and Intra-agency Payables accounts by P50.969 million, P2.654 million, P1.781 billion and P49.236 million, respectively, and understatement of Appropriate PPE and Inventory/Expense accounts and Accumulated Surplus (Deficit) of P1.853 billion and P30.667 million, respectively, affected the fair presentation of the financial statements (FS).

The accounting deficiencies such as: (a) the non-provision of depreciation expenses for various depreciable assets, (b) negative balances on various accounts and (c) existence of dormant accounts that remained unresolved which also affected the fair presentation of the FS.

We expressed a disclaimer of opinion on the 2018 financial statements in view of the following:

- a. The net off book adjustments on the Net Assets/Equity(NA/E) in the total negative amount of P9.348 billion and inactive accounts of 75 completed projects with NA/E net positive amount of P22.726 billion of which 56.16 per cent or P12.763 billion for 39 completed projects were not supported with documentation;
- b. 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;
- c. The carrying amount of PPE aggregating P267.696 billion cannot be relied upon due to adverse effects of the accounting deficiencies i.e. variances in accounting records and Report on Physical Count of Property, Plant and Equipment (RPCPPE) as well as the Engineering and Operations Division reports; inadequate accounting and property records to substantiate the PPE items costing P62.029 billion; non-reclassification of completed infrastructure projects and non-infrastructure PPEs amounting to P30.756 billion and P492.084 million, respectively, from CIP to the appropriate accounts and non-derecognition of unserviceable properties aggregating P65.754 million from the books due to non-disposal;
- d. The 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 is unreliable due to: negative/abnormal balances totalling P14.895 million; discrepancies of P14.058 billion between books and confirmed balances and incomplete subsidiary records;
- e. Inter-agency Payables account balance of P79.924 billion due to variance between the records of NIA and the Source Agencies and existence of abnormal balances of P1.149 billion;
- f. Doubtful balance of Accounts Payable due to dormant and long outstanding accounts without supporting claims of P2.484 billion, discrepancies between books and confirmed amounts and existence of negative balances aggregating P1.149 billion; and
- g. Reciprocal accounts of P1.346 billion were not eliminated during the process of combination of Trial Balances of Central Office and Regional Offices.

In CY 2019, significant adjustments on CIP account were made on completed projects, non-infrastructure and non-project related expenditures which resulted in the fair presentation of the accounts in financial statements. However, there are still accounting deficiencies that remain unresolved as at year-end, that are summarized in Observation and Recommendation No. 2, Part II of this report, which also affected the fairness of the presentation of the Financial Statements.

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

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 professional 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, 2019 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

September 10, 2020



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

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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, 2019 and 2018, 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.

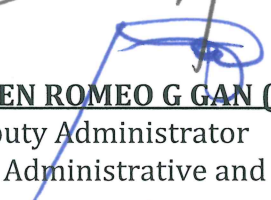
In preparing the financial statements, Management is responsible for assessing NIA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate NIA or to cease operations, 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.


KARLO ALEXEI B. NOGRALES
Chairman of the Board


GEN RICARDO R. BASYA (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 28th day of April 2020

NATIONAL IRRIGATION ADMINISTRATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and 2018
(In Philippine Peso)

			2018
	Note	2019	(As Restated)
ASSETS			
Current assets			
Cash and cash equivalents	5	9,775,628,021	6,701,525,452
Receivables, net	6	10,981,540,104	36,844,745,746
Inventories, net	7	99,735,238	40,942,725
Prepayments	8	6,198,858,064	5,747,455,796
Other current assets	9	26,640,847	26,591,970
Total current assets		27,082,402,274	49,361,261,689
Non-current assets			
Financial assets	10	75,937,574,838	72,699,142,300
Investment property	11	-	49,769,000
Property, Plant and Equipment, net	12	270,597,070,431	254,336,792,143
Other non-current assets		72,023,506	(53,439,594)
Total non-current assets		346,606,668,775	327,032,263,849
TOTAL ASSETS		373,689,071,049	376,393,525,538
LIABILITIES			
Current liabilities			
Financial liabilities	13	11,786,358,330	12,322,748,692
Inter-agency payables	14	67,780,850,075	81,308,637,318
Intra-agency payables	15	2,311,596,236	125,879,205
Trust liabilities	16	1,636,230,374	1,186,052,409
Provisions	17	55,924,654	47,417,676
Other payables	18	3,339,623,152	3,085,665,741
Total current liabilities		86,910,582,821	98,076,401,041
Non-current liabilities			
Financial liabilities	13	-	7,606,340,534
Deferred credits	19	8,819,667,788	24,158,662,020
Total non-current liabilities		8,819,667,788	31,765,002,554
Total Liabilities		95,730,250,609	129,841,403,595
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		277,958,820,440	246,552,121,943
NET ASSETS/EQUITY			
Accumulated surplus/(deficit)	20	272,399,628,575	240,992,930,078
Government equity	21	5,559,191,865	5,559,191,865
TOTAL NET ASSEST/EQUITY		277,958,820,440	246,552,121,943

The notes on pages 11 to 55 form part of these Financial Statements.

NATIONAL IRRIGATION ADMINISTRATION
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018 (As Restated)
REVENUE			
Service and business income	22	686,205,082	746,239,509
TOTAL REVENUE		686,205,082	746,239,509
CURRENT OPERATING EXPENSES			
Personnel services	23	3,324,038,240	2,679,546,589
Maintenance and other operating expenses	24	2,500,066,283	1,398,399,503
Financial expenses	25	524,994,880	525,560,028
Non-cash expenses	26	10,965,777,829	8,642,679,459
TOTAL CURRENT OPERATING EXPENSES		17,314,877,232	13,246,185,579
DEFICIT FROM CURRENT OPERATIONS		(16,628,672,150)	(12,499,946,070)
Other non-operating income	27	95,087,478	132,482,090
Gain on foreign exchange (FOREX)	28	15,234,976	3,375,791
Gain on sale of property, plant and equipment		30,500	2,464,530
Losses		(5,688,275)	(3,396,456)
DEFICIT BEFORE TAX		(16,524,007,471)	(12,365,020,115)
Less: Income tax expense		-	-
DEFICIT AFTER TAX		(16,524,007,471)	(12,365,020,115)
Assistance and Subsidy	29	38,844,175,198	33,299,817,621
NET SURPLUS FOR THE PERIOD		22,320,167,727	20,934,797,506

The notes on pages 11 to 55 form part of these Financial Statements.

NATIONAL IRRIGATION ADMINISTRATION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Accumulated Surpl/(Deficit)	Government equity	Total
	Note 20	Note 21	
BALANCE AT JANUARY 1, 2018	225,441,083,990	5,559,191,864	231,000,275,854
Adjustments	(5,835,592,043)	-	(5,835,592,043)
RESTATED BALANCE AT JANUARY 1, 2018	219,605,491,947	5,559,191,864	225,164,683,811
Changes in net assets/equity for CY 2018			
Add/Deduct:			
Surplus for the period, as restated	20,934,797,506	-	20,934,797,506
Adjustments	452,640,625.00	1	452,640,626
BALANCES AT DECEMBER 31, 2018, AS RESTATED	240,992,930,078	5,559,191,865	246,552,121,943
Changes in net assets/equity for CY 2019			
Add/Deduct:			
Surplus for the period, as restated	22,320,167,727	-	22,320,167,727
Adjustments	9,086,530,770	-	9,086,530,770
BALANCES AT DECEMBER 31, 2019	272,399,628,575	5,559,191,865	277,958,820,440

The notes on pages 11 to 55 form part of these Financial Statements.

NATIONAL IRRIGATION ADMINISTRATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

		2018
	Note	2019 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES	30.1	
Cash inflows		
Receipt of assistance/subsidy	37,150,859,642	32,462,371,843
Receipt of inter/intra-agency fund transfers	995,521,092	874,350,038
Collection of income/revenue	563,611,882	433,756,810
Trust receipts	458,569,140	460,890,568
Collection of receivables	51,384,316	23,623,124
Other receipts	46,886,167	146,753,627
Total cash inflows	39,266,832,239	34,401,746,009
Cash outflows		
Payment of expenses	9,572,234,504	6,984,800,689
Payment of accounts payable and other payables	3,120,540,490	1,799,226,931
Remittance of personnel benefit contributions and mandatory deductions	1,928,676,058	2,900,415,516
Prepayments	1,827,183,422	1,731,668,732
Release of inter/intra-agency fund transfers	448,263,210	554,339,873
Grant of cash advances	247,558,288	334,033,434
Refund of deposits	38,778,618	48,184,632
Adjustments	26,435,104	-
Total cash outflows	17,209,669,693	14,352,669,808
Net cash provided by operating activities	22,057,162,547	20,049,076,201
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows		
Proceeds from sale/disposal of PPE	30,500	3,295,117
Adjustments	-	296,512,248
Total cash inflows	30,500	299,807,365
Cash outflows		
Purchase/construction of PPE	17,486,570,318	21,996,165,540
Total cash outflows	17,486,570,318	21,996,165,540
Net cash used in investing activities	(17,486,539,818)	(21,696,358,175)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash outflows		
Payment of Long-Term Liabilities	975,000,000	975,000,000
Payment of Interest Expense	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	3,071,752,729	(3,146,151,975)
Effect of exchange rate changes	2,349,840	264,010
Cash and cash equivalents, January 1	6,701,525,452	9,847,413,417
Cash and cash equivalents, December 31	5 9,775,628,021	6,701,525,452

The Notes on pages 11 to 55 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, 2019
(In Philippine Peso)

	Notes	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
RECEIPTS					
Service and business income	22	648,746,329	648,746,329	686,205,082	(37,458,753)
Other non-operating income	27	63,229,080	63,229,080	95,087,478	(31,858,398)
Gains on on foreign exchange	28	-	-	15,234,976	(15,234,976)
Gain Gains on sale of ppe				30,500	(30,500)
Assistance and subsidy	29	41,337,352,073	41,337,352,073	38,844,175,198	2,493,176,875
Total Receipts		42,049,327,482	42,049,327,482	39,640,733,234	2,408,594,248
PAYMENTS					
Personnel services (PS)	23	2,980,528,306	3,163,550,307	3,324,038,240	(160,487,933)
Maintenance and other operating expenses (MOOE)	24	9,954,395,756	9,631,502,755	2,500,066,283	7,131,436,472
Capital outlay		27,615,533,420	27,615,533,420	17,484,220,478	10,131,312,942
Financial expenses	25	1,498,870,000	1,498,870,000	524,994,880	973,875,120
Total Payments		42,049,327,482	41,909,456,482	23,833,319,881	18,076,136,601
NET RECEIPTS / PAYMENTS		-	139,871,000	15,807,413,353	(15,667,542,353)

The Notes on pages 11 to 55 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.

Vision

By 2022, 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 April 28, 2020.

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 7,295 and 6,911 personnel in CYs 2019 and 2018, respectively. The breakdown is as follows:

	2019	2018
Monthly Paid – Rationalized		
Permanent – Corporate Operating Budget (COB) charged filled	3,341	3,418
Casual/Daily Paid		
COB charged	2,494	642
Project charged	1,460	2,851
	7,295	6,911

NIA is composed of the Central Office (CO), 17 Regional Irrigation Offices (RIOs) including the Upper Pampanga River Integrated Irrigation System (UPRIIS) and the Magat River Integrated Irrigation System (MARIIS), 66 Irrigation Management Offices (IMOs) inclusive of 13 interim IMOs, and 10 Project Management Offices (PMOs).

1.2 Projects and Operational Profile

NIA pursued the implementation of 142 infrastructure projects for CY 2019. Of the total number, 37 projects are in Luzon, 30 in Visayas, and 18 in Mindanao and 57 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 2019 program included the: generation of 31,300 hectares; restoration of 4,730 hectares; repair and rehabilitation works of 260 kilometer (km) earth canal; 1,428 km concrete lined canal; 321 km high density polyethylene (HDPE) pipe; 166,571 square meter (sq.m) of coconet slope protection area; 65 km concrete roads; 166 km gravel roads; and 5,692 unit of canal structures.

NIA accomplished 33,407 hectares new area generation, and 9,954 hectares area restoration. Repair works dwelt on 412.66 km of earth canals, 1,543.96 km of canal lining, 192.37 km of HDPE pipe, 200,900 sq. m. of coconet slope protection area, 50.95 km concrete roads, 306.74 km gravel roads and 6,092 unit of canal structures. These included accomplishments under the CY 2019 Program and carry-over projects from years 2015 to 2018.

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) 2019, RA

No.11260 for NIA (Section XXXVI-Budgetary Support to Government Corporations, K.10. Other Executive Offices-NIA), summarized as follows:

CY 2019 Irrigation Program (In Thousand Pesos)				
	Appropriation	Allotment	Release Cash/ Non Cash	Obligation
CY 2019 Irrigation Program				
General Administration and Support	17,901,612	17,901,612	12,608,792	16,550,773
Support to Operations	767,167	767,167	376,116	272,341
Operations	17,377,433	17,377,433	7,716,842	15,534,257
Total	36,046,212	36,046,212	20,701,750	32,357,371

Carry Over Funds (In Thousand Pesos)			
	Unobligated Balance 2018	Release Cash/ Non Cash	Obligation
Various Projects	4,459,167	16,573,831	2,815,090

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

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

3.2 Combination of Financial Statements

Financial statements are combination of financial report of NIA CO and 17 RIOs including the UPRIS 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 P20.500 billion from ROs/PMOs are included in the preparation of Combined Financial Statements. These inactive accounts' balances from completed projects in Corporate and General Funds that were forwarded from previous years despite their being turned-over to their respective ROs/PMO. Of the 75 inactive accounts reported in CY 2018, the following were already closed to Corporate Fund:

Regional Office/Project Office	Name of Project
Region 2	Cagayan Integrated Agricultural Development Project
Region 2	Communal Irrigation Development Project
Region 2	Casacnan Multipurpose & Power Project
Region 2	El Niño
Region 2	Grain Sector Development Program
Region 2	Irrigation Operation Systems Project I
Region 12	Water Resource Development Project
Region 12	Irrigation Operation Support Project
MMIP	Malitubog Maridagao Irrigation Project 1

3.3 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 5, 6 and 10)

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 6)

3. Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when NIA has the positive intention and ability to hold it to maturity. (See Note 10)

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 or 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 6.1)

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 indicate 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 13)

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.

3.4 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 5)

3.5 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 an 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 6)

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. The 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.

3.6 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 7)

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

3.7 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 11)

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.

3.8 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 12)

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:

Water Supply System	20 to 50 years
Land Improvement	10 years
Buildings	30 years
Machinery and equipment	10 years
Motor vehicles	7 years
Furniture and fixtures	10 years
Office equipment	5 years
Information and Communication Technology Equipment	5 years
Communication Equipment	5 years
Sports Equipment	10 years
Technical and Scientific Equipment	10 years
Other Machineries and Equipment	10 years
Other Transportation Equipment	7 years

iv. Residual value

NIA uses a residual value equivalent to at least five per cent 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 12)

3.9 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 22)

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 are recognized as Rent/Lease expense and PPE-Donation is recognized upon full payment of the motor vehicle equivalent to its contract cost.

3.10 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.

3.11 Adjustment of Due to Changes in Accounting 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.

3.12 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 22)

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.

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.

3.13 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 33.

These budget figures are those approved by the governing body.

3.14 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 31)

3.15 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.

4. 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 Disaster Risk Reduction Management Plan (NDRRMP) 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.

4.1 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.

5. CASH AND CASH EQUIVALENTS

This account includes the following:

	2019	2018
		(As restated)
Cash in bank-local currency, current account	9,164,786,519	6,106,644,899
Cash in bank-local currency, time deposit	440,594,045	425,545,136
Cash in bank-local currency, savings account	111,273,583	51,343,704
Cash in bank- foreign currency time deposit	40,480,709	42,492,912
Petty cash	15,413,605	2,492,535
Cash-collecting officers	2,982,957	10,484,657
Cash in bank- foreign currency savings account	25,393	62,450,399
Cash-treasury/agency deposit, regular	71,210	71,210
	9,775,628,021	6,701,525,452

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-treasury/agency deposit, regular account is subject for further reconciliation.

Included in the Cash in Bank are the following Restricted Cash (Trust Fund and Working Fund) allotted in compliance with the Operations & Maintenance (O&M) Agreement of NIA with First Gen Hydro Power Corporation and SN Aboitiz Power-Magat, Incorporated, dated November 13, 2006 and December 13, 2006, respectively:

	2019	2018
Cash in bank-local currency, time deposit		
SN Aboitiz Power-Magat, Incorporated- Trust Fund	122,442,592	119,018,256
First Gen Hydro Power Corporation - Trust Fund	131,936,800	127,793,158
	254,379,392	246,811,414

	2019	2018
Cash in bank-local currency, current account		
SN Aboitiz Power-Magat, Incorporated- Working Fund	627,296,772	505,508,100
First Gen Hydro Power Corporation - Working Fund	124,585,828	31,119,410
	751,882,600	536,627,510

The O & M agreements has a term of 25 years. Under the said agreements, NIA will manage, operate, maintain, and rehabilitate the non-power components of Pantabangan-Masiway Hydroelectric Power Plants (PMHEPP) and Magat Power Plant Complex.

As provided under the agreements, First Gen Hydro Power Corporation and SN Aboitiz Power-Magat, Incorporated are required to provide a trust fund amounting to P100 million, payable in 24 monthly payments from the date the agreements were entered, which will be billed by NIA in addition to service fee. Seventy (70) per cent of the amount available in the Trust Fund shall be allocated for Self-insurance and 30 per cent shall be allocated for the Performance Security.

Furthermore, a Working Fund shall also be established wherein a portion of the Service Fee shall be deposited to NIA's bank account that will be made readily available to NIA Upper Pampanga River Integrated Irrigation System-Dams and Reservoir Division and NIA Magat River Integrated Irrigation System to fund the O&M cost of PMHEPP and Magat Power Plant Complex respectively.

Included in the Cash and Cash equivalents are the following inactive account balances:

	2019	2018
Cash in bank-local currency, current account	72,045,149	87,929,392
Petty cash	11,341,506	461,592
Cash-collecting officers	176,857	174,907
Cash in bank-local currency, savings account	(4,782,761)	(4,782,761)
Cash-treasury/agency deposit, regular	71,210	25,946
	78,851,961	83,809,076

Refer to Note 3.2

6. RECEIVABLES, net

This account consists of the following:

	2019	2018 (As restated)
Accounts receivable	5,358,788,945	16,484,601,138
Intra-agency receivables	4,043,262,306	5,322,481,960
Inter-agency receivables	1,133,765,206	14,483,585,207
Advances	31,356,536	36,970,393
Loans receivable - others	4,924,652	4,924,652
Other receivables	409,442,459	512,182,396
	10,981,540,104	36,844,745,746

Included in the Receivables are the following inactive account balances:

	2019	2018
Accounts receivable		
Accounts receivable –ISF back account	8,000	8,000
Accounts receivable – pump/CIP/CIS	(100)	(100)
Accounts receivables - others	157,340	157,340
	165,240	165,240
Inter-agency receivables		
Due from GOCCs	704,079	704,079
Due from NGAs	24,481,721	24,481,721
Due from LGUs	148,925	148,925
	25,334,725	25,334,725
Intra-agency receivables		
Due from central office	200	200
Due from regional offices	492,679,204	492,679,204
Due from other funds	48,843,044	48,843,044
	541,522,448	541,522,448
Advances		
Advances to officers and employees	265,365	269,771
Advances to special disbursing officer	2,473,021	2,456,151
Advances for payroll	33,558	186,961
	2,771,944	2,912,883
Other receivables		
Receivable-disallowances and charges	131,685	131,685
Due from officers and employees	1,060,882	1,036,866

Other receivables	5,222,938	5,228,610
	6,415,505	6,397,161
Net Total	576,209,862	576,332,457

Refer to Note 3.2

6.1 Accounts receivable

	2019	2018 (As restated)
Accounts receivable-ISF back account	5,299,074,675	16,935,275,052
Accounts receivable-pump/CIP/CIS-non-current	2,150,288,730	7,803,373,069
Accounts receivable-ISF	441,546,716	79,851,358
Accounts receivable-pump/CIP/CIS-current	216,450,103	503,828,556
Accounts receivable-others	61,358,725	129,008,925
	8,168,718,949	25,451,336,960
Allowance for impairment	(2,809,930,004)	(8,966,735,822)
	5,358,788,945	16,484,601,138

Aging of Accounts receivable:

	0 to 1 year	More than 1 year to 10 years	Over 10 years and Onwards	TOTAL
Accounts receivable-ISF back account	31,850,184	2,785,754,334	2,481,470,157	5,299,074,675
Accounts receivable-pump/CIP/CIS-current	-	411,358,295	1,738,930,435	2,150,288,730
Accounts receivable-ISF	51,018,873	390,527,843	-	441,546,716
Accounts receivable-pump/CIP/CIS-non-current	-	40,048,116	176,401,987	216,450,103
Accounts receivable-others	740,555	7,636,671	52,981,499	61,358,725
				8,168,718,949

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), and communal irrigation systems (CIS). 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.

For CY 2019, the balance of the Account Receivable-ISF decreased due to the implementation of RA no. 10969. Majority of the remaining balance include receivables 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.

6.2 Intra-agency receivable

	2019	2018 (As restated)
Due from regional offices (RO)	2,156,145,070	5,322,481,960
Due from other funds (OF)	1,887,117,236	-
	4,043,262,306	5,322,481,960

Due from ROs is the reciprocal account of Due to CO, which are both closed at year-end during the combination of the financial statements. However, due to the inadequate reconciliation, the accounts remained open as at December 31, 2019.

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

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.

6.3 Inter-agency receivable

	2019	2018 (As restated)
Due from national government agencies (NGAs)	845,834,574	851,012,568
Due from local government units (LGUs)	175,990,448	187,754,976
Due from government-owned and/or controlled corporations (GOCCs)	111,940,184	13,444,817,663
	1,133,765,206	14,483,585,207

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 the Environment and Health per loan package for Southern Philippines Irrigation Sector Project (SPIISP) 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 concerned ROs.

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) including the monthly management fee (refer to Note 22.2) per Power Purchase Agreement dated June 30, 1995 and Supplemental Agreement dated September 25, 2003. For CY 2019, NIA adjusted the amount of P13.290 billion which pertains purely to Energy Delivery Fee (excluding management fee). The amount recorded was already recognized by the NPC through the Power Sector Asset & Liabilities Management Corporation as their payable to Bureau of the Treasury instead of payable to NIA.

6.4 Advances

	2019	2018 (As restated)
Advances to officers and employees	16,240,434	21,783,054
Advances for payroll	9,288,306	6,514,165
Advances to special disbursing officer	5,381,075	7,913,724
Advances for operating expense	446,721	759,450
	31,356,536	36,970,393

Aging of advances:

	0 to 1 year	More than 1 year to 10 years	Over 10 years and Onwards	TOTAL
Advances to officers and employees	6,248,477	1,104,744	8,887,213	16,240,434
Advances for payroll	3,425,269	164,424	5,698,613	9,288,306
Advances to special disbursing officer	1,162,202	75,651	4,143,222	5,381,075
Advances for operating expense	427,921	18,800	-	446,721
				31,356,536

6.5 Other Receivables

	2019	2018 (As restated)
Receivables-disallowances/charges	67,033,227	41,451,055
Due from officers and employees	7,886,231	7,667,610
Interest Receivables	1,207,410	-
Other receivables	333,315,591	463,063,731
	409,442,459	512,182,396

Receivables-disallowances/charges account is the account 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, 2019.

Aging of Due from officers and employees:

	0 to 1 year	More than 1 year to 10 years	Over 10 years and Onwards	TOTAL
Due from officers and employees	832,454	5,295,824	1,757,953	7,886,231

Interest Receivables refer to interest income from cash in bank.

7. INVENTORIES, net

	2019	2018 (As restated)
Inventory held for consumption, net	97,862,905	39,986,390
Semi-expendable furniture and fixtures	933,589	336,315
Semi-expendable communication equipment	219,944	6,370
Semi-expendable technical and scientific equipment	145,572	-
Semi-expendable other machinery and equipment	85,760	85,760
Semi-expendable office equipment	104,055	189,631
Semi-expendable information and communication technology	383,413	307,872
Semi-expendable machinery and equipment	-	-
Semi-expendable printing equipment	-	30,387
	99,735,238	40,942,725

7.1 Inventory held for consumption consist of:

	2019	2018 (As restated)
Merchandise inventory	74,675	12,151,317
Allowance for impairment	-	(93,179)
Merchandise inventory - net	74,675	12,058,138
Property and Equipment for Distribution	88,954,701	340,000
Office supplies inventory	5,051,937	4,090,689
Fuel, oil and lubricants inventory	3,286,194	5,243,182
Construction materials inventory	257,407	30,497
Other supplies and materials inventory	237,991	18,223,884
	97,862,905	39,986,390

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

Property and equipment for distribution pertains to pumps for distribution to farmer beneficiaries.

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 Inventories are the following inactive account balances:

	2019	2018
Merchandise inventory	74,675	74,675
Office supplies inventory	563,797	563,797
Construction materials inventory	30,497	30,497
Other supplies and materials inventory	106,065	106,065
	775,034	775,034

Refer to Note 3.2

8. PREPAYMENTS

Prepayments consist of the following:

	2019	2018 (As restated)
Advances to contractors	6,182,409,804	5,731,001,730
Other prepayments	8,740,738	8,743,844
Prepaid rent	7,507,734	7,510,434
Deposit on Letters of Credit	199,788	199,788
	6,198,858,064	5,747,455,796

The account Advances to contractors represents the 15 per cent 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.

Prepaid rent and Deposit on letters of credit accounts are both subject for further reconciliation.

9. OTHER CURRENT ASSETS

This account is composed of Guarantee deposits in the total amount of P26.641 million and P26.592 million for CY 2019 and CY 2018, respectively.

Included in Prepayments and Other current assets are the following inactive account balances:

	2019	2018
Advances to contractors	11,825,920	11,012,444
Prepaid rent	7,507,734	7,510,434
Guaranty deposit	12,198	12,198
Deposit on letters of credit	2,700	2,700
Other prepayments	71,684	68,984
	19,420,236	18,606,760

Refer to Note 3.2

10. FINANCIAL ASSETS

This account consists of Financial Assets held to maturity:

	2019	2018 (As restated)
Investment in stocks	1,225,000	1,225,000

Investment in bonds	1,600	1,600
Other investments and marketable securities	15,900	15,900
	1,242,500	1,242,500
Other investment - CE Casecnan	75,936,332,338	72,697,899,800
	75,937,574,838	72,699,142,300

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.

The Investment in stock and bonds are subject for further verification and adjustment

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 Casecan 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.

11. INVESTMENT PROPERTY

This account is composed of:

	Building	Land	Total
Cost, January 1, 2018	-	-	-
Additions:	48,300,000	1,469,000	49,769,000
Balance, December 31, 2018	48,300,000	1,469,000	49,769,000
Less: Adjustment	(48,300,000)	(1,469,000)	(49,769,000)
Balance, December 31, 2019	-	-	-

These properties were leased out to third parties under operating lease for 25 years. However, the lease contract was terminated in October 2018. The properties were again reclassified to Property Plant and Equipment in April 2019.

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

12. PROPERTY, PLANT AND EQUIPMENT, net

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

	Infrastructure assets irrigation systems	Land	Other Land improvement	Building and improvements	Machineries, equipment, furniture and fixtures	CIP	Total
Cost, 1-1-19, as restated	107,109,827,156	5,707,727,383	32,597,958,113	1,695,290,399	4,330,899,900	132,508,191,438	283,949,894,389
Additions	-	-	-	24,051,282	1,997,480,875	15,409,313,524	17,430,845,681
CIP transfer to PPE account	14,195,401,564	-	-	-	-	(14,195,401,564)	-
Adjustment	2,543,637,173	142,053,849	(3,174,272,613)	986,200,961	(1,319,381,171)	6,570,154,885	5,748,393,084
Cost, 12-31-19	123,848,865,893	5,849,781,232	29,423,685,500	2,705,542,642	5,008,999,604	140,292,258,283	307,129,133,154
Less: Accumulated depreciation, 1-1-19, as restated	13,899,635,551	-	12,943,832,417	392,290,974	2,377,343,304	-	29,613,102,246
Depreciation charges	3,933,964,361	-	1,019,562,184	61,918,802	391,228,834	-	5,406,674,181
Adjustment	1,444,321,636	-	(83,548,214)	366,427,401	(214,914,527)	-	1,512,286,296
Accumulated depreciation, 12-31-19	19,277,921,548	-	13,879,846,387	820,637,177	2,553,657,611	-	36,532,062,723
Net, December 31, 2019	104,570,944,345	5,849,781,232	15,543,839,113	1,884,905,465	2,455,341,993	140,292,258,283	270,597,070,431

	Infrastructure assets irrigation systems	Land	Other Land improvement	Building and improvements	Machineries, equipment, furniture and fixtures	CIP	Total
Cost, 1-1-18, 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
Additions				619,980,594	1,932,512,108	19,124,229,226	21,676,721,928
CIP transfer to PPE account	6,026,205,912		559,315,509		17,495,091	(6,603,016,512)	
Adjustment	22,679,161,035	118,769	(770,759,066)	(588,383,722)	(1,626,406,054)	(5,348,827,100)	14,344,903,862
Cost, 12-31-18, as restated	107,109,827,156	5,707,727,383	32,597,958,113	1,695,290,399	4,330,899,900	132,508,191,438	283,949,894,389
Less:							
Accumulated depreciation, 1-1-18, as restated	1,219,339,436		12,734,041,890	366,787,317	2,143,404,563		16,463,573,206
Depreciation charges	2,414,580,098		230,158,661	59,057,559	286,869,894		2,990,666,212
Adjustment	10,265,716,017		(20,368,134)	(33,553,902)	(52,931,153)		10,158,862,828
Accumulated depreciation, 12-31-18, as restated	13,899,635,551		12,943,832,417	392,290,974	2,377,343,304		29,613,102,246
Net, 12-31-18, as restated	93,210,191,605	5,707,727,383	19,654,125,696	1,302,999,425	1,953,556,596	132,508,191,438	254,336,792,143

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 were accounted as semi - expendable property.

NIA reviewed the carrying value of property and equipment for any impairment as at December 31, 2019. Based on its evaluation, no impairment loss has occurred, and no property and equipment has been pledged as security for liabilities.

Included in the PPE for CY 2018 is the work/zoo animals in NIA Region V. This was reclassified/adjusted to PPE account in CY 2019 since NIA is not in the same industry with those that classifies work/zoo animals as biological assets.

Included in PPE are the following inactive account balances:

	2019	2018
Land	2,188,142,321	2,187,932,171
Other land improvements	4,045,488,325	2,694,894,350
Water supply systems	1,192,571,676	649,136,034
Agricultural and forestry equipment	514,220,366	487,481,979
Buildings	511,357,221	491,886,348
Machinery	61,859,842	60,867,044

	2019	2018
Furniture and fixtures	51,552,081	55,362,575
Technical and scientific equipment	7,996,718	6,441,052
Office equipment	6,120,820	12,546,807
Info. & communication technology equipment	4,196,013	2,531,159
Motor vehicles	3,119,977	658,437
Construction & heavy equipment	1,848,783	-
Communication equipment	1,629,008	686,939
Disaster response and rescue equipment	87,500	69,500
Books	7,909	7,909
Other machineries and equipment	62,729,745	23,291,634
Other property, plant and equipment	120,900	690,900
CIP - infrastructure assets	12,041,735,877	6,328,067,642
CIP - irrigation, canals and laterals	553,131,783	554,449,790
CIP - agency assets	54,233,923	54,233,923
Other assets	-	1,041,380
Other current assets	1,990,596	-
Other assets-unserviceable assets	10,891,881	10,891,881
	21,315,033,265	13,623,169,454

Refer to Note 3.2

13. FINANCIAL LIABILITIES

13.1 Financial Liabilities-Current

This account consists of:

	2019	2018 (As restated)
Accounts payable	11,471,444,794	12,266,818,057
Due to officers and employees	314,785,514	51,339,577
Finance lease payable	-	4,463,035
Notes payable	128,022	128,023
	11,786,358,330	12,322,748,692

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.

Finance lease payable refers to rent to own vehicles of NIA Region IV-B contracted with NIA Employees Cooperative (NEMCO) subject to monthly amortization.

Included in Financial liabilities are the following inactive account balances:

	2019	2018
Accounts payable	17,097,050	17,823,512
Due to officers and employees	4,687,682	4,687,682
	21,784,732	22,511,194

Refer to Note 3.2

13.2 Financial Liabilities - non-current

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

	2019	2018 (As restated)
Loans payable - domestic and advances payable-NGA		
Asian Development Bank	-	2,829,468,741
International Bank for Reconstruction and Development	-	3,107,554,082
Overseas Economic Cooperation Fund	-	266,583,721
Special Project Implementation Assistance Loan	-	156,479,931
	-	6,360,086,475
Loans payable - NDC	-	975,000,000
Loans payable - foreign		
Asian Development Bank	-	139,039,695
International Bank for Reconstruction and Development	-	83,155,142
International Fund for Agricultural Development	-	49,059,222
	-	271,254,059
	-	7,606,340,534

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.

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.

The Loans payable to NDC was already settled by the NIA. This 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 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 P1.000 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 P2.000 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 – Both Domestic and Foreign were written-off from the books of NIA upon confirmation with the Bureau of the Treasury (BTr) that the accounts were already settled or no longer existing as obligation of the NIA.

14. INTER-AGENCY PAYABLES

	2019	201 (As restated)
Due to National Treasury	62,314,797,416	65,344,247,976
Due to NGAs	4,791,804,845	15,207,273,773
Due to Bureau of Internal Revenue (BIR)	335,927,863	380,119,119
Due to GOCCs	278,040,421	305,597,318
Due to Government Service Insurance System (GSIS)	29,947,456	26,735,899
Due to Local Government Units (LGUs)	12,286,763	27,270,023
Due to Pag-IBIG fund	9,671,429	8,398,040
Due to PhilHealth	8,372,082	8,991,830
Due to Social Security System (SSS)	1,800	-
Due to Bureaus	-	3,340
	67,780,850,075	81,308,637,318

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 California Energy-Casecan Water and Energy Co. Inc. (CECWECI).

Due to 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 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 inactive account balances:

	2019	2018
Due to other NGAs	485,034,181	485,529,747
Due to BIR	4,687,912	4,736,596
Due to GOCCs	2,131,088	2,698,831
Due to GSIS	205,266	198,878

Due to LGU	607,353	92,093
Due to PhilHealth	172,324	172,579
Due to Pag-IBIG fund	80,817	81,082
	492,918,941	493,509,806

Refer to Note 3.2

15. INTRA-AGENCY PAYABLES

	2019	2018 (As restated)
Due to other funds	2,205,381,281	125,879,205
Due to Regional Office (RO)	106,155,955	-
Due to Central Office (CO)	59,000	-
	2,311,596,236	125,879,205

Due to other funds mostly pertains to cash advance made for payment of various Locally Funded Projects (LFPs) under Fund 501 charged to Corporate Operating Budget.

Due to ROs account is the reciprocal account of Due from CO which represents balances unfunded of 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 account balances:

	2019	2018
Due to CO	897,688,128	928,342,150
Due to OFs	58,745,438	58,349,062
	956,433,566	986,691,212

Refer to Note 3.2

16. TRUST LIABILITIES

	2019	2018 (As restated)
Guarantee/security deposit payables	1,587,180,993	1,185,870,789
Customers deposit payable	49,049,381	181,620
	1,636,230,374	1,186,052,409

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 account balances:

	2019	2018
Guarantee/security deposit payables	99,307	99,307
Performance/bidders/bail bonds	37,191	18,047
	136,498	117,354

Refer to Note 3.2

17. PROVISIONS

	2019	2018
Leave benefits payable	40,893,633	32,386,655
Other provisions	15,031,021	15,031,021
	55,924,654	47,417,676

Leave benefits payable is used to recognize accrual of the money value of leave credits of NIA employees in compliance with PPSAS 19.

18. OTHER PAYABLES

This account consists of other liabilities not falling under any of the specific payable account amounting to P3.340 billion and P3.086 billion as of December 31, 2019 and 2018, respectively.

Included in Other payables are the following inactive account balances:

	2019	2018
Other Payables	19,198,946	8,297,718

Refer to Note 3.2

19. DEFERRED CREDITS

This account includes the following:

	2019	2018 (As restated)
Deferred credits	8,611,636,784	23,636,233,602
Other deferred credits	208,031,004	522,428,418
	8,819,667,788	24,158,662,020

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 are the following inactive account balances:

	2019	2018
Deferred credits	1,021,921	1,021,921
Other deferred credits	-	(746,675)
	1,021,921	275,246

Refer to Note 3.2

20. ACCUMULATED SURPLUS/(DEFICIT)

Accumulated Surplus (Deficit), January 1, 2018	225,441,083,990
Adjustments	(5,835,592,043)
Accumulated Surplus (Deficit), January 1, 2018, as restated	219,605,491,947
Surplus for CY 2018	24,128,109,440
Add/(Deduct) to Net Income:	
Restatement on Income	
Other non-operating income	15,301,895
Service and business income	(3,947,500)
Restatement on Expenses	
Maintenance and other operating expenses	(72,794,324)
Personnel services	(334,974,968)
Non-cash expenses	(2,792,610,712)
Restatement on Assistance and Subsidy	(4,286,325)
Surplus for CY 2018, as restated	20,934,797,506
Prior period Errors/Adjustments	452,640,625
Accumulated Surplus (Deficit), December 31, 2018, as restated	240,992,930,078
Add/(Deduct)	
Surplus for CY 2019	22,320,167,727
Prior period Errors/Adjustments	9,086,530,770
As of December 31, 2019	272,399,628,575

The following are the identified other adjustments:

Particulars	2019	2018	2017
Intra-Agency Adjustments	2,938,588,697	2,468,780,285	(155,450,096)
CIP Adjustments	1,986,736,158	511,052,261	(81,527,617)
Closing of Non-moving Accounts/Projects	1,276,094,449	9,765,976	(459,871,438)
Reclassification of prior year expense/accounts	1,242,655,049	(780,772)	(130,618,681)
PPE Adjustments	179,311,260	(2,244,993)	13,601,990
Impairment Loss	103,919,650	-	(169,070,057)
Income	96,266,324	27,901	1,694
Disallowance	21,603,426	49,744,755	-
Disbursement	46,005	14,746	-
Various Adjustments	1,316,496,214	124,463,483	358,634,975
ENERCON	(3,470,844)	(5,210,864)	-
Depreciation	(5,041,389)	(2,725,715,215)	(5,185,857,835)
Inter-Agency Adjustments	(66,674,229)	(4,156,969)	-
Tax Remittance Advice	-	26,900,031	(25,434,978)
	9,086,530,770	452,640,625	(5,835,592,043)

21. GOVERNMENT EQUITY

The share capital amounted to P5.559 billion as at December 31, 2019.

22. SERVICE AND BUSINESS INCOME

This account comprises:

	2019	2018 (As restated)

Service fees	461,540,068	479,256,025
Rent income	88,304,803	97,411,767
Energy delivery fees-NPC	80,971,215	69,757,227
Management fees	35,596,781	14,104,652
Irrigation service fees	17,514,022	67,512,908
Fines and penalties-service income	1,352,589	7,009,033
CIP/CIS/RIS amortization & equity	920,604	10,626,114
Pump amortization & equity	5,000	561,783
	686,205,082	746,239,509

22.1 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.

22.2 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).

22.3 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.

23. PERSONNEL SERVICES

This account consists of the following:

	2019	2018
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		(As restated)
Salaries and wages	1,660,865,217	1,396,390,351
Other compensation	813,853,797	668,468,210
Personnel benefit contributions	213,679,704	176,500,820
Other personnel benefits	635,639,522	438,187,208
	3,324,038,240	2,679,546,589

23.1 Salaries and wages

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

23.2 Other compensation

	2019	2018 (As restated)
Year-end bonus	257,069,541	203,009,438
Personnel economic relief allowance (PERA)	111,461,293	101,377,569
Clothing/uniform allowance	29,272,085	24,363,570
Cash gift	26,380,988	41,102,130
Overtime and night pay	12,703,772	18,828,034
Representation allowance (RA)	11,077,894	10,808,357
Transportation allowance (TA)	8,960,870	8,693,997
Longevity pay	3,090,000	2,976,000
Honoraria	2,014,778	1,453,579
Mid-year end bonus	34,000	-
Other bonuses and allowances	351,788,576	255,855,536
	813,853,797	668,468,210

23.3 Personnel benefit contributions

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

	2019	2018 (As restated)
Retirement and life insurance premium	182,260,189	149,690,726
PhilHealth contributions	19,424,488	15,899,555
Pag-IBIG contributions	6,195,910	5,438,195
Employees compensation insurance premium	5,799,117	5,562,344
	213,679,704	176,590,820

23.4 Other personnel benefits

	2019	2018 (As restated)
Terminal leave benefits	577,325,537	414,089,803
Productivity incentive allowance	29,117,776	13,721,986
Retirement gratuity	2,539,356	6,477,683
Subsistence allowance	27,600	27,840
Others	26,629,253	3,869,896

	635,639,522	438,187,208
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24. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2019	2018 (As restated)
Repairs and maintenance	717,891,655	166,545,176
Supplies and material expenses	232,432,648	151,648,565
Utility expenses	213,463,420	181,494,261
Professional services	169,802,908	197,166,530
Training expenses	137,906,728	149,342,383
Travelling expenses	106,158,645	59,480,886
Communication expenses	27,405,306	22,779,687
Taxes, insurance premiums and other fees	23,736,071	23,258,072
General services	20,791,433	22,092,138
Other maintenance and operating expenses	850,477,469	424,591,803
	2,500,066,283	1,398,399,503

24.1 Repairs and maintenance

	2019	2018 (As restated)
Repairs and maintenance-infrastructure assets	575,441,564	53,372,489
Repairs and maintenance-transportation equipment	70,762,193	61,685,311
Repairs and maintenance -machinery and equipment	40,262,129	33,310,197
Repairs and maintenance-buildings and other structures	26,215,012	17,040,850
Repairs and maintenance-other property, plant & equipment	3,001,700	511,760
Repairs and maintenance-furniture & fixtures	1,154,557	458,893
Repairs and maintenance -land improvements	1,054,500	132,607
Repairs and maintenance -Semi-Expendable Machinery and Equipment	-	5,030
Repairs and maintenance -Semi-Expendable Furniture, Fixtures and Books	-	28,039
	717,891,655	166,545,176

24.2 Supplies and materials expenses

	2019	2018 (As restated)
Fuel, oil and lubricants expenses	112,013,918	78,402,872
Office supplies expenses	66,729,913	42,404,764
Other Supplies and materials expenses	38,495,879	26,961,645
Semi-expandable-machinery and equipment expenses	5,300,840	1,342,075
Semi-expandable furniture, fixtures and books expenses	5,776,208	1,529,017
Medical, dental & laboratory supplies expenses	2,007,651	14,856
Drugs and medicines expenses	703,749	830,949

Food supplies expense	916,608	-
Accountable forms expenses	457,762	162,387
Textbooks and instructional materials expenses	16,000	-
Military, Police and Traffic Supplies Expenses	14,120	-
	232,432,648	151,648,565

24.3 Utility expenses

	2019	2018 (As restated)
Electricity expenses	204,857,844	174,102,444
Water expenses	8,505,584	7,327,552
Other utility expenses	99,992	64,265
	213,463,420	181,494,261

24.4 Professional services

	2019	2018 (As restated)
Auditing services	156,419,782	159,858,640
Consulting services	9,997,455	34,494,526
Legal services	2,196,949	1,498,989
Other professional services	1,188,722	1,314,375
	169,802,908	197,166,530

24.5 Training expenses

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

24.6 Travelling expenses

	2019	2018 (As restated)
Travelling expenses - local	96,017,837	53,778,029
Travelling expenses - foreign	10,140,808	5,702,857
	106,158,645	59,480,886

24.7 Communication expenses

	2019	2018 (As restated)
Telephone expenses	16,818,104	15,861,493
Internet subscription expenses	7,262,629	4,859,649
Postage and courier services	2,323,906	1,622,742
Cable, satellite, telegraph, and radio expenses	1,000,667	435,803
	27,405,306	22,779,687

24.8 Taxes, insurance premiums and other fees

	2019	2018 (As restated)
Insurance expenses	11,576,678	10,581,353
Taxes, duties and licenses	6,417,609	7,553,442
Fidelity bond premiums	5,580,541	5,123,277
Documentary Stamps Expenses	161,243	-
	23,736,071	23,258,072

24.9 General services

	2019	2018 (As restated)
Janitorial services	15,865,008	14,984,376
Security services	4,877,671	6,859,612
Other general services	48,754	248,150
	20,791,433	22,092,138

24.10 Other maintenance and operating expenses

	2019	2018 (As restated)
Generation, transmission, and distribution expenses	183,350,099	-
Representation expenses	29,192,753	17,411,282
Rent/lease expenses	15,682,471	11,661,345
Printing and publication expenses	6,472,630	3,870,088
Survey expense	3,937,648	1,921,987
Awards/rewards expenses	909,520	301,900
Subscription expenses	886,231	846,922
Transportation and delivery expenses	812,536	594,712
Advertising, promotional and marketing expenses	298,634	665,142
Donations	88,015	314,101
Membership dues & contributions to organizations	50,500	148,753
Demolition and Relocation Expenses	-	451,681
Other maintenance and operating expenses	608,796,432	386,403,890
	850,477,469	424,591,803

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

	2019	2018 (As restated)
Contractual services	50,060,921	25,295,845
Job order	44,487,963	43,256,605
Laboratory analysis of soil & water sample	4,828,040	-
Sports	2,873,272	1,279,850
Collection/Viability Bonus	2,475,395	24,665
Extraordinary expenses	542,773	864,724
Contribution Civic/Charitable Institution	57,750	-
Motorcycle allowance	37,963	22,105
Other Misc. Expense- IA Remuneration for Maintenance	-	172,858,121
Other miscellaneous expenses	362,129,599	64,163,453
Others	141,302,756	78,638,522
	608,796,432	386,403,890

25. FINANCIAL EXPENSES

	2019	2018 (As restated)
Interest expense	523,879,044.00	525,541,183
Bank charges	1,115,836	18,845
	524,994,880	525,560,028

26. NON-CASH EXPENSES

	2019	2018 (As restated)
Impairment on loans and receivables	2,987,582,126	5,652,013,247
Impairment on loss – property, plant and equipment	2,567,237,380	-
Impairment on other receivables	4,284,142	-
Depreciation - infrastructure assets	3,933,964,361	2,414,580,098
Depreciation - land improvements	1,019,562,184	230,158,661
Depreciation-other property, plant and equipment	128,943,200	135,594,395
Depreciation-machinery and equipment	215,899,463	125,380,268
Depreciation-buildings and other structures	61,918,802	59,057,559
Depreciation-transportation equipment	35,852,096	21,481,405
Depreciation-furniture, fixtures, and books	10,534,075	4,413,826
	10,965,777,829	8,642,679,459

27. NON-OPERATING INCOME

	2019	2018 (As restated)
Miscellaneous income	71,637,900	113,236,018
Interest	22,262,439	18,291,745
Other fines and penalties	1,181,139	874,645
Income from grants and donations in cash	6,000	-
Income from grants and donations in kind	-	79,682
	95,087,478	132,482,090

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).

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 cash donation for NIA Christmas celebration activity.

28. GAINS

Gains refer to gain from foreign currency transactions.

29. ASSISTANCE AND SUBSIDY

NIA received subsidy from the National Government in the total amount of P38.844 billion and P33.300 billion in 2019 and 2018, respectively.

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

	2019	2018 (As restated)
Surplus for the year	22,320,167,727	20,934,797,507
Non-cash (income/expenses):		
Impairment loss	5,559,103,648	5,652,013,247
Depreciation	5,406,674,181	2,990,666,212
Terminal leave benefits	395,322,572	308,131,451
(Gain) / Loss from sale/disposal of PPE	73,452	2,444,160
Expenses for Financing Activities - NDC interest:	523,870,000	523,870,000
(Increase)/decrease in asset accounts:		
Receivables (net)	28,125,565,667	(311,667,799)
Other non-current assets	(125,463,099)	130,001,616
Inventories	(58,792,513)	70,572,862
Prepayments	(451,402,268)	(1,581,414,170)
Other investment	(3,238,432,537)	(3,356,728,925)
Other current asset	(48,877)	-
Increase/(decrease) in liability accounts:		7,342,346,937
Financial liabilities	(536,390,360)	
Deferred credits	(15,338,994,233)	1,055,496,356
Other payables	253,957,413	1,019,012,040
Trust liabilities	458,684,943	312,710,765
Intra-agency payables	(76,642,995)	(432,152,723)
Inter-agency payables	(13,527,787,244)	1,060,947,616
Other Adjustments	(7,632,302,930)	(15,671,970,953)
Total Cash provided from Operating Activities	22,057,162,547	20,049,076,201

30.1 Explanation of Direct Cash Flow

A. The difference in receipt of subsidy income is due to tax remittance advice (TRA) and non- cash transactions and lapsed NCAs under General Fund, with breakdown as follows:

Office	Particulars	Amount
Fund 101		
CO	TRA	16,563,384
XIII	-do-	8,777,648
XI	-do-	3,188,701
V	-do-	2,480,162
II	-do-	2,228,964
IX	-do-	1,878,933
VII	-do-	1,497,329
MMIP	-do-	795,259

Office	Particulars	Amount
VI	-do-	557,596
IV-A	-do-	449,488
CAR	-do-	229,680
X	-do-	159,206
I	-do-	75,557
BBMP	-do-	11,990
Fund 102		
CO	Loan Proceeds-Non-Cash (LP-NC)	479,759,532
ROs	-do-	1,079,632,160
Fund 102 NIS RIP		
1	TRA	1,179
CO	-do-	3,808,530
CO	LP-NC	111,231,774
Fund 102 PIDP		
CO	TRA	721,003
Region 5	-do-	21,131
Region 13	-do-	22,459
NCA-BMB-C-19-0010779	Lapsed NCA	(7,955,331)
NCA-BMB-C-19-0016798	-do-	(6,982,580)
NCA No. BMB-C-19-0001604	-do-	(4,454,236)
NCA No. BMB-C-19-0001604	-do-	(1,383,962)
		1,693,315,556

B. The difference in receipt of subsidy income is due to Tax remittance advice (TRA) and non- cash transactions. This item includes remittances of income from First Gen Hydro Power Corporation and SN Aboitiz Power-Magat, Incorporated water fees and various remittances from other regions implementing the practice of one basket policy.

C. Receipt of Inter/Intra-agency cash transfer

This item includes fund transfers between COB and other funds. The difference is due to timing difference at year-end.

D. Interest on Deposits

This item includes interest income from time deposits accounts and other bank interest income.

E. Trust Deposits

Includes withholding payables for mandatory deductions, Bid Documents and other trust liabilities for specific purpose.

F. Adjustments

The breakdown of other adjustments in the Statement of Cash flow is as follows:

Particulars	Amount
INFLOWS	

Particulars	Amount
Cancelled Checks - payment for employees/contractors	5,619,676
Book adjustment - double disbursement	2,642,865
Unrecognize Deposits per BRS	887,776
Unbooked funding checks	715,379
Receipt of Disallowance	287,646
Refund of employee per COA AOM	17,910
Receipt of cash from asset disposal	13,943
Adjustments on mandatory deductions	4,000
Unused/adjustment on cash advance	1,905
Unbooked deposits per Bank Reconciliation Statement (BRS)	330
Adjustment Payrolls	64
	10,191,494
OUTFLOWS	
Unrecorded funding release	16,700,490
Unrecorded charges	10,449,503
Unrecorded disbursements	8,865,378
C.N.A disallowance	560,686
Overstated receipts	30,900
Adjustment on Cash collecting Officer	12,420
Payroll adjustment	7,203
Unused cash advance	18
	36,626,598
ADJUSTMENTS TO CASHFLOW	(26,435,104)

31. RELATED PARTY TRANSACTIONS

31.1 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.

31.2 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.

31.3 Key Management Personnel Compensation

The aggregate remuneration of the members of the governing body are shown below:

	2019	2018 (As restated)
Basic salary	6,947,325	6,023,556
Allowances and other benefits	2,950,230	2,365,659
Extraordinary and Miscellaneous Expenses	531,740	546,319
Per diem	270,000	225,000

10,699,295

9,160,534

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

32. 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.

33. BUDGET INFORMATION

The proposed NIA Corporate Operating Budget (COB) for FY 2019 in the amount of P42.049 billion was approved by the NIA Board on June 4, 2019 and submitted to the Department of Budget and Management (DBM) for review/evaluation. The COB was approved by DBM on November 25, 2019 amounting to P41.909 billion. Changes between the original and final budget was due to DBM's approved level of Personnel Services and MOOE broken down as follows:

	In Thousand		
	Proposed	Approved	Variance
Personnel services	2,980,529	2,973,551	6,978
Maintenance and other Operating Expenses	11,453,266	11,320,373	132,893
Capital Outlay	27,615,533	27,615,533	-
	42,049,328	41,909,457	139,871

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 are also noted particularly on the following:

A. Difference between the Original and Final Budget is the DBM variance, to wit:

	Original Budget	DBM Variance	C N A Allocation	Final Budget
Receipts/Sources				
Service and business income	648,746,328	-	-	648,746,328
Other non-operating income	63,229,080	-	-	63,229,080
Assistance and subsidy	41,337,352,073	-	-	41,337,352,073
Total	42,049,327,481	-	-	42,049,327,481
Payments/Uses				
Personnel Services	2,980,528,306	6,978,000	190,000,000	3,163,550,306
MOOE	9,954,395,755	132,893,000	(190,000,000)	9,631,502,755
Capital Outlay	27,615,533,420	-	-	27,615,533,420

Financial Expenses	1,498,870,000	-	-	1,498,870,000
Total	42,049,327,481	139,871,000	-	41,909,456,481
Surplus				139,871,000

- B. As discussed in Joint-Financial Consultative Meeting between NIA management and NIA-COA audit group that was held last November 6-8, 2019, indirect cost incurred under projects, Fund 501 LFPs and General fund should be treated as expenses. As per FY 2019 Corporate Operating Budget, the General Fund Projects was under capital outlay while the Projects under F-501 LFPS was budgeted under MOOE and Capital Outlay, except for CARP which have budget for PS, MOOE and capital outlay.
- 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.
- D. Other Personnel Benefits amounting to P 24.772 million pertains to earned leaves that were set up for non-retiring employees of RO IV-B.
- E. The excess amount of P 25,000 in CNA allocation pertains to Region 1 Fund 501 NISRIIP Subsidy transactions in 2016, reclassified from Construction in Progress to expense account in 2019, which is CNA, as per instruction by COA in their region.
- F. The difference in financial expenses pertains to the principal amount of NDC amounting to P975.000 million which was booked-up under Loans Payable-Domestic.

34. DISCLOSURES REQUIRED BY BIR UNDER REVENUE REGULATIONS (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 2019, include licenses and permit fees in the total amount of P6,363,791 comprising P153,833 and P6,209,958 in the Central Office (CO) and Regional Offices (ROs), respectively.

Withholding taxes

The amount of withholding taxes paid/accrued for CY 2019 by NIA amounted to:

2019

Withholding taxes on compensation and benefits	69,373,979
Creditable withholding taxes	1,044,245,029
Other	25,088
	1,113,644,096

As at year end, the breakdown of creditable withholding taxes for CY 2019 are as follows:

Percentage		2019
10	Withholding tax on professionals	4,092,512
5	Withholding tax on professionals	29,748
2	Income payments made by GOCCs to suppliers of services	249,502,028
1	Income payments made by GOCCs to suppliers of goods	46,419,848
3	Withholding percentage tax	15,152,427
5	Withholding VAT	729,293,215
	Others	52,249
		1,044,542,027

35. COMPLIANCE WITH GSIS LAW, REPUBLIC ACT 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 2019 are as follows:

	2019
Employee's Share	181,128,904
Employer's Share	186,175,885
	367,304,789

36. 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:

	2019
Employee's Share	35,750,331
Employer's Share	8,053,363
	43,803,694

37. COMPLIANCE WITH PHILIPPINE HEALTH INSURANCE CORPORATION (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 2019 are as follows:

	2019
Employee's Share	21,382,076
Employer's Share	20,223,253
	41,605,329