



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

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 5 – Agriculture and Natural Resources



July 28, 2022

MR. BENNY C. ANTIPORDA
Acting Administrator
National Irrigation Administration
EDSA, Quezon City

Dear Acting Administrator ANTIPORDA:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our Report on the results of the audit of the accounts and transactions of the **National Irrigation Administration (NIA)** for the years ended December 31, 2021 and 2020.

The Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, the Status of Implementation of Prior Year's Audit Recommendations, and the Appendix.

The Auditor rendered an adverse opinion on the fairness of the presentation of the financial statements (FSs) in view of the following:

1. The Casecnan Multipurpose Irrigation and Power Project (CMIPP) under a Build-Operate-and-Transfer scheme/contract executed on November 13, 1994 by and between the NIA and the California Energy Casecnan Water and Energy Company, Inc. (CECWEI), with total payments made by NIA through the Bureau of the Treasury (BTr) to CECWEI of P106.231 billion, inclusive of the P33.750 billion project cost, was turned over by the CECWEI to the NIA on December 11, 2021. However, the NIA has not taken firm steps to require the CECWEI to turn over the financial reports and documents of CMIPP, such as, the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows, notes to FSs, and other pertinent financial documents at the time of transfer on December 11, 2021, consequently the NIA has not recognized in its books of accounts its 40 per cent interest in the joint operation of the CMIPP with the Power Sector Assets and Liabilities Management Corporation (PSALM Corp.), contrary to Paragraphs 23, 24 and 29 of the International Public Sector Accounting Standard (IPSAS) 37 – *Joint Arrangements*. The non-recognition of the CMIPP in the books of accounts of NIA resulted in the material misstatements of its assets, liabilities, and equity

accounts as at December 31, 2021 as well as the revenues and expenses for the year ended December 31, 2021, considering the substantial payments of the government to CECWECI totaling P106.231 billion.

2. The non-elimination of Receivables-Intra-agency Receivables and Intra-agency Payables accounts as at December 31, 2021 in the amounts of P1.717 billion and P1.708 billion overstated the total assets and total liabilities of NIA by said amounts, respectively, contrary to Paragraph 41 of IPSAS 18.
3. The Property, Plant, and Equipment (PPE) account with carrying amount of P292.435 billion as at December 31, 2021 was net understated by P661.497 million due to: (a) recognition under Repairs and Maintenance – Other Structures expense account of P675.777 million payment for progress billing of a contractor in Balog-Balog Multi-Purpose Project (BBMP), instead of Construction in Progress (CIP)-Other Structures, thereby understating the PPE account and overstating the expense account by the said amount; (b) non-recognition of Office Building costing P58.782 million in RO No. II, which resulted in the understatement of the PPE account and related Accumulated Depreciation and Depreciation Expense accounts; and (c) non-derecognition of unserviceable PPE items totaling P73.062 million in NIA Central Office (CO), three Irrigation Management Offices and one Project Management Office (PMO), which resulted in the overstatement of PPE account by P73.062 million and the Accumulated Depreciation and Accumulated Surplus/(Deficit) accounts by undetermined amounts; all in contrary to Paragraphs 13, 14, 24, 26, 30, 31 and 82 of IPSAS 17. Likewise, the non-reclassification from PPE-CIP account to the appropriate asset/expense accounts of completed infrastructure projects aggregating P12.507 billion, overstated the PPE-CIP account by the said amount and understated the appropriate asset/expense accounts by undetermined amounts.
4. The non-disclosure in the Notes to FSs to conform with the requirements of the IPSASs the: (a) nature and amount of correction(s) for each FSs line item affected by the prior period restatements/adjustments in CYs 2021, 2020 and 2019 in the amounts of P851.774 million, P1.626 billion and P76.583 billion, respectively; (b) the nature of restatement by P4.917 billion on the Surplus for CY 2020; (c) segment information for decision making and demonstration of accountability; (d) information on the Service Concession Arrangements and Joint Operation of the CMIPP; (e) statement of compliance with IPSASs; (f) estimation of financial effects, indication of uncertainties of amount and timing of cash flows on the 95 outstanding legal cases pending before the Courts; and (g) explanation(s) on significant movement of Other Receivables account; deprived the intended users of the FSs of the vital information in making economic decisions, contrary to Paragraph 54 of IPSAS 3, and Paragraphs 1, 15, 127 and 128 of IPSAS 1.

For the aforementioned observations, which caused the issuance of an adverse opinion, we recommended that Management:

- 1.1. Direct the NIA Sub-Committee on Physical Inventory and Performance Test to request in writing/demand from the CECWECI the submission of the financial reports on the CMIPP, such as, the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows,

notes to FSs and other related financial reports, records and documents as of December 10, 2021, invoking Section 12.23 of the 2012 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 6957, as amended by RA No. 7718, and Item 8.6 (b), Part B, Article 8 of the Amended and Restated Casecanan Project Agreement;

- 1.2. Require the NIA Sub-Committee on Physical Inventory and Performance Test and the Secretariat for CMIPP to cause the:
 - a. Immediate conduct by the Procurement and Property Division, in coordination with PSALM Corp., of the physical inventory taking and preparation of the Report on the Physical Count of Inventories (RPCI) and Report on the Physical Count of PPE (RPCPPE) on the CMIPP facilities/assets upon receipt of the CMIPP's financial reports and records from CECWECI; and
 - b. In coordination with PSALM Corp., appraisal of the CMIPP assets/facilities upon completion of physical inventory taking and preparation of RPCI and RPCPPE; and
- 1.3. Direct the Accounting Division of CO to recognize in the books of accounts the NIA's 40 per cent ownership/interest in the joint operation of CMIPP with the PSALM Corp., pursuant to Paragraphs 23, 24 and 29 of IPSAS 37.
- 2.1. Direct the Accounting Division of CO to eliminate the reciprocal accounts during the preparation of the FSs of NIA, by conducting a nationwide regular reconciliation of the discrepancies to have reliable FSs balances at year-end.
- 3.1. Require the Accounting Sections of the Regional Offices (ROs) concerned/ Accounting Division of CO to:
 - a. Recognize under PPE-CIP-Other Structures account the P675.777 million progress payment to a contractor in BBMP;
 - b. Record the office building in RO No. II costing P58.782 million and its corresponding depreciation;
 - c. Derecognize from the books of accounts the unserviceable PPE items totaling P73.062 million upon disposal duly supported with Inspection Report of Unserviceable Property (IIRUP); and
 - d. Analyze and complete the necessary documents and information to reclassify completed infrastructure projects totaling P12.507 billion from PPE-CIP account to appropriate PPE, Assistance to Local Government Units, and Assistance to Non-Governmental Organizations/Civil Society Organizations accounts, and recognize corresponding depreciation on the PPE sub-accounts affected; and
- 3.2. Require the Disposal Committee to prepare the IIRUP for the unserviceable PPE items totaling P73.062 million and submit a copy thereof to the Accounting

Section/Division, as basis of the latter in the derecognition from the books of accounts the unserviceable properties.

- 4.1. Moving forward, require the Accounting Division of CO to ensure that all significant and relevant information are disclosed in the Notes to FSs so as the financial reports are fairly presented, useful and supportive to the achievement of financial reporting objectives and, for better understandability of the users of the FSs and other stakeholders.

The other significant audit observations and recommendations that need immediate action are as follows:

5. Deficient planning and monitoring of the implementation of the irrigation contracts/projects by NIA resulted in, among others:
 - a. Significant delays, ranging from five to 637 calendar days in the completion of 139 irrigation contracts costing P1.745 billion and, suspension of and/or granting of contract time extensions on 134 projects amounting to P2.168 billion, thereby depriving the intended beneficiaries of the timely use of these irrigation projects;
 - b. Termination of 12 contracts totaling P1.194 billion due to, among others, contractor's fault or as mutually agreed upon by the parties in view of discontinuance of funding or the project is no longer needed, thus wastage of government funds;
 - c. Non-turnover of one hundred twenty-six (126) completed projects amounting to P1.143 billion to Irrigator's Associations (IAs), exposing these projects to risk of damage and deterioration, as the responsibility and control for their maintenance and monitoring have not yet been turned over to the IAs;
 - d. Incurrence of negative slippages by the contractors ranging from 1.24 to 71.07 per cent in 43 on-going contracts costing P1.381 billion, further delaying the completion of the irrigation projects;
 - e. Payments of infrastructure projects costing P1.292 billion not supported with complete documents in Magat River Integrated Irrigation System and RO Nos. II, IV-B, V, VIII and IX, casting doubt on the propriety of the disbursements; and
 - f. Non-imposition of liquidated damages and/or non-forfeiture of performance securities in favor of NIA in 24 contracts of defaulting contractors totaling P382.467 million, hence potential loss of funds.
- 5.1. We reiterated our previous years' audit recommendations that top Management instruct the officials and personnel concerned:
 - a. In the planning of the irrigation contracts/projects to be implemented to adhere strictly to the pertinent provisions of RA No. 9184 and its 2016 RIRR to ensure that no bidding and awarding of contract for infrastructure

projects are made unless detailed engineering investigations, surveys and designs, including the acquisition of Right of Way, peace and order situation, and other relevant conditions are duly considered to ensure that all irrigation contracts/projects are efficiently carried out;

- b. In the CO, ROs and PMOs to: (i) require the contractors to regularly submit progress billings and status of work accomplishments; (ii) ensure immediate validation of the reports and inspection of projects; (iii) address the causes on the delays/suspension and grant of time extensions; and (iv) enforce the forfeiture of performance securities and/or imposition of liquidated damages for delays where contractors are at fault;
- c. To review the post-qualification procedures conducted by the respective Bids and Awards Committee (BAC) for the terminated contracts to determine areas for improvement and ensure that contracts are only awarded to eligible and responsive contractors;
- d. To immediately turn over the operations and maintenance of all completed communal irrigation projects to the IAs concerned duly covered with Memorandum of Agreement to ensure proper maintenance of the irrigation facilities; and
- e. To refrain from paying progress billings of the contractors without complete and relevant documentation in compliance with Section 4(6) of PD No. 1445.

5.2. We further reiterated our previous years' recommendations that top Management:

- a. File appropriate charges against erring/defaulting contractors; and
- b. Consider imposing administrative sanctions against NIA officials and personnel who are remiss of their duties, specifically in planning and monitoring of the implementation of irrigation contracts/projects, that resulted in delays, suspensions, terminations of infrastructure contracts/projects, and wastage of government funds.

6. The pertinent provisions of RA No. 9184 and its 2016 RIRR were not strictly adhered to in 173 awarded contracts aggregating P1.290 billion posing risk that contracts were awarded to the bidders/contractors who might not be eligible and responsive with the requirements of the contracts, and that NIA was not assured that it has obtained the most advantageous price for the government, in view of the following deficiencies: (a) the eligibility and other documentary requirements for 37 contracts totaling P315.513 million were either lacking, deficient or not at all submitted to the respective Audit Teams; (b) procedures in the conduct of public bidding for 80 contracts costing P963.973 million were not properly observed; and (c) inappropriate procurement modality on the procurement of other supplies and materials for Civil Works, Office Equipment, and Construction Equipment involving 56 contracts amounting to P10.552 million.

- 6.1. We recommended and top Management agreed to require the Regional/Project Managers of ROs and PMOs concerned to:
 - a. Direct the BAC and its Technical Working Group to submit the lacking documentary requirements of 37 contracts to their respective Audit Teams for audit purposes, to avoid suspension of the transactions in audit; and
 - b. Comply thoroughly with the following procurement procedures prescribed under RA No. 9184 and its 2016 RIRR to ensure transparency and efficiency in the NIA's procurement activities:
 - b.1. Posting of Invitation to Bid for seven days at any conspicuous place within the premises of the Agency, in accordance with Section 21.2.1(a) of the 2016 RIRR of RA No. 9184;
 - b.2. Posting of Notice of Award and Notice to Proceed in the Philippine Government Electronic Procurement System, the NIA website, and in any conspicuous place in the premises of NIA within the period required under the 2016 RIRR of RA No. 9184;
 - b.3. Sending of invitation to observers, in addition to the representative of COA, to monitor the procurement proceedings, as required under Section 13.1 of the 2016 RIRR of RA No. 9184; and
 - b.4. Requiring the contractors to post Performance Security not later than the date of contract signing to be valid until the issuance by NIA to the contractor concerned of the Certificate of Final Acceptance.
- 6.2. We further recommended that Management require the Regional/Project Managers concerned to stop the practice of any form of splitting of contracts as a way of avoiding the conduct of competitive bidding in compliance with Section 54.1, Rule XVI of the 2016 RIRR of RA No. 9184.
7. In NIA CO, RO Nos. II, VI, VIII and XIII, the Advances to Contractors totaling P1.048 billion on 46 terminated contracts were not recouped within 28 days from termination of the Contracts, contrary to Paragraph 46 of the General Conditions of the Contract (GCC) of the 5th Edition of the Philippine Public Documents (PBDs) for the Procurement of Infrastructure Projects, due to absence of internal control policies and procedures to ensure that terminated contracts and settlement of balances between the NIA and contractors concerned are completely and timely detected and acted upon. The non-recoupment of the advances resulted in potential loss of funds since some of the contractors could no longer be located and the performance securities posted were already expired.
- 7.1. We recommended and top Management agreed to:
 - a. Establish a policy to ensure that all Notices of Termination approved by the Contract Termination Review Committee are timely communicated/furnished to the Accounting Division, and advances to

contractors are recouped within 28 days in compliance with Paragraph 46, GCC of the 5th Edition of the PBD for the Procurement of Infrastructure Projects; and

- 7.2. Require the responsible officers and personnel concerned in the CO and ROs to exert all efforts to recoup the advances to contractors on the 46 terminated contracts totaling P1.048 billion, and hold them liable in case of non-recoupment, if warranted.

The observations together with the recommended courses of action which were discussed by the Audit Teams with concerned Management officials and staff during the exit conference conducted on June 8, 2022 are discussed in detail in Part II of the Report. We also invite your attention to the prior years' partially and unimplemented audit recommendations embodied in Part III of the Report.

We respectfully request that the recommendations contained in Part II and Part III of the Report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus, facilitating the completion of the Report.

Very truly yours,

COMMISSION ON AUDIT



MAY LINDA M. VEGAFRIA
Director IV
Cluster Director

Copy furnished:

*The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson-Senate Finance Committee
The Chairperson-Appropriations Committee
The Secretary of the Department of Budget and Management
The Bureau of the Treasury
The Governance Commission for Government Owned or Controlled Corporations
The Presidential Commission on Good Governance
The National Library
The UP Law Center*

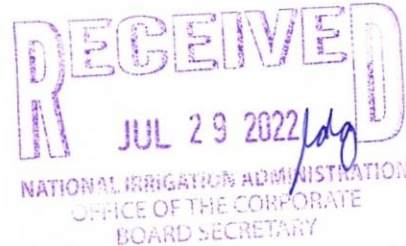


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July 28, 2022

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 - a. Immediate conduct by the Procurement and Property Division, in coordination with PSALM Corp., of the physical inventory taking and preparation of the Report on the Physical Count of Inventories (RPCI) and Report on the Physical Count of PPE (RPCPPE) on the CMIPP facilities/assets upon receipt of the CMIPP's financial reports and records from CECWECI; and
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 - c. Derecognize from the books of accounts the unserviceable PPE items totaling P73.062 million upon disposal duly supported with Inspection Report of Unserviceable Property (IIRUP); and
 - d. Analyze and complete the necessary documents and information to reclassify completed infrastructure projects totaling P12.507 billion from PPE-CIP account to appropriate PPE, Assistance to Local Government Units, and Assistance to Non-Governmental Organizations/Civil Society Organizations accounts, and recognize corresponding depreciation on the PPE sub-accounts affected; and
- 3.2. Require the Disposal Committee to prepare the IIRUP for the unserviceable PPE items totaling P73.062 million and submit a copy thereof to the Accounting

Section/Division, as basis of the latter in the derecognition from the books of accounts the unserviceable properties.

- 4.1. Moving forward, require the Accounting Division of CO to ensure that all significant and relevant information are disclosed in the Notes to FSs so as the financial reports are fairly presented, useful and supportive to the achievement of financial reporting objectives and, for better understandability of the users of the FSs and other stakeholders.

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- 5.1. We reiterated our previous years' audit recommendations that top Management instruct the officials and personnel concerned:
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projects are made unless detailed engineering investigations, surveys and designs, including the acquisition of Right of Way, peace and order situation, and other relevant conditions are duly considered to ensure that all irrigation contracts/projects are efficiently carried out;

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5.2. We further reiterated our previous years' recommendations that top Management:

- a. File appropriate charges against erring/defaulting contractors; and
- b. Consider imposing administrative sanctions against NIA officials and personnel who are remiss of their duties, specifically in planning and monitoring of the implementation of irrigation contracts/projects, that resulted in delays, suspensions, terminations of infrastructure contracts/projects, and wastage of government funds.

- 6. The pertinent provisions of RA No. 9184 and its 2016 RIRR were not strictly adhered to in 173 awarded contracts aggregating P1.290 billion posing risk that contracts were awarded to the bidders/contractors who might not be eligible and responsive with the requirements of the contracts, and that NIA was not assured that it has obtained the most advantageous price for the government, in view of the following deficiencies: (a) the eligibility and other documentary requirements for 37 contracts totaling P315.513 million were either lacking, deficient or not at all submitted to the respective Audit Teams; (b) procedures in the conduct of public bidding for 80 contracts costing P963.973 million were not properly observed; and (c) inappropriate procurement modality on the procurement of other supplies and materials for Civil Works, Office Equipment, and Construction Equipment involving 56 contracts amounting to P10.552 million.

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- 7.2. Require the responsible officers and personnel concerned in the CO and ROs to exert all efforts to recoup the advances to contractors on the 46 terminated contracts totaling P1.048 billion, and hold them liable in case of non-recoupment, if warranted.

The observations together with the recommended courses of action which were discussed by the Audit Teams with concerned Management officials and staff during the exit conference conducted on June 8, 2022 are discussed in detail in Part II of the Report. We also invite your attention to the prior years' partially and unimplemented audit recommendations embodied in Part III of the Report.

In our transmittal letter of even date, we request the Acting Administrator of NIA to implement the recommendations contained in the Report and to inform this Commission of the actions taken thereon within 60 days from receipt of this Report.

We acknowledge the support and cooperation that Management extended to the Audit Teams, thus, facilitating the completion of the Report.

Very truly yours,

COMMISSION ON AUDIT


MAY LINDA M. VEGAFRIA
Director IV
Cluster Director

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*The President of the Republic of the Philippines
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REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

**NATIONAL IRRIGATION
ADMINISTRATION (NIA)**

For the Years Ended December 31, 2021 and 2020

EXECUTIVE SUMMARY

INTRODUCTION

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 authorized capital was increased to P2 billion, and later, under PD No. 1702 dated July 18, 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 funds. The increase in Capital Stock is already included in the Government Equity.

NIA was originally attached to both the Department of Public Works and Highways (DPWH) and the Department of Agriculture (DA) and was later transferred to the Office of the President of the Philippines. Under Administrative Order (AO) No. 17 dated October 14, 1992, NIA was again attached to DA. On May 5, 2014, per Executive Order (EO) No. 165, s. 2014, the supervision over NIA together with the National Food Authority (NFA), Philippine Coconut Authority (PCA), and Fertilizer and Pesticide Authority had been transferred from DA to the Office of the Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM), in order to enhance and coordinate the efforts of these agencies in fulfilling their respective mandates. In view of the change in Administration in CY 2016, the OPAFSAM was abolished. In a Memorandum dated November 3, 2016 of the then Executive Secretary, the Cabinet Secretary was designated as the Acting Chairperson of the NIA Board of Directors (BOD). Through EO No. 168, s. 2022 dated April 25, 2022, the NIA was transferred back as an attached agency under the DA.

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

NIA has the following powers and functions pursuant to the provisions of RA No. 3601 and PD Nos. 552 and 1702:

- a. To investigate, study and develop all available water resources in the country, primarily for irrigation purposes; to plan, design, construct and/or improve all types of irrigation projects and appurtenant structures; to operate, maintain and administer all national irrigation systems; to supervise the operation, maintenance and repair;

- b. To administer temporarily all communal and pump irrigation systems constructed, improved and/or repaired wholly or partially with government funds; to delegate the partial or full management of national irrigation systems to duly organized cooperatives or associations; and
- c. To charge and collect from the beneficiaries of all irrigation systems constructed by or under administration such fees or administrative charges as may be necessary to cover the cost of operation, maintenance and insurances; and to cover the cost of construction within a reasonable period of time to the extent consistent with government policy; to cover funds or portions thereof expended for the construction of communal irrigation systems, which shall accrue to a special fund for irrigation development.

NIA is headed by an Administrator who is assisted by a Senior Deputy Administrator and supported by Deputy Administrator for Administrative and Finance and Deputy Administrator for Engineering and Operations. Besides the Central Office (CO), it has 17 Regional Offices (ROs) including the Upper Pampanga River Integrated Irrigation System (UPRIIS) and the Magat River Integrated Irrigation System (MARIS), 54 Irrigation Management Offices (IMOs) inclusive of seven interim IMOs, six Satellite Offices, and nine Project Management Offices (PMOs).

As at December 31, 2021, NIA had personnel complement of 8,354 composed of 3,391 permanent employees; 2,839 casual/daily; and 2,124 project-based paid personnel.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2021	2020 (As restated)	Increase/ (Decrease)
Total assets	337,510,286,208	324,764,338,515	12,745,947,693
Total liabilities	115,902,416,773	118,442,801,061	(2,540,384,288)
Equity	221,607,869,435	206,321,537,454	15,286,331,981

II. Comparative Results of Operations

	2021	2020 (As restated)	Increase/ (Decrease)
Revenue	678,691,067	547,325,346	131,365,721
Current operating expenses	27,627,711,612	18,961,234,564	8,666,477,048
Deficit from current operations	(26,949,020,545)	(18,413,909,218)	(8,535,111,327)
Other non-operating income	101,442,535	90,695,910	10,746,625
Gains	10,267,096	1,434,734	8,832,362
Losses	(2,607,702)	(3,492,910)	885,208
Deficit before tax	(26,839,918,616)	(18,325,271,484)	(8,514,647,132)
Income tax expense	-	-	-
Deficit after tax	(26,839,918,616)	(18,325,271,484)	(8,514,647,132)
Assistance and subsidy	42,978,025,096	33,983,923,217	8,994,101,879
Net surplus for the period	16,138,106,480	15,658,651,733	479,454,747

III. Comparison of Budget and Actual Amounts

	Budget	Actual Amount	Difference
Personnel services	4,588,534,998	3,891,152,924	697,382,074
Maintenance and other operating expenses	3,114,785,922	15,796,925,994	(12,682,140,072)
Capital outlay	29,988,229,192	25,134,724,246	4,853,504,946
Financial expenses	-	1,128,317,075	(1,128,317,075)
	37,691,550,112	45,951,120,239	(8,259,570,127)

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the accounts and financial transactions of NIA for the period January 1 to December 31, 2021 in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of presentation of the financial statements (FSs) for the years ended December 31, 2021 and 2020. Also, we conducted our audit to assess compliance by the Corporation with the pertinent laws, rules and regulations, as well as adherence to the prescribed policies and procedures.

AUDITOR'S OPINION

We rendered an adverse opinion on the fairness of presentation of the FSs, in view of the following:

1. The Casecnan Multipurpose Irrigation and Power Project (CMIPP) under a Build-Operate-and-Transfer (BOT) scheme/contract executed on November 13, 1994 by and between the NIA and the California Energy Casecnan Water and Energy Company, Inc. (CECWECI), with total payments made by NIA through the Bureau of the Treasury (BTr) to CECWECI of P106.231 billion, inclusive of the P33.750 billion project cost, was turned over by the CECWECI to the NIA on December 11, 2021. However, the NIA has not taken firm steps to require the CECWECI to turn over the financial reports and documents of CMIPP, such as, the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows, notes to FSs, and other pertinent financial documents at the time of transfer on December 11, 2021, consequently the NIA has not recognized in its books of accounts its 40 per cent interest in the joint operation of the CMIPP with the Power Sector Assets and Liabilities Management Corporation (PSALM Corp.), contrary to Paragraphs 23, 24 and 29 of the International Public Sector Accounting Standard (IPSAS) 37 – *Joint Arrangements*. The non-recognition of the CMIPP in the books of accounts of NIA resulted in the material misstatements of its assets, liabilities, and equity accounts as at December 31, 2021 as well as the revenues and expenses for the year ended December 31, 2021, considering the substantial payments of the government to CECWECI totaling P106.231 billion.

2. The non-elimination of Receivables-Intra-agency Receivables and Intra-agency Payables accounts as at December 31, 2021 in the amounts of P1.717 billion and P1.708 billion overstated the total assets and total liabilities of NIA by said amounts, respectively, contrary to Paragraph 41 of IPSAS 18.
3. The Property, Plant, and Equipment (PPE) account with carrying amount of P292.435 billion as at December 31, 2021 was net understated by P661.497 million due to: (a) recognition under Repairs and Maintenance – Other Structures expense account of P675.777 million payment for progress billing of a contractor in Balog-Balog Multi-Purpose Project (BBMP), instead of Construction in Progress (CIP)-Other Structures, thereby understating the PPE account and overstating the expense account by the said amount; (b) non-recognition of Office Building costing P58.782 million in RO No. II, which resulted in the understatement of the PPE account and related Accumulated Depreciation and Depreciation Expense accounts; and (c) non-derecognition of unserviceable PPE items totaling P73.062 million in NIA CO, three IMOs and one PMO, which resulted in the overstatement of PPE account by P73.062 million and the Accumulated Depreciation and Accumulated Surplus/(Deficit) accounts by undetermined amounts; all in contrary to Paragraphs 13, 14, 24, 26, 30, 31 and 82 of IPSAS 17. Likewise, the non-reclassification from PPE-CIP account to the appropriate asset/expense accounts of completed infrastructure projects aggregating P12.507 billion, overstated the PPE-CIP account by the said amount and understated the appropriate asset/expense accounts by undetermined amounts.
4. The non-disclosure in the Notes to FSs to conform with the requirements of the IPSASs the: (a) nature and amount of correction(s) for each FSs line item affected by the prior period restatements/adjustments in CYs 2021, 2020 and 2019 in the amounts of P851.774 million, P1.626 billion and P76.583 billion, respectively; (b) the nature of restatement by P4.917 billion on the Surplus for CY 2020; (c) segment information for decision making and demonstration of accountability; (d) information on the Service Concession Arrangements and Joint Operation of the CMIPP; (e) statement of compliance with IPSASs; (f) estimation of financial effects, indication of uncertainties of amount and timing of cash flows on the 95 outstanding legal cases pending before the Courts; and (g) explanation(s) on significant movement of Other Receivables account; deprived the intended users of the FSs of the vital information in making economic decisions, contrary to Paragraph 54 of IPSAS 3, and Paragraphs 1, 15, 127 and 128 of IPSAS 1.

For the aforementioned observations, which caused the issuance of an adverse opinion, we recommended that Management:

- 1.1. Direct the NIA Sub-Committee on Physical Inventory and Performance Test to request in writing/demand from the CECWECI the submission of the financial reports on the CMIPP, such as, the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows, notes to FSs and other related financial reports, records and documents as of December 10, 2021, invoking Section 12.23 of the 2012 Revised Implementing Rules and Regulations (RIRR) of RA No. 6957, as amended by RA No. 7718, and Item 8.6 (b), Part B, Article 8 of the Amended and Restated Casecanan Project Agreement;

- 1.2. Require the NIA Sub-Committee on Physical Inventory and Performance Test and the Secretariat for CMIPP to cause the:
 - a. Immediate conduct by the Procurement and Property Division, in coordination with PSALM Corp., of the physical inventory taking and preparation of the Report on the Physical Count of Inventories (RPCI) and Report on the Physical Count of PPE (RPCPPE) on the CMIPP facilities/assets upon receipt of the CMIPP's financial reports and records from CECWECI; and
 - b. In coordination with PSALM Corp., appraisal of the CMIPP assets/facilities upon completion of physical inventory taking and preparation of RPCI and RPCPPE; and
- 1.3. Direct the Accounting Division of CO to recognize in the books of accounts the NIA's 40 per cent ownership/interest in the joint operation of CMIPP with the PSALM Corp., pursuant to Paragraphs 23, 24 and 29 of IPSAS 37.
- 2.1. Direct the Accounting Division of CO to eliminate the reciprocal accounts during the preparation of the FSs of NIA, by conducting a nationwide regular reconciliation of the discrepancies to have reliable FSs balances at year-end.
- 3.1. Require the Accounting Sections of the ROs concerned/Accounting Division of CO to:
 - a. Recognize under PPE-CIP-Other Structures account the P675.777 million progress payment to a contractor in BBMP;
 - b. Record the office building in RO No. II costing P58.782 million and its corresponding depreciation;
 - c. Derecognize from the books of accounts the unserviceable PPE items totaling P73.062 million upon disposal duly supported with Inspection Report of Unserviceable Property (IIRUP); and
 - d. Analyze and complete the necessary documents and information to reclassify completed infrastructure projects totaling P12.507 billion from PPE-CIP account to appropriate PPE, Assistance to Local Government Units (LGUs), and Assistance to Non-Governmental Organizations/Civil Society Organizations (NGOs/CSOs) accounts, and recognize corresponding depreciation on the PPE sub-accounts affected; and
- 3.2. Require the Disposal Committee to prepare the IIRUP for the unserviceable PPE items totaling P73.062 million and submit a copy thereof to the Accounting Section/Division, as basis of the latter in the derecognition from the books of accounts the unserviceable properties.
- 4.1. Moving forward, require the Accounting Division of CO to ensure that all significant and relevant information are disclosed in the Notes to FSs so as the financial reports are fairly presented, useful and supportive to the achievement of financial

reporting objectives and, for better understandability of the users of the FSs and other stakeholders.

OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The other significant audit observations and recommendations that need immediate action are as follows:

5. Deficient planning and monitoring of the implementation of the irrigation contracts/projects by NIA resulted in, among others:
 - a. Significant delays, ranging from five to 637 calendar days in the completion of 139 irrigation contracts costing P1.745 billion and, suspension of and/or granting of contract time extensions (CTEs) on 134 projects amounting to P2.168 billion, thereby depriving the intended beneficiaries of the timely use of these irrigation projects;
 - b. Termination of 12 contracts totaling P1.194 billion due to, among others, contractor's fault or as mutually agreed upon by the parties in view of discontinuance of funding or the project is no longer needed, thus wastage of government funds;
 - c. Non-turnover of one hundred twenty-six (126) completed projects amounting to P1.143 billion to Irrigator's Associations (IAs), exposing these projects to risk of damage and deterioration, as the responsibility and control for their maintenance and monitoring have not yet been turned over to the IAs;
 - d. Incurrence of negative slippages by the contractors ranging from 1.24 to 71.07 per cent in 43 on-going contracts costing P1.381 billion, further delaying the completion of the irrigation projects;
 - e. Payments of infrastructure projects costing P1.292 billion not supported with complete documents in MARIIS and RO Nos. II, IV-B, V, VIII and IX, casting doubt on the propriety of the disbursements; and
 - f. Non-imposition of liquidated damages and/or non-forfeiture of performance securities in favor of NIA in 24 contracts of defaulting contractors totaling P382.467 million, hence potential loss of funds.
- 5.1. We reiterated our previous years' audit recommendations that top Management instruct the officials and personnel concerned:
 - a. In the planning of the irrigation contracts/projects to be implemented to adhere strictly to the pertinent provisions of RA No. 9184 and its 2016 RIRR to ensure that no bidding and awarding of contract for infrastructure projects are made unless detailed engineering investigations, surveys and designs, including the acquisition of Right of Way (ROW), peace and order situation, and other relevant conditions are duly considered to ensure that all irrigation contracts/projects are efficiently carried out;

- b. In the CO, ROs and PMOs to: (i) require the contractors to regularly submit progress billings and status of work accomplishments; (ii) ensure immediate validation of the reports and inspection of projects; (iii) address the causes on the delays/suspension and grant of time extensions; and (iv) enforce the forfeiture of performance securities and/or imposition of liquidated damages for delays where contractors are at fault;
- c. To review the post-qualification procedures conducted by the respective Bids and Awards Committee (BAC) for the terminated contracts to determine areas for improvement and ensure that contracts are only awarded to eligible and responsive contractors;
- d. To immediately turn over the operations and maintenance of all completed communal irrigation projects to the IAs concerned duly covered with Memorandum of Agreement (MOA) to ensure proper maintenance of the irrigation facilities; and
- e. To refrain from paying progress billings of the contractors without complete and relevant documentation in compliance with Section 4(6) of PD No. 1445.

5.2. We further reiterated our previous years' recommendations that top Management:

- a. File appropriate charges against erring/defaulting contractors; and
- b. Consider imposing administrative sanctions against NIA officials and personnel who are remiss of their duties, specifically in planning and monitoring of the implementation of irrigation contracts/projects, that resulted in delays, suspensions, terminations of infrastructure contracts/projects, and wastage of government funds.

6. The pertinent provisions of RA No. 9184 and its 2016 RIRR were not strictly adhered to in 173 awarded contracts aggregating P1.290 billion posing risk that contracts were awarded to the bidders/contractors who might not be eligible and responsive with the requirements of the contracts, and that NIA was not assured that it has obtained the most advantageous price for the government, in view of the following deficiencies: (a) the eligibility and other documentary requirements for 37 contracts totaling P315.513 million were either lacking, deficient or not at all submitted to the respective Audit Teams; (b) procedures in the conduct of public bidding for 80 contracts costing P963.973 million were not properly observed; and (c) inappropriate procurement modality on the procurement of other supplies and materials for Civil Works, Office Equipment, and Construction Equipment involving 56 contracts amounting to P10.552 million.

6.1. We recommended and top Management agreed to require the Regional/Project Managers of ROs and PMOs concerned to:

- a. Direct the BAC and its Technical Working Group (TWG) to submit the lacking documentary requirements of 37 contracts to their respective Audit

Teams for audit purposes, to avoid suspension of the transactions in audit; and

- b. Comply thoroughly with the following procurement procedures prescribed under RA No. 9184 and its 2016 RIRR to ensure transparency and efficiency in the NIA's procurement activities:

- b.1. Posting of Invitation to Bid (ITB) for seven days at any conspicuous place within the premises of the Agency, in accordance with Section 21.2.1(a) of the 2016 RIRR of RA No. 9184;
- b.2. Posting of Notice of Award and Notice to Proceed in the Philippine Government Electronic Procurement System (PhilGEPS), the NIA website, and in any conspicuous place in the premises of NIA within the period required under the 2016 RIRR of RA No. 9184;
- b.3. Sending of invitation to observers, in addition to the representative of COA, to monitor the procurement proceedings, as required under Section 13.1 of the 2016 RIRR of RA No. 9184; and
- b.4. Requiring the contractors to post Performance Security not later than the date of contract signing to be valid until the issuance by NIA to the contractor concerned of the Certificate of Final Acceptance.

- 6.2. We further recommended that Management require the Regional/Project Managers concerned to stop the practice of any form of splitting of contracts as a way of avoiding the conduct of competitive bidding in compliance with Section 54.1, Rule XVI of the 2016 RIRR of RA No. 9184.

- 7. In NIA CO, RO Nos. II, VI, VIII and XIII, the Advances to Contractors totaling P1.048 billion on 46 terminated contracts were not recouped within 28 days from termination of the Contracts, contrary to Paragraph 46 of the General Conditions of the Contract (GCC) of the 5th Edition of the Philippine Public Documents (PBDs) for the Procurement of Infrastructure Projects, due to absence of internal control policies and procedures to ensure that terminated contracts and settlement of balances between the NIA and contractors concerned are completely and timely detected and acted upon. The non-recoupment of the advances resulted in potential loss of funds since some of the contractors could no longer be located and the performance securities posted were already expired.

- 7.1. We recommended and top Management agreed to:

- a. Establish a policy to ensure that all Notices of Termination approved by the Contract Termination Review Committee (CTRC) are timely communicated/furnished to the Accounting Division, and advances to contractors are recouped within 28 days in compliance with Paragraph 46, GCC of the 5th Edition of the PBD for the Procurement of Infrastructure Projects; and

- b. Require the responsible officers and personnel concerned in the CO and ROs to exert all efforts to recoup the advances to contractors on the 46 terminated contracts totaling P1.048 billion, and hold them liable in case of non-recoupment, if warranted.

SUMMARY OF UNSETTLED AUDIT DISALLOWANCES, CHARGES AND SUSPENSIONS

As of December 31, 2021, the total unsettled suspensions, disallowances, and charges for all funds amounted P1.372 billion, P4.176 billion, and P2.466 million, respectively. In addition, there is an unsettled audit suspension of USD3.864 million under the General Fund. The details and status of the unsettled suspensions, disallowances and charges at year-end are shown in Part IV, Appendix A of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 120 audit recommendations embodied in the prior years' Annual Audit Reports, 15 were fully implemented, 24 were partially implemented, and 81 were not implemented. Details are presented in Part III of this Report.

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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

Adverse Opinion

We have audited the accompanying financial statements (FSs) of the **National Irrigation Administration (NIA)**, which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of financial performance, statements of changes in net assets/equity, and statements of cash flows for the years then ended, statement of comparison of budget and actual amounts for the year ended December 31, 2021, and notes to FSs, including a summary of significant accounting policies.

In our opinion, because of the significance and pervasiveness of the effects of the matters discussed in the *Bases for Adverse Opinion* section of our report, the accompanying FSs do not present fairly, in all material respects, the financial position of **NIA**, as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Bases for Adverse Opinion

The Casecnan Multipurpose Irrigation and Power Project (CMIPP) under a Build-Operate-and-Transfer scheme/contract executed on November 13, 1994 by and between the NIA and the California Energy Casecnan Water and Energy Company, Inc. (CECWECI), with total payments made by NIA through the Bureau of the Treasury to CECWECI of P106.231 billion, inclusive of the P33.750 billion project cost, was turned over by the CECWECI to the NIA on December 11, 2021. However, the NIA has not taken firm steps to require the CECWECI to turn over the financial reports and documents of CMIPP, such as, the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows, notes to FSs, and other pertinent financial documents at the time of transfer on December 11, 2021, consequently the NIA has not recognized in its books of accounts its 40 per cent interest in the joint operation of the CMIPP with the Power Sector Assets and Liabilities Management Corporation, contrary to Paragraphs 23, 24 and 29 of IPSAS 37 – *Joint Arrangements*. The non-recognition of the CMIPP in the books of accounts of NIA resulted in the material misstatements of its assets, liabilities, and equity accounts as at December 31, 2021 as well as the revenues and expenses for the year ended December 31, 2021, considering the substantial payments of the government to CECWECI totaling P106.231 billion.

The non-elimination of Receivables-Intra-agency Receivables and Intra-agency Payables accounts as at December 31, 2021 in the amounts of P1.717 billion and P1.708 billion overstated the total assets and total liabilities of NIA by said amounts, respectively, contrary to Paragraph 41 of IPSAS 18.

The Property, Plant, and Equipment (PPE) account with carrying amount of P292.435 billion as at December 31, 2021 was net understated by P661.497 million due to: (a) recognition under Repairs and Maintenance – Other Structures expense account of P675.777 million payment for progress billing of a contractor in Balog-Balog Multi-Purpose Project, instead of PPE-Construction in Progress (CIP)-Other Structures account, thereby understating the PPE account and overstating the expense account by the said amount; (b) non-recognition of Office Building costing P58.782 million in Regional Office No. II, which resulted in the understatement of the PPE account and related Accumulated Depreciation and Depreciation Expense accounts; and (c) non-derecognition of unserviceable PPE items totaling P73.062 million in NIA Central Office, three Irrigation Management Offices and one Project Management Office, which resulted in the overstatement of PPE account by P73.062 million and the Accumulated Depreciation and Accumulated Surplus/(Deficit) accounts by undetermined amounts; all in contrary to Paragraphs 13, 14, 24, 26, 30, 31 and 82 of IPSAS 17. Likewise, the non-reclassification from PPE-CIP account to the appropriate asset/expense accounts of completed infrastructure projects aggregating P12.507 billion, overstated the PPE-CIP account by the said amount and understated the appropriate asset/expense accounts by undetermined amounts.

The non-disclosure in the Notes to FSs to conform with the requirements of the IPSASs the: (a) nature and amount of correction(s) for each FSs line item affected by the prior period restatements/adjustments in calendar years (CYs) 2021, 2020 and 2019 in the amounts of P851.774 million, P1.626 billion and P76.583 billion, respectively; (b) the nature of restatement by P4.917 billion on the Surplus for CY 2020; (c) segment information for decision making and demonstration of accountability; (d) information on the Service Concession Arrangements and Joint Operation of the CMIPP; (e) statement of compliance with IPSASs; (f) estimation of financial effects, indication of uncertainties of amount and timing of cash flows on the 95 outstanding legal cases pending before the Courts; and (g) explanation(s) on significant movement of Other Receivables account; deprived the intended users of the FSs of the vital information in making economic decisions, contrary to Paragraph 54 of IPSAS 3, and Paragraphs 1, 15, 127 and 128 of IPSAS 1.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the NIA in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the FSs, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Other Matter

In our report dated July 29, 2021, we expressed a qualified opinion on the CYs 2020 and 2019 FSs because of the non-reclassification from the CIP to the appropriate asset/expense accounts of completed infrastructure projects amounting to P3.578 billion and non-infrastructure PPEs in the aggregate cost of P14.128 million resulting in the overstatement of

the CIP account by P3.592 billion and understatement of the appropriate asset/expense accounts by the same amount. The basis, however, for the qualified opinion rendered in the CYs 2020 and 2019 FSs was not yet resolved in CY 2021.

Considering further the significance and pervasiveness of the effects of the following matters in the FSs: (a) non-recognition of NIA's 40 per cent interest in the joint operation of the CMIPP with the PSALM Corp. transferred by CECWECI to NIA on December 11, 2021, with substantial payments of the government to CECWECI totaling P106.231 billion, that resulted in the material misstatements of NIA's assets, liabilities, and equity accounts as at December 31, 2021 as well as the revenues and expenses for the year ended December 31, 2021; and (b) the non-disclosure in the Notes to FSs to conform with the requirements of the IPSASs the nature and amount of correction(s) for each FSs line item affected by the prior period restatements/adjustments in CYs 2021, 2020 and 2019 in the amounts of P851.774 million, P1.626 billion and P76.583 billion, respectively, as well as the nature of restatement by P4.917 billion on the Surplus for CY 2020; our present opinion is different from that expressed in our previous report.

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

Management is responsible for the preparation and fair presentation of these FSs in accordance with IPSASs, and for such internal control as management determined is necessary to enable the preparation of FSs that are free from material misstatement, whether due to fraud or error.

In preparing the FSs, 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 FSs, 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 an audit conducted in accordance with ISSAIs 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 FSs.

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

- Identify and assess the risks of material misstatement of the FSs, 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 our 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 FSs 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 FSs including the disclosures, and whether the FSs represent the underlying transactions and events in a manner that achieves fair presentation.


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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic FSs taken as a whole. The supplementary information for the year ended December 31, 2021 required by the Bureau of Internal Revenue as disclosed in Note 39 to the FSs is presented for purposes of additional analysis and is not a required part of the basic FSs prepared in accordance with IPSASs. Such supplementary information is the responsibility of Management of the NIA.

COMMISSION ON AUDIT


CARMENCITA P. MODINA
 OIC-Supervising Auditor
 Audit Group B - NIA
 Cluster 5 - Agriculture and Natural Resources
 Corporate Government Audit Sector

July 21, 2022



Republic of the Philippines
National Irrigation Administration
Central Office

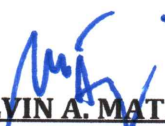
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE FINANCIAL STATEMENTS**


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, 2021 and 2020, 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.

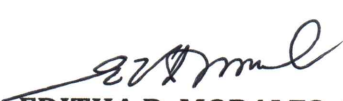
The Board of Directors reviews and approves the financial statements, including the schedules therein, and submits the same to the stakeholders.

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.


ATTY. MELVIN A. MATIBAG
Chairman of the Board


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


RALPH LAUREN A. DU
Deputy Administrator
For Administrative and Finance Sector


EDITHA D. MORALES, CPA, DPA
Manager
Financial Management Department

Signed this _____ day of _____

NATIONAL IRRIGATION ADMINISTRATION
STATEMENTS OF FINANCIAL POSITION

As at December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 (As restated)	January 1, 2020 (As restated)
ASSETS				
Current Assets				
Cash and cash equivalents	6	11,283,163,503	6,621,309,706	9,775,628,021
Receivables, net	7	28,715,170,714	31,448,866,463	31,634,065,851
Inventories, net	8	87,988,231	192,117,600	99,735,238
Prepayments	9	4,382,572,787	4,582,384,978	6,077,061,693
Other current assets	10	92,315,152	95,599,622	130,220,678
Total Current Assets		44,561,210,387	42,940,278,369	47,716,711,481
Non-Current Assets				
Other investments	11	468,083,200	433,953,577	403,786,482
Investment property	12	-	1,500,000	-
Property, plant, and equipment, net	13	292,434,646,117	281,386,099,593	270,663,076,223
Intangible assets	14	46,346,504	2,506,976	1,330,216
Total Non-Current Assets		292,949,075,821	281,824,060,146	271,068,192,921
TOTAL ASSETS		337,510,286,208	324,764,338,515	318,784,904,402
LIABILITIES				
Current Liabilities				
Financial liabilities	15	4,967,922,354	8,276,081,154	16,130,517,480
Inter-agency payables	16	95,234,030,072	90,416,542,217	91,229,178,576
Intra-agency payables	17	1,708,473,619	3,010,716,494	2,311,596,236
Trust liabilities	18	3,016,086,107	2,454,063,913	1,636,230,374
Provisions	19	2,036,231,441	1,936,843,861	920,406,446
Other payables	20	3,301,656,160	4,299,510,074	5,447,931,928
Total Current Liabilities		110,264,399,753	110,393,757,713	117,675,861,040
Non-Current Liabilities				
Deferred credits/unearned revenue	21	5,638,017,020	8,049,043,348	8,819,667,788
Total Non- Current Liabilities		5,638,017,020	8,049,043,348	8,819,667,788
TOTAL LIABILITIES		115,902,416,773	118,442,801,061	126,495,528,828
NET ASSETS (Total Assets less Total Liabilities)		221,607,869,435	206,321,537,454	192,289,375,574
NET ASSETS/EQUITY				
Accumulated surplus/(deficit)		216,048,677,570	200,762,345,589	186,730,183,709
Government equity	23	5,559,191,865	5,559,191,865	5,559,191,865
NET ASSETS/EQUITY		221,607,869,435	206,321,537,454	192,289,375,574

The notes on pages 11 to 77 form part of these financial statements.

NATIONAL IRRIGATION ADMINISTRATION
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

			2020
	Note	2021	(As restated)
REVENUE			
Service and business income	24	678,691,067	547,325,346
TOTAL REVENUE		678,691,067	547,325,346
CURRENT OPERATING EXPENSES			
Personnel services	25	3,891,152,924	3,715,914,032
Maintenance and other operating expenses	26	15,794,318,293	7,749,157,623
Financial expenses	27	1,128,317,075	1,963,486,521
Non-cash expenses	28	6,813,923,320	5,532,676,388
TOTAL CURRENT OPERATING EXPENSES		27,627,711,612	18,961,234,564
DEFICIT FROM CURRENT OPERATIONS		(26,949,020,545)	(18,413,909,218)
Other non-operating income	29	100,129,486	90,695,910
Sale of garnished/confiscated/abandoned/seized goods and property	30	1,313,049	-
Gain on foreign exchange	30	7,092,917	1,022,862
Gain on sale of property, plant, and equipment	30	4,640	92,072
Gain on sale of unserviceable property	30	3,169,539	319,800
Loss on foreign exchange	31	(2,260,507)	(3,435,908)
Loss of asset	31	(21,396)	(57,002)
Other losses	31	(325,799)	-
DEFICIT BEFORE TAX		(26,839,918,616)	(18,325,271,484)
Less: Income tax expense		-	-
DEFICIT AFTER TAX		(26,839,918,616)	(18,325,271,484)
Assistance and subsidy	33	42,978,025,096	33,983,923,217
NET SURPLUS FOR THE PERIOD		16,138,106,480	15,658,651,733

The notes on pages 11 to 77 form part of these financial statements.

NATIONAL IRRIGATION ADMINISTRATION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Accumulated surplus/(deficit)	Government equity (Note 23)	Total
BALANCE AS AT JANUARY 1, 2019	240,992,930,078	5,559,191,865	246,552,121,943
CHANGES IN EQUITY FOR 2019			
Surplus for the year	22,320,167,727	-	22,320,167,727
Prior period adjustments, as restated (Note 22)	(76,582,914,096)	-	(76,582,914,096)
RESTATED BALANCE AS AT DECEMBER 31, 2019	186,730,183,709	5,559,191,865	192,289,375,574
CHANGES IN EQUITY FOR 2020			
Surplus for the year, as restated	15,658,651,733	-	15,658,651,733
Prior period adjustments, as restated (Note 22)	(1,626,489,853)	-	(1,626,489,853)
RESTATED BALANCE AS AT DECEMBER 31, 2020	200,762,345,589	5,559,191,865	206,321,537,454
CHANGES IN EQUITY FOR 2021			
Surplus for the year	16,138,106,480	-	16,138,106,480
Prior period adjustments (Note 22)	(851,774,499)	-	(851,774,499)
BALANCE AS AT DECEMBER 31, 2021	216,048,677,570	5,559,191,865	221,607,869,435

The notes on pages 11 to 77 form part of these financial statements.

NATIONAL IRRIGATION ADMINISTRATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES	35		
Cash inflows			
Receipt of assistance/subsidy		41,740,533,975	34,367,754,351
Receipt of inter-agency fund transfers		144,334,126	50,482,065
Receipt of intra-agency fund transfers		535,154,918	-
Collection of income/revenue		231,946,669	673,849,630
Trust receipts		266,408,348	688,132,693
Collection of receivables		175,973,622	54,355,594
Other receipts		169,836,381	66,738,241
Adjustments		368,274,341	-
Total cash inflows		43,632,462,380	35,901,312,574
Cash outflows			
Replenishment of negotiated modified disbursement system checks		10,851,376	-
Remittance to national treasury		181,088,408	-
Purchase of inventories		42,635,594	-
Payment of expenses		6,252,708,298	8,371,452,185
Payment of accounts payable and other payables		1,044,008,711	3,183,304,023
Remittance of personnel benefit contributions and mandatory deductions		3,130,038,641	2,267,532,298
Prepayments		17,756,116	1,700,841,767
Release of inter-agency fund transfers		2,398,500	179,741,183
Release of intra-agency fund transfers		156,112,946	-
Grant of cash advances		721,439,027	646,036,563
Refund of deposits		174,689,905	202,344,217
Other disbursements		466,009,434	-
Adjustments		166,893,482	71,210
Total cash outflows		12,366,630,438	16,551,323,446
Net cash provided by operating activities		31,265,831,942	19,349,989,128
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Proceeds from sale/disposal of property, plant, and equipment		4,333,262	92,072
Adjustments		1,819,078	-
Total cash inflows		6,152,340	92,072
Cash outflows			
Purchase/construction of property, plant, and equipment		7,829,579,767	4,658,028,036
Payment for the construction of infrastructure assets		18,779,255,232	17,846,333,733
Adjustments		2,844,542	-
Total cash outflows		26,611,679,541	22,504,361,769
Net cash used in investing activities		(26,605,527,201)	(22,504,269,697)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows			
Proceeds from foreign loans		2,336,193	-
Total cash inflows		2,336,193	-
Cash outflows			
Payment of foreign loans		790,401	-
Total cash outflows		790,401	-
Net cash provided by financing activities		1,545,792	-
Net increase/(decrease) in cash and cash equivalents		4,661,850,533	(3,154,280,569)
Effect of exchange rate changes		3,264	(37,746)
Cash and cash equivalents, January 1		6,621,309,706	9,775,628,021
Cash and cash equivalents, December 31	6	11,283,163,503	6,621,309,706

The notes on pages 11 to 77 form part of these financial statements.

NATIONAL IRRIGATION ADMINISTRATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2021
(In Philippine Peso)

		Budget Amount		Actual amount	Difference
	Note	Original	Final	on comparable basis	Final budget and actual
RECEIPTS					
Service and business income	24	665,857,172	665,857,172	678,691,067	(12,833,895)
Other non-operating income	29	117,162,418	117,162,418	100,129,486	17,032,932
Gains on foreign exchange		-	-	4,832,410	(4,832,410)
Gains on sale of property, plant, and equipment	30	-	-	1,313,049	(1,313,049)
Assistance and subsidy	33	37,235,300,522	37,235,300,522	42,978,025,096	(5,742,724,574)
Total Receipts		38,018,320,112	38,018,320,112	43,762,991,108	(5,744,670,996)
PAYMENTS					
Personnel services	25	4,588,534,998	4,588,534,998	3,891,152,924	697,382,074
Maintenance and other operating expenses	26	3,114,785,922	3,114,785,922	15,796,925,994	(12,682,140,072)
Capital outlay	38	29,988,229,192	29,988,229,192	25,134,724,246	4,853,504,946
Financial expenses	27	-	-	1,128,317,075	(1,128,317,075)
Total Payments		37,691,550,112	37,691,550,112	45,951,120,239	(8,259,570,127)
NET RECEIPTS / (PAYMENTS)		326,770,000	326,770,000	(2,188,129,131)	2,514,899,131

The notes on pages 11 to 77 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 (GC) 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) but 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, under Executive Order (EO) No. 165, s. 2014 NIA was transferred together with the National Food Authority (NFA), the Philippine Coconut Authority (PCA), and the Fertilizer and Pesticide Authority (FPA) 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 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 (BOD). Through EO No. 168, s. 2022 dated April 25, 2022, the NIA was transferred back as an attached Agency under the DA. The 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 on January 24, 1991, otherwise known as "An Act to Promote Rural Development by providing for an Accelerated Program within a Ten-Year Period for 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 on February 2, 2018, implementing the scope of Free Irrigation Service and the Condonation and Write Off of Loans, Past Due Accounts and Penalties of Farmers and Irrigators' Associations 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 (LGUs);
- 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.

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 8,354 and 9,209 personnel in CYs 2021 and 2020, respectively. The breakdown is as follows:

	2021	2020
Monthly Paid - Rationalized		
Permanent - Corporate Operating Budget (COB) charged filled	3,391	3,793
Casual/Daily Paid		
COB charged	2,839	2,931
Project charged	2,124	2,485
	8,354	9,209

NIA is composed of the CO, 17 Regional Irrigation Offices (RIOs), including the Upper Pampanga River Integrated Irrigation System (UPRIIS) and the Magat River Integrated Irrigation System (MARIIS), 54 regular Irrigation Management Offices (IMOs), seven (7) Interim IMOs, six (6) Satellite Offices, and nine (9) Project Management Offices (PMOs).

1.2 Projects and Operational Profile

NIA pursued the implementation of 134 infrastructure projects for CY 2021 including carry over programs, consisting of 40 projects in Luzon, 29 in Visayas, 16 in Mindanao and 49 programs are implemented in select provinces nationwide. Activities for the year also included 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 adaptation works.

The CY 2021 program included the: generation of 19,639 hectares; restoration of 5,347 hectares; repair and rehabilitation works of 238.63 kilometers (km.) earth canals; 185.26 km. concrete lined canals; 8.88 km. high density polyethylene (HDPE) pipe; 81.81 km. concrete roads; 185.67 km. gravel roads; and 287 units of canal structures.

The Agency has physical and financial accomplishments of 69.41 per cent and 46.09 per cent, respectively, for CY 2021 programs and accomplished new area generation of 10,978 hectares and restored 3,783 hectares. Repaired total of 344.55 km. of earth canals, 232.44 km. lines canals, 10.48 km. of HDPE pipe, 95.47 km. concrete roads, 245.88 km. gravel roads and 511 units of canal structures.

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) 2021, RA No. 11518 for NIA (Section XXXVI - Budgetary Support to Government Corporations, M.7. Other Executive Offices-NIA), summarized as follows:

CY 2021 Irrigation Program (In Thousand Pesos)				
	Appropriation	Allotment	Release Cash/Non-Cash	Obligation
CY 2021 Irrigation Programs:				
General Administration and Support	11,188,899	11,188,899	6,394,386	8,477,703
Support to Operations	1,043,239	1,043,239	211,336	589,605
Operations	19,426,701	19,426,701	10,351,314	17,479,222
Total	31,658,839	31,658,839	16,957,036	26,546,530
Others:				
Integrated Resources and Environment Management Project - International Fund for Agricultural Development – Loan Proceeds (LP)	-	173,774	59,749	150,087
Section 7 of the Special Provisions for NIA under GAA FY 2021	-	283,065	126,550	282,363
Total Others	-	456,839	186,299	432,450
Grand Total	31,658,839	32,115,678	17,143,335	26,978,980

Carry Over Funds (In Thousand Pesos)			
FY 2015 - 2020 GAA	Unobligated Balance CY 2021	Release Cash/ Non-Cash	Obligation
Various Projects	5,681,745	21,590,703	3,260,031
Other Sources:			
Integrated Resources and Environment Management Project - International Fund for Agricultural Development - LP	123,132	180,857	119,572
Section 7 of the Special Provisions for NIA under GAA 2021	131,600	330,501	130,427
Section 9 of the Special Provisions for NIA under GAA 2021	747	125,614	(114)
National Disaster Risk Reduction Management Fund	361	68,294	(1,922)
	5,937,585	22,295,969	3,507,994

2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance with International Public Sector Accounting Standards (IPSASs)

The financial statements have been prepared in compliance with IPSASs prescribed for adoption by the Commission on Audit (COA) under COA Resolution No. 2014-003 dated January 24, 2014. The term IPSAS includes all applicable IPSASs and the corresponding Philippine Application Guidance. The Philippine Public Sector Accounting Standards (PPSASs) were renamed to IPSASs under COA Resolution No. 2020-001 dated January 9, 2020.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows (SCF) 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 peso, unless otherwise stated.

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

The financial statements, in compliance with the adopted IPSASs, 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 IPSASs.

3.2 Presentation of Financial Statements

The financial statements consist of the financial reports of NIA CO and 17 RIOs including the UPRIIS and the MARIIS, and nine (9) PMOs in accordance with NIA's One Fund Accounting System Manual.

All significant intra-agency receivables/ intra-agency payables transactions are eliminated in the preparation of the financial statements.

The financial statements reflect the assets, liabilities, revenues, and expenses of NIA's CO, RIOs including the UPRIIS and the MARIIS, and PMOs.

Financial statements of inactive accounts with total Net Assets/Equity of P19.331 billion as at December 31, 2021, from RIOs/PMOs are included in the preparation of the financial statements. These inactive accounts represent balances from completed projects in the Corporate and General Funds that were forwarded from previous years despite their being turned over to their respective RIOs/PMOs. Of the 75 inactive accounts reported since CY 2018, the following 23 accounts were already closed to Corporate Fund:

RO/PMO	Project or Program Title
Region 1	Fund 102
Region 2	Cagayan Integrated Agricultural Development Project
Region 2	Communal Irrigation Development Project
Region 2	Casacnan Multipurpose and Power Project
Region 2	El Niño
Region 2	Grain Sector Development Program
Region 2	Irrigation Operation Systems Project I
Region 2	102 - Water Resource Development Project
Region 3	Comprehensive Agrarian Reform Program - Irrigation Component

RO/PMO	Project or Program Title
Region 3	Irrigation Operation Support Project I
Region 3	QUAKE Fund
Region 5	Irrigation Operation Support Project I
Region 5	102 - Communal Irrigation Development Project
Region 5	102 - Water Resource Development Project
Region 5	102 - Grain Sector Development Program
Region 5	102 - El Niño
Region 6	Alapasco Project
Region 9	102 - El Niño
Region 9	102 - Water Resource Development Project
Region 12	Water Resource Development Project
Region 12	Irrigation Operation Support Project
Region 12	Malitubog Maridagao Irrigation Project 1
Region 12	Irrigation Operation Support Project I

3.3 Financial Instruments

a. Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the NIA commits to purchase or sell the asset.

The NIA's financial assets include: Cash and cash equivalents, Trade and other trade receivables and Other investments accounts. (See Notes 6, 7 and 11)

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 (SFP) 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 7)

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 11)

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

The 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 IPSAS 29 *Financial Instruments: Recognition and Measurement*; and either the entity has:
 - a. transferred substantially all the risks and rewards of ownership of the financial asset; or
 - b. 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

The 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 11)

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty.
2. Default or delinquency in interest or principal payments.
3. The probability that debtors will enter bankruptcy or other financial reorganization.
4. 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 IPSAS 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.

The NIA's financial liabilities include Trade payables to suppliers, employees, and other contractors as well as Notes payable accounts. (See *Note 15*)

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 IPSAS 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 and 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 SFP 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 6)

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 objective evidence that the NIA will not be able to collect the amounts due according to the original terms of settlement of the receivable accounts. (See Note 7)

Trade receivables are financial assets with fixed or determinable payment that are not quoted in an active market. They arise when the 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 SFP. Receivables are included in current assets if maturity is within 12 months of the financial reporting date while those with 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 the 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 is based on 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 to 60 days	- 1 per cent
61 to 180 days	- 2 per cent
181 days to 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

Write-off of receivables

The policy under NIA Memorandum Circular (MC) No. 81, s. 2017 includes that the following conditions must be present to support the request for authority from the COA to write-off 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 Management to collect the receivables and to demand liquidation of each advances and fund transfers; and
- f. No pending case in court involving the subject dormant accounts.

Write-off and condonation of Irrigation Service Fee (ISF)

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

- a. 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 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 IAs.
- b. A registry of farmers 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.
- c. 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.

- d. All unpaid ISF to NIA and the corresponding penalties of farmers with eight hectares and below, 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 write-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 comprised 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 8*)

Inventories are recognized as an expense when issued 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 12*)

IP acquired through a non-exchange transaction is measured at its fair value as 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 COA for property, plant and equipment (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.

The 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:

- a. use in the production or supply of goods or services, or for administrative purposes; or
- b. sale in the ordinary course of operations.

3.8 PPE

Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

- a. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- b. the cost or fair value of the item can be measured reliably; and
- c. 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:

- a. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

- b. expenditure that is directly attributable to the acquisition of the items; and
- c. 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 13)

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.

- a. 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 shall be for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation shall be for the succeeding month.

- b. Depreciation method

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

- c. 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
Machineries 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

d. Residual value

The 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

The 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 13)

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.

Contingent rents are recognized as revenue in the period in which they are earned. (See Note 24)

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

Operating lease - NIA as a lessee

The NIA adopts Lease Purchase Agreement (LPA) in acquiring motor vehicles in its RIOs. 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.

The NIA recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowances, 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 in the notes to financial statements 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.

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 Adjustments Due to Changes in Accounting Policies, Estimates and Errors

The 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

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

Due to prior period errors

Prior period errors are omissions from and misstatements 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. The 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

The 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 24)

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 the 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 official website of NIA.

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 38*.

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 the 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 36*)

3.15 Measurement Uncertainty

The preparation of financial statements in conformity with IPSASs 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 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 the preparation of financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these 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.

The 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 and Management Plan (DRRMP).

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 DRRMP 2019-2023 was covered by NIA MC 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. PRIOR PERIOD ADJUSTMENTS

The NIA has determined that prior period adjustments were due to, among others, the following transactions: (*Refer to Note 22*)

- a. Reversal of dormant/long outstanding accounts payable;
- b. Adjustments relevant to the operation of California Energy-Casecan Hydro Power Plant;
- c. Recognition of prior years' dividends payable;
- d. Reclassification of advances to contractors of terminated contracts;
- e. Reclassification of completed projects to its proper PPE account;
- f. Recognition of prior years' auditing services; and
- g. Recognition of interest expense on unpaid advances made by the Bureau of the Treasury (BTr) for the Public-Private Partnership (PPP) contract with the California Energy Casecan Water Electric Company, Inc. (CECWECI).

6. CASH AND CASH EQUIVALENTS

This account includes the following:

	2021	2020	January 1, 2020
Cash in bank - local currency, current account (LC, CA)	10,731,654,653	6,079,180,360	9,164,786,518
Cash in bank - LC, time deposits (TDs)	455,243,243	449,856,554	440,594,045
Cash in bank - LC, savings account (SA)	42,986,468	42,133,352	111,273,583
Cash in bank - foreign currency (FC), TDs	40,824,217	38,578,443	40,480,709
Cash-collecting officers	4,556,967	7,371,925	2,982,958
Cash in bank - FC, SA	4,070,817	854,610	25,393
Petty cash	3,801,192	3,334,462	15,413,605
Cash, treasury/agency deposit, regular (T/ADR)	25,946	-	71,210
	11,283,163,503	6,621,309,706	9,775,628,021

Cash in bank-LC, CA includes the amount of cash maintained with authorized government depository banks by the CO, RIOs, PMOs and IMOs.

Cash in bank-FC, SA represents amounts deposited with authorized government depository banks denominated in US dollars (\$). 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 was translated using the Bangko Sentral ng Pilipinas (BSP) closing rate of P50.774 : US\$1.00 as at December 31, 2021.

Cash, T/ADR account represents the balance of "Due from National Treasury" account before it was converted to conform with the Revised Chart of Accounts.

Included in the Cash in bank account are Trust Fund (TF) and Working Fund (WF) treated as restricted cash in compliance with the Operations & Maintenance (O&M) Agreement of NIA with First Gen Hydro Power Corporation (FGHPC) and SN Aboitiz Power (SNAP)-Magat, Incorporated, dated November 13, 2006 and December 13, 2006, respectively, viz.:

	2021	2020
Cash in bank-LC, TD		
FGHPC – TF	135,619,179	134,239,040
SNAP-Magat, Incorporated – TF	126,300,401	124,787,963
	261,919,580	259,027,003
	2021	2020
Cash in bank - LC, CA		
SNAP-Magat, Incorporated – WF	849,497,973	762,098,868
FGHPC – WF	197,008,269	192,743,312
	1,046,506,242	954,842,180

The O&M agreements have 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, FGHPC and SNAP-Magat, Incorporated are required to provide a TF 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 TF shall be allocated for self-insurance and 30 per cent shall be allocated for the Performance Security.

Furthermore, a WF 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 UPRIS-Dams and Reservoir Division and NIA MARIIS 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 accounts balances:

	2021	2020
Cash in bank - LC, CA	46,912,360	54,152,548
Petty cash	425,343	425,343
Cash - T/ADR	25,946	-
Cash-collecting officers	7,550	7,550
Cash in bank - LC, SA	(4,890,670)	(4,890,670)
	42,480,529	49,694,771

7. RECEIVABLES

This account consists of the following:

	2021	2020 As restated	January 1, 2020 As restated
Inter-agency receivables	22,233,781,203	22,090,023,713	21,681,651,912
Accounts receivable - ISF	4,310,680,275	5,028,536,493	5,297,456,612
Intra-agency receivables	1,717,199,144	3,023,154,558	4,043,262,308
Accounts receivable - others	53,512,530	60,617,877	61,358,432
Loans receivable - others	2,779,891	4,997,662	4,924,650
Lease receivable	568,200	-	-
Other receivables	396,649,471	1,241,536,160	545,411,937
	28,715,170,714	31,448,866,463	31,634,065,851

Included in the Receivables are the following inactive account balances:

	2021	2020
Accounts receivable		
Accounts receivable – others	157,340	157,340
	157,340	157,340
Inter-agency receivables		
Due from national government agencies (NGAs)	32,311,524	-
Due from LGUs	521,259	148,925
Due from government-owned and/or controlled corporations (GOCCs)	1,423	1,423
	32,834,206	150,348
Intra-agency receivables		
Due from other funds	2,365,175	2,118,514
Due from regional offices (ROs)	17,000	17,000
Due from CO	200	200
	2,382,375	2,135,714
Other receivables		
Receivable-disallowances and charges	350,721	350,721
Due from officers and employees	493,082	588,548
Other receivables	6,738,714	7,238,218
	7,582,517	8,177,487
	42,956,438	10,620,889

7.1 Accounts Receivable

	2021	2020	January 1, 2020
Accounts receivable-ISF back account	3,687,166,225	5,196,390,302	5,299,074,675
Accounts receivable-ISF	940,546,789	417,747,408	441,546,716
Accounts receivable-pump/communal irrigation programs/CIS-current	446,507,146	713,494,916	216,450,103
Accounts receivable-pump/communal irrigation programs/CIS-non-current	307,464,258	1,012,256,818	2,150,289,022
Accounts receivable-others	53,512,530	60,618,877	61,358,432
Gross amount	5,435,196,948	7,400,508,321	8,168,718,948
Allowance for impairment	(1,071,004,143)	(2,311,352,952)	(2,809,903,904)
	4,364,192,805	5,089,155,369	5,358,815,044

Aging of Accounts receivable:

	0 to 1 year	More than one year to 10 years	Over 10 years and onwards	Total
Accounts receivable-ISF back account	27,583,398	3,414,797,447	244,785,380	3,687,166,225
Accounts receivable-pump/communal irrigation programs/CIS-current	69,303,966	167,561,181	703,681,642	940,546,789
Accounts receivable-pump/communal irrigation programs/CIS-non-current	837,586	3,282,981	442,386,579	446,507,146
Accounts receivable-ISF	-	294,293,258	13,171,000	307,464,258
Accounts receivable-others	532,817	-	52,979,713	53,512,530
	98,257,767	3,879,934,867	1,457,004,314	5,435,196,948

Accounts receivable account comprises trade/business receivables from ISF. NIA 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. NIA MC No. 62 dated December 5, 1977 and NIA 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, and CIS. NIA MC No. 54, s. 2013 serves as a follow up to the Incentive Policy on the Payment of Back Accounts since previous related MCs had lapsed on December 31, 2009. This policy covers all irrigation users of the NIS with Bank Accounts in ISF.

For CY 2021, the balance of the Accounts receivable-ISF decreased due to the implementation of RA No. 10969. Majority of the remaining balances 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.

7.2 Intra-agency Receivables

	2021	2020	January 1, 2020
Due from other funds	1,717,163,944	3,020,182,581	2,156,145,072
Due from CO	35,200	2,826,321	-
Due from ROs	-	145,656	1,887,117,236
	1,717,199,144	3,023,154,558	4,043,262,308

Due from ROs is the reciprocal account of Due to CO, which are both closed at year-end during the preparation of the financial statements. 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 other funds is the effect of common fund scheme policy of the Department of Budget and Management (DBM) per National Budget Circular No. 583.

7.3 Inter-agency Receivables

	2021	2020 As restated	January 1, 2020 As restated
Due from GOCCs	21,395,464,075	21,121,295,202	20,659,826,890
Due from NGAs	750,312,164	798,537,066	845,834,575
Due from LGUs	88,119,966	170,191,445	175,990,447
Total	22,233,896,205	22,090,023,713	21,681,651,912
Less: Allowance for impairment - Due from GOCCs	(115,002)	-	-
	22,233,781,203	22,090,023,713	21,681,651,912

Due from GOCCs account includes receivable 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 24.2*) per Power Purchase Agreement (PPA) dated June 30, 1995, and Supplemental Agreement dated September 25, 2003. In 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 Assets and Liabilities Management Corporation (PSALM) as their payable to BTr instead of payable to NIA.

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 (SPISP) extended by the Asian Development Bank; (b) DPWH District Offices for the construction/rehabilitation of farm to market roads out of the National Development Company (NDC) loan proceeds; and (c) DPWH-Autonomous Region in Muslim Mindanao (ARMM) and Philippine Rice Research Institute (PhilRice).

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

7.4 Lease receivable

Operating lease receivable account represents receivables for the staff house rentals in NIA Region 6.

7.5 Other Receivables

	2021	2020 As restated	January 1, 2020 As restated
Receivables-disallowances/charges	79,139,591	80,116,789	67,033,226
Due from officers and employees	7,557,709	6,671,890	7,886,231
Interest receivables	188,446	334,977	1,207,410
Other receivables	388,997,661	1,154,412,504	469,311,170
Total	475,883,406	1,241,536,160	545,438,037
Less: Allowance for impairment -			
Due from officers and employees	(95,466)	-	-
Other receivables	(79,138,470)	-	(26,100)
	396,649,471	1,241,536,160	545,411,937

Receivables-disallowances/charges account is used to record the amounts 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, 2021.

Interest receivables account refers to interest earned from current and savings accounts and placement of time deposits with government depository banks.

8. INVENTORIES

	2021	2020	January 1, 2020
Inventory held for consumption, net	84,899,921	190,965,039	97,788,230
Semi-expendable furniture and fixtures	1,010,687	518,600	933,589
Semi-expendable office equipment	809,151	245,673	104,055
Semi-expendable information and communication technology equipment	736,719	195,728	383,413
Semi-expendable machinery and equipment	256,005	-	-
Semi-expendable communication equipment	156,748	-	219,944
Semi-expendable other machinery and equipment	85,760	85,760	85,760
Semi-expendable medical equipment	27,240	-	-
Semi-expendable technical and scientific equipment	6,000	106,800	145,572
Merchandise inventory	-	-	74,675
	87,988,231	192,117,600	99,735,238

8.1 Inventory Held for Consumption

	2021	2020	January 1, 2020 As restated
Property and equipment for distribution	60,205,082	181,628,661	88,954,701
Construction materials inventory	15,574,030	30,497	257,407
Office supplies inventory	6,229,984	6,053,738	5,051,937
Fuel, oil, and lubricants inventory	1,981,463	2,902,345	3,286,194
Other supplies and materials inventory	900,482	349,798	237,991
Non-accountable forms inventory	8,880	-	-
	84,899,921	190,965,039	97,788,230

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

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

Semi-expendable accounts, such as: Semi-expendable machinery and equipment, Semi-expendable office equipment, Semi-expendable information and communication technology 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 and corresponding expense account shall be recognized upon their issuance to the end user.

Included in the Inventories are the following inactive accounts balances:

	2021	2020
Construction materials inventory	30,497	30,497
Other supplies and materials inventory	106,065	106,065
	136,562	136,562

9. PREPAYMENTS

Prepayments consist of the following:

	2021	2020 As restated	January 1, 2020 As restated
Advances to contractors	4,374,612,421	4,573,627,934	6,060,813,221
Prepaid rent	-	3,436,429	7,507,734
Prepaid registration	-	5,795	-
Prepaid insurance	-	21,970	-
Other prepayments	7,960,366	5,292,850	8,740,738
	4,382,572,787	4,582,384,978	6,077,061,693

Advances to contractors account 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 DBM and to Petron Philippines for the delivery of office supplies and gasoline, respectively. This is subject for further reconciliation.

10. OTHER CURRENT ASSETS

Other current assets consist of the following:

	2021	2020 As restated	January 1, 2020 As restated
Guaranty deposits	29,264,587	26,683,586	26,640,846
Advances	22,199,891	22,108,891	31,356,537
Other deposit	2,700	2,700	199,789
Other assets-unserviceable assets	84,573,511	89,601,290	88,345,234
Gross amount	136,040,689	138,396,467	146,542,406
Less: Allowance for impairment - other assets	43,725,537	42,796,845	16,321,728
	92,315,152	95,599,622	130,220,678

Included in other current assets are the following inactive accounts balances:

	2021	2020
Advances		
Advances for payroll	-	(199,823)
Advances to special disbursing officer	1,018,951	1,018,951
Advances to officers and employees	1,793,664	285,683
	2,812,615	1,104,811
Deposit on letters of credit	2,700	2,700
Guaranty deposit	3,259	3,259
	2,818,574	1,110,770

10.1 Advances

	2021	2020 As restated	January 1, 2020 As restated
Advances to officers and employees	10,397,294	10,274,035	16,240,434
Advances for payroll	6,667,266	8,494,000	9,288,307
Advances to special disbursing officer	4,700,104	3,158,636	5,381,075
Advances for operating expenses	435,227	182,220	446,721
	22,199,891	22,108,891	31,356,537

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	2,783,345	1,341,479	6,272,470	10,397,294
Advances for payroll	953,170	5,899,565	(185,469)	6,667,266
Advances to special disbursing officer	2,422,001	987,062	1,291,041	4,700,104
Advances for operating expense	435,227	-	-	435,227
	6,593,743	8,228,106	7,378,042	22,199,891

11. OTHER INVESTMENTS

This account consists of the following:

	December 31, 2021	December 31, 2020 As restated	January 1, 2020 As restated
Investment in stocks	1,225,000	1,225,000	1,225,000
Other investment	468,083,200	433,937,677	403,768,982
Other investment – marketable securities	15,900	15,900	15,900
Investment in bonds – local	-	-	1,600
	469,324,100	435,178,577	405,011,482
Less: Allowance for impairment	1,240,900	1,225,000	1,225,000
	468,083,200	433,953,577	403,786,482

The Investment in stocks 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. The account is subject for further verification and adjustment.

Other investment account represents cash advances made by the BTr to CECWECl 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 CECWECl 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 CECWECl entered again into an 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 PPA was entered into by and 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 CECWECl 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 the 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 CECWECl.

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).

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

Included also in this account is the 10-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.

Upon the expiration of the BOT Contract last December 11, 2021, the CE-Casecnan project was officially turned over to the NIA and the PSALM under a 40 per cent - 60 per cent ownership in accordance with the MOA entered by the parties.

12. INVESTMENT PROPERTY

This account is composed of:

Cost, January 1, 2020	-
Additions	1,500,000
Balance, December 31, 2020	1,500,000
Adjustment	(1,500,000)
Balance, December 31, 2021	-

The Investment property refers to partial payment to the owner of the land where Panay River Office of NIA Region 6 was built as a result of the contract to sell entered by NIA and the landowner. Total contract amount is P3 million, charged to Right of Way as a component of the Panay River Basin Integrated Development Project. This was reclassified to PPE account in CY 2021.

13. PROPERTY, PLANT, AND EQUIPMENT

The analysis of this account as at December 31, 2021 is shown below:

	Infrastructure assets irrigation systems	Land	Other land improvement	Building and improvements	Machineries, equipment, furniture and fixtures	Construction in progress (CIP)	Total
Cost, January 1, 2021, as restated	149,779,354,139	4,066,308,267	28,639,750,958	2,723,297,179	5,626,259,030	137,548,196,125	328,383,165,698
Additions/CIP transfer to PPE/adjustments	29,297,277,749	(65,589,100)	(2,144,460,033)	523,160,968	722,782,029	(7,451,061,764)	20,882,109,849
Cost, December 31, 2021	179,076,631,888	4,000,719,167	26,495,290,925	3,246,458,147	6,349,041,059	130,097,134,361	349,265,275,547
Less:							
Accumulated depreciation, January 1, 2021	28,108,323,602	-	15,298,919,913	817,892,569	2,771,930,021	-	46,997,066,105
Depreciation charges	5,019,171,073	-	469,339,852	158,950,481	362,843,264	-	6,010,304,670
Adjustments	3,774,148,732	-	49,109,923	-	-	-	3,823,258,655
Accumulated depreciation / amortization, December 31, 2021	36,901,643,407	-	15,817,369,688	976,843,050	3,134,773,285	-	56,830,629,430
Carrying amount, December 31, 2021	142,174,988,481	4,000,719,167	10,677,921,237	2,269,615,097	3,214,267,774	130,097,134,361	292,434,646,117

The carrying amounts of PPE sub-accounts as at December 31, 2021 are summarized below:

	Gross amount	Accumulated depreciation	Carrying amount, December 31, 2021
Water supply systems	178,070,541,566	36,807,502,039	141,263,039,527
Other land improvements	26,495,290,925	15,817,369,688	10,677,921,237
Land	4,000,719,167	-	4,000,719,167
Buildings	2,974,176,833	881,978,188	2,092,198,645
Construction and heavy equipment	1,180,656,676	631,179,530	549,477,146
Agricultural and forestry equipment	522,782,550	3,323,203	519,459,347
Other infrastructure assets	514,694,887	22,121,443	492,573,444
Information and communication technology equipment	787,495,426	349,251,598	438,243,828
Technical and scientific equipment	646,022,011	241,666,241	404,355,770
Motor vehicles	776,956,912	405,385,197	371,571,715
Road networks	362,243,392	12,171,036	350,072,356
Other machinery and equipment	548,945,250	261,657,777	287,287,473
Office equipment	497,392,838	251,387,830	246,005,008
Other structures	238,566,510	94,771,211	143,795,299
Furniture and fixtures	197,491,214	65,076,815	132,414,399
Machinery	387,398,619	269,566,235	117,832,384
Power supply systems	129,152,045	59,848,889	69,303,156

	Gross amount	Accumulated depreciation	Carrying amount, December 31, 2021
Communication equipment	107,562,781	67,745,509	39,817,272
Water plant, structure, and improvements	33,714,804	93,652	33,621,152
Military, police, and security equipment	15,315,609	3,667,685	11,647,924
Other transportation equipment	36,879,518	25,608,996	11,270,522
Disaster response and rescue equipment	7,975,856	6,468,951	1,506,905
Printing equipment	1,661,370	168,205	1,493,165
Sports equipment	1,643,945	484,137	1,159,808
Medical equipment	3,428,860	2,575,252	853,608
Electrical equipment	700,000	33,250	666,750
Watercrafts	3,105,805	2,579,343	526,462
Leased assets, machinery, and equipment	383,480	3,745	379,735
Books	585,527	321,960	263,567
Works of arts and archeological specimens	169,000	-	169,000
CIP-infrastructure assets	129,760,093,391	-	129,760,093,391
CIP-building and other structures	298,141,099	-	298,141,099
CIP-land improvements	38,559,378	-	38,559,378
CIP-furniture and fixtures	340,493	-	340,493
Other PPE	624,487,810	546,621,825	77,865,985
	349,265,275,547	56,830,629,430	292,434,646,117

The analysis of this account as at December 31, 2020 is shown below:

	Infrastructure assets irrigation systems	Land	Other land improvement	Building and improvements	Machineries, equipment, furniture, and fixtures	CIP	Total
Cost, January 1, 2020	123,966,509,914	5,849,781,232	29,423,685,500	2,587,898,619	5,007,595,746	140,292,258,282	307,127,729,293
Adjustment	2,137,723,008	-	-	-	-	(2,158,402,162)	(20,679,154)
Cost, January 1, 2020, as restated	126,104,232,922	5,849,781,232	29,423,685,500	2,587,898,619	5,007,595,746	138,133,856,120	307,107,050,139
Additions/ CIP transfer to PPE/Adjustments	23,675,121,217	(1,783,472,965)	(783,934,542)	135,398,560	618,663,284	(585,659,995)	21,276,115,559
Cost, December 31, 2020	149,779,354,139	4,066,308,267	28,639,750,958	2,723,297,179	5,626,259,030	137,548,196,125	328,383,165,698
Less: Accumulated depreciation, January 1, 2020, as restated	19,234,456,178	-	13,879,846,386	776,013,751	2,553,657,601	-	36,443,973,916
Depreciation charges, as restated	4,088,906,574	-	262,659,105	52,774,707	334,339,926	-	4,738,680,312
Adjustments, as restated	4,784,960,850	-	1,156,414,422	(10,895,889)	(116,067,506)	-	5,814,411,877
Accumulated depreciation/ amortization, December 31, 2020, as restated	28,108,323,602	-	15,298,919,913	817,892,569	2,771,930,021	-	46,997,066,105
Carrying amount, December 31, 2020, as restated	121,671,030,537	4,066,308,267	13,340,831,045	1,905,404,610	2,854,329,009	137,548,196,125	281,386,099,593

The carrying amounts of PPE sub-accounts as at December 31, 2020 are summarized below:

	Gross amount	Accumulated depreciation	Carrying amount, December 31, 2020
Water supply systems	149,067,914,536	28,038,773,180	121,029,141,356
Other land improvements	28,639,750,958	15,298,919,913	13,340,831,045
Land	4,066,308,267	-	4,066,308,267
Buildings	2,531,059,274	756,944,550	1,774,114,724
Construction and heavy equipment	1,180,957,166	528,820,793	652,136,373
Agricultural and forestry equipment	518,514,420	976,091	517,538,329
Information and communication technology equipment	584,919,163	283,849,863	301,069,300
Other infrastructure assets	303,550,113	11,475,288	292,074,825
Road networks	285,465,785	5,226,215	280,239,570
Technical and scientific equipment	435,519,994	191,750,764	243,769,230
Other machinery and equipment	563,030,643	295,426,312	267,604,331
Motor vehicles	574,373,889	338,296,047	236,077,842
Office equipment	417,344,564	201,530,320	215,814,244
Furniture and fixtures	194,691,058	55,149,386	139,541,672
Other structures	192,237,905	60,948,019	131,289,886

	Gross amount	Accumulated depreciation	Carrying amount, December 31, 2020
Machinery	357,145,997	247,017,681	110,128,316
Power supply systems	122,423,705	52,848,919	69,574,786
Communication equipment	101,364,297	56,654,554	44,709,743
Other transportation equipment	39,596,916	21,643,219	17,953,697
Military, police, and security equipment	9,976,008	2,848,356	7,127,652
Medical equipment	2,667,760	980,976	1,686,784
Disaster response and rescue equipment	8,104,987	6,512,675	1,592,312
Sports equipment	1,539,302	436,777	1,102,525
Watercrafts	3,430,915	2,560,820	870,095
Books	568,317	321,551	246,766
Leased assets, machinery, and equipment	383,480	1,702	381,778
Works of arts and archeological specimens	169,000	-	169,000
Electrical equipment	103,275	92,947	10,328
Other PPE	631,857,879	537,059,187	94,798,692
CIP-land improvements	38,514,497	-	38,514,497
CIP-infrastructure assets	131,552,285,597	-	131,552,285,597
CIP-building and other structures	5,957,063,038	-	5,957,063,038
CIP-furniture and fixtures	332,993	-	332,993
	328,383,165,698	46,997,066,105	281,386,099,593

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.

The infrastructure assets irrigation systems account includes the share of NIA on the US\$400 million non-power cost (special cost and non-revenue generating) component of the San Roque Multi-Purpose Project (SRMP) located in San Manuel, Pangasinan. The SRMP which was approved by the Investment Coordination Committee of the National Economic and Development Authority (NEDA) is a power project of the NPC for commissioning in CY 2005. Because of the multi-purpose benefits of the project, its implementation is a multi-agency effort with NPC, as the lead Agency, pursuant to the MOA executed in 1998 by NPC and among the DOF, DBM, DENR, DPWH, and NIA.

NIA's shares on the non-power cost paid to the PSALM were capitalized (CY 2018 and prior years) by NIA under Water Supply System account totaling P22.126 billion. The recording of the non-power costs in the books of NIA will be adjusted depending on the results of Management's representation with the NPC.

The CIP account represents cost of projects implemented out of project funds directly released to NIA by the DBM.

The capitalization threshold of P15,000 represents the minimum cost of an individual asset recognized as a PPE on the SFP. Tangible items which do not meet the PPE's criteria for recognition are recognized as semi-expendable property.

The NIA reviewed the carrying amounts of PPEs for any impairment as at December 31, 2021. No PPE has been pledged as security for liabilities.

Included in PPE account are the following inactive accounts balances:

	2021	2020
Water supply systems	9,792,819,919	9,200,816,348
Other land improvements	4,428,165,808	4,428,165,808
Buildings	515,881,610	516,116,999
Agricultural and forestry equipment	514,220,366	514,220,366
Land	77,586,842	77,504,342
Other infrastructure assets	74,486,215	74,486,215
Machinery	61,430,199	61,430,199
Furniture and fixtures	47,873,998	47,849,498
Power supply systems	30,429,473	30,429,473
Technical and scientific equipment	11,127,627	11,127,627
Office equipment	9,671,020	9,675,114
Information and communication technology equipment	7,385,398	7,277,980
Motor vehicles	3,040,969	3,055,826
Communication equipment	1,597,566	1,597,566
Disaster response and rescue equipment	317,500	317,500
Books	7,909	7,909
Military, police, and security equipment	46,410	-
Other machineries and equipment	53,604,346	-
Other PPE	7,215,680	61,575,415
CIP - infrastructure assets	4,842,395,571	5,064,280,955
CIP - land improvement	61,945	61,945
Other assets	-	1,041,380
Other assets-unserviceable assets	-	1,148,960
	20,479,366,371	20,112,187,425

14. INTANGIBLE ASSETS

As at December 31, 2021:

Cost, January 1, 2021, as restated	2,983,387
Addition / CIP transferred to PPE accounts/adjustment	45,658,623
Cost, December 31, 2021	48,642,010
Less: Accumulated amortization, computer software, January 1, 2021	476,411
Amortization charges - computer software	1,773,139
Adjustment	45,956
Accumulated amortization, December 31, 2021	2,295,508
Net, December 31, 2021	46,346,504

As at December 31, 2020:

Cost, January 1, 2020, as restated	1,403,848
Addition / CIP transferred to PPE accounts/adjustment	1,579,539
Cost, December 31, 2020	2,983,387
Less: Accumulated amortization, computer software, January 1, 2020	73,632
Amortization charges - computer software	402,779
Accumulated amortization, December 31, 2020	476,411
Net, December 31, 2020, as restated	2,506,976

15. FINANCIAL LIABILITIES

This account consists of:

	2021	2020 As restated	January 1, 2020 As restated
Accounts payable	4,192,104,122	4,964,355,119	9,951,207,636
Due to officers and employees	377,013,875	328,284,907	314,785,514
Service concession arrangement payable	398,804,357	2,982,302,487	5,864,396,307
Notes payable	-	-	128,023
Finance lease payable	-	1,138,641	-
	4,967,922,354	8,276,081,154	16,130,517,480

Accounts payable account pertains mostly to claims of contractors, who are either foreign or local, on their project accomplishments; and claims of suppliers for the goods delivered. List of Due and Demandable Accounts Payable is usually submitted to the DBM for its approval and release of Cash Subsidy for payment.

Due to officers and employees account consists of payables to NIA employees.

Service concession arrangement payable account pertains to unpaid Guaranteed Water Delivery Fees and Guaranteed Energy Delivery Fees under the BOT contract between the NIA and CECWECI.

Finance lease payable refers to the rent-to-own vehicles of Mindoro Oriental-Marinduque-Romblon (MOMARO) IMO contracted with NIA Employees Cooperative (NEMCO) subject to monthly amortization.

Included in Financial liabilities account are the following inactive accounts balances:

	2021	2020
Accounts payable	6,574,807	6,598,121
Due to officers and employees	282,475	388,558
	6,857,282	6,986,679

16. INTER-AGENCY PAYABLES

	2021	2020 As restated	January 1, 2020 As restated
Due to National Treasury	92,617,076,915	87,692,107,152	85,763,125,918
Due to NGAs	2,109,018,036	2,151,219,054	4,791,804,845
Due to Bureau of Internal Revenue (BIR)	278,864,440	360,914,036	335,927,863
Due to GOCCs	167,363,847	164,342,654	278,040,421
Due to GSIS	29,810,786	23,145,034	29,947,456
Due to LGUs	18,621,722	12,009,824	12,286,763
Due to Home Development Mutual Fund (Pag-IBIG)	7,638,224	8,060,183	9,671,429
Due to Philippine Health Insurance Corporation (PhilHealth)	5,393,701	4,689,480	8,372,081
Due to Social Security System (SSS)	242,401	54,800	1,800
	95,234,030,072	90,416,542,217	91,229,178,576

Due to National Treasury account represents the total cash advances of the BTr for the account of NIA for payment of water delivery fees to CECWECl. This also includes interest income from Cash in Bank under Project Funds subject for remittance to the BTr.

Due to NGAs account represents fund transfers received/trust receipts from NGAs, i.e. DA, Department of Agrarian Reform (DAR), National Agricultural and Fisheries Council (NAFC) and DPWH for the implementation of irrigation projects.

Due to BIR account consists of taxes withheld from employees, suppliers, contractors, and other entities.

Due to GOCCs account pertains to trust funds received to finance specific projects or to pay specific obligations.

Due to GSIS, Due to Pag-IBIG, and Due to PhilHealth accounts represent employees' premium payments and other payables withheld for remittance to the concerned government agencies/institutions.

Included in Inter-agency payables account are the following inactive accounts balances:

	2021	2020
Due to other NGAs	21,122,491	21,122,491
Due to BIR	3,925,604	4,605,315
Due to GOCCs	2,126,998	2,126,998
Due to LGUs	509,564	509,564
Due to GSIS	238,594	255,928
Due to PhilHealth	153,441	155,074
Due to Pag-IBIG Fund	77,758	91,213
Due to National Treasury	203	203
	28,154,653	28,866,786

17. INTRA-AGENCY PAYABLES

	2021	2020	January 1, 2020
Due to other funds	1,708,384,017	3,008,427,674	2,205,381,280
Due to CO	89,602	76,000	59,000
Due to ROs	-	2,212,820	106,155,956
	1,708,473,619	3,010,716,494	2,311,596,236

Due to other funds account is the effect of common fund scheme of the DBM per National Budget Circular No. 583.

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

Included in Intra-agency payables account are the following inactive accounts balances:

	2021	2020
Due to other funds	1,401,806,925	797,635,507
Due to CO	396,376	513,294
	1,402,203,301	798,148,801

18. TRUST LIABILITIES

	2021	2020	January 1, 2020
Guarantee/security deposit payables	2,993,270,356	2,451,248,535	1,587,180,993
Trust liabilities	22,815,751	2,815,378	-
Customers deposit payable	-	-	49,049,381
	3,016,086,107	2,454,063,913	1,636,230,374

Guaranty/security deposit payables account represents “retention money” from claims of contractors who are implementing NIA’s projects. It is utilized to cover uncorrected discovered defects and third-party liabilities.

Included in Trust liabilities account are the following inactive accounts balances:

	2021	2020
Guarantee/security deposit payables	379,657	379,657
Performance/bidders/bail bonds	-	20,447,692
	379,657	20,827,349

19. PROVISIONS

	2021	2020 As restated	January 1, 2020 As restated
Leave benefits payable	1,132,272,885	1,057,501,203	40,893,633
Other provisions	903,958,556	879,342,658	879,512,813
	2,036,231,441	1,936,843,861	920,406,446

Leave benefits payable account is used to recognize accrual of the money value of cumulative earned leave credits of NIA employees in compliance with IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*.

Included in the Other provisions account is the cost of prior years’ outstanding auditing services due to the COA amounting to P890.611 million.

19.1 Contingent Liabilities / Assets

A total of 95 cases were filed for and against NIA as of December 31, 2021 (see *attached Annex A*) for the summary and status of Outstanding Cases pending before the Courts as of December 31, 2021.

20. OTHER PAYABLES

	2021	2020 As restated	January 1, 2020 As restated
Dividends payable	2,108,308,776	2,108,308,776	2,108,308,776
Other payables	1,193,347,384	2,191,201,298	3,339,623,152
	3,301,656,160	4,299,510,074	5,447,931,928

Dividends payable account represents unremitted dividends pertaining to CYs 2008 to 2009 and CYs 2012 to 2014. The NIA requested, thru a letter to DOF, for the availment of flexibility clause and/or zero dividend rate.

21. DEFERRED CREDITS/UNEARNED REVENUE

This account includes the following:

	2021	2020	January 1, 2020
Deferred credits	5,638,014,620	8,049,043,348	8,819,667,788
Other unearned revenue	2,400	-	-
	5,638,017,020	8,049,043,348	8,819,667,788

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.

Included in Deferred credits account are the following inactive accounts balances:

	2021	2020
Deferred credits	9,694	9,694
Other deferred credits	(746,675)	(746,675)
	(736,981)	(736,981)

22. PRIOR PERIOD ADJUSTMENTS

The following are the identified other adjustments:

Particulars	2021	2020 As restated	January 1, 2020 As restated
Reclassification of prior years' expenses/accounts	3,962,443,037	(607,981,776)	(74,289,908,307)
Inter-agency adjustments	2,604,278,357	4,678,959,190	(2,967,116,023)
ISF write-off	1,160,265,463	-	-
Closing of non-moving accounts/projects	166,375,597	2,701,948,974	1,276,094,449
Various adjustments	86,172,056	(745,828,988)	1,430,895,120
PPE adjustments	(2,974,162,291)	(15,548,978)	179,311,260
Depreciation	(2,260,330,855)	(6,538,664,900)	88,533,942
CIP adjustments	(2,182,562,319)	(228,723,870)	1,960,570,467
Accounts payable adjustments	(1,230,698,490)	-	1,520,237,157
Intra-agency adjustments	(115,207,961)	(781,730,266)	2,938,588,697
Receivables adjustments	(68,330,243)	-	-
Disbursements	(16,850)	(88,755,326)	46,005
Tax remittance advice	-	1,404,313	-
Impairment loss	-	(1,568,226)	117,020,013
Set up of dividends payable	-	-	(2,108,308,776)
Set up of provision for auditing services	-	-	(864,481,792)
Set up of service concession arrangement payable	-	-	(5,864,396,308)
	(851,774,499)	(1,626,489,853)	(76,582,914,096)

23. GOVERNMENT EQUITY

As provided under Section 3(a) of RA No. 3601 as amended by PD No. 1702, the authorized capital stock of the NIA shall be P10 billion which shall be subscribed and paid entirely by the Government of the Republic of the Philippines. The share capital amounted to P5.559 billion as of December 31, 2021.

24. SERVICE AND BUSINESS INCOME

This account comprises the following:

	2021	2020
Service fees	492,690,216	324,965,048
Rent income	92,797,427	101,989,835
Energy delivery fees-NPC	63,305,596	56,116,352
ISF	24,898,118	22,438,253
Management fees	3,850,000	40,982,176
Fines and penalties-service income	605,689	440,915
Communal irrigation programs/CIS/RIS amortization and equity	544,021	392,767
	678,691,067	547,325,346

24.1 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 Mega Watts (MW) Magat Hydro Electric Power Plant and 112 MW Pantabangan-Masiway Hydro Electric Power Plant in accordance with the O & M Agreements entered into by and between:

- a. NIA and SNAP for the Magat Electric Power Plant dated December 13, 2006; and
- b. NIA and 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 uses the service fees collected to fulfill its obligations and discharge its responsibilities as provided in the Agreement.

24.2 Energy delivery fees - NPC

Energy delivery fees- NPC are management fees collected from the PSALM on behalf of NPC pursuant to the PPA entered between NIA and NPC relative to Energy Delivery from CECWECI.

24.3 ISF

ISF account refers to the charge or levy being imposed upon users of irrigation water and services provided by an irrigation system. This includes 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.

25. PERSONNEL SERVICES

This account consists of the following:

	2021	2020
Salaries and wages	2,301,349,226	2,110,017,981
Other compensation	1,095,214,217	946,738,442
Personnel benefit contributions	330,945,854	286,067,639
Other personnel benefits	163,643,627	373,089,970
	3,891,152,924	3,715,914,032

25.1 Salaries and wages

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

25.2 Other compensation

	2021	2020
Year-end bonus	209,734,365	280,242,353
Personnel economic relief allowance (PERA)	186,212,838	163,088,971
Mid-year bonus	182,528,277	52,752,815
Clothing/uniform allowance	48,292,586	40,607,064
Hazard pay	47,865,776	43,403,367
Cash gift	45,650,804	41,738,688
Overtime and night pay	20,194,253	12,607,716
Representation allowance	11,065,241	11,111,219
Honoraria	9,109,068	1,290,300
Transportation allowance	8,509,766	7,966,264
Longevity pay	3,424,316	4,011,729
Other bonuses and allowances	322,626,927	287,917,956
	1,095,214,217	946,738,442

25.3 Personnel benefit contributions

This account represents NIA's share in premium contributions, i.e., GSIS, Pag-IBIG and PhilHealth:

	2021	2020
Retirement and life insurance premium	276,451,158	239,987,573
PhilHealth contributions	34,179,909	30,215,894
Pag-IBIG contributions	10,628,133	7,599,896
Employees compensation insurance premiums	9,686,654	8,264,276
	330,945,854	286,067,639

25.4 Other personnel benefits

	2021	2020
Terminal leave benefits	115,599,165	330,707,705
Productivity incentive allowance	39,170,500	31,244,500
Directors and committee members' fee	420,000	63,000
Subsistence allowance	47,850	40,275
Retirement gratuity	-	816,192
Others	8,406,112	10,218,298
	163,643,627	373,089,970

26. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2021	2020 As restated
Repairs and maintenance	1,658,357,985	2,501,571,506
Supplies and materials expenses	483,447,906	329,644,247
Utility expenses	276,958,513	204,983,028
Training expenses	194,959,358	132,655,907
Professional services	155,409,020	240,361,981
Travelling expenses	49,263,205	46,418,871
Taxes, insurance premiums, and other fees	46,902,486	34,174,767
Communication expenses	30,971,548	29,459,299
General services	22,398,523	25,055,863
Other maintenance and operating expenses	12,875,649,749	4,204,832,154
	15,794,318,293	7,749,157,623

26.1 Repairs and maintenance

	2021	2020
Repairs and maintenance - infrastructure assets	1,405,195,326	2,315,200,355
Repairs and maintenance - transportation equipment	114,296,292	94,423,049
Repairs and maintenance - machinery and equipment	60,294,673	46,924,771
Repairs and maintenance - buildings and other structures	58,788,641	36,607,595
Repairs and maintenance - land improvements	4,979,043	1,747,465
Repairs and maintenance - furniture and fixtures	730,073	3,815,714
Repairs and maintenance - semi-expendable machinery and equipment	79,549	-
Repairs and maintenance - semi-expendable furniture and fixtures	4,046	-
Repairs and maintenance - other property, plant and equipment	13,990,342	2,713,601
Repairs and maintenance - leased asset improvement	-	81,312
Repairs and maintenance - investment property	-	57,644
	1,658,357,985	2,501,571,506

26.2 Supplies and materials expenses

	2021	2020
Fuel, oil, and lubricants expenses	216,976,672	159,430,136
Office supplies expenses	111,628,941	83,079,797
Semi - expandable-machinery and equipment expenses	28,738,704	9,644,828
Medical, dental, and laboratory supplies expenses	11,718,739	7,833,656
Semi - expendable furniture, fixtures and books expenses	11,952,596	4,540,485
Drugs and medicines expenses	9,249,159	4,939,576
Electrical supplies and material expenses	1,314,143	159,490
Accountable forms expenses	724,660	1,661,045
Housekeeping / cleaning supplies expenses	580,998	-
Agricultural and marine supplies expenses	495,030	-
Supplies and materials for water system operations expenses	276,854	-
Chemical and filtering supplies expenses	234,600	83,400
Linens and bedding expenses	172,750	-
Food supplies expenses	71,590	281,205
Textbooks and instructional materials expenses	16,085	-
Military, police, and traffic supplies expenses	3,000	-
Welfare goods expenses	-	148,843
Other supplies and materials expenses	89,293,385	57,841,786
	483,447,906	329,644,247

26.3 Utility expenses

	2021	2020
Electricity expenses	266,743,143	195,290,217
Water expenses	10,065,596	9,601,355
Gas / heating expenses	4,621	-
Other utility expenses	145,153	91,456
	276,958,513	204,983,028

26.4 Training expenses

This account represents expenses incurred in attending various trainings to expand knowledge and skills required.

26.5 Professional services

	2021	2020
Auditing services	135,987,226	164,915,425
Consulting services	9,360,628	65,107,369
Legal services	1,029,888	885,955
Other professional services	9,031,278	9,453,232
	155,409,020	240,361,981

26.6 Travelling expenses

	2021	2020
Travelling expenses - local	49,263,205	46,205,943
Travelling expenses - foreign	-	212,928
	49,263,205	46,418,871

26.7 Taxes, insurance premiums, and other fees

	2021	2020
Insurance expenses	28,768,855	18,480,925
Taxes, duties, and licenses	10,298,600	7,202,901
Fidelity bond premiums	7,634,899	8,366,993
Documentary stamps expenses	200,132	123,948
	46,902,486	34,174,767

26.8 Communication expenses

	2021	2020
Telephone expenses	14,477,922	15,794,744
Internet subscription expenses	13,104,296	11,055,815
Postage and courier services	2,352,368	1,388,959
Cable, satellite, telegraph, and radio expenses	1,036,962	1,219,781
	30,971,548	29,459,299

26.9 General services

	2021	2020
Janitorial services	12,942,155	15,669,990
Security services	6,526,211	8,443,899
Environment/sanitary services	105,500	32,250
Other general services	2,824,657	909,724
	22,398,523	25,055,863

26.10 Other maintenance and operating expenses

	2021	2020
		As restated
Generation, transmission, and distribution expenses	11,440,914,590	2,886,149,288
Labor and wages	191,083,474	154,135,005
Donations	154,289,807	248,430,173
Rent/lease expenses	67,549,926	36,616,575
Representation expenses	47,833,063	21,574,374
Subscription expenses	15,824,756	2,246,472
Printing and publication expenses	5,270,691	5,484,496
Awards/rewards expenses	4,135,750	1,069,460
Transportation and delivery expenses	1,628,116	1,048,398
Extraordinary and miscellaneous expenses	972,200	512,223
Advertising, promotional, and marketing expenses	781,444	1,678,571
Survey expenses	717,717	24,563,078
Prizes	248,500	5,000
Research, exploration, and development expenses	213,572	-
Membership dues and contributions to organizations	140,051	208,020
Members' benefits	-	7,050,566
Desilting, drilling, and dredging expenses	-	2,512,781
Litigation/acquired assets expenses	-	925,706
Major events and conventions expenses	-	99,400
Other maintenance and operating expenses	944,046,092	810,522,568
	12,875,649,749	4,204,832,154

Donations aggregating P154.290 million mostly represent the cost of pumps donated to qualified IAs.

Other maintenance and operating expenses account is further broken down as follows:

	2021	2020
Other miscellaneous expense - IA remuneration for Operations	227,513,598	204,820,992
Job order	220,823,073	169,230,168
Other miscellaneous expense - IA remuneration for Maintenance	190,133,339	145,557,875
Other miscellaneous expenses	136,694,297	163,731,308
Contractual services	84,365,012	86,233,499
Meals and snacks	33,362,119	12,448,052
Other miscellaneous expenses - COVID-19 expenses	20,218,721	-
Gratuity pay	17,205,730	-
Other miscellaneous expenses	9,471,653	1,113,541
Sports	3,458,305	1,404,753
Laboratory analysis of soil and water sample	637,902	7,586
Others	162,343	25,974,794
	944,046,092	810,522,568

27. FINANCIAL EXPENSES

	2021	2020 As restated
Interest expense	1,128,112,149	1,963,450,127
Bank charges	182,471	36,394
Other financial charges	22,455	-
	1,128,317,075	1,963,486,521

Majority of interest expense pertains to those paid for by the National Government through the BTr in behalf of the NIA for its PPP Contract with the CECWECI.

28. NON-CASH EXPENSES

	2021	2020 As restated
Depreciation - infrastructure assets	5,112,815,768	4,088,906,574
Depreciation - land improvements	454,606,607	262,659,105
Depreciation - machinery and equipment	290,232,628	225,729,359
Depreciation - buildings and other structures	90,096,720	52,774,707
Depreciation - transportation equipment	48,702,636	37,630,108
Depreciation - furniture, fixtures, and books	8,448,656	6,876,923
Depreciation - other PPE	5,386,847	64,101,835
Depreciation - leased asset improvements	12,765	-
Depreciation - leased asset	2,043	1,701
	6,010,304,670	4,738,680,312
Impairment on loans and receivables	673,217,208	505,531,224
Impairment on other receivables	86,682,862	-
Impairment on loss - PPE	41,773,444	3,060,000
Impairment on loss - other assets	156,096	77,519,073
Impairment on loss - other investments	15,900	207,483,000
	801,845,510	793,593,297
Amortization - intangible asset	1,773,140	402,779
	6,813,923,320	5,532,676,388

29. OTHER NON-OPERATING INCOME

	2021	2020 As restated
Miscellaneous income	92,184,910	77,492,299
Interest	6,819,301	12,923,753
Other fines and penalties	1,125,275	279,858
	100,129,486	90,695,910

Included in the miscellaneous income are as follows:

	2021	2020
Bid documents	21,370,722	20,919,504
Scrap of fixed assets	5,468,031	648,149
Laboratory analysis - soil and water sample	4,170,197	34,720
Land development/levelling	2,548,221	3,453,731
Contract price adjustment/liquidated damages	1,761,681	2,033,412
Sale of goods and materials	1,632,178	5,152
Income from NIA Housing	589,935	3,440,643
Disallowance	93,898	106,703
Printing/xerox/radio	40,530	392,572
Hauling/milling/drying	11,887	356,971
Payment for lost items	9,996	2,020
National Home Mortgage Finance Corporation (NHMFC)	329	520
Other miscellaneous income	54,487,305	46,098,202
	92,184,910	77,492,299

Interest income includes interest earned from high yield savings account with the Development Bank of the Philippines (DBP), United Coconut Planters Bank (UCPB) and LBP.

Other fines and penalties are income earned 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.

30. GAINS

Gains account refers to gain from foreign currency transactions, and sale of PPE, garnished/confiscated/abandoned/seized goods, and unserviceable properties.

31. LOSSES

The loss on foreign exchange is the result of the change in the exchange rate between the date of recognizing the receivable due from the PSALM and the date of recognizing the actual receipt of payment. This receivable represents the peso value of the \$102,600.00 fixed rate Guaranteed Energy Delivery Fee billed to the latter monthly. This account also includes the result of change from the conversion of foreign currency time deposit certificates of the NIA.

The loss of asset pertains to the unreturned laptop of RO No. 1 assigned to a retired employee. Despite several demands from the employee to surrender the unit, the latter still failed to comply and pay for the equivalent value. Thus, a loss was recognized.

The other losses pertain to the training fee not refunded in full by the Management Events Malaysia SDN. BHD. This training fee was paid by the representatives of the agency to the 3rd Digital HR and Analytics in Kuala Lumpur, Malaysia. The event, which was scheduled to take place on March 22-24, 2020, was subsequently cancelled due to the onset of the COVID-19 pandemic not only in Malaysia but also globally. The precarious financial condition of the said company limited them to refund only 18.53 per cent of the training fee paid to them.

32. INCOME TAX EXPENSE

The agency incurred a net operating loss before subsidy. As a result, no income tax expense was paid during the year.

33. ASSISTANCE AND SUBSIDY

The NIA received subsidy from the National Government in the total amounts of P42.978 billion and P33.984 billion in CYs 2021 and 2020, respectively.

34. EXPLANATION OF DIRECT CASH FLOW

The analysis of the variance between the Notice of Cash Allocation (NCA) per record versus NCA received is shown below:

Subsidy received based on Statement of Financial Performance		42,978,025,096
Less:		
Loan proceeds – non-cash		
Fund 102 National Irrigation Sector Rehabilitation and Improvement Project (NIS RIP)	482,448,033	
Fund 102 Chico River Pump Irrigation Project (CRPIP)	496,007,192	
Fund 102 regular	228,584,798	1,207,040,023
Tax Remittance Advice (TRA)		
Fund 102 NIS RIP	1,200,117	
Fund 101 Modified Disbursement System (MDS)	27,358,986	
Fund 102 Regular	2,697,951	31,257,054
Add:		
Lapsed NCA Fund 101 MDS		805,956
Subsidy received based on Statements of Cash Flows		41,740,533,975

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

	2021	2020
Surplus for the year	16,138,106,480	15,658,651,733
Non-cash (income/expenses):		
Depreciation (<i>Note 13</i>)	6,010,304,670	4,738,680,312
Impairment loss (<i>Note 28</i>)	801,845,510	793,593,297
Terminal leave benefits (<i>Note 25.4</i>)	115,599,165	330,707,705
Amortization (<i>Note 28</i>)	1,773,140	402,779
Gain from sale/disposal of PPE	(4,640)	(92,072)
(Increase)/decrease in asset accounts:		
Receivables, net	24,035,844,985	194,447,035
Prepayments	192,088,442	1,494,676,714
Inventories	105,027,349	(92,382,362)
Other non-current assets	5,956,471	25,219,061
Investment property – land	1,500,000	(1,500,000)
Other investments	(34,129,623)	(30,167,096)
Other current assets	(2,581,001)	154,349
Increase/(decrease) in liability accounts:		
Inter-agency payables	4,817,487,855	(812,636,359)
Trust liabilities	562,022,194	817,833,539
Financial liabilities	(3,308,158,800)	(7,854,436,326)
Deferred credits	(2,411,026,328)	(770,624,440)
Intra-agency payables	(1,302,242,875)	699,120,257
Other payables	(997,853,913)	(1,148,421,854)
Other adjustments	(13,465,727,139)	5,306,762,856
Net cash provided by operating activities	31,265,831,942	19,349,989,128

36. RELATED PARTY TRANSACTIONS

36.1 Related Party Transactions

The 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.

36.2 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 DPWH, NPC, NEDA and one from the private sector who are all 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.

36.3 Key Management Personnel Compensation

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

	2021	2020
Basic salary	6,966,300	7,306,752
Allowances and other benefits	2,505,148	2,388,196
Extraordinary and miscellaneous expenses	542,632	488,518
Per diem	360,000	330,000
Hazard pay	96,000	-
	10,470,080	10,513,466

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

37. 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 with rules, regulations, and other legal requirements.

38. BUDGET INFORMATION

The proposed NIA COB for FY 2021 in the amount of P38.553 billion was approved by the NIA Board on March 31, 2021 and submitted to the DBM for review/evaluation. The COB was approved by DBM on October 15, 2021 amounting to P37.692 billion. Changes between the original and final budget was due to DBM's approved level of personnel services, maintenance and other operating expenses (MOOE), and capital outlay broken down as follows:

	Operating Budget (In Thousand Pesos)		
	Proposed	Approved	Variance
Personnel services	4,785,722	4,588,535	197,187
MOOE	3,779,267	3,114,786	664,481
Capital outlay	29,988,229	29,988,229	-
	38,553,218	37,691,550	861,668

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 and 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:

	Original Budget	DBM Variance	C N A Allocation	Final Budget
Receipts/sources				
Service and business income	665,857,172	-	-	665,857,172
Other non-operating income	117,162,418	-	-	117,162,418
Assistance and subsidy	37,770,198,000	(534,897,478)*	-	37,235,300,522
Total	38,553,217,590	(534,897,478)	-	38,018,320,112
Payments/uses				
Personnel services	4,785,722,998	(429,688,000)	232,500,000	4,588,534,998
MOOE	3,779,265,400	(431,979,478)	(232,500,000)	3,114,785,922
Capital outlay	29,988,229,192		-	29,988,229,192
Total	38,553,217,590	(861,667,478)	-	37,691,550,112
Savings		326,770,000		326,770,000

* The variance in National Government Support of P534,897,000 pertains to savings identified corresponding to discontinued Programs, Activities and Projects (PAPs) in FY 2020 pursuant to Administrative Order No. 41, s. 2021 dated May 12, 2021, as implemented by National Budget Circular No. 586 dated May 21, 2021.

38.1 SCBAA

- a. The negative variance of Personnel services is due to the actual indirect costs incurred under project funds;
- b. Regarding the MOOE, the negative variances of P18.300 million under Supplies and material expense and P3.400 million for the Utility expenses account are the effects of the DBM variance of P163.500 million and P30.900 million, respectively;
- c. For the Comprehensive Agrarian Reform Program (CARP) MOOE, the management fee of P22.900 million was recorded under MOOE, however, the budget of CARP is under Capital Outlay thus causing negative variance of P22.800 million;
- d. MOOE under Locally Funded Projects (LFPs) incurred a negative variance of P13.364 billion due to recognition of payment of expenses like repairs and maintenance that were previously obligated under FYs 2019 and 2020 GAAs.

Also, the generation, transmission, and distribution expenses in the amount of P11.410 billion for the Guaranteed Water Delivery Fees and Guaranteed Energy Delivery Fees under the PPP Contract with the CECWECI.

- e. NIA MC No. 182, s. 2020, on the "Accounting Guidelines on Expenditures Under Project/Subsidy Funds", provides that expenditures under Irrigation Management Transfer Support Services (IMTSS); Repair, Operation and Maintenance of National Irrigation Systems; and Repair and Maintenance of Operations and Maintenance Equipment shall be charged to proper MOOE expense account. In case of pumps held for distribution, when purchased, they shall be accounted for as Property and Equipment for Distribution

Account, and when issued/distributed to the farmer-beneficiaries/IAs, the expense account will be used. The Feasibility Studies and Detailed Engineering (FSDE) shall be temporarily recorded under CIP account, however, if the result of the FSDE is not feasible, the recorded FSDE shall be reclassified to proper expense account. In the Budgetary Support to Government Corporations (BSGC) Fund, if the disbursement is expense in nature, it should be debited to proper expense account. Regarding the wages of personnel charged against project funds, regardless of the program, only the wages and other compensations of the Project-in-Charge (PIC) and Institutional Development Officer (IDO) directly involved in the project should be capitalized together with the cost of the Civil Works, hence, all other wages and compensations are considered expense. Other indirect cost incurred for Fund 501 LFPs and General Fund shall be treated as expense, as discussed in the Joint-Financial Consultative Meeting between NIA Management and NIA-COA Audit Group that was held on November 6-8, 2019.

- f. The negative variance of the Financial expenses is due to the recognition of the interest expense for the unpaid advances made by the BTr for the PPP Contract with the CECWECI.
- g. The NIA has the flexibility to modify its utilization within the DBM-approved budget level for items funded out of corporate funds. In the case of those funded out of the national government support, Section 72 of the General Provisions (GPs) of RA No. 11518 on the rules on the modification in allotment shall apply. This pertains to the variances of Personnel Services (PS) and MOOE among others.
- h. The details of variances are shown below:

	Subsidy per Budget DBM Variance		Subsidy per Budget - Net of DBM Variance		Subsidy per Actual Variance (Budget-Actual)	
COB	7,476,122,000	-	7,476,122,000	7,429,455,000	46,667,000	
LFPs	20,360,847,000	-	20,360,847,000	20,360,847,000	-	
CARP	601,000,000	-	601,000,000	647,667,000	(46,667,000)	
FAPS GOP	1,524,907,000	-	1,524,907,000	1,524,907,000	-	
- LP	1,695,963,000	-	1,695,963,000	1,207,040,022	488,922,978	
Total Current	31,658,839,000	-	31,658,839,000	31,169,916,022	488,922,978	
Other Source INREMP -	-	-	-	-	-	
IFAD	173,774,000	-	173,774,000	173,774,000	-	
Total	31,832,613,000	-	31,832,613,000	31,343,690,022	488,922,978	
Continuing Appropriation	5,937,584,522	534,897,000	5,402,687,522	11,157,581,219	(5,754,893,697)	
F-101 Due and Demandable and						
Tax Remittance Advice	-	-	-	176,534,584	(176,534,584)	
National Disaster Risk Reduction						
Management (NDRRM)	-	-	-	300,219,270	(300,219,270)	
	37,770,197,522	534,897,000	37,235,300,522	42,978,025,095	(5,742,724,573)	

Acronyms:

LFP – Locally Funded Projects
 CARP IC – Comprehensive Agrarian Reform Program – Irrigation Component
 FAP (GOP) – Foreign Assisted Projects (Government of the Philippines)
 FAP (LP) – Foreign Assisted Projects (Loan Proceeds)

39. DISCLOSURES REQUIRED BY BIR UNDER REVENUE REGULATIONS (RR) NO. 15-2010

In compliance with BIR RR No. 15-2010, amending BIR 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.”

The 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 2021, include licenses and permit fees in the total amount of P10,298,600 comprising P104,790 and P10,193,810 in the CO and ROs, respectively.

Withholding taxes

The amount of withholding taxes paid/accrued for CY 2021 by NIA is as follows:

	2021
Creditable withholding taxes	1,333,730,319
Withholding taxes on compensation and benefits	84,233,974
Others	1,594
	1,417,965,887

As at year end, the breakdown of creditable withholding taxes for CY 2021 are as follows:

Percentage		2021
5	Withholding Value-added Tax (VAT)	869,781,823
2	Income payments made by GOCCs to suppliers of services	289,768,678
1	Income payments made by GOCCs to suppliers of goods	25,699,263
3	Withholding percentage tax	5,023,581
10	Withholding tax on professionals	1,627,549
5	Withholding tax on professionals	875,776
	Others	140,953,649
		1,333,730,319

40. COMPLIANCE WITH GSIS LAW, RA NO. 8291

The 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 2021 are as follows:

	2021
Employer’s share	261,106,697
Employees’ share	233,175,029
	494,281,726

41. COMPLIANCE WITH HOME DEVELOPMENT MUTUAL FUND (HDMF or PAG-IBIG) LAW AND HDMF CIRCULAR NO. 275

The 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, in accordance with HDMF Circular No. 275. The employees' and employer's shares remitted are as follows:

	2021
Employee's share	46,798,108
Employer's share	9,816,300
	56,614,408

42. COMPLIANCE WITH PHILHEALTH CIRCULAR NO. 0001, S. 2014

The NIA has been regularly deducting premiums from its employees and remitting the total amount withheld as well as the government share to PhilHealth. The employees' and employer's shares remitted to PhilHealth for CY 2021 are as follows:

	2021
Employee's share	32,588,196
Employer's share	31,384,474
	63,972,670