



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

ANNUAL AUDIT REPORT

on the

**NATIONAL IRRIGATION ADMINISTRATION
(General Fund – F101, 102, 161 and 171)**

For the Year Ended December 31, 2011

**NATIONAL IRRIGATION ADMINISTRATION
GENERAL FUND
ANNUAL AUDIT REPORT FOR CY 2011**

EXECUTIVE SUMMARY

Introduction

The National Irrigation Administration (NIA) was formally created as a government corporation in 1963. Its capitalization was P10 billion. The capital was to be subscribed and paid for entirely by the Philippine Government.

The NIA was originally attached to both the Department of Public Works and Highways (DPWH) and the Department of Agriculture (DA), was later transferred to the Office of the President, and subsequently attached to DA under Administrative Order No. 17 dated October 14, 1992.

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 its creation, NIA also assumed the irrigation activities of other government agencies, including those of the Irrigation Service Unit of the Presidential Assistance on Community Development. Thereafter, with the passage of RA 6978, otherwise known as “An Act to Promote Rural Development by Providing for an Accelerated Program within a Ten-Year Period of the Construction of Irrigation Projects”, the activities of NIA were significantly increased to cover the remaining 1.5 million un-irrigated but irrigable hectares of land nationwide.

NIA is composed of the Central Office, 16 Regional Irrigation Offices (RIOs) including the Upper Pampanga River Integrated Irrigation System (UPRIIS) and the Magat River Integrated Irrigation System (MRIIS), 46 Irrigation Management Offices (IMOs), and 16 Project Management Offices (PMOs). These are the offices that are existing as a result of implementation of the Rationalization Plan. NIA now manages 212 National Irrigation Systems nationwide with a total service area of 751,787 hectares. The total irrigated area is 553,396 hectares during the dry season (November to April) and 566,066 hectares during the wet season (May to October).

One of the sources of funds utilized for the operations of NIA is the General Fund, the collective name for Funds 101, 102, 161 and 171. As NIA is the implementing arm of DA for Irrigation Development Program, these funds, which are provided yearly by the National Government, foreign lending institutions and foreign organizations extending grants, are used to construct, repair/rehabilitate irrigation facilities nationwide. The following are the descriptions of the composition of the funds:

➤ Fund 101 – *Locally-Funded Projects*

This is provided by the National Government which is included in the national budget under the allocation of the DA purposely for repair, rehabilitation and restoration of existing irrigation systems. Releases of the fund to NIA are made through the Department of Budget and Management (DBM).

- Fund 102 - *Foreign-Assisted Projects (loan, grants and government portion)*

This is in the form of loans negotiated and guaranteed by the National Government with foreign banks like Japan Bank for International Cooperation (JBIC), Asian Development Bank (ADB), World Bank - International Bank for Reconstruction and Development (WB-IBRD), and with foreign governments, like the Peoples Republic of China, used to finance the construction of irrigation facilities. The National Treasury releases the funds also through the DBM.

- Fund 161 - *Trust fund from the National Government for the Mindanao Rural Development Project*

This is a trust fund from the National Government specifically intended for the Mindanao Rural Development Project.

- Fund 171- *Grants from the World Bank for the Participatory Irrigation Development Project*

This represents grants from the World Bank which the National Government negotiated specifically for the Participatory Irrigation Development Project.

Financial Highlights

The NIA's General Fund financial profile is as follows:

	CY 2011	CY 2010
Annual Appropriations - GAA (RA 9410)		
Allotments		
Capital Outlay	15,636,404,000	14,405,310,000
Obligations		
Capital Outlay	11,086,000,000	13,014,256,000
Major Source of Funds		
National Subsidy	10,623,960,500	11,085,166,457
National Subsidy-Loan Proceeds	2,279,057,832	147,638,797
Trust Fund from DA	8,860,000	
Application of Funds		
Capital Outlay- Construction in Progress	11,086,000,000	11,231,805,254
Financial Condition		
Total Assets		
Cash	5,875,884,278	3,288,091,243
Receivable	556,920,221	969,166,920
Inventories	5,903,310	3,000,237
Pre Paid Expenses	880,523,179	1,055,316,843

	CY 2011	CY 2010
Other Current Assets	2,272,082	-
PPE	80,491,921,781	73,537,162,000
Other Assets	17,425,633	-
	87,830,580,484	78,852,737,243
Total Liabilities		
Current Liabilities	4,712,535,291	4,210,539,451
Other Liabilities	161,742	164,172
	4,712,697,033	4,210,703,623
Equity	83,117,881,021	74,642,033,620

Status of Implementation of NIA Projects

The physical accomplishments of NIA Irrigation Projects, expressed in terms of hectares irrigated, are as follows:

A. Foreign-Assisted Projects

Service Areas	Target Area (in hectares)	Actual Area (in hectares)	Percentage of Accomplishment
Generation-New Area	1,960	5,876	299.79%
Restoration	9,095	3,721	40.91%
Total	11,055	9,597	86.81%

B. Locally-Funded Projects

Service Areas	Target Area (in hectares)	Actual Area (in hectares)			% of Accomplish- ment
		CY 2011	Carry-over Program	Total	
Generation-New Area	23,917	5,607	596	6,203	25.94%
Rehabilitated Area	99,090	30,520	15,531	46,051	46.47%
Restored Area	20,078	4,486	1,674	6,160	30.68%
Total	143,085	40,613	17,801	58,414	40.82%

C. Carry Over Projects–Foreign Assisted

Service Areas	Accomplishment for the year Actual Area (in hectares)	Actual Area to Date (hectares)	Overall Project Status (%)
Generation-New Area	150	8,065	SPISP – 99.65% BPIP – 98.73%
Rehabilitated Area	-	5,993	
Total	150	14,058	

D. Carry Over Projects–Locally Funded

Service Areas	Accomplishment for the year Actual Area (in hectares)	Actual Area to Date (hectares)	Overall Project Status (%)
Generation-New Area	582	5,200	RRENIAAIS (P6.0B) – 83.20% Addalam RIP 99.82%
Rehabilitated Area	34,092	132,275	
Restored Area	10,600	36,403	
Total	45,274	173,878	

Scope of Audit

The audit covered the operation of NIA – General Fund for the period January 1 to December 31, 2011. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Auditor’s Report

The Auditor rendered a disclaimer of opinion on the fairness of presentation of the financial statements for reasons stated in the Audit Certificate in Part I of the Report.

Summary of Significant Audit Findings and Recommendations

Below is a summary of significant audit findings and recommendations with details presented in Part II.A of the Report.

- 1. The existence, valuation and accuracy of the year-end balance of Property, Plant and Equipment (PPE) accounts stated at P80,491.922 million representing 91.64 percent of total assets, were not established due to incomplete subsidiary ledgers, incomplete inventory taking, non-provision of depreciation and inclusion unserviceable assets.**

We reiterated our prior years’ recommendations that Management:

- Strictly comply with the above-cited law, rules and regulations;
- Maintain updated subsidiary ledgers, property ledger cards, stock cards and other subsidiary records; and reconcile accounting and property records periodically;
- Conduct complete physical inventory of all property and reconcile results with accounting records; regularly reconcile accounting and property records of the Field Offices with the Regional Office, or the Regional Offices with the Central Office, and record any adjustments in the books;

- d. Provide depreciation on all depreciable assets; and
 - e. Take appropriate action to immediately dispose of unserviceable assets.
2. **The accuracy of the year-end balance of Construction-in-Progress (CIP) account amounting to P61,562.705 million could not be ascertained due to non-maintenance of subsidiary records for CIP. Moreover, costs of completed projects were not transferred to proper Property and Equipment accounts.**

We reiterated our prior years' recommendations that Management:

- a. Transfer the cost of completed projects to the proper asset accounts or Public Infrastructure-Government Equity account in compliance with government accounting rules and regulations, accounting standards and NIA Memorandum Circulars;
 - b. Prepare/Maintain and regularly update subsidiary ledgers and project cost sheets for each project for monitoring the cost during the construction period;
 - c. Exert extra efforts to compile turnover documents, inventory of project assets, project completion reports, as well as all other supporting documents pertaining to completed projects, like reports of the Engineering Department or of those who conducted the inventory of completed projects; and
 - d. Allocate/Transfer the management fee and general engineering and administrative expenses entered in the CIP-Central Office account to the corresponding regional office's completed projects or CIP where they were recorded.
3. **The accuracy and validity of the year-end balance of Cash-in-Bank accounts stated at P5,875.884 million were not established due to: a) unreconciled discrepancy of P124.524 million between book and bank balances; b) non-maintenance of subsidiary ledger for each bank account; c) existence of abnormal sub-account balances totaling P2.830 million; and d) non-translation of foreign currency bank accounts to the agency's reporting currency at BSP closing rate.**

We reiterated our prior years' recommendations that Management:

- a. Strictly adhere to Section 74 of PD 1445 and prepare Monthly Bank Reconciliation Statements for all bank accounts promptly;
- b. Coordinate with servicing depository banks for the timely release of bank statements and other supporting documents covering bank transactions;
- c. Maintain and update subsidiary ledgers, and reconcile the total of their balances with the balance of the controlling account;

- d. Reconcile the variance noted in the results of bank confirmations, and immediately adjust the books;
 - e. Investigate and account for the foreign currency fund transferred to the Corporate Fund; and
 - f. Adhere to PAS No. 21 - Paragraphs IN13 and 21 by translating bank accounts denominated in foreign currencies to the reporting currency using the BSP-prescribed closing rates as of balance sheet date; and exert extra efforts to secure the supporting documents for the long outstanding reconciling items; and analyze the account to reconcile the peso balance per GL with the equivalent peso value of the US\$ amount recorded in SL.
4. **Balances of Cash-in-Bank accounts for completed foreign-assisted projects in the total amount of P12.019 million were transferred to NIA Corporate Operating Budget (Fund 501) Bank Accounts and were not returned to the Bureau of the Treasury, contrary to Section 37 of PD1177, Section 4(3) of PD 1445 and Paragraph 6.7 of COA Circular 94-013.**

We reiterated our prior year's commendation that Management immediately refund the unexpended cash balance of the trust fund with the corresponding interest by returning the same to the Bureau of the Treasury.

5. **Funds from Cash-in-Bank – Modified Disbursement Scheme (MDS) in NIA Regional Offices were transferred to Cash-in-Bank Local Currency, Current Account of NIA Field Offices and Regional Office and to other funds, contrary to Section 74 of General Appropriation Act for FY 2011 (RA 10147), Section 3.6 of DBM Budget Circular No. 523, Section 3.1.3 of DBM Circular Letter 2008-11 and Section 3.1 of National Budget Circular 488.**

We reiterated our prior year's recommendation that Management strictly comply with the aforecited laws, rules and regulations pertaining to the Modified Disbursement Scheme (MDS) and immediately return to the Bureau of the Treasury the unencumbered cash balance.

We further recommended and Management agreed to carefully plan their Monthly Cash Program (MCP) in order to request fund release as needed and to minimize lapsing of the unutilized funds.

6. **The accuracy and validity of Payables in the amount of P2,644.191 million were doubtful due to lack of necessary documents to support the claims and existence of abnormal balance of Inter-Agency Payable amounting to P1.577 million.**

We reiterated our prior years' recommendation that Management:

- a. Comply with laws, accounting rules and regulations applicable to liabilities and analyze the entries made in recording these payables in order to properly reverse undocumented Accounts Payable;

- b. Book up only those claims that are supported with proper documentation for them to be considered valid;
 - c. Prepare schedule of accounts payable and maintain subsidiary ledgers for each creditor to support the amount stated in the general ledger; and
 - d. Analyze and investigate periodically the balances of payables especially those with abnormal balances and accounts pertaining to completed projects and make appropriate adjustments as warranted.
7. **Advances granted to Local Government Units (LGUs) and National Government Agencies (NGAs) totaling P349.725 million for the restoration/rehabilitation/repair of irrigation systems and implementation of foreign-assisted projects which were released to LGUs and NGAs since 1999 remained unliquidated contrary to the Memorandum of Agreement executed between the contracting parties.**

We reiterated our previous years' recommendation that Management communicate with the concerned LGUs and NGAs and request immediate liquidation of their advances in strict compliance with the provisions of the MOA.

We further recommended that Management:

- a. Strictly adhere to COA Circular No. 94-013 and ensure that releases of funds are in accordance therewith, and succeeding fund releases are made only if the previous fund transfers had been liquidated;
 - b. Demand immediately the liquidation of the long outstanding funds transferred without any liquidation reports submitted and take appropriate action to impose NIA's rights provided in the MOA in case of breach in its execution; and
 - c. Improve the monitoring/supervision control on fund transfers for the implementation of projects to include:
 - i. the responsibility of actual supervision and reporting by NIA personnel on the status of implementation of the projects; and
 - ii. the responsibility of securing the required documents for liquidation, and of coordinating and exerting joint efforts by and among the Provincial Irrigation Management Offices, the Systems Management Division, and the Finance Department relative to the completion of the documents necessary to take up liquidation/utilization of funds.
8. **The year-end balance of the Advances to Contractors account at the NIA Central Office of P876.427 million still included accounts with abnormal balance of P52.158 million and advances pertaining to contracts/projects that had been long completed in the negative amount of P8.864 million.**

We reiterated our prior years' recommendations that Management:

- a. Strictly comply with RA 9184 and ensure that advance payments or mobilization fees are repaid by the contractor by deducting the same from its periodic progress payments;
 - b. Analyze the balance to determine valid unrecouped advances from contractors with projects that were already completed and immediately demand payment; and
 - c. Adjust the books for any error discovered in recording.
9. **The General Fund's Statement of Cash Flows (SCF) for the year ended December 31, 2011 was doubtful as the additions to the Construction-in-Progress in this statement differed from those stated in the Balance Sheet, the variance amounting to P2,730.780 million.**

We reiterated our prior year's recommendations that Management:

- a. Adhere to PAS 7 for fairness of presentation of the Statement of Cash Flows;
 - b. Submit computation/working papers to explain the deficiencies noted above; and
 - c. Submit working papers showing the cash transactions involved that resulted in the net difference of each Trial Balance account.
10. **The accuracy and fair presentation of the Statement of Changes in Government Equity was doubtful due to the absence of complete accounting records to support the adjustments in PPE-Public Infrastructure in the amount of P5,090.944 million. Moreover, the presentation of the SCGE did not conform to Philippine Accounting Standard No. 1.**

We reiterated our prior year's recommendation that Management adhere to PAS 1 in the preparation of SCGE, by presenting the changes during the period for each item of the SCGE and submit documents supporting the adjustments of P5,090,944,314.

11. **Management fee, as administration and engineering overhead charge was paid by the Fund to NIA based on the allotment released by the DBM for the implementation of locally-funded projects and not on the total cost of implemented and completed projects, contrary to existing law and government rules and regulations. Moreover, the management fee paid by the Fund in the amount of P480.296 million was P52.052 million higher than the prescribed rate of 5% of the cost of projects undertaken.**

We reiterated our previous year's recommendations that Management:

- a. Adhere to the existing laws, rules and regulations and correctly claim the five percent management fee after rendition of the required services,

support the claim with project documents, and compute it based on total actual project cost as implemented/completed or on the percentage of accomplishment; and

- b. Remit to the Bureau of the Treasury the noted over-payment of management fee amounting to P52.052 million and P18.015 million for CY 2011 and 2010, respectively.

12. **The cost of the consultancy services procured by NIA in CY 2011 in the total contract price of P66.082 million from NIA Consult, Inc. through Agency-to-Agency Agreement were not in accordance with the rates for computing consultancy cost prescribed by the GPPB's Manual of Procedures for the Procurement of Consulting Services, resulting in higher contract cost by P7.024 million.**

We reiterated our prior years' recommendations that Management:

- a. Comply strictly with the GPPB's Manual of Procedures for the Procurement of Consulting Services in computing the cost of consultancy service for approval (Approved Budget for Contract); and
- b. Submit supporting documents for the payment of remuneration to NIA officers, justification and supporting documents for the vehicle rental and purchase of equipment.

We further recommended that Management review before paying the reimbursable expenses being billed by NIA CONSULT, Inc. to determine whether these are valid and in accordance with the Government Procurement Manual.

13. **In four NIA Regional Offices, alternative modes of procurement were resorted to in most of the agency's purchases totaling P12.589 million despite non-existence/occurrence of the conditions set by RA 9184 and it's Revised IRR, thus rendering the procurements irregular.**

We recommended that Management strictly comply with the provisions of RA 9184 and it's IRR.

14. **Unreasonable delays in the implementation of Irrigations Projects resulted in increasing accumulation of unutilized project funds deposited in banks totaling P5,181.110 million, non- optimization of the use of government funds and delay in the delivery of services to the farmers.**

We recommended that Management:

- a. Monitor the project implementation and ensure that the project is on schedule and, if necessary, issue a suspension once the slippage is more than negative 15%;
- b. Ensure the strict observance of the contract period stipulated in the contracts and Notice to Proceed;

- c. Take over the implementation of the long overdue projects in accordance with the provisions of the contract and with RA 9184;
 - d. Optimize the utilization of the funds received for the implementation of the project thru timely undertaking of the whole procurement process from preparation of ABC to awarding of contract;
 - e. Carefully prepare the Cash Program such that the funds requested and received were used as programmed;
 - f. Strictly adhere to the provisions of RA 9184 and its IRR and those of the contract in the evaluation and granting of contract time extensions and submit complete documents to support the extension granted in the implementation Sta. Josefa Project by the NIA Central Office and Irrigation Projects in Region 5;
 - g. Validate reports made by the contractor and PMO against independent reports to ensure that evaluation of the granting of extension is based on claims that are true and correct; and
 - h. Take remedial action and seek assistance from the LGUs in resolving the problem of right of way and unworkable submerged areas in Maridagao RIS.
15. **Deficiencies were noted on the reported cost of works and materials inventory in the suspended project “Libmanan-Cabusao Diversion Dam and Appurtenant Structure” Contract No. R5-LCDPN-C1 in the amount of P65.381 million. Inventory with an estimated amount of P47.228 million could not be accounted for and inventory on site were exposed to elements resulting to its deterioration. Moreover, Management had not acted on the return of the remaining/unexpended balance of the 15% mobilization paid P105.117 million in 2009.**

We reiterated our previous years’ recommendations that Management:

- a. Conduct physical inventory of the supplies and materials to be witnessed by COA representatives to determine the actual existence and present condition of the inventory reported;
- b. Submit duly prepared and signed reports to COA for validation of the actual accomplishment and supplies inventory such as:
 - i. documents enumerated in Section 3.1.2. of COA Circular 2009-001;
 - ii. physical Accomplishment as of December 31, 2009 duly signed, reviewed and approved; and
 - iii. revised computation of unexpended portion of advances to contractors taking into considerations the aforementioned double take up, the unworked reported accomplishments, the possible liquidation damages for the delay in the installation of steel sheets and steel gates assembly (Item Nos. 114 and 115).

We further recommended that Management:

- c. Investigate why the reinforcing steel bars were still accepted after the contract was already suspended and submit corresponding report of the investigation; and
 - d. Take appropriate action to prevent further corrosion of the steel pipes and steel bars on the site.
16. **NIA Regional Office No. 1 paid the cost 1,042 pieces of HDPE pipes of P9.734 million in 2009 of which 760 pieces costing P7.250 million were not delivered and the 282 pieces delivered remained unutilized, junked and deteriorating, resulting in loss of government money.**

We recommended that Management:

- a. Conduct immediate investigation to identify persons responsible for the misuse of fund and take appropriate action to file case if warranted; and
- b. Take immediately and appropriate action for the proper disposition of the junked pipes to minimize loss of government funds.

Consolidated Audit Report on the audit of NIA Region 8 and its two IMOs was not received, hence not included in this Report.

Status of Implementation of Prior Years' Audit Recommendations

Of the 61 audit recommendations embodied in the previous year's Annual Audit Report, 10 were fully implemented, 30 were partially implemented and 21 were not implemented. Details are presented in Part II.B of the Report.

COA-NIA Teams

The COA-NIA Teams for the General Fund are composed of the following:

NIA Central Office	Team 1 under Audit Group B – Irrigation and Fishery Group	Headed by Atty. Roberto Z. Rabulan, State Auditor V and Supervising Auditor
16 NIA Regional Offices (including UPRIS under NIA Region 3 and MARIIS under NIA Region 2)	16 COA-NIA Teams	Under the Regional Director of COA Regional Offices concerned
46 Provincial Irrigation Management Offices and 16 Project Management Offices	46 COA-NIA Teams for the provinces concerned	Under the Regional Director of COA Regional Offices concerned



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors

National Irrigation Administration
EDSA, Quezon City

We were mandated to audit the accompanying financial statements of the National Irrigation Administration General Fund (Funds 101, 102, 161 and 171), which comprise the balance sheet as of December 31, 2011, and the statement of income and expenses, statement of changes in government equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with State accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As discussed in Part II.A - Comments and Observations, our audit disclosed the following which we consider in forming our audit opinion:

1. The existence, valuation and accuracy of the year-end balance of Property, Plant and Equipment (PPE) accounts stated at P80,491.922 million representing 91.64 percent of total assets, were not established due to incomplete subsidiary ledgers, incomplete inventory taking, non-provision of depreciation and inclusion of unserviceable assets. (*Comments and Observations No. 1*)
2. The accuracy of the year-end balance of Construction-in-Progress (CIP) account amounting to P61,562.705 million could not be ascertained due to non-maintenance of subsidiary records for CIP. Moreover, costs of completed projects were not transferred to proper Property and Equipment accounts. (*Comments and Observations No. 2*)
3. The accuracy and validity of the year-end balance of Cash-in-Bank accounts stated at P5,875.884 million were not established due to: a) unreconciled

discrepancy of P124.524 million between book and bank balances; b) non-maintenance of subsidiary ledger for each bank account; c) existence of abnormal sub-account balances totaling P2.830 million; and d) non-translation of foreign currency bank accounts to the agency's reporting currency at BSP closing rate. (*Comments and Observations No. 3*)

4. The accuracy and validity of Payables in the amount of P2,644.191 million were doubtful due to lack of necessary documents to support the claims and existence of abnormal balance of Inter-Agency Payable amounting to P1.577 million. (*Comments and Observations No. 6*)

The available accounting and property records did not permit the application of sufficient alternative audit procedures to ascertain the fairness of presentation of the Property, Plant and Equipment, CIP, Cash and Payable accounts in the financial statements.

Also, our audit disclosed the following:

1. The General Fund's Statement of Cash Flows (SCF) for the year ended December 31, 2011 was not fairly presented as the additions to the Construction-in-Progress CIP in this statement differed from those stated in the Balance Sheet, the variance amounting to P2,730.780 million. (*Comments and Observations No. 10*)
2. The accuracy and fair presentation of the Statement of Changes in Government Equity was doubtful due to the absence of complete accounting records to support the adjustments in PPE-Public Infrastructure in the amount of P5,090.944 million. Moreover, the presentation of the SCGE did not conform to Philippine Accounting Standard No. 1. (*Comments and Observations No. 11*)

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

COMMISSION ON AUDIT



ROBERTO Z. RABULAN *med*
Supervising Auditor

Audit Group B- Irrigation and Fishery
Cluster C – Corporate Government Sector

June 29, 2012

NATIONAL IRRIGATION ADMINISTRATION
(GENERAL FUND - F101, 102, 161 AND 171)
BALANCE SHEET
December 31, 2011
(With corresponding figures for 2010)
(In Philippine Peso)

	Notes	2011	2010
ASSETS			
Current Assets			
Cash	3c & 4	5,875,884,278	3,288,091,243
Receivables	5	556,920,221	969,166,920
Inventories	3d & 6	5,903,310	3,000,237
Prepayments	7	880,253,179	1,055,316,843
Other Current Assets		2,272,082	-
Total Current Assets		7,321,233,070	5,315,575,243
Non-current Assets			
Property, Plant and Equipment-Net	3e,3f & 8	80,491,921,781	73,519,890,098
Other Assets		17,425,633	17,271,902
		80,509,347,414	73,537,162,000
TOTAL ASSETS		87,830,580,484	78,852,737,243
LIABILITIES AND EQUITY			
Current Liabilities			
Payables	3g & 9	3,756,234,451	3,341,895,803
Inter-agency Payables	10	431,291,402	388,150,392
Intra-agency Payables	11	15,347,842	5,204,802
Other Liabilities	12	509,661,596	475,288,454
Total Current Liabilities		4,712,535,291	4,210,539,451
Non-current Liabilities			
Other Deferred Credits		164,172	164,172
Equity			
Government Equity	13	83,117,881,021	74,642,033,620
TOTAL LIABILITIES AND EQUITY		87,830,580,484	78,852,737,243

The notes on pages 7 to 19 form part of these financial statements.

NATIONAL IRRIGATION ADMINISTRATION
(GENERAL FUND - F101, 102, 161 AND 171)
STATEMENT OF INCOME AND EXPENSES
For the Year Ended December 31, 2011
(With corresponding figures for 2010)
(In Philippine Peso)

	Notes	2011	2010
INCOME			
	3h &15		
Subsidy Income from National Government		13,862,189,727	11,803,730,318
Less: Reversion of Unused Notice of Cash Allocation (NCA)		(423,887,173)	(177,851,756)
		13,438,302,554	11,625,878,562
EXPENSES			
	3h &16		
		63,462,641	82,886,633
		13,374,839,913	11,542,991,929
OTHER INCOME/(CHARGES)			
Loss on Foreign Exchange		(7,534,525)	-
PROFIT		13,367,305,388	11,542,991,929

The notes on pages 7 to 19 form part of these financial statements.

NATIONAL IRRIGATION ADMINISTRATION
(GENERAL FUND - F101, 102, 161 AND 171)
STATEMENT OF CHANGES IN GOVERNMENT EQUITY
For the Year Ended December 31, 2011
(With corresponding figures for 2010)
(In Philippine Peso)

	Notes	2011	2010
BALANCE, BEGINNING OF YEAR		74,642,033,620	66,727,198,482
RETAINED OPERATING SURPLUS			
Profit		13,367,305,388	11,542,991,929
Correction of Prior Period Errors	3j & 14	(104,478,191)	4,544,993
		87,904,860,817	78,274,735,404
PROPERTY, PLANT AND EQUIPMENT- PUBLIC INFRASTRUCTURE	13	(9,877,924,110)	(8,207,867,297)
Adjustments		5,090,944,314	4,575,165,513
		(4,786,979,796)	(3,632,701,784)
BALANCE, END OF YEAR	13	83,117,881,021	74,642,033,620

The notes on pages 7 to 19 form part of these financial statements.

NATIONAL IRRIGATION ADMINISTRATION
(GENERAL FUND - F101, 102, 161 AND 171)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011
(With corresponding figures for 2010)
(In Philippine Peso)

	Notes	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipt of Subsidy from the National Government		13,862,089,727	11,075,166,457
Receipt of Intra-agency Fund Transfer		158,635,424	71,961,048
Collection of Other Receivables		125,503,730	1,256,475
Receipt of all Sources of Revenue		35,965,121	329,240,139
Receipt of Refund of Deposits		31,386,907	1,181,755
Receipt of Inter-agency Fund Transfer		19,597,950	56,328,489
Refund of Accounts Payable		16,404,468	175,039
Receipt of Refund of Cash Advances		4,931,923	4,137,578
Receipt of Notice of Transfer Allocation- DA		100,000	10,000,000
Prior Year's Adjustments		-	3,394,136
Payment of Capital Expenditures		(7,240,766,989)	(7,309,957,886)
Disbursement for the implementation of the project -CIP		(2,819,276,933)	-
Reversion of Unused NCA		(423,887,173)	(177,851,756)
Payment of Accounts Payable		(396,545,038)	(244,686,826)
Payment of Advances to Contractors		(243,184,410)	(224,598,755)
Fund Transfers to Other Funds		(157,079,179)	(44,341,422)
Cash Advances to NGA/LGU		(140,228,157)	(1,333,787,515)
Refund of Guarantee Deposits to Contractors		(69,117,346)	(20,235,963)
Payment of Current Operating Expenses		(61,803,668)	(2,028,743,919)
Payment to GSIS/Pag-Ibig/Philhealth		(43,272,416)	-
Cash Advance to Officers and Employees		(37,436,549)	(31,846,605)
Prior Year's Adjustments		(12,788,994)	(5,359,022)
Purchase of Office Equipment/Furniture and Fixtures		(7,541,302)	-
Payment to BIR		(3,668,825)	-
Remittance to the National Treasury		(2,690,711)	(296,553)
Net Cash Provided by Investing Activities		2,595,327,560	131,134,894
EFFECTS OF EXCHANGE RATE CHANGES ON CASH		(7,534,525)	-
CASH, BEGINNING OF YEAR		3,288,091,243	3,156,956,349
CASH, END OF YEAR	4	5,875,884,278	3,288,091,243

The notes on pages 7 to 19 form part of these financial statements.

NATIONAL IRRIGATION ADMINISTRATION
 (GENERAL FUND – F101, 102, 161 AND 171)
NOTES TO FINANCIAL STATEMENTS
 (All amounts in Philippine Peso unless otherwise stated)

1. AGENCY BACKGROUND

The National Irrigation Administration (NIA) was formally created as a government corporation under Republic Act (RA) 3601 on June 22, 1963 with an authorized capital of three hundred million pesos. In 1974, under Presidential Decree (PD) 552, its capitalization was increased to two billion pesos and later on, under PD 1702 dated July 17, 1980, it was further increased to ten billion pesos. The capital was to be subscribed and paid for entirely by the Philippine Government. Section 2, paragraph (b) of PD 552 provides NIA's sources of operating capital.

The Agency was originally attached to both the Department of Public Works and Highways (DPWH) and the Department of Agriculture (DA), was later transferred to the Office of the President, and subsequently attached to DA under Administrative Order No. 17 dated October 14, 1992.

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 its creation, NIA also assumed the irrigation activities of other government agencies, including those of the Irrigation Service Unit of the Presidential Assistance on Community Development. Thereafter, with the passage of RA 6978, otherwise known as "An Act to Promote Rural Development by Providing for an Accelerated Program within a Ten-Year Period of the Construction of Irrigation Projects", the activities of NIA were significantly increased to cover the remaining 1.5 million un-irrigated but irrigable hectares of land nationwide.

1.A Personnel Profile and Organizational Structure

The Agency had been administered by Engr. Carlos S. Salazar up to August 2010 and in September 2010 the new Administrator Antonio S. Nangel had been appointed. Assisting him are one Senior Deputy Administrator, Deputy Administrator for Finance and Administrative Sector and Deputy Administrator for Engineering and Operations.

The Agency has 5,852 and 6,268 personnel in 2011 and 2010, respectively. The breakdown is as follows:

Particulars	2011	Particulars	2010
Monthly Paid -Rationalized		Monthly Paid -Rationalized	
Permanent – COB Charged Filled	3,126	Permanent – Corporate Fund-Charged	2,609
Permanent – COB Charged CTI	607	Temporary – Corporate Fund-Charged	287
Permanent –COB Charged for Placement	42	Pre-Rationalized	
Monthly Project Charged – Co Terminus	261	CTI - Corporate Fund-Charged	787
Daily Paid		Unplaced - Corporate Fund-Charged	38
COB Charged	216	Project Charged – Co-Terminus	328
Project Charged	1,600	Daily Paid	
		Corporate Fund - Charged	335
		Project Charged	1,884
Total	5,852	Total	6,268

The Agency is composed of the Central Office, 16 Regional Irrigation Offices (RIOs) including the Upper Pampanga River Integrated Irrigation System (UPRIIS) and the Magat River Integrated Irrigation System (MRIIS), 46 Irrigation Management Offices (IMOs), and 16 Project Management Offices (PMOs). These are the offices that are existing as a result of implementation of the Rationalization Plan. The Agency now manages 212 National Irrigation Systems nationwide with a total service area of 751,787 hectares. The total irrigated area is 553,396 hectares during the dry season (November to April) and 566,066 hectares during the wet season (May to October).

1.B Financial Operations

One of the sources of funds utilized for the operations of NIA is the General Fund, the collective name for funds 101, 102, 161 and 171. As NIA is the implementing arm of DA for Irrigation Development Program, these funds, which are provided yearly by the National Government, foreign lending institutions and foreign organizations extending grants, are used to construct, repair/rehabilitate irrigation facilities nationwide. The following are the descriptions of the composition of the funds:

Fund 101 - This is provided by the National Government which is included in the national budget under the allocation of the DA purposely for repair, rehabilitation and restoration of existing irrigation systems. Releases of the fund to NIA are made through the Department of Budget and Management (DBM).

Fund 102 - This is in the form of loans negotiated and guaranteed by the National Government with foreign banks like Japan Bank for International Cooperation (JBIC), Asian Development Bank (ADB), World Bank - International Bank for Reconstruction and Development (WB-IBRD), and with foreign governments, like the Peoples Republic of China, used to finance the construction of irrigation facilities. The National Treasury releases the funds also through the DBM.

Fund 161 - This is a trust fund from the National Government specifically intended for the Mindanao Rural Development Project.

Fund 171- This represents grants from the World Bank which the National Government negotiated specifically for the Participatory Irrigation Development Project.

1.B.1 Allotments/Cash Allocations

For 2011, the National Government appropriated P12.791 billion, through the General Appropriations Act of 2011, for NIA which comprises of P7.754 billion for locally funded projects (Fund 101) and P5.037 billion for foreign assisted projects (Fund 102). Aside from GAA funds, an unprogrammed fund of P411.404 million and P2.434 billion from other sources was appropriated to NIA.

Of the total appropriation, the DBM released, through DA, an allotment aggregating P15.635 billion, of which P 7.753 billion was for Fund 101, P5.448 billion was for Fund 102 and P2.433 billion from other sources. Out of the total allotment, P11.086 billion

was obligated, of which P7.059 billion was incurred for Fund 101 and 4.027 billion for Fund 102.

During the year, NIA received from the National Government cash/funding support in the form of Notice of Cash Allocation (NCA) to cover the allotment released aggregating P15.596 billion broken down into P7.754 billion for locally-funded projects, P5.408 billion for foreign-assisted projects and P2.434 billion from other sources.

The NCA received by NIA Central Office are allocated and distributed to its regional offices in the form of Notices of Fund Transfer for payment of their operational expenses and progress billings.

1.C Projects and Operational Profile

A total of 43 irrigation projects are presently undertaken by the Agency. Of these projects, six are foreign-assisted, 43 are locally-funded, and three are inter-agency. These are listed as follows:

1.C.1 Foreign Assisted Projects

- a. JBIC - Help for Catubig Agricultural Advancement Project Northern Samar
- b. WB-IBRD - Participatory Irrigation Development Project Phase I
- c. China National Constructional and Agricultural Machinery Import and Export Corporation - Agno River Irrigation Project
- d. Malitubog-Maridagao Irrigation Project Stage II
- e. Irrigation Systems Operations Efficiency Improvement Project, Visayas and Mindanao
- f. National Irrigation Sector Rehabilitation and Improvement Project

Of the 11,055 hectares of agricultural land targeted for irrigation, the Agency had accomplished 9,597 hectares or 80.61 percent. The large percentage of accomplishment was due to ARIIP generation of 4,860 new irrigated area which was not targeted. Details are presented below:

Table 1 - Physical Accomplishment for Foreign-Assisted Projects

Service Areas	Target Area (in hectares)	Actual Area (in hectares)	Percentage of Accomplishment
Generation-New Area	1,960	5,876	299.79%
Restoration	9,095	3,721	40.91%
Total	11,055	9,597	86.81%

1.C.2 Locally-Funded Projects

1. Balog Balog Multi-Purpose Project, Tarlac – January 1999 to December 2011
2. Tangub Small reservoir Irrigation Project, Misamis Occidental 2005-2012

3. Masidem Small Reservoir Irrigation Project, Pangasinan 2007-2012
4. San Angel Small Reservoir Irrigation Project, Pangasinan 2008-2012
5. Habulangan Small Reservoir Irrigation Project, Northern Leyte 2005 to 2014
6. Kitcharao Small Reservoir Irrigation Project, Agusan del Norte
7. Asbang Small Reservoir Irrigation Project, Davao del Sur
8. Marimay Small Reservoir Irrigation Project, Apayao
9. Barotac Viejo Small Reservoir Irrigation Project
10. Barbar Small Reservoir Irrigation Project, Ilocos Sur
11. Pasa Small Reservoir Irrigation Project, Isabela
12. Sta. Rita Small Reservoir Irrigation Project
13. Mabini-Cayacay Small Reservoir Irrigation Project, Bohol
14. Ibato-Iraan Small Reservoir Irrigation Project, Palawan
15. Parpagoja Small Reservoir Irrigation Project, Romblon
16. Basey Irrigation Project, Western Samar
17. Balingasag Irrigation Project, Misamis Oriental
18. Talakag Irrigation Project, Bukidnon
19. Malaig River Irrigation Project, Lanao del Sur – 2008 to 2010
20. Libmanan-Cabusao Dam Project, Camarines Sur – 2008 to 2010
21. Sta. Josefa Pump Irrigation Project, Agusan del Sur – 2008 to 2010
22. Samar Island Irrigation Development Project
23. Maayon Irrigation Project, Capiz – 2010 to 2011
24. Modification of Malinao Dam, Bohol – 2010 to 2013
25. Catarman-Bobon Irrigation Project, Northern Samar – 2010 to 2011
26. Bugko Irrigation Project, Northern Samar – 2010 to 2011
27. Colocol Integrated Irrigation Project, Nueva Vizcaya
28. Baggao IS Improvement and Extension Project Taboan, Cagayan
29. Upper Tabuating Reservoir Irrigation Project, Nueva Ecija
30. Buayan-Tinagakan RIS Improvement Project, General Santos City
31. Simulao River Irrigation System Improvement and Extension Project, Agusan del Sur
32. Rehab of Angat-Maasin River Irrigation System, Bustos, Bulacan
33. Irrigated Rice Enhancement Project, Regions 8 and 10
34. Casecnan Irrigation Project, Phase II, Nueva Ecija, Bulacan and Pampanga
35. Rehabilitation of Maridagao RIS and Completion of Malitubog RIS (MMIP-I), Maguindanao and North Cotobato
36. Payment of R-O-W, Completion Works and Unpaid Claims of Completed Projects
37. Construction/Repair /Rehabilitation of New and Existing NIS/CIS, nationwide
38. Balikatan Sagip Patubig Program, nationwide
39. Repair/Establishment of Groundwater/Pump Irrigation Project
40. Feasibility Study and Detailed Engineering of Various Projects
41. Irrigation Management Transfer Support Services, nationwide
42. Repair, Operation and Maintenance of National Irrigation System-Pump Irrigation Systems
43. Small Irrigation Project, nationwide

Physical accomplishments for the locally funded projects under Fund 101 are presented in the following table.

Table 2 - Physical Accomplishment for Locally-Funded Projects

Service Areas	Target Area (in hectares)	Actual Area (in hectares)			Percentage of Accomplishment
		CY 2011	Carry-over Program	Total	
Generation-New Area	23,917	5,607	596	6,203	25.94%
Rehabilitated Area	99,090	30,520	15,531	46,051	46.47%
Restored Area	20,078	4,486	1,674	6,160	30.68%
Total	143,085	40,613	17,801	58,414	40.82%

1.C.3 Carry Over Projects – Foreign Assisted

1. ADB- Southern Philippines Irrigation Sector Project (SPISP)
2. Banaoang Pump Integrated Irrigation Project (BPIP)

The actual accomplishment for the carry over projects-foreign assisted, are as follows:

Table 3 - Physical Accomplishment for Carry Over Projects–Foreign Assisted

Service Areas	Accomplishment for the year Actual Area (in hectares)	Actual Area to Date (hectares)	Overall Project Status (%)
Generation-New Area	150	8,065	SPISP – 99.65% BPIP – 98.73%
Rehabilitated Area	-	5,993	
Total	150	14,058	

1.C.4 Carry Over Projects – Locally Funded

1. Addalam River Irrigation Project
2. Repair/Rehabilitation of Existing NIA Assisted Irrigation System funded under NDC 6

The actual accomplishment for the carry over projects-locally funded, are as follows:

Table 4 - Physical Accomplishment for Carry Over Projects–Locally Funded

Service Areas	Accomplishment for the year Actual Area (in hectares)	Actual Area to Date (hectares)	Overall Project Status (%)
Generation-New Area	582	5,200	RRENIAAIS (P6.0B) – 83.20% Addalam RIP 99.82%
Rehabilitated Area	34,092	132,275	
Restored Area	10,600	36,403	
Total	45,274	173,878	

1.C.5 Other Sources – RRENIAAIS (NDC 6)

Table 5 - Physical Accomplishment for Inter-Agency Projects

Service Areas	Accomplishment for the year Actual Area (in hectares)	Actual Area to Date (hectares)	Overall Project Status (%)
Rehabilitated Area	3,723	41,097	92.29%
Restored Area	3,014	8,255	
Total	6,737	49,352	

1.C.5 Inter-Agency Projects

There are government agencies whose project components covered not only civil works, environment, health, etc. but also irrigation. NIA implemented Department of Agrarian Reform Projects as follows:

1. Comprehensive Agrarian Reform Projects (CARP) - Irrigation Component II
2. Agrarian Reform Infrastructure Support Projects III
3. Agrarian Reform Communities Development Projects II (Carry Over Project)

As of December 31, 2011, the physical accomplishments are shown below.

Table 6 - Physical Accomplishment for Inter-Agency Projects

Service Areas	Target Area (in hectares)	Actual Area (in hectares)			Percentage of Accomplishment
		CY 2011	Carry-over Program	Total	
Generation-New Area	3,905	779	2,218	2,997	76.75%
Rehabilitated Area	3,590	1,087	523	1,610	44.84%
Total	7,495	1,866	2,741	4,607	61.47%

2. BASIS FOR REPORTING

The financial statements have been prepared in accordance with state accounting principles.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. The Agency has adopted the New Government Accounting System (NGAS) prescribed under COA Circular No. 2001-004 dated October 30, 2001. It subscribes and adopts the policies, methods and assumptions provided in this circular. It has re-classified its accounts to conform with the New Government Chart of Accounts.

- b. Modified Obligation System is used to record allotment received and obligation incurred. Separate registries are maintained to control allotment and obligation.
- c. Imprest Fund System is adopted for petty cash fund.
- d. Supplies and materials purchased are recorded as inventory using the perpetual inventory costing. Capital assets procured by the Agency are recorded using the asset method of accounting.
- e. The Construction Period Theory is applied in the costing of assets that are under construction. Related expenses incurred during the construction period are capitalized, while those incurred after the construction of the project form part of the operating cost.
- f. Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight line method at rates ranging from two percent to 10 percent. Major repairs are capitalized, while minor repairs are charged to operation as incurred.
- g. Payable accounts are recognized and recorded in the books of accounts only upon delivery of the goods/inventory/other assets and rendition of services to the Agency.
- h. Accrual method of accounting is adopted wherein income and expenses are recognized when earned or incurred regardless of when collected or paid.
- i. Transactions in foreign currencies are recorded in Philippine Peso based on the BSP rate of exchange prevailing at the date of transactions. At the end of the year, these are revalued using the rate of exchange at balance sheet date. Foreign currency denominated monetary assets and liabilities at balance sheet date are restated based on BSP exchange rate at that date.
- j. Errors in prior years are corrected by using the Prior Year's Adjustments account. Errors affecting current year's operation are charged to the relevant current year's accounts.

4. CASH

This account consists of:

Particulars	2011	2010
Cash – Collecting Officers	1,896,336	1,923,043
Petty Cash Fund	621,168	742,063
Payroll Fund	9,598,530	2,943,423
Cash in Bank – Local Currency, Current Account	5,820,824,048	3,145,966,299
Cash in Bank – Local Currency, Savings Account	14,374,998	44,624,998
Cash in Bank – Local Currency, Time Deposit	-	11,028,020
Cash in Bank – Foreign Currency, Savings Account	27,929,920	80,479,536
Cash in Bank – Foreign Currency, Time Deposit	639,278	383,861
Total Cash	5,875,884,278	3,288,091,243

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

Cash in Bank-Foreign Currency, Savings Account represents amount deposited with authorized government depository banks denominated in US dollars. These constitute monies from foreign lending banks for the implementation of irrigation projects.

5. RECEIVABLES

This account consists of:

Particulars	2011	2010
Accounts Receivable	161,578	245,108
Advances to Officers and Employees	15,184,926	12,674,838
Due from Officers and Employees	3,872,597	5,129,417
Loans Receivable – Others	1,580,223	1,730,223
Due from National Treasury	71,210	71,210
Due from National Government Agencies (NGAs)	51,714,569	65,819,544
Due from Government Owned and Controlled Corporations (GOCCs)	14,489,606	28,820,602
Due from Local Government Units (LGUs)	353,443,582	764,252,083
Due from Other Funds	110,162,301	84,546,871
Receivable - Disallowances/Charges	2,156,519	1,954,333
Other Receivables	4,083,110	3,922,691
Total Receivables	556,920,221	969,166,920

The account “Due from NGAs” represents the amount of advances extended to the Department of Environment and Natural Resources and the Department of Health as partners in the implementation of the irrigation component under Environment and Health per Loan Package for SPISP extended by ADB.

The account “Due from LGUs” represents advances made as a result of Memoranda of Agreement between NIA and LGUs to implement repair and rehabilitation of irrigation facilities subject to liquidation after implementation of the projects.

The account “Due from Other Funds” pertains to advances or borrowings from the general fund to the corporate fund with repayment condition as soon as funds are available.

6. INVENTORIES

This account consists of:

Particulars	2011	2010
Office Supplies Inventory	840,855	676,000
Accountable Forms Inventory	5,000	5,000
Gasoline, Oil and Lubricants Inventory	4,319,168	2,002,605
Other Supplies Inventory	29,715	29,715
Spare Parts Inventory	678,075	184,645
Construction Materials Inventory	30,497	102,272
Total Inventories	5,903,310	3,000,237

7. PREPAYMENTS

This account includes:

Particulars	2011	2010
Advances to Contractors	876,427,357	1,049,432,394
Guarantee Deposits	392,093	205,064
Deferred Charges	123,848	2,395,928
Other Prepaid Expenses	3,309,881	3,283,457
Total Prepayments	880,253,179	1,055,316,843

8. PROPERTY, PLANT AND EQUIPMENT

This account consists of:

Particulars	2011	2010
Land and Land Improvements	17,688,496,347	19,035,880,467
Other Structures	2,826,779	2,248,000
Machineries and Equipment	157,158,618	208,995,763
Fire Fighting Equipment and Accessories	2,686,938	2,600,398
Military and Police Equipment	981,393	604,346
Library Books	501,458	500,478
Other Machineries and Equipment	177,266,595	179,201,306
Other Property, Plant and Equipment	34,241,294	31,876,544
	18,064,159,422	19,461,907,302
Agricultural, Fishery and Forestry Equipment	521,228,674	521,228,674
Communication Equipment	9,539,532	8,730,613
Construction Equipment	56,620,919	78,867,046

Particulars	2011	2010
Office Equipment, Furniture and Fixtures	125,744,711	116,012,239
IT Equipment and Software	52,982,423	50,288,505
Office Building	148,367,474	163,773,581
Medical, Dental and Laboratory Equipment	25,290	14,250
Technical and Scientific Equipment	24,083,469	30,529,802
Transportation Equipment	35,137,937	36,805,135
	973,730,429	1,006,249,845
Less: Accumulated Depreciation	108,673,250	107,014,277
	865,057,179	899,235,568
Construction in Progress		
Irrigation Canals and Laterals	61,514,001,455	53,109,943,709
Agency Account	39,180,007	39,279,801
Artesian Wells, Reservoir	7,427,873	7,427,873
Other Public Infrastructures	2,095,845	2,095,845
	61,562,705,180	53,158,747,228
	80,491,921,781	73,519,890,098
Net Property, Plant and Equipment	80,491,921,781	73,519,890,098

Land and Land Improvements refer to the cost of completed irrigation projects such as canals, laterals, dams, and other irrigation facilities funded by foreign borrowings and by the National Government.

Machineries and Equipment and Construction Equipment are assets used by the Agency in the construction, rehabilitation, repair and restoration of irrigation facilities. These equipment were originally part of the loan package and used in the implementation of projects; however, they were turned over to the Agency after completion of the projects to be utilized for repair and maintenance of the irrigation facilities.

Agricultural, Fishery and Forestry Equipment pertains to the cost of equipment, such as water pumps and other irrigation equipment, utilized in the implementation of the Tarlac Groundwater Irrigation System Reactivation Project, which was temporarily booked up under this account.

Construction in Progress pertains to the cost of ongoing irrigation projects, such as irrigation canals and laterals, artesian wells and reservoirs, and other public infrastructures funded by foreign borrowings and by the National Government. This account is composed of the direct labor, direct materials, overhead, land, project contracts cost, equipment and consultancy cost in the implementation of various projects. Various completed projects were still included in this account balance pending the completion of the documentary requirements for the transfer of the cost of CIP to the proper PPE accounts.

9. PAYABLES

This account consists of:

Particulars	2011	2010
Accounts Payable	3,747,557,899	3,323,217,052
Due to Officers and Employees	8,676,552	18,678,751
Total Payables	3,756,234,451	3,341,895,803

Accounts Payable pertains mostly to claims of creditors, who are either foreign or local contractor, on their project accomplishments, and of suppliers for the delivery of goods.

Due to Officers and Employees are substantially claims for salaries and other benefits that are outstanding as of December 31, 2011.

10. INTER-AGENCY PAYABLES

This account includes:

Particulars	2011	2010
Due to Bureau of Internal Revenue	119,766,093	174,435,515
Due to GOCCs	9,255,348	12,642,008
Due to Government Service Insurance System	7,093,807	7,249,802
Due to NGAs	258,409,227	174,789,401
Due to LGUs	19,051,207	6,227,942
Due to Pag-IBIG Fund	1,603,342	1,490,591
Due to PHILHEALTH	1,757,635	1,744,813
Due to National Treasury	14,354,743	9,570,320
Total Inter-Agency Payables	431,291,402	388,150,392

11. INTRA-AGENCY PAYABLES

This pertains to funds received for the account of other funds, like corporate and special funds of the Agency. Borrowings among funds are resorted to with repayment conditions as soon as funds are available.

12. OTHER LIABILITIES

This account consists of:

Particulars	2011	2010
Guaranty Deposits Payable	341,114,134	290,320,061
Performance/Bidders/Bail Bond Payable	1,931,067	2,534,898
Other Payables	166,616,395	182,433,495
Total Other Liabilities	509,661,596	475,288,454

Other Payables pertain to the accrual of terminal leaves of project personnel, equity of LGUs, Irrigators Associations and NIA Employees' Union contributions, retention fees on contracts covering other projects/regional offices, and other payables not properly identified in other liability accounts.

13. GOVERNMENT EQUITY

This pertains to the equity or capital invested by the National Government for various irrigation systems/projects implemented and maintained by the Agency. Under the NGAS, the balance of retained operating surplus, which represents the excess of income over expenses, is closed to this account. In addition, this account is also being used to transfer/close Public Infrastructure Account.

14. CORRECTION OF PRIOR PERIOD ERRORS

This account represents adjustments in the field books of accounts, as follows:

Particulars	2011	2010
Adjustment of:		
Cash in Bank	344,583	61,598
Due to GSIS	5,731	7,254
Due to Pag-IBIG	-	9,716
Due to Philhealth	450	10,600
Due to BIR	167,835	4,683,143
Funding Check	-	3,819,790
NTA received	-	(906,556)
Other Payables	-	(2,011)
Other Receivables	-	326
TRA	(4,573,793)	(36,478)
BTr Remittance	33,199,464	10,539,324
Due to CO	(1,690,000)	-
Registry of Infra	(13,997)	-
Overstatement of Disbursement	(87,431)	1,400
Overstatement of liquidation of contractor	93,651,186	-
Liquidation of Non cash transactions	(8,087,033)	-
Cash Support	(1,281,542)	-
Bank Charges	4,940	(15,739)
Cancellation of Collection of Bills	-	(2,516)

Particulars	2011	2010
Cancellation of Stale Check	-	9,320
Disallowance	58,967	441,047
Fund Transfer	(952,014)	(871,908)
Gain/Loss Foreign Exchange Conversion	1,125,398	(6,781,754)
Interest Income	(16,151)	(292,919)
Loss of Assets	(1,178,533)	(15,599)
Payment of Corporate Advances	-	(5,000,000)
PPE Adjustments	453,554	(5,346,047)
Receipt of NCA's	(464,750)	5,351,542
Refund of Excess Cash Advance	(2,337)	(82,671)
Sale of Unserviceable Asset	-	(131,497)
Unrecorded Depreciation Expense	-	(4,896,324)
Unrecorded TRA	(6,186,336)	3,991,952
Total Correction of Prior Period Errors	104,478,191	4,544,993

15. SUBSIDY INCOME FROM NATIONAL GOVERNMENT

This pertains to funds released by the National Government, through the DBM, purposely for the construction, repairs and rehabilitation of irrigation facilities, which comprises cash under the Modified Disbursement Scheme and non-cash representing Tax Remittance Advice.

16. EXPENSES

This account consists of:

Particulars	2011	2010
Terminal Leave Benefits	1,014,561	-
Incentive	1,117,703	-
Repairs & Maintenance – Pumping Stations and Conduits	3,326,099	-
Electricity Expense	56,345,305	39,100,850
Depreciation-Land Improvements	-	43,022,734
Depreciation-Office Equipment	274,477	107,512
Depreciation-Furniture and Fixtures	100,399	41,354
Depreciation-IT Equipment and Software	951,983	273,832
Depreciation-Communication Equipment	14,271	9,788
Depreciation-Construction and Heavy Equipment	-	189,662
Depreciation-Military and Office Equipment	7,383	2,070
Depreciation-Technical and Scientific Equipment	41,436	60,107
Depreciation-Other Machinery and Equipment	215,129	35,776
Depreciation-Motor Vehicles	53,085	42,777
Depreciation-Other Transportation Equipment	-	171
Depreciation-Agricultural, Fishery & Forest Equipment	810	-
Total	63,462,641	82,886,633

NATIONAL IRRIGATION ADMINISTRATION

A. COMMENTS AND OBSERVATIONS

A.1 Introduction

This Part covers the Comments and Observations resulting from the audit of General Fund. This Fund includes:

Fund 101	Locally-Funded Projects
Fund 102	Foreign-Assisted Projects (loan, grants and government portion)
Fund 161	Trust fund from the National Government for the Mindanao Rural Development Project
Fund 171	Grants from the World Bank for the Participatory Irrigation Development Project

During the current audit, it was observed that prior years' issues were still prevalent and our recommendations were under-implemented. Since prior years' balances which were in question formed part of the balances as of December 31, 2011, we reiterated our prior years' comments and observations, together with our audit recommendations and integrated them in this report, where necessary.

Consolidated Audit Report on the audit of NIA Region 8 and its two IMO's was not received, hence not included in this Report.

A.2 Financial and Compliance

- 1. The existence, valuation and accuracy of the year-end balance of Property, Plant and Equipment (PPE) accounts stated at P80,491.922 million representing 91.64 percent of total assets, were not established due to incomplete subsidiary ledgers, incomplete inventory taking, non-provision of depreciation and inclusion of unserviceable assets.**

1.1 For the audit observations below, we were guided by the following laws, rules and regulations:

- a. Section 111 of PD 1445 which provide that:

“The accounts of an agency shall be kept in such detail as necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of government”.

- b. Section 112 of PD 1445 which provides that:

“Each government agency shall record its financial transactions and operations in conformity with generally accepted accounting principles and in accordance with pertinent laws and regulations.”

- c. COA Circular No. 80-124 dated January 18, 1980, which states that physical inventory of fixed assets, shall be made at least once a year as of December 31.
- d. Section 66 of the NGAS Manual, Volume II, requiring the preparation of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE).
- e. NIA Memorandum Circular No. 70 s. 2003 authorizing the NIA Inventory Committee to undertake a physical inventory of all NIA property to be grouped according to fund, project, and classification and to prepare the annual Inventory Report as of December 31, 2003 and every year thereafter.
- f. COA Circular No. 2003-007 issued on December 11, 2003 requiring the adoption of the straight line method of computing depreciation for government property, plant and equipment.
- g. Section 79 of PD 1445 which states that *“When government property has become unserviceable for any cause, or is no longer needed, it shall upon application of the officer accountable therefor, be inspected by the head of the agency or representative, and in the presence of the auditor and if found valueless or unsalable, it may be destroyed in their presence, if found valuable, it may be sold at public auction.”*
- h. Section 143, Manual on NGAS, Volume III, which states that other assets account is used to record the value of the obsolete and unserviceable assets awaiting final disposition as well as those assets still serviceable but are no longer being used.

- 1.2 As was observed in the last 14 years, audit of PPE accounts during the year disclosed inadequacy of agency’s records and reports to support the PPE account balances, as discussed below:

- a. Subsidiary ledgers or PPE ledger cards were not maintained to support the general ledger balances of PPE accounts totaling **P42,442,426,992** (*Annex 1, Table 1-a*). Schedules showing details of the Land and Land Improvements accounts as to location, area, cost of each project - dams, irrigation canals, dates acquired/completed and the fund source were not prepared to support the GL balances. In some Regions, variances between the accounting records and property records were reported in the amount of **P5,257,446,498** (*Annex 1, Table 1-b*).
- b. Physical inventory of property was not completely conducted, and the required Inventory Report was not submitted, to determine existence and

condition of PPE costing **P3,380,045,379** (*Annex 1, Table 1-c*). In Offices where inventory reports were submitted, discrepancy amounting to **P4,387,373,893** (*Annex 1, Table 1-d*) was noted between accounting records and physical inventory reports due to: exclusion of Land Improvements - Irrigation and Canals in the physical count of PPE and non-transfer of cost of equipment purchased from CIP to proper PPE accounts, thus property records and physical inventory reports for equipment, furniture and equipment showed bigger balances than the balance per books. Reconciliation between the two records could not be made due to inadequate accounting/property records.

- c. Depreciation was not provided on depreciable assets in most regions, as there were no PPE ledger cards which contain data to be used in the computation.
 - d. Unserviceable assets costing **P9,785,868**, (*Annex 1, Table 1-e*) were not disposed immediately contrary to Section 79 of PD 1445. The inclusion of unserviceable assets in the PPE account overstated the account and was inconsistent with *Section 143, Manual on NGAS, Volume III*.
- 1.3 In summary, the existence, valuation and accuracy of the year-end balance of Property, Plant and Equipment (PPE) accounts stated at P80,491,921,781 representing 91.64 percent of total assets, were not established due to incomplete subsidiary ledgers, incomplete inventory taking, non-provision of depreciation and inclusion of unserviceable assets.
- 1.4 The above deficiencies precluded us from applying alternative audit procedures to ascertain the existence, valuation and accuracy of the balance of PPE accounts.
- 1.5 ***We reiterated our prior years' recommendations that Management:***
- a. Strictly comply with the above-cited law, rules and regulations;***
 - b. Maintain updated subsidiary ledgers, property ledger cards, stock cards and other subsidiary records; and reconcile accounting and property records periodically;***
 - c. Conduct complete physical inventory of all property and reconcile results with accounting records; regularly reconcile accounting and property records of the Field Offices with the Regional Office, or the Regional Offices with the Central Office, and record any adjustments in the books;***
 - d. Provide depreciation on all depreciable assets; and***
 - e. Take appropriate action to immediately dispose of unserviceable assets.***
- 1.6 Management acknowledged that these had been their perennial problem, and they agreed to act on these recommendations. Partial compliance was done in the following regions/projects:

<u>Project/Region</u>	<u>Action taken</u>
	<u>Maintenance and reconciliation of accounting records</u>
NIA ROs 1, 10, 11,13, CAR and NIA UPRIS	Subsidiary ledgers for regional and field offices were already maintained for 2009 up to current transactions. The maintenance of PPE ledger cards had already been started. Reconciliations of property and accounting records were in process.
NIA RO 12	Accounting clerks in regional and field offices were directed to conduct regular reconciliation of records in order to account for all turned over completed projects with complete subsidiary ledgers and CIP ledger cards.
	<u>Inventory Taking</u>
NIA RO 10	Management had created an inventory committee to conduct physical inventory in the regional and field offices.
NIA RO 12 NIA Central Office	Physical inventory count was actually conducted, but reports were not yet submitted. The Finance Division said that coordination with the Engineering and Operations Department was ongoing to prepare master list of capitalized assets such as Land Improvement - Irrigation Canals and Laterals nationwide to support the recorded amounts in the books. Identification of equipment and machineries transferred to NIA Central Office but recorded in Regional or Project books and vice-versa are also ongoing.

1.7 Management further offered the following comments:

<u>Project/Region</u>	<u>Action taken</u>
	<u>Provision of Depreciation</u>
NIA RO CAR	Provision of depreciation to capitalized assets was held in abeyance pending resolution from NIA Central Office on how to provide depreciation.

2. **The accuracy of the year-end balance of Construction-in-Progress (CIP) account amounting to P61,562.705 million could not be ascertained due to non-maintenance of subsidiary records for CIP. Moreover, costs of completed projects were not transferred to proper Property and Equipment accounts.**

2.1 Our audit was guided by the following:

- a. Section 41 of the NGAS Manual, Volume I, which prescribes the accounting treatment of ongoing and completed projects, as quoted hereunder:

“During construction period, property, plant and equipment shall be classified and recorded as “Construction in Progress” with the

appropriate asset classification. As soon as these are completed, the "Construction in Progress" account shall be transferred to the appropriate asset accounts."

"Accounts Public Infrastructure is closed to Government Equity account and the asset is recorded in the Registry of Public Infrastructure."

- b. NIA Memorandum Circular Nos. 43 and 44 s. 2007 dated July 20, 2007, which requires the NIA office to close/transfer to the Registry of Public Infrastructure all completed infrastructure projects;
- c. NIA Memorandum Circular No. 44-2007 dated July 20, 2007, which requires the implementation of the proper closing of CIP account to the appropriate asset accounts.
- d. Paragraph 50 of the Philippine Accounting Standards (PAS) 16, which provides that the depreciable amount of an asset shall be allocated on a systematic basis over the useful life;
- e. COA Circular No. 2003-007 dated December 11, 2003 and amended by COA Circular No. 2004-005 dated August 9, 2004, which provides policies and guidelines on the computation of depreciation of government property, plant and equipment for allocating the same over their useful lives and fair presentation of the financial statements; and

2.2 In spite of the issuance of the above-mentioned circulars and the existence of rules and regulations, the transfer of completed projects from the CIP accounts to the appropriate asset accounts, which had been observed for the last six years, was not yet fully implemented. Deficiencies were still noted as follows:

- a. The CIP account balance as of December 31, 2011 of **P27,236,612,162** (*Annex 1, Table 1-f*) included cost of completed projects which should have been reclassified to the appropriate asset accounts or transferred to the Registry of Public Infrastructure. In some of the NIA Regional Offices, Management failed to transfer the cost of completed projects totaling **P57,175,106** (*Annex 1, Table 1-g*) and **P12,491,069,408** (*Annex 1, Table 1-h*) for Fund 101 and completed foreign assisted projects (Fund 102) recorded in NIA Central Office books, respectively, to Public Infrastructure-Government Equity or PPE accounts.
- b. Out of the CIP balance described in (a), P4,477,421,082 of the recorded CIP-Fund 101 in NIA Central Office books were the cost of management fee and engineering and administrative expense charged to projects that were already completed years ago. Included in this amount were the NIA Central Office's management fee and general engineering and administrative expense charged for the repair, restoration and rehabilitation of existing irrigation systems which accumulated for years in the amount of P1,184,842,387. Considering that these projects were short term, usually completed within the year, the amounts should have been allocated/charged to the specific irrigation projects CIP account during

construction and transferred to the Public Infrastructure – Government Equity or capitalized when the projects were completed.

- c. The CIP Fund 101 Central Office recorded an accumulated amount of P368,679,168 for Small River Irrigation Projects which included completed projects, however due to the absence of details as to what projects comprises the amount, analysis and identification of completed projects for capitalization could not be made by the Accounting Division.
- 2.3 According to the Finance Division-Region, recording of the transfer of completed project CIP account to proper asset accounts will only be made upon submission of the turnover documents. Since no one was held responsible/liable for the timely submission of necessary documents to take up transfer of completed projects to proper PPE account, this resulted in accumulation of amount and difficulty in identifying the cost to be used in recording the projects that were completed several years ago.
 - 2.4 Furthermore, the non-maintenance by the Accounting Division of project's subsidiary records added to the difficulty in verifying the cost of the completed projects to be capitalized. As a result, when these projects were completed, the required reclassification to the proper asset accounts could not be done.
 - 2.5 Since completed projects were not reclassified to the proper asset accounts, depreciation charges for the equipment purchased that were charged to the CIP account were also not provided as required by Paragraph 50 of PAS 16 and COA Circular Nos. 2003-007 and 2004-005. The non-recording of depreciation expenses contravened the principle of proper matching of income and expenses and rendered the PPE account over-valued.
 - 2.6 In summary, due to incomplete subsidiary ledgers for CIP and non-transfer of completed projects from CIP account to proper PPE accounts, the accuracy of the balance of CIP account as of December 31, 2011 stated at P61,562,705,180.07 was not established.
 - 2.7 ***We reiterated our prior years' recommendations that Management:***
 - a. ***Transfer the cost of completed projects to the proper asset accounts or Public Infrastructure-Government Equity account in compliance with government accounting rules and regulations, accounting standards and NIA Memorandum Circulars;***
 - b. ***Prepare/Maintain and regularly update subsidiary ledgers and project cost sheets for each project for monitoring the cost during the construction period;***
 - c. ***Exert extra efforts to compile turnover documents, inventory of project assets, project completion reports, as well as all other supporting documents pertaining to completed projects, like reports of the Engineering Department or of those who conducted the inventory of completed projects; and***

- d. **Allocate/Transfer the management fee and general engineering and administrative expenses entered in the CIP-Central Office account to the corresponding regional office's completed projects or CIP where they were recorded.**

2.8 Hereunder are the Management comments:

Office	Comments
NIA Central Office	The Finance Department had already instructed the Accounting Division to coordinate with the Engineering Department, Operations Department and Property Section to expedite the transfer of the CIP recorded in the Central Office Books to Regional books of accounts as capitalized asset.
Regions	
NIA RO CAR	Coordination with the Engineering and Operations Division for the completion of documents necessary for the transfer of completed projects to PPE has been ongoing.
NIA RO 1	The preparation of subsidiary ledgers and computation of depreciation have been ongoing pending submission by the field office of the report on the annual physical inventory.

2.9 As Auditor's Rejoinder, we believed that the keeping of accounts should be given importance by the Management because its failure to maintain complete accounting records to provide information concerning the operations and utilization of government funds was tantamount to inability of the Management to account for the government property and funds entrusted to the Agency. These acts are subject to administrative and disciplinary action as stated in Section 127 and 128 of PD 1445 which state that: *"Any violation of the provisions of Section 67, 68, 89,106 and 108 of this Code or any regulation issued by the Commission implementing these sections, shall be punished a fine not exceeding one thousand pesos or by imprisonment not exceeding six (6) months, or both such fine and imprisonment in the discretion of the court.*

- 3. **The accuracy and validity of the year-end balance of Cash-in-Bank accounts stated at P5,875.884 million were not established due to: a) unreconciled discrepancy of P124.524 million between book and bank balances; b) non-maintenance of subsidiary ledger for each bank account; c) existence of abnormal sub-account balances totaling P2.830 million; and d) non-translation of foreign currency bank accounts to the agency's reporting currency at BSP closing rate.**

3.1 Our audit of Cash-in-Bank account disclosed deficiencies as discussed below.

- a. Bank reconciliation statements (BRS) were not regularly and promptly prepared for Cash-in-Bank accounts totaling **P1,246,311,760** (*Annex 2, Table 2-a*). Confirmation with depository banks revealed that the recorded cash balance was bigger than the balance confirmed by the banks by an aggregate amount of **P124,523,671** (*Annex 2, Table 2-b*).

- b. Subsidiary ledgers (SLs)/records were not maintained/updated for Cash in Bank with balances of **P554,171,457** (*Annex 2, Table 2-c*).
 - c. Non-reconciliation, likewise, led to abnormal balances of Cash on Hand and Cash-in-Bank in the amount of **P2,830,150** (*Annex 2, Table 2-d*).
 - d. Some NIA Regional and Provincial offices that were provided with bank statements, still could not prepare bank reconciliation statements due to lack of documents, such as debit and credit advices, validated bank deposit slips and paid checks returned by the bank, all of which were necessary in identifying the reconciling items to account for the variances between book and bank balances.
- 3.2 The above-noted deficiencies violated Section 74 of PD 1445, *which requires the head of the agency to see to it that monthly reconciliation is made between the balance shown in the bank statement and the balance found in the books of the agency and General Accounting Circular No. 50, which requires an accountable officer to reconcile his/her cash in bank register/cashbook with the accounting records every end of the month*. The same was also indicative of poor internal control in the handling of cash.
- 3.3 Moreover, Bank Reconciliation Statement as of December 31, 2011 still included reconciling items representing unrecorded withdrawals and unrecorded credits in the total amount of US\$160,516.11. These items were dated 2004 to 2007. Also, material variance of P13,100,764.66 was noted in the recorded GL peso balance of the LBP SA of P20,052,682.88 against the equivalent amount in peso of the recorded SL balance of US\$160,559.80 at P43.298 which is P6,951,918.22
- 3.4 Furthermore, as was observed in 2010, Cash in Bank - Foreign Currency Savings Account (FCSA) with book balance of US\$167,650.46 respectively, as of December 31, 2011 were not translated to the reporting currency of the agency using Bangko Sentral ng Pilipinas (BSP) closing rate as of the same date, which is not in consonance with PAS 21 - The Effect of Changes in Foreign Exchange Rates, Paragraphs IN13 and 21.
- 3.5 The presence of (a) long-outstanding reconciling items captioned as "unrecorded bank debits and credits", the presence of variance between the amounts presented in the SL and GL, and the variance noted from between books and the confirmed balance rendered the balance of the cash in bank foreign currency account unreliable.
- 3.6 In summary, the unreconciled discrepancy of P124.524 million between book and bank balances; b) non-maintenance of subsidiary ledger for each bank account; c) existence of abnormal sub-account balances totaling P2.830 million; and d) non-translation of foreign currency bank accounts to the agency's reporting currency at BSP closing rate rendered the balance of Cash-in-Bank posted at P5,875.884 million as of December 31, 2011, doubtful of validity and accuracy.

- 3.7 **We reiterated our prior years' recommendations that Management:**
- a. **Strictly adhere to Section 74 of PD 1445 and prepare Monthly Bank Reconciliation Statements for all bank accounts promptly;**
 - b. **Coordinate with servicing depository banks for the timely release of bank statements and other supporting documents covering bank transactions;**
 - c. **Maintain and update subsidiary ledgers, and reconcile the total of their balances with the balance of the controlling account;**
 - d. **Reconcile the variance noted in the results of bank confirmations, and immediately adjust the books;**
 - e. **Investigate and account for the foreign currency fund transferred to the Corporate Fund; and**
 - f. **Adhere to PAS No. 21 - Paragraphs IN13 and 21 by translating bank accounts denominated in foreign currencies to the reporting currency using the BSP-prescribed closing rates as of balance sheet date; and exert extra efforts to secure the supporting documents for the long outstanding reconciling items; and analyze the account to reconcile the peso balance per GL with the equivalent peso value of the US\$ amount recorded in SL.**
- 3.8 Management agreed with our recommendations and compliance was reported in some regions/projects, as stated below.

Office	Action taken
NIA Central Office	<p>Management commented that they had submitted the BRS of the bank accounts except for one account maintained in PNB and one account in PVB which are still in the process of reconciliation.</p> <p>For foreign currency bank accounts - Letter was sent to LBP requesting copies of debit memos to support unrecorded withdrawals but the bank advised NIA that records were no longer available in their branch since they have forwarded the said documents to the LBP storage. Verification is ongoing on the material variance noted between the SL converted amount and GL amount.</p>
NIA ROCAR, NIA RO1, NIA RO 2, NIA RO 4, NIA RO 5, NIA RO 12 and NIA RO 13	Concerned accountants in both the regional and field offices have been updating the bank reconciliation statements. Subsidiary records were also maintained.
NIA MARIIS	The unreconciled amount of P1,466,456 referred to PNB balance in Fund 101 book. This bank account had long been closed. Reconciliation of this account was no longer possible due to some

Office	Action taken
	missing documents which could not be retrieved even after requesting from the bank. The Management has been preparing a request for write off of this account since there was no movement for more than five years. For other bank accounts, the bank reconciliations were already updated.

4. **Balances of Cash-in-Bank accounts for completed foreign-assisted projects in the total amount of P12.019 million were transferred to NIA Corporate Operating Budget (Fund 501) Bank Accounts and were not returned to the Bureau of the Treasury, contrary to Section 37 of PD1177, Section 4(3) of PD 1445 and Paragraph 6.7 of COA Circular 94-013.**

4.1 Our audit was guided by the following laws, rules and regulations:

- a. Section 37 of PD No. 1177 which expressly provides that *“All moneys appropriated for functions activities, projects and programs shall be available solely for the specific purposes for which these are appropriated.”*
- b. Section 4(3) of PD 1445 which provides that *“Trust funds shall be available and may be spent only for the specific purpose for which the trust was created or the funds received.”*
- c. Paragraph 6.7 of COA Circular No. 94-013 dated December 13, 1994 which states that *“The implementing Agency should return to the source agency any unused balance and refund of disallowance upon completion of the project.”*

4.2 The schedule of the balance of the Cash-in-Bank under Fund 102 as of December 31, 2011 showed cash balances of completed foreign-assisted projects deposited in bank accounts maintained for NIA Corporate Fund (501) CA No. 1872-1020-40 and CA No. 1872-1005-94 in the amount of P11,507,580.33 and P511,878.81, respectively, or a total of P12,019,459.14. The transfers were not recorded in both Fund 102 and Fund 501 books of accounts. These amounts were included as reconciling items in the Bank Reconciliation Statements prepared for Fund 501 bank accounts. Since the amounts were mingled with the Corporate Fund, interest income corresponding to the amounts was likewise treated as interest income of NIA.

4.3 Transferring of the unexpended balance of the trust fund was a gross violation of the afore-cited laws, rules and regulations, with penal sanctions. Despite the previous year’s recommendation, Management still did not remit the amount to the Bureau of Treasury.

4.4 ***We reiterated our prior year’s commendation that Management immediately refund the unexpended cash balance of the trust fund with the corresponding interest by returning the same to the Bureau of the Treasury.***

4.5 Management explained that the transfer of cash from bank accounts maintained for foreign assisted project to bank accounts under Corporate Fund were done to

reimburse the Corporate Fund that advanced the payment of project expenses, however, recording were not completely and accurately made resulting to unexplained fund transfers. Verification has been on-going.

5. **Funds from Cash-in-Bank – Modified Disbursement Scheme (MDS) in NIA Regional Offices were transferred to Cash-in-Bank Local Currency, Current Account of NIA Field Offices and Regional Office and to other funds, contrary to Section 74 of General Appropriation Act for FY 2011 (RA 10147), Section 3.6 of DBM Budget Circular No. 523, Section 3.1.3 of DBM Circular Letter 2008-11 and Section 3.1 of National Budget Circular 488.**

5.1 For this audit observation, we were guided by the following laws, rules and regulations:

- a. Section 74 of General Appropriations Act for FY 2011, Republic Act No. 10147 which provides that all appropriated funds shall be disbursed only through the National Treasury and/or authorized servicing banks under the Modified Disbursement Scheme (MDS).
- b. Section 3.6 of DBM National Budget Circular No. 523 dated February 16, 2010 which provides that Notice of Cash Allocation (NCA) requirements of agencies authorized to be credited to their regular MDS Accounts shall be comprehensively released based on their Monthly Cash Program (MCP) pursuant to guidelines provided under DBM Circular Letter No. 2008-11, and that to maximize the available NCAs of the agency, the Common Fund Policy shall continue to be used.
- c. Section 3.1.3 of DBM Circular Letter 2008-11 dated December 8, 2008 which provides that all NCAs programmed and credited for the month whether part of the comprehensive release or constituting the additional NCA releases, shall be valid only until the **last working day of the said month**; and that any unutilized NCA corresponding to the book balance (i.e. net of outstanding checks) shall automatically lapse at the end of the month.
- d. Section 3.1 of NBC No. 488 dated May 22, 2003 which states that effective immediately, the practice of transferring cash support through funding check under the Letter Advice Authority shall be discontinued; and that as a result, the government agencies with cash balances arising from funding checks received from other agencies/offices within the same department/agency are hereby advised to immediately remit said cash balances to the National Treasury on or before June 30, 2003.

5.2 MDS Accounts are bank accounts maintained by the Government Servicing Banks where the MDS checks issued by government agencies are charged against the account of the Treasurer of the Philippines. These are covered by Notice of Cash Allocation issued by the Department of Budget and Management to Government Agencies authorizing them to withdraw cash from the National Treasury through the issuance of MDS checks. On the other hand, ordinary bank accounts such as local currency accounts are bank accounts maintained for the account of the

agency. The checks issued here were commercial checks chargeable against the cash balance of the bank accounts.

- 5.3 It was the practice of the NIA Regional Offices to transfer funds from Cash-in-Bank MDS (Account 108) to NIA Provincial Offices Cash in Bank- Local Currency Current Account (CIB-LCCA Account No. 111) maintained by the latter to cover cost of the implementation of the projects. NIA Field Offices were the ones directly in charge of implementing the projects, thus payments of infrastructure contracts, hired labor and other administrative expenses were done by the Provincial Offices thru the issuance of checks drawn from the LBP current account.
- 5.4 The above practice contradicted various laws and regulations which require that payments for the implementation of the projects should be drawn from MDS accounts and any unexpended balance be automatically reverted to the Bureau of the Treasury upon the expiration of the NCA.
- 5.5 Also, during the year, NIA Regional Office No. 7 transferred General Fund to other funds such as: Corporate Fund (F 501), Special Fund (F 158) and Foreign-assisted Project Funds (F 102) in the total amount of P3,665,366 *contrary to Section 37 of PD 1177 and Section 4 of PD 1445 which require that funds may be spent only for the specific purpose for which these are appropriated or created.*
- 5.6 ***We reiterated our prior year's recommendation that Management strictly comply with the aforementioned laws, rules and regulations pertaining to the Modified Disbursement Scheme (MDS) and immediately return to the Bureau of the Treasury the unencumbered cash balance.***
- 5.7 Management asserted that funds transferred to the field offices Provincial Irrigation Office (PIO) were allowed per NIA MC No. 55 s 2006. Management contended that such fund transfers were the projected cash requirements of the field offices which were part of the POW/budget cost of the projects. The major implementor of the project was the PIO, thus, majority of the disbursements were paid by checks drawn from the LCCA of the field offices and it would be burdensome if payments would be made in the Regional Office because the location of the field offices are far from the Regional Offices. They further commented that Notice of Transfer of Allocation (NTA) should have been made up to PIO level; however, due to incomplete sets of books maintained by the PIO, NTA was not allowed.
- 5.8 As a rejoinder, transferring of MDS fund to LCCA is not in consonance with the aforementioned laws, rules and regulations and the difficulty of obtaining subsequent re-release and the burdensome payment in the Regional Office is not an acceptable reason to deviate from the laws, rules and regulations. Moreover, the increasing unutilized cash balance of LCCA from P2.69 billion in 2010 to P5.18 billion in 2011 indicated that the transfers were not done just to allocate fund requirements of the PIO for the month, but instead was made to avoid lapsing of the unutilized allocation of the MDS. The presence of huge amount of unutilized cash defeats the intended purpose of the budget circular which is to strengthen cash programming of the government agencies to ensure the optimize utilization of the funds available. The huge amount of the unutilized cash was also an indication

that the targeted financial and physical accomplishments of the projects which NIA have requested for funding were not accomplished.

- 5.9 **We however further recommended and Management agreed to carefully plan their Monthly Cash Program (MCP) in order to request fund release as needed and to minimize lapsing of the unutilized funds.**
 - 5.10 Management explained that the unutilized fund accumulated due to delay in the implementation of the project especially during the design/planning, procurement process and the construction. Cash were requested and released based on the Program of Work targeted, however, due to some problems encountered, these cash were not utilized as programmed due to delay in procurement process. They averred that the P5.18 billion cash was supported with Program of Work of various irrigations projects which were being implemented nationwide.
 - 5.11 Management further informed us that the Department of Agriculture had instructed them to be pro-active in the procurement, they will start the procurement process by July for the projects to be implemented next year. So by January, after the approval of the appropriation, they are ready to award the contracts.
 - 5.12 Management also said that the available cash will be utilized because the DBM had not released cash allocation for the 2nd semester.
6. **The accuracy and validity of Payables in the amount of P2,644.191 million were doubtful due to lack of necessary documents to support the claims and existence of abnormal balance of Inter-Agency Payable amounting to P1.577 million.**
- 6.1 For the past **seven years**, Management failed to comply with the following laws, government accounting rules and regulations pertaining to accounts payable:
 - a. Section 4(6) of PD 1445 which provides that claims against government funds shall be supported with complete documentation;
 - b. Section 157 of GAAM, Volume 1 which states that unless the obligation is funded on a valid claim that is properly supported by sufficient evidence, the obligation shall not be certified to accounts payable, and any certification thereon shall be considered void;
 - c. DBM-COA Joint Circular No. 99-06 dated November 31, 1999 which requires the reversion of all (a) documented APs outstanding for more than two years except ongoing capital outlay projects; (b) undocumented APs, regardless of the year they were incurred;
 - d. DBM Circular Letter Nos. 2004-3 and 2004-2, which treats accounts payable as valid obligations for which goods/services/ projects have been delivered/ rendered/completed and accepted.

- 6.2 Audit of Payable accounts revealed the following:
- a. Accounts Payable/Other Payables totaling **P2,644,191,081** (*Annex 3, Table 3-a*) were not supported with valid claims and proper documentation.
 - b. There were no schedules prepared and/or subsidiary ledgers (SL) maintained to support the balance of the controlling account in the general ledger.
 - c. The recorded Accounts Payable in the NIA Central Office under Fund 102 of P2,335,785,258 included accounts without details that were recorded prior to year 2005 in the total amount of P612,809,638 and various creditors accounts with abnormal balances in the total amount of P767,163,426. Moreover, abnormal balance of Accounts Payable pertaining to projects that were already completed years ago in the amount of **P96,649,478** (*Annex 3, Table 3-b*) still existed.
 - d. The recorded Guarantee Deposits Payable in Fund 102 as of December 31, 2011 included accounts of various creditors with abnormal balance in the total amount of P39,177,262.
 - e. Non-maintenance of SL and absence of periodic analysis of TB account balances resulted in abnormal balance of Payables totaling **P1,576,832** (*Annex 3, Table 3-c*).
- 6.3 In partial compliance with previous year's recommendation, the NIA Central Office had analyzed the accounts and reduced the amount of payables recorded prior to 2005 by 57%. The Regional Accountants were likewise instructed to analyze the payables.
- 6.4 ***We reiterated our prior years' recommendation that Management:***
- a. ***Comply with laws, accounting rules and regulations applicable to liabilities and analyze the entries made in recording these payables in order to properly reverse undocumented Accounts Payable;***
 - b. ***Book up only those claims that are supported with proper documentation for them to be considered valid;***
 - c. ***Prepare schedule of accounts payable and maintain subsidiary ledgers for each creditor to support the amount stated in the general ledger; and***
 - d. ***Analyze and investigate periodically the balances of payables especially those with abnormal balances and accounts pertaining to completed projects and make appropriate adjustments as warranted.***
- 6.5 Management commented that some of these amounts pertained to prior years' accounts payable, which were still subject to further verification. Some payables had been taken up under Fund 501 and payments were taken up in other funds.

Analysis and reconciliation has been ongoing. Once they establish that the setup of these payables was not proper, or these payables were not properly supported, appropriate adjustments in the books will be made accordingly in CY 2012.

7. Cash advances totaling P14.678 million under accounts Cash Disbursing Officer and Due from Officers and Employees remained outstanding and unliquidated as of December 31, 2011, contrary to Section 89 of PD 1445, and COA Circular No. 97-002.

7.1 Below are the law, government rules and regulations which guide us in the audit of cash advances:

- a. Section 89 of PD 1445 which states that cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served, and that no additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.
- b. Section 5.8 of COA Circular No. 97-002 dated February 10, 1997 which states that all cash advances shall be fully liquidated at the end of the year. Except for petty cash fund, the Accountable Officer shall refund any unexpended balance to the cashier for the issuance of official receipt.
- c. Section 5.9 also of COA Circular No. 97-002 which provides that at the start of the ensuing year, a new cash advance may be granted, provided that a list of expenses against the previous cash advance is submitted; and that when no liquidation of the previous cash advance is received on or before January 20, the accountant shall cause the withholding of the AO's salary.

7.2 Outstanding and unliquidated cash advances as of year-end 2011 were pegged at a substantial amount of **P14,677,645** (*Annex 4, Table 4-a*) which could have been reduced to zero had Management been strict in adhering to the above-mentioned law, government rules and regulations.

7.3 ***We reiterated our prior years' recommendation that Management strictly adhere to the provisions of Section 89 of PD 1445, and Sections 5.8 and 5.9 of COA Circular No. 97-002 by undertaking the following courses of action:***

- a. ***Require the concerned officers and employees with unliquidated cash advances to immediately liquidate them, otherwise withhold their salaries as prescribed in COA Circular No. 97-002; and for those officers and employees who are no longer in the service, exert efforts to collect from them the unliquidated amounts.***
- b. ***Stop granting additional cash advances if the previous cash advance has not yet been liquidated;***

- c. ***Remind the officers and employees with unliquidated cash advances with the penal provision in Section 128, PD 1445, on violation of the limitations on cash advance cited in Section 89 of the same law and the administrative disciplinary action prescribed in Section 127 of the same law; and***
 - d. ***Maintain subsidiary ledger for each grantee for purposes of monitoring of the granting and liquidation of cash advances and their proper accounting.***
- 7.4 Management committed to comply with the laws, rules and regulations and informed that the amount of unliquidated cash advances had substantially decreased. Most of the unliquidated cash advances pertained to long outstanding cash advances of separated/retired employees. Demand letters were already sent. Analysis/reconciliation is ongoing to determine whether these are really unliquidated cash advances or errors in recording the liquidation were just committed.
8. **Advances granted to Local Government Units (LGUs) and National Government Agencies (NGAs) totaling P349.725 million for the restoration/rehabilitation/repair of irrigation systems and implementation of foreign-assisted projects which were released to LGUs and NGAs since 1999 remained unliquidated contrary to the Memorandum of Agreement executed between the contracting parties.**
- 8.1 In order for NIA to fast track the implementation of the restoration/repair/rehabilitation of irrigation systems, it had delineated some functions and responsibilities to Irrigators Associations (IA) and LGUs and provided them with funds. For this purpose, a Memorandum of Agreement (MOA) was drawn between NIA and the concerned LGU where it was provided that funds extended to them would be in the form of advances.
- 8.2 Paragraph 12 of the MOA also provided for the responsibilities of the LGU, to wit:
- “Submit to NIA Audited Statement of Liquidation (SOL) and Physical Accomplishment Report (PAR) of the project duly audited by Commission on Audit (COA) for the liquidation of the funds transferred by NIA.”*
- 8.3 The MOA did not mention, however, any provision on the sanction against the LGU, if it could not liquidate on time. Moreover, the provision in the MOA of releasing the amount in full upon signing of the MOA and upon submission of Notice to Proceed contradicted COA Circular No. 94-013 dated December 13, 1994 which states that:
- “The fund transferred to the Implementing Agency (IA) shall be (a) in an amount sufficient for three months operation subject to the replenishment upon submission of the report of disbursements by the IA.”*

- 8.4 As was observed in the previous year, several LGUs and NGAs which were provided with funds by NIA to implement the restoration and rehabilitation of irrigation systems within their municipality/province did not submit the required reports for liquidation. For the fund transfer to LGUs for the implementation of locally funded projects, four years (since 2007) had passed from the date the funds were transferred but NIA failed to secure any liquidation report or physical accomplishment reports for the funds transferred in the amount of **P349,724,796** (*Annex 4, Table 4-b.*).
- 8.5 ***We reiterated our previous years' recommendation that Management communicate with the concerned LGUs and NGAs and request immediate liquidation of their advances in strict compliance with the provisions of the MOA.***
- 8.6 ***We further recommended that Management:***
- a. ***Strictly adhere to COA Circular No. 94-013 and ensure that releases of funds are in accordance therewith, and succeeding fund releases are made only if the previous fund transfers had been liquidated;***
 - b. ***Demand immediately the liquidation of the long outstanding funds transferred without any liquidation reports submitted and take appropriate action to impose NIA's rights provided in the MOA in case of breach in its execution; and***
 - c. ***Improve the monitoring/supervision control on fund transfers for the implementation of projects to include:***
 - i. ***the responsibility of actual supervision and reporting by NIA personnel on the status of implementation of the projects; and***
 - ii. ***the responsibility of securing the required documents for liquidation, and of coordinating and exerting joint efforts by and among the Provincial Irrigation Management Offices, the Systems Management Division, and the Finance Department relative to the completion of the documents necessary to take up liquidation/utilization of funds.***
- 8.7 Management gave the following comments:
- a. They had already sent letters to the concerned LGUs requesting them to submit audited liquidation reports. They remarked that they created a team to monitor these advances. In the regional level, the Regional Managers were also monitoring the liquidation of cash advances extended to LGUs. In Central Office, balance of advances which were due for liquidation was reduced by P20 million in 2011 and some liquidation report were received and recorded in 2012.

- b. They further stated that they had strictly complied with COA Circular No. 94-013 and succeeding fund transfers for the current year were only made if the previous fund transfers had been liquidated.
- 9. **The year-end balance of the Advances to Contractors account at the NIA Central Office of P876.427 million still included accounts with abnormal balance of P52.158 million and advances pertaining to contracts/projects that had been long completed in the negative amount of P8.864 million.**
 - 9.1 Section 4, Annex “E” – Contract Implementation Guidelines for the Procurement of Infrastructure Projects of the Implementing Rules and Regulations of RA 9184 provides that the agency shall, upon written request of the contractor, make an advance payment equal to 15 percent of the total contract price, to be made in lump sum or at the most, two installments according to a schedule specified in the special conditions of the contract. The advance payment or mobilization fee shall be repaid by the contractor by deducting 15 percent from his periodic progress payments.
 - 9.2 Review of the Advances to Contractors account in Fund 102, disclosed that the balance of P876,427,357 as of December 31, 2011 still included advances to contractors whose contracts had already been finished since the projects were already completed years ago in the negative amount of P8,863,769. The existence of such balances might have resulted from the failure of the Management to recoup or deduct the advance payment from the contractor's progress billings.
 - 9.3 ***We reiterated our prior years' recommendations that Management:***
 - a. **Strictly comply with RA 9184 and ensure that advance payments or mobilization fees are repaid by the contractor by deducting the same from its periodic progress payments;**
 - b. **Analyze the balance to determine valid unrecouped advances from contractors with projects that were already completed and immediately demand payment; and**
 - c. **Adjust the books for any error discovered in recording.**
 - 9.4 Management commented that the advances to contractors were always deducted from the progress billings. Analysis of the account is ongoing to determine the cause of the long outstanding advances in order to adjust the books or to collect the unrecouped advances from the concerned contractors if there is any. The Reconciliation Division in their effort had analyzed the account resulting to the decreased in the abnormal balance.
- 10. **The General Fund's Statement of Cash Flows (SCF) for the year ended December 31, 2011 was doubtful as the additions to the Construction-in-Progress (CIP) in this statement differed from those stated in the Balance Sheet with variance amounting to P2,730.780 million.**

- 10.1 Philippine Accounting Standard (PAS) 7 – Cash Flow Statements, provides the activities from which cash flows are derived or utilized, such as operating, investing and financing, and how these cash flows are properly presented in the financial statements to achieve fair presentation.
- 10.2 Analysis of the SCF for the year ended December 31, 2011 disclosed the following deficiencies:

- a. The amount of Cash income received per income statement differs from the amount reflected in the SCF:

Cash Income Received per SCF	
Receipt of Subsidy from National Government	13,862,089,727
Receipt of NTA from DA	100,000
Receipt of All Sources of Revenue	35,965,121
	<hr/>
	13,898,154,848
Less: Reversion of Unused MDS	423,887,173
Total Cash Income Received per Cash Flows	13,474,267,675
	<hr/>
Cash Income Received per Income Statement	
Net Income per Income Statement	13,438,305,554
Less: Tax Remittance advice (non-cash income)	(527,344,627)
	<hr/>
	12,910,960,927
	<hr/>
Difference	563,306,748

- b. The additions in Construction in Progress presented in the balance sheet showed P2.730 billion difference from the amount presented in the SCF, computed as follows:

CIP balance 12/31/2011	61,514,001,455
Add: net transfer of CIP to Public Infrastructure –Government Equity	4,786,979,796
Less: CIP balance 12/31/2011	(53,109,943,709)
Additions to CIP per balance sheet figures	13,191,037,542
Additions to CIP per SCF	
Disbursements for the implementation of the projects	2,819,276,933
Payment of Capital expenditures	7,240,766,989
Payment of Accounts payable	396,545,038
Payment of GSIS/Pag-ibig/Philhealth	3,668,825
	<hr/>
	10,460,257,785
Difference	2,730,779,757

- c. Prior year's adjustments should not be included as one of the items in the SCF. If cash outflows pertained to payments for the implementation of the project or operating expense, then these should be presented as such. On the other hand, if the cash inflows pertained to collection of income, then these should be presented as an addition to income received.
- 10.3 The deficiencies noted above cast doubt on the fairness of presentation of the Statement of Cash Flows as of December 31, 2011.
- 10.4 In preparing the Statement of Cash Flows, Management should account for the cash transactions involved that resulted in the net difference of each Trial Balance account for its proper presentation. Amounts presented in each financial statement should harmonize with each other.
- 10.5 ***We reiterated our prior year's recommendations that Management:***
 - a. ***Adhere to PAS 7 for fairness of presentation of the Statement of Cash Flows;***
 - b. ***Submit computation/working papers to explain the deficiencies noted above; and***
 - c. ***Submit working papers showing the cash transactions involved that resulted in the net difference of each Trial Balance account.***
- 10.6 Management informed that the Regional Accountants were directed to comply with PAS 7 and to prepare the SCF for CY 2012 using the format provided by COA.
- 11. **The accuracy and fair presentation of the Statement of Changes in Government Equity was doubtful due to the absence of complete accounting records to support the adjustments in PPE-Public Infrastructure in the amount of P5,090.944 million. Moreover, the presentation of the SCGE did not conform to Philippine Accounting Standard No. 1.**
 - 11.1 The Statement of Changes in Government Equity (SCGE) for the year ended December 31, 2011 included adjustments in the total amount of P5,090,944,314 in PPE-Public Infrastructure which were not supported with necessary documents, hence, the accuracy and validity of the said adjustments were not determined.
 - 11.2 Moreover, the Statement of Changes in Government Equity (SCGE) did not present the changes of each item comprising the SCGE which is not in compliance with PAS 1 paragraph 96 – Statement of Changes in Equity which states that: *An entity shall present, either on the face of the statement or in the notes for each component, the balance at the beginning of the period and the balance sheet date and the changes during the period, disclosing each change.*
 - 11.3 ***We reiterated our prior year's recommendation that Management adhere to PAS 1 in the preparation of SCGE, by presenting the changes during the***

period for each item of the SCGE and submit documents supporting the adjustments of P5,090,944,314.

- 11.4 Management commented that the Regional Accountants were directed to comply with PAS 1 and to prepare the SCGE for CY 2012 using the format provided by COA.
12. **Management fee, as administration and engineering overhead charge was paid by the Fund to NIA based on the allotment released by the DBM for the implementation of locally-funded projects and not on the total cost of implemented and completed projects, contrary to existing law and government rules and regulations. Moreover, the management fee paid by the Fund in the amount of P480.296 million was P52.052 million higher than the prescribed rate of 5% of the cost of projects undertaken.**
- 12.1 Section 1 of PD 1702 states that “Section 3 of RA No. 3601, as amended by Section 3, PD No. 552, is hereby amended to read as follows:
- (b) Operating Capital – . . . The National Irrigation Administration is hereby authorized to impose, as administration and engineering overhead charge, five percent of the total cost of projects undertaken by it, which shall likewise form part of its operating capital.” (emphasis supplied)*
- 12.2 By virtue of this provision, NIA claimed five percent management fee from MDS fund upon receipt of cash allocation from DBM. For the current year, the amount of funds received for the implementation of locally-funded projects amounted to P8,564,888,369 and “management fee” paid by Fund 101 to NIA Corporate fund amounted to P480,296,159 equivalent to 5.61 percent which is P52,051,740 higher than the prescribed rate. Moreover, the balance of unused Cash-in-Bank maintained for Fund 101 amounted to P5,181,110,349.44, which proved that the component of the projects which have been funded for the year were not yet fully implemented but the “management fee” was already 100 percent collected.
- 12.3 In our previous year’s audit, the over-payment of management fee in the amount of P18,015,002 was not remitted to the Bureau of Treasury nor computation to justify/explain the overage was not submitted.
- 12.4 The claims for the payment of management fee were only supported with copies of the Notice of Cash Allocation with computation sheet showing the cash allotment received multiplied by five percent. The claims were not supported with documents to prove/show that the amounts claimed were based on the cost of the projects undertaken by it such as the physical and financial accomplishment report of the project implemented. This practice was not only contrary to PD 1702 but also the following laws, rules and regulations:
- a. Section 4(6) of PD 1445 which provides that *claims against government funds shall be supported with complete documentations.*
 - b. Section 28 of the NGAS Manual, Volume I, which stipulates that the *basic requirements applicable to all types of disbursements made by*

*government agencies includes, among others, the legality of transactions and conformity with laws and regulations **and submission of proper evidence to establish the claim.***

- 12.5 The imposition of administration and engineering overhead charges, in the purview of the law, was to enable the Agency to undertake its operational activities for the proper implementation of projects in an efficient and effective manner. It was tantamount to compensation or payment for doing its job in the most expedient way. In such context, therefore, the compensation, which Management opted to call management fee, must be granted (or collected) after the service had been rendered, or in this instance, after the projects had been completed.
- 12.6 ***We reiterated our previous year's recommendations that Management:***
- a. **Adhere to the existing laws, rules and regulations and correctly claim the five percent management fee after rendition of the required services, support the claim with project documents, and compute it based on total actual project cost as implemented/completed or on the percentage of accomplishment; and**
 - b. **Remit to the Bureau of the Treasury the noted over-payment of management fee amounting to P52.052 million and P18.015 million for CY 2011 and 2010, respectively.**
- 12.7 NIA Management averred that the five percent management fee was computed and considered as income and cash source for NIA's current year's operating budget. The corresponding management fees of the cash allocations received were transferred to corporate operating fund to ensure the availability and adequacy of cash that would finance the current operating expenditures of NIA. Furthermore, the budget and cash flows were projected based on the projected cash allocation for the projects to be implemented. Hence, NIA's operation will be hampered if management fee will be collected only upon the completion of the project. Also, safeguards are in place to ensure that the projects are completed on time. Analysis of the audited over-collection has been ongoing and the results will be immediately submitted to COA.
- 12.8 As a rejoinder, we still believe that Management should adhere to the existing law and management fee be collected based on the progress/percentage of accomplishment of the projects. Inadequacy of funds to support NIA's operation due to non-collection of the full amount could not be accepted as a valid reason to deviate from the law. The availability of funds at all times could be attained through sound and proper budgeting. Also, the advance payment of management fee depicts that the funds for the implementation of the projects were first use for administrative expenses of NIA and not for the implementation of the projects which should be prioritize.

13. **Expenses not related to the implementation of various locally funded irrigations projects in the amount of P48.498 million were charged to project funds and recorded as Construction-in-Progress (CIP), contrary to existing laws, rules and regulations.**

13.1 Section 37 of PD 1177, Section 4(3) of P.D. 1445 and COA Circular No. 94-013 dated December 13, 1994 requires that *trust funds shall be available and may be spent only for the specific purpose for which the trust was created or the funds received.* In addition, it provides that, *“In no case shall the fund transferred be utilized for the payment of additional compensation to employees, incentive pay, bonuses, honorarium or other forms of additional compensation, except as may be authorized by law or existing regulations.”*

13.2 Review of the disbursements using General Fund 101 disclosed that expenses not related to the funds for the implementation of the locally funded irrigation projects in the amount of P48,498,189 were charged against the Fund, contrary to the afore-cited laws, rules and regulations, as presented below.

- a. **NIA Nationwide** – Payment of Collective Negotiation Agreement to NIA Project-charged employees in the amount of P43,560,000. This is also in violation of Section 7.2 of DBM Circular 2006-01 which provides that: *“GOCC’s/GFIs and LGUs may pay the CNA Incentive Bonus from savings in their respective approved corporate operating budgets or local budgets.”*
- b. **NIA Central Office** - Payment of Christmas Celebration expense in the total amount of P589,409.50 and P400,000 using Fund 101 and Fund 102, respectively;
- c. **NIA RO 6** - Travelling expenses in attending NIA Anniversary Celebration, NIA Board Meeting held at Boracay, regular NIA Managers Meeting, ARDOMA Meetings and various Professional Conventions in the total amount of P1,496,569.62 charged to Fund 101;
- d. **NIA RO 6** - Repairs and maintenance of office equipment and building totaling P497,051.90 and purchase of equipment costing P63,614.07;
- e. **NIA RO 6** – Payment of hotel accommodations and meals of NIA Central Office’s visitors and pasalubong in the amount of P548,793.81; and
- f. **NIA RO 6** – Payment of electricity, telephone and internet monthly bills of the Regional Office in the amount of P1,342,750.29.

13.3 These expenses could not be considered as general engineering and administration expenses for the implementation of the project. These were administrative expenses that should have been charged against the 5% management fee which NIA had already collected from the project funds upon receipt of cash allocation.

- 13.4 ***We reiterated our prior years' recommendations that Management:***
- a. ***Strictly comply with the existing laws, rules and regulations covering the use of trust funds and charge only project-related expenses against Fund 101; and***
 - b. ***Immediately collect from the Corporate Fund the amount paid for the CNA incentives and the aforesaid expenses, and return the same to the Bureau of the Treasury.***
- 13.5 Management asserted that the 5% management fee is separate and distinct from the 3.5% general engineering and administration expense (GESA). The management fee is allowed by virtue of PD 552 for engineering, administration and overhead expense, while the 3.5% GESA is authorized by the GAA. The POW/budget submitted by NIA through DA to support the budget requirement of locally-funded projects of NIA under DA OSEC, included both the 3.5% GESA and the 5% management fee. They further explained that the 5% management fee is one of the sources of income of the NIA which they used for NIA's overall operation, while the 3.5% GESA was used to fund the direct engineering and administration cost of the specific projects incurred in the regions and field offices. NIA also stated that for CY 2012, the proposed subsidy for its operation of P2.157 billion which will be used exclusively for operating requirements, including the engineering and administrative overhead expenses in the implementation of irrigation projects provided in the appropriations for NIA under the DA-OSEC, represents 8.23% of the cost of the proposed locally-funded projects to be implemented by NIA of P26,187,943,000. With these they believe that the DBM recognized and approved the total 8.5 percent engineering, administration and overhead charges to be charged from the project implemented.
- 13.6 Management reasoned out that NIA paid the CNA of the NIA project personnel using project funds because of the NIA Memorandum Circular which authorizes such payment. However, when they were informed that these payments violated various laws, rules and regulation, succeeding payments of CNA were now all charged to the Corporate Fund. They further promised that they will refund the CNA previously charged to project fund.
- 13.7 As a rejoinder, we still maintain our stand that project funds could only be used for payment of directly related general engineering and administration expense and expenses such as Christmas celebration expenses, anniversary celebration cannot be considered as one of the GESA expense.
14. **The cost of the consultancy services procured by NIA in CY 2011 in the total contract price of P66.082 million from NIA Consult, Inc. through Agency-to-Agency Agreement were not in accordance with the rates for computing consultancy cost prescribed by the GPPB's Manual of Procedures for the Procurement of Consulting Services, resulting in higher contract cost by P7.024 million.**
- 14.1 Review of the procurement procedure made for the procurement of consultancy services from NIA Consult, Inc. (NIACI) showed that NIA did not prepare the budget for the procurement of consultancy services for approval. Instead, it had

requested the NIACI to submit a budget proposal for the consultancy services. The Engineering and Operations Department, using the completed costs benefit analysis recommended the approval of the proposed budget and the Agency to Agency Agreement mode of procurement to the Bid and Awards Committee (BAC). The BAC recommended the procurement with the corresponding budget proposal to the NIA Board of Directors thru Board Resolution.

14.2 Review of the Cost of Consultancy disclosed that the consultancy contract cost as awarded to NIACI did not comply with the rates prescribed in the GPPB's Manual of Procedures for the Procurement of Consulting Services, as follows

a. Remuneration Costs –

- i. Basic rate is more than 200 percent of the equivalent rate of the equivalent position in the procuring entity.
- ii. Office Running Cost, Advisory Group/Home Office Support and 20 percent cost plus charged/included in the cost of consultancy exceeded the total cost of prescribed overhead of 20 percent of the basic rate and the prescribed management fee of 15 percent of the basic rates plus overhead cost.

b. Reimbursable Cost – Per diem of P1,500 is more than the government prescribed rate of P800.

14.3 The non-compliance with the rates prescribed in the manual resulted in higher consultancy contract price in the total amount of **P7,023,896** (*Annex 5, Table 5-a*).

14.4 Moreover, the reasonableness and the legality of the other reimbursable expenses paid could not be determined due to non-submission of details and supporting documents, as follows:

- a. Vehicle rental payments were only supported with RER. These should be supported with (a) justification for the necessity of hiring vehicles required by Section 340 of GAAM Volume I which states that “as a general rule, only the ordinary public conveyances or customary modes of transportation shall be used. The use of special hires of PUs, garage cars, launches, motorboats, sailboats and bancas shall not be allowed unless justified by the prevailing circumstances, such as but not limited to, carrying large amount of cash, bulky equipment which cannot be conveniently transported through ordinary mode of transportation...”

Also, vehicle rental payments were not supported with approved itinerary/trip ticket indicating the name of passengers, the purpose, the destination with the corresponding time and dates.

- b. Meal expenses were not supported with purpose of meeting, attendance and the result of meeting conducted.

- c. Remuneration of NIA officers appointed as project's technical advisors were not supported with documents to support the technical expertise service rendered such as: (a) Office Order from NIA that these officers were assigned as advisor to consultancy services for NIA projects undertaken by NIACI in addition to their duties, (b) project plan to support the assigned/defined specific activity and the corresponding completed and accepted deliverables in accordance with the time frames set per project component and (c) the computation of the honorarium as prescribed in Section 4 of the DBM Budget Circular 2007-2 which provides that total amount of honorarium received for the year should not exceed 25% of annual salary.
 - d. Purchase of office equipment and furniture in the total amount of P658,000.00 and formed part of the reimbursable expenses of consultancy service should not be included in the cost of consultancy since these should be provided by NIA Consult, Inc. and the use of the office equipment and furniture was already covered by the overhead cost.
- 14.5 It appears that NIA did not review and approve the reimbursable expenses billed by NIA Consult, Inc. for payment to determine their compliance with the government procurement manual which prescribes the list of valid reimbursable cost.
- 14.6 Since NIA Consult, Inc. is a wholly-owned corporation of NIA and considered by GPPB to be a government entity qualified to enter into Agency-to-Agency Agreement, then the basic rates for salary with equivalent position and per diem rates should be strictly followed.
- 14.7 ***We reiterated our prior years' recommendations that Management:***
 - a. ***Comply strictly with the GPPB's Manual of Procedures for the Procurement of Consulting Services in computing the cost of consultancy service for approval (Approved Budget for Contract); and***
 - b. ***Submit supporting documents for the payment of remuneration to NIA officers, justification and supporting documents for the vehicle rental and purchase of equipment.***
- 14.8 ***We further recommended that Management review before paying the reimbursable expenses being billed by NIA CONSULT, Inc. to determine whether these are valid and in accordance with the Government Procurement Manual.***
- 14.9 Management gave the following comments:
 - a. They are trying to strictly comply with the GPPB's Manual of Procedures for the Procurement of Consulting Services, specifically in computing the allowable budget cost for consultancy services. We understand that the GPPB had prescribed the bases for computing the cost of consulting

services. However, Section 6.8 of the IRR on the Procurement of Consulting Services for Government Projects issued by NEDA allows the “percentage of construction cost” as an alternative method of determining the cost of consulting services as: feasibility studies – 3 percent; detailed engineering – 6 percent; detailed engineering and architectural design – 8 percent and construction supervision – 10 percent. The costs of consultancy contracts entered into by and between NIA and NIACI were lower than the said percentages.

- b. The reimbursements for vehicle rental were only supported with travel order which we considered an Itinerary of the TAG’s travels. We had not been requiring Trip Tickets from NIACI as it is understood that passengers of the vehicles are the TAG members only with NIA Field staff coordinating with their assignments. However, at present, we are complying with the recommendation and we required for the submission of the trip ticket and justification for the use of government vehicle.
- c. The office equipment being procured by NIACI for use in their implementation of Technical Assistance Projects for NIA are considered procurements undertaken in behalf of NIA and to be returned by NIACI to NIA after the completion of their engagements. GPPB’s Manual on Procedures for the Procurement of Consultancy Services allows the inclusion of the equipment rental or purchases as one of the items under reimbursable cost.

14.10 Our rejoinder to the Management comments above are:

- a. We believed that the budget cost of the consultancy should be prepared by NIA in accordance with the Government Manual on Consultancy and should not rely only from the proposal of NIACONSULT, Inc. Moreover, the rate prescribed by NEDA only set the ceiling of the cost of consultancy services and not to be used as absolute value of the cost. Budget cost should still be carefully computed by the procuring entity within the parameters set by the existing guidelines, rules and regulations.
- b. The rationale of the Agency-to-Agency Agreement as an alternative mode of procurement was that the cost of the services rendered by the servicing entity, being government entity, was computed in compliance with the government rules and regulations and also the salaries and the allowances of the government-employed expert that will form part of the consultancy cost are standardized and covered by various DBM and COA Circulars, hence, the reasonableness of the contract’s price was established.
- c. The Manual allows the inclusion of justifiable equipment acquisition as part of the consultancy and we still believed that acquisition of notebooks, laptops and computers, even though the ownership belongs to NIA, should not be included as reimbursable cost. The equipment purchased were still being used by NIACONSULT, Inc.

15. No copies of contracts/purchase orders were submitted to the COA Auditor within five days after its perfection and the COA Auditor was not notified of the deliveries of procured items within 24 hours from the date of acceptance, contrary to COA Circular No. 2009-001.

15.1 Section 3.1 of COA Circular No. 2009-001 dated February 12, 2001 – Restatement of COA Circular No. 87-278 and COA Memorandum No. 2005-027 provides that:

“Within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned”

15.2 Also, Section 3.2 of the same Circular states that:

“A copy of purchase order irrespective of amount, and each and every supporting document, shall, within five (5) working days from issuance thereof, be submitted to the Auditor concerned. Within the same period, the Auditor shall review and point out to Management defects and or deficiencies, if any, in the same manner provided”

15.3 Contrary to the above-mentioned Circular, the Auditors were not provided with copies of perfected contracts, purchase orders and the required supporting documents. If provided, however, these were not submitted within the prescribed period, thus, hindering the early auditorial review of the said contracts. This practice was reported in NIA Central Office and in NIA Regional Offices in CAR, Regions 5, 6, 11 and 13, as discussed below.

NIA Central Office	
NIA RO CAR	Complete documentary requirement for contracts of various infrastructure projects in the total amount of P8,376,945 were not submitted to the Auditor.
NIA RO 5	Timely submission of documents necessary for the conduct of contract review per COA Circular No. 2009-001 and COA Memorandum No. 2005-027 were not complied with causing delays in evaluation of the legal as well as technical aspects of infrastructure contracts entered into by the agency.
NIA RO 6	Management failed to submit to the Auditor copy of the sixteen contracts in the amount of P113,488,929 within five (5) days from its perfection. Copies of nine contracts were received 2 months after the date of perfection. Purchase orders and certificate of inspection and acceptance were not submitted to the auditor within the prescribed period. The number of days delay ranged from 6 to 115 days. Furthermore, the purchase orders lack the basic information such as contact numbers of the supplier, date of delivery, brand name, country of origin mode of

	procurement and the signature of the supplier.
NIA RO 11	Sixteen contracts totaling P113,488,929 were not submitted to the Auditor within 5 working days from its execution. Only eleven contracts were submitted and only one out of the 11 contracts was submitted within the prescribed period. The delay in the submission ranged from 35 to 77 days.
NIA RO 13	Delay in the submission to COA of the copies of perfected Infrastructure contracts totaling P225,355,178 ranged from 194 to 558 days.

- 15.4 We reiterated our previous years' recommendation that Management comply with COA Circular No. 2009-001, inviting attention to the administrative disciplinary action prescribed in Section 127 of PD 1445, in case of non-compliance with any requirement imposed by the Commission on Audit as authorized by this Code.
- 15.5 Management agreed to implement the recommendation. However, they justified that the reason why the Bids and Awards Committee or the Supply/Property Officers failed to immediately submit copies of the purchase orders or contracts to COA was that they were still gathering from the field offices concerned some supporting documents. They reiterated that as soon as they have the copy, they would immediately submit the same to COA.
- 16. In four NIA Regional Offices, alternative modes of procurement were resorted to in most of the agency's purchases totaling P12.589 million despite non-existence/occurrence of the conditions set by RA 9184 and it's Revised IRR, thus rendering the procurements irregular.**
- 16.1 Section 48.2 of Revised Implementing Rules and Regulations of RA 9184 states that *"In accordance with Section 10 of this IRR, as a general rule, the Procuring Entities shall adopt public bidding as the general mode of procurement and shall see to it that the procurement program allows sufficient lead time for such public bidding. Alternative methods shall be resorted to only in the highly exceptional cases provided for in this Rule."* On the other hand, Section 48.3 of the same IRR *"The method of procurement to be used shall be as indicated in the approved Annual procurement Program. If the original mode of procurement recommended in the APP was public bidding but cannot be ultimately pursued, the BAC, through a resolution, shall justify and recommend the change in the mode of procurement to be approved by the Head of the procuring entity."*
- 16.2 Section 52.1 of revised IRR of 9184 states that *"Shopping as an alternative mode of procurement shall be employed in any of the following cases:*
- i. When there is unforeseen contingency requiring immediate purchase: Provided, however, that the amount shall not exceed the threshold prescribed in Annex "H" of this IRR". Annex "H" provides that (a) for NGAs, GOCCs, GFIs, and SUCs, the thresholds is P100,000; and*
 - ii. Procurement of ordinary or regular office supplies and equipment not available in the Procurement Service involving an amount not exceeding*

the threshold prescribed in Annex “H” of this IRR”. Annex “H” provides that (a) for NGAs, GOCCs, GFIs, and SUCs, the thresholds is P500,000.

- 16.3 Review of various procurement made by the regional and provincial irrigation offices revealed that public bidding were not conducted and alternative mode of procurement -shopping were resorted to despite non-existence/occurrence of the conditions set by RA 9184, as discussed below:

NIA RO CAR	Alternative modes of procurement were adopted in most of the agency’s purchases totaling P10,546,850.92 and were not supported with recommendations from the BAC. Almost all construction materials for projects implemented by administration including various supplies and materials, spare parts were acquired through shopping.
NIA RO 7	Shopping and reimbursement basis was adopted by Bohol Provincial Irrigation Office (BPIO) in the procurement of supplies and materials costing P1,121,273.45 instead of scheduled competitive public biddings.
NIA RO 11	Procurement of supplies and equipment amounting to P920,625.27 were solely purchased through shopping and only two (2) purchases were made from the Procurement Service.

A.3 Implementation of Irrigation Projects under General Fund 101

17. **Unreasonable delays in the implementation of Irrigations Projects resulted in increasing accumulation of unutilized project funds deposited in banks totaling P5,181.110 million, non- optimization of the use of government funds and delay in the delivery of services to the farmers.**

- 17.1 The year-end balance of unutilized funds received by National Irrigation Administration from the national government for the implementation of locally funded project is P5.18 billion, 92.56 percent higher than last year’s balance of P2.69 billion.
- 17.2 DBM Circular Letter 2008-11 dated December 8, 2011 states that monthly operating requirements will be released to the government agencies by crediting the agencies’ Modified Disbursement Systems bank accounts. The basis for the comprehensive release is the Monthly Cash Program submitted by the Operating Unit (agency).
- 17.3 The huge amount of unutilized cash deposited in bank accounts other than the MDS account without outstanding obligation was an indication that Management failed to implement the projects as targeted; funds were available but NIA incurred unreasonable delays in the procurement process. Furthermore, it also showed that NIA submitted unattainable Cash program.
- 17.4 Our evaluation of the projects reported by the following NIA Central, Regional, Provincial and Management Offices which incurred delays are discussed below.

<p>NIA Office</p> <p>Central</p>	<p>Construction of Sta. Josefa Main Canal and Pumping Station was one year delay as of 2011. Date of completion was twice extended without proper evaluation and documentation.</p> <p>Below are the relevant provisions of RA 9184 and the Contract - which guided us in the evaluation of the grant of time extension:</p> <p>a. Section III – General Conditions No. 46.5 of the IRR of RA 9184 states that:</p> <p style="padding-left: 40px;"><i>“Extension of contract time shall be granted for rainy/unworkable days considered unfavorable for the prosecution of works at the site, based on the actual conditions obtained at the site in excess of the number of rainy/unworkable days pre-determined by the PROCURING ENTITY in relation to the original contract time during the conduct of detailed engineering...” (emphasis supplied)</i></p> <p>b. Section IV- Special Conditions of the Contract (GCC Clause 1.17) also states that <i>the Intended Completion Date is 464 calendar days (including 203 unworkable days) from start date. (emphasis supplied)</i></p> <p>c. Section 10 of Annex E of RA 9184 IRR - Contract Implementation Guidelines for the Procurement of Infrastructure Projects states that:</p> <ul style="list-style-type: none"> • <i>Extension of contract time may be granted only when the affected activities fall within the critical path of the PERT/CPM.</i> • <i>No extension of contract time shall be granted when the reason given to support the request for extension was already considered in the determination of the original contract time during the conduct of detailed engineering and in the preparation of the contract documents as agreed upon by the parties before contract perfection.</i> • <i>Extension of contract shall be granted for rainy/unworkable days considered unfavorable for the prosecution of works at the site, based on the actual conditions obtained at the site, in excess of the number of rainy/unworkable days pre-determined by the government in relation to the original contract time.</i> <p>d. Section 8 of the same IRR also states that:</p> <p style="padding-left: 40px;"><i>“Where the contractor refuses or fails to satisfactorily complete the work within the specified contract time, plus any time extension duly granted and is hereby in default under the contract, the contractor shall pay the procuring entity for liquidated damages, and not by way of penalty, an</i></p>
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	<p style="text-align: center;"><i>amount to be determined in accordance with the formula until the work is completed and accepted or taken over by the procuring entity.”</i></p> <p>In NIA Central Office, completion date of Contract No. SJIPD-c-1- (Construction of Main Canal Station 0+000 to Station 8+540 and Construction of Pumping Station Building ...) was twice extended for a total of 118 days due to heavy rainfall without proper evaluation and complete supporting documents. Review of the PAGASA report of rainfall attached to said requests for extension only indicated 80 days with heavy rainfall. The contract’s original completion date already included 203 unworkable days; therefore, since the unworkable days due to heavy rain as reported by PAGASA did not exceed the pre-determined unworkable days, extension should have not been granted.</p> <p>Review of the documents submitted to support the evaluation made for granting time extension disclosed that extensions were granted by comparing the number of unworkable days reported by the contractor and verified by NIA PMO, and the predetermined unworkable days per contract.</p> <p>The unworkable days as stated in the contractor’s request for extension were due to heavy rainfall. However, there was no matrix, table presented or any document that would show Management’s validation of the report of the contractors against PAGASA report of rainfall in the area. Comparison of the Reports obtained from PAGASA, which were attached to the afore-cited memoranda, and the reported unworkable days per contractor’s report disclosed that only 80 days were reported by PAGASA with rainfall of >7.6 mm against the contractor’s report of 302 days. Moreover, there was no document to support Management’s evaluation/validation that the affected activities fell within the critical path of the PERT/CPM.</p> <p>The original date of completion per contract was December 30, 2010 and as of audit, the project was still ongoing. Management should have deducted the amount of liquidated damages in the contractor’s progress billing.</p>
NIA RO 5	<p>The completion of 24 NIA Projects was delayed due to numerous time suspension and extensions requested by the contractors, many of which were not substantiated as required under Section 9.1 of Annex-E of RA 9184, thereby causing delay in providing timely water services to the farmers as embodied in the agency’s mission. Twenty two projects with total amount of P213,837,624.92 had implementation period of CY 2008 to CY2011, however, all of these were still not completed as of December 31, 2011 contrary to the contract periods as stated under the contract agreements between NIA RO5 and the contractors and the mission of the agency thus affecting its irrigation.</p>
NIA RO 13 – Maridagao RIS (MRIS)	<p>Shortfalls in the implementation of Maridagao RIS projects costing P305,000,000.00 due to delay in the procurement process, depriving the farmer beneficiaries of the benefits of better and improved farm facilities.</p>

	<p>Pursuant to Executive Order No. 718 dated April 8, 2008, known as the NIA Rationalization Plan, four National Irrigation System (NIS) Offices and the Cotabato Provincial Office (CPIO) were merged into one (1) management office, called the Cotabato Irrigation Management Office, effective 2009. These NIS offices were the following: Libungan RIS, Maridagao RIS, Kabacan RIS and Mlang/Malasila RIS. In consonance with the program, the management and operation of the Maridagao River Irrigation System (MRIS) and the implementation of its various projects, such as the repair/improvements of canal/road/drainage system and to improve operation and maintenance of the system and completion of Malitobog RIS, were transferred from the NIA-Regional Office to the NIA Cotabato Irrigation Management Office (CIMO).</p> <p>In the later part of CY 2011, the P305,000,000 budget allocation under GOP funded project of the Maridagao RIS was started. The project constituted the municipalities of Carmen, Cotabato; Montawal, Maguindanao; and Pagalungan, Maguindanao. It covered a service area of 5,562 hectares including the submerged areas and to generate new areas of about 80 hectares. The Maridagao RIS project comprised nineteen (19) project packages.</p> <p>Record showed that the Advice of Sub-Allotment (ASA) was only received in September 2011 in the amount of P282,745,236.00. We were informed that the release of ASA depended on the Program of Work (POW) and other related documents submitted. The preparations of the POW for the said projects were jointly done by the NIA-CIMO and the NIA Regional Office XII, for approval of the NIA Central Office.</p> <p>However, the bidding activities started only in the later part of CY 2011. Out of the nineteen (19) projects packages, only bidding activities of eight (8) packages were conducted/scheduled during the year. The remaining eleven (11) project packages were scheduled for bidding in the ensuing year. As of year-end no contract was awarded yet for the implementation of the projects.</p> <p>Verification on the Physical and Financial Status of Accomplishment as of December 31, 2011 of the Maridagao RIS project revealed that it registered only 2.09% and 1.63% of its physical and financial accomplishments, respectively. The said accomplishments comprised only of the Forced Account Works or the additional civil works done by administration.</p>
<p>NIA RO 13 – Irrigation Development Program</p>	<p>Of the 31 infrastructure projects costing P170,250,000.00 programmed for implementation in CY 2011 under the Irrigation Development Program for NIA Region 13, only five were implemented, with physical accomplishment of 7.12% as of December 31, 2011 resulting in the low utilization of the fund allotted for the projects and depriving the beneficiaries of the immediate benefits derived from it.</p> <p>The implemented projects only posted 7.12% physical accomplishment and the remaining twenty six (26) projects posted</p>

	<p>a zero implementation. The financial utilization amounted to P9,486,806 or 6.12% of the total allotment for direct cost.</p> <p>The low accomplishment of the project implementation by NIA Region 13 was attributed to the following reasons/causes:</p> <ol style="list-style-type: none"> a. Delayed preparation of the final project design/estimates/specifications; b. Delayed issuance of sub-allotment from NIA Central Office; and c. Lack of close monitoring and supervision on the part of NIA.
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17.5 Several projects that were granted time extension due to submerged areas brought about by bad weather conditions and problem in right of way still incurred slippage or under implemented as of year-end which might result to non-completion of the project within the targeted time. Details of the projects are as follows:

Project	Target Date of Completion Original/Revised	Accomplishment/Slippage
MMIPIIL-LMC-002, Package II Construction of Lateral F Canal & Structures P12,790,927.73	Original - December 13, 2011 Revised April 6, 2012	Accomplishment – 74.78% Negative slippage 4.39%
MMIPIIL-LMC-002, Package III Construction of Lateral G Canal & Structures P17,261,588.52	Original December 10, 2011 Revised – March 30, 2012	Accomplishment - 73.12% Negative Slippage 8.51%
MMIPIIL-LMC-002, Package IV Construction of Lateral I Canal & Structures Masulot Construction P15,788,895.25	Original - December 10, 2011 Revised - April 3, 2012	Accomplishment - 18.63% Negative Slippage 44.66%
MMIPIIL-LMC-002, Package V Construction of Lateral K Canal & Structures P16,913,466.94	Original - December 10, 2011 Revised - May 13, 2012	Accomplishment - 70.34% Negative Slippage 11.29%

17.6 **We recommended that Management:**

- a. **Monitor the project implementation and ensure that the project is on schedule and, if necessary, issue a suspension once the slippage is more than negative 15%;**
- b. **Ensure the strict observance of the contract period stipulated in the contracts and Notice to Proceed;**
- c. **Take over the implementation of the long overdue projects in accordance with the provisions of the contract and with RA 9184;**

- d. ***Optimize the utilization of the funds received for the implementation of the project thru timely undertaking of the whole procurement process from preparation of ABC to awarding of contract;***
- e. ***Carefully prepare the Cash Program such that the funds requested and received were used as programmed;***
- f. ***Strictly adhere to the provisions of RA 9184 and its IRR and those of the contract in the evaluation and granting of contract time extensions and submit complete documents to support the extension granted in the implementation of Sta. Josefa Project by the NIA Central Office and Irrigation Projects in Region 5;***
- g. ***Validate reports made by the contractor and PMO against independent reports to ensure that evaluation of the granting of extension is based on claims that are true and correct; and***
- h. ***Take remedial action and seek assistance from the LGUs in resolving the problem of right of way and unworkable submerged areas in Maridagao RIS.***

17.7 Management commented that majority of the cause of the delay were due to bad weather conditions which they could not prevent, however, measures such as monitoring with the project engineers of the status of the projects and coordinating with the contractors are constantly done. The concerned Regional Irrigations Managers were likewise directed to submit reports for the above-mentioned projects.

18. Transfer Certificates or Torrens Title in the name of NIA for the acquisition of Land-Right of Way in NIA-Malitubog Maridagao Irrigation Project Stage I valued at P19.497 million were not secured by NIA MMIP Management Office in violation to Section 30 (2) of PD 1445.

18.1 Section 39 (2) of PD 1445 states that *“In case of deeds of property purchased by any government agency, the Commission shall require a certificate of title entered in favor of the government or other evidence satisfactory to it that the title is in the government.*

18.2 Corollary thereto, Section 449 of the GAAM Volume I specifically provides that the purchase of land by agencies of Government shall be evidenced by the Torrens Title drawn in the name of the Republic of the Philippines, or such other document satisfactory to the President of the Philippines that the title is vested in the government.

18.3 For the year under review, audit disclosed that land acquired by NIA-MMIP with a total land area of 2,620,337.59 square meters costing P19,496,590.39 did not have Transfer Certificate in the name of NIA.

- 18.4 Considering the lapse of time, the delay in the documentation/titling of all land acquired might result in the imposition of penalties with respect to taxes with the Bureau of Internal Revenue (BIR) and the accumulation of real property tax and delinquency penalty with the Local Government Unit.
- 18.5 ***We reiterated our prior years' recommendation that Management give priority in working out for the acquisition of Torrens Title of the land purchased in order to secure the ownership over it and the protection from any possible legal impediments arising therefrom.***
- 18.6 Management commented that sometime in 2005, the Office initially worked out for the transfer of ownership of these lots, however this was stopped due to exhaustion of funds. Initial steps and arrangements were made to avoid future interest and penalties with the BIR.
- 18.7 Management also said that in May 2008, ROW acquisitions was funded and they started processing the claims of landowners and likewise resumed working out for the titling of these lots, but sad to note that many of the attached documents required for the issuance of separate land titles were outdated while others lack some vital documents. The office initiated the updating and securing the lacking papers, including payment of capital gain taxes.
- 18.8 Management further commented that they were able to negotiate for a Memorandum of Agreement (MOA) with the concerned landowners relative to the payment of taxes and transfer of ownership. This agreement provides that NIA will advance the payment of taxes if the landowners can't pay the taxes at the time the processing of the transfer of ownership, and these landowners shall refund the amount paid for property taxes upon approval and release of Transfer Certificates.
19. **Contract cost of the infrastructure projects implemented by NIA-CAR in Abra and Benguet in the amount of P17.578 million exceeded the reasonable price prescribed in COA Resolution No. 91-52 by P3.208 million.**
- 19.1 COA Resolution No. 91-52 dated September 17, 1991 prescribes the policy guidelines governing auditorial review and evaluation of bidded Infrastructure Contracts. Item No. 7 of which states that:
- “The total contract price should be equal to or less than the total COA estimate plus ten percent (10%) in order to sustain a finding of reasonableness, otherwise, the contract price will be deemed excessive.”*
- 19.2 The technical review and evaluation of COA Technical Audit Specialist (TAS)/Regional Technical Information Technology Section (COA-TAS/RTITS for 11 projects implemented by NIA-CAR disclosed excessive materials and labor costs. The contract cost exceeded the estimated cost computed by COA plus 10 per cent by P3,208,226.48.

- 19.3 **We recommended that Management take necessary actions for the immediate settlement/correction of the deficiencies noted in the contract cost.**
- 19.4 Management commented that they have their own Estimating Guidelines for the Derivation of Unit Cost on Irrigation and related Civil Works prescribed under NIA Memorandum (MC) No. 18, s. 2009. Thus, all estimates in the Program of Works are based on the said MC. As to labor deficiencies, the projects are located in far flung areas where manual hauling as part of the labor cost is much higher than the cost of materials for most of the projects.
20. **Deficiency were noted on the reported cost of works and materials inventory in the suspended project “Libmanan-Cabusao Diversion Dam and Appurtenant Structure” Contract No. R5-LCDPN-C1 in the amount of P65.381 million. Inventory with an estimated amount of P47.228 million could not be accounted for and inventory on site were exposed to elements resulting to its deterioration. Moreover, Management had not acted on the return of the remaining/unexpended balance of the 15% mobilization fee of P105.117 million paid in 2009.**
- 20.1 The TSG, CGS Cluster C conducted an inspection and evaluation on the status of the inventory stock and implementation of the suspended project “Libmanan-Cabusao Diversion Dam and Appurtenant Structure” Contract No. R5-LCDPN-C1 on December 21 to 22, 2009 and on March 1 to 3, 2012. The Technical Evaluation Reports revealed the following deficiencies on the reported accomplishment of the project:
- a. Accomplishments reported in the Overall Monthly Accomplishment Report as of December 31, 2009 in the total amount of P18,152,768.42 includes work items in the amount of P 8,845,825 but were not actually done:
 - Item 104-B Rock Excavation – P4,090,377.20 – No work done, there were no indication of hauled materials
 - Item 105 – Overhaul (waste disposal) – P4,755,448 - No work done, there were no indication of hauled materials
 - b. Item 115 – Steel Gates and lifting mechanism in the amount of P12,059,973.63 were reported in the accomplishment report to be 100%, however, the driving of the steel gate was not carried out. Only inventory of steel sheet were found on the site. The PERT CPM disclosed that the driving of these steel gates and lifting mechanism should have been done within the period September to October 2009, two months before the contract was suspended. Moreover, the amount was included in both the accomplishment report and in the inventory.
 - c. The PERT CPM which forms part of the contract also indicated the steel sheets in item 114 should have been installed within September to October 2009 but as of suspension date the steel sheets were not completely installed.

- d. The TSG evaluation report dated January 7, 2010 issued for the inspection conducted on December 21-22, 2009 disclosed that no steel bar was present during the inspection, however, inventory report for the physical count conducted by Management in July to August 2010 disclosed the existence of steel bars in the total amount of P20,657,704.10, which means that deliveries were still accepted after the suspension of the contract.
- e. The steel sheets piles, reinforcing steel bars and steel gates were already corroded/rusted because they were exposed to the elements for more than two years. Materials Warehouse should have been constructed as one of the items in Item E-Temporary Facilities.

20.2 In the previous year's audit we requested for the explanation and submission of documents on the following issues, which you failed to give comments and submit the required documents:

- a. Comparison of the Work description per contract against the delivered materials on site per inventory report showed over delivery of materials amounting to P27,609,808.38 computed as follows:

	Quantity per Contract (linear In. meter)	Quantity per 1 st billing (linear meter)	Quantity delivered on site per Annex A (linear meter)	Total quantity received (In meter)
Item 114 Steel Sheet Piles				
Supply and Delivery				
8 mm x 40 cm x 3.0 m steel sheet files	1,900	807	798	1,605
8 mm x 40 cm x 6.0 m steel sheet files	1,880	1,590	1,584	3,174
8 mm x 40 cm x 12.0 m steel sheet files	0		3,156	3,156
8 mm x 40 cm x 4.0 m steel sheet files	0		1,368	1,368
Total	3,780	2,397	6,906	9,303
Difference/over delivered	(9,303 – 3,780)		5,523	
Amount (5,523 x 4,999.06)	P 27,609,808.38			

It was also observed that sheet files with length of 4 meters and 12 meters were received but were not included in the contract.

- b. The submitted documents to support inventory of materials and accomplishments report showed deficiencies as follows:
 - The attached computation of amount collectible by contractor "Annex A" was not signed, did not indicate the person responsible for that statement or management representation (Prepared by, Reviewed by and Approved by); and
 - The submitted Overall Monthly Accomplishment of the Project as of December 31, 2009, showing 14.048% was likewise not signed.

20.3 ***We reiterated our previous years' recommendations that Management:***

- a. ***Conduct physical inventory of the supplies and materials to be witnessed by COA representatives to determine the actual existence and present condition of the inventory reported;***
- b. ***Submit duly prepared and signed reports to COA for validation of the actual accomplishment and supplies inventory such as:***
 - i. ***documents enumerated in Section 3.1.2. of COA Circular 2009-001;***
 - ii. ***physical Accomplishment as of December 31, 2009 duly signed, reviewed and approved; and***
 - iii. ***revised computation of unexpended portion of advances to contractors taking into considerations the aforementioned double take up, the unworked reported accomplishments, the possible liquidation damages for the delay in the installation of steel sheets and steel gates assembly (Item Nos. 114 and 115).***

20.4 ***We further recommended that Management:***

- a. ***Investigate why the reinforcing steel bars were still accepted after the contract was already suspended and submit corresponding report of the investigation; and***
- b. ***Take appropriate action to prevent further corrosion of the steel pipes and steel bars on the site.***

20.5 Management informed that memorandum was sent to the Regional Manager NIA Region 5 to answer the Audit Observation Memorandum, however as of report date no reply was received. During the exit conference, Management stated that appointment was set with the contractor to discuss the accomplishment and the unexpended balance of the advances to contractor.

21. **NIA Regional Office No. 1 paid the cost 1,042 pieces of HDPE pipes of P9.734 million in 2009 of which 760 pieces costing P7.250 million were not delivered and the 282 pieces delivered remained unutilized, junked and deteriorating, resulting in loss of government money.**

21.1 In March 2009, the NIA-Regional Office, Urdaneta City, Pangasinan represented by the then Irrigation Manager contracted with ECP Trading and Construction Supply, represented by the owner for the procurement of one thousand one hundred sixty eight (1,168) pcs. Two contracts were entered between them for the implementation of two projects as follows:

Urdaneta Surface Irrigation Systems Project	292 pcs	Double walled corrugated HDPE pipe 16 " diameter x 6 meter long with socket @ one end and rubber o ring	Total Contract cost P 5,566,396.00
	292 pcs	Double walled corrugated HDPE pipe 16 " diameter x 12 meter long with socket @ one end and rubber o ring	
Alcala Surface Irrigation System Project	292 pcs	Double walled corrugated HDPE pipe 16 " diameter x 6 meter long with socket @ one end and rubber o ring	Total Contract cost P 5,566,396.00
	292 pcs.	Double walled corrugated HDPE pipe 16 " diameter x 12 meter long with socket @ one end and rubber o ring	
Total	1,168		P 11,132,792.00

21.2 The contract in the procurement of pipes also provides that:

- a. Item C-5 Delivery Period – The supplier/dealer agrees that the commodities described under the contract shall be completely delivered in thirty (30) calendar days after the receipt of the notice of award/purchase order, to NIA Pangasinan PIO, Urdaneta City, Pangasinan.
- b. C-8 Liquidated Damages – In case of refusal or failure of the supplier/dealer to satisfactorily perform his obligations covered by this contract within the time specified therein, the NIA without prejudice to its other remedies under the contract deduct the contract price as liquidated damages, a sum equivalent to ten percent of the undelivered price of the delayed goods or unperformed services for each calendar day of delay.
- c. C-14 Warranty – A breach of these representation including all misrepresentation in the documents or suppression of material facts thereon, which if known, could have disqualified the supplier/dealer such that this contract would not have been made into, gives NIA “moto proprio”, the immediate right or recourse to rescind, abrogate or otherwise terminate the contract without the need of judicial action.

21.3 In CY 2010, post audit of DVs showed that payments were made for the 1,043 pieces of pipes in the aggregate total of P9,733,814.00. These payments were supported with Agency’s Inspection Report among other supporting documents. Said Inspection/ Acceptance Report contained that there were deliveries of 1,042 pieces of HDPE pipes, inspected. However, after over a year from the date of Agency’s inspection/acceptance of the alleged deliveries, these pipes remained unutilized and junked around the NIA premise. We require the Agency to submit to COA a Report of Physical Count of Inventory of these pipes. The submitted Report of Physical Count of Inventory showed that there were only 282 pieces on hand out of the 1,042 pieces that were paid.

21.4 Verification of agency’s records and reports and verbal queries and interviews conducted from knowledgeable and technical management people disclosed that there are no issuances made from the time of delivery to the time of inventory count conducted by the concerned IMO. For confirmation purposes, another inventory count was conducted by the Pangasinan IMO Auditor together with the

IMO's Property Officer where the results also disclosed that only 282 pieces were on hand.

- 21.5 Ocular inspection by the Auditor of surfacing projects where these pipes are supposedly to be installed revealed that different pipes as to brand and specification were found partially installed in the site. According to the management, the change was due to farmers' request/resolution. The validity and regularity of this resolution was however questioned because it only came out after a year when payment of the originally procured pipes has already been made. The different pipes installed in sites did not undertake the regular procurement process and fund for the purpose was not available making it illegal in its nature. The agency has no valid basis to allow the untimely farmers' request/resolution.
- 21.6 Since there were no records to show issuances and utilization of the pipes delivered and the actual inventory on hand was only 282 pieces, then **760 pieces of pipes costing P7,250,226 could not be accounted by Management.** Interview conducted with concerned IMO Chief, Engineer-Inspectors and Property Officer further confirmed that the 760 pieces of pipes were actually undelivered.
- 21.7 The then Regional Manager upon receipt of the Audit Observation Memo (AOM) promptly demanded from the Contractor, Mr. Edwin Pulgar the refund of the P7,250,226.00 corresponding to the 760 pieces of HDPE pipes that were found undelivered per our audit. Notice of Disallowance was also issued to refund the cost of undelivered 760 pieces of pipes amount of P7,250,226.00.
- 21.8 The afore-cited management's action showed misuse of government funds punishable under Section 3e of RA No. 3019 "Anti-Graft and Practices Act"
- 21.9 ***We recommended that Management:***
- a. ***Conduct immediate investigation to identify persons responsible for the misuse of fund and take appropriate action to file case if warranted; and***
 - b. ***Take immediate and appropriate action for the proper disposition of the junked pipes to minimize loss of government funds.***
- 21.10 Management, during the exit conference, assured that an investigation will be conducted to identify persons responsible for the misuse of fund and take appropriate action to file case if warranted. They further stated that they will coordinate with the Project Engineers for the possible utilization of the pipes.

A.4 Status of Unsettled Audit Disallowances, Charges and Suspensions

The status of Notices of Disallowances, Charges and Suspension as of December 31, 2011 of NIA Central Office, Region 13 and CAR are as follows:

ND/NS No. /Date Issued	Nature	Amount	Status
Central Office			
ND			
102-09-001 June 2, 2009	Transfer of Fund 102 to corporate fund without legal basis (JEV No. 102-06-013-109)	P34,000,000.00	The appeal of P. Domingo was denied – CGS Decision No. 2011-002 dated January 2, 2011. No further appeal received
102-09-002 May 27, 2009	Forex gain from WRDP Fund not remitted to the Bureau of the Treasury but transferred to corporate fund (Check. No. 0374781 dated January 25, 2008)	2,346,629.80	No appeal received
101-2009-001 July 21, 2009	Transfer of funds to corporate accounts – for equipment rental without valid supporting documents (JEV No. 04-11-336,04-12-369, Check No. 290461 dated November. 19, 2004 and Check No. 302842 dated December 29, 2004)	35,563,229.03	No appeal received
10-001-102(09) March 25, 2010	CNA of Contract service employee	50,000.00	With salary deduction Valeza L. Pajenado – Paid P25,000
10-002-102(09) March 25, 2010	CNA of Contract service employee	20,000.00	With salary deduction- Valeza L. Pajenado – Paid P10,000
10-003-101(09)	CNA of Contract service employee	40,000.00	Settled as of June 30, 2012
11-03-101(10) December 7, 2011	Cost of Audit Services charged to Fund 101	3,246,721	With appeal filed with CGS dated June 6, 2012
11-012-102(11) October 18, 2011	RATA paid in excess of the rate of the equivalent position provided in GAA	3,200.00	Settled as of June 30, 2012
11-011-102(11) October 18, 2011	RATA paid in excess of the rate of the equivalent position provided in GAA	6,000.00	Settled as of June 30, 2012
11-010-102(09) July 19, 2011	Overpayment of Terminal Leave	18,305.76	No appeal received
11-008-102 (09) July 14, 2011	Overpayment of Terminal Leave	1,765.77	No appeal received
11-009-102 (09) July 14, 2011	Overpayment of Terminal Leave	21,155.80	No appeal received
11-007-102 (09) July 6, 2011	Overpayment of Terminal Leave	9,967.03	No appeal received
11-006-102 (09) July 19, 2011	Overpayment of Terminal Leave	6,479.50	No appeal received
11-005-102 (09) June 22, 2011	Overpayment of Terminal Leave	8,951.87	No appeal received

ND/NS No. /Date Issued	Nature	Amount	Status
11-004-102(09) June 3, 2011	Overpayment of Terminal Leave	14,057.29	No appeal received
11-001-101(10) May 5, 2011	RATA paid in excess of the rate of the equivalent position provided in GAA	36,000.00	No appeal received
11-002-101(10) May 5, 2011	RATA paid in excess of the rate of the equivalent position provided in GAA	9,600.00	No appeal received
11-003-102(10) March 28, 2011	Non-collection of Liquidated Damages SPISP	6,058,057.74	With decision appeal CGS Decision No. 2012-001 dated Feb 15, 2012 Disallowance lifted –for automatic review by Commission Proper
11-001-102(09) February 14, 2011	RATA paid in excess of the rate of the equivalent position provided in GAA	19,200.00	No appeal received
11-002-102(09) February 14, 2011	RATA paid in excess of the rate of the equivalent position provided in GAA	21,000.00	No appeal received
Region 13			
2008-002 October 21, 2008	RATA	32,400.00	No appeal received
2008-003 November 7, 2008	RATA	32,400.00	No appeal received
2009-013 January 22, 2009	Board and Lodging	2,160.00	No appeal received
2009-071 June 8, 2009	Year-end Bonus	125,480.68	No appeal received
2008-001 July 7, 2008	COLA/AMEL	100,018.13	No appeal received
2008-001 October 16, 2008	Reimbursement	24,970.15	No appeal received
2008-002 to 003 October 21, 2009	RATA	59,400.00	No appeal received
2008-004 October 16, 2008	Reimbursement	41,591.59	No appeal received
2008-005 to 006 November 17, 2008	Reimbursement of TEV	52,561.00	No appeal received
2009-015 Mar 12, 2009	Reimbursement	70,627.53	No appeal received
2009-017 March 26, 2009	Reimbursement	17,097.12	No appeal received
2009-018-021 April 8, 2009	Salary	1,417,971.01	No appeal received
2009-031 April 27, 2009	Mid year Bonus and Cash gift	25,925.88	No appeal received
2009-032 April 27, 2009	Uniform Allowance	8,000.00	No appeal received
2009-033 April 27, 2009	Year-end and cash gift	17,283.92	No appeal received
2009-065 May 15, 2009	45th anniversary bonus	136,510.85	No appeal received
2009-068 June 8, 2009	Year-end and cash gift	46,535.96	No appeal received
2009-070	Year-end and cash gift	14,650.00	No appeal received

ND/NS No. /Date Issued	Nature	Amount	Status
June 8, 2009			
2009-044 May 13, 2009	Year-end and cash gift	26,716.90	No appeal received
2009-045 May 13, 2009	Clothing Allowance	8,000.00	No appeal received
Suspension			
Central Office			
10-064-102(10) November 29, 2011	Non collection of liquidated damages-	34,538,860.49	No appeal received
11-004-102 (11) September 29, 2011	Incomplete documents – accomplishment report	858,675.92	No appeal received
Region 13			
2009-016 January 22, 2009	TEV incomplete documentation	12,460.00	No appeal received
2009-017 January 23, 2009	TEV incomplete documentation	25,668.00	No appeal received
2009-022 to 026 April 16, 2009	Purchase of goods – incomplete documentation	315,466.32	No appeal received
2009-030 May 14, 2009	Reimbursement-incomplete documentation	639.70	No appeal received
2009-034 to 036 May 18, 2009	Purchase of goods – incomplete documents	174,342.25	No appeal received
2009-045 to 048 May 25, 2009	Various procurement – incomplete documentation	121,226.81	No appeal received
2009-050 to 053	Various employees-Reimbursement – no documents	17,552.23	No appeal received
CAR			
11-001-101-(10) to 11-014-101-(10) May 23, 2011	Utilization of the fund not in accordance with the purpose for which it was appropriated.	1,352,190.19	No appeal received

B. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 61 audit recommendations embodied in the previous year's Annual Audit Report, 10 were fully implemented, 30 were partially implemented and 21 were not implemented. The summary is shown below:

Audit Observations	Recommendations	Status of Implementation
<p>1. The existence, valuation and accuracy of the balance of Property, Plant and Equipment (PPE) stated at P 73,537,162,000 as of December 31, 2010, representing 93.26 percent of total assets, could not be ascertained due to inadequacies and deficiencies in the accounting and property records and incomplete conduct of physical inventory.</p>	<p>We reiterated our prior years' recommendations that Management:</p>	
	<p>a. strictly comply with the above-cited law, rules and regulations;</p>	<i>Partially Implemented</i>
	<p>b. maintain updated subsidiary ledgers, property ledger cards, stock cards and other subsidiary records and reconcile accounting and property records periodically;</p>	<i>Partially Implemented</i>
	<p>c. conduct complete physical inventory of all property and reconcile result with accounting records; regularly reconcile accounting and property records of the Field Offices with the Regional Office (or the Regional Offices with the Central Office) and record any adjustments in the books;</p>	<i>Partially Implemented</i>
	<p>d. provide depreciation on all depreciable assets; and</p>	<i>Partially Implemented</i>
<p>e. take appropriate action to immediately dispose unserviceable assets.</p>	<i>Partially implemented</i>	
		<p>Reiterated in Comments and Observation No. 1 of Part II.A of the Report</p>

Audit Observations	Recommendations	Status of Implementation
<p>2. The balance of Construction in Progress (CIP) account amounting to P53,158,747,228 as of December 31, 2010 could not be validated due to inadequacy of records, and completed projects were not transferred to the appropriate asset accounts. Moreover, the transfer of CIP to the Public Infrastructure-Government Equity account in the amount of P174,341,729 in NIA Region 8 books was not supported with complete documents.</p>	<p>We reiterated our prior years' recommendations that Management:</p> <ul style="list-style-type: none"> a. transfer the cost of completed projects to the proper asset accounts or Public Infrastructure-Government Equity account in compliance with government accounting rules and regulations, accounting standards and NIA Memorandum Circulars; b. prepare/maintain and regularly update subsidiary ledgers and project cost sheets for each project for monitoring the cost during the construction period; c. exert extra effort to compile turnover documents, inventory of project assets, project completion reports, as well as all other supporting documents pertaining to completed projects, like reports of the Engineering Department or of those who conducted the inventory of completed projects; and d. allocate/transfer the management fee and general engineering and administrative expenses entered in the CIP-Central Office account to the corresponding regional office's completed projects or CIP where they were recorded. 	<p><i>Partially Implemented</i></p> <p><i>Partially Implemented</i></p> <p><i>Partially Implemented</i></p> <p><i>Not implemented</i></p> <p>Reiterated in Comments and Observation No. 2 of Part II.A of the Report</p>

Audit Observations	Recommendations	Status of Implementation
<p>3. The existence of accounting deficiencies such as unreconciled book and bank balances; non-maintenance of subsidiary ledger for each bank account; existence of abnormal sub-account balances; and non-translation of foreign currency bank accounts to the agency's reporting currency at BSP closing rate, resulting in net overstatement of Cash in Bank by P20,546,822 and non-recognition of unrealized net foreign exchange loss, rendered the Cash account with a balance of P3,288,091,243 in the financial statements as of December 31, 2010 doubtful and unreliable.</p>	<p>We reiterated our prior years' recommendations that Management:</p> <ul style="list-style-type: none"> a. strictly adhere to Section 74 of PD 1445 and prepare Monthly Bank Reconciliation Statements for all bank accounts promptly; b. coordinate with servicing depository banks for the timely release of bank statements and other supporting documents covering bank transactions; c. maintain and update subsidiary ledgers, and reconcile the total of their balances with the balance of the controlling account; and d. adhere to PAS No. 21, Paragraphs IN13 and 21 by translating bank accounts denominated in foreign currencies to the reporting currency of the Agency using the BSP prescribed closing rates as of balance sheet date, and exert extra effort to secure the supporting documents for the long outstanding reconciling items and analyze the account to reconcile the peso balance per GL with the equivalent peso value of the US\$ amount recorded in SL. 	<p><i>Partially Implemented</i></p> <p><i>Partially Implemented</i></p> <p><i>Partially Implemented</i></p> <p><i>Partially implemented</i></p> <p>Reiterated in Comments and Observation No. 3 of Part II.A of the Report</p>

Audit Observations	Recommendations	Status of Implementation
<p>4. Cash in Bank balances of completed foreign-assisted projects in the total amount of P12,019,459.14 were transferred to NIA Corporate Budget Account and not returned to the Bureau of the Treasury, contrary to various law, rules and regulations.</p>	<p>We recommended that Management immediately refund the unexpended cash balance of the trust fund with the corresponding interest by returning the same to the Bureau of the Treasury.</p>	<p><i>Not implemented</i></p> <p>Reiterated in Comments and Observation No. 4 of Part II.A of the Report</p>
<p>5. The transfer of funds from MDS (Account 108) in some NIA Regional Offices to NIA Field Offices and Regional Office Cash in Bank LCCA (Account 111) and to other funds totaling P1,274,593,430 contravened various laws, rules and regulations.</p>	<p>We recommended that Management:</p> <ul style="list-style-type: none"> a. strictly comply with the afore-cited laws, rules and regulations pertaining to the Modified Disbursement Scheme (MDS) and immediately return to the Bureau of the Treasury the unencumbered cash balance; b. close the current accounts maintained in both regional and field offices and pay external creditors from MDS bank account; and c. consider granting revolving fund to defray operating expenses in the field offices. 	<p><i>Not Implemented</i></p> <p><i>Not implemented</i></p> <p><i>Not implemented</i></p> <p>Reiterated in Comments and Observation No. 5 of Part II.A of the Report</p>
<p>6. The accuracy and validity of Payables in the amount of P2,892,413,144 were doubtful due to lack of necessary documents to support the claims and existence of Inter-Agency payable abnormal balance of P1,399,981.</p>	<p>We reiterated our prior years' recommendation that Management:</p> <ul style="list-style-type: none"> a. comply with laws, government accounting rules and regulations applicable to liabilities and analyze the entries made in recording these payables in order to properly reverse 	<p><i>Implemented</i></p>

Audit Observations	Recommendations	Status of Implementation
	<p>undocumented Accounts Payable;</p> <p>b. record only those claims that are supported with proper documentation for them to be considered valid;</p> <p>c. prepare schedule of accounts payable and maintain subsidiary ledgers for each creditor to support the amount stated in the general ledger; and</p> <p>d. analyze and investigate periodically the balances of payables especially those with abnormal balances and make appropriate adjustments as warranted.</p>	<p><i>Implemented</i></p> <p><i>Partially implemented</i></p> <p><i>Partially implemented</i></p> <p>Reiterated in Comments and Observation No. 6 of Part II.A of the Report</p>
<p>7. Cash advances totaling P14,577,263 remained outstanding and unliquidated as of December 31, 2010, contrary to Section 89 of PD 1445, and Sections 5.8 and 5.9 of COA Circular No. 97-002, exposing government funds to the risk of misappropriation.</p>	<p>We reiterated our prior years' recommendation that Management strictly adhere to the provisions of Section 89, PD 1445, and Sections 5.8 and 5.9 of COA Circular No. 97-002 by undertaking the following courses of action:</p> <p>a. require the concerned officers and employees with unliquidated cash advances to immediately liquidate them, otherwise withhold their salaries as prescribed in Section 5.9 of COA Circular No. 97-002. For those officers and employees who are no longer in the service, exert effort to collect from them the unliquidated amounts;</p> <p>b. stop granting additional cash advances if the previous cash advance</p>	<p><i>Partially Implemented</i></p> <p>Reiterated in Comments and Observation No. 7 of Part II.A of the Report</p> <p><i>Implemented</i></p>

Audit Observations	Recommendations	Status of Implementation
	<p>has not yet been liquidated;</p> <p>c. be reminded of the penal provision in Section 128, PD 1445, on violation of the limitations on cash advance cited in Section 89 of the same law and the administrative disciplinary action prescribed in Section 127 of the same law; and</p> <p>d. maintain subsidiary ledger for each grantee for purposes of monitoring of the granting and liquidation of cash advances and their proper accounting.</p>	<p><i>Implemented</i></p>
<p>8. Advances granted to Local Government Units (LGUs) and National Government Agency (NGA) totaling P360,585,039 for the restoration/rehabilitation/repair of irrigation systems remained unliquidated contrary to the Memorandum of Agreement executed between the contracting parties.</p>	<p>We reiterated our previous years' recommendation that Management communicate with the concerned LGUs/NGA and request for the immediate liquidation of their advances in strict compliance with the provisions of the MOA. We further recommended that Management:</p> <p>a. strictly adhere to COA Circular No. 94-013 and ensure that releases of funds are in accordance with the circular and succeeding fund releases be made only if the previous fund transfers had been liquidated;</p> <p>b. demand immediately the liquidation of the long outstanding funds transferred without any liquidation reports submitted and take appropriate action to impose NIA's rights</p>	<p><i>Partially implemented</i></p> <p><i>Implemented</i></p> <p><i>Partially implemented</i></p>

Audit Observations	Recommendations	Status of Implementation
	<p>provided in the MOA in case of breach in its execution; and</p> <p>c. improve the monitoring/supervision control on fund transfers for the implementation of projects to include:</p> <ul style="list-style-type: none"> • the responsibility of actual supervision and reporting by NIA employees on the status of implementation of the projects; • the responsibility of securing the required documents for liquidation. Coordination and joint effort be made by and among the Provincial Irrigation Management Offices, the Systems Management Division, and the Finance Department relative to the completion of the documents necessary to take up liquidation/utilization of funds in order to render reliable financial reports. 	<p><i>Partially implemented</i></p> <p>Reiterated in Comments and Observation No. 8 of Part II.A of the Report</p>
<p>9. Statutory contributions and other trust collections amounting to P64,743,847 as of December 31, 2010 were not regularly remitted to the concerned government agencies/corporations which was against existing laws, and</p>	<p>We recommended that Management reconcile their records and make the necessary adjustments such that the year-end balance of the Due to BIR will only represent the unremitted taxes withheld for December and the Due to Other GOCC balance will only represent the unremitted statutory contributions for the</p>	<p><i>Partially Implemented</i></p>

Audit Observations	Recommendations	Status of Implementation
government rules and regulations.	<p>month of December.</p> <p>We reiterated our prior years' recommendation that Management strictly conform to the requirements of Section 6, PD 1147, and BIR Revenue Regulation No. 2-98 including Section 42, General Provisions of the General Appropriations Act of FY 2010 (RA 9970) regarding remittance of statutory contributions and taxes withheld to the concerned government agencies/corporations; to religiously post entries to individual SL; and to reconcile the total of the balance of the individual employees' SL with that of the balance of the controlling account.</p>	<i>Partially implemented</i>
10. The balance of the Advances to Contractors account – Central Office of P855,389,976 as of December 31, 2010 still included advances pertaining to contracts/projects that were already completed several years ago in the amount of P17,336,151.	<p>We reiterated our prior years' recommendation that Management:</p> <ul style="list-style-type: none"> a. strictly comply with RA 9184 and ensure that advance payments or mobilization fees are repaid by the contractor by deducting 15 percent from its periodic progress payments; b. analyze the balance to determine valid unrecouped advances from contractors with projects that were already completed and immediately demand payment; c. adjust the books for any error discovered in recording; and d. ensure that advances 	<p><i>Implemented</i></p> <p><i>Partially implemented</i></p> <p><i>Partially implemented</i></p> <p><i>Partially implemented</i></p>

Audit Observations	Recommendations	Status of Implementation
	unrecouped in the previous progress billings are deducted from the present progress billing at an accelerated amount.	Reiterated in Comments and Observation No. 9 of Part II.A of the Report
11. Interest earned from deposits totaling P3,918,792 under the general fund was not remitted to the Bureau of the Treasury contrary to Section 3, General Provisions of the General Appropriations Act (GAA), FY 2010, and Section 65 of PD 1445.	We reiterated our recommendation that Management remit all interest income earned from bank deposits maintained under the general fund to the Bureau of the Treasury in compliance with the above cited provisions of laws.	<i>Implemented</i>
12. Management imposed five percent management fee, as administration and engineering overhead charge, not on the total cost of implemented and completed projects, but based on the allotment released by the DBM for project construction contrary to law and government rules and regulations.	<p>We reiterated our previous year's recommendation that Management:</p> <ul style="list-style-type: none"> a. adhere to the afore-cited laws, rules and regulations and correctly claim the five percent management fee after rendition of the required services, support the claim with project documents, and compute it based on total actual project cost as implemented/completed or on the percentage of accomplishment; and b. remit to the Bureau of the Treasury the noted over collection of management fee amounting to P18,015,002. 	<p><i>Not Implemented</i></p> <p><i>Not implemented</i></p> <p>Reiterated in Comments and Observation No. 12 of Part II.A of the Report</p>
13. NIA paid General Engineering Supervision and Administrative Expenses (GESA) equivalent to 3.5 percent of the total cost of the	We recommended that Management strictly comply with the above-cited laws and charge only 5 percent administrative and engineering overhead on projects undertaken by it. Payments of 3.5	<i>Not Implemented</i>

Audit Observations	Recommendations	Status of Implementation
<p>projects implemented for the year in addition to the 5 percent imposed administration and engineering overhead charge, contrary to various laws, rules and regulations.</p>	<p>percent GESA will be disallowed in audit pursuant to the opinion of the Office of the Solicitor General.</p>	
<p>14. Payment of Collective Negotiation Agreement (CNA) incentive in the amount of P50,000 for every project personnel based on the computed savings of NIA operations for the 1st semester of 2010, using trust funds, was not in accordance with Section 4(3) of PD 1445, COA Circular No. 94-013 dated December 13, 1994, and DBM Budget Circular No. 2006-1. Moreover, the early payment of CNA incentive for CY 2010 in October 2010 also violated Section 5.7 and Section 6.1.2 of the same DBM Circular.</p>	<p>We recommended that Management strictly comply with the laws, rules and regulations covering the use of trust funds and immediately collect from the corporate fund the amount paid for the CNA incentive and return the same to the Bureau of the Treasury.</p>	<p><i>Not Implemented</i></p> <p>Reiterated in Comments and Observation No. 13 of Part II.A of the Report</p>
<p>15. Procurement of consultancy services in the total amount of P80,106,180 from NIA Consult, Inc. through Agency-to-Agency Agreement did not comply with the Government Procurement Policy Board (GPPB) Resolution No. 18-2007 dated May 31, 2007.</p>	<p>We recommended that Management:</p> <ul style="list-style-type: none"> a. strictly comply with RA 9184 in the procurement of future consultancy service; b. comply strictly with GPPB Resolution No. 18-2007 and meet the required conditions for an Agency-to-Agency Agreement and prepare acceptable cost-benefit analysis, comparing the offer of NIA 	<p><i>Not implemented</i></p> <p><i>Not implemented</i></p>

Audit Observations	Recommendations	Status of Implementation
	<p>Consult, Inc. with the available local rate in the market;</p> <p>c. comply strictly with the Government Procurement Manual, Volume IV – Consultancy, in computing the cost of consultancy service for approval (ABC); and,</p> <p>d. submit justification and supporting documents and computation for the vehicle rental and purchase of equipment.</p>	<p><i>Not implemented</i></p> <p><i>Not implemented</i></p> <p>Reiterated in Comments and Observation No. 14 of Part II.A of the Report</p>
<p>16. Management failed to provide the Auditor copies of contracts/purchase orders within five days after its perfection and to notify the Auditor of the deliveries of procured items within 24 hours from the date of acceptance, contrary to COA Circular No. 2009-001, thus, hindering early auditorial, legal and technical review by the Auditor.</p>	<p>We reiterated our previous years' recommendation that Management comply with the provisions of the above-mentioned COA Circular and reminded them of the administrative disciplinary action prescribed in Section 127, PD 1445, in case of non-compliance with laws, and government rules and regulations.</p>	<p><i>Partially implemented</i></p> <p>Reiterated in Comments and Observation No. 15 of Part II.A of the Report</p>
<p>17. The completions of 69 projects implemented in NIA Region 5 were delayed due to time suspensions and extensions.</p>	<p>We recommended that Management:</p> <p>a. strictly adhere to Annex E of the IRR of RA 9184 - prescribing the guidelines for Contract Implementation and Procurement of Infrastructure Project relative to the extension of contract time; and</p> <p>b. exercise due diligence in the evaluation of the request of</p>	<p><i>Partially implemented</i></p> <p><i>Partially implemented</i></p>

Audit Observations	Recommendations	Status of Implementation
	<p>time extension by validating the claims of the contractors through sufficient documents before granting the request, such as:</p> <p>Bad Weather</p> <ul style="list-style-type: none"> i. Three Hourly Rate Rainfall Chart ii. Picture of the Project site iii. Project In-Charge narrative report as to the actual situation iv. Photocopy of the Project logbook showing the unworkable days <p>Standing Crops/Water Schedule/Variation Order</p> <ul style="list-style-type: none"> i. Picture of the Project site ii. Project In-Charge narrative report as to the actual situation iii. Photocopy of the Project logbook showing the unworkable days <p>Local Communist Terrorist</p> <ul style="list-style-type: none"> i. Current Certification from local police station ii. Current DILG Regional Director certification iii. Project In-Charge narrative report as to the actual situation iv. Photocopy of the Project logbook showing the unworkable days 	<p>Reiterated in Comments and Observation No. 17 of Part II.A of the Report</p>

Audit Observations	Recommendations	Status of Implementation
<p>18. Contract time completion for Contract No. SJIPD-c-1- (Construction of Main Canal Station 0+000 to Station 8+540 and Construction of Pumping Station Building ...) was twice extended for a total of 118 days due to claimed heavy rainfall without proper evaluation and complete supporting documents.</p>	<p>We recommended that Management:</p> <ul style="list-style-type: none"> a. strictly adhere to the provisions of RA 9184 and its IRR and those of the contract in the evaluation and granting of contract time extensions; b. validate reports made by the contractor and PMO against independent reports to ensure that evaluation is based on claims that are true and correct; c. devise policy guidelines relative to the evaluation of request for time extension to include documents to be obtained and reports to be prepared/submitted, such as photographs and LGU's certification; and d. demand payment of liquidated damages from the contractor due to delay in the project completion. 	<p><i>Not Implemented</i></p> <p><i>Not Implemented</i></p> <p><i>Not Implemented</i></p> <p><i>Not Implemented</i></p> <p>Reiterated in Comments and Observation No. 17 of Part II.A of the Report</p>
<p>19. Procurement of works for the construction of irrigation systems in some NIA Field Offices were not subjected to public bidding contrary to RA 9184.</p>	<p>We recommended that Management strictly adhere to the IRR of RA 9184 and GPPB Resolution No. 18-2006.</p>	<p><i>Partially implemented</i></p> <p>Reiterated in Comments and Observation No. 16 of Part II.A of the Report</p>
<p>20. Irrigation projects in Region 11 costing P165,618,163 consisting of 30 projects were bidded and awarded during the year without posting the corresponding Notice of</p>	<p>We recommended that Management strictly adhere to the provisions of Section 37.1.6 and 37.4.2 of the Revised IRR of RA 9184 and instruct the BAC to perform its functions relative to the agency's posting of procurement activities as required.</p>	<p><i>Implemented</i></p>

Audit Observations	Recommendations	Status of Implementation
Award, the contract and Notice to Proceed in the website of the procuring entity and any conspicuous place in the premises of the procuring entity contrary to RA 9184.		
21. Double walled corrugated high density polyethylene (HDPE) pipes and fitting costing P9.7 million remained unutilized and exposed to the elements at NIA Regional Office No. 1, resulting in loss of government money.	<p>We recommended that Management:</p> <ul style="list-style-type: none"> a. submit a BAC resolution for the approval of the changes in pipes' specifications; b. submit any new agreement or undertaking regarding the installed pipes; c. submit an inventory report on these unutilized pipes; and d. immediately take appropriate action for the proper disposition of these pipes to minimize loss of government funds. 	<p><i>Not Implemented</i></p> <p><i>Implemented</i></p> <p><i>Implemented</i></p> <p><i>Not implemented</i></p> <p>Reiterated in Comments and Observation No. 21 of Part II.A of the Report</p>
22. Payments to Contractors in Region 8 were not supported with complete documentation contrary to Section 4(6) of PD 1445.	We recommended that Management submit complete documentations in compliance with Section 4(6) of PD 1445 to avoid suspension and disallowances in audit.	<i>Partially implemented</i>
23. The Statement of Cash Flows (SCF) for the year ended December 31, 2010 for General Fund was not fairly presented due to deficiencies noted.	<p>We recommended that Management:</p> <ul style="list-style-type: none"> a. adhere to PAS 7 for fairness of presentation of the Statement of Cash Flows; b. submit computation/working 	<p><i>Partially implemented</i></p> <p><i>Not implemented</i></p>

Audit Observations	Recommendations	Status of Implementation
	<p>papers to explain the deficiencies noted above; and</p> <p>c. submit working papers showing the cash transactions involved that resulted in the net difference of each Trial Balance account.</p>	<p><i>Not implemented</i></p> <p>Reiterated in Comments and Observation No. 10 of Part II.A of the Report</p>
<p>24. The accuracy and fair presentation of the Statement of Changes in Government Equity was doubtful due to the absence of complete accounting records to support the adjustments in PPE-Public Infrastructure in the amount of P4,575,165,513 and discrepancy of P8,207,867,299 between the total reported balance of the regions against the consolidated balances presented in the statement.</p>	<p>We recommended that Management adhere to PAS 1 in the preparation of SCGE, by presenting the changes during the period, reconcile the difference noted above and submit documents to support the adjustments.</p>	<p><i>Partially implemented</i></p> <p>Reiterated in Comments and Observation No. 11 of Part II.A of the Report</p>

1-a OFFICES WHICH DID NOT MAINTAIN COMPLETE SUBSIDIARY LEDGERS OR LEDGER CARDS FOR PPE ACCOUNT

Office	Fund	PPE Item	Amount
Reg I	101/102/102-PIDP	Property, Plant and Equipment	P 669,897,038.80
UPRIIS	101	Property, Plant and Equipment	1,651,725,970.34
Reg III	101	Property, Plant and Equipment	1,532,000,829.40
Reg IV-A	101-MDS	Construction In Progress	2,721,992,173.00
CASECNAN	102	Property, Plant and Equipment	1,959,670,171.08
Reg X	101/102	Property, Plant and Equipment	2,965,612,253.00
Reg XII	102-PIDP	Construction In Progress	6,609,711.42
Reg XII	101	Property, Plant and Equipment	1,442,538,152.49
Reg XIII	101	Property, Plant and Equipment	1,546,059,490.69
Central Office	101	Property, Plant and Equipment	1,243,807,499.69
	101	Construction In Progress	4,477,421,081.54
	102	Property, Plant and Equipment	121,781,383.52
	102	Construction In Progress	22,103,311,236.67
Total			P42,442,426,991.64

1-b. OFFICES WHERE ACCOUNTING RECORDS DO NOT TALLY WITH PROPERTY RECORDS

Office	Fund	Accounting Record	Property Record	Variance
CAR	101/102	P502,433,491.11	P15,696,815.84	P486,736,675.27
Reg I	101/102/102-PIDP	669,897,038.80	312,026,823.84	357,870,214.96
Reg II	101-MDS	1,029,426.50	Not Available	Not Available
CASECNAN	101	1,060,955.27	1,011,256.85	49,698.42
CASECNAN	102	46,393,690.67	24,745,322.03	21,648,368.64
Reg XII	102-PIDP	6,609,711.42	6,161,638.79	448,072.63
Central Office	101	1,243,807,499.69	13,151,669.56	1,230,655,830.13
	102	3,207,284,018.17	47,246,379.96	3,160,037,638.21
Total		P5,678,515,831.63	P 420,039,906.87	P5,257,446,498.26

1-c OFFICES WHICH DID NOT CONDUCT PHYSICAL INVENTORY/SUBMITTED INCOMPLETE INVENTORY REPORT

Office	Fund	PPE Item	Amount
CASECNAN	101	Property, Plant and Equipment	P 402,529,778.94
Reg X	101/102	Property, Plant and Equipment	2,965,612,253.00
Reg XII	102-PIDP	CIP	6,609,711.42
Reg XIII	102-PIDP	Property, Plant and Equipment	5,293,635.17
Total			P 3,380,045,378.53

1-d OFFICES WHERE BALANCE PER BOOKS DID NOT TALLY WITH BALANCE PER PHYSICAL INVENTORY REPORT

Office	Fund	Balance per Books (a)	Balance per Physical Inventory Report (b)	Difference Over (Under) (a-b)
Reg IV-A	101	P 12,533,404.26	P 15,852,979.44	P (3,319,575.18)
Central Office	101	1,243,807,499.69	13,151,669.56	1,230,655,830.13
Central Office	102	3,207,284,018.17	47,246,379.96	3,160,037,638.21
Total		P 4,463,624,922.12	P 76,251,028.96	P 4,387,373,893.16

1-e OFFICES WITH UNSERVICEABLE ASSETS INCLUDED IN PPE

Office	Fund	Amount
CAR	101/102	P 757,013.00
CASECNAN	102	7,704,876.34
CASECNAN	101	1,323,978.50
Total		P 9,785,867.84

1-f. OFFICES WITH CONSTRUCTION IN PROGRESS (CIP) BALANCES THAT STILL INCLUDED COST OF COMPLETED PROJECTS

Office	Fund	Amount
Reg V	101	P 641,700,193.32
Reg XII	102-PIDP	6,609,711.42
BBMPP	101	7,569,939.48
Central Office	101	4,477,421,081.54
Central Office	102	22,103,311,236.67
Total		P 27,236,612,162.43

**1-g. OFFICES WITH COMPLETED PROJECTS NOT YET TRANSFERRED TO
REGISTRY OF PUBLIC INFRASTRUCTURE**

Office	Fund	Amount
CAR	101/102	P 42,995,455.18
Reg X	101/102	No amount provided
Reg XII	102-PIDP	6,609,711.42
BBMPP	101	7,569,939.48
Total		P 57,175,106.08

**1-h. COMPLETED PROJECTS IN CENTRAL OFFICE BOOKS FUND 102 STILL
INCLUDED IN CIP**

Office	Date Completed	Balance 12/31/2011
Bohol Irrigation Project II	December 1996	P 2,656,643,818.99
Cagayan Integrated Agricultural Development Project	December 1991	60,198,896.36
Casecnan Multi-Purpose Irrigation Project	December 2008	4,472,125,086.84
ISIP II	December 1998	182,190,899.35
LADP	December 1992	377,801,616.80
MMIP	December 2006	155,137,703.19
PDDP	December 1997	418,179,091.46
RAARD		1,644,185.25
TGISRP	June 2006	128,205,766.68
WRDP	December 2005	221,702,897.08
No break down per project	1996 - 2001	3,708,123,679.74
El Nino		16,999,433.00
GSDP		92,116,333.50
Total		P 12,491,069,408.24

Annex 2

2-a. OFFICES WHICH DID NOT SUBMIT OR SUBMITTED LATE THE BANK RECONCILIATION STATEMENTS

Office	Fund	Book Balance of Cash In Bank as of 12/31/11
Reg I	101/102/102-PIDP	P 305,614,999.34
UPRIIS	101	427,176,786.40
Reg XIII	101	513,519,974.71
Total		P 1,246,311,760.45

2-b. OFFICES WITH DISCREPANCIES BETWEEN CASH IN BANK BALANCES PER BOOKS AND PER BANKS

Office	Fund	Balance per Books (a)	Balance per Bank Statements/Confirmation (b)	Difference Over (Under) (a-b)
Reg I	101/102/102-PIDP	P 305,614,999.34	P 189,409,866.85	P116,205,132.49
Central Office	102	511,878.81	-0-	511,878.81
Central Office	102	20,826,623.01	13,019,963.56	7,806,659.45
Total		P326,953,501.16	P202,429,830.41	P124,523,670.75

2-c. OFFICES WHICH DID NOT MAINTAIN/UPDATE SUBSIDIARY LEDGERS FOR CASH IN BANK ACCOUNT

Office	Fund	Cash In Bank Balance 12/31/2011
UPRIIS	102	P 3,260,280.14
Reg I	101/102/102-PIDP	305,614,999.34
Reg IV-A	101	38,972,209.60
Reg VII-Bohol PIO	101	206,323,967.93
Total		P 554,171,457.01

2-d. CASH ON HAND AND IN BANK WITH NEGATIVE BALANCES

Office	Fund	Account	Balance 12/31/11
Region V	102	Payroll Fund	P 196,185.50
	102-CIDP	Payroll Fund	573,112.49
	102-IOSP	Payroll Fund	88,054.07
	102	CIB-LCCA	406,701.11
	102-GSDP	Payroll Fund	20,530.72
	102-EI Nino	Payroll Fund	43,339.46
	102-EI Nino	CIB-LCCA	10,048.96
Region VI	102	Payroll Fund	374,013.90
		CIB-LCCA	471,212.14
UPRIIS	102-WRDP	Payroll Fund	40,697.69
	102-EI Nino	Payroll Fund	82,792.98
	102-CMIPP	Payroll Fund	96,554.26
		CIB-LCCA	426,906.90
Total			P 2,830,150.18

Annex 3

3-a. ACCOUNTS/OTHER PAYABLES WHICH WERE NOT SUPPORTED WITH VALID CLAIMS/PROPER DOCUMENTATION

Office	Fund	Account	Amount
CAR	101/102/ 171		P 3,110,788.45
UPRIIS	102		1,154,308.69
Reg VII-RO	101		4,463,835.80
Reg VII-Cebu IMO	101		61,242.12
Reg VII-Cebu PIO	101		5,633,651.01
Reg VII-BHIP II	101		191.99
Reg VII-BIIS	101		108,582.39
Reg VII-Negros Or. PIO	101		1,049,903.93
Reg VII-Bohol PIO	101		2,890,658.39
	101	Accounts Payable	20,628,150.73
	102	Accounts Payable	2,335,785,258.03
Central Office	102	Guarantee Deposits Payables	269,304,509.41
Total			P 2,644,191,080.94

3-b. OUTSTANDING ACCOUNTS PAYABLE PERTAINING TO COMPLETED PROJECTS

Fund	Date of Completion of Project	Balance 12/31/2011
CMIPP	December 2008	P 51,172,488.45
GSDP		1,779,711.98
ISIP II	December 1998	(117,394,843.20)
LADP	December 1992	112,640,920.60
PDDP	December 1997	36,954,548
SPIAPD	December 1995	9,656,712.93
TGISRP	June 2006	1,452,181.44
VCIPP	December 1997	387,758.08
		P 96,649,478.28

3-c. OFFICES WITH ABNORMAL BALANCES OF PAYABLES

Office	Fund	Account	Balance 12/31/2011
Reg III	102	Due to Philhealth	P 5,392.09
Reg IV	WRDP	Due to GSIS	33,731.38
	WRDP	Due to Philhealth	8,273.86
	CIDP	Due to Pag-ibig	5,492.38
Reg VI	101	Due to GSIS	788,442.84
Reg XI	101	Due to Other Funds	651,205.70
Central Office	102	Due to GSIS	69,444.53
	102	Due to Pag-ibig	13,593.26
	102	Due to Philhealth	855.75
	102-PIDP	Due to Pag-ibig	400.00
Total			P1,576,831.79

4-a. SUMMARY OF UNLIQUIDATED CASH ADVANCES AS OF DECEMBER 31, 2011

Office	Fund	Cash Disbursing Officer/Payroll Fund	Due From/Advances to Officers and Employees	Total
CAR	101, 102		P 487,869.81	P 487,869.81
UPRIIS	101		90,000.00	90,000.00
Reg III	101		354,204.20	354,204.20
Reg IX	101		776,942.35	776,942.35
Reg X	101		2,988,225.58	2,988,225.58
	IRPEP		413,407.48	413,407.48
	102		203,919.00	203,919.00
Reg XII	101		130,724.00	130,724.00
Reg XIII	101	4,871,511.82	3,764,332.43	8,635,844.25
Reg XIII	102 PIDP		382,438.00	382,438.00
Central Office	101		156,517.22	156,517.22
	102		57,553.15	57,553.15
Total		P 4,871,511.82	P9,806,133.22	P 14,677,645.04

4-b. SUMMARY OF UNLIQUIDATED FUND TRANSFERS TO LGUs and NGA

	Date of Fund Transfer	Balance as of 12/31/2011
Due from LGUs – Fund 101		
Central Office		
Municipality of Narvacan, Ilocos Sur	03/19/09	P 54,421
Provincial Government of Quezon	06/11/10	3,663,939
Provincial Unit of Zambales	05/05/08	3,893,579
Provincial Unit of Zambales	03/16/09	63,316
	04/08/10	49,964
Municipal Government Unit of Enrile, Cagayan	03/23/07	4,275,000
	06/22/07	6,741,592
	01/16/08	3,233,409
Municipal Government Unit of Sierra Bullones, Bohol	09/23/08	4,268,116
Provincial Government Unit of Occidental Mindoro	05/05/09	15,347,737
	09/05/09	
Municipal Government of Sogod Southern Leyte	03/01/09	22,590,718
	09/03/09	
	12/23/09	
Provincial Government Unit of North Cotabato	06/13/08	105,156

	Date of Fund Transfer	Balance as of 12/31/2011
Provincial Government Unit of Maguindanao	03/19/08	36,600,000
NIA Regional Offices		
C A R		
Province of Abra		2,525,351
Province of Apayao		789,733
Province of Ifugao		1,536,836
Province of Kalinga		2,996,590
Region I		
Municipality of Narvacan, Ilocos Sur	2007	9,011
Municipality of Calasiao	2007	159,321
Municipality of Bani	2007	1,310,888
Region IV		
Municipality of San Francisco, Quezon	July 2008	7,792,387
Municipality of Odiongan, Romblon	June 2010	5,044,913
Municipality of Maburao	April 2010	8,286,300
Region V		
Province of Sorsogon	2008	2,141,455
Province of Albay	2010	85,149,668
Province of Masbate	2007 - 2010	13,345,526
Province of Camarines Norte	2010	5,764,500
Province of Camarines Sur	2009	5,956,650
Province of Catanduanes	2007 - 2010	7,461,696
Region IX		
LGU - Tawi-Tawi, Subah Mamah	2007	727,285
LGU - Tawi-Tawi, Subah Tarwakan	2007	482,931
LGU - Sirawai, Zamboanga del Norte - Piacan	2007	74,534
LGU - Zamboanga del Sur, Imelda	2005	250,846
LGU - Zamboanga del Sur, Alicia	2007	309,955
Municipality of Payao	2008	193,196
Municipality of Indanan, Sulu-Pasil	2009	2,730,000
Municipality of Kabasalan	2009	1,713,803
Region XIII		
No Subsidiary Record		34,269,808
Total Due from LGU		291,910,130
Due from NGA - Fund 101		
Central Office	06/19/09	8,236,300
Office of the President - Bicol River Basin Watershed Management Project Management Office	09/03/09	21,413,700
Fund 102 SPISP		
DENR - Nabuturan, Campostela Valley	2007 to March 2008	3,261,890
DENR - Agusan del Norte	May, July – Aug 2008	3,898,055
DENR - ARMM	March and	

	Date of Fund Transfer	Balance as of 12/31/2011
	Aug 2007	3,916,938
DENR - Negros Occidental	June 2010	2,481,892
DENR - Negros Oriental	August - Sept 2007	497,379
DENR - PENRO	April – May 2002	3,697,051
DENR - PENRO Reg 7 and 8	Dec 2007 and Aug 2008	1,522,491
DENR- Region II	May 1997	1,500,000
Department of Health - ARMM	Nov 2008 and July 2009	1,180,108
Department of Health - CARAGA	May and July 2009	1,560,121
Department of Health - Lanao	July 2009	13,035
DENR – Surigao del Sur Tandag	August 2008	1,669,009
Fund 102 - WRDP		
DENR - UPRIIS	April 1999	176,000
Fund 102 CIDP/PDDP		
Department of Agriculture	April and Sept 1998	2,790,697
Total Due from NGA		57,814,666
Total		P349,724,796

Annex 5

5-a. COMPARISON OF NIACI CONTRACT PRICE AGAINST GPPB MANUAL AND PROCEDURES ON PROCUREMENT OF CONSULTANCY SERVICES' PRESCRIBED RATES

Project	Libmanan-Cabusao	Balog-Balog Phase II	Kulaman	Ilaguen
Total Contract Price	P 12,492,036.48	P 15,186,628.80	P 5,019,463.68	P 27,539,783.04
Basic Cons Remuneration Rates per Contract	4,220,000.00	6,240,000.00	1,570,000.00	7,165,000.00
Prescribed Basic Rates per Procurement Manual (200% of equivalent position in the government)	3,538,612.00	5,089,572.00	1,551,387.50	6,369,011.00
Difference	681,388.00	1,150,428.00	18,612.50	795,989.00
Office Running Cost	625,000.00	300,500.00	348,000.00	1,230,000.00
Advisory Group/Home Office Support	500,000.00	600,000.00	300,000.00	900,000.00
Cost Plus 20%	1,858,934.00	2,259,915.00	746,944.00	4,098,182.00
Total Add-ons per Contract	2,983,934.00	3,160,415.00	1,394,944.00	6,228,182.00
Prescribed Overhead Cost 20% Prescribed Basic Rates + Reimbursable Cost	1,207,382.40	1,577,114.40	502,157.50	3,053,482.20
Management Fee 15% of the Sum of Basic Rates and Reimbursable & Overhead Cost	1,086,644.16	1,419,402.96	451,941.75	2,748,133.98
Total Prescribed Add-ons	2,294,026.56	2,996,517.36	954,099.25	5,801,616.18
Difference	689,907.44	163,897.64	440,844.75	426,565.82
Reimbursable Cost - Per diem Per contract	468,000.00	1,575,000.00	321,000.00	931,500.00
Prescribed Per diem	249,600.00	840,000.00	171,200.00	469,800.00
Difference	218,400.00	735,000.00	149,800.00	461,700.00
Total Difference before Contingency Provision	1,589,695.44	2,049,325.64	609,257.25	1,684,254.82
Adjusted Contract Price (Original Contract Price – Difference)	10,902,341.04	13,137,303.16	4,410,206.43	25,855,528.22
Contingencies per Contract	844,970.00	759,331.54	339,520.00	1,862,810.00
Prescribed Contingencies (5% of Adjusted Contract Price)	545,117.05	656,865.16	220,510.32	1,292,776.41
Difference	299,852.95	102,466.38	119,009.68	1,862,810.00
Total Difference	P 1,889,548.39	P 2,151,792.02	P 728,266.93	P 2,254,288.41
Percentage Variance /Contract Price	15.12%	14.17%	14.51%	8.19%
Total difference of four projects				P7,023,895.75