

EXECUTIVE SUMMARY

INTRODUCTION

The feasibility study of Lower Agno River for San Roque Multi-Purpose Project – Irrigation Component (SRMP-IC) was prepared by ELC Electro Consult, Milano, Italy in November 1981. It was later organized and established on December 16, 1997.

Originally, the Project (SRMP-IC) was envisioned to provide year round irrigation to some 70,800 hectares to benefit about 56,000 farm families covering the provinces of Pangasinan, Tarlac and Nueva Ecija. It was proposed to rehabilitate three existing National Irrigation System (NIS), namely; the Agno River Irrigation System (ARIS) with 26,850 hectares, the Lower Agno River Irrigation System (LARIS) with 12,650 hectares, the Ambayaoan-Dipalo River Irrigation System (ADRS) with 7,600 hectares, and the construction of new irrigation and drainage facilities of Agno River Irrigation System Extension of 23,700 hectares.

Nevertheless, in 2003, the SRMP-IC was renamed Agno River Integrated Irrigation Project (ARIIP) in order to detach the irrigation aspect from that of San Roque Dam which was opposed by NGO's due to alleged social and environmental issues.

Later, the Project was re-conceptualized to include only two NIS, the ARIS and ADRS with a total area of 34,450 hectares based on the analysis that the natural flow of Agno River was utilized in the calculation of dependable water supply for a service area of 34,450 hectares

FINANCIAL HIGHLIGHTS

The **Agno River Integrated Irrigation Project (ARIIP)** has an approved updated total Project Cost of PhP11.247 Billion of which PhP4.5 Billion will be sourced from the loan under the China Export-Import Bank's Preferential Buyer's Credit Facility (to finance works associated with the re-regulating pond), while PhP6.69 Billion will be sourced from local funds (construction of the canals and the appurtenant facilities).

OPERATIONAL HIGHLIGHTS

The Project was envisioned to provide year round irrigation to some 34,450 hectares of farmland to benefit about 28,207 farm families in 17 municipalities and 1 city of the Province of Pangasinan.

For the calendar year 2011, the Project has programs of work in the total amount of Three Billion Two Hundred Eighteen Million Eight Hundred Fifty Thousand Pesos (P3,218,850,000) with GOP in the amount of P1,750,000,000.00

and Loan Portfolio (LP) in the amount of P1,468,850,000.00. The program of work covers the rehabilitation and improvement of irrigation facilities at ARIS area, the construction and rehabilitation of irrigation facilities at ADRIS area, the construction of re-regulating pond facilities, construction of project facilities, Right-of-Way, IDP and pre-construction works/detailed engineering. The target area to be generated is 6,400 hectares.

SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and operations of the Agno River Integrated Irrigation Project, covering the period from January 1 to December 31, 2011. The audit was aimed at ascertaining whether or not applicable laws, rules and regulations were adopted and followed. It also aimed at ascertaining the propriety and validity of disbursement and reliability of financial reports.

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the presentation of the financial statements of the agency due to the taking up of all on-going and completed infrastructure projects and the costs of various equipment under the Property, Plant and Equipment (PPE)- Construction in Progress (CIP) account and the non-provision of depreciation which resulted in the overstatement of the PPE-CIP and the whole PPE account and the understatement of the expense account in the financial statements.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following are the significant findings and corresponding recommendations which were discussed with the agency management and their comments were incorporated in the report, where appropriate.

1. Annual Procurement Plan (APP) for CY 2011 was not prepared/submitted by the agency contrary to Revised Implementing Rules and Regulations (IRR) of RA 9184.

We recommended that management prepare/submit its own Annual Procurement Program (APP) to conform with Section 7.1 and 7.2 of Revised Implementing Rules and Regulations of RA 9184 otherwise known as the Government Procurement Reform Act.

2. Posting in PhilGEPS was not yet fully observed by NIA-ARIIP in the procurement of infrastructure projects, goods and services contrary to Section 8 of RA 9184, otherwise known as the Government Procurement Reform Act and its Implementing Rules and Regulations.

We recommended that management strictly observe the posting in PhilGEPS in procuring infrastructure projects, goods and services of the agency in compliance with Section 8 of RA 9184.

3. NIA-ARIIP personnel were granted CNA Incentives of P30,000.00 per employee or a total of P8,490,000.00 and the same were taken up under Receivables-Due from Officers and Employees account contrary to Budget Circular No. 2011-5 dated December 26, 2011 and generally accepted accounting principle.

We recommended that the guidelines prescribed under the aforecited Budget Circular should be strictly observed. We likewise recommended that the accounting treatment of the CNA Incentives granted to the personnel of the agency should be changed using the expense method in order that there will be a proper matching of income and expenses and in order to have an accurate and fair presentation of its financial statements. Require also the refund of the excess CNA incentives granted to the employees.

4. All on-going and completed infrastructure projects and the costs of various equipment acquired by the agency were taken up under Property, Plant and Equipment-Construction in Progress (PPE-CIP) account contrary to Section 41 of the NGAS Manual and likewise not provided with Allowance for Depreciation making the PPE-CIP and the whole PPE account overstated and the expense account understated contrary to Sections 67 & 68 of NGAS Manual, Volume I.

We recommended that management refer the matter to the higher authorities of NIA to conform with the provisions of the NGAS Manual and to have a fair and accurate presentation of the PPE account in the financial statements.

It is also recommended, that management require the provision of Allowance for Depreciation on all depreciable PPE of the agency pursuant to Sections 67 & 68 of NGAS Manual.

5. Copies of perfected contracts and purchase orders together with the basic supporting documents were not submitted within the prescribed period after its perfection for review and the 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 dated February

12, 2009 and COA Circular Nos. 95-006 and 89-299A, thereby precluding the auditor of the early auditorial, legal technical review and inspection of the procured goods and services of the agency.

It is recommended that management require the BAC secretariat submit to COA all perfected contracts and purchase orders within five working days upon approval together with the supporting documents for review and technical evaluation and should strictly comply with the requirements as provided in COA Circular No. 2009-001 and COA Circular Nos. 95-006 and 89-299A.

STATUS OF IMPLEMENTATION BY THE AUDITEE OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the six recommendations embodied in the 2010 Annual Audit Report, two were implemented, two were partially implemented and two were not implemented.