



Republic of the Philippines  
Department of Environment and Natural Resources

**FOREST MANAGEMENT BUREAU**

Visayas Avenue, Diliman, 1100 Quezon City

Tel. No.: (632) 8925-2141 / (632) 8927-4788

E-mail Address: [fmb@denr.gov.ph](mailto:fmb@denr.gov.ph)

Website: <https://www.forestry.denr.gov.ph>



**MEMORANDUM**

FOR : The Regional Executive Directors  
DENR-Regions CAR, III, IV-A, IV-B, VI, VII, X, XI, XII and XIII

FROM : The Director

SUBJECT : **SUBMISSION OF REPORT UPDATES ON THE NATIONAL GREENING PROGRAM AUDIT FINDINGS (CY 2020)**

DATE : **JUN 01 2022**

This is in reference to the attached letter from the Director of Financial and Management Service (FMS) transmitting the status of National Greening Program (NGP) Audit Findings as of December 31, 2021 under the Consolidated Annual Audit Report (CAAR) CY 2020. Audit findings on the errors/omissions and accounting deficiencies in your respective regions were included in the said report.

Relative to this and in order to facilitate immediate consolidation and submission of report on the matter, may we request for updates on actions taken by your Office on the findings of Commission on Audit (COA). Soft copies of the updates can be sent through our email address at [frcd.rfrs@fmb.denr.gov.ph](mailto:frcd.rfrs@fmb.denr.gov.ph) on or before May 18, 2022.

FOR YOUR IMMEDIATE COMPLIANCE, PLEASE.

*for: gdmr*  
**TIRSO P. PARIAN JR., CESO IV**

Cc:

Office of the Undersecretary for Policy, Planning and International Affairs

Office of the Undersecretary for Field Operations-Luzon and Visayas

Office of the Undersecretary for Field Operations-Mindanao

Office of the Assistant Secretary for Policy, Planning and Foreign Assisted and Special Projects

The Director, Financial and Management Service



Republic of the Philippines  
Department of Environment and Natural Resources  
Visayas Avenue, Diliman, Quezon City  
Tel Nos. 929-6626 to 29; 929-6633 to 35  
929-7041 to 43; 929-6252; 929-1669  
Website: <http://www.denr.gov.ph> / E-mail: [web@denr.gov.ph](mailto:web@denr.gov.ph)

MEMORANDUM

FOR : TIRSO P. PARIAN JR..  
Director, Forest Management Bureau

FROM : The Director  
Financial and Management Service

SUBJECT : SUMMARY OF NATIONAL GREENING PROGRAM AUDIT  
FINDINGS (CY 2020) AS OF DECEMBER 31, 2021

DATE : APR 19 2022

This refers to the status of National Greening Program (NGP) Audit Findings as of December 31, 2021 under the Consolidated Annual Audit Report (CAAR) CY 2020.

Based on the CAAR, the total amount of errors/omissions and accounting deficiencies for NGP is **₱7,072,649,827.81 (Annex A)**. The audit findings related to NGP are as follows:

a. Errors and Omissions

Finding	Action taken / Status
1. Completed projects not reclassified to proper PPE accounts (Land Improvement, Reforestation Project Account) amounting to <b>₱1,134,818,541.91</b> (see page 6 of CAAR CY 2020).	1. The PENROs concerned prepared the Journal Entry Vouchers (JEVs) <sup>1</sup> to recognized the reclassification from CIP to PPE accounts with an aggregate amount of <b>₱201,181,858.45</b> leaving a huge balance of <b>₱933,636,683.46 (Annex A1)</b> , equivalent to 82% not yet reclassified to completed Reforestation Project.
<b>Total amount of Errors and Omissions per CAAR</b>	<b>₱ 1,216,924,000.00</b>
<b>Total amount of NGP findings</b>	<b>₱ 1,134,818,541.91</b>
<b>% of NGP to total Errors and Omissions</b>	<b>93%</b>

b. Accounting Deficiencies

Finding	Action taken / Status
1. Various Reforestation projects recorded in the books (GL) as Land Improvements-Reforestation Projects and <b>Construction in Progress – Land Improvements Reforestation Project (CIP-LIRP)<sup>2</sup></b> , where details are not known due to absence of PPELC and/or Registry of Reforestation Projects, which cannot be verified and these were only tagged in the schedules as “various” and “for reconciliation” amounting to <b>₱4,719,193,838.70</b> (see page 8 of CAAR CY 2020);	1. The Regional Offices / PENROs has already prepared the Property, Plant and Equipment Ledger Card (PPELC) and reclassified the amount of <b>₱2,804,641,859.04</b> from the lumped account tagged as “various” and “for reconciliation” to the proper account, leaving a balance of <b>₱1,914,551,979.66 (Annex A2)</b> , equivalent to 68% with no details due to the absence of the Registries of Reforestation Projects.
2. Absence of <b>appraisal report</b> resulted in unrecognized impairment losses on burnt reforestation projects amounting to <b>₱138,581,444.36</b> (see page 8 of CAAR CY 2020); and	2. Impairment loss is not recognized due to the absence of assessment and validation reports <b>(Annex A2)</b>

<sup>1</sup> **Journal Entry Voucher** - This form shall be used to record all transactions of the NGAs, whether cash receipts, cash disbursements or non-cash transactions.

<sup>2</sup> **Construction in Progress – Land Improvements Reforestation Project** – During the project implementation, only directly attributable cost related to the project shall be taken up in the books of accounts. Upon completion of the project, the CIP account shall be reclassified to the proper asset account.



Finding	Action taken / Status
3. Non-maintenance of Subsidiary Ledgers <sup>3</sup> (SLs) and no other records supporting dormant accounts/beginning balances amounting to <b>₱2,144,613,042.53</b> of which <b>₱1,080,056,002.84</b> pertain to NGP (see page 8 of CAAR CY 2020). The balance includes <b>₱71,304,741.29</b> (Annex A3) of Reforestation Projects implemented in Autonomous Region in Muslim Mindanao (ARMM) or currently Bangsamoro Autonomous Region in Muslim Mindanao (BARMM).	3. The concerned offices prepared SLs amounting to <b>₱137,040,710.62</b> to support the beginning balance of the reforestation projects, leaving a balance of <b>₱943,015,292.22</b> with no proper SLs. (Annex A3), equivalent to 87%. Usec Jonas R. Leones initially convened a meeting last 05 April 2022 (Annex B), in order to comply with the audit recommendation to look for other option to validate ARMM/BARMM accomplishment as reiterated under AOM No. 2022-002 (2021) dated 23 February 2022.
<b>Total Accounting Deficiencies per CAAR</b>	<b>₱ 13,310,877,000.00</b>
<b>NGP related findings</b>	<b>₱ 5,937,831,285.90</b>
<b>% of NGP to total Errors and Omission</b>	<b>45%</b>

c. Other related audit finding

The Idle/unused government property and equipment under the responsibility of the DENR field Offices includes the Mechanized and Modernized Forest Nursery (MMFN) of Region XII that was purchased in 2015 which was not yet installed amounting to **₱7.248 million (Annex C)** per CAAR 2020, page 43 and reiterated under AOM No. 2022-007 (2021) dated 14 March 2022.

The errors/omissions and audit deficiencies as shown in Annex A resulted in the issuance of **disclaimer<sup>4</sup>** of opinion in CY 2020 CAAR.

Furthermore, the above-mentioned findings were reiterated in the CY 2022 Audit Observation Memoranda (AOMs) as follows:

AOM Number	Date	Annexes
2022-002 (2021)	23 February 2022	<b>D</b>
2022-007 (2021)	14 March 2022	<b>E</b>
2022-009 (2021)	14 March 2022	<b>F</b>
2022-010 (2021)	19 March 2022	<b>G</b>
2022-011 (2021)	22 March 2022	<b>H</b>

We will appreciate to receive your updates at the soonest possible time in order to address the various concerns as herein provided.


  
ANGELITO V. FONTANILLA

Cc: Usec Analiza Rebuelta-Teh  
Finance, Information Systems and Climate Change

Usec Jonas R. Leones  
Policy, Planning and International Affairs

Asec Nonita S. Caguioa  
Finance, Information Systems and Mining Concerns

<sup>3</sup> **Subsidiary Ledger** – This ledger shows details for each control account in the GL which is maintained per account and fund cluster by the Accounting Division/Unit.  
Sample SL is attached as Annex I

<sup>4</sup> **Disclaimer** – an opinion issued by auditors to financial statements when they could not obtain sufficient and appropriate financial statements to draw the conclusion or support their opinion.

# Summary of Errors/Omissions and Accounting Deficiency

Annex A

Region	Errors/Omission (Annex A1)	Accounting Deficiency (Annexes A2 & A3)	Total Amount
CO			
3		89,259,501.21	89,259,501.21
4A	28,710,796.86	138,581,444.36	167,292,241.22
4B	319,212,496.76		319,212,496.76
6	10,467,498.00		10,467,498.00
7	445,277,752.07	49,983,428.20	495,261,180.27
10		29,612,862.11	29,612,862.11
11		1,476,415,132.07	1,476,415,132.07
12		795,760,347.44	795,760,347.44
13	331,149,998.22	328,219,862.16	659,369,860.38
CAR		2,846,151,383.66	2,846,151,383.66
		183,847,324.69	183,847,324.69
<b>Total</b>	<b>1,134,818,541.91</b>	<b>5,937,831,285.90</b>	<b>7,072,649,827.81</b>



**DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**  
**Summary of National Greening Program Audit Findings**  
**As of December 31, 2021**

As of December 31, 2021								
Region	Office	Particulars	Accounts Affected	Balance as of December 31, 2020	Adjustment from January 1 to December 31, 2021	Balance as of December 31, 2021	Remarks	
Region 3	PENRO Bataan	Completed projects not reclassified to proper PPE accounts	CIP - Land Improvements Land Improvement, Reforestation Projects	28,710,796.86	28,710,796.86	0.00	Completed Projects were classified to proper PPE accounts( Per JEV No.2021-101-03-461 dtd 03/24/2021	Errors and Omissions
Region 4A	PENRO Laguna	Completed projects not reclassified to proper PPE accounts	CIP - Land Improvements Land Improvement, Reforestation Projects	1,783,877.75	1,783,877.75	0.00		Errors and Omissions
Region 4A	PENRO Quezon	Completed projects not reclassified to proper PPE accounts	CIP - Land Improvements Land Improvement, Reforestation Projects	317,428,619.01	0.00	317,428,619.01		Errors and Omissions
Region 4B	PENRO Oriental Mindoro	Completed projects not reclassified to proper PPE accounts	CIP - Land Improvements Land Improvement, Reforestation Projects	10,467,498.00	0.00	10,467,498.00	Not implemented  Cost of CIP-Land Improvements (NGP) which are subject to 3rd Party Validation. The management is also waiting for the specific guidelines from CO-FMB with regards to the NGP Reforestation Project-below 85% survival Rate	Errors and Omissions
Region 6	PENRO Aklan	Completed projects not reclassified to proper PPE accounts	CIP - Land Improvements Land Improvement, Reforestation Projects	121,426,381.59	117,592,439.84	3,833,941.75	Partially Implemented	Errors and Omissions
Region 6	PENRO Capiz	Completed projects not reclassified to proper PPE accounts	CIP - Land Improvements Land Improvement, Reforestation Projects	323,851,370.48	0.00	323,851,370.48	Not Implemented	Errors and Omissions
Region 12	PENRO Sultan Kudarat	Completed projects not reclassified to proper PPE accounts	CIP - Land Improvements  Land Improvements, Reforestation Projects	331,149,998.22	53,094,744.00	278,055,254.22	The office recognized the reclassification to proper asset account of NGP graduated sites for CY 2017 and 2018 with a total amount of Php 53,094,744.00 as per JEV No. 101-2021-12-2480 and 101-2021-12-2970 dated December 7, 2021 and December 31, 2021 respectively. The projects were validated by the Regional Office Inspection Team. On the other hand, the remaining projects under Construction in Progress, Land Improvement account are subject for the final inspection of third party/regional office team.	Errors and Omissions
TOTAL				1,134,818,541.91	201,181,858.45	933,636,683.46		

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES Summary of National Greening Program Audit Findings As of December 31, 2021								
Region	Office	Particulars	Accounts Affected	Balance as of December 31, 2020	Adjustment from January 1 to December 31, 2021	Balance as of December 31, 2021	Remarks	
Various Reforestation projects recorded in the books (GL) as Land Improvements – Reforestation Projects and Construction in Progress - Land Improvements – RF, where details are not known due to absence of PPELC and/or Registry of Reforestation Projects, which cannot be verified and these were only tagged in the schedules as “various” and “for reconciliation”.								
Region 6	Regional Office	Absence of PPELC on Land Improvements – Reforestation Project and Construction in Progress - Land Improvements – RF resulted in the inclusion in the FS of lump-sum items tagged as “various” and “for reconciliation”	CIP - Land Improvements; Land Improvements - Reforestation Projects	49,983,428.20	0.00	49,983,428.20		Deficiencies
Region 7	Regional Office	Absence of PPELC on Land Improvements – Reforestation Project and Construction in Progress - Land Improvements – RF resulted in the inclusion in the FS of lump-sum items tagged as “various” and “for reconciliation”	CIP - Land Improvements; Land Improvements - Reforestation Projects	29,612,862.11	0.00	29,612,862.11	The Accounting is already provided with the breakdown of P 29.612M CIP Accounts. Next process will be analysis of accounts whether to transfer to Land Improvement account.	Deficiencies
Region 10	PENRO Bukidnon	Absence of PPELC on Land Improvements – Reforestation Project and Construction in Progress - Land Improvements – RF resulted in the inclusion in the FS of lump-sum items tagged as “various” and “for reconciliation”	CIP - Land Improvements; Land Improvements - Reforestation Projects	1,476,415,132.07	1,476,415,132.07	0.00		Deficiencies
Region 12	Regional Office	Absence of PPELC on Land Improvements – Reforestation Project and Construction in Progress - Land Improvements – RF resulted in the inclusion in the FS of lump-sum items tagged as “various” and “for reconciliation	CIP - Land Improvements; Land Improvements - Reforestation Projects	48,435,188.40	37,382,188.40	11,053,000.00	Deficiencies are due to uninvetoried PPE recorded in the books but not yet reflected in the RCPPE. As of September 2021 only 11,053,000.00 are unreconciled related Cluster 2,3 and 4.	Deficiencies
Region 12	PENRO South Cotabato	Absence of PPELC on Land Improvements – Reforestation Project and Construction in Progress - Land Improvements – RF resulted in the inclusion in the FS of lump-sum items tagged as “various” and “for reconciliation	CIP - Land Improvements; Land Improvements - Reforestation Projects	268,595,844.26	154,037,015.10	114,558,829.16	Out of 268,595,844.26, the amount of 154,037,015.10 has already been identified and reconciled. Efforts are still exerted to recover records of the remaining unreconciled balance amounting to 114,558,829.16.	Deficiencies
Region 13	PENRO Agusan del Norte	Absence of PPELC on Land Improvements – Reforestation Project and Construction in Progress - Land Improvements – RF resulted in the inclusion in the FS of lump-sum items tagged as “various” and “for reconciliation”	CIP - Land Improvements; Land Improvements - Reforestation Projects	271,656,390.06	0.00	271,656,390.06	Submitted to COA the Project Completion Reports of the NGP graduated projects No JEV - only submission to COA the o Project Completion Reports  *No adjustment needed	Deficiencies
Region 13	PENRO Agusan del Sur	Absence of PPELC on Land Improvements – Reforestation Project and Construction in Progress - Land Improvements – RF resulted in the inclusion in the FS of lump-sum items tagged as “various” and “for reconciliation”	CIP - Land Improvements; Land Improvements - Reforestation Projects	1,511,246,981.46	774,067,106.28	737,179,875.18	508,562,038.31 are CIP-LI for NGP 2018-2020 which cannot be reclassified since it is on-going.	Deficiencies



Region 13	PENRO Surigao del Norte	Absence of PPELC on Land Improvements – Reforestation Project and Construction in Progress - Land Improvements – RF resulted in the inclusion in the FS of lump-sum items tagged as “various” and “for reconciliation”	CIP - Land Improvements; Land Improvements - Reforestation Projects	260,298,277.83	198,836,363.46	61,461,914.37	20,515,923.96 are CIP-LI for NGP 2018-2020 which cannot be reclassified since it is on-going.	Deficiencies
Region 13	PENRO Surigao del Sur	Absence of PPELC on Land Improvements – Reforestation Project and Construction in Progress - Land Improvements – RF resulted in the inclusion in the FS of lump-sum items tagged as “various” and “for reconciliation”	CIP - Land Improvements; Land Improvements - Reforestation Projects	725,676,060.82	116,337,835.14	609,338,225.68	60,687,582.14 of which is already classified as Land Improvements, Reforestation Projects; SL for reconciliation	Deficiencies
Region 13	PENRO Dinagat Islands	Absence of PPELC on Land Improvements – Reforestation Project and Construction in Progress - Land Improvements – RF resulted in the inclusion in the FS of lump-sum items tagged as “various” and “for reconciliation”	CIP - Land Improvements; Land Improvements - Reforestation Projects	77,273,673.49	47,566,218.59	29,707,454.90	PCR for submission	Deficiencies
Subtotal				4,719,193,838.70	2,804,641,859.04	1,914,551,979.66		

**Absence of appraisal report resulted in unrecognized impairment losses on burnt reforestation projects**

Region 3	PENRO Bataan	Absence of appraisal report resulted into unrecognized impairment Losses on burnt reforestation projects	Accumulated Impairment Loss - Land Improvement, Reforestation Projects	26,995,559.78	0.00	26,995,559.78	Impairment loss was still not recognized because we are still waiting for the proper treatment of loss caused by fire.	Deficiencies
			Accumulated Surplus/Deficit					
Region 3	PENRO Bulacan	Absence of appraisal report resulted into unrecognized impairment Losses on burnt reforestation projects	Accumulated Impairment Loss - Land Improvement, Reforestation Projects	16,077,019.74	0.00	16,077,019.74	Forest fire are not considered as Force majeure (to qualify in the issuance of AVR) and thus no AVR can be provided by our Technical Services to be used as supporting docs by the Accountant in preparing JEV. This was coordinated with our Regional Office and NGP focal	Deficiencies
			Accumulated Surplus/Deficit					
Region 3	PENRO Pampanga	Absence of appraisal report resulted into unrecognized impairment Losses on burnt reforestation projects	Accumulated Impairment Loss - Land Improvement, Reforestation Projects	3,072,311.00	0.00	3,072,311.00	The management sought clarification on the derecognition of damaged NGP sited caused by fire thru a memorandum dated April 16, 2021.	Deficiencies
			Accumulated Surplus/Deficit					
Region 3	PENRO Zambales	Absence of appraisal report resulted into unrecognized impairment Losses on burnt reforestation projects	Accumulated Impairment Loss - Land Improvement, Reforestation Projects	34,532,982.68	0.00	34,532,982.68	Joint Assessment and Validation Team (AVT) of damaged reforestation projects destroyed/impaired by force majeure was created thru PENRO Special Order No. 2020-49 dated July 7, 2020 reconstituted thru Special Order No. 2021-22 dated March 10, 2021.	Deficiencies
			Accumulated Surplus/Deficit					
Region 3	PENRO Aurora	Absence of appraisal report resulted into unrecognized impairment Losses on burnt reforestation projects	Accumulated Impairment Loss - Land Improvement, Reforestation Projects	2,782,250.61	0.00	2,782,250.61	Since the PO assigned to the damaged area immediately replanted seedlings corresponding to the burnt commodities, there is no need to recognize the cost of burnt products.	Deficiencies
			Accumulated Surplus/Deficit					

Region 3	PENRO Tarlac	Absence of appraisal report resulted into unrecognized impairment Losses on burnt reforestation projects	Accumulated Impairment Loss - Land Improvement, Reforestation Projects	55,121,320.55	0.00	55,121,320.55	The management has issued memorandum dated March 4, 2021 instructing the concerned personnel to adhere to the recommendations of COA. No JEVs were made for further discussion of the agency as discussed in the Central Office COA Exit Conference last May 25-26, 2021. Several meeting were conducted by the DENR together with COA to discuss the matter. AVR is only applicable for damages caused by force majeure while relief for accountability is more applicable for forest projects damaged by forest fire.	Deficiencies
			Accumulated Surplus/Deficit					
Subtotal				138,581,444.36	-	138,581,444.36		
Non-maintenance of SLs and no other records supporting dormant accounts/beginning balances								
Central Office	Central Office	Unsupported and unreconciled dormant accounts/beginning balances	CIP – Land Improvements	89,259,501.21	0.00	89,259,501.21		Deficiencies
CAR	PENRO Benguet	Unsupported and unreconciled dormant accounts/beginning balances	CIP - Land Improvements	183,847,324.69	125,851,881.12	57,995,443.57		Deficiencies
Region 11	Regional Office	Unsupported and unreconciled dormant accounts/beginning balances	CIP - Land Improvements	795,760,347.44	0.00	795,760,347.44	on going reconciliation	Deficiencies
Region 12	PENRO South Cotabato	Unsupported and unreconciled dormant accounts/beginning balances	CIP - Land Improvements	11,188,829.50	11,188,829.50	0.00	Implemented	Deficiencies
Region 4A	PENRO Laguna	Unsupported and unreconciled dormant accounts/beginning balances	CIP - Infrastructure Assets	11,668,469.75	11,668,469.75	0.00	Implemented	Deficiencies
Central Office	Central Office	Unsupported and unreconciled dormant accounts/beginning balances	CIP – Infrastructure Assets	165,226,193.08	0.00	165,226,193.08		Deficiencies
Central Office	Central Office	Unsupported and unreconciled dormant accounts/beginning balances	CIP – Buildings and Other Structures	82,477,518.17	0.00	82,477,518.17		Deficiencies
Region 11	Regional Office	Unsupported and unreconciled dormant accounts/beginning balances	CIP - Buildings and Other Structures	60,916,477.29	0.00	60,916,477.29		Deficiencies
Region 12	PENRO South Cotabato	Unsupported and unreconciled dormant accounts/beginning balances	CIP - Buildings and Other Structures	15,758,076.78	0.00	15,758,076.78		Deficiencies
Region 6	Penro Iloilo	Unsupported and unreconciled dormant accounts/beginning balances	Various CIP accounts	700,794,281.93	638,463,589.12	62,330,692.81		Deficiencies
Region 11	PENRO Davao de Oro	Unsupported and unreconciled dormant accounts/beginning balances	Various CIP accounts	27,716,022.69	27,524,369.39	191,653.30		Deficiencies
Subtotal				2,144,613,042.53	814,697,138.88	1,329,915,903.65		
TOTAL				7,002,388,325.59	3,619,338,997.92	3,383,049,327.67		



**DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

Summary of NGP - Reforestation Projects (Central Office)

As of December 31, 2021

Seq	Particulars	COA Recommendation	Reference	Dated	Amount	Remarks
1	a) Construction in Progress-Land Improvements Account - reforestation projects located in the Bangsamoro Autonomous Region on Muslim Mindanao (BARMM) amounting to P71,304,741.29.	We recommend that management through the Undersecretary for Policy, Planning and International Affairs to look for options to validate the BARMM accomplishments on the ground. As for the project implemented by DND, Management closely coordinate with DND, and send demand letter to compel the latter to submit the required documents to support the closing of the CIP-Land Improvements account to the Land Improvements, Reforestation Projects.	AOM No. 2022-002 (2021)	2/23/2022	4,098,954.78	endorse with the Office of the Undersecretary for Policy, Planning and International Affairs dated 3/28/2022
	b) With regard to the Coffee Plantation Pilot Project (CP3) located in Bukidnon amounting to P4,098,954.78 implemented by the Department of National Defense (DND)		AOM No. 2022-002 (2021)	2/23/2022		
2	Unrecouped advanced to contractors amounting P73,033.00	Form a team of qualified people to assess the status of works accomplished of the project contracted with BIOS I.T. Solutions, Inc. and to take immediate course of action to obtain complete information on the implementation of the project. In case of overpayment, send a demand letter for the return of the excess amount paid, otherwise pay the contractor for the unpaid work accomplished, that is contract amount multiplied by the percentage of work accomplished minus 15% mobilization fee and the 1st billing.	AOM No 2022-004 (2021)	2/24/2022	73,033.00	endorsed with Office of the Assistant Secretary for Foreign Assisted and Special Project and concurrent Director of the Forest Management Bureau, requesting for the status project
3	The balance of Fund Transfers to PITC as of December 31, 2021 amounting P3,366,894.32 is unreliable due to a discrepancy of P6,742,907.55 between the balances per books and the result of confirmation to PITC.	Coordinate with the PITC to resolve the issue on the delivered equipment to the DENR ROs but not yet installed Mechanized and Modernized Forest Nursery (MMFN) and no liquidation documents were likewise received by the DENR costing P5,435,788.43;	AOM No. 2022-007 (2021)	3/14/2022	5,435,788.43	The Regions with uninstalled Mechanized and Modernized Forest Nursery (MMFN) are as follows: Region 4A, Region 5, Region 6, Region 9 and Region 12  The Region 12 sent a letter to DENR-FMB requesting for the installation of the seeder machine. as per Memo from Asec Policy, Planning and Foreign Assisted and Special Projects and Director dated April 8, 2021, the supplier to proceed with the installation of the seeder and double rail irrigation boom to the pending DENR sites.2
4	Reforestation Projects by the DENR-CO amounting to P96,457,368.94 cannot be ascertained due to (a) absence of physical inventory, (b) lacking information such as the implementation/acquisition date, specifications and location of the projects; and (c) those reforestation projects were implemented by the ARMM, PENROs and other government	1) We recommend that Management through the Inventory Team headed by the Chief, Project Accounts Management Division, to pursue immediately the physical inventory of the Land Improvements, Reforestation Projects; otherwise, look for options if physical inventory is not possible at this period.	AOM No 2022-009 (2021)	3/14/2022	96,457,368.94	Endorsed to Chief, PAMD for the inventory taking

**DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

Summary of NGP - Reforestation Projects (Central Office)

As of December 31, 2021

Seq	Particulars	COA Recommendation	Reference	Dated	Amount	Remarks
	agencies, therefore the projects are under the jurisdictions of the DENR Implementing Offices/Other Agencies.	2) Also, we recommend that Management require the Chief, Accounting Division to: a) revisit the reforestation contracts with the ARMM (now BARMM), and other implementing agencies and if the reforestation contracts provide that the PPE will be donated/transferred to the implementing agencies, the latter shall record the Land Improvements, Reforestation Projects, which should be supported by Property Transfer Receipt (PTR); and b) exert more effort to look for the lacking information/data of the reforestation projects recognized in the books of accounts.				The PTR shall be coordinated with the PSMD
		3) Likewise, the Management to facilitate the formulation of <b>policy regarding the accounting and accountability of reforestation projects funded by the DENR CO</b> but implemented by other government agencies, including the PENROs				Endorsed to Chief, Management Division for policy making
		4) We recommend that Management direct the Accounting Division to maintain the PPELCs and PPE Schedule, containing the data/information as required in Section 10 of DENR Memorandum Circular No. 2011-01 dated March 08, 2011 or the Registry of reforestation/ agroforestry projects; otherwise maintain the manual Registry of Reforestation Projects. Also, correct the SLs (PPELCs) of one NGP site into one SL (PPELC) only.				Once the amount of P96,457,368.94 is inventoried, the maintenance of Manual registry for reforestation project will be maintained indicating the Date, Reference, Description (hectars planted, type of seedlings and other information related), Location and Amount.
5	Unliquidated Fund transfer to Sangguinina Kabataan National Federation (SKNF) as per MOA dated January 21, 2010	We recommend that Management direct the Chief, Accounting Division to facilitate the speedy reconciliation of the Balances per books of the Due from NGOs/CSOs accounts and prepare the necessary journal entries to record liquidations to reflect the correct balance of the receivable accounts; and exert more effort in the monitoring and enforcing the liquidation of the NGOs/CSOs.	AOM No. 2022-012 (2021)	3/23/2022	10,000,000.00	Note: abolished office



Thus, despite the effort of the DENR in enforcing the law on anti-illegal logging, it was remiss in the management of Confiscated/Seized Goods because the pieces of evidence on anti-illegal logging operations were not safeguarded, thus, exposing these assets to the risk of loss through theft or deterioration while awaiting final disposition.

**We recommended and Management agreed to direct the concerned personnel of DENR CO and concerned Regional Executive Directors and PENR Officers of the 16 PENROs to:**

- a. **issue an order directing the personnel in-charge to ensure that proper care and storage are provided for the confiscated property to preserve their economic values for the government to obtain optimum benefits therefrom;**
- b. **in coordination with the Director for Finance, propose budget for capital outlay and/or realign budget from MOOE for the construction of safety storage of confiscated assets; and,**
- c. **Conduct periodic physical count of seized property.**

**We further recommended and Management agreed to consider issuing supplemental guidelines and procedures over confiscation/seizure of illegally cut forest products in such a way that it clearly defines the responsible person, its responsibility in the custody of the seized products/property and accountability over confiscated assets, and identify measures that would facilitate the speedy disposal of seized property.**

***Idle/unused government property and equipment under the responsibility of the DENR Field Offices***

13. **Property and equipment costing ₱55.595 remained idle/unused due to various reasons, thus defeats the very purpose for which such assets were purchased/constructed.**

*Section 2 of PD 1445 provides that "It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned."*

Property and equipment at DENR NCR, RO XIII and three PENROs, which were not used since these were purchased are as follows:

RO/ PENRO	Unused PPE	Amount (In Million ₱)	Reason
NCR	RFID Door Lock System	0.215	

Annex  
C



RO/ PENRO	Unused PPE	Amount (In Million ₱)	Reason
Aklan	Technical and Scientific Equipment	23.463	The specific personnel/office to whom these will be issued were not yet identified.
	Floating pontoon	19.476	They are still on the process of finalizing the Memorandum of Agreement (MOA) with the LGU of Malay to ensure that someone will be responsible for the proper maintenance and safeguard of the Floating pontoon together with its accessories in accordance with the Boracay Island rehabilitation program.
Kalinga	Guard fence for Automated Water Level Station	0.196	No watershed monitoring instruments procured.
Davao del Norte	Office building	4.998	The building has not yet been utilized in accord with its purpose due to some lacking necessary enhancements.
Region XII	Mechanized and Modernized Forest Nursery	7.247	The equipment purchased in 2015 was not yet installed.
<b>Total</b>		<b>55.595</b>	

The RFID Door Lock System of DENR NCR amounting to ₱0.215 million was installed in the 2<sup>nd</sup> floor of the NEC Building to restrict the access of non-employees of the Regional Office.

The technical and scientific equipment in PENROs Aklan amounting to ₱23.463 million and ₱19.476 million respectively, were received in 2019 and still under the custody of the Property Officer since the specific personnel/office to whom these will be issued were not yet identified by the Management. Consequently, in case of improper or unauthorized use or misapplication thereof, or losses, damages, or deterioration occasioned by negligence in the keeping or use of the equipment, the Property Officer shall be held liable for its money value.

For the Boracay Inter-Agency Task Force (BIATF), they are still on the process of finalizing the MOA with the LGU of Malay to ensure that someone will be responsible for the proper maintenance and safeguard of the Floating pontoon together with its accessories costing ₱19.476 million in accordance with the Boracay Island rehabilitation program.

In the case of PENRO Kalinga, guard fences costing ₱0.196 million is primarily constructed to provide protection to the installed watershed instruments from outside disturbance and could help prolong the usage of these devices. However, the watershed instruments were not yet installed inside the guard fences. These should have been installed along with the installation of the guard fences, had the regional personnel task in monitoring the project reminded the agency head of putting up the needed devices.



Moreover, the office building of CENRO New Corella, Province of Davao Del Norte costing ₱4.998 million has not yet been utilized in accordance with its purpose since its completion in March 2017, due to the lack of necessary enhancements. Subsequently, building improvements costing ₱1.598 million was proposed, thereby summing up the total building costs to ₱6.596 million.

The Mechanized and Modernized Forest Nursery (MMFN) Equipment procured by the DENR CO on July 21, 2015 amounting to ₱7.248 million and transferred to DENR RO XII in August 2015 were left unutilized pending its installation, thereby exposing this property to deterioration and leading to wastage of government resources. Since the equipment has a five-year useful life, at this point, it has already covered 100% of its useful life. To date, the equipment is yet to be installed. The transfer and installation were stalled by the delayed completion of the construction of the MMFN which will house it. Finally, when the Nursery was completed in CY 2020, restrictions to travel due to the pandemic made it difficult for the suppliers to travel for the purpose

**We recommended and Management agreed to direct the concerned Regional Executive Directors and PENR Officers of:**

**a. PENRO Aklan to:**

- i. identify the recipients/end-users of the six units LCD projectors, 25 units laptops, two units large format printers, five units drones, six units underwater cameras, 11 units GPSs, and four units RTK total stations procured in CYs 2019 and 2020 and issue the equipment immediately to them; and**
- ii. turnover the custody of the floating pontoon together with its accessories and anchorage to the LGU of Malay either by donation or thru usufruct agreement so that the property shall be properly maintained and safeguarded;**

**b. PENRO Kalinga to fast track the installation of science base watershed instruments;**

**c. PENRO Davao del Norte to expedite the utilization of the building constructed for DENR-CENRO New Corella to ensure that government's scarce resources are fully maximized, thereby realizing the purpose for which said Agency's project was implemented; and**

**d. Region XII to contact the supplier as soon as possible to schedule the assessment and repair of the equipment and for them to conduct hands-on trainings on the uses, applications and operations of the equipment.**



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

# **ANNUAL AUDIT REPORT**

**on the**

**DEPARTMENT OF ENVIRONMENT AND  
NATURAL RESOURCES**

**For the Year Ended December 31, 2020**





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

## **INDEPENDENT AUDITOR'S REPORT**

### **The Honorable Secretary**

Department of Environment and Natural Resources  
Visayas Avenue, Quezon City

### **Disclaimer of Opinion**

We have audited the accompanying financial statements (FS) of the **Department of Environment and Natural Resources**, which comprise the statement of financial position as at December 31, 2020, and the statement of financial performance, statement of cash flows, statement of changes in net assets/equity and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements.

We do not express an opinion on the accompanying financial statements of the Department of Environment and Natural Resources as a whole. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, the scope of our work was not sufficient to enable us to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for Disclaimer of Opinion**

As discussed in Part II – Observations and Recommendations of this report, the uncorrected misstatements in an aggregate amount of ₱1,216.924 million, which exceeded the materiality threshold ₱306.964 million, and the various accounting deficiencies such as non-maintenance of Subsidiary Ledgers and lack of complete accounting records on various FS accounts with an aggregate amount of ₱13,310.877 million, which prevented alternative audit procedures to be undertaken to obtain sufficient and appropriate evidence to prove the management's assertions on the account balances and disclosures, where the possible effect could be material and pervasive.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. However, we were not able to obtain sufficient

appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS), and for such internal controls as management determined is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibilities for the Audit of Financial Statements**

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

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

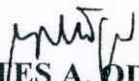
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Our responsibility is to conduct an audit of the Agency's financial statements in accordance with ISSAI and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, wherein the scope of our work was not sufficient to enable us to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion, therefore we do not express an opinion on these consolidated financial statements.

**COMMISSION ON AUDIT**

**By:**

  
**MARITES A. ODTOJAN**  
State Auditor V  
Supervising Auditor  
June 30, 2021

## PART II – OBSERVATIONS AND RECOMMENDATIONS

### A. Financial Audit

#### *Unadjusted/uncorrected accounting errors/omissions and accounting deficiencies*

1. We do not express an opinion on the Financial Statements (FSs) due to uncorrected misstatements in an aggregate amount of ₱1,216.924 million, which exceeded the materiality level of ₱306.964 million, and various accounting deficiencies such as non-maintenance of Subsidiary Ledgers and lack of complete accounting records on various FS accounts with an aggregate amount of ₱13,310.877 million, which prevented alternative audit procedures to be undertaken to obtain sufficient and appropriate evidence to prove the management's assertions on the accounts, where the possible effect could be material and pervasive.

Section 27 of the International Public Sector Accounting Standards (IPSAS) 1 provides that *“Financial statements shall present fairly the financial position; financial performance, and cash flow of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs.”*

Accounting errors and omissions amounting to ₱972.475 million were adjusted/corrected by the Chief Accountant. Details are presented below.

Office/Region	Accounts Affected	Aggregate Amount of Adjustments (In Million ₱)
DENR-CO	Various accounts, such as Advances to Contractors, CIP, Confiscated Assets, PPE, Liability and Expense accounts	107.628
LMB	CIB-LCCA; Employees Compensation Insurance Premiums; Due to GSIS; Accumulated Surplus/Deficit	7.804
BMB RO IV-B	Inventories, Semi-Expendable and PPE accounts	8.905
FMB RO VI	Cash and cash equivalent, Receivable, Inventory, PPE and Liability accounts	16.272
CAR RO II, III and IV-A	Cash and cash equivalent, Receivable, Inventory, PPE, Liability and Expense accounts	218.154
RO I	Prepaid Insurance; Accumulated Surplus/Deficit	0.212
RO V	PPE accounts	243.655
RO VII	Receivables, Inventories and PPE accounts	16.097
RO VIII	Office Equipment; ICT Equipment	9.174
RO IX	Due from GOCCs; Accumulated Surplus/Deficit	1.399
RO X	Accumulated Impairment Loss – Various PPE Accounts; Accumulated Surplus/Deficit	0.582
RO XI	PPE and Liability Accounts	240.131



Office/Region	Accounts Affected	Aggregate Amount of Adjustments (In Million ₱)
RO XII	Prepaid Insurance, Various Inventory, PPE and Depreciation Expense accounts	101.548
RO XIII	Prepaid Insurance; Accounts Payable; Accumulated Surplus/Deficit	0.914
<b>Total</b>		972.475

However, the following accounting errors/omissions amounting to ₱1,216.924 million were not adjusted and/or corrected at year-end, which exceeded the materiality level of ₱306.964 million, therefore affected the reported Assets, Liabilities and Net Assets/Equity amounting to ₱57,662.710 million, ₱2,852.874 million, and ₱54,809.836 million, respectively:

Particulars	Amount	Accounts Affected	Assets	Liabilities/Net Assets/Equity
(In Million ₱)				
Unrecorded reconciling items	0.268	Cash in Bank - LCCA	0.268	
		Accumulated Surplus/Deficit		0.268
Non-existent/closed bank account still recorded in the books	0.254	Cash in Bank - LCCA	(0.254)	
		Trust Liabilities		(0.254)
Various unrecorded transactions of the balance of the dollar account	0.614	Cash in Bank - FCSA	0.614	
		Trust Liabilities		0.614
Unrecorded liquidation of fund transfers	6.270	Due from Regional Offices	(6.270)	
		Accumulated Surplus/Deficit		(6.270)
Non-recognition of impairment loss for receivables with doubtful collectibility	0.350	Accumulated Impairment Loss - Other Receivables	(0.350)	
		Accumulated Surplus/Deficit		(0.350)
Unrecognized accrued income from foreshore lease	11.959	Operating Lease Receivable	11.959	
		Accumulated Surplus/Deficit		11.959
Prepaid insurance treated as outright expense	0.018	Prepaid Insurance	0.018	
		Accumulated Surplus/Deficit		0.018
Non-recognition of expenses on issued inventory and non-derecognition of semi-expendable items	13.834	Various Inventory and Semi-Expendable Accounts	(13.834)	
		Accumulated Surplus/Deficit		(13.834)
	2.432	Various PPE Accounts	(2.432)	

Particulars	Amount	Accounts Affected	Assets	Liabilities/ Net Assets/ Equity
(In Million ₱)				
Non-derecognition of various issued semi-expendable items recorded under PPE Accounts		Accumulated Surplus/Deficit		(2.432)
Unrecorded receipts of various inventory and semi-expendable items	0.653	Various Inventory and Semi-Expendable Accounts	0.653	
		Accounts Payables		0.653
Non-recognition of allowance for impairment for unserviceable PPE	3.387	Accumulated Impairment Losses - Various PPE	(3.387)	
		Accumulated Surplus/Deficit		(3.387)
Non-derecognition of damaged/non-existent/demolished buildings and other structures due to typhoons and fires	3.181	Buildings	(1.476)	
		Other Structures	(1.705)	
		Accumulated Depreciation - Buildings	0.041	
		Accumulated Depreciation - Other Structures	1.465	
		Accumulated Surplus/Deficit		(1.675)
Unrecorded disposition through donation/sale of confiscated property	6.038	Confiscated Assets	(6.038)	
		Accumulated Surplus/Deficit		(6.038)
Completed projects not reclassified to proper PPE accounts	1,146.031	CIP-Building and Other Structure	(1.609)	
		Buildings and Other Structures	1.609	
		CIP - Land Improvements	(1,134.819)	
		Land Improvement, Reforestation Projects	1,134.819	> NGP
		CIP - Infrastructure Assets	(9.603)	
		Infrastructure Assets	9.603	
Unrecorded receipt of PPE by ROs of transferred PPE from CO	3.794	Various PPE accounts	3.794	
		Accumulated Surplus/Deficit		3.794
Unrecorded disposal/transfer of various PPE	6.837	Various PPE accounts	(6.837)	
		Accumulated Surplus/Deficit		(6.837)
[Undue] Non-derecognition of cancelled Accounts Payables	3.715	Accounts Payable		(3.715)
		Accumulated Surplus/Deficit		3.715
Unrecognized expenses at year end	3.962	Accumulated Surplus/Deficit		(3.962)
		Accounts Payable		3.962
Misclassification of accounts	3.328	Accumulated Surplus/Deficit		(1.173)
		Various PPE accounts	1.717	



Particulars	Amount	Accounts Affected	Assets	Liabilities/ Net Assets/ Equity
	(In Million ₱)			
		Accumulated Surplus/Deficit		1.717
		Other Receivables	(0.052)	
		Advances to Officers and Employees	0.048	
		Advances to Special Disbursing Officers	0.004	
		Other Payables		0.041
		Trust Liabilities		1.132
<b>Total Errors/Omissions</b>	<b>1,216.924</b>		<b>(22.054)</b>	<b>(22.054)</b>
<b>Materiality Level</b>	<b>306.964</b>			
<b>% Error to Materiality Level</b>	<b>396%</b>			

Moreover, the following accounting deficiencies due to non-maintenance/absence of Supplies Ledger Cards (SLCs), PPE Ledger Cards (PPELCs), and Subsidiary Ledgers (SLs) for receivable and payable accounts and other deficiencies amounting to ₱13,310.877 million were also disclosed in audit. The absence of SLCs, PPELCs and SLs precluded the audit teams to perform appropriate alternative audit procedures to prove the management's assertions and to establish the actual misstatements affecting the reliability of the accounts balances and disclosures:

Accounting Deficiencies	Amount (In Million ₱)	Accounts Affected
Unreconciled balances between the General Ledger (GL) and the confirmed bank balances due to various reconciling items which are not supported with schedules or other relevant documents showing their nature and detailed composition.	2.554	Cash in Bank – LCCA Cash MDS-Regular
Non-maintenance of SL and absence of reconciliation resulted in the differences between the CIB-LCCA and its corresponding trust liabilities accounts.	25.201	CIB-LCCA Trust Liabilities
Unreconciled balances per books and those confirmed by IAs due to various transactions accumulated over the long period of time which are not reflected in the books of either parties attributed to failure of Management to update SLs and failure to conduct reconciliation.	444.619	Due from NGAs
	3.067	Due from LGUs
	7.874	Due from OUs
	20.855	Due from ROs
	0.864	Due from Bureaus
Unreconciled balances between GL and RPCI due to differences in the unit costs used to compute the carrying amounts and differences in quantities reported in the respective records due to Management's failure to update the SLCs and failure to conduct reconciliation.	58.982	Various Inventory and Semi-Expendable accounts
Unreconciled balances between GL and RPCPPE due to various PPE items that are unrecorded on either GL or RPCPPE and discrepancies in the costs recognized in the respective records attributed to failure of Management to update PPELCs and failure to conduct reconciliation.	5,009.835	Various PPE accounts
PPE items not found in station during the physical count.	30.627	Various PPE accounts



Accounting Deficiencies	Amount (In Million ₱)	Accounts A	
Various Reforestation projects recorded in the books (GL) as Land Improvements – Reforestation Projects and Construction in Progress - Land Improvements – RF, where details are not known due to absence of PPELC and/or Registry of Reforestation Projects, which cannot be verified and these were only tagged in the schedules as “various” and “for reconciliation”.	4,719.194	CIP - Land Improvements; Land Improvements - Reforestation Projects	NGP
Absence of appraisal report resulted in unrecognized impairment losses on burnt reforestation projects.	138.581	Accumulated Impairment Loss - Land Improvement, Reforestation Projects	NGP
Non-maintenance of SLs and no other records supporting dormant accounts/beginning balances.	12.690	Cash in Bank – LCCA	with NGP
	0.160	Petty Cash Fund	
	86.531	Advances to Contractors	
	96.312	Various Receivable Accounts	
	15.794	Various Inventory Accounts	
	2,144.613	Various CIP Accounts	
	0.188	Confiscated Assets	
	16.859	Various PPE Accounts	
	119.698	Various Payable Accounts	
	0.102	Due to GSIS	
	0.021	Due to Philhealth	
	0.026	Due to Pag-IBIG	
	1.588	Due to BIR	
	4.415	Advances to Contractors	
SLs with negative balances	0.641	Other Payables	
	1.263	Due to GSIS	
	0.112	Due to PhilHealth	
	0.795	Due to Pag-IBIG	
	0.221	Due to BIR	
Absence of SLs resulted in discrepancies between the Financial Statements and the Financial Accountability Reports (FARs)/ supporting schedules/Notes to FS/GL.	346.595	Various Financial Statements	
<b>Total Deficiencies</b>	<b>13,310.877</b>		

The above-mentioned errors/omissions and deficiencies are indications of inadequacies and breakdowns in the internal control systems in the whole of the Department. It, likewise, shows non-compliance by the DENR CO, Bureaus, ROs and PENROs concerned with the systems and procedures prescribed for by the GAM for NGAs, which affect the reliability and the fair presentation of the combined financial statements.

In view of the misstatements that arise from the uncorrected errors/omissions in an aggregate amount of ₱1,216.924 million, which exceeded the materiality level, and accounting deficiencies such as absence of SLs and lack of accounting records affecting various FS accounts with an aggregate amount of ₱13,310.877 million, which prevented alternative audit procedures to be undertaken to obtain sufficient and appropriate evidence relating to management’s assertions on the accounts, where the possible effect



on the assets, liabilities and accumulated surplus/deficit accounts could be material and pervasive, we do not express an opinion on the Financial Statements.

We reiterated our prior year's recommendations and DENR Management agreed to require the Chief Accountants of the Central and Regional Offices and the Accountants of the PENROs to:

- a. effect the necessary adjustments on the errors/omissions to correct the balances of the affected accounts in the FS;
- b. reconcile the variances between the SLCs and RPCI for inventory accounts; PPELCs and RPCPPE for PPE accounts; SLs for all Inter-Agency/ Intra-Agency/ Other Receivables, Accounts Payable/ Inter-Agency/ Intra-Agency/ Other Payable accounts with the ageing schedules and confirmation results; and the Financial Accountability Report with the Notes to FS;
- c. trace the details of the dormant accounts/beginning balances and those SLs with negative balances, and prepare adjusting entries, if necessary;
- d. maintain complete and updated accounting records, specifically:
  - i. Supplies Ledger Cards (SLCs) on each type of Inventories;
  - ii. PPE Ledger Cards (PPELCs) on each category of Property Plant and Equipment including Construction in Progress Accounts;
  - iii. Subsidiary Ledgers (SLs) for Receivables, Payables, Income and Accumulated Surplus/Deficit accounts; and,
- e. ensure that the systems and procedures prescribed for by the GAM for NGAs are observed in the processing and recording of the transactions in the books of accounts in all offices of the DENR, and strengthen the internal control systems in whole of the Department to achieve reliability and fair presentation of the combined financial statements.

## **B. Compliance with Other Legal and Regulatory Requirements**

### ***Overall Fund utilization***

2. Overall, the department's fund utilization of ₱15,959.601 million is 91.07 percent compared to its appropriation/allotment of ₱17,525.277 million, leaving an overall balance of ₱1,565.676 million at year-end due to the non-implementation of some of the agency's programs, projects and activities during the year in view of the various community quarantines measures that the government imposed.