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Department of Environment and Natural Resources
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MEMORANDUM

FOR : Regional Directors
Region 1 to 13, NCR and CAR

Bureau Directors
BMB, EMB, FMB, ERDB and LMB

ATTENTION : Bureau/Regional Accountants

FROM : OIC Director, Finance and Management Service

SUBJECT : **Submission of Detailed Notes to Financial Statements for All Funds (One Fund, Fund 101, 102 Overall by Fund, Fund 171, Fund 401-25%, Fund 401-75% Fund 151, Fund 158) for the Year End Financial Report**

DATE : 11 JAN 2018

This has reference to the Audit Observation Memorandum (AOM) received dated December 19, 2017 for the various foreign assisted projects of INREMP for the third quarter of CY 2017. (Please see attached)

One of the observations was the insufficient details for the amount presented under Item - Others in the Statement of Changes in Net Assets/Equity (Annex C). As mentioned, Notes to Financial Statements help clarify the items presented in the said financial statements. Please take note that all observations, deficiencies could be addressed to all funds.

In view of this and as mentioned under item 7 of this AOM, the Accountants are hereby required to submit SCBAA and provide additional information to be disclosed in the Notes to Financial Statements (FS) especially those with significant amounts in consonance with Section 21 and 30, Chapter 19 of the GAM, Volume I.

For strict compliance.


INOCENCIO A. CASTILLO

MEMO NO. 2018-17



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Office of the Auditor
Foreign-Assisted Projects
Department of Environment and Natural Resources
Visayas Avenue, Diliman, Quezon City

AOM No. 2017-023

December 19, 2017

AUDIT OBSERVATION MEMORANDUM

For : **Secretary ROY A. CIMATU**
Department of Environment and Natural Resources
Visayas Avenue, Quezon City

Attention : **BRESILDA M. GERVACIO**
OIC-Assistant Secretary
Financial Management and Information Systems

Mr. EDWIN G. DOMINGO
Director, Foreign Assisted and Special Projects Service

Ms. DIÑA M. NILLOSAN
Chief, Accounting Division

We have reviewed the Financial Statements of the various foreign assisted projects for the third quarter of CY 2017 and observed the following deficiencies:

The Statement of Comparison of Budget and Actual Amounts (SCBAA) and the Notes to FS for the various funds of INREMP were not submitted. Moreover, the required details for Cash accounts and other items in the FS were not presented in the Notes to Financial Statements for consolidated reports.

1. Section 21, Chapter 19 of the Government Accounting Manual, Volume I provides that a separate additional financial statement for comparison of budget and actual amounts shall be prepared since the financial statements and budget of NGAs are not on the same accounting basis (PAG 4, PPSAS 1).
2. Moreover, Section 30 provides that the Notes to Financial Statements are integral parts of the financial statements which provide additional information and help clarify the items presented in the financial statements. It provides narrative description or disaggregation of items in the financial statements and information about them that do not qualify for recognition.

3. Review and analysis of the submitted financial statements of various foreign assisted projects for the third quarter of CY 2017 showed that the amounts in the various statements tie in with each other. The financial statements for the Central Office were submitted within ten days after the end of the quarter as required under Section 60(c), Chapter 19 of the GAM, Volume I; however, the SCBAA was not submitted for INREMP under fund ADB, IFAD and GEF.
4. As for the Consolidated FS, the following reports were not submitted:


Name of Foreign Assisted Project	Remarks
INREMP-ADB	SCBAA and Notes to FS not submitted
INREMP-IFAD	SCBAA and Notes to FS not submitted
INREMP-GEF	SCBAA and Notes to FS not submitted
INREMP-Consolidated FS for all funds	SCBAA not submitted

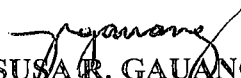
5. In the review of the consolidated FS, the following deficiencies were further noted:

Financial Statements	Deficiencies Noted
INREMP - Consolidated FS for all funds	
Notes to FS	Breakdown of cash and cash equivalents per region and per fund was not disclosed.
	Details of accounts Due from Other Funds and Other Receivables were not presented.
	Details of the negative adjustment to PPE amounting to ₱701,115.47 were not presented.
FMP - Consolidated FS	
Notes to FS	Breakdown per region of Cash and Cash Equivalents in the Notes to FS was not disclosed.
	Due from NGOs/POs account does not contain any explanation/description.
	Breakdown of Inventories accounts per region was not presented.
	Breakdown of PPE accounts per region was not presented.
	Breakdown per region of accounts under Other Assets was not presented.
	Details for the amount of ₱2,955,632,496 described as "Others" in the Statement of Changes in Net Assets Equity were not presented.

6. The abovementioned deficiencies constrained us to make further analysis and they are not in consonance with Sections 21 and 30, Chapter 19 of the GAM, Volume I.
7. We recommend that Management require the Chief Accountant to (i) submit the SCBAA and the Notes to FS as required; and (ii) provide additional information in the Notes to FS for some of the accounts in the FS especially those with significant amounts.

May we have your comments on the foregoing audit observations within five (5) days from receipt hereof.


MARIBEL B. DELA ROSA
Audit Team Leader
Funds 102 and 171


JESUSA R. GAUANG ^{12/27}
Supervising Auditor, DENR I

Proof of Receipt of AOM:

	Name	Position/Designation	Received By	Date
1	Roy A. Cimatú	Secretary, DENR		
2	Bresilda M. Gervacio	OIC-Assistant Secretary, Financial Management and Information Systems		
3	Edwin G. Domingo	Director, FASPS		
4	Diña M. Nillosan	Chief, Accounting Division		