



Republic of the Philippines
Department of Environment and Natural Resources
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MEMORANDUM

TO : The Bureau Directors
BMB, ERDB, FMB and LMB

All Regional Executive Directors

The Director
Financial Management Service

FROM : The Undersecretary
Finance, Information Systems and Climate Change

SUBJECT : **SUBMISSION OF STATUS REPORT OF ACTIONS TAKEN ON
THE RECOMMENDATIONS IN THE ANNUAL AUDIT
REPORT ON THE DENR FOR CALENDAR YEAR 2019**

DATE : 29 October 2020

This refers to the attached letter dated 07 October 2020 of Director IV Maribeth F. De Jesus of the Commission on Audit, transmitting to Secretary Roy A. Cimat, the Annual Audit Report on the DENR for Calendar Year 2019.

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

The COA is requesting the Department to submit within 60 days from receipt of the Audit Report, status report on the actions taken on the recommendations using the Agency Action Plan and Status of Implementation (AAPSI) attached as (Annex A).

Please submit the status report of your action taken on the audit recommendations using the AAPSI. The AAPSI shall indicate the updates by recommendations in the Consolidated AAR findings. Reports submitted not using the prescribed format, AOM/ML file type with unfilled "Status of Implementation" column will not be considered. Kindly submit your accomplished AAPSI to the Director, Financial and Management Service Attention: Management Division, for consolidation, and email the electronic copy at mgt_denr@yahoo.com. Please take note of the following deadlines in the submission of your report.

COMPLIANCE REPORT	DEADLINE
Section 89 of the General Provision of the General Appropriations Act	November 6, 2020

<ul style="list-style-type: none"> • CAAR 2019 (Part II Observations and Recommendations and Part III – Status of Implementation of Prior Years’ Audit Recommendations) 	
PBB requirement on Sustained Compliance with Audit Findings <ul style="list-style-type: none"> • CAAR 2019(Part II Observations and Recommendations and Part III – Status of Implementation of Prior Years’ Audit Recommendations) 	December 4, 2020
Semi-Annual Submission of CAAR Status of Compliance for Central Office Monitoring <ul style="list-style-type: none"> • CAAR CYs 2016-2018 (Part II – Observations and Recommendations) 	December 4. 2020

For your immediate appropriate action.


ATTY. ANALIZA REBUELTA-TEH

Cc: Auditor Maribeth F. de Jesus
Director IV
Commission on Audit
Cluster 8- Agriculture and Environment Sector

CAAR Focal Persons:
Assistant Bureau Directors (BMB, ERDB, FMB and LMB)
All Assistant Regional Director for Management Services



Republic of the Philippines
COMMISSION ON AUDIT
NATIONAL GOVERNMENT SECTOR
Cluster 8 – Agriculture and Environment
Quezon City

OCT 07 2020

Honorable ROY A. CIMATU
Secretary
Department of Environment and Natural Resources
Visayas Avenue, Diliman, Quezon City

Dear **Secretary Cimatu**:

We are pleased to transmit the Annual Audit Report on the **Department of Environment and Natural Resources (DENR)** for the Calendar Year 2019, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Government Audit Code of the Philippines (P.D. No. 1445).

The audit was conducted to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of the implementation of prior years' audit recommendations.

The attached report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations which were discussed with the concerned Management officials and staff.

We request that a status report on the actions taken on the recommendations be submitted within sixty (60) days from the date of receipt of the report hereof, pursuant to Section 99 of the General Provisions of the General Appropriations Act for FY 2019 (R.A. No.11260) using the attached Agency Action Plan and Status of Implementation (AAPSI) (**Annex A**), copy furnished the Secretary of the Department of Budget and Management (DBM), Speaker of the House of Representatives, President of the Senate of the Philippines, House Committee on Appropriations and the Senate Committee on Finance.

We express our appreciation for the valuable support and cooperation extended to the audit team by the officials and staff of that Agency.

Very truly yours,


MARIBETH F. DE JESUS
Director IV



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
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COA-DENR

RECEIVED BY: *Vixelle*
9/16/20

September 10, 2020

MS. MARITES A. ODTOJAN
Supervising Auditor
Office of the Audit Team Leader, DENR 1
DENR, Visayas Avenue, Diliman, Quezon City

Attention: MS. CATHERINE P. GAONGEN-LOGRONIO
Audit Team Leader

Dear Auditor Odtojan:

This is in response to the Audit Observation Memorandum (AOM) No. 2020-016 dated September 4, 2020 and was received by our office on September 8, 2020 for the audit of the carrying amount of the Consolidated Land Improvements and Consolidated Construction in Progress – Land Improvements accounts of ₱11.220 billion and ₱25.461 billion, respectively, as of December 31, 2019 were unreliable and its existence and validity could not be ascertained due to the inclusion of lump-sum items tagged as “various” and “for reconciliation” amounting to ₱2.466 billion and ₱2.328 billion, respectively.

The management has noted the observations of your office and we will comply with your recommendations to the best of our knowledge and resources. We will coordinate this audit observation to the respective Regional Offices through issuance of memorandum instructing them to locate the necessary documents/information details of the lumped-sum items; consider requesting for write-off of the undocumented dormant items; maintain complete and updated PPELC and defer issuance of clearance to resigning/retiring personnel until full accounting of their accountability and responsibility have been complied.

Rest assured that this office will regularly update your good office for the compliance of the abovementioned observations.

Very truly yours,

[Signature]
NONITA S. CAGUIOA
Assistant Secretary for Finance, Information
Systems and Mining Concerns



Republic of the Philippines
COMMISSION ON AUDIT



Office of the Auditor
Department of Environment and Natural Resources
Central Office
DENR Compound, Visayas Ave., Diliman, Quezon City

AUDIT OBSERVATION MEMORANDUM (AOM)

AOM No.:2020-016

Date: 4 September 2020

For: **Hon. Secretary Roy A. Cimatu**
Department of Environment and Natural Resources
Visayas Ave, Diliman, Quezon City

Attention: **Wilfredo J. Obien**
OIC Director
Financial Management Service

Ms. Diña M. Nillosan
Chief, Accounting Division

We have examined the Consolidated Land Improvements and Consolidated Construction in Progress – Land Improvements accounts of the Department as of 31 December 2019 and noted that:

The carrying amount of the Consolidated Land Improvements and Consolidated Construction in Progress – Land Improvements accounts of ₱11.220 billion and ₱25.461 billion, respectively, as of December 31, 2019 were unreliable and its existence and validity could not be ascertained due to the inclusion of lump-sum items tagged as “various” and “for reconciliation” amounting to ₱2.466 billion and ₱2.328 billion, respectively.

1. 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 the government.¹
2. Sound financial control requires, among others, that financial transactions should be well documented in order to establish their validity/reliability and adherence to prescribed policies and procedures.
3. The responsibility for the fair presentation and reliability of financial statements rests with the management of the reporting entity, particularly the head of finance/accounting office and the head of entity or his authorized representative.²

¹ Section 111 (1), Presidential Decree 1445

² Paragraph 19, Philippine Public Sector Accounting Standards (PPSAS) I, Volume I


4. Review of the schedules supporting the *Consolidated Land Improvements (LI)* and *Consolidated Construction in Progress – Land Improvements (CIP-LI)* accounts revealed that some items presented therein were lumped-sum and tagged as either “various” or “for reconciliation” and without any details as to the description of the property/project, exact location, name of contractor and the implementing agency. The total amounts for the Consolidated LI and CIP-LI are ₱2.466 billion and ₱2.328 billion, respectively, which represents 22% and 9% of the total carrying amount of the two accounts, as shown below:

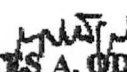
Office	Land Improvements	CIP-Land Improvements
Region 4A	₱ 115,821,135.32	₱ -
Region 4B	205,776,854.02	-
Region 5	39,150,333.00	-
Region 6	68,177,800.04	458,270,066.83
Region 8	1,014,283,499.41	1,051,388,819.24
Region 9	82,884,549.78	147,630,211.57
Region 10	2,050,165.12	345,110,492.56
Region 11	95,292,570.99	324,789,326.72
Region 12	181,290,209.01	-
CAR	661,542,012.51	1,244,645.80
Total	2,466,269,129.20	2,328,433,562.72
Total Carrying Amount	₱ 11,220,352,558.91	₱ 25,461,050,361.61
Percentage	22%	9%

5. Information gathered disclosed that part of the above balances were the results of the conversion of the accounts from the old government accounting system (OGAS) to new government accounting system (NGAS), which were either inadequately or not supported with the necessary documents. Moreover, previous accountants, who were no longer in service, did not properly turnover the financial records, hence, current accountants experience difficulty in substantiating the details of the transactions.
6. We also noted the non-maintenance of subsidiary ledgers to support the GL balances as evident by the absence of schedules supporting the trial balances in most of the Regional Offices and the Bureaus.
7. In view of the incomplete schedules supporting the account balances due to incomplete or non-updated subsidiary ledgers and the lack of related supporting documents, their nature and existence could not be determined. Further, the validity and reliability of the accounts' balances could not be ascertained due to the incomplete information, thus rendered the balances unreliable. Moreover, it is unlikely to determine which of those tagged in CIP account as “various” and “for reconciliation” that should be classified to its PPE account because of the incomplete information and unavailability of supporting documents.
8. It is to be noted that the existence of these balances in the books of accounts affects the fair presentation of the *Consolidated Land Improvements* and *Consolidated Construction in Progress – Land Improvements* accounts in the financial statements due to the materiality of the amounts.

9. In our assessment, the above-enumerated deficiencies were attributed to the practice of not giving much importance to require the outgoing accountants to properly and completely turnover all the necessary documents before his/her last day of office, and in not closely and/or strictly conducting monitoring and evaluation of employees performance, which are clear indications of weaknesses in the internal control systems of the Department.
10. Moreover, the same could have been corrected had the accounting division/sections in the Central Office and the Regional Offices maintained complete and updated SLs, performed regular analyses of accounts and do corrective measures to establish the details of the accounts, thereby achieving reliability in financial reporting.
11. As a result, the carrying amounts of Land Improvement and Construction in Progress – Land Improvements of ₱11.220 billion and ₱25.461 billion, respectively, as of December 31, 2019 cannot be relied upon, and existence of the assets and validity of the account balances could not be ascertained due to lack of details caused by the absence of supporting schedules.
12. **We recommend that Management instruct the Department Chief Accountant and the Regional Accountants to:**
 - a) **exert extra effort to locate the necessary documents/information details of the balances tagged as “various” and “for reconciliation” in coordination with the concerned Accountants at the Bureaus and the Regional Offices;**
 - b) **maintained complete and updated Property, Plant and Equipment Ledger Cards (PPELC), and undertake regular analyses and monitoring of all accounts recorded in the books and do corrective actions immediately;**
 - c) **consider requesting for write-off of the undocumented dormant items from COA following the required procedures in COA Circular No. 97-001 dated 05 February 1997, as maybe allowed, after exhausting all efforts and substantiation of the projects proved futile; and,**
 - d) **defer issuance of clearances to resigning/retiring personnel until such time that a full accounting of their accountability and responsibility have been complied with, and liability, if any, has been settled.**

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


CATHERINE P. GAONGEN-LOGRONIO
Audit Team Leader
DENR-CO


MARITES A. ODTOJAN, CESE
Supervising Auditor
DENR 1 & 2 Audit Groups

Proof of Receipt

Name	Position/ Designation	Received by: (Pls. print & sign)	Date
		Paul Acoby	9/8/20 11:11