



Republic of the Philippines
Department of Environment and Natural Resources
Visayas Avenue, Diliman, 1106 Quezon City
Tel. Nos. 929.6626 • 929.6628 • 929.6635 | VOIP Trunkline (632) 755.3330 • 755.3300
Website: <http://www.denr.gov.ph> • E-mail: web@denr.gov.ph

MEMORANDUM

TO : **The Service Directors**
Administrative Service
Foreign-Assisted and Special Projects Service

The Bureau Directors
Forest Management Bureau (FMB)
Land Management Bureau (LMB)
Biodiversity Management Bureau (BMB)
Ecosystems Research and Development Bureau (ERDB)

All Regional Executive Directors
DENR-Regions 1-13, NCR and CAR

FROM : The Undersecretary, Policy, Planning and International Affairs
and Officer-In-Charge, DENR

SUBJECT : **COMPLIANCE WITH THE COMMISSION ON AUDIT'S CY
2021 CONSOLIDATED ANNUAL AUDIT REPORT (CAAR)
OBSERVATIONS AND RECOMMENDATIONS**

DATE : September 23, 2022

This has reference to the letter for the DENR Secretary Maria Antonia Yulo Loyzaga from COA Director Melissa B. Martinez dated July 19, 2022 transmitting the DENR CAAR for CY 2021.

It was requested in the said letter that status report on the actions taken on the recommendations be submitted within sixty (60) days from the date of receipt of the report pursuant to Section 91 of the General Provision of the General Appropriations Act of FY 2021 (Republic Act No. 11518). Related to this, a Memorandum dated July 25, 2022 was issued by the Undersecretary for Finance, Information Systems and Climate Change, Atty. Analiza Rebuelta-Teh, directing the submission of the Agency Action Plan and Status of Implementation (AAPSI) on or before July 29, 2022. The following table shows the status of implementation based on the report submitted:

Particulars	No. of Observations	No. of Recommendations	Status of Implementation		
			Fully Implemented	Partially Implemented	Not Implemented
Part II. Current Year's Observations and Recommendations	27	63	12 (19.05%)	47 (74.60%)	4 (6.35%)
Part III. Prior Years' Audit Recommendations	25	64	38 (59.38%)	26 (40.63%)	0 (0%)

In this regard, you are reminded to **ensure full compliance** with the audit observations and recommendations in your area of jurisdiction. Please note that the COA issued an **Adverse Audit Opinion¹** due to various unadjusted accounting **errors** and **omissions** amounting to **P4,486.436 million** which exceeded the materiality level of P324,410 million and various accounting **deficiencies** such as non-maintenance of Subsidiary Ledgers and unreconciled variances between accounting and property records on three Asset accounts with an aggregate amount of **P4,058.211 million** as discussed in Part II of the CAAR (pages 139-145). Similarly, we have to address the audit observations and recommendations under the Compliance Audit (pages 145-207) and the prior years' audit recommendations under Part III (208-265).

Attached are the Details of the Accounting Errors and Omissions (**Annex A**) and Accounting Deficiencies (**Annex B**) as provided in the FY 2021 CAAR. Of the total accounting errors and omissions amounting to P4,486.436 million, 91.70% equivalent to total aggregate amount of P4,114.114 million is **reforestation project** concerns.

As agreed during the meeting held today (23 September 2022), the AAPSI of the Staff Bureaus and the Regional Offices (ROs) must be updated immediately. The Google links will be provided by the Management Division for the action/s to be taken/status of implementation (Observation Nos. 2-27) under B. Compliance with Other Legal and Regulatory Requirements (pages 145-207) while the Accounting Division is in charge for accounting errors/omissions and deficiencies (Observation No. 1) under A. Financial Audit (pages 139-145) supported by Annex B of CAAR. Thereafter, a consolidated report including the Status of Implementation of Prior Years' Audit Recommendations (pages 208-265) shall be prepared for compliance of the applicable rules and regulations.

The Bureaus and ROs may create an Audit Compliance Committee to monitor regularly the compliance of the audit recommendations covered by the Audit Observation Memoranda, Management Letters and CAARs, among others.

The contact persons in the Central Office are as follows:

- Management Division – Mario Bernabe J. Contreras (Tel No. 02-8926-6998)
- Accounting Division – Francis Jan V. Castro (Tel No. 02-8928-0254)

For information and strict compliance.


ATTY. JONAS R. LEONES

Copy furnished:

Undersecretary for Finance, Information Systems and Climate Change
Undersecretary for Field Operations for Luzon, Visayas and Environment
Undersecretary for Field Operations - Mindanao

¹ **Adverse opinion** – when the auditor, having obtained sufficient and appropriate audit evidence, concludes that misstatements, whether individually or in aggregate, are both material and pervasive