



**DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
KAGAWARAN NG KAPALIGIRAN AT LIKAS YAMAN**



31 MAY 2024

MEMORANDUM

FOR/TO : **THE OIC, ASSISTANT SECRETARY**
Field Operations-Western Mindanao
and FMB Director in concurrent capacity

THE REGIONAL EXECUTIVE DIRECTORS
Regions CAR, II, III and VI

**THE PROVINCIAL ENVIRONMENT AND NATURAL
RESOURCES OFFICERS**
PENRO Ifugao
PENRO Quirino
PENRO Nueva Vizcaya
PENRO Nueva Ecija
PENRO Iloilo

FROM : **THE DIRECTOR**
Foreign Assisted and Special Projects Service

SUBJECT : **REQUESTING STATUS OF THE CONSOLIDATED
MANAGEMENT LETTER OF THE FORESTLAND
MANAGEMENT PROJECT FOR THE PERIOD JANUARY 1 TO
DECEMBER 31, 2023**

This pertains to the Consolidated Management Letter on the audit of the Forestland Management Project for the period January 1 to December 31, 2023.

We would like to request your office the status of actions taken regarding the observations and recommendations of COA on the Financial Audit and Compliance audit with Other Legal and Regulatory Requirements particularly on paragraph 16-154 in the attached Management Letter. Please submit the status both current and prior years' on or before June 28, 2024 using the attached Agency Action Plan and Status of Implementation form for review and subsequent endorsement to the Resident COA.

Attached is a copy of the Consolidated Management Letter for your information and reference.


ALO. OROLFO, Ph.D.

MEMO NO. 2024 - 499



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

**CONSOLIDATED
MANAGEMENT LETTER**

on the

**Audit of the
Forestland Management Project (FMP)
Loan No. PH-248**

**DEPARTMENT OF ENVIRONMENT
AND NATURAL RESOURCES**

For the Year Ended December 31, 2023



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES I
Visayas Ave., Quezon City

CONFIDENTIAL

April 30, 2024

Secretary **MARIA ANTONIA YULO LOYZAGA**
Department of Environment and Natural Resources
Visayas Avenue, Quezon City

Dear Secretary Loyzaga:

**Consolidated Management Letter on the
Audit of the Forestland Management Project – Loan No. PH-P248
of the Department of Environment and Natural Resources
For the period January 1 to December 31, 2023**

I. INTRODUCTION

1. Pursuant to Section 2, Article IX-D of the Constitution of the Philippines, Section 43 of the Government Auditing Code of the Philippines and the Loan Agreement between the Republic of the Philippines and the Japan International Cooperation Agency (JICA) dated March 30, 2012, we have audited the accounts, transactions and operations of the Forestland Management Project (FMP) Loan No. PH-248 of the Department of Environment and Natural Resources (DENR) for the period ended December 31, 2023. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted by the audit team led by Ms. Lorelie M. Placido, State Auditor IV to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) evaluate the extent of compliance with laws, rules and regulations as well as propriety and validity of transactions; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.
3. The Project's Statement of Financial Position, 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 Calendar Year (CY) 2023 compared with that of preceding year are shown in the attached audited financial statements (Annexes B-G).

4. The deficiencies observed in the course of the audit were earlier communicated through Audit Observation Memoranda (AOM) and discussed in various Exit Conferences conducted on various dates by the audit teams with the concerned officials and employees and their comments were incorporated in this letter, where appropriate. The significant audit observations and recommendations shall be incorporated in the Consolidated Annual Audit Report of the DENR for CY 2023.

Background Information

Project Description

5. The FMP is a ten-year DENR - JICA project which aims to strengthen forestland management in three critical river basins through the implementation of collaborative and comprehensive Community-Based Forest Management (CBFM) strategies. Although the CBFM approach was adopted after the 1980s, degradation of forestland and watershed continued and resulted in frequency in occurrence of natural disaster and water shortage.
6. Building on the experience of the past programs, the FMP assists the Government to adopt an approach, geared towards people living in and around the forest areas, which directly addresses the basic cause of forest degradation, namely, poverty and security of land tenure. Alternative income sources have to be provided to meet the immediate needs of rural people. For this, the project will use the Community Based Forest Management Agreement (CBFMA) and Protected Area Community Based Resource Management Agreement (PACBRMA) tenurial instruments.
7. The Project is being implemented in three priority river basin sites, the Magat-Cagayan River Basin, Pampanga River Basin and the Jalaur River Watershed. It is expected to integrate conservation and development-oriented activities with full participation and capacitation of local communities. These include 149 People's Organizations (POs) within the identified 24 sub-watershed areas as well as the DENR and other stakeholders.

Project Objectives

8. The objectives of the Project are: (a) to rehabilitate degraded forestlands in three critical river basin (Upper Magat and Cagayan, Upper Pampanga, and Jalaur); (b) to improve forest conservation and socio-economic conditions of affected communities; (c) to contribute to disaster risk mitigation efforts in vulnerable areas; and (d) to strengthen forestland management through community-based management strategies (i) empowering people's organizations; (ii) issuance of Land Tenure

Instruments; (iii) enterprise development for food security and income; and (iv) development, conservation, protection and sustainable use of forestland resources.

Project Components

9. The Project comprises the following components:

Category 1: Comprehensive Site Development (CSD)

- 1.1 Survey, Mapping and Planning (SMP)
- 1.2 Community Organizing (CO)
- 1.3 Site Development (SD)
- 1.4 Agroforestry Support Facilities (ASF)
- 1.5 Policy Initiatives for Watershed Management (PI)
- 1.6 Monitoring and Evaluation (M&E)
- 1.7 Project Management (PM)

Category 2: Consultancy Services (CBFMA/PACBRMA) and other appropriate tenure instruments

Project Funds and Implementation

10. The total Project investment cost of FMP is estimated at ₱5,870.64 million. Total cost to be borne by the Government of the Philippines (GOP) is ₱1,162.26 million while total cost to be covered by the loan from JICA is ₱4,708.38 million.
11. The Loan Agreement No. PH-P248 was signed on March 30, 2012, with a period of ten (10) years effective July 3, 2012 to July 3, 2022.
12. As of December 31, 2023, the Project is on the 12th year and final year of implementation given the two additional 1-year extensions given by JICA during 2022 and 2023. It is expected to be completed in July 2024.

Financial Highlights

13. The Project's financial position, financial performance and sources and application of funds for CY 2023 compared with the previous year are shown below:

Particulars	2023	2022
Financial Position		
Assets	₱ 3,091,414,857.02	₱ 3,667,222,189.64
Liabilities	325,449,090.69	467,733,919.27
Net Assets/Equity	₱ 2,765,965,766.33	₱ 3,199,488,270.37
Financial Performance		
Revenue	₱ -	₱ -
Current Operating Expenses	229,972,549.30	194,334,957.23
Surplus/(Deficit) from Current Operations	(229,972,549.30)	(194,334,957.23)
Net Financial Assistance/Subsidy	283,626,034.03	815,823,173.64

Other Non-operating Income	1,288,773.24	1,463,014.07
Surplus/(Deficit) for the Period	₱ 54,942,257.97	₱ 622,951,230.48

Particulars	2023	2022
Sources and Application of Funds		
Adjusted Allotment	155,880,888.38	535,224,533.42
Obligations Incurred	71,215,474.81	422,520,629.23
Unobligated Allotment	₱ 84,665,413.57	₱ 112,703,904.19

Physical Accomplishments

14. As reported, the major accomplishments of the FMP for CY 2023 are as follows:

Outputs	Overall Target	Cumulative Acc.	% Acc.
1. Watershed management plans (WMPs) finalized/packaged and updated	24 WMPs	24 WMPs	100
2. Partner Peoples' Organization (PO) formed, organized, and capacitated	149 POs	149 POs	100
3. Land Tenure Instruments (LTIs) issued to partner POs	149 LTIs	102 LTIs	68
4. Plantations established - Site Development (SD)	71,300 ha	71,300 ha	100
5. Viable enterprises/livelihoods established by the partner POs (Enterprise Development)	149	149	100
6. Agroforestry Support Facilities (ASF) constructed and maintained in all sub-watershed areas. -Farm to market road -Pathway -Hanging bridge -Reinforced concrete bridge -Irrigation pipeline system	102 Subprojects 93.35 km 49.10 km 15 units 11 units 152 km	92 Subprojects 88.36 km 33.05 km 15 units 11 units 123.87 km	91
7. Multi-sectoral Watershed Management Bodies,	3 WMCs/PAMB.	2 WMC and 1 PAMB.	100

Outputs	Overall Target	Cumulative Acc.	% Acc.
including cost-sharing mechanism established (Policy Initiative)	s		
8. Site development (SD) plantations ground validated	71,300 ha	71,300 ha	100
9. Project Management Structures and Systems organized/established and operational	34 Project Management Offices (PMOs)	34 PMOs	100

15. This report includes observations from the Audit Teams of DENR-Central Office, Forest Management Bureau, Regional Offices 2, 3, 6 and CAR, and PENROs Ifugao, Nueva Vizcaya, Quirino, Nueva Ecija and Iloilo.

II. OBSERVATIONS AND RECOMMENDATIONS

A. Financial Audit

Unadjusted accounting errors/omissions and uncorrected accounting deficiencies

16. Various accounting errors/omissions with an aggregate amount of P463.10 million and various accounting deficiencies such as incomplete submission of reports and unreconciled differences among accounting reports and property records with an aggregate amount of P99.89 million, affected the fair presentation of the Financial Statements (FS).

17. 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 flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs."

18. The following unadjusted and/or uncorrected accounting errors/omissions at year end amounting to P463,102,357.51 affected the reported Assets, Liabilities, and Net Assets/Equity amounting to P3,091,414,857.02, P325,449,090.69, and P2,765,965,766.33, respectively, details as follows:

Errors/Omissions	DENR Office	Amount (absolute value)	Accounts Affected	Assets: Liabilities/Net Assets/Equity	
				Under/(Overstatement)	
Non-recognition of turned over assets	Region II	15,737,571.66	Road Networks	(17,938,813.48)	
			Accumulated Depreciation – Road Networks	2,201,241.82	
			Accumulated Surplus/ (Deficit)		(15,737,571.66)
Non-reclassification of completed projects	PENRO Iligan and Iloilo	442,398,506.49	Construction in Progress (CIP)- Land Improvements	(365,849,454.65)	
			CIP- Infrastructure Assets	(76,886,824.30)	
			Land Improvements, Reforestation Projects	365,849,454.65	
			Road Networks	38,976,889.24	
			Water Supply System	37,909,935.06	
			Accumulated Depreciation – Road Networks	(337,772.46)	
			Accumulated Surplus/ (Deficit)		(337,772.46)
Unreleased checks at year-end	PENRO Quirino and Nueva Vizcaya	4,966,279.36	Cash in Bank – Local Currency, Current Account	4,966,279.36	
			Accounts Payable		4,966,279.36
Total Under/ (Overstatement) of Errors/omissions				(11,109,064.76)	(11,109,064.76)
Total Errors/ omissions		463,102,357.51			
Materiality Level (0.5% of CY 2022 Total Assets)		18,323,750.69			

19. Also, the following accounting deficiencies with an aggregate amount of P99,889,911.70, affected the reliability of the accounts as presented in the financial statements:

Deficiencies	DENR Office	Accounts Affected	Amount
Incomplete submission of Report of Physical Count of Inventories	PENRO Quirino	Various Inventory accounts	144,535.65
Unreconciled difference between the Physical Count of Property, Plant and Equipment and Property, Plant and Equipment Ledger Card		Various Property, Plant and Equipment accounts	1,895,571.50
Unreconciled GL and SL balances of Advances to Contractors	PENRO Iloilo	Advances to Contractors	41,465,393.53
Unreconciled GL and SL balances of Guaranty/ Security Deposits Payable		Guaranty/Security Deposits Payable	56,384,411.02
TOTAL			₱ 99,889,911.70

20. The above-mentioned deficiencies signify weaknesses in the internal control systems, particularly the agency's accounting systems, attributed by the non-compliance of the concerned offices with the systems and procedures prescribed for by the GAM for NGAs, which possibly result to the preparations of unreliable and inaccurate financial statements.

21. Below are some of the causes of the accounting errors/omissions and deficiencies:

Accounts Affected	Causes
Cash	<ul style="list-style-type: none"> • Non-submission of Schedule of Unreleased Checks by the Cashier to the Accounting Office, precluding the latter from recording the corresponding adjustments in the books of accounts.
Receivables	<ul style="list-style-type: none"> • Laxity of the Accountant in monitoring and supervising the staff in-charge of the SLs; • High turn-over of persons in-charge of the accounts; • Large volume of transactions involved.
Inventories	<ul style="list-style-type: none"> • Delayed submission by the Supply/Property Officer of the necessary inventory reports such as Report of Supplies and Materials Issued (RSMI) to the Accounting Office due to other work assignments.
Property Plant and Equipment	<ul style="list-style-type: none"> • Construction-In-Progress Ledger Card not updated • Inadequate monitoring of the ASF subprojects resulted in the non-reclassification to proper PPE account; • Laxity of the Accountant in monitoring and supervising the staff in-charge of the SLs;

Accounts Affected	Causes
	<ul style="list-style-type: none"> • Submission of Report of Physical Count of Property Plant and Equipment (RPCPPE) not complete.
Liabilities	<ul style="list-style-type: none"> • Non-submission of Schedule of Unreleased Checks by the Cashier to the Accounting Office, precluding the latter from recording the corresponding adjustments in the books of accounts. • High turn-over of persons in-charge of the accounts; • Laxity in monitoring of the SLs

22. The misstatements that arose from these uncorrected accounting errors/omissions in an aggregate amount of P463,102,357.51, and the accounting deficiencies such as incomplete submission of reports and unreconciled differences among accounting reports and property records with an aggregate amount of P99,889,911.70, where the possible effect could be material but not pervasive, affected the fair presentation of the FS.

23. We recommended and Management agreed to require the:

- Accountants of FMB, RO II, PENROs Ifugao, Quirino, Nueva Vizcaya and Iloilo to effect the necessary adjustment on the errors/omissions with supporting documents to correct the balances of the affected accounts in the FS;
- Cashiers of PENROs Quirino and Nueva Vizcaya to submit to the Accounting Office the Schedule of Unreleased Checks at the end of each year for adjustment in the books of accounts;
- Supply/Property Officers of PENRO Quirino to regularly submit RSMIs to the Accounting Office to enable the recording of issuance of inventories;
- Accountants and Supply/Property Officers of PENRO Quirino to regularly reconcile their accounting and inventory/property records to accurately reflect the balance of Inventories and PPEs in the FS;
- Inventory Committee of PENRO Quirino to conduct physical count of inventories in all offices;
- Accountant of PENRO Iloilo to monitor strictly and supervise regularly the staff-in-charge of the subsidiary ledgers in determining the causes of the discrepancies, disposition of negative balances and reconciliations of the SLs with the GL, ensure that the entries are reviewed, and the SLs are reconciled monthly with the GL, and request for additional staff, if necessary.

24. The following are the Management's comments:

Office	Comment
Region II	Already effected the adjustment through Journal Entry Voucher No. 2024-02-000004 dated February 20, 2024.
PENRO Ifugao	During the exit conference, the financial analyst commented that this was already adjusted in 2024.
PENRO Iloilo	Already adjusted through JEV Nos. 102-24-01-001 dated January 12, 2024 and 102-24-03-008 dated March 15, 2024.
PENRO Quirino	For inventories, the financial analyst is currently in the process of coordinating with the property officer to submit the report, while for the PPE it was already rectified to the Office of the Auditor.

Other Financial Observation

Unrecovered Advances to Contractors

25. Inadequate monitoring and follow-up for the recovery of the advance payments amounting to ₱11.372 million made to various contractors of agroforestry support facilities, whose contracts have been terminated, resulted in the non-recovery of cash, which could have been utilized by the Agency in its other sub-projects under the Forestland Management Project.
26. Volume III of the GAM for NGAs defines Advances to Contractors as an account used to recognize amount advances to contractors as authorized by law. The account is credited for recoupment of advances.
27. Section 4, Annex E of the Updated Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 provides that, the procuring entity shall, upon written request of the contractor which shall be submitted as a contract document, make an advance payment to the contractor in an amount not exceeding fifteen percent (15%) of the contract price, to be paid in lump sum or, at the most, two installments according to a schedule specified in the Instructions to Bidders and other relevant Tender Documents. The Advance payment shall be made only upon the submission to and acceptance by the procuring entity of the irrevocable standby letter of credit of equivalent value from a commercial bank, a bank guarantee or a surety bond callable upon demand, issued by a surety or insurance company duly licensed by the Insurance Commission and confirmed by the procuring entity.
28. On March 7, 2023, Audit Observation Memorandum (AOM) No. 2023-026-102 (2022) was issued by the Audit Team in connection with the unrecovered Advances to Contractors for Fund Cluster 02-Agroforestry Support Facilities (ASF) of the PENRO-Iloilo due to termination of contracts. The recommendations

in the said AOM were included in the Calendar Year (CY) 2022 Management Letter (ML) wherein the Management agreed to implement; that is: (1) to prioritize and fast track the recovery of the advances made to contractors whose contracts were terminated; and (2) to monitor strictly the financial aspect of the subprojects under the FMP.

29. Verification of the Advances to Contractors Subsidiary Ledgers (SLs) as of December 31, 2023 disclosed that, out of the P14,482,354.541 prior year's balance, three contractors with terminated contracts, still have outstanding balances, as follows:

Contractor	Name of Sub-Project	Outstanding Balance
Contractor #1	Barasalon Hanging Bridge (1 st unit)	P 1,706,150.20
	Cabatangan Irrigation Pipeline System	5,448,793.88
Contractor #2	Aglobong Irrigation Pipeline System	2,683,333.33
Contractor #3	Masaroy Access Road	1,533,698.63
Total		P11,371,976.04

30. On November 6, 2023, the Audit Team sent an Audit Query (AQ) inquiring as to the specific actions taken by the Management in recovering the amount and as the reasons why recoupment was not made.

31. On January 10, 2024, the Management in reply to the AQ, only sent a status of the unrecovered advances due to termination of contracts, as follows:

Contractor	Insurance Company	Date of demand letter	Date received
Contractor #1	Pacific Union Insurance Company	March 17, 2023	April 2, 2023 via JRS
	Pacific Union Insurance Company	March 17, 2023	April 2, 2023 via JRS
Contractor #2	Liberty Insurance Corporation	March 17, 2023	April 1, 2023 via JRS
Contractor #3	Traveller's Insurance Surety Corp.	March 17, 2023	April 14, 2023 via registered mail

32. The foregoing observations showed the Management's laxity in recovering the amount paid considering that after the demand letters sent in March 2023, no further action was taken.

33. Inadequate monitoring and follow-up for the recovery of the advance payments amounting to P11,371,976.04 made to various contractors of agroforestry support facilities, whose contracts have been terminated, resulted in the non-recovery of cash, which could have been utilized by the Agency in its other sub-projects under the Forestland Management Project.

34. We recommended and the Management agreed to make a follow-up demand and institute other appropriate actions to the insurance companies of the contractors with outstanding advance payments to recover the amounts paid to them.
35. The Management commented that the assistance of the legal division of DENR Regional Office No. VI has already been sought for the recovery of the amount despite efforts made by the PENRO to demand payment from the contractors. They will also review the status of the surety bond of these contractors especially those with no expiration date.

B. Compliance Audit with Other Legal and Regulatory Requirements

Fund Utilization/obligation and disbursement

36. The total CY 2023 budget of the FMP was not optimally utilized resulting to a low utilization of P71.22 million or 46% of the total available allotments of P155.88 million that led to the reversion of the unobligated continuing allotment amounting to P82.32 million which could have been used to finance the other activities of the Project. Moreover, two targeted outputs were still not completed as of December 31, 2023, namely: Land Tenure Issuance and Agroforestry Support Facilities due to several reasons, thus, attainment of the overall project's objective/purpose was delayed.
37. Section 70 of the General Provisions of Republic Act No. 11936¹ states that all appropriations authorized under FY 2023 GAA shall be available for release and obligation for the purpose specified until December 31, 2023, while for continuing appropriations under FY 2022 GAA, it shall not be made not later than December 31, 2023.²
38. Section 3.4 of National Budget Circular No. 590 dated January 3, 2023 and the aforementioned general provisions also provide that after the validity of the period, all unreleased appropriations and unobligated allotment shall lapse, while unexpended or undischursed funds shall revert to the unappropriated surplus of the General Fund, in accordance with Section 28, Chapter 4, Book VI of EO No. 292 and shall not thereafter be available for expenditure except by subsequent legislative enactment.
39. The budget appropriations provided to government agencies are aimed to facilitate the achievement of its mandate and objectives through various projects, programs and activities (PPAs). The effective and efficient implementation of these PPAs is anchored on the timely and appropriate execution of the budget which has

¹ General Appropriations Act of FY 2023

² Republic Act No. 11639 or General Appropriations Act of FY 2022

always been the thrust of the government to ensure the timely delivery of goods and services to the public.

40. The FMP is on its last year of implementation after its request for another year extension has been approved by the Philippine Government and Japan International Cooperation Agency (JICA). FMP is originally a 10-year project but currently on its 12th and final year until July 2024.

Fund Utilization

41. The FMP has a total adjusted current appropriation of P47,922,000.00 per the GAA of CY 2023 and a continuing appropriation of P107,958,888.38, for a total appropriation of P155,880,888.38.
42. The Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB) of the Project for FY 2023 Current and Continuing Appropriations showed that out of the total allotment of P155,880,888.38, the amount of P71,215,474.81 or 46 percent was utilized/obligated, leaving a balance of P84,665,413.57. Moreover, total disbursements for the year amounted to P63,225,234.45 or 89 percent of the total obligated amount.

Class	Amount			Unobligated Allotment	Unpaid Obligation	Util'n Rate	Disb. Rate
	Allotment	Obligation	Disbursement				
Current							
MOOE	47,922,000.00	45,579,971.76	43,268,641.88	2,342,028.24	2,311,329.88	95%	95%
Continuing							
MOOE	30,468,631.29	19,777,889.67	16,685,490.23	10,690,741.62	3,092,399.44	65%	84%
Capital Outlay	77,490,257.09	5,857,613.38	3,271,102.34	71,632,643.71	2,586,511.04	8%	56%
Sub-Total	107,958,888.38	25,635,503.05	19,956,592.57	82,323,385.33	5,678,910.48	24%	78%
Total	155,880,888.38	71,215,474.81	63,225,234.45	84,665,413.57	7,990,240.36	46%	89%

43. As shown from the above table, for its CY 2023 current appropriations, the Project was able to maximize the utilization of its allotments at 95 percent. However, for its continuing appropriations, it was able to obligate only P25,635,503.95 or 24 percent of its total allotment of P107,958,888.38.
44. The total unobligated allotments amounting to P84,665,413.57 was due to the following causes disclosed by the FMP, among others: (a) none or delayed implementation of project activities; b) unutilized re-allocated budget; and (c) savings generated in excess of ABC and actual contract price, as illustrated by the table below:

Project Subcomponent	Amount	Remarks
Project Management Supervision	P 2,342,028.24	It was not utilized due to postponement of the conduct of FMP

Project Subcomponent	Amount	Remarks
		National Close-Out Event. It was rescheduled by May 2024.
Site Development	4,435,499.99	Savings from the procurement of support infrastructure for AFVC Enterprises such as Agricultural Trampoline and Coffee Processing Facilities.
Agroforestry Support Facilities (ASF)	8,340,924.00	Savings from procurement of ASF Projects
	58,808,880.19	Unutilized re-allocated budget for the re-procurement of two (2) ASF sub-projects. These are still on-going projects.
Consultancy Services	10,738,081.15	Due to the procurement of Engineering Firm that is no longer feasible to be pursued and the required concurrence from JICA was not approved
Total	₱ 84,665,413.57	

45. Further analysis of the unobligated allotment for its CY 2023 continuing appropriations disclosed that out of ₱82,323,385.33, 94 percent were financed by the loan proceeds as follows:

Source of Funds	Amount	Percentage
GOP Counterpart	₱ 4,807,423.06	6%
Loan Proceeds - JICA	77,515,962.27	94%
Total	₱ 82,323,385.33	100%

46. The non-utilization of the allotment financed by the loan proceed is disadvantageous to the government considering the loan proceed incur borrowing cost and interest expense.
47. Being the primary agency responsible for the conservation, management, development and proper use of the country's environment and natural resources, the existence of significant amount of unobligated allotments reflects the Management's inability to maximize the use of its authorized budgetary requirements thereby depriving the public of the maximum benefits that can be derived from the allocated funds.

Disbursement

48. FMP reported a disbursement rate of 89 percent or ₱63,225,234.45 out of the total obligations of ₱71,215,474.81, leaving an unpaid obligation amounting to ₱7,990,240.36.

49. Of the total disbursed amount of P63,225,234.45 as of year-end, it can be noted that the disbursement rate for the continuing appropriations registered only a rate of 78 percent. The low disbursement rate for the continuing appropriations was due to delayed implementation of the remaining project activities and insufficiency of revolving funds as a result of the depletion of the special account.

50. On the other hand, as for the physical accomplishment, the Project still failed to achieve its target for the Land Tenure Issuance (LTI) and Agroforestry Support Facilities (ASF) as of December 31, 2023. It should also be remembered that the non-achievement of the targets set by the agency negatively affects its fund utilization because it implies a lack of absorptive capacity to carry out its planned programs. Thus, the alignment of approved budget for the period vis-à-vis the project activities scheduled to be implemented during the year must be assured to avoid excess allocation of its funds intended for the proper implementation and delivery of its planned output. The Project Accomplishments Report is summarized below.

Outputs	Overall Target	Cumulative Acc.	% Acc.	Status/Remarks
10. Watershed management plans (WMPs) finalized/packaged and updated	24 WMPs	24 WMPs	100	Completed.
11. Partner Peoples' Organization (PO) formed, organized, and capacitated	149 POs	149 POs	100	Completed.
12. Land Tenure Instruments (LTIs) issued to partner POs	149 LTIs	102 LTIs	68	Behind schedule.
13. Plantations established - Site Development (SD)	71,300 ha	71,300 ha	100	Completed.
14. Viable enterprises/livelihoods established by the partner POs (Enterprise Development)	149	149	100	Completed.
15. Agroforestry Support Facilities (ASF) constructed and maintained in all sub-watershed areas.	102 Subprojects	92 Subprojects	91	Behind schedule.

Outputs	Overall Target	Cumulative Acc.	% Acc.	Status/Remarks
-Farm to market road -Pathway -Hanging bridge -Reinforced concrete bridge -Irrigation pipeline system	93.35 km 49.10 km 15 units 11 units 152 km	88.36 km 33.05 km 15 units 11 units 123.87 km		
16. Multi-sectoral Watershed Management Bodies, including cost-sharing mechanism established (Policy Initiative)	3 WMCs/PAMBs	2 WMC and 1 PAMB	100	Completed.
17. Site development (SD) plantations ground validated	71,300 ha.	71,300 ha	100	Completed.
18. Project Management Structures and Systems organized/established and operational	34 Project Management Offices (PMOs)	34 PMOs	100	Completed

51. As can be gleaned from the above table, LTI and ASF are still behind schedule despite the given additional 2 years extension with cumulative accomplishment of 68% and 91%, respectively.

52. Per inquiry made with the personnel under Project Management Division, the DENR Central Office through Forestland Management Bureau and FMP Office continuously assist the implementing units in facilitating the processing for the remaining LTI applications (32 People's Organizations (POs) in Cordillera Administrative Region and 15 POs in Region 6). He also added that the delay/concern in LTI is already beyond the control of the Department and within the internal protocols of the National Commission on Indigenous People (NCIP). However, the recent development relative to this concern is that high-level dialogue among and between the NCIP and concerned NGAs is ongoing to discuss and streamline the requirements for Free and Prior Informed Consent (FPIC) process and other operational agreements to harmonize programs and activities. A follow up letter dated September 19, 2023 was sent to the NCIP to supplement these initiatives. While under the ASF subcomponent, the delay is due to the suspension of all works on the remaining subprojects due to non-payment of

contractor billings. This is because of the unavailability of funds as a result of the depletion of the FMP special account.

53. It was further stated that the Project shall facilitate the completion of the remaining physical targets until first quarter of 2024 in order to have some sufficient time to validate the accomplishments and process the corresponding billings. Likewise, the Project shall continue the implementation of the Sustainability Action Plan and mainstreaming of the Project initiatives to the regular function of the field offices.

54. The delays in the implementation timelines of ASF and issuance of LTIs have an effect on the overall implementation of the project activities and in the attainment of its objectives.

55. We recommended and Management agreed to direct the Project Head to:

- a. exercise judicious budget planning to rationalize the provision of funds/allotments for project activities to avoid significant reversion of funds;
- b. continuously coordinate with the NCIP to fast track and facilitate the conduct of the necessary FPIC process;
- c. expedite the payment of contractor billings to catch-up for the delayed works.

56. Management commented the following:

- a. The project's budget proposal for CY 2025 amounting to PhP197.0 million is already limited/confined to the actual obligated contracts for Site Development (SD) and ASF subcomponents. Hence, the possibility of budget surplus can be avoided. Funds are being requested to cover the budget deficit in Loan Proceeds as a result of the losses in foreign exchange rates.
- b. The concerned Field Implementing Unit (FIUs) in CAR and Region VI are continuously coordinating with their respective NCIP counterparts to pursue activities required for the issuance of the NCIP certification. These initiatives will be pursued by the concerned DENR Field Offices once the project is ended as part of their regular activities.
- c. Upon receipt of the requested additional revolving fund amounting to Yen 550.0 million or equivalent to PhP205.0 million from JICA in December 2023, the FIUs already begun processing and releasing the payments to the POs and contractors, resulting in the increase in disbursement for SD and ASF from PhP1.885 B (78.69%) and PhP1.760 B (87.46%), respectively in

December 2023, to PhP2,035. B (85.13%) and PhP1,825 B. (92.96%) respectively in 15 March 2024.

Reversion, closure, transfer of balances of dormant cash, unauthorized accounts and unnecessary funds

57. DENRCO, FMB, CAR, Regions II, III, and VI and PENROs Quirino, Nueva Ecija has no dormant cash, unauthorized accounts, unnecessary special and trust funds and related accounts for reversion as of year-end, in conformity with Permanent Committee Joint Circular No. 4-2012, dated September 11, 2012, implementing Executive Order No. 431, dated May 30, 2005. PENROs Ifugao, Nueva Vizcaya and Iloilo did not report any dormant cash, unauthorized accounts, unnecessary special and trust funds and related accounts in their ML.

Non-liquidation of Cash Advances

58. In FMB, no advances were made to PS-DBM during the year. However, there were still unliquidated advances in prior years' amounting to P0.15 million as of year-end, contrary to the provision of COA Circular No. 94-013.

59. Item 4.9 of COA Circular No. 94-013 states that:

"The IA shall return to the SA any unused balance upon completion of the project."

60. As of December 31, 2023, Advances to PS-DBM showed an outstanding amount of P146,440.81, analysis of the account showed that no advances were made during the year and this balance pertains to the CY 2019 fund transfer for purchase of common office supplies that remains unliquidated as of year-end, with details as follows:

Date	Check no.	Advances	Delivery Receipt No.	Liquidation	Advances
03.04.2019	831944	P272,647.26	M19-005061	P126,206.45	P146,440.81
			M19-014829		

61. This observation was among the prior year's audit observation and Management commented through their submitted Agency Action Plan and Status of Implementation (AAPSI) on the audit recommendations as of December 31, 2023, that they already sent letter to the PS-DBM Executive Director requesting for the reconciliation of the remaining balance.

62. The accounting personnel, who is in charged in monitoring the PS-DBM account, explained that no follow-up demand letter was sent to the PS-DBM during the

year for this unliquidated balance since the accounting unit are still updating the working paper with the details, like APR number and delivery receipt number, that the PS-DBM is requesting to facilitate reconciliation of both records.

63. Non-compliance with the provision of COA Circular No. 94-013 constitute the existence of unutilized balance of advances to PS-DBM amounting to P146,440.81 as of December 31, 2023.
64. We recommended and Management agreed to instruct the Chief, Accounting Unit to expedite the reconciliation of the balances recorded per book with the records of PS-DBM to determine and confirm unutilized funds and request refund/return of the same.
65. Management commented that the Accounting Unit is in constant coordination with PS-DBM for pending items and reconciliation of balances per books with the records of PS-DBM to determine unutilized funds and to request refund/return of the same. The Management is still waiting for the response of the PS-DBM regarding this matter.

Granting and liquidation of fund transfers to implementing agencies and NGOs/CSOs

66. DENRCO, CAR, Region II and PENROs Ifugao and Nueva Ecija have no fund transfers made to National Government Agencies (NGAs), Local Government Units (LGUs), Government-Owned or Controlled Corporations (GOCCs), Non-Governmental Organizations/Civil Society Organizations (NGOs/CSOs) during the year for the implementation of the Project in accordance with COA Circular No. 94-013, COA Circular No. 2007-001 and COA Circular No. 2016-005 dated December 19, 2016. There was also no unliquidated fund transfer in prior years.

Procurement of goods, consultancy services and infrastructure projects

67. FMB, CAR, Regions II, III and VI, PENROs Ifugao, Quirino, Nueva Vizcaya, Nueva Ecija and Iloilo procurement transactions during the year were in accordance with the 2016 Revised Implementing Rules and Regulations of RA No. 9184, and COA Circular No. 2012-001 on documentary requirements for common government transactions. DENRCO has no procurement during the year.

Over insurance of Physical Assets

68. FMB, CAR, Regions II, III and VI, and PENROs Quirino, Nueva Vizcaya, Nueva Ecija and Iloilo had properties amounting to P54.65 million with corresponding insurance premium paid amounting to P0.34 million in accordance with RA No. 656, otherwise known as the "Property Insurance Law", however, the FMB over-insured its physical assets due to (a) inclusions of PPE items acquired prior to calendar year 2022 with a total cost of P1.14

million that should be expensed in accordance with COA Circular No. 2022-004; (b) inclusions of semi-expendable items amounting to ₱0.76 million that were already issued to end-users; and (c) double-entry of semi-expendable items amounting to ₱0.02 million.

69. Section 5 of RA No. 656, Property Insurance Law, provides that "Every government, except a municipal government below first class, is hereby required to insure its properties, with the Fund against any insurable risk herein provided and pay the premiums thereon."

70. Item 5.1(c) of the COA Circular No. 2018-002 dated May 31, 2018 provides that:

"Extract from the Report on the Physical Count of Property, Plant and Equipment, as well as from the Report on the Physical Count of Inventories, prepared in accordance with the provisions of the Government Accounting Manual, the data for the PIF pertaining to the insurable assets and interest of the government (excluding impaired properties for disposal)."

71. Item 4.3, COA Circular No. 2022-004³ dated May 31, 2022 states that,

For issued tangible items acquired prior to CY 2022 with amounts from ₱15,000.00 to below ₱50,000.00 previously classified as PPE:

a. The carrying amount shall be expensed/charge to the following accounts, as applicable:

i. Accumulated Surplus/(Deficit) for NGAs and GCs classified as Non-Commercial Public Sector Entities; xx

72. Section 10(b), Chapter 8 of Government Accounting Manual (GAM) Volume I states that,

Sec. 10 – Semi-expendable Property. Tangible items below the capitalization threshold of ₱15,000 shall be accounted as semi-expendable property. The following policies apply as follows:

xx b. These tangible items shall be recognized as expenses upon issue to the end-user.

73. In compliance with Property Insurance Law as amended by Presidential Decree No. 245 dated July 13, 1973, FMB, CAR, Regions II, III and VI, and PENROs Quirino, Nueva Vizcaya, Nueva Ecija and Iloilo insured its physical assets costing

³ Guidelines on the Implementation of Section 23 of the General Provisions of Republic Act No. 11639 also known as the General Appropriations Act (GAA) for FY 2022 relative to the increase in the capitalization threshold from ₱15,000.00 to ₱50,000.00.

₱54,653,237.36 with corresponding insurance premium paid amounting to ₱343,668.63, as shown below:

Office	Amount of Physical Assets	Amount of Premiums
FMB	₱ 9,402,686.87	₱ 43,610.51
CAR	1,469,608.00	10,564.51
Region II	783,818.50	3,812.33
Region III	1,249,330.00	10,096.66
Region VI	1,430,000.00	9,851.56
PENRO Quirino	2,477,930.77	14,176.10
PENRO Nueva Vizcaya	23,440,525.09	130,331.23
PENRO Nueva Ecija	5,648,307.63	35,698.59
PENRO Iloilo	8,751,030.50	85,527.14
Total	₱ 54,653,237.36	₱ 343,668.63

74. Breakdown of the insured physical assets and insurance premium paid by FMB are presented below:

PPE and Semi-Expendable Items	Qty.	Cost	Premium Amount	Payment Details
Information and Communication Technology Equipment	86	₱ 3,788,224.99	₱ 19,676.70	OR No. 8450019801 dated Mar. 20, 2023
Office Equipment	24	632,481.96		
Furniture and Fixtures	104	1,032,508.20		
Technical and Scientific Equipment	3	72,000.00		
Communication Equipment	2	20,452.72		
Sub-total	219	5,545,667.87	₱ 19,676.70	
Motor Vehicles	1	896,323.00	₱ 4,320.20	OR No. 84500021827 dated July 6, 2023
	1	1,740,187.00	12,100.05	OR No. 7400047522 dated Dec. 28, 2022
	1	1,083,509.00	5,428.84	OR No. 7550062698 dated Feb. 23, 2023
	1	137,000.00	2,084.72	OR No. 8750011106

PPE and Semi-Expendable Items	Qty.	Cost	Premium Amount	Payment Details
				dated July 27, 2023
Sub-total	4	3,857,019.00	23,933.81	
Grand Total	223	9,402,686.87	43,610.51	

75. Review of the PIF submitted to GSIS disclosed that various PPE items amounting to P1,137,002.00 acquired prior to calendar year 2022 that should be recorded as semi-expendable inventory and eventually expensed upon issuance were still included, as shown below:

PPE Items	Qty.	Cost
Information and Communication Technology Equipment	25	P 813,598.00
Office Equipment	2	46,898.00
Furniture and Fixtures	8	204,506.00
Technical and Scientific Equipment	3	72,000.00
Total	38	P 1,137,002.00

76. It was observed that before the insurance activity in March 2023, PPE items and semi-expendable items above were already issued to end-users as reflected in the Property Acknowledgement Report (PAR). The Property Unit issues the items to end-users after one to two days from the date of acceptance of delivery of these items.
77. The PPE items and semi-expendable items were all issued to end-users the same year it was acquired. Hence, the PPE items should be expensed in accordance with COA Circular No. 2022-004 and the semi-expendable items should be expensed upon issuance to the end-users. Moreover, these items should be excluded from the PIF submitted to GSIS for insurance.
78. Further, tangible items recognized as semi-expendable items that were already issued to end-users were still insured, details as follows:

Semi-Expendable Items	Qty.	Cost
Information and Communication Technology Equipment	31	P 93,290.92
Office Equipment	17	75,000.68
Furniture and Fixtures	95	591,619.00
Total	143	P 759,910.60

79. Furthermore, tangible item with property no. FMB-FMP-19-11-03-9 costing P16,950.00 with item description of Phone, Geotagging Devices, was reported twice on PIF under Semi-Expendable Information and Communication

Technology and Semi-Expendable Communication Equipment, hence, it was insured twice.

80. The property unit personnel responsible for insurance disclosed that he/she was not aware of Item 4.3 of COA Circular No. 2022-004 and that the agency insures all items with the GSIS, regardless of whether they are issued to end-users or not.
81. In effect, the insurance of PPE items and semi-expendable items that should be expensed already results in higher insurance premiums and waste of funds.
82. We recommended and Management agreed to direct the OIG, Property Unit to:
- a. be familiarized with the provisions of the recently issued COA Circular No. 2022-004;
 - b. discontinue the inclusion of the issued items in insurance; and
 - c. exercise diligence in recording PPEs and semi-expendable items in the PIF to ensure accuracy and correctness of physical assets for insurance coverage.
83. Management commented that starting CY 2024, the Property Unit will discontinue the inclusion of issued semi-expendable Property, Plant (PPE) in the Property Insurance Form (PIF). Moreover, the Unit will exert efforts to further be familiarized with the provisions of COA Circular No. 2022-004. Finally, the unit will also exercise diligence in recording PPEs and semi-expendable items to ensure the accuracy and correctness of physical assets for insurance coverage.

Non-disposal of Unserviceable Property

84. Unserviceable properties from CAR, PENROs Ifugao and Iloilo with an aggregate amount of P2.57 million remained not disposed of as at year-end contrary to Section 79 of PD 1445, thus exposing them to further deterioration and decreasing their realizable value.
85. Section 79 of the PD No. 1445 otherwise known as the Government Auditing Code of the Philippines provides that:

"When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence."

"If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission; after advertising by printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper of general circulation; or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission."

86. As of December 31, 2023, CAR, PENROs Ifugao and Iloilo had unserviceable properties that were not disposed of consisting of various semi-expendable properties and property, plant and equipment with a total cost of ₱2,571,845.17, as follows:

Office	Particulars	Amount
CAR	Semi-Expendable Property	₱ 109,334.17
	Property Plant and Equipment	77,671.00
PENRO Ifugao	Semi-Expendable Property	119,840.00
	Property Plant and Equipment	1,342,000.00
PENRO Iloilo	Property Plant and Equipment	923,000.00
Total		₱ 2,571,845.17

87. In CAR, the agency conducted a disposal of property in August 2023 for unserviceable properties as of April 30, 2023. The properties that were not disposed as at year-end were those declared as unserviceable during the physical inventory in October to December 2023.
88. It has been also observed that the most of the unserviceable property were not voluntarily surrendered by the end-users to the Property Unit as soon as these became unserviceable. Thus, it was only during the physical inventory when the Property Unit personnel asked about the condition of the property that most of the unserviceable property were surrendered.
89. Likewise, in PENRO Iloilo, it was found-out that the said unserviceable properties were not disposed as of December 31, 2023 was because the Accountable Persons reported the PPE as unserviceable only in December 2023, after determining that these properties were beyond repair.
90. If the above properties were surrendered upon knowledge that these are no longer serviceable, it could have been disposed earlier to prevent them from further deterioration which may decrease their realizable value.

91. We recommended and Management agreed to direct the:

- a. accountable officers to monitor the properties under their custody and report immediately the unserviceable items to the Property Officer/Inventory and Disposal Committee for prompt reporting in the IIRUP; and
- b. Inventory and Disposal Committee to see to it that all unserviceable properties of the agency are disposed immediately to avoid further deterioration and decrease in realizable value.

92. Management of CAR commented that they already issued a memorandum dated February 22, 2024 reiterating the schedule of return of unserviceable property. The Management also committed to dispose the unserviceable property.

Delayed submission/incomplete supporting documents of government contracts/POs

93. In PENRO Ifugao, copy of government contracts, purchase orders and their supporting documents totaling 190 with corresponding amount of P7.29 million were not submitted within the prescribed period, with delays ranging from 1 to 101 days, while in PENRO Nueva Vizcaya, 34 purchase orders with an aggregate amount of P1.49 million were submitted on time but not substantiated with the required documentation contrary to Item 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009, thus precluded the conduct of timely auditorial review.

94. COA Circular No. 2009-001 dated February 12, 2009 provides the restatement with amendment of COA Circular No. 87-278 and COA Memorandum 2005-027 re: submission of copies of government contracts, purchase orders and their supporting documents to the Commission on Audit. Item 3.2 thereof states:

3.2 Purchase Orders

3.2.1 A copy of any purchase order irrespective of amount, and each and every supporting document, shall, within five (5) working days from issuance thereof, be submitted to the Auditor concerned. Within the same period, the Auditor shall review and point out to management defects and/or deficiencies, if any, in the same manner provided in the second and third sentences of Item 3.1.4 hereof." (emphasis added).

95. Monitoring showed that PENRO Ifugao incurred 20-101 days delay in submitting its copy of contract and purchase orders, as shown below:

Nature of contracts/POs	Beyond 5 days		
	Total number	Total Amount	No. of days delayed
Goods	101	P 2,039,993.90	101
Services	89	5,250,024.30	20
Total		P 7,290,018.20	

96. On the other hand, 34 POs with an aggregate amount of P1,491,925 were timely submitted to the audit team by the supply/property officer of PENRO Nueva Vizcaya. However, it was observed that the required supporting documents to the POs were not submitted. These documents include, but are not limited to, copies of Purchase Requests, Abstract of Quotations, Request for Quotations and other documents peculiar to the contract and/or to the mode of procurement.
97. The delayed submission and submission with incomplete supporting documents of contracts and purchase orders precluded the conduct of timely auditorial review thereof.
98. We recommended and Management of PENROs Ifugao and Nueva Vizcaya agreed to require their respective supply/property officers to fully comply with Item 3.2.1 of COA Circular No. 2009-01 dated February 12, 2009 by submitting all copies of government contracts and purchase orders within the prescribed five (5) days period with complete supporting documents from execution/issuance thereof.
99. Management of PENRO Nueva Vizcaya acknowledged their lapses and committed to provide copies of the supporting documents and assured that they would furnish these documents once the POs are perfected.

Compliance with Tax Laws and Regulations

100. FMB, Regions 3, 6 and CAR and PENROs Ifugao, Quirino, Nueva Vizcaya, Nueva Ecija and Iloilo withheld taxes on government purchases and contract of services from suppliers/contractors amounting to P29,513,845.61 and properly remitted P27,394,269.98 during the year, leaving a balance of P2,119,575.63 remitted in January 2024, in accordance with Revenue Regulation No. 10-2008 dated July 2008. Details are presented below:

DENR Office	Withheld	Remitted	Balance
FMB	P 4,528,984.13	P 3,306,052.63	P 1,222,931.50
CAR	190,765.10	190,765.10	0.00
Region III	12,404.16	12,404.16	0.00
Region VI	17,045.14	17,045.14	0.00
Ifugao	3,076,213.57	3,076,213.57	0.00
Nueva Vizcaya	3,262,339.58	3,262,339.58	0.00
Quirino	1,071,562.82	859,820.98	211,741.84
Nueva Ecija	1,517,059.26	832,156.97	684,902.29

DENR Office	Withheld	Remitted	Balance
Iloilo.	15,837,471.85	15,837,471.85	0.00.
Total	P 29,513,845.61	P 27,394,269.98	P 2,119,575.63

Compliance with National Insurance Act of 1995 (PhilHealth)

101. Monthly remittances to the PhilHealth of FMB for its contract of service personnel's premium contributions did not tally with the amount withheld during the month resulted to an unremitted balance of P0.02 million. Moreover, the prior years' balance of P0.02 million remains unremitted as of year-end.

102. PhilHealth Board Resolution No. 2133 s. 2016 approves for the mandatory coverage of individual/s directly hired job orders (JOs) and project-based contractors (PBCs) in the government as Members of the Informal Economy, and authorizes government employers to withhold and remit their full premium contributions as Individually Paying Members under the Group Enrolment Scheme.

103. The IRR of National Health Insurance Act of 1995 (Republic Act 7875 as Amended by Republic Act 9241) provides that:

"SECTION 162. Failure/Refusal to Remit Contributions – Any employer or officer authorized to collect contributions who, after collecting or deducting the monthly contributions due from his/its employees, fails or refuses to remit said contributions to the Corporation within thirty (30) days from the date they become due shall be presumed to have misappropriated such contribution and shall suffer the penalties hereunder indicated and those provided for in Article 315, par 1 (b) of the Revised Penal Code on Swindling. The fine shall be in addition to the outstanding applicable contribution receivable from the employer and shall be multiplied by the total number of employees of the firm." (emphasis supplied).

104. Review of the General Ledger (GL) showed that the agency withheld the PhilHealth premium contributions of contract of service amounting to P161,902.28 and remitted a total amount of P139,972.54 resulting in an under-remittance of P21,929.74. Details are shown below:

Period	Deductions	Remittance	Under (Over) Remittance per Month
January	P 17,401.41	P 16,497.31	P 904.10
February	21,767.92	21,767.91	0.01
March	24,092.26	24,204.78	(112.52)
April	17,754.46	17,754.46	-
May	20,558.94	20,559.65	(0.71)

Period	Deductions	Remittance	Under (Over) Remittance per Month
June	19,408.96	9,647.37	9,761.59
July*	-	-	-
August*	-	-	-
September*	-	-	-
October	15,777.95	15,777.95	-
November	13,763.11	13,763.11	-
December	11,377.27	-	11,377.27
Total	P 161,902.28	P 139,972.54	P 21,929.74

*The withholding and remittance for this period is under Regular Fund.

105. Analysis of remittance per month showed that there were under/over remittances amounting to P21,929.74 which pertains to the following:

Period	Under (Over) Remittance	Remarks
January	P 904.10	P900.72 --withheld amount for December 29, 2022 salary; P3.38 -- under remittance for January 2023.
February	0.01	Variance on rounding off.
March	(112.52)	Over-remittance of premium contribution of one COS staff.
May	(0.71)	Variance on rounding off.
June	9,761.59	Withheld amount from June 16-30, 2023 payroll.
December	11,377.27	Withheld amount from December 2023, still unremitted as of this date.
Total	P 21,929.74	

106. Upon inquiry with the HR personnel, who is responsible for checking the PhilHealth withholdings of contract of service, these variances can be attributed to the lack of reconciliation between the monthly withholdings and the amount to be remitted before the actual remittances were made due to voluminous work.

107. Moreover, it was further disclosed that the prior years' balance was not remitted as of year-end, as summarized below:

Particular	Withheld	Remittance	Balance
Prior years' balance	P 34,057.45	P 5,338.71	P 28,718.74

108. The unremitted balance of P28,718.74 pertains to premium contributions from December 2022 amounting to P22,544.76, which remain unremitted as of this date as they are waiting for available funds. As advised by the PhilHealth, payment for the December 2022 PhilHealth was made through Advice to Debit Account (ADA) under 102-004 dated January 31, 2023, however, at the time they made the payment the system of PhilHealth was not yet ready, hence, the payment was

cancelled. Meanwhile, the remaining balance of P6,173.98, which pertains to prior years' contributions withheld, is still subject to reconciliation.

109. The non-remittance of the withheld premium contributions deprives the PhilHealth of resources to invest and fund the claims of its members while the concerned COS employees were unprotected/deprived of the benefits due to the non-remittance of PhilHealth insurance premiums.

110. We recommended and Management agreed to instruct the Chief, Accounting Unit, and the Chief Human Resources Unit to:

- a. regularly perform reconciliation to ensure that the total amount remitted tallies with the amount deducted each month;
- b. take action to address the current year under remittance of P21,929.74;
- c. remit immediately the December 2022 balance of P22,544.76 as soon as the funds are available; and
- d. reconcile prior years' unremitted/outstanding balance of P6,173.98 and remit immediately, if warranted.

111. Management commented that check nos. 856425 and 856426 both dated March 22, 2024 were already prepared for the remittance of the unremitted PhilHealth premiums for CY 2023 and 2022, respectively. While on the reconciliation of prior years' balance, the following adjustments were recorded during CY 2023: JEV Nos. 2023-09-001841, 2023-12-003067, 2023-12-003112, 2023-12-003125, 2023-12-003127. They will continue the reconciliation efforts and remit any outstanding balance, if warranted.

112. Results of the audit team's verification of the check issued disclosed that check no. 856425 was reported as cancelled check while check no. 856426 amounting to P22,544.76 was remitted to PhilHealth on April 4, 2024 as payment for the December 2022 premium contribution with Official Receipt no. 04694116. Moreover, it was revealed that the adjustments made under the JEVs mentioned above pertain to the Regular Fund and not to the FMP. Hence, the Audit Team maintains its position to sustain the recommendations a, b, and d.

Hiring of and payment to job orders, contractual and consultants

113. CAR, Regions II, III and VI, PENROs Ifugao, Nueva Vizcaya, Nueva Ecija and Iloilo hired 153 individuals covered with Contract of Service (COS) as of December 31, 2023 in accordance with CSC COA DBM Joint Circular No. 1 dated June 15, 2017, as updated by CSC COA DBM Joint Circular No. 2, 2020, dated October 20, 2020, to provide technical assistance and perform financial and

administrative functions for the FMP. Their salaries and other compensation were charged against Maintenance and Other Operating Expenses (MOOE) under Other Professional Services account in the total amount of ₱14,686,310.72, as authorized under DBM Circular Letter No. 2013-5 dated July 22, 2013. Details are as follows:

DENR Office	No. of Hired COs/JOs.	Salaries charged to MOOE.
CAR	7	₱ 2,111,269.10
Iligao	27	No amount stated.
Region 2	2	500,285.57
Nueva Vizcaya	20	No amount stated.
Region 3	3	391,332.80
Nueva Ecija	25	2,813,567.41
Region 6	4	520,914.68
Iloilo	65	8,348,941.16
Total	153	₱ 14,686,310.72

GAD Budget, Utilization and Accomplishments

114. The FMP attributed the amount of ₱47,922,000.00 or 30.74 percent of the total budget of the Project of ₱155,880,888.38 for GAD programs and activities, in compliance with RA No. 7192, the Women in Development and Nation Building Act.

Enforcement/settlement of Suspensions/Disallowances/Charges

115. In CAR, disallowances that have become final and executory amounting to ₱2.21 million were not settled as of year-end, which may result in the enforcement of civil liability pursuant to Rule XIII of the 2009 Revised Rules of Procedure of the COA.

116. Section 48 of PD No. 1445 provides that any person aggrieved by the decision of an auditor of any government agency in the settlement of an account or claim may within six months from receipt of a copy of the decision appeal in writing to the Commission.

117. Section 51 of the PD further provides that a decision of the Commission or of any auditor upon any matter within its or his jurisdiction, if not appealed as herein provided, shall be final and executory.

118. There were no audit suspensions, disallowances and charges issued nor settlements made for the year. As of December 31, 2023, the Project had an outstanding disallowance of ₱2,206,432.05 broken down as follows:

119. As shown above, only 7 out of 57 and 8 out of 27 persons liable filed an appeal against ND Nos. 16-006-102-(FMP)(12)(13) and 16-005-102-(FMP)(14)(15),

Status	Date	Number	Amount	Remarks
Final and executory [For issuance of NFD to persons liable (PL) who did not file an appeal].	06/28/2016	16-006-102- FMP ('12)('13)	₱1,394,634.50	7 of 57 PL appealed
	07/25/2016	16-005-102- (FMP)('14)('15)	811,797.55	8 of 27 PL appealed
Total			₱2,206,432.05	

respectively. Notice of Finality of Decision shall be issued to the other persons liable, there being no appealed filed within the reglementary period.

120. A COA Order of Execution (COE) shall also be issued to enforce the settlement of an audit disallowance, whenever the persons liable therefor refuse or fail to settle them after the decision has become final and executory. Non-compliance with the COE shall be reported to the General Counsel, through the COA Director concerned, who shall take any or all of the following actions:

- a. Recommend to the Commission Proper to cite defaulting party in contempt;
- b. Refer the matter to the Solicitor General for the filing of appropriate civil suit;
- c. Refer the case to the Ombudsman for the filing of appropriate administrative or criminal action.

121. We recommended and Management agreed to enforce compliance by the persons liable with the Notice of Finality and the COA Order of Execution once these are received.

122. The Management commented that they are just waiting for the issuance of COA Order of Execution to effect the corresponding salary deductions on the payroll of the persons liable.

123. For CY 2023, FMB, CAR, Region II and PENROs Quirino, Nueva Vizcaya and Iloilo had total audit suspensions, disallowances and charges as summarized below:

	Beginning Balance (January 1, 2023)	Issued this Period (January 1 to December 31, 2023)		Beginning Balance (December 31, 2023)
		NS/ND/NC	NSSDC	
Suspension	-	-	-	-
Disallowance	₱ 9,981,966.37	₱ 10,761.00	₱ 676,800.00	₱ 9,315,927.37
Charge	-	-	-	-
Total	₱ 9,981,966.37	₱ 10,761.00	₱ 676,800.00	₱ 9,315,927.37

124. In FMB, the unsettled disallowances amounting to ₱1,491,236.00 pertain to absence of legal basis related to payment of honoraria and notice of suspensions

that became disallowance for failure to submit within 90 days the required documents. The disallowance issued during the year amounting to ₱10,761.00 pertains to inappropriate reimbursement of the fares of personnel during their official local travel, from residence to their permanent official station and vice versa.

125. The disallowance of CAR totaling ₱2,206,432.05 pertains to the discussion above.
126. In Region II, the disallowances of ₱2,483,138.49 were appealed but affirmed by the Cluster Director. The appellants further appealed to the Commission Proper but no decision has been received as of this writing.
127. On the other hand, the unsettled disallowances of PENRO Quirino refer to payment of honoraria for the years 2016, 2017 and 2018 amounting to ₱331,838.50.
128. In Nueva Vizcaya, the disallowances amounting to ₱1,554,100.00 also pertain to the disallowed payments of honoraria to personnel charged against the FMP for calendar years 2017, 2018, 2019.
129. While in PENRO Iloilo, ongoing settlements of NDs issued in prior years are being made through deduction from payroll of the persons liable amounting to ₱1,249,182.33.

Other Compliance Audit Issues

130. The Registry of Semi-Expendable Property Issued was not maintained by PENRO Ifugao, while it is not accurately and completely maintained by CAR. In addition, Inventory Custodian Slip (ICS) control numbers were not assigned for low-valued and high-valued items in PENRO Ifugao while ICSs issued were not renewed at least every three years in CAR contrary to provisions of COA Circular No. 2022-004.
131. Item 4.7.4 of COA Circular No. 2022-004 provides that the Registry of Semi-Expendable Property Issued (RegSPI) shall be maintained in the Property and/or Supply Division/Unit for each class of issued semi-expendable property. The Property and/or Supply Custodian shall record promptly the issue, return, reissue, disposal, and other information about the property if returned and the description/information about the asset. It shall be maintained by fund. ICS shall be maintained continuously and recorded in sequential manner to keep track of any missing ICS. Likewise, item 4.1 also requires that ICS shall be issued to the end user and shall be renewed every three years or every time there is a change in custodianship/user of the property.
132. Item 4.14 of the same Circular also states that, for proper maintenance of Inventory Custodian Slip (ICS), the Property and/or Supply Division/Unit shall

assign separate ICS control number for low-valued items and high-valued items. Segregation of ICS for semi-expendable property will ensure proper monitoring of accountability particularly for high-valued items which accountability only expires after the return of the item or in case of loss, upon approval of the request for relief from property accountability.

133. Contrary to the foregoing, the supply/property officers of PENRO Ifugao have not maintained the RegSPI and did not assign separate ICS control numbers to low-valued and high-valued items because they thought the Report of Semi-Expendable Property Issued (RSPI) was enough. Also, they just continued the agency's sequential numbering of ICS which does not determine the value of the items.

134. As mentioned in the aforesaid rules and regulations, the RegSPI functions similarly to SPC, however, only a registry is recommended to be maintained since issued semi-expendable property are already derecognized in the books of accounts.

135. In the absence of RegSPI, and without separate ICS control numbers for low-valued and high-valued items, the whereabouts, condition, and the expiration of accountabilities on issued semi-expendable properties were not monitored.

136. On the other hand, in CAR, the Registry of Semi-Expendable Property Issued as of December 31, 2023 was not completely maintained because no reference document was indicated in the Registry for re-issued and returned semi-expendable properties and the ICS number is not consistent with the prescribed numbering structure for low-value and high-value items.

137. The ICSs were not also renewed at least every three years. According to the Property Officer, no ICS were renewed yet though a consolidated ICS per personnel were prepared in December 2023 but were not yet issued for signature due to the ongoing reconciliation of records.

138. The lapses on the maintenance of the Registry and the non-renewal of ICS can be attributed to the lack of manpower in the Supply/Property Section. The Supply/Property Officer and staff also have other designations such as member of Bids and Awards Committee (BAC) Secretariat and other Regional Office Committees.

139. We recommended and Management of PENRO Ifugao and CAR agreed to require their respective Supply/Property Officer to maintain accurately and completely the Registry of Semi-Expendable Property Issued and ensure the renewal of ICS every three years and that a separate control number is assigned to low-valued and high-valued items;

We also recommended and Management of CAR agreed that the Administrative Division assign a staff to temporarily assist the Supply/Property Officer in the preparation of transfer documents, updating of the Registry and renewal of ICs.

140. For PENRO Ifugao, the Management commented that the reports were already submitted to the Office of the Auditor on March 27, 2024. While the Management of CAR informed the Audit Team that they have already designated a staff to prepare the transfer documents, update the Registry and renew the ICs. The current workload of the personnel was already turned over to another Administrative Division personnel.

Deficiencies in the conduct of physical inventory

141. No Inventory Committee was constituted by CAR for the conduct of physical inventory for the one-time cleansing of PPE account balances of the Agency contrary to Item 5.2 of COA Circular No. 2020-006, resulting in the partial conduct of one-time cleansing activity.

142. Item 5.2 of COA Circular No. 2020-006 dated January 31, 2020 requires that the Head of the Agency create an Inventory Committee composed of adequate number of members to be able to complete the physical inventory in three months or less. Item 5.3 also states that the members of the Inventory Committee shall be temporarily relieved of their regular duties to devote their full time in the conduct of the physical inventory taking until the same is completed.

143. Based on the Physical Inventory Plan (PIP), a Special Order should have been prepared on September 11, 2023 for the creation of an Inventory Committee. No Special Order, however, was issued for the said purpose.

144. Thus, for the conduct of inventory in CY2023, the Agency was still guided by Special Order No. 829 series of 2021 dated November 8, 2021 which was issued to reconstitute the DENR-CAR Regional Property Inventory Committee with a function to conduct physical count of the properties and submit a RPCPPE. No functions were indicated relative to the activities for the one-time cleansing.

145. During the physical inventory from October to December 2023, only the two Inventory Committee Secretariat from the Property Unit and an Accounting Section personnel conducted the physical inventory. The other six members of the Inventory Committee were not able to join the inventory taking since they have duties and meetings to attend to as Division/Section Chiefs. These members of the Inventory Committee, however, were the ones who signed the RPCPPE.

146. Since the inventory taking was conducted only by three personnel, the inventory taking was not completely performed.

147. The conduct of physical inventory for the one-time cleansing has been started since 2020 but it is not being completed due to the non-constitution of Inventory Committee specifically for the activity which requires that members of the Committee be temporarily relieved of their regular duties to devote their time for the one-time cleansing procedures.
148. We recommended and Management agreed that the Regional Executive Director issue a Special Order for the creation of Inventory Committee for the one-time cleansing of PPE account balances and monitor the implementation of the activity within the timeline set.
149. Management commented that preliminary activities such reconciliation of records, renewal of Property Acknowledgement Reports (PARs) shall be conducted prior to the constitution of the Inventory Committee. Deadlines had already been set for the reconciliation of records. The members of the Inventory Committee for the one-time cleansing shall come from the PENR Offices and Regional Office.
150. The Inventory Count Form was not used in the physical count of PPEs of PENRO Ifugao contrary to Item 6.2.3 of COA Circular No. 2020-006 because the Inventory Committee immediately prepared RPCPPE by verifying the existence of recorded PPEs only.
151. COA Circular No. 2020-006 provides the following procedures for inventory taking:
- The physical count shall be recorded/documented daily in a standard Inventory Count Form (ICF), using the format in Annex A of this Circular, which shall be used as the basis in the preparation of RPCPPE after the physical count.*
- PPEs found at station or items not included in the inventory working papers, but there is a reasonable basis to consider the same as owned by the agency, shall likewise be included in the physical count and tagged with property stickers. These items shall be described as "found at station" which shall be indicated under the "Remarks" column of the ICF.*
152. Contrary to the foregoing, the Inventory Committee did not use the Inventory Count Form in the physical count of PPEs. Instead, they immediately prepared the RPCPPE by verifying the existence of PPEs recorded only in the RPCPPE of the previous year plus the purchases during the year. However, the RPCPPE of CY2022 was not verified.
153. Thus, PPEs that may have been found at station were not included in the RPCPPE. Consequently, the PPEs recorded in the books may not be complete.

154. We recommended and Management agreed that for the one-time cleansing of PPE, the Inventory Committee use the Inventory Count Form in the physical count of PPEs and include PPEs found at station in the ICF.

155. The Management commented to adhere with the audit recommendation.

III. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

156. Out of 25 prior year's audit recommendations, 19 were implemented and 6 were not implemented, of which 4 observations were reiterated in this Management Letter with modification as summarized below:

Status of Implementation	No. of Recommendation
Implemented	19
Not Implemented	6
Total	25

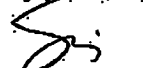
157. The results of the validation of the implementation of prior years' recommendations are presented in Annex H.

IV. ACKNOWLEDGMENT

158. We wish to express our appreciation to the Management and staff of the DENR for the cooperation and assistance extended to our Audit Teams during our audit.

159. We request that a status report (in hard and soft copies) on the actions to the recommendations be submitted within 60 days from receipt of this Management Letter pursuant to Section 97 of the General Provisions of the General Appropriations Act for FY 2023 (RA No. 11639) using the attached *Agency Action Plan and Status of Implementations* (Annex I).

Very truly yours,


LORELIE M. PLACIDO
OIC-Supervising Auditor
DENR

Copy furnished:

**Director Melissa Grace B. Martínez
Cluster 8 – Agriculture and Environment
National Government Audit Sector
Commission on Audit
Quezon City**



**DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
KAGAWARAN NG KAPALIGIRAN AT LIKAS YAMAN**



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Department of Environment and Natural Resources (DENR) is responsible for all information and representations contained in the accompanying Consolidated Statement of Financial Position as at December 31, 2023 and the related Consolidated Statement of Financial Performance, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Net Assets/Equity, Consolidated Statement of Comparison of Budget and Actual Amounts, and the Notes to Financial Statements for the year then ended under Fund Cluster 02 – Forestland Management Project (FMP). The consolidated financial statements have been prepared in conformity with the International Public Sector Accounting Standards (IPSAS) and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

IMELDA R. DELA CRUZ
OIC - Director
Financial and Management Service

ATTY. ANALIZA REBUELTA – TEH
Undersecretary
Finance, Information Systems and
Climate Change

Date Signed

Date Signed

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
CENTRAL OFFICE

Visayas Avenue, Diliman, Quezon City
Consolidated Condensed Statement of Financial Position

As of December 31, 2023

		2023	2022
ASSETS	Notes		
Current Assets			
Cash and Cash Equivalents	5	P 172,761,323.25	P 25,234,164.85
Receivables	6	1,704,331.96	9,378,669.46
Inventories	7	307,943.65	44,535.47
Other Current Asset	8	43,806,024.36	80,902,671.73
Total Current Assets		<u>218,579,623.22</u>	<u>115,560,041.51</u>
Non-Current Assets			
Receivables	9	43,302.13	
Property, Plant and Equipment	10	2,870,694,733.40	3,549,922,642.72
Other Non-Current Assets	11	2,097,198.27	1,739,505.41
Total Non-Current Assets		<u>2,872,835,233.80</u>	<u>3,551,662,148.13</u>
TOTAL ASSETS		<u>3,091,414,857.02</u>	<u>3,667,222,189.64</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	132,376,329.55	197,383,968.76
Inter-Agency Payables	13	7,287,265.47	4,794,445.70
Intra-Agency Payables	14	-	19,200,000.00
Trust Liabilities	15	139,855,377.49	137,894,050.04
Deferred Credits/Uncearned Income	16	15,593.16	15,593.16
Other Payables	17	3,645,981.58	434,661.25
Total Current Liabilities		<u>283,180,547.25</u>	<u>359,722,718.91</u>
Non-Current Liabilities			
Trust Liabilities	18	42,268,420.47	108,011,077.39
Other Payables	19	122.97	122.97
Total Non-Current Liabilities		<u>42,268,543.44</u>	<u>108,011,200.36</u>
TOTAL LIABILITIES		<u>325,449,090.69</u>	<u>467,733,919.27</u>
Total Assets less Total Liabilities		<u>2,765,965,766.33</u>	<u>3,199,488,270.37</u>
NET ASSETS/EQUITY			
Equity		<u>2,765,965,766.33</u>	<u>3,199,488,270.37</u>
Government Equity			
Accumulated Surplus/(Deficit)		2,765,965,766.33	3,199,488,270.37
TOTAL NET ASSETS/EQUITY		<u>P 2,765,965,766.33</u>	<u>P 3,199,488,270.37</u>

This statement should be read in conjunction with the accompanying notes.

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
CENTRAL OFFICE.

Visayas Avenue, Diliman, Quezon City
Consolidated Condensed Statement of Financial Performance
Fund Cluster 02 (FMP)- Forestland Management Project
For the Year Ended December 31, 2023

	Notes	2023	2022
REVENUE			
Less: Current Operating Expenses:			
Maintenance and Other Operating Expenses	20	P 182,231,923.92	P 147,851,425.17
Non-Cash Expenses	21	<u>47,740,625.38</u>	<u>46,483,532.06</u>
Total Current Operating Expenses		<u>229,972,549.30</u>	<u>194,334,957.23</u>
Surplus from Current Operations		(229,972,549.30)	(194,334,957.23)
Financial Assistance/Subsidy	22	283,626,034.03	815,823,173.64
Other Non-Operating Income	23	<u>1,288,773.24</u>	<u>1,463,014.07</u>
Surplus for the Period		<u>P 54,942,257.97</u>	<u>P 622,951,230.48</u>

This statement should be read in conjunction with the accompanying notes.

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
CENTRAL OFFICE

Visayas Avenue, Diliman, Quezon City
 Consolidated Statement of Changes in Net Asset/Equity
 Fund Cluster 02 (FMP)- Forestland Management Project
 For the Year Ended December 31, 2023

	Notes	2023	2022
Balance at January 1		P 3,198,487,014.81	P 2,577,895,061.32
Changes in Accounting Policy	24	-	(3,796,808.68)
Prior Period Adjustments/Unrecorded Income and Expenses	24	(3,617,722.07)	(2,960,562.44)
Other Adjustments	24	4,618,977.63	431,402.90
Restated Balances		<u>3,199,488,270.37</u>	<u>2,571,569,093.10</u>
Changes in Net Assets/Equity for Calendar Year			
Adjustment of Net Revenue recognized directly in Net Assets/Equity		(401,564.34)	(664,957.06)
<i>Closing of Cash-Treasury/Agency Deposit, Regular</i>	25	(401,564.34)	(664,957.06)
Surplus/(Deficit) for the Period		<u>54,942,257.97</u>	<u>622,951,230.48</u>
Total Recognized Revenue and Expenses for the Period		<u>54,540,693.63</u>	<u>622,286,273.42</u>
Others	26	(488,063,197.67)	5,632,903.85
Balance at December		<u>P 2,765,965,766.33</u>	<u>P 3,199,488,270.37</u>

This statement should be read in conjunction with the accompanying notes.

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
CENTRAL OFFICE

Visayas Avenue, Diliman, Quezon City
 Consolidated Condensed Statement of Cash Flow
 Fund Cluster 02 (FMP)- Forestland Management Project
 For the Year Ended December 31, 2023

	2023	2022
Cash Flows From Operating Activities		
Cash Inflows		
Receipt of Notice of Cash Allocation	P 681,869,969.84	P 946,421,980.89
Collection of Income/Revenues	117,218.46	
Collection of Receivables	151,540.00	374,334.11
Receipt of Intra-Agency Fund Transfers	389,632,326.00	703,160,909.00
Other Receipts	613,416.34	162,661.27
Adjustments	4,321,969.21	2,059,519.90
Total Cash Inflows	<u>1,076,706,440.05</u>	<u>1,652,179,405.17</u>
Cash Outflows		
Remittance to National Treasury	401,564.34	664,957.06
Payment of Expenses	58,815,827.02	111,415,888.51
Purchase of Inventories	3,820,870.69	4,385,580.46
Purchase of Semi-Expandable Machinery, Equipment		
Furniture, Fixtures and Books	39,986.61	85,471.96
Grant of Cash Advances	4,637,943.09	5,976,252.69
Prepayments	286,483.89	228,824.61
Payment of Deposits	37,215,588.11	40,221.51
Payment of prior year's accounts payables for operating expenses	157,802,164.12	199,265,733.40
Reimburse of Personal Benefit Contributions and Mandatory Deductions	27,801,153.87	44,776,234.72
Release of Inter-Agency Fund Transfers		23,354.08
Release of Intra-agency fund transfers	463,107,797.92	821,496,864.84
Other Disbursement	14,660.00	3,926,660.50
Reversal of Unutilized NCA/NTA	3,867,447.81	1,863,352.69
Adjustments	545,900.51	6,099,505.72
Total Cash Outflows	<u>757,357,387.98</u>	<u>1,208,250,902.75</u>
Net Cash Provided by (Used in) Operating Activities	<u>319,349,052.07</u>	<u>451,928,502.42</u>
Cash Flows from Investing Activities		
Cash Inflows		
Proceeds from Sale/Disposal of Property, Plant and Equipment		21,184.00
Total Cash Inflows		<u>21,184.00</u>
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	171,821,893.67	490,977,405.94
Total Cash Outflows	<u>171,821,893.67</u>	<u>490,977,405.94</u>
Net Cash Provided by (Used in) Investing Activities	<u>(171,821,893.67)</u>	<u>(490,977,405.94)</u>
Cash Flows from Financing Activities		
Net Cash Provided by (Used in) Financing Activities		
Increase (Decrease) in Cash and Cash Equivalents	<u>147,527,158.40</u>	<u>(39,027,719.52)</u>
Cash and Cash Equivalents, January 01	<u>25,234,164.85</u>	<u>84,261,884.37</u>
Cash and Cash Equivalents, December 31	<u>P 172,761,323.25</u>	<u>P 25,234,164.85</u>



**Department of Environment and Natural Resources
Consolidated Statement of Comparison of Budget and Actual Amounts
Fund Cluster 02 (FMP)- Forestland Management Program
For the Year Ended December 31, 2023**

Particulars	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
RECEIPTS				
Tax Revenue				-
Service and Business Income				-
Shares, Grants and Donations				-
Gains			14,474.40	14,474.40
Others			1,118.94	1,118.94
Total Receipts	-	-	15,593.34	15,593.34
PAYMENTS:				
Personnel Services				-
Maintenance and Other Operating Expenses	108,398,644.96	78,390,631.29	59,954,132.11	18,436,499.18
Capital Outlays	219,141,922.74	77,490,257.09	3,271,102.34	74,219,154.75
Total Payments	327,540,567.70	155,880,888.38	63,225,234.45	92,655,653.93
NET RECEIPTS/PAYMENTS	(327,540,567.70)	(155,880,888.38)	(63,209,641.11)	(92,640,060.59)

Certified Correct:

IMELDA R. DELA CRUZ
OIC Chief, Budget Division

J. N.

Verified the Actual Amounts:

DINA M. NILLOSAN
Department Chief Accountant

H. M.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

1. General Information/Agency Profile

The financial statements of the Department of Environment and Natural Resources (DENR) were authorized for issue on February 14, 2024 as shown in the Statement of Management's Responsibility for Financial Statements, signed by Atty. Analiza Rebueta – Teh, Undersecretary for Finance, Information Systems, and Climate Change.

The DENR was created by virtue of Executive Order No. 192, otherwise known as the Reorganization Act of the Department of Environment, Energy & Natural Resources (DEENR) issued on June 10, 1987 by then President Corazon C. Aquino. It became operational pursuant to DENR Special Order No. 007 dated May 28, 1988.

The Department is the primary government agency responsible for the conservation, management, development, and proper use of the country's environment and natural resources, specifically forest and grazing lands, mineral lands, including those in reservations and watershed areas, and lands of the public domain, as well as the licensing and regulation of all natural resources as may be provided by law in order to ensure equitable sharing of the benefits derived there from for the welfare of the present and future generations of Filipinos.

To be the dynamic force behind people's initiatives in the protection, preservation and management of the environment through strategic alliances and partnerships, participate in processes, relevant policies and programs and appropriate information techniques towards sustainable development.

To achieve the mandate of the Department of Environment and Natural Resources (DENR) and consistent with the current policies and prospective plans as provided for under the Medium Term Philippine Development Plan (MTPDP), Philippine Forestry Master Plan, and national/regional and provincial development plans, the Government of Japan through Japan International Cooperation Agency (JICA) agrees to extend a loan to the Government of the Philippines through the Department of Finance (DOF), DENR and National Economic and Development Authority (NEDA) to finance the Forestland Management Project (FMP), one of the highest priority projects in the Philippines.

Project Description

The Project area consists of 120,500 has. of forestland in Upper Magat and Cagayan River basins extending over Nueva Vizcaya and Quirino Provinces in Region II, and Ifugao in CAR; 36,000 has. of the same in Jalaur River Basin in Iloilo Province of Region VI. Those forestlands are segregated into 18, 4, and 3 sub-project areas in the Upper Magat, Pampanga, and Jalaur River basins, respectively.

The three (3) river basins were selected as priority sites of the project due to the fact that these include priority watersheds supporting National Irrigation Systems. Six (6) out of the eighteen

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

(18) critical watersheds identified and initial components of National Integrated Protected Area System (NIPAS) are within the Upper Magat and Cagayan River Basins (Casecnañ Dupax Watershed Forest Reserves), Upper Pampanga River Basin (Doña Remedios-General Tinio, Pantabangan-Carranglan, and Angat Watershed Forest Reserves, and Jalaur River Basin (Jalaur River Watershed Reserve).

The Magat River Watershed provides a variety of services to the people, such as hydroelectricity, irrigation, fishery, flood control, and recreation among others. Inappropriate land use practices in the area are causing severe erosion and siltation of rivers.

The Pampanga River Basin is the source of hydro-electric power of Luzon Grid, irrigates about 363,246 hectares of farmland and source of industrial, commercial and domestic water supply for Region III and Metro Manila. However, the watershed has insufficient forest cover in as much as only 71,631 hectares, representing 9% of the river basin or 24% of the forestland within the basin, are forested. In addition, floods frequently occur within the watershed.

The Jalaur River Watershed, being one of the major rivers in the province of Iloilo, is the source of irrigation water for 22,000 has. of river lands in the area. Also, Jalaur River is the source of both domestic and industrial water by the downstream municipalities of the watershed. However, degradation of the watershed has resulted in the decrease of water yield resulting to insufficient water supply. Hence, there is an urgent need to rehabilitate the area to stabilize the soil cover of the whole area and improve water supply.

Project Profile

Fund Source	: Japan International Cooperation Agency (JICA)
Loan No.	: PH-P248
Project Cost	: Japanese Yen 11,976,000,000 (Php 5,870,640,000)
Loan Proceeds	: Japanese Yen 9,244,000,000 (Php 4,531,640,000)
GOP	: Japanese Yen 2,732,000,000 (Php 1,339,000,000)
Signing Date	: March 30, 2012
Effectivity Date	: July 3, 2012
Physical Duration	: March 30, 2012 – July 3, 2023
Closing Date	: July 3, 2023
Sector	: Natural Resources
Sub-Sector	: Forestry / Upland
Target Beneficiaries	: DENR, Upland and lowland communities, LGUs, Other NGAs
Location	: Upper Magat and Cagayan River Basin, Pampanga River Basin and Jalaur River Basin
Executing Agency	: DENR

A Special Account shall be maintained denominated in Japanese Yen with Bangko Sentral ng Pilipinas (BSP) for disbursements of Loan Proceeds.

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

The original completion date of the project is on July 3, 2022. However, this was revised to July 3, 2023 in line with the letter issued by the Director General of the Southeast Asia and Pacific Department, Japan International Cooperation Agency to the Department of Finance dated June 30, 2022.

Project Objective

1. To strengthen forestland management through implementing community-based forestland management strategies in three (3) critical river basins and improve forest conservation, namely:
 - a) Upper Magat and Cagayan River Basin in Regions II and CAR.
 - b) Pampanga River Basin in Region III.
 - c) Jalaur River Basin in Region VI.
2. To improve socio-economic conditions of upland dwellers through utilization of natural resources in a sustainable manner.
3. To contribute to disaster risk mitigation efforts in vulnerable areas.

Component/Scope of Work

1. Comprehensive Site Development
 - a) Survey and Mapping: Mapping of selected critical sub-project areas (290,000 has.), conduct of socio-economic baseline (3,000 households) and preliminary study on community-based enterprise development covering 25 sub-project areas.
 - b) Community Organizing: Formation of appropriate size and number of Peoples Organizations (POs); registration / capacity building of POs and CBFMA acquisition.
 - c) Site Development: Implementation of site development activities including forest tree / agro-forestry plantation, establishment and maintenance, silvo-pasture development and community-based enterprise development.
 - d) Agro-forestry Support Facilities: Planning, designing and construction of foot bridges, irrigation systems, farm to market road, pathway, hanging bridge.
 - e) Policy Initiative: Initiative for Watershed Management Council (WMC) / Protected Area Management Board (PAMB), for Dedication of Authority for issuing Harvesting Permits, and Cost-Sharing Mechanism (3 watersheds). This involves creation of a Task Force, dissemination and consensus building among stakeholders,
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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

formulation of basic planning, rules and regulations, and legislative authorization of the established council and mechanism.

- f) **Monitoring and Evaluation:** Physical validation and institutional project impact assessment, and formulation of phase in/out plan.
- g) **Project Management:** Organization and establishment of Project Coordination Office/Management Offices and institutional strengthening, human resource development, construction of SUSIMO Buildings.

2. Consultancy Services

Expected Output:

- a) Awarded CBFMAs / PACBRMAs to 1 -- 5 POs in sub-project areas
- b) Improved forest cover through the rehabilitation of a total of 65,500 has. degraded forestlands
- c) Minimized soil erosion through the application of conservation measures to 5,800 has.
- d) Completed all units of agro-forestry support facilities in all sub-project areas, thus facilitating the community-based enterprise development
- e) Strengthened/Operationalized Watershed Management Council

The Agency's registered office is located in Visayas Avenue, Diliman Quezon City.

2. Statement of Compliance and Basis of Preparation of Financial Statements

- 2.1. The financial statements have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS) issued by the Commission on Audit per COA Circular No. 2021-004 dated July 21, 2021.
- 2.2. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.
- 2.3. The financial statements are presented in Philippine Peso which is the functional and reporting currency of the Agency.

3. Summary of Significant Accounting Policies

3.1 Basis of accounting

The financial statements are prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS).

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

3.2 Consolidation

Consolidated Financial Statement

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting agency.

The financial statements prepared are consolidation of reports from the Forest Management Bureau, Regional Offices (CAR, II, III and VI) and the Central Office.

3.3 Cash and Cash Equivalents

Cash and cash equivalents comprise Petty Cash, Cash in Bank-Local Currency, Current Account and Cash in Bank-Foreign Currency, Savings Account.

3.4 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Project.

3.5 Property, Plant and Equipment

Recognition

An item is recognized as Property, Plant, and Equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

Measurement at Recognition

An item recognized as property, plant, and equipment is measured at cost.

The cost of the PPE is the cash price equivalent.

Measurement After Recognition

After recognition, all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation Method and Estimated Useful Life

The depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

The Straight-Line Method of depreciation is used in depreciating the Property, Plant and Equipment with estimated useful lives ranging from five to ten years. The residual value is equivalent to at least five percent (5%) of the cost of the PPE.

3.6 Changes in Accounting Policies and Estimates

The Agency recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impractical.

The Agency recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

The Agency correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.7 Foreign Currency Transactions

Transactions in foreign currencies were initially recognized by applying the spot exchange rate between the function currency and the foreign currency at the transaction.

At the year-end reporting date, foreign currency monetary items were translated using the closing rate.

3.8 Budget Information

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared since the budget and the financial statements were not prepared on comparable basis. The SCBAA was presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments were provided in the succeeding notes to the annual financial statements.

4. Prior Period Adjustments

Correction of fundamental errors of prior years are done by adjusting the Accumulated Surplus/(Deficit) beginning balance account. Fundamental errors affecting current year's operation are charged to the current year's accounts.

5. Cash and Cash Equivalents

Accounts	2023	2022 As Restated
Cash on Hand	P 15,000.00	P 30,000.00
Cash in Bank - Local Currency	172,735,223.75	25,193,065.35
Treasury/Agency Cash Accounts	11,099.50	11,099.50
Total	P 172,761,323.25	P 25,234,164.85

5.1 Cash on Hand pertains to Petty Cash of Region III at the amount of P 15,000.00.

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

5.2 Cash in Bank – Local Currency

5.2.1. Cash in Bank- Local Currency, Current Account represents the Working Fund account of the Project maintained with the Land Bank of the Philippines (LBP). It includes automatic transfer of cash from Yen Special Account equivalent to the total amount of funding checks to cover the operational requirements of the implementing units.

Cash in Bank – Local Currency, Current Account is broken down as follows:

Offices	2023	2022 As Restated
Central Office	P 138,099,500.88	P 20,145,937.83
Region II	9,954,416.32	2,091,727.55
Region III	19,823,343.24	1,530,218.73
Region VI	3,226,402.25	139,633.77
CAR	1,606,901.46	1,028,711.94
FMB	24,659.60	256,835.53
Total	P 172,735,223.75	P 25,193,065.35

5.3. Treasury/Agency Cash Accounts

The balance on Treasury/Agency Cash Accounts refers to Cash-Treasury/Agency Deposit; Trust of FMB amounting to P 11,099.50.

6. Receivables

Account	2023	2022 As Restated
Loans and Receivable Accounts	P 2,800.00	P -
Inter-Agency Receivables	146,440.81	146,440.81
Intra-Agency Receivables	-	6,200,000.00
Other Receivables	1,555,091.15	3,032,228.65
Total	P 1,704,331.96	P 9,378,669.46

6.1 Loans and Receivable account pertain to Accounts Receivable by Region II at the amount of P 2,800.00

6.2 Inter-Agency Receivables pertains to Due from National Government Agencies by FMB. It consists fund transfers to the DBM-PS for purchase of common supplies and plane tickets for official travel. The remaining balance is still subject to reconciliation.

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

6.3 Other Receivables (Current)

Account	2023	2022 As Restated
Receivables-Disallowances/Charges	P 1,528,121.50	P 1,921,061.50
Due from Officers and Employees	13,735.96	21,735.96
Other Receivables	13,233.69	1,089,431.19
Total	P 1,555,091.15	P 3,032,228.65

6.3.1 Receivables-Disallowances/Charges account pertains to unsettled disallowances which at present are continuously deducted from the salaries of DENR Region II and Region VI employees through payroll deduction.

6.3.2 Due from Officers and Employees

Offices	2023	2022 As Restated
Region VI	P 13,735.96	P 21,735.96

6.3.3 Other Receivables pertains to the balances of the following Regions:

Offices	2023	2022 As Restated
Region II	P 7,770.93	P -
Region VI	3,245.22	1,087,213.18
CAR	2,217.54	2,218.01
Total	P 13,233.69	P 1,089,431.19

Other Receivables of Region VI includes receivable from other funds due to erroneous issuance of checks; receivable from various employees for refund of accountabilities and from suppliers for excess issuance of checks.

7. Inventories

7.1 Inventory Held for Consumption

Account	2023	2022 As Restated
Office Supplies Inventory	P 307,483.65	P 30,085.47
Other Supplies and Materials Inventory	460.00	-
Total	P 307,943.65	P 30,085.47

7.2 Semi-Expendable Machinery and Equipment

Offices	2023	2022 As Restated
CAR	P -	P 14,450.00

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

Office Supplies Inventory

Offices	2023	2022 As Restated
Region II	P 307,483.65	P 30,085.47

Office Supplies Inventory account represent the cost of office supplies purchased from prior and current years but remained unissued as of the year ended. It includes bond paper, ink, and small tangible items like staple wire remover, puncher, stapler and other similar items issued to end-users for government operations.

Other Supplies and Materials Inventories

Offices	2023	2022 As Restated
Region II	P 460.00	P --

Other Supplies and Materials Inventory account represents the cost of other supplies and materials inventory which cannot be classified under specific inventory accounts. It includes inventories such as air fresheners, tissues, plastic covers, garbage bags, and the like.

8. Other Current Assets

8.1. Advances

Account	2023	2022 As Restated
Advances for Payroll	P --	P 20,825.20
Advances to Special Disbursing Officer	628,557.94	49,455.00
Total	P 628,557.94	P 70,280.20

Advances to Special Disbursing Officer refers to Region II balance as of December 31, 2023 for liquidation.

8.2. Prepayments

Account	2023	2022 As Restated
Advances to Contractors	P 42,761,208.30	P 80,446,586.51
Prepaid Registration	25,065.54	13,501.34
Prepaid Insurance	175,718.51	156,829.61
Total	P 42,961,992.35	P 80,616,917.46

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

8.2.1 Advances to Contractors represents unrecouped portion of mobilization fund granted to clients of the following offices:

Offices	2023	2022 As Restated
Region II	P 1,062,320.71	P 10,195,580.48
Region III	233,494.06	2,419,763.02
Region VI	41,465,393.53	67,831,243.01
Total	P 42,761,208.30	P 80,446,586.51

8.2.2 Prepaid Registration

Offices	2023	2022 As Restated
Region II	P 25,065.54	P 13,501.34

Prepaid Registration represents registration fees paid in advances and subject to monthly amortization.

8.2.3 Prepaid Insurance

Offices	2023	2022 As Restated
Region II	P 126,111.49	P 89,602.93
CAR	49,607.02	67,226.68
Total	P 175,718.51	P 156,829.61

8.3. Deposits

Account	2023	2022 As Restated
Guaranty Deposits	P 215,474.07	P 215,474.07

The Guaranty Deposit represents FMB's balance for credit line on plane fare for Philippine Airlines (PAL).

9. Receivables (Non-Current)

9.1 Other Receivables (Non-Current)

Offices	2023	2022 As Restated
Region VI	P 43,302.13	P -

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

10. Property, Plant and Equipment

Particulars	Land Improvements	Infrastructure Assets	Buildings and Other Structures
Carrying Amount, 1-Jan-23	P 16,229,708.23	P 1,121,534,838.21	P 7,866,195.45
Adjustments	-	15,175,174.34	-
Restated Beginning Balance	16,229,708.23	1,136,710,012.55	7,866,195.45
Additions/Acquisition	369,087,234.51	152,594,272.80	13,108,141.81
Transfers	-	(905,760,522.42)	-
Disposals	-	-	-
Other Adjustments	-	39,244,340.58	(28,295.73)
Depreciation	-	(42,317,473.57)	(596,349.75)
Impairment Loss	-	-	-
Carrying Amount, 31-Dec-23	P 385,316,942.74	P 380,470,629.94	P 20,349,691.78
Gross Cost	385,316,942.74	401,849,789.44	23,626,128.81
Less: Accumulated Depreciation	-	(21,379,159.50)	(3,276,437.03)
Allowance for Impairment Loss	-	-	-
Carrying Amount, 31-Dec-23	P 385,316,942.74	P 380,470,629.94	P 20,349,691.78

Particulars	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books
Carrying Amount, 1-Jan-23	P 9,169,107.21	P 8,360,948.11	P 231,560.18
Adjustments	(6,950.00)	-	-
Restated Beginning Balance	9,162,157.21	8,360,948.11	231,560.18
Additions/Acquisition	369,099.18	-	-
Transfers	(33,869.38)	(146,705.16)	-
Disposals	(138,694.47)	-	-
Other Adjustments	-	(301,731.38)	(11,819.18)
Depreciation	(2,839,655.76)	(1,812,632.92)	(25,847.52)
Impairment Loss	(129,665.90)	-	-
Carrying Amount, 31-Dec-23	P 6,389,370.88	P 6,099,878.65	P 193,893.48
Gross Cost	21,856,737.43	49,050,317.00	282,500.00
Less: Accumulated Depreciation	(15,298,284.70)	(42,950,438.35)	(88,606.52)
Allowance for Impairment Loss	(169,081.85)	-	-
Carrying Amount, 31-Dec-23	P 6,389,370.88	P 6,099,878.65	P 193,893.48

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster-02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

Particulars	Construction in Progress	Other Property, Plant and Equipment	Total
Carrying Amount, 1-Jan-23	P 2,394,552,381.66	P 57,250.05	P 3,558,001,989.10
Adjustments	(23,247,570.72)	-	(8,079,346.38)
Restated Beginning Balance	2,371,304,810.94	57,250.05	3,549,922,642.72
Additions/Acquisition	293,091,748.89	-	828,250,497.19
Transfers	(122,370,496.14)	-	(1,028,311,593.10)
Disposals	(59,756,433.81)	-	(59,895,128.28)
Other Adjustments	(410,433,554.04)	-	(371,531,059.75)
Depreciation	-	(18,999.96)	(47,610,959.48)
Impairment Loss	-	-	(129,665.90)
Carrying Amount, 31-Dec-23	P 2,071,836,075.84	P 38,250.09	P 2,870,694,733.40
Gross Cost	2,071,836,075.84	100,000.00	2,953,918,491.26
Less: Accumulated Depreciation	-	(61,749.91)	(83,054,676.01)
Allowance for Impairment Loss	-	-	(169,081.85)
Carrying Amount, 31-Dec-23	P 2,071,836,075.84	P 38,250.09	P 2,870,694,733.40

Particulars	Land Improvements	Infrastructure Assets	Buildings and Other Structures
Carrying Amount, 1-Jan-22	P -	P 244,825,258.45	P 8,287,033.58
Adjustments	-	255,738,349.72	0.00
Restated Beginning Balance	-	500,563,608.17	8,287,033.58
Additions/Acquisition	16,229,708.23	442,472,983.76	-
Transfers	-	-	-
Disposals	-	-	-
Other Adjustments	-	218,914,253.17	-
Depreciation	-	(40,416,006.89)	(420,838.13)
Impairment Loss	-	-	-
Carrying Amount, 31-Dec-22	P 16,229,708.23	P 1,121,534,838.21	P 7,866,195.45
Gross Cost	16,229,708.23	1,180,253,044.08	10,517,987.00
Less: Accumulated Depreciation	-	(58,718,205.87)	(2,651,791.55)
Allowance for Impairment Loss	-	-	-
Carrying Amount, 31-Dec-22	P 16,229,708.23	P 1,121,534,838.21	P 7,866,195.45

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

Particulars	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books
Carrying Amount, 1-Jan-22	P 13,910,049.71	P 9,814,972.10	P 335,577.81
Adjustments	(3,716,235.07)	399,605.07	(78,170.11)
Restated Beginning Balance	10,193,814.64	10,214,577.17	257,407.70
Additions/Acquisition	2,058,100.18	-	-
Transfers	-	-	-
Disposals	(1,270,248.68)	(44,180.27)	-
Other Adjustments	1,353,228.13	-	-
Depreciation	(3,033,187.49)	(1,809,448.79)	(25,847.52)
Impairment Loss	(132,599.57)	-	-
Carrying Amount, 31-Dec-22	P 9,169,107.21	P 8,360,948.11	P 231,560.18
Gross Cost	23,023,514.43	55,224,853.00	518,883.20
Less: Accumulated Depreciation	(13,715,407.65)	(46,863,904.89)	(287,323.02)
Allowance for Impairment Loss	(138,999.57)	-	-
Carrying Amount, 31-Dec-22	P 9,169,107.21	P 8,360,948.11	P 231,560.18

Particulars	Construction in Progress	Other Property, Plant and Equipment	Total
Carrying Amount, 1-Jan-22	P 2,534,995,680.41	P 76,250.01	P 2,812,244,822.07
Adjustments	(256,295,892.72)	-	(3,952,343.11)
Restated Beginning Balance	2,278,699,787.69	76,250.01	2,808,292,478.96
Additions/Acquisition	576,652,518.95	-	1,037,413,311.12
Transfers	(220,905,423.30)	-	(220,905,423.30)
Disposals	-	-	(1,314,428.95)
Other Adjustments	(239,894,501.68)	-	(19,627,020.38)
Depreciation	-	(18,999.96)	(45,724,328.78)
Impairment Loss	-	-	(132,599.57)
Carrying Amount, 31-Dec-22	P 2,394,552,381.66	P 57,250.05	P 3,558,001,989.10
Gross Cost	2,394,552,381.66	100,000.00	3,680,420,371.60
Less: Accumulated Depreciation	-	(42,749.95)	(122,279,382.93)
Allowance for Impairment Loss	-	-	(138,999.57)
Carrying Amount, 31-Dec-22	P 2,394,552,381.66	P 57,250.05	P 3,558,001,989.10

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

The balance on *Land Improvements* account consists of Land improvements, Reforestation Projects for the Completed site Development Projects of Region 6, and site development projects on several location under PENRO Quirino of Region 2.

Infrastructure Assets includes Lazar-Kalinga access road, Carolotan access road, Binalian pathway, nursery Capacnaan tire path, Pallas-Nansiakan tire path, and Sitio Inipit to Sitio Pamalayan access road.

The *Buildings and Other Structures* account consists of a Nansiakan Agroforestry Value Chain-Coffee Processing and seven (7) Project Sub-Site Management Office in Nueva Vizcaya, one (1) Project Sub-Site Management Office in Quirino, SUSIMO office building constructed in Diaman, Conversion Plant, Nueva Ecija, renovated office space in ENRA, Carranglan Nueva Ecija to house the FMP personnel or project Staff, three SUSIMOs building located at Calinog, Janiuay and Lambuna, and Lagawe Sub-watershed buildings on Ibulao, Alimt East, Alimt West and Upper Ibulao watershed.

Machinery and Equipment account pertains to photocopying machines, multimedia projectors, trailer water tank, electric typewriter, digital cameras, digital scanners, laptops, base radios, firefighting equipment, drone, GPS geotagging devices, generators and the like.

The *Transportation Equipment* includes two units of Mitsubishi Strada Pick-up, two units of Isuzu Diesel Light Truck, eight units of Isuzu toner Truck, 19 units of the Kawasaki Motorcycles, Honda Motorcycle and AUV Toyota Hi-Ace Grandia.

The balance on *Furniture, Fixture and Books* refers to computer tables, executive tables, steel filing cabinets with vault, dividers, steel shelves, sofas, chairs, partitions and the like.

Construction in Progress

Construction in Progress – Land Improvements

Region/Office	Restated Carrying Amount, January 1, 2023	Increase/ Adjustments	Carrying Amount, December 31, 2023
Region II	P 690,865,865.58	P 35,986,365.91	P 726,852,231.49
Region III	407,475,758.99	(200,952,259.76)	206,523,499.23
Region VI	328,943,095.40	(55,676,220.45)	273,266,874.95
CAR	538,362,288.02	18,963,843.25	557,326,131.27
Total	P 1,965,647,007.99	P (201,678,271.05)	P 1,763,968,736.94

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

Construction in Progress – Infrastructure Assets

Region/Office	Restated Carrying Amount, January 1, 2023	Increase/ Adjustments	Carrying Amount, December 31, 2023
Region II	P 69,234,714.49	P (69,234,714.49)	P -
Region III	25,022,457.87	(18,680,133.12)	6,342,324.75
Region VI	266,975,505.22	13,011,456.01	279,986,961.23
CAR	44,425,125.37	(23,092,127.88)	21,332,997.49
Total	P 405,657,802.95	P (97,995,519.48)	P 307,662,283.47

Construction in Progress – Buildings and Other Structure

Region/Office	Restated Carrying Amount, January 1, 2023	Increase/ Adjustments	Carrying Amount, December 31, 2023
Region VI	P -	P 205,055.43	P 205,055.43

Other Property, Plant and Equipment

Region/Office	Restated Carrying Amount, January 1, 2023	Depreciation	Carrying Amount, December 31, 2023
Region II	P 57,250.05	P (18,999.96)	P 38,250.09

The *Other Property, Plant and Equipment* balance of Region II refers to the transformer acquired last 2020.

11. Other Non-Current Assets

11.1 Prepayments

Account	2023	2022 As Restated
Advances to Contractors	P 2,097,198.27	P 1,739,505.41

Advances to Contractors account amounting to P 2,097,198.27 represents unrecouped mobilization fund granted to contractors of CAR.

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

12. Financial Liabilities**12.1 Payables****12.1.1 Accounts Payable**

Offices	2023	2022 As Restated
Region II	P 85,757,493.34	P 99,813,821.78
Region III	15,453.57	2,452,301.78
Region VI	38,185,517.12	75,445,615.69
CAR	3,673,949.95	12,943,783.81
FMB	4,443,957.01	5,188,547.82
Total	P 132,076,370.99	P 195,844,070.88

Accounts Payable refers to unpaid goods and services which were already delivered/rendered as of the end of the year.

12.1.2 Due to Officers and Employees

Offices	2023	2022 As Restated
Region II	P 123,016.83	P 1,473,087.52
Region VI	127,994.00	41,317.50
CAR	24,807.41	25,492.86
FMB	24,140.32	-
Total	P 299,958.56	P 1,539,897.88

13. Inter-Agency Payables

Offices	2023	2022 As Restated
Due to BIR	P 7,234,271.99	P 4,758,888.25
Due to PAG-IBIG	1,000.00	1,500.00
Due to Philhealth	50,648.48	34,057.45
Due to GOCCs	1,345.00	-
Total	P 7,287,265.47	P 4,794,445.70

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

13.1 Due to BIR is broken down as follows:

Offices	2023	2022 As Restated
Region II	P 338,043.43	P 12,341.95
Region III	684,902.29	284,912.14
Region VI	3,280,569.28	2,447,848.77
CAR	1,707,825.49	885,924.69
FMB	1,222,931.50	1,127,860.70
Total	P 7,234,271.99	P 4,758,888.25

The Due to BIR represents the tax due for remittance on January 2024.

13.2 Due to Pag-IBIG refers to the amount withheld on employees' premium payments and other payables for remittance to the Home Development Mutual Fund (HDMF) on January 2024

Offices	2023	2022 As Restated
Region II	P -	P 700.00
Region III	600.00	600.00
CAR	400.00	200.00
Total	P 1,000.00	P 1,500.00

13.3 The balance on Due to PhilHealth amounting to P 50,648.48 refers to the amount deducted to FMB employees for remittance on January 2024.

13.4 Due to GOCCs balance pertains to FMB in the amount of P 1,345.00.

14. Intra-Agency Payables

14.1 Intra-Agency Payables

Accounts	2023	2022 As Restated
Due to Operating Units	P -	P 19,200,000.00

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

15. Trust Liabilities (Current)

Accounts	2023	2022 As Restated
Guaranty/Security Deposits Payable	P 139,851,677.49	P 137,894,050.04
Trust Liabilities-Disallowances/Charges	3,700.00	-
Total	P 139,855,377.49	P 137,894,050.04

15.1 Guaranty/Security Deposits Payable is broken down as follows:

Offices	2023	2022 As Restated
Region II	P 55,842,878.45	P 75,265,082.59
Region III	15,744,086.83	48,340,097.08
Region VI	14,115,990.55	14,288,870.37
CAR	54,148,721.66	-
Total	P 139,851,677.49	P 137,894,050.04

Guaranty/Security Deposits Payable represents 10% retention fee for the billing of the People's Organization.

16. Deferred Credits/Unearned Income

16.1 Deferred Credits

Other Deferred Credits refers to the balance of FMB amounting to P 15,593.16.

17. Other Payables (Current)

Offices	2023	2022 As Restated
Region VI	P 3,211,320.33	P -
FMB	P 434,661.25	434,661.25
Total	P 3,645,981.58	P 434,661.25

Other Payables of FMB refers to loan payables to COOP.

18. Trust Liabilities (Non-Current)

18.1 Guaranty/Security Deposits Payable

Offices	2023	2022 As Restated
Region VI	P 42,268,420.47	P 32,766,709.72
CAR	-	75,244,367.67
Total	P 42,268,420.47	P 108,011,077.39

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02.- Forestland Management Project (FMP)

For the Year Ended December 31, 2023

Guaranty/Security Deposits Payable represents 10% retention fee for the billing of the People's Organization.

19. Other Payables (Non-Current)

19.1 Other Payables

Offices	2023	2022 As Restated
Region VI	P 122,97	P 122,97

20. Maintenance and Other Operating Expenses

Account	2023	2022 As Restated
Traveling Expenses	P 4,115,352.89	P 5,330,142.68
Training & Scholarship Expenses	7,304,783.95	16,193,656.69
Supplies and Materials Expenses	5,372,509.76	11,584,108.42
Utilities Expenses	2,308,373.50	2,010,099.52
Communication Expenses	369,295.97	457,716.21
Professional Services	47,388,970.25	82,968,164.80
General Services	6,230,263.38	20,093,968.84
Repairs and Maintenance	2,432,385.28	3,689,363.94
Taxes, Insurance Premiums, and Other Fees	527,721.67	632,865.42
Other Maintenance and Operating Expenses	106,182,267.27	4,891,338.85
Total Maintenance and Other Operating Expenses	P 182,231,923.92	P 147,851,425.17

20.1 Traveling Expenses pertains to expenses incurred and per diems by staffs and employees of DENR under FMP during the field validation of various site plantation and attendance to various trainings, workshops and meetings.

20.2 Training & Scholarship Expenses

Training Expenses includes training fees, honoraria of lecturers, cost of hand-outs, supplies, materials, meals, snacks, venue and all other training related expenses conducted for FMP personnel.

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

20.3 Supplies & Materials Expense

Account	2023	2022 As Restated
Office Supplies Expenses	P 1,802,512.67	P 4,175,830.08
Accountable Forms Expenses	12,250.00	24,000.00
Medical, Dental and Laboratory Supplies Expenses	-	18,596.50
Fuel, Oil and Lubricants Expenses	2,465,585.99	4,839,182.76
Semi-Expendable Machinery and Equipment Expenses	462,430.00	1,267,006.13
Semi-Expendable Furniture, Fixtures and Books Expenses	148,650.00	84,880.00
Other Supplies and Materials Expenses	481,081.10	1,174,612.95
Total Supplies and Materials Expenses	P 5,372,509.76	P 11,584,108.42

Office Supplies Expenses pertains to the purchases of office supplies such as bond paper, ink, and small tangible items like staple wire remover, puncher, stapler and other similar items issued to FMP staff and employees.

20.4 Utility Expenses

Account	2023	2022 As Restated
Water Expenses	P 171,702.50	P 277,176.27
Electricity Expenses	2,136,671.00	1,732,923.05
Total Supplies and Materials Expenses	P 2,308,373.50	P 2,010,099.32

20.5 Communication Expenses

Account	2023	2022 As Restated
Postage and Courier Expenses	P -	P 117.00
Telephone Expenses	214,865.23	230,921.38
Internet Subscription Expenses	154,430.74	226,677.83
Total Communication Expenses	P 369,295.97	P 457,716.21

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

20.6 Professional Services

Account	2023	2022 As Restated
Legal Services	P 18,600.00	P 4,900.00
Consultancy Services	22,559,214.62	18,420,308.81
Other Professional Services	24,811,155.63	64,542,955.99
Total Professional Services	P 47,388,970.25	P 82,968,164.80

Other Professional Services account represents payment of personal services rendered by the employees hired under Job Order contract.

20.7 General Services

Account	2023	2022 As Restated
Janitorial Services	P 284,035.56	P 325,779.05
Other General Services	5,946,227.82	19,768,189.79
Total	P 6,230,263.38	P 20,093,968.84

20.8 Repairs and Maintenance

Account	2023	2022 As Restated
Repairs and Maintenance-Buildings and Other Structures	P 156,002.40	P 360,594.07
Repairs and Maintenance-Machinery and Equipment	132,710.00	112,060.00
Repairs and Maintenance-Transportation Equipment	2,143,672.88	3,216,709.87
Total	P 2,432,385.28	P 3,689,363.94

20.9 Taxes, Insurance Premiums & Other Fees

Account	2023	2022 As Restated
Taxes, Duties and Licenses	P 66,880.80	P 110,935.87
Fidelity Bond Premiums	-	22,500.00
Insurance Expenses	460,840.87	499,429.55
Total	P 527,721.67	P 632,865.42

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

20.10 Other Maintenance and Operating Expenses

Account	2023	2022 As Restated
Printing and Publication Expenses	P 25,590.00	P 7,378.00
Representation Expenses	2,049,066.50	3,690,675.26
Transportation and Delivery Expenses	-	26,223.00
Rent/Lease Expenses	74,200.00	49,809.00
Subscription Expenses	-	12,631.28
Donations	103,832,683.24	-
Other Maintenance and Operating Expenses	200,727.53	1,104,622.31
Total	P 106,182,267.27	P 4,891,338.85

21. Non-Cash Expenses

21.1 Depreciation

Account	2023	2022 As Restated
Depreciation-Infrastructure Assets	P 42,317,473.57	P 41,027,017.44
Depreciation-Buildings and Other Structures	596,349.75	420,838.13
Depreciation-Machinery and Equipment	2,839,655.76	3,033,187.49
Depreciation-Transportation Equipment	1,812,632.92	1,809,448.79
Depreciation-Furniture, Fixtures and Books	25,847.52	25,847.52
Depreciation-Other Property, Plant and Equipment	18,999.96	18,999.96
Total	P 47,610,959.48	P 46,335,339.33

21.2 Impairment Loss

Account	2023	2022 As Restated
Impairment Loss-Other Receivables	P -	P 15,593.16
Impairment Loss-Property, Plant and Equipment	129,665.90	132,599.57
Total	P 129,665.90	P 148,192.73

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements.

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

22. Net Financial Assistance/Subsidy

Financial Assistance/Subsidy from NGAs, LGUs, GOCCs

Account	2023	2022 As Restated
Subsidy from National Government	P 613,712,446.08	P 832,854,753.07
Assistance from Other National Government Agencies	-	160,129.54
Subsidy from Other Funds	-	286,196.56
Subsidy from Central Office	383,432,326.00	711,702,238.54
Subsidy from Regional Office/Staff Bureau	51,194.30	203,806.93
Total	P 997,195,966.38	P 1,545,207,124.64

Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs, NGOs/POs

Account	2023	2022 As Restated
Assistance to Local Government Units	P 343,096,570.72	P -
Assistance to Non-Government Organizations/Civil Society Organizations	39,700.00	3,990,000.00
Subsidy to Regional Offices/Staff Bureaus	13,079,458.00	14,241,934.00
Subsidy to Operating Units	357,352,868.00	711,152,017.00
Subsidy to Other Funds	1,335.63	-
Total	P 713,569,932.35	P 729,383,951.00

Net Financial Assistance/Subsidy	P 283,626,034.03	P 815,823,173.64
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Subsidy from/to

Accounts	Amount
Subsidy from Central Office	P 383,432,326.00
Subsidy from Regional Office/Staff Bureau	51,194.30
Subsidy to Regional Offices/Staff Bureaus	(13,079,458.00)
Subsidy to Operating Units	(357,352,868.00)
Total	P 13,051,194.30

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

The ₱ 13,051,194.30 difference is composed of the following:

Particulars	Amount
Transfer of HP laptop from PENRO Nueva Ecija to Regional Office III but the receipt of PPE was only recorded on January 5, 2023 since the Property Transfer Report (PTR) is dated on 2023.	₱ 51,194.30
Undeposited Funding: Check drawn by Central Office but was only deposited on January 2023. The following office recorded the subsidy on January 2023 as per their COA advised:	
PENRO Ilóilo	7,100,000.00
PENRO Ifugao	5,900,000.00
Total	₱ 13,051,194.30

Subsidy to Other Funds

The balance on Subsidy from Other Funds amounting to ₱ 1,335.63 refers to FMB's amount of tax remittance made for other funds.

Subsidy from National Government

Particulars	Amount
Notice of Cash Allocation (NCA)	
GOP	₱ 73,762,575.00
LP(Loan Proceeds)	507,585,889.05
Notice of Transfer of Cash Allocation (NTA)	72,992,427.92
Tax Remittance Advice (TRA)	27,529,077.87
Non-Cash Availment Authority (NCAA)	8,766,293.71
Total	₱ 690,636,263.55
Less:	
NTA Issued	72,992,427.92
Reversal of Unutilized NCA	3,867,447.81
Other Adjustments	63,941.74
Total Subsidy from National Government	₱ 613,712,446.08

Other adjustments amounting to ₱ 63,941.74 refers to adjustments refund to National Treasury of Region VI.

23. Other Non-Operating Income:

23.1 Miscellaneous Income

Accounts	2023	2022 As Restated
Miscellaneous Income	₱ 1,269,298.84	₱ 1,500,096.62

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

23.2 Gains

Accounts	2023	2022 As Restated
Gain on Sale of Unserviceable Property	P 18,500.00	P -
Other Gains	974.40	-
Total	P 19,474.40	P -

23.3 Losses

Accounts	2023	2022 As Restated
Loss on Sale of Property, Plant and Equipment	P -	P (30,132.55)
Loss on Sale of Unserviceable Property	-	(6,950.00)
Total	P -	P (37,082.55)

24. Details of adjustments affecting the "Accumulated Surplus/(Deficit)" account

Particulars	2023	2022 As Restated
Changes in Accounting Policy	P -	P (3,796,808.68)
Prior Period Adjustments/Unrecorded Income and Expenses	(3,617,722.07)	(2,960,562.44)
Other Adjustments	4,618,977.63	431,402.90
Total	P 1,001,255.56	P (6,325,968.22)

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

Impact of Prior Year Adjustments on the Consolidated Statement of Financial Position

Particulars	As Previously Reported	Adjustments	2022 As Restated
Assets			
Current Assets:			
Cash and Cash Equivalents	P 25,223,898.69	P 10,266.16	P 25,234,164.85
Receivables	9,229,355.93	149,313.53	9,378,669.46
Inventories	783,372.81	(738,837.34)	44,535.47
Other Current Asset	69,769,144.19	11,133,527.54	80,902,671.73
Total Current Assets:	105,005,771.62	10,554,269.89	115,560,041.51
Non - Current Assets:			
Receivables	2,872.72	(2,872.72)	-
Property, Plant and Equipment	3,558,001,989.10	(8,079,346.38)	3,549,922,642.72
Other Non-Current Assets	1,739,505.41	-	1,739,505.41
Total Non-Current Assets:	3,559,744,367.23	(8,082,219.10)	3,551,662,148.13
TOTAL ASSETS	3,664,750,138.85	2,472,050.79	3,667,222,189.64
Liabilities			
Current Liabilities			
Financial Liabilities	197,500,767.87	(116,799.11)	197,383,968.76
Inter-Agency Payables	3,208,805.73	1,585,639.97	4,794,445.70
Intra-Agency Payables	19,200,000.00	-	19,200,000.00
Trust Liabilities	137,673,568.44	220,481.60	137,894,050.04
Deferred Credits/Unearned Income	15,593.16	-	15,593.16
Other Payables	434,661.25	-	434,661.25
Total Current Liabilities	358,033,396.45	1,689,322.46	359,722,718.91
Non- Current Liabilities:			
Trust Liabilities	108,229,604.62	(218,527.23)	108,011,077.39
Other Payables	122.97	-	122.97
Total Non-Current Liabilities	108,229,727.59	(218,527.23)	108,011,200.36
TOTAL LIABILITIES	466,263,124.04	1,470,795.23	467,733,919.27
NET ASSETS/EQUITY	P 3,198,487,014.81	P 1,001,255.56	P 3,199,488,270.37

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

24.1 Prior Period Adjustments consists of adjustments made for the overstatement and understatement in the recording of prior year expenses.

Region / Office	2023	2022 As Restated
Region II	P (1,062,401.09)	P (516,785.35)
Region III	(430,740.98)	(129,601.24)
Region VI	(189,478.41)	(1,428,034.33)
CAR	(1,602,570.12)	(640,147.31)
FMB	(332,531.47)	(245,994.21)
Total	P (3,617,722.07)	P (2,960,562.44)

24.2 Other Adjustments represents direct adjustments to Net Assets/Equity which are not revenue or expense.

Region / Office	2023	2022 As Restated
Region III	P -	P 542,863.54
CAR	(367,335.67)	19,409.43
FMB	4,986,313.30	(130,870.07)
Total	P 4,618,977.63	P 431,402.90

25. Cash-Treasury/Agency Deposit, Regular

Region / Office	2023	2022 As Restated
Region II	P (166,958.43)	P (277,520.48)
Region III	-	(21,008.00)
Region VI	(110,063.92)	(135,305.22)
CAR	(38,193.94)	(89,775.42)
FMB	(86,348.05)	(141,347.94)
Total	P (401,564.34)	P (664,957.06)

26. Others

Region / Office	2023	2022 As Restated
Region II	P (483,549,322.36)	P -
Region VI	(4,162,239.88)	1,067,565.75
CAR	(162,700.80)	(363,936.01)
FMB	(188,934.63)	4,929,274.11
Total	P (488,063,197.67)	P 5,632,903.85

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DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Notes to Consolidated Financial Statements

Fund Cluster 02 - Forestland Management Project (FMP)

For the Year Ended December 31, 2023

27. Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit).

Particulars	2023	2022 As Restated
Surplus for the period	P 54,942,257.97	P 622,951,230.48
Non-cash movements	264,406,794.10	(171,022,728.06)
Depreciation	47,610,959.48	46,335,339.33
Impairment Loss	129,665.90	148,192.73
Decrease in Inventories	(277,858.18)	(614,345.26)
Increase in receivables	8,096,752.79	(7,735,739.81)
Increase in Other Current assets	37,079,027.73	10,747,052.94
Increase/(Decrease) in Payables	179,527,618.42	(52,686,505.68)
Other Adjustments	(7,759,372.04)	(167,216,722.31)
Net Cash Flows from Operating Activities	P 319,349,052.07	P 451,928,502.42

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**Status of Implementation of Prior Years' Audit Recommendations
As of December 31, 2023**

Out of the 25 prior years' audit recommendations, 19 were implemented and 6 were not implemented, of which 4 observations were reiterated in this Management Letter with modifications, where appropriate.

Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
A. FINANCIAL AUDIT			
CY 2022. ML Par. Nos. 17- 26	<p><i>1. Unmodified opinion on financial statements</i></p> <p>An unmodified opinion was rendered on the financial statements despite the accounting errors/omissions and deficiencies amounting to ₱825,202.52 and ₱3,619,039.60, respectively, which did not exceed the materiality level of ₱15,053,843.66.</p> <p>We recommended and Management agreed to require the respective Chief Accountants of FMB - CPMO, CAR and PENROs Ifugao, Quirino, Nueva Vizcaya, and Iloilo to effect the necessary adjustments on the corrections on the accounting errors/omissions and deficiencies observed with the corresponding supporting documents.</p>	<p>FMB - CPMO</p> <p>A letter was sent to GAS on March 29, 2023 and a reply dated May 11, 2023 from COA-GAS has been received. In compliance thereto, the FMB requested for the write-off/ adjustment of inventory accounts to the OIC-Supervising Auditor. Likewise, the Bureau made a letter addressed to the Executive Director of PS-DBM office requesting for the reconciliation of the remaining balances.</p> <p>Furthermore, the Bureau will strictly observe the proper turn-over of work-</p>	<p>Implemented</p> <p>Verified the letter sent to GAS and PS-DBM. Validated the adjustments and remittance made.</p>

Annex H

Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
		<p>related documents before issuance of Office Clearance of personnel and ensure that inventory issuances are supported with RSMI pursuant to GAM for NGAs.</p> <p>An entry was made under JEV No. 2023-05-0157 dated May 30, 2023, to adjust the entry made as per JEV No. 2022-03-0123 dated March 22, 2022.</p> <p>Adjusting entries amounting to P2,962.11 were made under JEV nos. 2023-08-000263 and 2023-08-000264.</p> <p>Meanwhile, the remaining balance of P680.93 was remitted to BIR under JEV no. 2023-12-000284.</p> <p>CAR PPEs with carrying amount of P889,275.35 were presented to the Audit Team.</p> <p>PENRO IFUGAO The accounting unit adjusted and recorded the unexpired portion of the Insurance premium. Succeeding payments for insurance premium will</p>	<p>Implemented The motor vehicle and laptop amounting to P889,275.35 were presented in April 2023.</p> <p>Implemented Adjustments were made as shown in JEV No. 2023-03-131. Reclassification was of semi-expendable PPE was</p>

Annex H

Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
		<p>be properly classified to Prepaid Insurance account and will be expensed at the end of the year.</p> <p>Issued semi-expendable PPEs were already reclassified.</p> <p>PENRO QUIRINO An adjustment for a bank error amounting to P194,721.04 was reflected in the books with JEV Nos. 2023-05-000339 and 2023-05-000340 dated May 31, 2023, to restore the cash mistakenly deposited and to record the reissuance of a check to SEEDA. Additionally, an adjustment for a book error amounting to P0.01 was reflected in the books with JEV No. 2023-01-000085 dated January 31, 2023.</p> <p>A memorandum was issued on March 01, 2023, to the Property Custodian, requesting the submission of RSMI and RSPI to</p>	<p>also made as shown by JEV Nos. 2023-03-128 and 130.</p> <p>Not Implemented. Adjustments were validated. However, the Property Custodian was not able to submit the necessary inventory reports. <i>Reiterated in this report under Par. 16 with modification.</i></p>

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		<p>reflect the issued Inventories and Semi-Expendable property to end-users. In response to the memorandum, JEVs were drawn to adjust the Inventory accounts. Office Supplies Inventories issued in prior years, totaling P18,438.58, were adjusted with JEV Nos. 2023-03-000200 and 2023-03-20] dated March 31, 2023. Office Supplies Inventories issued in the current year, totaling P276,297.24, were adjusted with JEV No. 2023-05-000313 dated May 10, 2023.</p> <p>JEV No. 2023-02-000147 (Fund 102) was reflected in the books on February 28, 2023, to rectify the overstatement of the Accounts Payable account.</p> <p>NUEVA VIZCAYA A rectified report of RPCPPE was submitted to the Audit Team. The unpaid billing from ALCEL Construction, totaling P4,522,157.25, was recorded as an Accounts Payable in JEV No. 2023-03-000183. The four (4) ASF projects completed as of December 21, 2022, were reclassified to Road</p>	<p>Implemented The RPCPPE and PPELC for FMP as of December 31, 2023 are reconciled. JEVs were also validated.</p>

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		<p>Networks under JEV No. 2023-03-00184.</p> <p>ILOILO</p> <p>Collected the remaining balance of unrecouped advance payment made to the contractor amounting to P12,041.33 under Check No. 869497 dated 01/08/2024. The Management settled with the contractor the remaining unreleased retention money amounting to P40,814.27 under Check No. 869497 dated 1/8/2024.</p> <p>Furthermore, the agency conducted a re-orientation and learning event on the Basic Internal and External services under administrative and finance sector last June 2, 2023 under Special Order No. 2023-198A dated April 27, 2023.</p>	<p>Implemented Checked the RCI and verified in the CDI the corresponding entries made.</p>

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B. PROJECT EVALUATION			
CY 2022 ML Par. Nos. 27-41	<p>2. Delayed Implementation of the Project</p> <p>In CY 2022, the Project showed an overall utilization rate of 78.94 percent and the overall disbursements rate is only 56.79 percent. Likewise, of the nine targeted outputs, two were not completed specifically the Land Tenure Issuance (LTI) and Construction of Agroforestry Support Facilities (ASF) projects due to various reasons, thus, attainment of the overall project's objective/purpose was delayed.</p> <p>Also, of the 149 established enterprises/livelihoods by the partner People's Organizations (POs), only 84 enterprises or 56 percent were operational; thus, the project's objective to strengthen forestland management through community-based management strategies on enterprise development for food security and income were not fully attained.</p> <p>We recommended that Management direct the Project Head to:</p> <p>a) follow up with JICA on the release of revolving fund for the project disbursement and the issuance of NOL for the procurement of an engineering firm to undertake the construction supervision of the remaining ASF subprojects.</p>	<p>Relative to the Project's request for the release of additional revolving funds, a letter has been submitted to the oversight agencies on March 22, 2023, together with the request of project extension up to July 2024. The extension was approved by JICA per its</p>	<p>Implemented</p> <p>A copy of the approved extension was obtained. Revolving funds were also being released as verified to the submitted disbursement vouchers.</p>

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	<p>b) continuously coordinate with the NCIP with regards to the conduct of the necessary FPIC process; and</p> <p>c) monitor the implementation of the PO Enterprise Development sustainability plan to ensure that the established enterprises/livelihood projects will be sustained for food security and income of the POs.</p>	<p>letter dated August 24, 2023.</p> <p>Continuous monitoring is being conducted to ensure that POs businesses will be operationalized and sustained. Provision of technical assistance based on this categorization was incorporated in the respective Enterprise Sustainability Plans of the POs which serve as guide for the Project on what type of assistance is needed by the POs.</p>	<p>Not Implemented <i>Reiterated in this report under Par. No. 36 with modification.</i></p> <p>Implemented. The monitoring of PO EnDev sustainability plan was already incorporated in the TOR of the concerned project staff in the IUs.</p>
C. COMPLIANCE AUDIT			
<p>CY 2022 ML Par Nos. 47- 66</p>	<p>3. Failure to insure the PPEs with GSIS GIF</p> <p>Three Regions, two PENROs and FMB-CPMO had properties amounting to ₱17,540,628.55 with corresponding insurance premiums paid amounting to ₱189,503.02 in accordance with RA No. 656; however, the FMB-CPMO and PENRO Iloilo's physical assets amounting to ₱ 1,091,430.63 were not insured against fire or theft with the General Insurance Fund (GIF) of GSIS, thus, the agency is at risk of not being indemnified in case of damage or loss of property.</p>		

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	<p>We recommended and the Management of FMB-CPMO and PENRO Iloilo agreed to direct the designated Property Officers to be diligent in maintaining a monitoring system to ensure that all insurable physical assets of the Agency are insured annually with the GSIS.</p> <p>We also recommended and Management of FMB-CPMO agreed to direct the OIC, Property Unit to ensure that the PIF submitted to the GSIS for insurance is reconciled with RPCPPE to avoid the non-/over-insurance of physical assets and waste of FMP-CPMO's funds.</p>	<p>FMP – CPMO The management instructed the OIC, Property Unit to strictly ensure that the Property Inventory Form (PIF) submitted to the GSIS for insurance is reconciled with Report of Physical Count on Property, Plant and Equipment (RPCPPE) to avoid the non-/over insurance of physical assets and waste of funds.</p> <p>ILOILO The Designated Property Officers insured physical assets amounting to P1,025,133.33, as follows:</p> <p>Fund 102: P397,133.33 FJ-NM-GSISILO-0003370 P98,000.00 MV-MTC-GSISILO-0010492 P131,000.00 MV-MTC-GSISILO-0010494 P131,000.00 MV-MTC-GSISILO-0010742 P137,000.00 MV-MTC-GSISILO-0010491 P131,000.00 MV-MTC-GSISILO-0010493</p>	<p>Not Implemented <i>Reiterated in this report under Par. No. 57 with modification</i></p> <p>Implemented Validated thru counter checking the schedule of insured properties submitted to the Office of the Auditor with details of premium payments made.</p>
CY 2022 ML Par. 67-78	<p><i>4. Disposal of unserviceable property</i></p> <p>PENROs Nueva Vizcaya and Quirino complied with the disposal of their unserviceable property pursuant to Section 79 of</p>		

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	<p>PD No. 1445 while unserviceable property of CAR, and PENRO Ifugao, costing P3,732,140.26, remained not disposed of as of December 31, 2022, thus, exposing to further deterioration and decreases the realizable value.</p> <p>We recommended and Management of CAR and PENRO Ifugao to direct their Disposal Committee to dispose immediately the unserviceable property.</p>	<p>IFUGAO</p> <p>CAR Unserviceable property were already disposed.</p>	<p>Implemented Disposal was done in May 2023.</p> <p>Implemented The unserviceable property with a total carrying amount of P26,843.00 were disposed on August 8, 2023.</p>
<p>CY 2022 ML Par. Nos: 80- 95</p>	<p><i>5. Non-imposition of liquidated damages</i></p> <p>PENRO Nueva Vizcaya failed to impose liquidated damages amounting to P1,387,679.70 for the delays incurred on the reported four completed infrastructure projects/contracts, further, mobilization fee amounting to P695,644.99 remain unrecovered.</p> <p>We recommended and Management agreed to:</p> <p>a) enforce collection of liquidated damages from the contractors amounting to P1,387,679.70 and recover the balance of the advance payment amounting to P695,644.99</p>	<p>NUEVA VIZCAYA The management collected liquidated damages from contractors:</p>	<p>Implemented Validated corresponding official receipts.</p>

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	<p>from the claims of the contractor; and</p> <p>b) become strict in dealing with defaulting contractors by forfeiting their performance securities, blacklisting, or terminating the contract in line with the aforementioned provisions of R.A. 9184 to protect the interest of the government.</p> <p>c) henceforth, direct the Project In-Charge to prepare Statements of Work Accomplished as of the contract expiration date for the immediate computation and imposition of liquidated damages, if any.</p>	<p>Monte Construction and Supply paid ₱2,792.32 under OR No. 0378216 dated November 28, 2022. Mayhaligue Construction and Supply paid ₱3,820.85 under OR No. 0378217 dated November 28, 2022. Alfalfa Construction paid ₱6,336.48 under OR No. 0379122 dated June 27, 2023. The amount of ₱4,975.16 was deducted from the claim for retention of Tripple P Construction under DV No. FMP-2023-10-736 dated October 19, 2023.</p>	<p>Implemented</p> <p>Implemented</p>
<p>CY 2022 ML Par. Nos. 96- 111</p>	<p><i>6. Submission of accounting and property reports</i></p> <p>PENRO Nueva Vizcaya incurred delays in the preparation and submission of Bank Reconciliation Statements (BRS) for the agency's two (2) depository bank accounts; contrary to Section 74 of PD No. 1445 and Sections 5 and 7 of Chapter 21 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, thus, affecting the timely verification of the reports/statements, and taking up corrections/adjustments, if any.</p> <p>Further, in PENROs Ifugao and Quirino, disbursement vouchers amounting to ₱9,720,059.17 were not submitted to the Audit Team within the prescribed period</p>		

Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
	<p>contrary to COA Circular No. 95-006 dated May 18, 1995, and Section 7 of COA Circular No. 2009-006 dated September 15, 2009, hampering the conduct of timely review and audit of the Agency's financial transactions.</p> <p>We recommended and Management agreed to require the Accountants of:</p> <p>a) PENRO Nueva Vizcaya to enroll to the LBP WeAccess for easier access to the agency's bank statements to enable the timely preparation and submission of the monthly Bank Reconciliation Statements (BRS) in compliance with Section 74 of PD 1445 and Sections 5 and 7, Chapter 21 of GAM for NGAs; and</p> <p>b) PENROs Ifugao and Quirino to immediately submit the disbursement vouchers to avoid suspensions and/or disallowances in audit, and to ensure that only disbursement vouchers with complete supporting documents are processed and paid.</p>	<p>NUEVA VIZCAYA The management has already enrolled the bank accounts of PENRO Nueva Vizcaya in the LBP WeAccess system.</p> <p>Bank Reconciliation Statements for the year 2023 were submitted within the set deadlines</p> <p>IFUGAO</p> <p>QUIRINO Disbursement vouchers totaling P1,433,777.71 were submitted to the Audit Team on various dates.</p>	<p>Implemented BRS for CY 2023 were submitted on time as a result of WeAccess enrollment.</p> <p>Implemented Subject DVs were already submitted in CY 2023.</p> <p>Implemented DV's were submitted to the Audit Team and verified.</p>
CY.2022 ML Par. Nos. 112- 125	<p><i>7. Non-submission of copies of contracts/POs within set timeline</i></p> <p>CAR submitted within the prescribed period copies of government contracts, purchase orders (POs) and their supporting</p>		

Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
	<p>documents totaling 35 with corresponding amount of P3,522,216.80. However, copies of 19 government contracts and PO and their supporting documents of FMB-CPMO amounting to P3,816,496.00; and PENRO Iloilo's 11 contracts with undetermined amount, were not submitted to COA for review within five days from perfection thereof but were attached to the Disbursement Vouchers (DVs) for post-audit; thus, precluded the Audit Teams from conducting timely review and evaluation and hindered the immediate determination and communication of deficiencies that may need Management's corrective actions.</p> <p>We recommended and the Management of FMB - CPMO and PENRO Iloilo agreed to require the concerned officers/staff to strictly adhere to the prescribed deadlines/period under COA Circular No. 2009-01 in the submission of contracts and purchase orders.</p>	<p>FMB - CPMO All government contracts and purchase orders have already been forwarded to the office of the FMB's resident auditor as of the date of this writing.</p> <p>Furthermore, the management instructed the Property and Accounting Units, and the concerned Division/Offices, to strictly comply and observe protocol in all contracts and purchase orders. A reiteration to this effect in the form of a Memorandum will also be issued to concerned staff/employees and strictly implement the prescribed deadlines/</p>	<p>Implemented The submission of government contracts, purchase orders and their supporting documents were within the prescribed time.</p>

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Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
		<p>period under COA Circular No. 2009-01 dated February 12, 2009 in submission of contract and purchase orders. This office will ensure compliance to the said protocol.</p> <p>ILOILO The Management issued Memorandum dated February 1, 2023 addressed to all CENR Offices and Forestland Management Project directing them that all Contracts/Letter of Agreement (LOA) and Purchase Orders should be submitted on time to the Office of the Auditor to avoid repetition of Audit. Observation Memorandum (AOM).</p> <p>Special Order No. 2023-324 was issued dated May 30, 2023 to assign officers and personnel to submit contract of services, letter of agreement and purchase orders to the Office of the Auditor.</p> <p>The Management adhered to the recommendation to maintain system in monitoring the contracts/PO executed and to keep track of the submission of the contracts/PO to the Office of the Auditor.</p>	<p>Not Implemented The Audit Team did not issue an AOM on this subject matter but will continue monitoring the auditee's compliance.</p>

Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
CY 2022 ML Par. Nos. 126- 135	<p>8. Compliance with Tax Laws and Regulations.</p> <p>The FMB – CPMO, CAR, Region III and PENROs Ifugao, Nueva Vizcaya, and Quirino withheld taxes on government purchases and contract of services from suppliers/contractors and remitted without delay amounting to ₱29,270,857.33 in accordance with Revenue Regulation No. 10-2008 dated July 8, 2008. However, In PENRO Iloilo, non-reconciliation and lack of monitoring of the "Due to BIR" account amounting to ₱1,480,808.36 as of December 31, 2022, deprived both the government and the payees/suppliers/contractors of the productive use of the funds.</p> <p>We recommended and the Management agreed to require the Accountant of PENRO Iloilo to:</p> <p>a) prioritize and expedite the reconciliation of the account "Due to BIR" and make a monthly report on the reconciliation made, copy furnished to the Office of the Auditor;</p> <p>b) remit immediately the unremitted balance and shoulder the penalties and interest in her personal capacity, and refund to the respective payees/suppliers/contractors the amount of over withholding, if any; and</p>	<p>ILOILO</p> <p>The Accountant prioritized the reconciliation of the account "Due to BIR" and made monthly report on the reconciliation.</p> <p>Out of ₱3,220,526.95, the Accounting Section already remitted 2,903,900.85 and refunded ₱316,626.10 Details as follows:</p> <p>Fund 101: Out of ₱776,735.80, the Accounting Section</p>	<p>Implemented Validated thru audit of Due to BIR account.</p> <p>Implemented Validated remittance made.</p>

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Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
	<p>c) henceforth, see to it that reconciliation of taxes withheld and remitted are made monthly and taxes withheld are remitted intact within the prescribed period by properly monitoring the persons-in-charge.</p>	<p>already remitted and reconciled the balance: ₱ 589,689.07 JEV#101-23-01-001 ₱ 101,899.44 JEV#101-23-02-005 ₱ 85,031.15 JEV#101-23-06-025 ₱ 116.14 LDDAP#9904196633 7/19/23 Tax Refund</p> <p>Fund 102: Out of ₱2,443,791.15, the Accounting Section already remitted and refunded the balance breakdown as follows: ₱ 962,982.79 JEV#102-23-01-001 ₱ 1,164,298.40 JEV#102-23-04-010 ₱ 316,509.96 CDI March 2023 ₱2,443,791.15</p> <p>The Accountant and the person in-charge made sure that reconciliation is made and that all taxes withheld were remitted within the prescribed period.</p>	<p>Implemented- Validated thru audit of Due to BIR account for CY 2023 of which no reportable issue was observed.</p>

Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
D. OTHER COMPLIANCE AUDIT			
CY 2022 ML Par. Nos. 146- 154	<p data-bbox="437 510 849 607"><i>9. Non-maintenance of complete Registry of Semi Expendable Property Issued</i></p> <p data-bbox="437 640 849 891">The Registry of Semi-Expendable Property Issued of PENRO Ifugao was incomplete, not classified as to type of Semi-Expendable Property and does not include complete information about the property, contrary to Item 4.7.4 and Annex A.4 of COA Circular No. 2022-004.</p> <p data-bbox="437 925 849 1200">We recommended and Management agreed to require the Property/Supply Officer of PENRO Ifugao to maintain a complete Registry of Semi-Expendable Property Issued and periodically update the report in accordance with Item 4.7.4 and Annex A.4 of COA Circular No. 2022-004.</p>	<p data-bbox="868 925 1160 1200">IFUGAO The Property/Supply Officer of PENRO Ifugao committed to maintain a complete Registry of Semi-Expendable Property Issued and periodically update the report.</p>	<p data-bbox="1179 925 1426 1070">Not Implemented <i>Reiterated in this report under Par. No. 131 with modification</i></p>
CY 2022 ML Par. Nos. 155- 163	<p data-bbox="437 1240 849 1301"><i>10. Non-conduct of final acceptance inspection of completed project</i></p> <p data-bbox="437 1335 849 1675">Management of Regional Office (RO) No. II failed to conduct the required Final Acceptance Inspection after the one-year defects liability period on the completed Nantawakan Tire Path project with a revised contract cost of ₱17,938,313.48; thus, it could not be ascertained whether the completed infrastructure project/s were free from any defects/deficiencies.</p> <p data-bbox="437 1709 849 1769">We recommended and Management of RO II agreed to:</p> <p data-bbox="437 1803 849 1861">a) instruct the Inspectorate Team to conduct the final acceptance.</p>	<p data-bbox="868 1803 1160 1861">The Provincial Project Management Office.</p>	<p data-bbox="1179 1803 1426 1832">Implemented</p>

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Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
	<p>inspection on the Construction of Nantawakan Tire Path to ensure the quality of the said project and implement remedial/corrective measure, if necessary; and</p> <p>b) ensure the conduct of final acceptance inspection of all completed projects within the prescribed period in accordance with RA 9184 and the Unnumbered Memoranda.</p>	<p>through its Inspectorate Team conducted the final acceptance inspection of Nantawakan Tire Path through Memorandum dated November 24, 2022.</p> <p>Management will be furnishing a copy of the report of inspection once submitted to their office by the concerned PPMO. Management prepared a Memorandum instructing the concerned field offices to conduct final acceptance inspection of all completed projects under Forestland Management Project and to comply with the requirements of RA 9184 on the period of inspection.</p>	<p>Management attached Memorandum dated November 24, 2022 for reference.</p> <p>Implemented Management also attached the Final Acceptance Inspection Report per Memorandum dated March 9, 2023 of the PENR Officer of Nueva Vizcaya and copy of the Certificate of Acceptance for reference and guidance.</p>
<p>CY 2022 ML Par. Nos. 164- 180</p>	<p><i>11. Excessive and unnecessary expenditures</i></p> <p>The procurement of 43 notebooks aggregating to P21,500.00 of PENRO Nueva Vizcaya is considered an unnecessary expenditure of government funds.</p> <p>Moreover, non-observance of the austerity measures and non-compliance to the DENR Regional Office No. II Guidelines on Catering Services resulted in the incurrance of excessive and unnecessary expenditures amounting to P44,005.00</p>		

Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
	<p>We recommended and Management agreed to stop the practice of procuring items that are not necessary and do not contribute to the achievement of the goals and objectives of the Agency to avoid the incurrence of unnecessary expenditures which will be disallowed in audit.</p> <p>We recommended that Management exercise prudence in the utilization of funds for representation and training expenses by:</p> <p>a) strictly observing the limitations set under DENR Regional Office No. II Memorandum dated January 27, 2022; and</p> <p>b) refraining from ordering excessive quantities of meals and snacks and stopping the practice of serving meals and snacks during regular meetings or normal activities of PENRO Nueva Vizcaya in order to prevent the incurrence of excessive and unnecessary expenditures.</p>	<p>NUEVA VIZCAYA An explanation letter and Requisition Issue Slip (RIS) were provided to the audit team.</p> <p>Additionally, management advised the concerned personnel to observe and comply with guidelines for the judicious and prudent use of government funds to ensure unnecessary expenditures are eliminated.</p> <p>NUEVA VIZCAYA. Purchase requests for meals and snacks are now prepared in compliance to the issued Regional Memorandum. PRs and POs are being scrutinized prior to the approval of authorized officials to ensure that only necessary activities with the appropriate number of participants are included.</p>	<p>Implemented Verified the RIS submitted. The audit team accepts the explanation letter and will continue to monitor the procurement activities of the agency.</p> <p>Implemented Corresponding supporting documents were verified.</p> <p>Implemented No similar issue was observed during CY 2023.</p>
CY 2022 ML Par. Nos. 181- 188	<p>12. <i>Insufficient documentary requirements</i></p> <p>In PENROs Nueva Vizcaya and Quirino, disbursements on catering</p>		

Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
	<p>services amounting to P944,583.27 and P541,388.71, respectively, were inadequately supported with the required documents casting doubt on the propriety and validity of the transactions.</p> <p>Section 53 of GAM for NGAs, Volume I also provides that "The Cash/Treasury Unit shall monitor the receipt of the validated LDDAP-ADA from MDS-GSB and the issue of Official Receipt (OR) or other acceptable evidence of receipt of payments by the creditors/payees." (emphasis ours)</p> <p>We recommended that Management of PENROs Nueva Vizcaya and Quirino to;</p> <p>a) require the Accountant to ensure that prior to the processing of DVs, these are substantiated with the complete documentary requirements and that the approval of approving/authorized officials is obtained pursuant to Sections 4(5) and 4(6) of PD 1445; and</p> <p>b) advise the Cash Unit to always demand/monitor the issuance of Official Receipt (OR) or its equivalent from creditors/payees in accordance with Section 53 of GAM for NGAs, Volume I.</p>	<p>QUIRINO The management submitted the required documents, such as DTI registration, Mayor's Permit, BIR Registration, BIR Form 2307 Certificate of Withholding Tax, and Official Receipts, on October 6, 2022.</p> <p>NUEVA VIZCAYA For the year 2023, disbursement vouchers for the payment of catering services were adequately supported with Notices of Meetings, Attendance Sheets, and Narrative Reports/Minutes of the Meeting. Moreover,</p>	<p>Implemented Corresponding supporting documents were verified.</p> <p>Implemented Verified that DVs were adequately supported with necessary documents.</p>

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Ref. No.	Observations and Recommendations	Management Action	Auditor's Validation
		Official Receipts, BIR Form 2307, Business Permit, BIR Registration, DTI Registration, and any other pertinent documents were submitted to the Audit Team.	
CY 2021 AND BELOW			
OTHER COMPLIANCE AUDIT			
CY-2018 ML Par. 29	<p><i>1. Unauthorized expenditures</i></p> <p>Honoraria paid to PENRO Iloilo officials and personnel involved in the implementation of the FMP amounting to ₱277,000.00 was not included in the FY 2018 FMP Revised Work and Financial Plan (WFP) contrary to DBM Budget Circular No. 2007-002, thus, may be considered as illegal expenditures.</p> <p>We recommended that Management of PENRO Iloilo to instruct the concerned personnel to refund the honoraria received amounting to ₱277,000.00. Henceforth, discontinue granting benefits and allowances without legal basis and those that violate existing laws, rules and regulations.</p>		<p>Not Implemented</p> <p>As of Oct. 2023, the remaining balance of the ND for this payment is 227,400.00. Payment thru payroll deduction is on-going, except for those persons liable no longer connected with PENRO-Iloilo.</p>

Department of Environment and Natural Resources
Central Office - Foreign Assisted Projects
Visayas Avenue, Diliman, Quezon City
AGENCY ACTION PLAN and
STATUS OF IMPLEMENTATION
Audit Observation and Recommendation for CY 2023

Reference	Observation	Recommendation	Agency Action Plan				Status of Implementation	Reasons For Delay	Action Taken/ Action to be Taken
			Action Plan	Person/ Dept. Responsible	From	To			
CY 2023 ML. Par. Nos. 16-24	<p><i>Unadjusted accounting errors/omissions and uncorrected accounting deficiencies</i></p> <p>Various accounting errors/omissions with an aggregate amount of P463.10 million and various accounting deficiencies such as unsupported recorded transactions, incomplete submission of reports and unreconciled differences among accounting reports and property records with an aggregate amount of P99.89 million, affected the fair presentation of the Financial Statements (FS).</p>	<p>We recommended and Management agreed to require the:</p> <ul style="list-style-type: none"> • Accountants of FMB, RO II, PENROs Ifugao, Quirino, Nueva Vizcaya and Iloilo to effect the necessary adjustment on the errors/omissions with supporting documents to correct the balances of the affected accounts in the FS; • Cashiers of PENROs Quirino and Nueva Vizcaya to submit to the Accounting Office a Schedule of Unreleased Checks at the end of each year for 							

		<p>adjustment in the books of accounts;</p> <ul style="list-style-type: none"> • Supply/Property Officers of PENRO Quirino to regularly submit RSMIs to the Accounting Office to enable the recording of issuance of inventories; • Accountants and Supply/Property Officers of PENRO Quirino to regularly reconcile their accounting and inventory/property records to accurately reflect the balance of Inventories and PPEs in the FS; • Inventory Committee of PENRO Quirino to conduct physical count of inventories in all offices and also to conduct a physical count of Other PPEs that were not counted; • Accountant of PENRO Iloilo to monitor strictly and supervise regularly the staff-in-charge of the subsidiary ledgers in determining the causes of the discrepancies, disposition of negative balances and reconciliations of the 							
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Annex I

		SLs with the GL see to it that the entries are reviewed and the SLs are reconciled monthly with the GL and request for additional staff, if necessary.							
CY 2023 ML. Par. Nos. 25-35	<i>Unrecovered Advances to Contractors</i> Inadequate monitoring and follow-up for the recovery of the advance payments amounting to P11.372 million made to various contractors of agroforestry support facilities, whose contracts have been terminated, resulted in the non-recovery of cash, which could have been utilized by the Agency in its other sub-projects under the Forestland Management Project.	We recommended and the Management agreed to make a follow-up demand and make other appropriate actions to the insurance companies of the contractors with outstanding advance payments in order to recover the amounts paid to them.							
CY 2023 ML. Par. Nos. 36-56	<i>Fund Utilization/Obligation and Disbursement</i> The total CY 2023 budget of the FMP was not optimally utilized resulting to a low utilization of P71.22 million or 46% of the total available allotments of P155.88 million that led to the reversion of the unobligated continuing	We recommended and Management agreed to direct the Project Head to: a. exercise judicious budget planning to rationalize the provision of funds/allotments for project activities to							

	<p>allotment amounting to P82.32 million which could have been used to finance the other activities of the Project. Moreover, two targeted outputs were still not completed as of December 31, 2023, namely: Land Tenure Issuance and Agroforestry Support Facilities due to several reasons, thus, attainment of the overall project's objective/purpose was delayed.</p>	<p>avoid significant reversion of funds;</p> <p>b. continuously coordinate with the NCIP to fast track and facilitate the conduct of the necessary EPIC process;</p> <p>c. expedite the payment of contractor billings to catch-up for the delayed works.</p>							
<p>CY 2023 ML, Par. Nos. 58-65</p>	<p><i>Non-liquidation of Cash Advances</i></p> <p>In FMB, no advances were made to PS-DBM during the year. However, there were still unliquidated advances in prior years amounting to P0.15 million as of year-end, contrary to the provision of COA Circular No. 94-013.</p>	<p>We recommended and Management agreed to instruct the Chief Accounting Unit to expedite the reconciliation of the balances recorded per book with the records of PS-DBM to determine and confirm unutilized funds and request refund/return of the same.</p>							
<p>CY 2023 ML, Par. Nos. 68-83</p>	<p><i>Over insurance of Physical Assets</i></p> <p>FMB, CAR, Regions II, III and VI, and PENROs Quirino, Nueva Vizcaya, Nueva Ecija and Iloilo had properties amounting to P54.65 million with corresponding insurance</p>	<p>We recommended and Management agreed to direct the OIC, Property Unit to:</p> <p>a. be familiarized with the provisions of the</p>							

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	<p>to P0.34 million in accordance with RA No. 656, otherwise known as the "Property Insurance Law", however, the FMB over-insured its physical assets due to (a) inclusions of PPE items acquired prior to calendar year 2022 with a total cost of P1.14 million that should be expensed in accordance with COA Circular No. 2022-004; (b) inclusions of semi-expendable items amounting to P0.76 million that were already issued to end-users; and (c) double entry of semi-expendable items amounting to P0.02 million.</p>	<p>b. discontinue the inclusion of the issued items in insurance; and</p> <p>c. exercise diligence in recording PPEs and semi-expendable items in the PIF to ensure accuracy and correctness of physical assets for insurance coverage</p>						
<p>CY 2023 ML. Par: Nos. 84-92</p>	<p><i>Non-disposal of Unserviceable Property</i></p> <p>Unserviceable properties from CAR, PENROs Ifugao and Iloilo with an aggregate amount of P2.57 million remained not disposed of as at year-end contrary to Section 79 of PD 1445, thus exposing them to further deterioration and decreasing their realizable value.</p>	<p>We recommended and Management agreed to direct the:</p> <p>a. accountable officers to monitor the properties under their custody and report immediately the unserviceable items to the Property Officer/Inventory and Disposal Committee for prompt reporting in the IIRUP; and</p>						

		<p>b. Inventory and Disposal Committee to see to it that all unserviceable properties of the agency are disposed immediately to avoid further deterioration and decrease in realizable value.</p>							
<p>CY 2023 ML, Par, Nos. 93-99</p>	<p><i>Delayed submission/incomplete supporting documents of government contracts/POs</i></p>	<p>In PENRO Ifugao, copy of government contracts, purchase orders and their supporting documents totaling 190 with corresponding amount of P7.29 million were not submitted within the prescribed period, with delays ranging from 1 to 101 days, while in PENRO Nueva Vizcaya, 34 purchase orders with an aggregate amount of P1.49 million were submitted on time but not substantiated with the required documentation contrary to Item 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009, thus precluded the conduct of timely auditorial review.</p>	<p>We recommended and Management of PENROs Ifugao and Nueva Vizcaya agreed to require their respective supply/property officers to fully comply with Item 3.2.1 of COA Circular No. 2009-01 dated February 12, 2009 by submitting all copies of government contracts and purchase orders within the prescribed five (5) days period with complete supporting documents from execution/issuance thereof.</p>						

<p>CY 2023 ML. Par. Nos. 101- 112</p>	<p><i>Compliance with National Insurance Act of 1995 (PhilHealth)</i></p> <p>Monthly remittances to the PhilHealth of FMB for its contract of service personnel's premium contributions did not tally with the amount withheld during the month resulted to an unremitted balance of P0.02million. Moreover, the prior years' balance of P0.02 million remains unremitted as of year-end.</p>	<p>We recommended and Management agreed to instruct the Chief, Accounting Unit, and the Chief Human Resources Unit to:</p> <ul style="list-style-type: none"> a. regularly perform reconciliation to ensure that the total amount remitted tallies with the amount deducted each month; b. take action to address the current year under remittance of P21,929.74; c. remit immediately the December 2022 balance of P22,544.76 as soon as the funds are available; and d. reconcile prior years' unremitted/ outstanding balance of P6,173.98 and remit immediately, if warranted. 						
<p>CY 2023 ML. Par. Nos. 115- 122</p>	<p><i>Enforcement/Settlement of Suspension / Disallowances/Charges</i></p> <p>In CAR, disallowances that have become final and executory amounting</p>	<p>We recommended and Management agreed to enforce compliance by the</p>						

	to P2.21 million were not settled as of yearend, which may result in the enforcement of civil liability pursuant to Rule XIII of the 2009 Revised Rules of Procedure of the COA.	persons liable with the Notice of Finality and the COA Order of Execution once these are received.							
CY 2023 ML. Par. Nos. 130- 140	<i>Other Compliance Audit Issues</i> The Registry of Semi-Expendable Property Issued was not maintained by PENRO Ifugao, while it is not accurately and completely maintained by CAR. In addition, Inventory Custodian Slip (ICS) control numbers were not assigned for low-valued and high-valued items in PENRO Ifugao while ICSs issued were not reviewed at least every three years in CAR contrary to provisions of COA Circular No. 2022-004.	We recommended and Management of PENRO Ifugao and CAR agreed to require their respective Supply/Property Officer to maintain accurately and completely the Registry of Semi-Expendable Property Issued and ensure the renewal of ICS every three years and that a separate control number is assigned to low-valued and high-valued items; We also recommended and Management of CAR agreed that the Administrative Division assign a staff to temporarily assist the Supply/Property Officer in the preparation of transfer documents, updating of the Registry and renewal of ICS.							

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<p>CY 2023 ML. Par. Nos. 141- 149</p>	<p><i>Deficiencies in the conduct of physical inventory</i></p> <p>No Inventory Committee was constituted by CAR for the conduct of physical inventory for the one-time cleansing of PPE account balances of the Agency contrary to Item 5.2 of COA Circular No. 2020-006, resulting in the partial conduct of one-time cleansing activity.</p>	<p>We recommended and Management agreed that the Regional Executive Director issue a Special Order for the creation of Inventory Committee for the one-time cleansing of PPE account balances and monitor the implementation of the activity within the timeline set.</p>						
<p>CY 2023 ML. Par. Nos. 150- 155</p>	<p>The Inventory Count Form was not used in the physical count of PPEs of PENRO Ifugao contrary to Item 6.2.3 of COA Circular No. 2020-006 because the Inventory Committee immediately prepared RPCPPE by verifying the existence of recorded PPEs only.</p>	<p>We recommended and Management agreed that for the one-time cleansing of PPE, the Inventory Committee use the Inventory Count Form in the physical count of PPEs and include PPEs found at station in the ICF.</p>						