

## EXECUTIVE SUMMARY

### *A. Introduction*

The Department of Environment and Natural Resources (DENR) was formerly known as the Department of Agriculture and Natural Resources (DANR). In May 1974, under Presidential Decree (PD) No. 461, the DANR was reorganized into the Department of Agriculture (DA) and Department of Natural Resources (DNR). In 1978, a shift to the parliamentary form of government led to the renaming of the DNR to the Ministry of Natural Resources (MNR). Executive Order (EO) No. 131 was issued on January 30, 1987 creating the Department of Energy, Environment and Natural Resources (DEENR), taking over the powers of the MNR. The DEENR was reorganized on June 10, 1987 under EO No. 192, renaming it as the Department of Environment and Natural Resources (DENR) while transferring energy matters to the Office of the President.

The DENR is mandated to conserve, manage, develop, and ensure proper use of the country's environment and natural resources, specifically forest and grazing lands, mineral resources, 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 for by law, for equitable sharing of the benefits derived therefrom for the welfare of the present and future generations of Filipinos.

The DENR has the following strategic objectives that serve as basis for policy formulation:

- a. Assure the availability and sustainability of the country's natural resources through judicious use and systematic restoration or replacement, whenever possible;
- b. Increase the productivity of natural resources in order to meet the demands for forest, mineral and land resources of a growing population;
- c. Enhance the contribution of natural resources for achieving national economic and social development;
- d. Promote equitable access to natural resources by the different sectors of the population; and
- e. Conserve specific terrestrial and marine areas representative of the Philippine natural and cultural heritage for present and future generations.

The DENR is also tasked to formulate and implement policies, guidelines, rules and regulations relating to environmental management and pollution and control. It formulates, implements and supervises the government's policies, plans and programs pertaining to the management, conservation, development, use and replenishment of the country's natural resources and ecological diversity. DENR also promulgates and implements rules and regulations governing the exploration, development, extraction, disposition, and use of forests, lands, minerals, wildlife and other natural resources.

It is headed by a Secretary and assisted by seven Undersecretaries and seven Assistant Secretaries. The DENR-Office of the Secretary (DENR-OSEC) consists of a

Central Office (CO), 16 Regional Offices (ROs), 76 Provincial Environment and Natural Resources Offices (PENROs), 140 Community Environment and Natural Resources Offices (CENROs) and 4 Staff Bureaus (Forest Management Bureau, Land Management Bureau, Biodiversity Management Bureau and Ecosystems Research Development Bureau).

*Pasig River Coordination and Management Office (PRCMO)*

In 2019, E.O. No. 90 was issued amending E.O. No. 54 (s. 1999) transferring the Chairmanship of the Pasig River Rehabilitation Commission from the Office of the President to the DENR, and for other purposes.

By virtue of EO No. 93 dated November 8, 2019, the then Pasig River Rehabilitation Commission (PRRC) was disestablished and the Pasig River Coordination and Management Office (PRCMO) was created, as one of the Offices of the DENR. However, the Functions of PRRC, including all necessary and incidental powers thereof, pursuant to EO No. 54, as amended, were not fully transferred to the DENR but also to the following agencies and offices: The Manila Bay Task Force, Department of Human Settlement and Urban Development (DHSUD), Metro Manila Development Authority (MMDA) and the Department of Public Works and Highways (DPWH).

The PRCMO implements the defunct PRRC's mandated functions.

*Foreign-assisted projects implemented by the DENR*

The Forestland Management Project (FMP) and Integrated Natural Resources and Environmental Management Project (INREMP) are the two foreign-assisted projects managed by the Foreign-Assisted and Special Projects Services (FASPS) of the DENR.

The FMP aims to strengthen forestland management in three critical river basins through the implementation of collaborative and comprehensive Community-Based Forest Management (CBFM) strategies. Its implementation period is for ten years effective July 3, 2012 to July 3, 2022. The DENR requested for the one-year extension of the financial disbursement of the Project, change in the Financing Mix and request for additional advance to the National Economic and Development Authority (NEDA) and Department of Budget and Management (DBM), pending approval.

The INREMP, on the other hand, is a seven-year project from August 9, 2013 to December 31, 2020 and the closing of the project financial books is extended until August 31, 2022 as approved by the Asian Development Bank (ADB). It aims to manage the upper river basins and component watersheds to support poverty reduction, watershed management, biodiversity conservation and climate change policy objectives with emphasis on developing the capacities of the local governments, institutions and upland communities as development partners.

Moreover, the DENR has two (2) flagship programs, the National Greening Program (NGP) mandated under EO No. 26, series of 2011 and expanded through EO No. 193, series of 2015, and the Manila Bay Rehabilitation Program mandated through Supreme Court Order on December 18, 2008 under G.R. 171947-48.

#### *National Greening Program*

The NGP was implemented by virtue of EO No. 26 dated February 24, 2011. The program was anchored on the government's goal of reducing poverty, ensuring food security, conserving the environment and biodiversity, and enhancing climate change mitigation and adaptation. It also seeks to improve water quality in rivers and irrigation for farm lands, reduce the potential for flooding, soak up carbon dioxide out of the atmosphere, and lay the foundation for an expanded wood-products economy. The NGP aims to plant 1.5 billion trees in about 1.5 million hectares within a period of six years from 2011 to 2016.

To sustain the gains of reforestation and attain the intended long term outcome, EO No. 193 was issued on November 12, 2015, expanding the coverage of the NGP (enhanced NGP) to include all the remaining unproductive, denuded and degraded forest lands and extending its implementation from 2016 to 2028.

#### *Manila Bay Rehabilitation Program*

On December 18, 2008, the Supreme Court in a landmark decision issued a mandamus ordering 13 government agencies "to clean up, rehabilitate and preserve Manila Bay, and restore and maintain its waters to SB level [Class B] sea waters per Water Classification Tables under DENR Administrative Order No. 34 (1990)] to make them fit for swimming, skin-diving and other forms of contact recreation (G.R. Nos. 171947-48)." The issuance of DENR Administrative Order (DAO) No. 2011-01 entitled "Strengthening the Manila Bay Coordinating Office (MBCO)" is one of the strategies under the Manila Bay Operational plan. The DAO designated three DENR Regional Executive Directors (RED), who have jurisdiction over the Manila Bay as Regional Coordinators and Heads of their own reconstituted Manila Bay Site Coordinating/Management Office (MBSCMO).

On February 19, 2019, President Rodrigo R. Duterte issued Administrative Order No. 16, "*Expediting the Rehabilitation and Restoration of the Coastal and Marine Ecosystem of the Manila Bay and Creating the Manila Bay Task Force*". The Task Force members shall perform their functions in accordance with their agency mandates and as prescribed in the Writ of Continuing Mandamus issued by the Supreme Court.

As of December 31, 2022, the DENR has a total manpower complement of 30,483 personnel, consisting of 15,062 plantilla, 218 casual, 28 contractual and 15,175 Contract of Service/Job Order personnel.

## ***B. Financial Highlights***

The DENR's financial position, financial performance and sources and application of funds for Calendar Year (CY) 2022 compared with CY 2021 are as follows:

Particulars	Amount (In Thousand Pesos)	
	2022	2021 As Restated
<b>A. Financial Position</b>		
Assets	63,171,721	60,286,266
Liabilities	4,052,034	4,100,506
<b>Net Assets/Equity</b>	<b>59,119,687</b>	<b>56,185,760</b>
<b>B. Financial Performance</b>		
Revenue	1,395,054	1,481,182
Current Operating Expenses	17,129,600	17,126,767
Surplus (Deficit) from Current Operations	(15,734,546)	(15,645,585)
Net Financial Assistance/Subsidy	20,237,496	20,544,846
Other Non-Operating Income	(184,143)	(68,359)
<b>Surplus (Deficit) for the Period</b>	<b>4,318,807</b>	<b>4,830,902</b>
	<b>2022</b>	<b>2021</b>
<b>C. Sources and Application of Funds</b>		
Appropriations	20,757,067	21,479,346
Allotments	20,757,067	20,819,193
Obligations Incurred	20,034,597	20,065,734
<b>Unobligated Balance</b>	<b>722,470</b>	<b>753,459</b>

## ***C. Scope and Objectives of Audit***

The audit covered the accounts and financial transactions of the DENR Central Office (CO), 14 ROs, 4 Staff Bureaus and 64 PENROs for CY 2022. The audit was conducted to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

## ***D. Independent Auditor's Report***

A qualified opinion was rendered on the fairness of presentation on the financial statements of the DENR as at December 31, 2022 due to accounting errors/omissions in an aggregate amount of ₱2,086.854 million, in recording financial transactions, and accounting deficiencies such as non-maintenance of Subsidiary Ledgers (SLs), unreconciled differences among accounting reports, and unreconciled variances between accounting and property records on the five assets and liability accounts with an

aggregated amount of ₱11,051.239 million, which affected the fair presentation of the financial statements.

**E. Significant Observations and Recommendations**

1. Of the agency's appropriation/allotment for CY 2022 of ₱20,757.067 million, the amount of ₱20,034.597 million or 96.52 percent was utilized/obligated and ₱18,123.200 million or 90.46 percent was disbursed as at December 31, 2022. Moreover, of the total cash allocation of ₱20,865.346 million, 97.76 percent or ₱20,397.149 million was disbursed, leaving a balance of ₱468.225 million, of which ₱455.799 million was reverted back to the BTr, thus projects targeted for implementation during the year were not immediately implemented. **(Observation No. 2)**

We reiterated our prior year's recommendation, and Management agreed thru the DENR Financial and Management Service in coordination with the concerned DENR Offices to: (a) ensure the timely execution/ implementation of the programs/projects/ activities to be able to maximize the utilization of the allotments to attain its objective to deliver optimum services to the intended beneficiaries in a timely manner and to avoid the automatic reversion of program appropriations to the BTr; and (b) provide the detailed remedial action plan to reflect the specific measures to be undertaken to resolve the identified issues to ensure attainment of physical and financial targets.

2. In CY 2022, the Project showed an overall utilization rate of 78.94 percent while the overall disbursements rate is only at 56.79 percent. Further, 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. 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. **(Observation No. 6)**

We recommended, and Management agreed, to direct the Project Head of FMP to: (a) follow up with JICA on the release of revolving fund for the project disbursement and for the issuance of NOL for the procurement of an EF to undertake the construction supervision of the remaining ASF subprojects; (b) continuously coordinate with the NCIP with regard to the conduct of the necessary FPIC process; and (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.

3. Deficiencies in the procurement activities of the CO, 4 ROs, and FAPS-FMP, 22 PENROs with corresponding amount of ₱131.857 million were noted, thus the validity and propriety of the transactions could not be established and the price most advantageous to the government may not have been obtained. ***(Observation No. 9)***

We recommended, and Management agreed, to instruct the BAC of CO, ROs I, IV-B, V and IX, PENROs Quirino, Abra, Agusan Del Sur, Davao de Oro, Davao Oriental, Dinagat Islands, Eastern Samar, Ilocos Norte, Ilocos Sur, Kalinga, La Union, Leyte, Nueva Vizcaya, Pangasinan, Sorsogon, Surigao Del Norte, Surigao Del Sur, Zamboanga Del Norte, Zamboanga Del Sur and Zamboanga Sibugay, and FAPs-FMP to ensure that procurement activities are in accordance with RA No. 9184 and its RIRR, and to submit the lacking supporting documents for audit.

4. PENRO Aklan failed to revert to the General Fund its unused cash amounting to ₱7.304 million as of year-end; thus, the government was deprived of the available funds that could be used in its priority programs and projects. Further, RO XIII and PENRO Northern Samar continue to maintain unauthorized bank accounts with balances amounting to ₱0.113 million and ₱0.015 million, respectively, thereby, exposing the fund to the risk of being misused. ***(Observation No. 22)***

We recommended, and Management agreed, to direct the Heads of RO XIII and PENROs Aklan and Samar to require the Accountants to close the unauthorized bank accounts and remit/revert its balances together with the dormant cash and unnecessary funds to the General Fund/the project partner.

5. Laxity in the monitoring and collection of rental/occupation/User's Fees from foreshore property/cottages, and forest lands resulted in the accumulation of uncollected revenue in the total estimated amount of ₱199.105 million in 11 PENROs and undetermined amount in 1 PENRO. ***(Observation No. 23)***

We recommended and Management agreed, to direct the Regional Executive Directors to: (a) All PENROs concerned, intensify collection of revenues by invoking pertinent Sections of DAO No. 2004-24; (b) PENROs Bataan, Aklan, Davao del Sur, Davao de Oro, and Samar, expedite the processing of the FLA and FLAg applications and require the occupants to pay the application including annual fees, penalties and surcharges; (c) PENRO Pampanga, coordinate with the LGU Arayat, for the renewal of the Memorandum of Agreement, pending the approval of Special Use Agreement in Protected Area (SAPA), to outline the new guidelines, especially on the percentage share of all tickets sold at the gate during its operation and guaranteed yearly user's fee; (d) PENROs Capiz, Samar, Davao Oriental and Davao de Oro, fast-track the report of inventory of all foreshore areas and conduct regular and timely

appraisal/re-appraisal activities to come up with complete and accurate database; (e) PENRO Negros Occidental, closely monitor collections from foreshore and forestall lease, Socialized Industrial Forest Management Agreement (SIFMA) and Integrated Forest Management Agreement (IFMA) fees by sending monthly billings and demand letters; and initiate the revocation of lease agreements and permits of those lessees who intentionally violated the provisions of the lease agreements; and (f) PENROs Aurora, Leyte and Davao del Norte, monitor collections regularly and ensure that billings and demand letters are issued accordingly.

The observations and recommendations were discussed with the officials concerned in an exit conference conducted on June 1, 2023. Management comments were incorporated in the report, where appropriate.

***F. Enforcement of Settlement of Accounts***

The non-enforcement of the provisions of the Revised Rules on the Settlement of Accounts (RRSA) issued by the Commission on Audit under COA Circular No. 2009-006 dated September 15, 2009 on the settlement of accounts resulted in the outstanding suspensions, disallowances and charges in the audit of various transactions amounting to ₱85.056 million, ₱270.920 million and ₱73.030 million, respectively, as of December 31, 2022.

***G. Implementation of Prior Year's Audit Recommendations***

Of the 63 prior year's audit recommendations, 22 were implemented and 41 were not implemented as of December 31, 2022, 13 of which were reiterated in this report with modification, where appropriate.