

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 nine Undersecretaries and eight 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) is a foreign-assisted project 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.

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.

Priority Programs

Programs	Priority Activities
Intensified Environmental Protection: Clean Air	(1) Monitoring of the Compliance of Firms/Industries; (2) Operationalization of Airshed Governing Boards; and (3) Calibration and Maintenance of Air Quality Monitoring Stations.
Intensified Environmental Protection: Clean Water	(1) Monitoring of the compliance of Firms/Industries;

Programs	Priority Activities
	(2) Conduct of Classification of Waterbodies; and (3) Designation Of WQMAS.
Intensified Environmental Protection: Solid Waste Management	(1) Closure of Dumpsites; and (2) Establishment of Material Recovery Facilities (MRFS)
Enhanced National Greening Program	(1) Rehabilitation of 1.2 M Hectares of Denuded Forest Lands by 2022; and (2) Maintenance and Protection of Existing Forests.
Intensified Forest Protection and Anti-Illegal Logging	(1) Neutralize Illegal Logging Hotspots; (2) Forest Fire Prevention; and (3) Continuous Forest Patrolling thru Lawin System.
Geo-Hazard, Groundwater Assessment and Responsible Mining	(1) Rehabilitation of Abandoned Mines; and (2) Assessment of Coastal Geo-Hazards and Ground Water Resources.
Enhanced Biodiversity Conservation	(1) Establishment of Eco-Tourism Areas; (2) Establishment of Critical Habitats; and (3) Establishment and Disestablishment of Protected Areas.
Scaling Up of Coastal and Marine Ecosystem Program	Enterprises; (2) Maintenance and Protection of Coastal and Marine Ecosystems; and (3) Coral Reef and Sea Grass Assessment
Improved Land Administration and Management	Issuance of Residential and Agricultural Free Patents
Manila Bay Clean Up Program	Implementation of Operational Plan for the Manila Bay Coastal Strategy 2017-2022
Green Economy Model Sites Rehabilitation	It aims to replicate the success of rehabilitation activities done in Boracay, which led, the Department to identify five (5) more ecotourism sites to restore and protect the beauty of its physique. The sites selected to be part of rehabilitation and restoration activities are Coron, El Nido, Panglao, Puerto Galera, and Siargao.
The Project TRANSFORM (Transdisciplinary Approach for Resilient and Sustainable Communities)	It is an LGU-led multi-stakeholder partnership model that aims. to engage local governments in ENR governance particularly in increasing their capacities for environment and natural resource management, climate and disaster resilience, and socio-economic development. The DENR launched Project TRANSFORM in the following municipalities: Ormoc City in Leyte, Malimono, San Francisco, and Burgos in Surigao del Norte, and Limay, Mariveles, and Orion in Bataan and will be replicated in other LGUs.
Natural Capital Accounting (NCA) and Valuation of Ecosystems Services	It shall assist in planning and policy development by accounting for individual environmental assets or resources, both biotic and abiotic (such as water, minerals, energy, timber, and fish) as well as accounting for ecosystem assets (e.g., forests, wetlands), biodiversity, and ecosystem services. NCA is an umbrella term covering efforts to use an accounting framework to provide a systematic way

Programs	Priority Activities
	to measure and report on stocks and flows of natural capital. NCA shall also assist in planning and policy development by adopting a risk-based approach through the establishment of a National Natural Resources Geospatial Database.
Operationalization of the National ENR Geospatial Database	It ensures the availability of the data through the physical inventory of natural resources for strategic and critical development of the country.
Integrated Water Resource Management	It ensures the integration and harmonization of all government efforts and regulatory activities to ensure the availability and sustainable management of water resources in the whole country.
Seven (7) Strategic Thrusts and Directions of the Secretary	<ol style="list-style-type: none"> 1. Adopt climate-risk lens in national planning and policies 2. Increase forest cover 3. Conserve protected areas and biodiversity resources 4. Improve air and water quality, and waste management 5. Ensure water security and resilience in high-water stressed areas 6. Sustainably and responsibly manage mineral resources 7. Promote effective land management and governance

Personnel Complement

As of December 31, 2023, the DENR has a total manpower complement of 34,900 personnel, consisting of 18,322 plantilla, 217 casual, 31 contractual and 16,330 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) 2023 compared with CY 2022 are as follows:

Particulars	Amount <i>(In Thousand Pesos)</i>	
	2023	2022 As Restated
A. Financial Position		
Assets	64,580,810.00	62,985,444.00
Liabilities	3,703,875.00	4,186,066.00
Net Assets/Equity	60,876,935.00	58,799,378.00
B. Financial Performance		
Revenue	2,114,990.00	1,402,396.00
Current Operating Expenses	16,497,767.00	17,444,298.00
Surplus (Deficit) from Current Operations	(14,382,776.00)	(16,041,902.00)
Net Financial Assistance/Subsidy	18,814,238.00	20,252,325.00
Other Non-Operating Income	151.00	(173,610.00)

Particulars	Amount (In Thousand Pesos)	
	2023	2022 As Restated
Surplus (Deficit) for the Period	4,431,613.00	4,036,813.00
C. Sources and Application of Funds		
Appropriations	20,008,219.00	20,757,067.00
Allotments	20,008,219.00	20,757,067.00
Obligations Incurred	18,745,730.00	20,034,597.00
Unobligated Balance	1,262,489.00	722,470.00

C. Scope and Objectives of Audit

The audit covered the accounts and financial transactions of the DENR Central Office (CO), 15 ROs, 4 Staff Bureaus and 68 PENROs for CY 2023. 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, 2023 due to accounting errors and omissions in the recording of financial transactions, in an aggregate amount of ₱1,484.417 million, which affected the fair presentation of the accounts in the financial statements.

E. Other Significant Observations and Recommendations

1. Of the agency's appropriation/allotment for CY 2023 of ₱19,999.014 million, the amount ₱18,736.525 million or 93.69 percent was utilized/obligated and ₱17,036.853 million or 90.93 percent was disbursed as of December 31, 2023. Moreover, of the total cash allocation of ₱20,112.290 million, 94.13 percent or ₱18,932.652 million was disbursed, leaving a balance of ₱1,179.638 million which was reverted back to the BTr, thus projects targeted for implementation during the year were not immediately implemented. (***Observation No. 2***)

We recommended, and Management agreed, to: (a) provide a detailed remedial action plan to reflect the specific measures to be undertaken to resolve the identified issues to ensure attainment of targets to deliver the optimum services to the intended beneficiaries of the programs; and (b) ensure the timely implementation of projects/activities to attain its objectives and avoid reversion of allotments to the unappropriated surplus of the General Fund .

2. The total CY 2023 budget of the Forestland Management Project (FMP) was not optimally utilized resulting in a low utilization of ₱71.22 million or 46 percent

of the total available allotments of 1155.88 million that led to the reversion of the unobligated continuing allotment amounting to P82.32, which could have been used to finance the other activities of the Project. Moreover, two targeted outputs were 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. (*Observation No. 7*)

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; and (c) expedite the payment of contractor billings to catch-up for the delayed works.

3. Deficiencies in the procurement activities of four ROs and 11 PENROs with a corresponding amount of 193.950 million were noted contrary to the existing laws, rules and regulations. (*Observation No. 9*)

We recommended, and Management agreed, to instruct the BAC of ROs I, IX, X, and XI, PENROs Batanes, Ilocos Sur, Isabel, La Union, Nueva Vizcaya, Oriental Mindoro, Pangasinan, Quirino, Romblon, Zamboanga Del Norte and Zamboanga Del Sur 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. The absence of specific guidelines on the collection procedures coupled with inadequate measures and laxity in the monitoring of uncollected revenues for the foreshore landuse rental/occupational fees, resource/facilities users' fees, performance bond, forest charges and surcharges from foreshore property/cottages, forest lands, and protected areas in one RO and five PENROs, resulted in the non-enforcement of regulations on foreshore lands management, which further resulted in the accumulation of uncollected revenue in an estimated amount of 1264.740 million. (*Observation No. 28*)

We recommended and Management agreed, to: (a) prepare a Process Flow Chart on the application process (Provisional or Revocable Permit) showing the processing time for each process; (b) prepare a guideline that will outline the monitoring, computation of surcharges and issuance of demand letters for unpaid rental/occupational fees including the designation of responsible officers for uniform application including the collection of rentals on illegal use of foreshore lands pending issuance of closure order and/or processing of application for foreshore land use permit; and (c) direct the responsible officer of DENR NCR, PENROs-Ilocos Sur, Ilocos Norte, La Union, Davao Oriental, and Davao de Oro to maintain subsidiary ledger for each occupant for monitoring of receivables to

enforce collection of unpaid rental/ occupational fees, prompt issuance of billings and continuous sending of demand letters until full payment has been made.

The observations and recommendations were discussed with the officials concerned in an exit conference conducted on June 4, 2024. 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 ₱65.602 million, ₱252.781 million and ₱73.030 million, respectively, as of December 31, 2023.

G. Implementation of Prior Year's Audit Recommendations

Of the 73 prior year's audit recommendations, 25 were implemented and 48 were not implemented as of December 31, 2023, 40 of which were reiterated in this report with modification, where appropriate.