

EXECUTIVE SUMMARY

A. Introduction

The Environmental Management Bureau (EMB) is a line bureau of the Department of Environment and Natural Resources with its own offices and independent enforcement authority. It is the national authority responsible for pollution prevention and control, and environmental impact assessment mandated to implement the following environmental laws:

- PD 1586 - Philippine Environmental Impact Statement System;
- RA 6969 - Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990;
- RA 8749 - Clean Air Act of 1999;
- RA 9003 - The Ecological Solid Wastes Management Act of 2000;
- RA 9275 - Clean Water Act of 2004; and
- RA 9512 - Environmental Awareness and Education Act of 2008.

EMB is headed by a Director assisted by an Assistant Director. EMB has nine divisions namely: (a) Administrative, Financial and Management Division; (b) Policy, Planning and Program Division; (c) Legal Division; (d) Environmental Research and Laboratory Services Division; (e) Environmental Quality and Management Division; (f) Environmental Education and Information Division; (g) Solid Waste Management Division (h) Environmental Impact Assessment and Management Division; and (i) Climate Change Division. It has 16 Regional Offices, each headed by a Regional Director.

As of December 31, 2016, the Bureau has a total manpower complement of 1,931 personnel, consisting of 1,252 regular employees and 679 job order employees.

B. Financial Highlights

The EMB's financial position, performance and sources and application of funds for CYs 2016 and 2015 are as follows:

Particulars	Amount	
	2016	2015
A. Financial Position		
Assets	2,549,357,036.42	2,149,709,936.83
Liabilities	134,052,285.15	169,958,179.61
Net Assets/Equity	2,415,304,751.27	1,979,751,757.22
B. Financial Performance		
Revenue	223,167,560.74	178,971,991.37
Net Financial Assistance/Subsidy	1,611,771,356.28	1,138,609,584.26
Gains	968,425.75	1,084,518.30
Total	1,835,907,342.77	1,318,666,093.93

Particulars	Amount	
	2016	2015
Less: Current Operating Expenses	1,337,647,322.12	905,753,169.41
Losses	1,000,568.58	861,517.16
Surplus (Deficit) for the Period	497,259,452.07	412,051,407.36
C. Sources and Application of Funds		
Allotments	2,483,114,678.91	1,211,331,369.25
Obligation Incurred	2,118,901,234.09	1,158,398,170.52
Unobligated Balance	364,213,444.82	52,933,198.73

C. Scope and Objectives of Audit

The audit was conducted on the transactions, accounts and operations of the EMB for CY 2016 to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of the implementation of prior year's audit recommendations.

The consolidated financial statements consist of the financial statements of the EMB-CO and 16 regional offices. Part II of this report are the observations and recommendations pertaining to EMB-CO and regional offices, except Region 8.

D. Independent Auditor's Report

A qualified opinion was rendered on the fairness of presentation of the financial statements due to accounting errors and deficiencies, which are discussed in detail in Part II of the report. The accounting errors and deficiencies affecting the fair presentation of the financial statements are summarized in **Annex A** and discussed in Part II of this report. (**Observation No. 18**)

E. Other Significant Observations and Recommendations

The observations and recommendations in Part II of this report were discussed with concerned agency officials in an exit conference held on April 19, 2017. Management views and comments are incorporated in this report, where appropriate.

1. The EMB's performance measurement system is in place, however, it needs improvements in (a) setting of adequate and appropriate performance indicators and metrics; (b) tracking these indicators; and (c) storing, reporting and using performance data in order to effectively establish accountability for and enhance transparency in the delivery of programs/services. It has to (a) focus pollution abatement strategies on the areas that failed to meet the PDP air/water quality criteria/national guideline; (b) regain the substantial erosion of capacity in

establishing the levels of pollutants as an indispensable element in effectually focusing the development and implementation abatement strategies; (c) improve the issuance of permit/clearance applications issued earlier than the prescribed timeframe to reach if not exceed the level posted in FY 2014; and (d) step up the: (i) classification of waterbodies (placing the priority on principal waterbodies) and the operationalization and designation of WQMAs, (ii) establishment of SWMP, MRF and Sanitary Landfill, (iii) closure of open dumps, and (iv) monitoring compliance with RA Nos. 8749, 9275 and 6969 and enforcement of orders arising from violations. **(Observation No. 1)**

In order to ensure the effectiveness of the Bureau's performance measurement system in establishing accountability for and enhancing transparency in the delivery of programs/services, we recommended and the Director agreed to:

- a. Formulate/Refine outcome indicators;
 - b. Focus pollution abatement strategies on the areas that failed to meet the PDP air/water quality criteria/national guideline value to ensure significant reduction in TSP, PM10 and BOD levels;
 - c. Regain the substantial erosion of capacity in establishing the levels of pollutants as an indispensable element in effectually focusing the development and implementation abatement strategies;
 - d. Strengthen IT support to performance measurement to ensure that all essential PIs are effectively tracked and performance data are readily available, reliable and supports adequately M and E;
 - e. Formulate and implement a system monitoring and validation program for the implementation of RA 9003 by LGUs outside Metro Manila;
 - f. Improve the issuance of permit/clearance applications issued earlier than the prescribed timeframe to reach if not exceed the level posted in FY 2014; and
 - g. Sustain the impressive percentage of cases/complaints acted upon earlier than the prescribed timeframe.
2. The Bureau has 25 non-functioning/defective air quality monitoring stations (AQMS) out of 88 AQMS and failed to procure 37 Continuous Ambient Monitoring Stations (CAMS) and 15 units ambient air monitoring audit/calibrator equipment. These limit the Bureau's capacity to implement the Air Quality Monitoring Network and work against the realization of the government's medium term goal and, ultimately, the objective of the Philippine Clean Air Act. **(Observation No. 2)**

We recommended and the Director agreed to:

- a. Undertake without further delay the procurement of the CAMS and ambient air monitoring audit/calibrator equipment;
 - b. Resolve the functional issues of the 25 air quality monitoring stations; and
 - c. Reduce to minimal level the functional issues of the AQMS by effectively addressing the gaps in the programming and implementation of the repair and maintenance of such AQMS.
3. The EMB-CO has not remitted to the BTr the interest income earned from its bank accounts amounting to ₱102,742.45. **(Observation No. 3)**

We recommended and the Director agreed to direct the Accountant of EMB-CO to remit the interest income earned from the Bureau's bank accounts to the BTr.

4. The non-liquidation of funds transferred to IAs by EMB-CO and Regions 1, 3, 4B and 6 resulted in the long-outstanding year-end balances of the "Due from" accounts amounting to ₱814.887 million. **(Observation No. 4)**

We recommended and the Director agreed to enforce the liquidation of transferred funds in accordance with the appertaining rules and regulations.

F. Enforcement of Settlement of Accounts

The non-compliance with laws, rules and regulations of the EMB resulted in unsettled suspensions and disallowances in audit of various transactions amounting to ₱6.522 million and ₱30.012 million, respectively.

G. Implementation of Prior Years' Audit Recommendations

Out of the 45 prior years' audit recommendations, 25 were fully implemented, 18 were partially implemented and two were not implemented.