

250



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City

**CIRCULAR**

No. : 2004-001  
Date : APR 15 2004


**TO** : Heads of Departments, Agencies, Bureaus and Offices of the National Government, Heads of Financial Management Services, Chief Accountants/heads of Accounting Units; COA Assistant Commissioners and Directors; Heads of Auditing Units and All Others Concerned

**SUBJECT** : Disclosure in the Financial Statements of Unpaid Retirement Gratuity of National Government Employees

The budget of any government agency includes an appropriation for the Retirement Gratuity. However, the funds for the Retirement Gratuity (RG) of national government employees retiring under RA 1616 are not included in the regular quarterly releases from the DBM, but through a Special Allotment Release Order (SARO). The information showing releases of funds and unreleased/unpaid balances of the appropriation for RG are recorded in registries only. These figures are not included in the financial statements despite the existence of the expenditure and materiality of the amount involved since the unreleased/unpaid balance for RG is not recorded as a liability as it has no covering allotment.

However, retirees are given the option to avail of the retirement benefits under RA 1616 and under RA 8291, which should be exercised within one year from date of retirement. If the retiree opts to retire under RA 1616 upon the lapse of the one-year period, his unpaid RG together with all other retirees similarly situated, shall be disclosed as notes to the 2004 financial statements and subsequent years in compliance with Section 80 of the Manual on the New Government Accounting System for National Government Agencies.

For compliance.

  
**GUILVERMO N. CARAGUE**  
Chairman