CIRCULAR

TO: Provincial Governors; City/Municipal Mayors; Local Accountants, Cashiers, Local Treasurers, General Service Officers, Local Assessors, Budget Officers, Provincial/City/Municipal Engineers and Provincial/City/Municipal Agriculturist; COA Assistant Commissioners, Directors, Supervising Auditors, Audit Team Leaders, Audit Team Members; and All Others Concerned


1.0 Rationale

The Revised Chart of Accounts for Local Government Units (LGUs) took effect on January 1, 2015, consistent with the adoption of the Philippine Public Sector Accounting Standards (PPSAS) in the LGUs. This Circular is issued to provide a uniform instruction in the implementation of the Chart of Accounts for Calendar Year (CY) 2015 and the preparation of the year-end financial statements and reports.

2.0 Coverage

This Circular shall cover all LGUs except the barangays.

3.0 Guidelines

3.1 All LGUs shall effect the conversion of accounts based on the preliminary trial balance as of December 31, 2015.

3.2 Local Accountants shall:

3.2.1 Verify and analyze all accounts to be converted to the new chart of accounts resulting from:

- Change of account name;
- Change of account description;
• New accounts formed in compliance with the provisions of the PPSAS; and
• New accounts formed resulting from splitting of old accounts.

3.2.2 Analyze subsidiary ledger accounts for proper conversion to the new accounts;

3.2.3 Review the memorandum of agreements, contracts and the like, of the LGU concerned to determine the circumstances of transactions affecting the said agreements/contracts and to establish the correct accounts to be used; and

3.2.4 Provide the Actual Obligations column in the Registry of Appropriation, Allotments and Obligations based on the processed and/or paid vouchers.

3.3 The Local Accountants shall be guided by the Matrix of Conversion of Accounts hereto attached as Annex A.

3.4 The presentation of Financial Statements (F/S) hereto prescribed shall be followed. The F/S formats are appended as follows:

3.4.1 Statement of Financial Position (Annex B)
3.4.2 Statement of Financial Performance (Annex C)
3.4.3 Statement of Changes in Net Assets/Equity (Annex D)
3.4.4 Cash Flow Statement (Annex E)
3.4.5 Comparison Statement of Budget and Actual Amounts (Annex F)
3.4.6 Notes to Financial Statements (Annex G)

3.5 Financial statements shall present only the figures for CY 2015. Succeeding years’ F/S shall present comparative figures for two years.

3.6 The transitional provision provided under paragraph 116 of International Public Sector Accounting Standards (IPSAS) 23, which provides that: “entities are not required to change their accounting policies in respect of the recognition and measurement of tax revenue for reporting period beginning on a date within five years following the date of first adoption of this Standard,” shall be availed of. This shall apply to the recognition and measurement of Tax Revenue - Real Property Tax (RPT) and Special Education Tax (SET). The policy recognizing the receivable and the deferred accounts shall be maintained at status quo until the issuance of the new policy aligned with the PPSAS. In the meantime, the accounts Deferred RPT and SET shall be used.

3.7 The transitional provision provided under paragraph 95 of IPSAS 17, which provides that: “entities are not required to recognize property, plant, and equipment for reporting periods beginning on a date within five years following the date of first adoption of accrual accounting in accordance with IPSAS,” shall be observed. This shall apply to the Public Infrastructure accounts transferred to
the registries under the New Government Accounting System (NGAS) and which shall be recorded back to the books of accounts using the appropriate account prescribed in the chart. The target of implementation for the recognition of the Public Infrastructures shall be as follows:

3.7.1 End of 2016 - 25%
3.7.2 End of 2017 - 50%
3.7.3 End of 2018 - 75%
3.7.4 End of 2019 - 100%

3.8 The accounting and reporting guidelines on local roads prescribed under COA Circular No. 2015-008 shall be followed.

4.0 Duties and Responsibilities

Local officials shall assist the Local Accountant provided as follows:

4.1 Local Treasurer shall:

4.1.1 Provide copies of memorandum of agreements, service contracts and other agreements with respect to deposits of funds and other contracts which affect the accounting of financial assets and liabilities; and

4.1.2 Furnish copy of the Inventory and the Statement of Accountability for Accountable Forms, Plates and Stickers as at the reporting date.

4.2 Local Budget Officer shall:

4.2.1 Provide the updated Registries of Appropriation, Allotment and Obligations; and

4.2.2 Furnish copies of the approved budget, supplemental budgets, realignment and distribution of the lump sum appropriation and the corresponding legislative approval.

4.3 General Service Officer shall:

4.3.1 Provide copies of service concession agreements, joint venture agreements and other agreements affecting the management of physical assets of the local government unit;

4.3.2 Furnish copy of the inventory list of buildings and other physical structures under his accountability and responsibility as of the reporting date; and

4.3.3 Furnish copy of the inventory list of inventories under his accountability as of the reporting date.
4.4 Local Assessor shall:

4.4.1 Provide the fair value of the lots recognized as asset by the LGU as of every reporting date.

4.5 Local Agriculturist shall:

4.5.1 Provide the inventory of breeding stocks and other biological assets, and the prevailing market price for each item as of reporting date; and

4.5.2 Provide information on the prevailing cost to sell of the biological assets.

4.6 Provincial/City/Municipal Engineer shall:

4.6.1 Provide report on the cost and status of on-going projects; and

4.6.2 Submit detailed cost of components of infrastructure projects.

4.7 Local Chief Executive shall:

4.7.1 Enjoin the LGU department heads’ compliance to this Circular to facilitate the implementation of the accounting system and the new chart of accounts.

5.0 Repealing Clause

All issuances inconsistent herewith are deemed repealed or amended accordingly.

6.0 Effectivity

This Circular shall take effect immediately.

MICHAEL G. AGUINALDO
Chairperson

JOSE M. FABIA
Commissioner

ISABEL D. AGITO
Commissioner