



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



ACCOUNTING CIRCULAR LETTER

No. : 2007-002

Date: JAN 19 2007

TO : Heads of Financial Management Services, Chief Accountants/Heads of Accounting Units, Budget Officers/Heads of Budget Units of Local Government Units (LGUs) and All Others Concerned

SUBJECT: Guidelines on the Submission of Year-End Financial Statements and other Reports/Schedules for Inclusion in the Annual Financial Report (AFR) for LGUs for FY 2006 and Onwards

1.0 RATIONALE

The Commission on Audit is mandated under Article IX-D of the 1987 Philippine Constitution to submit to the Office of the President and the Congress, an annual report on the financial condition and on the results of operations of all agencies of the government not later than September 30 of each year.

2.0 PURPOSE

This Accounting Circular Letter is issued to prescribe guidelines and procedures for all LGUs on the following:

- 2.1 Submission of year-end financial statements and other reports/schedules in printed and digital (diskette or compact disc) copies by LGUs within sixty (60) days after the 31st of December of each year. (Sec. 346, R.A. 7160, the Local Government Code); and
- 2.2 Conversion of accounts in compliance to COA Accounting Circular No. 2006-001 dated November 9, 2006.

This Accounting Circular Letter also prescribes the formats of the Consolidated Pre-closing Trial Balance, Statement of Changes in Government Equity and the revised Statement of Cash Flows to be submitted by the Local Accountants and the Statement of Appropriations, Allotments, Obligations and Balances (SAAOB) to be submitted by the Budget Officers.

3.0 GUIDELINES AND PROCEDURES

- 3.1 The Chief Accountant/Head of Accounting Unit shall submit directly to Government Accountancy and Financial Management Information System (GAFMIS) Sector, this Commission, and Audit Team Leader(ATL)/Auditor concerned, the following year-end financial statements and reports/schedules in printed and digital copies for the General Fund, Special Education Fund and Trust Fund within 60 days after 31st of December of each year:
- a. Pre-closing Trial Balance (Annex A)
 - b. Post-closing Trial Balance
 - c. Detailed and Condensed Statements of Income and Expenses
 - d. Detailed and Condensed Balance Sheets
 - e. Statement of Changes in Government Equity (Annex B)
 - f. Statement of Cash Flows – (Direct Method, Annex C)
 - g. Notes to Financial Statements
 - h. Statement of Management Responsibility
 - i. Schedules of Public Infrastructures/Reforestation Projects
 - j. Schedule/Aging of Accounts Payable
 - k. Schedule/Aging of Accounts Receivable
- 3.2 The trial balances, financial statements and other reports shall follow the formats prescribed in the New Government Accounting System Manual for Local Government except for Annexes A, B, C and D which are hereto attached for reference. Digital copies of the said formats can be downloaded from the COA Website at www.coa.gov.ph.
- 3.3 The printed and digital copies of the reports required under 3.1 of this Accounting Circular Letter shall be stamped received by the ATL/Auditor to ensure that the data submitted to GAFMIS Sector are the same data submitted to the ATL/Auditor for the Annual Audit Report preparation.
- 3.4 The Budget Officer/Head of Budget Unit shall submit the SAAOB (Annex D) to GAFMIS Sector, in printed and digital copies.
- 3.5 The Budget Officer/Head of Budget Unit shall also submit a List of Not Yet Due and Demandable Obligations (Annex E). Such obligations which are not yet recorded as liabilities are agencies' valid commitments based on approved contracts/purchase orders where projects are not yet implemented and/or goods are not yet delivered. The same shall be disclosed in the Notes to Financial Statements.
- 3.6 In compliance to COA Accounting Circular No. 2006-001 dated November 9, 2006, the following cash transactions shall be analyzed and the accounts shall be reclassified to the appropriate account:

<u>Transaction</u>	<u>Appropriate Account</u>	<u>Account Description</u>
1. Cash Advance for Payroll recorded as Cash - Disbursing Officers	Payroll Fund (Code 106)	Cash Advances to disbursing officers for salaries and wages and other benefits of officers and employees
2. Cash Advance for Special Purpose/ Time-bound undertaking recorded as Cash-Disbursing Officers or as Due from Officers and Employees	Advances to Officers and Employees (Code 148)	Cash advances granted for travel and for special time-bound undertaking

For this purpose, a Journal Entry Voucher shall be prepared and the codes for Payroll Fund and Advances to Officers and Employees shall be used.

4.0 PENALTY CLAUSE

Failure of the officials/employees concerned to comply with the requirements of this Accounting Circular Letter shall cause the automatic suspension of the payment of their salaries and other emoluments until they have complied therewith. Violation of this provision for at least three (3) times shall subject the offender to administrative disciplinary action imposed under Section 55, Chapter 10, Title 1.B, Book V of Executive Order No. 292, the Administrative Code of 1987.

5.0 SAVING CLAUSE

Cases not covered in this Accounting Circular Letter shall be referred to the GAFMIS Sector, this Commission, for resolution.

6.0 REPEALING CLAUSE

All circulars, memoranda and other issuances or parts thereof which are inconsistent with the provisions of this Accounting Circular Letter are hereby rescinded/repealed/modified accordingly.

7.0 EFFECTIVITY

This Accounting Circular Letter shall take effect immediately.


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 Assistant Commissioner