



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management
Malacañang, Manila

LEGAL OPINION NO. L-M-2002-01

- SUBJECT** : **Local Government – Depository Bank**
- ISSUE** : Whether a local government can deposit its daily collections and other monies in private rural banks within its territorial jurisdiction.
- FACTS** : The Municipality of San Mateo is currently maintaining depository accounts with the Development Bank of the Philippines (DBP) – Ilagan, Isabela Branch, Philippine National Bank (PNB) – Cauayan City Branch, and Land Bank of the Philippines (LBP) – Cauayan City Branch, in compliance with Section 311 of Republic Act No. 7160.

However, the DBP branch is 40 kilometers away while the PNB and LBP branches are 24 kilometers away from San Mateo entailing an additional expense of more than P28,900.00 annually, representing gasoline/fuel cost and traveling allowances.

- OPINION** : The Municipality may deposit its local funds/collections in private rural banks located within its Municipality. The concurrence of the Commission on Audit may, however, be secured on this matter.

However, for purposes of the release of its share in the Internal Revenue Allocation and other disbursements from the National Government, only LBP, DBP and Philippine Veterans Bank are recognized as depository banks under the Modified Disbursement Scheme.

Item 3.1 of the Budget Execution Guidelines No. 1-97 dated 27 December 1996, expressly provides, to wit:

"3.1 Starting January 1, 1997, the authorized Government Servicing Banks (GSBs) under the Modified Disbursement Scheme (MDS) of government are as follows:

3.1.1 Land Bank of the Philippines (LBP)

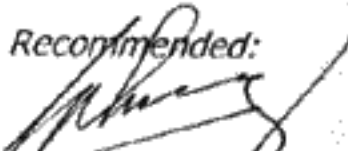
3.1.2 Development Bank of the Philippines (DBP)

3.1.3 Philippine Veterans Bank (PVB)"

REFERENCE:


Letter dated 26 March 2002 of the Secretary to Hon. Roberto C. Agcaoili, Sr.

Recommended:



RUBY U. ALVAREZ
Director, LLS

Approved:



EMILIA T. BONCODIN
Secretary