



**DEPARTMENT OF FINANCE**  
**DEPARTMENT OF BUDGET AND MANAGEMENT**  
**Joint Circular No. 2016- 1**  
**January 4, 2016**

- TO** : The Provincial Governors, City and Municipal Mayors, Members of the Sanggunian, Provincial, City and Municipal Treasurers, Accountants and Budget Officers, Directors of Regional Offices (ROs) and Central Office (CO) of the Department of Budget and Management (DBM), Regional Directors/Heads of DBM Accounting Units, Bureau of the Treasury CO, Regional Directors/Districts/Provincial Heads, Heads of the Modified Disbursement System-Authorized Government Servicing Banks (MDS-AGSBs), COA State Auditors and All Others Concerned
- SUBJECT** : **Guidelines for the Direct Release of Funds by the Bureau of the Treasury (BTr) to Local Government Units (LGUs) in FY 2016 and Thereafter**
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## 1.0 Rationale

- 1.1 The release of budgetary funds for LGUs has been modified over the years in terms of fund administration, with recent developments calling for clarification/updating of previous pertinent issuances.
- 1.2 Initially, Section 3 of Presidential Decree (PD) No. 477 dated June 3, 1974 (Decree on Local Fiscal Administration), provided that the Department of Finance shall exercise general supervision over the financial affairs of the local governments, with the Secretary of Finance exercising direct executive supervision over all treasury officials and personnel in the local governments.
- 1.3 Section 1 of PD No. 1375 dated May 16, 1978 transferred to the Budget Commission the functions of local government budget administration, while Section 2 of the same Decree states that the Secretary of Finance shall continue to exercise the functions pertaining to local government income, borrowings, other receipts, and local treasury operations. For this purpose, the Budget Commission was authorized to establish regional offices, as necessary, to properly discharge local government functions.

- 1.4 Executive Order (EO) No. 112 dated December 24, 1986 directed that all Budget Officers of Provinces, Cities and Municipalities shall be under the Administrative Control and Technical Supervision of the Ministry of Budget and Management.
- 1.5 Section 288 of Republic Act (RA) No.7160 (The Local Government Code of 1991) provides that the Secretary of Finance, in consultation with the Secretary of Budget and Management, shall promulgate the necessary rules and regulations for a simplified disbursement scheme.
- 1.6 Section 93 of the FY 2016 General Appropriations Act (GAA) provides that the Internal Revenue Allotment (IRA) and all LGU shares appropriated therein shall be directly released by the BTr to the LGU beneficiaries through authorized government servicing banks (AGSBs).

## **2.0 Purposes**

- 2.1 To provide the guidelines for the direct release by the BTr of funds to the LGUs, including interim arrangements.
- 2.2 To reiterate compliance with existing budgeting, accounting and auditing rules and regulations pertinent to the Allocations to LGUs (ALGU) and LGU shares in the Special Purpose Funds (SPFs).
- 2.3 To delineate the roles and responsibilities of the DBM, DOF-BTr and the AGBSs.

## **3.0 Coverage**

This Joint Circular shall cover the release of the IRA, ALGU, and all other funds authorized for LGUs in the Appropriations law.

## **4.0 General Guidelines**

- 4.1 Consistent with its mandate to promote the sound, efficient and effective management and utilization of government resources, the DBM shall:
  - 4.1.1 Compute the specific shares of the LGUs based on the Joint Certifications issued by the collecting agencies and the BTr; and
  - 4.1.2 Issue to the BTr the pertinent budget release documents, including the list of the specific shares of LGUs, as bases for the transfer of funds to the LGUs through the AGBSs.



4.2 Similar to the function of the BTr as administrator of fund releases to government corporations, the BTr shall be the recipient of the Special Allotment Release Order (SARO) and Advice of Notice of Cash Allocation Issued (ANCAI) while the corresponding Notice of Cash Allocation (NCA) shall be issued to the AGSBs. The BTr shall issue the disbursement document, i.e., Authority to Debit Account (ADA), so as to effect the transfer of IRA and other funds to the LGUs from BTr's MDS sub-account to the depository account of the LGUs, and issue the corresponding Notice of ADA Issued to advise the LGUs accordingly.

4.2.1 The allotments for IRA released to the BTr shall be fully obligated and disbursed in the books of BTr, consistent with the provisions of Section 286 (a) of RA No. 7160, particularly on the non-imposition of any lien or holdback by the National Government for whatever purpose.

4.2.2 Allotments released to cover funds for LGUs other than the IRA shall be taken up in the BTr's Registry of Allotment and Obligation (RAO).

4.2.3 In terms of disbursements, the BTr shall observe the provisions of DOF-DBM Joint Circular No.2013-1 dated September 16, 2013 (Guidelines in the Use of ADA for Transfers to LGUs), subject to pertinent modifications as may be provided in subsequent issuances.

The duly accomplished ADA form shall be issued by the BTr to its MDS-AGSB to authorize the bank to debit the amount indicated therein from its MDS Sub-account and to credit the same amount to the depository account of the LGUs.

4.3 In the implementation of this Joint Circular, the fund codes specified in the Unified Accounts Code Structure (UACS) manual shall be used to effect/record fund transfers to LGUs, consistent with COA-DBM-DOF Joint Circular No. 2014-1 dated November 7, 2014.

4.4 The BTr shall be responsible for the submission of the required reports prescribed under existing rules and regulations by the oversight agencies (DBM, COA, DOF-BTr).

## 5.0 Specific Guidelines

### 5.1 Responsibilities

#### 5.1.1 BIR and other Collecting Agencies

- 5.1.1.1 Submit to DBM appropriate certifications of the LGU shares in the pertinent revenue base for budget preparation purposes, in accordance with the timelines prescribed.
- 5.1.1.2 During budget execution, and whenever applicable, prepare and forward to BTr the approved joint certification of actual collections made in the base year, including the individual shares of the beneficiary LGUs.

#### 5.1.2 DBM

- 5.1.2.1 Determine the allocation for each LGU, based on the certifications issued by the appropriate agencies, and consistent with the applicable issuances on the matter.
- 5.1.2.2 Prepare the list of beneficiary LGUs and their respective shares.
- 5.1.2.3 Issue the following budget release documents to the BTr:
  - Comprehensive release of SARO for LGU shares in the IRA.
  - Negative SARO to effect the following adjustments:
    - Deduction of MMDA share from LGUs in the National Capital Region.
    - Deduction of loan amortization, as computed by DOF-MDFO from LGUs concerned.
  - Positive SARO to be issued to MMDA and DOF-MDFO to release the amount corresponding to the above-mentioned deduction.
  - Release of SARO for all other funds subject to applicable guidelines, rules and regulations.

5.1.2.4 Issue NCA to MDS-AGSBs for crediting to the BTr account and subsequent release by the BTr to the individual account of LGUs.

5.1.2.5 Maintain an updated status of releases.

### 5.1.3 BTr

5.1.3.1 Reconcile the collecting agencies' certified collections and actual remittances and forward to DBM the reconciled joint certification.

5.1.3.2 Upon receipt of the SARO and ANCAI, perform the following procedures on a monthly basis:

- Preparation of Analysis Worksheet.
- Encoding in the systems of the MDS-AGSBs of the individual LGU shares.
- Issuance of ADA to the MDS-AGSB for crediting of individual LGU shares to their respective depository accounts.
- Issuance of the Notice of ADA Issued to the LGUs concerned.
- Posting of the list of ADA issued in the BTr website (showing only the ADA numbers).
- Obligation and payment in favor of MMDA and DOF-MDFO of the amounts corresponding to the MMDA share and DOF-MDFO for loan amortization of LGUs concerned.

5.1.3.3 Assume the applicable responsibilities specified in item 6.1 of DBM-DOF Joint Circular No. 2013-1 (Guidelines in the Use of Authority to Debit Account for Transfers to Local Government Units), as follows:

- Upon receipt of the ANCAI, immediately prepare the ADA.
  - The ADA shall be numbered and signed by the BTr authorized signatories;
  - The ADA form and each page of the Annexes shall contain the following certifications by BTr officials concerned, as follows:

Authorized Signatory

"I hereby assume full responsibility for the veracity and accuracy of the LGU beneficiaries and the amount of shares listed herein."

Accountant

"I hereby warrant that the total amount in the ADA and the documentary requirements to cover the shares of the LGU beneficiaries listed herein or in Annex "A" were prepared in accordance with existing budgeting, accounting and auditing rules and regulations."

- If there are several LGU beneficiaries that cannot be listed in the face of the ADA, prepare a list of the same which shall serve as Annex "A" of the ADA (refer to Form 2).
- Ensure that the total amount in the list of LGU beneficiaries tallies with the amount per ADA.
- Forward the Summary List of Issued and Invalidated Entries (SLIIE) and List of Due and Demandable Accounts Payable (LDDAP)-ADA at least two (2) working days before the value date to the MDS-AGSB branch.
- Prepare the Notice of ADA Issued and forward the same to the LGUs informing them of the date when the amount of their shares shall be credited to their depository accounts, and other pertinent information on the fund transfer.
- Based on the Daily Report of Credits Made and on the validated copy of Debit Advice from the MDS-AGSB, record the disbursement in the books of accounts.
- Include the payments made through the ADA in the monthly Summary Report of Disbursements as part of the disbursement for the month based on valued date consistent with COA-DBM Joint Circular No. 2013-1 dated March 15, 2013.

- In case of error in any of the details in the ADA, immediately inform/call the attention of the MDS-AGSB and prepare advisory letter cancelling said ADA within twenty-four (24) hours upon discovery.
- Re-issue a new ADA within two (2) working days upon receipt of the cancelled ADA.

5.1.3.4 Perform the following:

- Post the allotment in the RAO/Budget and Financial Accountability Reports (BFARs).
- Upon receipt of the ANCAI, prepare the Obligation Request and Status (ObRS) and post in the RAO/BFARs.

5.1.3.5 Approve requests of LGUs for change of depository bank or branch, and issue guidelines for the purpose.

5.1.4 AGSBs

5.1.4.1 Validate the bank accounts of the LGUs as against the list to be provided by the BTr.

5.1.4.2 Upon receipt of the SLIIE and LDDAP-ADA, validate the amount with the outstanding NCA balance of the MDS sub-account of the BTr.

5.1.4.3 Upon receipt of the duly accomplished ADA, perform the following:

- Validate if the ADA is signed by BTr-authorized signatories.
- Validate if the amount indicated in the ADA is consistent with the total amount in the list of the LGU beneficiaries in the ADA form or in the Annex of the ADA, whichever is applicable.
- Credit to the depository accounts of the beneficiary LGUs the amount indicated in the ADA within 24 hours for online branches and 48 hours for non-online branches on the value date indicated in the ADA.
- In case of discrepancy in the amount indicated in the ADA and the list of LGU beneficiaries, immediately return the ADA to the BTr within twenty-four (24) hours upon discovery.

## 6.0 Transitory Guidelines

6.1 In the run-up to the FY 2016 implementation of the direct release by the BTr, the following preparatory activities shall be completed by all concerned:

6.1.1 DBM ROs to provide the BTr with an updated list of the depository banks/bank branch/bank accounts of LGUs under their respective regions, duly validated by the MDS-AGSBs.

6.1.2 BTr to harmonize the DBM-provided list of bank accounts with the LGUs-submitted bank accounts.

## 7.0 Budgeting, Accounting and Auditing Procedures

The existing budget, accounting and auditing procedures shall be observed in the implementation of this Joint Circular.

## 8.0 Separability Clause

If any provision in this Joint Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

## 9.0 Repealing Clause


Provisions of existing circulars which are not consistent with these guidelines are hereby repealed and/or modified accordingly.

## 10.0 Cases for Resolution

Cases not covered by this Joint Circular shall be referred to the DBM for resolution.

## 11.0 Effectivity

This Joint Circular shall take effect immediately.

  
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Secretary  
Department of Budget and Management



  
**CESAR V. PURISIMA**  
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