

2017 1st Quarterly Seminar & Meeting

Updates on Accounting Reforms
April 7, 2017



Presented by:

Assistant Commissioner LOURDES M. CASTILLO

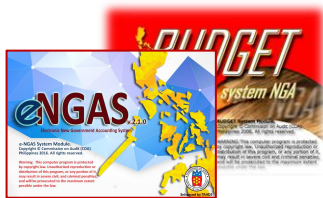
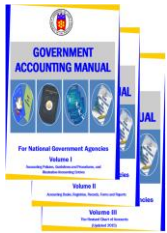
Government Accountancy Sector, Commission on Audit

UPDATES on Accounting Reforms

One of the PFM Reforms



- PPSAS
- PFRS
- GAM
- eNGAS/eBudget
- SK Handbook
- Dormant Accounts



Updates on PPSAS

PHASED IMPLEMENTATION

NGAs

- COA Resolution No. 2014-003 dated Jan. 24, 2014 effective January 2014

LGUs

- COA Resolution No. 2015-009 dated March 9, 2015 effective January 2015

GOCCs
GCs

- COA Resolution No. 2015-040 dated December 1, 2015 effective January 2016

Updates on PPSAS adoption

Capacity Building on PPSAS and RCA for NGAs

- Five-day Trainers' Training - 2 batches of training conducted on Nov. 18-22 and Nov. 25-29, 2013 attended by 66 COA officials/personnel
- Five-Day Trainings for Auditors and Agency Personnel - conducted from Dec. 2, 2013 to March 21, 2014 attended by 1,327 agency and COA personnel

Updates on PPSAS adoption

Capacity Building on PPSAS and RCA for NGAs

- One-day FGD - conducted on Aug. 20, 2013 attended by 29 COA officials/personnel and 15 Personnel acted as Training Management Team
- Five-Day Trainings for Auditors and Agency Personnel - conducted from Sept. 2 to 27, 2013 attended by 156 agency personnel

Updates on PPSAS adoption

Capacity Building on PPSAS and RCA for GCs

- Writeshop - conducted on Aug. 15-18, 2016 attended by 15 GAS Personnel
- Two-Day Appreciation Course - conducted on Sept. 15-16, 2016 attended by 47 COA Officials
- Five-Day Trainers' Training - conducted on Sept. 26-30, 2016 attended by 36 COA officials and personnel
- Five-Day Trainings for Auditors and Agency Personnel - conducted from Oct. 3, 2016 to February 3, 2017 attended by 379 COA and 152 agency personnel

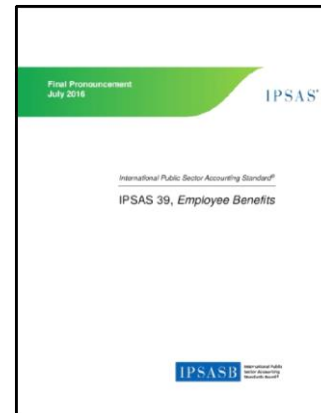
Updates on PPSAS

Updating of the Issued 25 PPSAS



2016 Handbook of International Public Sector Accounting Pronouncements, Volume 1 (PDF | 6.3 MB)

2016 HIPSAP
July 16, 2016



IPSAS 39 -
Employee Benefits
July 28, 2016



IPSAS 40 - Public
Sector Combination
January 31, 2017

Updates on PPSAS

- PPSAS 33-First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)
- PPSAS 34-Separate Financial Statements
- PPSAS 35-Consolidated Financial Statements
- PPSAS 36-Investments in Associates and Joint Ventures

Adoption of six (6) new PPSASs based on 2016 Handbook of International Public Sector Pronouncements (HIPSAP)



Updates on PPSAS



Adoption based
on 2016 HIPSAP

- The Preface to IPSAS
- Conceptual Framework for GPFERS by Public Sector Entities
- Glossary of Defined Terms for IPSASs 1-38
- Updates to issued 25 PPSASs

Updates on PPSAS

Implementing Guidelines

NGAs

- COA Circular No. 2015-007 dated Oct. 22, 2015- GAM for NGAS

LGUs

- COA Circular No. 2016-004 dated September 30, 2016 - conversion of accounts to RCA and guidelines on the preparation of 2015 FS and FRs

GOCCs
GCs

- COA Circular No. 2016-006 dated December 29, 2016 - conversion of accounts to the RCA and guidelines on the preparation of 2015 FS and FRs

Updates on PFRS adoption

Implementing Issuances

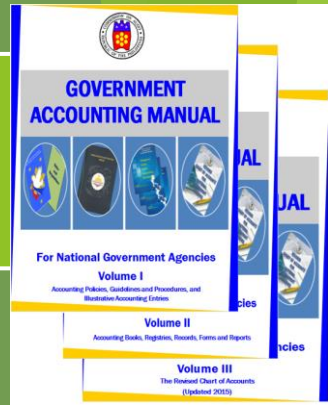
- COA Circular No. 2015-003 dated April 16, 2015 -classification of GCs to GBEs and Non-GBEs
- COA Resolution No. 2015-040 dated Dec. 01, 2015 -deferment of first time adoption by GCs-GBEs from Jan. 1, 2014 to Jan. 1, 2016

Updates on PFRS adoption

Implementing Issuances

- COA Circular No. 2015-010 dated Dec.1, 2015 - adoption of the Revised Chart of Accounts for GCs
- COA Circular 2016-006 dated Dec. 29, 2016 - Conversion from the PGCA to the RCA for GCs
- Proposed COA circular on the Supplementary Guidelines on FSs and FRs Preparation - approved in principle by the COA CP

GAM for NGAs



AAR -PIU
Project under
the PFM Reform
Roadmap

Prepared by a
Committee
under COA's
PPSACSB

Exposed to
stakeholders

Funded by KfW
Technical
Assistance Fund

Adopted
pursuant to COA
Circular No.
2015-007 dated
Oct. 22, 2015

Effective
January 1, 2016

GAM for NGAs

Provides updates on the following:

- Government Accounting Policies, Guidelines, Standards and Procedures
- Coding Structure and Accounts
- Accounting Books, Registries, Records, Forms, Reports and Financial Statements
- Illustrative Accounting Journal Entries

Contents of the GAM

Volume I	Volume II	Volume III
<p>22 Chapters, 19 Annexes, Acronyms</p>	<p>92 Appendices</p>	<p>3 Chapters</p>
<p>✓ Accounting Standards and Policies</p>	<p>✓ Books, Registries, Records, Forms and Reports</p> <ul style="list-style-type: none"> ▪ Accounting ▪ Budget ▪ Treasury ▪ Property/Supply Management 	<p>✓ List of Accounts</p> <p>✓ Codes and Descriptions of Accounts</p>
<p>✓ Guidelines and Procedures</p> <ul style="list-style-type: none"> ▪ Accounting ▪ Budget ▪ Treasury ▪ Property/Supply Management 	<p>✓ Instructions: How to Accomplish the forms, records, etc.</p> <p>✓ When/Where to Submit</p>	
<p>✓ Illustrative Accounting Entries</p>		
<p>✓ Sample Formats of the FSs</p>		

Chapters in Volume 1, GAM for NGAs

- Chapter 1 - Introduction
- Chapter 2 - General Provisions, Basic Standards and Policies
- Chapter 3 - Budget Monitoring and Reporting
- Chapter 4 - Responsibility Accounting
- Chapter 5 - Revenue and Other Receipts
- Chapter 6 - Disbursements

- Chapter 7 - Financial Instruments
- Chapter 8 - Inventories
- Chapter 9 - Investment Property
- Chapter 10 - Property, Plant and Equipment
- Chapter 11 - Agriculture
- Chapter 12 - Intangible Assets

Chapters in Volume 1, GAM for NGAs

Chapter 13 - Leases

Chapter 14 - Service Concession Arrangements: Grantor

Chapter 15 - Interest in Joint Venture

Chapter 16 - The Effects of Changes in Foreign Exchange Rates

Chapter 17 - Borrowing Costs

Chapter 18 - Provisions, Contingent Liabilities and Contingent Assets

Chapter 19 - Financial Reporting

Chapter 20 - Consolidated and Separate Financial Statements

Chapter 21 - Bank Reconciliation

Chapter 22 - Illustrative Accounting Entries

Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
1. New Standards	State Accounting Standards	PPSAS 1 -Presentation of Financial Statements
		PPSAS 2 -Cash Flow Statements
		PPSAS 3 -Accounting Policies, Changes in Accounting Estimates and Errors
		PPSAS 4 -The Effects of Changes in Foreign Exchange Rates
		PPSAS 5 -Borrowing Costs
		PPSAS 6 -Consolidated and Separate Financial Statements
		PPSAS 8 -Interests in Joint Ventures
		PPSAS 9 -Revenue from Exchange Transactions
		PPSAS 12 -Inventories
		PPSAS 13 -Leases

Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
1. New Standards	State Accounting Standards	PPSAS 14 -Events after the Reporting Date
		PPSAS 16 -Investment Property
		PPSAS 17 -Property, Plant and Equipment
		PPSAS 19 -Provisions, Contingent Liabilities and Contingent Assets
		PPSAS 20 -Related Party Disclosures
		PPSAS 21 -Impairment of Non-Cash Generating Assets
		PPSAS 23 -Revenue from Non-Exchange Transactions (Taxes and Transfers)
		PPSAS 24 -Presentation of Budget Information in Financial Statements

Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
1. New Standards	State Accounting Standards	PPSAS 26 -Impairment of Cash-Generating Assets
		PPSAS 27 -Agriculture
		PPSAS 28, 29 and 30 -Financial Instruments (Presentation, Recognition and Measurement, and Disclosures, respectively)
		PPSAS 31 -Intangible Assets
		PPSAS 32 -Service Concession Arrangements: Grantor

Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
2. Components of FS	Four	Six
3. FS Title	<ol style="list-style-type: none"> 1. Balance Sheet 2. Statement of Income and Expenses 3. Statement of Government Equity 4. Cash Flow Statement 	<ol style="list-style-type: none"> 1. Statement of Financial Position 2. Statement of Financial Performance 3. Statement of Changes in Net Assets/Equity 4. Statement of Cash Flow
		<p><u>Additional FSs</u></p> <ol style="list-style-type: none"> 5. Statement of Comparison of Budget and Actual Amounts 6. Notes to Financial Statements <p>Philippine Association for Government Budget Administration (PAGBA) 2017 1st Quarterly Seminar & Meeting, April 5-8, 2017 Crown Legacy Hotel, Baguio City</p>

Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
4. Chart of Accounts	COA Circular 2004-008, September 20, 2004, as amended	COA Circular 2013-002, January 30, 2013 COA Circular 2014-003, April 15, 2014 COA Circular 2015-007, October 22, 2015
5. Unified Accounts Code Structure (UACS)	None	UACS Compliant
6. Books Maintained	Regular Agency Book and National Government Book	By Fund Cluster

Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
7. Fund Maintenance	One Fund Concept	Fund Clustering 01 - Regular Agency Fund 02 - Foreign-Assisted Projects Fund 03 - Special Accounts-Locally Funded/Domestic Grants Fund 04 - Special Account-Foreign Assisted/Foreign Grants Fund 05 - Internally Generated Funds/Retained Income Fund 06 - Business Related Funds/Revolving Fund 07 - Trust Receipts

Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
8. Inventory Costing	Moving Weighted Average	Moving Weighted Average; Specific Identification
9. Estimated Useful Lives of PPE	Prescribed by COA	<u>Ranges – prescribed by COA</u> (page 185-186, GAM for NGAs) Specific Useful Life – prescribed by Management
10. PPE Threshold	None	P15,000 and above
11. Residual value	10%	At least 5%

Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
12. Cash Flow	Direct Method	Direct Method
13. Completed Public Infrastructures and Reforestation Projects	Derecognized; recorded in registry only	Recognized in the books of accounts
14. Statement of Financial Position		
Assets	Without distinction	With Distinction Current and Non-current
Liabilities	Without distinction	With Distinction Current and Non-current

Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
15. Accounting for Donation		
with conditionality	Income	Liability
without conditionality	Income	Revenue
with restriction	-	Revenue

Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
16. Statement of Financial Performance Subsidies, Transfers	Form part of Income	Not part of Revenue from Current Operation
17. Impairment loss	None	Recognized
18. Adjustment affecting Government Equity	Uses Prior Year's Adjustment account	Direct adjustment to Equity
19. Recognition of Income Collection	Without authority to use-BTr With authority to use-NGAs	Recognized by NGAs

PPE Shall be Depreciated over the Following Life Spans

Property, Plant and Equipment	Estimated Useful Life
Land Improvements	useful life of the asset to which the improvement was made or the useful life of the improvement if significantly shorter
Infrastructure Assets	20 to 50 years
Buildings and Other Structures	30 to 50 years
Machinery and Equipment	5 to 15 years
Transportation Equipment:	
Motor vehicles	5 to 15 years
Motor vehicles (Military vehicles)	3 to 20 years
Trains	10 to 20 years
Aircrafts and Aircrafts Ground Equipment	10 to 20 years

PPE Shall be Depreciated over the Following Life Spans

Property, Plant and Equipment	Estimated Useful Life
Watercrafts	10 to 25 years
Furniture, Fixtures and Books	2 to 15 years
Leased Assets, excluding Land	useful life of the leased asset or the lease term (including renewal), whichever is shorter.
Leased Assets Improvements	useful life of the improvement or the lease term (including renewal), whichever is shorter.
Service Concession Assets	useful life of the service concession asset or the term of the service concession arrangement (including renewal), whichever is shorter.
Other Property, Plant and Equipment	2 to 15 years

Updates on GAM for NGAS

Capacity Building activities/Training

- From October to December 2015 - initiated by COA (free)
- From January 2016 to present - initiated by departments/agencies

Enhancements/Updates

- To integrate new PPSASs and amendments to 25 PPSASs
- Preparation - 85 % Complete

Updates on GAM for GCs and LGUs

GCs

- Preparation - 60% complete

LGUs

- Finalization on-going after exposure through COA Assistant Commissioners' Group

Updates on GAM for GCs and LGUs

For
GCs

- Preparation (60% complete)

For
LGUs

- Finalization on-going after exposure through the COA Assistant Commissioners' Group

Updates on eNGAS and eBudget



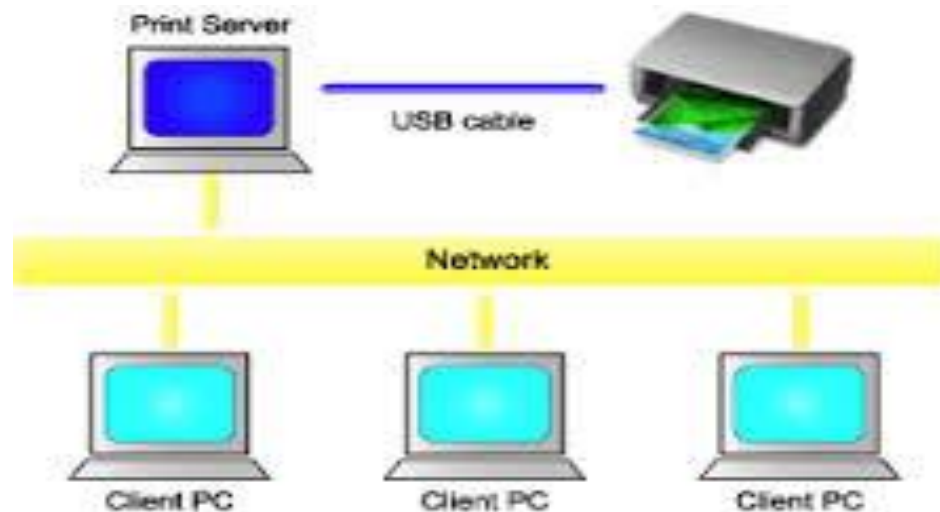
Updates on eNGAS and eBudget

eNGAS version 2.1 *complies with*

- ✓ **Unified Accounts Code Structure (UACS)** (*DBM COA DOF Joint Circular No. 2013-1 dated August 6, 2013*)
- ✓ **PPSAS** (*COA Resolution No. 2014-003 dated January 24, 2014*)
- ✓ **RCA** (*COA Resolution No. 2014-003 dated January 24, 2014*)
- ✓ **GAM for NGAs** (*COA Circular No. 2015-007 dated October 22, 2015*)

eNGAS Platform

- ✓ eNGAS runs on a network environment
- ✓ It runs on: **Microsoft SQL Server**



Updates on eNGAS and eBudget

Capacity Building

- NGAs - trained 2,717 COA and agency personnel from 2014 to 2017
- LGUs - trained 546 LGU personnel from 2016 to 2017

Updates on SK Handbook

Legal Basis

- Sec. 21 of IRR of RA 10742, Sangguniang Kabataan (SK) Reform Act of 2015

Status of Preparation

- SK Handbook submitted to COA Ascoms' Group on Dec. 16, 2016
- Finalization on-going to integrate comments/ suggestions received.
- Finalization is 50% complete

Proposed Activities

- Finalize and submit to the COA CP
- Capacity building for SKs of more than 42,000 barangays

Dormant Accounts

COA
Circular No.
2016-005
dated
December
19, 2016

Write off of Dormant Accounts

- Applicable to all NGAs, LGUs and GOCCs
- Covers dormant:
 - receivables
 - Unliquidated cash advances, and
 - Fund transf
- Effective immediately

Dormant Accounts

Write off of Dormant Accounts

Exemption from coverage

- Loans and advances of Government Financial Institutions -governed by the General Banking Act.
- Receivables disallowances and charges;
- Receivables from cash shortages; and
- Claims for transactions - subject of a pending case in court or before investigative authorities.

Dormant Accounts

Guidelines

- Conduct of regular monitoring and analysis
- Prepare quarterly schedule of receivables, unliquidated cash advances and fund transfers
- Conduct reconciliation with source or implementing agencies and prepare adjusting entries, if necessary
- Prepare aging of dormant receivables, unliquidated cash advances and fund transfers

Dormant Accounts

Write off of Dormant Accounts

PROCEDURES

1

Head of Agency files request for Authority to Write-Off to COA ATL/SA

2

SA/ATL assigns reference number, verifies and validates documents, and **decides (₱100,000 and below)** within 15 days from receipt

3

SA/ATL forwards entire documents to CD/RD (P100,000 to P1,000,000) with their comments and recommendations within 15 days from receipt

Dormant Accounts

Write off of Dormant Accounts

PROCEDURES

4

CD/RD reviews and **decides (P100,000 to P1,000,000) within 15 days from receipt**

5

CD/RD forwards entire documents to AC of the Sector with their his/her recommendation (amounts exceeding **₱1,000,000,000**) within 15 days from receipt

6

AC of the Sector reviews the entire documents and decides on amounts exceeding **₱1,000,000,000** within 15 days from receipt

Dormant Accounts

PROCEDURES for DENIED REQUESTS FOR WRITE-OFF

- ▶ Denied by ATL and SA for failure to comply with the conditions and requirements
 - ▶ The aggrieved party may refile the request for write-off before the ATL and SA.
 - ▶ The ATL and SA shall decide on the request within 15 working days from receipt thereof

Dormant Accounts

PROCEDURES for DENIED REQUESTS FOR WRITE-OFF

- ▶ Denied by ATL and SA
 - ▶ The aggrieved party may appeal to the COA Cluster Director (CD)/Regional Director (RD) within 15 working days from receipt of the decision.
 - ▶ The CD/RD shall decide on the appeal within 15 working days from receipt thereof.
 - ▶ Decision of CD/RD is final and non-appealable

Dormant Accounts

PROCEDURES for DENIED REQUESTS FOR WRITE-OFF

- ▶ Denied by CD/RD for failure to comply with the conditions and requirements
 - ▶ The aggrieved party may refile the request for write-off before the CD/RD.

Dormant Accounts

PROCEDURES for DENIED REQUESTS FOR WRITE-OFF

- ▶ Denied by CD/RD
 - ▶ The aggrieved party may appeal to the Assistant Commissioners Group (AC) within 15 working days from receipt of the decision.
 - ▶ The AC shall decide on the appeal within 15 working days from receipt thereof.
 - ▶ Decision of AC is final and non-appealable

Dormant Accounts

PROCEDURES for DENIED REQUESTS FOR WRITE-OFF

- ▶ Denied by AC for failure to comply with the conditions and requirements
 - ▶ The aggrieved party may refile the request for write-off before the AC.

Dormant Accounts

PROCEDURES for DENIED REQUESTS FOR WRITE-OFF

- ▶ Denied by AC
 - ▶ The aggrieved party may appeal to the Commission Proper (CP) within 15 working days from receipt of the decision.
 - ▶ Filing Fee is required (2009 RRPC).
 - ▶ Decision of CP is final and non-appealable

Dormant Accounts

Accounting Procedure

ACCOUNTANT

- Prepares JEV
- Submits JEV to COA ATL
- Maintains RAWO
- Year-end, discloses the accounts written off in the Notes to FS based on the RAWO

Illustrative Accounting Entries are provided in COA Circular No. 2016-005



**Well-
Managed
Government
Is Critical to
Functioning
Societies**

by Ian Ball
Chairman, CIPFA International

Philippine Association for Government Budget Administration (PAGBA)
2017 1st Quarterly Seminar & Meeting, April 5-8, 2017
Crown Legacy Hotel, Baguio City

Thank you