



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

CIRCULAR

No. 2012-002

Date: SEP 12 2012

TO : All Provincial Governors, City/Municipal Mayors, and Punong Barangays; Local Accountants, Treasurers, and Budget Officers; COA Assistant Commissioners, Directors and Auditors; and All Others Concerned

SUBJECT: Accounting and Reporting Guidelines for the Local Disaster Risk Reduction and Management Fund (LDRRMF) of Local Government Units (LGUs), National Disaster Risk Reduction and Management Fund (NDRRMF) given to LGUs and Receipts from Other Sources

1.0 Rationale

The Philippine Disaster Risk Reduction and Management Act (PDRRMA) of 2010 (Republic Act [R.A.] No. 10121) was enacted to institutionalize the country's disaster risk reduction and management system, and to strengthen the capacity of the National Government (NG) and the LGUs for disaster risk reduction and management through decentralized powers, responsibilities and resources.

Section 21 of the PDRRMA provides that the present Local Calamity Fund shall henceforth be known as the LDRRMF and not less than five percent (5%) of the estimated revenue from regular sources shall be set aside as the LDRRMF. The balance of the current year LDRRMF shall be recognized as Special Trust Fund to be spent in the succeeding five years.

Further, the PDRRMA and its Implementing Rules and Regulations (IRR) also provides that LGUs may also receive funds from the NDRRMF upon approval of the President of the Philippines, from other LGUs, and other sources.

This Circular is issued pursuant to the authority of this Commission "to promulgate accounting and auditing rules and regulations including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures, or uses of government funds and properties." (Section 2[2], Article IX-D of the 1987 Constitution)

LDRRMF
1 of 7

2.0 Coverage

This Circular shall cover the accounting and reporting of the LDRRMF, NDRRMF transferred to LGUs, funds received from other LGUs and other sources starting with the unspent balance of the funds for disaster risk reduction and management (DRRM) for calendar year 2011 and years thereafter.

3.0 Purposes of the LDRRMF

The LDRRMF shall be used to support disaster risk management activities such as, but not limited to the following:

- 3.1 Pre-disaster preparedness programs such as training of personnel, and purchase of life saving and rescue equipment, and supplies and medicines;
- 3.2 Post-disaster activities such as repair and rehabilitation of public infrastructures and purchase of office/school equipment damaged by calamities during the budget year;
- 3.3 Payment of insurance premiums on property if indemnity includes damages or loss due to fire, earthquake, storm or other casualties and on the personnel accident insurance of Accredited Community Disaster Volunteers; and
- 3.4 Relief and recovery programs in communities or areas stricken by disasters, calamities, epidemics or complex emergencies.

4.0 Sources and Allocation of LDRRMF

4.1 The LDRRMF shall be sourced from:

- 4.1.1 Not less than 5% of the estimated revenues from regular sources of the LGUs;
- 4.1.2 The unexpended balance of the LDRRMF in the preceding years within the five-year validity period of the Special Trust Fund;
- 4.1.3 Funds transferred from the NDRRMF upon approval of the President; and
- 4.1.4 Funds received from other LGUs and other sources.

4.2 The appropriated funds for LDRRM shall be used to support disaster risk management activities, such as but not limited to pre-disaster preparedness activities, post-disaster activities and other related activities including payment of premiums on calamity insurance.



- 4.3 Thirty percent (30%) of the amount appropriated shall be allocated to the Quick Response Fund (QRF) or stand-by fund for relief and recovery projects and activities.
- 4.4 The unexpended LDRRMF shall accrue to a special trust fund solely for the purpose of supporting disaster risk reduction and management activities of the Local Disaster Risk Reduction Management Council (LDRRMC) within the next five (5) years. The LDRRMCs shall decide on the use of the unexpended balance of the LDRRMF which shall be incorporated in the Local Disaster Risk Reduction Management Fund Investment Plan (LDRRMFIP).

5.0 Accounting and Reporting Guidelines

5.1 LDRRMF

- 5.1.1 The appropriation for the LDRRMF shall be included in the General Fund budget. The existing program category "Budgetary Reserve" (9998) and "Outlays for Disaster and Other Calamities" (9991) shall be changed to "Disaster Risk Reduction and Management (DRRM)" (9940). The QRF which is a lump sum appropriation shall be under the functional classification "Other Purposes." The preparedness and mitigation projects as identified in the LDRRMFIP shall be classified under the program for DRRM and under the functional classification of the implementing office using the following project breakdown and codes.

	<u>Description</u>	<u>Code</u>
Functional		
Classification	- Other Purpose	9
Program	- Disaster Risk Reduction and Management	94
Projects	- Relief and Recovery	1
	- Preparedness and Mitigation projects charged to Maintenance and Other Operating Expenses (MOOE)	2
	- Preparedness and Mitigation projects charged to Capital Outlay (CO)/Infrastructure	3
	- Premiums on Calamity Insurance	4

- 5.1.2 A LDRRMFIP for the DRRM program shall be prepared annually. It shall present the 30% allocation for QRF in lump-sum and the allocation for disaster mitigation, prevention and preparedness with details as to projects and activities to be





funded. The LDRRMFIP shall also include under a separate caption, the list of projects and activities charged to the unexpended LDRRMF of previous years. A sample format of the LDRRMFIP is shown in Annex A.

5.1.3 The release and use of the LDRRMF shall be supported by the following documents:

5.1.3.1 Local Sanggunian Resolution and the declaration of state of calamity for the QRF.

5.1.3.2 LDRRMFIP for projects and activities listed in the approved plan as incorporated in the local development plan and annual work and financial plan.

5.1.4 Separate Registry of Appropriations, Allotments and Obligations (RAAO) shall be maintained for the LDRRMF as follows.

5.1.4.1 RAAO – for QRF

5.1.4.2 RAAO – for MOOE

5.1.4.3 RAAO – for CO

5.1.5 A Report on Sources and Utilization of DRRMF using the format in Annex B shall be prepared and certified correct by the Local Accountant. The Local Disaster Risk Reduction and Management Officer (LDRRMO) shall submit the report on or before the 15th day after the end of each month through the LDRRMC and Local Development Council (LDC) to the COA auditor of the LGU.

5.1.6 The LDRRMO shall furnish the Office of the Civil Defense (OCD) and the Department of the Interior and Local Government – Local Government Operations Office (DILG-LGOO) a copy each of the annual LDRRMFIP and the monthly Report on Sources and Utilization of DRRMF.

5.1.7 Equipment purchased for disaster response and rescue operations or activities shall be recorded in the General Fund books of accounts. The existing account “Fire Fighting Equipment and Accessories” (Code 231) shall be changed to “Disaster Response and Rescue Equipment” (Code 231). It shall be described as:

“Disaster Response and Rescue Equipment. This account is used to record the cost or appraised value of equipment purchased or received from donations and used solely for disaster response and rescue activities. Heavy equipment such as Forklift, Grader, Backhoe, Dump trucks and the like, although used in disaster response and rescue activities shall



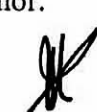
be classified under the account "Construction and Heavy Equipment."

The account shall have the following subsidiary ledger accounts:

- 1 – Firefighting Equipment and Accessories*
- 2 – Flood Rescue Equipment*
- 3 – Earthquake Rescue Equipment*
- 4 – Volcanic Eruption Rescue Equipment*
- 5 – Landslide Rescue Equipment*

Each subsidiary ledger account shall be supported with equipment ledger cards for equipment maintained under the subsidiary account classification.

- 5.1.8 The corresponding accumulated depreciation account "Accumulated Depreciation – Fire Fighting Equipment and Accessories" (Code 331) shall be changed to "Accumulated Depreciation - Disaster Response and Rescue Equipment" (Code 331).
- 5.1.9 Small items purchased for disaster response and rescue activities, which do not qualify under the equipment classification, shall be recorded as Inventories under the appropriate inventory account. Issuance of these small items to end users shall be covered by an Inventory Custodian Slip.
- 5.1.10 All unexpended/unobligated balance of the QRF and the DRRMF-MOOE shall be transferred to the Special Trust Fund under the account "Trust Liability-DRRM"(Code 438) in the Trust Fund books.
- 5.1.11 All unexpended/unobligated balance of the LDRRMF for CO shall be made continuing in the General Fund books until the projects funded therefore are completed and any savings shall be available for use in the disaster risk reduction and management activities as provided in the LDRRMFIP.
- 5.1.12 The account Trust Liability-DRRM in the Trust Fund books shall be used to record transfers of the agency's unutilized QRF and the DRRMF-MOOE of the previous years, receipts of NDRRMF, DRRMF from other LGUs and other sources. Subsidiary ledgers shall be maintained for transfers of agency's unutilized DRRMF to the special trust fund by year of transfer, receipts of NDRRMF by transferring agency, DRRMF from other LGUs by LGU and other sources by donor.



- 5.1.13 The unutilized balance of the LDRRMF shall be available for use in the disaster risk reduction and management activities as provided in the LDRRMFIP within the next five years. Any unutilized amount after five years shall be reverted back to the unappropriated surplus of the General Fund and shall be made available for other social services after subsequent enactment by the local sanggunian. Illustrative accounting entries are shown in Annex C.
- 5.1.14 Equipment purchased out of Trust Liability-DRRM funds shall be recorded in the Trust Fund books and shall be transferred to the General Fund upon issuance of the equipment to the end user.
- 5.1.15 The LDRRMFIP shall be reviewed and updated annually to include the activities to be funded from the unexpended QRF and DRRMF-MOOE of the previous years which were transferred to the Special Trust Fund.
- 5.1.16 The amount and details of the unexpended balance of LDRRMF shall be discussed in the Notes to the Financial Statements. (A Sample of disclosure is in Annex D)

5.2 Other Funds Received for DRRM

- 5.2.1 The DRRM funds from the NG (Sec. 22.d of R.A. 10121) and from other LGUs (Sec. 21 last sentence of the same law) shall be treated as special trust liability account named "Trust Liability-DRRM"(438) in the Trust Fund books of the receiving LGUs. Disposition of any unused balance shall be subject to the National Disaster Risk Reduction and Management Council (NDRRMC) guidelines. Illustrative accounting entries are shown in Annex C.
- 5.2.2 A monthly Report on NDRRMF Utilization shall be submitted by the recipient LGUs to the NDRRMC.
- 5.2.3 A report on the utilization of the funds received from other LGUs shall be submitted to the Grantor LGUs.
- 5.2.4 Funds received from private or international donors as a result of the request for assistance provided in Sec. 2 of Rule 14 of the IRR of R.A. 10121 shall be duly receipted by the concerned LGU and treated as special trust liability using the account "Trust Liability-DRRM" (Code 438) in the Trust Fund books of the receiving LGUs. Utilization of the fund shall be in accordance with the purpose of the grant. In the absence of a



specific purpose, the fund shall be used for purposes provided in the LDRRMFIP.

- 5.2.5 Donations from foreign currencies shall be converted into local currency at the time of receipt. Donations in kind shall be acknowledged through the issuance of an acknowledgment receipt by the local chief executive.

6.0 Transitory Provision

- 6.1.1 Prior years' balance of the LDRRMF for QRF and MOOE shall be transferred from the General Fund to the Trust Fund books using the "Trust Liability-DRRM" (Code 438). Illustrative accounting entries are shown in Annex C.

7.0 Repealing Clause

All issuances inconsistent herewith are hereby repealed or amended accordingly.

8.0 Effectivity

This Circular shall take effect immediately.


MA. GRACIA M. PULIDO TAN
Chairperson


JUANITO G. ESPINO, JR.
Commissioner


HERIBERTO L. MENDOZA
Commissioner

Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP)

January to December 20__

Province/City/Municipality/Barangay_____

Functional Classification (1)	Program/Project/Activity Code and Description (2)	Implementing Office (3)	Schedule of Implementation		Expected Output (6)	Funding Source (7)	Amount of Approp/Allo		
			Starting Date (4)	Completion Date (5)			MOOE (8)	CO (9)	Total (10)
9 – Other Purposes	94 – Disaster Risk Reduction and Management Program 1–Relief and Recovery *	LDRRMO	NA	NA		LDRRMF	xx		xx
	2- Preparedness and Mitigation Projects –MOOE								
1 - General Public Services	• Training								
4- Health	• Medical Supplies • Medicines								
	3- Preparedness and Mitigation Projects – CO								
3- Education	• Rehabilitation of school buildings								
6- Housing & Community Development	• Construction of Evacuation Center								
	4- Others								
6- Housing & Community Development	• Premium on insurance of evacuation center								

* Functional Classification will be based on projects and activities implemented.

Prepared by:

LDRRMO

Approved by:

Local Chief Executive

Report on Utilization of Disaster Risk Reduction and Management Fund
For the Month of _____

Province/City/Municipality/Barangay_____

Particulars	LDRRMF		NDRRMF	From Other LGUs	From Other Sources	Total
	Quick Response Fund (QRF) 30%	Mitigation Fund 70%				
A. Sources of Funds:						
Current Approp	XXXXXXXX	XXXXXX				
Continuing Approp		XXXXXX				
Prev Year's Approp transferred to the Special Trust Fund		XXXXXX				
Transfers/Grants			XXXXXX	XXXXXX	XXXXXX	XXXXXX
Total Funds Available	XXXXXXXX	XXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX
B. Utilization						
Medicines	XXXXX					
Food Supplies	XXXXX					
Repair of Evacuation Center		XXXXXX				

Particulars	LDRRMF		NDRRMF	From Other LGUs	From Other Sources	Total
	Quick Response Fund (QRF) 30%	Mitigation Fund 70%				
Trainings		Xxxxx				
Construction of Evacuation Center		Xxxxxx	Xxxxxx	Xxxxxx	Xxxxxx	Xxxxxx
Equipment		Xxxxxx	Xxxxxx	Xxxxxx	Xxxxxx	Xxxxxx
Transfers to other LGUs	xxxxxx					
Total Utilization	Xxxxxx	xxxxxx	Xxxxxx	Xxxxxx	Xxxxxx	Xxxxxx
Unutilized Balance	<u>Xxxxxx</u>	<u>Xxxxxx</u>	<u>Xxxxxx</u>	<u>Xxxxxx</u>	<u>Xxxxxx</u>	<u>Xxxxxx</u>

Prepared by:

Certified Correct:

(Name and Signature)

(Name and Signature)
Accountant



Illustrative Accounting Entries

A. Accounting for LDRRMF

Particulars	LGU Books	
	General Fund	Trust Fund
1. Incurrence of expenses charged to the LDRRMF (current appropriations)	Dr. Expense or Asset Cr. Accounts Payable or Cash	
2. Transfer of unexpended Quick Response and Mitigation Funds- MOOE at the end of the year	Dr. Subsidy to other Funds Cr. Cash	Dr. Cash Cr. Trust Liability - DRRMF (with subsidiary for the source and year)
3. Incurrence of expenses charged to the previous year's unexpended Quick Response and Mitigation Funds		Dr. Expenses Cr. Accounts Payable or Cash
4. Purchase of equipment		Dr. Disaster Response and Rescue Equipment Cr. Cash
5. Year-end accounting entries		Dr. Trust Liab – DRRMF Cr. Expenses
6. Transfer of assets to the General Fund	Dr. Disaster Response and Rescue Equipment Cr. Equity	Dr. Trust Liab– DRRMF Cr. Disaster Response and Rescue Equipment
B. DRRM funds transferred from NGAs, Other LGUs and Other Sources		
1. To record receipt of DRRMF from the National Government		Dr. Cash Cr. Trust Liab– DRRMF
2. To record receipt of DRRMF from the other local		Dr. Cash Cr. Trust Liab- DRRMF

Particulars	LGU Books	
	General Fund	Trust Fund
government units. (subject to liquidation)		
3. To record receipt of DRRMF from other sources		Dr. Cash Cr. Trust Liability DRRMF
4. To record expenses charged to the DRRMF		Dr. Expenses Cr. Accounts Payable or Cash
5. To record purchase of equipment		Dr. Disaster Response and Rescue Equipment Cr. Cash/ Accounts Payable
6. Year-end accounting entries		Dr. Trust Liab – DRRMF Cr. Expenses
7. Transfer of assets to the General Fund	Dr. Disaster Response and Rescue Equipment Cr. Equity	Dr. Trust Liab– DRRMF Cr. Disaster Response and Rescue Equipment



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Notes to the Financial Statements

Note ___. Local Disaster Risk Reduction Management Fund (LDRRMF)

The LDRRMF represents the amount set aside by the LGU to support its disaster risk management activities pursuant to R.A. No. 10121 otherwise known as the "Philippine Disaster Risk Reduction and Management Act of 2010." The amount available and utilized during the year totaled ₱_____ and ₱_____, respectively, broken down as follows:

Particulars	A m o u n t		
	Available	Utilized	Balance
Current Year Appropriation:			
Quick Response Fund (QRF)	₱	₱	₱
Mitigation Fund (MF)			
MOOE			
Capital Outlay			
Total			
Continuing Appropriation:	₱	₱	₱
Special Trust Fund			
CY 20_____	₱	₱	₱
CY 20_____			
CY 20_____			
CY 20_____			
CY 20_____			
Total			
Total	₱	₱	₱



