



**EXECUTIVE ORDER NO. 219
Series of 2023**

**AN ORDER ESTABLISHING AN INTERNAL POLICY ON THE USE OF UNUTILIZED
CONTINUING APPROPRIATIONS FOR CAPITAL OUTLAY AND
OUTSTANDING PAYABLE ACCOUNTS**

WHEREAS, capital outlays are appropriations for goods and services, the benefits of which extend beyond the budget year and which add to the assets of the government;

WHEREAS, expressed through the Reversion of Unexpended Balances of Appropriations, Continuing Appropriations under Section 28, Chapter 4, Book VI of Executive Order No. 292 otherwise known as the Administrative Code of 1987, viz:

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SECTION 28. *Reversion of Unexpended Balances of Appropriations, Continuing Appropriations.—Unexpended balances of appropriations authorized in the General Appropriation Act shall revert to the unappropriated surplus of the General Fund at the end of the fiscal year and shall not thereafter be available for expenditure except by subsequent legislative enactment: Provided, that **appropriations for capital outlays shall remain valid until fully spent or reverted**: Provided, further, that continuing appropriations for current operating expenditures may be specifically recommended and approved as such in support of projects whose effective implementation calls for multi-year expenditure commitments: Provided, finally, that the President may authorize the use of savings realized by an agency during a given year to meet non-recurring expenditures in a subsequent year. xxx*

WHEREAS, stated under Section 322 of Republic Act No. 7160 or the Government Code of 1991, the **Reversion of Unexpended Balances of Appropriations, Continuing Appropriations**, viz:

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SECTION 322. *- balances of appropriations authorized in the annual appropriations ordinance shall revert to the surplus of the general fund at the end of the fiscal year and shall not thereafter be available for expenditure except by subsequent enactment. However, **appropriations for capital outlays shall continue and remain valid until fully spent, reverted or the project is completed**. Reversions of continuing appropriations shall not be allowed unless obligations therefor have been fully paid or otherwise settled. xxx*

WHEREAS, under the current internal policy of the City Government of Panabo, continuing appropriations for Capital Outlays shall be considered only for a period of five (5) years, while under the basic concepts of budgeting, it is only for a period of two (2) years;

WHEREAS, former President Duterte through the issued Executive Order No. 87, S 2019, directs all accounts payable which remain outstanding for two years or more in the books of the national government agencies to be reverted to the accumulated surplus or deficit of the General Fund, or the cumulative result of operations of the National Government;

WHEREAS, in the interest of budget, accounting accountability and proper management of resources, the City Government of Panabo, through the Local Finance Committee is used



Resolution No. 2, Series of 2023, which proposed for the establishment of guidelines on the long overdue unutilized continuing appropriations and *excess of* established payable account;

NOW, THEREFORE, I, JOSE E. RELAMPAGOS, City Mayor of Panabo, by virtue of the powers vested in me by law, do hereby order the following:

SECTION 1. PURPOSE. In accordance with Section 28, Chapter 4, Book VI of E.O. No. 292, Section 322 of Republic Act No. 7160, and Executive Order No. 87 (s. 2019), this executive order is hereby issued to provide policies and procedural guidelines on the utilization of continuing appropriation for Capital Outlays and accounts payable for unpaid obligations of the City.

In addition, this order is being issued to prevent the immobilization and/or non-utilization of public funds, which could impede their intended purpose in the delivery of essential services and the provision of suitable facilities as specified under Rule V of the Implementing Rules and Regulations of Republic Act 7160.

SECTION 2. TERMS OF REFERENCE. For purposes of this policy, the following terminologies shall be defined accordingly:

- a. **Accounts payable** - are obligations [whether a current year or prior years] that remain unpaid at the end of the year when the contractual obligations were fulfilled.
- b. **Appropriations** - is the authorization made by a legislative body to allocate funds for purposes specified by the legislative or similar authority.
- c. **Approved Budget** - is the expenditure authority derived from appropriation laws, government ordinances, and other decisions related to the anticipated revenue or receipts for the budgetary period.
- d. **Continuing Appropriations** - These are expenditures incurred and committed to be paid by the local Government for a specific purpose or project even when these obligations are incurred beyond the budget year.
- e. **Capital Outlay (CO)** - refers to appropriations for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the asset of the local government unit concerned, including investment in public utilities such as public markets and slaughterhouses. This includes office equipment and furniture and fixtures that have to be procured over the medium term.
- f. **Obligation** - is an act of a duly authorized official which binds the government to the immediate or eventual payment of a sum of money. Obligation may be referred to as a commitment that encompasses possible future liabilities based on the current contractual agreement.
- g. **Reversion** - refers to the moving of an unexpended balance of an appropriation to the unappropriated surplus of the general fund at the end of the fiscal year and shall not be available for expenditures except by subsequent enactment.
- h. **Supplemental Appropriations** - are additional appropriations authorized by law to augment the original appropriations which proved to be insufficient for their intended purpose due to economic, political, or social conditions supported by a Certification of Availability of Funds (CAF).
- i. **Unpaid Obligation** - the balance of accounts payable or commitment.

SECTION 3. GENERAL PROVISIONS. The policy shall apply to the approved budget funded under the annual and supplemental budgets of the City of Panabo and which covers the Regular Budget, Locally Funded Projects, 20% Development Fund, Disaster Risk Reduction Management Fund, and Economic Enterprise Fund.

SECTION 4. POLICY FOR CONTINUING APPROPRIATIONS ON CAPITAL OUTLAY. An internal policy for the City of Panabo's continuing appropriations under Capital Outlay is hereby established.

- a. **Maximum Period of Utilization or Implementation.** Capital Outlays shall have a maximum period of two (2) years; for infrastructure projects or civil works, it may be extended for a period of one (1) year, subject to the approval of the Local Chief Executive based on the submitted request for extension.

| Maximum Period of Utilization or Implementation | |
|--|-----------|
| 1. Equipments | - 2 years |
| 2. Infrastructure Projects/ Civil Works | - 2 years |
| • if approved for extension | - 3 years |

Example: Utilization of CO funded for Fiscal Year 2022:

- a. Equipments - until December 31, 2024
- b. Infrastructure Projects - until December 31, 2024
(approved for extension) - until December 31, 2025

- b. **Monitoring and Evaluation.** The Local Finance Committee (LFC) through the City Budget Office (CBO) shall monitor all unutilized CO after one (1) year and six (6) months from the year of appropriation or six (6) months prior to the end of the maximum period of utilization/implementation is he.

The CBO shall notify those concerned/implementing offices (IO) of the unexpended CO. The IO shall then evaluate and assess the utilization of the capital outlay to determine whether:

- 1. It is still applicable to the office's needs. Thus, the Office will immediately process the CO and ensure that it is obligated before the year ends, or by December 31.

When obligated within the period, the CO remains in effect until the obligations are completely paid or settled.

- 2. It is no longer significant due to unavoidable discontinuance or abandonment of the work, activity, or purpose for which the appropriation is authorized, thus, the appropriation for CO is subject for reversion.

- c. **Capital Outlays funded from FY 2021 and below.** All offices with existing capital outlay funded in FY 2021 or earlier will have only **until December 31, 2023**, to utilize the fund.

SECTION 5. POLICY FOR THE REVERSION OF DOCUMENTED ACCOUNTS PAYABLE. Account payable or consummated obligation refers to the incurred obligations funded from either current or continuing appropriations for which the corresponding services have been rendered or the subject goods have been delivered. It shall only be recorded in the accounting books if accompanied by an approved Certification on Appropriations, Funds and Obligation of

Allotment (CAFOA), Delivery Receipt/ Invoice, Acceptance and Inspection Report (AIR) and other documents required to substantiate the validity of payables.

It shall be the responsibility of the offices to monitor the timely processing of payments for accounts payable. The City Accounting Office will prepare financial reports for all unpaid payables as of the period. All documented and recorded payables of applicable years as per accounting records that remain outstanding for at least two (2) years and for which no actual administrative or judicial claim has been filed shall be automatically reverted to the accumulated surplus or deficit of the City.

In the event that the reverted accounts payable are subsequently validated by competent authorities or by final and executory decisions, the funding shall therefore be determined by the Local Finance Committee (LFC) and upon approval by the Local Chief Executive (LCE).

Restricted transactions or Commitments that are obligated and covered by a perfected contract, but the corresponding liability has not been recognized as of the cut-off of the financial statement due to non-delivery of procured goods or services, shall be submitted to the City Accounting Office for consolidation as scheduled.

SECTION 6. REVERSION. The unutilized CO after the maximum period of utilization and outstanding payables for two (2) years or by December 31 of the applicable fiscal year shall be considered as savings and shall be considered for reversion to the GF as an unappropriated balance or accumulated surplus.

For COs under the following instances shall automatically be considered for reversion to the General Fund after the expiration period:

1. CO which is subject under Section 4 (b)(2); and
2. CO under Offices without any movement despite all remedies exerted by the LFC/CBO in reminding of their unutilized CO.

All funds derived from the reversion of CO and payables will be used as a source of funds for all vital and priority programs and projects of the City Government of Panabo.

SECTION 7. LIMITATIONS. In no case should the office request funding for the same CO that was reverted to the GF, which was subject to Section 6(2), for a period of two (2) years. Except for a request made under the following circumstances:

- a. Natural or man-made disasters, calamities, epidemics, and crises; and
- b. Directive or instruction for the unforeseen activity, priority programs, and projects approved by the Head of Agency.
- c. The budget for a particular CO is insufficient compared to its previous cost when the pre-canvas was conducted.

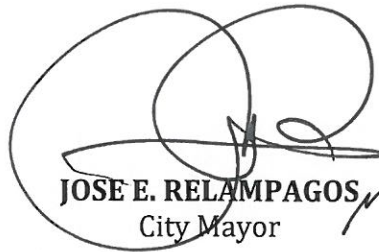
The imposition of the two-year restriction is intended to ensure proper budget planning by offices and guarantee that proposed COs would be processed for procurement as soon as they were funded to fulfill their intended purpose and expected results.

SECTION 8. RESPONSIBILITY AND ACCOUNTABILITY. All department heads of the City Government of Panabo shall be responsible and accountable in the management of its office appropriations by ensuring that all payables and CO appropriated under their offices are properly documented, obligated and disbursed within the corresponding period of validity and in accordance with the applicable accounting rules and regulations.

SECTION 9. SEPARABILITY CLAUSE. If any provision of this Order is inconsistent with existing laws and regulations or any part thereof is declared invalid, the other parts or provision hereof shall remain in full force and effect.

SECTION 10. EFFECTIVITY. This order shall take effect immediately upon approval hereof.

Done this 13th of July, 2023, at Panabo City, Davao del Norte, Philippines.



JOSE E. RELAMPAGOS
City Mayor