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Republic of the Philippines
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS
OFFICE OF THE SECRETARY
Manila

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DEPARTMENT ORDER)
NO. **176**)
Series of 2015)

SUBJECT: Guidelines and Procedures in the Recognition and De-recognition of Infrastructure Assets

Consistent with the Philippine Public Sector Accounting Standards (PPSAS) and in compliance with COA Circular 2014-003 dated April 15, 2014, the existing Accounting and Auditing laws, rules and regulations, and pending the issuance of the Philippine Government Accounting System Manual by the Commission on Audit (COA), the following guidelines and procedures in the recognition and de-recognition of Infrastructure Assets is hereby prescribed.

I - General Guidelines

- a. All Infrastructure Projects completed during 2014 and prior years, which were subsequently transferred to the Registry of Public Infrastructure (RPI) and/or the completed Property, Plant and Equipment (PPE) account, and are not yet fully depreciated or impaired as of December 31, 2014, shall be recorded back into the books of accounts of the Department using the appropriate Funding Source Code and reversing the Property, Plant and Equipment (PPE) account to the Accumulated Surplus/Deficit account. (Account No.30101010)
- b. The District Engineering Office (DEO) shall initially recognize all projects for Infrastructure Assets completed as of December 31, 2014 under its jurisdiction.
- c. Due to insufficiency of data/information and the actual cost of Infrastructure Assets in the RPI, all infrastructure assets of the Department shall be revalued as of December 31, 2014 using the standard calculation (best estimate) provided by the Bureau of Construction.
- d. To ensure a more realistic value of the inventory of Infrastructure Assets of the Department, especially those Road Network projects completed prior to 2015, the Inventory generated from the Roads and Bridges Information Application (RBIA) implemented and maintained by the Planning Service in the Central Office, and Planning Division in the Regional Office shall be the basis for the identification of Infrastructure Assets to be reconciled with the financial records in the Financial Management Service, Financial Management Division, and Financial Management Section in the Central, Regional, and District Office, respectively.
- e. The FMS Central Office shall be responsible for the initial identification, revaluation, and dissemination of the list of infrastructure assets to be recognized by each DEO based on the Inventory of Infrastructure Assets generated from the RBIA for Roads and Bridges, and the Inventory of Completed Flood Control projects, to be provided

by the responsible Project Management Offices (PMOs) or the Bureau of Maintenance (BOM) as the case maybe, using the Standard Estimated Unit Cost provided by the Bureau of Construction.

- f. For projects that are implemented from 2015 and onwards, Corresponding Construction-in-Progress accounts will continue to be with the Implementing Office (IO). Upon its completion, the IO shall transfer the Infrastructure Asset to the DEO who has its jurisdiction. The DEO who has jurisdiction of the completed Infrastructure Asset shall ensure its recognition immediately after completion.
- g. Completed project funded from different funding sources, must be recognized in one single funding source code that has the majority or the biggest portion of allocation. Eventually, the Accounting Division/Section/Unit shall prepare an adjusting entries to transfer to the General Fund (Fund 01101101) the cost of completed projects funded from funding sources other than Fund Code 01101101.
- h. The Infrastructure Assets that shall be recorded in the DPWH PPE accounts are Roads, Highways and Bridges and Flood Control Structures. All other infrastructure assets constructed or implemented by the DPWH but the maintenance of which are the responsibility of other agencies, shall be transferred to the respective recipient agency by the Implementing Office of the project, upon completion. For these assets, the depreciation shall be recognized only in the books of the recipient agency.
- i. The de-recognition of infrastructure assets from the Books of Accounts of the Department shall follow the guidelines provided in the PPSAS or any subsequent issuances from the COA. In the absence of issuances from COA regarding the estimated useful life of Infrastructure Assets, the table for estimated useful life provided in this Order shall be strictly observed.

II – Specific Guidelines

a. Projects Completed in 2014 and Prior Years

1. Central Office

- a. The Financial Management Service (FMS) shall coordinate with the Planning Service to obtain the Inventory of National Roads by Functional Classification, Surface Type and Condition, by District Engineering Office, as of December 31, 2014, together with the Inventory of National Bridges with Length, Type and Condition per District Engineering Office generated from the RBIA;
- b. The Planning Service shall provide FMS with the copy of the above-mentioned Inventory with cut-off date as of December 31, 2014. The Inventory report shall include but not limited to the columns for the Code/Name Identifier of each Road Section, the kilometer station limits and/or chainage, the length of the road section, the number of lanes in the carriageway, the pavement type, the road condition, the date of completion of the last activity (constructed, rehabilitated, etc.), the Code/Name Identifier of each Bridge, the type of bridge, the condition, the date of completion of the last activity (constructed, rehabilitated, etc.), the DEO who has the jurisdiction over it, and other relevant information to properly identify the assets;

- c. The Project Management Offices handling Flood Control Projects and the BOM shall likewise provide to the FMS, the Inventory of Completed Flood Control Projects as of December 31, 2014. The Inventory report shall include but not limited to the columns for the Code/Name Identifier of each Flood Control Structure, the structure condition, the date of completion of the last activity (constructed, rehabilitated, etc.), the DEO who has the jurisdiction over it, and other relevant information to properly identify the assets;
- d. Based on the Inventory provided by the Planning Service, PMOs and the BOM, FMS shall determine the appropriate cost based on the Cost Estimates for Work Item of Projects and the Estimated Cost of Bridge Structure provided by the Bureau of Construction. The FMS shall likewise determine the accumulated depreciation, and the indicative impairment on each asset;
- e. FMS Central Office shall prepare a new List based on the Inventory provided by the BOC, PMOs and BOM to reflect the revaluated cost, depreciation, and impairment as determined above. The new Listings shall be segregated according to different District Engineering Offices (DEO) of each Region. Provide each of the Regional Office with the new Listings that needs to be recognized by the District Engineering Offices in each Region;
- f. Timeline. The new Listings must be forwarded by the FMS Central Office and be available in the FMD Regional Office not later than November 16, 2015.

2. Regional Office

- g. Upon receipt of the Listings provided by the CO, the Accounting Section in coordination with the RBIA Coordinator of the RO shall review the List, and inform the FMS Central Office of any discrepancy on the report before it is forwarded to their respective DEOs;
- h. Forward the corresponding listings to their respective DEOs;
- i. Timeline. The new Listings must be forwarded by the FMD Regional Office and be available in the FMS District Office not later than December 1, 2015.

3. District Engineering Offices

- j. Upon receipt of the Listings provided by the Central Office through the Regional Office, the Accounting Unit in coordination with the RBIA Coordinator of the DEO shall review the List, and for any discrepancy noted (e.g. a project belongs to another District within the Region or otherwise), DEO shall notify immediately the FMD of RO;
- k. Recognize in its books of accounts those projects that are under its jurisdiction;
- l. Record under the General Fund - Funding Source Code 01101101, all infrastructure assets herein provided by the Central Office, using the proper PPE account and crediting Accumulated Surplus/(Deficit) (3010101000) account;

- m. Setup the appropriate Accumulated Depreciation and the corresponding Impairment, if necessary;
- n. Provide the Resident Auditor of the District with a copy of Journal Entry Vouchers (JEV) in recording the Infrastructure Assets supported by the List of Infrastructure Assets being taken up;
- o. All DPWH Infrastructure Assets shall be recognized in the books of accounts maintained by the DEO;
- p. Timeline. The recognition of Infrastructure Assets as revaluated based on the Listings provided by the CO and RO must be reflected in the books of accounts and year-end financial statements of the District Engineering Office not later than December 31, 2015;
- q. All DEOs shall properly disclose the booking up of these Infrastructure Assets in the Notes to Financial Statements. In the same way, the Central Office shall properly disclose this in the Consolidated Financial Statements.

b. Projects Completed in 2015 and the On-going Projects

- 1. For accounting purposes, the term completion in this order shall mean the date that the project was certified as completed as reflected in the Certificate of Completion, regardless of the date of acceptance;
- 2. For projects completed in 2015 and onwards, the cost shall be based on the actual accumulated disbursements made by the IO during construction period until its completion;
- 3. Upon completion of the project, the IO shall immediately prepare a Journal Entry Voucher (JEV) to close the Construction-in-Progress account to the appropriate PPE for Public Infrastructure account. Thereafter, the Accounting Division/Section/Unit of the IO shall immediately prepare an adjusting entries to transfer to the General Fund (Fund 01101101) the cost of completed projects funded from funding sources other than Fund Code 01101101;
- 4. In setting up the Subsidiary Ledger of PPE for Public Infrastructure, the Accounting Division/Section/Unit shall see to it that the Code and Description of the Asset for Roads and Bridges is based on the inventory obtained from the RBIA which include but not limited to the Code/Name Identifier of each Road Section, the kilometer station limits, the length of the road section, the Code/Name Identifier of each Bridge, the type of bridge, and for Flood Control Structures, the Flood Control code/name identifier must be utilized for the SL Code. The Project Monitoring System (PMS) Project ID for all of these projects must be reflected at the front-end of the SL description;
- 5. The Central Office and the Regional Offices shall again immediately prepare a JEV to transfer the newly completed projects to the responsible DEOs who has the jurisdiction over the newly completed projects.

6. Upon receipt of the copy of JEV for Transfer of Infrastructure Assets from the CO or RO, the DEO shall immediately prepare the necessary JEV to recognize the Infrastructure assets being transferred;
7. The DEO shall immediately furnish the CO and RO of the copy of JEV taking up the transfer.

c. Reconstruction / Replacement

1. To avoid bloating or overlapping of the cost of the PPE in the books of account, particularly the infrastructure assets account, the existing infrastructure, like road networks in the same Road Section or station limits, must be derecognized (dropped-off) first from the books of accounts, recognizing the full depreciation or impairment, as the case maybe, before recognizing the reconstructed or replacement cost of infrastructure asset;
2. For pavement treatments (rehabilitation, repairs, maintenance) such as Asphalt Overlay, the original road asset shall remain and be depreciated separately. The new pavement treatment shall also be recognized and depreciated in accordance with the Table of Estimated Useful Life hereunder prescribed;

d. Completed projects previously transferred to Specific PPE Account

1. All completed infrastructure projects that were transferred to specific PPE account through JEVs in CY 2014, shall be reverted back to Accumulated Surplus/(Deficit) (3010101000) account;
2. Completed infrastructure projects that were transferred to specific PPE account through JEVs in CY 2015 or before the issuance of this order, shall be carefully reviewed and reconciled with the inventory report on completed infrastructure projects from the Planning Service, PMO or BOM as the case maybe;
3. Adjusting entries (JEV) shall be drawn when necessary to correct discrepancies noted in the process of review and reconciliation.

e. Table of Estimated Useful Life of Infrastructure Assets

1. Consistent with Memorandum of the undersigned dated August 5, 2015 on the Recognition of Depreciation for Infrastructure Assets, and in the absence of specific issuances from the COA, the following table of Estimated Useful Life of Infrastructure Assets shall be used:

Public Infrastructure Assets	Estimated Useful Life (Years)
<i>(DPWH is responsible for Construction and Maintenance):</i>	
Road Networks:	
Newly Constructed:	
Concrete	20
Asphalt	10
Bridges (Concrete or Steel)	40
Box Culvert (Highway Drainage)	25

Public Infrastructure Assets	Estimated Useful Life (Years)
Pipes Culvert	15
Rehabilitation, Repairs and Maintenance:	
Concrete Reblocking	10
Asphalt Overlay (Asset Preservation)	5
Bridges (Major Repair):	
Concrete	20
Steel	10
Lined Canals (Concrete or Grouted Riprap)	2
Flood Control Systems	25
(DPWH is responsible for Construction but turned over to appropriate agencies):	
Water Supply Systems	15
Seaport Systems (Ports, Lighthouses, etc.)	20
Parks, Plazas and Monuments	20
Other Infrastructure Assets:	
Multi-purpose Pavement	5
Solar Dryer	5

- The straight-line method shall be adopted in recognizing depreciation of these assets unless the COA prescribes another method.
- Considering that there is no scrap or salvage expected to be recovered from the infrastructure assets at the end of the asset's useful life or when it is demolished or destroyed, no residual value shall be recognized in computing the depreciation of Infrastructure Assets.

f. Recognition of Depreciation

- Depreciation of Infrastructure Assets shall be done and be reflected in the books of accounts of the DEOs only, and not in the Central and Regional Offices;
- The recognition of Depreciation Expense with the corresponding Accumulated Depreciation account shall be done initially through December 31, 2014;
- As provided under PAG3 of PPSAS 17:
"Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management."

For simplicity and to avoid proportionate computation, depreciation shall be for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation shall be for the succeeding month."

- The DEO shall, as of December 31, 2015, recognize 2015 depreciation for the year, based upon the Straight-line method;
- Starting January 2016 and every end of the month thereafter, the DEO shall recognize monthly depreciation likewise following the Straight-line method.

g. Periodic Reconciliation

1. To ensure consistency of the Physical and Financial records of the department, the accuracy and reliability of the presentation of infrastructure assets in the financial statements of the department, a regular reconciliation shall be conducted between the Physical Inventory and Financial records, or on a periodic basis with an interval not exceeding three years.
2. It shall be the responsibility of the Chief Accountant or Head of the Accounting Division/Section/Unit, and the Chief of Monitoring Division/Section/Unit to undertake the reconciliation, and immediately correct/adjust any discrepancies noted during reconciliation.

The responsibility for the strict implementation of this Order shall be imposed upon the Head of Accounting Division in the Central Office, Head of the Accounting Section in the Regional Office, and Head of the Accounting Unit of the District Engineering Office, and the Head of Office concerned. The recognition of Infrastructure Assets shall be properly completed no later than December 31, 2015 except for on-going and those that are to be implemented in the future which shall be recognized upon project completion.

All other issuances, orders or parts thereof inconsistent with this Order are hereby repealed, amended and/or modified accordingly.

Failure to comply with this Order shall subject the erring employee to applicable sanctions that shall include relief, suspension and/or dismissal in accordance with the existing Civil Service rules and regulations and other pertinent laws.

This order shall take effect immediately.


ROGELIO L. SINGSON
Secretary

Department of Public Works and Highways
Office of the Secretary



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