

Administrative Order

No. 40

August 16, 1991

SUBJECT: Procedures on the Collection and Remittance of the Two Percentum (2%) Replenishment Contribution to UNRFNRE from Ores Extracted or Shipped-out in Dinagat Island, Surigao del Norte

Pursuant to the Project Agreement dated 2 March 1988, executed by and between the Republic of the Philippines, represented by the Secretary, Department of Environment and Natural Resources (DENR) and the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE), for mineral explorations in Dinagat Island, Surigao del Norte, the following procedural guidelines on the collection and remittance of the two percentum (2%) replenishment contribution for the UNRFNRE are hereby promulgated for the information and guidance of all concerned:

Section 1 - Coverage. As embodied in the Mineral Production Sharing Agreement (MPSA) and Small Scale Mining Permit (SSMP), the obligation to pay or remit the 2% replenishment contribution to the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) shall cover all holders thereof operating within the UNRFNRE areas in Dinagat Mineral Reservation as shown in Appendix I hereof. The obligation shall likewise cover future awardees/holders of such agreement/permit.

Section 2 - Definition of Terms. The following terms as used in this Order shall refer to the following:

- 2.1 **Surigao Mineral Reservation Monitoring Team or SMRMT** - a group composed of representatives from the Mines and Geosciences Bureau and the DENR Regional Office concerned which shall monitor all shipment of mineral ores and other mining activities within UNRFNRE areas;
- 2.2 **Provincial Environment and Natural Resources Office or PENRO** refers to the office in Surigao City which shall be responsible for the collection, deposit, recording, reporting and disbursement of the 2% replenishment contribution to UNRFNRE;
- 2.3 **Philippine National Bank or PNB** refers to its branch in Surigao City which is the authorized government depository bank of all contributions to UNRFNRE;

- 2.4 **Mines & Geosciences Bureau or MGB** the monitoring and verifying office;
- 2.5 **United Nations Revolving Fund for Natural Resources Exploration or UNRFNRE** - an international body which shall be the recipient of the 2% replenishment contribution;
- 2.6 **Applicant** - permittees, traders, and mining companies (or their duly authorized representatives), granted by the government the right to produce any "reported mineral" within the UNRFNRE areas and the payor of the 2% replenishment contribution;
- 2.7 **United Nations Development Program of UNDP** - the body based in the Philippines which shall receive all contributions in behalf of UNRFNRE.

Section 3 - Accounting Guidelines and Procedures. The accounting of the 2% contribution shall be governed by the following guidelines and procedures:

- 3.1 The amount of 2% replenishment contribution shall be based on the gross or ex-minesite value of the extracted ore which is also used as basis for computing the excise tax;
- 3.2 The payor shall pay the computed amount directly to the PENRO;
- 3.3 The PENRO Collecting Officer shall issue a duly accounted and separate series of government official receipts;
- 3.4 The collections shall be deposited in a separate trust account to be opened at the Philippine National Bank (PNB) branch in Surigao City as the authorized government depository bank;
- 3.5 The PENRO Collecting Officer shall prepare a separate Monthly Report of Collections for submission to the PENRO Accounting Unit. A legible copy thereof shall be submitted by the PENRO to the Mines and Geosciences Bureau (MGB);
- 3.6 A duly-approved disbursement voucher and signed check shall be prepared to effect the payment of the quarterly replenishment contributions within ninety (90) days after the end of each calendar quarter;

- 3.7 The check remittance shall be forwarded to the MGB for transmittal/endorsement to the UNRFNRE thru the UNDP Resident Representative in Manila;
- 3.8 An official receipt shall be issued by the UNDP Finance Officer; and
- 3.9 The PENRO Accountant shall maintain the following separate special journals:
 - a. Journal of Collections and Deposits; and
 - b. Journal of Checks Issued.

He shall likewise maintain a separate trust liability account - 8-84-900 (184) - UNRFNRE in the general ledger under the General Fund - 101.

Section 4 - Internal Control Requirements. In order to accelerate the remittance of all the collections to the UNRFNRE, compliance to the following internal procedures are hereby required:

- 4.1 All payments shall be made in check payable to PENRO-UNRFNRE and crossed with two (2) diagonal lines on the upper left corner of the check and marked "For Deposit Only to Payee's Account". Cash payments may be allowed but shall be limited only to a maximum of Ten Thousand Pesos (P10,000.00) for payments made by small-scale miners.
- 4.2 All collections shall be deposited intact to the PNB Branch in Surigao City immediately the following banking day. All checks collected shall be stamped "For Deposit Only to PENRO-UNRFNRE Account No. _____" at the back of the check.
- 4.3 The designated Collecting Officer/Cashier shall post a bond equivalent or commensurate to the expected total amount of collections.

Section 5 - Systems and Procedures. In accordance with Joint Circular No. 9-81 dated October 19, 1981 entered into by and between the then Ministry of Budget, Ministry of Finance and the Commission on Audit, the following systems and procedures on the collection, disbursement, remittance, recording, monitoring and reporting shall be observed:

5.1 **Collection System**

- 5.1.1 The **Applicant** submits a duly filled-up application form for the issuance of a Certificate of Origin of Mineral Ores (COMO) to the SMRMT Field Station or PENRO.
- 5.1.2 The SMRMT Action Officer checks the application and certifies its accuracy particularly the declared volume and value of the minerals to be shipped. Thereupon, he shall compute the 2% replenishment contribution based on Section 4.1 hereof.
- Thereafter, the SMRMT shall issue an Order of Payment to the **Applicant** which shall be coursed through the PENRO Accounting Unit for indication of Fund and Account Codes.
- 5.1.3 Upon presentation of the Order of Payment to the designated PENRO Cashier, the **Applicant** shall pay the computed 2% replenishment contribution.
- 5.1.4 The designated PENRO Cashier receives the payment and issues a government official receipt to the **Applicant**.
- 5.1.5 The **Applicant** presents the official receipt to the PENRO Technical Officer, duly designated by the PENR Officer to process and issue the COMO.
- 5.1.6 The designated PENRO Technical Officer verifies the official receipt and records the number in his logbook. Thereafter, a COMO shall be issued to **Applicant**.
- 5.1.7 After payment of the contribution, the **Applicant** shall present the official receipt to the SMRMT Action Officer who shall then proceed to prepare the corresponding **Permit to Load** for the signature of the PENR Officer pursuant to the provisions of Section F paragraph 3.5 of DENR Administrative Order No. 38, Series of 1990, as amended.
- 5.1.8 At the end of every month, the PNB shall submit to the PENRO a report on its Statement of Deposits. Based on such report, the PENRO Accountant shall prepare a monthly bank reconciliation statement.

5.2 Disbursement

- 5.2.1 The designated PENRO Cashier prepares a disbursement voucher and a commercial check drawn to PNB for all disbursement out of the maintained trust fund.
- 5.2.2 The disbursement voucher shall be approved and signed by the following authorities:
 - a. Designated SMRMT Officer - recommending approval;
 - b. PENR Officer - approval; and
 - c. PENRO Accountant - certifies as to the availability of funds
- 5.2.3 The signatories to the disbursement voucher and check shall be governed by the provisions of DENR Administrative Order No. 38, Series of 1990, as amended.
- 5.2.4 The check should be addressed to UNRFNRE thru the UNDP Resident Representative.

5.3 Remittance

- 5.3.1 A legible certified photocopy of signed disbursement voucher and check shall be forwarded to MGB for verification.
- 5.3.2 The MGB Director shall approve the release of the check to UNRFNRE thru the UNDP Resident Representative.
- 5.3.3 The UNRFNRE, thru UNDP Resident Representative, shall issue an official receipt as acknowledgement of the receipt of all collections.
- 5.3.4 The MGB shall forward to the PENRO Accountant the original official receipt issued by UNDP Resident Representative retaining a photocopy thereof for its record and file. Said receipt shall be attached by the PENRO Accountant to the original disbursement voucher for post audit purposes.

5.4 Recording

- 5.4.1 The PENRO Accountant shall maintain a separate set of books to record all collections;

- 5.4.2 The PENRO Accountant records all collections in a Journal of Collections and Deposits based on the Report of Collections submitted by the PENRO Cashier. He shall likewise encode such information in index cards arranged according to payor for easy reference.
- 5.4.3 The PENRO Accountant records all disbursement and remittance in a Journal of Checks issued by Disbursing Officer based on the monthly report of the checks submitted by the PENRO Cashier. The same information shall also be entered in index cards arranged according to payor.

5.5 Reporting

- 5.5.1 The PENR Officer shall submit to the MGB a monthly report of shipment of mineral ores and COMO issued **Applicants**.
- 5.5.2 The PENR Officer shall submit to the MGB a monthly report of collections per **Applicant** and official receipts issued to the MGB.
- 5.5.3 The PENR Officer shall submit to the MGB a quarterly report of collections and shipment of mineral ores by **Applicant**. These reports shall support the disbursement vouchers and checks prepared quarterly to remit the 2% replenishment contributions to UNRFNRE.
- 5.5.4 The PENRO Accountant shall submit to MGB a copy of the Monthly Trial Balance which shall clearly show the Trust Liability Account for the UNRFNRE Trust Fund.
- 5.5.5 The MGB shall verify and compare all reports, vouchers, checks and other documents received from the PENRO.
- 5.5.6 The MGB shall retain duplicates and photocopies of all documents sent by the PENRO for filing and record purposes.

The accounting of all collections shall be carried out following the illustration shown in Appendix II.

Section 6 - Monitoring. The MGB, in coordination with the members of the SMRMT at the PENRO shall, on a regular basis, monitor and verify the accuracy of the reported minerals extracted and shipped from the UNRFNRE mineral areas as shown in a map on Appendix I of this Order; **Provided**, that nothing herein shall be construed to prevent the team from ascertaining the true value of the mineral previously shipped or

disposed of and thereafter proceed to assess and collect from the permittee/shipper the deficit on the 2% replenishment contribution fee thru the issuance of an Order of Payment by the SMRMT Action Officer.

Section 7 - Duration of 2% Collection for UNRFNRE Replenishment Contribution. The two percentum (2%) replenishment contribution of mining permittees shall be payable for a period of fifteen (15) years or until such time that the total recoupment of all the exploration expenses incurred by UNRFNRE, whichever comes first, shall have been recouped. In such a case, recording shall commence from the date of the first officially recorded production or shipment of "reported mineral" from the UNRFNRE target areas by the SMRMT, **Further**, in no case shall the contribution exceed the **Maximum Replenishment Contribution** provided for under Section 4.07 of the Project Agreement.

Section 8 - Audit Requirement. The Resident Auditor of the Commission on Audit and the UNDP Auditor shall regularly check and audit the books and records maintained by the PENRO and MGB.

Section 9 - Amendments. Any subsequent amendments to the provisions of this Order shall be made effective only upon approval of the Secretary upon the recommendation of the DENR-UNRFNRE Project Committee.

Section 10 - Date of Effectivity. The effectivity of this Order shall be retroactive from the first date of officially recorded extraction/shipment of any reported mineral in the UNRFNRE exploration areas, by legal small-scale mining permittees or companies whose permits/contracts explicitly obligate them to pay the 2% Replenishment Contribution to UNRFNRE after December 31, 1989.

FULGENCIO S. FACTORAN, JR.
Secretary

NOTE: Appendices Omitted