

METRO MANILA AIR SHED
GOVERNING BOARD

MODULE 3

**FINANCIAL MANAGEMENT
SYSTEMS AND PROCEDURES**





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Information Page

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Section 1: Introduction

The *Financial Management Systems and Procedures Manual* is the third module of the *Manual of Operations* developed for the use of the **Metro Manila Air Shed Governing Board** (MMASGB). The primary purpose of this manual is to serve as a tool for MMASGB officers and staff to enable them to discharge their financial management functions in an efficient and effective manner and in accordance with DENR-EMB approved financial procedures.

This volume provides the detailed procedures relating to the various aspects of financial management including budget preparation, monitoring and control; funds flow; and accounting and financial reporting. Specifically, it consists of the following:

- a definition of the financial management function at the MMASGB and the related organizational structure;
- an overview of the planning process, in general, to serve as an introduction to financial planning and/or budgeting;
- a Budgeting System that cover the budget process, including the timetable and the four phases of preparation, approval, execution and accountability
- a set of procedures for the flow and release of funds from the AQMF and other sources to MMASGB projects and activities;
- an Accounting and Financial Reporting System to be adopted by the MMASGB in recording, classifying, summarizing and reporting the financial transactions of the MMASGB and will ensure compliance with the mandates and requirements of the New Government Accounting System (NGAS) prescribed by the Commission of Audit. It includes, among other, the basic policies and procedures; the chart of accounts coding system; the accounting systems; the books of accounts and accounting forms and records; and the financial report.

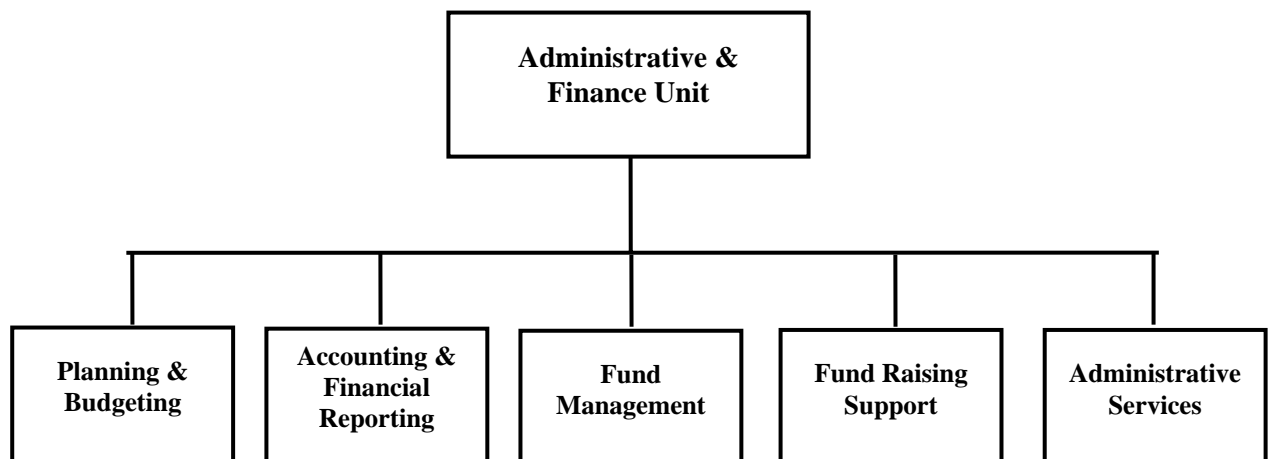


Section 2: Financial Management Function at the MMASGB

The Financial management function within the MMAS's shall be lodged with the **Technical Secretariat** and shall be the responsibility of the **Administrative & Finance Officer**. Within the **Technical Secretariat**, a unit – the **Administration and Finance Unit** -shall be created to discharge the administrative and financial management functions of the MMAS. The Unit shall be headed by the **Administrative & Finance Officer** and shall be staffed with the required number of personnel based on the workload.

1. Functional Chart of the Administrative and Finance Unit

Following is the proposed functional organization chart for the **Administrative and Finance Unit (AFU)**:



**Figure 1. Administrative and Finance Unit
Functional Chart**

A description of each of the five (5) major functions of the **Administrative and Finance Unit** follows.

- a. *Planning & Budgeting* – provides planning and budgeting support to the other MMASGB units; responsible for bringing all of the various unit's budget together into a final budget for the MMASGB.
- b. *Accounting & Financial Reporting* – maintains the MMASGB's books of accounts and reports on the financial results of MMASGB's operations.
- c. *Fund Management*– management of funds allotted and/or donated to the MMASGB to ensure that the funding requirements of the MMASGB are accurately forecasted and are made available at the time these are needed.



Section 2: Financial Management Function at the MMASGB

- d. *Fund-raising Support* – provides administrative support to the TWG3 in identifying, and accessing funds for the implementation of the MMASGB's *Action Plan*.
- e. *Administrative Services* – provides general administrative support services to the other MMASGB units

2. Activities of the Administrative & Finance Unit (AFU)

Following is a more detailed listing of the **AFU's** activities under each functional grouping.

a. Planning and Budgeting

- i. Coordinate with the EMB regarding the financial requirements of the MMASGB Action Plan.
- ii. Define the performance or output indicators to be used for planning and budgeting and performance evaluation
- iii. Draw up cost parameters and ceilings for use in planning and budgeting
- iv. Set the phasing of implementation that will define the physical targets and budgetary requirements of the Annual Work and Financial Plan (WFP).
- v. Prepare the WFP for the MMAS Action Plan and the detailed Annual WFP.
- vi. Make recommendations to improve effectiveness, efficiency and management of the financial resources of the MMAS.
- vii. Participate in the technical review of project proposals.

b. Accounting and Financial Reporting

- i. Maintain books of accounts, subsidiaries, records and files of all financial transactions.
- ii. Maintain internal control system to safeguard MMAS resources.
- iii. Implement the *Financial Management System* prescribed for the MMAS.
- iv. Ensure legality, propriety, accuracy and completeness of documentation of all MMAS's financial transactions.
- v. Prepare financial monitoring and other finance-related reports.
- vi. Investigate finance-related issues and complaints and submit written reports and recommendations to the Chairperson of the Technical Secretariat.



Section 2: Financial Management Function at the MMASGB

- vii. Liase with the various parties involved in MMAS program implementation to ensure timely releases of funds, and with the Commission on Audit (COA) regarding the auditing requirements of the MMAS.

c. Fund Management

- i. Directly manage the sub-allotted funds to the MMASGB and the funds collected from donor organizations.
- ii. Forecast cash flows and funding requirements and communicate with the concerned officials.
- iii. Follow-up with the concerned officials the release of sub-allotted funds.
- iv. Review the requests for fund releases for completeness of documentation requirements and endorse them to the Approving Officer

d. Fund-raising Support

- i. Assist the TWG3 in identifying private foundations and international donor organizations that give grants, donations or endowments whose thrust or main areas of assistance includes “environment” as a focal area.
- ii. Provide support to TWG3 in cultivating relationships with the target foundations or organizations and in the preparation of funding proposals.
- iii. Monitor and follow up the status of funding proposals submitted to donor organizations.

e. General Administration

- i. Perform, manage, or direct a variety of administrative functions, such as office facilities maintenance and upkeep; procurement; mailing & delivery; printing & reproduction; etc.
- ii. Participate in the selection, hiring and orientation of new finance and administration people for the MMASGB.
- iii. Act as property custodian of inventories and property.



Section 3: Planning

This section presents a brief discussion of the Planning process, in general in order for the Users of this Manual to better appreciate and understand the *Budgeting System and Procedures* presented in the next section of this module. *Module 5* of the *MMASGB Manual of Operations* provides a detailed discussion of the strategic planning process.

1. The Planning Process in General

Planning is the primary tool used by the management of an organization to envision its future by defining its mission as an organization and by setting realistic goals and objectives consistent with that mission. As in any system, planning has *inputs*, *processes* and *outputs* or *results*. It starts with planners working backwards through the system by first defining the *objectives*. Having defined the organization's objectives, management –with the participation of key personnel in the organization –then goes on to determine the particular *outputs* or *results* needed to achieve the objectives, to identify the *processes* and *activities* required to produce the desired *outputs*, and to quantify the *inputs* (or resources) needed to carry out the processes. Finally, they agree on the *indicators* for measuring the progress of implementation.

There are many kinds of tools used in planning in an organization. A highly recommended methodology for planning and managing development projects is the *Logical Framework Analysis (LFA or Log Frame)* which has been adopted as the primary planning methodology in this Operations Manual.

2. The Logical Framework Analysis (LFA or Log Frame)

The **LFA or Log Frame** is preferred by donors, managers and administrators because of the clear, concise, logical and systematic way it presents the key components of the project. The product of the LFA methodology is known as the Logical Framework document. In brief, a Log Frame document summarizes, in a standard format (i) what the project/program is going to achieve, (ii) what activities will be carried out to achieve its output; (iii) what resources (inputs) are required ; (iv) what are the potential problems which could affect the success of the project; and (v) how the progress and ultimate success of the project will be measured and verified.

Presented in **Table 1** below is the summary of the contents of a Logical Framework document.



Section 3: Planning

Table 1. Summary Contents of a Logical Framework

Objectives	Measurable Indicators (Success Criteria)	Means of Verification	Important Assumptions (Risks, External Factors)
GOAL: <i>Wider problem the project/program will help to resolve</i>	<i>What are the quantitative ways of measuring, or qualitative ways of judging, whether these broad objectives are being achieved? (estimated time)</i>	<i>What sources of information exists, or can be provided cost-effectively?</i>	<i>(Goal to Supergoal): What external factors are necessary for sustaining objectives in the long run?</i>
PURPOSE: <i>The immediate impact on the project/program area or target group, i.e., the change or benefit to be achieved</i>	<i>What are the quantitative measures or qualitative evidence by which achievement and distribution of impacts and benefits can be judged (estimated time)</i>	<i>What sources of information exists or can be provided cost-effectively? Does provision for collection need to be made under inputs-outputs?</i>	<i>(Purpose to Goal): What conditions external to the project are necessary if achievements of the project's purpose is to contribute to reaching the project goal?</i>
OUTPUTS: <i>Indicate each of the outputs or results that are to be produced by the project in order to achieve project/program purpose</i>	<i>What kind and quantity of outputs, and by when will they be produced? (quantity, quality, time)</i>	<i>What sources of information?</i>	<i>(Output of Purpose): What are the factors not within the control of the project which, if not present, are liable to restrict progress from outputs to achievements of project purpose?</i>
ACTIVITIES: <i>Indicate each of the activities that must be undertaken in order to accomplish the outputs.</i>	<i>We recommend that verifiable indicators are included against all activities. This is essential for projects reporting and monitoring against the Logical Framework.</i>	<i>What are sources of information?</i>	<i>(Activity to Output): 1) What external factors must be realised to obtain planned outputs on schedule? 2) What kind of decisions or actions outside the control of the project are</i>



			<i>necessary for inception of the project?</i>
<i>INPUTS: What resources (materials, equipment, financial and human resources) are needed to carry out the activities of the project/program.</i>			

Note: A more detailed discussion of the **Logical Framework Analysis** methodology is available from the **Logical Framework Handbook**.

3. The MMAS Governing Board Action Plan

One of the primary responsibilities of the MMASGB as provided for in the **CAA** and its **IRR (Rule XV, Section 6)** is the preparation of a common *Action Plan*. The *Action Plan* is the mechanism for carrying out the MMAS Governing Board’s mandate namely, *policy and standards formulation for the MMAS and submission/publication of Air Quality Status Report for the Air Shed*.

The initial MMASGB *Action Plan* was developed by the MMASGB’s Technical Secretariat using the *Log Frame* as the primary tool complemented by the other outputs from the April 26-27 *Strategic Visioning and Programming Workshop of the MMASGB*. The *Action Plan* was approved by the Governing Board during its August 2, 2006 meeting.

4. Development of Work Plans

The *Action Plan* defined the action required in order to come out with each expected *output* by key result area (KRA). It also determined the overall *time frame* for the action required and identified the *lead agency* responsible for undertaking the same. The next step in the Planning process is the development of annual the **Work Plans** which becomes the basis for implementation of the MMASGB *Action Plan*.

The *Work Plan* is derived from the same **Log Frame** document where the *Action Plan* was derived from. In the *Work Plan*, the “*action required*” which represent *processes* are broken down into more detailed activities or tasks for which timing (i.e., the start and completion time) is specified and operational responsibility established. A *Work Plan* is prepared for each of the desired **results (output)** indicated in the **Log Frame** document and/or the *Action Plan*.



Section 3: Planning

Following are the detailed steps for developing the annual Work Plans:

- a. Obtain a copy of the MMASGB *Log Frame* document and/or of the *Action Plan*.
- b. For each **result/output** indicated under each *KRA* in the *Log Frame* document and/or *Action Plan*, draw up a separate *Work Plan*, using the format shown in **Exhibit 1**.

The procedure for the development of the *Work Plan* is presented graphically in the process flowchart in the next page (**Figure 2**)

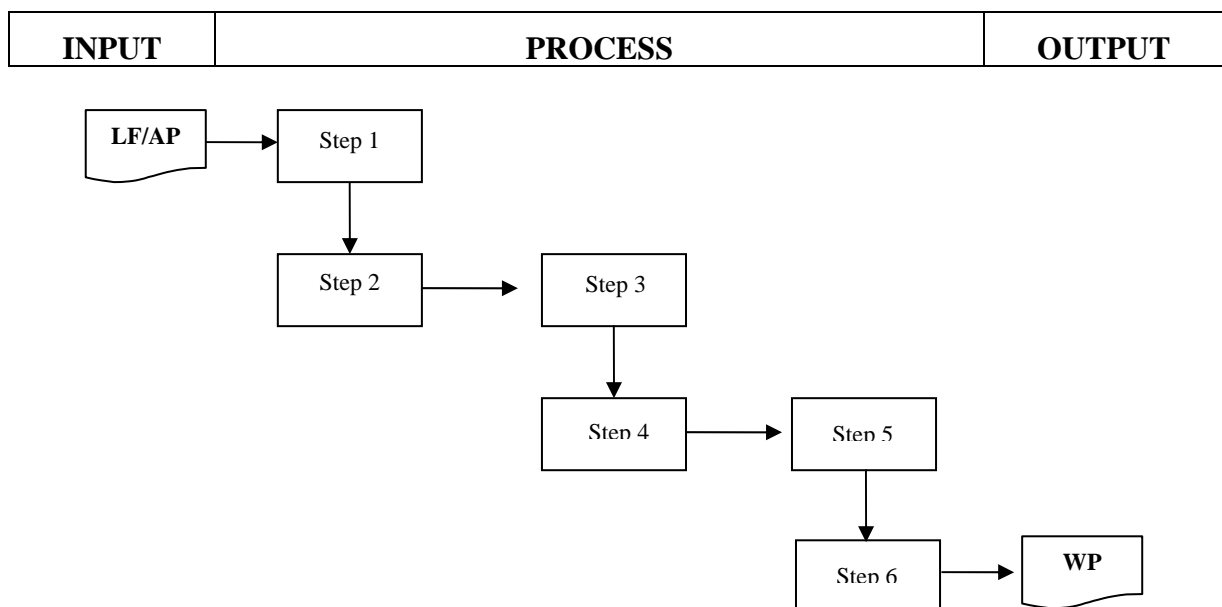


Figure 2. Development of the Work Plan

Legend:

LF/AP Log Frame document and/or Action Plan
WP Work Plan

- c. The following explains each of the steps in the process flowchart and provides a description of each of the boxes in the form and how to provide the required information therein.

Box A: Result/Output

Step 1: Result/Output: *Select an output from the Log Frame document and/or Action Plan and copy to the Work Plan form.*



Section 3: Planning

Step 2: Performance Indicators:

- i. **Quantitative:** Select the objectively verifiable **quantitative indicator** for measuring progress of the output and the **means of verification** and copy the same to the **Work Plan** form.
- ii. **Qualitative:** Select the objectively verifiable **qualitative indicator** for measuring progress of the output and the **means of verification** and copy the same to the **Work Plan** form

Step 3: Target (Planned Extent of Achievement of Result “X” in Year “Y” Using Indicators)

- i. **Quantitative:** Indicate the planned extent of achievement of the result/sub result in the year in question using the quantitative indicators.
- ii. **Qualitative:** Indicate the planned extent of achievement of the result/sub-result in the year in question using the qualitative indicators.

Box B: Process/Activity

Step 4: Process/Activity:

- i. Select the “process” or “action required” to achieve the selected “output” from the Action Plan and copy to the first line in the Work Plan.
- ii. Select the list of “activities” from the Log Frame document and copy to the succeeding lines in the Work Plan.”

Step 5: Operational Responsibility: Indicate the “Position Title” of the person/party responsible for carrying out each activity.

Step 6: Timeframe: Indicate (with a bar) the month(s) when each activity will be carried out.

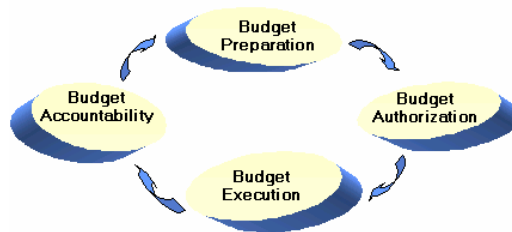


Section 4: Budgeting System & Procedures

A budget can be defined as a financial plan of an entity relating to a period of time. It is a way of quantifying the resources needed to achieve the desired results indicated in the MMASGB Action Plan.

1. The Philippine Government Budget Process

The Philippine National Government Budget Process consists of four (4) phases, namely



a. Budget Preparation

The process is a cycle which starts with the determination of the applicable expenditure, revenue and debt ceilings. Based on the economic projections contained in the socioeconomic development plan, these ceilings represent the maximum expenditures for current and capital expenditures, new revenue targets, and the upper limit on new borrowings.

The issuance of a *Budget Call* - which reminds the different government agencies to prepare their respective budgets in accordance with the approved overall budget ceilings – follows. Then, DBM holds series of budget hearings/consultations with agencies for the purpose of setting indicative expenditure ceilings of departments and component agencies including attached corporations. The result is an overall budget (National Expenditure Program) that is presented to the Cabinet for deliberation and subsequent submission to the President for approval.

b. Budget Legislation/Authorization

Legislative authorization constitutes the second stage of the budget process. The legislature acts on the budget proposals of the President and formulates an Appropriations Act following the process established by the Constitution, which specifies that no money may be paid from the treasury except in accordance with an appropriation made by law. In accordance with the constitution, the Congress legislates the annual



Section 4: Budgeting System & Procedures

government budget based on the Senate Finance Committee and on the recommendations made by the Bicameral Appropriations Committee.

c. Budget Execution

Budget Execution, the third phase of the process, covers the various operational aspects of budgeting. The continuing work of budgeting includes the review of organization developments, the study of position classification and compensation plans, and generally, the function of ensuring that funds are available in support of agency activities, given the limitations of approved appropriations and available cash

d. Budget Accountability

Budget Accountability, the fourth phase, refers to the evaluation of actual performance and initially approved work targets. Obligations incurred, personnel hired and work accomplished are compared with the targets set at the time agency budgets were approved.

The government is keen on the agencies strict adherence to *Performance Budgeting* which relates targeted work units, standard costs per unit of work, and the estimated expenditure level for each budgetary project. This phase completes the budget cycle by comparing actual expenditures and performance with the planned expenditure and performance level.

2. Timing of Budget Activity

Budgeting shall be synchronized with the **Department of Budget and Management** (DBM) annual budget cycle since the MMASGB's budget is incorporated in the DENR-EMB's budget proposal.

The budget preparation process in the Government is triggered by the issuance of a *Budget Call* by the **DBM** sometime in April of each year which reminds the different government agencies to prepare their respective budgets for the coming year in accordance with the approved overall budget ceilings. Then, DBM holds a series of budget hearings/consultations with agencies for the purpose of setting indicative expenditure ceilings of departments and component agencies including attached corporations.

The deadline for the submission of the agencies' budget proposal is end of May of the same year. It is therefore important that as early as the third



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month of each fiscal year, the MASGB should start thinking about the budget for the upcoming year.

An example of the Government's Budget Preparation Calendar is presented as **Annex A**.

3. Who Should be Involved

In general, managers or the heads of department/sections/units and members of the Governing Board and/or Technical Working Groups must participate in each phase of the budgeting process that affects the line items for which they will later be responsible. The following officers and staff of the **Technical-Administrative Secretariat** will be primarily involved in preparing the budget:

- a. Information Management Specialist and staff
- b. Air Quality Management Specialist and staff
- c. Public Relations Office and staff
- d. Administrative and Finance Officer and staff

The **Administrative and Finance Officer** and the staff of the **Administrative and Finance Unit** (i.e., Planning & Budgeting staff) will also act as a technical resource. The **Administrative and Finance Officer**, as the Budget Coordinator, will ensure that the budgeting process is completed professionally and will bring all of the various organizational units' (departments, sections, etc.) budgets together into a final budget for the MMASGB. He will also administer the budget program.

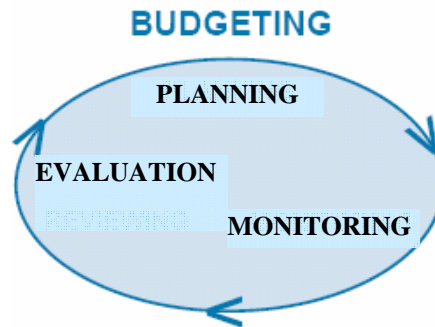
Budgeting requires those responsible to have good interpersonal skills. It is important to be able to listen carefully and negotiate both when planning and monitoring a budget. In order to develop budgets which truly reflect organizational priorities and act as a guide for spending and decision making

4. What is Involved in Budgeting

Budgets are usually managed in three stages:



Section 4: Budgeting System & Procedures



- a. **Planning**- setting the objectives and deciding what this will mean in terms of income and expenditure, within the overall limitations of the project or organisation.
- b. **Monitoring** - measuring how well the actual income and expenditure compares to the planned amounts. Regular statements identify the differences between budgeted and 'actual' figures. Any corrective action is taken on the basis of these statements.
- c. **Evaluation** - evaluating through a general review how closely objectives have been achieved and identifying a new framework, if necessary, for the forthcoming period. This takes place towards the end of the budget cycle and may be the start of the following year's planning. It is an opportunity to see if the process of planning and monitoring the budget could be improved.

5. Planning a Budget/Budget Preparation

The Chairman of the MMASGB Executive Committee shall issue a directive to all operating units of the MMASGB to prepare the budget for the entire Program (at the beginning of the Program) and annually, the detailed budget for the next calendar year. The instructions shall include the **Pro-forma Work and Financial Plan** which contains, among other, the *output* definition or desired *results*, the *key performance indicators*, the detailed *activities* and *tasks*, the *timeline* or *duration* of each activity/task, the responsible *organizational unit* and the *budgeted amount* by line-item.

There are five (5) simple stages to follow in order to construct an accurate budget:

- a. **Review of Prior Year's program, management achievements and financial performance**

The first step in the budget preparation process is a review of program and management achievements over the preceding year. This includes,



Section 4: Budgeting System & Procedures

but is not limited to, reviewing objectives achieved, comparing budget to actual figures, and looking at the accomplishments (through Key Performance Indicators (KPI's)). By dividing the cost of each objective achieved (goal, purpose, output and activity) by the extent of accomplishments or milestones established in the Work Plans, one can analyze the cost per unit of accomplishment.

b. Set goals and objectives for the coming year

Based on the review, the goals and objectives for the succeeding year are discussed and agreed upon in a preliminary way. These goals and objectives should fit into the MMASGB's strategic, long range plan , and help the MMASGB make progress towards achieving the results outlined in its *Action Plan*.

c. Decide or determine the “Limiting Factor”

The 'limiting factor' is what restricts the budget. It could be a lack of money, human or other resources and time required to implement a program (e.g., budgetary ceilings prescribed by DENR, funds allocated by the EMB from the AQMF). Remember this factor throughout the planning stage

d. Estimate the amount to be received or collected

Determine the income that could reasonable be collected during the ensuing fiscal year from grants, donations and other sources. Grants from foundations, corporations, and international donor agencies can be difficult to predict. The fundraising staff at the AFU and the TWG3 have to make the most realistic assessment possible for budgeting purposes using the best information available. Be as realistic as possible in the estimation and show the actual status of any possible amounts as a note to the budget, e.g. “unconfirmed funding”.

e. Estimate the cost required to execute the Program

Estimate the costs required to achieve the agreed objectives, including staff, supplies, and other resources. Include both program and finance staff in discussions of program costs to make sure that all resources required by the program are considered. Management staff should be included in discussions for their own unit's budget and how these relate to program objectives. For continuing programs, one can rely partly on past experience as reflected in budget to actual results.

Following are the detailed procedures for estimating the cost required to execute the Program:



Section 4: Budgeting System & Procedures

i. **Determine the *Inputs* needed to carry out the activities**

Using the **Work Plans** prepared in **Section C.4** (*Development of Work Plans*) above, determine the *Inputs* needed to carry out the *activities* listed to achieve the desired *results/outputs*. There may be several *inputs* for each activity and it will help to run through each individually, listing the required *inputs* (personnel, supplies, tools & equipment, & other resources). Group the *inputs* and list it once for each desired *result/output*, indicating the quantity and the unit of measure used for each *input*. For this purpose, a sample *Line-item Budget Worksheet* is presented in **Exhibit 2**. Each *input* is listed in the worksheet as a line-item and follows the object of expenditure classification in the NGAS Chart of Accounts. It is important to ensure that the line-item budget classification is consistent with the DBM's classification/categorization to facilitate consolidation with the DENR-EMB's budget.

The **DBM** provides specific guidelines in the preparation of Agency budget proposals for each year and it is important to consider these when determining the *Inputs* to ensure that the listed inputs are in line with the DBM's guidelines. A sample guideline – *Specific Guidelines In The Preparation of FY 2007 Agency Budget Proposals and Other Budgetary Items* – is presented as **Annex B**.

A separate worksheet is prepared for each *Work Plan* (which is associated with one *result/output* in the *Log Frame* document and/or *Action Plan*).

ii. **Calculate the cost of the *Inputs* for each *Result/Output***

Using the same *Line-item Budget Worksheet* above, estimate the cost associated with each listed *input* by multiplying the quantity indicated therein with the estimated unit cost. Sum-up the costs of all the *inputs* to the activities associated with each *result/output* to come up with the budgeted cost of each *result/output*.

iii. **Summarize the budget for the MMASGB**

The next step is to summarize the individual budgets of each *result/output* into a consolidated budget for the MMASGB. The outputs of this process are:

- 1) the *Line-Item Budget Summary by KRA*

The *Line-Item Budget Summary* is prepared in two steps:



Section 4: Budgeting System & Procedures

- a) Sort the individual *Line-Item Worksheets* by KRA and summarize these into a *Line-Item Budget Summary by KRA*. A sample worksheet is presented in **Exhibit 2A**).
- b) Summarize the *Line-Item Budget Summary by KRA* into a *Consolidated Line-Item Budget Summary* for the whole MMASGB. A sample worksheet is presented in **Exhibit 2B**).

2) the **Work and Financial Plan**

The individual *Work Plans (WP)* prepared earlier are summarized and presented together with a budget (based on the *Line-Item Budget Summary by KRA*), in the form of a *Work and Financial Plan (WFP)*. The budget, which details the delivery of means, translates the **WP's** in financial terms and the resulting document is the **WFP** of the MMASGB. A sample *Work and Financial Plan* is presented in **Exhibit 3**.

There are eleven (11) columns in the **WFP**. The following provides a description of each column in the **WFP** and explains how to provide the required information:

Fill in each row (Note: one row corresponds to one result/output in the GBAP and one Work Plan) of the WFP, as follows:

Column 1 - KRA: Indicate the Key Result Area

Column 2 – Action Required: Indicate the action required to produce the expected result or output based on the Action Plan

Column 3 - Results/Output: Indicate the desired *result/output* based on the Action Plan and/or WP.

Column 4 - Activities: Fill this in with the *activities* required to produce the output based on the WP.

Column 5 & 6 - Output Indicators: Fill this in with the performance *indicator(s)* (both the *unit of measure* and the *target* or planned extent of accomplishment for the year) as indicated in the Action Plan and/or WP.

Column 7& 8 – Timeframe – Indicate (with a bar) here the month(s) during the year when each activity will be carried out (*start* and *end*) based on the WP.

Column 9 – Operational Responsibility: Indicate the *Position Title* of the Officer or the *name* of the organizational unit responsible for producing the output based on the Work Plan.



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Column 10 & 11 – **Budget:**

- *Object of Expenditure* – Indicate here the major budget categories of expenditures based on the *Line-Item Budget Summary by KRA*
- *Amount* – Indicate here the budgeted cost for each result/output. based on the *Line-Item Budget Summary by KRA*

6. Budget Monitoring

Once implementation of the MMASGB Program starts, it is important to monitor regularly how close the actual expenditure and performance is to that predicted in the budget. In this way, implementers can receive essential feedback to check whether the objectives and targeted results are being met. This also allows managers, members of the GB, and other responsible officials of the Government to assess the MMASGB organization's performance.

Following are the stages in monitoring a budget:

a. Prepare/receive the information comparing 'actual' with 'budget'

To enable effective monitoring, the **Administrative and Finance Unit** will generate the following reports for monitoring purposes:

- *Statement of Budgeted and Actual Expenditures* for the Governing Board and the DENR-EMB. The statement - prepared on a monthly, quarterly and annual basis - shows a comparison of 'budget' to 'actual' expenditures together with explanations of reason(s) for any difference (the variance) thereof.
- *Quarterly Report on Physical and Financial Progress* for the EMB-Central Office to include: (i) quarterly report of collections, and (ii) audited report of disbursements by the Governing Boards not later than the 10th. Day of the ensuing month following the quarter.

In addition, the **EMB-Central Office** shall submit to **DBM** on or before the 30th. day of the ensuing month following the quarter a *Consolidated Quarterly Report on Physical and Financial Progress*.

b. Monitor the income and expenditure regularly

Those responsible for implementation should identify any difference or *variance* between each budgeted and actual income and expenditure



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item and explain the reason for this. It is helpful to add notes to the figures to explain the variances.

There could be many reasons for a difference between budget and actual, for example:

- An invoice has not been processed for an item already received
- Timing differences where the actual shows an activity has happened in one month only, but where the budget shows the total amount divided over twelve months.
- A payment in advance has been included, although the goods or service have not yet been received.
- The budget was incorrectly prepared.

c. Take action

Based on the monitored information, take action when needed as follows:

- Take no action if the actual income or expenditure is temporarily incorrect, but will right itself in the next period. Ensure that it does
- Predict what will happen if the current trend continues for the rest of the period.
- Take action to ensure that income and/or expenditure item reverts to what was expected in the original budget. It might be necessary, for example, to reduce costs, to cut back on planned activities, to increase fees and charges, or to follow-up on an expected grant or donation that has not been received.
- Consider obtaining permission to 'vire' for under/over budget items. This means that an under spending on one budget item, for example travel, is transferred to an overspending on another budget item, for example salaries, at some point during the year. If virement occurs it will simply 'tidy up' the budget and actual statement. Permission to do this is usually needed from a senior manager and/or donor. Virement will usually happen no more than once or twice a year.
- Inform people what action is needed in order to keep within the budget.
- Continue to monitor the budget and ensure that any action has been effective.



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7. Budget Review/Evaluation

Towards the end of the budget cycle, the Program's performance is reviewed by comparing actual expenditures and performance vis-à-vis the planned or budgeted expenditure and performance level. This actually overlaps with the following year's planning process which starts with the review of prior year's program (*See paragraph 5.a. above*).



Section 5: Funds Flow & Procedures for Release from the AQMF

1. General Provisions of the Clean Air Act

a. Sources of Funds for the AQMF

The *Clean Air Act* (CAA) defines the following as the sources of funds for the AQMF:

- i. Fines imposed and damages awarded to the Republic of the Philippines by the Pollution Adjudication Board (PAB);
- ii. Proceeds of licenses and permits issued by the DENR under this Act;
- iii. Emission fees, and from
- iv. Donations, endowments and grants in the form of contribution; contributions to the Fund shall be exempted from donor taxes and all other taxes, charges or fees imposed by the Government.

The DENR-DBM **Joint Memorandum Circular No. 01** (JMC No. 01), *Section 4, Annex 1* specified the fund sources by agency, as follows:

Figure 3: Sources of Funds for the AQMF by Agency

REVENUE SOURCES	DENR	DOTC	MMDA	DILG	DOST	DOE	DOH	DTI
1. Air emission charges from industrial facilities	x							
2. Air emission charges from motor vehicles		x						
3. Fines and penalties for non-compliance with environmental standards- (vehicular and industrial)	x	x	x	x				
4. Grants, donations and endowments from both private sector and donor organizations	x	x		x	x	x	x	x
5. Fees collected from the processing of permit applications such as Authority to Construct and Permit to Operate air pollution facilities.	x							
6. Fees collected from Certificates of Conformity (COC) issued to new motor vehicles/vehicle types and test	x							



REVENUE SOURCES	DENR	DOTC	MMDA	DILG	DOST	DOE	DOH	DTI
equipment.								
7. Fees collected from Certificates of Compliance to Emission Standards to imported secondhand motor vehicles		x						
8. Fines and penalties for violation of other provisions of the Act and its Implementing Rules & Regulations.	x			x		x		x

b. Uses of the AQMF

The AQMF is established to support the following activities (*Section 14 of the CAA*):

- i. To finance containment, removal, and clean-up operations of the Government in air pollution cases,
- ii. To guarantee restoration of ecosystems and rehabilitate areas affected by the acts of violators of this Act.
- iii. To support research, enforcement and monitoring activities and capabilities of the relevant agencies, as well as,
- iv. To provide technical assistance to the relevant agencies

The Act also provides that the Fund may be allocated per air shed for purposes of undertaking the aforementioned activities.

The ***DENR-DBM Joint Memorandum Circular No. 01 (DENR-DBM JMC No. 01)***, Section 5.2 further reiterates the provisions in the *Implementing Rules and Regulations* or **IRR** (Section 2, Rule XVI) that the AQMF will be used for activities that are in direct support of objectives outlined in the Air Quality Action Plan (AQAP) of the air sheds. As such it will be utilized to support, grant, and finance or otherwise assist activities such as, but not limited to, the following:

- i. purchase of equipment related to air quality monitoring, reporting or management;
- ii. running costs for special campaigns, monitoring, enforcement or public awareness raising;
- iii. costs for special events related to air quality monitoring enforcements, etc.



Section 5: Funds Flow & Procedures for Release from the AQMF

- iv. funding of temporary staff positions in accredited organizations, of persons who have a TOR directly related to implementation of AQAP
- v. research on air-related issues; and
- vi. running costs of Governing Boards and their Technical Secretariats.

The *DENR-DBM JMC No. 01* (Section 5.3 “Availment of Funds”) further provides that withdrawal from the AQMF shall be made through annual appropriation in the budget of the EMB-DENR.

c. Decision-Making on the Use of Funds from the AQMF

Decision-making on the use of the Fund is vested by the CAA on the DENR. The IRR delegated this function to the EMB.

There are three major prerequisite under *Section 4, Rule XVI* of the IRR before funds from the AQMF could be utilized:

- i. *the formulation by EMB of a set of criteria in the selection of projects and activities that will qualify or be eligible for funding by the AQMF; and*
- ii. *the setting up by the individual Governing Boards of a Special Committee - with members drawn from both the Government, private sector and civil society members of each Governing Board - to review funding proposals.*
- iii. *the formulation by EMB of business standards, which will describe the scrutiny mechanisms of proposals as well as maximum response times, in order to promote transparency and accountability.*

Presented below is a graphic illustration of the sources and uses of the AQMF as provided for by *RA 8749* and its Implementing Rules and Regulations (*DENR Administrative Order No. 2000-81*):



Section 5: Funds Flow & Procedures for Release from the AQMF

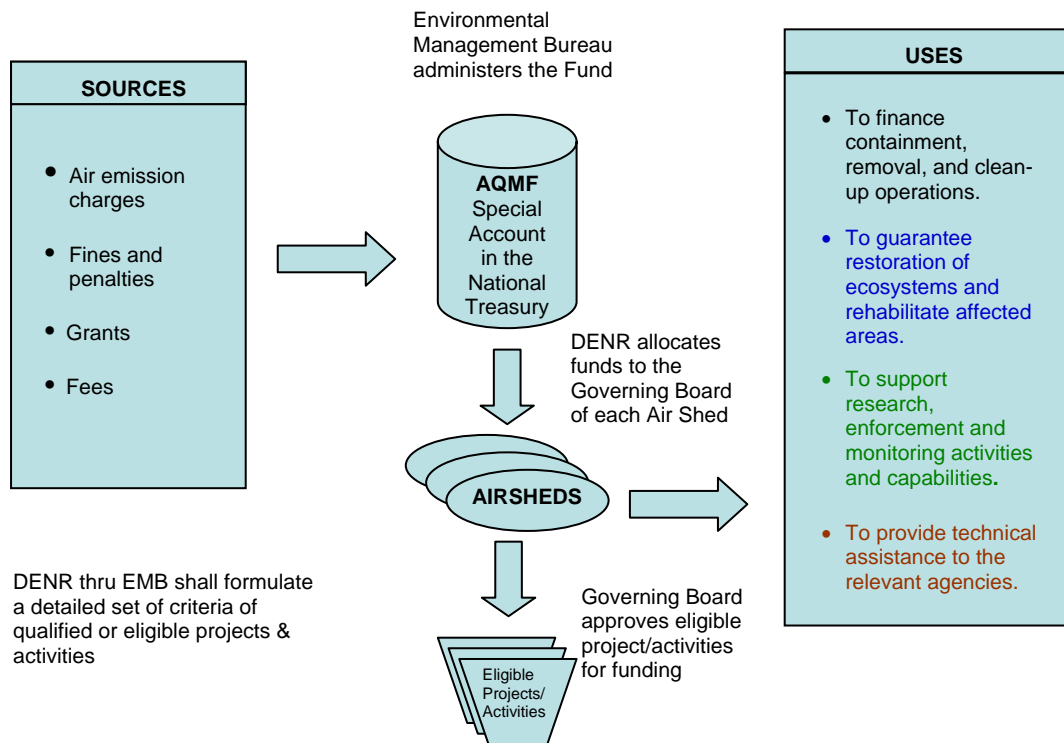


Figure 4: Sources & Application (Uses) of Funds-AQMF

2. Procedure for Collections and Deposits of Funds to the AQMF

[Note: This procedure is applicable to agencies that are mandated to collect fees and charges relating to the implementation of the CAA that should be deposited to the AQMF]

Receipts derived from the different sources of the AQMF as provided in paragraph *i* shall be accounted for as follows:

a. Collection and Deposits

- i. The Collecting Officer must issue an *Official Receipt* (OR) for all collections pertaining to the AQMF.
- ii. The Collecting Officers (CO's) shall indicate in the *Official Receipts* the following:
 - *Agency Code*: (e.g., B1132, for the DENR)
 - *Account Code*: 628 (Other Service Income)
 - *Fund Code*: 155 (AQMF)



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- iii. All checks and cash received for the day must be kept in a cash box or vault prior to deposit and should be deposited intact not later than the following banking day.
- iv. All collections relating to the implementation of the CAA shall be deposited/remitted to the *Bureau of Treasury* (BTr) through *Authorized Government Depository Banks* (AGDB).

b. Recording

The *Official Receipts* and the bank-validated *Deposit Slips* together with the *Abstract of Collections* shall be forwarded to the *Accounting Unit* of the Agency concerned for recording purposes.

c. Reporting

- i. The Collecting Officer shall prepare the following reports on collections and deposits:

Title of Report	Source	Frequency	No. of Copies	Distribution
<i>Abstract of Collections</i>	Official Receipts	Daily	2	Accounting Unit
				File
<i>Report of Collections</i>	Abstract of Collections	Monthly	2	Accounting Unit
				File
<i>List of Deposited Collections</i>	Bank-validated Deposit Slips	Quarterly	2	Authorized Government Depository Bank
				File

- ii. The Collecting Officers (CO's) shall indicate in the *Abstract of Collections*, *Report of Collections* and *List of Deposited Collections* the following:
 - *Agency Code*: (e.g., B1132, for the DENR)
 - *Code*: 628 (Other Service Income)



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- *Fund Code: 155 (AQMF)*
- iii. The CO's shall submit the *LDC* in hard copy and in diskette form to the AGDB branches. In lieu of diskette, a soft copy of the LDC may sent by electronic mail (e-mail) to the BTr District/Provincial Office where the deposit was made.
- iv. Each EMB Regional Office and each Collecting Agency shall submit a monthly *Report of Collections and Deposits* made to the AQMF to the **Administrative and Finance Section, Technical & Administrative Secretariat**.

Exhibit 4 presents a flowchart of the procedures in *Accounting for and Reporting of Collections and Deposits of Funds to the AQMF*.

3. General Guidelines on How to Avail of Funds from the AQMF

The DENR-DBM *Joint Memorandum Circular No. 01* (Section 5.3) provides the general guidelines on how to avail of the funds from the AQMF, as follows:

a. *Inclusion in the Appropriations of the EMB-DENR*

Withdrawal from the Fund shall be made through annual appropriations in the budget of the EMB-DENR. It is therefore necessary to include all projects and activities that are planned to be funded from the AQMF in the EMB-DENR's annual budget proposal for each fiscal year.

The concerned Agency/Board (e.g., the MMASGB) shall submit a Funding/Budget Proposal to the EMB in accordance with established set of criteria for possible funding from the AQMF.

In the case of the MMASGB, the *Summary Work and Financial Plan* which was prepared based on the MMASGB's *Action Plan* shall serve as the primary document comprising the proposal for funding to the EMB.

b. *Review and Approval of Funding/Budget Proposals by the MMASGB Special Review Committee*

Again, in the case of the MMASGB, the MMASGB's funding proposal (SWFP together with the supporting documents) shall initially be reviewed by the MMASGB's *Special Review Committee* using the detailed set of criteria formulated by the EMB. Any party aggrieved by the decision of the said Special Review Committee may, within fifteen (15) days from receipt of said decision/disapproval of its request, seek



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reconsideration with the said Committee. In case an adverse decision is still rendered, the party concerned may, within fifteen (15) days from receipt of said decision appeal to the DENR Secretary. The said decision shall become final and executory if no reconsideration is made before the said Committee or no appeal is taken there to the DENR Secretary within fifteen (15) days from receipt of said decision.

c. Submission of a Funding/Budget Proposal to EMB and Review by the EMB Special Review Committee.

Upon approval of Funding/Budget proposal by the GB's *Special Review Committee*, the same shall then be submitted to the EMB for further review and approval by this time, the *EMB Special Review Committee* (DENR Special Order No. 867).

d. Submission of the Funding/Budget Proposal by EMB to the DBM

All approved Funding/Budget Proposals submitted by the concerned Agencies/Boards for funding from the AQMF shall be consolidated by the EMB into a single budget proposal [duly supported with the Certification from the BTr of Fund (AQMF) Availability/Balance] to be incorporated into the EMB's budget proposal for the fiscal year and for inclusion in the DENR's annual budget appropriations.

e. Submission of a Special Budget Request (SBR)

For additional projects or activities to be undertaken by the concerned Agencies/Boards that were not included in the original budget submitted by EMB-DENR to the DBM, the concerned project proponent or organizational unit shall prepare and submit additional Funding/Budget proposals (using the DBM Budget Planning Format) to the EMB. The same shall go through the same review and approval process as the annual budget that was described above.

The approved Funding/Budget proposals will be endorsed by the EMB Director. This will then be submitted to DBM for the approval of a *Special Budget* and the issuance of the corresponding *Special Allotment Release Order* (SARO) and *Notice of Cash Allocation* (NCA) subject to budgeting laws, rules and regulations.

4. Release of Funds

Following the approval by the **DBM** of the **DENR's** budget for the fiscal year, the **DBM** shall issue an *Allotment Release Order* (**ARO**) to the DENR Secretary containing the authorization, conditions and amount of the Agency's allocation. The document may be the *Agency Budget Matrix* (**ABM**), where the amount of allocation not needing clearance is indicated, or



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the *Special Allotment Order (SARO)*, where the release of which is subject to compliance with specific laws or regulations (e.g., the CAA, in the case of the AQMF) or is subject to separate approval or clearance.

Disbursements of funds to the approved projects and activities of the MMSAGB shall follow the regular procedures for disbursements of funds from the National Treasury based on the DENR-EMB's budget (See *Cash Disbursements System-Chapter F-Accounting and Financial Reporting*).

Exhibit 5 presents a flowchart of the procedures for the *Availment and Release of Funds from the AQMF*.



Section 6: Sourcing of Funds from the Private Sector & Donor Organizations

One of the major sources of funds for the AQMF under the CAA are grants, donations and endowments from private sector and donor organizations - both international and local. based on the manner how these funds are accessed, funds from these source can be grouped into two categories: (1) official development assistance or ODA, and (2) funds from private foundations and other donor organizations.

1. Official Development Assistance (ODA)

Official development assistance or **ODA** are resource flows provided by bilateral sources and multilateral institutions with the objective of promoting the economic development and welfare of the recipient country. In contrast with other foreign flows, ODA is mainly concessional. ODA has always been an essential source of funding for the Philippines government's development programs and projects.

ODA may either take the form of soft loans or grants. Soft loans have interest rates, which may range from zero to seven percent, maturity periods ranging from ten to 50 years and grace periods of five to ten years. ODA grants, on the other hand, have no repayment obligation and are mainly provided in the form of experts, consultancy services, equipment, commodities and training.

ODA, however, are not provided without costs. The costs to the Philippine government include: a) local counterpart; b) operation and maintenance costs of implementing programs and projects; and c) financial costs such as debt service requirements of ODA loans. It is precisely because of these costs that the Philippine government undertakes an ODA programming exercise to ensure that ODA resources are channelled to priority development activities and are utilized effectively and efficiently.

The ODA programming process involves a continuum of interrelated activities - from project identification and evaluation, leading to an investment decision, its financing, implementation, monitoring and post-project evaluation. Following are the steps involved in order to avail of ODA.

a. The Country Program Review

Representatives of the Philippine Government and the funding agency sit down to discuss the status of the current ODA program, identify common areas of concern and agree on future directions of foreign aid.



Section 6: Sourcing of Funds from the Private Sector & Donor Organizations

b. Project Identification

The MTPIP serves as the primary basis for the identification of project for the country program to ensure that MTPDP-supportive projects are given due priority in funding.

Proponent agencies (in this case, DENR) identify projects (e.g. GB projects) consistent with the priorities in the NEDA's Medium-Term Public Investment Program. (Resources may be made available to proponents for the preparation of a project proposal or feasibility studies).

c. Pipelining of Projects

Upon submission of the proposal to NEDA, the Secretariat matches the objectives of the project with those of the donors. This activity leads to the formulation of a project pipeline for each donor, which is basically a long list of projects drawn from, or consistent with the MTPIP based on the eligibility criteria and the aid policies of the donor.

d. ICC Evaluation and NEDA Board Approval

Simultaneously, the NEDA, as secretariat to the Investment Coordination Committee (ICC), evaluates the proposal based on the following criteria: a) financial viability; b) economic viability; c) technical viability; d) environmental impact/social acceptability; e) social impact; and f) institutional considerations.

Upon favorable evaluation and subsequent approval by the ICC-Cabinet Committee, the project is elevated to the NEDA Board for final approval. The NEDA Board approval will then constitute the official endorsement of the project by the Government to the funding agency.

e. Donor Appraisal and Approval

Upon receipt of the government's endorsement of the project pipeline or individual project, the proposal is once again subjected to the donor's appraisal leading to a final decision. For those favorably considered by the funding agency, the government is informed that an amount is being earmarked or pledged for the project through an *Exchange of Notes* or through a *Note Verbale* coursed through diplomatic channels.

Subsequently, for loans, the Department of Finance, together with NEDA, holds loan negotiations with the funding agency. With regard to grants, NEDA takes the lead in representing the government in consultations with the proponent agency.



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f. Implementation

The official signing of the loan or grant agreements marks the start of the project or program. The Department of Budget and Management programs the disbursement of loan proceeds and counterpart requirements for loan-assisted projects. NEDA, on the other hand, monitors the utilization of ODA resources as well as the physical accomplishment of the project.

The process is a tedious one. There is always that possibility that after going through the exercise, MMAS GB project proposal may end up on the wayside – without getting approved.

Annex C provides a shortlist of potential ODA donors selected on the basis of the following criteria:

- History of providing official development assistance to the Philippines
- Thrust or main area of assistance (i.e., includes “environment” as a focal area)
- Form of assistance (i.e., provides “grant” as a form of assistance)

2. Funds from the Private Sector and Donor Organizations

Finding and identifying private foundations and donor organizations that give grants, donations or endowments for specific purposes or in specific subject areas requires considerable time, effort, and research. To be successful in winning a grant, donation or endowment, there are a number of important steps that the Governing Board, through the *Technical Working Group 3 – Funding for GB Operations (TWG3)* needs to take.

- First, **TWG3** needs to do extensive **research** in order to identify appropriate funding organizations.
- Once **TWG3** has identified potential funders, it will then need to determine how to approach them. In many cases, it is best not to submit an application to a funding organization that knows nothing about the **GB's** activities. So **TWG3** may need to take the time to **cultivate relationships** with these organizations via phone calls, visits, and/or letters of inquiry.
- Finally, **TWG3** will need to provide each funding organization with a well-written **proposal** which clearly states the **GB's** objectives and sets forth a plan and budget for its activities.



Section 6: Sourcing of Funds from the Private Sector & Donor Organizations

The **GB** should not expect to receive money right away. Funding organizations often take many months to review and process applications for grants, donations or endowments. The GB should also be aware that if awarded a grant, donation or endowment, it will be required to provide periodic program and/or financial reports to the funding organization.

Recognizing the long and drawn out procedures involved in the process, there is need to provide TWG3 with capable and dedicated (full-time) support staff who are equal to the challenge.

The resources presented below provide a starting point to help the Governing Board through the **TWG3** to jumpstart its research.

a. General Guidelines for Fundraising

Following are a general guidelines for fund-raising:

- i. Ensure the Governing Board is strongly involved in fundraising planning and implementation
- ii. Develop fundraising goals to be the resources needed to reach the strategic goals identified during strategic planning
- iii. Identify a variety of funding sources for each goal and the particular fundraising strategies preferred by each of the sources
- iv. Ensure your plans specify who will be doing what fundraising, so you don't have sources who become overwhelmed or irritated by repeated solicitations from different people in your organization
- v. "The Complete Guide to Nonprofit Management" by Smith, Bucklin and Associates suggests:
 - The most important aspect of fundraising is excellent public relations, that is, ensuring that your community has a strong, positive impression of your organization.
 - Establish an organizational structure to implement the fundraising plan, including:
 - *Board Executive Committee* - Establishes priorities and goals and approves the plan
 - *Outreach/Marketing Committee* - Identifies potential donors and coordinates efforts to promote fundraising
 - *Fundraising Committee* - Leads development and implementation of the plan, and approaches donors



Section 6: Sourcing of Funds from the Private Sector & Donor Organizations

- *Volunteer Coordinator* - Coordinates volunteer efforts, including identifying where volunteers might help, recruiting volunteers, ensuring they are effective and that they are recognized
 - *Information processing* - Assign staff to develop and maintain the fundraising database
 - *Accounting* - Be sure to include moneys raised in your accounting system
 - *Donation processing* - Have staff available to process donations (cashing checks, sending notes of appreciation, updating the fundraising database, etc.)
- vi. Corporations typically require a written proposal
- vii. Foundations rarely fund operating costs, that is, costs to support central administration of an organization, rather than specific programs which directly deliver services.
- viii. Consider approaching a local advertising, marketing or public relations firm for pro bono advice. Regularly send these companies evidence of the successes of your organization to keep them up to date on your organization.
- b. *Tips on Proposal Writing*

When writing a proposal, it is absolutely essential to see your proposal through the eyes of the people who will read it and decide whether it merits funding from the program they are responsible for. Among other things, assume that the reader knows nothing about you or any of the particulars of your plan. To test whether you're getting important information across, ask someone who doesn't know much about your organization or its activities to read the proposal.

On a smaller scale, even a proposal inspired by the best intentions and most desperate need has to have several basic elements to be worthy of funding. In the 1990's grant-makers stress **cost-effectiveness** (Will this approach solve a problem at a reasonable cost?), **evaluation** (How will we know if the plan works?), and **organizational linkages and collaboration** (Is the plan making maximum use of the programs that already exist? Will it provide something new or just duplicate an existing program?)

Presented below is an outline of the basic components of a typical proposal:



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Components of a Proposal

Executive Summary:	Umbrella statement of your case and summary of the entire proposal.	1 page
Statement of Need:	Why this project is necessary?	2 pages
Project Description:	Nuts and bolts of how the project will be implemented and evaluated.	3 pages
Budget:	Financial description of the project plus explanatory notes.	1 page
Organization Information:	History and governing structure of the non-profit; its primary activities, audiences, and services	1 page
Conclusion:	Summary of the proposal's main points	2 paragraphs

For more tips on proposal writing, an online tutorial is available in the following website:

<http://foundationcenter.org/getstarted/tutorials/shortcourse/>.



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c. *Selected Websites of International Donors*

Below is a list of selected websites of international donors, grants and foundations and the related resources:

1. <http://www.proposalwriter.com/intgrants.html>
2. <http://www.proposalwriter.com/#grants%20resources>
3. <http://www.lib.msu.edu/harris23/grants/privint.htm>
4. <http://www.pnnonline.org/article.php?sid=4620>

d. *Typical Funding Sources and Advantages/Disadvantages of Each*

Presented in **Annex D** is a list of typical funding sources and the advantages and disadvantages of each for guidance.



Section 7: Accounting & Financial Reporting

The **Accounting and Financial Reporting Systems (AFRS)** presents the basic policies and procedures; the chart of accounts coding system; the accounting systems; the books, registries, records, forms, and reports; to be adopted by the Metro Manila Air Shed Governing Board in recording, classifying, summarizing and reporting the financial transactions of the MMASGB.

1. Basic Features and Policies

The AFRS follows the basic features and policies prescribed by the **NGAS (Vol. I, Chapter 2, Sec. 4)** in recording, classifying, summarizing and reporting the financial transactions of regular government agencies (See **Annex E**).

2. Accounting Systems and Procedures

a. General Accounting Plan

The General Accounting Plan (GAP) shows the overall accounting system of the MMASGB. It includes the source documents, the flow of transactions and its accumulation in the books of accounts and finally their conversion into financial information/data presented in the financial reports. Presented in **Exhibit 6** is the General Accounting Plan for the **MMASGB**.

b. Books of Account, Registries and Records

Under the provisions of the NGAS, national government agencies (e.g., DENR) shall maintain regular agency books to be used to record the receipt and utilization of Notice of Cash Allocation (NCA) and other income/receipts which the agencies are authorized to use and to deposit with Authorized Government Depository Bank (AGDB) and the National Treasury. These shall consist of journals, ledgers and registries, as follows:

Journals

- Cash Receipts Journal (CRJ)
- Cash Disbursements Journal (CDJ)
- Check Disbursements Journal (CkDJ)
- General Journal (GJ)

Ledgers

- General Ledger (GL)
- Subsidiary Ledgers (SL) for:
 - ❖ Cash



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- ❖ Receivables
- ❖ Inventories
- ❖ Investments
- ❖ Property, Plant and Equipment
- ❖ Construction in Progress
- ❖ Liabilities
- ❖ Income
- ❖ Expenses

Registries

- Registries of Allotments and Obligations (RAO)
- Registry of Allotments and NCA (RANCA).
- Cash Receipts Record (CRR)
- Check Disbursements Record (CkDR).
- Cash Disbursements Record (CDR).
- Stock Card (SC)
- Property Card (PC)

Following government accounting rules and regulations, these books, registries and records shall be maintained at the Agency Level. The description of these books, registries and records is presented in **Annex F**.

For the proper accounting of allotments/sub-allotments received from DENR-EMB of the AQMF and of other funds received from various other sources, the MMASGB shall maintain separate books of accounts, registries and records to enable it to prepare the required financial reports.

The MMASGB's **Administrative and Finance Unit** shall maintain the following books of accounts:

i. Expenditure Subsidiary Ledger

The *Expenditure Subsidiary Ledger* (**Exhibit 7**) shall be maintained by the Accounting Staff at the MMASGB to record allotments received and obligations incurred based on the ALOBS by *KRA*, *Output/Result*, and *Activity*.

ii. Registries

In order to monitor allotments received, obligations incurred, cash received and disbursed, among others, the following registries shall be maintained, where applicable, by the MMASGB.



Section 7: Accounting & Financial Reporting

- **Registries of Allotments and Obligations (RAO).** The *Registries of Allotments and Obligations* (RAO) shall be prepared by agencies to record allotments and obligations. This record shall be maintained by the Budget Unit/Authorized Official of the agency to monitor allotments available for obligations. At the MMASGB level, it shall be maintained by the FAU for allotments received through the Sub-Allotment Release Order (Sub-ARO) issued by the DENR-EMB to the MMASGB It shall show all the allotments received and the obligations incurred charged against the corresponding allotment. The balance is extracted every time an entry is made to prevent incurrence of obligations in excess of allotment received.

The registries are as follows:

- *Registry of Allotments and Obligations-Capital Outlay* (RAOCO), The RAOCO (**Exhibit 8**) shall be used to record allotments received and obligations incurred for capital outlay.
 - *Registry of Allotments and Obligations-Maintenance and Other Operating Expenses* (RAOMO). The RAOMO (**Exhibit 9**) shall be used to record allotments received and obligations incurred for expenses classified under Maintenance and Other Operating Expenses.
 - *Registry of Allotments and Obligations-Personal Services* (RAOPS), The RAOPS (**Exhibit 10**) shall be used to record allotments received and obligations incurred for expenses classified under Personal Services.
 - *Registry of Allotments and Obligations-Financial Expenses* (RAOFE). The RAOFE (**Exhibit 11**) shall be used to record allotments received and obligations incurred for financial expenses, such as commitment fees, bank charges, etc. so as to distinguish them from the regular maintenance and other operating expenses.
- **Cash Receipts Record** (CRR). The *Cash Receipts Record* (**Exhibit 12**) shall be used by the designated Collecting Officer to record his/her collections and deposits.
 - **Check Disbursements Record** (CkDR). The *Check Disbursements Record* (**Exhibit 13**) shall be used by the Disbursing Officer to record checks released charged against NCAs/funding checks received/deposits in a bank current account



Section 7: Accounting & Financial Reporting

of government agencies. A separate record shall be maintained for each source of fund.

- **Cash Disbursements Record (CDR).** The *Cash Disbursements Record (Exhibit 14)* shall be used by the Disbursing Officer to record the cash advance received and disbursements made out of the cash advances.
- **Stock Card (SC).** The *Stock Card (Exhibit 15)* shall be used to record all receipts and issuances of supplies. It shall be maintained by the Supply and Property Unit for each item in stock.
- **Property Card (PC).** The *Property Card (Exhibit 16)* shall be used by the Supply and Property Unit to record the description, transfer/acquisition, disposal, and other information about the property, plant and equipment. It shall be kept for each class of property, plant and equipment.

c. Accounting Forms and Reports

MMASGB transactions shall be processed using the prescribed forms in the New Government Accounting System (NGAS) Manual. (See **Annex G**).

d. Chart of Accounts

In line with COA Circular No. 2003-001 dated June 17, 2003, the MMASGB shall use the same universal *Chart of Accounts* prescribed for all GOP agencies (See **Annex H**). The *Chart of Accounts* provides the framework within which the accounting records are constructed. It is prescribed for use by all national government agencies and local government units in order to achieve uniformity in the recording of government financial transactions.



Section 7: Accounting & Financial Reporting

The prescribed *Chart of Accounts* consists of three-digit codes grouped as follows:

<u>Accounts</u>	<u>Account Codes</u>
Assets	100-299
Asset Contra Accounts	300-399
Liabilities	400-499
Equity	500-599
Revenue/Income	600-799
General Income	600-699
Accounts	
Specific Income	700-799
Accounts	
Expenses	800-960
Personal Services	801-830
Maintenance and Other	831-950
Operating Expenses	
Financial Expenses	951-960

Coding Structure for Internal Accounting and Financial Monitoring at MMASGB

In order to facilitate the accounting for actual allotment received and obligations incurred against the budgeted amounts in the MMSGB's *Work and Financial Plan*, a standard coding structure will be followed when preparing the WFP, when recording allotment received and obligations incurred, and when preparing financial monitoring reports. This will provide the GB the means for internal comparison and analysis of activity at a detailed level.

The proposed coding structure will consist of a 9-digit code conforming to the following model, consistent with the structure of the elements in the *Action Plan*:

Key Result Area	Output	Activity	Object of Expenditure
00	00	00	000



Section 7: Accounting & Financial Reporting

Key Result Area: The *Key Result Area* segment will show the organisational analysis of cost (i.e., by TWG) from summary to detail level through a series of hierarchical relationships.

Output. The *Output* segment will show the analysis of cost of each of the outputs or results that were produced under each KRA

Activity. The *Activity* segment will show the analysis of the cost of each of the activities undertaken to produce each of the outputs.

Object of Expenditure. The *Object of Expenditure* segment will show the cost of inputs used in carrying out each of the activities.

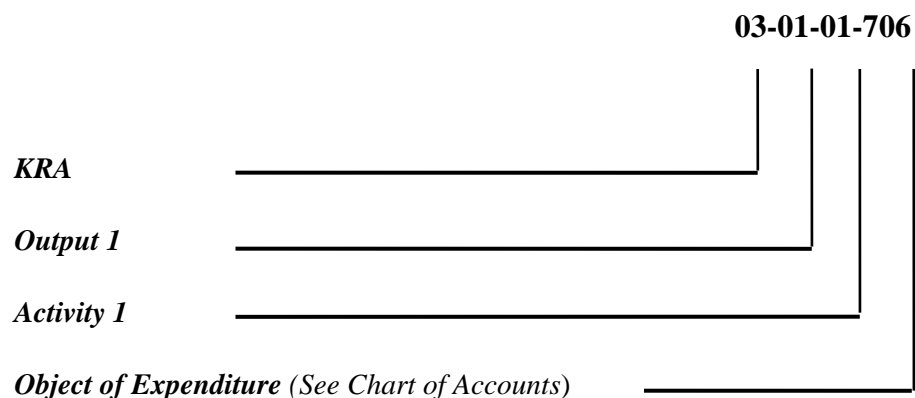
For example,

KRA 3 – Resource generation & management to support activities within the air shed

Output 1-Funding sources and other resources identified and accessed

Activity 1 – Prepare/obtain a list of funding sources and determine the requirements for accessing the funds

Object of Expenditures – Salaries & wages-Contractual, shall be coded as follows:



e. Processing and Recording of Transactions

MMASGB transactions shall be processed and recorded following the procedures prescribed by the New Government Accounting System (NGAS) in the following transactions systems:



Section 7: Accounting & Financial Reporting

i. Budgetary Accounts System

The Budgetary Accounts System encompasses the processes of preparing Agency Budget Matrix (ABM), monitoring and recording of allotments received by the agency from the DBM, releasing of Sub-Allotment Release Order (Sub-SARO) to Regional Offices (RO) by the Central Office (CO); issuance of Sub-SARO to Operating Units (OU) by the RO; and recording and monitoring of obligations. The complete procedures in accounting for budgetary accounts – appropriations, allotments and obligations – for the whole agency are presented in **Annex I**.

Following are the detailed procedures for monitoring and recording of sub-allotments and obligations at the MMASGB.

1) **Issuance of Allotment Release Order (ARO/Sub-ARO)**

The **ARO** is a formal document issued by the DBM to the head of the agency containing the authorization, conditions and amount of an agency allocation. The document may be the *Agency Budget Matrix (ABM)*, where the amount of allocation not needing clearance is indicated, or the *Special Allotment Release Order (SARO)*, where the release of which is subject to compliance with specific laws or regulations or is subject to separate approval or clearance by competent authority.

Based on the approved **ABM** or **SARO**, the EMB shall issue a *Sub-ARO (S-ARO)* to MMASGB for its allocation of AQMF funds for the year.

2) **Procedures for the Issuance and Recording of Sub-Allotment Release Order (Sub-ARO) by the EMB to the MMASGB.**



Section 7: Accounting & Financial Reporting

Area of Responsibility	Seq. No.	Activity
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Issuance of Sub-ARO by EMB

EMB Central Office/ Budget Unit Budget Staff	1	Based on the approved ABM received from the DBM, prepares Sub-ARO for Forwards the Sub-ARO to the Head of the Budget Unit for review.
Head of the Budget Unit	2	Reviews and signs Sub-ARO. Forwards the same to the Head of the EMB for approval.
Head of the EMB /Authorized Officer	3	Approves the Sub-ARO.
Budget Staff	4	Based on the approved Sub-ARO, prepares ALOBS in two copies. Assigns number and initials the ALOBS. Forwards the same with a copy of approved Sub-ARO to the Head of the Budget Unit for review and signature.
<p><i>Note 1</i> Distribution of ALOBS shall be as follows: Original - CO/RO Budget Unit Copy 2 - CO/RO Accounting Unit</p>		
<p><i>Note 2</i> Refer to ALOBS numbering structures in Note 1 Sec. 12, Procedures in the Monitoring and Recording of Allotments Received from DBM</p>		
Head of the Budget Unit	5	Reviews, checks the small box opposite the ‘Sub-allotted’ portion of Box A of the ALOBS and affixes signature certifying as to the amount sub-allotted to RO/OU. Forwards the same with the approved Sub-ARO to Budget Staff for recording in the appropriate RAOs.



Area of Responsibility	Seq. No.	Activity
Budget Staff	6	<p>Records the ALOBS in the appropriate RAOs. Files the ALOBS and a copy of the Sub-ARO.</p> <p><i>Note 3</i> <i>The ALOBS covering sub-allotment for the RO/OU shall be entered in the RAOs as negative entry in the 'Allotment' column and shall be deducted from the allotment balance.</i></p> <p><i>Note 4</i> <i>A copy of the ALOBS covering allotment of the RO/OU shall be furnished the Accounting Unit for reference.</i></p>
Concerned Staff	7	<p>Records in the logbook the release of the Sub-ARO to MMASGB.</p>
MMASGB Budget Unit Concerned Staff	8	<p>Receives the approved Sub-ARO from the EMB Budget Unit. Records the same in the logbook maintained. Forwards the Sub-ARO to the Budget Staff for the preparation of ALOBS.</p>
Budget Staff, MMASGV	9	<p>Prepares ALOBS in two copies, assigns number and initials the same. Forwards the ALOBS and Sub-ARO to the Head of the Budget Unit for review and signature.</p> <p><i>Note 5</i> <i>Refer to Notes 1 and 2 of Sec.12, Procedures for the Monitoring and Recording of Allotments Received from the DBM.</i></p>
Finance & Administrative Officer, MMASGB	10	<p>Reviews the ALOBS based on the Sub-ARO. Checks the small box opposite the "Received" portion of Box A of the ALOBS and affixes signature certifying that the allotment was received.</p> <p>Indicates the account code(s) of the activity(ies) where the allotment shall be charged</p> <p>Forwards the ALOBS and Sub-ARO to the Budget Staff for recording in the appropriate RAOs.</p>



Area of Responsibility	Seq. No.	Activity
<i>Note 6</i> <i>Refer to Note 3, of Sec.12, Procedures for the Monitoring and Recording of Allotments Received from the DBM.</i>		
Budget Staff, MMASGB	11	Records the ALOBS in the RAOs. Files the Sub-ARO and original of the ALOBS.
	12	Forwards copy 2 of the ALOBS to the Accounting Staff, MMASGB for reference.
Accounting Staff, MMASG	13	Receives copy 2 of the ALOBS from the Budget Staff, MMASGB.
	14	Records the allotment received (ALOBS) in the <i>Expenditure Subsidiary Ledger</i> .

The procedures for the issuance and recording of allotments at the MMASGB is graphically presented in a flowchart shown as **Exhibit 17**.

3) Accounting for Obligation.

Obligation refers to a commitment by a government agency arising from an act of a duly authorized official which binds the government to the immediate or eventual payment of a sum of money. The agency is authorized to incur obligations only in the performance of activities which are in pursuance of its functions and programs authorized in appropriation acts/laws within the limit of the ARO.

Obligations shall be taken up in the registries through the ALOBS prepared/processed by the Budget Unit. The Budget Officer/Head of the Budget Unit/designated Budget Officer shall certify to the availability of allotment and such is duly obligated by signing in the appropriate box of the ALOBS. On the other hand, the Accountant/Head of the Accounting Unit shall certify to the correctness and validity of obligations, and availability of funds. Both Budget and Accounting Units shall coordinate in the filling up of the Status of the Obligation in their respective copies of the ALOBS



Section 7: Accounting & Financial Reporting

4) Procedures for the Recording of Obligations at the MMASGB

Area of Responsibility	Seq. No.	Activity
Finance & Admin. Unit, MMASGB Concerned Staff	1	Receives the Disbursement Voucher/ Payroll (DV/P), and supporting documents, Contract/ Purchase Order (C/PO) from concerned offices/personnel. Verifies completeness of the documents. If incomplete, returns the documents to concerned offices for completion. If complete, records the same in the logbook maintained. Forwards the documents to Budget Staff for the preparation of the ALOBS.
	2	Verifies availability of allotment based on the RAOs. If no allotment is available, returns the documents to the office/personnel concerned except as authorized by the DBM.
	3	If there is an available balance of allotment to cover the obligations, prepares an ALOBS in three copies. Initials the ALOBS and forwards the same to the <i>Finance & Administrative Officer</i> for review and signature.
		<p style="text-align: center;"><i>Note 1</i></p> <p style="text-align: center;"><i>Copy 3 of ALOBS shall be attached to the DV. Refer to Note 2, Sec. 12, Procedures for the Monitoring and Recording of Allotments Received from DBM for the distribution of the other copies of ALOBS.</i></p>
Finance & Admin. Officer	4	<p>Reviews, checks the small box opposite the 'Available and duly obligated' portion of Box A of the ALOBS and affixes signature.</p> <p>Indicates the account code(s) of the activity(ies) whose allotment shall be charged for the amount obligated.</p> <p>Forwards the ALOBS and documents to</p>



Area of Responsibility	Seq. No.	Activity
		the <i>Budget Staff</i> for recording in the appropriate RAOs.
Budget Staff	5	Records the amount obligated under the 'Obligation' column of the RAOs. Forwards all copies of the ALOBS and the documents to the Accounting Staff for processing and signature.
		<i>Note 2</i> <i>Obligations shall be posted in the 'Obligation Incurred' column of the RAOs to arrive at the balance of allotment still available at a given period.</i>
Accounting Staff, MMASG	6	Receives the ALOBS from the Budget Staff, MMASGB.
	7	Records the amount obligated under the 'Obligation' column of the <i>Expense Subsidiary Ledger</i> .
	8	Returns the original of the ALOBS to the Budget Staff
Budget Staff	9	Receives original of ALOBS from the Accounting Unit. If there is no correction, files the same to support the RAOs. Otherwise, effects correction in the RAOs or prepares a new ALOBS, as the case may be.
		<i>Note 3</i> <i>For the succeeding activities, refer to Sec. __, Procedures for Disbursements By Checks.</i>
		<i>Note 4</i> <i>There is no need to prepare a new ALOBS for corrections/adjustments made by the Accounting Staff after the processing of the claims but before payment is made. Adjustment in the RAOs shall be effected thru a positive entry (if additional obligation is necessary) or a negative entry (if reduction) in the 'Obligation Incurred' column.</i>



Area of Responsibility	Seq. No.	Activity
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Note 5

Preparation of new ALOBS for the following adjustments of obligations as negative entries in the 'Obligation Incurred' column shall be made:

- *refund of cash advance granted during the year*
- *overpayment of expenses during the year*
- *disallowances/charges which become final and executory*

Certified copies of official receipts for the overpayments/refunds, copies of bills for overpayments and Notice that the disallowances are final and executory shall be furnished the Budget Staff by the Accounting Staff for the preparation of new ALOBS taking up the adjustments.

The procedures for recording of obligations at the MMASGB is graphically presented in a flowchart shown as **Exhibit 18**.

ii. Receipts/Income and Deposit System

The *Receipts/Income Collections and Deposits System* covers the processes of acknowledging and reporting income/collections, deposits of collections with Authorized Government Depository Bank (AGDB) or through the AGDB for the account of Treasurer of the Philippines, and recording of collections and deposits in the books of accounts of the agency.

All Collecting Officers shall deposit intact all their collections, as well as collections turned over to them by sub-collectors/tellers, with AGDB daily or not later than the next banking day. They shall record all deposits made in the Cash Receipts Record.

At the close of each business day, the Collecting Officers shall accomplish the Report of Collections and Deposits (RCD) in accordance with the instructions provided in **Volume II of the NGAS Manual**. All collections shall be deposited with AGDB for the account of the agency or the Treasurer of the Philippines daily or not later than the next banking day.



Section 7: Accounting & Financial Reporting

1) Procedures for Collections and Deposits Through the Collecting Officer

Area of Responsibility	Seq. No.	Activity
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Cashier/ Designated Staff	1	<u>Daily</u> Receives cash/check from payor representing collection based on the Order of Payment (OP) prepared by the Accounting Unit.
	2	Issues Official Receipt (OR) to acknowledge receipt of cash/check.

Note 1

Funding Checks received by the Cashier/ Collecting Officer of the RO/OU for its operational requirements shall be issued corresponding OR..

Note 2

Separate sets of ORs shall be used for the RA and NG Books.

Note 3

The OR shall be prepared in three copies and shall be distributed as follows:

Original - Payor

Copy 2 - To be attached to the Report of Collections and Deposits (RCD)

Copy 3 - Cash Unit file

	3	Records collections in the Cash Receipts Record (CRR).
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Note 4

Separate CRR shall be maintained for collections under the RA and NG



Area of Responsibility	Seq. No.	Activity
		<i>Books.</i>
	4	Prepares Deposit Slip (DS) in three copies.
		<i>Note 5</i> <i>The DS shall be distributed as follows:</i> <i>Original - AGDB</i> <i>Copy 2 - To be attached to RCD</i> <i>Copy 3 - Cash Unit file</i>
	5	Deposits collections with AGDB.
		<i>Note 6</i> <i>Collections pertaining to NG Books shall be deposited with the AGDB for the account of the Treasurer of the Philippines</i>
	6	Based on the validated DS from the AGDB and copy of the ORs on file, prepares Report of Collections and Deposits (RCD) in two copies. Initials on the RCD and forwards the same together with Copy 2 of the ORs and DS to the Head of the Cash Unit for review and signature.
Designated Officer	7	Reviews and signs the RCD. Forwards original of RCD, Copy 2 of the ORs and DS to the Designated Staff for submission to the Accounting Unit.
		<i>Note 7</i> <i>The RCD shall be distributed as follows:</i> <i>Original - Accounting Unit together with Copy No. 2 of the ORs and DS - to support the JEV</i> <i>Copy 2 - Cash Unit file</i>
Designated Staff	8	Records the RCD in the logbook maintained and forwards the same with the ORs and DS to the Accounting



Area of Responsibility	Seq. No.	Activity
		Unit for recording in the books of accounts.
Accounting Staff	9	Receives original of RCD with Copy 2 of the ORs and DS from the Cash Unit. Records receipt in the logbook maintained for the purpose and forwards the same to the Bookkeeper for review and preparation of the JEV.
Bookkeeper	10	Based on the RCD, prepares JEV in two copies and signs “Prepared by” portion of the JEV. Forwards the JEV and documents to the Head of the Accounting Unit for review and signature.
Head of the Accounting Unit	11	Reviews and signs ‘Certified Correct by’ portion of the JEV. Forwards the JEV and documents to the Bookkeeper for recording in the Cash Receipt Journal (CRJ) and/or Cash Journal (CJ) as the case may be.

Note 8

CRJ shall be used to record collection under the RA Books while the CJ shall be used to record collections under the NG Books.

Note 9

*For the succeeding activities, refer to Sec. 71, Preparation and Submission of Trial Balances and Other Reports of the **Manual on the New Government Accounting System**.*



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2) Procedures for Collections through Accredited Agent Banks (AAB)

Area of Responsibility	Seq. No.	Activity
Accounting Unit Receiving/ Releasing Staff	1	Receives collection documents from the AAB/AGDB. Records receipt in the logbook maintained for the purpose. Forwards the same to the Bookkeeper for preparation of the JEV.
Bookkeeper	2	Based on the received collection documents, prepares JEV in two copies, Signs “Prepared by” portion of the JEV. Forwards the JEV and documents to the Head of the Accounting Unit for review and signature.
Head of the Accounting Unit	3	Reviews and signs “Certified Correct by” portion of the JEV. Forwards the JEV and documents to the Bookkeeper for recording in the General Journal (GJ).

Note 1

*For the succeeding activities, refer to Sec. 71, Preparation and Submission of Trial Balances and Other Reports of the **Manual on the New Government Accounting System.***

iii. Cash Disbursements System

Disbursements constitute all cash paid out during a given period either in currency (cash) or by check. It may also mean the settlement of government payables/ obligations by cash or by check. It shall be covered by Disbursement Voucher (DV)/Petty Cash Voucher (PCV)



Section 7: Accounting & Financial Reporting

or payroll. The *Cash Disbursements System* involves the preparation and processing of disbursement voucher (DV); preparation and issuance of check; payment by cash; granting, utilization, and liquidation/replenishment of cash advances.

1) Basic Requirements for Disbursements.

The basic requirements applicable to all types of disbursements made by national government agencies are as follows:

- Existence of a lawful and sufficient allotment certified as available by the Budget Officer;
- Existence of a valid obligation certified by the Chief Accountant/Head of Accounting Unit;
- Legality of transactions and conformity with laws, rules and regulation;
- Approval of the expense by the Chief of Office or by his duly authorized representative; and
- Submission of proper evidence to establish the claim.

2) Certification on Disbursements.

Disbursements from government funds shall require the following certifications on the DV:

- Certification and approval of vouchers and payrolls as to validity, propriety and legality of the claim (Box A of DV) by head of the department or office who has administrative control of the fund concerned;
- Necessary documents supporting the DV and payrolls as certified and reviewed by the Accountant/Head of Accounting Unit (Box B of DV); and
- Certification that funds are available for the purpose by the Accountant/Head of Accounting Unit (Box B of DV).

3) Disbursements by Checks.

Checks shall be drawn only on duly approved DV or PCV. These shall be reported and recorded in the books of accounts only when actually released to the respective payees.



Section 7: Accounting & Financial Reporting

Two types of checks are being issued by government agencies as follows:

- a) *Modified Disbursement System (MDS) Checks* - issued by government agencies chargeable against the account of the Treasurer of the Philippines, which are maintained with different MDS - Government Servicing Banks (GSBs). These are covered by Notice of Cash Allocation, an authorization issued by the DBM to government agencies to withdraw cash from the National Treasury through the issuance of MDS checks or other authorized mode of disbursements.
- b) *Commercial Checks* - issued by government agencies chargeable against the Agency Checking Account with GSBs. These are covered by income/receipts authorized to be deposited with AGDBs; and funding checks received by RO/OUTs from COs/ROs, respectively.

All checks issued including cancelled checks shall be recorded chronologically in the CkDR. The dates checks were actually released shall be indicated in the appropriate column provided for in the CkDR.

All checks actually released to claimants shall be included in the *Report of Checks Issued (RCI)*, which shall be prepared daily by the Cashier. The RCI shall be submitted to the Accounting Unit for the preparation of JEV. All unreleased checks as of the report date shall be enumerated in a "List of Unreleased Checks" to be attached to the RCI.



Section 7: Accounting & Financial Reporting

4) Procedures for Disbursements by Checks.

Area of Responsibility	Seq. No.	Activity
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A. Processing of Disbursement Voucher (DV)

Finance & Administrative Unit

Receiving/
Releasing
Staff

- | | |
|---|---|
| 1 | Receives Copies 1-3 of DV, originals of supporting documents and Copies 1-3 of ALOBS from the Budget Unit. Checks completeness of supporting documents. If incomplete, returns to the concerned party for compliance. |
| 2 | If complete, stamps “Received” and indicates date of receipt and initials on the stamped ‘Received’ portion of the DV. |

Note 1

DV that shall be paid out of non-budgetary receipts shall not pass the Budget Unit. No ALOBS is needed. (Example - refund of cash bond).

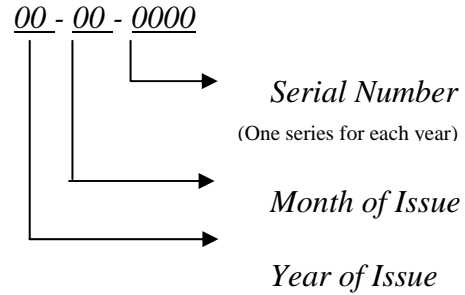
- | | |
|---|---|
| 3 | Assigns DV number and records in the logbook the DV number and date, payee, particular and amount. Forwards Copies 1-3 of DV, originals of supporting documents and Copies 1-3 of ALOBS to the Designated Staff for processing. |
|---|---|

Note 2

The numbering structure for DV shall be as follows:



Area of Responsibility	Seq. No.	Activity
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Note 3

DV number shall also be indicated on every sheet of the supporting documents.

Designated Staff	4	Receives Copies 1-3 of DV, originals of supporting documents and Copies 1-3 of ALOBS from the Receiving/Releasing Staff. Reviews DV for completeness and propriety of supporting documents.
	5	Checks Index of Payments (IP) from file and determines whether there was prior payment of the same claim. If the claim was already paid, returns the DV and supporting documents to the Receiving/Releasing Staff to be returned to claimant.
	6	If not yet paid, records the following in the IP: name and address of creditor, DV date and number, particulars and amount.
	7	Accomplishes Box B of ALOBS and initials.
Head of the Finance and	8	Initials in Box B of DV and forwards Copies 1-3 of DV, originals of supporting documents and Copies 1-3 of ALOBS to the Head of Accounting Unit for review and signature.
	9	Reviews DV and supporting documents. Signs in Box B of DV and



Area of Responsibility	Seq. No.	Activity
Administrative Unit		ALOBS. Forwards the documents to the Receiving/Releasing Staff.
Receiving/ Releasing Staff	10	Records in the logbook the date of release of Copies 1-3 of DV, originals of supporting documents and Copy 3 of ALOBS. Forwards to the Head of Agency or Authorized Representative for approval of the DV. Forwards Copy 1 of ALOBS to the Budget Unit and retains Copy 2 of ALOBS for file.
Head of Agency or Authorized Representative	11	Reviews and approves DV. Forwards Copies 1-3 of DV, Copy 3 of the ALOBS and originals of supporting documents to the Cash Unit for check preparation.



B. Preparation and Approval of Checks

Cash Unit		
Receiving/ Releasing Staff	12	Receives Copies 1-3 of approved DV, Copy 3 of ALOBS and originals of supporting documents. Records in the logbook the date of receipt, DV number, payee, particulars and amount.
Designated Staff	13	Verifies completeness of signatories on the DV. Prepares check in three copies.
	14	Retrieves from file the Check Disbursements Records (CkDR) and records the date, reference or check number, name of payee, nature of payment and amount of the DV and extract the new balance of the NCA/bank account. Forwards Copies 1-3 of check, Copies 1-3 of DV, Copy 3 of ALOBS and originals of supporting documents to Cashier for review and signature.
Cashier	15	Verifies completeness of signature on the DV. Reviews the amount of the check against the DV and supporting documents. Signs the check.
Authorized Official	16	Countersigns check. Forwards Copies 1-3 of check, Copies 1-3 of DV, Copy 3 of ALOBS and supporting documents to the Receiving/Releasing Staff for return to the Cashier.
Receiving/ Releasing Staff	17	Records in the logbook the date of release of Copies 1-3 of check, Copies 1-3 of DV, Copy 3 of ALOBS and supporting documents.
Cashier	18	Releases the original of check and Copy 3 of DV to the payee. Attaches OR/Invoice on Copy 1 of DV. Files Copies 2-3 of check, Copies 1-2 of DV, originals of supporting documents.



C. Preparation of Report of Checks Issued (RCI)

Daily,

- 19 With Copies 1-2 of DV, Copy 3 of ALOBS, supporting documents, Copies 2-3 of checks, prepares RCI in two copies.

Note 6:

RCI shall include only those checks actually released to the payees during the day including cancelled ones.

Note 7:

The RCI shall be distributed as follows:

Original - Accounting Unit together with the originals of the paid DVs/payroll and supporting documents for JEV preparation

Copy 2 - Cash Unit file

- 20 Initials in 'Certification' portion of the RCI.

Head of the Cash Unit 21 Reviews RCI and signs in 'Certification' portion.

Designated Staff 22 Forwards original of RCI together with Copy 2 of checks, Copy 1 of DVs, Copy 3 of ALOBS and supporting documents to the Accounting Unit for the preparation of JEV. Retains Copy 2 of RCI, Copy 3 of checks and Copy 2 of DVs for file.

Note 8:

The "List of Unreleased Checks" shall be attached to the RCI to be submitted to Accounting Unit for reference.



D. Preparation of JEV

Accounting Unit Receiving/ Releasing Staff	23	<u>Daily</u> Records receipt of Copy 1 of RCI together with Copy 2 of checks, Copy 1 of DVs, Copy 3 of ALOBS and originals of supporting documents from Cash Unit in the logbook. Forwards the documents to the Designated Staff for JEV preparation.
Designated Staff	24	Examines DVs and checks against RCI. Verifies if the serial number of checks actually issued, including spoiled and cancelled ones, are all accounted for.
	25	Prepares JEV in two copies and signs in the “Prepared by” portion.
Head of the Finance & Administrative Unit/Authorize d Signatory	26	Reviews correctness of the journal entries and signs on ‘Certified Correct by’ portion of the JEV. Forwards Copies 1-2 of JEV and Copy 1 of RCI, Copy 2 of checks, Copy 1 of DVs, Copy 3 of ALOBS and originals of supporting documents to Designated Staff for recording in the Check Disbursements Journal (CkDJ).

E. Recording in the CkDJ

Designated Staff	27	Receives Copies 1-2 of JEV and Copy 1 of RCI, Copy 2 of checks, Copy 1 of DVs, Copy 3 of ALOBS and supporting documents. Records the JEV in the CkDJ. Retains Copy 2 of JEV for file. Forwards Copy 1 of JEV, RCI and DV, Copy 2 of checks, Copy 3 of ALOBS and supporting documents to the Receiving/Releasing Staff for submission to COA for audit.
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Receiving/
Releasing Staff 28 Records in the logbook the date of submission of Copy 1 of JEV, RCI, DVs, Copy 3 of ALOBS, Copy 2 of checks and originals of supporting documents. Forwards the documents to COA for audit.

*Note 9:
For the succeeding activities, refer to Sec. 71, Preparation and Submission of Trial Balances and Other Reports of the **Manual on the New Government Accounting System.***

5) Disbursements by Cash.

Disbursements by cash shall be made from cash advances drawn and maintained in accordance with COA rules and regulations. Cash payments shall be made based on duly approved payrolls/disbursements vouchers.

Cash Advances for Travel. Cash advances granted for travel shall be accounted for as *Due from Officers and Employees* and these are subject to liquidation upon travel completion. For liquidation of travel where the amount of cash advance is equal to or more than the travel expenses incurred, the Liquidation Report form shall be prepared by the officers/employees concerned and submitted to the Accounting Unit as basis for JEV preparation. The excess cash advance shall be refunded and an OR shall be issued to acknowledge receipt thereof. In case the amount of cash advance is less than the travel expenses incurred, a Liquidation Report shall be submitted to liquidate the cash advance previously granted and a DV shall be prepared to claim reimbursement of the deficiency in amount.

6) Procedures for Disbursements by Cash - Payment for Payroll and Other Expenses

Area of Responsibility	Seq. No.	Activity
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Cash Unit Accountable/ Disbursing Officer	1	Receives the approved check from the Cashier. Records in the Cash Disbursements Record (CDR) the date, reference, name of payee, particulars and the amount of check in the debit
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Area of Responsibility	Seq. No.	Activity
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column.

- 2 Encashes check in a GSB.
- 3 Pays officials and employees/other payees.

Note 1

Employees/payees shall sign on the received portion of the payroll/DV to acknowledge receipt of payment.

Note 2

If there are unclaimed salaries, refund the same within a reasonable time. OR representing the refund shall be issued by the Cashier.

- 4 Records payment including the refund for unclaimed salary in the credit column of the CDR.

At the End of the Month

- 5 Based on the paid payroll/DV and supporting documents, prepares Report of Disbursements (RD) in two copies. Signs the “Certification” portion of the RD.

Note 3

The RD shall serve as the liquidation report of the cash advance granted to the Disbursing Officer.

Note 4

*The RD shall be distributed as follows:
Original - Accounting Unit together with the originals of the paid DVs/Payrolls and supporting documents for JEV preparation
Copy 2 - Cash Unit file*

Accounting Unit
Releasing/

- 6 Records in the logbook, indicates



Area of Responsibility	Seq. No.	Activity
Receiving Clerk		'Received' and signs all copies, forwards the RD to the Bookkeeper for JEV preparation, and returns Copy 2 to the Cash Unit.
Bookkeeper	7	Prepares JEV based on the RD and supporting documents received.
		<i>Note 5</i> <i>For the succeeding activities, refer to Sec.71, Preparation and Submission of Trial Balances and Other Reports of the Manual on the New Government Accounting System.</i>
	8	Records payroll payment in the individual Index of Payments (IP) of officials and employees.

7) Disbursements Through Bank - Payroll Payment

Area of Responsibility	Seq. No.	Activity
Cash Unit Cash Staff	1	Receives the approved check, DV and Following Months' Payroll (FMP), signs the logbook of the releasing office, and forwards the documents to the Cashier.
	2	Deposits the check to the Bank Payroll Account together with the original of the Summary of Employees Net Earnings (SENE) received from Accounting Unit. Files temporarily Copies 1-2 of FMP, copy 2 of the check, and Copies 1-3 of DV for the preparation of RCI.
		<i>Note 1</i> <i>The payee of the check is the Servicing Bank whose authorized representative shall acknowledge receipt of the check</i>



Area of Responsibility	Seq. No.	Activity
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by signing on the original of the DV.

Note 2

Refer to Seq. No. 19, Sec.34, Procedures for Disbursements by Checks.

Note 3

Payroll payment through bank shall also be recorded in the IP maintained by the Accounting Unit.

8) Disbursements Through Petty Cash Fund.

Petty Cash Fund shall be maintained under the imprest system. The fund shall be sufficient for the non-recurring, emergency and petty expenses of the agency. Disbursements from the fund shall be through the Petty Cash Voucher (PCV) which shall be approved by authorized officials and signed by the payee to acknowledge the amount received. The official receipt or its equivalent is attached to the PCV.

Following are the procedures for disbursements through Petty Cash Fund.

Area of Responsibility	Seq. No.	Activity
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Various Unit Petty Cash Custodian	1	<p style="text-align: center;"><u>Receipt of Check for the Establishment/ Replenishment of Petty Cash Fund</u></p> <p>Receives check from Cashier for the establishment/replenishment of petty cash fund. Retrieves Cash Disbursement Record (CDR) and records the date, reference and the amount of check in the 'Disbursements' column.</p>
	2	<p>Encashes check in GSB and keeps the cash in a safety vault.</p>

Utilization of Petty Cash Fund



Area of Responsibility	Seq. No.	Activity
Requesting Personnel	3	Accomplishes Box A 'Requested by' portion of the Petty Cash Voucher (PCV).
Immediate Supervisor	4	Signs Box A 'Approved by' portion of the PCV and returns to Requesting Personnel.
Requesting Personnel	5	Submits to the Petty Cash Custodian for the release of fund.
Petty Cash Custodian	6	Receives from the Requesting Personnel the PCV duly approved by concerned official.
	7	Upon granting of the petty cash advance and signs in Box B 'Paid by' portion of the PCV.
Requesting Personnel	8	Receives petty cash and signs in Box B 'Cash Received by' portion of the PCV.
Petty Cash Custodian	9	Issues Copy 2 of the PCV to requesting personnel
	10	Retrieves CDR from file and records paid PCVs. Fills up the following columns: date, reference, name of payee, nature of payment, amount in the credit column and cash advance balance.
	11	Files the original of PCV awaiting liquidation.
<u>Liquidation of Petty Cash Advance</u>		
	12	Receives from Requesting Personnel Copy 2 of the PCV together with supporting documents. Checks and reviews completeness of documents such as the date, amount and nature of expenses paid as shown in the



Area of Responsibility	Seq. No.	Activity
		supporting documents.
	13	If incomplete, returns to Requesting Personnel for completion of needed supporting documents.
		If complete, retrieves the original of PCV from file and fills up Box D 'Liquidation Submitted' portion of the original and Copy 2 of PCVs.
	14	Checks the appropriate boxes for 'Received Refund' or 'Reimbursement Paid' portion and signs Box C of the PCV.
Requesting Personnel	15	Checks and fills up the appropriate boxes for 'Liquidation Submitted' and 'Reimbursement Paid' upon submission of necessary supporting documents and receipt or reimbursement of cash, if any, and signs the PCV.
Petty Cash Fund Custodian	16	Returns Copy 2 of the PCV to the Requesting Personnel.
	17	If the amount granted is equal to the amount paid as shown in the liquidated PCV, proceeds to Sequence No. 18. If the amount is not equal to the amount paid, retrieves from file the CDR and records the necessary adjustments based on the liquidated PCV. Fills up the following columns: date, reference, name of payee, and nature of payment, amount in the appropriate debit, credit and balance columns.
	18	Files the original of the PCV together with the supporting documents awaiting replenishment.



Area of Responsibility	Seq. No.	Activity
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Replenishment of Petty Cash Fund

Petty Cash Fund Custodian	19	Retrieves from file the original of the PCV together with the supporting documents. Checks the completeness of all PCVs for replenishment.
	20	Prepares the Petty Cash Replenishment Report (PCRR) in two copies based on PCVs in numerical sequence and fills up the following columns: date, PCV No., particulars and amount.
	21	Signs in the ' <i>Certified Correct by</i> ' portion of the PCRR.
	22	Based on the PCRR, prepares DV in three copies. Forwards Copies 1-3 of the DV, original of the PCRR and PCV, and supporting documents to Authorized Official for review and signature.
Authorized Official	23	Signs in Box A portion of the DV.
Petty Cash Fund Custodian	24	Forwards Copies 1-3 of the DV, originals of PCRR and PCVs and supporting documents to Budget Division for preparation of the ALOBS.

Note 1

*For the succeeding activities, refer to the, **Procedures for the Recording of Obligations.***

iv. Property, Plant & Equipment and Inventory System

The Property and Inventory Accounting System consists of the system of monitoring, controlling and recording of acquisition and disposal of property and inventory. The system starts with the receipt of the purchased inventory items and equipment. The requesting office in need of the inventory items and equipment after determining that the



Section 7: Accounting & Financial Reporting

items are not available in stock shall prepare and cause the approval of the Purchase Request (PR). Based on the approved PR and after accomplishing all the required procedures adopting a particular mode of procurement, the agency shall issue a duly approved Purchase Order. Procedures relative to the obligation of the purchase order and payment of the deliveries are discussed under *Accounting for Obligation and Disbursements by Check*, respectively.

1) Perpetual Inventory Method

Purchase of supplies and materials for stock, regardless of whether or not they are consumed within the accounting period, shall be recorded as Inventory account. Under the perpetual inventory method, an inventory control account is maintained in the General Ledger on a current basis.

Regular purchases shall be recorded under the Inventory account and issuance thereof shall be recorded based on the Report of Supplies and Materials Issued. Purchases out of the Petty Cash Fund shall be charged immediately to the appropriate expense accounts.

The Accounting Unit shall maintain perpetual inventory records, such as the Supplies Ledger Cards for each inventory stock, Property, Plant and Equipment Ledger Cards for each category of plant, property and equipment including work and other animals, livestock, etc. The subsidiary ledger cards shall contain the details of the General Ledger accounts.

For check and balance, the Property and Supply Office/Unit shall maintain *Property Cards* (PC) for property, plant and equipment, and *Stock Cards* (SC) for inventories. The balance in quantity per PC and SC should always reconcile with the ledger cards of the Accounting Unit.

2) Moving Average Method.

The moving average method of costing shall be used for costing inventories. This is a method of calculating cost of inventory on the basis of weighted average on the date of issue. The Accounting Unit shall be responsible in computing the cost of inventory on a regular basis.



Section 7: Accounting & Financial Reporting

3) Procedures in the Receipt, Inspection, Acceptance and Recording Deliveries of Inventory Items and Equipment

Area of Responsibility	Seq. No.	Activity
Property and Supply Unit Property/ Supply Officer	1	<p><u>Delivery of Equipment and Inventory Items</u></p> <p>Signs “Received” portion of the original and Copy 2 of the Delivery Receipt (DR). Files the original and returns Copy 2 of the DR to the Supplier/Procurement Service.</p>
	2	<p>Prepares Inspection and Acceptance Report (IAR) in three copies. Forwards IAR, original of DR, and Copy 2 of approved PO from file to Property Inspector for inspection of deliveries.</p> <p><i>Note 1</i> <i>Distribution of the IAR shall be as follows:</i></p> <p style="padding-left: 40px;"><i>Original - Supplier (to be attached to the DV)</i></p> <p style="padding-left: 40px;"><i>Copy 2 - Property Inspector/Inspection Committee</i></p> <p style="padding-left: 40px;"><i>Copy 3 - Property and Supply Unit file</i></p>
Property Inspector	3	<p>Inspects and verifies items as to quantity and conformity with specifications based on the DR and approved PO. If in order, signs and indicates date of inspection in the “Inspection” column of the IAR. Retains copy 3 of IAR and forwards the items and Copy 1-2 of IAR, original of DR and Copy 2 of PO to Property/Supply Officer for</p>



Area of Responsibility	Seq. No.	Activity
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acceptance.

	4	<p>If specifications are not in order or delivery is not complete, indicates notation on the IAR that the deliveries are not in conformity with specifications agreed under the approved PO or deliveries are not complete. Forwards the IAR to the Property/Supply Officer.</p>
Property/Supply Officer	5	<p>Signs in 'Acceptance' column, acknowledging receipt of the items delivered. Checks the appropriate box whether complete or partial (indicate quantity received) delivery, and indicate the date of receipt and remarks, if any.</p> <p>Forwards items to Property/Supply Custodian for safe-keeping/storage.</p>
	6	<p>Prepares DV indicating the Supplier as Payee. Attaches the original IAR, Copy 2 of DR, PO and photocopy of PR. Forwards documents to Budget Unit for the preparation of ALOBS. Forwards copy 2 of IAR and copy of PO to the Property/Stock Card Keeper for recording in the Property/ Stock Cards.</p> <p><i>Note 2</i> <i>For succeeding activities on processing of payment for delivered inventory items and equipment, refer to the Procedures in the Recording of Obligations and Procedures in Disbursements by Checks.</i></p> <p><i>Note 3</i> <i>For purchases made through the Procurement Service (PS), the DV shall be prepared on the basis of the Approved Agency Procurement Request. The payment shall be made</i></p>



Area of Responsibility	Seq. No.	Activity
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directly to the PS.

Accounting Unit PPELC/SLC Keeper	7	<u>After Payment of Deliveries</u> Posts necessary information to the Property, Plant and Equipment Ledger Card (PPELC)/Supply Ledger Card (SLC) based on the paid documents forwarded by the Cash Unit.
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4) Procedures in the Requisition and Issuance of Inventory Items

Area of Responsibility	Seq. No.	Activity
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Concerned Office Requesting Personnel		<u>Inquiry for the availability of supplies</u>
	1	Prepares the Supplies Availability Inquiry (SAI) in two copies. Accomplishes the form for item description, unit and quantity.
	2	Fills up the 'Inquired by' portion of SAI and forwards the same to Accounting Unit for processing.
Accounting Unit Accounting Staff	3	Receives SAI from Requesting Personnel. Reviews and verifies the completeness of information.
	4	Retrieves from file the SLC and determines availability/status of stocks.
	5	Fills up the number, stock number, status of stock and 'Status provided by' portion of the SAI. Returns the original to the Requesting Personnel and files Copy 2 of the SAI.
Concerned Office Requesting Personnel	6	Receives the original of SAI from the Accounting Staff. If stock is not available, prepares Purchase Request



Area of Responsibility	Seq. No.	Activity
		(PR) for the item requested and forwards the same to Property and Supply Unit for processing of the request. If stock is available, prepares Requisition and Issue Slip (RIS) in three copies. Fills up all the necessary information except for the issuance portion and signs 'Requested by' portion of the RIS. Forwards the RIS to Authorized Official for approval.
		<p><i>Note 1</i> <i>The RIS shall be distributed as follows:</i> <i>Original - Accounting Unit</i> <i>Copy 2 - Property and Supply Unit</i> <i>Copy 3 - Requesting Office</i></p>
Authorized Official	7	Signs the 'Approved by' portion of the RIS.
Requesting Personnel	8	Receives signed RIS and forwards to the Property and Supply Unit together with the original of SAI for withdrawal of inventory items requested.
Property and Supply Unit Supply Officer	9	Reviews and verifies RIS as to completeness of information. Fills up the RIS No./Date, and Quantity, Remarks and initials 'Approved by' portion of the RIS, and records RIS in the logbook.
Head of the Property and Supply Unit	10	Signs the 'Approved by' portion of RIS and returns to the Supply Officer for issuance of the stock.
Supply Officer	11	Fills up and signs the 'Issuance' portion of the RIS and issues inventory items requested to the Requesting Personnel.
Concerned Office Requesting Personnel	12	Receives supplies requested and sign in the 'Received by' portion of the RIS.



Area of Responsibility	Seq. No.	Activity
	13	Files permanently in numerical order Copy 2 of RIS and files temporarily the originals of RIS and SAI for the preparation of Report of Supplies and Materials Issued (RSMI).
		<u>Preparation of RSMI</u>
	14	Retrieves the original copies of RIS and SAI from temporary file. Checks the completeness of the RIS. If not complete, verifies with the Supply Officer. If complete, prepares RSMI in three copies.
	15	Initials in the 'Certified by' portion of the RSMI.
Property and Supply Unit Head of the Property and Supply Unit	16	Signs in the 'Certified by' portion of the RSMI.
Stock Card Keeper	17	Receives signed RSMI and forwards to Accounting Unit the original and Copy 2 of RSMI together with originals of RIS and SAI. Files Copy 3 of RSMI.
		<u>At the Start of the Day</u>
Accounting Unit Accounting Staff	18	Receives original and Copy 2 of RSMI, and original SAI and RIS. Checks and verifies the completeness of information. Retrieves SLC from file and fills up the 'To be filled up in the Accounting Unit' portion of RSMI. Records RSMI in the SLC.
	19	Signs in the 'Posted by/date' portion of the RSMI.
	20	Files permanently in numerical order Copy 2 of RSMI and files temporarily



Area of Responsibility	Seq. No.	Activity
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the original RIS, SAI and RSMI for recording issuance of inventory items in the books of accounts.

At Month End

	21	Retrieves the original RIS, SAI and RSMI from temporary file.
	22	Prepares JEV in two copies based on the RSMI to record the issuance of stock.
	23	Signs in the 'Prepared by' portion of the JEV.
Head of the Accounting Unit	24	Sign in the 'Certified Correct by' portion of the JEV.
Accounting Staff	25	Receives signed JEV and forwards to Bookkeeper the JEV, RSMI, RIS, and SAI for recording in the General Journal. Files copy 2 of JEV.

Note 2:

For succeeding activities, refer to Sec. 71, Preparation and Submission of Trial Balances and Other Reports of the Manual on the New Government Accounting System.

5) Procedures in the Requisition and Issuance of Equipment

Area of Responsibility	Seq. No.	Activity
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Concerned Office Requesting Personnel	1	Upon receipt of notice of availability of the equipment requested, prepares RIS in three copies. Fills up the necessary information pertaining to requisition, except 'Issuance' column of the RIS.
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Area of Responsibility	Seq. No.	Activity
Authorized Official	2	Reviews RIS and signs 'Requested By' in the Requisition column.
Requesting Personnel	3	Records the signed RIS in the logbook and indicate date, particulars and remarks. Forwards the same to Property and Supply Unit for processing of the requisition.
Property and Supply Unit Receiving Staff	4	Receives signed RIS from Requesting Office. Records the date, particulars and Requesting Office in the logbook. Assigns number on RIS and issues Copy 3 to Requesting Personnel for file.
Property Officer	5	Verifies RIS and checks against the PR.
	6	Initials RIS and forwards the original and Copy 2 of RIS to the Head of the Property and Supply Unit for review and approval.
Head of the Property and Supply Unit	7	Reviews RIS and signs the 'Approved By' portion of RIS. Forwards Copies 1-2 of RIS to Property Custodian.
Property Custodian	8	Based on the approved RIS, assigns number on the property being transferred/ issued. Indicates the number in the RIS.
	9	Prepares Acknowledgment Receipt of Equipment (ARE). Indicates the quantity, unit, description and property number of the items being issued. Signs in the 'Received from' and 'Issued by' portions of the ARE and RIS, respectively. Records the date, number and particulars in the ARE logbook.



Area of Responsibility	Seq. No.	Activity
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Note 1

ARE shall be distributed as follows:

Original -Property and Supply Unit file

Copy 2 -Recipient or user of the property file

Concerned Office Requesting Personnel	11	Retrieves Copy 3 of RIS. Checks item if it is in conformity with RIS. Signs 'Received By' portion of original and Copy 2 of ARE and RIS.
	12	Returns original ARE and Copies 1-2 of RIS to Property Custodian/Officer for recording in the Property Card. Files Copy 2 of ARE and Copy 3 of RIS.
Supply and Property Unit Property Officer	13	Files original of ARE per accountable officer/employee and Copy 2 of RIS. Forwards the original RIS to the Accounting Unit.
Accounting Unit PPELC Keeper	14	Receives original of the RIS. Retrieves the PPELC and posts information pertaining to issuance/transfer of property.

v. Miscellaneous Transactions System

The Miscellaneous Transactions System involves the system and procedures for processing transactions types that are unique and not recurring in the ordinary course of government operations. These seldom take place or should not happen at all. Some of the miscellaneous transactions are (i) loss of Cash and Property.

1. Request for Relief from Accountability
2. Cash Overage
3. Stale MDS and Commercial Checks
4. Set-up and Settlement of Disallowances
5. Refund of Overpayments



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The detailed procedures in accounting for miscellaneous transactions are presented in **Annex J**.

f. Safekeeping of Documents

All transaction documents shall be retained at the MMASGB's *Administrative and Finance Unit (AFU)* for safekeeping. The *AFU* shall take full responsibility of the safety of said documents in accordance with existing COA rules and regulations while under their custody.

3. Financial Reports

A basic component of an effective financial management system is a financial monitoring system. This forms part of the overall **Program Monitoring and Evaluation System** but one which focuses on effective and efficient fund management. It also facilitates identification of problem areas, which should be addressed, as well as opportunities which may be used to the MMASGB's advantage.

a. Users of Financial Reports

The users of financial reports can be grouped as follows:

- i. The MMAS communities or residents
- ii. The MMAS management and/or the various members of the MMASGB
- iii. DENR-EMB management
- iv. DBM and the Ministry of Finance
- v. Funding agencies
- vi. Donors or grantors

The information needs of each of these groups of users may differ in the extent of details needed. Basically, financial monitoring reports should provide the necessary information to establish whether –

- vii. funds disbursed to projects are being used for the purpose intended;
- viii. Program implementation is on track; and
- ix. budgeted costs are not being exceeded.



Section 7: Accounting & Financial Reporting

b. Financial Reports to be Generated by the EMB-DENR and the MMASGB

i. Financial Reports Required under New Government Accounting System (NGAS)

Financial statements and their supporting schedules are the outputs of the government accounting processes. These are the principal comprehensive means by which the information accumulated and processed in the state accounting system is periodically communicated to those who use them. The financial statements generally prepared in the National Government are: the *Balance Sheet*, *Statement of Income and Expenses*, *Statement of Government Equity*, and *Statement of Cash Flows*.

These financial reports and their supporting schedules are required to be prepared at the **Agency Level** using the procedures prescribed under *Chapter 4, Volume I* of the **NGAS** and are presented in the standard formats prescribed therein.

ii. Financial Reports to be Generated by MMASGB

The following reports shall be generated by the MMASGB's Accounting and Financial Reporting Systems.

Monthly

1) *Statement of Receipts and Disbursements (Exhibit 19)*

A straightforward statement of MMASGB's cash position that shows the opening cash and bank balance, receipts or money coming in during the month, payments or money going out during the month, and the closing cash and bank balance thus, providing the status of each fund source.

2) *Statement of Expenditures-By Source of Funds (Exhibit 20)*

A statement showing-for the month and cumulatively (Year-to-Date) the expenditures by *Fund Source* per *key result area (KRA)/output/ activity/object of expenditure*.

3) *Statement of Budgeted and Actual Expenditures (Exhibit 21)*

A statement showing a comparison of 'budget' to 'actual' expenditures. The statement is prepared by the Accounting Staff and passed on to those responsible for budget implementation not later than the 5th. day of the following



Section 7: Accounting & Financial Reporting

month. Those responsible shall explain the reason(s) for any difference - the variance - between each budgeted and actual income and expenditure. The Accounting Staff will then incorporate the explanations of variances as notes to the figures.

Quarterly-

1) *Statement of Expenditures-By Source of Funds (Exhibit 20)*

This statement is similar to the monthly *Statement of Expenditures-By Source of Funds* except that it shows the expenditures for the quarter by *Fund Source*.

2) *Statement of Budgeted and Actual Expenditures (Exhibit 21)*

This statement is similar to the monthly *Statement of Budgeted and Actual Expenditures* except that it shows the budgeted and actual income and expenditures for the quarter being reported on.

Annually

1) *Statement of Expenditures (Exhibit 20)*

This is the *Statement of Expenditures-By Source of Funds* for the last quarter of the year showing the expenditures for the year in total in their respective "This Year Todate" columns.

2) *Statement of Budgeted and Actual Expenditures (Exhibit 21)*

This is the *Statement of Budgeted and Actual Expenditures* for the last quarter of the year showing a comparison of the budgeted and actual expenditures for the year in the "This Year Todate" columns, and the resulting variance.

iii. **Financial Reports Required by Funding Agencies and Donor Organizations**

Multilateral funding agencies (e.g., the World Bank and Asian Development Bank) and donor organizations normally require the submission of periodic reports for monitoring purposes. These agencies or organizations normally require reports covering fund utilization of the entire project being funded and not just of the loan proceeds or donation. Thus, the reports shall cover loan proceeds, donated funds and funds from the GOP (AQMF).



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The currency to be used in the reports shall be the Philippine pesos with the U.S. dollar equivalent shown using the actual rate of exchange at the end of the reporting period.

These reports typically fall under three categories, as follows:

1) *Financial Reports*

This includes a statement showing – for the reporting period and cumulatively (year-to-date or project startup-to-date) – cash receipts by sources, expenditures by project/program component and major activities and expenditure categories, and supporting schedules comparing actual and planned expenditures.

2) *Physical Progress Reports*

This includes comparison of planned and actual extent of achievement of results using indicators agreed upon and a narrative linking financial information with physical progress. It shall highlight issues that require attention.

3) *Procurement Report*

This report compares procurement performance with the plan.

Note: The title, format and contents of the individual reports may vary based on the specific requirements of the agency or donor organization concerned.

iv. Financial Reports Required by DENR-DBM

The *DENR-DBM Joint Memorandum Circular No. 01* enjoins the Governing Boards to submit the following reports:

- *Quarterly Report on Physical and Financial Progress* to the EMB-Central Office to include: (i) quarterly report of collections, and (ii) audited report of disbursements by the Governing Boards not later than the 10th. day of the month following the quarter.



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Note: This report of the MMASGB will be consolidated by the EMB Central Office with those of the other Governing Boards (and with the other initiatives supported by the AQMF outside of the GB's) into a *Consolidated Quarterly Report on Physical and Financial Progress* for submission to the DBM on or before the 30th. day of the month following the quarter.

At the end of each year, an *Annual Report* shall be submitted by the EMB to the DENR as per provision of *Section 4, Rule XVI* of the IRR - specifying the income and expenditure of the AQMF, together with a summary of initiatives supported and refused – within two months after the end of the fiscal year.

The financial information in this report will be taken from the quarterly *Statement of Budgeted and Actual Expenditures* which will be generated by the **Accounting System**. The physical progress information will be collated from the *Progress Reports* generated by the **Monitoring and Evaluation System**. The Program/Budget Staff of the **Finance and Administration Office** will consolidate these two sets of information into a *Quarterly Report on Physical and Financial Progress* (a sample format is presented in **Exhibit 22**).

This report will be passed on to those responsible for the budget implementation not later than the 5th day of the month following the quarter. Those responsible shall identify any difference - the variance - between each budgeted and actual income and expenditure items and the projected and actual physical progress and explain the reason(s) for this. The Program/Budget Staff will then incorporate the explanations of variances as notes to the figures.