

Financial Management Sub-Manual



KALAHI – CIDSS
KAPIT-BISIG LABAN SA KAHIRAPAN
COMPREHENSIVE AND INTEGRATED
DELIVERY OF SOCIAL SERVICES

Republic of the Philippines
DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

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LPRAP	Local Poverty Reduction Action Plan
M&E	Monitoring and Evaluation
MCP	Monthly Cash Program
MCT	Municipal Coordinating Team
MDS	Modified Disbursement System
MFA	Municipal Financial Analyst
MGA	Municipal Grant Allocation
MIAC	Municipal Inter-Agency Committee
MIBF-PRA	Municipal Inter-Barangay Forum for Participatory Resource Allocation
MLGU	Municipal Local Government Unit
MOA	Memorandum of Agreement
NAPC	National Anti-Poverty Commission
NCA	Notice of Cash Allocation
NGA	National Government Agency
NIAPIT	National Inter-Agency Preparation and Implementation Team
NPMO	National Program Management Office
NSC	National Steering Committee
NSCB	National Statistical Coordinating Board
NTA	Notice of Transfer Allocation
ObR	Obligation Request
PMME	Program Management and Monitoring and Evaluation
PMO	Program Management Office
PMT	Program Management Team
POW	Program of Work
PPT	Project Preparation Team
RCDS	Regional Community Development Specialist
RCIS	Regional Community Infrastructure Specialist
RD	Regional Director
RFA	Regional Financial Analyst
RFA	Regional Financial Analyst
RFFP	Regional Finance Focal Person
RFR	Request for Fund Release
RPMT	Regional Program Management Team
SAA	Sub-Allotment Advice
SAOB	Sub-Allotment
SOE	Statement of Expenditures
SPI	Sub-Project Implementation
SPIP	Sub-Project Implementation Plan
SRPMT	Sub-Regional Program Management Team
SSUF	Status of Sources and Uses of Funds
TAF	Technical Assistance Fund
TWG	Technical Working Group
WA	Withdrawal Application
WB	World Bank
WFP	Work and Financial Plan

CHAPTER 1

PROGRAM BACKGROUND AND FINANCING

1.1 Program Background

With the passage of the Local Government Code in 1991, the control of DSWD over the government social welfare and development program has been re-focused from direct service delivery to providing leadership in policy formulation, standards setting, program development, technical assistance, and resource augmentation.

DSWD is guided in the re-focusing by a Social Welfare and Development Reform Agenda, with the following four priorities: (i) leading in social protection, (ii) providing faster and better service delivery of social protection programs, (iii) financial reform to sustain the reform process, and (iv) improving systems for service delivery

In search of better approaches in implementation, DSWD started trying out Community-Driven Development (CDD) in 2002, building on its experience in community-based participatory development from a previous DSWD local program, the Comprehensive and Integrated Delivery of Social Services (CIDSS). DSWD launched the KALAHI-CIDSS project in 2002, introducing CDD for improved outcomes in service delivery, local governance and community empowerment.

The KALAHI-CIDSS National CDD Program (KC-NCDDP) shall build on CDD elements from the original KALAHI-CIDSS project, as well as incorporate enhancements to support a national scaling-up.

1.2 Program Financing Plan

Around 76% of the total program costs shall be earmarked for community level activities or Component 1. Of this total, 95% shall be released to and managed by the communities to finance various community development subprojects that shall pass through the whole CEAC process which shall account for the remaining 5%.

On the other hand, 19% out of the balance of 24% are intended to finance Capability Building and Implementation Support (CBIS) or Component 2 of the KC-NCDDP. Five percent (5%) shall be allocated for Program Management and Monitoring and Evaluation (PMME) under Component 3.

Table 1 shows the breakdown of cost per Program Component distributed per fund source such as Loan Proceeds and GOP Counterpart.

Table 1. Program Component Cost Distribution by Fund Source (in PhP'000,000)

PROJECT COMPONENT	377 MUNIS YOLANDA-AFFECTED				293 MUNIS NOT YOLANDA-AFFECTED				177 ADDITIONAL YOLANDA-AFFECTED				TOTAL COST (847 MUNIS)- PESO			
	WB	ADB	GOP	TOTAL	WB	ADB	GOP	TOTAL	WB	ADB	GOP	TOTAL	WB	ADB	GOP	TOTAL
COMPONENT1: COMMUNITY GRANTS	5,897	10,193	843	16,933	10,261	-	1,072	11,333	-	4,390	680	5,070	16,158	14,583	2,595	33,336
INVESTMENT GRANTS	5,328	8,585	644	14,556	9,695			9,695		4,004	550	4,554	15,022	12,589	1,194	28,805
PLANNING GRANTS	569	1,608	199	2,377	566	-	1,072	1,638		386	130	516	1,135	1,994	1,401	4,531
<i>TECHNICAL ASSISTANCE FUND</i>	116	270	-	385	298		-	298		84	-	84	413	353	-	767
<i>SOCIAL PREPARATION</i>	231	694	103	1,028	119		477	596		156	67	223	350	850	646	1,846
<i>COMMUNITY TRAININGS</i>	223	645	96	964	149		596	745		146	63	209	371	791	755	1,917
COMPONENT2: TECHNICAL ASSISTANCE	1,112	101	3,140	4,353	1,630	-	744	2,375	-	119	1,478	1,597	2,742	220	5,362	8,325
ACT COST	1,089	79	3,110	4,278	1,598		730	2,328	-	103	1,476	1,579	2,687	182	5,317	8,185
<i>SALARIES</i>	747	-	2,601	3,348	1,250		581	1,830		-	1,236	1,236	1,997	-	4,418	6,415
<i>OTHER INCIDENTAL COST</i>	173	-	404	578	251		108	359		-	208	208	425	-	721	1,145
<i>TRAININGS</i>	168	79	105	352	97		42	139		103	32	135	266	182	178	625
TRAININGS FOR LGU IMPLEMENTERS	23	23	30	75	32		14	46		16	2	18	55	39	46	139
COMPONENT3: PROJECT ADMIN/ ME	415	304	1,096	1,814	84	-	337	421	-	-	-	-	481	298	1,427	2,206
SALARIES	111	-	844	955	58		232	290	-	-			169	-	1,076	1,245
ADMINISTRATIVE COST	39	-	156	195	8		30	38	-	-			47	-	186	233
TRAININGS	26	21	5	53	1		5	6	-	-			28	21	10	58
ADVOCACY	18	6	6	30	-		-	-					18	6	6	30
GOODS	55	44	11	110	-		-	-					55	44	11	110
MONITORING AND EVALUATION	165	234	74	472	17		70	87	-	-			182	234	144	560
FRONT-END FEE													49	-	-	49
TOTAL	7,423	10,598	5,079	23,100	11,975	-	2,153	14,129	-	4,509	2,158	6,667	19,447	15,107	9,390	43,944

CHAPTER 2

PROGRAM COMPONENTS

The KALAHI CIDSS-NCDDP has three components:

1. Component 1 – Barangay (community) grants for the planning, implementation, and completion of community sub-projects.
2. Component 2 - Local Capability Building and Implementation Support (CBIS) to strengthen institutional and organizational capacity for Program implementation.
3. Component 3 – Project Administration, Monitoring and Evaluation, leading to enhanced program management, monitoring, and evaluation.

2.1 Component 1: Community Grants

This component will support two (2) types of assistance to communities participating in the KALAHI CIDSS-NCDDP: (i) Planning Grants, and; (ii) Investment Grants.

2.1.1 Planning grants

Planning grants will be made available to communities or participating *barangays* to support activities leading to the situational analysis, identification community issues, planning, development, implementation, and monitoring of community subprojects. Funding would also support training activities targeting community volunteers to strengthen their capacity to identify community problems, plan and implement community sub-projects.

Planning grants will support conduct of municipal, community, and stakeholders' orientations/consultations on KALAHI CIDSS-NCDDP to ensure that CDD principles are understood in the context of project/CEAC implementation. Both in the municipal and community level, grants will support; (i) capacity building and actual conducts of participatory situational analysis, consultations, barangay action planning, and criteria setting workshops, these set of activities will ensure that issues and problems are raised by members of the community and are expressed through participatory processes. Grants will also be provided for the development of project proposals, review, and approval of community proposals at the barangay and inter-barangay level. (ii) During sub-project implementation, support will also be provided to community volunteers and LGUs, to prepare the volunteers on various tasks during and on every sub-project implementations and maintenance activities. Support will be provided in the conduct of community procurement, finance and infrastructure training, and conduct of fiduciary reviews. Funds will be made available to fund municipal accountability review meetings and project performance assessment. These planning grants to support these activities are to make sure CDD principles of participation, transparency and accountability are observed in key CEAC activities.

Planning grants will also support (iii) support provision and accessing of technical assistance, through a Technical Assistance Fund (TAF), in the preparation and design of highly technical sub-project proposals, like water system, bridges, road constructions, specialized economic and feasibility studies, environmental protection initiatives that are beyond the capacity of DSWD technical staff to provide technical assistance. The TAF can also be requested to support sub-project supervision to ensure quality sub-project implementation. The TAF is further described in Part 5 of this Manual.

2.1.2 Investment grants

Investment Grants will support the community sub-projects which are approved by the municipal forum and its attendant activities to respond to community-identified priorities. Investment Grants must support public goods and projects in an open menu, including local disaster response and prevention proposals.

Prior to the release of funds for approved sub-projects, due diligence should be observed by the Program staff in ensuring that the community proposal is technically, financially, socially, and environmentally feasible and compliant to project requirements. Review of technical documents will be guided by checklist to be administered by project staff at the municipal and regional level.

Computation of the regular investment grants

The size of the investment grants or municipal block grants per *regular* funding cycle will be computed according to a sliding amount to be determined per head times the entire municipality population (using 2010 Census data).

The allocation per head per municipality will be determined based on the a) Income classification of the municipal LGU (data from BLGF website, 2013), and b) Incidence of poverty in the municipality based on the latest NSCB Small Area Estimates (2009).

The actual KC-NCDDP block grants to be provided shall not exceed Php20 million nor below Php2 million per cycle, as this is just meant to augment existing internal resources for development activities in the municipality.

The formula to compute the municipal block grants are detailed below:

2.1.2.1 Guiding Principles

- All Yolanda-affected municipalities that are part of the original list of 670 (377munis) shall be entitled to 4 cycles to be implemented in 3 years
 - Year 1 - will combine the allocations for cycles 1 and 2
 - Year 2 – cycle 3 allocation
 - Year 3 – cycle 4 allocation
- All Yolanda-affected municipalities that are **NOT** part of the original list of 670 (177munis) shall be entitled to 1 cycle only but with premium:
 - munis **within** the 100-km path (59 munis) = 60% premium or equivalent to 160%

- munis **outside** the 100-km path (118 munis) = 30% premium or equivalent to 130%
- Non-Yolanda areas (293 munis) shall be allowed to complete 4 cycles of KC cumulative from KC1, KCAF and KCMCC

2.1.2.2 Computing the Municipal Grant Allocation (MGA)

In computing the community grant allocation per Municipality, it shall be of utmost important to have the following information readily available:

- **Group/Batch where the Municipality belong:**
 - ✓ 377 Group
 - ✓ 177 Group. The municipalities under this Group shall be determined whether:
 - Within 100-km path; or
 - Outside 100 km path
 - ✓ 293 Group. The municipalities under this Group shall be determined whether these are:
 - **Continuing0** or those municipalities that have completed four (4) cycles of previous KALAHI-CIDSS implementation;
 - **Continuing1** or those municipalities that have completed three (3) cycles of previous KALAHI-CIDSS implementation;
 - **Continuing2** or those municipalities that have completed two (2) cycles of previous KALAHI-CIDSS implementation;
 - **Continuing3** or those municipalities that have completed one (1) cycle of previous KALAHI-CIDSS implementation;
 - **Incoming** or those that have no previous KALAHI-CIDSS experience therefore newly covered.

- **Income class of the Municipality, whether**
 - ✓ 1st to 3rd class
 - ✓ 4th to 6th class

- **Poverty Incidence of the Municipality, whether**
 - ✓ Above 50%
 - ✓ 40% to 50%
 - ✓ Below 40%

- **Population of the Municipality.** This information shall be based on the official 2010 Census data.

The Municipal Grant Allocation (MGA) shall be computed as follows on the basis of the above information:

MGA per cycle = *Allocation per head* x population

- the MGA shall not be lower than P2,000,000; and not higher than P20,000,000

The *Allocation per head* shall be pre-determined as follows based on the Municipal Class and Poverty Incidence data of the Municipality:

Municipal Class	Poverty Incidence	Allocation per head
1 st to 3 rd class	Above 50%	P400
	40-50%	P350
	Below 40%	P300
4 th to 6 th class	Above 50%	P500
	40-50%	P450
	Below 40%	P400

Any changes in the computation of community grants shall be subject to the approval of the National Project Director.

Unutilized Investment Grants

There may be cases wherein municipal grants allocation are not fully utilized within a cycle of implementation. For clear and common understanding, the following definitions of unutilized grants are provided:

Surplus - refers to the remaining amount from the municipal allocation after all proposed Sub-projects are funded. This may happen when the total cost of all proposed Sub-projects is well within the allocated amount for the municipality and there are no Sub-projects left unfunded.

Left-over - refers to the remaining amount from the municipal allocation after some of the prioritized Sub-projects have been funded. This happens when one or more Sub-projects remain unfunded and the remaining grant amount is insufficient for the next runner-up proposal.

Excess - refers to the remaining 10 percent final tranche of the community grant fund when the Sub-project may be completed even without it. This happens when conditions during actual Sub-project implementation lead to a reduction on cost. In cases where only a portion of the 10 percent final tranche will be requested to fully complete the Sub-project, the balance will remain as excess fund.

Savings - refers to the remaining funds in the community bank account after the 100 percent completion of the Sub-project with all valid financial obligations settled. In this case, it is possible that barangays may generate savings from the community grant funds due to varying site conditions during implementation which – the Project recognizes - may not be totally anticipated at the time of planning.

Contingency - refers to that item indicated in the Program of Works intended for

unforeseen expenses.

Mechanics for the Utilization of Unutilized Grants

1. All unutilized grants from the previous cycle/s may be carried forward to the succeeding cycle. The MIBF - Criteria Setting Workshop (CSW) will account for the total unutilized funds and will issue a resolution to allocate the amount for inclusion in the next MIBF.
2. The MIBF cannot award the fund as an additional or augmentation funding for a Sub-project that is already prioritized and with existing funding allocation.
3. If it is decided to utilize unutilized grants during the same cycle, the MIBF should give first priority to the first runner-up Sub-project. In case the fund is insufficient for the 1st runner-up Sub-project, next priority should be given to the next Sub-project in rank or to the next Sub-project whose grant request is within the available amount. The costs of the runner-up Sub-projects should not be adjusted to fit the amount. All Sub-project costs presented during the MIBF are final. Local counterpart contributions shall be adjusted equivalent to the amount stipulated in the Memorandum of Agreement.
4. No surplus, left-over and excess funds may be awarded to any barangay with pending/ on-going Sub-project.

2.2 Component 2: Capacity Building and Implementation Support

This component supports the strengthening of MLGUs and staff to facilitate, support, and oversee the participatory situation analysis, planning, and sub-project implementation of community infrastructure.

The component will provide greater capacity building support to community volunteers, to MLGUs to enhance local poverty reduction action planning, budget execution and public financial management (in collaboration with DILG and DBM), and to national government agencies at the sub-national level to enhance their own community based activities and participation in the Kalahi-CIDSS NCDDP.

This component will also finance training, salaries and other incidental costs of the Area Coordinating Teams (ACTs).

CBIS covers the following:

- NCDDP preparatory activities;
- Social mobilization;
- Implementation support and capacity building for ACTs and the municipal coordinating teams (MCTs), other MLGU staff, and staff of the National Government Agencies at the sub-national level; and
- Knowledge Development and Management (KDM).

2.3 Component 3: Project Management, Monitoring and Evaluation

2.3.1 Project Management. This component constitutes program administration, which includes two types of activities: (i) the incremental program management and operational costs of the DSWD and (ii) the costs of monitoring and evaluation (M&E).

2.3.1.1 Incremental program management. This involves incremental program support activities and contracting of support staff and specialists at the DSWD Regional and Central levels. They will assist DSWD in capacity-building for LGUs, project implementers and communities and in project supervision, monitoring & evaluation. Related incremental costs include:

- Salaries of contracted program support staff and CDD technical and process specialists;
- Other incremental operating costs of the National and Regional Program Management Teams (PMTs) of DSWD;
- Costs of the monitoring and oversight activities of the National Steering Committee (NSC), its technical sub-committees, and the National Inter-Agency Preparation and Implementation Team (NIAPIT);
- Costs of DSWD bureaus engaged in various aspects of program implementation, including regional and national-level electronic file management of community requests for fund releases and supporting documentation, office improvements and upgrading of equipment, and costs for development of the NCDDP Database Management System; and
- Costs related to the provision of advanced training in management, fiduciary controls, impact monitoring and evaluation and special studies, knowledge development and management, and information management systems for key DSWD management and organic personnel.

2.3.2 Monitoring and Evaluation (M&E). There are four sets of activities covered by Monitoring and Evaluation in Kalahi-CIDSS NCDDP: a) internal performance monitoring, including supporting gender action plan and safeguards monitoring; b) external evaluation of process and outcomes; c) reporting and social accountability; and d) M&E data management and capacity building. All of these are covered in the existing Kalahi-CIDSS M&E Manual, however the said Manual will be streamlined and enhanced for the Kalahi-CIDSS NCDDP. An overview of the different M&E activities is given below.

CHAPTER 3

PROGRAM FINANCIAL MANAGEMENT

The KALAHI-CIDSS NCDDP Financial Management System shall be present at all levels of implementation e.g. Central Office, Regional Office, Municipality, and at the Community. Hence, the Financial Management Organization shall not involve only FM but Operations officials and staff as well.

The Undersecretary for General Administrative Support Services who shall sit as member of the National Project Management Team and designated as the Deputy National Program Director for Finance shall have overall authority of the KC-NCDDP FMS. This is in line with the mainstreaming agenda of the Department.

3.1 Central Office Level

The financial management system of the KC-NCDD Program at the Central Office shall be the responsibility of the Director for Financial Management Service who automatically becomes the Chief Finance Officer (CFO) of the Program. He/she shall be responsible to the Deputy National Program Director for Finance. However, in view of the volume of transactions expected for the Project, there shall be a dedicated Financial Management Unit for the KC-NCDDP (KC-NCDDP FMU) composed of Program-hired contractual staff that will assist the CFO in ensuring that program funds are safeguarded and are utilized only for the activities intended for the Program. Likewise, the KC-NCDDP FMU shall ensure the adequacy of funds via both the Loan Proceeds and GOP counterpart. The NCDDP FM Unit shall be headed by a Financial Management Specialist who shall be under the direction of the Program CFO.

Specifically, the KC-NCDDP FMU shall perform the following tasks:

- a. Design, install and maintain internal control systems to safeguard project resources and to ensure the legality, validity, propriety, and accuracy of all financial transactions;
- b. Design, install and maintain mechanisms that will ensure the timely release of funds to the field offices and community beneficiaries;
- c. Monitor the implementation of the prescribed financial management system at the regional and community levels, and provide recommendations to the Deputy National Program Director for Finance for improvements, considering actual field situations;
- d. Establish cost parameters for the Project;
- e. Together with the National Project Management Office, prepare the Project Annual Work and Financial Plan following the established cost parameters for approval by the National Project Director;
- f. Manage the Designated and Imprest Accounts, and prepare withdrawal applications for submission to the Banks, on the basis of the Statement of Expenditures of the CO and the regional offices;
- g. Coordinate with the Banks, the Department of Finance (DOF), the Department of Budget and Management (DBM), the Bureau of the

- Treasury (BTr), the Bangko Sentral ng Pilipinas (BSP) and the Land Bank of the Philippines (LBP), for the timely release of project funds;
- h. Ensure the accuracy of transactions prior to payment.
 - i. Prepare and submit financial monitoring reports to the EFIs and oversight agencies as well as to the NPMT for monitoring purposes.

A number of NCDDP contractual staff shall also be hired to assist the FMS Division Heads of the DSWD in the delivery of their commitments in relation to the processing of NCDDP financial transactions, such as, among others:

- a. Processing of all claims for payment e.g. Obligation Requests, Disbursement Vouchers and issuance of checks;
- b. Maintenance of books of accounts, subsidiaries, records
- c. Preparation of mandatory government financial reports for submission to the different oversight agencies;

The following diagram illustrates the NCDDP FM structure at the National/CO level.

Figure 1. KC-NCDDP FM Structure



3.1.1 Financial Management Role of the National Project Management Office (NPMO)

The role of NPMO shall be critical to achieve a sound financial management system. At the Central Office level, the concerned National Program Management Office Officials and staff designated for the purpose shall work closely with the KC-NCDDP FMU staff. Specifically, the NPMO shall do the following functions in order to achieve an economical, efficient and effective FM system:

- a. Define the performance or output indicators to be used for planning and budgeting, and performance evaluation;
- b. Set the phasing of Project implementation that will define the physical targets and budgetary requirements of the Annual Work and Financial Plan (WFP);
- c. Oversee the preparation of annual work and financial plan at the national and regional levels;
- d. Monitor the implementation of the Program in accordance with the approved annual work and financial plan/s and in compliance with the Operations Manual and sub-manuals;
- e. Approve Subproject Implementation Work Plans submitted by the Regional Offices, showing the list of identified subprojects with the total amount requested for each subproject and the amounts and timing of planned tranches;
- f. Assign specific identification number on all approved subprojects, which will be used as the transaction reference throughout the disbursement and reporting process;
- g. Approve fund releases to the RPMO that are necessary to finance the implementation of the Program including funds intended for the communities on the basis of the approved Work Plans;
- h. Act on grievances and complaints brought to its attention, specifically those that are FM-related;
- i. Formulate administrative sanctions, in accordance with law, for non-compliance with prescribed government accounting and auditing rules, regulations and policies.

3.2 Regional Office Level

At the Regional level, the overall implementation of the Program FM shall be divided into two: The mainstreamed financial procedures and processes shall be the responsibility of the Management Division Chief of the Region while financial planning and budgeting shall be under the direction of the Regional Program Manager. Following the CO FM structure, the Regional Offices shall also engage contractual staff dedicated for the implementation of NCDDP FM.

The following tasks shall be performed by the RO NCDDP FM staff, under the supervision of the Management Division Chief:

- a. Process all financial transactions of the Program at the regional level such as Obligation Requests, Disbursement Vouchers including issuance of checks;
- b. Maintain books of accounts, subsidiary ledgers and other financial records
- c. Prepare and submit to the NCDDP FM Unit at CO monthly Statement of Expenditures to support Withdrawal Applications
- d. Prepare monthly and quarterly financial reports that may be required by the Funding Institutions
- e. Prepare and submit mandatory financial reports to the CO FMS for onward submission to the Oversight Agencies.

On the other hand, the following functions shall be the responsibility of the RO NCDDP FM Unit headed by the Regional Financial Analyst under the direction of the Regional Project Manager:

- a. Implement the prescribed Project FMS at the regional level;
- b. In coordination with concerned Program Staff, prepare the Regional NCDDP Annual Work and Financial Plan (WFP)
- c. Monitor the utilization of funds in accordance with approved Annual WFP
- d. Manage the Loan Proceeds downloaded to fund approved community subprojects, as well as the regional operating cost requirements of the RO.
- e. Ensure proper implementation of the automated RFR System installed for the Program.
- f. Review the financial documents supporting the Requests for Fund Release (RFR) submitted by the community-beneficiaries and check the completeness of other requirements as reviewed and validated by appropriate Program staff. Ensure that the initials of concerned Program staff are present on the RFR before forwarding the same to the Regional Program Manager who shall recommend approval by the Regional Director.
- g. Monitor the implementation of the NCDDP FMS at the community level, and provide technical assistance to the beneficiaries as regards financial planning and management;
- h. Ensure that the Area Coordinating Team members are not remiss of their functions as front-liners of project implementation.
- i. Prepare and submit financial monitoring reports to the NCDDP FM Unit at the Central Office.

3.2.1 Sub-Regional Project Management Team Level

There shall be a Sub-Regional Project Management Team (SRPMT) created for every ten municipalities covered by the RO, composed of Community Development Officer, Engineer, Financial Analyst and Monitoring and Evaluation Officer based at the Provincial level. The SRPMT is an extension arm of the RPMO and shall perform delegated authority responsibilities emanating from the RPMO through the Regional Program Manager. The major functions of the SRPMT are:

- a. Prepare the sub-regional plans: work and financial, disbursement, and training based on parameters provided by the RPMO.
- b. Disseminate national policies/regional directives and strategies to Area Coordinating Teams
- c. Provide technical assistance to ACTs under the guidance of concerned specialists from the RPMO
- d. Supervise the work and performance of the ACTS.
- e. Install and implement mechanisms to ensure that social processes and sub-project implementation are on track and within desired quality levels
- f. Review and endorse to the RPMO all proposals and requests for sub-grants.
- g. Prepare sub-region-wide proposals for capacity building and implementation support and other program management activities.
- h. Organize sub-region-wide trainings and other activities.

- i. Manage the engagement process with the LGUs at the provincial and municipal levels, province-based NGAs, CSOs, and other stakeholders under the supervision of the Regional Program Manager.
- j. Receive and process reports from the ACTs; prepare and submit the required reports to the RPMO
- k. Facilitate and document the generation and dissemination of knowledge and learning at the sub-region.
- l. Provide the secretariat support to the PDC-SDC meetings convened for the NCDDP.
- m. Facilitate the resolution of administrative and management issues in the cluster.

3.3 Municipal Level (Area Coordinating Team)

At the municipal level, the Area Coordinating Team shall have the primary responsibility for protecting project funds and for providing technical assistance to the community volunteers on financial management. The ACT, which shall be composed of Project-hired contractual and at some time, DSWD organic staff have the following roles and responsibilities, among others:

- a. Ensure compliance by the Local partners of the provisions of the Memorandum of Agreement (MOA) for the project, particularly on the prompt delivery of the local counterpart contributions (LCC);
- b. Review the validity, propriety, and accuracy of Requests for Fund Release and all supporting documents submitted by the community volunteers;
- c. Review the validity, propriety and completeness of community disbursements;
- d. Provide necessary technical assistance to the community volunteers in all aspects of NCDDP implementation;
- e. Monitor and validate the physical and financial status of approved subprojects;

The specific functions of each member are as follows:

3.3.1 Area Coordinator (AC)

- Protect Project funds. As one of the co-signatories of the community's bank account, he/she shall ensure that all disbursement vouchers are reviewed by the Municipal Financial Analyst before signing the checks.
- Assist the communities in resource accessing.
- Coordinate with Donors to ensure timely delivery of committed Local Counterpart Contributions.
- Evaluate the request of the communities for technical assistance fund.
- Review, evaluate and sign Requests for Fund Release (RFR).
- Review and approve all financial reports prepared by the Municipal Financial Analyst and ensure that these and other financial documents especially the original paid Disbursement Vouchers and its supporting documents are submitted completely and on time to the RPMT.

- Investigate finance-related issues and complaints and immediately submit written report and recommendations to the RPMO to prevent any possible misuse of funds.

3.3.2 Deputy Area Coordinator (DAC)

- Act as an alternate co-signatory of all financial transactions at the community level in the absence of the AC¹
- Provide adequate technical assistance to the different Barangay Project Preparation Team (PPTs) in the preparation of sub-project concepts for the Municipal Inter-Barangay Forum for Participatory Resource Allocation (MIBF-PRA) so that proposals submitted are realistic, especially in regards to the cost estimates.
- Conduct technical review of the sub-project proposals submitted by the communities. The review will include but not limited to the following:
 - ✓ Detailed cost estimates used in the proposed budget;
 - ✓ Assignment of monetary value to local contributions in kind; and
 - ✓ Assessment of the capability of communities to contribute.
- Assist the Audit and Inventory Committee, through job coaching in the:
 - ✓ inspection of the delivery of materials;
 - ✓ audit of materials inventory; and,
 - ✓ valuation of unutilized materials
- Monitor the physical progress of sub-project implementation and regularly compare against the Municipal Financial Analyst's records of the community's fund utilization.
- Provide regular updates to the Area Coordinator.

3.3.3 Municipal Financial Analyst (MFA)

- Provide technical inputs in the preparation and review of Program of Works (POW) particularly on the reasonableness of costs and appropriateness of items charged under the Indirect Costs.
- Review all Requests for Fund Release (RFR) including completeness, validity and consistency of data of all required supporting documents. Maintain RFR tracking system.
- Review and sign all Disbursement Vouchers prior to AC's signature of check.
- Monitor and validate financial sub-project status of the communities through field visits.
- Monitor delivery and utilization of LCC including Municipal Trust Account based on the approved LCC Delivery Plan and provides timely feedback to AC for appropriate action in case of potential delay.
- Initiate Municipal Fiduciary Workshops.

¹ Only in cases where there is no Area Coordinator hired yet or the hired Area Coordinator has gone on official leave, the Barangay Council shall execute a Resolution authorizing the Deputy Area Coordinator to temporarily replace the Area Coordinator as one of the signatories of the community's account. The execution of the Barangay Resolution for the purpose shall be on the basis of the recommendation from the RPMO. In no case shall the AC and DAC be authorized as co-signatories to the community bank account at the same time.

- Prepare and timely submit municipal financial monitoring reports to the SRPMT. Make sure that soft reports are properly backed-up with hard copies.
- Provide regular financial updates to the MCT/MIAC/TWG and other stakeholders.
- Submit monthly feedback report (narrative) to the Regional Financial Analyst as regards community financial management system.
- Provide regular updates to the Area Coordinator.

3.3.4 Community Facilitator (CF)

- Motivate the BSPMC Financial Management volunteers to perform their functions.
- Initially review Disbursement Vouchers as to completeness of documents and validity of transactions.
- Assist the BSPMCs, especially the Treasurers in installing a filing system.
- Monitor compliance of FM volunteers on the filing system installed.
- Provide updates to MFA regarding the communities' financial status.
- Provide feedback on the over-all status of sub-project implementation to the Area Coordinator.

3.3.5 Municipal Coordinating Team (MCT)

To support KC-NCDDP implementation in the municipality, the MLGU shall be required to form a composite team called Municipal Coordinating Team (MCT). Their functions are the same as that of the ACT since they are expected to gradually take over facilitation of the NCDDP process by the third cycle. However, the AC or DAC of the MCT can never be co-signatory of the community accounts.

3.3.6 Regional Finance Focal Person

Apart from the ACT, the Regional Office (RO) shall designate a Regional Finance Focal Person (RFFP) who will be particularly responsible in monitoring all financial transactions in case of on-going sub-project implementation in phase out areas or where contracts of ACTs shall have been terminated.

There shall be one RFFP per municipality except only when the RO sees that she/he is responsible and capable to handle more than one municipality. In case where there shall be more than one RFFP, it shall be mandatory that the RO designate an RO-based RFFP to act as RFFP Coordinator. Following shall be the roles and functions of the RFFP Coordinator and the RFFP.

3.3.6.1 RFFP Coordinator

- Assume full responsibility of Regional Financial Analyst in monitoring all financial transactions of on-going sub-projects in phase out areas.
- Render technical assistance to all designated RFFP to ensure validity and accuracy of community fund disbursements.

- Review the accuracy, completeness and validity of the RFR and the accompanying documents of phase out areas with the assistance of the RFA. He/She shall also review accuracy, completeness and validity of the RFR and the accompanying documents of current areas in the absence of RFA.
- Certify correctness of the financial aspect of the RFR by signing the “Reviewed by” portion.
- Responsible in timely submission of all RFRs and financial reports to the Regional Office.
- Coordinate with the RPMT all issues/concerns raised by the respective RFFPs in the area.

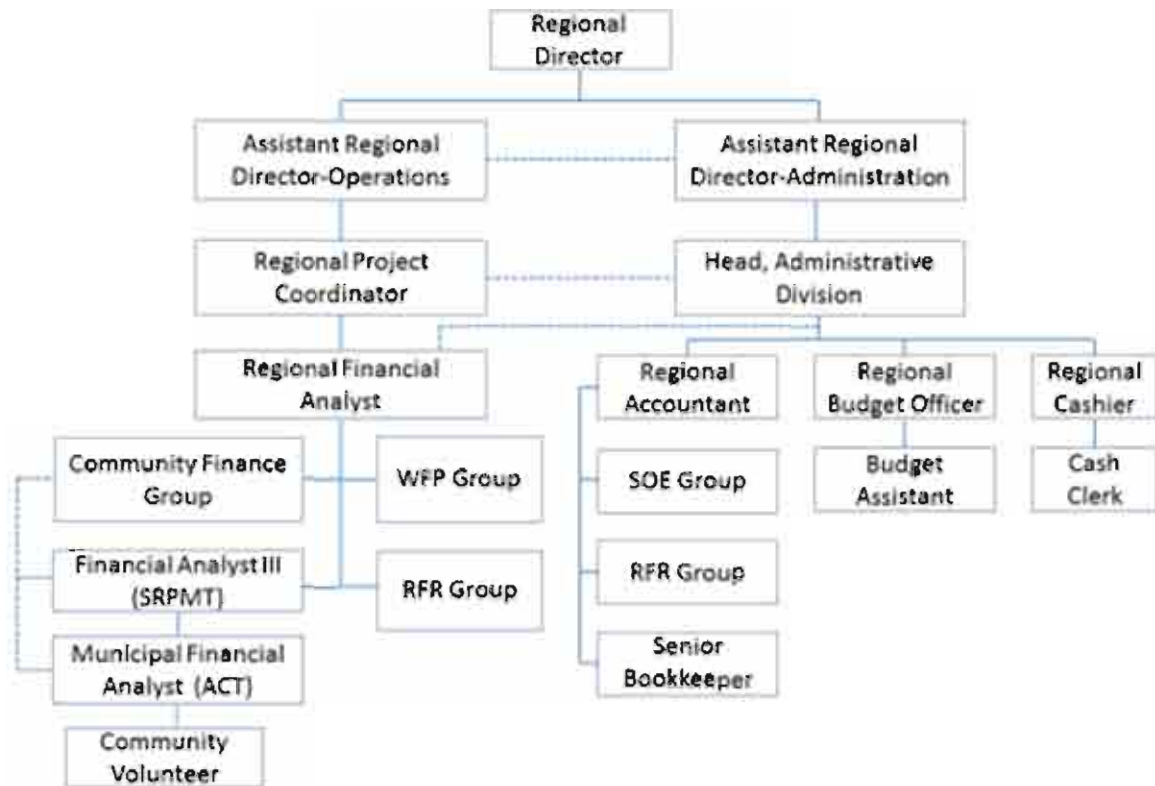
3.3.6.2 RFFP

- Replace the AC/DAC as co-signatory² of the community bank account of all on-going sub-projects where ACT’s contract is already terminated. As such, to protect Project funds, he/she shall ensure that all disbursement vouchers are reviewed by the MCT-Municipal Financial Analyst before signing the checks.
- Coordinate with the RFFP Coordinator to ensure validity and accuracy of claims before approving payment.
- Establish systems/strategies to facilitate disbursement of funds at the community level to ensure that sub-project implementation is not delayed.
- Ensure that communities and MCT-MFA complies with the financial reportorial requirements of the Project and in the submission of original paid Disbursement Vouchers and its supporting documents to the RPMT.
- Ensure that community accounts are closed when sub-projects are completed.
- Provide timely feedback to the RFFP Coordinator.

The diagram below shows the FM organizational and functional relationship from the RO down to the community level:

² The RPMO may designate the RFFP as co-signatory in case there is no AC/DAC currently hired.

Figure 2. KC-NCDDP FM Organizational and Functional Relationship

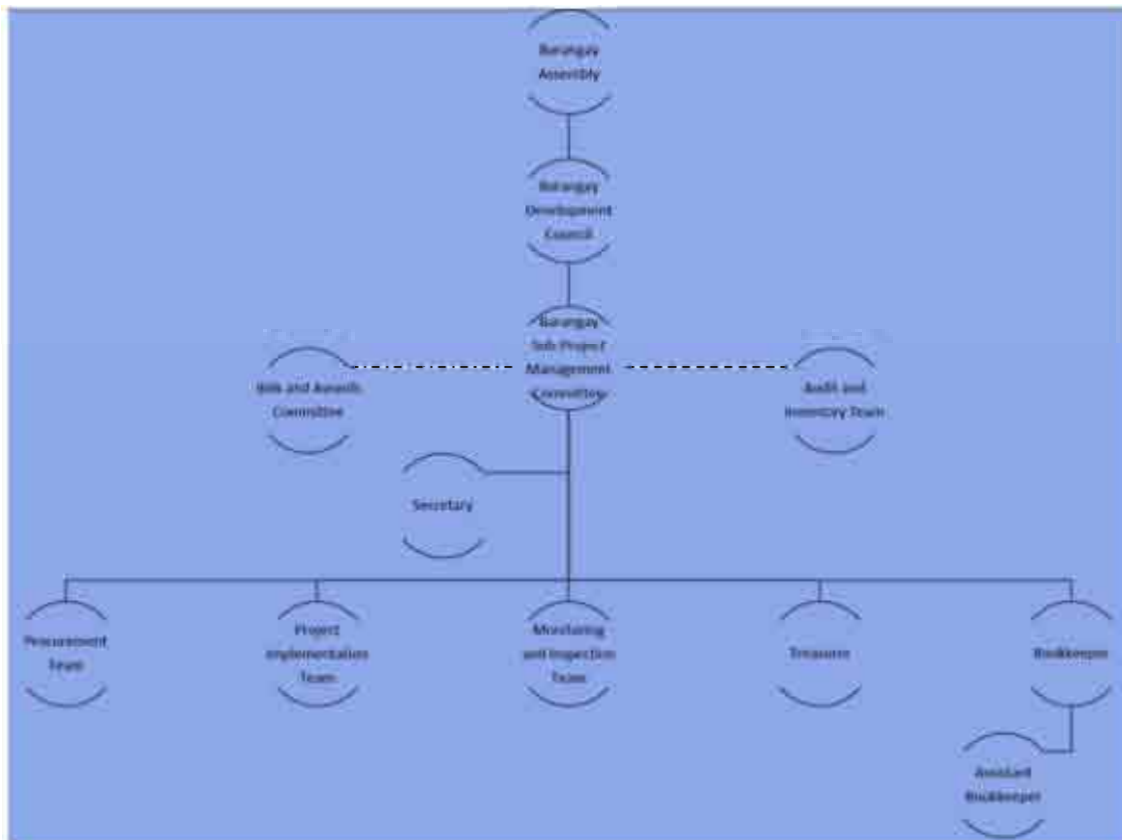


3.4 Community Level

The implementation of the prescribed Project FMS at the community level shall be the responsibility of the community volunteers themselves. During implementation of approved community subprojects, the community volunteers shall exercise management of and control over subproject funds. Overview of this section shall be provided in this Manual while details are found in the NCDDP Community-Based Finance Manual.

3.4.1 Barangay Sub-Project Management Structure

Figure 3. BSPMC Structure



CHAPTER 4

PROGRAM FUNDS FLOW

The Program funds shall come from different sources as follows: Loan Financing from World Bank and Asian Development Bank (Banks), Government of the Philippines (GOP) from DSWD, other National Government Agencies, and Local Government Units at various levels. Generally, accessing all these funds shall follow the existing cash inflow procedures of the national government.

4.1 Loan Proceeds

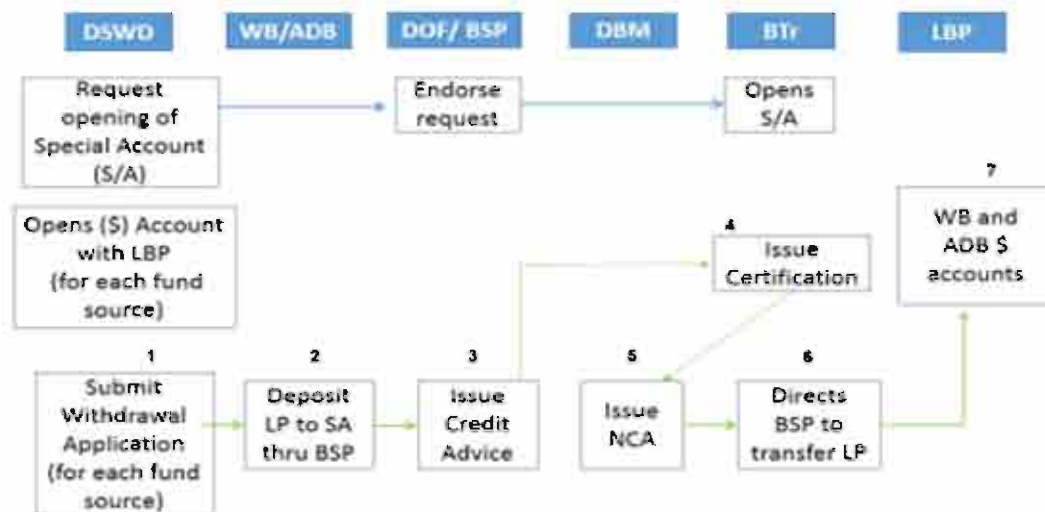
The flow of Loan Proceeds which accounts for 79% of total project financing shall follow the usual flow of inward remittances of the national government as well as the Banks.

Upon approval of the Loan, the DSWD shall request the Department of Finance to open two Special Accounts with the Bangko Sentral ng Pilipinas in the account of the Treasurer of the Philippines for the NCDDP. These shall be separate special accounts for World Bank and ADB Loan Proceeds. Parallel to this activity, the DSWD shall open two Dollar Savings bank accounts e.g. World Bank Designated Account and ADB Imprest Account, and two Peso current bank accounts with the Land Bank of the Philippines. These accounts shall be the repository of the Loan proceeds.

To avail of loan proceeds, the NCDD Program FM Unit shall submit Withdrawal Applications together with the required supporting documents to the Banks representing the six months cash requirement of the Program.

The figure below illustrates the flow of loan proceeds from the Banks to the DSWD and the activities being done by each of the concerned agencies to trigger the cash inflow:

Figure 4. Flow of Funds from the Banks to the DSWD



4.1.1 Methods of Loan Disbursements

The Program shall strictly comply with the requirements of the Banks as regards disbursements of loan proceeds as provided for in the respective Disbursement Loan Disbursement Handbooks.

4.1.1.1 Advance Method (WB). Under this method, the Program shall open a Designated Account in US Dollars with the Land Bank of the Philippines. This account shall be the repository of the loan proceeds specifically availed from World Bank. The World Bank shall provide advances/initial working fund to the Designated Account based on the two-quarter funding requirement forecast of the Program, hence no ceiling. The funds utilized from the Designated Account shall be reported to the Bank on a quarterly basis through the Interim Financial Report which shall be submitted to the Bank not later than 60 days after the end of the reporting quarter. The quarterly IFR shall then be the basis of the Bank to provide succeeding advances to the Designated Account.

The following shall be submitted to the Bank to support the requests for advances to the Designated Account:

- Interim Un-audited Financial Report in the form attached (Attachment 4) including the Designated Account Reconciliation/Activity Statement
- List of payments against contracts that are subject to the Bank's prior review, in the form attached (Attachment 5)

4.1.1.2 Imprest Account Method (ADB). This method of disbursements is applicable for the use of the ADB loan proceeds. The Program shall open an Imprest Account in US Dollars exclusively for the ADB's share of NCDDP expenditures. The ceiling of the imprest account is 10% of the loan amount. Request for initial advances shall be based on an Estimate of Expenditure Sheet setting out the estimated expenditures to be financed through the account for the forthcoming six (6) months subject for replenishment upon submission of

Withdrawal Applications supported with Statement of Expenditures, Bank Statements and Bank Account Reconciliation Statements.

4.1.1.3 Reimbursement Method (ADB and WB). This method of disbursement of loan proceeds shall allow the Program to reimburse the GOP counterpart funds previously used to pay for expenses/claims that are eligible for loan financing. This shall happen when the loan proceeds in both the Designated and Imprest Accounts at one given time are not sufficient to finance program activities. The amount reimbursed by the Banks shall be requested from DBM/BTr to be credited back to the Fund 102 MDS GOP Counterpart Fund account of the Program.

4.1.1.4 Direct Payment (WB). The Program may likewise request the Bank to directly pay the suppliers/contractors of the former. Under this method, the records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices shall all be submitted to the Bank for review prior to payment.

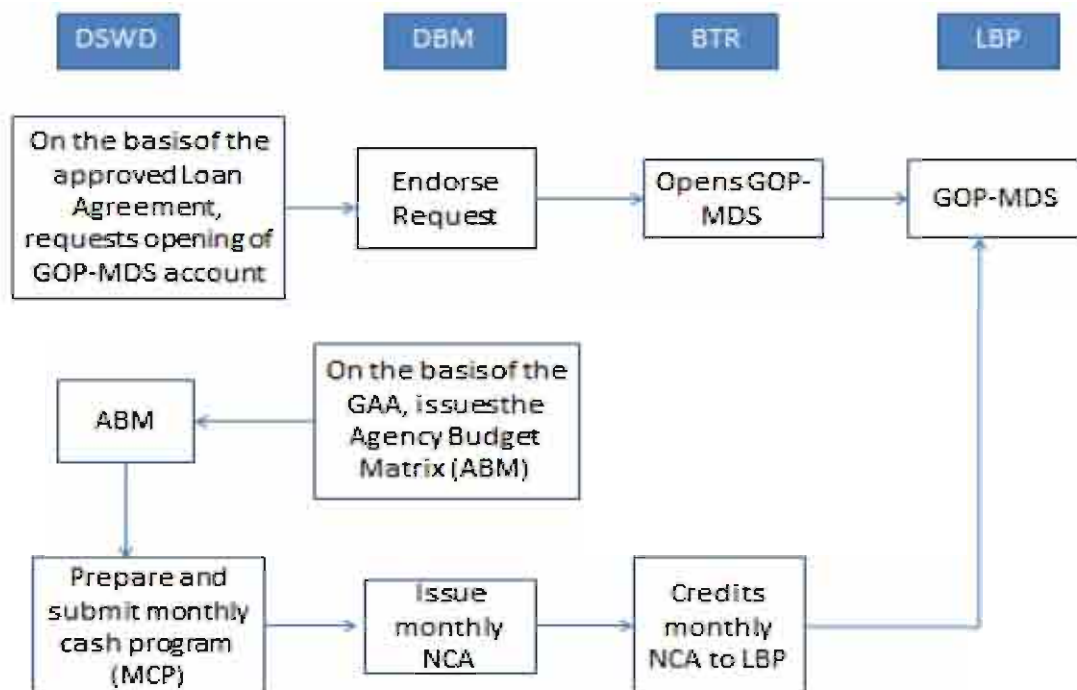
4.2 GOP-DSWD Counterpart Funds

A portion of the total project financing comes from the Government of the Philippines (GOP) as counterpart for the implementation of the NCDDP. While majority of the Loan Proceeds will finance the implementation of community development subprojects, the GOP counterpart which represents 21% will be used for capability building activities, technical assistance, program management and administration as well as monitoring and evaluation.

Following national government procedures, the DSWD shall request the DBM to open bank account under the GOP Modified Disbursement Scheme (GOP-MDS). The GOP-MDS account shall be repository of cash allocations coming from the GOP.

On the basis of the approved appropriations for the given year as indicated in the General Appropriations Act, the Department of Budget and Management (DBM) will issue the Agency Budget Matrix (ABM) specifying the allotment for the NCDDP. The National and Regional PMOs shall then prepare its monthly cash program based on the ABM released by the DBM and the approved work schedule. The monthly cash program shall be submitted to the DBM as support to the request for Notice of Cash Allocation (NCA) also on a monthly basis.

Figure 5. Flow of Funds for GOP-DSWD Counterpart Funds



4.3 Other Fund Sources

Apart from the Loan Proceeds from the World Bank and Asian Development Bank and the Counterpart Funds from the DSWD, the implementation of the KC-NCDDP shall also look into consideration the funding that shall come from the National Government thru the Grassroots Participatory Budgeting Process as well as the funding from the different Local Government Units that shall be covered by the Project.

4.3.1 GRASSROOTS PARTICIPATORY BUDGETING PROCESS

The Grassroots Participatory Budgeting Process (GPBP) is an initiative of the National Government to ensure the inclusion of the funding requirements for the development needs of cities and municipalities in the budget proposals of participating agencies including the DSWD. In the case of DSWD, the GPBP funds shall finance sustainable livelihood, social protection activities and community development subproject proposals.

4.3.1.1 Under the GPBP scheme, the municipalities shall be given opportunity to propose for funding by the national government, a priority poverty reduction project indicated in its approved Local Poverty Reduction Action Plan (LPRAP). The process of identification and approval of subprojects proposed for GPBP financing shall be covered by the Joint Memorandum Circulars (JMC) that shall be issued by the Department of Budget and Management (DBM), Department of

Interior and Local Government (DILG), Department of Social Welfare and Development (DSWD) and the National Anti-Poverty Commission (NAPC).

4.3.1.2 The DSWD-GPBP approved projects may be implemented by the municipalities subject to government procurement law provided said municipalities meet the eligibility standards set by the Human Development Poverty Reduction Committee (HDPRC) that shall be specifically indicated in the JMC.

4.3.1.3 Communities at the barangay level may also implement DSWD-GPBP Projects in which case the provisions of the KC-NCDDP Community Procurement and Finance Manuals shall apply. Specifically, these communities must have:

- Capacity to conduct a participatory situation analysis, identify priority projects through participatory barangay assemblies, and prepare project proposals; and/or
- Prior experience in undertaking community-led procurement, in managing public funds using a community finance management system led by community volunteers duly recognized by the barangay LGU through barangay assembly resolution, and in community monitoring of project implementation using participatory processes of information disclosure.

4.3.1.4 Communities with no prior experience in implementing projects through a CDD approach may still be eligible to implement GPB projects provided that technical assistance is provided by DSWD and the city/municipal LGU.

4.3.1.5 The KC-NCDDP covered municipalities which shall also be provided the DSWD-GPBP funding may have a common and combined local counterpart requirement.

4.3.2 LOCAL COUNTERPART CONTRIBUTION

In compliance with existing government rules and regulations on counterparting, the KC-NCDDP shall require all covered Local Government Units to provide its counterpart contribution.

4.3.2.1 Local Counterpart Contributions refer to funds contributed by local government units, Congresspersons, communities, non-government organizations, and other stakeholders for the implementation of the Program.

4.3.2.2 The municipality shall be required to put in counterpart funds in the form of Cash or In-kind. It may be sourced from the Local Development Fund (LDF) of the municipality, province and barangay. The community people themselves and other private organizations/institutions may also contribute for the implementation of the Project. The municipality's own-funded and implemented subprojects indicated in the Local Poverty Reduction Action Plan and funded under the LDF can also be counted and considered as LCC provided it is not committed as LCC for any other Projects funded by the National Government and said project has no other funding commitment.

4.3.2.3 The computation of the combined cash and in-kind LCC shall be harmonized with the GPBP LCC requirement and shall be in the form of any of the following:

- Cash or in-kind contributions for the implementation of KC-NCDDP-approved community subprojects;
- LGU projects indicated in the LPRAP and funded under the Local Development Fund provided said project has not been committed as counterpart of the LGU for other National Government Projects.
- Capability Building and Implementation Support costs such as:
 - Cost of LGU counterpart staff dedicated for the implementation of the KC-NCDDP;
 - Cost of other activities related to the implementation of KC-NCDDP such as, among others, social preparations, trainings/workshops and conferences, coordination meetings including venues, office space and other logistical requirements for DSWD staff assigned in the area.

The details on Local Counterpart Contribution are found in Chapter 5.5 of this Manual.

CHAPTER 5

PROGRAM FUNDS UTILIZATION

The utilization of the KC-NCDDP funds both loan proceeds and GOP counterpart shall strictly follow the existing government laws, rules and regulations. The KC-NCDDP shall likewise adhere to the principles of the Program Expenditure Management (PEM) of the National Government e.g. Fiscal Discipline, Allocative Efficiency as well as Operational Efficiency.

5.1 Financial Planning and Budgeting

The Project shall follow the budgeting system of the national government in the preparation of its annual budget.

5.1.1 Submission of annual budget proposal to the Department of Budget and Management. The annual budget proposal of the KC-NCDDP shall be based on the overall physical target for the given year as indicated in the consolidated work schedule provided by the National and Regional PMOs to the NCDDP FM Unit. The NCDDP budget proposal for the ensuing year shall be prepared by the KC-NCDDP FMU using the cost parameters applied by the Program in the current year. This will cover all project components, disaggregated per fund source, and will take into

consideration the expenditures eligible for project financing under the World Bank and ADB Loan Agreements. The KC-NCDDP FMU shall see to it that the Forward Obligational Authority (FOA) issued by the DBM upon approval by the NEDA-ICC of the Program, is considered in the preparation of the budget. Once prepared, the NCDDP FM Unit shall incorporate the budget requirement of the Program to the annual budget proposal of the DSWD that will be submitted to the DBM.

5.1.2 Preparation and approval of the NCDDP annual Work and Financial Plan.

The preparation of the annual Work and Financial Plan shall be lodged at the Regional level in view of the decentralization of Program implementation. This shall mean that the Regional Director shall be responsible and accountable to the appropriateness of the proposed targets and budgets of the Region for the given year.

Once the budget is approved by Congress, the KC-NCDDP FM Unit shall call for a Work and Financial Planning (WFP) Workshop that shall be participated by concerned staff of the National and Regional PMOs. The approved consolidated work schedule previously submitted as basis for determining the proposed budget shall be reviewed, revisited and updated during the Workshop where revisions shall be made if necessary. The cost parameters used during preparation of budget proposal shall likewise be reviewed if still applicable. The revised work plan and the budget for the year as approved by Congress shall be the basis in determining the cost parameters that shall be applied to come up with the Work and Financial Plan.

The Work and Financial Plan, once approved by the National Project Director shall be the guide of the Program in the utilization of the funds.

5.1.2.1 Operating Assumptions. Following the principle of Allocative Efficiency, the operating assumptions of the KC-NCDDP shall be determined on the basis of the physical targets for the given year set by the NPMO upon the instruction of the National Project Director. Once the targets are available, the FMU together with the NPMO shall ensure that only those activities that contribute to the achievement of the targets are provided funding allocation such as, among others:

- **Staffing.** The staffing complement at the Regional Office, Sub-Regional Management Team as well as the Area Coordinating Team shall be established based on the number of municipalities and barangays that shall be covered by each of the Regional Office. The geographic situation of each of the area shall be given utmost importance to ensure that the necessary assistance expected from the staff are provided on time to the communities. The Staffing Plan at all levels shall be approved by the National Project Director.

In case of need to hire additional staff not indicated in the approved Staffing Plan, the NPMO shall cause the approval by the National Project Director of the creation of said additional position. The NPMO shall likewise seek Authority from the National Project Director prior to the start of the hiring and contracting process.

- **Capability Building Activities/ Trainings and Workshops.** There shall be an annual National Training Plan that shall be prepared by the Training Unit of the NPMO anchored on the overall targets and objectives of the KC-NCDDP. The Training Plan which shall be approved by the National Project Director, shall indicate the long list of mandatory capability building activities that shall be conducted for the given year both at the NPMO and RPMO levels. On the basis of the said approved Training Plan, the Regional PMOs shall prepare their respective training plans which shall indicate in detail the specific activities, number of participants, venue, training supplies and materials needed and corresponding budget requirement. The Regional Training Plan shall be reviewed and approved by the KC-NCDDP National Project Manager. At the National level, the Activity Proposal that shall be prepared for a specific activity as a requirement for payment, shall be anchored on the approved annual National Training Plan.

No fund shall be downloaded to the RPMOs without the corresponding approved annual Regional Training Plan. In the same manner that at the National level, no Activity Proposal as basis for payment shall be approved for trainings/activities conducted without the approved annual Training Plan.

- **Social Preparation Activities.** The social preparation activities shall follow the stages of the Community Empowerment Activity Cycle (CEAC) provided for in the KC-NCDDP CEAC Manual and the Disaster Response Operations Manual (DROM). The allocation shall be based on the CEAC/DROM Implementation Plan of the Region for the initial year and the CEAC/DROM Monitoring Report for the succeeding years.

5.1.2.2 Cost Parameters. On the basis of the annual budget as approved and indicated in the General Appropriations Act for the given year and the operating assumptions provided for by the NPMO, the KC-NCDDP FMU shall determine the cost parameters for each expense item that shall be incurred following existing related Issuances/Circulars of the DSWD.

5.2 Fund Utilization at the Central Office Level

The NCDDP NPMO through its Financial Management Unit shall see to it that funds appropriated by government to finance the implementation of the Program are utilized only for the purpose/s intended. More so, it shall follow existing government laws, rules and regulations as well as the World Bank and ADB. In cases, however, where there are conflicts between the policies of the government and the Banks, the policies of the latter shall be followed.

5.2.1 KC-NCDDP Bank Accounts. The following five (5) bank accounts shall be maintained and managed by the KC-NCDDP FM Unit:

1. US Dollar Savings Account for World Bank Loan Proceeds

- Known to the World Bank as **Designated Account**, this bank account shall be the repository of all Loan Proceeds that shall be withdrawn from World Bank
2. US Dollar Savings Account for ADB Loan Proceeds
 - Known to the ADB as **Imprest Account**, this bank account shall be the repository of all Loan Proceeds that shall be withdrawn from ADB
 3. Peso Current Account for WB
 - This account shall serve as conduit/bridge account when paying for WB eligible expenditures
 4. Peso Current Account for ADB
 - This account shall serve as conduit/bridge account when paying for ADB eligible expenditures
 5. Fund 102 GOP MDS Account
 - This account shall be the repository of Notice of Cash Allocation (NCA) that shall be issued by the DBM representing the GOP counterpart of the KC-NCDDP

5.2.2 Obligation of expenses. The Program shall commit and conduct activities on the basis of the budget appropriated as approved by Congress and the approved Work and Financial Plan. This shall mean that no activities and/or expenses that are not provided for in the approved WFP shall be authorized and approved for payment.

The obligation of expenses shall happen after the contract or purchase order has been awarded and/or expenses have been incurred. The approval by the Head of the DSWD Budget Division on the Obligation Request (ObR) would mean that funds have been earmarked to be used exclusively for the activities as committed in the said ObR.

5.2.3 Payment of obligation/Cash disbursement. Government funds shall be disbursed in accordance with the Philippine budgetary system and the New Government Accounting System (NGAS). It shall be covered with allotments and Notice of Cash Allocation (NCA) issued by DBM, and shall always be subject to existing budgetary, accounting and auditing rules and regulations.

All claims presented for payment shall have been previously obligated. Therefore, the approved ObR is an essential requirement to support claims for payment.

The following procedures shall be followed by the Program in processing payments e.g. from Obligation to issuance of check.

- a. The proponent/originating unit of the NCDDP shall submit the government authorized formats of Obligation Request (ObR) and Disbursement Voucher (DV) together with supporting documents to the Budget Division. The ObR recognizes the commitment to pay the expenditure/s on the basis of the documents presented and approved WFP. On the other hand, the

DV signals the payment of the expenditures that have been committed to be paid.

- b. The NCDDP staff assigned in the Budget Division shall examine the completeness of the documents and shall determine the appropriate fund source, component, expenditure category and activity. He/she shall stamp the following 'marks' on the face of ObR and DV and forward the same to the Budget Officer of signature of the ObR:

- ◆ NCDDP – (Fund Source)
- ◆ Project Component
- ◆ Category of Expenditure
- ◆ Activity

Once the ObR is signed by the Budget Officer, the complete set of documents shall be forwarded to the Accounting Division for processing of payment.

- c. The concerned NCDDP staff assigned in the Accounting Division shall do complete staff work in behalf of the Chief Accountant. He/she shall review the legality, validity and propriety of the supporting documents and shall see to it that cash are available in bank and free from any previous commitments. The documents in complete set shall then be forwarded to the Chief Accountant for certification of availability of funds and completeness of supporting documents as indicated in Box A.
- d. The approved ObR and certified DV together with all supporting documents shall be forwarded to the NCDDP National Program Manager for his/her signature of Box B which signifies approval of payment. The policy of the Department as regards approval threshold shall be followed.
- e. The concerned staff shall forward the documents to the Cashier for issuance of check. The NCDDP staff assigned in the Cash Division shall validate availability of cash in bank prior to check preparation.
- f. Once the check is prepared, it shall be forwarded together with complete set of documents to the authorized signatories for countersignature.
- g. The Cashier shall sign the check and release the same to the payee or creditor.

The KC-NCDDP shall follow the existing Issuances/Memorandum Circulars of the DSWD authorizing the signatories and counter-signatories to Obligation Requests, Disbursement Vouchers and Checks.

5.2.4 Issuance of Sub-Allotment Advice (SAA) and Release of Notice of Transfer Allocation (NTA) to the Regional Offices. Program funds, both loan proceeds and GOP counterpart allocated for use by the Regional Offices, shall be released by the Central Office through the issuance of Sub-Allotment Advice (SAA) which shall serve

as the authority of the Regional Offices to obligate contracts, purchase orders and other documents that prove the incurrence of an expense.

5.2.4.1 Issuance of SAA. The SAA for the operation, capability building activities of the Regional offices as well as planning grants including Technical Assistance Fund (TAF) shall be issued on the basis of the approved Work and Financial Plan. Separate SAA shall be issued for each fund source e.g. LP and GOP. On the other hand, the SAA for the financing of approved community subprojects shall be issued at one time on the basis of the approved Sub-Project Implementation Plan (SPIP). Charges from the SAA or Obligations shall be reported by the ROs on a monthly basis following the government prescribed format of Statement of Allotment, Obligations and Balances (SAOB).

The NCDDP National Program Manager thru the NCDDP FM Unit shall prepare and submit Letter Request addressed to the DSWD FMS Director for issuance of SAA to the ROs on the basis of the approved Work and Financial Plan and/or approved Activity Proposal. The request shall indicate the expense code, amount and purpose for which the sub-allotment shall be issued.

On the basis of the letter request, the DSWD FMS Budget Division shall prepare the SAA for the signature of authorized DSWD officials. Once signed, the SAA shall be issued to the concerned recipient ROs.

5.2.4.2 Release of Notice of Transfer Allocation. The Notice of Transfer Allocation (NTA) represents the cash transfers from the Central Office to the Regional Office. Unlike the SAA which shall be released every six months, the corresponding NTA shall be downloaded to the ROs on the basis of their approved monthly cash programs vis-à-vis approved WFP.

5.2.4.2.1 Loan Proceeds. The ROs shall open peso current bank accounts as repository of loan proceeds. Separate accounts shall be opened and maintained for WB and ADB loans. In compliance to the loan covenant, the RO NCDDP FM Unit shall ensure that the loan proceeds coming from both Banks are not co-mingled nor its use, interchanged. WB loan proceeds shall only be used to pay claims charged against the SAA issued for WB-funded activities including community grants, while ADB loan proceeds shall only be used to pay claims charged against the SAA issued for ADB-funded activities, also including community grants.

5.2.4.2 GOP Counterpart. Following government procedures, the cash allocations from the GOP shall depend on the policy issuance of the DBM for the given year, which, currently, is on a monthly basis. In accordance with DBM policy on GOP cash utilization all uncommitted cash balances in the GOP-MDS account of the Regional Offices at the end of the every month are reverted back to the Bureau of the Treasury.

One of the outputs of the ROs during the annual National Work and Financial Planning Workshop shall be the Monthly Cash Program (MCP)

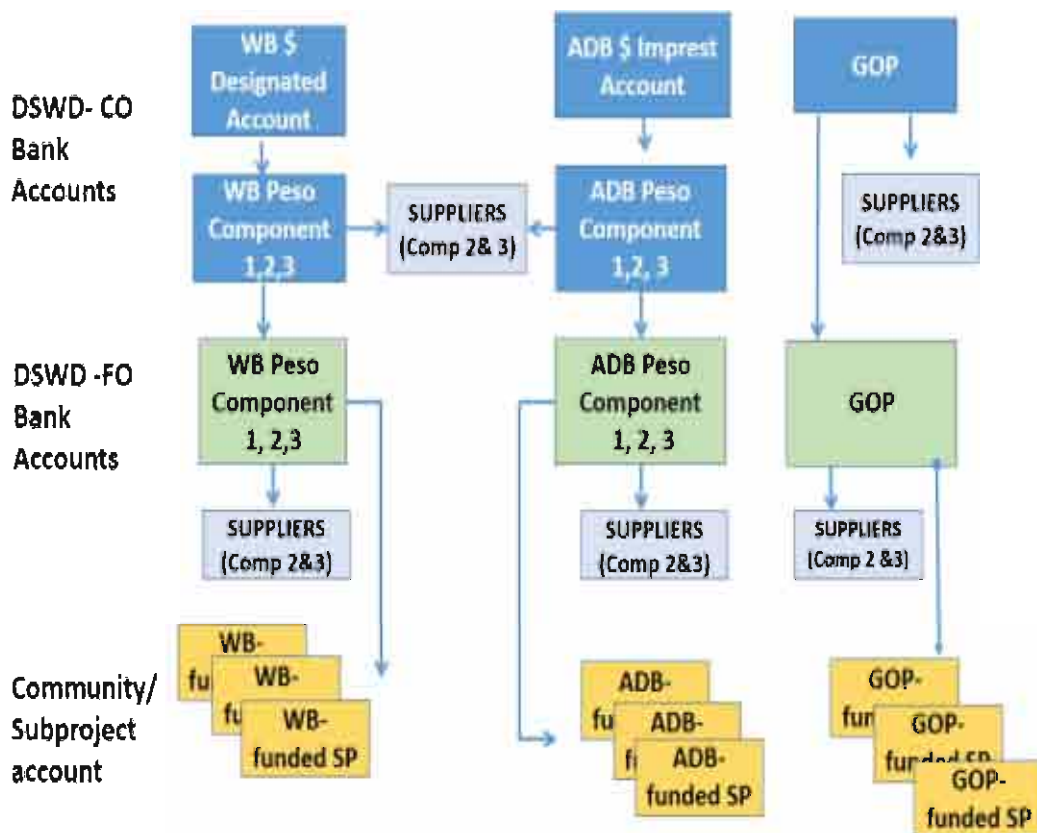
which shall be consolidated and submitted to the DBM for issuance of a comprehensive 6-month period Notice of Cash Allocation (NCA). On the basis of the NCA, the Bureau of Treasury shall credit the actual cash to the KALAHI-CIDSS Fund 102 GOP MDS account of the Central Office maintained at Land Bank Batasan Branch on a monthly basis.

Once funds are credited to the GOP MDS account of the Central Office, the NPMO shall, on the basis of the individual MCPs of the ROs, immediately prepare and issue the Notice of Transfer Allocation (NTA). The NTA authorizes the transfer of funds from the Fund 102 MDS account of the Central Office to the Fund 102 MDS account of the ROs maintained at the respective Land Bank regional branches.

On the other hand, the NCA for the GOP cash requirement for community grants shall be requested separately from the DBM by the NPMO. The request shall be on the basis of the Sub-Project Implementation Plan submitted by the ROs. *(Please refer to section 5.4 of this Manual for a detailed discussion)*

The figure below summarizes the release of funds to and utilization by Regional Offices:

Figure 6. Release of Funds to Regional Offices



5.3 Utilization of Funds by the Regional Offices

5.3.1 Regional Office Bank Accounts

Each of the Regional Offices implementing KC-NCDDP shall maintain and manage three separate bank accounts specifically for KC-NCDDP transactions as follows:

- World Bank Peso current account;
- ABD Peso current account; and
- GOP-Fund 102 MDS account.

In no way shall the use of funds in the above bank accounts be interchanged unless approved by the World Bank and ADB in the case of the Loan Proceeds. However, whenever necessary, the GOP-Fund 102 MDS account may be used to pay obligations from the Loan Proceeds, subject to reimbursement.

5.3.2 Obligation and Payment

The Regional Offices shall likewise disburse government funds in accordance with the Philippine budgetary system and the New Government Accounting System (NGAS). It shall be covered with allotments and Notice of Cash Allocation (NCA) issued by DBM, and shall always be subject to existing budgetary, accounting and auditing rules and regulations. All claims presented for payment shall have been previously obligated. Therefore, the approved ObR is an essential requirement to support claims for payment.

The Regional Office shall follow the same procedures for obligation and payment as the Central Office. At the Regional level, all obligations and payments shall be covered with SAA and Notice of Transfer Allocation (NTA) issued by the Central Office, respectively, and shall always be subject to existing budgetary, accounting and auditing rules and regulations.

In the case of community grants, the Municipal Inter-Barangay Forum (MIBF) Resolution which indicates the names and corresponding costs of the approved community subprojects for funding under the NCDDP shall be used by the RO as basis for obligation. The DSWD share of the total subproject cost as approved shall be fully or partially obligated on the basis of the SAA.

5.4 Release of Community Grant Funds to Communities

Bulk of the Program funds as illustrated in the Program Financing Plan are intended to finance community approved subprojects under Component 1. The release of these funds, termed as Community Grant Funds and Technical Assistance Fund, shall flow from the NPMO to the communities through the RPMO and shall follow certain processes and procedures approved by both World Bank and ADB. The whole review and funding process shall take a maximum of 15 days from the time the funds are requested by the communities up the time said funds are credited to their community bank accounts opened for the purpose.

In the case of TAF, however, it may be pooled at the regional level and shall be managed and disbursed by the RO. On this, the concerned RO shall conduct the selection and engagement of service providers for the purpose, who shall, therefore, follow the usual government procurement process.

5.4.1 Electronic-Request for Fund Release System (e-RFRS)

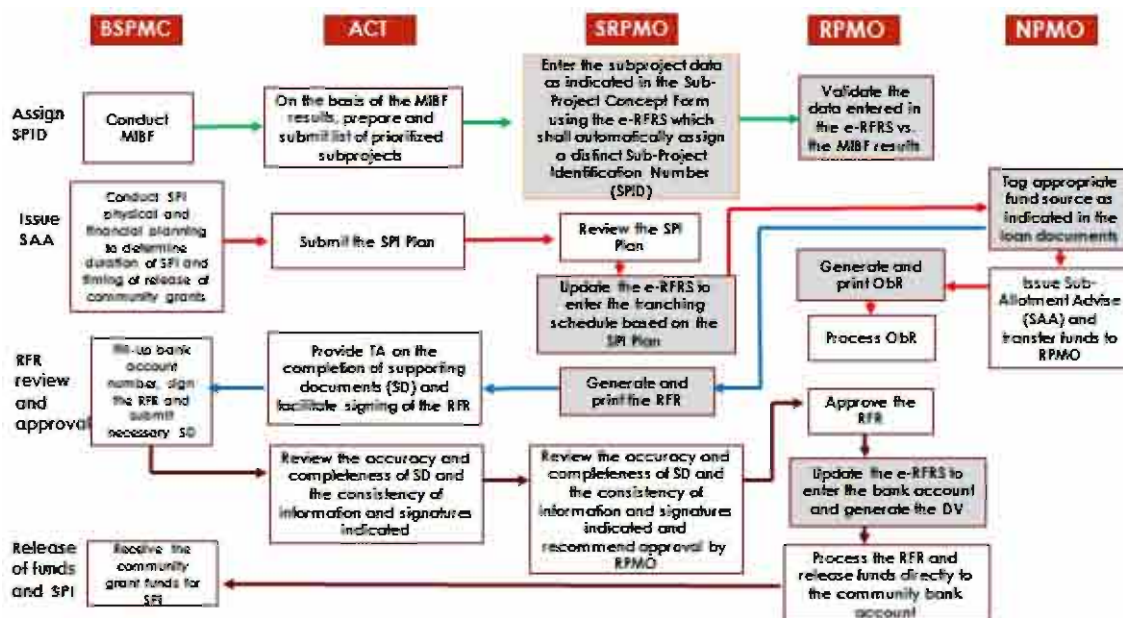
To ensure fast and accurate release of funds to the communities for the implementation of their approved subprojects, the KC-NCDDP shall establish an electronic RFR System (e-RFRS) that can be viewed at real time at the NPMO, RPMO, SRPMO and ACT levels.

At a minimum, the e-RFRS shall have the following capabilities that come in sequential order:

- Automatically assign Sub-Project Identification (SPID) which shall happen upon entry of the results of the MIBF;

- Create a Community Grants Disbursement Plan (CGDP) upon entry of the schedule of release of community grants indicated in the SPI Plan as a result of the programming conducted by the communities under the guidance of the Area Coordinating Team. The CGDP, once created, shall be the basis of the NPMO to assign appropriate funding source e.g. ADB and WB;
- Tag fund source i.e. World Bank and ADB.
- Generate and print the RFR form for the signature of concerned signatories bearing the relevant information entered in the System. The generation and printing shall happen at the Sub-RPMO level once the CGDP is confirmed by the NPMO;
- Generate and print the Obligation Request (ObR) and Disbursement Voucher (DV) at the RPMO level upon submission of the physical documents by the SRPMO and completion of data entry in the System by the e-RFRS authorized user.

Figure 7. eRFR System Process



5.4.1.1 Assigning the Community Sub-Project Identification.

The Municipal LGU shall conduct Municipal Inter-Barangay Forum (MIBF) for the presentation and prioritization of subprojects proposed by the communities for funding by the KC-NCDDP. After the Forum, a MIBF Resolution shall be passed enumerating the prioritized sub-projects for funding. This document which shall be one of the legal bases for transferring Community Grant Funds directly to community accounts with approved sub-projects shall be submitted by the ACT to the Sub Regional Program Management Team (SRPMT).

On the basis of the MIBF Resolution, the Monitoring and Evaluation Officer III (MEO III) or any authorized staff at the SRPMT shall enter each of the prioritized subprojects as indicated, into the e-RFRS. Once entered, a unique Identification Number (SPID) shall be automatically generated by the e-RFRS. The SPID shall be used as transaction reference of each subproject throughout the disbursement and reporting process and the life of the KC-NCDDP.

5.4.1.2 Creating the Community Grants Disbursement Plan.

Right after the MIBF, the communities with prioritized sub-projects shall conduct a Sub-Project Implementation Planning under the guidance of the ACT to determine the duration of physical implementation as well as the schedule of release of community grants. After the SPI planning has been conducted, the ACT shall assist the community in the preparation of the SPI Plan which shall clearly indicate the activities that shall be undertaken on a monthly basis with the corresponding cash requirement.

On the basis of the SPI Plan, the Financial Analyst III or authorized staff at the SRPMT shall update the e-RFRS to create the Community Grants Disbursement Plan (CGDP). For cash programming purposes, the ACT shall ensure that the target dates of fund releases to the communities on a per tranching basis are indicated in the CGDP.

Once the CGDP is created, the NPMO shall tag/assign the appropriate fund source for each subproject following the ratio of ADB and WB loans.

5.4.1.3 Tagging of Fund Source

Once the CGDP is created, the authorized staff at the KC-NCDDP FM Unit shall tag/assign the appropriate fund source for each sub-project following the ratio of ADB and WB loans. The tagging shall be on the basis of availability of allotment as provided for in the General Appropriations Act (GAA) for the given year. It shall be done by clicking the 'Fund Source' box on the CGDP Screen of the e-RFRS.

5.4.1.4 Generating/Printing the RFR Slip

Upon confirmation by KC-NCDDP FM Unit Head of the fund source tagged to each subproject, the RFR shall be activated and ready for printing either at the SRPMT or ACT level, whichever is more practical. The generated RFR Slip shall contain all necessary information of the subproject except the bank account information and amount requested if different from the CGDP. Only the Financial Analyst III and Municipal Financial Analyst shall be authorized to generate the RFR Slip at the SPRMT and ACT levels, respectively.

Once the RFR is generated, the ACT, through the Community Facilitator (CF) shall immediately assist the community volunteers assigned to work on the signing of the same by authorized signatories at the community level. The necessary documents shall likewise be ensured to be attached to the RFR.

5.4.1.5 Generating the Obligation Request and Disbursement Voucher

The RFR package consisting of the signed RFR Slip and complete supporting documents shall pass through different levels of review indicated in Item 5.5 of this Manual.

On the basis of the recommendation of the Regional Project Coordinator, the Regional Director/Assistant Regional Director-Operations (RD/ARDO) shall approve the RFR package by affixing his/her signature on the "Approved by" portion of the RFR Slip.

Once the RFR is approved by the RD/ARDO, the whole RFR package shall be obligated.

❖ Obligation Request

The Obligation of community grant funds shall be made on the basis of the Sub-Allotment Advice issued by the CO KC-NCDDP FM Unit. On the same manner, the SAA shall be issued on the basis of the approved annual appropriations for the KC-NCDDP.

The Obligation may be done 1) on a per MIBF basis, 2) on a per subproject basis, or 3) on a per RFR basis depending on availability of funds.

On the basis of the approved RFR, the KC-NCDDP RPMO, being the proponent Unit, shall obligate the community grants through the Finance staff in-charge of the KC-NCDDP WFP who shall click the 'Obligation' screen of the e-RFRS to generate the filled-out Obligation Request (ObR). Once generated, the said staff and the Regional Financial Analyst shall affix their initials on Box A. The Regional Project Coordinator may also be required to affix his/her initials on Box A, upon the direction of the RD/ARDO.

On the basis of the initials affixed on Box A, the ARDO shall affix his/her signature on Box A of the ObR. The signed ObR together with the whole RFR package shall immediately be transmitted to the Budget Unit for approval by the Regional Budget Officer.

Upon receipt of the signed ObR and approved RFR package from the RPMO, the Budget Assistant shall facilitate the signing of Box B by the Regional Budget Officer and transmit the same to the Accounting Unit for processing.

❖ Disbursement Voucher

One of the control features of the e-RFRS is the capability of the System to electronically generate the Disbursement Voucher (DV) by clicking the “DV” box. On the mainstreamed FM side, only the Financial Analysts III for RFR and SOE assigned at the Accounting Unit shall be authorized as “Users” of the e-RFRS.

Upon receipt of the approved ObR with the whole RFR package, the Regional Accounting Unit through the RFR assigned staff shall perform its own review procedures to assure the Unit of the validity, legality and propriety of the documents being presented for payment. Once done, the authorized User/s shall click the DV box of the e-RFRS and fill-out the blanks e.g. Payee, Bank account information and requested amount if different from the CGDP. The DV shall be automatically generated upon clicking the ‘generate DV’ box of the e-RFRS.

Once the DV is generated, the Regional Accountant shall sign ‘Box A’ and endorse the same for signature of ‘Box B’ to the authorized signatories of DV in the Regional Office.

5.4.2 RFR Review and Approval Process

The Request for Fund Release is a one-page document which shall be automatically generated by the eRFRS either at the ACT or SRPMT level after the tagging of fund source per subproject is completed by the NPMO.

The RFRs with complete documentation shall pass through different levels of review before finally approved by the Regional Director:

a. ACT Level

The first level of review shall be done by the **ACT** which shall ensure that the amount requested follow the cash requirements as indicated in the approved community procurement plans and packages. Cross-checking to ensure accuracy and consistency of information from one document to another as well as completeness of required documents that are attached to the RFRs to support the request shall be undertaken.

The ACT members shall review the RFR package as follows:

- Area Coordinator
 - ✓ Appropriateness of the sub-project proposal and correctness of the feasibility study and sub-project concept form
- Deputy Area Coordinator
 - ✓ Validity and appropriateness including consistency and completeness of signatures of the following documents:
 - Program of Works (POW) and detailed cost estimates
 - Plans, Design and Specifications of the sub-project
 - Planned Community Procurement Packaging and Schedule of LCC In-Kind

- Procurement Action Plan
 - Operations and Maintenance Plan
 - Photographs of proposed site, if applicable
 - ✓ Accuracy of Physical Accomplishment Report (for succeeding tranches)
 - ✓ Joint Inspection Report and provide technical assessment whether sub-project is implemented in accordance with approved plans, design and specifications (last tranche)
 - ✓ Variance analysis and variation order prepared by Procurement Team upon request of contingency fund
- Municipal Financial Analyst
 - ✓ Completeness of supporting documents
 - ✓ Correctness of the following information indicated on the face of the RFR Slip:
 - Name of Barangay and Subproject as well as Total SP cost per fund source versus the MIBF Resolution
 - Consistency of signatures affixed on the RFR versus those on other supporting documents
 - Bank Account Information versus Bank Snap Shot/Statement/Certification
 - ✓ Sufficiency of Bond Premium
 - ✓ Accuracy of mathematical computation (vertical and horizontal totals) of the MIBF Resolution and approved Program of Works
 - ✓ Prepare LCC for SPI Monitoring Report based on the approved Program of Works LCC portion
 - ✓ Correctness of the Status of Sub-Project Fund Utilization Report and Bank Reconciliation Statement (for succeeding tranches)
 - ✓ Accuracy of the amount indicated in the certificate of pending financial obligations prepared by the Barangay Treasurer upon request of contingency fund

At the ACT level, the AC shall be fully responsible and accountable to the validity and accuracy of the RFRs submitted to the RPMO through the SRPMT.

b. Sub-RPMT Level

Upon receipt of the RFRs from the ACT, the **SRPMT** as extension of the RPMO shall do the second level of review. The following shall be the major points for review, among others:

- Validity, accuracy and completeness of required supporting documents which shall be done by the following:
 - Community Process Officer
 - ✓ Sub-project Proposal
 - ✓ Feasibility Study
 - ✓ Sub-project Concept Form

- Community Infrastructure Officer
 - ✓ Program of Works (POW) with detailed estimates
 - ✓ Plans, Design and Specifications of the sub-project
 - ✓ Operations and Maintenance Plan
 - ✓ Physical Accomplishment Report (for succeeding tranches)
 - ✓ Joint Inspection Report and Variation Orders

- Community Procurement Officer
 - ✓ Planned Community Procurement Packaging and Schedule of LCC In-Kind
 - ✓ Procurement Action Plan

- Financial Analyst III
 - ✓ Completeness of supporting documents
 - ✓ Correctness of the following information indicated on the face of the RFR Slip:
 - Name of Barangay and Subproject and Total SP cost per fund source versus the MIBF Resolution
 - Consistency of signatures affixed on the RFR versus those in other supporting documents
 - Bank Account Information versus Bank Snap Shot/Statement/Certification
 - ✓ Sufficiency of Bond Premium
 - ✓ LCC for SPI Monitoring Report versus Program of Works LCC portion
 - ✓ Correctness of the Status of Sub-Project Fund Utilization Report and Bank Reconciliation Statement (for succeeding tranches)
 - ✓ Accuracy of the amount indicated in the certificate of pending financial obligations prepared by the Barangay Treasurer upon request of contingency fund

- Validation of all information against the MIBF Resolution and Sub-Project Concept Form previously submitted by the ACT
- Accuracy of figures particularly the amount requested if within the approved FM guidelines

The SRPMT Head shall affix his/her initials on the “Recommended by” of the RFR Slip, after which the complete set/package shall be forwarded to the RPMO for final review, approval and funding.

c. RPMO Level

The eRFRS allows the **RPMO**, which shall do the third and final level of review, to view the RFRs generated and processed at the SRPMT and ACT levels. This shall give the RPMO an idea on the volume and amount of transactions to be processed for release to the communities on the next number of days. It shall also provide the RPMO ample time to plan the

activities particularly on the funding processes that involve preparation of ObR, DV and issuance of check.

The Technical Specialists e.g. Regional Community Development Specialist (RCDS), Regional Community Infrastructure Specialist (RCIS) and Regional Financial Analyst (RFA) shall be responsible to the Regional Project Coordinator who shall recommend approval of the RFR by and in turn shall be responsible and accountable to the Regional Director or Assistant Regional Director-Operations.

The Regional Director or Assistant Regional Director who signed the “Approved by” portion of the RFR shall assume full responsibility and accountability to the validity and legality of the RFR.

The following shall be the authorized signatories of the RFR Slip at the RPMO level:

Amount of RFR	Recommending Approval (initials)	Recommending Approval (signature)	Approval
Up to P1M	SRPMT Head, RCDS, RCIS, RFA	Regional Project Coordinator	Assistant Regional Director-Operations (ARDO)
More than P1M	SRPMT Head, RCDS, RCIS, RFA	Regional Project Coordinator	Regional Director

d. NPMO Level

Another level of review of the RFR, which shall happen at the NPMO level, shall be added for community subprojects that have DSWD share in cost of more than P2,000,000.00 as indicated in the MIBF Resolution. The review by the NPMO, however, shall cover the technical requirements of the subproject only. In such case, the RPMO shall request approval from the NPMO to proceed with the funding of said subprojects. The NPMO shall not require the submission of the whole RFR package, rather it shall identify the documents that it will request for submission in the course of the review.

Once approved, the KC-NCDDP National Project Manager shall issue ‘No Objection Letter’ (NOL) to the RPMO to proceed the funding process.

5.4.3 RFR documentary requirements

The community grant funds shall be released in three tranches and shall require certain percentage of physical accomplishments as follows:

1st tranche

50 percent
51 percent to 60 percent
61 percent to 70 percent
71 percent to 80 percent

Required Physical Progress for 2nd tranche

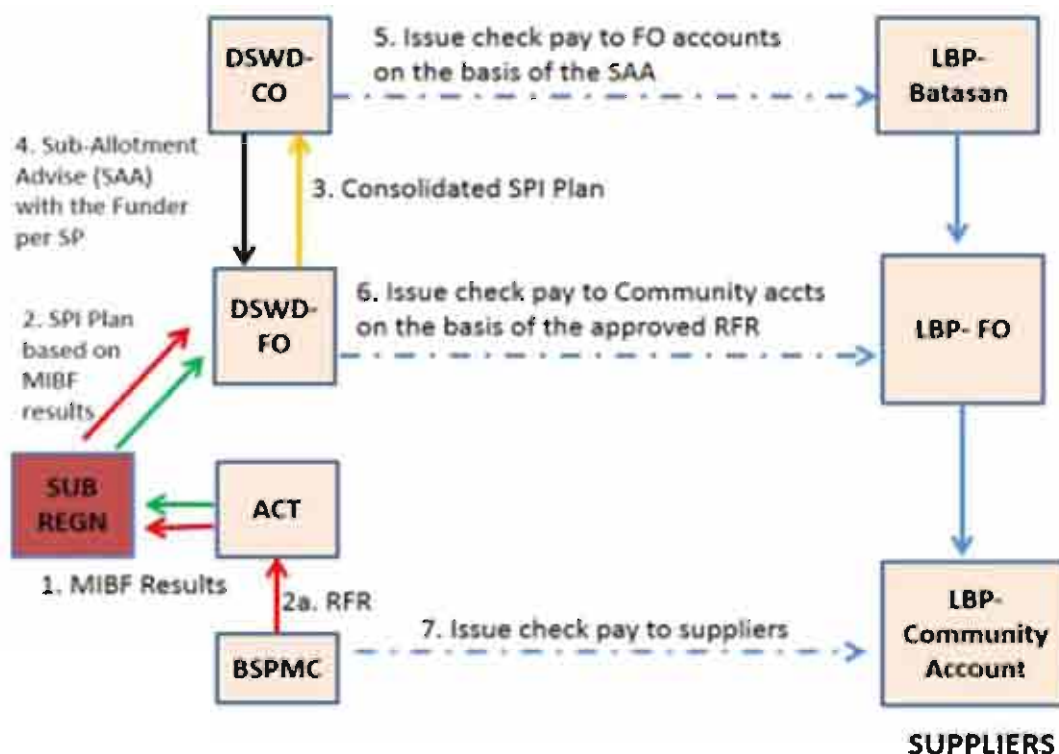
30 percent in place
40 percent in place
50 percent in place
60 percent in place

In all cases, the required physical progress for the release of the 3rd and final tranche shall be 90 percent.

In the case of Disaster Response implementation, the two tranching system e.g. 90-10 or 80-20 shall be allowed.

Every RFR Slip submitted for funding shall require the supporting documents that shall be approved by the National Project Director to be attached accurately and completely.

Figure 8. Flow of Funds for Subproject Implementation



5.4.4 Technical Assistance Fund

Technical Assistance Fund (TAF) is a fund provided by the Project intended to finance fees of qualified service providers that will aid the communities in the preparation of Infrastructure Designs and Plans as well as Feasibility Studies for its proposed subprojects. The TAF allocation of the municipality shall be equal to the

number of participating barangays multiplied by the approved amount plus local counterpart contributions, if any.

The TAF may be accessed by the community following the procedures detailed in the Community Based Finance Manual. It may also be accessed and managed by the Regional PMO. In case of the latter, the RPMO shall follow the approved KC-NCDDP regional procurement and payment procedures.

5.5. Local Counterpart Contribution

Local Counterpart Contributions (LCC) refer to contributions in the form of cash or in-kind from the local government units and communities, as well as any cash or in-kind support they can mobilize from other partners.

The municipal LGU shall be required to put up counterpart funds in the forms of Cash and/or In-kind. This may be sourced from the Local Development Fund of the municipality, province and barangay. Members of communities and other private organizations/institutions may also contribute for project implementation. The municipal LGU's own-funded and implemented subprojects indicated in the Local Poverty Reduction Action Plan can also be counted and considered as LCC.

5.5.1 Types of Local Counterpart Contribution

The following are the types of local counterpart contribution that may be provided by the LGU:

5.5.1.1 LCC for subproject implementation. These are contributions that form part of the investment cost or value of the sub-project. It is intended to shoulder portions of either the direct or indirect costs of the sub-project. LCC of this type can either be Cash or In-kind. Cash counterpart shall be directly deposited to the community bank account maintained for the purpose. On the other hand, In Kind contributions can be materials, labor, equipment and other direct or indirect costs committed by the LGUs, communities and other donors which are reflected in the Program of Works approved by the Municipal Inter-Barangay Forum. In-kind contributions shall be assigned cash value in accordance with the provisions of this Manual.

LCC for subproject implementation may also be in the form of LGU projects such as those listed in the approved Local Poverty Reduction Action Plan (LPRAP) provided the following conditions are present:

- Not in the “negative list” of subprojects under KC-NCDDP;
- Funded under the Local Development Fund;
- Have not been previously offered and committed as LCC for other National Government projects;
- Have no other confirmed committed funding from other funding sources; and
- The implementation of said projects coincide with the implementation period of the KC-NCDDP in the municipality.

The MIBF shall declare that the identified LGU Project shall serve as LCC to be counted as KC-NCDDP Sub-Project. In case the total project cost of said LGU Project is more than the LCC requirement of the Program, the LGU has the option to commit the remaining cost with other National Government projects. Such case shall be clearly reflected in the MIBF Resolution for proper notation in the financial and physical monitoring reports.

5.5.1.2 LCC for capability building and implementation support. These are contributions which do not become part of the value of the subproject but are intended to facilitate the conduct of activities of the Program such as conduct of social preparation activities, subproject monitoring, meetings, salaries of LGU counterpart staff and logistics, among others.

All cash contributions for CBIS are deposited in the Municipal Trust Account (MTA). The MTA shall be opened and maintained by the LGU in any authorized government depository bank, as stipulated in the Memorandum of Agreement between the DSWD and the concerned LGU. The LGU disburses funds from the MTA on the basis of the approved LCC Plan. The LGU may also opt to have its local counterpart funds for CBIS managed by the DSWD. In this case, the DSWD Regional Office and the concerned LGU shall enter into Memorandum of Agreement for the purpose which shall be the basis for opening and maintaining by the former of a Trust Account specifically for the purpose.

In cases where the LCC for CBIS are in-kind, the same with SPI, these shall be assigned appropriate cash value.

5.5.2 LCC policy in Yolanda-affected areas. The LCC requirement specified above shall be waived during the 1st cycle of implementation of NCDDP in the Disaster-hit 554 municipalities and when such municipalities apply the provisions of the Disaster Response Operations Manual (DROM). Said municipalities, however, shall be required to provide administration, safety and logistical arrangements support, for DSWD-contracted staff that shall be assigned in their respective areas.

However, this provision shall not prevent the LGUs, communities and other prospective donors from providing LCC in any form to support the implementation of the Program in the municipality.

5.5.3 Valuation of In-Kind LCC. The following items may be considered as in-kind LCC:

For Sub-project Implementation (SPI)

- Goods (supplies and materials)
- Skilled or unskilled labor of community members
- Technical services of professional individuals (e.g. Draftsman/Engineer)
- Services of government personnel (e.g. Draftsman/Engineer)
- Services rendered by BSPMC members in implementing the Subproject
- Use of Heavy Equipment

- Lot/land or other real property donation
- Use of warehouse
- Others as may be agreed upon by the community

For Capability Building and Implementation Support (CBIS)

- 20 percent of basic salary of MLGU regular staff for services rendered during Project implementation
- Equivalent cost of rental of a furnished office
- IT equipment (Computer, Printer, etc)
- Office Supplies and Communication
- Equivalent cost of rental of vehicles provided for the Project based on actual number of hours used
- Food, supplies and other facilities such as venues, sound system, etc. provided during trainings, assemblies and meetings

The assignment of cash value to the different forms of contributions in kind shall be agreed upon by the donor or contributor and the BSPMC and concurred by the Area Coordinator and shall be based as follows:

LCC for Capability Building and Implementation Support (CBIS)

Form of LCC	Basis of Cash Valuation	Source Document
20 percent of basic salary of MLGU regular staff for services rendered during Project Implementation.	20 percent of monthly basic salary	Special Order of the MLGU staff indicating specific designation to KC Project.
Equivalent cost of rental of a furnished office	Comparable rental rate in the locality for similar area, location and condition of the office	Certification from the LGU Administrator that space and other amenities are provided Project Staff
IT equipment (Computer, Printer etc.)	Book Value of the Equipment	Certification from the LGU Administrator that IT equipment are provided for Project staff
Office Supplies and Communication	Actual Cost	Approved and Acknowledged Request and Issue Slip
Vehicles provided for the Project	Equivalent cost of rental vehicles based on actual number of hours used.	Approved Trip Tickets
Food, supplies and other facilities such as venues, sound system, etc. provided during trainings, assemblies	Actual cost of food and supplies and equivalent rental rate of venues / sound system	Certificate of Training indicating date, venue and number of participants from the LCE and Barangay

and meetings		Captain for municipal and barangay levels respectively; Attendance Sheet; Minutes
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LCC for Sub-project Implementation (SPI)

Form of LCC	Basis of Cash Valuation	Source Document
Goods (supplies and materials)	Prevailing market rate in the locality or cost of similar goods purchased by the community	Acknowledgment Receipt
Skilled or unskilled labor of community members	Prevailing market rate in the locality for skilled workers and current minimum wage for unskilled workers as set by the local wage board	Contractual Workers' Record Sheet
Technical services of professional individuals (e.g. Draftsman / Engineer)	Prevailing rate in the community for similar services	Completed output of the services rendered (e.g. detailed cost estimates)
Services of government personnel (e.g. Draftsman / Engineer)	Compute hourly salary rate of each staff involved (salary rate / 22 days / 8 hours) and multiply by the total hours of services provided.	Logbook / Individual Timesheet
Services rendered by BSPMC members in implementing the Sub-Project	Prevailing salary rate for equivalent positions	Logbook / Individual Timesheet
Use of Heavy Equipment	Prevailing rental rate per hour / per day in the locality	Construction Logbook
Lot / land or other real property donation	Assessed or Market value in the deed of donation (Note: road projects with existing rights of ways shall no longer be included as LCC in-kind e.g. Road Rehabilitation Sub-Project)	Copy of the Deed of Donation and Certification from the Assessor's Office
Use of warehouse	Prevailing rental rate per month in the locality	Certification from the BSPMC Chairperson for the use of the warehouse

In the case of LCC LGU project, the cash value shall be the actual project cost which shall be accounted monthly based on its financial progress report. It must be understood however that accounting shall be up to the amount committed only in case the same LGU project is also committed with other National Government projects. This financial progress report shall be the basis of the MFA to include it in the Municipal Consolidated Status of LCC.

5.5.4 Recording and Reporting of LCC

For Local Contributions for Capability Building and Implementation Support, a Voucher for Local Counterpart Contribution (VLCC) will be prepared by the Municipal Financial Analyst for each contribution in kind provided at the municipal level, while the same voucher shall be prepared by the Community Facilitators for each contribution given at the community level. Recording in the Local Counterpart Contribution for CBIS Journal should, however, be done by the Municipal Financial Analyst.

Recording and reporting of LCC for SPI shall be the responsibility of the BSPMC.

CHAPTER 6

PROGRAM ACCOUNTING AND REPORTING

6.1 Program Accounting. The NCDD Program accounting shall follow existing government accounting rules and regulations. The DSWD Accounting Division Head shall be responsible to maintain three separate Books of Accounts for the Project, one for World Bank loan proceeds, another for ADB loan proceeds and the third set for GOP counterpart funds. The separate books of accounts, which will be maintained both at the central and field office levels, will include journals and ledgers in the Regular Agency Books, as well as in the National Government Books prescribed in the New Government Accounting System (NGAS).

There will be a separate subsidiary ledger for each project component and for each fund source. This will facilitate the reporting of total fund utilization by component and by source. At the end of each accounting period, the field office will submit the prescribed financial reports to the Central Office. They shall then be consolidated by the Financial Management Service for submission to the COA for audit.

An adequate financial monitoring system shall be ensured for the NCDDP. This will facilitate the preparation of financial monitoring reports that may be required by the Banks, oversight agencies, and other stakeholders of the Program.

6.1.1 Books of Accounts. Following government accounting rules and regulations, DSWD CO/RO FMS shall maintain three sets of the following Books of Accounts for the NCDDP, e.g WB, ADB and GOP:

- A. Journals
 - A.1. Regular Agency Books
 - Cash Receipts Journal
 - Cash Disbursement Journal
 - Check Disbursement Journal
 - General Journal
- B. Ledgers
 - B.1. General Ledgers
 - B.2. Subsidiary Ledgers
 - Cash
 - Receivables
 - Inventories
 - Fixed Assets
 - Liabilities

6.1.2 Chart of Accounts. The DSWD shall use the standard Chart of Accounts pursuant to COA Circular No. 2003-001 dated June 17, 2003.

6.1.3 Recording and Safekeeping of Documents. Recording of financial transactions shall likewise be in accordance with the prescribed New Government Accounting System (NGAS). All paid DVs, ObRs with complete supporting documents shall be forwarded to the Commission on Audit for its custody within 10 days after the end of each month. The Regional Director shall take full responsibility for the safety of said documents in accordance with existing COA rules and regulations while under his/her custody.

6.2 Program Financial Management Reports. The basic component of an effective financial management system is a precise but comprehensive financial monitoring and reporting system. This facilitates identification of problem areas that need to be addressed, as well as opportunities, which may be used to the Program's advantage.

The users of financial monitoring reports can be grouped as follows:

- ✓ The communities or barangay residents
- ✓ The local government units at the provincial, municipal and barangay levels
- ✓ Congress and Other National Government Agencies
- ✓ DSWD management and staff
- ✓ National Steering Committee and local NCDDP coordinating bodies
- ✓ Oversight and regulating agencies
- ✓ World Bank
- ✓ Asian Development Bank (ADB)
- ✓ General Public

The financial reports shall differ in the extent of details needed but basically it shall provide the necessary information to establish whether funds disbursed to projects are being used for the purposes intended, project implementation is on track, budgeted costs are not exceeded, and fund utilization and disbursements are in accordance with existing policies, rules, regulations.

6.2.1 World Bank and ADB Reports. There shall be a common financial monitoring and reporting system that shall be established for both World Bank and ADB. Hence, the financial monitoring reports to be submitted to both Banks shall also be one and the same, as follows:

Title of Report	Purpose	Deadline for Submission
Statement of Sources and Uses of Funds (SSUF)	FM part of the Quarterly Progress Report both WB and ADB	Within 60 days after the end of the Quarter
Variance Analysis of Use of Funds Consolidated from All Sources	FM part of the Quarterly Progress Report both WB and ADB	Within 60 days after the end of the Quarter
Cash Forecast for 6 months	Attachment to WB Withdrawal Application (WA)	Upon submission of WA to WB
Designated Account Activity	Attachment to WB	Upon submission of

Statement	Withdrawal Application (WA)	WA to WB
Designated Account Expenditures for Contracts Subject to Prior Review	Attachment to WB Withdrawal Application (WA)	Upon submission of WA to WB
Designated Account Expenditures for Contracts Not Subject to Prior Review	Attachment to WB Withdrawal Application (WA)	Upon submission of WA to WB
Statement of Expenditures	Attachment to ADB Withdrawal Application	Upon submission of WA to ADB
Imprest Account Reconciliation Statement	Attachment to ADB Withdrawal Application (WA)	Upon submission of WA to ADB
Interim Unaudited Financial Statements	WB and ADB Loan Covenant	On or before March 1 of the succeeding year
Audited Financial Statements	WB and ADB Loan Covenant	On or before June 30 of the succeeding year

6.2.2 NPMO Financial Monitoring Reports. The following reports shall be required to be submitted by the RPMO to the NPMO:

- ✓ Regional Consolidated Quarterly Financial Progress Report
- ✓ Regional Consolidated Status of Sub-Project Fund Utilization Report
- ✓ Regional Consolidated Status of Local Counterpart Contributions

At the ACT level, the following shall be prepared and submitted monthly to the Regional Office:

- ✓ Municipal Consolidated Status of Sub-Project Fund Utilization Report
- ✓ Municipal Consolidated Status of Local Counterpart Contributions
- ✓ Municipal LCC Journal for CBIS
- ✓ LCC for SPI Monitoring Report (per RFR)

The deadline for submission of reports by the RPMO to the NPMO shall be every 15th of the following month for the monthly reports and every 25th of the following quarter for the quarterly reports.

CHAPTER 7

PROGRAM AUDITS

7.1 Internal Controls/Internal Audit

To ensure transparency and accountability, and to safeguard resources, the Financial Management Service shall design, install, and implement an internal control system appropriate for the Project.

There shall be different levels of review for community transactions considering it involves 83% of the total project cost. The first level shall be at the community which shall be undertaken by community volunteers through the different committees created for the purpose. Another review support at the community shall be the barangay assembly where the BSPMC reports the financial status of the community to the assembly. The grievance redress system shall also be made available to give everyone the opportunity to report mishandling of funds, if any.

The role of the ACT, which shall carry out the second level of review, is crucial. On the release of funds to the communities, all Requests for Fund Release coming from the communities shall be verified at the ACT level. This shall be prior to submission to the SRPMT for further examination. Likewise, as regards disbursement of funds at the community level, the ACT shall be primary responsible in ensuring the validity and propriety of the transaction prior to payment.

The third level of review shall take on at the SRPMT level. The SRPMT as extension of the RPMO which shall be the direct monitoring arm of the Project shall ensure that the provisions of the NCDDP Community Finance sub-manual are strictly followed. As provided for in this Manual, the SRPMT shall oversee the ACT in the performance of their functions.

The final review of financial transactions shall be lodged with the RPMO, through the Regional Financial Analyst on the operations side and the Management Division Head on the mainstreamed financial processes. The RPMO shall be primarily responsible and accountable on the validity, legality and propriety of all RFRs submitted for funding.

Holding overall responsibility over the Program's financial management, the NCDDP FMS under the leadership of the Deputy National Program Director for Finance shall review and examine all requests prior to the release of funds to the field office for its operations as well as the communities. As part of its monitoring function, the CO FM Unit shall visit the field office including the SRPMT at least once a month to check on the performance of FM staff, and to validate the submitted financial reports. Whenever necessary, the CO FM staff may also conduct random review of FM implementation at the ACT and community levels.

In addition, the NCDDP will be covered by an internal audit review at least once a year by the Internal Audit Service (IAS) of the DSWD, with reports submitted to the Banks no later than 60 days after the end of each internal audit engagement.

7.2 External Audit Arrangements

The World Bank and Asian Development Bank require Consolidated Annual Audited Financial Statements in order to monitor the Program's overall financial performance and the effective utilization of the loan proceeds.

The audit that will be carried out by the Commission on Audit will include an assessment of the economy, efficiency, and effectiveness of the Project. Specifically, the audit will comprise the following:

- Audit on the utilization of total Project Funds such as loan proceeds, GOP counterpart, and local contributions
- On the audit of subprojects, COA shall determine the sample size and sampling procedures. Sample size should be at least ten percent of total sub-projects.
- The following financial statements and financial reports shall be audited annually:

- Balance sheet
- Statement of Income and Expense
- Statement of Cash Flow
- Special Account

Transportation and travel expenditures, including board and lodging expenses of COA auditors in relation to the conduct of the audit, shall be borne by the DSWD. These shall be charged to the Program Management and Monitoring and Evaluation component. The projected annual expense for travel of Auditors must also be included in the NCDDP annual budget.

The NCDDP FM Unit shall facilitate the submission to the Banks the COA annual audit reports not later than six months after the end of each calendar year.

CHAPTER 8

Community Finance Monitoring

The following monitoring activities must be regularly undertaken to a) ensure that the internal control measures are in place and functional for the economical, efficient and effective implementation of community approved subprojects, b) check whether project funds are utilized as intended and in accordance with NCDDP community procurement and finance guidelines, and c) verify correctness and accuracy of financial reports.

8.1 Financial Monitoring Activities

8.1.1 Municipal Fiduciary Workshop (MFW)

- a. Municipal Fiduciary Workshop is a measure designed to strengthen the knowledge of the volunteers and to enhance their capacities to effectively implement procurement and financial management system of the Project. It is a venue where lessons learned and issues and concerns during sub-project implementation are collectively shared, discussed, and settled. It shall be participated by the Audit and Inventory Committee (AIC), Treasurer, Bookkeeper, and Chairperson of each prioritized barangay and should be conducted at least once in every two months.
- b. The results of the activity shall be the bases of the MFA and DAC to prepare TA and monitoring agenda for the month.
- c. Procedures in the conduct of Municipal Fiduciary Workshop.
 1. After the preliminary activities (e.g. opening prayer, roll call, welcome message), the MFA shall discuss the objectives of the activity.
 2. To refresh knowledge of CVs, a lecture on important policies of the NCDDP Community Finance and Procurement Manuals shall follow. Specific topics (e.g. withholding of taxes that is found to be the most poorly understood by the CVs) shall be chosen for discussion. At first, the lecture will be done by the MFA or by the DAC. However in the succeeding MFWs, it shall be assigned to a group of volunteers. The participants should be encouraged to interact during and after the lecture.
 3. After the lecture, each BSPMC is required to submit, for review purposes, all paid disbursement vouchers (DVs), cash book, LCC journal, vouchers for local counterpart contribution for sub-project implementation, program of works, status of sub-project fund utilization report, bank snapshot, and bank reconciliation statement. The MFA shall make inventory of these financial documents and reports and should see to it that all, especially DVs are accounted for.

4. Then MFA will give a very detailed orientation regarding auditing procedures thru a power point presentation. If there is no available LCD projector, the best alternative is to write the presentation in a manila paper as visual aid. Again, the participants should be encouraged to interact during and after the lecture. This detailed orientation is only conducted on the first MFW. However, the MFA should conduct re-orientation if result of the workshop so requires.
 5. The MFA will then interchangeably distribute the submitted financial documents and reports together with the audit forms (i.e. working paper and matrix of findings and recommendations) to each BSPMC for the workshop proper.
 6. The DAC and MFA shall, from time to time check if participants are doing as expected. This is also a good time for a one-on-one coaching in case of queries/clarifications that were not raised during the lecture orientation.
 7. Each BSPMC shall elect a representative who will present their findings/observations and recommendations. The auditee shall take note of them and may immediately give their rejoinder. The MFA and DAC shall act as panelists. They will respond to the queries and issues raised by the participants regarding the findings/observations and provide inputs on the recommendations. However, in the succeeding MFW, this role shall be assigned to a group of volunteers. They will only add to and/or correct the inputs given by the assigned group, if necessary.
- d. After all has presented, DVs and reports that have no findings shall be submitted to the MFA for submission to the RPMT. Otherwise, it shall be returned to the concerned BSPMCs for immediate compliance except for DVs with adverse findings where it shall be retained at the ACT level for further review and evaluation. A specific date shall be agreed upon as deadline for submission of returned DVs and reports with full compliance.
 - e. One or two participants shall be asked to give feedback in the overall conduct of the activity. Then the MFA and/or DAC will issue directives for the next two months and will set the date for the next MFW.
 - f. Minutes of the proceedings shall be submitted to the RPMT together with the monthly reports and original paid disbursement vouchers.

8.1.2 Monitoring Checklist

a. Community Level

As the direct TA provider to the community, the MFA is required to visit each approved subproject at least once a month during sub-project implementation and accomplish the monitoring checklist below. The result will be another basis of the MFA to prepare TA plan for the next period. One copy will be submitted to the FO together with the monthly reports.

AREAS OF CONCERN	MONITORING AGENDA	MEANS OF VERIFICATION	REMARKS
I. Bookkeeping	a. Check completeness and correctness of records in the Cash Journal. b. Check whether all deliveries and utilization of LCC in Kind are recorded in the LCC Journal	Updated Cash Journal – Cash Receipt and Cash Disbursement Book Updated LCC Journal	
II. Reporting	a. Validate the figures in Annex 11 against the Cash Journal (Cash Receipt and Cash Disbursement Book) and LCC Journal b. Check whether Annex 11 are completely signed. c. Verify whether BT and CB submit reports on time.	Reconciled Annex 11 with Cash Journal and LCC Journal Signed Annex 11 Transmittal Letters	
III. Fund Disbursement	a. Check whether payee is in the name of the establishment or of the proprietor b. Verify whether the person who signed in the “Received by” portion of the Disbursement Voucher and who received the check is the right payee. If not, check whether he / she is authorized. c. Check whether payment to suppliers / laborers is made within ten (10) working days. d. Check whether Official Receipt is attached to paid DVs and that the amount is consistent with the OR. e. For payroll payment check whether recipient of cash is the right laborer. If not, check whether person who received is authorized. f. For payroll	Disbursement Vouchers and Supporting Documents	

	payment, check whether cash is fully disbursed. If not, checked whether unreleased cash is deposited back to the account.		
IV. Funds Flow	a. Check whether RFR is submitted to the ACT within ten (10) working days after MIBF-PRA. b. For succeeding tranches, check whether RFR is submitted within five (5) working days upon reaching the financial and physical accomplishment requirements.	RFR Logbook Transmittal Letter	
V. Local Counterpart Contribution Delivery	a. Check whether LCC are delivered on time. If not, verify how this affected sub-project implementation and what actions have been undertaken to address the problem. b. Ascertain whether all LCC delivered have been accounted for. c. Check correctness of valuations of In-Kind LCC and completeness of its supporting documents / proof of delivery.	LCC for SPI Monitoring Report Construction Logbook Vouchers for LCC and its Supporting Documents Materials Record Sheet (MRS) CERS Certification Database of Prices	
VI. Materials Inventory Management	a. Check whether materials delivered are received, properly stored and accounted by the MIT	Logbook Updated and signed MRS	
VII. Filing of Financial Documents	Check of completeness, filing and safekeeping of all financial documents		

b. Municipal Level

The Regional and Sub-Regional Financial Analysts are expected to know the financial aspect of implementation of each approved subproject. Hence, they are required to visit each community at least once during sub-project implementation

to meet and talk with the community volunteers. Equally important is the monitoring of the performance of the MFA assigned in the municipality. Using the following monitoring checklist, they should be able to assess the performance of the MFA and render appropriate technical assistance thereof.

AREAS OF CONCERN	ACTIVITIES	MEANS OF VERIFICATION	TIMEFRAME	REMARKS
I. ACT Work and Financial Plan	a. Check whether WFP is within cost parameters and timelines.	ACT WFP initiated by MFA	Ten (10) working days upon receipt of WFP from FO	
II. Job Coaching	a. Conduct spot checking by examining community books and DVs. b. Validate through interview with Community Volunteers whether job coaching is being done. c. Attend monthly MFW.	Cash Book LCC In Kind Journal Bank Reconciliation Annex 11 Narrative Report Minutes of Meeting Documentation of FM Trainings	Monthly (during Sub-Project Implementation)	
III. Request for Fund Release	a. Require MFA to attach list of findings in RFR folder. b. FA I to initial before RFA or AC in the RFR. c. Check whether ACT review of RFRs is within the allotted 5 days. d. In case of RFRs with findings, check whether concerned BSPMCs are immediately informed of its findings and recommendations.	Checklist of findings RFR tracking tool (where number of days of review and compliance to BTS RFRs is specified)	During Monthly FM Meeting (for RFR submitted during the month)	
IV. Disbursement of Funds	a. Assess result of the MFW and regional fiduciary workshops.	Inventory of DVs Minutes of Fiduciary Workshop Working Papers/ Matrix of Findings	Monthly during Sub-Project Implementation	
V. FM Reports	a. Set deadline on the submission of report at ACT level. b. Check whether municipal consolidated reports are reconciled with	FM Reports Narrative Reports	Monthly (FO shall establish its own deadline)	

	community reports.			
VI. Monitor and Validate Financial Status of Sub-Projects	a. Review MFA monitoring tool and journal	MFA Monitoring Tool Journal	Monthly	
VII. Inputs on Program of Work (Indirect Costs)	a. Check minutes of PDW. b. Check accuracy of POWs.	Minutes of meetings / trainings POWs	Project Development Stage	
VIII. Community Finance Training	a. Attend community finance training to ensure that MFA delivers correctly.	Narrative Report	Once in a cycle	
IX. Provide updates to different stakeholders	a. Review minutes of MIAC meetings or any other meetings with stakeholders	Minutes of Meeting	Monthly	
X. Installation of FMS particularly on IGPs	a. Check minutes of O & M training b. Review financial books and reports of O & M group.	Minutes of Training	SP almost completed	
XI. Filing system	Check the existence of filing cabinet and completeness of financial files and documents.		During Monthly FM Meeting	

c. Regional Level

Monitoring of the performance of the region in its implementation of the Project's financial management system is the responsibility of the Central Office finance staff. On community finance, the monitoring will focus on whether the region, specifically the Regional Financial Analyst has ensured that the internal control measures put in place for the economical, efficient, and effective implementation of community approved sub-projects remain in place and working. At the minimum, monitoring assessment shall be done semi-annually to each region. The following monitoring checklist shall be used to assess the performance of the region.

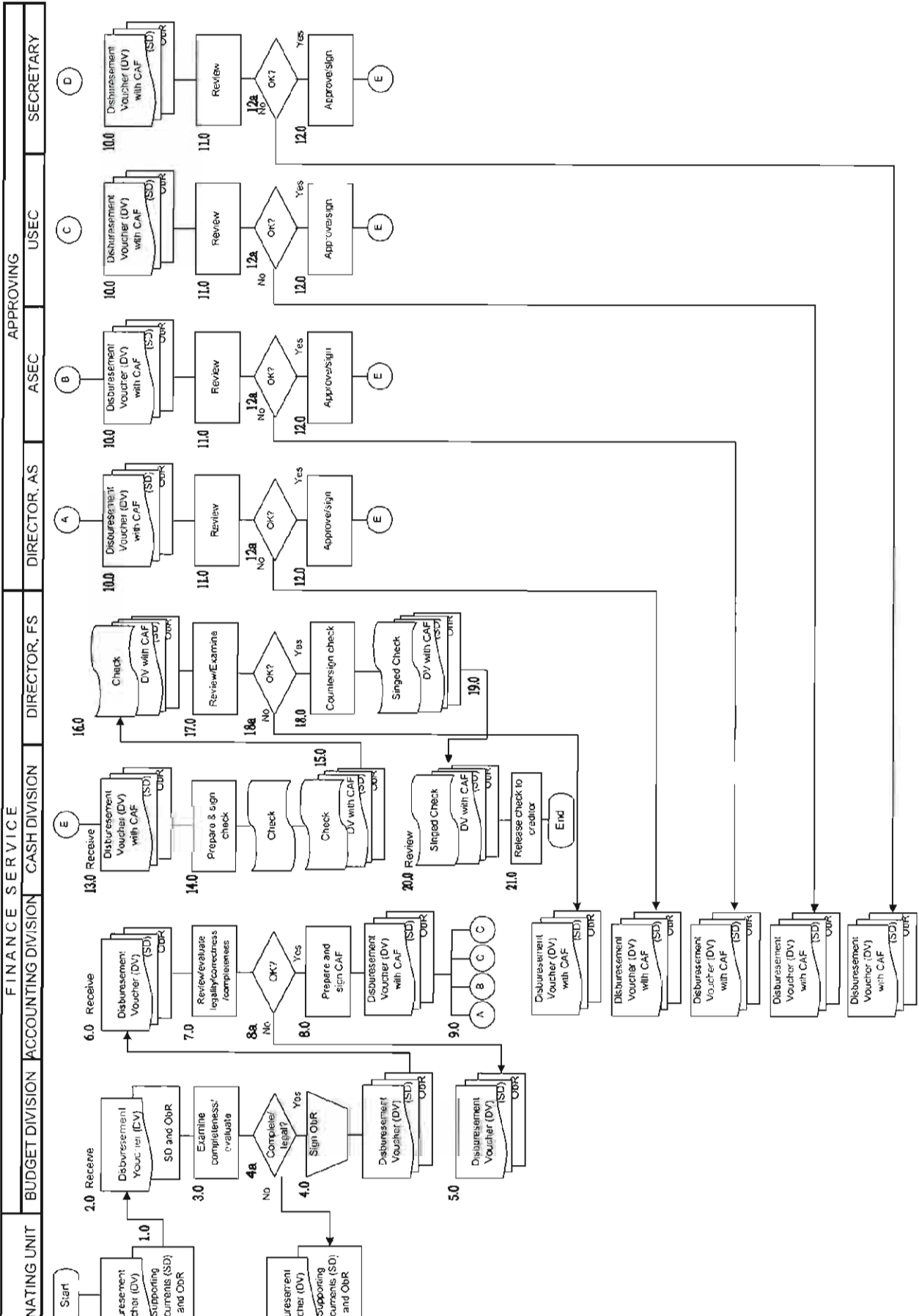
AREAS OF CONCERN	ACTIVITIES	DOCUMENTS TO REVIEW	REMARKS
I. Pre-municipal engagement	a. Check whether LCC plans met minimum requirements of the Project and that costs are within the established parameters.	LCC Plan	
II. Provision of technical assistance	a. Check whether RFA hold regular	Minutes of RPMT meetings	

	<p>fiduciary workshops.</p> <p>b. Review minutes of RPMT meetings and results of fiduciary workshops and assess appropriateness of rendered TA.</p> <p>c. Check whether RFA has visited each sub-project at least once during sub-project implementation.</p> <p>d. Review monthly feedback reports of MFA and the results of the community level monitoring checklist and evaluate how RFA respond to the financial issues and concerns raised therein by checking his / her TA agenda and travel / accomplishment reports.</p> <p>e. Validate through interview with MFAs and MCT – FAs and CVs whether correct TA has been timely provided.</p> <p>f. Randomly attend FM meetings and fiduciary workshops.</p> <p>g. Randomly visit communities to verify compliance of RFA and MFAs on the Project's financial monitoring system.</p>	<p>Minutes of fiduciary workshops</p> <p>RFA travel and accomplishment reports</p> <p>MFA feedback reports</p> <p>Community level monitoring checklist</p>	
<p>III. Funds Flow</p>	<p>a. At the FO, periodically check percentage of pending over submitted RFRs and the recurring reasons for pendency.</p> <p>b. Check whether good RFRs are submitted to the FO within five (5) working days after receipt from ACT. For non-compliant RFRs, check</p>	<p>RFR Databases (FO and CO)</p>	

	timeliness of the FO to relay findings and recommendations to the ACT.		
IV. Reports	<p>a. Check whether reports are submitted completely and on time.</p> <p>b. Validate accuracy of regional reports by reconciling with the municipal and community reports.</p> <p>c. Check whether RFRs and its supporting documents, original paid disbursement vouchers and its supporting documents, and financial progress reports are timely submitted to the COA.</p>	<p>FO Report Tracking</p> <p>Regional Reports</p> <p>Municipal Reports</p> <p>Community Reports</p> <p>Transmittal Letters</p>	
V. Finance-related Grievances	<p>a. Check timely submission of quarterly finance-related grievances to the Regional Office.</p> <p>b. Verify whether RFA has acted timely and correctly to finance-related grievances.</p>	<p>Grievance Reports with status of actions taken</p>	
VI. COA Coordination	<p>a. Confer with COA to verify whether RFA has provided them orientation, manuals and latest Project policies and guidelines.</p> <p>b. Check whether RFA has coordinated with COA for the prompt submission of their audit reports in time for the submission of the audited consolidated financial statements.</p>		
VII. Audit Findings	<p>a. Check whether COA / CO Finance / ADB / WB findings are timely and fully addressed and recommendations are followed.</p>	<p>COA AOMS / Aide Mem / CO Finance Feedback reports</p> <p>Management Letters</p> <p>COA Rejoinders</p>	

ATTACHMENTS:

1. Flow of Funds
2. Memorandum of Agreement with LBP
3. Statement of Sources and uses of Funds (SSUF) (Form CDD-43)
4. Variance Analysis of Use of Funds – Consolidated from all Sources (Form CDD-44)
5. Cash Forecast for the 6 Months ending MMM-DD-YYYY – World Bank Portion (Form CDD-45)
6. Designated Account Activity Statement (Form CDD-46)
7. Designated Account Expenditures for Contracts Subject to Prior Review (Form CDD-47)
8. Designated Account Expenditures for Contracts NOT Subject to Prior Review (Form CDD-48)
9. Statement of Expenditures (ADB) (Form CDD-69)
10. Statement of Expenditures (WB) (Form CDD-70)
11. Regional Consolidated Regional Consolidated Quarterly Financial Progress Report (Form CDD-71)
12. Regional Consolidated Status of Sub-Project Fund Utilization Report (Form CDD-49)
13. Regional Consolidated Status of Local Counterpart Contributions (Form CDD-50)
14. Municipal Consolidated Status of Sub-Project Fund Utilization Report (Form CDD-51)
15. Municipal Consolidated Status of Local Counterpart Contributions (Form CDD-52)
16. Municipal LCC Journal for CBIS (Form CDD-53)
17. LCC for SPI Monitoring Report (per RFR) (Form CDD-54)
18. Financial Management System For Operation And Maintenance Groups/ Associations



Department of Social Welfare and Development
National Community Driven Development Program
Interim Financial Reports for the quarter ended mmm-dd-yyyy
STATEMENT OF SOURCES AND USES OF FUNDS

	For the Quarter (PhP)				Year to Date (PhP)				Inception to Date (PhP)			
	WorldBank	ADB	GOP	Total	WorldBank	ADB	GOP	Total	WorldBank	ADB	GOP	Total
SOURCES OF FUNDS												
Receipts	XX	XX	XX	XXX	XXX	XXX	XXX	XXXX	XXXX	XXXX	XXXX	XXXXX
Total Receipts	XX	XX	XX	XXX	XXX	XXX	XXX	XXXX	XXXX	XXXX	XXXX	XXXXX
USES OF FUNDS												
<i>Component 1 (a): Barangay (Community) Sub-Grants</i>	x	x		xxx	xx	xx		xxx	xxxx	xxxx		xxxxx
<i>Component 1 (b): Planning Grants</i>												
<i>Social Preparation/CEAC</i>												
<i>Technical Assistance Fund</i>												
<i>Community Trainings outside CEAC</i>												
<i>Component 2: Local Capacity Building and Implementation Support</i>	x		x	x	xx		xx	xx	xxxx		xxxx	xxxxx
Area Coordinating Team Staff	x		x	x	xx		xx	xx	xxxx		xxxx	xxxxx
Salanes	x		x	x	xx		xx	xx	xxxx		xxxx	xxxxx
Other incidental Cost	x	x	x	x	xx	xx	xx	xx	xxxx	xxxx	xxxx	xxxxx
Trainings												
LGU Staff Trainings												
<i>Component 3: Program Administration, Monitoring and Evaluation/Local Capacity Building and Implementation Support</i>	x	x	x	x	xx	xx	xx	xx	xxxx	xxx	xxxx	xxxxx
National PMO	x	x	x	x	xx	xx	xx	xx	xxxx	xxx	xxxx	xxxxx
Regional PMO	x		x	x	xx		xx	xx	xxxx		xxxx	xxxxx
Monitoring and Evaluation	x		x	x	xx		xx	xx	xxxx		xxxx	xxxxx
Training and Workshops	x	x	x	x	xx	xx	xx	xx	xxxx	xxx	xxxx	xxxxx
Advocacy	x	x	x	x	xx	xx	xx	xx	xxxx	xxx	xxxx	xxxxx
Goods												
Total Expenditure	xx	xx	xx	xx	xxx	xxx	xxx	xxx	xxxx	xxxx	xxxx	xxxxx
SURPLUS / (DEFICIT)	x	x	x	x	xx	xx	xx	xx	xxx	xxx	xxx	xxx
OPENING BALANCE	x	x	x	x	x	x	x	x				
CLOSING BALANCE	xx	xx	xx	xx	xx	xx	xx	x	xxx	xxx	xxx	xxx

Departement of Social Welfare and Development
National Community Driven Development Program
Interim Financial Reports for the quarter ended mmm-dd-yyyy
VARIANCE ANALYSIS OF USE OF FUNDS - CONSOLIDATED FROM ALL SOURCES
(In million PhP)

	Quarter			Cumulative for the Year			Cumulative - Inception to Date		
	Planned	Actual	Variance	Planned	Actual	Variance	Planned	Actual	Variance
Component 1 (a): Barangay (Community) Sub-	x	x	x	x	x	x	x	x	x
Component 1 (b): Planning Grants									
Social Preparation/CEAC	x	x	x	x	x	x	x	x	x
Technical Assistance Fund	x	x	x	x	x	x	x	x	x
Community Trainings outside CEAC	x	x	x	x	x	x	x	x	x
Component 2: Local Capacity Building and Implementation Support	xx	xx	x	xx	xx	x	xx	xx	x
Area Coordinating Team Staff									
Salaries	x	x	x	x	x	x	x	x	x
Other Incidental Cost	x	x	x	x	x	x	x	x	x
Trainings	x	x	x	x	x	x	x	x	x
LGU Staff trainings	x	x	x	x	x	x	x	x	x
Component 3: Program Administration,	x	x	x	x	x	x	x	x	x
National PMO	x	x	x	x	x	x	x	x	x
Regional PMO	x	x	x	x	x	x	x	x	x
Monitoring and Evaluation	x	x	x	x	x	x	x	x	x
Training and Workshops	x	x	x	x	x	x	x	x	x
Advocacy	x	x	x	x	x	x	x	x	x
Goods	x	x	x	x	x	x	x	x	x

Departement of Social Welfare and Development
National Community Driven Development Program
Interim Financial Reports for the quarter ended mmm-dd-yyyy
CASH FORECAST FOR THE 6 MONTHS ENDING MMM-DD-YYYY - World Bank Portion

	Cash Requirements		Cash Requirements for Next Six Months	
	Quarter ended mmm-dd-yyyy	Quarter ended mmm-dd-yyyy	PhP	USD
	PhP	PhP		
Component 1 (a): Barangay (Community) Sub-Grants	xx	xx	xx	xx
Component 1 (b): Planning Grants	xx	xx	xx	xx
Social Preparation/CEAC	xx	xx	xx	xx
Technical Assistance Fund	xx	xx	xx	xx
Community Trainings outside CEAC	xx	xx	xx	xx
Component 2: Local Capacity Building and	xx	xx	xx	xx
Area Coordinating Team Staff	xx	xx	xx	xx
Salaries	xx	xx	xx	xx
Other Incidental Cost	xx	xx	xx	xx
Trainings	xx	xx	xx	xx
LGU Staff trainings	xx	xx	xx	xx
Component 3: Program Administration, Monitoring and	xx	xx	xx	xx
National PMO	xx	xx	xx	xx
Regional PMO	xx	xx	xx	xx
Monitoring and Evaluation	xx	xx	xx	xx
Training and Workshops	xx	xx	xx	xx
Advocacy	xx	xx	xx	xx
Goods	xx	xx	xx	xx
	xx	xx	xx	xx

Necessary workings to support the forecast should be attached.

**Department of Social Welfare and Development
National Community Driven Development Program
Interim Financial Reports for the quarter ended mmm-dd-yyyy
DESIGNATED ACCOUNT ACTIVITY STATEMENT**

	Note	US\$	US\$
PART I			
1. Cumulative Advances to the end of current quarter			x
2. Cumulative Expenditure to the end of last quarter			x
3. Outstanding Advances to be accounted for (Line 1 minus Line 2)			x
PART II			
4. DA balance at beginning of quarter			x
5. Add/Subtract: Cumulative Adjustments (if any)		x	
6. Advances from Loan proceeds during the quarter		x	
7. Sub total of Advances and Adjustments			x
8. Outstanding Advances to be accounted for (Line 4 plus Line 7)			x
9. DA balance at end of quarter			x
10. Add/Subtract: Cumulative Adjustments (if any)		x	
11. Expenditure for current reporting period		x	
12. Sub total of Adjustments and Expenditure			x
13. Advances accounted for (Add Line 9 and Line 12)			x
14. Difference if any (Line 8 minus Line 13)			x
PART III			
15. Total forecasted amount to be paid by WB			x
16. Less: Closing DA balance		x	
17. Forecasted Direct Payments		x	
18. Sub total of closing DA balance and forecasted payments (Line 16 plus Line 17)			x
19. Cash to be disbursed for the next reporting period (Line 15 minus Line 18)			x

Note: Bank reconciliation statement and copy of the bank statement for the period should be attached

Departement of Social Welfare and Development
National Community Driven Development Program
Interim Financial Report for the quarter ended mmm-dd-yyyy
Designated Account Expenditures for Contracts Subject to Prior Review

Expenditure Type	Name & Address of Supplier / Consultant	Contract No. and Date	Contract Currency and Value	Invoiced Amounts to the close of quarter (by currency)	% Financed	Amount Eligible for Financing (In contract currency)	Amount Paid till close of the quarter (US Dollar)	Contract Balance Carried Forward
Goods								
Non-Consulting Services								
Consultant's Services								
Training and Workshops								
Incremental Operating Cost								
Sub-Grants Under Component 1 (a) *								
Sub-Grants Under Component 1 (b) *								

* - Only as applicable

**Departement of Social Welfare and Development
National Community Driven Development Program
Interim Financial Report for the quarter ended mmm-dd-yyyy
Designated Account Expenditures for Contracts NOT Subject to Prior Review**

Expenditure Type	Contract Currency and Value	Invoiced Amounts to the close of quarter (by currency)	Eligible for Financing (%age)	Paid from Designated Account (US Dollar)
Goods				
Non-Consulting Services				
Consultant's Services				
Training and Workshops				
Incremental Operating Cost				
Sub-Grants under Part 1 (a)				
Sub-Grants under Part 1 (b)				

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
KALAHI-CIDSS PROJECT

REGIONAL CONSOLIDATED STATUS OF SUBPROJECT FUND UTILIZATION REPORT
FOR THE QUARTER

REGION:

TOTAL PLANNED:

CASH:

INKIND:

TOTAL ACTUAL:

CASH:

INKIND:

MUNICIPALITY	NO. OF APPROVED SUBPROJECT	TOTAL PROJECT COST			UTILIZATION							BALANCE
		KC GRANT	LCC	TOTAL	GRANTS			LCC			CUMULATIVE TOTAL	
					PREVIOUS MONTH	THIS MONTH	TOTAL	PREVIOUS MONTH	THIS MONTH	TOTAL		
a	b	c	d	e (c+d)	f	g	h (f+g)	i	j	k (i+j)	l(h+j)	m (e-l)

Prepared By: _____ Certified Correct: _____ Noted by: _____
 Financial Analyst _____ Regional Financial Analyst _____ DSWD-Regional Director/ARD _____
 Sources:
 Status of Subproject Fund Utilization Report (Annex 11)
 Municipal Consolidated Status of Subproject Fund Utilization Report (Annex 6)

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
 KALAHI-CIDSS PROJECT
 REGIONAL OFFICE _____

REGIONAL CONSOLIDATED STATUS OF LOCAL COUNTERPART CONTRIBUTION
 FOR THE QUARTER _____

ACTIVITIES	PLGU			MLGU			BLGU			COMMUNITY/OTHERS			TOTAL		
	Planned	Actual	Balance	Planned	Actual	Balance	Planned	Actual	Balance	Planned	Actual	Balance	Planned	Actual	Balance
CEAC:															
Social Preparation															
Project Identification/Selection															
Project Approval															
Technical Trainings for Volunteers															
Implementation Support															
Monitoring and Evaluation															
MIAC Meetings															
CBIS:															
Trainings															
Personnel Services															
Admin Cost															
M&E															
<i>Sub-Total</i>															
SPI															
<i>Sub-Total</i>															
TOTAL															

Prepared By:

Certified Correct:

Noted by:

Financial Analyst

Regional Financial Analyst

DSWD-Regional Director/ARD

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
KALAHI-CIDSS PROJECT

MUNICIPAL CONSOLIDATED STATUS OF SUBPROJECT FUND UTILIZATION REPORT

AS OF _____

REGION:	TOTAL PLANNED:	TOTAL ACTUAL:
PROVINCE:	CASH:	CASH:
MUNICIPALITY:	INKIND:	INKIND:

BARANGAY	SUBPROJECT TITLE	TOTAL PROJECT COST			UTILIZATION							BALANCE	
					GRANTS			LCC			CUMULATIVE TOTAL		
		KC GRANT	LCC	TOTAL	PREVIOUS MONTH	THIS MONTH	TOTAL	PREVIOUS MONTH	THIS MONTH	TOTAL			
a	b	c	d	e (c+d)	f	g	h (f+g)	i	j	k (i+j)	l(h+j)	m (e-l)	

Prepared By:	Reviewed by:	Certified Correct:	Noted by:
Financial Analyst	Municipal Accountant	Regional Financial Analyst	DSWD-Regional Director/ARD

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
KALAHI-CIDSS PROJECT

MUNICIPAL CONSOLIDATED STATUS OF LOCAL COUNTERPART CONTRIBUTION

AS OF _____

PROVINCE:	KC GRANT:	TOTAL PLANNED:	TOTAL ACTUAL:
MUNICIPALITY:	LCC:	CASH:	CASH:
No. of Barangays:		INKIND:	INKIND:

CATEGORY	ACTIVITIES	MLGU			BLGU			OTHERS (see attached sheet)			TOTAL		
		Planned	Actual	Balance	Planned	Actual	Balance	Planned	Actual	Balance	Planned	Actual	Balance
CBIS	CEAC:												
	Social Preparation												
	Project Identification/Selection												
	Project Approval												
	Technical Trainings for Volunteers												
	Implementation Support												
	Monitoring and Evaluation												
	MIAC Meetings												
	Trainings												
	Personnel Services												
	Admin Cost												
	<i>Sub-Total</i>												
	M&E	Monitoring and Evaluation											
<i>Sub-Total</i>													
SPI	Subproject Implementation												
	<i>Sub-Total</i>												
TOTAL													

PREPARED BY:	APPROVED BY:	REVIEWED BY:	NOTED BY:
MUNICIPAL ACCOUNTANT	MUNICIPAL MAYOR	REGIONAL FINANCIAL ANALYST	DSWD- RD/RPM

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
KALAHI-CIDSS PROJECT

MUNICIPAL LOCAL COUNTERPART CONTRIBUTION JOURNAL
for CAPABILITY BUILDING AND IMPLEMENTATION SUPPORT
For the Month of _____

MUNICIPALITY:

DATE	VLCC NO.	DONOR	PARTICULARS	AMOUNT

Source: Vouchers for Local Counter Contribution for CBIS

Department of Social Welfare and Development
(Name of CDD Project/Program)

As of _____

Barangay:
Municipality:
Sub-Project:

Total LCC Committed:
Cash:
In-kind:

Total LCC Delivered:
Cash:
In-kind:

Packa ges	Pack age Item	Schedule of Local Counterpart Contribution Delivered															
		1 st Tranche				2 nd Tranche				3 rd Tranche				Total			
		Cash		In-kind		Cash		In-kind		Cash		In-kind		Cash		In-kind	
		Plann ed	Act ual	Plann ed	Act ual	Plann ed	Act ual	Plann ed	Act ual	Plann ed	Act ual	Plann ed	Act ual	Plann ed	Act ual	Plann ed	Act ual

Note: To be attached to Request for Fund Release

Prepared by:

Reviewed by:

Certified by:

Municipal Financial Analyst

Area Coordinator

Regional Financial Analyst

Financial Management System for Operation and Maintenance Groups/Associations

This material can be used as a guide in providing technical assistance to Operation and Maintenance Group/Associations of completed income-generating sub-projects to ensure its financial sustainability.

Organizational Structure and FM Roles of Officers

As a first step, the community shall organize and form an association which shall have the primary purpose of generating funds to carry on the various operational and maintenance activities of the income-generating Sub-project. The community members shall elect the officers of the Association, which shall include among others, the following vital positions: i) Operations In-charge, ii) Treasurer, iii) Cashier/Collector and iv) Bookkeeper, who shall have the following functions:

Operations In-charge – in charge of the day to day operations of the facility. In his/her absence, the Association shall assign a replacement in order not to hamper the day to day operations. He/she shall see to it that all revenues generated from the facility/Sub-project are properly and accurately accounted for.

Treasurer – takes custody of the funds coming from the day to day collections of the Cashier/Collector. In the absence of the Treasurer/Cashier, the Association shall assign a replacement in order not to delay collection of revenues.

Cashier – in-charge of collecting fees from the beneficiaries/ customers. He/she shall remit to the Treasurer the total amount collected at the end of the day.

Bookkeeper – records the financial transactions of the Association (e.g. cash collections and disbursements) and prepares Financial Report/Income Statement when required.

The Association shall open a bank account separate from the bank account for Sub-project implementation which shall have at least two cosignatories for control purposes. All income generated from the Subproject or cash collections shall be deposited to the bank account opened by the Association for the purpose. It shall be the discretion of the Association to open a current/checking or savings bank account.

Cash Receipts/Collections

- a. Collections are the amount received by the Association in exchange for the services rendered through the completed Sub-project (e.g. fare for boat Sub-project, payments from rice/corn mills, sale of meat products for meat processing facility, dues from beneficiaries of water systems etc).
- b. The Collector/Cashier shall issue a pre-numbered Official Receipt (OR) or Acknowledgement Receipt (AR) or equivalent receipt (ticket for toll fees, boat ticket etc) in two copies for all cash collections. The original copy shall be given to the customer making payment and the duplicate copy shall be kept by the Treasurer/Cashier for record purposes. To ensure fund controls, the AR should

be color coded (i.e. white for the original copy and any desired color other than white for the duplicate copy). In preparing the OR/AR, the Treasurer/Cashier should use carbon paper to produce a duplicate copy. In no case shall the original and duplicate copies of the AR be prepared separately.

- c. He/she then accomplishes List of Collection in three (3) copies every day. Distribution of copies is as follows: Original copy - Treasurer, duplicate copy - Bookkeeper and triplicate copy – retained as file. The format of the List of Collection contains the following:

List of Collection

Date: _____

No : _____

Prepared by : Collector/Cashier

Verified by : Bookkeeper

Recorded by : Treasurer

- d. The Treasurer shall verify the cash collection received from the Collector/Cashier versus the List of Collection.
- e. The Treasurer also retains original copy of List of Collection and records the same in the Treasurer's Journal which contains the following after which he/she shall keep the cash in the Cash box for deposit the next banking day.
- f. The Bookkeeper receives the duplicate copy of the List of Collection and records the transactions in the Cash Book (The format is the same as what is used in the Sub-project implementation.). He /she then file the copy of the List of Collection.

Cash Disbursements/Payments

- a. Disbursements or Payments are the amount paid to outside creditors/ suppliers for the purchase of supplies and materials as well as payment for labor needed for the operations and maintenance of the Subproject (gasoline for boat and corn mill, payments for electric bills for water system or any electric-run machines/facilities, purchase of raw materials needed for production, etc).
- b. Procedure for payment considered non-petty transaction (For petty transaction, follow the petty cash principle during implementation):
 - 1. Payee/Claimant submits request for payment to the treasurer where attached to it are the required supporting documents as evidence of payment such as official receipts, RER, cash invoice in case of reimbursement and for payment – billing statement or statement of account and copy of purchase order.
 - 2. Treasurer verifies the correctness of the claim. Prepares disbursement voucher and check (if checking account) or withdrawal slip (if savings account) to be forwarded to the signatories for approval and signature.

3. Approving Bodies (President or somebody within the organization who is authorized to approve) approves and signs the check or withdrawal slip and returns the documents to the treasurer.
 4. Treasurer i) For check – issues the check to the payee/claimant and let the payee/claimant sign in the “Received by” portion of the DV; ii) For withdrawal slip- withdraws the fund from the bank and turnovers the cash to the payee/claimant while the latter signs in the “Received by” portion of the DV.
- c. Each disbursement should be accompanied with Disbursement Voucher (the Association may adopt the DV format used during Sub-project implementation).

Recording and Filing

- a. It is greatly recommended that all transactions be recorded daily. If recording is done regularly, periodic reports can be prepared quickly and accurately.
- b. Safekeeping the books of accounts, related records, accounting forms and reports are the major responsibilities of the Bookkeeper. All records and documents should be locked up and access should be limited to authorized Association officers and personnel.
- c. The Association Officers should agree on the reports to be prepared, who received the report and how frequent is the submission.
- d. The following procedures shall be followed:
 1. Secure the Treasurer’s Journal as well as the files of Collection List, OR/AR, Deposit Slips and DVs.
 2. Compare Collection and OR/AR issued to check if all OR/AR have been fully accounted in the Collection List or all collections have been issued OR/AR.
 3. Check if all OR/AR issued are recorded in the Treasurer’s Journal.
 4. Check the accuracy of footings.
 5. In checking, the Bookkeeper should put markings to indicate a trail.
- e. The Bookkeeper shall record all transactions in the Cash Book. (The Association may adopt the format of the Cash Book used during Subproject implementation).

Determining Non-Cash Transactions

Determining Accounts Receivable and Accounts Payable (Non-cash transactions)

- a. Non-cash Transactions do not involve cash collections or payments and therefore are not to be recorded in the Cash Book. Examples of non-cash source documents are those used in water system and electrification projects. These are the Billing form and Invoices or Statements. The Billing form documents money

that is owed to the Association while the Invoices or Statements are documents made by other showing money owed by the Association.

- b. Accounts Receivables are the equivalent amount of services rendered or products sold to individuals indicated in the Billing Form which remained not collected as of cut-off date. On the other hand, Accounts Payables are the equivalent cost of procured items and/or labor for the operations and maintenance of the Sub-project which remained unpaid as of cut-off date.
- c. All Accounts Receivables and Payables should also be properly accounted for in a separate record.

Preparation of Financial Reports

- a. The Bookkeeper shall prepare a Financial Report/Income Statement.
- b. Procedures to prepare Financial Report/Income Statement:
 - 1. To determine the total revenues generated from the Sub-project, the Bookkeeper shall add the total collections for the period plus the total accounts receivables or those billings which were remained uncollected.
 - 2. To determine the total amount of expenses incurred for the period (including those not yet paid or accounts payable), the expenses should be classified per specific item of expenditure (e.g. gasoline, labor, materials, electric) and should also be categorized whether Direct Cost or Operating Cost.
 - 3. Deduct the total expenses from the total revenues. The result represents the Net Income or Net Loss for the period. For monitoring purposes, it is most ideal to prepare Financial Report/ Income Statement every two weeks. This should, however, be decided upon by the Association.