



Community-Based Finance 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

Overview

One of the significant features of KALAHI CIDSS-National Community Driven Development Program (KC-NCDDP) is the direct transfer of funds to community beneficiaries with approved development proposals. This means funds are managed by the community beneficiaries themselves. Thus, it is critical for community members and volunteers to understand financial management to ensure that these funds are efficiently utilized for its intended purpose.

This Community-Based Finance Manual which is divided into four (4) books provides simplified financial management systems and procedures to guide the Barangay Sub-Project Management Committee (BSPMC) particularly community finance volunteers namely: Treasurers, Bookkeepers and Audit and Inventory Teams in the management of funds. This financial management starts from the formulation of community development proposals to requesting for funds, utilization and accounting of received funds up to reporting and auditing as follows:



Planning

This stage is commonly known as Budgeting. This is where the community prepares a detailed proposal with costing of their identified development project. This can be done through the assistance of the Area Coordinating Team and other barangay and municipal stakeholders. If the identified development proposal is technically complicated, the community can engage a qualified technical service provider through the Technical Assistance Fund facility. The community as a whole must be closely involved in this stage by making sure that all plans i.e. detailed proposal and budget, procurement plan and local counterpart contribution plan are presented, discussed and approved.

Accessing Funds

When proposed development proposal is prioritized, the community through the elected BSPMC shall immediately prepare documents to request funds from the DSWD and LGUs. Barangay Treasurer leads in the gathering of these documents, opening of bank account and preparation of Request for Fund Release. Book 2 provides list of documentary requirements as well as detailed procedures in requesting for funds.

Disbursement of Funds

Upon receipt of funds, the Procurement Team immediately procure goods and services based on the approved procurement plan and following the procedures set forth in the Community-Based Procurement Manual. Again, the Treasurer plays a vital role at this stage. It ensures that delivered goods and services are timely and correctly paid.

At every Barangay Assembly during Sub-Project Implementation, it is the inherent role of the Treasurer to report utilization of funds.

Bookkeeping and Reporting

This is the main role of the Community Bookkeeper. Guided by Book 3, it ensures that all funds received and disbursed are properly accounted in the books of accounts and in the monthly report called Sub-Project Fund Utilization Report. This report must be posted in the BSPMC Office for everyone to see.

Closing of Account

It must be clearly understood that the community bank account is opened specifically for the implementation of the approved sub-project so that when it is completed and funds are fully utilized, said account must be closed. At the end of the sub-project implementation, the community must seek DSWD Certification that the community has complied with the Program's financial standards and has fully submitted disbursement vouchers and supporting documents.

Auditing

As illustrated in the above figure, auditing is present in all stages. Guided by Book 4, the Audit and Inventory Team gives assurance whether internal control systems are in place and functional for the economical, efficient and effective implementation of approved Sub-Project, it ascertains the validity and reliability of financial reports and it detects whether project funds are utilized as intended and in accordance with the policies set forth in this manual.

The next chapters are detailed community-based financial management systems and procedures discussed above as follows:

Book 1: General Provisions (A Guide for the BSPMC)

Book 2: Cash Management (A Guide for the Treasurer)

Book 3: Bookkeeping and Reporting (A Guide for the Community Bookkeeper)

Book 4: Audit and Community Finance Monitoring (A Guide for the Audit and Inventory Team)

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ACRONYMS

AC	Area Coordinator
ACPP	Actual Community Procurement Packaging
ACT	Area Coordinating Team
AIC	Audit and Inventory Committee
AR	Acknowledgment Receipt
BA	Barangay Assembly
BAC	Bids and Awards Committee
BDC	Barangay Development Council
BIR	Bureau of Internal Revenue
BLGU	Barangay Local Government Unit
BSPMC	Barangay Sub-Project Management Committee
CBIS	Capacity Building and Implementation Support
CEAC	Community Empowerment Activity Cycle
CERS	Community Employment Record Sheet
CF	Community Facilitator
CO	Central Office
COA	Commission on Audit
CPA	Certified Public Accountant
CPS	Community Process Specialist
CSW	Criteria Setting Workshop
DAC	Deputy Area Coordinator
DOD	Deed of Donation
DROM	Disaster Response Operations Manual
DSWD	Department of Social Welfare and Development
DV	Disbursement Voucher
EWT	Expanded Withholding Tax
ExeCom	Executive Committee
FM	Financial Management
FMS	Financial Management System
FO	Field Office
GMP	Government Money Payments
GOCC	Government-Owned and Controlled Corporations
GPBP	Grassroots Participatory Budgeting Process
IGP	Income Generating Project
KALAHI CIDSS- NCDDP	Kapitbisig Laban sa Kahirapan Comprehensive and Integrated Delivery of Social Services-National Community Driven Development Program
KC	KALAHI-CIDSS
LBP	Land Bank of the Philippines
LCC	Local Counterpart Contribution
LCE	Local Chief Executive
LGU	Local Government Unit
MCT	Municipal Coordinating Team
MDC	Municipal Development Council
ME	Municipal Engineer
MFA	Municipal Financial Analyst
MIAC	Municipal Inter-Agency Committee
MIBF	Municipal Inter-Barangay Forum

MIT	Monitoring and Inspection Team
MLGU	Municipal Local Government Unit
MOA	Memorandum of Agreement
NGA	National Government Agency
NGO	Non-Government Organization
NOL	No Objection Letter
NPMO	National Program Management Office
NPMT	National Program Management Team
O&M	Operation and Maintenance
OR	Official Receipt
PAMANA	PAmayanang MApayapa at MasagaNA
PDW	Program Development Work
PCF	Petty Cash Fund
PCPP	Planned Community Procurement Packaging
PCV	Petty Cash Voucher
PIT	Project Implementation Team
PO	People's Organization
PO	Purchase Order
POW	Program of Work
PPT	Project Preparation Team
PRA	Participatory Resource Allocation
PT	Procurement Team
RCIS	Regional Community Infrastructure Specialist
RER	Reimbursement Expense Receipt
RFA	Regional Financial Analyst
RFFP	Regional Finance Focal Person
RFR	Request for Fund Release
RPD	Regional Program Director
RPM	Regional Program Manager
RPMO	Regional Program Management Office
RPMT	Regional Program Management Team
SPA	Sub-Project Agreement
SPI	Sub-Project Implementation
SRPMO	Sub-Regional Program Management Office
TAF	Technical Assistance Fund
TIN	Tax Identification Number
TOR	Terms of Reference
TWG	Technical Working Group
VAT	Value-Added Tax
VLCC	Voucher for Local Counterpart Contribution

GLOSSARY

A

Account Title - The name applied to a specific account that is used to identify its nature. The Account Titles that will be used in recording transactions are the budget lines in the approved Program of Work (e.g. Materials, Labor, Equipment, etc.). These will also be the column headings under the Cash Out in the Cash Book.

Accountability - The obligation of the BSPMC to account for its activities, accept responsibility for the funds entrusted by the community and to disclose the results in a transparent manner.

Accuracy – Correctness of balances in the financial documents, books and reports such as Disbursement Vouchers, Cash Book, LCC Journal and Sub-Project Fund Utilization Report.

Acknowledgment Receipt - A pre-numbered pro-forma document issued by the Treasurer to Donors of LCC cash and in-kind.

Assistant Community Bookkeeper - A person who acts in the absence of the Community Bookkeeper.

Audit - An independent financial examination of the BSPMC's books of account, records, documents, reports and activities.

Audit Objective – A statement of purpose or reason behind audit. Generally, the objective of the internal audit is to ensure compliance by the communities with the provisions of the Community-Based Procurement and Finance Manuals and other existing government laws, rules and regulations and that Sub-Project funds are utilized as intended.

Audit Report - A simple written report containing audit activities conducted by the Audit and Inventory Team (AIT), results thereof and recommendations to the BSPMC.

Audit Tools - These are checklists developed to help the AIT gather information. It provides the right questions to ask about a specific transaction or activity.

Authority to Claim - A document required from a legitimate family member who wish to claim payroll payment in behalf of the Worker/Laborer.

B

Bank Charges - These are fees directly deducted by Land Bank from the deposits maintained in the community bank account. Common example is the bank fee charged by the LBP for maintaining a balance below the minimum requirement of P5,000.

Bank Reconciliation – A report that reconciles the difference between the cash balance per Cash Book and Bank Statement in a particular period.

Bank Statement (Snapshot) - A summary of transaction for a given period of the community bank account. It contains information of deposits (Credits) and list of checks presented to the bank (Debits). It also provides information such as bank charges and interest earned.

Bid Security - A guarantee required to ensure that the successful bidder shall, within five calendar days from receipt of the Notice of Award, sign the contract with the BSPMC. It could be in a form of cash or certified check (cashier's or manager's check, bank draft, letter of credit or bank guarantee) but never a Personal Check.

Billing Statement - A document that indicates the total amount due for payment to a Supplier for the equivalent rendered services.

Bond Premium – The amount of cash paid to the Bureau of Treasury which is equal to 1.5% of the amount of bond (declared maximum accountability) but not less than P150.

Books of Accounts – Refers to the Cash Book and LCC Journal maintained by the Community Bookkeeper.



Cash Advance - These are funds withdrawn from the community bank account before the delivery of goods or services. This is allowed to pay for labor and indigenous materials from non-registered supplier but always in the name of the Treasurer.

Cash Book - A book of original entry in which transactions relating only to cash receipts (e.g. Grant Funds, LCC-cash, interest earnings accruing to the community bank account and other forms of cash receipts) and payments are recorded in detail. When cash is received, it is entered on the debit or left side. Similarly, when cash is paid out, the same is recorded on the credit or right side of the cash book.

Cash Count – The process of counting the money in the custody of the Barangay Treasurer which is normally conducted by the Audit and Inventory Team during audit to determine whether recorded cash balance matches cash on hand.

Cash Disbursement - Refers to payment; Issuance of check to pay for delivered goods and services.

Cash Receipts - Refers to cash received from the DSWD (Grant Funds) and LGUs (LCC Cash) which form part of the community sub-project funds. Other forms of cash receipt such as bid security and performance security do not form part of the community sub-project funds hence considered obligations and not available for spending.

Check - A written, dated and signed instrument that contains an unconditional order from the accountholder that directs a bank to pay a definite sum of money to a payee.

Checkbook - A bundle of sequentially pre-numbered checks containing preprinted account name and number used to pay for goods or services.

Community Bank Account – A current or checking account opened by the BSPMC in the nearest Land Bank of the Philippines where funds from the DSWD and Donors are deposited for the implementation of the community's approved sub-project.

Community Bookkeeper - A community volunteer selected to take charge in recording sub-project transactions. It also prepares monthly reports such as Sub-Project Fund Utilization Report and Bank Reconciliation Statement.

Community Finance Monitoring - It is a systematic tracking of the BSPMC's financial activities which starts from the approval of the Sub-Project detailed proposal to its implementation up to completion. It also includes monitoring of the BSPMC's actions in carrying out audit recommendations.

Completeness – Having all required information and signatures indicated in the BSPMC forms and books of accounts; having all documentary requirements attached to requests for fund release and vouchers for payment.

Contingency Funds – A budget item indicated in the Program of Works allocating extra funds for use in case of unforeseen expenses.

Co-signatories – Refers to the three signatories of the community bank account namely: Area Coordinator, BSPMC Chairperson and Barangay Treasurer

Creditors - Supplier of goods or services to whom money is due.

Cumulative Balance - The sum of all balances as of a given period.

D

Debit - An accounting entry that results in either an increase in resources or decrease in obligations.

Deposit in Transit - Cash received from a Donor which are not yet deposited to the bank.

Disbursement Voucher - A BSPMC form used every time payment is made. It contains payment details such as name of payee, particular transaction and amount of payment. This form is pre-requisite to the issuance of check.

Disbursing Officer – Refers to the Barangay Treasurer who handles the funds – accepts and releases money for the sub-project implementation.

Donation - These are either cash or in-kind (i.e. materials, labor, equipment, etc.) received from community members, LGUs and other stakeholders for the implementation of sub-project.

Double check – An act of re-checking or checking again in order to be certain of the correctness of data, accuracy of balances and completeness of supporting documents. This is a process normally done by signatories and reviewers of BSPMC documents, books and reports.

E

Errors - These are mistakes caused either by the Bookkeeper or the Bank. Errors vary from transposition, slide, miscalculation and mispostings.

Excess Funds – Refers to the remaining 10% final tranche of the community grant fund when the Sub-project can be completed even without it.

Expanded Withholding Tax - A kind of withholding tax which is prescribed on certain income payments and is creditable against the income tax due of the payee for the taxable quarter/year in which the particular income was earned.

F

Feasibility Study – An evaluation of a potential sub-project to make sure that it is (1) technically possible and (2) cost effective as in the case of complex infrastructure sub-projects, which may be too difficult or expensive, and (3) profitable, in the case of livelihood development.

Fidelity Bond – A form of insurance protection that covers community for losses that will be incurred as a result of fraudulent or dishonest acts (e.g. theft, forgery, disappearance) by Treasurer.

Financial Management – The efficient, transparent, and honest handling of all moneys or funds associated with a community sub-project.

Financial Status – The monetary situation of the community sub-project. It usually refers to the availability of cash in the community bank account after deducting all pending obligations.

Financial Transaction – Any event that involves money. For example, DSWD deposits grant funds to the community account. Another example is when a Barangay Treasurer pays supplier of goods and services. All financial transactions are recorded in the books of accounts.

Fund Custodian – Refers to the Barangay Treasurer who keeps the money of the community for the implementation of sub-project.

G

Ghost Workers - These are dummy names listed in the Community Employment Record Sheet for payroll payment. It can also be names of persons in the community but were not actually working for the sub-project.

Grant Funds - These represent the DSWD share of the total sub-project cost as indicated in the approved Program of Work. These funds which are released in tranches are directly deposited to the community bank account through on-line crediting from the DSWD Regional Account.

H

Honoraria - A voluntary payment that is given to community volunteers for services rendered which fees are not legally or traditionally required.

I

In-Kind LCC - Non-cash contributions (e.g. labor, materials, equipment) from the community, LGUs and other stakeholders for the sub-project.

Internal Audit - Performed by the AIT, it is an advisory function to the Barangay Assembly thru the BDC. It evaluates actions, transactions and activities in which it has no part. It detects if there are weaknesses in the methods or procedures in the operations. It enables the BSPMC to take the necessary actions to remedy detected problems or weaknesses.

Internal Control - As defined in general accounting and auditing, is an organization's network of methods, procedures, and plans which govern its activities to accomplish its goals and objectives to safeguard the reliability of data, safeguard assets and records, promote operational efficiency and encourage adherence to prescribed policies.

Inventory – Physical counting of materials, cash on hand as well as number of laborers working at a given period. It is an audit procedure that determines whether at a given period materials on hand matches records in the materials logbook, number of actual workers matches listed personnel in the construction logbook and cash balances matches cash on hand.

Itinerary of Travel - A detailed record (date, time, place, purpose and person visited) of actual travel made.

J

Journal (LCC In-Kind) - A book that contains a summary of issued Vouchers for Local Counterpart Contribution (VLCC) for all non-cash contributions from various donors for sub-project implementation.

L

Liquidation - The process of providing complete documentation or evidences for utilized funds. The Program requires monthly submission of reports and disbursement vouchers with supporting documents to liquidate actual expenditure. In the case of Petty Cash Fund, final liquidation is required when sub-project is complete and there is no more replenishment to be made.

List of Checks Issued - A summary of checks (includes information of the check such as number, date, payee and amount) issued and cancelled.

Local Cash Counterpart Contribution - These are cash contributions that form part of the sub-project funds. Said cash LCC are deposited in the community bank account following the LCC Plan.

M

Maximum Accountability – The ceiling of the Barangay Treasurer's accountability as disbursing officer and fund custodian which is the basis to compute for the amount of bond. This is determined by computing either (1) average amount of checks to be signed per month, or (2) the maximum amount of check to be signed during sub-project implementation or (3) the amount of 1st tranche community grant funds.

Mobilization Fee - Maximum of 15% of the total contract cost that the contractor may be allowed to collect prior to sub-project implementation. The amount advanced is recouped from the progress billings computed based on the physical accomplishment indicated in the billing. The total amount should be fully recouped when physical accomplishment is at 80%.

N

Narrative Report - An account of the actual happenings during sub-project implementation that cause variance of more than 15% between physical and financial accomplishments.

Non-Registered Suppliers - These are unlicensed suppliers of goods and services. They are not registered with the Bureau of Internal Revenue, Department of Trade and Industry, etc.

Non-Value Added Tax - Known as Percentage Tax, is a tax withheld from non-VAT registered suppliers before making any payments.

Non-VAT-Registered Supplier - Any person or entity who sell or lease goods, properties or services in the course of trade or business whose gross annual sales and/or receipts do not exceed P750,000 and who are not VAT-registered.

Official Receipt - A document issued by a supplier of goods and services as proof of receipt of payment. The Treasurer ensures that this is collected right after the issuance of check.

Outstanding Check - A check issued by the Treasurer but not yet presented by Payee to the bank for encashment.

Partial Delivery - The delivered portion of the total items/quantity of goods due for delivery per approved Purchase Order. NO PAYMENT is allowed for partially delivered goods except for indigenous materials (e.g. tilled gravel) from non-registered suppliers which schedule of payment is indicated in the approved PO.

Payee - A person or enterprise who receives payment in exchange for goods and services received by the payor. A payee is paid in cash (i.e. petty cash vouchers) or check (i.e. disbursement vouchers).

Pending Obligation - An expense already incurred but not yet paid due to unavailability of cash. A certification of this sort is required when requesting for the final tranche.

Per Diem – Amount of daily allowance set by the BSPMC for its members during official travel. This covers meals and incidental expenses.

Performance Security - A security posted by the winning bidder to guarantee its faithful performance of its obligations under the contract prepared in accordance with the bidding documents. This is equivalent to 5% of the contract price and can either be in a form of cash or certified check (cashier's or manager's check).

Petty Cash Fund - The amount of fund established by the community to shoulder small expenses to be incurred during sub-project implementation. The maximum amount the community can establish is Ten Thousand Pesos (P 10,000.00). Its establishment is premised on the condition that an allocation for this purpose is provided for in the approved Program of Work (POW) under the administrative/indirect cost.

Pre-Audit – An act of reviewing validity, accuracy and completeness of documents supporting disbursement vouchers prior to the release of payment.

Procurement – The acquisition of Goods, Consulting Services, and the contracting for Infrastructure Projects by the BSPMC. (Source: Community-Based Procurement Manual)

Professional Fees - Expenses incurred from contracting services of professionals such as lawyers, Certified Public Accountants, engineers, etc.

Progress Billing - A billing statement indicating equivalent amount due to the Contractor based on the percentage of work that has been completed so far. Only allowed in contract of works, the statement shows the original contract cost, any changes to that cost, how much has been paid to date, what percentage of the works has been completed to date, what payment is currently due and the total amount remaining to be paid.

Q

Questionable Conduct – An observed act of any BSPMC member which is deemed contrary to standards.

R

Recoupment - The process of recovering advances made by Contractor as mobilization fee

Reimbursement - The act of repaying or refunding an individual who spent for sub-project related expenses.

Replenishment - To make full again. Like in the case of petty cash fund, the Treasurer needs to replenish the amount already spent in order to make the fund back to its full amount (i.e. P10,000)

Request for Fund Release - Preprinted from the eRFR system, this slip is used every time the BSPMC requests for funds from the DSWD. It contains data such as community bank account number and amount of request. Once completely signed by the approving authority, this slip serves as the basis for the release of funds by the DSWD Regional Office.

Resolution – A formal authorization or approval of a decision, report, intention and action. This is usually issued by a higher level of authority like the Barangay Assembly and Barangay Council at the barangay level.

Retention Fee - Retention fee refers to the 10% amount retained from all progress billings to cover uncorrected discovered defects and third party liabilities. This is mandatory for all contracts with PhP 1M or more in addition to performance security. For contracts with less than PhP 1M, retention fee is only deducted from progress billings when there is no performance security posted. The retention fee, if not called, shall be refunded to the contractor after the expiration of the warranty period. The refund shall not be subjected to Withholding Tax.

S

Savings – Any remaining funds in the community bank account after 100% sub-project completion with all valid financial obligations settled.

Schedule of Fund Release - A plan indicating the tranching and timing of grant funds.

Spot Check – An audit procedure which is unscheduled inspection at random intervals of the BSPMC's activities.

State of Calamity - A government declaration that the country is under state of emergency due to disaster or misfortune.

Sub-Project Fund Utilization Report - A report prepared by the Community Bookkeeper that contains all financial transactions of the sub-project for the period. It is required to be submitted to the DSWD Regional Office thru the ACT on a monthly basis and when requesting for fund release.

Sub-Project Funds - The total amount of funds received from the DSWD and LGUs for the implementation of the community sub-project.

T

Tax Base - The measure upon which the assessment or determination of tax liability is based.

Technical Assistance – Advice, training and assistance provided to the community or the BSPMC pertaining to finance, engineering and social process by the Area Coordinating Team, Barangay and Municipal Local Government and other stakeholders during sub-project implementation.

Technical Assistance Fund - A fund provided that will enable communities to hire necessary technical service provider to help them a) develop viable proposals for complicated sub-projects or conduct feasibility studies, b) prepare detailed pre-engineering works including plans, designs and drawings, and c) supervise sub-project implementation.

Technical Service Provider – Qualified individual or firm hired by the community to render assistance during sub-project planning and/or supervision.

Transparency – Openness of the BSPMC's activities, documents, books and reports to any community member.

Treasurer - The appointed Barangay Treasurer of the Barangay Local Government Unit (BLGU) who is automatically designated as the BSPMC Treasurer and is primarily in-charged in managing sub-project funds.

V

Validity – The legality of any document or transaction; Quality of any document or transaction being believable or trustworthy.

Value Added Tax - A form of sales tax. It is a tax on consumption levied on the sale, barter, exchange or lease of goods or properties and services in the Philippines and on importation of goods into the Philippines. It is an indirect tax, which may be shifted or passed on to the buyer, transferee or lessee of goods, properties or services.

VAT-Registered Supplier - Any person or entity who, in the course of his trade or business, sells, barter, exchanges, leases goods or properties and renders services subject to VAT, if the aggregate amount of actual gross sales or receipts exceed One Million Five Hundred Thousand Pesos (P1,500,000.00).

Viable Proposal – An identified intervention found to be beneficial to the community at a reasonable cost.

W

Withholding Tax Certificate - A Certificate to be accomplished by the Treasurer and issued to Suppliers whose payment has been withheld with appropriate taxes.

Withholding Tax - A systematic way of collecting taxes at source. It is an indispensable method for collecting taxes in order for the government to obtain the appropriate revenue. It is important to withhold taxes because it a) encourages voluntary compliance, b) reduces cost of collection effort, c) prevent delinquencies and revenue loss and d) prevent dry spells in the fiscal standing of the government by providing stabilized cash flows throughout the taxable year.

Work and Financial Plan – A document which shows work and financial target of the BSPMC pertaining to the implementation of approved sub-project.

BOOK 1

General Provisions (A Guide for the BSPMC)

CHAPTER 1

1.1 Introduction

What is Community-Based Financial Management?

In the context of KALAHI CIDSS-National Community Driven Development Program (KC-NCDDP), Financial Management means **the efficient, transparent, and honest handling of all moneys or funds associated with a community sub-project.**

It is one of the most important activities for efficient and successful sub-project implementation. Financial management is necessary for the procurement of goods and services, payment of laborers or professionals and many other activities involved in the sub-project.

Who is Responsible for Financial Management?

One of the objectives of KC-NCDDP is community empowerment. Therefore, **community volunteers are the ones given the responsibility of financial management.**

The community is responsible for making financial decisions and handling project funds, this means they are also accountable for the proper use of funds and the ultimate success of the sub-project.



How Will This Manual Help With Financial Management?

The Community-Based Finance Manual is divided into four (4) books which provides simplified financial management systems and procedures to guide the BSPMC (Book 1) and lead community finance volunteers namely: Treasurers (Book 2), Bookkeepers (Book 3) and Audit and Inventory Teams (Book 4) in the management of funds. **The manual as a whole provides the complete process of financial management, the proper procedures for handling funds, the required record keeping of financial transactions and auditing.**

Chapter 2

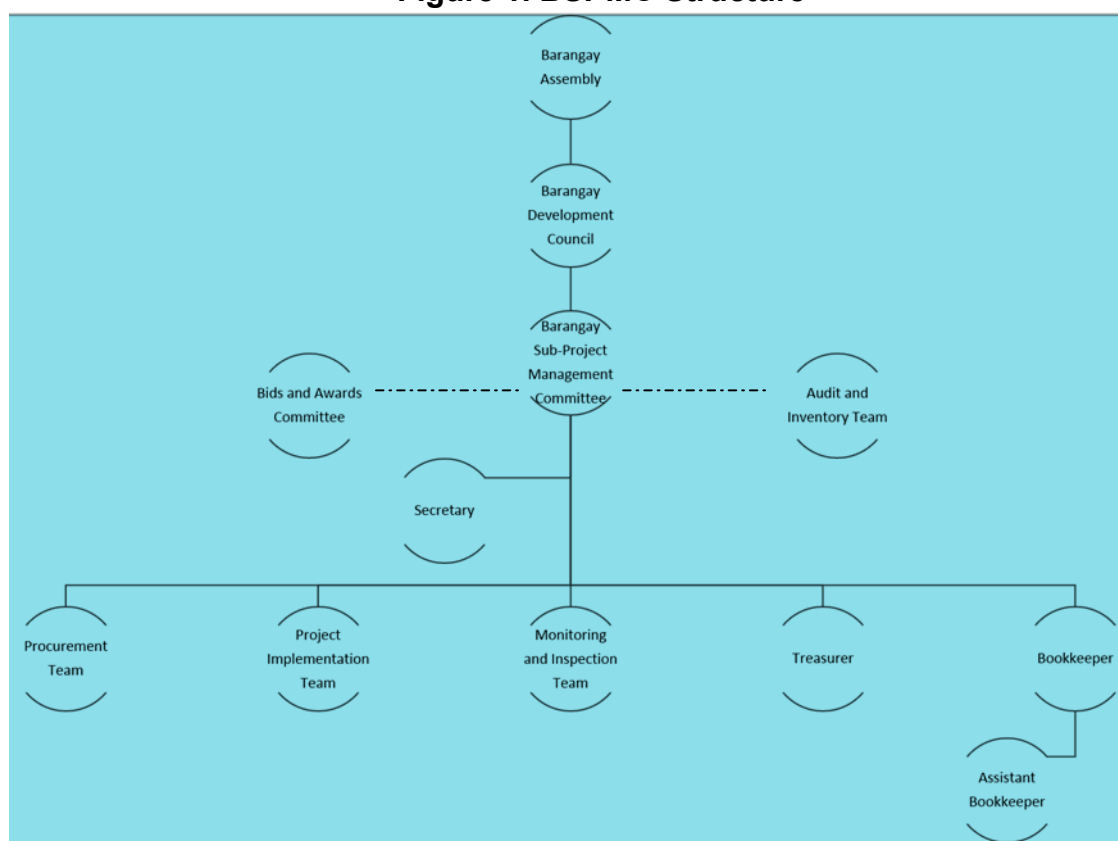
2.1 Barangay Sub-Project Management Structure

Who Will Carry Out Sub-Project Implementation?

The community particularly the **Barangay Sub-Project Management Committee (BSPMC)** which is organized and formed to carry out the necessary tasks to **implement sub-project**. The BSPMC which is composed of teams of community volunteers is entrusted with the responsibility to complete sub-project with the technical assistance of the Area Coordinating Team (ACT) and help of KC-NCDDP trainings.

The figure below shows the overall organization of the BSPMC. The detailed descriptions of structure and function of these teams are in the following sections. Each position particularly specifies their roles in Financial Management.

Figure 1. BSPMC Structure



2.2 Roles of BSPMC in Financial Management

What is the Role of BSPMC in Financial Management?

Sound financial management of sub-project is the overall responsibility of the barangay assembly through the elected BSPMC during sub-project implementation. Following are the specific financial management roles of each position.

Barangay Assembly (BA)

The primary role of the community is to implement the approved sub-project, ensure that its objectives are attained and that there is proper *accountability*. The community shall organize itself for this purpose as indicated in the above organizational structure. **All community members should have equal input and special efforts should be made to ensure equal participation of all groups in the community, particularly women, youth, the elderly and IPs.** Community members therefore have the responsibility to do the following:

- Attend Barangay Assemblies
 - Participate actively in decision making processes and selection of barangay sub-project implementation team members
 - Vulnerable groups (i.e. women, youth, IPs) are encouraged to organize themselves in order to make sure their voices are heard and needs addressed in sub-project selection and implementation
- Review the sub-project implementation plan and budget
- Monitor sub-project implementation (procurement, inspection of deliveries, use of all delivered materials, construction, etc.)
- Inform the BSPMC if full transparency is not being practiced or if there are negative observations, such as:
 - No publication or announcement related to procurement, approved contracts, or expenditures
 - No barangay assembly is called to make a report to the community about sub-project and financial status
 - Questionable conduct of procurement process, sub-standard materials used, implementation not according to program of work, etc.
- Report inaction of the BSPMC to the ACT or directly to the DSWD Grievance and Complaints Unit
- Provide the agreed counterpart contribution (lot, labor, materials, etc.)
- Participate in operations and maintenance of the sub-project after completion.

Barangay Development Council (BDC)

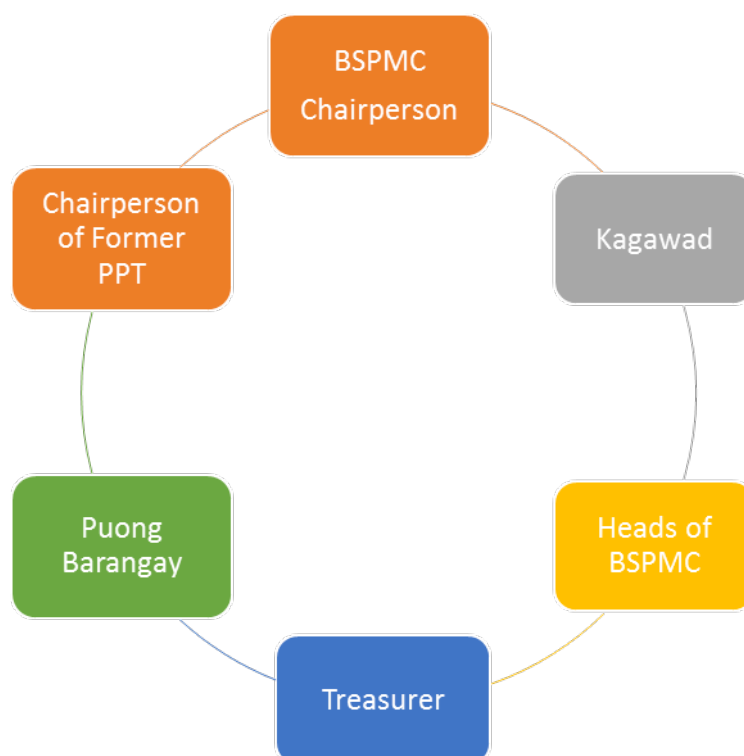
The participation of the BDC shall be through the Executive Committee (ExeCom) which is composed of the following eight (8) members:

- BSPMC Chairperson

- Punong Barangay (if he is not already elected as the BSPMC Chairperson)*
- 1 Kagawad chosen by the BDC
- Treasurer
- Heads of the BSPMC Teams (3 in total, Head of PIT, MIT, and PT)
- Chairperson of the former PPT†

The ExeCom oversees overall sub-project implementation by:

- Electing 1 member for the Bids and Awards Committee (BAC)
- Convening to discuss audit report of the AIT
- Holding Barangay Assemblies to present status of physical and financial accomplishments and address issues/questions that may arise



Audit and Inventory Team (AIT)

This team is composed of at least three members selected by the community. The AIT Head will be a non-voting member of the BAC. AIT is **independent from the other implementation units**. The team monitors the integrity and transparency of financial transactions. The following are its detailed tasks and responsibilities:

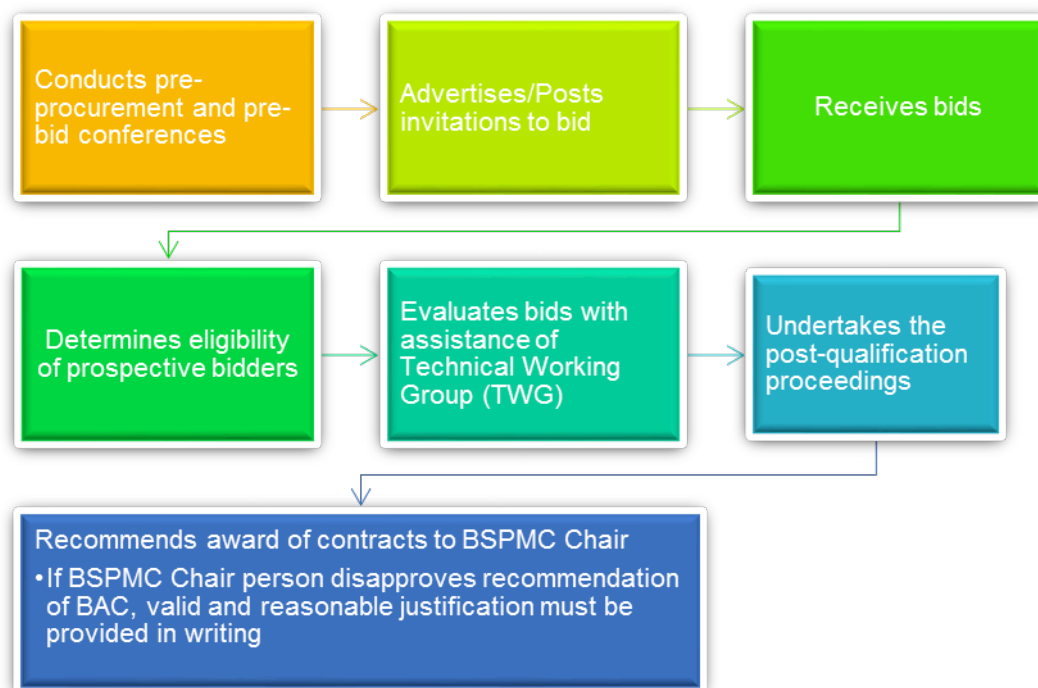


* If the Punong Barangay is the elected BSPMC Chairperson, then the Barangay Development Council (BDC) shall elect one representative from the NGO/PO representatives of the BDC.

† Since work of the PPT ends upon approval of the sub-project

Bids and Awards Committee (BAC)

This team is composed of the Treasurer, PPT Head and 1 member elected by the Execom (this member cannot be a barangay official). **The BAC is responsible for ensuring that BSPMC follows proper procurement processes.** See Community-Based Procurement Manual, for details.

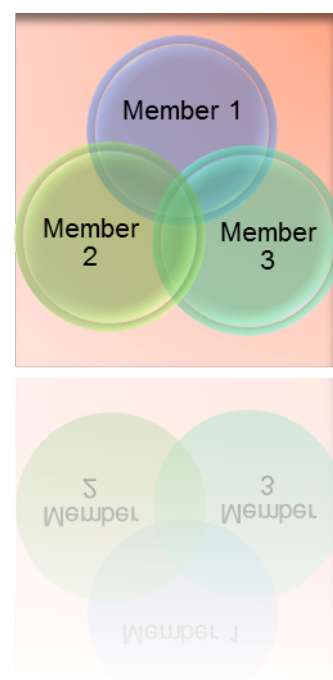


Project Implementation Team (PIT)

This team is composed of at least three members selected by the community once the sub-project is approved. **The PIT is responsible for implementing and managing the community sub-project.**

- Prepares the following documents for the BSPMC Chairperson's approval:
 - Daily Construction Logbook
 - Physical Accomplishment Reports
 - Statement of Works Accomplished
- Reviews and signs Time Sheets/Daily Time Record and Community Employment Records Sheet

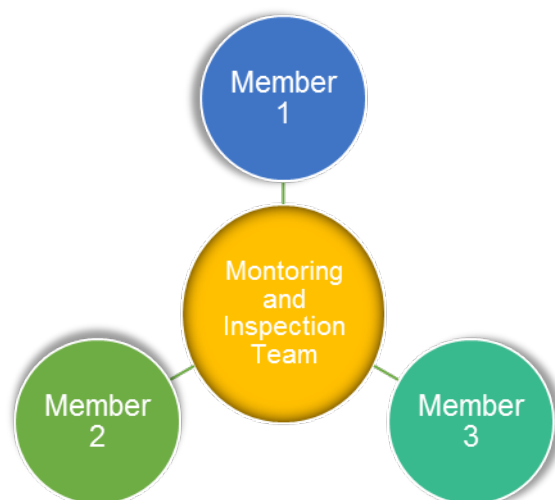
PIT Head must approve petty cash fund requests by the BSPMC Chairperson.



Monitoring and inspection Team (MIT)

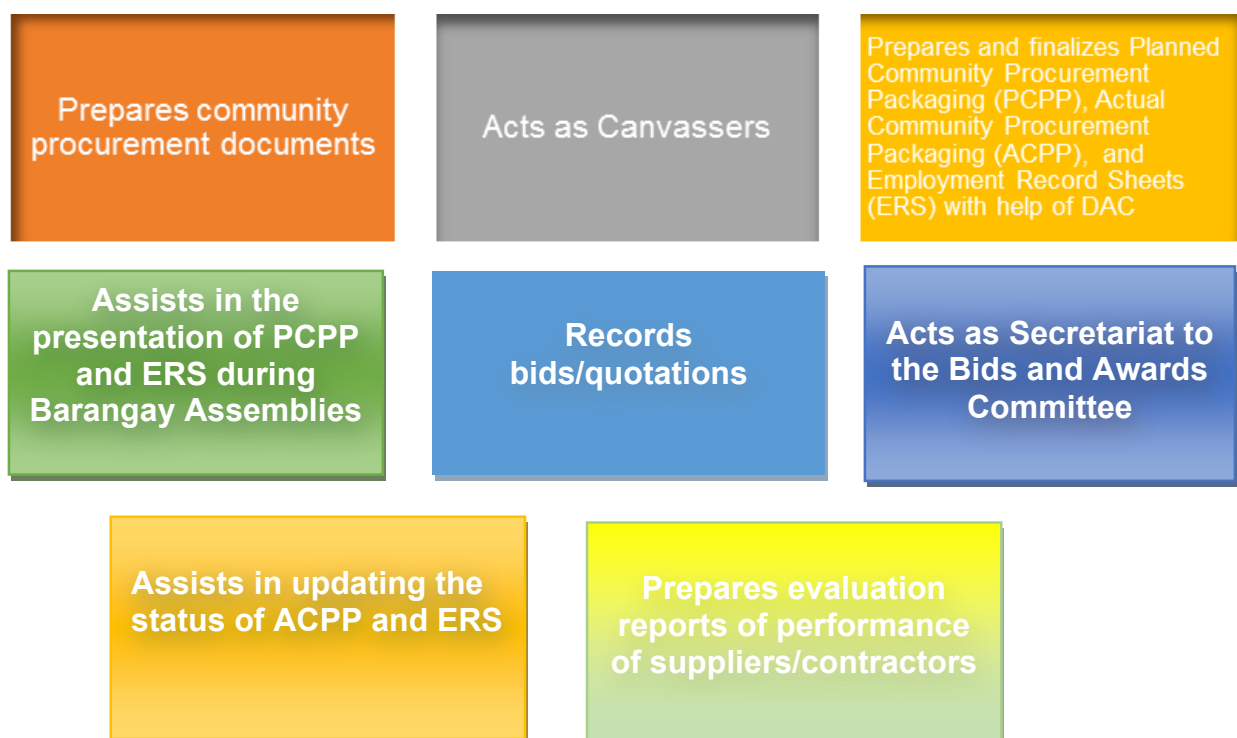
This team is composed of at least three (3) members selected by the community once the sub-project is approved. **The MIT monitors overall progress of the sub-project.**

- Validates physical accomplishments based on reports prepared by the PIT and the approved Work and Financial Plan
- Makes recommendations to BSPMC Chairperson based on progress or delays
- Ensures the proper delivery of supplies, materials and service
 - Spot check actual deliveries
- Monitors utilization of materials and equipment and ensures all are properly accounted for
 - Spot checks utilization of construction materials
- Double-checks entries made in the construction materials record, tools and equipment record, construction daily log book, and other records of the sub-project.



Procurement Team (PT)

This team is composed of at least three (3) members selected by the community once the sub-project is approved. **The PT is in charge of all procurement activities for the sub-project.**



Treasurer

The Barangay Treasurer is automatically designated as the BSPMC Treasurer. **The treasurer is the disbursing officer and custodian of project funds and properties.**



- Acts as one of the co-signatories of the community bank account
- Ensures that funds are utilized as intended
- Prepares the following documents:
 - ✓ Breakdown of estimated sub-project cost in the Program of Works (POW), if there is no contracted Service Provider
 - ✓ Proposed Schedule of Fund Releases/Tranches
 - ✓ Local Counterpart Contribution (LCC) Plan
 - ✓ Vouchers for receipts of LCC for Sub-Project Implementation
- Accomplishes Requests for Fund Release (RFR) form and gathers supporting documents
- Posts list of donors and amount of donations in Barangay Hall or any appropriate public place
- Submits original Disbursement Vouchers (DV) and supporting documents to the SRPMO/RPMO through the AC
- Maintains complete copies of RFRs, DVs and all supporting documents
- Reports financial status of sub-project to Barangay Assemblies
- Regularly updates checkbook (cash in, cash out, cumulative balance)

Bookkeeper

The Bookkeeper may be the existing Barangay Bookkeeper or someone appointed by the community. **The bookkeeper is responsible for the custody and maintenance of the books of accounts.** In the absence of the Bookkeeper, the Assistant Bookkeeper shall take over tasks and responsibilities as follows:

- Records all cash receipts and utilization of funds in the Cash Book
- Records all deliveries of In-kind LCC in the LCC Journal
- Prepares monthly Status of Sub-project Fund Utilization
- Prepares monthly Bank Reconciliation Statements
- **Ensures that all books/records are regularly updated**

Chapter 3

3.1 Technical Assistance Fund

What is the Technical Assistance Fund (TAF)?

A fund provided that will enable communities to hire necessary technical service provider to help them a) develop viable proposals for complicated sub-projects or conduct feasibility studies, b) prepare detailed pre-engineering works including plans, designs and drawings, and c) supervise sub-project implementation.

What Is a Feasibility Study?

A feasibility study is the evaluation of a potential sub-project to make sure that it is (1) technically possible and (2) cost effective as in the case of complex infrastructure sub-projects, which may be too difficult or expensive, and (3) profitable, in the case of livelihood development.

What Kind of Sub-Projects Might Require Feasibility Studies?

For complex infrastructure or livelihood development sub-projects, KC-NCDDP generally requires a feasibility study to determine the viability of such sub-projects. These may include the following:

- Water Supply with difficult water sources
- Rural Electrification (including solar power)
- Small Communal Irrigation
- Concrete and Suspension Bridges
- Road Construction/Improvement in difficult terrain
- Drainage canal (large sections requiring structural designs, multiple units requiring surveys to establish inverts and point of discharge)
- Livelihood Development
- Feasibility studies to determine:
 - Raw materials/resource availability and sustainability
 - Community capacity
 - Marketability and profitability
 - Suitability of local coastal marine ecosystem (for marine culture, aquaculture, seaweed farming, etc.)

3.2 Availing of the Technical Assistance Fund

How Does the Community Avail of the TAF?

The PPT Head can request for Technical Assistance Funds (TAF) in order to engage qualified service providers to conduct feasibility studies and planning for complex sub-projects during the preparation phase, prepare detailed pre-engineering works including plans, designs and drawings, and supervise sub-project implementation.

Is TAF Available to ALL Communities?

Yes. However, not all TAF is available for communities to manage. TAF allocation for Yolanda-affected areas[‡] are automatically managed by the DSWD-Regional Office. Only Non-Yolanda affected communities can manage their TAF. But, they can still opt to request the DSWD-RO to manage TAF for them specially when there is no available technical service provider in the locality.

How Much Is the TAF Allocation per Barangay?

The TAF allocation per municipality is equal to the number of participating barangays multiplied by the amount set by DSWD KC-NCDDP plus local counterpart contributions. The amount available per barangay depends on how many barangays request TAF and how much each request is.

Example:

Data: Number of barangays in a municipality: Ten (10)
Amount set by DSWD KC-NCDDP: P15,000/barangay

TAF entitlement of the municipality is P150,000 (10 x P15,000)

The total of P150,000 shall be distributed by the MIBF to requesting barangays following the prioritization process.

What Is The Process For Requesting the DSWD-RO to Manage Community TAF?

If communities that are in need of technical assistance decided to let the DSWD-RO manage the fund for them, a BA resolution specifying said decision shall be forwarded to the MIBF.

The MIBF will review, consolidate and assess requests and pass a resolution to avail TAF under DSWD-RO management. Said resolution must be forwarded to the DSWD-RO for immediate action.

[‡] Refers to the 554 municipalities covered by KC-NCDDP which are affected by Super Typhoon Yolanda

What Is The Process For Requesting Community-Managed TAF?

1. If there are barangays that are in need of technical assistance, the MIBF will pass a Resolution to avail TAF from the municipal allocation and engage technical support personnel. The MIBF will elect one barangay to lead the search for qualified technical service providers with the assistance of the ACT.
2. The elected lead barangay will secure a Barangay Council Resolution authorizing the PPT Head or BSPMC Chair (if already selected), the Treasurer and AC to open a checking account with the nearest Land Bank of the Philippines branch. The account name must be “DSWD-KALAHI-NCDDP/(Name of Barangay)”.
3. The Treasurer shall apply for additional bond to the Bureau of Treasury in case premium paid is insufficient to cover current maximum accountability (determined by computing average amount of checks to be signed per month). Payment for the bond premium will be from LCC cash.
4. The ACT will generate a list of potential service providers for technical assistance. The list must show the names of individuals or firms with corresponding areas of expertise and experience. The ACT may also coordinate with regional and provincial-based professional organizations for their list of experts (e.g. PICE, PICPA, etc.)
5. The potential service providers may be invited to be oriented on the Terms of Reference (TOR). Procurement will follow the appropriate method as provided in the Community-Based Procurement Manual.
6. The release of TAF requires the following documents:



Can the Existing Community Bank Account Used to implement other CDD Projects like PAMANA and GPBP be used for KC-NCDDP?

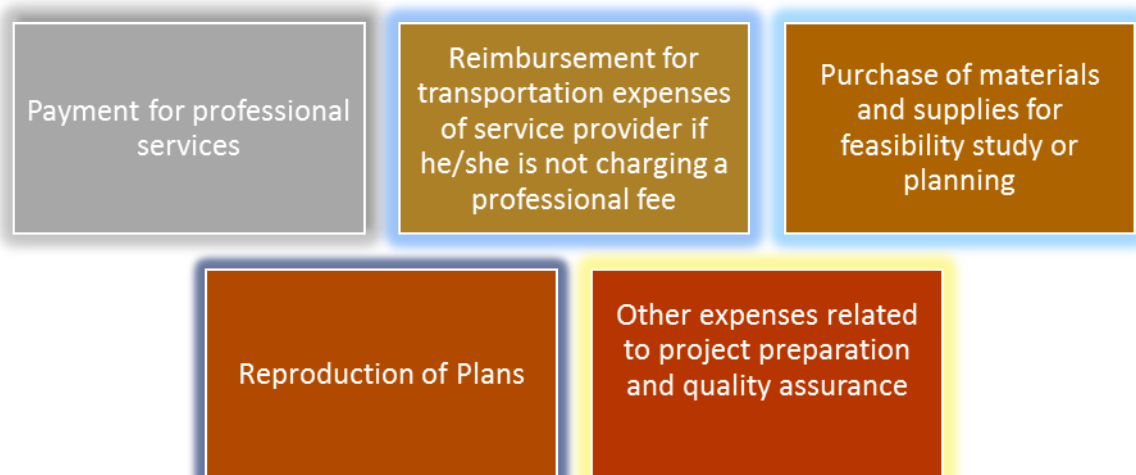
No. KC-NCDDP funds should not be mingled with other funds.

What Happens Once the Request for TAF is Submitted?

The procedures leading to the release of TAF are the same as those for grant fund release. Please see Book 2 Chapter 3 for details.

The selected service provider must submit a work plan with timeline and manpower requirements to the PPT. The DAC and PPT will monitor actual work progress and outputs as compared to work plan. The DAC, together with the municipal technical staff shall conduct thorough review of the service provider's outputs and ensure compliance with the TOR. The Bookkeeper records all expenditures in the TAF Journal (Form No. 56).

What Expenses Can the TAF Cover?



Note: The TAF cannot be used to pay for technical assistance provided by government officials/employees or KC-NCDDP employees.

No payments can be made to the Service Providers without authorization of the concerned PPT. If any payments are made incorrectly or for incomplete outputs without PPT approval, those who authorized the payment will be responsible for correcting the outputs or liable to repay the amount paid in error.

What Happens Once the Service Provider Finishes the Plans?

The PPT with the assistance of the Municipal Financial Analyst (MFA) will review the sub-project plans and these are complete and include enough provisions for Administrative Costs, such as:

- ✓ Travel expenses and per diem for:
 - Members of Procurement Team for delivery of Canvass and POs
 - Treasurer (processing payments, taxes, payroll checks, etc.)
 - Bookkeeper expenditures for submitting monthly reports
 - Necessary expenditures of other BSPMC members
- ✓ Office supplies (including photocopying and printing of sub-project photos)

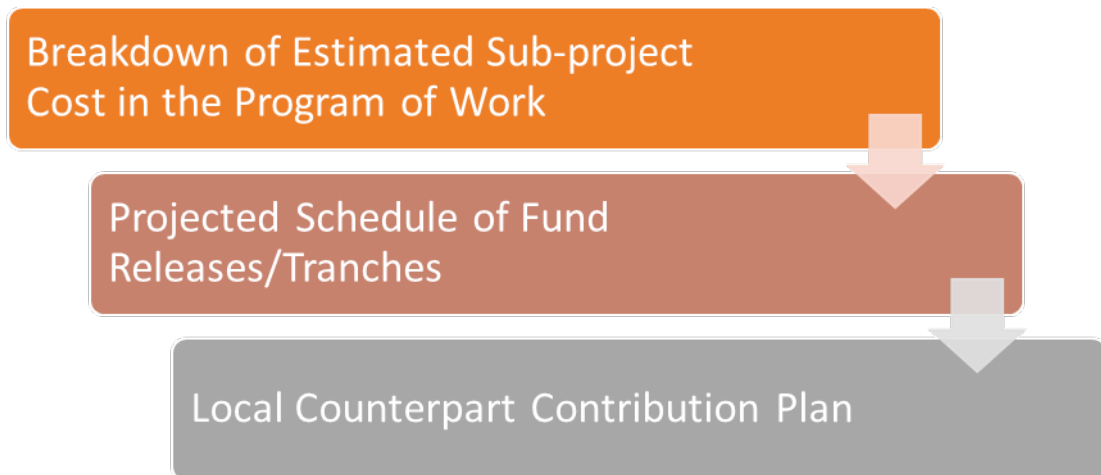
What Happens to the Community Bank Account Opened for TAF?

If the elected lead barangay is prioritized during MIBF-PRA, the checking account opened for TAF shall become the barangay's community account for sub-project funds. Otherwise, the TAF account shall be closed immediately after MIBF-PRA. Any remaining TAF balance shall be returned to the DSWD KC-NCDDP Regional Office account by direct transfer or deposit. The community shall furnish a copy of the transfer notice or deposit slip to the DSWD-RO for reference in the monitoring and reconciliation of bank account balances.

3.3 Sub-Project Financial Preparation

What Happens Once the Sub-Project Proposal is Developed?

Once the sub-project proposal has been reviewed and submitted for MIAC Technical Review stage, the Treasurer prepares the following:



Following MIAC review, the Treasurer will revise the above documents to incorporate their comments for presentation to the Barangay Assembly.

The BSPMC Chair should ensure that all comments and agreements during the 3rd BA were included into the POW before signing for final approval.

The Procurement Team prepares the Planned Community Procurement Packaging as indicated in the Community-Based Procurement Manual.

Is the Community Consulted during Sub-Project Development?

Yes. Following the MIAC Review, the detailed sub-project proposal complete with budget, procurement plan and local counterpart contribution plan should be presented at the Barangay Assembly for final approval by the community before submission to the MIBF. Based on community feedback or concerns, revisions should be made to the proposal if necessary.

Chapter 4

4.1 Sources of Sub-Project Funds

What Are the Sources of Sub-Project Funds?

The sources of sub-project funds are the:



LOCAL GOVERNMENT UNITS
Provincial
Municipal
Barangay

The funds received from the DSWD KC-NCDDP is referred to as **Grants** and those from the LGUs are **Local Counterpart Contributions**.

How Much is Expected from the DSWD and the LGUs?

The total amount approved for funding in the Program of Work shall be the basis of the Treasurer to monitor cash receipts. It is expected that LCC cash committed for the approved sub-project shall be delivered by the LGUs before the start of the sub-project implementation or depending on its approved tranching. In the case of the DSWD Grant, the total amount shall not be released at once but must be requested in three tranches as follows:

First Tranche	- 50%
Second Tranche	- 40%
Third Tranche	- 10%

The division of tranches depends on the nature of the sub project, and in some cases the 1st Tranche may be as much as 80%. The larger the 1st tranche, the more physical progress must be made before the 2nd tranche is released.

How Can Community Access Funds from the DSWD and the LGUs?

There are procedures and documentary requirements to access funds from the DSWD KC-NCDDP and LGUs. Please refer to Book 2: Cashiering – Chapter 3.

Chapter 5

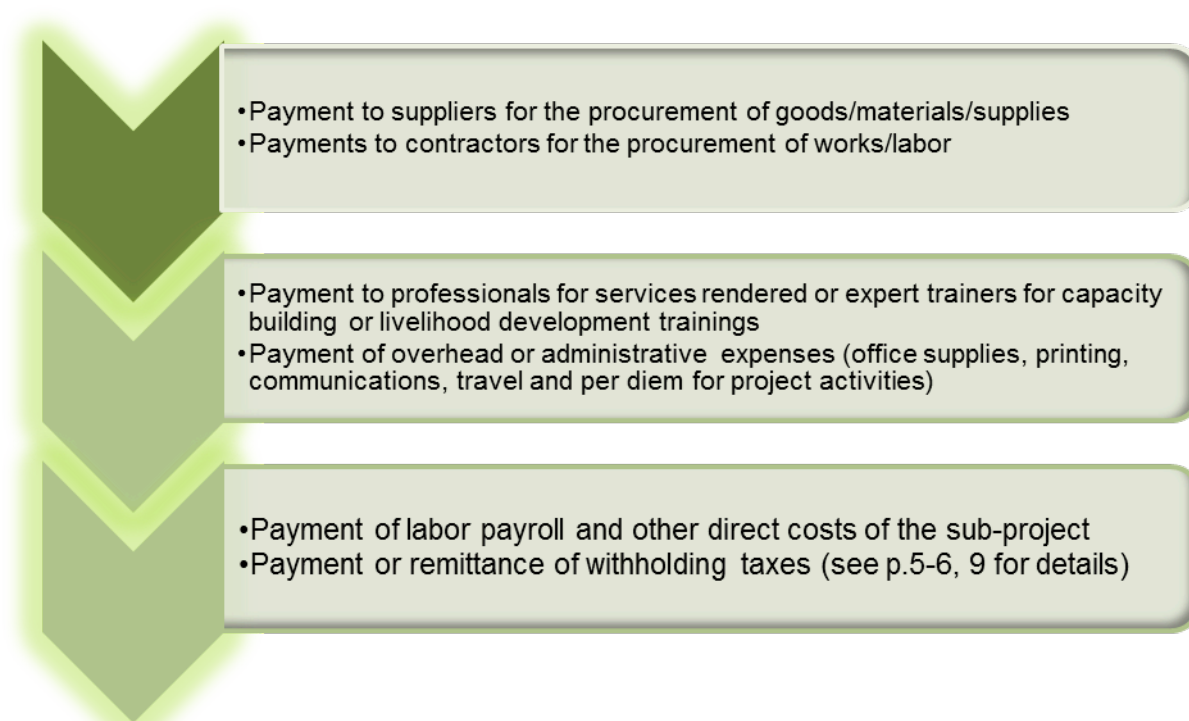
5.1 Utilizing Sub-Project Funds

What Is the Proper Procedure for Spending Sub-Project Funds?

The sub-project fund is the common fund of released Grants and LCC cash, to be used for sub-project implementation. The actual cost sharing (% grant fund to % Cash LCC used) shall follow the cost sharing in the approved Program of Work (POW).

What Can Sub-project Funds Be Used For?

Sub-Project Funds may be used for the following:



Note: To learn more of the policies, procedures and documentary requirements in the utilization of funds, please refer to Book 2: Cashiering – Chapter 4.

Chapter 6

6.1 Unused Sub-Project Funds

What if there Is Money Left at the Community Bank Account After Sub-Project Completion?

If the actual cost of sub-project implementation is lower than the approved budget, and the community chooses not to use the unutilized funds, the amount shall be refunded to the DSWD KC-NCDDP Current Account maintained by the DSWD Regional Office and the excess LCC Cash shall be refunded to the Donor. The refund can be through direct bank-to-bank transfer or by deposit. The community must forward a copy of the transfer notice or deposit slip and a Barangay Assembly Resolution clearly expressing the community's decision not to utilize the savings and the reasons for such decision. These documents will be submitted to the DSWD-RO and Donor (e.g. LGU) for reference. If the community chooses to use the unutilized funds, the procedures set forth in Section 6.3 and 6.4 shall be followed.

What kinds of Unused Grant Funds Might Occur?

Excess

This refers to the remaining 10% final tranche of the community grant fund when the Sub-project can be completed even without it. This happens when conditions during actual Sub-project implementation lead to a reduction of cost. In cases where only a portion of the 10% final tranche will be requested to complete fully the sub-project, the remaining balance is still considered excess funds. This also includes unutilized contingency funds - a budget item indicated in the Program of Works allocating extra funds for use in case of unforeseen expenses. Excess funds will be retained by the DSWD and will not be released unless the BSPMC provides justification/explanation, in writing, for its use following Section 6.2 and 6.4.

Savings

Any remaining funds in the community bank account after 100% sub-project completion with all valid financial obligations settled. A barangay might generate savings if they are able to implement the sub-project at a lower cost than planned due to varying site conditions. Procedures for the utilization of savings is detailed in Section 6.3.

What Happens If a Community Decides NOT to Implement their Sub-Project?

If a community with an approved sub-project decides not to implement it, the allocated funds **is considered Excess**. If funds have already been downloaded to the community when the community decided not to implement the sub-project, said funds must be returned to DSWD Regional Office. In both cases, the MIBF is called to pass a resolution reallocating the grant funds to another sub-project following the prioritization process or add

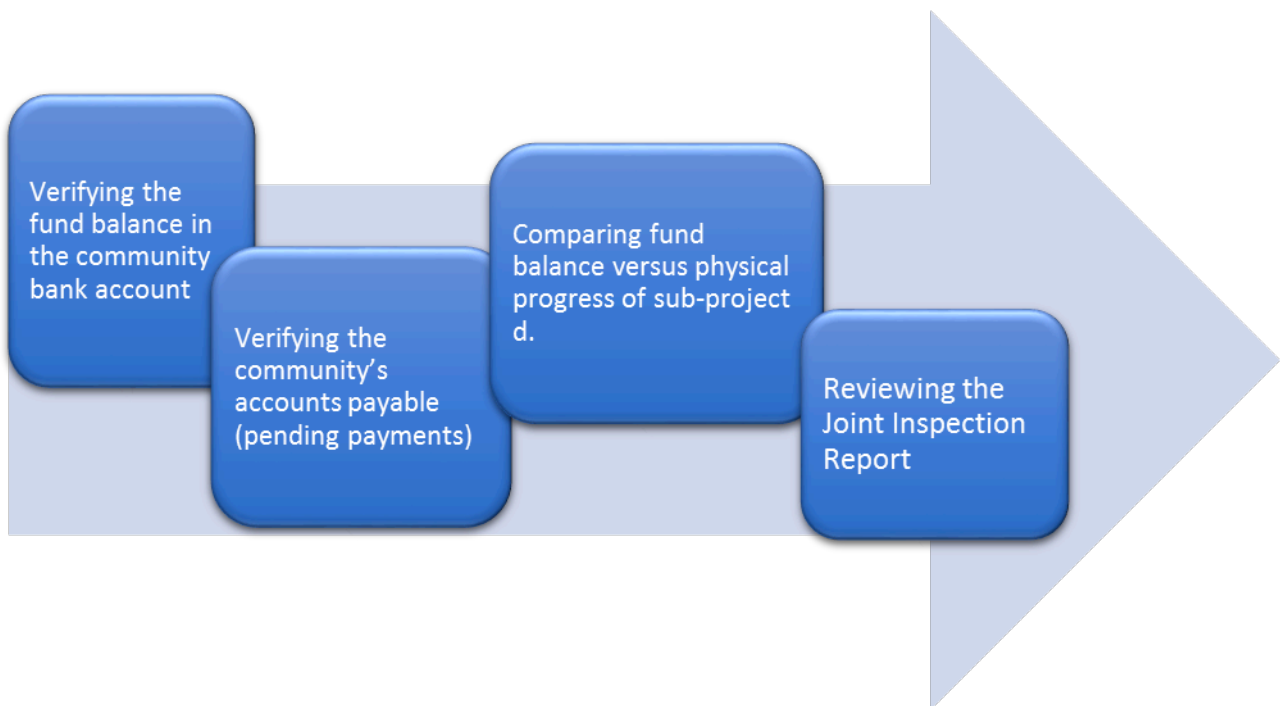
the funds to the next cycle's municipal allocation. It must be understood that the community loses its claim to the approved funds when it decided NOT to implement approved sub-project during the cycle.

6.2 Excess Funds

When Does the Community Determines if there are Excess Funds?

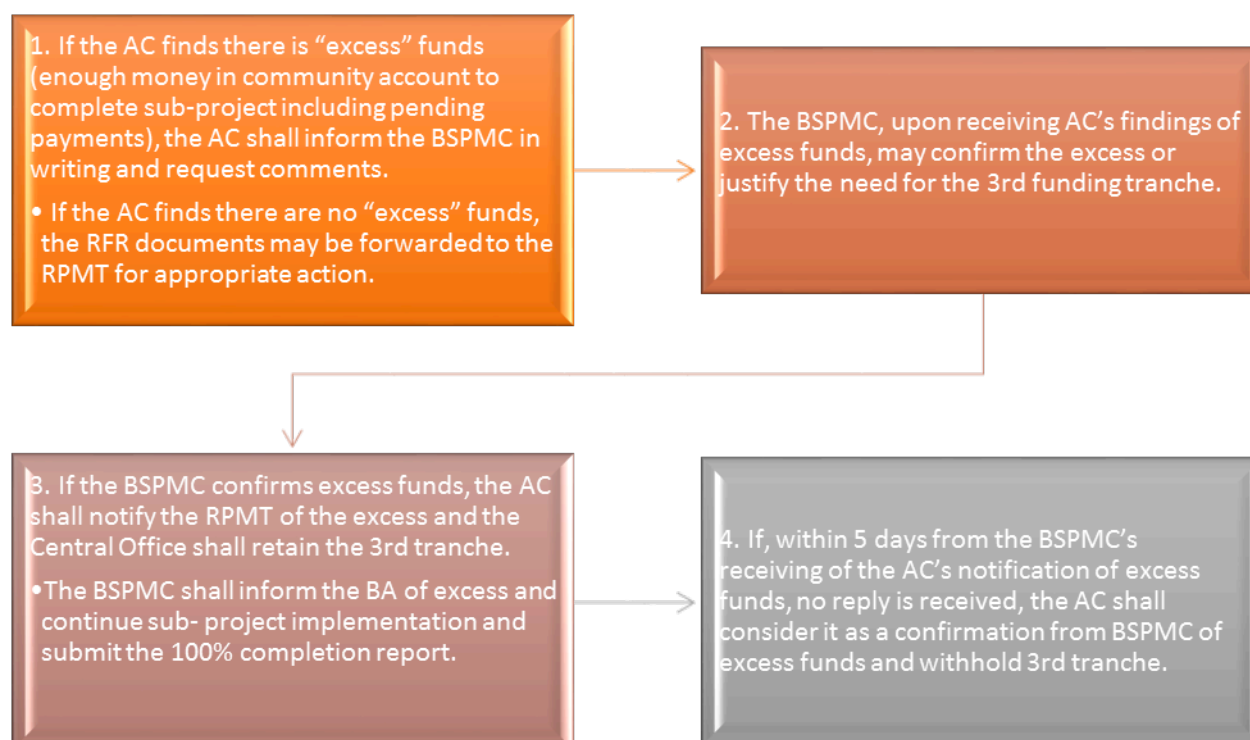
Once the sub-project is at least 90% complete and the community is ready to request the third/final funding tranche, they may determine if there are Excess Funds with the following procedures:

1. The AC, shall assess project finances upon receipt of the community's request for the third tranche,



2. The AC may use the following documents for this review:
 - ✓ Physical Progress Report (verified by the DAC or municipal engineer through visual inspection and signed by the DAC)
 - ✓ Sub-project Fund Utilization Report
 - ✓ Accounts payable of the community, certified by the Treasurer
 - ✓ Joint Inspection Report indicating the total cost of remaining materials to be procured and total cost of labor payroll as well as other related expenditures necessary to complete the sub-project

What Happens if the AC Determines that There Are Excess Funds?



What Happens if BSPMC Still Feels the Need for Third (3rd) Funding Tranche to Complete the Sub-project?

The BSPMC may provide justification/explanation in writing for the release of the 3rd funding tranche under the following circumstances:

1. Discovery during sub-project implementation of additional works needed to complete the approved sub-project.
 - A brief explanation of this required work should be included in the sub-project physical progress report. The actual percentage of physical progress of the sub-project, including the additional works, should be noted. Records of the variations/extra works should be kept by BSPMC for reference during inspection or audit
2. Actual local counterpart contribution mobilized by the community is greater than the amount committed.
 - The BSPMC should indicate in the physical progress report the fact that the community contributed greater LCC for SPI and how it was realized
3. The community incurred legitimate savings during sub-project implementation (they were able to complete the sub-project using less money than expected).
 - The BSPMC should indicate in the physical progress report how the savings were realized. Legitimate savings means satisfactory completion of sub-project

meeting required quantity of materials and design specifications as well as quality of works standards

If the AC approves the BSPMC's explanation, AC shall forward the RFR documents to SRPMO together with AC's findings and BSPMC's justification.

What if the AC's Findings of Excess Funds Are Not Confirmed by the BSPMC or BSPMC's Justification for Requesting the Fund is Denied?

If the BSPMC and the AC are in disagreement over existence of excess funds or the AC feels the request for 3rd funding tranche is not justified, the AC and CF concerned shall discuss this with the BA. If there is still no agreement, the AC shall elevate the matter to the S/RPMO. A representative of the S/RPMO shall then conduct a field visit/review and provide the RPM with recommendation. The S/RPMO shall decide on the issue.

If it is concluded/decided that there is indeed excess funds or that the request for third (3rd) funding tranche is not justified, DSWD shall retain the last tranche and shall no longer entertain requests for its release.

6.3 Savings

When Does the Community Determine if There Are Saving?

1. After the sub-project is 100% complete and the community has submitted required completion reports, ACT shall conduct a review to:

- a. Verify the fund balance in the community bank account
- b. Verify the accounts payable (remaining payments due)
- With or without savings, the AC shall submit the completed and signed sub-project completion report to the RPMT.

2. If the ACT finds a significant fund balance remaining (more than P5,000) in the community bank account minus remaining payables (unpaid expenses) of the sub-project (as verified by MFA), this amount will be designated as savings.

3. If the BA decides to use these savings, they must then submit a resolution outlining its use.

What Happens if the Community Chooses to Use Sub project Savings?

If the community decides to use sub-project savings, the decision should be discussed in the Barangay Assembly and the specific purpose documented in a BA resolution.

The AC shall then use the BA resolution outlining the use of savings as a guideline for approving withdrawals from the community bank account.

What Can Sub-project Savings Be Used for?

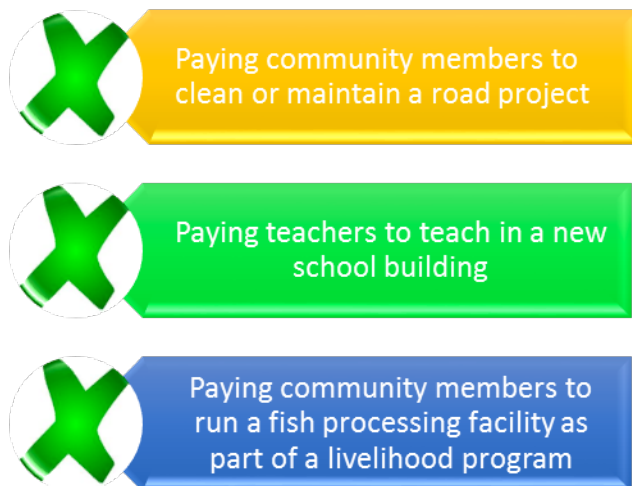
Savings may be used for any activities or materials that directly contribute to the functional operations of the sub-project or its long-term success. Such investments in functionality and sustainability may include activities, accessories or tools such as the following:

- Fence for health/day care center
- Books and reference materials for school building, library, or projects requiring technical knowledge, such as livelihood programs
- Tools for water supply project
- Equipment for a health center

Use of savings should be reported to the BA and is subject to transparency, procurement, and audit requirements of the Project.

What Can Sub-project Savings Not Be Used for?

Savings cannot be used for the operations or maintenance of completed sub-projects such as, but not limited to the following:



Use of savings should not violate the existing “Negative List” Policy of the Program.

What Happens if the Community Chooses NOT to Use Sub project Savings?

In case where the community decides not to utilize the savings, the full amount shall be refunded to the DSWD KC-NCDDP Account maintained by the DSWD Regional Office. The said refunds shall be supported with Barangay Assembly Resolution waiving the community's rights to utilize the savings stating the reasons in detail. A copy of the transfer notice or deposit slip shall be forwarded to the DSWD-RO for reference and use in the monitoring and reconciliation of balances of the said DSWD Account.

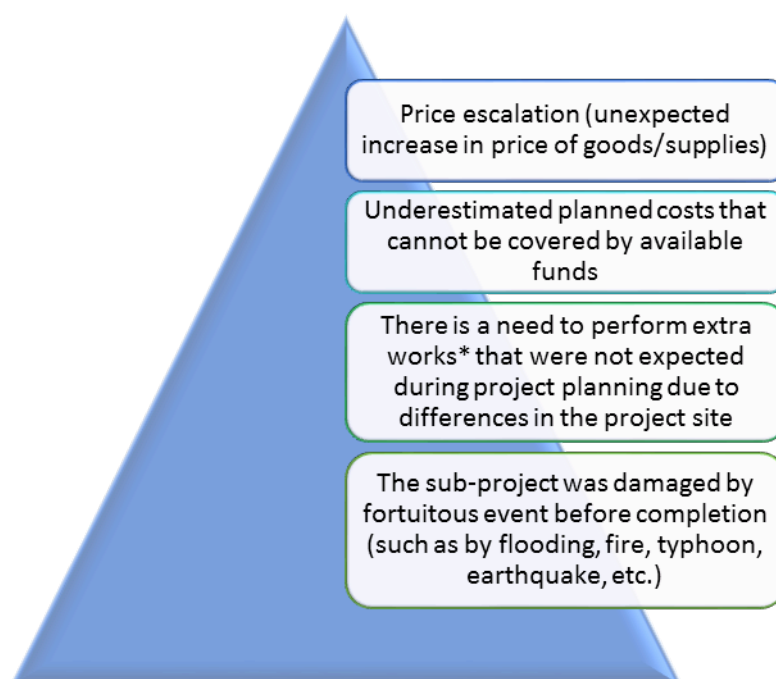
6.4 Contingency Fund

What Is the Contingency Fund?

A budget item indicated in the Program of Works allocating extra funds for use in case of unforeseen expenses. If the contingency fund is not used or only partially used, the remaining portion is unutilized grant funds.

How Is the Contingency Fund Used?

The contingency fund included in the Program of Works (POW) will not be automatically released with the regular grant funding tranches. It will only be released for the following reasons:



What Are Acceptable Extra Works?

Any increase/decrease in quantities, addition of new work items or reclassification of items different from original POW/contract needed to complete the sub-project as originally designed. Extra works due to changes in plans, design or alignment to suit actual construction site compared to expected conditions in POW or preconstruction plans/drawings. In no case shall the contingency fund be used to finance extra works that are not needed to complete the sub-project as designed (such as additions).

When Should the Community Request for Contingency Funds?

If the contingency fund is needed, based on the reasons listed above, the community shall request for release of funds with the third tranche RFR.

What Are the Requirements for the Release of Contingency Funds?

In case of price escalation or underestimated costs

- Comparison of planned versus actual purchases/prices with analysis of and explanations for differences prepared by the Procurement Team (PT) and confirmed by the DAC and FA.
- Certification from the PT that there was price escalation and/or underestimated POW. The certification should indicate the amount of contingency funds needed to complete the sub-project and show that the amount is not part of the committed LCC. The AC shall confirm the certification and Regional Community Infrastructure Specialist and Regional Financial Analyst shall certify correctness.

In case of necessary extra works

- Certification from the PIT that the extra work is necessary for the functionality of the sub-project as originally planned/designed and that said extra work was not included in the POW. The DAC is to confirm request and RCIS to certify as correct. Certification should indicate the cost of the extra works and contingency funds needed.

In case of unpreventable damage to sub-project

- Certification from the BSPMC Chairperson that the sub-project was damaged by accident before completion, confirmed by the Punong Barangay, AC and the RPM. The certificate should indicate the amount needed to complete damaged portion of the sub-project.

Is Community Counter-parting Required for Contingencies?

Contingency costs may be 100% grant funding, but should be shared with Cash LCC if there's any, following the approved cost sharing ratio of the sub project. If contingency costs exceed the total Contingency Fund amount, Cash LCC must cover the remaining costs.

The amount of Contingency Funds released will be the actual amount needed as indicated in the required certifications (listed above), up to the full amount of the Contingency Fund indicated in the approved POW.

What Happens when the Actual Cost of Sub-Project Implementation Exceeds the Budgeted Grant Funds?

Once the sub-project is approved, the Grant amount cannot be changed. Re-allocation among the different components can be done within the budget, but if total actual cost exceeds the approved budget, the community will shoulder the difference, either by increasing their counterpart contribution or by accessing additional funds from local government units or other funding sources.

Chapter 7

7.1 Damaged, Suspended and Terminated Sub-Projects

What Happens when On-Going Sub-Project is Damaged by Disaster or Calamity?

In case on-going sub-project is damaged by disaster, the BSPMC shall undertake the following steps:

A. For Sub-Projects Implemented through Community Force Account (CFA)

1. Determine estimated cost of damages with the assistance of the DAC.
2. If rehabilitation cost is within the Contingency Fund provided in the POW, the community shall immediately request for the release of said funds or incorporate with the immediately succeeding tranche RFR. A Certification by the BSPMC Chairperson that the sub-project was damaged by disaster before completion, confirmed by the Punong Barangay, AC and the RPM must be attached. The certificate should indicate the amount needed to complete damaged portion of the sub-project.
3. If rehabilitation cost is more than the Contingency Fund provided in the POW, the community shall access additional funds from local government units or other funding sources. Otherwise, suspend sub-project implementation and follow procedures set forth in the Disaster Response Operations Manual (DROM).

Upon suspension, the following documents must be submitted to the DSWD-RO through the ACT:

- a. A Certification by the BSPMC Chairperson or any member that the sub-project was damaged by disaster before completion, confirmed by the Punong Barangay and AC. This certification must be supported with estimated cost of damages.
- b. Sub-Project Physical Accomplishment Report after disaster with photos of damages.

B. For Sub-Projects Implemented through Contract

Follow provisions set forth in the Community-Based Procurement Manual on Variation Order or Contract Termination due to force majeure.

What Happens when On-Going Sub-Project Not Damaged but Needs to be Suspended due to Disaster or Calamity?

In case on-going sub-project although not damaged but need to be suspended because access (i.e. roads, bridges) to the sub-project site is damaged by disaster or calamity rendering it unreachable by suppliers of goods and services and restoration of these access are beyond the Program timeline, the following activities must be conducted:

1. Acquire certification from the Municipal Disaster Risk Reduction Management Council (MDRRMC) that access to sub-project site are damaged by disaster or calamity.
2. Conduct final inspection of the sub-project.
3. Conduct Barangay Assembly to report and discuss the situation based on the MDRRMC Certification and agree on the suspension. Actual physical and financial status must be reported during this gathering including remaining funds for refunds to the DSWD and/or LGUs.
4. Process refunds of DSWD and/or LGUs grant funds.
5. Execute a Memorandum of Agreement with the Municipal and Barangay Local Government Units providing their commitment to complete the suspended sub-project once access are restored.
6. Submit the following documents to the ACT:
 - a. MDRRMC Certification
 - b. Final Inspection Report
 - c. BA Resolution suspending Sub-Project implementation and approving refunds of unutilized grants
 - d. Memorandum of Agreement
 - e. Financial documents and reports among others:
 - Status of Sub-Project Fund Utilization Report
 - Bank Statement
 - Bank Reconciliation Statement
 - Original set of Disbursement Vouchers and supporting documents
 - Final PCF Liquidation Reports

What Happens when On-Going Sub-Project Needs to be Terminated due to Disaster or Calamity?

In case on-going sub-project needs to be terminated because the site is declared risky or hazardous to the beneficiaries due to disaster or calamity, the following activities must be conducted:

1. Acquire certification from the Municipal Disaster Risk Reduction Management Council (MDRRMC) declaring the sub-project risky or hazardous
2. Conduct final inspection of the sub-project.
3. Conduct Barangay Assembly to report and discuss the situation based on the MDRRMC Certification and agree on the suspension. Actual physical and financial status must be reported during this gathering including remaining funds for refunds to the DSWD and/or LGUs.
4. Process refunds of DSWD and/or LGUs grant funds.

5. Execute a Memorandum of Agreement with the Municipal and Barangay Local Government Units providing their commitment to complete the suspended sub-project once access are restored.
6. Submit the following documents to the ACT:
 - f. MDRRMC Certification
 - g. Final Inspection Report
 - h. BA Resolution suspending Sub-Project implementation and approving refunds of unutilized grants
 - i. Memorandum of Agreement
 - j. Financial documents and reports among others:
 - Status of Sub-Project Fund Utilization Report
 - Bank Statement
 - Bank Reconciliation Statement
 - Original set of Disbursement Vouchers and supporting documents
 - Final PCF Liquidation Reports

Chapter 8

8.1 Bookkeeping, Reporting and Monitoring

What Books Should the Community Maintain?

There are only two books namely: Cash Book and LCC Journal that the BSPMC, particularly Bookkeeper should maintain during sub-project implementation. It shall be updated daily or on a weekly basis at the very least. These books should be kept in a safe place and should be available for review by any member of the community at all times. At the end of sub-project implementation, these books together with the other financial documents should be turned-over to the BLGU for safekeeping.

What Are the Financial Monitoring Reports the Community Should Prepare?

There is only one (1) financial monitoring report required from the BSPMC for submission to the ACT on a monthly basis and when requesting for Grant fund release. It is called Status of Sub-project Fund Utilization Report which shall be prepared by the Community Bookkeeper, approved by the BSPMC Chairperson and reviewed by the Audit and Inventory Committee. At all times, this report shall be accompanied by a Bank Reconciliation Statement and a Bank Statement/Snapshot.

What Are the Financial Monitoring Activities to be Undertaken by the BSPMC?

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 sub-projects; b) check whether sub-project funds are utilized as intended and in accordance with KC-NCDDP community procurement and finance guidelines; and c) verify correctness and *accuracy* of financial reports:

- a. Regular BSPMC Meeting – where all teams are required to report sub-project implementation updates, discuss issues and concerns encountered and agree on actions to be undertaken.
- b. Sub-Project Financial Monitoring and Internal Auditing – to be conducted by the Audit and Inventory Committee on a regular basis and even on an occasional unscheduled audit.

Chapter 9

9.1 Closing of Community Bank Account

Why Should Community Bank Account Needs to Be Closed?

The reason is that the Sub-Project Account cannot be utilized for other purposes but the implementation of KC-NCDDP sub-project. If said sub-project is completed, it has served its purpose hence must be closed.

When Should Community Bank Account Be Closed?

All bank accounts opened for the implementation of sub-project should be closed when sub-project implementation is completed, all financial obligations settled, and unutilized funds are refunded. However, given that a community has a chance to implement four cycles, it can retain the same account until the fourth cycle. For example, a community that is prioritized during cycle 1 may retain the same account until cycle 4.

What Are the Stages to Close Sub-Project Account?

Preparation Stage

When the Sub-Project is nearing its completion, the BSPMC must undertake the following activities:

Activity	Responsible Team
1. Review if there are still pending payables needed to be paid or remaining miscellaneous works and expenses to be incurred In the case of contracted works, secure machine-validated bank guarantee from the contractor/supplier and release the corresponding retention money at once.	PIT and Treasurer
2. Arrange with the local BIR Agent to accommodate advance remittance of withholding taxes before the due date. Remit remaining amount of taxes withheld at once.	Treasurer
3. Liquidate the final Petty Cash Fund established. Deposit to account if there is a need for refund of excess cash, and/or prepare a Disbursement Voucher and check for reimbursement in excess of the established amount	Treasurer

Completion Stage

Upon receipt of the Final Inspection Report, when the sub-project is validated to be 100% complete or the as-built is fully supported with approved change/variation orders, the final financial reconciliation shall commence. When the turnover is expected to happen right after the physical completion, the financial reconciliation may precede the full settlement of all final obligations. The final actual sub-project costs must be known in advance in order to reflect them in the Sub-Project Completion Report.

Following are the procedures in the conduct of financial reconciliation activities:

Activities	Responsible Team
1. Update and reconcile Cash Book Balance and Bank Balance.	Bookkeeper
2. Prepare check for the final amount to be refunded in case of excess funds. Excess Grants must be refunded to the DSWD KC-NCDDP and LCC cash to the Donor LGU/s.	Treasurer
3. Update Status of Sub-Project Utilization Report. In case of refunds, negate said amount in the receipt or “Cash In” section. <i>Note: Cash Balance, end should all be brought to zero now. If there are still available funds, consult with the Treasurer for another reconciliation.</i>	Bookkeeper
4. Prepare check for the final amount to be refunded and route for approval. Then, deposit check/s to respective account/s.	Treasurer

Closing Stage

Once final financial reconciliation has been made or when Status of Sub-Project Fund Utilization Report has been brought to zero balances, the SP implementation is complete. The respective books of accounts are now qualified to close. The following guidelines and procedures shall apply:

Activities	Responsible Team
1. Mark all zero-balanced Cash Book and LCC In-Kind Journal “closed” or “nothing follows”	Bookkeeper
2. Submit to the ACT copies of closed books of accounts and zero-balance reports including all remaining paid DVs and supporting documents in the possession of the BSPMC and final liquidation of PCF.	Treasurer
3. Request the BLGU Council to issue a Resolution requesting the LBP to close the account.	BSPMC Chairperson
4. Monitor Bank Account. When all issued checks are encashed, get an updated Bank Snapshot and inform	Treasurer

<p>the BSPMC Chairperson.</p> <p>Prepare a transmittal for the surrender of unused checks/checkbook to the LBP and forward to the BSPMC Chairperson.</p>	
<p>5. Upon receipt of the zero-balance Bank Snapshot, surrender unused checks/checkbook, submit the BLGU Council Resolution and request LBP for a Certification that the account is closed</p>	<p>BSPMC Chairperson</p>
<p>6. Submit original Certification to the ACT and retain a copy on file.</p>	<p>Treasurer</p>

BOOK 2

Cash Management (A Guide for the Treasurer)

Chapter 1

1.1 DSWD Grant Funds

How Does the Community Apply for the Release of the First Tranche?

Upon approval and prioritization of the proposed sub-project during the MIBF for PRA, the Treasurer shall immediately undertake the following activities:

1. Secure the following Barangay Council Resolutions:

- Authorizing the Punong Barangay and BSPMC Chairperson to enter into a Sub-Project Agreement (SPA) with the MLGU and DSWD
- Authorizing the BSPMC Chairperson, Treasurer and Area Coordinator to open a checking account with the nearest Land Bank of the Philippines (LBP) for all Grants and LCC cash. The same persons above are the authorized co-signatories of checks.

NOTE 1:

The same account may be used for subsequent project cycles if the community is prioritized again.

NOTE 2:

In the case where during Sub-project implementation the BSPMC Chairperson intends to leave the barangay for a longer period, the Barangay Assembly shall elect a replacement. After the election, the Barangay Council shall execute a resolution authorizing the duly elected replacement of the BSPMC Chairperson as one of the signatories of the community's account.

NOTE 3:

In the case 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 at the same time. The RPMO may designate the RFFP, as co-signatory in case there is no AC/DAC currently hired.

2. Open a community bank account. The account name must be **“DSWD KALAHI-CIDSS: (Name of Project or Fund Source)/(Name of the Barangay)”** for all grants and LCC cash.
- In accordance with the Memorandum of Agreement (MOA) with the LBP (Attachment 1), the following shall be required to open a community account:

- i. MIBF Resolution approving the sub-project
 - ii. Barangay Council Resolution authorizing the signatories
 - iii. Initial deposit of P1, 000 of LCC cash
 - iv. One (1) valid ID of each authorized signatory
3. Secure Certification from LBP Branch Manager (Form No. 55) that bank account has been opened, clearly indicating account name and number.
 - If any release from this account is found by DSWD to be in violation of project principles, the LBP will suspend further releases and may apply other sanctions as necessary.
4. Complete the Tripartite SPA
5. Treasurer shall apply for fidelity bond to the Bureau of Treasury in case to cover maximum accountability, based on one of the following:
 - The average amount of checks to be signed per month
 - The maximum amount of check to be signed during sub-project implementation
 - The amount of the 1st tranche of community grant funds released

Whichever is the lowest amount listed in any of the above bases shall be the equivalent bond premium coverage of accountability. Payment for bond premium shall come from the LCC cash.
6. Complete the pre-printed Request for Fund Release (Form No. 57) with required documents and forward to the Audit and Inventory Team for review.
 - For a list of required accompanying documents see Book 2 Section 1.4.
7. Submit RFR and supporting documents to the ACT.

The BSPMC must submit the RFR and its accompanying documents to the ACT within fifteen (15) working days after the MIBF-PRA.

Can The Community Use the Same Account for the Implementation of other KALAHI CIDSS Projects like PAMANA and GPBP?

No. The KC-NCDDP account CANNOT be used for other Community-Driven Development Projects implemented by the Department of Social Welfare and Development like KC-PAMANA and KC-GPBP. Hence, in this case the community shall open a separate account for these Projects.

How Do We Request for Subsequent Fund Releases?

After the release of first tranche, subsequent tranches will only be released once certain physical progress goals are met. The amount of each tranche determines

how much physical progress must be made before the next funding tranche is released. As previously mentioned, the usual tranches is 50%-40%-10%.

For example, per approved POW the community's sub-project has Grants of PhP1,000,000. The release of funds would be as follows:

Fund Release	Percent of Total	Amount (Php)	Required Physical Progress Before Release of next Tranche
1 st Tranche	50%	500,000	30% in place
2 nd Tranche	40%	400,000	90% in place
3 rd Tranche	10%	100,000	Project complete
Total	100%	1,000,000	

The division of tranches depends on the procurement packaging of the sub-project, and in some cases the First Tranche may be as much as 80%. **In case of Disaster Response implementation, 90% First Tranche is allowed.** The larger the first tranche, the more physical progress must be made before the Second Tranche is released.

1 st Tranche of:	Required Physical Progress Before Release of 2 nd Tranche
50	30% of project in place
51%-60%	40% of project in place
61%-70%	50% of project in place
71%-80%	60% of project in place

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

Once the physical progress requirement is reached, and the grant fund balance is 10% or less of the most recent tranche, the Treasurer prepares and submits the next RFR.

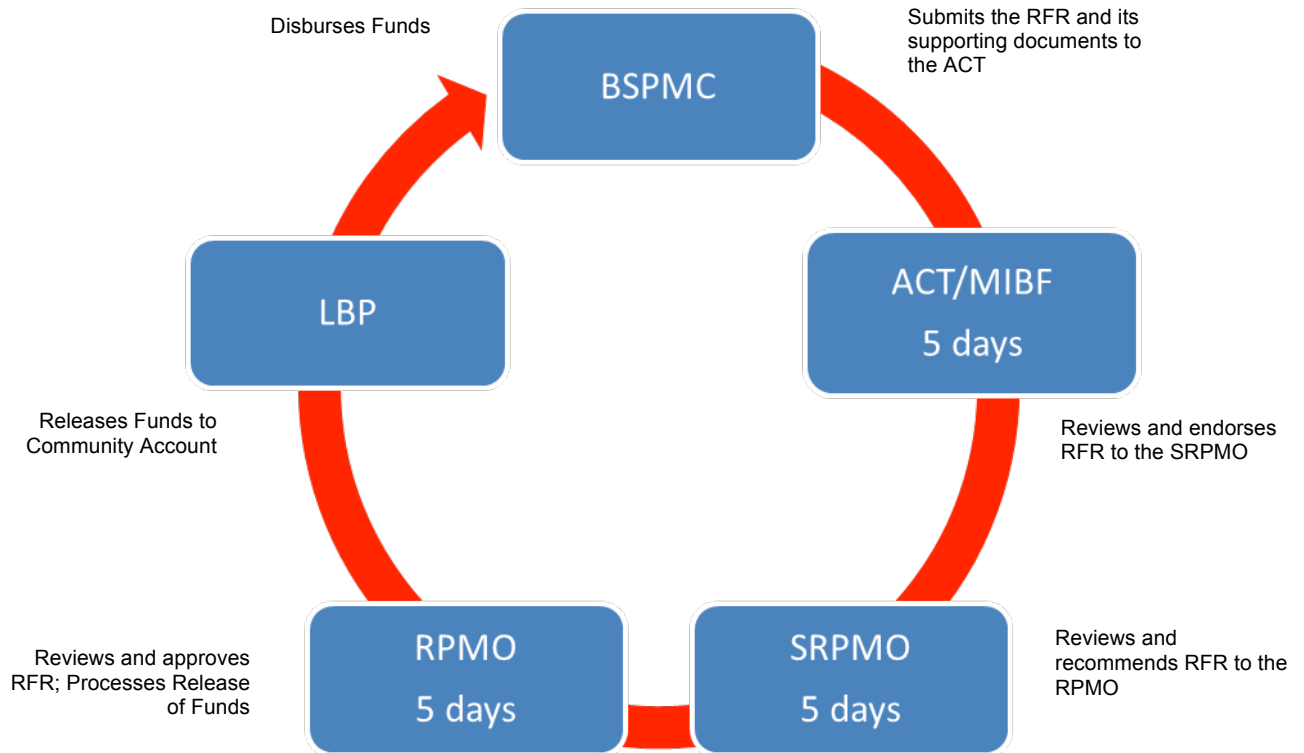
Example: For 1st Tranche release of 500,000, the community must have already used 450,000, as only 50,000 (10% of 1st tranche) can remain before the Treasurer can request for release of the 2nd tranche.

If grant fund balance is more than 10%, but this balance is not enough to pay for the pending obligations, the BSPMC may submit justification stating the need for release of the next tranche. The justification shall be endorsed by the ACT and attached to RFR with a copy of the Approved Purchase Order as proof that additional funds are needed.

1.2 Approval Process of DSWD Grant Funds

What is the Approval Process for Grant Funds?

The diagram below summarizes the process of approving grant fund at each level.



1.3 Required Supporting Documents for Fund Release

What Are the Required Accompanying Documents for Each RFR?

Each RFR must be accompanied by the following supporting documents:

A. FIRST TRANCHE

1. Request for Fund Release Slip
2. Barangay Council Resolutions
3. Sub-Project Agreement
4. Bond Premium of Treasurer
5. Notarized Deed of Lot Donation for titled lot or Quit Claim for non-titled lots
6. MIBF Resolution
7. Program of Works with detailed estimates (with signature of Municipal Mayor and Barangay Captain to confirm LCC commitments).
8. Planned Community Procurement Packaging and Schedule of In-kind LCC
9. Local Counterpart Contribution for Sub-Project Implementation Monitoring Report¹
10. Bank Certification indicating the community bank account number or Bank Statement
11. Photographs of the proposed site (at least three). For water system, source, reservoir and pipeline right-of-way; roads, photo covering starting stations projected towards the mid-section or the whole road right-of-way, if possible and photo projected from the end station towards mid-sections

¹ Shall be prepared by the Municipal Financial Analyst

Additional Requirements per Project Type

For infrastructure projects (Roads, Bridges and Drainage System):

1. Guidelines for Technical Review of Proposed Infra Sub-Project
2. Implementation Work Schedule (Gantt Chart)
3. Bill of Quantities / Quantity Take-Offs
4. Indirect Cost breakdown
5. Cost Benefit Analysis
6. ME Certification on the approved productivity outputs, unit rates and unit costs
7. Material Testing Result
8. Technical Plans and Specifications
 - Specifications
 - Profile indicating slope percentage and proposed and existing structures (if any)
 - Traverse indicating proposed and existing structures (station defined)
 - Cross section (cut and fill) at 20 meter interval
 - Schedule of cross / side ditches and canal
 - Road sections where slope protection and cross drainage maybe required

- Typical and Structural Details
- Structural / Standard Design for Box Culvert and Bridges

For Water System Sub-Project:

1. Hydraulic Analysis
2. Water Reserve Requirements
3. Bacteriological examination of water source
4. Certification from Rural Sanitary Inspector if the bacteriological examination of water source has not been done.
5. Rain water collection report that provide discussion on the demand-supply analysis in order to determine the actual reservoir capacity. The said report will have to be done by the service provider, duly noted by the Deputy Area Coordinator or Area Coordinator.

For Enterprise and Human Resource Development Sub-Project:

1. Proposal/Feasibility Study

For Waste Disposal Sub-Project:

1. Training design for the conduct of solid waste management

For Environmental Protection / Preservation Sub-Project:

1. Environment Management Plan (EMP) / CNC / Initial Environment Examination (IEE Checklist / report) to secure Environmental Compliance Certificate (ECC)
2. Environmental and Social Safeguard Checklist
3. Department of Environment and Natural Resource – Environmental Management Bureau Certificate of Non-Coverage in accordance with the revised procedural manual for DENR Administrative Order # 30 Series of 2003 PD 1586.

For Income Generating Sub-Project

1. Derivation of the agreed tariff computation

B. SECOND TRANCHE

1. Request for Fund Release Slip
2. Narrative Report (if there is a big variance (more than 15%) in physical & financial accomplishment)
3. Minutes of Barangay Assembly Meeting
4. Photographs of Sub-Project progress
5. Registered Deed of Lot Donation for titled lots
6. Status of Sub-project Fund Utilization
7. List of Checks Issued (Form No. 64)
8. Local Counterpart Contribution for Sub-project Implementation Monitoring Report¹

9. Physical Progress Report
10. Bank Statement/Snapshot
11. Operation and Maintenance Final Plan with notarized Mutual Partnership Agreement

¹ *Shall be prepared by the Municipal Financial Analyst*

C. THIRD TRANCHE

1. Request for Fund Release Slip
2. Status of Sub-project Fund Utilization
3. List of Checks Issued
4. Local Counterpart Contribution for Sub-project Implementation Monitoring Report¹
5. Physical Progress Report
6. Bank Statement/Snapshot
7. Certification indicating the total cost of remaining materials to be procured and total cost of labor and other related expenditures to be incurred to complete the Sub-project
8. Certification of any pending financial obligations e.g. unpaid delivered materials, services rendered but not yet paid (wages/ payroll) and other incurred but unpaid related expenditures
9. Barangay Assembly resolutions confirming the certifications
10. Joint Inspection Report

¹ *Shall be prepared by the Municipal Financial Analyst*

If Contingency Cost is requested:

1. Certification of Price Escalation and/or Underestimated Program of Work (POW)
2. Certificate of Extra Work
3. Cost Comparison Analysis (Planned vs Actual Procurement Packaging)
4. Variance Analysis

1.4 Local Counterpart Contribution

What are kinds of Local Counterpart Contribution?

There are two kinds of Local Counterpart Contributions (LCC) namely: **Cash and In-Kind.**

LCC Cash

These are cash contributions from various sources including, community members, congress people, and LGUs from their Internal Revenue Allotment to supplement the Grants provided by the KC-NCDDP for the implementation of prioritized sub-project.

LCC In-Kind

These are non-cash contributions from various sources for the implementation of prioritized sub-project which are indicated in the approved Program of Work. Following are the usual LCC In-Kind:

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

How Should Local Counterpart Contribution be Handled?

LCC Cash

Upon receipt of check from the LGUs and other sources, the Treasurer shall prepare a pre-numbered Acknowledgement Receipt (Form No. 63) in two copies. The first copy shall be issued to the donor and the second is attached as supporting document to the Voucher for Local Counterpart Contribution (Form No. 68) prepared for the purpose.

All checks received shall be deposited in the community bank account opened for the receipt of the Grants from the DSWD KC-NCDDP.

LCC In-Kind

The Treasurer shall accomplish the Voucher for Local Counterpart Contribution (VLCC) for all in kind contribution received. One voucher shall be prepared for each form of contribution made by an individual donor or group of donors. All VLCCs shall be forwarded to the BSPMC Chairperson for approval. After the approval, the Treasurer forwards the VLCCs with its supporting documents to the Bookkeeper who then records the transactions in the Local Counterpart Contribution Journal.

1.5 Other Forms of Cash Receipts

What Are the Other Forms of Cash Receipts?

1. Proceeds from Sale of Bidding Documents



2. Bid Security



3. Performance Security

What Are the Procedures for Handling Other Kinds of Cash?

1. Proceeds from Sale of Bidding Documents

- These are cash received by the Treasurer as proceeds from sale of bidding documents.
- The Treasurer shall issue a duly numbered Acknowledgement Receipt to interested bidders for cash received and record it in the logbook.
- These funds shall only be used to pay or reimburse reproduction cost of bidding documents and other expenses incurred during bidding activities.

2. Bid Security

The Bid Security is a required deposit by the successful bidder (computed at 2% of bid price) to guarantee that they will sign the contract with the BSPMC (within 5 calendar days from receipt of the Notice of Award). This may be in a form of cash or certified check (cashier's or manager's check, bank draft, letter of credit or bank guarantee) but never a Personal Check.

- The Treasurer will issue a duly numbered Acknowledgement Receipt and will deposit the whole amount in the community bank account
- Validated deposit slip is attached as part of the bidder's documents

- All securities of the non-winning bidders will be refunded only after the winning bidder has signed the contract with the BSPMC
- Bid Security shall be refunded upon posting the performance security.

These securities are not properties of the BSPMC hence it shall never be used for other purposes.

3. Performance Security

A security deposit equivalent to 5% of the total contract price to ensure the winning bidder's faithful performance of all obligations under contract with the BSPMC, may be in the form of cash or certified check (cashier's or manager's check).

- The Treasurer shall issue a duly pre-numbered Acknowledgement Receipt and shall deposit the whole amount in the Community Account
- The Performance Security can only be refunded to the Contractor at the end of the warranty period (6 months for contracts of 1M or less, 1 year for contracts of more than 1M).
- Upon receipt of the Bank Guarantee, the Treasurer shall prepare a Disbursement Voucher for the refund of performance security and issue a check equal to the amount received.

What if the Community Account Must be Closed Before the End of the Warranty Period?

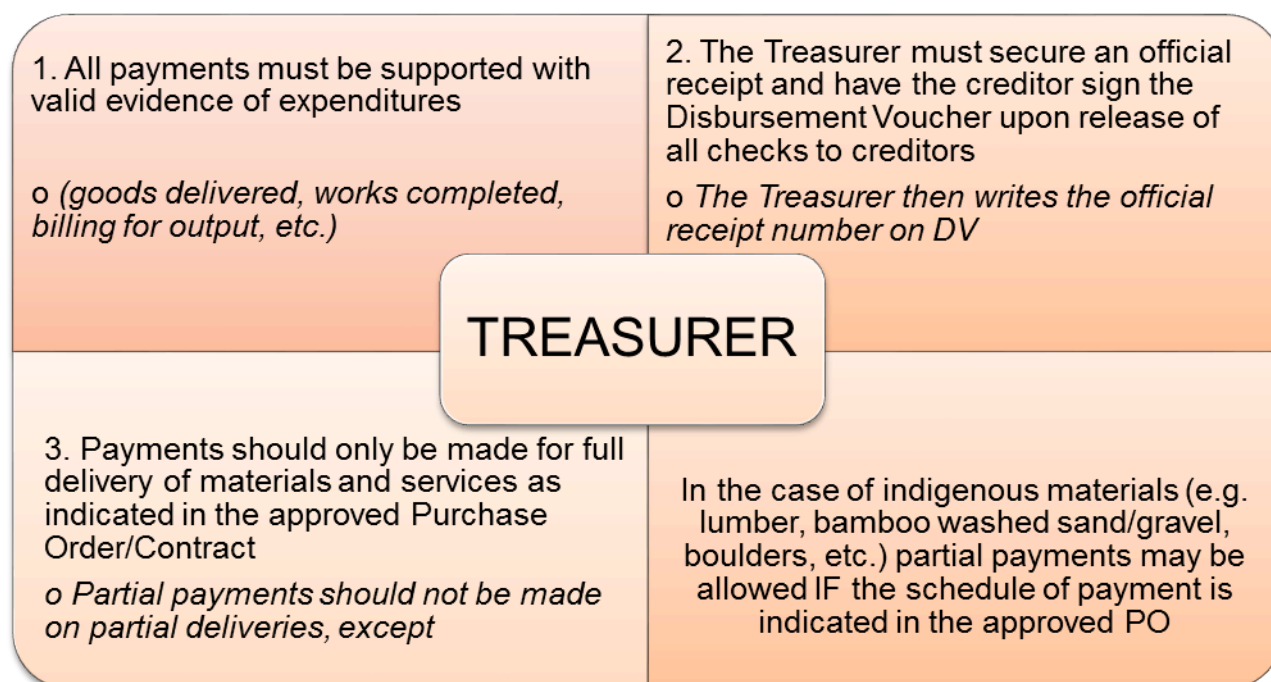
If closing of community bank account is mandated by the Program before the end of the warranty period, the Contractor shall convert the performance security to Bank Guarantee, valid until end of warranty (6 months for contracts 1M or less, 1 year for contracts over 1M). Upon receipt of the Bank Guarantee, the Treasurer shall prepare a Disbursement Voucher and shall issue a check equal to the amount received.

Chapter 2

2.1 Making Payments

How Does the Treasurer Make Payments to Outside Creditors?

(Suppliers, Contractors, Consultants that have provided goods/services)



How Does the Treasurer Make Payments for Labor/Wages?

The following shall be the procedures when making payments for labor:

Procedures/Activities		Responsible Team/Person
1.	Accomplishes Daily Time Record (DTR) or Time Sheet (Form No. 62) and submits to the Timekeeper and BSPMC Chairperson for initial and approval, respectively.	Worker/Laborer
2.	Reviews correctness of each DTR i.e. time in and out. Signs DTRs as approving authority.	Timekeeper BSPMC Chairperson In case the BSPMC Chairperson is one of the workers/laborers, his/her DTR or Time Sheet shall be approved by the Project Implementation Team (PIT) Head. In the absence of the BSPMC Chairperson, all DTRs shall be approved by the PIT Head.

Procedures/Activities		Responsible Team/Person
3.	Prepares Employment Record Sheet (Form No. 61). Make sure that all required data are completely filled up e.g. complete name, gender, age, nature of work, etc. and forwards to the Project Implementation Team and Barangay Treasurer for review.	Procurement Team (PT) Head In case the PT Head is one of the workers/laborers, one of the members shall take over the responsibility. In no case shall the three members work/labor at the same payroll period.
4.	Reviews correctness of ERS (e.g. data and payroll computation) with reference to the attached DTR or Time Sheet.	Project Implementation Team (PIT) Head as to completeness of listed workers/laborers to receive wages. In case the PIT Head is one of the workers/laborers, one of the members shall take over the responsibility. In no case shall the three members work/labor at the same payroll period. Treasurer as to correctness of payroll computation and completeness of supporting documents.
5.	Approves Employment Record Sheet.	BSPMC Chairperson In case the BSPMC Chairperson is one of the workers/laborers, approval should be done by the PIT Head. In no case shall the BSPMC Chairperson and the PIT Head work/labor at the same payroll period.
6.	Prepares Disbursement Voucher (Form No. 58) in the name of the Barangay Treasurer and attach duly approved Employment Record Sheet and all DTRs.	Treasurer
7.	Reviews and approves disbursement voucher.	BSPMC Chairperson
8.	Prepares check in the name of the Barangay Treasurer, signs it and forwards to the BSPMC Chairperson for signature. For pakyaw contracts, check shall also be in the name of the Barangay Treasurer and payment shall be made directly to pakyaw group members to prevent the risk of the pakyaw leader running away with the money.	Treasurer

Procedures/Activities		Responsible Team/Person
9.	Signs the check.	BSPMC Chairperson
10.	Puts the following in one file folder and submits to the Municipal Financial Analyst for review and endorsement to the Area Coordinator. <ul style="list-style-type: none"> • Check • Disbursement Voucher • Employment Record Sheet • DTRs 	Treasurer
11.	Reviews the documents and signs the DV.	Municipal Financial Analyst
12.	Signs the check.	Area Coordinator
13.	Signs the “Received Payment” portion of the Disbursement Voucher and withdraw the funds from the bank.	Treasurer
14.	Release cash to individual worker/laborer.	Treasurer
15.	Sign or affix thumb mark on the “Signature” portion of the Employment Record Sheet. In case where claimant of payment is not the Worker/Laborer, a duly signed Authority to Claim must be provided.	Workers/Laborers
16.	Posts list of paid workers in the barangay bulletin board to make sure that the community residents are able to check whether there are “ghost” workers.	Treasurer

Can The Treasurer Advance Payment for Labor During Disaster?

No. Government rules and regulations do not allow payment for individual services which are not yet rendered. However, the Treasurer can withdraw cash in advance to pay labor rendered within the day. In the normal phase of implementation, the procedures stated above must be strictly observed. Only during “state of calamity” should the following be allowed:

Procedures/Activities		Responsible Team/Person
1	Prepares a Weekly Payroll Plan based on the Sub-Project Implementation Work Plan. The Payroll Plan must indicate the number of workers and expertise (e.g. skilled, unskilled) required to complete the daily work target and must be approved by the BSPMC Chairperson and certified by the DAC.	PIT

Procedures/Activities		Responsible Team/Person
2	Prepares Disbursement Voucher and check in the name of the Barangay Treasurer and attach duly approved Weekly Payroll Plan. The amount should be equal to the approved Plan or P50,000 whichever is lower.	Treasurer
3	Reviews and approves disbursement voucher. Sign check.	BSPMC Chairperson
4	Puts the following in one file folder and submits to the Municipal Financial Analyst for review and endorsement to the Area Coordinator. <ul style="list-style-type: none"> • Check • Disbursement Voucher • Employment Record Sheet • DTRs 	Treasurer
5	Reviews the documents and signs the DV.	Municipal Financial Analyst
6	Signs the check.	Area Coordinator
7	Signs the “Received Payment” portion of the Disbursement Voucher and withdraw the funds from the bank. Encashes the check and keeps in a locked cash box or drawer or cabinet.	Treasurer
9	On a daily basis, accomplishes Daily Time Record (DTR) or Time Sheet and submits to the Timekeeper and BSPMC Chairperson for initial and approval, respectively.	Laborer/Worker
10	Reviews correctness of each DTR i.e. time in and out. Signs DTRs as approving authority.	Timekeeper BSPMC Chairperson In case the BSPMC Chairperson is one of the workers/laborers, his/her DTR or Time Sheet shall be approved by the Project Implementation Team (PIT) Head. In the absence of the BSPMC Chairperson, all DTRs shall be approved by the PIT Head.

Procedures/Activities		Responsible Team/Person
11	Prepares Employment Record Sheet (ERS). Make sure that all required data are completely filled up e.g. complete name, gender, age, nature of work, etc. and forwards to the Project Implementation Team and Barangay Treasurer for review.	Procurement Team (PT) Head In case the PT Head is one of the workers/laborers, one of the members shall take over the responsibility. In no case shall the three members work/labor at the same payroll period.
12	Reviews correctness of ERS (e.g. data and payroll computation) with reference to the attached DTR or Time Sheet.	Project Implementation Team (PIT) Head as to completeness of listed workers/laborers to receive wages. In case the PIT Head is one of the workers/laborers, one of the members shall take over the responsibility. In no case shall the three members work/labor at the same payroll period. Treasurer as to correctness of payroll computation and completeness of supporting documents.
13	Approves Employment Record Sheet.	BSPMC Chairperson In case the BSPMC Chairperson is one of the workers/laborers, approval should be done by the PIT Head. In no case shall the BSPMC Chairperson and the PIT Head work/labor at the same payroll period.
14	Release cash to individual worker/laborer.	Treasurer
15	Sign or affix thumb mark on the "Signature" portion of the Employment Record Sheet. In case where claimant of payment is not the Worker/Laborer, a duly signed Authority to Claim must be provided.	Workers/Laborers
16	Posts list of paid workers in the barangay bulletin board to make sure that the community residents are able to check whether there are "ghost" workers.	Treasurer

In case the total cash advanced is less than the Weekly Payroll Plan, the Treasurer must immediately process replenishment when balance is 25% or less. The following documents must be attached to the replenishment:

1. Employment Record Sheet
2. DTR

3. Weekly Payroll Plan

On the other hand, in case where actual week's payroll is less than the cash advance, the unspent balance shall be deducted to the succeeding week's planned payroll.

2.2 Approval Process for Disbursements

What is the Proper Process for Approving Disbursement?

The Treasurer is responsible for scheduling disbursements and making payments or expenditures, however, he/she must get approval from both the BSPMC and ACT of all necessary documents before disbursing funds.

The following table outlines the step by-step process for approval of payments and the proper flow of documents:

Level	Unit Responsible	Activity/Responsibility
Barangay	Creditors & PIT	Submit complete and correct supporting documents to the Treasurer
	Treasurer	Reviews completeness and validity of Supporting Documents and computes amount payable to
		Prepare Disbursement Voucher and Check and attach all supporting documents.
		Submit DV, Check and documents to the BSPMC Chairperson.
	BSPMC Chair	Review and approve Disbursement Voucher and sign Check.
	Treasurer	Put the following approved files in one folder and submit to the ACT/MFA for review: <ul style="list-style-type: none"> • Check • DV with supporting documents
Municipal	ACT	Review the documents
	MFA	Sign the DV and endorse to the AC
	AC*	Sign the check
Back to Barangay	Treasurer	Release the check to the Supplier and him/her signed the "Received Payment" portion of the Disbursement Voucher. Ask for Official Receipt.

***The Area Coordinator (AC) should set specific day of the week for signing of checks in the ACT Office. AC's whereabouts and contact information should also be posted in case of emergency disbursements.**

In the case of infrastructure projects, if Retention Fee is necessary:

Deduct 10% from the payment for progress billing. The Treasurer should write this amount and the details in a logbook as accounts payable to make sure that the BSPMC is aware that this amount is not available for disbursement.

2.3 Withholding Taxes

What is Tax Withholding?

As a Government Program, KC-NCDDP is charged with the duty to deduct and withhold any internal revenue tax and to remit the same to the Bureau of Internal Revenue pursuant to the National Internal Revenue Code of 1997. Since the BSPMC is an ad hoc committee therefore not a registered withholding agent, it shall use the Tax Identification Number (TIN) of the Barangay Local Government Unit in its remittance of tax withheld and issuance of tax certificates.

What is the Process for Withholding Taxes?

For every transaction, the Treasurer must do the following:

Step 1. Compute for the "tax base", based on whether the supplier, contractor or professional is VAT-registered or not

Step 2. Compute the amount of withholding tax.

Step 3. Compute the amount to be paid to the supplier, contractor or professional.

Step 6. Give the withholding tax certificate to the suppliers, contractors and professionals.

Step 5. File the tax returns and pay the withholding tax to the BIR on or the 10th day of the following month.

Step 4. Withhold the applicable taxes, and pay only the amount due to the supplier, contractor or professional.

What Happens if the Treasurer Fails to Withhold Taxes?

If a Treasurer fails to withhold and pay the tax to BIR, or to refund any excess withholding tax to the service provider, he/she shall be held personally accountable and be subject to criminal prosecution. Upon conviction, he/she shall pay (i) the amount of tax not withheld or remitted to BIR, or (ii) the amount not refunded to the supplier/contractor/consultant in case of excessive withholding.

Which Taxes Should the Treasurer Withhold?

- ✚ For VAT-Registered Service Providers, withhold a Value Added Tax of 5%
- ✚ For Not VAT Registered SPs, withhold a Percentage Tax of 3%
- ✚ For all SPs, withhold also the applicable Expanded Withholding Tax (EWT)¹

¹ If there is only a single purchase from the service provider and total purchase is less than P 10,000, do not withhold EWT. EWT withheld and paid to BIR will be credited as income tax paid by the supplier.

What Are the Applicable Rates of These Taxes?

I. VAT Registered* Service Providers

Withholding Tax Rates			
Service Provider (SP)	VAT	EWT	Total Tax (VAT+EWT)
A.1 Supplier of Goods (materials/supplies)	5%	1%	6%
A.2 Supplier of Non-Professional Services	5%	2 %	7%
A.3 Supplier of Professional Services (lawyers, CPAs, engineers, etc.) – If year's income is PhP 720,000 or below**	5%	10%	15%
A.3 Supplier of Professional Services (If year's income is greater than PhP 720,000)	5%	15%	20%
A.4 Contractor/Sub-Contractor	5%	2%	7%

*VAT Registered Service Providers must provide a VAT Invoice as proof that they are VAT Registered.

** Unless the professional furnishes a copy of its Certified Declaration of Income, stating that his/her gross annual income is Php 720,000 or below, use the 15% EWT Rate.

II. Not VAT-Registered service Providers

Withholding Tax Rates

Service Provider (SP)	Percentage Tax	EWT	TOTAL Tax (PT +EWT)
B.1 Supplier of Goods (materials/supplies)	3%	1%	4%
B.2 Supplier of Non-Professional Services	3%	2%	5%
B.3 Supplier of Professional Services (lawyers, CPAs, engineers, etc.) – If year's income is PhP 720,000 or below	3%	10%	13%

B.3 Supplier of Professional Services (If year's income is greater than PhP 720,000)	3%	15%	18%
B.4 Contractor/Sub-Contractor	3%	2%	5%

2.4 Sample Computations of Withholding Taxes

How are the Correct Payments to Service Providers Computed to Include Withholding Taxes?

a) Payment of Goods

Example: *An invoice in the amount of PhP 100,000.00 was presented to the Treasurer for payment of materials delivered by ABC Company. Upon review of the documents supporting the claim, the Treasurer found it complete and compliant to the Project policies and guidelines.*

Question 1: How much should the Treasurer pay assuming ABC Company is a VAT-registered supplier? How much is the withholding tax?

Question 2: How much should the Treasurer pay assuming ABC Company is a NON-VAT registered supplier? How much is the withholding tax?

Solution to Question 1: VAT Supplier

Step 1 – Compute for the Tax Base

$$\text{Tax Base} - \text{PhP } 100,000 \div 112\% = \text{PhP } 89,285.71$$

Step 2 - Compute for Withholding Tax:

Expanded Withholding Tax	- PhP 89,285.71 x 1%	= PhP 892.86
Value Added Tax	- PhP 89,285.71 x 5%	= PhP 4,464.29
Total Withholding Taxes		= PhP 5,357.14

Step 3 – Compute for net payment

Total amount of Invoice -	PhP 100,000.00
Less: Withholding Taxes -	(5,357.14)
Net Payment -	PhP 94,642.86

Therefore:

- i) Total amount of check payable to ABC Company is PhP94,642.86.**
- ii) Total amount of check payable to BIR is PhP5,357.14 on or before the 10th day of the following month (January to November transactions) or on or before the 15th day of the following month (for the month of December to be remitted to January of the following year).**

Solution to Question 2: NON-VAT Supplier

Step 1 – Compute for the Tax Base

$$\text{Tax Base} - \text{PhP } 100,000$$

Step 2 - Compute for Withholding Tax:

Expanded Withholding Tax -	PhP 100,000 x 1% = PhP 1,000.00
Percentage Tax	- PhP 100,000 x 3% = PhP 3,000.00
Total Withholding Taxes	= PhP 4,000.00

Step 3 – Compute for net payment

Total amount of Invoice -	PhP 100,000.00
Less: Withholding Taxes -	(4,000.00)
Net Payment -	PhP 96,000.00

Therefore:

- i) Total amount of check payable to ABC Company is PhP96,000.00.**
- ii) Total amount of check payable to BIR is PhP4,000.00 on or before the 10th day of the following month (January to November transactions) or on or before the 15th day of the following month (for the month of December to be remitted to January of the following year).**

b) Payment to Contractors

Recoupment of Mobilization Fee

The contractor may be allowed to collect Mobilization Fee of up to 15 percent of total contract cost. In such case, the amount collected must be deducted / recouped from the progress billings computed based on the physical accomplishment indicated in the billing. The Mobilization Fee, however, shall be fully recouped upon reaching 80 percent physical accomplishment.

Deduction of Withholding Tax

The corresponding Withholding Taxes shall also be deducted from the total billing using the rates aforementioned. Payment for cash advance is not subject to Withholding Tax.

Deduction of Retention Fee

Retention fee refers to the 10 percent amount retained from all progress billings to cover uncorrected discovered defects and third party liabilities. This is mandatory for all contracts with PhP 1M or more in addition to performance security. For contracts with less than PhP 1M, retention fee is only deducted from progress billings when there is no performance security posted. The retention fee, if not called, shall be refunded to the contractor after the expiration of the warranty period. The refund shall not be subjected to Withholding Tax.

In case where closing of community account is mandated by the Project, the community shall require the Contractor to convert this Retention Fee to Bank Guarantee or Manager's check or Cashier's check from a reputable bank. Upon receipt of the Bank Guarantee, the Treasurer shall prepare a Disbursement Voucher and issue a check equal to the amount of retention.

Below are illustrations on how to compute payment of progress billings for contracted subprojects:

1. 1st Progress Billing (at 30% physical accomplishment)

Contract Cost	PhP 500,000
Mobilization Fee (15%)	75,000
Gross Billing (500,000 x 30%)	150,000
Deductions:	
Recoupment of Mobilization Fee (75,000 x 30%)	(22,500)
Retention Fee (150,000 x 10%)	(15,000)
Withholding Tax:	
Expanded (150,000/1.12 x 2%)	(2,679)
VAT (150,000/1.12 x 5%)	(6,696)
Total Deductions	(46,875)
Net Billing*	PhP 103,125

**If Contractor posted performance security, the Net Billing would be 118,125.00 (no deduction of retention fee since the contract is less than PhP 1M).*

2. 2nd Progress Billing (at 80% physical accomplishment)

Contract Cost	PhP 500,000
Mobilization Fee (15%)	75,000
Accomplishment to date (500,000 x 80%)	400,000
Less: Previous Billing (500,000 x 30%)	(150,000)
Gross Billing	250,000
Deductions:	
Recoupment of Mobilization Fee (75,000x100%)	PhP 75,000
Less: Recoup of Previous Billing (75,000x30%)	(22,500)
Net amount to be recouped in this Billing	(52,500)
Retention Fee (250,000 x 10%)	(25,000)
Withholding Tax:	
Expanded (250,000/1.12 x 2%)	(4,464)
VAT (250,000/1.12 x 5%)	(11,161)
Total Deductions	93,125)
Net Billing*	PhP 156,875

**If Contractor posted performance security, the Net Billing would be 181,875.00 (no deduction of retention fee since the contract is less than PhP 1M).*

3. 3rd and Final Billing (at 100% physical accomplishment)

Contract Cost	PhP 500,000
Mobilization Fee (15%)	75,000
Accomplishment to date (500,000 x 100%)	500,000
Less: Previous Billing (500,000 x 80%)	(400,000)
Gross Billing	PhP 100,000
Deductions:	
Retention Fee (100,000 x 10%)	(10,000)

Withholding Tax	
Expanded $(100,000/1.12 \times 2\%)$	(1,786)
VAT $(100,000/1.12 \times 5\%)$	(4,464)
Total Deductions	(16,250)
Net Billing*	PhP 83,750

**If Contractor posted performance security, the Net Billing would be 93,750 (no deduction of retention fee since the contract is less than PhP 1M).*

c) Payment of Professional Fees (Service Providers)

The community project of Barangay Poblacion which is “Construction of Hanging Bridge” is prioritized during MIBF-PRA. Due to its complexity, the POW includes hiring of an expert in supervising construction of bridges. Upon community project completion, the contracted Technical Service Provider submitted his Billing in the amount of P54,542.85 for payment. The Treasurer found that all required supporting documents are attached in the claim.

Question 1: How much should the Treasurer pay assuming the contracted Civil Engineer is a NON-VAT registered? How much is the withholding tax?

Solution to Question 1: NON-VAT Supplier

Step 1 – Compute for the Tax Base

Tax Base	-	PhP 54,542.85
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Step 2 - Compute for Withholding Tax:

Expanded Withholding Tax - $\text{PhP } 54,542.85 \times 10\%$	= PhP 5,454.28
Value Added Tax - $\text{PhP } 54,542.85 \times 3\%$	= PhP 1,636.29
Total Withholding Taxes	= PhP 7,090.57

Step 3 – Compute for net payment

Total amount of Invoice	-	PhP 54,542.85
Less: Withholding Taxes	-	(7,090.57)
Net Payment -		PhP 47,452.28

Therefore,

i) Total amount of check payable to Service Provider is PhP 47,452.28.

ii) Total amount of check payable to BIR is P7,090.57.

2.5 Making Payments to the BIR

How Does the Treasurer Make Payments to the BIR?

Taxes withheld by the Treasurer should be filed and paid with the Authorized Agent Bank (AAB) of the Revenue District Office (RDO) of the municipality. If there is no AAB in the area, the return shall be filed and taxes paid with the Revenue Collection Officer or duly authorized Municipal Treasurer, who will issue a Revenue Official Receipt.

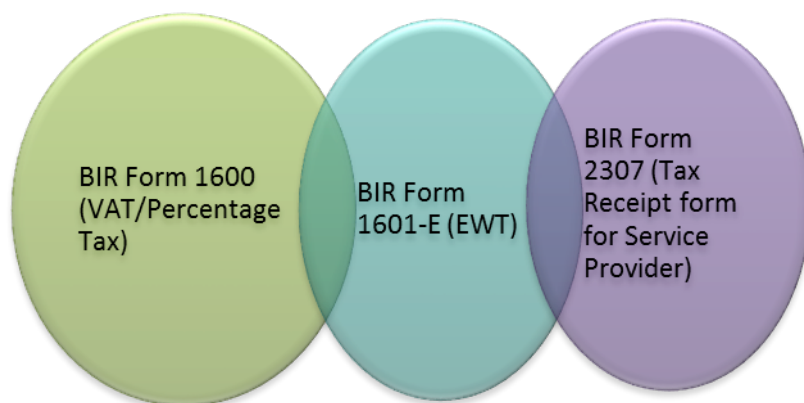
- Withheld Taxes should be filed and paid by the Treasurer on or before the 10th day of the month after the taxes were withheld.

Example: Taxes withheld from invoice payment to contractor on September 24, should be filed and paid on or before October 10

- ✓ Except for taxes withheld in December, which must be paid on or before January 15th of the new year.

What Tax Forms Should the Treasurer Use for Withholding Taxes?

The Treasurer shall prepare the following BIR forms and pay corresponding withholding taxes by the BIR deadline.



BIR Form 1600 (Monthly Remittance Return of Value-Added Tax & Other Percentage Taxes Withheld) to be filed with BIR by relevant deadline.

BIR Form 1601-E (Monthly Remittance Return of Creditable Income Taxes Withheld-Expanded) to be filed with BIR by relevant deadline.

BIR Form 2307 (Certificate of Creditable Tax Withheld at Source) is

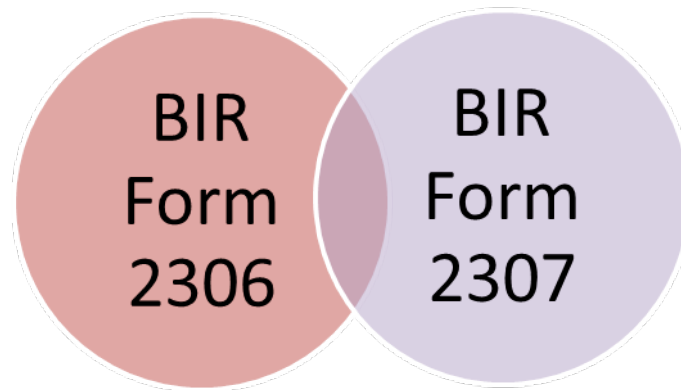
to be given to the service provider no later than the 20th day of the month following the close of the taxable quarter in which the taxes were withheld, or upon request of the service provider.

For Payments to VAT-Registered Service Providers Only

BIR Form 2306 (Certificate of Final Tax Withheld at Source)

This is to be given to the service provider as soon as other withholding tax forms are filed with BIR or upon request of the service provider.

For Not VAT-Registered Service Providers, instead of filing **BIR Form 2306**, the Treasurer shall file a second copy of **BIR Form 2307** (one certificate to the service provider for EWT and one for percentage tax withheld).



2.6 Required Supporting Documents

What Supporting Documents Are Needed to Disburse Grant Funds?

In general, documents providing evidence of the following are required for the utilization of all grant funds:

- Evidence of expenditure or liability (in the case of expenditure)
- Evidence that goods or services were received
- Evidence that payment was made (to supplier, SP, laborer, etc.)
- Evidence that payment was received (by supplier, SP, laborer, etc.)

What Documents are Needed for Specific Expenditures?

A. For the utilization of Technical Assistance Fund (TAF):

i. Payment of Professional Services

1. Minutes of pre-Procurement Meeting
2. Canvass Forms
3. Minutes of Opening of Canvass
4. Abstract of Canvass
5. Minutes of Evaluation
6. Notice of Award
7. Notarized Contract with Service Provider
8. Billing Statement
9. Certification from the AC or DAC, PPT and Municipal Engineer on the actual accomplishments of the Service Provider
10. Disbursement Voucher with photocopy of check
11. Official Receipt or Acknowledgement Receipt

ii. Purchase of materials and supplies for plans, reproduction of plans and others

1. Minutes of Pre-Procurement Conference
2. Canvass form
3. Minutes of Opening of Canvass
4. Minutes of Evaluation of Canvass
5. Abstract of Canvass
6. Purchase Order
7. Sales/Charge Invoice and/or Delivery Receipt
8. Certification of Acceptance and Inspection (certification can also be indicated in the PO)
9. Disbursement Voucher with photocopy of check
10. Official Receipt

iii. Reimbursement of Transportation Expenses of Service Provider

1. Special Order issued by the PPT, approved by the AC or DAC and concurred by the Municipal Engineer
2. Approved Itinerary (details of travel)
3. Certification from the AC or DAC, PPT and Municipal Engineer on the actual accomplishments of the Service Provider
4. Reimbursement Expense Receipt

iv. Payment for the training on operation and management plans for income-generating sub-projects or those with cost recovery scheme. Refer to Chapter 6.5 Section E for list of supporting documents.

It is reiterated that in no case shall service providers be paid without the acceptance of the concerned PPT. In case payments are made to any incomplete or incorrect outputs, those who authorized the payment shall be made responsible in ensuring that the outputs are corrected and/or liable to repay the amount paid to the service provider.

B. Daily Rate Basis Laborers

1. Daily Time Record
2. Employment Record Sheet
3. Disbursement Voucher with photocopy of check

C. Direct Contracting of Labor or “Pakyaw”

1. Contract of Agreement
2. Composition of “Pakyaw” Group with corresponding rates or percentage of share
3. Statement of Work Accomplished
4. Employment Record Sheet
5. Disbursement Voucher with photocopy of check

D. Honoraria To Committee Members

Honoraria shall be charged against cash Local Counterpart Contribution. Payment should only be made if and when there is allocation in the approved POW. If the detailed cost estimate of the approved POW does not specify the list of recipients, the Barangay Assembly shall issue a resolution naming the recipients and their equivalent honorarium.

1. Barangay Assembly Resolution
2. Accomplishment Report from each payee
3. Time Sheets
4. Employment Record Sheet
5. Disbursement Voucher with photocopy of check

E. Training Expenses

1. Approved Training Design and Budget
2. Minutes of Pre-Procurement
3. Canvass Forms
4. Minutes of Opening

5. Minutes of Evaluation
6. Abstract of Canvass
7. Notice of Award
8. Notarized Contract with the trainers
9. Training Completion Report with attached Attendance Sheet
10. Disbursement Voucher with photocopy of check
11. Official Receipt or Acknowledgement Receipt

F. Establishment of Petty Cash Fund

1. Minutes of Execom Meeting approving the amount of Petty Cash Fund
2. Disbursement Voucher with photocopy of check

G. Replenishment of Petty Cash Fund

1. Petty Cash Vouchers with Supporting Documents
2. Petty Cash Liquidation Summary
3. Disbursement Voucher with photocopy of check

H. Payment of Goods to Non-Registered Suppliers

a) By way of Reimbursement

For disbursements where payee is not a business entity required by the BIR to issue OR and the money used to pay is advanced or paid first by the official concerned and the expenses are authorized by the BSPMC.

1. Minutes of Pre-Procurement
2. Canvass Forms
3. Minutes of Opening of Canvass
4. Minutes of Evaluation of Canvass
5. Abstract of Canvass
6. Approved Purchase Order
7. Certificate of Inspection and Acceptance (certification can also be indicated in the Purchase Order)
8. Disbursement Receipt with photocopy of check
9. Reimbursement Expense Receipt

b) By way of Cash Advance

In cases when Non-Registered Suppliers that do not have any identification therefore cannot transact with the bank e.g. check encashment are awarded with Contract, the BSPMC may request Approval to Grant Cash Advance from the RPMO with an amount equal to the Purchase Order. The Approved Purchase Order shall be attached to the letter request of the BSPMC making it the basis for approval by the SRPMO thru the Sub-Regional Program Director or Sub-Regional Program Manager. For provinces without sub-regional offices, the Regional Program Director or Regional Program Manager shall make the necessary authorization to the above transaction.

Upon receipt of the approval, the Treasurer shall prepare a check in his / her name, being the bonded member of the BSPMC.

In cases where the actual delivery of materials is lower than the total approved PO and no further deliveries shall be made, the actual cost of delivered items shall be paid. The excess amount shall be deposited back to the community's account on the next banking day after payment.

The following documents shall be attached to the Disbursement Voucher:

1. Minutes of Pre-Procurement
2. Canvass Forms
3. Minutes of Opening of Canvass
4. Minutes of Evaluation of Canvass
5. Abstract of Canvass
6. Approved Purchase Order
7. Letter of approval from the RPMO to cash advance
8. Certificate of Inspection and Acceptance (certification can also be indicated in the PO)
9. Deposit Slip (in case amount of cash advance is more than the actual cost of delivered items)
10. Photocopy of check
11. Acknowledgment Receipt

The Area Coordinator shall see to it that no check is approved representing payment for cash advance without prior approval from the SRPMO or RPMO. As listed above, the abovementioned documents should be attached in the disbursement voucher. In the event that a particular attachment has not been included in the disbursement voucher package, processing of this particular DV will be delayed.

I. Direct Contracting for Works

1. Minutes of Pre-Procurement Conference
2. Certification from the DAC that there is only one supplier available in the area
3. Invitation to Quote
4. Minutes of Opening of Quotation
5. Minutes of Evaluation of Quotation
6. Post Qualification Report
7. RPMT No Objection Letter
8. Notice of Award
9. Conditions of Contract
10. Contract of Agreement
11. Performance Security
12. Drawing/Plan/Specifications
13. Notice to Commence
14. Contractor's Billing Statement
15. Joint Inspection Report
16. Disbursement Voucher with photocopy of check
17. Official Receipt

Note:

1. For 15% mobilization fee, all items except #15 plus DAC certification that equipment and materials are already in the jobsite.

2. For first and succeeding progress billings, items 14-17 only. In cases where Contractor did not avail of the 15% mobilization fee, items 1-13 shall be attached to first billing.

J. Local Shopping for Works

The following are considered to be local shopping for works:

1. Minutes of Pre-Procurement Conference
2. Invitation to Quote
3. Abstract of Quotation
4. Minutes of Opening of Quotation
5. Contractor's License
6. Minutes of Evaluation of Quotation
7. Post Qualification Report
8. RPMT NOL (if applicable)
9. Notice of Award
10. Condition of Contract
11. Contract of Agreement
12. Performance Security
13. Notice to Commence
14. Drawing/Plan/Specification
15. Contractor's Billing Statement
16. Joint Inspection Report
17. Disbursement Voucher with photocopy of check
18. Official Receipt

Note:

1. For 15% mobilization fee, all items except #16 plus DAC certification that equipment and materials are already in the Job-site and Bank Guarantee equal to 15 percent of the Contract Price.
2. For first and succeeding progress billings, items 15-18 only. In cases where Contractor did not avail of the 15% mobilization fee, items 1-14 shall be attached to first billing.

K. Local Bidding for Works

1. Minutes of Pre-Procurement Conference
2. Invitation To Bid
3. Instruction to Bidders
4. Drawings/Plan
5. Technical Specifications
6. Forms of Bids
7. Minutes of Pre-bid conference
8. Minutes of Bid Opening
9. Bid Security
10. Minutes of Bid Evaluation
11. Abstract of Bids
12. Contractor's License
13. Post Qualification Report

14. Resolution to Award
15. No objection Letter (NPMT)
16. Notice of Award
17. Contract Agreement with Conditions of Contract
18. Performance Security
19. Notice to Commence
20. Contractor's Billing Statement
21. Joint Inspection Report
22. Disbursement Voucher with photocopy of check
23. Official Receipt

Note:

1. For 15% mobilization fee, all items except #21 plus DAC certification that equipment and materials are already in the jobsite and Bank Guarantee equal to 15 percent of the Contract Price.
2. For first and succeeding progress billings, items 20-23 only. In case where Contractor does not avail of the 15% mobilization fee, items 1-19 shall be attached to first billing.

L. Direct Contracting for Goods

1. Minutes of Pre-Procurement Conference
2. Certification from the DAC that there is only one supplier available in the area
3. Canvass form
4. Minutes of Opening of Canvass
5. Minutes of Evaluation of Canvass
6. Purchase Order
7. Sales/Charge Invoice and/or Delivery Receipt
8. Certificate of Inspection and Acceptance (certification can also be indicated in the Purchase Order)
9. Disbursement Voucher with photocopy of check
10. Official Receipt

M. Local Shopping for Goods

1. Minutes of Pre-Procurement Conference
2. Canvass form
3. Minutes of Opening of Canvass
4. Minutes of Evaluation of Canvass
5. Abstract of Canvass
6. No Objection Letter (RPMT), if applicable
7. Purchase Order
8. Sales/Charge Invoice and/or Delivery Receipt
9. Certification of Acceptance and Inspection (certification can also be indicated in the PO)
10. Disbursement Voucher with photocopy of check
11. Official Receipt

N. Local Bidding for Goods

1. Minutes of Pre-Procurement Conference
2. Invitation to Bid
3. Minutes of Pre-Bid Conference
4. Minutes of Bid Opening
5. Forms of Bid
6. Bid Security
7. Certificate of Business Registration
8. Minutes of Evaluation of Bids
9. Abstract of Bid
10. Post qualification Report
11. Resolution to Award
12. No Objection Letter (from NPMT)
13. Notice of Award
14. Performance Security
15. Purchase Order
16. Sales/Charge Invoice or Statement of Accounts and/or Delivery Receipt
17. Certificate of Inspection and Acceptance (certification can also be indicated in the Purchase Order)
18. Disbursement Voucher with photocopy of check
19. Official Receipt

O. Monthly Remittance of Taxes

1. Accomplished 1600/1601-E BIR Forms
2. Disbursement Voucher with photocopy of check
3. Official Receipt

P. Refund of Retention Fees

a) Upon issuance of Bank Guarantee as replacement

1. Bank Guarantee
2. Disbursement Voucher with photocopy of check
3. Official Receipt

b) After lapse of defects and liability period

1. Defects Liability Certificate issued by the Project Engineer
2. Disbursement Voucher with photocopy of check
3. Official Receipt

Q. Refund of Performance Security

1. Defects Liability Certificate issued by the Project Engineer
2. Disbursement Voucher with photocopy of check
3. Official Receipt

Common documents like the following should be attached to the first payment only.

- a. Approved Program of Works
- b. Planned Community Procurement Packaging
- c. Drawing Plans/Specifications

Chapter 3

3.1 Petty Cash Fund

What is Petty Cash Fund (PCF)?

A fund established by the community to cover small expenses that may be incurred during sub-project implementation.

To establish a Petty Cash Fund, the community must first include a budget allotment for the fund (and specific amount) in the approved Program of Work (POW) under the administrative/indirect cost.

What is the Maximum Amount for the Petty Cash Fund?

P10,000 is the maximum allotment allowed for Petty Cash Fund at any given time. However, if this amount is depleted to P3,000 or less, the fund can be replenished (see Sec. 3.4 for details).

What Can the Petty Cash Fund Be Used For?

- a. Direct purchases amounting to not more than P3,000 at any one time for the immediate and essential needs of the BSPMC (e.g. office supplies, meals during procurement activities, photocopying, etc.), where issuance of check is impractical.
- b. Transportation Expenses for official authorized travel, such as delivery of canvass forms, invitation to bid and other communications, as well as in connection with attendance to activities such as MIBF meetings, fiduciary workshops, submission of reports, etc.

3.2 Establishing the Petty Cash Fund

What is the Process for Establishing the Petty Cash Fund?

Procedures/Activities	Responsible Unit/Person
1. Hold BSPMC meeting to decide on the amount of PCF to be established. The amount should not exceed P10,000.	BSPMC
2. Prepare disbursement voucher and check in the amount agreed by the community.	Treasurer
3. Approve disbursement voucher and sign check.	BSPMC Chairperson
4. Countersign the Check.	Area Coordinator
5. Cash the check and acknowledge the receipt of funds by signing the disbursement voucher.	Treasurer
6. Take custody of the funds and store them in a safety deposit box. The PCF should not be mixed BLGU funds as well as personal money.	Treasurer

2.3 Making Disbursement from Petty Cash Fund

How Does the Treasurer Make Disbursements from PCF?

Procedures/Activities	Responsible Unit/Person
1. Verbally request the Treasurer for petty cash. In the case of transportation expenses, an Itinerary of Travel duly approved by the BSPMC Chairperson or the PIT Head must be submitted.	Committee or Team member needing petty cash
2. Determines if amount requested is reasonable and within the ceiling amount approved by the Execom during PCF establishment meeting.	Treasurer
3. Prepare the Petty Cash Voucher (Form No. 59)	Treasurer
4. Sign the “Requested by” portion and seek the approval of the BSPMC Chair or PIT Head	Person requesting fund
5. Approve the petty cash voucher	BSPMC Chairperson Or PIT Head if BSPMC Chairperson is the one making the request
6. Release the funds and ask the person receiving the amount to sign the petty cash	Treasurer
7. Sign the “received by” portion of the PCV	Person requesting funds
8. Stamp Petty Cash Voucher with “PAID and date paid” and put it inside the safety deposit box.	Treasurer
9. Submit Official Receipts (OR) for purchases made and duly acknowledged Itinerary of Travel by persons or representatives from visited establishments.	Person who requested funds
10. If actual amount spent is less than requested amount, return extra money to Treasurer	Person who requested funds
11. Check the petty cash vouchers daily. If there are petty cash disbursements without official receipts or supporting documents, follow-up with the person(s) that requested funds but have not yet submitted proof of expenditure. If no official or acknowledgment receipt is produced, asks the person who requested to refund or return the amount.	Treasurer
12. In cases of refund, the amount returned as well as actual expense should be indicated on the PCV	Treasurer

3.4 Replenishment of Petty Cash Fund

What if the Petty Cash Fund is Depleted?

The following table outlines the steps to replenish the Petty Cash Fund in case all the funds are used or depleted:

Procedures/Activities	Responsible Unit/Person
1. Make daily cash count of the Petty Cash Fund.	Treasurer
2. If the petty cash fund balance is 25% or less, prepare the Petty Cash Fund Liquidation Summary Report.	Treasurer
3. Attach PCVs and all supporting documents to the PCF Liquidation Summary Report (Form No. 60) and submit to the BSPMC Chairperson for approval.	Treasurer
4. Review PCF expenditures and supporting documents. Initial before the BSPMC Chairperson and submit for final approval.	AIC
5. Review and sign the PCF Liquidation Summary Report.	BSPMC Chairperson
6. Prepare Disbursement Voucher and Check in the amount indicated in the PCF Liquidation Summary Report, with the Treasurer as payee.	Treasurer
7. Approve DV and sign the check	BSPMC Chairperson
8. Review PCF Liquidation Summary and DV. Sign DV and endorse to AC.	MFA
9. Countersign the Check	AC
10. Cash the check and acknowledge the receipt of funds by signing the disbursement voucher.	Treasurer
11. Take custody of the funds and store them in a safety deposit box. The PCF should not be mixed BLGU funds as well as personal money.	Treasurer

3.5 Final Liquidation of Petty Cash Fund

How Does the Treasurer Close the PCF at the End of the Project?

As the sub-project nears its end or once the Petty Cash Fund is no longer needed, the Treasurer must close out and liquidate the fund using the Petty Cash Fund Liquidation Summary Report.

The total amount of expenses reflected in the PCF Liquidation Summary Report shall be equal to the total amount of PCF established (or replenished), if the fund was fully utilized. If some funds remain, only the actual PCF expenditures incurred shall be reflected in the Liquidation Summary and the remaining petty cash shall be deposited back to the community's bank account. A validated deposit slip shall be attached to the Final Petty Cash Fund Liquidation Summary as evidence of deposit.

The following table provides a summary of the steps for liquidation:

Procedures/Activities	Responsible Unit/Person
1. Count the petty cash fund, if there is still remaining balance.	Treasurer
2. Prepare PCF Liquidation Summary Report	Treasurer
3. Gather and attach PCVs and supporting documents to the Summary Report and submit them to the BSPMC Chairperson for approval.	Treasurer
4. Review and sign the PCF Liquidation Summary Report.	BSPMC Chairperson
5. If there is still petty cash fund on hand, deposit to the community's bank account and attach the validated deposit slip to the liquidation summary.	Treasurer

Chapter 4

4.1 Filing of Financial Documents

What is the Proper Procedure for Filing Disbursement Documents?

Being the custodian of all financial documents, the Treasurer ensures these are neatly filed and kept in a secured place.

After payment, the **Treasurer** shall:

- a. stamp the Disbursement Voucher and supporting documents with:



- b. then transmit to the Bookkeeper for recording. The Treasurer must transmit DVs for recording on a regular basis, if possible daily.

The Treasurer shall follow the following filing procedures:

1. File all supporting documents in a folder (one folder by month)
2. Arrange by Disbursement Voucher with the latest number on top of the file and kept in a lock drawer or cabinet in the BSPMC office
3. Keep one set of photocopies of the documents in case something happens to the original set of documents
4. Submit original documents to DSWD Regional Office through AC or DAC for submission to COA on or before the 25th day of the following month
5. Ensure that AC signs a transmittal letter acknowledging submission
6. Turn over all financial documents to the BLGU at end of sub-project

Supporting documents, while still at the community level, are under the custody and control of the Treasurer. The Treasurer shall be fully responsible and accountable for the documents pertaining to financial transactions of the Project during sub-project implementation and for a period of five (5) years after completion.

What Happens when Original Documents are Damaged due to fortuitous events (e.g. Fire, Flood, Theft)

The BSPMC shall request for relief from accountability for the loss of original documents due to fortuitous event. Said request must be submitted to the COA through the ACT within thirty (30) days after the event supported by the following documents:

1. Certification from the Punong Barangay that the original documents were damaged by fortuitous event, duly noted by the Municipal Mayor.
2. Inventory of original documents lost due to fortuitous event. In case there is no available references to make the list at the barangay level, the Treasurer shall request assistance from the Municipal Financial Analyst and ask for Bank Snapshot from the LBP.
3. Photos of the damaged documents.

LBP Certification of Bank Account Opened

Date:

This is to certify that Barangay _____ has opened the
(Name of CDD Program) - _____ (name of barangay) current
account with the Land Bank of the Philippines with the following details:

LBP Branch: _____
Complete Address: _____
Telephone No. _____
Fax No. _____

Current Account Number: _____

Authorized Signatories:

	NAME	DESIGNATION	SPECIMEN SIGNATURE
1.			
2.			
3.			

By:

LBP Branch Manager

Note: This form shall be submitted as part of the requirement for the approval of detailed sub-project proposal by the MIBF. This will be used by the Area Coordinating Team as source document in the preparation of Summary List of Approved Sub-Projects (MIBF Form No. 1)

CDD Form/Template #57:**REQUEST FOR FUND RELEASE**

___ 1st Tranche ___ 2nd Tranche ___ 3rd Tranche ___ Others (specify) _____

Region		Date (mm/dd/yy)	
Province		Sub-Project ID No.	
Municipality		Total Sub-Proj Cost	
		LCC	
Barangay		Grant Funds	
Sub-Project Title:			

To: The Regional Project Director
DSWD Regional Office _____

May we request for the transfer of funds to the following LBP Community Bank Account for the implementation of the KC-NCDDP approved Sub-Project stated above.

LBP Branch:

Address:

Account Name:	Bank Account No.	Amount of this Request	No. of this Tranche	Previous Amounts Released	Cumulative Total including this Request
Requested by: _____ Barangay Sub-Project Management Committee Chairperson			_____ Punong Barangay		
Reviewed as to completeness of requirements: _____ Area Coordinator Date			_____ MLGU Local Poverty Reduction Action Officer Date		
Regional Project Management Office: Reviewed by: _____ Regional Financial Analyst			Approved by: _____ Regional Program Director		
Recommended by: _____ Regional Program Manager Date			_____ Date		

CDD Form/Template #58**DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT****(Name of CDD Project/Program)**

Barangay: _____

Municipality: _____

DV No. _____

(must be pre-numbered)

DISBURSEMENT VOUCHER

Payee: _____ Date: _____

Complete Address: _____

PARTICULARS	AMOUNT
<i>Write full description of the transaction to be paid. Put reference such Purchase Order Number or Billing Statement.</i>	
ACCOUNT TITLE	
The Treasurer should fill this up using the cost items indicated in the POW.	

Received the amount of _____
(P_____) in full payment of the account described above.

Date _____

O.R. No. (Write Official Receipt No.)

Received by:

Check No. (Write the no. of the Check)

PRINT FULL NAME OF THE PERSON RECEIVING THE PAYMENT. WRITE CLEARLY.

Signature over Printed Name

Prepared by:

Approved:

Barangay Treasurer_____
BSPMC Chairperson

Reviewed by:

Municipal Financial Analyst

CDD Form/Template #59

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

(Name of CDD Project/Program)

Barangay:

Municipality:

PETTY CASH VOUCHER

PAYEE: _____

PCV No. _____

(Must be pre-numbered)

Date _____

PARTICULARS		AMOUNT
TOTAL		

Requested by:

Approved by:

Received By:

(Name of Person making the Request)

Sub-Project Implementation Head

(Print name of person receiving the cash)

CDD Form/Template #60**DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT**
(Name of CDD Project/Program)**PETTY CASH FUND LIQUIDATION SUMMARY (PCF - ____)**

Write the No. of this Liquidation Summary Report

For the Period _____ to _____, 20__

BARANGAY _____

MUNICIPALITY _____

Date	PCV No.	Payee	Particulars	Expense Items				TOTAL
				Office Supplies (inc photo-copying)	Transportation Expense	Meals	Others (Specify)	
							Write	
							Other	
							expense	
							items	
TOTAL								

Prepared by:

Barangay Treasurer

Approved by:

BSPMC Chairperson

CDD Form/Template #61**EMPLOYMENT RECORD SHEET**

For Community Force Account Labor

As End of _____, 201__

Name of Sub-Project:

Barangay:

Municipality: _____

NAME	SEX	AGE	TYPE:		Rate Per		NO. OF WORKING		TOTAL Labor	PLAN PAYMENT		ACTUAL PAYMENT (accum.)		Signature
	M/F		Skilled	Unskilled	Hour	Day	Hours	Days		Cash	Bayanihan	Cash	Bayanihan	
1														
2														
3														
4														
5														
6														
7														
8														
9														
10														
TOTAL														

NOTE:

Rate - Is the rate per day or per hour of the community worker (cash plus "bayanihan" monetized)

Cash - Is the cash amount to be paid to community members for labor

Bayanihan- Cost of Labor not to be paid (Community Equity)

Prepared by:

Noted:

Approved by:

Head, Procurement Team_____
Head, Project Implementation Team_____
Brgy. Treasurer_____
BSPMC Chairperson

CDD Form/Template #62**TIME SHEET**

Name : Sex :
 Payroll Period : Age :
 Nature of Work :

		Total Hrs.	Work Accomplishment/Activity	Work Location
Day	1			
	2			
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
	11			
	12			
	13			
	14			
	15			
	16			
	17			
	18			
	19			
	20			
	21			
	22			
	23			
	24			
	25			
	26			
	27			
	28			
	29			
	30			
	31			
Total Hours				

Rate/Day or
 Rate/Month P _____
 X
 Total No. of
 Days worked _____
 =
 Total Amount
 of compensation _____

 (Signature Over Name)

I HEREBY CERTIFY that the
 time report above is a true
 and complete statement of
 my working time for this
 period.

This is a suggested format of Time Sheet. The BSPMC may use the
 Approved by:

BSPMC Chairperson
 Date

CDD Form/Template #63:

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

(Name of CDD Project/Program)

Barangay:

Municipality:

Acknowledgment Receipt

AR# _____

Date _____

Please acknowledge receipt in the amount of _____ (P _____)

Received from _____

For the purpose of _____

—

Cash/Check No. : _____

Date : _____

Amount : _____

Prepared by : _____
(Signature Over Printed Name)

Received by : _____
(Signature Over Printed Name)

Date/Time Received : _____

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
(Name of CDD Project/Program)

LIST OF CHECKS ISSUED
As of _____

Barangay:**Municipality:****Cycle:**

Date	Check Number	Fund Source	Payee	Particulars	Amount	Remarks
Total amount of checks previously issued...						
Add: Checks Issued This Period						*DVs submitted to COA,
						FO or still at the
						Community
Sub-Total						
Total Amount of Checks Issued as of _____						

Prepared by:**Approved by:**

Barangay Treasurer

BSPMC Chairperson

RECAPITULATION:	FUNDS UTILIZED		
PARTICULARS	GRANT	LCC	TOTAL
MATERIALS			
LABOR			
EQUIPT			
Supplies			
Indirect Cost			
Total			

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

(Name of CDD Project/Program)

Barangay:

Municipality:

VLCC No. _____

Date: _____

VOUCHER FOR LOCAL COUNTERPART CONTRIBUTIONS

Contributor/Donor: _____

Address: _____

PARTICULARS	AMOUNT
ACCOUNT TITLE	

Note: attach to this voucher, photocopy or duplicate copy of the source document.

Prepared by:
by:

Concurred by:

Approved

(Write name of person
Chairperson
preparing the voucher)

Name of Donor

BSPMC

BOOK 3

Bookkeeping and Reporting
(A Guide for the Community
Bookkeeper)

Chapter 1

1.1 Qualifications, Roles and Responsibilities of the Community Bookkeeper

Who Is Qualified to be the Community Bookkeeper?

The Bookkeeper may be the existing Barangay Bookkeeper or someone appointed by the Barangay Assembly. Anybody who knows how to read, write and do the basic mathematical operations (i.e. addition, subtraction, multiplication and division) can be elected as the Community Bookkeeper.

Can The Barangay Assembly elect an Assistant Community Bookkeeper?

Yes. The bookkeeping function has always been one of the difficult parts in financial management system hence, it is recommended that an Assistant Community Bookkeeper be selected. This will distribute the tasks among two Bookkeepers, thereby lighten the workload of recording and reporting. At the same time, this will facilitate transition and avoid vacancy in case the head Community Bookkeeper resigns.

The Assistant Bookkeeper must not be a member of any of the other committees. Neither the Barangay Treasurer shall act as Assistant Community Bookkeeper. Segregation of duties between cashiering and bookkeeping must be observed at all times to maintain check and balance.

What Books Should the Bookkeeper Maintain?

There are only two books namely: Cash Book (Form No. 66) and LCC Journal (Form No. 67) that must be maintained during sub-project implementation. These books should be kept in a safe place and should be available for review by any member of the community at all times. At the end of sub-project implementation, these books together with the other financial documents should be turned-over to the BLGU for safekeeping.

In case where the community availed of the Technical Assistance Fund, the Bookkeeper must also maintain a TAF Journal (Form No. 56) where receipts and utilization are recorded.

What Are the Financial Monitoring Reports the Bookkeeper Should Prepare?

There is only one (1) financial monitoring report required from the BSPMC for submission to the ACT on a monthly basis and when requesting for Grant fund release. It is called Status of Sub-project Fund Utilization Report (Form No. 65) which must be approved by the BSPMC Chairperson and reviewed by the Audit and

Inventory Committee. At all times, this report shall be accompanied by a Bank Reconciliation Statement and a Bank Statement/Snapshot.

Chapter 2

2.1 Cash Book

What Information Should the Bookkeeper Record in the Cash Book?

The Cashbook is a book of original entry in which all cash transactions are recorded in detail; both cash payments and receipts (e.g. Grant Funds, LCC-cash, other cash receipts, etc.). When cash is received, it is entered on the debit or left side. When cash is paid out, it is recorded on the credit or right side of the cashbook.

The Bookkeeper shall maintain a Cashbook for all cash transactions during sub-project implementation.

The Account Titles used in recording transactions are the budget lines in the approved Program of Work (e.g. Materials, Labor, Equipment, etc). These will also be the column headings for “Cash Out” in the Cash Book.

Below are illustrations outlining proper entry of cash transactions in the cashbook for Sub-project Implementation (SPI)

ILLUSTRATIONS:

1. **April 1, 2014** - The Treasurer, BSPMC Chairperson and Area Coordinator open an account at the nearest LBP in the name “DSWD-KC-NCDDP/Brgy. Lotloton”. They deposited P1,000 which was contributed by the Barangay Local Government Unit (BLGU).
2. **April 4, 2014** - The Treasurer deposited the LCC cash coming from the Municipal government, in the amount of P10,000.

Here is how to record the above transactions.

DATE	REF	PARTICULARS	CASH IN (RECEIVED)		
			AMOUNT	GRANTS (LP)	LCC (Cash)
Apr 1	Deposit Slip	Initial Deposit from the BLGU	1,000.00		1,000.00
Apr 4	Deposit Slip	Additional LCC cash from MLGU	10,000.00		10,000.00

3. **April 7, 2014** – DSWD-RO released to the community's account an amount of P337,000. The amount released was 50% of the approved grant for their sub-project (1st Tranche).

Below is an illustration on how to record the above transaction.

DATE	REF	PARTICULARS	CASH IN (RECEIVED)		
			AMOUNT	GRANTS (LP)	LCC (Cash)
Apr 7	Notice of Fund Transfer	50% Grant Release (First Tranche)	337,000.00	337,000.00	

4. **April 23, 2014** - The Treasurer made a payment to a Hardware store for construction materials purchased with a check for P187,500.00

DATE	REF	PARTICULARS	CASH OUT (PAYMENT)			
			AMOUNT	FUND SOURCE	DIRECT COSTS	
					MATERIALS	LABOR
Apr 23	DV# Lot-001	Payment of various materials per PO#001	187,500.00	GRANT	187,500.00	

In the illustration above, as of April 24, 2014, how much money is left in the bank account?

Answer:

Beginning Balance		1,000
Add: MLGU LCC Cash	10,000	
First Tranche Grant	<u>337,000</u>	<u>347,000</u>
Total Cash Available		348,000
Less: Payment of Materials		<u>187,500</u>
End, Cash Balance		<u>160,500</u>

To ensure that cash balance in the Cash Book is equal to the actual cash available in the Bank account, the Bookkeeper shall prepare a monthly Bank Reconciliation Statement.

How Often Should the Bookkeeper update the Cash Book?

The Bookkeeper must update the Cash Book daily or on a weekly basis at the very least.

2.2 Bank Reconciliation Statement

What Is A Bank Reconciliation Statement?

It is a report prepared mainly to reconcile the difference between the cash balance per Cash Book and the Bank Statement balance in a particular period. It shows analysis and adjustments in case of difference. Following are the common causes of difference or what is called reconciling items:

- ❖ Deposit in Transit – Cash received from a Donor which are not yet deposited to the bank.
- ❖ Outstanding Checks – Checks issued by the Treasurer but not yet presented by the Payee to the bank for encashment.
- ❖ Bank Charges – These are charges directly deducted by the Bank from the bank account. Common example is the bank fee charged by the LBP for maintaining a daily balance below the minimum requirement of P5,000.
- ❖ Errors – These are mistakes caused either by the Bookkeeper or the Bank. Errors vary from transposition, slide, miscalculation and mispostings.

Why Is Preparation of Bank Reconciliation Important?

Regular preparation of Bank Reconciliation is a good cash internal control. It prevents overspending by keeping strict accounts of cash flows. It also check for any overcharging of bank fees and possible duplication of transactions on the bank side. Internally, it helps the Bookkeeper trace errors in recording which will eventually make him/her mindful in the succeeding entries.

How Often Should the Bookkeeper Prepare Bank Reconciliation?

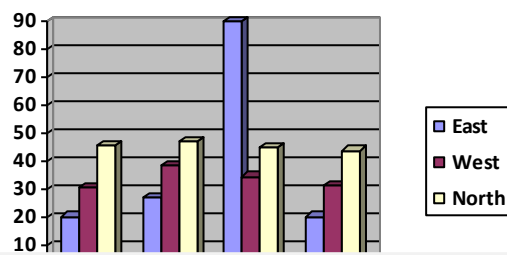
The Bookkeeper must prepare a Bank Reconciliation Statement every time he/she prepares a Status of Sub-Project Utilization Report.

How To Prepare a Bank Reconciliation?

The preferred method to prepare a Bank Reconciliation is an Adjusted Balance where the book balance and the bank balance are brought to a correct cash balance.

The illustration in the next page shows how to prepare an Adjusted Balance Bank Reconciliation Report.

Illustration:



Barangay Sub-Project Management Committee
Barangay Lotloton, Enrique Villanueva, Siquijor

BANK RECONCILIATION STATEMENT

As of July 27, 2014

Cash Balance per Book		50,000
Add: Error - Transposition		<u>2,090</u>
Sub-Total		52,090
Less: Bank Fees	100	
Error - Miscalculation	<u>1,000</u>	<u>1,100</u>
Adjusted Cash Balance per Book		<u>50,990</u>
Cash Balance per Bank		45,300
Add: Error – duplication	4,500	
Deposit in Transit	<u>2,400</u>	<u>6,900</u>
Sub-Total		52,200
Less: Outstanding Checks	1,200	
Bank Error	<u>10</u>	<u>1,210</u>
Adjusted Cash Balance per Bank		<u>50,990</u>

2.3 LCC In-Kind Journal

What Information Should Be Recorded in the LCC In-Kind Journal?

The LCC In-Kind Journal is a book that contains a summary of Vouchers for Local Counterpart Contribution (VLCCs) issued and is maintained by the Bookkeeper. It reflects **all non-cash contributions from various donors for the sub-project**.

Like the Cash Book, the Account Titles that will be used in recording transactions are the budget lines in the Approved Program of Work (e.g. Materials, Labor, Equipment, etc).

The example below demonstrates correct recording of non-cash contributions into the LCC In-Kind Journal.

ILLUSTRATION

1. May 8, 2014 - The MLGU gave 280 cu.m of base coarse materials (valued at P100/cu.m. based on prevailing market rates)

DATE	VLCC No.	DONOR	PARTICULARS	DIRECT COSTS		
				MATERIALS	EQUIPMENT	LABOR
May 8	Lot-01	MLGU	Donation of Materials for the completion of sub-project	28,000.00		

At the end of the month, the total non-cash contributions reflected in the In-Kind LCC Journal should equal the total of all VLCCs prepared for the month.

2.4 Status of Sub-project Fund Utilization Report

What is the Status of Sub-Project Fund Utilization Report?

The Status of Sub-project Fund Utilization Report is a record of all financial transactions of the Sub-project for the period. The report must be prepared by the Bookkeeper using the prescribed format and submitted to the DSWD Regional Office thru the ACT on a monthly basis and when requesting for fund release.

Following the illustrations for cash transactions and in-kind LCCs listed on the previous two pages, the Status of Sub-project Fund Utilization Report should look like this:

PARTICULARS	GRANT FUNDS	LOCAL COUNTERPART CONTRIBUTION			TOTAL
	LP	Cash	In-kind	Total	
	a	b	c	d (b+c)	e (a+d)
Cash Balance, Beginning					
Add: Funds Received during this Period					-
KC Grant – Tranche	337,000.00				337,000.00
PLGU					
MLGU		10,000.00	28,000.00	38,000.00	38,000.00
BLGU		1,000.00		1,000.00	1,000.00
Community/Others					
Total Funds Available	337,000.00	11,000.00	28,000.00	39,000.00	376,000.00
Less : Expenses incurred during this Period					
Materials	187,500.00		28,000.00	28,000.00	215,500
Labor					
Equipment					
Lot					
Contract of Works					
Freight and Handling					
Material Testing					
Supervision					
Pre-Engineering					
Bond Premium					
Administrative					
Total Expenses for the Period	187,500		28,000	28,000	215,500
Cash Balance, End	149,500	11,000	0	11,000	160,500

CDD Form/Template #110

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT (Name of CDD Project/Program)

STATUS OF SUBPROJECT FUND UTILIZATION

For the period _____

Barangay:

Municipality:

Name of Subproject:

PARTICULARS	GRANT FUNDS	LOCAL COUNTERPART CONTRIBUTION			TOTAL
	LP	Cash	In-kind	Total	
	a	b	c	d (b+c)	
Cash Balance, Beginning					
Add: Funds Received during this Period					
KC Grant – Tranche					
LGU					
Community/Others					
Total Funds Available					
Less: Expenses incurred during this Period					
Materials					
Labor					
Equipment					
Lot					
Contract of Works					
Freight and Handling					
Material Testing					
Supervision					
Pre-Engineering					
Bond Premium					
Administrative Expenses					
Others (please specify)					
Total Expenses for the Period					
Cash Balance, End					

Prepared by:

Community Bookkeeper

Approved by:

BSPMC
Chairperson

Reviewed by:

Audit & Inventory
Committee Head

CDD Form/Template #111

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

(Name of CDD Project/Program)

CASH BOOK

Barangay:

Municipality:

Statement of Cash Flows															CUI BALANCE
DATE	REF	PARTICULARS	CASH IN (RECEIVED)			CASH OUT (PAYMENT)									
			AMOUNT	GRANTS (LP)	LCC (Cash)	AMOUNT	FUND SOURCE	DIRECT COST			INDIRECT COST				
								MATERIALS	LABOR	EQPT	SUPPLIES	TRAVEL	OTHERS		

Sources: Cash Receipts -

Notice of fund Transfer

Deposit Slip of Local Cash Contributions/Acknowledgement Receipts

Payments -

Disbursement Vouchers

RECAPITULATION:	FUNDS UTILIZED		
PARTICULARS	GRANT	LCC	TOT
MATERIALS			
LABOR			
EQUIPT			
Supplies			
Indirect Cost			
Total			

CDD Form/Template #112

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT (Name of CDD Project/Program)

LOCAL COUNTERPART IN-KIND CONTRIBUTION JOURNAL

Barangay:
Municipality:

DATE	DONOR	PARTICULARS	DIRECT COSTS			INDIRECT COST			TOTAL
			MATERIALS	EQPT	LABOR	SUPPLIES	TRAVEL	OTHERS (Specify)	
	TOTAL								

Source: Vouchers for Local Counterpart Contribution for SPI

BOOK 4

Audit and Community Finance Monitoring
(A Guide for the Audit and Inventory Team)

Chapter 1

1.1 Qualifications, Roles and Responsibilities of the Audit and Inventory Team

Who Are Qualified to be in the Audit and Inventory Team?

Anybody who knows how to read, write and do the basic mathematical operations (i.e. addition, subtraction, multiplication and division) can be elected in the Audit and Inventory Team. But, given its roles and responsibilities, AIT members should be persons who are unbiased, objective and unprejudiced.

What Are the Roles and Responsibilities of the AIT?

This team is composed of at least three members selected by the community. The AIT Head will be a non-voting member of the BAC. AIT is **independent from the other implementation units**. The team monitors the integrity and transparency of financial transactions. The following are its detailed tasks and responsibilities:

Checks compliance of the BSPMC with provisions of the KC Community Finance Manual/ Guidelines, through the following:

Provides feedback reports to Barangay Development Council (BDC)

Reviews Disbursement Vouchers and supporting documents, checking for validity, accuracy and completeness

Conducts surprise cash counts (BSPMC Form 22)

Conducts regular inventory of all properties acquired as part of the sub-project

Pre-audits petty cash replenishments

Visits sub-project site to validate physical and financial status

Reviews and certify records and reports of the Bookkeeper

Chapter 2

2.1 Audit and Inventory

What Is Audit and Inventory?

In the context of KC-NCDDP, **audit is an independent financial examination** of the BSPMC's books of account, records, documents, reports and activities. While **inventory is physical counting** of materials and cash on hand as well as number of laborers working at a given period. The latter is part of the procedures performed while doing the former.

What Are Kinds of Audit?

There are two kinds of Audit: External and Internal. **External audit is an audit conducted by an independent body** (e.g. Commission on Audit) while **Internal audit** is a function that is conducted by a body that resides within the organization or community. Thus, AIT is considered Internal Auditors.

What Is Internal Audit?

Internal audit which is performed by the AIT is an advisory function to the Barangay Assembly thru the Barangay Development Council (BDC).

- ✓ It evaluates actions, transactions and activities in which it has no part.
- ✓ It detects if there are weaknesses in the methods or procedures in the operations.
- ✓ It enables the BSPMC to take the necessary actions to remedy detected problems or weaknesses.

It must be clear that the role of the AIT is not about fault-finding or vindictive. As one of the accountability mechanisms placed by the KC-NCDDP to ensure excellent public service and governance, the AIT reviews the extent of compliance with the established systems, policies and procedures.

What Are the Principles of Internal Audit?

Following the general principles and standards of internal audit, the AIT should:

- Avoid conflict of interest at all times and always uphold the interest of the community.
- Remain impartial and objective.
- Be knowledgeable on KC-NCDDP procurement and financial systems, policies and procedures.

- Respect the confidentiality of the information acquired in the course of performing the audit activities and not use or disclose any such information without proper and specific authority.

What Are the Knowledge and Skills Necessary to Perform Internal Audit?

As mentioned above, anybody who can read, write and do basic mathematical operations (i.e. addition, subtraction, multiplication and division) can perform audit. In KC-NCDDP, the AIT needs to be knowledgeable with the provisions of the Community-Based Procurement Manual and Community-Based Finance Manual Books 1, 2 and 3. Hence, it is of most importance that the team attend the Community Volunteers' Training on these Manuals which will be facilitated by the Area Coordinating Team right before Sub-Project Implementation.

Why Is Audit and Inventory Important?

In KC-NCDDP where principles of transparency and accountability is mandated in every key activity, audit and inventory is very important because it can give assurance whether internal control systems are in place and functional for the economical, efficient and effective implementation of approved Sub-Project, it ascertains the validity and reliability of financial reports and it detects whether project funds are utilized as intended and in accordance with KC-NCDDP community procurement and finance guidelines.

2.2 Internal Control Guidelines

What Is Internal Control?

Internal control, as defined in general accounting and auditing, is an organization's network of methods, procedures, and plans which govern its activities to accomplish its goals and objectives to safeguard the reliability of data, safeguard assets and records, promote operational efficiency and encourage adherence to prescribed policies.

What Are the Established Internal Controls of the KC-NCDDP?

The KC-NCDDP has established internal controls for both cash receipts and disbursements as follows. AIT checks whether these guidelines are effective and properly complied with by the BSPMC.

Cash Receipts Internal Control Guidelines

- a. Only the Treasurer is authorized to receive any check or cash contributions. He/She must issue pre-numbered Acknowledgement Receipt, duly accomplished, dated and issued in sequential order.
- b. The Barangay Assembly, through the information drive of the BSPMC shall be encouraged to set a day (or a meeting) when community members can give their cash contributions. This will lessen the number of times that the Treasurer will keep going back to the LBP branch since total collections can be deposited at one time.
- c. All checks and cash contributions received for the day must be kept in the cash box prior to deposit and should be deposited intact to the bank not later than the following banking day.
- d. The Audit and Inventory Committee and/or the Municipal Financial Analyst should make surprise cash counts of undeposited collections periodically.
- e. Bookkeeping functions should strictly be done by a person different from the one performing cashing functions in order to maintain check and balance.
- f. List of donors and amount donated should be posted in the Barangay hall for transparency purposes.

Cash Disbursement Internal Control Guidelines

- a. All disbursements must be supported by a Disbursement Voucher (DV).
- b. DVs must be pre-numbered, dated and used in sequential order.
- c. All DVs must be approved by the BSPMC Chairperson.
- d. Disbursements other than those from the petty cash fund or for payment of salaries and wages and cash advance should be made by check.
- e. Disbursements should never be made directly from cash receipts.
- f. Checks must be made payable to specific payee/s. Checks payable to cash or bearers are not allowed.
- g. Checks should be signed by the authorized signatories (i.e. BSPMC Chairperson, Treasurer, and Area Coordinator). The signing and

countersigning of checks should not be made without supporting documents. Blank checks should never be pre-signed.

- h. Verifying the sequence of check numbers when reconciling bank transactions should validate completeness of all checks used. Voided and spoiled checks must be properly marked CANCELLED and filed for future reference and inspection.
- i. Payee/s or person/s receiving the check should acknowledge receipt of payment by signing on the space designated in the corresponding DVs and issue OR/AR/RER.
- j. After payment, all DVs together with supporting documents should be stamped with the words: **PAID**

Petty Cash Fund Disbursement Internal Control Guidelines

- a. All disbursements must be supported by a Petty Cash Voucher.
- b. PCVs must be pre-numbered, dated and used in sequential order.
- c. All PCVS must be approved by the BSPMC Chairperson.
- d. Disbursements other than those from the petty cash fund or for payment of salaries and wages and cash advance should be made by check.
- e. Disbursements should never be made directly from cash receipts.
- f. Replenishment Checks must be made payable to specific payee/s. Checks payable to cash or bearers are not allowed.
- g. Checks should be signed by the authorized signatories (i.e. BSPMC Chairperson, Treasurer, and Area Coordinator). The signing and countersigning of checks should not be made without supporting documents. Blank checks should never be pre-signed.
- h. Verifying the sequence of check numbers when reconciling bank transactions should validate completeness of all checks used. Voided and spoiled checks must be properly marked CANCELLED and filed for future reference and inspection.
- j. Payee/s or person/s receiving the check should acknowledge receipt of payment by signing on the space designated in the corresponding DVs and issue OR/AR/RER.
- k. After payment, all PCFDVs together with supporting documents should be stamped with the words: **PAID**

LCC Internal Control Guidelines

- a. All LCC should be properly documented and recorded in the LCC In-Kind Journal. Supporting documents should be properly recorded and filed.
- b. The VLCC must be pre-numbered, dated and used in sequential order.
- c. All VLCC must be approved by the BSPMC Chairperson.

2.3 Performing Audit and Inventory

What Are Audit Objectives?

Generally, the objective of the internal audit is to ensure compliance by the communities with the provisions of the Community-Based Procurement and Finance Manuals and other existing government laws, rules and regulations and that Sub-Project funds are utilized as intended. Specifically, the internal audit is performed to guarantee the appropriateness and completeness of the documents supporting the claim and ascertain the validity, accuracy and completeness of the procurement and financial transactions and if not, to make sure that the same are corrected in the future.

How Frequent Should Audit be Undertaken?

Normally, audit is done through sampling. It means, audit is performed to **less than 100%** of the total transactions. Sampling is performed because it is more efficient and cost effective than auditing 100%.

But, in KC-NCDDP **sampling is NOT applicable**. It requires that all Requests for Fund Release are reviewed, all disbursement vouchers and supporting documents are examined and all financial books and reports are verified. The two main reasons are: 1) auditing at the community will not incur expenses and 2) one of the objectives of the Program is to empower communities and one of its mechanisms is to train community volunteers on the government processes, laws, rules and regulations and in managing public funds. Hence, requiring the AIT to audit 100% of the Sub-Project expenditures mean greater opportunity to build their capacities.

What Are Methods to Perform Audit?

There are several methods and procedures established to perform audit and are always accompanied by audit tools. The following are the deemed necessary methods to audit KC-NCDDP Sub-Project.

1. Posting checking – checking correctness of the book entries
2. Footing and Cross footing – checking the sum of a column of figures; comparing the sum of the columns with the sum of the rows
3. Physical examination and count – the act of counting the stacks of materials, number of laborers/workers, etc.
4. Confirmation – an audit inquiry
5. Inquiry – a written or verbal communication asking for positive or negative confirmation about a certain information
6. Observation – acquiring information from a primary source without having necessarily engaging into conversation
7. Inspection – an act of inspecting something in order to get desired information.

8. Tracing – it means following a specific financial information to its original document
9. Bank reconciliation – an act performed to reconcile cash balances between Book and Bank
10. Vouching - inspection of Disbursement Vouchers and supporting documents

How To Perform Audit?

Audit is performed in three major areas: Procurement, Disbursements and Reports. The following are minimum procedures that the AIT must undertake:

A. Procurement

Objective

The objective is to establish the validity of the approved Purchase Order or Contract.

Documents

Following are the documents to be checked:

1. Program of Works (POW) with detailed estimates
2. Variation/Change Order, if there's any
3. Planned Community Procurement Packaging (PCPP)
4. Minutes of Pre-Procurement
5. Canvass/Bid Forms
6. Minutes of Opening Canvass/Bid
7. Minutes of Evaluation of Canvass/Bid
8. Abstract of Canvass/Bid
9. Approved Purchase Order (PO) or Contract

Procedures

1. Check if items in PCPP are provided in the POW, Variation/Change Order.
2. Check if items indicated in the Approved PO/Contract are within the PCPP.
3. Foot and cross foot amounts in the Canvass/Bid Forms and Abstract of Canvass.
4. Check whether amount in the Canvass/Bid Form of the same supplier is the same in the Abstract of Canvass.
5. Check whether the winning supplier/contractor has the lowest complying quotation/bid per Abstract of Canvass/Evaluation of Bid
6. Compare dates of Abstract of Canvass/Bid, NOL (if required) and PO/Contract
7. If the transaction requires NOL, check if the same has been issued prior to awarding of PO/Contract

B. Disbursements

Objective

The objective is to guarantee the appropriateness and completeness of the documents supporting the claim.

Documents

Following are the documents to be checked:

- i) *Payment for Materials*
 - 1. Approved Purchase Order (PO) or Contract
 - 2. Delivery Receipts (DR)/Sales Invoices (SI)
 - 3. Official Receipt (OR)
 - 4. Disbursement Voucher (DV) and copy of Check issued
- ii) *Payment of Labor*
 - 1. Approved Payroll (CERS)
 - 2. Daily Time Record (logbook or equivalent)
 - 3. Disbursement Voucher (DV) and copy of Check issued
- iii) *Contract of Works*
 - 1. Approved Contract
 - 2. Contractor's Billing
 - 3. Inspection Report
 - 4. Disbursement Voucher (DV) and copy of Check issued

Procedures

- i) *Payment for Materials*
 - 1. Check completeness of supporting documents.
 - 2. Check DV if properly and completely filled up.
 - 3. Check amounts of DV, Check, OR & DR/SI.
 - 4. Check correctness of amount paid.
 - 5. Check if Unit Cost per DR/SI is the same per approved PO.
 - 6. Foot and cross foot DR/SI.
 - 7. Check if items delivered are inspected and accepted by authorized persons (proof of inspection and acceptance could be seen on the face of the approved PO/DR/SI).
 - 8. Compare dates of Delivery, Inspection and Issuance of Check.
 - 9. Conduct Inventory. Check if items in the PO are fully delivered per DR/SI at hand.
- ii) *Payment of Labor*
 - 1. Check completeness of supporting documents.
 - 2. Check DV if properly and completely filled up.
 - 3. Compare amounts of DV, check issued and payroll.
 - 4. Compute for total number of hours worked per individual based on the DTR/Logbook
 - 5. Compare number of hours worked per DTR/Logbook versus payroll (per individual)
 - 6. Check whether daily rate (cash + in-kind) is compliant with the local minimum wage order.
 - 7. Check payroll if fully signed by claimants.
 - 8. Compare signatures per DTR/Logbook versus payroll.

iii) Contract of Works

1. Check completeness of supporting documents.
2. Check DV if properly and completely filled up.
3. Check if items billed are within the approved Contract
4. Check if items billed are recommended for payment per Inspection Report

C. Reports

Objective

The objective is to ascertain correctness and reliability of financial reports.

Books and Reports

1. List of Checks Issued (LCI)
2. Notice of Fund Transfer (NFT)
3. Acknowledgment Receipts (AR)
4. Cash Book
5. LCC In-Kind Journal
6. Vouchers for Local Counterpart Contributions (VLCC)
7. Disbursement Vouchers (DV)
8. Status of Sub-Project Fund Utilization Report (SSPFUR)
9. Bank Reconciliation Statements
10. Bank Statements/Snapshots

Procedures

1. Post check cash receipt entries in the Cash Book on the basis of the Notice of Fund Transfers and Acknowledgment Receipts.
2. Verify correctness of List of Checks Issued by tracing entries to Disbursement Vouchers.
3. Post check cash disbursement entries in the Cash Book based on the verified LCI.
4. Post check LCC In-Kind Journal by tracing entries to VLCCs.
5. Foot and cross foot Cash Book and LCC In-Kind Journal.
6. Check whether cash balance end per Cash Book and SSPFUR for the same period are consistent.
7. Check whether total expenses under LCC-In Kind in the SSPFUR is consistent with the total in the LCC IK Journal for the same period.
8. Verify correctness of Bank Reconciliation Statement by comparing entries between Cash Book and Bank Statements.

Are There Tools Used to Perform Audit?

Yes. There are tools developed to help the AIT in performing audit. Please refer to Chapter 3.2 for the Tools.

Chapter 3

3.1 Audit Report

Pro-forma Audit Report

I. Activities

This portion shall contain procedures and methods used by the AIT to gather information related to Sub-Project Implementation. It's like a journal of what the Team does at a certain period.

For example:

July 27, 2014 – The AIT Head, Mang Orlando checked whether list of paid Laborers/Workers is posted in the BSPMC Office.

July 30, 2014 – Aling Gloria, member of the AIT examined the books maintained by the Community Bookkeeper.

II. Results of Audit or Observations

Based on the above activities, the following can be the results or observations:

1. Mang Orlando found that the list of laborers/workers posted in the BSPMC Office was dated three months ago. Succeeding lists were no longer posted.
2. The Community Bookkeeper failed to prepare a Bank Reconciliation for the months of May and June 2014.

III. Recommendations

Based on the above observations, the following course of actions can be recommended:

1. The Treasurer must immediately post lists of succeeding list of paid laborers/workers or the CERS to ensure full transparency.
2. In order to establish correctness and accuracy of the Sub-Project Fund Utilization Report, the Community Bookkeeper must prepare a Bank Reconciliation and attach to the said report at all times.

IV. Overall Assessment

Except for the above observations, the BSPMC has complied with the Program's financial systems and procedures. In order to strengthen internal controls, the BSPMC must ensure non-recurrence of these observations and that recommendations are carried out.

What is An Audit Report?

An audit report is a written opinion of an auditor regarding whether an entity's financial statements present fairly its financial position. This is written in a standard format, as mandated by generally accepted auditing standards (GAAS).

In KC-NCDDP where managed funds are mainly for Sub-Project implementation, an Audit Report required from the AIT is simple and can be written in local dialect (e.g. Cebuano, Tagalog, Maranao). At the minimum, the report must contain an opinion expressing an overall assessment from the financial examination of the BSPMC's activities, documents and reports. Below is a pro-forma of an AIT's Audit Report for guidance.

To Whom Should Audit Report be Submitted?

The Audit Report of AIT should be submitted to the Barangay Development Council (BDC). This is based on the provisions of the Local Government Code of 1991 (RA 7160) where the Local Development Council under Sec.109b is required to monitor and evaluate the implementation of national and/or local programs and project.

What Should BDC Do with the Audit Report?

Upon receipt of the Audit Report, the Barangay Development Council shall convene and decide on the actions to be undertaken following these guidelines.

- a. If audit report is **Unqualified**, meaning it does not contain negative observations but full affirmation that BSPMC complied with the KC-NCDDP community procurement and financial management systems and procedures, a copy of the report shall be forwarded to the BSPMC for information.
- b. In the case where audit report is **Qualified**, meaning the BSPMC generally complied with the KC-NCDDP community procurement and financial management systems and procedures **except** for some immaterial observations, the BDC shall write the BSPMC and require to provide comments or reply within 5 days.

Upon receipt of the comments or reply from the BSPMC, the BDC shall decide depending on the following:

1. If the BSPMC agrees with the observations stated in the Audit Report, the BDC shall require them to carry out audit recommendations and ensure non-recurrence.
 2. If the BSPMC disagrees with the observations, the BDC shall require the AIT to provide comments on the reasons provided by the BSPMC. After which, the BDC shall exercise good judgment and decide on the matter or raise to the Barangay Assembly.
- c. If audit report contains **Adverse** observations, meaning the BSPMC is found to have **gravely violated** the provisions in the KC-NCDDP community procurement and financial management systems and procedures (e.g. misprocurement, malversation of funds), the BDC shall require the Grievance Redress Team to handle the case. Thus, actions to be undertaken shall follow the policies, procedures and guidelines set forth in the Grievance Redress Manual.

At all times, Audit Reports should be posted in the BSPMC Office for everyone to see.

What Are the Important Reminders for AIT in Conducting Audit?

1. Don't forget to substantiate your findings.
2. Don't hesitate to ask to confirm what you're thinking. Always ask the Municipal Financial Analyst in cases of doubts and confusions.
3. Prepare Working Papers, use audit tools.
4. Findings should remain confidential until decided upon by the BDC.
5. Be armed/equipped with the KC-NCDDP community procurement and financial management systems and procedures

3.2 Audit Tools

What Is Audit Tool?

These are tools developed to help the AIT gather information. It provides the right questions to ask about a specific transaction.

When To Use These Audit Tools?

A. RFR Tools

- a. RFR: First Tranche - Upon receipt from the Barangay Treasurer which is within 15 days after the MIBF based on standard time.
- b. RFR: Second Tranche - Upon receipt from the Barangay Treasurer which is per standard should be within 5 days after grant fund balance is 10% of the first tranche received.
- c. RFR: Third Tranche - Upon receipt from the Barangay Treasurer which is per standard should be within 5 days after grant fund balance is 10% of the second tranche received.

B. Disbursement Vouchers/Reports

Since all Disbursement Vouchers and supporting documents are required to be submitted to the SRPMO thru the ACT on or before the 25th day of the following month, review must be conducted within the period indicated below.

Period	Day	Activity	Person
This Month	end of the month	*Cut-Off period	Treasurer
Following Month	1st to 5th day	*Forward DVs and supporting documents to Community Bookkeeper	Treasurer
	6th to 10th day	*Bookkeeping *Preparation of Reports	Community Bookkeeper
	11th to 15th day	*Review of DVs and supporting documents and Reports *Submission of Audit Report to BDC	AIT
	16th to 20th day	*Compliance to AIT Observations	BSPMC
	21st to 25th day	*Submission of DVs and supporting documents and Reports to the ACT	Treasurer

How To Use These Audit Tools?

These tools are simple and easier to follow. The first column names the particular document to be reviewed. In the second column are questions for a particular document that are answerable by “Yes” or “No”. If the answer is Yes, put Y in the third column otherwise, put N. If the answer is No, simply put the reasons why it is so. It is important to fill up the remarks column so that in the second round of review, the reviewer will only check on the documents previously with No answer.

The following are the tools to guide the AIT during audit:

Tool 1 – Request for Fund Release

Tool 2 – Disbursement

Tool 3 – Inventory of Materials

Tool 4 – Cash Cash

Tool No. 1 (Request for Fund Release)

RFR Documentary Requirements	Items to Check	Yes/No	Remarks (If, No)
Request for Fund Release	<ul style="list-style-type: none"> Is the requesting barangay approved as prioritized in the MDC Resolution? Is the SP title consistent with what is approved in the POW and MDC Resolution? Are the amounts of LCC, Community Grants, and TPC consistent with the approved amounts in the POW and MDC Resolution? Is the Bank Account Number consistent with the Account Number stated in the LBP Certification? Is the LBP Branch Name indicated in the RFR? Is the amount requested in accordance to the requirement indicated in the PCPP? Is the amount requested within 50%-80%? Is it signed by the BSPMC Chairperson? Is it signed by the Barangay Chairperson? 		
MIBF Resolution	<ul style="list-style-type: none"> Is the total amount of approved SPs within the municipal allocation? Does the total amount of LCC reached 30% of the total grant component? Is it approved by the Municipal Mayor? If not, check authority of signing individual in the resolution 		
SP proposal for Enterprise and HRD subprojects	<ul style="list-style-type: none"> Is the SP Proposal duly signed by the PPT Head and approved by the BSPMC Chairperson? 		
Program of Works with detailed estimates	<ul style="list-style-type: none"> Is it signed by the Municipal Engineer and approved by the BSPMC Chairperson? Is it duly signed by the authorized representative of the Donors? If not, are there LCC Certifications from Donors? 		
Enhanced Planned Community Procurement Packaging with Schedule of In-kind LCC	<ul style="list-style-type: none"> Is the total amount in the PCPP plus the total amount in the Schedule of IK LCC equal to the amounts in the POW and MDC Resolution? Is it signed by the PT Head, Municipal Engineer, and approved by the BSPMC Chairperson? 		
Bank Certification	<ul style="list-style-type: none"> Is the account name consistent with the requesting barangay? Is it signed by the LBP Branch Manager? 		
Photographs of the proposed site	<ul style="list-style-type: none"> For WS/Road, are there at least 3 photos? 		

Status of Subproject Fund Utilization	<ul style="list-style-type: none"> Is the grant fund balance equal to 10% or less of the 1st tranche released? If not, is there an approved PO or Progress Billing attached? Is the total cash balance equal to the cash available per bank snapshot? If not, is there a Bank Reconciliation Statement attached? In case of Outstanding Check/s, is there an attached proof of its issuance? (e. g. Official Receipt/s or DV/s duly signed by the payee?) 		
Physical Progress Report	<ul style="list-style-type: none"> Does its physical accomplishment meet the minimum requirement (based on the actual tranching system availed)? 		
Bank Statement	<ul style="list-style-type: none"> Is the account name consistent with the requesting barangay? 		
Operation and Maintenance Final Plan with Mutual Partnership Agreement	<ul style="list-style-type: none"> Is it approved by the BSPMC Chairperson? Is the MPA notarized? Is the MPA duly signed by the involved parties? Is it approved by the Donor? 		
Certification indicating the total cost of remaining materials to be procured and total cost of labor and other related expenditures to be incurred to complete the subproject	<ul style="list-style-type: none"> Is it signed by the PT Head, BSPMC Chairperson, and DAC? 		
Certification of any pending financial obligations e.g. unpaid delivered materials, services rendered but not yet paid (wages/ payroll) and other incurred but unpaid related expenditures	<ul style="list-style-type: none"> Is it signed by the Barangay Treasurer, BSPMC Chairperson and DAC? 		
Barangay Assembly resolutions confirming the certifications.	<ul style="list-style-type: none"> Is it approved by the BSPMC Chairperson? 		
Joint Inspection Report	<ul style="list-style-type: none"> Is the weighted average of physical accomplishment at least 90%? Is the estimated cost of remaining works consistent with the amount indicated in the Certification (#6)? If not, is there an attached Change Order? 		

Tool No. 2 (Disbursement)

Documents	Items to check	Y/N	Remarks
Disbursement Voucher	<ul style="list-style-type: none"> Is it chronologically numbered? Is the account title correct? Is it signed by the Treasurer and BSPMC Chairperson? <p>For payment of Goods/Works:</p> <ul style="list-style-type: none"> Is it dated on or after the certification from the AC/DAC, PPT and ME? Is the payee in the name of the Supplier? Are the details of the transaction indicated in the Particulars section (i.e. item for payment, tax computation)? Is the tax computation correct? Is the net payment correct? <i>[possible deduction: liquidated damages]</i> <p>For payment of labor:</p> <ul style="list-style-type: none"> Is the date after the covered period of the ERS? Is the payee the BSPMC Treasurer? Is the total amount paid equal to actual cash payment as indicated in the ERS? Is the covered period indicated in the Particulars of the DV the same as that of the ERS? <p>For PCF establishment:</p> <ul style="list-style-type: none"> Is the date on or after the Minutes of ExeCom 		

	meeting? <ul style="list-style-type: none"> Is the payee the BSPMC Treasurer? Is the total amount equal to the approved amount for PCF by the ExeCom? For PCF replenishment: <ul style="list-style-type: none"> Is the date on or after the last PCV? Is the payee the BSPMC Treasurer? Is the total amount equal to the actual petty cash spent or the total PCVs? 		
Certification from the AC or DAC, PPT and Municipal Engineer on the actual accomplishments of the Service Provider	<ul style="list-style-type: none"> Is it issued on or after the date of the Billing Statement? Is it signed by the AC or DAC, PPT, and ME? 		
Billing Statement	<ul style="list-style-type: none"> Is the total amount of billing within the contract cost? Is it signed by the Service Provider/Contractor? 		
Sales/Charge Invoice and/or Delivery Receipt	<ul style="list-style-type: none"> Is it dated on or after conformation of Supplier of the PO? Are the quantity, prices, and items delivered the same as in the PO? Was delivery made on or before the deadline? 		
Certification of Acceptance and Inspection (certification can also be indicated in the PO)	<ul style="list-style-type: none"> Is it dated on or after the delivery of materials/supplies (i.e. date of DR/SI/CI)? Is it signed by the MIT? 		
Purchase Order	<ul style="list-style-type: none"> Is it chronologically numbered? Is it dated on or after the abstract of canvass? Are the following properly filled up/marked? <ul style="list-style-type: none"> Date of canvass Place of delivery Deadline of delivery Mode of payment Is it signed by the BSPMC Chairperson and Treasurer with corresponding dates? Is it conformed by the Supplier with corresponding date? 		
Notarized Contract of Agreement	<ul style="list-style-type: none"> Is it duly notarized? Is the contract cost within the amount approved by the MIBF? Are the following properly filled up? <ul style="list-style-type: none"> Contracting party names and addresses Covered period of the contract Effective date of contract CTC of contracting parties 		
Notice of Award	<ul style="list-style-type: none"> Is it addressed to the winning Service Provider? Is it dated or after the Minutes of Evaluation? Is the amount equal to total evaluated cost of the winning Service Provider as indicated in the Abstract of Canvass? Is it signed by the PPT head or BSPMC Chairperson? Is it conformed by the Service Provider? 		
Minutes of Evaluation	<ul style="list-style-type: none"> Is it dated after the Opening of Canvass? Was there a quorum? Was it awarded to the Lowest Calculated Responsive Bid? Is it signed by the PT Head? Is it conformed by the BAC Chairman? Is it noted by the BSPMC Chairperson? 		
Abstract of Canvass	<ul style="list-style-type: none"> Is it dated after the Opening of Canvass? Is the winning Service Provider encircled? 		

	<ul style="list-style-type: none"> • Are the quotations indicated the same as in the Canvass Forms? • Is it signed by the members of the BAC? • Is it approved by the BSPMC Chairperson? 		
Minutes of Opening of Canvass	<ul style="list-style-type: none"> • Is the actual date and time of opening based on the scheduled date and time indicated in the Canvass Forms? • Is it signed by the PT Head? • Is it noted by the BSPMC Chairperson? 		
Canvass Forms	<ul style="list-style-type: none"> • Is it dated? • Is it addressed to a specific Service Provider? • Is the deadline (date and time) of submission indicated? • Is it signed by the Canvassers? • Is the validity of the quotation indicated? • Is it signed by the BSPMC Chairperson? • Is it conformed by the Service Provider? • Are there at least 3 canvasses from 3 different suppliers? • Are all canvass forms signed by at least two of the BAC members? 		
Minutes of pre-Procurement Meeting	<ul style="list-style-type: none"> • Is it signed by the Secretary? • Is it noted by the BSPMC Chairperson? 		
Employment Record Sheet	<ul style="list-style-type: none"> • Are the following properly filled up? • Covered period • Name of subproject • Name of barangay, municipality and province • Are the names listed has corresponding DTR? • Are the rates for skilled or laborers based on the approved daily rate as indicated in the POW? • Is the number of hours/days worked recorded per worker same with the number of hours/days in its corresponding DTR? • Is the sharing of cost for cash and bayanihan based on the cost-sharing in the approved POW (e.g. 70:30)? • Are the amounts for actual cash payment and bayanihan correct (e.g. cash payment = rate/day x no. of days worked x 70%)? • Is the summation for both cash and bayanihan correct? • Is the ERS duly signed by the following? • Prepared by: Procurement Team Head • Reviewed by: PIT Team Head, Treasurer • Approved by: BSPMC Chairperson 		
Daily Time Record	<ul style="list-style-type: none"> • Are the following properly filled up? • Name of Laborer? • Period covered? • Official hours? • Time In and Time Out? • Are the DTRs signed (or thumb marked if illiterate) by the laborer/skilled worker? • Are they certified correct by the PIT Head and approved by the BSPMC Chairperson? • Are the entries consistent with the entries (e.g. name of workers, time in and out) in the Logbook? 		
Statement of Work Accomplished with attached list of workers and their equivalent share. (Pakyaw Labor)	<ul style="list-style-type: none"> • Is the equivalent amount equal to the contract price multiplied by the % of accomplishment? • Are the work items same as indicated in the Contract of Agreement? If not, is the deviation with approved Supplemental Agreement? • Is it approved by the BSPMC Chairperson and certified by the DAC or ME? • Is the attached list of workers with its equivalent % of share duly signed by the Pakyaw Leader? 		

Training Completion report w/ attached attendance sheet	<ul style="list-style-type: none"> Is it signed by the payee? Is it approved by the BSPMC Chairperson? Is the attendance sheet attached? 		
Approved Training Design & Budget	<ul style="list-style-type: none"> Is the approved budget within the POW? 		
Minutes of Execom Meeting approving the amount of Petty Cash Fund	<ul style="list-style-type: none"> Does it approve the establishment of PCF? Is the amount approved not more than 10,000? Is it approved by the BSPMC Chairperson? 		
Petty Cash Liquidation Summary	<ul style="list-style-type: none"> Are all PCVs accounted for? Is the amount indicated per PCV correct based on the attached supporting document? Is the summation correct? Is the total amount more than 75% of the established PCF? Is it signed by the Treasurer? Is it reviewed by the AIC? (indicator: initial before the BSPMC Chairperson) Is it approved by the BSPMC Chairperson? 		
Petty Cash Vouchers with Supporting Documents	<ul style="list-style-type: none"> Is it dated? Is it chronologically numbered? Is it signed by the requesting party? Is it approved by the BSPMC Chairperson or the PIT Head? 		
Bank Guarantee for the 15% mobilization fee	<ul style="list-style-type: none"> Is it issued to the BSPMC Chairperson? Is the amount equal to the 15% mobilization fee? Is it duly signed by the issuing bank? Is it drawn from a reputable bank? Is it callable on demand? 		
DAC Certification that equipment and materials are already in the jobsite	<ul style="list-style-type: none"> Is the date on or after the Contractor's Billing Statement? Is it signed by the DAC? 		
Notice to Commence	<ul style="list-style-type: none"> Is the date on or after the posting of performance security? Is it addressed to the Contractor? Is it signed by the BSPMC Chairperson? Is it duly acknowledged by the Contractor or its authorized representative? 		
Performance Security	<p><i>Contractor has the option to retention fee instead of posting performance security</i></p> <ul style="list-style-type: none"> Is it issued to the Barangay? If cash, certified check, manager's or cashier's check, is it equivalent to 5% of the contract price? If bank guarantee, is it equivalent to 10% of the contract price? 		
RPMT No Objection Letter	<ul style="list-style-type: none"> Is the date on or after the evaluation of ItQ? Is it addressed to the BSPMC Chairperson? Is it stated that RPMT has no objection on the awarding of the contract to the Contractor? Is it signed by the RD or ARD? 		
Joint Inspection Report	<ul style="list-style-type: none"> Is it conducted on or after the Contractor's Billing Statement? Is the actual work accomplished equal or more to the declared accomplishment of the Contractor? Is it approved by the BSPMC Chairperson and concurred by the DAC and ME? 		
Contractor's Billing Statement	<ul style="list-style-type: none"> Is it an original copy showing the name of the Contractor and its address? Is it signed by the Proprietor or its authorized representative? 		

	<p><i>For first billing:</i></p> <ul style="list-style-type: none"> Is the work accomplished more than 20%? Is the equivalent amount of billing correct? (total contract cost x % of work accomplished) <p><i>For succeeding billing/s:</i></p> <ul style="list-style-type: none"> Is the equivalent amount of billing correct? [total contract cost x (% of total work accomplished – previous billing/s)] 		
Bid Security	<ul style="list-style-type: none"> Is it issued to the Barangay? Is the amount equal to 2% of the bid price? Is it duly signed by the issuing bank or the Proprietor in the case of checks? 		
Resolution to Award	<ul style="list-style-type: none"> Is the date on or after the post qualification report? Is the lowest calculated and responsive bidder indicated? Is it signed by the BAC members? 		
Accomplished BIR Form 1600 and 1601-E	<ul style="list-style-type: none"> Are the boxes properly filled up? Is the amount equal to the tax withheld for the month? Is it signed by the Treasurer? 		
Defects Liability Certificate issued by the Project Engineer	<ul style="list-style-type: none"> Is it signed by the Project Engineer? Is it dated after the defects liability period? Are there no pending issues discussed in the certificate? 		

Tool No. 3 (Inventory of Materials)

Document	Activity	Y/N	Remarks
Planned Community Procurement Packaging Purchase Order	<p>Preview inventory.</p> <p>Review the inventory several days in advance of the scheduled inventory count. If there are missing part numbers, or if items appear to be in a condition that would be difficult to count (such as not being bagged or boxed), notify the warehouse staff to make the necessary corrections.</p>		
Purchase Order Delivery Receipt	<p>Pre-count inventory.</p> <p>Go through the inventory several days in advance and count any items that can be placed in sealed containers. Seal them in the containers and mark the quantity on the sealing tape. This makes the counting task much easier during the actual count. If a seal is broken, then a counting team will know that they need to re-count the contents of a container.</p>		
	<p>1. Notify outside storage locations.</p> <p>If the company has any outside storage facilities or third-party locations that hold company inventory on consignment, notify them that they should count their inventory on hand as of the official count date and forward this information to the warehouse manager.</p>		
	<p>2. Count inventory.</p> <p>One person on each team counts a specific item within a bin location, and then the other person marks the bin location, item description, part number, quantity, and unit of measure on a count tag. The team affixes the original copy of the tag to the inventory item, and retains the copy.</p>		
	Prepare Report		

Tool No. 4 (Petty Cash Count)

CASH COUNT SHEET

Date of Cash Count: _____

Beginning Balance				xxxx
Less: Expenses				
Date	PCV No.	Particulars	Amount	
			xxxx	
			xxxx	
			xxxx	
			xxxx	
			xxxx	
			xxxx	
			xxxx	
			xxxx	
			xxxx	
			xxxx	
			xxxx	
		Total Expenses		xxxx
		Ending Balance		xxxx

Cash Count

Denomination	No. of Pieces	Amount
P1,000		
'500		
'200		
'100		
'50		
'20		
'10		
'5		
'0.25		
'0.10		
'0.05		
Total		

Cash Count conducted by:

In the presence of:

Audit & Inventory Committee Head

Barangay Treasurer

Chapter 4

4.1 Community Financial Monitoring

What Is Community Financial Monitoring?

It is a systematic tracking of the BSPMC's financial activities which starts from the approval of the Sub-Project Detailed Proposal to its implementation up to completion.

It also includes monitoring of the BSPMC's actions in carrying out audit recommendations. To do this, the AIT may attend BSPMC meetings and Barangay Assemblies to check whether a) audit recommendations has been disseminated, b) actions to carry out recommendations has been agreed upon and c) check progress on actions undertaken to carry out these audit recommendations.

What Are the Significant Financial Activities the AIT Should Monitor?

1. Approval of the Sub-Project Detailed Proposal during BA
 - Was the SP Detailed Proposal presented for approval during the Assembly?
 - Were all clarifications raised about the SP Detailed Proposal been sufficiently addressed?
 - Was there a majority approval of the presented SP Detailed Proposal?
2. Procurement Activities
 - Were goods procured in accordance with the provisions in the KC-NCDDP Community-Based Procurement Manual?
3. Request for Fund Release
 - Has Request for Fund Release (RFR) been submitted to the ACT within 15 days after MIBF approval of the subproject?
 - When Grant fund balance is 10% of the amount released, was an RFR been prepared and/or submitted to the ACT within five (5) days?
 - Were there Barangay Assemblies conducted to report financial status of the Sub-Project prior to the submission of RFRs?
4. Disbursement of Funds
 - Was grant fund utilized within one month after receipt?
 - Were funds utilized as intended?
5. Disclosure/Transparency
 - Is there a Sub-Project Signboard?
 - Is the Signboard periodically updated?
 - Are all financial reports including list of paid laborers/workers and Purchase Orders posted in the BSPMC Office for everyone to see?
6. Grievance Redress
 - Is there a Grievance Redress box installed?
 - Are all finance-related grievances responded or acted upon or resolved?
7. Closing of Account
 - Were all financial documents and related reports submitted to the COA thru the ACT?
 - Was community account closed after completion of the Sub-Project?