



Commission on Human Rights  
United Nations Development Programme



**PHI/02/011 – RIGHT TO DEVELOPMENT:  
STRENGTHENING INSTITUTIONAL CAPACITIES  
TO MAINSTREAM GENDER AND HUMAN RIGHTS**

# CHR Reengineering Project Budgeting and Cash Administration Systems

**DESIGN REPORT**

**OCTOBER 2003**

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Budgeting and Cash  
Administration Systems

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# CONTENTS

<b>EXECUTIVE SUMMARY</b>	iii
<b>CHAPTER 1 GENERAL INTRODUCTION</b>	
1 Overview of Context and Assumptions	1
2 Definition of Key Concepts	2
<b>CHAPTER 2 STRATEGIC REFORM MEASURES</b>	
1 Systems Definition	5
2 Reform Objectives	6
3 Proposed Reforms	6
<b>CHAPTER 3 MEDIUM-TERM BUDGETING</b>	
1 System Description and Context Overview	15
2 Policies	16
3 Core Processes	17
4 Responsibilities and Workflow	18
<b>CHAPTER 4 ANNUAL BUDGET PREPARATION</b>	
1 Annual Budget Preparation	19
2 Policies and Guidelines	21
3 Core Processes	23
4 Workflows	33
<b>CHAPTER 5 BUDGET EXECUTION AND CASH ADMINISTRATION</b>	
1 System Description	35
2 Policies and Guidelines	36
3 Core Processes	39
<b>CHAPTER 6 BUDGET MONITORING AND ACCOUNTABILITY</b>	
1 System Description	51
2 Design Considerations	52
3 Budget data Structure & Budgetary Accounts	53
4 Budget Tracking and Monitoring	55
5 Budget Performance Review and Reporting	60

**ANNEXES**

<b>A</b>	Medium-Term Budget	62
<b>B</b>	Budget Preparation	65
<b>C</b>	Budget Execution	67
<b>D</b>	Preparation of Work and Financial Plan	81

**ATTACHMENT**

<b>A</b>	Medium-Term Budget	119
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# **EXECUTIVE SUMMARY**

## **BUDGETING AND CASH ADMINISTRATION SYSTEMS**

### **1 INTRODUCTION**

- 1.1.1 The Commission on Human Rights of the Philippines (CHRP) enjoys fiscal autonomy pursuant to the Philippine Constitution and to Section 1(9), Chapter 1, Book VI of Executive Order No. 292.
- 1.1.2 The Philippine Constitution defines fiscal autonomy as it pertains to the Judiciary, providing that the “Appropriation for the Judiciary may not be reduced by the Legislature below the amount appropriated for the previous year and, after approval, shall be automatically and regularly released.” The Constitutional provision pertaining to the constitutional commissions states “The Commissions shall enjoy fiscal autonomy. Their approved annual appropriations shall be automatically and regularly released”.
- 1.1.3 Since the meaning of fiscal autonomy is not clear as to the extent of its implementation, any view, attempt, or action for its operationalisation in addition to what has been provided in the Constitution will require legislation. The design of the budgeting and cash administration systems of the CHRP will therefore be consistent existing government policies and rules of the government. The budgeting processes will be compatible with the existing policies of the Department of Budget and Management.

### **2 SYSTEMS DEFINITION**

#### **2.1 Budgeting System**

- 2.1.1 The budgeting system covers the whole gamut of policies, processes and activities required for the planning, preparation, administration and accounting of the CHRP's budget. The budgeting system designed for the CHRP has the following key components:
  - a) MEDIUM-TERM BUDGETING, the estimation of annual revenue and expenditure program over a six-year period, based on the objectives and targets in the Commission's strategic plan;

- b) ANNUAL BUDGET PREPARATION, a set of policies, processes and procedures for determining the aggregate level of the Commission's annual budget, and its prioritization and distribution among offices, programs and projects, expense classes, and objects of expenditures, consistent with the annual performance targets contained in the strategic plan;
- c) BUDGET EXECUTION, a set of policies, processes and procedures for implementing the approved annual budget; and
- d) BUDGET MONITORING AND ACCOUNTABILITY, a set of policies, processes and procedures for monitoring the status of implementation of the budget, and for evaluating and reporting its performance.

## 2.2 Cash Administration

2.2.1 Cash administration involves planning and controlling the use of cash. For CHRP, cash administration means the proper execution of the budget through efficient cash programming and management of disbursements. of funds and with the work program.

2.2.2 The CAS consists of policies and procedures covering the following:

- a) CASH PROGRAMMING. Cash programming involves properly relating the budgetary allocations with the availability of funds. In particular, it is the process of properly allocating to different programs the total cash that the CHRP expects to receive within a given period, as well as addressing particular cash requirements of the different CHRP offices. It involves estimating the amount required and identifying the time when cash would be received and when funds must be released to recipient programs and offices.
- b) DISBURSEMENTS. This covers appropriate and authorized processes of disbursing funds from the account of the CHR. It involves the transfer of funds from the central to regional offices, disbursements of funds to pay for obligations incurred, and disbursements for the requirements of the various constituencies of the CHRP.
- c) CASH REPORTING. This concerns the preparation of reports by the Regional Offices for submission to the Central office, internal management reporting, and reports preparation to meet the cash reportorial requirements of DBM and COA.

### **3 REFORM OBJECTIVES**

- 3.1.1 The Budgeting and Cash Administration Systems are designed in order to achieve the following reform objectives:
- a) To operationalize the fiscal autonomy of the CHRP;
  - b) To ensure proper linkage between plans and budgets;
  - c) To enhance the speed and timeliness of provision of funds to support programs, projects, and activities; and
  - d) To strengthen accountability and transparency of the budgeting and cash management processes.

### **4 PROPOSED REFORMS**

#### **4.1 Operationalisation of the CHRP's Fiscal Autonomy**

##### **STRENGTHENING OF THE ONE-LINE ITEM BUDGETING PROCEDURE FOR THE DETERMINATION OF THE DETAILS OF THE CHRP ANNUAL BUDGET**

- 4.1.1 The CHRP will adopt a one-line item budgeting process, to provide it with flexibility to allocate the appropriate ceiling for its various functions, programs, and projects. The basis of this one-line budget will be the budget ceiling that the DBM prescribes at the start of budget preparation. The entirety of the budget will be given to the CHRP without the need for review by both the DBM and the Legislature. It will be considered approved in the actual budget preparation and indicated in the National Expenditure Program (NEP) and General Appropriations Act (GAA).
- 4.1.2 The presentation of the CHRP budget in the NEP and GAA will be still be broken down into budget levels by expense class and by object of expenditures as determined by the CHRP, based on the ceiling issued by the DBM. Under this procedure, the DBM and Congress will limit its review to the compliance by the CHRP of pertinent budgetary and accounting laws. Where the CHRP budget may be inconsistent with existing laws, DBM and Congress will render an independent review and may advice the CHRP to modify its budget accordingly. But in now way will DBM and Congress unilaterally make alterations in the internal distribution of the CHRP's budget.

##### **RELEASE OF CASH TO CHR TO BE AUTOMATIC AND EQUAL TO THE AUTHORIZED BUDGET AND ALLOTMENT PROGRAM**

- 4.1.3 Consistent with the Constitutional provision, the approved annual appropriations of the CHRP will be automatically and regularly released. This can be made more meaningful if the CHRP appropriation and cash allotments are likewise automatically and regularly released, with cash releases equivalent to the regular allotments.

- 4.1.4 It is proposed that the cash to be released to the CHRP will be as indicated and scheduled under the Agency Budget Matrix.

## **4.2 Reengineering the Internal Budgeting Systems of the CHRP**

### BUDGETING SYSTEM REFORMS TO BE ANCHORED ON THE CURRENT BUDGET STRUCTURE OF THE CHRP

- 4.2.1 The present structure of the National Government budgeting presents the budget of the agencies in Program/Project/Activity structure. The P/A/P structure is further subdivided into General Administration, Support to Operations, and Operations. The budget appropriated for the expenses classes (PS, MOOE and CO) is moreover reflected for each program/project/activity under these categorizations.

### ADOPTION OF A MEDIUM-TERM BUDGETING

- 4.2.2 The budgeting system will enhance the prescience of the CHRP's policies and resource management decision-making through the installation of a medium-term budgeting system that is linked with the strategic plan. The medium-term budget and the strategic plan will provide the framework and parameters within which annual budgets will be formulated.

### PARTICIPATORY APPROACH IN CHRP BUDGETING

- 4.2.3 While full decentralization may not be possible immediately, the participation by all CHRP offices in the preparation, execution and accountability of the budget will nonetheless be strengthened. Regional and central offices will be given more substantive participation and decision-making authority in the determination of the annual amounts that can be provided in their budgets and for the actual spending thereof.

### CLEAR DISTINCTION BETWEEN THE POLICY FUNCTIONS AND EXECUTIVE AUTHORITY IN BUDGETING

- 4.2.4 To ensure sound budget planning, efficient expenditure management, and improved financial accountability, the separation between budget policy-making and budget administration should be clearly established and operationalized.
- 4.2.5 The medium-term budget and annual budget should be reviewed and approved by the Commission en Banc as these are policy level concerns, while the approval and administration of the allotment and cash program and the management of disbursements is the concern and within the authority and accountability of the Chairperson as the Chief Executive Officer of the CHRP. Any delegation of authority with respect to the management of expenditures to any or all central and regional offices is also an administrative authority which belongs to the Chairperson.
- 4.2.6 As a matter of principle any decision or issue that is not consistent with existing policies approved by the Commission En Banc will be brought thereto for decision.

- 4.2.7 The Regional Offices, however, will exercise a certain degree of delegated authority in the execution of their respective budget for regular operations, which includes only the mandatory PS and MOOE.

#### ADOPTION OF OBJECTIVE EXPENDITURES DETERMINATION PROCEDURE

- 4.2.8 The CHRP will adopt a standard/objective costing method in estimating certain expenditure item requirements of the different offices. Policies thereon should be very clear so that the office will be able to determine particularly how much it can get from the CHRP total budget.

#### ESTABLISHMENT OF THE EXPENDITURE CEILING FOR THE VARIOUS OFFICES

- 4.2.9 The participatory process will be operationalized through the issuance of expenditure ceilings for CHRP central and regional offices. The Chairperson in consultation with the Commissioners will determine the scope of such ceilings.
- 4.2.10 At the start of the budget preparation, expenditure ceiling per office will be determined. Each office will then identify and prioritize the activities that they want to accomplish within the budget year based on the strategic plan and the action plan and, on the basis of such exercise establish the breakdown of its expenditure ceilings. This will systematize the consolidation, and make easier the review process and evaluation of the individual office budget.

#### STRENGTHENING THE WORK AND FINANCIAL PLAN (WFP)

- 4.2.11 Based on the GAA, the CHRP will prepare its Work and Financial Plan (WFP) at the beginning of the year. The WFP will be the operational translation of the strategic plans and targets of the CHRP. It will reflect the priorities of the CHRP and its individual offices in terms of how it will spend its appropriations to undertake its functions and attain its objectives. The WFP will serve as the starting point in monitoring, evaluating, and managing the performance of offices, officials and staff of the CHRP.
- 4.2.12 The WFP prepared and approved by the Chairperson, in consultation with the CICs at the start of the year will be the basis for the allotment program, and cash release program of the various central and regional offices.

### **4.3 Strengthening the Cash Administration System of the CHRP**

#### FORMULATION OF CASH PROGRAM TO MEET THE CHRP'S PROGRAM NEEDS

- 4.3.1 The efficiency of cash administration is measured not by the savings that it generates at the end of the year but by how well CHRP is able to spend its total cash resources to finance the various programs and projects for the given year, and how effectively these programs and projects were accomplished.

- 4.3.2 Efficient and effective financing of the CHRP's programs and projects, especially those that accrue to its constituencies can be done through proper cash programming.

CASH RELEASES FROM CENTRAL TO REGIONAL OFFICES TO CONTINUE TO BE IN THE FORM OF CASH ADVANCE

- 4.3.3 While allotments of the different offices are released to them regularly on a monthly basis, the administration of cash will still be done by the FMO. Funding for the different obligations incurred by the Central Offices will be coursed through the FMO, while for Regional Offices, the amount of cash corresponding to their allotments will be released to them regularly in the form of cash advances.
- 4.3.4 Once the cash is transferred to the account of Regional Offices, the Regional Director will approve all disbursements. The Chairperson will exercise authority to incur obligations/approve fund disbursements of those items that are not allocated to the different offices.
- 4.3.5 Cash releases to the ROs will be made within 5 days after the Central Office receives the NCA from the National Government. Only the budget for regular operations will be transferred to the respective accounts of the ROs. Any request for use of funds out of the total unallocated portion of the CHRP budget will be coursed through the FMO for approval by the Chairperson.

CASH BALANCES IN THE REGIONS TO BE NOT MORE THAN ONE MONTH OF THE REGULAR OPERATIONS REQUIREMENT

- 4.3.6 The proposed releases of cash to the regions will be equal to the RO's monthly requirements, as indicated in the allotment program. However, if the bank statement and cash position reports of the RO at the end of the month is still enough to sustain the operations for the following month, the Central Office may opt to withhold the amount that is supposed to be transferred for the month and wait until the cash balance of the Regional Offices reaches the minimum replenishable balance.

#### **4.4 Strengthening the Accountability of the CHRP**

- 4.4.1 At the end of every month, the ROs will submit appropriate reports to the FMO on the status of their allotment, the total obligations incurred, and cash position. These reports will be the basis for the release of cash for the next period.
- 4.4.2 Transparency and accountability will apply to all operations, functions and transactions of the CHRP, as well as to all offices, officials and employees. Accountability will be strengthened through the setting up and operationalisation of transparent and periodic monitoring and reporting systems on accomplishments and on the CHRP's expenditures, transactions, programs and performance. Additionally, the functions, authorities, and responsibilities of the different offices will be re-defined to better pinpoint accountability.
- 4.4.3 The delegation of budgeting and budget decision-making functions authority and responsibility to the different offices, and cash the management to the regional

offices will be accompanied with corresponding accountability. The different CHRP offices are required to monitor, prepare and submit periodically reports on financial and physical accomplishments to the FMO, and to be answerable for their performance.

**4.5 Clear Vertical Compartmentalization of Budgeting and Cash Administration Functions Anchored on a Participatory Process**

4.5.1 Budget and cash administration functions, activities, and the corresponding tasks and decision-making will be defined at all levels in the CHRP's administrative hierarchy, anchored on the indicated participatory approach. Table 1 presents the proposed vertical compartmentalization of functions, task and decision making.

**TABLE 1  
 VERTICAL COMPARTMENTALIZATION OF BUDGETING ACTIVITIES AND DECISION-MAKING AUTHORITY**

ORGANIZATION UNIT	ACTITIVITES AND RESPONSIBILITIES BY PHASE IN THE BUDGET AND CASH ADMINISTRATION PROCESS		
	PLANNING AND PREPARATION	EXECUTION	ACCOUNTABILITY
Commission En Banc	Approve and issue policies and guidelines on medium-term and annual budget preparation  Approve the medium-term budget  Approve the annual budget		
Chairperson as Chief Executive Officer	Review and approve the annual budgetary ceilings of different offices based on the overall ceiling prescribed by the DBM  Review and recommend to Commission En Banc the policies and guidelines on medium-term and annual budget preparation  Review and recommend to Commission En Banc the 6-year medium-term budget  Review, process and issue budget preparation guidelines	Approve the CHRP obligation program, cash program, and allotment release program  Approve and issue budget execution policies and guidelines together with the, obligation program, cash program, and allotment release program  Determine and enforce delegation of budget execution responsibility and decision-making authority  Review and approve work and financial plans for expenditure items under Capacity Building and Special Programs and Projects and prioritize and program their release	Approve reporting system and performance monitoring and evaluation system and enforce compliance with reporting procedures  Approve and enforce disclosure policy on financial and physical operations  Submit accountability reports to NG oversight agencies and to Congress as required by law.  Approve direct publication of report on physical and financial performance.

ORGANIZATION UNIT	ACTITIVITES AND RESPONSIBILITIES BY PHASE IN THE BUDGET AND CASH ADMINISTRATION PROCESS		
	PLANNING AND PREPARATION	EXECUTION	ACCOUNTABILITY
	<p>Review and recommend for approval, with the assistance of the technical working group, the proposed expenditure program and other budget documents to the Commission En Banc</p>	<p>Approve requests for realignments, use of savings and income, accounts payables, prior years obligations, and other requests not otherwise consistent with the approved budget levels and distribution of different offices</p> <p>Approve requests of the different offices for non-regular allotment releases and cash releases</p> <p>Approve and direct changes in the allotment and release programs</p> <p>Approve and release allotments to different offices for expenditure items under Capacity Building and Special Programs and Projects</p>	
Financial Management Office (FMO)	<p>Prepare policies and guidelines on medium-term and annual budget preparation</p> <p>Formulate medium-term budget in coordination with the Planning and Development Office</p> <p>Propose allocation of expenditure ceiling among Central and Regional Offices</p> <p>Prepare and propose budget preparation policies and guidelines</p> <p>Review budget proposals of different offices and make recommendations thereon with the aid of the TWG</p>	<p>Develop and recommend budget execution policies and procedures</p> <p>Prepare and propose obligation/allotment release program based the approved CHRP budget and prior years continuing appropriations</p> <p>Prepare and propose cash program and release schedule based on the obligation program, and allotment program</p> <p>Prepare and propose budget execution guidelines</p> <p>Undertake semestral or periodic review and propose updates/revisions of allotment and cash programs if required</p> <p>Review and recommend proposed work and financial plans of the different offices</p>	<p>Develop indicators for evaluating financial performance</p> <p>Prepare and issue budget accountability guidelines and procedures</p> <p>Undertake periodic review of physical and financial operations, and performance of the different offices</p> <p>Undertake review and report on the financial and physical performance of the CHRP</p> <p>Prepare and submit physical and financial accountability reports required by management and National Government oversight agencies</p>

ORGANIZATION UNIT	ACTITIVITES AND RESPONSIBILITIES BY PHASE IN THE BUDGET AND CASH ADMINISTRATION PROCESS		
	PLANNING AND PREPARATION	EXECUTION	ACCOUNTABILITY
	<p>Consolidate recommended budget proposals and prepare and submit to the Chairperson for further review and approval</p> <p>Prepare and submit the budget documents as approved by the Commission to the DBM</p>	<p>Review and make recommendation on proposals by different offices on realignments, accounts payables, changes in allotment and cash programs, releases for non-regular budget items, and other budget execution matters</p>	
Executive Director		<p>Approve the incurrence of obligations consistent with the approved Obligation and Allotment Program</p> <p>Approve the cash advance of Regional Offices consistent with the cash release schedule for regular items approved by the Chairperson</p> <p>Approval of all cash transactions consistent with the approved obligation program</p>	
Regional Office/Offices in the Central Office	<p>Prepare the annual budget proposal based on expenditure ceiling and budget preparation guidelines approved by the Chairperson and its assessment of the unit's budget priorities and requirements</p>	<p>Prepare and submit work and financial plans and proposed allotment and cash release program based on the budget execution guidelines</p> <p>Administer/implement its approved allotment and cash programs to the extent of the cash advance provided by the central office</p> <p>Acquire/procure goods and services required in the operations of the Region within the amount of its available cash advance or in accordance with the approval of the Chairperson</p> <p>Review and process claims applications for obligation of allotment</p>	<p>Maintain up-to-date records of allotments and CDA s received, obligations incurred and obligations liquidated</p> <p>Prepare monthly, quarterly and annual financial and physical performance reports for submission to the Chairperson through the FMO</p>

## 5 MEDIUM-TERM BUDGETING

- 5.1.1 The medium-term expenditure plan is normally prepared during the first quarter of the year and is synchronized with the formulation of the strategic plan. The plans are formulated to cover a six-year horizon and broken down into three-year and annual components.
- 5.1.2 The Medium-term Budget will be developed within the goals, objectives, priorities and targets set forth in the Strategic Plan. Annual projections of aggregate expenditures will be anchored on:
- a) A medium-term resource generation plan which will estimate collections from the National Government budget and other resources such as donations and grants spread over six years, based on the strategic plan,
  - b) The CHRP's institutional development plan, which will define capacities for resource generation and its efficiencies and the capacity building requirements for plan implementation.
- 5.1.5 The composition and prioritization of expenditures will take due consideration of the resources required not only to maintain existing levels of efficiency but also to address resource gaps, and provide for resource requirements for institutional capacities to be built as defined in the strategic plan.

## 6 ANNUAL BUDGET PREPARATION

### 6.1 Annual Budget Preparation Process

- 6.1.1 Budget preparation starts with the CHRP receiving from the DBM its budget ceiling for the budget year. The budget ceiling prescribed by the DBM will be the total resource within which the allocation for activities, programs and projects of the CHRP will be programmed. The medium-term budget and action plans of the offices will be revisited to match the estimates and the programs and targets for the same year with the resources available. In particular, it involves the following key activities:
- A. PREPARATION OF BUDGET PREPARATION POLICIES AND GUIDELINES
- 6.1.2 To guide the budget preparation activity, the FMO will prepare, subject to the approval of the Commission En Banc, budget preparation guidelines, which will become the CHRP's internal Budget Preparation Policies and Guidelines. These guidelines will contain among others the following:
- a) The budget prioritization policies and procedures for the budget year, based among others on the approved strategic plan.
  - b) The computation methodologies for regularly provided items.
  - c) The formats to be accomplished in the preparation of the budget proposal.

- d) The timetable for the entire budget preparation process and the responsibilities of each office.
- 6.1.3 The budget preparation policies and guidelines should be in accordance with government budget laws and consistent with the budget preparation schedule of the national government as embodied in the National Budget Call.
- 6.1.4 The guidelines will contain the annual expenditure ceiling, and its breakdown into regular operations budget and its indicative ceilings per office, and the unallocated portion of the budget, which will be centrally decided. The guidelines will also include the process on how this unallocated portion will be utilized.
- B. FORMULATION AND ISSUANCE OF BUDGETARY CEILINGS OF OFFICES AND PROGRAMS**
- 6.1.5 Budget preparation will be based on the policies and priorities identified by the FMO and approved by the Commission En Banc based among others, on the approved strategic plans, policies and priorities of the CHR, which are for implementation in the budget year and the medium-term.
- 6.1.6 The total budget prescribed by the DBM at the start of the year will be disaggregated into items that are to be centrally decided and those that can be allocated among the different offices. Expenditures covered under the latter category would usually comprise of enhancement level or capacity-building level expenditures.
- 6.1.7 Expenditure items are to be centrally decided under the following conditions:
- a.1 If they require CHR-wide prioritization or standardization;
  - a.2 If they require prioritization or distribution to two or more offices;
  - a.3 If their utilization is subject to some performance criteria or qualification factors (such as cash rewards, bonuses or seniority pay); and
  - a.4 If they will finance developmental and other institutional improvement programs, whose distribution are yet to be decided during budget execution.
- 6.1.8 The budget that will be allocated to the different offices will be the budget for regular operations of the office or the mandatory PS and MOOE. These will be issued to the offices in the form of budget ceilings. Within their indicative ceilings the offices will be authorized to determine the detailed budget allocations. These will be submitted in the form of budget proposal to the Chairperson through the FMO.
- C. FORMULATION OF THE ANNUAL BUDGET PROPOSALS OF VARIOUS OFFICES**
- 6.2.9 The individual offices will prepare their respective budget proposals in accordance with their indicative ceilings and the Budget Preparation Guidelines. The different offices may also propose for particular programs or projects under unallocated

budget. The proposal for the unallocated portion must be within the overall ceiling, and will be subject to detailed review by the FMO and Technical Working Group.

#### D. TECHNICAL AND EXECUTIVE REVIEW OF THE PROPOSED BUDGET

6.2.10 The budget proposals submitted by each office will be subject to review, evaluation and recommendation of FMO and the TWG. Moreover, budget allocations identified by each office outside the regular operations budget will be subject to a detailed review by the TWG and its allocation and prioritization shall be properly identified for integration into the overall budget of the CHRP.

#### E. FINALIZATION OF THE CHRP BUDGET

6.2.11 The budget as recommended by the TWG will be submitted to the Chairperson for further review and evaluation, and recommendation and submission thereof to the Commission En Banc. The Commission En Banc will then deliberate and approve the proposed budget.

#### F. SUBMISSION OF THE CHRP BUDGET TO DBM

6.2.12 The Chairperson, as the Chief Executive Officer, will officially submit to the DBM the budget of the CHRP for inclusion in the BESF and NEP, which will in turn be submitted to Congress for approval in the form of GAA. The CHRP budget will not be subject to revision by either DBM or Congress. However, in the execution of the budget, the CHRP shall be subject to the existing budget, accounting, and auditing rules, policies, and procedures of the DBM and COA.

## 7 BUDGET EXECUTION AND CASH ADMINISTRATION

### 7.1 Policies and Guidelines

7.1.1 The CHRP will formulate and adopt its own budget execution policies, rules and regulations in accordance with existing budgetary laws. Any changes in the programmed budget, which may involve realignment, use of savings, and other related changes will be in accordance with the existing budgetary laws.

7.1.2 Accountability for the execution of the budget will be strengthened through the following measures:

- a) Clear vertical compartmentalization of responsibilities and decision making authority at all pertinent levels in the organization;
- B) Consistent application of the budget structure in the recording of budgetary transactions

## DECENTRALIZED BUDGET EXECUTION PROCESS

- 7.1.3 The execution of the total authorized budget of the CHRP will be decentralized. Such decentralization will be guided by the vertical compartmentalization of responsibility and decision-making authority between the central office and the regional offices as indicated hereunder:
- a) The budget of the various offices in the Central Office will be administered by the FMO. The allotment programming will be in accordance with the WFP prepared at the start of the year.
  - b) The Regional Offices will be responsible for the administration of their respective approved regular operations budgets in accordance with budget execution policies and guidelines to be issued by the Chairperson, and the approved cash release programs.
  - c) The budget for centrally decided expenditure items will be administered by the FMO. Request for the use of this budget shall be subject to approval by the Chairperson, even if the same has already been earmarked to a particular office based on the approved Work and Financial Plan.
  - d) Realignment of expenditures, use of savings and any changes in the implementation of the approved allotment program will require the evaluation of the FMO and the approval by the Chairperson.

## 7.2 Budget Execution and Cash Administration Processes

### A. PREPARATION OF WORK AND FINANCIAL PLANS

- 7.2.1 Work and Financial Plans (WFP) are prepared by various offices at the start of the year after the approval of the budget. WFP consists of the work program that each office will accomplish for the year and the financial plan which translates the work program into quantifiable activities. The WFP is the basis for the FMO in releasing obligation programs to the various offices.
- 7.2.2 The Strategic Planning and Development Office (SPDO) will prepare the guidelines for the preparation of the WFP. The guidelines will indicate the priority programs and projects of the CHRP.
- 7.2.3 The work program which is the translation of the CHRP strategic plan and targets for the year, shows in detail the functions, activities, programs, and projects that each office will accomplish for a particular year. This will be program the basis for estimating the financial requirements. It serves as the starting point in monitoring, evaluating and managing the performance of offices, officials, and staff of the CHRP. The work plan of the office shall be reviewed and approved by the respective Commissioners-in-Charge.
- 7.2.4 The financial plan is the programming of financial requirements of the various offices on a monthly, quarterly, semi-annual, and annual basis based on the approved work program. The financial plans of each office will be consolidated by the FMO and will

be reviewed by the Commissioner-in-Charge for Finance and Administration. The CIC for Finance and Administration will then recommend for approval the overall WFP to the Chairperson.

- 7.2.5 The approved WFPs will be the basis for the FMO in preparing the Obligation Program of the individual offices, and the Cash Release program for Regional Offices.

#### B. FORMULATION OF THE OBLIGATION PROGRAM

- 7.2.6 The obligation program will include all expenditures authorized under the enacted budget that are expected to be obligated during the year, unobligated appropriations/budgets of prior years which are continuing and to be utilized or obligated during the budget year.

- 7.2.7 The obligation program must clarify the details of the program in relation to cash availability, and allocation to the various functions, programs, and projects of the offices. Obligation program information may be presented in accordance with the budget structure, reflecting amounts programmed for each function and activity under regular operations; for each program, activity and project under the unallocated budget; broken down by expense class.

#### C. FORMULATION OF THE CASH PROGRAM

- 7.2.8 The Cash Program will be prepared based on the CHRP's Obligation Program. The cash releases of the cash program for the ROs will be consistent with the levels of approved quarterly allotment releases.

- 7.2.9 The total cash program is the total amount of available cash that will be committed to support obligations made from the current year enacted budget and continuing appropriations/budget of prior years, as well as, current and prior years' accounts payables that are programmed to be paid during the year. Thus, the cash program will be allocated between the funding requirement of continuing appropriations and the cash requirement of the budget year's authorized budget.

- 7.2.10 Cash releases will be made in accordance with the annual cash program as approved by the Chairperson. All cash release programs must be supported by a duly approved allotment program. No money will be allocated for activities/projects that are not specified in the allotment program.

- 7.2.11 In accordance with the allotment program, cash programming will be categorized into:

- a) Cash Program for Regular Operations
- b) Cash Program for the Unallocated/Centrally-Decided Budget

- 7.2.12 The Annual Cash Program for regular operations will be prepared by the FMO and approved by the Chairperson. Once approved the cash program will be disseminated

to the ROs. The cash program becomes the basis for the monthly release of cash to the ROs.

- 7.2.13 The cash program for programs, projects and activities which will be centrally-decided and unallocated to the different offices will be formulated by the FMO. The program will contain the total cash program for the year indicating where possible the expected schedule of releases. However, this cash program instrument will not be released to the Regional Offices nor earmarked for a particular office in the Central Office but will only serve as guide and benchmark for the eventual submission of budgetary requests therefore.
- 7.2.14 When the actual cash available is not sufficient to support the requirements, the requirements for personal services will be prioritized over the cash requirements for the MOOE.

#### D. FORMULATION OF THE ALLOTMENT PROGRAM

- 7.2.15 The allotment release program is the scheduling of the releases of allotments to the regional offices over the budget year period. The allotment release program is based on the obligation program and will be released on a quarterly basis.
- 7.2.16 After the approval by the Chairperson of the obligation program, cash program, allotment release program and cash release program for regular operations, the same will be released by the FMO regularly during the first week of the first month of each quarter without request. The Chairperson may delegate to the FMO Director the task of approving automatic and regular releases for allotments covering Regular Operations.
- 7.2.17 Releases of allotments for expenditures that are to be centrally-decided will be guided by the following:
- a) Offices requesting for expenditures for programs/projects or activities that are outside their regular operations budget will make a request for allotment from the FMO.
  - b) The FMO will undertake the review of the Offices' requirements and make recommendations for the same for the approval of the Chairperson. This request, when approved by the Chairperson will be an additional allotment to the requesting office.

#### E. FORMULATION AND ISSUANCE OF BUDGET EXECUTION GUIDELINES

- 7.2.18 Budget execution guidelines will be issued together with the issuance of the obligation and cash release program. Budget execution guidelines are prepared by the FMO and approved as well as issued by the Chairperson.

## F. INCURRENCE OF OBLIGATIONS

7.2.19 The incurrence of obligations will be sufficiently covered by allotment balances as reflected in the corresponding registry and shall be based on approved ALOBS. The ALOBS will be prepared for submitted claims applications that have been processed by the Budget Division and found to be correct and complete with respect to the required supporting documents evidencing the acquisition of goods and/or services and the consummation of the transaction.

## G. DISBURSEMENTS

7.2.21 The basic requirements applicable to all types of disbursements of the CHRP are:

- a) Existence of an appropriations law/legislative enactment and sufficient allotment certified as available by the BCAD;
- b) Existence of a valid obligation certified by the Accounting Manager;
- c) Legality of transactions and conformity with laws, rules and regulations;
- d) Submission of proper evidence to establish the claim; and
- e) Approval of the expense by the Executive Director or the Chairperson.

7.2.22 Checks will be drawn only on duly approved DV. These will be reported in the books of accounts only when actually released to the respective payees.

7.2.23 Every check will always have two signatories. One signatory will be the FMO Director or the BCAD Manager in the absence of the FMO Director, and the other will be the Executive Director or any of the Commissioners in the absence of the Executive Director for Central Office transactions, and the Regional Director and the Admin. and Finance Division Manager for Regional Office transactions.

### *Central Office Transactions*

7.2.24 The disbursement process starts with the party concerned requesting for allotments for specific expenditure items. This request for allotments or claim applications will be properly supported by Purchase Orders, Contracts, billings, payroll, and other similar documents duly approved by the Chairperson or the Executive Director, as the case may be, for Central Office transactions.

7.2.25 The DV and all its supporting documents, after the approval by the Executive Director or the Chairperson, will be returned to the BCAD for the preparation of the Check at an amount equal to that indicated in the DV. The check will be signed by either the head of BCAD and FMO Director on one hand, and the Executive Director. In the absence of the Executive Director, any of the Commissioner present may sign the check provided that the Disbursement Voucher is duly approved by the Executive Director.

*Regional Office Transactions*

- 7.2.26 The certification on the availability of the allotment in the ALOBS will be done by the Budget Officer, and the correctness and validity of obligations and funds availability, by the Financial and Management Officer.
- 7.2.27 The certification on the completeness, proper documentation and cash availability in the DV shall be done by the Financial and Management office and approval thereof will be done by the Regional Director.
- 7.2.28 There shall also be two signatories in the checks of the Regional Offices, the Regional Director and the Administrative and Financial Division Manager. In the absence of any of them, an Officer-in-charge shall be delegated.

## **8 BUDGET AND CASH MONITORING AND ACCOUNTABILITY**

- 8.1.1 Budget and cash monitoring and accountability is the last phase in the budget process. But in implementation, it starts to operate as soon as the budget of the CHRP is approved. It involves the following:
- a) Maintenance of budgetary accounts
  - b) Tracking and monitoring
  - c) Performance review and reporting
  - d) Records management
- 8.1.1 Budget and cash monitoring and accountability is important in maintaining the integrity of the budget and the processes for its planning, preparation and administration. It is also critical in ensuring accountability at individual, organization unit and institutional level.

# 1

## GENERAL INTRODUCTION

### 1 OVERVIEW OF CONTEXT AND ASSUMPTIONS

#### 1.1 Fiscal Autonomy of the CHR

1.1.1 The Commission on Human Rights of the Philippines enjoys fiscal autonomy pursuant to the Philippine Constitution and to Section 1(9), Chapter 1, Book VI of Executive Order No. 292.

1.1.2 However, the Fiscal Autonomy provision of the Constitution has not been clarified as to what extent it will be implemented. The Phil. Constitution defines fiscal autonomy through Article III Section 8, a provision pertaining to the Judiciary, which states that the “Appropriation for the Judiciary may not be reduced by the Legislature below the amount appropriated for the previous year and, after approval, shall be automatically and regularly released.” Article IX Section 5, which pertains to the Constitutional Commissions, states that, “The Commissions shall enjoy fiscal autonomy. Their approved annual appropriations shall be automatically and regularly released”. And Article XIII Section 17(4) merely states, “The approved appropriations of the Commission (*referring to the CHR*) shall be automatically and regularly released.” In practice, the budget process for the CHR operates like those of the other constitutional commissions.

1.1.3 Since the meaning of fiscal autonomy is not clear as to the extent of its implementation, any view, attempt, or action for its operationalisation in addition to what is referred to in the provisions cited above, will require legislation. This design report, will therefore have to reckon with existing policies and rules of the government. The budgeting process as adopted in this report will be consistent or compatible with the existing policies of the Department of Budget and Management.

#### 1.2 Sources of CHR Funds

1.2.1 As a service organization, the CHR cannot venture into revenue generating activities, as its mandate is to focus on the protection and promotion of human rights. Thus, the resources of the CHR mainly comes from the annual budget support of the National Government and any other financial assistance provided by various donor agencies such as ODA Institutions, NGOs, and other International Organizations.

## 1.3 Scope and Focus of the Design Report

- 1.3.1 This report will focus on the management of the National Government budget support to the CHRP, from budget preparation to budget execution and accountability. It will also discuss in detail the policies, processes, and procedures on the proper administration and operations of cash and cash allocations coming from the National Government. Budgeting and Cash Administration are two separate systems with distinct components but which must be seamlessly integrated in order to have a sound and efficient financial management.
- 1.3.2 The financial assistance provided by the various donor agencies are covered by Memorandum of Agreements and that the use of its funds are particularly earmarked for the purpose stated in the Agreement. Therefore, they do not form part of the overall financial resources of the CHRP which can be used in its operations. It is in this context that financial assistance from donor agencies are excluded in this report. However, the policies and processes, and the accounting treatment for such will be discussed in detail in the Financial Accounting System, a separate report component under the Financial Management System.

## 2 DEFINITION OF KEY CONCEPTS

- 2.1.1 For purposes of this detailed technical design report, the following concepts and terms are defined as follows:
- a) ALLOCATION is the act of assigning or distributing funds/resources in indicated amounts for each office, among programs, projects and activities, among expense classes, among objects of expenditures, between central and regional offices, or among other identified expenditure categories.
  - b) ALLOTMENTS are authorizations issued by the Chairperson to any of its offices to incur obligations/expenditures within a specified amount, purpose and expenditure class.
  - c) ALLOTMENTS OBLIGATED are expenditures incurred by offices out of approved/released allotments.
  - d) AMOUNT OF CASH RELEASED/ISSUED represents a portion of the cash program, which has been released to the offices for payment of expenditures incurred or for the payment of accounts payable.
  - e) BUDGET is an estimated schedule of expenditures, based on either obligations or cash concepts and sources of financing, either from revenues, borrowings or cash balance drawdowns.
  - f) BUDGETING is the process whereby an organization prioritizes, allocates/assigns funds/resources among its agencies or offices, among expenditure classes and among functions, activities, programs and projects.

- g) BUDGET YEAR is the 12-month period of time, corresponding to a calendar year for which payments and/or budgetary decisions are planned.
- h) CAPITAL OUTLAYS are appropriations or budget provisions for the purchase of goods or services the benefits of which extend beyond the fiscal year and which add to the assets of the government.
- i) CASH PROGRAM is the estimated cash outlay or withdrawals scheduled for regular or special releases from the general fund during the fiscal year for use in its operations, in accordance with the approved budget and allotment program.
- j) CONTINUING APPROPRIATIONS/BUDGETS are appropriations available to support obligations for a specified purpose or project the timeframe beyond the fiscal year when it was appropriated/approved.
- k) CURRENT OPERATING EXPENDITURES are appropriations or budget provisions for the purchase of goods and services for current consumption or whose benefits are expected to terminate within the fiscal year.
- l) EFFECTIVENESS is the extent to which the objectives of a given activity have been achieved.
- m) EFFICIENCY is the relationship between outputs and the resources used to produce them.
- n) EXPENDITURES refer to all non-repayable and non-repaying payments made by a government agency whether for current expenditures or for capital outlays.
- o) FUNCTION refers to the regular undertakings of the CHR based on its legal mandate that are necessary for the performance of the major purpose(s) for which it is established.
- p) GRANTS are unrequited, non-repayable, non-compulsory payments made to an institution or individual (whether citizens, national or international).
- q) OBLIGATIONS are amounts committed to be paid by an agency incurring them which arise from an act of a duly authorized administrative officer, and which binds the agency to the eventual payment of a sum of money.
- r) OBLIGATIONS LIQUIDATED are expenditures/obligations incurred for which cash payments have been made.
- s) OBLIGATIONS UNLIQUIDATED represent expenditures/obligations incurred that have not yet been paid and continue to be recorded in the books of accounts as payable.
- t) PROGRAM refers to a homogenous group of activities that cut across functions and organizational units, has a limited life span of more than ten years and result in the accomplishment of identifiable and pre-defined outputs.

- u) PROJECT refers to a special set of activities that cut across functions and organizational units, has a limited life span of less than ten years and has identifiable and pre-defined outputs.
- v) REGULAR OPERATIONS refers to the budgetary level allocated for Personal Services (PS) and Maintenance and Other Operating Expenses (MOOE) of the CHRP that are considered mandatory.
- w) UNOBLIGATED ALLOTMENTS are allotments issued for incurrence of expenditures/obligations that remain unincurred at the end of the fiscal year when the allotments were issued.

# 2

## STRATEGIC REFORM MEASURES

### 1 SYSTEMS DEFINITION

#### 1.1 Budgeting System

1.1.1 The budgeting system covers the whole gamut of policies, processes and activities required for the planning, preparation, administration and accounting of the CHRP's budget. The budgeting system designed for the CHRP has the following key components:

- a) MEDIUM-TERM BUDGETING, the estimation of annual revenue and expenditure program over a six-year period, based on the objectives and targets in the Commission's strategic plan;
- b) ANNUAL BUDGET PREPARATION, a set of policies, processes and procedures for determining the aggregate level of the Commission's annual budget, and its prioritization and distribution among offices, programs and projects, expense classes, and objects of expenditures, consistent with the annual performance targets contained in the strategic plan;
- c) BUDGET EXECUTION, a set of policies, processes and procedures for implementing the approved annual budget; and
- d) BUDGET MONITORING AND ACCOUNTABILITY, a set of policies, processes and procedures for monitoring the status of implementation of the budget, and for evaluating and reporting its performance.

#### 1.2 Cash Administration

1.2.1 Cash administration involves planning and controlling the use of cash. For CHRP, cash administration means the proper execution of the budget through efficient cash programming and management of disbursements. of funds and with the work program.

1.2.2 The CAS consists of policies and procedures covering the following:

- a) CASH PROGRAMMING. Cash programming involves properly relating the budgetary allocations with the availability of funds. In particular, it is the process of properly allocating to different programs, projects, and activities, the

total cash that the CHRP expects to receive within a given period, as well as addressing particular cash requirements of the different CHRP offices. It involves estimating the amount required and identifying the time when cash would be received and when funds would be released to recipient programs and offices.

- b) **DISBURSEMENTS.** This covers appropriate and authorized processes of disbursing funds from the account of the CHR. It involves the transfer of funds from the central to regional offices, disbursements of funds to pay for obligations incurred, and disbursements for the requirements of the various constituencies of the CHRP.
- c) **CASH REPORTING.** This concerns the preparation of reports by the Regional Offices for submission to the Central office, internal management reporting, and reports preparation to meet the cash reportorial requirements of DBM and COA.

## **2 REFORM OBJECTIVES**

2.1.1 The Budgeting and Cash Administration Systems are designed in order to achieve the following reform objectives:

- a) To operationalize the fiscal autonomy of the CHRP;

This design report will show the context within which the fiscal autonomy for the CHRP will be operationalized within the existing rules and policies of the government.

- b) To ensure proper linkage between plans and budgets;

Strategic Plans define the outcome that an organization wants to achieve. The financial requirements of these plans should be properly identified and linked to the available resources in order to realize the desired outcomes.

- c) To enhance the speed and timeliness of provision of funds to support programs, projects, and activities; and
- d) To strengthen accountability and transparency of the budgeting and cash management processes.

## **3 PROPOSED REFORMS**

### **3.1 Operationalisation of the CHRP's Fiscal Autonomy**

3.1.1 Fiscal autonomy as mandated in the Constitution provides that appropriations should not be reduced by the legislature below the amount appropriated for the previous year and after approval, shall be automatically and regularly released.

- 3.1.2 Previous years' approved CHRP budget shows that the Constitutional provision had not been faithfully followed. The approved appropriation of the CHRP in 1998 of P181.558M was reduced to P167.549M in 2000, and from P197.424M of 2002 to 196.868M in 2003.
- 3.1.3 The detailed review and scrutiny of the budget by the DBM and the legislature erodes the fiscal autonomy of the CHRP, as it is actually these institutions who determine the actual budget of the CHRP, from the provision of the budget ceiling to the approval of the same. This system renders the CHRP vulnerable to political pressure and undue influence.
- 3.1.4 The CHRP, to effectively function, should be financially independent. As watchdog of the government, it should be financially secured so that no CHRP official action or decision will affect its budget allocation.
- 3.1.5 The budgeting and cash management system will operationalize fiscal autonomy in the CHRP through the following:

STRENGTHENING OF THE ONE-LINE ITEM BUDGETING PROCEDURE FOR  
THE DETERMINATION OF THE DETAILS OF THE CHRP ANNUAL BUDGET

- 3.1.6 The budget is considered one-line if it is presented in the budget document as a one-item without disaggregation as to expense class and object of expenditures. The CHRP together with the other agencies that enjoy fiscal autonomy was supposed to have been granted this type of budgeting already in the 2003. In the National Expenditure Program (NEP), their budgets were presented in totals per expense class. Though it was not broken down into object of expenditures and program/activity/project component, during deliberations in the DBM their recommended budget was reviewed and scrutinized by the DBM and the ultimately it was still DBM who determines the details of the CHRP's annual expenditure program. The essence of the one-line item budget therefore was not respected.
- 3.1.7 This design report recommends that the CHRP assert its fiscal autonomy through a one-line item budgeting process, which will provide the CHRP the flexibility to allocate the appropriate ceiling for its various functions, programs, and projects. The basis of this one-line budget will be the budget ceiling that the DBM prescribes at the start of budget preparation. The entirety of the budget ceiling will be given to the CHRP in full, without the need to be reviewed and deliberated on by both the DBM and the Legislature, and will be considered approved in the actual budget formulation, to be presented in the NEP and General Appropriations Act (GAA).
- 3.1.8 The presentation of the CHRP budget in the NEP and GAA will still be broken down into budget levels by expense class and object of expenditures as determined by the CHRP based on the ceiling issued by the DBM. Under this procedure, the DBM and Congress will limit its review to the compliance by the CHRP of pertinent budgetary and accounting laws. Where the CHRP budget may not be consistent with existing laws, DBM and Congress shall render an independent review and may advise the CHRP to modify its budget accordingly. But in no way will DBM and Congress unilaterally make alterations in the internal distribution of the CHRP's budget.

RELEASE OF CASH TO CHR TO BE AUTOMATIC AND EQUAL TO THE  
AUTHORIZED BUDGET AND ALLOTMENT PROGRAM

- 3.1.9 The Constitution provides that, “The approved annual appropriations of the Commission shall be automatically and regularly released.” This can be made more meaningful if the CHRP appropriation and cash allotments are automatically and regularly released, with cash releases likewise equivalent to the regular allotments.
- 3.1.10 It is proposed that the cash to be released to the CHRP will be that scheduled in the Agency Budget Matrix.

**3.2 Reengineering the Internal Budgeting Systems of the CHRP**

BUDGETING SYSTEM REFORMS TO BE ANCHORED ON THE CURRENT  
BUDGET STRUCTURE OF THE CHRP

- 3.2.1 The present structure of the National Government budgeting presents the budget of the agencies in Program/Project/Activity structure. The program is further subdivided into General Administration, Support to Operations, and Operations, which is further subdivided into expenses classes, PS, MOOE, and CO.
- 3.2.2 To ensure consistency with the national government budget structure, the reforms in the budgeting systems and procedures of the CHRP will be anchored on its existing PPA structure.

ADOPTION OF A MEDIUM-TERM BUDGETING

- 3.2.3 The budgeting system will enhance the prescience of the CHRP’s policies and resource management decision-making through the installation of a medium-term budgeting system that is linked with the strategic plan. The medium-term budget and the strategic plan will provide the framework and parameters within which annual budgets will be formulated.

PARTICIPATORY APPROACH IN CHRP BUDGETING

- 3.2.4 While the CHRP budget and financial operations are too limited in scope and extent to be properly decentralized, participation in the preparation, execution and accountability of the budget will be strengthened.
- 3.2.5 Regional and central offices will be given more substantive participation and decision making in the determination of the annual amounts of relevant components in their budgets and for the actual spending thereof.

CLEAR DISTINCTION BETWEEN THE POLICY FUNCTIONS AND EXECUTIVE  
AUTHORITY IN BUDGETING

- 3.2.6 To ensure sound budget planning, efficient expenditure management, and improved financial accountability, the separation between budget policy-making and budget administration should be clearly established and operationalized.

- 3.2.7 The medium-term budget and annual budget should be reviewed and approved by the Commission en Banc as these are policy level concerns, while the approval and administration of the allotment and cash program and the management of disbursements is the concern and within the authority and accountability of the Chairperson as the Chief Executive Officer of the CHRP. Any delegation of authority with respect to the management of expenditures to any or all central and regional offices is also an administrative authority which belongs to the Chairperson.
- 3.2.8 As a matter of principle any decision or issue that is not consistent with existing policies approved by the Commission En Banc will be brought thereto for decision.
- 3.2.9 The Regional Offices, however, will exercise a certain degree of delegated authority in the execution of their respective budget for regular operations which includes only the mandatory PS and MOOE.

#### ADOPTION OF OBJECTIVE EXPENDITURES DETERMINATION PROCEDURE

- 3.2.10 The CHRP will adopt a standard/objective costing method in estimating certain expenditure item requirements of the different offices. Policies thereon should be very clear so that the office will be able to determine particularly how much it can get from the CHRP total budget.

#### ESTABLISHMENT OF THE EXPENDITURE CEILING FOR THE VARIOUS OFFICES

- 3.2.11 The participatory process will be operationalized through the issuance of expenditure ceilings for CHRP central and regional offices. The Chairperson in consultation with the Commissioners will determine the scope of such ceilings.
- 3.2.12 At the start of the budget preparation, expenditure ceiling per office will be determined. Each office will then identify and prioritize the activities that they want to accomplish within the budget year based on the strategic plan and the action plan and, on the basis of such exercise establish the breakdown of its expenditure ceilings. This will systematize the consolidation, and make easier the review process and evaluation of the individual office budget.

#### STRENGTHENING THE WORK AND FINANCIAL PLAN (WFP)

- 3.2.13 Based on the enacted General Appropriations Act, the CHRP will prepare its Work and Financial Plan at the beginning of the year. The WFP will be the operational translation of the strategic plans and targets of the CHRP. It will reflect the priorities of the CHRP and its individual offices in terms of how it will spend its appropriations to undertake its functions and attain its objectives. The WFP will serve as the starting point in monitoring, evaluating, and managing the performance of offices, officials and staff of the CHRP.
- 3.2.14 The Work and Financial Plan prepared and approved by the Chairperson, in consultation with the CICs at the start of the year will be the basis for the allotment program, and cash release program of the various central and regional offices.

### **3.3 Strengthening the Cash Administration System of the CHRP**

#### FORMULATION OF CASH PROGRAM TO MEET THE CHRP'S PROGRAM NEEDS

- 3.3.1 The efficiency of cash administration is measured not by the savings that it generates at the end of the year but by how well CHRP is able to spend its total cash resources to finance the various programs and projects for the given year, and how effectively these programs and projects were accomplished.
- 3.3.2 Efficient and effective financing of the CHRP's programs and projects, especially those that accrue to its constituencies can be done through proper cash programming.

#### CASH RELEASES FROM CENTRAL TO REGIONAL OFFICES TO CONTINUE TO BE IN THE FORM OF CASH ADVANCE

- 3.3.3 While allotments of the different offices are released to them regularly on a monthly basis, the administration of cash will still be done by the FMO. Funding for the different obligations incurred by the Central Offices will be administered by the FMO, while for Regional Offices, the amount of cash corresponding to their allotments will be released to them regularly in the form of cash advances. Once the cash is transferred to the account of Regional Offices, the Regional Director will approve all disbursements. The Chairperson will exercise authority to incur obligations/approve fund disbursements of those items that are not allocated to the different offices.
- 3.3.4 Cash releases to the ROs will be made within 5 days after the Central Office receives the NCA from the National Government. Only their budget for regular operations will be transferred to the respective accounts of the ROs. Any request for use of funds out of the total unallocated portion of the CHRP budget will be coursed through the FMO for approval by the Chairperson.

#### CASH BALANCES IN THE REGIONS TO BE NOT MORE THAN ONE MONTH OF THE REGULAR OPERATIONS REQUIREMENT

- 3.3.5 The proposed releases of cash to the regions will be equal to the ROs' monthly requirements, as indicated in the allotment program. However, if the bank statement and cash position report of an RO at the end of the month shows that it is still enough to sustain the operations for the following month, the Central Office may opt to withhold the amount that is supposed to be transferred for the month and wait until the cash balance of the RO reaches the minimum replenishable balance.

### **3.4 Strengthening the Accountability of the CHRP**

- 3.4.1 At the end of every month, the ROs will submit appropriate reports to the FMO on the status of their allotment, the total obligations incurred, and cash position. These reports will be the basis for the release of cash for the next period.
- 3.4.2 Transparency and accountability will apply to all operations, functions and transactions of the CHRP, as well as to all offices, officials and employees. Accountability will be strengthened through the setting up and operationalisation of

transparent and periodic monitoring and reporting systems on accomplishments and on the CHRPs expenditures, transactions, programs and performance. Additionally, the functions, authorities, and responsibilities of the different offices will be re-defined to better pinpoint accountability.

3.4.3 The delegation of budgeting and budget decision-making functions authority and responsibility to the different offices, and the management of cash to the regional offices will be accompanied with corresponding accountability. In this regard, the different offices are required to monitor, prepare and submit periodic reports on financial and physical accomplishments to the Financial Management Office, and to be answerable for their performance. Hence, organizational units at all levels, and all officials and employees shall be held accountable for their performance in accordance with their respective functions and responsibilities.

**3.5 Clear Vertical Compartmentalization of Budgeting and Cash Administration Functions Anchored on a Participatory Process**

3.5.1 Budget and cash administration functions, activities, and the corresponding tasks and decision-making will be defined at all levels in the CHRPs administrative hierarchy, anchored on the indicated participatory approach. Table 1 presents the proposed vertical compartmentalization of functions, tasks and decision-making.

**TABLE 1  
 VERTICAL COMPARTMENTALIZATION OF BUDGETING AND CASH ADMINISTRATION  
 ACTIVITIES AND DECISION-MAKING AUTHORITY**

ORGANIZATION UNIT	ACTIVITIES AND RESPONSIBILITIES BY PHASE IN THE BUDGET PROCESS		
	PLANNING AND PREPARATION	EXECUTION	ACCOUNTABILITY
Commission En Banc	Approve and issue policies and guidelines on medium-term and annual budget preparation  Approve the medium-term budget  Approve the annual budget		

ORGANIZATION UNIT	ACTIVITIES AND RESPONSIBILITIES BY PHASE IN THE BUDGET PROCESS		
	PLANNING AND PREPARATION	EXECUTION	ACCOUNTABILITY
Chairperson as Chief Executive Officer	<p>Review and approve the annual budgetary ceilings of different offices based on the overall ceiling prescribed by the DBM</p> <p>Review and recommend to Commission En Banc the policies and guidelines on medium-term and annual budget preparation</p> <p>Review and recommend to Commission En Banc the 6-year medium-term budget</p> <p>Review, process and issue budget preparation guidelines</p> <p>Review and recommend for approval, with the assistance of the technical working group, the proposed expenditure program and other budget documents to the Commission En Banc</p>	<p>Approve the CHRP obligation program, cash program, and allotment release program</p> <p>Approve and issue budget execution policies and guidelines together with the, obligation program, cash program, and allotment release program</p> <p>Determine and enforce delegation of budget execution responsibility and decision-making authority</p> <p>Review and approve work and financial plans for expenditure items under Capacity Building and Special Programs and Projects and prioritize and program their release</p> <p>Approve requests for realignments, use of savings and income, accounts payables, prior years obligations, and other requests not otherwise consistent with the approved budget levels and distribution of different offices</p> <p>Approve requests of the different offices for non-regular allotment releases and cash releases</p> <p>Approve and direct changes in the allotment and release programs</p> <p>Approve and release allotments to different offices for expenditure items under Capacity Building and Special Programs and Projects</p>	<p>Approve reporting system and performance monitoring and evaluation system and enforce compliance with reporting procedures</p> <p>Approve and enforce disclosure policy on financial and physical operations</p> <p>Submit accountability reports to NG oversight agencies and to Congress as required by law.</p> <p>Approve direct publication of report on physical and financial performance.</p>

ORGANIZATION UNIT	ACTIVITIES AND RESPONSIBILITIES BY PHASE IN THE BUDGET PROCESS		
	PLANNING AND PREPARATION	EXECUTION	ACCOUNTABILITY
Financial Management Office (FMO)	<p>Prepare policies and guidelines on medium-term and annual budget preparation</p> <p>Formulate medium-term budget in coordination with the Planning and Development Office</p> <p>Propose allocation of expenditure ceiling among Central and Regional Offices</p> <p>Prepare and propose budget preparation policies and guidelines</p> <p>Review budget proposals of different offices and make recommendations thereon with the aid of the TWG</p> <p>Consolidate recommended budget proposals and prepare and submit to the Chairperson for further review and approval</p> <p>Prepare and submit the budget documents as approved by the Commission to the DBM</p>	<p>Develop and recommend budget execution policies and procedures</p> <p>Prepare and propose obligation/allotment release program based the approved CHRP budget and prior years continuing appropriations</p> <p>Prepare and propose cash program and release schedule based on the obligation program, and allotment program</p> <p>Prepare and propose budget execution guidelines</p> <p>Undertake semestral or periodic review and propose updates/revisions of allotment and cash programs if required</p> <p>Review and recommend proposed work and financial plans of the different offices</p> <p>Review and make recommendation on proposals by different offices on realignments, accounts payables, changes in allotment and cash programs, releases for non-regular budget items, and other budget execution matters</p>	<p>Develop indicators for evaluating financial performance</p> <p>Prepare and issue budget accountability guidelines and procedures</p> <p>Undertake periodic review of physical and financial operations, and performance of the different offices</p> <p>Undertake review and report on the financial and physical performance of the CHRP</p> <p>Prepare and submit physical and financial accountability reports required by management and National Government oversight agencies</p>
Executive Director		<p>Approve the incurrence of obligations consistent with the approved Obligation and Allotment Program</p> <p>Approve the cash advance of Regional Offices consistent with the cash release schedule for regular items approved by the Chairperson</p> <p>Approval of all cash transactions consistent with the approved obligation program</p>	

ORGANIZATION UNIT	ACTIVITIES AND RESPONSIBILITIES BY PHASE IN THE BUDGET PROCESS		
	PLANNING AND PREPARATION	EXECUTION	ACCOUNTABILITY
Regional Office/Offices in the Central Office	<p>Prepare the annual budget proposal based on expenditure ceiling and budget preparation guidelines approved by the Chairperson and its assessment of the unit's budget priorities and requirements</p>	<p>Prepare and submit work and financial plans and proposed allotment and cash release program based on the budget execution guidelines</p> <p>Administer/implement its approved allotment and cash programs to the extent of the cash advance provided by the central office</p> <p>Acquire/procure goods and services required in the operations of the Region within the amount of its available cash advance or in accordance with the approval of the Chairperson</p> <p>Review and process claims applications for obligation of allotment</p>	<p>Maintain up-to-date records of allotments and CDA s received, obligations incurred and obligations liquidated</p> <p>Prepare monthly, quarterly and annual financial and physical performance reports for submission to the Chairperson through the FMO</p>

# 3

## MEDIUM-TERM BUDGETING

### 1 SYSTEM DESCRIPTION AND CONTEXT OVERVIEW

- 1.1.1 Medium-term budgeting is the process of estimating the six-year budgetary requirements of programs, projects and activities to be implemented by agencies in order to achieve their goals, objectives and targets indicated in the strategic plan. Medium-term budgeting is undertaken within the context of a financial planning system, a process of reconciling goals and targets and their spending requirements with projections of resources that can be realistically generated.
- 1.1.2 Revenue and expenditure plans are often called financial plans. In the government, a financial plan covers a six-year time horizon. The six-year plan is usually sliced into rolling three – year plans, with annual programs, which provide a clearer indication of spending details based on more predictable operations and targets. The annual program becomes the basis for the determination of the annual budget ceiling and the preparation of the details of the annual budget.
- 1.1.3 The medium-term expenditure plan is normally prepared during the first quarter of the year and is synchronized with the formulation of the strategic plan. The plans are formulated to cover a six-year horizon and broken down into three-year and annual components. The plans are updated every year in accordance with changes in priorities and resource generation scenarios and assumptions.
- 1.1.4 A medium-term expenditure planning is on the other hand the process of providing prescience in present decisions by placing them within the context of a multi-year picture of goals, objectives, programs, resources and expenditures. The specific objectives of a medium-term expenditure planning are as follows:
- Provide better information on the medium-term costs of current expenditure policies in order to give more latitude for initiating changes in budget policy that may take more than one year to implement; and
  - Show the links between capital expenditures and future recurring costs in order to facilitate analysis of the budgetary implications of investments over the medium-term (Campo and Tommasi, 1999)
- 1.1.5 The Medium-term Budget will be developed within the goals, objectives, priorities and targets set forth in the Strategic Plan. Annual projections of aggregate expenditures will be anchored on:

- a) A medium-term resource generation plan which will estimate collections from the National Government budget and other resources such as donations and grants spread over six years, based on the strategic plan,
  - b) The CHRP's institutional development plan, which will define capacities for resource generation and its efficiencies and the capacity building requirements for plan implementation.
- 1.1.6 The composition and prioritization of expenditures will take due consideration of the resources required not only to maintain existing levels of efficiency but also to address resource gaps, and provide for resource requirements for institutional capacities to be built as defined in the strategic plan.

## 2 POLICIES

- 2.1.1 The following will guide the conduct of medium-term budgeting activities of the CHRP.

### STRATEGIC PLAN-DRIVEN EXPENDITURE PLANS

- 2.1.2 The formulation of the medium-term expenditure plan will be anchored on a set of objectives and strategies, as well as annual performance targets set forth in the strategic plan. The medium-term expenditure plan must thus be able to establish the relationship between the prioritization, mix and level of resources to outputs and outcome targets in the strategic plan.

### DISTINCTION BETWEEN REGULAR OPERATING EXPENDITURE REQUIREMENTS AND REQUIREMENTS FOR ONE-TIME INVESTMENTS

- 2.1.3 In presenting medium-term expenditure projections, annual expenditure requirements for regular operations must be separated from expenditure requirements for one-time investments (such as infrastructure, information technology, and other capital outlays), as well as first-time expenditures required to expand operations (such as additional investigators).
- 2.1.4 Under this scheme, the expenditure impact of reforms and enhancements can be evaluated more incisively, while funds for regular operations can be assured on a sustained basis. However, care should be taken to ensure that the impact of one-time enhancements and public investments on regular operations are addressed and provided for in the planning of expenditures for regular operations.

### 3 CORE PROCESSES

3.1.1 The preparation of the medium-term budget will involve the following core processes:

#### UPDATING OF COST ESTIMATES OF ON-GOING PROGRAMS

3.1.2 The updating of the cost estimates of ongoing programs is done before the start of the annual budget preparation process. This involves the determination of recurring expenditures in the current year budget and adjusting the said recurring expenditures to cover provisions for pensions, terminal leave, retirement gratuity, etc., intended for prospective retirees during the year, as well as for inflation. An estimation of the annual expenditure implications of current policies and ongoing projects for the medium-term will also be undertaken.

#### ESTIMATION OF THE BUDGETARY IMPLICATIONS OF POLICY CHANGES

3.1.3 This involves determination and estimation of the budget implications of changes in policies such as the reform program, enhancement measures, increased performance targets, or new programs, whether these involve upward or downward expenditure adjustments. The estimates will be integrated into the projected annual expenditure implications of current policies and ongoing projects in the medium-term.

#### PREPARATION OF SIX-YEAR EXPENDITURE PROGRAM

3.1.4 The six-year expenditure program is the sum of the cost requirements of on-going programs and the budgetary implications of policy changes with an implementation roll-over feature depending on funds availability, actual implementation and absorptive capacity.

3.1.5 In determining the annual expenditure projection for the next six-years the budget personnel should have a reasonable assessment of the government's medium-term fiscal program and how it impacts on the potential annual budget share of the CHRP for the next six-years.

3.1.6 It is by creating a balance between the projected funding needs of the CHRP and the projected government resource availabilities and national expenditures that a reliable medium-term expenditure program for the CHRP is possible.

#### ANNUAL AND THREE-YEAR UPDATING OF THE MEDIUM-TERM EXPENDITURE PROGRAM

3.1.7 The six-year expenditure program is updated annually based on the actual budget performance and changes in the requirements in the remaining years.

3.1.8 The six-year expenditure program would usually have a three-year program which presents in more detail the medium-term budget. The three-year projection will facilitate the annual budget preparation and annual budget performance evaluation and therefore also facilitates the updating of the remaining years' projections.

- The procedures for its preparation is similar to those applied in annual budget preparation, except that the bases for computation are tentative and subject to revision.
- Non-implementation of these tentative budget items during the budget year will mean revising implementation schedules and corresponding budgetary requirements, as well as, adjusting the proposed three-year budget program during the succeeding year's budget preparation exercise.

## **4 RESPONSIBILITIES AND WORKFLOW**

- 4.1.1 The Financial Management Office (FMO) will be primarily responsible for the preparation of the medium-term budget. The Strategic Planning and Development Office (SPDO) will, on the other hand, provide strategic plan and institutional review inputs. The SPDO will ensure that the strategic plan provides adequate information that will allow the costing of its annual activities, inputs and targets.
- 4.1.2 Annexes A-1 and A-2 reflect the flow of the processes involved in the preparation of the medium-term budget.
- 4.1.3 Attachments A-1 and A-2 are the forms that will be used in the preparation of the medium-term budget.

# 4

## ANNUAL BUDGET PREPARATION

### 1 ANNUAL BUDGET PREPARATION

#### 1.1 System Description

- 1.1.1 Annual budget preparation is a set of policies and processes for the formulation of the CHRPs expenditure program for the indicated budget year that will support the one-year implementation of the priorities and activities as well as accomplishment of targets set forth in the strategic plan.

#### 1.2 Annual Budget Preparation Process

- 1.2.1 Budget preparation starts with the CHRPs receiving from the DBM its budget ceiling for the budget year. The budget ceiling prescribed by the DBM will be the total resource within which the allocation for activities, programs and projects of the CHRPs will be programmed. The medium-term budget and action plans of the offices will be revisited to match the estimates and the programs and targets for the same year with the resources available. In particular, it involves the following key activities:

##### A. PREPARATION OF BUDGET PREPARATION POLICIES AND GUIDELINES

- 1.2.2 To guide the budget preparation activity, the FMO will prepare, subject to the approval of the Commission En Banc, budget preparation guidelines, which will become the CHRPs internal Budget Preparation Policies and Guidelines. These guidelines will contain among others the following:

- a) The budget prioritization policies and procedures for the budget year based, among others, on the approved strategic plan.
- b) The computation methodologies for regularly provided items.
- c) The formats to be accomplished in the preparation of the budget proposal.
- d) The timetable for the entire budget preparation process and the responsibilities of each office.

- 1.2.3 The budget preparation policies and guidelines should be in accordance with government budget laws and consistent with the budget preparation schedule of the national government as embodied in the National Budget Call.

- 1.2.4 The guidelines will contain the annual expenditure ceiling, and its breakdown into regular operations budget and the indicative ceilings per office, and the unallocated portion of the budget which will be centrally decided. The guidelines will also include the process on how this unallocated portion will be utilized.

B. FORMULATION AND ISSUANCE OF BUDGETARY CEILINGS OF OFFICES AND PROGRAMS

- 1.2.5 Budget preparation will be based on the policies and priorities identified by the FMO and approved by the Chairperson based, among others, on the approved strategic plans, policies and priorities of the CHRP, which are for implementation in the budget year and the medium-term.

- 1.2.6 The total budget prescribed by the DBM at the start of the year will be disaggregated into items that are to be centrally decided and those that can be allocated among the different offices. Expenditures covered under the latter category would usually comprise of enhancement level or capacity-building level expenditures. The FMO should develop policies and criteria that will guide the determination of the distribution of these items and, together with the expenditure ceilings, and submit them for approval by the Chairperson.

- 1.2.7 Expenditure items are to be centrally decided under the following conditions:

- a.1 If they require CHRP-wide prioritization or standardization;
- a.2 If they require prioritization or distribution to two or more offices;
- a.3 If their utilization is subject to some performance criteria or qualification factors (such as cash rewards, bonuses or seniority pay); and
- a.4 If they will finance developmental and other institutional improvement programs, the distribution of which are yet to be decided during budget execution.

- 1.2.8 The budget that will be allocated to the different offices will only be the budget for regular operations of the office or the mandatory PS and MOOE. These will be issued to the offices in the form of budget ceilings. Within their indicative ceilings the offices will be authorized to determine the detailed budget allocations. These will be submitted in the form of budget proposal to the Chairperson through the FMO.

C. FORMULATION OF THE ANNUAL BUDGET PROPOSALS OF VARIOUS OFFICES

- 1.2.9 The individual offices will prepare their respective budget proposals in accordance with their indicative ceilings and the Budget Preparation Guidelines. The different offices may also propose for particular programs or projects under the unallocated budget. The proposal for the unallocated portion must be within the overall ceiling, and will be subject to detailed review by the Technical Working Group.

#### D. TECHNICAL AND EXECUTIVE REVIEW OF THE PROPOSED BUDGET

- 1.2.9 The budget proposals submitted by each office will be subject to review, evaluation and recommendation of the TWG. Moreover, budget allocations identified by each office which are outside the regular operations budget will be subject to a detailed review by the TWG and its allocation and prioritization shall be properly identified for integration into the overall budget of the CHRP.

#### E. FINALIZATION OF THE CHRP BUDGET

- 1.2.11 The budget as recommended by the TWG will be submitted to the Chairperson for further review and evaluation, and recommendation and submission thereof to the Commission En Banc. The Commission En Banc will then deliberate and approve the proposed budget.

#### F. SUBMISSION OF THE CHRP BUDGET TO DBM

- 1.2.12 The Chairperson, as the Chief Executive Officer, will officially submit to the DBM the budget of the CHRP for inclusion in the BESF and NEP which will in turn be submitted to Congress for approval in the form of GAA. The CHRP budget shall not be subject to revision by either DBM or Congress. However, in the execution of the budget, the CHRP shall be subject to the existing budget, accounting, and auditing rules, policies, and procedures of the DBM and COA.

## 2 POLICIES AND GUIDELINES

- 2.1.1 Reforms in the CHRP budget preparation system will continue the operationalisation of fiscal autonomy, through the following:

- a) Prioritization and detailed allocation by CHRP of its annual budget ceiling without review and revision by the DBM, provided that it does not exceed the prescribed budget ceiling.
- b) Translation of the program and activity priorities of the strategic plan into budgetary terms, and ensuring the prioritization of spending items.

For example, the prioritization of spending priorities will involve making choices between funding the projects or programs of those performing the mission-critical functions over those that are for support functions, or funding those activities that have longer term/wider impact over direct/individual assistance. A careful balance shall be made between providing direct assistance to the constituents and the long term goal or interest of the CHRP organization.

- c) The preparation of the CHRP annual budget will be guided by the following:
  - c.1 On the basis of the approved annual budget ceiling, the FMO will determine the amount that will be appropriated for regular operations which will be allocated to the different offices, and those that will be centrally decided.

- c.2 Based on the allocation of the total budget, the FMO will recommend to the Chairperson the expenditure ceiling of each of the offices. The CHRP offices will then prepare their respective annual budget proposals, guided by the budget preparation policies and guidelines issued by the Chairperson, and the approved budget ceilings.
- d) Consistent with the financial accounting system, the budget preparation process will adopt a cost-center budgeting procedure which will identify expenditure allocations by accountable units, namely:
- Legal and Investigation Office;
  - Assistance and Visitorial Office;
  - Instruments and Monitoring Office;
  - Education and Research Office;
  - Government Cooperation Office;
  - NGO and Media Cooperation Office;
  - Strategic Planning and Development Office;
  - Office of the Chairperson
  - Office of the Commissioner-in-Charge
  - Office of the Executive Director
  - Office of the Commission Secretary
  - Financial Management Office
  - General Administration Office
  - Regional Offices (15)
- e) The CHRP's budget will reflect expenditure allocations for each function, program, activity and project under each office. Lump-sum expenditures where eventual allocations are to be decided by the Chairperson will be reflected as a separate item in the overall CHRP budget.
- f) The Chart of Accounts as indicated in the New Government Accounting System (NGAS) prepared and issued by COA, will be used for budgeting purposes.

### 3 CORE PROCESSES

#### A. FORMULATION AND APPROVAL OF EXPENDITURE CEILINGS

- 3.1.1 The total expenditure ceiling prescribed by the DBM to the CHRP for the indicated budget year will be the basis for the preparation of the budget ceilings for regular operations which will be allocated to the different offices, and the budget that will be centrally decided.
- 3.1.2 The regular operations budget will consist of the current year mandatory expenditure requirements such as PS, and MOOEs. The total Regular Operations budget when broken down into budget ceiling per office will be the basis for the preparation, submission, review and eventual approval of the annual budgets of the offices concerned.
- 3.1.3 The budget ceiling for regular operations can be estimated by evaluating the previous year's expenditures of the particular office and the action plan of the office for the budget year. Different macro-economic factors, such as inflation rates, will also have to be considered in the preparation.
- 3.1.4 The budget that will be centrally decided will be synchronized with the strategic plans and targets and properly reviewed and evaluated based on the prioritization criteria of the CHRP. The budget allocation for the same must be synchronized with the annual targets of the Strategic Plan as translated into the Medium-term Expenditure Plan.
- 3.1.5 The Financial Management Office (FMO) will be responsible for the estimation of the budget ceilings. These proposed indicative ceilings will be submitted to the Chairperson for review and approval.

#### *BUDGET PRIORITIZATION*

- 3.1.6 Prioritization is the ranking, in the order of importance, of activities and programs for which a defined amount of expenditures is required to be provided. Prioritization requires selecting from exclusive options that can be ranked in the order of importance. The ranking of importance will be based on prioritization factors that will be formulated by the FMO and approved by the Chairperson.
- 3.1.7 The budget for Regular Operations is mandatory for the performance of the functions of the offices. Thus, only the unallocated portion of the budget will undergo a detailed review and evaluation. If the total unallocated budget cannot accommodate the entire planned developmental activities, the prioritization process will be applied. Such prioritization will consider both technical and political factors that promote or deter the eventual effectiveness of the application of said expenditures. Factors to be considered in the prioritization may include, among others, any or several of the following:
- a) Degree of contribution to achievement of CHRP's mandate of protecting and promoting human rights such as the following:

- a.1 Investigation and resolution of various human rights cases;
  - a.2 Provision of legal and financial assistance to human rights victims and their families;
  - a.3 Advocacy or stakeholder awareness and education;
  - a.4 Collaboration with government and non-government organizations; and
  - a.5 Efficient support systems and procedures.
- b) Expenditures that support dysfunction or problem-solving programs and activities such as the following examples:
- b.1 Lack of investigators;
  - b.2 Deficient performance monitoring systems;
  - b.3 Lack of basic equipment (purchase of photocopying machines, fax machines, filing and storage cabinets).
- 3.1.8 The application of the above factors and their translation into quantifiable prioritization methodology is a continuing challenge for the FMO and the Commissioners. The selection of the factors that are most relevant for the budget year is a product of continuing research, which will eventually be guided by the strategic plan, the prior years' performance, assessment of existing capacities and operations and the perspectives of the Commissioners.

#### *EQUITY AND EQUALITY CONSIDERATIONS IN BUDGETING*

- 3.1.9 The importance of equity and equality considerations in the preparation of the annual budget cannot be overemphasized. Equity and equality are both technical and organizationally political issues that must be translated into meaningful, applicable and quantifiable budget distribution methodologies.
- 3.1.10 For purposes of this design report, equity means providing in accordance with one's needs. Equity budgeting uses such distribution methods as percentage share, organization and manpower size, geographical coverage, and/or caseload. Equity budgeting juxtaposes organizational needs determined by size, geographical coverage, workload and other scope-determining factors with corresponding computation of share per defined unit, such that the greater the need, the greater the budget would be. Applying equity factors in budgeting would best be anchored on standards and costing methodologies such as: standard equipment specifications for each position rank, standard office equipment for each office, or standard other benefits for each position level. The determination of budgetary levels would simply involve applying standard cost to the number to be provided.
- 3.1.11 Equity budgeting also applies to the prioritization of expenditures that address problems and deficiencies. For example, offices that have more deficient equipment in relation to prescribed standards can be prioritized over those that are comparatively better equipped.

3.1.12 Equality means providing equal amounts without consideration of need, size or organizational/individual rank. Equality in budgeting presupposes that certain needs are the same throughout the organization. Examples of expenditures based on equality include uniform allowance, MOOE budgets for each director, or cost of living allowance for each rank-and-file employee. Equality budgeting can likewise be done best through the use of costing standards that will allow simple computation of amounts by the number of defined recipient individuals or units.

**B. SUBMISSION, REVIEW AND APPROVAL OF THE EXPENDITURE CEILINGS**

3.1.13 The FMO will prepare and submit to the Chairperson the proposed expenditure ceilings for the indicated budget year, which will contain the following key components:

- a) The proposed policies and assumptions that guided the determination and allocation of the expenditure ceilings
- b) The specific criteria and quantifiable methodologies for the derivation of the overall expenditure ceiling and its allocation between regular operations and the unallocated portion of the budget.
- c) The criteria and methodologies for the determination of the expenditure ceilings of the different offices which will comprise of the following:
  - Definition of prioritization, equity and equality factors
  - Expenditure ceiling computation methodology/procedure/formulae
- d) The expenditure ceilings, which will contain the information, reflected in the following indicative tables:

**TABLE 2**  
**CHRP EXPENDITURE PROGRAM, YEAR \_\_\_\_**  
**Per Program, Project, Activity**  
**In PhP**

PARTICULARS	PS	MOOE	CO	TOTAL
A. PROGRAMS				
1. General Administration and Support				
2. Support to Operations				
3. Operations				
TOTAL PROGRAMS				
B. PROJECTS				
Project A				
Project B				
TOTAL PROJECTS				
TOTAL EXPENDITURE PROGRAM				

**TABLE 3**  
**CHRP EXPENDITURE PROGRAM, Year \_\_\_\_**  
**BREAKDOWN INTO EXPENDITURE CEILINGS BY OFFICES, in PhP**

OFFICES/PROGRAMS	PS	MOOE	CO	TOTAL
REGULAR OPERATIONS				
Legal and Investigation Office				
Assistance and Visitorial Office				
Instruments and Monitoring Office				
Education and Research Office				
Government Cooperation Office				
NGO and Media Cooperation Office				
Strategic Planning and Development Office				
Office of the Chairperson				
Office of the Commissioner-in-Charge				
Office of the Executive Director				
Office of the Commission Secretary				
Financial Management Office				
General Administration Office				
Regional Offices				
Region 1				
Region 2				
Region n				
UNALLOCATED BUDGET				
<b>TOTAL EXPENDITURE PROGRAM</b>				

NOTE: EXPENDITURE CEILINGS FOR THE DIFFERENT OFFICES COMPRISE ONLY OF THE BUDGET FOR REGULAR OPERATIONS (MANDATORY PS AND REGULAR MOOE). BUDGETS FOR CAPITAL OUTLAYS AND PROJECTS AS WELL AS NON-REGULAR MOOE WILL BE PRESENTED AS KITTY FOR WHICH THE VARIOUS OFFICES WILL SUBMIT PROPOSALS.

- 3.1.14 The proposed expenditure ceilings, together with the policies and guidelines will be submitted by the FMO to the Chairperson for review and approval.
- 3.1.15 Once approved, the expenditure ceilings together with the policies and guidelines will be officially issued and will provide the basis for the development of the specific budget preparation guidelines and the actual preparation of budget proposals by the different offices.

C. PREPARATION AND ISSUANCE OF BUDGET PREPARATION POLICIES AND GUIDELINES

3.1.16 In the meantime that the expenditure ceilings are being formulated, the different offices shall have translated the strategic plan into their respective action plans and annual performance targets and shall have inputted their respective annual targets into the CHRP annual performance targets.

*INDICATIVE CONTENT OF THE BUDGET PREPARATION GUIDELINES*

3.1.17 The budget preparation policies and guidelines usually issued together with the expenditure ceilings will contain specific policies and guidelines for the allocation, prioritization and documentation of the proposed budgets of the different offices and the budget preparation calendar. The guidelines will usually contain the following indicative components:

- a) Budget preparation context. This is a summary of the CHRP budget ceiling and the macro-economic issues and scenarios that influenced the determination of the expenditure ceilings per office, and the formulation of the budget preparation guidelines.
- b) The specific objectives and purposes for which the budget preparation guidelines are issued. The statement of objectives and purposes would normally be enunciated under two categories:
  - b.1 Objectives and purposes pertaining to the quality of expenditure prioritization and allocation
  - b.2 Objectives and purposes pertaining to the efficiency of the budget preparation process, the harmonization of activities and schedule and the proper documentation of budget proposals
- c) The institutional, performance, and strategic plan issues and targets that the budget will address.
- d) The overall policies and guidelines that all offices will observe in the allocation of their respective expenditure ceilings, which will include among others the following:
  - d.1 Prioritization guidelines
  - d.2 Guidelines on equity and equality
- e) The specific guidelines and computation methodologies for establishing the details of the expenditure program of the offices which will include the following:
  - e.1 Distribution among functions, programs, activities, and projects;
  - e.2 Distribution between regular operations (comprising of the general administrative services, support to operations and operations), the unallocated portion of the budget;

- e.3 Distribution among expense classes (Personal Services, Maintenance and Other Operating Expenses); and
- e.3 Distribution among objects of expenditures within each expense class
- f) Guidelines on the formulation and submission of inputs for expenditure items under the unallocated portion of the budget. Guidelines on what supporting information will be submitted, how the expenditure levels will be computed and how much is to be proposed, will form part of the budget preparation guidelines.
- g) Prescribed documentation formats. The budget forms prescribed by the DBM in its budget call will be the forms that will be used by all the offices.
- h) Budget preparation schedule. The schedule will identify and define the steps in the budget preparation process and the schedule of their occurrence. Dates for submission of requirements, conduct of consultations, technical reviews and documentation would be particularly useful in synchronizing the timing of all activities.
- i) Institutional arrangements and workflows. This will define major roles, describe each activity in the budget preparation process, identify who is responsible, identify who will provide inputs and to whom will the outputs be forwarded. The institutional arrangements for budget preparation may include such arrangements as indicated in Table 4.

**TABLE 4  
 CHRP BUDGET PREPARATION  
 INDICATIVE INSTITUTIONAL ARRANGEMENTS**

KEY BUDGET PREPARATION ACTIVITY	UNITS RESPONSIBLE	UNITS PROVIDING INPUTS	UNITS TO WHICH OUTPUTS ARE FORWARDED
1. Determination of expenditure ceiling per Office	FMO	SPDO, GAO, FMO	Chairperson
2. Review and approval of Expenditure Ceiling	Chairperson	FMO	FMO
3. Distribution/information dissemination	FMO		Various Offices in the CO and Regional Offices
4. Preparation of budget preparation guidelines	FMO	FMO, GAO, SPDO, ED	Chairperson
5. Review and approval of Budget Preparation Guidelines	Chairperson, Commission En Banc	FMO	FMO
6. information dissemination	FMO		Various Offices
7. Preparation of budget proposals of various offices	Various Offices	FMO, CIC for respective offices	FMO
8. Technical Review	Technical Working Group	FMO, GAO, ED, SPDO, Directors of various offices	Chairperson, Commission En Banc

KEY BUDGET PREPARATION ACTIVITY	UNITS RESPONSIBLE	UNITS PROVIDING INPUTS	UNITS TO WHICH OUTPUTS ARE FORWARDED
9. Executive Review and Approval	Chairperson, Commission Banc En	FMO, TWG	FMO
10. Preparation of the Annual Expenditure Program and other Budgetary/ documentation requirements	FMO GAO (Staffing)		DBM
12. Submission to DBM	Chairperson	FMO	DBM

*DESIGN OF THE BUDGET STRUCTURE*

3.1.18 The budget structure organizes budgetary data into a logical structure of budgetary allocation such that the purposes of expenditures can be analyzed, the nature of spending can be properly classified and guided, and organizational performance can be incisively evaluated through actual spending performance.

3.1.19 The budget structure will be in accordance with existing budgetary and accounting laws. In particular, the CHRP annual expenditure program will be organized into the following budget structure:

- a) Function/Program/Project Structure (General Administration and Support, Support to Operations, and Operations)
- b) Expense Class (PS, MOOE, CO)

*Personal Services* (PS) refer to the budgetary provisions for all types of compensation and benefits of the entire CHRP work force as authorized and mandated by law.

*Maintenance and Other Operating Expenses* (MOOE) refer to budgetary provisions for maintenance and other operating expenses as provided for under the COA’s Standard Government Chart of Accounts.

*Capital Outlays* (CO) refer to the budgetary provisions for expenditures for the acquisition of land, equipment, other physical assets whose economic life is beyond one year and will be used for more than one year.

- c) Object Class (in accordance with the object classes specified under the Standard Government Chart of Accounts, COA)
- d) Type of Appropriation (new appropriations, automatic appropriations and continuing appropriations)
- e) Recipient Unit (Offices)

*DESIGN OF FUNCTION/PROGRAM/PROJECT STRUCTURE*

3.1.20 The CHRP Function, Program and Project Structure refers to the logical hierarchical organization and grouping of the functions, activities, programs and projects. For purposes of this design report, the following terms will be defined as follows:

- a) Functions refer to the regular undertakings of the CHRP based on its mandate, which are necessary for the performance of the major purpose(s) for which it is established.
- b) Activity refers to the various tasks into which a function is sub-divided.
- c) General Administration Support refers to what are normally considered agency overhead (i.e., the cost of general supervision), which the agency will incur in order to exist as a unit. It consists of activities and their corresponding expenditures dealing with the provision of administrative and financial management support to the entire agency operation. (DBM National Government Budgeting Manual)
- d) Support to Operations is called the “conscience functions”. These provide the prescience and assist the level of organizational consciousness about its context, its performance, and its future directions. These functions would normally include planning and policy making, standards formulation and performance monitoring.
- e) Operations refer to the regular activities directly addressing the agency’s mandate. It consists of activities and their corresponding expenditures involving the production of goods and delivery of services, which the CHRP is specifically mandated to perform and accomplish as its main purpose for existence.
- f) Program refers to a homogenous group of activities that cut across functions and organizational units, has a life span of more than ten years and result in the accomplishment of identifiable outputs.
- g) Project refers to a special set of activities that cut across functions and organizational units, has a life span of less than ten years and has identifiable outputs.

*LINKING PLANNING, BUDGETING AND PERFORMANCE EVALUATION*

3.1.21 The procedures for linking planning, budgeting and performance evaluation at the office level will provide a continuous link or cycle between each and among the three functions and/or activities.

3.1.22 Planning outputs shall input into budgeting by providing concrete plans and priorities that have been evaluated and approved by top-level policy makers for implementation during the budget year or annually during the medium-term. These priorities will find their way into the action plans formulated by the offices and, subsequently, in the budget preparation and implementation by the offices, which, in turn, will be accountable for their implementation.

3.1.23 These offices shall be required to monitor and report on their implementation periodically during the year. Such performance will be subject to review and evaluation by the FMO. Policies will be prescribed to consider performance as a criterion or factor in resource allocation. Moreover, the FMO shall routinely furnish a copy of performance reports to the Strategic Planning and Development Office or officials involved in planning to have a reference in succeeding planning exercises.

### C. FORMULATION OF ANNUAL BUDGET PROPOSALS BY DIFFERENT OFFICES

#### *BASIS FOR BUDGET PREPARATION BY THE VARIOUS OFFICES*

3.1.24 The offices will formulate their budget proposals on the basis of the following:

- Their expenditure ceilings and any requirement for them to include expenditure proposals under the unallocated portion of the budget which will have to be centrally decided;
- Budget preparation guidelines;
- Their action plans which translate the strategic plans into specific actions and annual performance targets for their respective jurisdictions; and
- An assessment of their deficiencies which can be solved through provision of improved resources.

3.1.25 The individual offices will identify spending priorities and requirements in accordance with the requirements of their regular operations. Budgeting for regular operations starts with the identification of the various functions and activities that are to be undertaken in order to comply with the mandate of the CHRP. The various functions and activities are assigned to individual units in accordance with their respective roles under the overall organizational structure and delegated mandate of each individual organizational unit.

3.1.26 Budgetary requirements of priorities identified from the approved plans and priorities for the budget year that does not fall under regular operations are not included in the budget ceiling but are shown as the lump sum amount from which the various offices can propose. The different offices shall then submit their proposal for this activity disaggregated by program, activity, and project, and by expense class. The proposal for this will undergo a detailed review and scrutiny by the TWG who will issue recommendations for approval by the Chairperson and Commission En Banc.

#### *DOCUMENTATION AND SUBMISSION OF THE BUDGET PROPOSAL*

3.1.27 The individual offices will prepare their budget proposals in accordance with the format prescribed in the budget preparation guidelines. It shall be forwarded to the FMO for consolidation with the other offices budget for review and evaluation by the TWG.

## D. TECHNICAL AND EXECUTIVE REVIEW OF THE PROPOSED BUDGET

### *FORMULATION OF BUDGET EVALUATION FRAMEWORK*

- 3.1.28 Together with the preparation of the budget preparation guidelines, the FMO also prepares the budget evaluation framework. The budget evaluation framework provides a set of criteria for evaluating the budget proposals of different offices based on approved policies, priorities and guidelines contained in the Budget Preparation Guidelines, as well as an iteration procedure for either increasing or decreasing the budget proposal of individual offices to reconcile with the “should be” overall total CHRP budget.
- 3.1.29 The budget evaluation framework should, preferably, be furnished to the offices together with the budget preparation guidelines. This way, they will be informed on how their proposed budgets will be evaluated, and how prioritization will be done in the event of changes in overall budgetary ceilings. The budget evaluation framework will be used primarily by the Technical Working Group in evaluating the various budget proposals.

### *TECHNICAL REVIEW OF INDIVIDUAL BUDGET PROPOSALS*

- 3.1.30 A Technical Working Group composed of the FMO Director, Budget and Cash Administration Division Manager, Accounting Division Manager, SPDO Director, and Executive Director and the Commission Secretary shall be responsible for the technical review of the budget submitted by the different offices.
- 3.1.31 The technical review process will focus on the following:
- Compliance with the expenditure ceilings and the budget preparation guidelines.
  - Review of budget proposals outside the regular operations in accordance with the prioritization and distribution criteria approved by the Chairperson.
  - Manner with which resources are leveraged to attain strategic objectives and targets.
  - Strategic use of the proposed budget in addressing problems, resource distribution inequities and inequalities, deficiencies, in improving efficiencies, and in taking advantage of opportunities.
  - Creating a balance between the amount of balances of continuing appropriations and the amount of available resources for the budget year, and their relationship to the total resource requirements for the said budget year.
- 3.1.32 The TWG will formulate its detailed recommendations on each proposed budget and will document its recommendations using budgetary formats, which the FMO will prescribe for the purpose.
- 3.1.33 The TWG may schedule a series of consultations with the offices to give them a chance to justify their budget proposals, and to generate more information useful in the evaluation of the technical merits of proposals. For this purpose, the FMO will

prepare/propose a budget preparation budget to finance travel and other expenses associated with communicating, preparing, documenting and reviewing the budget.

#### *INTEGRATIVE TECHNICAL REVIEW OF THE BUDGET PROPOSALS*

- 3.1.34 The budget technical review process should enable the FMO to evaluate the technical merits of the different offices' budget proposal as well as make intelligent and analytical comparisons on the differences in operational costs and targets among offices. Such comparative assessments will enable the FMO to formulate cost standardization approaches and establish exemption criteria for the determination of "direct costs" and "variable costs."
- 3.1.35 Such determination will input into the integrative review of the budget proposals and the fine-tuning of the levels and composition of the budgets of the offices.
- 3.1.36 Guided by the approved policies, the TWG will review all proposals by the offices for budgets to be charged against unallocated budget. The task of the FMO would be to first organize the proposals into those that are already within the overall provision at the central level, and into those that are unique to individual or groups of different offices.
- 3.1.37 Evaluation of unique proposals for the unallocated budget will have to be in accordance with the prioritization criteria, and availability of funds.

#### *APPROVAL OF THE PROPOSED BUDGET*

- 3.1.38 The Chairperson will conduct a policy-level review of the recommendations of the TWG. The evaluation will focus on the consistency of the overall budget configuration and prioritization with the approved expenditure ceilings, the budget policies and prioritization criteria. The Chairperson may directly undertake a detailed review of the allocation and the programs or projects proposed under unallocated budget or centrally-decided items. The chairperson may also propose recommendations and present it to the Commission En Banc.
- 3.1.39 The Commission En Banc will convene to approve the overall budget of the CHRP, taking into consideration the recommendations of the Chairperson. Once approved, the Chairperson, as the Chief Executive Officer will sign all the budget documents that will be submitted to the DBM.

## **4 WORKFLOWS**

Annexes B-1 to B-3 show the workflows for the budget preparation process.



# 5

## BUDGET EXECUTION AND CASH ADMINISTRATION

### 1 SYSTEM DESCRIPTION

1.1.1 Budget execution is a set of policies and processes for the implementation of the CHRP Annual Expenditure Program. In particular it involves the following activities and components:

- a) Preparation of the work and financial plan
- b) Formulation of the obligation program
- c) Formulation of the allotment program
- d) Formulation of the cash program
- e) Formulation, approval and issuance of budget execution guidelines
- f) Incurrence of obligations
- g) Disbursements

1.1.2 The budget execution system involves the management of the following key system components:

- a) Administration of the allotment program from the DBM and allocation among the various offices in the Central Office and release of the same to the regional and central offices;
- b) Administration of the cash program, which will include releases of cash in accordance with the cash program of the Regional Offices and processing of any proposed changes to the authorized cash program.

## 2 POLICIES AND GUIDELINES

- 2.1.1 The CHRP will formulate and adopt its own budget execution policies, rules and regulations in accordance with existing budgetary laws. Any changes in the programmed budget which may involve realignment, use of savings, and other related changes shall still be in accordance with the existing budgetary laws.
- 2.1.2 Accountability for the execution of the budget will be strengthened through the following measures:
- a) Clear vertical compartmentalization of responsibilities and decision making authority at all pertinent levels in the organization;
  - b) The consistent application of the budget structure in the recording of budgetary transactions in order to permit transaction audit, budget tracking and performance assessment.

### DECENTRALIZED BUDGET EXECUTION PROCESS

- 2.1.3 The execution of the total authorized budget of the CHRP will be decentralized. Such decentralization will be guided by the vertical compartmentalization of responsibility and decision-making authority between the central office and the regional offices as indicated hereunder:
- a) The budget of the various offices in the Central Office will be administered by the FMO. The allotment programming will be in accordance with the Work and Financial Plan prepared at the start of the year.
  - b) The Regional Offices will be responsible for the administration of their respective approved Regular Operations budgets in accordance with the budget execution policies and guidelines to be issued by the Chairperson, and the approved cash release programs.
  - c) The budget for centrally decided expenditure items will be administered by the FMO. Request for the use of this budget shall be subject to approval by the Chairperson, even if the same has already been earmarked to a particular office based on the approved Work and Financial Plan.
  - d) Realignment of expenditures, use of savings and any changes in the implementation of the approved allotment program will require the evaluation of the FMO and the approval of the Chairperson.

EXPENDITURE MANAGEMENT POLICIES TO ENSURE THE INTEGRITY OF THE BUDGET, PROMOTE EFFICIENCY AND ENHANCE SIMPLICITY OF BUDGET OPERATIONS

2.1.4 Expenditure management will be founded on the following principles and policies:

ALL SPENDING WILL BE COVERED BY AN ALLOTMENT PROGRAM APPROVED BY THE CHAIRPERSON

- a) No money shall be spent unless covered by the approved allotment program. Incurrence of obligations shall be made only when covered by a corresponding budget provision and is in accordance with the function, activity, program or project, and expense class for which the budget provision is made.

BUDGET REALIGNMENT

- b) Realignment of budgets shall be subject to existing budgetary laws and regulations. Budgets are formulated to support pre-determined activities and plan targets. Under the existing laws, budget realignments are allowed only at the last quarter of the budget year. However, budgetary realignments may be allowed only under specified conditions. The evaluation and approval of realignments will consider the following:

b.1 Realignment from one function/program/activity/project to another will be discouraged. Exemptions may be granted under the following conditions:

- The funds to be realigned represents allotment balances of completed work or accomplished targets;
- The function/program/activity/project for which the budget was authorized and allotment was programmed has been or will be terminated as approved by the Chairperson; and
- The function/program/activity/project for which the budget was authorized and allotment was programmed has been reduced in scale such that there would be excess appropriations or allotments.

USE OF SAVINGS

2.1.5 Savings refer to portions or balances of any programmed appropriation of any obligation or program still available:

- a) After the completion or final discontinuance or abandonment of the work, activity or purpose for which the appropriation is authorized;
- b) From balances of appropriation arising from unpaid compensation and related cost pertaining to vacant positions and leaves of absence without pay; and
- c) From remaining balance of appropriation realized from the implementation of the collective negotiation agreement which resulted in improved systems and

efficiencies thus meeting the required or planned targets, programs, or activities at a lesser cost.

2.1.6 The CHRP together with the other agencies enjoying fiscal autonomy are authorized to use savings for the following:

- a) Printing and publication of decisions, resolutions, and training instruction materials;
- b) Repair, improvement and maintenance of Central and Regional offices, facilities, and equipment;
- c) Purchase of books, journals, periodicals, and equipment;
- d) Necessary expenses for employment of temporary, contractual and casual employees;
- e) Payment of extraordinary and miscellaneous expenses, commutable representation and transportation allowances and fringe benefits for their officials and employees as may be authorized by law; and
- f) Other official purposes, subject to accounting and auditing rules and regulations.

#### DISAGREGGATION OF REGULAR OPERATIONS BUDGET AND CENTRALLY-DECIDED ITEMS

2.1.7 The total budget of the CHRP will be segregated between Regular Operations budget which will be allocated to the different offices for them to administer, and the centrally-decided items which will require approval by the Chairperson in the incurrence of obligations.

2.1.8 Budget for regular operations include only the mandatory PS and MOOE items which includes the following:

- a. Personal Services:
  - a.1 Salaries of permanent employees
  - a.2 Contractual, Casual, Emergency Personnel
  - a.3 Other Compensation:
    - PAG-IBIG contributions
    - Health Insurance Premiums
    - Employees Compensation insurance Premiums
    - Representation and Transportation Allowances
    - Year-end bonus and cash gift
    - Personnel Economic Relief Allowance
    - Additional Compensation

- b. Maintenance and Other Operating Expenses
  - b.1 Rents
  - b.2 Water and Electricity
  - b.3 Telephone/telegraph/internet
  - b.4 Office supplies expenses
  - b.5 Gasoline, Oil, and Lubricants expenses
  - b.6 Security and Janitorial services
  - b.7 Extraordinary and Miscellaneous expenses
  - b.8 Repairs and Maintenance of vehicles and equipments
  - b.9 Traveling expenses (as budgeted under the WFP for travels within the regions only)
- 2.1.9 All other PS, MOOE items that are not included in the above enumeration falls under the centrally-decided expenditure budgets. The budget for Capital Outlays also falls under the centrally-decided expenditure budget.

### **3 CORE PROCESSES**

#### **3.1 Preparation of Work and Financial Plans**

- 3.1.1 Work and Financial Plans (WFP) are prepared by all the offices at the start of the year after the approval of the budget. WFP consists of the Work Program that each office will accomplish for the year and the Financial Plan which is the translation of the work program into quantifiable activities. The WFP is the basis for the FMO in releasing allotments to the various offices.
- 3.1.2 The Strategic Planning and Development Office (SPDO) shall prepare the guidelines for the preparation of the Work and Financial Plan. The guideline shall indicate the priority programs and projects of the CHRP.
- 3.1.3 A work program is the translation of the CHRP strategic plans and targets for the year. It is a tactical, tightly focused, implementable, and measurable translation of the strategic plans and targets. The work program shows in detail the functions, activities, programs, and projects that each office will accomplish for a particular year which will be the basis for estimating the financial requirements. It serves as the starting point in monitoring, evaluating and managing the performance of offices, officials, and staff of the CHRP. The work plan of the office shall be reviewed and approved by the respective Commissioners-in-Charge. (Annex D presents a detailed discussion on the preparation of the Work and Financial Plan).
- 3.1.4 The Financial Plan is the programming of financial requirements of the various offices on a monthly, quarterly, semi-annual, and annual basis, which is based on the approved work program. The financial plans of each office will be consolidated by the FMO and will be reviewed by the Commissioner-in-Charge for Finance and

Administration. The CIC for Finance and Administration will then recommend for approval the overall WFP to the Chairperson.

3.1.5 The approved WFPs will be the basis for the FMO in preparing the Obligation Program of the individual offices, and the Cash Release program for Regional Offices.

3.1.6 Annex C-1 shows the process of formulating the Work and Financial Plan.

**3.2 Formulation of the Obligation Program**

3.2.1 The obligation program will include all expenditures authorized under the enacted budget that are expected to be obligated during the year, and the unobligated appropriations/budgets of prior years which are continuing and to be utilized or obligated during the budget year.

OBLIGATION PROGRAM FORMAT

3.2.2 The obligation program should be presented in a manner that will clarify the details of the program in relation to cash availability, and allocation to the various functions, programs, and projects of the offices. Obligation program information may be presented in accordance with the budget structure, reflecting amounts programmed for each function and activity under regular operations; for each program, activity and project under the unallocated budget; broken down by expense class.

3.2.3 Table 5 shows how the Obligation Program may be communicated to top management, to heads of offices and to the budget officers and accountants.

**TABLE 5  
 OBLIGATION PROGRAM SUMMARY, YEAR XXXX**

OFFICE/PROGRAM	AUTHORIZED BUDGET	OBLIGATION PROGRAM			
		PS	MOOE	CO	TOTAL
1. Regular Operations					
1.1 Office 1					
1.2 Office 2					
1.3 Office 3					
1.4 Office n					
1.7 Regional Offices (ROs)					
a) RO 1					
b) RO n					
Sub-total Regular Operations					

OFFICE/PROGRAM	AUTHORIZED BUDGET	OBLIGATION PROGRAM			
		PS	MOOE	CO	TOTAL
2. Centrally-decided Items					
2.1 Program/Project/Activity 1					
2.2 Program/Project/Activity n					
Sub-total Unallocated Budget					
TOTAL					
Prepared by: _____ FMO Director		Approved by: _____ Chairperson			Date: ____/____/____

3.2.4 Annexes C-2 to C-4 shows the process of formulating obligation program.

### 3.3 Formulation of the Cash Program

3.3.1 The Cash Program shall be prepared based on the CHRP’s Obligation Program. The cash releases for the ROs shall be consistent with the levels of approved quarterly allotment releases.

3.3.2 The total cash program is the total amount of available cash that will be committed to support obligations from the current year enacted budget and continuing appropriations/budget of prior years, as well as, current and prior years’ accounts payables that are programmed to be paid during the year. Thus, the cash program will be allocated between the funding requirement of continuing appropriations and the cash requirement of the budget year’s authorized budget.

3.3.3 Cash releases shall be made in accordance with the annual cash program as approved by the Chairperson. All cash release programs must be supported by a duly approved allotment program. No money shall be allocated for activities/projects that are not specified in the allotment program.

3.3.4 In accordance with the allotment program, cash programming shall be categorized into two:

- a) Cash Program for Regular Operations
- b) Cash Program for the Unallocated Budget

#### PROGRAMMING PROCEDURE

3.3.5 The initial step in the preparation of the Annual Cash Program for the CHRP is the estimation of the total amount of programmable cash for the year based on the authorized budget for the year, the continuing appropriations, and the cash balances of the CHRP accounts at the beginning of the year.

- 3.3.6 After the amount of programmable cash for the period has been determined, the CHRP cash program shall be prepared using as reference the Obligation Program for the year (which includes expenditures authorized in the current year enacted budget and prior years' appropriation considered as continuing) and prior years' accounts payable. Estimates of obligations to be incurred during the year that require cash payments will be determined. Prior years' accounts payables which will be due and demandable during the year shall not be included, inasmuch as they do not form part of the funds transferred and deposited by DBM in the Regular MDS Account.
- 3.3.7 In the event of cash shortfall where prioritization would be required, the percentage share of the 2 components of the cash program can be estimated through the application of the following criteria:
- a. Nature of the expenditure items,
  - b. Business payment terms or norms,
  - c. Financial and physical schedule of implementation, and
  - d. Historical experience
  - e. Expected levels of monthly revenue inflows
- 3.3.8 Obligations for Regular Operations which consist of mandatory Personal Services (PS) and Maintenance and Other Operating Expenses (MOOE) will generally require cash payments during the year, except for some minor MOOE items such as billings for water and electricity whose payment schedules fall in the next year, or supplies and equipment requisitions made towards the end of the year and such transactions that have not been consummated, or the processing of the payment claims have not been computed in time for cash payment. Thus, it may be safe to program cash payments for expenditures under regular operations at about 95-98% under normal conditions.
- 3.3.9 On the other hand, expenditure items for programs/projects/activities under the unallocated portion of the budget comprise not only of PS and MOOE, but Capital Outlay (CO) as well. The implementation of these programs, projects and activities will not be done simultaneously with those under the Regular Operations. The release of allotments for such will be upon request by the offices concerned. While the total allotment releases may have been obligated during the year, cash payment may not be totally required to be made during the year. Again, the programming of cash payments for these obligations should consider the nature of the expenditure, and the schedule of the start and completion of implementation.
- 3.3.10 The estimation of the amount to be programmed for the payment of obligations incurred for prior years' continuing appropriations should likewise be considered in the preparation of the Cash Program. The same shall be made to coincide with the expected releases of NCA from the National Government.

3.3.11 The Annual Cash Program for regular operations shall be prepared by the FMO and approved by the Chairperson. Once approved the cash program will be disseminated to the ROs. The cash program becomes the basis for the monthly release of cash to the ROs.

3.3.12 On the other hand, the cash program for the programs and projects that are to be centrally-decided and are unallocated to the different offices shall be formulated by the FMO. The program will contain the total cash program for the year indicating where possible the expected schedule of releases. However, this cash program instrument will not be released to the Regional Offices nor earmarked for a particular office in the Central Office but will only serve as guide and benchmark for the eventual submission of budgetary requests therefore. The purpose for coming up with the cash program instrument for this is to ensure that the actual schedule of cash requests will be within the expected schedule of monthly cash availabilities.

3.3.13 The Annual Cash Program for regular operations will be broken down by Offices and by month, and will be in the following format.

**TABLE 6**  
**COMMISSION ON HUMAN RIGHTS**  
**CASH PROGRAM**  
**REGULAR OPERATIONS**  
**FISCAL YEAR \_\_\_\_\_**

<b>PARTICULARS</b>	<b>JAN</b>	<b>FEB</b>	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUN</b>	<b>JUL</b>	<b>AUG</b>	<b>SEP</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>	<b>TOTAL</b>
1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>REGULAR OPERATIONS</b>													
Legal and Investigation Office													
Assistance and Visitorial Office													
Instruments and Monitoring Office													
Education and Research Office													
Government Cooperation Office													
NGO and Media Cooperation Office													
Strategic Planning and Development Office													
Office of the Chairperson													
Office of the Commissioner-in-Charge													
Office of the Executive Director													
Office of the Commission Secretary													
Financial Management Office													
General Administration Office													
<b>Regional Offices</b>													
Region 1													
Region 2													
Region n													
<b>CAPACITY BUILDING</b>													
<b>SPECIAL PROGRAMS &amp; PROJECTS</b>													
<b>Total</b>													
Prepared by:	Reviewed by:			Approved by:				Date					
_____	_____			_____				MM/DD/YY					
Division Manager, BCAD	Director, FMO			Chairperson									



CASH SHORTFALL

3.3.19 When the actual cash available is not sufficient to support the requirements, the requirements for personal services shall be prioritized over the cash requirements for the MOOE. This way, the manpower required for the operations of the CHR will not be affected. Payments for other operating expenditures may be deferred.

**3.4 Formulation of the Allotment Program**

3.4.1 The allotment release program is the scheduling of the releases of allotments to the regional offices over the budget year period. The allotment release program is based on the obligation program and shall be released on a quarterly basis.

3.4.2 The quarterly schedule of allotment releases and the determination of the amounts for quarterly release to different offices shall be based on assessments of their periodic operational needs.

**TABLE 8  
 ALLOTMENT RELEASE PROGRAM, YEAR XXXX  
 in PhP**

FUNCTION/PROJECT	TOTAL AUTHORIZED APPROPRIATIONS	ALLOTMENT PROGRAM, by quarter				
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	TOTAL
1. Regular Operations						
1.1 Office 1						
a) PS						
b) MOOE						
SUB-TOTAL						
1.2 Office 2						
a) PS						
b) MOOE						
SUB-TOTAL						
2. Centrally-decided Items						
2.1 Program A						
a) PS						
b) MOOE						
c) CO						
Sub-total						
2.2 Project N						
a) PS						
b) MOOE						
c) CO						
Sub-total						
TOTAL						
a) PS						
b) MOOE						
c) CO						
Prepared by: _____ BCAD Division Manager	Reviewed by: _____ FMO Director	Approved by: _____ Chairperson			Date: _____ DD/MM/YY	

#### RELEASE OF ALLOTMENTS FOR REGULAR OPERATIONS

- 3.4.3 After the approval by the Chairperson of the obligation program, cash program, cash release program and allotment release program, allotments for regular operations will be released by the FMO regularly during the first week of the first month of each quarter without request. The Chairperson may delegate to the FMO Director the task of approving automatic and regular releases for allotments covering Regular Operations.

#### RELEASE OF ALLOTMENTS FOR CENTRALLY-DECIDED EXPENDITURES

- 3.4.4 Releases of allotments for expenditures that are to be centrally-decided will be guided by the following:
- a) Offices requesting for expenditures for programs/projects or activities that are outside their regular operations budget will make a request for allotment from the FMO.
  - b) The FMO will undertake the review of the Offices' requirements and make recommendations for the same for the approval of the Chairperson. This request, when approved by the Chairperson will be an additional allotment to the requesting office.
- 3.4.5 Annexes C-5 to C-7 shows the process of formulating the allotment program.

### **3.5 Formulation and Issuance of Budget Execution Guidelines**

- 3.5.1 Budget execution guidelines are issued together with the issuance of the obligation and cash release program. Budget execution guidelines are prepared by the FMO and approved by the Chairperson.
- 3.5.2 The budget execution guidelines are comprehensive documents that contain the budgetary programs, policies and procedures that will guide the execution of the approved budget at all levels in the organization. In particular, it embodies the following:
- a) Budget execution principles and policies
  - b) Obligation program
  - c) Cash program
  - d) Cash release program
  - e) Allotment Program
  - f) Allotment Release Program
  - g) Procedures for the preparation, review and approval of work and financial plans
  - h) Procedures for the incurrence of obligations, including realignments

- i) Clarification of decision-making authority for issues not otherwise established under the existing structure and operating mechanisms, such as delegation of authority for specific expenditure items
  - j) Clarification of responsibilities at all levels in the organization
  - k) Reporting procedures
- 3.5.3 The guidelines include policies and procedures on the management of prior years' obligations or accounts payable, budget realignment, use of budgetary savings, continuing appropriations and other related matters.
- 3.5.4 Annex C-8 shows the process in the formulation and issuance of budget execution guidelines.

### **3.6 Incurrence of Obligations**

- 3.6.1 The incurrence of obligations shall be sufficiently covered by allotment balances as reflected in the corresponding Registry of Allotments and Obligations and shall be based on approved ALOBS. The ALOBS shall be prepared for submitted claims applications that have been processed by the Budget Division and found to be correct and complete with respect to the required supporting documents evidencing the acquisition of goods and/or services and the consummation of the transaction.
- 3.6.2 Since Regional Offices are provided with their regular allotment program as well as cash program, it will be easy for them to track their budget. The offices in the Central Office, however, do not have a control over their funds, as it will be administered by the FMO. But tracking for their allotment and obligations status will be made possible if every time that they request for payment of their obligations, they will record the same in their appropriate registers. The cost of non-cash items that an office gets from the other offices such as printing or binding and supplies and materials shall be properly accounted to them. This is what is termed as responsibility accounting, where the responsible party/office will be properly billed, though it is not necessary that the same will have to be paid by their office.

#### MANAGING CONTINUING APPROPRIATIONS

- 3.6.3 The management of continuing appropriation/budget will be included in the budget execution guidelines. The guidelines will contain policies and procedures that will guide evaluation of the need for the continued use of the appropriation/budget, for programming of its use, and the application of control measures. Evaluation guidelines also include the following requirements:
- a) Validation of the existence of the continuing appropriation/budget at the end of the past year/s,
  - b) Determination of whether the purpose for which the funds have been appropriated or approved still exists and is considered of high priority, and
  - c) Whether the function, activity, program or project that was funded was completed or not, and if not, whether it was abandoned, or still needs to be continued.

- 3.6.4 The inclusion of the continuing appropriation/budget in the current year's obligation and cash program will be reviewed during budget execution. If considered of high priority, it shall be included in the obligation and cash programs of the recipient office.
- 3.6.5 Control measures in the use of continuing appropriation/budget will ensure that expenditures for the continuing appropriation/ budget included in the obligation program do not exceed the amount of the unutilized appropriation/budget, and that the cash program will include expenditures which are expected to be incurred during the year and for which cash payments would have to be made.
- 3.6.6 Expenditures for the continuing appropriation/budget will be limited to the amount provided for in the obligation program, and the expenditure requirements of the uncompleted function, activity, program or project.
- 3.6.7 Annexes C-9 and C-10 show the approval processes in incurring obligations.

### **3.7 Disbursements**

- 3.7.1 Disbursements involve the preparation and processing of disbursement vouchers; preparation and issuance of check, payment of cash, granting of cash advance, utilization, and liquidation/replenishment of cash advances.
- 3.7.2 Disbursements constitute all cash paid out during a given period either in currency (cash) or by check. It may also mean the settlement of government payables/obligations by cash or check. It shall be covered by Disbursement Voucher (DV)/Petty Cash Voucher (PCV) or Payroll.

#### **BASIC REQUIREMENTS FOR DISBURSMENTS**

- 3.7.3 The basic requirements applicable to all types of disbursements of the CHRP are:
- a) Existence of an appropriations law/legislative enactment and sufficient allotment certified as available by the BCAD;
  - b) Existence of a valid obligation certified by the Accounting Manager;
  - c) Legality of transactions and conformity with laws, rules and regulations;
  - d) Submission of proper evidence to establish the claim; and
  - e) Approval of the expense by the Executive Director or the Chairperson.

#### **CERTIFICATION ON DISBURSEMENTS**

- 3.7.4 Disbursements shall require the following certifications on the DV:
- a) Certification and approval of vouchers and payrolls as to validity, propriety and legality of the claim (Box A of DV) by the requesting office; and

- b) Certification by the Accounting Manager that necessary documents support the DV and payroll, and that funds are available for the purpose (Box B of DV).
- 3.7.5 Checks shall be drawn only on duly approved DV. These shall be reported in the books of accounts only when actually released to the respective payees.
- 3.7.6 Every check shall always have two signatories. One signatory shall be the FMO Director or the BCAD Manager in the absence of the FMO Director, and the other shall be Executive Director or any of the Commissioners in the absence of the Executive Director for Central Office transactions, and the Regional Director and the Admin. and Finance Division Manager for Regional Office transactions.

#### CENTRAL OFFICE TRANSACTIONS

- 3.7.7 The disbursement process starts off with the concerned party requesting for allotments for specific expenditure items. This request for allotments or claim applications shall be properly supported by Purchase Orders, Contracts, billings, payroll, and other similar documents duly approved by the by the Chairperson or the Executive Director, as the case may be.
- 3.7.8 All required documents that will support the request for allotments shall be complete. If supporting documents are not complete, the request shall be returned to the requesting office. Once completed, the Budget and Cash Administration Division (BCAD) in FMO which is in-charge of this process, will check on the availability of the allotment in the Registry of Allotments and the completeness and correctness of supporting documents. If allotment is not available, the documents will be sent back to the requesting office. If available, the BCAD will prepare the Allotment and Obligation Slip (ALOBS), and certify as to allotment availability. The Accounting Division will certify the correctness and validity of allotment and availability of funds.
- 3.7.9 The duly approved ALOBS is a proof that the activity that will be obligated is supported by an Allotment Program. When the obligation already requires payment, the claims application in the form of an un-approved Disbursement Voucher shall be prepared by the requesting office. The un-approved DV shall be supported by the duly approved ALOBS and its supporting documents. The supporting documents may be in the form of Contracts, Purchase Orders, Bills, Payroll, and other similar documents that shows the total amount required to be paid.
- 3.7.10 Before processing the disbursement vouchers (DV), the BCAD will verify the completeness of the documents claimed by a particular office and assign DV number, and forward the same to the Accounting Division. In the Accounting Division, the claim for payment shall be reviewed by checking the Index of Payment if the same has already been paid or not. If not, the Accounting Division will record the details of the ALOBS, DV, and supporting documents in the Index of Payments. Otherwise, the complete set of documents will be returned to the requesting party. After determining if the claim has not been paid yet, the same will be certified by the Accounting Division and forwarded to the FMO Director for initial approval, and then to the Executive Director or the Chairperson, as the case may be.

- 3.7.11 The DV and all its supporting documents, after the approval by the Executive Director or the Chairperson, shall be returned to the BCAD for the preparation of the Check at an amount equal to that indicated in the DV. The check will be signed by either the head of BCAD and FMO Director on one hand, and the Executive Director on the other. In the absence of the Executive Director, any of the Commissioners present may sign the check provided that the Disbursement Voucher is duly approved by the Executive Director.
- 3.7.12 The approved check for payment shall then be returned to the BCAD for issuance to recipient or payee.
- 3.7.13 The flow of transactions within the Financial Management Office and the Office of Executive Director for the preparation of ALOBS and the preparation and approval of disbursement vouchers and checks is shown in Annexes C-11 to C-15.

#### REGIONAL OFFICE TRANSACTIONS

- 3.7.14 The process of preparing the DV and ALOBS and subsequent approval thereof will be the same as the process of the Central Office.
- 3.7.15 The certification on the availability of the allotment in the ALOBS will be done by the Budget Officer, and the correctness and validity of obligations and funds availability, by the Financial and Management Officer.
- 3.7.16 The certification on the completeness, proper documentation and cash availability in the DV shall be done by the Financial and Management office and approval thereof will be done by the Regional Director.
- 3.7.17 There shall also be two signatories in the checks of the Regional Offices, the Regional Director and the Administrative and Financial Division Manager. In the absence of any of them, an Officer-in-charge shall be delegated.
- 3.7.18 A detailed presentation of transaction processes and approval for various Central Office and Regional Offices transactions is found in Annex C of this report.

#### SHORTAGE IN CASH AVAILABLE AT THE REGIONAL OFFICES

- 3.7.19 In the event that the cash released to the Regional Office is not sufficient to meet the requested amount of the obligation to be settled, the Regional Office shall immediately request from the FMO the release of cash in accordance with the Cash Program. The processing of the disbursement voucher is deferred until such time that the cash is transferred from the Central Office to the Regional Office.
- 3.7.20 Once the cash position of the Regional Office is sufficient to meet the deferred obligations as well as the new requests for disbursements, the same shall immediately be processed and released to claimants.

# 6

## BUDGET MONITORING AND ACCOUNTABILITY

### 1 SYSTEM DESCRIPTION

- 1.1.1 Budget monitoring and accountability includes policies, procedures and institutional arrangements for the appropriate organization of budgetary data, recording of budgetary actions and transactions, and review of budgetary policies, procedures, actions and transactions, as well as monitoring and evaluation of expenditure performance at various levels and in its various dimensions.
- 1.1.2 The system is both a tool of accountability and of management. As an accountability tool, the system ensures the integrity and transparency of budget policies and operations through structured, verifiable information on the budget, its status and its performance, and the actions of all responsible personnel and organization units. As a management tool, it provides organized and analytic up-to-date information on the budget that will allow analysis of performance, detection and evaluation of problems and solutions, and provide decision choices to respond to new and urgent requirements, thereby improving the quality of budget decision-making and budget responsiveness.
- 1.1.3 Budget monitoring and accountability is the last phase in the budget process. But in implementation, it starts to operate as soon as the budget of the CHRP is approved. It involves the following components and activities:
- a) Maintenance of budgetary accounts, which involves the appropriate structuring and recording of budgetary data on actions and transactions at various organizational levels of the CHRP, from the time the approved budget is released by the DBM, through to the programming, release, obligation and liquidation.
  - b) Tracking and monitoring, which involves procedures and actions pertaining to the periodic, transaction based, random inspection, observation, or review of the status of budgetary operations. Tracking and monitoring cover the following aspects of the budget:
    - b.1 budgetary policies
    - b.2 budgetary procedures
    - b.3 budgetary actions and transactions
    - b.4 expenditures
    - b.5 personnel responsibility and accountability

- c) Performance review and reporting, which involves policies and procedures for the evaluation of the performance of the budget in relation to the objectives set forth in the strategic plan which is further detailed into the approved Work and Financial Plan, in relation to budget policies and objectives stated during the budget preparation process, and in relation to the operational targets of the offices.
  - d) Records management, which pertains to the appropriate classification, maintenance, storage, archival and disposal of budgetary records. For purposes of this design report, records pertain to the physical documents on budgetary actions and transactions and will not include automated data. Records management in an automated environment is another design concern that should be undertaken prior to the actual operationalisation of automated financial management systems.
- 1.1.4 Budget monitoring and accountability is important in maintaining the integrity of the budget and the processes for its planning, preparation and administration. It is also critical in ensuring accountability at individual, organization unit and institutional level.

## 2 DESIGN CONSIDERATIONS

### BUDGET DATA STRUCTURE SHOULD ALLOW DEEPER ANALYSIS OF EXPENDITURES AND BUDGET PERFORMANCE

- 2.1.1 The budget tracking and monitoring system is designed to provide structured data, analytic tools and reporting procedures that will allow analysis of the budget in its various dimensions. In particular, the budget data structure provides opportunities for designing and adopting intelligent computer-based information system that will allow computer-aided tracking, monitoring and evaluation of expenditures and budgetary performance.

### BUDGET DATA STRUCTURE SHOULD CLARIFY ACCOUNTABILITY

- 2.1.2 Budget registries to be maintained by the FMO must enable the pinpointing of accountability of budgetary actions and transactions. Documentation of budgetary transactions and actions will provide data organization that allows deeper analysis of the purposes and content of actions and transactions and identification of office and personnel concerned.

### TRACKING AND MONITORING FUNCTIONS SHOULD BE DEFINED AT VARIOUS LEVELS IN THE ORGANIZATION

- 2.1.3 Tracking and monitoring of the budget will be done at the FMO for the various offices in the central office and by the Finance and Administrative Division in the Regional Offices. Regional offices will be responsible for the monitoring of the implementation of their authorized budget and incurrence of obligations. The FMO will be responsible for the monitoring of the status of the overall budget from its authorization to its release, realignments and liquidation reporting by the regional offices.

TRACKING AND MONITORING SHOULD HAVE CAPABILITY TO ASSESS STATUS OF VARIANCES AT VARIOUS STAGES IN THE BUDGET PROCESS

- 2.1.4 Variances at various stages in the budget process will be made possible at central and regional office levels, particularly in the following stages: authorized budget, obligation program, cash programming and releases, incurrence of obligations, payment, and liquidation. Further, variances can be analyzed by individual offices, function, program, activity and project, expense class and selected object of expenditures. The system should also allow multi-year analysis of budgetary behavior.

BUDGET RECORDS MANAGEMENT TO BE DECENTRALIZED

- 2.1.5 The management of budgetary records will be in accordance with the assigned functions. The Regional Offices as well as the different offices in the Central Office will be responsible for the management of all budgetary records pertaining to their authorized budgets. The FMO shall on a monthly basis prepare a status of the budget for the entire CHRP, as well as the that of the individual offices and disseminate the same to the different offices concerned, for reconciliation with the records of the individual offices.

AUTOMATION READINESS

- 2.1.6 Budget tracking and monitoring is severely limited in a working environment using mainly manual procedures or computerized spreadsheets. The design presented in this report provides a tracking and monitoring system that will operate in a manual environment, but provides a data structure that allows subsequent conversion of the system into automation mode.

### **3 BUDGET DATA STRUCTURE & BUDGETARY ACCOUNTS**

MAINTENANCE OF BUDGET REGISTRIES

- 3.1.1 Budget registries are records of all transactions and actions made at all levels of budget decision making. Budget registries that will be maintained shall be as follows:
- Approved Annual Expenditure Program
  - Obligation Program
  - Cash Program
  - Cash Release Program
  - Allotment Program
  - Allotment Release Program
  - Realignments
  - Obligation Program releases to the Regional Offices and other offices in the Central Office
  - Obligations Incurred by various office

- Obligations Liquidated by various offices
- Accounts Payable of various offices
- Continuing Appropriations

**BUDGET DATA STRUCTURE**

3.1.2 Budget data structure refers to the organization of recorded budgetary data at the lowest level of detail. Such organization is designed in such a way that data can be processed at various aggregations and composition to allow extensive and incisive analysis of the status and performance of the budget and to link such analysis with the strategic plan, with budget policies and targets, with the institutional and individual office performance.

3.1.3 The data structure in the budget registries and in action and transaction documents should therefore be at the lowest possible level of detail. The following is an indicative data structure for the budget of a particular office:

OFFICE:							
FUNCTION/PROGRAM/ ACTIVITY/PROJECT AND EXPENSE/ OBJECT CLASS	AUTHORIZED	OBLIGATION PROGRAM	CASH RECEIVED	OBLIGATED	DISBURSED	PAID	LIQUIDATED
Regular Operation							
- PS							
- MOOE							
Capacity Building							
- PS							
- MOOE							
- CO							
Special Program and Project							
- PS							
- MOOE							
- CO							
TOTAL							
Prepared by: _____			Approved by: _____			Date: _____	

3.1.4 The above cited budget structure shall be summarized by the FMO to allow tracking and monitoring of the budget at a more aggregative level. An indicative integrative budget data structure could be as follows:

APPROPRIATION:					FISCAL YEAR		
OFFICE /BUDEGT CLASS /EXPENSE CLASS	AUTHORIZED	ALLOTMENT PROGRAM	ALLOTMENT RELEASES TO DATE	ALLOTMENT BALANCES TO DATE	CASH PROGRAM	CASH RELEASES TO DATE	CASH BALANCES TO DATE
OFFICE 1							
- PS							
- MOOE							
- CO							
OFFICE 2							
- PS							
- MOOE							
- CO							
Office n							
- PS							
- MOOE							
- CO							
TOTAL							

## 4 BUDGET TRACKING AND MONITORING

### PURPOSE

4.1.1 Budget tracking shall cover or include the various changes that occur to the CHRP budget from budget preparation to budget implementation by different offices up to the preparation of reports on budget performance.

4.1.2 Budget tracking and monitoring is useful for the following purposes:

- a) To ensure that obligation and cash releases are within the authorized programs.
- b) To ensure that realignment approvals are within policies and authorized budgets.
- c) To ensure that obligation and cash programs are within authorized budgets and available cash resources.
- d) To ensure the timely releases of allotments and cash in accordance with the allotment release and cash release programs.

4.1.3 At the regional office level, budget tracking and monitoring is required for the following purposes:

- a) To ensure that incurrence of obligations is supported by authorized allotments and within the approved allotment program.
- b) To ensure that disbursements are supported by available cash authorized in the cash release program.
- c) To provide information on the status of expenditures that will be useful in making decisions on budgetary changes such as realignment of funds.

#### WHAT WILL BE TRACKED / MONITORED

4.1.4 Budget tracking and monitoring will primarily involve monitoring the status of the implementation of authorized appropriations in its various phases of implementation. Such tracking and monitoring may include among others the following:

- a) How much of the authorized budget has been programmed and how much remains to be programmed.
- b) What is the general status of expenditures of the different offices.
- c) How much is the allotment program per office and the balance to date.
- d) How much of the obligation program has been released and how much is the balance to date.
- e) How much of the obligation of the different offices has been obligated and how much are their balances.
- f) How much is the cash balances of the Regional Offices.
- g) How much of the budget has been realigned, from where to where, and what are the implications in terms of achieving annual physical targets, in terms of expenditure efficiencies, and in terms of future budget configurations.

4.1.5 Budget tracking will be implemented through the maintenance of the following accounts by the FMO. These budgetary accounts shall include those to be maintained by the FMO which will be prepared and submitted periodically to the DBM.

- a) At the start of the year
  - Approved CHRP Budget
- b) Daily
  - Obligation Program
  - Obligation Program Balances
  - Cash Program
  - Cash Program Balances
  - Allotment Program

- Allotment Program Balances
- c) Monthly
  - Obligation Program
  - Obligation Program Balances
  - Cash Program
  - Budget Realignments
  - Allotment Program
  - Allotment Program Balances
- d) Quarterly
  - Obligation Program
  - Obligation Program Balances
  - Cash Program
  - Cash Program Balances
  - Allotment Program
  - Allotment Program Balances
  - Budget Realignments
  - Obligations Incurred by the different offices
  - Obligations Liquidated by the different offices
  - Accounts Payable or Unliquidated Obligations of Different offices
- e) Annually
  - Obligation Program
  - Obligation Program Balances
  - Cash Program
  - Cash Program Balances
  - Budget Realignments
  - Obligations Incurred by different offices
  - Obligations Liquidated by different offices
  - Accounts Payable or Unliquidated Obligations of different offices
  - Year-end Balances of Continuing Appropriations

4.1.6 At the office level, the following records will also be kept track the level of their budget, allotments, obligations, and cash programs:

For Regional Offices:

- a) At the start of the year
  - Approved Budget of the Regional Office
- b) Daily
  - Obligation Program
  - Obligation Program Balances
  - Cash Program
  - Cash Program Balances
  - Allotment Program
  - Allotment Program Balances
- c) Monthly
  - Obligation Program
  - Obligation Program Balances
  - Cash Program
  - Cash Program Balances
  - Budget Realignments
  - Allotment Program
  - Allotment Program Balances
- d) Quarterly
  - Obligation Program
  - Obligation Program Balances
  - Cash Program
  - Cash Program Balances
  - Allotment Program
  - Allotment Program Balances
  - Budget Realignments
  - Obligations Incurred
  - Obligations Liquidated
  - Accounts Payable or Unliquidated Obligations
- e) Annually
  - Obligation Program
  - Obligation Program Balances
  - Cash Program
  - Cash Program Balances
  - Budget Realignments

- Obligations Incurred
- Obligations Liquidated
- Accounts Payable or Unliquidated Obligations
- Year-end Balances of Continuing Appropriations

For various offices in the Central Office

- a) At the start of the year
  - Approved Budget of the Office
- b) Daily
  - Obligation Program
  - Obligation Program Balances
  - Cash Program
  - Cash Program Balances
  - Allotment Program
  - Allotment Program Balances
- c) Monthly
  - Obligation Program
  - Obligation Program Balances
  - Cash Program
  - Cash Program Balances
  - Budget Realignment
  - Allotment Program
  - Allotment Program Balances
- d) Quarterly
  - Obligation Program
  - Obligation Program Balances
  - Cash Program
  - Cash Program Balances
  - Allotment Program
  - Allotment Program Balances
  - Budget Realignment
  - Obligations Incurred
  - Obligations Liquidated
  - Accounts Payable or Unliquidated Obligations
- e) Annually
  - Obligation Program
  - Obligation Program Balances
  - Cash Program

- Cash Program Balances
- Budget Realignment
- Obligations Incurred
- Obligations Liquidated
- Accounts Payable or Unliquidated Obligations
- Year-end Balances of Continuing Appropriations

## 5 BUDGET PERFORMANCE REVIEW AND REPORTING

### PURPOSE OF THE BUDGET PERFORMANCE REVIEW

- 5.1.1 The review of the performance of the annual budget is important in many ways. First, budget performance information is critical for the preparation of the ensuing medium-term expenditure program and annual expenditure program. It provides inputs in the formulation of the strategic plan and its translation into action plans by the offices. Budget review should provide information on expenditure efficiency, on financial versus physical performance, on the impact of budget policies and prioritization, among others.

### REVIEW OF BUDGET OPERATING SYSTEMS AND PROCEDURES

- 5.1.2 Review of budget operating systems and procedures is necessary as they impact significantly on the expenditure and physical performance. For example, delays in the releases of cash will directly result in corresponding delays of operational activities or the non-performance of activities at a time when they were required.
- 5.1.3 Such review process will evaluate the performance of operating systems and procedures, particularly in the following areas:
- Speed of transaction processing (the length of time involved before decisions reach implementers)
  - Timeliness of budget transaction outputs/services (the time convergence between the output delivery and its need)
  - Continued need for procedure
  - Integrity and clarity of internal controls (Are decision guidelines and parameters clear? Are decisions properly documented and verifiable?)
  - Accountability (Are mechanisms for verifiability clear and available? Are individual and unit and nature of answerability well-defined and well understood by all concerned?)
  - Quality of policies (Do policies result in distributive inequity, favoritism, discrimination, or unfairness in budget resource allocation and utilization?)
  - Complexity or simplicity (Can policies, procedures and guidelines be streamlined and simplified to improve speed and foster easy understanding and application?)

## BUDGET REPORTING

- 5.1.4 The reporting of budget performance shall be done periodically, depending on what will be reported and to whom the report will be made. Budget reporting may be daily, weekly, monthly, quarterly and annually. Daily reports on cash flows is a must. This report shall present both cash receipts and cash disbursements with corresponding comparisons with estimates. This daily report on cash flows shall be prepared for information and budget decision-making purposes. The monthly, quarterly and annual reports on the various indicators of budget performance shall be prepared by FMO for purposes of budget review and evaluation of the budget performance of the individual offices and the CHRP as a whole.
- 5.1.5 Budget reporting procedures are communicated to all users in the form of budget accountability guidelines. These guidelines will contain policies and procedures on the following:
- Periodic monitoring and reporting of financial and physical accomplishments by Regional Offices and other offices in the Central Office
  - Periodic evaluation of the budget implementation of new policies and programs
  - Periodic budget review of the over all financial and physical performance of CHRP
  - Periodic preparation of management reports by FMO for submission to the Chairperson and the Commission En Banc, and preparation of accountability reports in accordance with the reportorial requirements of national government oversight agencies.