

Chapter 6

PROPOSED IMPROVEMENTS IN REGULAR ACCOUNTABILITY REPORTS SUBMITTED BY LINE ENTITIES AND CERTAIN ASPECTS OF MANAGEMENT INFORMATION SYSTEMS IN DBM AND GOVERNMENT IN GENERAL

1. Implications of Proposed BES Improvements on Line Entities' Accountability Reports⁸⁸ and Related Matters

1.1 Line Entities' Accountability Reports in 2002 and 2003

Following the principle of collecting data that only relate to the DBM decision frameworks (allotment release during the transition and first alternative in the cash disbursement control system) in Chapter 5, this paper suggests the collection of 5 reports, instead of 9 at present (Table 9).

Table 9
NUMBER OF REPORTS

| PARTICULARS | PRESENT SYSTEM | PROPOSED SYSTEM |
|-------------|----------------|-----------------|
| Monthly | 4 | 1 |
| Quarterly | 3 | 3 |
| Annual | 2 | 1 |
| Total | 9 | 5 |

1.1.1 Monthly Reporting

1.1.1.1 Retain the Submission of Agency Trial Balances on a Monthly Basis

Since the proposed transitional NCA-release mechanism in Subsection 2 of Chapter 5 requires data from the monthly trial balance, this paper suggests the retention of this reporting requirement.

Also, the cross-checking procedure in Subsection 2.3 of Chapter 5, may help uncover instances when an agency issues an MDS check without a voucher. (It is recognized that the trial balance that has equal total debit and total credit is likely to be more accurate than one which does not balance.)

1.1.1.2 Proposed Non-Submission to DBM of the Summary List of Checks Issued and Cancelled (SLIC)

The SLIC is presently due on or before the 10th day of the following month and is used to determine unused NCAs, which as suggested in Subsection 2.4 of Chapter 5 will be

deducted from the initial NCA program for month + 2.

In a significant number of cases, the SLIC is not consistent with ACIC because of different cut-off times. Checks issued as of 15:00 are recorded in the ACIC while the cut-off for SLIC is the end of office hours. The ACICs are given daily by agencies to the MDS servicing banks.

Olayon (2001) stated that the MDS servicing banks are now able to submit to DBM monthly reports on the unused NCAs and MDS bank balances with a lag of only about one week. It is therefore not necessary to collect the SLIC from the agencies except those⁸⁹ that are not covered by the MDS system (like the offices abroad of the Department of Foreign Affairs which is still on a CDC system).

1.1.1.3 Proposed Non-submission to DBM of the Monthly Statement of Charges to Accounts Payable

This report⁹⁰ does not affect any budget execution decision (based on earlier frameworks) of DBM. And besides, the memorandum item in [Table 5](#) indicate whether payment arrears are building up or not.

1.1.2 Quarterly Reporting

1.1.2.1 Quarterly Report on Income

This is proposed for retention as input for the reassessment of the likelihood of attainment of revenue targets.

1.1.2.2 Proposed Collection of the Existing Monthly Form on Allotments and Balances on a Quarterly Basis

Guerrero (2001) suggests that the existing monthly report on allotments, obligations, and balances (presented by object of expenditures) be required on a quarterly basis. The submission deadline may be the 20th day of the immediately succeeding month. (The first and second quarter reports may be used for updating the expenditure baseline for the subsequent year.)

1.1.2.3 Proposed Modifications of the Quarterly Reports on Physical Operations to be Consistent with OPIF and Discontinuation of the Present Report Format on Financial Operations

To be consistent with OPIF, the existing quarterly report on physical operations should be replaced by [Tables 10A](#), [10B](#), and [10C](#). It may be noted the present report is still based on the concept of UWM which includes inputs, minor outputs, and MFOs. OPIF does not have any performance indicator on inputs and minor outputs.

[Table 10A](#) refers to outcome-oriented performance indicators which are non-MFO measures, namely controllable outcomes, client satisfaction feedback (CSF), and key process indicators (KPI). Given the guidelines of OPIF in the 2002 Budget Call, perhaps less than 10% of agencies would have controllable outcome indicators and/or KPIs while less than 25% would have CSFs. In other words, Table 10A would not be applicable to

most agencies.

[Table 10B](#) refers to outcome-oriented performance indicators which are MFOs in nature. (This table is expected to be applicable to about 80% of agencies.) Although the quantity of demand-driven outputs is not a PI in OPIF, this information is included in the table since it affects unit cost which will be used in Table 10C. The last table presents financial performance indicators applicable to all agencies.

1.1.4 Annual Report: Preliminary/Final Trial Balance

This paper recommends the retention of the aforesaid report. The submission of data on accounts payable is proposed to be discontinued.

1.2 Line Entities' Accountability Reports⁹¹ Starting 2004

This is basically the same as in Subsection 1.1 with the addition of [Tables 11A](#) and [11B](#). The decision framework in Subsection 1.2.4 of Chapter 5 requires the computation of current-period's accrued expense per MFO ([Table 11A](#)) or full time equivalent personnel (if there is no measurable MFO as in the case in Table 11B) and its comparison with the same parameter (less COA's estimate of input overpricing per unit in the latest available audit report) in the immediately preceding year, as basis for judging the excess or inadequacy of budgets.

1.3 Proposed Retention of All Accountability Reports of Government- Owned- or Controlled-Corporations (GOCCs)

Existing reports are proposed to be retained without any change.

2. Certain Aspects of a Proposed Management Information System (MIS) in DBM

As presented earlier, certain proposed improvement in budget execution processes could immediately be implemented while the rest could be done in the medium or long terms.

2.1 MIS for Immediate Implementation

The earlier proposals that can be implemented starting 2002 are proposed to be complemented with the necessary MIS efforts.⁹²

2.1.1 Proposed Regular Reports⁹³ to DBM Management

This paper suggests the quick and accurate monitoring (for the information of DBM management) of variables that indicate at an early stage the likelihood of annual fiscal risks in terms revenue shortfall and expenditure increases brought about by higher interest and foreign exchange rates.

The aforesaid reports including reporting lags are as follows:

| Table Number Period | Report Title | Time After Reported |
|------------------------|--------------|---------------------|
|------------------------|--------------|---------------------|

- [Table 12](#): Flash Fiscal Report for the Week Ending _____ 1 Week
- [Table 13A](#): Fiscal Report for the Month Ending _____ 19 Days
- [Table 13B](#): Fiscal Report for the Month Ending
(Additional Monthly Memorandum Items)_____ 1 Month 28
Days
- [Table 13C](#): Fiscal Report for the Month Ending
(Additional Quarterly Memorandum Items)_____ 2 Months 20
Days

2.1.1.1 Weekly Reports to DBM Management

2.1.1.1.1 Resumption of Flash Weekly Report on Deficit (Augmented with Other Parameters)

From 1983 to 1986, the Bureau of Treasury (BTr) used to provide DBM with a weekly report on total revenues, total disbursements/net lending, and deficit⁹⁴ with a lag of about 2 weeks. (During that time, the disbursement system was based on cash disbursement ceiling and the use of personal computers in the Philippine government just started.) This unofficial report (which should not be given to the media and which is intended for DBM management) is proposed to be resumed following the format in [Table 12](#) (which includes data on 90-day Treasury Bill rates and peso-US\$ exchange rate) with a lag of only one week .

This report could give indications whether or not revenues, disbursements, domestic interest, and foreign exchange rates are on track. A comparison of the ratios in the third and sixth columns of Table 12 could serve as a warning signal. For instance, if one looks at the row on total revenues and finds that the ratio in column 3 is lower than that in column 6, then that is an indication that a revenue shortfall problem is brewing. If one looks at 91 day Treasury Bill rates and finds that the ratio in column 6 is consistently higher than that in column 3, then that is an indication that the domestic interest payment program is likely to be understated.

Column 5 of the table includes targets on revenues and allotments and projections on exchange and inflation rates made during the budget preparation period.

2.1.1.1.2 Continuation of Weekly BTS Report on Allotment Releases and Disbursement Authorities Issued

This report is proposed to be retained.

2.1.1.2 Monthly Reports to DBM Management

2.1.1.2.1 Proposed Monthly Fiscal Report

Table 13A is the proposed monthly fiscal report which contains broad categories of revenues and disbursement, including the following memorandum items⁹⁵: (a) inflation rate from National Statistics Office (NSO); (b) money supply from Bangko Sentral ng Pilipinas (BSP); and, (c) gross international reserves from BSP. It may be noted that the 30 firm stock-market index in the memorandum items may be considered an indicator of

business confidence and expectation.

The 'emerging scenario' (unchanged policy projection) feature of existing regular reports should be integrated in this monthly report. (In other words, the report should forecast the likely of deficit if government stick with the original fiscal program.)

[Table 13B](#) contains additional monthly memorandum items⁹⁶ (from NSO) on productive capacity utilization in the Monthly Integrated Survey of Selected Industries (MISSI), trade balance, and labor force employment data. The lead indicators of GDP include imports of raw materials/capital goods and employment rate.

If the reported month is the end of a quarter, [Table 13C](#) should be filled up containing additional quarterly memorandum items⁹⁷ including gross national product (GNP/Gross Domestic Product (GDP), current account balance in the balance of payment (BOP) statistics, and estimate of outstanding domestic and foreign debts with variable interest rates. Canillas (2001) stated that in the past, the Bureau of the Treasury estimated⁹⁸ that 25% of outstanding foreign debt of government and virtually nil of domestic debt are on variable interest rates. This table also includes as memorandum items, analyses of the sensitivity of expenditures to foreign exchange rate and interest rates and the ratios of BIR and BOC revenues to GDP.

2.1.1.2.2 Proposed Monthly Report on Allotment Releases

[Table 14](#) is proposed to monitor allotment releases broken down into NNC and NC/soft cuts.⁹⁹

2.1.1.3 Quarterly Reports¹⁰⁰ to DBM Management

2.1.1.3.1 Proposed Cumulative Quarterly Report on Allotment Releases and Obligations Incurred

[Table 15](#) is a proposed cumulative quarterly report on allotment releases and obligations incurred for major expenditure groups (departments gross of transfers from SPFs not specified in the rows of the same table). The report is cumulative since if it applies to the second quarter, then data are the sum of the figures for the first and second quarters.

Through this table, the DBM Secretary will be able to monitor the rate of utilization of allotments for major expenditure groups.

2.1.1.3.2 Proposed Cumulative Quarterly Report on Disbursement Authorities (Level and Utilization), Treasury Disbursements, and Unpaid Agency Accounts

[Table 16](#) is a proposed cumulative quarterly report on disbursement authorities (level and utilization), Treasury disbursements, and unpaid accounts (as earlier defined) of line entities as a group.

Through this table, the DBM Secretary will be able to monitor the rate of utilization of disbursement authorities and compare the same with Treasury disbursements (MDS check encashments). This table will raise a warning signal if payment arrears are building up. (It may be recalled in Figure 1 that if disbursement provisions for AP and

current budget are lacking, then the 'soft cuts' in SPFs should initially be applied.)

2.1.2 Creation of a DBM-Server-Resident Database on Releases/Other Data and Linking the Same to an Internet Portal that can be Accessed by Line Entities and the Commission on Audit (COA)

2.1.2.1 DBM Central Office (CO)

2.1.2.1.1 Database on Releases of Allotments/Disbursement Authorities

It is necessary to create a DBM-server-resident database on releases of allotments and disbursement authorities. The inputting of the data should be after approval by the final approving authority (Secretary in case of SAROs). The database should be accessible by BMB division personnel for them to find out whether or not their recommended releases have been approved. The database should have a code to indicate if final approval incorporated changes from the lower level recommendations.¹⁰¹

The aforesaid database could also contain summary data on each agency's budget program (including adjustments, if any), appropriations cover, allotments (including released SAROs and deemed released corresponding to baseline expenditures), and program balances. These data are necessary to ensure that an agency's budget program has full appropriations cover and allotments are within program. The ABM and summary of NCA releases could also be placed in the aforesaid database.¹⁰²

The aforesaid data on releases by agency should have columns on regular program (which correspond to the explicit agency appropriations) and releases from SPFs¹⁰³.

2.1.2.1.2 Organizational Performance Indicator Database where Line Entities can Input Required Information

Line entities should be able to access another DBM database where these entities can input information pertaining to the revised accountability reports using the formats in Tables 10A, 10B, and 10C.

2.1.2.1.3 DBM Server as Repository of Scanned Monthly Trial Balances of Agencies

Agencies that are presently capable of sending scanned monthly trial balances to DBM should be allowed to do so. Those that do not have that capability can submit hard copies in the meantime.

2.1.2.1.4 Linking the Aforesaid Databases/Information to the DBM Internet Portal That can be Accessed by Other Financial Management Agencies and Line Entities with Security Controls

It is proposed that the aforesaid databases on releases and PIs be linked to the DBM's internet portal that can be accessed by line entities and COA with security controls (login names and 'pin' codes which will limit access/input capability to data related to the agency involved).

2.1.2.2 DBM's Regional Offices (ROs)

Similarly, each DBM RO would have the aforesaid internet portal to cover line entities' regional offices which are the recipient of RO releases. DBM ROs should have access to the server of the DBM CO and should be allowed to input data on ROs releases. This is necessary to ensure RO-CO coordination in releases to a regionalized agency and prevent having releases in excess of agency program and/or appropriations.

2.1.3 Creation of a Bureau of the Treasury-Server-Resident Database Containing Real Time Data on Budgetary Fund Balances and Monthly Cash Operations Report and Linking the Database to an Internet Portal that Can be Accessed by DBM

This paper suggests that the Bureau of the Treasury creates a server-resident database containing real time data on budgetary fund balances and monthly cash operations report. The database should be linked to an internet portal that can be accessed by DBM with security controls.

2.1.4 Longer-Run Creation of Commission on Audit (COA)-Server-Resident Database Containing Adverse Audit Opinions and Linking the Database to an Internet Portal that Can be Accessed by DBM

These proposals are suggested in the longer-run when COA shall have installed the new government accounting system (NGAS) based on accrual accounting principles. Pascua (2001) noted that the aforesaid COA database should contain financial statements based on NGAS and should highlight the following adverse audit opinions: (a) obligations in excess of allotments; (b) weaknesses of internal control systems; (c) inadequacies of performance data collection system and inaccuracies of said data; and, (d) estimated overpricing in procurement of goods and services with a disclosure of quality aspects. The last item may later on be used by DBM as an input (in lieu of the targeted efficiency improvement rate or TEIR used during budget preparation) in adjusting or 'cleaning' the 'year+2' baseline after the first semester of the current year. It is proposed that the aforesaid database be linked to COA's internet portal that can be accessed by DBM with security controls. (DBM should request COA to have registers of obligations incurred and checks issued in the NGAS.)

2.1.5 Necessity for Using Common Protocol Standards¹⁰⁴ by DBM, COA, and Bureau and Treasury to Enable Communication of Computers

It is necessary that the aforesaid entities use a common communications protocol standard to attain 'intercommunicability'. The current dominant standard in the Philippines is the internet protocol standard.

2.1.6 Unified Coding Systems by DBM and COA in the Long Run

Ramamurthy (2001) suggested the idea of unifying the coding systems of COA and DBM. Given a longer-term proposal to present MFOs in the GAA and the need to calculate (if possible) unit MFO cost using accrual accounting, codes for MFOs may be introduced in the accounting system.

2.2 What to Do with the Budget Execution Accountability Tracking (BEAT) System?

2.2.1 Recapitulation of BEAT System's Broad Features

Started in November 1997, BEAT system is an application software that runs on Sybase and which has been developed by a private contractor. Total contractor's billing amount to about P214 million, of which P28.9 million has been paid by DBM. BEAT has two parts, the Custom Budget Execution System (CUBES) and the Agency Custom Budget Execution System (ACUBES).

BEAT was tested in a very limited way. BEAT does not have a wide area network (WAN) and has a 'dial-up' feature using the private's telecommunication infrastructures. The source codes of BEAT are owned by the private contractor.

2.2.1.1 CUBES

CUBES automates the release of GAROs, SAROs, NCAs, and NCAAs with the following support systems:

- allotment management – ABM, programming of allotment releases, GARO, and allotment release information sheet (ARIS);
- cash management – agency cash matrix (ACM), programming of cash releases, cash release information sheet (CRIS), NCA, non-cash release information sheet (NCRIS).

CUBES is designed to capture the agency accountability reports (existing as of 1997) from ACUBES for tracking agency accountability. (It may be noted that OPIF was formulated only in 1999.)

2.2.1.2 ACUBES

Through ACUBES, line agencies are supposed to record the allotments. NCAs received, obligations incurred, and checks issued.

2.2.2 Comments on BEAT System

2.2.2.1 BEAT System Has Been Overtaken by PEM and Technological Changes

BEAT system appears to have been overtaken by the changes in the budget system. For instance, the BEAT software assumes the use of GARO, Allotment Release Information Sheet (ARIS), and Cash Release Information Sheet (CRIS), which are no longer existing. (The adoption of the WYSWYG policy led to the demise of the GARO. Further, the ARIS and CRIS are no longer needed because BMBs, not a centralized bureau, are the units releasing SAROs and NCAs to line entities.) Given the commitment of Secretary Boncodin to PEM, more changes in the budget system are forthcoming. Further, COA is committed to the shift to accrual accounting practices,¹⁰⁵ which is consistent with PEM.

This paper agrees with Hordejan (2001) that an internet portal is more appropriate than BEAT's dial-up connection feature.

2.2.2.2 Lack of Functionalities

BEAT has weaknesses in terms of functionalities. Ramamurthy (1999) stated:

“The ACUBES cannot generate the disbursement vouchers or checks nor can it capture the obligations or disbursement data electronically from other related computer systems. In other words, the system depends on manual entry of the disbursement data with its attendant delays and opportunities for errors, making the accountability tracking function unreliable. As for CUBES, the approved appropriations have to be entered into the system manually and there is not facility to interface it to the budget preparation module/system.....At the other end, i.e. accountability tracking, it depends on ACUBES which itself is not reliable for the reasons stated earlier.”

For the few agencies which have computerized accounting systems in place, BEAT system will require them to reenter in ACUBES the data on actual obligations incurred and checks issued.

BEAT system is capable of preparing and sending SAROs and NCA electronically for the information of agencies. (However, they cannot act on it unless they receive the original.) As stated earlier, the same information may be accessed by agencies through the DBM's internet portal.

2.2.2.3 Lack of Control on the Cost of Future Enhancements in the Absence of Government's Non-ownership of Source Codes

Ramamurthy (1999) said:

“As for future developments, it is obvious that the DBM will have to continue its reliance on the vendor firm in the absence of ownership of the source code. This puts at risk the DBM's ability to control the costs of future enhancements.”

2.2.2.4 Two Information Technology (IT) Consultants Have Opined that BEAT is Expensive

Mr. Ramamurthy of a World Bank project and Mr. Salvador Aque of a USAID project said that BEAT is expensive. Ramamurthy (1999) stated:

“Even the present contract price is quite high judged against the limited functionalities of the system and off-the-shelf packages available in the market, that are traditionally richer and much less expensive.¹⁰⁶”

It may be noted that DOTC purchased Oracle financials and hired 'James Martin Softwares' to modify (after requisite approval from Oracle Corporation) the program codes to (a) generate the accountability reports by COA, (b) set up a personnel information system, (c) prepare payrolls, and (d) manage supply inventory. (The accountability reports include allotments received, obligations incurred, and disbursement.) That project started in 1997 and is expected to be completed in 2001. Close to 50% of the original Oracle program codes have been modified. The total cost is less than P 100 million.

2.2.2.5 BEAT is a Contractual Arrangement which is Legally Valid Unless Nullified by the

Courts

It is recognized that BEAT is covered by a contract signed by a private contractor and DBM. DBM may be contractually liable to pay about P163 million, as estimated by Mr. Aque. (The estimation considered benchmarking of costs and judgement on the excess manpower inputs/salaries.) In other words, even if the BEAT project is discontinued, then the aforesaid amount may have to be paid.

2.2.3 Options

2.2.3.1 Drop BEAT and Computerize Once an Accrual Accounting System is put in Place in 2004 or 2005

PEM107 suggests the adoption of an accrual accounting system to (a) more accurately estimate unit costs of 'major final outputs' (MFOs), (b) facilitate benchmarking of cost per homogenous MFO, and (c) assist in the more appropriate targeting of fiscal balance.

This option is practical since the specific methodologies of PEM may be refined over the coming few years.

2.2.3.2 BEAT System May be Continued if the Private Contractor is Willing to Modify the Software to Consider Budget Reforms and Make Use of Internet Portals at No Cost in Addition to the Billings Made by the Contractor

Since BEAT system is covered by a contract, this paper suggests its continuation if (a) the contractor is willing to modify the same to consider the suggestions in this paper (if approved by the DBM Secretary) and (b) the price is pegged at the level of contractor's total billings as of end 1999. Also, the codes may be fully owned by the contractor with a proviso that if contracts with developing country government's are entered into, DBM should share 15% of the gross income as a recognition of the budget system implicit in the system. As an alternative, Castillo (2001) suggested that the source codes be owned by DBM and therefore the private contractor cannot sell the same to developing country governments.

This option entails the salvaging of the CUBES for the automated preparation of DBM's release documents. The use of ACUBES or alternatives (like customized Oracle as in the case of DOTC) will be left to the individual discretion of agencies. As recently suggested by Director Hordejan, DBM could have a website portal where agencies could regularly upload a DBM-prescribed summary table (say, in Excel 98 with standard column widths and information like 'total obligations' and 'total disbursements'). The portal could then be linked to the CUBES.

If the contractor is not amenable to the proposal in this subsection, then the same may file a case to enable payment.¹⁰⁸

3. Towards the Formulation of a Government Integrated Financial Management Information System (GIFMIS)

3.1 Decision-Oriented

The proposals (particularly the data required and associated formats) in this chapter should be considered in the formulation of GIFMIS. The most important thing to remember is that all data in the GIFMIS should be an input to the decision frameworks of the oversight and line entities.

3.2 FINLINK

3.2.1 What is FINLINK and What is Its Status?

Hordejan (2001) said that FINLINK is a partly operational IT system that is being used by government entities involved in financial/budget management. These entities include DBM, DOF (OSEC, BIR, BTr, and BOC), other major revenue collecting agencies (like LTO), and COA.

Koudry (1999) stated:

“The financial management community of the government of the Philippines (GOP) has been aware for some time of the need for Government-wide computer-based financial system interface and information exchange. The FINLINK system, conceived in 1993 and formally initiated in 1995, was an early initiative in this area. Currently, FINLINK, while its network is fully operational, serves the six agencies online in a limited capacity through Lotus Notes-based e-mail. As a consequence of restricted FINLINK deployment, various agency and program specific systems and networks have evolved, including:

- Bureau of Internal Revenue's Revenue Management System (RMS)
- The Electronic Funds Transfer Information System (EFTIS) and the BSP Network of the Central Bank (BSP)
- The several Bureau of the Treasury applications, including TOPNET (Treasury of the Philippines Network), Debt Management Financial Analysis System (DMFAS) and others.

In response to the continuing requirement for government-wide integration of financial system generated information, the Commission on Audit (COA) initiated the Government Integrated Financial Management Information System (GIFMIS) Task Force on November 24, 1998 to address this issue. This effort is currently ongoing and to date has resulted in extensive documentation of the report flow from NGA's to financial Agencies, highlighting a significant level of duplication and redundancy in information flow.”

3.2.2 Prospects for FINLINK

3.2.2.1 The Need for Each FINLINK Entity to Reform Operating Decision Frameworks and Correspondingly Limit Information Collection

As could be gleaned earlier, this paper proposes reforms in the BES operating decision frameworks of DBM. (Budget preparation procedures are in the advance stage of reforms in terms of consistency with PEM.) The earlier MIS improvement proposal tries to limit the data collection to those required by the frameworks.

Similarly all FINLINK entities should reform operating decision frameworks to ensure that desired outcomes can be attained and correspondingly limit information collection.

3.2.2.2. 'Intercommunicability' of Entities Involved

Eventually using wide area network (WAN) that utilizes existing private- and/or government-owned telecommunications network, FINLINK (which employs common communications protocols) would enable each of the aforesaid entities, with security controls, to access information from another entity through the internet portal approach. (It should be noted that a standalone personal computer could access hundred of thousands of internet web sites, yet not all these web sites use the same software.)

3.3 Line Departments' Information Technology (IT) Systems in the Long Run

In the long run, it may also necessary to create line department/agency-server-resident databases containing, among others, organizational performance database (consistent with Tables 10A, 10B, and 10C). In this regard, time series data on the quantity, quality including timeliness aspect, (if applicable), and unit cost (in nominal and real terms) of MFOs should be inputted in these database.

One alternative is to have only one software (like BEAT or Oracle) to be used by oversight and line entities. Another alternative is that line agencies (with guidelines to ensure IT 'intercommunicability'¹⁰⁹) may be given the option whether or not to use ACUBES or BEAT. Pascua (2001) stated that according to Geoff Dixon, Australia is encountering certain problems (presumably including data integration aspects) with this approach.

3.4 Other Features of GIFMIS

Ramamurthy (1999) stated: "A modern GIFMIS is based on Relational Data Base Management System (RDBMS), and is user friendly, scaleable and portable. Functions provided by GIFMIS include: General Ledger with interface with budget systems and other external stand-alone systems like debt management, tax administration etc., encumbrance accounting, payment processing and accounting, revenue module, payroll (sometimes this is optional, but the system will have interface facility to a stand-alone payroll system) and fixed assets management." This is consistent with the recommendations of the latest IMF mission.

'Scaleable' connotes modularity in development. (Instead of a very ambitious design right at the start, the simplest design to address only the data required by decision frameworks of each of the aforesaid entities should initially be implemented. Improvements can be tackled in modules later on. It is therefore important to have a long-term view of what is ideal in the future.)

⁸⁸ Strictly speaking, this is part of the accountability stage of budgeting, the terms of reference (TOR) of the author included this aspect since certain data on the aforesaid reports may conceptually have implications on the releases during budget execution stage. There was also a concern to simplify these reports.

⁸⁹ In this case, the total payments of 'due and demandable' accounts in the trial balance could be used. 90 COA may require agencies to submit this if it deems necessary for its

audit operations.

⁹¹ Given the lead time, further analysis should be undertaken.

⁹² In the long run, MDS-servicing banks should have their servers containing real-time data on total checks issued per ACIC (as well as the duly filled-up ACIC as authenticated by the agency involved), unused NCAs, and bank balances. The server should be accessible to DBM to enable the implementation of the proposed NCA release system (based on a "supply inventory" method in the long run) explained in Section 3 of Chapter 5. The Bureau of the Treasury should also be able to access the aforesaid database to enable the implementation of the proposed random checking of ACICs in Section 4.4 of Chapter 5. ⁹³ The reports could be placed in the DBM server so that DBM personnel could have access to these reports. The officials of DOF and NEDA may regularly be furnished hard copies of these reports. A summary version of these regular reports should also be given to the President and the Cabinet.

⁹⁴ The under-reporting of the deficit was significantly rectified with the issuance of a joint DBM-COA circular prescribing the booking of FAPs direct payment transactions on the basis of creditors' notices of direct payments, in lieu of line agencies' certification of acceptance of associated equipment.

⁹⁵ The respective reporting lags from data sources are 5 days, 13 days, and 9 days. De Vera (1996) suggested that the sum of the following items (from fiscal data) as a more accurate measure of money creation attributable to the fiscal sector: (a) net bank financing; (b) net foreign financing; and, (c) above-the-line net receipts from foreign sources and from domestic banks. (In this measure, money supply contraction on account of government's interest payments is attributed to government, not the external sector.) The feasibility of including this sum as a memorandum may be explored later on.

⁹⁶ The respective reporting lags are 1 month 27 days, 1 month 18 days, and 1 month 14 days. (Export data are available 5 days ahead of the summary trade statistics.)

⁹⁷ The respective reporting lags are 2 months, 2 months 20 days, and 2 month 16 days.

⁹⁸ These estimates are in the process of being updated. (It may be a good idea to update the same on an annual basis in the future.)

⁹⁹ In the long-run, the NNC and NC/'soft cuts' columns could respectively be replaced by Baseline Expenditures and Approved ABPs.

¹⁰⁰ It appears that NCSO's quarterly data on leading economic index (LEI) have had certain successes in predicting an economic upturn/downturn. (The LEI considers weighted data on total imports, electric energy consumption, CPI, wholesale price index, tourist arrivals, terms of trade index, money supply, hotel occupancy rate, number of new business incorporated, exchange rate, and stock price index.) In the future, the LEI could be included as memorandum item in one of the quarterly reports if the same has proven to be consistent in predicting the country's economic health.

¹⁰¹ A personnel in the office of the final approving authority should automatically send a photocopy of the released document if there are changes made by the final approving authority. If the BMB division concerned does not receive the aforesaid photocopy within

one day, then the division personnel concerned should call the aforesaid personnel in the Office of the Secretary. BMB divisions should regularly update its server-resident database on the program balances of agencies or SPFs assigned to the same. However, in case of SPF balances, Gariel (2001) stated that there may be 'moral hazard' (in terms of proposing releases from SPFs if balances appear to be large) if BMBs are informed of the same. She suggested that access to the balances on SPF balances should be limited to the Secretary, Undersecretaries, and Assistant Secretaries.

¹⁰² While the aforesaid database is not yet operational, hardcopies of ABM would be given to COA.

¹⁰³ At present a BMB managing a given SPF (under the voucher system prescribed in Budget Execution Guideline or BEG 2000-16) controls all releases originating from other BMBs to ensure that the program and/or appropriations are not exceeded. (This is an awkward situation from an accountability viewpoint since the work of a director is submitted to another director.)

In the longer run, an Assistant Secretary (with a group of say ten personnel) directly reporting to the Office of the Secretary can control the SPF releases. SAROs chargeable against an SPF should be prepared only if there is an instruction to a BMB to do so.

¹⁰⁴ Each standard has a unique way of checking whether or not some data are lost or modified during transmission through telecommunications backbone.

¹⁰⁵ Garriel (2001) stated that the present COA Commissioner (Guillermo Carague who was formerly DBM Secretary) plans the implementation of accrual accounting system and the creation of a registry (which in concept is like a 'ledger', which tracks down non-financial transactions) that will monitor appropriations, allotments, and obligations incurred. (Non-financial transaction are those that do not directly or indirectly affect real accounts, namely assets, liabilities, and net worth.)

Also, in an accrual accounting framework, the liabilities that are payable within the coming year are reflected explicitly as current liabilities in the balance sheet.

¹⁰⁶ A packaged software (like Oracle financials) would appear cheap because the high-cost of development is shared by many worldwide users.

¹⁰⁷ PEM also suggests more aggregative appropriation items to give flexibility to line agencies to realign budgets while being responsible for outcome-oriented performance indicators.

¹⁰⁸ It may be noted that existing COA regulations state that if a disallowance on disbursement is made on the basis of 'excessive costs', the retirement pay of the government officials who signed the disbursement vouchers will be reduced partly or fully to pay for the said excess. (This may have the unwanted consequence of officials being extremely careful and may be one of the reasons why the Philippine bureaucracy is slow. This practice is not done in countries, like Australia and New Zealand judged as having good governance systems. In these countries, if there is court-acceptable evidences of corruption, then cases are filed. Perhaps, this is one area of reform that

COA should look into.)

The committee formed by former Secretary Diokno renegotiated BEAT at the following costs: (a) P106.8 million assuming that the BEAT contractor will own the software or (b) about P163 million assuming that the software will be owned by DBM. (In the second option, DBM could install the software, without the Dun and Bradstreet package, to as many sites required. Although integrated in the software, the aforesaid package was not used in the computational algorithms.)

¹⁰⁹ One approach is to limit the choice of agencies to 2 (in addition to BEAT) database systems that are capable of communicating with each other through the internet.

(End of Chapter 6)

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