

FOREWORD

NASSA and the CAC are pleased to share with you the “IRA Watch Manual.” We acknowledge the generosity of the Regional Operations and Coordination Services (ROCS) of DBM for allowing NASSA to lift from its publication (*“The Barangay Operations Manual”*) all the information related to barangay’s budget cycle. Likewise, we thank the Jaro Archdiocesan Social Action Center for readily making their materials available for the purposes of this manual.

While it is true that the methodology of IRA Watch is actually very simple, the volunteers still need to familiarize themselves with the broader aspect of barangay planning and budgeting, to be able to grasp and appreciate the true nature of the campaign. For to plunge head-on with IRA Watch without acquainting ones’ self with the barangay’s financial dynamics could seriously jeopardize the campaign objectives. Uninformed volunteers could easily get lost in the complicated maze of budgeting cycle and/or provoke unnecessary conflict with the local officials. Thus, we tried to assemble a handbook that takes up the nature and methodology of IRA Watch, as well as the dynamics governing barangay planning and budgeting.

I. About the Coalition Against Corruption

The **Coalition Against Corruption** is an alliance of the business sector, non-government organizations, and the Church that fights corruption. Launched on 21 September 2004, it implements and supports counter-corruption projects in the areas of procurement and delivery of essential public services.

The programs supported by CAC include government procurement monitoring, monitoring of textbooks with the Departments of Education, monitoring of medicines with the Department of Health, Internal Revenue Allotment Watch, Pork Barrel Watch, Lifestyle Check Program, and the prosecution support for corruption cases.

The members of the coalition are the Makati Business Club (MBC), Catholic Bishops' Conference of the Philippines-National Secretariat for Social Action (CBCP-NASSA), Bishops' Businessmen's Conference for Human Development (BBC), Caucus of Development NGO Networks (CODE-NGO), National Citizens' Movement for Free Elections (NAMFREL), Transparency and Accountability Network (TAN), and Barug Pilipino of Cebu.

II. Introduction to the IRA Watch Campaign

Project Background

On 21 September 2004, during the launching of the Coalition Against Corruption (CAC) held at the Makati Shangrila Hotel, the National Secretariat for Social Action-Justice & Peace (NASSA) launched ***IRA Watch***, a campaign aiming to curb corruption at the barangay level.

Basing on data provided to NASSA by a Commission on Audit (COA) official, among the common anomalies in the utilization of the 20 % development fund is its use in defraying food and restaurant bills reported as trainings and its use for junkets in foreign countries reported as “observation trainings”.

Aside from the organization’s realization that corruption in the country is getting worse, NASSA’s leadership in the campaign is based on two major resolutions: The first being the one made during the 32nd National Social Action General Assembly (NASAGA) held in 2003 affirming Good Governance as one of the priority concerns of the Social Action Network; and the second, being the resolution by the Catholic Bishops’ Conference of the Philippines during the July 2003 Bishops’ Plenum tasking NASSA “to lead in implementing Church initiatives against graft and corruption” (*Let Integrity Flow Like a Stream, pastoral statement dated 7 July 2003*).

Campaign focus

To make for an effective and efficient campaign implementation, IRA watch locates its niche by focusing on (1) the *barangay*, (2) the way *barangays* utilize the 20% development budget of the IRA allocated annually to them, (3) and explore likely venues for people participation (i.e. how the community members could access the 20% Development Fund for community projects and services)

a. Why focus on the barangay?

There are three primary reasons why the campaign focuses on the *barangay*:

- First, because of the obsession to ‘catch the big fish’, the *barangay* – the basic unit of government – has largely been overlooked by anti-corruption watchdogs;

- Second, the Church has a structure that is present at the grassroots level, with characteristics that, supported by the DSACs, make them ideal watchdogs at the *barangay* level – the BECs; and
- Third, concentrating on the *barangay* will make the intervention more efficient and effective.

b. Why focus on the 20% development budget?

IRA Watch will monitor the utilization of the Internal Revenue Allotment (IRA) focusing on the 20 % of the annual IRA. The 20 % development budget was deliberately chosen based on two principal reasons: First, Sec. 287 of the Local Government Code mandates LGUs to appropriate not less than 20 % of its annual IRA for development projects; and second, monitoring the utilization of the entire IRA will be difficult owing to the expected resistance of barangay officials to open all records for scrutiny. But Sec. 287 of the LGC make the development budget a demandable allocation.

III. The Local Government Code and the Barangay

The main philosophy behind the 1991 Local Government Code (LGC) rests on the concept of DEVOLUTION.

Devolution is the mandatory process of transfer of powers and responsibilities (delivery of basic services and exercise of regulatory powers), personnel, assets and resources from the national government to the local government units.

Devolution, as intended by the 1991 Local Government Code of the Philippines, will hopefully reduce the Metro-centric development and instead give equal priority to the long neglected rural areas where 60% of the Filipinos live.

How will devolution facilitate community development?

1. It enables maximum participation of the people in decision-making, resulting in decisions more responsive to the people's needs;
2. It promotes greater self-reliance among local government units;
3. It reduces red tape and bureaucracy, hastening decision-making processes;
4. It relieves the central government of functions, which can be handles more efficiently at the local levels.

The LGC envisions the barangay governance to promote people empowerment that will lead the community members to productive and meaningful participation in certain services and activities of the local government units in their respective localities.

What are the powers of the barangay?

The barangay, as a constitutionally-identified political and territorial subdivision, performs governmental (legislative, executive and judicial) and proprietary (for the special benefit of the community, which may be corporate in nature) functions.

Likewise, the barangay, through the Punong Barangay (PB) and the Sanguniang Barangay (SB) exercise:

- a). police power
- b). power to tax
- c). power of eminent domain (taking of property for a public purpose upon payment of just compensation)

Who are the barangay officials?

The officials of the barangay are the following:

1. The Punong Barangay;
2. The regular members of the Sanggunian;
3. The Sanggunian Kabataan chairperson;
4. Secretary; and
5. Treasurer

The general functions and duties of each sub-structure and barangay official / composition and number of sub-structures:

Components	Number and Membership	General Function and Responsibilities
Punong Barangay		Performs executive functions as the local chief executive of the barangay; presides over the sessions of the Sangguniang Barangay and (only) votes in case there is a tie; and heads the Lupong Tagapamayapa
Sangguniang Barangay	1 Punong Barangay; 7 regular members; and 1 SK Chair (Total of 9 composition)	Legislative body of the barangay
Barangay Development Council	9 members of the Sangguniang Barangay; 1 congressman or representative; and representatives of non-governmental organizations operating in the barangay, who shall constitute not less than one fourth (1/4) of the members of the fully organized council	Formulates the barangay development plan and the public investment program; assists the PB in the preparation of the annual executive and supplemental budgets of the barangay
Sangguniang Kabataan	1 chairperson 7 regular members (Total of 8 composition)	Issues resolutions and youth affairs
Lupong Tagapamayapa	1 PB 10-20 appointments	Exercises conciliatory powers over minor disputes within the barangay 11-21 composition
Barangay Assembly	All persons who are actual residents, at least 15 years old, Filipino citizens, and registered in list of assembly members	Recommends to Sangguniang Barangay legislative measures; hears and passes the semestral report of the Sangguniang Barangay

Different Committees within the structure of the barangay

1. Committee on General Services
2. Committee on Appropriation

3. Committee on Ways and Means
4. Committee on Agriculture
5. Committee on Cooperative
6. Committee on Good Governance

Various Councils

1. Brgy. Development Council
2. Brgy. Peace and Order Council
3. Brgy. Council for the Protection of Children
4. Brgy. Anti-Drug Abuse Council

Other Committees

1. Brgy. Ecological Solid Waste Management Committee
2. Committee on Rules, Ordinances

Methods of people's participation in local governance

1. Social analysis
2. Monitoring of basic services
3. Participation in barangay assemblies
4. Honest and correct participation in all electoral exercises
5. Participation in Active People's Initiatives (referendum, recall and other methodologies)
6. People empowerment
 - a. Conscientization
 - b. Organization
 - c. Mobilization / Lobbying
 - d. Dialogue
 - e. networking

III.

The barangay budget cycle

Budget Preparation (September 20-October 16)

What does the Local Government Code say?

“Upon receipt of the statement of income and expenditures from the barangay treasurer, the Punong Brangay shall prepare the barangay budget for the ensuing fiscal year in the manner and within the period prescribed in this Rule and submit the annual barangay budget to the Sangguniang Barangay for enactment.”

The budget process starts with the **preparation** of the budget.

See Figure 1 for the budget cycle:

Figure 1. Budget Cycle



I. PREPARATION

Who prepares the BUDGET?

The Punong Barangay (PB), with the assistance of the Barangay Treasurer, and in consultation with the Sanguniang Barangay (SB) and Barangay Development Council (BDC) prepares the barangay budget, (Section 389 B7) consisting of the following:

1. Estimate of income¹
2. Total Appropriations as Proposed by the Punong Barangay

When is the BUDGET prepared?

The PB shall prepare the barangay budget for the coming Fiscal Year upon receipt of the detailed Statement of Income and Expenditures² from the barangay treasurer on or before September 15 of each year.

What are the contents of the barangay budget?

The annual barangay budget document shall contain the following:

1. Budget Message
2. Local Expenditures Program of “Proposed general Barangay Appropriations Bill”
3. Summary of Income and Expenditure (past year, current year and budget year),
and
4. Summary of actual and estimated output.

How is the barangay budget prepared?

Step 1: Issuance of Budget Call for Budget Year (Budget Call is issued on the basis of approved Annual Investment Plan (AIP) for the Budget year and the submitted Statements of Income and Expenditure.

¹ Total estimated income should consist of estimated income from internal and external sources. See ANNEX B for detailed information on how Estimated Income from internal and external sources are determined.

² See ANNEX C for detailed example of how Statement of Expenditures are prepared.

Contents of the Budget Call

- a. Objectives and Policy Decisions for the budget year
- b. Spending ceiling for basic services, development projects, SK fund and calamity fund expected output and/or targets for each basic services, development projects
- c. Budget calendar

The indicative budget calendar

Period: During the months of September and October of every year

Table 1. Budget Calendar

Activity	September															October											
	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	10	11	12	13	14	15	16	17	18	19	20
Issuance of budget call																											
Preparation of budget proposal																											
Budget forum w/ brgy. officials/stakeholders																											
Finalization of Brgy. Appropriations Bill																											
Preparation of Budget message																											
Submission of the Executive Budget to SB																											

Step 2. Preparation of the Budget proposal – Allocate within spending ceiling for basic services, development projects, SK Fund and Calamity Fund. Then compute the free resources, if any.

Computation of Free Resources

Income Available for Appropriation

Table 2. Free resources

For the budget year	P xxx
Less: Mandatory expenses	
• Basic services	P xxx
• Administrative / legal services	xxx
• Development Fund (20% of IRA)	xxx
• SK Fund (10% of general fund)	xxx
• Calamity Fund (5% of Regular Income)	xxx <u>xxx</u>
Free Resources / Deficit	P xxx

Note: If total estimated income is greater than expected expenditure for the budget year, the excess may be termed, in this case, as “Free Resources”. If less, then it is a deficit.

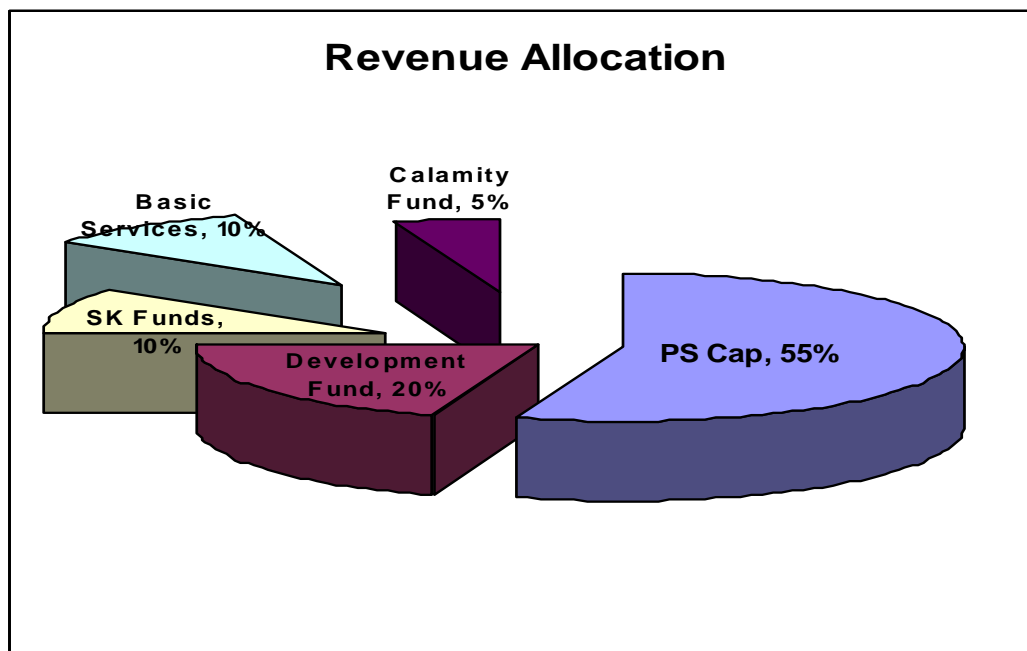
Where may “Free Resources” be allocated?

Computed “Free Resources” may be allocated to any of the following: (for Policy Decision by the BDC and SB)

- High priority development projects in addition to the **20% of IRA** – this also means that should the community members or IRA Watch volunteers perceive an excess in the barangay budget, they may suggest to the Council to relegate the remaining funds to the development services initially funded by the 20% IRA)
- Additional maintenance and other operating expenses for basic services delivery, including administrative and legislative services
- Additional honoraria³ for barangay officials, etc.

Allocation of funds pursuant to the provisions of LGC

Figure 2. Allocation of the Barangay Budget



*PS Cap⁴ refers to the Total Regular Income of next Preceding Year

³ See Table 1 Annex D for sample computation of how to adjust honoraria rates

⁴ See Table 2 Annex D for a sample computation of PS Cap

Policy on the procurement of commonly used supplies and civil works

- All procurement of the barangay shall be embodied in a Project Procurement Management Plan (PPMP) and integrated in the Annual Procurement Plan (AAP)
- Procurement of commonly used supplies shall be procured from the Procurement Service (PS) except when PS certifies as to unavailability of the supply or procurement from PS is not feasible where costs far outweigh the benefit due to distance and accessibility.

Policy on expected results or major final output for all basic services

- All basic service delivery shall identify at least two (2) performance indicators and determine corresponding target output for the budget year

Table 3. Sample of Performance indicator

Major final output basic services / final development projects	Performance indicator	Target
		Example
1. Agricultural Services	<ul style="list-style-type: none"> - Plant seedling distributed - Farmer beneficiaries 	100 seedling 50 farmers
2. Day care services	<ul style="list-style-type: none"> - Pre-school children trained - Parent beneficiary 	40 children 20 parents
3. Health and Nutrition services	<ul style="list-style-type: none"> - Patients provided primary care - Children provided nutrition care 	100 patients 30 children
4. Peace and Order Services	<ul style="list-style-type: none"> - Conflicts decided / resolved - Persons apprehended 	10 conflicts 50 persons
5. Infrastructure Services	<ul style="list-style-type: none"> - Kilometers of barangay road maintained - Solar drier constructed 	3 kms. 100 sq. m.
6. Administrative and legal services	<ul style="list-style-type: none"> - Barangay officials trained - Ordinances passed 	8 officials 10 ordinances
7. Others (SK projects)	<ul style="list-style-type: none"> - Athletic sports conducted - Youth trained on skills and livelihood projects 	2 sportsfests 100 youth

Step 3. Preparation of the Budget Message

Contents of the Budget Message

1. Policy thrusts for the budget year
2. Estimated income for the budget year

3. How income is allocated
4. Expected results to be accomplished

Step 4. Submit Executive Budget (or Appropriations Bill) to the Sangguniang Barangay on or before October 16.

II. AUTHORIZATION

“Authorization is the adoption and enactment of a barangay budget into a General Appropriations Ordinance (GAO). The LGC states that the Sangguniang Barangay shall enact annual ad supplemental budgets in accordance with the provisions of this Code.”

- DBM Handbook on the Barangay Budget process

- The GAO authorizes the PB and other barangay officials to carry out delivery of basic services and to implement priority development projects
- The GAO provides funds to support such undertakings

How the barangay budget is authorized?

Step 1. Presentation of the Executive Barangay Budget to the Sangguniang Barangay

Step 2. Deliberation on the Executive Budget

Discuss the allocation of income to the following:

- 20% of IRA for Development Projects check if the minimum requirements (20% x total IRA for the budget year) is provided
- 5% of regular income for Calamity Fund (regular income derived from regular/recurring sources like tax income and miscellaneous and operating income)
- 10% of general fund of the barangay for SK (general fund of the barangay refers to all monies and resources of the barangay which are available for the payment of expenditures, obligations or purpose not specifically declared by law as accruing and chargeable to or payable from other funds).
- 2% of Real Property Tax collection of next preceding year shall be for Discretionary Expenses of the Punong Barangay
- 55% of regular income of next preceding year shall be the PS cap or limitation.

Discuss the allocation of income to other priority projects

- Priority projects over and above the 20% of the IRA

- Basic service delivery
- Expected results / output
- Performance indicators for each major final output

Discuss sources of income

- IRA and national wealth shares
- Locally-generated income (income from tax revenue, income from operating and miscellaneous revenues, income from other sources)

Step 3. Enactment of the General Appropriations Ordinance (GAO)

Step 4. Approval of the GAO by the PB

III. BUDGET REVIEW

The GAO, authorizing the annual or supplemental budget is submitted for review within ten (10) days after its enactment to the Sangguniang Panglungsod / Bayan.

Budget review has the following purposes:

1. To ensure that the budgetary requirements and general limitations provided in the Code are complied with;
2. The budget does not exceed the estimated receipts and/or income of the barangays;
3. The items of appropriations are not more than those provided by existing laws

How is budget review done?

Step 1. Review within 60 days upon receipt – the Sangguniang Bayan/Panglungsod, through the City/Municipal Budget Officer shall review the barangay budget within 60 days upon receipt of the appropriation ordinance. *(If the SB fails to review the barangay budget within the 60-day period, the budget is deemed in full force and effect)*

Step 2. Declaration of the barangay budget as operative – there is no substantial change in the budget if it is declared operative in its entirety. The PB can right away execute the authorized budget.

Step 3. Declaration of the barangay budget as inoperative in its entirety – a barangay budget that is declared inoperative in its entirety shall be returned to the PB for proper adjustments / revisions. The barangay treasurer shall not make any further disbursements from the inoperative budget. The barangay shall operate on a

reenacted budget or the budget of the previous year until the new appropriations ordinance is declared operative or approved by the Sangguniang Panglungsod or Bayan.

A budget is inoperative in its entirety if:

- (a). Expenditure is greater than the estimated income*
- (b) When there is no sufficient provision appropriated for payment of loans*

Step 4. Declaration of the budget as inoperative in part – a barangay budget may be declared inoperative in part when it has not complied with some budgetary requirements or general limitations or any provision of the LGC and that the non-compliance of said requirements or limitations may be corrected by the imposition of conditions in the review action.

Step 5. Check consistency of GAO with Annual Investment Plan and Executive Legislative Agenda (ELA) – monitor project for implementation. See to it that the AIP and ELA projects are funded in the 20% Development Fund and the activities undertaken in the delivery of basic services.

Step 6. Appeal for reconsideration in case of conflict in budget review – the barangay may make an appeal in case of conflict in the review of its budget to any of the following:

- City/Municipal Legal Officer assigned to review, and submit recommendation on approved ordinances and executive orders issued
- DBM Regional Office for technical assistance

IV. BUDGET EXECUTION

The ordinance enacting the annual budget shall take effect at the beginning of the ensuing calendar year. An ordinance enacting a supplemental budget, however, shall take effect upon its approval or on the date fixed herein

The Punong Barangay shall be primarily responsible for the execution of the annual and supplemental budgets of the barangay.

- The 1991 Local Government Code of the Philippines

The Punong Barangay is responsible for the execution of the barangay budget. He shall ensure the following:

- That the revenues as estimated are realized; and

- That the approved development projects and basic services are implemented and delivered.

Barangay funds are released and disbursed in accordance with the GAO and reviewed Annual Barangay Budget and through a Simplified Allotment Release Order (SARO).

Actual disbursement is done through a simplified cash program, obligation requests and disbursement voucher system. All financial transactions of the barangay shall follow accounting and auditing rules.

How is the budget executed?

Step 1. Preparation of a simplified SARO for all basic service and development projects. The SARO is released comprehensively for the entire year.

Step 2. Preparation of a Cash Program (CP) to support the SARO. The CP is a financial statement showing the expected income and disbursement on a monthly basis (January to December).

Step 3. Preparation of the quarterly performance targets. This form is the major justification for the release and disbursement of funds. It shows the expected results or output to be produced by the financial transaction.

Step 4. Obligate and disburse funds. Preparation of the Obligation Request in the form as required by the Commission on Audit and corresponding Disbursement Voucher for all valid obligations found in the GAO or Supplemental Budget.

Step 5. Procurement of goods and civil works projects.

- Preparation of the Project Procurement Management Plan (PPMP) for commonly-used supplies under basic service delivery
- Preparation of the PPMP for each Development Projects
- Preparation of the Annual Procurement Plan (APP) for all PPMPs for basic services and Development Projects
- Implement APP through the Brangay Bids and Awards Committee (BBAC) and pursuant to R.A 9184.

V. BUDGET ACCOUNTABILITY

“The responsibility for the execution of the annual and supplemental budgets and the accountability therefore shall be vested primarily in the Punong Barangay concerned..”

- The 1991 Local Government Code of the Philippines

This is the last stage of the budget process whereby the financial and physical performance of the barangays are monitored, recorded validated and evaluated purposely to assess whether performances is in accordance with targets or budget plans. Any negative deviations from planned targets are provided with corrective actions during this phase of the budget cycle.

How is the accountability of the budget done?

- Step 1. Recording all collections from taxes, fees, charges and contributions due or accruing to the barangay in the Income Books of Account under the General Fund.
- Step 2. Issuance of official receipt for all taxes, fees, charges and contributions collected.
- Step 3. Deposit of all collections in the depository account maintained in the name of the barangay within five (5) days after receipt.
- Step 4. Collection of Real Property Tax and such other taxes as mat be imposed by province/city/municipality that are due in the barangay only after being deputized for the purpose by concerned Provincial/City/Municipal Treasurer.
- Step 5. Recording all obligations and disbursements in the Expenditure Books of Accounts under the General Fund.
- Step 6. Segregate all expenditure level by sector.

VI. The Internal Revenue Allotment

Appropriation and Utilization of IRA

The Internal Revenue Allotment (IRA) is the annual share of local government units out of the proceeds from the national taxes. It is estimated based on the collection of the third fiscal year preceding the current fiscal year as follows:

- (a) 30% during the first year of effectivity of LGC (1992);
- (b) 35% during the second year (1993); and
- (c) 40% in 1994 and thereafter⁵

What constitute the National Internal Revenue Taxes being used as basis for the computation of IRA?

- 1. Income tax
- 2. Estate tax and donor's tax
- 3. Value-added tax
- 4. Other percentage taxes
- 5. Taxes imposed by special laws, such as custom duties, travel tax, etc.

IRA Allocation to local government units

The share of LGUs in the IRA shall be allocated in the following manner:

- (a) Provinces : 23%
- (b) Cities : 23%
- (c) Municipalities : 34%
- (d) Barangay : 20%

However, the share of each province, city and municipality shall be determined on the basis of the following formula:

- (a) Population : (50%)
- (b) Land area : (25%)
- (c) Equal sharing : (25%)

For **barangays**, the allocation formula is based on:

- (a) not less than P80,000.00 for barangays with population over 100
- (b) Population : (60%)
- (c) Equal sharing : (40%)

⁵ Provided that in the event that the national government incurs an unmanageable public sector deficit, the President of the Philippines is hereby authorized, upon the recommendation of Secretary of Finance, Secretary of Interior and Local Government and Secretary of Budget and Management, and subject to consultation with the presiding officers of both Houses of Congress and the presidents of the liga, to make the necessary adjustments in the internal revenue allotment of local government units but in no case shall the allotment be less than 30% of the collection of national internal revenue taxes of the third fiscal year preceding the current fiscal year.

Automatic release of shares

Section 286 of the LGC provides for the automatic release of IRA shares of LGUs without need of any further action, and shall not be subject to any holdback that may be imposed by the National Government for whatever purposes.

Table 4. Illustrative example of how the IRA is computed for CY 1997

STEP 1. Compute the net IRA	
1994 National Internal revenue Tax collection as certified by the BIR	
P 177.623 B	
X 40%	
=====	
P 71.049 B	
IRA for 1997	
Less: Actual cost of Devolved Functions and city funded hospitals	
P 71.049 B	
- 6.610 B	
=====	
P 64.439 B	
STEP 2. Allocate the net IRA (P64.439 B) per section 285 of RA 7160	
Share per LGU:	
Provinces (23%)	= P14.821 B
Cities (23%)	= P14.821 B
Municipalities (34%)	= P21.009 B
Barangays (20%)	= P12.888 B
STEP 3. Allocate the aggregate barangay share of P12.888 B to all the barangay	
<ul style="list-style-type: none"> Compute the P80,000.00 share of the barangays with 100 or more population and deduct from the aggregate share. 	
Aggregate barangay share : 12.888 B	
Less : total amount given to barangay	
with 100 or more population	
Net amount for allocation	XXXXXX (Fig. A)
	XXXXXX (Fig. B)
<ul style="list-style-type: none"> Allocate the net amount based on population (60%) and equal sharing 40%. 	
Equal sharing = (Fig. B x 40%) divided by total number of barangays	
Population = Fig. B x 60% x ratio of a barangay population to the total	
Hence, the IRA of the barangay is the sum of the following: share based on equal sharing; share based on population and P80,000 (if the barangay has a population of 100 or more)	

V. Development Projects

Allowable Projects within the scope of IRA (20% Development Fund)

For Social Development

1. Establishment or rehabilitation of Productivity Enhancement Center for out-of-school youths, women, minors, displaced families, indigenous people, differently-abled persons and older persons;
2. establishment or rehabilitation of Manpower Development Center;
3. Construction or rehabilitation of a local government-owned potable water supply system
4. Installation of street lighting system
5. Preservation of cultural / historical sites
6. Other programs or projects of similar nature

Economic Development

1. Implementation of a livelihood / entrepreneurship development program or project
2. Construction / rehabilitation of a communal irrigation or water impounding system and purchase of post-harvest facilities such as farm or hand tractor with trailer, thresher, mechanical drier and the like
3. Construction / rehabilitation of farm-to-market roads
4. Construction / rehabilitation of local roads or bridges
5. Other programs or projects of similar nature

Environmental Management

1. Construction / rehabilitation of sanitary landfill or controlled dumpsite and purchase of a garbage truck or related equipment
2. Community reforestation or urban greening projects
3. Flood control programs or projects such as de-clogging of canals or de-silting of rivers
4. Other environmental management programs or projects that promote air and water quality, as well as productivity of coastal or freshwater habitat, agricultural land and local forest land

*It shall be the responsibility of every Provincial Governor, City and Municipal Mayor and Punong Barangay to ensure that the 20% of the IRA is optimally utilized to help achieve desirable socio-economic development and environmental outcomes. The appropriations for development projects shall not include items for **personal services**.*

VI.

Participatory Audit

Participatory audit means conducting an audit with the involvement of civil society or private professional organizations as members of the Audit Team lead by the Commission on Audit (COA).

In this case, Civil Society Organizations (CSOs) are selected, trained, and then deputized to become members of an Audit Team (AT).

The CSOs will participate in the audit activities jointly with the COA. The specific activities for the CSO shall be in accordance with the audit work plan developed under the supervision of the Project Manager.

Goals of participatory audit

1. To strengthen direct citizen participation in audit affairs;
2. To increase effective political governance and accountability
3. To increase openness and transparency
4. To promote government credibility
5. To bring government closer to the people

COA responsibilities for the audit component

1. The type and nature of audits to be pursued;
2. The number of audits to be undertaken during the period;
3. The name of agencies to be audited;
4. The number of person-months required per project (including the breakdown for COA and the CSO audit team numbers);
5. The estimated total cost (broken down per nature of cost) for each audit engagement proposed.

The role of the CSO participants

1. The CSO will participate in the audit activities jointly with the COA. The specific activities for the CSO shall be in accordance with the audit work plan developed under the supervision of the Project Manager. The CSO, through its deputized staff, shall ensure timely and effective delivery of the audit outputs assigned to them. It shall also assist to provide the necessary networking and linkages with other stakeholders in the area where the project being audited is located.
2. The specific activities may include:
 - a. Measuring effectiveness
 - b. Accountability relationships
 - c. Protection of public assets, and
 - d. Compliance with laws, regulations and guidelines

VII.

The IRA Watch Campaign

The local IRA Watch volunteers must, first and foremost, be affiliated with any group organized by the Social Action Centers in the arch/diocese. Their primary task is to ensure that the 20% allocation in the Development Fund intended for development projects, have been faithfully implemented.

However, getting the support and cooperation of the local officials are the primary steps to institutionalizing the Campaign. Contrary to the impressions that IRA Watch will sow a climate of distrust among the volunteers and the local officials, the actual objective of the campaign is to foster collaboration and unity among community members and their barangay leaders, thus the volunteers are encouraged to exercise utmost diplomacy in introducing the campaign at the barangay level.

The local officials, through the assistance of the volunteers, must realize that IRA Watch is not being implemented to question and criticize their way of running the government, but instead present a healthy environment wherein both people and the local officials can work together to improve the services of in the barangay.

Steps to consider before conducting the IRA Watch

1. The volunteers must organize themselves into a formal people's organization (PO) and acquaint themselves with the workings and dynamics of the barangay;
2. The newly Church-organized PO must undergo orientation and trainings on Local Governance and Barangay Budgeting;
3. The volunteers must enlist the support of the diocese and its clergy in introducing the campaign in the barangay. They must also identify schedules of meetings to evaluate the progress of the program, and together with the parish priests, must come up with recommendations to improve the terms of the campaign;
4. The diocese must be committed in mainstreaming the IRA Watch Campaign and must be willing to utilize the available communication resources available to popularize the campaign. The parish priests, during homilies, may discuss the existence of IRA, and the importance of proper utilization of the Development Fund.
5. The Church-based PO must seek a formal audience with the local officials to introduce the campaign. It is also advisable to organize a public MOA signing to enlist their support to the activity. If possible, the diocese may even organize a Good Governance orientation/seminar for the volunteers and the barangay officials;
6. Explain to the local executives the need to “keep track” of the utilization of the Development Fund.

Volunteers’ checklist for the actual monitoring

1. MOUs between NASSA, DBM and the DILG;
2. Volunteers’ Identification
3. The IRA Watch Module
4. IRA Allocation for the barangay (to be provided by NASSA to the diocese)
5. Monitoring Tools (the templates used for the monitoring)

Monitoring templates and questionnaire

Bellow is the templates to be filled up by the volunteer during actual monitoring

(1). Objective: To determine that IRA was actually received by the Barangay on a timely basis (TOOL #1)

Name of Barangay	Amount of IRA					Timing of IRA issuance				
	Per DBM	Per actual receipt	Variance	Reasons for the difference in amount	Remarks	Date of receipt		Variance	Reasons for delay	Remarks
						Required by DBM	Actual date			

(2). Objective: To determine whether funds were used to accomplish intended projects (TOOL #2)

Name of Barangay	Amount of IRA		Project		Remarks
	Per DBM	Per actual receipt	Per investment plan	Per implementation	

(3). Objective: To determine the percentage of completion of the project and whether its purposes are properly served (TOOL #3)

Name of Barangay	PROJECT				Remarks
	Per annual investment plan	Per implementation	Percentage of completion	Usage	

QUESTIONNAIRE: Summary of IRA status based on the Monitoring Tool

- (1) What follow-up mechanisms does the barangay employ for the timely release of its IRA? If not timely received, what are the hindering factors?
- (2) Describe the process on how does development projects are implemented based on the barangay’s annual investment plan. In case there are projects that are NOT

- INCLUDED IN and/or OUTSIDE the annual investment plan, cite the reason/s for the existence of such projects.
- (3) Is the 20% development Fund used properly for the intended projects? If not, what are the reasons?
 - (4) Describe the status and completion process of projects. Does the barangay uses project monitoring and evaluation system? If not, cite the reasons for the absence of such systems.

Recorded Irregularities

- (1) Cite observed irregularities (if there are) and provide documents as proof.
Describe how these irregularities are addressed

General observations:

- (1) Describe the whole situation in the community, such as: community's (especially BECs) participation in planning and monitoring; barangay's over-all performance in delivering development projects, etc.

VIII. People's participation in Barangay Development

Avenue for community involvement

The effective implementation of the IRA Watch Campaign rests on effective people's participation.

As early as 1968, the CBCP declared that “the primary duty of the Christian today is to improve the social conditions of his country.”⁶

To be able to systematically effect change, every action should start from the basic – the barangay, for this matter. Thus, the bishops fully endorse any proposal or action that aims to decentralize authority by means of provincial development councils, and even encourage the people to take an active role in the solution of their own problems.

BECs/grassroots' niche in the barangay development

As members of the BECs/Barangays, you are entitled and even duty-bound to actively participate in the running and decision-making of the barangay.

One of numerous avenues entitled by the LGC to ensure people participation in barangay development is the holding of the Barangay Assembly.

The following sections in the Code take up the rules governing the barangay assemblies:

Sec.397: COMPOSITION AND MEETINGS – (a) There shall be a barangay assembly composed of all persons who are actual residents of the barangay for at least six (6) months; and (b) the barangay assembly shall meet at least twice a year to hear and discuss the semestral report of the sangguniang barangay concerning its activities and finances as well as problems affecting the barangay.

Sec. 398. POWERS OF THE BARANGAY ASSEMBLY – The barangay assembly shall: (a) Initiate legislative process by recommending to the sangguniang barangay the adoption of measures for the welfare of the barangay and the city or municipality concerned; (b) decide on the adoption of initiative as a legal process whereby the registered voters of the barangay may directly propose, enact, or amend any ordinance; and (c) Hear and pass upon the semestral report of the sangguniang barangay concerning its activities and finances.

Aside from the barangay assembly, the community members may organize themselves into (or affiliate with) a well-formed peoples' organization and/or Church-based groups

⁶ CBCP Pastoral Statement on “The Year of Social Action,” 1968

and subsequently apply for local accreditation to engage in the Barangay Development Planning.

This BDP is implemented to ensure genuine development in the barangay. A good BDP maximizes and utilizes the barangay resources to address the problems of community members. It is likewise crucial in the BDP that all sectors in the barangay must participate in the planning process to come up with a comprehensive plan. As such, the community members are well aware and represented in drafting the immediate projects and activities of the barangay and should likewise be involved in enforcing the plans.

BDP Composition

The BDP is composed of the Punong Barangay (as chairman), seven members of the Sangguniang Barangay (mga kagawad), chairman of the Sangguniang Kabataan (SK), representative of Congressmen, and representatives of NGOs and POs in the area.

BDP functions

The BDP has the responsibility to mobilize the participation of local people in development work, to prepare barangay plans and to monitor and evaluate the implementation of the barangay programs and projects. The people and the local NGOs/POs can be part of the planning, through participating in the following:

- Participatory community appraisal – is a systematic, semi-structured and fast process or methodology of assessment in order to know and understand the particulars and the total situation of the community
- Community planning – is a community endeavor that guides the people in their decision-making. It contains the needs, and priorities of the community. It also serves as the guide of the community in the proper use of resources and meeting targets and strategies toward improving the quality of life of the people
- Monitoring and evaluation – is primarily aimed to see the status or the implementation of the activities and to know the issues, concerns and difficulties of the community.

The Local Special Bodies in City/Municipal Level

Aside from membership in community level, organized groups may likewise seek accreditation to participate in any local special body, which similarly works for the enhancement of basic services for the local constituents. Bellow is examples of LSB, which may allow volunteers to lobby for and monitor the development projects for the barangay:

1. Bids and Awards Committee (BAC)
2. Health Board
3. Solid Waste Management Board
4. Small and Medium Enterprise Development Council

IX.

Annexes

ANNEX A

MEMORANDUM OF UNDERSTANDING

KNOW ALL MEN BY THESE PRESENTS:

This Memorandum of Understanding, made and executed this 25th day of February 2005, in Quezon City, Philippines, by and between:

The **DEPARTMENT OF INTERIOR AND LOCAL GOVERNMENT (DILG)**, represented by its Secretary, **HON. ANGELO T. REYES**

-and-

The **COALITION AGAINST CORRUPTION (CAC)**, represented by the **Catholic Bishops' Conference of the Philippines – National Secretariat for Social Action, Justice and Peace (CBCP-NASSA)** Executive Director, **SR. ROSANNE MALLILLIN**.

WITNESSETH:

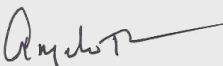
WHEREAS, there is a need to strengthen the Local Government Units by eradicating corruption;

WHEREAS, the CAC formally offered its willingness to collaborate with the DILG in the fight against corruption at the local level;

WHEREAS, the DILG, consistent with its power of supervision over all Local Government Units, already put up some programs intended to eradicate corruption at the local level and is, therefore, in the pursuit of such endeavor, is very much willing to accept any offer from the private sector towards this end;

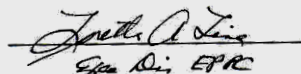
NOW THEREFORE, the DILG and the CAC hereby agree, as they hereby agreed, to form a Technical Working Group, composed of representatives from both parties, to study and identify the possible areas of cooperation in fighting corruption at the local level.

Signed this 25th day of February 2005 in Quezon City, Philippines.


HON. ANGELO T. REYES
Secretary, DILG


SR. ROSANNE MALLILLIN
Executive Director, CBCP-NASSA

WITNESSES


For DILG EPRC

COMMITMENT OF SUPPORT AND COOPERATION
BETWEEN THE DEPARTMENT OF MANAGEMENT AND THE COALITION AGAINST CORRUPTION

The **DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)**, represented by the Acting Secretary, Hon. Mario L. Relampagos

- and -

The **COALITION AGAINST CORRUPTION (CAC)**, represented by the **CATHOLIC BISHOPS' CONFERENCE OF THE PHILIPPINES – NATIONAL SECRETARIAT FOR SOCIAL ACTION, JUSTICE AND PEACE (CBCP-NASSA)** Executive Director, Sr. Rosanne Mallillin and **CAUCUS OF DEVELOPMENT NGO NETWORKS (CODE-NGO)** Chairperson Aurora Tolentino.

hereby agree and jointly manifest the commitment to uphold and advance the principles of good and effective governance in the implementation of projects funded from the coffers of the government.

WHEREAS, the DBM actively encourages and promotes efforts of civil society organizations in monitoring the utilization of the Internal Revenue Allotments (IRA) of Local Government Units (LGUs) and the implementation of Priority Development Assistance Fund (PDAF) projects;

WHEREAS, the CAC seeks to institutionalize people's participation in government program monitoring as well as to assist government agencies in identifying operational problems;

WHEREAS, both DBM and CAC recognize the need to empower citizen's groups in the monitoring and evaluation of programs for the purpose of improving implementation and to acknowledge exemplary performance of the agency;

WHEREAS, one effective way of operationalizing peoples' participation in deterring corruption in the government is to grant them access to information concerning the IRA of LGUs and the PDAF;

NOW, THEREFORE, the DBM and the **Coalition Against Corruption** through CBCP-NASSA and CODE-NGO, mutually agree to monitor the implementation of IRA and PDAF projects;

In consideration of the above, all parties agree to recognize the following responsibilities:

The DBM shall ---

- assign a point-person who shall act as liaison with the CAC project team;
- provide all relevant information (IRA allocations of LGUs and PDAF allocations) to the CAC project team and make available for interviews all DBM personnel concerned with the data;
- provide written feedback and comments on the report submitted by CAC trained volunteers.

The Coalition Against Corruption, through CBCP-NASSA and CODE NGO shall ---

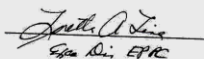
- actively gather detailed information in connection to the barangay's IRA utilization and PDAF projects;
- have the responsibility of undertaking capacity-building activities for the identified volunteers which include, among others, the preparation of training modules, and the actual conduct of training seminars;
- present to the DBM the preliminary report (i.e., findings, recommendations) prior to a public presentation and engage the DBM and the implementing agencies in dialogues regarding issues/concerns/problems uncovered in the monitoring;
- organize a public forum where the findings of the monitoring will be presented.

Signed this 25th day of February 2005 in Quezon City.


HON. MARIO L. RELAMPAGOS
Acting Secretary, DBM


SR. ROSANNE MALLILLIN
Executive Director, CBCP-NASSA


AURORA TOLENTINO
Chairperson, CODE-NGO


Sr. Rosanne Mallillin, EPIC

ANNEX B: Sources Of Revenue That Will Finance The Budget

I. Internal Sources

Step 1. Determine Actual Income from taxes

PARTICULARS	Past Year	Current Year	Budget Year
	2005	2006	2007
1.0 Beginning Balance ⁷			
2.0 Income			
2.1 Share from Real Property Tax			
(a). Business Taxes (Stores & Retailers)			
(b). Share on Sand & Gravel Tax			
(c). Miscellaneous Taxes on Goods and Services			
(d). Other taxes			
Sub-Total Income from Taxes			

Step 2. Determine Actual Income from Operating and Miscellaneous Revenue

PARTICULARS	Past Year	Current Year	Budget Year
	2005	2006	2007
2.2 Operating and Miscellaneous Revenue			
a. Permit and License			
Permit Fee			
Other Permit & Licenses			
Other Specific Income			
b. Clearance & Certification Fees			
Other Specific Income			

⁷ Beginning balance is the unused or unexpended appropriation for the past and current year less amount needed for uncompleted projects or services plus unappropriated income or surplus at the end of the fiscal year.

c. Business Income			
Sub-Total Income from Operating and Miscellaneous Revenue			
TOTAL			

Step 3. Estimate Income from Internal Sources for the Budget Year

Note: Internal Sources include actual income from taxes as determined in Step 1 and Actual Income from Operating and Miscellaneous Revenue as shown in Step 2.

- (a). Use the Average Growth Method to estimate Budget Year's Income
- (b). Average Income Growth $= \frac{\text{Current Year Income} - \text{Past Year Income}}{\text{Total Income} - \text{Current Year Income}} \times 100$
- (c). To estimate income for the Budget Year
Budget Year
Estimated Income = Current Year Income (CYI) (AIG + 1)
(BYEI)
- (d). Application of Projection Technique

EXAMPLE	INCOME	
Past Year ₁ 2003	3,000	a. To estimate Average Growth
Past Year ₂ 2004	3,500	Average Income Growth (AIG) $= \frac{5,000 - 3,000}{5,700 - 5,000} \times 100$
Past Year ₃ 2005	4,200	
Current Year 2006	<u>5,000</u>	AIG $= \frac{2,000}{10,700} \times 100$
TOTAL	15,700	AIG = 0.1860 X 100
		AIG = 18.69 %
		b. To estimate Budget Year Income
		BYEI = 5,000 (18.69% + 1)
		= 5,000 (0.1869 + 1)
		BYEI = 5,000 (1.1869) or 5935

- (e). Another projection technique using the averaging method is determine the increase per year expressed in percentage growth and averaged at least for 3 years.

Example:

Year	Income	Annual Increase	% Growth
2003	3,000		
2004	3,500	500	16.7%
2005	4,200	700	20.0%
2006	5,000	800	19.0%
Average Growth =			<u>18.57%</u>

To determine or estimate income from internal sources

$$\begin{aligned}
 \text{Budget Year } 2007 &= \text{Average Growth (2006 Income)} \\
 &= 18.57\% (5,000) + 5,000 \\
 &= 929.5 + 5,000 \\
 &= 5,928
 \end{aligned}$$

II. External Sources

Step 1. Determine income from external sources

Particulars	Past year (2005)	Current year (2006)	Budget Year (2007)
1. Share from IRA			
2. Share from National Wealth			
3. Share from EVAT			
4. Subsidy form other LGUs			
5. Others			
TOTAL			

Step 2. Project revenue from external sources. The basic assumption in estimating income from external sources is the current year's external sources of revenue is the same as the budget year's income.

III. Add estimated income from Internal Sources with estimated income from External Sources to determine amount available for appropriation.

Example:

Estimated Income
Internal Sources P X,XXX

Add: External Source

X,XXX

Total Estimated Income

Available for Appropriation

P X,XXX

ANNEX C: How To Determine The Actual And Estimated Expenditure Level?

Step 1. determine the actual expenditure for basic services, development projects, SK and Calamity Fund expenses for the past year

Actual Expenditure for the past year

Account code	OBJECT OF EXPENDITURE	BASIC SERVICES					20% of IRA DEVELOPMENT PROJECTS	10% of General Fund SK	5% of Regular Income CALAMITY FUND	TOTAL
		AGRI SERVICES	DAY CARE SERVICES	HEALTH AND NUTRITION SERVICES	PEACE AND ORDER SERVICES	ADMINISTRATIVE /LEGISLATIVE SERVICES				
809 814 803 822 830 831 837 838 862 878 849 834 835 836 831 950	1.0 Current Operating Expenditures 1.1 Personal Services a. Honoraria b. Cash Gift c. Salaries & Wages – Leased/Contracted d. Terminal Leave Benefits e. Other Personal Benefits 1.2 Maintenance & Other Operating Expenses a. Traveling Expenses b. Telephone, Telegraph & Internet c. Postage & Deliveries d. Public Infrastructure e. Motor Vehicle Maintenance f. Office Supplies Expenses g. Water, Electricity Cooking Gas h. Expenses Local i. Other Expenses									
	1.3 Total Current Operating Expenses (1.1 + 1.2)									
202 204 215 218 222 224	2.0 Capital Outlays 2.1 Land Improvements 2.2 Buildings 2.3 IT Equipment Motor Vehicles Office Equipment Furniture & Fixture									
3. 0 TOTAL OBLIGATIONS (1.3 + 20.)										

STEP 2. Determine Actual Expenditure for Basic Services, Development Projects, SK and Calamity Fund expenses for the Current Year.

Actual and Estimated Expenses for the Current Year

Account code	OBJECT OF EXPENDITURE	BASIC SERVICES						20% of IRA DEVELOPMEN T PROJECTS	10% of General Fund SK	5% of Regular Income CALAMITY FUND	TOTAL
		AGRI SERVICES	DAY CARE SERVICES	HEALTH AND NUTRITION SERVICES	PEACE AND ORDER SERVICES	ADMINISTRATIVE /LEGISLATIVE SERVICES	OTHER SERVICES				
809 814 803 822 830 831 837 838 862 878 849 834 835 836 831 950	1.0 Current Operating Expenditures 1.1 Personal Services a. Honoraria b. Cash Gift c. Salaries & Wages – Leased/Contracted d. Terminal Leave Benefits e. Other Personal Benefits 1.2 Maintenance &Other Operating Expenses a. Traveling Expenses b. Telephone, Telegraph & Internet Postage & Deliveries c. Repair & Maintenance (Barangay Facilities Structure) d. Motor Vehicle Maintenance e. Office Supplies and Materials f. Water, Electricity g. Cooking Gas h. Expenses Local i. Other Expenses										
	1.3 Total Current Operating Expenses (1.1 + 1.2)										
202 204 215 218 222 224	2.0 Capital Outlays 2.1 Land Improvements 2.2 Buildings 2.3 IT Equipment Motor Vehicles Office Equipment Furniture & Fixture										
3. 0 TOTAL OBLIGATIONS (1.3 + 2.0.)											

NOTE First six (6) months (Jan-June) are actual expenses. Assume that for the next 6 months (Jul-Dec) will be equivalent to the balance in appropriation (Total appropriation for the current year less actual year)

Step 3. Estimate expenditure for Basic Services, Development Projects, SK and Calamity Fund for the budget year

- Allocate income for mandatory expenditures
Estimated income for the budget year P _____
Less : Mandatory expenses _____
(a). 20% of IRA for Development projects _____

(b). 10% of General Fund for SK

(c). 5% of Regular Income for Calamity

(d). Other statutory expenses

Total mandatory expenses

Net amount to be appropriated

for basic services

P _____

P _____

- Allocate for basic services

Actual and Estimated Expenses for the Current Year

Account code	OBJECT OF EXPENDITURE	BASIC SERVICES						20% of IRA DEVELOPMENT PROJECTS	10% of General Fund SK	5% of Regular Income CALAMITY FUND	TOTAL
		AGRI SERVICES	DAY CARE SERVICES	HEALTH AND NUTRITION SERVICES	PEACE AND ORDER SERVICES	ADMINISTRATIVE /LEGISLATIVE SERVICES	OTHER SERVICES				
809 814 803 822 830	3.0 Current Operating Expenditures 1.1 Personal Services a. Honoraria b. Cash Gift c. Salaries & Wages – Leased/Contracted d. Terminal Leave Benefits e. Other Personal Benefits										
831 837 838 862 878 849 834 835 836 831 950	1.2 Maintenance & Other Operating Expenses a. Traveling Expenses b. Telephone, Telegraph & Internet Postage & Deliveries c. Repair & Maintenance (Barangay Facilities Structure) d. Motor Vehicle Maintenance e. Office Supplies and Materials f. Water, Electricity g. Cooking Gas h. Other Expenses										
	1.4 Total Current Operating Expenses (1.1 + 1.2)										
202 204 215 218 222 224	4.0 Capital Outlays 2.1 Land Improvements 2.2 Buildings 2.3 IT Equipment Motor Vehicles Office Equipment Furniture & Fixture										
3. 0 TOTAL OBLIGATIONS (1.3 + 20.)											

Step 4. Barangay treasurer submits Statements of Income and Expenditures on or before the 15th day of September to the Punong Barangay

ANNEX D

Table 1: HONORARIA RATES FOR BARANGAY OFFICIALS

A sample computation of how to adjust honoraria rates proportionately and uniformly of a Barangay in a 2nd class municipality whose available “free resources” is only P 5,000 per moth is shown as follows:

2 nd Class Municipality	Present Rate	Maximum Rate Allowable (LBC ⁸ 74)	Difference	% Increase	Increase Proportionally and Uniformly Applied
Punong Barangay	P 2,000	6216	4216	11.54%	488
Sanggunian Members x 8	1,200	5111	31288	11.54%	3608
Barangay Treasurer	1,200	5111	3911	11.54%	452
Barangay Secretary	1,200	5111	3911	11.54%	452
TOTAL			43,326		

• Rounded Off

Computation of Uniform Rate of Increase = 5,000 / 43,326 is 11.54%

Table 2: PS CAP Formula

PS CAP Formula = 55% x Regular Income of next preceding year	
For Example: Regular Income is	
Budget Year 2007	1,000,000.00
Preceding Year 2006	900,000.00
Next Preceding Year	700,000.00

- For purposes of computing the PS Cap during the preparation of the budget for the CY 2007, we use the next preceding year as the basis. Therefore, 700,000.00 x 55% is **P385,000**. This means our PS cost in budget year 2007 should not exceed P385,000.00. If PS costs already exceed the PS cap, then there should be a deliberate policy to cut down on PS cost, like non-hiring of additional personnel, non-adjustment of the honoraria rates or cash gift, etc.

⁸ Local Barangay Code

ANNEX D

PRINCIPLES AND RULES GOVERNING THE RELEASE AND DISBURSEMENT OF BARANGAY FUNDS

1. No money shall be paid out of the barangay treasury except in pursuance of an appropriations ordinance or law;
2. Barangay funds and monies shall be spent solely for public purposes;
3. trust funds in the barangay treasury shall not be paid out except in fulfillment of the purpose for which that trust was created or the funds received;
4. Fiscal responsibility shall be shared by all barangay officials exercising authority over the financial affairs, transactions and operations of the barangay;
5. Total disbursement shall not exceed actual collections plus 50% of the uncollected estimated revenue.

Sample

Actual collections for the month	P 5,000.00	
Estimated revenue for the month	10,000.00	X
	50% = 5,000.00	
	=====	
Total disbursement	P 10,000.00	

6. No cash advances shall be made to any brangay official or employee unless the same is in accordance with accounting and auditing rules and regulations;
7. the barangay treasurer may be authorized by the SB or Bids and Awards Committee (BAC) to make direct purchases amounting to not more than P1,000.00 for the essential needs of the barangay;
8. Financial records must be kept in custody of the barangay treasurer and the barangay bookkeeper and / or Municipal Accountant;
9. In case of revenue shortfall, the following courses of action shall be undertaken:
 - Spend only what is necessary
 - Intensify revenue collection
 - Seek financial assistance
 - Resort to borrowing
10. The PB may by ordinance or policy in the general provision be authorized by the SB to augment any item in the approved annual budget from savings in other items in the approved annual budget from saving in other items within the same expense class. Use of savings through augmentation of funds is allowed without creating a supplemental budget;
11. Unexpected balances and appropriations for personal services shall revert to the General Fund;
12. Unexpected balances and appropriations for capital outlays shall form part of continuing appropriations;

13. Unexpected balances and appropriations of the 20% Development Fund from completed or discontinued projects shall be reverted; however, shall be re-appropriated for other development projects;
14. The 10% SK Fund is a statutory obligation considered as a Trust Fund. Therefore, any unexpected balances shall be added to the 10% share of the SK for the next year.