

Public Financial Management Assessment Tool (PFMAT)

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Outline of Presentation

1. Understanding the Conceptual Framework for PFM Assessment
2. What is PFM Assessment Tool for LGUs
3. PFMAT Process
4. Scoring Methodology
5. Results of the Assessments

Understanding the Conceptual Framework of PFM Assessment

Legal Basis for LGU PFM

1987 Philippine Constitution & Local Government Code of 1991

“The territorial and political subdivisions of the State shall enjoy genuine and meaningful **local autonomy** to enable them to attain their fullest development as self-reliant communities and make them more effective partners in the attainment of national goals. Toward this end, the State shall provide for a more responsive and accountable local government structure instituted through a system of decentralization whereby local government units shall be given more powers, authority, responsibilities, and resources.”

Understanding the Conceptual Framework of PFM Assessment

Legal Basis for LGU PFM

Operative Principle of Decentralization:

“[Section 3] (b) There shall be established in every local government unit an accountable, efficient, and dynamic organizational structure and operating mechanism that will meet the priority needs and service requirements of its communities;”

**PFM is an integral part of such organizational structure
and operating mechanism**

Understanding the Conceptual Framework of PFM Assessment

Public Financial Management (PFM) is a system of rules, procedures and practices for government to manage public finances encompassing:

- budgeting;
- accounting;
- auditing;
- cash management;
- management of public debt;
- revenue generation; and
- public reporting on public sector financial operations.



Understanding the Conceptual Framework of PFM Assessment

PFM seeks to address the key challenges of *collecting revenues, managing government spending, and making government agencies operate efficiently and effectively*. It drives government policymakers, managers and implementers to ask:

- a. Is government spending within limits?
- b. Is it spending on the right things?
- c. Does it obtain best value for money?

Understanding the Conceptual Framework of PFM Assessment

Rationale for PFM Assessments

PFM largely and directly affects the delivery of public goods and services to the LGU's constituents



Adequate funds for basic services



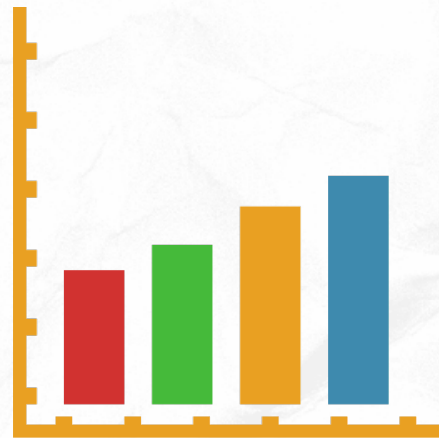
PPAs aligned with LGU and NG development goals



Better service at lower costs

What is PFM Assessment Tool (PFMAT) for LGUs

A self-assessment instrument designed to assist LGUs in:



- Evaluating their PFM performance; and
- Formulating strategies to build on strengths and to address weaknesses.



What is PFM Assessment Tool for LGUs

The tool describes the characteristics of a good PFM system, identifies performance indicators to gauge how the LGU is actually doing in a particular area of PFM and identifies the sources of information which will help the LGUs establish their compliance with graduated levels of performance.

What is PFM Assessment Tool for LGUs

Value of the PFMAT

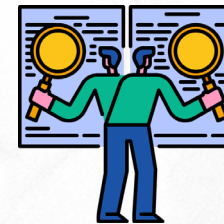
Measure all or some aspects of its PFM that require attention



Adopt new best practices through the development of the PFM Improvement Plan (PFMIP)



Benchmark against other LGUs performance



Facilitate eligibility for future financial support/reward



What is PFM Assessment Tool for LGUs

OPERATIVE PRINCIPLES OF THE PFMAT

The PFMAT identifies the data sources and pinpoints the responsible LGU Department or Unit for the Financial Information.

Pillar of PFM	Main Responsible Unit	Indicators	Sub-Indicators	Sources of Information
Credibility of the Budget	Treasury	Actual Local Revenue Collections as compared to Estimated Revenues in the Budget		Treasurer's Statements of Receipts & Expenditures (SRE); Appropriation Ordinances covering Annual & Supplemental Budgets
	Budget	Actual expenditure as compared to approved budget by allotment class	Total Allotments Released vs. Total Appropriations	Statement of Allotments, Obligations & Balances vs Appropriation Ordinances covering Annual & Supplemental Budgets
Total Obligations vs. Total Allotments Released				
Credibility of the Budget- The indicators measure whether the budget is realistic and is implemented as intended				

What is PFM Assessment Tool for LGUs

OPERATIVE PRINCIPLES OF THE PFMAT

The PFMAT uses indicators that utilize only quantitative data.

Pillar 1: Policy-Based Budgeting

Indicator No. 1.1: Multi-year perspective in fiscal planning and budgeting

Sub-indicator 1.1.3: Linkage between AIP and Appropriation Ordinance covering the Budgets

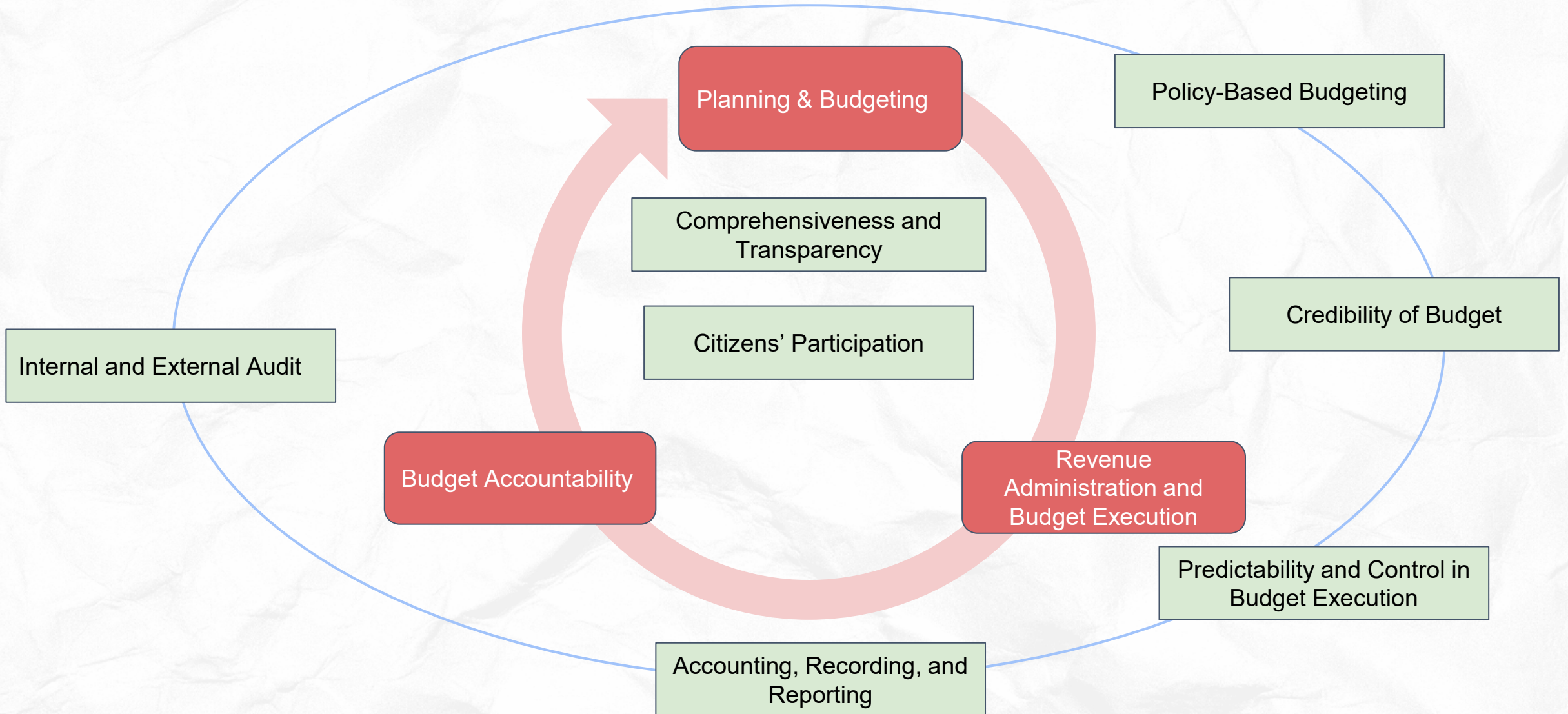
Instruction: Fill out Data Table No. 1.1.3 then use it as basis for determining the appropriate score that corresponds to the minimum requirement of the specific criterion that your LGU has satisfied.

Score	CRITERIA
4	In the immediately preceding year, 100% of the items of appropriation in the Appropriation Ordinances covering the Annual and Supplemental Budgets were based on the duly approved AIP.
3	In the immediately preceding year, at least 95% of the items of appropriation in the Appropriation Ordinances covering the Annual and Supplemental Budgets were based on the duly approved AIP.
2	In the immediately preceding year, at least 90% of the items of appropriation in the Appropriation Ordinances covering the Annual and Supplemental Budgets were based on the duly approved AIP.
1	In the immediately preceding year, at least 85% of the items of appropriation in the Appropriation Ordinances covering the Annual and Supplemental Budgets were based on the duly approved AIP.
0	In the immediately preceding year, less than 85% of the items of appropriation in the Appropriation Ordinances covering the Annual and Supplemental Budgets were based on the duly approved AIP.

Data Table No 1.1.3 Instruction: From the immediately preceding year’s Appropriation Ordinances (AO) covering the annual and supplemental budgets, fill out columns (B) and (C) and compute for the percentage of PPAs in the AO derived from the duly approved AIP using the formula under Column (D).

FISCAL YEAR	TOTAL NUMBERS OF PPAs IN THE AO COVERING THE BUDGETS	TOTAL NUMBERS OF PPAs IN THE AO COVERING THE BUDGETS DERIVED FROM THE DULY APPROVED AIP	% OF PPAS IN THE AO DERIVED FROM THE DULY APPROVED AIP
(A)	(B)	(C)	(D) = (C/B)100

Pillars of a Good PFM System



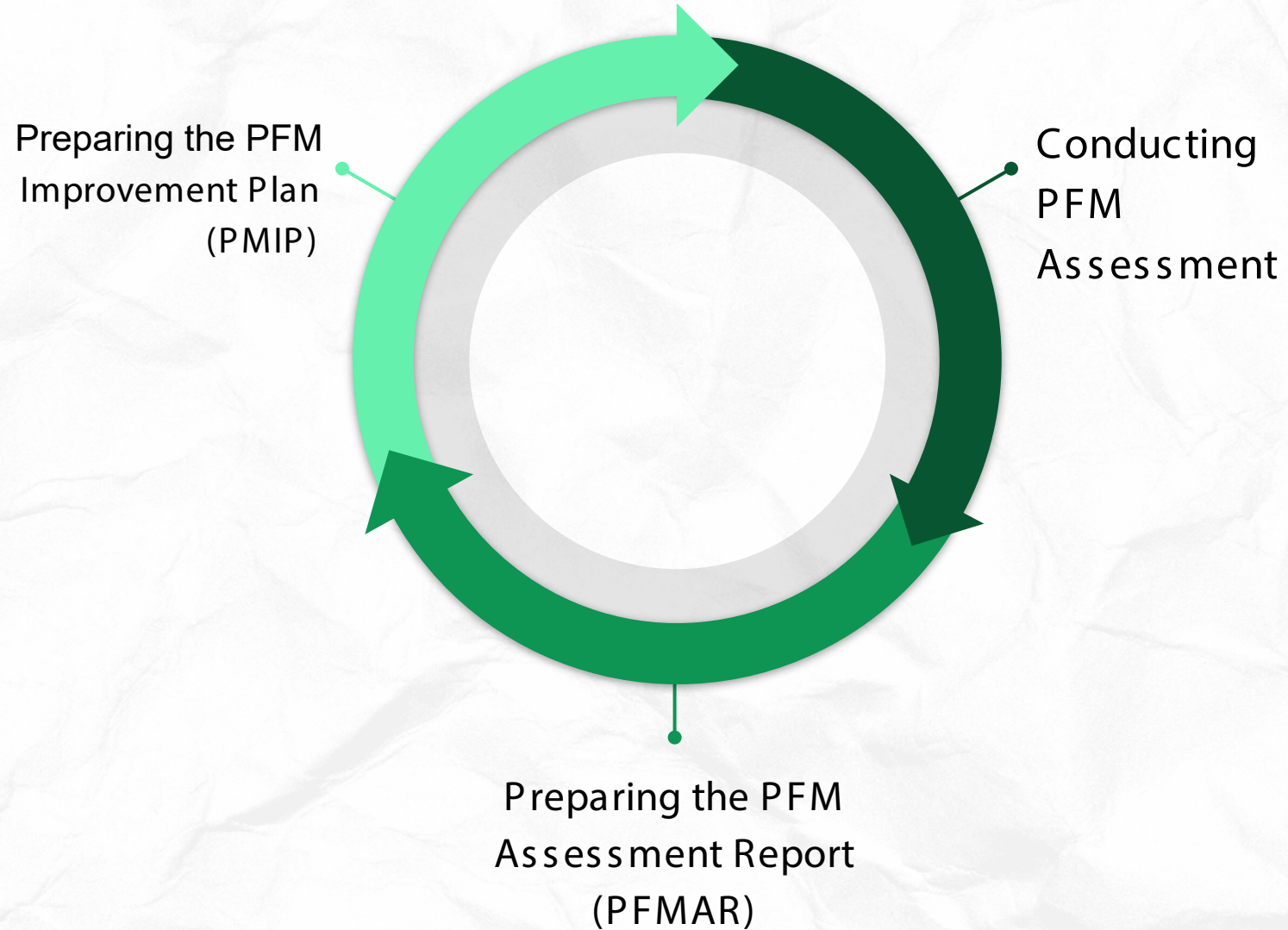
Pillars of a Good PFM System

Pillar of PFM	Description
Policy-Based Budgeting	The indicators measure whether the budget is prepared with due regard to government policy
Credibility of the Budget	The indicators measure whether the budget is realistic and is implemented as intended
Predictability and Control in Budget Execution	The indicators measure whether the budget is implemented in an orderly and predictable manner and whether there are arrangements for the exercise of control and supervision in the use of public funds
Comprehensiveness and Transparency	The indicators measure whether the budget and fiscal risk oversight are comprehensive and whether fiscal and budget information is accessible to the public. They also measure the completeness of budget information based on the list of documentary requirements prescribed in the Budget Operations Manual.

Pillars of a Good PFM System

Pillar of PFM	Description
Accounting, Recording, and Reporting	The Indicators measure whether adequate records and information are produced, maintained, and disseminated for purposes of decision-making, control, management, and reporting on operations
Internal and External Audit	The indicators examine the arrangements for scrutiny of public finances and follow-up by the local chief executive and/or the legislative council
Citizen's Participation	The indicators measure the extent by which the LGU encourages concerned citizens organized as CSOs pursue their legitimate and collective interests by monitoring effectiveness of Programs, Projects, and Activities (PPAs), thus becoming partners of the LGU in the formulation, monitoring, evaluation, and improvement of the local budget.

PFMAT Process



PFMAT Process

Scoring Methodology

Average Score	Interpretation	Description
4.0	Very Strong	Compliance with the requirements of PFM-Related laws, policies, rules, and regulations is very high
3.0-3.9	Strong	Compliance with the requirements of PFM-Related laws, policies, rules, and regulations is high
2.0-2.9	Weak	Compliance with the requirements of PFM-Related laws, policies, rules, and regulations is poor
1.0-1.9	Very Weak	Compliance with the requirements of PFM-Related laws, policies, rules, and regulations is very poor
Below 1	Non-existent	Compliance with the requirements of PFM-Related laws, policies, rules, and regulations is virtually lacking

PFMAT Process

Using the Results of the PFM Assessments

PUBLIC FINANCIAL MANAGEMENT IMPROVEMENT PLAN (PFMIP)

FY _____

LGU: _____

Date of Assessment: _____

REGION: _____

Fiscal Year Assessed: _____

Pillar of PFM Indicator Sub-indicator	Assessment Score	Key Element	Improvement Policies / Actions	Expected Results	Schedule of Implementation		Office	Cost
					Start	End		
(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)

Prepared by PFM Team:

Approved:

(Name and Signature)
PFM Team Leader

(Name and Signature)
Local Chief Executive

LGU PFM Assessment Results

National Level

FY 2016 (1428 LGUs), FY 2019 (1359 LGUs) and FY 2022 (884 LGUs) Overall PFMAT Scores

C.D. No.	Critical Dimensions (CD)	FY 2016 Mean Score	FY 2019 Mean Score	FY 2022 Mean Score
1	Policy-Based Budgeting	2.27	2.58	2.71
2	Comprehensiveness and Transparency	3.37	3.48	3.71
3	Credibility of the Budget	3.13	3.23	3.21
4	Predictability and Control in Budget Execution	2.77	2.92	2.63
5	Accounting, Recording, and Reporting	2.80	3.08	3.27
6	Internal and External Audit	1.74	1.89	1.70
7	Citizens' Participation in the Budget Process	3.37	3.59	3.66
	Overall Mean	2.78	2.97	2.98

PFM Assessment

No.	Critical Dimensions	Mean Score	% Contribution to overall PFMAT Score	Rank as PFM Concern
1	Policy-Based Budgeting	2.71	13.00%	3
2	Comprehensiveness and Transparency	3.71	17.76%	7
3	Credibility of the Budget	3.21	15.35%	4
4	Predictability and Control in Budget Execution	2.63	12.58%	2
5	Accounting, Recording, and Reporting	3.27	15.35%	5
6	Internal and External Audit	1.70	8.16%	1
7	Citizens' Participation in the Budget Process	3.66	17.51%	6
	Overall Mean	2.98	100.00%	



Updates on Internal Audit Policies and Related Activities in Local Government Units (LGUs)





OUTLINE OF THE PRESENTATION

1

Policy Issuances Related to the IAM for LGUs, 2023 Edition and Its Roll-out

2

Updates on the Phase 1 Roll-out of the IAM for LGUs, 2023 Edition

3

Updates on the Phase 2 Roll-out of the IAM for LGUs, 2023 Edition



1

POLICY ISSUANCES RELATED TO THE IAM FOR LGUs, 2023 EDITION AND ITS ROLL-OUT

Policy Issuances Related to the IAM For LGUs, 2023 Edition and Its Roll-out



10 Jun 2016

LBC No. 110

Internal Audit
Manual for LGUs

31 Aug 2023

LBC No. 153

Internal Audit
Manual for LGUs,
2023 Edition



ESTABLISHMENT OF IAU IN LGUs



Republic of the Philippines
DEPARTMENT OF BUDGET AND MANAGEMENT

INTERNAL AUDIT MANUAL FOR LOCAL GOVERNMENT UNITS

2023 EDITION





ROLL-OUT ACTIVITIES



Republic of the Philippines
DEPARTMENT OF BUDGET AND MANAGEMENT

INTERNAL AUDIT MANUAL FOR LOCAL GOVERNMENT UNITS

2023 EDITION





2

UPDATES ON THE **PHASE 1** ROLL-OUT OF THE IAM FOR LGUs, 2023 EDITION

Phase 1 Roll-out of the IAM for LGUs, 2023 Edition



Phase 1 commenced in November 2024

STANDARD TOPICS RELATED TO INTERNAL CONTROL AND INTERNAL AUDIT

- 1. Principles and Concepts of Internal Control**
- 2. Principles and Standards on Internal Auditing**
- 3. Establishment of Internal Audit Unit (IAU) in LGUs**
- 4. Internal Audit Strategic Planning**
- 5. Overview of the Audit Process**
- 6. Digest of Landmark Cases on Supervision and Control**



15/16

REGIONS COVERED

94%



Note: NIR LGUs covered in the Phase 1 roll-out of Regions VI and VII



Phase 1 Roll-out of the IAM for LGUs, 2023 Edition

REGION	SCHEDULE	NO. OF PARTICIPANTS
XII – SOCCSKSARGEN	12-14 November 2024	459
	5-7 December 2024	215
III – Central Luzon	25-27 November 2024	385
	11-12 December 2024	342
IV-A – CALABARZON	27-29 November 2024	340
VIII – Eastern Visayas	2-4 December 2024	415
	19-21 February 2025	87

Phase 1 Roll-out of the IAM for LGUs, 2023 Edition

REGION	SCHEDULE	NO. OF PARTICIPANTS
MIMAROPA (IV-B)	15-17 January 2025	297
	22-24 January 2025	359
IX – Zamboanga Peninsula, with Basilan LGUs	3-5 February 2025	567
VI – Western Visayas	10-12 February 2025	484
II – Cagayan Valley	12-14 February 2025	399
VII – Central Visayas	3-5 March 2025	550

Phase 1 Roll-out of the IAM for LGUs, 2023 Edition

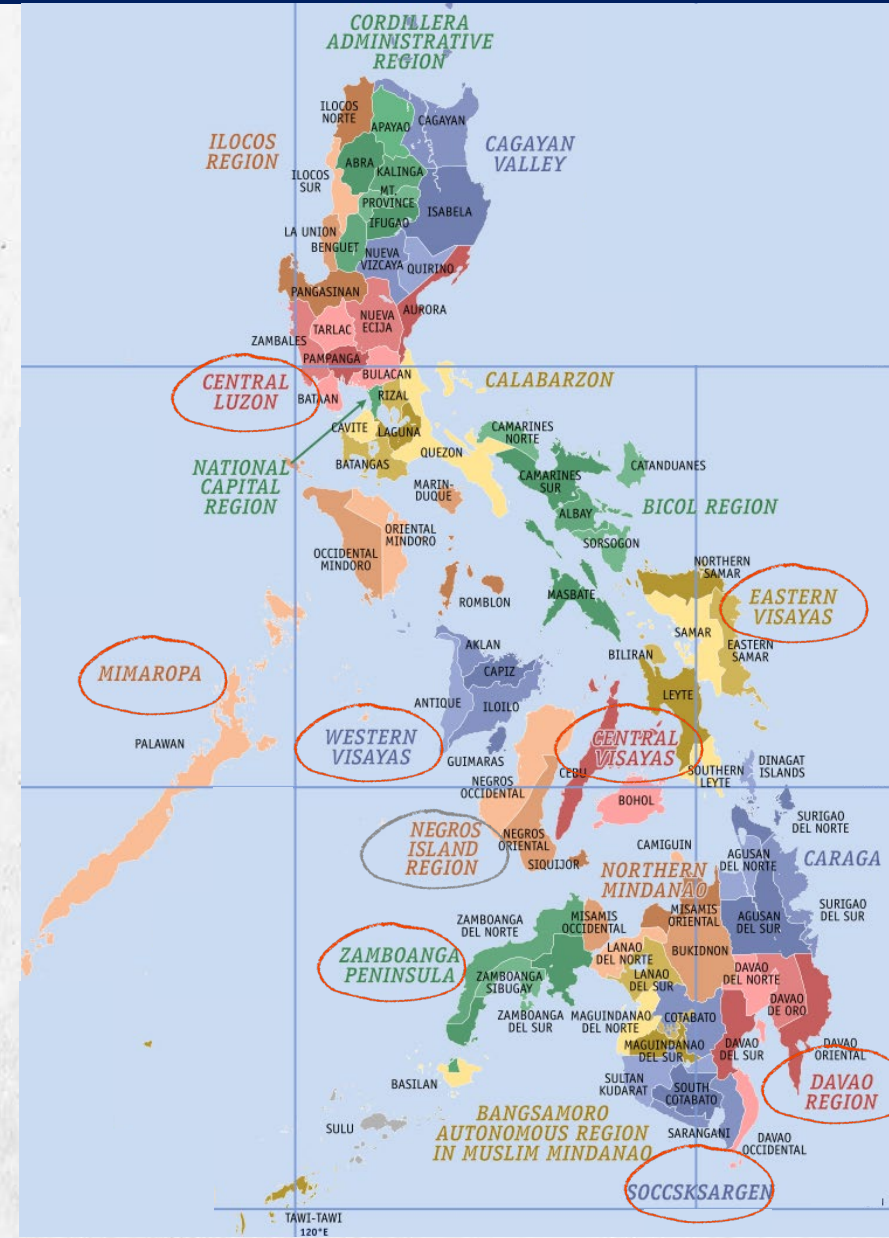
REGION	SCHEDULE	NO. OF PARTICIPANTS
National Capital Region	16-18 July 2025	179
V – Bicol Region	4-6 August 2025	256
XI – Davao Region	3-5 September 2025	233
Cordillera Administrative Region	9-11 September 2025	390
X – Northern Mindanao	27-29 October 2025	245
XIII - CARAGA	27-29 October 2025	189
TOTAL		6,391



3

UPDATES ON THE **PHASE 2** ROLL-OUT OF THE IAM FOR LGUs, 2023 EDITION

Phase 2 Roll-out of the IAM for LGUs, 2023 Edition



Phase 2 commenced in June 2025

Phase 2 Roll-out of the IAM for LGUs, 2023 Edition

STANDARD TOPICS RELATED TO INTERNAL CONTROL AND INTERNAL AUDIT

- 1. Refresher on the Fundamentals of Internal Control and Internal Auditing in the LGU**
- 2. Overview of the Conduct of the Baseline Assessment of Internal Control System (BAICS)**
- 3. BAICS Tools, Techniques, Analysis, and Reporting**
- 4. Conduct of Compliance Audit of the Public Procurement Process, with Discussions on the Key Provisions of RA 12009**
- 5. Rules on Evidence: Admissibility, Burden of Proof and Presumption, Authentication and Proof of Documents, and Weight and Sufficiency of Evidence**



8/16

REGIONS COVERED

50%



Note: NIR LGUs covered in the Phase 2 roll-out of Regions VI and VII



Phase 2 Roll-out of the IAM for LGUs, 2023 Edition

REGION	SCHEDULE	NO. OF PARTICIPANTS
MIMAROPA (IV-B)	2-4 June 2025	327
	4-6 June 2025	133
XII – SOCCSKSARGEN	21-23 July 2025	411
III – Central Luzon	6-8 August 2025	461
	19-21 November 2025	171

Phase 2 Roll-out of the IAM for LGUs, 2023 Edition

REGION	SCHEDULE	NO. OF PARTICIPANTS
VII – Central Visayas	11-13 August 2025	248
XI – Davao Region	8-10 October 2025	188
VIII – Eastern Visayas	26-28 November 2025	182
VI – Western Visayas	4-6 February 2026	425
IX – Zamboanga Peninsula	11-13 February 2026	350
TOTAL		2,896

WAYS MOVING FORWARD

List of Activities Being Pursued

1. Reconciliation of the DBM-issued guidelines and COA-issues guidelines on internal control and internal audit
2. Continuation of the roll-out of the IAM for LGUs
3. Conduct of LGU-specific learning sessions
4. Expansion of the pool of trainers of internal control and internal audit
5. Inclusion of internal auditing to the DILG's SGLG requirements



THANK YOU!