



The PUBLIC FINANCIAL MANAGEMENT  
ASSESSMENT TOOL  
for LOCAL GOVERNMENT UNITS  
(PFMAT for LGUs)



# Outline of Presentation:

- How was the PFMAT for LGUs developed?
- What is the PFMAT for LGUs?
- How to use the PFMAT?



# Background

“Governance: Strengthening of Public Financial Management (PFM)” among the four focus areas of the Health Sector Policy Support Programme (HSPSP)



Convergence Provinces were required to prepare PFM Improvement Plans (PFMIPs)



# Background

There was difficulty in establishing baseline information as no local PFM assessment tool was available.



The PEFA PFM Measurement Framework was used.





# Background

2010: Experts were engaged to localize the PEFA to suit sub-national conditions



2011-2012: DBM RDs and the PMO on LGU PFM developed the PFMAT for LGUs





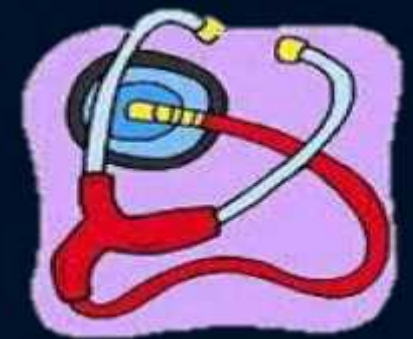
# The PFMAT for LGUs

**Data Table 1:** Instruction - Based on the duly approved LDIP, fill-in the total number of the PPAs. Compare the said PPAs with the PPAs in the PDPFP / CDP to determine the total number of PPAs derived from the PDPFP / CDP.

Total Number of PPAs in the duly approved LDIP (a)	Total Number of PPAs in the duly approved LDIP derived from the duly approved PDPFP / CDP (b)	% of PPAs in the duly approved LDIP derived from the PDPFP / CDP (c = b / a)

If ... evidenced-based describes the ... and orderly ... ment system.

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PFM  
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# Value of the PFMAT for LGUs



Help the LGUs determine the strengths and weaknesses in their PFM systems - bases for the adoption and implementation of improvement measures

Provide baseline information on the state of LGU PFM and serve as bases for benchmarking with other LGUs



Encourage the development and replication of best practices in PFM

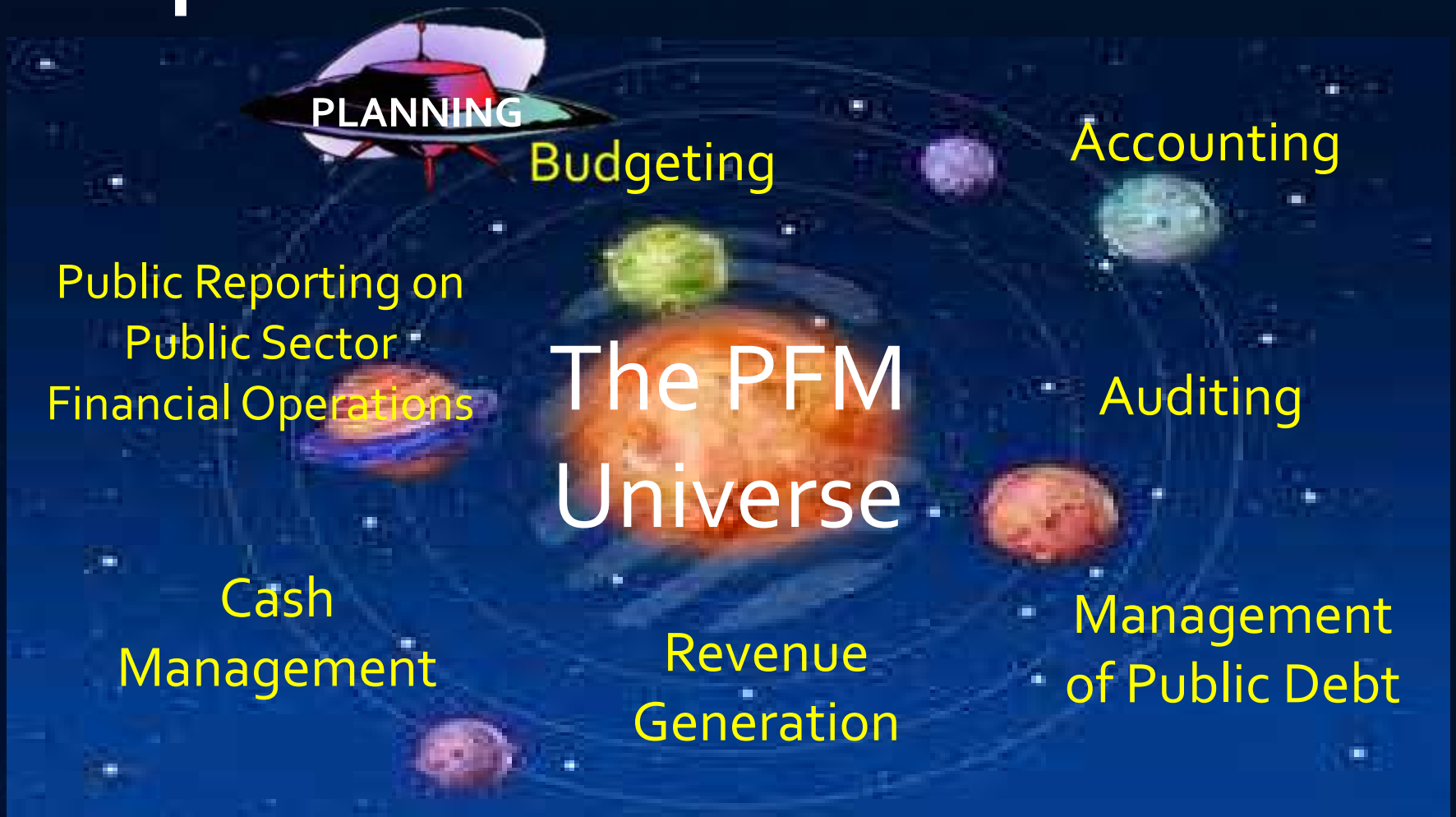


Serve as bases/criteria for inter-governmental transfers





# Scope of the PFMAT for LGUs











PUBLIC REPORTING ON  
FINANCIAL OPERATIONS

REVENUE GENERATION

EFFECTIVE AND  
ACCOUNTABLE

~~PEFM~~

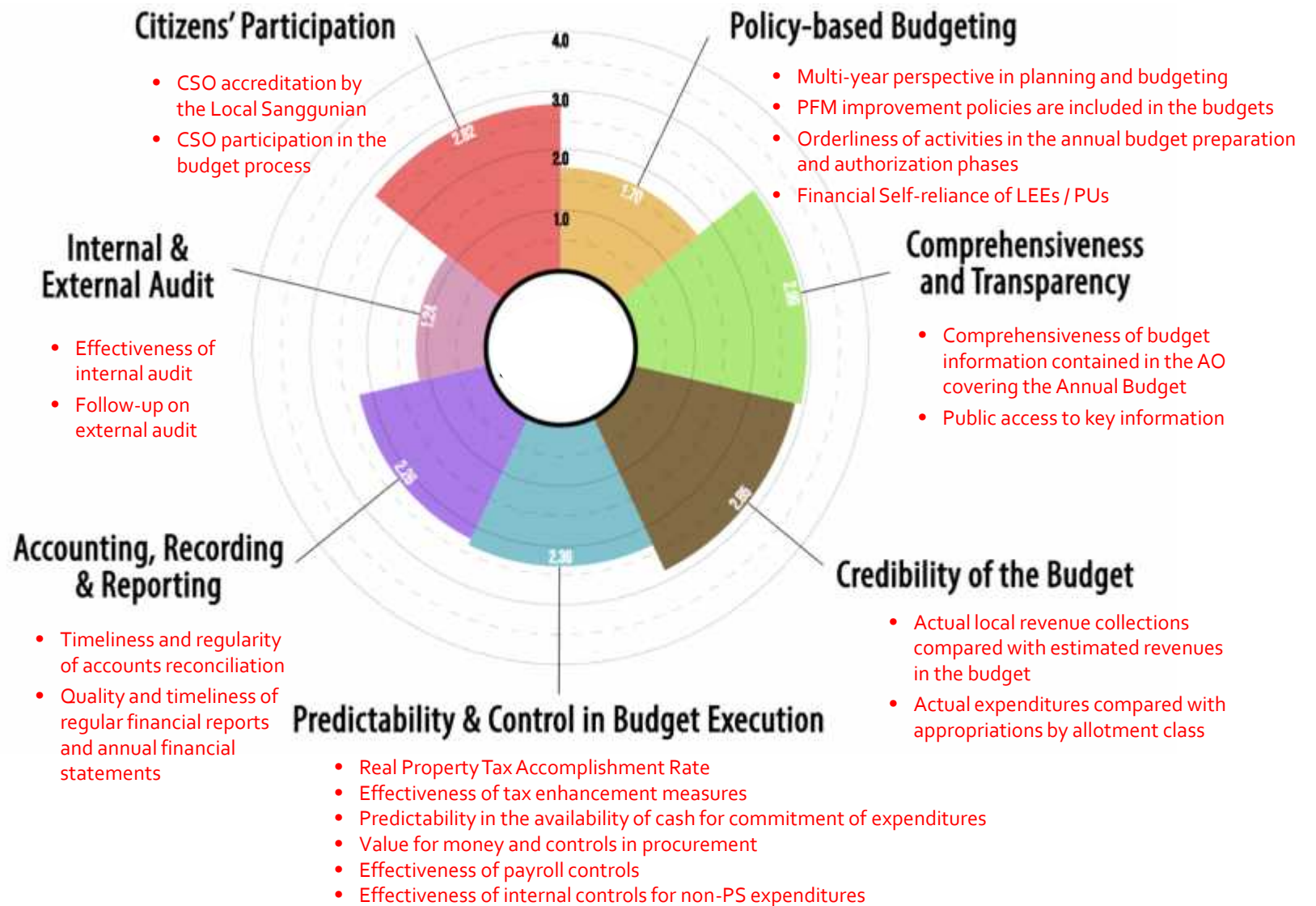


CASH & DEBTS











- Comprehensiveness of budget information contained in the AO covering the Annual Budget
- Public access to key information

- Actual local revenue collections compared with estimated revenues in the budget
- Real Property Tax Accomplishment Rate
- Effectiveness of tax enhancement measures

- Effectiveness of internal audit
- Effectiveness of payroll controls
- Effectiveness of internal controls for non-PS expenditures
- Follow-up on external audit

- Multi-year perspective in planning and budgeting
- PFM improvement policies are included in the budgets
- Orderliness of activities in the annual budget preparation and authorization phases
- Financial Self-reliance of LEEs / PUs
- Actual expenditures compared with appropriations by allotment class
- Value for money and controls in procurement

- Timeliness and regularity of accounts reconciliation
- Quality and timeliness of regular financial reports and annual financial statements

- Predictability in the availability of cash for commitment of expenditures



• CSO accreditation by the Local Sanggunian




• CSO participation in the budget process



# Using the PFMAT Results

*Scoring.....*

**M1 :**

- Used for indicators which do not have sub-indicators;
  - Uses a five-point scale, with 0 as lowest and 4 as highest score;
  - Each indicator describes the criteria which should be met in order to obtain a particular score;
- 
- 
- 



# Using the PFMAT Results

## Critical Dimension 3: Credibility of the Budget

Score: 4

### Indicator No. 5: Actual local revenue collections compared with estimated revenues in the budget

Instruction: Complete the data table below. The last 3 columns indicate the actual collections as % of estimated revenues. The last 3 columns, Row 7 are the bases for scoring. Encircle the appropriate score that corresponds to the minimum requirement that your LGU has satisfied.

Score	Criteria
4	In ALL of the last three years, total actual local revenue collections was 90% - 100% of the estimated local revenues.
3	TWICE in the last three years, total actual local revenue collections was 90% - 100% of the estimated local revenues.
2	ONCE in the last three years, total actual local revenue collections was 90% - 100% of the estimated local revenues.
1	In ANY of the last three years, total actual local revenue collections was 70% - 89% of the estimated local revenues.
0	In ALL of the last three years, total actual local revenue collections was less than 70% of the estimated local revenues.

**Data Table 11:** Instruction - From the last three years' budgets, fill-in the estimated revenues (excluding external sources) (Source: last three years' Annual Budgets). From the year-end Statements of Receipts and Expenditures, fill-in the actual local revenue collections, (excluding external sources) (Source: last three years' Statement of Receipts & Expenditures).




Row #	Income Type	Year 1		Year 2		Year 3		Actual Revenues as % of Estimated Revenues		
		Estimated Revenues (a)	Actual Revenues (b)	Estimated Revenues (c)	Actual Revenues (d)	Estimated Revenues (e)	Actual Revenues (f)	Y1 (b/a)	Y2 (d/c)	Y3 (f/e)
1	RPTs									
2	Income from business									
3	Other local taxes									
4	Income from LEEs//PUs									
5	Fees & Charges									
6	Other income									
	Totals							95%	96%	97%



# Using the PFMAT Results

*Scoring.....*

**M2 :**

- Used for indicators with sub-indicators;
  - Uses a five-point scale, with 0 as lowest and 4 as highest score;
  - Over-all score for the indicator is determined by computing the average score of all sub-indicators;
- 
- 
- 



# Using the PFMAT Results

## Critical Dimension 1: Policy-Based Budgeting

### Indicator No. 1: Multi-year perspective in fiscal planning and budgeting

#### Sub-indicator 1: Linkage between Provincial Development and Physical Framework Plan (PDPFP) / Comprehensive Development Plan (CDP) and Local Development Investment Program (LDIP)

Instruction: Complete **Data Table 1** below, then use it as basis for determining the appropriate score that corresponds to the minimum requirement that your LGU has satisfied. Please encircle the chosen score.

Score: Sub-indicator 1:	4
Sub-indicator 2:	4
Sub-indicator 3:	4
Sub-indicators total score:	12
<b>Overall Score</b>	<b>4</b>
<b>(Divide sub-indicator total by 3)</b>	

Score	Criteria
4	100% of the number of programs /projects/activities in the duly approved LDIP were based on the duly approved PDPFP in the case of Provinces or duly approved CDP in the case of cities and municipalities.
3	90% - 99% of the number of programs /projects/activities in the duly approved LDIP were based on the duly approved PDPFP in the case of Provinces or duly approved CDP in the case of cities and municipalities.
2	80% - 89% of the number of programs /projects/activities in the duly approved LDIP were based on the duly approved PDPFP in the case of Provinces or duly approved CDP in the case of cities and municipalities .
1	70% - 79% of the number of programs /projects/activities in the duly approved LDIP were based on the duly approved PDPFP in the case of Provinces or duly approved CDP in the case of cities and municipalities.
0	Less than 70% of the number of programs /projects/activities in the duly approved LDIP were based on the duly approved PDPFP in the case of Provinces or duly approved CDP in the case of cities and municipalities; OR The LGU has no duly approved LDIP or PDPFP / CDP.



# Using the PFMAT Results

*Scoring.....*

After determining the score per performance indicator, summarize and analyze the scores using:

**Summary Table 3** – summary of scores by critical dimension

**Summary Table 4** – analysis of scores








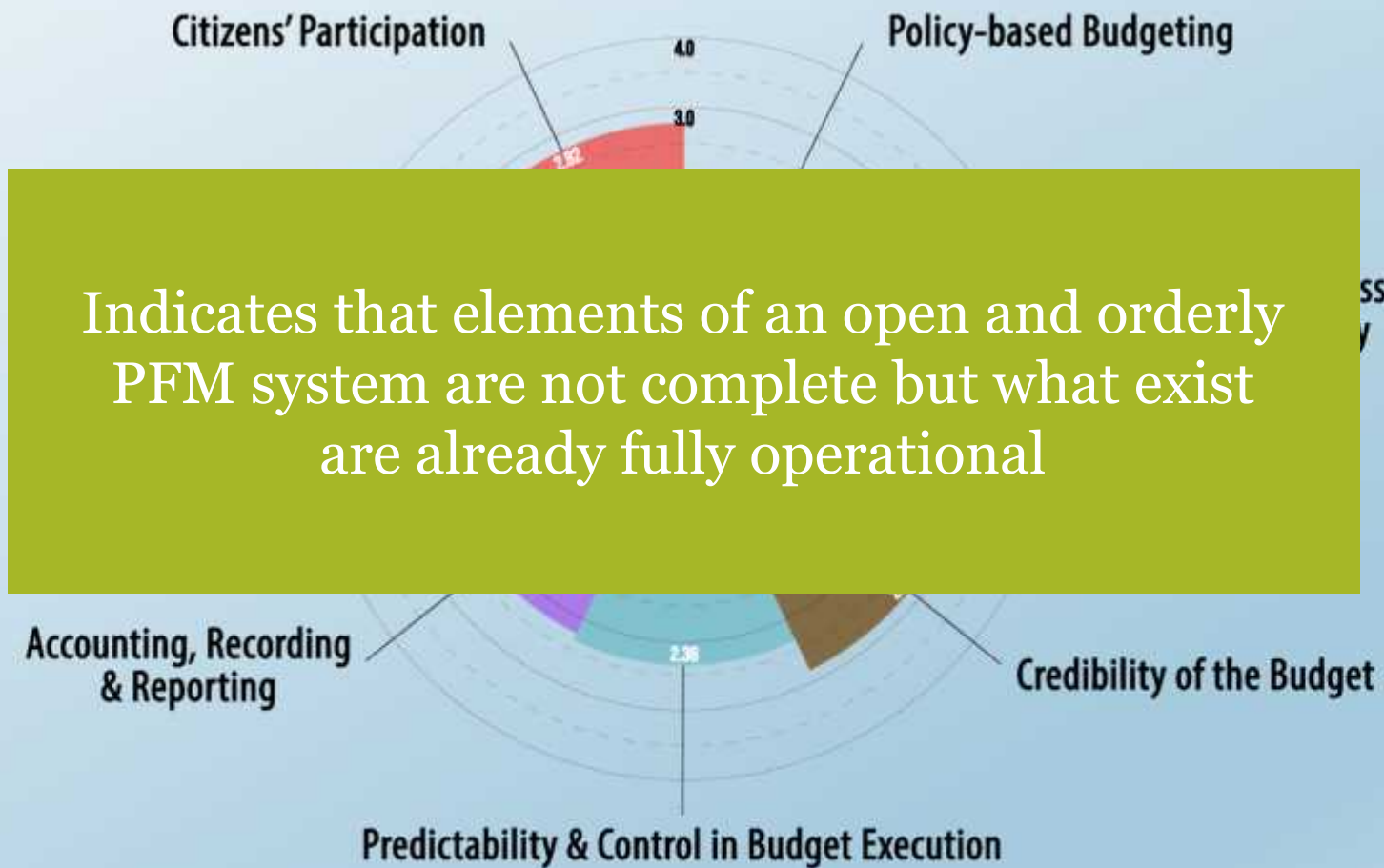
# Using the PFMAT Results

## ANALYSIS OF SCORES

Scale of 0 to 4, 0 being the lowest and 4 being the highest

Average Score	Description
4	Elements of an open and orderly PFM system are complete and fully operational
3.0 – 3.9	Elements of an open and orderly PFM system are complete but are not fully operational
2.0 – 2.9	Elements of an open and orderly PFM system are not complete but are fully operational
.01 – 1.0	Elements of an open and orderly PFM system are not complete and are not fully operational
0	All elements of an open and orderly PFM system are not in place







# ACCOUNTING, RECORDING AND REPORTING

- LGUs are not able to fully comply with the reglementary periods for reconciling bank accounts and liquidating cash advances

recommendations by the LGUs are low



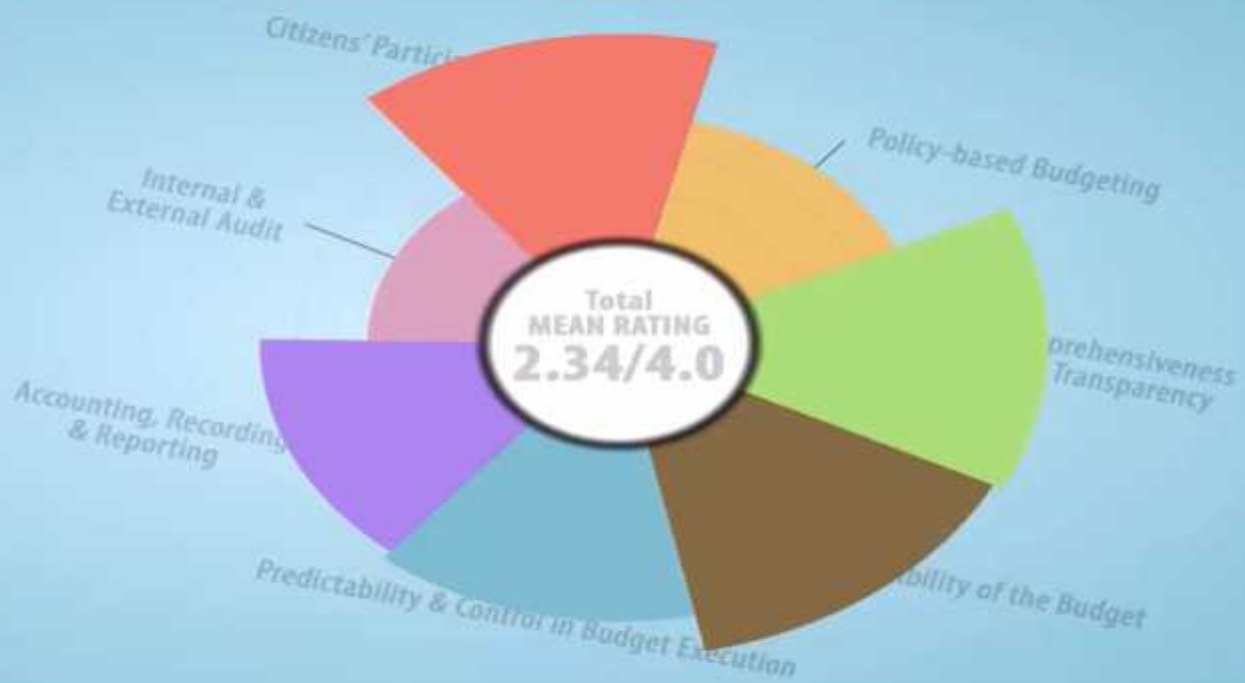
# POLICY BASED BUDGETING

- Strong link between AIP and Budget but weak linkage among development plans (PDPFP/CDP-LDIP-AIP)\*

\*CDP not prepared by most LGUs

Elements not in place can be determined by looking at the indicators and sub-indicators.

& Control in Budget





# Using the PFMAT Results

*using the results of the PFM assessment....*

- ✓ Results are summarized and explained in the **PFM Assessment Report (PFMAR)**

**The PFM-AR is a concise document containing the ff:**

1. Executive Summary
2. Introduction
3. Background Information
4. Assessment of the LGU's PFM Systems
5. Recommendations





# Using the PFMAT Results

*using the results of the PFM assessment....*

- ✓ Analyze the results of the PFMAT further
- ✓ Focus on dimensions / key elements with low scores
- ✓ Develop strategies to address identified weaknesses
  - **Consider the LGU PFM Reform Roadmap**

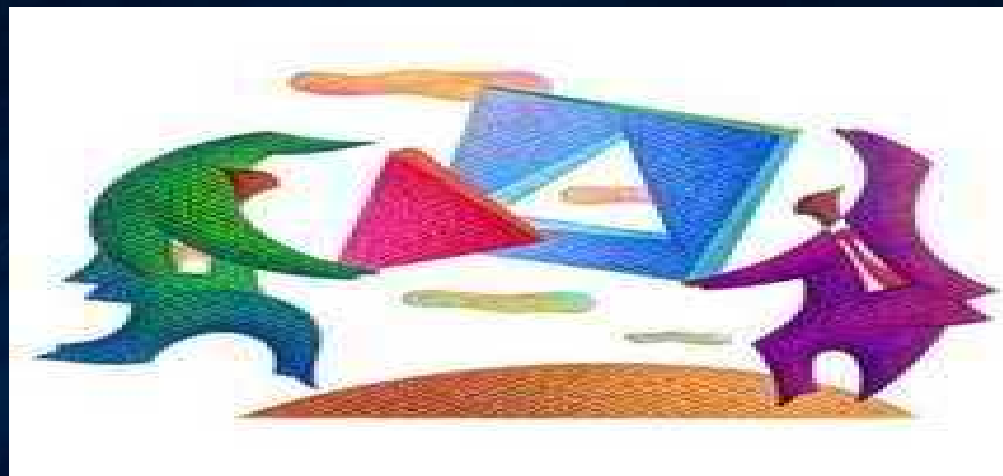




# Using the PFMAT Results

*using the results of the PFM assessment....*

Recommendations under the PFMAR are detailed in  
the **PFM Improvement Plan (PFMIP)**



- end of presentation -



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