



Republic of the Philippines
Department of Education

06 SEP 2018

DepEd ORDER
No. **035** s. 2018

**CREATION OF THE FINANCIAL MANAGEMENT REFORMS COMMITTEE
IN THE DEPARTMENT OF EDUCATION**

To: Undersecretaries
Assistant Secretaries
Bureau and Service Directors
Regional Directors
Schools Division Superintendents
All Others Concerned

1. The Department of Education (DepEd), with the Office of the Secretary at the forefront, is committed to implement financial management reforms for the effective and efficient delivery of services and to ensure accountability and transparency. Towards this end, the DepEd issues the enclosed policy, entitled **Creation of the Financial Management Reforms Committee (FMRC)**.
2. This Order is being issued also in support of the national government's Public Financial Management (PFM) Reform Program.
3. All DepEd issuances inconsistent with this Order are hereby repealed, rescinded, or modified accordingly.
4. Immediate dissemination of and strict compliance to this Order is directed.


LEONOR MAGTOLIS BRIONES
Secretary

Encl.:
As stated

Reference:
None

To be indicated in the Perpetual Index
under the following subjects:

BUDGET
COMMITTEE

OFFICIALS
PROGRAM

**CREATION OF THE FINANCIAL MANAGEMENT REFORMS COMMITTEE
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I. Rationale

1. The Department of Education (DepEd) is the biggest bureaucracy in Philippine government. Accordingly, it manages a high level of budget allocation among all the government line agencies.
2. Cognizant of the need to continuously improve DepEd's performance to achieve the vision of attaining *Quality, Accessible, Relevant and Liberating Education for All*, Secretary Leonor Magtolis Briones committed to introduce financial management reforms to enable effective and efficient delivery of services and ensure accountability and transparency.
3. The national government has implemented various public financial management (PFM) reforms through different initiatives, the most recent of which is the *PFM Reform Roadmap: Towards Improved Accountability and Transparency*. This was implemented in 2011-2016 as a comprehensive reform agenda that sought to clarify, simplify, improve and harmonize the government's financial management processes and information systems. The integrated systems intended to cover all transactions of government and to be applied uniformly to all government agencies.
4. The importance of strengthening PFM is emphasized in the Philippine Development Plan (PDP) 2017-2022, as embodied in Executive Order No. 5, s. 2016, entitled *Ambisyon Natin 2040*. PFM is specifically included as one of the sub-strategies to improve governance towards building a high-trust society: to ensure a people-centered, clean, efficient, and effective governance by strengthening institutions ... and providing enabling mechanism to improve access to public goods and services.
5. To institutionalize the PFM Reform Program, President Rodrigo Roa Duterte has certified as one of his priority bills the proposed ***Budget Reform Act***, to update the PFM legal framework on national government budgeting to address weaknesses in budget credibility and transparency, legislative oversight, internal controls, accounting and financial reporting.
6. One of the highlights of the proposed *Budget Reform Act* is the **shift from a multi-year obligation-based budgeting to an annual cash-based budgeting system** starting Fiscal Year (FY) 2019. The said measure is targeted to attain a more disciplined use of the National Budget while also enhancing transparency and accountability in in the budget process.
7. Pending the approval of the bill, the Department of Budget and Management (DBM) issued **National Budget Memorandum (NBM) 129** dated January 03, 2018, the *National Budget Call for Fiscal Year (FY) 2019*, mandating the shift to an Annual-Cash Based Budget to meet two objectives: to reform the PFM System to support government priorities; and, to put more emphasis on accelerating program delivery

through a one-year horizon. To meet the first objective, government agencies are required to submit their respective proposed budgets which should be in line with the President's 0+10-Point Socio Economic Agenda as outlined in the 2017-2022 Philippine Development Plan. On the other hand, the annual cash-based appropriations limit incurring of contractual obligations and disbursing of payments for goods delivered and services rendered, inspected, and accepted, within the fiscal year. Payments for contractual obligations delivered until the end of the fiscal year may be settled until the end of the Extended Period Payment (EPP) – the three-month period following the end of the fiscal year.

The cash-based budgeting system puts emphasis in the acceleration of program delivery. This acceleration entails reassessment of existing programs, activities, and projects (PAPs) and revisiting and/ or reevaluation of systems, processes, and procedures in the delivery of services to the beneficiaries and clients of the Department.

8. In DepEd, a number of PFM reforms have been initiated, as follows:
 - a. Implementation of the Financial Management Operations Manual (FMOM) and Orientation of DepEd Management Staff at the Regional, Division, and School Levels with the issuance of DepEd Order No. (DO) 60, s. 2016 dated September 2, 2016
 - b. Creation of the Education Programs Delivery Unit (EPDU) through the issuance of DepEd Order No. (DO) 71, s. 2016 dated November 25, 2016
 - c. Enhancement of the Automatic Payroll Deduction System (APDS) to facilitate and ensure the orderly implementation of salary deductions authorized by law, adherence to legal limitations on salary deductions, and protection and promotion of the welfare of all teachers and employees as prescribed in DO 18, s. 2018 dated April 11, 2018
 - d. Creation of additional Bids and Awards Committee (BAC) in the Central Office through the issuance of OO-OSEC-2017-116 dated December 1, 2017 and OO-OSEC 2018-008 dated March 7, 2018. Additional Bids and Awards Committees were likewise created in the Regional and School Division Offices through the issuance of DO 26, s. 2018 dated June 1, 2018.

II. Creation of a Financial Management Reform Committee (FMRC)

9. In addition to the above-mentioned PFM reforms that have been initiated, it is imperative that the DepEd creates a **Financial Management Reform Committee (FMRC) with a Technical Working Group (TWG)** in compliance with NBM 129 and in anticipation of the passage of the Budget Reform Act.

10. The **FMRC** will lead in the assessment of the Department's readiness to implement government PFM reforms and to recommend proactive policies and measures to address new financial management challenges. These will cover organizational reforms towards the transformation of the Finance Service (Budget, Accounting, and Cash Divisions); strengthening of internal control systems; and the implementation of mandated systems like the cash-based budgeting system in FY 2019 and the roll out of the Budget and Treasury Management System (BTMS), among others. This will also entail the establishment of an Integrated Financial and Management Information System (IFMIS) which will facilitate the establishment of a

unified system of planning, budgeting, accounting, cash management and reporting, management of internal control of the Department's public finances, and the creation of a single portal which will provide real-time information on the Department's budget.

11. The **FMRC** shall have the following functions and responsibilities:

- a. Establish an operational framework in the assessment and evaluation of the needed change of current policies and improvement of systems, processes, and procedures to respond to both government-wide and department level financial management reform agenda;
- b. Design and conduct activities that will draw out proposals for the changes and improvement of plans in the Department's specific systems, structures, policies, programs, processes, and procedures that will directly impact on the Department's financial management;
- c. Formulate agency plans and policy proposals that will address possible challenges and choke points in the financial management system;
- d. Coordinate with various units/offices of the Department including its regional and attached agencies and ensure that initiatives and preparations are being done at their level following a specific reform initiative;
- e. Lead in the conduct of activities that will ensure critical support of agency officials, staff, and relevant stakeholders to the improvement of DepEd's integrated financial management system;
- f. Recommend measures that will ensure that relevant offices and personnel of the Department who will be key players/actors in the implementation of financial management reforms are supported and capacitated;
- g. Monitor the implementation of systems improvement in strategic offices/units;
- h. Provide regular updates and recommendations to the head of the agency or the Executive Committee on the activities of the Technical Working Group and the progress of agency's readiness to implement reform programs;
- i. Perform other activities as may be directed by the Secretary of the Department through the Executive Committee.

12. Composition of the **FMRC**:

- a. Chairperson:
Secretary of Education
- b. Co-Chairpersons:
Undersecretary for Finance–Budget and Performance Monitoring (BPM)
Undersecretary for Finance–Disbursements and Accounting
Undersecretary for Administration
- c. Members:
Undersecretary for Planning and Field Operations
Undersecretary for Legal Affairs
Assistant Secretary for Project Management and Field Operations
Assistant Secretary for Finance–BPM and Procurement
Director for Internal Audit Service

13. The **FMRC** is hereby authorized to create Task Teams to work on specific reform initiatives when deemed necessary.

14. The **FMRC** may call upon other offices and/or other support units of the Department to carry out its tasks and responsibilities.

III. Technical Working Group (TWG) and Administrative Secretariat

15. The **FMRC** shall be supported by a **TWG** and **Administrative Secretariat**. These may be composed of regular DepEd personnel, highly technical consultants and/or personnel under Contract of Service and/or Job Order.

16. Functions of the TWG:

- a. Prepare the technical papers and documents for consideration and approval of the **FMRC**;
- b. Conduct technical reviews of the organizational structure and systems of the Department to align with the requirements of the reform initiatives;
- c. Lead in organizing activities that will help in the readiness assessment of the Department and conduct researches on best practices, if necessary.

17. Functions of the Administrative Secretariat:

- a. Assist the TWG in the preparation of meetings, workshops, field monitoring, development of reports and concept notes, and presentation of TWG and other TWG activities.
- b. Provide administrative support and provision for secretariat services which include, but not limited to, drafting and circulating agenda notes to members of the TWG and **FMRC**; compiling and background documentation; drafting minutes of the meeting; and monitoring follow-up actions.

IV. Milestone and Approach

18. The ultimate goal of the **FMRC** is the implementation of policies that will address the challenges of carrying out and sustaining the reform programs like the Finance and Administrative Service reorganization and strengthening; the BTMS and the cash-based budgeting system; and, accounting and internal audit systems. The **FMRC** shall have intermediary milestones (Figure 1) that are essential in measuring the progress of the introduced initiatives.

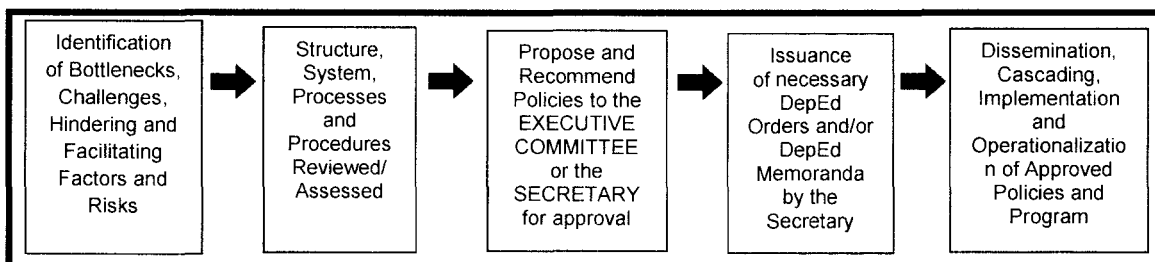


Figure 1: FMRC Milestones

19. This approach is guided by the delivery of the following expected outputs:
- a. Organization and Operational Framework for the Evaluation of Needed Changes in Current Policies, Systems, and Processes
 - b. Development of Activity Designs, Schedules, and Implementation
 - c. Collection and consolidation of readiness reports
 - d. Formulation of recommended policies for financial management systems improvement; and
 - e. Submission of consolidated readiness report and other relevant documents

V. Funding Requirements

20. All expenses incurred by the **FMRC, TWG** and the **Secretariat** shall be charged to the Office of the Secretary, including the Internal Audit Service (IAS) and other technical assistance from development partners, subject to the usual budgeting, procurement, accounting and auditing rules and regulations.