

MEMORANDUM OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This Memorandum of Agreement is made and entered by and between:

The **DEPARTMENT OF BUDGET AND MANAGEMENT**, a national government agency duly organized and existing under the laws of the Philippines, with principal office at General Solano Street, San Miguel, Manila, Philippines, herein represented by its Secretary, **FLORENCIO B. ABAD**, hereinafter referred to as the "**DBM**";

and

The **COMMISSION ON AUDIT**, a Constitutional Office duly organized and existing under the laws of the Philippines, with principal office at Commonwealth Avenue, Batasan Hills, Quezon City, Philippines, herein represented by its Chairperson, **MARIA GRACIA M. PULIDO-TAN**, hereinafter referred to as the "**COA**";

WITNESSETH:

WHEREAS, Administrative Order No. 119 dated 29 March 1989 provides that the DBM shall coordinate with the COA in the organization and strengthening of the internal control systems and procedures and the DBM shall promulgate the proper and appropriate rules, regulations or circulars to implement the same;

WHEREAS, Administrative Order No. 278 dated 28 April 1992 provides that all heads of government offices, agencies, government-owned and/or -controlled corporations, including government financial institutions and local government units, shall organize an Internal Audit Service (IAS) in their respective offices;

WHEREAS, pursuant to the above issuances, the DBM issued Circular Letter No. 2008-8 dated 23 October 2008 entitled, "*National Guidelines on Internal Control Systems (NGICS)*", and Circular Letter No. 2011-5 dated 19 May 2011 entitled, "*Philippine Government Internal Audit Manual (PGIAM)*";

WHEREAS, the Head of the Office of the President-Internal Audit Office (OP-IAO), as part of the DBM's Reform Agenda Implementation Team on the strengthening of internal control systems, rendered assistance in the formulation of the NGICS and the PGIAM, in the review of the capability building needs of Internal Auditors, as well as in the preparation of the preliminary training syllabi and related materials necessary for the roll-out of said documents;

WHEREAS, the assistance of the COA was requested in the capability-building of the first set of Internal Auditors and in the roll-out of the NGICS and PGIAM;

WHEREAS, the DBM, COA and the OP-IAO share a common interest in strengthening internal control systems and internal audit in government to promote effective, efficient, ethical and economical operations in government;

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NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereby agree and bind themselves as follows:

Article 1 – Project Objective

The Project aims to build the capabilities of Internal Audit Service/Internal Audit Unit (IAS/IAU) personnel of the next set of Internal Auditors of departments/agencies/government-owned and/or –controlled corporations (GOCCs)/government financial institutions (GFIs) concerned to fully adopt the NGICS and PGIAM in the performance of their functions.

Article 2 – Scope of Work

The **two (2) batches** of capacity-building trainings on the NGICS/PGIAM would focus on, among others, the following:

- Policies and standards that shall guide Internal Auditors in government in organizing, managing and conducting an effective internal audit;
- Types of internal audit and key processes in appraising the internal control systems and conducting compliance, management and/or operations audits; and
- Tools, techniques, and approaches in appraising the internal control systems against control objectives.

Specifically, the participants would be trained on the following modules of the NGICS/PGIAM:

- Module 1: Overview of the NGICS and the PGIAM;
- Module 2: Baseline Assessment of Internal Control System;
- Module 3: Control Significance and Materiality;
- Module 4: Control Risk and Internal Audit Risk;
- Module 5: Strategic and Annual Work Planning;
- Module 6: Compliance Audit;
- Module 7: Management Audit; and
- Module 8: Operations Audit.



The time allocation for each module and the estimated number of participants per agency are as follows:

Module	Time Allocation	No. of Participants
Module 1	One (1) Day	15 per agency
Module 2	Three (3) Days	5 per agency (Head of the IAS/IAU, 2 Division Chiefs, and 2 Assistant Divisions Chiefs)
Module 3		
Module 4	Three (3) Days	
Module 5	Two (2) Days	7 per agency (Head of the IAS/IAU, 2 Division Chiefs, 2 Assistant Divisions Chiefs, and 2 Sections Chiefs)
Module 6	Two (2) Days	
Module 7	Three (3) Days	8 per agency (Head of the IAS/IAU, 1 Division Chief and 6 technical staff of the Management Audit Division)
Module 8	Three (3) Days	8 per agency (Head of the IAS/IAU, 1 Division Chief and 6 technical staff of the Operations Audit Division)

The capacity-building training will be conducted either in the COA's Professional Development Center (PDC) or the DBM premises depending on the availability of training rooms.

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Article 3 – Outputs and Deliverables

The deliverables of the Project will include the following:

- Reports on the two (2) batches of NGICS/PGIAM trainings conducted, including the documentation of the same;
- Report on the pre- and post-test results of the training participants;
- Outputs/audit report/s prepared by the participants during the training; and
- Project Completion Report.

Article 4 – Commencement and Duration of Work

The Project shall be implemented up to the **end of 2013**.

Article 5 – Obligations and Responsibilities of the COA

- Management and coordination of all NGICS/PGIAM trainings to be conducted for IAS/IAU personnel;
- Mobilization of resource persons/trainers from select agencies to conduct the trainings;
- Reproduction of training materials;
- Documentation of trainings to be conducted;
- Preparation of Training Reports, including Reports on the pre- and post-test results of the training participants, and Project Completion Report; and
- Preparation of Certificate of Training upon completion of each module.

Article 6 – Obligations and Responsibilities of the DBM and the Office of the President-Internal Audit Office (OP-IAO)

The DBM and OP-IAO shall spearhead the implementation of activities under this Project, including the identification of training participants, and review and finalization of the Project Reports.

Copies of the reports to be prepared by the COA will be submitted to the DBM in both electronic (1) and hard (3) copies.

Article 7 – Project Cost

The funds for this Project in the amount of **TWO MILLION SIX HUNDRED THIRTY-NINE THOUSAND SEVEN HUNDRED TEN PESOS (P 2,639,710)** shall be charged against the **DBM's Budget Improvement Project Fund** under the FY 2013 General Appropriations Act and to be transferred to the COA based on the following, subject to budgeting, accounting and auditing rules and regulations:

Particulars	Percentage of Project Cost to be Transferred
<i>First Tranche:</i> For the Initial Requirements of the Project and the conduct of the first batch of the PGIAM training, to be transferred after the MOA signing	60%
<i>Second Tranche:</i> For the conduct of the 2 nd batch of the training, to be transferred to the COA upon submission of the Report on the conduct of the 1 st batch of the training, including the pre- and post-test results of the training participants	30%
<i>Third Tranche:</i> To be transferred upon submission of the Report on the conduct of the 2 nd batch of the training, including the pre- and post-test results of the training participants, and the Project Completion Report	10%
Total	100%

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The budget provided for the rent of the training venue and audio-visual equipment, and payment for utility/janitorial services would only be incurred if the PGIAM/NGICS training would be conducted in the COA premises.

The COA shall also submit the following Reports to the DBM to record the liquidation of funds transferred, in the books of account of the DBM:

- Report of Disbursements certified correct by the COA Chief Accountant, approved by the Director, Accounting Office, and verified and audited by the COA Resident Auditor;
- A copy of the Journal Entry Voucher prepared by the COA taking up the liquidation of funds transferred; and
- Financial and Accomplishment Report certified correct by the COA Chief Accountant and Project Manager.

4th **IN WITNESS WHEREOF**, the parties hereto have signed this Agreement on the day of November, 2013 in the City of Manila, Philippines.

**DEPARTMENT OF BUDGET AND
MANAGEMENT**

COMMISSION ON AUDIT

By:

By:

~~_____~~
FLORENCIO B. ABAD
Secretary

[Signature]
MA. GRACIA M. PULIDO-TAN
Chairperson

SIGNED IN THE PRESENCE OF:

**DEPARTMENT OF BUDGET AND
MANAGEMENT**

COMMISSION ON AUDIT

By:

By:

[Signature]
LAURA B. PASCUA
Undersecretary

[Signature]
HEIDI L. MENDOZA
Commissioner

Funds Available:
[Signature]
ESPERANZA Q. IGNACIO
Chief Accountant

DOR# 2013-11-1912-A
11/4/2013

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
CITY OF MANILA) S.S.

BEFORE ME, on this 4th day of Nov., 2013 at
Manila, personally appeared the following public officials, namely:


NAME	IDENTIFICATION CARD NO. AND CTC NO.	DATE AND PLACE ISSUED
Florencio B. Abad	DBM ID No. 3706	Valid thru 2013
Maria Gracia M. Pulido Tan	CTC No.: 30043118	1/23/2013; Basco, Batanes
	GA ID NO. 0250384	Valid thru 2013
	CTC NO. 851449	1/14/2013; Manila

Who are known to me to be the same persons who executed the foregoing instrument and they both acknowledged to me that the same is their free and voluntary act and deed, and that of the government agencies they represent therein.

This instrument consists of five (5) pages, including this page, on which this Acknowledgment is written and signed by the parties and their instrumental witnesses on the left hand margin of each page thereof and at bottom of the same instrument on page 4, refers to the Memorandum of Agreement executed for the purpose therein set forth.

WITNESS MY SIGNATURE AND NOTARIAL SEAL on the date and place first above written.

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Page No. 87
Book No. I
Series of 2013.


ROWENA CANDICE M. RUIZ
NOTARY PUBLIC-MANILA
COMMISSION SERIAL NO. 2012-094
UNTIL DECEMBER 31, 2013
ROLL NO. 49404, LBP LRN 05140
PTR NO. 1473608 (Manila) Jan. 16 2013
LEGAL SERVICE, DBM
MABINI HALL, MALACANANG
MANILA

HR