



**Republika ng Pilipinas**  
**Department of Agriculture**  
**PAMBANSANG PANGASIWAAN NG PATUBIG**  
**(National Irrigation Administration)**  
**EDSA, Diliman, Quezon City**

MC # 16 S. 2009

**MEMORANDUM CIRCULAR**

**MEMORANDUM**

**TO : THE SENIOR DEPUTY ADMINISTRATOR, DEPUTY ADMINISTRATORS, DEPARTMENT MANAGERS, REGIONAL IRRIGATION MANAGERS, OPERATION MANAGERS, PROJECT MANAGERS, PROVINCIAL IRRIGATION MANAGEMENT OFFICERS, IRRIGATION SUPERINTENDENTS AND ALL OTHERS CONCERNED**

**FROM : THE ADMINISTRATOR**

**SUBJECT : NATIONAL IRRIGATION MANAGEMENT FUND (NIMF)**

Pursuant to the NIA Board of Directors Resolution No. 7486-08 Series of 2008 dated 11 February 2008 which approved the concept of the Maintenance and Other Operating Expenses – National Irrigation Management Fund (MOOE-NIMF), and further supported by the NIA Board of Directors Resolution No. 7569-09 Series of 2009 dated 09 March 2009 which approved the establishment of the Fund under the Annual Corporate Operating Budget (COB), this Memorandum Circular and the attached Manual of Operations for the MOOE-NIMF is hereby issued as reference in the establishment, utilization and management of the Fund.

**1. Rationale**

The National Irrigation Management Fund (NIMF) is a funding mechanism set in support to the implementation of NIA's Irrigation Management Transfer (IMT) Program and Rationalization Plan to improve the O&M performance of NISs.

**2. Name and Location of the Fund**

The proposed funding mechanism will ensure availability of funds to support non-personal services costs in the O&M of NISs.

The Fund shall be referred to as the Maintenance and Other Operating Expenses-National Irrigation Management Fund (MOOE-NIMF), for which a separate bank account, in the nature of a trust fund, shall be opened and maintained at the Regional Irrigation Offices (RIO MOOE-NIMF).

**3. Sources of the Fund**

The amount to be deposited to the MOOE-NIMF shall be the cash equivalent of the PS Savings as a result of the NIA Rationalization Plan, to be sourced out from internally generated funds, mainly from Irrigation Service Fee (ISF) Collections to be supplemented by other internally generated funds in case of deficits. ISF collection is approved by the NIA

Board of Directors to be exempted in the one-way deposit policy of the NIA through Resolution No. 7569-09 series of 2009. As such, automatic appropriation of ISF collection for field expenditures including MOOE-NIMF will be done according to the systems and procedures defined in the NIMF Operations Manual.

#### **4. Uses of the Fund**

The MOOE-NIMF shall apply to all NISs nationwide.

The cost items to be included for funding under the MOOE-NIMF are the non-personal services cost items which are included under the heading of MOOE in the present NIA Budget. When the MOOE-NIMF is established these cost items shall be taken out from the present MOOE and will compose the cost items for the NIMF. Hence, the MOOE will be replaced by 2 cost line items: 1) MOOE-Regular; and 2) MOOE-NIMF. The cost items to be included under MOOE-NIMF according to hierarchy of priority are as follows:

- a. **IA Remunerations for Canal Clearing and Maintenance**
- b. **IA Shares from Collection of Irrigation Service Fees (ISF)**
- c. **Power Cost for Pumps**
- d. **Institutional Development Program**
- e. **Calamity Fund for IA-Managed Facilities**
- f. **Preventive Repair and Maintenance of NISs**

The amount to be allocated for each of the MOOE-NIMF cost items shall be decided by the NIA Executive Committee based on **business plans and budget proposals** submitted by the Regional Irrigation Offices (RIOs) which are jointly evaluated and reviewed by the NIA CORPLAN, Operations Department and the Financial Management Department of the NIA Central Office.

#### **5. Sustainability**

Starting 2010, the MOOE-NIMF will become a regular cost item in the NIA Annual Corporate Operating Budget particularly the budget proposals from the RIOs.

The NIMF will be sustained by NIA even after the RP implementation in amounts enough to finance the non-personal services costs of operating NISs to attain the goal of sustainable operation of the NISs.

#### **6. Realignment.**

Realignment of budget released from the MOOE-NIMF for one eligible item to another may be authorized by the RIO provided that a report is submitted to the NIA Executive Committee within 30 days after approval.

At the end of the year, MOOE-NIMF balances on specific eligible items could be carried forward to the next year for the same item or reallocated to other eligible items under the NIMF as well as other expenses outside NIMF as requested by RIOs subject to the approval of the NIA Executive Committee.

#### **7. Supplemental Financing**

The amount allocated to any item shall, in case of shortfall, be augmented by supplemental financing from other Corporate Fund or other funding sources of NIA as appropriate. Supplemental financing shall be approved by the NIA Executive Committee after a thorough evaluation of the income and expense situation of the RIO concerned governed by yearly

budget allocation.

#### **8. Accounting, Auditing and Disclosure**

The MOOE-NIMF Trust Fund shall be subject to existing government accounting and auditing rules and regulations.

Quarterly audited status reports of the Fund must be submitted to the NIA Management by the Regional Irrigation Offices (RIOs).


The NIA through the Financial Management Department shall maintain records of actual utilization of the fund, including but not limited to records and receipts of payments.

At the end of the year, an audited report on the status of the Fund must be submitted to the NIA management by the Regional Irrigation Offices (RIOs). Copies of these reports must be posted in NIA Billboards and published in the NIA Web Site for public disclosure on the status and utilization of the Fund.

All memorandum circulars or parts thereof that are inconsistent with the provisions of this Memorandum Circular are hereby revoked and/or modified accordingly.

This Memorandum Circular shall take effect immediately.

For strict compliance.



**CARLOS S. SALAZAR**

Administrator

Date Signed: 21 April 2009



Republic of the Philippines  
Department of Agriculture  
Pambansang Pangasiwaan Ng Patubig  
(NATIONAL IRRIGATION ADMINISTRATION)  
EDSA, Diliman, Quezon City

## **Manual of Operations**

for the

**NATIONAL IRRIGATION MANAGEMENT FUND (NIMF)**

*(A financial sustainability mechanism for  
Irrigation Management Transfer)*

**April 2009**

**MANUAL OF OPERATIONS  
NATIONAL IRRIGATION MANAGEMENT FUND (NIMF)**

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## LIST OF ACRONYMS

ABP	–	Annual Budget Plan
AFMA	–	Agriculture and Fisheries Modernization Act (RA 8435)
APL	–	Adaptable Program Lending
AWFP	–	Annual Work and Financial Plan
BCA	–	Bank Credit Advice
BRS	–	Bank Reconciliation Statement
BS	–	Bank Statement
CIA	–	Council of Irrigators Association
CDJ	–	Collection of Deposit Journal
ChDJ	–	Check Disbursement Journal
CLPRS	–	Certified List of Personnel Retired/Separated
CO	–	Central Office
COB	–	Corporate Operating Budget
Cr.	–	Credit
CSCBN	–	Consolidated Statement of Cash in Bank – NIMF
CSPSS/N	–	Consolidated Statement of PS Savings and NIMF
DA	–	Department of Agriculture
DBM	–	Department of Budget and Management
DCV	–	Disbursement of Check Voucher
Dr.	–	Debit
EO	–	Executive Order
EXECOM	–	Executive Committee
FAS	–	Finance & Administrative Sector
FIA	–	Federation of Irrigators Association
FO	–	Field Office
HRD	–	Human Resource Department
HO	–	Head Office of Integrated Irrigation Systems (MRIIS and UPRIS)
IA	–	Irrigators Association
IMO	–	Irrigation Management Office
IRR	–	Implementing Rules and Regulation
JEV	–	Journal Entry Voucher
LEE	–	List of Eligible Expenditures
MOA	–	Memorandum of Agreement
MOOE	–	Maintenance and Other Operating Expenses
NGAS	–	National Government Accounting System
NIA	–	National Irrigation Administration
NIMF	–	National Irrigation Management Fund
O&M	–	Operation and Maintenance
OR	–	Official Receipt
PD	–	Presidential Decree
POW	–	Program of Work
PS	–	Personal Services
PSSE	–	Personal Services Savings Estimate
RC	–	Responsibility Center
RA	–	Republic Act
RIO	–	Regional Irrigation Office
RP	–	Rationalization Plan
RR	–	Request for Remittance
SEC	–	Securities and Exchange Commission
SCBN	–	Statement of Cash in Bank – NIMF
SLTF	–	System Level Trust Fund
SMD	–	Systems Management Division
SPS-SOEM	–	Special Project Staff – Systems Operation and Equipment Management

## FOREWORD

The National Irrigation Administration (NIA) is tasked with irrigation development and management, consistent with the development programs of the government. Through the years, and for the purpose of breaking the vicious cycle of national irrigation system (NIS) performance, NIA has evolved participatory irrigation management (PIM) where duly organized Irrigators' Associations (IAs) participate in NIS rehabilitation/improvement and thereafter assume operation and maintenance responsibilities.

The implementation of PIM under World Bank-assisted Second Irrigation Operations Support Project (IOSP II) and Water Resources Development Project (WRDP) and the Asian Development Bank (ADB)-assisted Second Irrigation Systems Improvement Project (ISIP II) proved that IA participation gives a high possibility of project sustainability. This is by way of their ownership of the interventions that promote long-term commitment to maintain satisfactory NIS performance through Irrigation Management Transfer (IMT).

Lessons from the implementation of IMT showed that while contributions in the form of IA improvement share in rehabilitation/improvement could help in sustaining NISs at post-project set-up, the program is wanting in terms of financial sustainability. In spite of the good intention under IMT, both the NIA and IAs suffer uncertainties on availability of funds to cater to immediate repairs after project due to lack of readily available funds at the time it is needed. A mechanism has to be installed to respond to this situation and hence, avoid deferred interventions for emerging problems, mainly on infrastructures. As part of the irrigation sector reform, the need of establishing funding mechanism to sustain the functionality of irrigation systems is recognized. The National Irrigation Management Fund (NIMF) shall be the funding mechanism for essential non-personal services costs of operating NISs.

This Manual of Operation of the NIMF is the first publication on the standard guidelines and issuances governing the fund. This manual will be modified as lessons are gained through experience. Comments and suggestions for its improvement will be highly appreciated. Such can be submitted to the Engineering and Operations Sector, NIA Central Office through the Operations Department. Any improvement or amendment to this manual must be discussed by representatives of the Engineering and Operations Sector and the Administrative and Finance Sector before submission to the Administrator for approval and issuance as a Memorandum Circular.

The NIA acknowledges the efforts of the NIA forerunners of the IMT program, the consultants, the participating IAs, farmers, LGUs and NGOs, and supporting institutions that made the conceptualization and launching of the NIMF possible.

## NATIONAL IRRIGATION MANAGEMENT FUND

### - Manual of Operations -

#### I. RATIONALE

Summary of records obtained on the performance of national irrigation systems (NISs) revealed that the irrigated area, in percent of service area, during the wet season has been decreasing. The irrigated area during the dry season has been slightly increasing. However, the average irrigated area remained very low at about 70% during the wet season and 66% during the dry season, for an average annual cropping intensity of 136%.

The low cropping intensity appears to be largely due to the continuing deterioration of irrigation facilities as the NIA is unable to provide adequate operation and maintenance (O & M) fund to the NISs. In the period 2001-2005, NIA spent an average of ₱976 per hectare of service area to operate and maintain NISs, with personal services cost accounting for 71%, and only 29% spent for basic operation and maintenance cost. This amount is much lower than the recommended O & M cost level estimated by a team of consultant for an ADB-funded study "Review of Cost Recovery Mechanisms for National Irrigation Systems" in the year 2000 at about ₱2,300 per hectare. At 2007 prices, the recommended O & M cost is estimated at about ₱3,331 per hectare<sup>1</sup>.

In view of the above, NIA has continuously relied on government appropriations to finance other essential O & M activities such as desilting, and repair of facilities damaged by typhoon. The approved appropriations for repair and maintenance of NIS, otherwise called by NIA as Fund 101, varied from year to year. In 2002-2005, the amount ranged from ₱310 to ₱500 million.

To partly address this problem of lack of funding, NIA has embarked on an Irrigation Management Transfer (IMT) program which is aimed at improving the performance of NISs through higher level of participation of duly organized Irrigators Associations (IAs) in the operation and maintenance of systems.

In October 2004, the President of the Philippines, through Executive Order No. 366, directed the rationalization of the operation of national agencies, including government-owned and controlled corporations like NIA. One of the aims of this program is to improve the quality and efficiency of government services delivery by eliminating/minimizing overlaps and duplication, and improving agency performance through the rationalization of service delivery and support systems, and organization structure and staffing. This has provided the NIA the legal basis to rationalize its organization, reduce expenditures and improve performance in complementation with its IMT program.

With IAs taking more and more responsibilities in the management of irrigation systems, some O & M cost of NIA will be reduced while performance of NIS will improve. With improved performance of irrigation systems, collections from irrigation service fees will continue to increase.

The implementation of the NIA Rationalization Plan will further reduce the O & M cost of NIA, and would make NIA more financially viable in the near term. Cost savings from NIA rationalization will enable the NIA to establish the National Irrigation Management Fund (NIMF), which will provide an assured source of financing of essential operation and maintenance activities that will result to sustainable operation of the NISs.

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<sup>1</sup> Inflated at 13 % per year



This NIMF Manual of Operations was prepared to provide an authoritative and convenient source of guidelines for all concerned on the implementation of NIMF.

## **II. ESTABLISHMENT OF THE NATIONAL IRRIGATION MANAGEMENT FUND (NIMF)**

NIA Board of Directors Resolution No. 7486-08 Series of 2008 dated 11 February 2008 approved the concept of the Maintenance and Other Operating Expenses – National Irrigation Management Fund (MOOE-NIMF). This is further supported by the NIA Board of Directors Resolution No. 7569-09 Series of 2009 dated 09 March 2009 which approved the establishment of the Fund under the Annual Corporate Operating Budget (COB). Resolution No. 7569-09 series of 2009 also approved the exemption of Irrigation Service Fee (ISF) collections from the one-way deposit system and was specified as the main source of the MOOE-NIMF.

The proposed funding mechanism will ensure availability of funds to support non-personal services costs in the O&M of NISs and avoid payment competition with personal services costs and various Maintenance and Other Operating Expenses (MOOE).

The Fund shall be referred to as the Maintenance and Other Operating Expenses-National Irrigation Management Fund (MOOE-NIMF), for which a separate bank account, in the nature of a trust fund, shall be opened and maintained at the Regional Irrigation Offices (RIO-NIMF).

## **III. SOURCES OF THE FUND**

The amount to be deposited to the MOOE-NIMF shall be the cash equivalent of the PS Savings as a result of the NIA Rationalization Plan (RP), to be sourced out from internally generated funds, mainly from Irrigation Service Fee (ISF) collections which are subject to automatic appropriations by the Regional Irrigation Offices (RIOs), to be supplemented by other internally generated funds in case of deficits, from the NIA-Central Office.

The minimum amount to be deposited overtime to establish the NIMF is the cash equivalent of the gross savings from personal services as a result of the implementation of the NIA Rationalization Plan (RP). At the end of the 5-year RP implementation, NIA will be annually depositing the actual cash equivalent of the personal services cost of employees separated from the service as a result of the RP. It is recognized that the NIA may not be able to do a one time deposit of the yearly gross savings from the RP, hence, such could be done on a monthly basis with the amounts and schedule of deposits to be estimated based on the actual implementation of the NIA RP starting year 2009. Initially in 2009, the deposit to the MOOE-NIMF shall be at least ₱303.30 Million, the cash equivalent of the PS savings for the first year of RP implementation.

During the initial establishment of the NIMF, the deposits will be started beginning October of 2009. This means that the NIA will have about nine (9) months (from the start of RP implementation in January 2009) to build up its operating capital before it will start depositing in the NIMF and make possible the operationalization of the NIMF starting January 2010. Beyond 2014, NIA will continue making deposits to the NIMF in amounts sufficient to finance all non-personal services costs of operating NISs to be included in the NIA Annual Corporate Operating Budget.

To be able to address the issue of sustainability of the fund and attain the ultimate goal of sustainable operation and maintenance of NISs, after the RP implementation, NIA shall sustain and increase the deposits to the NIMF until such time that the NIMF can fully finance the requirement for non-personal services O&M cost for NISs. At the start when the NIMF has not yet reached sufficiency to cover all the requirement of the eligible cost items, other NIA revenues will be used to supplement MOOE-NIMF allocations.

#### IV. USES OF THE FUND

The MOOE-NIMF shall be a dedicated funding mechanism for essential non-personal services cost of operating NISs with the purpose of attaining sustainable and efficient operation of the systems. The MOOE-NIMF will serve as source of funds for essential non-personal services O&M cost. In effect, once the MOOE-NIMF is established, there will then be four (4) sources of fund for O & M of NIS – (a) the Corporate Fund which shall finance primarily NIA's personal services cost and some basic maintenance and other operating expenses (MOOE-Regular), (b) the MOOE-NIMF which shall finance NIA's non-personal services costs, (c) Fund 101, which shall supplement MOOE-NIMF; and (d) the Patubigayan Trust Fund (PTF), which could finance irrigation-related activities for secondary level facilities under the responsibility of the IAs.

The MOOE-NIMF shall apply to all NISs nationwide.

The cost items to be included for funding under the MOOE-NIMF are the non-personal cost items which are included under the heading of MOOE in the present NIA Budget. When the MOOE-NIMF is established these cost items shall be taken out from the present MOOE and will compose the cost items for the MOOE-NIMF. Hence, the MOOE will be replaced by 2 cost line items: 1) MOOE-Regular; and 2) MOOE-NIMF. The cost items to be included under MOOE-NIMF according to hierarchy of priority are as follows:

1. **IA Remunerations for Canal Clearing and Maintenance.** One of the complaints of IAs with existing Type 1 and Stage 1 Contracts (canal maintenance) has been the delay in the payment of their services. This appears to have resulted to IA non-compliance of canal cleaning and maintenance in the frequency stipulated in their contracts and many IAs not renewing their contracts. The amount to be allocated for this cost item must be estimated by IMO and RIOs based on the requirement of existing NIA-IA canal clearing and maintenance contracts (Type 1 and Stage 1 in the old IMT contracts and Model 1 in the unified NIA IMT Policy as issued under MC 47 series of 2008 dated 29 September 2008) and targeted contracts of this type that will be awarded during the year.
2. **IA Shares from Collection of Irrigation Service Fees (ISF).** With the exemption of ISF collections from the one-way deposit system, IAs with Type 2 and Stage 2 in the old IMT contracts, and Model 2 and Model 3 in the new NIA IMT Policy and Implementing Guidelines will be allowed to retain part of the ISF collection to cover IA share. The amount to be allocated for this must be estimated by IMO and RIOs based on NIA-IA existing contracts of this kind, the NIA-IA ISF Sharing stipulated in the contracts and the requirement of contracts of these kinds targeted to be awarded for the year.
3. **Power Cost for Pumps.** The irrigation service fees in pump systems are much higher than those in gravity systems. Because of this, IAs in these systems have not been able to collect enough to enable them to build up enough operating capital to pay for the power costs of operating their pumps. To address this, NIA has been advancing the payment of power cost of these pumps, which are then recovered from ISF payments at the end of the season. Part of the MOOE-NIMF will be allocated to advance the power cost of operating pump systems, when and where necessary. RIOs and IMOs with these types of systems must estimate the amount to be allocated in their MOOE-NIMF based on historical power cost payments.
4. **Institutional Development Program.** For the period 1997-2004, an amount ranging from ₱4.25 million to ₱30 million was allocated for agri-institutional

development in the annual appropriations of NIA. Specifically, ₱10.0 million was allocated for this purpose in 1997, 1999, and 2003. This amount is intended primarily for the development of IAs, and preparation of NIA personnel in managing the IMT program, and supervision and monitoring of the implementation of the same. Release of funds for this purpose, however, has not been a priority in recent years causing rather spotty implementation of the IMT program, particularly in systems not supported by ongoing foreign-assisted projects. The RIOs and IMOs must estimate the allocation for this cost item in the MOOE-NIMF based on the budget requirement of their IMT Program of Activities. This amount will supplement the 5% IDP allocation from local or foreign fund allocation for irrigation construction, rehabilitation and/or Improvement works as specified under MC 72 series 2001 supported by MC 59 series 2003 and MC 59 series of 2006. Allocation for this cost item for systems currently covered by on-going local or foreign funded projects where the 5% IDP allocation from physical works is enough will not be necessary.

5. **Calamity Fund for IA-Managed Facilities.** An amount shall be reserved/included in the MOOE-NIMF by the IMO/RIO (based on historical data in operating NISs) for the immediate repair of IA-managed facilities damaged by typhoon and floods which is beyond the capability of the IA to finance even with its IA Patubigayan Trust Fund (PTF).
6. **Preventive Repair and Maintenance of NISs.** The remaining amount in the MOOE-NIMF after the allocation for the above cost items above shall be allocated for preventive repair and maintenance of irrigation systems that are not adequately benefiting from on-going foreign-assisted and locally funded projects.

## **V. SUSTAINABILITY**

Starting 2010, the MOOE-NIMF will become a regular cost item in the NIA Annual Corporate Operating Budget particularly for budget proposals from the RIOs. The format of the budget proposals will follow the same format presently being except that the MOOE will be replaced by 2 line items: 1) MOOE-NIMF which will include the 6 items specified above; 2) MOOE-Regular which will include the other cost items in the present MOOE.

The MOOE-NIMF will be sustained by NIA even after the RP implementation in amounts enough to finance the non-personal services costs of operating NISs to attain the goal of sustainable operation of the NISs.

The amount to be allocated for each of the MOOE-NIMF cost items shall be decided by the NIA Executive Committee based on **business plans and budget proposals** submitted by the Regional Irrigation Offices (RIOs) as jointly evaluated and reviewed by the NIA CORPLAN, Operations Department and the Financial Management Department of the NIA Central Office.

## **VI. DISBURSEMENT ARRANGEMENTS**

1. **Budget Proposals.** Items of expenditures to be funded by MOOE-NIMF shall be included in the annual O & M budget of the RIOs and IMOS that are to be approved by the NIA Board of Directors (BOD) as part of the annual agency COB.

The Budget proposals from the RIOs and IMOs shall include an Annual Work and Financial Plan (AWFP) including Program of Works (POWs) for preventive repair and maintenance works (NIMF Forms 3 and 4).

The preparation of budget proposals for an Irrigation System shall be done in

consultation with IAs and/or Federation of IAs, particularly for: a) payment of IA remunerations and IA ISF collection shares; b) power cost for pump systems; and c. preventive repair and maintenance of NISs-PISs. The IMO shall prepare a summary of the budget proposals for the Irrigation Systems it covers and submit such to the RIO.

A copy of the approved MOOE-NIMF Budget allocation for each system shall be copy furnished to the System IA Federation and the Regional MOOE-NIMF Budget allocation to the Regional Federation of IAs (RFIA). Copies of these must be posted in appropriate places, i.e., Bulletin Boards of IMOs/District Offices and RIOs/HOs.

Irrigation system repair works funded under MOOE-NIMF shall be subject to the build-up of the Patubigayan Trust Fund where 25% of the total labor cost rendered by IAs/IA Members shall be contributed to the PTF. This shall be implemented following the PTF Operations Manual.

2. **Prioritization of Cost Items to be Funded by MOOE-NIMF.** The cost items to be funded are listed in Section IV above (Uses of the Fund). The NIA Central Office shall be guided by this prioritization in approving the budget proposals from the RIOs and the total MOOE-NIMF budget allocation. Budget proposals that can not be accommodated in the MOOE-NIMF allocation may be considered by NIA for funding from other NIA revenues.

***Prioritization of Budget Proposals for Repair and Maintenance.*** In preparing budget proposals for repair and maintenance, RIOs and IMOs shall support this part of the budget with the detailed cost estimates and/or program of work per sub-project. Consultation with the affected IAs shall be documented, including consultation meetings, walk-throughs and IA resolutions. The proposal shall provide a summary list arranging the sub-projects according to priority. In other words; the first sub-project appearing in the list is considered as priority number 1. This is necessary to help the central office in the prioritization of sub-projects to be funded in case funding is not adequate to cover all proposals.

3. **MOOE-NIMF Releases.** Funds to be released at any time from the RIO MOOE-NIMF Trust Fund shall be based on the cash flow requirement for eligible expenditures of the IMOs. As far as practicable, the initial release by the RIO to the IMO MOOE-NIMF will be equivalent to two months requirement as per approved WFP. This will serve as the seed money. Once the amount is depleted to the level of one month requirement, the IMO office, as the case may be, shall request for replenishment of the fund. This is an assurance that the IMO will not run out of funds to finance its operation. Request for replenishment shall be supported by a Statement of Sources and Application of Fund (NIMF Forms 1 and 2) and an Accomplishment Report following the usual NIA reporting forms (financial and physical).

Funds allocated for Calamity Fund for IA-managed facilities shall be released only upon endorsement by the respective IMOs/District Offices of the requests from IAs, after the occurrence of calamity. The concerned IMOs are expected to carefully evaluate requests and provide technical assistance to the IAs in preparing the program of work. As necessary, the Engineering and Operations Division of the RIO/HO shall inspect proposed repair works, as part of the review and approval process at the RIO/HO.

All releases from the MOOE-NIMF shall specify the amount per eligible item of expenditure per IMO, District Office and/or system.

Funds released to an IMO shall be deposited in the IMO MOOE-NIMF account under the joint signature of the IMO Head and IMO Cashier. This allows easy monitoring and reconciliation of the NIMF.

Replenishment to the IMO MOOE-NIMF accounts will be done through bank to bank transfer.

4. **Realignment.** Realignment of budget released from the MOOE-NIMF for one eligible item to another may be authorized by the RIO provided that a report is submitted to the NIA Executive Committee within 30 days after approval.

At the end of the year, MOOE-NIMF balances on specific eligible items could be carried forward to the next year for the same item or reallocated to other eligible items under the NIMF as well as other expenses outside NIMF as requested by RIOs subject to the approval of the NIA Executive Committee.

5. **Supplemental Financing.** The amount allocated to any item shall, in case of shortfall, be augmented by supplemental financing from other Corporate Fund or other funding sources of NIA as appropriate. Supplemental financing shall be approved by the NIA Executive Committee after a thorough evaluation of the income and expense situation of the RIO concerned governed by yearly budget allocation.

## **VII. ACCOUNTING AND AUDIT**

The NIMF shall be subject to the usual accounting and auditing rules and regulations. All transactions pertaining to the NIMF shall be subject to regular audit by the Commission on Audit (COA). At the end of the year, a separate audit certificate shall be issued by COA and submitted to NIA Management.

## **VIII. INSTITUTIONAL ARRANGEMENT**

1. **MOOE-NIMF Steering Committee.** The NIMF Steering Committee shall be established to be chaired by the NIA Senior Deputy Administrator and the Deputy Administrators for Administrative and Finance and Engineering and Operations as members.
2. **MOOE-NIMF Operationalization.** Units such as the Financial Management Department, Engineering Department and Operations Department shall be responsible for ensuring the operationalization of the manual specific to their areas of concern as dictated by their respective functions. The financial aspect of NIMF shall be managed and monitored by the concerned units in the Finance and Administrative Sector and the physical aspect of the NIMF will be managed and monitored by the concerned units of the Engineering and Operations Sector.
3. **IA Involvement.** IAs/CIAs/FIAs) shall be involved in the preparation of budget proposals for the NIMF as described in Section VI, and they must be invited to observe bidding and procurement of contracted items of work to be funded by the MOOE-NIMF.
4. **Role of the Commission on Audit**

All transactions pertaining to the NIMF shall be subject to regular audit by the COA. At the end of the year, a separate audit certificate shall be issued by COA and submitted to NIA Management for information and appropriate action.

## 5. **Roles of the NIA Internal Audit Services (IAS)**

The Internal Audit Services (IAS) shall:

- a. Monitor NIMF operations to check adherence to existing accounting and auditing rules and regulations and internal audit policies;
- b. Conduct regular audit of the sources and utilization of funds against the budget and program of work; and
- c. Coordinate with the Commission on Audit (COA) on results of audit conducted.

## IX. **MONITORING AND EVALUATION**

Financial and physical Accomplishment reports shall be prepared and submitted following the existing NIA system for local or foreign funded projects.

At the system level, the IAs/FIAs shall be involved in conducting inventory of the progress and/or completion of physical activities. Regular Meetings shall be conducted between the NIA, IA and Contractors to discuss the work and financial progress as well as resolve issues that are encountered.

The concerned NIA Central Office Units and the RIO are also charged with conducting field visits to validate progress of implementation and provide necessary technical assistance.

To monitor and evaluate the MOOE-NIMF, the following data and information will be reported/collected:

1. **Amounts Deposited to the MOOE-NIMF.** The NIA-RIO Administrative and Finance Division shall provide concerned offices with a report of amounts deposited to the NIMF.
2. **Amount Utilized and MOOE-NIMF Balances.** The NIA-CO Administrative and Finance Sector shall provide concerned offices with a report of amounts utilized and balances of the MOOE-NIMF.
3. **Systems and Area Assisted by MOOE-NIMF.** The NIA-RIO Engineering and Operations Division shall monitor and prepare reports on the systems and area assisted by NIMF.

The above data and information shall be analyzed against the performance of irrigation systems/areas/IAs assisted by the NIMF in terms of the indicators of O&M performance used by NIA such as:

1. **Irrigated Area.** Whether the system/IA service area is fully irrigated or not.
2. **Cropping Intensity.** Whether target cropping intensities are being attained or not.
3. **Collection Efficiency.** Whether farmers are satisfied with the irrigation service as indicted by payment of ISF.
4. **Irrigation System Viability.** Whether the system is financially viable or not.

For transparency of the NIMF, copies of audited NIMF transactions and balances at the end of the year must be posted in places where all stakeholders can see, such as, NIA Bulletin Boards (NIA CO, RIOs, IMO, District Office, IA/CIA/FIA).

The detailed Accounting Procedures and Guidelines is attached as Annex 1.

**National Irrigation Management Fund**

NIA Region \_\_\_\_\_

**RIO Report on Sources and Application of MOOE-NIMF**  
For the Period \_\_\_\_\_

	Amount (Pesos)
<b>Funds sourced from:</b>	
Beginning balance	
Amount received for the period:	
Total	
<b>Funds applied to:</b>	
NIS 1	
NIS 2	
NIS 3	
NIS n.....	
Total	
<b>Ending Balance</b>	

Prepared by: \_\_\_\_\_  
RIO Bookkeeper

Certified Correct: \_\_\_\_\_  
RIO Chief Accountant



**National Irrigation Management Fund**

Name of NIS: \_\_\_\_\_

**IMO/NIS Report on Sources and Application of MOOE-NIMF**

For the Period \_\_\_\_\_

	Amount (Pesos)
<b>Funds sourced from:</b>	
Beginning balance	
Amount received for the period:	
<b>Total</b>	
<b>Funds applied to:</b>	
<b>Total</b>	

Prepared by: \_\_\_\_\_  
IMO Bookkeeper

Certified Correct: \_\_\_\_\_  
IMO Chief Accountant

## Year: \_\_\_\_\_

Name of System: \_\_\_\_\_  
 Name of Irrigators' Association: \_\_\_\_\_  
 Location (Municipality/Province): \_\_\_\_\_

Scope of Work	Structure/Item	Location of Structure	Description of Work	Estimated Cost, P	Quarterly Cost Schedule, P			
					1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr
TOTAL ESTIMATED COST								

(1) WRFT (2) IA/CIA/FIA President IMO Manager Date: \_\_\_\_\_

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IMO Manager

## Regional Irrigation Manager/Operations Manager

Date: \_\_\_\_\_

**National Irrigation Administration  
NATIONAL IRRIGATION MANAGEMENT FUND**

Regional Office No. \_\_\_\_\_  
(Municipality / Province)

**PROGRAM OF WORK**  
Repair and Maintenance Works

<b>I. GENERAL INFORMATION</b>				
1. Name of System: _____		4. No. of Affected IA / CIA Members: _____		
2. Name of IA / CIA: _____		5. Total Affected Area (ha.) : _____		
3. Bgy / Mun / Prov: _____				
<b>II. TYPE OF CONTRACT</b>		<b>III. DURATION OF WORK</b>		<b>IV. EQUIPMENT TO BE USED</b>
1. By Force Account: _____ %		1. No. of Days to Complete: _____		Type
2. By Contract: _____ %		2. Start Date: _____		Number
3. By IA/CIA: _____ %		3. End date: _____		
<b>V. DETAILED ESTIMATE OF WORK</b>				
Item of Work	Unit	Unit Cost	Quantity	Total Cost
<b>TOTAL</b>				
<b>VI. BREAKDOWN OF COST</b>				
<b>A. Direct Cost</b> 1. Labor Salaries and Wages TEV 2. Materials (itemized) 3. Equipment Rental 4. Contract Works 5. Others (specify) Sub-Total Direct Cost : _____			<b>B. Indirect Cost</b> 1. Labor Salaries 2. Materials (itemized) 3. Other Indirect Costs (specify) Sub-Total Indirect Cost: _____ <b>C. Contingencies:</b> _____ <b>D. Management Fee:</b> _____	
<b>VII. GRAND TOTAL (A+B+C+D):</b>				
Prepared and Submitted By:  (1) _____ Date: _____ IMO Engineer  (2) _____ Date: _____ IA/CIA President			Checked By:  _____ Date: _____ IMO, Eng'g Section Chief  Noted By:  _____ Date: _____ IMO Manager	
<b>APPROVED BY:</b>  _____ Engineering and Operations Manager  Date: _____			<b>NOTED BY:</b>  _____ Regional Irrigation Manager/Operations Manager  Date: _____	

## NATIONAL IRRIGATION MANAGEMENT FUND

Regional Office No. \_\_\_\_\_

(Municipality / Province)

## STATUS REPORT OF MOOE-NIMF FUND USE

AS OF \_\_\_\_\_, 20\_\_

Name of NIS	Amount of Program of Work	Amount Released (peso)	Expenditures (peso)	Physical Status (%)	Remarks
1. NIS 1					
2. NIS 2					
3. NIS 3					
<b>TOTAL</b>					

Prepared by: \_\_\_\_\_

IMO Bookkeeper  
Section Chief

Date: \_\_\_\_\_

Certified Correct: \_\_\_\_\_

IMO Finance Section Chief

Date: \_\_\_\_\_

\_\_\_\_\_  
IMO Engineering / Operation and Maintenance

Date: \_\_\_\_\_

Noted by:

\_\_\_\_\_  
IMO Manager

Date: \_\_\_\_\_

## MOOE-NIMF ACCOUNTING GUIDELINES AND PROCEDURES

### 1. Summary of Prevailing Practices

Based on delegated financial and administrative authorities, transactions are carried out in the Field Offices (FOs) and at the Central Office (CO). The FOs include the Regional Irrigation Offices (RIO), the Head Office (HO) of Integrated Irrigation Systems, the Irrigation Management Offices (IMO). The CO accounting covers all organizational units directly under its control and located at the NIA Central Office. The transactions at the FOs, together with the supporting documents, are reported to the RIOs/HOs for entry in the books of account. The books of account in the FOs are maintained in the RIOs/HOs. Monthly, the RIOs/HOs submit their trial balances to the CO. The CO consolidates the trial balances RIOs/HOs with its own trial balance to produce the consolidated monthly financial statements.

Thus, the books of account of NIA are maintained only at the RIOs/HOs and the CO.

### 2. Accounting Guidelines for NIMF

NIA must set up appropriate procedures for ensuring that the cash equivalent of Personal Services (PS) savings to be derived from the RP are used only for eligible expenditures under EO 366 and its IRR.

The MOOE-NIMF shall be maintained in a separate trust account and shall be subject to the usual auditing and accounting rules and regulations. The PS savings of the FOs will be accounted in the books of account of the RIOs/HOs and included in the RIOs/HOs trial balance that are consolidated by the CO. The RIOs/HOs will maintain subsidiary ledgers for the actual PS savings of each of the NISs/District Offices, IMOs under their jurisdiction.

The savings can be used only for eligible expenditures as defined by NIA and in accordance with DBM guidelines issued pursuant to EO 366 and its IRR. The DBM is responsible for monitoring the implementation of EO 366.

The implementation of the PIDP would result in the systematic turnover of the management and operation of certain irrigation systems (Core A and Core B) to Irrigators Associations (IAs)/Council of Irrigators Associations (CIAs)/Federation of IAs (FIAs). The turnover would be completed by 2013. *For the tasks devolved, the IAs/CIAs have to be duly compensated, and this compensation will have the first claim on the NIMF.*

Disbursements for eligible expenditures will follow existing and usual disbursement procedures.

The DBM and the World Bank under PIDP may audit NIA's records to ensure that the PS savings from the RP and their use are properly accounted for.

The actual cash funding of the MOOE-NIMF is done by (a) deposit of the RIOs/HOs to the MOOE-NIMF Bank Accounts; or (b) by transfer within the RIO/HO from its General Bank Account to the NIMF Bank Accounts. The RIO/HO will open one MOOE-NIMF Bank Account for each IMO/District Office. The NIMF passbook, however, shall be maintained by each IMO/District Office. The RIO/HO will be responsible for reconciling the bank balances. The IMO/District Office will maintain subsidiary records for each NIS under its jurisdiction.

Regardless of the timing of the NIMF, the periodic accounting of the PS savings should be done and periodic reports of the PS Savings and NIMF accounts showing fund inflows and outflows should be prepared. The RIO/HO will maintain the accounting and reporting of the PS savings/NIMF accounts and the NIMF Bank Account for the RIO/HO. The CO will

maintain the accounting and reporting of the PS savings/NIMF and the NIMF Bank Account for the CO.

### 3. Accounting and Related Procedures

The basic accounting functions are (a) recording the PS savings and establishing the NIMF; (b) funding the PS savings/NIMF; (c) using the PS savings; and periodic reporting on the status of the PS savings and NIMF Account. The detailed accounting entries, are presented in the following table:

**Table 1. Guidelines and Accounting Procedures**

ACTIVITY		TO BE DONE BY	WHEN
<b>A. ESTABLISHING BASIC DATA FOR THE PS SAVINGS</b>			
1	Based on the approved Rationalization Plan (RP), prepare Schedule of Retirement/Separation for CY (SCHEDULE).	CO HRD	Every January 1, (start of each CY)
2	Approve SCHEDULE	Administrator	Every January 1
3	Define eligible expenditures to be funded by the PS savings from the RP, and prepare List of Eligible Expenditures (LEE).	NIA Board of Directors	Start of RP implementation
4	Eligible expenditures are included in the COB being submitted to and approved by the NIA Board of Directors (BOD). DBM. LEE need not be submitted separately to DBM.	Finance and Administrative Sector	Start of RP implementation
5	After NIA-BOD budget approval, issue Memorandum Circular to all RIOs/HOs and CO sectors, attaching the SCHEDULE and LEE for guidance in the implementation of the RP.	Administrator	Start of RP implementation
6	The basic distribution of the SCHEDULE and the LEE is as follows: (a) To each RIO/HO; (b) To each CO sector.  In the RIO/HO the related tasks will be mainly carried out by the RIO/HO HRD and Accounting.  In the CO these tasks will be mainly performed by the CO HRD and the Accounting.	Administrator  RIM/OM, RIO/HO HRD, RIO/HO Accounting  CO HRD, CO Accounting	Every January 1, 20xx (start of each CY)
<b>B. RECORDING THE PS SAVINGS AND ESTABLISHING THE NIMF – RIO</b>			
7	Based on payroll and other documents in the RIO/HO, prepare certified list of personnel actually retired/separated (CLPRS) under the RP during the year for the RIO/HO proper and for all the IMOs/District Offices under the RIO/HO, with respective PS cost. The CLPRS will be distributed as follows: (a) 2 copies of the CLPRS to RIO/HO Finance Manager/ Accountant; (b) 1 copy to CO HRD. The PS savings is the last PS cost of the retired/separated personnel before they are	RIO/HO HRD	Every end of the year.

ACTIVITY		TO BE DONE BY	WHEN
	retired/separated.		
8	Check the CLPRS against the SCHEDULE (Activity No. 1) to ensure that these documents are consistent with each other, and the arithmetical accuracy. Obtain written explanations from persons concerned for any discrepancy noted. Indicate performance of this activity by signing on the CLPRS.	RIO/HO Finance Manager/Accountant	Every end of the year
9	Prepare JEV to record the PS savings and establish the NIMF:  Dr. PS Savings Cr. NIMF Account  (a) with sub-accounts for each IMO/District Office; (b) the JEV will be recorded in the usual accounting procedure; (c) a copy of the JEV with supporting documents should be attached to the trial balance being submitted to the CO.	RIO/HO Finance Manager/Accountant	Every end of the year.
<b>C. RECORDING THE PS SAVINGS AND ESTABLISHING THE NIMF – CO</b>			
10.	Based on payroll and other documents in the CO, prepare CLPRS under the RP during the year for the CO proper, with respective PS cost. The CLPRS will be distributed as follows: (a) 1 copy of the CLPRS to CO Accounting; (b) 1 copy to CO HRD file The PS savings is the last PS cost of the retired/separated personnel before their retirement/separation.	CO HRD	Every end of the year
11.	Check the CLPRS against the SCHEDULE (Activity No. 1) to ensure that these documents are consistent with each other, and the arithmetical accuracy. Obtain written explanations from persons concerned for any discrepancy noted. Indicate performance of this activity by signing on the CLPRS.	CO Accounting	Every end of the year
12	Prepare JEV to record the PS Savings and establish the NIMF:  Dr. PS Savings Cr. NIMF Account  (a) as sub-account for the CO; (b) the JEV will be recorded in the usual accounting procedure; (c) A copy of the JEV with supporting documents with copy of the RIO JEV should be separately filed for possible audit by authorized personnel.	CO Accounting	Every end of the year
<b>D. FUNDING THE PS SAVINGS/NIMF</b>			
13	The PS savings/ NIMF, both in the RIO/HO and CO - will be funded from the general	RIMs/OMs assisted by RIO/HO Finance Managers/ Accountants/ Cashier	When cash is available to fund the

ACTIVITY		TO BE DONE BY	WHEN
14.	<p>cash - actually from the COB operating cash.</p> <p>In each RIO/HO one Cash in Bank-NIMF account will be opened exclusively for transactions in the PS savings/NIMF Accounts in both the RIO/HO proper and the individual IMOs/District Offices. Subsidiary ledgers will be maintained for each IMO/District Office by the RIO/HO.</p> <p>The RIO-HO NIMF Bank Account will be maintained at the RIO/HO, with the usual authorized signatories.</p> <p>At the CO, same procedures as above, but applicable to CO transactions.</p>	<p>Controller, Treasurer</p> <p>RIO/HO Accounting for the RIO/HO, CO Accounting for the CO</p>	<p>NIMF.</p> <p>When cash is available to fund the NIMF.</p> <p>When transaction occurs.</p>
	<p>The documentation of the funding of the NIMF will be in accordance with the usual disbursement and recording procedures in the RIO/HO and in the CO. A Disbursement (Cheque Voucher (DCV) will be prepared. The accounting entry will be as follows:</p> <p>Dr. Cash in Bank - NIMF Cr. Cash in Bank - General Cash</p>		
15	<p>Prepare Bank reconciliation statement.</p> <p>(a) RIO/HO should attach copy of the bank reconciliation statement with copy of the Bank statement to the trial balance being submitted to the CO.</p> <p>(b) the CO should file copy with the accounting NIMF file</p>	<p>RIO/HO Accounting for the RIO/HO CO Accounting for the CO</p>	Every end of the year.
<b>E. USING THE PS SAVINGS/NIMF</b>			
16.	<p>The PS savings/NIMF will be used exclusively for the eligible expenditures, as authorized. The use shall be a disbursement and shall be covered by the usual disbursement and recording procedures in both the RIO/HO/IMO/District Office and the CO.</p>	<p>RIM/OM/Accountant/Cashier for the RIO/HO, Bookkeeper for the IMO/District Office Accountant</p> <p>CO Accounting/Cashier for the CO</p>	<p>As transaction occurs.</p> <p>As transaction occurs.</p>
17	<p>The accounting entry in the voucher for payments of eligible expenditures is as follows:</p> <p>Dr. Account for eligible expenditures Cr. Cash in Bank - NIMF</p> <p>(Note: The general ledger accounts per chart of accounts in the NGAS will be used - no change. Sub accounts and sub codes will be assigned by NIA to identify the eligible expenditures and distinguish these from the non-eligible expenditures.)</p>	<p>RIM/OM, Accountant, Cashier for the RIO/HO; Bookkeeper, Cashier for IMO/District Office</p> <p>CO Accounting/Cashier for the CO</p>	<p>As transaction occurs.</p> <p>As transaction occurs</p>
18.	<p>Prepare accounting entry to reduce PS savings and NIMF Account by the amount used during the year(should be taken from the disbursements from the Cash in Bank -</p>	<p>RIO/HO Accounting for the RIO/HO, CO Accounting for the CO.</p>	Every end of the year.



ACTIVITY		TO BE DONE BY	WHEN
	<p>NIMF during the year):</p> <p>Dr. NIMF Account</p> <p>Cr. PS Savings</p>		
<b>F. REPORTING ON THE PS SAVINGS AND THE NIMF ACCOUNTS</b>			
19.	<p>Prepare Monthly Statement of the Cash in Bank NIMF (SCBN) showing:</p> <p>(a) Balance, beginning of the month</p> <p>(b) Fund transfer from the general cash in bank account</p> <p>(c) Other inflows, if any, during the month</p> <p>(d) List individual items for (b) and (c) and attach copy of the supporting documents</p> <p>(e) Payments from the account during the month for eligible expenditures</p> <p>(f) Other outflows during the month, if any</p> <p>(g) List individual items (e) and (f) and attach copy of the supporting documents</p> <p>(h) Balance, end of the month</p> <p>Balances at the beginning and end of the month should be the same as the balances in the general ledger account of the RIO/HO and the CO.</p>	RIO/HO Accounting for the RIO/HO, CO Accounting for the CO.	Every end of the month.
20.	<p>Prepare Bank Reconciliation Statement (BRS) for the Cash in Bank NIMF account. Attach copy of the Bank Statement (BS) to the BRS.</p>	RIO/HO Accounting for the RIO/HO, CO Accounting for the CO.	Every end of the month.
21.	<p>Prepare annual report on status (ASR) of PS savings and NIMF Account</p> <p>(a) this is a summary report that will have two columns: (i) PS savings and (ii) NIMF Account;</p> <p>(b) the first entry is the cumulative balances of these accounts at the beginning of the year. These balances should be equal: PS savings is the debit balance; and the NIMF Account is the credit balance;</p> <p>(c) the second entry is the total of the PS Savings realized during the year: Dr. PS Savings; Cr. NIMF Account;</p> <p>(d) the third entry is the total uses for eligible expenditures during the year;</p> <p>(e) the fourth and last entry is the cumulative balance at the end of the year - arithmetic is balance, beginning plus savings during the year less uses during the year equals balance, end of the year.</p> <p>(f) the end of year balance should agree with the corresponding general ledger balance.</p>	RIO/HO Accounting for the RIO/HO, CO Accounting for the CO.	Every end of the year

#### **4. Audit**

##### **4.1 Role of the Commission on Audit**

All transactions pertaining to the NIMF shall be subject to regular audit by the Commission on Audit (COA). At the end of the year, a separate audit certificate shall be issued by COA and submitted to NIA Management for information and appropriate action.

##### **4.2 Roles of the Internal Audit Services (IAS)**

The Internal Audit Services (IAS) shall :

- a. Monitor NIMF operations to check adherence to existing accounting and auditing rules and regulations and internal audit policies;
- b. Conduct regular audit of the sources and utilization of funds against the budget and program of work; and
- c. Coordinate with the Commission on Audit (COA) on results of audit conducted.