

# Examining the Practices of the Finance Division in a Local Government Unit

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**Abstract**— This descriptive qualitative study examined the practices of the Finance Division along budget monitoring, preparation of financial statements, payroll processing, and payment, collection, and disbursement. Semi-structured interviews were conducted with the staffs of the Local Government Unit's (LGU) Budget Office, Accountant's Office, and Treasurer's Office. The participants of the study consisted of fifteen staff who were selected purposely according to their functions, responsibilities, and direct involvement in financial operations. The data collected were analyzed using thematic analysis. The results showed that the Finance Division continues to rely on manual processes in delivering financial services and that the practices of the finance division adhere to several guidelines. With this, the study recommends for the adoption of integrated and automated financial management processes to improve operational efficiency, reduce human error, enhance data reliability, and support more responsive and evidence-based financial governance.

**Keywords**— Financial Management, Finance Division, Local Government Unit, Practices.

## I. INTRODUCTION

Public sector governance is heavily anchored on financial management to be able to uphold transparency, fiscal responsibility and delivery of public service. In this aspect, the Finance Division safeguards the public funds and performs day-to-day operations that ought to ensure strict compliance or adherence to regulatory mandates. In assessing these dynamics thoroughly through this research, the broad framework of public finance as an institution, the specific operational workflows adapted by government offices and the practical point where friction is faced by the staff will be investigated as interconnected layers.

Government administration is dependent on the Finance Division to serve as a pillar for the integrity of its operation and to safeguard fiscal discipline while ensuring that the spending of any institution strictly aligns with statutory regulations. Gone were the days where the Finance Division operates as a mere bookkeeping body. In the modern day, public financial management acts spearhead every act of governance. Findings from the International Public Sector Accounting Standards Board (2018) bear true testament that well-founded fiscal frameworks

precede and are prerequisites to reliable financial reporting, institutional transparency and most importantly, the preservation of public trust. When all these systems and protocols function ideally and properly, they not only track expenditures but also enhance the accountability and quality of government service. Moreover, the United Nations Development Programme (2021) points out that a government's mechanism of finance directly correlates to its performance. By incorporating prioritizing development and result-based metrics into budgeting and reporting strategies, the Finance Division shifts from a mere gatekeeper to an active participant for a government that is development-oriented accountable and efficient

Good governance relies heavily on sound fiscal management because it warrants that any public fund is efficiently managed transparently and in accordance with existing laws and regulations. It covers budgeting, accounting, auditing, procurement, and financial reporting processes that leads to proper allocation and utilization of government resources. Sound financial management ensures that government agencies and institutions deliver quality public

services all the while maintaining accountability to its constituents.

In the Philippines, there are a number of legal frameworks that have been established to put more teeth into financial management systems and improve transparency in public administration. One of the most significant reforms is Republic Act No. 11032, also known as the Ease of Doing Business and Efficient Government Service Delivery Act of 2018. This law amended Republic Act No. 9485 or the Anti-Red Tape Act of 2007 that was enacted to strip down government procedures, reduce bureaucratic delays, and improve efficiency in the delivery of public services. RA 11032 requires government agencies to simplify processes, establish Citizen's Charters, and automate transactions to minimize opportunities for corruption and inefficiency (Official Gazette of the Republic of the Philippines, 2018). Through these measures, financial and administrative transactions in public institutions become more transparent and accountable.

The Anti-Red Tape Authority (ARTA) supervises the implementation of Republic Act 11032 being the agency tasked to monitor compliance of government agencies to rules and regulations and to promote efficient delivery of public service. By encouraging transparency, accountability, and integrity in all government operations, the ARTA has a key role in institutional and governmental reform. The agency also supports digital transformation initiatives that improve financial management processes such as electronic procurement, online payments, and automated financial reporting systems (Anti-Red Tape Authority, 2024).

In general, sound financial management is essential for enhancing efficiency and the provision of public services at the community level. Essential financial management practices in governmental financial activities encompass budget formulation and implementation, internal control mechanisms, procurement oversight, revenue collection, auditing procedures, and financial reporting based on performance.

In local government, financial operations encompass essential activities such as budgeting, accounting,

procurement, cash management, disbursement, and financial reporting, all of which promote transparency, accountability, and the responsible utilization of public resources. Effective accounting and reporting systems bolster financial control and enhance decision-making, while procurement and disbursement procedures guarantee lawful and efficient expenditure (Diokno-Sicat et al., 2019). In summary, these practices reinforce governance and improve financial management within local governments.

The financial management practices of public institutions are also deeply connected to the realization of the United Nations Sustainable Development Goals (SDGs), especially SDG 16, which encourages peace, justice, and robust institutions, as well as SDG 8, which advocates for inclusive and sustainable economic development.

Effective financial governance allows governments to properly distribute resources toward initiatives concerning poverty alleviation, education, healthcare, infrastructure, & environmental sustainability. By this, implementing effective financial management practices in public institutions is crucial for enhancing organizational efficiency and promoting national growth as well as global sustainability efforts.

This study aimed to examine the practices of the finance division along (a) budget monitoring, (b) preparation of financial statements, (c) payroll processing, and (d) payment, collection, and disbursement. It sought to provide a clearer understanding of the financial management practices implemented within the division and their role in ensuring efficient financial operations.

The findings of the study may serve as a guide for enhancing financial decision-making, strengthening accountability, and improving overall financial performance.

## II. METHODOLOGY

The study utilized a descriptive qualitative approach, utilizing semi-structured interviews with the staff of the LGU's Budget Office, Accountant's Office, and Treasurer's Office. The study consists of fifteen

participants (e.g. accountants, budget officers, administrative officers, and assistant department head) who were purposely selected based on their functions and responsibilities to identify the actual practices within the finance division. Thematic analysis was conducted to identify and analyze the practices of the Finance Division.

**III. RESULTS AND DISCUSSION**

This study presents how financial functions are carried out along budget monitoring, preparation of financial statements, payroll processing, and payment, collection, and disbursement.

The findings revealed that the Finance Division remains committed to delivering efficient and responsive public services despite the persistent reliance on manual processes. Moreover, the finance division demonstrates strong compliance practices by aligning its operations with mandated policies and procedural guidelines.

**Budget Monitoring Practices**

Budget Monitoring is the process of tracking and evaluating financial activities to ensure that expenditures and allocations align with the approved budget. Table 1 shows how participants carry out budget monitoring, highlighting the identified themes.

These themes include Budget Monitoring and Control, which refers to the continuous tracking of budget utilization to ensure that expenditures remain within approved allocations; Policy Adaptation and Compliance, which involves adherence to established financial guidelines, rules, and regulatory requirements in the execution of budgetary processes; Transparency in Financial Management, which pertains to the openness and accuracy in recording, reporting, and communicating financial information to relevant stakeholders; and the Use of Computerized and Manual Monitoring Systems, which describes the methods employed in tracking budget activities through both digital tools and traditional record-keeping systems.

*Table 1. Budget Monitoring Practices*

THEMES	DESCRIPTION	SAMPLE INTERVIEW EXCERPT
<b>Budget Monitoring and Control</b>	Refers to how funds are tracked and monitored to ensure proper utilization based on approved budgets	“We regularly check the budget balance and compare it with actual expenditures to ensure it is within the allocation” (P1)
<b>Policy Adaptation and Compliance</b>	Covers the policies, rules, and audit requirements followed in budget monitoring and how staff comply with them	“When new guidelines are issued, we study them and adjust our procedures to ensure proper compliance” (P5)
<b>Transparency in Financial Management</b>	Refers to the preparation, submission, and processing of financial reports used in monitoring budget status and utilization	“We submit periodic reports to update the management on the status of the budget” (P2)
<b>Use of Computerized and Manual Monitoring Systems</b>	Involves the tools, software, or manual system used to record, track, and manage budget-related transactions and report	“We use a computerized system for encoding and tracking budget transactions, although some checking is still done manually on Excel” (P4)

Budget monitoring is crucial in financial management as it serves as a key tool for both financial control and performance evaluation in government institutions. Budget monitoring ensures that government funds are properly utilized, tracked, and aligned with approved allocations. It involves the continuous comparison of

actual performance with the budgetary targets to identify variances and implement corrective actions. Moreover, it is strengthened through structured expenditure review systems and evidence-based planning mechanisms.

According to Doherty and Sayegh (2022), reviews on spending are essential tools in public financial management to ensure that expenditures align with government priorities and improve efficiency. In addition, According to Bañares and De Castro (2026), regular and decentralized budget-to-actual reporting enhances managerial oversight across organizational units. Through continuous monitoring, units are able to identify budget variances at an early stage and assess the factors contributing to these discrepancies. In relation to this, the LGU’s Budget Office regularly checks and monitors the budget balance against the actual expenditure to ensure proper allocation of funds which reflects financial discipline and accountability in managing public funds.

In the Philippine setting, budget monitoring is anchored on laws and regulations that ensure transparency, accountability, and the proper utilization of public funds. The LGU’s Budget Office adapts to new guidelines and policies whenever updated directives are issued to ensure compliance with national standards and fiscal management requirements. Through continuous adherence to these regulations, the office strengthens financial governance, promotes accountability in public spending, and supports the efficient implementation of government programs and services.

In terms of implementation support, the budget office use spreadsheet applications and government financial systems such as the Electronic Statement of Receipts and Expenditures (ESRE) and the Public Financial Management Assessment Tool (PFMAT) to improve accuracy and efficiency in financial tracking. These tools enhance data reliability and support more informed decision-making in public financial

management. According to Diamond & Khemani (2016), the use of computerized tools and financial management information systems enhances the accuracy, timeliness, and reliability of budget monitoring.

Overall, this highlights the importance of the consistent application of updated financial procedures and technology-driven management systems in budget monitoring practices.

The integration of computerized financial tools and adherence to established regulatory standards strengthen transparency, accountability, fiscal integrity, and efficient utilization of public funds.

***Preparation of Financial Statements***

Preparation of financial statements is the process of organizing, recording, and presenting financial information to provide an accurate summary of an organization’s financial performance and position. Table 2 shows how participants carry out preparation of financial statements, highlighting the identified themes.

These themes include Accuracy and Reliability in Financial Reporting, which ensures that financial data are correctly recorded and free from material errors; Policy Adaptation and Compliance, which refers to adherence to applicable accounting standards, rules, and regulations; Financial Data Consolidation and Report Preparation, which involves gathering and organizing financial information from various sources to produce complete reports; and the Use of Spreadsheet and Manual Reporting Systems, which describes the tools and methods utilized in preparing and presenting financial statements.

***Table 2. Preparation of Financial Statements Practices***

<b>THEMES</b>	<b>DESCRIPTION</b>	<b>SAMPLE INTERVIEW EXCERPT</b>
<b>Accuracy and Reliability in Financial Reporting</b>	Refers to how statements are prepared, compiled, and finalized based on accounting records and transactions	“First, we gather all accounting records and verify them before preparing the financial statements” (P6)
<b>Policy Adaptation and Compliance</b>	Covers the accounting standards, government regulations, and audit requirements followed in preparing financial statements	“We follow COA guidelines strictly to make sure the financial statements are accurate and compliant” (P7)

<b>Financial Data Consolidation and Report Preparation</b>	involves the gathering, verification, and consolidation of financial data and supporting documents used in financial reporting	“We consolidate all financial data and prepare the required reports for submission to management and COA” (P7)
<b>Use of Spreadsheet and Manual Reporting Systems</b>	refers to the accounting software or manual systems used	“We use spreadsheet or excel in preparing financial statements” (P10)

The Preparation of Financial statements is an essential accounting process that summarizes a company’s financial activities these statements are important tools for decision-making among stakeholders. The preparation of Financial Statements in the LGU follows a systematic and largely manual process involving the collection, recording, and consolidation of financial data. This process ensures that financial transactions are properly documented and reported in accordance with government accounting standards and regulations. Accurate and timely preparation of financial statements also promotes transparency, accountability, and effective financial management within the provincial government.

Furthermore, preparation of financial statements adheres to several guidelines which includes COA circulars and memorandum, issuances from the Department of the Interior and Local Government (DILG) and the Bureau of Local Government Finance (BLGF), as well as the New Government Accounting System (NGAS), Philippine Public Sector Accounting Standards (PPSAS), International Public Sector Accounting Standards (IPSAS), and other pertinent guidelines to ensure accuracy, transparency, and compliance. Financial Statements are prepared on a monthly basis and submitted to the Commission on Audit (COA) and other relevant agencies. The effectiveness of public financial reporting depends on institutional capacity and enforcement mechanisms

despite oh IPSAS-based reforms which enhances the consistency and quality of public financial reporting (Caruana et al., 2024).

These findings highlight the need for continuous enhancement of financial reporting practices and the strengthening of financial management systems within the LGU. The integration of digital technologies in financial reporting processes may improve data reliability, operational efficiency, and the timely submission of financial reports to oversight agencies.

### **Payroll Processing**

Payroll processing is the procedure of calculating, managing, and distributing employee salaries, wages, and related deductions within an organization. Table 3 shows how participants carry out payroll processing, highlighting the identified themes. These themes include Accuracy and Completeness Checking, which involves ensuring that all financial transactions are properly reviewed and verified before processing; Cash Collection Monitoring System, which refers to the procedures used to track and record all incoming cash collections; Policy Adaptation and Compliance, which pertains to adherence to established financial rules, guidelines, and regulatory requirements; and the Use of Spreadsheet and Banking Systems in Financial Transactions, which describes the utilization of digital spreadsheets and banking platforms in managing and processing financial activities.

**Table 3. Payroll Processing Practices**

<b>THEMES</b>	<b>DESCRIPTION</b>	<b>SAMPLE INTERVIEW EXCERPT</b>
<b>Payroll Processing and Computation</b>	Refers to how salaries, wages, and other employee compensation are computed, prepared, and processed for release	“We compute the payroll based on the submitted DTRs and other supporting documents before releasing payments” (P9)

<p><b>Verification of DTRs and Supporting Documents</b></p>	<p>Involves the preparation, submission, and verification of payroll reports, DTRs, leave forms, and other supporting documents</p>	<p>“We check all DTRs and leave forms first to ensure they are complete before processing payroll” (P8)</p>
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Another, crucial administrative function within the finance division under the Accountant’s Office is the payroll processing. Payroll processing is the systematic calculation and distribution of employee compensation which includes wages, taxes, and benefits.

In the LGU’s Accountant’s Office, they rely on traditional and manual process in payroll processing. They manually compute the employees’ compensation which is prone to errors. This is supported by the study of Goddard (2017), who explains that even in modern public organizations, payroll processes remain vulnerable to errors and manipulation if not supported by strong documentation systems.

In addition, salaries are computed and subjected to thorough verification, including statutory deductions such as taxes and mandatory government contributions (GSIS, PhilHealth, and Pag-IBIG), as well as loan repayments and other employee related benefits. Mikesell, (2018) explains that government payroll systems must accurately process tax withholdings and mandatory contributions as part of maintaining fiscal accountability and compliance with public financial regulations.

Similarly, Liu and Cheng, (2015) emphasize that payroll systems in public organizations require integrated control mechanisms to ensure correct computation and timely remittance of employee deductions such as social insurance and loan obligations.

Recent public sector accounting studies emphasize that payroll accuracy depends on strong timekeeping systems and effective internal controls. In the LGU’s Accountant’s Office, Daily Time Records or DTR is the basis on computing salaries, whereas it requires thorough verification to ensure that salaries are computed correctly. Greasley et al. (2016) explain that inconsistencies in automated and manual attendance

systems can significantly affect payroll computation, making reliable timekeeping essential for preventing errors and control risks.

In essence, payroll processing practices in the public sector must be anchored in rigorous documentation, systematic verification, and strict adherence to regulatory standards to safeguard the accuracy, legality, and integrity of compensation management.

**Payment, Collection, and Disbursement Practices**

Payment, collection, and disbursement refer to the processes involved in receiving funds, managing financial transactions, and releasing payments for organizational obligations and operations.

These functions ensure that financial resources are properly tracked, recorded, and allocated in accordance with company policies and regulatory requirements. Effective management of payment, collection, and disbursement activities also helps maintain cash flow stability, reduce financial risks, and support the overall efficiency of business operations.

Table 4 shows how participants carry out payment, collection, and disbursement, highlighting the identified themes.

These themes include Accuracy and Completeness Checking, which involves ensuring that all financial transaction sare properly reviewed and verified before processing; Cash Collection Monitoring System, which refers to the procedures used to track and record all incoming cash collections; Policy Adaptation and Compliance, which pertains to adherence to established financial rules, guidelines, and regulatory requirements; and the Use of Spreadsheet and Banking Systems in Financial Transactions, which describes the utilization of digital spreadsheets and banking platforms in managing and processing financial activities.

*Table 4. Payment, Collection, and Disbursement Practices*

THEMES	DESCRIPTION	SAMPLE INTERVIEW EXCERPT
<b>Accuracy and Completeness Checking</b>	Refers to how payments are prepared, verified, and released for goods, services, salaries, and other obligations	“We verify all documents first before processing payments to ensure everything is complete and correct” (P14)
<b>Cash Collection Monitoring System</b>	Covers how revenues fees, and other income are received, recorded, and properly accounted for	“We issue official receipts and record all collections daily for proper monitoring and reporting” (P14)
<b>Policy Adaptation and Compliance</b>	Refers to the rules, policies, and audit requirements followed in payment, collection, and disbursement processes	“We strictly follow the Local Treasury Operations Manual (LTOM) to ensure all transactions are properly processed” (P13)
<b>Use of Spreadsheet and Banking Systems in Financial Transactions</b>	Refers to the software or manual systems used in payment, collection, and disbursement	“We use spreadsheet and banking system to process payment, collection, and disbursement” (P12)

Payment, Collection, and Disbursement processes are essential components of an organization’s cash management system, ensuring that funds are received, allocated, and paid accurately and on time. The LGU’s Treasurer’s Office relies on manual and paper-based system that follows a standardized procedure guided by the Local Treasury Operations Manual (LTOM).

According to Ocsing (2025), pre-payment document review and verification of supporting records significantly strengthen accountability and reduce financial disallowances in government payment processes which support the practice of the Provincial Treasurer’s Office in requiring multiple approvals and verification before check issuance and release. Furthermore, Electronic payment and account-crediting systems also requires multiple authorization and verification procedures to ensure secure and accurate fund transfers. Modern government expenditure systems rely on structured payment processes where approvals are verified at multiple stages before funds are released, ensuring that all transactions follow formal procedures and maintain proper documentation (Pattanayak, 2016).

For collection, the LGU’s Treasurer’s Office records and monitors transactions on the Daily Collection Report which is made at the end of the day. Any undeposited cash due to bank’s cut-off time was safe kept inside the vault along with unused official receipts that are verified before securely storing it.

Furthermore, LGU’s Treasurer’s Office conducts cash count weekly to prevent discrepancies and ensure accountability. This is supported by The Office of the City Controller (2016), who highlights that surprise cash counts are essential in verifying the existence and completeness of cash on hand, particularly in government departments handling daily collection.

With this, it indicates the need for greater digital integration and automation to improve operational efficiency, reduce human error, and enhance data reliability.

#### **IV. CONCLUSIONS AND RECOMMENDATIONS**

The Finance Division plays a vital role in maintaining the financial stability of the organization through effective financial planning, budgeting, and resource management. It ensures that financial resources are properly allocated, monitored, and utilized in accordance with established policies, regulations, and organizational priorities. Through efficient financial oversight and control mechanisms, the division supports transparency, accountability, and the sustainable implementation of programs and services.

However, continued reliance on manual processes hinders the potential of the Finance Division’s ability in enhancing its public service delivery affecting its accuracy and timelines of financial reporting. Based on the findings, it is recommended that the Finance

Division strengthen its financial management practices through standardized, digitalized, and technology-driven systems for budget monitoring, financial statement preparation, payroll processing, and payment, collection, and disbursement activities. Through the integration of digital tools financial management, Local Government Units (LGU) enhances its accuracy, transparency, accountability, and efficiency of the whole organization.

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