

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 1755

Introduced by: **REP. PROSPERO A. PICHAY, JR.**

EXPLANATORY NOTE

This bill provides for the regular government auditing of security, intelligence and confidential funds.

Presidential Decree 1445, the Government Auditing Code of the Philippines, authorizes the Commission on Audit (COA) to conduct audit of government-owned or controlled corporations, including their subsidiaries, and other self-governing boards, commissions or agencies of the government.

This mandate extends to non-government entities subsidized by the government, those required to pay levies or government share, and those for which the government has put up a counterpart fund or those partly funded by the government.

Though this authority includes the audit of security, intelligence and confidential funds, COA has over the years issued circulars which prescribe a different set of procedures in the auditing of said funds.

These circulars tend to erect a smokescreen which prevents the scrutiny of how and where the taxpayers' money was spent and, in the absence of accountability systems and controls, virtually encourages graft and misuse of said funds.

For example, Circulars 76-17, 77-17B, 77-17C, 77-17D, 78-17E and 85-17H, reduces to a ministerial function the submission of a liquidation report by requiring a recipient government agency to submit it in a sealed envelope directly to the COA chairman, bypassing resident auditors who are in the better position to conduct the audit.

The confidential audit of these funds, in the guise of protecting the source of "bought" information, has spawned a culture of corruption in the intelligence community. By perpetuating the myth that national security operations are off-limits to civilians, a thick veil of secrecy has blanketed what has become a de facto republic within our armed forces.

This bill does not intend to pry open the operations of our intelligence community. Logic and the safety of our soldiers dictate that some businesses are better conducted in the dark. But the accounting of taxpayers' money should be made under the sun. More so, if such money currently runs into billions of pesos a year.

For the current fiscal year, for example, funds for "confidential and intelligence expenses " amount to P374 million, and those for "anti-insurgency, contingency and emergency expenses" run up to P804 million. These are, in budget language, classified as Maintenance and Other Operating Expenses, which are accessed by civilian government. At more than P1.2 billion, the amount is already staggering.

But these MOOE allotments represent but one of the three expense areas that collectively form the so-called "intelligence funds." Local government units, whose legislative councils have the power to appropriate funds, have recently found a liking, if not addiction, to intelligence funds. The amounts disbursed for this purpose, critics have pointed out, are hard to establish much less monitor.

The last in this three-headed Hydra is the spy community. Five military intelligence services and two national security agencies have a total budget of P1.122 billion. On the other hand, five finance bureaus are earmarked to receive to receive P111 million in intelligence funds this year.

In order that these funds shall be managed, expended, or utilized in accordance with law and regulations and safeguarded against loss or wastage through illegal or improper disposition, these funds should be subjected to regular auditing procedures, as advocated for in this bill.

This call doubly becomes urgent in light of the burgeoning public sector deficit which is forecast to hit P100 billion this year.

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AN ACT
PROVIDING THAT SECURITY, INTELLIGENCE AND CONFIDENTIAL FUNDS BE SUBJECTED TO STANDARD AUDITING PROCEDURES, REQUIRING THE SUBMISSION OF THE AUDIT AND LIQUIDATION REPORTS ON SAID FUNDS TO THE HOUSE OF REPRESENTATIVES AND PROVIDING PENALTIES FOR VIOLATION THEREOF

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Security, intelligence and confidential funds shall be subject to regular auditing procedures of the Commission on Audit (COA): *Provided,* That adequate measures shall be adopted to secure and protect sources of information in security and intelligence operations approved directly by the Secretary of National Defense, the National Security Adviser or by the Secretary of the Interior and Local Government.

SEC. 2. In addition to other requirements or procedures, the Commission on Audit may so require in the liquidation of security, intelligence and confidential funds, any government unit which had received and expended such funds shall submit to the Chairman, Committee on Appropriations, House of Representatives, the corresponding liquidation report, duly examined by the responsible COA auditor, not later than one month after the opening of the regular session of Congress: *Provided,* That in the case of funds spent for national security, military or police purposes, perusal thereof shall be limited to members of the House unless otherwise ordered by the Speaker of the House to include other individuals.

SEC. 3. Any unjustified failure by a public officer concerned to comply with the requirements of this Act shall constitute a neglect of duty and shall be a ground for appropriate action against the public officer who, upon being found guilty thereof after hearing, shall be meted out such penalty as provided for in law. If the offense is committed by a military officer, he shall be tried in a civil court.

SEC. 4. The Commission on Audit shall promulgate the appropriate rules and regulations for the effective implementation of this Act.

SEC. 5. All laws, decrees, orders, rules and regulations, and other issuances or parts thereof inconsistent with this Act hereby repealed or amended accordingly.

SEC. 6. This Act shall take effect upon its approval.

Approved,