

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3855



Introduced by: REP. DOUGLAS RA. CAGAS

EXPLANATORY NOTE

It has been said quite repeatedly that a Supreme Audit Institution can only fulfill its awesome responsibilities in an objective and efficient manner if it is made independent of the audited offices and is protected against external influences. However, the independence of the external agency is inextricably linked to the independence of its officers and employees. Such well-recognized proposition is brought about by the change over the years of the concept of audit independence which is one that is not merely limited to ensuring functional and organizational independence but likewise encouraging for its members to assert a professional and impartial mind even when confronted by economic pressure.

For one, the framers of the 1987 Philippine Constitution introduced under Article IX-A Common Provisions a new section guaranteeing that the constitutional commissions like the Commission on Audit shall enjoy fiscal autonomy. This constitutional precept, as explained by the Supreme Court in *Bengzon vs. Drilon*, 208 SCRA 150, contemplates a guarantee to constitutional bodies of full flexibility to allocate their resources with the wisdom that their needs require and a recognition of their authority to fix rates of compensation not exceeding the highest rates authorized by law for compensation and pay plans of the government and allocate and disburse such sums as may be provided by law or prescribed by them in the course of the discharge of their functions.

Remarkably, particular events in the recent times, including categorical pronouncements from all the three (3) departments of government, have clearly indicated the necessity to strengthen and preserve the independence of the supreme audit institution in the country.

Accordingly, concrete legislative action is apropos to give more meaning and recognition to the sensitive and vital nature of the functions of the Commission on Audit as praetorian of the national treasury.

Likewise, Congress recognizes the need for an independent and objective institution such as the Commission on Audit as its partner in crafting and formulating certain laws critical in promoting good governance on the basis of the findings and observations contained in various reports of the Commission.

In this light, the General Appropriations Acts (GAAs) in the past several years have incorporated a special provision authorizing independent constitutional commissions and offices enjoying fiscal autonomy to fix and determine the salaries, allowances, and other benefits of their personnel, any provision of law to the contrary notwithstanding and within the limits of their respective appropriations.

To lend meaning to the constitutional guarantee of independence, Section 126 of P.D. 1445 clearly provided that “It shall be the duty of every person to respect, protect and preserve the independence of the Commission.” It is indispensable, however, that this grant of fiscal autonomy and enhanced audit independence must be accompanied and supported by sufficient budget as to enable the Commission to discharge its mandated functions with such degree of efficacy and responsibility. This is as it should be if only to ensure that the “independent” Commission envisioned by the Constitution does not become a mere platitude. To this end, it behooves the State to provide the Commission an annual budget which shall be automatically and regularly released and sufficient enough to support its operations.

The Supreme Court in no uncertain terms stated in *Villareña vs. Commission on Audit*, G.R. Nos. 145383-84, August 6, 2003 that “Indeed, there are valid reasons to treat COA officials differently from other national government officials. The primary

functions of an auditor is to prevent irregular, unnecessary, excessive or extravagant expenditures of government funds. To be able to perform their constitutional mandate, COA officials need to be insulated from unwarranted influences, so that they can act with independence and integrity.”

This observation of the High Court becomes more significant in view of the promulgation of statutes exempting from the Salary Standardization Law other government agencies performing equally, if not less, sensitive functions as the Commission on Audit resulting in an even wider disparity in compensation between the employees of the former and the latter, not to mention the demoralization that may ensue therefrom.

Finally, the government fiscal problem announced not a long time ago did in more ways than one stress the import and significance of the functions of government auditors in checking the excesses in government spending. Indubitably, an institution charged with such grave responsibilities must have officials and employees who must not appear helpless in the face of temptation to ingratiate themselves to such practice.

It is along the foregoing representations that this bill seeks to rationalize the compensation of the officers and employees of the Commission on Audit (COA) with the end in view of keeping and maintaining a roster of qualified, competent and uncompromising state auditors and counsels who will form the core of a truly independent supreme audit institution.



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AN ACT
RATIONALIZING THE COMPENSATION OF THE OFFICERS AND
EMPLOYEES OF THE COMMISSION ON AUDIT AND AMENDING FOR THE
PURPOSE CERTAIN PROVISIONS OF PRESIDENTIAL DECREE NO. 1445
ENTITLED THE GOVERNMENT AUDITING CODE OF THE PHILIPPINES
WITH THE VIEW TO FURTHER ENSURING AND STRENGTHENING THE
COMMISSION'S INDEPENDENCE.

Section 1. ***Short Title.*** – This Act shall be cited as the “COA Compensation Rationalization Act.”

Section 2. ***Rationale*** – By constitutional and statutory prescription, the Commission on Audit (COA) plays a sensitive and major role in the maintenance of a sound fiscal state of the country and the eradication of graft and corruption which eats up a large part of the resources of government. Aside from its quasi-judicial and quasi-legislative functions by way of promulgating accounting and auditing rules and regulations including those for the prevention of irregular, unnecessary, unconscionable, excessive or extravagant expenditures or uses of funds and property, the Commission's auditing, adjudication and settlement functions transcend the entire gamut of government operations. In fact, its decision is appealable only to the Supreme Court. It is imperative, therefore, to keep an independent Commission free from extraneous influences and political pressure and to insulate its personnel from any act which tends towards the erosion of the independence of the institution. Such independence can largely be maintained by having professional, committed and efficient personnel such as state auditors, lawyers and other officials and employees by providing them with compensation and incentives commensurate to their positions and functions.

Section 3. ***Exemption from the Compensation and Position Classification Act of 1989.*** – The Commission on Audit shall be exempt from the Compensation and Classification Act of 1989 under Republic Act No. Sixty Seven Hundred Fifty Eight (R.A. 6758) and the compensation and other allowances of its officials and employees shall be determined by its Commission Proper. This notwithstanding, the Commission shall endeavor to make its compensation system conform as closely as possible with the principles under the aforesaid act, provided, however, that the compensation and allowances so determined shall closely approximate the compensation scale of agencies likewise exempt from the Compensation and Classification Act of 1989.

Section 4. ***Amendment of P.D. 1445.*** – Section 22 of P.D. 1445 (The Government Auditing Code of the Philippines) prescribing the number and compensation of auditing personnel is hereby amended to read as follows:

(1) All positions of the Commission shall be governed by a compensation and position classification system and qualification standards approved by the Commission based on a comprehensive job analysis, review and evaluation of actual duties and responsibilities and as may be occasioned by changes in its organizational structure instituted by the Commission in the discharge of its constitutional mandate. The compensation plan shall be comparable with the prevailing compensation plan in the Bangko Sentral ng Pilipinas, Securities and Exchange Commission and such other government institutions and shall be subject to periodic review by the Commission as it may deem warranted considering the country's economic situation.

(2) The assignment of Commission representatives and support personnel to government agencies shall be determined solely by the Commission under guidelines issued for the purpose.

Section 5. ***Funding Source.*** – The amount necessary to implement the preceding Section shall be sourced from:

- 1) Annual budgetary appropriations which shall be deemed automatically appropriated at an amount equivalent to one percent (1%) of the entire national government budget: Provided that the appropriation of the Commission shall not be less than the amount appropriated for the previous year;
- 2) Fees for audit and related services rendered to government-owned and/or controlled corporations in accordance with the provisions of Executive Order No. 271 dated July 25, 1987;
- 3) Fees for audit and related services to local government units which shall be deducted from their respective local internal revenue allotments and remitted directly by the Department of Budget and Management to the Commission on Audit;
- 4) Fees for different services rendered to non-government entities audited in connection with their dealings with the government arising from subsidies, counterpart funding by the government, or where audited records become the basis for government levy or share;
- 5) Fees from contracts with government entities to render audit and related services beyond the normal scope of such services;

Section 6. ***Additional Budgetary Support.*** – In the event that the Commission on Audit will require funding for unusual and/or extraordinary expenditures, such as large capital outlays or for any other requirements, the required additional funding will be submitted for inclusion in the annual budget of expenditures of the National Government. Alternately, the Department of Budget and Management shall release such additional funding requirement from any available saving or unutilized appropriation in the Annual General Appropriations Act.

Section 7. ***Indemnification and/or Provision for financial Assistance for Suits or Proceedings in connection with any civil and/or criminal actions filed against COA officers and employees before the Ombudsman and the regular courts of law.***

- 1) The Commission shall be authorized to indemnify and/or provide financial assistance to its officers and employees for all costs and expenses reasonably incurred by such person in connection with any civil and/or criminal actions, suits or proceedings initiated by third parties in the Ombudsman and other regular courts of law to which they maybe indicted by reason of the performance of their functions or duties;
- 2) The settlement and grant of financial assistance or indemnification herein authorized shall be in accordance with the guidelines to be prescribed by the Commission for the purpose.

Section 8. ***Automatic and Regular Release of the Annual Appropriation of COA.*** – After the approval of the General Appropriations Act, the budget of the Commission shall be automatically and regularly released.

Section 9. ***Implementing Rules and Regulations.***– The Commission shall issue the necessary rules and regulations for the effective implementation of the act not later than ninety (90) days from approval hereof.

Section 10. ***Repealing Clause.***– All laws, decrees, orders, rules and regulations or parts thereof which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Section 12. ***Effectivity Clause.***– This Act shall take effect fifteen (15) days after its publication in a newspaper of general circulation.