



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila



Nineteenth Congress
Second Regular Session

HOUSE BILL NO. **9548**

**Introduced by Representatives Ferdinand Martin G. Romualdez,
Aurelio “Dong” D. Gonzales, Manuel Jose “Mannix” M. Dalipe,
Ferdinand Alexander A. Marcos, Yedda Marie K. Romualdez,
Jude A. Acidre**

EXPLANATORY NOTE

This bill seeks to strengthen and upgrade the function of the Commission on Audit by providing a revised Philippine Government Auditing Code, repealing for the purpose, Presidential Decree (PD) No. 1445, as amended.

On June 11, 1978, PD No. 1445, entitled “*Ordaining and Instituting a Government Auditing Code of the Philippine*” was issued. On July 25, 1987, PD No. 1445 was amended with the issuance of Executive Order (EO) No. 292, otherwise known as the “*Administrative Code of 1987*.”

Forty-five (45) years have passed and up to the present, PD No. 1445, as amended, remains the reference and centerpiece of government auditing.

Fast-forwarding to this time’s rapid development of frontier and cutting - edge electronic technologies, and as we rise up from the vestiges of the pandemic alongside the challenges caused by the global economic crises, it is crucial and imperative for Commission on Audit to upgrade its organizational structure and functions to ensure the accountability and transparency of the public sector.

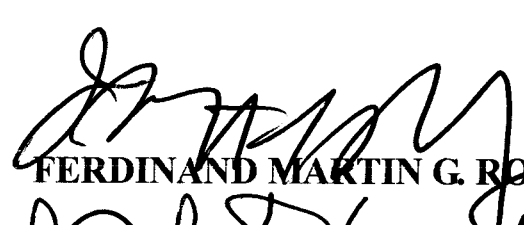
While it is true that the mandate of the Commission on Audit is not tackling corruption *per se*, there is a growing awareness that its role in

overseeing the country's financial management of public funds gives this constitutional body an important role to play in deterring and detecting corruption in the public sector.

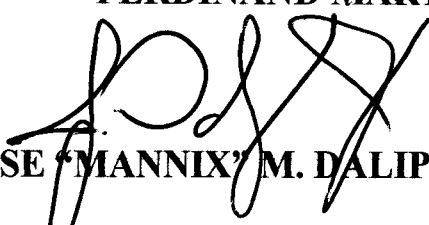
Consonant to the State policy enunciated under Article II, Section 27 of the 1987 Constitution which provides that "*The State shall maintain honesty and integrity in the public service and take positive and effective measures against graft and corruption,*" this bill seeks to reinforce and toughen the capabilities of the Commission on Audit as part of the convergent efforts of the country's key anti-corruption institutions including the Office of the Ombudsman, Department of Budget and Management, Presidential Anti-Graft Commission, Civil Service Commission, and Career Executive Service Board.

Auditing is an indispensable element in the government's thrust in upholding the public sector's accountability. Thus, as a way of fostering efficiency, economy, and effectiveness of the national government, the role of the Commission on Audit in examining the government revenues and expenditures should be revised and strengthened.

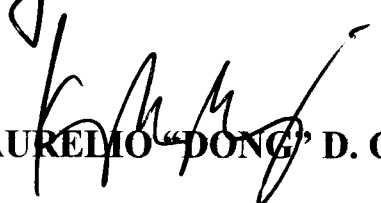
In view of the foregoing, approval of this measure is earnestly sought.



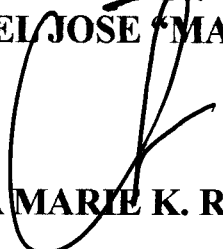
FERDINAND MARTIN G. ROMUALDEZ



MANUEL JOSE "MANNIX" M. DALIPE



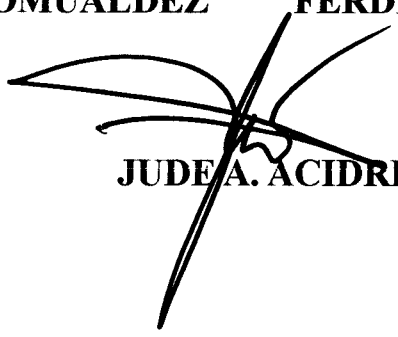
AURELIO "DONG" D. GONZALES



YEDDA MARIE K. ROMUALDEZ



FERDINAND ALEXANDER A. MARCOS



JUDE A. ACIDRE



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Nineteenth Congress
Second Regular Session

HOUSE BILL NO. 9548

**Introduced by Representatives Ferdinand Martin G. Romualdez,
Aurelio “Dong” D. Gonzales, Manuel Jose “Mannix” M. Dalipe,
Ferdinand Alexander A. Marcos, Yedda Marie K. Romualdez,
Jude A. Acidre**

1 **AN ACT**
2 **PROVIDING FOR THE REVISED GOVERNMENT AUDITING CODE**
3 **OF THE PHILIPPINES**
4

5 *Be it enacted by the Senate and House of Representatives of the Philippines in*
6 *Congress assembled:*
7

8 **TITLE I**
9 **Chapter I**

10 **GENERAL PROVISIONS**
11

12 SECTION 1. ***Short Title.*** – This Act shall be known and cited as the
13 *“Revised Government Auditing Code Act.”*

14 SEC. 2. ***Declaration of Policy.*** – It is the policy of the State that all
15 resources of the government shall be managed, expended or utilized in
16 accordance with law, rules and regulations, and safeguarded against loss or
17 wastage through illegal or improper disposition in order to ensure efficiency,

1 economy and effectiveness in the operations of government. The responsibility
2 to ensure that such policy is faithfully adhered to rests directly with the chief or
3 head of the government agency concerned.

4 SEC. 3. ***Definition of Terms.*** – As used in this Act:

5 (a) ***Account*** refers to a list or statement of monetary transactions
6 pertaining to fund, property, obligation, equity, revenue, collection or expense,
7 whether or not entered as item of debit or credit in the books of accounts,
8 registry or any other record;

9 (b) ***Accountable officer*** refers to the officer of a government agency
10 who by the nature of the duties and responsibilities or participation in the
11 collection or receipt and expenditure or use of government funds, custody and
12 disposal of government property, is required by law or regulation to render
13 account to the Commission on Audit, hereinafter referred to as the Commission,
14 which includes any public officer or private person or entity who may have
15 direct or indirect participation in the transaction;

16 (c) ***Aggrieved party*** refers to a person or entity adversely affected by
17 any decision, order, resolution or ruling of the Commission or any of its duly
18 authorized representative;

19 (d) ***Annual Audit Report*** (AAR) refers to the final output of the
20 regular yearly audit conducted by the auditor on the accounts and operations of a
21 government entity and basically consists of the Independent Auditor's Report,

1 the audited financial statements and the audit observations and
2 recommendations;

3 (e) **Management Letter** (ML) refers to the final output of a regular or
4 periodic audit conducted by the auditor on the accounts and operations of a
5 government entity which is in the form of a letter to the auditee management
6 containing just basically the audit observations and recommendations;

7 (f) **Special Audit Report** (SAR) refers to the final output of the special
8 audit conducted by the auditor assigned to audit specific accounts, transactions,
9 projects, programs or activities of a government entity and basically consists of
10 audit observations and recommendations;

11 (g) **Appropriation** refers to an authorization by law, appropriation
12 ordinance, or other enactments, or the corporate operating budget directing the
13 payment of personal services, maintenance and other operating expenses, and
14 capital outlay out of government funds under specified conditions or purposes;

15 (h) **Appeal** refers to the process of elevating to a higher authority any
16 decision, order, resolution or ruling of the Commission or any of its duly
17 authorized representatives;

18 (i) **Audit** refers to the examination, verification, and adjustment of an
19 account; the evaluation of internal control systems; the determination of the
20 government entity's compliance with applicable laws, rules and regulations; as
21 well as the examination and evaluation of the economy, efficiency and

effectiveness of management systems, operations and decisions. It may also cover other special audits as may be prescribed by the Commission;

(j) **Auditor** refers to any officer or employee of the Commission duly appointed or designated as such;

(k) **Audit group** refers to a cluster of audit teams that are grouped together, headed by a supervising auditor (SA), which is responsible for planning, managing, supervising and quality control of the audit work as well as ensuring the prompt submission of audit reports;

(l) **Audit team** refers to the basic organizational unit responsible for the audit of government entities consisting of an audit team leader (ATL) and audit team members (ATMs);

(m) **Audit work papers** refer to the documentation or evidences of the work done and the results thereof, consisting of relevant or pertinent data, analyses, computations, calculations, notes, schedules, excerpts, confirmation and other documents or materials gathered, prepared and compiled in the course of an audit;

(n) **Cash** refers to money or its equivalent currencies, negotiable checks, or balances in bank accounts or in the possession or custody of a collecting or disbursing officer;

(o) **Charge** refers to an inclusion or addition to an accountability pertaining to the assessment, appraisal or collection of revenues, receipts and

1 other income arising from under-appraisal, under-assessment, under-collection
2 or failure to collect or remit collection which are found in the course of audit of
3 revenues or receipts;

4 (p) ***Order of Execution (COE)*** refers to a written instruction to the
5 head of agency to withhold payment of salary and other money due to persons
6 liable, for settlement of their liability as indicated in the Notice of Disallowance
7 or Charge and issued after the issuance of the Notice of Finality of Decision
8 (NFD);

9 (q) ***Commission*** refers to the Commission on Audit as a constitutional
10 body created under Article IX-D of the 1987 Philippine Constitution;

11 (r) ***Decision or resolution*** refers to an adjudication or settlement of a
12 claim or controversy by the authorized official of the Commission which shall
13 embody the facts of the case, the issues to be resolved, and the laws, regulations,
14 or precedents on which the ruling is based;

15 (s) ***Depository*** refers to any financial institution lawfully authorized to
16 receive deposit of government moneys;

17 (t) ***Disallowance*** is the disapproval in audit of a transaction, either in
18 whole or in part involving government disbursement or property;

19 (u) ***Government agency*** refers to any department, bureau, or office of
20 the national government, or any of its branches and instrumentalities, local
21 government units and its political subdivision, including entities created by it, as

1 well as government financial institutions and other government corporations,
2 with or without original charter, including its subsidiaries, other self-governing
3 boards or commissions of the government, constitutional bodies with fiscal
4 autonomy and autonomous educational institutions;

5 (v) **Government funds** refer to public moneys of every sort and other
6 resources pertaining or accruing to any agency of the government; including
7 funds transferred to private sectors as a subsidy, equity, or counterpart fund for
8 implementation of specific projects;

9 (w) **Liability** refers to a personal obligation arising from an audit
10 disallowance, charge, or decision which may be satisfied through payment or
11 restitution as determined by competent authority or by other modes of
12 extinguishment of an obligation as provided by law;

13 (x) **Money claim** refers to a demand for payment of a sum of money,
14 reimbursement or compensation arising from law, contract, quasi-contract or
15 quasi-delict due from a government agency or owing to a claimant;

16 (y) **Notice of Finality of Decision** (NFD) refers to a written
17 notification addressed to the agency head that a decision of the Commission has
18 become final and executory;

19 (z) **Persons liable** refer to the persons determined to be answerable for
20 an audit disallowance, charge or decision by the Commission;

1 (aa) ***Persons responsible*** refer to the persons determined to be
2 answerable for the compliance with the audit requirements as called for in the
3 notice of suspension (NS);

4 (bb) ***Public purpose*** refers to any purpose or use directly available to the
5 general public as a matter of right which includes traditionally viewed as
6 essentially government functions such as the building of roads and the delivery
7 of basic services, and other purposes designed to promote social justice and
8 public interest;

9 (cc) ***Revenue*** refers to income or receipts derived by a government
10 agency from taxes, excise, custom duties, fees, royalties, rents, sales of goods,
11 or services and collections from other sources;

12 (dd) ***Settlement*** refers to the payment, restitution or other act of
13 extinguishing an obligation as provided by law in satisfaction of the liability
14 under a Notice of Disallowance or Notice of Charge (ND/NC) or in compliance
15 with the requirements of a Notice of Suspension (NS);

16 (ee) ***Settlement of accounts*** refers to the process of determining the
17 status or balance of the account of an accountable officer after audit and
18 examination; and

19 (ff) ***Trust funds*** refer to funds which, by operation of law or by
20 contract, have come officially into the possession of any government agency or

1 public officer as trustee, agent or administrator, and received in fulfillment of
2 certain obligations or a specific purpose.

3 SEC. 4. ***Fundamental Principles.*** – Financial transactions and operations
4 of any government agency shall be governed by the following fundamental
5 principles:

6 (a) No money shall be paid out of any public treasury or depository
7 except in pursuance of an appropriation law, appropriation ordinance, or other
8 specific statutory authority, or a board-approved corporate operating budget;

9 (b) Government funds or property shall be spent or used solely for
10 public purposes;

11 (c) Trust funds shall be spent only for the specific purpose for which
12 the trust was created or the funds were received;

13 (d) Fiscal responsibility shall, to the greatest extent, be shared by all
14 those exercising authority over the financial affairs, transactions, and operations
15 of the government agency;

16 (e) Disbursements or disposition of government funds or property shall
17 be approved by the proper official of the government agency;

18 (f) Claims against government funds shall be supported with the
19 complete required documentation;

20 (g) All laws, rules and regulations applicable to financial transactions
21 shall be faithfully adhered to; and

1 (h) Generally accepted principles and standards of accounting as well
2 as of sound management and fiscal administration shall be observed, provided
3 that they do not contravene existing laws and regulations.

4 **TITLE II**
5 **THE COMMISSION ON AUDIT**

6 **Chapter I**
7 **ORGANIZATION**
8

9 SEC. 5. *Commission on Audit – Composition, Qualifications, Term and*
10 *Salary of Members.* – (a) The Commission on Audit, is composed of a
11 Chairperson and two Commissioners, who are natural-born citizens of the
12 Philippines, either certified public accountants with not less than ten years of
13 auditing experience, or members of the Philippine Bar engaged in the practice of
14 law for at least ten years, and must not have been candidates for any elective
15 positions in the elections immediately preceding their appointments. At no time
16 shall all members of the Commission belong to the same profession;

17 (b) The Chairperson and the Commissioners shall be appointed by the
18 President of the Philippines, subject to the confirmation of the Commission on
19 Appointments, for a term of seven years without reappointment. Appointment
20 to any vacancy shall be only for the unexpired portion of the term of the
21 predecessor. In no case shall any member be appointed or designated in a
22 temporary or acting capacity;

1 (c) No members of the Commission shall, during their tenure, hold any
2 other office or employment in the government. Neither shall they engage in the
3 practice of any profession or in the active management or control of any
4 business which in any way may affect their functions as members of the
5 Commission, nor shall they be financially interested, directly or indirectly, in
6 any contract with, or in any franchise or privilege granted by the national
7 government, any of its political subdivisions, agencies or instrumentalities,
8 including government-owned or controlled corporations and their subsidiaries;
9 and

10 (d) The salary of the Chairperson and the Commissioners shall be fixed
11 by law and shall not be decreased during their tenure.

12 SEC. 6. *Commission Proper.* – The Commission Proper is composed of
13 the Chairperson and two Commissioners. They shall sit as a collegial body to
14 formulate policies, rules and regulations, prescribe standards governing the
15 discharge of its powers and functions.

16 SEC. 7. *Specific functions of the Commission Proper.* – The specific
17 functions of the Commission Proper are the following:

18 (a) Promulgate the rules concerning pleadings and practices before the
19 Commission or any of its offices. Such rules however shall not diminish,
20 increase, or modify substantive rights;

1 (b) Decide, by a majority vote of all members of the Commission
2 Proper, any case or matter brought before it within sixty (60) days from the date
3 of submission for decision or resolution;

4 (c) Appoint, in accordance with the civil service laws and the
5 applicable career executive development programs, the officials and employees
6 of the Commission. Appointment of lower non-core positions may be delegated
7 by the Commission Proper to the appropriate officials of the Commission. It
8 shall have original jurisdiction over administrative cases filed against the
9 personnel of the Commission;

10 The Commission Proper shall determine the salaries and other forms of
11 compensation and other benefits, including medical, dental, optical and other
12 health benefits of the personnel of the Commission, pursuant to its fiscal
13 autonomy as provided in the Constitution.

14 The Commission Proper may re-organize the organizational structure of
15 the Commission as the need arises and to effectively attain the Commission's
16 mandate in keeping with the demands of the service.

17 The Commission Proper shall develop and implement a comprehensive
18 and continuing education, manpower training and development program for
19 officials and employees of the Commission.

20 (d) Promulgate auditing rules and regulations for the determination of
21 the scope and type of audit and examination by the Commission, the

1 establishment of the techniques and methods required therefor, including those
2 for the prevention and disallowance of illegal, irregular, unnecessary, excessive,
3 extravagant, or unconscionable expenditures or uses of government funds or
4 property;

5 The Commission Proper shall also promulgate accounting rules,
6 regulations and standards in conformity with International Public Sector
7 Accounting Standards and International Financial Reporting Standards.

8 (e) Issue policies, rules and procedures in the custody and preservation
9 of the general accounts of the national government;

10 (f) Issue regulations pertaining to the responsibility and accountability
11 of the audited agency in the custody and preservation of disbursement vouchers,
12 journal vouchers and their supporting papers, official receipts and report of
13 collection, accounting records and reports, whether audited or not, for a period
14 of ten (10) years or for a longer prescriptive period, as may be provided by law
15 or regulations; and

16 (g) Perform such other functions as may be necessary for the effective
17 implementation of this Act.

18 SEC. 8. ***Duties and Responsibilities of the Chairperson.*** – The
19 Chairperson shall act as the presiding officer of the Commission Proper and
20 chief executive officer of the Commission. As chief executive officer, the
21 Chairperson shall:

1 (a) Control and supervise the general administration of the
2 Commission;

3 (b) Direct and manage the implementation and execution of policies,
4 standards, rules and regulations promulgated by the Commission Proper;

5 (c) Sign appointments, promotions, office orders for audit
6 engagements, assignment, reassignment of officials and employees, or any other
7 personnel movement in any office or station of the Commission without
8 additional remuneration, except those authorized by law;

9 (d) Exercise control and supervision over the audit of intelligence or
10 confidential transactions or accounts of government agencies;

11 (e) Delegate to the commissioners, assistant commissioners, directors
12 and other officials of the Commission such authority on internal administration
13 concerning personnel, planning, financial, legal, and other matters pertaining to
14 their respective functional areas as may be determined by the Commission
15 Proper;

16 (f) Submit an annual budget to the Commission Proper for its
17 approval;

18 (g) Submit to the Office of the President of the Philippines, Congress
19 and other oversight agencies, the annual financial reports covering the financial
20 condition and results of operations of the Government, its subdivisions,
21 agencies, and instrumentalities, including government-owned or controlled

1 corporations subject to its audit, together with recommendations or measures to
2 improve the economy, efficiency and effectiveness of their operations, and such
3 other reports as may be required by law;

4 (h) Authorize the re-opening of settled accounts in case of fraud,
5 collusion, or error of calculation or when new and material evidence is
6 discovered. The auditor may certify thereon a new balance within three (3)
7 years after the original settlement of any account by the auditor or discovery
8 thereof but not to exceed ten years from the date of transaction;

9 (i) Summon any person or public official for the purpose of gathering
10 data or inquiring into matters pertinent to the formulation, implementation or
11 enforcement of any order, decision, policy, standard, or regulation of the
12 Commission Proper; and

13 (j) Perform such other functions as may be required by law or policy
14 of the Commission.

15 SEC. 9. *Duties and Responsibilities of the Commissioners.* – The
16 Commissioners, as members of the Commission Proper, shall have the
17 following duties and responsibilities:

18 (a) Formulate and propose policies, accounting and auditing rules;
19 review, evaluate and update existing regulations of the Commission; and
20 prescribe standards governing the performance by the Commission of its powers
21 and functions;

1 (b) Review and deliberate cases submitted for decision or resolution;

2 (c) Approve the appointment and promotion of the officials and
3 employees of the Commission, subject to civil service rules;

4 (d) Assist in the general administration of the Commission upon proper
5 delegation by the Chairperson;

6 (e) Act as officer-in-charge of the Commission upon proper
7 designation by the Chairperson, in case of the latter's absence; and

8 (f) Perform such other functions as may be provided by law, rules,
9 regulations or policies of the Commission.

10 SEC. 10. ***Organizational Structure, Compensation of Personnel and***
11 ***Functions.*** – The Commission Proper shall determine the organizational
12 structure of the Commission; and fix the salaries, allowances, and other benefits
13 of its officials and employees, which shall be exempt from the Salary
14 Standardization Law, and in accordance with the fiscal autonomy of the
15 Commission.

16 SEC. 11. ***Standards Boards.*** – The public sector accounting standards
17 board and the public sector auditing standards board shall be created directly
18 under the Commission Proper, the members of which shall function in an *ex-*
19 *officio* capacity.

20 SEC. 12. ***Assistant Commissioners.*** – The organizational structure of the
21 Commission shall be composed of sectors consisting of offices or clusters, as

1 may be determined by the Commission Proper. Each sector shall be headed by
2 an Assistant Commissioner who shall have the following functions:

3 (a) Formulate, develop, update, and supervise the implementation of
4 the operational plan and performance commitment of the sector which are
5 aligned with the Commission's strategic plan and annual holistic operational
6 plan;

7 (b) Supervise the general administration of offices or cluster of offices
8 under his/her jurisdiction;

9 (c) Formulate, evaluate and recommend policies, rules and regulations
10 for consideration by the Commission Proper; and

11 (d) Perform such other functions as may be necessary in the effective
12 implementation of this Act.

13 SEC. 13. **General Counsel.** – One of the Assistant Commissioner shall
14 head the legal services sector of the Commission and concurrently designated as
15 the General Counsel of the Commission who, as such, shall:

16 (a) Perform advisory and consultative services on legal matters;

17 (b) Render legal service with respect to the performance of the
18 functions of the Commission and the interpretation of pertinent laws and
19 auditing rules and regulations, with the exception of purely accounting matters
20 which shall be acted upon by the Commission's government accountancy sector;

1 (c) Handle the investigation of administrative complaints or cases filed
2 against a personnel of the Commission; evaluate and act on all reports of
3 involvement of the personnel of the Commission in anomalies or irregularities
4 in government transactions; and perform any other investigative work required
5 by the Commission upon assignment by the Chairperson;

6 (d) Represent the Commission in preliminary investigations of
7 malversation and other criminal or administrative cases discovered in audit;
8 assist and collaborate with the Solicitor General and the Ombudsman in
9 handling cases involving the Chairperson or any of the Commissioners, or other
10 officials and employees of the Commission in their official capacity;

11 (e) Coordinate, for the Commission and with the appropriate legal
12 bodies of government, with respect to legal proceedings towards the collection
13 and enforcement of debts and claims, and the restitution of funds and property,
14 found to be due any government agency which are pending settlement or
15 adjustment by the Commission; and

16 (f) Supervise the enforcement and settlement of disallowances,
17 charges and decisions of the Commission covered by a notice of finality of
18 decision and order of execution. For this purpose, the General Counsel shall
19 have control and supervision over the Office of the Commission Chief
20 Enforcement Officer.

1 SEC. 14. ***Commission Chief Enforcement Officer.*** – (a) There shall be a
2 Chief Enforcement Officer who shall have the rank and privileges of a central
3 office cluster director. The powers and authority Chief Enforcement Officer
4 shall be similar to that of a sheriff of a regular court, with additional tasks as
5 may be defined by the Commission Proper. The Chief Enforcement Officer and
6 the deputies shall be under the control and supervision of the General Counsel;
7 and

8 (b) There shall be a regional enforcement officer in every regional
9 office in accordance with the guidelines issued by the Commission Proper.

10 SEC. 15. ***Central Office.*** – The Commission shall have offices as may be
11 established and organized by the Commission Proper.

12 The existing organizational set-up and functions of the Commission,
13 together with the duties presently assigned to each office, shall continue to be
14 observed unless otherwise provided in this Act. The existing sectors in the
15 Central Office are as follows:

- 16 (a) Administration Sector (AS);
- 17 (b) Planning, Finance and Management Sector (PFMS);
- 18 (c) Professional and Institutional Development Sector (PIDS);
- 19 (d) Government Accountancy Sector (GAS);
- 20 (e) Special Services Sector (SSS);
- 21 (f) Legal Services Sector (LSS);

1 (g) Commission Proper Adjudication Sector (CPAS):

2 (h) Systems and Technical Services Sector (STSS);

3 (i) National Government Audit Sector (NGAS);

4 (j) Corporate Government Audit Sector (CGAS); and

5 (k) Local Government Audit Sector (L-GAS).

6 Each sector shall discharge their existing duties and such other duties and
7 functions as may be prescribed by the Commission Proper.

8 SEC. 16. ***Commission Secretariat.*** – The Commission Secretariat shall
9 be headed by a director who shall have the same rank and privileges of a central
10 office cluster director.

11 The Commission Secretariat shall perform the following functions:

12 (a) Prepare the agenda for the sessions of the Commission Proper;

13 (b) Prepare, keep and preserve the minutes of all sessions, hearings and
14 conferences of the Commission Proper;

15 (c) Maintain and preserve the records of the Commission Proper; and

16 (d) Perform such related functions as may be assigned by the
17 Chairperson or the Commission Proper.

18 SEC. 17. ***Duties and responsibilities of the Central Office Directors.*** –

19 The duties and responsibilities of the central office directors, as head of their
20 respective offices or clusters, are as follows:

1 (a) Formulate, develop, and supervise the implementation of the
2 annual Operational Plan and Office Performance Commitment of the office or
3 cluster, both aligned with the sector's operational plan and performance
4 commitment, and in accordance with the Commission's Strategic Plan;

5 (b) Manage the general administration of the office, including matters
6 pertaining to workload, work accomplishment, and management of the
7 resources of the office or cluster;

8 (c) Direct and manage the implementation and execution of laws, and
9 policies, standards, rules and regulations promulgated by the Commission and
10 memoranda issued by the Office of the Chairperson;

11 (d) Submit annual performance report and other reports as directed by
12 the Commission Proper or by the Chairperson; and

13 (e) Perform other functions that may be assigned by higher and
14 competent authorities in the Commission relevant to the effective
15 implementation of this Act.

16 SEC. 18. ***Regional Offices: Structure and Functions.*** – (a) There shall
17 be COA regional offices as may be established or organized by the Commission
18 Proper. Until otherwise provided by the Commission Proper, the existing
19 regional offices are as follows:

20 (1) CORDILLERA ADMINISTRATIVE REGION (CAR);

21 (2) REGION I;

- (3) REGION II;
- (4) REGION III;
- (5) REGION IV-A (CALABARZON);
- (6) REGION IV-B (MIMAROPA);
- (7) REGION V;
- (8) REGION VI;
- (9) REGIONAL SATELLITE AUDIT OFFICE NEGROS ISLAND;
- (10) REGION VII;
- (11) REGION VIII;
- (12) REGION IX;
- (13) REGION X;
- (14) REGION XI;
- (15) REGION XII;
- (16) REGION XIII; and
- (17) BANGSAMORO AUTONOMOUS REGION IN MUSLIM MINDANAO (BARMM).

(b) Each regional office shall be headed by a director who shall perform the following functions:

- (1) Formulate, develop, and supervise the implementation of the Operational Plan and Office Performance Commitment of the regional

1 office, both aligned with the sector's operational plan and performance
2 commitment, as well as the Commission's strategic plan;

3 (2) Exercise supervision and control over the implementation of
4 auditing rules and regulations in any agency of the government with
5 principal offices or place of operations within the region;

6 (3) Review, analyze and consolidate local, national and
7 corporate audit reports and audited financial statements of agencies in the
8 region as may be required;

9 (4) Exercise authority over internal administration of personnel,
10 planning, financial (budgetary and accounting), and legal matters
11 pertaining to the region upon delegation by the Commission Proper; and

12 (5) Perform such other related functions as may be assigned by
13 the Chairperson.

14 SEC. 19. ***Audit Groups and Audit Teams.*** – In accordance with the
15 policies approved by the Commission Proper, audit groups and audit teams are
16 created as the exigencies of the service may require.

17 (a) Audit groups may be constituted for the audit of a group of
18 agencies to be determined by the Commission Proper. Each audit group shall be
19 headed by a supervising auditor, who shall report directly to the cluster or
20 regional director;

1 (b) Audit teams may be constituted to audit various agencies as may be
2 determined by the CP. Each audit team shall be headed by a team leader who
3 shall report to the supervising auditor of the concerned audit group;

4 (c) The audit team supervisor (ATS) or the audit team leader (ATL)
5 who signs the independent auditor's report shall be a certified public accountant;

6 (d) The CP shall review the composition of the audit groups and audit
7 teams and may make changes or modifications in the exigency of the service
8 and as the need arises;

9 (e) Until such time that the Commission shall have adequate provincial
10 satellite audit offices (PSAO) in each province to house the audit teams for the
11 national government or local government agencies, the audited agency shall
12 continue to provide suitable and sufficient office and storage space together with
13 supplies, equipment, furniture, and other necessary operating expenses for its
14 maintenance as determined by the supervising auditor and approved by the
15 concerned director; and

16 (f) Upon the physical transfer of the audit teams from the premises of
17 the national government or local government auditee to the PSAO, the auditee
18 shall continue to support the annual logistical and operating expenses of their
19 audit teams. They shall transfer such amounts budgeted for auditing services to
20 the regional or central office having supervision over the audit team assigned to
21 the auditee.

1 SEC. 20. *Powers, Functions, and Duties of Auditors.* – (a) The auditor

2 shall exercise such powers and functions as may be authorized by the
3 Commission in the examination, audit and settlement of the accounts, funds,
4 property, financial transactions, resources and physical operations of the
5 agencies under his/her respective audit jurisdiction;

6 (b) The auditor shall employ such auditing procedures and techniques
7 as it may prescribe under the regulations of the Commission;

8 (c) The ATL shall submit an audit report to the head of the audit group
9 on the date and in the manner that the Commission may prescribe and render
10 such other reports as the Commission may require;

11 (d) The ATL shall, after the audit, retain custody and responsibility for
12 the safekeeping and preservation of paid expense vouchers, journal vouchers,
13 stubs of checks, reports of collections and disbursements and similar documents
14 together with their respective supporting papers, which are the subject of an
15 audit observation memoranda, notice of suspension, notice of disallowance,
16 notice of charge, complaint, or a pending audit or investigation or court case
17 until these audit or legal evidence shall have been turned over to a Central Audit
18 Evidence Management Services (CAEMS) in the Central Office or the Regional
19 Audit Evidence Management Unit (RAEMU) which are created by the
20 Commission; and

1 (e) The audit team shall retain a digital copy of the post-audited
2 vouchers and supporting papers, official receipts, and other documents/reports
3 upon turn over/return of the originals to the auditee for safekeeping and
4 preservation in accordance with the guidelines promulgated by the Commission
5 Proper.

6 SEC. 21. ***Annual Audit and Work Program.*** – The ATL shall develop or
7 formulate an annual audit plan and the necessary audit programs for auditee in
8 accordance with the regulations of the Commission. The annual audit plan of
9 the audit team shall be aligned with the cluster or regional office’s operational
10 plan and performance commitment.

11 SEC. 22. ***Assignment and Compensation of Auditing Personnel.*** – (a)
12 The assignment of representatives and support personnel of the Commission to
13 agencies of the government shall be determined by the Chairperson in
14 accordance with the policy promulgated by the Commission Proper; and

15 (b) The salaries and other forms of compensation of the personnel of
16 the Commission shall be determined by the Commission Proper which shall be
17 exempt from the Salary Standardization Law pursuant to the Commission’s
18 fiscal autonomy as provided in the Constitution.

19 SEC. 23. ***Legal Assistance to COA Officials and Employees.*** – (a) The
20 officials and employees of the Commission are authorized to engage the

1 services of private lawyers for a fee in accordance with the guidelines issued by
2 the Commission Proper; and

3 (b) For this purpose, the Commission shall include in its budget the
4 amount to be set aside as a legal assistance fund.

5 SEC. 24. *Professionalization of Audit Services.* – The Commission shall
6 develop, adopt and implement for its officials and employees a comprehensive
7 and continuing manpower training and development program, which may follow
8 a ladderized system. For this purpose, it shall continue its capacity building
9 program in coordination with international professional bodies such as the
10 International Organization of Supreme Audit Institutions, Asian Organization of
11 Supreme Audit Institutions, Association of Southeast Asian Nations Supreme
12 Audit Institutions and other supreme audit institutions.

13 Chapter II

14 APPROPRIATIONS, FUNDING AND FISCAL AUTONOMY

15 SEC. 25. *Appropriations and Funding.* – (a) The annual operating
16 budget of the Commission as provided in the General Appropriations Act shall
17 be sourced from the following:

18 (1) One-half of one percent (1/2 of 1%) of the annual collections
19 from national internal revenue taxes;

1 (2) A fixed amount equivalent to the actual cost of the audit
2 services in the government corporations, plus a reasonable rate to cover
3 overhead expenses; and

4 (3) Other sources such as but not limited to collections of audit fees
5 from water districts and special audits, consultancy fees and retained
6 income.

7 (b) The budget proposal may be subject to review by the Department
8 of Budget and Management but in no case shall it be lower than the approved
9 budget of the Commission for the previous year; and

10 (c) All government corporations, including their subsidiaries, and self-
11 governing boards shall appropriate in their respective budgets and remit not later
12 than the end of the second quarter of each year an amount equivalent to the
13 appropriation for Personal Services to the National Treasury and shall transfer to
14 the Commission, the amount for the MOOE and Capital Outlay to be utilized by
15 the assigned audit team of the Commission during the calendar year. Should the
16 assigned audit team remain in residency in the premises of the GOCC, the
17 Capital Outlay and MOOE budget by the audit team shall continue to be directly
18 provided by the agency.

19 SEC. 26. *Fiscal Autonomy.* – (a) The Commission shall enjoy fiscal
20 autonomy. Its approved annual appropriation shall be automatically and
21 regularly released. The Commission Proper may be authorized to augment any

1 item in the general appropriations for the Commission from savings in any item
2 in the same appropriation;

3 (b) Any savings from the approved budget under the GAA shall be
4 retained by the Commission until fully spent; and

5 (c) Violation of this Section shall subject the concerned responsible
6 officials to appropriate administrative sanctions.

7 **Chapter III**

8 **JURISDICTION, POWERS AND FUNCTIONS OF THE COMMISSION**

9 SEC. 27. *Statement of Objectives.* – Pursuant to its constitutional
10 mandate, the Commission adheres to the following objectives:

11 (a) Determine whether the fiscal responsibility which rests directly
12 with the head of the government agency has been properly, efficiently and
13 effectively discharged;

14 (b) Develop and implement a comprehensive audit plan that shall
15 encompass the examination of financial and non-financial transactions, accounts
16 and reports, including evaluation of the internal control system of the agency;

17 (c) Institute control measures through the promulgation of auditing and
18 accounting rules and regulations governing the revenue, receipts, disbursements,
19 and uses of funds and property, including evaluation of projects under public-
20 private-partnership agreements or the like, fund transfers to non-government
21 organizations (NGOs), peoples organizations (POs) or other private entities for

specific purpose, consistent with the total economic development efforts of the Government;

(d) Promulgate accounting and auditing rules and regulations to facilitate the safekeeping of the accounts of the government and enhance their information value using state of the art technology;

(e) Institute measures designed to preserve and ensure the independence of the Commission's officials and employees; and

(f) Bring its operations closer to the people by the delegation of authority, consistent with the provision of the Constitution and the national policy on decentralization.

SEC. 28. *Jurisdiction of the Commission.* – (a) The Commission shall have the power, authority, and duty to examine, audit, and settle all accounts pertaining to the assessments and collections of revenues and receipts, and to the expenditures or uses of funds and property, owned or held in trust by, or pertaining to the national government, or any of its subdivisions, agencies, including state universities and colleges, instrumentalities, government corporations and their subsidiaries, including water districts;

(b) The Commission shall also have audit jurisdiction over the following:

(1) Public utilities;

1 (2) Non-government entities such as electric cooperatives,
2 NGOs, POs; private foundations, educational institutions and other
3 entities receiving subsidy or equity, donation or grant, or fund transfer
4 directly or indirectly from or through the government, those which have
5 government shares, or counterpart funds from the government, and those
6 which are required by law or the granting institution to submit to such
7 audit as a condition of subsidy or equity, donation or grant, or fund
8 transfer. This authority, however, shall pertain only to the audit of these
9 funds or subsidies coming from or through the government;

10 (3) Leagues of provinces, cities, municipalities and barangays;
11 and

12 (4) Private entities collecting revenues in behalf of the
13 government.

14 (c) The Commission shall have exclusive authority, subject to the
15 limitations of Article IX of the 1987 Constitution, to define the scope of its audit
16 and examination, establish the techniques and methods required therefor, and
17 promulgate accounting and auditing rules and regulations, including those for
18 the prevention and disallowance of illegal, irregular, unnecessary, excessive,
19 extravagant, or unconscionable expenditures, or uses of government funds and
20 property;

1 (d) No entity of the government, or its instrumentalities, subsidiaries,
2 shall be exempted in any guise whatsoever from the jurisdiction of the
3 Commission;

4 (e) The authority and power of the Commission shall extend to and
5 comprehend all matters relating to:

6 (1) Auditing procedures, systems and controls;

7 (2) Keeping of the general accounts of the government;

8 (3) Examination and inspection of the books, records, and papers
9 relating to those accounts and operations under audit;

10 (4) Audit and settlement of the accounts of all persons respecting
11 funds or property received or held by them in an accountable capacity;

12 (5) Settlement of accounts subsisting between agencies of the
13 government; and

14 (6) Examination, audit, and settlement of all debts and claims of
15 any sort, including set-off, due from or owing to the government or any of
16 its subdivisions, agencies and instrumentalities.

17 (f) The Commission shall have visitorial authority over the following:

18 (1) Non-government entities subsidized by the government,
19 those required to pay levies or government share; royalties or fees from
20 exploitation, exploration and development of natural resources. This

1 authority pertains only to the determination of the amount to be assessed,
2 collected and remitted to the government;

3 (2) Non-government entities whose loans are guaranteed by the
4 government, provided that such authority shall pertain only to the audit of
5 the government's contingent liability;

6 (3) Non-government entities operating and charging fees or
7 tariffs to the public for the use of public facilities or utilities in so far as
8 the reasonableness of the rates charged to the users of the facilities or
9 utilities; and

10 (4) Non-government entities which have contracts with the
11 government under a Public - Private Partnership (PPP) Agreement or any
12 of its variants, insofar as the determination of the: existence of value-for
13 money in procurement through PPP; compliance with the terms and
14 conditions of the contract or agreement; reasonableness of the sharing of
15 the risks and rewards between the private sector and the government; and
16 absence of disadvantage to the government in the agreement relating to
17 the operation, maintenance and handover of the public infrastructure or
18 project.

19 SEC. 29. ***Fees for Audit and Other Services.*** – (a) The Commission shall
20 assess and collect reasonable fees for the different services rendered to non-
21 government entities that shall be audited in connection with their dealings with

1 the government, arising from but not limited to subsidies, counterpart funding,
2 government equity, donation, grant, fund transfer, directly or indirectly from or
3 through the government, or where audited records become the basis for a
4 government levy or share. Fees of this nature shall accrue directly to the
5 Commission within ten (10) working days following the completion of the
6 audit; and

7 (b) Whenever the Commission enters into a contract with any
8 government entity, to render audit and deliver services beyond the normal scope
9 of such services, the Commission is empowered to assess and collect reasonable
10 fees. Such fees shall likewise accrue directly to the funds of the Commission
11 within the time provided for in the contract or in the billing statement rendered
12 by the Commission.

13 SEC. 30. *Deputization of Licensed Professionals or Experts.* – (a) The
14 Commission Proper may, when the exigencies of the service so require, deputize
15 and retain in the name of the Commission such certified public accountants and
16 other government licensed professionals or experts not in the public service, to
17 assist its auditors in undertaking specialized audit engagements;

18 (b) The deputized professionals or experts are entitled to such
19 compensation and allowances as may be stipulated in an agreement or contract,
20 subject to pertinent rules and regulations on compensation and fees;

1 (c) The Commission Proper shall issue guidelines in contracting
2 deputized professionals or experts referred to in this section.

3 SEC. 31. ***Civil Society Organizations (CSO) in the Conduct of Audit.*** –

4 The Chairperson may deputize duly accredited civil society organizations
5 (CSOs) in the conduct of audit to help auditors in the ocular inspection,
6 validation, evaluation and monitoring of projects imbued with public interest or
7 located in remote and critical areas in order to enhance credibility,
8 accountability and transparency in audit processes.

9 SEC. 32. ***Disallowance of Unconscionable Expenditures of Funds or***
10 ***Uses of Property.*** – The Commission shall promulgate accounting and auditing
11 rules and regulations for the prevention and disallowance of illegal, irregular,
12 unnecessary, excessive, extravagant or unconscionable expenditures, or uses of
13 government funds or property. Any violation of such rules and regulations shall
14 be a ground for disallowance without prejudice to administrative, civil and
15 criminal sanctions against the persons liable.

16 SEC. 33. ***Auditing Transactions with Private Persons.*** – No government
17 agency or government employees association shall enter into any contract or
18 transaction with any private person or firm for services to undertake studies and
19 services relating to government auditing and accounting, including services to
20 conduct, for a fee, seminars or workshops for government personnel on these
21 topics, unless the proposed contract is first submitted to the Commission to

1 enable it to determine if it has the resources and capability to undertake such
2 studies or services. The Commission may engage the services of experts from
3 the public or private sectors in the conduct of such studies.

4 Should the Commission decide not to undertake the study or service, the
5 Commission shall nonetheless have the power to review the proposed contract
6 in order to determine the necessity, capability or expertise of the private party
7 and the reasonableness of its fees.

8 Any contract entered into without the approval of the Commission shall
9 be considered null and void and the related expenditures incurred thereon shall
10 be disallowed in audit and become the personal liability of the officials
11 concerned.

12 SEC. 34. *Legal Services of Private Law Firms.* – No contract involving
13 public funds shall be entered into for the services of a private law firm or lawyer
14 to represent government agencies in court or to render legal services for them. In
15 the event that such legal services cannot be avoided or is justified under
16 extraordinary or exceptional circumstances, the written conformity and
17 acquiescence or clearance of the Solicitor General or the Government Corporate
18 Counsel, as the case may be, and the written concurrence of the Commission
19 shall first be secured before the hiring or employment of a private lawyer or law
20 firm; and

1 In the absence of the said requirements, any payment thereof shall be
2 disallowed in audit and the same shall be the personal liability of the officials
3 concerned.

4 SEC. 35. ***Prohibition in Soliciting, Grants, or Financial Assistance.*** –
5 Private foundations and entities organized and managed by government officials
6 and employees are prohibited from using the name and resources of the
7 government agency in soliciting or receiving donations; grants, or financial
8 assistance from private, domestic and international donors.

9 Any violation of the preceding paragraph shall subject the said foundation
10 or entity to special audit by the Commission as if the funds so received are
11 public funds which should be recorded in the books of the concerned
12 government agency. Refusal to submit itself to such audit shall constitute an
13 offense punishable under Section 102 of this Act.

14 SEC. 36. ***Submission of Documents Relative to Government***
15 ***Obligations.*** – The Commission shall have the power, for audit and examination
16 purposes, to require the submission of the original of any: (a) order, deed,
17 contract, or other document which is the basis for any collection of, or payment
18 from government funds, together with any certificate of ownership in case of
19 investments; (b) official receipts and assessment notices issued by the Bureau of
20 Internal Revenue, Bureau of Customs, Land Transportation Office and similar

1 agencies and the related compromise agreements, if any; (c) copies of board
2 resolutions or council resolutions in case of GOCCs or LGUs, respectively; or
3 (d) other records and papers or other evidence in connection with a financial
4 transaction involving public funds.

5 In the case of deeds to property purchased by any government agency, the
6 Commission shall require a certificate of title entered in favor of the government
7 or other evidence satisfactory to it that the title is in the name of the government.

8 It shall be the duty of the officials or employees concerned, including
9 those in non-government entities under audit, or affected in the audit of
10 government and non-government entities, to comply promptly with these
11 requirements.

12 Failure or refusal to do so without justifiable cause shall constitute a
13 ground for administrative disciplinary action as well as for disallowance of the
14 claim under examination, assessment of additional levy or government share, or
15 withholding or withdrawal of government funding or donations through the
16 government, as well as for penal or administrative sanctions as provided by law.

17 **SEC. 37. *Investigatory and Contempt Powers.*** – The Chairperson or any
18 Commissioner of the Commission, the Assistant Commissioners, central office
19 directors, regional directors, the auditors assigned to any government agency,
20 and any other official or employee of the Commission specially deputed in
21 writing for the purpose by the Chairperson shall, in compliance with the

1 requirement of due process, have the power to summon the parties to a case
2 brought before the Commission for resolution, issue subpoena and subpoena
3 duces tecum, administer oaths, and otherwise take testimony in any
4 investigation or inquiry on any matter within the jurisdiction of the Commission.

5 The Commission shall have the power to punish for contempt as provided
6 for in the Revised Rules of Court and the Revised Rules of Procedure of the
7 Commission, under the same procedure and with the same penalties provided
8 therein. Any violation of any final and executory decision, order or ruling of the
9 Commission shall constitute as indirect contempt.

10 SEC. 38. *Power to Adjudicate Money Claims.* – The Commission shall
11 have the power to adjudicate money claims filed against the government arising
12 from law, contract, quasi-contract or quasi-delict.

13 SEC. 39. *Power to Compromise Claims.* – (a) When the interest of the
14 government so requires, the CP may compromise or release in whole or in part,
15 any settled claim or liability to any government agency not exceeding Ten
16 million (P10,000,000.00) pesos arising out of any matter or case before it or
17 within its jurisdiction. In case the claim or liability exceeds Ten million
18 (P10,000,000.00) pesos, the Commission shall submit with its
19 recommendations, the application for relief to Congress; and

20 (b) The respective governing bodies of government financial institutions
21 and other government corporations and self-governing boards, commissions or

1 agencies of the government shall have the authority to condone, compromise or
2 release any similar claim or liability when expressly authorized by their charters,
3 subject to timely review and post-audit by the Commission. When the charters
4 do not so provide, the power to condone or compromise shall be exercised
5 exclusively by the Commission in accordance with the preceding paragraph.

6 SEC. 40. *Collection of Indebtedness due the Government.* – (a) The
7 Commission shall, through proper channels, assist in the collection and
8 enforcement of all debts and claims, and the restitution of all funds or the
9 replacement or payment at a reasonable price, of property found to be due the
10 government agency in the settlement and adjustment of its accounts.

11 If any legal proceeding in court is necessary, involving final and
12 executory audit disallowances or charges, the Prosecution and Litigation Office
13 of the Commission shall handle the same. All other cases shall be handled by
14 the Office of the Solicitor General or the Office of the Government Corporate
15 Counsel, as the case may be. The Commission shall extend full support in the
16 litigation. All money claims due and payable shall bear the legal interest rate
17 from the date of receipt of the Order of Execution or upon demand by the
18 Commission; and

19 (b) The Commission may further refer the case to the Office of the
20 Ombudsman for the filing of the proper administrative and criminal actions

1 against agency personnel concerned and private persons in case of any
2 irregularity or illegality in the incurrence of such debts and claims.

3 SEC. 41. ***Retention of Money for Satisfaction of Indebtedness.*** – (a)

4 When any person or entity is indebted to any government agency, including
5 final and executory audit disallowances or charges, the Commission may direct
6 the head of agency or public officer concerned to withhold the payment of any
7 money due from such entity or person or the estate, in satisfaction of the
8 indebtedness, disallowances and charges; and

9 (b) Failure on the part of the head of agency or public officer to withhold
10 the said money to satisfy such indebtedness or audit disallowances and charges
11 shall make the head of agency or public officer personally liable therefor
12 without prejudice to administrative action that may be filed for neglect of duty.

13 SEC. 42. ***Annual Report.*** – (a) The Commission shall submit to the
14 President and the Congress of the Philippines, not later than September 30 of
15 each year, an annual report on the financial condition and results of operation of
16 all government agencies, which shall include recommendations of measures
17 necessary to improve economy, efficiency and effectiveness of these agencies;

18 (b) To carry out the purposes of this section, the chief accountant or the
19 official in charge of keeping the accounts of the government agency shall submit
20 to the Commission the year-end financial statements and such other supporting
21 or subsidiary statements as may be required by the Commission not later than

1 March 31 of each year. Financial statements returned by the Commission for
2 revision due to non-compliance with accounting standards, rules and regulations
3 shall be resubmitted within three (3) days after the date of receipt by the official
4 concerned; and

5 (c) Failure on the part of any official or employee to comply with the
6 provisions of the immediately preceding paragraph shall cause automatic
7 suspension of the payment of the salary and other emoluments until the official
8 or employee shall have complied therewith. The violation of these provisions
9 for at least three times shall subject the offender to administrative disciplinary
10 action.

11 SEC. 43. *Authority to Examine Accounts of Public Utilities.* – The
12 Commission shall examine and audit the books, records and accounts of all
13 public utilities such as water concessionaires, franchise holders and electric
14 distribution, and transmission utilities including generation utilities, in
15 connection with the fixing of rates of every nature, or in relation to the
16 proceedings of the proper regulatory agencies for purposes of determining
17 franchise taxes and other fees. The examination and audit shall be conducted
18 any time after a provisional or final rate increase is approved or implemented by
19 the Energy Regulatory Commission. Any authorized government agency may,
20 without any need of prior request of the said government agency, examine and
21 audit subject to the guidelines of the Commission.

1 (a) During the examination and audit, any official or employee of the
2 public utility concerned shall produce all the reports, records, books of accounts
3 and such other papers as may be required. The Commission shall have the
4 power to take testimony under oath from any official or employee of the said
5 public utility on matters pertaining to the audit; and

6 (b) Any official or employee of the public utility who refuses the
7 examination and audit of the books of accounts and pertinent records, or causes
8 unnecessary obstruction to the examination and audit, or found guilty of
9 concealing any material information concerning its financial status shall be
10 subject to the penalties provided under Section 102 hereof.

11 SEC. 44. ***Powers, Functions and Duties of Audit Groups.*** – The audit
12 groups in government agencies shall perform the following functions and duties:

13 (a) Examine, audit and settle accounts, funds, financial transactions,
14 and resources of the agencies under the respective audit jurisdiction and exercise
15 such powers and functions as may be authorized by the Commission;

16 (b) Submit an audit report for each calendar year on the dates
17 prescribed by the Commission but not later than June 30 following the close of
18 the year;

19 (c) In the performance of the respective audit functions as herein
20 specified, employ auditing procedures and techniques in consonance with the
21 applicable Philippine and International Standards adopted by the Commission;

1 (d) Conduct audit of the transactions and accounts submitted for audit
2 within such period prescribed by the Commission in the guidelines and issue the
3 results, findings and observations thereon through Audit Observation
4 Memoranda, Notice of Suspension, Disallowances and Charges in accordance
5 with the rules and regulations on settlement of accounts;

6 (e) Keep and preserve disbursement vouchers, journal vouchers,
7 original copies of paid checks, bank statements, reports of collections and
8 disbursements and similar documents together with the supporting papers
9 evidencing transactions that are disallowed, charged or suspended in audit,
10 including those that are the subject of audit observations or court cases or
11 investigations by the Office of the Ombudsman or other investigative bodies in
12 accordance with the rules and regulations of the Commission;

13 The safekeeping and preservation of other audited documents not falling
14 under the preceding paragraph shall be returned to the custody and
15 responsibility of the management subject any time to the access of, and
16 examination by the authorized representative of the Commission. Under no
17 circumstances shall said documents be removed or disposed of without the
18 approval of the Commission or the authorized representative; and

19 (f) Perform such other functions as may be assigned by the superiors.

20 SEC. 45. *Examination of Cash and Accounts of Accountable Officer.* –

21 (a) The cashbooks, accounts, papers and cash in the accountability of an

1 accountable officer shall at all times be open to the audit and examination of the
2 Commission and its duly authorized representatives; and

3 (b) In case an examination of the cash and accounts of an accountable
4 officer discloses a shortage, the auditor shall immediately demand in writing the
5 restitution of the shortage, and notify in writing the head of the government
6 agency concerned of said shortage in accordance with the regulations of the
7 Commission. The head of the government agency shall immediately relieve the
8 accountable officer and assign another officer to assume the former's duties and
9 responsibilities. A complete report on the cash examination of the accounts of
10 the accountable officer with cash shortage shall be submitted immediately by
11 the auditor to the director for purposes of filing the appropriate administrative
12 and criminal case against the said defalcating accountable officer with the Office
13 of the Ombudsman, as the evidence may warrant.

14 SEC. 46. *Withholding of Salaries and other Emoluments of*
15 *Accountable Officers.* – Whenever an accountable officer has been found short
16 of the accountabilities during cash examination or audit of the cash and
17 accounts, the auditor shall order the withholding of the salaries and other
18 emoluments due the accountable officer found to have incurred cash shortage
19 until the final determination of the latter's accountability by the Commission or
20 final judgment by a competent court. In the event that the accountable officer is
21 found not liable for the cash shortage, the withheld salary and other emoluments

1 shall be released to the accountable officer, otherwise, it shall be applied in
2 payment of the officer's indebtedness.

3 SEC. 47. *Constructive Distraint of Property of Accountable Officer.* –

4 (a) Upon discovery in audit of a shortage in the accounts of any accountable
5 officer, and upon finding a prima facie case of malversation of public funds or
6 property against an accountable officer, the Commission may place under
7 constructive distraint the personal property of the accountable officer concerned
8 where there is reasonable ground to believe that the said officer is retiring from
9 the government service, or intends to leave the Philippines or remove the
10 property therefrom, or hide or conceal the property;

11 (b) The constructive distraint shall be effected by requiring the
12 accountable officer or any other person having possession or control of the
13 property to accomplish a receipt in the form prescribed by the Commission,
14 covering the property distrained and obligating the accountable officer to
15 preserve the same intact and unaltered, and not to dispose of it in any manner
16 whatsoever without the express authority of the Commission;

17 (c) In case the said accountable officer or any person having the
18 possession and control of the property sought to be placed under constructive
19 distraint refuses or fails to accomplish the receipt herein referred to, the
20 representative of the Commission, effecting the constructive distraint, shall
21 proceed to prepare a list of such property and in the presence of two witnesses

1 leave a copy thereof in the premises where the property distrained is located.
2 Thereafter, the said property shall be deemed to have been placed under
3 constructive distraint, in accordance with the rules and regulations of the
4 Commission; and

5 (d) The auditor shall submit to the chairperson, through the director, a
6 report on any distraint effected pursuant to this section not later than five (5)
7 calendar days from the date of the distraint of the property. A copy of the report
8 shall be furnished the General Counsel of the Commission.

9 Chapter IV

10 DECISIONS OF THE COMMISSION

11 SEC. 48. *Appeal from Decision of Auditors.* – (a) Any person aggrieved
12 by the decision of an auditor of any government agency in the settlement of an
13 account or claim may, within 180 calendar days from receipt of a copy of the
14 decision, appeal in writing to the Commission. The procedures of appeal shall
15 be governed by the internal rules concerning pleadings and practices of the
16 Commission;

17 (b) The Commission shall impose reasonable appeal filing fees and
18 legal research fee. These fees shall be assessed by the office where the appeal is
19 filed and paid to the Commission's Treasury Office. The corresponding receipts
20 shall be attached to the appeal or petition for review, which shall form part of
21 the record of the appeal. Appeal or petition for review not supported with receipt

1 of the filing fee shall be a ground for the dismissal of the case, except those
2 appeals that may be allowed by the Commission. In no case shall expenses
3 related to the appeal from the decisions of the auditor or director be charged
4 against public funds.

5 SEC. 49. *Period for Rendering Decisions of the Commission.* – The
6 Commission Proper shall decide any case brought before it within sixty (60)
7 days from the date of its submission for resolution. If the account or claim
8 involved in the case needs referral to other persons or offices, or to a party
9 interested, the period shall be counted from the time the last comment or
10 pleading necessary to a proper decision is received by it.

11 SEC. 50. *Appeal from Decisions of the Commission.* – The party
12 aggrieved by any decision, order or ruling of the Commission may, within thirty
13 (30) days from the receipt of a copy thereof, appeal on certiorari to the Supreme
14 Court in the manner provided by law and the Rules of Court. When the
15 decision, order, or ruling adversely affects the interest of any government
16 agency, the appeal may be taken by the proper head of that agency. The Office
17 of the Solicitor General shall at all times represent the Commission in all its
18 decisions appealed to the Supreme Court.

19 SEC. 51. *Finality of Decisions of the Commission.* – (a) The decision of
20 the Commission, director or auditor upon any matter within the audit
21 jurisdiction, if not appealed as herein provided, shall be final and executory; and

(b) The General Counsel or any authorized officer of the Commission shall issue an order of execution requiring the sheriffs or enforcement officers of the Commission to execute its final decisions, resolutions, orders or claims and awards.

SEC. 52. *Enforcement of Decisions of the Auditor or Commission*

Proper. – The agency head shall ensure the immediate settlement of the final and executory decision of the auditor, director or the CP. Unreasonable failure or refusal of the head of agency or concerned officer to implement the final and executory decision of the auditor, director or the CP, shall render the former administratively liable for neglect of duty.

SEC. 53. *Reopening and re-audit of audited transactions.* – (a) All transactions and accounts are open for audit within ten (10) years after the date of transaction; and

(b) When any transaction appears to be tainted with fraud, collusion, or error of assessment, or when new and material evidence is discovered, the CP may *motu proprio* or upon the instance of a party in interest, order the reopening or re-audit thereof within three (3) years after the original audit but not to exceed ten (10) years from the date of the transaction. The concerned auditor shall prepare an audit report thereon and submit the same to the chairperson or the authorized representative.

TITLE III

GOVERNMENT AUDITING

Chapter I

BASIC POLICIES AND STANDARDS

SEC. 54. ***Definition of Government Auditing.*** – Government auditing is the analytical and systematic examination and verification of financial transactions, operations, accounts, and reports of any government agency for the purpose of determining the accuracy, integrity, authenticity, and compliance with the requirements of law, rules and regulations, International Public Sector Accounting Standards (IPSAS) or Philippine Financial Reporting Standards (PFRS), and the standards in auditing or the International Standards for Supreme Audit Institutions (ISSAIs).

SEC. 55. **General Standards.** – (a) The audit shall be performed by a person with adequate technical training and proficiency in auditing;

(b) In all matters relating to the audit work, the auditor shall maintain complete independence, impartiality and objectivity and shall avoid any possible compromise of the independence or any act that creates a presumption of lack of independence, or the possibility of undue influence in the performance of duties;
and

(c) The auditor shall exercise due professional care guided by applicable laws, regulations and the internationally adopted standards of audit or the ISSAIs, which guide the planning, performance and execution of the audit

1 work, reporting of the results of the audit, monitoring and quality assurance in
2 the conduct of all phases of the audit.

3 **Chapter II**
4 **RECEIPT AND DISPOSITION OF FUNDS AND PROPERTY**

5 SEC. 56. *Accounting of Money and Property Received by Public*
6 *Officials.* – All moneys and property officially received by a public officer in
7 any capacity or upon any occasion must be accounted for as government funds
8 and government property, except as may otherwise be specifically provided by
9 law or competent authority. The recognition in the books of accounts of the
10 concerned agency shall be in accordance with the International Public Sector
11 Accounting Standards or Philippine Financial Reporting Standards.

12 SEC. 57. *Designation of Collecting or Disbursing Officers for*
13 *Government Agencies.* – The head of any government agency may designate
14 such number of collecting or disbursing officers or agents as may be deemed
15 necessary.

16 SEC. 58. *Time and Mode of Rendering Account.* – In the absence of
17 specific provision of law, all accountable officers shall, through the agency
18 accountants, render their accounts, submit their vouchers, and make deposits of
19 money collected or held by them at such time and in such manner as shall be
20 prescribed in the rules and regulations of the Commission. The auditor
21 concerned shall then conduct the necessary examination and audit thereof.

1 SEC. 59. *Accrual of Income or Revenues to Unappropriated Surplus of*

2 *the General Fund.* – (a) All income or revenues accruing to the agencies by
3 virtue of the provisions of law, orders and regulations shall be deposited in the
4 National Treasury or in any duly authorized government depository and shall
5 accrue to the unappropriated surplus of the General Fund of the government,
6 unless otherwise specifically provided by law; and

7 (b) Income or revenues from business-type activities and revolving
8 funds of government agencies may be separately recorded and disbursed in
9 accordance with such rules and regulations as may be determined by a
10 Permanent Committee composed of the Secretary of Finance as Chairperson,
11 Chairperson of the Commission on Audit and the Secretary of Budget and
12 Management, as members.

13 SEC. 60. *Special, Fiduciary and Trust Funds.* – (a) Receipts shall be
14 recorded as income of Special, Fiduciary or Trust Funds or funds other than
15 General Fund only when authorized by law in accordance with the rules and
16 regulations issued by the Permanent Committee;

17 (b) Revenues collected from particular taxes, levy and royalties for
18 special purpose shall be treated as a special fund or Special Account in the
19 General Fund and paid out for such purpose only. If the purpose for which a
20 special fund was created has been fulfilled or abandoned, the balance, if any,
21 shall be transferred to the General Fund of the government; and

(c) In case any government agency fails or refuses to implement such reversion and closure, the Permanent Committee may recommend for approval of the President the reversion and closure of the Special Account in the General Fund, Fiduciary or Trust Funds on any of the following grounds:

(1) when the terms have expired or when it is no longer necessary for attainment of the purpose for which the funds were established;

(2) when the funds have remained dormant for unreasonable length of time;

(3) when the General Fund is needed in times of emergency; or

(4) when used in violation of the rules and regulations issued by the Permanent Committee.

SEC. 61. *Receipts and Revenues of Local Government Units (LGUs).* –

All receipts and income accruing to the LGUs shall be deposited in the account maintained in the authorized government depository bank or private bank with the prior approval of the Secretary of Finance.

SEC. 62. *Receipts and Revenues of Government Corporations.* – All receipts and income accruing to government corporations shall be deposited in the account maintained in the authorized government depository bank.

SEC. 63. *Issuance of Official Receipts.* – (a) No payment of any nature shall be received by a collecting officer without immediately issuing an official

1 receipt in acknowledgement thereof. The receipt may be in the form of postage,
2 internal revenue or documentary stamps or such other forms as the law or the
3 Commission may allow. Temporary or provisional receipts shall not be issued
4 to acknowledge the receipt of public funds;

5 (b) Where digital or electronic devices are used to acknowledge cash
6 receipt, the same shall be subject to inspection and verification by the
7 Commission;

8 (c) The same is acceptable provided the document maintains its integrity
9 and reliability and may be authenticated so as to be usable for subsequent
10 reference, in that:

11 (1) the electronic document remains complete and unaltered,
12 apart from the addition of any endorsement and any authorized change,
13 or an change which arises in the normal course of communication,
14 storage and display; and

15 (2) the electronic document is reliable for the purpose for which
16 it was generated and for all relevant circumstances.

17 SEC. 64. *Check Payments for Taxes or Other Indebtedness to the*
18 *Government.* – (a) An officer charged with the collection of revenue or the
19 receipt of moneys payable to the government shall accept a payment in the form
20 of checks issued in favor of the government agency, upon proper indorsement
21 and identification of the payee or indorsee. Checks drawn in favor of the

1 government for payment of any indebtedness shall likewise be accepted by the
2 officer concerned, provided it shall be made payable to the agency or the official
3 title or designation of the official concerned as the payee;

4 (b) When a check drawn in favor of the government is not accepted by
5 the drawee bank for any reason, the drawer shall continue to be liable for the
6 sum due and all penalties resulting from delayed payment. Where the reasons
7 for non-acceptance by the drawee bank are insufficiency of funds or closed
8 accounts, the drawer shall be criminally liable therefor; and

9 (c) Money in the hands or custody of the collecting officer shall not be
10 utilized for the purpose of encashing private checks.

11 SEC. 65. *Deposit of Money in the Treasury or Authorized Government*

12 **Depository Bank.** – (a) Public officers authorized to receive and collect moneys
13 arising from taxes, revenues, or receipts of any kind shall remit or deposit intact
14 the full amounts so received and collected by the officers to the account of the
15 National Treasury or in the account of agencies maintained in the authorized
16 government depository bank not later than the following banking day, except
17 when it is impractical to do so due to distance and the amount to be deposited is
18 minimal; and

19 (b) The collections shall not be used for purposes of disbursements
20 except when authorized by law or regulations.

1 SEC. 66. *Acknowledgement of Receipt of Money by Government*

2 ***Depositories.*** – All authorized government depository banks shall acknowledge
3 receipt of all the money received, for the account of the national treasurer or the
4 agency concerned. The acknowledgement receipt shall bear the date of actual
5 deposit and shall indicate from whom, and on what account the money was
6 received. The money received shall be governed by the Treasury Single
7 Account System established pursuant to Executive Order No. 55, Series of 2011.

8 SEC. 67. *Shipment of Government Money or Property by Carrier;*

9 ***Notation of Evidence of Loss.*** – When government money or property is
10 transported from one place to another by carrier, it shall be the duty of the
11 consignee or the representative to make notations on the bill of lading or receipt
12 on any evidence of loss, shortage, or damage.

13 SEC. 68. *Credit for Loss Occurring in Transit or Due to Fire, Theft,*

14 ***Robbery or Force Majeure.*** – In case of loss of government funds, property,
15 documents evidencing financial transactions, or records of accountabilities occur
16 while in transit, or loss is caused by fire, theft, robbery or force majeure, the
17 officer or employee accountable or in custody thereof, shall immediately notify
18 the auditor concerned and, within thirty days from the occurrence of loss, shall
19 present the application for relief, together with the required supporting evidence.
20 When warranted, credit for the loss shall be allowed. An officer or employee

1 who fails to comply with this requirement shall not be relieved from liability nor
2 shall be allowed credit for any loss thereof.

3 SEC. 69. *Transfer of Funds from One Agency to Another or From One*
4 *Officer to Another.* – Transfer of government funds from one agency to another
5 or from one officer to another shall, except as allowed by law or regulation, be
6 made only upon prior direction or authorization of the agency head following
7 the accountability and accounting guidelines issued by the Commission.

8 SEC. 70. *Transfer of property between government agencies.* – Any
9 government property that is no longer serviceable or needed by the agency to
10 which it belongs may be transferred without cost, or at an appraised value, to
11 other government agencies upon authority of the respective agency heads.

12 SEC. 71. *Invoice and Receipt upon Transfer of Property.* – When
13 government property is transferred from one accountable officer to another, or
14 from an outgoing officer to the successor, it shall be done upon properly
15 itemized invoice and receipt which shall invariably support the clearance to be
16 issued to the relieved or outgoing officer, subject to regulations by the
17 Commission. The head of agency shall ensure the proper turn-over of their
18 accountabilities.

19 SEC. 72. *Destruction or Sale of Unserviceable Property.* – When
20 government property has become unserviceable for any cause, an inventory shall
21 be made, and upon application by the officer accountable therefor for

1 destruction, the property shall be inspected and appraised by the appraisal
2 committee created by the head of the agency, subject for review by the auditor
3 concerned and, if found to be valueless, unserviceable or unsalable, the property
4 may be destroyed or disposed of in the presence of the auditor.

5 If found to be valuable, the property may be sold thru public bidding to
6 the highest bidder under the supervision of the Disposal Committee of the
7 government agency, after advertising the same for two (2) consecutive days in
8 any national newspaper of general circulation. Where the value of the property
9 does not warrant the expense of publication, as determined by said Committee,
10 the notice of sale shall be posted for the same period in at least three (3) public
11 places in the locality where the property is to be sold. In the event that the
12 public bidding fails, the property may be sold at a negotiated sale at such price
13 as may be fixed by the same committee, subject to the immediate audit of the
14 auditor concerned in accordance with the regulations of the Commission.

15 SEC. 73. *Disposition of Government Property.* – Any government
16 property that is no longer needed by the agency to which it belongs as certified
17 by the head of the said agency may, after appraisal thereof by management, and
18 review by the Commission, be sold thru public bidding to the highest bidder.
19 Such sale shall be under the supervision of the proper committee on award or
20 similar body of the government agency, after publication for not less than two
21 (2) consecutive days in any national newspaper of general circulation. Where

1 the value of the property does not warrant the expense of publication, as
2 determined by the said proper committee, notices of said sale shall be posted for
3 a like period in the website of the agency and in at least three (3) public places
4 in the locality where the property is located, or where the sale will be conducted.
5 In the event that the public bidding fails, the property may be sold at a
6 negotiated sale at such price as may be fixed by the same committee, subject to
7 the immediate audit of the auditor concerned in accordance with the regulations
8 of the Commission.

9 Sale or any mode of disposition of real properties shall be subject to the
10 prior approval by the Commission.

11 **SEC. 74. *Disposition of Foreclosed Assets or Collaterals Acquired in***
12 ***the Regular Course of Business by Government Corporations.*** – Their
13 Charters notwithstanding, foreclosed assets or collaterals acquired in the regular
14 course of business by government corporations shall be sold through public
15 bidding to the highest bidder after appraisal thereof by an independent appraiser
16 and review by the Commission. Such sale shall be under the supervision of the
17 proper committee on award or similar body of the government corporation, after
18 publication for not less than two (2) consecutive days in any national newspaper
19 of general circulation.

20 In the event that the public bidding fails, the property may be sold at a
21 negotiated sale at such price as may be fixed by the same committee, subject to

1 the immediate audit of the auditor concerned in accordance with the regulations
2 of the Commission. If the property remains unsold for at least one year, it shall
3 be subject for reappraisal and shall be offered again for sale through public
4 bidding.

5 Government property may be disposed of as payment of dividend, after
6 appraisal thereof by an independent appraiser and review by the Commission.

7 SEC. 75. *Disposition of Funds or Property Held by Deceased,*

8 *Incapacitated or Absconding Accountable Officer.* – (a) When an officer

9 accountable for government funds or property absconds, dies, or becomes

10 incapacitated in the performance of duties, the agency head shall designate a

11 custodian to take charge of the funds or property until a successor shall have

12 been appointed and qualified. The agency head may appoint a committee to

13 count the cash and take an inventory of the property for which the officer was

14 accountable and to determine the responsibility for any shortage therein. One

15 copy of the inventory and of the report of the committee duly certified shall be

16 filed with the auditor concerned but the findings of the committee shall not be

17 conclusive until audit thereon is completed. The agency head, whenever

18 necessary, shall be responsible for securing a “*hold departure order*” from the

19 proper government agency to prevent the absconding officer from leaving the

20 country; and

(b) If the absconding, deceased or incapacitated officer is accountable for funds or property of a province or city, the acting custodian and committee shall be designated by the local chief executive, furnishing notice to the Secretary of Finance, who shall thereafter appoint a regular accountable officer through the Bureau of Local Government Finance.

SEC. 76. *Final Report of Accountable Officers.* – (a) An accountable officer, upon ceasing to act as such, shall submit to the auditor of the agency a report of the accountability within one (1) month after ceasing to act as accountable officer. Upon receipt of the report, the auditor shall conduct a cash examination on the accountability; and

(b) Any remaining balance of the cash accountability shall be deposited in the proper treasury immediately.

SEC. 77. *Auditor's Notice of Disallowances, Charges and Suspensions to Accountable Officer.* – (a) At the end of every period prescribed by the Commission, the auditor shall send a written notice of disallowance, charge, or suspension, if any, to each accountable officer, through the agency head, whose accounts have been audited and settled in whole or in part. An audit suspension which is not satisfactorily explained within ninety (90) days after receipt of the notice by the accountable officer shall become a disallowance.

1 (b) Any person aggrieved by the decision of the auditor pertaining to
2 disallowances, charges, or suspensions, may appeal the case in accordance with
3 the rules of procedure of the Commission.

4 Chapter III

5 APPLICATION OF APPROPRIATED FUNDS

6 SEC. 78. *Appropriation Before Entering into Contract.* – The contract
7 involving the expenditure of public funds shall not be entered into unless there
8 is an appropriation therefor, the unexpended balance of which, free of other
9 obligations, is sufficient to cover the proposed expenditure.

10 SEC. 79. *Certificate Showing Appropriation to Meet Contract.* –
11 Except in the case of a contract for personal services or for supplies for
12 immediate consumption, no contract involving the expenditure of public funds
13 by any government agency shall be entered into or authorized unless the proper
14 accounting official of the agency shall have certified to the officer entering into
15 the obligation that funds have been duly appropriated for the purpose and that
16 the amount necessary to cover the proposed contract for the fiscal year is
17 available for expenditure on account thereof. The certificate signed by the
18 proper accounting official shall be attached to and become an integral part of the
19 contract, and the sum so certified shall not thereafter be available for
20 expenditure for any other purpose until the obligation of the government agency
21 under the contract is fully extinguished.

1 SEC. 80. *Void Contract and Liability of Officer.* – Any contract entered
2 into contrary to the requirements of the two immediately preceding sections
3 shall be void and not binding to the government. The officers of any
4 government agency responsible for the contract shall be personally liable to the
5 government or other contracting party as if the transaction had been entered into
6 between private parties.

7 SEC. 81. *Restrictions on Payment Under Government Procurement*
8 *Contracts.* – No payment, partial or final, shall be made on any government
9 procurement contract except upon a certification by the head of the agency or
10 the duly authorized representative to the effect that the services have been
11 rendered, supplies, materials or equipment have been delivered and
12 infrastructure projects have been implemented or completed in accordance with
13 the terms and conditions of the contract and have been duly inspected and
14 accepted.

15 SEC. 82. *Prohibition against advance payment on government*
16 *contracts.* – Except when authorized by law, the government shall not be
17 obliged to make an advance payment for contracts for:

- 18 (a) services not yet rendered;
- 19 (b) supplies and materials not yet delivered, inspected and accepted;
- 20 and

(c) infrastructure projects not yet implemented or completed, inspected and accepted other than for 15% mobilization as provided for in RA 9184.

SEC. 83. *Limitations on cash advance.* – (a) Cash advance shall not be given unless for a legally authorized specific purpose. A cash advance shall be reported on, and liquidated, as soon as the purpose for which the cash advance was given has been served. Additional cash advance shall not be allowed to any official or employee unless the previous cash advance given has been settled or a proper accounting has been made;

(b) The failure of the official or employee to liquidate the cash advance after due demand by an authorized officer, is a prima facie presumption of malversation despite the absence of a finding of actual damage to the government;

(c) The transfer of cash advance by a disbursing officer to another does not constitute an expenditure for which the disbursing officer may claim credit in the accounts, but the responsibility continues to attach until the amount has been fully accounted for; and

(d) Cash advance shall not be granted for the procurement or implementation of infrastructure projects.

Any violation of the foregoing provisions shall constitute a valid cause for the withholding of the salary of the accountable officer without prejudice to the

1 imposition of administrative or civil sanction and criminal prosecution of both
2 the authorizing and the accountable officials, as may be warranted.

3 SEC. 84. *Limitations on Cash or Fund Transfers from One*
4 *Government Agency to Another.* – (a) Cash or fund transfers shall not be given
5 unless for legally authorized specific purpose as embodied in a memorandum of
6 agreement executed between the source and implementing agencies;

7 (b) The cash or fund transfers shall be reported and liquidated by the
8 implementing agencies as soon as the purpose for which they have been granted
9 have been served, but not later than the end of the year;

10 (c) Additional or new cash or fund transfers shall not be made unless the
11 previous transfers had been fully liquidated as certified by the head of agency;
12 and

13 (d) The heads of the source and implementing agencies shall be
14 responsible for compliance with the foregoing requirements.

15 Failure on the part of the foregoing officials or persons to comply with the
16 above mentioned responsibility shall constitute a ground for administrative or
17 criminal action, as evidence may warrant.

18 SEC. 85. *Limitations on Cash or Fund Transfers from Any*
19 *Government Agency to a Private Organization or Entity.* – (a) Cash or fund
20 transfers from a government agency shall not be given to a private organization
21 or entity unless authorized by law for a specific purpose which should be

embodied in a Memorandum of Agreement executed between the source government agency and the implementing private organization or entity;

(b) Only duly registered, accredited and reputable private organizations or entities shall be granted cash or fund transfers;

(c) The cash or fund transfers shall be reported on and liquidated by the implementing private organizations or entities to the source government agency as soon as the project has been completed or not later than sixty (60) days after project completion. If the project implementation will go beyond December 31st of the year, a partial liquidation report as of December 31st of that year shall be submitted to the source government agency not later than January 15 of the ensuing year;

(d) No additional or new cash or fund transfers shall be made unless the previous cash or fund transfers have been fully liquidated as certified by the head of the agency; and

(e) The heads of the source government agency and implementing private organizations or entities shall be responsible for compliance with the foregoing requirements.

Failure on the part of the officials or persons to comply with the above-mentioned responsibility shall constitute a ground for administrative or civil sanction or criminal prosecution, as warranted.

1 SEC. 86. *Payment of Rewards.* – When a reward becomes payable by
2 authority of law for information given relative to any offense or any illegal
3 activity, or for any act done in connection with the apprehension of the offender,
4 the reward shall be paid as prescribed by law or regulations. Such payment of
5 reward shall be subject to audit in accordance with the regulations of the
6 Commission.

7 SEC. 87. *Replacement of Lost, Stolen or Destroyed Checks.* – When any
8 check is lost, stolen or destroyed, the issuing officer may issue a replacement
9 check as payment for the same obligation upon the execution of an affidavit of
10 loss, submission of stop payment order to the drawee bank and a surety bond
11 issued by the Government Service Insurance System (GSIS) to indemnify the
12 issuing agency of the amount of the check. If destroyed, presentation of the
13 destroyed check to the issuing officer is also required. The chief accountant or
14 internal auditor of the agency shall be responsible that no double payment is
15 made as a result thereof.

16 SEC. 88. *To Whom Checks are Payable.* – Checks drawn against the
17 government agencies' Checking Account maintained with any government
18 depository shall be made payable directly to the creditor to whom the money is
19 due, or to a disbursing officer or employee for an official disbursement.

1 Release of checks to a person not duly authorized to receive such check
2 shall subject the accountable officer to administrative or civil sanctions or
3 criminal prosecution, as warranted.

4 SEC. 89. *Reversion of Unliquidated Balances of Accounts Payable.* –
5 The head of agency shall cause the reversion to the unappropriated surplus of
6 the general fund of the national government or of LGUs, and for GOCCs, to
7 their retained earnings, any unliquidated balance of accounts payable in their
8 books of accounts, which has been outstanding for two years or more and which
9 no actual valid claim, administrative or judicial, has been filed.

10 Chapter IV

11 ACCOUNTABILITY AND RESPONSIBILITY FOR 12 GOVERNMENT FUNDS AND PROPERTY

13 SEC. 90. *Accountable Officers; Bond Requirement.* – (a) Every officer
14 of any government agency whose duties permit or require the possession or
15 custody of government funds or property shall be accountable for the
16 safekeeping thereof in conformity with law. Other government officers not
17 accountable by the nature of their duties, may be similarly held accountable for
18 government funds or property through their participation in the use or
19 application thereof; and

20 (b) Every accountable officer shall be properly bonded in accordance
21 with law and the pertinent rules or regulations.

1 SEC. 91. ***Primary Responsibility and Accountability of the Agency***

2 ***Head.*** – (a) The head of any agency of the government is immediately and
3 primarily responsible for all government funds and property pertaining to the
4 agency; and

5 (b) Persons entrusted with the possession or custody of the funds or
6 property under the agency head shall be immediately responsible, without
7 prejudice to the liability of either party to the government.

8 SEC. 92. ***General Liability for Unlawful Expenditures.*** – Expenditures
9 of government funds or uses of government property in violation of law or
10 regulations shall be the personal liability of the official or employee found to be
11 directly responsible therefor.

12 SEC. 93. ***Degree of Supervision Over Accountable Officers.*** – The head
13 of any government agency shall exercise the diligence of a good father of a
14 family in supervising accountable officers under his control to prevent the
15 incurrence of loss of government funds or property, otherwise liability shall be
16 joint and solidary with the person primarily accountable therefor. The treasurer
17 of the local government unit shall likewise exercise the same degree of
18 supervision over accountable officers under his oversight, otherwise liability
19 shall be joint and solidary with the head of government agency for the loss of
20 government funds or property.

1 SEC. 94. *Measure of Liability of Accountable Officers.* – (a) Every
2 officer accountable for government property shall be liable for its money value
3 in case of improper, unauthorized use or misapplication thereof, by the officer or
4 any person for whose acts the officer may be responsible. The accountable
5 officer shall also be liable for all losses, damages, or deterioration occasioned by
6 negligence in the keeping or use of the property regardless of whether or not
7 there is actual custody; and

8 (b) Every officer accountable for government funds shall be liable for
9 all losses resulting from the unlawful deposit, use, or application thereof and for
10 all losses attributable to negligence in the keeping of the funds.

11 SEC. 95. *Liability for Acts Done by Direction of Superior Officer.* –
12 The accountable officer shall not be relieved from liability by reason of acting
13 under the direction of a superior officer in paying out, applying, or disposing of
14 the funds or property for which the officer is accountable, unless prior to that
15 act, the accountable officer notified the superior officer in writing of the
16 illegality of the payment, application, or disposition. The superior officer
17 directing any illegal payment or disposition of the funds or property and the
18 accountable officer who fails to serve the required notice shall be jointly and
19 solidarity liable.

20 SEC. 96. *Prohibition Against Pecuniary Interest.* – The head of agency,
21 board of directors, accountable officer or public official shall not have pecuniary

1 interest, directly or indirectly, in any contract or transaction of the agency in
2 which he/she is an officer, or in any other office where he/she has influence.

3 This prohibition shall apply to the accountable officer's immediate family
4 and relatives up to the third civil degree by consanguinity or affinity.

5 **TITLE IV**
6 **GOVERNMENT ACCOUNTING**
7 **Chapter I**

8 SEC. 97. *Government Accounting.* – Government accounting
9 encompasses the processes of analyzing, recording, classifying, summarizing
10 and communicating all transactions involving the receipt and disposition of
11 government funds and property, and interpreting the results thereof.

12 SEC. 98. *Accounting Rules and Regulations.* – The Commission shall
13 promulgate accounting rules and regulations in accordance with the Generally
14 Accepted Accounting Principles, International Public Sector Accounting
15 Standards and International Financial Reporting Standards, as applicable. Such
16 rules and regulations shall be updated from time to time as the Commission may
17 deem proper, to meet the changing government accounting requirements.

18 **Chapter II**
19 **ACCOUNTING REPORTS**

20 SEC. 99. *Financial Reports and Statements.* – (a) The financial reports
21 prepared by the agencies shall comply with the specific requirements of

1 applicable laws and regulations as to nature, accounting basis, content,
2 frequency, and distribution as well as with all applicable restrictions pertaining
3 to information that is classified for national security purposes; and

4 (b) The financial statements shall be based on official accounting
5 records and registries kept in accordance with law, regulations of the
6 Commission, and the International Public Sector Accounting Standards and
7 International Financial Reporting Standards, as applicable.

8 SEC. 100. ***Submission of reports.*** – (a) Whenever deemed necessary in
9 the exigencies of the service, the Commission may, under regulations issued by
10 it, require the agency heads, chief accountants, budget officers, cashiers,
11 disbursing officers, administrative or personnel officers, and other responsible
12 officials of the various agencies to submit financial statements, physical
13 inventory reports, current plantilla of personnel, and such other reports as may
14 be necessary for the exercise of its functions;

15 (b) In case of failure on the part of the officials concerned to submit the
16 documents and reports mentioned herein within the prescribed period, the head
17 of the agency shall cause the suspension of the payment of the salaries until the
18 officials shall have complied with the requirements of the Commission without
19 prejudice to any disciplinary action that may be instituted against such official
20 or employee in accordance with the applicable rules on administrative cases
21 issued by the Civil Service Commission; and

(c) Failure on the part of the head of the government agency to implement, without justifiable cause, the sanctions provided in the immediate preceding paragraph shall constitute as a ground for this Commission to file the appropriate administrative charge against the erring official.

Chapter III

INTERNAL CONTROL SYSTEMS

SEC. 101. ***Internal Control System and Its Installation.*** – (a) Internal control is the plan of organization and all the coordinate methods and measures adopted within an organization or agency to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies;

(b) It shall be the direct responsibility of the agency head to establish an internal control unit that shall install, implement and monitor a sound internal control system in that government agency; and

(c) Failure on the part of the head of the government agency to implement the preceding paragraph, without justifiable cause, shall constitute as a ground for this Commission to file the appropriate administrative charge against the erring official.

1
2
3
4
5
6
7
8
9
0
1
2
3
4
5
6
7
8
9
0
1

2

3
4
5
6
7

8
9
.0

- 1.
- 2.
- 3.
- 4.

5
6
7
8

9
0
1

1 SEC. 104. *Administrative Disciplinary Action.* – (a) Any unjustified
2 failure by the public officer to comply with the requirements imposed in this
3 Code, shall constitute neglect of duty or grave misconduct, and shall be a
4 ground for the Commission to file appropriate administrative disciplinary action
5 against the public officer who, upon being found guilty after hearing, shall be
6 meted the penalty commensurate with the degree of the guilt in accordance with
7 the civil service laws, without prejudice to criminal prosecution whenever the
8 evidence warrants; and

9 (b) The auditor shall report to the director any violation of the
10 preceding paragraph for referral of the case to the Office of the Ombudsman, or
11 other government disciplining authorities.

12 SEC. 105. *Separability Clause.* – If any provision or part of this Code is
13 declared invalid or unconstitutional, the remaining parts or provisions not
14 affected shall remain in full force and effect.

15 SEC. 106. *Repealing clause.* – Presidential Decree No. 1445, otherwise
16 known as the “*Government Auditing Code of the Philippines*,” is hereby
17 expressly repealed. All other laws, executive orders, proclamations, decrees,
18 instructions, rules and regulations, or parts thereof which are inconsistent or in
19 conflict with any provision of this Code are hereby repealed or modified
20 accordingly.

1 SEC. 107. ***Effectivity.*** – This Code shall take effect fifteen (15) days after
2 its publication in the *Official Gazette* or in two (2) newspapers of general
3 circulation.

4 Approved,

BILL – REVISED AUDITING CODE SFMGR ET AL.
JAG/MMC/EAD/ACB/mcs/mmt
11.13.23/3:52 PM