

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
Second Regular Session

House Bill No. **9646**



**INTRODUCED BY REPRESENTATIVES RALPH WENDEL P. TULFO,
JOCELYN P. TULFO, AND ERWIN T. TULFO**

**AN ACT PROVIDING FOR THE REVISED GOVERNMENT AUDITING CODE
OF THE PHILIPPINES**

EXPLANATORY NOTE

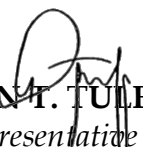
The 1978 Government Auditing Code of the Philippines serves as the cornerstone for ensuring the proper use and management of public funds. In the wake of evolving fiscal landscapes and the ever-changing nature of governance, it has become imperative to revisit and refine certain provisions to address current challenges and to align with international best practices in public financial management.

This bill then seeks to amend the Government Auditing Code of the Philippines and aims to enhance the effectiveness, transparency, and accountability of government financial management and auditing practices.

In view of the foregoing, the urgent passing of this bill is earnestly sought.


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

TITLE I

Chapter I

GENERAL PROVISIONS

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

SEC. 2. *Declaration of Policy.* – It is the policy of the State that all resources of the
government shall be managed, expended, or utilized in accordance with law, rules and
regulations, and safeguarded against loss or wastage through illegal or improper
disposition in order to ensure efficiency, economy, and effectiveness in the operations
of government. The responsibility to ensure that such policy is faithfully adhered to
rests directly with the chief or head of the government agency concerned.

1 **SEC. 3. Definition of Terms.** – As used in this Act:
2

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

8 (b) *Accountable officer* refers to the officer of a government agency who by the
9 nature of the duties and responsibilities or participation in the collection or
10 receipt and expenditure or use of government funds, custody, and disposal of
11 government funds, custody, and disposal of government property, is required
12 by law or regulation to render account to the Commission on Audit, hereinafter
13 referred to as the “Commission”, which includes any public officer or private
14 person or entity who may have direct or indirect participation in the
15 transaction;
16

17 (c) *Aggrieved party* refers to a person or entity adversely affected by any decision,
18 order, resolution, or ruling of the Commission or any of its duly authorized
19 representative;
20

21 (d) *Annual Audit Report (AAR)* refers to the final output of the regular yearly audit
22 conducted by the auditor on the accounts and operations of a government
23 entity and basically consists of the Independent Auditor’s Report, the audited
24 financial statements, and the audit observations and recommendations;
25

26 (e) *Management Letter (ML)* refers to the final output of a regular or periodic audit
27 conducted by the auditor on the accounts and operations of a government
28 entity which is in the form of a letter to the auditee management containing
29 just basically the audit observations and recommendations;
30

31 (f) *Special Audit Report (SAR)* refers to the final output of the special audit
32 conducted by the auditor assigned to audit specific accounts, transactions,

1 projects, programs, or activities of a government entity and basically consists
2 of audit observations and recommendations;

3
4 (g) *Appropriation* refers to an authorization by law, appropriation ordinance, other
5 enactments, or the corporate operating budget directing the payment of
6 personal services, maintenance and other operating expenses (MOOE), and
7 capital outlay out of government funds under specified conditions or
8 purposes;

9
10 (h) *Appeal* refers to the process of elevating to a higher authority any decision,
11 order, resolution, or ruling of the Commission or any of its duly authorized
12 representatives;

13
14 (i) *Audit* refers to the examination, verification, and adjustment of an account; the
15 evaluation of internal control systems; the determination of the government
16 entity's compliance with applicable laws, rules and regulations; as well as the
17 examination and evaluation of the economy, efficiency, and effectiveness of
18 management systems, operations, and decisions. It may also cover other
19 special audits as may be prescribed by the Commission;

20
21 (j) *Auditor* refers to any officer or employee of the Commission duly appointed or
22 designated as such;

23
24 (k) *Audit group* refers to a cluster of audit teams that are grouped together, headed
25 by a supervising auditor (SA), which is responsible for planning, managing,
26 supervising, and quality control of the audit work as well as ensuring the
27 prompt submission of audit reports;

28
29 (l) *Audit team* refers to the basic organizational unit responsible for the audit of
30 government entities consisting of an audit team leader (ATL) and audit team
31 members (ATMs);
32

- 1 (m) *Audit work papers* refer to the documentation or evidences of the work done and
2 the results thereof, consisting of relevant or pertinent data, analyses,
3 computations, calculations, notes, schedules, excerpts, confirmation, and other
4 documents or materials gathered, prepared, and compiled in the course of an
5 audit;
- 6
7 (n) *Cash* refers to money or its equivalent currencies, negotiable checks, or balances
8 in bank accounts or in the possession or custody of a collecting or disbursing
9 officer;
- 10
11 (o) *Charge* refers to an inclusion or addition to an accountability pertaining to the
12 assessment, appraisal, or collection of revenues, receipts, and other income
13 arising from under-appraisal, under-assessment, under-collection, or failure to
14 collect or remit collection which are found in the course of audit of revenues or
15 receipts;
- 16
17 (p) *Certificate of Execution (COE)* refers to a written instruction to the head of
18 agency to withhold payment of salary and other money due to persons liable,
19 for settlement of their liability as indicated in the Notice of Disallowance or
20 Charge and issued after the issuance of the Notice of Finality of Decision
21 (NFD);
- 22
23 (q) *Decision or resolution* refers to an adjudication or settlement of a claim or
24 controversy by the authorized official of the Commission which shall embody
25 the facts of the case, the issues to be resolved, and the laws, regulations, or
26 precedents on which the ruling is based;
- 27
28 (r) *Depository* refers to any financial institution lawfully authorized to receive
29 deposit of government moneys;
- 30
31 (s) *Disallowance* refers to the disapproval in audit of a transaction, either in whole
32 or in part, involving government disbursement or property;

- 1
2 (t) *Government agency* refers to any department, bureau, or office of the national
3 government, or any of its branches and instrumentalities, local government
4 units and its political subdivisions, including entities created by it, as well as
5 government financial institutions and other government corporations, with or
6 without original charter, including its subsidiaries, other self-governing boards
7 or commissions of the government, constitutional bodies with fiscal autonomy,
8 and autonomous educational institutions;
- 9
10 (u) *Government funds* refer to public moneys of every sort and other resources
11 pertaining or accruing to any agency of the government, including funds
12 transferred to the private sector as a subsidy, equity, or counterpart fund for
13 implementation of specific projects;
- 14
15 (v) *Liability* refers to a personal obligation arising from an audit disallowance,
16 charge, or decision which may be satisfied through payment or restitution as
17 determined by competent authority or by other modes of extinguishment of an
18 obligation as provided by law;
- 19
20 (w) *Money claim* refers to a demand for payment of a sum of money,
21 reimbursement, or compensation arising from law, contract, quasi-contract, or
22 quasi-delict due from a government agency or owing to a claimant;
- 23
24 (x) *Notice of Finality of Decision (NFD)* refers to a written notification addressed to
25 the agency head that a decision of the Commission has become final and
26 executory;
- 27
28 (y) *Persons liable* refer to the persons determined to be answerable for an audit
29 disallowance, charge, or decision by the Commission;
- 30
31 (z) *Persons responsible* refer to the persons determined to be answerable for the
32 compliance with the audit requirements as called for in the Notice of
33 Suspension (NS);

1
2 (aa) *Public purpose* refers to any purpose or use directly available to the general
3 public as a matter of right which includes traditionally viewed as essentially
4 government functions such as the building of roads and the delivery of basic
5 services, and other purposes designed to promote social justice and public
6 interest;

7
8 (bb) *Revenue* refers to income or receipts derived by a government agency from
9 taxes, excise, custom duties, fees, royalties, rents, sales of goods, or services and
10 collections from other sources;

11
12 (cc) *Settlement* refers to the payment, restitution, or other act of extinguishing an
13 obligation as provided by law in satisfaction of the liability under a Notice of
14 Disallowance or Notice of Charge (ND/NC) or in compliance with the
15 requirements of a NS;

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

19
20 (ee) *Trust funds* refer to funds which, by operation of law or by contract, have come
21 officially into the possession of any government agency or public officer as
22 trustee, agent, or administrator, and received in fulfillment of certain
23 obligations or a specific purpose.

24
25 **SEC. 4. *Fundamental Principles.*** – Financial transactions and operations of any
26 government agency shall be governed by the following fundamental principles:

27
28 (a) No money shall be paid out of any public treasury or depository except in
29 pursuance of an appropriation law, appropriation ordinance, or other specific
30 statutory authority, or a board-approved corporate operating budget;

- 1 (b) Government funds or property shall be spent or used solely for public
2 purposes;
- 3
- 4 (c) Trust funds shall be spent only for the specific purpose for which the trust was
5 created or the funds were received;
- 6
- 7 (d) Fiscal responsibility shall, to the greatest extent, be shared by all those
8 exercising authority over the financial affairs, transactions, and operations of
9 the government agency;
- 10
- 11 (e) Disbursements or disposition of government funds or property shall be
12 approved by the proper official of the government agency;
- 13
- 14 (f) Claims against government funds shall be supported with the complete
15 required documentation;
- 16
- 17 (g) All laws, rules, and regulations applicable to financial transactions shall be
18 faithfully adhered to; and
- 19
- 20 (h) Generally accepted principles and standards of accounting as well as of sound
21 management and fiscal administration shall be observed, provided that they
22 do not contravene existing laws and regulations.

23 24 TITLE II

25 THE COMMISSION ON AUDIT

26 27 Chapter I

28 ORGANIZATION

29

30 **SEC. 5. *Commission on Audit: Composition, Qualifications, Term and Salary of***
31 ***Members.*** – (a) The Commission on Audit (COA), is composed of a Chairperson and
32 two (2) Commissioners, who are natural-born citizens of the Philippines, either certified
33 public accountants with not less than ten (10) years of auditing experience, or members

1 of the Philippine Bar engaged in the practice of law for at least ten (10) years, and must
2 not have been candidates for any elective positions in the elections immediately
3 preceding their appointments. At no time shall all members of the Commission belong
4 to the same profession;

5
6 (b) The Chairperson and the Commissioners shall be appointed by the President of
7 the Philippines, subject to the confirmation of the Commission on Appointments, for a
8 term of seven (7) years without reappointment. Appointment to any vacancy shall be
9 only for the unexpired portion of the term of the predecessor. In no case shall any
10 member be appointed or designated in a temporary or acting capacity;

11
12 (c) No members of the Commission shall, during their tenure, hold any other office
13 or employment in the government. Neither shall they engage in the practice of any
14 profession or in the active management or control of any business which in any way
15 may affect their functions as members of the Commission, nor shall they be financially
16 interested, directly or indirectly, in any contract with, or in any franchise or privilege
17 granted by the national government, any of its political subdivisions, agencies or
18 instrumentalities, including government-owned or -controlled corporations and their
19 subsidiaries; and

20
21 (d) The salary of the Chairperson and the Commissioners shall be fixed by law and
22 shall not be decreased during their tenure.

23
24 **SEC. 6. *Commission Proper.*** – The Commission Proper is composed of the
25 Chairperson and two (2) Commissioners. They shall sit as a collegial body to formulate
26 policies, rules and regulations, prescribe standards governing the discharge of its
27 powers and functions.

1
2
3 **SEC. 7. *Specific Functions of the Commission Proper.*** – The specific functions of the
4 Commission Proper are the following:

- 5
6 (a) Promulgate the rules concerning pleadings and practices before the
7 Commission or any of its offices. Such rules however shall not diminish,
8 increase, or modify substantive rights;
9
10 (b) Decide, by a majority vote of all members of the Commission Proper, any case
11 or matter brought before it within sixty (60) days from the date of submission
12 for decision or resolution;
13
14 (c) Appoint, in accordance with the civil service laws and the applicable career
15 executive development programs, the officials and employees of the
16 Commission. Appointment of lower non-core positions may be delegated by
17 the Commission Proper to the appropriate officials of the Commission. It shall
18 have the original jurisdiction over administrative cases filed against the
19 personnel of the Commission;

20
21 The Commission Proper shall determine the salaries and other forms of
22 compensation and other benefits, including medical, dental, optical, and other
23 health benefits of the personnel of the Commission, pursuant to its fiscal
24 autonomy as provided in the Constitution.

25
26 The Commission Proper may re-organize the organizational structure of the
27 Commission as the need arises and to effectively attain the Commission's
28 mandate in keeping with the demands of the service.
29

1 The Commission Proper shall develop and implement a comprehensive and
2 continuing education, manpower training and development program for
3 officials and employees of the Commission.
4

5 (d) Promulgate auditing rules and regulations for the determination of the scope
6 and type of audit and examination by the Commission, the establishment of
7 techniques and methods required therefor, including those for the prevention
8 and disallowance of illegal, irregular, unnecessary, excessive, extravagant, or
9 unconscionable expenditures or uses of government funds or property;
10

11 (e) Issue policies, rules, and procedures in the custody and preservation of the
12 general accounts of the national government;
13

14 (f) Issue regulations pertaining to the responsibility and accountability of the
15 audited agency in the custody and preservation of disbursement vouchers,
16 journal vouchers and their supporting papers, official receipts and report of
17 collection, accounting records and reports, whether audited or not, for a period
18 of ten (10) years or for a longer prescriptive period, as may be provided by law
19 or regulations; and
20

21 (g) Perform such other functions as may be necessary for the effective
22 implementation of this Act.
23

24 **SEC. 8. *Duties and Responsibilities of the Chairperson.*** – The Chairperson shall act
25 as the presiding officer of the Commission Proper and chief executive officer of the
26 Commission. As chief executive officer, the Chairperson shall:
27

28 (a) Control and supervise the general administration of the Commission;
29

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

- 1
2 (c) Sign appointments, promotions, office orders for audit engagements,
3 assignment, reassignment of officials and employees, or any other personnel
4 movement in any office or station of the Commission without additional
5 remuneration, except those authorized by law;
- 6
7 (d) Exercise control and supervision over the audit of intelligence or confidential
8 transactions or accounts of government agencies;
- 9
10 (e) Delegate to the commissioners, assistant commissioners, directors, and other
11 officials of the Commission such authority on internal administration
12 concerning personnel, planning, financial, legal, and other matters pertaining
13 to their respective functional areas as may be determined by the Commission
14 Proper;
- 15
16 (f) Submit an annual budget to the Commission Proper for its approval;
- 17
18 (g) Submit to the Office of the President of the Philippines, Congress, and other
19 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
22 corporations subject to its audit, together with recommendations or measures
23 to improve the economy, efficiency, and effectiveness of their operations, and
24 such other reports as may be required by law;
- 25
26 (h) Authorize the re-opening of settled accounts in case of fraud, collusion, or error
27 of calculation or when new and material evidence is discovered. The auditor
28 may certify thereon a new balance within three (3) years after the original
29 settlement of any account by the auditor or discovery thereof but not to exceed
30 ten years from the date of transaction;
- 31
32 (i) Summon any person or public official for the purpose of gathering data or
33 inquiring into matters pertinent to the formulation, implementation, or

1 enforcement of any order, decision, policy, standard, or regulation of the
2 Commission Proper; and

- 3
4 (j) Perform such other functions as may be required by law or policy of the
5 Commission.

6
7 **SEC. 9. *Duties and Responsibilities of the Commissioners.*** – The Commissioners, as
8 members of the Commission Proper, shall have the following duties and
9 responsibilities:

- 10
11 (a) Formulate and propose policies, accounting and auditing rules; review,
12 evaluate, and update existing regulations of the Commission; and prescribe
13 standards governing the performance by the Commission of its powers and
14 functions;

- 15
16 (b) Review and deliberate cases submitted for decision or resolution;

- 17
18 (c) Approve the appointment and promotion of the officials and employees of the
19 Commission, subject to civil service rules;

- 20
21 (d) Assist in the general administration of the Commission upon proper
22 delegation by the Chairperson;

- 23
24 (e) Act as officer-in-charge of the Commission upon proper designation by the
25 Chairperson, in case of the latter's absence; and

- 26
27 (f) Perform such other functions as may be provided by law, rules, regulations, or
28 policies of the Commission.

29
30 **SEC. 10. *Organizational Structure, Compensation of Personnel and Functions.*** – The
31 Commission Proper shall determine the organizational structure of the Commission,
32 and fix the salaries, allowances, and other benefits of its officials and employees, which

1 shall be exempt from the Salary Standardization Law, and in accordance with the fiscal
2 autonomy of the Commission.

3
4 **SEC. 11. *Standards Boards.*** – The public sector accounting standards board and the
5 private sector auditing standards board shall be created directly under the Commission
6 Proper, the members of which shall function in an *ex-officio* capacity.

7
8 **SEC. 12. *Assistant Commissioners.*** – The organizational structure of the
9 Commission shall be composed of sectors consisting of offices or clusters, as may be
10 determined by the Commission Proper. Each sector shall be headed by an Assistant
11 Commissioner who shall have the following functions:

- 12
13 (a) Formulate, develop, update, and supervise the implementation of the
14 operational plan and performance commitment of the sector which are aligned
15 with the Commission’s strategic plan and annual holistic operational plan;
16
17 (b) Supervise the general administration of offices or cluster of offices under
18 his/her jurisdiction;
19
20 (c) Formulate, evaluate, and recommend policies, rules, and regulations for
21 consideration by the Commission Proper; and
22
23 (d) Perform such other functions as may be necessary in the effective
24 implementation of this Act.

25
26 **SEC. 13. *General Counsel.*** – One of the Assistant Commissioners shall head the legal
27 services sector of the Commission and be concurrently designated as the General
28 Counsel of the Commission who, as such, shall:

- 29
30 (a) Perform advisory and consultative services on legal matters;
31

- 1 (b) Render legal service with respect to the performance of the functions of the
2 Commission and the interpretation of pertinent laws and auditing rules and
3 regulations, with the exception of purely accounting matters which shall be
4 acted upon by the Commission's government accountancy sector;
- 5
6 (c) Handle the investigation of administrative complaints or cases filed against
7 personnel of the Commission; evaluate and act on all reports of involvement
8 of the personnel of the Commission in anomalies or irregularities in
9 government transactions; and perform any other investigative work required
10 by the Commission upon assignment by the Chairperson;
- 11
12 (d) Represent the Commission in preliminary investigations of malversation and
13 other criminal or administrative cases discovered in audit; assist and
14 collaborate with the Solicitor General and the Ombudsman in handling cases
15 involving the Chairperson or any of the Commissioners, or other officials and
16 employees of the Commission in their official capacity;
- 17
18 (e) Coordinate, for the Commission and with the appropriate legal bodies of
19 government, with respect to legal proceedings towards the collection and
20 enforcement of debts and claims, and the restitution of funds and property,
21 found to be due any government agency which are pending settlement or
22 adjustment by the Commission; and
- 23
24 (f) Supervise the enforcement and settlement of disallowances, charges, and
25 decisions of the Commission covered by a notice of finality of decision and
26 order of execution. For this purpose, the General Counsel shall have control
27 and supervision over the Office of the Commission Chief Enforcement Officer.
- 28

29 **SEC. 14. *Commission Chief Enforcement Officer.*** – (a) There shall be a Chief
30 Enforcement Officer who shall have the rank and privileges of a central office cluster
31 director. The powers and authority of the Chief Enforcement Officer shall be similar to
32 that of a sheriff of a regular court, with additional tasks as may be defined by the

Commission Proper. The Chief Enforcement Officer and the deputies shall be under the control and supervision of the General Counsel.

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

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

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

- (a) Administration Sector (AS);
- (b) Planning, Finance, and Management Sector (PFMS);
- (c) Professional and Institutional Development Sector (PIDS);
- (d) Government Accountancy Sector (GAS);
- (e) Special Services Sector (SSS);
- (f) Legal Services Sector (LSS);
- (g) Commission Proper Adjudication Sector (CPAS);
- (h) Systems and Technical Services Sector (STSS);
- (i) National Government Audit Sector (NGAS);
- (j) Corporate Government Audit Sector (CGAS); and

1 (k) Local Government Audit Sector (LGAS).

2
3 Each sector shall discharge their existing duties and such other duties and functions
4 as may be prescribed by the Commission Proper.

5
6 **SEC. 16. *Commission Secretariat.*** – The Commission Secretariat shall be headed by
7 a director who shall have the same rank and privileges of a central office cluster director.

8
9 The Commission Secretariat shall perform the following functions:

10
11 (a) Prepare the agenda for the sessions of the Commission Proper;

12
13 (b) Prepare, keep, and preserve the minutes of all sessions, hearings, and
14 conferences of the Commission Proper;

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

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

20
21 **SEC. 17. *Duties and Responsibilities of the Central Office Directors.*** – The duties
22 and responsibilities of the central office directors, as head of their respective offices or
23 clusters, are as follows:

24
25 (a) Formulate, develop, and supervise the implementation of the annual
26 Operational Plan and Office Performance Commitment of the office or cluster,
27 both aligned with the sector's operational plan and performance commitment,
28 and in accordance with the Commissioner's Strategic Plan;

- 1 (b) Manage the general administration of the office, including matters pertaining
2 to workload, work accomplishment, and management of the resources of the
3 office or cluster;
- 4
- 5 (c) Direct and manage the implementation and execution of laws, and policies,
6 standards, rules, and regulations promulgated by the Commission and
7 memoranda issued by the Office of the Chairperson;
- 8
- 9 (d) Submit annual performance report and other reports as directed by the
10 Commission Proper or by the Chairperson; and
- 11
- 12 (e) Perform other functions that may be assigned by higher and competent
13 authorities in the Commission relevant to the effective implementation of this
14 Act.

15

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

- 19
- 20 (1) CORDILLERA ADMINISTRATIVE REGION (CAR);
- 21 (2) REGION I;
- 22 (3) REGION II;
- 23 (4) REGION III;
- 24 (5) REGION IV-A (CALABARZON);
- 25 (6) REGION IV-B (MIMAROPA);
- 26 (7) REGION V;
- 27 (8) REGION VI;
- 28 (9) REGIONAL SATELLITE AUDIT OFFICE NEGROS ISLAND;
- 29 (10) REGION VII;
- 30 (11) REGION VIII;
- 31 (12) REGION IX;
- 32 (13) REGION X;

- 1 (14) REGION XI;
2 (15) REGION XII;
3 (16) REGION XIII; and
4 (17) BANGSAMORO AUTONOMOUS REGION IN MUSLIM MINDANAO
5 (BARMM).
6
7

8 (b) Each regional office shall be headed by a director who shall perform the
9 following functions:
10

- 11 (1) Formulate, develop, and supervise the implementation of the Operational Plan
12 and Office Performance Commitment of the regional office, both aligned with
13 the sector's operational plan and performance commitment, as well as the
14 Commission's strategic plan;
15
16 (2) Exercise supervision and control over the implementation of auditing rules
17 and regulations in any agency of the government with principal offices or place
18 of operations within the region;
19
20 (3) Review, analyze, and consolidate local, national, and corporate audit reports
21 and audited financial statements of agencies in the region as may be required;
22
23 (4) Exercise authority over internal administration of personnel, planning,
24 financial (budgetary and accounting), and legal matters pertaining to the
25 region upon delegation by the Commission Proper; and
26
27 (5) Perform such other related functions as may be assigned by the Chairperson.
28

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

- 1
- 2 (a) Audit groups may be constituted for the audit of a group of agencies to be
- 3 determined by the Commission Proper. Each audit group shall be headed by a
- 4 supervising auditor, who shall report directly to the cluster or regional
- 5 director;
- 6
- 7 (b) Audit teams may be constituted to audit various agencies as may be
- 8 determined by the Commission Proper. Each audit team shall be headed by a
- 9 team leader who shall report to the supervising auditor of the concerned audit
- 10 group;
- 11
- 12 (c) The audit team supervisor (ATS) or the audit team leader (ATL) who signs the
- 13 independent auditor's report shall be a certified public accountant;
- 14
- 15 (d) The Commission Proper shall review the composition of the audit groups and
- 16 audit teams, and may make changes or modifications in the exigency of the
- 17 service and as the need arises;
- 18
- 19 (e) Until such time that the Commission shall have adequate provincial satellite
- 20 audit offices (PSAO) in each province to house the audit teams for the national
- 21 government or local government agencies, the audited agency shall continue
- 22 to provide suitable and sufficient office and storage space together with
- 23 supplies, equipment, furniture, and other necessary operating expenses of
- 24 their audit teams. They shall transfer such amounts budgeted for auditing
- 25 services to the regional or central office having supervision over the audit team
- 26 assigned to the auditee.

27

28 **SEC. 20. Powers, Functions, and Duties of Authors.** – (a) The auditor shall exercise

29 such powers and functions as may be authorized by the Commission in the

30 examination, audit and settlement of the accounts, funds, property, financial

31 transactions, resources and physical operations of the agencies under his/her respective

32 audit jurisdiction;

1
2 (b) The auditor shall employ such auditing procedures and techniques as it may
3 prescribe under the regulations of the Commission;
4

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

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

19 (e) The audit team shall retain a digital copy of the post-audited vouchers and
20 supporting papers, official receipts, and other documents/reports upon
21 turnover/return of the originals to the auditee for safekeeping and preservation in
22 accordance with the guidelines promulgated by the Commission Proper.
23

24 **SEC. 21. *Annual Audit and Work Program.*** – The ATL shall develop or formulate an
25 annual audit plan and the necessary audit programs for auditee in accordance with the
26 regulations of the Commission. The annual audit plan of the audit team shall be aligned
27 with the cluster or regional office’s operational plan and performance commitment.
28

29 **SEC. 22. *Assignment and Compensation of Auditing Personnel.*** – (a) The assignment
30 of representatives and support personnel of the Commission to agencies of the

1 government shall be determined by the Chairperson in accordance with the policy
2 promulgated by the Commission Proper; and

3
4 (b) The salaries and other forms of compensation of the personnel of the Commission
5 shall be determined by the Commission Proper which shall be exempt from the Salary
6 Standardization Law pursuant to the Commission's fiscal autonomy as provided in the
7 1987 Constitution.

8
9 **SEC. 23. *Legal Assistance to COA Officials and Employees.*** – (a) The officials and
10 employees of the Commission are authorized to engage the services of private lawyers
11 for a fee in accordance with the guidelines issued by the Commission Proper; and

12
13 (b) For this purpose, the Commission shall include in its budget the amount to be set
14 aside as a legal assistance fund.

15
16 **SEC. 24. *Professionalization of Audit Services.*** – The Commission shall develop,
17 adopt, and implement for its officials and employees a comprehensive and continuing
18 manpower training and development program, which may follow a ladderized system.
19 For this purpose, it shall continue its capacity building program in coordination with
20 international professional bodies such as the International Organization of Supreme
21 Audit Institutions, Asian Organization of Supreme Audit Institutions, Association of
22 Southeast Asian Nations Supreme Audit Institutions and other supreme audit
23 institutions.

24 25 **Chapter II**

26 **APPROPRIATIONS, FUNDING, AND FISCAL AUTONOMY**

27
28 **SEC. 25. *Appropriations and Funding.*** – (a) The annual operating budget of the
29 Commission as provided in the General Appropriations Act shall be sourced from the
30 following:

1
2 (1) One-half of one percent (1/2 of 1%) of the annual collections from national
3 internal revenue taxes;
4

5 (2) A fixed amount equivalent to the actual cost of the audit services in the
6 government corporations, plus a reasonable rate to cover overhead expenses;
7 and
8

9 (3) Other sources such as but not limited to collections of audit fees from water
10 districts and special audits, consultancy fees and retained income;
11

12 (b) The budget proposal may be subject to review by the Department of Budget and
13 Management but in no case shall it be lower than the approved budget of the
14 Commission for the previous year; and
15

16 (c) All government corporations, including their subsidiaries, and self-governing
17 boards shall appropriate in their respective budgets and remit not later than the end of
18 the second quarter of each year an amount equivalent to the appropriation for Personal
19 Services to the National Treasury and shall transfer to the Commission, the amount for
20 the MOOE and Capital Outlay to be utilized by the assigned audit team of the
21 Commission during the calendar year. Should the assigned audit team remain in
22 residency in the premises of the GOCC, the Capital Outlay and MOOE budget by the
23 audit team shall continue to be directly provided by the agency.
24

25 **SEC. 26. Fiscal Autonomy.** – (a) The Commission shall enjoy fiscal autonomy. Its
26 approved annual appropriation shall be automatically and regularly released. The
27 Commission Proper may be authorized to augment any item in the general
28 appropriations for the Commission from savings in any item in the same appropriation;
29

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

1
2 (c) Violation of this Section shall subject the concerned responsible officials to
3 appropriate administrative sanctions.
4
5
6
7
8

9 Chapter III

10 JURISDICTION, POWERS, AND FUNCTIONS OF THE COMMISSION 11

12 **SEC. 27. *Statement of Objectives.*** – Pursuant to its constitutional mandate, the
13 Commission adheres to the following objectives:
14

- 15 (a) Determine whether the fiscal responsibility which rests directly with the head
16 of the government agency has been properly, efficiently, and effectively
17 discharged;
18
- 19 (b) Develop and implement a comprehensive audit plan that shall encompass the
20 examination of financial and non-financial transactions, accounts, and reports,
21 including evaluation of the internal control system of the agency;
22
- 23 (c) Institute control measures through the promulgation of auditing and
24 accounting rules and regulations governing the revenue, receipts,
25 disbursements, and uses of funds and property, including evaluation of
26 projects under public-private partnership (PPP) agreements or the like, fund
27 transfers to non-government organizations (NGOs), people's organizations
28 (POs), or other private entities for a specific purpose, consistent with the total
29 economic development efforts of the Government;
30

- 1 (d) Promulgate accounting and auditing rules and regulations to facilitate the
2 safekeeping of the accounts of the government and enhance their information
3 value using state-of-the-art technology;
- 4
- 5 (e) Institute measures designed to preserve and ensure the independence of the
6 Commission's officials and employees; and
- 7
- 8 (f) Bring its operations closer to the people by the delegation of authority,
9 consistent with the provision of the Constitution and the national policy on
10 decentralization.

11

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

19

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

- 21
- 22 (1) Public utilities;
- 23
- 24 (2) Non-government entities such as electric cooperatives, NGOs, POs; private
25 foundations, educational institutions and other entities receiving subsidy or
26 equity, donation or grant, or fund transfer directly or indirectly from or
27 through the government, those which have government shares, or counterpart
28 funds from the government, and those which are required by law or the
29 granting institution to submit to such audit as a condition of subsidy or equity,
30 donation or grant, or fund transfer. This authority, however, shall pertain only

1 to the audit of these funds or subsidies coming from or through the
2 government;

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

5
6 (4) Private entities collecting revenues in behalf of the government;

7
8 (c) The Commission shall have exclusive authority, subject to the limitations of
9 Article IX of the 1987 Constitution, to define the scope of its audit and examination,
10 establish the techniques and methods required therefor, and promulgate accounting
11 and auditing rules and regulations, including those for the prevention and
12 disallowance of illegal, irregular, unnecessary, excessive, extravagant, or
13 unconscionable expenditures, or uses of government funds and property;

14
15 (d) No entity of the government, its instrumentalities, or subsidiaries shall be
16 exempted in any guise whatsoever from the jurisdiction of the Commission;

17
18 (e) The authority and power of the Commission shall extend to and comprehend all
19 matters relating to:

20
21 (1) Auditing procedures, systems, and controls;

22
23 (2) Keeping of the general accounts of the government;

24
25 (3) Examination and inspection of the books, records, and papers relating to those
26 accounts and operations under audit;

27
28 (4) Audit and settlement of the accounts of all persons respecting funds or
29 property received or held by them in an accountable capacity;

- 1 (5) Settlement of accounts subsisting between agencies of the government; and
2
- 3 (6) Examination, audit, and settlement of all debts and claims of any sort,
4 including set-off, due from or owing to the government or any of its
5 subdivisions, agencies, or instrumentalities;
6
- 7 (f) The Commission shall have visitorial authority over the following:
8
- 9 (1) Non-government entities subsidized by the government, those required to pay
10 levies or government share; royalties or fees from exploitation, exploration,
11 and development of natural resources. This authority pertains only to the
12 determination of the amount to be assessed, collected, and remitted to the
13 government;
14
- 15 (2) Non-government entities whose loans are guaranteed by the government,
16 provided that such authority shall pertain only to the audit of the
17 government's contingent liability;
18
- 19 (3) Non-government entities operating and charging fees or tariffs to the public
20 for the use of public facilities or utilities insofar as the reasonableness of the
21 rates charged to the users of the facilities or utilities; and
22
- 23 (4) Non-government entities which have contracts with the government under a
24 PPP Agreement or any of its variants, insofar as the determination of the
25 existence of value-for money in procurement through PPP; compliance with
26 the terms and conditions of the contract or agreement; reasonableness of the
27 sharing of the risks and rewards between the private sector and the
28 government; and absence of disadvantage to the government in the agreement
29 relating to the operation, maintenance, and handover of the public
30 infrastructure or project.
31

1 **SEC. 29. *Fees for Audit and Other Services.*** – (a) The Commission shall assess and
2 collect reasonable fees for the different services rendered to non-government entities
3 that shall be audited in connection with their dealings with the government, arising
4 from but not limited to subsidies, counterpart funding, government equity, donation,
5 grant, fund transfer, directly or indirectly from or through the government, or where
6 audited records become the basis for a government levy or share. Fees of this nature
7 shall accrue directly to the Commission within ten (10) working days following the
8 completion of the audit; and

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

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

21
22 (b) The deputized professionals or experts are entitled to such compensation and
23 allowances as may be stipulated in an agreement or contract, subject to pertinent rules
24 and regulations on compensation and fees; and

25
26 (c) The Commission Proper shall issue guidelines in contracting deputized
27 professionals or experts referred to in this Section.

28
29 **SEC. 31. *Civil Society Organizations in the Conduct of Audit.*** – The Chairperson
30 may deputize duly accredited civil society organizations (CSOs) in the conduct of audit

1 to help auditors in the ocular inspection, validation, evaluation, and monitoring projects
2 imbued with public interest or located in remote and critical areas in order to enhance
3 credibility, accountability, and transparency in audit processes.

4
5 **SEC. 32. *Disallowance of Unconscionable Expenditures of Funds or Uses of***
6 ***Property.*** – The Commission shall promulgate accounting and auditing rules and
7 regulations for the prevention and disallowance of illegal, irregular, unnecessary,
8 excessive, extravagant, or unconscionable expenditures, or uses of government funds
9 or property. Any violation of such rules and regulations shall be a ground for
10 disallowance without prejudice to administrative, civil, and criminal sanctions against
11 the persons liable.

12
13 **SEC. 33. *Auditing Transactions with Private Persons.*** – No government agency or
14 government employees association shall enter into any contract or transaction with any
15 private person or firm for services to undertake studies and services relating to
16 government auditing and accounting, including services to conduct, for a fee, seminars
17 or workshops for government personnel on these topics, unless the proposed contract
18 is first submitted to the Commission to enable it to determine if it has the resources and
19 capability to undertake such studies or services. The Commission may engage the
20 services of experts from the public or private sectors in the conduct of such studies.

21
22 Should the Commission decide not to undertake the study or service, the
23 Commission shall nonetheless have the power to review the proposed contract in order
24 to determine the necessity, capability, or expertise of the private party and the
25 reasonableness of its fees.

26
27 Any contract entered into without the approval of the Commission shall be
28 considered null and void and the related expenditures incurred thereon shall be
29 disallowed in audit and become the personal liability of the officials concerned.

1 **SEC. 34. *Legal Services of Private Law Firms.*** – No contract involving public funds
2 shall be entered into for the services of a private law firm or lawyer to represent
3 government agencies in court or to render legal services for them. In the event that such
4 legal services cannot be avoided or is justified under extraordinary or exceptional
5 circumstances, the written conformity and acquiescence or clearance of the Solicitor
6 General or the Government Corporate Counsel, as the case may be, and the written
7 concurrence of the Commission shall first be secured before the hiring or employment
8 of a private lawyer or law firm.

9
10 In the absence of said requirements, any payment thereof shall be disallowed in audit
11 and the same shall be the personal liability of the officials concerned.

12
13 **SEC. 35. *Prohibition in Soliciting, Grants, or Financial Assistance.*** – Private
14 foundations and entities organized and managed by government officials and
15 employees are prohibited from using the name and resources of the government agency
16 in soliciting or receiving donations, grants, or financial assistance from private,
17 domestic, and international donors.

18
19 Any violation of the preceding paragraph shall subject the said foundation or entity
20 to special audit by the Commission as if the funds so received are public funds which
21 should be recorded in the books of the concerned government agency. Refusal to submit
22 itself to such audit shall constitute an offense punishable under Section 102 of this Act.

23
24 **SEC. 36. *Submission of Documents Relative to Government Obligations.*** –The
25 Commission shall have the power, for audit and examination purposes, to require the
26 submission of the original of any: (a) order, deed, contract, or other document which is
27 the basis for any collection of, or payment from government funds, together with any
28 certificate of ownership in case of investments; (b) official receipts and assessment
29 notices issued by the Bureau of Internal Revenue, Bureau of Customs, Land
30 Transportation Office, and similar agencies and the related compromise agreements, if

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

5 In the case of deeds to property purchased by any government agency, the
6 Commission shall require a certificate of title entered in the favor of the government or
7 other evidence satisfactory to it that the title is in the name of the government.
8

9 It shall be the duty of the officials or employees concerned, including those in non-
10 government entities under audit, or affected in the audit of government and non-
11 government entities, to comply promptly with these requirements.
12

13 Failure or refusal to do so without justifiable cause shall constitute a ground for
14 administrative disciplinary action as well as for disallowance of the claim under
15 examination, assessment of additional levy or government share, or withholding or
16 withdrawal of government funding or donations through the government, as well as
17 for penal or administrative sanctions as provided by law.
18

19 **SEC. 37. *Investigatory and Contempt Powers.*** – The Chairperson or any
20 Commissioner of the Commission, the Assistant Commissioners, central office
21 directors, regional directors, the auditors assigned to any government agency, and any
22 other official or employee of the Commission specially deputized in writing for the
23 purpose by the Chairperson shall, in compliance with the requirement of due process,
24 have the power to summon the parties to a case brought before the Commission for
25 resolution, issue subpoena and subpoena duces tecum, administer oaths, and otherwise
26 take testimony in any investigation or inquiry on any matter within the jurisdiction of
27 the Commission.
28

29 The Commission shall have the power to punish for contempt as provided for in the
30 Revised Rules of Court and the Revised Rules of Procedure of the Commission, under

1 the same procedure and with the same penalties provided therein. Any violation of any
2 final and executory decision, order, or ruling of the Commission shall constitute as
3 indirect contempt.

4
5 **SEC. 38. *Power to Adjudicate Money Claims.*** – The Commission shall have the
6 power to adjudicate money claims filed against the government arising from law,
7 contract, quasi-contract, or quasi-delict.

8
9 **SEC. 39. *Power to Compromise Claims.*** – (a) When the interest of the government so
10 requires, the Commission Proper may compromise or release in whole or in part, any
11 settled claim or liability to any government agency not exceeding Ten Million Pesos
12 (PhP10,000,000.00) arising out of any matter or case before it or within its jurisdiction.
13 In case the claim or liability exceeds Ten Million Pesos (PhP10,000,000.00), the
14 Commission shall submit with its recommendations the application for relief to
15 Congress; and

16
17 (b) The respective governing bodies of government financial institutions and other
18 government corporations and self-governing boards, commissions, or agencies of the
19 government shall have the authority to condone, compromise, or release any similar
20 claim or liability when expressly authorized by their charters, subject to timely review
21 and post-audit by the Commission. When the charters do not so provide, the power to
22 condone or compromise shall be exercised exclusively by the Commission in
23 accordance with the preceding paragraph.

24
25 **SEC. 40. *Collection of Indebtedness due the Government.*** – (a) The Commission shall,
26 through proper channels, assist in the collection and enforcement of all debts and
27 claims, and the restitution of all funds or the replacement or payment at a reasonable
28 price, of property found to be due the government agency in the settlement and
29 adjustment of its accounts.

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

8
9 (b) The Commission may further refer the case to the Office of the Ombudsman for
10 the filing of the proper administrative and criminal actions against agency personnel
11 concerned and private persons in case of any irregularity or illegality in the incurrence
12 of such debts and claims.

13
14 **SEC. 41. *Retention of Money for Satisfaction of Indebtedness.*** – (a) When any person
15 or entity is indebted to any government agency, including final and executory audit
16 disallowances or charges, the Commission may direct the head of agency or public
17 officer concerned to withhold the payment of any money due from such entity or person
18 or the estate, in satisfaction of the indebtedness, disallowances, and charges; and

19
20 (b) Failure on the part of the head of agency or public officer to withhold the said
21 money to satisfy such indebtedness or audit disallowances and charges shall make the
22 head of agency or public officer personally liable therefor without prejudice to
23 administrative action that may be filed for neglect of duty.

24
25 **SEC. 42. *Annual Report.*** – (a) The Commission shall submit to the President and the
26 Congress of the Philippines, not later than September 30 of each year, an annual report
27 on the financial condition and results of operation of all government agencies, which
28 shall include recommendations of measures necessary to improve economy, efficiency,
29 and effectiveness of these agencies.

1 (b) To carry out the purposes of this Section, the chief accountant or the official in
2 charge of keeping the accounts of the government agency shall submit to the
3 Commission the year-end financial statements and such other supporting or subsidiary
4 statements as may be required by the Commission not later than March 31 of each year.
5 Financial statements returned by the Commission for revision due to non-compliance
6 with accounting standards, rules, and regulations shall be resubmitted within three (3)
7 days after the date of receipt by the official concerned; and

8
9 (c) Failure on the part of any official or employee to comply with the provisions of
10 the immediately preceding paragraph shall cause automatic suspension of the payment
11 of the salary and other emoluments until the official or employee shall have complied
12 therewith. The violation of these provisions for at least three (3) times shall subject the
13 offender to administrative disciplinary action.

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

25
26 (a) During the examination and audit, any official or employee of the public utility
27 concerned shall produce all the reports, records, books of accounts, and such other
28 papers as may be required. The Commission shall have the power to take testimony
29 under oath from any official or employee of the said public utility on matters pertaining
30 to the audit; and

1
2 (b) Any official or employee of the public utility who refuses the examination and
3 audit of the books of accounts and pertinent records, or causes unnecessary obstruction
4 to the examination and audit, or found guilty of concealing any material information
5 concerning its financial status shall be subject to the penalties provided under Section
6 102 hereof.

7
8 **SEC. 44. Powers, Functions, and Duties of Audit Groups.** – The audit groups in
9 government agencies shall perform the following functions and duties:

10
11 (a) Examine, audit, and settle accounts, funds, financial transactions and resources
12 of the agencies under the respective audit jurisdiction and exercise such powers
13 and functions as may be authorized by the Commission;

14
15 (b) Submit an audit report for each calendar year on the dates prescribed by the
16 Commission but not later than June 30 following the close of the year;

17
18 (c) In the performance of the respective audit functions as herein specified, employ
19 auditing procedures and techniques in consonance with the applicable Philippine
20 and International Standards adopted by the Commission;

21
22 (d) Conduct audit of the transactions and accounts submitted for audit within such
23 period prescribed by the Commission in the guidelines and issue the results,
24 findings, and observations thereon through Audit Observation Memoranda,
25 Notice of Suspension, Disallowances, and Charges in accordance with the rules
26 and regulations on settlement of accounts;

27
28 (e) Keep and preserve disbursement vouchers, journal vouchers, original copies of
29 paid checks, bank statements, reports of collections and disbursements, and
30 similar documents together with the supporting papers evidencing transactions
31 that are disallowed, charged, or suspended in audit, including those that are the

1 subject of audit observations or court cases or investigations by the Office of the
2 Ombudsman or other investigative bodies in accordance with the rules and
3 regulations of the Commission.
4

5 The safekeeping and preservation of other audited documents not falling under the
6 preceding paragraph shall be returned to the custody and responsibility of the
7 management subject any time to the access of, and examination by, the authorized
8 representative of the Commission. Under no circumstances shall said documents be
9 removed or disposed of without the approval of the Commission or the authorized
10 representative; and
11

12 (f) Perform such other functions as may be assigned by the superiors.
13

14 **SEC. 45. Examination of Cash and Accounts of Accountable Officer.** - (a) The
15 cashbooks, accounts, papers, and cash in the accountability of an accountable officer
16 shall at all times be open to the audit and examination of the Commission and its duly
17 authorized representatives; and
18

19 (b) In case an examination of the cash and accounts of an accountable officer discloses
20 a shortage, the auditor shall immediately demand in writing the restitution of the
21 shortage, and notify in writing the head of the government agency concerned of said
22 shortage in accordance with the regulations of the Commission. The head of the
23 government agency shall immediately relieve the accountable officer and assign
24 another officer to assume the former's duties and responsibilities. A complete report on
25 the cash examination of the accounts of the accountable officer with cash shortage shall
26 be submitted immediately by the auditor to the director for purposes of filing the
27 appropriate administrative and criminal case against the said defalcating accountable
28 officer with the Office of the Ombudsman, as the evidence may warrant.
29

1 **SEC. 46. *Withholding of Salaries and Other Emoluments.*** – Whenever an
2 accountable officer has been found short of the accountabilities during cash
3 examination or audit of the cash and accounts, the auditor shall order the withholding
4 of the salaries and other emoluments due the accountable officer found to have incurred
5 cash shortage until the final determination of the latter's accountability by the
6 Commission or final judgment by a competent court. In the event that the accountable
7 officer is found not liable for the cash shortage, the withheld salary and other
8 emoluments shall be released to the accountable officer, otherwise, it shall be applied in
9 payment of the officer's indebtedness.

10
11 **SEC. 47. *Constructive Distrain of Property of Accountable Officer.*** – (a) Upon
12 discovery in audit of a shortage in the accounts of any accountable officer, and upon
13 finding a prima facie case of malversation of public funds or property against an
14 accountable officer, the Commission may place under constructive distrain the
15 personal property of the accountable officer concerned where there is reasonable
16 ground to believe that the said officer is retiring from the government service, or intends
17 to leave the Philippines or remove the property therefrom, or hide or conceal the
18 property;

19
20 (b) The constructive distrain shall be effected by requiring the accountable officer or
21 any other person having possession or control of the property to accomplish a receipt
22 in the form prescribed by the Commission, covering the property distrained and
23 obligating the accountable officer to preserve the same intact and unaltered, and not to
24 dispose of it in any manner whatsoever without the express authority of the
25 Commission;

26
27 (c) In case the said accountable officer or any person having the possession and
28 control of the property sought to be placed under constructive distrain refuses or fails
29 to accomplish the receipt herein referred to, the representative of the Commission,
30 effecting the constructive distrain, shall proceed to prepare a list of such property and,

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

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

10
11 **Chapter IV**
12 **DECISIONS OF THE COMMISSION**
13

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

19
20 (b) The Commission shall impose reasonable appeal filing fees and legal research fee.
21 These fees shall be assessed by the office where the appeal is filed and paid to the
22 Commission's Treasury Office. The corresponding receipts shall be attached to the
23 appeal or petition for review, which shall form part of the record of the appeal. Appeal
24 or petition for review not supported with receipt of the filing fee shall be a ground for
25 the dismissal of the case, except those appeals that may be allowed by the Commission.
26 In no case shall expenses related to the appeal from the decisions of the auditor or
27 director be charged against public funds.

28
29 **SEC. 49. *Period for Rendering Decisions of the Commission.*** – The Commission
30 Proper shall decide any case brought before it within sixty (60) days from the date of its

1 submission for resolution. If the account or claim involved in the case needs referral to
2 other persons or offices, or to a party interested, the period shall be counted from the
3 time the last comment or pleading necessary to a proper decision is received by it.

4
5 **SEC. 50. *Appeal from Decisions of the Committee.*** – The party aggrieved by any
6 decision, order, or ruling of the Commission may, within thirty (30) days from the
7 receipt of a copy thereof, appeal on certiorari to the Supreme Court in the manner
8 provided by law and the Rules of Court. When the decision, order, or ruling adversely
9 affects the interest of any government agency, the appeal may be taken by the proper
10 head of that agency. The Office of the Solicitor General shall at all times represent the
11 Commission in all its decisions appealed to the Supreme Court.

12
13 **SEC. 51. *Finality of Decision of the Commission.*** – (a) The decision of the
14 Commission, director, or auditor upon any matter within the audit jurisdiction, if not
15 appealed as herein provided, shall be final and executory; and

16
17 (b) The General Counsel or any authorized officer of the Commission shall issue an
18 order of execution requiring the sheriffs or enforcement officers of the Commission to
19 execute its final decisions, resolutions, orders, or claims and awards.

20
21 **SEC. 52. *Enforcement of Decisions of the Auditor or Commission Proper.*** – The
22 agency head shall ensure the immediate settlement of the final and executory decision
23 of the auditor, director, or the Commission Proper. Unreasonable failure or refusal of
24 the head of agency or concerned officer to implement the final and executory decision
25 of the auditor, director, or the Commission Proper shall render the former
26 administrative liable for neglect of duty.

27
28 **SEC. 53. *Reopening and re-audit of audited transactions.*** – (a) All transactions and
29 accounts are open for audit within ten (10) years after the date of transaction; and

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

7
8 **TITLE III**
9 **GOVERNMENT AUDITING**

10
11 **Chapter I**
12 **BASIC POLICIES AND STANDARDS**

13
14 **SEC. 54. *Definition of Government Auditing.*** – Government auditing is the analytical
15 and systematic examination and verification of financial transactions, operations,
16 accounts, and reports of any government agency for the purpose of determining the
17 accuracy, integrity, authenticity, and compliance with the requirements of law, rules
18 and regulations, International Public Sector Accounting Standards (IPSAS) or
19 Philippine Financial Reporting Standards (PFRS), and the standards in auditing or the
20 International Standards for Supreme Audit Institutions (ISSAIs).

21
22 **SEC. 55. *General Standards.*** – (a) The audit shall be performed by a person with
23 adequate technical training and proficiency in auditing;

24
25 (b) In all matters relating to the audit work, the auditor shall maintain complete
26 independence, impartiality, and objectivity, and shall avoid any possible compromise
27 of the independence or any act that creates a presumption of lack of independence, or
28 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 work, reporting of the results of the audit, monitoring and quality assurance in the conduct of all phases of the audit.

Chapter II

RECEIPT AND DISPOSITION OF FUNDS AND PROPERTY

SEC. 56. *Accounting of Money and Property Received by Public Officials.* – All moneys and property officially received by a public officer in any capacity or upon any occasion must be accounted for as government funds and government property, except as may otherwise be specifically provided by law or competent authority. The recognition in the books of accounts of the concerned agency shall be in accordance with the IPSAS or PFRS.

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

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

SEC. 59. *Accrual of Income or Revenues to Unappropriated Surplus of the General Fund.* – (a) All income or revenues accruing to the agencies by virtue of the provisions of law, orders, and regulations shall be deposited in the National Treasury or in any

1 duly authorized government depository and shall accrue to the unappropriated surplus
2 of the General Fund of the government, unless otherwise specifically provided by law;
3 and
4

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

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

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

22 (c) In case any government agency fails or refuses to implement such reversion and
23 closure, the Permanent Committee may recommend for approval of the President the
24 reversion and closure of the Special Account in the General Fund, Fiduciary, or Trust
25 Funds on any of the following grounds:
26

- 27 (1) When the terms have expired or when it is no longer necessary for attainment
28 of the purpose for which the funds were established;
29
30 (2) When the funds have remained dormant for unreasonable length of time;

1
2 (3) When the General Fund is needed in times of emergency; or

3
4 (4) When used in violation of the rules and regulations issued by the Permanent
5 Committee.

6
7 **SEC. 61. *Receipts and Revenues of Local Government Units.*** – All receipts and
8 income accruing to the LGUs shall be deposited in the account maintained in the
9 authorized government depository bank or private bank with the prior approval of the
10 Secretary of Finance.

11
12 **SEC. 62. *Receipts and Revenues of Government Corporations.*** – All receipts and
13 income accruing to government corporations shall be deposited in the account
14 maintained in the authorized government depository bank.

15
16 **SEC. 63. *Issuance of Official Receipts.*** – (a) No payment of any nature shall be
17 received by a collecting officer without immediately issuing an official receipt in
18 acknowledgment thereof. The receipt may be in the form of postage, internal revenue
19 or documentary stamps, or such other forms as the law or the Commission may allow.
20 Temporary or provisional receipts shall not be issued to acknowledge the receipt of
21 public funds;

22
23 (b) Where digital or electronic devices are used to acknowledge cash receipt, the
24 same shall be subject to inspection and verification by the Commission; and

25
26 (c) The same is acceptable provided the document maintains its integrity and
27 reliability and may be authenticated so as to be usable for subsequent reference, in that:

28
29 (1) The electronic document remains complete and unaltered, apart from the
30 addition of any endorsement and any authorized change, or a change which
31 arises in the normal course of communication, storage, and display; and

1
2 (2) The electronic document is reliable for the purpose for which it was generated
3 and for all relevant circumstances.
4

5 **SEC. 64. *Check Payments for Taxes or Other Indebtedness to the Government.*** – (a)

6 An officer charged with the collection of revenue or the receipt of moneys payable to
7 the government shall accept a payment in the form of checks issued in favor of the
8 government agency, upon proper indorsement and identification of the payee or
9 indorsee. Checks drawn in favor of the government for payment of any indebtedness
10 shall likewise be accepted by the officer concerned, provided it shall be made payable
11 to the agency or the official title or designation of the official concerned as the payee;
12

13 (b) When a check drawn in favor of the government is not accepted by the drawee
14 bank for any reason, the drawer shall continue to be liable for the sum due and all
15 penalties resulting from delayed payment. Where the reasons for non-acceptance by the
16 drawee bank are insufficiency of funds or closed accounts, the drawer shall be
17 criminally liable therefor; and
18

19 (c) Money in the hands or custody of the collecting officer shall not be utilized for the
20 purpose of encashing private checks.
21

22 **SEC. 65. *Deposit of Money in the Treasury or Authorized Government Depository***
23 ***Bank.*** – (a) Public officers authorized to receive and collect moneys arising from taxes,
24 revenues, or receipts of any kind shall remit or deposit intact the full amounts so
25 received and collected by the officers to the account of the National Treasury or in the
26 account of agencies maintained in the authorized government depository bank not later
27 than the following banking day, except when it is impractical to do so due to distance
28 and the amount to be deposited is minimal; and
29

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

3
4 **SEC. 66. *Acknowledgment of Receipt of Money by Government Depositories.*** – All
5 authorized government depository banks shall acknowledge receipt of all the money
6 received, for the account of the national treasurer or the agency concerned. The
7 acknowledgment receipt shall bear the date of actual deposit and shall indicate from
8 whom, and on what account the money was received. The money received shall be
9 governed by the Treasury Single Account System established pursuant to Executive
10 Order No. 55, Series of 2011.

11
12 **SEC. 67. *Shipment of Government Money or Property by Carrier; Notation of***
13 ***Evidence of Loss.*** – When government money or property is transported from one place
14 to another by carrier, it shall be the duty of the consignee or the representative to make
15 notations on the bill of lading or receipt on any evidence of loss, shortage, or damage.

16
17 **SEC. 68. *Credit for Loss Occurring in Transit or Due to Fire, Theft, Robbery, or Force***
18 ***Majeure.*** – In case of loss of government funds, property, documents evidencing
19 financial transactions, or records of accountabilities occur while in transit, or loss is
20 caused by fire, theft, robbery, or force majeure, the officer or employee accountable or
21 in custody thereof, shall immediately notify the auditor concerned and, within thirty
22 (30) days from the occurrence of loss, shall present the application for relief together
23 with the required supporting evidence. When warranted, credit for the loss shall be
24 allowed. An officer or employee who fails to comply with this requirement shall not be
25 relieved from liability nor shall be allowed credit for any loss thereof.

26
27 **SEC. 69. *Transfer of Funds from One Agency to Another or From One Officer to***
28 ***Another.*** – Transfer of government funds from one agency to another or from one officer
29 to another shall, except as allowed by law or regulation, be made only upon prior

1 direction or authorization of the agency head following the accountability and
2 accounting guidelines issued by the Commission.

3
4 **SEC. 70. *Transfer of Property between Government Agencies.*** – Any government
5 property that is no longer serviceable or needed by the agency to which it belongs may
6 be transferred without cost, or at an appraised value, to other government agencies
7 upon authority of the respective agency heads.

8
9 **SEC. 71. *Invoice and Receipt upon Transfer of Property.*** – When government
10 property is transferred from one accountable officer to another, or from an outgoing
11 officer to the successor, it shall be done upon properly itemized invoice and receipt
12 which shall invariably support the clearance to be issued to the relieved or outgoing
13 officer, subject to regulations by the Commission. The head of agency shall ensure the
14 proper turn-over of their accountabilities.

15
16 **SEC. 72. *Destruction or Sale of an Unserviceable Property.*** – When government
17 property has become unserviceable for any cause, an inventory shall be made, and upon
18 application by the officer accountable therefor for destruction, the property shall be
19 inspected and appraised by the appraisal committee created by the head of agency,
20 subject for review by the auditor concerned and, if found to be valueless, unserviceable,
21 or unsaleable, the property may be destroyed or disposed of in the presence of the
22 auditor.

23
24 If found to be valuable, the property may be sold thru public bidding to the highest
25 bidder under the supervision of the Disposal Committee of the government agency,
26 after advertising the same for two (2) consecutive days in any national newspaper of
27 general circulation. Where the value of the property does not warrant the expense of
28 publication, as determined by said Committee, the notice of sale shall be posted for the
29 same period in at least three (3) public places in the locality where the property is to be
30 sold. In the event that the public bidding fails, the property may be sold at a negotiated

1 sale at such price as may be fixed by the same committee, subject to the immediate audit
2 of the auditor concerned in accordance with the regulations of the Commission.

3
4 **SEC. 73. *Disposition of Government Property.*** – Any government property that is
5 no longer needed by the agency to which it belongs as certified by the head of the said
6 agency may, after appraisal thereof by management, and review by the Commission,
7 be sold thru public bidding to the highest bidder. Such sale shall be under the
8 supervision of the proper committee on award or similar body of the government
9 agency, after publication for not less than two (2) consecutive days in any national
10 newspaper of general circulation. Where the value of the property does not warrant the
11 expense of publication, as determined by the said proper committee, notices of said sale
12 shall be posted for a like period in the website of the agency and in at least three (3)
13 public places in the locality where the property is located, or where the sale will be
14 conducted. In the event that the public bidding fails, the property may be sold at a
15 negotiated sale at such price as may be fixed by the same committee, subject to the
16 immediate audit of the auditor concerned in accordance with the regulations of the
17 Commission.

18
19 Sale or any mode of disposition of real properties shall be subject to the prior
20 approval by the Commission.

21
22 **SEC. 74. *Disposition of Foreclosed Assets or Collaterals Acquired in the Regular***
23 ***Course of Business by Government Corporations.*** – Their Charters notwithstanding,
24 foreclosed assets or collaterals acquired in the regular course of business by government
25 corporations shall be sold through public bidding to the highest bidder after appraisal
26 thereof by an independent appraiser and review by the Commission. Such sale shall be
27 under the supervision of the proper committee on award or similar body of the
28 government corporation, after publication for not less than two (2) consecutive days in
29 any national newspaper of general circulation.

1 In the event that the public bidding fails, the property may be sold at a negotiated
2 sale at such price as may be fixed by the same committee, subject to the immediate audit
3 of the auditor concerned in accordance with the regulations of the Commission. If the
4 property remains unsold for at least one (1) year, it shall be subject for reappraisal and
5 shall be offered again for sale through public bidding.

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

9
10 **SEC. 75. *Disposition of Funds or Property Held by Deceased, Incapacitated, or***
11 ***Absconding Accountable Officer.*** – (a) When an officer accountable for government
12 funds or property absconds, dies, or becomes incapacitated in the performance of
13 duties, the agency head shall designate a custodian to take charge of the funds or
14 property until a successor shall have been appointed and qualified. The agency head
15 may appoint a committee to count the cash and take an inventory of the property for
16 which the officer was accountable and to determine the responsibility for any shortage
17 therein. One copy of the inventory and of the report of the committee duly certified
18 shall be filed with the auditor concerned but the findings of the committee shall not be
19 conclusive until audit thereon is completed. The agency head, whenever necessary,
20 shall be held responsible for securing a “hold departure order” from the proper
21 government agency to prevent the absconding officer from leaving the country; and

22
23 (b) If the absconding, deceased, or incapacitated officer is accountable for funds or
24 property of a province or city, the acting custodian and committee shall be designated
25 by the local chief executive, furnishing notice to the Secretary of Finance, who shall
26 thereafter appoint a regular accountable officer through the Bureau of Local
27 Government Finance.

28
29 **SEC. 76. *Final Report of Accountable Officers.*** – (a) An accountable officer, upon
30 ceasing to act as such, shall submit to the auditor of the agency a report of the

1 accountability within one (1) month after ceasing to act as accountable officer. Upon
2 receipt of the report, the auditor shall conduct a cash examination on the accountability;
3 and

4
5 (b) Any remaining balance of the cash accountability shall be deposited in the proper
6 treasury immediately.

7
8 **SEC. 77. Auditor's Notice of Disallowances, Charges, and Suspensions to**
9 **Accountable Officer.** – (a) At the end of every period prescribed by the Commission,
10 the auditor shall send a written notice of disallowance, charge, or suspension, if any, to
11 each accountable officer, through the agency head, whose accounts have been audited
12 and settled in whole or in part. An audit suspension which is not satisfactorily explained
13 within ninety (90) days after receipt of the notice by the accountable officer shall become
14 a disallowance; and

15
16 (b) Any person aggrieved by the decision of the auditor pertaining to disallowances,
17 charges, or suspensions, may appeal the case in accordance with the rules of procedure
18 of the Commission.

19 20 Chapter III

21 APPLICATION OF APPROPRIATED FUNDS

22
23 **SEC. 78. Appropriation Before Entering into Contract.** – The contract involving the
24 expenditure of public funds shall not be entered into unless there is an appropriation
25 therefor, the unexpended balance of which, free of other obligation, is sufficient to cover
26 the proposed expenditure.

27
28 **SEC. 79. Certificate Showing Appropriation to Meet Contract.** – Except in the case
29 of a contract for personal services or for supplies for immediate consumption, no
30 contract involving the expenditure of public funds by any government agency shall be

1 entered into or authorized unless the proper accounting official of the agency shall have
2 certified to the officer entering into the obligation that funds have been duly
3 appropriated for the purpose and that the amount necessary to cover the proposed
4 contract for the fiscal year is available for expenditure on account thereof. The certificate
5 signed by the proper accounting official shall be attached to and become an integral part
6 of the contract, and the sum so certified shall not thereafter be available for expenditure
7 for any other purpose until the obligation of the government agency under the contract
8 is fully extinguished.

9
10 **SEC. 80. *Void Contract and Liability of Officer.*** – Any contract entered into contrary
11 to the requirements of the two (2) immediately preceding sections shall be void and not
12 binding to the government. The officers of any government agency responsible for the
13 contract shall be personally liable to the government or other contracting party as if the
14 transaction had been entered into between private parties.

15
16 **SEC. 81. *Restrictions on Payment under Government Procurement Contracts.*** – No
17 payment, partial or final, shall be made on any government procurement contract
18 except upon a certification by the head of the agency or the duly authorized
19 representative to the effect that the services have been rendered, supplies, materials, or
20 equipment have been delivered and infrastructure projects have been implemented or
21 completed in accordance with the terms and conditions of the contract and have been
22 duly inspected and accepted.

23
24 **SEC. 82. *Prohibition against Advance Payment on Government Contracts.*** – Except
25 when authorized by law, the government shall not be obliged to make an advance
26 payment for contracts for:

27
28 (a) Services not yet rendered;

29
30 (b) Supplies and materials not yet delivered, inspected, and accepted; and

1
2 (c) Infrastructure projects not yet implemented or completed, inspected, and
3 accepted other than for 15% mobilization as provided for in RA 9184.

4
5 **SEC. 83. *Limitations on Cash Advance.*** – (a) Cash advance shall not be given unless
6 for a legally authorized specific purpose. A cash advance shall be reported on, and
7 liquidated, as soon as the purpose for which the cash advance was given has been
8 served. Additional cash advance shall not be allowed to any official or employee unless
9 the previous cash advance given has been settled or a proper accounting has been made;

10
11 (b) The failure of the official or employee to liquidate the cash advance after due
12 demand by an authorized officer is a prima facie presumption of malversation despite
13 the absence of a finding of actual damage to the government;

14
15 (c) The transfer of cash advance by a disbursing officer to another does not constitute
16 an expenditure for which the disbursing officer may claim credit in the accounts, but
17 the responsibility continues to attach until the amount has been fully accounted for; and

18
19 (d) Cash advance shall not be granted for the procurement or implementation of
20 infrastructure projects.

21
22 Any violation of the foregoing provisions shall constitute a valid cause for the
23 withholding of the salary of the accountable officer without prejudice to the imposition
24 of administrative or civil sanction and criminal prosecution of both the authorizing and
25 the accountable officials, as may be warranted.

26
27 **SEC. 84. *Limitations on Cash or Fund Transfers from One Government Agency to***
28 ***Another.*** – (a) Cash or fund transfers shall not be given unless for legally authorized
29 specific purpose as embodied in a memorandum of agreement executed between the
30 source and implementing agencies;

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

4
5 (c) Additional or new cash or fund transfers shall not be made unless the previous
6 transfers had been fully liquidated as certified by the head of agency; and

7
8 (d) The heads of the source and implementing agencies shall be responsible for
9 compliance with the foregoing requirements.

10
11 Failure on the part of the foregoing officials or persons to comply with the
12 abovementioned responsibility shall constitute a ground for administrative or criminal
13 action, as evidence may warrant.

14
15 **SEC. 85. Limitations on Cash or Fund Transfers from Any Government Agency to a**
16 **Private Organization or Entity.** – (a) Cash or fund transfers from a government agency
17 shall not be given to a private organization or entity unless authorized by law for a
18 specific purpose which should be embodied in a Memorandum of Agreement executed
19 between the source government agency and the implementing private organization or
20 entity;

21
22 (b) Only duly registered, accredited, and reputable private organizations or entities
23 shall be granted cash or fund transfers;

24
25 (c) The cash or fund transfers shall be reported on and liquidated by the
26 implementing private organizations or entities to the source government agency as
27 soon as the project has been completed or not later than sixty (60) days after project
28 completion. If the project implementation will go beyond December 31st of the year, a
29 partial liquidation report as of December 31st of that year shall be submitted to the
30 source government agency not later than January 15 of the ensuing year;

1
2 (d) No additional or new cash or fund transfers shall be made unless the previous
3 cash or fund transfers have been fully liquidated as certified by the head of the agency;
4 and

5
6 (e) The heads of the source government agency and implementing private
7 organizations or entities shall be responsible for compliance with the foregoing
8 requirements.

9
10 Failure on the part of the officials or persons to comply with the abovementioned
11 responsibility shall constitute a ground for administrative or civil sanction or criminal
12 prosecution, as warranted.

13
14 **SEC. 86. *Payment of Rewards.*** – When a reward becomes payable by authority of
15 law for information given relative to any offense or any illegal activity, or for any act
16 done in connection with the apprehension of the offender, the reward shall be paid as
17 prescribed by law or regulations. Such payment of reward shall be subject to audit in
18 accordance with the regulations of the Commission.

19
20 **SEC. 87. *Replacement of Lost, Stolen, or Destroyed Checks.*** – When any check is lost,
21 stolen, or destroyed, the issuing officer may issue a replacement check as payment for
22 the same obligation upon the execution of an affidavit of loss, submission of stop
23 payment order to the drawee bank and a surety bond issued by the Government Service
24 Insurance System (GSIS) to indemnify the issuing agency of the amount of the check. If
25 destroyed, presentation of the destroyed check to the issuing officer is also required.
26 The chief accountant or internal auditor of the agency shall be responsible that no
27 double payment is made as a result thereof.

28
29 **SEC. 88. *To Whom Checks are Payable.*** – Checks drawn against the government
30 agencies' Checking Account maintained with any government depository shall be

1 made payable directly to the creditor to whom the money is due, or to a disbursing
2 officer or employee for an official disbursement.

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

7
8 **SEC. 89. *Reversion of Unliquidated Balances of Accounts Payable.*** – The head of
9 agency shall cause the reversion to the unappropriated surplus of the general fund of
10 the national government or of LGUs, and for GOCCs, to their retained earnings, any
11 unliquidated balance of accounts payable in their books of accounts, which has been
12 outstanding for two (2) years or more and which no actual valid claim, administrative
13 or judicial, has been filed.

14
15 **Chapter IV**
16 **ACCOUNTABILITY AND RESPONSIBILITY FOR GOVERNMENT FUNDS**
17 **AND PROPERTY**
18

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

25
26 (b) Every accountable officer shall be properly bonded in accordance with law and
27 the pertinent rules or regulations.
28

1 **SEC. 91. *Primary Responsibility and Accountability of the Agency Head.*** – (a) The
2 head of any agency of the government is immediately and primarily responsible for all
3 government funds and property pertaining to the agency; and
4

5 (b) Persons entrusted with the possession or custody of the funds or property under
6 the agency head shall be immediately responsible, without prejudice to the liability of
7 either party to the government.
8

9 **SEC. 92. *General Liability for Unlawful Expenditures.*** – Expenditures of
10 government funds or uses of government property in violation of law or regulations
11 shall be the personal liability of the official or employee found to be directly responsible
12 therefor.
13

14 **SEC. 93. *Degree of Supervision over Accountable Officers.*** – The head of any
15 government agency shall exercise the diligence of a good father of a family in
16 supervising accountable officers under his control to prevent the incurrence of loss of
17 government funds or property, otherwise liability shall be joint and solidary with the
18 person primarily accountable therefor. The treasurer of the local government unit shall
19 likewise exercise the same degree of supervision over accountable officers under his
20 oversight, otherwise liability shall be joint and solidary with the head of government
21 agency for the loss of government funds or property.
22

23 **SEC. 94. *Measure of Liability of Accountable Officers.*** – (a) Every officer accountable
24 for government property shall be liable for its money value in case of improper,
25 unauthorized use or misapplication thereof, by the officer or any person for whose acts
26 the officer may be responsible. The accountable officer shall also be liable for all losses,
27 damages, or deterioration occasioned by negligence in the keeping or use of the
28 property regardless of whether or not there is actual custody; and
29

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

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

SEC. 96. *Prohibition Against Pecuniary Interest.* – The head of agency, board of directors, accountable officer, or public official shall not have pecuniary interest, directly or indirectly, in any contract or transaction of the agency in which he/she is an officer, or in any other office where he/she has influence.

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

TITLE IV GOVERNMENT ACCOUNTING

Chapter I

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

SEC. 98. *Accounting Rules and Regulations.* – The Commission shall promulgate accounting rules and regulations in accordance with the Generally Accepted Accounting Principles, IPSAS, and International Financial Reporting Standards (IFRS), as applicable. Such rules and regulations shall be updated from time to time as the Commission may deem proper, to meet the changing government accounting requirements.

Chapter II

ACCOUNTING REPORTS

SEC. 99. *Financial Reports and Statements.* – (a) The financial reports prepared by the agencies shall comply with the specific requirements of applicable laws and regulations as to nature, accounting basis, content, frequency, and distribution as well as with all applicable restrictions pertaining to information that is classified for national security purposes; and

(b) The financial statements shall be based on official accounting records and registries kept in accordance with law, regulations of the Commission, and the IPSAS, and IFRS, as applicable.

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

(b) In case of failure on the part of the officials concerned to submit the documents and reports mentioned herein within the prescribed period, the head of the agency shall

1 cause the suspension of the payment of the salaries until the officials shall have
2 complied with the requirements of the Commission without prejudice to any
3 disciplinary action that may be instituted against such official or employee in
4 accordance with the applicable rules on administrative cases issued by the Civil Service
5 Commission; and

6
7 (c) Failure on the part of the head of the government agency to implement, without
8 justifiable cause, the sanctions provided in the immediate preceding paragraph shall
9 constitute as a ground for this Commission to file the appropriate administrative charge
10 against the erring official.

11
12 **Chapter III**
13 **INTERNAL CONTROL SYSTEMS**
14

15 **SEC. 101. *Internal Control System and its Installation.*** – (a) Internal control is the
16 plan of organization and all the coordinate methods and measures adopted within an
17 organization or agency to safeguard its assets, check the accuracy and reliability of its
18 accounting data, and encourage adherence to prescribed managerial policies;
19

20 (b) It shall be the direct responsibility of the agency head to establish an internal
21 control unit that shall install, implement, and monitor a sound internal control system
22 in that government agency; and
23

24 (c) Failure on the part of the head of the government agency to implement the
25 preceding paragraph, without justifiable cause, shall constitute as a ground for this
26 Commission to file the appropriate administrative charge against the erring official.
27

28 **TITLE V**
29 **FINAL PROVISIONS**
30

1 **SEC. 102. *Penal Provision.*** – The penalty of fine not exceeding One Hundred
2 Thousand Pesos (PhP100,000.00) or imprisonment not exceeding one (1) year, or both
3 at the discretion of the court, shall be imposed upon any public officer or private person
4 committing any of the following acts or omissions declared as obstruction of audit:

5
6 (a) Refusing or neglecting to render or settle an account as required by law or
7 regulation after demand by the Commission or its authorized representatives;

8
9 (b) Denying access to or failing to produce documents, records, or papers under
10 custody of such public officer or private person within fifteen (15) days after
11 demand by the Commission or its authorized representatives in connection with
12 the conduct of audit; and

13
14 (c) Destroying or concealing documents, records, or papers which are officially
15 entrusted to such public officer or private person, pertaining to the collection,
16 receipt, expenditure, or disbursement of public funds and utilization or disposal
17 of government property in connection with the conduct of audit.

18
19 **SEC. 103. *Duty to Respect the Commission's Independence.*** – It shall be the duty of
20 every person to respect, protect, and preserve the independence of the Commission.

21
22 **SEC. 104. *Administrative Disciplinary Action.*** – (a) Any unjustified failure by the
23 public officer to comply with the requirements imposed in this Code, shall constitute
24 neglect of duty or grave misconduct, and shall be a ground for the Commission to file
25 appropriate administrative disciplinary action against the public officer who, upon
26 being found guilty after hearing, shall be meted the penalty commensurate with the
27 degree of the guilt in accordance with the civil service laws, without prejudice to
28 criminal prosecution whenever the evidence warrants; and

1 (b) The auditor shall report to the director any violation of the preceding paragraph
2 for referral of the case to the Office of the Ombudsman, or other government
3 disciplining authorities.
4

5 **SEC. 105. *Separability Clause.*** – If any provision or part of this Code is declared
6 invalid or unconstitutional, the remaining parts or provisions not affected shall remain
7 in full force and effect.
8

9 **SEC. 106. *Repealing Clause.*** – Presidential Decree No. 1445, otherwise known as the
10 “Government Auditing Code of the Philippines”, is hereby expressly repealed. All
11 other laws, executive orders, proclamations, decrees, instructions, rules and
12 regulations, or parts thereof which are inconsistent or in conflict with any provision of
13 this Code are hereby are repealed or modified accordingly.
14

15 **SEC. 107. *Effectivity.*** – This Code shall take effect fifteen (15) days after its
16 publication in the Official Gazette or in two (2) newspapers of general circulation.
17

18 *Approved,*