

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

19TH CONGRESS
Second Regular Session

HOUSE BILL NO. 10591



Introduced by Representative Michael L. Romero

EXPLANATORY NOTE

The **1987 Constitution** mandates the state to support a trustworthy, respected and independent **audit institution** that is an enabling partner of government in ensuring a better life for every Filipino through appropriate technology and research, with adequate financial, and other support services.

Nurturing a growing government requires a mixture of boldness and prudence. And at a time when the early Philippine government was being zealously fleshed out by its American rulers emboldened by their newfound power, then President William McKinley ensured a healthy dose of prudence in these activities.

As the nation celebrated its independence with the promulgation of the **1935 Constitution**, the institution also reached a milestone. The 1935 Constitution expressly provided for a General Auditing Office, thereby elevating the audit institution to a constitutional body. Renamed as the **General Auditing Office or GAO**, it now embarked on a full Filipinization of the institution as a reflection of the government-wide transition to self-governance. For the first time, the institution was headed by a Filipino Auditor General in the person of the Hon. Jaime Hernandez.

As a major stride towards the independence of the audit institution, the GAO was explicitly placed under the direction and control of an Auditor General to separate it as an organization from the Executive and other departments of the government.

In 1972, the country was placed under Martial Law. Government experienced a major upheaval, and the GAO was not exempted. The GAO was

renamed the **Commission on Audit (COA)** and was granted broader powers under the new Constitution promulgated in 1973. Under this Constitution, COA was given a broader area of audit coverage by including the accounts of all subdivisions, agencies, instrumentalities of government and government-owned-and-controlled corporations among those to be examined, audited and settled.

As opposed to having an Auditor General single-handedly leading the GAO, the new Constitution provided for a three-man collegial Commission on Audit. This change aimed to strengthen the independence of the auditing office and improve the quality of its decisions, given the rationale that a three-man body was less susceptible to pressure than an office held by a single person. It worked as a built-in internal check within the Commission and encouraged opposing views to surface thereby resulting in earnest consultation and better deliberation.

In the years that ensued, the Commission was a hub of activity. A landmark legislation on auditing, **Presidential Decree 1445 or the Government Auditing Code**, was promulgated in 1978. A Standard Government Chart of Accounts was likewise issued which greatly facilitated financial audit for computerization purposes. The Commission also implemented its comprehensive audit program focusing on the 3Es: economy, efficiency and effectiveness. Installation of this program represented a break from tradition that laid undue emphasis on compliance and voucher audit. And on top of all these, the Commission embarked on a massive reorganization and professionalization of its personnel.

This era will also be remembered for the significant involvement of COA in international events such as initiating the establishment of the **Asian Organization of Supreme Audit Institutions (ASOSAI)**, on to sponsorships of trainings for Asia's auditors and culminating with the hosting of the XI International **Congress of Supreme Audit Institutions (INCOSAI)** in 1983. It was also during this time that a COA Chairman was first elected to the United Nations Board of Auditors.

Years later, the world witnessed the 1986 EDSA Revolution. It was truly a historical event that highlighted the need for reforms in government as a whole. It provided everyone a chance for introspection and created an avenue towards change. As fate would have it, the COA again found itself working under a new government, under a new Constitution and with an even broader scope of authority.

The **1987 Constitution** maintained the independence of the Commission on Audit as the supreme auditing arm of the Philippine government. Moreover, the Constitution reiterated COA's role as the sole official *external auditor of government agencies as well as government-owned- and-controlled corporations (GOCCs)*. In other words, the previous practice of some GOCCs and other

government agencies of hiring private accounting firms as a requirement of foreign funding institutions to act as their auditors for foreign-assisted projects was no longer allowed.

Change, it seems, is the inescapable destiny of the Commission. But as history proves, whatever the nature of change brought about by national political events, the Commission manages to make it for the better.

This House Bill seeks to ensure **accountability for public resources, promote transparency**, and help improve government operations, in partnership with stakeholders, for the benefit of the Filipino people.

Thus, the early passage of this bill is earnestly requested.

A handwritten signature in black ink, appearing to read 'Michael L. Romero', written over a horizontal dashed line.

MICHAEL L. ROMERO Ph.D.

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AN ACT

PROVIDING FOR THE MODERNIZATION OF THE **COMMISSION ON AUDIT (COA)**, TO ENSURE ACCOUNTABILITY FOR PUBLIC RESOURCES, PROMOTE TRANSPARENCY, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

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

SECTION 1. SHORT TITLE — This Act shall be known as the **Commission on Audit (COA) modernization Act of 2024**.

SECTION 2. DECLARATION OF POLICY — It is a declared policy of the state in conformity with the mandate of the Constitution, to promote a trustworthy, respected and **independent audit institution** that is an enabling partner of government in ensuring a better life for every Filipino.

For these purposes, the state shall provide the mechanisms to improve **public accountability** by maximizing the use of all existing resources, recognizing in the process the government's responsibility to instill these **government resources transparency** as having priority over its other functions.

SECTION 3. Commission on Audit shall be composed of a Chairman and two Commissioners, who shall be natural-born citizens of the Philippines and, at the time of their appointment, at least thirty-five years of age, certified public accountants with not less than ten years of auditing experience, or members of the Philippine Bar who have been engaged in the practice of law for at least ten years, and must not have been candidates for any elective position in the elections immediately preceding their appointment. At no time shall all Members of the Commission belong to the same profession.

SECTION 4. Chairman and the Commissioners shall be appointed by the President with the consent of the Commission on Appointments for a term of seven years without reappointment.

of those first appointed, the Chairman shall hold office for seven years, one Commissioner for five years, and the other Commissioner for three years, without reappointment. Appointment to any vacancy shall be only for the unexpired portion of the term of the predecessor. In no case shall any Member be appointed or designated in a temporary or acting capacity.

SECTION 5. POWERS AND FUNCTIONS - The Commission on Audit shall have the power, authority, and duty to examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the Government, or any of its subdivisions, agencies, or instrumentalities, including government-owned or controlled corporations with original charters, and on a post-audit basis:

(a) constitutional bodies, commissions and offices that have been granted fiscal autonomy under this Constitution.

(b) autonomous state colleges and universities.

(c) other government-owned or controlled corporations and their subsidiaries; and

(d) such non-governmental entities receiving subsidy or equity, directly or indirectly, from or through the Government, which are required by law or the granting institution to submit to such audit as a condition of subsidy or equity. However, where the internal control system of the audited agencies is inadequate, the Commission may adopt such measures, including temporary or special pre-audit, as are necessary and appropriate to correct the deficiencies. It shall keep the general accounts of the Government and, for such period as may be provided by law, preserve the vouchers and other supporting papers pertaining thereto.

SECTION 6. SCOPE - the Commission shall have exclusive authority, subject to the limitations in this Act, to define the scope of its audit and examination, establish the techniques and methods required therefor, and promulgate accounting and auditing rules and regulations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures, or uses of government funds and properties.

SECTION 7. AUTHORITY - No law shall be passed exempting any entity of the Government or its subsidiary in any guise whatever, or any investment of public funds, from the jurisdiction of the Commission on Audit.

SECTION 8. FINANCIAL STATUS - the Commission shall submit to the President and Congress, within the time fixed by law, an annual report covering the financial condition and operation of the Government, its subdivisions, agencies, and instrumentalities, including government-owned or controlled corporations, and non-governmental entities subject to its audit, and recommend measures necessary to improve their effectiveness and efficiency. It shall submit such other reports as may be required by law.

SECTION 9. MODERNIZATION FUNDING. – The amount of Two Billion Pesos (**Php 2, 000,000,000.00**) for the operation and administration of the **Commission on Audit (COA)** shall be chargeable against funds for the purpose and other sources recommended by the **Department of Budget and Management (DBM)**.

Thereafter, appropriations for the **(COA)**, shall be included in the budget proposals under the annual **General Appropriations Act (GAA)**

The Department of Budget and Management **(DBM)** shall rationalize the existing organizational structure and staffing pattern of the **(COA)** in accordance with the prevailing provisions and relevant compensation and position classification laws, rules and regulations.

Thereafter, the amount needed for the continued implementation of the modernization program shall be included in the annual **General Appropriations Act (GAA)**.

SECTION 10. Commission on Audit (COA) MODERNIZATION FUND – There is hereby created the **(COA) Modernization Fund** to be used exclusively for the **(COA) Modernization** Program.

The **(COA)** Modernization Fund shall be administered by the Chairperson in accordance with existing government budgeting, accounting, and auditing rules and regulations.

SECTION 11. MANDATES:

- a) Examine, audit and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property owned or held in trust by, or pertaining to, the government.
- b) Promulgate accounting and auditing rules and regulations including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant or unconscionable expenditures, or uses of government funds and properties.
- c) Submit annual reports to the President and the Congress on the financial condition and operation of the government.
- d) Recommend measures to improve the efficiency and effectiveness of government operations.
- e) Keep the general accounts of government and preserve the vouchers and supporting papers pertaining thereto.
- f) Decide any case brought before it within 60 days.
- g) Performs such other duties and functions as may be provided by law.

SECTION 12. PROGRESS REPORT – The Chairperson of the **(COA)** shall prepare an annual report on the status of the implementation of the Modernization Programs which shall be submitted, to the Office of the **President**.

SECTION 13. INCREASE OF PERSONNEL. – The **(COA)** shall maintain a sufficient staffing pattern.

Hence, it is authorized to increase its manpower to meet such required and may continue to increase personnel per percentage rate increase of committed mandates annually or as the need arises.

SECTION 14. PERIOD OF IMPLEMENTATION – The modernization program under this Act shall be implemented for an initial period of three **(3)** years:

Provided, that payments for multi-year contract obligations incurred under this Act may extend beyond this period:

Provided, further, That the **(COA)** shall continue to develop, modernize and constantly update its operational capabilities to keep pace with best global practices.

SECTION 15. SUPERVISING AND ASSESSMENT CONCERNS. — the **Office of the President** and **DBM** shall provide the necessary technical and financial assistance to ensure effective operations and build-up.

SECTION 16. PRESERVATION of TRANSPARENCY - It is the duty of every citizen to preserve and conserve government transparency and all its resources. The retrieval and conservation of government transparency and its resources shall be vigorously pursued.

SECTION 17. TRANSITORY PROVISION – Existing industries, businesses and offices affected by the implementation of this Act shall be given six **(6)** months transitory period from the effectivity of the IRR or such other period as may be determined, to comply with the requirements of this Act.

SECTION 18. PERIODIC REPORTS - The Chairperson of the **(COA)** shall submit periodic reports on its findings and make recommendations on actions to be taken by the Office of the President and other appropriate departments, in order to carry out the objectives and mandates of this Act.

SECTION 19. AUTOMATIC REVIEW - Every three **(3)** years after the effectivity of this Act, an independent review panel composed of experts to be appointed by the **President of the Republic** shall review the policies and implementation in the modernization program and shall make recommendations, based on its findings.

SECTION 20. PENAL CLAUSE. – Any person, whether natural or juridical, violating any section of this Act shall, upon conviction, therefore, be liable to a fine of not less than five hundred thousand pesos (**P500,000.00**) or imprisonment for a term not less than six (**6**) years, or both, at the discretion of the court for each and every violation.

In case the violation is committed by a corporation or an association, the penalty shall devolve upon the president, director, or any other officer responsible for such violation.

SECTION 21. IMPLEMENTING RULES AND REGULATIONS. – The departments and agencies charged with carrying out the provisions of this Act shall, within sixty (**60**) days after the effectivity of this Act, formulate the necessary rules and regulations for its effective implementation.

SECTION 22. REPEALING CLAUSE. – All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 23. SEPARABILITY CLAUSE. – If, for any reason, any section or provision of this Act is held unconstitutional or invalid, the other sections or provisions hereof shall not be affected thereby.

SECTION 24. EFFECTIVITY CLAUSE. – This Act shall take effect after fifteen (15) days from its publication in the Official Gazette or in at least two (2) national newspapers of general circulation whichever comes earlier.

Approved,