

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 1554



Introduced by **HON. MIGUEL LUIS R. VILLAFUERTE, HON. VINCENZO RENATO LUIGI R. VILLAFUERTE, HON. TSUYOSHI ANTHONY G. HORIBATA, AND HON. TERRY L. RIDON**

EXPLANATORY NOTE

Government auditing is important because it safeguards public funds and promotes good governance. When public resources are used lawfully and efficiently, it not only improves financial systems but also builds public trust in government institutions and operations.

However, the Government Auditing Code that we have is outdated and no longer responsive to the current realities of public financial management. It has not kept pace with the transformative changes in governance, does not adequately reflect the complexities of digital financial systems, lacks provisions aligned with the demands of fiscal decentralization, and falls short of international accounting and auditing standards.

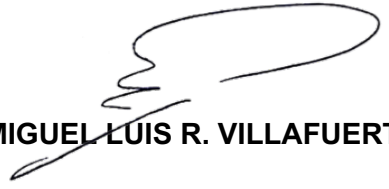
Therefore, this proposed bill seeks to strengthen the role and improve the efficiency of the Commission on Audit (COA) as the supreme audit institution of the country by updating the Government Auditing Code of the Philippines which was enacted through Presidential Decree No. 1445 in 1978.

Among the key features of the measure are reorganizing the COA, clearly defining the powers and functions of the Chairperson, Commissioners, Assistant Commissioners, Directors and Auditors, Audit Groups and Audit Teams; defining the specialization of duties and responsibilities of each sector as identified by the recent structure and revised Plantilla approved by the Department of Budget and Management; modifying the custodial responsibility of the auditor using the digital copies of audited vouchers and supporting papers, official receipts, and other documents or reports; professionalizing the audit and accounting services of COA; and institutionalizing the use of digitized transactions among others. The bill also reflects the expanded role of local government units following Mandanas-Garcia ruling. Most importantly, it aims to protect the resources of the country and enable the recovery of potential economic losses of the government.

A modernized audit framework is in line with the broader goal of our country to advance to digital governance, improve accountability, promote transparency, and enforce fiscal discipline across all levels of public service.

This proposed measure was approved on third and final reading by the House of Representatives in the 19th Congress, signifying legislative support and importance.

In view of the foregoing, the immediate passage of this bill is earnestly sought.



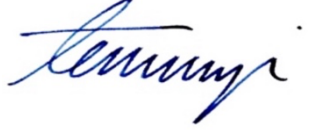
HON. MIGUEL LUIS R. VILLAFUERTE



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

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

**TITLE I
CHAPTER I
GENERAL PROVISIONS**

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

SECTION 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 take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

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

- (a) *Account* refers to a list or statement of monetary transactions pertaining to fund, property, obligation, equity, revenue, collection, or expense, whether or not entered as item/s of debit or credit in the books of accounts, registry, or any other record;
- (b) *Accountable Officer* refers to the officer of a government agency who by the nature of duties and responsibilities or participation in the collection or receipt and expenditure or use of government funds, custody, and disposal of government property, is required by law or regulation to render account to the Commission on Audit (COA). This shall include any public officer or private person or entity who may have direct or indirect participation in the transaction;

- (c) *Advice to Debit Account (ADA)* refers to an authorization issued by the government entity that serves as an instruction to government servicing banks to debit a specified amount from its available account balance for payment of creditors/payees;
- (d) *Aggrieved Party* refers to a person or entity adversely affected by any decision, order, resolution or ruling of the Commission or any of its duly authorized representatives;
- (e) *Appropriation* refers to an authorization by law, appropriation ordinance, or other enactments, or the corporate operating budget directing the payment of Personnel Services (PS), Maintenance and Other Operating Expenses (MOOE), and capital outlay out of government funds under specified conditions and/or purposes;
- (f) *Appeal* refers to the process of elevating to a higher authority any decision, order, resolution or ruling of the Commission or any of its duly authorized representatives;
- (g) *Audit* refers to the examination, verification, evaluation and analysis of the accounts or financial records including evaluation of the effectiveness of internal control systems; the determination of the government entity's compliance with applicable laws, rules, and regulations; as well as the evaluation of the economy, efficiency and effectiveness of management systems, operations, and programs, activities, or projects (PAPs). It may also cover other special audits as may be prescribed by the Commission;
- (h) *Auditor* refers to any officer or employee of the COA duly appointed or designated to conduct an audit;
- (i) *Audit Group* refers to a cluster of Audit Teams that are grouped together headed by a Supervising Auditor (SA). The audit group shall plan, manage, conduct the audit work, and ensure prompt submission of the audit report;
- (j) *Audit Decision* refers to the action of the auditor as a result of the audit to allow, disallow, or charge a particular transaction;
- (k) *Audit Report* refers to the final output of an audit on the accounts, financial records, systems, and operations of a government entity;
- (l) *Audit Team* refers to the basic organizational unit responsible for the audit of government and non-government entities;
- (m) *Audit Work Papers* refer to the documentation or evidence either in physical or electronic form of the work done and the results thereof, consisting of relevant or pertinent data, analyses, computations, calculations, notes, schedules, excerpts, confirmations and other documents or materials gathered, prepared, and compiled in the course of an audit;
- (n) *Cash* refers to money or its equivalent currencies, negotiable checks, or balances in bank accounts or in the possession or custody of a collecting and/or disbursing officer;
- (o) *Cash Advances* refer to regular or special advances granted to public officers and employees for a public purpose;

- (p) *Charge* refers to accountability pertaining to the assessment, appraisal, or collection of revenues, receipts, and other income such as those arising from under-appraisal, under-assessment or under-collection or failure to collect or remit collection which is found in the course of audit of revenues or receipts;
- (q) *COA Order of Execution (COE)* refers to a written instruction to the head of agency to withhold payment of salary and other money due to persons liable, for settlement of their liability as indicated in the Notice of Disallowance or Notice of Charge. It is issued after the issuance of the Notice of Finality of Decision (NFD);
- (r) *Cost of Audit Services* refers to the cost of discharging the audit function taking into consideration the nature and complexity of operations, size of the government entity, and the volume of transactions being audited;
- (s) *Decision or resolution* refers to an adjudication of any case or matter brought before any authorized official or body in the Commission which shall embody the facts of the case, the issue/s to be resolved, the ruling, and the law, regulations, or precedent on which the ruling is based;
- (t) *Depository* refers to any financial institution lawfully authorized to receive the deposit of government moneys;
- (u) *Direct Electronic Payment (DEP)* refers to an electronic payment scheme where the payments are made by the government entity itself, using the intermediary's technology or infrastructure. This includes the use of ADA;
- (v) *Disallowance* refers to the disapproval in the audit of a transaction, either in whole or in part, involving government disbursement or property;
- (w) *Electronic Collection (e-Collection)* refers to a method or manner wherein revenue, fees, assessments, or obligations due to the government entity is being collected using a mechanical device, electronic device, or computer-based system. The term refers to an alternative way of collection wherein no actual money, check, or any physical note is handed through the hands of the government entity's collecting officer. This includes the use of an intermediary in performing the collection function;
- (x) *Electronic Payment (e-Payment)* refers to the disbursement of money or equivalent electronic representations of legal tender, for purposes of paying government expenditures, solely through electronic means as opposed to the use of cash, check, or physical notes to accomplish the same. This includes the manner by which an obligation is extinguished by means of sending instruction for the debit of the government entity's account and the corresponding credit to the payee's account. This includes the transfer of funds to the intermediary for the purpose of distribution;
- (y) *Financial Reporting Framework* refers to a set of accounting principles, standards, interpretations, and pronouncements that must be followed in the preparation of the financial statements. It defines how and when to recognize, measure, present and disclose transactions in the financial statements. This refers to the applicable accounting standards adopted by the Commission on Audit (COA) as prescribed by the international standards-setting body;

- (z) *Government Agency* refers to any department, bureau, or office of the national government, or any of its branches and instrumentalities, local government units and its political subdivision, including entities created by it, and government corporations, including their subsidiaries;
- (aa) *Government funds and properties* refer to public moneys of every sort and other resources pertaining or accruing to any agency of the government; including funds transferred to private entities as a subsidy, equity, donation, grant, or counterpart fund for implementation of PAPs;
- (bb) *Liability* refers to either an obligation arising from audit decisions or from contracts or quasi-contracts;
- (cc) *Money Claim* refers to a demand for payment of a sum of money, reimbursement, or compensation arising from law, contract, or quasi-contract due from a government agency or owing to a claimant;
- (dd) *Notice of Finality of Decision (NFD)* refers to a written notification addressed to the head of the agency that a decision of the Commission has become final and executory;
- (ee) *Persons Liable* refer to the persons determined to be answerable for an audit disallowance, charge, or decision by the Commission;
- (ff) *Persons Responsible* refer to the persons determined to be answerable for the compliance with the audit requirements as called for in the Notice of Suspension (NS);
- (gg) *Programs, Activities, Projects (PAPs)* refer to any work progress or group of work progress undertaken to realize the outputs and outcomes of an agency. This is represented by an item of appropriation in the national budget;
- (hh) *Public Officer* refers to any person holding any public office in the government by virtue of an appointment, election, or contract vested with sovereign functions of the government;
- (ii) *Public Purpose* refers to any purpose or use directly available to the general public as a matter of right. This pertains to those traditionally viewed as essentially government functions such as the building of roads and the delivery of basic services. It may also include those purposes designed to promote social justice and public interest allowed by the law or jurisprudence;
- (jj) *Public Utility* refers to a public service that operates, manages, or controls for public use any public facility, network and system as enumerated in Republic Act No. 11659 entitled, "An Act Amending Commonwealth Act No. 146, otherwise known as the Public Service Act, as amended";
- (kk) *Regular Cash Advances* refer to those granted to cashiers, disbursing officers, paymasters, and/or property/supply officers for any of the following purposes:
 - (1) Salaries and wages;
 - (2) Commutable allowances;
 - (3) Honoraria and other similar payments to officials and employees; and

- (4) Petty operating expenses, consisting of small payments for maintenance and operating expenses cannot be paid conveniently paid by check or are required to be paid immediately;
- (ll) *Revenue* refers to income or receipts derived by a government agency from taxes, excise, custom duties, fees, royalties, rents, sale of goods or services, sale of assets and collections from other sources;
- (mm) *Settlement of Liability* refers to the payment, restitution, or other act of extinguishing an obligation as provided by law in satisfaction of the liability under a Notice of Disallowance or Notice of Charge (ND/NC) or in compliance with the requirements of a Notice of Suspension (NS);
- (nn) *Settlement of Accounts* refers to the process of determining the status or balance of the account of an accountable officer after audit and examination;
- (oo) *Settled Account* refers to a transaction which after audit does not result to any adverse audit decision;
- (pp) *Special Cash Advances* refer to those granted on the explicit authority of the Head of the Agency only to duly designated disbursing officers or employees for other legally authorized purposes, as follows:
 - (1) Current operating expenditures of the agency field office or of the activity of the agency undertaken in the field when it is impractical to pay to the same by check, such as – (a) Salaries, Wages and Allowances; (b) Maintenance and other operating expenses; and
 - (2) Travel Expenditures, including transportation fare, travel allowance, hotel room/lodging expenses and other expenses incurred by the officials and employees in connection with official travel;
- (qq) *Statement of Internal Control (SIC)* refers to the representation of the head of the agency's informed judgment as to the overall adequacy and effectiveness of internal control within the agency related to compliance, reporting, and operations;
- (rr) *Suspension* refers to a temporary disallowance of a transaction or accounts which appear illegal or improper or irregular unless satisfactorily explained or justified by the persons responsible or until the requirements on matters raised in the course of audit are submitted or complied with;
- (ss) *Trust Funds* refer to funds which, by operation of law or by contract which are officially in the possession of any government agency or of a public officer as trustee, agent, or administrator, which are for the fulfillment of certain obligations or a specific purpose; and
- (tt) *Transfer-Distribute-Liquidate (TDL)* refers to an e-Payment scheme where the government entity's funds are first transferred to the intermediary's possession and control, which the latter thereafter uses to distribute payments to the intended payees of the principal government entity.

SECTION 4. *Fundamental Principles.* – Financial transactions and operations of any government agency shall be governed by the fundamental principles set forth hereunder:

- (a) No money shall be paid out of any public treasury or depository except in pursuance of an appropriation law, appropriation ordinance, or other specific statutory authority, or a Department of Budget and Management (DBM)-approved corporate operating budget;
- (b) Government funds or property shall be spent or used solely for public purposes;
- (c) Trust funds shall be spent only for the specific purpose for which the trust was created, or the funds received;
- (d) Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the government agency;
- (e) Disbursements or disposition of government funds or property shall be approved by the proper official of the government agency;
- (f) Claims against government funds shall be properly authorized and supported with the complete required documentation;
- (g) All laws, rules, and regulations applicable to financial transactions shall be faithfully adhered to; and
- (h) Applicable financial reporting framework adopted by the Commission, as prescribed by international standards-setting body, as well as sound management and fiscal administration, shall be observed: *Provided*, That they do not contravene existing laws, rules, and regulations.

TITLE II Chapter I ORGANIZATION

SECTION 5. *Composition of the Commission on Audit, Qualifications, Term and Salary of Members.* – The Commission shall be headed by a Chairperson and two (2) Commissioners, who shall be natural-born citizens of the Philippines and, at the time of their appointment, at least thirty-five (35) years of age, either certified public accountants with at least ten (10) years of auditing experience, or members of the Philippine Bar who have been engaged in the practice of law for at least ten (10) years, and must not have been candidates for any elective positions in the elections immediately preceding their appointment. At no time shall all Members of the Commission belong to the same profession.

The Chairperson and the Commissioners shall be appointed by the President of the Philippines, subject to the confirmation of the Commission on Appointments, for a term of seven (7) 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.

In case of vacancy pending the appointment of a Chairperson, the senior member, as to appointment, shall perform the functions of the Chairperson until a new one is appointed and assumes office.

No member of the Commission shall, during their tenure, hold any other office or employment in the government. They shall neither be in the practice of any profession or in the active management or control of any business which in any way may affect their functions as members of the Commission, nor shall they be financially interested, directly or indirectly, in any contract with, or in any franchise or privilege granted by the national government, any of its political subdivisions, agencies or instrumentalities, including government-owned or controlled corporations and their subsidiaries.

The salary of the Chairperson and the Commissioners shall be fixed by law and shall not be decreased during their tenure.

SECTION 6. *The Commission Proper (CP).* – The Commission Proper shall be composed of the Chairperson and two (2) Commissioners. They shall sit as a collegial body in the discharge of the powers and functions of the Commission.

SECTION 7. *Functions of the CP.* – The following shall be the functions of the CP:

- (a) Promulgate auditing rules and regulations for the determination of the scope and type of audit and examination by the Commission, establish the techniques and methods required therefor, including those for the prevention and disallowance of illegal, irregular, unnecessary, excessive, extravagant, or unconscionable expenditures or uses of government funds or property;
- (b) Promulgate accounting and auditing policies, rules, and regulations, and authorize the adoption of the international accounting and auditing standards prescribed by the international standards-setting body;
- (c) Promulgate its own rules concerning pleadings and practices before it or any of the offices of the Commission. Such rules however shall not diminish, increase, or modify substantive rights;
- (d) Decide by a majority vote of all its Members any case or matter brought before it;
- (e) Appoint the officials and employees of the Commission in accordance with the Civil Service laws, rules, and regulations. For the Regional Offices, appointments to rank- and file positions may be delegated by the CP to the Directors concerned. The CP shall provide the appropriate guidelines for this purpose;
- (f) Exercise original and concurrent jurisdiction over administrative cases filed against COA personnel.
- (g) Recommend to Congress its retirement benefits system pursuant to its fiscal autonomy;
- (h) Restructure, when necessary, the organizational structure of the Commission, create new positions, transfer items, or make adjustments in the Personnel Services Itemization in accordance with the organization, staffing and position classification standards of the DBM;
- (i) Authorize the conduct of special audits including re-opening of settled accounts in case of fraud, collusion, or error of calculation or when new and material evidence is

discovered, and other investigations as may be prescribed by the rules of the Commission; and

- (j) Perform such other functions as may be provided by law.

SECTION 8. *Duties and Responsibilities of the Chairperson.* – The Chairperson shall act as the presiding officer of the CP and chief executive officer of the Commission. As chief executive officer, the Chairperson shall:

- (a) Control and supervise the general administration of the Commission;
- (b) Direct and manage the implementation and execution of policies, standards, rules, and regulations promulgated by the CP;
- (c) Sign appointments for recruitment and promotions, and office orders for audit engagements, assignment/reassignment of officials and employees, or any other personnel movement of any office or station;
- (d) Delegate to the Commissioners, Assistant Commissioners, Directors, and other officials of the Commission such authority on internal administration concerning personnel, planning, financial, legal, and other matters pertaining to their respective functional areas as may be determined by the CP;
- (e) Submit a proposed annual or supplemental budget of the Commission to the DBM for approval of the Congress;
- (f) Summon any person or public official for the purpose of gathering data or inquiring into matters pertinent to the formulation, implementation or enforcement of any order, decision, policy, standard, or regulation of the CP;
- (g) Designate appropriate official as head of the Public Sector Accounting Standards Board and the Public Sector Auditing Standards Board; and
- (h) Perform such other functions as may be required by law or policy of the Commission.

SECTION. 9. *Duties and Responsibilities of the Commissioners.* – The following are the duties and responsibilities of the Commissioners:

- (a) Participate in the proceedings of the CP in the discharge of its powers and functions; and
- (b) Perform such other functions as may be provided by law, rules, regulations, or policies of the Commission.

SECTION 10. *Duties and Responsibilities of the Assistant Commissioners.* – The following are the duties and responsibilities of the Assistant Commissioners:

- (a) Formulate, develop, update, and supervise the implementation of the operational plan and performance commitment of the Sector headed which are aligned with the Commission's strategic plan;

- (b) Supervise the general administration of offices under the jurisdiction of the Assistant Commissioner;
- (c) Serve as a member of an Assistant Commissioners Group which shall work as a collegial body to study, review, and recommend policies, rules, and regulations for consideration by the CP or the COA Chairperson; and
- (d) Perform such other functions as may be assigned.

SECTION 11. *The General Counsel.* – The Assistant Commissioner of the Legal Services Sector shall be the General Counsel of the Commission.

SECTION 12. *The Central and Regional Offices.* – The operations of the Commission under Section 16 of this Act shall be further carried out by the various offices under each Sector in the Central and Regional Offices. Each regional office shall be headed by a regional director with a rank of Director IV. All offices under the audit sectors shall supervise their respective audit groups and audit teams.

The COA Regional Offices shall serve as representatives of the Commission in the regions under the direct control and supervision of the Assistant Commissioner of Local Government Audit Sector (LGAS).

SECTION 13. *Duties and Responsibilities of the Commission Secretary.* – The Commission Secretary shall have the rank of a Director IV who shall provide secretariat and administrative support to the CP.

SECTION 14. *Duties and Responsibilities of the Chief Executive Staff.* – The Chief Executive Staff in the Office of the Chairperson shall have the rank of an Assistant Commissioner who shall be responsible for the general administration and supervision of the offices under it.

SECTION. 15. *Duties and Responsibilities of the Directors.* – The Directors of the Commission shall have the following duties and responsibilities:

- (a) Formulate, develop, and supervise the implementation of the annual operational plan, in accordance with the Commission's strategic plan;
- (b) Manage the administrative operations of the office;
- (c) Implement and execute laws, policies, standards, and rules and regulations promulgated by the Commission or the Chairperson;
- (d) Submit annual performance report and other reports as directed by the CP or the Chairperson;
- (e) Adjudicate on cases within their jurisdiction;
- (f) Publish audit reports in the website of the Commission; and
- (g) Perform other functions that may be assigned by higher and competent authority;

The Commission may add or limit the duties and responsibilities of the officers and employees.

SECTION 16. *Operations of the Commission.* – The operations of the Commission shall be undertaken through the following sectors which shall each be headed by an Assistant Commissioner who shall exercise supervision over various offices under it:

- (a) Local Government Audit Sector (LGAS) shall be responsible for the audit of LGUs;
- (b) National Government Audit Sector (NGAS) shall be responsible for the audit of NGAs;
- (c) Corporate Government Audit Sector (CGAS) shall be responsible for the audit of GCs;
- (d) Special Audit Services Sector (SASS) shall be responsible for the conduct of performance audit; fraud audit; and special audit of account of public utilities, private entities to which government funds have been transferred in the form of subsidy, equity, donation, grants, or counterpart funds, franchise grantees, payment of levies or government shares, PPP projects, and the like;
- (e) Systems and Technical Audit Services Sector (STASS) shall be responsible for technical audit and conduct of other technical-related services; audit of information technology and systems and conduct of other services related to information and communications technology resources and services of government agencies; and assessment of conformance of internal audit service or unit of government agencies with the prescribed internal auditing standards and providing assistance pertaining to the internal control systems of government agencies;
- (f) Government Accountancy Sector (GAS) shall be responsible for the keeping of the general accounts of the government, preparation and submission of Annual Financial Reports and other financial reports, and providing technical assistance pertaining to accounting and financial management; recommendation on the adoption and implementation of accounting standards, policies, rules, and regulations;
- (g) Legal Services Sector (LSS) shall be responsible for rendering legal opinions and legal services; review of legal retainers and other contracts, and COA issuances; preparation of comments on proposed congressional bills and issuances of government agencies; conduct of formal hearing and drafting of decisions on administrative cases; enforcement of COA decisions; assistance in the prosecution and litigation of cases involving COA and its personnel acting as witnesses, including preparation of pertinent comments and pleadings; coordination with the Office of the Solicitor General (OSG), Office of the Ombudsman (OMB) and other agencies pertaining to cases involving COA; legal assistance to COA personnel subjected to harassment suits;
- (h) Commission Proper Adjudication Sector (CPAS) shall be responsible for drafting of decisions or resolutions for consideration of the CP;
- (i) Planning, Finance and Management Sector (PFMS) shall be responsible for the formulation of long-range and annual plans and programs of the Commission; providing budget services to the Commission; and formulation, recommendation, and

implementation of policies on the processing of claims, assessment of cost of audit services, and personnel payroll management;

- (j) Administration Sector (AS) shall be responsible for the development and maintenance of the information system of the Commission, and human resources management program; and providing general administrative services and support to the Commission; and
- (k) Professional and Institutional Development Sector shall be responsible for the formulation, recommendation, and implementation of policies and programs on learning and development of personnel of the Commission; and providing capacity building of other government agencies' personnel pertaining to accounting and auditing matters.

The CP may effect changes in the organization and functions of the Commission as it may deem necessary in the exercise of its fiscal autonomy in order to carry out its constitutional mandate.

SECTION 17. *Legal Assistance to Current and Former Officials and Employees.* – Current and former COA officials and employees are authorized to engage the services of private lawyers for a fee on cases filed against them in relation to the performance of their official functions in accordance with the guidelines issued by the CP.

For this purpose, the Commission shall provide a legal assistance fund to be included in its annual appropriation.

SECTION 18. *Professionalization of Audit Services.* – The Commission shall develop, adopt, and implement a competency-based capacity building and continuing education. It shall participate and support the activities of international professional organizations such as the International Organization of Supreme Audit Institutions (INTOSAI), Asian Organization of Supreme Audit Institutions (ASOSAI), ASEAN Supreme Audit Institutions (ASEANSAI), and other supreme audit institutions.

For this purpose, the capacity building shall include courses on accounting standards, rules, and regulations relevant to auditing services.

SECTION 19. *Professionalization of Accounting and Other Services.* – For accounting services, the Commission shall conduct capacity building in coordination with international professional bodies on accounting services such as the International Public Sector Accounting Standards Board (IPSASB), Financial and Sustainability Reporting Standards Council (FSRSC), and other international professional bodies relevant to accounting services.

The Commission shall likewise provide similar capacity building for other services.

SECTION 20. *Fiscal Autonomy.* – (a) The Commission shall enjoy fiscal autonomy and its approved annual appropriation shall be automatically and regularly released. The Chairperson of the COA is authorized to augment any item in the general appropriations for the Commission from savings in any item in the same appropriation; and (b) any savings from the approved budget under the GAA shall be retained by the Commission until fully spent.

SECTION 21. *Statement of Objectives.* – In keeping with its constitutional mandate, the

Commission adheres to the following objectives:

- (a) Determine whether the fiscal responsibility which rests directly with the head of the government agency has been properly, efficiently, and effectively discharged;
- (b) Develop and implement a comprehensive audit plan that shall encompass the examination of financial and non-financial transactions, accounts, and reports, including evaluation of the internal control system of the agency;
- (c) Institute control measures through the promulgation of auditing and accounting rules and regulations governing the revenue, receipts, disbursements, and uses of funds and properties, including audit of projects under public-private partnership agreements or the like, fund transfers to non-government organizations (NGOs), peoples' organizations (POs) or other private entities for specific purpose;
- (d) Promulgate accounting and auditing rules and regulations to facilitate the keeping of the accounts of the Government and enhance their information value;
- (e) Institute measures designed to preserve and ensure the independence of the Commission, ensure transparency and accountability in government operations, and promote service excellence and quality in all aspects of its work; and
- (f) Bring its operations closer to the people by the delegation of authority through decentralization and participatory governance, consistent with the provision of the Constitution.

SECTION 22. *General Jurisdiction.* – Pursuant to Section 2(1), Article IX-D of the 1987 Constitution, the Commission shall have the power, authority, and duty to examine, audit and settle all accounts pertaining to the revenues 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 corporations, and on a post-audit basis:

- (a) Constitutional bodies, commissions and offices that have been granted fiscal autonomy under the Constitution;
- (b) Autonomous state colleges and universities;
- (c) Other government 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.

The Commission, under Section 2(2), Article IX-D of the 1987 Philippine Constitution,

shall have exclusive authority subject to the limitations in Article IX of the Constitution, 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 23. *Examining Authority.* – The Commission shall have authority to examine in the course of audit, books, papers, documents pertaining to the income of individuals and corporations in connection with government revenue collection operations, for the purpose of ascertaining that all revenues determined to be collectible and due the Government have actually been collected.

SECTION 24. *Limited Jurisdiction over Private Entities.* – The Commission shall have authority to examine and audit the books and records of private entities in connection with their contracts, agreements, or dealings with the government for which they: (i) received subsidies, counterpart funding, government equity, donation or grant, fund transfer; (ii) were allowed to use government properties or facilities; and/or (iii) were required to pay revenue share such as, but not limited to, levy, franchise fees, income share, or other forms.

SECTION 25. *Authority to Examine Accounts of Public Utilities.* – The Commission may conduct a special audit of the books, records, and accounts of all public utilities for the purpose of determining reasonableness of rates charged to the public, or in relation to the proceedings of the proper regulatory agencies for purposes of determining franchise taxes and other fees. The Commission shall issue the audit guidelines to implement this provision.

SECTION 26. *Authority to Examine Accounts of Public-Private Partnership (PPP).* – Nongovernment entities which have contracts with the government under a Public-Private Partnership (PPP) Agreement or any of its variants, as regards to the determination of the following:

- (a) Existence of value-for-money in procurement through PPP;
- (b) Compliance with the terms and conditions of the contract or agreement;
- (c) Reasonableness of the sharing of the risks and rewards between the private sector and the government; or
- (d) Absence of disadvantage to the government in the agreement relating to the operation, maintenance and handover of the public infrastructure or project.

SECTION 27. *Deputization of Government Licensed Professionals or Experts to Assist Government Auditors.* – The CP may, when the exigencies of the service so require, deputize, and retain in the name of the Commission such certified public accountants and other government licensed professionals or experts as it may deem necessary, to assist its auditors in undertaking specialized audit engagements.

The deputized professionals or experts shall be entitled to such compensation and allowances as may be stipulated in the contract, subject to pertinent rules and regulations on compensation and fees.

The CP shall issue guidelines in contracting deputized professionals or experts

referred to in this section.

SECTION 28. *Participation of Civil Society Organizations in the Conduct of Audit.* – The COA Chairperson may deputize duly accredited Civil Society Organizations (CSOs) in the conduct of audit to help auditors in the ocular inspection, validation, evaluation, collection of data or information and monitoring of projects or located in remote and critical areas to enhance credibility, accountability, and transparency in audit processes.

SECTION 29. *Prohibition of Person or Entity from Rendering Auditing and Related Services to Government Entities.* – No person or entity shall enter into a contract to render accounting or auditing related services for a fee to any government agency or conduct of seminars or workshops on accounting and auditing for government personnel on these topics without clearance from COA to enable it to determine if it has the resources and capability to undertake the same.

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

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

SECTION 30. *Government Contracts for the Hiring of a Private Lawyer or Law Firm to Handle Legal Cases or Render Legal Services to Government Agencies.* – No contract involving public funds shall be entered into for the services of a private lawyer or law firm to represent government agencies in court or to render legal services for them. If hiring of such legal services cannot be avoided, or is justified under extraordinary or exceptional circumstances, the written conformity and acquiescence or clearance of the OSG or the Office of the Government Corporate Counsel (OGCC), as the case may be, and the written concurrence of the COA shall first be secured before the engagement of a private lawyer or law firm, unless exempted under the rules of the Commission.

In the absence of above-stated requirements, any payment thereof shall be disallowed in audit and the same shall be the personal liability of the officials concerned.

SECTION 31. *Prohibition of Private Foundations and Entities to Use the Name and Resources of the Government to Solicit and/or Receive Donations, Grants, Financial Assistance from Private Domestic and International Donors.* – Private foundations and entities organized and managed by government officials and employees are prohibited from using the name, resources, insignia, or logo of a government agency for whatever enterprise to solicit and/or receive donations, grants, financial assistance from the public or other donors.

Any violation of the preceding paragraph shall subject the said foundation or entity to special audit by the Commission as if the funds so received are public funds which should be recognized in the books of the concerned government agency. Refusal to submit itself to such audit shall constitute an offense punishable under Section 101 of this Act.

SECTION 32. *Prevention of Illegal, Irregular, Unnecessary, Excessive, Extravagant or Unconscionable Expenditures or Uses of Government Funds of Property; Power to Disallow such Expenditures.* – The Commission shall promulgate accounting and auditing

rules and regulations for the prevention and disallowance of illegal, irregular, unnecessary, excessive, extravagant, or unconscionable expenditures or uses of government funds or property. Any violation of such rules and regulations shall be a ground for disallowance without prejudice to administrative, civil and/or criminal sanctions against the persons liable therefor.

SECTION 33. *Settlement of Accounts Between Agencies.* – The Commission shall have the exclusive power, under such regulations as it may prescribe, to authorize and enforce the settlement of accounts subsisting between agencies of the government.

SECTION 34. *Collection of Indebtedness Due to the Government.* – The Commission, through proper channels, may assist in the collection and enforcement of all debts and claims and the restitution of all funds or the replacement or payment to the government of any government property lost or destroyed.

SECTION 35. *Power to Adjudicate Money Claims Against the Government.* – The Commission shall have the power to adjudicate money claims filed against the government or any of its subdivisions, agencies, and instrumentalities in relation to liquidated claims and *quantum meruit* cases. Unliquidated money claims against the government shall be filed before the proper courts, tribunals, and other adjudicative bodies.

Liquidated claims refer to those determined or readily determinable from vouchers, invoices, and such other papers within reach of accounting officers.

When the Commission is in the exercise of its power to execute judgments on money claims, the Commission shall, at all times, respect the principle of immutability of judgments.

SECTION 36. *Power to Compromise Claims.* – When the interest of the Government so requires, the CP may compromise or release in whole or in part, any settled claim or liability to any government agency not exceeding Ten million pesos (P10,000,000.00) arising out of any matter or case before it or within its jurisdiction. In case the claim or liability exceeds Ten million pesos (P10,000,000.00), the Commission shall submit with its recommendations, the application for relief to Congress.

The respective governing bodies of government corporations and self-governing boards, commissions or agencies of the government shall have the authority to condone, compromise or release any similar claim or liability when expressly authorized by their charters, subject to timely review and post-audit by the Commission. When their charters do not so provide, the power to condone or compromise shall be exercised exclusively by the Commission in accordance with the preceding paragraph.

SECTION 37. *Satisfaction of Indebtedness Arising from Final and Executory Audit Decisions.* – When any person or entity is indebted to any government agency by reason of a final and executory audit decision, the Commission shall direct the head of agency to withhold the salary or any money due to such entity or person liable or from the estate, in satisfaction of the indebtedness under the said decision.

In case the money due is not sufficient or there is no such money due to the entity or person liable to satisfy the indebtedness from the final and executory audit decision, the Commission shall have the power to levy property or garnish bank accounts to the extent of the unpaid balance.

Failure on the part of the head of agency concerned to comply with the preceding paragraphs shall make the head of agency personally liable without prejudice to administrative action that may be filed for neglect of duty.

SECTION 38. Authority to Require Submission of Documents Relative to Government Transactions. – The Commission shall have the power to require the submission of the original, in whatever form, of any order, deed, contract, or other document under which any collection of, or payment from, government funds may be made, together with any certificate, receipt, or other evidence in connection therewith. If an authenticated copy is needed for record purposes, the copy shall upon demand be furnished.

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

It shall be the duty of the officials or employees concerned, including those in nongovernment entities under audit, or affected in the audit of government and nongovernment entities, to comply promptly with these requirements.

SECTION 39. Investigatory and Inquisitorial Powers; Power to Punish for Contempt. – The Chairperson, and other officials and employees specially deputed in writing for the purpose by the Chairperson shall, in compliance with the requirement of due process, have the power to summon the parties to a case brought before the Commission for resolution, issue *subpoena* and *subpoena duces tecum*, administer oaths, and otherwise take testimony in any investigation or inquiry on any matter within the jurisdiction of the Commission.

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

SECTION 40. Annual Financial Report of the Commission. – The Commission shall submit to the President and the Congress of the Philippines not later than the last day of October of each year an annual report on the financial condition and results of operation of all government agencies, which shall include recommendation of measures necessary to improve economy, efficiency, and effectiveness of these agencies.

To carry out the purposes of this Section, the Chief Accountant or the official in charge of keeping the accounts of the government agency shall submit to the Commission, yearend financial statements and such other supporting or subsidiary statements as may be required by the Commission not later than the 31st day of March of each year. Financial statements returned by the Commission for revision due to non-compliance with accounting standards, rules and regulations shall be resubmitted within five (5) working days after the date of receipt by the official concerned.

SECTION 41. Annual Report on Appropriations, Allotments, Obligations and Disbursements, including Off-Budgetary Funds and Trust Receipts. – Within one hundred twenty (120) days after the end of every fiscal year, the Commission shall submit to the President and the Congress of the Philippines an annual report on appropriations, allotments, obligations and disbursements of national government agencies and government corporations maintaining Special Accounts in the General Fund and receiving budgetary

support from the government.

For the purpose stated in this section, agencies are required to submit financial accountability reports to this Commission in compliance with the pertinent sections of the General Provisions of the General Appropriations Act (GAA) and Republic Act No. 7226.

SECTION 42. *Powers, Functions, and Duties of Auditors.* – The following are the powers, functions, and duties of auditors as representatives of the Commission:

- (a) Exercise such powers and functions as may be authorized by the Commission in the examination of cash and accounts of accountable officers; conduct financial, compliance, performance, and other special audits; settle accounts of the agencies under the respective audit jurisdiction;
- (b) Submit an audit report on the date and in the manner prescribed by the Commission and render such other reports as the Commission may require;
- (c) For transactions subject of Audit Observation Memorandum (AOM), NS, ND, NC, complaint or a pending audit or investigation or court case, retain custody and be responsible for the safekeeping and preservation of paid expense vouchers, journal entry vouchers, stubs of checks, reports of collections and disbursements, and similar documents together with their respective supporting papers, until the final disposition thereof. The Commission shall prescribe the manner for preservation of these audit or legal evidence;
- (d) Retain a digital copy of the audited vouchers and supporting papers, official receipts, and other documents or reports upon turnover or return of the originals to the auditee for safekeeping and preservation in accordance with the guidelines promulgated by the CP;
- (e) Act as witness in proceedings before the courts, the OMB, and other quasi-judicial bodies; and
- (f) Perform such other functions as may be assigned to them by the Commission.

SECTION 43. *Examination of Cash and Accounts of Accountable Officer.* – The cashbooks, accounts, papers, and cash in the accountability of an accountable officer shall be opened at all times to audit and examination of the Commission and its duly authorized representatives.

In case an examination of the cash and accounts of an accountable officer discloses a shortage, it shall be the duty of the auditor to immediately demand in writing the restitution of the shortage and notify in writing the head of the government agency concerned of said shortage in accordance with the regulations of the Commission. The head of the agency may immediately relieve the accountable officer and assign another officer to assume the former's duties and responsibilities. A complete report on the cash examination of the accounts of the accountable officer with cash shortage shall immediately be submitted by the auditor to the Director concerned for purposes of referral to the OMB for investigation and filing of the appropriate administrative and/or criminal case against the said defalcating accountable officer, as the evidence may warrant.

For this purpose, the auditor shall, at all times, be regarded as a witness only in cases filed before the OMB and the regular courts. In no case shall the auditor be named as the complainant therein.

SECTION 44. *Withholding of Salaries and Other Emoluments of Accountable Officers.*

– Whenever an accountable officer has been found short of any accountability during cash examination or audit and after failure to explain satisfactorily or to produce the missing funds within the period prescribed by the rules of the Commission, the auditor shall order the head of the agency to direct the withholding of the salaries and other emoluments due the accountable officer found to have incurred cash shortage up to the extent of the liability until the final determination of the latter's accountability by the Commission or by final judgment of a competent court.

SECTION 45. *Constructive Distrain of Property of Accountable Officer.* – Upon discovery in audit of a shortage in the accounts of any accountable officer and upon a finding of a *prima facie* case of malversation of public funds or property against such accountable officer, in order to safeguard the interest of the government, the Commission may place under constructive distraint the personal property of the accountable officer concerned where there is reasonable ground to believe that the said officer is retiring from the government service or intends to leave the Philippines or remove the property therefrom or hide or conceal such property.

The constructive distraint shall be effected by requiring the accountable officer concerned or any other person having possession or control of the property to accomplish a receipt in the form prescribed by the Commission, covering the property distrained and obligating to preserve the same intact and unaltered and not to dispose of it in any manner whatsoever without the express authority of the Commission.

In case the said accountable officer or other person having the possession and control of the property sought to be placed under constructive distraint refuses or fails to accomplish the receipt herein referred to, the representative of the Commission effecting the constructive distraint shall proceed to prepare a list of such property; and, in the presence of two witnesses, leave a copy thereof in the premises where the property distrained is located. Thereafter, the said property shall be deemed to have been placed under constructive distraint, in accordance with the rules and regulations of the Commission.

The auditor shall submit a report to the Chairperson on any distraint effected pursuant to this Section not later than five (5) calendar days from the date of the distraint of the property.

SECTION 46. *Appeals from Decisions of Auditors.* – Any person aggrieved by the decision of an auditor, may within one hundred eighty (180) calendar days from receipt of a copy of the decision, appeal in writing to the Commission. The procedures of appeal shall be governed by the internal rules concerning pleadings and practices of the Commission, including the imposition of reasonable filing and legal research fees.

SECTION 47. *Period Rendering Decisions of the Commission.* – The CP shall decide any case brought before it within sixty (60) days from the date of its submission for decision or resolution. A case is deemed submitted for decision or resolution upon receipt of the last comment on the draft decision from any member of the CP necessary for a proper decision.

CHAPTER II DECISION OF THE COMMISSION

SECTION 48. *Appeal from Decisions of the Commission.* – The party aggrieved by any decision, order or ruling of the Commission may within thirty (30) days from the receipt of a copy thereof, appeal on *certiorari* to the Supreme Court in the manner provided by law and the Rules of Court. When the decision, order, or ruling adversely affects the interest of any government agency, the appeal may be taken by the proper head of that agency.

The OSG shall at all times represent the Commission in all its decisions appealed to the Supreme Court.

SECTION 49. *Finality of Decisions of the Commission and Responsibility of Head of the Agency.* – A decision of the Commission, upon any matter within its jurisdiction, if not appealed as herein provided, shall be final and executory.

The General Counsel or any authorized official of the Commission shall issue an order of execution for final and executory decisions, resolutions, or orders of the Commission.

For final and executory decisions on money claims, the claimant shall initiate the process of payment with the agency concerned pursuant to existing rules and regulations.

SECTION 50. *Enforcement of Decisions of the Auditor or Commission Proper.* – The head of agency shall ensure the immediate settlement of final and executory decisions of the Commission. Unreasonable failure or refusal of the head of agency or concerned official to implement the final and executory decision of the Commission shall render the former administratively liable for neglect of duty.

SECTION 51. *Re-audit of Audited Transactions.* – All transactions and accounts are open for audit within ten (10) years after the date of transaction.

TITLE III CHAPTER I BASIC POLICIES AND STANDARDS

SECTION 52. *Definition of Government Auditing.* – Government auditing is a systematic, independent, and objective process that involves obtaining and evaluating evidence in accordance with the prevailing International Standards for the Supreme Auditing Institutions (ISSAIs) for the purpose of assessing whether the financial information, transactions, programs, operations, accounts, and reports of any government agency are in accordance with the applicable international accounting framework. Government audits cover three audit streams: financial audits, compliance audits, and performance audits which are guided respectively by separate ISSAIs.

SECTION 53. *Principles of Government Auditing.* – The auditor shall be guided by the general principles and the prescribed international standards related to the audit process:

- (a) Comply with the relevant ethical principles of integrity, independence and

objectivity, competence, professional behavior, and confidentiality and transparency;

- (b) Maintain appropriate professional behavior by applying professional skepticism, professional judgment, and due care throughout the audit;
- (c) Perform the audit in accordance with professional standards on quality control;
- (d) Possess collectively the knowledge, skills, expertise, and ability and experience to exercise professional judgment necessary to successfully complete the audit;
- (e) Manage the risks of providing a report that is inappropriate in the circumstances of the audit;
- (f) Consider materiality throughout the audit process, in relation to stakeholder concerns, public interest, regulatory requirements and consequences for society;
- (g) Prepare audit documentation that is sufficiently detailed to provide a clear understanding of the work performed, evidence obtained, and conclusions reached; and
- (h) Establish effective communication throughout the audit process.

CHAPTER II

RECEIPTS AND DISPOSITION OF FUNDS AND PROPERTIES

SECTION 54. *Accounting for Moneys and Property Received by Public Officials.* – All moneys and properties officially received by a public officer in any capacity or upon any occasion, or those received in connection with the office, must be accounted for as government funds and property, except as may otherwise be specifically provided by law or competent authority. Their recognition in the books of accounts of the agency concerned shall be in accordance with pertinent laws, policies, rules and regulations, and applicable financial reporting framework.

SECTION 55. *Designation of Collecting or Disbursing Officers for Government Agencies.* – The head of agency may designate such number of collecting and disbursing officers or agents as may be deemed necessary. They shall render reports of their collections and disbursements pursuant to the regulations of the Commission, to be submitted promptly to the auditor concerned who shall conduct the necessary 30 examination and audit.

SECTION 56. *Time and Mode of Rendering Account.* – In the absence of specific provision of law, all accountable officers, through the agency accountants, shall 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.

SECTION 57. *Accrual of Income or Revenues to Unappropriated Surplus of the General Fund.* – 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 duly authorized

government depository and shall accrue to the unappropriated surplus of the General Fund of the government, unless otherwise specifically provided by law.

Income or revenues from business-type activities and revolving funds of government agencies may be separately recorded and disbursed in accordance with such rules and regulations as may be determined by the Permanent Committee created by law, composed of the Secretary of Department of Finance as Chairperson, Secretary of Department of Budget and Management, and Chairperson of Commission on Audit, as members.

SECTION 58. *Special, Fiduciary and Trust Funds.* – Receipts shall be recorded as income of Special, Fiduciary or Trust Funds or Funds other than General Fund only when authorized by law in accordance with the rules and regulations issued by the Permanent Committee.

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

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

- (a) The terms have expired or no longer necessary for attainment of the purpose for which said funds were established;
- (b) Dormant for unreasonable length of time;
- (c) Needed by the General Fund in times of emergency; or
- (d) Used in violation of the rules and regulations issued by the Permanent Committee.

SECTION 59. *Receipts and Revenues of Local Government Units (LGUs).* – All receipts and income accruing to the LGUs shall be deposited in their account maintained in the authorized government depository bank or private bank with the prior approval of the Department of Finance.

SECTION 60. *Receipts and Revenues of Government Corporations (GCs).* – All receipts and income accruing to GCs shall be deposited in their account maintained in the authorized government depository bank.

SECTION 61. *Collections by the Government.* – No payment of any nature shall be received by a collecting officer without immediately issuing an official receipt in acknowledgment thereof. The receipt may be in the form of postage, internal revenue or documentary stamps or such other digital forms as the law or the Commission may allow. At no instance shall temporary or provisional receipts be issued to acknowledge the receipt of public funds.

Where digital or electronic devices are used to acknowledge cash receipt, an electronic official receipt (eOR) shall be issued and the electronic copies of the pieces of evidence of the e-collection through Self-Collect and Credit (SCC) or Collect-Aggregate-Remit (CAR) or other modes of electronic collection allowed by the rules of the COA, shall be kept in electronic

archives. The same shall be subject to inspection and verification by the Commission, in accordance with its prescribed guidelines on the use of eORs to acknowledge collection of income and other receipts of government.

The same is acceptable provided the document maintains its integrity and reliability and can be authenticated so as to be usable for subsequent reference: *Provided*, That the electronic document has remained complete and unaltered, apart from the addition of any endorsement and any authorized change, or any change which arises in the normal course of communication, storage and display; and that the electronic document is reliable for the purpose for which it was generated and for all relevant circumstances.

Collections in the form of checks in favor of the government shall be governed by the rules of the Commission.

At no instance should money in the hands of the collecting officer be utilized for whatever purpose but should be deposited intact with an authorized government depository bank.

SECTION 62. *Payment in Settlement.* – Electronic payment through TDL, credit card, DEP such as ADA and other modes may be used to settle all obligations of the government in accordance with the guidelines of the Commission and other Public Financial Management agencies of the government.

Electronic payment to a person not duly authorized to receive such payment shall subject the concerned accountable officer to administrative/civil sanctions or criminal prosecution, as may be warranted.

In instances when checks are drawn against the checking account of the government agencies maintained with any government depository in payment of an obligation:

- (a) The check shall be made payable directly to the creditor to whom the money is due, or to the disbursing officer or employee for an official disbursement;
- (b) Checks drawn in payment of any indebtedness shall likewise be accepted by the officer concerned, provided it shall be made payable to the entity or the authorized official of the payee; and
- (c) When a check drawn in favor of the government is not accepted by the drawee bank for any reason, the drawer shall continue to be liable for the sum due and all penalties resulting from delayed payment. Where the reasons for nonacceptance by the drawee bank are insufficiency of funds and/or closed 13 accounts, the drawer shall be criminally liable therefor.

SECTION 63. *Deposit of Money in the Treasury or Authorized Government Depository Bank.* – Public officers authorized to receive and collect moneys arising from taxes, revenues, or receipts of any kind shall remit or deposit intact the full amounts so received and collected by them to the account of the National Treasury or in the agencies account maintained in the authorized government depository bank not later than the following banking day, except when it is impractical to do so due to distance and the amount to be deposited is minimal.

Fifty percent (50%) share on proceeds from the community tax certificates collected

by duly deputized barangay treasurers shall be automatically retained and deposited intact in authorized depository banks of the barangay where the tax is collected pursuant to the Republic Act No. 7160, as amended, otherwise known as the "*Local Government Code of 1991*."

No collections shall be used for purposes of disbursements except when authorized by law or regulations.

SECTION 64. *Acknowledgment of Receipt of Money by Government Depositories.* – All authorized government depository banks shall acknowledge receipt of all money received by them, for the account of the National Treasurer or the agency concerned. The acknowledgment shall bear the date of actual deposit and indicate from whom and on what account it was received. Such moneys received shall be governed by the Treasury Single Account System. established pursuant to law.

The authorized agency official shall regularly furnish the monthly bank statements to the auditor.

SECTION 65. *Shipment of Government Money or Property by a Carrier; Notation of Evidence of Loss.* – When government money or property is transported from one place to another by a carrier, it shall be the duty of the consignee or duly authorized representative to make notation or notations on the bill of lading or receipt on any evidence of loss, shortage, or damage.

SECTION 66. *Credit for Loss Occurring in Transit or Due to Fire, Theft, Robbery or Force Majeure.* – When a loss of government funds, property, documents evidencing financial transactions, or records of accountabilities occurs while they are in transit or loss is caused by fire, theft, robbery or force majeure, the officer or employee accountable therefor or having custody thereof shall immediately notify the auditor concerned and, within thirty (30) days from the occurrence of loss, shall file an application for relief, together with the required supporting evidence. When warranted, credit for the loss shall be allowed. An officer or employee who fails to comply with this requirement shall not be relieved of liability or allowed credit for any loss thereof. The procedures on application for relief shall be governed by the rules and regulations of the Commission.

SECTION 67. *Disposal of Government Property.* – When property of the government becomes unserviceable or is no longer needed, it may be disposed of in the following manner, following the guidelines issued by the Commission:

- (a) Transfer of property between government agencies;
- (b) Destruction or sale of unserviceable property;
- (c) Sale through public auction of unserviceable property;
- (d) Sale through public auction of government property that is no longer needed; and
- (e) Other modes as may thereafter be approved and prescribed in the guidelines issued by the Commission.

SECTION 68. *Disposal of Real Property.* – Whenever the subject of the disposal by sale is

real property, the same shall require prior approval of the Commission.

SECTION 69. *Disposal of Goods and Properties Seized or Confiscated by Law Enforcement Agencies.* – The destruction or disposal of goods and properties seized or confiscated by law enforcement agencies and presented as evidence in cases before the courts shall be carried out by such agencies in accordance with their respective rules and regulations.

SECTION 70. *Funds or Property Held by Deceased, Incapacitated or Absconding Accountable Officer.* – When an officer accountable for government funds or property dies, becomes incapacitated, or absconds in the performance of duties, the head of the agency shall designate a custodian to take charge of the funds or property until a successor shall have been appointed and qualified. The head of the agency may appoint a committee to count the cash and take an inventory of the property for which the officer was accountable and to determine the responsibility for any shortage therein. One copy of the inventory and the report of the committee, duly certified, shall be filed with the auditor concerned but the findings of the committee shall not be conclusive until audit thereon is completed. The head of the agency, whenever necessary, shall be responsible for securing a “hold departure order” from the proper government agency to prevent the absconding officer from leaving the country.

If the deceased, incapacitated, or absconding officer is accountable for funds or property of a local government unit, the acting custodian and committee shall be designated by the local chief executive, furnishing notice to the Secretary of the Department of Finance or the authorized appointing official as prescribed under the Local Government Code.

SECTION 71. *Disposal of Foreclosed Assets or Collaterals Acquired in the Regular Course of Business by Government Corporations.* – Notwithstanding their respective charters, foreclosed assets or collaterals acquired in the regular course of business by government corporations shall be sold thru public bidding to the highest bidder after appraisal thereof by an independent appraiser. Such sale shall be under the supervision of the proper committee on award or similar body of the government corporation, after publication for not less than two (2) consecutive days in any national newspaper of general circulation.

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

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

SECTION 72. *Final Report of Accountable Officers.* – An accountable officer, upon ceasing to act in official capacity, shall submit to the auditor of the agency concerned a report of accountability within one (1) month after such cessation. Upon receipt of the report, the auditor shall conduct a cash examination on the accountability of such accountable officer.

Any remaining balance on cash accountability shall be deposited immediately in the proper treasury.

SECTION 73. *Notice of Disallowances, Charges and Suspensions Issued by the Auditor*

to Accountable Officer. – Whenever there is a finding of pecuniary loss or damage on the part of the government, the auditor concerned shall issue a written notice of disallowance or charge through the head of the agency to each accountable officer, whose accounts have been audited in whole or in part.

Within ninety (90) days, an audit suspension which is not settled either by satisfactory explanation, justification, or submission of evidence to prove the contrary to the initial findings of an auditor on the irregularity or illegality of the transaction after receipt of the notice shall become a disallowance.

Any person aggrieved by the decision of the auditor pertaining to disallowances, charges, 5 or suspensions, may appeal the case in accordance with the rules and regulations on settlement of accounts of the Commission.

TITLE III CHAPTER I GOVERNMENT ACCOUNTING

SECTION 74. *Appropriation Before Entering into a Contract.* – No contract involving the expenditure of public funds shall be entered into unless there is an appropriation or approved budget therefor, the unexpended balance of which, free of other obligations, shall be sufficient to cover the proposed expenditure.

SECTION 75. *Certificate Showing Appropriation to Meet Contract.* – Except in the case of a contract for personnel services or for supplies for immediate consumption, no contract involving the expenditure of public funds by any government agency shall be entered into or authorized unless the proper budget officer of the agency concerned shall have certified to the officer entering into the obligation that funds have been duly appropriated for the purpose and that the amount necessary to cover the proposed contract for the fiscal year is available for expenditure on account thereof. The certificate signed by the proper budget officer shall be attached to and become an integral part of the contract, and the sum so certified shall not thereafter be available for expenditure for any other purpose until the obligation of the government agency concerned under the contract is fully extinguished. The funding guidelines of the DBM shall be followed for multi-year contracts.

SECTION 76. *Void Contract and Liability of Officer.* – Any contract entered into contrary to the requirements of the two immediately preceding sections shall be void and not binding to the government. The officer of any government agency responsible for the said contract shall be personally liable to the government or other contracting party as if the transaction had been entered into between private parties.

SECTION 77. *Prohibition Against Advance Payment on Government Contracts.* – Except when authorized by law, the government shall not be obliged to make an advance payment on contracts for:

- (a) Services not yet rendered;

- (b) Supplies and materials not yet delivered, inspected, and accepted, except in lease of venues and catering services as provided for in the procurement law and its implementing rules and regulations; and
- (c) Infrastructure projects not yet implemented or completed, inspected, and accepted, other than for mobilization as provided for in the procurement law and its implementing rules and regulations.

SECTION 78. *Limitations on Cash Advance.* – The following shall be the limitations on cash advance:

- (a) No cash advance shall be given unless for a legally authorized specific purpose;
- (b) A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served;
- (c) No additional cash advance shall be granted or allowed unless the previous cash advance has been first settled/liquidated or a proper accounting thereof is made;
- (d) Except for cash advance for official travel, no officer or employee shall be granted cash advance unless such officer or employee is properly bonded in accordance with existing laws or regulations. The amount of cash advance which may be granted shall not exceed the maximum cash accountability covered by bond of an officer or employee;
- (e) Only permanent appointed officials shall be designated as disbursing officers;
- (f) Only duly appointed or designated disbursing officers may perform disbursing functions. Officers and employees who are given cash advances for official travel need not be designated as disbursing officers;
- (g) Transfer of cash advance from one accountable officer to another shall not be allowed;
- (h) The cash advance shall be used solely for specific legal purpose for which it was granted. Under no circumstance shall it be used for encashment of checks or for liquidation of a previous cash advance;
- (i) The failure of the concerned official or employee to liquidate the cash advance after due demand by an authorized officer is a prima facie presumption of malversation despite the absence of a finding of actual damage to the government;
- (j) The transfer of cash advance by a disbursing officer to another does not constitute an expenditure for which the disbursing officer may claim credit in accounts, but the responsibility of such disbursing officer continues to attach until the amount has been fully accounted for; or
- (k) No cash advance shall be granted for the procurement or implementation of infrastructure projects.

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

administrative/civil sanction and criminal prosecution of both the authorizing and the accountable officials, as may be warranted.

SECTION 79. *Transfer of Funds from One Officer to Another.* – Transfer of government funds from one officer to another shall, except as allowed by law or regulation, be made only upon prior direction or authorization of the head of the agency following the accountability and accounting guidelines issued by the Commission.

SECTION 80. *Limitations on Fund Transfers from One Government Agency to Another.* – The following shall be the limitations on transfer of funds from one government agency to another:

- (a) No fund transfers shall be given except for legally authorized specific purpose as embodied in a Memorandum of Agreement (MOA) executed between the source and implementing agencies;
- (b) The fund transfers shall be reported on and/or liquidated by the implementing agencies as soon as the purpose for which they have been granted have been served, but not later than the end of the year;
- (c) No additional or new fund transfers shall be made unless the previous transfers have been fully liquidated as certified by the head of agency concerned;
- (d) The heads of the source and implementing agencies shall be responsible for compliance with the foregoing requirements.

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

SECTION 81. *Limitations on Fund Transfers from Any Government Agency to a Private Organization or Entity.* – The following shall be the limitations on transfer of funds from any government agency to any private organization or entity:

- (a) No fund transfer from a government agency shall be given to a private organization or entity unless authorized by law for a specific purpose which should be embodied in a MOA executed between the source government agency and the implementing private organization or entity;
- (b) Only duly registered, accredited, and reputable private organizations or entities shall be granted fund transfers;
- (c) Fund transfers shall be reported on and liquidated by the implementing private organizations or entities to the source government agency as soon as the project has been completed or not later than sixty (60) days after project completion. If the project implementation will go beyond December 31st of the year, a partial liquidation report as of December 31st of that year shall be submitted to the source government agency not later than January 15 of the ensuing year;
- (d) No additional or new fund transfers shall be made unless the previous fund transfers have been fully liquidated as certified by the head of the agency; or

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

Failure on the part any public officer, employee, or any person to comply with the abovementioned responsibility shall constitute a ground for administrative or civil sanction or criminal prosecution.

SECTION 82. *Payment of Rewards.* – When a reward becomes payable by authority of law for information given relative to any offense or any illegal activity, or for any act done in connection with the apprehension of the offender, the reward shall be paid as prescribed by law or regulations. Such payment of reward shall be subject to audit in accordance with the regulations of the Commission.

SECTION 83. *Loss Through Electronic Collection or Payment.* – Government agencies utilizing e-Collection and/or payment systems shall formulate internal policy guidelines to implement reasonable and appropriate organizational, technical, and personnel controls to prevent loss of funds caused by internet connectivity issues, errors in payment instructions, online banking fraud, security breach, or other similar events. Any loss due to the foregoing shall be the liability of the erring party.

SECTION 84. *Replacement of Lost, Stolen or Destroyed Checks.* – When payment is made through check and the same was lost, stolen, or destroyed, the issuing officer may issue a replacement check as payment for the same obligation. Replacement shall be made upon the execution of an affidavit of loss and submission of stop payment order to the drawee bank. If destroyed, presentation of the destroyed check to the issuing officer is also required. The chief accountant or internal auditor of the agency shall be responsible for seeing to it that no double payment is made as a result thereof.

SECTION 85. *Reversion of Unpaid Trade Payables Aged More Than Two (2) Years.* – The head of national government agencies, LGUs and government corporations classified as non-commercial public sector entities shall cause the reversion of trade payables aged more than two (2) years to the Unappropriated Surplus or Accumulated Surplus/(Deficit).

The head of government corporations classified as commercial public sector entity shall revert unpaid trade payables aged more than two (2) years to retained earnings. In both instances the reversion shall only be made when there is no actual claim or is not supported by a valid contract.

CHAPTER II ACCOUNTABILITY AND RESPONSIBILITY FOR GOVERNMENT FUNDS AND PROPERTY

SECTION 86. *Accountable Officers; Bond Requirement.* – Every officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor and for the safekeeping thereof in conformity with law. Other government officers who, though not accountable by the nature of their duties, may likewise be similarly held accountable for government funds or property through their participation in the use or application thereof.

Every accountable officer shall be properly bonded in accordance with law and the pertinent rules or regulations.

SECTION 87. *Primary Responsibility and Fiscal Accountability of the Head of the Agency.* – The head of any agency who is primarily responsible for all government funds and property pertaining to the agency, shall ensure that:

- (a) the required financial and other reports and statements are submitted by the concerned agency officials in such form and within the period prescribed by the Commission;
- (b) the settlement of disallowances and charges is made within the prescribed period;
- (c) the requirements of transactions suspended in audit are complied with; and
- (d) appropriate actions are taken on the deficiencies noted in the course of audit.

Persons entrusted with the possession or custody of the funds or property under the head of the agency shall be accountable therefor and immediately responsible to the head of the agency, without prejudice to the liability of either party to the government.

SECTION 88. *General Liability for Unlawful Expenditures.* – Expenditures of government funds or uses of government property in violation of law or regulations shall be the personal liability of the official or employee found to be directly responsible therefor.

SECTION 89. *Degree of Supervision over Accountable Officers.* – The head of any government agency shall exercise due diligence in supervising accountable officers under the control of such head of the agency to prevent the incurrence of loss of government funds or property, otherwise the head of the agency shall be jointly and solidarily liable with the person primarily accountable therefor.

The treasurer of the LGU shall likewise exercise the same degree of supervision over accountable officers under the oversight of the treasurer, otherwise the treasurer shall be jointly and solidarily liable with them for the loss of government funds or property under their stewardship.

SECTION 90. *Measure of Liability of Accountable Officers.* – Every officer accountable for government property shall be liable for its money value in case of improper or unauthorized use or misapplication thereof by such accountable officer or by any person for whose acts such accountable officer may be responsible for. Accountable officer shall likewise be liable for all losses, damages, or deterioration occasioned by negligence in the keeping or use of the property regardless of whether or not it is in actual custody of such accountable officer.

Every accountable officer 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.

SECTION 91. *Liability for Acts Done by Direction of Superior Officer.* – No accountable officer shall 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 such accountable officer is accountable, unless prior to that act, the accountable officer notified the superior officer in

writing that the expenditure is illegal, irregular, excessive, extravagant, unnecessary, and unconscionable. The 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.

SECTION 92. *Prohibition Against Pecuniary Interest.* – No head of agency, members of the board or commission, accountable officer or public official shall have pecuniary interest, directly or indirectly, in any contract or transaction of the agency in which such public officer is an officer, or in any other office where the public officer has influence.

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

TITLE IV CHAPTER I BASIC PRINCIPLES

SECTION 93. *Definition of 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 in accordance with the applicable international accounting framework, International Public Sector Accounting Standards (IPSAS) or Philippine Financial Reporting Standards (PFRS), as the case may be, and interpreting the results thereof.

SECTION 94. *Recognition of Financial Transactions.* – Each government agency shall recognize its financial transactions and operations conformably with pertinent laws, policies, rules and regulations, and applicable financial reporting framework.

SECTION 95. *Accounting Policies, Rules and Regulations.* – The Commission shall promulgate accounting policies, rules, and regulations in accordance with the applicable international accounting framework. Such policies, rules and regulations shall be updated from time to time as the Commission may deem proper.

CHAPTER II ACCOUNTING REPORTS

SECTION 96. *Financial Reports and Statements.* – The financial reports prepared by the agencies shall comply with the applicable financial reporting framework to the government agency.

The financial statements shall be based on official accounting records and registries kept in accordance with pertinent laws, policies, rules and regulations of the Commission, and the applicable financial reporting framework to the government agency.

SECTION 97. *Submission of Reports.* – The Commission shall, under regulations issued by it, require the head of the agencies, chief accountants, budget officers, cashiers, disbursing/collecting officers, administrative or personnel officers, and other responsible officials of the various agencies to submit financial statements, financial accountability reports,

physical inventory reports, current staffing pattern, and such other reports as may be necessary for the exercise of its functions.

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 cause the suspension of the payment of their salaries until they shall have complied with the requirements of the Commission without prejudice to any disciplinary action that may be instituted against such official or employee in accordance with the applicable rules on administrative cases issued by the Civil Service Commission.

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

CHAPTER III INTERNAL CONTROLS

SECTION 98. *Internal Control System and its Installation.* – Internal control is an integral process that is effected by an agency's management and personnel and is designed to address risks and provide reasonable assurance that in pursuit of the agency's mission, the general objectives are being achieved.

It shall be the direct responsibility of the head of the agency to establish an internal control unit that shall install, implement, review, and monitor a sound internal control system in accordance with Internal Control Standards for the Philippine Public Sector.

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

TITLE IV FINAL PROVISIONS

SECTION 99. *Duty to Respect the Independence of the Commission.* – It shall be the duty of every person to respect, protect and preserve the independence of the Commission.

SECTION 100. *Administrative Disciplinary Action.* – Any unjustified failure by the public officer concerned to comply with any requirement imposed in this Act shall constitute neglect of duty or grave misconduct, as the case may be, and shall be a ground for this Commission to file appropriate administrative disciplinary action against the said public officer who, upon being found guilty thereof after hearing, shall be meted out such penalty commensurate with the degree of guilt in accordance with the civil service law, without prejudice to criminal prosecution whenever the evidence warrants.

The auditor shall report to the concerned Director any violation of the preceding

paragraph for referral of the case to the OMB, or other government disciplining authorities.

SECTION 101. *Penal Provisions.* – Any person who shall commit any of the following acts shall, upon conviction, suffer imprisonment of not less than six (6) months and one (1) day but not more than six (6) years or a fine of not less than One hundred thousand pesos (P100,000.00) but not more than One million two hundred thousand pesos (P1,200,000.00) or an imprisonment of six (6) years and one (1) day to twelve (12) years, or both at the discretion of the court. If the offender is a corporation, partnership or association or other juridical entity, the penalty may in the discretion of the court be imposed upon such juridical entity and upon the officer or officers of the corporation, partnership, association, or entity responsible for the violation.

- (a) Refusing or neglecting to render or settle an account as required by law or regulation after demand by the Commission or its authorized representatives.
- (b) Denying access to databases or information technology systems, or failing to produce documents, records, or papers under custody within fifteen (15) days after demand by the Commission or its authorized representatives in connection with the conduct of audit.
- (c) Destroying or concealing documents, records, or papers which are officially entrusted to such person, pertaining to the collection, receipt, expenditure, or disbursement of public funds and utilization or disposal of government property in connection with the conduct of audit.
- (d) Failing or refusing to submit documents required in audit without justifiable cause shall constitute a ground for disallowance of the claim under examination, assessment of additional levy or government share, or withholding or withdrawal of government funding or donations through the government, as well as for administrative or penal sanctions.
- (e) Committing other similar acts that impede, frustrate, or delay the efficient conduct of audit.

If a violation of this Act constitutes an offense or crime punished under Act No. 3815, otherwise known as the Revised Penal Code, as amended, or other special laws which imposes a higher penalty, the latter shall prevail.

SECTION 102. *Implementing Rules and Regulations.* – The CP shall promulgate the necessary rules and regulations for the effective implementation of this Act.

SECTION 103. *Appropriations.* – The amount necessary for the implementation of this Act shall be included in the annual General Appropriations Act.
The Commission on Audit is authorized to:

- (a) Collect one-half (1/2) of the one percent (1%) from the annual national tax collections not otherwise accruing to special funds or special accounts in the general fund of the national government, upon authority from the Secretary of Finance, shall be deducted from such collections and shall be remitted to the National Treasury to cover the cost of auditing services rendered to local government units;

- (b) A fixed amount equivalent to the annual cost of the audit services in the government corporations; and
- (c) Other sources such as, but not limited to, collections of audit fees from water districts and special audits, consultancy fees and retained income.

All government corporations, including their subsidiaries, and self-governing boards shall appropriate in their respective budgets and remit not later than the end of the second quarter of each year an amount equivalent to the appropriation for personnel services of the audit team to the National Treasury.

The amount for the MOOE and capital outlay to support the annual or the actual audit operations of the COA audit teams assigned to NGAs, LGUs and government corporations which form part of the approved budget of the audited agency for auditing services under the General Appropriations Act, appropriations ordinance or annual operating budget, respectively, shall be remitted directly to the Commission on Audit Central Office.

All internally generated income from other sources shall accrue to its general fund to be exclusively utilized for the operation and performance of its mandate.

SECTION 104. *Repealing Clause.* – Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, and Subtitle B, Title I, Book V, of Executive Order No. 292, or the Administrative Code of 1987, are hereby repealed. All other laws, executive orders, proclamations, decrees, instructions, rules and regulations, or parts thereof which are inconsistent or in conflict with any provision herewith shall be deemed repealed or modified accordingly.

SECTION 105. *Separability Clause.* – Should any provision of this Act or any part thereof be declared invalid, the other provisions, insofar as they are separable from the invalid provision, shall remain in force and effect.

SECTION 106. *Effectivity.* – This Act shall take effect fifteen (15) days following completion of its publication in the *Official Gazette* or in any newspaper of general circulation.

Approved,