

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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 1845



Introduced by Representative LEILA M. DE LIMA

AN ACT
REGULATING THE ALLOCATION AND UTILIZATION OF CONFIDENTIAL AND
INTELLIGENCE FUNDS, IMPOSING PENALTIES FOR ITS MISUSE AND
MISAPPROPRIATION, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Confidential and intelligence funds (CIF) are lump sum amounts allotted for surveillance and intelligence information gathering purposes, and thus are not immediately subject to public record and operate with less transparency.¹

The yearly General Appropriations Act (GAA) is the law that governs the allocation and disbursement of confidential and intelligence funds. Sections 85 and 86 of the General Provisions of the GAA for Fiscal Year 2025 define the expenses for which confidential and intelligence funds may be used.² According to Section 85, approval from the President is necessary for the disbursement of intelligence funds for intelligence activities; and "intelligence expenses refer to those related to intelligence information gathering activities of uniformed and military personnel, and intelligence practitioners that have direct impact to national security."³ According to Section 86, approval from the Department Secretary concerned is necessary for the disbursement of confidential funds; "agencies utilizing confidential funds shall submit to the President of the Philippines and both Houses of Congress a quarterly report on the accomplishments in the use of said funds;" and "confidential expenses refer to those

¹ Gregorio, X. (5 October 2022). Confidential, intel funds in the national budget: What you need to know. Retrieved from <https://www.philstar.com/headlines/2022/10/05/2214494/confidential-intel-funds-national-budget-what-you-need-know>.

² Official Gazette. (30 December 2024). General Provisions Fiscal Year 2025. Retrieved from <https://www.dbm.gov.ph/wp-content/uploads/GAA/GAA2025/Volume1B/GENPRO/GENPRO.pdf>.

³ Ibid., p.748-9.

related to surveillance activities in civilian government agencies that are intended to support the mandate or operations of the agency.”⁴

The GAA also states that implementation of disbursements and audits is subject to COA-DBM-DILG-GCG-DND Joint Circular (JC) No. 2015-01, which remains to be the only document establishing guidelines on the entitlement, release, use, reporting, and audit of confidential and/or intelligence funds. According to the Joint Circular, the Special Disbursing Officer (SDO) is to be “in charge of making disbursements of CF and/or IF” and is thus to be held accountable.⁵ Compared to those of regular funds, audits and requirements for the disbursement of confidential and intelligence funds are less transparent and more lenient. While the initial guidelines in 2015 may have been appropriate and sufficient at that time, recent developments have exposed the vulnerability of the existing design, implementation, and auditing process of confidential and intelligence funds.

Particularly significant among these recent developments is the reported misuse and malversation of confidential funds amounting to Six Hundred Twelve Million Five Hundred Thousand Pesos (P 612,500,000.00), appropriated to the Office of the Vice President (OVP) Sara Duterte and the Department of Education (DepEd) of which Duterte served as Secretary.

Hearings conducted by the House Committee on Good Government and Public Accountability have unearthed the following:

- a. Confidential funds were appropriated to civilian government agencies whose mandates do not include surveillance, nor involve national security and peace and order;
- b. Confidential expenses were unrelated to national security and peace and order, or confidential funds appropriated for non-confidential activities and expenses;
- c. Liquidation reports submitted had either unreadable, incomplete, unstated, repeating, or made-up or fictitious names of payees; or liquidation reports had forgeries or no signatures at all;
- d. SDOs hired were clueless on how the confidential funds were spent after turning the funds over to another unauthorized individual upon instruction from Vice President Duterte;
- e. There was absence of reports on accomplishments of the use of confidential funds.

These findings eventually formed part of the Articles of Impeachment⁶ against Vice President Sara Duterte, which was approved by the House of Representatives with 215 affirmative votes on February 5, 2025.

⁴ Ibid., p.749.

⁵ COA-DBM-DILG-GCG-DND Joint Circular (JC) No. 2015-01. (8 January 2015). Retrieved from https://www.coa.gov.ph/wpfd_file/coa-dbm-dilg-gcg-for-goccs-dnd-joint-circular-no-2015-01-january-8-2015/.

⁶ Verified Complaint for Impeachment. (5 February 2025). Retrieved from <https://web.senate.gov.ph/Impeachment/Verified%20Complaint%20for%20Impeachment.pdf>.

The obvious misuse and malversation of millions in taxpayer money as a result of exploiting the weak and insufficient guidelines on confidential and intelligence funds, poses a serious threat to the preservation of public trust in the government and the legitimacy of its institutions. As such, legislative intervention is deemed necessary to ensure that confidential and intelligence funds are strictly appropriated to justifiable activities and agencies with mandates to maintain national security and peace and order, and are properly audited with as much transparency as permitted without compromising confidential and intelligence operations.

In the 19th Congress, a similar bill was filed by several representatives led by the Chair of the Committee on Good Government and Public Accountability that conducted the hearings, Representative Joel Chua. In the current 20th Congress, Senator Francis Pangilinan filed a Senate bill adopting with modifications the aforementioned bill of Representative Chua. In particular, the Senate bill added sections on establishing a Joint Congressional Oversight Committee in Intelligence and Confidential Funds and on requiring an Annual Audit by the Commission on Audit. This bill adopts the Senate bill filed by Senator Pangilinan.

In light of the need to further regulate public spending and ensure the proper allocation and use of intelligence and confidential funds, the passage of this bill is earnestly sought.



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HOUSE BILL NO. **1845**

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AN ACT
REGULATING THE ALLOCATION AND UTILIZATION OF CONFIDENTIAL AND INTELLIGENCE FUNDS, IMPOSING PENALTIES FOR ITS MISUSE AND MISAPPROPRIATION, AND FOR OTHER PURPOSES

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

1 SECTION. 1. *Short title.* – This Act shall be known as the “*Confidential &*
2 *Intelligence Funds (CIF) Utilization and Accountability Act.*”

3
4 SEC. 2. *Declaration of State Policies.* – The State recognizes the need for the
5 allocation and use of confidential and intelligence funds in government agencies with
6 mandates that are directly related to national security, law enforcement, and
7 intelligence operations, and other related critical functions requiring discretion.

8
9 It is the policy of the State that the use of such funds must be subject to stringent
10 oversight, accountability, and transparency to ensure that they are not misused, or
11 diverted for unauthorized or unlawful purposes.

12
13 Further, it is the policy of the State to maintain public trust in the use of public
14 funds, protect the integrity of government operations, and prevent corruption in the
15 management of confidential and intelligence funds.

16
17 SEC. 3. *Entitlement to Confidential and Intelligence Funds.* – Confidential and
18 intelligence funds shall be allocated to agencies as indicated under the General
19 Appropriations Act and to all other agencies, departments, and units with mandates
20 related to national security, peace and order, and intelligence gathering.

1 SEC. 4. *Limits on Confidential/Intelligence Fund Allocation.* – The total allocation
2 for confidential and intelligence funds for any single agency, considering the
3 population serviced, shall not exceed ten percent (10%) of the total annual budget of
4 the agency, unless otherwise explicitly authorized by law.

5
6 SEC. 5. *Definition of Terms.* – As used in this Act, the following terms are defined,
7 as follows:

8 a. *Accountable Officer (AO)* refers to every officer of the government whose
9 duties permit or require the possession or custody of government funds and
10 property and who shall be accountable therefor and for the safekeeping
11 thereof in conformity with laws and regulations.

12
13 b. *Audit and Oversight Authorities* refers to the Commission on Audit (COA),
14 Philippine Congress composed of the Senate and the House of
15 Representatives, or any other relevant body empowered by law to audit
16 government agencies and ensure proper use of public funds.

17
18 c. *Confidential Fund (CF)* refers to the lump-sum amount released or
19 disbursed to civilian government agencies that are intended to support its
20 mandate or operations directly related to Confidential Expenses in
21 Confidential Programs for national security and peace and order.

22
23 d. *Confidential Expenses (CE)* refer to those expenses directly related to
24 national security and peace and order, including but not limited to
25 surveillance activities and information gathering, in civilian government
26 agencies with mandates directly related to peace and order and intelligence
27 gathering.

28
29 e. *Government-Owned or Controlled Corporation (GOCC)* refers to any entity
30 organized as a stock or non-stock corporation, vested with functions relating
31 to public needs whether governmental or proprietary in nature, and owned
32 by the Government of the Republic of the Philippines directly or through its
33 instrumentalities either wholly or, where applicable as in the case of stock
34 corporations, to the extent of at least a majority of its outstanding capital
35 stock.

36
37 The term "GOCC" shall include Government Instrumentalities with
38 Corporate Powers/Government Corporate Entities and Government
39 Financial Institutions, and Subsidiaries as defined under Republic Act (R.A.)
40 No. 10149, or the GOCC Governance Act of 2011.

41
42 f. *Governance Commission for GOCCs (GCG)* refers to the central advisory,
43 monitoring, and oversight body, with authority to formulate, implement, and
44 coordinate policies involving GOCCs, created under R.A. No. 10149.

- 1 g. *Head of Agency (HoA)* refers to the highest official of the National
2 Government Agency (NGA) and Local Government Unit (LGU). In the case
3 of GOCCs, the HoA refers to the President and/or Chief Executive Officer,
4 who is in-charge of the day-to-day operations of the corporation.
5
- 6 h. *Intelligence and Confidential Fund Audit Unit (ICFAU)* refers to the unit
7 created under the Office of the Chairperson of the COA in charge of the
8 audit of CF and IF.
9
- 10 i. *Intelligence Fund (IF)* refers to the lump-sum amount released or disbursed
11 to military agencies or agencies engaged in intelligence activities, including
12 funds sourced from savings.
13
- 14 j. *Intelligence Expenses (IE)* refer to those related to intelligence information
15 gathering activities of uniformed and military personnel, and Intelligence
16 Practitioners that have direct impact to national security.
17
- 18 k. *Local Government Unit (LGU)* refers to a province, city or municipality.
19
- 20 l. *Misuse and Misappropriation of CF and/or IF* refers to the unauthorized use,
21 misappropriation, diversion, or expenditure of confidential/intelligence funds
22 for purposes other than those specifically approved in the budget or law, or
23 in violation of established rules and regulations, including disbursement of
24 confidential/intelligence funds of an agency allocated with such budget in
25 the GAA but the mandate is not directly related to national security or peace
26 and order.
27
- 28 m. *National Government Agency (NGA)* refers to any department, bureau, or
29 office of the national government, or any of its branches and
30 instrumentalities, other than GOCCs and LGUs.
31
- 32 n. *Notice of Disallowance (ND)* refers to a written notification to the HoA and/or
33 accountant informing and requiring the person/s liable to reconstitute the
34 amount of CE and/or IE disapproved/disallowed in audit, either in whole or
35 in part, as a result of illegal, irregular, or improper disbursement/expenditure
36 of such funds.
37
- 38 o. *Special Disbursing Officer (SDO)* refers to the HoA or a regular employee
39 designated by the HoA to be in charge of making disbursements of CF
40 and/or IF so received and accountable therefor.
41

42 SEC. 6. *General Guidelines.* – Confidential funds shall be allocated to
43 government agencies with mandates that directly relate to national security and peace
44 and order, or intelligence gathering for specific and essential purposes, including,

1 national defense and security operations, law enforcement, prevention and response
2 to terrorism and organized crime, and emergency responses to national crises where
3 the immediate release of information could jeopardize public safety or national
4 interests.

5
6 SEC. 7. *Limitations on Use.* – Confidential and intelligence funds shall not be
7 used for agency operations not directly and exclusively related to peace and order or
8 intelligence gathering, political activities, personal or private expenditure of
9 government officials or employees, and public relations or other non-security-related
10 purposes.

11
12 SEC. 8. *Reporting and Transparency.* – All NGAs, LGUs, and GOCCs releasing
13 CF and IF shall submit reports on the use thereof to the COA-ICFAU for its audit of
14 the CF and IF utilization, and other audit and oversight authorities, without
15 compromising confidentiality.

16
17 SEC. 9. *Public Disclosure.* – While maintaining the necessary confidentiality, a
18 summary of the allocation and purpose of the confidential funds should be disclosed
19 to the public, in a manner that does not endanger national security or law enforcement
20 operations.

21
22 SEC. 10. *Confidentiality and Loss of Confidentiality Status.* – With due regard for
23 the protection from unauthorized disclosure of classified information relating to
24 sensitive, confidential, and intelligence matters, all information and documents related
25 to CF and IF are to be treated as confidential.

26
27 However, CF loses confidentiality status and shall be declassified immediately
28 once COA issues an ND. The CF, including all the information and documents related
29 thereto, shall then be subject to inquiries and investigations, with documents and
30 related information to be made public, without need of compulsory processes.

31
32 SEC. 11. *Oversight and Audit.* – The Commission on Audit (COA) shall have the
33 authority to audit the use of confidential funds in all government agencies.

34
35 The COA shall (i) review whether the funds were used strictly for the intended
36 purpose, (ii) examine the documentation and receipts to ensure proper use, and (iii)
37 conduct random and special audits whenever deemed necessary.

38
39 The COA and other relevant oversight authorities shall conduct special audits or
40 investigations if there are reasonable grounds to suspect misuse, fraud, or corruption
41 involving confidential funds.

42
43 Civil society organizations shall be encouraged to monitor the use of confidential
44 funds, provided that they respect the confidentiality of sensitive operations.

1
2 SEC. 12. *Prima facie evidence of misuse and misappropriation.* – The following
3 shall constitute *prima facie* evidence of misuse and misappropriation of the funds:

- 4 i. Failure to comply with the documentary requirements evidencing proper
5 disbursement and liquidation of the CF and/or IF;
6 ii. Failure to comply with Section 6 of this Act on the submission of reports to
7 Audit and other Oversight Authorities, including the Commission on Audit,
8 Senate, House of Representatives, and the Office of the President;
9 iii. Disbursement of funds allocated to a government agency, unit, or
10 instrumentality, the mandate of which is not directly related to national
11 security or peace and order;
12 iv. Disbursement of funds to another person who shall make further
13 disbursement of funds; or
14 v. Disbursement of funds for activities not directly related to national security,
15 peace and order, or intelligence gathering for effective implementation of its
16 law enforcement mandate.

17
18 SEC. 13. *Penalties for Misuse and Misappropriation of Confidential Funds.* – The
19 SDO and the HoA shall be jointly and severally liable in case of failure to render
20 accounts, misappropriation, or misuse of the funds committed intentionally or through
21 negligence. Penalty shall include perpetual disqualification from office and loss of
22 benefits.

23
24 SEC. 14. *Implementing Rules and Regulations.* – The Department of Budget and
25 Management (DBM), in consultation with the Commission on Audit (COA), the
26 National Security Council (NSC), and other relevant agencies, shall promulgate the
27 necessary rules and regulations to implement the provisions of this Act within ninety
28 (90) calendar days from publication of this Act. These rules shall include detailed
29 procedures for the justification, approval, reporting, and auditing of confidential funds.

30
31 The Commission on Audit, Bureau of Treasury, Department of Interior and Local
32 Government, Governance Commission for Government-owned or -controlled
33 Corporations, Department of Budget and Management, and the Department of
34 National Defense shall review and revise their existing circulars and joint circulars in
35 accordance with this Act.

36
37 SEC. 15. *Supplementary Application of the Government Auditing Code and*
38 *Government Accounting Manual.* – The entitlement, release, use, reporting, and audit
39 of confidential and intelligence funds shall not be contrary to the requirements of the
40 Government Accounting Manual and must be audited solely by the COA-ICFAU under
41 the Government Auditing Code.

42
43 SEC. 16. *Prescription of Crimes.* – The offenses punishable under this Act shall
44 prescribe in twenty (20) years.

1 SEC. 17. *Joint Congressional Oversight Committee in Intelligence and*
2 *Confidential Funds.* – A Joint Congressional Oversight Committee in Intelligence and
3 Confidential Funds shall be created, composed of five (5) members each from the
4 Senate and the House of Representatives.

5
6 The joint panel shall be co-chaired by the Senate Committee on Accountability
7 of Public Officers and Investigations and the House Committee on Good Government
8 and Public Accountability.

9
10 Its members shall include the chairpersons of the Senate Finance Committee
11 and the House Appropriations Committee, and two (2) members of the minority blocs
12 of each Chamber.

13
14 The Joint Committee will conduct a semi-annual review of the status and
15 implementation of programs and activities financed by intelligence and confidential
16 funds, and report to Congress no later than June 30 of each year.

17
18 SEC. 18. *Annual Audit by the Commission on Audit (COA).* – The COA shall
19 conduct a yearly special audit on all intelligence and confidential funds, and report to
20 Congress no later than June 30 of each year.

21
22 SEC. 19. *Separability Clause.* - If any provision of this Act is declared invalid or
23 unconstitutional, the provisions not affected thereby shall continue to be in full force
24 and effect.

25
26 SEC. 20. *Repealing Clause.* - All laws, executive orders, presidential decrees,
27 presidential proclamations, letters of instruction, rules and regulations, or parts thereof
28 inconsistent with the provisions of this Act are hereby repealed, modified, or amended
29 accordingly.

30
31 SEC. 21. *Effectivity.* - This Act shall take effect fifteen (15) days following its
32 publication in the Official Gazette or in two (2) newspapers of general circulation in the
33 Philippines.

Approved,