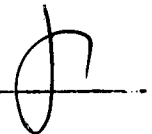


NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Second Regular Session* )

24 FEB -7 P12 :43

**SENATE**  
**S. No. 2536**

RECEIVED BY: \_\_\_\_\_



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Introduced by Senator Christopher Lawrence "Bong" T. Go

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**AN ACT**  
**PROFESSIONALIZING THE GOVERNMENT ACCOUNTING SERVICE TO SERVE**  
**AS A TOOL FOR EFFECTIVE MANAGEMENT AND CONTROL OF GOVERNMENT**  
**RESOURCES, CREATING FOR THE PURPOSE THE GOVERNMENT**  
**ACCOUNTANCY OFFICE UNDER THE DEPARTMENT OF BUDGET AND**  
**MANAGEMENT AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

The 1987 Philippine Constitution mandates the keeping of government accounts, the promulgation of accounting rules, the audit of financial reports, and the submission of reports covering the financial operations and position of the government. By virtue of such mandate, government accountants hold an indispensable role in facilitating the seamless operation and transactions of the government. They play a crucial part in documenting expenditures, income, and collections, as well as in crafting financial statements or reports regularly submitted to Congress, the Commission on Audit, the Department of Budget and Management, the National Treasury, and other authorities concerned.

This proposed measure seeks to introduce reforms in the accounting service of the government to enable a more effective and responsive mechanism for the management of all government financial operations and transactions. This measure further provides for the creation of a Central Government Accounting Authority, herein referred to as the Government Accountancy Office (GAO), under the Department of Budget and Management which shall be solely responsible for the technical supervision

of accounting functions in all government agencies. By enacting this measure, the efficiency and effectiveness of financial and internal control system in the different levels of the bureaucracy will be streamlined and improved.

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

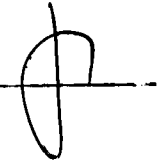
  
**SENATOR CHRISTOPHER LAWRENCE "BONG" T. GO**

NINETEENTH CONGRESS OF THE )  
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**AN ACT**  
**PROFESSIONALIZING THE GOVERNMENT ACCOUNTING SERVICE TO SERVE AS A TOOL FOR EFFECTIVE MANAGEMENT AND CONTROL OF GOVERNMENT RESOURCES, CREATING FOR THE PURPOSE THE GOVERNMENT ACCOUNTANCY OFFICE UNDER THE DEPARTMENT OF BUDGET AND MANAGEMENT AND FOR OTHER PURPOSES**

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

**CHAPTER I**

**CENTRAL GOVERNMENT ACCOUNTING AUTHORITY**

**SECTION 1. *Establishment of Central Government Accounting Authority.*** - There shall be created and established a Central Government Accounting Authority, herein referred to as the Government Accountancy Office (GAO), under the Department of Budget and Management (DBM) which shall be solely responsible for the technical supervision of accounting functions in all government agencies.

**SEC. 2. *Statement of Objectives.*** - The following are the specific objectives of the Government Accountancy Office:

- (1) To initiate government accounting reforms needed in achieving effective control of funds in-flow and out-flow without necessarily constricting agency management thus allowing them to assume greater fiscal responsibility as provided by law;

1 (2) To improve accounting efficiency and capability at the agency operating  
2 level; and

3 (3) To facilitate preparation and submission of accounting and other financial  
4 reports for budget accountability, management decisions, and external  
5 audit purposes.

6  
7 **SEC. 3. Head of the Government Accountancy Office; Deputies;**  
8 **Qualifications; and Salary.**

9 (1) The GAO shall be headed by an Accountant General whose rank shall be  
10 equivalent to a Department Undersecretary. He shall be assisted by two (2)  
11 deputies, whose ranks shall be equivalent to Department Assistant  
12 Secretaries.

13 (2) The Accountant General shall be appointed by the President for a term of  
14 seven (7) years. The Deputies shall be chosen by the President from among  
15 the Career Executive Services (CES) eligible. In no case shall any one of  
16 them be appointed or designated in a temporary or acting capacity.

17 (3) The Accountant General and each deputy shall receive an annual salary as  
18 may be provided by law.

19  
20 **SEC. 4. The Office of the Accountant General.**

21 (1) The Office of the Accountant General shall determine policies, promulgate  
22 government accounting rules and regulations and prescribe accounting  
23 systems, procedures and techniques and standards governing the  
24 performance by the agency of its duties and functions.

25 (2) It shall also formulate measures on internal control to ensure accuracy,  
26 integrity and reliability of accounting records and reports.

27  
28 **SEC. 5. The Central Offices and Regional Accounting Services.** — The  
29 GAO shall organize offices to handle the following areas of accounting:

30 (1) technical accounting services;

- 1 (2) administration of chart of accounts and maintenance of budgetary
- 2 control accounts;
- 3 (3) systems and training;
- 4 (4) national government accounting;
- 5 (5) local government accounting;
- 6 (6) government corporation accounting;
- 7 (7) financial management information; and
- 8 (8) decentralized accounting services.

9 These offices shall perform primarily staff functions, exercise technical  
10 supervision over the agency accounting services, and perform such other functions as  
11 may be assigned by the Accountant General.

12

13 **CHAPTER II**

14 **JURISDICTION, POWERS AND LINKAGES**

15

16 **SEC. 6. *General Jurisdiction.*** - The following powers and duties shall be  
17 within the functional jurisdiction of the Government Accountancy Office, to wit:

- 18 (1) The design and prescription of accounting and financial reporting systems,
- 19 (2) The administration of the Government Chart of Accounts;
- 20 (3) The keeping of the central books of accounts of the Government; and
- 21 (4) The preparation of government-wide management accounting

22

23 **SEC. 7. *Keeping the Books of Appropriated Funds of the National***  
24 ***Government.*** - The Department of Budget and Management through the  
25 Government Accountancy Office shall keep and maintain the central books of accounts  
26 of the appropriated funds of the National Government.

1           **SEC. 8. *Examining Authority.*** - The GAO shall have the authority to examine  
2 the agency books of accounts for the purpose of ascertaining whether financial  
3 transactions are properly recorded and to determine compliance with budgetary and  
4 accounting rules and regulations.

5  
6           **SEC. 9. *Power to Exact Compliance with Financial Reporting***  
7 ***Requirements.*** - The GAO shall have the power to exact strict compliance with  
8 timely financial reporting requirements from all agencies of the Government.

9  
10           **SEC. 10. *Adjustment of Accounts between Agencies.*** - The GAO shall  
11 have the power, under such regulations as it may prescribe, to authorize and enforce  
12 the adjustment of accounts subsisting between various agencies of the Government.

13  
14           **SEC. 11. *Collection of Indebtedness due the Government.*** - The GAO  
15 shall, through proper channels, assist in the collection and enforcement of all debts  
16 and claims, and the restitution of all funds or the replacement or payment at a  
17 reasonable price of property, found to be due the Government, or any of its agencies,  
18 in the settlement and adjustment of its accounts. If any legal proceeding is necessary  
19 to that end, the GAO shall refer the case to the Solicitor General, the Government  
20 Corporate Counsel, or the legal staff of the creditor government office or agency  
21 concerned to institute such legal proceeding. The GAO shall extend full support in the  
22 litigation. All such moneys due and payable shall bear interest at the legal rate from  
23 the date of written demand by the GAO.

24           **SEC. 12. *Submission of the Annual Consolidated Financial Report.*** -  
25 The GAO, through the Secretary of the Department of Budget and Management, shall  
26 submit within four (4) months after the end of the fiscal year, to the President,  
27 Congress and the Commission on Audit, an audited annual consolidated financial  
28 report reflecting the results of government operations.

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**CHAPTER III**  
**AGENCY ACCOUNTING FUNCTIONS**

**SEC. 13. *Organization and Functions.*** - There shall be created in every government agency an accounting group to be headed by an accountant administratively under the head of the agency or under the financial management service, but technically under the GAO who shall perform the following functions:

- (1) Maintain the agency books of accounts;
- (2) Analyze, record, classify and summarize all transactions involving the receipt and disposition of government funds and properties;
- (3) Prepare financial statements and interpret the results of financial operations for agency management decision-making purposes;
- (4) Prepare regular financial reports for the budgetary control purposes for guidance of agency management and for reporting to the DBM through the GAO;
- (5) Prepare and submit accounting reports required by the Commission on Audit; and
- (6) Certify to availability of funds.

**SEC. 14. *Keeping of Accounts.*** —

(1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to provide the information needed by fiscal or control agencies of the Government;

(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against erroneous, inaccurate or misleading information.

**SEC. 15. *Recording of Financial Transaction.*** - Each government agency shall record its financial transactions and operations conformably with generally

1 accepted accounting principles and in accordance with pertinent laws and regulations,  
2 and by using the standard chart of accounts as prescribed by the GAO.

3  
4 **SEC. 16. *Financial and Physical Reports and Statements.* -**

5 (1) The financial reports prepared by the agencies shall comply with the  
6 specific requirements of applicable laws and regulations as to nature, accounting  
7 basis, content, frequency, and distribution as well as with all applicable restrictions  
8 pertaining to information classified for national security purposes.

9 (2) The financial statements shall be based on official accounting records  
10 kept in accordance with law and the generally accepted accounting principles and  
11 standards and should be signed by agency heads and the Chief accountants who must  
12 be Certified Public Accountants indicating his CPA certificate number.

13 (3) The physical reports shall include the identification of the approved units  
14 or work measurements, work targets, work accomplished and manpower utilized for  
15 each budgeting function, program or project.

16  
17 **SEC. 17. *Submission of Reports.* -**

18 (1) All heads of accounting units shall submit within two (2) months after  
19 the end of the fiscal year, to the GAO and the Commission on Audit, an annual financial  
20 report reflecting the results of the agency or program operations.

21 (2) Whenever deemed necessary in the exigencies of the service, the GAO  
22 may, under regulations issued by it, require the agency heads, chief accountants,  
23 budget officers, cashiers, disbursing officers, administrative or personnel officers, and  
24 other responsible officials of the various agencies to submit trial balances, physical  
25 inventory reports, current plantilla of personnel, and such other reports as may be  
26 necessary for the exercise of its functions, including physical performance indicators  
27 report.

28 (3) Failure on the part of the officials concerned to submit the required  
29 documents and reports at the time mentioned herein shall automatically cause the



1 suspension of payment of their salaries until they shall have complied with the  
2 requirements of the GAO.

3 (4) Any other violation of the provisions of this Section shall likewise cause  
4 the suspension of payment of salaries, without prejudice to any other disciplinary  
5 action that may be instituted against such concerned official or employee.

6  
7 **CHAPTER IV**  
8 **INTERNAL CONTROL SYSTEM**

9 **SEC. 18. *Concept of Internal Control*** - Internal control is the plan of  
10 organization and all the coordinate methods and measures adopted within an  
11 organization or agency to safeguard its assets, check the accuracy and reliability of  
12 its accounting data, promote administrative and operational efficiency and encourage  
13 adherence to prescribed managerial policies.

14  
15 **SEC. 19. *Installation of Internal Control System***. - The installation and  
16 implementation of a sound system of internal control shall be the direct responsibility  
17 of the agency head. For this purpose, such agency head shall ensure that all actions  
18 of the officials concerned are properly monitored and coordinated.

19  
20 **SEC. 20. *Internal Control System***. - Subject to the provisions of existing  
21 laws, rules and regulations and this Act, each agency shall set up internal control  
22 systems for the following areas:

- 23 (1) Cash receipt and disbursement;  
24 (2) Property, supplies and other inventory items;  
25 (3) Accounting and bookkeeping;  
26 (4) Personnel recruitment, promotion and separation; and  
27 (5) Procurement, purchases, storage, requisitions, issuance and disposal.

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**SEC. 21. *Organization.*** - There shall be created in every government agency an internal control unit which shall be responsible for assuring that steps are taken to safeguard the assets of the agency, checking the accuracy and reliability of the accounting data, promoting administrative and operational efficiency, encouraging adherence to prescribed managerial policies, and may conduct such other activities to achieve these ends.

For this purpose, the agency head may absorb as member/s of the staff of the internal control unit the resident COA personnel at the time of the effectivity of this Act.

**SEC. 22. *Functions.*** - The internal control unit shall have the following functions:

- (1) Conduct spot cash audit of regular/special collecting disbursing officers of the agency.
- (2) Pre-Audit agency transactions.
- (3) Review contracts before awarding.
- (4) Inspect properties delivered.
- (5) Certify unserviceable and condemned equipment before replacement and disposal.
- (6) Keep custody, and be responsible for the safekeeping and preservation of paid expense vouchers, journal vouchers, stubs of treasury warrant or checks, reports of collections and disbursements and similar documents together with their respective supporting papers.

Subsections 1 to 4 may be performed by the internal control unit on test basis or sampling method, in accordance with the implementing rules and regulations to be issued by GAO.

1           **SEC. 23. Reporting Responsibilities.** - The head of the internal control unit  
2 shall submit reports directly to the head of the agency, copy furnished the DBM and  
3 the Commission on Audit, of his findings, observations and recommendations to  
4 maintain a sound financial management of the agency resources.

5  
6           **SEC. 24. Liability of the Head of the Internal Control Unit.** — All  
7 management reports required by central fiscal agencies shall be certified correct by  
8 the head of the internal control unit and the agency head who shall be liable solidarily  
9 with each other for any malfeasance and misrepresentation which may later on be  
10 discovered by appropriate authorities.

11  
12           **SEC. 25. Implementing Rules and Regulations.** - As part of its functions,  
13 the GAO in coordination with the Commission on Audit shall develop and promulgate  
14 internal control standards and procedures to be adopted by all government agencies.

15  
16           **SEC. 26. Technical Supervision.** - The Government Accountancy Office shall  
17 provide technical supervision and support in the development, installation and  
18 implementation of the agency internal control system.

19  
20           **SEC. 27. Management Audit** - As the exigency of the service requires, the  
21 Department of Budget and Management shall conduct management audit of  
22 government agencies to check on management adherence to prescribed internal  
23 control standard and effect immediate remedial measures if existing internal control  
24 system is found weak and inadequate.

1           **SEC. 28. *Reorganization of the Department of Budget and***  
2 ***Management*** - Within sixty (60) days after the approval of this Act, the Department  
3 of Budget and Management shall reorganized its functions and structure in accordance  
4 with the provisions herein.

5  
6           **SEC. 29. *Administrative Disciplinary Action***. - Subject to such rules and  
7 regulations as may be formulated by GAO and approved by the President, any  
8 unjustified failure by the public officer concerned to comply with any requirement  
9 imposed in this Act shall constitute neglect of duty and shall be a ground for  
10 administrative disciplinary action against the said public officer who, upon being found  
11 guilty thereof after hearing, shall be meted out such penalty as is commensurate with  
12 the agree of his guilt in accordance with the Civil Service Law. Repeated unjustified  
13 failure to comply with the requirements imposed in this Act shall be conclusive proof  
14 that the public officer concerned is notoriously undesirable and corresponding  
15 penalties shall be imposed accordingly.

16  
17           **SEC. 30. *Appropriation***. - The necessary appropriations to implement the  
18 provisions of this Act consisting of the annual operating expenses of the Offices,  
19 including the salaries, allowances and other emoluments of all the its officials and  
20 employees shall be included in the annual General Appropriations Law. The usage of  
21 these funds shall be governed by the general appropriations and other budget laws.

22  
23           **SEC. 31. *Implementing Rules and Regulations***. - The GAO shall formulate  
24 and issue the necessary implementing rules and regulations, except as otherwise  
25 specifically provided in this Act.

26

1           **SEC. 32. *Separability Clause.*** - Should any provision of this Act or any part  
2 thereof be declared invalid, the other provisions, so far as they are separable from  
3 the invalid one, shall remain in force and effect.

4  
5           **SEC. 33. *Repealing Clause.*** - All laws, executive orders, proclamations,  
6 decrees, instructions, rules and regulations, or part thereof, which are inconsistent or  
7 in conflict with any provision of this Act shall be deemed repealed or modified  
8 accordingly.

9  
10           **SEC. 34. *Effectivity Clause.*** - This Act shall take effect thirty (30) days after  
11 its complete publication in the Official Gazette or in two (2) newspapers of general  
12 circulation.

13   Approved,