

FOURTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

7 JUL -3 P3:09

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SENATE

S No. 821

Introduced by Senator Ramon Bong Revilla, Jr.

EXPLANATORY NOTE

Being cited with increasing frequency as a country where the government is plagued by high levels of corruption, the Philippines is losing its competitive position as a recipient of investment flows from private investors as well as of development aid from other governments.

It is undeniable that corruption in the government saps resources available for development, distorts access to services for poor communities, and undermines public confidence in the government's will and capacity to serve the poor. A strategy for combating corruption is therefore an essential complement to the government's measures to alleviate poverty and promote economic development.

This bill seeks to strengthen and upgrade the capabilities of the Commission on Audit (COA) as one of the key anti-corruption institutions in the government by:

- a) defining the mandate of the COA more clearly so that with a sharper focus on its functions and responsibilities, it can promote accountability, transparency, economy, productivity and effectiveness in the conduct of the government's operations;
- b) consolidating audit procedures into one code for more effective implementation;
- c) authorizing the COA to effect a restructuring or reorganization for flexibility and adaptability to changing strategies; and
- d) defining and imposing sanctions and penalties on acts which can be constituted as acts of obstructing audit by the COA.

The COA is a critical part of the system that would uphold accountability in government, hence a stronger COA is an indispensable part of the government's anticorruption strategy.

In view of the foregoing, early passage of this bill is earnestly requested.

  
RAMON BONG REVILLA, JR.  
Senator

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**AN ACT**  
**TO ADOPT A REVISED GOVERNMENT AUDITING CODE OF THE PHILIPPINES REVISING PRESIDENTIAL DECREE NO, 1445, AS AMENDED BY EXECUTIVE ORDER NO. 292, OTHERWISE KNOWN AS THE GOVERNMENT AUDITING CODE OF THE PHILIPPINES, 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 "Government  
2 Auditing Code of 2004."

3           **SEC. 2. Declaration of Policy.** - It is hereby declared to be the  
4 policy of the State that all resources of the Government shall be managed,  
5 expended or utilized in accordance with law and regulations, and safeguarded  
6 against loss or wastage through illegal or improper disposition with a view to  
7 ensuring efficiency, economy and effectiveness in the operations of government.

8           The responsibility to take care that this policy is faithfully adhered to rests  
9 directly with the chief or head of the government agency concerned.

10           **SEC. 3. Definition of Terms.** - Whenever used in this Code, the  
11 following terms shall be understood in the sense indicated hereunder, unless the  
12 context otherwise requires:

13           1) "Account" - is an individual record wherein the effects of transactions  
14 and events pertaining to fund, property, obligation, equity, revenue or  
15 expense classifications are entered.

16           2) "Audit" is the examination, verification, evaluation and adjustment of an  
17 account by persons legally authorized for the purpose. Audit also covers

1 the examination and evaluation of the economy, efficiency and  
2 effectiveness of management systems, operations and decisions.

3 3) "Auditor" refers to any officer of the Commission duly appointed or  
4 designated as such.

5 4) "Audit Working Papers" consists of all data, analysis, notes, schedules,  
6 excerpts, confirmations and other documents or materials prepared and  
7 compiled during the audit.

8 5) "Commission" refers to the Commission on Audit as an organization or  
9 the Commission Proper as a collegial body, as the case may be.

10 6) "Commission on Audit" - refers to the organization as a whole.

11 7) "Commission Proper" refers to the collegial body composed of the  
12 Chairman and two (2) Commissioners.

13 8) "Depository" means any financial institution lawfully authorized to receive  
14 government moneys upon deposit;

15 9) "Examine" means to probe, inspect, scrutinize, analyze or test accounts  
16 or records of financial transactions by appropriate methods and in  
17 accordance with accepted standards;

18 10) "Fund" is a sum of money or other resources set aside for the purpose of  
19 carrying, or limitations and constitutes an independent fiscal and  
20 accounting entity.

21 11) "Government Agency" or "Agency of the Government" or "Agency" refers  
22 to any department, bureau or office of the national government, or any of  
23 its branches and instrumentalities, or any political subdivision, as well as  
24 any government-owned or controlled corporation, including its  
25 subsidiaries, or other self-governing board or commission of the  
26 government.

27 12) "Head of Agency" refers to the highest official of an agency such as but  
28 not exclusive of the department secretary, bureau commissioner/director,  
29 regional director, district officer, chief executive officer of government-

1 owned or controlled corporations, branch manager, provincial governor,  
2 city/municipal mayor and other heads of offices.

3 13) "Residual Equity" refers to the excess of assets over liabilities of a  
4 particular accounting entity;

5 14) "Resources" refers to the actual assets of any agency of the Government  
6 such as cash, instruments representing or convertible to money,  
7 receivables, lands, buildings, as well as contingent assets such as  
8 estimated revenues applying to the current fiscal period not accrued or  
9 collected, and bonds authorized and unissued.

10 15) "Revenue" refers to income or receipts derived by an agency from taxes,  
11 excises, customs, duties, fees, rents, sales of goods or services, and  
12 collections from other sources.

13 16) "Settle" means to determine the status of balance of amounts between  
14 parties so as to cause payment, satisfaction or liquidation of said  
15 amounts.

16 **SEC. 4. Basic Principles of Fiscal Operations.** - Financial  
17 transactions and operations of any agency shall be governed by the  
18 fundamental principles set forth hereunder, to wit:

19 1) No money shall be paid out of any public treasury or depository  
20 except in pursuance of an appropriation law or other specific statutory  
21 authority;

22 2) Government funds or property shall be spend or used solely for public  
23 purposes;

24 3) Trust funds shall be available and may be spent only for the specific  
25 purposes for which the trust was created or the funds received;

26 4) Expenditures or disposition of government funds or property shall  
27 bear the approval of the proper officials;

1           5) All financial transactions, including claims against government funds,  
2           shall be duly supported with complete documentation, and shall  
3           comply with applicable laws and regulations;

4           6) General accepted principles and practices of accounting as well as of  
5           sound management and fiscal administration shall be observed,  
6           provided that they do not contravene existing laws and regulations;

7           7) Fiscal responsibility shall, to the greatest extent, be shared by all  
8           those exercising authority over the financial affairs, transactions, and  
9           operations of the government agency.

10          **SEC. 5.        Statement of Objectives.** - In keeping with the  
11        constitutional mandate, the Commission on Audit shall adhere to the following  
12        objectives:

13        1) To determine whether or not the fiscal responsibility that rests directly with  
14        the head of the government agency has been properly and effectively  
15        discharged;

16        2) To continuously update the audit approaches, techniques, methods and  
17        procedures used by the Commission, including the adoption of audit  
18        sampling and the team audit approach;

19        3) To develop and implement a comprehensive audit program that shall  
20        encompass an examination of operating systems, financial transactions,  
21        accounts and reports, including the audit of receipts and revenues, and the  
22        evaluations of compliance with applicable laws and regulations including a  
23        review of the economy, efficiency and effectiveness of government  
24        operations;

25        4) Institute control measures through the promulgation of auditing and  
26        accounting rules and regulations governing the revenues, receipts,  
27        disbursements, and uses of funds and property, consistent with the total  
28        economic development efforts of the Government;

- 1 5) Institute measures designed to preserve and ensure the independence of its  
2 representatives;
- 3 6) Endeavor to bring its operations closer to the people by the delegation of  
4 authority through decentralization, consistent with the provisions of the  
5 Constitution and the laws;
- 6 7) To promulgate auditing and accounting rules and regulations so as to  
7 facilitate the keeping, and enhance the information value of the accounts of  
8 the Government.

9 **SEC. 6. The Commission Proper: Composition, Qualifications,**  
10 **Appointment, and Tenure of Commissioners.** - (1) The Commission on  
11 Audit shall be composed of a Chairman and two Commissioners who shall be  
12 natural-born citizens of the Philippines and at the time of their appointment, at  
13 least thirty-five years of age, certified public accountants with not less than ten  
14 years of auditing experience or members of the Philippine Bar who have been  
15 engaged in the practice of law for at least ten years, and must not have been  
16 candidates for any elective position in the elections immediately preceding their  
17 appointment. At no time shall all the members of the Commission belong to the  
18 same profession.

19 (2) The Chairman and the Commissioners shall be appointed by the  
20 President with the consent of the Commission on Appointments for a  
21 term of seven years without reappointment. Appointment to any  
22 vacancy shall be only for the unexpired portion of the term of the  
23 predecessor. In no case shall any member be appointed or  
24 designated in a temporary or acting capacity.

25 (3) No member of the Commission Proper shall, during his tenure, hold  
26 any other office or employment. Neither shall he engage in the  
27 practice of any profession or in the active management or control of  
28 any business which in any way may be affected by the functions of  
29 his office, nor shall he be financially distressed, directly or indirectly,

1 in any contract with, or in any franchise or privilege granted by the  
2 government, any of its subdivisions, agencies, or instrumentalities,  
3 including government-owned or controlled corporations and their  
4 corporate subsidiaries.

5 (4) Rule-Making Function. - The determination of the scope of the audit  
6 and examination by the Commission, the establishment of the  
7 techniques and methods required therefor, and the promulgation of  
8 accounting and auditing rules and regulations, including those for the  
9 prevention and disallowance of irregular, unnecessary excessive,  
10 extravagant, or unconscionable expenditures or uses of government  
11 funds and property.

12 (5) Reportorial Function. - The submission to the President and  
13 Congress of annual reports covering the financial conditions and  
14 operations of the Government, its subdivisions, agencies and  
15 instrumentalities, including government-owned or controlled  
16 corporations, and non-governmental entities subject to its audit,  
17 together with recommendations of measures necessary to improve  
18 their effectiveness and efficiency.

19 (6) Personnel Function. - The appointment, assignment/reassignment of  
20 the officials and employees of the Commission, which shall be in  
21 accordance with the policy set by the Commission Proper. It shall  
22 have original jurisdiction in the matter of resolving administrative  
23 cases filed against COA personnel.

24 (7) Accounting Function. The keeping of the general account of the  
25 Government and subject to Section 18 (2) hereof, preserve the  
26 vouchers and other supporting papers pertaining thereto.

27 (8) Other Functions. The exercise of such other functions as may be  
28 required by law, including the institutions of measures designed to  
29 preserve and ensure the fiscal autonomy of the Commission as

1           guarantee by the Constitution, as well as the independence of its  
2           representative.

3           **SEC. 7. *Meetings of the Commission Proper; Quorum*** - (1) The  
4 Commission Proper shall, through resolution, fix the time and place of its  
5 regular meetings, which shall not be less than once a week. It may, however,  
6 meet in special session at the instance of the majority of its members, upon prior  
7 notice to all members of the Commission Proper, and at such time and place as  
8 may be agreed upon.

9           (2) Two members of the Commission Proper shall constitute a quorum  
10 for the purpose of doing business. In the absence of the Chairman during the  
11 regular or scheduled special meeting, the Commissioner designated by the  
12 Chairman shall temporarily act as presiding officer. However, if no  
13 Commissioner has been designated, the senior Commissioner shall temporarily  
14 act as presiding officer for the particular session.

15           **SEC. 8. *Duties and Responsibilities of the Chairman.*** - The  
16 Chairman acts in the dual capacity as presiding officer of the Commission  
17 Proper, and chief executive officer for the Commission.

18           (1) As the presiding officer, the Chairman shall preside during the  
19 meetings of the Commission Proper, and shall see that the  
20 Commission decides by a majority vote any case or matter brought  
21 before it within sixty days from the date of its submission for decision  
22 or resolution. A case or matter is deemed submitted for decision or  
23 resolution upon the filing of the last pleading, brief, or memorandum  
24 required by the rules of the Commission or by the Commission itself.

25           (2) As chief executive officer, the Chairman shall:

26           a) Executive and administer the policies, decisions, orders and  
27 resolutions approved by the Commission;

28           b) Direct and supervise the operations and internal administration of  
29 the Commission;



- 1 c) Sign appointments of subordinate officials and employees made  
2 by the Commission Proper and enforce decisions on  
3 administrative discipline involving them;
- 4 d) Make temporary assignments, rotate and transfer personnel in  
5 accordance with the policies of the Commission Proper and the  
6 provisions of the Civil Service Law;
- 7 e) Submit an annual budget to the Commission for its approval;
- 8 f) Delegate his authority to other officials of the Commission, in  
9 accordance with the rules and regulations of the Commission.
- 10 g) Control and supervise the audit of highly technical or confidential  
11 transactions or accounts of any government agency; and
- 12 h) Perform such other duties as may be authorized or required by the  
13 Commission Proper.

14 **SEC. 9. Duties and Responsibilities of the Commissioners. –**

15 The Commissioners, together with the Chairman, compose the Commission  
16 Proper. The duties and responsibilities of the Commissioners shall be as  
17 defined by the Commission Proper, which shall include the following:

- 18 1) Attend the meetings, participate in the discussions, and vote during the  
19 deliberations of the Commission Proper on policy matters;
- 20 2) Participate in the promulgation of decisions of cases brought before the  
21 Commission;
- 22 3) Initiate the adoption of or propose changes in the policies, standards, rules  
23 and regulations of the Commission;
- 24 4) Summon any official of the Commission on Audit for the purpose of gathering  
25 data and information pertinent to the formulation, implementation, or  
26 enforcement of orders, decisions, policies, standards, or regulations of the  
27 Commission Proper;
- 28 5) In case of the effective absence of the Chairman, the senior Commissioner  
29 shall perform the functions of the Chairman; and

1 6) Accept assignments to assist the Chairman in the general administration of  
2 the Commission, upon proper delegation of the Chairman.

3 **SEC. 10. Organizational Structure and Functions of the**  
4 **Commission.** - Within the limits of the appropriation authorized in the general  
5 appropriation act, the Commission Proper is authorized to determine the  
6 organizational structure of the Commission, fix and determine the salaries,  
7 allowances and other benefits of its officials and employees subject to the  
8 limitations of existing salary standardization laws.

9 **SEC. 11. Central Offices.** - (1) The Commission shall have offices  
10 as may be established and organized by the Commission Proper.

11 (3) Until otherwise provided by the Commission Proper in accordance  
12 with the immediately preceding paragraph, the existing  
13 organizational set-up and functions of the Commission, together with  
14 the duties presently assigned to each office, shall continue to be  
15 observed. The existing central offices are as follows:

- 16 A. Administrative office
- 17 B. Planning, Financial and Management Office
- 18 C. Legal Office
- 19 D. Accountancy Office
- 20 E. National Government Audit Offices I and II
- 21 F. Local Government Audit Office
- 22 G. Corporate Audit Offices I and II
- 23 H. Special Audit Office
- 24 I. State Accounting and Audit Development Office
- 25 J. Technical Services Office
- 26 K. Information Technology Center
- 27 L. Public Debt Office

28 **SEC. 12. COA Regional Offices: Structure and Functions.** - There  
29 shall be COA regional offices as may be established, or organized by the

1 Commission Proper. Until otherwise provided by the Commission Proper, the  
2 existing organizational structure of the following regional offices, together with  
3 the present duties assigned to it, shall continue to be observed: a) Cordillera  
4 Administrative Region; b) Region I; c) Region II; d) Region III; e) Region IV;  
5 f) Region V; g) Region VI; h) Region VII; (i) Region VIII; j) Region IX; k)  
6 Region X; l) Region XI; m) Region XII; and n) Autonomous Region for Muslim  
7 Mindanao.

8 **SEC. 13. *Audit teams; qualifications and assignment of heads.***

9 (1) In accordance with the policies formulated by the Commission Proper, the  
10 Chairman shall authorize the creation of audit teams as the exigencies of the  
11 service may require. The audited agency shall provide the auditors with the  
12 necessary equipment, furniture and other operating expenses, including  
13 expenses for travel and transportation.

14 (2) All officials and employees of the Commission, including its  
15 representatives and support personnel shall be paid their salaries, emoluments  
16 and allowances directly by the Commission out of its appropriations and  
17 contributions, as provided in this Code

18 (4) In order to preserve the independence and integrity of the  
19 Commission, its officials and employees are prohibited from receiving  
20 salaries, honoraria and bonuses, allowances or other emoluments  
21 from any government entity, local government unit, and government-  
22 owned and/or controlled corporations and government financial  
23 institutions, except those compensation paid directly by the  
24 Commission out of its appropriations and contributions.

25 **SEC. 14. *Appropriation and Function.*** - (1) The annual  
26 appropriations for the Commission shall be included in the annual  
27 appropriations law. The budget proposal for the Commission to be submitted to  
28 Congress or other government agency shall first be approved by the  
29 Commission Proper.

1 (2) The Commission shall assess government-owned or controlled  
2 corporations, including their subsidiaries, and self-governing  
3 boards, commissions, or agencies of the government for the cost  
4 of audit services rendered in accordance with law, which shall be  
5 equivalent at least to the amount assessed in the preceding fiscal  
6 year. The proceeds from such assessment shall be deposited  
7 with the National Treasury and shall accrue to the General Fund.

8 (3) A maximum of one-half of one per cent (1/2 of 1%) of the  
9 collection from national internal revenue taxes not otherwise  
10 accruing to Special Funds or Special Accounts in the General  
11 Fund of the National Government upon authority from the  
12 Secretary of Finance, shall be deducted from such collections  
13 and shall be remitted to the National Treasury to cover the cost of  
14 auditing services rendered to local government units.

### 15 Chapter 3.

#### 16 Jurisdiction, Powers and Functions of the Commission

17 **SEC. 15. Fiscal Autonomy.** - The Commission shall enjoy fiscal  
18 autonomy. Their approved annual appropriations shall be automatically and  
19 regularly released.

20 **SEC. 16. General Jurisdiction.** - (1) The Commission shall be the  
21 sole audit institutions of the Government. As such, it shall have the power,  
22 authority and duty to examine, audit and settle all accounts pertaining to the  
23 revenue and receipts of, and expenditures or uses of funds and property owned  
24 or held in trust by, or pertaining to the Government or any of its subdivisions,  
25 agencies or instrumentalities, including government-owned or -controlled  
26 corporations with original charter, and on a post audit bases:

- 27 a) Constitutional bodies, commissions and offices that have been  
28 granted fiscal autonomy under the 1987 Constitution;  
29 b) Autonomous state colleges and universities;

1 c) Other government-owned or controlled corporations and their  
2 subsidiaries; and

3 d) Such non-governmental entities receiving subsidy or equity; directly or  
4 indirectly, from or through the Government, which are required by law  
5 or the granting institution to submit to such an audit as a condition of  
6 subsidy or equity.

7 (2) Subject to such regulations as the Commission may issue, the  
8 general accounts of the Government shall be kept for a period of not more than  
9 ten (10) years, including the preservation of the vouchers and other supporting  
10 papers pertaining thereto. Vouchers, receipts and other transaction documents  
11 and their supporting documentation shall be kept in the custody of the  
12 management of the audited agencies, subject any time to the access of and  
13 examination by the authorized representative(s) of the Commission except the  
14 following vouchers and records which must be kept under the custody of the  
15 Commission or its audit teams: those evidencing transactions which are  
16 disallowed/suspended in audit or under audit or examination, or which are the  
17 subject of court cases or investigations. Under no circumstances shall vouchers  
18 and its supporting documents be disposed of without the approval of the  
19 Commission or its authorized representative.

20 (3) The Commission shall have exclusive authority, subject to the  
21 limitations provided in the Constitution, to define the scope of its audit and  
22 examination, establish the techniques and methods required therefor, and  
23 promulgate accounting and auditing rules and regulations, including those for  
24 the prevention and disallowance of irregular, unnecessary, excessive,  
25 extravagant or unconscionable expenditures, or uses of government funds and  
26 properties.

27 (4) The Commission shall have access to all records and documents  
28 filed by any person natural or juridical, which are in the custody of any agency of  
29 the government, and which are necessary in the examination, audit and

1 settlement of all accounts pertaining to the revenues or receipts of and  
2 expenditures or uses of funds and property of the government and any of its  
3 agencies. Violation hereof will be subject to the penal and administrative  
4 disciplinary actions under Sections 87 and 88 of this Code.

5 (5) No entity of the Government or its subsidiary, including any  
6 investment of public funds, shall be exempt in any guise whatever from the  
7 jurisdiction of the Commission.

8 **SEC. 17. Fees for Audit and Other Services.** - (1) The Commission  
9 shall fix and collect reasonable fees for the different services rendered to non-  
10 government organizations and entities including water districts and electric  
11 cooperatives that shall be audited in connections with their dealings with the  
12 government arising from subsidies, counterpart funding by government, or  
13 where audited records become the basis for a government levy or share.

14 **SEC. 18.** Whenever the Commission contracts with any government  
15 entity, to render audit and related services beyond the normal scope of such  
16 services, the Commission is empowered to fix and collect reasonable fees.  
17 Such fees shall either be appropriated in the agency's current budget, charged  
18 *against its savings, or appropriated in its succeeding year's budget.* Remittance  
19 shall accrue to the General Fund and shall be made to the Treasurer of the  
20 Philippines within the time provided for in the contract service, or in the billing  
21 rendered by the Commission.

22 **SEC. 19. Deputation of Private Licensed Professionals to Assist**  
23 **Government Auditors.** - (1) The Commission may, when the exigencies of the  
24 service so require, deputize and retain in the name of the Commission such  
25 certified public accountants, lawyers and other licensed professionals not in the  
26 public service as it may deem necessary to assist government auditors in  
27 undertaking specialized audit engagements.

1           (2) The deputized professional shall be entitled to such compensation  
2 and allowances as may be stipulated, subject to pertinent rules and regulations  
3 on compensation and fees.

4           **SEC. 20.     *Power to Promulgate Rules for the Prevention and***  
5 ***Disallowance of Irregular, Unnecessary, Excessive, Extravagant or***  
6 ***Unconscionable Expenditures of Funds or Uses of Property.*** - The  
7 Commission shall promulgate such auditing and accounting rules and  
8 regulations as shall prevent and disallow irregular, unnecessary, excessive,  
9 extravagant or unconscionable expenditures or uses of government funds or  
10 property.

11           **SEC. 21.     *Settlement of Accounts Between Agencies.*** - The  
12 Commission shall have the power under such regulations as it may prescribe to  
13 authorize and enforce the settlement of accounts subsisting between agencies  
14 of the government.

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

28           **SEC. 23.     *Power to Compromise Claims.*** - (1) When the interest of  
29 the Government so requires, and under such regulations the Commission may

1 promulgate, the head of the agency may compromise or release in whole or in  
2 part, any settled claim or liability in favor of his agency an amount not  
3 exceeding One Hundred Thousand Pesos (₱100,000). If the amount of claim or  
4 liability exceeds One Hundred Thousand Pesos (₱100,000) but not more than  
5 One million Pesos (₱1,000,000) the head of the agency shall submit the  
6 application for compromise together with his recommendations to the President  
7 for his approval. In case the claim or liability exceeds One Million Pesos, the  
8 head of the agency shall submit the application for compromise together with  
9 his recommendations to the President for his approval. In case the claim or  
10 liability exceeds One Million Pesos (₱1,000,000) the application for compromise  
11 therefrom shall be submitted by the head of the agency through the President  
12 with his recommendation to the Congress of the Philippines. The compromise  
13 approved by the head of the agency and President shall invariably be subject to  
14 post-audit of the Commission; and

15 (2) The Commission may, in the interest of the Government, authorize  
16 the charging or crediting to an appropriate account in the National Treasury,  
17 small discrepancies (overage and shortage) in the remittances to, and  
18 disbursements of, the National Treasury, subject to the rules and regulations as  
19 it may prescribe.

20 **SEC. 24. Retention of Money to Satisfy Settled Liability.** - When  
21 any persons has a settled liability or indebtedness to any government agency as  
22 determined by the Commission Proper, it may *motu proprio* direct the  
23 concerned officer to withhold the payment of any money due such person or his  
24 estate.

25 **SEC. 25. Submission of Papers Necessary for the Conduct of**  
26 **Audit.** - (1) The Commission shall have the power, for audit and examination  
27 purposes, to require the submission of the original of any order, deed, contract,  
28 or other document which is the basis for any collection of, or payment from  
29 government funds, together with any certificate, receipt, assessment notice,



1 *compromise agreement, or other evidence in connection with a financial*  
2 *transaction involving public funds. If an authenticated copy is needed for record*  
3 *purposes, the copy shall upon demand be furnished.*

4 (2) The Commission may, in the interest of the Government, authorize  
5 the charging or crediting to an appropriate account in the National Treasury,  
6 small discrepancies (overage and shortage) in the remittances to, and  
7 disbursements of the National Treasury, subject to the rules and regulations as  
8 it may prescribe.

9 **SEC. 26. *Retention of Money to Satisfy Settled Liability.*** - When  
10 any person has a settled liability or indebtedness to any government agency as  
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18 government funds, together with any certificate, receipt, assessment notice,  
19 *compromise agreement, or other evidence in connection with a financial*  
20 *transaction involving public funds. If an authenticated copy is needed for record*  
21 *purposes, the copy shall upon demand be furnished.*

22 (2) It shall be the duty of the officials or employees of the government  
23 agencies concerned, including those in non-government organizations and  
24 entities such as water districts and electric cooperatives under audit, or  
25 affected in the audit of government and non-government entities, to comply  
26 promptly with the submission of the papers necessary for the conduct of audit  
27 pursuant to the preceding paragraph. Failure or refusal to do so without  
28 justifiable cause shall constitute obstructing audit which is a ground for penal  
29 and/or administrative disciplinary actions under Sections 87 and 88 of this Code,

1 as well as for disallowing permanently a claim, assessing additional levy or  
2 government share, or withholding or withdrawing Government funding or  
3 donations through the Government.

4 **SEC. 28. *Investigatory and Inquisitorial Powers.*** - The Chairman  
5 or any Commissioner of the Commission, the Assistant Commissioner, the  
6 directors, the audit team/unit leaders, and any other official or employee of the  
7 Commission especially deputed in writing for the purpose by the Chairman shall,  
8 in compliance with the requirement of due process, have the power to summon  
9 the parties to a case brought before the Commission for resolution, issue  
10 subpoena and subpoena duces tecum, administer oaths and otherwise take  
11 testimony in any testimony in any investigation or inquiry on any matter within  
12 the jurisdiction of the Commission.

13 **SEC. 29. *Power to Punish Contempt.*** - The Commission shall  
14 have the power to punish any person for contempt, *directly and indirectly*, and  
15 impose appropriate penalties therefor in accordance with the provisions of the  
16 Rules of Court. Any violation of any final and executory decision, order or ruling  
17 of the Commission shall constitute contempt thereof.

18 **SEC. 30. *Annual Report of the Commission.*** - (1) The  
19 Commission shall submit to the President, and the Congress no later than the  
20 last day of August of each year an annual report on the financial condition and  
21 results of operation of all agencies of the Government which shall include  
22 recommendations of measures necessary to improve the efficiency and  
23 effectiveness of these agencies.

24 (2) To carry out the purposes of this section, the chief accountant or the  
25 official in charge of keeping the accounts of a government agency shall submit  
26 to the Commission year-end trial balances, financial statements, and such  
27 other supporting or subsidiary statements as may be required by the  
28 Commission not later than the fourteenth day of February. Trial balances  
29 returned by the Commission for revision due to non-compliance with accounting

1 rules and regulations, shall be resubmitted within three days after the date of  
2 receipt by the official concerned.

3 (3) Failure on the part of any official or employee to comply with the  
4 provisions of the immediately preceding paragraph shall cause the automatic  
5 suspension of the payment of his salary and other emoluments until he shall  
6 have complied therewith. The head of agency concerned shall supervise  
7 compliance with the preceding paragraph, including the withholding of  
8 salaries of the officials or employees involved as herein required. The violation  
9 of these provisions for at least three times shall subject the offender to penal  
10 and/or administrative disciplinary actions under Sections 87 and 88 of this Code.

11 **SEC. 31. Powers, Functions, and Duties of Auditors as**  
12 **Representatives of the Commission.** - (1) The auditors shall exercise such  
13 powers and functions conferred in this Code as representatives of the  
14 Commission and as may be authorized by it through regulations, in connection  
15 with the examination, audit and settlement of the accounts, funds, financial  
16 transactions, and resources of the agencies under their respective audit  
17 jurisdictions.

18 **SEC. 32.** In the performance of their respective audit functions, the  
19 auditors shall employ such auditing procedures and techniques, including audit  
20 sampling, as may be prescribed by the Commission under regulations.

21 **SEC. 33.** A report of audit for each calendar year shall be submitted  
22 by the head of each audit team on the date and in the manner that the  
23 Commission may prescribe by resolution. The Auditor shall also render such  
24 other reports as the Commission may require.

25 **SEC. 34. Preparation of Audit Plans and Programs, and**  
26 **Submission of Audit Reports.** - Each auditor who is the head of an audit  
27 team or unit shall prepare an annual plan and program for his team in  
28 accordance with the regulations of the Commission.

1           **SEC. 35.        *Constructive Distrain of Property of Accountable***

2   **Officer.** – (1) Upon discovery in audit of a shortage in the accounts of any  
3 accountable officer and upon a finding of a *prima facie* case of malversation of  
4 public funds or property against him, in order to safeguard the interest of the  
5 government, the Commission may place under constructive distraint personal  
6 property of the accountable officer concerned where there is reasonable ground  
7 to believe that the said officer is retiring from the government service or intends  
8 to leave the Philippines or remove his property therefrom, or hide or conceal his  
9 property.

10           (2) The constructive distraint shall be effected by requiring the  
11 *accountable office concerned or any other person having possession or control*  
12 of the property to accomplish a receipt, in the form prescribed by the  
13 Commission, covering the property distrained and obligate himself to preserve  
14 the same intact and unaltered and not to dispose of it in any manner whatever  
15 without the express authority of the Commission.

16           (3) In case the said accountable officer or other person having the  
17 possession and control of the property sought to be placed under constructive  
18 distraint refuses or fails to accomplish the receipt herein referred to the  
19 representative of the Commission effecting the constructive distraint shall  
20 proceed to prepare a list of such property and, in the presence of two  
21 witnesses, leave a copy thereof in the premises where the property distrained  
22 is located, after which the said property shall be deemed to have been placed  
23 under the constructive distraint.

24           **SEC. 36.        *Rules of Pleadings and Practice.*** - The Commission en

25 banc shall promulgate its rules concerning pleadings and practice before it or  
26 before any of its offices. Such rules however shall not diminish, increase, or  
27 modify substantive rights as provided in this Code and other laws.

28           **SEC. 37.        *Appeal from the Decision of the Auditor.*** – Any person

29 aggrieved by the decision of an auditor in the settlement of an account or claim

1 may, within ninety (90) days from receipt of a copy thereof, appealed in  
2 writing to the Commission.

3 **SEC. 38. *Appeal from the Decision of the Auditor.*** - Any person  
4 aggrieved by the decision of an auditor in the settlement of an account or claim  
5 may, within ninety (90) days from receipt of a copy thereof, appealed in  
6 writing to the Commission.

7 **SEC. 39. *Period for Rendering Decisions of the Commission.*** -

8 (1) The Commission shall decide by a majority vote of all its members any  
9 case or matter brought before it within sixty (60) days from the date of its  
10 submission for resolution. A case or matter is deemed submitted for decision or  
11 resolution upon the filing of the last pleading, brief, or memorandum required  
12 by the rules of the Commission or by the Commission itself.

13 (2) If the account or claim involved in the case needs reference to other  
14 persons or officers, or to a party interest, the period shall be counted from the  
15 time the last comment necessary to a proper decision is received by it.

16 **SEC. 40. *Appeal from Decisions of the Commission.*** - Any  
17 decision, order ruling or the Commission may be brought to the Supreme Court  
18 on certiorari by the aggrieved party within thirty (30) days from his receipt of a  
19 copy thereof in the manner provided by law and the Rules of Court. When the  
20 decision, order or ruling adversely affects the interest of any government  
21 agency, the appeal may be taken by the proper head of that agency.

22 **SEC. 41. *Finality of Decision of the Commission or Any Auditor;***  
23 ***Power to Enforce.*** - (1) A decision of the Commission or of any Auditor upon  
24 any matter within its or his jurisdiction, shall become final and executory upon  
25 expiration of the period to appeal if no appeal is taken.

26 (2) The Commission Proper, upon its own initiative or on motion of any  
27 interested party may issue a writ of execution requiring a sheriff or a proper  
28 officer to execute final decisions, orders or awards of the Commission.

1           **SEC. 42.     Opening and Revisions of Settled Accounts.** - (1) At  
2 any time before the expiration of three (3) years after the settlement of any  
3 account by an auditor, the Commission may *motu proprio* review and revise the  
4 account or settlement and certify a new balance. For this purpose, it may  
5 require any account, voucher, document or other paper connected with the  
6 transaction or matter to be submitted or forwarded to it.

7           (2) When any settled account appears to be tainted with fraud, collusion,  
8 or error of calculation, or when new and material evidence is discovered, the  
9 Commission may, within three (3) years after the original settlement, open the  
10 account, and after a reasonable time for reply or appearance of the party  
11 concerned, certify thereon a new balance. An auditor may exercise the same  
12 power with respect to settled accounts pertaining to the agencies subject of his  
13 audit.

14           **SEC. 43.     Definition of Government Auditing.** - (1) Government  
15 auditing is the analytical and systematic examination and verification of financial  
16 transactions, operations, account and reports of any government agency for the  
17 purpose of determining their accuracy, integrity, and authenticity, and  
18 satisfying the requirements of law, rules and regulations.

19           (2) The conduct of government audit shall conform with the standards  
20 set forth by the Commission and in the following three sections.

21           **SEC. 44.     General Standards.** - (1) The audit shall be performed by  
22 a person possessed with adequate technical training and proficiency as  
23 auditor in accordance with the qualifications standards prescribed by the  
24 Commission;

25           (2) In all matters relating to the audit work, the auditor shall maintain  
26 complete independence, impartiality and objectivity and shall avoid any  
27 possible compromise of his independence or any pact which may create a  
28 presumption of lack of independence or the possibility of undue influence in the  
29 performance of his duties; and

1 (3) The auditor shall exercise due professional care and be guided by  
2 applicable laws, regulations and the generally accepted principles of  
3 accounting in the performance of the audit work as well as in the preparation  
4 and audit of financial reports.

5 **SEC. 45. Examination and Evaluation Standards.** – (1) The audit  
6 work shall be adequately planned and assistance shall be properly supervised.

7 (2) A review shall be made of compliance with legal and regulatory  
8 requirements.

9 (3) An evaluation shall be made of the system of internal control and  
10 related administrative practices to determine the extent to which they can be  
11 relied upon to ensure compliance with laws and regulations and to provide for  
12 efficient, economical and effective operations.

13 (4) The auditor shall obtain through sampling, inspections,  
14 observations, inquiries, confirmation and other techniques, sufficient  
15 competent evidential matter to afford himself a reasonable basis for his  
16 opinions, judgments, conclusions and recommendations.

17 **SEC. 46. Reporting Standards.** - (1) Audit reports shall be dated,  
18 signed manually and shall be issued and distributed in the manner provided by  
19 regulations of the Commission.

20 (2) Audit reports shall contain basically the financial information,  
21 findings, recommendations, and conclusions as well as other data they may  
22 provide the management of the audited agency with the necessary input for the  
23 decision-making process, including a statement of total audit disallowance,  
24 suspensions, and charges, if any.

25 (3) Audit reports shall meet the following criteria:

26 a) Factual matter must be accurately, completely and fairly presented

27 b) Findings must be presented objectively and in language as clear and  
28 simple as the subject matter permits;

- 1 c) Findings must be adequately supported by evidence in the audit  
2 working papers;
- 3 d) Reports must be concise yet complete enough to be readily  
4 understood by the users;
- 5 e) Information on underlying causes of problems must be included so as  
6 to assist in implementing or devising corrective actions.

7 (4) Audit reports accompanying financial reports shall

8 a) State whether the audit was made in accordance with laws and the  
9 regulations prescribed by the Commission, and shall disclose the  
10 omission of any auditing procedure generally recognized as normal  
11 or deemed necessary by him under the circumstances of a particular  
12 case, as well as the reasons for the omission.

13 b) Express in the auditor's opinion and statement of audit disallowance  
14 the following:

15 (i) whether the financial reports have presented fairly in  
16 accordance with applicable laws and regulations and the  
17 generally accepted accounting principles applied on a  
18 consistent basis;

19 (ii) material changes in accounting principles and practices and  
20 their effect on the financial reports.

21 (iii) Total amount of audit disallowances, charges and  
22 suspensions.

23 (c) Explain in the audit findings violations of legal or other regulatory  
24 requirements with penal sanctions, including instances of non-  
25 compliance.

26 **SEC. 47. Revenue Audits.** - (1) In the discharge of its audit  
27 functions the Commission shall equally emphasize revenue audits, and for this  
28 purpose the heads of the audited agencies are hereby mandated to submit or  
29 allow access to all documents, assessment notices, compromise agreements,



1 records, and papers in its custody, to the Commission or its authorized  
2 representatives.

3 Failure to comply with the requirements of the preceding paragraph will  
4 subject the head of the agency concerned to penal and administrative liabilities  
5 under Sections 87 and 88 of this Code.

6 (2) The primary audit objective in the audit of revenue is to determine  
7 that the taxes, revenues and receipts due the government or any of its agencies  
8 are promptly and correctly assessed and collected in full.

9 In undertaking revenue audit, the authorized representatives of the  
10 Commission shall observe strict confidentiality of the tax returns, compromise  
11 agreements, and other documents or records pertaining to taxes under audit,  
12 and in no case shall auditors communicate directly or indirectly with the  
13 taxpayers concerned. Violation of the confidentiality requirement shall  
14 constitute a criminal offense punishable under special laws.

#### 15 **Chapter 6. Receipt and Disposition of Funds and Property**

16 **SEC. 48. *Accounting for Moneys and Property Received by***  
17 ***Public Officials.*** - Except as may otherwise be specifically provided by law or  
18 competent authority, all moneys and property officially received by a public  
19 officer in any capacity or upon any occasion must be accounted for as  
20 government funds and government property. Government property shall be  
21 taken up in the books of the agency concerned at acquisition cost or at  
22 appraised value in accordance with the regulations of the Commission.

23 **SEC. 49. *Accrual of Income to Unappropriated Residual Equity of***  
24 ***the General Funds.*** - (1) Unless otherwise specifically provided by law, all  
25 income accruing to the agencies by virtue of the provisions of law, orders and  
26 regulations shall be deposited in the National Treasury or in any duly authorized  
27 government depository, and shall accrue to the unappropriated residual equity  
28 of the General Fund. - (1) Unless otherwise specifically provided by law, all  
29 income accruing to the agencies by virtue of the provisions of law, order and

1 regulations shall be deposited in the National Treasury or in any duly authorized  
2 government depository, and shall accrue to the unappropriated residual equity  
3 of the General Fund of the Government.

4 (2) Amounts received in trusts and from business-type activities of  
5 government may be separately recorded and disbursed in accordance with such  
6 rules and regulations as may be determined by a Permanent Committee  
7 composed of the Secretary of Finance as Chairman, and as members the  
8 Secretary the Department of Budget Management, and the Director-General of  
9 the National Economic Development Authority.

10 **SEC. 50. *Special and Trust Funds.*** - Receipts shall be recorded  
11 as income of Special Funds, Trust Funds or Funds other than the General Fund  
12 only when authorized by law as implemented by rules and regulations issued by  
13 the Permanent Committee created in the preceding section.

14 **SEC. 51. *Issuance of Official Receipts.*** - No payment of any  
15 nature shall be received by a collecting officer without immediately issuing an  
16 official receipt in acknowledgement thereof. The receipt may be in the form of  
17 postage, internal revenue or documentary stamps and the like, or officially  
18 numbered receipts, subject to proper custody, accountability and audit. Where  
19 mechanical devices are used to acknowledge cash receipts, the approval of the  
20 proper department head or the governing board of government-owned or  
21 controlled corporations concerned must first be secured.

22 **SEC. 52. *Deposit of Money in the Treasury.*** - Public officers and  
23 other persons duly authorized to receive and collect money arising from taxes,  
24 revenues, or receipts of any kind shall remit or deposit the same in accordance  
25 with the regulations which the Commission and the Department of Finance shall  
26 prescribe.

27 **SEC. 53. *Creditors Unclaimed Balances.*** - (1) There shall  
28 maintained in the books of the National Treasury an account designated

1 "Creditor Unclaimed Balances" to the credit of which shall be deposited all  
2 moneys for which there is no present rightful claimant.

3 (2) After remaining unclaimed for a period of ten years money in this  
4 account shall remain with the National Treasury to form part of the  
5 unappropriated residual equity of the General Fund.

6 **SEC. 54. Credit for Loss Occurring in Transit or Due to Casualty**  
7 **or Force Majeure.** - (1) When a loss of government funds or property occurs  
8 while they are in transit or the loss is caused by fire, theft, or other casualty or  
9 force majeure, the officer accountable therefor or having custody thereof shall  
10 immediately notify the head of the agency. Within thirty days from such notice,  
11 the accountable officer concerned shall submit his application for relief, with the  
12 available supporting evidence, to the head of agency who may grant the relief  
13 in accordance with the succeeding paragraph and the regulations of the  
14 Commission. An officer who fails to comply with this requirement shall not be  
15 relieved of liability or allowed credit for any loss in the settlement of his  
16 accounts.

17 (2) All relief from accountability approved by the head of agency shall  
18 invariably be subject to post-audit by the Commission or its representative.

19 (3) The Commission shall promulgate rules and regulations to  
20 implement the provisions of this section.

21 **SEC. 55. Transfer of Funds from one Officer to Another.** -  
22 Transfer of government funds from one officer to another shall, unless  
23 otherwise allowed by law or regulation, be made only upon prior written  
24 direction or authorization of the head of the agency in accordance with  
25 regulations issued by the Commission.

26 **SEC. 56. Invoice and Receipt Upon Transfer of Funds or**  
27 **Property.** - When government funds or property are transferred from one  
28 accountable officer to another, or from an outgoing officer to his successor, it  
29 shall be done upon properly itemized invoice and receipt which shall invariably

1 support the clearance to be issued to the relieved or outgoing officer, subject to  
2 regulations of the Commission.

3         **SEC. 57.     *Invoice and Receipt upon Transfer of Funds or***  
4 ***Property.*** - When government funds or property are transferred from one  
5 accountable officer to another, or from an outgoing officer to his successor, it  
6 shall be done upon properly itemized invoice and receipt which shall invariably  
7 support the clearance to be issued to the relieved or outgoing officer, subject to  
8 regulations of the Commission.

9         **SEC. 58.     *Transfer of Property Between Government Agencies.*** -  
10 Any government property that is no longer serviceable or needed but the  
11 agency to which it belongs may be transferred without cost, or at any appraised  
12 value, to other agencies of the government upon authority of the respective  
13 head of agencies in the national government, or of the governing bodies of  
14 government-owned or controlled corporations, other self-governing boards or  
15 commissions of the government, or of the local legislative bodies for local  
16 government units concerned.

17         **SEC. 59.     *Disposition of Funds or Property Held by Deceased,***  
18 ***Incapacitated, Absconding, or Superseded Accountable Officer.*** - (1)  
19 When an officer accountable for government funds or property absconds, dies  
20 or becomes incapacitated in the performance of his duties, the proper agency  
21 head shall designate a custodian to take charge of the funds or property until a  
22 successor shall have been appointed and qualified. The agency head may  
23 appoint a committee to count the cash and take an inventory of the property for  
24 which the officer was accountable and to determine the responsibility for any  
25 shortage therein. One copy of the inventory and of the report of the committee  
26 duly certified shall be filed with the Commission but the findings of the  
27 committee shall not be conclusive until after the audit of the Commission or its  
28 duly authorized representative.

1           (2)    If the absconding, deceased, incapacitated or superseded officer  
2 is responsible to another who is accountable, the latter may himself designate  
3 the committee or take other lawful measure for the protection of his interest.

4           **SEC. 60.       *Destruction or Sale of Unserviceable Property.*** - When  
5 government property has become unserviceable for any cause, or is no longer  
6 needed, it shall, upon application of the officer accountable therefor, be  
7 inspected by the head of the agency or his duly authorized representative and,  
8 if found to be valueless or unsalable, it may be destroyed upon prior notice to  
9 the Commission. If found to be valuable, it may be sold at public auction to the  
10 highest bidder under the supervision of the proper committee on award or  
11 similar body after advertising for not less than three consecutive days in any  
12 newspaper of general circulation, or where the value of the property does not  
13 warrant the expense of publication, by notices posted for a like period in at least  
14 three public places in the locality where the property is to be sold. In the event  
15 that the public auction fails, the property may be sold at a private sale at such  
16 price as may be fixed by the same committee or body concerned.

17           **SEC. 61.       *Prohibited Sale or Disposition of Property.*** - No  
18 government property shall be sold or disposed of in favor of a public officer of  
19 any government agency, whether he is incumbent, retired or resigned.  
20 However, retiring or resigning officials may for sentimental reasons purchase  
21 property at replacement cost provided these are of small value as determined by  
22 the Commission and used by him in office for at least five years.

23           **SEC. 62.       *Final Report of Accountable Officers.*** - (1) An  
24 accountable officer, upon ceasing to act in his official capacity as such, shall  
25 submit to the auditor of the agency concerned a report of his accountability.

26           (2)    Any remaining balance of such accountability shall be deposited  
27 in accordance with the regulations of the Commission.

28           **SEC. 63.       *Auditor's Certificate of Disallowance.*** - (1) Auditors of  
29 government agencies shall certify the total audit disallowances, charges, and

1 suspensions in the accounts settled by them to the proper accountable officer  
2 through the head of the agency, in accordance with the regulations of the  
3 Commission. The certificate shall be properly itemized and shall state the  
4 reasons for disallowance, charge or suspension.

5 (2) A suspension which is not satisfactorily explained within sixty (60)  
6 days after receipt of the certificate or notice by the accountable officer  
7 concerned shall become a permanent disallowance or charge, as the case  
8 may be, unless the Commission or auditor concerned shall, in writing and for  
9 good cause shown, extend the time to answer beyond sixty (60) days.

10 **SEC. 64. *Transcript of Auditor's Record as Evidence of Liability.***

11 – In any criminal, civil, or administrative proceeding against an officer for the  
12 embezzlement or misappropriation of government funds or property, or to  
13 recover an amount due the government from an accountable officer, it shall be  
14 sufficient for the purpose of showing a balance against him, to produce the  
15 working papers of the auditor concerned. A showing in this manner of any  
16 balance against the officer shall be prima facie evidence of the misappropriation  
17 of the funds or property unaccounted for or of civil liability of the officer as the  
18 case may be. The existence or contents of bonds, contracts, or other papers  
19 relating to or connected with the settlement or any account may be proved by  
20 the production or certified copies thereof but the court may require the  
21 production of the original when this appears to be necessary for the attainment  
22 of justice.

23

24 **Chapter 7. Application of Appropriated Funds**

25 **SEC. 65. *Appropriation for Government Contracts; Void Contract***  
26 ***and Liability of Officer.*** - (1) No contract involving the expenditure of public  
27 funds shall be entered into unless there is an appropriation therefor, the  
28 unexpended balance of which, free of other obligations, is sufficient to cover  
29 the proposed expenditure.

1           (2) Any contract entered into in violation of the immediately preceding  
2 paragraph shall be void. The officer or officers entering into and approving  
3 such contract shall be personally liable to the government or other contracting  
4 party for any consequent damage to the same extent as if the transaction has  
5 been wholly between private parties and may likewise be liable criminally and/or  
6 administratively.

7           **SEC. 66.       Certificate Showing Appropriation, Allotment or Fund**  
8 **for Government Contracts.** - (1) Except in the case of a contract for  
9 personnel service, banking transactions of government-owned and/or  
10 controlled banks, or as may be prescribed by the Commission, every contract  
11 involving the expenditure of public funds shall be supported by a certificate  
12 issued by the proper accounting officer of the agency concerned as to the  
13 availability of an appropriation, allotment of fund necessary to cover the contract  
14 for the current fiscal year. The amount so certified shall not thereafter be  
15 available for expenditure for any other purpose until the obligation of the  
16 government agency concerned under the contract is fully extinguished.

17           (2) Any unjustified failure by the official concerned to comply with the  
18 requirement prescribed under the immediately preceding paragraph shall be a  
19 ground for appropriate penal or administrative action according to existing laws  
20 as the evidence may warrant.

21           **SEC. 67.       Restrictions on Payment Under Government**  
22 **Procurement Contracts.** - No payments, partial or final shall be made on any  
23 government procurement contract except upon a certification by the head of the  
24 agency concerned to the effect that the services or supplies, materials and  
25 equipment have been rendered or delivered in accordance with terms of the  
26 contract and have been duly inspected and accepted. Unless otherwise  
27 provided by law, no advance payment shall be made on such contracts for  
28 services not yet rendered or supplies, materials and equipment not yet  
29 delivered.

1           **SEC. 68.       *Commission Participation in Public Biddings.*** - (1) The

2 provisions of existing laws notwithstanding, the presence of the auditor or  
3 Commission representative is not mandatory in the opening of bids or during  
4 any stage in the process of public biddings. The head of the agency, however  
5 shall designate his personal representative to witness such opening of bids,  
6 who shall report to him all deviations from the bidding rules and prescribed  
7 procedures.

8           (2) The agency head, nevertheless, shall be responsible for the proper  
9 conduct of public biddings and shall ensure that documents and records  
10 pertaining thereto are furnished the Commission or its representative within five  
11 (5) days to enable him to review the bid procedures, pre-qualification  
12 requirements, terms and conditions, and other details of the bidding  
13 procedures.

14           **SEC. 69.       *Limitations on Cash Advance.*** - No cash advance shall

15 be given unless for a legally authorized specific purpose. A cash advance shall  
16 be reported on and liquidated as soon as the purpose for which it was given has  
17 been served. No additional cash advance shall be allowed to any official or  
18 employee unless the previous cash advance given to him is first settled or a  
19 proper accounting thereof is made. The Commission shall issue the necessary  
20 regulations governing the granting and liquidation of cash advance.

21           The violation of this provision shall subject the offender to penal and/or  
22 administrative disciplinary actions under Sections 87 and 88 of this code.

23           **SEC. 70.       *Disposition of Stale Checks.*** - (1) A check which remains

24 outstanding after six months from date of its issue shall not be paid by any duly  
25 authorized depository. The issuing agency shall take up in its books of accounts  
26 the amount of this check as residual equity adjustment of the fund against  
27 which it was previously charged. Upon presentation of a stale check, the  
28 issuing agency shall cancel it and issue to the payee a substitute check in lieu  
29 thereof.



1           **SEC. 71.       *Reversion of Unliquidated Balances of Accounts***

2   ***Payable.*** – The head of agency shall revert to the unappropriated residual  
3 equity of the general fund of the agency concerned, any unliquidated balance  
4 of accounts payable in the books which has been outstanding for two years or  
5 more and against which no actual claim, administrative or judicial, has been  
6 filed or which is not covered by perfected contracts of record. This section shall  
7 not apply to unliquidated balance of accounts payable in trust funds as long as  
8 the purposes for which the funds were created have not been accomplished.

9           **SEC. 72.       *Transfer of Unexpected Balance to the General Fund.*** -

10 The Commission may transfer at any time, from moneys appropriated for a  
11 specific purpose, to the unappropriated residual equity of the general fund any  
12 unexpended balance outstanding to the credit of any appropriation or fund when  
13 the officer having administrative control thereof certifies to the Commission that  
14 there is a surplus in excess of the requirements, or that the work or purpose for  
15 which the appropriation was made has been completed, indefinitely postponed  
16 or abandoned, and that there is no outstanding obligation to be paid therefrom.

17                   **Chapter 8. Fiscal Responsibility and Accountability**

18           **SEC. 73.       *Accountable Officers; Bond Requirement.*** - (1) Every

19 officer of any government agency whose duties permit or require the possession  
20 or custody of government funds or property shall be accountable therefor and  
21 for the safekeeping thereof in conformity with law. Other government officers  
22 who, though not accountable by the nature of their duties, may likewise be  
23 similarly held accountable and responsible for government funds through their  
24 participation in the use or application thereof.

25           The violation of this provision shall subject the offender to penal and/or  
26 administrative disciplinary actions under Sections 87 and 88 of this Code.

27           **SEC. 74.       *Disposition of Stale Checks.*** - (1) A check which remains

28 outstanding after six months from the date of its issue shall not be paid by any  
29 duly authorized depository. The issuing agency shall take up in its books of

1 *accounts the amount of this check as residual equity adjustment of the fund*  
2 *against which it was previously charged. Upon presentation of a stale check,*  
3 *the issuing agency shall cancel it and issue to the payee a substitute check in*  
4 *lieu thereof.*

5 **SEC. 75. *Reversion of Unliquidated Balances of Accounts***  
6 ***Payable.*** - The head of agency shall revert to the unappropriated residual  
7 equity of the general fund of the agency concerned, *any unliquidated balance of*  
8 *accounts payable in the books which has been outstanding for two years or*  
9 *more and against which no actual claim, administrative or judicial, has been*  
10 *filed or which is not covered by perfected contracts or record. This section shall*  
11 *not apply to unliquidated balance of accounts payable in trust funds as long as*  
12 *the purposes for which the funds were created have not been accomplished.*

13 **SEC. 76. *Transfer of Unexpected Balance to the General Fund.*** -  
14 The Commission may transfer at any time, from moneys appropriated for a  
15 specific purpose, to the unappropriated residual equity of the general fund any  
16 unexpended balance outstanding to the credit of any appropriation or fund  
17 when the officer having administrative control thereof certifies to the  
18 Commission that there is a surplus in excess of the requirements, or that the  
19 work or purpose for which the appropriation was made has been completed,  
20 indefinitely postponed or abandoned, and that there is not outstanding  
21 obligation to be paid therefrom.

22 **Chapter 8. Fiscal Responsibility and Accountability**

23 **SEC. 77. *Accountable Officers; Bond Requirement.*** - (1) Every  
24 officer of any government agency whose duties permit or require the possession  
25 of custody of government funds or property shall be accountable therefor and for  
26 the safekeeping thereof in conformity with law. Other government officers who,  
27 though not accountable by the nature of their duties, may likewise be similarly  
28 held accountable and responsible for government funds through their  
29 participation in the use or application thereof.

1           **SEC. 78.     *Time and Mode of Rendering Account, Consequence***  
2 ***for Failure.*** - In the absence of a specific provision of law, all accountable  
3 officers shall render their accounts, submit their vouchers, and make deposits  
4 of money collected or held by them at such times and in such manner as shall  
5 be prescribed in the regulations of the Commission.

6           (2) Refusing or neglecting to render or settle an account as required by  
7 law or regulation after demand by the Commission or its authorized  
8 representatives is a ground for penal and/or administrative disciplinary actions  
9 as provided for in Sections 87 and 88 of this Code.

10          **SEC. 79.     *General Liability for Unlawful Expenditures.*** - Any loss  
11 resulting from expenditures of government funds or uses of government  
12 property in violation of law or regulations shall be a personal liability of the  
13 official or employee found to be directly responsible therefor.

14          **SEC. 80.     *Degree of Supervision Over Accountable Officers.*** -  
15 The head of any government agency shall exercise the diligence of a good  
16 father of the family in supervising accountable officers under his control to  
17 prevent the incurrence of loss of government funds or property, otherwise he  
18 shall be solidarily liable with the person primarily accountable therefor.

19          **SEC. 81.     *Measure of Liability of Accountable Officers.*** - (1) Every  
20 officer accountable for government property shall be liable for all losses or  
21 damage thereof occasioned by its improper or unauthorized use by himself or  
22 any person for whose acts he may be held responsible, or by negligence in the  
23 keeping or use thereof, whether or not it be at the time in his actual custody.  
24 His liability shall be measured by the extent of the loss of damage of the  
25 property, to be determined on the basis of its appraised value under regulations  
26 of the Commission.

27          (2) Every officer accountable for government funds shall be liable for all  
28 losses resulting from the unlawful deposit, use or application thereof and for all

1 losses attributable to negligence of persons for whose acts he may be  
2 responsible.

3           **SEC. 82.       *Liability for Acts Done by Direction of Superior Officer.***

4 - No Accountable officer shall be relieved from liability by reason of his having  
5 acted under the direction of a superior officer in paying out, applying or  
6 disposing of funds or property with which he is chargeable, unless prior to that  
7 act, he notified the superior officer in writing of the illegality of the payment,  
8 application or disposition. The officer directing any illegal payment or disposition  
9 of the funds or property shall be primarily liable for the loss, while the  
10 accountable officer who fails to serve the required notices shall be secondarily  
11 liable.

12           **SEC. 83.       *Prohibition Against Pecuniary Interest.*** - No accountable  
13 or responsible officer shall be pecuniarily interested, directly or indirectly, in  
14 any contract or transaction of the agency in which he is such an officer.

15                                           **Chapter 9. Government Accounting**

16           **SEC. 84.       *Definition.*** - Government accounting encompasses the  
17 processes of analyzing, recording, classifying, summarizing and communicating  
18 all transactions involving the receipt and disposition of government funds and  
19 property, and interpreting the results thereof.

20           **SEC. 85.       *Objective of Government Accounting.*** - Government  
21 accounting shall aim to (1) produce information concerning past operations  
22 and present conditions; (2) provide a basis for guidance for future operations;  
23 (3) provide for control of the acts of public bodies and officers in the receipt,  
24 disposition and utilization of funds and property; and (4) report on the financial  
25 position and the results of operations of government agencies for the  
26 information of all persons concerned.

27           **SEC. 86.       *Keeping of Accounts.*** - (1) The accounts of an agency  
28 shall be kept in such detail as is necessary to meet the needs of the agency

1 and at the same time be adequate to furnish the information needed by fiscal or  
2 control agencies of the government.

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

6 **SEC. 87. Recording of Financial Transactions.** – Each government  
7 agency shall record its financial transactions and operations conformably with  
8 pertinent laws and regulations and in the absence thereof, it shall be in  
9 conformity with generally accepted accounting principles.

10 **SEC. 88. Chart of Accounts.** – The Chart of accounts for  
11 government agencies shall be prescribed by the Commission and shall be  
12 observed by the government agencies.

13 **SEC. 89. The General Ledger.** – (1) The government accounting  
14 system shall be on a double entry basis with a general ledger in which all  
15 financial transactions are recorded.

16 (2) Subsidiary records shall be kept where necessary.

17 **SEC. 90. Terminology and Classification.** - A common terminology  
18 and classification shall be used consistently throughout the budget, the  
19 accounts and the financial reports.

20 **SEC. 91. Accounts Classification.** - To permit effective budgetary  
21 control and to establish uniformity in financial reports, accounts shall be  
22 classified in balanced fund groups. The group for each fund shall include all  
23 accounts necessary to set forth its operations and condition. All financial  
24 statements shall follow this classification.

25 **SEC. 92. Accounting for Revenues.** – (1) Estimated revenues  
26 which remain unrealized at the close of the fiscal year shall not be booked or  
27 credited to the unappropriated residual equity or any other account.

1 (2) Uncollected earned revenues which are the subject of a compromise  
2 agreement shall be booked in accordance with the regulations of the  
3 Commission.

4 **SEC. 93. *Accounting for Obligations and Expenditures.*** - All  
5 expenditures and obligations incurred during the year shall be taken up in the  
6 accounts of that year.

7 **SEC. 94. *Definition of Internal Control.*** - Internal control is the  
8 plan of organization or agency to safeguard its assets, check the accuracy and  
9 reliability of its accounting data, and encourage adherence to prescribed  
10 managerial policies.

11 **SEC. 95. *Installation.*** - It shall be the direct responsibility of the  
12 agency head to install, implement, and monitor a sound system of internal  
13 control.

#### 14 **Chapter 10. Final Provisions**

15 **SEC. 96. *Penal Provisions.*** - The penalty of fine not exceeding ten  
16 thousand pesos (P10,000) or imprisonment in the discretion of the court, shall  
17 be imposed upon any of the following acts or omissions which are hereby  
18 declared as obstruction of audit:

19 (1) Refusing or neglecting to render or settle account as required by law  
20 or regulation after demand by the Commission or its authorized  
21 representatives.

22 (2) Denying access to or failing to produce documents, records, or  
23 papers under his custody to the Commission or its authorized  
24 representatives in connection with the conduct of audit

25 **SEC. 97. *Administrative Disciplinary Action.*** - (1) Acts or  
26 omissions of public officers constituting obstructing audit as defined and  
27 punished in the preceding section, shall also constitute neglect of duty and shall  
28 be a ground for administrative disciplinary action against said public officer.

1           **SEC. 98. Separability Clause.** If any section or provision of this Act  
2 shall be declared unconstitutional or invalid, the other sections or provisions not  
3 affected thereby shall remain in full force and effect

4           **SEC. 99. SEC. 3. Repealing Clause.** – The provisions of R.D. No 1445  
5 and Subtitle B- Commission on Audit, Title 1, Book V of E.O. No. 292, are  
6 hereby repealed. All other laws, executive orders, proclamations, decrees,  
7 orders, rules and regulations and other issuances or parts thereof which are  
8 inconsistent or in conflict with any of the provisions of this Act are deemed  
9 modified, revoked or repealed accordingly.

10           **SEC. 100. SEC. 4. Effectivity.** This Act shall take effect fifteen (15) days  
11 after its publication in two (2) leading newspapers of national circulation.  
12

Approved,