

PROVIDING FOR THE RESTRUCTURING OF THE COMMISSION ON AUDIT.

PRESIDENTIAL DECREE NO. 898, March 03, 1976

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WHEREAS, on September 19, 1975, the Commission on Audit was singled out as one of the offices in the, government which has to be "completely reorganized";

WHEREAS, there is an imperative need to restore, strengthen, and preserve the integrity, objectivity, and independence of the Commission on Audit, including its representatives and personnel assigned to all government entities, in order to effectuate the constitutional design for a truly independent auditing arm of government;

WHEREAS, there is a pressing need to hasten the full professionalization of the government audit service so as to enable the Commission on Audit to effectively discharge its expanded audit responsibility under the New Constitution;

WHEREAS, in order to align itself to re-oriented government operations, it now behooves the Commission on Audit to bring its own operations closer to the people;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution and pursuant to Proclamation No. 1081 dated September 21, 1972, and General Order No. 1 dated September 22, 1972, do hereby order and decree as follows:

SECTION 1. STATEMENT OF OBJECTIVES

In keeping with its constitutional mandate, the Commission on Audit adopts the following primary objectives :

- Fiscal responsibility rests directly with the chief or head of the government subdivision agency, or instrumentality. The role of the Commission on Audit is to determine whether such fiscal responsibility has been properly and effectively discharged;
- The Commission on Audit shall develop and implement a comprehensive audit program which shall encompass an examination of financial transactions, accounts, and reports, including evaluation of compliance with applicable laws and regulations; a review of efficiency and economy in the use of resources; and a review to determine whether desired results have been effectively achieved;
- The Commission on Audit shall institute control measures through the promulgation of rules and regulations governing the receipts, disbursements, and uses of funds and property, consistent with the total economic development effort of the Government;
- The Commission on Audit shall promulgate rules and regulations to facilitate the keeping and enhance the information value of the accounts of the Government;
- The Commission on Audit shall take measures to hasten the full professionalization of its services, consistent with its expanded audit responsibility;

- In order to protect the independence of its representatives, the Commission on Audit shall institute measures to safeguard its appointing power, and rationalize and standardize the salaries of its personnel; and
- The Commission on Audit shall take steps to bring its operations closer to the people by the delegation of authority through decentralization, consistent with the provisions of the New Constitution and the laws.

SEC. 2. JURISDICTION OF THE COMMISSION ON AUDIT.

The authority and powers of the Commission on Audit shall extend to and comprehend all matters relating to auditing and accounting procedures, systems, and controls, including inquiry into the utilization of resources and operating performance, the keeping of the general accounts of the Government, the preservation of vouchers pertaining thereto, the examination and inspection of the books, records, and papers relating to those accounts; and the audit and settlement of the accounts of all persons respecting funds or property received or held by them in an accountable capacity, as well as the examination, audit, and settlement of all debts and claims of any sort due from or owing to the Government or any of its subdivisions, agencies, and instrumentalities. The said jurisdiction extends to all government-owned or controlled corporations and other self-governing boards, commissions, or agencies of the Government, and as herein prescribed, including nongovernmental entities subsidized by the Government, those funded by donations through the Government, those required to pay levies or government share, and those partly funded by the Government.

SEC. 3. VISITORIAL POWERS OF THE COMMISSION ON AUDIT.

The Commission shall have visitorial authority over all books, papers and documents filed by individuals and corporations with government offices in connection with government revenue collection operations, for the sole purpose of ascertaining that all funds determined by the appropriate agencies as collectible and due the government, have actually been collected. This authority shall also extend to non-government entities subsidized by the government, those which have received counterpart funds from the government, and those funded by donations through the government, the said authority however pertaining insofar only to the audit of those funds or subsidies coming from or through the government.

SEC. 4. ORGANIZATIONAL COMPONENTS OF THE COMMISSION ON AUDIT.

The Commission on Audit, hereinafter referred to as the Commission, shall consist of the Commission Proper as constituted pursuant to Section 1, Article XII-D, of the new Constitution, and the central and regional offices as hereinafter created.

SEC. 5. THE COMMISSION PROPER.

The Commission Proper shall sit as a body to promulgate policies, rules, and regulations; and prescribe standards governing the performance by the Commission of its powers and functions in accordance with the new Constitution. It shall appoint all the officials and employees of the Commission in accordance with the Civil Service Law, pursuant to Section 4, Article XII-A, of the new Constitution.

SEC. 6. THE CHAIRMAN.

The Chairman of the Commission shall act as the presiding officer of the Commission Proper and the chief executive officer of the Commission. As such chief executive officer, he shall be responsible for the general administration of the Commission.

The Chairman shall appoint such technical and clerical personnel, assigned to his office, as are essential for the

proper performance of his functions.

SEC. 7. REORGANIZATION.

- For the efficient and effective formulation and implementation of the programs of the Commission, the following central offices are hereby created:

- Administrative Office
- Planning, Financial, and Management Office
- Legal Office
- Accountancy Office
- National Government Audit Office
- Local Government Audit Office
- Corporate Audit Office
- Performance Audit Office
- Manpower Development and System Office

These offices shall perform primarily staff functions, exercise technical supervision over the regional offices in matters pertaining to their respective functional areas, and perform such other functions that the Chairman may assign.

- In addition, the Commission shall keep and maintain such regional offices as the exigencies of the service so require in accordance with the pertinent provisions of Chapter III, Part II of the Integrated Reorganization Plan, or as may be provided by law. The regional offices shall be under the direct control and supervision of the Chairman and will serve as the immediate representatives of the Commission in the regions.

- The Commission may reorganize or create such other offices, divisions, sections, or units as may be deemed necessary, and appoint personnel thereto.

SEC. 8. FUNCTIONS OF THE ADMINISTRATIVE OFFICE.

The Administrative Office shall have the following functions:

- Develop and maintain a personnel program which shall include recruitment, selection, appointment, position classification and compensation, performance evaluation, employee relations, and welfare services; and
- Provide the Commission with services related to personnel, records, supplies, equipment, medical, collection and disbursements, security, general and other related services.

SEC. 9. FUNCTIONS OF THE PLANNING, FINANCIAL, AND MANAGEMENT OFFICE.

The Planning, Financial, and Management Office shall have the following functions:

- Formulate long-range and annual plans and programs for the Commission;
- Formulate basic policies and guidelines for the preparation of the Commission's budget; coordinate with the Budget Commission and the Office of the President in the preparation of said budget;
- Maintain and administer the accounting system pertaining to the Commission's accounts;

- Develop and administer a system for monitoring the prices of materials, supplies, and equipment purchased by government; and
- Develop and administer a management improvement program.

SEC. 10. FUNCTIONS OF THE LEGAL OFFICE.

It shall be the responsibility of the Legal Office to:

- Render legal services and perform advisory and consultative functions with respect to the performance of the functions of the Commission and the interpretation of general auditing rules and regulations, and pertinent laws;
- Handle the investigation of the administrative cases filed against the personnel of the Commission; evaluate and act on all reports of involvement of said personnel in anomalies and/or irregularities in government transactions; and perform such other investigative work as may be assigned by the Chairman;
- Represent the Commission in preliminary investigations of malversation cases discovered in audit; assist and collaborate with the Solicitor General and the Tanodbayan in handling cases involving the Chairman or any of the Commissioner, and other officials and employees of the Commission in their official capacity; and
- Initiate, for the Commission, the institution of any legal proceeding, whenever deemed necessary, toward the collection and enforcement of debts and claims, and the restitution of funds and property, found to be due the Government or any subdivision, agency, or instrumentality thereof, including any government-owned or controlled corporation or other self-governing board, commission, or agency of the government, in the settlement and adjustment of its accounts by the Commission.

SEC. 11. FUNCTIONS OF THE ACCOUNTANCY OFFICE.

The Accountancy Office shall perform the following functions:

- Prepare the annual financial report of the Government, its sub divisions, agencies, and instrumentalities, including government-owned or controlled corporations, and other financial and/or statistical reports as may be required by the Commission;
- Exercise technical supervision over government accounting functions;
- Verify appropriations of national government agencies and control fund releases thereto; and
- Prepare statements on local government's revenues and expenditures, and on their legal borrowings and net paying capacities for reclassification and other purposes.

SEC. 12. FUNCTIONS OF THE NATIONAL GOVERNMENT AUDIT OFFICE.

The National Government Audit Office shall perform the following functions:

- Formulate and develop plans, programs, operating standards, and administrative techniques for the implementation of auditing and accounting rules and regulations in departments, regions, bureaus, and offices of the National Government;
- Advise and assist the Chairman on matters pertaining to the audit of the departments, regions, bureau, and offices of the National Government.

SEC. 13. FUNCTIONS OF THE LOCAL GOVERNMENT AUDIT OFFICE.

The Local Government Audit Office shall perform the following functions:

- Formulate and develop plans, programs, operating standards, and administrative techniques for the implementation of auditing and accounting rules and regulations in local government units; and
- Advise and assist the Chairman on matters pertaining to the audit of local government units.

SEC. 14. FUNCTIONS OF THE CORPORATE AUDIT OFFICE.

The Corporate Audit Office shall perform the following functions:

- Formulate and develop plans, programs, operating standards, and administrative techniques for:
 - the implementation of auditing and accounting rules and regulations in government-owned or controlled corporations and self-governing boards, commissions, or agencies of the National Government; and
 - the conduct of audit of financial operations of public utilities and franchises.
- Advise and assist the Chairman on matters pertaining to the audit of government-owned or controlled corporations and other self-governing boards, commissions, or agencies of the National Government; and
- Consolidate the corporate audit reports from all the regions for inclusion in the annual report of the Commission.

SEC. 15. FUNCTIONS OF THE PERFORMANCE AUDIT OFFICE.

The Performance Audit Office shall perform the following functions:

- Conduct, consistent with the provisions of Section 3, variable scope audits of non-government firms subsidized by the government or government authority, those funded by donors through the government, and those for which the government has put up a counterpart fund; and
- Undertake, on a selective basis, economy, compliance and effectiveness audits of national and local government units, including government-owned or controlled corporations, other self-governing boards, commissions, or agencies of government, as well as specific programs and projects of government.

SEC. 16. FUNCTIONS OF THE MANPOWER DEVELOPMENT AND SYSTEMS OFFICE.

- Formulate long-range plans for a comprehensive training program for all personnel of the Commission as well as all accounting, collecting, disbursing, internal auditing, and budgetary personnel of the government, in coordination with the Budget Commission and the Civil Service Commission;
- Prepare and implement annual training programs, consistent with its long-range plans;
- Develop its capability to implement training programs;
- Set up and maintain a library for the Commission;
- Publish the professional journal of the Commission;
- Develop systems for government accounting, auditing, and related fiscal controls; and
- Provide technical assistance in the design and installation of internal control systems and internal auditing units.

SEC. 17. FUNCTIONS OF REGIONAL OFFICES. Each Regional Office shall perform the following functions :

- Exercise supervision and control over the implementation of auditing rules and regulations in
 - departments, bureaus, offices, and other instrumentalities of the National Government, including the National Assembly,
 - local government units, and
 - government-owned or controlled corporations and self-governing boards, commissions, or agencies of the government within the region;
- Conduct audits of all accounts and trial balances pertaining to the revenues and receipts, expenditures and uses of funds and property owned or held in trust by, or pertaining to, National Government agencies and instrumentalities within the region, including the National Assembly;
- Provide auditing services to local government units, including schools and hospitals maintained by such units;
- Review and analyze corporate audit reports and prepare the consolidated audit report of the region (for Greater Manila regional offices only);
- Upon delegation by the Commission Proper, exercise authority on personnel, planning, financial, (budgetary and accounting), and legal matters pertaining to the region; and
- Perform such other related functions as may be assigned by the Chairman.

SEC. 18. APPOINTMENT OF CORPORATE AUDIT PERSONNEL.

The Commission Proper is empowered to appoint its representatives in any government-owned or controlled corporation as well as in any other self-governing board, commission, or agency. In addition, the Commission Proper has the power to fix the size and composition of, and to appoint the personnel to assist said representatives in their work. This appointing power of the Commission Proper shall be subject only to the Civil Service Law, pursuant to Section 4, Article XII-A, of the New Constitution, and shall not be subject to approval or review by any other official corporation, board, commission, or agency concerned.

SEC. 19. COMPENSATION OFF PERSONNEL.

The number of the representatives and support personnel of the Commission, assigned to the different departments and agencies of the national government as well as in government-owned or controlled corporations, self-governing boards, commission, or agencies of the government and in provinces, cities and municipalities shall be determined and fixed by the Commission, any provision of the General Appropriations Decree (Presidential Decree No. 733), laws, decrees, executive orders, or regulations to the contrary notwithstanding.

All officials and employees of the Commission, including the Commission representatives and support personnel, shall be paid their salaries and allowances directly by the Commission out of its appropriations and contributions, as provided for in this decree.

SEC. 20. COMPENSATION OF MANAGERS.

Starting with the calendar year 1976, the central office managers of the Commission, including the Secretary to the Commission, shall receive an annual salary of P36,000.00 each; Provided, however, that the Commission Proper may recommend to the President of the Philippines subsequent salary increases in order to bring the annual salaries of the above mentioned officials to an amount not exceeding P42,000.00 each; and: Provided, finally that should the above ceiling of P42,000.00 be lower than the salary subsequently recommended by the government

study group standardize salaries of government officials, the Commission shall be empowered to adjust the salary ceiling accordingly.

SEC. 21. OFFICE OF THE AUDITING UNITS.

The auditing units in the different departments and agencies of the national government, as well as in government-owned or controlled corporations and self-governing boards, commissions, or agencies of the government, and in provinces, cities, and municipalities shall be provided by the audited agency with a suitable and sufficient office space together with supplies, equipment, furniture, and other necessary operating expenses for its proper maintenance.

SEC. 22. FUNDING.

The Commission Proper is hereby authorized to restructure and use the appropriations provided for in Presidential Decree No. 733 and balances of existing certifications to accounts payable, including prior years which have not yet been reverted to the unappropriated surplus, to carry out the provisions of this decree.

- Commission Proper and Auditing Units in National Government Offices.

Thereafter, the amount of appropriations for the salaries of the officials and employees of the Commission, its equipment, maintenance and other operating expenses as well as the salaries and allowances of the auditors and personnel of the auditing units in the different departments or agencies of the national government, as fixed according to law, shall be included in the annual General Appropriations Decree.

- Government-Owned or Controlled Corporations, Self-Governing Boards, Commissions, or Agencies of the Government.

All government-owned or controlled corporations, self-governing boards, commissions, or agencies of the government shall appropriate and remit to the National Treasury for credit to the account of the Commission an amount equivalent to but not less than the appropriation for the salaries and allowances of the representative and staff of the Commission during the preceding fiscal year, subject to whatever changes as may be authorized by the Commission: Provided, That until such time that this decree shall have been implemented, the Commission representative and his subordinate personnel shall continue to be paid directly by the corporation, board, commission, or agency of the government concerned.

- Local Governing Units.

One-half of one percentum ($\frac{1}{2}$ of 1%) of the collections from national internal revenue taxes not otherwise accruing to special accounts in the general fund of the national government shall accrue to the Commission as a fee for auditing services rendered to local government units, excluding maintenance, equipment, and other operating expenses as provided for in Section 21 above, thereby amending Presidential Decree No. 144.

The Secretary of Finance is hereby authorized to deduct from the monthly internal revenue tax collections an amount equivalent to the percentage as herein fixed, and to remit the same direct to the Commission under such regulations as may be promulgated by the Secretary of Finance and the Chairman of the Commission.

SEC. 23. FEES FOR AUDIT SERVICES RENDERED TO NON-GOVERNMENT ENTITIES.

The Commission shall fix and collect reasonable fees for the different services rendered to non-government entities that shall be audited in connection with their dealings with the government arising from subsidies, counterpart funding by government, or where audited records become the basis for a government levy or share.

Fees of this nature shall be remitted to the Treasurer of the Philippines within 10 days following completion of the audit and credited to the account of the Commission.

SEC. 24. FEES FOR OTHER SERVICES RENDERED TO GOVERNMENT ENTITIES.

Whenever the Commission renders to any government entity, audit and related services beyond the normal scope of such services, the Commission is empowered to fix and collect reasonable fees. These fees shall be remitted by the audited agency to the Treasurer of the Philippines within the time provided for in the contract of service, and credited to the account of the Commission.

SEC. 25. GOVERNMENT CONTRACTS FOR AUDITING, ACCOUNTING, AND RELATED SERVICES.

To enable the Commission to effectively discharge its responsibilities under the New Constitution, no government subdivision, agency, or instrumentality, including government-owned or controlled corporation, and self-governing board, commission, or agency shall enter into any contract with any private person or firm for services to undertake studies relating to government accounting, auditing, and management systems and services, including services to conduct, for a fee, seminars or workshops for groups of government accounting, auditing, collecting, disbursing, internal audit, supply management, and budgeting, personnel on any of the topics just enumerated, unless the proposed contract is first submitted to the Commission to enable the Commission to determine whether it has the resources to undertake such studies or services. The Commission may engage the services of experts from the private sector in the conduct of these studies and shall co-ordinate its work with the Budget Commission and Civil Service Commission.

Should the Commission decide not to undertake the study or service, it shall nonetheless have the power to review the contract in order to determine the reasonableness of its cost.

SEC. 26. COLLECTION OF DEBT DUE THE GOVERNMENT.

In aid of its responsibility to see to it that government funds and property are fully protected and conserved, as explicitly mandated by Presidential Decree No. 111, dated January 26, 1973, the Commission shall, through proper channels, supervise and procure the collection and enforcement of all debts and claims, and the restitution of all funds and property, found to be due the Government, or any of its subdivisions, agencies, or instrumentalities, or any government-owned or controlled corporation or self-governing board, commission or agency of the government, in its settlement and adjustment of its accounts. If any legal proceeding is necessary to that end, the Commission may institute it or request the Solicitor General, the Government Corporate Counsel, or the legal staff of the creditor government office or agency concerned to institute such legal proceeding. All such monies due and payable shall bear an annual interest at six per cent p.a. from the date of written demand by the Commission.

The Commission shall be entitled to collect and receive 20% of the amount of debts collected when such collection is made from a judgment in a case intended and handled by the Commission, as assistance in the professionalization of its services and the computerization of its accounting and data gathering functions. These receipts shall be deposited with the National Treasury to the credit of the Commission.

The Chairman is hereby authorized to augment any item in the appropriation for the Commission in the General Appropriation Decree from savings in other items of said appropriation.

SEC. 27. INSTALLATION OF A SOUND INTERNAL CONTROL SYSTEM.

It shall be the direct responsibility of the chief or head of each government subdivision, agency, or instrumentality, including government-owned or controlled corporation and other self-governing board, commission, or agency, to in-stall, implement, and monitor a sound system of internal control. For this purpose, the chief or head of agency may seek the assistance of the Commission in the design and installation of the internal control system.

SEC. 28. TRANSITORY PROVISION.

In order to carry out the powers and functions set forth in this Decree, the Commission is hereby authorized to reorganize the Commission on Audit within one year from the approval of this Decree.

SEC. 29. REPEALING CLAUSE.

All laws, proclamations, orders, decrees, instructions, rules and regulations or parts thereof, which are or may be inconsistent or in conflict with any of the provisions of this Decree are hereby repealed or modified accordingly.

SEC. 30. EFFECTIVITY.

This Decree shall take effect immediately.

Done in the City of Manila, Philippines, this 3rd day of March, in the year of Our Lord, nineteen hundred and seventy-six.

(Sgd.)

FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(Sgd.)

JUAN C. TUVERA

Presidential Assistant

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