

COMMISSION ON AUDIT CIRCULAR NO. 95-006
May 18, 1995

- TO** : All Heads of Departments, Chiefs of Bureaus and Offices of the National Government; Managing Heads of Government-Owned and/or Controlled Corporations, Self-Governing Boards and Agencies; Heads of Authorized Depository Banks; The Treasurer of the Philippines; Provincial Governors and City/Municipal Mayors; Provincial/City/Municipal Treasurers and General Services Officers; Chief Accountants/Heads of Accounting Units of All Government Agencies; Heads of Auditing Units and All Others Concerned.
- SUBJECT** : Total lifting of pre-audit on all financial transactions of the National Government agencies, government-owned and/or controlled corporations and local government units.

1.0 PURPOSE

- 1.01 In pursuance of the constitutional mandate vesting in the Commission on Audit the exclusive authority to define the scope of its audit and examination, establish the techniques and methods required therefore, and promulgate accounting and auditing rules and regulations (Sec. 2[2], Art. IX-D 1987 Constitution), this Commission hereby lifts all pre-audit activities presently being performed on financial transactions of national government agencies, government-owned and/or controlled corporations and local government units. For purposes of clarity and convenience, this circular restates and supersedes all previous issuances dealing on the lifting of pre-audit.

2.0 HISTORICAL BACKGROUND

- 2.01 Section 2 of Presidential Decree No. 1445, which is substantially reiterated in Section 1, Chapter I, Title I-B, Book V, of the Administrative Code of 1987, provides that " all resources of the government shall be managed, expended or utilized in accordance with law and regulations and safeguarded against loss or wastage resulting from illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The primary in the responsibility for faithful adherence to this policy rests with the chief or head of the government agency concerned".
- 2.02 Consistent with such policy, this Commission under COA Circular No. 82-195 dated October 26, 1982, lifted the pre-audit of government transactions, with certain exceptions. Upon the change of administration after the February, 1986 revolution, however, the audit of financial transactions entered into during the past regime uncovered irregularities and anomalies of grave proportions. In order to prevent further dissipation of government resources, this Commission, under COA Circular No. 86-257 dated March 31, 1986, as amended, instituted pre-audit of selected government transactions. In the light of the changes occurring at that time, selective pre-audit was perceived to be an effective, albeit temporary, remedy against the recurrence of the observed maladies.

- 2.03 Subsequent developments required the re-assessment of this Commission's policy on pre-audit. With the normalization of the political system and the stabilization of government operations, there was a need to re-affirm further the concept that fiscal responsibility resides with management, as embodied in the Government Auditing Code of the Philippines. In addition, this Commission feels the need to contribute further in accelerating the delivery of public services and improving the operations of government by curbing undue bureaucratic red tape and ensuring facilitation of government transactions, while continuing to preserve and protect the integrity of these transactions.
- 2.04 On the basis of the results of such re-assessment this Commission gradually lifted the pre-audit of financial transactions of national government agencies, government-owned and/or controlled corporations and local government units under several issuances, the last of which was COA Circular No. 94-006, dated February 17, 1994. These issuances however did not include some pre-audit activities on the financial transactions of the government agencies pending further study and evaluation on the adequacy of the internal control system on the matter.

3.0 COVERAGE

- 3.01 This Circular shall apply to financial transactions, irrespective of amount, of all agencies of the National Government, government-owned and/or controlled corporations and local government units. Such transactions shall include but shall not be limited to contracts or undertakings for procurement of supplies, materials and equipment; infrastructure and other construction projects; rent or lease and repair and maintenance of equipment, motor vehicles, physical facilities and similar items; consultancy and other related services; janitorial, security and other similar services; and sale of government property/assets which have become unserviceable or no longer needed.

4.0 GENERAL RULE ON THE AUDIT OF FINANCIAL TRANSACTIONS

- 4.01 The pre-audit of all financial transactions of national government agencies, local government units and government-owned and/or controlled corporations involving implementation/prosecution of projects and/or payment of claims is hereby lifted without exception. These transactions shall be subject to post-audit by the Commission on Audit or its representatives.
- 4.02 Pre-audit activities shall henceforth be the responsibility of the agencies concerned as provided in par. 6.01 hereof.
- 4.03 Whenever circumstances warrant, however, such as where the internal control system of a government agency is inadequate, this Commission may reinstitute pre-audit or adopt such other control measures, including temporary or special pre-audit, as are necessary and appropriate to protect the funds and property of the government.

5.0 ENUMERATION OF PRE-AUDIT ACTIVITIES LIFTED

5.01 All audit activities heretofore undertaken by this Commission or its representatives in the form of pre-audit including those provided in international agreement, are hereby lifted. The following and other such similar audit activities previously performed by COA Auditors shall not be pre-requisites to implementation/prosecution of projects, perfection of contracts, payment of claims, and/or approval of applications filed with the agencies:

- 5.01.1 Review and evaluation of contracts;
- 5.01.2 Evaluation of on-going infrastructure and other construction projects which shall include field inspection to verify actual project accomplishment or status;
- 5.01.3 Evaluation of the need for and extent of repair to be made on equipment, including motor vehicles, and infrastructures.
- 5.01.4 Inspection of deliveries of foodstuffs, medicines, supplies, materials, equipment and the like.
- 5.01.5 Verification of the certificate as to the availability of funds.
- 5.01.6 Witnessing of the opening of bids.
- 5.01.7 Audit of cash advances of whatever nature and account.
- 5.01.8 Verification of Request for obligation of Allotment (ROA);
- 5.01.9 Audit of journal vouchers;
- 5.01.10 Verification of the schedule of accounts payable;
- 5.01.11 Audit of refunds of whatever nature and amount.
- 5.01.12 Review and evaluation of government contracts for auditing, accounting and related services.
- 5.01.13 Processing and review of documents relative to the acquisition of real property by the government for public use.
- 5.01.14 Witnessing of condemnation/destruction, and approval of negotiated price, of unserviceable government property and other disposable assets of the audited agencies.
- 5.01.15 Observation of the proceedings of the Local Prequalification, Bids and Awards Committee (PBAC) and issuances of certification that the rules and procedures for prequalification, bids and awards, have been complied with (Sec. 37, Chapter 5, Title I, Book I, R.A. 7160).
- 5.01.16 Verification of applications for bond and for Fiscal Agency Service;

6.0 DUTIES AND RESPONSIBILITIES OF AGENCY OFFICIALS

- 6.01 Pre-audit activities shall henceforth be considered as part of the agency's accounting and fiscal control process. Being a primary responsibility of the agencies, an adequate internal control system shall be instituted in order to achieve economy, efficiency and effectiveness in the management and utilization of the agency resources.
- 6.02 The head of the government agency concerned shall define or delineate the duties and responsibilities of its officials and employees involved in financial transactions. The responsibility to request and/or issue clearances, notices, advises, or reports heretofore lodged in the Auditor in connection with the pre-audit of disbursement and countersigning of Treasury Warrants/Treasury Checks shall henceforth be assumed by the agency personnel concerned.
- 6.03 Accountable officers shall submit the records receipts, disbursements, expenditures, operations, and all other transactions, together with the supporting documents, to the Chief Accountants in the manner and within the time frame prescribed in existing rules and regulations.
- 6.04 Disbursing officers in particular shall faithfully comply with Section 100 of Presidential Decree No. 1445 which require them to render monthly reports of their transactions pursuant to existing auditing regulations not later than the fifth day of the ensuing month to the auditor concerned.
- 6.05 The official involved in the daily recording of transactions in the books of accounts shall turn over the receipts and the disbursement records with all paid vouchers and documents evidencing the transaction to the Auditor within ten (10) days from date of receipt of said documents.
- 6.06 The official responsible for or in charge of accepting deliveries of procured items shall, within twenty-four (24) hours from such acceptance, shall notify the auditor of the time and date of the scheduled deliveries.
- 6.07 Where the period for submission of reports and documents prescribed in paragraphs 6.03 and 6.04 above cannot be met, as in the case of accountable officers stationed in other countries, the head of the agency concerned shall submit the corresponding request for exemption to the Chairman, Commission on Audit, thru the Auditor, stating the reasons therefor, and the recommended periods for such submission.
- 6.08 Pre-repair evaluation shall be performed by management, furnishing a copy thereof to the Auditor within five (5) days from date of evaluation/inspection.
- 6.09 Inspection of consumable and perishable items, as well as unserviceable and disposable government property and others assets, shall be conducted by management. A copy of the report of inspection or its equivalent shall be submitted to the Head of the Auditing Unit within twenty four (24) hours from

acceptance of the items delivered and, in the case of unserviceable and disposable property/assets, immediately after inspection thereof by management.

- 6.10 Management shall furnish the Auditor with a copy of the schedule or notice of opening of bids and condemnation/destruction of government property and other disposable assets, as the case may be, at least five (5) days before the scheduled time.
- 6.11 The concerned officials of the local government units shall furnish the local auditor with a copy of the rules and procedures for prequalification, bids and awards, and notify the latter of the scheduled meetings of the local Prequalification, Bids and Awards Committee (PBAC) at least five (5) days before its meetings and opening of bids.

7.0 FAILURE TO SUBMIT REPORTS

- 7.01 Unjustified failure on the part of the official or employee concerned to submit the documents and reports mentioned herein shall be considered a ground for the automatic suspension of payment of this salary until he shall have complied with the aforesaid requirements, without prejudice to any disciplinary action that may be instituted against him (Sec. 122, P. D. 1445).

8.0 REPEALING CLAUSE

- 8.01 This Circular supersedes, amends or modifies all existing COA issuances inconsistent herewith. COA Circulars reinstating pre-audit activities in some particular agencies of the government are likewise hereby superseded.

9.0 EFFECTIVITY

This Circular shall take effect on May 18, 1995.

(Sgd.) CELSO D. GAÑGAN
Chairman

(Sgd.) ROGELIO B. ESPIRITU
Commissioner

(Sgd.) SOFRONIO B. URSAL
Commissioner