

[**PRESIDENTIAL DECREE NO. 1445, June 11, 1978**]

ORDAINING AND INSTITUTING A GOVERNMENT AUDITING CODE OF THE PHILIPPINES

WHEREAS, the creation and establishment of the Commission on Audit under the new Constitution and its recent reorganization and restructuring by virtue of Presidential Decree No. 898 have rendered more pressing the long-felt need to codify in revised and updated form, in keeping with modern trends of government auditing and progressive legislation on the subject, various scattered auditing laws, rules and regulations, and to incorporate therein presidential decrees, orders, proclamations, and instructions germane and relevant thereto for integrated effect;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution , do hereby order and decree:

PRELIMINARY TITLE GENERAL PROVISIONS

SECTION 1 . TITLE-This law shall be known and cited as the "Government Auditing Code of the Philippines."

SEC. 2. *Declaration of Policy.* —It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

SEC. 3. *Definition of terms.* —Wherever used in this Code, the following terms shall be taken and understood in the sense indicated hereunder, unless the context otherwise requires:

- (1) "Fund" is a sum of money or other resources set aside for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations, and constitutes an independent fiscal and accounting entity.
- (2) "Government funds" includes public moneys of every sort and other resources pertaining to any agency of the government.
- (3) "Revenue funds" comprises all funds derived from the income of any agency of the government and available for appropriation or expenditure in accordance with law.
- (4) "Trust funds" refers to funds which have come officially into the possession of any agency of the government or of a public officer as trustee, agent, or administrator, or which have been received for the fulfillment of the obligation.
- (5) "Depository funds" comprises funds over which the officer accountable therefore may retain control for the lawful purposes for which they came into his possession. It embraces moneys in any and all depositories.

(6) "Depository" means any financial institution lawfully authorized to receive government moneys upon deposit.

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

(8) "Government agency" or "agency of the government," or "agency" refers to any department, bureau or office of the national government, or any of its branches and instrumentalities, or any political subdivision, as well as any government-owned or controlled corporation, including its subsidiaries, or other self-governing board or commission of the government.

SEC. 4. *Fundamental principles.* —Financial transactions and operations of any government agency shall be governed by the fundamental principles set forth hereunder, to wit:

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

(2) Government funds or property shall be spent or used solely for public purposes.

(3) Trust funds shall be available and may be spent only for the specific purpose for which the trust was created or the funds received.

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

(5) Disbursements or disposition of government funds or property shall invariably bear the approval of the proper officials.

(6) Claims against government funds shall be supported with complete documentation.

(7) All laws and regulations applicable to financial transactions shall be faithfully adhered to.

(8) Generally accepted principles and practices of accounting as well as of sound management and fiscal administration shall be observed, provided that they do not contravene existing laws and regulations.

TITLE I
THE COMMISSION ON AUDIT
CHAPTER 1. ORGANIZATION

SEC. 5. *Composition of the Commission on Audit; qualifications, term, and salary of members.*

(1) The Commission on Audit, hereinafter referred to as the Commission, shall be composed of a Chairman and two Commissioners, who shall be natural-born citizens of the Philippines and, at the time of their appointment, at least forty years of age and certified public accountants or members of the Philippine Bar for at least ten years.

(2) The Chairman and the Commissioners shall be appointed by the Prime Minister for a term of seven years without re-appointment. Of the Commissioners first appointed, one shall hold office for seven years, another for five years, and the third for three years. Appointment to any vacancy shall only be for the unexpired portion of the term of the predecessor.

(3) The Chairman and each Commissioner shall receive an annual salary of sixty thousand pesos and fifty thousand pesos, respectively, which shall not be decreased during their continuance in office.

SEC. 6. *The Commission Proper.* —For purposes of this Code and as a component of the organizational structure of the Commission, the Chairman and the two Commissioners shall together be known as the Commission Proper and as such shall be distinguished from the other components of the Commission consisting of the central and regional offices which are hereinafter created.

(2) The Commission Proper shall sit as a body to determine policies, promulgate rules and regulations, and prescribe standards governing the performance by the Commission of its powers and functions.

(3) The Chairman 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.

(4) The Chairman and each Commissioner shall have such technical and clerical personnel in their respective offices as may be required by the exigencies of the service.

SEC. 7. *Central and regional offices.* —(1) The Commission shall have the following central offices:

- a. Administrative Office
- b. Planning, Financial, and Management Office
- c. Legal Office
- d. Accountancy Office
- e. National Government Audit Office
- f. Local Government Audit Office
- g. Corporate Audit Office
- h. Performance Audit Office
- i. Manpower Development Office
- j. Technical Service 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 as may be assigned by the Chairman.

(2) The Commission shall keep and maintain such regional offices as may be required by the exigencies of the service in accordance with the Integrated

Reorganization Plan for the national government, or as may be provided by law, which shall serve as the immediate representatives of the Commission in the regions under the direct control and supervision of the Chairman.

(3) The central and regional offices shall each be headed by a Manager and a Regional Director, respectively. The Manager of the Legal Office shall also be known and shall act as the General Counsel of the Commission.

SEC. 8. *Commission Secretariat.* —There shall be a Commission Secretariat to be headed by the Secretary to the Commission who shall have the rank and privileges of a central office manager.

SEC. 9. *The Administrative Office.* —The Administrative Office shall perform the following functions:

(1) Develop and maintain a personnel program which shall include recruitment, selection, appointment, performance evaluation, employee relations, and welfare services; and

(2) Provide the Commission with services related to personnel, records, supplies, equipment, medical, collections and disbursements, security, general and other related services.

SEC. 10. *The Planning, Financial, and Management Office.* —The Planning, Financial, and Management Office shall have the following functions:

(1) Formulate long-range and annual plans and programs for the Commission;

(2) Formulate basic policies and guidelines for the preparation of the budget of the Commission, coordinate with the Budget Commission and the Office of the President (Prime Minister) in the preparation of the said budget;

(3) Maintain and administer the accounting system pertaining to the accounts of the Commission;

(4) Develop and administer a system for monitoring the prices of materials, supplies, and equipment purchased by the government;

(5) Develop and maintain the management information system of the Commission; and

(6) Develop and administer a management improvement program, Including a system for measurement of performance of auditing units on which an annual report shall be submitted to the Chairman not later than the thirty-first day of January each year.

SEC. 11. *The Legal Office.* —The Legal Office shall be charged with the following responsibilities:

(1) Perform advisory and consultative functions and render legal services with respect to the performance of the functions of the Commission and the interpretation of pertinent laws and auditing rules and regulations;

(2) Handle the investigation of administrative cases filed against the personnel of the Commission, evaluate and act on all reports of involvement of the said personnel in anomalies or irregularities in government transactions, and perform

any other investigative work required by the Commission upon assignment by the Chairman;

(3) Represent the Commission in preliminary investigations of malversation cases discovered in audit, assist and collaborate with the Solicitor General and the *Tanod Bayan* in handling cases involving the Chairman or any of the Commissioners, and other officials and employees of the Commission in their official capacity; and

(4) Coordinate, for the Commission and with the appropriate legal bodies of government, with respect to legal proceedings towards the collection and enforcement of debts and claims, and the restitution of funds and property, found to be due any government agency in the settlement and adjustment of its accounts by the Commission.

SEC. 12. *The Accountancy Office.* —The Accountancy Office have the following functions:

(1) Prepare, for the Commission, the annual financial report of the Government, its subdivisions, agencies, and instrumentalities, including government-owned or controlled corporations, and such other financial or statistical reports as may be required by the Commission.

(2) Verify appropriations of national government agencies and control fund releases thereto; and

(3) Prepare statements on revenues and expenditures of local government units, and on their legal borrowing and net paying capacities for re-classification and other purposes.

SEC. 18. *The National Government Audit Office.* —The National Government Audit Office shall perform the following functions:

(1) Formulate and develop plans, programs, operating standards, and administrative techniques for the implementation of auditing rules and regulations in departments, regions, bureaus, and offices of the National Government;

(2) Formulate accounting rules and regulations for departments, regions, bureaus, and offices of the National Government; and

(3) Advise and assist the Chairman on matters pertaining to the audit of the departments, regions, bureaus, and offices of the National Government.

SEC. 14. *The Local Government Audit Office.*—The Local Government Audit Office shall have the following functions

(1) Formulate and develop plans, programs, operating standards, and administrative techniques for the Implementation of auditing rules and regulations in local government units;

(2) Formulate accounting rules and regulations for local government units; and

(3) Advise and assist the Chairman on matters pertaining to the audit of local government units.

SEC. 15. *The Corporate Audit Office.* —The Corporate Audit Office shall perform the following functions: