

[COA CIRCULAR NO. 2011-002, July 22, 2011]

LIFTING OF PRE-AUDIT OF GOVERNMENT TRANSACTIONS

The 1987 Constitution vest in the Commission on Audit the power, authority, and duty to examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the Government, or any of its subdivisions, agencies, or instrumentalities, including government-owned or controlled corporations; and where the internal control system of the audited agencies is inadequate, the Commission may adopt such measures including temporary or special pre-audit, as are necessary and appropriate to correct the deficiencies. (Section 2[1] Article IX-D)

Likewise, Section 2(2) Article IX-D of the 1987 Constitution empowers the Commission to have the exclusive authority to define the scope of its audit and examinations and establish the techniques and method required therefor, and promulgate accounting and auditing rules and regulations including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures or uses of government funds and properties.

Pursuant to such constitutional authority, this Commission, under COA Circular No. 2009-002 dated May 18, 2009 re-instituted pre-audit of selected government transactions, which it perceived to be an effective, although temporary remedy, against irregularities and anomalies in government operations.

Subsequent developments however has shown the heightened vigilance by government agencies in safeguarding their resources. After an evaluation thereof and re-assessment of COA Circular No. 2009-002, this Commission has resolved to re-affirm the concept that fiscal responsibility resides with agency management. Such concept is clearly provided in Section 2 of Presidential Decree No. 1445, the Government Auditing Code of the Philippines, thus: "all resources of government shall be managed, expended or utilized in accordance with law or regulations and safeguarded against loss or wastage resulting from illegal or improper disposition with a view to ensuring efficiency, economy and effectiveness in the operation of the government. The primary responsibility for faithful adherence of this policy rests with the chief or head of the government agency concerned."

Guided by the foregoing, and in order to accelerate the delivery of public services and ensure facilitations of government transactions, this Commission hereby withdraws selective pre-audit under COA Circular No. 2009-002 and thereby lifts all pre-audit activities presently being performed on financial transactions of the national government agencies, government owned and/or controlled corporation and local government units, except those required by existing laws.

Pre-audit activities shall henceforth be the responsibility of the agencies concerned as part of their accounting and fiscal control process. All agencies shall establish