Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City  

EIGHTEENTH CONGRESS  
First Regular Session  

HOUSE BILL NO. 2395  

Introduced by HON. LORD ALLAN JAY Q. VELASCO  

EXPLANATORY NOTE  

This bill seeks to implement the policy of the Duterte administration to put a stop to corrupt practices and also to strengthen the Commission on Audit (COA) by specifically giving it the power to audit government financial institutions (GFIs). At the same time, this measure will propose a penalty for any omission on the part of the Commission and its officers to render a decision in a case submitted to it for resolution within the prescribed period of sixty (60) days.

Under Section 2(1) of Article IX-D of the 1987 Philippine Constitution, or the article which created the Commission on Audit, the Commission shall have 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 with original charters.

According to the “Global Financial Development Report 2013,” the World Bank (WB) warned governments about mishandling state-run financial institutions, such as banks and pension funds. In the Philippines, the leading state-run banking institutions are the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP). Meanwhile, the country has created state-run pension funds like the Social Security System (SSS) and the Government Service Insurance System (GSIS).

Government financial institutions (GFIs), such as Land Bank of the Philippines and the Social Security System (SSS), are covered under Section 2(1) of Article IX-D of the 1987 Philippine Constitution since these institutions are government-controlled and they have their own original charters. The Land Bank was established on August 8, 1963 through Republic Act No. 3844 or the Agricultural Land Reform Code, while the Duterte administration has issued a new charter for SSS through Republic Act No. 11199 which was signed on February 7, 2019 and it repealed the old “Social Security Act of 1997.”

Just a while back, the news industry had a big coverage on the huge bonuses and perks being received by SSS officials when Mr. Emilio de Quiros, Jr., a former SSS president and CEO, informed the public that seven (7) members of the SSS board received at least one (1) million pesos each as bonuses for the alleged “good performance” of the fund. This fanned public backlash, especially since this came after the Aquino administration vetoed a measure which proposed a P2,000 across-the-board increase on the monthly pension of SSS members.

Back in 2015, too, former Land Bank and SSS executives were charged for multiple graft complaints before the Office of the Ombudsman in connection with the anomalous P9-billion Manila Electric Co. (Meralco) block sale. According to the Ombudsman’s investigators, SSS executives approved a P5.669-billion stock purchase agreement of its Meralco shares of stock to Global 5000 Investment Inc. in 2009. The Land Bank officials also approved this block sale
within ten (10) days without negotiations, giving ‘unwarranted benefits, advantage or preference’ to Global 5000. The investigators further espoused the notion that this block was not in accordance with sound business practice.

Hence, in order to ensure that all offices under the government are fully-audited and corrupt-free, Presidential Decree No. 1445, as amended by Executive Order No. 292, or the Government Auditing Code, should be amended further to include government financial institutions under COA’s jurisdiction.

With this amendment, GFls will be placed under the scope of COA’s power to scrutinize books of accounts of government offices. Said amendment will give the government’s auditing arm the capability to abet and reverse the effects of corruption in government financial institutions and protect the monies of government coffers from wanton abuse and deliberate mishandling.

In addition to this and to curb other corrupt practices, under this measure, the amendment of the Government Auditing Code will provide for a new provision which will penalize, after compliance with due process, liable officers of the Commission if they fail to render a decision in a case submitted to it for resolution within the prescribed period of sixty (60) days.

In view of the foregoing reasons, the passage of this bill is earnestly sought.

[Signature]

LORD ALLAN JAY Q. VELASCO
Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2395

Introduced by HON. LORD ALLAN JAY Q. VELASCO

AN ACT AMENDING PRESIDENTIAL DECREE NO. 1445, AS AMENDED BY EXECUTIVE ORDER NO. 292, OTHERWISE KNOWN AS THE GOVERNMENT AUDITING CODE OF THE PHILIPPINES, TO GRANT THE COMMISSION ON AUDIT WITH POWER TO AUDIT GOVERNMENT FINANCIAL INSTITUTIONS AND FOR OTHER PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 3 (8) of P.D. No. 1445, as amended, is hereby amended to read as follows:

“Section 3. Definitions of terms.

x x x

(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, GOVERNMENT FINANCIAL INSTITUTIONS or other self-governing board or commission of the government.”

SECTION 2. Section 12 (1) of P.D. No. 1445, as amended, is hereby amended to read as follows:

“Section 12. The Accountancy Office. The Accountancy Office shall 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, GOVERNMENT FINANCIAL INSTITUTIONS, and such other financial or statistical reports as may be required by the Commission;

x x x”

SECTION 3. Section 15 (1) to (3) of P.D. No. 1445, as amended, is hereby amended to read as follows:

“Section 15. The Corporate Audit Office. The Corporate 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 government-owned or controlled corporations, INCLUDING GOVERNMENT FINANCIAL INSTITUTIONS, and self-governing boards, commissions, or agencies of the government, as well as for the conduct of audit of financial operations of public utilities and franchises;

(2) Formulate accounting rules and regulations for government-owned or controlled corporations, INCLUDING GOVERNMENT FINANCIAL INSTITUTIONS, and self-governing boards, commissions, or agencies of the government;

(3) Advise and assist the Chairman on matters pertaining to the audit of government-owned or controlled corporations, INCLUDING GOVERNMENT FINANCIAL INSTITUTIONS, and self-governing boards, commissions, or agencies of the government.”

SECTION 4. Section 24 (2) of P.D. No. 1445, as amended, is hereby amended to read as follows:


x x x

(2) All government-owned or controlled corporations, including their subsidiaries AND GOVERNMENT FINANCIAL INSTITUTIONS, and self-governing boards, commissions or agencies of the government shall appropriate in their respective budgets and remit to the National Treasury an amount at least equivalent to the appropriation for the salaries and allowances of the representative and staff of the Commission during the preceding fiscal year;”

SECTION 5. Section 26 of P.D. No. 1445, as amended, is hereby amended to read as follows:


x x x

The said jurisdiction extends to all government-owned or controlled corporations, including their subsidiaries AND GOVERNMENT FINANCIAL INSTITUTIONS, and other self-governing boards, commissions, or agencies of the Government, and as herein prescribed, including non-governmental entities subsidized by the government, those funded by donation through the government, those required to pay levies or government share, and those for which the government has put up a counterpart fund or those partly funded by the government.”

SECTION 6. Section 35 of P.D. No. 1445, as amended, is hereby amended to read as follows:

“Section 35. Collection of indebtedness due the government.
The Commission shall, through proper channels, assist in the
collection and enforcement of all debts and claims, and the
restitution of all funds or the replacement or payment at a
reasonable price of property, found to be due the Government, or
any of its subdivisions, agencies or instrumentalities, or any
government-owned or controlled corporation, INCLUDING
GOVERNMENT FINANCIAL INSTITUTIONS, or self-governing
board, commission or agency of the government, in the settlement
and adjustment of its accounts. If any legal proceeding is
necessary to that end, the Commission shall refer the case to the
Solicitor General, the Government Corporate Counsel, or the legal
staff of the creditor government office or agency concerned to
institute such legal proceeding. The Commission shall extend full
support in the litigation. All such moneys due and payable shall
bear interest at the legal rate from the date of written demand by
the Commission.”

SECTION 7. Section 36 (2) of P.D. No. 1445, as amended, is hereby amended to read as
follows:

“Section 36. Power to compromise claims.

x x x

(2) The respective governing bodies of government-owned or controlled
corporations, INCLUDING GOVERNMENT FINANCIAL
INSTITUTIONS, and self-governing boards, commissions, or agencies of
the government shall have the exclusive power to compromise or release
any similar claim or liability when expressly authorized by their charters
and if in their judgment, the interest of their respective corporations or
agencies so requires. When the charters do not so provide, the power to
compromise shall be exercised by the Commission in accordance with the
preceding paragraph.”

SECTION 8. Section 49 of P.D. No. 1445, as amended, is hereby amended to read as follows:

“Section 49. Period for rendering decisions of the Commission.
The Commission shall decide any case brought before it within
sixty days from the date of its submission for resolution. If the
account or claim involved in the needs reference to other persons
or offices, or to a party interested, the period shall be counted
from the time the last comment necessary to a proper decision is
received by it.

FAILURE TO RENDER A DECISION IN A CASE WITHIN SIXTY
(60) DAYS FROM THE DATE OF ITS SUBMISSION FOR
RESOLUTION SHALL BE A PROPER GROUND FOR
ADMINISTRATIVE LIABILITY AGAINST THE LIABLE
OFFICER(S) OF THE COMMISSION.

FOR THE FIRST OFFENSE, THE LIABLE OFFICER(S) SHALL,
AFTER COMPLIANCE WITH DUE PROCESS, BE PUNISHED
WITH SEVERE REPRIMAND.

FOR THE SECOND OFFENSE, THE LIABLE OFFICER(S)
SHALL, AFTER COMPLIANCE WITH DUE PROCESS, BE
SUSPENDED FOR SIXTY (60) DAYS WITHOUT PAY.
FOR THE THIRD OFFENSE, THE LIABLE OFFICER(S) SHALL, AFTER COMPLIANCE WITH DUE PROCESS, BE TERMINATED FROM SERVICE.

SECTION 9. Section 76 of P.D. No. 1445, as amended, is hereby amended to read as follows:

“Section 76. Transfer of property between government agencies. Any government property that is no longer serviceable or needed by the agency to which it belongs may be transferred without cost, or at an appraised value, to other agencies of the government upon authority of the respective heads of agencies in the national government, or of the governing bodies of government-owned or controlled corporations, INCLUDING GOVERNMENT FINANCIAL INSTITUTIONS, other self-governing boards or commissions of the government, or of the local legislative bodies for local government units concerned.”

SECTION 10. Section 104 of P.D. No. 1445, as amended, is hereby amended to read as follows:

“Section 104. Records and reports required by primarily responsible officers. The head of any agency or instrumentality of the national government or any government-owned or controlled corporation, INCLUDING GOVERNMENT FINANCIAL INSTITUTIONS, and any other self-governing board or commission of the government shall exercise the diligence of a good father of a family in supervising accountable officers under his control to prevent the incurrence of loss of government funds or property, otherwise he shall be jointly and solidarily liable with the person primarily accountable therefor. The treasurer of the local government unit shall likewise exercise the same degree of supervision over accountable officers under his supervision, otherwise he shall be jointly and solidarily liable with them for the loss of government funds or property under their control.”

Approved,