REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

July 13, 2009

REVENUE MEMORANDUM CIRCULAR NO. 47-2009

SUBJECT: Publishing the full text of Circular No. 2009-002 dated May 18, 2009 by the Commissioner and Chairman of the Commission on Audit (COA), entitled Reinstituting Selective Pre-Audit on Government Transactions

TO : All Internal Revenue Officials, Employees and Others Concerned

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For the information and guidance of all concerned, quoted hereunder is the full text of Circular No. 2009-002 dated May 18, 2009 by the Commissioner and Chairman of the Commission on Audit (COA):

"**Republic of the Philippines**
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

No. 2009-002
Date: MAY 18 2009

CIRCULAR

TO : All Heads of Departments, Bureaus, Offices, Agencies and Instrumentalities of the National Government, Heads of Local Government Units, Managing Heads of Government-Owned and Controlled Corporations with Original Charters, COA Assistant Commissioners, COA Directors, COA Auditors and All Others Concerned

SUBJECT : Reinstituting Selective Pre-Audit on Government Transactions

1.0 RATIONALE

1.1 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 resulting from illegal or improper disposition, with a view of ensuring efficiency, economy and effectiveness in the operations of government. The primary responsibility for faithful adherence to this policy rests with the chief or head of the government agency concerned (Cf. Sec. 2, P.D. No. 1445).

1.2 Consistent with such policy and 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), Article IX-D, 1987 Constitution], the Commission, under COA Circular No. 95-006 dated May 18, 1995, lifted all pre-audit activities that were then performed on financial transactions.

1.3 Recent developments, however, necessitate the revisiting of the present policy of examining government transactions strictly on a post-audit basis in view of the rising incidents of irregular, illegal, wasteful and anomalous disbursements of huge amounts of public funds and disposal of public property. An assessment of the risk-prone areas (using the risk-based audit approach) in government operations and the marked inadequacy in internal controls as exemplified by the frequency of anomalies uncovered or reported likewise point to the need to consider restoring pre-audit as a deterrent against the resurgence of the observed maladies. Further, adequate safeguards need to be observed by the auditor to ensure that the agency accepts all responsibility for (i) establishing and monitoring internal controls, (ii) making all management decisions with respect to the design, implementations, and maintenance of the internal controls, (iii) evaluating the adequacy and results of the design, implementation, and maintenance of the internal controls, and (iv) the data used or generated by the financial reporting process.

1.4 For these reasons and in consonance with the power of the Commission on Audit to adopt such measures as are necessary and appropriate to correct the deficiencies, this Commission hereby reinstitutes selective pre-audit, subject to periodic review and assessment of the effectiveness and coverage thereof in accordance with the risk-calibrated agency audit framework.

2.0 DEFINITION AND GENERAL SCOPE OF PRE-AUDIT AND POST AUDIT

2.1 Pre-audit is the examination of documents supporting a transaction or series of transactions before these are paid for and recorded.

Pre-audit operates to:

2.1.1 determine that the proposed expenditure is for a purpose in compliance with the appropriation law, other specific statutory authority and regulations;

2.1.2 assure that sufficient funds are available to enable payment of the claim;

2.1.3 initially determine that the proposed expenditure is not illegal, irregular, extravagant, excessive, unconscionable or unnecessary;

2.1.4 determine that the transaction is approved by proper authority and duly supported by authentic underlying evidences.

2.2 Post audit covers the same areas and supplemented by tracing the transaction under audit to the books of accounts. It also includes a final determination that the transaction is not illegal, irregular, extravagant, excessive, unconscionable or unnecessary. In general and wherever practical, the scope of post audit work covers all areas identified in the risk assessment and embraces financial, compliance, and value-for-money audits. Transactions subjected to pre-audit shall be post audited without re-performing the audit procedures previously undertaken in pre-audit, unless there is compelling reason to re-perform the same.

3.0 COVERAGE

3.1 Pre-audit shall be selectively reinstituted in national government agencies, local government units, and government-owned and controlled corporations with original charters, as indicated in the attached list marked as Annex A and made integral part hereof, with any, some or all of the following transactions:

3.1.1 cash advances;

3.1.2 payments of salaries and terminal leave benefits;

3.1.3 payments for infrastructure projects;

3.1.4 payments for road right-of-way

3.1.5 payments for procurement of capital assets, goods and services;

3.1.6 payments made thru automatic debit advice (ADA);

3.1.7 releases of funds to NGOs/POs;

3.1.8 transfers of funds between government agencies subject to the exceptions provided in item 4.8;

3.1.9 disbursements from trust funds of local government units, as limited in item 4.9;

3.1.10 disposal of real property and unserviceable property, subject to the limitations provided in item 4.10.

3.2 Subsequent identification of the national government agencies, local government units and government-owned and controlled corporations and their respective transactions that may be included or excluded in pre-audit shall proceed from the results of an evaluation of the internal control system put in place and operating in each agency. Such evaluation shall be undertaken by the Supervising Auditors (SAs) or Audit Team Leaders (ATLs) with the results thereof reviewed and validated by the Cluster Director or Regional Director before elevating the same, through the Assistant Commissioner or other authorized official concerned, to the Oversight Committee created in item 10.0 hereof.

3.3 National high schools, government-owned and controlled corporations audited under the team approach, and barangays shall be initially exempt from pre-audit.

4.0 SPECIFIC SCOPE OF PRE-AUDIT ACTIVITIES

4.1 Cash advances

4.1.1 Except for cash advances for payroll, intelligence funds, petty cash funds, and those granted for local travel expenses of officers and employees, all other cash advances including those for foreign travels funded out of the local funds regardless of amount shall pass through pre-audit.

4.1.2 The liquidation of cash advances shall first be audited and the corresponding Credit Notice issued before the same shall be taken up in the books.

4.1.3 The grant of cash advances and their liquidation shall be governed by the following guidelines and by the provisions COA Circular No. 97-002 dated February 10, 1997 which are not inconsistent herewith:

(i) No cash advance shall be given unless for legally authorized specific purpose.

(ii) No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first liquidated and accounted for in the books.

(iii) A cash advance shall be liquidated/reported on as soon as the purpose for which it was granted has been served.

(iv) Except for cash advances for travel, no officer or employee shall be granted cash advance unless he is properly bonded in accordance with law or regulations. The amount of cash advance which may be granted shall not exceed the maximum cash accountability covered by his bond.

(v) Only permanently appointed and duly designated disbursing officers shall be granted cash advance. However, these requirements shall not apply to cash advances for travel.

(vi) Transfer of cash advance from one accountable officer to another shall not be allowed.

(vii) The cash advance shall be used solely for the specific purpose for which it was granted. Under no circumstance shall it be used for encashment of checks or for liquidation of a previous cash advance.

(viii) No cash advance shall be granted for payments on account of infrastructure projects or other undertaking on a project basis.

(ix) Cash advance for special time-bound undertaking shall be liquidated by the accountable officer concerned within one month from the date the purpose of the cash advance was accomplished.

(x) Cash advances which are no longer needed or have not been used for a period of two months shall be returned to or deposited immediately with the proper collecting officer or treasurer.

(xi) All cash advances shall be fully liquidated at the end of each year. Except for petty cash fund, the accountable officer shall refund any unexpected balance to the cashier/collecting officer who shall issue the necessary official receipt.

4.2 Payment of salaries and terminal leave benefits

4.2.1 Pre-audit of payments of salaries shall apply only to the first payment after appointment by transfer or reinstatement, and to the last payment prior to transfer.

4.2.2 All payments of terminal leave benefits shall be subject to pre-audit.

4.3 Infrastructure projects

4.3.1 Infrastructure projects include the construction, improvement, rehabilitation, demolition, repair, restoration or maintenance of roads and bridges, railways, airports, seaports, communication facilities, civil works components or information technology projects, irrigation, flood control and drainage, water supply, sanitation, sewerage and solid waste management systems, shore protection, energy/power and electrification facilities, national buildings, school buildings, hospital buildings, and other related construction projects of the government [Section 5(n), IRR-A of R.A. No. 9184].

4.3.2 All infrastructure projects with contract amounts falling under the categories outlined below shall be covered by pre-audit.

For national government agencies:

(i) Department/Bureau/Agency Main/Central/Head Offices, General Headquarters, Projects Management Offices – P25 million and above

(ii) Regional Offices/Operating Units/Area Commands/Field Offices or their equivalents – P10 million and above

(iii) Provincial/District/Division/Satellite Offices – P2 million and above

(iv) Tertiary and/or specialized hospitals – P5 million and above

For local government units:

(i) Cities within Metro Manila, other highly urbanized cities and first class provinces – P5 million and above

(ii) Provinces/cities below first class – P3 million and above

(iii) Municipalities – P1 million and above

For government-owned and/or controlled corporations/government financial institutions

(i) Head Offices, Project Management Offices – P25 million and above

(ii) Regional/Provincial Branches/Field Offices – P10 million and above

4.3.3 Only the advance payments granted to contractors as well as the first and last progress billings of contracts for infrastructure projects the contract amount which fall within the threshold as above indicated shall be subject to pre-audit. First progress billing represents claims made for the first collection on the work accomplished in a particular project. In the pre-audit of the last progress billing, all previous payments shall be considered.

4.3.4 All first payments of progress billings under a change order, extra work order, supplemental agreement, or any other form of variation order related to contracts subject to pre-audit under item 4.3.2, shall likewise be subject to pre-audit. However, where the amount of the variation order brings a contract not previously covered by pre-audit within the threshold established in item 4.3.2, the first payment under the variation order as well as the last progress billing of the original contract, as modified or amended by the variation order, shall be subject to pre-audit. All claims of contract price escalations regardless of amount shall be subject to pre-audit taking into consideration the guidelines provided in Government Procurement Policy Board Circular No. 03-2008 dated

August 20, 2008 and such other existing regulations on the matter.

4.3.5 Inspections of construction project accomplishments shall be mandatory on the payment for the first and last progress billings. The Auditor may, however, conduct random on-the-spot inspection of on-going infrastructure projects or request inspection of projects at any time he may deem necessary.

4.3.6 The auditor shall review the completeness of the supporting documents, its terms and conditions, the bidding procedures, necessity and validity of other alternative modes of procurement and manner of award to the winning bidder/contractor and such other relevant requirements provided in RA No. 9184 and its implementing rules and regulations. Whenever practicable, the SA/ATL or the Technical Audit Specialist (TAS) after due referral, shall evaluate the reasonableness of the cost of the project or activity immediately upon receipt of the contract as provided in item 6.6 hereof. Provided that the final determination of such reasonableness shall in no case extend beyond twenty-one (21) working days from the time the contract and complete supporting documents are submitted for technical review.

4.3.7 These pre-audit guidelines shall equally apply to infrastructure projects undertaken in areas declared as under a state of emergency or calamity.

4.4 Payments for road right-of-way

4.4.1 All claims for road right-of-way shall be subject to pre-audit taking into consideration the provisions of RA No. 8974 and its implementing rules and regulations.

4.5 Procurement of capital assets, goods and services

4.5.1 Procurement of capital assets shall include land and building.

4.5.2 Procurement of goods and services includes acquisition of supplies, materials, general support services, labor, equipment and motor vehicles by the government, regardless of the source of fund. For this purpose, procurement of construction materials for projects implemented by administration shall be treated as procurement of goods and services and shall be subject to

the same rules herein provided taking the total project cost, and not the individual transactions, as basis of its coverage in or exclusion from pre-audit.

4.5.2 General support services shall include only those which are recurring and fixed in nature, such as but not limited to rentals, janitorial and security services, and solid waste management regardless of the amount involved. Only the first payment for said services shall be subject to pre-audit. First payments involving extension of contracts shall also be pre-audited.

4.5.3 First and last payments of contracts entered into through any of the various modes of procurement involving an amount of at least P2 million for national government agencies, government-owned and/or controlled corporations, cities within Metro Manila, other highly urbanized cities and first class provinces, P1 million for provinces/cities below first class, and P500,000.00 for municipalities, shall be subject to pre-audit. Procurement between government agencies or instrumentalities shall be exempt from pre-audit.

4.5.4 Procurement of goods and services to address natural calamities or emergencies shall be subject to pre-audit except procurement involving life saving medicines, food and other similar items which shall be exempt from pre-audit.

4.6 Payments made thru automatic debit advice (ADA)

4.6.1 For foreign-funded or locally funded infrastructure projects that shall be paid through ADA, pre-audit shall be performed on the documents to be submitted as basis for payment such as but not limited to the approved disbursement vouchers, if applicable, statement of expenditures, list of due and demandable accounts payable and their supporting documents.

4.6.2 For procurement paid through ADA, pre-audit shall be performed on the approved disbursement voucher duly supported by the regular documentary requirements for the specific transaction.

4.7 Releases to NGOs/POs

4.7.1 All releases of funds to NGOs/POs shall be subject to pre-audit. The audit shall be carried out taking into consideration the requirements and guidelines provided in

COA Circular No. 2007-001 dated October 25, 2007 and subsequent amendments thereto.

4.7.2 No subsequent releases shall be made unless the previous release is liquidated, and the liquidation documents are post-audited and properly taken up in the books.

4.8 Transfer of funds between and among government agencies

4.8.1 All transfers of funds either thru funding check or bank transfer between and among bank accounts of government agencies or between different bank accounts of the same government agency regardless of amount shall be subject to pre-audit.

4.8.2 Fund transfers within and between government banks, transfers of funds to address an emergency or calamity, releases of NCAs by the Department of Budget and Management, and releases of NTAs from department/central offices to operating units shall be exempt from pre-audit. Fund transfers within and between government banks shall refer to normal routinary bank transactions specifically interbranch withdrawals/deposits, deposits to comply with reserve requirements, telegraphic transfers/quick cash, cash transfers from cash centers to branch and vice-versa, overseas remittances, payment of interbank foreign borrowings, swap transactions, payment of foreign exchange cover fees, guarantee fee, commitment fee to the National Government, remittance of collection pertaining to other government agencies, maturities of clients' placements and other transactions of their respective working funds paid electronically to meet the real time settlement.

4.9 Disbursements from trust funds of local government units

4.9.1 The pre-audit of trust funds of local government units shall only cover disbursements of the trust funds received from the national government or from government-owned and controlled corporations.

4.10 Disposal of real property, unserviceable property and those no longer needed

4.10.1 Pre-audit of disposal of real property shall cover only those undertaken through negotiated sales involving an amount of at least P1 million.

4.10.2 Negotiated sale of acquired assets of government financial institutions amounting to at least P50 million, except those disposed to previous owners in the exercise of their right of redemption, shall be subject to pre-audit.

4.10.3 For unserviceable property and those no longer needed, only negotiated sales involving an amount of at least P500,000.00 whether valued individually or by lot shall be subject to pre-audit.

4.10.4 Negotiated sales of property covered by Section 380 of RA No. 7160 otherwise known as the Local Government Code of 1991 shall be governed by the following rules:

(i) Unserviceable property and property no longer needed may be disposed at a private sale at such price as may be determined by the committee on awards, subject to the approval of the Commission on Audit or its duly authorized representatives when the acquisition or transfer cost exceeds fifty thousand (P50,000.00) pesos in the case of provinces and cities, and twenty five thousand (P25,000.00) pesos in the case of municipalities and barangays. In the case of real property, the disposal shall be subject to the approval of the Commission on Audit regardless of the value or cost involved:

(ii) Approval of the disposal of unserviceable property and property no longer needed in private sale shall be as follows:

	Category	***Approving COA Official***
1.	Unserviceable property or property no longer needed with book value/acquisition cost not exceeding P1,000,000.00 in each case	COA Chairman
2.	Unserviceable property or property no longer needed with book value/acquisition cost not exceeding P150,000.00 in each case	Directors/Officers in Charge of COA Central and Regional Offices
3.	Unserviceable property or property no longer needed with book value/acquisition cost not exceeding P100,000.00 in each case	Supervising Auditors/Heads of Audit Groups

4.	Unserviceable property or property no longer needed with book value/acquisition cost not exceeding P50,000.00 in each case	Audit Team Leaders
5.	Real property regardless of the book value/acquisition cost	COA Commission Proper

(iii) The value of the property declared to be unserviceable or no longer needed should be appraised by a qualified COA Technical Property Inspector or by a committee composed of Technical Property Inspectors, as determined by the TSO Cluster Director, for cases within Metro Manila, or the Regional Director, for cases in the regions, before approval of the sale.

(iv) Whenever there exists a doubt as to the reasonableness of the price of the unserviceable property or property no longer needed, the same must be submitted to the Technical Services Office for review and appropriate action.

5.0 RESPONSIBILITY TO CONDUCT PRE-AUDIT

5.1 Pre-audit shall, in addition to the existing duties and functions, be the responsibility of the head of the auditing unit/audit team. In an auditing unit where a Supervising Author (SA) and Audit Team Leaders (ATLs) are assigned, the pre-audit functions shall be discharged by the SA. Pre-audit functions in all other auditing units headed by ATLs whether or not placed under the supervision of SAs shall be carried out such ATLs.

5.2 In case of absence of the person duly authorized in item 5.1 to perform pre-audit for one (1) to five (5) working days, he shall designate an officer-in-charge who shall temporarily perform the pre-audit functions. A copy of such designation shall be furnished to the Cluster Director or Regional Director concerned for information and record. Where the SA or ATL, as the case may be, is absent for more than five (5) working days but not more than thirty (30) working days, the designation shall be done by the Cluster Director or Regional Director, and in excess of thirty (30) working days, by the Chairman.

6.0 DUTIES AND RESPONSIBILITIES OF AGENCY OFFICIALS

Agency officials concerned shall:

6.1 Ensure that no transactions covered by this circular are paid out without evidence of the audit action of the SA/ATL as required herein.

6.2 Submit to the SA/ATL concerned all disbursement vouchers/documents for claims subject to pre-audit.

6.3 Submit to the SA/ATL the advices/instructions including, among others, MOAs and MUOs and their supporting documents for transfers of funds subject to pre-audit under item 4.7 hereof.

6.4 See that cash advances granted are liquidated within the prescribed period and liquidation submitted to the SA/ATL concerned within ten (10) days from the date the liquidation documents is received from the accountable officer.

6.5 Maintain complete and up-to-date subsidiary records of cash advances for each accountable officer to record the cash advances granted and liquidated.

6.6 Submit to the SA/ATL concerned copies of contracts, purchase/letter orders, loan agreements, bond flotation/certificates of indebtedness, whether domestic or foreign, and appraisal reports of property for disposal including all supporting documents required in COA Circular No. 2009-001 dated February 12, 12009 and its annexes, for review, within five (5) days from their perfection.

6.7 Ensure that the disbursement vouchers are duly supported with the requisite documents for each specific claim and accompanied by a duly accomplished relevant checklist for technical review as provided in COA Circular No. 2009-001 dated February 12, 2009 as well as the requirements enumerated in item 4.4 of COA Circular No. 2007-001 (for releases to NGOs/POs) and its subsequent amendments, if any. If the supporting documents have been previously furnished to the auditor pursuant to item 6.6, such fact shall be indicated in the accompanying document checklist. Any deficiency in the supporting documents shall cause the return of the documents without action, within twenty-four (24) hours, for completion or rectification of the deficiency.

6.8 See that no splitting of requisitions, purchase orders, vouchers, and the like, is resorted to, in order to circumvent the control measures provided in this circular and other laws and regulations. For this purpose, a project funded under a single obligating

authority and implemented in several phases whether by the same or different contractors shall be deemed splitting of contracts.

6.9 Furnish the auditor copies of de livery documents within twenty-four (24) hours after acceptance of deliveries of goods and services, regardless of whether or not the transaction is subject to pre-audit.

6.10 Ensure that negotiated sale of real property, unserviceable property and those no longer needed are resorted to only under circumstances authorized by existing laws and regulations.

6.11 Submit the agency's Annual Procurement Plan and amendments thereto within the first quarter of each year.

6.12 Maintain a separate record/logbook of all transactions subject to and submitted to the SA/ATL for pre-audit.

7.0 DUTIES AND RESPONSIBILITIES OF COA OFFICIALS AND REPRESENTATIVES

7.1 Counted from the time of receipt of the complete transaction documents, act on the transactions subject to pre-audit within five (5) working days for infrastructure projects, procurements and disposals requiring technical evaluation, and within two (2) working days for other transactions subject to pre-audit.

7.2 Conduct periodic evaluation of the accountability of the accountable officer and recommend reduction of the cash advance if found excessive.

7.3 Monitor the grant and liquidation of cash advances subject to pre-audit.

7.4 Without prejudice to the conduct of a surprise cash examination as the SA/ATL may deem appropriate, issue demand letter upon failure of the accountable officer to liquidate his cash advance within two (2) months for accountable officers holding office within the station and three (3) months for accountable officers outside the station, from the dates specified in item 4.1.3 (ix), (x) and (xi).

7.5 Recommend for the withholding of the payment of any money due the accountable officer if no liquidation or explanation is received or the explanation received is not satisfactory.

7.6 Initiate the filing of a criminal case against the accountable officer for failure to settle his accounts in the manner outlined below:

7.6.1 Execute an affidavit stating the nature/purpose of the cash advance; the amount not liquidated/accounted for; the fact that no liquidation or explanation has been submitted despite demand or if explanation has been submitted, the same is not satisfactory; the date the letter of demand was served on or received by the AO; and other information which may be pertinent to the case.

7.6.2 State in the affidavit the violation of the provisions of Section 89 of P.D. No. 1445 and the penal provisions under Section 128 of the same law, both of which are herein quoted in full to wit:

"Section 89. Limitations on Cash Advance. – No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made."

"Section 128. Penal Provision. – Any violation of the provisions of Section xxx 89, xxx of this code or any regulation issued by the Commission implementing these sections, shall be punished by a fine not exceeding one thousand pesos or by imprisonment not exceeding six (6) months, or both such fine and imprisonment at the discretion of the court."

7.6.3 The affidavit shall be submitted to the COA Director concerned who shall refer the case to the appropriate Office of the Deputy Ombudsman, if the offense is committed in the regions or to the COA Legal Services Sector for the filing of criminal proceedings before the Office of the Ombudsman, if the offense is committed within Metropolitan Manila area, in accordance with paragraphs 3.1.1 and 3.2, respectively of COA Memorandum No. 95-112 dated December 26, 1995.

7.7 See that all inspection and evaluation of project accomplishment, deliveries of supplies, materials and equipment, evaluation of variation orders, price escalation adjustments and road right-of-way acquisitions, are made in accordance with auditing rules and regulations on the matter.

7.8 Strictly enforce compliance with the requirement for submission of copies of contracts and appraisal reports including their supporting documents as provided herein.

7.9 Immediately advice the release and confirm the receipt of funds from the audited agency to another agency.

7.10 Maintain a separate record/logbook of all transactions received for pre-audit including the actions taken thereon.

7.11 Conduct post-audit of transactions and accounts in accordance with the risk-based audit approach taking into consideration the result of pre-audit;

8.0 EVIDENCE OF AUDIT ACTION

Pre-audit stamp

8.1 The pre-audit action shall be evidenced by a pre-audit stamp with the following words impressed upon the face of the disbursement voucher or disposal contract and their supporting documents: *Pre-audited pursuant to COA Circular No. _____ dated _____* (See Annex B), duly signed and dated by the auditor.

8.2 The pre-audit stamp shall be placed only after the upfront audit procedures are undertaken, including, among others, the review of the legal aspects of the transaction or contract to determine whether the requirement of applicable laws, rules and regulations were substantially complied with and initial determination has been made that the transaction or contract is not illegal, irregular, extravagant, excessive, unconscionable or unnecessary, as the case may be. The pre-audited disbursement voucher or disposal contract and its supporting documents shall be returned to the agency duly stamped in accordance with item 8.1 on each and every page of the documents submitted. The pre-audit action shall not be a bar to further determination as to the approval or allowance of the transaction in post audit.

8.3 In case of deficiencies or defects noted, the disbursement voucher and its supporting documents shall be returned to the head of the agency concerned within twenty-four (24) hours from such determination informing him of the action taken and indicating the reasons therein (Annex C).

8.4 Without waiting for the submission of claims for first payments, the SA or ATL concerned shall immediately refer the infrastructure contract to the technical audit specialist of the auditing unit/cluster or of the Technical Services Office or Regional Technical Service Division as the case may be, for

review of the technical aspects including the reasonableness of the price within five (5) days after the review of the legal aspects. Provided that contracts determined by the Auditor to be legally infirm need not be referred for technical review and shall be returned to the head of the agency in accordance with item 8.3 above.

8.5 Except as provided in the second sentence of item 8.4, all other contracts requiring technical evaluation may likewise be referred for review in the same manner provided in the first sentence thereof, as may be deemed necessary and consistent with risk-based audit approach.

Credit Notice for Cash Advances, Transfer of Funds Between Government Agencies and Releases to NGOs/POs

8.6 Upon liquidation, the SA or ATL shall, within thirty (30) days from receipt of the liquidation report and supporting documents, complete the audit and issue a Credit Notice (Annex D) addressed to the accountable officer to inform the latter of the amount allowed in audit. In case of suspension or disallowance, a notice of suspension or disallowance shall be issued. The amount allowed in audit as contained in the Credit Notice shall be deemed to have been settled.

8.7 Subsequent cash advances, transfer of funds between government agencies and releases to NGOs/POs shall be granted only after the issuance of Credit Notice for the previous cash advance.

9.0 APPEAL PROCEDURE

9.1 Any party aggrieved by the decision of the auditor on claims or transactions submitted for pre-audit may avail of the appeal remedy outlined in the Revised Rules of Procedure of the Commission on Audit.

10.0 OVERSIGHT COMMITTEE

10.1 The Assistant Commissioners' Group constituted under COA Resolution No. 2008-012 dated October 10, 2008 is hereby designated to act as Oversight Committee to monitor and periodically evaluate the implementation of the selective reinstitution of pre-audit.

10.2 The Oversight Committee shall have the authority and responsibility to recommend, for consideration by the Commission Proper, the inclusion of certain kinds of transactions or the exclusion of those previously included in the coverage of

pre-audit. The initiative to include or exclude certain transactions in pre-audit shall originate from the SAs or ATLs, duly validated by the Cluster Director or Regional Director concerned. The Oversight Committee shall evaluate the proposal and if found to be meritorious it shall recommend the same for consideration by the Commission Proper. Otherwise, the proposal shall be returned to the SA/ATL through the Assistant Commissioner or other authorized official concerned indicating the reasons therein. The Oversight Committee may, however, *motu proprio* initiate and recommend the inclusion or exclusion of transactions subject to pre-audit.

10.3 It shall also develop a mechanism for evaluating the progress of agencies in enhancing their internal control structures as well as the process by which said agencies may be exempted from, or those previously exempted may be placed under the coverage of selective pre-audit using the risk-calibrated agency audit framework. The mechanism and the guidelines therefor duly approved by the Commission Proper shall be disseminated to the Assistant Commissioners, Cluster Directors, Regional Directors, SAs and ATLs for their guidance in making recommendations for exemptions from or inclusions in the coverage of pre-audit.

11.0 PENALTY CLAUSE

11.1 Any violation of the rules prescribed in item 4.1 shall render the accountable officer concerned liable under Section 128 in relation to Section 89 of Presidential Decree No. 1445, and/or other applicable laws and administrative regulations.

11.2 Transactions or claims covered by this circular but not submitted for pre-audit, shall be a ground for initiating administrative disciplinary action in accordance with Section 127 of Presidential Decree No. 1445 and Section 55, Title I-B, Book V of the Revised Administrative Code of 1987, without prejudice to the disallowance of the transactions in post audit, if warranted.

12.0 REPEALING CLAUSE

All COA circulars and memoranda inconsistent herewith are hereby revoked amended or modified accordingly.

13.0 EFFECTIVITY

This circular shall take on July 1, 2009.

(SGD) **JUANITO G. ESPINO JR.**
Commissioner

(SGD) **REYNALDO A. VILLAR**
Chairman"

All concerned are hereby enjoined to be guided accordingly and give this Circular a wide publicity as possible.

(Original Signed)
SIXTO S. ESQUIVIAS IV
Commissioner of Internal Revenue