Salient features on the Rules and Regulations on the Settlement of Accounts

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ICC

RUEL L. RUBIA
SA V
Supervising Auditor
LGAS-E Davao City

SEPTEMBER 18, 2026

RULES & REGULATIONS ON SETTLEMENT OF ACCOUNTS (RRSA)

(COA Circular 2009-006)

Legal Basis of Auditors to Audit

Art. IX-D 1987 Philippine Constitution

Section2(1). The Commission on Audit 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,
- **post-audit basis**.

Legal Basis of Auditors to Audit

Section 2 (2). The Commission shall have *exclusive authority,* subject to the limitations in this Article, to define the scope of its audit and examination, establish the techniques and methods 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.

What is settlement of accounts?

Settlement of Accounts refers:

-process of determining the status or balance of the account of an accountable officer after audit and examination.

What is settlement in the context of liability?

Settlement refers to the payment/restitution or other act of extinguishing an obligation as provided by law in satisfaction of the liability under a Notice of Disallowance (ND)/Notice of Charge (NC), or in compliance with the requirements of an NS, as defined in these Rules.

If there are exceptions, deficiencies, or irregularities that are noted or discovered in a post-audit, such audit exceptions will be issued or communicated:

1. Audit Observation Memorandum (AOM)
2. Notice of Suspension (NS)
3. Notice of Disallowance (ND)
4. Notice of Charge (NC)
5. COA Decision or Resolution.

If warranted, the audit findings of irregularities could also be included in an audit report for referral to the Office of the Ombudsman for administrative or criminal investigation, as the COA's jurisdiction is limited to civil liability.

Definition of Terms

Results of the Audit are documented through the issuance of the following:

I. Audit Observation Memorandum (AOM);
II. Annual Audit Report (AAR) / Management Letter (ML)
III. Notice of Suspension (NS)
IV. Notice of Disallowance (ND)
V. Notice of Charge (NC)

Audit Observation Memorandum (AOM)

The Auditor shall issue an AOM for observations relating to financial or operational ***deficiencies,*** such as those involving accounting, internal control or property management, which may or may not involve any pecuniary loss.

Form 1

Annex 1

Republic of the Philippines
COMMISSION ON AUDIT
Department of Education
Region IV, Pasig City

AOM No. 09-001
Date : October 25, 2009

AUDIT OBSERVATION MEMORANDUM (AOM)

For : Mr. Juan C. de la Cruz
Director
Department of Education, Region IV
Pasig City

Attention: Mr. Joselito Remonde
Property Officer

We have audited the ____________ and observed the following deficiencies/errors:

____

____

____

May we have your comments on the foregoing audit observations within fifteen (15) calendar days from receipt hereof.

Likewise, please submit the following documents to enable us to make a decision in audit.

1.
2.

Mario S. Dela Costa
MARIO S. DELA COSTA
Audit Team Leader

Proof of Receipt of AOM:

Juan C. Dela Cruz
JUAN C. DELA CRUZ
Date: ____________

Efren R. Cadiente
EFREN R. CADIENTE
Supervising Auditor

Audit Observation Memorandum (AOM)

QUESTION

How many days does an AOM have to be replied to by Management?

ANSWER:

15 calendar days from receipt thereof.

Sample of Deficiencies:

1. Non-conduct Physical Inventory of PPE
2. Not intact and delayed Deposit of Collection
3. Low Utilization of 20% BDF and LDRRMF
4. Absence of GAD Budget/ no GAD database

Notice of Suspension (NS)

The Auditor shall issue an NS for transactions of **doubtful** legality/regularity, which may result in pecuniary loss to the government.

Generally requires the submission of additional documents, within 90 days from receipt, to support the validity of the transaction.

Form 2 Annex 2

Republic of the Philippines
COMMISSION ON AUDIT
XYZ City, Metro Manila

NS NO.: 09-032-101-(09)
Date: October 27, 2009

NOTICE OF SUSPENSION (NS)

Hon. Horacio A. dela Cruz
City Mayor
XYZ City

Attention: Ms. Maria V. Ocampo
City Accountant

We have audited the payment to Mr. Ernesto P. Joson, Prosecutor II, of City allowance for the period January 01, 2009 to June 1, 2009 pursuant to Section 458 (1), (xi) of RA 7160, covered by the following reference document and particulars:

Check/DV No._______________ **Date** _______________ **Amount** ____________ **Payee** ____

The amount of _________________ was suspended in audit due lack of a Sangganian Panlungsod (SP) Resolution authorizing Prosecutor Joson to receive the additional allowance. Please submit the SP Resolution authorizing payment of the same as required under Section 305 (a) of the Local Government Code.

The following persons have been determined to be responsible for compliance with the aforementioned requirement:

Name	Position/Designation	Nature of Participation in the Transaction
1. Maria V. Ocampo	City Accountant	Certified that the DV was supported by the necessary documents
2. Elena A. Dionisio	Head, Human Resource Department	Certified that expenses are necessary, lawful and incurred under her direct supervision
3. Prosecutor Ernesto P. Joson	Payee	Received the payment

Please settle the above audit suspension through compliance with the requirements indicated which we will evaluate. Items suspended in audit which are not settled within ninety (90) days from receipt hereof shall become a disallowance pursuant to Section 82 of P.D. No. 1445.

Ericson J. Sison
ERICSON J. SISON
Audit Team Leader

Regina E. Faller
REGINA E. FALLER
Supervising Auditor

PROOF OF SERVICE OF COPIES OF NS TO PERSONS RESPONSIBLE

Name of Person Responsible	Position	Received by (Pls. print & sign)	Date
1. Ms. Maria V. Ocampo	City Accountant	____________	______
2. Ms. Elena A. Dionisio	HRMO V/Head HRD	____________	______
3. Atty. Ernesto P. Joson	Prosecutor II	____________	______

Notice of Suspension (NS)

- The NS shall be addressed to the Head of the Agency and to the Accountant.
- Signed by the ATL and SA.
- Contains the following:
    I. Amount suspended in Audit
    II. Reason/s or Ground/s for suspension
    III. Documents required to be submitted
    IV. Persons Responsible

COA Circular No. 2019-001 dated January 30, 2019

Notice of Suspension (NS)

QUESTION

HOW MANY DAYS TO COMPLY WITH THE NOTICE OF SUSPENSION?

Notice of Suspension (NS)

ANSWER

90 DAYS FROM RECEIPT OF NS.

Notice of Suspension (NS)

Scenario Number 1:

The COA auditor issued A Notice of Suspension (NS) to Barangay Mabagal regarding the liquidation of the cash advance due to the absence of the claimants' signatures (Payroll).

The NS was received by the persons responsible on June 1, 2025.

Notice of Suspension (NS)

QUESTION:

Last day to comply?

Notice of Suspension (NS)

90 DAYS FROM RECEIPT.

Notice of Suspension (NS)

ANSWER:

June 30 days -1-	29
July	**31**
August	**30**
Total	90

Notice of Suspension (NS)

SCENARIO 2:

What happened when the 90-day period (August 30, 2025) expired and the Person Responsible did not comply?

Notice of Suspension (NS)

ANSWER:

The Notice of Suspension will graduate into a **Notice of Disallowance.**

Scenario Number 2:

A **Notice of Suspension** was issued pertaining to the purchase of CCTV costing P300,000.00, due to the absence of the following supporting documents:

1. Purchase Request
2. Purchase Order
3. Acceptance and Inspection Report.

90 days have elapsed; there has been no compliance by the Barangay.

Notice of Suspension (NS)

Consequence:

The Notice of Suspension will graduate into a Notice of Disallowance.

Notice of Disallowance (ND)

The Auditor shall issue an ND for transactions which are classified as IUEEU, under COA Circular No. 2012-003.

Basis:

- Irregular,
- Unnecessary,
- Extravagant,
- Excessive
- Unconscionable
- illegal

Notice of Disallowance (ND)

The ND must be settled or otherwise lifted, within six (6) months or one hundred eighty (180) days from receipt thereof by the persons found **liable**.

Definition of Terms

- **Persons Liable** – the person/s determined to be answerable for an audit disallowance, charge or decision, as provided in the rules.

Form 3

Annex 3

Republic of the Philippines
COMMISSION ON AUDIT
Office of the Auditor
DEF Authority
Roxas Blvd., Manila

ND NO.: 09-051-101-(08)
Date: November 14, 2009

NOTICE OF DISALLOWANCE (ND)

Mr. Lucio M. Encarnacion
Administrator, DEF Authority
Roxas Blvd., Manila

Attention: Ms. Jennifer S. Refuerzo
Chief Accountant

We have audited the payment for the procurement of equipment under Purchase Order No. 0506 dated January 10, 2008 in the amount of ₱142,826.00, covered by the following reference document and particulars:

Check/DV No.__________ Date __________ Amount __________ Payee __________

The amount of ₱42,000.00 was disallowed in audit because the delivered equipment was found to be second hand and is valued at ₱100,826.00 only as stated in the Post-Inspection Report of the Technical Audit Specialist. The Purchase Order requires the delivery of a brand new unit. This constitutes an irregular transaction as defined under COA Circular No. 85-55A and payment thereof was in excess of its value by ₱42,000.00.

The following persons have been determined to be liable for the transaction:

Name	Position/Designation	Nature of Participation in the Transaction
1. Jose L. Lorenzo	Property Inspector, Administrative Department	Signed the Inspection Report indicating that the deliveries were complete and in accordance with the specifications
2. Gloria V. Hernandez	Chief, General Services	Signed the Certificate of Acceptance for the Deliveries
3. Sandra F. Campo	Chief, Research Division, Environment Management Department	Signed Sales Invoice No. 471dated February 12, 2008 indicating that she received the deliveries in good order and condition and conforming to specifications
4. ABC Enterprises	Payee	Received payment for the delivery

Please direct the aforementioned persons liable to settle immediately the said disallowance. Audit disallowances not appealed within six (6) months from receipt hereof shall become final and executory as prescribed under Sections 48 and 51 of P. D. 1445.

Ernesto S. Aquino
ERNESTO S. AQUINO
Audit Team Leader

Lester J. Sandoval
LESTER J. SANDOVAL
Supervising Auditor

PROOF OF SERVICE OF COPIES OF ND TO PERSONS LIABLE

Name of Person Liable	Position/Designation	Received by (Pls. print & sign)	Date
1. Mr. Jose L. Lorenzo	Property Inspector	__________	________
2. Ms. Gloria V. Hernandez	Chief, General Services	__________	________
3. Ms. Sandra F. Campo	Chief, Research Division,	__________	________
4. ABC Enterprises	Payee, 12 Rizal St., Tondo Manila	__________	________

Notice of Disallowance (ND)

The Auditor shall issue an ND for transactions which are classified as IUEEU, under COA Circular No. 2012-003.

Basis:

- Irregular
- Unnecessary
- Extravagant
- Excessive
- Unconscionable
- illegal

Notice of Charge (NC)

The Auditor shall issue an **NC:**

a) If the amount assessed/appraised is less than what is due to the government;

b) If the amount billed is less than the amount due to the government; and

c) If the amount collected is less than what is due to the government.

NOTICE OF CHARGE (NC)

Hon. Lito M. Paras
City Mayor
JKL City, Metro Manila

Attention: Mr. Lauro T. Lorenzo
City Accountant

We have audited the collection of City License Tax covered by the following reference document and particulars:

OR No.____________ Date _____________ Amount __________ Payor ________________________

The amount of ₱2,700.00 was charged in audit due to under-collection resulting from error in assessment. The amount of tax due was ₱65,889.00 based on City Ordinance No. 05-212, but the Payment Order issued was only ₱63,189.00 for a deficiency of ₱2,700.00

The following persons have been determined to be liable for the transaction:

Name	Position/Designation	Nature of Participation in the Transaction
1. Edna P. Gamba	Assessment Clerk II	Prepared the Order of Payment indicating that the amount to be paid was ₱63,189.06 as against actual tax due of ₱65,889.00
2. Joseph R. Santos	Chief, License Division	Approved the Order of Payment
3. ABC Enterprises	Payor	Paid an amount less by ₱2,700.00 than that actually due from him.

Please direct the aforementioned persons liable to settle immediately the said audit charge. Audit charges not appealed within six (6) months from receipt hereof shall become final and executory as prescribed under Sections 48 and 51 of P.D. 1445.

Ronald S. Enriquez
RONALD S. ENRIQUEZ
Audit Team Leader

Felipe Q. Daganzo
FELIPE Q. DAGANZO
Supervising Auditor

PROOF OF SERVICE OF COPIES OF NC TO PERSONS LIABLE

Name of Person Liable	Position/address	Received by (Pls. print & sign)	Date
1. Edna P. Gamba	Assessment Clerk License Division	________	_____
2. Joseph R. Santos	Chief, License Division	________	_____
3. ABC Enterprises	Payor, # 12 Rizal St., Tondo, Manila	________	_____

Notice of Charge (NC)

The NC must be settled or otherwise lifted, within six (6) months or one hundred eighty (180) days from receipt thereof by the persons found **liable**.

- Notice of Suspension

  -Comply with required Docs

  - Audit Team/SA

- Notice of Disallowance /Charge

  -APPEAL

  - FEE

  -LEGAL

  - Higher level (RO)

Definition of Terms

- **Appeal** – the process of elevating to a higher authority, any audit decision, order or ruling of the Auditor, the Commission, or any of its duly authorized representatives.

Definition of Terms

- Decision – an adjudication or settlement of a claim or controversy by the authorized COA Official/s, which shall embody the facts of the case, the issue/s to be resolved, the ruling and the laws, rules, regulations or precedent, on which the ruling is based.

QUESTION?

- What will happen when the 6-month period expires after receipt of ND/NC and no appeal was made?

ANSWER

- A Notice of Finality of Decision (NFD) will be issued.

Definition of Terms

- **Notice of Finality of Decision (NFD)** – a written notification that an Audit Decision has become final and executory.

- **COA Order of Execution (COE)** – a written instruction to withhold payment of salary and other money due to persons liable.

Non-compliance with the COE

The Auditor shall report the matter through the COA Director concerned, to the General Counsel who shall take any or all of the following actions:

a. Recommend to the Commission Proper to cite defaulting party in contempt;

b. Refer the matter to the Solicitor General for the filing of appropriate civil suit;

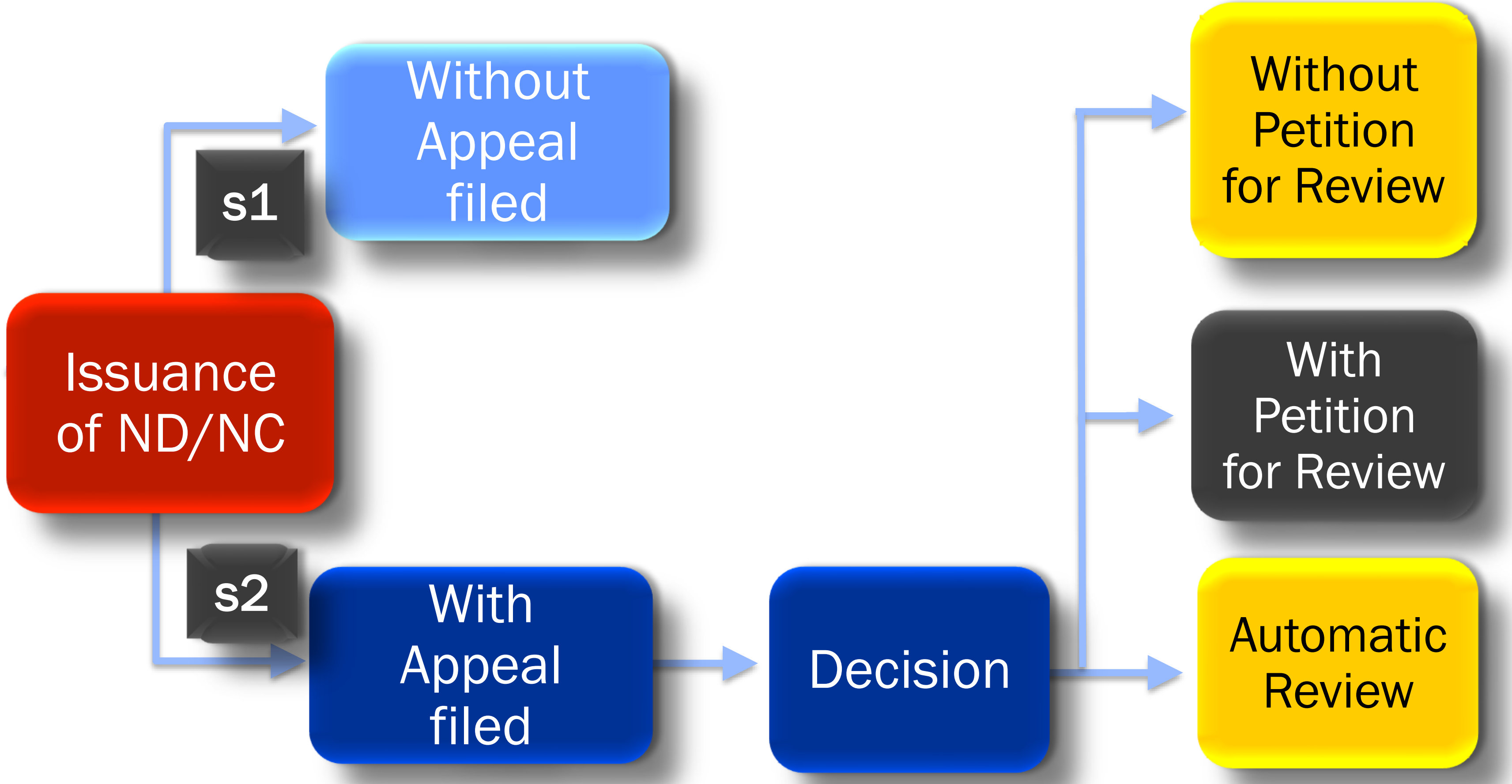
c. Refer the case to the Ombudsman for the filing of appropriate administrative or criminal action.

- **Notice of Finality of Decision** (NFD) and **COA Order of Execution** (COE) are merely procedural or ministerial

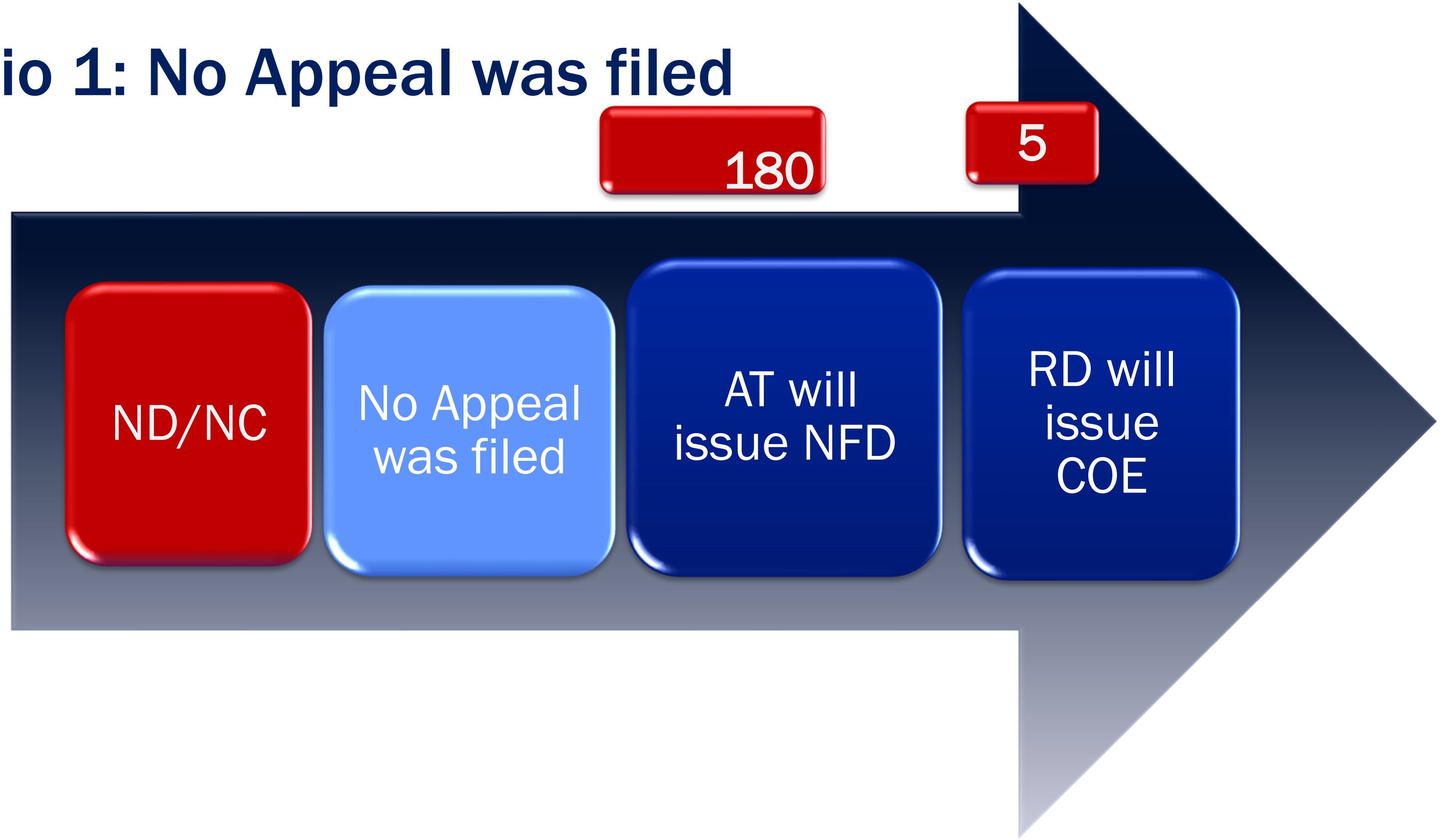
* Does not affect the substantive rights of the persons liable or their right to due process (90-day /6-month)

Hence, under the COA Rules, the NFD and COE can no longer be subject to appeal, as their issuance is premised on a final and executory decision.

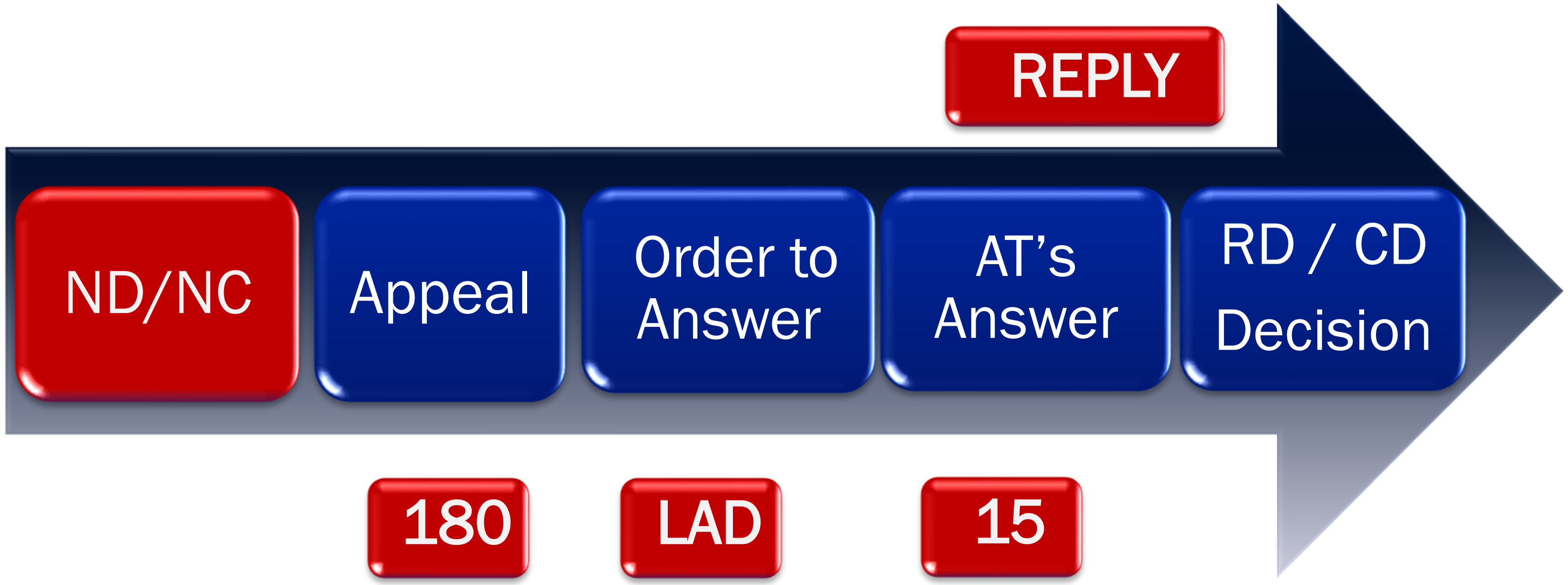
I. Issuance of Notice of Disallowance (ND) or Notice of Charge (NC)



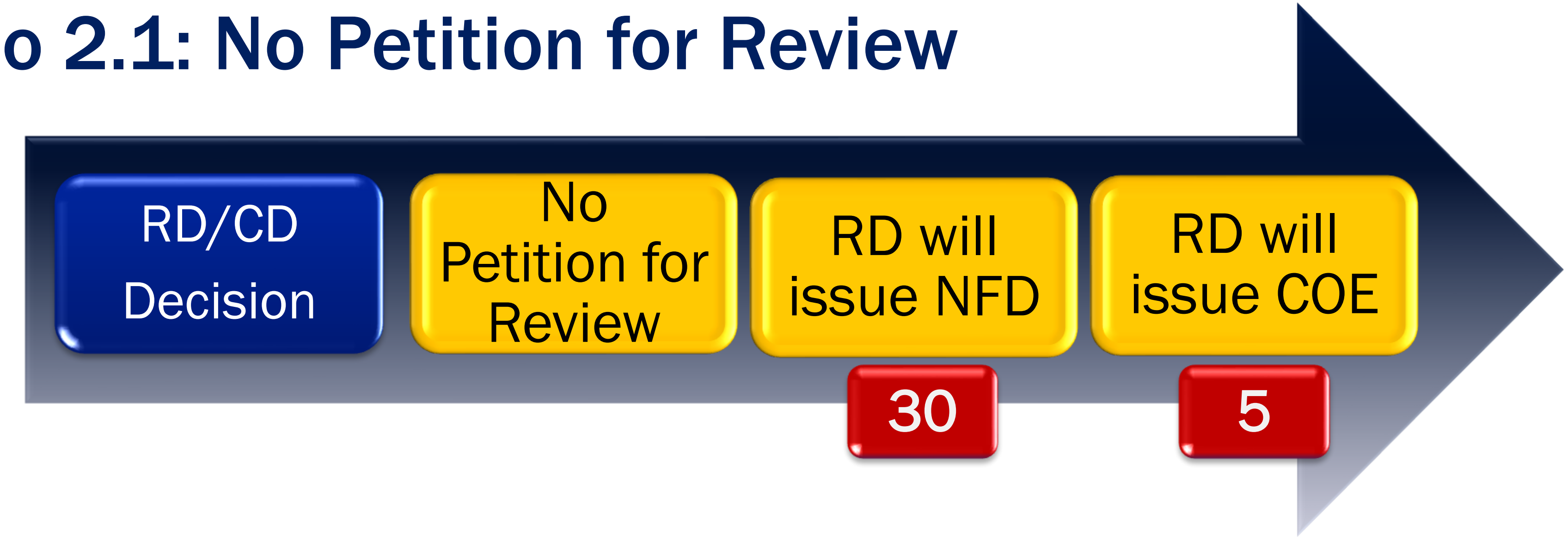
Scenario 1: No Appeal was filed



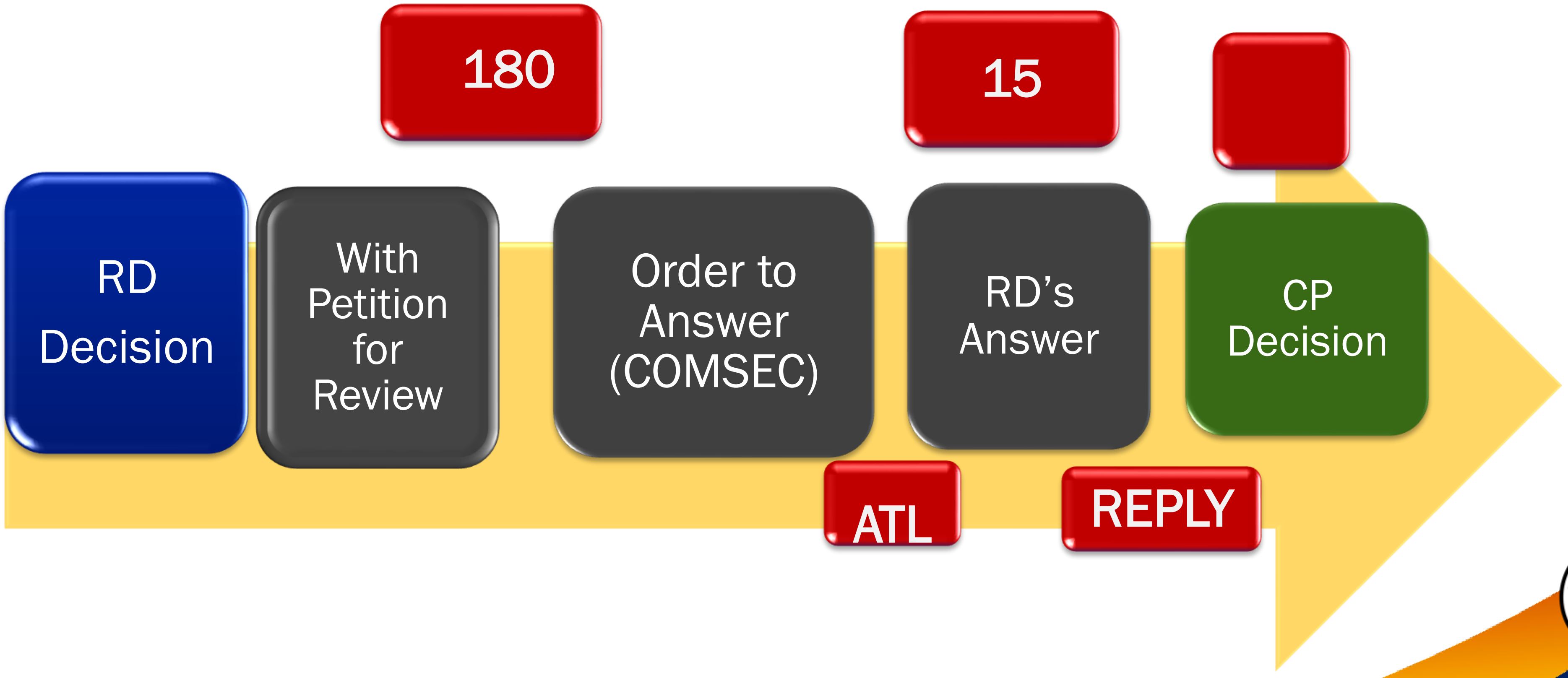
Scenario 2: Appeal was filed



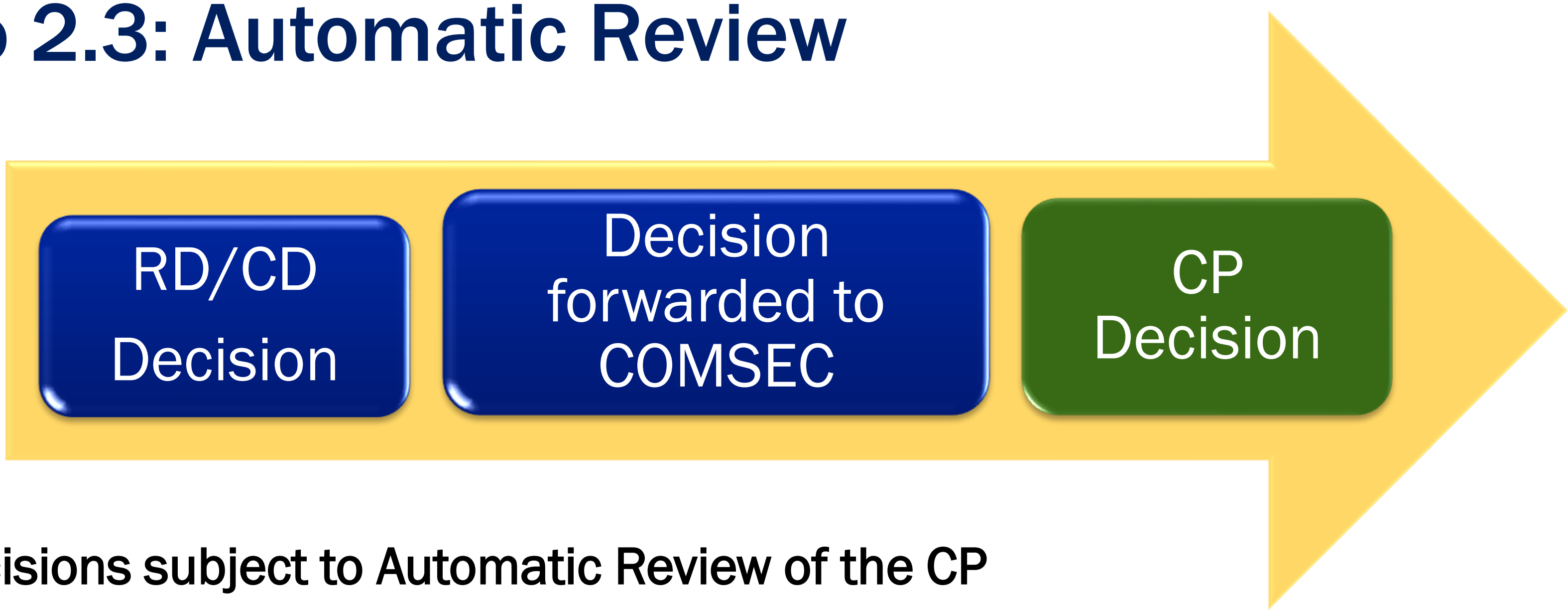
Scenario 2.1: No Petition for Review



Scenario 2.2: With Petition for Review



Scenario 2.3: Automatic Review

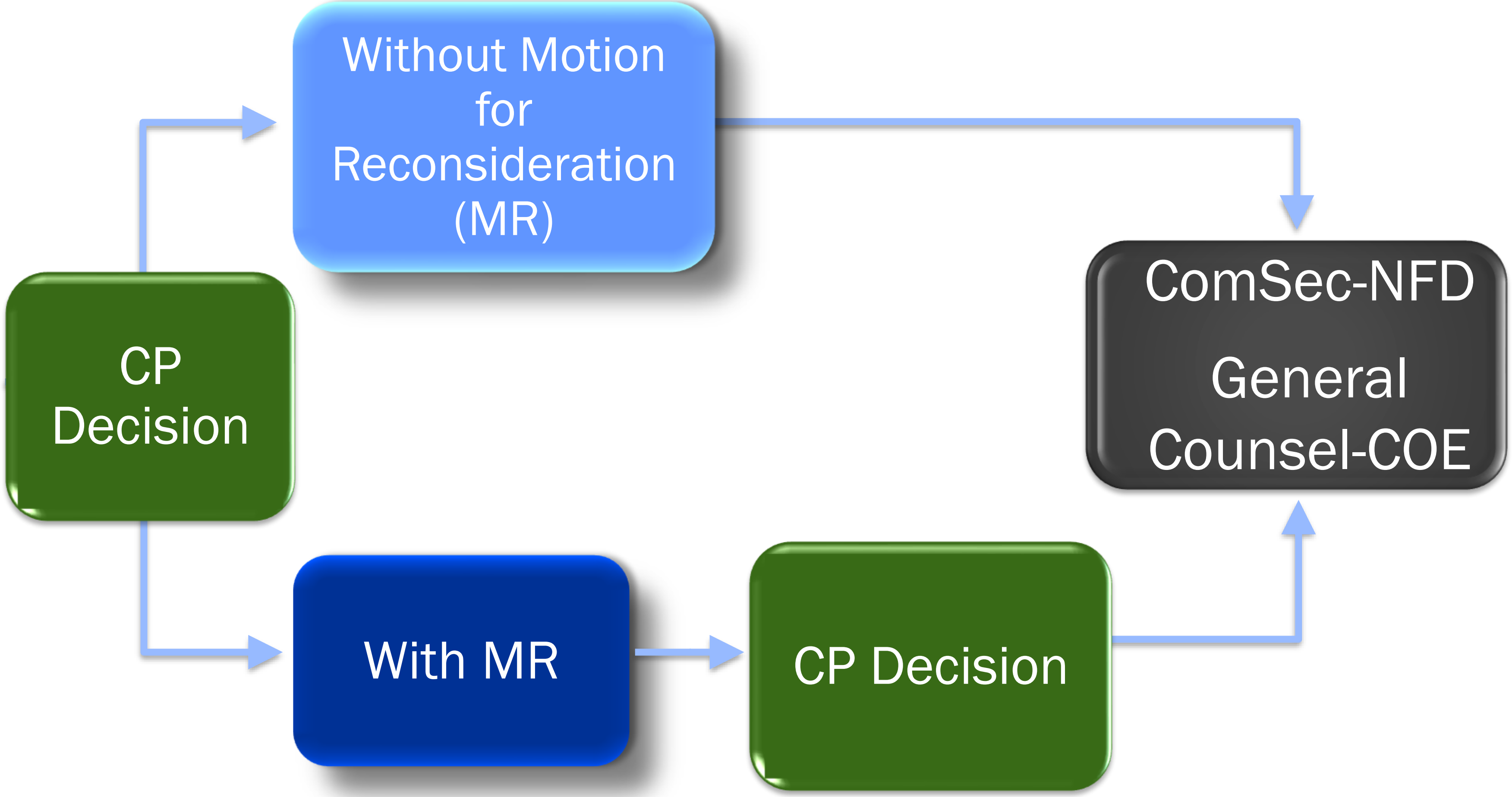


Decisions subject to Automatic Review of the CP
(COA Resolution No. 2021-037 dated December 20, 2021)

1. Lifts/Reduces a liability under a ND/NC/Auditor's decision in excess of P300,000.00
2. Excludes a person liable under the ND/NC/Auditor's decision regardless of the amount.

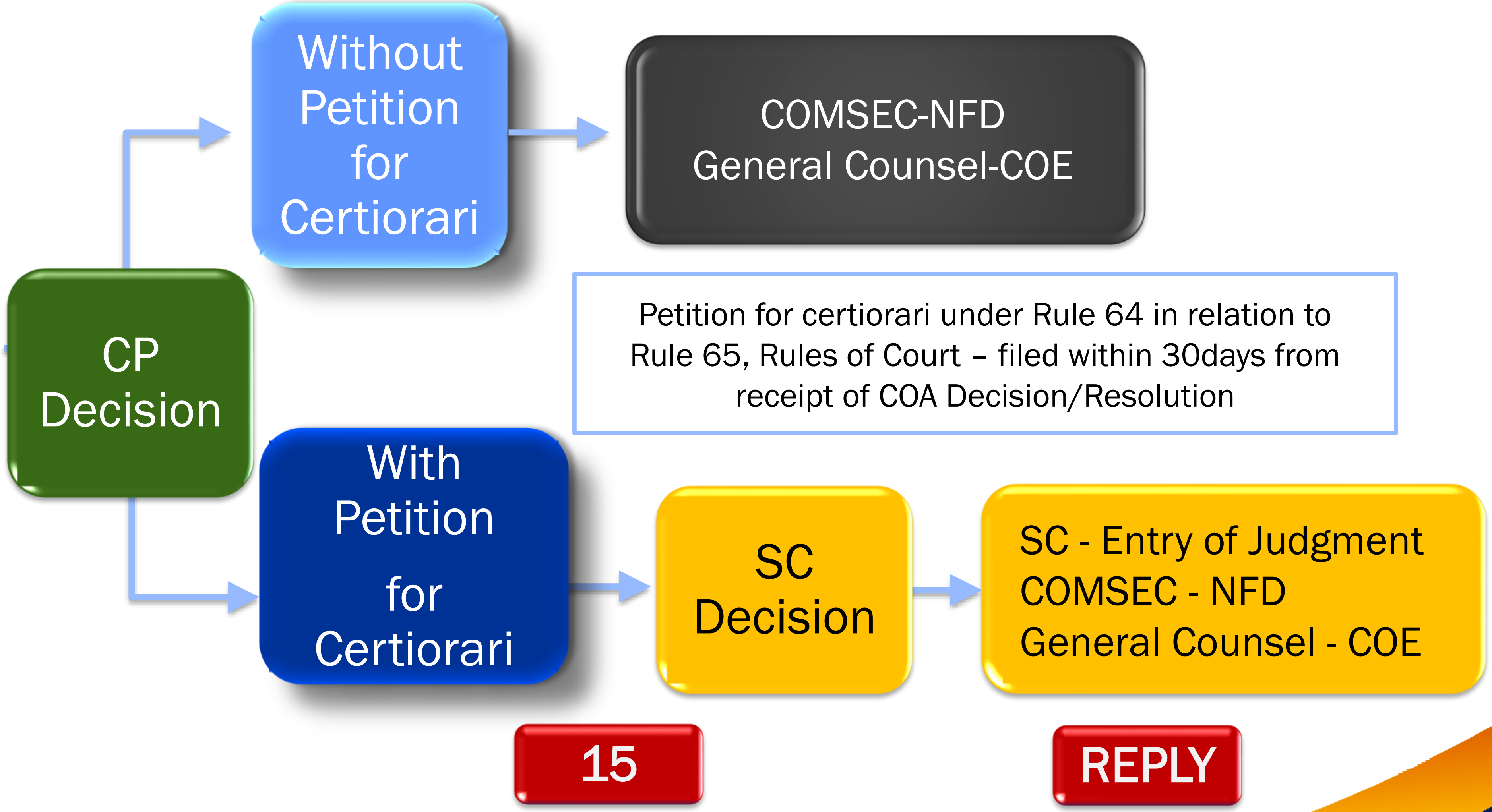
Take Note – Automatic Review is not applicable on the sole ground of compliance with the auditor's requirement for the submission of documents necessary to post-audit the transactions involved regardless of amount.

Motion for Reconsideration



MR - filed within 30 days from receipt of the CP decision/resolution)

Petition for Certiorari



- **Statement of Audit Suspension, Disallowances and Charges (SASDC) –**

- A written summary of the total balance of the audited accounts of the agency at the end of each quarter. It shows the total issued suspension, disallowances, charges and settlements, including the running balance thereof.

- **Notice of Settlement of Suspension / Disallowance / Charge (NSSDC) –**

- A written notification that an audit finding has been settled.

QUESTION

WHO IS LIABLE?

General Principles Governing Public Officers

- Under Sec 1, Art XI, of the 1987 Constitution & Sec 32, Chapter 9, EO 292, or the Administrative Code of the Philippines.

  Nature of Public Office. - Public office is a public trust. Public officers and employees must at all times be accountable to the people, serve them with the utmost responsibility, integrity, loyalty and efficiency, act with patriotism and justice, and lead modest lives.

ACCOUNTABLE OFFICER (AO)

- They are Public Officer whose duties or responsibilities permit or require them, possession or custody of government funds or public property.
  - Other public officers may be held accountable through their participation in the use or application of government funds. Such as Approving Officers / Contracting Officers / Authorizing Officers.

Responsibility of AO

- Persons entrusted with the possession or custody of the funds or property under the agency head shall be immediately responsible to him, without prejudice to the liability of either party to the government.

- The head of any agency of the government is immediately and primarily responsible for all government funds and property pertaining to his agency.

- *Section 102.1 of PD 1445.*

CRITERIA FOR DETERMINING PERSONS LIABLE

- Nature of the Disallowance / Charge
- Duties, Responsibilities or Obligations of the public officer / employee concerned
- Extent of participation in the transaction
- Amount of damage or loss to the government

Four Categories of Persons Liable

- Approving / Authorizing Officers
- Certifying Officers
- Accountable Officers / Property Custodian
- Payee / Claimant / Recipients

Four Categories of Persons Liable

Approving / Authorizing Officers

Public officers who approve or authorized the transactions involving the expenditure of government funds and use of government property.

Committed negligence or failed to exercise the diligence of a good father of a family in the approval of the transaction.

Four Categories of Persons Liable

Certifying Officers

Public officers who certify as to the necessity, legality and availability of the government funds, budgetary allotments, including the adequacy of the documents and quality / quantity of the items.

Four Categories of Persons Liable

Certifying Officers - Examples

a. Those who made the request, sign or approved the PO and certified as to the availability of funds.

b. Those who renders appraisal / assessment / collections of public funds.

c. Those who conspired in a transaction which was grossly disadvantageous or prejudicial to the government, including those who benefited therefrom.

d. Those who's action were necessary to proceed with the transaction, that resulted into damage or loss to the government.

Four Categories of Persons Liable

Accountable Officers / Property Custodian

Public officers who are actual custodian of government funds and/or properties.

PROPERTY ACKNOWLEDGEMENT RECEIPT (PAR)

Four Categories of Persons Liable

Payee / Claimant / Recipients

Those who benefited and/or who actually received the public funds and/or government property.

LIABILITIES OF PERSONS LIABLE

General Liability for Unlawful Expenditures

- Expenditures of government funds or uses of government property in violation of law, rules or regulations shall be a personal liability of the official or employee found to be directly responsible therefor.
- The liability shall be solidary for all those held personally liable.
- Section 103 of PD 1445.

NATURE OF LIABILITY

SOLIDARY - to all of the creditors of the government

Also termed, Joint & Several

Meaning of solidary- **"One For All"**

Art 1216, New Civil Code (NCC) - the creditor may proceed against any one, or some, or all of the solidary debtors simultaneously until debt is fully collected

NATURE OF LIABILITY

SOLIDARY

Example:

Notice of Disallowance **P120,000.00**

Persons Liable:

1. PB
2. BT
3. CCA

REMEDY OF PERSON WHO PAID

Among themselves, persons liable are JOINT debtors

Art. 1217, NCC- debtor may claim from co-debtors the share which corresponds to each

When one debtor cannot reimburse his share to the debtor paying the obligation, such share shall be borne by all co-debtors in proportion to the debt of each

General Liability for Unlawful Expenditures

- The head of any government agency 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 therefore.

- Section 104 of PD 1445.

Liability for acts done through the direction of a superior officer

- No accountable officer shall be relieved from liability by reason of his having acted under the direction of a superior officer in paying out, applying or depositing of the funds with which he is chargeable, unless prior to that act, he notified the superior officer in writing of the illegality of the payment, application or disposition.
- Section 106 of PD 1445.

Liability for acts done thru the direction of a superior officer

The officer directing any illegal payment or disposition of the funds or property shall be primarily liable for the loss, while the accountable officer who fails to serve the required notice shall be secondarily liable.

1. The HOPE / Superior Officer – shall be the principal by direct participation.
2. Accountable Officer shall be the principal by indispensable cooperation.

Enforcement of Liability

Any of the persons liable can be proceeded against

1. Dead Accountable Officer – Estate of Persons Liable
2. Retired/resigned/separated officer or private person - Collection Suit (Civil in Nature)
3. Contractor- withhold payments due from the same project or other projects in the agency
4. Incumbent officer/employee- salary deduction of elective officials.

COA Circular No. 2012-003

October 29, 2012

Updated Guidelines for the Prevention and Disallowance of Irregular, Unnecessary, Excessive, Extravagant and Unconscionable Expenditures

Section 33, PD No. 1445. Prevention of irregular, unnecessary, excessive, or extravagant expenditures of funds or uses of property; power to disallow such as expenditures. - The Commission shall promulgate such auditing and accounting rules and regulations as shall prevent irregular, unnecessary, excessive, or extravagant expenditures or uses of government funds or property.

IIUUEE stands for:

- I - Irregular
- I - Illegal
- U - Unnecessary
- U - Unconscionable
- E - Excessive
- E - Extravagant

Factors to be taken into consideration before issuance of a Notice of Disallowance (ND):

- Urgency of need
- Time and place of purchase
- Availability of needed goods and services in the market
- Place and origin of goods
- Volume or quantity
- Service warranties
- Quality
- Special features
- Generally accepted practices

IRREGULAR EXPENDITURES

IRREGULAR EXPENDITURES

Non-adherence to:

- established rules
- regulations
- procedural guidelines
- policies
- principles or practices that have gained recognition in laws

IRREGULAR EXPENDITURES

- Established rules and regulations:
- 1. COA
- 2. DBM
- 3. DILG
- 4. CSC
- 5. EO

IRREGULAR EXPENDITURES

A transaction conducted in a manner that deviates or departs from, or which does not comply with standards set is deemed irregular. A transaction which fails to follow or violates appropriate rules of procedure is, likewise, irregular.

1st PR

2nd Canvass/RFQ-

3rd Award/ BAC Reso

4th Purchase Order

5th Delivery/ Acceptance Report

6th Payment/ DV/ Check

1^{st} # Payment/ DV/ Check

To Follow:

PR
Canvass/RFQ-
Award/ BAC Reso
Purchase Order
Delivery/ Acceptance Report

(SC- Proc irregularity-Brand Spc. Bidding- RA 3019)

Irregular Expenditures

Disbursement of 30% Quick Response Fund (QRF) under LDRRMF without a corresponding **Local Sanggunian Resolution and the declaration of a state of calamity.**

Irregular Expenditures

Item 5.1.3.1 of COA Circular 2012-002 states in part:

The release and use of the LDRRMF shall be supported by the following documents:

5.1.3.1 Local Sanggunian Resolution and the declaration of state of calamity for the QRF.

Irregular Expenditures

Disbursement of 70% LDRRMF without corresponding Local Disaster Risk Reduction Management Financial Investment Program ((LDRRMFIP).

Irregular Expenditures

Item 5.1.3.2 of COA Circular 2012-002 states in part:

The release and use of the LDRRMF shall be supported by the following documents:

5.1.3.2 LDRRMFIP for projects and activities listed in the approved plan as incorporated in the local development plan and annual work and financial plan.

Irregular Expenditures

Unauthorized allowances

Granting extra pay, bonuses, or honoraria to barangay officials (Punong Barangay, Kagawads, or SK chairs) outside of legally allowed rates.

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Irregular Expenditures

IMPROPER DOCUMENTATION

Paying out cash advances or reimbursements without complete receipts, approved vouchers, or proper signatures.

Irregular Expenditures

Failure of the agency to meet the conditions for the grant of honoraria and incentives particularly DBM Circular No. 2007-2 dated October 1, 2007. Also, the wrongful charge of the disallowed incentives to MOOE instead of **PS.** *(Juan B. Ngalob, et al. vs. Commission on Audit, G.R. No. 238882, January 5, 2021)*

Irregular Expenditures

Honoraria granted to members of special committees such as an Executive Committee, Program on Awards and Incentives for Service Excellence and Regional Selection and Promotions Board, which are performing functions inherent in the regular functions of the agency.

Irregular Expenditures

Acceptance of a project as 100 percent complete pursuant to Certificate of Inspection Report when the project was not yet completed (Manuel Leycano, Jr. vs. COA, G.R. No. 154665).

Irregular Expenditures

Acceptance of a project constructed not in accordance with plans and specifications and with noted deficiencies.

Irregular Expenditures

Hiring of consultants and contractuals to perform functions that will exercise control and supervision over regular employees (CSC Memorandum Circular No. 26, s. 1997).

Honorarium was paid to Sangguniang Kabataan Members despite their absence from the SK monthly meetings, inconsistent with the requirements of DBM Local Budget Circular No. 148, resulting in the payment of irregular expenditures totaling P00.

Section 3.1.1 of the Department of Budget and Management (DBM) Local Budget Circular (LBC) No. 148, dated December 23, 2022, states that:

In the performance of their duties enumerated under Sections 8, 14, and 15 of RA No. 10742, the SK Officials shall each receive a monthly honorarium, chargeable against the SK funds, in addition to any other compensation provided by RA No. 11768, and shall be granted at the end of the month.

Section 3.1.3 Department of Budget and Management (DBM) Local Budget Circular (LBC) No. 148, dated December 23, 2022, states that:

The amount of the monthly honorarium of the SK Officials shall be subject to their attendance at SK meetings, deliberations, and official activities of the SK.

The monthly honorarium shall be prorated based on the actual work and/or attendance vis-à-vis the work and/or meeting schedule or performance standards as may be prescribed under the internal rules of the SK concerned.

Payment of the monetization of leave credits of barangay officials and employees amounting to P270,000.00 and P310,000.00 for CYs 2021 and 2022, respectively, was not supported by the required documentation, thus casting doubt on the validity and regularity of the claims.

Section 7 of CSC-DBM Joint Circular No. 1 s. 2004 prescribes the following in the payment of monetization:

"7.0 Responsibilities of the Barangay Secretary, the Barangay Treasurer and the Punong Barangay

7.1 The Barangay Secretary shall:

7.1.2 Maintain and keep a record of attendance of the elective barangay officials in the regular sessions, daily attendance of appointive barangay officials and the accumulated leave credits of each barangay official.

7.1.3 Prepare certification of leave credits/benefits of barangay officials duly attested by the punong barangay.

The Barangay Treasurer shall:

7.2.1 Compute the money value of leave credits/benefits subject to the guidelines issued by the CSC and DBM on the computation of leave credits/benefits issued, and to the confirmation by the City/Municipal Accountant.

7.3 The Punong Barangay shall:

7.3.1 Certify to the correctness of the certification of leave credits/benefits of the barangay officials. For the punong barangay, the city/municipal mayor shall sign the certification.

Moreover, **CSC Memorandum Circular No. 12** series of 2007 also prescribes:

(4) Barangay officials should file their claims/application for commutation for their annual cumulated leave credits with the office of the barangay treasurer by **January 15 of the following year**.

The Barangay Acquired secondhand/ reconditioned motor vehicles on November 25, 2022.

DILG MC No. 2022-105

UNNECESSARY EXPENDITURES

UNNECESSARY EXPENDITURES

- Could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service

UNNECESSARY EXPENDITURES

- Not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operations

  - Incurrence of expenditure not dictated by the demands of good government

  - The utility of which cannot be ascertained at a specific time

UNNECESSARY EXPENDITURES

- Can be dispensed with without loss or damage to property

- The mission and thrusts of the agency must be considered in determining whether or not an expenditure is necessary

Unnecessary Expenditures

Payment of life and health insurance premiums for the employees to private insurance agencies (COA Decision No. 2022-407 dated January 24, 2022)

Unnecessary Expenditures

Hiring of consultants whose functions are redundant to the respective functions of concerned officials, for example hiring of procurement consultant, financial consultant or media consultant.

Unnecessary Expenditures

Purchase of high-end or expensive models/brands of electronic gadgets such as mobile phones, desktops, laptops, etc., unless justified by circumstances.

Unnecessary Expenditures

Construction of buildings and/or procurement of equipment not actually needed or without any intended purpose, not put to use or used for purposes other than the intended purpose; not completed and could not be properly maintained or operations sustained.

Unnecessary Expenditures

Continuous repair of vehicles and equipment already considered beyond economic repair as evidenced by frequent breakdown and non-use after repair.

Unnecessary Expenditures

Grant of overtime pay for work that is not of urgent nature and does not require completion within a specified time or that can be undertaken during regular office hours.

EXCESSIVE EXPENDITURES

EXCESSIVE EXPENDITURES

Unreasonable expenses - immoderate quantity and exorbitant price

- ❑Expenses exceeding what is usual or proper
- ❑Unreasonably high expenses and beyond just measure or amount
- ❑Expenses in excess of reasonable limits

Excessive Expenditures

Claims for traveling expenses amounting to Pxxxxx.00 appeared to exceed the allowable amount by Pxxxxxx, contrary to pertinent provisions of Executive Order No. 77, thus depleting the limited resources of the barangay which could have been used for other operating expenses.

Section 4 (c) of Executive Order (EO) No. 77 dated March 15, 2019 prescribes the allowable Daily Travel Expenses (DTE) for travel beyond the 50-kilometer radius from the permanent official station based on the following apportionment:

Particulars	Percentag e	To Cover
Day of arrival at point of destination (regardless of time) and succeeding day/s thereof on official business	100%	Hotel/lodging (50%) Meals (30%), and Incidental Expenses (20%)
Day of departure for permanent official station (regardless of time) if other than date of arrival	50%	Meals (30%), and Incidental Expenses (20%)

Excessive Expenditures

Payment for repair of government equipment at a cost exceeding 30 percent of the current market price of the same or similar equipment.

Excessive Expenditures

Expenditures for supplies and materials, including fuel inventory in quantities exceeding the normal three-month requirements, except under the circumstances enumerated under the pertinent provision of the GAA.

Excessive Expenditures

- Honoraria paid to members of the Bids and Awards Committee and Technical Working Group in excess of the rates provided for under DBM Budget Circular No. 2004-5A dated October 7, 2005, and for procurement activities pertaining to a contract which was not yet awarded to the winning bidder *(Joseph Peter Sison, et al. vs. Rogelio Tablang, et al., G.R. No. 177011, June 5, 2009)*

Excessive Expenditures

Grant of year-end benefits to consultants and to members of the Board who are not salaried officials of the government as they are not considered employees of the hiring agency *(BCDA vs. COA, G.R. No. 177011 dated June 5, 2009)*

Excessive Expenditures

Inclusion in the contract of a specific infrastructure project, special items such as motor vehicles and computers, which unnecessarily increased project costs due to the provision of indirect costs.

EXTRAVAGANT EXPENDITURES

EXTRAVAGANT EXPENDITURES

- Those incurred without restraint, judiciousness, and economy

- Exceed the bounds of propriety

- Are immoderate, prodigal, lavish, luxurious, grossly excessive, and injudicious

Extravagant Expenditures

Purchase of wines, liquors, cigars and cigarettes, except when served during state functions and government-sponsored international conferences and conventions.

Extravagant Expenditures

Use of expensive decorative lamp posts and other similar items/fixture.

Extravagant Expenditures

Installation of highly sophisticated outdoor signs, billboards and neon signs advertising the office, except for banks, trading corporations, hotels, or buildings used for culture and arts.

UNCONSCIONABLE EXPENDITURES

UNCONSCIONABLE EXPENDITURES

- unreasonable and immoderate
- no man in his right sense would make, nor a fair and honest man would accept as reasonable
- those incurred in violation of ethical and moral standards.

Unconscionable Expenditures

Payment of transportation and incidental expenses to barangay officials who attended the orientation seminar or Lakbay-Aral on Community-Based Monitoring System (CBMS) and Good Governance in Baguio City, in the total amount of P5,373,000.00. (COA Decision No. 2018-319 dated March 15, 2018)

Unconscionable Expenditures

Grant of exorbitant and unreasonable bonuses, allowances and fringe benefits to public officials and employees and members of governing boards.

Unconscionable Expenditures

Overpricing in significant amounts exceeding 100 percent of the current and prevailing market value.

Unconscionable Expenditures

Payment for repairs of government equipment involving significant amount exceeding 100 percent of the current market value price of the same or similar equipment.

ILLEGAL EXPENDITURES

ILLEGAL EXPENDITURES

Expenditures that are contrary to law.

Expenditures incurred without a corresponding appropriation, inconsistent with Sections 305 and 336 of Republic Act (RA) No. 7160.

Section 305 (RA 7160). Fundamental Principles. – The financial affairs, transactions and operations of local government units shall be governed by the following fundamental principles:

a. **No money** **shall be paid out of the local treasury except in pursuance of an** **appropriation ordinance or law:**

Fund	Appropriation	Actual Disbursements	Excess Amount without covering appropriation
CY 20XX			
MOOE	600,000.00	1,639,109.59	(1,039,109.59)
GENDER AND DEV	90,000.00	120,000.00	(30,000.00)
BCPC	120,000.00	150,000.00	(30,000.00)
Senior citizen	160,000.00	319,000.00	(159,000.00)
Health and Social Services Project	120,000.00	631,019.65	(511,019.65)
Person with Disability Project	110,000.00	203,000.00	(93,000.00)
Agricultural Support	50,000.00	104,000.00	(54,000.00)
Katarungan Pambarangay	111,000.00	197,750.00	(86,750.00)
BADAC Project	70,000.00	98,125.00	(28,125.00)
Peace and Order	180,000.00	531,448.85	(351,448.85)
Promotion of Culture	100,000.00	164,500.00	(64,500.00)
Sub-total	1,711,000.00	4,157,953.09	(2,446,953.09)
CY 20XX			
MOOE	258,171.20	395,288.88	(137,117.68)
Sub-total	258,171.20	395,288.88	(137,117.68)
GRAND TOTAL xxxxx	1,969,171.20	4,553,241.97	(2,584,070.77)

The propriety and regularity of the disbursements totaling P1,812,489.00 related to the implementation of various projects which were sourced out from the various funds of the barangay cannot be ascertained due to non-compliance with the pertinent requirement set forth under the 2016 Revised IRR of RA 9184 and COA Circular No. 2012-001. (Program of Work / Detailed Engineering)

Revised IRR of RA 9184 requires:

- No **bidding and award of contract** for Infrastructure Projects shall be made unless the ***detailed engineering investigations, surveys and designs, for the project have been sufficiently carried out*** and duly approved in accordance with the standards and specifications prescribed by the HOPE concerned or his duly authorized representative X x x… (Section 17.6)

7.2 No procurement shall be undertaken unless it is in accordance with the approved APP of the procuring entity. The APP shall bear the approval of the Head of the Procuring Entity or second-ranking official designated by the Head of the Procuring Entity to act on his behalf, and must be consistent with its duly approved yearly budget.

Illegal Expenditures

c) Contracts awarded to a bidder who failed to meet the minimum amounts required to be put up at the time the bids were submitted *(Demosthenes P. Agan, Jr. et al., MWU-NLU and PALEA vs. PIATCO, Inc., MIAA, DOTC and Sec. L. Mendoza, G.R. No. 155001)*

d) Delivery of equipment that is not brand new and does not conform to the specifications called for in the Invitation to Bid. *(Ramon T. Lim vs. COA, G.R. No. 130325)*

Illegal Expenditures

- Payment of compensation or benefits to government personnel under the following circumstances, viz.:

➢ Exemplary public service award incentive paid to three term local officials as this is not among the compensation and benefits enumerated under Article 77 of the IRR of R.A. No. 7160 as due the elective local officials, and that such payment contravenes Article 170(c) of the said IRR which provides that no elective or appointive official shall receive additional, double or indirect compensation unless specifically authorized by law.

Illegal Expenditures

The program coordinators withdrew the fund for the Animal Bite Treatment Package instead of the City Treasurer duly countersigned by the Mayor, which is contrary to Section 345 of RA No. 7160 (COA Decision No. 2022-026 dated January 24, 2022)

Illegal Expenditures

Public funds for the supposed renovation of the barangay hall were spent for a residential building owned by the former Punong Barangay. The renovated barangay hall is a private residential building, and as such, public funds were spent for private purpose in violation of Sections 305(b) and 335 of RA No. 7160. (COA Decision No. 2022-018 dated January 24, 2022)

Illegal Expenditures

- Entering into contracts without covering certificates of availability of funds issued by the Chief Accountant, even if the contract is signed by the Accountant as witness (*DOH vs. CVCAA, et al.*, G.R. Nos. 151373-74)

Illegal Expenditures

- Purchase of science education facilities by the Schools Division Superintendent using funds intended for the improvement of facilities of nationalized High Schools (*Venancio R. Nava vs. Rodolfo G. Palattao, et al.*, G.R. No. 160211).

Illegal Expenditures

- Charges to accounts payable not founded on valid claims in violation of Section 46 of P.D. No. 1177 (*Fe D. Laysa vs. COA*, G.R. No. 128134).

Illegal Expenditures

- Use of funds intended for a specific purpose/project, for other purposes such as administrative and miscellaneous expenses of the implementing agency, and for projects not intended to be implemented under the program.

- QUESTION

Is Surcharge/Penalty (BIR) due to non-remittance or late payment, and bank charges for insufficient funds, illegal or irregular?

QUESTION

Is Non-submission of Disbursement vouchers (DVs) and their corresponding supporting documents Illegal or irregular?

COA Circular No. 2019-001

Requires the submission of barangay transaction documents with the transmittal letter to the Municipal Accountant within 10 days after the end of the month.

The same shall be forwarded by the Municipal Accountant to the audit team within 10 days from receipt of the transmittal letter.

Section 4 (6) of PD 1445 states:

Claims against government funds shall be supported with complete documentation.

Irregular and illegal

New Manual on the Financial Management of Barangays states:

Article 218 of the Revised Penal Code states that:

"Any public officer, whether in the service or separated therefrom by resignation or any other cause;

required by law or regulations to render account to the Commission On Audit or to a Provincial Auditor ;

fails to do so for a period of two months after such account shall be rendered;

be punished by prison correccional in its minimum period, or by a fine ranging from forty thousand Pesos P(P40,000) to One Million Two Hundred Thousand Pesos (P1,200,000) or both (Under RA 10951- An Act Amending fines imposed under Revised Penal Code).

New Manual on the Financial Management of Barangays states:

Article 218 of the Revised Penal Code states that:

"Any public officer, whether in the service or separated therefrom by resignation or any other cause;

required by law or regulations to render account to the Commission On Audit or to a Provincial Auditor ;

fails to do so for a period of two months after such account shall be rendered;

be punished by prison correccional in its minimum period, or by a fine ranging from forty thousand Pesos P(P40,000) to One Million Two Hundred Thousand Pesos (P1,200,000) or both (Under RA 10951- An Act Amending fines imposed under Revised Penal Code).

QUESTION

Sino dito ang hindi nagsu-submit ng reports and disbursement vouchers?

TAAS ANG KAMAY...

1. Audit Observation Memorandum (AOM)- 15 days from Receipt

2. Notice of Suspension (NS)- 90 days

3. Notice of Disallowance (ND) - 6 mos.

4. Notice of Charge (NC) -6 mos

1. **SASDC (15 CDS Quarter)**
2. **NSSDC**
3. **Demand Letters**
4. **Registry of Appropriation and Obligation (Barangay/ CCA)- take up during session**
5. **Registry of Budget, Commitments, Payments and Balances (RBCPB) to be maintained by the BMO- take up during session**

DAGHANG SALAMAT

MARAMING SALAMAT

AGYAMANAK

Damo nga Salamat


Thank you

COA and PHALGA

LOCAL ACCOUNTS, BARANGAY AND SK, OFFICIALS