

# Laws and Rules on Government Expenditures

*(2024 3<sup>rd</sup> PAGBA Seminar and Meeting)*



**Atty. FREDERICK R. BARILLO, CPA**  
COA Regional Office No. 2  
November 27, 2024



Republic of the Philippines

COMMISSION ON AUDIT

Komisyon ng Pagsusuri



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## HYMN

Commission on Audit na COA ang turing  
Natatanging tanggapan may maselang tungkulin  
Ang COA ang tanod sa salaping bayan  
Katulong at gabay sa pag-unlad ng ating lipunan

Kaya tayong taga-COA  
Sana'y maging tunay na lingkod bayan  
At hindi dapat masindak  
Kahit sa tukso't bantag ating hinaharap

Ang COA ay bisig ng pamahalaan  
Kabang baya'y sinisikap mapagbungang tunay  
Ang COA ay ating taga-bantay yaman

Katulong at gabay sa pag-unlad ng ating lipunan (2x)



SPORTS

HA-MANGHA LALO'T WALANG HALONG FILTER



# COMMISSION ON AUDIT

*at a glance*



# VISION

*A* trustworthy, respected and independent audit institution that is an enabling partner of government in ensuring a better life for every Filipino.

# MISSION

*To* ensure accountability for public resources,  
promote transparency, and help improve government operations,  
in partnership with stakeholders, for the benefit  
of the Filipino people.

# COA FUNCTIONS

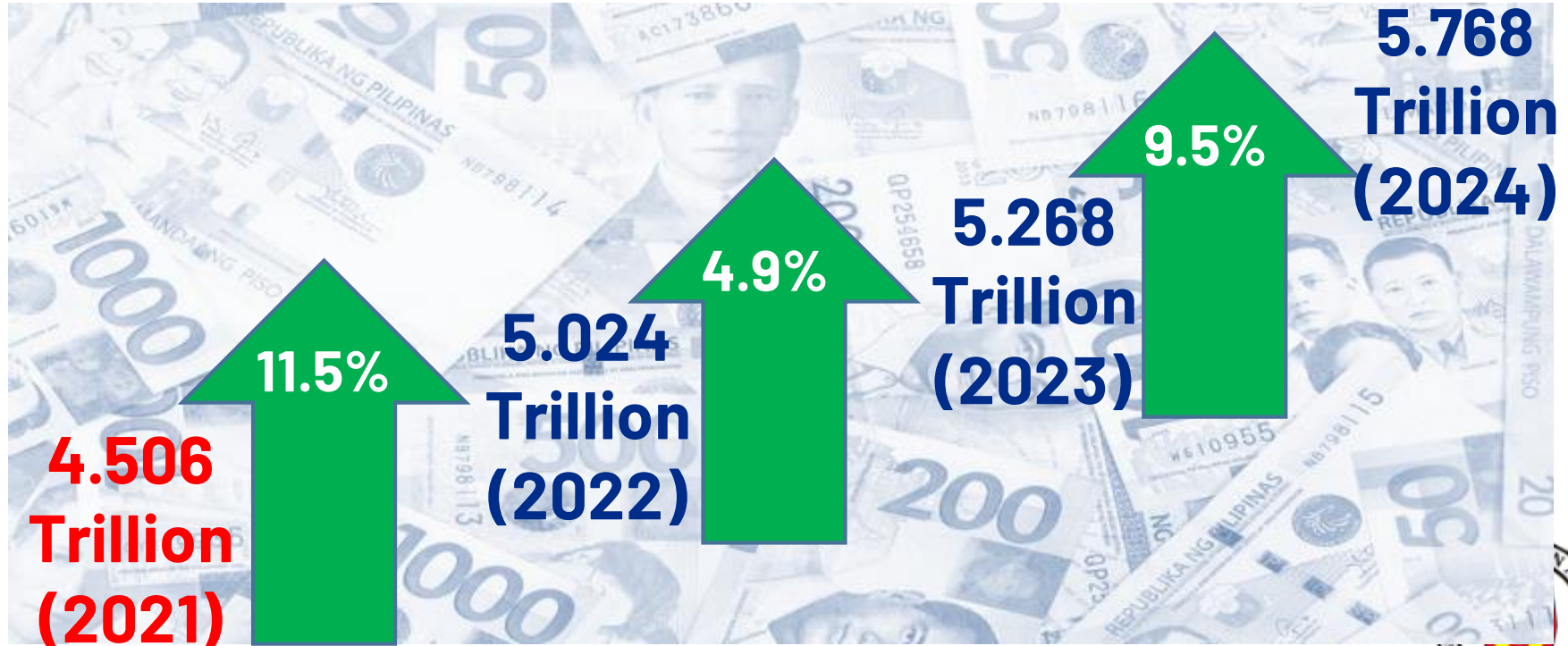
- AUDITORIAL
- CUSTODIAL
- RULE-MAKING
- QUASI-JUDICIAL
- RECOMMENDATORY
- ACCOUNTING
- REPORTORIAL
- RESIDUAL



# Philippine Budget Process



# THE GENERAL APPROPRIATIONS ACT





# THE GENERAL APPROPRIATIONS ACT

DEPARTMENTS	Levels (in Billion Pesos)		Difference	
	2023 Program	2024 GAA	Amount	%
<i>Department of Public Works and Highways</i>	894.2	997.9	103.7	11.6
<i>Department of Education</i>	721.8	762.1	40.3	5.6
<i>Department of Interior &amp; Local Government</i>	255.3	265.5	10.2	4.0
<i>Department of Social Welfare and Development</i>	199.5	248.1	48.6	24.4
<i>Department of Health</i>	214.5	246.7	32.3	15.1
<i>Department of National Defense</i>	205.0	242.4	37.4	18.3
<i>State Universities and Colleges</i>	111.5	132.9	21.5	19.3
<i>Department of Agriculture</i>	101.2	114.3	13.1	12.9
<i>Department of Transportation</i>	106.0	73.9	(32.1)	(30.3)
<i>Other Executive Offices</i>	50.6	65.0	14.4	28.4

TOP

10

Agencies with Highest  
Budget Allocation



# BASIC CONCEPTS



Authorization to  
**allocate Funds**

**VS**



Authorization to  
**incur obligation**

**VS**



Commitment to  
**liability**



# BASIC CONCEPTS

Includes **both expenses** and **capital outlay**

VS

Decrease in economic resources and **recognized in the current year**

VS

**Settles** an obligation



# THE GOVERNMENT BUDGET PROCESS





Budget Call



President's Budget



**Budget is prepared through the:**

**BUDGET OFFICERS of GOCCs & NGAs, and LOCAL FINANCE COMMITTEES of LGUs**

Executive Review



Consolidation, Validation & Confirmation



## Budget is reviewed by the:

- **Congress** for NGA
- **DBM/GCG** for GOCC
- **DBM** for Provinces & highly Urbanized Cities
- **Sangguniang Panlalawigan** for Municipalities & Component Cities
- **Sangguniang Bayan/Panglunsod** for Barangays

## Forms of Obligational Authority:

### **GAAAO**

General Appropriations Act as an Allotment Order

### **GARO**

General Allotment Release Order contributions

### **SARO**

Special Allotment Release Order





# General Principles



# BASIC REQUIREMENTS

Existence of a lawful and sufficient appropriation certified as available by the proper officer



# EXISTENCE OF APPROPRIATION

**NATIONAL** – GAA

**LOCAL** – Appropriation ordinance

**CORPORATE** – Corporate budget



# **Certification by the Accountant as to availability of Funds**



A large, light-colored icon of a pair of scales of justice is centered in the background. The scales have two pans hanging from a horizontal beam, and a central vertical post with a circular weight at the top. The entire icon is rendered in a light yellow or cream color against the solid yellow background.

**Legality of transaction and  
conformity with applicable  
laws, rules and regulations**

# **Conformity to existing laws and regulations**

**Approval of the claim or  
expenditure by head of office or his  
duly authorized representative**



**Submission of proper evidence to  
support the claim**



**Supporting documents must be  
sufficient and relevant as required  
under COA Circular 2012-001 dated  
June 14, 2012**

# Fundamental Principles **for Disbursement of Public Funds**

# **Legal basis:**

Section 4 of PD No. 1445



Provides that all financial transactions and operations of any government entity shall be governed by the following fundamental principles:



1. Existence Of Authority To Spend
2. Public Funds For Public Purpose Only
3. Use Of Trust Funds For The Specific Purpose
4. Shared Fiscal Responsibility
5. Proper Approval Of Disbursements
6. Disbursements Supported By Complete Supporting Documents
7. Adherence To Laws, Rules & Regulations
8. Generally accepted principles and practices of accounting



# 1. Existence Of Authority To Spend





# If NO Appropriation

1. VOID
2. PERSONAL LIABILITY
3. TECHNICAL MALVERSATION



## **2. Public Funds for Public Purpose Only**



# **3. Use of Trust Funds For The Specific Purpose**



# 4. Shared Fiscal Responsibility



# 5. Shared Fiscal Responsibility

## OFFICER

### BUDGET OFFICER

Certifies as to the existence of appropriation

### ACCOUNTANT

Certifies the availability of funds & complete documentation

### HEAD OF THE DEPARTMENT OR OFFICE WHO HAS ADMINISTRATIVE CONTROL OF THE FUND CONCERNED

Certifies and approves as to validity, propriety, and legality

### HEAD OF THE AGENCY/AUTHORIZED REPRESENTATIVE

Approves the disbursement voucher



# **6. Disbursements Supported by Complete Supporting Documents**





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

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No.: 2012-001  
Date: JUN 14 2012

**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/or Controlled Corporations, COA Assistant Commissioners, COA Directors, COA Auditors and All Others Concerned

**SUBJECT** : Prescribing the Revised Guidelines and Documentary Requirements for Common Government Transactions

This Circular is issued to prescribe the revised guidelines and documentary requirements for common government transactions which incorporated the requirements under existing issuances of this Commission. It supersedes all other COA Circulars, Resolutions, Memoranda and issuances inconsistent herewith.

**COA CIRCULAR  
2012-001 dated  
June 14 2012**

# 7. Adherence to Laws, Rules & Regulations





# **Irregular, Unnecessary, Excessive, Extravagant, & Unconscionable (IUUEEU) Expenditures**



# BASIC CONCEPT

Disbursements without adhering to the fundamental principles for disbursements, the contract may be void, disbursements may be illegal or irregular, personal liability of the contracting parties, and possible commission of technical malversation.



# CORE MESSAGE

Strict adherence to the fundamental principles is a way to avoid future disallowances.



# WHAT IS IUUEU?

**I**rregular/Illegal Expenditure

**U**nnecessary Expenditure

**E**xcessive Expenditure

**E**xtravagant Expenditure

**U**nconscionable Expenditure



# CONSTITUTIONAL MANDATE OF COA

## Section 2(2), Article IX-D of the 1987 Constitution

The COMMISSION ON AUDIT shall have the EXCLUSIVE AUTHORITY to “xxx promulgate accounting and auditing rules, including those for the prevention of irregular, unnecessary, excessive, extravagant, or unconscionable (IUEEU) expenditures or uses of government funds and properties.”



# IRREGULAR EXPENDITURES

- Incurred without adhering to established rules, regulations, procedural guidelines, policies, principles or practices that have gained recognition in laws
- Disbursed without conforming with prescribed usages and rules of discipline
- No observance of an established pattern, course, mode of action, behavior, or conduct
- Transaction conducted in a manner that deviates or departs from, or which does not comply with standards set



# ILLEGAL EXPENDITURES

Those that are incurred in violation of Laws



# UNNECESSARY EXPENDITURES

- Test of prudence or diligence of a good father of a family.
- Objectives and mission of the agency.
- Not dictated by the demands of good government.
- Not essential or can be dispensed with without loss or damage to property.

Note: mission and thrusts of the agency must be considered in determining necessity of expenditure.





# STANDARDS FOR UNNECESSARY EXPENDITURES

## TIME OF NEED

- Three(3) month's requirements of the agency (GAA – 2 months).

## FREQUENCY / NATURE OF USE

- Normal usage/practice.
- Ex. - A warehouse is used as pelota court.

## LOCATION

- Usefulness in the place of usage.
- Ex. -When an air-conditioner is bought in Baguio City or in a municipality where there is no electricity.



# EXCESSIVE EXPENDITURES

- Unreasonable or incurred at an immoderate quantity and exorbitant price.
- Exceeds what is usual or proper.
- Unreasonably high and beyond just measure or amount.
- In excess of reasonable limits.



# STANDARDS FOR EXCESSIVE EXPENDITURES

## PRICE

- Price Paid vs Price Per Canvass is more than the 10% allowable price variance.

## VOLUME DISCOUNTS

- Discounts allowed in bulk purchases are not reflected



# STANDARDS FOR EXCESSIVE EXPENDITURES

## FACTORS TO BE CONSIDERED

- A. Supply and demand forces in the market
- B. Government Price Quotations
- C. Warranty of Products or Special Features
- D. Brand of Products



# EXTRAVAGANT EXPENDITURES

- Incurred without restraints, judiciousness, and economy
- Exceeds the bounds of propriety
- Immoderate, prodigal, lavish, luxurious, waste grossly excessive, and injudicious



# STANDARDS FOR EXTRAVAGANT EXPENDITURES

## Factors to be taken

- Nature of the agencies' operations
- Agency missions
- Profitability
- Financial resources

## Variables

- Quality
- Level or Rank
- Purpose



# UNCONSCIONABLE EXPENDITURES

- No sense of what is right, reasonable and just and not guided or restrained by conscience.
- Unreasonable, and immoderate expenses incurred in violation of ethics and morality
- No man in his right sense would make. Nor a fair and honest man would accept as reasonable.



# Basic Requirement for Disbursement





# MEANING OF DISBURSEMENTS

- Constitute all cash paid out during a given period
- The settlement of government payables / obligations
- Covered by Disbursement Voucher / Petty Cash Voucher / Payroll



# BASIC REQUIREMENTS FOR DISBURSEMENTS

## Obligation Request and Status (ORS)

OBLIGATION REQUEST AND STATUS							
				Serial No. : _____			
				Date : _____			
Entity Name : _____				Fund Cluster : _____			
Payee	_____						
Office	_____						
Address	_____						
Responsibility Center	Particulars	MEO/PAP	UACS Object Code	Amount			
Total							
A. Certified: Charges to appropriation/allotment are necessary, lawful and under my direct supervision and supporting documents valid, proper and legal.		B. Certified: Allotment available and obligated for the purpose/adjustment necessary as indicated above.					
Signature : _____	Signature : _____		Signature : _____				
Printed Name : _____	Printed Name : _____		Printed Name : _____				
Position : _____	Position : _____		Position : _____				
Head, Requesting Office/Authorized Representative	Head, Budget Division/Unit/Authorized Representative		Head, Budget Division/Unit/Authorized Representative				
Date : _____	Date : _____		Date : _____				
C. STATUS OF OBLIGATION							
Reference			Amount				
Date	Particulars	ORS/IEV/Check/ADA/TRA No.	Obligation	Payable	Payment	Balance	
			(a)	(b)	(c)	Not Yet Due (d)	Due and Demandable (e-c)



# BASIC REQUIREMENTS FOR DISBURSEMENTS

## Disbursement Voucher (DV)

Entity Name		Fund Center :	
<b>DISBURSEMENT VOUCHER</b>		Date :	
		DV No. :	
Made of Payment	<input type="checkbox"/> MDS Check <input type="checkbox"/> Commercial Check <input type="checkbox"/> ADA <input type="checkbox"/> Others (Please specify)		
Payee	ED/Envelope No.		ORIS/BUS No.
Address			
Particulars		Responsibility Center	MEMO/PAP
			Account
<b>Amount Due</b>			
A. Certified Expenses/Cash Advance necessary, lawful and incurred under my direct supervision.			
Printed Name, Designation and Signature of Supervisor			
B. Accounting Entry:			
Account Title		DA/CB Circle	Debit      Credit
C. Certified		D. Approved for Payment	
<input type="checkbox"/> Cash/available <input type="checkbox"/> Subject to Authority to Debit Account (When and valid) <input type="checkbox"/> Supporting documents complete and amount claimed precise			
Signature		Signature	
Printed Name		Printed Name	
Position	Head, Accounting Unit/Authorized Representative	Position	Agency Head/Authorized Representative
Date		Date	
E. Receipt of Payment		REV No.	
Check/ADA No.	Date	Bank Name & Account Number	
Signature	Date	Printed Name	Date
Official Receipt No. & Date/Other Documents			



# PAYMENT THROUGH CASH

1. Petty Cash
2. Cash Advances:
  - Regular Cash Advances
  - Special Cash Advances



# PAYMENT THROUGH CHECKS

**All disbursements shall be made through checks:**

1. Modified Disbursement System Checks
2. Commercial Checks



# OTHER MODES OF DISBURSEMENTS

## 1. Advice to Debit Account (LDDAP-ADA)

**Circular Letter 2013-16, 2013-16A, 2013-16B  
Forms**



- CL 2013-16 Annex A: List of Due and Demandable Accounts Payable – Advice to Debit Accounts (LDDAP-ADA)
- CL 2013-16 Annex C: Letter of Introduction (LOI)
- CL 2013-16A Annex A: Summary of LDDAP-ADAs Issued and Invalidated ADA Entries (SLIIE)



# OTHER MODES OF DISBURSEMENTS - ADA

Excluded from the implementation of ExMDPS:

- a. Payment of TL/RG benefits per RA No. 10154, CSC Resolution No.1300237, and BC No. 2013-1
- b. Remittance of premium contributions to GSIS, PHILHEALTH, and HDMF



# OTHER MODES OF DISBURSEMENTS - ADA

Excluded from the implementation of ExMDPS:

- c. Payment of Accounts Payable to utility companies
- d. Other payables which cannot be conveniently nor practicably paid using the ADA





# OTHER MODES OF DISBURSEMENTS

## 2. Tax Remittance Advice (TRA)

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

**TAX REMITTANCE ADVICE**

Serial No. : 0201102012000400

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TIN : 000-000-000-000  
Reference Number : 170300000004040

NAME OF AGENT: Bureau of Internal Revenue	AGENT CODE	DEPT. CODE	BOI BCL	FUND CODE	DETL
ADDRESS: 1 DEWY RD, LEGASPI, ALABANG, CEBU CITY (The Commissioner of Internal Revenue)	000	DOF	100	000	00000000

This is to remit the amount of P 100.00 to cover withholding tax liabilities for the month of January 2017.

Type of Tax:

0000  0000  0000  0000  0000

It is understood that the amount herein remitted shall be in accordance with the provisions of the National Internal Revenue Code of 1997, as amended, and its implementing rules and regulations, and consistent with the prescribed budgeting, accounting and auditing rules and regulations pursuant to the DOF-0809-CDA Joint Circular No. 9-0006, as amended by DOF-0809-CDA Joint Circular 1-0004.

APPROVED BY: \_\_\_\_\_ CERTIFIED BY: \_\_\_\_\_



# OTHER MODES OF DISBURSEMENTS

## 3. Working Fund / Cash Disbursement Ceiling



# OTHER MODES OF DISBURSEMENTS

## 4. Direct Payment Method

### **Budget Execution – Cash Allocation**

To authorize an agency to pay the obligations it incurs, the DBM issues a disbursement authority.

Most of the time, it takes the form of a **Notice of Cash Allocation (NCA)** ; and in special cases, the **Non-Cash Availment Authority (NCAA)** and **Cash Disbursement Ceiling (CDC)**.



# OTHER MODES OF DISBURSEMENTS

## 5. Cashless Purchase Card System



Armed Forces of the Philippines  
*Sandatahang Lakas ng Pilipinas*



# Personnel Services



# FUNDAMENTAL PRINCIPLES FOR DISBURSEMENT

Complete  
Documentation

Adherence to laws and  
regulations

Observance of Generally  
Accepted Principles and  
practices of accounting



There is an appropriation law or  
specific statutory authority.

For public purpose

Trust Funds shall be spent only  
for specific purpose

Fiscal Responsibility shall be  
shared by all those exercising  
authority

Approval by proper officials



# PERSONNEL SERVICES EXPENSES 2017 ORAOHRA (Revised July 2018)



# PS BUDGET LIMITATION

- LGU 45% for 1st-3rd class
- 55% for 4th class and higher
- Of the total income from regular sources realized in the next preceding fiscal year (RA 7160)
- NGA – Agency Matrix
- GOCC – COB





# Government Employees Enjoys the Following Aside from Salary:

## Other Personnel Benefits

- Pension Benefits
- Retirement Gratuity
- Terminal Leave Benefits
- Salary Increases
- Step Increment
- Incentive & Service Fees
- Commutation of Leaves

## Other Compensation

- PERA
- Representation Allowance (RA)
- Transportation Allowance (TA)
- Clothing/Uniform Allowance
- Productivity Incentive Allowance
- Overseas Allowance
- Honoraria
- Overtime and Night Pay
- Mid year and Year End Bonus
- Cash Gift
- Other Bonuses and Allowances

## Personnel Benefit Contributions

- Retirement & Life Insurance Premiums
- Pag-IBIG Contributions
- PhilHealth Contributions
- Employees Compensation Insurance Premiums
- Provident/Welfare Fund Contributions



# VARIOUS NATURES OF APPOINTMENT

1. Original
2. Promotion
3. Re-employment
4. Re-appointment
5. Reinstatement
6. Demotion
7. Reclassification



# PERSONNEL BENEFIT CONTRIBUTIONS



## AUTHORIZED DEDUCTIONS

- Retirement and Life Insurance Premiums
- Pag-IBIG Contributions
- PhilHealth Contributions
- Employee Compensation and Insurance Premiums
- Provident/Welfare Fund Contributions



# OTHER PERSONAL BENEFITS

- Pension Benefits
- Retirement Gratuity
- Terminal Leave Benefits
- Step Increment



# Procurement

# PROCUREMENT OF GOODS

- Goods refer to all items, supplies, materials and general support services, except consulting services and infrastructure projects
- Which may be needed in the transaction of public businesses or in the pursuit of government undertaking, project or activity, whether in the nature of equipment, furniture, stationery, materials for construction, or personal property of any kind
- Including non-personal or contractual services such as the repair and maintenance of equipment and furniture, as well as trucking, hauling, janitorial, security, and related or analogous services
- As well as procurement of materials and supplies provided by the procuring entity



# REPUBLIC ACT NO. 12009

*AN ACT REVISING REPUBLIC ACT NO. 9184,  
OTHERWISE KNOWN AS THE "GOVERNMENT  
PROCUREMENT REFORM ACT", AND FOR  
OTHER PURPOSES*

# NEW GOVERNMENT PROCUREMENT ACT

Date Approved: 20 July 2024  
Date Published: 29 July 2024\*  
Date of Effectivity: 13 August 2024

\*via Business Mirror (p.13-18)

\*via Manila Bulletin (p.8-15)

# GOVERNING PRINCIPLES IN GOVERNMENT PROCUREMENT

## **RA No. 9184**

- Transparency
- Competitiveness
- Streamlined
- System of Accountability
- Public Monitoring

## **RA No. 12009**

- Transparency
- Competitiveness
- Efficiency
- Proportionality
- Accountability
- Participatory
- Sustainability
- Professionalism





# Salient Provisions of RA No. 12009

- **Strategic Procurement Planning**
  - Market Scoping
  - Early Procurement Activities
  - Lifecycle Assessment and Lifecycle Cost Analysis
  - Design-and-Build Scheme for Infrastructure Assets
  - Engagement of Procurement Agent
  - Use of Framework Agreement
  - Pooled Procurement
  - Renewal of Recurring and Services



# Salient Provisions of RA No. 12009

- **Procurement by Electronic Means**

- PHILGEPS shall maintain an integrated system
- Procurement Data Analytics
- Systems Interconnectivity between Government Agencies



# Salient Provisions of RA No. 12009

- **Sustainable Public Procurement**
  - Green Public Procurement
  - Development of Green Local Market
  - Inclusive Procurement Program



# GENERAL POLICIES ON PROCUREMENT

- Compliance with Laws, Rules and Existing Policies
- Prohibition on Splitting of Government Contracts
- Need for a Certificate of Availability of Funds for the Purchase
- Protection of Locally-Manufactured/Produced Articles over Foreign-made Products or Domestic Preference



# GENERAL POLICIES ON PROCUREMENT

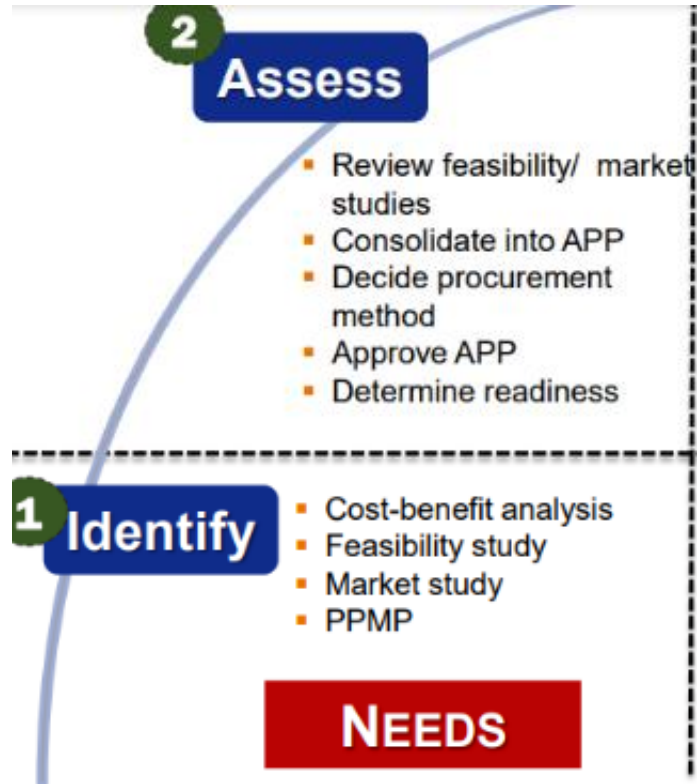
- Prohibition against Irregular, Unnecessary, Excessive, Extravagant, and Unconscionable (IUEEU) Expenditures or Uses of Funds or Property
- All NGAs, GOCCs, GFIs, SUCs, and LGUs shall only procure their CSE from PS-DBM, subject to its availability.



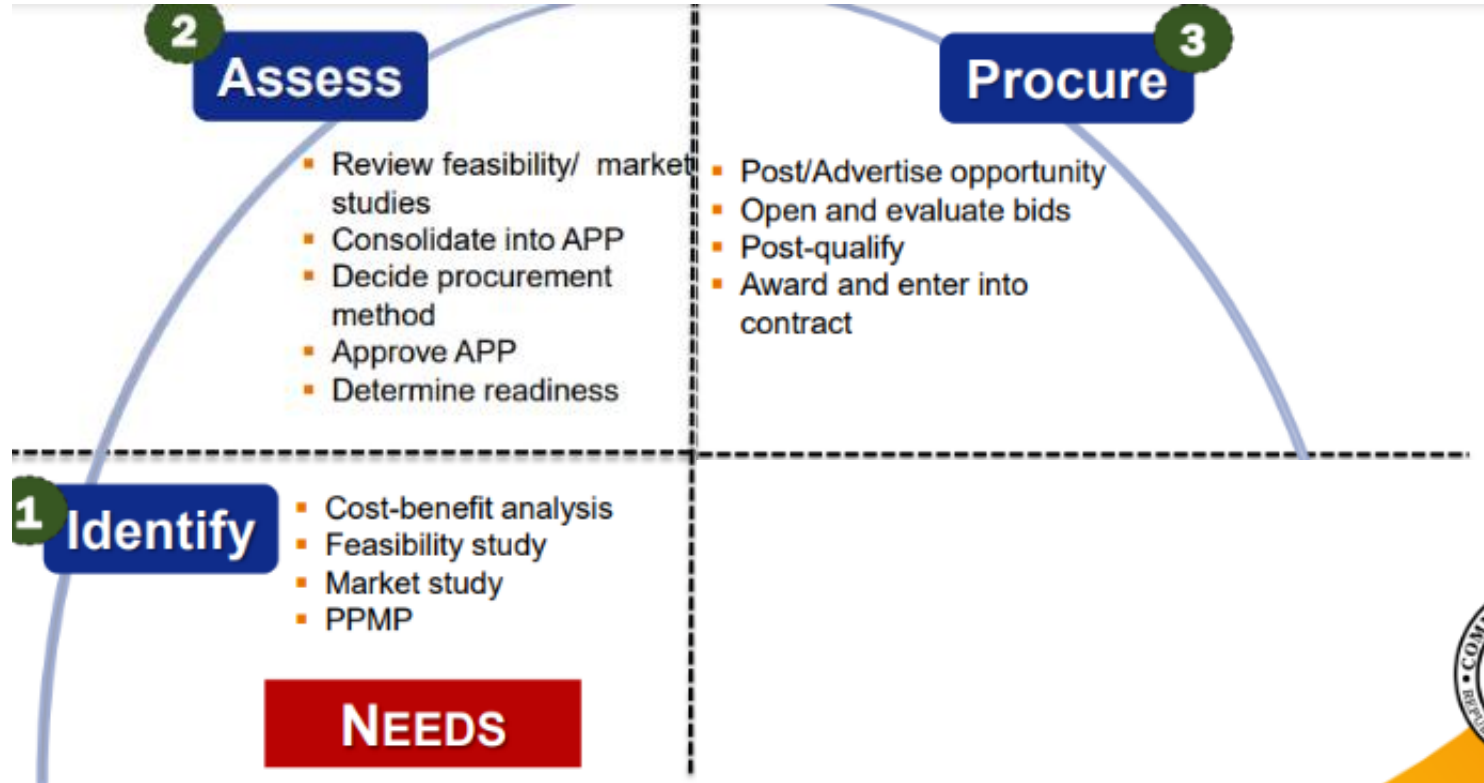
# PROCUREMENT PARADIGM



# PROCUREMENT PARADIGM

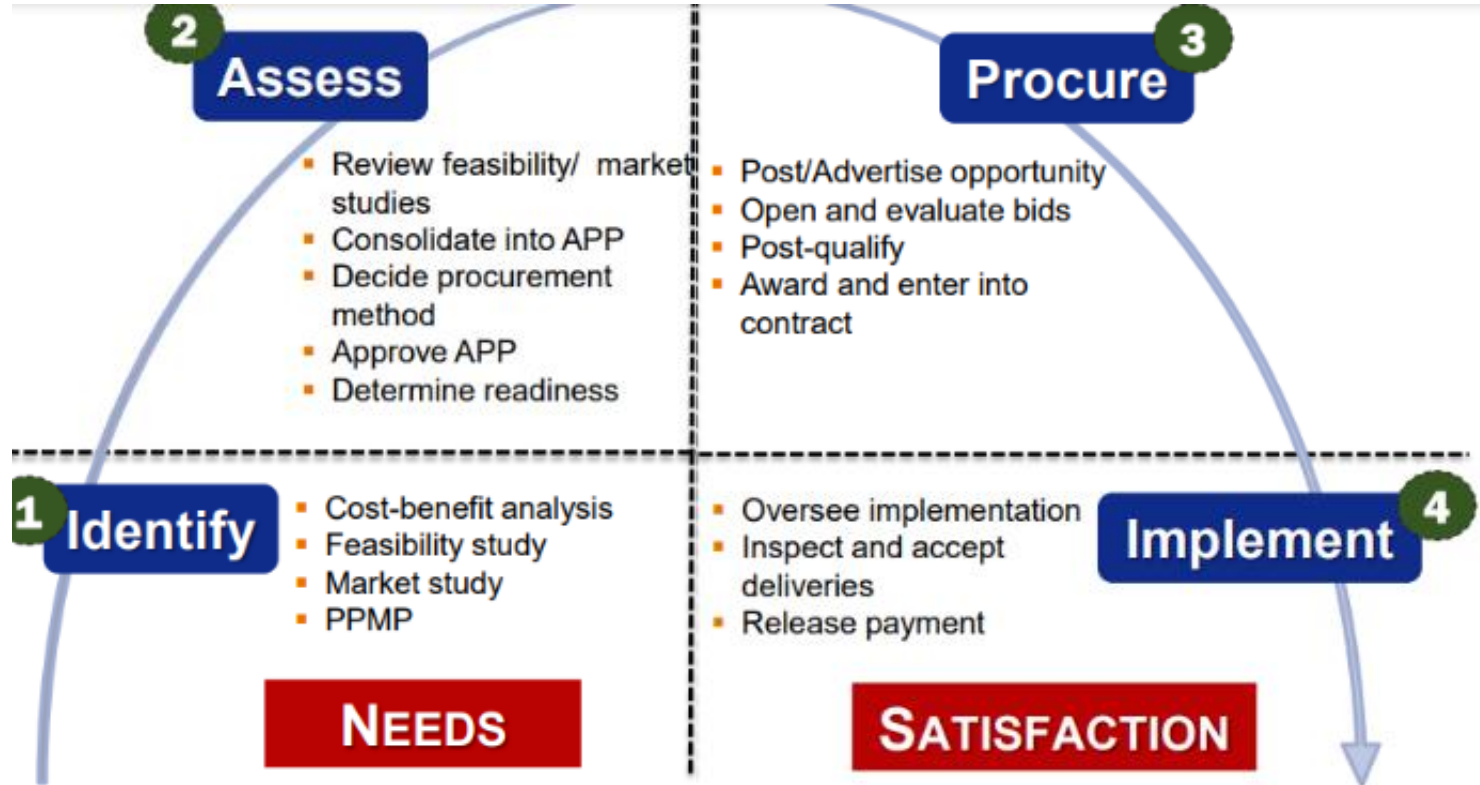


# PROCUREMENT PARADIGM





# PROCUREMENT PARADIGM



# Travel

# Did you know?

The rules, regulations and rates of travel expenses have been updated since 2019 under EO 77.





0:00/2:50

POWTOON



# Other MOOE and Financial Expenses

# CLASSIFICATIONS OF OTHER MOOE ACCOUNTS AND FINANCIAL EXPENSES

Confidential  
Expenses

Professional  
Services

Extraordinary &  
Miscellaneous  
Expenses

Intelligence  
Expenses

General  
Services

Repairs and  
Maintenance



# CLASSIFICATIONS OF OTHER MOOE ACCOUNTS AND FINANCIAL EXPENSES

Taxes, Insurance  
Premiums and Other  
Fees

Financial  
Expenses

Other Maintenance  
and Operating  
Expenses



# Context



**"Our only problem is figuring out how to switch these."**







“The greatest danger facing our nation isn’t terrorism, global warming or the energy crisis. It is out-of-control unbridled government spending.”

-R. Lee Wrights



# THANK YOU...

*fred.barillo09@gmail.com*

