

Republika ng Pilipinas
PAMBANSANG PANGKASIMULAN NG PATUBIG
(National Irrigation Administration)
Lungsod ng Quezon

MC # 003 s. 1989

MEMORANDUM CIRCULAR

TO : The Assistant Administrators; Heads of Departments/Staffs; Regional Irrigation Managers; UPRIIS/MARIIS Managers; Provincial/Project Engineers; Irrigation Superintendents; Corporate Auditor; Regional/Project Auditors; Managers, Finance & Management Divisions; accountants; Cashiers and all concerned

National Irrigation Administration

SUBJECT : Implementation of COMMISSION ON AUDIT-DEPARTMENT OF BUDGET AND MANAGEMENT JOINT CIRCULAR No. 88-1 dated July 29, 1988

quoted hereunder in full is Commission on Audit-Department of Budget Joint Circular No. 88-1 dated July 29, 1988:

"COMMISSION ON AUDIT
DEPARTMENT OF BUDGET AND MANAGEMENT
JOINT CIRCULAR NO. 88-1
July 29, 1988

TO : THE TREASURER OF THE PHILIPPINES; GOVERNING BOARDS/MANAGING HEADS/FINANCE OFFICERS OF GOVERNMENT OWNED AND/OR CONTROLLED CORPORATIONS INCLUDING SUBSIDIARIES; COA AND DEM DIRECTORS; HEADS OF COA CORPORATE AUDITING UNITS; AND OTHERS CONCERNED.

SUBJECT : GUIDELINES IN THE IMPLEMENTATION OF THE NEW SCHEME IN THE COMPUTATION OF AUDIT COSTS CHARGEABLE AGAINST GOVERNMENT-OWNED AND/OR CONTROLLED CORPORATIONS AND THEIR SUBSIDIARIES AS PROVIDED UNDER SECTION 24 OF PRESIDENTIAL DECREE NO. 1445 AND AMENDED BY SECTION 2 OF EXECUTIVE ORDER NO. 1191 AND SUBSEQUENTLY AMENDED BY EXECUTIVE ORDER NO. 271.

1.0 Purpose

This Circular is issued in order to implement a new scheme in the computation of audit costs chargeable against government-owned and/or controlled corporations and their subsidiaries as mandated under EO 271.

2.0 Definition of Terms

2.1 A government corporation is a stock or non-stock corporation, whether performing governmental or proprietary functions which is directly chartered by a special law, or if organized under the general corporation law, is owned or controlled by the government directly or indirectly through a parent corporation or subsidiary corporation, to the extent of at least a majority of the outstanding voting capital stock. It shall likewise include government corporate subsidiaries created through the Corporation Code directly or indirectly subsidized by the national government.

2.2 Personal Services refer to salaries and mandatory allowances/fringe benefits for COA personnel involved in the audit of the government corporation as expressly authorized by law and/or other administrative issuances, including statutory contributions related thereto.

218
157

- 2.3 Maintenance and Other Operating Expenses refer to rents, travelling expenses, communication services, freight and delivery charges, supplies and materials, water, illumination and power, maintenance of motor vehicles, authorized discretionary and representation and other services.
- 2.4 Depreciation refers to depreciation allowance for COA's capital assets and equipment used in the audit of the government corporations.
- 2.5 Out-of-Pocket Expenses refer to all other expenses incurred directly related to or connected with the audit engagement.

3.0 General Guidelines

- 3.1 The cost of regular audit services rendered by the Commission on Audit (COA) shall be based on the cost of the audit function in the corporation concerned plus ten percent (10%) thereof to cover overhead expenses.
- 3.2 The actual audit cost shall include personal services, maintenance and other operating cost, depreciation and out-of-pocket expenses.
- 3.3 Other than the cost of audit billed by COA, the government corporation shall not make any direct payments for COA's operation and personnel costs, unless such costs pertain to special audits or related services.

4.0 Responsibilities

- 4.1 COA shall prepare the assessment for the cost of regular audit services for the ensuing year for each government-owned and/or controlled corporation and its subsidiaries, copy furnished the corporation concerned, Department of Budget and Management and the Bureau of Treasury, in time for the preparation of the corporate operating budgets.
- 4.2 The government corporation shall include an amount equivalent to the cost of regular audit as determined by COA in its corporate operating budget for the succeeding year.
- 4.3 The DEM shall provide for the full requirement for the cost of audit services for government corporations in COA's appropriation for the succeeding year. Such appropriation shall be released regularly and automatically in accordance with the Work and Financial Plan approved for the year.
- 4.4 The DEM shall ensure that the corporate operating budgets include the cost of audit services as determined by COA.
- 4.5 The government corporations shall remit to the BTr the said cost of audit services in six (6) equal installments, each installment to fall due on or before the 15th day of the months of January, March, May, July, September and November of the calendar year and shall furnish the DEM and the COA each with a copy of proof or certificate of remittance made to the BTr.
- 4.6 BTr shall follow up/demand in writing the remittance of delayed installments five (5) days after the same has become due.

- 4.7 The BTr may request the MM to withhold from the national government equity contribution or subsidy due the government corporation concerned, if any, such amount equivalent to the unremitted corporate audit cost.
- 4.8 Upon request of BTr, the MM shall withhold from the national government equity contribution or subsidy due the government corporation concerned, if any, such amount equivalent to the unremitted corporate audit cost.
- 4.9 The difference between the assessment billed the government corporation for auditing services as incorporated in the corporate operating budget and the actual cost incurred for the same year shall be adjusted in succeeding year's assessments. This applies as well to cases of government corporations audited by COA for the first time where no budgetary appropriation for the cost of audit has been provided.

5.0 Administrative Sanctions

Any official or employee who refuses, fails, or neglects to perform the responsibilities as required under Section 4.0 hereof shall be held liable for neglect of duty, and shall be subject to disciplinary or administrative action under the existing laws, rules and regulations.

6.0 Amendments and Repeals

Provisions of other existing rules and regulations inconsistent with this Circular are hereby amended or repealed accordingly.

7.0 Effectivity

This Circular shall take effect immediately.

(SGD.) GUILLERMO N. CARAGUE
Secretary
Department of Budget and Management

(SGD.) EUTIMIO C. DOMINGO
Chairman
Commission on Audit

Compliance hereon is hereby enjoined.

(SGD.) FEDERICO N. ALDAY, JR.
Administrator

Signed January 16, 1989