

SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



Senate
Office of the Secretary

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SENATE

S.B. NO. 1864

RECEIVED BY: *ja*

Introduced by SENATOR FERDINAND R. MARCOS, JR.

Explanatory Note

The National Budget is invested with the public interest. Not only is the national budget a major instrument of national development and is essential to the operations of the government and the delivery of public services to the Filipino people, it is also composed no less of taxpayers' hard-earned money, which have been taken away from them by the government, more or less involuntarily. Nothing demoralizes and enrages our Filipino citizens more than the thought that their hard-earned money, collected through the State's power of taxation and entrusted to the government for utilization and administration, is improperly used, siphoned off and lost to graft and corruption. Worse, the loss and wastage more often than not escape notice of the authorities and never reach public knowledge or scrutiny, whether deliberately or naively. Worst of all, public service is not visibly improved and poverty not tangibly alleviated.

Thus, the State not only has the legal but also the moral obligation to its citizens and taxpayers to ensure that the public funds composing the national budget are strictly utilized for public purposes, and the operations funded by taxpayers' money be conducted, and accounted for, effectively, economically and efficiently.

First, this proposal seeks to "codify", so to speak, recognize and harmonize, and adopt by reference the related provisions of the Constitution as well as the various existing laws that are *in pari materia* and that touch upon, control and direct all the phases of the national budget cycle. Through this proposed legislation, the public shall be made aware of the entire process of the national budget cycle and the agencies and offices involved in the process. Better yet, the public is given the opportunity and the right to participate and monitor the entire budget process as to ensure transparency and accountability.

To safeguard the national budget process, the entire system should be strengthened and improved. The entire budget process—from budget preparation, legislation or authorization, execution, up to accountability—must be made airtight and the linkages made stronger and more efficient. The role and functions of the essential government regulatory agencies and offices involved in all the phases of the budget process should be properly defined and refined, with marked emphasis on the requirements of accountability and transparency. All agencies of the government should install and maintain internal control or monitoring systems and should be required to regularly report to the Department of Budget and Management.

Being vested with public interest and an instrument of national development, the national budget process should be non-political in nature. Both

the Department of Budget and Management shall exercise its mandate timely, completely, objectively and effectively, notwithstanding its nature as an executive office. Likewise should the Commission on Audit, an independent Constitutional Commission, do the same and exercise its audit function with impartiality, without fear or favor, and without political bias or leanings. This is to ensure that there is a final check on the Department of Budget and Management, the agency that controls the releases on the national budget, which is under the President.

The budget accountability phase necessarily covers collection and enforcement of liabilities, whether civil, administrative, or criminal. The primary oversight agencies, the Department of Budget and Management and the Commission on Audit, being the last bulwarks of accountability in the national budget shall always ensure that systems, rules and processes are in place so that every centavo of the public funds is properly used and accounted for. In case of irregularities and violations, they should immediately endorse and recommend to the Department of Justice or the Office of the Ombudsman, without prejudice to the exercise of their respective mandates under this Act and existing laws.

Recovery and collection is a very important aspect of budget accountability, aside from enforcement of liabilities. In this connection, this bill seeks to also emphasize and ensure that all unauthorized, irregular and improper fund releases and disbursements shall immediately be recovered and collected at the instance of the government agencies concerned, or upon the order and recommendation of the Commission on Audit with the assistance of the Office of the Solicitor General.

In the same way that participation of private citizens and groups is herein recognized and promoted, this proposal likewise seeks to institute that all private individuals and entities—like non-government organizations, community-based and sectoral organizations, which are recognized by the Article II, Section 23 of the 1987 Constitution, and presently accredited and allowed by the Department of Budget and Management to be recipients and beneficiaries of public funds—are strictly regulated and held to high and exacting standards of monitoring, accounting and audit by our oversight agencies. This way, we are also able to address and improve the pressing problems and issues of the day involving alleged irregularities in the budget process.

Continuous status monitoring throughout all the phases of the national budget process should likewise be institutionalized and ensured, and fortified by strengthened public participation and information. Ultimately, it is hoped that our Filipino citizens can be assured and assuaged that all public funds to be used for the national budget, which are collected from the hard-earned money of the citizens, are disbursed, used, and accounted for properly and efficiently.

In view of thereof, the passage of this bill is earnestly requested.



FERDINAND R. MARCOS, JR

SIXTEENTH CONGRESS OF THE)
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SENATE
SENATE BILL NO **1864**

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Introduced by Senator FERDINAND R. MARCOS, JR.

**AN ACT STRENGTHENING THE NATIONAL BUDGETING PROCESS,
CREATING INTERNAL CONTROL SYSTEMS OR PROJECT MANAGEMENT
AND MONITORING OFFICES IN ALL IMPLEMENTING AGENCIES AND
OFFICES, STRENGTHENING THE RECOVERY AUDIT PROCESS OF THE
GOVERNMENT, AND APPROPRIATING FUNDS THEREFOR,
AND FOR OTHER PURPOSES**

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

SECTION 1. Title. - This Act shall be known as "Strong National Budget
Process Act of 2013."

SECTION 2. Declaration of Policies and Principles. - a) The National
Budget is an instrument of national development, reflective of national objectives,
strategies and plans. It should be supportive of and consistent with the socio-
economic development plan and shall be oriented towards the achievement of
explicit objectives and expected results. To this end, the State should not only
ensure that funds are utilized and operations are conducted effectively,
economically and efficiently, but also ensure that the auditing, management and
monitoring institutions and accountability processes are likewise prompt, timely,
strong, effective, efficient, neutral, independent and insulated from corruption and
political pressures. To do this, the working relationships and institutional linkages
between and among the vital agencies and institutions involved in the national
budget process, the Department of Budget and Management, the implementing
agencies and local government units, the non-government institutions, and the
Commission on Audit should be made stronger, more effective and efficient,
notwithstanding the institutional independences and autonomies of the agencies
and offices involved and the departmental separation between and among them.

b) Budget accountability is essential to a responsible and responsive
national budget process. The accounting, auditing, management and monitoring
of government projects and expenditures are as much inherent parts of the
budget process, as budget preparation, authorization and execution.

c) All resources of the government shall be managed, expended or utilized
in accordance with law and regulations and with extraordinary diligence, and
safeguarded against loss or wastage through illegal or improper disposition, with
a view to ensuring efficiency, economy and effectiveness in the operations of
government.

d) Fiscal responsibility in budget execution and accountability rests directly
with the chief or head of the government agency, subdivision, instrumentality or
office. Government agencies, subdivisions, instrumentalities or offices shall
establish and institute internal control systems, management and monitoring

mechanisms that shall ensure proper and effective implementation of the national budget and expenditure of public funds and monies.

e) All monies officially received by a public official in any capacity or on any occasion shall be accounted for as local funds, unless otherwise provided by law. Every public official whose duties permit or require the possession or custody of public funds shall be properly bonded, and such officer shall be accountable and responsible for said funds and for the safekeeping thereof in conformity with the provisions of law.

f) The role of the Commission on Audit, an independent Constitutional Commission, is to impartially, apolitically, promptly and timely determine whether such fiscal responsibility has been properly and effectively discharged, and to ensure the swift recovery and collection by the government of funds, monies and other receivables owing to it as a result of the improper and ineffective discharge of the fiscal responsibility of any government agency, subdivision, instrumentality or office. In the exercise of its official mandate, the independence of the Commission shall be respected, protected and preserved.

g) In all phases of the National Budget Process, public or citizen's participation and information shall always be encouraged and promoted.

h) It is likewise the policy of the State to integrate and codify all existing laws, policies and guidelines, rules and regulations relevant to the national budget process in order to present a rational, cohesive and comprehensive national budget process framework or system, which shall be strictly in accordance with the Constitution.

SECTION 3. National Budget Process. - The national budget process consists of four (4) major interrelated phases:

a) Budget preparation – This phase commences with the budget call of the President, through the Department of Budget and Management, to all government agencies, subdivisions, instrumentalities and offices, and ends with the submission of the proposed national budget to the Congress, in accordance with Section 22 of Article VII of the 1987 Constitution.

b) Budget authorization or legislation – This phase commences with the receipt by the House of Representatives of the proposed national budget from the President, and ends with the enactment by Congress of the General Appropriation Act.

c) Budget execution – This phase concerns the execution and implementation of the General Appropriations Act (GAA) by the President, through the Department of Budget and Management, which issues the guidelines on the releases and utilizations of the appropriations authorized by the GAA. It ends with the actual expenditure or disbursement of public funds and monies.

d) Budget accountability – This phase involves the monitoring, accounting and auditing of the ethical and efficient utilization of the allocated and disbursed public funds and monies of government agencies, subdivisions, instrumentalities and offices, and also the review and assessment of the physical and financial performance targets and outcomes of such agencies, subdivision, instrumentalities and offices. The President, through the Department of Budget and Management, and the Commission on Audit are the primary government agencies tasked with the enforcement of budget accountability.

SECTION 4. Concurrent Application and Adoption by Reference of Relevant Laws. - Presidential Decree No. 1445, Presidential Decree No. 1177, Republic Act No. 7226, as well as the relevant provisions of Presidential Decree No. 1376, the Administrative Code of 1987, Republic Act Nos. 7160, with regard to the share of the local government units in the internal revenues and in the national wealth, and of other related laws, rules and regulations, insofar as not they are not inconsistent with the provisions of this Act, are hereby adopted by reference in and made integral parts of this Act.

I. BUDGET PREPARATION

SECTION 5. Budget Formulation and Preparation. - The formulation and preparation of the budget proposal shall be in accordance with the rules and procedures to be promulgated by the President, through the Department of Budget and Management, and other existing laws, such as the Administrative Code of 1987, and in accordance with the policy guidelines and parameters set by the Development Budget Coordination Committee within the National Economic Development Authority.

SECTION 6. Budget Proposal. - Within thirty (30) days from the opening of the regular session, the President shall submit to the Congress the proposed national budget, which shall be the basis of the general appropriations bill. The President's proposed budget shall contain his message to Congress, the budget of expenditures and sources of financing, including receipts from existing and proposed revenue measures, the national expenditure program and the details of specific plans and programs, and the staffing summary of each department, agency and office of the government. Within the same period, the President, through the Department of Budget and Management, shall also submit to Congress reports of its assessment of organizational effectiveness, and other legislative proposals having budgetary or organizational implications.

II. BUDGET AUTHORIZATION

SECTION 7. General Appropriations Bill. - The general appropriations bill shall originate exclusively with the House of Representatives, but the Senate may propose or concur with amendments. Upon receipt of the proposed national budget from the President, the House of Representatives shall immediately prepare and file the general appropriations bill and refer the same to the Committee on Appropriations for committee hearings and deliberations.

SECTION 8. Approval by the House of Representatives. - After due hearing, the House of Representatives shall consider the general appropriations bill in plenary discussion, interpellations and amendments, and proceed to vote on the same for third reading. After approval, the House shall transmit the approved General Appropriations Bill to the Senate for the latter's concurrence or amendments.

SECTION 9. Transmission to the Senate. - The Senate may propose or concur with amendments to the General Appropriations Bill. For this purpose, the Senate shall prepare and file its own general appropriations bill, and shall immediately conduct its own committee and plenary hearings and deliberations. Then, the Senate shall approve its own version.

SECTION 10. Bicameral Conference Committee. - After approval by the Senate of its own version of the general appropriations bill, the House of Representatives and the Senate shall convene a bicameral conference committee for the purpose of deliberating on and harmonizing the disagreeing

provisions of the two versions. The two Houses shall then ratify the harmonized version of the committee.

SECTION 11. Enrolled General Appropriations Bill; Submission to the President. - After ratification by the two Houses of the harmonized versions, the heads of each House of Congress shall sign their final approved version and proceed to submit the same to the President for his approval.

SECTION 12. Approval by the President of the General Appropriations Act; Veto. - Upon submission of the enrolled general appropriations bill, the President shall indicate his approval by signing it, otherwise he shall veto it and return the same to Congress with his objections. The President shall have the power to veto any particular item or items in the general appropriations bill, but the veto shall not affect the item or items to which he does not object.

III. BUDGET EXECUTION

SECTION 13. Release and Disbursement of Funds. - The President, through the Department of Budget and Management, shall prescribe and promulgate the guidelines for the release and disbursements of the funds authorized by the General Appropriations Act. The guidelines to be promulgated should enforce transparency and accountability in the release and disbursement of funds.

SECTION 14. General Appropriations Act as Primary Release Document. - As far as may be practicable, the funds appropriated shall be released to the agencies and offices upon enactment of the General Appropriations Act without need of further release or clearance documents.

IV. BUDGET ACCOUNTABILITY

SECTION 15. Primary Oversight Agencies. - The Department of Budget and Management and the Commission on Audit are the primary oversight agencies on the enforcement of accountability in the national budget process.

The Department of Budget and Management and the Commission on Audit shall work in close coordination and consultation in order to achieve the objectives of accountability and prevention and swift recovery of irregular, unnecessary, excessive, or extravagant expenditures or uses of government funds or property, in accordance with their respective mandates. For this purpose, they shall prescribe and promulgate the rules, guidelines and procedures to enforce accountability for the funds released and disbursed to, and utilized by government agencies, offices and other covered entities, as well as to strengthen their inter-agency reporting and coordination.

SECTION 16. Independence, Completeness, Impartiality, Objectivity, and Non-political and Non-sensational nature of the Audit Process. - The Department of Budget and Management and the Commission on Audit shall exercise their functions of auditing and enforcement of accountability in an impartial, objective, complete, and timely manner.

The accounting and auditing function shall neither be used to sensationalize political rivalries or partisanships nor be used as a tool for political propaganda and persecution.

SECTION 17. Jurisdiction; Covered agencies, offices and other entities. - The oversight functions and jurisdiction of the Department of Budget and

The Office of the Solicitor-General, the Office of the Government Corporate Counsel, the legal and prosecution divisions of the covered agencies and offices shall have primary responsibility for the prosecution of collection and recovery cases that are referred to it by the Commission on Audit or instituted by the covered agencies and offices themselves.

Amounts recovered and collected under this Section are public funds and shall be returned to the National Treasury. Recovery of the amounts and public funds under this Section shall be without prejudice to other causes of action or criminal or administrative liabilities under existing laws and rules.

SECTION 21. Liabilities of Private Persons and Entities. - Private persons and entities, including non-government organizations, community-based and sectoral organizations and like institutions, dealing and entering into agreements with the government agencies and offices shall strictly comply with their obligations with extraordinary diligence and shall be deemed to hold in trust the public funds paid and delivered to them until they shall have satisfactorily complied and completed their obligations, and properly accounted for the fund releases to them. For this purpose, they shall be accredited, sufficiently bonded, and shall be subjected to the same monitoring, accounting, audit and clearance requirements under this Act, as well as to liabilities under existing laws and rules.

Government agencies and offices dealing with private persons and entities shall exercise extraordinary diligence in ensuring *a priori* that such persons and entities are strictly compliant with existing laws, rules and regulations.

SECTION 22. Endorsement to the Department of Justice and/or the Office of the Ombudsman. - The Department of Budget and Management, the Commission on Audit, as well as the covered agencies and offices themselves, and private citizens and civil society groups and organizations alike, shall immediately report and endorse to the Department of Justice or the Office of the Ombudsman any and all irregularities and violations under this Act for concurrent investigation and prosecution of criminal liabilities.

SECTION 23. Citizens' Participation and Information. - The right of the public to information and participation on all matters involving the national budget process in all its phases shall be recognized, and shall be defined in accordance with Section 25 hereof.

SECTION 24. Mandatory Continuing Program of Improvement of Public Financial Management. - The Department of Budget and Management, the Department of Finance, and the Commission on Audit are mandated to regularly analyze and evaluate the systems and procedures involved in and the inter-agency transactional relationships and linkages of all phases of the national budget process, perform risk assessment studies, and re-engineer the same in order to prevent graft and corruption, eliminate risks thereof, as well as irregular and improper payments and disbursements, improve fiscal discipline and the efficiency of allocation and utilization of public funds.

SECTION 25. Annual Report to Congress. - The Department of Budget and Management and the Commission on Audit shall submit a yearly report to Congress about the public financial management efficiency of all the covered agencies hereunder as well as the status of the actions, collections and recoveries made by the all covered agencies in pursuance of this Act.

SECTION 26. Implementing Rules and Regulations. - Within sixty (60) days from effectivity of this Act, the Department of Budget and Management, the

Management and the Commission on Audit shall extend to all departments, bureaus or offices of the national government, or any of its branches and instrumentalities, including both Houses of Congress, the Supreme Court, constitutional bodies, commissions and offices that have been granted fiscal autonomy under the Constitution, local government units and other political subdivisions, as well as any government-owned or controlled corporation, including its subsidiaries, or other self-governing boards or commissions of the government, non-governmental entities receiving subsidy or equity directly or indirectly from or through the government, those funded by donations through the government, those required to pay levies or government share, and those for which the government has put up a counterpart fund or those partly funded by the government.

SECTION 18. Budget Accountability Reports; "No Report, No Release" Policy. - The Department of Budget and Management and the Commission on Audit shall regularly require the government agencies, offices and other covered entities to submit budget accountability reports. In the event of failure to submit the reports required hereunder, the Commission on Audit shall recommend to the Department of Budget and Management, or the Department of Budget and Management shall *motu proprio* immediately cause, the immediate withholding further budget releases to the non-compliant agencies and offices until they shall have satisfactorily complied with the said requirement, without prejudice to other consequences and liabilities under existing laws and rules.

SECTION 19. Institution of Internal Control Systems; Annual Reports. - All covered agencies, offices and other entities are mandated to create, install and maintain a sound and effective system of internal control and fiscal and financial management of its programs and projects, operations, general administration, and other expenditures and payments, including personnel services, maintaining and other operating expenses, financial expenses, and capital outlays. They shall also conduct regular risk assessments with regard to susceptibility to fund leakages and improper payments or corrupt practices.

Aside from the reports required to be submitted under this Act, the covered agencies shall also submit to the Department of Budget and Management and the Commission on Audit a yearly report with regard to the efficiency of their internal control systems. These reports must include: 1) areas susceptible to and amount estimates of improper payments and fund leakages in the agency; 2) causes of improper payments and fund leakages; 3) evaluation of their internal controls systems to address the problems; 4) reduction targets; and 5) actions planned and actions taken to detect, prevent, and recover improper payments and fund leakages; and such other related matters to be required by the Department of Budget and Management and the Commission on Audit.

SECTION 20. Recovery or Recapture Audits; Prompt and Expeditious Recovery of Public Funds. - Covered agencies and offices are required to take prompt, expeditious and appropriate legal actions to recover amounts lost to improper and irregular payments or to fund leakages, which are detected, discovered or found through the internal control system or audit of the agency or office or through the exercise of the oversight functions of the Department of Budget and Management or the Commission on Audit.

The Commission on Audit shall have primary responsibility to monitor, ensure and assist in the swift and expeditious collection and enforcement of all debts and claims, and the restitution of all public funds and properties found to be lost to improper or irregular payments or disbursements or to fund leakages.

Department of Finance, the Legislative Budget Research and Monitoring Office (LBRMO) of the Senate of the Philippines and the Congressional Policy and Budget Research Department (CPBRD) of the House of Representatives, the Commission on Audit, the Department of Justice, and the Office of the Ombudsman shall issue the rules and regulations for the effective implementation of the provisions this Act.

SECTION 27. Separability Clause. - The provisions of this Act are hereby declared to be separable and if any clause, sentence, provision or section of this Act or its application thereof to any person or circumstance should, for any reason, be held invalid or unconstitutional, such invalidity or unconstitutionality shall not affect the other provisions or application of this Act which can be given force and effect.

SECTION 28. Repealing Clause. - All laws, decrees, charters, executive orders, administrative orders, proclamations, rules and regulations, or parts thereof insofar as they are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 29. Effectivity. - This Act shall take effect fifteen (15) days after completion of publication in the Official Gazette or in a newspaper of general circulation.

Approved,