COMMISSION ON AUDIT CIRCULAR NO. 93-214A March 4, 1993

TO : All Heads of Departments, Agencies, Bureaus and Offices of the National Government; Managing Heads of Government-Owned and/or Controlled Corporations; Provincial Governors; City and Municipal Mayors; Local Treasurers; Chief Accountants; COA Directors; Heads of Auditing Units; and All Others Concerned.

SUBJECT: Government Contracts for Internal Audit Services.

It has come to the attention of this Commission that several government agencies have entered into consultancy contracts with private persons or firms for the installation/strengthening of internal audit systems and services without the prior certification from the Commission required under COA Circular No. 83-214 dated September 8, 1983. In this connection, Section 32, Presidential Decree No. 1445 cited in the Circular, is restated in Section 17, Chapter 4, Subtitle B, Title I, Book V, of the Revised Administrative Code of 1987, and quoted hereunder:

> "Sec. 17. Government Contracts for Auditing, Accounting and Related Services. - (1) No government agency shall enter into any contract with any private person or firm for services to undertake studies and services related to government auditing, including services to conduct, for a fee, seminars or workshops for government personnel on these topics, unless the proposed contract is first submitted to the Commission to enable it to determine if it has the resources to undertake such studies or services. The Commission may engage the services of experts from the public or private sectors in the conduct of these studies; and
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> (2) Should the Commission decide not to undertake the study or service, it shall nonetheless have the power to review the contract in order to determine the reasonableness of its costs."

It is hereby reiterated that no government agency shall enter into a contract with any private person or firm to undertake studies and/or render services pertaining to government auditing, including the internal audit services, much less disburse public funds pertaining thereto, unless the Commission on Audit shall have certified in writing its prior decision not to undertake such contract. Payment for contracts entered into without the required certification shall be disallowed in audit.

All COA Auditors are hereby directed to monitor and help enforce compliance with the aforecited law; and they shall be held responsible for the proper implementation of this Circular.

(**SGD.) SORFONIO B. URSAL, Commissioner**
(SGD.) ROGELIO B. ESPIRITU, Commissioner
(SGD.) EUFEMIO C. DOMINGO, Chairman