

Title: Boy Scouts of the Philippines vs. Commission on Audit

Facts:

On August 19, 1999, the Commission on Audit (COA) issued Resolution No. 99-011, asserting its authority to conduct an annual financial audit of the Boy Scouts of the Philippines (BSP) in accordance with generally accepted auditing standards. The COA reasoned that the BSP, created as a public corporation under Commonwealth Act No. 111 and amended by Presidential Decree No. 460 and Republic Act No. 7278, was ruled in a prior Supreme Court decision to be a government-controlled corporation within Article IX(B)(2)(1) of the Constitution. Furthermore, the COA cited its constitutional mandate under Section 2(1), Article IX (D), to audit any government instrumentality with original charters, which included the BSP.

The BSP disagreed and sought reconsideration, arguing that Republic Act No. 7278, which amended its charter, had changed the composition of the BSP National Executive Board, thereby diminishing the government's presence and eliminating its control. Hence, the BSP posited that it no longer fell under the COA's jurisdiction. However, the COA's General Counsel opined that the Supreme Court's decision in the BSP vs. National Labor Relations Commission case was not superseded by RA 7278, maintaining that the BSP was a government-controlled corporation subject to COA oversight.

The BSP elevated the matter to the COA through a Petition for Review, but the COA upheld its audit jurisdiction, prompting the BSP to file a petition for prohibition with preliminary injunction and temporary restraining order against the COA with the Supreme Court.

Issues:

1. Whether the COA has audit jurisdiction over the BSP.
2. Whether the amendments to the BSP charter (Republic Act No. 7278) have turned the BSP into a private entity beyond the COA's audit jurisdiction.
3. Whether Commonwealth Act No. 111, as amended, creating the BSP as a corporation, is constitutional under Section 16, Article XII of the 1987 Constitution.

Court's Decision:

The Supreme Court dismissed the petition for prohibition filed by the BSP, thus affirming the COA's audit jurisdiction over the BSP. The Court performed a comprehensive analysis of the legislative history of the BSP's charter, pertinent laws, and arguments of both parties, and concluded that the BSP remains a public corporation or a government instrumentality,

subject to the exercise of the COA's audit jurisdiction. The Court found that notwithstanding amendments to its charter, the BSP continues to be an instrumentality of the government, created to implement state policy regarding youth development as declared in the Constitution.

Furthermore, the Supreme Court held that the challenge to the constitutionality of the BSP charter, as raised by the Court itself, did not satisfy the requisites for judicial review. Consequently, it refrained from nullifying the statutory provisions creating the BSP as a corporation.

Doctrine:

The Boy Scouts of the Philippines, as currently constituted under Republic Act No. 7278, is a public corporation and its funds are subject to the Commission on Audit's jurisdiction as an instrumentality of the national government.

Class Notes:

1. Government-Controlled Corporation: An entity that may be subject to the COA's audit jurisdiction if it performs a governmental purpose and functions with substantial participation of the government.
2. Republic Act No. 7278: An act that amended the BSP's charter but did not change its status as a public corporation subject to the audit jurisdiction of the COA.
3. Constitutional Compliance: A statute creating a corporation must comply with the constitutional provisions applicable to government-owned or controlled corporations as distinguished from private corporations that require a general law.
4. Public Functions: Entities performing functions in the public interest or implementing state policies may still be subject to government audit and oversight.
5. Audit Jurisdiction: Under the 1987 Constitution, Article IX-D, Section 2(1), the COA has the mandate to audit any government instrumentality with original charters, including those with public functions.

Historical Background:

The case underscores the historical significance of the BSP in the development of the youth in the Philippines and the state's interest in ensuring its alignment with national policies. It also highlights the changes to the BSP's legal framework through various laws and the impact of these changes on its characterization as a government instrumentality. The Supreme Court's decision reaffirms the applicability of constitutional provisions and the COA's authority over entities created to serve public purposes, reflecting the continuity of

governmental oversight over public entities intended to implement constitutional mandates.