

**\*\*Title:\*\*** Bayani F. Fernando v. The Commission on Audit

**\*\*Facts:\*\***

Bayani Fernando, former Chairman of the Executive Committee of the Metro Manila Film Festival (MMFF) from 2002-2008, faced audit disallowances from the Commission on Audit (COA) related to the disbursements of the MMFF Executive Committee for the years 2002-2008. COA's special audit found irregular transactions involving payments of P1,000,000.00 on two occasions in 2003 and another P1,000,000.00 in 2005 to Fernando for Special Projects/Activities of the Metro Manila Development Authority (MMDA) from MMFF advertising sponsorships and from non-tax revenues of the MMFF Executive Committee. COA issued Notices of Disallowance citing violations of government accounting and auditing rules.

Fernando challenged COA's jurisdiction over the MMFF Executive Committee, arguing that it was not a public office but an organization of private individuals from the movie industry, whose funds came from non-tax revenues and private donations. He further contended that the funds were not public funds. He petitioned the Supreme Court to reverse COA's notices, asserting COA's grave abuse of discretion.

**\*\*Procedural Posture:\*\***

The case reached the Supreme Court via a Petition for Certiorari under Rule 64 in relation to Rule 65 of the Rules of Court, after COA's issuance of Notices of Disallowance and Notices of Finality of Decision.

**\*\*Issues:\*\***

1. Whether the COA has audit jurisdiction over the MMFF Executive Committee.
2. Whether the funds of the MMFF Executive Committee are considered public funds.

**\*\*Court's Decision:\*\***

The Supreme Court dismissed the petition, ruling in favor of COA. It held that the MMFF Executive Committee is subject to COA's audit jurisdiction, emphasizing that:

- The MMFF Executive Committee, created through a Presidential Proclamation, served a public purpose and was closely linked to MMDA, a government agency.
- The committee's funds, including those sourced from non-tax revenues and donations for the conduct of MMFF, are public funds because they serve a public purpose.
- Non-governmental entities that receive government funds, directly or indirectly, fall under COA's audit jurisdiction, as do entities performing functions for the government or serving a

governmental purpose.

**\*\*Doctrine:\*\***

- Entities that receive government funds or perform functions for the government, even if created as organizations of private individuals, are subject to the audit jurisdiction of the COA.
- Funds sourced from non-tax revenues and private donations, when utilized for public purposes or government-related activities, are considered public funds and are subject to COA audit.

**\*\*Class Notes:\*\***

1. Audit Jurisdiction of COA: The COA has the authority to audit any entity, governmental or non-governmental, that handles government funds or performs governmental functions.
2. Public Funds Principle: Funds, even those sourced privately but used for public purposes or activities related to government functions, are treated as public funds.
3. Legal Basis for COA Jurisdiction: Section 2, Article IX-D of the 1987 Constitution and other relevant laws provide COA the power to audit entities handling government resources or engaged in public activities.

**\*\*Historical Background:\*\***

The MMFF Executive Committee's audit controversy highlights the broad scope of COA's audit powers, especially in scrutinizing entities that, while not strictly governmental, perform functions integral to governmental objectives or handle resources meant for public purposes. This case reinforces COA's role as the guardian of government resources, ensuring accountability and transparency even in collaborations involving government and private sector stakeholders in cultural and developmental activities.