

****Title:****

Gualberto J. dela Llana vs. The Chairperson, Commission on Audit, the Executive Secretary, and the National Treasurer

****Facts:****

1. On October 26, 1982, the Commission on Audit (COA) issued Circular No. 82-195, which lifted the system of pre-audit of government financial transactions with specific exceptions to streamline government efficiency while safeguarding the integrity of transactions.
2. Following the February 1986 EDSA Revolution, grave financial anomalies were discovered, prompting COA to issue Circular No. 86-257 on March 31, 1986, reinstating selective pre-audit of certain government transactions as a temporary measure.
3. With the stabilization of government operations, COA issued Circular No. 89-299 on October 26, 1989, lifting the pre-audit of transactions for national government agencies (NGAs) and government-owned or controlled corporations (GOCCs), emphasizing internal controls under agency heads.
4. This 1989 circular was followed by COA Circular No. 94-006 and Circular No. 95-006, which clarified the lifting of pre-audit activities for all financial transactions of NGAs, GOCCs, and local government units (LGUs).
5. Section 3.2 of Circular No. 89-299, as amended by Circular No. 89-299A, allowed COA to reinstitute pre-audit or adopt other control measures if warranted.
6. Despite this framework, COA reinstated selective pre-audit through Circular No. 2009-002 on May 18, 2009, due to rising irregular disbursements and property disposals. However, by July 22, 2011, through Circular No. 2011-002, COA lifted this pre-audit requirement.
7. On May 3, 2006, petitioner Gualberto J. dela Llana communicated to COA, highlighting a Senate recommendation for the Department of Agriculture to set up an internal pre-audit service. COA responded by emphasizing the directives in Circular No. 89-299 and the necessity of internal control systems per Administrative Order No. 278.
8. Dissatisfied, petitioner filed this Petition for Certiorari under Rule 65 on January 15, 2008, claiming the pre-audit is constitutionally mandated and that its removal has led to significant public fund irregularities, like the fertilizer fund scam and various discrepancies in government transactions.
9. Respondents argued on February 22, 2008, against the petition for certiorari, stating COA exercised neither judicial nor quasi-judicial functions in issuing Circular No. 89-299, hence not a proper subject for certiorari. They cited procedural defects in the petition.
10. Petitioner filed a Reply on May 9, 2008, and upon his death, his daughter, Amethya dela

Llana-Koval, was substituted as petitioner by the Court on October 7, 2008.

****Issues:****

1. Whether the Petition for Certiorari is procedurally proper given the allegations and claimed procedural defects.
2. Whether Gualberto J. dela Llana has legal standing to file the petition.
3. Whether the Commission on Audit (COA) acted beyond its powers in lifting the pre-audit requirement of government financial transactions through Circular No. 89-299.
4. Whether the pre-audit function is a mandatory constitutional duty of COA that cannot be dispensed through a COA circular.

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

1. ****Procedural Defects:**** The Court acknowledged minor procedural defects such as the lack of a certified true copy and material dates but opted to address the petition's merits due to the gravity of the constitutional questions involved.
2. ****Standing:**** The Court recognized the petitioner's standing as a taxpayer, as public funds from taxation potentially misused suffice to establish standing in challenging the issuance and application of Circular No. 89-299.
3. ****Propriety of Certiorari:**** The Court decided that while the writ of certiorari typically applies to quasi-judicial functions, it exercised its discretion to proceed in addressing the petition given the public interest and constitutional implications.
4. ****Pre-audit as a Constitutional Mandate:**** The Court examined Section 2 of Article IX-D of the 1987 Constitution:
 - ****Quasi-legislative scope:**** The Court reaffirmed that COA's constitutional authority extends to defining audit scope and methods, including choosing whether or not to conduct pre-audit activities.
 - ****Discretionary Pre-audit:**** The COA has discretion, not a constitutional duty, to conduct a pre-audit except where internal controls of an audited entity are deemed inadequate.

****Doctrine:****

The COA is vested with broad discretionary powers under the 1987 Constitution to determine the scope, techniques, and methods of its audits, including the decision to conduct pre-audit activities as necessary except where internal controls are insufficient.

****Class Notes:****

1. ****Key Elements:****
 - ***Scope of Audit:*** COA defines audit techniques and methods (Art. IX-D § 2, 1987

Constitution).

- ***Pre-audit:** Not mandated unless internal controls are inadequate; left to COA's discretion.
- ***Taxpayer Suit:** Standing established when public funds are allegedly misused.
- ***Certiorari Writ:** Applies to quasi-judicial acts but limited invocation possible for public interest constitutional issues.

****Historical Background:****

This case arises against the backdrop of post-1986 Philippine political normalization and efforts to combat financial irregularities surfaced after the EDSA revolution. The shifting framework of COA's pre-audit activity reflects changing governmental priorities from stringent oversight to streamlined operations under evolving regulatory and internal control measures.