

# **Johanson v. Disuanco and Others**

## **Facts:**

1. **Budget Ordinance and Resolution Enactment (December 16, 2014):**

- The Sangguniang Panlalawigan of Camarines Sur enacted Ordinance No. 039, authorizing the FY 2015 General Fund Annual Budget amounting to P2,214,525,491.00.
- It also passed Resolution No. 516, which authorized then-Governor Miguel Luis R. Villafuerte to grant additional allowances to certain public officials and workers.

2. **Disbursements and Audit Observations (FY 2015 – February 26, 2016):**

- The Provincial Government disbursed P2,406,939.00 covering the additional allowances.
- COA's Audit Group LGS-C issued Audit Observation Memorandum No. 2016-11-100-01, pointing out that:
  - Payment of 1.4 million to barangay officials contravened Section 4.2 of Budget Circular No. 63.
  - Incomplete documentary evidence for allowances amounting to P0.92 million.
  - Recommendations included refraining from granting further allowances and refunding P14,000.00.

3. **Disallowance Issuance and Response (December 9, 2016 – December 20, 2016):**

- A Notice of Disallowance (ND No. 2016-002-100) was issued, disallowing P1,412,839.00 and holding certain officials liable, including respondent Villafuerte.
- Camarines Sur Government asserted the legality of allowances citing local legislative ordinances and questioned the validity of COA's rules over these incentives.

4. **RTC Proceedings and Decision (December 20, 2016 – April 25, 2019):**

- Respondent filed a petition for certiorari under Rule 65 with the Regional Trial Court (RTC) of Pili, Camarines Sur.
- RTC affirmed the Notice of Disallowance but absolved Villafuerte from personal liability due to the absence of malice or bad faith.

5. **Petition for Review by COA Officers (Post-April 25, 2019):**

- Petitioners sought a reversal from the Supreme Court on the grounds that certiorari was not the proper mode for the review and asserted graft of public allowances violated specific regulations.

## **Issues:**

1. **Proper Mode of Review:**

- Whether a petition for certiorari was a proper mode to assail a Notice of Disallowance issued by COA.

2. **Legislation vs. Administrative Issuance:**

- Whether granting allowances to barangay officials was legally valid under Section 468(1)(xi) of the Local Government Code.

3. **Personal Liability:**

- Whether respondent Villafuerte should be held solidarily liable for the disallowed amount of P1,412,839.00.

**Court's Decision:**

1. **Proper Mode of Review:**

- Held that Rule 65 certiorari filed with the RTC was improper:

- **Rule V - COA's appellate process:**

- ND decisions must first be appealed to the COA Director and then before the Commission Proper.

- **RTC jurisdiction:**

- RTC lacks subject matter jurisdiction over COA decisions, which should have been appealed to the Supreme Court directly under Rule 64 in relation to Rule 65.

2. **Legality of Allowances:**

- While not directly addressed due to jurisdiction issues, the COA Auditor had authority to examine and settle the legality, going beyond the RTC's power to review.

3. **Personal Liability:**

- Procedural failure (improper petition) renders prior RTC absolvment invalid; therefore, ND's original personal liability imposition stands.

**Doctrine:**

- **Exhaustion of Administrative Remedies:**

- Parties must first exhaust the COA appeal process before invoking judicial review.

- **Jurisdictional Hierarchy:**

- COA decisions review is strictly within the Supreme Court's purview.

- **Principles of Public Funds Disbursement:**

- Public funds disbursement must be based on legal authorization grounded in specific statutory or legislative provisions.

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

**### \*\*Key Elements/Concepts:\*\***

- **\*\*Administrative Remedies:\*\*** Fundamental requirement of exhausting administrative appeals within COA before judicial intervention.

- **\*\*Finality of Decisions:\*\***

- Decision by a COA Auditor becomes final if not timely appealed within six months to the COA Director.

- **\*\*Jurisdiction Specificity:\*\***

- COA decisions can solely be elevated to the Supreme Court (Rule 64/65) and not lower courts, emphasizing separation of jurisdiction based on subject matter and hierarchical judicial bodies.

**### \*\*Statutory Provisions:\*\***

- **\*\*1987 Constitution, Article IX-A, Section 7:\*\***

- Supreme Court's exclusive certiorari jurisdiction over Constitutional Commissions.

- **\*\*Presidential Decree No. 1445:\*\***

- Sections 48, 50 outline comprehensive COA appeals procedure.

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

- **\*\*Budgetary and Allowance Appropriations Evolution:\*\***

- Post-1987 governance reforms included stringent financial oversight mechanisms to ensure checks and balance within government units.

Development of audit principles as per 1987 reforms emphasizing independent audit bodies for enhanced fiscal accountability and oversight on public fund disbursements.