

**STAR SPECIAL CORPORATE SECURITY MANAGEMENT, INC.
(FORMERLY STAR SPECIAL WATCHMAN & DETECTIVE
AGENCY, INC.) HEREIN REPRESENTED BY EDGARDO C. SORIANO,
THE HEIRS OF CELSO A. FERNAN...**

G.R. No. 225366. September 01, 2020

Ponente: LEONEN, J.

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LEONEN, J.:

The Commission on Audit has no jurisdiction to reverse and set aside a final judgment of the Regional Trial Court.

This Court resolves a Petition for Certiorari[1] assailing the Decision[2] and Resolution[3] of the Commission on Audit, which denied the claim against Puerto Princesa City (Puerto Princesa) made by Star Special Corporate Security Management, Inc. (Star Special), represented by Edgardo C. Soriano, the heirs of Celso A. Fernandez (Celso), and Manuel V. Hernandez (Manuel for himself and for the Heirs, (collectively, Star Special, et al.), for the balance of the just compensation for a parcel of land utilized as a road right-of-way, as adjudged in the final and executory decision of the Regional Trial Court of Quezon City.

Star Special Corporate Security Management, Inc. (formerly Star Special Watchman and Detective Agency, Inc.), Celso A. Fernandez, and Manuel V. Fernandez, were the owners of a parcel of land with an area of 5,942 square meters, more or less, and covered by Transfer Certificate of Title No. 13680 issued by the Registry of Deeds of Puerto Princesa City, Palawan.[4]

Star Special, Celso, and Manuel's property was used as a road right-of-way when the national government established a military camp, known as Western Command, in Puerto Princesa. Thus, Star Special, et al. filed before the Regional Trial Court of Quezon City a complaint for just compensation (Civil Case No. Q-90-4930) against Puerto Princesa, Mayor Edward Hagedorn, and the City Council of Puerto Princesa.[5]

On July 22, 1993, the Regional Trial Court rendered a Decision[6] in favor of Star Special, et al.. The dispositive portion of the Decision reads:

WHEREFORE, judgment is hereby rendered ordering the defendant Puerto Princesa City to pay plaintiffs as follows:

The amount of One Thousand Five Hundred Pesos (P1,500.00) per square meter on their land covered by Transfer Certificate of Title No. 13680 of the Register of Deeds of Puerto Princesa City, measuring 5,942 square meters with interest at twelve (12%) percent from March 12, 1990, date of the filing of the complaint, and after payment, the Register of Deeds of Puerto Princesa City is ordered to cancel Transfer Certificate of Title No. 13680 in the names of the plaintiffs and another one be issued in the name of Puerto Princesa City, after payment of the corresponding fees; P2,000.00 monthly rental from 1986 until the whole value of the land has been fully paid; damages and attorney's fees are dismissed; and counterclaim of the defendant is likewise dismissed for lack of merit.

With costs against the defendant.

SO ORDERED.[7]

The total money judgment amounted to P16,930,892.97 as of October 1995. However, sometime in November 1995, Celso and Puerto Princesa's legal counsel, Atty. Agustin Rocamora, verbally agreed to reduce the money judgment from P16,930,892.97 to P12,000,000.00, on the condition that the City would pay the amount of P2 million in February 1996 and, thereafter, P1 million monthly until fully paid. The P1 million monthly payment was further reduced to P500,000.00.[8]

Pursuant to their verbal agreement, Puerto Princesa initially appropriated the amount of P2 million, representing the initial payment. Check No. 049646 dated January 30, 1996 for P2 million was then issued in the name of Celso, which he also received on February 6, 1996.[9]

On May 10, 1996, Celso wrote a letter to Puerto Princesa, asking payment for the months of March, April, and May of 1996. He also requested the respondents to enact a continuing resolution for the P500,000.00 monthly payment until the remaining balance of P10 million was fully paid. Otherwise, Star Special would set aside their verbal agreement within the first week of June 1996.[10]

Thereafter, through Sangguniang Panlungsod Resolution No. 292-96, approved on August 6, 1996, Puerto Princesa authorized the release of P500,000.00 monthly as payment for Star Special's claim.[11]

Subsequently, checks were issued to Star Special, which was received by Celso on October 23, 1997, detailed as follows:

Check No.

Date Issued

Amount

049646

02/06/96

P2,000,000.00

18278355

09/10/96

1,000,000.00

21562399

11/05/96

1,000,000.00

4205501

01/31/97

2,000,000.00

22977614

05/15/97

2,000,000.00

22986270

05/26/97

1,500,000.00

22299190

06/24/97

500,000.00

22992012

07/27/97

500,000.00

22992130

08/29/97

500,000.00

25531/62

09/25/97

500,000.00

25535244

10/23/97

500,000.00[12]

On November 27, 2001, which marked the fourth year since the balance of P12,000,000.00 was fully paid, Star Special, et al. filed another Complaint before the Regional Trial Court of Quezon City to recover the balance of the original money judgment of P16,930,892.97. The Complaint was docketed as Civil Case No. Q-01-45668 and raffled to Branch 223.[13]

Puerto Princesa then filed its answer, asserting that claimants had already been paid in full.[14] During trial, Puerto Princesa failed to appear on the scheduled hearing dates for the presentation of its evidence.[15] Hence, in a June 5, 2003 Order, the trial court considered Puerto Princesa to have waived the presentation of its evidence, and the case was deemed submitted for resolution.[16]

Puerto Princesa received notice of the June 5, 2003 Order on June 18, 2003. More than a month thereafter, Puerto Princesa filed a Motion for Reconsideration; but it was denied by the trial court for having been filed out of time.[17]

Thereafter, judgment was rendered based on the evidence adduced by Star Special, et al.[18] The trial court found that the compromise agreement did not novate Puerto Princesa's obligation under the July 22, 1993 Decision, because the terms laid down by Star Special, et al. for the purported agreement to materialize were never complied with by Puerto Princesa.[19]

The trial court also rejected Puerto Princesa's allegation that Star Special, et al. was "estopped from pursuing its

claim[.]"[20] It found satisfactory Celso's explanation that the title was given to Puerto Princesa, upon the latter's request, to enable it to annotate a lis pendens afterwards, considering that Puerto Princesa had already made considerable payments on the property.[21]

Furthermore, the trial court rejected Puerto Princesa's claim of laches, ruling that Star Special, et al.'s complaint was still well within the 10-year prescriptive period under Article 1144 (3) of the New Civil Code.[22] At any rate, the trial court was convinced that Star Special, et al. had sufficiently established its claims.[23]

The dispositive portion of the Regional Trial Court's November 18, 2003 Decision[24] reads:

WHEREFORE, premises considered, defendant Puerto Princesa City is hereby ordered to pay the plaintiffs Star Special Watchman and Detective Agency, Inc., Celso A. Fernandez and Manuel V. Fernandez, the following:

- The amount of ten million six hundred fifteen thousand five hundred sixty-nine pesos and sixty-three centavos (P10,615,569.63), representing the defendants['] unpaid balance under the July 22, 2003 Decision, with twelve percent (12%) interest per annum, as pegged in the said Decision, from November 27, 2001, the date of the judicial demand in the form of the filing of the present Complaint; and

- Three hundred eighty thousand pesos (P380,000.00), and the rentals of two thousand pesos (P2,000.00) monthly from November 2001, until full payment of the amount stated in No. 1 hereof.

Plaintiffs' claim for attorney's fees is DENIED [for] lack of basis.

Costs against the defendant.

SO ORDERED.[25] (Emphasis in the original)

The November 18, 2003 Decision became final and executory on January 20, 2004.[26] A Writ of Execution[27] was then issued by the trial court on February 10, 2005.

When Puerto Princesa did not comply with its obligations, Star Special, et al. filed two (2) motions to: "(1) order the Land Bank of the Philippines to deliver the garnished account of Puerto Princesa City; and/or (2) order the City Council of Puerto Princesa City to appropriate funds for the payment of the money judgment[.]"[28]

In an October 27, 2005 Order,[29] the Regional Trial Court, Branch 223, Quezon City denied the motions on the ground that "no appropriation ordinance has been enacted and approved by the City Government of Puerto Princesa[.]"[30] The Regional Trial Court, however, stated that Puerto Princesa must still honor its obligation and that Star Special, et al. was entitled to a full and just compensation. Hence, the trial court ordered Puerto Princesa to comply with the November 18, 2003 Decision and to immediately pay Star Special the sums of money ordered therein.[31]

Through a May 7, 2007 Letter, Star Special, et al. requested the Commission on Audit to order Puerto Princesa to pay them the amount adjudged in the November 18, 2003 Decision.[32] This was followed by a formal claim on July 13, 2007, praying that the Commission on Audit issue an order "directing respondents to appropriate/allocate the necessary funds for the full satisfaction of the said decision including the corresponding interests and rentals[,] which as of June 26, 2007 amounted to P21,235,894.41."[33]

On July 17, 2007, Director Roy L. Ursal (Director Ursal) of then Legal and Adjudication Office of the Commission on Audit wrote a Letter[34] to Celso, informing him that the Commission on Audit could not act upon his request because it had no jurisdiction over the matter as the case was "already in the execution stage[.]"

Through an August 27, 2007 Letter, Puerto Princesa asked for the reconsideration of the July 17, 2007 Letter and

sought the Commission's interference pursuant to Supreme Court Administrative Circular No. 10-2000, as implemented by COA Circular No. 2001-002 dated July 31, 2001. In his March 28, 2008 reply, Director Salvador P. Isiderio from the Legal and Adjudication Sector of the Commission on Audit reiterated the earlier stand of Director Ursal.[35]

Star Special, et al. then filed a Petition for Mandamus before this Court, seeking to enforce the judgment award of the November 18, 2003 Decision.[36] The petition was docketed as G.R. No. 181792.

In a Decision[37] promulgated on April 21, 2014, the Third Division of this Court denied the Petition for Mandamus. This Court held that: (1) under Presidential Decree No. 1445, the Commission on Audit has the primary jurisdiction to settle all debts and claims due from the Government, or any of its subdivisions, agencies, and instrumentalities; and (2) this power can be exercised even if a court's decision in a case had already become final and executory, and even after the issuance of a writ of execution.[38] The Decision disposed as follows:

WHEREFORE, the petition for mandamus is DENIED. Petitioners are enjoined to refile its claim with the Commission on Audit pursuant to P.D. No. 1445.

SO ORDERED.[39] (Emphasis in the original)

Meanwhile, on July 17, 2012, the Commission on Audit rendered a Decision[40] denying Star Special, et al.'s formal claim.[41] The Commission on Audit found that Puerto Princesa had already paid and settled their obligation to the claimants as to the amount agreed upon. Moreover, the claimants cannot be allowed to renege on their verbal agreement by claiming that the original amount/money judgment was not paid or settled.[42] According to the Commission on Audit, Star Special, et al. have shown their approval and adoption of the agreement by their acceptance and retention of the payments [43]

Star Special, et al. then filed a motion for reconsideration on August 24, 2012.[44] However, on November 24, 2015, they withdrew their motion for reconsideration in view of this Court's April 21, 2014 Decision in G.R. No. 181792. They, instead, filed a second formal claim in order to collect and recover Puerto Princesa's alleged outstanding obligation.[45]

The Commission on Audit rendered a May 31, 2016 Resolution,[46] the dispositive portion of which reads:

WHEREFORE, premises considered, the August 23, 2012 motion for reconsideration and the motion to withdraw the same are hereby DENIED for lack of merit. Accordingly, COA Decision No. 2012-113 dated July 17, 2012 is hereby AFFIRMED with FINALITY.[47] (Emphasis in the original)

Hence, this Petition was filed.

Petitioners contend that the balance of respondent Puerto Princesa's obligation had long been established in the final and executory November 18, 2003 Decision of the Regional Trial Court.[48] Hence, the Commission on Audit violated the doctrines on immutability of judgment[49] and *res judicata*[50] when it issued a contrary ruling and denied petitioners' claim.

On the other hand, respondent Commission on Audit argues that petitioners' money claims against the local government unit falls under its primary jurisdiction. Hence, the November 18, 2003 Decision of the Regional Trial Court is void. The Commission on Audit further contends that the doctrines on *res judicata*, law of the case, and immutability of judgment do not apply.[51]

Respondent Puerto Princesa, for its part, argues that "[considering that the [Commission on Audit] has the authority to determine the propriety of money claims against the Government, its factual determination establishing full payment of the obligation. . . should be accorded great weight and finality.]"[52]

In their Reply[53] to the Comment of respondent Commission on Audit, petitioners assert that: (1) respondent Puerto Princesa is estopped from assailing the jurisdiction of the Regional Trial Court;[54] (2) they acquired vested rights upon the finality of the November 18, 2003 Decision of the Regional Trial Court; and (3) exhaustion of administrative remedies does not apply as the issues raised were purely legal.[55]

The sole issue to be resolved by this Court is whether or not respondent Commission on Audit gravely abused its discretion when it denied petitioners' money claim against respondent Puerto Princesa, considering the finality of the November 18, 2003 Decision of the Regional Trial Court.

This Court grants the petition.

I

The November 18, 2003 Decision of the Regional Trial Court, Branch 223, Quezon City established respondent Puerto Princesa's unpaid balance of the original money judgment (of P16,930,892.97, under the July 22, 1993 Decision). Respondent Puerto Princesa failed to appeal within the period prescribed in the Rules of Court, and the November 18, 2003 Decision attained finality in January 2004.

However, respondent Commission on Audit, in denying petitioners' money claim to enforce the November 18, 2003 Decision, held:

The records of the case show that the claimants and the [City Government of Puerto Princesa] entered into a verbal agreement or extra-judicial compromise agreement reducing the claim to P12,000,000.00 from P16,930,892.97. This is shown in the letter dated May 10, 1996 of Atty. Celso A. Fernandez to City Mayor Edward S. flagedorn. Pursuant to such agreement, the [City Government of Puerto Princesa] complied and paid its obligation to Star Special Watchman and Detective Agency, Inc., per Certification dated July 29, 2002, issued by then Puerto Princesa City Treasurer Rogelio L. Hitosis . . .

Clearly, the [City Government of Puerto Princesa] already paid and settled its obligation to the claimants as to the amount agreed upon. Hence, claimants may not now [sic] be allowed to renege in their agreement or contract by claiming that the original amount/money judgment was not paid or settled by the [City Government of Puerto Princesa].[56]

The Commission on Audit, in effect, reversed and set aside the final and executory decision of the Regional Trial Court, in violation of the doctrine of immutability of judgment.

Under the doctrine of immutability of judgment, a decision, once final, can no longer be altered. As held in *FGU Insurance Corp. v. Regional Trial Court of Makati City, Branch 66*.[57]

Under the doctrine of finality [or] immutability of judgment, a decision that has acquired finality becomes immutable and unalterable, and may no longer be modified in any respect, even if the modification is meant to correct erroneous conclusions of fact and law, and whether it be made by the court that rendered it or by the Highest Court of the land. Any act which violates this principle must immediately be struck down.[58]

In *Osmeña v. Commission on Audit*,[59] the Commission on Audit disallowed the amount of P30,000 appropriated by the City of Cebu relative to a compromise agreement executed in the civil case for damages filed against it, which compromise agreement was embodied in a judgment of the Regional Trial Court. This Court held that the disallowance was tainted with grave abuse of discretion. Thus:

Obviously, respondent refused to take account of the foregoing legal principles in relation to the antecedents of the provision in the supplemental budget of the City for payment of P30,000.00. It failed to realize that payment thereof was part of the consideration, not merely for the settlement of a claim, but for the settlement of an actual controversy, and constituted one of the "reciprocal concessions" which the law considers "the very

heart and life of every compromise[.]" By making reciprocal concessions, the parties in Civil Case No. 4275 of the Regional Trial Court of Cebu City (Branch 23) put an end to the action in a manner acceptable to all of them. The City thus eliminated the contingency of being made to assume heavier liability in said suit for damages instituted against it in connection with its operation and management of the Cebu City Medical Center, activities being undertaken by it in its proprietary (as distinguished from its government) functions and in accordance with which it may be held liable *ex contractu* or *ex delicto*, for the negligent performance of its corporate, proprietary or business functions.

It is noteworthy that the compromise in question was approved by, and embodied in the judgment of, the Court, which pronounced it "to be in conformity with law, morals and public policy" and enjoined the parties "to comply strictly with the terms and conditions thereof. "

This judicial compromise is conclusive and binding on all the parties, including the City of Cebu. It is enforceable by execution, as above stressed. There was no reason whatever to object to it, much less disallow any disbursement therein stipulated. It should have been approved as a matter of course,[60] (Citations omitted, emphasis supplied)

Similarly, respondent Puerto Princesa's outstanding balance was already adjudged in the November 18, 2003 Decision of the Regional Trial Court, which had acquired finality. Thus, respondent Commission on Audit should have approved petitioner's claim as a matter of course.

II

The Commission on Audit has no jurisdiction to modify, much less nullify, a final judgment of the Regional Trial Court. It is not a court; neither is it a part of the judicial system. It is an independent constitutional body[61] possessed of administrative or quasi-judicial functions in relation to its general audit power.[62]

Section 2, Article IX-D of the Constitution mandates the Commission on Audit, as the "guardian of public funds and properties[.]"[63] to perform the following duties:

[E]xamine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the government, or any of its subdivisions, agencies, or instrumentalities, to wit:[64]

Furthermore:

[P]romulgate accounting and auditing rules and regulations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures or uses of government funds and properties.[65]

The Commission on Audit exercises its powers in accordance with certain principles[66] and state policies to assure that government funds "[are] managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition."[67]

Included in the Commission on Audit's general audit jurisdiction is the authority to examine, audit, and settle "all debts and claims of any sort due from or owing to the Government or any of its subdivisions, agencies and instrumentalities." [68] Consequently, court-adjudicated money claims against the government must be separately brought before the Commission on Audit for their satisfaction.[69]

In *Roxas v. Republic Real Estate Corp.*, [70] this Court sustained the Court of Appeals in nullifying the writ of execution issued by the Regional Trial Court over government funds for payment of reclamation work done by Republic Real Estate Corporation. This Court then discussed the process for pursuing a money claim against the

government, thus:

The case is premature. The money claim against the Republic should have been first brought before the Commission on Audit.

The Writ of Execution and Sheriff De Jesus' Notice [of Execution] violate this Court's Administrative Circular No. 10-2000 and Commission on Audit Circular No. 2001-002, which govern the issuance of writs of execution to satisfy money judgments against government.

Administrative Circular No. 10-2000 dated October 25, 2000 orders all judges of lower courts to observe utmost caution, prudence, and judiciousness in the issuance of writs of execution to satisfy money judgments against government agencies. This Court has emphasized that:

....

[I]t is settled jurisprudence that upon determination of State liability, the prosecution, enforcement or satisfaction thereof must still be pursued in accordance with the rules and procedures laid down in Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines . . . All money claims against the Government must first be filed with the Commission on Audit which must act upon it within sixty days. Rejection of the claim will authorize the claimant to elevate the matter to the Supreme Court on certiorari and in effect sue the State thereby (Presidential Decree No. 1445, Sections 49-50). (Emphasis supplied)

For its part, Commission on Audit Circular No. 2001-002 dated July 31, 2001 requires the following to observe this Court's Administrative Circular No. 10-2000: department heads; bureau, agency, and office chiefs; managing heads of government-owned and/or controlled corporations; local chief executives; assistant commissioners, directors, officers-in-charge, and auditors of the Commission on Audit; and all others concerned.

Chapter 4, Section 11 of Executive Order No. 292 gives the Commission on Audit the power and mandate to settle all government accounts. Thus, the finding that government is liable in a suit to which it consented does not translate to enforcement of the judgment by execution.

As a rule, public funds may not be disbursed absent an appropriation of law or other specific statutory authority. Commonwealth Act No. 327, as amended by Presidential Decree No. 1445, requires that all money claims against government must first be filed before the Commission on Audit, which, in turn, must act upon them within 60 days.

Only when the Commission on Audit rejects the claim can the claimant elevate the matter to this Court on certiorari and, in effect, sue the state. *Carabao, Inc. v. Agricultural Productivity Commission* has settled that "claimants have to prosecute their money claims against the Government under Commonwealth Act 327 . . . and that the conditions provided in Commonwealth Act 327 for filing money claims against the Government must be strictly observed."

In *Star Special Watchman and Detective Agency, Inc. v. Puerto Princesa City*.

Under Commonwealth Act No. 327, as amended by Section 26 of P.D. No. 1445, it is the Commission on Audit which has primary jurisdiction to examine, audit and settle "all debts and claims of any sort" due from or owing the Government or any of its subdivisions, agencies and instrumentalities, including government-owned or controlled corporations and their subsidiaries[.]

[Republic Real Estate Corporation's] procedural shortcut must be rejected. Any allowance or disallowance of its money claims is for the Commission on Audit to decide, subject only to [Republic Real Estate Corporation's] remedy of appeal via a petition for certiorari before this Court.[71] (Citations omitted, emphasis in the original)

It is true that this Court has, time and again, upheld the Commission on Audit's primary jurisdiction over money

claims against the government.[72] However, this jurisdiction of the Commission on Audit does not include the appellate power to review, revise, reverse, or modify judgments and orders of lower courts. The Constitution vests the power of judicial review only in this Court and in such lower courts as the law may establish.[73]

Notably, in cases where the primary jurisdiction of the Commission on Audit was recognized, the doctrine was properly or opportunely raised by the government agency or local government unit.

In *Euro-Med Laboratories Phil., Inc. v. Province of Batangas*,^[74] the Province of Batangas filed a motion to dismiss the complaint after petitioner had presented its evidence, on the ground that the primary jurisdiction over petitioner's money claim was lodged with the Commission on Audit. Finding the motion to dismiss to be well-taken, the Regional Trial Court dismissed the complaint. Thereafter, the Province of Batangas, assailed the dismissal before this Court through a petition for review on certiorari.

The Court held that it is the Commission on Audit, and not the Regions Trial Court, that has primary jurisdiction to pass upon petitioner's money claim against respondent local government unit. Such jurisdiction may not be waived by the parties' failure to argue the issue or by their active participation in the proceedings. Thus, this Court ruled:

This case is one over which the doctrine of primary jurisdiction clearly held sway for although petitioner's collection suit for P487,662.80 was within the jurisdiction of the RTC, the circumstances surrounding petitioner's claim brought it clearly within the ambit of the [Commission on Audit's] jurisdiction.

First, petitioner was seeking the enforcement of a claim for a certain amount of money against a local government unit. This brought the case within the [Commission on Audit's] domain to pass upon money claims against the government or any subdivision thereof under Section 26 of the Government Auditing Code of the Philippines:

The authority and powers of the Commission [on Audit] shall extend to and comprehend all matters relating to . . . the examination, audit, and settlement of all debts and claims of any sort due from or owing to the Government or any of its subdivisions, agencies, and instrumentalities[.]

The scope of the [Commission on Audit's] authority to take cognizance of claims is circumscribed, however, by an unbroken line of cases holding statutes of similar import to mean only liquidated claims, or those determined or readily determinable from vouchers, invoices, and such other papers within reach of accounting officers. Petitioner's claim was for a fixed amount and although respondent took issue with the accuracy of petitioner's summation of its accountabilities, the amount thereof was readily determinable from the receipts, invoices and other documents. Thus, the claim was well within the [Commission on Audit's] jurisdiction under the Government Auditing Code of the Philippines.[75] (Citations omitted)

In *The Province of Aklan v. Jody King Construction and Development Corp.*,^[76] petitioner local government unit assailed the Regional Trial Court's denial of its notice of appeal through a petition for certiorari before the Court of Appeals. Among other issues it raised was the Commission on Audit's primary jurisdiction over the money claim. The Court of Appeals dismissed the petition for certiorari, ruling that petitioner was estopped from invoking the doctrine. This Court then reversed the Court of Appeals and held that a collection suit against a local government unit must be brought first to the Commission on Audit; otherwise, all the proceedings in the trial court are void. Thus:

Respondent's collection suit being directed against a local government unit, such money claim should have been first brought to the [Commission on Audit], Hence, the RTC should have suspended the proceedings and refer the filing of the claim before the [Commission on Audit], Moreover, petitioner is not estopped from raising the issue of jurisdiction even after the denial of its notice of appeal and before the [Court of Appeals],

....

The doctrine of primary jurisdiction does not warrant a court to arrogate unto itself authority to resolve a controversy the jurisdiction over which is initially lodged with an administrative body of special competence. All the proceedings of the court in violation of the doctrine and all orders and decisions rendered thereby are null and void.[77] (Citations omitted)

Metropolitan Manila Development Authority v. D.M. Consunji, Inc.,[78] involved a complaint for sum of money based on quantum meruit, with damages, filed before the Regional Trial Court. The Metropolitan Manila Development Authority, in its Answer, asserted that the money claim should be filed before the Commission on Audit. On respondent's motion, the Regional Trial Court rendered a judgment on the pleadings against the Metropolitan Manila Development Authority. The Court of Appeals affirmed the Regional Trial Court. Upon a petition for review, this Court set aside the Court of Appeals' decision and ordered that "[the contractor's] money claim against petitioner based on quantum meruit should be filed with the Commission on Audit." [79]

In this case, this Court agrees with petitioner that respondent Puerto Princesa is barred by laches from impugning the jurisdiction of the Regional Trial Court. "[L]aches has been defined as the failure or neglect, for an unreasonable and unexplained length of time, to do that which, by exercising due diligence could or should have been done earlier." [80]

Respondent Puerto Princesa neither objected to the Regional Trial Court's jurisdiction nor invoked the doctrine of primary jurisdiction of the Commission on Audit over the money claim. On the contrary, respondent Puerto Princesa actively participated in the proceedings before the Regional Trial Court.[81] Even after the November 18, 2003 Decision attained finality, respondent Puerto Princesa did not avail of the remedies under the Rules of Court to assail the Regional Trial Court's jurisdiction.

Rule 47 of the Rules of Court governs the annulment by the Court of Appeals, of judgments of the Regional Trial Court "for which the ordinary remedies of new trial, appeal, petition for relief or other appropriate remedies are no longer available through no fault of the petitioner." [82] A petition for annulment of judgment may be filed "on the grounds of extrinsic fraud and lack of jurisdiction." [83]

In *Alaban v. Court of Appeals*, [84] this Court discussed the nature and purpose of petitions for annulment of judgment:

An action for annulment of judgment is a remedy in law independent of the case where the judgment sought to be annulled was rendered. The purpose of such action is to have the final and executory judgment set aside so that there will be a renewal of litigation. It is resorted to in cases where the ordinary remedies of new trial, appeal, petition for relief from judgment, or other appropriate remedies are no longer available through no fault of the petitioner, and is based on only two grounds: extrinsic fraud, and lack of jurisdiction or denial of due process. A person need not be a party to the judgment sought to be annulled, and it is only essential that he can prove his allegation that the judgment was obtained by the use of fraud and collusion and he would be adversely affected thereby. [85] (Citations omitted)

Respondent Puerto Princesa did not avail itself of this remedy. By the time respondent Commission on Audit filed before this Court its Comment on the Petition for Certiorari, claiming that the November 18, 2003 Decision is void for lack of jurisdiction of the Regional Trial Court, estoppel by laches had already set in.

Verily, the doctrine of primary jurisdiction and its corollary, "the doctrine of exhaustion of administrative remedies . . . are not ironclad rules." [86] An exception to these rules is where there is estoppel on the part of the party invoking the doctrine. [87] Respondent Commission on Audit could no longer assail the jurisdiction of the Regional Trial Court, indirectly or collaterally, by way of its Comment here after respondent Puerto Princesa had

effectively lost its right to question the validity of the November 18, 2003 Decision.

Again, the settled doctrine is that "final judgments may no longer be reviewed or in any way modified directly or indirectly by a higher court, not even by [this Court], much less by any other official, branch or department of Government." [88]

We are not unaware of *Binga Hydroelectric Plant, Inc. v. COA*, [89] where this Court sustained the Commission on Audit's denial of a money claim based on a Compromise Agreement that was approved by the Court of Appeals. This Court in that case, held in part:

[T]he [Commission on Audit] did not gravely abuse its discretion in making such recommendation, even if it went against a final and executory judgment of an appellate court... the finality of the [Court of Appeals'] judgment does not preclude the [Commission on Audit] from ruling on the validity and veracity of the claims.

....

Concomitantly, the duty to examine, audit, and settle claims means deciding whether to allow or disallow the same. This duty involves more than the simple expedient of affirming or granting the claim on the basis that it has already been validated by the courts. To limit it would render the power and duty of the [Commission on Audit] meaningless. [90] (Citations omitted)

The foregoing ruling, nonetheless, must be read in its context. In that case, the petition for certiorari was denied primarily because it was filed out of time. This Court found no compelling reason to relax the procedural rules. For one, petitioner did not explain its failure to comply with the rules. Moreover, this Court found no grievous error committed by the Commission on Audit. This Court held that the Commission on Audit was correct in pointing out that the Compromise Agreement, as approved by the Office of the Solicitor General, is null and void because the power to compromise the claims in that case was lodged exclusively with Congress, pursuant to Section 20(1), Ch. IV, Subtitle B, Title I, Book V of Executive Order No. 292.

The factual milieu in this case is different. Respondent Puerto Princesa is barred by laches by its failure to assail the Regional Trial Court's jurisdiction within a reasonable time. The November 18, 2003 Decision had long attained finality. Respondent Commission on Audit's action, therefore, in reversing the November 18, 2003 Decision constitutes a breach of its constitutional competence. It acted with grave abuse of discretion amounting to lack or excess of jurisdiction.

III

Decisions and resolutions of the Commission on Audit are subject to the Court's judicial power. [91] Article VIII, Section 1 of the 1987 Constitution provides for the expanded jurisdiction of the Court, "to determine whether or not there has been a grave abuse of discretion amounting to lack or excess of jurisdiction on the part of any branch or instrumentality of the Government." Grave abuse of discretion has been defined as:

[S]uch capricious and whimsical exercise of judgment as is equivalent to lack of jurisdiction. Mere abuse of discretion is not enough. It must be grave abuse of discretion as when the power is exercised in an arbitrary or despotic manner by reason of passion or personal hostility, and must be so patent and so gross as to amount to an evasion of a positive duty or to a virtual refusal to perform the duty enjoined or to act at all in contemplation of law. [92] (Citation omitted)

Moreover, Article IX-A, Section 7 of the 1987 Constitution, provides that "[u]nless otherwise provided by this Constitution or by law, any decision, order, or ruling of each Commission may be brought to the Supreme Court on certiorari by the aggrieved party[.]"

Here, this Court finds that the Commission on Audit's decision of disallowing petitioners' claim to enforce a final

and executory judgment of the Regional Trial Court was tainted with grave abuse of discretion.

WHEREFORE, the Petition is GRANTED. The July 17, 2012 Decision No. 2012-113 and May 31, 2016 Resolution of the Commission on Audit are NULLIFIED and SET ASIDE. The Commission on Audit is ORDERED to allow petitioners' claim for the payment of the judgment award under the November 18, 2003 Decision in Civil Case No. Q-01-45668 of Branch 223 of the Regional Trial Court of Quezon City.

SO ORDERED.

Peralta, C.J., Perlas-Bernabe, Caguioa, Gesmundo, Reyes, J., Jr., Hernando, Carandang, Lazaro-Javier, Inting, Zalameda, Lopez, Delos Santos, and Gaerlan, JJ., concur.
Baltazar-Padilla, J., on leave.

[1] Rollo, pp. 3-25. Filed under Rule 64, in relation to Rule 65, of the 1997 Rules of Civil Procedure.

[2] Id. at 73-77. The Decision No. 2012-113 dated July 17, 2012 was signed by Chairperson Ma. Gracia M. Pulido Tan and Commissioners Juanito G. Espino, Jr. and Heidi L. Mendoza of the Commission on Audit, Quezon City, Philippines.

[3] Id. at 78-88. The Resolution dated May 31, 2016 was signed by Chairperson Michael G. Aguinaldo and Commissioners Jose A. Tabia and Isabel D. Agito of the Commission on Audit, Quezon City, Philippines.

[4] Id. at 73.

[5] Id.

[6] Is. at 27-37. The Decision was penned by Judge Percival Mandap Lopez of Branch 78, Regional Trial Court, Quezon City.

[7] Id. at 37.

[8] *Star Special Watchman and Detective Agency, Inc. et al. v. Puerto Princesa City, et al*, 733 Phil. 62, 67-68 (2014) [Per J. Mendoza, Third Division].

[9] Id. at 68.

[10] Id.

[11] Rollo, p. 79. Commission on Audit Decision dated May 31, 2016.

[12] Id.

[13] Id. at 79.

[14] Id. at 39.

[15] Id. at 74.

[16] Id. at 40.

[17] Id. at 40-41.

[18] Id. at 41.

[19] Id. at 42.

[20] Id.

[21] Id. at 44.

[22] Id.

[23] Id.

[24] Id. at 38⁶. The Decision was penned by Presiding Judge Ramon A. Cruz.

[25] Id. at 45-46.

[26] Id. at 47-48. Certificate of Finality.

[27] Id. at 49-50.

[28] Id. at 51.

[29] Id. at 51-52.

[30] Id. at 52.

[31] Id.

[32] Id. at 53.

[33] *Star Special Watchman and Detective Agency, Inc. et al. v. Puerto Princesa City, et al.*, 733 Phil. 62, 71 (2014) [Per J. Mendoza, Third Division].

[34] Rollo, p. 53.

[35] Id. at 80.

[36] *Star Special Watchman and Detective Agency, Inc. et al. v. Puerto Princesa City, et al.*, 733 Phil. 62, 65 (2014) [Per J. Mendoza, Third Division].

[37] Id.

[38] Id. at 81.

[39] Id. at 84.

[40] Rollo, pp.73-76. Decision No. 2012-113 was signed by Chairperson Ma. Gracia M. Pulido Tan and Commissioners Juanito G. Espino, Jr. and Heidi L. Mendoza.

[41] Id. at 74

[42] Id. at 75.

[43] Id. at 76.

[44] Id. at 78.

[45] Id. at 82.

[46] Id. at 78-87. The Resolution was signed by Chairperson Michael G. Aguinaldo and Commissioners Jose A. Tabia and Isabel D. Agito.

[47] Id. at 87.

[48] Id. at 17-18.

[49] Id. at 19.

[50] Id. at 20.

[51] Id. at 111-112. Comment of COA.

[52] Id. at 241.

[53] Id. at 189-199.

[54] Id. at 190-191.

[55] Id. at 192.

[56] Id. at 75.

[57] 659 Phil. 117 (2011) [Per J. Mendoza, Second Division].

[58] Id. at 123.

[59] 308 Phil. 487 (1994) [Per C.J. Narvasa, En Banc].

[60] Id. at 498.

[61] J. Brion, Concurring and Dissenting opinion in Technical Education and Skills Development Authority v. Commission on Audit, 729 Phil. 60 (2014) [Per J. Carpio, En Banc].

[62] Uy v. Commission on Audit, 385 Phil. 324 (2000) [Per J. Puno, En Banc].

[63] Miralles v. Commission on Audit, 818 Phil. 380, 389 (2017) [Per J. Bersamin, En Banc].

[64] CONST., art. IX-D, sec. 2(1).

[65] CONST., art. IX-D, sec. 2(2).

[66] Presidential Decree No. 1445 (1978), Government Auditing Code of the Philippines, sec. 4 provides:
SECTION 4. Fundamental principles. — Financial transactions and operations of any government agency shall be governed by the fundamental principles set forth hereunder, to wit;

(1) No money shall be paid out of any public treasury or depository except in pursuance of an appropriation law or other specific statutory authority.

(2) Government funds or property shall be spent or used solely for public purposes.

(3) Trust funds shall be available and may be spent only for the specific purpose for which the trust was created or the funds received.

(4) Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the government agency.

(5) Disbursements or disposition of government funds or property shall invariably bear the approval of the proper officials.

(6) Claims against government funds shall be supported with complete documentation.

(7) All laws and regulations applicable to financial transactions shall be faithfully adhered to.

(8) Generally accepted principles and practices of accounting as well as of sound management and fiscal administration shall be observed, provided that they do not contravene existing laws and regulations.

[67] Presidential Decree No. 1445 (1978), sec. 2.

[68] Presidential Decree No. 1445 (1978), sec. 26; and Metropolitan Manila Development Authority v. D.M. Consunji, Inc., G.R. No. 222423, February 20, 2019, < <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/64985> > [Per J. Carpio, Second Division].

[69] Republic v. National Labor Relations Commission, G.R. No. 174747, March 9, 2016 [Per J. Leonen, Second Division].

[70] 786 Phil. 163 (2016) [Per J. Leonen, En Banc].

[71] Id. at 188-192.

[72] Metropolitan Manila Development Authority v. D.M. Consunji, Inc., G.R. No. 222423, February 20, 2019, < <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/64985> > [Per J. Carpio, Second Division]; Province of Aklan v. Jody King Construction and Development Corp., 722 Phil. 315 (2013); and Euro-Med Laboratories, Phil, Inc. v. Province of Batangas, 527 Phil. 623 (2006) [Per J. Corona, Second Division].

[73] CONST., art. VIII, sec. 1 states:

SECTION 1. The judicial power shall be vested in one Supreme Court and in such lower courts as may be established by law.

Judicial power includes the duty of the courts of justice to settle actual controversies involving rights which are legally demandable and enforceable, and to determine whether or not there has been a grave abuse of discretion amounting to lack or excess of jurisdiction on the part of any branch or instrumentality of the Government.

[74] 527 Phil. 623 (2006) [Per J. Corona, Second Division].

[75] Id. at 627-628.

[76] 722 Phil. 315 (2013) [Per J. Villarama, Jr., First Division].

[77] Province of Aklan v. Jody King Construction and Development Corp., G.R. Nos. 197592 & 202623, [November 27, 2013], 722 Phil. 315-330 [Per J. Villarama, Jr., First Division] Id. at 327-328.

[78] G.R. No. 222423, February 20, 2019, < <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/6498> > [Per J. Carpio, Second Division].

[79] Id.

[80] Buisan v. Commission on Audit, 804 Phil. 679, 690 (2017) [Per J. Reyes, En Banc], citing Akang v. Municipality of Isulan, 712 Phil. 420, 439 (2013) [Per J. Reyes, First Division].

[81] Rollo, p. 21.

[82] RULES OF COURT, Rule 47, sec 1.

[83] RULES OF COURT, Rule 47, sec. 2.

[84] 507 Phil. 682, 694 (2005) [Per J. Tinga, Second Division].

[85] Id.

[86] *Vigilar v. Aquino*, 654 Phil. 755 (2011) [Per J. Sereno, En Banc].

[87] *Republic v. Lacap*, 546 Phil. 87, 97-98 (2007) [Per J. Austria Martinez, Third Division] enumerates the following exceptions:

(a) where there is estoppel on the part of the party invoking the doctrine; (b) where the challenged administrative act is patently illegal, amounting to lack of jurisdiction; (c) where there is unreasonable delay or official inaction that will irretrievably prejudice the complainant; (d) where the amount involved is relatively small so as to make the rule impractical and oppressive; (e) where the question involved is purely legal and will ultimately have to be decided by the courts of justice; (f) where judicial intervention is urgent; (g) when its application may cause great and irreparable damage; (h) where the controvert[.] acts violate due process; (i) when the issue of non-exhaustion of administrative remedies has been rendered moot; (j) when there is no other plain, speedy and adequate remedy; (k) when strong public interest is involved; and, (l) in quo warranto proceedings[.] (Citations omitted)

[88] *Uy v. Commission on Audit*, 385 Phil. 324, 337-338 (2000) [Per J. Puno, En Banc].

[89] G.R. No. 218721, July 10, 2018, 871 SCRA 492 [Per J. Jardeleza, En Banc].

[90] *Id.* at 504-506.

[91] *City of General Santos v. Commission on Audit*, 733 Phil. 687 (2014) [Per J. Leonen, En Banc].

[92] *Id.* at 697 citing *Development Bank of the Philippines v. Commission on Audit*, 530 Phil. 271, 278 (200) [Per J. Puno, En Banc].

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