Republic of the Philippines
Supreme Court
Manila

EN BANC

ENGR. NUMERIANO M. CASTAÑEDA, JR.,* in his capacity as the General Manager of San Rafael Water District (SRWD), on his own behalf and on behalf of other SRWD Officials and Employees, Petitioners,	**G.R. No. 263014**
	Present:
	GESMUNDO, *C.J.*,
	LEONEN,
	CAGUIOA,
	HERNANDO,**
	LAZARO-JAVIER,
	INTING,
	ZALAMEDA,
	LOPEZ, M.,
	GAERLAN,
- versus -	ROSARIO,
	LOPEZ, J.
	DIMAAMPAO,
	MARQUEZ,
	KHO, JR., and
	SINGH, *JJ.*
	Promulgated:
COMMISSION ON AUDIT, Respondent.	February 25, 2025

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RESOLUTION

INTING, *J.*:

Before the Court is a Motion for Reconsideration[1] filed by Engr. Numeriano M. Castañeda, Jr. (Castañeda Jr.), in his capacity as General Manager of San Rafael Water District (SRWD), on his own behalf and on behalf of other SRWD officials and employees (collectively, petitioners)

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* Also referred to as "Engr. Numeriano M. Castañeda" in some parts of the *rollo*.
** On official leave.
1 *Rollo*, pp. 268-280.

assailing the Court's Decision[2] dated May 14, 2024 (assailed Decision), which dismissed the Petition for *Certiorari*[3] dated September 13, 2022.

The assailed Decision affirmed Decision No. 2018-188[4] dated January 29, 2018, and Resolution[5] dated January 24, 2022 (Decision No. 2022-118), of the Commission on Audit (COA) which upheld Notice of Disallowance (ND) Nos. 12-001-101(11)[6] and 12-002-101(11),[7] both dated November 21, 2012. While the COA initially absolved the employee-recipients in ND No. 12-001-101(11) from returning the disallowed benefits in Decision No. 2018-188, it reversed this position in its Resolution in Decision No. 2022-118 and found them liable to refund the full amount of the disallowed benefits they respectively received.

The Antecedents

On November 21, 2012, the COA Audit Group F of the Province of Bulacan issued ND Nos. 12-001-101(11) and 12-002-101(11) that found SRWD to have paid additional allowances and bonuses to its employees and the members of the Board of Directors (BOD) without legal basis.

ND No. 12-001-101(11) disallowed the payments of rice allowance, grocery allowance, medical allowance, and year-end financial assistance to SRWD employees hired after December 31, 1999, for the year 2011, amounting to PHP 857,340.75.[8] ND No. 12-002-101(11) disallowed the payment of year-end financial assistance and cash gift to the members of the BOD for the year 2011, amounting to PHP 239,000.00.

COA Audit Group F held Castañeda Jr. liable as a recipient and solidarily liable as an approving officer under ND No. 12-001-101(11), and solidarily liable as an approving officer for the disallowed benefits under ND No. 12-002-101(11).[9] Further, it held Marivel V. Suarez (Suarez), the Division Manager C of SRWD, solidarily liable as the certifying officer in both NDs.[10]

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2 *Id.* at. 242–265.
3 *Id.* at 3–30.
4 *Id.* at 98–09. The Decision No. 2018-188 dated January 29, 2018 was signed by Chairperson Michael G. Aguinaldo and Commissioners Jose A. Fabia and Isabel D. Agito, as attested by Commission Secretariat and Director IV Nilda B. Plaras of the Commission on Audit, Quezon City.
5 *Id.* at 110-113. The Resolution in Resolution No. 2022-118 dated January 2024 was signed by Chairperson Michael G. Aguinaldo and Commissioner Roland C. Pondoc, as attested by Commission Secretariat and Director IV Bresilo R. Sabaldan of the Commission on Audit, Quezon City.
6 *Id.* at 115–118. Prepared by State Auditor IV Mirasol B. Liwanag and approved by Chona P. Laxamana, Head of Audit Group F, Province of Bulacan.
7 *Id.* at 119–121. Prepared by State Auditor IV Mirasol B. Liwanag and approved by Chona P. Laxamana, Head of Audit Group F, Province of Bulacan.
8 *Id.* at 117.
9 *Id.*
10 *Id.* at 117, 120.

The COA Audit Group F also found the employee-recipients[11] liable to refund the disallowed benefits under ND No. 12-001-101(11), while the members of the BOD[12] are held liable to refund the disallowed benefits they received under ND No. 12-002-101(11).[13]

Castañeda Jr., as General Manager of SRWD, filed an Appeal Memorandum[14] with the COA Regional Office No. III for himself and the persons held liable in the NDs. The COA Regional Office No. III denied the appeal under COA RO No. III Decision No. 2014-32 dated April 30, 2014.[15]

Aggrieved, petitioners filed a Petition for Review[16] on June 19, 2014.

The Ruling of the COA Proper

In Decision No. 2018-188,[17] the COA affirmed the earlier Decision against petitioners but *reversed* the finding of liability against the employee-recipients in ND No. 12-001-101(11) and *absolved* them from refunding the disallowed benefits, as they were found to be mere passive recipients who received the benefits in good faith. It ruled that Castañeda Jr., Suarez, and the members of the BOD should remain liable.[18]

On October 19, 2018, Castañeda Jr. and Suarez filed a Motion for Partial Reconsideration[19] challenging the portion of the Decision that declared them solidarily liable for the disallowed amounts under ND Nos. 12-001-101(11) and 12-002-101(11). They argued that they acted in good faith as they relied on the blanket authority given by Mr. Orlando R. Garcia, Director IV, Department of Budget and Management (DBM) RO III, to SRWD in his Letter-Reply[20] dated February 11, 2003 (Garcia Letter), authorizing the grant of benefits to employees hired after December 31, 1999, and SRWD Board Resolution Nos. 2011-02, s. 2011[21] and 2011-07, s. 2011,[22] authorizing the release of year-end financial assistance and cash gift to the members of the BOD.

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11 *Id.* at 117–118. Namely, Marcelino Antonio, Frederick Astrero, Francisco De Leon, Jeffrey De Leon, Cenon Diaz. Regino Gonzales, Yolanda Mateo, Mary Grace Matic, Ana Liza Mendoza, Virginia Mendoza, Rommel Ordoñez, Herbert Ortega, Darwin Santos, Marion Santos, Rebelym Sarondo, Girley Talusan, Edgardo Torres, Crispin Valondo, Wilfredo Vasallo, Roy Wilson Venturina, and Jocelyn Viola.

12 *Id.* at 120. Namely, Gabriel Venturina, Socorro Valdecantos, Manuel I. Vasallo, Danilo R. Borja, and Marivic V. Vergel De Dios.

13 *Id.* at 120–121.

14 *Id.* at 122–137. *See* Appeal Memorandum dated April 3, 2013.

15 *Id.* at 100.

16 *Id.* at 138–154.

17 *Id.* at 98–109.

18 *Id.* at 107–108.

19 *Id.* at 155–160.

20 *Id.* at 161.

21 *Id.* at 156.

22 *Id.*

In its Resolution[23] dated January 24, 2022, the COA denied the Motion for Partial Reconsideration for lack of merit but modified Decision No. 2018-188 in that all the payees in both NDs are held liable for the disallowed benefits received. The dispositive portion of the Resolution states:

> **WHEREFORE**, the Motions for Reconsideration of Engr. Numeriano M. Castañeda, Jr. et al., officials and members of the Board of Directors (BOD) of San Rafael Water District (SRWD), are DENIED for lack of merit. Accordingly, Commission on Audit Decision No. 2018-188 dated January 29, 2018, which partially granted the petition and affirmed with modification Notice of Disallowance Nos. 12-001-101(11) and 12-002-101(11), both dated November 21, 2012, on the grant of bonuses and allowances to employees hired after December 31, 1999, and financial assistance and cash gift to the members of the BOD of SRWD from January to December 2011, in the amounts of [PHP] 857,340.75, and [PHP] 239,000.00, respectively, or in the total amount of [PHP] 1,096,340.75, is hereby MODIFIED, *in that the payees are liable to the extent of the amount they received while the authorizing, approving and certifying officers remain solidarily liable after deducting the amounts that are actually refunded by the recipient-payees.*[24] (Emphasis supplied)

This prompted petitioners to file a Petition for *Certiorari*[25] with the Court on September 16, 2022. They maintained that the allowances and benefits disallowed in ND No. 12-001-101(11) were properly granted under the Garcia Letter, which purportedly authorized the continuous grant of allowance and fringe benefits to SRWD officials and employees hired after December 31, 1999.[26]

Petitioners further argue that the COA's ruling absolving the employee-recipients in ND No. 12-001-101(11) became final, as it was not the subject of the Motion for Partial Reconsideration.[27] They contended that the COA committed grave abuse of discretion by retroactively applying the ruling in *Chozas v. Commission on Audit*[28] to hold the employee-recipients liable for the refund of the disallowed allowances and benefits they respectively received.[29]

Regarding ND No. 12-002-101(11), petitioners submitted that they should not be held liable due to their good faith reliance on Local Water Utilities Administration Board of Trustees Resolution No. 239, Series of

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23 *Id.* at 110–114.
24 *Id.* at 113.
25 *Id.* at 3–30.
26 *Id.* at 13.
27 *Id.* at 9.
28 864 Phil. 733, 743 (2019).
29 *Rollo*, pp. 20–21.

2005[30] and Local Water Utilities Administration Memorandum Circular No. 004.11, Series of 2011.[31]

The Assailed Decision

The Court, in its Decision[32] dated May 14, 2024, dismissed the Petition for lack of merit, the dispositive portion of which stated:

> **ACCORDINGLY**, the Petition for *Certiorari* is **DISMISSED**. The January 29, 2018 Decision in Decision No. 2018-188 and January 24, 2022 Resolution in Resolution No. 2022-118 of the Commission on Audit are **AFFIRMED**.
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> The Notice of Disallowance Nos. 12-001-101(11) and 12-002-101(11), both dated November 21, 2012, are hereby **MODIFIED** in that the payees are liable to the extent of the amount they received, while Engr. Numeriano Castañeda, Jr., and Ms. Marivel Suarez, acting as the authorizing officer and certifying officer, respectively, remain solidarily liable after deducting the actual amounts refunded by the employee-recipients.
>
> **SO ORDERED.**[33] (Emphasis in the original)

The Court affirmed the COA's ruling that the allowances and benefits, subject of the NDs were granted without valid legal basis.[34] Anent the liability of Castañeda Jr. and Suarez, as approving and certifying officers, respectively, the Court held that their reliance on the Garcia Letter and the inapplicable LWUA-MC fell short of the standards of good faith and diligence required for the proper discharge of their duties. This precluded their exoneration from solidary liability.[35]

The Court further explained that the COA did not commit grave abuse of discretion in reversing its prior ruling that absolved the employee-recipients in ND No. 12-001-101(11) because a motion for reconsideration affords the COA the opportunity to rectify any actual or perceived error attributed to it by re-examining the legal and factual circumstances of the case, without qualification as to whether said error was raised in the motion for reconsideration.[36]

Finally, in affirming the liability of the employee-recipients in ND No. 12-001-101(11) for the return of the disallowed benefits, the Court,

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30 *Id.* at 23.
31 *Id.* at 24.
32 *Id.* at 242–265.
33 *Id.* at 264.
34 *Id.* at 253–257.
35 *Id.* at 260–261.
36 *Id.* at 261–262.

citing *Madera v. Commission on Audit*,[37] ratiocinated that mere receipt of public funds without valid basis or justification, regardless of good faith or bad faith, is already undue benefit that gives rise to the obligation to return what was unduly received in accordance with the principles of *solutio indebiti* and unjust enrichment.[38]

Petitioners' Arguments

On July 30, 2024, petitioners filed the instant Motion for Reconsideration of the assailed Decision, and assigned the following errors:

1. Petitioners contend that there is no clear and substantial evidence showing that they acted with evident or manifest bad faith, malice, or gross negligence in approving and/or certifying the correctness of the disallowed benefits.[39] They assert that their reliance on the Garcia Letter, which they understood to have amended the ruling in *Engr. Paguio v. Commission on Audit (Paguio)*,[40] negates a finding of bad faith.[41]

2. Petitioners maintain that the COA's prior ruling absolving the employee-recipients in ND No. 12-001-101(11) was not the subject of the Motion for Partial Consideration and had therefore attained finality.[42]

3. Finally, petitioners argue that the cases cited by the Court (*Abrigo v. Commission on Audit*,[43] *Abellanosa v. Commission on Audit*,[44] and *Hagonoy Water District, v. Commission on Audit*[45]) applying the principle of *solutio indebiti* were promulgated after COA rendered the Decision No. 2018-188 dated January 29, 2018 and thus, the doctrine of operative fact should be applied in their favor, especially those who were mere recipients in good faith. Even if these cases are considered, they submit that such application should be excused on social justice considerations.[46]

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37 882 Phil. 744, 810, 811 (2020).
38 *Rollo*, p. 263.
39 *Id.* at 271–272.
40 900 Phil. 514 (2021).
41 *Rollo*, pp. 271–272.
42 *Id.* at 272–273.
43 921 Phil. 1067, 1083, 1084 (2022).
44 890 Phil. 413, 429–430 (2020).
45 897 Phil. 736, 748, 749 (2021).
46 *Rollo*, pp. 273–275.

Respondent's Argument

Respondent COA, through the Office of the Solicitor General, filed its Comment[47] on petitioners' Motion for Reconsideration and asserted that all matters and issues raised therein were previously addressed by the Court in the assailed Decision. Thus, respondent COA prays that the Motion for Reconsideration be denied for lack of merit.[48]

The Ruling of the Court

After a careful review, the Court finds the Motion for Reconsideration partly meritorious.

Castañeda Jr. and Suarez neglected existing factual, legal and jurisprudential circumstances when they approved and certified the release of the disallowed benefits

It bears stressing that petitioners, before certifying that the payment is lawful and approving the release of public funds, *should* have ascertained the legal basis for the disbursement. The nature of their functions carries with it the expectation that they should know the relevant rules and regulation, and prevailing case laws at the time of disbursement.[49] The Court has consistently held that palpable disregard of laws, prevailing jurisprudence, and other applicable directives amounts to gross negligence, which betrays the presumption of good faith and regularity in the performance of official functions enjoyed by public officers.[50]

Undeniably, petitioners' sheer reliance on the Garcia Letter[51]—an administrative advisory, let alone one that was issued eight years before the subject disallowed amounts were released—is a palpable disregard of laws and prevailing jurisprudence amounting to gross negligence.

Moreover, petitioners' claim that the ruling in *Paguio* was amended by the Garcia Letter deserves scant consideration for several reasons. *One*, petitioners are factually incorrect because the Garcia Letter dated February 11, 2003, actually preceded *Paguio*, which was only promulgated on April 27, 2021. *Two*, the Garcia Letter, a mere administrative advisory from the

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47 *Id.* at. 284–287.
48 *Id.* at 284.
49 *Abrigo v. Commission on Audit*, 921 Phil. 1067, 1086 (2022).
50 *Id.* at 1088, *citing Paguio v. Commission on Audit*, 900 Phil. 514, 528 (2021).
51 *Rollo*, p. 161. Letter-Reply of Mr. Orlando R. Garcia, Director IV, Department of Budget and Management, Regional Office III, dated February 11, 2003.

DBM, could not have overturned the Supreme Court's ruling in *Paguio*. Decisions of the Supreme Court are part of the law of the land.[52] Administrative issuances must not, and cannot override, supplant, or modify the law.[53] *Three*, the Garcia Letter could not have amended *Paguio* because they cover different allowances and recipients. To recall, petitioners used the Garcia Letter as legal basis for granting the disallowed allowances and bonuses to the employee-recipients. The Garcia Letter purportedly authorized the grant of allowances and benefits to *officials and employees* hired after December 31, 1999. On the other hand, *Paguio* declared as void LWUA Resolution No. 239, the same Resolution petitioners herein used as basis for granting the year-end financial assistance and cash gifts to the *members of the BOD*.

Indisputably, petitioners did not meet the standards of good faith and diligence required in the discharge of their duties to exonerate them from solidary liability. Time and again, the Court impresses upon approving and certifying officers the obligation to know the relevant rules and regulations, prevailing jurisprudence, and other applicable directives as legal basis for the disbursements.[54]

Here, the established rules and prevailing case laws at the time of the disbursements are sufficient notice for Castañeda Jr. and Suarez to inquire, as responsible and diligent public officers, before deciding to approve and certify the release of the disallowed benefits. Evidently, the COA correctly found them solidarily liable to refund the disallowed amounts.

The operative fact doctrine finds no application in the case at bar

The doctrine of operative fact provides that "a legislative or executive act, prior to its being declared unconstitutional or invalid by the courts, is valid and must be complied with."[55]

Verily, petitioners' reliance on the doctrine of operative fact is misplaced. Here, the disallowance was not dependent on the *invalidation* of a law or executive act; rather, it stemmed from a *patent violation* of Section 12 of Republic Act No. 6758, DBM Corporate Compensation Circular No. 10-99, and relevant COA and Office of the President issuances. Extending this equitable principle to illegal disbursement of public funds would

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52 CIVIL CODE, art. 8.

53 *Romulo v. Home Development Mutual Fund*, 389 Phil 296, 306 (2000).

54 *Abrigo v. Commission on Audit*, 921 Phil. 1067, 1086 (2022).

55 *Concerned Officials and Employees of the National Food Authority-Regional Office No. II, Santiago, Isabela v. Commission on Audit*, 913 Phil. 1020, 1034 (2021), *citing De Agbayani v. Philippine National Bank*, 148 Phil. 443, 448 (1971).

fundamentally distort its purpose and would effectively allow public officials to benefit from their own unlawful or negligent conduct.

In *Concerned Officials and Employees of the National Food Authority-Regional Office No. II, Santiago, Isabela v. Commission on Audit*,[56] the Court similarly found the invocation of the doctrine of operative fact by the petitioners therein unmeritorious because the disallowance did not stem from a statute, law, or executive issuance or act being judicially declared invalid; thus:

> The doctrine of operative fact, as embodied *in De Agbayani v. Philippine National Bank*, states that a legislative or executive act, prior to its being declared unconstitutional or invalid by the courts, is valid and must be complied with. The rationale is that the courts, in keeping with the demands of equity, cannot be unmindful of the acts or consequences that resulted from the implementation of a law, executive act, or decisions or orders of the executive branch which were later nullified.
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> The situation in the case at bar, however, does not call for the application of the doctrine of operative fact. The basis of the underlying disallowance that precipitated this case was not because of a statute, law, or executive issuance or act being judicially declared unconstitutional or invalid. The disallowance was for failure to follow the pertinent laws or rules for the grant of additional benefits to NFA personnel. As a rule, originating from considerations of equity, the doctrine does not and cannot bypass or erase laws, rules, or regulations that apply to a certain state of facts on the basis of an allegation that an executive act or issuance is valid because of its beneficial consequences—in this case the grant of FGI to NFA personnel—when these state of facts clearly demonstrate a failure to comply with the pertinent laws, rules, or regulations. This is not how the doctrine of operative fact should be applied. To subscribe to this line of thinking that petitioners would most certainly render the audit power of COA over the use of public funds nugatory.[57] (Citations omitted)

To stress, the doctrine of operative fact is an equitable tool designed to mitigate the unintended negative consequences of the subsequent invalidation of statutes or executive issuances. It is not a tool to validate or excuse actions that were never lawful in the first place.

Furthermore, the cases listed by petitioners, which were cited by the Court in the assailed Decision, i.e., *Abrigo, Abellanosa*, and *Hagonoy*, did not lay down a new doctrine. These cases merely reiterate the Court's ruling in the landmark case of *Madera* as to the application of the principle of *solutio indebiti* in disallowance cases. Evidently, petitioners are grasping at straws for relying on the doctrine of operative fact to absolve themselves from liability.

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[56] *Concerned Officials and Employees of the National Food Authority-Regional Office No. II, Santiago, Isabela v. Commission on Audit*, 913 Phil. 1020 (2021).

[57] *Id.* at 1034–1035.

Indeed, the Court may negate the strict application of *solutio indebiti* on the ground of social justice or humanitarian considerations in highly exceptional circumstances, after taking into account all factors (such as the nature and purpose of the disbursement, and its underlying conditions, among others). Under the policy of social justice, the law bends over backward to accommodate the interests of the working class on the humane justification that those with less privilege in life should have more in law.[58] However, it must constitute a *bona fide* instance that strongly impels the Court to prevent a clear inequity arising from a directive to return.[59]

Unfortunately for the recipients, none are present in the case. Social justice or any humanitarian consideration does not call for the unauthorized grant of expanded benefits to employees in the form of rice, grocery, and medical allowance, and year-end financial assistance which have already been integrated in the standardized salary rates. Likewise, there is no allegation or proof that the recipients will suffer irreparable harm for the return of the disallowed benefits. On the contrary, it is the government that will suffer undue prejudice if the recipients do not return what they unduly received.

Nevertheless, the Court finds that the passive employee-recipients should be absolved from the liability to return the disallowed benefits under ND No. 12-001-101(11), as will be discussed in detail below.

The passive employee-recipients in ND No. 12-001-101 (11) are excused from returning the amount they respectively received

The Court finds that respondent COA committed grave abuse of discretion when it reviewed and reversed its previous ruling of absolving the passive employee-recipients in ND No. 12-001-101 (11) even after it attained finality.

Rule X, Sections 9[60] and 10[61] of the 2009 Revised Rules of Procedure of COA (RRPC),[62] as amended, requires the aggrieved party to file a motion for reconsideration for the COA Proper to review its decision or a petition for

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58 *Uy v. Commission on Audit*, 385 Phil 324, 339–340 (2000), *citing Ditan v. Philippine Overseas Employment Administration*, 270 Phil. 46 (1990)

59 *Abellanosa v. Commission on Audit*, 890 Phil. 413, 432–433 (2020).

60 Sec. 9. *Finality of Decisions or Resolutions.*— A decision or resolution of the Commission upon any matter within its jurisdiction shall become final and executory after the lapse of thirty (30) days from notice of the decision or resolution, unless a motion for reconsideration is seasonably made or an appeal to the Supreme Court is filed.

61 Sec. 10. *Motion for Reconsideration.*— A motion for reconsideration may be filed within the time remaining of the period to appeal, on the grounds that the evidence is insufficient to justify the decision; or that the said decision is contrary to law. Only one (1) motion for reconsideration of a decision of the Commission shall be entertained.

62 THE 2009 REVISED RULES OF PROCEDURE OF THE COMMISSION ON AUDIT (2009).

certiorari for judicial review; otherwise, *the decision becomes final and executory upon the lapse of 30 days from notice*. Section 11[63] requires that the motion should "point out specifically the findings or conclusions of the decision which are not supported by the evidence or which are contrary to law."

Here, petitioners Castañeda Jr. and Suarez challenged COA Decision No. 2018-188 *only* in so far as their liability as approving and certifying officers, respectively, is concerned. In their Motion for Partial Reconsideration, they explicitly agreed with respondent COA in absolving the passive employee-recipients from liability to return the disallowed benefits in ND No. 12-001-101 (11), to wit:

> 2. Petitioners GM Numeriano M. Castañeda, Jr., and Ms. Marivel Suarez, *fully agree with the ruling of the Honorable Commission Proper (CP), absolving the 22 payees-employees of San Rafael Water District (SRWD)* from liability of refunding the disallowed benefits they received under ND No. 12-001-101 (11), in the total amount of [PHP]857,340.75, ascribing good faith in their subject receipt thereof.[64]

In *Incumbent and Former Employees of the National Economic and Development Authority Regional Office XIII v. Commission on Audit*,[65] the Court ruled that the COA committed grave abuse of discretion when it reviewed and reversed its previous ruling that was no longer questioned by the parties. The Court explained that issues not raised in a motion for reconsideration become final and executory by operation of law, and parties who do not challenge a favorable ruling, for obvious reasons, can no longer be prejudiced by a subsequent unilateral review:

> Since no party questioned the COA Proper's affirmance of petitioners' exemption from liability, judgment on that matter undeniably lapsed into finality pursuant to Rule X, Section 9 of the RRPC, as amended. It is well-established, a judgment becomes final and executory by operation of law. Finality becomes a fact when the reglementary period to question the judgment lapses and no such question was lodged. As a consequence, no court or tribunal (not even this Court) can review or modify a judgment that has become final. Our pronouncement in *One Shipping Corp. v. Peñafiel* is apropos:
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> In *Aliviado v. Procter and Gamble Phils., Inc.*, [we ruled]:

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63 Sec. 11. *Form and Contents of the Motion for Reconsideration.*— The motion shall be verified and shall point out specifically the findings or conclusions of the decision which are not supported by the evidence or which are contrary to law, making express reference to the testimonial or documentary evidence or the provisions of law that such finding or conclusions are alleged to be contrary to.

64 *Rollo*, p. 156.

65 G.R. No. 261280, October 3, 2023.

> It is a hornbook rule that ***once a judgment has become final and executory, it may no longer be modified in any respect, even if the modification is meant to correct an erroneous conclusion of fact or law,*** and regardless of whether the modification is attempted to be made by the court rendering it or by the highest court of the land, as what remains to be done is the purely ministerial enforcement or execution of the judgment.
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> The doctrine of finality of judgment is grounded on fundamental considerations of public policy and sound practice at the risk of occasional errors, the judgment of adjudicating bodies must become final and executory on some definite date fixed by law. [. . .], the Supreme Court reiterated that the doctrine of immutability of judgment is adhered to by necessity notwithstanding occasional errors that may result thereby, since litigations must somehow come to an end for otherwise, it would "even be more intolerable than the wrong and injustice it is designed to correct."
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> [Also,] [i]n *Mocorro, Jr. v. Ramirez*, we held that:
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> *A definitive final judgment, however erroneous, is no longer subject to change or revision.*
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> *A decision that has acquired finality becomes immutable and unalterable. This quality of immutability precludes the modification of a final judgment, even if the modification is meant to correct erroneous conclusions of fact and law*. And this postulate holds true whether the modification is made by the court that rendered it or by the highest court in the land. The orderly administration of justice requires that, at the risk of occasional errors, the judgments/resolutions of a court must reach a point of finality set by the law. The noble purpose is to write finis to dispute once and for all. This is a fundamental principle in our justice system, without which there would be no end to litigations. Utmost respect and adherence to this principle must always be maintained by those who exercise the power of adjudication. Any act, which violates such principle, must immediately be struck down. Indeed, the principle of conclusiveness of prior adjudications is not confined in its operation to the judgments of what are ordinarily known as courts, but extends to all bodies upon which judicial powers had been conferred. (Emphasis supplied; citations omitted)

We stress, not even this Court can re-assess, much less alter, a final judgment, especially when such ruling was not challenged before the forum. As we have held in *Philippine Mining Development Corp. v. Aguinaldo*:

> In *Securities and Exchange Commission v. Commission on Audit*, this Court, sitting *En Banc*, resolved not to rule on the merits of the civil liability of the payee-recipients who were already exonerated from liability by the COA, especially since such absolution was not questioned before this Court[.]
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> . . . .
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> The particular circumstances *(sic)* is similar to *[Securities and Exchange Commission]*. To recall, the COA-CP similarly excluded the recipient employees from refunding the medical benefits they received. *While they were absolved on the basis of good faith as abandoned in Madera, this Court must give due deference to the doctrine of finality of judgments, considering that their corresponding liability was no longer raised as an issue in the instant petition.* Concomitantly, in *[Securities and Exchange Commission]* the Court affirmed the COA-CP Decision, excusing the passive payees from returning the disallowed amounts on the ground of having received the same in good faith. Since their liability was no longer questioned or put in issue in the instant petition, this Court considered the COA-CP's Decision "final and immutable."
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> Consistently, this Court shares the observation of Senior Associate Justice Estela Perlas-Bernabe *(Justice Perlas-Bernabe)* that *there is no cogent reason to deviate from the prevailing rule that when the payee-recipients have already been finally absolved from civil liability by the COA, the merits of such absolution should be respected and not touched upon by the Court in an appeal filed by the approving or certifying officers, who in contrast, were held liable under the subject disallowances*. As such, this Court maintains the absolution of herein recipient employees pursuant to the finality of judgment as elucidated in the earlier rulings of *SSS* and *SEC*.

Albeit the cited case deals with the Court's review power and not the COA Proper's *motu proprio* review of its unquestioned ruling as in this case, the same rationale that precludes review applies in this case, *i.e., parties who do not challenge a favorable ruling for obvious reasons can no longer be prejudiced by a subsequent unilateral review*. As aptly remarked by Justice Japar B. Dimaampao during deliberations, the basic tenets of fair play and due process, coupled with the severability of the issues involved, foreclose any amendment on the COA Proper's unchallenged ruling.[66] (Emphasis supplied; citations omitted)

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[66] *Id.* at 10–12. This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website.

The instant case is on all fours with *Incumbent and Former Employees of the National Economic and Development Authority Regional Office XIII.*

Here, no motion for reconsideration was filed by the passive employee-recipients, as they were already absolved from liability. However, respondent COA still reviewed and, worse, unilaterally reversed its previous ruling anent the passive employee-recipients' exoneration from liability. Respondent COA expediently assumed that, similar to the previous Petition for Review filed before it, Castañeda Jr. represented the other SRWD employees in the Motion for Partial Reconsideration. This assumption is erroneous because the passive employee-recipients were *never* parties to the Motion for Partial Reconsideration. The caption of the Motion specifically stated the names of the petitioners, "Engr. Numeriano M. Castañeda, Jr., General Manager, and Ms. Marivel V. Suarez, Finance Division Manager, San Rafael Water District (SRWD), Bulacan," only. [67]

Thus, respondent COA's Decision No. 2018-188, in so far as it absolved the passive employee-recipients from liability, had already attained finality by operation of law. Finality becomes a fact when the reglementary period to appeal lapses, and no appeal is perfected within that period.[68] Once a decision becomes final, no court, not even the Court, can modify or revise the decision, no matter how erroneous it may be.

Moreover, Rule 37, Section 7 of the Rules of Court allows the division of judgments, such that a portion may be considered final and unappealable while another portion is pending appeal or reconsideration, viz.:

> SEC. 7. *Partial New Trial or Reconsideration.* — If the grounds for a motion under this Rule appear to the court to affect the issues as to only a part, or less than all of the matter in controversy, or only one, or less than all, of the parties to it, the court may order a new trial or *grant reconsideration as to such issues if severable without interfering with the judgment or final order upon the rest.*[69] (Emphasis supplied)

In the same vein, the determination of whether an approving and/or certifying officer should be held liable in a notice of disallowance is independent of the determination of the recipients' liability because the grounds by which their liabilities arise are distinct.[70] The recipients' liability arise from the civil law principles of unjust enrichment and *solutio indebiti*, while that of the officers' arise from public accountability.[71] The two

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67 *Rollo*, p. 155.

68 *PCI Leasing and Finance Inc. v. Milan*, 631 Phil. 257, 277 (2010)

69 RULES OF COURT, rule 37, sec. 7.

70 *Incumbent and Former Employees of the National Economic and Development Authority Regional Office XIII v. Commission on Audit,* G.R. No. 261280, October 3, 2023, at 9 [this pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website], *citing Abellanosa v. Commission on Audit*, 890 Phil 413, 427 (2020).

71 *Id.*

liabilities become relevant to each other only when it comes to the execution of the civil obligation to refund through the application of the concept of "net disallowed amount," as laid down in *Madera,* i.e., exemption of recipients from liability tempers the officers' civil liability in that the amount to be refunded shall be limited to that which remains unexcused.

Verily, the COA gravely abused its discretion in unilaterally reversing its final judgment on the liability of the passive employee-recipients it previously absolved. It arbitrarily disregarded the established rules on its review power, causing undue prejudice to the passive employee-recipients. Hence, the passive employee-recipients should be excused from the liability to return the disallowed benefits received by them in good faith.

As pronounced by the Court in *Madera,* any amounts allowed to be retained by payees shall reduce the solidary liability of officers found to have acted in bad faith, malice, and gross negligence. Stated differently, the erring officer's liability extends only up to the *net disallowed amount* or the total disallowed amount less the amounts excused to be returned by the passive employee-recipients.

Thus, the solidary liability of Castañeda Jr. and Suarez in ND No. 12-001-101 (11) shall be reduced by the amounts excused to be returned by the passive employee-recipients, and their solidary liability in ND No. 12-002-101 (11) shall be reduced by the actual amounts refunded by the members of the BOD.

Castañeda Jr. and Suarez are solidarily liable for the amount received by Castañeda, Jr. as payee under ND No. 12-001-101 (11).

To clarify, Castañeda Jr. remains liable to return the amount he received as payee in ND No. 12-001-101.

First, COA's Decision No. 2018-188, in absolving the passive employee-recipients from civil liability to return the benefits, *did not* attain finality in so far as Castañeda Jr. is concerned. Unlike the passive employee-recipients, Castañeda Jr. was a party to the Motion for Partial Reconsideration. Verily, the purpose of a motion for reconsideration is "precisely to request the court or quasi-judicial body to take a second look at its earlier judgment and correct any errors it may have committed therein."[72] By filing the said Motion for Partial Reconsideration, Castañeda Jr. actively questioned anew his liability as: (1) approving officer; and (2) recipient of the disallowed benefits.

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72 *Reyes v. Pearlbank Securities Inc.*, 582 Phil. 505, 522 (2008).

Second, a careful reading of Decision No. 2018-188 would reveal that when the COA speaks of "employee-recipients," it referred to those who were "merely passive recipients of the disallowed benefits, and who took no part or were not directly responsible in approving the transactions."[73] Evidently, Castañeda, Jr., is not a recipient in good faith.

As previously discussed, it cannot be gainsaid that Castañeda Jr. acted in good faith when he approved the release of the disallowed benefits in patent violation of existing laws and DBM, COA, and the Office of the President issuances. By no stretch of the imagination would it be logical to absolve Castañeda Jr. from liability on account of receiving the disallowed benefits in good faith, while simultaneously finding manifest bad faith and gross negligence in the discharge of his duty as the approving officer who green-lighted the release, without legal basis, of the same disallowed benefits.

Thus, based on the foregoing discussions, Castañeda Jr. and Suarez shall remain solidarily liable under ND No. 12-001-101 (11) to the extent of the amounts received by Castañeda Jr.

ACCORDINGLY, the Motion for Reconsideration is **PARTIALLY GRANTED.** The Resolution dated January 24, 2022 (Decision No. 2022-118) of the Commission on Audit is **AFFIRMED with MODIFICATION** in that:

1. The passive employee-recipients in ND No. 12-001-101 (11) are **EXCUSED** from returning the disallowed amount they received due to the finality of the Commission on Audit Decision No. 2018-188 dated January 29, 2018, in that aspect.

2. Engr. Numeriano M. Castañeda, Jr. and Ms. Marivel V. Suarez, as the authorizing officer and certifying officer, respectively, **REMAIN** solidarily liable after deducting the actual amounts refunded by the recipients in the following:

    a. ND No. 12-001-101(11), but only to the extent of the amounts received by Engr. Numeriano Castañeda, Jr.; and

    b. ND No. 12-002-101(11) for the amounts received by the Members of the Board of Directors of San Rafael Water District.

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[73] *Rollo*, p. 107.

SO ORDERED.

HENRI JEAN PAUL B. INTING
Associate Justice

WE CONCUR:

ALEXANDER G. GESMUNDO
Chief Justice

MARVIC M.V.F. LEONEN
Senior Associate Justice

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

On official leave
RAMON PAUL L. HERNANDO
Associate Justice

AMY C. LAZARO-JAVIER
Associate Justice

RODIL V. ZALAMEDA
Associate Justice

MARIO V. LOPEZ
Associate Justice

SAMUEL H. GAERLAN
Associate Justice

RICARDO R. ROSARIO
Associate Justice

JHOSEP Y. LOPEZ
Associate Justice

JAPAR B. DIMAAMPAO
Associate Justice

JOSE MIDAS P. MARQUEZ
Associate Justice

ANTONIO T. KHO, JR.
Associate Justice

MARIA FILOMENA D. SINGH
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court.

ALEXANDER G. GESMUNDO
Chief Justice