

EN BANC**[G.R. No. 230218, August 14, 2018]**

PHILIPPINE HEALTH INSURANCE CORPORATION REGIONAL OFFICE- CARAGA, JOHNNY Y. SYCHUA; ABAMONGA, JOCELYN J.; AGUDO, CELESTE MONICA N.; ARAT, ANDREW B.; ARAT, HEIDI JOY H.; ARIAR, RODRIGO D.; AUTOR, SARA FAITH P.; AVENIDO, SOFIA C.; AZARCON, JOCELYN C.; BABASOL, CHAROL B.; BACALA, MARY ANGELO R.; BARIQUIT, JULIETA L.; BOHOLANO, LEILANI DANA D.; BOKINGO, MARIA ALMA L.; BORLEO, JUDY C.; BUCAYON, ROMMEL A.; CABALLERO, LOWELL RICHARD S.; CABUYOC, RICARDO M.; CADELIÑA, JANE M.; CALO, ROWENA M.; CALOPE, ARMI B.; CAMACHO, ZENDA C.; CAÑETE, JOCELYN E.; CANTA, HONEY JOY M.; CASCARA, SOTICO M.; CASTAÑOS, MARICEL M.; COLIMA, JR., YBARRA ROYRINO A.; COSCOS, ACEL M.; DAIRO, MARIA ROWENA B.; DE GUZMAN, FEBIE S.; DE JESUS, JOEL ARTURO S.; DE VEYRA, TERESITA M.; DE VILLA, MARIA ESTELLA L.; DE VILLA, VICTOR M.; DUMANON, LOIDA M.; DURANO, JR., REINERIO M.; DURANO, REGGIE Y.; ELMIDO, ALEXIS C.; ESGUERRA, EVELYN C.; ESPAÑOL, PROCORO C.; ESPARRAGO, MARITES D.; ESPINA, DINAH M.; ETIC, ZANDRO B.; GALICTO, JELBERT B.; GALIDO, GUADA MAE D.; GALOLA, MARICRIS P.; GOLEZ, JULIETA A.; GONZALES, AMADEL A.; GONZALEZ, EDUARDO S.; GREFALDE, CHRISTLEN Q.; GUILLENA, SHEILA M.; JAMERO, MARIA NIMFA S.; JANDUG, CARYLNE A.; JAVA, SHIELA S.; LAFUENTE, ROWENA C.; LASCO, CHELO B.; LISONDRA, SHEILA M.; LOPEZ, JOCELYN A.; LUTA, ANGELINA R.; MAG-ISA, ROSEMARIE P.; MAGTIBAY, MARCELITO M.; MAG-USARA, QUEENIE R.; MALLARI, MARITISS M.; MAPUTI, JR., ROBERTO B.; MARASIGAN, JEANNE-MARIE F.; MARCHAN, MARIA JEZREEL CATHEREEN P.; MERO, CRISILDA DOLORES U.; MICULOB, JONNA G.; MIRO, PEMILYN Z.; MOLETA, JO-ANN N.; MONTE DE RAMOS, JHONA C.; MONTENEGRO, CLAIRE M.; MORALES, FLORA M.; MOREDAS, MA. MAE T.; NONAN, CHERYLLE D.; OLANO, ARA VILLA K.; OSO, ARNEL P.; PEDROSA, MARY GRACE F.; PLAZA, JOHANN A.; PO, KENNETH M.; POCON, KATHERINE A.; POCON, RICKY C.; QUINTO, MITZI V.; RAMIREZ, MARILOU M.; RAMORAN, MARK ANTHONY C.; SABACAJAN, RINA M.; SALAZAR, ERIC G.; SANCHEZ, CECILIA R.; SANTOS, JANE E.; SEGALES, BEBELYN P.; SUAREZ, ADELA S.; SYCHUA, JOHNNY Y.; TABADA, EILEEN I.; TANANGKINGSING, MARY GRACE S.; TARE, ROBERTO M.; VALENCIA, ROBERT A.; VERACION, MINDA A.; VERDUN, SHERWIN E.; YBAÑEZ, KRISTINE A.; YUCHITCHO, ETHEL L.; ALMEDA, JR., RODULFO G.; AMPOLOQUIO, RYAN GOLDBERG B.; ANGUB, JOVANIE T.; APRESTO, MARIA LIMAYA B.; ASIDERA, JOANNE MAE A.; ATO, BERNADITH B.; AVILA, RHEZA C.; BADIANG, DAISY MAE P.; BAJAO, JEROME C.; BALAGOLAN,

RACHEL MAE U.; BALAGOSA, CARLO JAE C.; BANTASAN, LESLIE ANN M.; BASCO, FRANZ JOSEF L.; BATULAN, CATHERINE P.; BENSON, DEGRAN A.; BERDIN, BIENVENIDO A.; BERTULFO, ROSELLE E.; BESANDE, CHARLES C.; BETIA, ARBELLE L.; BLANCO, MARY GRACE T.; BRIONES, MARIEDITH GRACE S.; BUQUE, EMMIELOU B.; BUSA, IAN A.; BUYAN, PARLEY U.; CABANBAN, KRIZZIA BELLE A.; CABATINGAN, GEMMA COREEN S.; CAHILOG, MARISAL A.; CALIMPUSAN, JORNY L.; CALLANTA, DARRYL L.; CALO, ALMA LOURDES ROSARIO S.; CALO, JESRYL N.; CAMPOS, EUNICE D.; CANDONTOL, ERICK VAL S.; CANINDO, JOSEPH M.; CARLOS, KRISTINE JOY SHALOM P.; CASIMERO, MAIRENE S.; CASTILLO, JR., RUFINO O.; CAYBOT, CHARISSE AIKO B.; COMANDANTE, GRACE SHARINA C.; CIANO, EPHRELYN C.; COLLADO, JANUARY T.; CORVERA, MARYDEL D.; CORVERA, JUNALYN C.; CUARES, JAN ANTHONY A.; CURATO, GERTRUDE VALERIE O.; DACUYA, MARILOU B.; DANGOY, GLIZELLE B.; DE CLARO, ODESSA MARS.; DE LA CRUZ, JR., SILVANO C.; DIGAL, ALBERT M.; DISCAYA, JO-IAN S.; DOLINOG, ROLAND P.; DOLORICON, JAFF ERIC L.; DOMINGO, ROY ANDREI M.; DUMDUMAYA, JAN MICHAEL C.; ELMIDO, JEANETTE T.; ENRIQUEZ, PAULYN VIERNE T.; ESPINOSA, ARES P.; EUSEBIO, JINGLE A.; FACURIB, JANIT C.; FEBRA, MICHAEL E.; FORSUELO, JOSEPH HOUSSEIN G.; FRAYCO, TWINKLE JANE F.; FUMAR, SHIELA V.; GACAL, JETHRO M.; GACAL, ROSE JANE R.; GALEON, DINO H.; GALVAN, NEIL E.; GAMBA, RODEL B.; GARGAR, ROGEMAE R.; GOLORAN, JOSEPHINE M.; GONZAGA, SUZETTE ANNE M.; INGLES, CLARK ARIES A.; JAYOMA, CLARK ERICSON M.; JUMONONG, JR., VIRGILIO C.; LAAG, HAZEL GRACE R.; LEMOSIONERO, JUNEIAN FLORENCE P.; LIBRES, SARAH JANE D.; LIGAYA, EDUARD L.; MAKINANO, ELLEN ROSE G.; MALAQUE, DIONA LORRAINE G.; MARQUEZ, CRISTY P.; MARTINEZ, EVANGELINE C.; MASCARIÑAS, ENGELI M.; MATURAN, MANELYN I.; MEJIAS, GRACE C.; MENDOZA, SHEENA KATRINA S.; MILLAN, ICELLE R.; MOJICA, MERIEJO L.; MONDARES, PHOEBE B.; MONTERO, RUEL G.; MONTILLA, JR., ROLANDO U.; MORALES, JR., FELICITO O.; NEIS, CHRISTINE CARLA R.; OCHAVILLO, KAREN L.; OCULAM, CYNTHIA S.; OLANO, JOHNWEVEN DALE M.; OÑEZ, ALCEL MARC A.; ONTUA, JR., ALEXANDER L.; ORTIZ, MERCHEL M.; OTACAN, STEPHANIE SUZANNE D.; OYDA, ALFREDO M.; PABILLIORE, ALFIE SEMONETTE P.; PAHIT, KATHLEEN O.; PALACIO, SHEILA MARIE B.; PALER, MARY KRISTY B.; PALOMA, JEREMY A.; PASCO, LUIDE IVAN U.; PAYAC, MARY ANN M.; VERGAS, JUNAHLYN P.; POMBO, MICHELLE G.; PULTA, MAXIMO B.; QUEVEDO, DIOSDADO III L.; QUINTO, MARLETZ D.; RABISANTO, JAYZL M.; RAGAS, JESABEL R.; REGLOS, JENNIFER M.; SALA, JR., RESTITUTO O.; SALA, MICHELLE A.; SALMORO, IRISH R.; SANCHEZ, JENNET N.; SILAGAN, MICHELLEA.; SIMBAJON, FLORELYN T.; SUANTE, GLARIS MAE C.; TAC-AL, JESUS L.; TAMISAN, MA. KARINA JOY J.; TAYAG, EFREN ALEXIS A.; TIMBAL, ROZCIEL C.; TORCULAS, AILYN C.; TORRALBA, JENNY MAE A.; UMBA, CATHERINE E.; VALCURZA, MARK M.; VAPOR, CRISTIE G.; YBAÑEZ, KRISTAL GAYLE L., PETITIONERS,

**VS. COMMISSION ON AUDIT, CHAIRPERSON MICHAEL G.
AGUINALDO, MA. GRACIA PULIDO-TAN, HEIDI L. MENDOZA,
JOSE F. FABIA, RESPONDENTS.**

DECISION

TIJAM, J.:

Before Us is a petition for *certiorari*^[1] under Rule 65, filed by petitioner Philippine Health Insurance Corporation Regional Office CARAGA (Philhealth CARAGA) to annul and set aside the Decision No. 2014-250^[2] dated September 11, 2014 and Resolution No. 2016-029^[3] dated November 17, 2016 of respondent Commission on Audit (COA), which disallow the various benefits Philhealth CARAGA granted to its officers, employees and contractors in the total amount of P49,874,228.02.

The Factual Antecedents

On 2008, Philhealth CARAGA granted its officers, employees and contractors various benefits, among others are: contractor's gift, special events gifts, project completion incentive, nominal gift, and birthday gifts, amounting to P49,874,228.02.^[4]

On 2009, the Audit Team Leader (ATL) of Philhealth CARAGA issued Notice of Disallowance (ND) Nos. 09-005-501-(09) to 09-019-501-(09) on the payment of benefits to officers, employees and contractors of Philhealth CARAGA in the calendar year of 2009 in the total amount of P49,874,228.02.^[5]

The reason for the disallowance was the lack of approval from the Office of the President (OP) through the Department of Budget and Management (DBM) as required under the laws, such as: Section 6 of the Presidential Decree (P.D.) No. 1597,^[6] Memorandum Order (M.O.) No. 20^[7] dated June 25, 2001, and Administrative Order (A.O.) No. 103^[8] dated August 31, 2004.^[9]

The Audit Team Leader (ATL) ruled that although Philhealth CARAGA was exempted from the coverage of Republic Act (R.A.) No. 6758,^[10] also known as the Compensation and Position Classification Act of 1989, and that the Philhealth CARAGA Board of Directors members acted within their powers to fix the compensation of its personnel, the additional compensation package should have been reviewed and approved by the OP through the DBM before it was implemented.^[11] Thus, the grants were considered irregular and illegal.

Philhealth CARAGA challenged the constitutionality and applicability of the above-mentioned laws. Philhealth CARAGA also averred that the laws cited by the ATL divested the Philhealth CARAGA Board of Directors of its prerogative to fix compensation as granted by its charters. Philhealth CARAGA further averred that the benefits were received by its officers, employees and contractors in good faith and equity dictates that it may not be refunded.^[12]

On February 21, 2011, the COA Regional Director of R.O. No. XIII, rendered its Decision No. 2011-007, and affirmed the notices of disallowance with modifications, as to:

1. The amount of audit disallowance should be recomputed net of tax; and
2. The ground for disallowance should be that the grants were considered irregular and illegal since they violated Section 6 of P.D. No. 1597, M.O. No. 20 and A.O. No. 103.^[13]

On automatic review, the COA Commission Proper in a Decision^[14] No. 2014-250 dated September II, 2014, upheld the Decision No. 2011-007 of the COA Regional Director R.O. No. XIII. It also ordered the recomputation of the amount of the disallowance to reflect the actual amount paid to its recipients net of tax. The dispositive portion of which, provides:

WHEREFORE, premises considered, COA - R.O. No. XII[I] Decision No. 2011-007 dated February 21, 2011 modifying ND Nos. 09-005-501-(09) to 09-019-501-(09) on the payment of various benefits to officials, employees and contractors of [Philippine Health CARAGA] is hereby **APPROVED**. Accordingly, the concerned [ATL] is instructed to recompute the amount of the disallowance to reflect the actual amount paid to [its] recipients net of tax[,] which shall be reflected in the COA R.O. N[o]. XIII Decision No. 2011-007. A copy of said Decision shall be furnished the Commission Secretary, together with the recomputation by the ATL.
^[15]

Philhealth CARAGA's Motion for Reconsideration was likewise denied in the Resolution No. 2016-029^[16] dated November 17, 2016 of the COA *En Banc*.

Hence, Philhealth CARAGA filed this instant petition for *certiorari*.

Issues

Substantially the issues for our resolution are as follows:

- 1) Whether or not the COA committed grave abuse of discretion in upholding the disallowance;
- 2) Whether or not the COA committed grave abuse of discretion as it divested the Philhealth CARAGA Board of Directors of its prerogatives to fix compensation as granted by its charters, and its grant of fiscal autonomy; and
- 3) Whether or not Philhealth CARAGA officers, employees and contractors received the benefits in good faith and even if the disallowance is sustained, they cannot be required to refund the said amount.

Ruling of the Court

The petition is partly granted.

The COA did not commit grave abuse of discretion in upholding the disallowance.

This Court has consistently held that findings of administrative agencies are

generally accorded not only respect but also finality, unless found to have been tainted with grave abuse of discretion. The same was aptly discussed in the case of *Maritime Industry Authority v. Commission on Audit*,^[17] to wit:

It is the general policy of the Court to sustain the decisions of administrative authorities, especially one which is constitutionally-created not only on the basis of the doctrine of separation of powers but also for their presumed expertise in the laws that they are entrusted to enforce. Findings of administrative agencies are accorded not only respect but also finality when the decision and order are not tainted with unfairness or arbitrariness that would amount to grave abuse of discretion. It is only when the COA has acted without or in excess of jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction, that this Court entertains a petition questioning its rulings. There is grave abuse of discretion when there is an evasion of a positive duty or a virtual refusal to perform a duty enjoined by law or to act in contemplation of law as when the judgment rendered is not based on law and evidence but on caprice, whim and despotism.^[18] (Citation omitted)

The COA as constitutional office and guardian of public funds is endowed with the exclusive authority to determine and account government revenue and expenditures, and disallow irregular, unnecessary excessive use of government funds. The case of *Metropolitan Waterworks and Sewerage System v. Commission on Audit*,^[19] elucidated on this matter:

The COA as a constitutional office is endowed with enough latitude to determine, prevent and disallow irregular, unnecessary, excessive, extravagant, or unconscionable expenditures of government funds. It has the power to ascertain whether public funds were utilized for the purpose for which they had been intended. The 1987 Constitution has expressly made COA the guardian of public funds, vesting it with broad powers over all accounts pertaining to government revenue and expenditures and the uses of public funds and property, including the exclusive authority to define the scope of its audit and examination, establish the techniques and methods for such review, and promulgate accounting and auditing rules and regulations.^[20] (Citations omitted)

The limitation of the Court's power of review over COA rulings merely complements its nature as an independent constitutional body to: (i) determine whether the government entities comply with the law and the rules in disbursing public funds; and (ii) disallow legal disbursements of these funds.^[21]

On this note, we find no grave abuse of discretion amounting to lack or excess of jurisdiction on the part of COA in disallowing the various benefits granted to Philhealth CARAGA officers, employees and contractors, as a constitutional office which has the power to review or disallow disbursement of public funds.

In support of its grant of the subject allowances and benefits, Philhealth CARAGA persistently invokes its fiscal autonomy enunciated under Article IV, Section 16(n)^[22] of R.A. No. 7875,^[23] viz: to organize its office, fix the compensation of and appoint personnel as may be deemed necessary and upon the recommendation of the president of the Corporation.