

SECOND DIVISION

[G.R. No. 176219, December 23, 2008]

RENTOKIL (INITIAL) PHILIPPINES, INC. AND/OR RONAN GREANY AND DAVID MCCONNACHIE PETITIONERS, VS. LEILANI D. SANCHEZ, RESPONDENT.

DECISION

TINGA, J.:

The instant petition for review^[1] assails the Decision and Resolution of the Court of Appeals dated 31 July 2006^[2] and 8 January 2007,^[3] respectively, in CA-G.R. SP No. 92455.

The facts, as culled from the records, follow.

Leilani D. Sanchez (respondent) was hired by Rentokil Philippines, Inc. (petitioner) as Financial Controller on 19 April 1996. Sometime in 1999, David McConnachie (McConnachie), then Regional Finance Director of Rentokil Initial PLC, the parent company of petitioner, noted questionable entries in petitioner's year-end financial reports. Upon investigation, petitioner's internal audit department uncovered major discrepancies and anomalies in these financial reports. In a meeting dated 7 June 1999, Joaquin Cunanan & Co. (external auditor) acknowledged that it should have seen the inaccuracies in the company's 1998 year-end financial reports and should have taken action to alert petitioner of these facts.^[4] Petitioner thus issued a show cause notice dated 17 July 1999 requiring respondent to explain the alleged anomalies. On 21 July 1999, respondent submitted her explanation. Thereafter, an administrative hearing was conducted with the presence of respondent and her counsel. Finding the explanations of respondent unsatisfactory, petitioner issued a written notice of termination on 21 July 1999, dismissing respondent on the grounds of gross neglect of duty, serious misconduct, and loss of trust and confidence.^[5]

On 30 July 1999, respondent filed a complaint for illegal dismissal against petitioner. She alleged that she had sufficiently countered the charges leveled against her and that in fact she had been conferred positive ratings^[6] by the external auditor in the three years that she had been preparing all the financial reports and accompanying documents for petitioner. She claimed that the charges against her were made up to ease her out of the company. Finally, she claimed that she was denied due process when she was not shown the internal audit report referred to in the notice of charges.^[7]

On the other hand, petitioner countered that the results of the investigation carried out by its internal audit department showed respondent's failure and inability to competently and properly discharge her duties and responsibilities as financial controller. Petitioner added that it observed due process, as prior to her dismissal,

she was properly notified of the charges, and was heard in an administrative investigation.^[8]

On 17 April 2000, the labor arbiter, finding that petitioner failed to substantiate its charges, rendered a decision declaring respondent to have been illegally dismissed and ordered the payment of backwages and separation pay.^[9] Petitioner appealed the decision to the National Labor Relations Commission (NLRC). The NLRC found the appeal meritorious and reversed the decision of the labor arbiter. According to the NLRC, petitioner was able to establish the inaccuracies in the accounting procedure done by respondent.^[10] Respondent sought reconsideration of the reversal, but her motion for reconsideration was denied.^[11]

Respondent filed a petition for certiorari^[12] before the Court of Appeals, which in turn granted the petition and set aside the NLRC decision. The Court of Appeals held that petitioner failed to prove by substantial evidence the grounds warranting the dismissal of respondent on the ground of loss of trust and confidence. The appellate court ruled that petitioner could not rely on the admission by a partner of the external auditor that the said firm had erred in the evaluation of respondent's performance, and that respondent had merely followed policies which were already in place when she assumed her position.^[13] Petitioner filed a motion for reconsideration but the Court of Appeals denied the motion.^[14]

Before this Court, petitioner argues that there is more than substantial evidence to prove that respondent had willfully, intentionally, knowingly and purposely committed a breach of the trust and confidence reposed on her. On the other hand, respondent counters that petitioner merely reiterates the arguments which have been thoroughly discussed and passed upon by the Court of Appeals and the NLRC.

We resolve to grant the petition.

It is a well-settled rule that the findings of facts of quasi-judicial bodies like the NLRC are accorded great respect and, at times, even finality. There are, however, exceptions, among which is when there is a conflict between the factual findings of the NLRC and the Labor Arbiter.^[15] Accordingly, this Court must of necessity review the records to determine which findings should be preferred as more conformable to the evidentiary facts.^[16] Nor is this Court bound by conclusions which are not supported by substantial evidence. The substantial evidence rule does not authorize any finding just as long as there is any evidence to support it. It does not excuse administrative agencies from considering contrary evidence which fairly detracts from the evidence supporting a finding.^[17]

The Court of Appeals and the Labor Arbiter made a sweeping declaration that the charges against respondent were unsubstantiated, making much of the fact that the external auditors had given positive remarks on the financial reports and related documents prepared by respondent, and that respondent had allegedly sufficiently explained the charges against her.

While we note that the external auditor found no fault with the financial reports of respondent, we cannot ignore its later statement that there were inconsistencies in their audit reports. In fact, we are more inclined to give more weight to the

subsequent declaration because it satisfactorily elucidated on the inaccuracies found by petitioner. We do not subscribe to the Court of Appeals' observation that petitioner's position with regard the external auditor's opinion "would negate the need for an external auditing firm because of its perceived role of merely providing standard opinion and not a carefully designed conclusion based on its independent findings."^[18] As pointed out by the appellate court, petitioner continued engaging the services of external auditors, and had, in fact, retained Laya Mananghaya & Co. in lieu of the external auditor. This continued availment of the services of external auditors merely shows that petitioner has not disregarded the importance of external auditors. What it might prove is that petitioner had lost faith in its external auditor understandably so, after its initial erroneous audit.

In any case, the Court is not bound by the findings and observations of the external auditor. In the same way that courts are not bound to give probative value or evidentiary value to the opinions of expert witnesses,^[19] this Court may disregard the conclusions and statements of the external auditor and make its own independent findings based on the facts of the case.

A review of the charges, as well as respondent's corresponding explanations is necessary in this case.

Respondent was asked to explain the five charges against her: (i) there were at least three versions of the Fixed Assets register purporting to represent assets as of 31 December 1998; (ii) the Fixed Assets registers include an unidentified amount of P1.98 Million; (iii) failure to identify components comprising the asset "withholding tax;" (iv) preparation of inaccurate bank reconciliation; and (v) the deferred VAT Account was not in accordance with generally accepted accounting principles.

In her position paper,^[20] respondent countered that there was only one version of the fixed assets register prepared as of 31 December 1998. However, during the administrative hearing, she was unable to explain the three different versions she submitted to Ronan Greany (Greany), petitioner's Country Manager. Anent the unidentified P1.98 Million in the Fixed Assets register, respondent explained that "the value represents the amount reflected by previous managers to overstate the sales and to synchronize the anomalous overstatement thereof," a fact which respondent failed to relay to Greany. Respondent adds that she had already submitted to Greany a copy of the list of clients who have claimed withholding taxes; but Greany categorically denied having received such list. Respondent also stated that bank reconciliation statements were made, however she was unable to fully explain the inaccuracies found therein. Finally, on the issue of the deferred VAT Account, respondent discussed the computation of VAT returns; she was however unable to give an explanation on why she made a deferred VAT provision that is significantly less than the company's future VAT liability.

The consideration of these unexplained charges, as well as the latter statement of the external auditor, justifies a conclusion different from that of the Court of Appeals' and the labor arbiter's.

The degree of proof required in labor cases is not as stringent as in other types of cases.^[21] As a general rule, employers are allowed a wider latitude of discretion in terminating the services of managerial employees who perform functions which by