



Republic of the Philippines  
 Supreme Court  
 Baguio City

SUPREME COURT OF THE PHILIPPINES  
 PUBLIC INFORMATION OFFICE

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PHILIPPINE HEALTH  
 INSURANCE CORPORATION,  
 Petitioner,

G.R. No. 258424

Present:

GESMUNDO, C.J.,  
 LEONEN,  
 CAGUIOA,  
 HERNANDO,\*  
 LAZARO-JAVIER,  
 INTING,  
 ZALAMEDA,  
 LOPEZ, M.,  
 GAERLAN,  
 ROSARIO,  
 LOPEZ, J.,  
 DIMAAMPAO,  
 MARQUEZ,  
 KHO, JR., and  
 SINGH, JJ.

- versus -

COMMISSION ON AUDIT,  
 REPRESENTED BY ITS  
 CHAIRPERSON, MICHAEL G.  
 AGUINALDO,

Promulgated:

January 10, 2023

Respondent.

X-----  


DECISION

LOPEZ, J., J.:

Before this Court is a Petition for *Certiorari*<sup>1</sup> filed under Rule 64, in relation to Rule 65 of the Rules of Court, filed by petitioner Philippine Health Insurance Corporation (*PhilHealth*), assailing the June 25, 2019 Decision<sup>2</sup> in Decision No. 2019-264 and the Resolution<sup>3</sup> in Decision No.

\* On leave.

<sup>1</sup> *Rollo*, pp. 3-46.

<sup>2</sup> *Id.* at 58-70; signed by Chairperson, Michael G. Aguinaldo and Commissioners Jose A. Fabia and Roland C. Pondoc of the Commission on Audit, Quezon City.

<sup>3</sup> *Id.* at 71-77; signed by Chairperson Michael G. Aguinaldo and Commissioner Roland C. Pondoc of the Commission on Audit, Quezon City.

2021-262 of the Commission on Audit (COA).

The Decision sustained the COA-Corporate Government Sector Cluster 6 Decision No. 2014-016 dated November 14, 2014, which affirmed several notices of disallowance (*NDs*) in relation to the payment of various benefits and allowances for 2011-2012, granted to some officials and employees of PhilHealth and ordered the officials who approved and certified the disallowed benefits and allowances to be solidarily liable to refund the same but exempted the recipients. On the other hand, the Resolution affirmed the subject *NDs* but modified the Decision insofar as the recipients were held liable to the extent of the amount that they received, with the approving and certifying officials remaining to be solidarily liable for the amounts which they approved or certified.<sup>4</sup>

### The Antecedents

On several dates in 2012-2013, the COA-Corporate Government Sector Cluster 6 issued the following *NDs* pertaining to allowances and benefits granted to employees and job order contractors of the PhilHealth Regional Office No. VI during the years 2012-2013:<sup>5</sup>

ND No.	Date	Benefit/Allowance	Period Covered	Amount
12-030-100-(11)	July 13, 2013	Medical Mission Critical Allowance	January to June 30, 2011	PHP 344,610.18
12-032-100-(11)	July 13, 2013	Medical Mission Critical Allowance	July to December 31, 2011	PHP 154,429.60
12-048-100	December 10, 2012	Sustenance Gift to Regular Contractors	January to June 2012	PHP 176,400.00
12-049-100	December 10, 2012	Contractor's Gift to Regular Job Order and Project-based Contractors	January 1 to June 30, 2012	PHP 507,749.41
12-050-100	December 10, 2012	Medical Mission Critical Allowance	January to June 30, 2012	PHP 406,907.67
12-051-100	December 10, 2012	Longevity Pay	June 14 to July 31, 2012	PHP 126,039.01

<sup>4</sup> Id. at 67.

<sup>5</sup> Id. at 59-60.

2013-001-100(12)	January 10, 2013	Excess Representation and Transportation Allowance (RATA)	July to August 2012	PHP 40,290.92
2013-002-100(12)	January 10, 2013	Special Representation Allowances (SRA)	July to August 2012	PHP 10,000.00
2013-003-100(12)	January 10, 2013	Rice Allowance	July to August 2012	PHP 650,700.00
2013-004-100(12)	January 10, 2013	Shuttle Service Assistance	July to August 2012	PHP 702,000.00
2013-005-100(12)	January 10, 2013	Birthday Gift	July to August 2012	PHP 75,000.00
2013-006-100(12)	January 10, 2013	Transportation Allowance for Job Order Contractors	July to August 2012	PHP 67,022.04
2013-007-100(12)	January 10, 2013	Public Health Workers (PHWs) Benefit	July to August 2012	PHP 1,749,459.00
<b>TOTAL</b>				<b>PHP 5,010,607.83</b>

The foregoing allowances and benefits were disallowed for the following reasons: (1) lack of legal basis, (2) being irregular or excessive, (3) failure to submit PhilHealth's Corporate Operating Budget for the calendar year 2012, duly reviewed by the Department of Budget and Management; and (4) lack of authority from the Office of the President.<sup>6</sup>

As a result of the disallowance, the following persons, of which included approving officers, certifying officers, and recipients, were found liable under the subject NDs:<sup>7</sup>

Name	Position/Designation	Nature of Participation
Marjorie A. Cabrieto	Division Chief – Management Service Division	Approved the payment / received payment of RATA / approved Authority to Debit Account (ADA)
Jeijen Rose V. Chu-Gavino	Fiscal Controller IV	Certified as to availability of funds
Rey B. Aquino	President and Chief	Issued Office Order for

<sup>6</sup> Id. at 60.

<sup>7</sup> Id. at 60-61.

	Executive Officer (CEO)	the payment of Medical Mission Critical Allowance and Longevity Pay
Eduardo P. Banzon	President and CEO	Issued Office Order for the payment of PHW Benefits
Lorna O. Fajardo	Acting President and CEO	Issued Office Order No. 0086 dated September 20, 2006 re: Implementing Guidelines in the grant of Transportation Assistance for Job Order Contractors; issued Office Order for the payment of Birthday Gift, Shuttle Service Assistance, Rice Allowance, and Sustenance Gift
Francisco T. Duque III	President and CEO	Issued guidelines on the grant of SRA
Clementine A. Bautista	Officer-in-Charge – Human Resource Department	Issued Office Memorandum for the payment of Contractor's Gift
Octaviano Q. Esguerra	Senior Vice President – Management Service Division	Issued Advisory dated August 19, 2011 on Longevity Pay and Office Memorandum No. 0032 dated September 2, 2011 re: Salary Adjustments due to incorporation of Longevity Pay in the basic salary
Marilyn C. Geduspan	Regional Vice President	As Head of the Agency / approved ADA
Dennis S. Mas	Regional Vice President	As Head of the Agency / approved ADA / received payment of RATA / received the amount
Lourdes F. Diocson	Division Chief – Field Operations Division	Received payment of RATA
Dennis D. Guevara	Attorney IV	Received payment of SRA

PhilHealth regular and non-regular employees	Various	Payees / received the payment
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The PhilHealth Regional Office VI employees, through Regional Vice President Lourdes F. Diocson, lodged an appeal with the COA-Corporate Government Sector Cluster 6. However, the same affirmed the subject NDs in its Decision No. 2014-016 dated November 14, 2014.<sup>8</sup>

Aggrieved, the PhilHealth Regional Office VI employees filed a petition for review with the COA Commission Proper<sup>9</sup> mainly arguing that the disbursements were proper, based on the following: (1) the fiscal autonomy of Philhealth pursuant to Republic Act No. 7875; (2) the supposed confirmation of PhilHealth's fiscal autonomy by then-President Gloria Macapagal-Arroyo (*President Macapagal-Arroyo*); (3) the Opinion No. 056, Series of 2004, dated March 31, 2004 issued by the Department of Budget and Management (*DBM*); and (4) good faith on the part of the recipients.<sup>10</sup>

The COA upheld the disallowance, and held the approving and certifying officers solidarily liable for the amounts, but exempted the recipients from returning the amounts they received, thus:

**WHEREFORE**, premises considered, the Petition for Review of the employees of the Philippine Health Insurance Corporation (PhilHealth) Regional Office (RO) No. VI, is **PARTIALLY GRANTED**. Accordingly, Commission on Audit Corporate Government Sector-Cluster 6 Decision No. 2014-016 dated November 14, 2014, sustaining Notice of Disallowance (ND) Nos. 12-030-100-(11) and 12-032-100[-](11), both dated July 13, 2012; 12-048-100[-](11) to 12-051-100[-](11), all dated December 10, 2012; and 2013-001-100(12) to 2013-007-100(12), all dated January 10, 2013, on the payment of various allowances and benefits in the total amount [PHP] 5,010,607.83, is hereby **AFFIRMED with MODIFICATION**, in that the payees need not refund the disallowed benefits they received. However, the approving and certifying officers, shall remain solidarily liable for the disallowance, in total amount of [PHP] 5,010,607.83.<sup>11</sup>

A motion for reconsideration<sup>12</sup> was filed, where the PhilHealth Regional Office VI employees additionally asserted that the officers should likewise be absolved from refunding the amounts received<sup>13</sup> and that at any rate, the allowances and benefits were compliant with the law.<sup>14</sup>

<sup>8</sup> Id. at 61.

<sup>9</sup> Id. at 78-100.

<sup>10</sup> Id. at 82-83.

<sup>11</sup> Id. at 67.

<sup>12</sup> Id. at 101-109.

<sup>13</sup> Id. at 108.

<sup>14</sup> Id. at 107.

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In its Resolution, the COA held that the arguments on the motion for reconsideration are mere rehash of arguments already raised before it and were already discussed in the Decision.<sup>15</sup> Further, the COA held that good faith cannot be a defense as the PhilHealth employees cannot feign ignorance of the laws and rules requiring prior approval from the president and the DBM.<sup>16</sup> The presumption of regularity in the performance of duties could not also be appreciated, as there is an explicit rule that was violated.<sup>17</sup> As to the payees, they were required to return the amounts they received, citing the case of *Madera v. Commission on Audit*<sup>18</sup> (*Madera*) and the principles of *solutio indebiti* and unjust enrichment.<sup>19</sup>

Thus, in the Resolution, the COA denied the motion for reconsideration and ordered the recipients to refund the amounts they received, in addition to the approving and certifying officers being solidarily liable for the same, thus:

**WHEREFORE**, premises considered, the Motion for Reconsideration of Philippine Health Insurance Corporation Regional Office No. VI, of Commission on Audit (COA) Decision No. 2019-264 dated June 25, 2019, is hereby **DENIED**. Accordingly, Notice of Disallowance Nos. 12-030-100-(11) and 12-032-100[-](11), both dated July 13, 2012; 12-048-100[-](11) to 12-051-100[-](11), all dated December 10, 2012; and 2013-001-100(12) to 2013-007-100(12), all dated January 10, 2013 are hereby **AFFIRMED** and COA Decision No. 2019-264 dated June 25, 2019, is hereby **MODIFIED**, in that all the officials named liable therein shall be solidarily liable for the amounts corresponding to what they approved and certified, including the amount they received which they shall refund as payees. The recipient-employees are liable to the extent of the amount that they received.<sup>20</sup>

Hence, the instant Petition.

### Issues

PhilHealth raises the following grounds in the instant Petition:

A. SECTION 16(N) OF THE PHILHEALTH CHARTER, AS AMENDED, EXPLICITLY ALLOWS PHILHEALTH TO FIX THE COMPENSATION OF ITS PERSONNEL, AS CONFIRMED BY OGCC OPINIONS, FORMER PRESIDENT GLORIA M. ARROYO'S (PGMA) LETTERS, AND LEGISLATIVE DELIBERATIONS ON SECTION 16(N);

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<sup>15</sup> Id. at 72.

<sup>16</sup> Id.

<sup>17</sup> Id. at 72-73.

<sup>18</sup> G.R. No. 244128, September 8, 2020.

<sup>19</sup> *Rollo*, p. 74.

<sup>20</sup> Id. at 75.

- B. PHILHEALTH'S FISCAL AUTHORITY UNDER SECTION 16(N), ARTICLE VI OF THE PHILHEALTH CHARTER, AS AMENDED, HAD BEEN CONFIRMED TWICE BY FORMER PGMA, IN 2006 AND IN 2008;
- C. [EXECUTIVE ORDER] (EO) 203, SERIES OF 2016 ALLOWED GOCCS TO MAINTAIN THEIR "CURRENT COMPENSATION FRAMEWORK.";
- D. PHILHEALTH IS CLASSIFIED AS A GOVERNMENT FINANCIAL INSTITUTION (GFI) AND, THEREFORE, MUST BE ACCORDED THE FISCAL AUTONOMY ENJOYED BY OTHER GFIS, AS HELD BY THIS HONORABLE COURT IN *CENTRAL BANK EMPLOYEES ASSOCIATION INC. V. BANGKO SENTRAL NG PILIPINAS*;
- E. THIS HONORABLE COURT HAS ALREADY RULED IN *PHILHEALTH CARAGA V. COMMISSION ON AUDIT* THAT BOTH THE APPROVING OFFICERS AND PASSIVE RECIPIENTS ARE IN GOOD FAITH IN RECEIVING BENEFITS APPROVED BY THE PHILHEALTH BOARD, HENCE, BOTH NEED NOT REFUND THE DISALLOWED AMOUNT;
- F. THE CATEGORICAL RULING OF THIS HONORABLE COURT ON PHILHEALTH'S LIMITED AUTHORITY TO FIX COMPENSATION UNDER SECTION 16(N) OF THE PHILHEALTH CHARTER, AS AMENDED, WAS ONLY ISSUED ON 29 NOVEMBER 2016 THROUGH *PHILHEALTH V. COA*, OR 4 OR 5 YEARS AFTER THE GRANT OF THE DISALLOWED AMOUNTS;
- G. THE SUPREME COURT ALREADY RULED THAT PHILHEALTH EMPLOYEES ARE ENTITLED TO PUBLIC HEALTH WORKERS BENEFITS AND LONGEVITY PAY IN *PHILHEALTH V. COA*;
- H. RICE ALLOWANCE AND SHUTTLE SERVICE ASSISTANCE OR TRANSPORTATION ALLOWANCE ARE AUTHORIZED BY ADMINISTRATIVE ORDER (AO) NO. 228 AND OFFICE OF THE PRESIDENT'S 31 MAY 2008 DIRECTIVE;
- I. THE DISALLOWANCE OF EXCESS RATA LACKS LEGAL BASIS;
- J. THE GRANT OF SPECIAL REPRESENTATION ALLOWANCE TO LAWYERS IS RECOGNIZED BY THE SUPREME COURT AND THE CIVIL SERVICE COMMISSION; AND
- K. THE PHILHEALTH OFFICIALS EXERCISED THE DUE DILIGENCE OF A GOOD FATHER OF A FAMILY IN APPROVING THE SUBJECT BENEFITS, AND RECIPIENT EMPLOYEES RECEIVED THE SUBJECT BENEFITS IN GOOD FAITH AND, THEREFORE, EVEN IF THE DISALLOWANCE IS SUSTAINED, THEY CANNOT BE REQUIRED TO REFUND THE DISALLOWED AMOUNT.<sup>21</sup>

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<sup>21</sup> Id. at 7-8.

In general, to justify the aforementioned allowances and benefits, PhilHealth invoked its fiscal autonomy under Section 16(n) of Republic Act No. 7875, as amended, thus:

SECTION 16. Powers and Functions – The Corporation shall have the following powers and functions:

x x x x

n) 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[.]<sup>22</sup>

In addition, PhilHealth likewise cited Section 26 of Republic Act No. 7875,<sup>23</sup> arguing that the said provisions are an express and unequivocal grant of fiscal independence to the Board of Directors of PhilHealth.<sup>24</sup>

To bolster its claim of fiscal independence, PhilHealth invoked the Office of the Government Corporate Counsel (OGCC) Opinion No. 258, series of 1999,<sup>25</sup> and OGCC Opinion No. 056, series of 2004.<sup>26</sup> It argues that under the PhilHealth charter, only the PhilHealth president's salary requires approval, and such approval is not required for the salary and benefits of its other personnel.<sup>27</sup> It further claims that legislative deliberations on Republic Act No. 7875, along with Sections 16(n), 19(d), and 26(a), reveal an intent to grant fiscal independence to PhilHealth.<sup>28</sup> PhilHealth also cites the executive communications dated September 17, 2006 and March 7, 2008 of former President Macapagal-Arroyo as confirmation of PhilHealth's "fiscal authority," considering the same to be the presidential approval that the COA found lacking in the subject allowances and benefits.<sup>29</sup> Similarly, EO No. 203, Series of 2016, allowed Government-Owned and Controlled

<sup>22</sup> Id. at 11.

<sup>23</sup> Republic Act No. 7875, entitled: "AN ACT INSTITUTING A NATIONAL HEALTH INSURANCE PROGRAM FOR ALL FILIPINOS AND ESTABLISHING THE PHILIPPINE HEALTH INSURANCE CORPORATION FOR THE PURPOSE"; Otherwise known as the "National Health Insurance Act of 1995". Approved: February 14, 1995.

SEC. 26. Financial Management. — The use, disposition, investment, disbursement, administration and management of the National Health Insurance Fund, including any subsidy, grant or donation received for program operations shall be governed by resolution of the Board of Directors of the Corporation, subject to the following limitations:

a) All funds under the management and control of the Corporation shall be subject to all rules and regulations applicable to public funds.

b) The Corporation is authorized to charge the various funds under its control for the costs of administering the Program. Such costs may include administration, monitoring, marketing and promotion, research and development, audit and evaluation, information services, and other necessary activities for the effective management of the Program. The total annual costs for these shall not exceed twelve percent (12%) of the total contributions, including government contributions to the Program and not more than three percent (3%) of the investment earnings collected during the immediately preceding year.

<sup>24</sup> *Rollo*, p. 11.

<sup>25</sup> Id. at 11-12, 114-116.

<sup>26</sup> Id. at 12, 117-121.

<sup>27</sup> Id. at 13-14.

<sup>28</sup> Id. at 14-15.

<sup>29</sup> Id. at 21.

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Corporations (*GOCC*) to “maintain their current compensation framework” pending the approval of their rationalization or reorganization.<sup>30</sup>

PhilHealth likewise argued that it is classified as a government financial institution, and thus, “belongs to a separate class with certain distinct legal powers, which includes fixing the compensation of its own personnel.”<sup>31</sup> As to the order to return the amounts received, PhilHealth argues, citing the case of *Philippine Health Insurance Corporation Regional Office - Caraga v. Commission on Audit*,<sup>32</sup> involving allowances similar to the case at bar, that both the recipients and the officers need not refund the disallowed amounts due to the due diligence and good faith reliance on the OGCC opinions and resolutions of the PhilHealth Board of Directors.<sup>33</sup>

PhilHealth argued that the case of *PhilHealth v. Commission on Audit*,<sup>34</sup> which ruled on the extent of the authority of the PhilHealth Board of Directors under Section 16(n) was decided four or five years after the subject benefits and allowances were granted, and thus, should only be applied prospectively.<sup>35</sup>

Further, PhilHealth asserted that *PhilHealth v. Commission on Audit*,<sup>36</sup> already upheld the validity of the grant by the PhilHealth Board of Directors of Welfare Support Assistance (*WESA*) or subsistence allowance.<sup>37</sup> Likewise, it argues that this Court in the same case ruled that PhilHealth personnel are public health workers, which entitles them to receive the corresponding benefits under Republic Act No. 7305<sup>38</sup> and Republic Act No. 11223<sup>39, 40</sup>

As to the rice subsidy allowance, PhilHealth contended that the same was granted pursuant to a Collective Negotiation Agreement (*CNA*).<sup>41</sup>

PhilHealth likewise contended that the shuttle service assistance was pursuant to a CNA, and was recognized in DBM Circular Letter No. 2008-9 dated November 26, 2008 and EO No. 203.<sup>42</sup>

<sup>30</sup> Id. at 22-23.

<sup>31</sup> Id. at 23-25.

<sup>32</sup> 838 Phil. 600 (2018).

<sup>33</sup> *Rollo*, pp. 25-26.

<sup>34</sup> 801 Phil. 427 (2016).

<sup>35</sup> *Rollo*, pp. 27-28.

<sup>36</sup> G.R. No. 222710, September 10, 2019.

<sup>37</sup> *Rollo*, p. 26.

<sup>38</sup> Republic Act No. 7305, otherwise known as THE MAGNA CARTA OF PUBLIC HEALTH WORKERS. Approved: March 26, 1992.

<sup>39</sup> Republic Act No. 11223, entitled: “AN ACT INSTITUTING UNIVERSAL HEALTH CARE FOR ALL FILIPINOS, PRESCRIBING REFORMS IN THE HEALTH CARE SYSTEM, AND APPROPRIATING FUNDS THEREFOR.”; otherwise known as the “Universal Health Care Act”.

<sup>40</sup> Id.

<sup>41</sup> Id. at 32.

<sup>42</sup> Id. at 33-34.

For the representation and transportation allowance, PhilHealth argued that EO No. 203 allows GOCC to “maintain their current compensation framework” pending approval of its rationalization or reorganization, and at any rate, this Court has previously ruled that such disallowed benefits need not be refunded.<sup>43</sup>

As to the Special Representation Allowance to Lawyers, PhilHealth contended that the same was granted by the PhilHealth Board of Directors to its Attorneys III and IV due to the fact that the same benefit was being granted in the interest of equity and fairness, as the COA and Civil Service Commission lawyers of similar rank also receive the same benefit.<sup>44</sup>

Further, PhilHealth generally argued that its officials and recipients’ actions were done in good faith, and thus, even if the disallowances are sustained, none of the recipients, the approving officers, or the certifying officers should be required to refund the foregoing amount.<sup>45</sup>

In its Comment<sup>46</sup> dated February 9, 2022, the COA, through the Office of the Solicitor General, preliminarily asserted that the instant Petition should be dismissed for failure to attach several documents mentioned in the instant petition, including, among others, all the subject NDs.<sup>47</sup> Further, the COA contends that it did not commit grave abuse of discretion in upholding the NDs in the Decision and Resolution as the same were issued in consonance with laws, rules, and prevailing jurisprudence.<sup>48</sup>

Further, the COA contends that in *PhilHealth v. Commission on Audit*,<sup>49</sup> this Court ruled that Section 16(n) of Republic Act No. 7875 does not confer absolute power upon PhilHealth to fix the compensation and determine allowances and benefits of its personnel.<sup>50</sup> Hence, payment of salaries must conform to Republic Act No. 6758<sup>51</sup>, or the Salary Standardization Law, and payment of benefits over and above the standard rates cannot be made.<sup>52</sup>

Moreover, it contends that GOCCs, such as PhilHealth, is not covered by the Salary Standardization Law and nothing in Republic Act No. 7875 exempts PhilHealth from it.<sup>53</sup> The COA also argues that the issuances relied

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<sup>43</sup> Id. at 35-36.

<sup>44</sup> Id. at 37-38.

<sup>45</sup> Id. at 38-39.

<sup>46</sup> Id. at 260-292.

<sup>47</sup> Id. at 267-270.

<sup>48</sup> Id. at 270-271.

<sup>49</sup> *Supra* note 34.

<sup>50</sup> *Rollo*, p. 273.

<sup>51</sup> Republic Act No. 6758, entitled: “AN ACT PRESCRIBING A REVISED COMPENSATION AND POSITION CLASSIFICATION SYSTEM IN THE GOVERNMENT AND FOR OTHER PURPOSES”; also known as “Compensation and Position Classification Act of 1989.”

<sup>52</sup> Id. at 276.

<sup>53</sup> Id. at 273-274.

upon by PhilHealth, such as OGCC opinions, issuances by President Macapagal-Arroyo, and legislative deliberations, do not provide sufficient justification for the grant of such benefits and allowances.<sup>54</sup>

Further, the COA argued that presidential approval, upon recommendation from the DBM, is required for the grant of additional allowances and benefits, which were lacking in this case.<sup>55</sup> COA contends that the facts of the instant case fall squarely within the circumstances in this Court's decision in *PhilHealth v. Commission on Audit*,<sup>56</sup> wherein this Court ruled that various benefits and allowances given to PhilHealth's personnel without the approval of the Office of the President should be disallowed, with the approving officers and recipients of the same being held liable for the return of the respective amounts.<sup>57</sup>

### This Court's Ruling

This Court partially grants the instant Petition, upholding all but one of the subject NDs, and modifies the Decision and the Resolution insofar as the consequent liabilities of the recipients and officers involved.

Notably, as the instant Petition is a Petition for *Certiorari* assailing the COA's rulings, under Rule 64 in relation to Rule 65 of the Rules of Court,<sup>58</sup> for such Petition to prosper, it must be shown that there was grave abuse of discretion amounting to lack or excess of jurisdiction. In *Miralles v. Commission on Audit*,<sup>59</sup> this Court held that grave abuse of discretion exists when the assailed decision or resolution is not based on law and the evidence but on caprice, whim, and despotism:

The Constitution vests the broadest latitude in the COA in discharging its role as the guardian of public funds and properties by granting it "exclusive authority, subject to the limitations in this Article, to define the scope of its audit and examination, establish the techniques and methods required therefor, and promulgate 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." In recognition of such constitutional empowerment of the COA, the Court has generally

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<sup>54</sup> Id. at 275-276.

<sup>55</sup> Id. at 278.

<sup>56</sup> G.R. No. 235832, November 3, 2020.

<sup>57</sup> *Rollo*, pp. 279-280.

<sup>58</sup> RULES OF COURT, Rule 64, Sections 1 and 2, state thus:

RULE 64 - Review of Judgments and Final Orders or Resolutions of the Commission on Elections and the Commission on Audit

SECTION 1. Scope. — This Rule shall govern the review of judgments and final orders or resolutions of the Commission on Elections and the Commission on Audit.

SECTION 2. Mode of Review. — A judgment or final order or resolution of the Commission on Elections and the Commission on Audit may be brought by the aggrieved party to the Supreme Court on certiorari under Rule 65, except as hereinafter provided.

<sup>59</sup> 818 Phil. 380 (2017).

sustained the COA's decisions or resolutions in deference to its expertise in the implementation of the laws it has been entrusted to enforce. *Only when the COA has clearly acted without or in excess of jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction has the Court intervened to correct the COA's decisions or resolutions. For this purpose, grave abuse of discretion means that there is on the part of the COA an evasion of a positive duty or a virtual refusal to perform a duty enjoined by law or to act in contemplation of law, such as when the assailed decision or resolution rendered is not based on law and the evidence but on caprice, whim and despotism.*<sup>60</sup> (Citation omitted, emphasis supplied)

Viewed in this lens, this Court finds that the COA did not commit grave abuse of discretion in upholding the notices of disallowance, as the said Decision and the Resolution were based on prevailing law, rules, and jurisprudence.

*Propriety of disallowance in general; Fiscal independence of PhilHealth.*

The initial question to tackle is the propriety of the disallowance of the subject NDs.

PhilHealth generally contends that the benefits and allowances pertaining to all the subject NDs were validly issued, invoking its supposed fiscal independence, citing several provisions of law, legislative deliberations, and jurisprudence.

As admitted by PhilHealth, this Court has already settled the issue of the limits of the fiscal independence of PhilHealth in relation to the COA, and its claimed exemption from Republic Act No. 6758 as early as 2016 in *PhilHealth v. Commission on Audit*,<sup>61</sup> which this Court reiterated in 2021 in *PhilHealth v. Commission on Audit*.<sup>62</sup>

Regardless of such legislative grant, this Court cannot subscribe to petitioner's myopic view that this statute should not be taken in consonance with other laws, nor should it be understood as an exception to [Republic Act] No. 6758. It must be stressed that nowhere on the face of [Republic Act] No. 7875 does it mention that petitioner's power to fix compensation and benefit schemes should be read in isolation to existing laws which have laid down the prevailing standards pertaining to compensation and position classification of government employees. This Court, in *PhilHealth v. Commission on Audit*, was categorical in ruling that Section 16(n) of [Republic Act] No. 7875, while granting petitioner

<sup>60</sup> Id. at 389-390.

<sup>61</sup> *PhilHealth v. Commission on Audit*, *supra* note 34.

<sup>62</sup> G.R. No. 250089, November 09, 2021.



the liberty to fix compensation of its personnel, does not necessarily mean that it has unbridled discretion to issue any and all kinds of allowances, circumscribed only by the provisions of this charter.<sup>63</sup>

In fact, as recently as 2022, this Court stated “there should no longer be any question that the [PhilHealth] is not exempted from the application of the [Salary Standardization Law].”<sup>64</sup>

Thus, PhilHealth is bound by the provision of Presidential Decree No. 1597 which requires the approval of the President in granting allowance, honoraria, and other fringe benefits:

GOCCs, like [Philhealth], shall abide by P.D. No. 1597’s provisions, particularly in terms of obtaining approval of the President in granting allowance, honoraria and other fringe benefits. Section 5 is clear:

Section 5. Allowances, Honoraria, and Other Fringe Benefits. — Allowances, honoraria and other fringe benefits which may be granted to government employees, whether payable by their respective offices or by other agencies of government, shall be subject to the approval of the President upon recommendation of the Commissioner of the Budget. For this purpose, the Budget Commission shall review on a continuing basis and shall prepare, for the consideration and approval of the President, policies and levels of allowances and other fringe benefits applicable to government personnel, including honoraria or other forms of compensation for participation in projects which are authorized to pay additional compensation.<sup>65</sup> (Citation omitted)

Further, this Court also ruled previously that PhilHealth’s “indiscriminate grant of personnel benefits sans executive imprimatur necessitates the disallowance” of such benefits and allowances:

Accordingly, the indiscriminate grant of personnel benefits *sans* executive *imprimatur* necessitates the disallowance. After all, to sustain petitioner’s claim that it alone would ensure that its compensation system would conform with applicable law will result in “an invalid delegation of legislative power, granting the PHIC [petitioner] unlimited authority to unilaterally fix its compensation structure. Certainly, such effect could not have been the intent of the legislature.” As prescribed by the Court *En Banc* in *PhilHealth v. Commission on Audit*:

Thus, it is settled that in granting any additional personnel benefits, PHIC is required to observe the policies and guidelines laid down by the OP relating to position classification, allowances, among other forms of

<sup>63</sup> Id.

<sup>64</sup> *PhilHealth v. Commission on Audit*, G.R. No. 250787, September 27, 2022.

<sup>65</sup> *PhilHealth v. Commission on Audit*, *supra* note 62.

compensation, and to report to the OP, through the DBM, on its position classification and compensation plans, policies, rates and other necessary details following the guidelines as may be determined by the OP. Moreover, since PHIC failed to present any law or DBM issuance authorizing the grant of the benefits in question, the resulting disbursement and receipt are illegal and therefore, must be disallowed.<sup>66</sup> (Citations omitted)

Similarly, this Court has also previously ruled that Section 16(n) of Republic Act No. 7875 does not exempt PhilHealth from the coverage of the Salary Standardization Law.<sup>67</sup>

As to the invocation of OGCC opinions and executive communications from the President of the Philippines, this Court has previously ruled that these do not justify its arguments of PhilHealth's fiscal autonomy from the COA:

Corollarily, neither may petitioner find succor in its assertion that its fiscal autonomy was confirmed by the opinions of the OGCC, as well as executive communications from then President GMA. Aside from the obvious fact that the OGCC opinions have no controlling force and effect in the face of established legislation and jurisprudence, an examination of the communications from President GMA would reveal that the same pertain merely to the approval of petitioner's Rationalization Plan, without any indication of her confirmation regarding petitioner's fiscal independence. To recall, this Court has already decided the weight of such communications from the President with regard to petitioner's fiscal autonomy.

Neither can PhilHealth find solace in the alleged approval or confirmation by former President Gloria Macapagal-Arroyo of PhilHealth's fiscal autonomy through two executive communications relative to its request to exercise fiscal authority in line with the PhilHealth Rationalization Plan. We observe that the alleged presidential approval was merely on the marginal note of the said communications and was never reduced in any formal memorandum. So, too, the Court has previously held in BCDA that the presidential approval of a new compensation and benefit scheme which included the grant of allowances found to be unauthorized by law shall not estop the State from correcting the erroneous application of a statute.<sup>68</sup>

Hence, lacking the requisite presidential approval, the disapproval of the subject benefits and allowances that were based solely on the invocation of PhilHealth's fiscal independence and issued by its officers is in line with

<sup>66</sup> Id., citing *PhilHealth v. Commission on Audit*, *supra* note 56.

<sup>67</sup> *PhilHealth v. Commission on Audit*, *supra* note 62.

<sup>68</sup> Id.

prevailing laws, rules, and jurisprudence and as such, no grave abuse of discretion was committed in affirming their disallowance.

In addition to this general basis of PhilHealth's fiscal independence which has already been debunked, the supposed additional legal bases of some of the individual benefits and allowances will be discussed below, and We shall determine whether the same can justify such benefits and allowances.

*Benefits purportedly granted by virtue of a CNA lack the proper basis.*

In addition to the general invocation of its fiscal autonomy whose limitations we already outlined above, PhilHealth claims that the shuttle service and birthday gift allowances have a basis as these were granted pursuant to a CNA.<sup>69</sup>

The Public Sector Labor-Management Council (PSLMC) Resolution No. 4, Series of 2002, issued by the DBM authorized the grant of CNA incentives and PSLMC Resolution No. 2, Series of 2003 extended such grant to GOCC,<sup>70</sup> there are several qualifications to such authorization.

Under Section 1 of PSLMC Resolution No. 4, Series of 2002, "only savings generated after the signing of the CNA may be used for the CNA incentive," with savings being defined in Section 3 of the same as "such balances of the agency's released allotment for the year, free from any obligation or encumbrance and which are no longer intended for specific purpose/s."<sup>71</sup>

Further, Section 3 of PSLMC Resolution No. 2, Series of 2003 imposes conditions to ensure that such CNA incentives "would be funded by savings generated from the implementation of cost-cutting measures," to wit:

(a) Actual operating income at least meets the targeted operating income in the Corporate Operating Budget (COB) approved by the Department of Budget and Management (DBM)/Office of the President for the year. For GOCCs/GFIs, which by the nature of their functions consistently incur operating losses, the [current] year's operating loss should have been minimized or reduced compared to or at most equal that of prior year's levels;

<sup>69</sup> Rollo, pp. 29-33.

<sup>70</sup> See *PhilHealth v. Commission on Audit*, supra note 62.

<sup>71</sup> Id.

(b) Actual operating expenses are less than the DBM-approved level of operating expenses in the COB as to generate sufficient source of funds for the payment of CNA Incentive; and

(c) For income generating GOCCs/GFIs, dividends amounting to at least 50% of their annual earnings have been remitted to the National Treasury in accordance with provisions of Republic Act No. 7656 dated November 9, 1993.<sup>72</sup>

In Administrative Order No. 135, President Macapagal-Arroyo confirmed the grant of CNA incentives under PSLMC Resolution No. 4, Series of 2002, and likewise required that such incentive be “sourced solely from the savings generated during the life of the CNA.”<sup>73</sup>

Thus, in *PhilHealth v. Commission on Audit*,<sup>74</sup> this Court had occasion to rule on the disallowance of the same kinds of benefits, such as shuttle service allowance and birthday gift allowance that were purportedly granted pursuant to a CNA. Therein, this Court, citing DBM Circular No. 2006-1, reiterated that such incentives must be “paid as a one-time benefit at the end of the year[,] shall be sourced solely from savings from the released Maintenance and Other Operative Expenses allotments, subject to conditions. x x x not be predetermined in the CNA, the amount being dependent on savings generated from cost-cutting measures and systems improvement.”<sup>75</sup>

Based on the records, the shuttle service allowance and birthday gift allowance were paid for the period covered from July to August 2012. Hence, it appears to run contrary to the requirement that it be paid as a one-time benefit at the end of the year. Further, the period covered by such incentives belies the requirement that they are sourced from savings generated from cost-cutting measures and systems improvement. At any rate, there is nothing in the instant petition that would show that these requirements were complied with.

Hence, the COA’s disapproval of these benefits was not attended with grave abuse of discretion.

*In view of Republic Act No. 11223 and the ruling in PhilHealth v. Commission on Audit*<sup>76</sup> on the status of PhilHealth’s employees as public health workers, the grant of longevity

<sup>72</sup> Id. at 16, citing *Manila International Airport Authority v. Commission on Audit*, 681 Phil. 644, 660–661 (2012).

<sup>73</sup> *PhilHealth v. Commission on Audit*, supra note 62.

<sup>74</sup> Id.

<sup>75</sup> Id.

<sup>76</sup> *PhilHealth v. Commission on Audit*, G.R. No. 222710, September 10, 2019. 919 SCRA 20.

*pay should be allowed. Nevertheless, the payment of WESA or subsistence allowance lacks sufficient basis.*

As to PhilHealth's argument that their employees are public health workers and, as such, are qualified to receive WESA or subsistence allowance and longevity pay under Republic Act No. 7305, this Court rules that the same is meritorious only as to longevity pay, while the grant of WESA or subsistence allowance must still be disallowed.

In *PhilHealth v. Commission on Audit*,<sup>77</sup> this Court acknowledged that PhilHealth's employees are entitled to longevity pay in view of the curative effect of Republic Act No. 11223:

Indeed, [Republic Act] No. 11223, as a curative law, should be given retrospective application to the pending proceeding because it neither violates the Constitution nor impairs vested rights. On the contrary, [Republic Act] No. 11223 further promotes the objective of [Republic Act] No. 7305, which is to promote and improve the social and economic well-being of health workers, their living and working conditions and terms of employment. As a curative statute, [Republic Act] No. 11223 applies to the present case and to all pending cases involving the issue of whether PhilHealth personnel are public health workers under Section 3 of [Republic Act] No. 7305. To reiterate, [Republic Act] No. 11223 settles, once and for all, the matter that PhilHealth personnel are public health workers in accordance with the provisions of [Republic Act] No. 7305.

Evidently, [Republic Act] No. 11223 removes any legal impediment to the treatment of PhilHealth personnel as public health workers and for them to receive all the corresponding benefits therewith, including longevity pay. Thus, ND H.O. 12-005 (11), disallowing the longevity pay of PhilHealth personnel, must be reversed and set aside[.]<sup>78</sup> (Citation omitted)

The grant of longevity pay to health workers is found in Section 23 of Republic Act No. 7305, *viz.*:

SECTION 23. *Longevity Pay.* – A monthly longevity pay equivalent to five percent (5%) of the monthly basic pay shall be paid to a health worker for every five (5) years of continuous, efficient and meritorious services rendered as certified by the chief of office concerned, commencing with the service after the approval of this Act.

Thus, even with the limitations on the fiscal independence of PhilHealth as laid out earlier, the explicit grant of such benefits in Republic Act No. 7305, which declared PhilHealth personnel as public health workers

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<sup>77</sup> Id. 39.

<sup>78</sup> Id. at 11.

under Republic Act No. 11223, is a sufficient basis for PhilHealth's payment of the same.

Hence, ND No. 12-051-100-(11) disallowing the longevity pay of PhilHealth's personnel in the total amount of PHP 126,039.01 must be reversed and set aside. Consequently, the recipients of this longevity pay, and by extension, the officials who approved or certified the same, need not refund such amounts.

However, despite the classification of PhilHealth's employees as public health workers, this Court cannot apply the same reasoning to justify the grant of WESA or subsistence allowance. This Court has previously discussed that the award of WESA or subsistence allowance is not a blanket award to all public health workers and that it is granted only to those who meet the requirements of Republic Act No. 7305 and its Implementing Rules and Regulations, and thus, a sweeping grant of the same justifies its disallowance:

As clearly expressed in PhilHealth, the grant of the WESA is not a blanket award to all PHWs; rather, it only applies to certain qualified employees who meet the contingent requirements under [Republic Act] No. 7305 and its [Implementing Rules and Regulations]. While respect was accorded to PhilHealth's action of issuing a single monetary benefit in lieu of two formerly separate amounts, there appears no indication on the part of the Court to abrogate its prescribed qualifications. Consequently, in affirming the WESA, the specific requirements mandated by law pertaining to subsistence and laundry allowances must not be set aside and should still be considered in deciding whether such allowance was reasonably granted or not.

By analogy, records of this case are bereft of evidence showing petitioner's conformity with the foregoing qualifications under [Republic Act] No. 7305 and its [Implementing Rules and Regulations]. There is a glaring absence of proof that the WESA was awarded to officers and employees who actually rendered service within the premises of the stipulated health-related establishments; neither did petitioner bother to demonstrate that the recipients were not disqualified to receive such amounts. To recapitulate, the [Implementing Rules and Regulations] specifies that PHWs on vacation or sick leave and special privilege leave, on terminal leave and commutation, on official travel and are receiving per diem, and those on maternity or paternity leave, are not entitled to receive subsistence allowance. Equally telling, it is not definite if recipients of the WESA were required to wear uniforms regularly. All told, petitioner released the WESA rather sweepingly, without taking into account the qualifications as required by law and which were never disregarded by the Court in upholding the validity of the WESA.

Given that such haphazard issuance is inconsistent with existing law and policy, the amounts were rightfully disallowed in audit.<sup>79</sup>

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<sup>79</sup> *PhilHealth v. Commission on Audit*, *supra* note 62.

The foregoing requirements for entitlement to WESA or subsistence allowance are found under Sections 22 and 24 of Republic Act No. 7305 and Section 7.2 of the Implementing Rules and Regulations of Republic Act No. 7305, reiterated in jurisprudence as follows:

To reiterate, Sections 22 and 24 [impose] that only petitioner's personnel, as PHWs, who render service within the premises of hospitals, sanitarium, health infirmaries, health centers, clinics, and other health-related establishments, as well as those who wear uniforms regularly, shall be entitled to such allowances. The Court further invokes the Implementing Rules and Regulations (IRR) of R.A. No. 7305, which further sheds light on the prerequisites for PHWs to receive such allowances:

#### 7.2. Subsistence Allowance

##### 7.2.1. Eligibility for Subsistence Allowance

- a. All public health workers covered under [Republic Act No.] 7305 are eligible to receive full subsistence allowance as long as they render actual duty.
- b. Public Health Workers shall be entitled to full Subsistence Allowance of three (3) meals which may be computed in accordance with prevailing circumstances as determined by the Secretary of Health in consultation with the Management Health Workers Consultative Council, as established under Section 33 of the Act.
- c. Those public health workers who are out of station shall be entitled to per diems in place of Subsistence Allowance. Subsistence Allowance may also be commuted.

##### 7.2.2. Basis for Granting Subsistence Allowance

Public health workers shall be granted subsistence allowance based on the number of meals/days included in the duration when they rendered actual work including their regular duties, overtime work or on-call duty as defined in this revised IRR.

Public health workers who are on the following official situations are not entitled to collect/receive this benefit:

- a. Those on vacation/sick leave and special privilege leave with or without pay;
- b. Those on terminal leave and commutation;
- c. Those on official travel and are receiving per diem regardless of the amount; and

d. Those on maternity/paternity leave.

#### 7.2.3. Rates of Subsistence Allowance

- a. Subsistence allowance shall be implemented at not less than [PHP] 50.00 per day or [PHP] 1,500.00 per month as certified by head of agency.
- b. Non-health agency workers detailed in health and health related institutions/establishments are entitled to subsistence allowance and shall be funded by the agency where service is rendered.
- c. Subsistence allowance of public health workers on full-time and part-time detail in other agency shall be paid by the agency where service is rendered.
- d. Part-time public health workers/consultants are entitled to one-half (1/2) of the prescribed rates received by full-time public health workers.<sup>80</sup>

Similarly, in this case, the WESA or subsistence allowance was granted sweepingly without showing that the aforementioned qualifications had been met. Thus, the disallowance is justified and does not amount to grave abuse of discretion.

Finding no grave abuse of discretion on the part of COA as regards the disallowances, except to that pertaining to the longevity pay, this Court upholds the assailed rulings of the COA as to the disallowance of those benefits and allowances.

#### *Governing rules on refund of amounts disallowed by COA*

In view of the disallowance of the aforementioned allowances and benefits, we must now reckon with the respective liabilities of the persons involved.

In *Madera*, this Court summarized and clarified the rules governing the refund of amounts disallowed by COA which shall guide us in the instant case, thus:

1. If a Notice of Disallowance is set aside by the Court, no return shall be required from any of the persons held liable therein.
2. If a Notice of Disallowance is upheld, the rules on return are as follows:

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<sup>80</sup> Id.

- a. Approving and certifying officers who acted in good faith, in regular performance of official functions, and with the diligence of a good father of the family are not civilly liable to return consistent with Section 38 of the Administrative Code of 1987.
- b. Approving and certifying officers who are clearly shown to have acted in bad faith, malice, or gross negligence are, pursuant to Section 43 of the Administrative Code of 1987, solidarily liable to return only the net disallowed amount which, as discussed herein, excludes amounts excused under the following sections 2c and 2d.
- c. Recipients - whether approving or certifying officers or mere passive recipients - are liable to return the disallowed amounts respectively received by them, unless they are able to show that the amounts they received were genuinely given in consideration of services rendered.
- d. The Court may likewise excuse the return of recipients based on undue prejudice, social justice considerations, and other bona fide exceptions as it may determine on a case-to-case basis.<sup>81</sup>

As this Court acknowledges in *Madera*, “the ultimate analysis of each case would still depend on the facts presented.”<sup>82</sup> Hence, the surrounding circumstances shall still be determined on a case-to-case basis.<sup>83</sup>

*Recipients are liable to return  
the amounts they received.*

For the recipients, We rule that they are liable to return the amounts they received. Under the guidelines earlier stated in *Madera*, the general rule is that they are liable to return such amounts, except when “they are able to show that the amounts they received were genuinely given in consideration of services rendered.”<sup>84</sup> or where there are any of the following: “undue prejudice, social justice considerations, and other *bona fide* exceptions as it may determine on a case to case basis.”<sup>85</sup>

In relation to such exceptions, this Court has subsequently ruled that the return of the disallowed amount may be excused when “(1) it was genuinely given in consideration of services rendered; (2) undue prejudice will result from requiring the return; (3) social justice comes into play; or (4) the case calls for humanitarian consideration.”<sup>86</sup> Instances, where exceptions can be made, would include, among others: (a) a showing that the

<sup>81</sup> *Madera v. Commission on Audit*, *supra* note 18, cited in *PhilHealth v. Commission on Audit*, *supra* note 62.

<sup>82</sup> *Madera v. Commission on Audit*, *id.*

<sup>83</sup> *Id.*

<sup>84</sup> *Id.*

<sup>85</sup> *National Transmission Commission v. Commission on Audit*, G.R. No. 244193, November 10, 2020.

<sup>86</sup> *PhilHealth v. Commission on Audit*, *supra* note 62, citing *National Transmission Commission v. Commission on Audit*, *id.*

benefits and allowances had proper legal basis; (b) the benefits and allowances were denied based on a mere procedural infirmity; or (c) there was a “clear, direct and reasonable connection” to the work performed by the recipients.<sup>87</sup>

Unfortunately, none of these circumstances exist in this case. At its core, the disallowed benefits and allowances, except longevity pay, lack a valid legal basis and are contrary to prevailing laws, rules, and jurisprudence, and as such, cannot be considered as genuinely given. Such defect is not merely procedural as it goes into the validity of the benefit or allowance itself. Likewise, no clear, reasonable, and direct connection of the disallowed benefits and allowances to the work performed by the respective recipients. Further, this Court finds that there are no social justice or humanitarian considerations that justify the exemption.

To add, We have previously stated in a case involving similar allowances and benefits issued to PhilHealth’s employees, that no undue prejudice was caused by the return of disallowed amounts that were disbursed contrary to law and jurisprudence as “it would be increasingly prejudicial to the government if its public coffers would be depleted by reason of disbursements done in contravention to law and jurisprudence.”<sup>88</sup>

Hence, following the general rule enshrined in *Madera*, the recipients, including the approving officers and/or certifying officers if they were also recipients of the disallowed benefits and allowances, are primarily liable to return the disallowed amounts that they received.

*Approving officers are solidarily liable for the refund of the amounts corresponding to the benefits and allowances that they approved.*

As to the approving officers, the rules in *Madera* are clear that they are not civilly liable to return the disallowed amounts if they “acted in good faith, in regular performance of official functions, and with the diligence of a good father of the family.”<sup>89</sup>

Unfortunately, this presumption of good faith is negated by the disregard of applicable jurisprudence and directives of the COA in relation to the grant of such benefits and allowances, which is tantamount to gross negligence.<sup>90</sup>

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<sup>87</sup> See *PhilHealth v. Commission on Audit*, *supra* note 62.

<sup>88</sup> *Id.*

<sup>89</sup> *Id.*

<sup>90</sup> *Id.*

Particularly, the ruling that PhilHealth does not have unrestricted authority to unilaterally fix its compensation structure has been settled in several prior cases decided by this Court.<sup>91</sup> As such, their failure to comply with such rulings amount to gross negligence and gives rise to solidary liability for the return of the disallowed benefits and allowances.

Thus, in *PhilHealth v. Commission on Audit*,<sup>92</sup> this Court stated as to PhilHealth's approving officers that "it is not extraordinary to expect that they should be fully acquainted with their agency's mandate and the policies affecting it,"<sup>93</sup> and in disregarding the various applicable jurisprudence, rules, and laws, they are adjudged solidarily liable for the refund of the benefits and allowances.<sup>94</sup>

*Certifying officers are not liable for the refund of the amounts corresponding to the benefits and allowances that they certified.*

On the other hand, this Court cannot make the same ruling as to the certifying officers who merely guaranteed the availability of funds and attested to the completeness of the documents to support the disbursements made. Absent a clear showing of bad faith, malice, or gross negligence, they cannot be held solidarily liable.

As stated in *PhilHealth v. Commission on Audit*,<sup>95</sup> jurisprudence is replete with instances where persons who merely certified the availability of funds were considered free from liability as they were only performing their ministerial duties:

*In Metropolitan Waterworks and Sewerage System v. Commission on Audit consolidated with Uy v. Metropolitan Waterworks and Sewerage System and Commission on Audit*, this Court absolved petitioners from liability as their functions "had nothing to do with policy-making or decision-making for MWSS, and were merely involved in its day-to-day operations." This Court explained:

The COA has not proved or shown that the petitioners, among others, were the approving officers contemplated by law to be personally liable to refund the illegal disbursements in the MWSS. While it is true that there was no distinct and specific definition as to who were the

<sup>91</sup> *Id.*; *PhilHealth Regional Office-Caraga v. Commission on Audit*, 838 Phil. 600, 615 (2018); *PhilHealth v. Commission on Audit*, 837 Phil. 90, 107 (2018); *PhilHealth v. Commission on Audit*, 801 Phil. 427, 452-453 (2016).

<sup>92</sup> *PhilHealth v. Commission on Audit*, *supra* note 62.

<sup>93</sup> *Id.*

<sup>94</sup> *Id.*

<sup>95</sup> *Id.*

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particular approving officers as well as the respective extent of their participation in the process of determining their liabilities for the refund of the disallowed amounts, we can conclude from the fiscal operation and administration of the MWSS how the process went when it granted and paid out benefits to its personnel.

Hewing more closely to the case at bench, this Court, in *Alejandrino v. Commission on Audit*, declared that petitioners therein, whose participation only consisted of certifying and approving the availability of funds, were considered free from liability, as they were done “while performing their ministerial duties,” to wit:

We note that in this case, petitioners’ participation in the disallowed transactions were done while performing their ministerial duties as Head of Human Resources and Administration, and Acting Treasurer, respectively. Petitioner Alejandrino’s main function is the administration of human resources and personnel services, while petitioner Pasetes certified and approved the check voucher and certified the availability of funds as the acting treasurer. It has not been shown that petitioners acted in bad faith as they were merely performing their official duties in approving the payment of the lawyers under the directive of PNCC’s executive officers. Petitioners, although officers of PNCC, could not be held personally liable for the disallowed amounts as they were not involved in policy-making or decision-making concerning the hiring and engagement of the private lawyers and were only performing assigned duties which can be considered as ministerial.

Under the circumstances, petitioner’s certifying officers cannot be held personally liable for the disallowed benefits, due to the failure to show any bad faith on their actions, as well as having had no part in the approval of the disallowed benefits.<sup>96</sup> (Citations omitted)

Hence, the certifying officers in the instant case cannot be held solidarily liable with the recipients for the amounts pertaining to the disallowed benefits and allowances.

*Identification of approving officers  
for each respective Notice of  
Disallowance.*

In the records of the case, it cannot be determined with certainty which approving officer approved the specific notice of disallowance. This is because while the participation of the officials named was generally mentioned, with some more specific than others, the list of persons held liable was placed in one list without completely identifying with certainty

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<sup>96</sup> Id. at 30-31.

which of the benefits and allowances corresponding to each notice of disallowance they approved.

Faced with a similar situation but involving only one notice of disallowance, this Court in *PhilHealth v. Commission on Audit*<sup>97</sup> ordered the COA to “identify, in a clear and certain manner, the specific [PhilHealth] Board members and officials who approved the grant of the Labor Management Relations Gratuity and authorized” the disallowed benefits and allowances.<sup>98</sup>

The need for such clear identification is made more apparent in this case, as the Decision and the Resolution adjudicated several notices of disallowance involving several kinds of benefits and allowances spanning a period of time and did not completely specify the respective benefits and allowances which the named approving officers approved, which hinders a full and proper determination of their solidary liability.

Thus, for full and proper implementation of this judgment, the COA is directed to identify in a clear, certain, and complete manner, the specific PhilHealth members and officials who approved the disallowed benefits and allowances covered in Notices of Disallowance No. 12-030-100-(11), 12-032-100-(11), 12-048-100-(11), 12-049-100-(11), 12-050-100-(11), 12-051-100-(11), 2013-001-100(12), 2013-002-100(12), 2013-003-100(12), 2013-004-100(12), 2013-005-100(12), 2013-006-100(12), and 2013-007-100(12), for each respective benefit and allowance concerned. As discussed earlier, the certifying officers who merely guaranteed the availability of funds and attested to the completeness of the documents to support the disbursements made shall not be held solidarily liable.

**WHEREFORE**, premises considered, the Petition for *Certiorari* of Philippine Health Insurance Corporation is **PARTIALLY GRANTED**. The Decision in COA Decision No. 2019-264 dated June 25, 2019 and the Resolution in COA Decision 2021-262 dated October 7, 2021 are **AFFIRMED WITH MODIFICATION**, as follows:

1. The disallowance of longevity pay in the amount of PHP 126,039.00 in Notice of Disallowance No. 12-051-100-(11) is **REVERSED** and **SET ASIDE**;
2. The disallowances of various benefits and allowances covered by Notice of Disallowance Nos. 12-030-100-(11), 12-032-100-(11), 12-048-100, 12-049-100-(11), 12-050-100-(11), 2013-001-100(12), 2013-002-100(12), 2013-003-100(12), 2013-004-

<sup>97</sup> *PhilHealth v. Commission on Audit*, 801 Phil. 427 (2016).

<sup>98</sup> *Id.* at 471-472.

100(12), 2013-005-100(12), 2013-006-100(12), and 2013-007-100(12) are **AFFIRMED**;

3. The recipients of the benefits and allowances pertaining to Notice of Disallowance Nos. 12-030-100-(11), 12-032-100-(11), 12-048-100-(11), 12-049-100-(11), 12-050-100-(11), 2013-001-100(12), 2013-002-100(12), 2013-003-100(12), 2013-004-100(12), 2013-005-100(12), 2013-006-100(12), and 2013-007-100(12), including any approving or certifying officers who received portions of the disallowed amounts, are **ORDERED** to **REFUND** the amount they received in connection therewith;
4. The approving officers of the benefits and allowances pertaining to Notice of Disallowance Nos. 12-030-100-(11), 12-032-100-(11), 12-048-100-(11), 12-049-100-(11), 12-050-100-(11), 2013-001-100(12), 2013-002-100(12), 2013-003-100(12), 2013-004-100(12), 2013-005-100(12), 2013-006-100(12), and 2013-007-100(12) are held solidarily liable to return the disallowed amounts. For this purpose, the Commission on Audit is hereby ordered to particularly identify the members and officials of the Philippine Health Insurance Corporation responsible for the approval and release of the benefits and allowances covered by the aforementioned Notices of Disallowance; and
5. The certifying officers who merely attested to the availability of funds and completeness of the documents to support the disbursements of the benefits and allowances pertaining to Notice of Disallowance Nos. 12-030-100-(11), 12-032-100-(11), 12-048-100, 12-049-100-(11), 12-050-100-(11), 2013-001-100(12), 2013-002-100(12), 2013-003-100(12), 2013-004-100(12), 2013-005-100(12), 2013-006-100(12), and 2013-007-100(12) are held not solidarily liable in their official capacity to refund the disallowed amounts.

**SO ORDERED.**

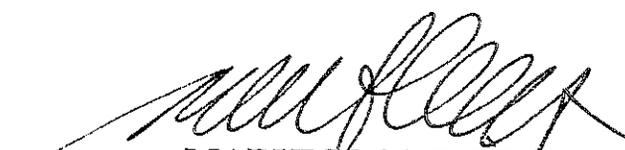
  
**JHOSEP V. LOPEZ**  
Associate Justice

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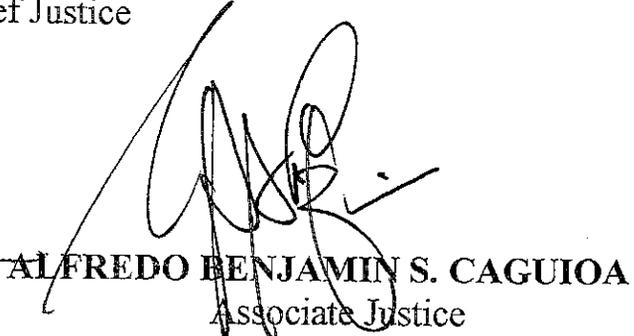
**WE CONCUR:**



**ALEXANDER G. GESMUNDO**  
Chief Justice

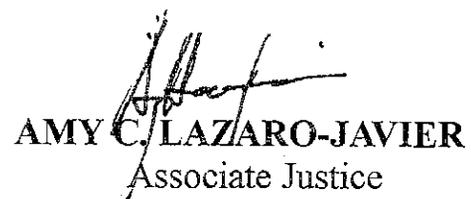


**MARVIC M.V.F. LEONEN**  
Senior Associate Justice



**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

On leave  
**RAMON PAUL L. HERNANDO**  
Associate Justice



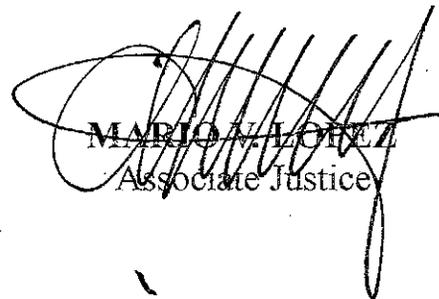
**AMY C. LAZARO-JAVIER**  
Associate Justice



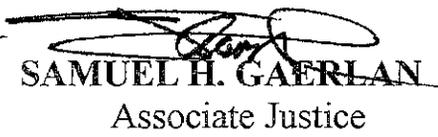
**HENRI JEAN PAUL B. INTING**  
Associate Justice



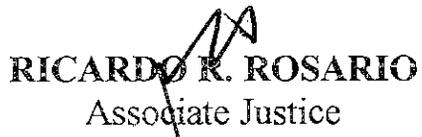
**RODIL V. ZALAMEDA**  
Associate Justice



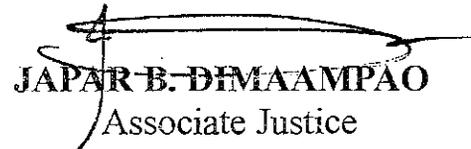
**MARIO A. LOPEZ**  
Associate Justice



**SAMUEL H. GAERLAN**  
Associate Justice



**RICARDO R. ROSARIO**  
Associate Justice



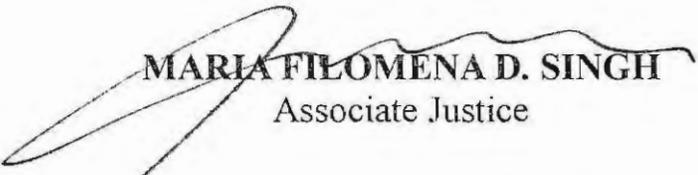
**JAPAR B. DIMAAMPAO**  
Associate Justice



**JOSE MIDAS P. MARQUEZ**  
Associate Justice



**ANTONIO T. KHO, JR.**  
Associate Justice



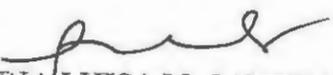
**MARIA FILOMENA D. SINGH**  
Associate Justice

**CERTIFICATION**

Pursuant to Article VIII, Section 13 of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court.



**ALEXANDER G. GESMUNDO**  
Chief Justice



**MARIA LUISA M. SANTILLA**  
Deputy Clerk of Court and  
Executive Officer  
Supreme Court