

Republic of the Philippines  
Supreme Court  
Manila

EN BANC

**PHILIPPINE HEALTH  
INSURANCE CORPORATION,**

*Petitioner,*

**G.R. No. 235832**

Present:

PERALTA, C.J.,  
PERLAS-BERNABE,  
LEONEN,  
CAGUIOA,  
GISMUNDO,  
CARANDANG,  
HERNANDO,  
LAZARO-JAVIER,  
INTING,  
ZALAMEDA,  
LOPEZ,  
DELOS SANTOS,  
GAERLAN, and  
ROSARIO, JJ.

*-versus-*

**COMMISSION ON AUDIT,  
MICHAEL G. AGUINALDO,  
Chairperson, and ANGELINA B.  
VILLANUEVA, Director IV,**

*Respondents.*

Promulgated:

November 3, 2020

x ----- x

**DECISION**

**INTING, J.:**

Before the Court is a Petition for *Certiorari*<sup>1</sup> with Prayer for Issuance of Temporary Restraining Order and Writ of Preliminary Injunction under Rule 64, in relation to Rule 65 of the Rules of Court

<sup>1</sup> Rollo, pp. 2-35.

assailing the Decision No. 2016-436<sup>2</sup> dated December 27, 2016 of the Commission on Audit (COA)—Commission Proper (COA Proper). The assailed Decision No. 2016-436 affirmed the Decision No. 2012-11 dated July 12, 2012 of the COA-Corporate Government Sector A (COA-CGS) that affirmed the Notices of Disallowance (NDs) issued by Philippine Health Insurance Corporation (PHIC) Resident Auditor Elena L. Agustin (Resident Auditor) against the PHIC. Likewise assailed is the COA Proper Resolution No. 2017-050<sup>3</sup> dated September 7, 2017 denying the Motion for Reconsideration.<sup>4</sup>

### *The Antecedents*

PHIC is a government corporation created under Republic Act No. (RA) 7875,<sup>5</sup> as amended by RA 9241<sup>6</sup> and RA 10606.<sup>7</sup> Its functions include the administration of the country's national health insurance program as well as the formulation and promulgation of policies for the sound administration of the program. On the other hand, the COA is a constitutional commission vested with the power, authority and duty to examine, audit and settle all accounts concerning the revenues, receipts and expenditures or uses of government funds and properties pursuant to Section 1, Article IX-A, in relation to Section 2, Article IX-D of the Constitution.

In this case, the Resident Auditor issued the following NDs against certain benefits granted by the PHIC Board of Directors (BOD) to its personnel:

| PHIC ND No.     | Date of the ND    | Benefits / Allowances                | Amount        |
|-----------------|-------------------|--------------------------------------|---------------|
| 1) 2008-056(07) | December 18, 2008 | Birthday Gift (CY <sup>8</sup> 2007) | ₱5,974,572.83 |

<sup>2</sup> *Id.* at 41-48; signed by Chairperson Michael G. Aguinaldo, Commissioners Jose A. Fabia and Isabel D. Agito, and attested by Director IV and Commission Secretariat Nilda B. Planas.

<sup>3</sup> *Id.* at 50.

<sup>4</sup> *Id.* at 77-113.

<sup>5</sup> National Health Insurance Act of 1995, approved on February 14, 1995.

<sup>6</sup> Entitled "An Act Amending Republic Act No. 7875, Otherwise Known As "An Act Instituting a National Health Insurance Program For All Filipinos and Establishing the Philippine Health Insurance Corporation for the Purpose," approved on February 10, 2004.

<sup>7</sup> National Health Insurance Act of 2013, approved on June 19, 2013.

<sup>8</sup> Calendar Year.

|                        |                    |   |                             |
|------------------------|--------------------|---|-----------------------------|
| 2) 2008-057(07)        | December 18, 2008  | Special Event Gift (CY 2007)  | ₱8,714,500.00               |
| 3) 2008-058(07)        | December 18, 2008  | Nominal Gift (CY 2007)  | ₱29,519,296.78              |
| 4) 2008-059(07)        | December 18, 2008  | Educational Assistance Allowance (CY 2007)  | ₱49,285,894.89              |
| 5) 2008-060(07)        | December 18, 2008  | Project Completion Benefit (CY 2007)  | ₱4,986,122.35               |
| 6) HO 2009-001         | September 14, 2009 | Payment of liability insurance premium for PHIC Board of Directors (BOD) and Officers (CY 2007) | ₱638,000.00                 |
| 7) HO 2009-002         | September 30, 2009 | Corporate Transition and Achievement Premium (CY 2008)  | ₱81,059,403.54              |
| 8) HO 2009-003         | September 30, 2009 | Medical Mission Critical Allowance (CY 2008)  | ₱7,916,205.82               |
| 9) HO 2009-005-725(08) | November 20, 2009  | Efficiency Gift   | ₱16,275,578.16 <sup>9</sup> |

Except for ND No. HO 2009-001 (on payment of liability insurance premium), the Resident Auditor issued all the NDs in question on the ground that their covered benefits were given to the officers and employees of PHIC without approval from the Office of the President (OP) as required under Memorandum Order No. 20<sup>10</sup> dated June 25,

<sup>9</sup> As stated in the petition for *certiorari, rollo*, pp. 6-7.

<sup>10</sup> Entitled "Directing Heads of Government-Owned-and-Controlled Corporations (GOCCs), Government Financial Institutions (GFIs) and Subsidiaries Exempted From or Not Following the Salary Standardization Law (SSL) to Implement Pay Rationalization in all Senior Officer

2001 and Administrative Order No. 103<sup>11</sup> dated August 31, 2004.

Meanwhile, the Resident Auditor issued ND No. HO2009-001 because the payment of liability insurance premium for the BOD and Officers of PHIC violated Section 73<sup>12</sup> of RA 9184<sup>13</sup> and GPPB<sup>14</sup> Resolution No. 21-05.<sup>15</sup>

Consequently, the Resident Auditor held liable the concerned officers and employees of PHIC as well as the payees for the disallowed amounts.<sup>16</sup>

With the denial of its motion for reconsideration on ND Nos. 2008-056(07) to 2008-060(07), on December 18, 2009, PHIC filed its consolidated memorandum of appeal before the COA-CGS.

On January 29, 2010 and March 4, 2010, PHIC filed its respective Consolidated Memoranda of Appeal with respect to ND Nos. HO 2009-001 to HO 2009-003 and ND No. HO 2009-005-725(08).

### *Ruling of COA-CGS*

On July 12, 2012, the COA-CGS denied the appeals interposed by PHIC and accordingly, affirmed the NDs in the total amount of ₱204,072,574.37.<sup>17</sup>

Positions.”

<sup>11</sup> Entitled “Directing the Continued Adoption of Austerity Measures in the Government.”

<sup>12</sup> Section 73 of Republic Act No. 9184 provides:

Section 73. *Indemnification of BAC Members.*— The [Government Procurement Policy Board] shall establish an equitable indemnification package for public officials providing services in the [Bids and Awards Committee], which may be in the form of free legal assistance, liability insurance, and other forms of protection and indemnification for all costs and expenses reasonably incurred by such persons in connection with any civil or criminal action, suit or proceeding to which they may be, or have been made, a party by reason of the performance of their functions or duties, unless they are finally adjudged in such action or proceeding to be liable for gross negligence or misconduct or grave abuse of discretion.

<sup>13</sup> Government Procurement Reform Act, approved on January 10, 2003.

<sup>14</sup> Government Procurement Policy Board.

<sup>15</sup> Entitled “Approving the Guidelines for Legal Assistance and Indemnification of Bids and Awards Committee (BAC) Members and BAC Support Staff,” approved on October 7, 2005.

<sup>16</sup> *Rollo*, p. 7; PHIC did not attach the Notices of Disallowance in question. The records did not also provide the extent of the liability of the PHIC officers and employees pursuant to the Notices of Disallowance.

<sup>17</sup> As culled from the Commission on Audit (COA) Decision No. 2016-436 dated December 27,

Aggrieved, PHIC filed its Petition for Review<sup>18</sup> with the COA Proper.

*Ruling of the COA Proper*

In the assailed Decision No. 2016-436 dated December 27, 2016, the COA Proper dismissed the petition for review as regards ND No. 09-005-725(08) for lack of merit; and for late filing with respect to the remaining NDs. The dispositive portion of Decision No. 2016-436 reads:

WHEREFORE, premises considered, the Petition for Review of Dr. Eduardo P. Banzon, President and Chief Executive Officer, Philippine Health Insurance Corporation, Pasig City, of Commission on Audit Corporate Government Sector A Decision No. 2012-11 dated July 12, 2012 insofar as Notice of Disallowance No. 09-005-725(08) dated November 20, 2009 with the total amount of P16,275,578.16 is concerned, is hereby DENIED for lack of merit.

With respect to Notice of Disallowance Nos. PHIC 2008-056(07) to 2008-60(07), all dated December 18, 2008; HO 2009-001 dated September 14, 2009; and HO 2009-002 and HO 2009-003, both dated September 30, 2009, with the total amount of P187,796,996.21, the Petition for Review is DISMISSED for being filed out of time.<sup>19</sup>

According to the COA Proper, PHIC failed to file a petition for review relative to ND Nos. 2008-056(07) to 2008-60(07) and HO 2009-001 to 2009-003 within the reglementary period of 180 days or six months. Because of this, the decision sustaining the NDs already became final and executory. While PHIC filed a motion for extension of time to file petition, the COA Proper did not act on it and PHIC could not assume that the belated filing of the petition was justified.

Relative to ND No. 09-005-725, the COA Proper decreed that the amount of P16,275,578.16 representing payment of Efficiency Gift to PHIC employees for CY 2007 was disallowed for lack of approval from the OP.<sup>20</sup> It stressed that even if PHIC is exempt from the coverage of the

---

2016; *id.* at 41.

<sup>18</sup> *Id.* at 53-76.

<sup>19</sup> *Id.* at 47.

<sup>20</sup> *Id.* at 43.

Office of Compensation and Position Classification, it should report to the OP, through the Department of Budget and Management (DBM), its position classification and compensation plans. It underscored that the prior approval of the OP did not remove from the BOD of PHIC the power to fix compensation and allowances of its personnel, but requires it to submit its plans to the OP, through the DBM, to comply with the law.

The COA Proper also determined that the officials of PHIC who authorized, approved or certified the subject grants could not be deemed in good faith since the law requires the prior approval of the OP. It further ruled that in its earlier Decision Nos. 2014-332 and 2014-665 dated September 12, 2014, it affirmed the disallowance on similar benefits. Thus, it held that the PHIC officials were not in good faith due to such previous NDs on the same subject matter. Regarding the recipient-employees, the COA Proper decreed that they might be in good faith but under the principle of *solutio indebiti*, a person who receive something by mistake had the obligation to return it.<sup>21</sup>

Subsequently, the COA Proper denied the Motion for Reconsideration.<sup>22</sup>

Undeterred, PHIC filed this petition for *certiorari* raising the following grounds:

#### *Grounds*

- A. RESPONDENTS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN DISMISSING THE PETITION FOR REVIEW FILED BY [PHIC] ON THE BASIS OF PROCEDURAL TECHNICALITIES. THERE IS LEGAL BASIS FOR THE GRANT OF THE SUBJECT BENEFITS.
- B. SECTION 16(n) OF R.A. NO. 7875, AS AMENDED, EXPLICITLY BESTOWED PHIC WITH "FISCAL AUTONOMY OR INDEPENDENCE" TO FIX THE COMPENSATION OF ITS PERSONNEL, AS CONFIRMED

<sup>21</sup> *Id.* at 45-46.

<sup>22</sup> See Resolution No. 2017-050 dated September 7, 2017 of the COA Proper, *id.* at 50.

BY OGCC OPINIONS, THEN PRESIDENT GLORIA ARROYO LETTERS, AND LEGISLATIVE DELIBERATIONS ON SECTION 16(n).

- C. THE FISCAL AUTHORITY OF PHIC UNDER ARTICLE IV, SECTION 16 (N) OF R.A. NO. 7875, AS AMENDED, HAD BEEN CONFIRMED TWICE BY THEN PRESIDENT GLORIA M. ARROYO, IN 2006 AND IN 2008.
- D. PHIC IS CLASSIFIED AS GOVERNMENT FINANCIAL INSTITUTION (GFI) AND MUST BE ACCORDED THE FISCAL AUTONOMY ENJOYED BY OTHER GFIs AS RECOGNIZED BY THIS COURT IN THE CASE OF *CENTRAL BANK EMPLOYEES ASSOCIATION INC. vs. BANGKO SENTRAL NG PILIPINAS*.
- E. THE DISALLOWED BENEFITS WERE GRANTED PURSUANT TO DULY-EXECUTED COLLECTIVE NEGOTIATION AGREEMENT (CNA) BETWEEN PHIC MANAGEMENT AND PHIC EMPLOYEES ASSOCIATION (PHICEA)[.]
- F. THE VALIDITY OF THE LIABILITY INSURANCE COVERAGE OF PHIC BOARD MEMBERS AND OFFICERS HAD BEEN CONFIRMED BY THE GPPB THRU NPM NO. 24-2008[.]
- G. THE PHIC OFFICIALS AND EMPLOYEES RECEIVED THE SUBJECT BENEFITS IN GOOD FAITH AND, THEREFORE, EVEN IF THE DISALLOWANCE IS SUSTAINED, THEY CANNOT BE REQUIRED TO REFUND THE SAME.<sup>23</sup>

### *Petitioner's Arguments*

PHIC argued that the COA Proper should not have dismissed the petition for review on procedural grounds since it (PHIC) filed a prior motion for extension of time which was submitted within the 180-day reglementary period to file a petition. It added that even assuming that it belatedly filed the petition, in the interest of substantial justice, the petition must be decided on the merits.

---

<sup>23</sup> *Id.* at 9.

M

Moreover, PHIC insisted that its Charter conferred upon the PHIC BOD fiscal autonomy to fix the compensation of its personnel. The fiscal independence is the very basis of the grant of the disallowed benefits. In this regard, the payment of the benefits cannot be deemed to be without appropriate legal basis.

### *Respondents' Arguments*

Respondents, through the Office of the Solicitor General, countered that the COA Proper correctly dismissed the petition for review because of late filing as regards ND Nos. 2008-056(07) to 2008-60(07) and HO2009-001 to 2009-003. They contended that the mere filing of a motion for extension did not translate to an automatic extension of time to file petition. They added that the perfection of an appeal within the period and in the manner prescribed by law is jurisdictional. Hence, the failure of PHIC to file within the reglementary period warranted the dismissal of its petition for review.<sup>24</sup>

Respondents likewise argued that even assuming that PHIC timely filed the petition for review, the petition must still fail for lack of merit. They contended that PHIC's reliance on its fiscal autonomy is misplaced because in the recent jurisprudence involving PHIC (*Phil. Health Insurance Corp. v. Commission on Audit, et al.*),<sup>25</sup> the Court already discussed that the power of the PHIC to fix the compensation and allowances of its officers and employees is subject to the standards laid down by applicable laws.<sup>26</sup> The Salary Standardization Law (SSL), in particular, provided that all allowances, other than those specified under Section 12 thereof, shall be deemed included in the standardized salary rates of the employees. Since the benefits involved in the subject NDs are not those expressly enumerated under Section 12 of the SSL, then they are already integrated in the standardized salary rates of the employees of PHIC.<sup>27</sup>

Respondents further argued that the officers and BOD of PHIC should have guided themselves with the abundant jurisprudence

<sup>24</sup> See Comment on the Petition for *Certiorari*, *id.* at 162-164.

<sup>25</sup> 801 Phil. 427 (2016).

<sup>26</sup> *Rollo*, p. 167.

<sup>27</sup> *Id.* at 171-172.



regarding the power of government-owned and controlled corporations (GOCCs) to fix salaries and allowances which long existed before the subject grants or benefits were given to PHIC personnel. They stressed that the officers and BOD of PHIC cannot claim good faith considering that their positions require them to be acquainted with the applicable laws, rules and regulations anent the grant of benefits to PHIC officers and employees.<sup>28</sup>

Meanwhile, on January 30, 2018, the Court issued a temporary restraining order restraining and enjoining respondents from executing the assailed COA Decision dated December 27, 2016 and Resolution dated September 7, 2017.<sup>29</sup>

#### *Our Ruling*

To begin with, let it be underscored that a petition under Rule 64, in relation to Rule 65 of the Rules of Court, involves the issue of whether the respondent committed grave abuse of discretion amounting to lack or excess of its jurisdiction. The Court's review is limited and is confined only to matters involving the jurisdiction of the respondent, in this case, the COA Proper, and determine whether it acted arbitrarily or whimsically in issuing the assailed Decision and Resolution.<sup>30</sup>

Here, the Court finds that the COA Proper did not commit any grave abuse of discretion in dismissing PHIC's appeal anent ND Nos. 2008-056(07) to 2008-60(07) and HO2009-001 to 2009-003 for late filing.

Pursuant to Section 4,<sup>31</sup> Rule V of the 2009 COA Revised Rules of Procedure (COA Rules), an appeal before the Director of a Central Office Audit Cluster (National, Local or Corporate Sector) or of a Regional Office of the COA must be filed within six months after the

<sup>28</sup> *Id.* at 176.

<sup>29</sup> See Court's Resolution dated January 30, 2018, *id.* at 139-140.

<sup>30</sup> See *Philippine Health Insurance Corporation v. Commission on Audit*, G.R. No. 222710, July 24, 2018, 874 SCRA 138.

<sup>31</sup> Section 4, Rule V of the 2009 COA Revised Rules of Procedure (COA Rules) provides:

Section 4. *When Appeal Taken.* — An Appeal must be filed within six (6) months after receipt of the decision appealed from.

receipt of the decision to be appealed. In addition, Section 3,<sup>32</sup> Rule VII of the COA Rules provides that the appeal with the COA Proper shall be taken within the remaining period of the six months as specified under Section 4, Rule V, with due regard to the suspension of the running of the period as indicated under Section 5<sup>33</sup> of the same Rule.

In this case, neither party disputes that PHIC failed to timely file its appeal with regard to ND Nos. 2008-056(07) to 2008-60(07) and HO 2009-001 to 2009-003. PHIC's only excuse for the belated submission of its petition for review with the COA Proper was that it filed a motion for extension of time to file petition. However, since the COA Proper did not act on the motion, PHIC cannot merely assume that the COA Proper granted it.

In fact, in the recent case of *Philippine Health Insurance Corp. v. Commission on Audit*,<sup>34</sup> PHIC's appeal with the COA Proper was also dismissed because of the untimely filing of its petition for review. PHIC is in similar situation here. Definitely, because of the late filing of its appeal, the decision of the COA-CGS had already attained finality.

In another case, also involving PHIC — *Philippine Health Insurance Corp. v. Commission on Audit*,<sup>35</sup> the Court explained the rule surrounding perfection of appeal, to wit:

As a general rule, the perfection of an appeal in the manner and within the period permitted by law is not only mandatory but also jurisdictional, and the failure to perfect the appeal renders the judgment of the court final and executory.

X X X X

But like any other rule, the doctrine of immutability of judgment has exceptions, namely: (1) the correction of clerical errors;

<sup>32</sup> Section 3, Rule VII of the COA Rules provides:

Section 3. *Period of Appeal.* — The appeal shall be taken within the time remaining of the six (6) months period under Section 4, Rule V, taking into account the suspension of the running thereof under Section 5 of the same Rule in case of appeals from the Director's decision, or under Sections 9 and 10 of Rule VI in case of decision of the ASB.

<sup>33</sup> Section 5, Rule VII of the COA Rules provides:

Section 5. *Interruption of Time to Appeal.* — The receipt by the Director of the Appeal Memorandum shall stop the running of the period to appeal which shall resume to run upon receipt by the appellant of the Director's decision.

<sup>34</sup> G.R. No. 222838, September 4, 2018.

<sup>35</sup> G.R. No. 222710 (Resolution), September 10, 2019.

(2) the so-called *nunc pro tunc* entries which cause no prejudice to any party; (3) void judgments; and (4) whenever circumstances transpire after the finality of the decision rendering its execution unjust and inequitable. x x x

In the aforesaid case, the Court ruled in favor of PHIC as its situation fell within one of the exceptions to the doctrine of immutability of judgment. However, none of the exceptions to the rule was established in the instant case. Verily, for the failure of PHIC to timely appeal the decision of the COA-CGS (upholding ND Nos. 2008-056(07) to 2008-60(07) and HO 2009-001 to 2009-003), the same already became final and executory and cannot anymore be disturbed by the Court.

Indeed, procedural rules, specifically those prescribing time within which appeals may be taken have been often decreed as absolutely indispensable to prevent delay and to assist in the speedy and orderly administration of justice. It follows that PHIC's mere invocation of interest of substantial justice cannot be taken at face value. The assertion of "the interest of substantial justice" is not a magic wand that will automatically compel this Court to suspend procedural rules.<sup>36</sup> Rules are promulgated for the benefit of all and the Court is duty-bound to follow them and observe the noble purpose for their issuance.<sup>37</sup>

At any rate, even if the Court sets aside the technical rules surrounding the perfection of its appeal, still, the case of PHIC will still fail.

In *Phil. Health Insurance Corp. v. Commission on Audit, et al.*,<sup>38</sup> the Court had aptly discussed that PHIC has no unrestricted discretion to issue any and all kinds of allowances. It has no unlimited power to adopt compensation and benefit schemes for its employees, viz.:

The extent of the power of GOCCs to fix compensation and determine the reasonable allowances of its officers and employees had already been conclusively laid down in *Philippine Charity Sweepstakes Office (PCSO) v. COA*, to wit:

<sup>36</sup> *Cortal, et al. v. Inaki A. Larrazabal Enterprises, et al.*, 817 Phil. 464, 477 (2017), citing *Lazaro v. Court of Appeals*, 386 Phil. 412, 417 (2000).

<sup>37</sup> See *Philippine National Bank v. Deang Marketing Corp., et al.*, 593 Phil. 703, 717 (2008).

<sup>38</sup> *Phil. Health Insurance Corp. v. Commission on Audit, et al.*, *supra* note 25.

The PCSO stresses that it is a self-sustaining government instrumentality which generates its own fund to support its operations and does not depend on the national government for its budgetary support. Thus, it enjoys certain latitude to establish and grant allowances and incentives to its officers and employees.

We do not agree. x x x


Even if it is assumed that there is an explicit provision exempting the PCSO from the OCPC rules, the power of the Board to fix the salaries and determine the reasonable allowances, bonuses and other incentives was still subject to the DBM review. In *Intia, Jr. v. COA*, the Court stressed that the discretion of the Board of Philippine Postal Corporation on the matter of personnel compensation is not absolute as the same must be exercised in accordance with the standard laid down by law, i.e., its compensation system, including the allowances granted by the Board, must strictly conform with that provided for other government agencies under R.A. No. 6758 in relation to the General Appropriations Act. To ensure such compliance, the resolutions of the Board affecting such matters should first be reviewed and approved by the DBM pursuant to Section 6 of P.D. No. 1597.

The Court, in the same case, further elaborated on the rule that notwithstanding any exemption granted under their charters, the power of GOCCs to fix salaries and allowances must still conform to compensation and position classification standards laid down by applicable law. Citing *Philippine Retirement Authority (PRA) v. Buñag*, We said:

**x x x [N]otwithstanding exemptions from the authority of the Office of Compensation and Position Classification granted to PRA under its charter, PRA is still required to 1) observe the policies and guidelines issued by the President with respect to position classification, salary rates, levels of allowances, project and other honoraria, overtime rates, and other forms of compensation and fringe benefits and 2) report to the President, through the Budget Commission, on their position classification and compensation plans, policies, rates and other related details following such specifications as may be prescribed by the President.**

x x x x

x x x As clearly expressed in *PCSO v. COA*, even if it is assumed that there is an explicit provision exempting a GOCC from the rules of the



there is an explicit provision exempting a GOCC from the rules of the then Office of Compensation and Position Classification (OCPC) under the DBM, the power of its Board to fix the salaries and determine the reasonable allowances, bonuses and other incentives was still subject to the standards laid down by applicable laws: P.D. No. 985, its 1978 amendment, P.D. No. 1597, the SSL, and at present, R.A. 10149. **To sustain petitioners' claim that it is the PHIC, and PHIC alone, that will ensure that its compensation system conforms with applicable law will result in an invalid delegation of legislative power, granting the PHIC unlimited authority to unilaterally fix its compensation structure. Certainly, such effect could not have been the intent of the legislature.**<sup>39</sup>

The recent cases of *Philippine Health Insurance Corp. Regional Office-Caraga v. Commission on Audit*<sup>40</sup> and *Philippine Health Insurance Corp. v. Commission on Audit*<sup>41</sup> echoed the above-cited ruling.

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 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.<sup>42</sup> 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>43</sup>

At the same time, PHIC's fiscal autonomy alone will not justify the questioned grants. Again, the benefits must either be explicitly indicated under applicable law or specifically authorized by a DBM issuance. Considering that the ruling of the Court on the need for approval from the OP has long been existing, the Court cannot allow PHIC to feign ignorance to the pronouncement. The officers and the BOD of PHIC who approved these benefits are duty-bound to understand the significant rules they must implement.<sup>44</sup> In addition, the COA Proper had previously disallowed similar PHIC payment of

<sup>39</sup> *Id.* at 449-453. Emphasis in the original and citations omitted; emphasis supplied.

<sup>40</sup> G.R. No. 230218, August 14, 2018.

<sup>41</sup> *Supra* note 30.

<sup>42</sup> *Philippine Health Insurance Corp. Regional Office-Caraga v. Commission on Audit*, *supra* note 40.

<sup>43</sup> *Phil. Health Insurance Corp. v. Commission on Audit, et al.*, *supra* note 25 at 457.

<sup>44</sup> *Id.* at 470, citing *PCSO v. Chairperson Pulido-Tan, et al.*, 785 Phil. 266, 290 (2016).

12, 2014.<sup>45</sup> That officers persisted in the payment despite knowledge of prior disallowances involving expenses of the same or similar nature only bolsters their lack of good faith.<sup>46</sup>

Given the foregoing, the Court is unconvinced that the officers of PHIC who approved the benefits in questioned acted in good faith when they approved and granted these benefits.

The Court, nevertheless, reiterates that the ruling of the COA Proper as regards ND Nos. 2008-056(07) to 2008-60(07) and HO2009-001 to 2009-003 had already attained finality. By reason of this, any discussion on the good faith of the PHIC approving and certifying officers as well as of its personnel who received benefits under these NDs is rendered irrelevant. Verily, following the doctrine of immutability of judgment, the Court can no longer reverse, modify or alter the ruling of the COA Proper which upheld these NDs.<sup>47</sup>

With respect to the Efficiency Gift disallowed under ND No. HO2009-005-725(08), and following the Court's pronouncement in *Madera v. Commission on Audit*,<sup>48</sup> the Court rules that the approving and certifying officers who, as above discussed, acted *not* in good faith shall be liable solidarily to return the net disallowed amount or "the total disallowed amount minus the amounts excused to be returned by the payees."<sup>49</sup>

On the other hand, the payees or recipients of the Efficiency Gift must return the amount they received since it was erroneously given to and received by them. To stress, while termed as "Efficiency Gift," there is no indication that the disallowed amount was *genuinely* intended as compensation for services rendered by the recipients. Moreover, pursuant to the principle of *solutio indebiti* and as specified under Article 2154<sup>50</sup> of the Civil Code, whenever a person receives something by

<sup>45</sup> *Rollo*, p. 45.

<sup>46</sup> See *Madera v. Commission on Audit*, G.R. No. 244128, September 8, 2020.

<sup>47</sup> See *Philippine Health Insurance Corp v. Commission on Audit*, *supra* note 30 at 179.

<sup>48</sup> *Madera v. Commission on Audit*, *supra* note 46.

<sup>49</sup> *Id.*, citing the Separate and Concurring Opinion of Associate Justice Estela M. Perlas-Bernabe, p. 13.

<sup>50</sup> Article 2154 of the Civil Code of the Philippines provides:


Article 2154. If something is received when there is no right to demand it, and it was unduly delivered through mistake, the obligation to return it arises. (1895)

mistake, the recipient has the obligation to return or refund the benefit so given, otherwise unjust enrichment on the part of the payee will arise. In sum, since the recipients of the Efficiency Gift have received and retained benefits to which they are not entitled to, then they have now the duty to return the amount given them.<sup>51</sup>

**WHEREFORE**, the assailed Decision No. 2016-436 dated December 27, 2016 and Resolution No. 2017-050 dated September 7, 2017 of the Commission on Audit–Commission Proper are **AFFIRMED**. The approving and certifying officers of the Efficiency Gift disallowed under Notice of Disallowance No. HO 2009-005-725(08) dated November 20, 2009 are held solidarily liable to return the net disallowed amount. Meanwhile, the recipients of the Efficiency Gift disallowed under Notice of Disallowance No. HO 2009-005-725(08) dated November 20, 2009 are ordered to refund the amount they received in connection therewith.

The Temporary Restraining Order dated January 30, 2018 issued against the Commission on Audit–Commission Proper is hereby **LIFTED**.

**SO ORDERED.**

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

WE CONCUR:

  
**DIOSDADO M. PERALTA**  
Chief Justice

<sup>51</sup> *Madera v. Commission on Audit*, supra note 46.



**ESTELA M. PERLAS-BERNABE**  
*Associate Justice*



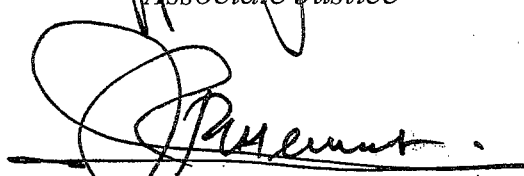
**MARVIC M.V.F. LEONEN**  
*Associate Justice*



**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*



**ALEXANDER G. GESMUNDO**  
*Associate Justice*



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



**ROSMARI D. CARANDANG**  
*Associate Justice*



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



**RODIL V. ZALAMEDA**  
*Associate Justice*



**MARIO V. LOPEZ**  
*Associate Justice*



**EDGARDO L. DELOS SANTOS**  
*Associate Justice*



**SAMUEL H. GAERLAN**  
*Associate Justice*



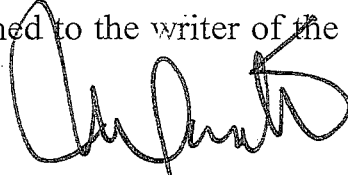
**RICARDO R. ROSARIO**  
*Associate Justice*





**CERTIFICATION**

Pursuant to Section 13, Article VIII 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.



**DIOSDADO M. PERALTA**  
*Chief Justice*

