

EN BANC

[G.R. No. 235832, November 03, 2020]

**PHILIPPINE HEALTH INSURANCE CORPORATION, PETITIONER,
VS. COMMISSION ON AUDIT, MICHAEL G. AGUINALDO,
CHAIRPERSON, AND ANGELINA B. VILLANUEVA, DIRECTOR IV,
RESPONDENTS.**

DECISION

INTING, J.:

Before the Court is a Petition for *Certiorari*^[1] 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 assailing the Decision No. 2016-436^[2] 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^[3] dated September 7, 2017 denying the Motion for Reconsideration.^[4]

The Antecedents

PHIC is a government corporation created under Republic Act No. (RA) 7875,^[5] as amended by RA 9241^[6] and RA 10606.^[7] 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 ^[8] 2007)	P5,974,572.83
2) 2008-057(07)	December 18, 2008	Special Event Gift (CY 2007)	P8,714,500.00
3) 2008-058(07)	December 18, 2008	Nominal Gift (CY 2007)	P29,519,296.78
4) 2008-	December	Educational Assistance	P49,285,894.89

059(07)	18, 2008	Allowance (CY 2007)	
5) 2008-060(07)	December 18, 2008	Project Completion Benefit (CY 2007)	P4,986,122.35
6) HO 2009-001	September 14, 2009	Payment of liability insurance premium for PHIC Board of Directors (BOD) and Officers (CY 2007)	P638,000.00
7) HO 2009-002	September 30, 2009	Corporate Transition and Achievement Premium (CY 2008)	P81,059,403.54
8) HO 2009-003	September 30, 2009	Medical Mission Critical Allowance (CY 2008)	P7,916,205.82
9) HO 2009-005-725(08)	November 20, 2009	Efficiency Gift	P16,275,578.16 ^[9]

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^[10] dated June 25, 2001 and Administrative Order No. 103^[11] 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^[12] of RA 9184^[13] and GPPB^[14] Resolution No. 21-05.^[15]

Consequently, the Resident Auditor held liable the concerned officers and employees of PHIC as well as the payees for the disallowed amounts.^[16]

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 P204,072,574.37.^[17]

Aggrieved, PHIC filed its Petition for Review^[18] 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.^[19]

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.^[20] It stressed that even if PHIC is exempt from the coverage of the 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.^[21]

Subsequently, the COA Proper denied the Motion for Reconsideration.^[22]

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 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.^[23]

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.

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.^[24]

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.*),^[25] 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.^[26] 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.^[27]

Respondents further argued that the officers and BOD of PHIC should have guided themselves with the abundant jurisprudence 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.^[28]

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.^[29]

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 mailers 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.^[30]

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,^[31] 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 receipt of the decision to be appealed. In addition, Section 3,^[32] 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^[33] of the same Rule.