

## EN BANC

[ G.R. NO. 156537, January 24, 2007 ]

### **PUBLIC ESTATES AUTHORITY, PETITIONER, VS. COMMISSION ON AUDIT, RESPONDENT.**

### **D E C I S I O N**

#### **SANDOVAL-GUTIERREZ, J.:**

For our resolution is the instant Petition for Certiorari under Rule 64<sup>[1]</sup> of the 1997 Rules of Civil Procedure, as amended, assailing COA Decision No. 2000-386 dated December 29, 2000 and COA Resolution No. 2002-170 dated August 20, 2002 rendered by the Commission on Audit (COA), herein respondent. Petitioner Public Estates Authority (PEA) alleged that the COA committed grave abuse of discretion amounting to lack or excess of jurisdiction when it ruled that petitioner's employees hired after July 1, 1989 are not entitled to a grant of rice subsidy.

Petitioner is a government owned and controlled corporation established pursuant to Presidential Decree No. 1084. It is tasked with, among others, reclaiming and administering foreshore lands and other public properties.

Respondent COA is the constitutional body mandated to examine and audit all government instrumentalities and investment of public funds.<sup>[2]</sup>

On August 9, 1989, Congress passed Republic Act (R.A.) No. 6758<sup>[3]</sup> to standardize the compensation and benefits of employees in the public sector, including government owned and controlled corporations. Its aim was to "provide equal pay for substantially equal work and to base differences in pay upon substantive differences in duties and responsibilities and qualification requirements of the positions."<sup>[4]</sup> To achieve this goal, the statute provides for the consolidation of allowances and compensation in the prescribed standardized salary rates, except for certain specified allowances<sup>[5]</sup> and other additional compensation as may be determined by the Department of Budget and Management (DBM). Accordingly, the statute provides for the repeal of "all laws, decrees, executive orders, corporate charters and other issuances, or parts thereof, that exempt agencies from the coverage of the System, or that authorize and fix position classification, salaries, pay rates or allowances of specified positions, or groups of officials and employees or of agencies, which are inconsistent with the System."<sup>[6]</sup> However, the principle of non-diminution of pay is observed as the law authorizes incumbents as of July 1, 1989 to receive salaries and/or allowances over and above those authorized under R.A. No. 6758.<sup>[7]</sup>

Sometime in January 1999, petitioner granted its employees 191 sacks of rice with a total cost of P219,650.90. On post-audit, the COA resident auditor disallowed 130 sacks amounting to P149,500.00 under Notice of Disallowance No. 99-012D-99

dated May 4, 1999.<sup>[8]</sup> The resident auditor ruled that the grant of rice allowance to 130 personnel hired after July 1, 1989 has no legal basis. He relied on Section 12 of R.A. No. 6758 providing that only incumbent personnel as of July 1, 1989 are entitled to receive additional allowances.

In a letter dated July 16, 1999, petitioner sought a reconsideration of the disallowance invoking, among others, *De Jesus v. Commission on Audit*<sup>[9]</sup> holding that the DBM Corporate Compensation Circular No. 10 discontinuing without qualification all allowances and fringe benefits granted to personnel on top of their basic salaries effective November 1, 1989 tends to deprive government workers of their allowances and additional compensation "needed to keep body and soul together."

Petitioner filed with the office of its resident auditor a request for reconsideration but it was denied. Hence, petitioner interposed an appeal to the Director of the then Corporate Audit Office (CAO II). However, in its 1<sup>st</sup> Indorsement dated April 5, 2000, petitioner's appeal was denied.

On May 10, 2000, petitioner filed with the COA a petition for review, followed by a supplemental petition dated December 6, 2000. Petitioner alleged that Section 12 of R.A. No. 6758 allows its employees hired after July 1, 1989 to receive the benefits granted to incumbents as of that date.

On December 29, 2000, the COA rendered its assailed Decision denying the petition. The COA ruled that the rice subsidy granted to petitioner's employees may not be given to employees hired after July 1, 1989. Only incumbents as of July 1, 1989 are entitled thereto, thus:

Section 12 specifically enumerates the allowances and benefits which are not integrated into the standardized salary rates. Other than those enumerated and those that may be determined by the DBM, **such other additional compensation whether in cash or in kind, which are not integrated into the prescribed salary rates shall continue to be authorized only for incumbents.** The law is clear in itself.

Petitioner filed a motion for reconsideration, but the COA denied the same in its Resolution dated August 20, 2002.

Hence, the instant petition for certiorari.

The sole issue for our resolution is whether respondent COA committed grave abuse of discretion amounting to lack or excess of jurisdiction in disallowing the rice subsidy granted to petitioner's employees hired after July 1, 1989 when R.A. No. 6758 took effect.

At the heart of the controversy is the proper interpretation of Section 12 of R.A. No. 6758 which provides:

SEC. 12. *Consolidation of Allowances and Compensation.* – All allowances, except for representation and transportation allowances, clothing and laundry allowances; subsistence allowance of marine officers and crew on board government vessels and hospital personnel; hazard

pay; allowances of foreign service personnel stationed abroad; and such other additional compensation not otherwise specified herein as may be determined by the DBM, shall be deemed included in the standardized salary rates herein prescribed. **Such other additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized.** (Emphasis supplied).

Existing additional compensation of any national government official or employee paid from local funds of a local government unit shall be absorbed into the basic salary of said official or employee and shall be paid by the National Government.

The foregoing clause must be read in relation to Section 17 of the same law reproduced below:

SEC. 17. *Salaries of incumbents.* – Incumbents of positions presently receiving salaries and additional compensation/fringe benefits including those absorbed from local government units and other emoluments, the aggregate of which exceeds the standardized salary rate as herein prescribed, shall continue to receive such excess compensation, which shall be referred to as transition allowance. The transition allowance shall be reduced by the amount of salary adjustment that the incumbent shall receive in the future.

Under the above provisions, we rule that petitioner's personnel hired after July 1, 1989 are not entitled to rice subsidy.

It is a cardinal rule that in interpreting a statute, the purpose of the Court is to ascertain and give effect to the legislative intent.<sup>[10]</sup> Differently stated, the true object of statutory construction is to ascertain the meaning and will of the lawmaking body to the end that it may be enforced.<sup>[11]</sup>

This is not the first time we interpret Section 12 of R.A. No. 6758.

In *Philippine Ports Authority v. Commission on Audit*,<sup>[12]</sup> we ruled that with the salary standardization scheme provided for by R.A. No. 6758, additional financial incentives may no longer be given by the government owned and controlled corporations to their personnel except to incumbents as of July 1, 1989.

In *Philippine International Trading Corporation v. Commission on Audit*,<sup>[13]</sup> we held that incumbents as of July 1, 1989 shall continue to receive the allowance mentioned in Section 12 even after R.A. No. 6758 took effect, thus:

First of all, we must mention that this Court has confirmed in *Philippine Ports Authority vs. Commission on Audit* the legislative intent to protect incumbents who are receiving salaries and/or allowances over and above those authorized by RA 6758 to continue to receive the same even after RA 6758 took effect. In reserving the benefit to incumbents, the legislature has manifested its intent to gradually phase out this privilege without upsetting the policy of non-diminution of pay and consistent with