

EN BANC

[G.R. NO. 142347, August 25, 2005]

DULCE M. ABANILLA, IN HER CAPACITY AS GENERAL MANAGER OF THE METROPOLITAN CEBU WATER DISTRICT, CEBU CITY, PETITIONER, VS. COMMISSION ON AUDIT, ITS CHAIRMAN CELSO D. GANGAN, COMMISSIONERS RAUL C. FLORES AND EMMANUEL M. DALMAN, AND REGIONAL DIRECTOR OF COA REGION VII, RESPONDENTS.

METROPOLITAN CEBU WATER DISTRICT EMPLOYEES UNION, PETITIONER-IN-INTERVENTION.

D E C I S I O N

SANDOVAL-GUTIERREZ, J.:

Before us is a petition for *certiorari* under Rule 64 in relation to Rule 65 of the 1997 Rules of Civil Procedure, as amended, assailing the Decision No. 98-465^[1] dated December 3, 1998 and Resolution No. 2000-062^[2] dated February 15, 2000 rendered by the Commission on Audit (COA).

The antecedents are:

Pursuant to Presidential Decree 198 or the Provincial Water Utilities Act of 1973, Metropolitan Cebu Water District (MCWD), a local water district was organized as a government-owned corporation with original charter.

Subsequently, MCWD, through its Board of Directors, issued the following Resolutions giving benefits and privileges to its personnel, one of whom is Dulce M. Abanilla, MCWD's General Manager, *petitioner* herein: (1) Board Resolution No. 054-83 dated May 23, 1983 granting hospitalization privileges; (2) Board Resolution Nos. 091-83 and 0203-85 dated October 21, 1983 and November 20, 1985, respectively, allowing the monetization of leave credits; (3) Board Resolution No. 0161-86 dated November 29, 1986 granting Christmas bonus; and (4) Board Resolution No. 083-88 granting longevity allowance.

On January 1, 1989, MCWD and Metropolitan Cebu Water District Employees Union, *petitioner-in-intervention*, executed a collective bargaining agreement (CBA) providing for the continuous grant to all its regular rank and file employees of existing benefits, such as cash advances, thirteenth month pay, mid-year bonus, Christmas bonus, vacation and sick leave credits, hospitalization, medicare, uniform privileges, and water allowance.

On January 1, 1992, the parties renewed their CBA.

On November 13, 1995, an audit team headed by Bernardita T. Jabines of the COA

Regional Office No. VII at Cebu City, one of the herein *respondents*, conducted an audit of the accounts and transactions of MCWD.

Thereafter, the Regional Director of COA Regional Office No. VII, also a *respondent*, sent MCWD several notices disallowing the amount of P12,221,120.86 representing hospitalization benefits, mid-year bonus, 13th month pay, Christmas bonus and longevity pay. [3]

Aggrieved, petitioner interposed an appeal to respondent COA at Quezon City. She cited COA Memorandum Circular No. 002-94 providing that "all benefits provided under the duly existing CBAs entered into prior to March 12, 1992, the date of official entry of judgment of the Supreme Court ruling in *Davao City Water District, et al. vs. CSC and COA*, shall continue up to the respective expiry dates of the benefits or CBA whichever comes earlier."

On December 3, 1998, respondent COA rendered its Decision No. 98-465[4] denying petitioner's appeal. In sustaining the disallowance in the amount of P12,221,120.86, respondent COA cited this Court's ruling in *Davao City Water District vs. Civil Service Commission*[5] that "a water district is a corporation created pursuant to a special law - P.D. No. 198, as amended, and as such, **its officers and employees are covered by the Civil Service Law.**"

Respondent COA then held that:

"There is no question that the CBA was concluded after the decision in the Davao case was promulgated. As far as the CBA is concerned the critical moment is the date of the promulgation itself. Any transaction (CBA) concluded after this date in violation of existing laws and regulations applicable to government entities is void and of no effect. It conferred no demandable right, it created no enforceable obligation.

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PREMISES CONSIDERED, the instant appeal has to be, as it is hereby, denied. The disallowance in the total amount of P12,221,120.86 is hereby AFFIRMED.

SO ORDERED."

Petitioner filed a motion for reconsideration but it was denied by respondent COA in a Resolution No. 2000-062[6] dated February 15, 2000. In denying petitioner's motion, respondent COA ruled that the compensation package of MCWD personnel may no longer be the subject of a CBA. For the terms of employment of those personnel are covered, not by the Labor Code, but by the Civil Service Law.

Hence, this petition for *certiorari*.

Petitioner contends that respondent COA acted with grave abuse of discretion in disallowing the above benefits and privileges and contravened the Labor Code provision on non-diminution of benefits.