

THIRD DIVISION

[G.R. No. 143784, February 05, 2003]

**PHILIPPINE RETIREMENT AUTHORITY (PRA), PETITIONER, VS.
JESUSITO L. BUÑAG AND ERLINA P. LOZADA, RESPONDENTS.**

DECISION

PUNO, J.:

Before the Court is a Petition for Review on Certiorari involving alleged overpayment by the petitioner Philippine Retirement Authority (PRA) of certain benefits and allowances to its employees, particularly respondents herein. Petitioner PRA asks the Court to resolve the legal question of whether disbursements made by PRA of compensation, allowances and other benefits to its employees prior to the effectivity of R.A. No. 6758 or the Compensation and Position Classification Act of 1989^[1] is subject to the review of the Department of Budget and Management.

Petitioner PRA is a government-owned and controlled corporation created on July 4, 1985 under Executive Order No. 1037. ^[2] PRA became operational on September 8, 1986. ^[3] Private respondent Jesusito L. Buñag is the former deputy general manager of petitioner PRA while private respondent Erlina P. Lozada is the incumbent department manager of petitioner PRA.

As of July 1, 1989, in addition to their basic salaries, private respondents were each receiving from PRA the following allowances and benefits: a) Cost of Living Allowance (COLA), 40% of the basic salary; b) Amelioration Allowance, 10% of the basic salary; c) additional COLA, P300.00 a month; d) rice subsidy, P400.00 per month; e) meal subsidy, P525.00 a month; f) children allowance, P30.00 a month; and g) Representation and Transportation Allowance (RATA) in various amounts. ^[4]

In a letter dated December 29, 1992, the Office of the President, through then Executive Secretary Edelmiro A. Amante, Sr. approved the Corporate Operating Budget of petitioner PRA for calendar year 1992 in the amount of P25,288,091.00. In the same letter, the amount of P9,129,833.00 representing unjustified/unauthorized allowances, fringe benefits and other items was disallowed. ^[5]

In a letter dated February 1, 1993, PRA sought reconsideration from the Office of the President on the disallowances, in particular, the amount of P1,324,822.00 out of the P9,129,833.00 disallowed disbursements representing supposed over-provision and payment of benefits and allowances to PRA employees. The amount of P1,324,822.00 is itemized as follows: ^[6]

a) Over-provision of RATA	P193,200.00
b) Transition Allowance	611,454.00
c) Provision for Hospitalization	100,000.00

.....
d) Provision for Provident Fund
Contribution.....

420,168.00

TOTAL P1,324,822.00

The Office of the President denied the request for reconsideration in a letter dated September 23, 1993.^[7] On October 12, 1993, PRA filed a request for clarification of the order denying the request for reconsideration.^[8] In reply thereto, the Office of the President explained in a letter dated November 11, 1993 that the approved Corporate Operating Budget of PRA for calendar year 1992 is subject to the following restrictions:^[9]

- "1. The approval refers to expenditures/ceilings for each expenditure class and shall not be construed as approval of specific items of expenditure;
2. Salaries, wages, allowances and benefits shall be in accordance with the approved Position Allocation List, pursuant to the Compensation and Position Classification Act of 1989 (R.A. 6758);
3. Payment of other benefits, such as bonuses, clothing, representation, transportation allowances, and such other allowances shall be in accordance with Sections 5.4, 5.5, and 5.6 of Corporate Compensation Circular No. 10, National Compensation Circular (NCC) No. 66, dated September 12 1991, and NCC No. 67, dated January 1, 1992; and
4. All expenditures shall be made within the limits of available funds realized by PRA from corporate revenues."

Hence, petitioner PRA reduced the compensation of private respondents and stopped the payment of RATA and other allowances to private respondents.

Feeling aggrieved, private respondents sought the legal opinion of the Department of Budget and Management on the disallowance and reduction of amount of fringe benefits and other allowances previously received by them. On January 11, 1995, the Department of Budget and Management opined that "the total monthly compensation and allowances sought have no legal basis."^[10] The Department of Budget and Management explained:

"[I]t is worthy to note that the salaries actually received by the concerned personnel as of June 30, 1989 which were used as a basis in computing the allowances to be integrated and in determining the transition allowance to be granted **were not the basic salaries as certified and authorized by the DBM. Hence, there appears to be over computation of allowances to the integrated and transition allowances granted.**" (*emphasis supplied*)

Private respondents then elevated the matter to the Office of the President. The case was docketed as O.P. Case No. 95-L-6336.

On December 18, 1995, the Office of the President reversed the ruling of the Department of Budget and Management and awarded to the private respondents the

allowances and benefits claimed. It ruled that “the exemption of PRA from the jurisdiction of [the Department of Budget and Management], as provided under the PRA charter, remained effective and legally impervious to the assertions by [the Department of Budget and Management] of its authority.”^[11] As no prior approval or authority is required from the Department of Budget and Management with respect to the compensation scheme of PRA and the grant of allowances by it to its employees, the Office of the President held that disbursements made by PRA representing compensation and allowances of PRA officials and employees prior to the effectivity of July 1, 1989 were valid. It applied the principle of “non-diminution of benefits” embodied in the transitory provisions of R.A. No. 6758 and concluded that private respondents are entitled to continue receiving the compensation and benefits previously enjoyed by them. Thus, the Office of the President directed the Department of Budget and Management to provide enough funds to cover the salaries and allowances of the PRA officials and employees. The subsequent Motions for Reconsideration filed by the Department of Budget and Management and by petitioner PRA were denied by the Office of the President.

Consequently, petitioner PRA filed a Petition for Review with the Court of Appeals in accordance with Rule 43 of the Rules of Court, as amended. On December 14, 1999, the Court of Appeals rendered a decision affirming the ruling of the Office of the President. On June 19, 2000, it denied petitioner’s Motion for Reconsideration.

In the instant petition, PRA, through the Office of the Government Corporate Counsel, argues that the Court of Appeals erred in applying the transitory provisions of R.A. No. 6758 in upholding the continued grant of compensation and allowances received by private respondents prior to the effectivity of said law. PRA maintained that these allowances and benefits **were not authorized or approved by the Department of Budget and Management**, contrary to E.O. No. 1037 (PRA Charter) in relation to P.D. No. 985^[12] and P.D. No. 1597^[13]. PRA explains that prior to R.A. No. 6758, disbursements of compensation, allowances and other benefits to PRA employees are subject to the review of the Department of Budget and Management in accordance with P.D. No. 985 and P.D. No. 1597. PRA reasoned that the transitory provisions of R.A. No. 6758 which authorize the continued grant of allowances and benefits received by incumbents as of the effectivity of the said law is not applicable as the law could not have contemplated the continued disbursement of **unauthorized** allowances and benefits. Further, PRA manifests that while E.O. No. 1037 grants the PRA Board the power to provide a compensation scheme for its employees and fix reasonable allowances and benefits, PRA has not approved or acted on any matter in this respect.

Private respondents, on the other hand, argue that PRA has the requisite power and authority to impose and implement a compensation scheme for its employees without need of prior approval or authority from the Department of Budget and Management. They cite as basis Section 6 (f) of E.O. No. 1037 which grants the PRA Board the power to “establish and fix, review, revise and adjust the appropriate compensation scheme of the officers and employees of [PRA] with reasonable allowances, bonuses and other incentives.” They allege that by virtue of this provision, prior to R.A. No. 6758, PRA was exempt from the regulatory authority of the Office of Compensation and Position Classification, notwithstanding the provisions of P.D. No. 985 and P.D. No. 1597. Moreover, private respondents argue that the disallowances in question were based on Department of Budget and

Management Corporate Compensation Circular No. 10 (DBM-CCC No. 10), an issuance which was subsequently rendered **ineffective** by this Court due to its non-publication in the Official Gazette. ^[14]

The proper resolution of the case at bar involves a determination of the applicable law, rules and regulations governing the imposition of allowable compensation, allowances and monetary incentives to the employees of the PRA prior to the effectivity of R.A. No. 6758 and the legal effects of the subsequent passage of R.A. No. 6758.

This issue is not without precedent.

In the case of **Intia, Jr. v. Commission on Audit**,^[15] the Philippine Postal Corporation (PPC) argued that by virtue of the provisions of its charter,^[16] PPC may unilaterally grant and/or increase the Representation and Transportation Allowance of its officials without the prior approval of the Department of Budget and Management. The PPC cited Section 21 (c) of its charter which grants the PPC the power and authority to "fix salaries and emoluments [of its employees] in accordance with the approved compensation structure of [PPC]." Further, the PPC argued that Section 25 of its charter exempts the PPC "from the coverage of the rules and regulations of the Compensation and Position Classification Office."

In ruling against PPC, this Court declared that the provisions of the PPC charter should be read in conjunction with Section 6 of P.D. No. 1597.^[17] The said section reads:

"Sec. 6. *Exemption from OCPC Rules and Regulations.*—Agencies, positions or groups of officials and employees of the national government, including government-owned and controlled corporations, who are hereafter exempted by law from OCPC coverage, shall observe such guidelines and policies as may be issued by the President governing position classification, salary rates, levels of allowances, project and other honoraria, overtime rates, and other forms of compensation and fringe benefits. Exemptions notwithstanding, agencies shall 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."

This Court ruled in **Intia** that contrary to PPC's assertion, Section 6 of P.D. No. 1597 still applies and has not been repealed expressly or impliedly. Although its charter grants PPC the power to fix the compensation and benefits of its employees and exempts PPC from the coverage of the rules and regulations of the Compensation and Position Classification Office, by virtue of Section 6 of P.D. No. 1597, the compensation system established by the PPC is subject to the review of the Department of Budget and Management. In this respect, the function of the Department of Budget and Management is to ensure that the proposed compensation scheme is consistent with applicable laws and regulations. In reconciling the provisions of the PPC Charter and the provisions of P.D. No. 1597, this Court explained: ^[18]

"It should be emphasized that the review by the DBM of any PPC resolution affecting the compensation structure of its personnel should

not be interpreted to mean that the DBM can dictate upon the PPC Board of Directors and deprive the latter of its discretion on the matter. Rather, **the DBM's function is merely to ensure that the action taken by the Board of Directors complies with the requirements of the law,** specifically that PPC's compensation system "conforms as closely as possible with that provided for under R.A. No. 6758." (*emphasis supplied*)

Similarly, under P.D. No. 1037, PRA was granted the power and authority to "establish and fix, review, revise and adjust the appropriate compensation scheme of the officers and employees of [PRA] with reasonable allowances, bonuses and other incentives as may be recommended by the Chief Executive Officer/General Manager of the [PRA]."^[19] Further, Section 13 of P.D. No. 1037 also exempts officers and employees of PRA from the rules and regulations of the Office of Compensation and Position Classification.^[20]

In accordance with the ruling of this Court in **Intia**, we agree with petitioner PRA that these provisions should be read together with P.D. No. 985 and P.D. No. 1597, particularly Section 6 of P.D. No. 1597.^[21] Thus, notwithstanding 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.

Despite the power granted to the Board of Directors of PRA to establish and fix a compensation and benefits scheme for its employees, the same is subject to the review of the Department of Budget and Management. However, in view of the express powers granted to PRA under its charter, the extent of the review authority of the Department of Budget and Management is limited. As stated in **Intia**, the task of the Department of Budget and Management is simply to review the compensation and benefits plan of the government agency or entity concerned and determine if the same complies with the prescribed policies and guidelines issued in this regard. The role of the Department of Budget and Management is supervisory in nature, its main duty being to ascertain that the proposed compensation, benefits and other incentives to be given to PRA officials and employees adhere to the policies and guidelines issued in accordance with applicable laws.

The rationale for the review authority of the Department of Budget and Management is obvious. Even prior to R.A. No. 6758, the declared policy of the national government is 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."^[22] To implement this policy, P.D. No. 985 provided for the standardized compensation of government employees and officials, including those in government-owned and controlled corporations. Subsequently, P.D. No. 1597 was enacted prescribing the duties to be followed by agencies and offices exempt from coverage of the rules and regulations of the Office of Compensation and Position Classification. The intention, therefore, was to provide a compensation standardization scheme such that notwithstanding any exemptions