

## EN BANC

[ G.R. Nos. 147248-49, January 23, 2002 ]

**BAYBAY WATER DISTRICT, REPRESENTED BY ERNESTO D. FERNANDEZ, GENERAL MANAGER; ERLINDA MENDEZ, SAMUEL O. CANETE, NILO RAMADA, DOMINGO COTIAMCO, BWD BOARD OF DIRECTORS, AND OTHER SIMILARLY SITUATED OFFICERS AND BOARD MEMBERS OF BWD, PETITIONERS, VS. COMMISSION ON AUDIT, RESPONDENT.**

### DECISION

**MENDOZA, J.:**

This is a special civil action for certiorari under Rule 64 of the 1997 Revised Rules of Court for annulment of the decision, dated September 21, 2000, of the Commission on Audit<sup>[1]</sup> and its resolution, dated January 30, 2001, affirming the disallowance by the Director, COA Regional Office No. VIII, of the payment of various benefits to members of the board of directors and officers of petitioner Baybay Water District (BWD) in Baybay, Leyte.

The facts are as follows:

In 1996, the Resident Auditor of the BWD conducted an audit of its 1994 accounts. In the course of the audit, the auditor disallowed payments of *per diems* in excess of those authorized by the Local Water Utilities Administration (LWUA) and P. D. No. 198, RATA (representation and transportation allowance) and rice allowances granted to the members of the board of directors of the BWD, as well as duplication of claims for cash gifts as part of the Christmas bonus of the general manager and traveling allowance of the officers of the BWD. The members of the board, namely, petitioners Domingo V. Cotiamco, Apolonio G. Medina, Nilo T. Ramada, Virginia P. Espinosa, Ernesto L. Gorre, Antonio R. C. Palencia, Love Joy A. Fernandez, and Frank Bula, Administrative Division Chief Erlinda A. Mendez, and then General Manager Francis H. P. Militante, the officers who had approved the release of these benefits, were served with notices of disallowance. Ma. Josette B. Astorga, to whom rice allowances had been given, and the other petitioners in this case were also served with similar notices.

On May 30, 1997, petitioners asked for a reconsideration, but the Resident Auditor denied their request on the ground that the disallowance had become final and executory. Instead, she advised them to make their appeal to the Commission on Audit. The BWD at first appealed to the COA Regional Office No. VIII at Tacloban City, which affirmed the findings of the Resident Auditor of Baybay, Leyte, and then to the Commission on Audit. On September 21, 2000, the Commission rendered a decision, the dispositive portion of which reads:

WHEREFORE, premises considered, it is regretted that the instant appeal cannot be given due course for lack of merit. Accordingly, the decision of the Director COA Regional Office No. VIII is hereby affirmed and the following persons cited in the various Notices of Disallowances, namely:

Erlinda A. Mendez, for approving the questioned payment and at the same time being payee;

Francis H. P. Militante	- do -
Domingo V. Cotiamco	as payee
Apolonio G. Medina	- do -
Nilo T. Ramada	- do -
Virginia P. Espinosa	- do -
Ernesto L. Gorre	- do -
Antonio R. C. Palencia	- do -
Ma. Josette B. Astorga	- do -
Love Joy A. Fernandez	- do -
Frank Bula	- do -

are held liable.<sup>[2]</sup>

Petitioners filed a motion for reconsideration. As their motion was denied by the Commission on January 30, 2001, they filed the present petition, alleging that the Commission erred in:

- I. NOT HOLDING THAT THE GRANT OF THE SUBJECT BENEFITS TO THE DIRECTORS, OFFICERS AND EMPLOYEES OF BWD, HAS LEGAL BASIS, AND IS GUARANTEED BY THE CONSTITUTION.
- II. HOLDING THAT PETITIONERS ARE NOT ENTITLED TO RECEIVE OTHER BENEFITS PURSUANT TO SECTION 13 OF PD 198, AS AMENDED.
- III. NOT HOLDING THAT SECTION 13 OF P. D. 198, AS AMENDED, WAS ALREADY REPEALED AND/OR SUPERSEDED BY REPUBLIC ACT 6758, OTHERWISE KNOWN AS THE SALARY STANDARDIZATION LAW, WHICH TOOK EFFECT IN JULY, 1989.
- IV. HOLDING THAT THE CONTINUED DISALLOWANCE OF THESE BENEFITS WOULD NOT VIOLATE THE POLICY OR RULE ON NON-DIMINUTION OF BENEFITS AND THE EQUITY RULE.
- V. NOT HOLDING THAT THE BENEFITS GRANTED TO BWD OFFICERS AND EMPLOYEES IS A MANAGEMENT PREROGATIVE WHICH ACT OR PRIVILEGE SHOULD ENJOY THE PRESUMPTION OF LEGALITY UNTIL

OTHERWISE DECLARED BY THE COURTS AND THAT THE GRANT OF THESE BENEFITS NOT ONLY APPLIES TO THE PERMANENT EMPLOYEES BUT ALSO TO THE OFFICERS AND MEMBERS OF THE BOARD OF BWD.<sup>[3]</sup>

The issues raised in this case are as follows: (1) whether members of the board of directors of water districts are entitled to receive benefits in addition to those authorized to be paid pursuant to their charter and the guidelines of the LWUA after the effectivity of R. A. No. 6758; (2) whether the disallowance of duplication of claims of transportation allowance of various BWD employees, as well as the grant of RATA, rice allowance, and excessive *per diems* to members of the board of directors of BWD, would impair vested rights, violate any rule against diminution of benefits, and undermine the management prerogative of water districts; and (3) whether the BWD officers and employees are entitled to receive benefits in excess of that authorized by law.

For the reasons hereafter given, we hold that petitioners are not entitled to receive benefits and allowances in excess of those allowed by P.D. No. 198, the guidelines of the LWUA, and other applicable laws.

**First.** As far as the directors of the BWD are concerned, P. D. No. 198, §13, as amended by P. D. No. 768 and P. D. No. 1479, reads:

*Compensation.* — Each director shall receive a *per diem*, to be determined by the board, for each meeting of the board actually attended by him, but no director shall receive per diems in any given month in excess of the equivalent of the total per diems of four meetings in any given month. No director shall receive other compensation for services to the district.

Any *per diem* in excess of P50 shall be subject to approval of the Administration. (emphasis added)

Petitioners argue that the term “compensation” in the above provision does not include the allowances and *per diems* which had been disallowed in this case. They cite P. D. No. 1146,<sup>[4]</sup> §2(i), as amended by R.A. No. 8291, which provides that “compensation” means “the basic pay or salary by an employee, pursuant to his employment/appointment, excluding per diems, bonuses, overtime pay, allowances and any other emoluments received in addition to the basic pay which are not integrated into the basic pay under existing laws.”

The contention is untenable. The statutory provision invoked refers to the basis for the computation of employer and employee contributions to the GSIS as well as the benefits to which such employees are entitled. In the same manner, under §32 of the National Internal Revenue Code, “compensation” includes fees, salaries, wages, commissions, and similar items for purposes of recognizing taxable income. The definitions of the term “compensation” in these statutes are for limited purposes only and cannot be deemed to comprehend such other purposes not specifically included in the provisions thereof.

Petitioners, also invoke the rulings of this Court in *Kneebone v. NLRC*,<sup>[5]</sup> *Vengco v. Trajano*,<sup>[6]</sup> and *Philippine Duplicators, Inc. v. NLRC*,<sup>[7]</sup> to support their contention

that the prohibition against the payment of compensation other than *per diems* does not include the payment of allowances and other benefits.

These cases do not apply to this case. They refer to the exclusion made by this Court of allowances and other benefits from the salaries of employees in the private sector, not to the compensation of members of the board of directors of water districts, whose rights to compensation, as already stated, are governed by P. D. No. 198. Under §13 of this Decree, *per diem* is precisely intended to be the compensation of members of board of directors of water districts. Indeed, words and phrases in a statute must be given their natural, ordinary, and commonly-accepted meaning,<sup>[8]</sup> due regard being given to the context in which the words and phrases are used.<sup>[9]</sup> By specifying the compensation which a director is entitled to receive and by limiting the amount he/she is allowed to receive in a month, and, in the same paragraph, providing "No director shall receive other compensation" than the amount provided for *per diems*, the law quite clearly indicates that directors of water districts are authorized to receive only the *per diem* authorized by law and no other compensation or allowance in whatever form.

**Second.** Petitioners contend that the prohibition in P.D. No. 198, §13 against the grant of additional compensation to board members must be deemed repealed by virtue of §22<sup>[10]</sup> of R. A. No. 6758, otherwise known as the Salary Standardization Law, which took effect on July 1, 1989. They contend that §13 of P.D. No. 198 is inconsistent with the following provisions of the Salary Standardization Law:

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.

. . . .

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.

We do not agree. R. A. No. 6758, §4 specifically provides that the Salary Standardization Law applies to "positions, appointive or elective, on full or part-time basis, now existing or hereafter created in the government, including government-owned or controlled corporations and government financial institutions." These positions, with their corresponding functions, are described as follows:

Sec. 5. *Position Classification System.* – The Position Classification System shall consist of classes of positions grouped into four main categories, namely: professional supervisory, professional non-supervisory, sub-professional supervisory, and sub-professional non-supervisory, and the rules and regulations for its implementation.

Categorization of these classes of positions shall be guided by the following considerations:

(a) *Professional Supervisory Category.* – This category includes responsible positions of a managerial character involving the exercise of management functions such as planning, organizing, directing, coordinating, controlling and overseeing within delegated authority the activities of an organization, a unit thereof or of a group, requiring some degree of professional, technical or scientific knowledge and experience, application of managerial or supervisory skills required to carry out their basic duties and responsibilities involving functional guidance and control, leadership, as well as line supervision. These positions require intensive and thorough knowledge of a specialized field usually acquired from completion of a bachelor's degree or higher degree courses.

The positions in this category are assigned Salary Grade 9 to Salary Grade 33.

(b) *Professional Non-Supervisory Category.* – This category includes positions performing tasks which usually require the exercise of a particular profession or application of knowledge acquired through formal training in a particular field or just the exercise of a natural, creative and artistic ability or talent in literature, drama, music and other branches of arts and letters. Also included are positions involved in research and application of professional knowledge and methods to a variety of technological, economic, social, industrial and governmental functions; the performance of technical tasks auxiliary to scientific research and development; and in the performance of religious, educational, legal, artistic or literary functions. These positions require thorough knowledge in the field of arts and sciences or learning acquired through completion of at least four (4) years of college studies.

The positions in this category are assigned Salary Grade 8 to Salary Grade 30.

(c) *Sub-Professional Supervisory Category.* – This category includes positions performing supervisory functions over a group of employees engaged in responsible work along technical, manual or clerical lines of work which are short of professional work, requiring training and moderate experience or lower training but considerable experience and knowledge of a limited subject matter or skills in arts, crafts or trades.

These positions require knowledge acquired from secondary or vocational education or completion of up to two (2) years of college education.

The positions in this category are assigned Salary Grade 4 to Salary