



Republic of the Philippines
 Supreme Court
 Manila

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SUPREME COURT OF THE PHILIPPINES
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PHILIPPINE HEALTH
INSURANCE CORPORATION,
Petitioner,

G.R. No. 222129

Present:

PERALTA, C.J.,
 PERLAS-BERNABÉ,
 LEONEN,
 CAGUIOA,
 GESMUNDO,
 HERNANDO,
 CARANDANG,
 LAZARO-JAVIER,
 INTING,
 ZALAMEDA,
 LOPEZ, M.,
 DELOS SANTOS,
 GAERLAN,
 ROSARIO, and
 LOPEZ, J., JJ.

- versus -

COMMISSION ON AUDIT and
COA CHAIRPERSON MICHAEL
G. AGUINALDO, COA
REGIONAL OFFICE VI, and COA
REGIONAL DIRECTOR, ATTY.
EDEN T. RAFANAN,

Promulgated:

February 2, 2021

Respondents.

Done. By: H. Lopez-Garcia

X-----X

D E C I S I O N

INTING, J.:

This resolves the Petition¹ for *Certiorari* under Rule 64 in relation to Rule 65 of the Rules of Court filed by the Philippine Health Insurance Corporation (Philhealth) assailing the Commission on Audit (COA) Commission Proper (COA Proper) Decision No. 2014-440² dated

¹ Rollo, pp. 3-39.

² *Id.* at 48-51; signed by Chairperson Ma. Gracia M. Pulido Tan and Commissioners Heidi L. Mendoza and Jose A. Fabia, and attested by Director IV and Commission Secretariat Nilda B. Plaras.

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December 29, 2014 and the Resolution³ dated August 18, 2015 in COA CP Case No. 2013-071. In the assailed issuances, the COA Proper dismissed Philhealth's petition for review for being filed out of time and declared COA Region VI Regional Director Decision No. 2012-031⁴ dated December 26, 2012 as final and executory.

The Antecedents

During the first half of 2010, the Philhealth Regional Office No. VI – Iloilo City (Philhealth RO) paid the following: (a) ₱10,000.00 cash gift to each Philhealth RO official/employee in the aggregate amount of ₱1,190,000.00 in celebration of Philhealth's 15th Anniversary (Anniversary Gift) pursuant to Philhealth Board Resolution No. 382, S. 2001,⁵ as amended by Resolution No. 445, S. 2002;⁶ and (b) transportation allowances to Philhealth RO's job order contractors in the aggregate amount of ₱187,122.73 (Job Order Contractors (JOC) Transportation Allowance) pursuant to Resolution No. 938, S. 2006.⁷

In July 2010, the COA Auditor⁸ issued Notice of Disallowance Nos. (ND) 2010-001⁹ and 2010-002¹⁰ in connection with the above-described disbursements.

ND 2010-001 disallowed Anniversary Gift payments amounting to ₱833,000.00 for being *irregular* and *excessive* in view of issuances¹¹ limiting anniversary bonus grants to an amount not exceeding ₱3,000.00 per government employee. On the other hand, ND 2010-002 disallowed the aforementioned payment for JOC Transportation Allowance for being *illegal*, in view of its violation of Philhealth RO's agreement with

³ *Id.* at 59.

⁴ *Id.* at 93-97.

⁵ *Id.* at 137-139.

⁶ *Id.* at 140-142.

⁷ *Id.* at 143-145.

⁸ *Id.* at 62; Audit Team Leader Ana S. Aquito and Supervising Auditor Obdulia F. Falco.

⁹ Dated July 8, 2010; *id.* at 61-62.

¹⁰ Dated July 19, 2010, *id.* at 67-68.

¹¹ See Administrative Order No. 263 of the Office of the President entitled, "Authorizing the Grant of Anniversary Bonus to Officials and Employees of Government Entities," approved on March 28, 1996; see also Department of Budget and Management National Budget Circular No. 452, Series of 1996 entitled, "Amplifying and Clarifying the Implementation of the Grant of Anniversary Bonus to Officials and Employees of Government Entities," approved on May 20, 1996 [available at <https://www.dbm.gov.ph/wp-content/uploads/2012/03/NBC-452.pdf>, <last accessed on October 28, 2020>].

its contractors and the absence of the president's previous authorization.¹²

As the persons held liable in the NDs, the approvers, certifiers, and recipients/payees of the subject disbursements,¹³ represented by Reynaldo P. Sugang, Officer-in-Charge (OIC), Philhealth RO (hereinafter collectively referred to as "Philhealth") appealed to the Office of the COA Regional Director.

Ruling of the COA Regional Director

In Decision No. 2012-031¹⁴ dated December 26, 2012, the OIC-Regional Director Naomi L. Medici (Regional Director) denied Philhealth's appeal for being filed out of time pursuant to Section 4, Rule V of the 2009 Revised Rules of Procedure of the COA (COA Rules).¹⁵ Nonetheless, the Regional Director ruled on the merits on the appeal¹⁶ and affirmed the NDs.

Aggrieved, Philhealth¹⁷ elevated the case to the COA Proper.

Ruling of the COA Proper

In the assailed Decision No. 2014-440,¹⁸ the COA Proper upheld the COA Regional Director's ruling, viz.:

WHEREFORE, premises considered, the instant petition is hereby DISMISSED for having been filed out of time. Accordingly, Commission on Audit Region VI Decision No. 2012-031 dated December 26, 2012, sustaining Notice of Disallowance Nos. 2010-001 dated July 8, 2010 on the payment of excess anniversary gift/bonus for the year 2010; and 2010-002 dated July 19, 2010 on the payment of transportation allowance of Job Order Contractors, in the total amount of P1,020,122.73, is final and executory.

¹² See Administrative Order No. 103 entitled, "Directing the Continued Adoption of Austerity Measures in the Government Administrative Order No. 103," approved on August 31, 2004.

¹³ *Rollo*, p. 94.

¹⁴ *Id.* at 93-97.

¹⁵ The 2009 Revised Rules of Procedure of the Commission on Audit (COA Rules), approved on September 15, 2009.

¹⁶ *Rollo*, p. 94.

¹⁷ Through Dennis S. Mas, Regional Vice President, Philhealth Regional Office No. VI – Iloilo City.

¹⁸ *Rollo*, pp. 48-51.

The COA Proper also denied Philhealth's subsequent motion for reconsideration "having lost jurisdiction to act on it" in view of the COA Regional Director ruling's finality.¹⁹

Hence, Philhealth filed the present petition.

Subsequently, on motion, the Court allowed the aggrieved Philhealth employees to intervene in the present case.²⁰

Issue

The lone issue for the Court's resolution is whether the subject disallowances had become final and executory due to Philhealth's failure to appeal within the reglementary period.

The Court's Ruling

The petition lacks merit.

Under the COA Rules, a notice of disallowance may be appealed to the Director having jurisdiction over the government agency audited²¹ within six months from receipt thereof.²² An appeal will toll the running of the six-month reglementary period.²³ Without a timely appeal, the disallowance shall lapse into finality.²⁴

¹⁹ See Resolution dated August 18, 2015 of the COA in COA CP Case No. 2013-071, *id.* at 59.

²⁰ *Id.* at 189-237.

²¹ Section 1, Rule V, COA Rules provides:

SECTION 1. *Who May Appeal.* — An aggrieved party may appeal from the decision of the Auditor to the Director who has jurisdiction over the agency under audit.

²² Section 4, Rule V of the COA Rules provides:

SECTION 4. *When Appeal Taken.* — An Appeal must be filed within six (6) months after receipt of the decision appealed from.

²³ Section 5, Rule V of the COA Rules provides:

SECTION 5. *Interruption of Time to Appeal.* — The receipt by the Director of the Appeal Memorandum shall stop the running of the period to appeal which shall resume to run upon receipt by the appellant of the Director's decision.

²⁴ Section 51 of Presidential Decree No. (PD) 1445 provides:

SECTION 51. *Finality of Decisions of the Commission or Any Auditor.* — A decision of the Commission or of any auditor upon any matter within its or his jurisdiction, if not appealed as herein provided, shall be final and executory."

Further, Section 8, Rule IV of the COA Rules provides:

Thereafter, the aggrieved party may request the COA Proper to review the Director's ruling²⁵ within the time remaining from the original six-month reglementary period.²⁶ As a last resort, the COA Proper's decision may be brought before the Court *via* a Petition for *Certiorari* under Rule 64.

The COA Proper summarized the timeline within which Philhealth availed itself of the above-mentioned remedies as follows:

Date of receipt of the NDs	August 16, 2010
Date appeal was filed before the Regional Director	March 8, 2011
Days elapsed	204
Date of receipt of COA Region VI Decision	January 9, 2013
Date of [sic] Petition for Review was filed	February 19, 2013
Days elapsed	41
Total	245 ²⁷

It found that both Philhealth's appeal to the Regional Director and Petition for Review before the COA Proper were filed beyond the six-month or 180-day reglementary period. Thus, the subject disallowances had already become final and immutable.²⁸

On the other hand, Philhealth claims that: (a) it appealed the subject NDs to the Regional Director *on February 16, 2011 or the last day of the six-month reglementary period*; (b) it filed an Urgent Motion for Extension of Time to File Appeal before the COA Proper on January 9, 2013 requesting for a 30-day extension to allow it to file its Petition for Review of the Regional Director's Decision until February 9, 2013;

SECTION 8. *Finality of the Auditor's Decision.* — Unless an appeal to the Director is taken, the decision of the Auditor shall become final upon the expiration of six (6) months from the date of receipt thereof.

²⁵ Section 1, Rule VII, COA Rules provides:

SECTION 1. *Who May Appeal and Where to Appeal.* — The party aggrieved by a decision of the Director or the ASB may appeal to the Commission Proper.

²⁶ Section 3, Rule VII of the COA Rules provides:

SECTION 3. *Period of Appeal.* — The appeal shall be taken within the time remaining of the six (6) months period under Section 4, Rule V, taking into account the suspension of the running thereof under Section 5 of the same Rule in case of appeals from the Director's decision, or under Sections 9 and 10 of Rule VI in case of decision of the ASB.

²⁷ *Rollo*, pp. 48-49.

²⁸ *Id.* at 49.

and (c) it filed its petition before the COA Proper on February 8, 2013.

Granting for the sake of argument that Philhealth filed its appeal to the Regional Director on time, the above-enumerated claims still do not controvert the COA Proper's finding that the appeal of Philhealth from the Regional Director's decision to the COA Proper was belatedly filed.

Philhealth insists that it filed its appeal to the Regional Director *on the last day of the six-month period*. Evidently, it would have to proceed to the COA Proper on the very same day it received the Regional Director's adverse Decision. However, instead of filing a petition for review, they moved for an extension of time on January 9, 2013, or upon their receipt of the Regional Director's Decision.

Verily, a party may be allowed to move for an extension of time to file a required pleading. However, the mere filing of the motion does not automatically entitle the litigant to the fresh or extended period requested. Whether the motion is meritorious and should be granted shall be discretionary upon the court or tribunal from which relief is sought.

A careful reading of the adverted motion²⁹ reveals that Philhealth was aware that it had exhausted the original six-month period and that it had no more time to file its appeal.³⁰ Nonetheless, it asserted that with the "meager period of time" remaining to file an appeal and considering further that Philhealth is an entity of "government employees [tasked] with the implementation of multifarious policies and programs," it was constrained to request for an extension "in the interest of justice."³¹

The excuses are flimsy and do not merit any consideration.

Procedural rules prescribing definite reglementary periods within which a party may avail of remedies must be strictly complied with, inasmuch as these are "indispensable to the prevention of needless delays and to the orderly and speedy discharge of business."³² These will

²⁹ *Id.* at 101-102.

³⁰ *Id.* at 101.

³¹ *Id.*

³² *Philippine National Bank v. Deang Marketing Corp., et al.*, 593 Phil. 703, 715 (2008).

not be suspended or relaxed on each occasion a litigant invokes “the interest of substantial justice” and absent compelling reasons to do so.³³

That Philhealth adjudged its own reasons as satisfactory and assumed that their request for an extension would be granted only reveal its lack of prudence.³⁴

Notably, the issue of Philhealth’s timeliness in availing itself of the remedies under the COA Rules is not novel. In two separate occasions,³⁵ the Court already upheld the final and executory character of the NDs issued against Philhealth after they belatedly proceeded to the COA Proper for recourse.

In these lights, the COA Proper did not commit grave abuse of discretion when it dismissed Philhealth’s petition outright for being filed out of time. Consequently, the subject NDs became final and executory on January 9, 2013 and the COA Proper could no longer take cognizance of Philhealth’s Petition for Review after being filed only on February 19, 2013.³⁶

In any case, even if the Court sets aside Philhealth’s procedural lapse, the disallowances must be upheld.

First, Philhealth’s grant of Anniversary Gift amounting to ₱10,000.00 per employee exceeded the ceiling under Administrative Order No. (AO) 263 and National Budget Circular No. (NBC) 452, both of which explicitly limit grants of this nature to ₱3,000.00 per official/employee.

³³ *Id.*

³⁴ See *ABS-CBN Publishing, Inc. v. Director of the Bureau of Trademarks*, 833 Phil. 791 (2018).

³⁵ *Philippine Health Insurance Corporation v. Commission on Audit*, G.R. No. 222710, July 24, 2018, 874 SCRA 138, 162, citing *Reyna, et al. v. Commission on Audit*, 657 Phil. 209, 221 (2011). The Court ruled: “It is clear that PhilHealth filed its petition beyond the reglementary period to file an appeal which is within six (6) months or 180 days after the Resident Auditor issued a ND. Thus, the Decision No. 2014-002 dated March 13, 2014 of COA Corporate Government Sector which upheld the ND No. H.O. 12-005 (11) dated July 23, 2012 became final and executory pursuant to Section 51(27) of the Government Auditing Code of the Philippines.” Also see *Philippine Health Insurance Corporation v. Commission on Audit*, G.R. No. 235832, November 3, 2020.

³⁶ *Rollo*, p. 50.

Verily, Philhealth insists that it enjoys *fiscal autonomy*, pursuant to their original charter,³⁷ which empowers the Board to fix the compensation of its personnel as may be necessary and upon the recommendation of its president.³⁸ However, it is already settled that the Board's authority to do so is not absolute.³⁹ The power to fix personnel compensation must necessarily yield to the state policy of "equal pay for equal work."⁴⁰ Thus, any disbursements of allowances and other forms of employee compensation must conform with prevailing rules and regulations issued by the President of the Philippines and/or the Department of Budget and Management,⁴¹ such as AO 263 and NBC 452.

Second, Philhealth's grant of JOC Transportation Allowance was unjustified. As explained in Board Resolution No. 938, s. 2006, Philhealth granted transportation allowances in lieu of providing actual shuttle services to its personnel. The allowances are benefits exclusive to Philhealth personnel inasmuch as the provision of shuttle service assistance resulted directly from a collective negotiation agreement between Philhealth's management on the one hand and its employees on the other.⁴² Job order contractors and full-time consultants may render

³⁷ Section 26, Republic Act No. (RA) 7875 which provides:

SECTION 26. *Financial Management.* — The use, disposition, investment, disbursement, administration and management of the National Health Insurance Fund, including any subsidy, grant or donation received for program operations shall be governed by resolution of the Board of Directors of the Corporation, subject to the following limitations:

a) All funds under the management and control of the Corporation shall be subject to all rules and regulations applicable to public funds.

b) The corporation is authorized to charge the various funds under its control for the costs of administering the Program. Such costs may include administration, monitoring, marketing and promotion, research and development, audit and evaluation, information services, and other necessary activities for the effective management of the Program. The total annual costs for these shall not exceed twelve percent (12%) of the total contributions, including government contributions to the Program and not more than three percent (3%) of the investment earnings collected during the immediately preceding year.

³⁸ *Rollo*, p. 14.

³⁹ See *Philippine Health Insurance Corp. Regional Office-Caraga v. Commission on Audit*, G.R. No. 230218, August 14, 2018 and *Phil. Health Insurance Corp. v. Commission on Audit, et al.*, 801 Phil. 427, 452 (2016).

⁴⁰ Section 2 of RA 6758 provides:

SECTION 2. *Declaration of Principles and Policies.* — It is hereby declared the policy of the State 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. In determining rates of pay, due regard shall be given to, among others, prevailing rates in the private sector for comparable work x x x"

⁴¹ Section 6, PD 1597. Also see *Philippine Health Insurance Corporation v. Commission on Audit*, G.R. No. 235832, November 3, 2020.

⁴² Philhealth Board Resolution No. 938, S. 2006, *rollo*, pp. 143-145.

services for Philhealth, but they are not considered employees therein. As non-employees, their compensation shall be determined based on their respective job order or consultancy contracts. In the present case, the job contracts clearly state that the contractors “shall not be entitled to benefits enjoyed by regular [Philhealth employees].” Thus, they are not entitled to transportation allowances in the same manner these are granted to Philhealth personnel.⁴³

Finally, the finding of liability on the part of the *approvers* and *payees* is supported by jurisprudence.

On the part of the *approving* officials, that they proceeded to grant the Anniversary Gift and JOC Transportation Allowance despite its patent illegality and irregularity only serves to negate their claim of good faith in issuing Resolution Nos. 382, S. 2001 and 938, S. 2006. At any rate, the issue of good faith or lack thereof on the part of the *approving* and *certifying* officers is now irrelevant in light of NDs’ finality,⁴⁴ as discussed earlier.

On the other hand, the *payees*’ obligation to refund the disallowed amount to the extent of what they received is already settled. A person’s receipt of an amount, the disbursement of which is illegal or irregular and has been disallowed, is considered to have been by mistake. Thus, he has the obligation to return what he has received in error, pursuant to the principle of *solutio indebiti*.⁴⁵


WHEREFORE, the instant petition and petition-for-intervention are **DISMISSED**. The assailed Decision No. 2014-440 dated December 29, 2014 and Resolution dated August 18, 2015 of the Commission on Audit Commission Proper in COA CP Case No. 2013-071 are **AFFIRMED**.

⁴³ In *Bases Conversion and Development Authority v. COA*, 599 Phil. 455, 462 (2009), the Court held as follows: “x x x the members and *ex-officio* members of the Board of Directors are not entitled to [year-end benefit], they being not salaried officials of the government. The same goes with full time consultants wherein no employer-employee relationships exist between them and the BCDA. Thus, the whole amount paid to them totaling P342,000 is properly disallowed in audit.”


⁴⁴ *Philippine Health Insurance Corporation v. Commission on Audit*, *supra* note 41.

⁴⁵ *Id.*; See also *Madera v. Commission on Audit*, G.R. No. 244128, September 8, 2020.


SO ORDERED.


HENRI JEAN PAUL B. INTING
Associate Justice

WE CONCUR:

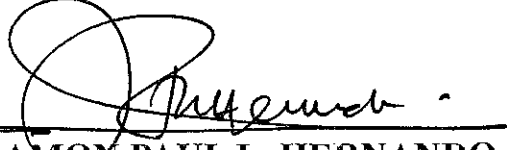

DIOSDADO M. PERALTA
Chief Justice


ESTELA M. PERLAS-BERNABE
Associate Justice


MARVIC M.V.F. LEONEN
Associate Justice



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

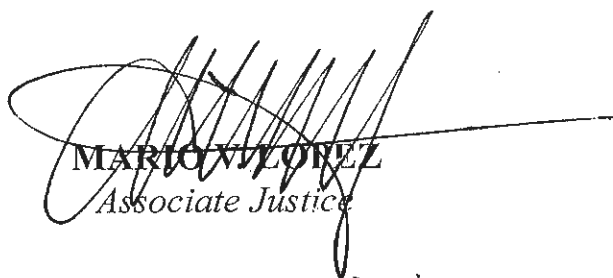

ALEXANDER G. GESMUNDO
Associate Justice


RAMON PAUL L. HERNANDO
Associate Justice


ROSMARIE D. CARANDANG
Associate Justice


AMY C. LAZARO-JAVIER
Associate Justice


RODIL V. ZALAMEDA
Associate Justice



MARIO V. LOPEZ
Associate Justice



EDGARDO L. DELOS SANTOS
Associate Justice



SAMUEL H. GAERLAN
Associate Justice



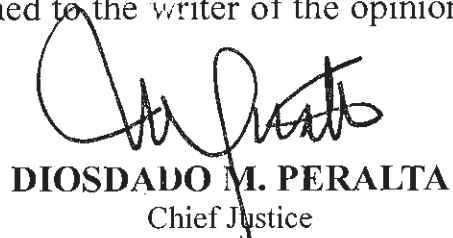
RICARDO R. ROSARIO
Associate Justice




JHOSEP Y. LOPEZ
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court.



DIOSDADO M. PERALTA
Chief Justice

Certified True Copy

ANNA-LIT R. PAPA-GOMBIO
Deputy Clerk of Court En Banc
OCC En Banc, Supreme Court

