

****Title: Ngalob et al. vs. Commission on Audit****

****Facts:****

The case initiated from resolutions issued by the Cordillera Administrative Region (CAR) – Regional Development Council (RDC) Executive Committee (ExCom) which allowed the disbursement of incentives to RDC-CAR officials and the secretariat to compensate them for their “extra work” in relation to the RDC-CAR Work Program on Development and Autonomy. Specifically, RDC ExCom Resolution No. 73, issued on August 28, 2009, allowed the disbursement of P1,095,000.00 covering January to June 2008 and quarterly releases for the third and fourth quarters of 2009. Additionally, Resolution No. CAR-103, issued on December 10, 2010, provided for a year-end incentive of P1,080,000.00. These incentives were disputed by the Commission on Audit (COA), asserting a lack of legal basis which led to the issuance of Notices of Disallowance. The petitioners, involved NEDA-CAR officials and all incentive beneficiaries, contested the COA’s decision through appeals which were subsequently denied, leading to the elevation of the case to the Supreme Court via a Petition for Certiorari under Rule 64, in relation to Rule 65, of the Revised Rules of Court.

****Issues:****

1. Whether the COA acted with grave abuse of discretion in upholding the disallowance of the incentives.
2. Whether the COA acted with grave abuse of discretion in affirming petitioners’ liability for the disallowed amounts.

****Court’s Decision:****

The Supreme Court dismissed the petition, supporting the COA’s decisions. It was determined that the petitioners failed to establish the legality and validity of the grant of incentives due to the absence of an approved special project plan as required by DBM Circular No. 2007-2. It was also found that the incentives were improperly charged against the agency’s Maintenance and Other Operating Expenses (MOOE), contrary to appropriation rules. Moreover, the Court emphasized that the approving and certifying officers displayed a blatant disregard for the rules, constituting gross negligence, and thus were solidarily liable for the refund of the disallowed amounts. The recipients of the incentives were also held individually liable to return the amounts received.

****Doctrine:****

The case reinforced the principles regarding the legal basis required for the grant of incentives and the liability arising from disallowances. It was underscored that the burden

of proving the validity or legality of such grants rests with the government agency or the employees claiming them. Moreover, the necessity for a specific appropriation for incentives or honoraria under the agency's Personal Services account in accordance with the General Appropriations Act was reiterated along with the requirement of an approved special project plan for the disbursement of honoraria.

****Class Notes:****

- Government appropriations and disbursements must have a legal basis, and provisions for the same must be explicitly stated in the General Appropriations Act.
- The legal and factual basis for granting incentives must be clearly established and supported by appropriate documents and approvals.
- Liability for the refund of disallowed amounts may be attributed solidly to approving and certifying officers found to have acted in gross negligence, and individually to recipients unable to prove their entitlement to the funds received.
- Key legal provisions cited include DBM Circular No. 2007-2, the Administrative Code of 1987, and pertinent sections of the General Appropriations Acts of 2009 and 2010.

****Historical Background:****

The case reflects the intricate scrutiny applied by audit institutions such as the COA to ensure that government disbursements are made with a legal basis and adherence to fiscal responsibility. It illustrates the checks and balances within the Philippine governmental framework, aimed at safeguarding public funds from misuse and ensuring that financial allocations are utilized according to law.