

****Title: De Guzman et al. vs. Commission on Audit****

****Facts:****

Petitioners Teresita P. De Guzman, Bernadette B. Velasquez, Atty. Rodolfo T. Tabangin, Atty. Antonio A. Espiritu, Atty. Moises P. Cating, Sonia A. Daoas, and Engr. Felino D. Lagman were members of the Baguio Water District (BWD) Board of Directors. For September 2004, each received per diems amounting to PHP 33,600. Following a routine audit, the Commission on Audit-Cordillera Administrative Region (COA-CAR) noted via Audit Observation Memorandum No. 04-003 that the per diems exceeded the PHP 20,000 limit prescribed under Section 3(c)(ii) of Administrative Order (AO) No. 103 issued by President Gloria Macapagal-Arroyo on August 31, 2004. Consequently, COA-CAR issued Notice of Disallowance No. 06-026 for the excess per diems amounting to PHP 68,000.

Petitioners appealed, asserting that their per diems were in accordance with Local Water Utilities Administration (LWUA) Memorandum Circular No. 004-02 issued on May 21, 2002, allowing per diems of PHP 8,400 per meeting for up to four meetings monthly. They argued that the LWUA, under Presidential Decree No. 198 (PD 198) or the “Provincial Water Utilities Act of 1973” as amended by Republic Act No. 9286, had the authority to determine per diems.

COA-CAR denied the appeal in Decision No. 2009-012, affirming the disallowance. The COA-Commission Proper, in its September 25, 2012 decision, also upheld this ruling. Petitioners brought the matter to the Supreme Court via a Petition for Certiorari under Rule 64.

****Issues:****

1. Did the COA err in using AO 103 instead of PD 198?
2. Should petitioners refund the excess per diems totaling PHP 68,000?

****Court’s Decision:****

1. ****Applicability of AO 103 vs. PD 198:****

- The Supreme Court held that PD 198 and AO 103 are not irreconcilable. PD 198 allows BWD to set per diems in excess of PHP 150 per meeting with LWUA approval while AO 103 caps the total monthly per diem at PHP 20,000.
- Despite LWUA’s MC 004-02 authorizing per diems up to PHP 8,400 per meeting, the President’s issuance of AO 103 capped the total monthly per diem to PHP 20,000, superseding MC 004-02.

2. ****Refund of Excess Per Diems:****

- The Court affirmed that AO 103 became effective upon its publication on September 3, 2004. Thus, it governed the per diem limits when petitioners received their fourth per diem check, negating claims of good faith.
- Since AO 103 was effectively in force by the time petitioners received additional checks, the excess amounts received (PHP 68,000 in total) were unauthorized.
- The petitioners must reimburse the excess per diems since their claim of good faith was not substantiated.

****Doctrine:****

- Executive issuances like AO 103 can overrule administrative memoranda from subordinate entities such as LWUA, in line with the President's constitutional authority.
- Per diems and other forms of compensation for government officials are subject to executive control, even if previously approved by an administrative agency like LWUA.
- Good faith does not excuse the return of unauthorized payments if the beneficiaries were aware, or should have been aware, of existing caps or limits on compensation.

****Class Notes:****

- ****Statutory Construction:**** Harmonization of laws when possible, preference to reconcile apparently conflicting provisions.
- ****Executive Control:**** The Philippine President's control over executive departments, including government-owned and controlled corporations, includes modifying subordinate issuances.
- ****AO 103:**** Administrative Order imposing austerity measures, capping per month per diems for non-full-time officials at PHP 20,000.
- ****Good Faith Defense:**** The claim of good faith in receiving excess payments is weak if affected parties were, or should have been, aware of new regulations or caps.
- ****Relevant Provisions:****
- ****PD 198, Sec. 13:**** Grants LWUA authority over water district directors' per diems.
- ****AO 103, Sec. 3(c):**** Limits non-full-time officials' monthly per diems to PHP 20,000.

****Historical Background:****

The case refers to the national context of governmental austerity measures under President Gloria Macapagal-Arroyo's administration. Amid economic challenges, AO 103 represents efforts to streamline government expenditures, reflecting broader policy shifts toward fiscal prudence and reform.

The petitioners' case represents the tension between established administrative practices

and emergent austerity policies, highlighting the dynamic nature of executive oversight and its implications for local governing bodies under the national framework.