

**\*\*Title:\*\***

Philippine International Trading Corporation v. Commission on Audit, G.R. No. 210703, November 21, 2017

**\*\*Facts:\*\***

1. Philippine International Trading Corporation (PITC) is a government-owned and controlled corporation created under Presidential Decree No. 252 issued by then President Ferdinand E. Marcos on July 21, 1973.
2. Presidential Decree No. 1071, issued on January 25, 1977, repealed Presidential Decree No. 252.
3. On December 28, 1981, President Marcos issued Executive Order No. 756, enabling the reorganization of PITC and providing specific retirement benefits under Section 6, exempting PITC from the rules of the Office of the Compensation and Position Classification.
4. Executive Order No. 877, issued on February 18, 1983, further authorized PITC's reorganization, specifying a six-month period for restructuring under the new guidelines.
5. Despite the reorganization period lapse, PITC continued to give the said benefits beyond six months.
6. The legality of these benefits was challenged and discussed, resulting in the Supreme Court's June 22, 2010 decision in G.R. No. 183517, which determined these benefits were intended as a temporary measure only during the reorganization period.
7. Following the 2010 decision, on September 30, 2010, COA notified PITC to stop such payments.
8. PITC filed a Motion to Admit Second Motion for Reconsideration, denied on November 23, 2010.
9. PITC continued accrual for the benefits while the motion was pending. On November 14, 2011, COA released the 2010 Annual Audit Report (AAR) highlighting the accrual of retirement benefits as erroneous and without legal basis.
10. On June 22, 2012, PITC requested COA to amend the 2010 AAR, citing vested rights and claiming the decision in G.R. No. 183517 should apply prospectively from its finality on September 27, 2010.
11. On January 30, 2013, COA denied PITC's request through Decision No. 2013-016.
12. PITC then filed a petition for certiorari to the Supreme Court, seeking to annul COA's 2013 decision.

**\*\*Issues:\*\***

1. Whether the Supreme Court's ruling in G.R. No. 183517 should be applied prospectively.
2. Whether PITC employees had vested rights to retirement benefits under Section 6 of

Executive Order No. 756 prior to the finality of the Supreme Court decision in G.R. No. 183517.

3. Whether COA committed grave abuse of discretion in refusing to amend the 2010 AAR.

**\*\*Court's Decision:\*\***

1. On the issue of the application of the Supreme Court's ruling: The decision should not be applied prospectively. The Court upheld the principle that judicial decisions interpreting a law form part of that law's meaning and effect from its enactment unless they reverse a previous doctrine or establish a new one, which was not the case here.

2. Concerning vested rights: The continuation of the benefits by PITC did not confer vested rights. Established jurisprudence dictates that prolonged erroneous practice contrary to law does not produce vested rights, and public officials' errors do not stop the government from correcting such mistakes.

3. Regarding COA's decision: The Court found no grave abuse of discretion by COA. The 2010 AAR accurately applied the governing laws and decisions, adhering to the ruling in G.R. No. 183517 which clarified the temporary nature of Section 6 of Executive Order No. 756.

**\*\*Doctrine:\*\***

1. Judicial decisions interpreting laws are part of the legal system as of the law's enactment date if they don't overrule previous doctrines or create new ones.

2. Practices contrary to the law do not establish vested rights even if long continued.

3. Errors by public officers do not stop the government from rectifying such errors later.

**\*\*Class Notes:\*\***

- **\*\*Judicial Decisions:\*\*** Forms part of the law from the law's original passing (Article 8, Civil Code).

- **\*\*Non-Retroactivity of Laws:\*\*** Legislation generally does not have retroactive effect unless specified (Article 4, Civil Code).

- **\*\*Vested Rights:\*\*** Cannot arise from practices contrary to law.

- **\*\*Grave Abuse of Discretion:\*\*** COA decisions must align with governing statutes and judicial interpretative rulings.

**\*\*Historical Background:\*\***

This case is situated within the larger context of Philippine administrative law and its principle of administrative interpretation of retirement benefits in government-owned corporations. The pivotal involvement of Presidential Decrees and Executive Orders from

the Marcos regime highlights how historical executive policies influence ongoing legal interpretations and enforceability in public sector labor rights. The case underscores judicial efforts to curtail unjustified employee benefits amidst evolving economic governance structures.