

Title:

Perez v. Aguinaldo, G.R. No. 2020-160 (Philippines Supreme Court Decision, 2023)

Facts:

1. ****Payment of CNA Incentives****: On December 8, 2011, the Bureau of Fisheries and Aquatic Resources (BFAR) distributed Collective Negotiation Agreement (CNA) incentives to 351 officers and employees, totaling P20,595,549.99.
2. ****Issuance of Notice of Disallowance****: On June 10, 2014, the Commission on Audit (COA) Audit Team issued Notice of Disallowance (ND) No. 14-05-101(11) disallowing P12,285,000.00 of the amount, as it exceeded the P25,000.00 per employee ceiling stated in Department of Budget and Management Budget Circular (DBM BC) No. 2011-5, which was released on December 26, 2011.
3. ****Liability Identified by COA****: The individuals identified in the ND and held liable for the excess payment included Atty. Asis G. Perez, Atty. Benjamin F.S. Tabios, Jr., Lina F. Zulueta, and Jericardo S. Mondragon as the BFAR employees who certified, authorized, or received the payments.
4. ****Procedural History****:
 - Petitioners appealed the ND, arguing that DBM BC No. 2011-5 could not retroactively apply to incentives paid before its issuance, and they acted in good faith.
 - The COA National Government Sector (NGS) denied this appeal on the ground of late filing, as it was filed 183 days post-receipt of the ND, exceed the 180-day limit.
 - Petitioners then elevated the case to the COA Proper, which affirmed the NGS Director's decision and denied the appeal.
5. ****Action before the Supreme Court****: Petitioners sought relief through a Petition for Certiorari pursuant to Rule 64, in relation to Rule 65, of the Rules of Court. They argued that the COA's decision constituted a grave abuse of discretion and that applying DBM BC No. 2011-5 retroactively was improper.

Issues:

1. ****Retroactive Application****: Whether the P25,000.00 incentive ceiling in DBM BC No. 2011-5 can be retroactively applied to incentives disbursed on December 8, 2011, before the circular's issuance.
2. ****Refund of Disallowed Amounts****: Whether petitioners must return the disallowed excess payments.

Court's Decision:

1. ****Finality of ND****: The ND has become final due to the petitioners' delayed filing of their

appeal. However, since specific exceptional circumstances applied, the court chose to address the issues to avoid injustice.

2. **Retroactive Application**: The P25,000.00 ceiling in DBM BC No. 2011-5 does not apply retroactively. The Supreme Court ruled similarly in the case of “Confederation for Unity, Recognition and Advancement of Government Employees v. Abad” (COURAGE) where the CNA incentives received before the issuance of DBM BC No. 2011-5 were declared vested rights.

3. **Return of Disallowed Amounts (Good Faith)**: Petitioners-payees need not return the disallowed CNA incentives received in good faith. Atty. Perez and Atty. Tabios, Jr., despite approving the premature release of CNA incentives, were not held liable for refunds as the Notice of Disallowance was due to oversight, based on the established principles providing exemptions for those acting in good faith.

4. **Liability for Premature Payment**: While the ND is upheld concerning the illegal premature disbursement under DBM BC 2006-1, it is modified to reflect that the liability to return does not extend to petitioners who acted in good faith or to payees who merely received the amounts.

Doctrine:

1. **Non-retroactive Application of Circulars**: The Supreme Court reiterated that new regulations or circulars (i.e., DBM BC No. 2011-5) cannot be retroactively applied to actions taken before their issuance unless expressly stated.

2. **Good Faith Defense**: Officials and employees acting in good faith, without gross negligence or malice in official duties, are exempt from the obligation to refund disallowed amounts.

Class Notes:

1. **Key Concepts**:

- Retroactive application of administrative circulations.
- Good faith as a defense against liability for refunds.
- Ministerial duties exempting liability.

2. **Relevant Provisions**:

- DBM BC No. 2011-5: Stipulates the P25,000.00 cap per employee for CNA incentives.
- DBM BC 2006-1: Mandates payment of CNA incentives only after the year-end.
- Administrative Code of 1987: Establishes principles of liability protection for those in good faith and mandates due process.

Historical Background:

During the period when the dispute arose, there was increasing scrutiny on the disbursement of government funds in the Philippines. Issuance of DBM BC No. 2011-5 was part of broader administrative reforms aimed at ensuring fiscal discipline and accountability within government agencies. The case arises in the context of balancing financial regulations with the protection of employees' vested rights and good faith actions by public officials.