

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

Province of Negros Occidental vs. Commission on Audit, et al.

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

1. **\*\*Sangguniang Panlalawigan Resolution:\*\*** On December 21, 1994, the Sangguniang Panlalawigan of Negros Occidental (Sangguniang Panlalawigan) passed Resolution No. 720-A, allocating PHP 4,000,000 of retained earnings for the hospitalization and health care insurance benefits of 1,949 officials and employees of the province.
2. **\*\*Contract with Philam Care:\*\*** After a public bidding, the insurance coverage was awarded to Philam Care Health System Incorporated (Philam Care). A Group Health Care Agreement was entered into by the provincial government, represented by Governor Rafael L. Coscolluela, with Philam Care involving the payment of PHP 3,760,000.
3. **\*\*Payment of Premiums:\*\*** The total insurance premium amounting to PHP 3,760,000 was paid on January 25, 1996.
4. **\*\*Notice of Suspension:\*\*** On January 23, 1997, the Provincial Auditor issued Notice of Suspension No. 97-001-101 due to the lack of approval from the Office of the President (OP) as required by Administrative Order No. 103 (AO 103) and alleged violation of Republic Act No. 6758 (RA 6758).
5. **\*\*Post-facto Approval Request:\*\*** Petitioner complied with AO 103 post-facto by sending a request letter to the OP on January 12, 1999.
6. **\*\*Partial Lifting of Suspension:\*\*** President Joseph E. Estrada directed the COA to lift the suspension only in the amount of PHP 100,000 on January 26, 1999.
7. **\*\*Notice of Disallowance:\*\*** The Provincial Auditor issued Notice of Disallowance No. 99-005-101(96) on September 10, 1999, maintaining the grounds for disallowance.
8. **\*\*Appeal to COA:\*\*** The province appealed to the COA, which in its decision on July 14, 2006, affirmed the disallowance.
9. **\*\*Liability:\*\*** The COA held 1,949 officials and employees, former Governor Rafael L. Coscolluela, and the Sangguniang Panlalawigan members liable for refunding the disallowed amount. Philam Care and the Provincial Accountant were not held liable.
10. **\*\*Motion for Reconsideration:\*\*** Petitioner's motion for reconsideration was denied by the COA on January 30, 2008.
11. **\*\*Petition for Certiorari:\*\*** The Province of Negros Occidental filed a petition for certiorari before the Supreme Court challenging COA's decisions.

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

1. **\*\*Grave Abuse of Discretion:\*\*** Whether the COA committed grave abuse of discretion in affirming the disallowance of PHP 3,760,000 for the premium paid for hospitalization and

health care benefits.

2. **Lack of Presidential Approval:** Whether the necessity of obtaining prior Presidential approval under AO 103 applies to LGUs like the Province of Negros Occidental.
3. **Violation of RA 6758:** Whether the hospitalization and health care insurance benefits violated the standardized compensation system under RA 6758.

**Court's Decision:**

1. **AO 103 Applicability:** The Supreme Court held that AO 103 does not apply to LGUs, which are under the President's general supervision and not control.
2. **General Supervision vs. Control:** The distinction between the President's control over the executive departments and the general supervision over LGUs was emphasized. The prohibition in AO 103 was meant only for government offices under the President's control.
3. **Non-Violation of AO 103:** Since LGUs are not explicitly included under AO 103's Section 2, the grant and release of the hospitalization and health care insurance benefits did not require prior Presidential approval.
4. **RA 6758 Compliance:** The COA did not adequately establish the sufficiency of Medicare benefits under existing law. The legislative and administrative directions via CSC MC No. 33 and AO 402 implied a recognized deficiency in government health services, suggesting the insurance benefits were a local initiative consistent with addressing those inadequacies.
5. **Local Autonomy:** Affirming the province's fiscal autonomy, the Court concluded that the Sangguniang Panlalawigan's resolution was a valid exercise of local legislative authority.

**Doctrine:**

- **Local Autonomy:** Local governments have fiscal autonomy, allowing them to allocate their resources in accordance with their priorities, consistent with national law and policy.
- **General Supervision:** The President's power over LGUs is supervisory, not a control mandate, ensuring only compliance with existing laws rather than direct approvals or disapprovals.

**Class Notes:**

- **Key Elements/Concepts:**
- **General Supervision vs. Control:** Article X, Section 4 of the 1987 Constitution.
- **Local Fiscal Autonomy:** Local Government Code of 1991 (RA 7160).
- **Salary Standardization Law Compliance:** RA 6758.
- **Prohibitive Directives:** Administrative Order No. 103.

- **Health Care Policy in Government:** CSC MC No. 33 (1997), AO 402 (1998).
- **Relevant Statutes/Citations:**
- RA 6758 (Salary Standardization Law), AO 103, CSC MC No. 33 (1997), and AO 402.

**Historical Background:**

- **Legislation and Policy Context:** During the early 1990s, there was significant legislative and administrative focus on standardizing government salaries and benefits to ensure equity. RA 6758 was central to this standardization effort, aiming to integrate various allowances into basic salary rates. Simultaneously, initiatives like the National Health Insurance Act (RA 7875) were designed to address the inadequacies of health care services in the country. These contextual frameworks influenced the legal arguments and the court's decisions in assessing compliance with and exemptions from these national policies.