

PUBLIC ESTATES AUTHORITY, PETITIONER, VS. COMMISSION ON AUDIT, RESPONDENT.

G.R. NO. 156537. January 24, 2007

Ponente: SANDOVAL-GUTIERREZ, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-156537/>

SANDOVAL-GUTIERREZ, J.:

For our resolution is the instant Petition for Certiorari under Rule 64[1] of the 1997 Rules of Civil Procedure, as amended, assailing COA Decision No. 2000-386 dated December 29, 2000 and COA Resolution No. 2002-170 dated August 20, 2002 rendered by the Commission on Audit (COA), herein respondent. Petitioner Public Estates Authority (PEA) alleged that the COA committed grave abuse of discretion amounting to lack or excess of jurisdiction when it ruled that petitioner's employees hired after July 1, 1989 are not entitled to a grant of rice subsidy.

Petitioner is a government owned and controlled corporation established pursuant to Presidential Decree No. 1084. It is tasked with, among others, reclaiming and administering foreshore lands and other public properties.

Respondent COA is the constitutional body mandated to examine and audit all government instrumentalities and investment of public funds.[2]

On August 9, 1989, Congress passed Republic Act (R.A.) No. 6758[3] to standardize the compensation and benefits of employees in the public sector, including government owned and controlled corporations. Its aim was to "provide equal pay for substantially equal work and to base differences in pay upon substantive differences in duties and responsibilities and qualification requirements of the positions." [4] To achieve this goal, the statute provides for the consolidation of allowances and compensation in the prescribed standardized salary rates, except for certain specified allowances[5] and other additional compensation as may be determined by the Department of Budget and Management (DBM). Accordingly, the statute provides for the repeal of "all laws, decrees, executive orders, corporate charters and other issuances, or parts thereof, that exempt agencies from the coverage of the System, or that authorize and fix position classification, salaries, pay rates or allowances of specified positions, or groups of officials and employees or of agencies, which are inconsistent with the System." [6] However, the principle of non-diminution of pay is observed as the law authorizes incumbents as of July 1, 1989 to receive salaries and/or allowances over and above those authorized under R.A. No. 6758.[7]

Sometime in January 1999, petitioner granted its employees 191 sacks of rice with a total cost of P219,650.90. On post-audit, the COA resident auditor disallowed 130 sacks amounting to P149,500.00 under Notice of Disallowance No. 99-012D-99 dated May 4, 1999.[8] The resident auditor ruled that the grant of rice allowance to 130 personnel hired after July 1, 1989 has no legal basis. He relied on Section 12 of R.A. No. 6758 providing that only incumbent personnel as of July 1, 1989 are entitled to receive additional allowances.

In a letter dated July 16, 1999, petitioner sought a reconsideration of the disallowance invoking, among others, *De Jesus v. Commission on Audit*[9] holding that the DBM Corporate Compensation Circular No. 10 discontinuing without qualification all allowances and fringe benefits granted to personnel on top of their basic salaries effective

November 1, 1989 tends to deprive government workers of their allowances and additional compensation “needed to keep body and soul together.”

Petitioner filed with the office of its resident auditor a request for reconsideration but it was denied. Hence, petitioner interposed an appeal to the Director of the then Corporate Audit Office (CAO II). However, in its 1st Indorsement dated April 5, 2000, petitioner’s appeal was denied.

On May 10, 2000, petitioner filed with the COA a petition for review, followed by a supplemental petition dated December 6, 2000. Petitioner alleged that Section 12 of R.A. No. 6758 allows its employees hired after July 1, 1989 to receive the benefits granted to incumbents as of that date.

On December 29, 2000, the COA rendered its assailed Decision denying the petition. The COA ruled that the rice subsidy granted to petitioner’s employees may not be given to employees hired after July 1, 1989. Only incumbents as of July 1, 1989 are entitled thereto, thus:

Section 12 specifically enumerates the allowances and benefits which are not integrated into the standardized salary rates. Other than those enumerated and those that may be determined by the DBM, such other additional compensation whether in cash or in kind, which are not integrated into the prescribed salary rates shall continue to be authorized only for incumbents. The law is clear in itself.

Petitioner filed a motion for reconsideration, but the COA denied the same in its Resolution dated August 20, 2002.

Hence, the instant petition for certiorari.

The sole issue for our resolution is whether respondent COA committed grave abuse of discretion amounting to lack or excess of jurisdiction in disallowing the rice subsidy granted to petitioner’s employees hired after July 1, 1989 when R.A. No. 6758 took effect.

At the heart of the controversy is the proper interpretation of Section 12 of R.A. No. 6758 which provides:

SEC. 12. Consolidation of Allowances and Compensation. – All allowances, except for representation and transportation allowances, clothing and laundry allowances; subsistence allowance of marine officers and crew on board government vessels and hospital personnel; hazard pay; allowances of foreign service personnel stationed abroad; and such other additional compensation not otherwise specified herein as may be determined by the DBM, shall be deemed included in the standardized salary rates herein prescribed. Such other additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized. (Emphasis supplied).

Existing additional compensation of any national government official or employee paid from local funds of a local government unit shall be absorbed into the basic salary of said official or employee and shall be paid by the National Government.

The foregoing clause must be read in relation to Section 17 of the same law reproduced below:

SEC. 17. Salaries of incumbents. – Incumbents of positions presently receiving salaries and additional compensation/fringe benefits including those absorbed from local government units and other emoluments, the aggregate of which exceeds the standardized salary rate as herein prescribed, shall continue to receive such excess compensation, which shall be referred to as transition allowance. The transition allowance shall be reduced by the amount of salary adjustment that the incumbent shall receive in the future.

Under the above provisions, we rule that petitioner’s personnel hired after July 1, 1989 are not entitled to rice subsidy.

It is a cardinal rule that in interpreting a statute, the purpose of the Court is to ascertain and give effect to the legislative intent.[10] Differently stated, the true object of statutory construction is to ascertain the meaning and will of the lawmaking body to the end that it may be enforced.[11]

This is not the first time we interpret Section 12 of R.A. No. 6758.

In *Philippine Ports Authority v. Commission on Audit*,[12] we ruled that with the salary standardization scheme provided for by R.A. No. 6758, additional financial incentives may no longer be given by the government owned and controlled corporations to their personnel except to incumbents as of July 1, 1989.

In *Philippine International Trading Corporation v. Commission on Audit*,[13] we held that incumbents as of July 1, 1989 shall continue to receive the allowance mentioned in Section 12 even after R.A. No. 6758 took effect, thus:

First of all, we must mention that this Court has confirmed in *Philippine Ports Authority vs. Commission on Audit* the legislative intent to protect incumbents who are receiving salaries and/or allowances over and above those authorized by RA 6758 to continue to receive the same even after RA 6758 took effect. In reserving the benefit to incumbents, the legislature has manifested its intent to gradually phase out this privilege without upsetting the policy of non-diminution of pay and consistent with the rule that laws should only be applied prospectively in the spirit of fairness and justice. x x x

At the time of the passage of the said law, there was no intention on the part of the legislature to revoke existing benefits being enjoyed by incumbents as of July 1, 1989.

In another 1999 case, *National Tobacco Administration v. Commission on Audit*,[14] we explained that under the first sentence of Section 12, all allowances are integrated into the prescribed salary rates, except:

- (1) Representation and transportation allowance (RATA);
- (2) Clothing and laundry allowances;
- (3) Subsistence allowance of marine officers and crew on board government vessels;
- (4) Subsistence allowance of hospital personnel;
- (5) Hazard pay;
- (6) Allowance of foreign service personnel stationed abroad; and
- (7) Such other additional compensation not otherwise specified in Section 12 as may be directed by the DBM.

These allowances are “granted to officials and employees of the government to defray or reimburse the expenses incurred in the performance of their official functions.” No. 7 of the foregoing list is a “catch-all proviso” covering all other allowances/fringe benefits not integrated into the basic salary and allowed to be continued only for incumbents as of June 30, 1989. Those benefits covered by the “catch-all proviso” includes the following: (1) rice subsidy; (2) sugar subsidy; (3) death benefits other than those granted by the GSIS; (4) medical/dental/optical allowances/benefits; (5) children’s allowance; (6) special duty pay/allowance; (7) meal subsidy; (8) longevity pay; and (9) teller’s allowance. Thus, under the said “catch-all proviso,” the legislative intent is just to include the fringe benefits which are in the nature of allowances, and to exclude those benefits which are of a different genus, such as financial assistance benefits.

It is thus decisively clear that rice subsidy may only be granted to petitioner’s personnel who were incumbents as of July 1, 1989. Hence, in disallowing the grant of rice subsidy to employees hired after that date, respondent COA did not gravely abuse its discretion.

We find, however, that the personnel concerned, in receiving the rice subsidy, acted in good faith in the honest belief they were entitled to such benefit. Hence, following our rulings in *Blanquera v. Alcala*,[15] *De Jesus v.*

Commissioner of Audit,[16] Kapisanan ng mga Manggagawa sa Government Service Insurance System (KMG) v. Commission on Audit,[17] and Philippine Ports Authority v. Commission on Audit,[18] the affected employees of petitioner PEA need not refund the rice subsidy they received. In these cases, the parties, in receiving incentive benefits, acted in good faith. Thus, they were no longer ordered to refund those benefits disallowed by COA.

WHEREFORE, the petition is DISMISSED. The challenged COA Decision No. 2000-386 and COA Resolution No. 2002-170 are AFFIRMED with MODIFICATION. The 130 employees of the petitioner PEA who received the rice subsidy for the period January 1-31, 1999 disallowed under Notice of Disallowance No. 99-012D-99 dated May 4, 1999 need not return the rice subsidy received.

SO ORDERED.

Puno, C.J., Quisumbing, Ynares-Santiago, Carpio, Austria-Martinez, Corona, Carpio-Morales, Callejo, Sr., Azcuna, Tinga, Chico-Nazario, Garcia, and Velasco, JJ., concur

[1] Review of Judgments and Final Orders or Resolutions of the Commission on Elections and the Commission on Audit.

[2] Art. IX-D, Sec. 2(1), 1987 Constitution.

[3] Entitled “An Act Prescribing A Revised Compensation And Position Classification System In The Government And For Other Purposes.” It took effect on July 1, 1989.

[4] Sec. 2., R.A. No. 6758.

[5] Sec. 12 specifically mentions these allowances as representation and transportation allowances, clothing and laundry allowances, allowance of marine officers and crew on board government vessels and hospital personnel, hazard pay, and allowances of foreign service personnel abroad.

[6] Sec. 16.

[7] Sec. 12 and 17.

[8] Rollo, pp. 29-30.

[9] G.R. No. 109023, August 12, 1998, 294 SCRA 152.

[10] *Torres v. Limjap*, 56 Phil. 141 (1931), *Macondray & Co. v. Eustaquio*, 64 Phil. 446 (1937), *Roldan v. Villarama*, 69 Phil. 12 (1939).

[11] *City of Baguio v. Marcos*, G.R. No. 26100, February 28, 1969, 27 SCRA 342. See also *Tañada v. Cuenco*, 103 Phil. 105 (1957).

[12] G.R. No. 159200, February 16, 2006, 482 SCRA 490.

[13] G.R. No. 132593, June 25, 1999, 309 SCRA 177, citing *Erectors, Inc. v. National Labor Relations Commission*, 256 SCRA 629 (1995).

[14] G.R. No. 119385, August 5, 1999, 311 SCRA 755.

[15] G.R. No. 109406, September 11, 1998, 295 SCRA 366.

[16] G.R. No. 149153, June 10, 2003, 403 SCRA 666.

[17] G.R. No. 150769, August 31, 2004, 437 SCRA 371.

[18] Supra.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.