

RODOLFO S. DE JESUS, EDELWINA DG. PARUNGAO, AND REBECCA A. BARBO, PETITIONERS, VS. CIVIL SERVICE COMMISSION (CSC) AND LWUA EMPLOYEES ASSOCIATION FOR PROGRESS, (LEAP) REPRESENTED...

G.R. NO. 156559. September 30, 2005

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

Words and phrases in a statute must be given their natural, ordinary, and commonly accepted meaning. Due regard should be given to the context in which they are used. Settled is the rule that under Section 13 of Presidential Decree (PD) 198, per diem is precisely intended to be the compensation of members of the board of directors of water districts. By specifying the compensation they are entitled to receive, limiting the amount they are allowed to receive each month, and stating in the same paragraph that they shall receive no compensation other than the specified per diems, the law quite clearly mandates that directors of water districts be authorized to receive only those per diems. No other compensation or allowance in whatever form shall be given to or received by them.

The Case

Before us is a Petition for Review[1] under Rule 45 of the Rules of Court, challenging the July 10, 2001 Decision[2] of the Court of Appeals (CA) in CA-GR SP No. 40613, as well as the December 11, 2002 CA Resolution[3] denying petitioners' Motion for Reconsideration. The decretal portion of the assailed Decision reads:

"WHEREFORE, premises considered, the petition is partially granted and the assailed Resolution of the Civil Service Commission dated 11 July 1995 is hereby MODIFIED in accordance with the foregoing disquisition."[4]

On the other hand, the July 11, 1995 Resolution[5] of the Civil Service Commission (CSC) mentioned above disposed as follows:

"WHEREFORE, the Commission hereby rules that it is illegal for any LWUA officer or employee who sits as member of the board of directors of a water district to receive and collect any additional, double, or indirect compensation from said water district, except per diems pursuant to Section 13 of PD 198, as amended."[6]

The Facts

The facts are narrated by the CA as follows:

"The LWUA Employees Association for Progress (LEAP), through its Chairman, Leonardo C. Cruz, filed with the CSC a complaint against Camilo P. Cabili and Antonio R. De Vera, Chairman of the Board of Trustees and Administrator, respectively, of the Local Water Utilities Administration (LWUA) for alleged violation of RA 6713, otherwise known as the 'Code of Conduct and Ethical Standards for Public Officials and Employees'.

"The complaint stemmed from the alleged failure or refusal of Cabili and De Vera to give due course or respond to the Memorandum dated 26 August 1994 of LEAP requesting investigation on the allegation of columnist Lito A. Catapusan in the 'Beatwatch' column of the 23 August 1994 issue of the Manila Bulletin that Water Districts are 'milking cows' of certain LWUA officials. LEAP likewise questioned the propriety and legality of the act of LWUA Deputy Administrator Rodolfo de Jesus in collecting/receiving per diems, RATA, discretionary fund, and other extraordinary and miscellaneous expenses from the Olongapo City Water District where he was designated as member of the board of directors, aside from what he was already receiving from his present position.

"In his comment to LEAP's complaint, LWUA Administrator De Vera claimed, inter alia, that under the LWUA Charter (PD 198 as amended), LWUA is vested with corporate authority to take over the policy-making and management functions of defaulting water districts in order to protect its financial investment. Section 8 of the Decree authorizes LWUA to appoint any of its personnel to sit in the board of directors of a water district that has availed financial assistance from LWUA and any such personnel so appointed is entitled to enjoy the rights and privileges pertaining to a regular director. Administrator De Vera thus contended, in essence, that sans any specific guidelines on remuneration, any LWUA personnel who sits as a member of the board of directors of a water district is entitled to receive the same compensation and benefits which other members enjoy, in addition to what he regularly and normally receives as a personnel of LWUA.

"In Resolution No. 95-4073 dated 11 July 1995, the CSC dismissed the charge for violation of RA 6713 against LWUA Chairman Cabili and Administrator De Vera. The CSC however ruled that 'it is illegal for any LWUA officer or employee who sits as a member of the board of directors of a water district to receive and collect any additional, double or indirect compensation from said water district except per diems pursuant to Section 13 of PD 198, as amended'. The CSC based its ruling on Section 8, Article IX (B) of the 1987 Constitution.

"LWUA Chairman Cabili and Administrator De Vera moved for reconsideration of Resolution No. 95-4073, contending that the CSC erroneously and short-sightedly interpreted the provision of the Constitution relative to additional, double or indirect compensation. Cabili and De Vera likewise questioned the authority of the CSC to act upon the complaint filed by LEAP on the ground that the complaint was not under oath, hence, violative of CSC Resolution No. 94-0521 prescribing the Uniform Rules of Procedure in the Conduct of Administrative Investigation.

"In Resolution No. 96-2079 dated 21 March 1996, the CSC denied the motion for reconsideration and affirmed Resolution No. 95-4073.

"Unsatisfied, LWUA Chairman Cabili and Administrator De Vera elevated the case to [the CA] x x x.

x x x x x x x x

"During the pendency of the x x x petition [with the CA], two (2) separate motions for intervention were filed by Abundio L. Okit on the one hand, and Rodolfo S. de Jesus, Edelwina DG. Parungao and Rebecca A. Barbo, on the other. Movants allege personal and legal interest in the legal issues and subject matter of the instant petition for being members of the board of directors, either as interim director or LWUA-appointed 6th member of water districts.

"There being no opposition from [the parties], the [CA] granted the motions for intervention and allowed intervenors-movants to file their respective petitions-in-intervention.

"Intervenors, in their separate petitions-in-intervention, essentially support the legality of the benefits granted to them by law and/or pertinent LWUA Resolutions in their capacity as members of the board of directors of water districts. These benefits include Representation and Transportation Allowance (RATA), Travel Allowance, Extra-ordinary Miscellaneous Expenses (EME), Christmas Bonus, Cash Gift, Uniform Allowance,

Rice Allowance, Medical/Dental Benefit and Productivity Incentive Pay."[7]

Ruling of the Court of Appeals

Tackling the procedural issue first, the CA said that the provision requiring an administrative complaint to be in writing, verified and sworn to by the complainant, is not jurisdictional in nature. Strict compliance with these formal requisites may be dispensed with in order to serve the ends of substantial justice. Furthermore, the present petitioners were deemed to have waived their objection to the procedural defect when they failed to raise it seasonably.

Modifying the Resolution of the CSC, the CA gave the qualification that, in view of the proscription on double compensation, the LWUA-designated 6[th] members of the boards of defaulting water districts were not automatically entitled to the same compensation and benefit package ordinarily granted to regular members of the board of directors. Allowing those benefits would depend on the following: (1) whether they were expressly allowed by law; (2) their nature; and (3) whether the 6[th] board members already enjoyed the same benefits as those received by the regular employees of the LWUA.

The CA held that Section 13 of PD 198 expressly allowed the directors of water districts to be granted per diems, which thereby constituted an exception to the constitutional prohibition on double compensation.

Representation and Transportation Allowances (RATA) and travel allowances were found to be, by their nature, remunerative; hence, they were not deemed included in the prohibition, unless the LWUA had already granted the same benefits to its employees tasked to sit as the 6[th] members of the boards of directors. Found to be non-remunerative in character and thus constitutionally infirm was the grant to the directors of Extraordinary Miscellaneous Expenses (EME) and rice allowances, as well as medical and dental benefits. The grant of a uniform allowance might have been allowed if the directors ordinarily wore uniforms in the discharge of their functions.

Lastly, the grant of Christmas bonuses, cash gifts and productivity incentive bonuses were described by the CA as essentially gratuitous in nature. It ruled that the grant of Christmas bonuses and cash gifts to the appointed 6[th] members of the boards of directors must be disallowed, since they were already receiving those benefits as regular employees of the LWUA. On the other hand, the grant of productivity incentive bonuses was allowed, in view of the directors' role in helping the financially strapped water district regain its losses.

Hence, this Petition.[8]

Issues

Petitioners raise the following issues for our consideration:

I.

"Whether or not Public Respondent Civil Service Commission has plenary jurisdiction to motu proprio construe P.D. 198, as amended.

II.

"Whether or not Sec. 13 of P.D. 198, as amended, prohibits LWUA-designated representatives to the Boards of WDs to receive certain allowances and benefits on top of regular per diems.

III.

"Whether or not the designated representatives of LWUA to the Boards of WDs are liable to refund certain allowances and bonuses which are found in violation of Sec. 13 of PD 198, as amended."[9]

The Court's Ruling

The Petition is partly meritorious.

First Issue:

Jurisdiction of the CSC

Petitioners argue that the CSC had no plenary jurisdiction to construe any provision of PD 198, as amended, on matters pertaining to compensation and other benefits of water district directors.

Relying on *Marilao Water Consumers Association v. Intermediate Appellate Court*,^[10] petitioners contend that it is the LWUA, not the CSC, that has the power to issue rules and regulations for the effective implementation of the law under which water districts operate and function. We disagree. In the cited case, this Court held that proceedings for the dissolution of water districts should be lodged with the regular courts. In reaching this conclusion, it thus discussed the functions and powers of the LWUA as follows:

"The LWUA does not appear to have any adjudicatory functions. It is, as already pointed out, 'primarily a specialized lending institution for the promotion, development and financing of local water utilities,' with power to prescribe minimum standards and regulations regarding maintenance, operation, personnel training, accounting and fiscal practices for local water utilities, to furnish technical assistance and personnel training programs therefor; monitor and evaluate local water standards; and effect systems integration, joint investment and operations, district annexation and deannexation whenever economically warranted. The LWUA has quasi-judicial power only as regards rates or charges fixed by water districts, which it may review to establish compliance with the provisions of PD 198 x x x."^[11]

Clearly, that case is not in point and will not convince this Court to sustain the claim of petitioners. They allege that the CSC usurped the functions of the LWUA in exercising, *motu proprio*, plenary jurisdiction to construe Section 13 of PD 198. For the Court to sustain them would be to allow the board of an administrative agency, by merely issuing a resolution, to derogate the broad and extensive powers granted by the Constitution to a constitutional commission like the CSC.^[12]

Parenthetically, the task of safeguarding the proper use of government funds rests primarily with the Commission on Audit (COA). In *De Jesus v. Commission on Audit*,^[13] this Court ruled that it was the COA that had the power to determine the legality and regularity of the grant of allowances and benefits to LWUA-designated members of the boards of water districts.

Mandated by the Constitution^[14] to audit all government agencies, including government-owned and -controlled corporations with original charters, the COA is vested with "the authority to determine whether government entities comply with laws and regulations in disbursing government funds, and to disallow illegal or irregular disbursements of government funds."^[15]

In *Civil Service Commission v. Pobre*,^[16] however, the Court recognized an instance in which the COA had concurrent jurisdiction with the CSC. The Court ruled as follows:

"The COA, the CSC and the Commission on Elections are equally pre-eminent in their respective spheres. Neither one may claim dominance over the others. In case of conflicting rulings, it is the Judiciary which interprets the meaning of the law and ascertains which view shall prevail."^[17]

The present case involves the acts of LWUA officials who are concurrently designated as members of the boards of directors of water districts. This Court has consistently ruled that water districts are government-owned and -controlled corporations with original charters, since they have been created pursuant to PD 198. Hence, they are under the jurisdiction of the CSC.^[18]

Article IX-B of the 1987 Constitution provides as follows:

"SEC. 2. (1) The civil service embraces all branches, subdivisions, instrumentalities, and agencies of the Government, including government-owned or controlled corporations with original charters.

"SEC. 3. The Civil Service Commission, as the central personnel agency of the Government, shall establish a career service and adopt measures to promote morale, efficiency, integrity, responsiveness, progressiveness, and courtesy in the civil service. It shall strengthen the merit and rewards system, integrate all human resources development programs for all levels and ranks, and institutionalize a management climate conducive to public accountability. It shall submit to the President and the Congress an annual report on its personnel programs."

Section 3 is deemed to include the power to "promulgate and enforce policies on personnel actions." [19]

It must be pointed out that the present controversy originated from an administrative case filed with the CSC for violations of the Code of Conduct and Ethical Standards for Public Officials and Employees (RA 6713). Necessarily, it was incumbent on the CSC to construe, in relation to that case pending before it, the provisions of PD 198. Settled is the rule that when a law confers jurisdiction, all the incidental powers necessary for its effective [20] exercise are included in the conferment.

Second Issue:

Allowances and Benefits

Other Than Per Diems Prohibited

The compensation of directors of water districts is governed by Section 13 of PD 198, as amended, which reads:

"Sec. 13. Compensation. - Each director shall receive a per diem, to be determined by the board, for each meeting of the board actually attended by him, but no director shall receive per diems in any given month in excess of the equivalent of the total per diems of four meetings in any given month. No director shall receive other compensation for services to the district.

"Any per diem in excess of P50 shall be subject to approval of the Administration." (Emphasis supplied)

Contrary to the interpretation of the CSC, petitioners argue that the term "compensation" as used in Section 13 of PD 198 does not include RATA, EME, bonuses and other benefits.

Whether the per diem is the only compensation allowed for directors of water districts is a question that has already been settled in *Baybay Water District v. Commission on Audit*, [21] which we quote in part, as follows:

"Under §13 of this Decree, per diem is precisely intended to be the compensation of members of [the] board of directors of water districts. Indeed, words and phrases in a statute must be given their natural, ordinary, and commonly-accepted meaning, due regard being given to the context in which the words and phrases are used. By specifying the compensation which a director is entitled to receive and by limiting the amount he/she is allowed to receive in a month, and, in the same paragraph, providing 'No director shall receive other compensation' than the amount provided for per diems, the law quite clearly indicates that directors of water districts are authorized to receive only the per diem authorized by law and no other compensation or allowance in whatever form." [22]

Third Issue:

Refund of Allowances and Benefits

Although neither the CSC nor the CA ordered them to refund the monetary allowances and benefits found to be in violation of Section 13 of PD 198, petitioners assert that they should not be required to do so, because they had received those benefits in good faith. This issue has been settled in several other cases [23] beginning with *De*

Jesus v. Commission on Audit,[24] in which this Court pronounced thus:

"x x x. Petitioners here received the additional allowances and bonuses in good faith under the honest belief that LWUA Board Resolution No. 313 authorized such payment. At the time petitioners received the additional allowances and bonuses, the Court had not yet decided Baybay Water District. Petitioners had no knowledge that such payment was without legal basis. Thus, being in good faith, petitioners need not refund the allowances and bonuses they received but disallowed by the COA." [25]

Considering that the instant controversy had also arisen prior to the promulgation of Baybay Water District v. Commission on Audit,[26] the present petitioners need not refund the allowances and bonuses they have already received in good faith.

WHEREFORE, the Petition is PARTLY GRANTED. The July 11, 1995 Resolution of the CSC is REINSTATED, with the MODIFICATION that petitioners need not refund the Representation and Transportation Allowances (RATA), Travel Allowances, Extraordinary and Miscellaneous Expenses (EME), Christmas bonuses and cash gifts, uniform allowances, rice allowances, medical and dental benefits, and productivity incentive bonuses already received by them in good faith as members of the boards of directors of water districts. No pronouncements as to costs.

SO ORDERED.

Puno, Panganiban, Quisumbing, Ynares-Santiago, Sandoval-Gutierrez, Carpio, Austria-Martinez, Corona, Carpio Morales, Callejo Sr., Azcuna, Tinga, Chico-Nazario, and Garcia, JJ., concur.

[1] Rollo, pp. 13-34.

[2] Id., pp. 36-48. Sixteenth Division. Penned by Justice Wenceslao I. Aguir Jr., with the concurrence of Justices Salvador J. Valdez Jr. (Division chair) and Juan Q. Enriquez Jr.

[3] Id., pp. 49-50.

[4] Id., p. 48.

[5] Id., pp. 63-66.

[6] Id., p. 66; signed by Chairperson Corazon Alma G. de Leon, Commissioner Thelma P. Gaminde and Commissioner Ramon P. Ereneta Jr.

[7] Id., pp. 37-41.

[8] The case was deemed submitted for decision on September 29, 2004, upon receipt by this Court of private respondent's Memorandum, signed by Leonardo C. Cruz. Public respondent's Memorandum -- signed by Solicitor General Alfredo L. Benipayo, Assistant Solicitor General Ma. Antonia Edita C. Dizon and Solicitor Marian Luz G. Maga -- was received by the Court on January 26, 2004. Received by the Court on November 21, 2003, petitioners' Memorandum, signed by Rodolfo S. de Jesus, Rebecca A. Barbo and Edelwina DG. Parungao (petitioners).

[9] Petitioners' Memorandum, p. 4; rollo, p. 146. Original in uppercase.

[10] 201 SCRA 437, September 9, 1991.

[11] Id., pp. 449-450, per Narvasa, J.

[12] *De Jesus v. Commission on Audit*, 403 SCRA 666, 673, June 10, 2003.

[13] 403 SCRA 666, 673, June 10, 2003.

[14] §2 of Article IX-D of the Commission on Audit, provides:

x x x x x x x x

"SEC. 2. (1) The Commission on Audit shall have the power, authority, and duty to examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the Government, or any of its subdivisions, agencies, or instrumentalities, including government-owned and controlled corporations with original charters, x x x."

[15] *De Jesus v. Commission on Audit*, supra, pp. 671-672, per Carpio, J.

[16] 438 SCRA 334, September 15, 2004.

[17] *Id.*, p. 341 (citing *Borromeo v. Civil Service Commission*, 199 SCRA 911, July 31, 1991), per Corona, J.

[18] *Davao City Water District v. Civil Service Commission*, 201 SCRA 593, September 13, 1991; *Tanjay Water District v. Gabaton*, 172 SCRA 253, April 17, 1989; *Hagonoy Water District v. NLRC*, 165 SCRA 272, August 31, 1988.

[19] *Record of Constitutional Commission*, Vol. I, RCC No. 30, July 15, 1986, p. 593; see *Bernas, The Constitution of the Republic of the Philippines*, Vol. II (1st ed., 1988), p. 383.

[20] See *Republic of the Philippines v. Sandiganbayan*, 328 Phil. 210, 226, July 12, 1996 (citing *Republic v. Sandiganbayan*, 221 SCRA 189, 195, April 7, 1993); *Pio Barretto Realty Development, Inc. v. CA*, 216 Phil. 563, 577, August 31, 1984; *Zuniga v. CA*, 95 SCRA 740, 747, January 28, 1980.

[21] 425 Phil. 326, January 23, 2002. See also *Molen v. Commission on Audit*, GR No. 150222, March 18, 2005; *Querubin v. Regional Cluster Director, Legal and Adjudication Office, COA Regional Office VI, Pavia, Iloilo City*, 433 SCRA 769, July 7, 2004; *De Jesus v. Commission on Audit*, 422 SCRA 287, February 5, 2004; *De Jesus v. Commission on Audit*, supra.

[22] *Id.*, p. 337, per Mendoza, J.

[23] *Molen v. Commission on Audit*, supra; *Querubin v. Regional Cluster Director, Legal and Adjudication Office, COA Regional Office VI, Pavia, Iloilo City*, supra; *De Jesus v. Commission on Audit*, supra.

[24] Supra, note 13.

[25] *Id.*, p. 677.

[26] Supra, note 21.

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