

PHILIPPINE HEALTH INSURANCE CORPORATION, PETITIONER, VS. COMMISSION ON AUDIT, GAMALIEL A. CORDOBA, CHAIRPERSON, RESPONDENTS.

G.R. No. 277172, April 22, 2026

Ponente: DIMAAMPAO, J.

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DIMAAMPAO, J.:

Petitioner Philippine Health Insurance Corporation (PhilHealth) comes to the Court via this Petition for Certiorari[1] seeking to modify the Decision[2] and the Resolution[3] of the Commission on Audit (COA). In the assailed Decision No. 2020-485, the COA partially granted PhilHealth's Petition for review, lifting the disallowance on the payment of organization performance incentive bonus and individual performance incentive bonus[4] while affirming the disallowance on the payment of the collective negotiation agreement (CNA) bonus in Notice of Disallowance No. NCR-2014-001-COB(12).[5] Meanwhile, the challenged Resolution denominated as Decision No. 2024-015 denied PhilHealth's Motion for Partial Reconsideration,[6] which affirmed with modification its Decision.

Antecedents

The PhilHealth Board of Directors (Board) passed Board Resolution No. 581[7] granting productivity incentive bonus to PhilHealth personnel for calendar year 2002. Subsequently, the Board passed Board Resolution No. 667,[8] which institutionalized the grant of productivity incentive bonus to regular personnel of PhilHealth and approved the scheme proposed by the Labor Management Consultative Council on the formula for the computation of the amount, subject to availability of funds and applicable auditing and accounting rules and regulations. In Board Resolution No. 667, the bonus consisted of the organization performance incentive bonus, the individual performance incentive bonus, and PHP 30,000.00 CNA bonus.[9]

Under Office Order No. 0059-2013,[10] PhilHealth granted the payment of performance-based bonus and the CNA bonus to its officials and employees for calendar year 2012, using the formula—

Composition of the Performance-Based Bonus [] for CY 2012

1)

Individual Performance Incentive Bonus []

The [Individual Performance Incentive Bonus] ...

...

Particulars

Amount

Monthly Basic Salary (longevity included)

[PHP] xxxxxx.xx

Personal Economic Relief Allowance []

[PHP] 1,000.00

Additional Compensation Allowance []

[PHP] 1,000.00

Public Health Workers Benefits:

Hazard Pay:

SG 20 and above = 25% of the basic salary but not to exceed [PHP] 8,383.00

SG 19 and below = 25% of basic salary

Subsistence Allowance: [PHP] 1,500.00

Laundry Allowance: [PHP] 150.00

[PHP] xxxxxx.xx

Representation and Transportation Allowance [] – to include TA for officers with assigned vehicles

[PHP] xxxxxx.xx

Special Representation Allowance [], if applicable [PHP] 5,000.00

Medical and Mission Critical Allowance [], if applicable

Executive/Managerial Officers

[PHP] 11,847.39

Medical and Analogous Positions and Attorney V

[PHP] 7,189.39

Rice Allowance

[PHP] 2,700.00

Shuttle Service Allowance

[PHP] 3,000.00

Grocery Allowance

[PHP] 2,500.00

Plus

2)

Organizational Performance Incentive Bonus []

The [Organizational Performance Incentive Bonus] shall be equivalent to [50%] of the average monthly payroll

cost of those entitled (to include basic pay and monthly allowances actually received) divided by the actual number of recipients.

Plus

3)

Additional [PHP] 30,000.00.[11]

For calendar year 2012, the total productivity incentive bonus and CNA bonus granted to PhilHealth employees and personnel amounted to PHP 36,467,475.60, computed as follows:

[Office performance incentive bonus] + [Incentive performance bonus]

[PHP] 16,141,834.88

[Collective negotiation agreement] bonus

11,192,500.00

Tax

9,133,140.72

Total [Performance incentive bonus]

[PHP] 36,467,475.60[12]

Upon post-audit, the Audit Team Leader and the Supervising Auditor found that PhilHealth erroneously granted performance incentive bonus to its officials and employees, using the formula: [Performance incentive bonus] = [Organizational performance incentive bonus] + [Individual performance incentive bonus] ([Organizational performance incentive bonus] + [Individual performance incentive bonus] + [CNA bonus]). Thus, Notice of Disallowance No. NCR-2014-001-COB(12)[13] was issued disallowing the payment of performance incentive bonus in the total amount of PHP 36,467,475.60 for lack of executive approval as required under Administrative Order No. 103, Section 2,[14] of the Office of the President and for being excessive and violative of Executive Order No. 80,[15] both issued by the Office of the President.

The following approving and certifying officers, in addition to the payees, were named as persons liable for the disallowance:

Name

Position/Designation

Nature of Participation in the Transaction

Lucille B. Arenas Head, HR Unit-PRO NCR

Certified that charges to the budget necessary, lawful and under direct supervision, supporting documents valid, proper, legal and complete

Joel P. Santos Head, Budget Unit – PRO NCR

Certified that budget is available and earmarked for the purpose

Maricel J. Maglalang Fiscal Controller IV

Certified that fund is available and mandatory deductions are correct

Recto M. Panti Division Chief IV, MSD

Approved the payment

Jenny-Pearl R. Perez Fiscal Controller III

Certified that payment was received by employees

PRO NCR and Rizal Officers and Employees Refer to PRO NCR and Rizal Payroll

Payees-received payment[16]

As it happened, PhilHealth appealed the disallowance to COA's Cluster A Director (COA director).[17]

Ruling of the COA Director

In a Decision,[18] the COA Director found the appeal without merit, ruling thusly—

WHEREFORE, premises considered, the instant Appeals are DENIED. Accordingly, ND Nos. 2012-001-GF-(12) to 2012- 017-GF-(12), all dated December 10, 2012; R9 2014-001-COB (13) dated January 13, 2013; NCR 2014-001-COB (12) dated January 14, 2014; 2013-01 (12) dated May 13, 2014 and 2013-003 dated September 16, 2013 are hereby AFFIRMED.[19]

The COA director stressed that although PhilHealth, through its governing board, may determine the compensation structure of its personnel and employees, this power must not be interpreted to mean as absolute power. The Board's discretion on the matter of personnel compensation must be exercised in accordance with the standards laid down by law. Ultimately, Administrative Order No. 103 and Presidential Decree No. 1597[20] must be observed.[21]

This prompted PhilHealth to elevate its case to the COA Proper via a Petition for Review.[22]

Ruling of the COA Proper

In the assailed Decision, the COA partially granted PhilHealth's appeal, disposing:

WHEREFORE, premises considered, the Petition for Review of [PhilHealth], Regional Office for the National Capital Region (PRO-NCR), is PARTIALLY GRANTED. The disallowance on the payment of [Organizational] Performance Incentive Bonus and Individual Performance Incentive Bonus, in the total amount of [PHP] 16,141,834.88, is LIFTED. The disallowance on the payment of Collective Negotiation Agreement (CNA) bonus in the amount of [PHP] 11,192,500.00 is hereby AFFIRMED. Accordingly, Notice of Disallowance (ND) No. NCR 2014-001-COB (12) dated January 14, 2014 is REDUCED to [PHP] 11,192,500.00. The payees of the CNA bonus are liable to the extent of the amount they actually received, but the officials named under the ND shall remain solidarily liable, for the total amounts of [PHP] 11,192,500.00.

The Audit Team Leader (ATL) and the Supervising Auditor (SA), PRO-NCR, are hereby instructed to verify the liability of the members of the PhilHealth Board of Directors for the passage of PhilHealth Board Resolution Nos. 581, series of 2003, and 667, series of 2004, and to issue a supplemental ND, if warranted. Likewise, the ATL and the SA are directed to submit a report on PhilHealth's compliance with the limit on administrative cost of agency expenses.[23] (Emphasis in the original)

According to the COA, the Board's power to fix compensation of PhilHealth personnel is subject to compensation laws and regulations.[24] Consequently, the board resolutions and the office order granting productivity incentive bonus should have prior approval by the president of the Philippines through the Department of Budget and Management (DBM) and/or comply with existing compensation laws and regulations such as Executive Order No. 80, Section 7[25] and Memorandum Circular No. 2012-11 (Re-issued) of the Governance Commission for

Government Owned and Controlled Corporations (GCGOCC).[26]

The COA found PhilHealth to have violated GCGOCC Memorandum Circular No. 2012-11 (Re-issued)[27] when it included the monthly allowances and PHP 30,000.00 in computing the productivity incentive bonus. All the same, it held that "[t]he amount [PHP] 16,141,834.88 paid as [organizational productivity incentive bonus] and [individual productivity incentive bonus] may be allowed in audit." [28] As regards the CNA bonus, the COA adjudged that it should remain disallowed.[29] Thus, the recipient-payees of the said bonus were made liable to refund the amounts they received, while the auditor was instructed to verify the participation of Board that issued PhilHealth Board Resolution Nos. 581, series of 2003, and 667, series of 2004, being the authority in the grant of the disallowed benefits, so as to determine if they may be held solidarily liable for the disallowance.[30]

PhilHealth sought a reconsideration of the COA's adjudication only as regards the ruling which (1) affirmed the notice of disallowance on the payment of the CNA bonus, (2) made liable all payees of such bonus to the extent of the amount they actually received, and (3) made solidarily liable all the officials named under the notice of disallowance for the total amount of [PHP] 11,192,500.00.[31]

In the challenged Resolution, the COA denied PhilHealth's plea and affirmed with modification its earlier judgment by clarifying the persons liable for the disallowance, viz.:

WHEREFORE, the Motion for Reconsideration of [PhilHealth], National Capital Region, through its Regional Vice President, Dr. Francisco Z. Soria, is DENIED for lack of merit. However, Commission on Audit Decision No. 2020-485 dated January 31, 2020, is AFFIRMED WITH MODIFICATION in that the recipients are liable to refund to the extent of the amount they received, while the approving, authorizing and certifying officers are solidarily liable for the total disallowance less amounts refunded by the recipients.[32] (Emphasis in the original)

Issues

Via the present recourse, petitioner beseeches this Court to resolve:

(1)

Whether the COA Proper erred in dismissing its petition for review with respect to ND No. NCR 2014-001-COB (12); and

(2)

Whether its officers and employees should be held liable to return the disallowed benefit.

Petitioner maintains that the public respondent COA committed grave abuse of discretion amounting to lack or excess of jurisdiction in disallowing the CNA bonus as the third component of the annual grant of productivity incentive bonus.[33] Petitioner likewise discredits public respondent COA for ordering it to refund the disallowed CNA bonus since it is in the nature of an incentive allowance which has clear, direct and reasonable relation to the performance of official work or functions.[34] In any event, the certifying officers who merely guaranteed the availability of appropriations and determined the completeness of the supporting documents for such disbursements may not be held liable for the disallowed benefits.[35]

By way of its Comment,[36] public respondent COA, through the Office of the Solicitor General (OSG), countered that petitioner cannot unilaterally grant compensation simply. Its power to fix salaries must be in accordance with existing laws, rules and regulations. Moreover, the CNA bonus was not among the incentives authorized under Executive Order No. 80 and GCG Memorandum Circular No. 2012-11 (Re-Issued). The recipients and the certifying officers who certified the availability of funds or that the expenditure is properly

supported by documents should be liable for the disallowed benefits.

Ruling of the Court

The Petition is partly meritorious.

In a plethora of cases,[37] the Court has clarified that petitioner does not have unbridled authority to grant benefits and allowances. The power of the petitioner's Board to fix the compensation of its personnel is subject to compensation laws and regulations. In one of the more recent cases in *Philippine Health Insurance Corporation v. Commission on Audit*,[38] the Court elucidated in this wise—

In the 2023 case of *PhilHealth v. COA*, the Court outlined case law settling the issue of the limits of the fiscal independence of PhilHealth. In the 2016 case of *PhilHealth v. COA*, and reiterated in 2021 in *PhilHealth v. COA*, the Court held that while Republic Act No. 7875 granted PhilHealth the liberty to fix the compensation of its personnel, it does not necessarily mean that PhilHealth has an unbridled discretion to issue any and all kinds of allowances, circumscribed only by the provisions of its charter.

The Court thus held that PhilHealth is bound by the provisions of the Salary Standardization Law; Presidential Decree No. 1597 on the requirement of Presidential approval for the grant of allowances, honoraria, and other fringe benefits; Public Sector Labor-Management Council Resolution No. 4, Series of 2022 issued by the DBM, which requires qualifications to the grant of CNA incentives by government-owned and controlled corporations, such as PhilHealth; and other prevailing rules and regulations issued by the OP and the DBM.[39] (Citations omitted)

Relatedly, Executive Order No. 80 directs the adoption of a productivity-based incentive system for government employees. As earlier adumbrated, Section 8 of this presidential directive provides that the GCG is encouraged to adopt policies and principles as well as issue the necessary guidelines for GOCCs under its jurisdiction. Thusly, GCG Memorandum Circular No. 2012-11 (Re-Issued) was issued to standardize the performance-based incentive systems for GOCCs covered by Republic Act No. 10149.[40]

Under the GCG Memorandum Circular No. 2012-11 (Re-Issued), covered officers and employees across the board are entitled to: (1) productivity enhancement incentive in the amount of PHP 5,000.00; and, (2) for profitable GOCCs, productivity-based bonus based on the performance of the individual officers and employees, with the rate of incentive as a multiple of an officer's/employee's basic monthly salary, according to this table:

Performance Category

Multiple

Maximum Distribution

Exceeded Expectations (Best)

2.50

10%

Met All Expectations (Better)

1.50

60%

Met Most Expectations (Good)

1.25

20%

Below Expectations (Below Satisfactory)

0.00

10%[41]

In granting productivity incentive bonus, petitioner is limited to the officer's or employee's basic monthly salary, as the basis, multiplied by the rate of incentive applicable. Yet, under its Office Order No. 0059-2013, several allowances and benefits, in addition to a fixed CNA bonus, in the determination of the productivity-based bonus, were included. Surely, there is no basis for such inclusion. The individual productivity incentive bonus and the organizational productivity incentive bonus components, insofar as they included employee's and officer's benefits and allowances, should be disallowed.

Along the same vein, the third component—PHP 30,000.00 additional bonus—should also be disallowed. petitioner argues that the PHP 30,000.00 additional bonus is a CNA bonus, which is properly the third component in its productivity-based incentive system.

The Court refuses to pander to petitioners postulations.

Executive Order No. 80 and GCG Memorandum Circular No. 2012-11 (Re-Issued) make no mention of CNA bonus in the determination of the productivity-based bonus which may be granted to GOCC employees and officers. In fact, a reading of Office Order No. 0059-2013 readily reveals a noticeable absence of reference to the CNA bonus. The order refers to the third component only as "[PHP] 30,000.00 additional incentive." If this were truly a CNA bonus, as it would like the Court to believe, petitioner, early on, could have identified the third component simply as a CNA bonus instead of regarding it as an additional bonus. Verily, the PHP 30,000.00 "additional" bonus is not, and cannot automatically be attributed as, a CNA bonus.

In any case, even if the Court were to consider the third component as a CNA bonus, this must still be disallowed in audit. Any grant of a CNA bonus must conform with the requirements of Public Sector Labor-Management Council Resolution No. 02, series of 2003[42] and DBM Budget Circular No. 2006-1.[43] In *Philippine Health Insurance Corporation v. Commission on Audit*,[44] the Court explained that Public Sector Labor-Management Council Resolution No. 02, series of 2003, defines CNA incentives as rationalized cash incentives purposely granted in favor of government employees who have contributed either to productivity or cost savings in an agency. Exacting conditions were provided under the rules for the grant CNA incentives to be justified. On this score, Section 3 of the Resolution provides:

Section 3. The [Collective negotiation agreement] Incentive may be granted if all the following conditions are met by the GOCC/GFI:

a)

Actual operating income at least meets the targeted operating income in the Corporate Operating Budget (COB) approved by the Department of Budget and Management (DBM)/Office of the President for the year; For GOCCs/GFIs, which by the nature of their functions consistently incur operating losses, the current year's operating loss should have been minimized or reduced compared to or at most equal that of prior year's level;

b)

Actual operating expenses are less than the DBM approved level of operating expenses in the COB as to generate sufficient source of funds for the payment of CNA Incentive; and

c)

For income generating GOCCs/GFIs, dividends amounting to at least 50% of their annual earnings have been remitted to the National Treasury in accordance with the provisions of Republic Act No. 7656 dated November 9, 1993.

In the case at bench, petitioner failed to present evidence of compliance with the above conditions. Neither was it able to show that it has generated savings from its operating expenses from which the incentives may be sourced. This violates Section 5[45] of the Public Sector Labor-Management Council Resolution No. 02, series of 2005, which specifically requires that CNA incentives be taken only from such savings.

Petitioner merely offered a blanket statement that "[when] [Office Order] No. 0059 s. 2013 was issued on April 4, 2013 – the savings from operating expenses for the year 2012 had already been determined." [46] The Court has repeatedly held that mere allegations are not proof. [47] Petitioner must present substantial evidence to support its claim. Allegations in pleadings, without supporting documents, will not suffice to overturn a COA disallowance.

Based on the foregoing disquisitions, petitioner is thus allowed to grant productivity incentive bonus based on its employee's basic monthly salary only. Yet, its Office Order No. 0059-2013 included several allowances and benefits, in addition to a fixed collective negotiation agreement bonus, in the determination of the productivity-based bonus. Thus, the individual productivity incentive bonus and the organization productivity incentive bonus components, insofar as it included benefits and allowances, and the PHP 30,000.00 additional bonus, should be disallowed.

The Court accords imprimatur to the disquisition of public respondent COA, viz.:

Based on the foregoing, PhilHealth being under the jurisdiction of the GCG is allowed to grant [Productivity enhancement incentive] in the amount of [PHP] 5,000.00 and [Productivity-based bonus] based on the basic monthly salary multiplied by the above rate of incentive. In this case, however; the [Productivity incentive bonus] granted by PhilHealth to its personnel is comprised of the [Individual productivity incentive bonus] (which is equivalent to 50% of the employee's basic pay and monthly allowances), [organizational performance incentive bonus] (which is equivalent to 50% of the employee's basic pay and monthly allowances) plus [PHP] 30,000.00 CNA bonus. In sum, PhilHealth violated GCG MC No. 2012-11 (Re-issued) when it included the monthly allowances and [PHP] 30,000.00 in computing the [Productivity incentive bonus].

The amount of [PHP] 16,141,834.88 paid as [Organizational productivity incentive bonus] and [Individual performance incentive bonus] may be allowed in audit. However, the CNA bonus in the total amount of [PHP] 11,192,500.00, included in PhilHealth's computation of [Performance Incentive Bonus], should remained disallowed. A CNA bonus is not part of the PBI system provided by [Executive Order] No. 80. The grant of additional [PHP] 30,000.00 CNA bonus must conform with Public Sector Labor-Management Council Resolution No. 02, series of 2002, and DBM Budget Circular No. 2006-1 dated February 1, 2006, which mandate that only savings from operating expenses shall be used for CNA incentive and the latter shall not be pre-determined. [48] (Emphasis supplied)

The COA found that the productivity incentive bonus included the officer's and employee's monthly allowances in its computation of the individual performance incentive bonus and organization performance incentive bonus. [49] It also included a fixed collective negotiation agreement bonus amounting to PHP 30,000.00. [50] As such, these components of the productivity incentive bonus should have been disallowed for failure to comply with the relevant issuances on the grant of productivity bonus incentive systems for GOCCs like petitioner.

Interestingly, however, public respondent COA's conclusion, as echoed in its dispositive portion, partially granted petitioner's petition for review which had the effect of lifting the disallowance on the payment of the individual

performance incentive bonus and the organizational performance incentive bonus, but maintaining the disallowance on the payment of the collective negotiation agreement bonus. Correlatively, Notice of Disallowance No. NCR 2014-001-COB(12) was reduced to PHP 11,192,5000.00.

Surely, the Court must not turn a blind eye to a grave error committed in public respondent COA Decision, especially considering its constitutional mandate "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 or controlled corporations with original charters[.]"[51]

Generally, decisions not appealed are final and executory and can no longer be modified, in line with the doctrine of immutability of judgment.[52] While the rule on finality is strict, there are recognized exceptions: (1) correction of clerical errors; (2) nunc pro tunc entries; (3) void judgments; and (4) circumstances that render execution unjust or inequitable.[53] The Court may also relax the rule in the interest of substantial justice considering (1) matters of life, liberty, honor or property; (2) the existence of special or compelling circumstances; (3) the merits of the case; (4) a cause not entirely attributable to the fault or negligence of the party favored by the suspension of the rules; (5) a lack of any showing that the review sought is merely frivolous and dilatory; or (6) the other party will not be unjustly prejudiced thereby.[54] When extraordinary circumstances exist, the Court is empowered to set aside technicalities in the exercise of its equity jurisdiction to fully serve the demands of substantial justice.[55]

In a catena of cases,[56] the Court justified the relaxation of technical rules of procedure in order to serve the demands of substantial justice when the controversy involved public funds. In *Yap v. Commission on Audit*,[57] the Court categorized the payment for salaries and benefits of government officers and employees, including GOCCs with original charter, as public funds.[58] In this regard, the Court quotes with approbation public respondent COA's observation as to the nature of funds involved in petitioner's operating budget, such as allowances and benefits to its employees and officers—

It must be emphasized that the main source of PhilHealth's operating budget is the contributions of its members. Like any other social insurance, the members' contributions are treated as a trust fund, and thus, should be managed, and protected with utmost integrity. Since the funds are imbued with public interest, the formulation of PhilHealth's operating budget should strictly conform to laws and regulations governing public expenditure[.][59]

Upon this point, Justice Alfredo Benjamin S. Caguioa opines that the COA Decision did not attain finality.[60] The Notice of Disallowance pertained to the grant of the productivity incentive bonus to officials and employees of petitioner, which happened to consist of three components—the individual performance incentive bonus, the organizational performance incentive bonus and the collective negotiation agreement bonus.[61] Thus, when petitioner questioned the validity of the Notice of Disallowance before the Court, it thereby placed the validity of the entire productivity incentive bonus—including all its constituent components—under review.[62]

In any event, the truth cannot be suppressed and must prevail. Having found the disallowances to be proper, and in the interest of substantial justice, the Court resolves to modify the COA Decision insofar as it allowed in audit the individual productivity incentive bonus and the organizational productivity incentive bonus in excess of the employee's or officer's basic salary. Stated otherwise, the Court finds Notice of Disallowance No. NCR 2014-001-COB(12) proper insofar as:

(1)

the benefits and allowances included in the computation of the individual productivity incentive bonus and the

organizational productivity incentive bonus are disallowed; and

(2)

the PHP 30,000.00 additional bonus is disallowed.

Taken altogether, the Court finds it prudent to remand to public respondent COA for proper determination of the disallowed amount considering that the disallowed amount under Notice of Disallowance No. NCR-2014-001-COB(12) is reduced by such amount corresponding to: (1) the benefits and allowances included in the individual productivity incentive bonus and the organizational productivity incentive bonus components; and (2) the PHP 30,000.00 additional bonus.

Having resolved the propriety of the disallowance, the Court must now determine the liability of those named in Notice of Disallowance No. NCR 2014-001-COB(12). In *Madera v. Commission on Audit*,^[63] the Court laid down the rules on return of disallowed funds—

1.

If a Notice of Disallowance is set aside by the Court, no return shall be required from any of the persons held liable therein.

2.

If a Notice of Disallowance is upheld, the rules on return are as follows:

a.

Approving and certifying officers who acted in good faith, in regular performance of official functions, and with the diligence of a good father of the family are not civilly liable to return consistent with Section 38 of the Administrative Code of 1987.

b.

Approving and certifying officers who are clearly shown to have acted in bad faith, malice, or gross negligence are, pursuant to Section 43 of the Administrative Code of 1987, solidarily liable to return only the net disallowed amount which, as discussed herein, excludes amounts excused under the following sections 2c and 2d.

c.

Recipients — whether approving or certifying officers or mere passive recipients — are liable to return the disallowed amounts respectively received by them, unless they are able to show that the amounts they received were genuinely given in consideration of services rendered.

d.

The Court may likewise excuse the return of recipients based on undue prejudice, social justice considerations, and other bona fide exceptions as it may determine on a case to case basis.^[64]

As to the payee recipients, the Court has long clarified that good faith is immaterial in the determination of liability in a disallowed transaction because the liability is based on the principles of solution indebiti^[65] and unjust enrichment.^[66] As held in *Madera* and reiterated by the Court in *Power Sector Assets and Liabilities Management Corporation (PSALM) v. Commission on Audit (COA)*:^[67]

Recipients may only be absolved from the liability to settle the disallowed transaction: (1) upon a showing that the disallowed amounts were genuinely given in consideration of services rendered; or (2) excused by the

Court on the basis of undue prejudice, social justice considerations, and other bona fide exceptions depending on the purpose, nature, and amount of the disallowed transaction relative to the attending circumstances.[68] (Citation omitted)

In *Abellanosa v. Commission on Audit*,^[69] the Court further qualified that in order to fall under this exception, the following requisites must concur: (1) the personnel incentive or benefit has proper basis in law but is only disallowed due to irregularities that are merely procedural in nature; and (2) the personnel incentive or benefit must have a clear, direct, and reasonable connection to the actual performance of the payee-recipient's official work and functions for which the benefit or incentive was intended as further compensation. The Court expounded that—

[The exception under Rule 2c of Madera] was not intended to cover compensation not authorized by law or those granted against salary standardization laws. Thus, amounts excused under the said rule should be understood to be limited to disbursements adequately supported by factual and legal basis, but were nonetheless validly disallowed by the COA on account of procedural infirmities.

....

Aside from having proper basis in law, the disallowed incentive or benefit must have a clear, direct, and reasonable connection to the actual performance of the payee-recipient's official work and functions. Rule 2c after all, excuses only those benefits "genuinely given in consideration of services rendered"; in order to be considered as "genuinely given," not only does the benefit or incentive need to have an ostensible statutory/legal cover, there must be actual work performed and that the benefit or incentive bears a clear, direct, and reasonable relation to the performance of such official work or functions. To hold otherwise would allow incentives or benefits to be excused based on a broad and sweeping association to work that can easily be feigned by unscrupulous public officers and in the process, would severely limit the ability of the government to recover.^[70] (Emphasis in the original, citation omitted)

The productivity incentive bonus granted to the payee-recipients were disallowed not only because of some procedural infirmity but due to lack of legal basis. There is no showing of any bona fide equitable consideration relevant to the nature, purpose, and amount of the grant that would warrant the recipients' absolution from their civil obligation to the government. Thence, all the identified petitioner officers and employees in the National Capital Region who received payment of the productivity incentive bonus are liable to return the amounts they individually received as to the disallowed amounts.

Anent the liabilities of the certifying and approving officers, the prevailing rule is that "[those] who acted in good faith, in regular performance of official functions, and with the diligence of a good father of the family are not civilly liable to return [the disallowed amounts]."^[71] On the other hand, those "clearly shown to have acted in bad faith, malice, or gross negligence are [...] solidarily liable to return [...] the net disallowed amount[.]"^[72] In our jurisdiction, public officials are presumed to have performed their duties regularly and in good faith.^[73] By jurisprudence, however, the palpable disregard of laws, prevailing jurisprudence, and other applicable directives amounts to gross negligence, which betrays the presumption of good faith and regularity in the performance of official functions enjoyed by public officers.^[74]

In *Alejandrino v. Commission on Audit*,^[75] the Court explained that the certifying officers' participation in the disallowed transaction is ministerial because they could not have refused to certify to these matters if they were true. The Court ruled that officers who were only performing duties that can be considered ministerial could not be held personally liable for disallowances if they were not involved in policymaking or decision-making concerning the disallowed transaction.^[76] By the same token, in *Celeste v. Commission on Audit*,^[77] the Court previously held that officials whose participation is limited to certifying the availability of funds or completeness

of supporting documents are presumed to have acted in good faith because they were merely attesting to facts based on their records.[78] More recently, in *Melloria v. Director Jimenez*,[79] the Court enunciated that "certifying officers who were merely performing ministerial duties not related to the legality or illegality of the disbursement may be excused from the liability to return the disallowed amounts on account of good faith." [80]

Apropos the present case, Joel P. Santos (Santos) certified that the budget was available and was earmarked for the purpose. Maricel J. Magalang (Magalang) likewise certified that the fund was available and that mandatory the deductions were correct. Moreover, Jenny-Pearl R. Perez (Perez) certified that the payment was received by the employees. Santos, Magalang and Perez all performed ministerial functions—they could not refuse to certify the availability of the budget, fund, and payment if it were true. Inasmuch as the disallowance in this case is anchored on the illegality of granting productivity incentive bonus to the petitioner officers and employees of the National Capital Region, and not on the availability of funds, they acted in good faith. Whence, they could not be held personally liable for the disallowed amount since they were only performing their ministerial duties and were not involved in policymaking or decision-making concerning the disallowed transaction.

The Court concurs with the disposition of public respondent COA and as such, refuses to acknowledge the good faith claim exhibited by the other approving and certifying officers, namely, Lucille B. Arenas (Arenas) and Recto M. Pantí (Pantí), in the performance of their duties. None of the badges of good faith obtain here. Their roles were not purely ministerial in nature. Arenas certified that the charges to the budget were necessary and lawful while Pantí approved the payment. They cannot feign ignorance of the fact that the grant of productivity incentive bonus must conform with the requirements of Executive Order No. 80 and GCG Memorandum Circular No. 2012-11 (Re-Issued). As unerringly found by public respondent COA, both of them are held solidarily liable to return the disallowed amount.

ACCORDINGLY, the Petition for Certiorari is PARTLY GRANTED. The January 31, 2020 Decision in COA Decision No. 2020-485 and the January 31, 2024 Resolution in COA Decision No. 2024-015 are AFFIRMED with MODIFICATIONS. The case is REMANDED to the Commission on Audit for a final determination of the disallowed amount in relation to Notice of Disallowance No. NCR-2014-001-COB(12) dated January 14, 2014.

Joel P. Santos, Maricel J. Magalang, and Jenny-Pearl R. Perez of the Philippine Health Insurance Commission are EXCUSED from solidary liability of returning the disallowed amounts in Notice of Disallowance No. NCR-2014-001-COB(12) dated January 14, 2014, for having performed merely ministerial duties. Meanwhile, the solidary liabilities of Lucille B. Arenas and Recto M. Pantí for the disallowed amounts are AFFIRMED.

SO ORDERED."

Inting, Zalameda, Gaerlan, Rosario, Marquez, Kho, Jr., and Villanueva, JJ., concur.

Gesmundo, C.J., I join of J. Singh separate opinion.

Leonen, SAJ., I join the dissent of Justice Lazaro-Javier.

Caguioa, J., see concurring opinion.

Hernando, J., I join in the dissent of J. Javier.

Lazaro-Javier, J., dissenting.

Lopez, [*] J., on leave.

Sing, J., see concurring and dissenting opinion.

[*] On leave.

[1] Rollo, pp. 3-35.

[2] Id. at 36-47. The January 31, 2020 Decision in Decision No. 2020-485 was rendered by Chairperson Michael G. Aguinaldo and Commissioner Roland C. Pondoc, with the participation of Commissioner Jose A. Fabia of the Commission on Audit.

[3] Id. at 48-54. The January 31, 2024 Resolution in Decision No. 2024-015 was issued by Chairperson Gamaliel A. Cordoba and Commissioners Roland Cafe Pondoc and Mario G. Lipana of the Commission on Audit.

[4] Also referred as Individual Performance Incentive Bonus (IPIB) in some parts of the rollo.

[5] Rollo, pp. 94-96.

[6] Id. at 56-74.

[7] Id. at 75-78.

[8] Id. at 79-81.

[9] Id. at 37.

[10] Id. at 88-93.

[11] Id. at 93, Attachment A of Office Order No. 0059-2013.

[12] Id. at 37.

[13] Id. at 37-38, 94-96. The January 14, 2014 Notice of Disallowance No. NCR 2014-001-COB(12) was signed by State Auditing Examiner II Joana A. Manikan, State Auditor II Raquel C. Hernandez, State Auditor III Chona U. Gabronino and State Auditor V Ma. Sylva z. Isiderio.

[14] Administrative Order No. 103 (1994), sec. 2, Authorizing the Grant of CY-1993 Productivity Incentive Benefits to Government Personnel and Prohibiting Payments of Similar Benefits in Future years Unless Duly Authorized by the President.

[15] Executive Order No. 80 (2012), Directing the Adoption of a Performance-Based Incentive System for Government Employees.

[16] Rollo, p. 95.

[17] Id. at 97-110.

[18] Id. at 111-120. The January 28, 2015 Decision in CGS-6 Decision No. 2015-001 was penned by Director Joseph B. Anacay, Commission on Audit, Quezon City.

[19] Id. at 119.

[20] Presidential Decree No. 1597 (1978), Further Rationalizing the System of Compensation and Position Classification in the National Government.

[21] Rollo, p. 118.

[22] Id. at 121-161.

[23] Id. at 46.

[24] Id. at 39.

[25] SECTION 7. Applicability to GOCCs under the Jurisdiction of GCG. The Governance Commission on

GOCCs (GCG) is encouraged to adopt the policies and principles contained in this [Executive Order] and issue the necessary guidelines for GOCCs under its jurisdiction, pending the formal implementation of the Compensation and Position Classification System (CPCS) for GOCCS as mandated under [Republic Act No.] 10149.

[26] Rollo, pp. 40-41.

[27] GCG Memorandum Circular No. 2012-11 (Re-issued) (2012), Interim Performance-Based Incentive (PBI) System for the Officers and Employees of GOCCs Covered by [Republic Act] No. 10149.

[28] Rollo, p. 42.

[29] Id.

[30] Id. at 45-46.

[31] Id. at 57.

[32] Id. at 52.

[33] Id. at 13-15.

[34] Id. at 15-20.

[35] Id. at 20-21.

[36] Id. at 187-206.

[37] *Philippine Health Insurance Corporation v. Commission on Audit*, 942 Phil. 196 (2023) [Per J. Kho, Jr., En Banc]; *Philippine Health Insurance Corporation v. Commission on Audit*, 932 Phil. 1176 (2023) [Per J. J. Lopez, En Banc]; *Philippine Health Insurance Corporation v. Commission on Audit*, 930 Phil. 345 (2022) [Per J. Zalameda, En Banc]; *Phil. Health Insurance Corp. v. Commission on Audit*, 801 Phil. 427 (2016) [Per J. Peralta, En Banc].

[38] 954 Phil 419 (2024) [Per J. Singh, En Banc].

[39] Id. at 430-431.

[40] Republic Act No. 10149 (2011), GOCC Governance Act of 2011.

[41] Rollo, p. 42.

[42] Public Sector Labor-Management Council Resolution No. 02, series of 2003, Grant of CNA Incentive for Government Owned or Controlled Corporations (GOCCs) and Government Financial Institutions (GFIs).

[43] DBM Budget Circular No. 2006-1, Grant of CNA Incentive (2006).

[44] 930 Phil. 323 (2022) [Per J. Inting, En Banc].

[45] Section 5. Only savings from operating expenses, as referred to in Section 3 above, generated after the signing of the [Collective negotiation agreement] shall be used for the [Collective Negotiation Agreement] Incentive. Specifically, savings refer to the difference between the approved COB level and actual expenses incurred, free of any obligation or encumbrance and which are no longer intended for specific or mandatory purpose/s[.]

[46] Rollo, p. 15.

[47] See *Capinpin v. Atty. Espiritu*, 881 Phil. 318, 317 (2020) [Per J. Lopez, First Division]; *Cardinez v. Spouses Cardinez*, 909 Phil. 554, 564 (2021) [Per J. Hernando, Second Division]. See also *The Special Audit Team, COA v. Court of Appeals*, 709 Phil. 167 (2013) [Per C.J. Sereno, En Banc].

[48] *Rollo*, p. 42.

[49] *Id.*

[50] *Id.*

[51] CONST., art. IX-D, sec. 2(1).

[52] See Department of Science and Technology (DOST) Officials and Personnel represented by Sec. Fortunato De La Peña, in his capacity as Secretary v. Commission on Audit, G.R. No. 253218, February 4, 2025 [Per J. Inting, En Banc] at 12-13. This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website.

[53] See *Crisol v. Commission on Audit*, 910 Phil. 280, 283 (2021) [Per J. Rosario, En Banc].

[54] *Id.*

[55] *Id.*

[56] See *Republic of the Philippines v. Espina & Madarang Co., et al.*, 951 Phil. 720 (2024) [Per J. J. Lopez, En Banc]; *Montejo v. People of the Philippines*, 905 Phil. 1085 (2021) [Per J. Inting, Third Division]; *Osmeña v. DOTC Secretary Abaya*, 778 Phil. 395 (2016) [Per J. Villarama, Jr., Third Division]; *Remulla v. Maliksi*, 718 Phil. 55 (2013) [Per J. Perlas-Bernabe, Second Division].

[57] 633 Phil. 174 (2010) [Per J. Leonardo-De Castro, En Banc].

[58] *Id.* at 186.

[59] *Rollo*, p. 43.

[60] J. Caguioa, Concurring Opinion, p. 1.

[61] *Id.* at 4.

[62] *Id.*

[63] 882 Phil. 744 (2020) [Per J. Caguioa, En Banc].

[64] *Id.* at 817-818.

[65] CIVIL CODE, art. 2154.

[66] CIVIL CODE, art. 22.

[67] 900 Phil. 431 (2021) [Per J.M. Lopez, En Banc].

[68] *Id.* at 458.

[69] 890 Phil. 413 (2020) [Per J. Perlas-Bernabe, En Banc].

[70] *Id.* at 431-432.

[71] See *Madera v. Commission on Audit*, 882 Phil. 744, 817 (2020) [Per J. Caguioa, En Banc].

[72] Id.

[73] See *Philippine Health Insurance Corporation v. Commission on Audit*, 930 Phil. 323, 340 (2022) [Per J. Inting, En Banc].

[74] *Ancheta v. Commission on Audit*, 895 Phil. 347, 369 (2021) [Per J. M. Lopez, En Banc]. (Citations omitted)

[75] 866 Phil. 188 (2019) [Per J. Carandang, En Banc].

[76] See *id.* at 208.

[77] *Celeste v. Commission on Audit*, 904 Phil. 199 (2021) [Per J. Caguioa, En Banc].

[78] Id. at 207-215.

[79] 944 Phil. 300 (2023) [Per J. Dimaampao, En Banc].

[80] Id. at 300.

CONCURRING OPINION

CAGUIOA, J.:

I concur with the result reached in the above-captioned case. However, I write only to stress that the ruling of the Commission on Audit Proper (COA Proper), which reduced the total amount of the disallowed performance incentive bonus (PIB) granted to officials and employees of petitioner Philippine Health Insurance Corporation (PhilHealth) for calendar year (CY) 2012, did not attain finality. Consequently, it was well within the Court's authority to review and modify the assailed ruling through the instant Petition for Certiorari (Petition).

To recall, Notice of Disallowance (ND) No. NCR-2014-001-COB(12) was issued against PhilHealth's grant of PIB to its officials and employees for CY 2012 on the grounds that it lacked executive approval and was excessive.[1] The total PIB received by each official or employee was computed by adding three components, namely: (1) the Individual Performance Incentive Bonus (IPIB); (2) the Organizational Performance Incentive Bonus (OPIB); and (3) the Collective Negotiation Agreement Bonus (CNAB). The IPIB corresponded to the total of the official's or employee's monthly basic salary plus monthly benefits and allowances. The OPIB was pegged at 50% of the monthly basic salary, benefits, and allowances. Lastly, the CNAB was fixed at PHP 30,000.00 per official or employee.[2]

Thus, for CY 2012, PhilHealth paid a total of PHP 36,467,475.60 in PIB, broken down as follows:

IPIB and OPIB

PHP 16,141,834.88

CNAB

11,192,500.00

Tax

9,133,140.72

Total PIB

PHP 36,467,475.60[3]

The COA Director affirmed the ND in toto.[4] However, on appeal, the COA Proper reduced the disallowed amount to PHP 11,192,500.00, representing only the CNAB component. In effect, the COA Proper allowed the IPIB and OPIB components of the PIB.[5]

PhilHealth sought reconsideration of the COA Proper's ruling insofar as it affirmed the disallowance of the CNAB component. However, the COA Proper denied the motion, and held that recipients of the PIB are liable to refund to the extent of the amount they received, while the approving, authorizing, and certifying officers are solidarily liable for the net disallowed amount.[6]

Thus, PhilHealth filed the present Petition before the Court, arguing that the COA Proper committed grave abuse of discretion in disallowing the CNAB component because the CNAB, allegedly, bears a clear, direct, and reasonable relation to the performance of official work or functions.[7]

In sum, the ponencia holds that while government-owned and controlled corporations such as PhilHealth are permitted to grant PIB under GCG Memorandum Circular No. 2012-11, the same must be limited to the officer's or employee's monthly basic salary.[8] In this case, however, PhilHealth included monthly benefits and allowances, as well as the CNAB, in the computation of the PIB.[9] The ponencia therefore concludes that, although PhilHealth did not appeal the COA Proper's ruling allowing the IPIB and OPIB components of the PIB, the interests of substantial justice warrant the modification of the COA Proper's ruling such that the following components of the PIB must be disallowed: (a) the IPIB and OPIB, insofar as they included benefits and allowances; and (b) the CNAB.[10] Accordingly, the ponencia remands the case to the COA for the final determination of the disallowed amount in relation to the ND.[11]

During the deliberations for this case, Associate Justice Maria Filomena D. Singh posited that, following *Incumbent and Former Employees of the NEDA Regional Office XIII v. Aguinaldo*[12] (NEDA), the COA Proper's ruling lifting the disallowance of the IPIB and OPIB components may no longer be reversed, as PhilHealth did not challenge this aspect in its appeal before the Court. Thus, Justice Singh suggests that the ruling had already attained finality in this respect.

Respectfully, I disagree with this view.

To begin with, NEDA is not on all fours with the present case. To recall, NEDA involved the disallowance of the Cost Economy Measure Award (CEMA) granted to employees of NEDA Regional Office XIII-Caraga Region for the years 2010, 2011, and 2012, amounting to a total of PHP 882,759.07. The COA National Government Sector (NGS) affirmed the validity of the ND, but excused the payees from the obligation to refund. Upon automatic review, the COA Proper approved the ruling of the COA NGS in its entirety, prompting the approving/certifying officers to seek reconsideration. The payees, however, no longer filed a motion for reconsideration because they had already been absolved of liability. However, in the assailed decision of the COA Proper, the latter ruled that the payees should remain liable to refund the CEMA.[13]

In reversing the COA Proper insofar as it reinstated the liability of the payees who had already been expressly absolved of ANY liability under the ND, the Court in NEDA explained that those absolved payees were "already taken out of the picture," and therefore, could no longer be affected by subsequent rulings, much less one based on the motion or petition filed by the remaining liable officers challenging the validity of the ND, viz.:

The issue on the validity of the ND is severable from the issue on petitioner's liability because whether the ND is affirmed or otherwise struck down as invalid on the officers' Partial Motion for Reconsideration, such ruling is no longer consequential upon petitioners because they had already been taken out of the picture by being absolved from any liability under the ND.

....

Since no party questioned the COA Proper's affirmance of petitioners' exemption from liability, judgment on that matter undeniably lapsed into finality.[14]

Aside from violating the doctrine of immutability of judgment, the Court in NEDA also found that the COA Proper violated the payees' right to procedural due process when it reinstated their liability in the subsequent motion for reconsideration that was filed solely by the approving/certifying officers. According to the Court, such act clearly violated petitioners' right to due process since they were not given the opportunity to squarely and intelligently defend themselves.[15]

The ruling in NEDA was applied and further clarified by the Court in *Tiblani v. Commission on Audit*,[16] thus:

Also, the Court, in the cases of *National Transmission Corporation v. Commission on Audit*, *Social Security System v. Commission on Audit*, and *Securities and Exchange Commission v. Commission on Audit*, explicitly stated that the exoneration of payees at the COA level, not having been subsequently raised as an error or issue before the Court upon Petition for Certiorari, became final and executory and could no longer be revisited even by the Court. The Court also says this in *Madera*, which is cited in the subject COA-CP resolution in the instant case as basis for reinstating the petitioners' liability. Hence, consistent with jurisprudence and due process, the rule in [NEDA] prevails: COA's ruling on a party's liability to return disallowed amounts becomes final and executory when no longer timely contested or raised as an issue in a motion for reconsideration, and COA may not unilaterally reinstate the liabilities of those it has already exonerated, especially when the latter no longer have a chance to contest such reinstatement.[17] (Emphasis supplied, citations omitted)

In the present case, however, the COA Proper did not absolve anyone from liability. To be sure, the COA Proper's decision affirmed the validity of the ND herein, albeit for a reduced amount.

Stated differently, instead of holding the payees and the approving/certifying officers liable to return 75% [IPIB and OPIB (PHP 16,141,834.88) + CNAB (PHP 11,192,500.00)] / Total PIB (PHP 36,467,475.60)] of the PIB, the COA Proper merely reduced the amount to 30% [CNAB (PHP 11,192,500.00)] / Total PIB (PHP 36,467,475.60)]. Crucially, unlike NEDA and *Tiblani*, no one was exempted by the COA from liability to return under the subject ND herein.

Thus, when PhilHealth challenged the COA Proper's ruling before this Court, insisting that it should be fully absolved from liability and obligation to return the PIB—or any portion thereof—it necessarily prevented the COA Proper's ruling—which imposed liability for only 30% of the PIB—from attaining finality.

To be clear, the subject ND pertained to the grant of the PIB to officials and employees of PhilHealth, which happened to consist of three components—the IPIB, the OPIB, and the CNAB. When PhilHealth questioned the validity of the ND before the Court, it thereby placed the validity of the entire PIB grant—including all its constituent components—under review.

In this regard, I likewise emphasize that, unlike in NEDA, PhilHealth continued to represent its officers and employees and remained a party to the proceedings—from the issuance of the ND all the way to the elevation of the case before this Court. Consequently, the right to due process of PhilHealth, as well as that of its officers and employees, was not violated by the Court's review and modification of the assailed ruling of the COA Proper.

All told, I agree with the ponencia that the assailed ruling of the COA Proper may still be modified to increase the disallowed amount by the value of the monthly benefits and allowances that were improperly included in the computation of the PIB granted to PhilHealth's officers and employees.

ACCORDINGLY, I register my concurrence to the ponencia.

- [1] Ponencia, p. 4.
 - [2] Id. at 2-3.
 - [3] Id. at 3-4.
 - [4] Id. at 5.
 - [5] Id. at 5-6.
 - [6] Id. at 7.
 - [7] Id.
 - [8] Id. at 9.
 - [9] Id.
 - [10] Id. at 11-14.
 - [11] Id. at 17.
 - [12] 947 Phil. 591 (2023) [Per J. M. Lopez, En Banc].
 - [13] Id. at 592-595.
 - [14] Id. at 601-603.
 - [15] Id. at 608.
 - [16] 960 Phil. 442 (2024) [Per J. Caguioa, En Banc].
 - [17] Id. at 471.
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DISSENT

LAZARO-JAVIER, J.:

To recall, by Decision No. 2020-045, the Commission on Audit (COA) partially granted petitioner Philippine Health Insurance Corporation's (Philhealth) Petition for Review, lifting the disallowance of the payment of organization performance incentive bonus and individual performance incentive bonus while affirming the disallowance of the payment of the collective negotiation agreement bonus under Notice of Disallowance No. NCR-2014-001-COB (12).

Notably, Philhealth sought reconsideration of COA's decision only with respect to the ruling which affirmed the disallowance of the payment of the collective negotiation agreement bonus and made liable the recipients of such bonus to the extent of the amount they actually received. By Decision No. 20204-015, COA denied the Motion for Reconsideration. Hence, the present petition.

The draft ponencia resolved to modify the Decision of the COA and found the issuance of Notice of Disallowance No. NCR-2014-001-COB (12) proper. Ultimately, it disallowed the payment of: (i) organization performance incentive bonus; (ii) individual performance incentive bonus; and (iii) the PHP 30,000.00 collective negotiation bonus to the Philhealth employees. In ruling so, it ratiocinated that a relaxation of technical rules of procedure is

warranted in order to serve the demands of substantial justice and more so since the controversy involves public funds.

I respectfully differ.

To stress, no party questioned or appealed the COA Proper's lifting of the disallowance on the payment of organization performance incentive bonus and individual performance incentive bonus. Hence, the resolution on this matter had already attained finality.

The settled and firmly established rule is that a decision that has acquired finality becomes immutable and unalterable. This quality of immutability precludes the modification of the judgment, even if the modification is meant to correct erroneous conclusions of fact and law. The orderly administration of justice requires that, at the risk of occasional errors, the judgments or resolutions of a court must reach a point of finality set by the law.[1] This is a fundamental principle in our justice system, without which no end to litigations will take place. Utmost respect and adherence to this principle must always be maintained by those who exercise the power of adjudication.[2]

Undoubtedly, not even the Court can re-assess, much less alter, a final judgment, especially when such ruling was not challenged before the forum.[3] In *Securities and Exchange Commission v. Commission on Audit*,[4] the Court, sitting En Banc, resolved not to rule on the merits of the civil liability of the payee-recipients who were already exonerated from liability by the COA, especially since such absolution was not questioned before this Court.

On this note, I submit that the rule on immutability of judgment be observed here with respect to COA Proper's lifting of the disallowance on the payment of organization performance incentive bonus and individual performance incentive bonus.

Admittedly, the Court possesses discretionary authority to suspend or relax technical rules and requirements in the interest of substantial justice.[5] However, such authority is not without limits. The relaxation of technical rules or the exemption of a case from its operation is warranted only by compelling reasons or when the purpose of justice requires it.[6] Too, such discretion is best exercised with prudence, particularly when the rights of private individuals stand in delicate balance against the interests of the government.

Here, I reckon that the relaxation of technical rules will inadvertently result in greater injustice to the Philhealth employees who received the organization performance incentive bonus and individual performance incentive bonus rather than to the government. For one, as between the recipients and the government, the former are at a disadvantaged position since they lack resources and institutional support available to the government. Technical or procedural rules should not be relaxed to excuse government oversight or procedural lapses.

Another, it is certain that equal treatment and equal application of technical rules would reinforce confidence in the justice system. *Madera v. Court of Appeals*[7] enlightens:

... while the Court supports the mandate of the COA in ensuring that the funds of the government are properly utilized and the return to the government of funds unduly spent, the same must not be at the expense of public officials and employees who are directly tasked to discharge and render public service — especially when the presumptions of good faith and regularity in the performance of their duties have not been rebutted or overturned. Otherwise, the Court would unintentionally sanction the discouragement of competent and well-meaning individuals from joining the government. When service in the government is seen as unattractive and unappealing, it is the public that suffers.[8] (Emphasis supplied)

When technical rules are relaxed in favor of the government or any of its agencies, there is a risk that the public

may perceive disparity in access to fairness—especially when private individuals, such as the recipients here, bear the adverse consequences.

All told, it is my humble position that strict or faithful adherence to technical rules often better serves the interests of justice, particularly where deviation could impair the rights of private individuals. While flexibility is sometimes warranted, such should be grounded in compelling circumstances, ensuring that the administration of justice remains fair and protective of all who come to the Court and seek relief.

[1] *One Shipping Corp., et al v. Penafiel*, 751 Phil. 204, 211 (2015) [Per J. Peralta, Third Division].

[2] *Taisei Shimizu Joint Venture v. Commission on Audit*, 873 Phil. 323, 348 (2020) [Per J. Lazaro-Javier, En Banc].

[3] *Castañeda, Jr. v. Commission on Audit*, G.R. No. 263014, February 25, 2025 [Per J. Inting, En Banc].

[4] 900 Phil. 575, 599-600 (2021) [Per J. Lazaro-Javier, En Banc].

[5] *Latogan v. People*, 869 Phil. 271, 281 (2020) [Per J. Inting, Second Division].

[6] *Asia United Bank v. Goodland Company, Inc.*, 650 Phil. 174, 183 (2010) [Per J. Nachura, Second Division].

[7] 882 Phil. 744 (2020) [Per J. Caguioa, En Banc].

[8] *Id.* at 823.

CONCURRING AND DISSENTING OPINION

SINGH, J.:

I concur in the ponencia insofar as it affirms the disallowance of the Collective Negotiation Agreement (CNA) Bonus. I respectfully dissent, however, from the reinstatement of the disallowance of the Individual Performance Incentive Bonus and Organizational Performance Incentive Bonus.

As narrated in the ponencia, PhilHealth, through Office Order No. 0059-2013, granted its employees a Performance Incentive Bonus for Calendar Year 2012. The bonus was computed by aggregating three components: (1) the Individual Performance Incentive Bonus, (2) the Organizational Performance Incentive Bonus, and (3) an additional amount of PHP 30,000.00 denominated by PhilHealth as the "CNA Bonus." The Commission on Audit (COA) subsequently disallowed the payment of the Performance Incentive Bonus amounting to PHP 36,367,475.60 for lack of executive approval as required under Section 2 of Administrative Order No. 103, and for being excessive and violative of Executive Order No. 80.[1]

On appeal to the COA Proper, the disallowance of the payment of Organizational Performance Incentive Bonus and Individual Performance Incentive Bonus amounting to a total of PHP 16,141,834.88 was lifted. However, the disallowance of the CNA Bonus amounting to a total of PHP 11,192,500.00 was affirmed. PhilHealth sought a reconsideration of the COA's Decision only as regards the ruling which affirmed the Notice of Disallowance on the payment of the CNA Bonus, made liable all payees of such bonus to the extent of the amount they actually received, and made solidarily liable all the officials under the Notice of Disallowance for the total disallowed amount.[2]

In the assailed Resolution, the COA denied PhilHealth's Motion for Reconsideration and affirmed its earlier Decision, with the modification that the recipients were held liable to refund the amounts they actually received,

while the approving, authorizing, and certifying officers were held solidarily liable for the total disallowance, less any amounts refunded by the recipients.[3]

In the present Petition, PhilHealth maintains that the COA committed grave abuse of discretion amounting to lack or excess of jurisdiction in disallowing the CNA bonus.[4]

The ponencia correctly observes that the PHP 30,000.00 "additional" bonus cannot automatically be considered a CNA Bonus because neither Executive Order No. 80 nor GCG Memorandum Circular No. 2012-11 (Re-issued) includes a CNA Bonus among the productivity-based incentives that may be granted to officers and employees of government-owned or controlled corporations.[5] Moreover, even assuming that the amount constituted a CNA Bonus, its grant remains invalid for PhilHealth's failure to comply with the conditions prescribed under Public Sector Labor-Management Council Resolution No. 2, Series of 2003.[6]

Accordingly, the ponencia affirms the liability of the recipients to refund the amounts they received and the solidary liability of the approving and certifying officers for the net disallowed amount, except Joel P. Santos (Santos) and Maricel J. Magalang (Magalang), whose participation was merely ministerial.[7]

I fully agree with these conclusions.

I differ from the ponencia, however, insofar as it reinstates the disallowance of the Organizational Performance Incentive Bonus and Individual Performance Incentive Bonus despite the COA Proper's prior ruling lifting their disallowance.[8]

The ponencia acknowledges that decisions not appealed are final and executory,[9] it nonetheless espouses a relaxation of procedural rules in favor of substantial justice.[10] It likewise adopts Justice Alfredo Benjamin S. Caguioa's view that PhilHealth, by questioning the validity of the Notice of Disallowance before this Court, effectively placed the validity of the entire Performance Incentive Bonus—including all its constituent components—under review.[11]

With due respect, I cannot subscribe to this position.

The settled rule is that courts are bereft of jurisdiction to review decisions that have become final and executory. The rule safeguards the immutability of a final judgment, and is tenaciously applied and adhered to in order to preclude the modification of the final judgment, even if the modification is meant to correct erroneous findings of fact and conclusions of law, and whether the modification is made by the court that rendered the judgments or by the highest court of the land. The evident objective of the rule is to definitively end disputes.[12]

In *Incumbent and Former Employees of the National Economic and Development Authority Regional Office XIII v. Aguinaldo*,[13] the Court applied the doctrine of immutability of judgment when the COA Proper reviewed its ruling of exemption *motu proprio*. The Court emphasized that since no party questioned the COA Proper's affirmance of petitioners' exemption from liability, the judgment on that matter had lapsed into finality. It was further stressed that not even the Court may reassess, much less alter, a final judgment that was not challenged before the proper forum. The Court explained that parties who do not challenge a favorable ruling cannot later be prejudiced by a unilateral review.[14]

The rule on immutability of judgments was likewise reiterated in *Tiblani v. COA*,[15] where the COA Proper unilaterally reversed its earlier decision exonerating petitioners.

The present case is no different.

Not one of the parties challenged the COA Proper's ruling lifting the disallowance of the Organizational Performance Incentive Bonus and Individual Performance Incentive Bonus. The ruling was favorable to all

concerned; thus, no appeal therefrom was expected.

The present Petition does not also seek a review of this ruling. I respectfully submit that the ponencia erred in holding that PhilHealth placed the entirety of the Performance Incentive Bonus under review when it filed the present Petition.

A plain reading of the Petition reveals that PhilHealth challenged only the disallowance of the CNA Bonus. This is hardly surprising, considering that the COA Proper had already ruled favorably with respect to the Organizational and Individual Performance Incentive Bonuses. Furthermore, while the Performance Incentive Bonus was computed by combining the Organizational Performance Incentive Bonus, Individual Performance Incentive Bonus, and CNA Bonus, these components are nevertheless separate and distinct. Each was independently computed and separately evaluated. Indeed, it was precisely because of their separability that the COA Proper was able to lift the disallowance of the Organizational and Individual Performance Incentive Bonuses while maintaining the disallowance of the CNA Bonus.

Significantly, even the Office of the Solicitor General confined its arguments to the validity of the CNA Bonus. Its Comment did not seek the reinstatement of the disallowance of the Organizational and Individual Performance Incentive Bonuses. The limited issues joined by the parties confirm that the COA Proper's ruling lifting the disallowance of those bonuses had already attained finality.

Consequently, consistent with the doctrine of immutability of judgments, this Court may no longer reopen or modify that ruling. A decision that has attained finality becomes immutable and unalterable and may no longer be amended in any respect, even to rectify perceived errors in factual findings or legal conclusions.

To be sure, the Court has, on exceptional occasions, relaxed procedural rules in the interest of substantial justice. However, such liberality is not automatic. The Court has consistently considered the following factors:

- (1) matters of life, liberty, honor, or property;
- (2) the existence of special or compelling circumstances;
- (3) the merits of the case;
- (4) a cause not entirely attributable to the fault or negligence of the party favored by the suspension of the rules;
- (5) a lack of any showing that the review sought is merely frivolous and dilatory; and
- (6) the other party will not be unjustly prejudiced thereby.[16]

None of these considerations justifies a departure from the doctrine of immutability in the present case. Notably, the ponencia does not identify any special or compelling circumstance that warrants the application of the substantial justice exception. As the Court has repeatedly cautioned, the assertion of 'the interest of substantial justice' is not a magic wand that will automatically compel this Court to suspend procedural rules.[17]

More importantly, the ponencia fails to adequately account for the sixth factor—the absence of prejudice to the opposing party.

Reinstating the disallowance of the Organizational Performance Incentive Bonus and Individual Performance Incentive Bonus after the COA Proper had already lifted their disallowance would undoubtedly prejudice both the recipients and the approving and certifying officers. These parties were entitled to rely on the finality of the COA Proper's ruling and accordingly tailored their arguments before this Court solely to the remaining controversy involving the CNA Bonus. To revive an issue that had already been resolved in their favor, and which no party

challenged, is fundamentally inconsistent with the principles of fairness, due process, and finality. Furthermore, it would be grossly unfair to differentiate the applicability of the immutability rule in those cases from the present case merely because the COA decision here favors the petitioners. The principle of immutability of judgment must be applied consistently, regardless of whether the ruling favors or prejudices a party.

Indeed, procedural rules are not mere technicalities. They are designed to ensure the orderly administration of justice and to protect all parties from uncertainty and arbitrariness. Courts are duty-bound to apply these rules faithfully and to respect the important policies they embody.[18]

Based on the foregoing, I vote to PARTLY GRANT the Petition.

[1] Decision, p. 4.

[2] Id. at 5-6.

[3] Id.

[4] Id. at 7.

[5] Id. at 9-10.

[6] Id. at 10.

[7] Id. at 17.

[8] Id. at 11.

[9] Id. at 12.

[10] Id. at 13.

[11] Id.

[12] *Estalilla v. Commission on Audit*, 862 Phil. 77, 91 (2019) [Per C.J. Bersamin, En Banc].

[13] 947 Phil. 591 (2023) [Per J. M.V. Lopez, En Banc].

[14] Id. at 606.

[15] 960 Phil. 442 (2024) [Per J. Caguioa, En Banc].

[16] *Bigler v. People*, 782 Phil. 158, 166 (2016) [Per J. Perlas-Bernabe, First Division].

[17] *Cortal, v. Inaki A. Larrazabal Enterprises*, 817 Phil. 464, 477 (2017) [Per J. Leonen, Third Division].

[18] See *Philippine National Bank v. Deang Marketing Corp.*, 593 Phil. 703, 717 (2008) [Per J. Carpio Morales, Second Division].

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