

SIXTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Second Regular Session)

Office of the Secretary

15 FEB 10 P2:04

SENATE
P. S. R. No. 1176

11 FEB 10 P2:04

Introduced by Senator Miriam Defensor Santiago

RESOLUTION
DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID
OF LEGISLATION, ON THE COA AUDIT REPORTS THAT FOR TWO CONSECUTIVE
YEARS, THE PHILIPPINE HEALTH INSURANCE CORPORATION (PHILHEALTH) HAD
BEEN GRANTING UNAUTHORIZED BONUSES AND ALLOWANCES TO ITS
OFFICERS, EMPLOYEES, AND PRIVATE CONTRACTORS, IN THE TOTAL AMOUNT
OF ₱3.209 BILLION

WHEREAS, the Constitution, Article 2, Sections 27 and 28 state:

SEC. 27. The State shall maintain honesty and integrity in the public service and take positive and effective measures against graft and corruption.

SEC. 28. Subject to reasonable conditions prescribed by law, the State adopts and implements a policy of full public disclosure of all its transactions involving public interest.

WHEREAS, based on the COA reports for fiscal years 2012 and 2013, it appears that the Philippine Health Insurance Corporation (Philhealth) had been granting unauthorized and extravagant bonuses and allowances to its officers, employees, and private contractors for two consecutive years already, which amounted to a total of ₱3.209 billion;

WHEREAS, both reports stated that despite repeated warnings from the COA, these bonuses and allowances were merely based on various resolutions passed by Philhealth's Board of Directors, which were not submitted to the Office of the President for approval, as required by Presidential Decree No. 1597, or the law rationalizing the system of compensation and position classification in the national government;

WHEREAS, the COA reports also provided that these bonuses and allowances were granted despite the issuances of Notice of Disallowances (NDs) for the same payments;

WHEREAS, the 2012 report stated that Philhealth had continuously granted unauthorized bonuses and allowances to its officers and employees, including its contractors, in the amount of ₱1.448 billion despite a report of a ₱3.8-billion shortfall in its reserve fund requirement.

WHEREAS, according to the report, these same bonuses and allowances were already disallowed for lack of legal basis under ND No. 10-001-717 – (08) dated 12 March 2010, which the cluster director sustained under CGS Decision Nos. 2012-08 dated 16 May 2012 and ND NCR-12-003-(11) dated 22 June 2012 for Public health Workers benefits;

WHEREAS, on the other hand, the 2013 report provided that Philhealth granted unauthorized bonuses and allowances to its officers and employees again amounting to ₱1.761 billion;

WHEREAS, according to the 2013 report, the bonuses and allowances were disallowed for lack of legal basis and the COA had already issued decisions sustaining the NDs, such as Decision No. 2013-208 dated 20 November 2013 for ND No. PHIC-2008-001 (2003), PHIC-2008-002 (2003) and PHIC-2008-003 (2004) dated 7 February 2008 for CNA Signing Bonus, Welfare Support Assistance (WESA), Labor Management Relations Gratuity (LMRG), and Cost of Living Allowance (COLA);

WHEREAS, the 2013 report also provided that despite the issuance of the NDs and several decisions denying their appeals and affirming the disallowances, the management of Philhealth continuously granted these benefits and allowances without obtaining the required approval of the Office of the President;

WHEREAS, for both fiscal years 2012 and 2013, the COA recommended that Philhealth should stop granting said allowances and other incentives unless an approval from the Office of the President has been obtained;

WHEREAS, the 2012 report stated that the Philhealth board does not have the absolute authority to fix the compensation of its officers and employees. The COA cited *Intia v. COA*, 306 SCRA 593 (1999), where the Supreme Court held that “It must be stressed that the Board’s discretion on the matter of personnel compensation is not absolute as the same must be exercised in accordance with the standard laid down by law, that is, its compensation system, including the allowances granted by the Board, must strictly conform with that provided for other agencies under RA No. 6758 (Salary Standardization law), in relation to the General Appropriations Act. To ensure such compliance, the resolutions of the Board affecting such matters should first be reviewed and approved by the Department of Budget and Management pursuant to Section 6 of P.S. No. 1597”;

WHEREAS, the granting of unauthorized bonuses and allowance for two consecutive years was not the only instance where the Philhealth overstepped its fiscal autonomy. In January 2014, citing abuse of authority, the COA also affirmed its earlier ruling disallowing ₱87.79 million in bonuses, allowances, and reimbursements that officials and employees of the Philhealth paid themselves in 2003 and 2004. In its decision, the COA stated that while Philhealth is authorized to fix the compensation of its personnel under the principle of fiscal autonomy, such power is “not all-encompassing” and must not be construed as an “unbridled discretion to determine compensation of its officers and employees”;

WHEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED BY THE PHILIPPINE SENATE to direct the proper Senate committee to conduct an inquiry, in aid of legislation, on the COA audit reports that for two consecutive years, the Philhealth had been granting unauthorized bonuses and allowances to its officers, employees, and private contractors, in the total amount of ₱3.209 billion.

Adopted,


MIRIAM DEFENSOR SANTIAGO

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