

EN BANC

[G. R. NO. 155027, February 28, 2006]

**THE VETERANS FEDERATION OF THE PHILIPPINES
REPRESENTED BY ESMERALDO R. ACORDA, PETITIONER, VS.
HON. ANGELO T. REYES IN HIS CAPACITY AS SECRETARY OF
NATIONAL DEFENSE; AND HON. EDGARDO E. BATENGA IN HIS
CAPACITY AS UNDERSECRETARY FOR CIVIL RELATIONS AND
ADMINISTRATION OF THE DEPARTMENT OF NATIONAL
DEFENSE, RESPONDENTS.**

D E C I S I O N

CHICO-NAZARIO, J.:

This is a Petition for *Certiorari* with Prohibition under Rule 65 of the 1997 Rules of Civil Procedure, with a prayer to declare as void Department Circular No. 04 of the Department of National Defense (DND), dated 10 June 2002.

Petitioner in this case is the Veterans Federation of the Philippines (VFP), a corporate body organized under Republic Act No. 2640, dated 18 June 1960, as amended, and duly registered with the Securities and Exchange Commission. Respondent Angelo T. Reyes was the Secretary of National Defense (DND Secretary) who issued the assailed Department Circular No. 04, dated 10 June 2002. Respondent Edgardo E. Batenga was the DND Undersecretary for Civil Relations and Administration who was tasked by the respondent DND Secretary to conduct an extensive management audit of the records of petitioner.

The factual and procedural antecedents of this case are as follows:

Petitioner VFP was created under Rep. Act No. 2640,^[1] a statute approved on 18 June 1960.

On 15 April 2002, petitioner's incumbent president received a letter dated 13 April 2002 which reads:

Col. Emmanuel V. De Ocampo (Ret.)
President
Veterans Federation of the Philippines
Makati, Metro Manila

Dear Col. De Ocampo:

Please be informed that during the preparation of my briefing before the Cabinet and the President last March 9, 2002, we came across some legal bases which tended to show that there is an organizational and management relationship between Veterans Federation of the Philippines

and the Philippine Veterans Bank which for many years have been inadvertently overlooked.

I refer to Republic Act 2640 creating the body corporate known as the VFP and Republic Act 3518 creating the Phil. Vets [sic] Bank.

1. RA 2640 dated 18 June 60 Section 1 ... "hereby created a body corporate, under the control and supervision of the Secretary of National Defense."
2. RA 2640 Section 12 ... "On or before the last day of the month following the end of each fiscal year, the Federation shall make and transmit to the President of the Philippines or to the Secretary of National Defense, a report of its proceedings for the past year, including a full, complete and itemized report of receipts and expenditures of whatever kind."
3. Republic Act 3518 dated 18 June 1963 (An Act Creating the Philippine Veterans Bank, and for Other Purposes) provides in Section 6 that ... "the affairs and business of the Philippine Veterans Bank shall be directed and its property managed, controlled and preserved, unless otherwise provided in this Act, by a Board of Directors consisting of eleven (11) members to be composed of three *ex officio* members to wit: the Philippine Veterans Administrator, the President of the Veteran's Federation of the Philippines and the Secretary of National Defense
x x x.

It is therefore in the context of clarification and rectification of what should have been done by the DND (Department of National Defense) for and about the VFP and PVB that I am requesting appropriate information and report about these two corporate bodies.

Therefore it may become necessary that a conference with your staffs in these two bodies be set.

Thank you and anticipating your action on this request.

Very truly
yours,

(SGD)
ANGELO T.
REYES
[DND]
Secretary

On 10 June 2002, respondent DND Secretary issued the assailed DND Department

Circular No. 04 entitled, "Further Implementing the Provisions of Sections 1^[2] and 2^[3] of Republic Act No. 2640," the full text of which appears as follows:

Department of National Defense
Department Circular No. 04

Subject: Further Implementing the Provisions of Sections 1 & 2 of Republic Act No. 2640

Authority: Republic Act No. 2640
Executive Order No. 292 dated July 25, 1987

Section 1

These rules shall govern and apply to the management and operations of the Veterans Federation of the Philippines (VFP) within the context provided by EO 292 s-1987.

Section 2 – DEFINITION OF TERMS – for the purpose of these rules, the terms, phrases or words used herein shall, unless the context indicates otherwise, mean or be understood as follows:

Supervision and Control – it shall include authority to act directly whenever a specific function is entrusted by law or regulation to a subordinate; direct the performance of a duty; restrain the commission of acts; approve, reverse or modify acts and decisions of subordinate officials or units; determine priorities in the execution of plans and programs; and prescribe standards, guidelines, plans and programs.

Power of Control – power to alter, modify, nullify or set aside what a subordinate officer had done in the performance of his duties and to substitute the judgment of the former to that of the latter.

Supervision – means overseeing or the power of an officer to see to it that their subordinate officers perform their duties; it does not allow the superior to annul the acts of the subordinate.

Administrative Process – embraces matter concerning the procedure in the disposition of both routine and contested matters, and the matter in which determinations are made, enforced or reviewed.

Government Agency – as defined under PD 1445, a government agency or agency of government or "agency" refers to any department, bureau or office of the national government, or any of its branches or instrumentalities, of any political subdivision, as well as any government owned or controlled corporation, including its subsidiaries, or other self-governing board or commission of the government.

Government Owned and Controlled Corporation (GOCC) – refer to any agency organized as a stock or non-stock corporation, vested with functions relating to public needs whether governmental or proprietary in

nature, and owned by the government directly or through its instrumentalities wholly or, where applicable as in the case of stock corporations, to the extent of at least 50% of its capital stock.

Fund – sum of money or other resources set aside for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constitutes an independent, fiscal and accounting entity.

Government Fund – includes public monies of every sort and other resources pertaining to any agency of the government.

Veteran – any person who rendered military service in the land, sea or air forces of the Philippines during the revolution against Spain, the Philippine American War, World War II, including Filipino citizens who served in Allied Forces in the Philippine territory and foreign nationals who served in Philippine forces; the Korean campaign, the Vietnam campaign, the Anti-dissidence campaign, or other wars or military campaigns; or who rendered military service in the Armed Forces of the Philippines and has been honorably discharged or separated after at least six (6) years total cumulative active service or sooner separated due to the death or disability arising from a wound or injury received or sickness or disease incurred in line of duty while in the active service.

Section 3 – Relationship Between the DND and the VFP

3.1 Sec 1 of RA 3140 provides "... the following persons (heads of various veterans associations and organizations in the Philippines) and their associates and successors are hereby created a body corporate, under the control and supervision of the Secretary of National Defense, under the name, style and title of "Veterans Federation of the Philippines ..."

The Secretary of National Defense shall be charged with the duty of supervising the veterans and allied program under the jurisdiction of the Department. It shall also have the responsibility of overseeing and ensuring the judicious and effective implementation of veterans assistance, benefits, and utilization of VFP assets.

3.2 To effectively supervise and control the corporate affairs of the Federation and to safeguard the interests and welfare of the veterans who are also wards of the State entrusted under the protection of the DND, the Secretary may personally or through a designated representative, require the submission of reports, documents and other papers regarding any or all of the Federation's business transactions particularly those relating to the VFP functions under Section 2 of RA 2640.

The Secretary or his representative may attend conferences of the supreme council of the VFP and such other activities he may deem relevant.

3.3 The Secretary shall from time to time issue guidelines, directives and other orders governing vital government activities including, but not limited to, the conduct of elections; the acquisition, management and dispositions of properties, the accounting of funds, financial interests, stocks and bonds, corporate investments, etc. and such other transactions which may affect the interests of the veterans.

3.4 Financial transactions of the Federation shall follow the provisions of the government auditing code (PD 1445) i.e. government funds shall be spent or used for public purposes; trust funds shall be available and may be spent only for the specific purpose for which the trust was created or the funds received; fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the federation; disbursements or dispositions of government funds or property shall invariably bear the approval of the proper officials.

Section 4 – Records of the FEDERATION

As a corporate body and in accordance with appropriate laws, it shall keep and carefully preserve records of all business transactions, minutes of meetings of stockholders/members of the board of directors reflecting all details about such activity.

All such records and minutes shall be open to directors, trustees, stockholders, and other members for inspection and copies of which may be requested.

As a body corporate, it shall submit the following: annual report; proceedings of council meetings; report of operations together with financial statement of its assets and liabilities and fund balance per year; statement of revenues and expenses per year; statement of cash flows per year as certified by the accountant; and other documents/reports as may be necessary or required by the SND.

Section 5 – Submission of Annual and Periodic Report

As mandated under appropriate laws, the following reports shall be submitted to the SND, to wit:

- a. Annual Report to be submitted not later than every January 31 of the following year. Said report shall consist of the following:
 1. Financial Report of the Federation, signed by the Treasurer General and Auditor General;
 2. Roster of Members of the Supreme Council;
 3. Roster of Members of the Executive Board and National Officers; and
 4. Current listing of officers and management of VFP.
- b. Report on the proceedings of each Supreme Council Meeting to be submitted not later than one month after the meeting;