

Title:

The Veterans Federation of the Philippines v. Angelo T. Reyes, Secretary of National Defense

Facts:

1. **Creation of VFP**: The Veterans Federation of the Philippines (VFP) was created by Republic Act No. 2640 on June 18, 1960, as a corporate body under the control and supervision of the Secretary of National Defense.
2. **DND Department Circular No. 04**: In a letter dated April 13, 2002, Secretary Angelo T. Reyes indicated an overlooked relationship between VFP and Philippine Veterans Bank, and on June 10, 2002, issued Department Circular No. 04 to implement further the provisions of Sections 1 and 2 of Republic Act No. 2640.
3. **Management Audit**: A management audit of VFP was initiated through Department Order No. 129 on August 23, 2002, by Undersecretary Edgardo E. Batenga to scrutinize the records and operations of the VFP.
4. **Federation's Response**: VFP, claiming that the audit's scope was excessively broad, requested suspension on August 28, 2003, which was denied in a letter dated September 4, 2002.
5. **Legal Action Initiated**: Consequently, VFP filed a Petition for Certiorari with Prohibition under Rule 65, seeking to declare DND Department Circular No. 04 as void and enjoin any further audits or other actions based on the circular.

Issues:

1. **Primary Issue**: Is the VFP a public or private corporation?
2. **Scope of "Control and Supervision"**: Whether the DND Department Circular No. 04 constitutes a valid exercise of the Secretary of National Defense's control and supervision under RA 2640.
3. **Application of Government Standards to VFP**: Can the VFP, as an essentially civilian organization, be subjected to statutes applying only to government entities?

Court's Decision:

1. **Public vs. Private Corporation**: The Supreme Court held that the VFP is a public corporation. This conclusion was based on several factors:
 - RA 2640's explicit designation of VFP as a "public corporation"

- VFP's requirement to submit annual reports to the President or Secretary of National Defense
- EO No. 37's inclusion of VFP among GOCCs not to be privatized

2. **Control and Supervision**: The Court found that the Department Circular No. 04 did not exceed the authority granted under RA 2640 but rather aligned with its provisions of control and supervision.

3. **Application of Government Standards**: As a public corporation, VFP's financial transactions and operations were correctly subjected to standards on government funds management and auditing (PD 1445).

Doctrine:

1. **Public Corporation Status**: VFP is ruled a public corporation, given its creation by a public statute, subjection to the Secretary of National Defense, and functionalities towards public interests (war veterans' welfare).
2. **Control and Supervision**: The definitions of control and supervision under DND Department Circular No. 04 align with the legal definitions under RA 2640 and the Administrative Code of 1987.
3. **Government Audit**: Public funds held by VFP should be used exclusively for public purposes and are subject to governmental auditing standards.

Class Notes:

1. **Private vs. Public Corporations**: Private corporations cannot be created by special law; only GOCCs or public corporations can be created by such laws.
2. **Control and Supervision Powers**: The ability of a superior to alter or reverse decisions and monitor subordinate actions as defined by the Administrative Code of 1987.
3. **Regulation of Public Funds**: RA 2640 and PD 1445 mandate that funds managed by public corporations must be used strictly for the purposes outlined by law and are subject to substantial government oversight.

Historical Background:

- **Historical Context**: The creation of the VFP was critical in consolidating efforts and providing structured support to Filipino war veterans post-World War II. As such, it was placed under the DND to ensure governmental supervision and warrant the judicious use of resources meant for veterans' welfare.
- **Post-War Veterans Affairs**: The case underscores the importance placed on veterans'

welfare and the evolving nature of governmental oversight in public corporations designed to handle war veterans' interests.

This examination of the case clarifies and reinforces the public nature of VFP, affirming government intervention and oversight to ensure veterans' funds are managed within the legal frameworks intended for public corporations.