GUIDELINES ON INSPECTION AND/OR EXAMINATION OF COOPERATIVES

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Pursuant to Sec. 6 Article XII, of the 1987 Philippine Constitution, Articles 34 (4) and 52 of RA 9520 and Section 3 (m), (o) of RA 6939, the Authority prescribes the following Guidelines governing the conduct of inspection and/or examination of cooperatives.

Section 1. Title

This issuance shall be known and cited as the Guidelines on Inspection and/or Examination of Cooperatives.

Section 2. Statement of Policy and Objectives

The Cooperative Development Authority (CDA) is statutorily mandated to promote the viability and growth of cooperatives as instruments of social justice and economic development in pursuance of the Constitutional mandate under Article XII, Section 15 of the 1987 Philippine Constitution.

In line with this policy and mandate, the CDA adopts the examination and/or inspection of cooperatives as a mechanism to directly pursue its mission of ensuring safe and sound operations of cooperatives.

Section 3. Scope of Examination and/or Inspection

Examination and/or inspection shall cover all cooperatives registered with the Authority. In the case of Financial Service Cooperatives, these Guidelines shall be of suppletory application.

Section 4. Inspection

A function exercised by the Authority to ensure that cooperatives comply with regulatory requirements imposed by the cooperative laws, related laws and other administrative issuances.

The inspection of cooperatives shall be undertaken at least once a year unless circumstances warrant another inspection.

Section 5. Examination

a. Regular Examination – an examination conducted by the CDA as a result of the inspection/investigation conducted by the Authority.

b. Special examination – a special examination conducted by CDA upon receipt of a written complaint from any interested parties, after validation; or upon request or directive from other government agencies.

Section 6. Notice of examination and/or Inspection

A notice of examination and/or Inspection shall be sent to the cooperative through its board of directors or the general manager prior to the conduct of the same.

The Notice shall contain the following:

- The names of the duly authorized examiners or inspectors; and

- The period of the examination or inspection.

Section 7. Issuance of the Order

Prior to the conduct of examination and/or inspection, a Special Order (S.O.) shall be issued by the regional director, in case of extension office, and by the Chairman of the Board of Administrators for the Central Office. The said S.O. shall contain the name of cooperatives to be examined and/or inspected and the duration thereof.

Section 8. Authority of the Examiners and/or Inspectors

During the conduct of examination and/or inspection, the Examiners or Inspectors who are duly authorized by the CDA shall have the following powers and authorities.

a. Make a thorough examination and/or inspection of the cooperative;
b. Require the presentation and/or submission of reports or documents or records necessary to ascertain the facts relative to the condition of the cooperative and other matters subject of the examination and/or inspection.
c. Inquire into financial information of the cooperative to ensure that financial disbursements and other cooperative activities are in accordance with the general policies set by the general assembly and the Board of directors;
d. Conduct clarificatory and other conferences; and
e. To do other acts that may be deemed necessary in the conduct of examination and/or inspection.

Section 9. Who may Conduct the examination and/or Inspection

The examination and/or inspection of cooperatives shall be conducted by the authorized personnel of the Authority or a team thereof.

The CDA Central Office Examiners or Inspectors shall examine or inspect the cooperatives registered with the Central Office, while the CDA Extension Office Examiners or Inspectors shall examine and/or inspect cooperatives registered with such extension office: Provided, That in the case of a cooperative branch, the Examiners or Inspectors of the CDA extension Office having jurisdiction over the place where such branch is located, shall have the responsibility to examine and/or inspect the said branch: Provided, further, that the CDA Extension Office having jurisdiction of the place where the principal office of such cooperative is located shall be furnished with the copy of the Final Report of Examination and/or Inspection concerning the said branch.

The CDA Extension Office may request the assistance of the concerned cooperative office of the local government units in the conduct of examination and/or inspection as espoused under Executive Order No. 96, series of 1993.

All examiners or inspectors shall, at all times, observe the principle of independence and confidentiality on the conduct of examination and/or inspection. The Final Report on Examination and/or Inspection shall serve as the only official document pertaining to such.

Section 10. Examination and/or Inspection Report

The Examiners and/or Inspectors shall make a full and detailed report of the condition of the cooperative to the Regional Director or the Board of Administrators, as the case may be.

Before finalizing the report, the examiners and/or inspectors shall conduct an exit conference for the officers of

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the cooperative to discuss observation/findings and require them to file a written response within ten (10) days after the exit conference.

Within thirty (30) days, after the exit conference, the examiners and/or inspectors shall provide the cooperative a copy of the final examination and/or inspection report. However, the good practices shall likewise be cited and acknowledged.

The Final Report of Examination and/or Inspection shall form part of the official records of the cooperative in the CDA. Such Final Report of Examination or Inspection shall not be disposed of within five (5) years from the date of approval by the Board of Administrators or the Regional Directors, as the case may be.

If the Final Report of Examination or Inspection contains information of documents subject to litigation, it shall not be disposed even if it is more than five (5) years.

Section 11. Penalties

Consistent with Article 140 of RA 9520, any responsible officer or employee of the cooperative may be penalized for the following violations:

- Omission or refusal to furnish any information, report or other document required under RA 9520;

- Providing information, report, or other documents to the CDA which the persons responsible know to be false or misleading;

- Omission or refusal to keep a book or register required under RA 9520 or to make the required entry therein;

- Making an entry required under RA 9520 in a book or register which the persons responsible know to be false or misleading;

- Hindering an authorized examiner and/or inspector from making an inspection, audit, examination or investigation required by law;

- Failure to comply with an order or written instruction issued or given by the CDA;

- Violation of the provision regarding transactions with restricted party; and

- Abetting, counseling, allowing, authorizing or commanding another person to commit an offense punishable by this Code. Provided, that in case the violator is a cooperative or juridical person, the penalty shall be imposed on its directors and officers.

Section 12. Repealing Clause

All guidelines, circulars, or similar issuances that pertain to the conduct of examination and/or inspection of cooperatives are hereby repealed: Provided, that the existing examination and/or inspection findings based on previous guidelines or circulars shall remain valid and in effect.

Section 13. Separability Clause

If any provision of this Circular is held to be unconstitutional, the other parts hereof shall continue to be in full force and effect.

Section 14. Effectivity Clause

This Memorandum Circular shall take effect fifteen (15) days after its publication in the Office of the National Administrator Register (ONAR) or Official Gazette.

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Approved per Board of Administrators Resolution No. 411-A, s. 2011 dated December 14, 2011.

By the Board of Administrators:

(SGD.) EMMANUEL M. SANTIAGEL, PH.D.
Chairman

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