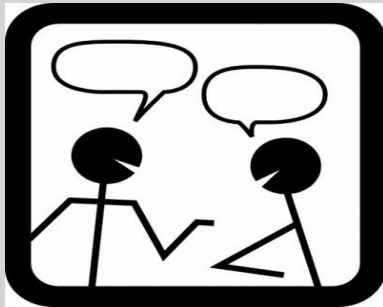


CDA MEMORANDUM CIRCULAR  
**REVISED GUIDELINES ON THE  
ACCREDITATION OF  
COOPERATIVE EXTERNAL  
AUDITORS**

The presentation is a proposed **REVISION** to CDA MEMORANDUM CIRCULAR 2009-03, **GUIDELINES ON THE ACCREDITATION OF COOPERATIVE EXTERNAL AUDITORS**, dated September 2009 (almost 10 years)



The Revised Guidelines is an outcome of a number of discussions and review workshops of CDA and PICPA

Everyone is enjoined to their share views and comments, at the same time recommendation.



# Legal Bases:

## **RA 6939 AN ACT CREATING THE COOPERATIVE DEVELOPMENT AUTHORITY**

### **Section 3 (f) Powers, Functions and Responsibilities**

Require all cooperatives, their federations and unions to submit their annual financial statements, duly audited by certified public accountants, and general information sheets;

# Legal Bases:

## RA 9520 The Phil. Cooperative Code of 2008

### Article 80. Annual Audit

Cooperatives registered under this Code shall be subject to an annual financial, performance and social audit. The financial audit shall be conducted by an external auditor who satisfies all the following qualifications:

- (1) He is independent of the cooperative or any of its subsidiary that he is auditing; and
- (2) He is a member in good standing of the Philippine Institute of Certified Public Accountants (PICPA) and is accredited by both the Board of Accountancy and the Authority.

# SECTION 1. Definition of Terms

Accreditation

CDA

Associate

Auditing Firm

Auditor in  
Charge

Cooperative  
External  
Auditor

Fraud

Partner

Partnership

Audit  
Engagement  
Letter

Management  
Letter to the  
Cooperative

**ACCREDITATION**- refers to the act of giving official authorization or approval to a qualified auditor to conduct financial audit to cooperatives.

**COOPERATIVE EXTERNAL AUDITOR (CEA)** — refers to an independent Certified Public Accountant (CPA) accredited by the CDA, whose relationship to the client is to express an opinion on the financial statements. He/she may be a signing partner in an auditing firm or a sole practitioner.

**MANAGEMENT LETTER TO THE COOPERATIVE** — refers to the letter of the auditor to the cooperative stating the material audit findings for appropriate action of the cooperative.

## **SECTION 2.      Application Requirements for Initial Accreditation**

An individual Certified Public Accountant (CPA) or Auditing Firm who seeks to be accredited as Cooperative External Auditor must accomplish and file the following documents directly to the Cooperative Development Authority – Extension Office (CDA-EO) where such CPA/ Partnership/Auditing Firm is based:

## **SECTION 2.      Application Requirements for Initial Accreditation**

### **1.      For Individual CPA**

- i. Letter application
- ii. Profile of the Applicant with attached 2 x 2 colored ID picture;
- iii. Valid Professional Regulation Commission Identification Card (PRC ID);
- iv. Valid Certificate of Accreditation with the Professional Regulation Commission – Board of Accountancy (PRC-BOA);
- v. Current Professional Tax Receipt (PTR) issued by the local government;



## **SECTION 2.      Application Requirements for Initial Accreditation**

### **1.      For Individual CPA**

- vi. Valid Certificate of Membership in Good Standing with the Philippine Institute of Certified Public Accountants (PICPA); or Certification of Life Sustaining Membership issued by the PICPA
- vii. Certificate/s of Attendance to training equivalent to a minimum of 24 hours of training conducted by the PICPA & CDA
- viii. Other documents that may be required by the CDA in case of inconsistencies in the submitted documents

## **SECTION 2.      Application Requirements for Initial Accreditation**

### **2. For Partnership/Auditing Firm**

- i.    Application letter
- ii.   Profile of the Firm/Partnership;
- iii.   Profile of the signing partners with 2 X 2 colored ID picture
- iv.   SEC Registration Certificate of Partnership;
- v.    Articles of partnership and/or its amendment;
- vi.   Partnership's Valid Certificate of Accreditation with the PRC BOA;
- vii.   Current Business Permit or PTR of signing partners;

## **SECTION 2.      Application Requirements for Initial Accreditation**

### **2. For Partnership/Auditing Firm**

- viii. Valid Certificate of Membership in Good Standing with PICPA of the signing partners;
- ix. Certificate/s of Attendance to training equivalent to a minimum of 24 hours of training of signing partner/s in compliance with the required training prescribed in Section 2.1.vii for the Individual CPAs.

Only partners who have completed the required training for accreditation of external auditors shall be allowed to sign for and on behalf of the firm.

## **SECTION 2.      Application Requirements for Initial Accreditation**

### **2.    For Partnership/Auditing Firm (Initial)**

- x.    Other documents that may be required by the CDA in case of inconsistencies in the submitted documents

## **SECTION 3. Application Requirements for RENEWAL of Accreditation**

### **1. For Individual CPA**

- i. Application letter
- ii. Updated profile of the applicant with updated 2 x 2 colored ID picture
- iii. Valid PRC ID;
- iv. Valid Certificate of Accreditation with the PRC-BOA;
- v. Current PTR issued by the local government;
- vi. Valid Certificate of Membership in Good Standing with PICPA or its Chapter;
- vii. Certificate of Training equivalent to 24 hours of training with topics prescribed for renewal;

## SECTION 3. Application Requirements for RENEWAL of Accreditation

### 1. For Individual CPA

- viii. Previous Certificate of Accreditation issued by the CDA;
- ix. List of cooperatives audited during the period of accreditation including the prior years as accredited cooperative external auditor, presented in per year basis;
- x. Sworn statement that the cooperative external auditor has been engaged in an audit of at least one (1) micro cooperative that is free of charge within the period of accreditation as part of his/her social responsibility, duly supported with Certification from cooperatives that received the free audit. *Technical assistance and other audit related services are not considered hereof;*

## **SECTION 3. Application Requirements for RENEWAL of Accreditation**

### **1. For Individual CPA**

- xi. Sworn statement by the Cooperative External Auditor that he/she has observed the conditions prescribed under Sec. 10 of these guidelines; and
- xii. Evaluation sheet of Audited Financial Statements duly accomplished by the Regulation Unit of the CDA Extension Office. (c/o CDA)

## **SECTION 3. Application Requirements for RENEWAL of Accreditation**

### **2. For partnership/Firm**

- i. Letter application
- ii. Updated profile of the audit firm
- iii. Updated profile of the individual signing partners with updated 2 x 2 colored ID picture
- iv. SEC Registration Certificate;
- v. Articles of partnership and/or its amendment;
- vi. Partnership's valid Certificate of Accreditation with the PRC BOA;
- vii. Current Business Permit or PTR of signing partners;



## **SECTION 3. Application Requirements for RENEWAL of Accreditation**

### **2. For partnership/Firm**

- viii. Certificate of Membership in Good Standing with PICPA of the signing partners;
- ix. Certificate of Training equivalent to 24 hours of training attended based on prescribed topics for renewal of accreditation;
- x. Latest Certificate of Accreditation issued by the CDA;
- xi. List of cooperatives audited during the period of accreditation including the prior years as accredited cooperative external auditor, presented in per year basis;

## SECTION 3. Application Requirements for RENEWAL of Accreditation

### 2. For partnership/Firm

- xii. Sworn statement that the cooperative external auditor has **engaged in an audit of at least one (1) micro cooperative** that is free of charge within the period of accreditation as part of his/her social responsibility, duly **supported with Certification from cooperatives that received the free audit**. Technical assistance and other audit services are not considered hereof.
- xiii. Sworn statement that the partnership/firm has observed the conditions prescribed under Section 10 of these guidelines.
- xiv. Evaluation sheet of Audited Financial Statements duly accomplished by the Regulation Unit of the Extension Office;

## **SECTION 3.    Application Requirements for RENEWAL of Accreditation**

These requirements for accreditation either for initial or renewal, shall be submitted in complete set together with the ORIGINAL COPIES, for authentication.

## **SECTION 4. Document Authentication**

The CDA Extension Office shall perform due diligence in verifying the authenticity of the documents submitted by the applicant. Documents shall be verified from the original copies presented by the applicant to the Cooperative Research, Information and Training Section (CRITS) in-charge at the CDA Extension Office.

## **SECTION 5. Training Requirements**

The training requirements for the Accreditation of Cooperative External Auditors shall be equivalent to a minimum of 24 hours of training both for initial and renewal accreditation.

These training shall be conducted by the PICPA in accordance with the prescribed training course outlines (Annex 4), in coordination with the CDA. The PICPA Chapter and the CDA Extension Office may conduct the training for the accreditation of cooperative external auditors, provided they secure authority/clearance from their respective national/head office.

## **SECTION 5. Training Requirements**

Further, the training attended by the CPA is valid for THREE (3) YEARS from the date of issue of the Certificate of Attendance to Training. Moreover, Certificate of Training for renewal can only be used once by the applicant. This means that the Certificate of Training which were already used for renewal of Accreditation to CDA cannot be used for another renewal.

## **SECTION 6.     Accrediting Body**

The accreditation of Cooperative External Auditor shall be approved by the CDA Board of Administrators (CDA-BOA) upon recommendation of the CRITD/IDD of the CDA-CO through the Executive Director.

The applications for accreditation shall be finally disposed of within a period of **sixty (60) days** from the receipt of completed documents by the CDA-CO.

## **SECTION 7.     Validity of Accreditation and Inclusion in the CDA List**

### **Full term**

The accreditation of external auditor shall be valid for a period of three (3) years from the date of issue.

The CDA accredited cooperative external auditors may apply for renewal of their accreditation within three (3) months prior to the expiration. The provisions of Section 3 of this Accreditation Criteria shall likewise apply.



## **SECTION 7.     Validity of Accreditation and Inclusion in the CDA List**

### **Provisional**

Provisional certification valid for one (1) year is issued for the approved application with provisional requirements, such as:

- Application for PRC BOA accreditation duly received by PRC in the case of Certification which will expire in at least six (6) months or has recently expired;
- Application for PRC ID renewal pending the release of valid ID in the case of ID which is about to expire or has recently expired; and/or
- Certificate/s (PICPA CGS, PRC BOA Accreditation, PRC ID) which are valid for six (6) months or less at the time of application.

## **SECTION 7.     Validity of Accreditation and Inclusion in the CDA List**

### **Provisional**

The cooperative external auditor shall submit to concerned CDA extension office and Central Office within the period of validity of the Provisional Certificate the needed requirements for him/her to be entitled to three (3) years accreditation period from the date of the approval of the accreditation with provisional certificate. Otherwise, the external auditor has to apply for renewal.

## **SECTION 8. Accreditation Fees**

### For Initial

Individual - Two Thousand Pesos (P2, 000.00)

Partnership or Firm – Five Thousand Pesos (P5, 000.00)

### For Renewal

Individual - One Thousand Pesos (P1, 000.00).

Partnership or Firm – Three Thousand Pesos (P3, 000.00)

## **SECTION 9.     Audit Coverage**

Accredited cooperative external auditors may accept audit engagement from different regions and shall not be limited to the region where he/she applied for accreditation.

## SECTION 10. Conditions for Engagement of an External Auditor

- a) No external auditor may be engaged/qualified in the audit of a cooperative and any of its subsidiary if he/she or any member of his/her immediate family had or has committed to acquire any direct or indirect financial interest in the cooperative, or if his/her independence is considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accountants. In the case of a partnership, this limitation shall apply to all the partners, associates, and the auditor-in-charge of the engagement and members of their immediate family up to 3<sup>rd</sup> degree of consanguinity or affinity.
- b) The external auditor and the members of the audit team do not have/shall not have outstanding loans or any credit accommodations with the cooperative at the time of signing of the engagement and during the engagement. In the case of partnership, this prohibition shall apply to all the partners and the auditor-in-charge of the engagement.

## **SECTION 10. Conditions for Engagement of an External Auditor**

- c) The external auditor must not be currently engaged nor was engaged during the past 3 years in providing the following services to the Cooperative:
  - i. Internal audit functions;
  - ii. Information systems design, implementation, and assessment; and
  - iii. Such other services, which could affect his/her independence as, may be determined by the CDA.
- d) The external auditor, auditor-in-charge, and members of the audit team must adhere to the highest standards of professional conduct and shall carry out services in accordance with relevant ethical, auditing and reporting standards, such as the Code of Professional Ethics for Certified Public Accountants; Philippine Standards on Auditing (PSA); and the Philippine Financial Reporting Framework for Cooperatives

## **SECTION 10. Conditions for Engagement of an External Auditor**

- e) For the immediate past three years, the external auditor must not have held a position relevant to the conduct of audit such as, but not limited to, Chief Executive Officer, Chief Financial Officer, Comptroller, Accountant, Bookkeeper, Audit Committee, etc;
- f) For the immediate past three years, the external auditor must not have been a member/officer of the cooperative or employee/officer of a federation/union to which the cooperative being audited is affiliated;

## **SECTION 10. Conditions for Engagement of an External Auditor**

- g) The external auditor must not be related to any officer and employee of the cooperative up to the fourth degree of consanguinity or affinity; and
- h) The external auditor, whether on his/her individual capacity or as partner of a firm, may undertake the external audit of the concerned cooperative for five (5) consecutive years, provided that the external auditor may be allowed to audit the same client after a rest period or cooling off of two (2) years. Provided further that in case of the firm/partnership, rotation among the signing partners is not allowed.



## SECTION 11. Reportorial Requirements

- a) The external auditor shall audit the financial statements of the cooperatives in accordance with Philippine Financial Reporting Framework (PFRF) for Cooperatives taking into consideration cooperative laws, rules and regulations. At the minimum, the report shall meet the following requirements:
- 1) Standard presentation of the audited financial statements with comparative figures of the immediately preceding year;
  - 2) Statement of Management Responsibility
  - 3) Statement of representation of the external auditor to the Authority
  - 4) Management Letter to Cooperative

## **SECTION 11. Reportorial Requirements**

a.1) Standard presentation of the audited financial statements with comparative figures of the immediately preceding year, which will include the following:

- Auditors' Report
- Statements of Financial Condition
- Statements of Operations
- Statements of Cash Flows
- Statements of Changes in Equity (to include changes in Statutory Funds)
- Notes to Financial Statements

## SECTION 11. Reportorial Requirements

### b) Disclosure of external auditor's adverse findings

b.1. To enable timely and appropriate remedial action, the external auditor must report to the CDA EOs where the cooperative being audited is registered, within thirty (30) calendar days after discovery, the following cases:

- Any material findings involving fraud or dishonesty (including cases that were resolved during the period of audit);
- Any potential losses the aggregate of which amounts to at least five percent (5%) of the paid-up share capital; and
- Insufficiency of the cooperative's assets to cover claims of creditors.

## **SECTION 11. Reportorial Requirements**

### **b) Disclosure of external auditor's adverse findings**

b.2. The external auditor shall report directly to the CDA EO where the cooperative being audited is registered, within fifteen (15) calendar days after the occurrence of the following:

b.2.1. Termination or resignation as external auditor, prior to the completion of audit engagement, and stating the reason thereof;

b.2.2. Discovery of a material breach of cooperative laws or these rules and regulations such as, but not limited to;

- Net worth to risk assets ratio; Loans and other risk assets review and classification using portfolio at risk; and
- Findings on matters of cooperative governance that may require urgent action by the Authority.

## **SECTION 11. Reportorial Requirements**

### **b)Disclosure of external auditor's adverse findings**

- b.3.** The external auditor shall inform and/or discuss with the management of the cooperative details of the adverse findings with the corresponding corrective measures.

## **SECTION 12.    Signing of Audit Report, in the Case of Accredited Audit Firm/ Partnership**

To ensure that the requirement of the Authority on financial audit of cooperatives are substantially complied with, only the partner/s of the audit firm/partnership who have attended the training requirements and have submitted the necessary documents to the CDA shall sign the audit report of cooperatives.

## **SECTION 13. Working Paper Retention**

In all cases, accredited external auditor shall maintain the audit working paper for a minimum period of seven (7) years.

## **SECTION 14. Updating of Records**

Records of the Accredited Cooperative External Auditors submitted to the CDA shall be valid/updated at all times. In case the effectivity/validity of these records have lapsed, the cooperative external auditor must submit the valid documents to update his/her records to the CDA. Failure to do so, shall prompt the CDA to suspend/invalidate his/her accreditation with the CDA.



## **SECTION 15. Grounds for non-renewal of Accreditation**

1. Non-conduct of at least one (1) audit service free of charge to micro cooperative;
2. Non-observance of the five (5) year limitation of audit engagement to a particular cooperative as provided in Section 10 (h) of this Guidelines and was further clarified in MC 2014-02;
3. Conduct of audit with invalid accreditation with CDA and PRC BOA, and with expired PRC ID;

## **SECTION 15. Grounds for non-approval of renewal.**

4. Commission of any or all of the grounds for revocation/cancellation of accreditation as provided in Section 16 of this Guidelines; and
5. Non-compliance with any of the provisions of this circular, and rules and regulations issued by the Authority.

## **SECTION 16. REVOCATION and/or CANCELLATION of Accreditation**

The Authority may cancel or revoke, after due notice and hearing, the Certificate of Accreditation of a cooperative external auditor on any of the following grounds:

1. Failure to adopt of the Standard Chart of Accounts, Philippine Financial Reporting Framework for Cooperatives and other standards for cooperatives;
2. Misrepresentation of Financial Statements which are used by the cooperatives in fraudulent acts;

## **SECTION 16. REVOCATION and/or CANCELLATION of Accreditation**

3. Rendering unqualified opinions for financial statements with material findings;
4. Allowing the use of Accreditation number by any unauthorized external auditor;
5. Non-compliance with any of the provisions of this Circular, rules and regulations issued by the Authority, and
6. Other acts analogous to the foregoing.

## **SECTION 16. REVOCATION and/or CANCELLATION of Accreditation**

An external auditor who found to have committed violations of any of the provisions of this Guidelines; and perform actions which resulted to the detriments of the cooperatives shall be barred from conducting audit to cooperatives and shall be blacklisted in the roster of CDA Accredited Cooperative External Auditors.

## **SECTION 17. Repealing Clause**

Memorandum Circular No. 2009 – 03 dated September 14, 2009 and all other issuances inconsistent with these guidelines shall be deemed repealed and/or modified accordingly.

## **SECTION 18. Effectivity**

This Circular shall take effect upon approval by the CDA-BOA and fifteen (15) days after publication in the Office of National Administration Register (ONAR)



# **24-hour Training Requirements**

## Prescribed courses and topics



# 24-hour Training Requirements

## Initial Accreditation

|   | TOPIC/SUBJECT MATTER                                      | REQUIRED No.<br>OF HOURS |
|---|---|--------------------------|
| 1 | Basic of Cooperatives                                     | 2                        |
| 2 | Rules and Regulations on Cooperatives                     | 6                        |
| 3 | Standard Chart of Accounts for Cooperatives               | 4                        |
| 4 | Performance Standards for Cooperatives                    | 4                        |
| 5 | Cooperative Audit   | 5                        |
| 6 | Philippine Financial Reporting Framework for Cooperatives | 3                        |
|   | TOTAL   | 24                       |



## 24-hour Training Requirements **1<sup>st</sup> Renewal** of Accreditation

| TOPIC/SUBJECT  | TOPIC OUTLINE   | NO. of HOURS |
|--|---|--------------|
| UPDATES on CDA Rules, Regulations and issuances for Cooperatives | <ul style="list-style-type: none"> <li>• CDA issuances that affect the financial operations of the cooperatives</li> </ul>                                      | 8            |
| Cooperatives Standards   | <ul style="list-style-type: none"> <li>▪ CAPR (NEW) MC 2013 -13</li> <li>▪ Cooperative Social Audit Report</li> <li>▪ Cooperative Performance Report</li> </ul> | 4            |
|  | <ul style="list-style-type: none"> <li>▪ Standard Chart of Accounts (SCA)</li> </ul>  | 4            |
|  | <ul style="list-style-type: none"> <li>▪ Philippine Financial Reporting Framework for Cooperatives</li> </ul>   | 4            |
| Audit Related Practices  | <ul style="list-style-type: none"> <li>▪ Internal Control System for Cooperatives</li> </ul>  | 4            |

# 24-hour Training Requirements

## **Succeeding Renewal** of Accreditation

| TOPIC/SUBJECT  | TOPIC OUTLINE  | NO. of HOURS |
|--|--|--------------|
| CDA UPDATES on Rules, Regulations and issuances for Cooperatives | CDA issuances that affect the financial operations of the cooperatives   | 8            |
| Cooperatives Standards   | <ul style="list-style-type: none"> <li>▪ Co-op Annual Progress Report (CAPR)</li> <li>▪ Cooperative Social Audit Report</li> <li>▪ Cooperative Performance Audit Report</li> </ul> | 4            |
|  | <ul style="list-style-type: none"> <li>▪ Standard Chart of Accounts (SCA)</li> </ul>   | 4            |
|  | <ul style="list-style-type: none"> <li>▪ Philippine Financial Reporting Framework for Cooperatives</li> </ul>  | 4            |

## 24-hour Training Requirements

### Succeeding Renewal of Accreditation

| TOPIC/SUBJECT           | TOPIC OUTLINE   | NO. of HOURS |
|-------------------------|---|--------------|
| Audit Related Practices | <ul style="list-style-type: none"> <li>▪ Internal Control System for Cooperatives</li> </ul>                        | 4            |
|                         | <ul style="list-style-type: none"> <li>▪ Working Paper Preparation</li> <li>▪ Pro-Forma Financial Report</li> </ul> | 4            |
|                         | <ul style="list-style-type: none"> <li>▪ Risk based audit for coops</li> <li>▪ Fraud Audit for coops</li> </ul>     | 4            |
|                         | <ul style="list-style-type: none"> <li>• Audit Procedures for Cooperatives</li> </ul>                               | 4            |
|                         | <ul style="list-style-type: none"> <li>• Cooperative Taxation</li> </ul>  | 4            |
|                         | <ul style="list-style-type: none"> <li>• Internal Audit Report and Management Letter Writing</li> </ul>             | 4            |
|                         | <ul style="list-style-type: none"> <li>• Ethical considerations in the Audit of Cooperatives</li> </ul>             | 4            |

## 24-hour Training Requirements Succeeding Renewal of Accreditation

| TOPIC/SUBJECT  | TOPIC OUTLINE  | NO. of HOURS |
|----------------|--|--------------|
| Other Seminars | <ul style="list-style-type: none"><li>• PICPA Cooperative Day</li></ul>    | 8            |
|                | <ul style="list-style-type: none"><li>• External Auditors' Forum</li></ul> | 8 per day    |

