



COOPERATIVE DEVELOPMENT AUTHORITY

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Memorandum Circular No. 2024-10 Series of 2024

SUBJECT : REVISED GUIDELINES ON THE CONDUCT OF INSPECTION OF COOPERATIVES

Pursuant to "**Section 4 (n) of R.A. 11364 and (B)(2)(g) of the Implementing Rules Regulations of R.A. No. 11364, provides that:**

- (n) *Conduct regular inspection or examination of a cooperative in accordance with the rules and regulations promulgated by the Authority and, when deemed necessary, conduct examination and investigation to protect the interest and welfare of the members of cooperatives and the general public.*

Section 1. Title

This issuance shall be known as the "Revised Guidelines on the Conduct of Inspection 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, the CDA adopts the inspection of cooperatives as a mechanism to directly pursue its mission of ensuring the safe and sound operation of cooperatives.

Section 3. Scope and Coverage

This Guidelines shall cover the conduct of inspection of cooperatives **except** for the following:

- a. newly registered cooperatives;
- b. cooperatives which are under dissolution, liquidation, cancellation
- c. delisted cooperatives, and:
- d. cooperatives issued with Show Cause Order (SCO) as of January 15 of the current year. However, cooperatives issued with SCO may be inspected, if necessary.

Credit Surety Fund Cooperatives (CSFCs) are likewise excluded. Inspection of CSFCs is governed by a separate guidelines.

Operations of branch/satellite offices shall be validated during the inspection of the principal office of the small, medium and large cooperatives.



Section 4. Definition of Terms

As used in these Guidelines, the following terms shall refer to:

Cooperatives Under Cancellation – cooperatives issued with an order issued by the Authority to cancel the Certification of Registration of the cooperative thereby terminating its juridical personality.

Cooperatives Under Dissolution - cooperatives issued with an Order of Dissolution

Cooperative (Coop) Inspector - CDA personnel authorized to conduct inspection.

Cooperatives Under Liquidation – cooperatives issued with an order by the Authority or by the appropriate court for the winding up of the affairs of the cooperative.

Delisted Cooperatives – cooperatives whose names are delisted or stricken out from the Registry of Existing Cooperatives after their Certificate of Registration has been ordered cancelled.

Inspection - the function exercised by the Authority to ensure that cooperatives comply with the rules and regulations, issuances of the Authority, articles of cooperation and by-laws of the cooperatives and other related laws.

Newly registered cooperatives - cooperatives with less than one (1) year of operation from the date of its registration as of December 31 of the preceding year.

Section 5. Manner of Inspection

The inspection shall be conducted by the cooperative inspector/s either onsite or off-site.

Onsite Inspection - inspection is conducted at the registered/official address of the cooperative and with physical interaction with the cooperative key-informants.

Off-site Inspection - a prudential inspection conducted based on the required reports submitted by the cooperatives and evaluation of the submitted compliance of the previous inspection findings without being physically present at the site of the cooperative.

The fifty percent (50%) of the micro cooperatives and fifty percent (50%) of the small cooperatives as determined by the Authority shall be inspected onsite, while the other fifty (50%) are to be inspected off-site. The following year, cooperatives previously inspected onsite shall be inspected off-site, and vice versa.

One hundred percent (100%) of the medium and large cooperatives shall be continually inspected onsite.

Section 6. Onsite Inspection

6.1. Sending of Notice of Inspection

A Notice of Inspection shall be sent either by registered mail, email, or personal delivery to the cooperative through its Board of Directors or the General Manager at least ten (10) calendar days prior to the conduct of the inspection.

The Notice of Inspection shall contain the following:

1. The name/s of the duly authorized inspector/s.
2. The date/duration of the inspection; and
3. Documents and records needed during the inspection including its branch/satellite office/s.

6. 2. Inspection Proper

Before the conduct of the inspection, an opening conference shall be conducted to present and discuss the objective, manner, scope , process and duration of the inspection. During the conduct of inspection, the responsible officers and personnel shall provide information, reports and documents required by the coop inspector/s.

6. 3. Exit Conference

Immediately after the onsite inspection, the coop inspector/s shall conduct an exit conference to discuss all the findings and observations with the Board of Directors and other Officers of the cooperative.

The cooperative may refute findings which are not supported by evidence. In case the cooperative show proofs to rebut such findings, the same shall be removed from the report. The cooperative may also correct the findings of the coop inspector/s ,if warranted.

6. 4. Issuance of the Inspection Report

After the exit conference, the coop inspector/s shall provide the cooperative with the copy of the final inspection report. The Chairperson and the General Manager shall sign the final inspection report to confirm the findings and commit to submit their response and compliance within fifteen (15) calendar days from receipt, and;

In case of absence of the officers authorized to sign the report, the coop inspector shall sign the report and provide the copy to any officers and staff of the cooperative.

6. 5. Submission of Management Response

Within fifteen (15) calendar days from the receipt of the Final Inspection Report , the cooperative shall submit its response to the findings, including the supporting documents, in case of compliance.

After evaluation of the response of the cooperative, the Authority may issue the following:

1. **Order to Comply** -if the submitted compliance/response is not acceptable or the cooperative undertakes to comply with the findings, or the findings was partially complied with. The Order shall state all those findings and the period of compliance. In case the findings call for the conduct of a general assembly meeting, the cooperative shall be given ninety (90) calendar days to call for the Special General Assembly Meeting.
2. **Show Cause Order (SCO)** - if the cooperative failed to comply with the Order to Comply issued in the previous year or if there are findings which warrant an immediate issuance of a SCO

Examination or Investigation may also be conducted if there are areas which need further scrutiny or in case of fraud, act or omission by an elected officer or general manager of a cooperative for possible violation of Bylaws, Rules, or Policies of a cooperative in relation to RA 9520 and its Implementing Rules and Regulations, respectively.

In case of compliance with the findings duly supported by the documents, the findings shall be considered **closed**,

If the cooperative failed to submit the management response, the Authority shall implement appropriate action based on the final inspection report.

Section 7. Presence of Officers and other Key informants During the Onsite Inspection

The General Manager/Chief Executive Officer, compliance officers , and other staff/s shall be present during the duration of the inspection.

The Chairman, members of the Board of Directors, and other officers shall be present during the opening and exit conference. Absence of the said officers constitutes waiver of their participation therein.

Section 8. Off-site Inspection

8.1. Notice to Submit

A Notice to Submit shall be sent to the cooperative, requiring it to submit proofs of compliance to the previous findings and other documents within fifteen (15) calendar days from receipt of the said notice.

The Notice to Submit shall be sent either by registered mail, e-mail, or personal delivery .If the cooperative does not acknowledge the receipt of the Notice sent through email, the fifteen (15) calendar days shall commence on the third day from sending of the said Notice.

8.2. Inspection Proper

Within seven (7) working days from the receipt, the coop inspector/s shall validate the submitted documents . The coop inspector/s may call/email or conduct a video conferencing to the cooperatives to clarify a particular matter.

8.3. Issuance of the Inspection Report

After evaluation and validation of the documents , the coop inspector/s shall provide the cooperative with the copy of the final inspection report through registered mail, e-mail or personal delivery.

8.4. Management Response

Within fifteen (15) calendar days from the receipt of the Final Inspection Report , the cooperative shall submit its response to the findings, including the supporting documents, in case of compliance.

After evaluation of the response of the cooperative, the Authority may issue the following:

3. **Order to Comply** -if the submitted compliance/response is not acceptable or the cooperative undertakes to comply with the findings, or the findings was partially complied with. The Order shall state all those findings and the period of compliance. In case the findings call for the conduct of a general assembly meeting, the cooperative shall be given ninety (90) calendar days to call for the Special General Assembly Meeting.
4. **Show Cause Order (SCO)** - if the cooperative failed to comply with the Order to Comply issued in the previous year or if there are findings which warrant an immediate issuance of a SCO

Examination or Investigation may also be conducted if there are areas which need further scrutiny or in case of fraud, act or omission by an elected officer or general manager of a cooperative for possible violation of Bylaws, Rules, or Policies of a cooperative in relation to RA 9520 and its Implementing Rules and Regulations, respectively.

In case of compliance with the findings duly supported by the documents, the findings shall be considered **closed**,

If the cooperative failed to submit the management response, the Authority shall implement appropriate action based on the final inspection report.

Section 9. Prohibited Acts or Omissions

Consistent with Article 140 of RA 9520, any responsible officer or employee of the cooperative shall be penalized, after due notice and hearing, for the following violations:

- a) Omission or refusal to furnish any information, report or other document required under RA 9520;
- b) Providing information, reports, or other documents to the CDA which the persons responsible know to be false or misleading;
- c) Omission or refusal to keep a book or registry required under RA 9520 or to make the required entry therein;

- d) Making an entry required under RA 9520 in a book or registry which the persons responsible know to be misleading;
- e) Hindering an authorized inspector from making an inspection or refusal of the cooperative to be inspected;
- f) Failure to comply with an order or written instruction issued or given by the CDA;
- g) Violation of the provisions regarding transactions with a restricted party; and
- h) 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 10. Repealing Clause

All guidelines, circulars, or similar issuances that pertain to the conduct of inspection of cooperatives are hereby repealed;

Section 11. 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.

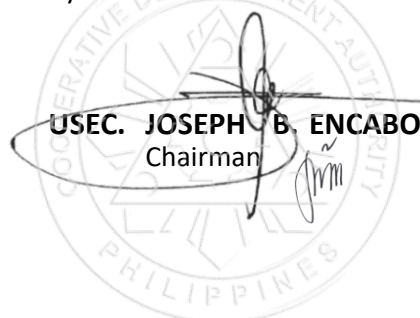
Section 12. Effectivity

This Memorandum Circular shall take effect immediately upon completion of its publication in the Official Gazette or in the newspaper of general circulation and the filing of the copy thereof with the Office of the National Administrative Registry (ONAR).

Approved pursuant to BOA Resolution No. 212 S-2024 dated February 27, 2024.

Issued this 1st day of April 2024/

For the Board of Directors
By:


USEC. JOSEPH B. ENCABO
Chairman

The signature is a stylized cursive script in black ink, written over a circular official seal. The seal contains the text 'COOPERATIVE DEVELOPMENT AUTHORITY' at the top and 'PHILIPPINES' at the bottom, with a central emblem. The signature is written across the center of the seal.

Final