



# Philippine Ports Authority Employees Development Cooperative

## **MANUAL OF POLICIES**

**FIRST EDITION  
February 2013**

# PREFACE

With the continuing developments in the cooperative movement, we need to fast track our efforts in professionalizing the management and operations of our esteemed cooperative. We need to get hold of the opportunities that lie ahead of us to ensure its responsiveness and sustainability.

In the past years, PPAEDCO issued separate policy pronouncements in various areas. In keeping with the CDA requirements, however, we need to put together all these policies in one cover that could easily be accessed by everyone. This may be a daunting task for us, yet it is our shared responsibility to ensure transparency, efficiency and effectiveness in our operations.

Through a consultative and participative approach, we formulated this manual of policies which is being presented into different sections and contains the vital information on governance, ethics, election, human resource, lending/credit, business, accounting and finance. In the preparation of the manual, we took into consideration our amended Articles of Cooperation and By-Laws, the new Cooperative Code and the universally accepted and/or best cooperative practices, among others.

Observing the time-honored cooperative principle on information sharing, it is aimed that while we comply with the requirements of the government, we also educate everyone regarding the various policies of the cooperative. It is likewise expected that all those in-charge will continually review this manual to cope with the future challenges besetting the cooperative.

We deeply acknowledge those who offered their unflagging support which made possible the issuance of this manual.

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### **LIST OF COMMONLY USED ABBREVIATIONS/ACRONYMS**

AC- Audit Committee
AGA – Annual General Assembly;
AR – Annual Report
BOD – Board of Directors
CDA – Cooperative Development Authority

GA – General Assembly
MIGS – Member in Good Standing
MOP – Manual of Policies
PPA – Philippine Port Authority
PPAEDCO – Philippine Ports Authority Employees Development Cooperative

### **BRIEF HISTORY**

In early 1970s, a group of personnel from the finance office of the Philippine Ports Authority (PPA) Head Office pooled their resources to form a common fund from which were drawn financial loans to members in times of need. The group, who managed the fund under the “paluwagan” concept, expanded its membership and activities over the years.

Inspired by the modest success of its operation, the group worked for the formal organization of a credit union, which was initially called the PPA Employees Kilusang Bayan for Credit, Inc. (PPAEKBA). Membership to PPAEKBA was limited to officers and employees from the PPA offices based in Manila. Its operations as a credit union continued until the early 1990’s.

The steady growth of PPAEKBA, in terms of membership and resources, is faced with an equal demand for more services other than its savings and loan facilities. Hence, in 1993 PPAEDCO was formally registered out of the start up funds of PPAEKBA. It was registered with CDA on December 14, 1993, as a multi-purpose cooperative. The aggressiveness of the cooperative in engaging into other services is observed in its Articles of Cooperation. Its members have wanted not only goods and services for themselves but have aspired as well to position the cooperative as an important contributor for the socio-economic development of various entities in the area where it operates.

## **VISION**

“A leading cooperative committed and responsive to the needs of its members”

## **MISSION**

“To provide quality products and services for the socio-economic development of all members”

## **VALUE PROPOSITION**

“Serbisyo Sigurado, Atin ‘to!”

## **CORE VALUES**

Our core values include Responsibility, Cooperation and Reliability.

## **COOPERATIVE PRINCIPLES**

(1) Voluntary and Open Membership - Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, cultural, political or religious discrimination.

(2) Democratic Member Control - Cooperatives are democratic organizations that are controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives, directors or officers are accountable to the membership. In primary cooperatives, members have equal voting rights of one-member, one-vote. Cooperatives at other levels are organized in the same democratic manner.

(3) Member Economic Participation - Members contribute equitably to, and democratically control, the capital of their cooperatives. At least part of that capital is the common property of the cooperative. They shall receive limited compensation or limited interest, if any, on capital subscribed and paid as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative by setting up reserves, part of which should at least be indivisible;

benefitting members in proportion to their patronage of the cooperative's business; and, supporting other activities approved by the membership.

(4) Autonomy and Independence - Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including government, or raise capital from external sources, they shall do so on terms that ensure democratic control of their members and maintain their cooperative autonomy.

(5) Education, Training and Information - Cooperatives shall provide education and training for their members, elected and appointed representatives, managers, and employees, so that they can contribute effectively and efficiently to the development of their cooperatives.

(6) Cooperation Among Cooperatives - Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

(7) Concern for Community - Cooperatives work for the sustainable development of their communities through policies approved by their members.

## **MANUAL OF POLICIES**

### **A. CODE OF GOVERNANCE**

This Code is consistent with the state's policy to actively promote cooperative governance reforms in the cooperative to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power toward the attainment of equity, sustainable economic development and social justice.

In accordance with the principles of self-reliance, self-regulation and subsidiarity, our governance approach is based on compliance with a voluntary code with disclosure transparency, openness, integrity,

accountability and participation. This is directed at establishing best practices to hasten the wide adoption of good governance principles and allowing flexibility in its acceptance and implementation. Hence, this initiative is a continuing process of raising standards in cooperative governance.

## **Article I THE BOARD OF DIRECTORS**

Section. 1. The BOD is primarily responsible for the governance of the cooperative. The administration and management of the affairs of the cooperative is within the duty and power of the Board. In the absence of fraud, bad faith or negligence which will amount to a breach of contract, the members cannot interfere with the exercise of cooperative judgment by the Board relating to the management of the cooperative. However, the management powers refer only to management prerogative, to an ordinary cooperative transaction. There are some powers which are reserved to the members and which cannot be exercised solely by the directors until they are approved or ratified by the members.

Section 2. The BOD collectively and individually, in the performance of its duties and responsibilities, should take into consideration the welfare and well-being of the general membership and its employees as well as the advancement of the cooperative, the community and the nation in the formulation of resolutions and policies. As such, it should exercise its functions with due care and prudence like a good father of a family and must be thoroughly knowledgeable on the management and operation of its cooperative. Specifically, it should:

1. Adopt bold and aggressive policies that can withstand the rigors of public scrutiny and a policy of transparency for the welfare of the general membership;
2. Seek new and better ways in making the cooperative responsive, viable and progressive;

3. Coordinate with the committees and management to effect harmonious business operation;
4. Be supportive of the union's and federation's program and activities where his cooperative is a member;
5. Respect the powers of the Manager as duly defined in the Articles of Cooperation and By-laws of the cooperative;
6. Must not engage in the business which directly competes with the business of the cooperative;
7. Must not be an officer of any cooperative whose business is in conflict with the line of business of the cooperative, except in secondary organizations like Federation.

Section 3. Thus, while the performance of the cooperative functions, pertaining to the management of the cooperative is vested upon the Board, the Cooperative Code has explicitly restricted such Board authority and made certain cooperative action to rest for their validity upon the concurrence of the required statutory votes of the members by prior action or subsequent ratification. These are as follows:

1. Amendments to Articles of Cooperation and By-laws;
2. Division of cooperative;
3. Merger and consolidation of cooperative;
4. Investment of cooperative's fund in another business or for any purpose other than the primary purpose;
5. Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the cooperative's assets;
6. Incur, create or increase bonded indebtedness;
7. Removal of elective director, officers or committee members; and,
8. Dissolution of the cooperative.

Section 4. Composition of the Board. The Board shall be composed of not less than seven (7) members elected by the GA for a term fixed in the by-laws not exceeding two (2) years and shall hold office until their successors are duly elected and qualified, or until duly removed for cause.

Section 5. The Board and Committee Composition shall consider the following parameters:

1. Financial management skills, when applicable, and the character of the Board and Committee members.
2. Directors' and Committee Members' commitment to the mission of the cooperative;
3. Directors' and Committee Members' ability and willingness to fulfill duties of care, loyalty and obedience;
4. Directors' and Committee Members' commitment to develop knowledge and skill of new existing members;
5. Directors' and Committee Members' performance evaluations.

Section 6. The following are the roles of the Board Chairperson:

1. To head up the cooperative, guide the Board, maintain maximum security and steady progress of the cooperative and be continually alert to needed change;
2. His relationship with other members of the BOD is one of being first among equals. As chief governance officer, he executes the law, the by-laws and the will of the majority of the Board. This is covered by ordinary rules of courtesy and parliamentary rules of order. By being first among equals also means obedience to the formal decision of the majority. He ensures ample discussion, debate and achieves consensus among the Board;

3. The Chairperson ensures that policies/actions are given to management and implemented.

Section 7. Board-Management Relations

1. It is to be emphasized that the relationship between an elected Board and professional management is complementary and mutually reinforcing;
2. The General Manager shall be the Chief Executive Officer of the cooperative but shall not be a member of the Board. He/She is responsible for the implementation of the policy of the BOD. Among his/her major responsibilities is to keep the BOD informed; and,
3. The relationship between the BOD and management must have clarity about roles and responsibilities of each and about the complementarity of both. The BOD exercises this responsibility by drawing on the institutional memory of directors, making binding decisions as a group and maintaining prudent distance from daily operations.

Section 8. Qualifications of a Director. In general, any member of a cooperative who under its by-laws has the right to vote and be voted for and who possesses all the qualifications and none of the disqualifications provided by law or in the by-laws is qualified to be member of the Board. It is further required that those who are nominated for directorship:

1. Are not delinquent in the payment of their loans and all other obligations to the cooperative;
2. Be present during the General Assembly so that they can personally attest to their willingness or unwillingness to serve the cooperative; and,

3. Completed the required education and training as provided in RA 9520.

Cessation as member automatically disqualifies any member from becoming a Director. Cooperatives are for Filipino citizens only.

Section 9. Disqualifications of a Director. Any member who is under any of the following circumstances shall be disqualified to be elected as a member of the Board or any committee or to continue as such:

1. Holding any elective position in the government except that of a party list representative or being an officer of a cooperative he or she represents;
2. Having served as Director of the cooperative for three (3) consecutive terms;
3. The members of the BOD shall not hold any other position directly involved in the day-to-day operation and management of the Cooperative;
4. Having direct or indirect personal interest with the business of the Cooperative;
5. Having been absent for three (3) consecutive regular meetings without reasonable cause;
6. Being an official or employee of the Cooperative Development Authority;
7. Having been convicted in administrative proceedings or civil/criminal suits involving financial and/or property accountability;
8. Being an official of other Cooperative within the area of its operation; or,
9. Having been disqualified by law:

Section 10. The Board may also provide for the temporary disqualification of a Director for the following reasons:

1. Absence or non-participation for whatever reason/s for more than two (2) times in meetings, whether regular and special, of the board of directors during the incumbency or any twelve-(12) month period during said incumbency. This disqualification applies for the purposes of the succeeding election;
2. Conviction that has not yet become final referred to in the grounds for the disqualification of Directors;
3. Being under preventive suspension by the cooperative;
4. If the share capital holdings of the Director exceeded five (5%) percent of the share capital of the cooperative.

Section 11. Five (5) Basic Board Functions:

1. Trustee function. The Board represents member shareowner, provides stewardship on their behalf;
2. Prime Decision Center - The BOD has ultimate authority for the management of cooperatives;
3. Perpetuity Function. The fundamental task of the BOD is to provide for continuity of the cooperative. The Board ensures that members of BOD and sub-committees are competent and understand their roles and responsibilities. The Board ensures training and development of all volunteers to ensure their effectiveness;
4. Advisory Function. The Board acts in an advisory capacity for management of the coop, Sub-committees and membership. Board

may advise members of need for changes in policies, by-laws and market strategies for the well being of the whole cooperative. In same way, the Board may act as advisory group for others, reviewing decision or actions they have taken;

5. Symbolic function - The Board is considered as symbol of strength and leadership within the cooperative and the community. The Board must perform the function with high degree of professionalism and integrity.

#### Section 12. Specific Functions and Responsibilities of the BOD:

1. Provides general policy direction;
2. Formulates strategic development plan;
3. Determines and prescribes the organizational and operational structure;
4. Reviews the Annual Plan and Budget and recommends for the approval of the GA;
5. Establishes policies and procedures for the effective operation and ensures effective implementation of such;
6. Evaluates the capability and qualification and recommends to the GA the engagement of the services of the External Auditor;
7. Appoints the members of the Mediation/Conciliation and Ethics Committee and other Officers as specified in the Code and Cooperative By-Laws;
8. Declares the members entitled to vote.
9. Decides election related cases involving the Election Committee and its members;

10. Acts on the recommendation of the Ethics Committee on cases involving violations of Code of Governance and Ethical Standards; and

11. Performs such other functions as may be prescribed by the By-Laws or authorized by the GA.

#### Section 13. Internal Control Responsibilities of the Board:

1. The control environment is composed of:
  - a. The Board which ensures that the cooperative is appropriately and effectively managed and controlled;
  - b. Management that actively manages and operates the cooperative in a sound and prudent manner;
    - a. The organizational and procedural controls supported by an effective management information system and risk management reporting system, and
    - b. The independent audit mechanisms to monitor the adequacy and effectiveness of the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
2. The minimum internal control mechanisms for the Board's oversight responsibility may include:
  - a. Defining the duties and responsibilities of the GM;

- b. Selecting or approving an individual with appropriate ability, integrity, experience to fill the GM role;
- c. Reviewing proposed senior management appointments;
- d. Ensuring the selection, appointment and retention of qualified and competent management;
- e. Reviewing the cooperatives' personnel and human resource policies and sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers and management succession plan.

Section 14. The minimum internal control mechanisms for management's operational responsibility would center on the GM, being ultimately accountable for the cooperatives' organizational and procedural controls.

Section 15. Election, Vacancies and Removal of the Members of the Board of Directors

- 1. The members of the Board shall be elected by secret ballot by members entitled to vote during the AGA meeting or special GA meeting called for the purpose;
- 2. Any vacancy occurring in the Board by reason of death, incapacity, removal or resignation may be filled up by a majority vote of the remaining Directors, if still constituting a quorum, otherwise, such vacancy shall be filled by the GA in a regular or special meeting called for the purpose;
- 3. A Director may be removed from office for cause by a vote of at least two-third (2/3) of the members entitled to vote and constituting a quorum in a regular or special GA called for the purpose after having been given the opportunity.

Section 16. The Board Committees. The Board shall constitute Committees in aid of good cooperative governance.

**A. Composition**

- 1. **The Election Committee** – This shall be composed of at least three (3) members to be elected during the GA meeting and shall hold office for a term of one (1) year or until their successors shall have been elected and qualified. Within ten (10) days from their election they shall elect from among themselves a Chairperson, Vice Chairperson and a Secretary. No member of the Committee shall hold any other position within the cooperative during his term of office.
- 2. **The Audit Committee** – This shall be composed of at least three (3) members to be elected during the regular GA meeting and shall hold office for a term of one (1) year or until their successor shall have been elected and qualified. Within ten (10) days from their election, they shall elect among themselves a Chairperson, Vice Chairperson and a Secretary. No member of the Committee shall hold any other position within the Cooperative during his term of office.
- 3. **The Education and Training Committee** – This shall be composed of at least three (3) members to be appointed by the Board and shall serve for a term of one (1) year without prejudice to their re-appointment.
- 4. **The Credit Committee** - This shall be composed of at least

three (3) members to be elected during the regular GA and shall hold office for a term of one (1) year or until their successor shall have been elected and qualified. Within ten (10) days from their election, they shall elect among themselves a Chairperson, Vice Chairperson and a Secretary. No member of the Committee shall hold any other position within the Cooperative during his term of office.

cooperative by an independent CPA.

**b. Social Audit** shall be institutionalized in the cooperative system.

## **B. Roles of Committees:**

1. The **Election Committee** shall promulgate rules and regulations which shall govern the conduct of elections, pass upon the qualifications of the candidates, supervise the conduct of elections, canvass and certify in writing the returns, proclaim the winning candidates and hear and decide election protests.

During pre-post election period, the Election Committee may be tasked by the Board to undertake by the Board to undertake special studies or assignments that are geared towards improving and/or promoting the services of the Cooperative.

2. The **Audit Committee** shall provide internal audit service, maintain a complete record of its examination and inventory and submit an audited financial report as may be required by BOD and GA.

**a. External Audit.** At least once a year the BOD shall, in consultation with the Audit Committee, conduct audit of books of accounts of the

3. The **Education and Training Committee** shall be responsible for the planning and implementation of all informational, educational and human resource development program of the cooperative for its members and officers.

4. The **Credit Committee** shall be responsible in looking into all loan transactions and must see to it that all requirements in the granting of loans are met in accordance with the credit policy.

The Credit Committee shall pass upon all loan applications and ensure that only those which adequately meet the requirements pursuant to existing credit/lending policy are endorsed for loan processing.

The Credit Committee shall also cause the issuances of proper notices to members who default on the payment of their loans and recommends to the Board the declaration of "in-default" status of members concerned.

5. The **Mediation and Conciliation Committee** shall:

- 5.1 Formulate and develop the Conciliation-Mediation Program and ensure that it is properly implemented;
- 5.2 Monitor Conciliation-Mediation program and processes;
- 5.3 Submit semi-annual reports of cooperative cases to the

- Authority within 15 days after the end of every semester;
- 5.4 Accept and file evaluation reports;
- 5.5 Submit recommendations for improvements to the BOD;
- 5.6 Recommend to the BOD any member of the cooperative for conciliation-mediation training as Cooperative Mediator-Conciliator;
- 5.7 Issue the Certificate of Non-Settlement; and,
- 5.8 Perform such other functions as may be prescribed in the By-Laws or authorized by the GA.

6. The **Ethics Committee** shall:

- 6.1 Develop Code of Governance and Ethical Standards to be observed by the members, officers and employees of the cooperative subject to the approval of the BOD and ratification of the GA;
- 6.2 Disseminate, promote and implement the approved Code of Governance and Ethical Standards;
- 6.3 Monitor compliance with the Code of Governance and Ethical Standards and recommend to the BOD measures to address the gap, if any;
- 6.4 Conduct initial investigation or inquiry upon receipt of a complaint involving Code of Governance and Ethical Standards and submit report to the BOD together with the appropriate sanctions;
- 6.5 Recommend ethical rules and policy to the BOD;
- 6.6 Perform such other functions as may be prescribed in the By-Laws or authorized by the GA.

Section 19. Cooperative Officers. The following shall be the Officers of the Cooperative:

1. **The Chairperson and Vice Chairperson** who shall be elected by the Board from among themselves;
2. **Other officers of the cooperative i.e. Secretary and Treasurer**, shall be elected or appointed by the Board from outside the Board in accordance with the by-laws.

Section 20. The above officers of the cooperative; elected or appointed, are mandated by the provision of the Cooperative Code to be not related to each other, either by consanguinity or affinity up to the third degree.

The degrees of relationship covered by the prohibition are shown hereunder:

<b>Relationship</b>		
<b><u>Degree</u></b>	<b><u>By Consanguinity</u></b>	<b><u>By Affinity</u></b>
1 <sup>st</sup> degree	Parents to son/daughter	Parents-in-law to son/daughter-in-law
2 <sup>nd</sup> degree	Grandparent to grandchild	Brother/sister-in-law to sister/brother-in-law
3 <sup>rd</sup> degree	Brother to sister Great grandparents To great grandchild	Great grandparent-in-law to great Grandchild-in-law
	Uncle/aunt to nephew/niece	Uncle/aunt-in-law to nephew/niece-in-law

Section 21. Husband and wife, although not considered relatives by consanguinity or affinity, are likewise prohibited to serve as elected or appointed officers in the same cooperative, for the reason they are considered as one person with the same interests:

Section 22. Duties and Responsibilities of the Officers. The cooperative shall have a Chairperson, Vice Chairperson, Treasurer and a Secretary who shall serve according to

the functions of their respective offices as follows:

1. The Chairperson shall:

- a. Set the agenda for board meetings in coordination with the other members of the cooperative;
- b. Preside over all meetings of the BOD and of the GA;
- c. Sign contracts, agreements, certificates and other documents on behalf of the cooperative as authorized by the BOD or by the GA;
- d. Issue Certificate of Non-affiliation with the Federation or Union; and
- e. Perform such other functions as may be authorized by the BOD or by the GA.

**2. The Vice Chairperson:**

In the absence or incapacity of the Chairperson, he/she shall:

- a. Perform all the duties and responsibilities of the Chairperson in the absence of the latter;
- b. Act as ex-officio chairperson of the Education and Training Committee; and,
- c. Perform such other duties as may be delegated by the BOD.

**3. The Treasurer, who shall not be a member of the Board of Directors shall:**

- a. Ensure that all cash collections are deposited in accordance with the policies set by the BOD;

- b. Have custody of all funds, securities, and documentations relating to all assets, liabilities, income and expenditures;
- c. Monitor and review the financial management operations of the cooperative, subject to such limitations and control as may be prescribed by the BOD;
- d. Maintain full and complete records of cash transactions;
- e. Maintain a Petty Cash Fund and Daily Cash Position Report; and,
- g. Perform such other functions as may be prescribed by the By-Laws.

**4. The Secretary, who shall not be a member of the Board shall:**

- a. Keep an updated and complete registry of all members' record, prepare and maintain records of all minutes of all meetings of the BOD and the GA;
- b. Ensure that all necessary BOD actions and decisions are transmitted to the management for compliance and implementation;
- c. Issue and certify the list of members who are in good standing and entitled to vote as determined by the BOD;
- d. Prepare and issue Share Certificates;
- e. Serve notice of all meetings called and certify the presence of quorum of all meetings of the BOD and GA;
- f. Keep copy of the Treasurer's report and other reports;

- g. Serve as custodian of the Cooperative seal; and
- h. Perform such other functions as may be prescribed in the By-Laws or authorized by the GA.

### **C. The Management Staff**

The Board shall appoint the members of the Management Staff, fix the compensation and tenure of office.

#### **1. Minimum Composition:**

- a. The General Manager (GM)
- b. Accountant/Bookkeeper

Other members of the management staff may be proposed by the GM and subject to the approval of the Board. The Board shall approve the qualifications, duties and responsibilities, salaries, and terms of office of the additional staff.

#### **1. Qualifications of:**

##### **The General Manager**

- a. Must be familiar with the business application of the cooperative;
- b. Must have at least two (2) years experience in the operation of the cooperative or related business;
- c. Must not be engaged directly or indirectly in any activity similar to the business of the cooperative;
- i. Must not have been convicted of any administrative, civil or criminal case involving moral turpitude, gross negligence or grave misconduct in the performance of duties;

- j. Must not be addicted to any form of gambling or immoral or vicious habits;
- k. Must have no pending administrative, civil or criminal case involving financial and property accountabilities at the time of appointment; and
- l. Must be willing to undergo pre-service and/or in-service training as required by RA 9520.

##### **The Accountant/Bookkeeper**

- a. Must be knowledgeable in accounting and bookkeeping and must have at least two (2) years experience in cooperative or related business;
- b. Must not be engaged directly or indirectly in any activity similar to the business of the cooperative;
- c. Must not be convicted of any administrative, civil or criminal case involving moral turpitude, gross negligence, or grave misconduct in the performance of his duties;
- d. Must not be addicted to any form of gambling or immoral or vicious habits;
- e. Must be willing to undergo pre-service and/or in-service training in accounting; and
- f. Must have no pending administrative, civil or criminal case involving financial and/or property accountabilities at the time of appointment.

## 2. Duties of:

### **The General Manager**

- a. Has a general charge of all the phases of the business operations of the cooperative subject to the policies and guidelines set by the Board and the GA;
- b. Maintains records and accounts of the cooperative in such manner that the true conditions of its business may be ascertained therefore at any time;
- c. Renders reports monthly, annually or as may be required by the Board or the GA and preserve the books, documents, correspondence and records of whatever nature concerning the operations of the cooperative which may come into his/her possession;
- d. Subject to the policies set by the Board, employs, supervises and/or dismisses any agent or employee in the management force; and
- e. Performs such other duties as the Board may prescribe and turns over to its successor all properties belonging to the cooperative in its possession or over those it has control upon the expiration/termination of the service.

### **The Accountant/Bookkeeper**

- a. Installs an adequate and effective accounting system within the cooperative;
- b. Renders reports on the financial condition and operations of the cooperative monthly, annually or as may be required by the Board and/or the GA;

- c. Provides assistance to the Board in the preparation of annual budget;
- d. Keeps, maintains and preserves all books of accounts, documents, vouchers, contracts, and other records concerning the business of the cooperative and makes them available for auditing purposes to the Chairperson of the Audit Committee; and
- e. Performs such other duties as the Board may require.

### **D. Task/Job Descriptions of BOD, Committee Members and Management Staff**

Job descriptions of the elected Board, committees, and professional management shall form as integral part of this Manual.

### **E. Performance Evaluation of Cooperative Officers**

#### **1. Committees**

In the performance of their duties and responsibilities, the Committees should:

- a. Formulate sound policies subject to the approval of the Board;
- b. Prepare an annual program of activities to be approved by the Board and to be integrated with the Cooperative's annual plans and budget;
- c. Actively pursue, specially the Committee on Education and Training, the development of its members, promote the understanding of the affairs of the cooperative, and foster harmonious relationship and cooperation.

## 2. Officials

- a. The officials that include the managers and other supervisors, in the performance of their function should be honest, sincere, trustworthy, dedicated and capable;
- b. They are expected to be updated on the day-to-day affairs of the cooperative movement. To be more effective in their performance, they should refrain from any business activity which is in direct conflict with that of the cooperative and must at all times not use the cooperative for their personal interest.

## 3. Employees

- a. The employees who should be regular (Category C) members of the cooperative must be of good moral character, honest, dedicated and committed to the cooperative and to their tasks behaving as model employees;
- b. They have to be prompt and polite when dealing with the officers and members of the Cooperative;
- c. They must observe at all times the policies, guidelines and procedures of the Cooperative and those instituted by the Management of the Cooperative;
- d. They must handle every cooperative transaction with transparency and attend to needs of members on a "first-come-first-served-basis" to promote professionalism, objectivity and fairness in the work place. Take the initiative

to develop themselves, and undergo training, seminar and other manner of education to improve their competence and perspective.

Section 21. Meetings. Board meetings are for weighing, deliberating, analyzing and deciding on competing ideas or viewpoints of the Directors before arriving at well thought of decisions or policies.

1. Regular meetings shall be held monthly unless the by-laws provides otherwise;
2. Special meetings shall be held any time upon the call of the Chairperson, or in his/her absence, the Vice Chairperson, or majority of the Directors, or as provided by the by-laws;
3. The regular or special meetings shall be for the purposes of treating of a clear agenda furnished by the Board Secretary in the notice;
4. The cooperative by-laws prescribe the venue of the member's meeting. The cooperative, its directors, officers and members are bound and must comply with them. Thus, unless and until the cooperative by-laws are changed, modified or repealed in accordance with Article 18 of the Cooperative Code, the cooperative is duly bound to observe and follow the same. Failure to comply with the mandatory requirement will not render the meeting illegal, provided all the members of the cooperative are present.

### A. Manner of Voting

Directors cannot attend or vote by proxy at the Board meeting.

## **B. Board Quorum**

A majority of the members of the Board shall constitute a quorum for the conduct of business, unless the by-laws provide otherwise.

Section 22. Compensation. Subject to the approval of the GA, the members of the Board and committee may, in addition to per diems for actual attendance to Board and committee meetings and reimbursement of actual and necessary expenses while performing functions in behalf of the Cooperative, be given regular compensations provided that an additional compensation other than the per diem shall not be paid during the first year of the existence of the cooperative.

Section 23. Liabilities of Cooperative Officers. Directors, officers, and committee members who willfully and knowingly vote for or assent to patently unlawful acts, or who are guilty of gross negligence or bad faith in directing the officers of the cooperative or acquire any personal or pecuniary interest in conflict with their duties as Directors, Officers and Committee member shall be liable jointly and severally for all damages resulting therefrom to the cooperative, members and other persons.

When a Director, Officer or Committee member attempts to acquire or acquire in violation of his duties, any interest or equity adverse to the cooperative in respect to any matter which has been reposed in him in confidence, he shall, as a trustee for the cooperative, be liable for the damage or loss of profits which otherwise would have accrued to the cooperative.

Section 24. The External Auditor. At least once a year, the Board shall, in consultation with the Audit Committee, cause the audit of the books of the cooperative by a CDA-accredited and independent Certified Public Accountant.

The external auditor of the cooperative shall not at the same time provide the service of an internal auditor to the same client.

The other non-audit work shall not be in conflict with the functions of the external auditor.

The reason/s for resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the cooperative's annual and current reports.

Section 25. The Annual Report. The annual report shall be certified by the Chairperson and Manager of the cooperative as true and correct in all aspects to the best of their knowledge.

The report shall be submitted during the annual regular GA meeting and copies shall be given to all members of the cooperative.

A copy of the annual report and audited financial statements shall be submitted to Cooperative Development Authority within one hundred twenty (120) days from the end of every calendar year.

Section 26. Membership. Cooperative governance and management start with the general membership which formulates and approved policies through the elected Board to manage the execution of policies. The GA shall be the final arbiter and judge of all disputes brought before it. As an institution that is user-controlled, user-owned and in which benefits flow to user-patrons, the coop governance structure and dynamics shall be fundamentally based on the seven (7) cooperative principles, - voluntary and open membership, democratic member control, member-economic participation, autonomy and independence, education, training and information, cooperation about cooperatives and concern for community. The member's obligations and rights shall be properly disseminated to ensure smooth flow of business between officials and members. Member ownership of the coop shall be sustained and maintained.

Section 27. Duties and Responsibilities of a Member:

1. Pays the installment of his share capital subscription as it falls due and participates in the capital build-up and savings mobilization of the cooperative;
2. Patronizes the cooperatives businesses and services;
3. Participates in the membership education program ;
4. Attends and participates in the deliberation of all matters taken during the general assembly meetings;
5. Observes and obeys all lawful orders, decisions, rules and regulations adopted by the BOD and the GA; and
6. Promotes the goals and objectives of the cooperative, the success of its business, the welfare of its members and the cooperative movement in general.

Section 28. Standard of Personal Conduct. The cooperative members, officials and employees shall observe the standards of personal conduct in the discharge and execution of their official duties.

The Cooperative Member-Owner is expected to:

1. Respect and observe proper decorum considering the organizational hierarchy;
2. Be receptive to constructive criticisms by developing and maintaining emotional maturity and stability;
3. Be actively involved in cooperative and community affairs;
4. Refrain from giving and receiving gifts to obtain or in exchange for favor, engaging in activities inimical to the interest of the cooperative and using the cooperative for personal interest.

Section 29. Rights, Privileges and Obligations. Any cooperative member should be a member of only one cooperative of the same type in the same area and should exercise his/her responsibilities, rights and privileges as defined in the Articles of Cooperation and By-laws. He/she must therefore be:

1. A member in good standing by:
  - a. attending pre-membership seminar before applying for membership;
  - b. subscribing and paying at least the minimum requirement for a full-pledged member;
  - c. paying the installments on capital stock subscription as it falls due and participating in the capital build-up of the cooperative;
  - d. attending all meetings particularly the GA and all continuing educational programs of the cooperative;
  - e. paying all his obligations promptly; and
  - f. patronizing regularly the services of the cooperative.
2. Promoting the purposes and objectives of the cooperative, the success of its business, the welfare of its members and the cooperative movement as a whole by:
  - a. Obeying the rules and regulations provided in the implementing Rules and Regulations of RA 9520, the By-laws, decisions of the GA and the BOD and the policies and decisions that may be promulgated by the CDA;
  - b. Showing interest and extending know-how,

resources and time for cooperative betterment; and

c. Participating in its parliamentary affairs.

3. Preparing himself to assume responsibilities and obligations toward the cooperative and the community; and

4. Believing that the cooperative is the better way to improve his life and that of his community. The member therefore has to:

a. Defend and promote the cooperative;

b. Project a nationalistic and pro-people attitude;

c. Be a model member of his cooperative and a model employee of the organization; and

d. Be willing to assist his co-members in the organization.

#### D. Rights of a Member Entitled to Vote

1. Participate and vote on all matters deliberated upon during GA meetings;

2. Seek any elective or appointive position subject to the provision of the by-laws and the RA 9520;

3. Avail of the services of the cooperative, subject to certain conditions as may be prescribed by the BOD;

4. Inspect and examine the books of accounts, the minute books, the share register, and other records of the cooperative during office hours; and

5. Such other rights and privileges as may be provided by the GA.

#### E. Members Benefit

##### 1. Voting Right

The members have the right to elect, remove and replace Directors and vote on certain cooperative acts in accordance with the Cooperative Code.

##### 2. Power of Inspection

All members shall be allowed to inspect cooperative books and records including minutes of Board Meetings and stock registries during office hours in accordance with the Cooperative Code and shall be furnished with Annual Reports, including financial statements, without cost or restrictions.

A member has the right to examine the records kept by the cooperative during reasonable business hours and may demand, in writing, for a copy of excerpts from said records without charge except the cost of reproduction.

The words "reasonable business hours" mean the time during which the cooperative office is open for the regular transaction of business. The right may be exercised either by the member himself or by any proper representative or attorney-in-fact who may be an accountant or a lawyer or any person who can help the member understand and interpret the cooperative records and either with or without the attendance of the member.

Disallowing a member to examine and get copies of cooperative records is

punishable. The cooperative officers who refuse without valid reason a request of a cooperative member to examine and copy cooperative records shall be held liable to such member for damages and shall be guilty of any offense which shall be punishable under the Cooperative Code. If such refusal is pursuant to a resolution or order of the BOD, the liability shall be imposed upon the directors who voted for such refusal except when the member requesting the examination and copying of records will use the information improperly or illegally and is acting in bad faith. The privilege however is not absolute and the cooperative may show in defense that the member is acting from wrongful motive. The exercise of the right of inspection of cooperative books and records should be for legitimate purposes. This means that the intention should be germane to the interest of the member as such, as where the purpose is to find the actual financial condition of the cooperative on how its investment is being used. Likewise, the purpose should not be contrary to the interest of the cooperative nor it should be made to gratify a member's curiosity or for a speculative purpose.

### **3. Right to Information**

The members shall be provided, upon request, with periodic reports which disclose personal and professional information about the Directors and officers and certain other matters such as their holdings of the cooperative's shares, dealings with the company, relationship among directors

and key officers, and the aggregate compensation of directors and officers.

The members shall have access to any and all information relating to matters for which the management is accountable and to those relating matters for which the management shall include such information.

The members shall have the right to propose call the holding of meetings and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

### **4. Right to Interest in Share Capital and Patronage Refund**

#### **a) Interest in Share Capital**

The net surplus less the mandated statutory reserves shall be made available to the members in the form of interest on share capital not to exceed the normal rate of return on investment prescribed by law;

#### **b) Patronage Refund**

This shall be made available at the same rate to all patrons of the cooperative in proportion to their individual patronage.

### **5. Appraisal Right**

The members shall have the right to dissent and demand payment of the fair value of their capital share under any of the following circumstances:

- Amendments to Articles of Cooperation and By-laws which have the effect of changing restricting the rights of any member or authorizing preferences and extending/shortening the term of cooperative existence;
- In case of sales, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all the cooperative property and assets;
- In case of merger or consolidation.

## Section 30. The General Assembly

### A. The Role of GA

The GA is the highest governing body of the cooperative. All authority within the cooperative emanates from them as provided for in its articles and by-laws.

As the supreme body, the interest of the members must be protected at all times whereby any business to be undertaken must be embodied in an annual plan, program, and budget that must be approved by the GA. New business not included in the plan approved in the last general assembly and believed to be profitable, may be undertaken by the Board of Directors and must be reported to the next General Assembly.

### B. Composition

It shall be composed of all the members and is the highest governing body of the cooperative.

### C. Powers

Shall exercise such powers as are stated in the Articles of Cooperation and in the By-laws of the cooperative.

#### 1. Exclusive powers which cannot be delegated:

- To determine and approve amendments to the Articles of Cooperation and by-laws;
  - To elect the members of the BOD and to remove them for cause;
  - To approve the annual budget and developmental plans of the cooperative; and
  - Such other matters requiring a two-thirds (2/3) vote of all the members of the GA, as provided in this Code.
- No officer or member shall bring any complaint against any officers, members and the cooperative itself before the appropriate administrative agency or the courts unless the GA has discussed and decided the matter with finality.
  - A member who refuses to abide by the decision of the GA may be subjected to disciplinary action, such as suspension of rights and privileges or termination of membership, only after due notice and hearing.
  - The foundation of a cooperative is cooperation. Therefore, any member who cannot respect the decisions of the GA has no place in the organization, and

may be subject to disciplinary action.

#### **D. Meeting**

The GA may decide on matters brought before it in either of the following:

##### **1. Regular GA Meeting –**

This shall be held annually on the date fixed in the by-laws or if not so fixed, on any date within ninety (90) days after the close of each calendar year at the discretion of the BOD to be held at the principal office of the cooperative or at any place within the area of operation of the cooperative.

The Secretary of the cooperative shall send a written notice to all members of record at their official addresses at least two (2) weeks prior to the meeting.

Where the date of the annual meeting of the cooperative is fixed in the cooperative by-laws, the same cannot be dispensed with or postponed by the BOD in order to extend the term of office of the board or officers. This rule, however, admits exceptions, as when the annual meeting cannot be held for some justifiable and valid reasons. It is however, necessary that the postponement of the annual meeting be for reasonable time and provided that proper notice shall be sent to all members of the cooperative in the manner prescribed by the cooperative by-laws. It should be the duty of the Board to determine the date and time to hold it taking into consideration the circumstances.

The present management should extend its best effort to call for the annual meeting at the soonest possible time without unnecessary delay. If for justifiable reason, the annual meeting has to be postponed, the cooperative should notify the Authority in writing of such postponement within ten (10) days from the date of postponement.

##### **2. Special GA –** A special GA meeting may be held:

- a. Upon call of the Board at any time by a majority vote of the Board;
- b. Upon written request of 10% of the members to transact specific business mentioned in the call for special meeting;
- c. By the CDA or by the Board. In case of a newly registered cooperative, within ninety (90) days of such approval of registration; or
- d. By the CDA for any of the following purposes:
  - Make audit report – to report to the members the result of audit examination or other investigation of the officers of a cooperative;
  - Hold the GA when a cooperative fails to hold an annual general assembly during the period fixed in the by-laws;

- Upon petition of 10% of members of the cooperative and for good cause to call a regular meeting/special meetings as ordained by the by-laws.

Notice of any special GA meeting, if called by the Board, shall be served by the Secretary personally or his/her duly authorized representatives or by registered mail to each member's last-known postal address at least one (1) week before the said meeting.

Section 31. Quorum. During regular or special GA meeting, at least twenty-five percent (25%) of the total number of members entitled to vote shall constitute a quorum.

Where a cooperative encounters several unsuccessful attempts or it would be impossible for the cooperative to get the required quorum of the members necessary to transact, the CDA upon petition of ten percent (10%) of the members of the Cooperative may appoint a management committee to undertake the management thereof until a new set of Directors are elected.

Section 32. Voting System. Only members entitled to vote shall be qualified to participate and vote in any General Assembly meeting.

1. A Primary cooperative shall have only one (1) vote for each member;

2. No voting agreement or other device to evade the one-member-one-vote provision shall be allowed;
3. No vote by proxy shall be permitted unless provided specifically in the By-Laws of the Cooperative.
4. Members of a Secondary or Tertiary cooperative shall have voting rights as delegates of members-cooperative, but such cooperative shall be limited to only five (5) votes. The votes cast by the delegate shall be deemed as vote cast by the members thereof. The By-Laws of a cooperative may provide for voting by proxy. Voting by proxy means allowing a delegate of a cooperative to represent or vote in behalf of another delegate of the same Cooperative.

Section 33. Voting Rights. The determination of whether or not a "delinquent member" is entitled to exercise his voting rights depends on whether or not such member is disenfranchised under the articles of cooperation or by-laws of the cooperative. The right of the member to vote may be limited, broadened or denied to the extent specified in the articles of cooperation or by-laws. Unless so limited, broadened or denied, each member shall be entitled to one vote.

Section 34. Standards of Conduct. The management may establish a performance evaluation system to measure the performance of the Board, the Committees and top-level management of the cooperative. The establishment of such evaluation system may be disclosed in the cooperative's annual report.

Section 35. Transparency. A policy of transparency must always be maintained whereby books of accounts and minutes of Board meetings are properly kept and made accessible to members and regular financial

statements are religiously prepared and made known to the members and other parties interested on the cooperative's operation authorized by law or the BOD.

## **B. CODE OF ETHICS**

### **INTRODUCTION**

The officials (elected directors, committee members and appointed officers) and management staff shall fulfill its responsibilities and render services in a manner to promote the organization and not for own personal benefit. The officials and management staff of PPAEDCO shall avoid potential conflicts of interest and personal gains.

PPAEDCO will promote and protect the integrity and reputation of those responsible for the administration and operation of all the affairs of the organization.

Elected/Appointed officers and management staff of PPAEDCO should at all times accept responsibility and accountability for decisions, for the foreseeable consequences of actions and inaction, and for setting example to members. PPAEDCO will ensure that appropriate mechanisms are adopted within the organization to establish delineation of responsibilities and accountabilities.

Elected/Appointed officers and management staff of PPAEDCO should be worthy of trust, keep promises, fulfill commitments and abide by the spirit as well as the letter of membership agreement.

### **Article 1**

#### **IINDIVIDUAL COOPERATIVE MEMBERS**

Section 1. Standard of Personal Conduct. In any transaction, a cooperative member is expected to:

- a.) Be respectful and observe proper decorum to cooperative's organizational hierarchy;
- b.) Be receptive to constructive criticism by developing and maintaining emotional maturity and stability;

- c.) Be actively involved in cooperative affairs;
- d.) Refrain from:
  - d.1 giving and receiving gifts to obtain or in exchange for favor;
  - d.2 engaging in activities inimical to the interest of the cooperative; and,
  - d.3 using the cooperative for personal aggrandizement.

Section 2. Membership Rights, Privileges and Obligations. No Cooperative member shall be a member/investor to any other cooperative, firm and/or establishment whose economic activity is in competition with each other. A member shall exercise his/her responsibilities, rights and privileges as defined in the Articles of Cooperation and By-Laws. A member must therefore:

1. Be in good standing by:
  - a.) Attending and completing pre-membership education seminar before applying for membership;
  - b.) Subscribing and initially paying, at least, the minimum share capital requirement for a full-pledged member;
  - c.) Paying the installment on capital share subscription as it falls due and continuously participates in the capital build-up of the cooperative;
  - d.) Attending all pre-arranged meetings, particularly the General Assembly and all continuing educational programs of the cooperative;
  - e.) Paying all his/her obligations promptly; and,
  - f.) Patronizing regularly the services and products of the cooperative.
2. Promote the purposes and objectives of the cooperative, the success of its business, the welfare of its members and the cooperative movement as a whole by:

- a.) Obeying the rules and regulations provided in the Implementing Rules and Regulations of Republic Act (RA) No. 9520, the by-laws, decisions to the General Assembly and the Board of Directors and the policies and the decisions that may be promulgated by the CDA.
  - b.) Showing interest and extending know-how, resources and time for the betterment of the cooperative; and,
  - c.) Participation in its parliamentary affairs.
3. Prepare him/herself to assume responsibilities and obligations toward the cooperative and;
  4. Believe that cooperative is the better way to improve life and therefore has to:
    - a.) Defend and promote the interest and purpose of the cooperative;
    - b.) Project a nationalistic interest and pro-people attitude;
    - c.) Be a model member of cooperative;
    - d.) Be willing to assist his/her co-members.

## **Article 2 BOARD OF DIRECTORS**

Section 1. Director's Undertaking. The Board of Directors, collectively in the performance of its duties and responsibilities as contained in the Articles of Cooperation and By-laws and as mandated by the laws of the Philippines, should take into consideration the welfare and well-being of the general membership and its employees as well as the advancement of the cooperative in the formulation of the resolutions and the policies. As such, it should exercise its function with due care and prudence like a good father of a family and must be thoroughly knowledgeable on the management and operation of the cooperative.

Section 2. Specifically, they should:

1. Adopt bold assertive policies that can withstand the rigors of public scrutiny and a policy of transparency for the welfare of the general membership;
2. Seek new and better ways in making the cooperative responsive, viable and progressive;
3. Coordinate with the committees and direct management to affect harmonious business operation;
4. Be supportive to the regional and national apex organizations of the cooperative;
5. Respect the powers of the General Manager duly defined in the Articles of Cooperation and By-laws of the cooperative; and,
6. Implement the PPAEDCO's Code of Conduct and Ethical Standards for Members, Officers, Officials and Employees.

Section 3. Therefore, any member of the Board must not:

- a.) Be engaged in the business which directly competes with the business of the cooperative; and,
- b.) Be an officer of another cooperative whose business is in conflict with the line of business of cooperative, except in secondary organizations like federation.

## **Article 3 COMMITTEES**

Section 1. In the performance of their duties and responsibilities, as provided in the Articles of Cooperation and By-Laws and RA No. 9520, the Committees should:

1. Formulate their sound policies subject to the approval of the General Assembly;
2. Prepare annual program of activities in their area of concern to be approved by the Board and to be integrated with the cooperative's annual plans and budget; and,
3. Actively pursue, specifically the Education and Training Committee,

the development of its members, promote the understanding of the affairs of the cooperative and foster harmonious relationship and cooperation.

#### **Article 4 OFFICIALS**

Section 1. The officials which include the General Manager, Accountant and Treasurer, in the performance of their sworn and prescribed duties and responsibilities as stated in the Articles of Cooperation and By-Laws, should be honest, sincere, trustworthy, dedicated and capable.

They are expected to be updated on the day-to-day affairs of the cooperative movement. To be more effective in their performance, they should refrain from any business activity which is in conflict with that of cooperative and must at all times not use the cooperative for their grandiose and capricious personal interest.

#### **Article 5 EMPLOYEES**

Section 1. The employees must be of a good moral character, honest, dedicated and committed to the cooperative and to their tasks behaving as model employees. Therefore, they have to give the best possible services to the members and officers of the cooperative.

Among others, they must:

1. Observe cooperative's existing policies and procedures and common cooperative's rules and regulations;
2. Subject themselves to management policies and should not be beholden to any member of the Board and inhibit themselves from campaigning during election; and,
3. Take the initiative to develop themselves and undergo training, seminars and other manner of education to improve their competence and perspective.

#### **Article 6 PREFERENTIAL FINANCIAL PRACTICES**

Section 1. No official or employee or relatives of officials or employees shall be granted preferential services of the PPAEDCO at more favorable consideration in respect to security, maturity and interest requirements.

Section 2. No official or employee shall direct the allocation of PPAEDCO funds, purchase, invest, contracts or whatever, to second parties with the direct or indirect objective of obtaining preferred personal, financial or other considerations in return for such direction of business.

Section 3. No official or employee shall enter into a contract on behalf of the organization; unless the transaction is approved by the Board of Directors, appropriate invoices and the transaction is legally binding and is not in conflict with the standards of professional conducts.

#### **Article 7 QUESTIONBLE PRACTICES AND PROCEDURES**

Section 1. The following activities are identified as an illegal or not in keeping with sound business and financial practices, questionable as to ethical procedures and are therefore prohibited. Directors, committee members and management staff will be suspended and later discharged if the individual is proven guilty of/is responsible for any of the following:

- (a) Falsifying information to obtain position, compensation or for other purpose;
- (b) Dishonesty, fraud or embezzlement;
- (c) Theft of the cooperative's property, equipment or the personal property of fellow employees;
- (d) Consuming an intoxicating drug/alcohol or being intoxicated by drugs/alcohol or being intoxicated by drugs/alcohol while conducting credit union business.
- (e) Willfull disobedience of instructions or directives issued by the Board or Audit Committee;

- (f) Using profane or abusive language;
- (g) Willfull neglect of duties;
- (h) Acts of lasciviousness;
- (i) Willfull damage of credit union property or equipment;
- (j) Conducting personal financial transactions with a member which is in conflict with the line of business of cooperative; and,
- (k) Any other cases similar to the above.

**Article 8  
NEPOTISM**

Section 1. No relative of Board/Committees or employee is hired so as to avoid favoritism on decision-making.

**Article 9  
SANCTIONS**

Section 1. Infraction(s) of the PPAEDCO's Code of Conduct and Ethical Standards for Members, Officers, Officials and Employees shall be governed by the following:

Section 1. Governing Body. The Board of Directors shall have jurisdiction over its members, officers, officials and employees.

Section 2. Appeal. Decisions may be appealed to the next higher authority.

Section 3. Penalties. The following penalties shall be imposed for violation of the Code of Conduct and Ethical Standards:

- First Offense - Written Warning
- Second Offense - One (1) month suspension of benefits and privileges
- Third Offense - Expulsion and/or termination of membership/employment

Section 4. Delinquent Loans. Directors, committee members and other officers will be suspended from their duties if their loans are delinquent for more than sixty (60) days.

**Article 10  
LIABILITY INDEMNIFICATION**

Section 1. No Directors, committee members or management staff members shall be liable for any loss or misfortune which may occur in the execution of the duties of his/her respective office, unless such loss shall occur through his/her failure to exercise the power, and to discharge the duties of his/her office honestly, in good faith and in the best interest of the PPAEDCO in accordance with the degree of care, diligence and skill is expected.

**Article 11  
Miscellaneous Provisions**

Section 1. Promulgation of Rules and Regulations. In the event that any term or any provision of the "PPAEDCO's Code of Conduct and Ethical Standards of Members, Officers, Officials and Employees" be wanting in definition of terms as well as rules and regulations in connection with the implementation and enforcement of the same, the Board, in consultation with the different Committees and Management, shall define, promulgate the needed definition, rules and regulations. In case of doubt in interpretation, it shall always be resolved in favor of the cooperative.

Section 2. Oath of Office. All Officers, Officials and Employees of the cooperative are required to take their "Oath of Office", in a prescribed form (Annex \_\_\_\_\_), before they discharge the function of their offices.

Section 3. The Cooperative Pledge. All cooperators and cooperating members as well as the members subsequently accepted by the Board are required to manifest their commitment to the cooperative by reciting the standard format of the Cooperative Pledge. The said Cooperative Pledge shall be displayed in most conspicuous place/s of the cooperative office. It shall likewise be displayed and recited in cooperative gatherings like general assemblies, meetings, training, sessions and other social gatherings.

## **C. ELECTION CODE**

### **Article 1 DATE OF ELECTION**

Section 1. The election of members of the BOD and officers of the Audit Committee, Credit Committee and Election Committee shall be held during the regular GA.

### **Article 2 ALLOCATION OF VOTES AND QUALIFICATION**

Section 1. Each regular member in good standing of the Cooperative is entitled to one (1) vote.

### **Article 3 CANDIDATES' REQUIREMENTS AND QUALIFICATIONS**

Section 1. Candidates must be a regular member and a member in good standing.

Section 2. Candidates must have filed their certificate of candidacy on or before the date specified by the Committee.

Section 3. Candidates must possess all the qualifications and none of the disqualifications as provided for in the Term, Eligibility and Criteria of Elected Officials.

Section 4. Candidates must have filed their certificate of candidacy, duly certified by the Committee

### **Article 4 TERM, ELIGIBILITY AND CRITERIA OF ELECTED OFFICIALS**

Section 1. Board of Directors (BOD) – shall be elected through secret ballot. He/She shall serve the Cooperative for a term of (2) years but not to exceed three (3) consecutive terms, unless the following circumstances arise;

- a. Removed for cause;
- b. Resigned; or
- c. Became incapacitated due to illness or death.

### Section 1-a. Qualifications:

- a. The candidate must be a member in good standing (Member in Good Standing – *would be rated according to the indicators of: Savings Performance, Attendance in Meetings, Current in Loan Payment and has no record of delinquency for at least two (2) years immediately prior to the filing of his Certificate of Candidacy, or appointment; as certified by the General Manager*);
- b. Must satisfy the requisites provided in R.A. 9520;
- c. Has signified in writing that he/she has the time to serve the general membership, continually learn matters pertaining to cooperative operation, by undergoing continuing training and education and be a team player; and
- d. Must possess all qualifications and none of the disqualifications.

### Section 1-b. Disqualifications:

- a. Being an officer or employee of the CDA;
- b. Holding an elective position in the government except as Barangay Official;
- c. Having conflict of interest with the business of the Cooperative;
- d. Having been absent for three (3) consecutive Board meetings without being excused or having a total of twelve (12) consecutive absences per year, irrespective of the reasons;
- e. Being a full time employee of the Cooperative;
- f. Having been facing or convicted in court on criminal and/or civil case;
- g. Having been expelled as Board member for a cause;

h. Having been delinquent in the payment of obligations as defined hereunder:

1. A director or officer for his/her own account or where he /she acts as a co – maker / guarantor of loans of others; and
2. Any person whose borrowings of loan proceeds were credited to the account of, or used for the benefit of the director or officer.

Section 2. Audit Committee (AC) – shall be elected through secret ballot. He/She shall serve the Cooperative for a term of one (1) year. They shall elect from among themselves the Chairperson, Vice Chairperson and Secretary.

Section 2-a. Qualifications:

- a. The candidate must be a member in good standing (Member in Good Standing – *would be rated according to the indicators of: Savings Performance, Attendance in Meetings, Current in Loan Payment and has no record of delinquency for at least two (2) years immediately prior to the filing of his Certificate of Candidacy, or appointment; as certified by the General Manager*);
- b. Must satisfy the requisites provided in R.A. 9520;
- c. Must possess sound judgment, a general level of business knowledge and be as independent and impartial as possible;
- d. Must possess financial knowledge, education and technical skills;
- e. Must be inquisitive and possess the capability to ask relevant questions for clarification and understanding;
- f. Has signified in writing that he/she has the time to serve the general membership, continually learn by

undergoing the continuing training and education on Cooperatives and be a team player, and

- g. Must possess all qualifications and none of the disqualifications.

Section 2-b. Disqualifications:

- a. Being an officer or employee of the CDA;
- b. Holding an elective position in the government except Barangay Officials;
- c. Having conflict of interest with the business of the Cooperative
- d. Having been absent for three (3) consecutive Committee meetings without being excused or having a total of twelve (12) consecutive absences per year irrespective of the reasons;
- e. Being a full time employee of the Cooperative;
- f. Having been facing or convicted in court on criminal and / or civil case;
- g. Having been delinquent in the payment of their obligations as defined hereunder;
  1. An officer for his / her own account or where he / she acts as a co – maker / guarantor of loans of others; and
  2. Any person whose borrowings of loan proceeds were credited to the account of, or used for the benefit of the director or officer.

Section 3. Credit Committee (CRECOM) members shall be elected through secret ballot. They shall serve the Cooperative for a term of one (1) year. They shall elect from among themselves a Chairperson, a Vice – Chairperson and a Secretary.

Section 3-a. Qualifications:

- a. The candidate must be a member in good standing (Member in Good Standing – *would be rated according to the indicators of: Savings Performance, Attendance in Meetings, Current in Loan Payment and has no record of delinquency for at least two (2) years immediately prior to the filing of his Certificate of Candidacy, or appointment; as certified by the General Manager*);
- b. Must satisfy the requisites provided in R.A. 9520;
- c. Must possess sound judgment, a general level of business knowledge and be as independent and impartial as possible;
- d. Must possess financial knowledge, education and technical skills related to Cooperative Operations;
- e. Must be inquisitive and possess the capability to ask relevant questions for clarification and understanding;
- f. Has signified in writing that he/she has the time to serve the general membership, continually learn by undergoing the continuing training and education on Cooperative and be a team player; and
- g. Must possess all qualifications and none of the disqualifications.

Section 3-b. Disqualifications:

- a. Being an officer or employee of the CDA;
- b. Holding an elective position in the government except Barangay Officials;
- c. Having conflict of interest with the business of the Cooperative

- c. Having been absent for three (3) consecutive Board meetings without being excused or having a total of twelve (12) consecutive absences per year, irrespective of the reasons;
- d. Being a full time employee of the Cooperative;
- e. Having been facing or convicted in court on criminal and / or civil case;
- f. Having been delinquent in the payment of their obligations as defined hereunder;
  1. An officer for his/her own account or where he/she acts as a co – maker / guarantor of loans of others; and
  2. Any person whose borrowings of loan proceeds were credited to the account of, or used for the benefit of the director or officer.

Section 4. Election Committee (ELECOM) members shall be elected through secret ballot and will serve the Cooperative for a term of one (1) year. They shall elect from among themselves a Chairperson, a Vice-Chairperson and a Secretary.

Section 4-a. Qualifications:

- a. The candidate must be a member in good standing (Member in Good Standing – *would be rated according to the indicators of: Savings Performance, Attendance in Meetings, Current in Loan Payment and has no record of delinquency for at least two (2) years immediately prior to the filing of his Certificate of Candidacy, or appointment; as certified by the General Manager*);
- b. Must be computer literate and must possess basic financial knowledge, and technical skill and has

undergone a Course relative to Cooperative operation;

- c. Must possess sound judgment, a general level of business knowledge and be as independent and impartial as possible;
- d. Should be inquisitive and possess the capability to ask relevant questions for clarification and understanding;
- e. Has signified in writing that he/she has the time to serve the general membership, continually learn by undergoing the continuing training and education on Cooperatives and be a team player; and
- f. Must possess all qualifications and none of the disqualifications.

Section 4-b. Disqualifications:

- a. Being an officer or employee of the CDA;
- b. Holding an elective position in the government except Barangay Officials;
- c. Having conflict of interest with the business of the cooperative
- d. Having been absent for three (3) consecutive Board meetings without being excused or having a total of twelve (12) consecutive absence per year, irrespective of the reasons;
- e. Being a full time employee of the Cooperative;
- f. Having been facing or convicted in court on criminal and/or civil case;
- g. Those who are delinquent in the payment of their obligations as defined hereunder:

- 1. An officer for his/her own account or where he/she acts as a co-maker/guarantor of loans of others; and
- 2. Any person whose borrowings of loan proceeds were credited to the account of, or used for the benefit of the director or officer.

**Article 5  
FILING OF CERTIFICATES OF  
CANDIDACY**

Section 1. Accomplished candidacy form, with a certification of good standing signed by the Board Secretary of the Cooperative, shall be filed on or before the date specified by the ELECOM.

Section 2. The ELECOM shall post the Master List of Official Candidates for vacant positions in the PPA Bulletin Board and in other conspicuous places at least two (2) weeks before the time of election.

Section 3. The ELECOM shall notify qualified candidates within ten (10) days after filing of candidacy.

**Article 6  
CAMPAIGN**

Section 1. Candidates shall be given opportunity to campaign one (1) week prior to election day.

Section 2. Candidates are not allowed to place posters / banners and distribute flyers inside the polling place.

**Article 7  
CONDUCT OF ELECTION**

Section 1. The ELECOM, in quorum, shall conduct the election. Prior to the General Assembly (GA), the Board of Directors shall designate a director who will oversee the conduct of election and canvassing of votes.

Section 2. All candidates shall be given the opportunity during the GA to present their respective platforms and programs.

Section 3. The designated polling place shall be within the vicinity of the PPA Bldg. where the GA is being held.

Section 4. Official ballots shall be pre-numbered chronologically and be duly signed by ELECOM members. Each ballot shall specify the positions and number to be filled.

Section 5. Each qualified member/voter shall be provided with one (1) official ballot which he/she should fill out with the name/s of his/her chosen candidates.

Section 6. After the ballot has been filled out, the voter must detach the stub attached thereto, and drop the ballot and the stub separately in the designated boxes, in the presence of the ELECOM.

Section 7. The election shall be done by secret balloting.

**Article 8  
CANVASSING OF VOTES  
AND PROCLAMATION**

Section 1. Canvassing of votes shall proceed immediately after the closing of election period.

Section 2. Counting and tallying of votes shall be made in full view of concerned and interested parties.

Section 3. Appreciation of ballots:

- 3.1 Ballots with any of the following markings shall be nullified:
- Symbols / drawings
  - Torn Ballots
  - Unknown names

3.2 Erasures may be allowed when a line is drawn across the name, followed by the corrected one; and

3.3 Votes shall be counted in favor of any candidate based on the official list of names / aliases provided by the ELECOM.

Section 4. In case of a tie and no one withdraws, winner shall be determined by drawing of lots.

Section 5. Before canvassing of votes, the ELECOM shall announce the following:

- Number of authorized/registered voters
- Number of cast ballots
- Number of nullified ballots

Section 6. The ELECOM shall certify as to the accuracy of the election results, to be attested by the designated Board Director for Election.

Section 7. The ELECOM shall proclaim the winning candidates only after the canvassing of the votes shall have been completed.

Section 8. Official list of election results shall be posted in the designated PPAEDCO Bulletin Board and in other conspicuous places in PPA Offices.

Section 9. The ELECOM shall submit the official results of the election to the PPAEDCO Board through its Chairperson.

**Article 9  
ELECTION PROTEST**

Section 1. Election protest may be filed, by any member who has the right to vote, with the ELECOM.

Section 2. Any violation of the provisions of this Code shall be a ground for an election protest.

Section 3. Protest filed before the day of the election shall be made in writing, duly signed and accompanied by proof of the act under complaint. Those filed during the GA need not be made in writing but may be raised verbally and in person.

Section 4. In both instances, the ELECOM will decide on all protest where judgment will be final and executory.

## **D. MANUAL ON HUMAN RESOURCE MANAGEMENT**

### **Purpose:**

The purpose of this policy is to provide management guidelines and procedures in recruiting competent staff for the cooperative.

### 2. Objective

- 1.1 To hire at least cost as many competent individuals as needed to fill job vacancies in the shortest time possible.
- 1.2 To ensure that the employees recruited have values aligned to the values of the cooperative.

### 2. Personnel Requisition

2.1 In the event of vacancy which needs to be filled, the Head concerned will be required to write a memorandum that constitutes an employee requisition, seeking authority to hire (Annex \_\_) . A vacancy may be the result of:

- a. Resignation
- b. Transfer
- c. Maternity Leave/Leave Without Pay
- d. Dismissal
- e. Creation of New position/restructuring

### 3. Responsibility of Recruitment

- 3.1 The decision of recruitment to recruit to fill up approved vacancies rests with the General Manager, subject to the approval of the Board.
- 3.2 The Personnel Officer is responsible for the over-all coordination of staff recruitment and providing Managers with relevant support and processing services.

### 4. Recruitment from Within

- 4.1 Vacant positions will be advertised within the cooperative to provide career development opportunities for staff through internal appointments, transfers and promotions, where possible.
- 4.2 All staff may apply for any position advertised internally unless their letter of offer specified a minimum time in their current position or commitment to complete a specific project that prevents them from applying this time.
- 4.3 Like external applications, internal applicants for a position must submit an application detailing their skills, experience, knowledge and qualifications. All applications are then considered in terms of their match with the key criteria for the role.

### 5. Recruitment from External

- 5.1 If the skills required for the vacancy is not available within, an external advertisement will be made by the Personnel Manager upon the request of the Head/responsible person concerned.
- 5.2 The advertisement should indicate that a detailed resume be submitted to the credit union along with the application letter.
- 4.3 Like external applications, internal applicants for a position must submit an application detailing their skills, experience, knowledge and qualifications. All applications are then considered in terms of their match with the key criteria for the role.

### 6. Process of Recruitment

- 6.1 Shortlisting of Candidates. The General Manager shall prepare a shortlist of candidates. Only

shortlisted applicants will be called for interview.

- 6.2 Invitation to Attend an Interview. Once the candidates have been shortlisted, the General Manager will invite each of them to come at a designated place and time for the job interview (Annex \_\_\_\_).
- 6.3 Job Application Form. Before conducting the interview, the candidates have to fill up the prescribed Job Application Form (Annex \_\_\_\_). It is the basic tool for selection process to organize information pertaining to a job applicant and to provide basis of reference and interview.
- 6.4 Interview. An interview will be carried out to assess the ability and behavior of the candidate. A second interview may be scheduled, as necessary, with the presence of any or all members of the Board. The Interview Assessment Form (Annex \_\_\_\_ ) will be used as guide for the interview, to help the interviewer narrow down the questions to the relevant points that will help indicate or suggest the qualities possessed by the candidate.
- 6.5 Test. A test may be administered upon the discretion of the General Manager to confirm/establish that the candidates meet the requirements of the job, i.e. Secretary for Typing skills; Driver for Driving, bookkeeper, communications officer for writing skills, Systems Administrator, etc. However, there are jobs where tests may not be appropriate and the interviewer may have to rely on the track record of the candidate and make decision based on his/her assessment.
- 6.6 Pre-Employment Vetting. Background checking of qualified

candidates will be made subject to the discretion of the General Manager. It is recommended that pre-employment vetting be a must for positions of trust, i.e., financial controller, accountant, cashier, collectors and tellers. A sample letter is in Annexes \_\_\_\_ and \_\_\_\_.

- 6.6 Rejection of Job Applicants. The cooperative maintains high degree of professionalism. Courtesy demands at least a written reply to all applicants who have made the effort to apply. Such a reply, if added with personal touch, will help reduce the stigma of rejection or the chance that the applicant will have bad feelings about the cooperative. In this case, the General Manager should ensure that all applicants are notified on the action taken by the cooperative on their applications. Sample letter is enclosed as Annex \_\_\_\_.

## **Terms and Conditions of Employment**

### **1. Introduction**

1.1. The following terms and condition of services are applicable to all personnel on full time service of the PPAEDCO and will take effect on\_\_\_\_\_ (date). The cooperative reserves the right to introduce, modify, amend or annul any terms and conditions of employment at any time during its operation. Employees affected by such changes shall be duly informed through the issuance of circulars, directives or other instructions from time to time, which shall henceforth form part of the terms and conditions of service.

### **2. Interpretation**

2.1. Words imparting singular number will include the plural number and vice-versa.

2.2 Basic salary shall mean the employee's salary excluding any allowances, bonus or payment of any nature.

### **3. Appointment**

3.1 All appointments shall be subject to the following conditions:

a. Production of evidence of age, academic qualifications, and satisfactory references from educational institutions and/or previous employers and any other references that the credit union may require.

b. Satisfactory medical examination.

### **4. Probation**

4.1. All newly appointed employees shall undergo a probationary period of up to six (6) months.

4.2. During the probationary period, the service of an employee may be terminated at any time by either party in accordance with existing guidelines/government regulations.

4.3. On successful completion of the probationary period, the employee will be given a letter of confirmation.

### **5. Promotion**

5.1. The cooperative at its sole discretion may promote any suitable and capable employee, depending on vacancy and/or the merit of each case, to any position of the higher category, as it deems fit.

5.2. The cooperative shall inform employees of any vacancy for interested party to apply but reserves the right to fill such vacancy from outside the cooperative should no existing employee be found suitable.

5.3. Any employee selected for promotion will be notified in writing and required to serve in an 'Acting' capacity for period of three months, which may be

extended for three months at the sole discretion of the cooperative.

5.4. While in an Acting Capacity, the employee concerned shall be entitled to an incentive pay or allowance at the rate or amount to be approved by the Board upon the recommendation of the General Manager.

5.5. Upon confirmation of his/her promotion, the incentive pay/allowance shall cease and the employee concerned shall receive the salary and all other benefits attached to his/her new position.

5.6. An employee who is not confirmed in his appointment to a higher post, will cease to be entitled to incentive pay/allowance and will revert to his former position or any other suitable position (carrying the same salary) without prejudice to his future prospects.

5.7. The cooperative's selection of any employee for promotion shall be final.

### **6. Non-Discrimination**

6.1. The cooperative follows an absolute policy of non-discrimination regarding race, color, religion, sex or national origin.

6.2. The cooperative will take appropriate action to eliminate direct and indirect discrimination. A direct discrimination is where certain behavior, characteristics requirements and/or activities occur which are based on assumptions (i.e. prejudices, biased attitudes and beliefs) about an individual's personal characteristics (i.e. sex, race, etc.) and/or where a person receives less favorable treatment than another person. Indirect discrimination results from practices, which may appear to be neutral, but in reality, result in an individual or group being differentially or adversely affected.

## **7. Employee Code of Conduct**

**7.1. Safeguarding information-** Employees must not divulge records, plans or other data (except as necessary in the course of the cooperative business) to anyone outsiders without proper authorization.

**7.2. Handling records:** Employees must ensure all reports, vouchers, and the like are factual and accurate; they must not destroy records except in accordance with the cooperative's prescribed procedures.

**7.3. Access to Staff Records:** Employees are entitled to access any information relating to their statutory entitlements, such as wages records, timesheets and leave entitlements. Should an employee request any further information it will be provided at the absolute discretion of the cooperative.

**7.4. Cooperative Funds:** Employees must follow the prescribed practices and policies for handling and protecting the cooperative funds.

**7.5. Use of Cooperative Property and Facilities:** No equipment, tools, office supplies, and facilities can be used for personal purpose without the General Manager's permission. Employees must care and preserve such property at all times.

**7.6. Work time:** Employees must not shirk their duties or waste time. They are expected to give a fair day's work for a fair day's pay. Absenteeism is to be kept at a minimum; lateness is to be avoided, personal phone call must be limited and employees are to stay on their place work except performance of duties requires.

**7.7. Drinking Rule:** The cooperative has no desire to regulate the personal life of any employee, but the use of intoxicants cannot be permitted to interfere in the performance of the duties of any employee.

**7.8. Selling and Soliciting on Premises:** Unauthorized selling, promotion or distribution of products, materials and services on the cooperative premises during business hours is prohibited. The General Manager may provide authorization to an employee to sell, promote or distribute products or information for a non-profit organization provided that it is done in a manner that does not undermine or is in conflict with the business of the cooperative.

**7.9. Giving or Receiving Gifts:** Giving and receiving gifts, entertainment, or any other benefit is not uncommon in the normal course of business relationships; however, any inferences of an inducement to conduct further business as a result of such benefit should be eliminated. Employees should not give, seek or accept any type of compensation that could be considered an inducement to conduct business.

## **8. Working Hours and Meal Breaks**

**8.1.** The workdays of the cooperative are from Mondays through Fridays and half day on Saturdays with lunch break of an hour and a coffee/tea break of at most thirty (30) minutes two hours before or after a meal break.

**8.2.** The cooperative may from time to time and at its discretion assign or vary such working time in a pattern deemed necessary to support its operation.

## **9. Dress Standards**

**9.1.** A professional standard of business dress is required of all employees, regardless of the level of client contact the employee may have. The cooperative requires a professional image to be projected at all times.

**9.2.** Uniform shall be provided to all employees to project an image of professionalism. The following uniform standard will be observed:

a. Wearing the cooperative's corporate uniform is compulsory except during the designated wash day. However, during wash days employees are required to wear a business attire. At all times, employees should match their attire with appropriate footwear.

b. Name Badge/Identification is considered as part of the uniform and is deemed compulsory while in the work place.

9.3 Employees should practice good grooming at all times.

## 10. Salary

10.1. All employees shall be paid in accordance to the Salary Ranges stipulated in Appendix 1 on the basis of their qualifications, experience, merit and performance.

10.2. Annual increment is not automatic and is subject to the satisfactory performance of the employee and the profitability of the credit union business.

10.3. The cooperative is exercising its sole discretion to give annual increment to its regular employees.

## 11. Bonus

11.1. An employee may be given bonus at the entire discretion of the cooperative on top of the mandatory 13<sup>th</sup> month pay.

11.2. An employee who resigns or leaves the cooperative may be paid full or proportionate bonus at the entire discretion of the cooperative.

## 12. Resignation and Termination of Service

12.1. An employee intending to resign from the service of the cooperative may do so after giving at least thirty (30) days prior notice in writing to the cooperative.

12.2. By the same token, the cooperative may give similar notice if it wishes to terminate the service of an employee with the exception of those whose services are to be terminated because of grounds of misconduct.

## 14. Gazetted Public Holiday

14.1. The cooperative will grant its employees paid holiday on all public holidays gazetted by the Government in which the employees are working.

14.2. All Sundays will be considered rest day except for those working on a shift.

14.3. Any work done at the cooperative request on a gazetted public holidays or Sundays shall be paid in accordance with the rates specified in the (labor code).

## 15. Annual Leave

15.1. Employees shall be entitled to a Service Incentive Leave of 5 days as provided by law which may be used for sick leave or vacation leave.

15.2. Annual leave entitlements are calculated based on calendar year and for the purpose of such calculation, a period fifteen (15) days or more shall be taken as one (1) month and

half (1/2) day shall be treated as one day.

15.3. Employees (other than those still under probation) may apply for a Service Incentive Leave proportionately as and when earned. However, such leave applied for should not hamper the operation of the cooperative.

15.4. All applications (Annex \_\_\_\_\_) must be submitted to the General Manager at least seven (7) days prior to going on leave except in cases of emergencies or illness.

15.5. An employee shall not absent himself/herself on duty for the purpose of annual leave without prior approval and leave approved may be cancelled at any time when exigencies of the service requires.

## 16. Special Leave

16.1. The cooperative, may at its sole discretion, grant any of its regular employees paid leave in addition to the Service Incentive Leave.

16.2 Any application for such leave must be supported by suitable evidence satisfactory to the cooperative. As the granting of such leave is at cooperative's discretion, any decision so arrived shall be final.

## 17. Maternity Leave

17.1. Subject to the provision of (the law that apply):

a. Female employees who have been employed for a period

not less than ninety (90) days during the nine (9) months immediately preceding her confinement will be granted sixty (60) days maternity leave on full pay.

b. Maternity leave will be granted after the 28<sup>th</sup> week of pregnancy and as far as possible, application of maternity leave shall be made not less than two (2) weeks prior to the date on which it is desired that maternity leave shall commence.

c. Leave on account of miscarriage prior to the 28<sup>th</sup> week of pregnancy will not be considered as maternity leave but as normal sick leave.

d. A female employee shall not be entitled to such paid maternity leave if at the time of her confinement she has five (5) or more surviving children.

## 18. Emergency Leave

18.1. The cooperative, may at its absolute discretion, grant an employee emergency leave (i.e. leave taken at short notice or without notice) in the following cases:

a. in the event of flood or fire which affects the employee's family or property.

b. on the death of the employee's brother, sister, uncle, aunt, brother-in-law, sister-in-law, nephew or niece.

18.2. Such leave shall be deducted from the employee's annual leave entitlement.

18.3. In cases where an employee is not yet entitled to the Service Incentive Leave, he/she may be granted emergency leave, which shall be deducted from the leave that he/she will earn at the end of the year. When he/she has used up all his/her Service Incentive Leave credits, leave that will be incurred will be without pay.

## **19. Sick Leave**

19.1. An employee shall be entitled to sick leave (the Employee Act or Labor Code article maybe quoted here)

a. Non-hospitalization - thirty (30) days per annum

b. Hospitalization – sixty days per annum (inclusive of non – hospitalized sick leave)

19.2. Such leave can only be granted if supported by certification by a registered medical practitioner or Government medical officer, must inform the cooperative immediately.

## **20. Medical Benefits**

20.1. Regular employees are entitled to medical benefits at the rate or amount determined by the Board.

## **21. Mode of Travel**

21.1. Employees required to travel on cooperative's business can travel choosing the most economical means of transportation.

21.2. An employee must seek prior approval before the travel.

21.3. Travel report should be submitted as prerequisite to travel reimbursement.

## **22. Allowance for Travel**

22.1. Accommodation – An employee who is required to go outstation on cooperative business and stays overnight from his/her base office shall be entitled to transportation and subsistence allowance at the rate or amount determined by the Board.

22.2. The rate or amount of transportation and subsistence allowance shall be reviewed and updated by the cooperative to reflect prevailing economic conditions.

22.3. A day is defined by 24 hours. A fraction of less than 5 hours shall be regarded as a half-day.

## **23. Retrenchment and Retirement Benefit**

23.1. An employee whose service is to be terminated on the grounds of redundancy i.e. whose service is deemed not needed by reason of any reorganization of the cooperative or loss of business, shall be notified in writing at least thirty (30) days in advance and shall be compensated in accordance with law.

## **23.2. Retrenchment/Retirement**

PPAEDCO employees who will be separated from the service due to retrenchment and/or retirement shall be entitled to benefits under existing labor laws.

## **E. MANUAL ON FINANCIAL MANAGEMENT**

### **I. LENDING/CREDIT**

It is the declared policy of PPAEDCO to promote the general welfare of its members and as such, loan facilities are herein made available to them.

## 1. Types of Loans

Type of Loan	Maximum Loanable Amount	No. of Co-Makers	Co-Makers Fixed Capital Requirement	Repayment Period
Long Term	3 times the fixed capital but not more than P150,000.00	3	P31,500.00	Up to 60 months
Short Term	P50,000.00	2	P10,000.00	Up to 36 months
Appliance	P50,000.00	2	P5,000.00	Up to 24 months
Emergency	P30,000.00	1	P7,500.00	Up to 24 months
13 <sup>th</sup> Month Pay Loan	See separate guidelines			
Other Loans (Personal Loan, Hospitalization Loan, Educational Loan, Calamity Loan)	Approved in principle; guidelines still to be issued			

### NOTES:

- 1.1 Share capital requirement for each type of loan, in any instance, should always be equal to one-third of the accumulated member's principal loan, regardless of amortization payments made, unless full settlement or renewal of a particular loan is confirm.
- 1.2 Share capital of members amounting to more than One Hundred Thousand Pesos (P100,000.00) may be increased through payroll salary deduction of Five Hundred Pesos a month .

## 2. Requirements/Criteria for Eligibility as Borrower/Co-Maker

- a) Must be a member in good standing which means that the member does not fail to pay his/her subscribed capital share and loan amortizations/obligations; constantly patronizes the services of PPAEDCO and regularly participates in its affairs/activities;
- b) Must have paid PPAEDCO the required share capital;

- c) Must have a minimum net take home pay as prescribed under existing government regulations;
- d) Has no pending administrative case with the PPA and/or PPAEDCO;
- e) Not delinquent in the payment of existing loans and has no restructured loan account. A member is considered delinquent if he failed to pay two or more amortizations for each type of loans.
- f) Must have remaining minimum service with PPA as indicated below.

Type of Loan	Remaining Minimum Service with PPA
Long Term	60 months
Short Term	36 months
Appliance	24 months
Emergency	24 months
13 <sup>th</sup> Month Pay Loan	
Other Loans (Personal Loan, Hospitalization Loan, Educational Loan, Calamity Loan)	

Provided further, that the remaining minimum service requirement shall not apply where the loan amount applied for is equivalent to seventy-five percent (75%) or less of his capital share.

The number of times a member can act as co-maker shall be:

- 3 times -Long Term Loan
- 2 times- Short Term Loan
- 2 times- Appliance Loan
- 1 time - Emergency Loan

## 3. Renewal of Loans

- a) Renewal of loans shall be allowed only after the borrower has paid at least **nine (9) months** and three (3)

months scheduled amortizations through payroll deductions for Long Term and all other types of loan, respectively except 13<sup>th</sup> month pay loan.

- b) Advance payment made by the borrower to qualify with the minimum paid amortizations other than through salary deduction for purposes of loan renewal shall not be allowed.
- c) The privileges of a member who is declared delinquent or in default will be temporarily suspended which can only be restored sixty (60) days after the settlement of his/her arrearages.

#### 4. Charges, Fees and Other Deductions

- a) Service fee on the gross amount to be deducted from the net proceeds of the loan equivalent to one-half (1/2) of one percent (1%) for all types of loan.
- b) Insurance premium as provided in the Agreement with the service provider will be deducted from the loan proceeds for the first year. Insurance premium for the second year onward will be temporarily shouldered by PPAEDCO.
- c) Capital build-up equivalent to two percent (2%) of the loan amount to be treated as Deposit for Share Capital Subscription.
- d) Interest charges of 1.543% per month based on diminishing balance of loan.
- e) Penalty of one (1%) percent per month shall be imposed on arrearages.

#### 5. Failure to Pay Loan/s

- a) A borrower shall be declared **delinquent** or **In-Default** if he/she failed to pay his/her amortization for two (2) months, thus loses all the rights and privileges accorded only to a member in good standing.
- b) In case of default in payment of loan amortization, the following procedures shall be observed:
  - 1) If the borrower defaulted in his first amortization, the borrower and co-makers shall be notified in writing to ensure that such default does not continue.
  - 2) If the borrower defaulted further for another month, he/she shall be declared delinquent and the monthly amortization including interests and penalties shall be deducted from the borrower's salary and if the salary was not sufficient, the balance shall be deducted from the co-makers.
  - 3) The delinquent status shall only be lifted sixty (60) days after the borrower has settled his/her obligation with PPAEDCO.
  - 4) For borrowers whose loans have been declared delinquent for more than three (3) months, the outstanding loan balance plus interest and penalties become immediately due and demandable from the maker and/or co-maker(s).
- c) Loan balance of borrowers who are on leave without pay or are separated from the service shall be

deducted from their co-maker/s' salaries, benefits/compensations from PPA and PPAEDCO.

- d) Members who have been separated or have resigned/retired but opted to remain as associate member of the PPAEDCO shall be granted a loan equivalent to seventy five percent (75%) of his/her capital **share** only in accordance with the existing PPAEDCO Lending Policy.
- e) All amortizations/payments for all types of loan shall be through monthly payroll deduction starting the month after the release of the loan/s;

## 6. Procedures in the Processing of Loan Applications

- a) The borrower shall submit the following duly accomplished documents to the PPAEDCO Office: (All data on the loan applications should be filled-up properly with blue ink ball pen or pen. Photocopy or loan applications sent by fax shall be rejected.)
  - 1. Loan Application Form;
  - 2. Promissory Note;
  - 3. Authority to Deduct;
  - 4. Duly signed copy of PPA Identification Card of Borrower and Co-Makers;
  - 5. Pay Slips of Borrower and Co-Makers (except for 13<sup>th</sup> Month Pay Loan) duly signed by the RMD Manager in the case of PDOs/PMOs;
  - 6. Certification that the 13<sup>th</sup> Month Pay has not been pledged to pay other obligations (for 13<sup>th</sup> Month Pay Loan only).
- b) All loan applications shall be acted upon by the Credit Committee. Evaluation and signatures of two (2)

members of the Credit Committee are required for the approval of every loan application.

- c) Loan applications of the Credit Committee members shall be approved **by any two (2) members of the BOD.**
- d) All loan applications shall be processed on a first-come, first-served basis.
- e) In case of disapproval of a loan application, the Credit Committee shall return the application to the borrower with reason/s of disapproval stated therein.
- f) Releasing of checks by the PPAEDCO Treasurer shall be in accordance with the following schedules:
  - 1) Emergency Loan -within twenty four (24) hours from the time/date of filing.
  - 2) Other types of Loan -

On Tuesday for application filed from

Thursday to Friday of any given week

On Friday for applications filed from Monday to Wednesday of any given Week

### **(WRITE-UP ON TIME AND SAVINGS DEPOSITS)**

### **SHOE MART PRIVILEGE CARD**

PPAEDCO, in partnership with Shoe Mart, Inc., is committed to enhance its capital build-up and at the same time mobilize savings deposit among members. The features of the privilege card are as follows:

1. Membership to the SM Shopping Card is open to all PPAEDCO members in good standing with a minimum cumulative savings deposit of not less than Php5,000.00.
2. Members shall be entitled to apply for an SM Shopping Card, through the cooperative, with the following credit loans for respective savings deposit:
  - Php5,000.00** shopping loads for deposits of Php5,000.00 or more; and,
  - Php10,000.00** shopping loads for deposits of Php10,000.00 or more.
3. A one-time fee of Php200.00 will be charged for the shopping card.
4. Purchases made through the SM Card shall be payable without interest to the PPAEDCO in four equal installments every 15<sup>th</sup> and 30<sup>th</sup> of the succeeding month within a period of two months.
5. The maintaining balance shall not be withdrawn unless the member has opted to surrender the card and all purchases from card usage are fully paid.
6. Payments not made within the specified installment period shall automatically be deducted from the member's savings and said member shall no longer be entitled for another credit load.
7. The member may withdraw the remaining balance of his or her savings account with the PPAEDCO after deducting the unpaid balance of the purchases made.
8. The member may opt to re-apply for card membership if the required maintaining balance has been satisfied.
9. Every end of the month, the member may apply for shopping reload from the cooperative office that is equal to the amount of payments made from his or her last purchases.
10. The cooperative shall notify the member of the purchases made and the period of payments.
11. PPAEDCO shall serve as the collecting agent of the SM shopping card purchases.
12. Except for the required maintaining balance, all other rules and regulations

of PPAEDCO on savings deposit shall apply.

## **WATER REFILLING STATION**

As a multi-purpose cooperative, PPAEDCO is not only engaged in savings and loan services but also in other entrepreneurial activities, such as the water refilling station business. It is not only required by the CDA but it is also necessary for the cooperative's growth.

PPAEDCO operates and provides purified water refilling services to the nearby PPA offices as well as port users and clients in a safe and controlled environment. The following are the salient guidelines in its operations:

- a. All Purchase Orders (POs) should be coursed through the PPAEDCO office only.
- b. The office shall advise the Operations Manager (OM) on the details of such orders for delivery. No delivery shall be made by the OM unless advised by the PPAEDCO Office.
- c. The OM shall prepare and issue the corresponding pre-numbered Delivery Receipts (DRs) to the customer. PPAEDCO Office shall be furnished copy of the customer-received DR.
- d. PPAEDCO shall prepare/issue Billing Statements as the basis for collection.
- e. The OM shall strictly implement the foregoing guidelines to ensure the smooth operations of the business.

## **F. MANUAL ON FINANCE**

### **ARTICLE I. ACCOUNTING POLICY**

#### **Purpose:**

The purpose of this policy is to set forth guidelines, controls and standards in recording and reporting the result of

operations and financial position of the cooperative in accordance with the generally accepted accounting standards.

#### **1. SEPARATE ENTERPRISE**

PPA Employees Development Cooperative (PPAEDCO) is a separate business enterprise requiring the maintenance of comprehensive accounting records and financial reporting practices to provide meaningful information to members, officers, directors, the audit committee, regulatory agencies and interested third parties.

#### **2. GOING CONCERN**

PPAEDCO maintains its accounts as a "going concern" on the basis that its operation will be continued indefinitely. Therefore, assets and liabilities should represent the value to the federation as a "going concern" and should not be based on liquidation values.

#### **3. MONETARY BASIS OF ACCOUNTING**

PPAEDCO's Financial Statements are expressed in terms of *Peso units*. The recording of each transaction in terms of *peso units* provided the best feasible indicator of its relative impact on the overall operations of the cooperative.

Changes in the purchasing power of peso are not reflected in the basic financial statements except for the adjustments to incorporate revalued property or equipment in the financial statements.

#### **4. CONSISTENCY IN ACCOUNTING FROM PERIOD TO PERIOD**

PPAEDCO follows consistent accounting practices from one accounting period to the next. Should

a material change in accounting treatment occur, the facts must be disclosed on the financial statements, including the peso effect upon the Statement of Financial Condition and the changes in the net income for the period.

#### **5. TIMELY RECOGNITION IN ACCOUNTING RECORDS**

PPAEDCO records all accounting transactions on a timely basis so that all material information applicable to each accounting period will be shown in the records.

To properly recognize in accounting records and financial reports the reasonable value of assets, liabilities, members' equity and reserve, income and expenses, PPAEDCO makes provision for any losses that may be sustained in the collection or conversion of loans and other assets by charges against current operation.

#### **6. MATERIALITY**

PPAEDCO recognizes in the accounts the material facts relating to the cooperative's activity.

A statement, fact, or items is materials if, giving full consideration to the surrounding circumstances as they exist at the time, it is of such a nature that its disclosure, or the method of treating it, would likely influence or "make a difference" in the judgment and conduct of a reasonable person. The accumulation of many small items, each of which in itself would not be "material", would be "material" if the overall effect would tend to influence the judgment and conduct of a reasonable person.

#### **7. PRINCIPLE OF CONSERVATISM**

PPAEDCO maintains the accounting records on a conservative basis. It

makes reasonable provisions in the accounts for probable losses on assets and for the settlement of liabilities. It should not materially overstate nor understate assets, liabilities, income or expenses.

1 and ends at December 31 of each year.

## **ARTICLE II. CASH RECEIPTS**

### **Safeguards and Controls**

#### **8. ACCOUNTING BASIS**

PPAEDCO uses Modified Cash Basis of accounting. This is a combination of cash basis and accrual basis of accounting. Under the modified cash basis, the accounting is based on cash receipts and disbursements, except that provision is made to reflect:

- a. Liabilities incurred which are not paid at the close of the accounting period.
- b. Unpaid dividend on share capital applicable in the accounting period.
- c. Deferred credits and charges that are applicable to future periods.
- d. Estimated losses on loans outstanding and other risk assets; and
- e. Depreciation of property and equipment.

#### **9. ACCOUNTING SAFEGUARDS AND CONTROL**

PPAEDCO adopts appropriate accounting safeguards and controls to provide reasonable assurance that accounting records are complete and accurate.

#### **10. FISCAL YEAR**

PPAEDCO's accounting period shall be a 12-month period starting January

#### **1. Custodianship**

- a. The Treasurer or any employee authorized to receive cash is responsible to the cooperative for all cash received and subsequent deposits to the bank.
- b. A pre-numbered Official Receipt (OR) duly signed by the Treasurer or any employee authorized to receive cash, is issued to acknowledge receipt of cash.
- c. The Official Receipt (OR) is issued in two copies. The original copy goes to the payor/member and the duplicate copy shall be the basis of the accounting personnel in recording the cash received in the Cash Receipts Book.
- d. The OR is recorded in the Cash Receipt Book in numerical sequence checked by the Accountant and reviewed by the Audit Committee.
- e. All cash received during the day should be deposited intact immediately or on the following day.
- f. The total amount of cash receipts acknowledged in the

OR is compared against the validated bank deposit slip.

- g. All copies of cancelled ORs are stapled, preserved and retained in the booklet and marked "CANCELLED".

## **2. Bonding of Accountable Employees**

- a. The treasurer or any employee authorized to handle cash and or other accountabilities should be bonded.
- b. The bonds should be in the amount adequate to cover possible losses or shortages that may arise in the handling of cash and/or other accountabilities.

## **3. Surprise Count**

From time to time, the Audit Committee shall conduct surprise count of the collections and prepares a report to the Board of Directors; copy furnished the General Manager.

# **ARTICLE III. CASH DISBURSEMENT**

## **Safeguards and Control**

### **1. Payments**

- a. All disbursements shall be paid by check except those, which are paid from the Petty Cash.
- b. Each check shall be supported by a pre-numbered Cash Disbursement Voucher (CDV) with the appropriate supporting documents.

- c. The Audit Committee reviews and checks the validity of the CDV and its supporting documents.
- d. The General Manager approves all CDV's covering disbursements.
- e. All copies of CDV and its supporting documents shall be stamped "PAID" indicating therein the date of payments.
- f. The payee/authorized representative shall acknowledge the receipt of payment or issue Official Receipt or other evidence in exchange of the payment.
- g. Payments thru ATM shall be covered by approved CDV and the appropriate supporting documents.

### **2. Control of Checks**

- a. All checks are issued and recorded in numerical sequence in the Cash Disbursement Book.
- b. All checks are prepared based on the properly approved CDVs, duly verified by the Accountant, reviewed by Audit Committee, signed and countersigned by at least two authorized signatories.
- c. The check is always made payable to a specific person or entity and must be crossed (two parallel lines at the left side of the check).
- d. Unused check booklets will be under the custody of the Treasurer (vault). Under no circumstance shall check booklets be made available to any unauthorized person.

- e. Voided, spoiled and cancelled checks shall be marked "CANCELLED" and attached to the corresponding checkbook for subsequent inspection and reconciliation.
- f. Signing or countersigning of blank checks **in advance** is strictly prohibited.
- g. All checks issued should be recorded in the logbook and upon release the payee shall be required to acknowledge receipt thereof.

### **3. Bank Reconciliation**

- a. To determine the accuracy of the cash in bank account balance, a reconciliation of the book and bank balances shall be done monthly by the accounting personnel.
- b. The Accountant reviews the bank reconciliation statement and evaluates the reconciling items.
- c. Reconciling items should be recorded in the books.
- d. The Accountant shall immediately communicate posting errors committed by the bank.

### **ARTICLE IV. BUDGET POLICY**

The annual operation of PPAEDCO shall be guided by a duly approved budget based on approved program of activities.

The General Manager shall prepare the proposed budget for the coming year, estimate the required cost and strategize income generating activities to ensure

coverage of at least 100% of its projected operation cost.

The General Manager shall submit the proposed budget to the Board Of Directors for endorsement to the General Assembly for approval.

The General Manager shall submit monthly Budget Utilization Report to the Board with variance analysis.

### **ARTICLE V. CASH ADVANCE POLICY**

1. Cash advance shall be allowed for management and emergency purposes only.
2. Cash advance must be properly approved by the General Manager.
3. Cash advance shall be liquidated within 5 days after the incurrence of expenses.
4. No cash advance shall be granted unless the previous cash advance has been liquidated.

### **ARTICLE VI. REVOLVING FUND**

#### **1. Safeguards and Controls**

##### **1.1 Custodianship**

- a. A Revolving Fund (RF) in the amount approved by the Board shall set up to take care of minor disbursements usually consisting of day-to-day expenses.
- b. The fund is maintained on an imprest system. At any given time, the total cash on hand and the unreplenished disbursement shall be equal to the amount of the fund.
- c. The fund is in the custody of the Treasurer or any designated

custodian. Access to and responsibility for the fund is limited to the custodian.

- d. The Treasurer ensures that the daily cash balance tallies with the cashbook, verified by the accountant.
- e. The fund is kept in safe.
- f. In case of shortage, the custodian is liable and responsible for restitution without prejudice to the filing of appropriate action.

## 2. Disbursement

### 2.1 Revolving Fund Voucher

- a. A Revolving Fund Voucher (RFV) is required for disbursement from the Fund.
- b. The accountant verifies the appropriateness of supporting documents, budget and correctness of entries.
- c. The General Manager shall approve the RFV before any payment is made. Supporting documents shall be attached to the voucher.
- d. After payment, the RFV and its supporting documents are numbered and stamped "PAID", initialed, with the date of payment.

## 3. Restriction on Disbursement

- a. Payment from the fund shall be limited to a certain amount in accordance with the Board policies. Any disbursement more than this amount is made by check.

- b. Encashment of other checks from the fund is prohibited.

## 4. Replenishment

- a. When the fund reaches 75% utilization the RF custodian prepares the Replenishment Summary.
- b. The replenishment check shall be payable to the custodian.

## 5. Surprise Count

From time to time, the Audit Committee shall conduct surprise count of the Revolving Fund and prepares a report to the Board of Directors; copy furnished the General Manager regarding the results of the count.

## ARTICLE VII. INVESTMENT POLICY

The purpose of this policy is to set forth guidelines, controls and standards in placements, withdrawals, recording and reporting the investments of the cooperative.

### Safeguards and controls.

PPAEDCO funds in excess of its needs for operations may be invested as authorized by the Board.

#### 1. Authority and Approval:

A sound investment program shall be the sole responsibility and accountability of the Board of Directors which shall ensure that investment decisions have been based on economic and financial viability study.

- a. Investment should be in accordance with the approved budget.

- b. The General Manager is authorized to approve investment of up to maximum amount of P500,000.00. All investments approved by the General Manager shall be immediately reported to the Board.

## 2. Record Keeping and Control

Investments shall be properly recorded and documented in accordance with identified controls.

## 3. Reporting

Status of investments shall be part of the regular management report.

## ARTICLE VIII. FIXED ASSETS – Property and Equipment

### Purpose:

In order to effectively control and safeguard the Fixed Assets of the cooperative and for its proper monitoring, the following policy guidelines shall be strictly implemented:

### Recognition and Valuation

- An item of property, plant and equipment should be recognized as an asset when it is probable that future economic benefits will be derived for the cooperative
- The cost of the asset can be measured reliably.

An item of property and equipment should initially be measured at cost which comprises of its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use;

any trade discounts and rebates are deducted in arriving at the purchase price.

### Safeguards and Control

- a. Acquisition of property and equipment should be in accordance with the approved budget.
- b. Approval of Acquisition of Fixed Assets shall be as follows:

General Manager - Up to P 100,000.00

Board of Directors - Up to P 1,000,000.00

General Assembly - Over P 1,000,000.00

### Accounting Treatment of Fixed Assets

#### A. Capitalized

- Fixed Asset with an acquisition cost of P2,000.00 or with an estimated useful life of more than one year shall be treated as capital expenditures, subject to depreciation.
- Major repair/improvement on Fixed Assets shall likewise be capitalized subject to the following conditions:
  - a. The repair / improvements should substantially increase/improve the useful life of the Fixed Assets.
  - b. The cost of the repair should be more than 25% of the acquisition cost.

## **B. Semi-expendable (not capitalized)**

The asset shall be treated as outright expense if the acquisition cost is less than P 2,000.00 and the estimated useful life is one year and below.

### **Record Keeping and Control**

- a. All property and equipment shall be in the name of PPAEDCO.
- b. The property custodian shall be responsible for the proper safeguarding and maintenance of property and equipment.
- c. Where advisable, property and equipment should be adequately insured against fire, theft and other risk.
- d. A Property and Equipment Register shall be maintained and updated by the designated personnel for each property or equipment where the cost, depreciation charges and other relevant data, like sale, disposition, trade-in, improvements, and exchange are recorded.
- e. It is understood that any procurement is covered by appropriate documentation and approved by proper authorities.
- f. A Memorandum Receipt (MR) properly accomplished and acknowledged by the employees and/or officers to whom the furniture or equipment is issued.

- g. All property and equipment shall be numbered and properly identified.

### **Depreciation**

- a. Depreciation shall be computed in accordance with the approved rates of depreciation.
- b. For newly purchased Fixed Assets, the initial depreciation shall be booked in full the following month after the acquisition. Thus no depreciation shall be booked on the month of acquisition.
- c. When a unit is fully depreciated, a nominal amount equivalent to 10% of acquisition cost is carried in the books.
- d. The straight-line method of depreciation is adopted.

### **Estimated Useful Life of Fixed Assets**

- a. Buildings - 20 years
- b. Office furniture, fixtures and equipment - 5 years  
Except for: Computers and accessories  
3 years  
Cellular phones - 2 years
- c. Vehicles - 7 years
- d. Books/Appliances - 2 years

### **Monitoring and Accountability**

To effectively account the existence of Fixed Assets and its proper maintenance, the General Manager shall appoint an officer as Property Custodian who shall be responsible for its administration. The duties and

responsibilities of the designated Property Custodian shall be as follows:

- a. Assigns Property Numbers of all Fixed Assets of the Coop whether Capitalized or Semi-expendable.
- b. Maintains a logbook for semi-expendable Fixed Assets.
- c. Maintains list of Fixed Assets under the custody of officers and employees, who shall be directly accountable. The receipt of Fixed Assets should be duly acknowledged and properly filed by the Property Custodian. Likewise, he shall acknowledge any Fixed Assets returned or turned over to him. For such purposes, a Memorandum Receipt shall be accomplished.
- d. Recommends the immediate repair or replacement of defective/unserviceable Fixed Assets being used in the operation of the coop as the case may be.
- e. Recommends the disposition of all unserviceable Fixed Assets or those no longer in use although still serviceable.
- f. Preparation of quarterly monthly report of Fixed Assets as to status (Serviceable/Unserviceable or No longer in use and for disposal)
- g. Assists in the Annual Physical Inventory of Fixed Assets to be conducted by the Audit Committee.

### **Disposition**

Approval for the disposition of Fixed Assets shall be vested solely to the BOD

unless the amount involve is more than ₱1,000,000.00 otherwise, the General Assembly shall be the appropriate body to approve such disposition.

The following shall be strictly observed in the disposition of Fixed Assets:

a. Fixed Assets shall be disposed subject to the existence of any of the following conditions:

- Fully depreciated Fixed Assets, its replacements of which are duly approved.
- Fixed Assets than are no longer being utilized.
- Unserviceable Fixed Assets or those beyond repair.
- Fixed Assets whose repair would no longer be beneficial or would be costly.

b. Manner of disposition shall be through:

- Sealed bidding, which should be participated in by at least three bidders.
- Negotiated Sale in case of failure in bidding for three (3) consecutive times.

## **ARTICLE IX. LIABILITIES**

### **SAFEGUARDS AND CONTROL**

#### **A. Savings/Time Deposits**

1. The cashier should issue an Official Receipt upon receipt of cash.
2. The GM is authorized by the Board of Directors to fix the interest rate of Savings and Time Deposits.

3. Only the Accounting Staff in charge of the account shall be allowed to make posting to the subsidiary ledgers, unless, properly authorized in writing.
4. In all transactions involving savings accounts, whether deposits, withdrawals, debit or credit memos, depositor's name and/or account number appearing in both the source documents such as Official Receipt, Cash Disbursement Voucher and the subsidiary ledgers to which the amount is to be posted, should be compared to ascertain their correctness.
5. PPAEDCO should maintain individual subsidiary ledger card for each savings and time depositor and other creditors.
6. Encoding on the member's subsidiary ledger card must be up-to-date to prevent over-withdrawals of savings and time deposits.
7. Savings Deposits that have been pledged for a particular loan of a member is non-withdrawable and a Deed of Assignment should be executed and the word "HOLD" should be indicated in their respective savings ledger card.
8. Total savings account and time deposit balances as per members' individual subsidiary ledgers must match with the controlling account balance per general ledger.
9. Positive confirmation of members' deposit balance should be done periodically.
10. Unclaimed deposits over five years should be properly disposed of either a credit to Other Income or Optional fund for social purposes.
11. Debit balances of savings deposits and time deposits adjustments shall be properly reviewed as it may be due to over withdrawal or erroneous entry transactions.
12. Savings Deposit Passbooks shall be required to be presented for every savings deposit transactions with PPAEDCO or Certificate of Time Deposit shall be issued in case of time deposit transactions.
13. The interest on Savings Deposit shall be computed base on Average Daily balance to be posted to the subsidiary ledger at the end of every quarter. Quarterly interest shall be debited to "Interest Expense on Deposits" and a credit to "Savings Deposits
14. A numbered Certificate of Time Deposit shall be issued to the depositor and a subsidiary ledger shall be maintained for each depositor.
15. The interest on Time Deposit shall be computed based on the approved monthly rate. The interest shall be debited to "Interest Expense on Deposits" and a credit to "Time Deposits
16. If withdrawal of Time Deposit is made before the time agreed, the rate on savings deposit at the time of withdrawal will be applied.

## **B. Interest on Paid Up Share Capital**

1. Amount set aside for Interest on paid up share capital should be in accordance with the decision of the Board of Directors.
2. Before payment is made, Board of Directors shall approve and announce the granting of the interest on share capital taking into consideration the following:
  - 2.1 The rate of Interest
  - 2.2 The date the declaration was made
  - 2.3 The members-on-record as of a given date entitled to receive the dividend.

## **C. Accounts Payable**

1. Total individual ledger account balances must match with the balances per major control account in the general ledger.
2. Only accounts payable that are valid and duly supported by legal documents shall be approved and paid by the appropriate authority.

## **ARTICLE X. SHARE CAPITAL/DIVIDEND**

### **Purpose:**

The purpose of this policy is to set forth procedures and guidelines to be followed in the distribution of dividends to members' share capital.

## **1. Payment of the Dividends**

- a. The Board of Directors allocates the annual net surplus for dividends to share capital of the members based on the Net Income generated for the year and the provision of the cooperative law. In accordance with this policy, the General Manager ensures timely payment to members.
- b. The dividends should be paid to the members not later than 60 days after the end of the calendar.
- c. Payment shall be made in cash or may be deposited to the members' savings account.
- d. Dividends to members with delinquent loans shall be applied to the payment of penalty, interest and principal of the loan account.

## **3. Computation of Dividends**

The dividends are computed on an average Share Capital method for the twelve-month period multiply by the dividend rate .

## **ARTICLE X1. INTERNAL CONTROL POLICY**

PPAEDCO shall develop a strong internal control system to ensure that:

- its assets are safeguarded;
- reliability of its accounting data are checked;
- operational efficiency is promoted; and

- practices adhere to prescribed managerial policies.
1. PPAEDCO has a total of FOUR (4) full-time staff who are responsible for the implementation of a smooth flow of the business operation of the cooperative.
  2. The imprest cash system has been practiced on cash receipts (all receipts/collections are deposited in the bank intact within the day of receipt) and petty cash fund.
  3. Bank signatories are always a combination of a management staff and duly authorized BOD member.
  4. The major compatible functions are segregated, such as Authorization, Execution, Recording and Custodianship. They are implemented in the following manners:

A. Authorization – is done by the GM within the plans and policies formulated by the BOD, whom the GM is directly accountable. On urgent cases wherein it is not within the authority of the GM the Board confirms during its monthly meeting.

B. Execution – refers to implementation of plans and programs based on prescribed policies and guidelines. The GM is directly responsible in the carrying out of the plans and programs with the full support of its staff.

C. Recording – refers to timely and accurate recording of all daily cooperative transactions.

The staff prepares the Cash Voucher with the Check based on duly approved Vouchers and other required documents. It is then checked by the Accountant who endorses it to

the Audit Committee for final review and recommendation for approval by the GM.

Once approved and signed by one of the co-check signatories (BOD member) is brought to the Treasurer for the final check signature.

The accountant records all transactions and responsible for bank reconciliation and generation of financial statements.

Accounting method is in accordance with GAAP/IAS, Coop Code of the Philippines and PPAEDCO By-laws.

Like any cooperative, PPAEDCO is audited by the elected Audit Committee and external auditor accredited by CDA.

#### D. Custodianship

PPAEDCO has a vault/safe for its documents and records. Accountable officers and staff are bonded adequately. Cash held by the cashier daily is only the petty cash fund of P5,000 and all cash received are deposited in-tact within the day of receipt. Petty cash fund is replenished upon reaching the 75% level of utilization. Accountable forms and documents are physically controlled.

The above major functions should be segregated as a measure against connivance. There is no amount of internal control against connivance or collusion but with value-based leadership and management which PPAEDCO always has and will have in the future, connivance can never exist in this prestigious cooperative.

**ARTICLE XII. GUIDELINES ON THE PRESCRIBED SIGNATORIES ON REPORTS AND SIGNATORY ON AUTHORIZATION**

The following sections identify the different cooperative transactions and activities in the area of membership, capital build-up, savings mobilization, lending/re-lending, fund management, personnel, general and administrative affairs, and turnover of accountability and business operations. For each of these activities, responsible approving and signing authorities are indicated to serve as reference or guide to leaders and management in the conduct of daily cooperative operations.

**Cooperative Membership**

This section indicates the cooperative approving and signing authorities in all matters pertaining to cooperative membership and affiliation in federations, unions and other organizations.

The continuing dynamism of a cooperative largely depends on the quality and quantity of its members, as well as on its active participation as affiliates in other organizations. A cooperative must possess a well-defined approving and signing authorities to enable it to immediately and adequately respond to the need for continuous membership recruitment and effective implementation of disciplinary actions against erring members.

TRANSACTIONS/LIMITS	GA	BOD	GM
1.Approval of Application and withdrawal of membership Status		x	
2.Determination of membership Status (member in good standing or delinquent member)			

			x
3. Signing of Written Notice for BOD Action on Membership Application, Membership Status, and Withdrawal of Membership.			x
4. Approval of amount of Membership Fee and Other Fees.		x	
5.Approval of Disciplinary Action  Against Cooperative Members.  5.1 Written Warning  5.2 Suspension of benefits, Rights and Privileges    5.3 Expulsion of Member		x       x1/	
6. Removal of Elective officer, Director and Committee member.	X		
7. Signing of Notices to Implement Approved Disciplinary Actions Against Cooperative Members.			x
8.Approval of Affiliation/Consolidation or merger with Other Cooperative/organizations  8.1 Approval of Membership in unions, Federations, Apex, Cooperative Banks and Other Organizations.    8.2 Approval of Consolidations/Merger with Other Cooperatives.		x       X 2/	

1/ Appealable to the GA.

2/ May be initiated by BOD , GA or at least 10 percent of members with voting rights.

**Capital Build-Up (CBU) Transactions**

This section provides the suggested approving and signing arrangements in cooperative's CBU transactions.

As the cooperative's basic source of capital, all transactions and activities relative to CBU need to be transparent and proper. This shall provide the cooperative the capability to immediately address its need for continuous increase in capital which can be utilized for cooperative expansion, operations and activities.

Withdrawals			
2.3 Encashment of Certificates of time deposit			x
			x

TRANSACTIONS/LIMITS	GA	BOD	GM
1. Approval of Amendments to the Authorized, Subscribed, Paid-Up Capital and Par Value.	x		
2. Issuance of Board Resolution Indicating the No. of Paid-Up Capital Shares per Certificate.		x	
3. Signing of Certificates of Share to be issued.		x	

### Lending/Re-Lending Functions

This section suggests the appropriate co-op approving signing responsibilities that could ensure the proper utilization of co-op funds and safeguard the fiduciary interest of creditors, the co-op, and the members.

The resources of co-ops for lending operations may be derived from members' savings, banks or other lending resources. It is therefore, important that all co-op pay its loan obligations and to help safeguard the financial of its members.

### Savings Mobilizations Activities

This section provides the different cooperative authorities and responsibilities that would ensure the safety of cooperative members' savings.

It is the primary responsibility of cooperative to safeguard and maximize income derived from the savings of its member. All activities and transactions involving the savings of members must be done with utmost fidelity.

TRANSACTIONS/LIMITS	GA	BOD	GM
1. Approval of lending policies Including Restructuring of Loans		x	
2. Approval of Loans			x
3. Signing of Contracts/Documents to Implement Approved Loans		x	
4. Approval of Restructuring of Loans		x	
5. Signing of advice/Certifications on the Status of Loan			
5.1 Advice to members on approval of the loan/Amendment of Condition/Change of Collaterals and request for submission of requirements			x
5.2 Certification as to payments of outstanding loans			x

TRANSACTION/LIMITS	GA	BOD	GM
1. Approval of Interest Rates on Deposits Generated by the Cooperative.			x
2. Approval of Deposit Transactions of Members.			x
2.1 Opening of Deposit Accounts			1/ x
2.2 Savings Account (regular, Voluntary, etc.)			

6. Approval of Partial Release/release and/or Change of Collaterals on Partially Paid loans			x
7. Approval of release of Collaterals/Mortgage, Guarantees, pledges, and Other Documents on Fully Paid loans			x
8. Signing of collection Letters			x
8.1 Collection Letters prior			
8.2 Final demand letter before legal action			x
9. Approval of Compromises Amicable Settlement of Loans Above P 500,000 Below P 500,000		x	
10. Approval of legal Action to be taken on past due Loans		x	
11. Signing of Documents Relating to Action on Past Due Loans		x	

### Fund Management Transactions

This section delineates responsibilities in all matter involving the investment of the surplus funds of the cooperative.

TRANSACTION/LIMITS	GA	BOD	GM
1. Granting of Authority to Invest	Over P1M	Up to P1M	Up to P100K
2. Approval of Amount, terms and type of Investment			
3. Selling or Purchasing of investment			
4. Approval of Membership Equity Contributions and the like, with Federations,			

Unions, other Organization and disposition/Withdrawal Thereof			
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### Human Resources Development (HRD)

To implement a more efficient human resource development, below is the delineation of accountabilities and responsibilities between and among concerned cooperative leaders and officers.

TRANSACTIONS/LIMITS	GA	BOD	GM
1. Approval of Organizational Structure and Personnel Plantilla Including Compensation Structure and Amendments thereto		x	
2. Approval of appointment/Promotion/Salary Increase of Cooperative management Staff/ Personnel		x	
3. Signing of Employment Papers and Record/Certificate of Employment (e.g., leave credits, services record)			x
4. Approval of termination of services of Contractual Employees for Unsatisfactory Conduct/ performance Prior to Expiration of Contract		x	
5. Approval and Implementation of Disciplinary Action Against Cooperative management Staff			x
5.1 Written reprimand		x	
5.2 Suspension/dismissal or Fine			x
5.3 Notice of suspension /dismissal		x	
6. Acceptance of Resignation of Officers and Staff of the Cooperative		x	
7. Hiring of Consultants/Contractual		x	
8. Approval of Compensation Rates of		x	

Consultants/Contractual			
9. Administrative/Procedural Issuance			x
10. Participation in Training , Conference, Seminar and Workshops		x	
11. Approval of Leaves			x
12. Designation of Core management Back-up/Alternate		x	
12.1 Manager			
12.2 Bookkeeper			
12.3 Treasurer/Cashier			

### General and Other Administrative Affairs

This section provides suggested signing authorities to ensure that internal control has been installed to safeguard disbursement and cooperative properties.

As an internal control measure, it is proper for the cooperative to identify the persons/units responsible for making decisions on expenses, acquisition and disposition of assets, and other related administrative matters. A clearly defined and delineated approving and signing accountability will help prevent unreasonable and excessive spending by any cooperative leader or personnel.

TRANSACTIONS/LIMITS	GA	BOD	GM
1. Approval of procurement/Purchase of non-expendable items, e.g., land, building, other capital expenditures		x	
2. Approval of procurement /Purchase of Expendable Items, e.g., supplies materials not more P 50,000.			x
3. Approval and Signing of Contracts for Lease/Rental of Furniture/Equipment/Building/Vehicle			

3.1 Lease		x	
3.2 Rental		x	
4. Approval of Cash Advances / Reimbursement of Representation and Travel Expenses Incurred by BOD members, Manager and Committee Chairmen			x
5. Approval of Advertising and Promotion			x
6. Approval of Cash Donations		x	
7. Approval of Payroll and Other Personnel Expenses			x
8. Approval of normal and recurring expenses necessary for operations, i.e., electricity, water, telephone, and the like			x
9. Approval of setting-up of petty cash fund/revolving fund		x	

### TURNOVER OF ACCOUNTABILITY

This section provides the approving and signing authorities for clearances of outgoing key cooperative leaders and officers. The delineation of these responsibilities is vital in ensuring the proper transfer of important documents and records to cooperative staff who shall take-over the roles and functions that will be left behind by the going personnel.

TRANSACTIONS/LIMITS	GA	BOD	GM
1. Approval of Clearance of Outgoing Personnel:			
1.1 Officers		x	
1.2 Staff			x

### BUSINESS OPERATIONS

This section covers the suggested signing arrangement involving cooperative business operations.

A cooperative is organized for various reasons. Foremost of these is the privilege to

conduct of business that will earn income to enable the cooperative to extend more services and benefits to its members. It is therefore imperative that its business transactions and Activities are managed well and the authorities in the conduct thereof are properly identified and delineated.

TRANSACTIONS/LIMITS	GA	BOD	GM
1. Approval of Opening of Credit Line From Any Source		x	
2. granting of Credit Line/Consignment to buyers 2.1 Up to P 1,000,00 2.2 Above P 1,000,00		x x	
3. Opening of New Business	x		

### **ARTICLE XIII. STANDARD CHART OF ACCOUNTS**

#### **OBJECTIVE:**

To comply with CDA Memorandum Circular No. 2009-04 prescribing the use of Standard Chart of Accounts for cooperatives.

**ACCT# ACCOUNT TITLE  
DEFINITION/DESCRIPTION**

#### **ASSETS**

Economic resources of PPAEDCO that are recognized and measured in conformity with the Philippine Financial Reporting Standards taking into consideration the cooperative laws, principles and practices in the country.

**1000 Current Assets** - Include cash and other assets that are reasonably expected to be realized in cash or intended for sale or to be consumed within twelve months after the balance sheet date.

**1001 Cash-On-Hand** - Money (bills and coins) , checks and demand drafts still in the possession of PPAEDCO custodian and other cash items awaiting deposits. This account is debited for all daily collections and credited when the collections are deposited in the bank.

**1003 Cash-In-Bank - LBP** - Money deposited at Land Bank Of the Philippines under the name of PPAEDCO i.e savings, current, time deposits and combo-accounts. This account is debited when collections are deposited to a current or savings bank account or time deposit of PPAEDCO. Separate ledger accounts should be kept for each bank account.

**1004 Cash In Bank – PVB** - Money deposited at Philippine Veterans Bank under the name of PPAEDCO i.e savings, current, time deposits and combo-accounts. This account is debited when collections are deposited to a current or savings bank account or time deposit of PPAEDCO. Separate ledger accounts should be kept for each bank account.

**1005 Short Term Investment – PVB (TD)** - PPAEDCO's Time Deposit placement to Philippine Veterans Bank for a fixed period.

**1006 Cash in Bank - BPI** - PPAEDCO's money placement at Bank of the Philippine Islands under the name of PPAEDCO i.e savings, current, time deposits and combo-accounts.

**1022 Revolving Fund** - PPAEDCO maintains cash fund to pay small purchases and expenditures such as supplies, transportation, meal expenses, etc. Including withdrawals of savings deposit, except encashment of checks. It is maintained under an imprest system, that is, the total amount of

expenditures, properly supported by documents must match the amount of fund.

- 1112 Loans Receivable – Emergency** - loans that are not yet due granted to member/borrower for emergency purposes with a maximum repayment period of 24 months. A subsidiary ledger per member is maintained.
- 1122 Loans Receivable – Long –Term** - loans that are not yet due granted to member/borrower on a long term period payable within the period of 60 months. A subsidiary ledger per member is maintained.
- 1124 Loans Receivable – Short –Term** - loans that are not yet due granted to member/borrower over a short-term period payable within the period of 36 months. A subsidiary ledger per member is maintained.
- 1126 Loans Receivable – Appliance** - loans that are not yet due granted to member/borrower for the procurement of appliances payable within the period of 36 months. A subsidiary ledger per member is maintained.
- 1128 Loans Receivable – Restructured** - past due loans whose term have been extended or renewed after full payment of interests/surcharges due thereon. Restructured loans are considered performing or current when there is a good tracking record of continuous payment of the amount agreed upon and will be considered past due when it is not performing or there are no payments received after restructuring. A subsidiary ledger per member is maintained.
- 1130 Loans Receivable – Past Due** - outstanding balance of loans to member-borrower not paid on instalment due date. Monthly aging of loans is being prepared to determine the amount of past due loans. The loan shall remain in this account until fully paid or until arrangements are formalized for its renewal/extension/restructuring or collection/foreclosure.
- 1132 Loans Receivable – In Litigation** - total collectibles from past due loans of a member which are under legal action. The loan shall remain in this account during the legal proceedings and until fully paid or restructured/foreclosed. A subsidiary ledger per member is maintained.
- 1035 Cash Advances to Officers and Employees** - Duly approved cash advances for official business to officers and employees subject to immediate liquidation. A subsidiary ledger should be maintained for each person to whom cash advances were given.
- 1140 Allowance for Probable Losses on Loans** - Refers to cumulative amount set up against the current operation for possible losses arising from non-collction of accounts. This is a contra-account to Loan Receivable. This account may also be referred to as Allowance for Doubtful Accounts. .
- 1145 Receivables from Accountable Officers and Employees** - Total collectibles from shortage and other losses due from accountable officers and employees that are subject to immediate settlement/sanction.
- 1146 Accounts Receivable** - Refers to the amount due from member and/or non member patrons resulting from services rendered and sales of related goods/merchandise which are expected to be collected within one year or credit terms set by the Board of Directors.
- 1147 Other Receivables** - Transactions/adjustments not classified under any of the receivable accounts mentioned. These also represents:

- The amount currently owned by persons other than the members of services rendered.
- Advances to members of their expenses not previously covered by deposits such as insurance premiums, taxes and other government dues, inspection fees and others.

**1148 Unused Office Supplies** - Office supplies on hand at the end of the accounting period

**1149 Prepaid Expenses** - Payments made in advance in exchange for a future benefit usually within 1 year. (e.g. insurance, interest, advertising, rentals, etc.).

**1150 Inventories** - Cost of goods on hand, in consignment and in-transit, available for sale at the end of accounting or reporting period. An inventory record should be maintained for each item of inventory. Inventory record should reconcile with the physical count.

### **Non-Current Assets –**

All other assets not classified as current to include tangible, intangible operating and financial assets of a long term nature.

**1511 Investments – PLDT** - PPAEDCO's equity preferred stock with PLDT

**1512 Investments - Other Cooperatives** - PPAEDCO's investments in other cooperatives.

**1514 Investments – Government Securities** - PPAEDCO's investment in securities and bonds issued by the government and its instrumentalities.

### **Property, Plant and Equipment**

Includes all tangible assets with an estimated useful life beyond one year, are used in the conduct of the business, and not intended for sale in the ordinary course of business.

**1810 Building** - Cost of building constructed/owned by PPAEDCO used for its operation. Major repairs or improvements that will prolong the life of the building are considered additional cost. This account is debited for the cost of construction (material, labor and other incidental expenses); value or cost of building and major improvement/repair. This account is credited for sale of building and destruction by fire or calamity

**1811 Accumulated Depreciation-Building** - This is the sum of depreciation on building that are set-up periodically against current operation.

**1814 Furniture, Fixtures and Equipment** - the cost or appraised value or other appropriate value of movable (furniture), immovable (fixtures), properties and office equipment used in PPAEDCO's ordinary course of business such as tables, chairs, cabinets, computers, etc. including incidental expenses incurred in acquiring them up to the time they are received. A physical inventory should be conducted at the end of the year; the results should be reconciled with the book.

**1815 Accumulated Depreciation-Furniture, Fixtures & Equipment** - Sum of depreciation on furniture, fixtures and office equipment, that are set-up periodically against current operation. This account is debited upon sale or disposal of the asset being depreciated and is credited for the amount set up for the estimated wear and tear of the asset.

**1818 Transportation Equipment** - Cost of equipment owned by PPAEDCO such as motorcycle, pick-ups, vans and other vehicles used in transporting goods, services or personnel. This is recorded at cost or appraised.

**1819 Accumulated Depreciation-Transportation Equipment** - Sum of depreciation on transportation equipment that are set periodically against current operation.

### **Other Non-Current Assets**

These are assets, which do not fit into any of the preceding asset classifications.

**1952 Computerization Costs** - The cost of acquisition or development of computer programs and other software, amortized over a period of 3 years.

**1954 Other Funds & Deposits** - Hold-out deposits or guarantee fund given by PPAEDCO to the funding institutions in compliance with the requirement of certain agreements. The corresponding fund set-aside for the reserve, optional fund and any other funds that maybe set-up by PPAEDCO, may be in the form of time deposits or other securities.

**1970 Miscellaneous Assets** - Assets not falling in any of the above categories

**1980 Purchases – Trading** - Cost of materials procured intended for sale.

### **LIABILITIES**

Economic obligations of PPAEDCO that are recognized and measured in conformity with generally accepted accounting principles.

#### **Current Liabilities**

Obligations of PPAEDCO that are reasonably expected to be settled through the use of existing current assets or the creation of other current liabilities in the same condition within the normal operating cycle of PPAEDCO which is one year.

**2002 Savings Deposits** - Deposits made by members that can be withdrawn anytime at the option of the depositors.

**2004 Time Deposits** - Deposits made by members over a specific period of time and withdrawable at a predetermined date.

**2006 Loans Payable-Short Term** - The indebtedness of PPAEDCO to financial institutions, other cooperatives, or persons payable on short-term basis not exceeding one (1) year.

**2008 SSS/ECC/PhilHealth Premium & Pag-ibig Contributions Payable** - Amounts withheld by PPAEDCO from the compensation income of its employees representing their contribution to SSS, PhilHealth and Pag-ibig agencies. As an employer, PPAEDCO has its corresponding share contributions and this is set-up every payroll period.

**2009 SSS/Pag-ibig Loan Payable** - Amount of personal loan of PPAEDCO employees to SSS and PagIbig.

**2012 Withholding Tax Payable** - All taxes withheld as prescribed by law including the unremitted withholding tax deducted from the employees' salaries representing part of their possible income tax liability to the Bureau of Internal Revenue (BIR).

**2014 Accrued Expenses** - Expenses that have been incurred but not yet paid as of date of statement of financial condition but payable within the next accounting period. This account represents the amount due to creditors/employees for services rendered/received and other expenses already incurred but not yet paid.

**2016 Interest on Share Capital Payable** - Liability of PPAEDCO to its members for interest on share capital, which can be determined only at the end of every accounting period. This account is credited for the amount allocated for interest on share capital

payable to members, set aside in accordance with the by-laws. It is debited upon payment to members.

**2018 Patronage Refund Payable** - Liability of PPAEDCO to its members for patronage refund, which can be determine only at the end of every accounting period. This account is credited for the amount allocated for the refund of the interest paid by members, set aside in accordance with the by-laws. It is debited upon payment to members.

**2020 Due to CETF (Apex)** - An amount set aside for the education and training fund of an apex organization which is 50% of the amount allocated by PPAEDCO in accordance with the provision of the PPAEDCO by-laws and the Cooperative Code.

**2022 Unearned Income** - Income already received for goods & services but not yet earned.

**2023 Accounts Payable** - Obligations/indebtedness to suppliers for purchase of goods and services..

**2024 Other payables** - Other liabilities that cannot be classified under any of the preceding current liability account.

### **Non-Current Liabilities**

Liabilities of PPAEDCO payable beyond one year.

**2510 Loans Payable** - The indebtedness of PPAEDCO federations, government lending houses, banks or person(s) payable beyond 1 year.

**2512 Revolving Capital Payable** - The deferred payment of interest on share capital and patronage refund, which should be agreed upon in the General Assembly.

**2514 Retirement Fund Payable** - Accumulated retirement benefit costs charged against the income of PPAEDCO over the expected remaining working lives of existing employees.

**2516 Other Non-Current Liabilities** - Other long-term liabilities that cannot be classified under any of the preceding long term liability accounts.

### **OTHER LIABILITES**

The totality of all other liabilities that cannot be classified under any of the preceding liability account.

**2810 Deposits for Share Capital Subscription** - Amount paid by the members for future subscription of additional share capital when the authorized capital has been fully subscribed.

**2814 Mutual Benefit Fund Payable Funds** - set aside by the cooperative for special purposes such as member's welfare and benefits, I.e. loan protection, retirement, hospitalization, death aid, etc., not taken from net surplus.

### **MEMBER'S EQUITY**

Interest of members in the cooperative.

**3010 Authorized Capital Share - Common** - Authorized capitalization of the cooperative in common shares as prescribed in the articles of cooperation.

**3011 Unissued Share Capital - Common** - Portion of the Authorized Share – Common prescribed in the articles of cooperation which is not yet subscribed and issued..

**3012 Subscribed Share Capital-Common** - The amount of share capital subscribed by regular members payable over a certain period of time.

- 3014 Subscriptions Receivable-Common** - The total unpaid subscribed share capital of regular members.
- 3016 Paid-Up Share Capital-Common** - Subscribed share capital paid by the member to PPAEDCO that is not withdrawn during the term of membership in the cooperative.
- 3018 Subscribed Share Capital-Preferred** - The amount of share capital subscribed by members (associate & regular), payable over a certain period of time.
- 3020 Subscriptions Receivable-Preferred** - The total unpaid subscribed share capital of members (regular & associate).
- 3022 Paid-Up Share Capital-Preferred** - Preferred share capital subscribed and paid by the members (regular & associate)
- 3030 Undivided Net Surplus (Loss)** - The accumulated net surplus of PPAEDCO that will be allocated and distributed in accordance with Articles 86 & 87 of RA 6938 at the end of each accounting period.
- 3040 Deposit for Capital Share Subscription** - Amount paid by members for capital subscription equivalent to the value of less than one share and additional subscription in excess of authorized capital pending approval of the amendments to increase Authorized Capital Share This may also include the amount of share capital paid but not yet covered by subscription contract. Subsidiary Ledgers shall be maintained for this account.
- 3032 Donations/Grants** - Amount received by PPAEDCO as subsidies, legacies, grants, aids, etc. This shall not be available for distribution as

interest on share capital & patronage refund.

### **STATUTORY FUNDS**

- 3910 Reserve Fund** - Amount set aside annually for the stability of PPAEDCO (equivalent to at least 10% of the net surplus). A corresponding fund should be set-up either in the form of time deposit with local banks or government securities.
- 3912 Education & Training Fund (local)**  
The amount retained by PPAEDCO out of the mandatory allocation as stipulated in the by laws.
- 3914 Optional Fund Fund** - set aside from the net surplus (should not exceed 10%) for the future allocation such as land and building, community development, etc.
- 3916 Community Development Fund** - set aside from the net surplus (should not be less than 3%) for projects or activities that will benefit the community where the cooperative operates.

### **STATEMENT OF FINANCIAL OPERATION**

#### **REVENUES**

Gross increases in assets or gross decreases in liabilities recognized and measured in conformity with generally accepted accounting principles that result from those types of earning activities of a cooperative that can change owner's equity.

- 4010 Interest Income from Loans** - Income earned by PPAEDCO from the interest charges on the loans granted to members.
- 4020 Sales** - This represents the revenue received from sale of general merchandise. A separate ledger should be maintained to record

separately sales to individual members.

cooperative for which no specific account has been set-up.

- 4021 Sales Return & Allowances -** Deductions from the invoice price due to damage, defects or errors in the kind or quality delivered to customers.
- 4022 Sales Discounts -** Deductions allowed to customers for settlement/prompt payment of their account
- 4032 Service Fee -** Fees collected by PPAEDCO for loan processing/servicing.
- 4034 Collection Fees -** Fees imposed and collected by PPAEDCO for loan processing and collecting payments of the member-borrower.
- 4036 Fines, Penalties, Surcharges -** Fees imposed and collected by the cooperative on the delayed amortization payments of the member-borrower.
- 4038 Membership Fees -** Amount collected from PPAEDCO member-applicants upon approval of their membership in the cooperative.
- 4040 Income/Interest from Investment -** Income earned by PPAEDCO from bank deposits and investment made in financial institutions/government business organizations. This shall include interest income derived from the deposit of statutory funds in the bank until utilized. Interest on these funds shall not be used to increase the fund.
- 4041 Sales Trading -** Income earned by PPAEDCO from other business operations.
- 4042 Cost of Sales -** Cost/value of commodity sold.
- 4051 Miscellaneous Income -** All other income earned by the

## EXPENSES

Gross decrease in assets or gross increases in liabilities recognized and measured in conformity with generally accepted accounting principles that result from those type of earning-directed activities of PPAEDCO that can change members' equity.

### Financial Cost

- 6011 Interest Expense - Savings Deposits -** Interest paid on savings deposits of members.
- 6012 Interest Expense – Time Deposits -** Interest paid on time deposits of members
- 6020 Other Charges and Borrowings -** Interest, service charge, filing fees and other fees on borrowings of PPAEDCO.

### Administrative Costs

- 6225 Salaries & Wages -** This represents amount incurred for services rendered by employees including overtime pay.
- 6227 Employees Benefit -** Benefits given to the employees other than salaries and wages.
- 6229 SSS/ECC/Philhealth/Pag-ibig Contributions -** The PPAEDCO share in the employee's contribution to SSS, ECC, Philhealth, Pag-ibig.
- 6231 Retirement Benefit Expense -** The cost of providing retirement benefits to employees for their services rendered. The cost of retirement benefits is recognized as an expense in the periods during which the services are rendered.

- 6233 Officers' Honorarium & Allowances** - Amount paid to directors, committee members, consultants and officers.
- 6237 Office Supplies** - Expenses incurred for stationery and various supplies used for operation.
- 6239 Power, Light & Water** - Cost of electricity, water, gasoline, diesel, oil and lubricants incurred in the operation.
- 6241 Travel & Transportation** - Includes fares, gasoline and fuel for service vehicles, toll fees, parking fees, board and lodging, per diems and meal allowances of officers and employees and members while on official travel.
- 6243 Insurance** - Expenses incurred to insure the assets/properties of the PPAEDCO and the bonds of accountable officers and employees.
- 6245 Repairs & Maintenance** - Expenses incurred in the maintenance of each facility and equipment except major repair that prolong the life of the asset.
- 6249 Taxes and Licenses** - Expenses incurred for taxes and fees due to government entities, both national and local.
- 6251 Professional Fees** - Fees and related expenses incurred for professional services rendered.
- 6253 Communication Expense** - Expenses incurred for courier (letters) telephone, e-mail, fax, internet, messengerial, and all other means of communication.
- 6254 Computerization Expense** - Expenses incurred in the maintenance of the computer system/ amortization and other related expenses.

- 6255 Representation** - Expenses incurred related to accommodating visitors and guests on official business.
- 6257 General Assembly Expenses** - Expenses incurred in the conduct of general assembly meeting whether regular or special.
- 6259 Meetings and Conference** - Expenses incurred for meetings and conference of directors, committee members, officers and staffs.
- 6261 Bank Charges** - Bank fees and other charges.
- 6327 Social Service Expenses** - Expenses incurred by PPAEDCO in the social community involvement.
- 6334 Members' Benefit Expenses** - Expenses incurred for the members benefits/welfare.
- 6336 Miscellaneous Expenses** - All other expenses incurred by PPAEDCO that do not fall under any of the above expenses accounts.
- 6337 Depreciation & Amortization** - Amount provided for wear and tear of property and equipment and amortization of intangible assets
- 6340 Provision for Probable Losses on Loans** - Allocation or provision for estimated losses arising from probable uncollectible accounts/loans.

## **ARTICLE XV. RISK MANAGEMENT POLICY**

### **PURPOSE**

A safe environment with sound operating policies and procedures is critical to preventing and / or minimizing losses. The Board of Directors, in cooperation with the General Manager, shall conduct a review of risk management policies and procedures on an annual basis to ensure adherence to, and

effectiveness of same. Such review shall form part of the minutes of the meeting at which the review takes place.

## 1. Safety Standards

It is the policy of the cooperative that the safety of its employees is of utmost importance. In that respect, the following are considered to constitute the minimum security and safety requirements of the cooperative.

- a. Employee Safety  
All employees are advised that their personal health and safety and that of fellow employees and members is of prime concern to this cooperative. Staff will be instructed that at no time risks be taken that could endanger employee / member safety. In the event of a robbery, staff are advised to follow the robber's instructions at all times. DO NOT PLAY HERO – don't endanger your life or the life of fellow employees / members. Do as instructed.

- b. Fire Safety

Fire extinguishers shall be installed of a quality and quantity sufficient to meet the minimum standards of safety. Where a sprinkler system is installed, it shall be considered adequate as to fire safety. Fire extinguishers / sprinkler systems should be inspected at least annually.

All employees shall be made aware of the procedures for cooperative premises evacuation. Testing of evacuation procedures should be performed at least annually.

The local fire department will be requested to inspect the cooperative premises annually to review potential fire hazards. A report on same should be provided to the Board of Directors for implementation of recommendations.

- c. Health and Safety Standards

The cooperative shall adhere to the standards in the Labor Code.

Equipment in use by cooperative employees shall meet the standards of safety, function and occupational health. All equipment shall receive scheduled maintenance. Where applicable, testing of equipment will be performed on monthly, quarterly or annual basis as required.

## 1. Insurance

- a. An adequate insurance program is to remain in force to protect the interest of the cooperative and its members. The Board of Directors and/or their designate will complete a review of insurance coverage prior to the anniversary date of the insurance renewal. A detailed report on the findings and recommendations shall be prepared for the Board of Directors for required action, and replacement or current market value of assets should be considered when determining the level of insurance.

b. A program of risk management will be undertaken for the purpose of controlling risk through:

- Reduction or elimination.
- Purchase of outside insurance; i.e. transfer the risk.
- Self insurance.

c. Before accepting a risk, consideration should be given to:

- The potential amount of the loss.
- The probability of the loss.
- Financial ability of the cooperative to absorb the loss
- The possibility of transferring all or part of the risk of loss by purchasing insurance.

#### 4. Internal Control

Internal control systems are designed to prevent or detect errors in a timely manner. These include, but are not limited to errors resulting from intentional fraudulent activity. A system of internal control ensures that errors / fraudulent activity do not go undetected indefinitely.

Internal control systems should be reviewed on an ongoing basis to ensure that procedures have not become obsolete and that established controls are being followed.

The internal control objectives are to:

- a. Safeguard assets.

- b. Ensure accuracy and reliability of accounting data.
- c. Promote operational efficiency.
- d. Ensure adherence to prescribed policies.
- e. To protect employees from unnecessary temptations and/or suspicions.

The Board of Directors and / or their designate will complete a review of cooperative internal controls annually. In ensuring an effective internal control system of loss prevention, the Board of Directors will review the following:

- a. Appropriateness of the cooperative's internal management structure and delegation of authority within that structure.
- b. Effectiveness of the system of internal controls; i.e. proper segregation of duties, clear audit trail, etc.
- c. Comprehensiveness and relevance of cooperative policies and procedures.
- d. Adherence to cooperative policies and procedures.
- e. Effectiveness of communication system between the Board, management, staff and members.
- f. Appropriateness of hiring practices.

#### 5. OPERATING CONTROLS

Operating controls are the methods by which an organization plans, executes and controls the conduct of its business.

The use of operating controls to plan and evaluate performance fosters an attitude of accountability in the cooperative.

Several operating control systems impact the cooperative and are useful for meeting both

administrative and internal control objectives. These systems are:

- a. Annual Profit Planning and Budgeting.
- b. Capital Budgeting.
- c. Cost Analysis.

Management will meet with the Board at least annually to plan the annual budget and review and plan for capital expenditures. Comparisons to the previous year's budget will be performed and any substantial variances will be investigated. The report and / or actions taken shall be recorded in the Board minutes.

## 6. SECURITY EQUIPMENT

- a. Safe / Vault

Construction of vault or acquisition of safes shall be in accordance with Government Guidelines.

- c. Alarm System

The cooperative shall have an Underwriter Laboratories (UL) rated alarm system as a preventative measure against burglary, robbery, theft and other internal and external risks.

- d. Keys

It is the policy of this cooperative to restrict access to premises to management and those employees responsible for opening / closing the premises. Keys are to be retrieved upon termination of employment. Where necessary, locks / cylinders will be changed when keys are not retrieved.

- e. Safekeeping

The cooperative will ensure all negotiable items are allowed proper safekeeping in the vault / safe. Securities offered by members will be duly recorded and accounted for.

All legal documents relating to member transactions will be retained in fireproof file cabinets or in a fire vault. It is suggested that cabinets / doors have a minimum two-hour fire rating.

## 7. IN CASE OF ROBBERY

The threat of robbery is a fact of life for all financial institutions. A robbery can have a lasting effect on employees' emotions. The most important after effect of robbery is the stress it causes for staff.

It is the policy of this cooperative that employee safety and continued well being is of prime concern. Should a robbery occur, the following policy shall apply:

- a. Re-opening the Cooperative

This cooperative will not be re-opened for the remainder of the business day after a robbery. Often staff are emotionally distraught and need time to absorb what has happened. This cooperative does not expect staff to re-open and serve members "as usual" after such a traumatic incident.

- b. Access to Professional Counseling

A robbery can affect employees in a variety of ways. It can mean loss of sleep, nervousness, agitation, etc. It is the policy of this cooperative that all staff should have access to professional counseling, should it be desired, at the expense of the cooperative.

c. Employment Leave

Some staff may need a day or two away from the cooperative to “rid” themselves of the experience. If this is required, this leave will be provided with pay.

d. Refer Members to Another Cooperative

For the period that the cooperative is closed after the robbery, members will be advised that the staff of MMPCI will be available to serve our cooperative members. A notice will be immediately placed on the entrance of the cooperative to advise members of such.

## 8. FRAUD / DISHONESTY

### **Purpose:**

The purpose of this Fraud / Dishonesty Policy is to communicate our cooperative’s policy regarding fraudulent / dishonest conduct as well as investigation of suspected fraud, misappropriation and similar irregularities. The procedures also provide specific instructions for operating management regarding appropriate action in the case of suspected improprieties of this type.

### **Applicability**

This procedure applies to the cooperative and all subsidiaries and affiliates. All management and staff must be aware of this procedure. Good business practice and The Cooperative Bonding Program require that every suspected fraud, misappropriation or irregularity be promptly identified and investigated.

### **Definitions**

The term fraud, misappropriation and other irregularities includes, but is not limited to such things as:

Manipulation or alteration of loan accounts, documents, computer records or accounts.

- a. Theft of any kind in which the employee is involved either directly or indirectly, including but not limited to stealing from members’ accounts, knowingly overpaying interest to the benefit of the employee, member or any third party and creating fictitious loans.
- b. Cheque kiting and / or employee unauthorized overdraft.
- c. Forgeries.
- d. Knowingly accepting unauthorized or unapproved salary and holiday pay advance and / or overtime reimbursement.
- e. Intentional violation of cooperative rules, internal controls, regulations and procedures.
- f. Deliberate failure to obtain collateral security, to properly record collateral security, releasing collateral security without proper justification or authority, where the employee knew, or ought to have known or intended that an employee, cooperative member or any third party would benefit.

- g. Granting or requesting preferential treatment for **ANYONE**, or accepting any form of compensation for preferential treatment, in exchange for compensation or benefit from that person to the employee in question.
- h. Falsification of employee expense reports.
- i. Without knowledge of the Board, transacting cooperative business resulting in personal gain to the employee.

Included in the above definition is any irregularity or suspicion of an irregularity involving policyholders, cooperative personnel, agencies (or employees thereof), agents, servicing agents, mortgage correspondents, unknown parties or cooperative property.

### **Responsibilities**

All staff and operating management (i.e. Chair, Manager, department managers, supervisors, etc.) are responsible for detecting improprieties. Staff in positions of authority should be familiar with the types of improprieties which might occur in his / her area, and be alert for any indication that such a defalcation, misappropriation or irregularity is or was in existence in that area. The Manager or the Chair is responsible for the investigation or for the direction of the investigation of any suspected irregularity and will co-ordinate all investigations with the CONCERN AGENCIES.

### **Procedures**

As soon as an impropriety is detected or suspected, the Manager or Chair of the Board must be contacted immediately. Management and the Board will co-operate with law enforcement agencies in the detection, investigation and reporting of criminal acts, including prosecution of offenders.

### **Other Considerations**

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid incorrect accusations or alerting suspected individuals that an investigation is underway, and also to avoid making any statements which could provide a basis for a suit for false accusation or other offences. Accordingly, the Manager, Chair or cooperative representative responsible for the investigation should:

- 1) Not contact the suspected individual to determine facts or demand restitution.
- 2) Not discuss the case, facts, suspicions or allegations with anyone not responsible for investigations unless specifically directed to do so by the legal counsel.
- 3) Not to discuss the case with anyone inside the cooperative other than those who have a "need to know".
- 4) Direct to an assigned individual all inquiries from the suspected individual, his / her representative or his / her attorney. Proper response to such an inquiry should be, "I'm not at liberty to discuss this matter." **Under no circumstances** should there be any reference to "what you did", "the crime", "the fraud", "the forgery", "the misappropriation", etc.

### **Termination of Individual Bond Coverage**

It is very important that all potential losses be investigated immediately in order to ensure the cooperative's bond coverage is not jeopardized. Accordingly, the cooperative should be aware of the wordings of the bond condition "Termination as to An Individual" as outlined below:

This Bond shall not apply to any subsequent loss caused by an **EMPLOYEE, DIRECTOR OR COMMITTEE MEMBER:**

- 1) As soon as the **INSURED** \* learns:

a) Of any fraudulent or dishonest act.

b) That any surety, **INSURER** \*\* or **REGULATORY AUTHORITY** has accepted liability for unfaithful performance by such **EMPLOYEE, DIRECTOR OR COMMITTEE MEMBER, or**

2) At 12:01 a.m. on the 15<sup>th</sup> day after receipt by the **INSURED**, of written notice from the Insurer to exclude such **EMPLOYEE, DIRECTOR OR COMMITTEE MEMBER.**

Notes:\* The cooperative is the **INSURED.**

\*\* The Cooperative Bonding Program is the **INSURER.**

#### **ARTICLE XVI. FRAUD / DISHONESTY POLICY STATEMENT**

PPAEDCO considers any form of fraud or dishonesty on the part of its employees as totally unacceptable conduct and grounds for immediate suspension and / or termination from employment. Acts of an employee which are considered by the employer to be either fraudulent or dishonest include, **but are not limited to:**

- 1) Manipulation or unauthorized alteration of loan accounts, documents, computer records or accounts.
- 2) Theft of any kind in which the employee is involved either directly or indirectly including, but not limited to stealing from members' accounts, knowingly overpaying interest to the benefit of the employee, member or any third party and creating fictitious loans.

3) Chequing kiting and / or employee unauthorized overdraft.

4) Forgeries.

5) Knowingly accepting unauthorized or unapproved salary and holiday pay advances and / or overtime reimbursement.

6) Intentional violation of cooperative rules, internal controls, regulations and procedures.

7) Deliberate failure to obtain collateral security, to properly record collateral security, releasing collateral security without proper justification or authority, where the employee knew, or ought to have known or intended that an employee, cooperative member or any third party would benefit.

8) Granting or requesting preferential treatment for **ANYONE**, or accepting any form of compensation for preferential treatment in exchange for compensation or benefit from that person to the employee in question.

9) Falsification of employee expense reports.

10) Without knowledge of the Board, transacting cooperative business, resulting in personal gain to the employee.

#### **ARTICLE XVII. ERROR MANAGEMENT POLICY**

##### **PURPOSE:**

The purpose of error management policy is to provide guidance to management in order to avoid mistakes or error in different cooperative transaction thereby promoting efficiency and excellence.

## 1. ERROR IN CASH DEPARTMENT TRANSACTION

### 1.1. Correction/Cancellation of OR

1.1.1. Cancellation and edit of Official Receipts is not permissible unless all copies are complete and intact.

1.1.2. Cancellation of Official Receipts is acceptable only at time of transaction.

1.1.3. Edit at the gross amount in the Official Receipts is strictly prohibited.

### 1.2. Correction /Cancellation of Deposit Slip

Edit or cancellation in deposit already posted and printed is strictly prohibited. Any correction should be done through journal entry only.

## CODE REVIEW AND UPDATE

The continuing review and update of this Manual shall be part of the initiative of institution building and governance.

## EFFECTIVITY DATE

This Manual shall take effect upon approval of the majority of the BOD (ratification of the GA by simple majority).

## REPEALING CLAUSE

Any and all PPAEDCO regulations and issuances which are inconsistent with or contrary to the provisions hereof are hereby repealed and superseded accordingly.

## AMENDATORY CLAUSE

This Circular may be subject to appropriate amendments by the PPAEDCO Board, as the need arises, or as may be warranted under the prevailing circumstances.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_ in the Year of our Lord, \_\_\_\_\_, in the City of \_\_\_\_\_.

## LIST OF ANNEXES

A. Manual on Governance

Annex A -

B. Manual on Ethics

Annex  
Annex

C. Manual on Elections

Annex  
Annex

D. Manual on Business

## SM Shopping Card

Annex ---

## Water Refilling Station

Annex ---

## GLOSSARY OF TERMS

**Articles of Cooperation** – means the Articles registered under the Cooperative Code and includes any and all registered amendments thereof.

**Associate Member**- shall refer to member of a cooperative who has no right to vote or be voted upon and shall be entitled only to such rights and privileges as the By-laws may provide.

**Audit Committee** – refers to the Committee within the cooperative responsible for internal audit activities. In a traditional internal audit activity, the Committee serves for internal audit. In the case where internal audit activities are obtained from a professional member employee, the Committee is

responsible for overseeing the service contract.

**Authorized Share Capital** - shall refer to the capitalization of the cooperative as prescribed in the Articles of Cooperation.

**Board of Directors** – shall mean that body entrusted with the management of the affairs of the cooperative under its Articles of Cooperation and By-Laws.

**Board – Management Relations** – the complementary and mutually reinforcing relationship between an elected Board and professional management.

**By-Laws** – refer to the by-laws registered under the Cooperative Code and include any and all registered amendment thereof.

**Capital** – shall refer to the sum total of member's share capital including deposits, revolving capital, subsidies, donations, legacies, grants, aids, land structures, plants, equipment facilities, machines, and other assets of a cooperative.

**CGS** – shall refer to the Certificate of Good Standing issued by the Authority to all types of cooperatives.

**Committee** – refers to anybody entrusted with specific functions and responsibilities under the By-laws or resolution of the General Assembly or the Board.

**Conciliation** – shall refer to a process whereby a conciliator designated by the Authority calls together the parties involved in a dispute, encourages them to discuss their differences and assists them in developing their own proposed solutions to their disputes.

**Cooperative** – an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise.

**Cooperative Development Authority** - refers to the government agency in charge of

the registration and regulation of cooperatives.

**Cooperative Governance** – refers to the system of responsibility, accountability and transparency which enhances the standards set-up for the cooperatives that would protect the interest of building strong linkages with the members and other stakeholders of the cooperative.

**Cooperative Management** – refers to the body authorized to direct the business activities of the cooperative in accordance with the policies determined or promulgated by the Board.

**Delinquent Member -**

**External Auditing** – refers to audit conducted by an auditor, who is (a) independent of the cooperative being audited or a subsidiary thereof; and (b) a member of a recognized professional accounting association, or (c) a member of cooperative auditors association.

**Financial Statements** - shall refer to the means i.e Statement of Financial Condition (Balance Sheet), Statement of Operation (Statement of Net Surplus) and Statement of Cash Flows, by which the financial information accumulated and processed in financial accounting, is periodically communicated to those who use it.

**General Assembly** – refers to the full membership of the cooperative duly assembled for the purpose of exercising all the rights and performing all the obligations pertaining to the cooperative, as provided by the Cooperative Code, its Articles of Cooperation and By-laws.

**Good Governance** – is the uniform application of just and coherent rules based on rational and honest intentions to create a working environment of trust, harmony and stability for the effective and efficient attainment of organizational goals.

**Governance** – is about the formulation and application of rules to achieve order through cooperation and/or compliance.

**Interest in Share Capital** – refers to the net surplus less the mandated statutory reserves

**Internal auditing** – refers to an independent, objective assurance and activity designed to add value and improve the cooperative's operations.

**Internal Control** – shall refer to all the systems and procedures adopted to safeguard the cooperative's assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

**Internal control environment** – refers to the framework under which internal controls are developed, implemented and alone or in concert with other policies or procedures, to manage and control a particular risk or business activity, or combination of risks or business activities, to which the cooperative is exposed.

**Management** – is the optimization of resources for the most profitable or beneficial manner of achieving organizational goals.

**Mediation** – shall refer to a process whereby a mediator designated by the Authority takes a more active part in helping the conflicting parties develop or come up with an acceptable solution to their dispute or assist the parties reach an amicable solution to the dispute(s).

**Member** – refers to a person either natural or juridical, adhering to the principles set forth in the Cooperative Code and in the Articles of Cooperation, has been admitted by the cooperative as member.

**Net Worth** - shall refer to equity inclusive of member's equity, donations, grants and reserve funds less un-booked allowance for probable losses on loans, investments and other assets, and other capital adjustments as may be required by the Cooperative Development Authority.

**Officers of the Cooperative** - shall include the members of the Board, members of the

different committee created by the General Assembly, general manager, secretary, treasurer and members holding other positions as may be provided for in the By-laws.

**Paid-up Share Capital** – shall refer to the portion of the subscribed share capital, which has been paid by the members of the cooperative.

**Patronage Refund**- shall refer to the amount returned to individual members who patronize the goods and services of the cooperative in proportion to their individual patronage.

**Registration** - shall refer to the operative act granting juridical personality to a proposed cooperative as evidenced by a Certificate of Registration.

**Reports** - shall refer to any documents or statements required from cooperatives to be submitted to the Cooperative Development Authority on a regular basis.

**Revolving Capital** - shall refer to the amount available out of the deferred payment of the patronage refund and interest on share capital of the members or by authorized deduction of a percentage from the products sold or per unit of product handled by the cooperative. The Board shall issue revolving capital certificates with serial number, name, amount and rate of interest to be paid and shall distinctly set forth the time of retirement of such certificates and the amounts to be returned.

**Member in Good Standing** – shall refer to one who is a regular member and has complied with all the requisites for membership. One who possesses all the qualifications and none of the disqualifications provided in the Cooperative By-laws as ascertained by the Board of Directors and has the right to vote and be voted upon.

**Sanctions** - shall refer to the penalties provided for in the By-laws and other administrative issuances, the Cooperative Code and other related laws.

**Settlement or Agreement** – shall refer to the compromise, which the parties in the mediation/conciliation conference have agreed upon.

**Social Audit** – is a procedure where the cooperative assesses its social impact and ethical performance vis-à-vis its stated mission, vision, goals and code of social responsibility.

**Share Capital** - shall refer to the money paid or required to be paid by the members for the conduct of the operations of the cooperative.

**Universally Accepted Principles** - means that body of cooperative principles adhered to worldwide by cooperatives.

**Unpaid Subscription** - shall refer to the subscribed share capital which is not yet fully paid by a member.