
Republic of the Philippines
National Electrification Administration

"The 1st Performance Governance System - Institutionalized National Government Agency"

22 May 2012

MEMORANDUM No. 2012-014

TO : ELECTRIC COOPERATIVES
EXTERNAL AUDITORS
ALL CONCERNED DEPARTMENTS, THIS OFFICE

SUBJECT : REVISED GUIDELINES ON THE ACCREDITATION OF
EXTERNAL AUDITORS TO ELECTRIC COOPERATIVES

A. BACKGROUND

As provided in the Contract of Loan with the National Electrification Administration (NEA), Electric Cooperatives (EC) have to be audited by External Auditors, hence, a Memorandum dated 04 June 1998, providing and setting the Guidelines on the Accreditation and Engagement of External Auditors for ECs has been issued. The said Guidelines, however was superseded by the issuance of another Memorandum dated 18 May 2005, that requires accreditation fee, which to date still governs accreditation and engagement of external auditors. On 16 March 2012, a Consultation Meeting with NEA accredited External Auditors was conducted by Electric Cooperatives Audit Department (ECAD), which called for the issuance of this memorandum to meet and cope with the complexities of the accounting process involved in the electric distribution utilities due to changing time and demands of the electric power industry.

B. OBJECTIVES

1. To cover administrative costs in the evaluation of application for accreditation, an accreditation fee shall be collected.
2. To ensure that accredited external auditors conduct audit within the framework of EC accounting system and NEA policies and guidelines, an evaluation of their performance within the 3 year validity period of the accreditation shall be conducted by an accreditation committee composed of representatives from Electric Cooperatives Audit Department, Finance Services Department, Accounts Management and Guarantee Department, Internal Audit Quality Standard Management Office, and Management Assistance Group, to be appointed by the Administrator.

C. ACCREDITATION GUIDELINES

1. Applicants for accreditation will be charged an accreditation fee of P15,000.00 upon filing. Said fee is non-refundable.

2. Renewal of accreditation shall be based on the performance evaluation of external auditors every three (3) years, and a renewal fee of P5,000.00 per year or a total of P15,000.00 shall be collected.

External Auditors who did not have any single audit engagement with any ECs within the accreditation period will be deleted in the list of accredited external auditors

3. Accreditation and renewal fees shall be paid to the Cashiering Section of the National Electrification Administration.

D. QUALIFICATION REQUIREMENTS FOR ACCREDITATION

- a. Must be duly registered with the Securities and Exchange Commission or Department of Trade and Industry.
- b. Must have at least six (6) key staff composed of the manager/senior partner and auditors. Key staff must be Certified Public Accountants (CPAs) and must have been employed in the firm six (6) months prior to the firm's application for accreditation.
- c. The firm must have been engaged in public accounting for at least three (3) years.

E. ACCREDITATION PROCEDURES

- 1) **Applicant External Auditor shall submit to NEA (Accreditation Committee) an application letter with the following documents:**

- a. SEC/DTI registration certificate
- b. Organizational Chart
- c. Plantilla of Personnel
- d. Professional Qualification of Partners
- e. List and addresses of Clients and nature of previous and present engagement.

- 2) **For Renewal of Accreditation:**

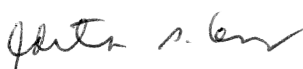
- a. Letter request for Renewal of Accreditation
- b. Photocopy of Accreditation
- c. Organizational Chart
- d. Plantilla of Personnel
- e. Professional Qualification of new Partners
- f. List of audited Electric Cooperatives during the Accreditation period for performance evaluation purposes.

F. ENGAGEMENT REQUIREMENTS/GUIDELINES

- 1) NEA's Copy of Audit Report shall be submitted on or before March 31 of the following year of the audit period covered.
- 2) The Audit Report to be submitted to NEA shall also include the Management Letter which shall cover audit observations and comments.

- 3) **The NEA (Accreditation Committee) shall conduct an evaluation and recommend approval for accreditation of qualified applicants to the Administrator and Accreditation Certificate shall be issued.**
- 4) The conduct of audit shall also emphasize on the following:
 - a. Analysis of Deferred Accounts.
 - b. Provision for Doubtful Accounts if in conformity with NEA Guidelines dated January 06, 1998.
 - c. Construction Work in Progress not yet closed out.
 - d. Reconciliation with schedules of
 - Consumers' Account Receivables (GL vs SL)
 - e. Accounting of Reinvestment Fund/Reinvestment Fund for Sustainable Capital Expenditures (RFSC); Universal Charge/Missionary Electrification Charge (UCMC); and Value Added Tax (Input/Output VAT) and Materials Inventory.
 - f. Accounting Treatment and recording of VAT with regard to
 - f.1 – costing of procured materials/equipment.
 - f.2 – power Cost
 - g. Computerization
 - g.1 – evaluation of accounting system
 - g.2. – reliability and completeness of reports generated.
 - g.3. – provision of internal control system.
 - h. Analysis of Dormant Accounts
 - i. Retirement of Assets
- 5) Non- compliance to management requirements will be a ground for disqualification of the external auditor's accreditation.
- 6) NEA-Accreditation Committee shall also undertake assessment meetings with the external auditor when necessary.

This supersedes NEA Memorandum dated 04 June 1998 and 18 May 2005 and shall take effect immediately.


EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION
ADMINISTRATION

IN REPLYING, PLS. CITE: #OR020466



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