



**NATIONAL ELECTRIFICATION ADMINISTRATION**  
"The 1<sup>st</sup> Performance Governance System-Institutionalized National Government Agency"  
57 NIA Road, Government Center, Diliman, Quezon City 1100

13 November 2014

**MEMORANDUM No. 2014-024**

**TO :** ELECTRIC COOPERATIVES

**SUBJECT :** Shift in EC Audit Focus to Financial and Management Aspects

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The Board of Administrators under Resolution No. 203 has recently approved a new EC audit strategy which is defined as the shifting on the nature and coverage of EC audit to the financial and management aspects, anchored on industry developments, including the strengthened NEA charter RA 10531, to increase EC performance and compliance levels for management effectiveness, operational efficiency and to hasten decision making on courses of action to be taken by the NEA, the ECs, as well as other stakeholders, whenever necessary.

With these developments, the following areas under the new charter, among others, indicate the importance of the audit function:

1. Good Governance of ECs management and operations;
2. Reinforcing, maintaining and increasing ECs' performance standards levels;
3. Helping ECs address their financial and operational obligations;
4. Adherence to reportorial requirements;
5. Monitoring compliances and applying incentives and or disincentives, such as penalties; and
6. Step-in rights mechanisms.

Focusing on these major aspects and from management's perspective will enable the NEA to tackle the performance of the ECs which can influence effective and efficient management practices of the ECs as well as contribute to the determination of early-warning signals of potential operational drawbacks particularly, in the ECs' bottom line.

Likewise, to enhance the audit function vis-à-vis the new focus, the NEA through ECAD shall continuously undertake the evaluation of ECs' internal control system and perform risk assessment of ECs' financial and management aspects of operations.

The ECs are advised to develop policies and programs to ensure that management and quality standards are in place and perform due diligence in their operational transactions.

*Edita S. Bueno*  
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