



26 October 2015

**MEMORANDUM No. 2015-035**

**TO : ALL ELECTRIC COOPERATIVES  
EXTERNAL AUDITORS  
ALL CONCERNED NEA DEPARTMENTS**

**SUBJECT : CLARIFICATION TO GUIDELINES ON NEA ACCREDITATION  
OF EXTERNAL AUDITORS FOR ELECTRIC COOPERATIVES**

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The Guidelines on NEA Accreditation of External Auditors for Electric Cooperatives (ECs) were approved by the Board of Administrators on 29 January 2015 and took effect on 7 March 2015. The NEA issued Memorandum No. 2015-004 dated 18 March 2015 to all ECs, External Auditors of ECs and concerned NEA departments in connection therewith.

The Committee on the Accreditation of External Auditors for ECs received various letters from certain External Auditors and the ECs requesting for clarifications on the policy statement *"to enhance the independence of the External Auditor, the audit services of the External Auditor shall not be more than five (5) consecutive years"*.

In view thereof, this advisory is being issued for the following clarifications:

1. The policy that the audit services of the External Auditor shall not be more than five (5) consecutive years is prospective in nature wherein the year 2015 shall be considered the first audit year for the purpose of setting the 5-year limit.
2. The EC and the External Auditor shall observe a "cooling off" period of five (5) years, which means that the same External Auditor may be engaged as such after five (5) years reckoned from the end of the previous engagement even if the engagement is less than five (5) years.
3. In case the External Auditor is a partnership, any changes in the composition of the partners or any rotation of the partners shall not, in anyway, disturb the observance of the "cooling off" period.
4. In case the External Auditor is in partnership with another auditor for the same engagement, both of them shall be subject to the "cooling off" period.
5. An External Auditor shall mean an individual, partnership or firm duly authorized and licensed to engage in the practice of public accountancy.

Please be guided accordingly.

**EDITA S. BUENO**  
Administrator

