

[NEA GUIDELINES ON NEA ACCREDITATION OF EXTERNAL AUDITORS OF ELECTRIC COOPERATIVES, January 29, 2015]

GUIDELINES ON NEA ACCREDITATION OF EXTERNAL AUDITORS OF ELECTRIC COOPERATIVES

*Adopted: 29 January 2015
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A. RATIONALE

As provided in the Contract of Loan with the National Electrification Administration (NEA), the Electric Cooperatives (ECs) are required 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Guidelines on the Accreditation and Engagement of External Auditors for Electric Cooperatives has been issued which was superseded by Memorandum dated 18 May 2005 and was likewise superseded by Memorandum No. 2012-014 dated 22 May 2012 which to date still governs accreditation and engagement of external auditors.

Republic Act (R.A.) No. 10531 otherwise known as the National Electrification Administration Reform Act of 2013, which provides to establish a framework for introducing structural reforms in the NEA and the ECs, was approved on 7 May 2013 while its Implementing Rules and Regulations (IRR) became effective on 13 August 2013. Under Chapter III, Sec. 12 of the said R.A. No. 10531 and its IRR, the ECs are mandated for the timely submission of the reportorial requirements enumerated therein relative to their operations. One of these reports is the audited financial statements of the ECs.

Pursuant to the foregoing, the observations noted in the evaluation of the applications for accreditation and review of Audit Reports, there is a need to amend the Guidelines on the Accreditation of External Auditors for Electric Cooperatives.

B. POLICY STATEMENTS

1. The electric cooperative shall be audited only by External Auditor with accreditation approved by the NEA Administrator as recommended by the Committee on the Accreditation of External Auditors for Electric Cooperatives.
2. To enhance the independence of the External Auditor, the audit services of External Auditor shall not be more than five (5) consecutive years.

C. OBJECTIVES

1. To ensure that ECs are audited only by External Auditor with valid NEA accreditation.
2. To ensure that accredited External Auditors conduct of audit involves EC compliance with EC accounting with EC accounting system/NEA policies and guidelines, Philippine Financial Reporting Standards (PFRS) and other applicable laws.
3. To encourage timely submission and enhance reliability of Audit Reports.
4. To guide the Committee in the evaluation of the application for accreditation of the External Auditors.

D. DEFINITION OF TERMS

1. Accreditation – shall mean the Certificate of Accreditation issued by NEA.
2. Audit staff – is a Certified Public Accountant (CPA) employed by an Individual CPA, Firm or Partnership engage in the practice of Public Accountancy below the rank of the Individual CPA, sole proprietor or partner as the case maybe.
3. Committee - when used herein shall mean the Committee on the Accreditation of External Auditors for Electric Cooperatives.
4. External Auditor – shall mean an auditing firm engages in practice of public accountancy as a partnership or single practitioner.
5. Practice of Public Accountancy - for this guidelines shall constitute in a person, be it his/her individual capacity, or as a partner or as an audit staff in an accounting or auditing firm, holding out himself/herself as one skilled in the knowledge, science and practice of accounting, and as a qualified person to render professional services as a Certified Public Accountant on the audit or verification of financial transaction and accounting records; the preparation, signing, or certification for clients of reports of audit, balance sheet, and other financial, accounting and related schedules.

E. LIMITATIONS OF ACCREDITATION

1. The accreditation of External Auditors does not relieve the reporting EC or the said auditors from their responsibilities. Financial statements submitted to the NEA shall be the responsibility of the reporting EC.
2. The NEA and/or the Committee shall not be liable for any liability, damage or loss that may arise from the selection of the said accredited External Auditor engaged by the EC for audit.
3. The accreditation of an External Auditor shall expire or be automatically cancelled after its validity period as indicated in the Certificate of Accreditation.

F. QUALIFICATION REQUIREMENTS FOR ACCREDITATION OF EXTERNAL AUDITOR

1. Must be duly registered with the Securities and Exchange Commission (SEC) or Department of Trade and Industry (DTI).

2. Must be accredited by the Bureau of Internal Revenue (BIR) and Board of Accountancy (BOA) as External Auditor.
3. The Audit Team must have at least a senior partner and five (5) key audit staff composed of manager and auditors who must be Certified Public Accountants (CPAs). Key audit staff must have been employed in the firm six (6) months prior to the firm's application for accreditation.
4. Must have been engaged in public accounting for at least three (3) years.

G. DOCUMENTARY REQUIREMENTS FOR ACCREDITATION

The external Auditor shall submit to NEA Accreditation Committee the following documents:

1. For initial/new accreditation:	2. For renewal of accreditation :
<p>a) Application letter for accreditation duly signed by the Managing Partner or single practitioner;</p> <p>b) Duly authenticated photocopy of SEC/ DTI registration certificate;</p> <p>c) Duly authenticated photocopy of valid BIR certificate of accreditation as external auditor</p> <p>d) Duly authenticated photocopy of valid Board Accountancy certificate of accreditation as external auditor;</p> <p>e) Company organizational chart and audit organizational chart;</p> <p>f) Plantilla of audit personnel indicating therein the names of the audit personnel with the corresponding CPA license no./ registration no., validity period and date employed;</p> <p>g) Duly authenticated photocopy of audit personnel's CPA license/registration and valid Professional Regulation Commission (PRC) identification card;</p> <p>h) Professional qualifications of partners/single practitioner;</p> <p>i) List and addresses of clients, nature and period covered of</p>	<p>a) Application letter for renewal of accreditation duly signed by the Managing Partner or single practitioner; application for renewal shall be filed not later than thirty (30) working days before its expiration;</p> <p>b) Photocopy of NEA Certificate of Accreditation as external auditor</p> <p>c) Duly authenticated photocopy of valid BIR certificate of accreditation as external auditor;</p> <p>d) Duly authenticated photocopy of valid Board of Accountancy certificate of accreditation as external auditor;</p> <p>e) Audit organizational chart;</p> <p>f) Plantilla of audit personnel indicating therein the names of the audit personnel with the corresponding CPA license no./ registration no., validity period and date employed;</p> <p>g) Duly authenticated photocopy of new audit personnel's CPA license/registration and valid PRC identification card;</p> <p>h) Professional qualifications of the partners;</p> <p>i) List of audited ECs during the accreditation period; and</p>