

## RENEWAL OF ACCREDITATION

1. Notarized SEC Form ExA-001-R or SEC Form AuF-001-R
2. Current Privilege Tax Receipt (if applicable)
3. Certified True Copy of the Certificate of Registration with BOA/PRC which is current and effective
4. Notarized Certification that the firm is in compliance with the general accreditation requirements under Sec. 5.2
5. Written proof that the auditor has attended or participated in relevant accounting and auditing training for at least thirty (30) hours yearly beginning January 2005\*

## REPORTIAL REQUIREMENTS

1. Disclosure to the Commission on **SEC Form 17-C** in case of public companies or issuers of securities to the public or in a disclosure letter for All Other Market Participants, **within five (5) days from receipt of its findings**, the matters indicated under Sec. 9.3 of the Circular during the conduct of audit of the company's recently completed fiscal year, and determined in accordance with generally accepted auditing standards.
2. Every contract of engagement shall include an arrangement that in case the client company fails to comply with the reportorial requirement in Sec. 9.1 the external auditor shall, within thirty (30) business days from the submission of the his findings to the client-company, file a report (SEC Form Au-Rep) to the Commission
3. The following findings shall be disclosed:
  - i. Any material findings involving fraud or error, as defined under Sec. 3.2 and 3.3
  - ii. Losses or potential losses the aggregate of which amount to at least ten percent (10%) of the consolidated total assets of the company
  - iii. Any findings to the effect that the consolidated assets of the company, on a going concern basis, are no longer adequate to cover the total claims of creditors
4. The external auditor shall submit its findings to the client-company's management/audit committee. The adverse findings in 9.3 (i-iv) shall be discussed by the external auditor with said body in order to preserve the concerns of the supervisory authority and external auditors regarding the confidentiality of the information.
5. The external auditor shall document the management's explanation and/or corrective action taken regarding his adverse findings. The same shall be included in the report mentioned under Sec. 9.2
6. The contract between the company and external auditor shall contain a provision that the disclosure of information by the external auditor to the Commission shall not be a ground for civil, criminal or disciplinary proceedings against the auditor.

## GROUND FOR SUSPENSION OR DELISTING OF INDIVIDUAL EXTERNAL AUDITOR

1. Failure to submit the report required under Sec. 9.2 of Circular 13, in case of non-disclosure under SEC Form 17-C by the client-company or the required Disclosure Reports, in case of All Market Participants
2. Continuous conduct of audit despite loss of independence as provided for under the Code of Professional Ethics
3. Any wilful misrepresentation in the following information/documents;
  - a. Application for accreditation
  - b. Report required under Sec. 9.2 of the Circular Statement of Representation, as required under paragraph 3(c)(v) of SRC Rule 68, except as to the representation provided under sub-paragraph (1) thereof
  - d. Notarized certification of the external auditor that he is in compliance with the general qualification requirements under Section 5.1 and that he has not

been convicted by a competent court for a crime involving moral turpitude, fraud, or declared liable by the Commission or by any competent court for violation of the Corporation Code or the Securities Regulation Code.

- e. The Board of Accountancy (BOA) found that, after due notice and hearing, the external auditor committed an act discreditable to the profession as specified in the Code of Professional Ethics for CPAs. In this case, the BOA shall inform the Commission of the result thereof.
- f. Declaration of conviction by a competent court of a crime involving moral turpitude, fraud or declaration of liability for violation of the Corporation Code or the Securities Regulation Code
- g. Refusal or no valid reason, upon lawful order of the Commission, to submit requested documents in connection with an on-going investigation. The external auditor should however been made aware of such investigation
- h. Gross negligence in the conduct of audits which would result, among others, in con-compliance with generally accepted auditing standards in the Philippines or issuance of an unqualified opinion which is not supported with full compliance by the auditee with generally accepted accounting principles in the Philippines (GAAP). Such negligence shall be determined by the Commission after proper investigation during which the external auditor shall be given due notice and hearing.
- i. Conduct of any of the non-audit services enumerated under Sec. 8.1 of this Circular for his statutory audit clients, if he has not undertaken the safeguards to reduce the treats to his independence.

4. An external auditor who has been suspended by the Commission shall, after serving the suspension period and prior to his acceptance of any assignment, report the matter to the Commission to update his records with the same.

## GROUND FOR SUSPENSION/DELISTING OF AUDITING FIRM

1. Any misrepresentation which the Commission may find to be wilful, in its application form and pertinent attached certification
2. Dissolution of auditing firm/partnership, as evidenced by an Affidavit of Dissolution submitted to the BOA, or upon findings by the Commission that the firm/partnership is dissolved. It shall however be reinstated upon showing that said dissolution was solely for the purpose of admitting new partner/s and thereafter shall be reorganized and re-registered.
3. There is a showing that the number of percentage of external auditors, whichever is lesser, **have been suspended or delisted** for whatever reason, by the Commission: (i) at least ten (10) signing partners and currently employed accredited external auditors, taken together; or (ii) such number of external auditors constituting **fifty percent (50%) or more of the total number of the firms signing partners and currently accredited auditors, taken together.**
4. Involvement in major accounting/auditing scam or scandal.
5. Refusal for no valid reason, upon order of the Commission, to submit requested documents in connection with ongoing investigation

## SCALES OF FINES

Reporting Person	1 <sup>st</sup> Offense	2 <sup>nd</sup> Offense	3 <sup>rd</sup> Offense
<b>Auditing Firm</b>	100,000	200,000	400,000
<b>External Auditor</b>	50,000	100,000	200,000

Administrative Sanctions under Section 54 of the SRC and its implementing rules and regulations.

*\* as amended by SEC Memo Circular No. 15, Series of 2004.*

Application Form and all the attachments/requirements to be submitted in triplicate copies



REPUBLIC OF THE PHILIPPINES  
**SECURITIES AND EXCHANGE COMMISSION**  
**CORPORATION FINANCE DEPARTMENT**

## A CITIZEN'S MANUAL ON

### Accreditation and Reportorial Requirements of External Auditors of Public Companies and Secondary Licensees

SEC Memo Circular No. 13, Series of 2003  
SEC Memorandum Circular No. 15, Series, of 2004

SEC Building, EDSA, Greenhills  
Mandaluyong City  
Trunkline: 726-09-31 to 39

<http://www.sec.gov.ph>

<b>COVERAGE</b>	
1. <u>For public, listed companies and issuers of registered securities</u> Audited Financial Statements for period ending <b>01 June 2003 and thereafter.</b>	
2. <u>All other secondary licensees</u> of the Commission Audited Financial Statement for period ending <b>31 December 2003</b>	
<b>SCOPE AND LIMITATIONS OF ACCREDITATION</b>	
1. Only an external auditor, and his auditing firm if applicable, who is accredited by the Commission shall be engage by corporations covered by Circular 13 for statutory audits	
2. Accreditation of an auditing firm shall <u>not</u> cover its signing partners and auditors under its employment. The auditor/signing partner responsible for the engagement must be <u>separately</u> accredited by the Commission	
3. The accreditation of external auditors does not exonerate the reporting company or said auditors from their responsibilities. FS filed with the Commission are still primarily the responsibility of Management of the reporting company and accordingly, the fairness of the representations made therein is an implicit and integral part of the issuer's responsibility. The independent certified public accountant's responsibility for the FS required to be filed with the Commission is confined to the expression of his opinion, or lack thereof, on such statements which he has examined.	
4. The Commission shall not be liable for any liability or loss that may arise from the selection of said accredited external auditor and/or auditing firm to be engaged by a corporation for regular audit.	
5. The accreditation of an external auditor and/or auditing firm shall expire or it shall be <b>automatically delisted after a period of three (3) years</b> from the date of approval of his accreditation unless renewed before expiry date.	
<b>Audit Experience</b> refers to experience acquired as an <b>in-charge, manager or partner or their equivalent</b>	
<b>Corporate Clients Minimum Asset Base</b> (SEC Memo Circular No. 15, Series of 2004)	
<b>Group A</b>	At least <b>five (5) clients</b> with total assets of at least <b>P50 Million each</b>
<b>Group B</b>	At least <b>three (3) clients</b> with total assets of at least <b>P20 Million each</b>
<b>Group C</b>	At least <b>three (3) clients</b> with total assets of at least <b>P5 Million each*</b>
<b>COVERED COMPANIES</b>	
<b>Public Companies</b> - those which have total assets of at least Fifty Million pesos (P50,000,000.00) or such other amount as the Commission shall prescribe, <b>and</b> having Two hundred (200) or more holders each holding at least One hundred (100) shares of a class of equity securities	
<b>Secondary Licensee of the Commission:</b>	
<b>Group A:</b>	
<input checked="" type="checkbox"/>	Issuer of <b>registered securities</b> which have sold a class of its securities pursuant to a registration under Section 12 of the Securities Regulation Code
<input checked="" type="checkbox"/>	Issuer with a class of <b>securities listed for trading in an Exchange</b>
<input checked="" type="checkbox"/>	Public Companies
<b>Group B:</b>	
<input checked="" type="checkbox"/>	Pre-Need Companies
<input checked="" type="checkbox"/>	Investment Houses
<input checked="" type="checkbox"/>	Brokers and Dealers of Securities
<input checked="" type="checkbox"/>	Investment Companies
<input checked="" type="checkbox"/>	Government Securities Eligible Dealers (GSEDs)
<input checked="" type="checkbox"/>	Universal Banks Registered as Underwriter of Securities
<input checked="" type="checkbox"/>	Investment Company Advisers
<input checked="" type="checkbox"/>	Clearing Agency and Clearing Agency as depository
<input checked="" type="checkbox"/>	Stocks and Securities Exchange
<input checked="" type="checkbox"/>	Issuers of Registered Time Shares, Proprietary and Non-Proprietary Membership Certificates
<input checked="" type="checkbox"/>	Special Purpose Vehicles registered pursuant to RA 9182

<b>Group C:</b>	
<input checked="" type="checkbox"/>	Financing Companies
<input checked="" type="checkbox"/>	Transfer Agents
* Companies with total asset base of more than Fifteen Million Pesos (15,000,000.00)	
<b>REQUIRED DOCUMENTS FOR APPLICANTS</b>	
<b>AUDITING FIRM</b>	
Form Type	SEC Form AuF-002 (Notarized)
Initial/Renewal Fee	<b>P5,050.00</b>
Attachments:	
1. Privilege Tax Receipt	
2. Certificate of Registration issued by BOA/PRC to the firm which is current and effective	
3. Pro-forma Audit Engagement Letter in accordance with "Annex A" of the Circular	
4. Summary of contracts/agreements with audit clients involving services other than statutory audit of FS	
5. Notarized Certification that it complies with <b>Sec. 5.2 and Sec. 8.1</b> of the Circular	
6. Written general description/procedure of the following:	
➢ Quality assurance process such as, but not limited to client acceptance and retention policies, concurring partner review, consultation process, etc.	
➢ Procedure for monitoring professional ethics and independence from clients	
➢ Other quality assurance policies or procedures provided in Philippine Standard on Auditing No 220.	
7. Copy of Audited Financial Statements for the immediately preceding two (2) years	
8. Undertaking that the external auditor shall fully cooperate with the Commission by preserving working papers for a period of seven (7) years and making them available to the Commission's representatives when required or directed to do so*	
<b>INDIVIDUAL EXTERNAL AUDITOR*</b>	
Form Type	SEC Form ExA-001 (Notarized)
Initial/Renewal Fee	<b>P2,020 .00</b>
Attachments	
1. Copy of <b>Statement of Representation</b> as required under paragraph 3(c)(v) of <b>SRC Rule 68</b> which may be submitted only once.	
2. Copy of <b>updated PRC License and Certificate of Registration as public practitioner issued by BOA/PRC</b> .	
3. <b>Notarized certification</b> in compliance with the qualification under <b>Sec. 5.1</b> of the Circular and that he has not been convicted by a competent court for a crime involving moral turpitude or fraud (as defined in the Revised Penal Code), or declared liable by the Commission or by any competent court for violation of the Corporation Code or the Securities Regulation Code	
4. In case of an application for <b>general accreditation, notarized certification</b> that the applicant has <b>fundamental knowledge of the regulatory requirements on each of the other secondary licensees of the Commission.</b>	
5. <b>5 years audit experience in external audits.</b> In exceptional cases, the Commission <u>may</u> consider the participation in industry-specific accounting/auditing seminars conducted by any professional organizations or association duly recognized by the Commission or by the BOA/PRC through a Continuing Professional Education (CPE) Council which they may set up as compliance with 2 year requirements	
6. If the applicant is an <b>individual practitioner</b> , he/she shall submit a <b>Quality Assurance Manual</b> describing the following: (a) <b>Quality Assurance Process</b> ; (b) <b>Procedure for monitoring professional ethics &amp; independence from clients</b> ; and (c) <b>Other quality assurance policies or procedures provided in Philippine Standard on Auditing No. 220</b> or as may be required by the Commission.	
7. <b>Pro-forma audit engagement letter</b> with prospective client, in accordance with "Annex A" of the Circular.	
8. Undertaking to preserve working papers for a period of seven (7) years and making them available to the Commission's representatives when required to do so (Sole Practitioner)	

<b>OPERATIONAL REQUIREMENTS (Firm/External Auditor)</b>	
Certification stating that you are not involved in the following activities:	
1.	Shall <b>not engage</b> in the following non-audit service for his statutory audit client, unless the safeguards under the Code of Ethics for CPAs are undertaken by the firm or auditor to reduce the threat to independence:
i.	bookkeeping or other services related to accounting records or financial statements of audit client
ii.	financial information systems design and implementation
iii.	appraisal or valuation services, fairness opinions or contribution-in-kind reports
iv.	actuarial services
v.	internal audit outsourcing services
vi.	management functions or human resources
vii.	broker or dealer, investment adviser, or investment banking services
viii.	legal services and expert services unrelated to the audit
ix.	any other services that the Commission may declare as impermissible
2.	Compliance with the following
i.	Terms of its engagement letter and its undertaking, in accordance with submitted documents pursuant to Sec. 7 of the Circular
ii.	Generally accepted auditing standards in the Philippines
iii.	Code of Professional Ethics which include independence rules
iv.	Applicable provisions of SRC Rule 68 and 68.1, and other relevant pronouncements of the Commission
v.	Other pertinent laws, rules and regulations
3.	Written procedure for quality assurance and monitoring of professional ethics and independence from clients which is submitted with the application must be complied. Any change or amendment thereto must be reported to the Commission not less than 10 days prior to its effectivity. If the Commission does not comment or object to the said change/s within 90 days from date of submission, the same shall be deemed duly noted and shall form part of records of such accredited firm on file with the Commission.
4.	The Commission may exercise visitatorial power over the accredited firms and external auditors, as it deems necessary.
5.	The external auditor shall adopt and implement the following communication process as part of the operational requirements*:
i.	<b>Critical Accounting Policies and Practices</b>
ii.	<b>Alternative Accounting Treatments</b>
iii.	<b>Other Material Written Communications</b>
iv.	<b>Timing of Communications</b>
*Amended by SEC Circular No. 15, Series of 2004	
<b>QUALIFICATION REQUIREMENTS</b>	
1.	At the time of application, must at least have one (1) signing practitioner or partner who is already accredited, or who is already qualified and is applying for accreditation by the Commission
2.	Good standing as professional registered with the Professional Regulation Commission and the Board of Accountancy (BOA), and entitled to practice as such under the laws governing the practice of public accounting in the Philippines
3.	Possess the independence as defined in the Code of Professional Ethics for Certified Public Accountants as promulgated by the Board of Accountancy and approved by the PRC
4.	Adhere to the highest standards of professional conduct, including integrity and objectivity