



STATEMENT OF REPRESENTATION
 (SRC Rule 68)

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY ON
 THE FINANCIAL STATEMENTS**

"TO THE SECURITIES AND EXCHANGE COMMISSION:"

In connection with my examination of the financial statements of client corporation which are to be submitted to the Commission, I hereby represent the following:

1. That said financial statements are presented in conformity with generally accepted accounting principles in the Philippines in all cases where I shall express an unqualified opinion; Except that in case of any departure from such principles; I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
2. That I shall fully meet the requirements of independence as provided under the Code of Professional Ethics for CPAs;
3. That in the conduct of the audit, I shall comply with the generally accepted auditing standards promulgated by the Board of Accountancy; in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion; and
4. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity and as partner in the accounting firm of _____.

Signature
 Printed Name
 CPA Cert. No.
 PTR No.
 TIN
 Date

The management of (name of reporting company) is responsible for all information and representations contained in the Financial Statements for the year(s) ended (date). The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a systems of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditors:

- i. All significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data;
- ii. Material weaknesses in the internal controls; and
- iii. Any fraud that involves management or other employees who exercise significant roles in internal control.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

(name of auditing firm), the independent auditor appointed by the stockholders, has examined the financial statements of the company in accordance with the generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under Oath:

Chairman of the Board

Chief Executive Officer

Chief Financial Officer

ADVISORY

Attention: ALL EXTERNAL AUDITORS

Please be informed that the Commission is now accepting applications for accreditation of external auditors of companies with total asset base of more than Fifteen Million Pesos (P15,000,000.00).

Applicants are required to comply with the requirements for accreditation of external auditors of **Group C secondary licensees, i.e., financing companies and transfer agents, under SEC Memorandum Circular No. 13, Series of 2003 and No. 15, Series of 2004.** The complete and detailed accreditation requirements are contained in the aforementioned Circulars which can be downloaded from SEC website (www.sec.gov.ph)

SEC Form AuF-002 - Initial Application for Accreditation of an Auditing Firm

SEC Form ExA-001 - Initial Application for Accreditation of an Individual External Auditor

**EXHIBITS TO BE FILED TOGETHER WITH
THE APPLICATION FORM**

Auditing Firm (SEC Form AuF-002)

1. Photocopy of Privilege Tax Certificate
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 Financial Statements
5. Notarized Certification in compliance with Sections 5.2 and 8.1 of the Circular
6. Quality Assurance Manual
7. Copy of the firm's Audited Financial Statements for immediately preceding two (2) years
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

Individual Auditor (SEC Form ExA-001)

1. Copy of Statement of Representation under SRC Rule 68
2. Updated PRC License and Certificate of Registration as public practitioner issued by BOA/PRC
3. Notarized Certification in compliance with Sec. 5.1 of the Circular and that has not been convicted by a competent Court for a crime involving moral turpitude or fraud, or Declared liable by the Commission or by any competent Court for violation of the Corporation Code or Securities Regulation Code
4. In case of general accreditation, notarized certification that the applicant has fundamental knowledge of the regulatory requirements on each of the other secondary licensees of the Commission
5. Photocopies of Certificates of Attendance of relevant trainings and seminars attended
6. Pro-forma Audit Engagement Letter in accordance with "Annex A" of the Circular
7. Affidavit that the applicant is not involved in any activities enumerated under Sec. 8.1 of the Circular
8. Proof of Membership in any accounting associations
9. Quality Assurance Manual (Sole Practitioner)
10. 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)
11. Photocopy of Audited FS - 1st and 2nd largest clients in terms of total assets duly received by BIR and SEC

**NOTARIZED CERTIFICATION
(FOR AUDITING FIRM ONLY)**

I, _____ of legal age, Filipino and residing at _____, after having being sworn to in accordance with law, do hereby depose and say:

1. That I am the _____ of _____ a general professional partnership duly organized and existing under and by virtue of laws of the Philippines with business address at _____.
2. That the firm _____ is in good standing and entitled to conduct auditing services under all applicable laws, rules and regulations.
3. That at the time of application, it has at least one (1) signing partner or practitioner who is already accredited, or who is already qualified and is applying for accreditation by the Securities and Exchange Commission (SEC).
4. That the firm and its external auditors undertakes to fully cooperate with the SEC by preserving its working papers for a period of seven (7) years and making them available to the Commission's representatives when required to do so.
5. That the firm is not involved and will not be involved in any activities enumerated under **Section 8.1** of SEC Memorandum Circular No. 13, Series of 2003, unless the safeguards under the Code of Ethics for CPA's are under taken to reduce the threat to independence.
6. This certification is executed to attest to the truth of the foregoing and for whatever legal purpose and intent it may serve.

WITNESS MY HAND on this _____ day of _____ in the City of _____, Philippines.

AFFIANT

SUBSCRIBED AND SWORN to me before this _____. The affiant exhibited to me his Community Tax No. _____ issued on _____

Doc No.
Page No.
Book No.
Series of _____

NOTARY PUBLIC

**NOTARIZED CERTIFICATION
(FOR EXTERNAL AUDITOR/SOLE PRACTITIONER ONLY)**

I, _____ of legal age, Filipino and residing at _____, after having being sworn to in accordance with law, do hereby depose and say:

1. That I am a duly registered Certified Public Accountant with PRC License No. _____ and BOA Certification No. _____;
2. That I am in good standing as a professional registered with the Professional Regulation Commission (PRC) 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. That I possess the independence as defined in the Code of Professional Ethics for Certified Public Accountants as promulgated by the BOA and as approved by the PRC;
4. That I adhere to the highest standards of professional conduct, including integrity and objectivity;
5. That I have at least five (5) years experience in external audits;
6. That I have fundamental knowledge of the regulatory requirements on the secondary licensees;
7. That I have not been convicted by a competent court for a crime involving moral turpitude or fraud (as defined by 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.
8. That I am not involved in any of the activities enumerated under **Section 8.1** of SEC Memorandum Circular No. 13, Series of 2003, unless the safeguards under the Code of Ethics of CPA's are undertaken to reduce the threat to independence;
9. That I undertake to fully cooperate with the SEC by preserving its working papers for a period of seven (7) years and making them available to the Commission's representatives when required to do so.
10. This certification is executed to attest to the truth of the foregoing and for whatever legal purpose and intent it may serve.

WITNESS MY HAND on this _____ day of _____ in the City of _____, Philippines.

AFFIANT

SUBSCRIBED AND SWORN to me before this _____. The affiant exhibited to me his Community Tax No. _____ issued on _____

Doc No.
Page No.
Book No.
Series of _____

NOTARY PUBLIC

BSP Circular No. 439

Series of 2004

The Monetary Board, in its Resolution No. 889 dated 23 June 2004, approved the following rules and regulations that shall govern the development and implementation of bank's internal credit risk rating systems:

1. Statement of Policy

It is the policy of the Bangko Sentral ng Pilipinas (BSP) to ensure bank's credit risk management processes are sound and effective. Towards this end, the following rules and regulations that shall govern the use of bank's internal credit risk rating systems are hereby prescribed:

2. Scope

All universal and commercial banks must have in place a formal internal credit risk rating system for the underwriting and on-going administration, initially, of corporate credit exposures. The internal credit risk rating system must be appropriate to bank's nature, complexity and scale of activities.

Initially and until such time that the Monetary Board prescribes otherwise, corporate credit exposure shall be defined as exposures to companies with assets of more than 15 Million.

3. Section 3 Minimum Operational Requirements

1. A bank's internal credit risk rating system must be duly approved by the board of directors (or equivalent management committee in the case of Philippine branches of foreign banks). The board should exercise appropriate oversight over the system in a consistent manner.
2. A bank's internal credit risk rating system must be operationally integrated into its internal credit risk management process. Its output should accordingly be an integral part of the process of evaluation and review of prospective and existing exposures, respectively. Credit underwriting criteria should become progressively more conservative as credit rating declines. All credit decisions must be supported by a written assessment. In the context of ongoing review, provisioning standards must be rationally tied to the internal credit rating system.
3. Banks must have an independent credit risk control function that is responsible for the design, implementation and performance of their credit risk rating systems. The credit risk control function must be independent from the business functions responsible for originating exposures.
4. Internal ratings must be an essential part of annual or more frequent reporting of bank's changing portfolio quality over time to the board of directors (or equivalent management committee in the case of Philippine branches of foreign banks). Reporting must include portfolio breakdown by credit grade, major portfolio segments breakdown by credit grade, and analysis of realized default rates against expectations.
5. Internal and external audit must also review at least annually the bank's internal rating system and its operations, including the operations of the credit risk control function.

Section 4. Minimum Technical Requirements

1. Banks must fully document their internal credit risk rating systems. The documentation must address topics such as coverage, rating criteria, responsibilities of parties involved in the ratings process, definition of what constitutes a rating exception, parties that have authority to approve exceptions, frequency of rating reviews, and management oversight of rating process. A bank must document the rationale for its choice of rating criteria and must be able to provide analyses demonstration that the rating criteria and procedures are likely to result in ratings that meaningfully differentiate risk.

Annex A

PRO-FORMA AUDIT ENGAGEMENT LETTER

To the Board of Directors
Company Name
Address

You have requested that we audit the balance sheet of (name of company) as of (fiscal year end) and the related statements of income, cash flows and changes in stockholders' equity for the year then ending. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our Audit will be made with the objective of our expressing an opinion on the financial statements.

We will conduct our audit in accordance with Philippine Standards on Auditing. Those Standards require that we plan and perform the audit and to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation.

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered.

In addition to our report on the financial statements, we expect to provide you with a separate letter concerning any material weaknesses in accounting and internal control systems which come to our knowledge.

We remind you that the responsibility for the preparation of financial statements including adequate disclosure is that of the management of the company. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of assets of the company. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

PROFESSIONAL REGULATION COMMISSION

BOARD OF ACCOUNTANCY

CHECKLIST OF REQUIREMENTS FOR REGISTRATION OF INDIVIDUAL CPA/FIRMS/PARTNERSHIPS

1. **BACC Form No. 02**, duly accomplished in three (3) copies and properly notarized with the required metered documentary stamp.
2. Registration Fee: P1,000.00
3. Short Brown Envelope for Certificate of Registration
4. One (1) set metered documentary stamp worth P15.00 to be affixed to Certificate of Registration
5. Photocopy of **CPA Board Certificate/s and Current Professional Identification Card/s** of individual CPA, sole proprietor, partners and staff member/s
6. **Code of Corporate Governance** of the Individual CPA, Firm or Partnerships (signed by the Individual CPA, sole proprietor of the Firm/s and managing partner of the Partnership)
7. **Sworn Statement** by the Individual CPA, sole proprietor of the Firm and managing partner of the Partnership stating that the Individual CPA and staff member/s, the sole proprietor and staff member/s of the Firm, and all the partner/s and staff member/s of the Partnership, as the case maybe,
 - a) had a meaningful participation of their respective internal quality review process, and
 - b) had undergone adequate and effective training (for organizations duly accredited by the Board or by its duly authorized representatives) on all current accounting and auditing standards, code of ethics, laws and their implementing rules and regulations, circulars, memoranda, their respective codes of good governance and other related documents that are required in the practice of public accountancy to ensure professional, ethical and technical standards

(Should be supported with certified copies of certificate/s of attendance or any proof of meaningful participation in, and proof of adequacy and effectiveness of such training)
8. **For First Time Applicant:**

Sworn Statement of at least three (3) years of meaningful experience in the scope of work covered in the practice of public accountancy (with affixed metered documentary stamp)

(Should be supported with detailed description of work experience of the individual CPA, sole proprietor of the Firm and all the partners of the Partnership to be attached to the sworn statement)
9. Sworn Statement by the Individual CPA, sole proprietorship of the Firm and managing partner of the Partnership stating that the individual CPA and all his/her staff member/s, sole proprietorship and all the staff member/s of the Firm, and all partners and staff member/s of the Partnership (with affixed metered documentary stamp)
 - a. are of good moral character
 - b. he/she or they had not been found guilty by a competent court and/or administrative body of any case involving moral turpitude and/or unethical practices and that neither any of them is a defendant in any case of similar nature pending before any competent court and/or administrative agencies (should be supported by a certificate of clearance issued by the proper court, administrative agencies e.g. NBI, Police)
10. Copy of internal quality review procedures, being implemented to ensure compliance with the professional ethical and technical standards required of the practice of public accountancy.

(Cont'....Board of Accountancy)

11. Certified copies of all business permits issued by the local and/or national government

Additional Requirements:

For Partnership

1. Certified Copy of Certificate of Registration issued by SEC
2. Certified Copy of Current Articles of Partnership
3. Certified Copy of the documents showing the correspondent relationship, membership or business dealings with foreign CPA firm/s including complete address & postal address, telephone number and facsimile numbers, e-mail address and website.
4. Sworn statement stating that:
 - o copy of the document showing the correspondent relationship, membership, or business dealings with the foreign CPA is the faithful reproduction of its original copy;
 - o the foreign CPA is not directly or indirectly (through the Filipino CPA) engaged in the practice of public accountancy in the Philippines, except the authorized foreign CPAs under the foreign reciprocity provision of Section 23, Article III of P.D. No. 692;
 - o the rights and obligation of the parties in specific terms

For Sole Proprietor

Certified copy of the certificate of registration of Firm name from the Department of Trade and Industry (DTI)

(if applicant prefer to use business name other than his registered name with PRC)

ALL NOTARIZED DOCUMENTS SHOULD HAVE METERED DOCUMENTARY STAMPS WORTH P15.00

APPLICATIONS WITH INCOMPLETE DOCUMENTS WILL NOT BE ACCEPTED

(Cont'... Pro-forma Audit Engagement Letter)

However, as part of our responsibility as an accredited external auditor of the Securities and Exchange Commission, we shall report to the Commission any of the following cases which may have been discovered based on generally accepted auditing standards, if the company fails to disclose the same to the Commission under its current reports:

1. Any material findings involving fraud or error which will reduce the consolidated total assets of the company by five percent (5%);
2. Losses or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets of the company;
3. 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.

We look forward to full cooperation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our audit. Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement plus out-of-pocket expenses. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required.

This letter will be effective for _____ years unless it is terminated, amended or superseded.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit of your financial statements.

Name of Company
Acknowledge on behalf of
The company by:

Name of Auditor/Firm

Name/Title:

Signature/Date

Signature/Date

(Cont' BSP Circular No. 439.....)

2. The criteria rating should reflect an established blend of qualitative and quantitative factors. Transparent ranges need to be set for the quantitative standards based on experience. The quantitative criteria must include leverage and cash flow standards.
3. Banks must maintain rating histories on individual accounts, which shall include the ratings of account, the dates of ratings were assigned, the methodology and key data used to derive the ratings and the analyst who gave the ratings. The identity of borrowers and facilities that default, and the timing and circumstances of such defaults, must be retained. Banks must also retain data on the realized default rates associated with rating grades and rating migration in order to eventually track the predictive power of the risk rating system.
4. A banks internal credit rating system must have a minimum of 6 rating grades for unclassified accounts and 4 rating grades for classified accounts, which must be assigned in a consistent manner over time. Moreover, the rating system must result in a meaningful distribution of exposures across grades with no excessive concentrations on a single rating grade.
5. The ratings output of bank's internal credit risk rating systems must contain both a borrower and a facility dimension. The borrower dimension should focus on factors that affect the internal credit quality of each borrower. The facility dimension, on the other hand, should focus on security/collateral arrangements and other similar risk influencing factors of each transactions.
6. In rating corporate borrowings with total assets of more than P15 Million, only financial statements audited by ***SEC-accredited external auditors shall be used starting with the 2005 financial statements.***

Section 5. Timetable for Implementation

1. Banks must submit an implementation plan to the appropriate supervision and examination department of the BSP no later than 31 July 2004. A monetary penalty of ten thousand pesos (P10,000.00) per banking day shall be imposed for delay until such plan is submitted.
2. A fully documented internal credit risk rating system, duly approved by the board of directors, must be submitted to the BSP not later than 31 December 2004. Upon submission of the system, all prospective and existing corporate accounts must immediately be evaluated and monitored according to such system. A monetary penalty of ten thousand pesos (10,000.00) per banking day shall be imposed for delay until this requirement is complied with.

This Circular shall take effect fifteen (15) days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:

RAFAEL B. BUENAVENTURA
Governor