



Republic of the Philippines
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

SEC MEMORANDUM CIRCULAR NO. 3
Series of 2004

SUBJECT: ADOPTION OF THE PHILIPPINE STANDARDS ON AUDITING

The Commission, in its Resolution No. 24 Series of 2004 dated January 15, 2004, approved the adoption in its rules and regulations of the following Philippine Standards on Auditing approved by the Auditing Standards and Practices Council and the Board of Accountancy (BOA)/Professional Regulation Commission (PRC). These new auditing standards will become effective for audits of financial statements ending on or after December 31, 2003.

PSAs No.	Title
501	Audit Evidence – Additional Considerations on Specific Items This PSA will assist the auditor in obtaining audit evidences with respect to the specific financial statement amounts and other disclosures addressed
930	Engagements to Compile Financial Information Establishes standards and provide guidance on the accountant's professional responsibilities when an engagement to compile financial information is undertaken and the form and content of the report the accountant issues in connection with such a compilation
530	Audit Sampling and Other Selective Testing Procedures The use of audit sampling procedures and other means of selecting items for testing to gather audit evidence
550	Related Parties Establishes standards and provides guidance on the auditor's responsibilities and audit procedures regarding related parties and transactions with such parties. SFAS/IAS 24, "Related Party Disclosures," provides the accounting guidance with respect to related party disclosures.

The auditor should perform audit procedures designed to obtain sufficient appropriate audit evidence regarding the identification and disclosure by management of related party transactions that are material to the financial statements

CERTIFIED XEROXED COPY
1 PAGE OF **3** PAGES
OFFICE OF THE COMMISSION SECRETARY

1004 The Relationship Between Bangko Sentral ng Pilipinas (BSP) and Bank's External Auditors

Provides a better understanding of the nature of the roles of bank's boards of directors and management, external auditors, and the BSP, since misconceptions about such roles could lead to inappropriate reliance being placed by one on the work of another. This Statement seeks to remove the possible misconceptions and suggests how each might make more effective use of the work performed by the other.

260 Communications of Audit Matters with Those Charged with Governance

Guidance on communication of audit matters arising from the audit of financial statements between the auditor and those charged with governance of an entity. These communications relate to audit matters of governance interest as defined in this PSA. This PSA does not provide guidance on communications by the auditor to parties outside the entity, for example, external regulatory or supervisory agencies.

1013 Electronic Commerce – Effect on the Audit of Financial Statements

To assist auditors of financial statements where an entity engages in commercial activity that takes place by means of connected computers over a public network, such as the Internet.

540 Audit of Accounting Estimates

The audit of accounting estimates contained in financial statements is not intended to be applicable to the examination of prospective financial information, though many of the procedures outlined herein may be suitable for that purpose.

The auditor should obtain sufficient appropriate audit evidence regarding accounting estimates.

810 The Examination of Prospective Financial Information

Guidance on engagements to examine and report on prospective financial information including examination procedures for best estimates and hypothetical assumptions.

CERTIFIED XEROXED COPY

2 PAGE OF 3 PAGES

OFFICE OF THE COMMISSION SECRETARY

2

580 Management Representations

Guidance on the use of management representations as audit evidence, the procedures to be applied in evaluating and documenting management representations and the action to be taken if management refuses to provide appropriate representations

1006 Audits of Financial Statements of Banks

Practical assistance to auditors and to promote good practice in applying PSAs to the audit of banks' financial statements.

Copies thereof are available at the offices of the Philippine Institute of Certified Public Accountants (PICPA).

This Memorandum Circular shall take effect fifteen (15) days following its publication in a newspaper of general circulation.

Issued this 22 day of January 2004 at EDSA, Greenhills, Mandaluyong City.


LILIA R. BAUTISTA
Chairperson

CERTIFIED XEROXED COPY
3 PAGE OF 3 PAGES
OFFICE OF THE COMMISSION SECRETARY

