

SECURITIES AND EXCHANGE COMMISSION

SEC FORM Au-Rep

REPORT OF AN ACCREDITED EXTERNAL AUDITOR

1. Name of External Auditor/Firm: _____

2. Firm's Name (if applicable): _____

3. Accreditation number (individual): _____ Firm: _____

4. Complete address of Auditor/Firm's principal office: _____

5. Telephone number, including area code: _____

6. Complete Name of Client-Company subject of this Report:

7. Check (/) mark the category under which the client-company belongs –

___ **Group A**

- (1) Issuers of registered securities which have sold a class of securities pursuant to a registration under Section 12 of the Securities Regulation Code (SRC);
- (2) Issuers with a class of securities listed for trading in an Exchange;
- (3) Public companies or those which have total assets of at least Fifty million pesos (P50,000,000.00).

___ **Group B**

- (1) Issuers of registered timeshares, proprietary and non-proprietary membership certificates;
- (2) Investment Houses;
- (3) Brokers and Dealers of securities;
- (4) Investment companies;
- (5) Government Securities Eligible Dealers (GSEDs);
- (6) Universal Banks Registered as Underwriters of Securities;
- (7) Investment Company Advisers;
- (8) Clearing Agency and Clearing Agency as Depository;
- (9) Stock and Securities Exchange/s;
- (10) Special Purpose Vehicles registered under the Special Purpose Vehicle Act of 2002 and its implementing rules;
- (11) Special Purpose Corporations registered under the Securitization Act of 2004 and its implementing rules.

___ **Group C**

- (1) Financing Companies;
- (2) Lending Companies;
- (3) Transfer Agents.

PART I - INSTRUCTIONS

- (a) Under SRC Rule 68, as amended, a regulated entity shall report to the Commission its action on a report of its independent auditor pertaining to any item enumerated under item (c) below hereof within five (5) business days from the date the report is submitted by the independent auditor.

For companies under Group A, the report shall be in a SEC Form 17-C. For companies under Groups B to C, the report shall be in the form of a letter signed by the Chairman of the Board or Chairman of the Audit Committee. For companies under Group D, the report shall be submitted to the concerned regulatory agency, copy furnished the Commission's Office of the General Accountant.

- (b) In case the **regulated entity fails to submit the disclosures** required above, the independent auditor shall, within **thirty (30) business days** from the submission of his findings to the entity, file this Report (**SEC Form Au-Rep**) to the Commission.
- (c) The following findings shall be disclosed to the Commission under this Report:
- i. Any material findings involving fraud¹ or error²;
 - ii. Losses or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets of the company;
 - iii. Any finding 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;
 - iv. Material internal control weaknesses which may lead to financial reporting problems.
- (d) The independent auditor shall submit his findings to the client-company's audit committee or Board of Directors. The adverse findings shall be discussed by the independent auditor with the said body in order to preserve the concerns of the supervisory authority and independent auditors regarding the confidentiality of the information.
- (e) The independent auditor shall document the management's explanation and/or corrective action on his adverse findings. The same shall be included in this Report.
- (f) The engagement contract between the company and the independent auditor shall contain a provision that the disclosure of information by the independent auditor to the Commission shall not constitute a breach of confidentiality nor shall it be a ground for civil, criminal or disciplinary proceedings against the independent auditor.

¹ **Fraud** means an intentional act by one or more individuals among management, employees, or third parties that results in a misrepresentation of financial statements which reduces or increases the consolidated total assets, total liabilities or income of the company by five percent (5%). It may involve:

- (a) Manipulation, falsification or alteration of records or documents;
- (b) Misappropriation of assets;
- (c) Suppression or omission of the effects of transactions from records or documents;
- (d) Recording of transactions without substance;
- (e) Intentional misapplication of accounting policies; or
- (f) Omission of material information.

² **Error** means an unintentional mistake in the financial statements which reduces or increases the consolidated total assets, total liabilities or income of the company by five percent (5%). It may involve:

- (a) Mathematical or clerical mistakes in the underlying records and accounting data;
- (b) Oversight or misinterpretation of facts; or
- (c) Unintentional misapplication of accounting policies.

PART II – DISCUSSION

The external auditor shall provide the following information in this Report:

- (a) An extensive discussion of his findings including the date when he discovered the reportable event;
- (b) The date when he informed the audit committee or Board of Directors of his client company about the findings;
- (c) The client-company's explanation and/or action on the said findings.

As basis for the filing of this Report, the external auditor must state whether he has undertaken necessary procedures to confirm that his client- company did not file its report on his findings.

PART III – SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of on20.....

Signature & Printed Name