



OFFICE OF THE GENERAL ACCOUNTANT

N O T I C E

TO : ALL CONCERNED

SUBJECT : REQUESTS FOR COMMENTS ON THE EXPOSURE DRAFT OF THE GUIDELINES ON THE DISCLOSURE OF FEE-RELATED INFORMATION OF EXTERNAL AUDITORS

The Commission hereby requests comments and/or inputs on the attached draft Guidelines on the Disclosures of Fee-related Information of External Auditors.

The written comments on the exposure draft must be submitted to the Office of the General Accountant (OGA) via electronic mail at secoga@sec.gov.ph on or before **15 March 2024 (Friday)**.

Issued on 01 March 2024.



SEC MEMORANDUM CIRCULAR NO. _____
Series of 2024

TO : ALL CONCERNED

SUBJECT : GUIDELINES ON THE DISCLOSURE OF FEE-RELATED INFORMATION OF EXTERNAL AUDITORS

DATE : ___ March 2024

To enhance transparency and align the Commission's rules on fee disclosure requirements¹ with the Code of Ethics for Professional Accountants duly adopted in the Philippines, the Commission, in its Resolution dated 29 February 2024, resolved to issue these Guidelines.

Section 1. Companies Covered

For purposes of these Guidelines, public interest entities are those that meet any of the following criteria:

- a) Listed companies or issuers with a class of securities listed for trading on an Exchange;
- b) Issuers which has sold a class of its securities pursuant to a registration under Section 12 of the SRC;
- c) Public companies or companies with assets of at least Fifty Million Pesos (P50 Million) or such other amount as the Commission shall prescribe and has Two Hundred (200) or more holders each holding at least One Hundred (100) shares of a class of its equity securities;
- d) Companies in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market;
- e) Holders of secondary licenses issued by the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP), and Insurance Commission (IC);
- f) Such other corporations that the Commission may consider in the future as imbued with public interest.

¹ The Board of Accountancy (BOA) Resolution adopting the fee disclosure requirement took effect on January 3, 2024

Section 2. Disclosure of Fee Information of External Auditors

All covered companies under Section I of these Guidelines shall present in two (2)-year comparative the following information as one of the Supplementary Schedules in the audited financial statements (AFS), and shall be in accordance with the form and content prescribed under Annex "A" of these Guidelines:

- a) Fees paid or payable to (or agreed fees with) the external auditor/audit firm and network firms for the audit of financial statements on which the external auditor/audit firm expresses an opinion;
- b) Fees other than those disclosed under (a), charged (or billed) to a covered company for the provision of services by the external auditor/audit firm or a network firm during the period covered by the financial statements on which the auditor/firm expresses an opinion. For this purpose, such fees shall only include fees charged to the covered company and its related entities over which the company has direct or indirect control that are consolidated in the financial statements on which the auditor/firm will express an opinion;
- c) Any fees, other than those disclosed under (a) and (b), charged to any other related entities over which the covered company has direct or indirect control for the provisions of services by the external auditor/audit firm or a network firm when the auditor/firm knows, or has reason to believe, that such fees are relevant to the evaluation of the firm's independence; and
- d) If applicable, the fact that the total fees received by the external auditor/ audit firm from the covered company represent, or are likely to represent, more than 15% of the total fees received by the auditor/firm for two consecutive years, and the year that this situation first arose.

Companies not covered under Section I may submit with its AFS the Supplemental Schedule and shall fully comply with the requirements of these Guidelines.

The above Schedule need **not** be covered by an Auditor's Report.

Section 3. Penalties

Failure to comply with any of the foregoing requirement shall, after notice and hearing, result in imposition of penalties under the Revised SRC Rule 68 and Consolidated Scale of Fines and Penalties of the Commission.

Section 4. Transitory Clause

The requirements under these Guidelines shall become effective for AFS ending December 31, 2024, and thereafter of companies covered under Section 1. The two (2)-year comparative presentation shall be applicable in the initial year of implementation.

Section 5. Effectivity Clause

These Guidelines shall take effect fifteen (15) days from its publication in two (2) newspapers of general circulation.

Signed this ___ day of March 2024, Makati City, Philippines.

For the Commission:

EMILIO B. AQUINO
Chairperson

[Name of PIE audit-client]
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR
FEE-RELATED INFORMATION
[Client year-end]

	Current Year	Prior year
Total Audit Fees	xxx	xxx
Non-audit services fees:		
Other assurance services	xxx	xxx
Tax services	xxx	xxx
All other services	xxx	xxx
Total Non-audit Fees	xxx	xxx
Total Fees	xxx	xxx

Notes:

- 1) *Disclose fees charged by the external auditor/audit firm and its network firms (as applicable) for audit and non-audit services to the Company and its related entities over which the Company has direct or indirect control that are consolidated in the financial statements on which the auditor/firm expresses an opinion. As an exception, a Company that is a PIE audit client of an external auditor/audit firm may determine not to publicly disclose the required information above related to:*
 - a. *A parent entity that also prepares group financial statements provided that the external auditor/audit firm or its network firm expresses an opinion on the group financial statements; or*
 - b. *An entity that is (directly or indirectly) wholly-owned by another PIE provided that:*
 - i. *The entity is consolidated into group financial statements prepared by that other PIE; and*
 - ii. *The external auditor/audit firm or its network firm expresses an opinion on those group financial statements.*
- 2) *The Company can provide additional details on non-audit services if it will enhance user's understanding of the services.*
- 3) *If applicable, the Company has to disclose (a) the fact that the total fees received by the external auditor/audit firm from the Company represent, or are likely to represent, more than 15% of the total fees received by the auditor/firm for two consecutive years, (b) the year that this situation first arose and (c) the safeguards applied.*