

[COA RESOLUTION NO. 2012-017, December 07, 2012]

PRESCRIBING GUIDELINES ON THE UNDERTAKING OF SPECIAL AUDIT SERVICES AND THE ASSESSMENT, COLLECTION AND UTILIZATION OF FEES THEREFOR

WHEREAS, Section 26 of Presidential Decree (P.D.) No. 1445, otherwise known as the Government Auditing Code of the Philippines, provides that:

General Jurisdiction. - The authority and powers of the Commission shall extend to and comprehend all matters relating to auditing procedures, systems and controls, the keeping of the general accounts of the Government, the preservation of vouchers pertaining thereto for a period of ten years, the examination and inspection of the books, records, and papers relating to those accounts; and the audit and settlement of the accounts of all persons respecting funds or property received or held by them in an accountable capacity, as well as the examination, audit, and settlement of all debts and claims of any sort due from or owing to the Government or any of its subdivisions, agencies and instrumentalities. The said jurisdiction extends to all government-owned or controlled corporations including their subsidiaries, and other self-governing boards, commissions, or agencies of the Government, and as herein prescribed, including non-governmental entities subsidized by the government, those funded by donations through the government, those required to pay levies or government share, and those for which the government has put up a counterpart fund or those partly funded by the government.

WHEREAS, Section 30 (2) of the said P.D. allows the assessment and collection of fees by the Commission for its conduct of audit and related services, to wit:

Whenever the Commission contracts with any government entity, to render audit and related services beyond the normal scope of such services, the Commission is empowered to fix and collect reasonable fees. x x x.

WHEREAS, the Commission has been rendering special and related audit services beyond the normal scope of its usual services, such as, but not limited to, the conduct of financial due diligence review of agencies, mostly Government-Owned and/or Controlled Corporations (GOCCs) that require the issuance of Letters of Comfort in connection with their public offering of debt and/or equity securities (Special Audit Services)

WHEREAS, the Commission recognizes that the Special Audit Services involve specialized areas of practice in auditing;

WHEREAS, Section 31 of P.D. No. 1445 authorizes the Commission to deputize private licensed professionals and experts to assist government auditors, thus:

(1) The Commission may, when the exigencies of the service so require, deputize and retain in the name of the Commission such certified public accountants and

other licensed professionals not in the public service as it may deem necessary to assist government auditors in undertaking specialized audit engagements.

(2) The deputized professionals shall be entitled to such compensation and allowances as may be stipulated, subject to pertinent rules and regulations on compensation and fees.

WHEREAS, there is a need to rationalize the standards and procedures in the engagement of the Commission in, and the delivery by the Commission of, such Special Audit Services, in order to ensure uniformity and a systematic and timely delivery of its services without prejudice to its regular audit functions and responsibilities;

NOW, THEREFORE, premises considered, the Commission Proper has resolved, as it does hereby resolve, to prescribe the following guidelines relative to the engagement and delivery of Special Audit Services by the Commission:

1. **Scope of Special Audit Services (SAS).** The guidelines prescribed herein shall cover special audit and related services other than the scope and/or nature of the following audit services which it conducts in the regular course of its mandate:

- a. Financial/Compliance/Regularity Audit;
- b. Fraud Audit;
- c. Performance or Value-for-Money Audit; and
- d. Government-Wide and Sectoral Performance Audit.

2. **Engagement.** No engagement for SAS shall be accepted by the Commission until the issuance by the COA Chairperson of the pertinent Office Order therefor together with the duly signed Engagement Letter (EL) for the purpose, which shall be prepared as follows:

- a. As soon as the auditor receives a request for SAS from an auditee, the auditor shall immediately refer such request, together with recommendations thereon, to the COA Chairperson through the Cluster Director in charge of such auditee;
- b. The recommendations shall, whenever necessary and appropriate, include a proposed EL and proposed Office Order accompanied by a detailed Work Plan for consideration/approval of the COA Chairperson. The EL shall, at the minimum, lay down: (i) the scope of work, procedures to be undertaken and estimated timetable for completion of such work; (ii) the form and nature of the work product (e.g., Evaluation Report; Comfort Letters) to be generated from the work and procedures to be undertaken; (iii) the amount of or structure for the assessment and payment of service fees to the Commission; and
- c. The terms and conditions under which such services and output shall be undertaken and delivered by the Commission, which shall specifically include, among others, a Management's Representation Letter (substantially in the form of Annex "A" hereof) and proof of authority of the auditee to enter into and sign the EL.

3. **Engagement of Experts When Necessary.** The Commission reserves the right, pursuant to Section 31 of P.D. No. 1445, to engage and deputize licensed experts from non-government entities whose highly specialized technical skills, qualifications and professional experiences in the conduct of similar services may become necessary in order to enhance the special services to be rendered by the