

**[PRC PROFESSIONAL REGULATORY BOARD OF
ACCOUNTANCY RESOLUTION NO. 23, S. 2010,
February 02, 2010]**

**REVISION OF THE RULES AND REGULATIONS FOR THE CONDUCT
BY THE PROFESSIONAL REGULATORY BOARD OF ACCOUNTANCY
OF OVERSIGHT INTO THE QUALITY OF AUDITS OF FINANCIAL
STATEMENTS**

WHEREAS, the Professional Regulatory Commission upon the recommendation of the Professional Regulatory Board of Accountancy approved on July 28, 2009, Resolution No. 88, Series of 2009, covering the "Rules and Regulations for the Conduct by the Professional Regulatory Board of Accountancy of Oversight into the Quality of audits of Financial Statements."

WHEREAS, after deliberation and consideration of the concerns and issues raised by various stakeholders which include other regulatory agencies, on the aforesaid rules and regulations, the Board deemed it necessary to revised said rules and regulations.

WHEREFORE, the Board resolves as it hereby resolves to revise the "Rules and Regulations for the conduct by the Professional Regulatory Board of Accountancy of Oversight into the Quality of audits of Financial Statements," marked as Annex "A" and made part hereof, which should be considered as part of the rules and regulations for the practice of accountancy in the Philippines.

This Resolution and its Annex "A", as revised, shall take effect after fifteen (15) days following their publication in the Official Gazette or in a major daily newspaper of general circulation in the Philippines, whichever is earlier.

(SGD.) EUGENE T. MATEO
Chairman

(SGD.) MA. ELENITA B. CABRERA
Vice-Chairman

(SGD.) FROILAN G. AMPIL
Member

(SGD.) LUCILA C. TARRIELA
Member

(SGD.) RUFO R. MENDOZA
Member

Attested:

(SGD.) CARLOS G. ALMELOR
Secretary, Professional Regulatory Boards

Approved:

(SGD.) NICOLAS P. LAPENA, JR.
Chairman

(SGD.) RUTH RANA-PADILLA
Commissioner

(SGD.) NILO L. ROSAS
Commissioner

Annex "A"

Revised of the Rules and Regulations for the Conduct by the Professional Regulatory Board of Accountancy of Oversight Into the Quality of Audits of Financial Statements

Pursuant to Sec. 9 (g) of Republic Act No. 9298, otherwise known as the "Philippine Accountancy Act of 2004," the Professional Regulatory Board of Accountancy hereby promulgates, subject to the approval of the Professional Regulation Commission, the following Rules and Regulations to carry out effectively the provisions of Sec. 9 (h) of the said Act relative to the "conduct of oversight into the quality of audits of financial statements."

**RULE I
TITLE AND DEFINITIONS**

Section 1. These Rules and Regulations shall be known and cited as "Rules and Regulations for a QAR Program."

Section 2. **Definition of Terms.** Unless otherwise expressly provided, the following terms shall be understood to mean:

a. *Accredited Professional Organization (APO)* – the recognized professional organization of certified public accountants (CPAs) duly recognized by both the Professional Regulation Commission (PRC) and the Board. The APO ensures that its member-CPA practitioners implement and maintain quality of the audit. The present APO for CPAs is the Philippine Institute of Certified Public Accountants (PICPA).

b. *Board* – refers to the Professional Regulatory Board of Accountancy.

c. *CPA Practitioners* – the collective term used to denominate an individual CPA, Firm or Partnership of CPAs engaged in the practice of public accountancy in the Philippines.

d. *Quality Assurance Review (QAR)* – a study, appraisal or review by, an independent QAR Department organized by the Board, of the quality of audit of financial statements through a review of the quality control measures instituted by CPA Practitioners engaged in the practice of public accountancy to ascertain compliance with prescribed professional, ethical and technical standards of public practice.

**RULE II
COUNCIL FOR ACCREDITATION AND QUALITY CONTROL OF PRACTICING CPAs**

Section 3. The Board shall coordinate with and may seek assistance in the proper implementation of the Quality Assurance Review Program from the Council for Accreditation and Quality Control of Practicing CPAs created under the Memorandum of Agreement dated 12 August 2009, executed by the Board, Securities and Exchange Commission, the Bangko Sentral ng Pilipinas and the Insurance Commission.

The Memorandum of Agreement recognizes that

“The BOA under R.A. No. 9298, supervises the accreditation, licensure and practice of accountancy in the Philippines and conducts an oversight into the quality of audits of financial statements through the review of the quality control measures instituted by auditors in order to ensure compliance with the accountancy and auditing standards and practices.”

Paragraph 9 of the said Agreement further provides that –

“The SEC, BOA, BSP and IC shall form a “Council for Accreditation and Quality Control of Practicing CPAs.” The Council shall discuss policy issues on quality control standards of accredited external auditors. It shall likewise oversee the implementation of the MOA and possible improvement and/or enhancement of the synchronized accreditation/selection procedures and requirements. The Council shall on a periodic basis report to the Financial Sector Forum on the foregoing matters.”

QUALITY ASSURANCE REVIEW DEPARTMENT

Section 4. The Board shall organize the Quality Assurance Review Department (QARD) of the APO which shall have independence in the conduct of its operation.

Section 5. An Executive Committee is hereby created to be composed of the incumbent Chairman and Vice Chairman of the Board or their alternates from any of the incumbent members of the Board and the incumbent President of the APO or his/her alternate from among the incumbent members of the Board of the APO. The Executive Committee shall have the full power and authority to set policies and to supervise the operation of QARD. The appointee shall possess high degree of competence and objectivity taking into account the duties and responsibilities of the Executive Committee, as follows:

- a. To set policies that will ensure effective implementation of the quality assurance review program;
- b. To maintain independence of the QARD;
- c. Through its QARD, to monitor the quality of audits;
- d. To hire the Chief Inspector and Chief of Administration of QARD including other personnel thereof;
- e. To recommend to the Board a rolling Quality Assurance Review (QAR) plan for three (3) years which may be approved by the Board without referral to the Commission;
- f. To implement the approved QAR plan through the QARD;
- g. To obtain independent technical advice on the subject of quality assurance when needed and appropriate;
- h. To receive and evaluate the reports and recommendations of the Chief Inspector;
- i. Submit regularly to the Board a list of erring member-CPA practitioners including

the findings and actions taken by the QARD. The Committee shall likewise regularly submit to the Board policies that it adopted and implementing issues that it settled for the oversight review of the Board. It shall also report to the Board any form of interference by the APO on its policy making or on QARD's operation;

j. To issue through the Board, annual reports for the benefit of the general public.

Section 6. Chairmanship and Term of Office of the Executive Committee Members. The Chairman of the Committee shall be from the Board's appointees. The term of office of the Chairman and members shall be co-terminus with their respective term in the Board or the APO unless replaced earlier by the Board or the APO but in no case shall be more than three (3) years. The Chairman and members of the Executive Committee should not be in active practice of public accountancy during his term in the Executive Committee.

Section 7. QARD Personnel. The QARD's personnel shall be composed of a Head (the Chief Inspector), Assistants to the Chief Inspector, the Chief of Administration, Assistants to the Chief of Administration, Staff Auditors and such other employees that may be necessary to carry out effectively the functions of the QARD. They shall be appointed by the Executive Committee.

Section 8. Term of Office of QARD Personnel. The QARD Chief Inspector, Assistants to the Chief Inspector, the Chief of Administration and Assistants to the Chief of Administration shall enjoy security of tenure and may be removed only for the just and authorized causes recognized under the labor and other laws. The staff auditors and other employees shall be engaged under a contract of service.

Section 9. Qualifications of the Chief Inspector of the QARD. To be eligible for appointment as Chief Inspector of the QARD, a person must have the following qualifications.

- a. Must have reached the level of senior manager or partner of an accounting firm that has among its clients publicly listed companies;
- b. Must be independent from the practitioners or firms that will be covered by the QAR Program;
- c. Must have at least ten (10) years experience in the practice of public accountancy;
- d. Must be of good moral character and has a current license as a CPA;
- e. Must not have been found guilty of violating any professional, ethical and regulatory auditing standards;
- f. Must have good oral and written communication skills, being especially adept at report writing.

Section 10. Duties and Responsibilities of the Chief Inspector of the QARD.

- a. Exercises administrative supervision and control over the QARD and over its personnel as its head;
- b. Assists the Executive Committee in determining Quality Assurance policies;
- c. Prepares the QAR Review Plan for three years for submission to the Executive Committee for consideration;
- d. Selects the CPA Practitioners to be reviewed for the year, in accordance with the three-year plan;
- e. Approves the specific inspection plan for each practitioner selected for review, which must set forth the nature, extent and timing of such work;
- f. Reviews and approves the individual inspection reports;

- g. Has the final authority to approve all inspection reports;
- h. Assists the Executive Committee to prepare its Annual Report;
- i. Recommends to the Executive Committee the appointment and termination from service of subordinate QARD personnel as well as appropriate disciplinary action to be taken;
- j. Provides for technical training of inspection personnel;
- k. Performs such duties and functions as the Executive Committee may assign.

Section 11. *Qualifications of the Chief of Administration, QARD.* To be eligible for appointment as Chief of Administration, a person must have the following qualifications:

- a. Must have appropriate educational qualification, which may not necessarily be on accountancy;
- b. Must be independent from the practitioners or firms that will be covered by the QAR Program;
- c. Must have at least five (5) years work experience in supervisory capacity;
- d. Must be of good moral character;
- e. Must not have been found guilty of violating any professional, ethical and regulatory auditing standards;
- f. Must have good oral and written communication skills, being especially adept at report writing.

Section 12. *Duties of the Chief of Administration.* The Chief of Administration is responsible for the non-technical aspect of the QAR program. He/She reports to the Chief Inspector. The main duties of the Chief of Administration include:

- a. Serves as the administrative officer of the QARD;
- b. Supervises the registration of CPA Practitioners in their respective categories;
- c. Supervises the collection of registration fees;
- d. Supervises the preparation of the regular financial reports of the QARD;
- e. Supervises the administrative aspect of training of QARD personnel;
- f. Supervises communications to all practitioners;
- g. Performs such functions as may from time to time be assigned by the Chief Inspector.

Section 13. *Assistants for the Chief Inspector and Chief of Administration.* The Executive Committee shall appoint technical assistants upon the recommendation of the Chief Inspector, who have audit experience to assist him/her carry out the inspection work plan approved by the Board. They shall carry out their inspection work in accordance with the prescribed methodology. They will report directly to the Chief Inspector.

The Executive Committee shall appoint administrative assistants upon the recommendation of the Chief of Administration, to help him/her carry out the administrative tasks of QARD. These assistants shall report directly to the Chief of Administration.

Section 14. *Staff Auditors.* The APO shall enter into Contracts of Service with auditors who shall be responsible for the field work of a QAR assignment. They shall be screened and selected by the Executive Committee upon the recommendation of the Chief Inspector. They shall have the following qualifications: