

## **BACKGROUND NOTE ON ACTION PLANS**

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption<sup>1</sup> and implementation<sup>2</sup> of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

### **Use of Information**

Please refer to the [Disclaimer](#) published on the Compliance Program website.

## **ACTION PLAN**

<b>IFAC Member:</b>	Philippine Institute of Certified Public Accountants (PICPA)
<b>Approved by Governing Body:</b>	National Board of Directors of PICPA
<b>Last Updated:</b>	April 2018
<b>Next Update:</b>	April 2020

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<sup>1</sup> *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

<sup>2</sup> *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

## GLOSSARY

<b>AASC</b>	Auditing and Assurance Standards Council
<b>ASC</b>	Accounting Standards Council
<b>ACPACI</b>	Association of CPAs in Commerce and Industry
<b>ACPAE</b>	Association of CPAs in Education
<b>ACPAPP</b>	Association of CPAs in Public Practice
<b>AFRS</b>	Annual Financial Reporting System
<b>AFS</b>	Audited Financial Statements
<b>BFARS</b>	Budget and Financial Accountability Reporting System
<b>BIR</b>	Bureau of Internal Revenue
<b>BOA</b>	Board of Accountancy
<b>BSA</b>	Bachelor of Science in Accountancy
<b>BSP</b>	Bangko Sentral ng Pilipinas
<b>CA</b>	Commonwealth Act
<b>CHED</b>	Commission on Higher Education
<b>COA</b>	Commission on Audit
<b>CPA</b>	Certified Public Accountant
<b>CPD</b>	Continuing Professional Development
<b>EIPD</b>	Enforcement & Investor Protection Department
<b>eNGAS</b>	Electronic New Government Accounting System
<b>FRSC</b>	Financial Reporting Standards Council
<b>FSF</b>	Financial Sector Forum
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GAAS</b>	Generally Accepted Auditing Standards
<b>GAM</b>	Government Accounting Manual
<b>GC</b>	Government Corporations
<b>GIFMIS</b>	Government Integrated Financial Management Information System
<b>HIPSAP</b>	Handbook on International Public Sector Accounting Standards Pronouncements
<b>I&amp;D</b>	Investigation and Discipline
<b>IAESB</b>	International Accounting Education Standards Board
<b>IASB</b>	International Accounting Standards Board
<b>IC</b>	Insurance Commission
<b>IES</b>	International Education Standards
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>IRR</b>	Implementing Rules and Regulations
<b>ISQC</b>	International Standard on Quality Control
<b>LGU</b>	Local Government Units

<b>NGA</b>	National Government Agencies
<b>NGAS</b>	New Government Accounting System
<b>NOCLAR</b>	Non-Compliance with Laws and Regulations
<b>OGA</b>	Office of the General Accountant
<b>PAEF</b>	Philippine Accounting Education Framework
<b>PDIC</b>	Philippine Deposit Insurance Corporation
<b>PFRS</b>	Philippine Financial Reporting Standards
<b>PGAS</b>	Philippine Government Accounting Standards
<b>PGS</b>	Performance Governance System
<b>PIC</b>	Philippine Interpretations Committee
<b>PICPA</b>	Philippine Institute of Certified Public Accountants
<b>PPSAS</b>	Philippine Public Sector Accounting Standards
<b>PRC</b>	Professional Regulation Commission
<b>PSA</b>	Philippine Standards on Auditing
<b>PSAE</b>	Philippine Standard on Assurance Engagements
<b>PSASB</b>	Public Sector Accounting Standards Board
<b>PSG</b>	Program Standards and Guidelines
<b>PSQC</b>	Philippine Standards on Quality Control
<b>PSRE</b>	Philippines Standard on Review Engagements
<b>PSRS</b>	Philippine Standards on Related Services
<b>QA</b>	Quality Assurance
<b>QAR</b>	Quality Assurance Review
<b>QARO</b>	Quality Assurance Review Office
<b>QARP</b>	Quality Assurance Review Program
<b>R.A.</b>	Republic Act
<b>SEC</b>	Securities and Exchange Commission
<b>SMO</b>	Statements of Membership Obligations
<b>SOAR</b>	Securities and Exchange Commission Oversight Assurance Review
<b>SRC</b>	Securities Regulation Code
<b>TWG</b>	Technical Working Group
<b>UACS</b>	Unified Accounts Code Structure
<b>VQAR</b>	Voluntary Quality Assurance Review

**Action Plan Subject:** Statements of Membership Obligations (SMO) 1–Quality Assurance (QA)  
**Action Plan Objective:** Continue to Support All QA Process Reviews

**Background:**

As of January 2018, there are about 8,000 public practitioners, of which 95% belong to the small and medium practitioners and 5% belong to the larger firms.

**SECURITIES AND EXCHANGE COMMISSION**

The Securities and Exchange Commission (SEC) or the Commission is the national government regulatory agency which is both the regulator of the capital market and corporate registrar. Created on October 26, 1936 by the Commonwealth Act (CA) 83, also known as The Securities Act, the Commission was tasked to regulate the sale and registration of securities, exchanges, brokers, dealers and salesmen. Subsequent laws were enacted to encourage investments and more active public participation in the affairs of private corporations and enterprises, and to broaden the Commission's mandates. Recently enacted laws gave greater focus on the Commission's role to develop and regulate the corporate and capital market toward good corporate governance, protection of investors, widest participation of ownership and democratization of wealth.

The SEC is the agency that both government and private agencies consult relative to issues on financial reporting.

The SEC, pursuant to its mandate provided for under the Securities Regulation Code (SRC), i.e. to protect investors and in accordance with its powers and authority under Sections 5 and 68 of said law as well as Rule 68 it issued (and now in adherence to the International Organization of Securities Commissions principles on securities regulation, among others, that external auditors be subjected to adequate level of oversight), is empowered to conduct audit quality assurance of its accredited external auditors. For this reason, the SEC will now conduct an onsite inspection of audit firms handling the audit of Philippine publicly listed companies through the implementation of its SEC Oversight Assurance Review (SOAR) Inspection Program.

**Recent Significant Developments:**

The Commission issued on August 22, 2017, SEC Memorandum Circular No. 9 Series of 2017, Rules and Regulations on the Implementation of the SOAR Inspection Program. The SOAR Inspection Program is the initiative of the SEC to do on-site review of the quality control policies and procedures of accredited firms auditing companies with equity or debt securities listed in an Exchange and a review of portions of the audit work on selected audit engagements of these firms from time to time. The SOAR Inspection Program is intended to improve confidence in the audited financial statements (AFS) of listed companies by promoting high-quality and more transparent financial reporting to protect the interest of investors and other users of AFS. It is also designed to promote compliance with the requirements of the SEC and professional and ethical standards. The SOAR Inspection Program will be conducted by the SEC's Office of the General Accountant (OGA). The Department of Budget and Management has recently approved the requested twenty-two (22) plantilla positions needed to strengthen and improve the manpower of the OGA of the SEC for this new initiative.

However, even prior to the implementation of SOAR, the SEC already implemented a quality assurance or review procedure whereby the SEC reviews selected financial statements as part and parcel of a certified public accountant (CPA) accreditation process.

The SEC conducts the accreditation for CPAs in public practice handling audits of SEC regulated companies once every three (3) years thru desktop review of said companies' AFS relative to compliance with accounting and auditing standards. The accreditation program requires applicants to possess adequate audit experience and to have attended training programs and taken up Continuing Professional Development (CPD) courses. The SEC also evaluates the AFS the external auditor examined and imposes penalties on the company-clients and on the external auditor-applicants for material

deficiencies noted on the AFS. At times, it requires amendments of the AFS it examined when needed. The SEC's accreditation program is therefore an audit quality assurance mechanism short of actual onsite inspection of audit firms.

Relative to SEC's findings on the AFS of corporations which do not have secondary licensees with the SEC or the external auditor who does not have an SEC accreditation, the said findings are forwarded to the Board of Accountancy (BOA) for its appropriate action. We wish to highlight that the BOA issues license and grants the basic accreditation of CPAs, thus, it has the authority to suspend and revoke said licenses.

Financial regulators in the Philippines, through a Memorandum of Agreement (MOA), established the Financial Sector Forum (FSF). It is essentially a voluntary cooperative endeavor of the Bangko Sentral ng Pilipinas (BSP), SEC, Insurance Commission (IC) and Philippine Deposit Insurance Corporation (PDIC) to provide an institutionalized framework for coordinating the supervision and regulation of the financial system while preserving each agency's mandate. It is also a venue for the agencies to update each other on the latest developments in their respective areas and any concerns that may have systemic repercussions.

To help address issues pertaining to the accreditation and quality control of practicing CPAs, the FSF created a Technical Working Group (TWG) under it called the Council for Accreditation and Quality Control of Practicing CPAs (the "Council"). The Council provides advisory assistance on the areas of accreditation/selection of external auditors and adherence to quality control standards in the conduct of audit. In 2015, the FSF already approved the Council's Terms of Reference and the same were already signed by the Council Members which are composed of the SEC, BSP, IC and BOA. The Council is now working on the harmonization and streamlining of the requirements for accreditation of external auditors by the SEC, IC and BSP. The OGA, together with BSP and IC, are now streamlining the procedures for processing of accreditation applications – to include a one-stop shop processing and possible extension of the accreditation period to five (5) years.

During the last two meetings of the FSF, it already agreed that SEC be the designated one-stop-shop agency to accept, process and approve the applications for multiple accreditations pertaining to the SEC, BSP and IC.

The Department of Budget and Management has recently approved the requested twenty-two (22) plantilla positions needed to strengthen and improve the manpower of the OGA of the SEC for this new initiative.

### **BOARD OF ACCOUNTANCY**

The BOA, pursuant to Republic Act (R.A.) No. 9298, "The Philippine Accountancy Act of 2004," has the power to conduct an oversight into the quality of audits of financial statements through a review of the quality control measures instituted by auditors in order to ensure compliance with the accounting and auditing standards and practices.

Pursuant to the Quality Assurance Review (QAR) implementation plan, BOA Resolution No. 23, Series of 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," established the Quality Assurance Review Program (QARP) in February 2010 providing for the adoption of the QARP.

BOA Resolution No. 244 Series of 2015, "Adoption of the Revised Rules and Regulations for the Conduct by the Professional Regulatory Board of Accountancy of Oversight into the Quality of Audits of Financial Statements and Operations of CPA Practitioners," was released in December of 2015 providing for the revised rules on the QAR Program (QARP) and replaces BOA Resolution No. 23-2010.

### Recent Developments

The existence of a QARP is an essential facet in any accountancy and auditing environment. It is a global best practice that the auditors doing the attestation of the financial reports of business enterprises are subject to quality review or inspection of their work by an independent body. Several major organizations had cited the Philippines for its failure to institute the QAR as mandated by the law. These institutions include the World Bank (WB), the International Federation of Accountants (IFAC) and a European Union study commissioned by the Professional Regulation Commission (PRC).

The BOA has been planning on the detailed implementation requirements to jump start the QARP under a “soft” and “transitory” approach. This approach includes the outsourcing of the inspection by the Quality Assurance Review Office (QARO) to accredited CPAs. The focus of the inspection is to ensure that the practitioners or auditors prepare or maintain adequate working papers in the conduct of their audit.

The QARP will be implemented by the QARO as prescribed in the Implementing Rules and Regulations (IRR) of BOA Resolution 244-2015. There shall be an Executive Committee composed of the incumbent Chairman and Vice Chairman of the BOA and a member to be selected by the Chairman from any of the incumbent members of the BOA. The Executive Committee has the full power and authority to set policies and to supervise the operation of QARO. The QARO’s personnel shall be composed of the Chief Inspector, the Chief of Administration, and such other employees that may be necessary to carry out effectively the functions of the QARO.

Per the strategy of the BOA, it is sufficient that once the key officers, namely the Chief Inspector and the Chief of Administration, are hired, the QARO can begin functioning. Thereafter, the Executive Committee and two officers can proceed to formulate and complete the bare essentials for the QARP. These will include, among others, (1) formulating the governance and operational policies and procedures, to include the QAR Inspection Program, the Training of Inspectors Program, the Audit methodology and documentation requirements; and (2) updating of information of CPAs in Public Practice.

The QARO can thereafter gradually conduct QAR inspections on a risk based approach using the methodology prescribed in 2009/2010 QAR Manuals and Philippine Institute of Certified Public Accountants (PICPA) Voluntary QAR (VQAR) methodology. For this purpose, the QARO shall enter into contracts of service with Quality Assurance Reviewers who will be hired and trained on a need basis.

Once these measures are put in place, the QAR will then be ready to shift from the “soft” and “transitory” approach to a “firm” and “institutionalized” phase of QAR execution. This “soft” and “transitory” approach in the QAR implementation may take several years. But the accountancy profession, in particular, and the business community, in general, has something to look forward so that the long envisioned QAR may soon be a fixture in our country.

### **PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

For PICPA to show its support to the quality review programs and prepare its members for regulatory quality assurance inspection, PICPA launched the VQAR Program through the VQAR Committee which was created by the PICPA National Board. Since VQAR was launched, the Committee was only able to review four (4) engagements as apparently there were only a few practitioners who wished to volunteer for inspection.

### **OTHER REGULATORS REQUIRING ACCREDITATION**

Other regulators that also require accreditation of CPAs are the BSP, IC and Cooperative Development Authority (CDA). However, CPA applicants seeking accreditation with these regulators must be primarily accredited with the BOA. Accreditation is valid for three (3) years.

As mentioned above, the Council is now working on the harmonization and streamlining of the requirements for accreditation of external auditors by the SEC, IC and BSP and the extension of the validity of the accreditation to five (5) years.

**ACCOUNTING FIRMS QUALITY REVIEW PROCESS**

Large to medium accounting firms also undergo annual internal audit quality reviews which include not just review of engagements but also review of firms policies and procedures. Generally, these reviews follow the requirements of the Philippine Standards on Quality Control (PSQC) 1 which are similar with the International Standard on Quality Control (ISQC) 1.

In addition, the larger auditing firms that provides audit services to US Securities and Exchange Commission Foreign Private Issuer (US SEC FPI), or significant affiliates of a US SEC registrant, are also subject to examination by the Public Company Accounting Oversight Board (PCAOB) under the PCAOB auditing standards. The first PCAOB audit in the Philippines was in 2010.

#	Start Date	Actions	Completion Date	Responsibility	Resource
Implementation Plans/Maintaining Ongoing Processes to Meet Requirements of SMO 1					
1.	Prior years	Supports BOA and SEC's accreditation process by: 1. Dissemination of information of BOA and SEC's rules with respect to accreditation by posting memorandum on websites and inviting BOA and SEC representatives to provide updates during seminars;  2. Trainings and seminars include topics such as "Common Errors on Financial Statements" which basically is a compilation of the comments raised by SEC as a result of the review of the financial statements. In this way, CPAs become more aware of the comments and SEC's views with respect to disclosures that needs to be in the financial statements; provides further guidance to CPAs on FS preparation.	Continuing	PICPA/ Association of CPAs in Public Practice (ACPAPP)	PICPA, ACPAPP, BOA and SEC
2.	June 2017	PICPA supports the Implementation of SOAR Inspection Program through the following:  1. Provide awareness to all CPAs of the upcoming SOAR program by including this topic in the technical sessions during PICPA regional conferences, PICPA annual national conventions, PICPA initiated sectoral forums and regulators forum. During these activities, SEC has the opportunity to explain the SOAR program as well as provide opportunity to CPAs to ask questions on the SOAR.	Started and Continuing	PICPA	PICPA and SEC

		<ol style="list-style-type: none"> <li>2. Post on PICPA websites SEC and BOA memorandum circulars on SOAR and QAR to increase awareness</li> <li>3. Makes representation to the SEC and BOA for and in behalf of PICPA members to thresh out issues relating to quality reviews e.g. potential duplication of SOAR and QAR</li> </ol>			
3.	July 2017	<p>PICPA supports the implementation of QAR by the BOA through the following:</p> <ol style="list-style-type: none"> <li>1. Helps CPA members particularly the individual practitioners to be prepared for QAR through the implementation of the VQAR. PICPA continues to improve the VQAR process to further encourage CPA members to participate</li> <li>2. Provide awareness to all CPAs of the status of BOA's QARP by including this topic in the technical sessions during PICPA's regional conferences, PICPA'S Annual National Conventions and PICPA initiated sectoral forums and regulators forum. During these activities, BOA has the opportunity to explain its plans and timeline for the QAR as well as provide opportunity for CPAs to ask questions on the QAR;</li> <li>3. Helps members thresh out QAR related issues such as the coverage of QAR and the possible duplication with SOAR, QAR fees etc. by making representations to BOA or by organizing dialogues with BOA.</li> <li>4. Post on PICPA websites all BOA memorandum circulars which includes QAR related circulars.</li> </ol>	Started and continuing	PICPA	PICPA and BOA
4.	July 2017	<p>Reconstitute the VQAR Committee with a new Committee Chair to review and enhance the existing templates to provide a more effective framework and methodology for the VQAR implementation.</p> <p>Enhanced VQAR templates and materials to practitioners aligning the objectives and procedures with the objectives of SMO 1 and harmonize them with the QARP of BOA.</p>	<p>Done</p> <p>Done</p>	PICPA VQAR Committee, ACPAPP	PICPA and ACPAPP



	<p>Jan 2018</p> <p>Disseminated the enhanced QAR templates and materials to practitioners through seminars and lectures and invite practitioners to participate in the VQAR Program.</p> <p>Recruit those who have undergone VQAR in the past to join the VQAR team as Trainer/Inspector/ Examiner.</p> <p>Collaborate and coordinate with ACPAPP for the effective implementation of VQAR among their common members.</p> <p>VQAR will continue to assist members to be prepared for QAR inspections especially on the early years of QAR implementation.</p> <p>Expand the implementation of the VQAR Program to include more Small Individual Public Practitioners.</p> <p>Issue Certifications on the outcome of the VQAR. Certifications shall be issued by the VQAR Committee to the individual practitioner.</p> <p>July 2018</p> <p>Representation shall be made with the BOA to give credit points to the certifications issued by the VQAR Committee for accreditation purposes.</p> <p>Assess the VQAR Program on how effective it is as a support to the BOA QAR.</p>	<p>Done</p> <p>Continuing</p>		
5. 6.	<p>Jan 2018</p> <p>PICPA collaborates with the Council for Accreditation and Quality Control of Practicing CPAs (AQCP) for the quarterly regulators forum which will discuss among others, status of implementation of the various quality reviews programs (SOAR and QARP).</p>	<p>Quarterly</p>	<p>PICPA and AQCP</p>	<p>PICPA and AQCP</p>
7.	<p>2018</p> <p>Develop a targeted program to strengthen the capacity of the SMP sector to meet the accreditation and compliance requirements of regulators and served as trusted advisors for the MSME sector.</p> <p>Such program could include increasing availability of quality CPD, tools and resources to SMPs in the regions outside of Metro Manila.</p>	<p>Medium term – start FY 2018-2019</p>	<p>PICPA</p>	<p>PICPA</p>

		<p>Under this program will be the enhancement of the “PICPA CPE on the Road”. This is a program where PICPA develops training modules and rolls it out to various chapters and regions, outside of Metro Manila for free. Such training modules include topics relating to the Philippine Financial Reporting Standards (PFRS) and the Philippine Standards on Auditing (PSA) as well as topics covering the other thematic areas.</p> <p>PICPA to create a special committee to draw the program and timeline</p> <p>Further, PICPA to monitor the status of the adoption of the 3<sup>rd</sup> framework that would cater to the needs of MSMEs and develop an immediate plan for the roll out of the framework.</p>			
8.	PICPA FY 2018-2019	<p>Rationalize PICPA fee structure to enable enhanced delivery of COD, tools and resources to develop and support the profession.</p> <p>A committee can be formed by the PICPA National Board tasked to study what is a reasonable amount of increase in membership fee as well as identify steps to be undertaken, including the need to get BOA consent for any increase in fees.</p> <p>Meantime, PICPA can look for alternative ways to earn income to be able to fund all the quality initiatives.</p>	Medium term – maybe within 3 years	PICPA and BOA	PICPA and BOA
<b>Review of PICPA’s Compliance Information</b>					
9.	Dec 2017	By virtue of a PICPA Board Resolution, a Technical Working Group (TWG) was created to update and monitor compliance of the SMOs.	Done	PICPA TWG	PICPA
10.	Jan 2018	TWG to familiarize with the requirements of the SMOs; obtain previous SMOs and arrange meeting with various stakeholders.	Jan 2018	PICPA TWG	PICPA
11.	Jan 2018	TWG to meet with various stakeholders to discuss, review and finalize the SMOs.	Jan 13, 2018	PICPA TWG and stakeholders such SEC, BOA, Commission on Higher Education	PICPA

		PICPA TWG to submit report to IFAC after approval of the PICPA National Board upon the endorsement of the PICPA Executive Committee	Feb 15, 2018	(CHED), Commission on Audit (COA), Auditing and Assurance Standards Council (AASC) and Financial Reporting Standards Council (FRSC)  PICPA ED	
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**Main Requirements of SMO 1**

Requirements	Y	N	Partially	Comments
<p><b>Scope of the System</b></p> <p>1. At a minimum, mandatory QA reviews are required for all audits of financial statements.</p>	Yes			<ul style="list-style-type: none"> <li>• As discussed under background information, currently, CPAs undergo accreditation process as required by the SEC and BOA and other regulating agencies like BSP, IC and CDA. The process includes the review of financial statements audited by the CPA seeking accreditation.</li> <li>• Medium to large accounting firms continue to undergo internal quality reviews performed by their peers or correspondent/member firms under PSQC 1.</li> <li>• In addition, the larger auditing firms that provides services to FPIs or significant affiliates of US SEC registrants are subject to PCAOB audit every three years.</li> <li>• Further, as mentioned, SEC will implement SOAR starting 2018 that will cover all publicly listed companies and BOA to implement QAR.</li> <li>• PICPA will continue to implement the VQAR and encourage more practitioners to participate.</li> </ul>
<p><b>Quality Control Standards and Other Quality Control Guidance</b></p> <p>2. Firms are required to implement a system of quality control in accordance with the quality control standards.</p>	Yes			<ul style="list-style-type: none"> <li>• When an audit firm or individual practitioner applies for accreditation with the BOA, SEC and other regulators, these regulators require that all audit firms/individual practitioners have established system of quality control in accordance with PSQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Service Engagements.</li> <li>• Applicants are required to submit a copy of their Quality Assurance Manual (QAM) which SEC reviews to check compliance with PSQC 1.</li> </ul>

Requirements	Y	N	Partially	Comments
				<ul style="list-style-type: none"> <li>The SOAR and QAR inspections will also cover the review of the policies and procedures in the QAM and the degree of compliance with PSQC 1.</li> </ul>
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.	<b>Yes</b>			<ul style="list-style-type: none"> <li>All Public Practitioners are mandated to implement PSQC 1 and PSAs as requirements for accreditation by BOA and other regulators.</li> </ul>
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	<b>Yes</b>			<ul style="list-style-type: none"> <li>Seminars and Fora on PSQC 1 are conducted by PICPA. Similar courses are also offered by ACPAPP.</li> <li>Campaigns for compliance by public practitioners are done by PICPA and ACPAPP.</li> </ul>
<b>Review Cycle</b> 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	<b>Yes</b>			<ul style="list-style-type: none"> <li>At present, CPAs accreditations with BOA, SEC and other regulators are renewed every three (3) years.</li> <li>SEC SOAR is a mixed approach, both a cycle-based and risk-based. The frequency of inspection for all covered firms shall be once in every three (3) years; however, the Commission is not precluded from subjecting firms to an annual inspection if circumstances would warrant the conduct thereof.</li> <li>The implementing rules and regulation for the BOA's QARP is in the process of being finalized.</li> </ul>
6. For cycle-based approach, quality control reviews are required to take place at least every six (6) years (and every three (3) years for audits of public interest entities).	<b>Yes</b>			See responses above.
<b>QA Review Team</b> 7. Independence of the QA Team is assessed and documented.	<b>Yes</b>			<ul style="list-style-type: none"> <li>Reviews of financial statements as part of the CPA accreditation process are done by regulators.</li> </ul>

Requirements	Y	N	Partially	Comments
				<ul style="list-style-type: none"> <li>• Under the SEC’s SOAR and accreditation, processes and controls are in place to ensure that Inspection team will be independent of the auditing firm being inspected.</li> <li>• Members of the SOAR Team and the Accreditation Group are guided by the principles set in the following standards:               <ul style="list-style-type: none"> <li>a. Rules and Conduct for Commissioners, Officers and Employees as provided under SRC Rule 6.2</li> <li>b. Code of Ethics for Professional Accountants in the Philippines</li> <li>c. Code of Ethics for Government Employees</li> <li>d. Independence Policy for SOAR Inspection Team.</li> </ul> </li> <li>• The SOAR Inspection Team’s Independence Policy includes a provision on confidentiality which prohibits members from discussing matters related to the inspection with persons outside the SEC. Any information obtained during the inspection should not be used by the members for financial gain of themselves or others</li> <li>• SOAR Inspection Team are required to confirm their independence in writing.</li> <li>• The implementing rules and regulation for the BOA’s QARP is in the process of being finalized.</li> </ul>
8. QA Team possesses appropriate levels of expertise.	<b>Yes</b>			<ul style="list-style-type: none"> <li>• Currently, SEC’s inspection team is composed of nine (9) inspectors which is under the supervision of the Office of the General Accountant. These inspectors were directly hired from various auditing firms and have extensive audit experience on various type of industries.</li> <li>• All personnel of the Accreditation Group are CPAs and have met the qualification standard set by the Commission (e.g., years of accounting experience and educational attainment).</li> </ul>

Requirements	Y	N	Partially	Comments
				<ul style="list-style-type: none"> <li>• SEC also conducts training to ensure skills and competencies of its personnel are updated.</li> <li>• The implementing rules and regulation for the BOA's QARP is in the process of being finalized.</li> </ul>
<p><b>Reporting</b></p> <p>9. Documentation of evidence supporting the quality control review report is required.</p>	<b>Yes</b>			<ul style="list-style-type: none"> <li>• The SEC will issue reports to the auditing firms such as Summary of Findings, Preliminary Inspection Report and Final Inspection Report.</li> <li>• All documents relative to application for SEC accreditation (i.e., comment letters, letter-explanations, matrices of findings, evaluation sheets and other supporting documents) are maintained in the records room of the OGA and are eventually indexed and scanned before the hardcopy of said documents are disposed in accordance with the records disposition schedule of the National Government.</li> <li>• The implementing rules and regulation for the BOA's QARP is in the process of being finalized.</li> </ul>
<p>10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.</p>	<b>Yes</b>			<ul style="list-style-type: none"> <li>• As mentioned above, SEC will issue reports to the auditing firms such as Summary of Findings, Preliminary Inspection Report and Final Inspection Report</li> <li>• In the SEC Accreditation, an assessment letter is issued to the applicant containing the result of final evaluation of the AFS of the applicant's corporate clients. Said letter would likewise contain not only an assessment of penalty (if any) and recommendation of said application (for denial or approval) but a certificate is issued to the applicant as proof of the granting of SEC accreditation.</li> <li>• The implementing rules and regulation for the BOA's QARP is in the process of being finalized.</li> </ul>

Requirements	Y	N	Partially	Comments
<p><b>Corrective and Disciplinary Actions -PLEASE REFER ALSO TO RESPONSES ON SMO 6</b></p> <p>11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.</p>	Yes			<ul style="list-style-type: none"> <li>• SOAR inspection requires remediation process that is 12-18 months from the issuance of Final Inspection Report</li> <li>• In accreditation, the SEC imposes penalties on the company-clients and on the external auditor-applicants (with valid SEC accreditation) for material deficiencies noted on the AFS. At times, SEC requires amendments of the AFS it examined when needed.</li> <li>• Relative to the findings on the AFS of corporations who do not have secondary licensees with the SEC or the external auditor does not have an SEC accreditation, the said findings are forwarded to the BOA for its appropriate action. We wish to highlight that the BOA issues licenses and grants basic accreditation CPAs, thus, it has the authority to suspend and revoke said licenses.</li> <li>• The implementing rules and regulation for the BOA's QARP is in the process of being finalized.</li> </ul>
<p>12. QA review system is linked to the Investigation and Discipline system.</p>	Yes			<ul style="list-style-type: none"> <li>• For SEC's SOAR inspection program, there are grounds for commencement of disciplinary proceedings if there are violations during the inspection.</li> <li>• SEC's accreditation has grounds for commencement of disciplinary proceedings if there are violations noted under SRC Rule 68 or any rules implemented by the Commission.</li> <li>• The implementing rules and regulation for the BOA's QARP is in the process of being finalized.</li> </ul>
<p><b>Consideration of Public Oversight</b></p> <p>13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed.</p>	Yes			<ul style="list-style-type: none"> <li>• Under SEC's SOAR inspection program, the Inspection Team's findings on the inspection or recommended sanctions are appealable to the Commission en banc.</li> <li>• Findings on the AFS of corporations who do not have secondary licensees with SEC or the external auditor does not have an SEC accreditation, the said findings are forwarded to the BOA for its appropriate action. Please be advised that the BOA issues and</li> </ul>



Requirements	Y	N	Partially	Comments
				<p>grants the primary accreditation/license of CPAs, thus, they have the authority to suspend and revoke said licenses.</p> <ul style="list-style-type: none"> <li>• The OGA's findings or sanctions to applicants and company-clients are appealable to the Commission en banc.</li> <li>• The implementing rules and regulation for the BOA's QARP is in process of being finalized.</li> </ul>
<p><b>Regular Review of Implementation and Effectiveness</b></p> <p>14. Regular reviews of implementation and effectiveness of the system are performed.</p>	<b>Yes</b>			<ul style="list-style-type: none"> <li>• Both SOAR Inspection Program and SEC Accreditation Group reviews their respective processes and procedures for effectiveness.</li> <li>• The implementing rules and regulation for the BOA's QARP is in the process of being finalized.</li> </ul>

**Action Plan Subject:** SMO 2–International Education Standards (IES) for Professional Accountants and Other Pronouncements Issued by the International Accounting Education Standards Board™ (IAESB™)  
**Action Plan Objective:** Continue to use best endeavors to work with BOA and CHED to Address Requirements of SMO 2

**Background:**

The **IAESB** is an independent standard-setting body within the fold of the IFAC that serves the public interest by establishing standards in the area of professional accounting education that prescribe technical competence and professional skills, values, ethics, and attitudes. Through its activities, the IAESB enhances education by developing and implementing the IES, which increase the competence of the global accountancy profession – contributing to strengthened public trust.

**Republic Act (R.A.) 9298, Philippine Accountancy Act** stipulates the initial professional development requirement for professional accountants in the Philippines. These include specific education, examination, and practical experience requirements which is in line with the IES requirements.

The **BOA**, pursuant to Section 9 of R.A. No. 9298, has the following powers and responsibilities: (1) to ensure coordination with the Commission on Higher Education (CHED) that all higher educational instructions and offering of accountancy comply with the policies, standards and requirements of the course prescribed by the CHED in the areas of curriculum, faculty, library and facilities; and (2) to prepare, adopt, issue or amend the syllabi of the subjects of examinations in consultation with the academe, determine and prepare questions for the licensure examinations which shall strictly be within the scope of the syllabi of the subjects for examinations as well as administer, correct and release the result of the licensure examination. There is a BOA CHED Technical Council comprising of representatives from the BOA and the various accountancy sectors to assist the BOA in its mandate.

Pursuant to PRCBOA Board Resolution No. 59, Series 2012, accreditation and monitoring of CPD Providers and Programs is the sole responsibility of the PRC CPD Council. Accordingly, PICPA thereafter created the PICPA CPD Committee on July 1, 2012 the objective of which is to establish a vibrant and relevant learning academy offering a comprehensive professional development program for its members

The **CHED** is the governing body covering both public and private higher education institutions as well as degree-granting programs in all tertiary educational institutions in the Philippines. The CHED was established on May 18, 1994 through R.A. 7722 or the Higher Education Act of 1994. CHED as an agency is attached to the Office of the President for administrative purposes and is headed by a chairperson and four commissioners, each having a term of office of four years. The Commission En Banc acts as a collegial body in formulating plans, policies and strategies relating to higher education and the operation of CHED.

Recent Developments

RA No.10912

On July 21, 2016, the Sixteenth Congress of the Republic of the Philippines issued R.A. No. 10912, “An Act Mandating and Strengthening the Continuing Professional Development Program for all Regulated Professions, Creating the Continuing Professional Development Council, and Appropriating Funds Therefor, and for Other Related Purposes.”

Various BOA Resolutions

On November 7, 2016, the BOA issued Board Resolution No. 358 Series of 2016, “Increasing the Required Continuing Professional Development (CPD) Units from Sixty (60) to One Hundred twenty (120) Credit Units within a Compliance Period of Three (3) Years for all CPAs and Changing the Thematic

Areas to Competence Areas” to increase the required CPD credits units from sixty (60) to one hundred twenty (120) units, which is aligned with the requirement of IAESB, within a compliance period of three (3) years for all CPAs in the Public Practice, Academe, Commerce and industry and Government and to change the Thematic Areas to Competence Areas which shall be categorized in to Technical Competence, Professional Skills and Professional Values, Ethics and Attitudes. This is after series of consultative meeting with the CPD Committees of PICPA, and the sectoral organizations, including ACPAPP, National Association of CPAs in Education (nACPAE), Association of CPAs in Commerce and Industry (ACPACI), and Government Association of CPAs, were made in order to come up with an effective and more relevant CPD program for the different areas in accordance with IES.

In July 2017, the BOA issued Resolution No. 254 Series of 2017, Operational Guidelines in the Implementation of R.A. 10912 otherwise known as “Continuing Professional Development Act of 2016” for the Accountancy Profession.

Under Section 3 of the resolution, all CPAs regardless of areas/sector of practice shall be required to comply with 120 CPD credit units within 3 years, as follows:

<b>Year of Renewal</b>	<b>Required Number of CPD Units</b>	<b>Minimum Units Under Required Competency Areas</b>	<b>Flexible CPD Units</b>	<b>Required Minimum Units Earned from the Year(s) for License Renewal</b>
2016	60	40	20	0
2017	80	40	40	0
2018	100	40	60	20 units earned from the immediately preceding year.
2019	120	40	80	20 units earned from each of the two (2) immediately preceding years.

CHED Memorandums :

1. Memo Order No. 27, Series 2017, “Revised Policies, Standards and Guidelines for Bachelor of Science in Accountancy (BSA)” to implement the Policies, Standards and Guidelines for the BSA.

Section 5.2 of Memo 27 states that “BSA is the program that provides general accounting education to students wanting to pursue a professional career in Accountancy in general and in Public Accounting in particular. Further, this is the program that complies with the latest competency framework for professional accountants issued by IFAC through their IES. Thus, this qualifies the graduate of this program to take assessments leading to certifications in Accountancy given by the PRC – BOA and other global professional accountancy organizations.”

2. Memo Order No. 28, Series of 2017, “Policies, Standards and Guidelines for the Bachelor of Science in Management Accounting (BSMA)” to implement the Policies, Standards and Guidelines for the BSMA.

Section 5.2 of Memo 28 states that “BSMA is the program that provides general accounting education to students wanting to pursue a professional career in Management Accounting. Further, this is the program that complies with the latest competency framework for professional

accountants issued by IFAC through their IES. Thus, this qualifies the graduate of this program to take assessments leading to certifications in Management Accounting given by global professional Management Accounting Organizations.”

3. Memo Order No. 29, Series 2017, “Policies, Standards and Guidelines for the Bachelor of Science in Internal Audit (BSIA)” to implement the Policies, Standards and Guidelines for the BSIA.

Section 5.2 of Memo 29 states that “BSIA is the program that provides general accounting education to students wanting to pursue a professional career in Internal Auditing. Further, this is the program that complies with the latest competency framework for professional accountants issued by IFAC through their IES and the global internal auditing standards. Thus, this qualifies the graduate of this program to take assessments leading to certifications in Internal Auditing given by global professional Internal Auditing Organizations.”

4. Memo Order No. 30, Series 2017, “Policies, Standards and Guidelines for the Bachelor of Science in Accounting Information System (BSAIS)” to implement the Policies, Standards and Guidelines for the Bachelor of Science in Accounting Information System (BSAIS).

Section 5.2 of Memo 30 states that “BSAIS is the program that provides general accounting education to students wanting to pursue a professional career in Accounting Information System. Further, this is the program that complies with the latest competency framework for professional accountants issued by the IFAC through their IES. Thus, this qualifies the graduate of this program to take assessments leading to certifications in Accounting Information System given by global professional Accounting Information System Organizations.”

#	Start Date	Actions	Completion Date	Responsibility	Resource
Implementation Plans/ Maintaining Ongoing Processes to Meet Requirements of SMO 2					
12.	July 2016	<p>PICPA support BOA’s Board Resolution No. 358 Series of 2016, “Increasing the Required CPD Units and Changing the Thematic Areas to Competence Areas as described above. Actions steps follow:</p> <ol style="list-style-type: none"> <li>a. Participated in BOA’s consultative meetings;</li> <li>b. Help disseminate the information by posting a copy to PICPA’s website;</li> <li>c. Include the subject BOA resolution as topic during PICPA conventions, conferences, trainings and seminars and invite BOA representative as speaker; allows CPA during open</li> </ol>	<p>BOA resolution No 358 issued in 2016.</p> <p>Action plans are continuing</p>	BOA and PICPA	BOA and PICPA Resources

		<p>forum to ask questions and clarifications;</p> <p>d. Classify the Ninety-nine (99) existing CPD Modules being offered to CPAs in accordance with learning outcomes for Technical Competence, Professional Skills and Professional Values, Ethics and Attitudes; ensures that PICPA trainings and seminars follows the newly mandated competency areas;</p> <p>e. Continue to revisit the courses offered during training and seminars to ensure (i) that training topics covers all thematic areas; (2) increased number of trainings and new topics are introduced to allow CPAs to meet the increasing CPD units not to mention the need for CPAs to continually be updated with latest development.</p> <p>f. Ensures that training modules offered are all accredited with the PRC CPD Council to ensure that training participant earns CPD units; submit regularly completion reports of all CPD Modules delivered to PICPA members for the earning of CPD Units under the three (3) competence areas.</p>			
13.	July 2017	<p>Support in the implementation of the new BSA Curriculum as described above.</p> <p>The CHED Memorandum Orders prescribed the Philippine Accounting Education Framework (PAEF) and the Program Standards and Guidelines (PSG) for four (4) accountancy programs.</p>	CHED Memos issued in 2017 for Implementation for School year 2018-2019.	PICPA, BOA and CHED Technical Panel	PICPA, BOA and CHED Resources

		<ul style="list-style-type: none"> <li>a. PICPA to continue to participate in the CHED Technical Panel in the review of curriculum through the active participation of PICPA members from the Academe and Commerce and Industry who are members of the Panel.</li> <li>b. Helps disseminate the new BSA curriculum by inviting representatives from BOA and CHED during PICPA sponsored conventions and conferences as well as in some trainings and seminars.</li> </ul>	Action steps are still continuing		
14.	July 2017	<p>Replaced the PICPA CPD Committee with the PICPA CPD Council with a Chair and Members with a term of three years, in accordance with the PICPA By-Laws to set the guidelines and rules on the delivery of CPD Modules to members:</p> <ul style="list-style-type: none"> <li>a. Review courses offered (99 existing modules) and recommend old and new ones CPD Preferred Course Offerings in compliance with IES No. 7 and BOA Resolution No. 358 Series of 2016;</li> <li>b. Review and enhance the Training Evaluation form;</li> <li>c. Evaluate the Competence and Effectiveness of Resource Speakers;</li> </ul> <p>Analyze the findings of the evaluators appointed by the CPD Council together with summary of the participants' evaluation. Based on the set standards, weed out those who will not qualify</p>	<p>Review of courses already completed.</p> <p>New evaluation form already approved by PICPA National Board and currently being used. The evaluation form is aligned with BOA's requirement.</p> <p>Evaluators have been identified and given assignment and schedules; review of feedback continuing.</p>	PICPA CPD Council	PICPA Resources

		<p>and develop a pool of accredited speakers for those that qualify;</p> <p>d. Outsource the Course Module Development:</p> <p>(i) Prepare Guidelines on Module Development incorporating the desired criteria for materials contents, design and format;</p> <p>(ii) Coordinate with the contractor-consultant engaged for the proposed learning academy (see next action step for further discussion).</p>	<p>Guidelines for the outsourcing of course module development is being developed; the PICPA National Board approved funding for course development.</p>		
15.	Sept 2017	<p>PICPA signed a contract with a third party for the study, design and operationalization of the proposed CPD Learning and Development Institute (previously this is the planned PICPA Learning Academy):</p> <p>a. Scoping and analysis of models, tools and inventory of CPD Offering;</p> <p>b. Defining the framework/model for the competencies;</p> <p>c. Competency framework - writing, leveling and refining;</p> <p>d. CPD Curriculum design in different competency clusters (Course Identification Briefs and progression);</p> <p>e. Definition of Course Design Framework</p> <p>f. Definition of Trainer Competencies and design of trainer assessment tools;</p> <p>g. Training Operations Design and Creation of the Academy Operating manual;</p> <p>h. Launching of the CPD Learning and Development Learning Institute.</p>	<p>Nov 2017 Scoping and desk analysis – now ongoing; contract signed.</p> <p>This project will extend from FY 2018-2019</p>	<p>PICPA Executive Committee; PICPA CPD Council in coordination with the Contractor-Consultant</p>	<p>PICPA Resources</p>
16.	2017	<p>BOA has undertaken steps to review the current curriculum and align the same with the topics given during the CPA Board exams.</p> <p>PICPA ensures that these steps being undertaken by the BOA is shared among its members particularly those in the Education sector to address concern raised by the sector in this area. BOA and CHED representatives are</p>	<p>Completed</p> <p>Sectoral forum during the 72<sup>nd</sup> PICPA Annual</p>	<p>BOA, CHED, nACPAE and PICPA</p>	<p>BOA, CHED, nape and PICPA resources</p>

		invited during sectoral forum where dialogue with sector are held and regulators have the opportunity to update.	National Convention		
Review of PICPA's Compliance Information					
17.	Continuing	<p>Perform periodic review of the actions steps enumerated above and whether new action steps to address further compliance with SMO 2.</p> <p>Monitor developments affecting the education sector.</p> <p>Update sections relevant to SMO 2 as necessary. Organize meetings with stakeholder as needed.</p> <p>Regular update PICPA National Board as to the status of compliance with SMO 2.</p>	Continuing	PICPA SMO Task Force, CPD Council	PICPA Resources



**Action Plan Subject:** SMO 3–International Standards and other Pronouncements Issued by the International Auditing and Assurance Standards Board (IAASB)

**Action Plan Objective:** Use best endeavors for the adoption of all PSA released by the AASC

**Background:**

The **IAASB** is an independent standard-setting body that serves the public interest by setting high-quality international standards for auditing (ISAs), quality control, review, other assurance, and related services, and by facilitating the convergence of international and national standards to enhance the quality and uniformity of practice throughout the world and strengthens public confidence in the global auditing and assurance profession.

The **AASC** is the body authorized to establish and promulgate generally accepted auditing standards (GAAS) in the Philippines. It also issues auditing standards on review, other assurance and related services engagements. At present, AASC pronouncements are mainly adopted from the standards and practice statements issued by the IAASB. Country-specific standards and practice statements are developed to address specific auditing issues not covered by the IAASB pronouncements. Once a standard has been adopted by AASC, it is submitted for approval by the BOA and PRC and then published in Official Gazette or newspapers of general circulation in the Philippines. The standards promulgated by the AASC are adopted by the SEC, as part of its financial reporting rules through issuance of Memorandum Circular to ensure compliance by the regulated entities after publication in the Official Gazette.

The AASC was created in December 2005, under the Philippine Accountancy Act of 2004, by the PRC upon the recommendation of the BOA. The AASC is tasked to assist the BOA to establish and promulgate auditing standards in the Philippines.

The AASC shall have 18 regular members with a term of three (3) years, renewable for another term, coming from the following:

	<b>No. of members</b>
Chairman	1
BOA	1
SEC	1
BSP	1
COA	1
ACPAPP	1
Philippine Institute of CPAs:	
Public Practice	9
Commerce and Industry	1
Academe/Education	1
Government	1
<b>Total</b>	<b>18</b>

**Recent Developments:**

AASC has adopted all ISAs issued by the IAASB.

The following new and revised auditing standards and standards on assurance engagements and other related services have been adopted by the AASC as approved by the BOA, PRC and SEC.

Year	Title
<b>2016</b>	<ul style="list-style-type: none"> <li>• PSA 610 (Revised). Using the Work of Internal Auditors and Related Conforming Amendments – Effective for audits of financial statements for period ending on or after December 15, 2013.</li> </ul>
	Effective for audits of financial statements for periods ending on or after December 15, 2016
	<ul style="list-style-type: none"> <li>• PSA 260 (Revised), Communication with Those Charged with Governance</li> </ul>
	<ul style="list-style-type: none"> <li>• PSA 570 (Revised), Going Concern</li> </ul>
	<ul style="list-style-type: none"> <li>• PSA 700 (Revised), Forming an Opinion and Reporting on Financial Statements</li> </ul>
	<ul style="list-style-type: none"> <li>• PSA 701 (Revised), Communicating Key Audit Matters in the Independent Auditor’s Report</li> </ul>
	<ul style="list-style-type: none"> <li>• PSA 705 (Revised), Modifications to the Opinion in the Independent Auditor’s Reports</li> </ul>
	<ul style="list-style-type: none"> <li>• PSA 706 (Revised), Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report</li> </ul>
	<ul style="list-style-type: none"> <li>• PSA 720 (Revised), The Auditor’s Responsibilities Relating to Other Information</li> </ul>
	<ul style="list-style-type: none"> <li>• Philippine Standard on Assurance Engagements (PSAE) 3410, Assurance Engagements on Greenhouse Gas statements – Effective for Assurance reports covering periods ending on or after September 30, 2013, except for the provisions pertaining to the use of internal auditors to provide direct assistance, which is effective for audits of financial statements for periods ending on or after December 15, 2014.</li> </ul>
<b>2018</b>	<ul style="list-style-type: none"> <li>• Philippine Standards on Related Services (PSRS) 4410 (Revised), Compilation Engagements – Effective for compilation engagement reported dated on or after July 1, 2013.</li> </ul>
	<ul style="list-style-type: none"> <li>• Philippines Standard on Review Engagements (PSRE) 2400 (Revised), Engagements to Review Historical Financial Statements – Effective for reviews of financial statements for periods ending on or after December 31, 2013.</li> </ul>
	<ul style="list-style-type: none"> <li>• PSA 800 (Revised), Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Framework and Conforming Amendments to PSA 700 (Revised) Forming an Opinion and Reporting on Financial Statements.</li> </ul>
	<ul style="list-style-type: none"> <li>• PSA 805 (Revised), Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statements.</li> </ul>

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|  |  | <ul style="list-style-type: none"><li>• PSA 810 (Revised), Engagements to Report on Summary Financial Statements.</li></ul> <p>These standards are also effective for audits of financial statements for periods ending December 15, 2016.</p> |  |
|--|--|--|--|

In January 2017, the AASC issued Alert Series 01 of 2017, Questions and Answers (Q&A) on the New Auditor's Report. The alert was prepared by the AASC as a guidance to public practitioners in the Philippines in implementing the new auditor reporting standards. The AASC emphasized that this alert is not meant to be exhaustive and reading this alert is not a substitute for reading the PSAs.

In line with the adoption of the new and revised auditor reporting standards, the standard form of the Statement of Management's Responsibility (SMR) prescribed under Section 2 (B) of SRC Rule 68, as amended, have been revised through issuance of Financial Reporting Bulletin (FRB) 20, Revised Statement of Management's Responsibility, by the SEC in January 2017.

The BOA likewise, on January 9, 2017, formed a Task Force on the Expanded Auditors Report (Task Force EAR) which is mandated to do the following to help in the dissemination of information and implementation of the new standards and procedures:

1. Establish a virtual "Help Desk" that will accept and respond queries;
2. Create and maintain a website that will provide information and links to established resources;
3. Conduct briefings to stakeholders;
4. Produce materials (flyers, video, etc.) for dissemination;
5. Address implementation and interpretation issues and prescribe resolutions to the BOA for their final action;
6. Monitor the awareness and implementation by online surveys; getting feedback from stakeholder groups during their events and the CPD events; etc.;
7. Submit a final report to Boa by May 30, 2017.

Also on January 19, 2016, the BOA issued Resolution No. 03-2016, "Requiring the Submission of Certificate by the Responsible Certified Public Accountants on the Compilation Services for the Preparation of Financial Statements and Notes Thereto." Pursuant to this resolution, financial statements and notes thereto of an entity shall be prepared either by the CPA employee of the organizations, or the CPA contracted by the organization to perform the compilation services. Such CPA preparer should be accredited by BOA after submitting the necessary application requirements prescribed by existing rules and regulations. The certificate is required to be attached to annual financial statements with gross sales or revenues exceeding P10 million pesos for a particular accounting year and to be submitted to the regulatory offices.

BOA Resolution No. 68 Series of 2016, dated March 21, 2016, was issued amending Resolution No.3, Series of 2016. The highlights of the amendments are (1) the timeline for which the CPA prepare shall complete the preparation of the FS and notes for presentation to the external auditor/s which should not be later than two (2) months after the end of the accounting period; and (b) that external auditor/s shall bring to the attention of management any instance of omission or non-compliance with the provisions of the BOA Resolutions.

<p>Also, BOA initiated several activities to communicate to the Philippine Stakeholders on the November 2017 proposal of the Monitoring Group (MG) to strengthen the governance and oversight of audit-related standard setting in the public interest. The BOA conducted a meeting with key Stakeholders on January 11, 2018 where there was a discussion of the MG proposal. BOA shared with major professional accountancy organizations the MG proposal, the initial views of the IFAC and other materials and encouraged these organizations to conduct their respective discussions. BOA submitted comments on the proposal last February 9, 2018.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
Implementation Plans/ Maintaining Ongoing Processes to Meet Requirements of SMO 3					
18.	2017	PICPA continues to be represented in the AASC as discussed above.	Continuing	PICPA Training Division	PICPA
	2018	In addition to this, PICPA assists AASC in the exposure to CPAs and other stakeholders of drafts and proposed amendments to PSAs through postings to the websites and email blasts.  Formation of focus groups to discuss issues arising from Exposure Drafts, and collate comments for the timely submission to AASC.			
19.	Various dates	<p>Assist AASC in the exposure and distribution of newly adopted PSAs and through:</p> <ul style="list-style-type: none"> <li>a. Posting to PICPA websites;</li> <li>b. Conducting seminars on new auditing standards, including the new auditor's report and any AASC issued Alerts.</li> </ul> <p>On seminars relating to the new auditor's report, PICPA provided participants with a sample report, discussed the changes by comparing the same with the previous auditors report. PICPA also highlighted key changes such as the need for management to make an explicit assessment of the entity's ability to continue going concern as well as the expanded auditors responsibility and the inclusion of a new section in the report which is the key audit matter (KAM) for listed entities. Various examples were provided on KAM. Speakers during seminars initially came from auditing firms.</p>	Continuing	PICPA Training Division and PICPA Chapters, ACPAPP, ACPACI, NACPAE	PICPA

		In the dissemination of new PSAs and PSREs, PICPA collaborated with other sectoral organizations like ACPAPP, ACPACI and NACPAE. These sectoral organizations also offered as courses any new auditing standards in their sponsored training and seminars.			
20.	2017	BOA will review its requirement under BOA Resolutions No. 03-2016 and 68 Series of 2016 amidst feedback from the profession.  PICPA will monitor developments on the implementation of this resolution and help disseminate to its members any update; arrange dialogue between BOA and its members as necessary.	2018	BOA and PICPA	BOA and PICPA
21.	Annually	Support AASC financially on an annual basis	Continuing	PICPA Foundation Board of Trustees	PICPA Foundation
Review of PICPA's Compliance Information					
22.	Continuing	Continue to monitor the status of the adoption of new standards and any development in the Philippine Accountancy Profession with respect to the adoption of new standards.  Monitor implementation of the action steps as described above. Organize meetings with various stakeholders as deem necessary.  Review and update sections relevant to SMO 3  Regular reporting to the PICPA National Board of the status of compliance with SMO 3.	Continuing	PICPA National Board, PICPA Executive Director, PICPA Training Director and PICPA SMO Task Force	PICPA

**Action Plan Subject:** SMO 4—International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants  
**Action Plan Objective:** Adopt and Implement Latest IESBA Code of Ethics

**Background:**

**Code of Ethics**

The IESBA is an independent standard-setting board that develops an internationally appropriate Code of Ethics for Professional Accountants (IESBA Code of Ethics).

The Code of Ethics for Professional Accountants in the Philippines is based on the IESBA Code of Ethics. Professional Accountants refer to persons who are CPAs and who hold a valid certificate issued by the BOA, whether they be in public practice, commerce and industry, government service or public sector and academe or education sector. Where a national statutory requirement is in conflict with a provision of IESBA Code of Ethics, the national statutory requirement prevails.

PRC Resolution No. 263-2015. The PRC published Resolution no. 263 entitled “Adoption of the IFAC 2013 Code of Ethics for Professional Accountants as 'The Code of Ethics for Professional Accountants in the Philippines' and prescribing amendments therefor” last December 2015. The adopted Code follows the IFAC Code with exception of provisions which are not consistent with the Philippine laws.

The Code of Ethics for Professional Accountants in the Philippines is mandatory for all CPAs.

PICPA, as a member of IFAC is committed to IFAC’s broad objective of developing and enhancing a coordinated worldwide accountancy profession with harmonized standards. As such, whenever there is an update on the IESBA Code of Ethics, PICPA, through its Ethics Committee, studies the revisions/updates and, upon approval of the PICPA Board of Directors, recommends for adoption by the BOA and approval by the PRC as part of the rules and regulations of BOA for the practice of the accountancy profession.

**Recent Developments**

To address concerns on threat to independence, the SEC issued Memorandum Circular No. 2, Series of 2016, requiring all SEC accredited auditing firms and external auditors and prospective applicants for SEC accreditation to submit a certification attesting their adherence to the Code of Ethics for Professional Accountants in the Philippines

After careful study and review by the Ethics Committee in 2017, the PICPA Board of Directors, through BOD Resolution No. 2017-07-08, submitted its recommendation to BOA with respect to the adoption of the 2016 IESBA Code of Ethics for Professional Accountants.

The recommendation was submitted to the BOA which approved the adoption of the 2016 IESBA Code of Ethics with the NOCLAR measure with the requirement that the concerned government regulator shall put in place the appropriate mechanism to implement the NOCLAR.

**Performance Governance System (PGS) for the Philippine Accountancy Profession**

In August 2012, PICPA formed the PGS Committee that will ensure the institutionalization of the PGS as embodied in the 2020 Roadmap for the Philippine Accountancy Profession which includes upholding ethics and good governance in pursuing professional excellence. The PGS is a governance

framework that utilizes a balanced scorecard as a tool to incorporate good governance, best practices and principles into running organizations. 2020 Roadmap specifies for the profession the broad strategy outlined for the Philippines 2030 Roadmap, which consists of a strategy to develop the Philippines into a national community of responsible citizens in a generation's time.

The PRC and BOA, together with PICPA collaborated to embark on the institutionalization of the PGS in the Accountancy Profession as an offshoot of the adoption of the Code of Good Governance for the Professions in the Philippines by the PRC in June 2002 and under the auspices of the Institute for Solidarity in Asia (ISA). The profession responded for the call for reforms and underwent the accreditation process with ISA. The measure of the success of the reforms instituted passes certain levels. These levels are initiation, compliance, proficiency and institutionalization.

In March 2016, the Philippine Accountancy Profession, composed of CPAs in the four sectors of Government, Education, Commerce and Industry and Public Practice, was conferred and awarded the following three (3) major and distinct awards by the ISA after a Performance Governance System (PGS) Revalida during a public forum, making it the first and only profession among the 42 professions in the Philippines, to be awarded the following:

- 1) PGS Institutionalized Award
- 2) Gold Trailblazer Award
- 3) Island of Good Governance Award

To date, the Accountancy Profession is continuously embarking on its PGS journey towards the achievement and accomplishment of its ongoing strategies for the achievement of the Accountancy Profession's Vision to be a globally dynamic force in national prosperity and excellence at the same time holding the highest standards of ethics and professional behavior, through implementation of several projects which include Quality Assurance Review Program, Continuing Professional Development, Mutual Recognition Arrangement, continuing adoption of global reporting standards and best practices in the four (4) sectors of the Accountancy Profession, namely, the Education, Government, Commerce and Industry and the Public Practice Sector, as well as other initiatives to address the dynamic changes and global challenges in the practice of the Accountancy Profession.

### **Integrity Initiative**

The Philippine's accountancy profession concluded a momentous event in September 2015 when BOA, PICPA ACPAPP and Integrity Initiative, Inc. signed a Memorandum of Understanding (MOU) that will enhance the commitment to transparency and ethical business practices in the profession. Prior to signing the MOU, those joining the integrity initiative were single organizations. With the MOU, the entire accountancy profession accepted the commitment to transparency and ethical business practices.

The integrity initiative is a multisectoral campaign that seeks to institutionalize integrity standards among various sectors of society. Led by the private sector, those involved in the initiative go to a process that will uplift their governance practices beginning with the signing of the Integrity Phase. Currently, the BOA require all applicants for accreditation, especially those CPAs in public practice, to sign up for the Integrity Pledge and undertake the subsequent integrity initiative processes. During oath taking ceremonies for new CPAs, the BOA provides briefing and administer the Integrity Pledge.

#	Start Date	Actions	Completion Date	Responsibility	Resources
<b>Implementation Plans/ Maintaining Ongoing Processes to Meet Requirements of SMO 4</b>					
23.	2016-2017	PICPA Ethics Committee studied, evaluated and proposed to the PICPA National Board the Adoption of the 2016 Code of Ethics with certain proposed exclusions.	Completed	PICPA Ethics Committee	PICPA
24.	2017	The PICPA National Board, through a board resolution, approved the recommendation of the PICPA Ethics Committee for the adoption of the 2016 Code of Ethics with certain exclusions.	Completed	PICPA National Board	PICPA
25.	2017	PICPA submitted its recommendation of the adoption of the 2016 Code of Ethics with certain exclusions.  Currently, the PICPA version of the 2016 Code of Ethics is being reviewed by BOA. PICPA will coordinate with BOA for the status of the adoption.	Continuing	BOA and PICPA President  PICPA ED	BOA and PICPA
26.	2017	Coordination with other professional organization like ACPAPP on the proposed September 22, 2017 – NOCLAR talk with ACPAPP Currently the Ethics Committee preparing.	Continuing	PICPA Ethics Committee	PICPA
27.	2018	Establish a program for public information campaign on the proposed adoption of the 2016 Code of Ethics as follows:  1. Conduct seminars on the content and applications of the revised code of ethics. Seminars include Corporate Governance and Ethical Dilemmas and Ethics and Good Governance, etc.  - PICPA Ethics Committee will prepare materials for PICPA use and discuss with PICPA the term of use - Conduct training on sessions and seminars with members of the PICPA Ethics Committee facilitating initial sessions - PICPA Ethics Committee to discuss and coordinate with PICPA CPD Committee for the identification of speakers from the pool of PICPA	In progress	PICPA Ethics Committee, PICPA CPD Committee and PICPA Training Department	PICPA



#	Start Date	Actions	Completion Date	Responsibility	Resources
	2018	<p>accredited speakers to handle other sessions but using the materials prepared by PICPA Ethics Committee.</p> <p>2. Inclusion of topic on the 2016 Code of Ethics particular on the provision of NOCLAR in conventions and conferences of PICPA and other sectoral organizations</p> <ul style="list-style-type: none"> <li>- September 22, 2017, NOCLAR Talk with ACPAPP</li> <li>- November 2017 – NOCLAR topic was included in the sectoral forum for government and commerce and industry with a BOA member and PICPA National Sectoral Director, respectively as speakers.</li> </ul> <p>3. Dissemination of the proposed adoption of 2016 Code of Ethics through email blasts in the internet and PICPA website.</p>	<p>Completed</p> <p>To be done in 2018</p>	<p>BOA, PICPA, ACPAPP</p> <p>PICPA ED and PICPA Training Department</p>	<p>BOA, PICPA and ACPAPP</p> <p>PICPA</p>
28.	2017	PICPA, through its PGS Committee, continues to support the Accountancy Profession towards the achievement and accomplishment of its ongoing strategies for the achievement of the Accountancy Profession's Vision to be a dynamic force in national prosperity and excellence through implementation of several projects which include Quality Assurance Program, Continuing Professional Development, Mutual Recognition Arrangement, among others, and other initiatives.	Continuing	PICPA	PICPA
<b>Review of PICPA's Compliance Information</b>					
29.	Continuing	<p>Monitor status of review by BOA of the proposed 2016 Code of Ethics and BOA's plan of adoption.</p> <p>Monitor status of action steps and whether there are additional actions steps necessary to address the SMO objective.</p>	Continuing	<p>PICPA ED and Ethics Committee</p> <p>PICPA Task Force, BOA and PICPA National Board, PICPA ED</p>	PICPA and BOA

#	Start Date	Actions	Completion Date	Responsibility	Resources
		<p>Review and update sections relevant to SMO 4 as necessary. If needed, organize meetings with various stakeholders.</p> <p>Regularly report to the PICPA National Board status of compliance with SMO 4.</p>			

**Action Plan Subject:** SMO 5–International Public Sector Accounting Standards (IPSAS) and Other Pronouncements Issued by the International Public Sector Accounting Standards Board (IPSASB)

**Action Plan Objective:** Continue to use best endeavors for the implementation of IPSAS

**Background:**

Presidential Decree No. 898 passed on March 3, 1976 has given the **Commission on Audit (COA)** the authority and power on all matters relating to auditing and accounting procedures, systems and controls for the Philippine government. Presidential Decree No. 1445 dated June 11, 1978, otherwise known as the Government Auditing Code of the Philippines, mandated COA to promulgate accounting and auditing rules and regulations in the Philippine government.

Further, Art. IX-D, Section 2 of the 1987 Philippine Constitution provides that the Commission shall have exclusive authority, subject to the limitations in this Article, to promulgate accounting and auditing rules and regulations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures or uses of government funds and properties.

As such, the government has adopted the Philippine Government Accounting Standards (PGAS) by virtue of COA Resolution No. 2006-006 (January 31, 2006) as its standards for government accounting. Additionally, the Government adopted the New Government Accounting System (NGAS) under COA Circular No. 2001-004 (October 30, 2001) as the system for government accounting. PGAS consists of thirteen (13) government accounting standards as promulgated by COA.

COA formed a Technical Working Group (TWG) and Sub-Technical Working Group in October 2008 and July 2009, respectively, to harmonize the PGAS with IPSAS and to update NGAS and Chart of Accounts.

Under COA Resolution No. 2008-012 dated October 10, 2008, COA created the Public Sector Accounting Standards Board (PSAcSB) and Public Sector Auditing Standards Board (PSAuSB). The PSAcSB shall assist the COA Commission Proper in formulating and implementing public sector accounting standards, and establish and maintain linkages with international bodies, professional organizations and academe on accounting and related fields on financial management. The PSAcSB is composed of the Commissioner I, Assistant Commissioners of National Government Sector, Corporate Government Sector, Local Government Sector, Government Accountancy Sector, and Planning, Finance and Management Sector.

For the purpose of adopting the financial reporting framework, the Philippine Government or the Philippine Public Sector were classified as follows:

- National Government Agencies (NGAs) consist of departments, bureaus, agencies and government instrumentalities of the Central Government
- Local Government Units (LGUs) refer to political subdivisions established by or in accordance with the Constitution.
- Government Owned or Controlled Corporations (GOCCs) or Government Corporations (GCs) refer to agencies organized as a stock or non-stock corporations, vested with functions relating to public needs whether governmental or proprietary in nature, and owned by the Government directly or through its instrumentalities either wholly, or, where applicable as in the case of stock corporations, to the extent of at least fifty-one (51) per cent of its capital stock. The GOCCs or GCs are further classified as:
  - Government Business Enterprises are GCs which have all the following characteristics as defined under the pertinent provisions of the Internal Public Sector Accounting Standards as adopted under the PPSAS: a) is an entity with the power to contract in its own name; b) Has been assigned the financial and operation and operational authority to carry on a business; c) Sells goods and services, in the

normal course of its business to other entities at a profit or full recovery; d) is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and e) is controlled by a public sector entity.

- Non-Government Business Enterprises refer to entities which do not meet all of the above characteristics.

#### IPSAS Implementation

COA, in coordination with government agencies, PICPA, GACPA and other professional organizations started in 2013 the preparation, review, finalization and approval of the 25 Philippine Public Sector Accounting Standards (PPSAS) and corresponding Philippine Application Guidance (PAG) based mainly on the 32 International Public Sector Accounting Standards in the 2012 Edition of the Handbook on International Public Sector Accounting Standards Pronouncements (HIPSAP) published by IFAC.

The proposed COA resolution on the adoption of 25 Philippine Public Sector Accounting Standards (PPSAS) and corresponding PAG was submitted to the COA Commissioner in 2013, for consideration. The 25 PPSAS were approved for implementation effective January 1, 2014 through COA Resolution No. 2014-003 dated January 24, 2014 for adoption of all government agencies except government business enterprises. Of the 32 IPSASs in the 2012 HIPSAP, IPSAS 7, 10, 11,15,18,22 and 25 were excluded. The implementation of the three (IPSAS 18, 22 and 25) was deferred. However, local government units and government corporations (classified as non-government business enterprises) implemented these 25 PPSASs effective January 1, 2015 and January 1, 2016, respectively.

To be able to conduct effective capacity building, COA prepared courseware for the PPSAS and Revised Chart of Accounts. These courseware were used in the nationwide capacity building for COA trainers, agency accountants, budget officers and other finance personnel, and COA personnel and auditors.

#### Revised Chart of Accounts (RCA) for the National Government Agencies (NGAs)

In 2013, the chart of accounts for NGAs has been revised to conform to the PPSAS, to enhance accountability and transparency in financial reporting, and to ensure comparability of financial information with other public entities around the world.

In 2013, COA conducted focus group discussions on the PPSAS and RCA attended by government agency and COA officials/personnel/auditors to be able to gather comments/ recommendations on the proposed PPSAS and RCA. Likewise, the guidelines on the conversion of accounts from the Philippine Government Chart of Accounts (PGCA) to the RCA for NGAs and supplemental guidelines on the preparation of the required financial statements and other reports were also issued to ensure compliance with the financial reporting requirements under the PPSAS and RCA.

RCAs for LGUs and GCs were approved by the COA Commission Proper on December 1, 2015 through COA Resolution Nos. 2015-009 and 2015-010, respectively, to facilitate the implementation of PPSAS as well as the PFRS. The RCA for LGUs conforms to the PPSAS while the RCA for GCs conforms to the PPSAS (for Non-Government Business Enterprises) and PFRS (for Government Business Enterprises).

#### Government Accounting Manual (GAM) for NGAs.

COA also approved the Manual (GAM) for use by the NGAs effective January 1, 2016 under COA Circular No. 2015-007 dated October 22, 2015. The GAM for NGAs replaced the NGAS Manual that was prescribed under COA Circular No. 2002-002 dated June 18, 2002 in view of the implementation of the PPSAS and RCA.

The GAM for NGAs is currently under revision to be able to include the policies and procedures for the implementation of the new PPSASs while the GAM for LGUs and GCs are still being prepared. These GAMs are expected to be approved within this year

Other initiatives implemented starting 2014 and onwards were:

1. Enhancement of electronic New Government Accounting System (eNGAS) and eBudget System for NGAs and LGUs to make these applications compliant with the RCA, PPSAS, Unified Accounts Code Structure (UACS) and the GAM for NGAs, and PPSAS and RCA for LGUs.
2. Upgrading of existing installations and new rollouts and the capacity building component of the implementation of the enhanced versions (Version 2.0) started in November 2014, continued in 2015 to 2017, and will be pursued in 2018. COA is now developing web-based eNGAS and eBudget System for NGAs and LGUs and enhancing the versions for GCs classified as Non-Government Business Enterprises. The enhancement of the eNGAS and eBudget System and implementation/rollout of the enhanced versions are in response to the challenges posed by the accounting and auditing reforms that have been instituted under the PFM Reform Roadmap, to make eNGAS and eBudget System useful transition systems for agencies to cope with the new financial reporting requirements while awaiting for the implementation of the Budget and Treasury Management System (BTMS), a scaled-down IT project leading to the Government Integrated Financial Management Information System (GIFMIS). The GIFMIS is a project of the Public Financial Management (PFM) Committee, composed of COA, Department of Budget and Management and Department of Finance, under the Public Financial Management Program which aims to improve efficiency of the government's financial management and facilitate adoption of modern public expenditure practices that are consistent with international standard and benchmarks. Those involved are CPAs in government and are members of the Government Association of CPAs and many are also members of the government sector of PICPA.
3. COA has also developed and implemented user-friendly, web-based Annual Financial Reporting System (AFRS) and Budget and Financial Accountability Reporting System (BFARS), which would facilitate the online submission of financial statements and reports by NGAs to the COA. Agencies have already used the AFRS in submitting their FSs for 2014 online to the COA's Government Accountancy Sector (GAS-COA).

#	Start Date	Actions	Completion Date	Responsibility	Resources
<b>Implementation Plans/ Maintaining Ongoing Processes to Meet Requirements of SMO 5</b>					
30.	January 2016	Study/Preparation of the Philippine Application Guidance for the adoption of six new PPSASs (Nos. 33, 34, 35, 36, 37 and 38) and superseding the 25 PPSAS to be implemented by all government agencies except government business enterprises, based on the 38 Accrual IPSAS included in the 2016 HIPSAP.	September 2016	COA in coordination with PICPA and other government agencies	COA/PICPA
31.	October 2016	Review and Approval by the Assistant Commissioners' Group and the Commission Proper.  The COA Commission Proper issued COA Resolution No. 2017-006 on April 26, 2017	April 26, 2017	COA	COA

#	Start Date	Actions	Completion Date	Responsibility	Resources
<b>Implementation Plans/ Maintaining Ongoing Processes to Meet Requirements of SMO 5</b>					
		approving the adoption of six new PPSASs (Nos. 33, 34, 35, 36, 37 and 38) and superseding the 25 PPSAS effective January 1, 2017 to be implemented by all government agencies except government business enterprises, based on the 38 Accrual IPSAS included in the 2016 HIPSAP. Thus, effective January 1, 2017, there are 29 PPSASs prescribed for adoption, namely, PPSAS 1, 2, 3, 4, 5, 9, 12, 13, 14, 16, 17, 19, 20, 21, 23, 24, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37 and 38.			
32.	June 2017	Updating/Preparation of the RCAs and GAMs for use by the NGAs, LGUs and GCs classified as non-government business enterprises required to adopt the PPSAS was started in June 2017 and expected to be completed this year (2018). The updating aims to integrate the policies in the newly-adopted six PPSASs (PPSAS 33, 34, 35, 36, 37 and 38).	December 2018	COA in coordination with government agencies and PICPA	COA/PICPA
33.	2018	Study, evaluation and adoption of IPSASs 18, 22, 39 and 40.	2020	COA in coordination with PICPA, GACPA	COA/PICPA
34.	2020	Implementation of a Whole-of-Government Accounts (WGA) system and preparation consolidated financial statements for the three sectors of government (NGAs, LGUs and GCs).	Continuing	COA in coordination with government agencies, PICPA, GACPA and other professional organizations	COA/PICPA
35.	2014, 2015, 2016, 2017, 2018	Capacity building on the implementation of PPSAS and Revised Chart of Accounts (for NGAs, LGUs and GCs), as well as UACS and GAM (for NGAs) was intensified in 2014, 2015, 2016, 2017 and is now part of the training program of COA, thru the Professional Development Office, Professional and	Continuing	COA in coordination with government agencies, and PICPA	COA/PICPA/ government agencies

#	Start Date	Actions	Completion Date	Responsibility	Resources
<b>Implementation Plans/ Maintaining Ongoing Processes to Meet Requirements of SMO 5</b>					
		<p>Institutional Development Sector, and COA Regional Training Units.</p> <p>As new PPSAS are adopted, and accounting rules, regulations and guidelines are promulgated/ updated, capacity building shall remain an important component in ensuring successful implementation of accounting reforms in the public sector.</p>			
36.		<p>Information dissemination on the PPSAS, UACS, RCA, GAM, eNGAS, eBudget System and other application systems developed by COA for implementation of various government agencies.</p> <p>During PICPA's conventions and conferences, COA representatives are invited to provide update with respect to PPSAS, among others.</p>	Continuing	COA in coordination with government agencies, PICPA and other professional organizations	COA/PICPA/Other organizations
37.	July 2017	Training of Trainers for capacity building	Continuing	COA	COA
38.	July 2017	Training of all government accountants on PPSAS	Continuing	COA	COA
39.	Continuing	Review and update sections relevant SMO 5 as necessary.	Continuing	COA and PICPA	PICPA
40.	Oct 2016	<p>Other information dissemination initiatives:</p> <p>The Chair for International Public Sector Accounting Standards Board (IPSASB) visited the Philippines and met with the government accounting leaders from COA, Government Association of CPAs (GACPA), Philippine Association of Government Accountants, Department of Budget and Management and other government offices and discussed with the government accountants the latest developments in the public sector accounting and auditing standards, and the public finance management.</p>		BOA	BOA resources

#	Start Date	Actions	Completion Date	Responsibility	Resources
<b>Implementation Plans/ Maintaining Ongoing Processes to Meet Requirements of SMO 5</b>					
		Apart from the learning and exchange of ideas, it was also an opportunity to present to IPSASB developments in the public sector accounting, auditing and public finance areas in the Philippines.			
41.	Feb 2017	The Chair for IPSASB was also invited as guest speaker during the 14 <sup>th</sup> Annual National Convention of the Philippine Association of Local Government Accountants, (PhALGA) composed of Provincial, City and Municipal Accountants. The Chair of IPSASB provided updates on IPSAS and articulated well on the global role/functions/thrusts of the IPSASB and also the importance of IPSAS for transparency and accountability in public sector financial management.	May 2017	BOA	BOA resources



**Action Plan Subject:** SMO 6–Investigation and Discipline (I&D)  
**Action Plan Objective:** Strengthening the I&D Process and Awareness of the Process

**Background:**

**BOA I&D Process**

Sub-section (i) Section 9, of R.A. 9298 gives BOA the power to investigate any violation of the accountancy law and for this purpose issue summons and subpoena to violators or witness thereof. Under Section 39 of the same law, any person may bring before the PRC BOA cases of illegal practice. The BOA shall assist the PRC in filing the appropriate charges through the concerned prosecution office in accordance with law and rules of court. The law provides that the BOA upon approval of the PRC may, delegate the fact-finding aspect of such investigations to the accredited national professional organization of CPAs which is PICPA, with the BOA and/or the PRC adopting the findings of facts as may be seems fit.

To investigate violations of this act and the rules and regulations promulgated hereunder and for the purpose, to issue summons, subpoena and subpoena ad testificandum and subpoena duces tecum to violator or witness thereof and compel their documents in connection therewith: Provided, that the BOA upon approval of the PRC may, subject to such rules and regulations that may be promulgated to implement this section, delegate the fact-finding aspect of such investigations to the accredited national professional organization of CPAs: provided, further, that the BOA and/or the PRC may adopt their findings of fact as may be seem fit.

The BOA may, motu proprio in its discretion, make such investigations as it deems necessary to determine whether any person has violated any provisions of this law, any accounting or auditing standard or rules duly promulgated by BOA as part of the rules governing the practice of accountancy;

To issue a cease or desist order to any person, associations, partnership or corporation engaged in violation of any provision of this Act, any accounting or auditing standards or rules of duly promulgated by the BOA as part of the rules governing the practice of accountancy in the Philippines;

To punish for contempt of the BOA, both direct and indirect, in accordance with the pertinent provision of and penalties prescribed by the Rules of Court;

**SEC I&D**

The SEC also evaluates the AFS the external auditor examine (for both application for accreditation, monitoring, special review and referrals) and imposes penalties on the company-clients and on the SEC accredited external for material deficiencies noted on the AFS. At times, it requires amendments of the AFS it examined when needed.

Relative to SEC's findings on the AFS of corporations which do not have secondary licenses with SEC or the external auditors who do not have an SEC accreditation, the said findings are forwarded to the BOA for appropriate action. Please be advised that the BOA issues and grants the primary accreditation/license of CPAs, thus, it has the authority to suspend and revoke said licenses.

**PICPA I&D Process**

To effectively carry out and implement the provisions of the Articles of Incorporation, By Laws, Rules and Regulations (as amended) of PICPA, the PICPA Ethics Board, pursuant to the powers vested in it by the PICPA National Board hereby promulgates Rules of Procedures (Ethics Rules) to govern actions of proceedings before it.,

The Ethics Board may hear and decide cases:

(1) involving violations of the PICPA Constitution and By-laws;  
 (2) involving violations of the Code of Ethics;  
 (3) involving violations of any provisions of the Rules of Professional Conduct of the BOA; and  
 (4) involving any of the grounds provided by the Rules and Regulations of BOA.

The PICPA Board on the other hand, shall have the exclusive and original jurisdiction to hear and decide cases involving any member of the Ethics Board.

A copy of the decision of the Ethics Board that has reached finality shall be forwarded to the PICPA National Board and the BOA, unless the decision of the Ethics Board has been appealed to the PICPA National Board, in which case it is the duty of the PICPA National Board to forward its final decision to the BOA, which, after the hearing, may reprimand or recommend for suspension of membership for a period not exceeding two (2) years or recommend for the revocation of membership from PICPA. The suspension or revocation of membership shall not become final until after the approval of the PRC and upon recommendation of the BOA.

#	Start Date	Actions	Completion Date	Responsibility	Resource
Implementation Plans/ Maintaining Ongoing Processes to Meet Requirements of SMO 6					
42.	Prior Years 2018	Created and appointed PICPA Ethics Board that handles and resolve matters as cited above.  Revisit the requirements of SMO 6 and align current investigation and disciplinary mechanism of Ethics Board with requirements of SMO 6.	Continuing  2018	PICPA Ethics Board and PICPA National Board	PICPA
43.	2017	Continue to use best endeavors to ensure investigation and disciplinary mechanism of BOA, SEC and other regulatory bodies when not in compliance with the accreditation process of CPAs, are communicated with all members through postings in the PICPA websites and included during trainings and seminars on updates on accreditation and CPD requirements.	Continuing	PICPA Training Department	PICPA
44.	2018	Assist SEC and BOA in disseminating the SOAR and QAR process, which can be considered as a new system of investigation and discipline, and the consequences for any non-compliance. Dissemination will be through postings in the website of the SOAR process and then later BOA process on QAR, helping organized regulators forum and inviting regulators during conventions and conferences to discuss the quality review process including any disciplinary actions against non-compliance	Continuing	PICPA Training Director, PICPA National Office and PICPA Chapters and PICPA National Board	PICPA

Review of PICPA's Compliance Information					
45.		<p>Monitor implementation of the action steps as described above and consider whether new action steps need to be adopted.</p> <p>Review and update sections relevant SMO 6 as necessary Arrange meetings with stakeholders as deem necessary.</p> <p>Regular reporting to the PICPA National Board of the compliance with SMO 6.</p>	Continuing	PICPA National Board and PICPA Task Force	PICPA Resources

**Main Requirements of SMO 6**

Requirements	Y	N	Partially	BOA	SEC	PICPA Ethics Board
<p><b>Scope of the System</b></p> <p>1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.</p>	Y			<p>PRC Res No. 2017- 1033(A) Series of 2017 was issued on March 2017 known as “2017 Revised Rules and Regulations in Administrative Investigations” – to hasten and speed up disposition of cases uniformed to all PRBs.</p>	<p>For SEC Accreditation, the SE,C thru the OGA, evaluates the AFS the external auditor examine and imposes penalties on the company-clients and on the external auditor-applicant for material deficiencies noted on the AFS; at times, require amendments of the AFS applicant examined when needed.</p> <p>Relative to SEC’s findings on the AFS of corporations who do not have secondary licenses with SEC or the</p>	<p>The Ethics Board follows a system of Rules and regulations when it hears and decides cases which include any of the following:</p> <p>(1) involving violations of the PICPA Constitution and By-laws;</p> <p>(2) involving violations of the Code of Ethics;</p> <p>(3) involving violations of any provisions of the Rules of Professional Conduct of the BOA; and</p> <p>(4) involving any of the grounds provided by the</p>

Requirements	Y	N	Partially	BOA	SEC	PICPA Ethics Board
					<p>external auditors who do not have SEC accreditation, the said findings are forwarded to the BOA for appropriate action.</p> <p>Please be advised that the BOA issues and grants the primary accreditation/license of CPAs, thus, they have the authority to suspend and revoke said licenses.</p> <p>There is an appeals process for disciplinary action based on SEC Rules of Procedures on administrative cases. The assessment of penalty by OGA is appealable to the SEC Commission en banc.</p> <p>The SOAR inspection program has grounds for commencement of disciplinary proceedings if there are violations during the inspection.</p>	Rules and Regulations of BOA.
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	Y			Information about the types of misconduct are contained in RA 9298, Code of Ethics for CPAs, R.A. 8981, and PRC Modernization Act of 2000.	Under the SOAR inspection program, SEC will publish on its web site the portion of the inspection report that discusses the quality control	The types of cases that can be brought to the Ethics Board are included in PICPA By Laws for which members have access.

Requirements	Y	N	Partially	BOA	SEC	PICPA Ethics Board
					findings that have not been remediated.	
<b>Initiation of Proceedings</b> 3. Both a “complaints-based” and an “information-based” approach are adopted.	Y			Filing of a complaint is done either by a verified written complaint or the BOA may; motu proprio in its discretion, conduct an investigation.	The SEC both adopts “complaint-based” and “information-based” approaches in the conduct of an investigation thru the Enforcement & Investor Protection Department (EIPD) or the OGA, as the case may be.	Complaint must be in writing and accompanied by an affidavit that the allegations are true to the complainants own knowledge.  Verifications based on information or belief or upon knowledge, information or belief is deemed insufficient.
4. Link with the results of QA reviews has been established.			P	BOA/PRC No. 2015 -244, S 2015 rationalizes the QA review with non-renewal of the accreditation and imposition of sanctions on erring professional accountants.	Under the proposed amendments to SRC Rule 68, As Amended, the results of the SOAR Inspection are to be considered in the evaluation of the application for accreditation of firm or external auditor.	Not yet
<b>Investigative Process</b> 5. A committee or similar body exists for performing investigations.	Y			Motu-proprio – a member of the Board may be designated to conduct an investigation.  Formal complaint – a Hearing Officer from the Legal Division of the PRC is designated to handle the case.	The SEC through its operating departments or committee created by the SEC Commission en banc may conduct the investigation.	Hearings shall be conducted by the Board or such other officer, body or panel as maybe designated or created by the Ethics Board for the purpose.  A particular Division of the Ethics Board shall be

Requirements	Y	N	Partially	BOA	SEC	PICPA Ethics Board
						assigned to conduct preliminary investigation to determine probable cause, following the set of Rules of Procedure of the Ethics Board.
6. Members of a committee are independent of the subject of the investigation and other related parties.	Y			Filing of formal charge (motu proprio) – a hearing officer from the Legal Division of PRC is designated; any action taken by the Hearing Officer is recommended to BOA for appropriate action.		As provided in the PICPA By-Laws, no member of the Board shall be qualified to take part in any case before the Board in which he or she: <ul style="list-style-type: none"> <li>a. Is directly or indirectly connected or involved</li> <li>b. Is a relative by consanguinity or affinity within the 4<sup>th</sup> civil degree to any of the parties to the case</li> <li>c. Is or might be interested in the result of the case</li> </ul>
<b>Disciplinary Process</b> 7. A separate disciplinary committee/entity exists to make	Y			The Board sitting en banc, decides all administrative cases after the investigation process of the Hearing Officer of the Legal Division of the PRC.	The SEC Commission en banc, based on the recommendation of the committee or operating	The decision of a Division of the Ethics Board shall be appealable to the Ethics Board (en banc) within 30 days. The decision of the Ethics Board (en banc)

Requirements	Y	N	Partially	BOA	SEC	PICPA Ethics Board
disciplinary decisions on referrals from the investigation committee.					departments, impose disciplinary actions.	<p>maybe appealed to the PICPA National Board within the same period except as otherwise provided in the by-laws. The decision of the Ethics Board (en banc) shall not be reversed except 2/3 vote of all the members of the PICPA National Board. The decision of the PICPA National Board and or the Ethics Board (en banc) shall become final 30 days after receipt by the respondent of the copy of the decision.</p> <p>PICPA National Board shall have the jurisdiction to hear and decide cases appealed to it from the Ethics Board (en banc) if any member of the PICPA National Board is a party thereto, which shall be appealed directly to the BOA.</p> <p>The PICPA National Board has the exclusive jurisdiction to hear and decided cases involving any member of the Ethics Board.</p>

Requirements	Y	N	Partially	BOA	SEC	PICPA Ethics Board
8. Members of the committee/entity include professional accountants as well as non-accountants.	Y			All members of the BOA are professional accountants. Hearing Officers and Special Prosecutors are separate and independent of the BOA (referred to as non-accountants).	The SEC Commission en banc is composed of Commissioners that are lawyers and CPAs by profession. In the operating departments there are lawyers and CPAs.	Members of the PICPA Ethics Board must be a holder of CPA Certificate for at least 10 years. Likewise, at least 1/3 of the total members of the Ethics Board are CPA lawyers. Each Division shall be headed by a CPA-Lawyer.
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	Y			A member of BOA, due to conflict of interest, shall inhibit himself in the investigation and resolution of the case.		See response in Question 6
<b>Sanctions</b> 10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.	Y			The BOA, under the law, has the power to suspend or revoke the license of the professional accountant or suspend him/her from the practice of his profession or reprimand him/her for any causes or grounds mentioned in the law, Code of Ethics and IRR.	The SEC may suspend or revoke the SEC accreditation of an auditing firm/external auditor which would prohibit corporations with secondary licensees with SEC to engage his/her audit services.  Relative to SEC's findings on the AFS of corporations who do not have secondary licensees with SEC or the external auditors who do not have SEC accreditation, the	A copy of the decision of the Ethics Board that has reached finality shall be forwarded concurrently to the PICPA National Board and to BOA, unless the decision of the Ethics Board has been appealed to the PICPA National Board in which case it shall be the duty of the PICPA National Board to forward its final decision to BOA.  The Ethics Board, after the hearing may reprimand the member; recommend the



Requirements	Y	N	Partially	BOA	SEC	PICPA Ethics Board
					said findings are forwarded to the BOA for appropriate action. Please be advised that the BOA issues and grants the primary accreditation/license of CPAs, thus, they have the authority to suspend and revoke said licenses.	<p>suspension of membership for two (2) years or recommend the revocation of his membership from PICPA if adjudged guilty. The suspension or revocation of membership shall not become final until after approval of PRC upon recommendation of BOA.</p> <p>A petition for reinstatement of an expelled member maybe entertained by the PICPA National Board upon recommendation of the Ethics Board after the lapse of two (2) years and PICPA National Board may in its discretion restore the membership provided the petitioner during the period when certificate was revoked acted in an exemplary manner and has not committed any illegal, immoral or dishonorable act.</p>
<b>Rights of Representation and Appeal</b>	Y			The aggrieved party may file a Notice of Appeal to the PRC within fifteen (15) days upon	Parties not satisfied with the Commission en Banc decision may appeal to the	See responses above

Requirements	Y	N	Partially	BOA	SEC	PICPA Ethics Board
11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.				receipt of the Board's Decision (Rule XVI, Section 1 of PRC Res. No. 2017-1033 (A)/)	Court of Appeals and to the Supreme Court.	
<b>Administrative Processes</b> 12. Timeframe targets for disposal of all cases are set.	Y			Board Decision within twenty (20) days from the receipt of the order submitting the case for decision.  Appeal – upon submission of a Memorandum within 20 days, the case is deemed submitted for decision.		Under the current rules, the Ethics Board has 30 days to act on the case.
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	Y			Every six (6) months and annually, the Legal Services Division of PRC is required to present to the PRC and PRBs, the status of cases, cases resolved and measures and initiatives to attain the immediate investigation and resolution of cases.		The Ethics Board monitors and submits report to PICPA at the least, annually.
14. Records of investigations and disciplinary processes are established.	Y			Case records are safely kept in the vault of PRC. Current case records are kept by Legal Division of the PRC and		There were 3 cases referred in 2017, one of which was already referred to PICPA National Board for action and 1 case was dismissed for lack of

Requirements	Y	N	Partially	BOA	SEC	PICPA Ethics Board
				disposed cases are kept by PRC Records Division.		probable cause. Only 1 case remains pending.
<b>Public Interest Considerations</b> 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.	Y			Only upon final judgment is made.	Investigations are confidential in nature, they are only made public once a decision is issued.	Only upon final judgment is made
16. A process for the independent review of complaints on which there was no follow-up established.	Y			The aggrieved party, as a legal remedy, may file a petition to review the Board/ PRC decision to the Court of Appeals.		See response above.
17. The results of the investigative and disciplinary proceedings are made available to the public.	Y			Only when final judgment is made		See response above.
<b>Liaison with Outside Bodies</b> 18. There is an appropriate process for liaison with	Y			An existing MOA forged by SEC, BSP, IC and BOA mandating these agencies to refer cases of erring professional accountants in their respective jurisdiction, to	An existing MOA forged by SEC, BSP, IC and BOA mandating these agencies to refer cases of erring professional accountants in	See responses above on the process

Requirements	Y	N	Partially	BOA	SEC	PICPA Ethics Board
outside bodies on possible involvement in serious crimes and offences.				the BOA for appropriate disciplinary action.	their respective jurisdiction, to the BOA for appropriate disciplinary action.  The SEC's EIPD conducts its investigation in coordination with other government agencies, e.g., National Bureau of Investigation and Philippine National Police.	
<p><b>Regular Review of Implementation and Effectiveness</b></p> <p>19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.</p>	Y			A mid-year and year-end performance assessment and annual planning is being conducted to review the effectiveness of the system and initiatives are being pursued to improve and enhance the system.	The SEC regularly reviews and updates its policies and procedures to improve the same.	Ethics Board's Rules of Procedure are under review to convert to a summary review process to streamline process.

**Action Plan Subject:** SMO 7–International Financial Reporting Standards (IFRS) and Other Pronouncements issued by the International Accounting Standards Board (IASB)

**Action Plan Objective:** Use best endeavors for the adoption and implementation of PFRS

**Background:**

The **IASB** is an independent private-sector body that develops and approves the IFRS. The IASB operates under the oversight of the IFRS Foundation. The IASB was formed in 2001 to replace the International Accounting Standards Committee. Currently, the IASB has 14 members.

The **BOA** pursuant to Section 9(g) of R.A. 9298, shall monitor the conditions affecting the practice of accountancy and adopt such measures, including the promulgation of accounting and auditing standards, rules and regulations and best practices as may be deemed proper for the enhancement and maintenance of high professional, ethical, accounting and auditing standards: Provided, that domestic accounting and auditing standards rules and regulations shall include the international accounting and auditing standards, and generally accepted best practices.

The **FRSC** was established by the PRC under the IRR of the Philippine Accountancy Act of 2004 to assist the BOA in carrying out its power and function to promulgate accounting standards in the Philippines. The FRSC’s main function is to establish generally accepted accounting principles (GAAP) in the Philippines. The FRSC is the successor of the Accounting Standards Council (ASC). The ASC was created in November 1981 by the Philippine Institute of Certified Public Accountants (PICPA) to establish GAAP in the Philippines. The FRSC carries on the decision made by the ASC to converge Philippine accounting standards with international accounting standards issued by the IASB.

The FRSC shall be consist of a Chairman, who had been or presently a senior accounting practitioner in any of the scope of accounting practice and 14 representatives from the following:

- |   |   |   |
|---|---|---|
| 1. BOA  | - | 1 |
| 2. SEC  | - | 1 |
| 3. BSP  | - | 1 |
| 4. Bureau of Internal Revenue (BIR)   | - | 1 |
| 5. A major organization composed of users and preparers of financial statements | - | 1 |
| 6. COA  | - | 1 |
| 7. Accredited Professional Organization of CPAs (in this case PICPA )           |   |   |
| o Public Practice   | - | 2 |
| o Commerce and Industry   | - | 2 |
| o Academe/Educations  | - | 2 |
| o Government  | - | 2 |

The FRSC has full discretion in developing and pursuing the technical agenda for setting accounting standards in the Philippines. Financial support is received principally from the PICPA Foundation. The FRSC monitors the technical activities of the IASB and invites comments on exposure drafts of proposed IFRS as these are issued by the IASB. When finalized, these are adopted as PFRS. The FRSC similarly monitors issuances of the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, which it adopts as Philippine Interpretations–IFRIC. PFRSs and Philippine Interpretations–IFRIC approved for adoption are submitted to the BOA and PRC for approval and then published in Official Gazette or newspapers of general circulation in the Philippines. The standards promulgated by the FRSC are adopted by the SEC, as part of its financial reporting rules through issuance of Memorandum Circular to ensure compliance by the regulated entities after publication in the Official Gazette The FRSC formed the Philippine Interpretations Committee

(PIC) in August 2006 to assist the FRSC in establishing and improving financial reporting standards in the Philippines. The role of the PIC is principally to issue implementation guidance on PFRS. The PIC members are appointed by the FRSC and include accountants in public practice, the academe and regulatory bodies and users of financial statements. The PIC replaced the Interpretations Committee created by the ASC in 2000.

### **Recent Developments**

As of December 31, 2017, the FRSC has adopted all standards issued by the IASB and interpretations issued by the IFRIC of the IASB. Thus, PFRS is converged with IFRS.

#### 2017

The FRSC has adopted the following standards and PIC Q&As in 2017:

<b>Pronouncement</b>	<b>Date adopted by FRSC</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to PAS 40, Transfers of Investment Property	January 11, 2017	January 1, 2018
Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration	January 11, 2017	January 1, 2018
Annual Improvements to PFRSs 2014 - 2016 Cycle <ul style="list-style-type: none"> <li>• Amendment to PFRS 1 - Deletion of short-term exemptions for first-time adopters</li> <li>• Amendment to PFRS 12 - Clarification of the scope of the standard</li> <li>• Amendment to PAS 28 - Measuring an associate or joint venture at fair value</li> </ul>	January 11, 2017	Amendment to PFRS 12 - January 1, 2017 Amendments to PFRS 1 and PAS 28 - January 1, 2018
Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments	July 12, 2017	January 1, 2019
Amendments to PFRS 9, Prepayment Features with Negative Compensation	November 8, 2017	January 1, 2019
Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures	November 8, 2017	January 1, 2019
PFRS Practice Statement Making Materiality Judgments	November 8, 2017	No mandatory effective date

<b>PIC Q&amp;A</b>	<b>Date approved by FRSC</b>
PIC Q&A No. 2016-03: Accounting for Common Areas and the Related Subsequent Costs by Condominium Corporations	October 11, 2017
PIC Q&A No. 2017-01: Conforming Changes to PIC Q&As – Cycle 2017	August 9, 2017

PIC Q&A No. 2017-02: PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building	December 13, 2017
PIC Q&A No. 2017-03: PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures	December 13, 2017
PIC Q&A No. 2017-04: PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	October 11, 2017
PIC Q&A No. 2017-05: PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures	October 11, 2017
PIC Q&A No. 2017-06: PAS 2, 16 and 40 - Accounting for collector's items	December 13, 2017
PIC Q&A No. 2017-07: PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures	October 11, 2017
PIC Q&A No. 2017-08: PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture	October 11, 2017
PIC Q&A No. 2017-09: PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	October 11, 2017
PIC Q&A No. 2017-10: PAS 40 - Separation of property and classification as investment property	October 11, 2017
PIC Q&A No. 2017-11: PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control	October 11, 2017
PIC Q&A No. 2017-12: Subsequent Treatment of Equity Component Arising from Intercompany Loans	October 11, 2017

The FRSC also posted the following proposals in its website in 2017:

Exposure drafts

- Annual Improvements to IFRSs 2015-2017 Cycle
- Improvements to IFRS 8: Operating Segments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 1 and IAS 8: Definition of Materiality
- Amendments to IAS 8: Accounting Policies and Accounting Estimates
- Amendments to IAS 16: Property, Plant and Equipment-Proceeds before Intended Use
- Proposed PFRS for Small Entities

Discussion paper

- Disclosure Initiative - Principles of Disclosure

The PIC has also established a special task force that will look into the impact of PFRS 15, Revenue from Contracts with Customers, to the real estate industry and assess the need to provide guidance in the form of Q&As.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Implementation Plans/ Maintaining Ongoing Processes to Meet Requirements of SMO 7</b>					
46.	2018	Provide comments to FRSC on the draft of proposed new standards or amendment to new standards.  Formation of focus groups to discuss issues or solicit issues, arising from Exposure Drafts e.g. posting exposure drafts in the PICPA website for comments by members and collate comments for the timely submission to FRSC.  As PICPA also has representatives in FRSC, invite these representatives as necessary to discuss comments on any proposed standard, amendments to existing standards or interpretations.	Continuing	PICPA Technical Director and PICPA National Board and FRSC	PICPA and FRSC
47.	2017	Assist FRSC in the exposure to CPAs and other stakeholders of drafts and proposed amendments to PFRS through PICPA communication tools (emails, PICPA website) and members' database.	Continuing	PICPA Training Division	PICPA
48.	2017	Conduct seminars which will include new standards, amendment to existing standards or interpretation to new standards.  Seminar topics include "PFRS Update" or a specific new standard like "PFRS 15 – Revenue from contracts with customers or PFRS 9; Financial Instruments".  Seminar on PFRS Updates not only include approved and effective standards but may also provide information on upcoming standards issued by the IASB.	Continuing	PICPA Training Division, PICPA CPD Council, PICPA National Office and PICPA Chapters	PICPA
49.	Annually	Support FRSC financially on an annual basis.	Continuing	PICPA Foundation Board of Trustees	PICPA Foundation
<b>Review of PICPA's Compliance Information</b>					
50.		Continue to monitor developments on issuances of PFRS, amendments and interpretations by the FRSC and PIC.	Continuing	PICPA Executive Director; PICPA	PICPA



#	Start Date	Actions	Completion Date	Responsibility	Resource
		<p>Review and update sections relevant SMO 7 as necessary. If needed, organize meetings of all stakeholders.</p> <p>Continue monitoring the status of the action steps.</p> <p>Regular reporting to the PICPA National Board of the status of compliance with SMO 7.</p>		<p>Training Department, PICPA CPD Council</p> <p>PICPA Task Force; PICPA ED; PICPA National Board</p>	



**PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, INC.**  
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March 15, 2018

Ms. Alta Prinsloo  
Executive Director, Quality & Development  
International Federation of Accountants  
529 Fifth Avenue, New York, NY 10017

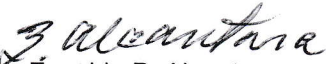
Dear Ms. Prinsloo,

**Subject: Letter to Confirm Institutional Support for the SMO Action Plan**

This letter is to confirm that the leadership of the PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, INC. has reviewed the information contained in the SMO Action Plan prepared by PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, INC. as part of the IFAC Member Compliance Program and will provide institutional support for its implementation.

On behalf of the leadership of the PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, INC., I endorse publication of the SMO Action Plan on the IFAC website in the interests of transparency and to demonstrate our commitment to enhancing the quality and credibility of the accountancy profession worldwide.

Sincerely,

  
Atty. Zenaida P. Alcantara  
National President, FY 2017-2018

PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
(Name of Organization)

March 15, 2018  
(Date)