



Joel L. Tan-Torres
DEBIT CREDIT

Auditing the auditors (Part 1)

The Board of Accountancy (BoA) is gearing up for the long overdue implementation of the Quality Assurance Review (QAR) or the “audit the auditors” program. To recall, the BoA issued Resolutions No. 23 and 88 way back 2009 providing for the guidelines for the adoption of the QAR. However, a group of small practitioners filed an injunction case in December 2010 in the Regional Trial Court 128 Caloocan (RTC Court) to stop the implementation of the QAR. The RTC Court issued an injunction order holding the implementation of the QAR resolutions and ordered the parties to settle the matter in a judicial dispute resolution (JDR) process. The contending parties subsequently agreed to settle the case after a meeting between the petitioners and the BoA Chairman last July 4, 2010 in Waterfront Hotel in Cebu. In said meeting, an agreement or the Cebu Accord was reached on certain parameters to settle the case. Taking into account the agreed items, Resolution 244-2015 and its Implementing Rules and Regulations were approved by BoA last December 4, 2015. On June 24, 2016, the RTC Court issued an order dismissing the injunction case and paved the way for the full implementation of the QAR. The Office of the Solicitor General also wrote a letter dated September 6, 2016 to BoA confirming that the QAR can already be implemented. The BoA has been planning on the detailed implementation requirements to jump start the QAR under a “soft” and “transitory” approach.

The existence of a QAR 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. In the case of the Philippines, the BoA is mandated 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 Section 9 of the Republic Act 9298 or the Philippine Accountancy Act of 2004. 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 Regulations Commission.

The WB in its Report of Observance of Standards and Codes (ROSC) and its recent engagements with the Philippines government continuously presented of the importance of putting in place the QAR in the accountancy profession in its ROSC on Accounting and Auditing in 2006 and 2001. Upon the request of the BoA, the WB has started the conduct of the preparation of ROSC when it sent a mission to the Philippines last February 2017. The ROSC report that will be issued this year will include suggestions on the implementation of QAR in the country.

The IFAC also cited the Philippines (or the Philippine Institute of CPA) its lack of QAR in the accountancy profession. This deficiency stands out in the Statement of Membership Obligations (SMOs). The SMOs are a set of seven comprehensive description of the status of adoption of international standards and Action Plans to demonstrate compliance with implementation. SMO 1 dealing on the Quality Assurance Review clearly indicates that the Philippines has deficiencies and must be able to present an Action Plan how to address these. The profile of the SMOs of the

Philippines can be viewed at ac.org/about-ifac/membership/members/philippine-institute-certified-public-accountants. However, the write up indicated must have to be updated on the current developments in the QAR.

The European Union report as commissioned by PRC was released in June 2012. This report (Brockman report) which was facilitated by Jane Drake-Brockman, presented an assessment of the competitiveness standing of twelve professions in the Philippines. The assessment of the accountancy profession is included in this Brockman report. This assessment disclosed that there is “significant identified weakness” in the Quality Assurance area, while the profession is competitive in four areas of Market Conditions and Trends-Skills Shortages, Core Competency Standards, Language Skills and Personal Attributes and Salary-Fee Level Expectations.

The BoA now is focused on addressing these observations of deficiencies arising from the non-implementation of QAR. It is putting in place the steps for the “soft” and “transitory” approach implementation of the QAR.

(TO BE CONTINUED)

Chairman Joel L. Tan-Torres is the chairman of the Professional Regulatory Board of Accountancy. He is a Certified Public Accountant who placed No. 1 in the May 1979 CPA Board Examinations. He is concurrently a tax partner of Reyes Tacandong & Co., CPAs. He was the former Commissioner of the Bureau of Internal Revenue from 2009 to 2010.

This column accepts contributions from accountants, especially articles that are of interest to the accountancy profession, in particular, and to the business community, in general. These can be e-mailed to boa.secretariat@gmail.com