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DEBIT CREDIT

INSTITUTIONAL CHANGES IN THE ACCOUNTANCY PROFESSION

There are several institutional measures that must be set in place in the accountancy profession. The profession in the Philippines has been formally put in place way back about 94 years ago with the enactment of the Accountancy Act of 1923 when the Board of Accountancy (BoA) was created and the first set of Certified Public Accountants (CPA) licensure examinations were given. Over these years, there have been developments in the country that mandate revisions in the accountancy framework.

These include the upward rationalization of the audit threshold, the establishment of a fully staffed and funded accountancy regulatory office and the revision of the Republic Act No. 9892 (Accountancy Law of 2004

The audit threshold rules in the Philippines as provided for in the National Internal Revenue Code provides essentially that all enterprises which have annual gross receipts or revenues exceeding P600,000 shall be required to have their financial statements audited by an independent external auditor. There is a need to revise or rationalize this low and outdated threshold requirement that has resulted in undue financial burden to the small enterprises as well as in low quality audit work rendered by external auditors resulting in questioned credibility in these audit reports by regulators, including the Bureau of Internal Revenue, etc. The Department of Finance and the other regulators, including the BoA, have started looking into this matter.

The regulation of the accountancy profession and the accountants in the Philippines is presently the sole responsibility of the BoA. The BoA is mandated by law to regulate over 175,000 CPAs presently in the rolls of professionals, as well as, give examinations to qualify persons to become CPAs. Annually, the BoA administers the examination to around 20,000 examinees. The BoA is severely handicapped in the performance of its various mandates. It does not have sufficient resources (in terms of budget, personnel, operating systems and tools, etc.) to handle the many requirements of regulation of the profession, including the accreditation, administration of Continuing Professional Development requirements, conduct of Quality Assurance Review, and handling complaints against the accountants and its many stakeholders. Global best practice dictates that a fully staffed and budgeted regulator is key in ensuring the good standing of the profession. Hence, the strengthening of the accountancy regulator should be addressed.

The Accountancy Act of 2004 (Accountancy Law) has been in place for over thirteen years. The environment where the accountancy profession and its many stakeholders operates has undergone so many changes over this period. The BoA has experience difficulties in pursuing its mandate because of the shortcoming of the obsolete and inadequate provisions of the Accountancy Law that have been overtaken by the passage of time. Last year, the BoA has initiated an initiative of gathering inputs from its stakeholders in revising the Accountancy Law to make this more relevant and responsive to the needs of the profession. An updated charter or the law for accountants will go a long way towards uplifting the profession in the Philippines.

Once these measures are put in place, the accountancy profession and the professionals of the Philippines will be able to better to address their many important mandates and responsibilities.

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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](mailto:boa.secretariat@gmail.com)