

The Need for Certification of Compilation Services

First of three parts

By Alfredo J. Non

The Professional Regulatory Board of Accountancy (BOA) has been mandated to 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. In the pursuit of this mandate, the Board issued Resolution No. 03, Series of 2016 – Requiring the Submission of Certificate by the Responsible Certified Public Accountant on the **Compilation Services** for the Preparation of Financial Statements and Notes thereto.

In simple terms, the Resolution requires that the person responsible for the preparation of a Company's financial statements must be a CPA. This CPA shall either be employed by the Organization (CPA Employee) or, contracted by the Organization to perform said service (Contracted CPA). The Contracted CPA shall not be the same CPA who renders the attest services (external audit services) for the Organization (as its external auditor). Because of the self-review threat or risk as mentioned in paragraph 200.5 of Section 200 of the Code of Ethics, CPAs acting as external auditors are prohibited from preparing or assisting in the preparation of their client's financial statements and notes thereto. This gave rise to a new type of accounting service referred to in said Resolution 03 – **Compilation Services**.

Under the Philippine Accountancy Law, CPAs may practice their profession in any of the four sectors – Public Practice, Commerce and Industry, Government, and Education. Irrespective of area of practice, all CPAs should possess the same level of competency or proficiency with respect to accounting rules and standards. To attain this level playing field, CPAs are required to undergo or attend Continuing Professional Education (CPE) Programs that requires accumulation of CPE Credits prior to the renewal of their professional licenses with the Professional Regulatory Commission (PRC).

Considering that Compilation is a new type of accounting service and has a direct link to the attest service of external auditors, there is a need to ensure that CPAs performing this service satisfies the competency and proficiency requirement which necessitates the Certification prescribed in this Board Resolution 3. However, this promulgation was met with some opposition from both CPA and non-CPA sectors. First time I heard of this – I wondered WHY? It looked so simple and straight-forward to me. But when we consider self-interests and other personal motivations, the reasons for their objection becomes questionable.

Why the resistance in the implementation? Others even result to bad-mouthing the Resolution and its authors. Is this because:

- It will cause a dent in a niche of work currently done by some external auditors which now has to be done by others?
- CPAs who used to do this without the need to be Certified will now have to comply?
- Their thinking has been influenced by others who have vested interests?
- There is an issue of leadership – Using the Resolution as the reason?
- They refuse to understand or, simply do not understand?

In the interest of fair play and professionalism, I am writing this article hopefully to clear some, if not all the issues raised on the Resolution.

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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

