

The Need for Certification of Compilation Services

Second of three parts

By Alfredo J. Non

To understand the present, we should first understand the past. How did we get to this situation of requiring the certification of compilation services? Allow me to provide a short but relevant historical background on the pertinent segment of our accountancy profession.

In 1970 and prior years, accountants and auditors in the Philippines were guided by generally accepted accounting principles promulgated in the USA. This is the same experience by our Asian neighbors whose accounting practice was greatly influenced by foreign colonizers (Singapore, Malaysia and Hongkong – by the UK practice; Indonesia - by the Dutch practice; Thailand and the Philippines – by the US practice). These accounting principles and practices in the US were the ones taught to us in College the same principles and practices that we, accountants studied while in college using American textbooks as reference materials. Prior to local accounting text books being published, we relied on traditional books published by Finney & Miller; Karrenbrook & Simons and others. The Philippine Institute of Certified Public Accountants (PICPA) the association of CPAs in the Philippines had its beginnings in 1929 when it was founded by a group illustrious pioneers in the accounting profession. The PICPA published a codification of Generally Accepted Accounting Principles in the Philippines. However, this Codification and, even the accounting textbooks mentioned only served as reference materials but, did not have a mandatory application effect in the Philippines which the auditors can use to justify a qualified opinion in their reports.

Therefore, in November 1981, PICPA created the Accounting Standards Council (ASC) to set the generally accepted accounting principles in the Philippines. Since these principles were also approved by the Securities and Exchange Commission, it carries more authority and force than any previous publications.

The Financial Reporting Standards Council (FRSC) was established by the Professional Regulatory Commission (to succeed the ASC) under the Implementing Rules and Regulations of the Philippine Accountancy Act of 2004 to assist the Board of Accountancy (BOA) in carrying out its powers and functions to promulgate accounting standards 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 International Accounting Standards Board (IASB). The FRSC's main function therefore, is to establish generally accepted accounting principles in the Philippines.

The FRSC monitors the technical activities of the International Accounting Standards Board (IASB) and invites comments on exposure drafts of proposed IFRSs as these are issued by the IASB. When finalized, these are adopted as Philippine Financial Reporting Standards (PFRSs). The FRSC similarly monitors issuances of the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, which it adopts as Philippine Interpretations–IFRIC. To assist FRSC in this task, it formed the Philippine Interpretation Committee (PIC) in August 2006 which replaced the Interpretations Committee created by the ASC in 2000. PFRSs and Philippine Interpretations–IFRIC approved for adoption are submitted to the BOA and PRC for approval.

Currently, the Philippines through the Securities and Exchange Commission (SEC) allows 3 financial reporting standards or guidelines. Entities under each of these 3 types of standards follow different applicable financial reporting framework in accordance with the principles and [guidelines](#) promulgated by the SEC. Under existing international arrangements, the SEC, the FRSC, the BOA and the PRC, have committed that the Philippine financial reporting practices will be aligned with internationally accepted practices as early as a few years ago. This means that a CPA who will be doing compilation services as a separate service or, as part of a group of services

offered should have the same competency or proficiency like any other CPAs involved in public accounting, commerce and industry and in the other two sectors.

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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

