



BOARD OF ACCOUNTANCY

EXPANDING HORIZONS

IMPLEMENTING THE QAR

July 2017



BOARD OF
ACCOUNTANCY

Background Info

Sec. 9 (h) of Republic Act No. 9298 (Philippine Accountancy Act of 2004) provides that the Professional Regulatory Board of Accountancy (“BoA”) conducts the oversight into the quality of audits (“QAR”) of financial statements. The BoA issued Resolutions No. 23 and 88 in 2009 providing for the guidelines for the adoption of the QAR.

Injunction case in December 2010 in the Regional Trial Court (“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 said meeting, an agreement or the Cebu Accord was reached on certain parameters to settle the case.



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The Resolution 244-2015/IRR was approved by PRC/BoA last December 4, 2015

The QAR is now being implemented with the lifting of the injunction by the RTC court last June 2016 and the advise of the Office of Solicitor General (“OSG) per its letter of September 2016

The BoA has coordinated with various stakeholders on the QAR implementation

The BoA has coordinated with the developmental partners supporting the QAR



UPDATES

- The PICPA has formulated a Voluntary QAR in 2015
- Increasing audit thresholds are now being discussed
- Submission of Certificate of Compilation Services pursuant to Resolution 3-2016
- Verification of office of CPAs in public practice and the submission of Quality Accreditation Checklist pursuant to Resolution No. 5-2016 (to be streamlined)
- Submission of engagement reports required pursuant to Resolution No. 2-2016
- Accreditation of audit partners of General Professional Partnership and CPA professional staff pursuant to Resolution No. 295-2015
- Deadline for submission of FS to external auditors by 2nd month of the end of the accounting year pursuant to Resolution 64-2016



IMPLEMENTATION PLAN

Defining scope and coverage of QAR

Formation of the QAR organization

Formulating the governance and operational policies and procedures

Updating of information of CPAs in Public Practice

Development of Cloud based Risk Based Red Flagging Information
Technology

Establishing transition strategy

“Soft” implementation

Partnering with Global and regional audit inspectors

Interacting with developmental partners

Amendment of the Accountancy Law





Strategic directions

Implement QAR pursuant to BoA Resolution 244-2015 to show that BoA is ready to implement with the final decisions of the Court and OSG

Organize the Quality Assurance Review Office (QARO) using interns and consultants and limiting number of full time staff

Focus QAR on the “low lying fruits”. I.e. Notarial auditors

Gradually conduct QAR inspections on a risk based approach using the methodology prescribed in 2009/2010 Manuals and PICPA Voluntary QAR (V-QAR) methodology

Hire inspectors on a per inspection basis

Work for the full implementation with the establishment of the Accountancy Regulatory Office

Establish network and relationship with global and regional audit regulators (IFIAR, AARG) and inspectors and developmental partners

Coordinate with Securities Exchange Commission on its SOAR.

CPA in PP Survey Tabulation

As of November 10, 2015



CPA in PP Survey Tabulation

As of November 10, 2015

| | Strongly disagree | Disagree | Neither Disagree or Agree | Agree | Strongly Agree |
|--|-------------------|---------------|---------------------------|----------------|----------------|
| 5.) An effective quality assurance review of CPAs conducted by the regulator (ie.BOA) is needed to address the issues on unfair competition, lack of quality audit service, and other problems in the public practice sector of the profession. | 33 (7.3%) | 42 (9.3%) | 73 (16.2%) | 221 (49.2%) | 80 (17.8%) |
| 7.) The P600,000 of annual sales threshold prescribed in the Tax Code requiring external CPA audit of financial statements should be adjusted upwards. | 43 (9.3%) | 90 (19.4%) | 78 (16.8%) | 152 (32.8%) | 101 (21.8%) |



Lessons learned



Manage opposition to the regulatory measures, even though if these arise from the minority

Active involvement in the intermediation and judicial process

Focus on institutional reforms

Leverage on the impact and influence of global regulators and developmental partners