SEC MEMORANDUM CIRCULAR NO. 18
Series of 2024

TO : **ALL COVERED COMPANIES**

SUBJECT : **GUIDELINES ON THE DISCLOSURE OF FEE-RELATED INFORMATION OF EXTERNAL AUDITORS**

To enhance transparency relevant to external auditors' independence and align the Commission's rules on fee disclosure requirements[1] with the Code of Ethics for Professional Accountants duly adopted in the Philippines, the Commission, in its Resolution dated December 26, 2024, resolved to issue these Guidelines.

Section 1. Companies Covered

For purposes of these Guidelines, public interest entities are defined as entities that meet any of the following criteria under the Revised Securities Regulation Code (SRC) Rule 68, as amended, and any subsequent guidance issued by the Commission:

a) Listed companies or issuers with a class of securities listed for trading on an Exchange;
b) Issuers which have sold a class of its securities pursuant to a registration under Section 12 of the SRC;
c) Public companies or companies with assets of at least Fifty Million Pesos (P50 Million) or such other amount as the Commission shall prescribe and has Two Hundred (200) or more holders each holding at least One Hundred (100) shares of a class of its equity securities;
d) Companies in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market;
e) Holders of secondary licenses issued by the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP), and Insurance Commission (IC);
f) Such other corporations that the Commission may consider in the future as imbued with public interest.

Section 2. Disclosure of Fee Information of External Auditors

1. All covered companies under Section I of these Guidelines shall present in two (2)-year comparative the following information as one of the supplementary

[1] The Board of Accountancy (BOA) Resolution adopting the fee disclosure requirement took effect on January 3, 2024.

Published:
Philippine Star, 9 January 2025
Manila Standard, 9 January 2025

Filed with UP Law Center: 9 January 2025

schedules in the audited financial statements (AFS), and shall be in accordance with the form and content prescribed under Annex "A" of these Guidelines:

a) Fees paid or payable to (or agreed fees with) the external auditor/audit firm and network firms for the audit of financial statements on which the external auditor/audit firm expresses an opinion;

b) Fees other than those disclosed under (a), charged (or billed) to a covered company for the provision of services by the external auditor/audit firm or a network firm during the period covered by the financial statements on which the auditor/firm expresses an opinion. For this purpose, such fees shall only include fees charged to the covered company and its related entities over which the covered company has direct or indirect control that are consolidated in the financial statements on which the external auditor/audit firm will express an opinion;

c) Any fees, other than those disclosed under (a) and (b), charged to any other related entities over which the covered company has direct or indirect control for the provisions of services by the external auditor/audit firm or a network firm when the external auditor/audit firm knows, or has reason to believe, that such fees are relevant to the evaluation of the audit firm's independence; and

d) If applicable, the fact that the total fees received by the external auditor/ audit firm from the covered company represent, or are likely to represent, more than 15% of the total fees received by the external auditor/audit firm for two consecutive years (fee dependency), and the year that this situation first arose.

The covered company can provide additional information on details on non-audit services if it will enhance user's understanding of the services (e.g., additional details on non-audit services).

Companies not covered under Section I may submit with its AFS the Supplemental Schedule and shall fully comply with the requirements of these Guidelines.

The above Schedule need **not** be covered by an Auditor's Report.

2. As an exception, a covered company is not required to attach Supplementary Schedule in its AFS if it relates to:

   a. A parent entity that also prepares group/consolidated financial statements provided that the supplementary schedule is attached to the group/consolidated financial statements on which the same external auditor/audit firm or its network firm expresses an opinion on; or

   b. An entity that is (directly or indirectly) wholly-owned by another PIE provided that the information is consolidated to and the supplementary

schedule is attached to the group/consolidated financial statements on which the same external auditor/audit firm or its network firm expresses an opinion on.

Under item 2b above, the exception does not cover those PIE subsidiaries that are required to file financial statements under Part II of SRC Rule 68[2] or are in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market or any PIE-controlled companies with non-controlling interests or minority shareholders.

Section 3. Penalties

Failure to comply with any of the foregoing requirement shall, after notice and hearing, result in imposition of penalties under the Revised SRC Rule 68 and Consolidated Scale of Fines and Penalties of the Commission.

Section 4. Transitory Clause

The requirements under these Guidelines shall become effective for AFS ending December 31, 2024, and thereafter of companies covered under Section 1. The two (2)-year comparative presentation shall be applicable in the initial year of implementation. The requirements under Section 2 of these Guidelines shall likewise be applied in complying with the fee-related information disclosure requirements of other relevant memorandum circulars.

Section 5. Effectivity Clause

These Guidelines shall take effect fifteen (15) days from its publication in two (2) newspapers of general circulation.

Signed this 26th day of December 2024, Makati City, Philippines.

For the Commission:

EMILIO B. AQUINO
Chairperson

[2] *Entities that are required to file financial statements under Part II of SRC Rule 68 include the following:*

a. *Listed company or issuer with a class of securities listed for trading on an Exchange;*
b. *Issuer which has sold a class of its securities pursuant to a registration under Section 12 of the SRC;*
c. *Public company or issuer with assets of at least Fifty Million Pesos (P50 Million) or such other amount as the Commission shall prescribe and has Two Hundred (200) or more holders each holding at least One Hundred (100) shares of a class of its equity securities.*

[Name of PIE audit-client]
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
[Client year-end]

	Current Year	Prior Year
Total Audit Fees *(Section 2.1a)*[1]	**xxx**	**xxx**
Non-audit services fees:		
Other assurance services	xxx	xxx
Tax services	xxx	xxx
All other services	xxx	xxx
Total Non-audit Fees *(Section 2.1b)*[2]	**xxx**	**xxx**
Total Audit and Non-audit Fees	**xxx**	**xxx**

Audit and Non-audit fees of other related entities *(Section 2.1c)*[3]

	Current Year	Prior Year
Audit fees	xxx	xxx
Non-audit services fees:		
Other assurance services	xxx	xxx
Tax services	xxx	xxx
All other services	xxx	xxx
Total Audit and Non-audit Fees of other related entities	**xxx**	**xxx**

[When applicable] Fee dependency *(Section 2.1d)* [4]
For the years ended Month DD, YYYY and YYYY, the total fees received by the [external auditor/audit firm] from the [covered company] represent more than 15% of the total fees received by the [external auditor/audit firm]. This first arose in YYYY. A pre-issuance review, consistent with the objective of an engagement quality review, performed by a professional accountant [other than the external auditor/who is not a member of the (audit firm)] expressing the auditors' opinion on the financial statements, was performed prior to the issuance of the auditor's opinion.

Notes:
1) *Section 2.1a: Disclose agreed fees (excluding out of pocket expenses and VAT) with the external auditor/audit firm and its network firms (as applicable) for the audit of the covered company's stand-alone and/or consolidated financial statements and the covered company's consolidated subsidiaries' financial statements on which the external auditor/audit firm expresses an opinion. These do not include fees for special purpose audit or review of financial statements.*

2) *Section 2.1b: Disclose charged or billed fees (excluding out of pocket expenses and VAT) by the external auditor/audit firm or a network firm (as applicable) for non-audit services to the covered company and its related entities over which the covered company has direct or indirect control that are consolidated in the financial statements on which the external auditor/audit firm expresses an opinion. These include other assurance services such as special purpose audit or review of financial statements.*

3) *Section 2.1c: Disclose fees for services (excluding out of pocket expenses and VAT) charged to any related entities of the covered company over which the covered company has direct or indirect control, which are not yet disclosed in (a) or (b), such as fees for services to any unconsolidated subsidiaries that meet the consolidation exemption criteria of Philippine Financial Reporting Standard (PFRS) 10 applicable to investment entities, if the external auditor/audit firm has reason to believe that these are relevant to the evaluation of the external auditor/audit firm's independence, as communicated by the external auditor/audit firm with the covered company's Those Charged with Governance or equivalent (e.g., Audit Committee).*

4) *Section 2.1d: As applicable, disclose any fee dependency situation or (a) the fact that the total fees received by the external auditor/audit firm from the covered company represent, or are likely to represent, more than 15% of the total fees received by the external auditor/audit firm for two consecutive years and (b) the year that this situation first arose, as communicated by the external auditor/audit firm with the covered company's Those Charged with Governance or equivalent (e.g., Audit Committee).*