Republic of the Philippines
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City

SEC Memorandum Circular No. 13
Series of 2003

RE : ACCREDITATION AND REPORTORIAL REQUIREMENTS OF EXTERNAL AUDITORS OF PUBLIC COMPANIES AND SECONDARY LICENSEES OF THE COMMISSION

SEC 1. Policy Statement

In order to strengthen the enforcement capacity of the Commission as a regulatory body and increase reliance on the opinion of external auditors, the Commission hereby adopts a policy on the accreditation of external auditors and their reporting requirements. High qualification standards and strict reporting obligations for external auditors of public companies and secondary licensees of the Commission shall be maintained and monitored through a system that will encourage quality control and disciplined financial environment.

SEC. 2. Coverage

This Circular shall be enforceable upon all public companies and secondary licensees of the Commission, and their external auditors, including the auditing firms in which such auditors are co-owners/partners.

Unless specifically exempted, all requirements provided hereunder shall apply to all companies mentioned in the preceding paragraph.

SEC. 3. Definition of Terms Under this Circular

3.1. **External Auditor** – *means a single practitioner or a signing partner in an auditing firm.*

3.2. **Fraud** means an intentional act by one or more individuals among management, employees, or third parties that results in a misrepresentation of financial statements, *which will reduce the consolidated total assets of the company by five percent (5%).* It may involve:

i. Manipulation, falsification or alteration of records or documents.

ii. Misappropriation of assets.

iii. Suppression or omission of the effects of transactions from records or documents.

iv. Recording of transactions without substance.

v. Intentional misapplication of accounting policies.

vi. Omission of material information

3.3. **Error** means an unintentional mistake in financial statements, which will reduce the consolidated total assets of the company by five percent (5%). It may involve:

i. Mathematical or clerical mistakes in the underlying records and accounting data.
ii. Oversight or misinterpretation of facts.
iii. Unintentional misapplication of accounting policies.

3.4 **Gross negligence** means wanton or reckless disregard of the duty of due care in complying with generally accepted auditing standards.

3.5 **Material information** means information whose omission or misstatement could influence the economic decisions of users.

3.6 **Public companies** are those which have total assets of at least Fifty million pesos (P50,000,000.00) or such other amount as the Commission shall prescribe, and having two hundred (200) or more holders each holding at least One hundred (100) shares of a class of its equity securities.

3.7 Secondary licensees of the Commission shall include:

i. Issuers of registered securities which have sold a class of its securities pursuant to a registration under Section 12 of the Securities Regulation Code (SRC);
ii. Issuers with a class of securities listed for trading in an Exchange;
iii. Pre-need companies;
iv. Financing companies;
v. Investment Houses;
vi. Brokers and Dealers of securities;
vii. Investment companies;
viii. Government Securities Eligible Dealers (GSEDs);
ix. Universal Banks Registered as Underwriters of Securities;
x. Investment Company Advisers;
xi. Transfer Agents;
xii. Clearing Agency and Clearing Agency as Depository;
xiii. Issuers of Registered Time Shares, Proprietary and Non-Proprietary Membership Certificates;
xiv. Stock and securities exchange/s.

3.8 **Pre-need company or issuer** means any corporation registered with the Commission and authorized/licensed to issue pre-need plans.

3.9 All Other Market Participants refers to all holders of secondary licensees mentioned under subparagraphs (iv) to (xiv) of Section 3.7 above.

SEC. 4. Scope and Limitations of Accreditation

4.1. Only an external auditor, and his auditing firm if applicable, who is accredited by the Commission shall be engaged by corporations covered by this Circular for statutory audits.

4.2. The accreditation of an auditing firm shall not cover its signing partners and auditors under its employment. The auditor/signing partner responsible for the engagement must be separately accredited by the Commission.

4.3. The accreditation of external auditors does not exonerate the reporting company or said auditors from their responsibilities. Financial statements filed with the Commission are still primarily the responsibility of the management of the reporting company and accordingly, the fairness of the representations made therein is an implicit and integral part of the issuer's responsibility. The independent certified public accountant's responsibility for the financial statements required to be filed with the Commission is confined to the expression of his opinion, or lack thereof, on such statements which he has examined.

4.4. The Commission shall not be liable for any liability or loss that may arise from the selection of said accredited external auditor and/or auditing firm to be engaged by a corporation for regular audit.

4.5. The accreditation of an external auditor and/or auditing firm shall expire or it shall be automatically delisted after a period of three (3) years from date of approval of his accreditation unless renewed before expiry date.

SEC. 5. Qualification Requirements

5.1. Individual External Auditors

A. General requirements applicable to all applications for accreditation

i. He shall be in good standing as a professional registered with the Professional Regulation Commission (PRC) and the Board of Accountancy (BOA), and entitled to practice as such under the laws governing the practice of public accounting in the Philippines;

ii. He shall possess the independence as defined in the Code of Professional Ethics for Certified Public Accountants as promulgated by the Board of Accountancy and approved by the Professional Regulation Commission;

iii. He shall adhere to the highest standards of professional conduct, including integrity and objectivity;

B. Specific Requirements

i. At the time of application, the external auditor (i.e. single practitioner or signing partner in an auditing firm) shall have at least five (5) years experience in external audits, of which no less than two (2) years thereof must have been spent in auditing the type of entity for which accreditation is applied for. In exceptional cases, the Commission may consider the participation in industry-specific accounting/auditing seminars conducted by any professional organization or association duly recognized by the Commission or by the BOA/ PRC through a Continuing Professional Education (CPE) Council which they may set up, as compliance with the 2-year requirement.

ii. The audit experience above refers to experience acquired as an in-charge, manager or partner or their equivalent.

iii. At the time of application, the applicant must have had experience as external auditor of corporate clients with minimum asset bases as follows:

For general accreditation (i.e. for public companies and all types of secondary licensees)	at least five (5) clients with total assets of at least P50 million each
For Pre-need companies only	at least three (3) clients with total assets of at least P30 million each.
For All Other Market Participants only	at least three (3) clients with total asset base of at least P20 million each.

iv. An applicant who meets all the qualification requirements for an external auditor of public companies or issuers of securities to the public/listed companies and certifies that he has fundamental knowledge of the requlatory requirements on each of the other secondary licensees shall be granted a GENERAL ACCREDITATION by the Commission which means that he shall be qualified to audit all companies covered by this Circular.

5.2. Auditing Firms

i. The auditing firm must be in good standing and entitled to conduct auditing services under all applicable laws, rules and regulations;

ii. At the time of application, it must have at least one (1) signing practitioner or partner who is already accredited, or who is already qualified and is applying for accreditation by the Commission.

SEC. 6. Application by Individual External Auditors

6.1. For initial accreditation, a duly accomplished and notarized application form (SEC Form ExA-001) shall be submitted by the applicant external auditor to the Commission, together with the following documents:

i. A copy of the Statement of Representation as required under paragraph 3(c)(v) of SRC Rule 68 which may be submitted only once;

ii. Copy of updated PRC license and Certificate of Registration as a public practitioner issued by the Board of Accountancy (BOA)/Professional Regulation Commission (PRC);

iii. Notarized certification of the external auditor that he is in compliance with the qualification requirements under Section 5.1 of this Circular and that he has not been convicted by a competent court for a crime involving moral turpitude or fraud (as defined in the Revised Penal Code), or declared liable by the Commission or by any competent court for violation of the Corporation Code or the Securities Regulation Code.

iv. In case of an application for general accreditation, notarized certification that the applicant has fundamental knowledge of the regulatory requirements on each of the other secondary licensees of the Commission.

6.2 The accreditation may be renewed by filing a duly accomplished renewal application form (SEC Form ExA-001-R) and attaching the following documents:

i. Copy of updated PRC license and of the Certificate of Registration as a public practitioner issued by BOA/PRC which should be current and effective.

ii. Notarized certification of the external auditor that he is in compliance with the qualification requirements under Section 5.1 of this Circular and that he has not been convicted by a competent court for a crime involving moral turpitude, fraud (as defined in the Revised Penal Code), or declared liable by the Commission or by any competent court for violation of the Corporation Code of the Philippines or the SRC.

iii. Written proof that the auditor has attended or participated in relevant accounting and auditing training for at least twelve (12) hours yearly beginning January 01, 2003. Such training shall be in subjects like international accounting standards, international standards of auditing, corporate governance, taxation and other topics relevant to his practice, conducted by any professional organization or association duly recognized/accredited by the Commission or by the BOA/ PRC through a CPE Council which they may set up.

6.3. The application for initial or renewal accreditation of an external auditor shall be accompanied by a fee of Two Thousand Pesos (P2,000.00).

SEC. 7. Application for Accreditation by Auditing Firms

7.1. For initial accreditation, a duly accomplished and notarized application form (SEC Form AuF-002) shall be signed by the managing partner of the auditing firm and shall be submitted to the Commission together with the following documents:

i. Copy of Privilege Tax Receipt (PTR);

ii. Copy of the Certificate of Registration as a public practitioner issued by BOA/PRC to the firm which is current and effective;

iii. Copy of the firm's Pro-Forma Audit Engagement Letter with prospective clients prepared in accordance with Annex "A" of this Circular and/or existing engagement contracts with clients;

iv. Summary of contracts/agreements with its audit clients covered by this Circular involving services other than statutory audit of financial statements;

i. Notarized certification that the firm is in compliance with the general qualification requirements under Section 5.2 of this Circular;

v. Written general description of the following:

a. quality assurance process, such as, but not limited to client acceptance and retention policies, concurring partner review, consultation process, etc.;

b. procedure for monitoring professional ethics and independence from clients;

c. Other quality assurance policies or procedures provided in Philippine Standard on Auditing No. 220 or as may be required by the Commission.

vi. Copy of audited financial statements for the immediately preceding two (2) years;

vii. Undertaking under Oath that the external auditor shall fully cooperate with the regulator by preserving his working papers for a period of seven (7) years and making them available to the Commission's representatives when required or directed to do so.

7.3 The accreditation may be renewed by filing a duly accomplished renewal application form (SEC Form AuF-002-R) with the following documents:

i. Current PTR;

ii. A certified true copy of the Certificate of Registration with BOA/PRC which is valid and effective;

iii. Notarized certification that the firm is in compliance with the general qualification requirements under Section 5.2 .

7.4 The application for initial or renewal accreditation of an auditing firm shall be accompanied by a fee of Five Thousand Pesos (P5,000).

SEC. 8. Operational Requirements

8.1 The accredited auditing firm or external auditor shall not engage in the following non-audit services for his statutory audit clients, unless the safeguards under the *Code of Ethics for CPA's are undertaken by the firm or auditor* to reduce the threat to independence:

i. bookkeeping or other services related to the accounting records or *financial statements of the audit client*;

ii. financial information systems design and implementation;

iii. *appraisal or valuation services, fairness opinions,* or contribution-in-kind reports;

iv. actuarial services;

v. internal audit outsourcing services;

vi. management functions or human resources;

vii. broker or dealer, investment adviser, or investment banking services;

viii. legal services and expert services unrelated to the audit; and

ix. any other services that the Commission may declare as impermissible

8.2 The firm and/or the external auditor shall comply with the following:

i. Terms of its engagement letter and its undertakings, in accordance with the submitted documents pursuant to Section 7 of this Circular;

ii. Generally accepted auditing standards in the Philippines;

iii. Code of Professional Ethics which include independence rules;

iv. Applicable provisions of SRC Rule 68 and 68.1, and other relevant pronouncements of the Commission; and

v. Other pertinent laws, rules and regulations.

8.3 The written procedure for quality assurance and monitoring of professional ethics and independence from clients which is submitted with the application for accreditation shall be complied with. Any change or amendment thereto shall be reported to the Commission not less than ten (10) days prior to its effectivity. If the Commission does not comment or object to the said changes within ninety (90) days from date of submission, the same shall deemed duly noted and shall form part of the records of such accredited firm on file with the Commission.

8.4 The Commission may exercise visitorial power over the accredited firms and external auditors, as it deems necessary.

SEC. 9. Reportorial Requirements

9.1. For the companies covered by this Circular, each shall disclose to the Commission on SEC Form 17-C in case of public companies or issuers of securities to the public, or in a disclosure letter for All Other Market Participants, within five (5) days from receipt of the findings from its external auditors, the matters indicated under Section 9.3 hereof which have been discovered by the latter during the conduct of audit for the company's recently completed fiscal year, and determined in accordance with generally accepted auditing standards.

9.2. Every contract of engagement shall include an arrangement that in case the client-company fails to comply with the reportorial requirement in Section 9.1, the external auditor shall, within thirty (30) business days from the submission of his findings to the client-company, file a report (SEC Form Au-Rep) to the Commission.

9.3. The following findings shall be disclosed:

i. Any material findings involving fraud or error, as defined under Section 3.2 and 3.3;

ii. Losses or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets of the company;

iii. Any finding to the effect that the consolidated assets of the company, on a going concern basis, are no longer adequate to cover the total claims of creditors.

9.4 The external auditor shall submit its findings to the client-company's management/audit committee. The adverse findings in 9.3 (i-iv) shall be discussed by the external auditor with said body in order to preserve the concerns of the supervisory authority and external auditors regarding the confidentiality of the information.

9.5. The external auditor shall document the management's explanation and/or corrective action taken regarding his adverse findings. The same shall be included in the report mentioned under Section 9.2.

9.6. The contract between the company and the external auditor shall contain a provision that the disclosure of information by the external auditor to the Commission shall not be a ground for civil, criminal or disciplinary proceedings against the auditor.

SEC. 10. Grounds for Suspension or Delisting of Accreditation

10.1. An external auditor's accreditation shall be suspended or delisted, after due notice and hearing by the Commission, under any of the following circumstances:

~~i.~~ Failure to submit the report required under Section 9.2 of this Circular in case of non-disclosure under SEC Form 17-C by the client-company, in the case of the companies mentioned under subparagraphs (i) to (iii) of Section 3.5 above, or the required Disclosure reports, in the case of All Other Market Participants;

ii. Continuous conduct of audit despite loss of independence as provided for under the Code of Professional Ethics;

iii. Any willful misrepresentation in the following information/ documents:

a. Application for accreditation;
b. Report required under Section 9.2 of this Circular;
c. Statement of Representation, as required under paragraph 3(c)(v) of SRC Rule 68, except as to the representation provided under sub-paragraph (1) thereof;
d. Notarized certification of the external auditor that he is in compliance with the general qualification requirements under Section 5.1 and that he has not been convicted by a competent court for a crime involving moral turpitude, fraud (as defined in the Revised Penal Code), or declared liable by the Commission or by any competent court for violation of the Corporation Code or the Securities Regulation Code.

iv. The Board of Accountancy (BOA) found that, after due notice and hearing, the external auditor committed an act discreditable to the profession as specified in the Code of Professional Ethics for Certified Public Accountants. In this case, the BOA shall inform the Commission of the results thereof;

v. Declaration of conviction by a competent court of a crime involving moral turpitude, fraud (as defined in the Revised Penal Code), or declaration of liability for violation of the Corporation Code or the Securities Regulation Code;

vi. Refusal for no valid reason, upon lawful order of the Commission, to submit requested documents in connection with an ongoing investigation. The external auditor should however been made aware of such investigation.

vii. Gross negligence in the conduct of audits which would result, among others, in non-compliance with generally accepted auditing standards in the Philippines or issuance of an unqualified opinion which is not supported with full compliance by the auditee with generally accepted accounting principles in the Philippines (GAAP). Such negligence shall be determined by the Commission after proper investigation during which the external auditor shall be given due notice and hearing;

viii. Conduct of any of the non-audit services enumerated under Section 8.1 of this Circular for his statutory audit clients, if he has not undertaken the safeguards to reduce the threat to his independence.

10.2. An external auditor who has been suspended by the Commission shall, after serving the suspension period and prior to his acceptance of any assignment, report the matter to the Commission to update his records with the same.

10.3. An auditing firm's accreditation shall be suspended or delisted, after due notice and hearing, under the following grounds:

a. Any misrepresentation which the Commission may find to be willful, in its application form and pertinent attached certifications;

b. Dissolution of the auditing firm/partnership, as evidenced by an Affidavit of Dissolution submitted to the Board of Accountancy, or upon findings by the Commission that the firm/partnership is dissolved. The accreditation of such firm/partnership shall however be reinstated by the Commission upon showing that the said dissolution was solely for the purpose of admitting new partner/s and thereafter shall be reorganized and re-registered;

c. There is a showing that the accreditation of the following number or percentage of external auditors, whichever is lesser, have been suspended or delisted for whatever reason, by the Commission:

i. at least ten (10) signing partners and currently employed accredited external auditors, taken together; or

ii. such number of external auditors constituting fifty percent (50%) or more of the total number of the firm's signing partners and currently accredited auditors, taken together.

d. The firm or any one of its auditors has been involved in a major accounting/auditing scam or scandal. The suspension or delisting of the said firm shall depend on the gravity of the offense or the impact of said scam or scandal on the investing public or the securities market, as may be determined by the Commission.

e. Refusal for no valid reason, upon order of the Commission, to submit requested documents in connection with an ongoing investigation. The firm should however be made aware of such investigation.

SEC. 11. Sanctions

11.1. Failure to comply with the foregoing requirements shall subject the auditing firm and the responsible external auditor, after due notice and hearing, to the following scale of fines:

	Auditing Firm	External Auditor
First Offense	**P 100,000.00**	**P 50,000.00**
Second Offense	**200,000.00**	**100,000.00**
Third Offense	**400,000.00**	**200,000.00**

11.2. *The foregoing penalties shall be without prejudice to other administrative or criminal* sanctions that may be imposed by the Commission

11.3 These penalties may be reduced by the Commission, upon written request of responsible auditor/firm, depending on the presence of mitigating circumstances for the violation.

11.4. The responsible external auditor's accreditation may also be suspended or delisted after due notice and hearing by the Commission.

11.5 Any company covered by this Circular that knowingly engages the services of an external auditor who is not accredited by the Commission, shall be subject to a penalty of P100,000.00 without prejudice to other administrative sanctions provided under Section 54 of the Securities Regulation Code and its implementing rules and regulations.

SEC. 12. Repealing Clause

This Circular supersedes SEC Memorandum Circular No. 5, Series of 2002, insofar as provisions inconsistent with those in this circular.

SEC. 13. Transitory Provisions

13.1. All external auditors/auditing firms previously accredited to audit Issuers of registered securities or public companies pursuant to SEC Memorandum Circular No. 5 series of 2002 need not re-apply for this purpose.

13.2 Previously accredited auditors shall hold a general accreditation upon submission of the following:

i. an undertaking that he will comply with the additional requirements under Sections 8 and 9 of this Circular; and

ii. *a certification that he has fundamental knowledge of the regulatory* requirements on the other secondary licensees, which shall allow him to audit any of the companies covered by this Circular.

13.3 At the time of renewal of accreditation, external auditors who have been accredited by the Commission up to December 31, 2003, shall present proof of participation or attendance in at least twelve (12) hours of relevant accounting and auditing training for each of the years immediately prior to their renewal date.

SEC. 14. Gender Neutral

It is understood that for purposes of this Circular, the pronoun "he" shall be gender neutral and shall refer to both male and female where applicable.

SEC. 15. Effectivity Clause

This Circular shall take effect October 01, 2003 and will cover audited financial statements with periods beginning January 1, 2004 and thereafter. Early adoption of the additional requirements is, however, encouraged.

Signed on behalf of the Commission on October 23, 2003, Mandaluyong City, Philippines.

LILIA R. BAUTISTA
Chairperson

SECURITIES AND EXCHANGE COMMISSION

SEC FORM ExA-001
INITIAL APPLICATION FOR ACCREDITATION OF AN INDIVIDUAL EXTERNAL AUDITOR

Applying for accreditation to act as external auditor of: (Please check appropriate box):

[ ] Issuers of Registered Securities/Public Companies/Listed Companies,
[ ] Pre need companies
[ ] Finance Companies
[ ] Selected Market Participant: _____
[ ] All Other Market Participants
[ ] All of the above or a General Accreditation

1. Name of Applicant:.....

2. Place of Birth/Birthday:..... Age:.....

3. Telephone number and Complete Address:.....

4. Education:

Course	Name of School	**Year Finished/Honors Received**
Accountancy		
Other Collegiate Course/s		
Post-graduate		

5. CPA Certificate/License Number:..... Date Granted:.....

6. **Audit Experience:**

Name of Firm (if applicable)	**Position/Function**	**Period**	**List of Corporate Clients (indicate amount of assets)**

7. Exhibits

i. A copy of the Statement of Representation as required under paragraph 3(c)(v) of SRC Rule 68 which may be submitted only once;

ii. Copy of updated PRC license and Certificate of Registration as a public practitioner issued by the Board of Accountancy (BOA)/Professional Regulation Commission (PRC);

iii. *Notarized certification of the external auditor that he is in compliance with the* qualification requirements under Section 5.1 of SEC Memorandum Circular No. 13 (Series of 2003) and that he has not been convicted by a competent court for a crime involving moral turpitude or fraud (as defined in the Revised Penal Code), or declared liable by the Commission or by any competent court for violation of the Corporation Code or the Securities Regulation Code.

iv. *In case of an application for general accreditation, notarized certification that the* applicant has fundamental knowledge of the regulatory requirements on each of the other secondary licensees of the Commission.

8. Processing Fee

This application for accreditation has been submitted along with the payment of the prescribed fee in the amount of _____ under O.R. No. _____

I hereby certify that the foregoing information are true and correct.

_____
Applicant's Signature

Date: _____

Place: _____

JURAT

SECURITIES AND EXCHANGE COMMISSION

SEC FORM ExA-001-R
RENEWAL APPLICATION FOR ACCREDITATION OF AN INDIVIDUAL EXTERNAL AUDITOR

Renewal Application for accreditation as external auditor of (Please check appropriate box):

[ ] Issuers of Registered Securities/Public Companies/Listed Companies,
[ ] Pre need companies
[ ] Finance Companies
[ ] Selected Market Participant: _____
[ ] All Other Market Participants
[ ] All of the above or a General Accreditation

1. Name of Applicant:.....2. SEC Accreditation No. .....

3. Place of Birth/Birthday:..... Age:.....

4. Telephone number and Complete Address:.....

5. *Education:*

Course	Name of School	Year Finished/Honors Received
Accountancy		
Other Collegiate Course/s		
Post-graduate		

6. CPA Certificate/License Number:..... Date Granted:.....

7. **Audit Experience:**

Name of Firm (if applicable)	Position/Function	Period	List of Corporate Clients (indicate amount of assets)

8. Exhibits

i. Copy of updated PRC license and of the Certificate of Registration as a public practitioner issued by BOA/PRC which should be current and effective.

ii. Notarized certification of the external auditor that he is in compliance with the qualification requirements under Section 5.1 of SEC Memorandum Circular No. 13 (Series of 2003) and that he has not been convicted by a competent court for a crime involving moral turpitude, fraud (as defined in the Revised Penal Code), or declared liable by the Commission or by any competent court for violation of the Corporation Code of the Philippines or the SRC.

iii. Written proof that the auditor has attended or participated in relevant accounting and auditing training for at least twelve (12) hours yearly beginning January 01, 2003. Such training shall be in subjects like international accounting standards, international standards of auditing, corporate governance, taxation and other topics relevant to his practice, conducted by any professional organization or association duly recognized/accredited by the Commission or by the BOA/ PRC through a CPE Council which they may set up.

9. Processing Fee

This application for accreditation has been submitted along with the payment of the prescribed fee in the amount of _____ under O.R. No. _____

I hereby certify that the foregoing information are true and correct.

_____
Applicant's Signature

Date: _____

Place: _____

JURAT

SECURITIES AND EXCHANGE COMMISSION

SEC FORM AuF-002
INITIAL APPLICATION FOR ACCREDITATION OF AN AUDITING FIRM

1. Name of Firm:.....

2. SEC Certificate of Registration No. (if a registered partnership).....

3. BOA/PRC Registration No..... Date Granted: .....

4. Telephone/Fax number and Complete Address:.....

5. Information on Currently Employed Auditors and Signing Partner/s

Full Name	Position	CPA Certificate/License Number	SEC Accreditation Number*	Status of SEC Accreditation

**Indicate covered companies i.e. public companies, listed or registered issuers of securities, or other market participants.* If not yet accredited, so indicate and disclose *covered companies* including date of filing of application for accreditation. (Use separate sheet where necessary which must be certified as true and correct)

6. Related Foreign CPA/Auditing Firm (if any):

Name of Foreign Firm	Country	Nature and Extent of Relationship

7. Changes in the Firm from Last Accreditation:.....

.....

.....

8. Exhibits

i. Copy of Privilege Tax Receipt (PTR);

ii. Copy of the Certificate of Registration as a public practitioner issued by BOA/PRC to the firm which is current and effective;

iii. Copy of the firm's Pro-Forma Audit Engagement Letter with prospective clients prepared in accordance with Annex "A" of this Circular and/or existing engagement contracts with clients;

iv. Summary of contracts/agreements with its audit clients covered by this Circular involving services other than statutory audit of financial statements;

i. Notarized certification that the firm is in compliance with the general qualification requirements under Section 5.2 of SEC Memorandum Circular No. 13 (Series of 2003);

v. Written general description of the following:

a. quality assurance process, such as, but not limited to client acceptance and retention policies, concurring partner review, consultation process, etc.;

b. procedure for monitoring professional ethics and independence from clients;

c. Other quality assurance policies or procedures provided in Philippine Standard on Auditing No. 220 or as may be required by the Commission.

vi. Copy of audited financial statements for the immediately preceding two (2) years;

vii. Undertaking under Oath that the external auditor shall fully cooperate with the regulator by preserving his working papers for a period of seven (7) years and making them available to the Commission's representatives when required or directed to do so.

9. Processing Fee

This application for accreditation has been submitted along with the payment of the prescribed fee in the amount of _____ under O.R. No. _____.

I hereby submit this duly accomplished Application on behalf of _____(name of the firm) and certify that the information contained herein are true and correct.

_____
Printed Name/Signature

_____
Position

Date: _____

Place:_____

JURAT

SECURITIES AND EXCHANGE COMMISSION

SEC FORM AuF-002-R
RENEWAL APPLICATION FOR ACCREDITATION OF AN AUDITING FIRM

1. Name of Firm:.....

2. SEC Accreditation No. .....

3. SEC Certificate of Registration No. (if a registered partnership).....

4. BOA/PRC Registration No..... Date Granted: .....

5. Telephone/Fax number and Complete Address:.....

6. Information on Currently Employed Auditors and Signing Partner/s

Full Name	Position	CPA Certificate/License Number	SEC Accreditation Number*	Status of SEC Accreditation

**Indicate covered companies i.e. public companies, listed or registered issuers of securities, or other market* participants. If not yet accredited, so indicate and disclose covered companies including date of filing of application for accreditation. (Use separate sheet where necessary which must be certified as true and correct)

7. Related Foreign CPA/Auditing Firm (if any):

Name of Foreign Firm	Country	Nature and Extent of Relationship

8. Changes in the Firm from Last Accreditation:.....

.....

.....

9. Exhibits

i. Current PTR;

ii. A certified true copy of the Certificate of Registration with BOA/PRC which is valid and effective;

iii. Notarized certification that the firm is in compliance with the general qualification requirements under Section 5.2 of SEC Memorandum Circular No. 13 (Series of 2003)

9. Processing Fee

This application for accreditation has been submitted along with the payment of the prescribed fee in the amount of _____ under O.R. No. _____.

I hereby submit this duly accomplished Application on behalf of _____(name of the firm) and certify that the information contained herein are true and correct.

_____
Printed Name/Signature

_____
Position

Date: _____

Place:_____

JURAT

ANNEX "A"

PRO-FORMA AUDIT ENGAGEMENT LETTER

To the Board of Directors
Company name
Address

You have requested that we audit the balance sheet of (name of company) as of (fiscal year end), and the related statements of income, cash flows and changes in stockholders' equity for the year then ending. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our audit will be made with the objective of our expressing an opinion on the financial statements.

We will conduct our audit in accordance with Philippine Standards on Auditing. Those Standards require that we plan and perform the audit and to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation.

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered.

In addition to our report on the financial statements, we expect to provide you with a separate letter concerning any material weaknesses in accounting and internal control systems which come to our knowledge.

We remind you that the responsibility for the preparation of financial statements including adequate disclosure is that of the management of the company. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the company. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

However, as part of our responsibility as an accredited external auditor of the Securities and Exchange Commission, we shall report to the Commission any of the following cases which may have been discovered based on generally accepted auditing standards, if the company fails to disclose the same to the Commission under its current reports:

1. Any material findings involving fraud or error which will reduce the consolidated total assets of the company by five percent (5%);
2. Losses or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets of the company;
3. *Any finding to the effect that the consolidated assets of the company, on a going concern basis* are no longer adequate to cover the total claims of creditors.

We look forward to full cooperation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our audit. Our fees, which will be billed as work progresses, are based on the time required by the individuals

assigned to the engagement plus out-of-pocket expenses. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required.

This letter will be effective for _____ years unless it is terminated, amended or superseded.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit of your financial statements.

Name of company
Acknowledged on behalf of the company by:
Name/Title

_____
(Signature/Date)

Name of Auditor/Auditing Firm:

_____
(Signature/Date)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM Au-Rep

REPORT OF AN ACCREDITED EXTERNAL AUDITOR

1. Name of External Auditor.....

2. Firm's Name (if applicable).....

3. Accreditation number (individual)..... (firm).....

4. Address of Auditor/Firm's principal office Postal Code

.....

5. Telephone number, including area code

.....

6. Name of Client-Company.....

7. Indicate whether company is listed with the Philippine Stock Exchange or not: .....

8. Check (mark) Subject Matter of the Report

   - o Material findings involving fraud or error.
   - o Losses or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets of the company.
   - o Findings to the effect that the consolidated assets of the company, on a going concern basis are no longer adequate to cover the total claims of creditors.

PART I - DISCUSSION

1. Provide a comprehensive discussion on the following:

   a. Any material findings involving fraud or error, defined as follows:.

      Fraud means an intentional act by one or more individuals among management, employees, or third parties that results in a misrepresentation of financial statements, which will reduce the consolidated total assets of the company by five percent (5%). It may involve:

      - Manipulation, falsification or alteration of records or documents.
      - Misappropriation of assets.
      - Suppression or omission of the effects of transactions from records or documents.
      - Recording of transactions without substance.
      - Intentional misapplication of accounting policies
      - Omission of material information.

      Error means an unintentional mistake in financial statements, which will reduce the consolidated total assets of the company by five percent (5%). It may involve:

      - Mathematical or clerical mistakes in the underlying records and accounting data.
      - Oversight or misinterpretation of facts.
      - Unintentional Misapplication of accounting policies.

   c. Losses or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets of the company;

   d. Any finding to the effect that the consolidated assets of the company, on a going concern basis are no longer adequate to cover the total claims of creditors.

2. Disclose the management's explanation and/or corrective action taken regarding the external auditor's adverse findings.

PART II - SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of ..... on ..... 20.....

By: .....
(Signature)

.....
(Printed Name/Accreditation No.)