



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Fifteenth Congress
First Regular Session

HOUSE BILL NO. 1381

Introduced by Honorable Ramon "Red" H. Durano VI

EXPLANATORY NOTE

The accounting profession in the Philippines has grown tremendously, not only in terms of membership, but in scope of activities for the last 47 years since its official recognition through Act No. 3105, the law which created the Board of Accountancy, on March 17, 1923,. Since then, several amendatory legislations had been passed. The most recent is Republic Act No. 9298, the Revised Accountancy Act of 2004.

Over the years, the accounting profession has attained progress in comparison with other professions in the country and gained the confidence and respect of all sectors of the society.

However, in the recent past, our attention was captured by the scandals which rocked corporations worldwide, and these scandals brought to fore the crucial role played by accountants and auditors in curbing corporate abuses. In the United States, the corporate industry disclosed series of abuses perpetrated by top ranking officials of well-established corporations. Firms such as Enron, Andersen and World Com had been accused and found guilty of engaging in illegal activities such as using partnerships to hide losses and selling company stocks while preventing employees from unloading their shares; acting as consultants while serving as its auditor; defrauding investors by using their respective companies as personal piggy banks.

In the Philippines, we had our share of scandals such as the BW Resources and educational pre-need companies including Pacific Plans and College Assurance Plans, which have long defied public trust and confidence due to mismanagement of their respective funds and resources. The GSIS and SSS are likewise being questioned in terms of their capability to sustain funds to pay back their members.

It is also apparent that large sums of money that are expended by unscrupulous businessmen for alleged "kickbacks" to government officials would not go unnoticed if auditors are zealous in the performance of their functions. There could be no other source for these "kickbacks" than the revenues derived from government contracts which should have been properly reported. It is of interest to inquire into the "bona fides" of the auditors who gave their "imprimatur" to the financial statements of firms who have contracts with the government.

The traditional trust reposed upon audited financial statements has been shattered and it affects to a large extent savings and investments not to mention a large chunk of tax revenues. The trust has to be reinstituted through the creation of new institutions that will not only enhance the practice of the profession but will plug the loopholes in the regulatory framework.

"Who audits the auditors?" is often a question that is asked within the circles of auditors themselves.

The question has already been answered by some developed countries who have taken the forefront in creating a credible entity that will conduct a Quality Assurance Review (QAR) of the manner by which the auditing firms perform their statutory duties, their review of the financial status and reports of the entities they are auditing. Added credibility is obtained if the entity is independent, meaning accountable and reporting only to the public. In the USA this entity is called the Public Company Accounting Oversight Board; in the UK it is called the Professional Oversight Board of Accountancy; in Canada it is called the Canadian Public Accountability Board. Each of these entities was created to meet the requirements of their country's law and the needs of their accounting profession. So too in the Philippines, the credible entity should fit our existing laws and meet the specific needs of the Philippine accounting profession.

Under the present law, RA 9298, one of the powers of the Board of Accountancy is to conduct an oversight into the quality of audits of financial statements through a review of the quality control measures instituted by auditors in order to ensure compliance with accounting and auditing standards and practices (Sec. 9h).

Considering the present financial crisis and its impact on the Philippine economy, as well as the collateral damage upon investment and employment opportunities that may arise out of any accounting and auditing scandal that may rock the profession, it is now opportune to have a second look at the powers of the Board of Accountancy. It should be provided with more tools in its kit of regulatory powers, ability to impose sanctions in order to ensure compliance, grant of measures of fiscal autonomy to enable it to effectively shield the country from any future accounting and auditing scandals.

In so doing, we have not only "put the license in order" in so far as the accounting profession is concerned, but we have put in place a mechanism to strengthen investor protection. This will reinvigorate the investments climate

as investor confidence sets in and this will propel the economy to higher levels of growth.

In view of the foregoing, approval of this bill is urgently sought.

A handwritten signature in black ink, appearing to be 'R. Durano VI', with a stylized flourish at the end.

RAMON "RED" H. DURANO VI



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HOUSE BILL NO. 1381

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AN ACT
ENHANCING THE PRACTICE OF ACCOUNTANCY IN THE PHILIPPINES,
CREATING FOR THE PURPOSE THE ACCREDITATION AND QUALITY
ASSURANCE REVIEW COUNCIL, THEREBY AMENDING REPUBLIC ACT NO.
9505, KNOWN AS THE "PHILIPPINE ACCOUNTANCY ACT OF 2004",
APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

*Be it enacted by the Senate and House of Representatives of the Philippines in
Congress assembled:*

ARTICLE I

TITLE, DECLARATION OF POLICY, OBJECTIVE
AND SCOPE OF PRACTICE

X X X

SEC. 1. Section 2 is hereby amended to include another paragraph, to read
as follows:

"SEC. 2. *Declaration of Policy.* -

X X X

THE STATE LIKEWISE PROMOTES THE VALUE OF CREDIBLE AUDITS
OF FINANCIAL REPORTS IN ORDER TO BOOST THE NATION'S CONFIDENCE
AND RELIANCE ON AUDITORS. THIS SHALL ENCOURAGE INVESTMENTS,
BOTH FOREIGN AND LOCAL, MINIMIZE GRAFT AND CORRUPTION, AND

ENHANCE REVENUE COLLECTIONS THAT ARE VITAL TO PROVIDING EMPLOYMENT OPPORTUNITIES AND CREATING AN ENVIRONMENT CONDUCTIVE TO ECONOMIC DEVELOPMENT AND GROWTH".

SEC. 2. Section 3 of the same Act is amended to read as follows:

"SEC. 3. **Objectives.** - This Act shall provide for and govern:

[a. The standardization and regulation of accounting education;]

- A. THE IMPROVEMENT OF THE INTEGRITY, COMPETENCE AND TRANSPARENCY OF PROFESSIONAL ACTIVITIES IN THE PRACTICE OF ACCOUNTANCY IN THE PHILIPPINES;

[b. The examination of registration of certified public accountants;]

- B. THE PROMOTION OF HIGH QUALITY REPORTING OF FINANCIAL AND NON-FINANCIAL INFORMATION BY CERTIFIED PUBLIC ACCOUNTANTS THROUGH THE QUALITY ASSURANCE REVIEW OF ALL SOLE PRACTITIONERS, PARTNERS OR MEMBERS OF AUDITING FIRMS IN THEIR PERFORMANCE OF THE AUDIT FUNCTION THUS ENHANCING THE CREDIBILITY OF FINANCIAL REPORTING;

[c. The supervision, control, and regulation of the practice of accountancy in the Philippines]

- C. THE PROMOTION OF THE HIGHEST STANDARDS AMONG CERTIFIED PUBLIC ACCOUNTANTS THUS IMPROVING THE QUALITY OF ACCOUNTING AND AUDIT SERVICES AND OTHER FUNCTIONS PERFORMED BY CERTIFIED PUBLIC ACCOUNTANTS;
- D. THE STANDARDIZATION AND REGULATION OF ACCOUNTING EDUCATION;
- E. THE EXAMINATION FOR REGISTRATION OF CERTIFIED PUBLIC ACCOUNTANTS AND THEIR ACCREDITATION TO PRACTICE THEIR PROFESSION THROUGHOUT THE PHILIPPINES BEFORE ANY PRIVATE ENTITY OR GOVERNMENT REGULATORY BODY;

- F. THE SUPERVISION, CONTROL, AND REGULATION OF THE PRACTICE OF ACCOUNTANCY IN THE PHILIPPINES; AND
- G. THE PROMOTION OF THE DEVELOPMENT OF THE ACCOUNTANCY PROFESSION”.

SEC. 3. Section 4 (a) is amended to include another paragraph, to read as follows:

“SEC. 4. **Scope of Practice.** - The practice of accountancy shall include, but not limited to, the following:

- a. XXX

THE SUPERVISION AND MANAGEMENT OF PERSONS, FIRMS OR PARTNERSHIPS ENGAGED IN THE PRACTICE OF PUBLIC ACCOUNTANCY SHALL BE CONSIDERED ALSO AS PRACTICE OF PUBLIC ACCOUNTANCY.

ARTICLE II

PROFESSIONAL REGULATORY BOARD OF ACCOUNTANCY

SEC. 4. Section 9 of the same Act is hereby amended as follows:

“SEC. 9. **Powers and Functions of the Board.** - The Board shall exercise the following specific powers, functions and responsibilities:

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XXX

XXX

- d. To issue, suspend, revoke, reinstate the Certificate of Registration for the practice of the accountancy profession AS WELL AS THE ACCREDITATION FOR ACCOUNTANTS IN THE PRACTICE OF ACCOUNTANCY IN ALL SECTORS;

XXX

XXX

- g. To monitor the conditions affecting the practice of accountancy and adopt such measures, including promulgation of, AND ENSURING COMPLIANCE WITH,

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] ASSURANCE standards: *PROVIDED*, That domestic accounting and [auditing]ASSURANCE standards, rules and regulations shall include the international accounting and [auditing] ASSURANCE standards, and generally accepted best practices;

h. To conduct an oversight into the quality of audits of financial statements through [a review of the quality control measures instituted by auditors in order to ensure compliance with the accounting and auditing standards and practices] THE ACCREDITATION AND QUALITY ASSURANCE REVIEW COUNCIL, IN ORDER TO DETERMINE WHETHER A SOLE PRACTITIONER OR AN AUDIT PARTNER OR A STAFF MEMBER IS SUBJECT TO OR THE FIRM HAS AN ADEQUATE SYSTEM OF QUALITY CONTROL, OR IS IN COMPLIANCE WITH SUCH SYSTEM, AND HAS ADHERED TO PROFESSIONAL STANDARDS AND PRACTICES, AS WELL AS WITH REGULATORY AND LEGAL REQUIREMENTS IN ONGOING ENGAGEMENTS;

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j. The Board may, *motu proprio* in its discretion, OR UPON VERIFIED COMPLAINT, make such investigations as it deems necessary to determine whether any person has violated any provisions of this law, any accounting or [auditing] ASSURANCE standard or rules duly promulgated by the Board as part of the rules governing the practice of accountancy AS WELL AS TO IMPOSE THE ADMINISTRATIVE PENALTIES THAT MAY BE PRESCRIBED BY ADMINISTRATIVE BODIES IN GENERAL, AS WELL AS THOSE THAT ARE PROVIDED FOR UNDER THIS ACT;

k. To issue a cease or desist order to any person, associations, partnership or corporation engaged in violation of any provision of this Act, any accounting or [auditing] ASSURANCE standards or rules duly promulgated by the Board as part of the rules governing the practice of accountancy in the Philippines;

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n. To ensure, in coordination with the Commission on Higher Education (CHED) or other authorized government offices that all higher educational instruction and offering of accountancy comply with the policies, standards and requirements of the course prescribed by CHED or other authorized government offices in the areas of curriculum, faculty, library and facilities; [and]

O. TO RECOMMEND LEGISLATION THAT WOULD FURTHER THE OBJECTIVES OF THIS ACT SPECIFICALLY ON MATTERS RELATING TO FINANCIAL AND NON-FINANCIAL REPORTING, ACCOUNTING AND AUDITING; AND

[o] P. X X X

ARTICLE III EXAMINATION, REGISTRATION AND LICENSURE

SEC. 5. Section 21 is hereby amended to read as follows:

"SEC. 21. *Roster of Certified Public Accountants.* - [A] AN ALPHABETICAL roster showing the names and place of business of all registered certified public accountants, THEIR CERTIFICATES OF REGISTRATION NUMBERS AND DATES OF REGISTRATION, THE LATEST DATE OF PAYMENT OF THE REQUIRED RENEWAL FEES shall be prepared and updated by the Board, and copies thereof shall be made available to any party as may be deemed necessary[.], *PROVIDED*, THAT GOVERNMENT OFFICES SHALL NOT BE SUBJECT TO ANY PAYMENT FOR SECURING A COPY OF THE ROSTER, AND THAT THIS ROSTER SHALL BE UPDATED ONCE EVERY TWO (2) YEARS. THE BOARD MAY, AT ITS OPTION, POST THE ROSTER OVER THE INTERNET".

SEC. 6. Section 25 of the same Act is amended to read as follows:

"SEC. 25. *Reinstatement, Reissuance and Replacement of Revoked or Lost Certificates.* - The Board may, after the expiration of [two (2)] THREE (3) years from the date of revocation of a certificate of registration and upon application and for reasons deemed proper and sufficient, reinstate the validity of a revoked certificate of registration and in so doing, may, in its discretion, exempt the applicant from taking another examination".

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ARTICLE IV
PRACTICE OF ACCOUNTANCY

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SEC. 7. Section 28 is hereby amended to read as follows:

"SEC. 28. ***Limitation of the Practice of Public Accountancy.*** - Single practitioners and partnerships for the practice of public accountancy shall be registered certified public accountants in the Philippines: *Provided*, That from the effectivity of this Act, a certificate of accreditation shall be issued to certified public accountants in public practice only upon showing, in accordance with rules and regulations promulgated by the Board, UPON THE RECOMMENDATION OF THE ACCREDITATION AND QUALITY ASSURANCE REVIEW COUNCIL, and approved by the Commission, that such registrant has acquired a minimum of three (3) years meaningful experience in any of the areas of public practice including taxation: *Provided, further*, That this requirement shall not apply to those already granted a certificate of accreditation prior to the effectivity of this Act [.] : *PROVIDED, FURTHER*, THAT THE CERTIFIED PUBLIC ACCOUNTANTS MAY, FOR THE PURPOSE OF THE PRACTICE OF THE ACCOUNTANCY PROFESSION, FORM A LIMITED LIABILITY PARTNERSHIP, WHOSE MEMBERSHIP SHALL NOT BE LESS THAN FIVE (5) CERTIFIED PUBLIC ACCOUNTANTS, WHOSE INDIVIDUAL LIABILITY DOES NOT EXCEED THE MINIMUM CAPITAL CONTRIBUTION OF ONE HUNDRED THOUSAND PESOS (P 100,000.00) EACH, UNLESS A HIGHER AMOUNT OF CAPITAL CONTRIBUTION AND LIABILITY IS PROVIDED FOR IN THE ARTICLES OF CO-PARTNERSHIP, SUBJECT TO THE LIABILITIES OF CERTIFIED PUBLIC ACCOUNTANTS UNDER THE PROVISION OF THE SECURITIES REGULATION CODE, AND THAT THERE WOULD BE UNLIMITED LIABILITY IF THE DAMAGE WAS CAUSED BY THE LIMITED LIABILITY PARTNERSHIP THROUGH FRAUD OR VIOLATION OF ANY EXISTING LAW: *PROVIDED, FURTHER*, THAT THE SECURITIES AND EXCHANGE COMMISSION SHALL NOT REGISTER ANY PARTNERSHIP THAT SHALL ENGAGE IN THE PRACTICE OF PUBLIC ACCOUNTANCY WITHOUT THE PRIOR APPROVAL OF

THE BOARD, AND *PROVIDED, FINALLY*, THAT [.] the Securities and Exchange Commission shall not register any corporation organized for the practice of public accountancy.

SEC. 8. Insert a new section after Section 28 of the same Act, to be designated as Section 29 and renumber succeeding sections. The new section shall read as follows:

"SEC. 29. **CREATION OF THE ACCREDITATION AND QUALITY ASSURANCE REVIEW COUNCIL (AQARC).** - A. THERE IS HEREBY CREATED, AS AN INDEPENDENT BODY SUBJECT ONLY TO THE ADMINISTRATIVE SUPERVISION OF THE BOARD, TO BE KNOWN AS THE ACCREDITATION AND QUALITY ASSURANCE REVIEW COUNCIL, WHOSE PURPOSES AND DUTIES SHALL INCLUDE THE FOLLOWING:

- I. TO REVIEW APPLICATIONS FOR ACCREDITATION TO PRACTICE ACCOUNTANCY, BEFORE ANY REGULATORY BODY IN THE PHILIPPINES, SUCH AS THE SECURITIES AND EXCHANGE COMMISSION (SEC), THE BANGKO SENTRAL NG PILIPINAS (BSP), THE INSURANCE COMMISSION (IC) AND THE BUREAU OF INTERNAL REVENUE (BIR), AND TO RECOMMEND THE APPROVAL OF SUCH APPLICATIONS TO THE BOARD, *PROVIDED*, THAT ONLY DULY ACCREDITED CERTIFIED PUBLIC ACCOUNTANTS MAY BE ALLOWED TO APPEAR AND REPRESENT CLIENTS BEFORE THE AFORESAID BODIES ON ANY MATTER REQUIRING THE EXPERTISE OF A CERTIFIED PUBLIC ACCOUNTANT IN ACCOUNTING AND ASSURANCE;
- II. TO RECOMMEND THE ACCREDITATION OF CPAs IN PUBLIC PRACTICE UPON COMPLIANCE WITH THE IMPLEMENTING RULES AND REGULATIONS OF THE BOARD;
- III. TO PROMOTE, PUBLICLY AND PROACTIVELY, HIGH QUALITY EXTERNAL AUDITS;

- IV. THROUGH ITS AUDIT INSPECTION UNIT (AIU), TO MONITOR THE QUALITY OF AUDITS AND IMPLEMENT THE QUALITY ASSURANCE REVIEW (QAR) PLAN FOR THE YEAR;
- V. TO RECOMMEND TO THE BOARD THE APPROVAL OF THE QUALITY ASSURANCE REVIEW (QAR) PLAN FOR THE YEAR, WHICH MAY BE APPROVED BY THE BOARD WITHOUT REFERRAL TO THE COMMISSION;
- VI. TO OBTAIN INDEPENDENT TECHNICAL ADVICE ON THE SUBJECT OF QUALITY ASSURANCE WHEN NEEDED AND APPROPRIATE;
- VII. TO RECEIVE AND EVALUATE THE REPORTS AND RECOMMENDATIONS OF THE AIU, AND SUBMIT THEM TO THE BOARD FOR SUCH ACTION AS MAY BE NECESSARY UNDER THE PREMISES, INCLUDING THE IMPOSITION OF ADMINISTRATIVE SANCTIONS, IN ACCORDANCE WITH THE IMPLEMENTING RULES AND REGULATIONS TO BE PROMULGATED IN ACCORDANCE WITH THIS ACT, AND THE PUBLICATION OF THE DETAILS OF THE VIOLATIONS TO SERVE AS A WARNING TO THE GENERAL PUBLIC AND TO THE MEMBERS OF THE ACCOUNTANCY PROFESSION;
- VIII. TO PREPARE AN ANNUAL REPORT TO BE ISSUED BY THE BOARD TO BOTH HOUSES OF CONGRESS SHOWING THE ACTIVITIES OF THE AQARC WITH APPROPRIATE RECOMMENDATIONS FOR ANY ACTION THAT MAY BE UNDERTAKEN BY CONGRESS INCLUDING PROPOSED LEGISLATION OR AMENDMENTS TO EXISTING LEGISLATION ON THE MATTER OF PROTECTING THE INTEGRITY OF AUDITS OF FINANCIAL STATEMENTS.

B. THE FOLLOWING ARE THE MEMBERS OF THE AQARC WHO SHALL ALL BE REGISTERED CERTIFIED PUBLIC ACCOUNTANTS, EXCEPT THE REPRESENTATIVE FROM THE BUSINESS COMMUNITY WHO NEED NOT BE A CERTIFIED PUBLIC ACCOUNTANT: *PROVIDED*, THAT NO MEMBER

SHALL BE FINANCIALLY OR OTHERWISE INTERESTED IN AN AUDIT FIRM THAT MAY BE SUBJECT TO THE QUALITY ASSURANCE REVIEW, WHETHER DIRECTLY OR INDIRECTLY, *PROVIDED, FURTHER*, THAT NO MEMBER SHALL BE RELATED WITHIN THE FOURTH CIVIL DEGREE OF CONSANGUINITY OR AFFINITY WITH ANY SOLE PRACTITIONER, PARTNER, OR STAFF MEMBER OF ANY FIRM THAT IS THE SUBJECT OF THE QUALITY ASSURANCE REVIEW BY THE COUNCIL:

- I. CHAIRMAN – A PERSON FROM THE BUSINESS COMMUNITY WITH KNOWN INTEGRITY AND PROBITY, PREFERABLY THE INCUMBENT PRESIDENT OR CHAIRMAN OF ANY OF THE NATIONAL CHAMBERS OF COMMERCE AND INDUSTRY IN THE PHILIPPINES, WHO SHALL BE INVITED BY THE BOARD, TO SERVE A TERM THAT IS CO-TERMINOUS WITH HIS TERM AS PRESIDENT OR CHAIRMAN OF THE NATIONAL CHAMBER OF COMMERCE OR INDUSTRY HE REPRESENTS;
- II. VICE-CHAIRMAN – THE CHAIRMAN OF THE BOARD, OR ANY OF HIS DESIGNATED ALTERNATE FROM ANY MEMBER OF THE BOARD SHALL BE THE VICE-CHAIRMAN OF THE ACCREDITATION AND QUALITY ASSURANCE REVIEW COUNCIL, WHOSE TERM AS VICE-CHAIRMAN SHOULD BE CO-TERMINOUS WITH HIS TERM AS A MEMBER OF THE BOARD;
- III. MEMBERS –
 - A. ONE DESIGNEE EACH FROM THE SEC, BSP, BIR, IC, THE ACCREDITED PROFESSIONAL ORGANIZATION FOR CPAs, THE PHILIPPINE STOCK EXCHANGE (PSE) AND THE CHIEF INSPECTOR OF THE AUDIT INSPECTION UNIT.
 - C. THERE SHALL BE CREATED AN AUDIT INSPECTION UNIT WHICH SHALL BE ATTACHED TO THE ACCREDITATION AND QUALITY ASSURANCE REVIEW COUNCIL. THE AIU SHALL ASSIST THE COUNCIL IN EFFECTUATING ITS DUTIES AND RESPONSIBILITIES. THE COMPOSITION, DUTIES AND RESPONSIBILITIES OF THE AIU SHALL BE DEPENDENT UPON THE NEEDS OF

THE COUNCIL WHICH THE BOARD, UPON RECOMMENDATION OF THE COUNCIL, SHALL DETERMINE FROM TIME TO TIME. ITS MEMBERS SHALL BE ENGAGED ON A CONSULTANCY BASIS SUBJECT TO SUCH TERMS AND COMPENSATION AS MAY BE AGREED UPON AND SUBJECT TO REIMBURSEMENT OF ACTUAL COSTS AND EXPENSES. THE MEMBERS OF THE AIU SHALL ALL BE REGISTERED CERTIFIED PUBLIC ACCOUNTANTS WITH AT LEAST FIVE (5) YEARS EXPERIENCE AS AN AUDITOR, AND MUST NOT BE FINANCIALLY OR OTHERWISE INTERESTED IN AN AUDIT FIRM THAT MAY BE SUBJECT TO QUALITY ASSURANCE REVIEW, NOR RELATED TO ANY SOLE PRACTITIONER, STAFF MEMBER, OR PARTNER OF ANY FIRM WITHIN THE FOURTH DEGREE OF CONSANGUINITY OR AFFINITY.

D. THAT THE MEMBERS OF THE BOARD, THE AQARC AND THE AIU SHALL NOT BE LIABLE TO ANY PERSON, WHETHER NATURAL OR JURIDICAL, FOR DAMAGES, ACTUAL, MORAL OR OTHERWISE, FOR ANY ACT RESULTING FROM THE PERFORMANCE OF THEIR DUTIES AND FUNCTIONS UNDER THIS ACT, EXCEPT ONLY IF THEY ARE SHOWN TO BE GROSSLY NEGLIGENT OR HAVE ACTED IN BAD FAITH OR HAVE VIOLATED THE LAWS AND RULES THAT ARE APPLICABLE TO PUBLIC OFFICERS AND EMPLOYEES, SUCH AS BUT NOT LIMITED TO THE CODE OF ETHICAL CONDUCT FOR PUBLIC OFFICERS, AND ANTI-GRAFT AND CORRUPT PRACTICES ACT".

SEC. 9. Section 29 of the same Act is hereby amended to read as follows:

"SEC. [29] 31. **Ownership of Working Papers.** - All working papers, schedules and memoranda made by a certified public accountant and his staff in the course of an examination, including those prepared and submitted by the client, incident to or in the course of an examination, by such certified public accountant, except reports submitted by a certified public accountant to a client shall be treated confidential and privileged and remain the property of such certified public accountant in the absence of a written agreement between the certified public accountant and the client, to the contrary, unless such documents are required to be produced through *subpoena* issued by any court, tribunal, or government regulatory or administrative body [.] INCLUDING THE ACCREDITATION AND QUALITY ASSURANCE REVIEW COUNCIL CREATED UNDER THIS ACT".

SEC. 10. Section 30 is hereby amended to read as follows:

"SEC. [30]31. **Accredited Professional Organization.** - All registered certified public accountants whose names appear in the roster of certified public accountants shall be united and integrated through their membership in a one and only registered and accredited national professional organization of registered and licensed certified public accountants, which shall be registered with the Securities and Exchange Commission as a non-profit corporation and recognized by the Board, subject to the approval of the Commission. [The members of the said integrated and accredited national professional organization shall receive benefits and privileges appurtenant thereto upon payment of required fees and dues.] THE PRESENT ACCREDITED PROFESSIONAL ORGANIZATION SHALL BE THE ACCREDITED PROFESSIONAL ORGANIZATION RECOGNIZED UNDER THIS ACT UNTIL REPLACED IN ACCORDANCE WITH THE RULES AND REGULATIONS PROMULGATED BY THE COMMISSION. ALL CERTIFIED PUBLIC ACCOUNTANTS WHO REGISTERED AS SUCH AS OF THE EFFECTIVITY OF THIS ACT, WHETHER PRACTICING THEIR PROFESSION OR NOT, ARE AUTOMATICALLY MEMBERS OF THE ACCREDITED PROFESSIONAL ORGANIZATION. ALL THOSE WHO ARE ISSUED THEIR CERTIFICATES OF REGISTRATION AS CERTIFIED PUBLIC ACCOUNTANTS ARE ALSO AUTOMATICALLY MEMBERS OF THE ACCREDITED PROFESSIONAL ORGANIZATION. MEMBERSHIP IN GOOD STANDING IN THE SAID INTEGRATED AND ACCREDITED NATIONAL PROFESSIONAL ORGANIZATION SHALL BE MANDATORY AND A PRE-REQUISITE FOR THE RENEWAL OF THE PROFESSIONAL IDENTIFICATION CARD. THEY SHALL RECEIVE BENEFITS AND PRIVILEGES APPURTENANT THERETO UPON PAYMENT OF REQUIRED FEES AND DUES. FAILURE TO PAY THE REQUIRED ASSOCIATION DUES SHALL RESULT TO SUSPENSION OR CANCELLATION OF THE REGISTRATION OF ANY CERTIFIED PUBLIC ACCOUNTANT AFTER THE REQUISITE DUE PROCESS. Membership in the integrated organization shall not be a bar to membership in any other association of certified public accountants".

SEC. 11. Section 31 of the same Act is hereby amended as follows:

"SEC. [31] 32. **Accreditation to Practice Public Accountancy.** - Certified public accountants, firms and partnership of certified public accountants, engaged in the practice of public accountancy, including partners and staff members thereof, shall register with the Commission and the Board, UPON THE FAVORABLE RECOMMENDATION OF THE AQARC, such registration to be renewed every three (3) years, SUBJECT TO SUCH RECOMMENDATION; *Provided*, That subject to the

approval of the Commission, the Board shall promulgate rules and regulations for the implementation of registration requirements including the fees and penalties for violation thereof".

SEC. 12. Section 32 of the same Act is hereby amended to read as follows:

"SEC. [32] 33. **Continuing Professional Education (CPE) Program.** - All certified public accountants REQUIRED TO UNDERGO A CONTINUING PROFESSIONAL EDUCATION (CPE) shall abide by the requirements, rules and regulations on continuing professional education to be promulgated by the Board, subject to the approval of the Commission, in coordination with the accredited national professional organization of certified public accountants or any duly accredited educational institutions. For this purpose, a CPE council is hereby created to implement the CPE program".

SEC. 13. Section 33 is hereby amended to read as follows:

"SEC. [33] 34. **SEAL AND USE OF SEAL.** - All licensed certified public accountants shall obtain and use a seal of a design prescribed by the Board bearing the registrant's name, registration number and title. THE INDIVIDUAL SEAL OF A LICENSED CERTIFIED PUBLIC ACCOUNTANT SHALL REQUIRE THE APPROVAL OF THE BOARD IN ORDER TO BE VALID. The auditor's reports shall be stamped with the said seal, indicating therein his/her CPA LICENSE NUMBER, ACCREDITATION NUMBER IF ANY AND DATE OF EXPIRATION, current Professional Tax Receipt (PTR) number, date/place of payment when filed with government authorities, [or when used professionally] THE CPA'S OFFICE ADDRESS WHICH MUST NOT BE A POST OFFICE BOX NUMBER, AND THE CPE COMPLIANCE AND THE ISSUING BODY; *PROVIDED*, THAT AUDIT REPORTS AND OTHER DOCUMENTS THAT ARE TO BE SIGNED BY LICENSED CERTIFIED PUBLIC ACCOUNTANTS ARE NOT VALID AND DO NOT HAVE PROBATIVE VALUE IF NOT PROPERLY SEALED AND DO NOT CONTAIN THE FOREGOING INFORMATION".

SEC. 14. Section 34 of the same Act is hereby amended to read as follows:

"SEC. [34] 35. **Foreign Reciprocity.** - Subject or citizen of foreign countries may be allowed to practice accountancy in the Philippines in accordance with the provisions of existing law, international treaty obligations including mutual recognition

agreements entered into by the Philippine government with other countries. A person who is not a citizen of the Philippines shall not be allowed to practice accountancy in the Philippines unless he/she can prove, in the manner provided by the Rules of Court that, by specific provision of law, the country of which he/she is a citizen, subject or national admits citizens of the Philippines to the practice of the same profession without ANY IMMIGRATION OR VISA restrictionS ON THE FREE ENTRY INTO SUCH COUNTRY OF CITIZENS OF THE PHILIPPINES WHO INTEND TO PRACTICE THE ACCOUNTANCY PROFESSION".

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ARTICLE V PENAL AND FINAL PROVISIONS

SEC. 15. Section 36 is amended to read as follows:

"SEC. [36] 37. **Penal Provision.** - Any person who shall violate any of the provisions of this Act or any of its implementing rules and regulations as promulgated by the Board subject to the approval of the Commission, shall upon conviction be punished [by a fine of not less than Fifty Thousand Pesos (P50,000.00) or by imprisonment for a period not exceeding two (2) years or both] IN THE FOLLOWING MANNER:

FIRST OFFENSE. A FINE OF NOT LESS THAN ONE HUNDRED THOUSAND PESOS (P100,000.00) OR BY IMPRISONMENT FOR A PERIOD OF NOT LESS THAN SIX (6) YEARS OR BOTH FINE AND IMPRISONMENT AT THE DISCRETION OF THE COURT. CERTIFIED PUBLIC ACCOUNTANTS WHO ARE FOUND GUILTY OF THE ABOVE VIOLATIONS SHALL, IN ADDITION, BE AUTOMATICALLY SUSPENDED FROM PRACTICING THEIR PROFESSION FOR A PERIOD NOT EXCEEDING THREE (3) YEARS FROM DATE OF CONVICTION;

SECOND OFFENSE. COMMITTED WITHIN TWO (2) YEARS FROM COMMISSION OF THE FIRST OFFENSE AS FOUND IN THE JUDGMENT OF CONVICTION FOR THE FIRST OFFENSE: A FINE OF NOT LESS THAN THREE HUNDRED THOUSAND PESOS (P300,000.00) OR BY IMPRISONMENT FOR A PERIOD OF NOT LESS THAN EIGHT (8) YEARS OR BOTH FINE AND IMPRISONMENT AT THE DISCRETION OF THE COURT. CERTIFIED PUBLIC ACCOUNTANTS WHO ARE FOUND GUILTY OF THE ABOVE VIOLATIONS

SHALL, IN ADDITION, BE AUTOMATICALLY SUSPENDED FROM PRACTICING THEIR PROFESSION FOR A PERIOD NOT EXCEEDING FIVE (5) YEARS FROM DATE OF CONVICTION;

THIRD AND SUCCEEDING OFFENSES. COMMITTED WITHIN TWO (2) YEARS FROM COMMISSION OF THE SECOND OFFENSE AS FOUND IN THE JUDGMENT OF CONVICTION FOR THE SECOND OFFENSE. A FINE OF NOT LESS THAN FIVE HUNDRED THOUSAND PESOS (P500,000.00) AND IMPRISONMENT OF NOT LESS THAN EIGHT (8) YEARS. CERTIFIED PUBLIC ACCOUNTANTS WHO ARE FOUND GUILTY OF THE ABOVE VIOLATIONS SHALL, IN ADDITION, BE FOREVER DEBARRED FROM PRACTICING THEIR PROFESSION".

SEC. 16. Section 40 of the same Act is hereby amended to read as follows:

"SEC. [40]41. **Funding Provision.** - The chairperson of the Professional Regulation Commission shall immediately include the Commission's programs the implementation of this Act, the funding of which shall be included in the annual General Appropriations Act.

THE SUM OF TWENTY FIVE MILLION PESOS (P25,000,000.00) IS HEREBY IMMEDIATELY APPROPRIATED AND A CONTINUING APPROPRIATION OF TWENTY MILLION (P20,000,000.00) ANNUALLY TO BE PART OF THE PROVISIONS OF THE GENERAL APPROPRIATIONS ACT WHICH SHALL BE EXPENDED EXCLUSIVELY FOR THE IMPLEMENTATION OF THE PROVISIONS OF THIS ACT WITH REGARD TO THE OPERATION OF THE ACCREDITATION AND QUALITY ASSURANCE REVIEW COUNCIL AND THE AUDIT INSPECTION UNIT, SUBJECT TO THE USUAL COMMISSION ON AUDIT RULES AND REGULATIONS; *PROVIDED*, THAT THE BOARD MAY DETERMINE REASONABLE FEES TO BE COLLECTED FOR THE ACCREDITATION OF CERTIFIED PUBLIC ACCOUNTANTS AND FOR MONITORING THE QUALITY OF AUDITS WHICH AMOUNTS SHALL BE USED EXCLUSIVELY FOR THE OPERATION OF THE BOARD; *PROVIDED, FURTHER*, THAT ALL EXPENDITURES OF THE BOARD SHALL BE SUBJECT TO THE USUAL COMMISSION ON AUDIT RULES AND REGULATIONS; *PROVIDED FINALLY*, THAT ANY UNEXPENDED SURPLUS FOR ANY GIVEN YEAR SHALL AUTOMATICALLY REVERT TO THE GENERAL FUND OF THE GOVERNMENT".

SECTION 17. Section 41 of the same Act is hereby amended to read as follows:

"SEC. [41]42. ***Transitory Provision.*** - The incumbent chairman and members of the Board shall continue to serve in their respective positions under the terms for they have been appointed under [Presidential Decree No. 692] REPUBLIC ACT NO. 9298, THE PHILIPPINE ACCOUNTANCY LAW OF 2004 without the need of new appointments: *PROVIDED, THAT APPOINTMENTS UNDER THIS ACT SHALL BE CONSIDERED AS FIRST TIME APPOINTMENTS FOR PURPOSES OF APPLYING SECTION 7 OF THIS ACT*".

[All graduates with a Bachelors Degree, major in Accounting shall be allowed to take the CPA Licensure Examination within two (2) years from the effectivity of this Act under the rules and regulations to be promulgated by the Board subject to the approval by the Commission.]

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Approved,