



Republic of the Philippines
Professional Regulation Commission
Manila



PROFESSIONAL REGULATORY BOARD OF ACCOUNTANCY

Resolution No. 55
Series of 2023

ADOPTION OF THE 2021 EDITION OF THE INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA) INTERNATIONAL CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS, INCLUDING THE INTERNATIONAL INDEPENDENCE STANDARDS, AS THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS IN THE PHILIPPINES (2021 EDITION), AND PRESCRIBING AMENDMENTS THERETO

WHEREAS, Section 9, Article II of Republic Act (R.A.) No. 9298, also known as the "Philippine Accountancy Act of 2004", provides for the power and function of the Professional Regulatory Board of Accountancy (Board) to prescribe and/or adopt a Code of Ethics for the practice of Accountancy;

WHEREAS, the International Federation of Accountants (IFAC) has adopted the 2021 edition of the International Code of Ethics for Professional Accountants, including the International Independence Standards (2021 IESBA Code), issued by the International Ethics Standards Board for Accountants (IESBA) which replaces the 2020 edition, with the following changes:

- The revisions to address the objectivity of an engagement quality reviewer (EQR) and other appropriate reviewers. The revisions were published on the IESBA website in January 2021. The EQR revisions provide guidance that support the International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews and address the eligibility of an individual to serve in an EQR role, focusing on the critical attribute of objectivity.
- The revised Non-Assurance Services (NAS) and fee-related provisions that were published on the IESBA website in April 2021. Key revisions include:
 - A new prohibition on firms from providing to an audit client that is a Public Interest Entity (PIE) a NAS that might create a self-review threat;
 - Strengthened provisions that specify the circumstances in which firms and network firms may or may not provide a NAS to an audit client;
 - A requirement that a firm shall not allow the audit fee to be influenced by the provision of services other than audit to an audit client by the firm or a network firm;
 - Strengthened provisions to address fee dependency at the firm level;
 - New provisions to stimulate greater public transparency about fees paid by PIE audit clients; and
 - New provisions to promote more robust engagement between auditors and those charged with governance of PIEs about independence matters relating to NAS and fees.

WHEREAS, the Philippine Institute of Certified Public Accountants (PICPA), the Accredited Integrated Professional Organization (AIPO) for Certified Public Accountants in the Philippines, being a member of the IFAC, is committed to the IFAC's broad objective of developing guidance on ethics for professional accountants that will improve the degree of uniformity of professional ethics throughout the world;

WHEREAS, the 2021 IESBA Code was approved by the PICPA Board of Directors, upon the recommendation of its Ethics Committee, and which was endorsed to the Board and

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the Commission for adoption as the new *Code of Ethics for Professional Accountants in the Philippines*.

WHEREAS, in considering the proposed Resolution, the Board and the Commission adhere to the fundamental rule that in case of conflict between the provisions of the Code and that of a domestic law, the latter shall prevail;

NOW THEREFORE, the Board **RESOLVES**, as it is hereby **RESOLVED** to:

1. Adopt the 2021 IESBA Code to be known and referred to as "The Code of Ethics for Professional Accountants in the Philippines" (2021 edition) [Annex A], subject to certain changes and revisions as herein set forth;
2. Implement Sections 260.20 A1 to R260.26, 360.25 A1 to R360.27, and 360.36 A3 to R360.38 pertaining to the disclosure of instances of non-compliance with laws and regulations (NOCLAR) to the appropriate authority, subject to the pertinent rules and guidelines issued or may hereinafter be issued by appropriate regulatory authorities and instituting appropriate provisions on whistleblower protection; and
3. Adopt appropriate changes to the 2021 IESBA Code in order to fit to the Philippine setting:
 - A. Use of the term "Philippines" instead of "International" when referring to auditing standards and practices consistent with the adoption of the Auditing and Assurance Standards Council, as follows:
 - 1) Philippine Standards on Assurance Engagements (PSAEs);
 - 2) Philippine Standards on Quality Management (PSQM);
 - 3) Philippine Standards on Auditing (PSAs);
 - 4) Philippine Standards on Review Engagements (PSREs);
 - 5) Philippine Standards on Quality Control (PSQCs); and
 - 6) Philippine Framework for Assurance Engagements.

B. Definitions

- 1) The definition of **Professional Accountants** is revised as follows:

Professional Accountant refers to an individual who holds a valid Certificate of Registration and current Professional Identification Card issued by the Board and the Commission, whether he/she be in the public practice, industry or commerce, the public sector, or education.

In Part 1, the term "professional accountant" refers to individual professional accountants in business and to professional accountants in public practice and their firms.

In Part 2, the term "professional accountant" refers to professional accountants in business.

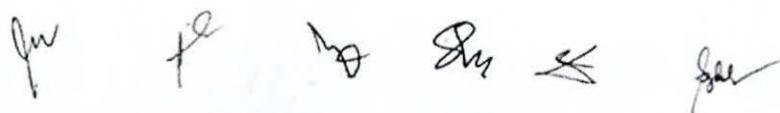
In Part 3, 4A and 4B, the term "professional accountant" refers to professional accountants in public practice and their firms.

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- 2) The definition of **Public Interest Entity (PIE)** and **Significant Subsidiary** shall be defined by relevant regulatory agencies such as the Securities and Exchange Commission, Bangko Sentral ng Pilipinas, and Insurance Commission.
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4. Set the effectivity dates of the new Code of Ethics for Professional Accountants in the Philippines (2021 edition), as follows:
 - The revisions related to objectivity of an Engagement Quality Reviewer (EQR) and other appropriate reviewers are effective as follows:
 - For Part 4A: audits and reviews of financial statements for periods beginning on or after December 15, 2022;
 - For Part 4B: assurance engagements beginning on or after December 15, 2022;
 - For all other engagements within the scope of Part 3: engagements beginning on or after December 15, 2022.
 - The revisions related to the NAS provisions are effective as follows:
 - Revised Section 600 and the conforming amendments to Part 4A will be effective for audits and reviews of financial statements for periods beginning on or after December 15, 2022;
 - The conforming and consequential amendments to Sections 900 and 950 in relation to assurance engagements with respect to underlying subject matters covering periods of time will be effective for periods beginning on or after December 15, 2022; otherwise, these amendments will be effective as of December 15, 2022.
 - Transitional Provision: For non-assurance services engagements a firm or network firm has entered into with an audit client, or for non-assurance services engagements a firm has entered into with an assurance client, before December 15, 2022 and for which work has already commenced, the firm or network firm may continue such engagements under the extant provisions of the Code until completed in accordance with the original engagement terms.
 - The revisions related to the fees provisions are effective as follows:
 - For the revised Section 410 and consequential amendments to Part 4A: effective for audits of financial statements for periods beginning on or after December 15, 2022;
 - For the revised Section 905: in relation to assurance engagements with respect to underlying subject matters covering periods of time, effective for periods beginning on or after December 15, 2022; otherwise, effective as of December 15, 2022;
 - For conforming and consequential amendments to other Sections of the Code: effective as of December 15, 2022.
 - Early adoption is permitted.



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The Code of Ethics for Professional Accountants in the Philippines shall be effective after fifteen (15) days following their publication in the Official Gazette or in any major newspaper of general circulation.

Let a copy of this Resolution and its Annex A be further deposited with the U.P. Law Center.

Done this 6th day of December, 2023, City of Manila.


NOE G. QUINANOLA
Chairman


SAMUEL B. PADILLA
Vice-Chairman


GLORIA T. BAYSA
Member


THELMA S. CIUDADANO
Member


GERVACIO I. PIATOR
Member


MARIA TERESITA Z. DIMACULANGAN
Member

VACANT
Member

ATTESTED BY:


Atty. Lovelika T. Bautista
Chief, PRB Secretariat Division

**DATE OF PUBLICATION IN THE
BUSINESS MIRROR DEC 18 2023
EFFECTIVE DATE: JAN 03 2024**

APPROVED:


CHARITO A. ZAMORA
Chairperson


JOSE Y. CUETO JR.
Commissioner


ERWIN M. ENAD
Commissioner