



Republic of the Philippines
Professional Regulation Commission
Manila



Professional Regulatory Board of Accountancy
Resolution No. 18
Series of 2018

**ADOPTION OF THE 2016 EDITION OF THE INTERNATIONAL ETHICS
STANDARDS BOARD FOR ACCOUNTANTS (IESBA) CODE OF ETHICS FOR
PROFESSIONAL ACCOUNTANTS AS THE CODE OF ETHICS FOR PROFESSIONAL
ACCOUNTANTS IN THE PHILIPPINES, AND PRESCRIBING AMENDMENTS THERETO**

WHEREAS, Section 9 of Republic Act (RA) 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, on December 18, 2015, the Board issued and promulgated Resolution No. 263, s. of 2015, on the adoption of a Code of Ethics for Professional Accountants in the Philippines based on the 2013 edition of the Code of Ethics for Professional Accountants developed and issued by the International Ethics Standards Board for Accountants (IESBA) and which was subsequently adopted by the International Federation of Accountants (IFAC);

WHEREAS, the IFAC also adopted the 2014 and 2015 editions of the Code of Ethics for Professional Accountants issued by the IESBA, with the following changes introduced:

1. Revision of the definition of the term "those charged with governance" to closely align with that provided in the International Auditing and Assurance Standards Board (IAASB) International Standards on Auditing (ISA) 260, *Communication with Those Charged with Governance* (2014 IESBA Code);
2. Withdrawal of the exception provisions that permit an audit firm to provide certain bookkeeping and taxation services to public interest entity (PIE) audit clients in emergency or unusual situations (2015 IESBA Code);
3. Strengthening of the provisions addressing management responsibility and provision of additional guidance and clarification regarding what constitutes management responsibility (2015 IESBA Code); and
4. Clarification on the guidance regarding the concept of "routine or mechanical" services relating to the preparation of accounting records and financial statements for audit clients that are not PIEs (2015 IESBA Code).

WHEREAS, the IFAC has adopted the 2016 edition of the Code of Ethics for Professional Accountants issued by IESBA (2016 IESBA Code) which reflects the adopted framework to guide auditors and other professional accountants in deciding what actions to take in the public interest when they become aware of a potential illegal act, known as non-compliance with laws and regulations (NOCLAR) committed by a client or employer;

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 2016 IESBA Code, which included changes in the 2014 and 2015 editions of the Code, was approved by the PICPA Board of Directors, upon recommendation of its Ethics Committee, and which was endorsed to the Board and the Professional Regulation Commission (Commission) for adoption as the new Code of Ethics for Professional Accountants in the Philippines, subject to certain conditions including proposed changes to certain provisions therein, taking into account Philippine regulatory requirements and circumstances;

WHEREAS, in considering the proposed changes, 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;

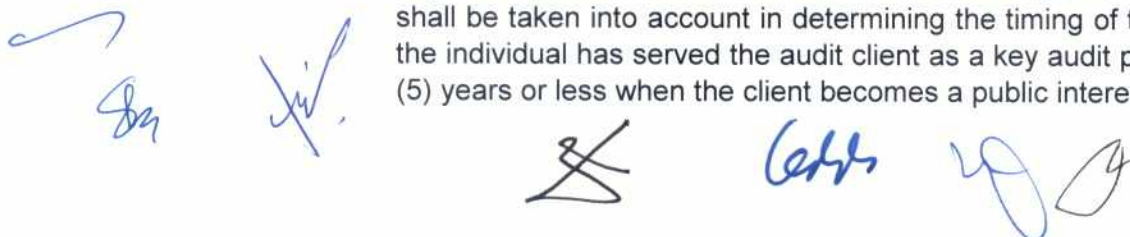
NOW THEREFORE, BE IT RESOLVED AND IT IS HEREBY RESOLVED, the following:

1. Adoption of the 2016 edition of the IESBA Code of Ethics for Professional Accountants to be hereby known and referred to as "The Code of Ethics for Professional Accountants in the Philippines" (**Annex A**), subject to certain conditions and changes as herein set forth;
2. Sections 225.33 to 36, 225.52 to 54, 360.28 to 31 and 360.36, pertaining to the disclosure of instances of non-compliance with Laws and Rules (NOCLAR) to the appropriate authority shall be implemented with the issuance of the pertinent rules and guidelines by the appropriate authorities;
3. Changes in the following provisions of the 2016 IESBA Code to fit the Philippine setting:

A.

1. Section 290.12 - This Section does not, in most cases, prescribe the specific responsibility of individuals within the firm for actions related to independence because responsibility may differ depending on the size, structure and organization of a firm. The firm is required by the Philippine Standards on Quality Control (PSQCs) to establish policies and procedures designed to provide it with reasonable assurance that independence is maintained when required by relevant ethical requirements. In addition, the Philippine Standards on Auditing (PSAs) require the engagement partner to form a conclusion on compliance with the independence requirements that apply to the engagement.

2. Section 290.152 - When an audit client becomes a public interest entity, the length of time the individual has served the audit client as a key audit partner before the client becomes a public interest entity shall be taken into account in determining the timing of the rotation. If the individual has served the audit client as a key audit partner for five (5) years or less when the client becomes a public interest entity, the



number of years the individual may continue to serve the client in that capacity before rotating off the engagement is seven (7) years less the number of years already served. If the individual has served the audit client as a key audit partner for six (6) or more years when the client become a public interest entity, the partner may continue to serve in that capacity for a maximum of two (2) additional years before rotating off the engagement.

If the individual has two (2) or more years remaining on the maximum service period when the client becomes a public interest entity, the number of years the individual may continue to serve the client in that capacity before rotating off the engagement is the maximum service period allowed less the number of years already served (i.e., if the maximum is seven (7) years, then seven (7) years less the number of years already served). If the individual has less than two (2) years remaining or has exceeded the maximum service period allowed when the client becomes a public interest entity, the partner may continue to serve in that capacity for a maximum of two (2) additional years before rotating off the engagement.

3. **Section 290.153** - When a firm has only a few people with the necessary knowledge and experience to serve as key audit partner on the audit of a public interest entity, rotation of key audit partners may not be an available safeguard. If an independent regulator in the relevant jurisdiction has provided an exemption from partner rotation in such circumstances, an individual may remain a key audit partner for more than the maximum allowed number of years, in accordance with such regulation, provided that the independent regulator has specified alternative safeguards which are applied, such as a regular independent external review.
4. **Section 291.2** - Assurance engagements are designed to enhance intended users' degree of confidence about the outcome of the evaluation or measurement of a subject matter against criteria. The Philippine Framework for Assurance Engagements (the Assurance Framework) issued by the Auditing and Assurance Standards Council (AASC; formerly Auditing Standards and Practices Council) describes the elements and objectives of an assurance engagement and identifies engagements to which PSAs, Philippine Standards on Review Engagements (PSREs) and Philippine Standards on Assurance Engagements (PSAEs) apply. For a description of the elements and objectives of an assurance engagement, refer to the Assurance Framework.



5. Section 225.38 - PSAs, for example, require a professional accountant performing an audit of financial statements to:

- Prepare documentation sufficient to enable an understanding of significant matters arising during the audit, the conclusions reached, and significant professional judgments made in reaching those conclusions;
- Document discussions of significant matters with management, those charged with governance, and others including the nature of the significant matters discussed and when and with whom the discussions took place; and
- Document identified or suspected non-compliance, and the results of discussion with management, where applicable, those charged with governance and other parties outside the entity.

B. Definitions

1. Assurance Engagement refers to an engagement in which a professional accountant in public practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

For guidance on assurance engagements, see the Philippine Framework for Assurance Engagements issued by the AASC, which describes the elements and objectives of an assurance engagement and identifies engagements to which the PSAs, PSREs and PSAEs apply.



2. The definition of Professional Accountant 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 of Accountancy and the Commission, whether he/she be in public practice, industry or commerce, the public sector, or education.

The Code of Ethics for Professional Accountants in the Philippines shall be effective fifteen (15) days after publication in the Official Gazette or in any major newspaper of general circulation. Let copies hereof be further furnished the U.P. Law Center, PICPA and other relevant offices for information and guidance.

DONE in the City of Manila this 20th day of February in the year of our Lord, Two Thousand and Eighteen.

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RESOLUTION ON ADOPTION OF THE 2016 EDITION
OF THE INTERNATIONAL ETHICS STANDARDS BOARD
FOR ACCOUNTANTS (IESBA) CODE OF ETHICS
FOR PROFESSIONAL ACCOUNTANTS AS THE
CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS
IN THE PHILIPPINES, AND PRESCRIBING AMENDMENTS THERETO


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GERVACIO I. PIATOR
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ATTY. LOVELIKA T. BAUTISTA
Chief
Secretariat to the Professional Regulatory Boards

APPROVED:


TEOFILO S. PILANDO, JR.
Chairman


YOLANDA D. REYES
Commissioner


JOSE Y. CUETO, JR.
Commissioner

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TSP/YDR/JYC/JLT/ERI/LTB/gnet

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Republic of the Philippines
Professional Regulation Commission
Manila

Professional Regulatory Board of Accountancy
Resolution No. 263
Series of 2015

**ADOPTION OF THE IFAC 2013 CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS
AS "THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS IN THE PHILIPPINES",
AND PRESCRIBING AMENDMENTS THEREFOR**

WHEREAS, the existing Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) is based on the International Code of Ethics developed and issued in 2006 by the International Federation of Accountants (IFAC);

WHEREAS, IFAC has adopted a number of copyrighted revisions to said Code of Ethics after 2006, the latest of which was issued and published in May 2013;

WHEREAS, the Philippine Institute of Certified Public Accountants (PICPA), the Accredited Professional Organization for Certified Public Accountants (APO), 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 IFAC 2013 Code of Ethics was approved by the PICPA Board of Directors and is favorably endorsing for its adoption by the Board of Accountancy (BOA) and approval by the Professional Regulation Commission (PRC) as the "Code of Ethics for Professional Accountants in the Philippines" with proposed changes on certain provisions therein, taking into account the Philippine regulatory requirements and circumstances;

WHEREAS, Section 290 of the IFAC Code contains additional provisions that reflect the extent of public interest in certain entities;

WHEREAS, Section 290.25 of the same Code enumerates the categories of Public Interest Entities (PIEs);

WHEREAS, Section 290.26 thereof encourages firms and member bodies to determine whether or not to treat additional entities, or certain categories of entities as PIEs on account of their large number and wide range of stakeholders;

WHEREAS, under Rule 68 of the Securities Regulation Code (SRC), as amended, it defines PIEs as Publicly Accountable Entities (PAE) which to some extent would fall under different criteria and categories inconsistent with the definition and category of PIE as prescribed under the IFAC Code;

WHEREAS, in adopting the proposed changes, PRC and BOA adheres to the fundamental rule that in case of conflict between the provisions of the IFAC Code and that of a domestic law, the latter shall prevail;

NOW THEREFORE, BE IT RESOLVED AND IT IS HEREBY RESOLVED, the approval of the following:

- I. Adoption of the IFAC 2013 Code of Ethics for Professional Accountants to be known as "The Code of Ethics for Professional Accountants in the Philippines", subject to changes of certain provisions as herein set forth.

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for
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II. Changes in the following provisions of the IFAC 2013 Code of Ethics to fit Philippines setting:

A. **1. Section 290.12** This Section does not, in most cases, prescribe the specific responsibility of individuals within the firm for actions related to independence because responsibility may differ depending on the size, structure and organization of a firm. The firm is required by the Philippine Standards on Quality Control (PSQCs) to establish policies and procedures designed to provide it with reasonable assurance that independence is maintained when required by relevant ethical requirements. In addition, Philippine Standards on Auditing (PSAs) require the engagement partner to form a conclusion on compliance with the independence requirements that apply to the engagement.

2. Section 290.154 When an audit client become a PIE, the length of time the individual has served the audit client as a key audit partner before the client becomes a PIE shall be taken into account in determining the timing of the rotation. If the individual has served the audit client as a key audit partner for five (5) years or less when the client becomes a PIE, the number of years the individual may continue to serve the client in that capacity before rotating off the engagement is seven (7) years less the number of years already served. If the individual has served the audit client as a key audit partner for six (6) or more years when the client become a PIE, the partner may continue to serve in that capacity for a maximum of two (2) additional years before rotating off the engagement.

If the individual has two (2) or more years remaining on the maximum service period when the client becomes a public interest entity, the number of years the individual may continue to serve the client in that capacity before rotating off the engagement is the maximum service period allowed less the number of years already served (i.e. if maximum is seven (7) years, then seven (7) years less the number of years already served). If the individual has less than two (2) years remaining or has exceeded the maximum service period allowed when the client becomes a public interest entity, the partner may continue to serve in that capacity for a maximum of two (2) additional years before rotating off the engagement.

3. Section 290.155 When a firm has only a few people with the necessary knowledge and experience to serve as a key audit partner on the audit of a public interest entity, rotation of key audit partners may not be an available safeguard. If an independent regulator in the relevant jurisdiction has provided an exemption from partner rotation in such circumstances, an individual may remain a key audit partner for more than the maximum allowed number of years, in accordance with such regulation, provided, the independent regulator has specified alternative safeguards which are applied such as a regular independent external review.

B. Definition

1. Assurance Engagement refers to an engagement in which a professional accountant in public practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

For guidance on assurance engagements, see the Philippine Framework for Assurance Engagements issued by AASC which describes the elements and objectives of an assurance engagement and identifies engagements to which the Philippine Standards on Assurance Engagements (PSAE) apply.

2. The definition of Professional Accountant 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 of Accountancy (i.e., CPA) and the Commission, whether he/she be in the public practice, industry or commerce, public sector, or education.


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

Let copies hereof be further furnished the U. P. Law Center, Board, the Office of the PRB Secretariat, Legal and Investigation Division, all PRC Regional Offices, Philippine Institute of Certified Public Accountants (PICPA) and other relevant offices for their information and guidance.

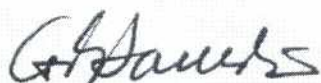
DONE, in the City of Manila, this 18th day of December in the year of our Lord, Two Thousand and Fifteen.


JOEL L. TAN-TORRES
Chairman

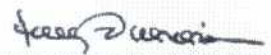

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Member


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Member

Attested by:



ATTY. LOVELIKA T. BAUTISTA

Officer-in-Charge

Office of the Secretary to the Professional Regulatory Board

Approved by:

VACANT
Chairperson


ANGELINE T. CHUA CHIACO
Acting Chairperson


YOLANDA REYES
Commissioner

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