



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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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

GLORIA T. BAYSA
Vice Chairman


ELISEO A. AURELLADO
Member


GERARD B. SANVICTORES
Member


SAMUEL B. PADILLA
Member


CONCORDIO S. QUISAOT
Member


ARLYN S. VILLANUEVA
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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