

2023 REVISED RULES AND REGULATIONS
FOR THE PROFESSIONAL REGULATORY BOARD OF ACCOUNTANCY CONDUCT OF OVERSIGHT
INTO THE QUALITY OF AUDITS OF FINANCIAL STATEMENTS AND OPERATIONS OF CPA PRACTITIONERS

Pursuant to Sec. 9 (g) of Republic Act No. 9298, otherwise known as the “Philippine Accountancy Act of 2004,” the Professional Regulatory Board of Accountancy hereby promulgates with the approval of the Professional Regulation Commission, the following Rules and Regulations to carry out effectively the provisions of Sec. (9) (g) relative to the adoption of best practices for the enhancement and maintenance of high professional, ethical and auditing standards; and Sec 9 (h) of the said Act relative to the “conduct of oversight into the quality of audits of financial statements.”

Rule I
TITLE AND DEFINITIONS

Section 1. These Rules and Regulations shall be known and cited as the “2023 Rules and Regulations for the QAR Program.”

Section 2. *Definition of Terms.* Unless otherwise expressly provided, the following terms shall be understood to mean:

- a. *BOA*— refers to the Professional Regulatory Board of Accountancy.
- b. *CPA Practitioners* —the collective term used to designate an individual CPA or Partnership of CPAs engaged in the practice of public accountancy in the Philippines duly accredited with the BOA.
- c. *Quality Assurance Review (QAR)* - a study, appraisal or review by an independent QAR Office (QARO) of the quality of audit of financial statements and the adoption of best practices through a review of the quality control measures instituted by CPA Practitioners to ascertain compliance with prescribed professional, ethical and technical standards of public practice.
- d. *QARO Associates* – comprise of all QARO personnel, QA reviewers, engaged on a permanent or contractual basis.
- e. *Integrated Accredited Professional Organization (AIPO)*- the professional organization of certified public accountants (CPAs) duly recognized by the PRC and BOA. The present AIPO for CPAs is the Philippine Institute of Certified Public Accountants (PICPA).

Rule II
QUALITY ASSURANCE REVIEW COUNCIL /OFFICE

Section 3. The BOA shall organize the Quality Assurance Review Office (QARO) which shall have independence in the conduct of its operation.

Section 4. A Quality Assurance Review Council (Council) is hereby created to be composed of **four (4) members of the BOA and three (3) representatives of the AIPO, all of whom shall be selected by the Chairman of the Board from the incumbent members of the BOA and from the nominees of AIPO, respectively.** The Council shall have the full power and authority to set policies and to supervise the operation of QARO. The duties and responsibilities of the Council are as follows:

- a. To set policies and change or modify the guidelines herein set forth, that will ensure effective implementation of the Quality Assurance Review(QAR)Program subject to the approval of the BOA.

- b. To maintain independence in the operations of the QARO;
- c. To monitor the quality of QAR review conducted by the QARO;
- d. To discuss with the Council how to avoid the overlapping of the various quality review programs;
- e. To establish a compliance framework to be used by the QARO in carrying its duties;
- f. To appoint the Chief Inspector and Administrative Officer of the QARO, including other personnel thereof;
- g. To recommend to the BOA a rolling three-year QAR plan;
- h. To oversee the implementation of the approved QAR plan through the QARO;
- i. To obtain technical advice on the subject of quality assurance when needed and appropriate;
- j. To evaluate the reports and recommendations of the Chief Inspector;
- k. To submit to the BOA the findings and actions taken by the QARO relative to the QAR plan and,
- l. To submit the annual report of its accomplishment to the BOA.

Section 5. *Chairmanship and Term of Office of the Council Members.* The Chairperson of the Council shall be appointed by the BOA. The term of the Chairperson and members shall not exceed three (3) years, unless earlier replaced by the BOA. The Chairperson and members of the Council should not be in active practice of public accountancy during their term in the Council.

Section 6. *QARO Personnel.* The QARO 's personnel shall be composed of the Chief Inspector, Administrative Officer, and such other employees that may be necessary to carry out effectively the functions of the QARO. They shall be appointed by the Council.

Section 7. *Term of Office of QARO Personnel.* The QARO Chief Inspector, the Administrative Officer, Quality Assurance Reviewers and other staff and employees shall enjoy security of tenure and may be removed only for the just and authorized causes recognized under the labor and other laws.

Section 8. *Qualifications of the Chief Inspector of the QARO.* The appointee to the Chief Inspector the QARO must have the following qualifications:

- a. Must have reached at least the level of senior manager of an accounting firm that has handled publicly listed companies as audit clients;
- b. Must be independent from the CPA practitioners that will be covered by the QAR Program;
- c. Must have at least ten (10) years of experience in the practice of public accountancy;
- d. Must be of good moral character and has a current license as a CPA;
- e. Must not have been found guilty of violating professional, ethical and regulatory auditing standards; and,
- f. Must have good oral and written communication skills, being especially adept at report writing.

Section 9. Duties and Responsibilities Chief Inspector of the QARO.

- a. Exercises administrative supervision and control over the QARO;
- b. Assists the Council in determining the Quality Assurance policies;
- c. Selects the CPA Practitioners to be reviewed for the year, in accordance with the three-year QAR plan;
- d. Approves the QAR plan for each CPA practitioner selected for review, which must set forth the nature, extent and timing of such review;
- e. Reviews and approves the QAR reports;
- f. Consult and report to the Council highly critical matters arising from the inspection;
- g. Assists the Council in preparing the Annual Report;
- h. Recommends to the Council the appointment and/or termination from service of QARO personnel as well as appropriate disciplinary action to be taken;
- i. Supervises the Training Program for Quality Assurance Reviewers;
- j. Supervises the Accreditation process for the Quality Assurance Reviewers; and,
- k. Performs such duties and functions as the Council may assign.

Section 10. Qualifications of the Administrative Officer of the QARO. The appointee to the Administrative Officer position of the QARO must have the following qualifications:

- a. Must have adequate experience in administration and human resource development;
- b. Must be independent from the CPA practitioners that will be covered by the QAR Program;
- c. Must have experience in the practice of public accountancy;
- d. Must be of good moral character and has current license as a CPA;
- e. Must not have been found guilty of violating professional, ethical and regulatory auditing standards; and,
- f. Must have good oral and written communication skills, being especially adept at report writing.

Section 11. Duties and Responsibilities of the Administrative Officer. The Administrative Officer is responsible for the non-technical aspect of the QAR program and shall report to the Chief Inspector. The main duties of the Administrative Officer include:

- a. Serves as the administrative officer of the QARO;
- b. Supervises the registration of CPA Practitioners in their respective categories;
- c. Supervises the collection of registration fees;
- d. Supervises the preparation of the regular financial reports of the QARO;
- e. Supervises the administrative aspect of training of QARO personnel;
- f. Supervises communications to all practitioners; and
- g. Performs such functions as may from to time be assigned by the Chief Inspector.

Section 12. Quality Assurance Reviewers. The QARO shall employ a pool of permanent Quality Assurance Reviewers and/or enter into contract of service with Accredited Quality Assurance Reviewers who shall be responsible for the field work of a QAR assignment. They shall be screened and selected by the Council upon recommendation of the Chief Inspector. They shall have the following qualifications:

- a. Must have at least two (2) years of experience in the statutory or regulatory audit of companies, or teaching financial accounting and practical auditing in a CHED-recognized educational institution or in the corporate financial reporting or internal auditing function;
- b. Must not have been terminated from the employment as an auditor due to incompetence or below average rating;
- c. Must be of good moral character and has a current license as a CPA;
- d. Must not have been found guilty of violating any professional, ethical and regulatory auditing standards;
- e. Must have good oral and written communication skills, being especially adept at report writing;
- f. Must have completed the training program for Quality Assurance Reviewers; and
- g. Must have completed the accreditation process that shall be implemented by the QARO.

The training program for the Quality Assurance Reviewers and the accreditation process shall be recommended by the Council to the BOA for its approval.

Rule III
SCOPE OF COVERAGE, REGISTRATION AND CATEGORY OF
CPA PRACTITIONERS IN THE QAR PROGRAM

Section 13. Scope of Coverage of the QAR Program:

- a. It covers all CPAs in public practice, whether an individual practitioner or a partnership duly accredited by the BOA.
- b. It only applies to engagements where a CPA practitioner performs audit of financial statements.
- c. All other engagements, other than performing audit of financial statements are not covered by the QAR program.
- d. The covered audit engagements shall be those signed by the audit partner, issued and appropriately archived prior to the actual date of the QAR inspection.
- e. The QAR inspection shall cover both at the firm and engagement-level system of quality management (SOQM) review. For some aspects of the SOQM, if individual small practitioners determine that there is no need to establish firm-wide responses, it may instead design and implement system of quality management at the engagement level.
- f. The QAR inspection will be based on the PSQM requirements which should have been adopted and implemented by the CPA Practitioner by December 15,2022.
- g. Those who have already put in place the required SOQM Manual, shall indicate their compliance in the registration form during the 2023 registration.
- h. Covered CPA Practitioners who are not compliant, are given until December 31,2024 to comply with the required SOQM Manual. Failure to comply within the extended period shall be a ground for the imposition of fines, or suspension, revocation or non-renewal of BOA accreditation.

- i. In cases when the CPA Practitioner is new in the practice, the CPA Practitioner is required to have the SOQM Manual designed and implemented at the start of the pre-acceptance procedures.

Section 14. Guidelines in the Registration to the QAR Program.

- a. For an effective implementation of the QAR program, all covered CPA practitioners whether previously registered or not, shall be required to apply for an annual registration with the QARO using the prescribed registration form and pay the annual registration fee based on the category of the covered CPA Practitioner. The 2024 annual registration shall be from July 1 to December 31, 2023. The details of the registration process shall be announced by the QARO in due time.
- b. A Certificate of Registration shall be issued to all approved applications for registration with the CPA Practitioner Category/Sub-Category indicated therein.
- c. The validity period of the Certificate of Registration shall be from January 1 to December 31 of each year.
- d. The registration shall be renewed annually together with the payment of the annual registration fee, not later than December 31, of each year, for as long as the CPA Practitioner performs audit function.
- e. Change in the registration category should be done only upon the renewal of the registration.
- f. The annual registration fees paid by those who have previously registered and who filled-up the written consent forms with validated official receipts, shall be applied/ credited to their 2024 annual registration fee.
- g. Any false or incomplete information provided in the registration form and non-compliance of the continuing annual registration shall be a ground for the imposition of fines or the non-renewal, suspension or revocation of the CPA Practitioner's accreditation with the BOA.
- h. Covered CPAs applying for renewal of their BOA accreditation shall first secure from QARO a valid Certificate of Registration or a Certificate of QAR Compliance, as applicable, as an additional requirement, before their applications can be processed by the Accreditation and Compliance Division (ACD) of the PRC.
- i. If the CPA Practitioner is new in the practice during the initial registration year, the registration fee shall be proportionate to the number of months remaining until December 31 reckon from the date of the issuance of the BOA Certificate of Accreditation.

Section 15. Category of CPA Practitioner for Registration Purposes. CPA Practitioners should be registered in accordance with the following category:

Category A- Six Large Audit Firms

Category B - Audit Firms with ten (10) Audit Partners or more

Category C - Audit Firms with six (6) up to nine (9) audit partners

Category D - Audit Firms with two (2) up to five (5) audit partners

Category E - Individual Practitioners with 51 clients and above

Category F – Individual Practitioners with less than 51 clients

Section 16. Category of CPA Practitioner and Schedule of Annual Registration Fee:

- a. The following category of CPA Practitioner and the Schedule of Annual Registration Fee, are as follows:

Category	Sub-Category	Annual Charge
Category A Six Large Audit Firms	A-1 with 51 or more audit partners	Php 1,000,000
	A-2 with 21 to 50 audit partners	750,000
	A-3 with 20 audit partners and below	500,000
Category B Audit Firms-with ten (10) audit partners or more	B-1 with over 200 clients	400,000
	B-2 with 101 to 200 clients	300,000
	B-3 with 1 to 100 clients	200,000
Category C Audit Firms with six (6) up to nine (9) audit partners	C-1 with over 200 clients	200,000
	C-2 with 101 to 200 clients	150,000
	C-3 with 1 to 100 clients	100,000
Category D Audit Firms with two (2) up to five (5) audit partners	D-1 with over 200 clients	100,000
	D-2 with 101 to 200 clients	75,000
	D-3 with 51 to 100 clients	50,000
	D-4 with 1 to 50 clients	25,000
Category E Individual Practitioners with 51 clients and above	E-1 with over 200 clients	50,000
	E-2 with 101 to 200 clients	35,000
	E-3 with 51 to 100 clients	25,000
Category F Individual Practitioners with less than 51 clients	F-1 with 26 to 50 clients • Registration fee for the first 3 years • Registration fee after 3 years	8,000 15,000
	F-2 with 11 to 25 clients • Registration fee for the first 3 years • Registration fee after 3 years	5,000 10,000

	F-3 with 1 to 10 clients	3,000
	<ul style="list-style-type: none"> • Registration fee for the first 3 years • Registration fee after 3 years 	6,000

- b. The annual registration fee may be adjusted in succeeding years depending on the funding requirements of the QAR program to be approved by the BOA upon recommendation of the Council.
- c. The funds/fees collected from the QAR shall be subject to annual audit by an independent CPA.

Section 17. QAR Inspection Guidelines- The following guidelines in the conduct of inspection of covered CPA Practitioners should be observed:

- a. Only those CPA Practitioners falling under Category A up to Category E, shall be subject to the QAR inspection starting January 2024 and during the first three (3) years of the implementation.
- b. CPA Practitioners falling under Category F, shall be subject to the QAR inspection, only after the lapse of the said three (3) year period to start on January 2, 2027.
- c. CPA Practitioners under Category F, have the option to submit themselves to the QAR inspection during the said three (3) year period, in which case they are subject to the guidelines issued hereof.
- d. Frequency of Inspection- For Category A to Category F - once every three (3) years.
- e. Mode of Inspection-On-site inspection
- f. Inspection Notification – at least 60-days before the start of inspection.
- g. Classification of Inspection Findings (Applicable at the Firm and Engagement Level) - Categorized inspection findings as “with no findings”, “opportunities for improvement or enhancements”; or “significant audit deficiencies”. A Certificate of QAR Compliance shall be issued for those with no findings and those that satisfactorily completed their remediation process as determined by the Chief Inspector.
- h. Remediation Process - The maximum remediation period for the inspection findings to be resolved is 18-months from the receipt of the Final Inspection Report.
- i. Inspection findings that are unresolved within the allowed period of remediation; inspection findings with remedial action that were deemed not satisfactory as determined by the Inspection Team; and/or contested inspection findings that attained finality in favor of the inspection Team’s position and the auditees refuse to remediate, shall be endorsed by the Chief Inspector to the Council for appropriate action.

Section 18. Confidentiality of Information. The information obtained, work/reports of the QARO shall be considered strictly confidential and are not to be divulged except only for purposes of determining whether or not to impose sanctions for violation of these Rules and Regulations or upon order of a court of competent jurisdiction. As a matter of policy, all QARO Associates shall be made to sign a non-disclosure statement.

Section 19. Publication of and conduct of briefings on the general observations to improve the quality of work of CPA Practitioners. Since the objective of the QAR is to assist in the enhancement of the practice of public accountancy, the Council shall publish a detailed report containing general observations and recommendations that will help in improving the quality of work of Practitioners This report shall be based on the reports from the QARO and shall be published annually or any other period that the BOA may

prescribe. The QARO shall regularly conduct briefings to update the CPA Practitioners on measures to improve the public accountancy practice.

Rule IV PENALTIES AND SANCTIONS

Section 20. General Penalties and Sanctions. The general penalties and sanctions for violation of any provisions of these Rules and Regulations shall be in accordance with the penalty provided for under Section 36 of Republic Act No. 9298, the Philippine Accountancy Act 2004 which provides that, “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 ,” without prejudice to the imposition of administrative penalties of warning, admonition, fine, suspension or cancellation of the professional license as a CPA.

Section 21. Administrative Penalties and Sanctions on violations pertaining to registration. For failure of a CPA Practitioner to register or renew his/ her annual registration without valid grounds with the QARO, the CPA Practitioner shall be imposed the administrative penalties for violation of the provisions of these Rules and Regulations as follows:

First Offense - Warning

Second offense - Fines to be determined by the BOA/ non-renewal of BOA accreditation

Third Offense - Suspension of Accreditation with BOA

Fourth Offense - Cancellation of BOA Accreditation

Section 22. Schedule of penalties and sanctions on the findings of discrepancies or non-compliance to standards. Without prejudice to the provision of Section 20 and non-renewal, suspension or cancellation of BOA accreditation after the lapse of the QAR developmental period, the Council shall recommend to the BOA the Schedule of penalties and sanctions that shall be imposed on CPA Practitioners who may be determined to have not met the standards of the QAR based on the reports and findings of the Quality Assurance Reviewers. The BOA shall recommend to the Professional Regulation Commission for the approval of the Schedule of penalties and sanctions

Rule V MISCELLANEOUS PROVISIONS

Section 23. Separability clause. If any provision or part thereof of these rules and regulations shall be declared invalid or unlawful, such judgment shall not affect, invalidate or impair any part hereof, but shall merely be confined to the provision or part directly involved in the judgment.

Section 24. Repealing clause. Any rules, regulations and all other issuances inconsistent with the provisions of these Rules and Regulations are hereby repealed or modified accordingly.

Section 25. Effectivity. These Rules and Regulations shall take effect within fifteen (15) days following its publication in the Official Gazette or in any major newspaper of general circulation.