

IX. Country Action Plan

The Philippines was less affected by the Asian financial crisis than some other countries in the region, largely due to better financial management arrangements. Moreover, accountancy is an elite and respected profession. However, the study revealed a range of issues that need attention if accountancy is to maintain its high status and if the Philippines is to attract investment.

In contrast to the other country actions presented in this chapter, explanatory comments are included in the Philippine country action plan for two reasons. First, the study recommendations were initially discussed at the March 2001 Manila workshop. In the intervening period, efforts have already been made to implement the recommendations—the action plan describes these efforts. Second, Philippine study participants were less unified—when compared to other country participants—in agreeing on study issues and recommendations. Accordingly, the action plan describes discordant views.

Action	Priority	Donor Assistance?	Country Support	2002–2006
Directly adopt IAS in 2004 <ul style="list-style-type: none"> • <i>The Philippines will complete direct IAS adoption by 2005.</i> 	High	✓	✓	■■■■■
Strengthen financial disclosure monitoring and impose strict penalties on erring corporations and auditors <ul style="list-style-type: none"> • <i>ADB is providing TA to implement this recommendation.</i> 	High	✓	✓	■■■■■
Directly adopt IAASB pronouncements (International Standards on Auditing) in 2004 <ul style="list-style-type: none"> • <i>The Philippines will complete direct adoption of IAASB pronouncements by 2005</i> 	High	✓	✓	■■■■■
Strengthen auditing practices and monitor compliance with auditing requirements	High	✓	✓	■■■■■

DIAGNOSTIC STUDY OF ACCOUNTING AND AUDITING PRACTICES IN THE PHILIPPINES

Action	Priority	Donor Assistance?	Country Support	2002–2006
<ul style="list-style-type: none"> Although one auditing firm strongly disagreed with this recommendation, other study participants were supportive. Moreover, Bangko Sentral ng Pilipinas has recently introduced 5-yearly mandatory rotation of bank auditors. 				
<p>Amend the Accountancy Law so that licensure standards can be raised</p> <ul style="list-style-type: none"> In keeping with the recommendation, the accountancy profession is preparing amendments to the Accountancy Law to support, among other things: (I) mandatory CPE; (ii) quality assurance improvements; and (iii) the introduction of practical experience requirements for auditors. 	High	✓	✓	██████
<p>Introduce practical experience prerequisite for the CPA title</p> <ul style="list-style-type: none"> The PRC is working to address this important international requirement. In particular, auditors are now required to have 3 years' practical experience before they may sign audit reports. 	High	✓	✓	████████
<p>Introduce mandatory CPE</p> <ul style="list-style-type: none"> The Philippines will introduce this international requirement through an amendment to the Accountancy Law. 	High	✓	✓	████████
<p>Reassign responsibility for investigating certain ethical matters from BOA and PICPA to the SEC</p> <ul style="list-style-type: none"> Although there was general agreement that BOA and PICPA had not effectively discharged their responsibilities in this area, there was no clear support for the recommendation on the basis that the SEC would also be ineffective. ADB is providing TA to SEC to strengthen its capacity in this area. 	High	✓	Mixed	██████
<p>Design and implement quality control and quality assurance arrangements over the profession</p> <ul style="list-style-type: none"> In keeping with the recommendation, amendments are being prepared to the Accountancy Law to strengthen quality assurance arrangements. 	High	✓	✓	████████

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Action	Priority	Donor Assistance?	Country Support	2002–2006
<p>Introduce provisional CPA title</p> <ul style="list-style-type: none"> Participants in the March 2001 Manila workshop supported this recommendation, as did all associated written comments. However, the PRC subsequently disagreed with the recommendation (March 2002). 	High	✓	✓	■■■■
<p>Improve monitoring of accountancy courses</p> <ul style="list-style-type: none"> In August 2001, the Commission on Higher Education approved a new accountancy curriculum. BOA would appreciate support to implement the new curriculum and associated monitoring arrangements. 	High	✓	✓	■■■■■
<p>Provide continuing training to professors and lecturers</p> <ul style="list-style-type: none"> ADB is supporting a regional response to this important issue.²¹⁷ 	High	✓	✓	■■■■■
<p>Define accounting information system requirements</p> <ul style="list-style-type: none"> COA has acted to define requirements. 	High	✓	✓	■■■
<p>Directly adopt IFAC pronouncements on professional ethics</p> <ul style="list-style-type: none"> BOA has prepared a revised code of ethics that is directly based on the IFAC code of ethics. 	High	✗	✓	■
<p>Make PICPA membership compulsory for CPAs</p> <ul style="list-style-type: none"> On the basis that this would probably delay congressional approval of the Accountancy Law amendments, PRC has not included this requirement in proposed Accountancy Law amendments, but intends to pursue this as a longer term objective. 	High	✗	✓	■■■
<p>Minimize compliance (transaction) and value-for-money (VFM) audits</p>	High	✗	Mixed	■■■■

²¹⁷ ADB TA No. 6028-REG: Small-Scale Technical Assistance for Upgrading Accounting Education (Training the Trainers), for \$100,000, approved on 11 April 2002.

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Action	Priority	Donor Assistance?	Country Support	2002–2006
<ul style="list-style-type: none"> With the important exception of COA, all participants agreed with this recommendation. COA intends to maintain its VFM auditing focus. 				
<p>Alter accounting standard setting arrangements by giving the ASC legal status, altering ASC representation, and tightly defining the ASC role</p> <ul style="list-style-type: none"> There was mixed support for this recommendation. In particular, the PRC intends to maintain ASC's existing composition. However, this recommendation is now less important, given the decision to directly adopt IAS. 	Medium	✓	Mixed	■ ■ ■ ■
<p>Address CPA licensure examination issues</p> <ul style="list-style-type: none"> The PRC has already addressed some of these issues, and intends to improve quality reviews of examination question setting. Regarding the introduction of a written examination component (in accordance with international standards), the PRC supports the introduction of this requirement before auditors may issue audit opinions. 	Medium	✓	✓	■ ■ ■ ■ ■ ■ ■ ■
<p>Introduce Accounting Technician membership category to PICPA</p> <ul style="list-style-type: none"> Although all written comments received prior to the March 2001 Manila workshop supported this recommendation, one view was expressed in the workshop that the Accounting Technician designation is a very low level qualification intended for countries with poorly developed accountancy professions. 	Medium	✓	✓	■ ■ ■ ■ ■ ■ ■ ■
<p>Develop annual financial management scorecard for the private sector</p> <ul style="list-style-type: none"> Although supported by study participants, this recommendation has yet to be implemented. 	Medium	✓	✓	■ ■ ■ ■ ■ ■ ■ ■
<p>Limit the use of proxy voting in PICPA meetings and elections</p>	Medium	✗	✓	■ ■ ■ ■

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<ul style="list-style-type: none"> With exception of current and former partners from a particular auditing firm, there was general agreement with this recommendation. However, as a nonstock corporation PICPA is required to allow proxy voting. Furthermore, it was suggested that the potential misuse of proxy votes could be addressed by limiting the number of proxies that can be assigned to an individual. For instance, the California Society of CPAs limits proxy assignments to 10. 				
<p>Exempt CPAs from BIR tax agent accreditation requirement</p> <ul style="list-style-type: none"> PRC/BOA subsequently met with the BIR Commissioner and officials to discuss this issue; a memorandum of agreement is being developed to give effect to this recommendation. 	Medium	✗	✓	■
<p>Limit accountancy degree courses to four years</p> <ul style="list-style-type: none"> This issue has since been resolved. In August 2001, the Commission on Higher Education approved a new accountancy curriculum. It requires a minimum of 177 units, which can be completed within 4 years. 	Medium	✗	✓	■ ■
<p>Carefully separate accounting and auditing responsibilities</p>	Medium	✗	✓	■ ■ ■
<p>Adopt International Public Sector Accounting Standards (IPSASs), if accrual accounting is implemented</p>	Medium	✗	✓	■ ■ ■
<p>Advocate changes to IASB copyright and pricing policies</p>	Low	✓	✓	■ ■ ■