PRESCRIBING GUIDELINES ON THE UNDERTAKING OF SPECIAL AUDIT SERVICES AND THE ASSESSMENT, COLLECTION AND UTILIZATION OF FEES THEREFOR

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WHEREAS, Section 26 of Presidential Decree (P.D.) No. 1445, otherwise known as the Government Auditing Code of the Philippines, provides that:

General Jurisdiction. - The authority and powers of the Commission shall extend to and comprehend all matters relating to auditing procedures, systems and controls, the keeping of the general accounts of the Government, the preservatio of vouchers pertaining thereto for a period of ten years, the examination and inspection of the books, records, and papers relating to those accounts; and the audit and settlement of the accounts of all persons respecting funds or property received or held by them in an accountable capacity, as well as the examination, audit, and settlement of all debts and claims of any sort due from or owing to the Government or any of its subdivisions, agencies and instrumentalities. The said jurisdiction extends to all government-owned or controlled corporations including their subsidiaries, and other self-governing boards, commissions, or agencies of the Government, and as herein prescribed, including non-governmental entities subsidized by the government, those funded by donations through the government, those required to pay levies or government share, and those for which the government has put up a counterpart fund or those partly funded by the government.

WHEREAS, Section 30 (2) of the said P.D. allows the assessment and collection of fees by the Commission for its conduct of audit and related services, to wit:

Whenever the Commission contracts with any government entity, to render audit and related services beyond the normal scope of such services, the Commission is empowered to fix and collect reasonable fees. x x x.

WHEREAS, the Commission has been rendering special and related audit services beyond the normal scope of its usual services, such as, but not limited to, the conduct of financial due diligence review of agencies, mostly Government-Owned and/or Controlled Corporations (GOCCs) that require the issuance of Letters of Comfort in connection with their public offering of debt and/or equity securities (Special Audit Services)

WHEREAS, the Commission recognizes that the Special Audit Services involve specialized areas of practice in auditing;

WHEREAS, Section 31 of P.D. No. 1445 authorizes the Commission to deputize private licensed professionals and experts to assist government auditors, thus:

(1) The Commission may, when the exigencies of the service so require, deputize and retain in the name of the Commission such certified public accountants and other licensed professionals not in the public service as it may deem necessary to assist government auditors in undertaking specialized audit engagements.
(2) The deputized professionals shall be entitled to such compensation and allowances as may be stipulated, subject to pertinent rules and regulations on compensation and fees.

WHEREAS, there is a need to rationalize the standards and procedures in the engagement of the Commission in,

and the delivery by the Commission of, such Special Audit Services, in order to ensure uniformity and a systematic and timely delivery of its services without prejudice to its regular audit functions and responsibilities;

NOW, THEREFORE, premises considered, the Commission Proper has resolved, as it does hereby resolve, to prescribe the following guidelines relative to the engagement and delivery of Special Audit Services by the Commission:

1. Scope of Special Audit Services (SAS). The guidelines prescribed herein shall cover special audit and related services other than the scope and/or nature of the following audit services which it conducts in the regular course of its mandate:

a. Financial/Compliance/Regularity Audit;
b. Fraud Audit;
c. Performance or Value-for-Money Audit; and
d. Government-Wide and Sectoral Performance Audit.

2. Engagement. No engagement for SAS shall be accepted by the Commission until the issuance by the COA Chairperson of the pertinent Office Order therefor together with the duly signed Engagement Letter (EL) for the purpose, which shall be prepared as follows:

a. As soon as the auditor receives a request for SAS from an auditee, the auditor shall immediately refer such request, together with recommendations thereon, to the COA Chairperson through the Cluster Director in charge of such auditee;
b. The recommendations shall, whenever necessary and appropriate, include a proposed EL and proposed Office Order accompanied by a detailed Work Plan for consideration/approval of the COA Chairperson. The EL shall, at the minimum, lay down: (i) the scope of work, procedures to be undertaken and estimated timetable for completion of such work; (ii) the form and nature of the work product (e.g., Evaluation Report; Comfort Letters) to be generated from the work and procedures to be undertaken; (iii) the amount of or structure for the assessment and payment of service fees to the Commission; and
c. The terms and conditions under which such services and output shall be undertaken and delivered by the Commission, which shall specifically include, among others, a Management’s Representation Letter (substantially in the form of Annex “A” hereof) and proof of authority of the auditee to enter into and sign the EL.

3. Engagement of Experts When Necessary. The Commission reserves the right, pursuant to Section 31 of P.D. No. 1445, to engage and deputize licensed experts from non-government entities whose highly specialized technical skills, qualifications and professional experiences in the conduct of similar services may become necessary in order to enhance the special services to be rendered by the Commission in a particular SAS engagement. For the purpose of exercising this right, the COA Chairperson shall, after consultation with the' concerned officials and/or employees with respect to the scope, urgency or timeliness and complexity of the work demanded by the SAS project, determine whether or not the Commission will exercise its right under Section 31 of P.D.No. 1445.

The fees for services of such experts shall be based on market rates, taking into account the scope and nature of work, experience and professional reputation of the expert/s.

4. Composition of Special Audit Team. As a general rule, the special audit team to be created per SAS engagement shall consist of members coming from all Clusters of the Sector involved and shall, whenever necessary and appropriate, include at least one (1) resource person who had previously been involved in a similar SAS engagement. In all cases, the Director of the Cluster or Office concerned shall exercise general supervision and oversight functions over the engagement team, under the administrative control and supervision of the COA

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Chairperson.

5. Service Fees. The amount of the Commission's service fees per SAS engagement shall be whichever is higher between: (a) the rate per industry practice for similar engagements and (b) a flxed amount computed on the basis of actual cost of man-hours to be spent by the core engagement team plus supervisory and operating expenses and reasonable out-of-pocket expenses (e.g., office supplies, transportation, representation) and a reasonable percentage of such total amount as premium, to be determined by the COA Chairperson, taking into account factors such as urgency in which the SAS engagement needs to be done, the scope and relative difficulty or complexity of the work or issues involved, the timeliness of the completion thereof, and similar other factors.

6. Allocation and Utilization of Fees. The service fees shall be allocated and utilized, subject to the approval of the COA Chairperson, as follows:

> a. Up to a maximum of seventy percent (70%) for the honoraria, collectively, of the following officials and personnel entitled to receive the same, subject to certain conditions/limitations set forth in Items 7, 8, and 9 below:
>
> i. Team Leader and Members named in the Office Order who actually performed work under the SAS engagement;
> ii. Supervising Auditor of the Agency involved who actually supervised and/or reviewed work under the SAS engagement;
> iii. Office or Cluster Director/s involved and other officials of the Commission charged with responsibility in the SAS engagement who actually supervised and/or performed oversight functions in connection therewith;
> iv. Resource Persons named as such in the Office Order creating the special audit team who actually rendered service in the form of advice and consultation in respect to the SAS engagement, attendance in meetings and due diligence sessions, and the like; and
> v. Fees for Expert/s who may have been engaged for the SAS.
>
> b. At least thirty percent (30%) as responsibility premium to be retained/managed by the COA Head Office, to be allocated and utilized in accordance with law and existing rules and regulations.

7. Statement/s of Account. Request/s for the sending of Statement/s of Account conformably with the terms of each SAS engagement, as well as for authority to receive honoraria (which shall be accompanied by an Accomplishment Report from each member of the working team), shall emanate from the Office or Cluster Director concerned and shall indicate the names and ranks of the officials or employees who are entitled to receive honoraria as provided in Item 6 above, as well as the honorarium proposed or recommended for each of them taking into account factors such as the degree of participation and effectiveness, quality of work, professionalism and timeliness of work completion of each official/ employee in the conduct of his/her work under the SAS project.

8. Honoraria. The rate of honorarium shall be finally determined by the COA Chairperson, in consultation with the Office or Cluster Director concerned, taking into consideration the Accomplishment Report, the complexity of the particular engagement and factors such as those mentioned in Item 7 hereof. However, the amount thereof shall not be more than one and one-half (1.5) month of the basic salary of employees involved, per SAS engagement.

9. No Overtime Pay. Those entitled to receive honoraria hereunder shall not collect overtime pay on account of his participation in the SAS project.

10. Remaining Unutilized Fees. Any remaining unutilized portion of the fees collected shall accrue to the special fund of the Commission established for the purpose.

Any and all circulars, orders, memoranda and existing rules and regulations in conflict herewith are hereby revoked or amended accordingly.

This Resolution shall take effect after fifteen (I5) days from publication in a newspaper of eneral circulation.

(SGD.) MA. GRACIA M. PULIDO TAN
Chairperson

(SGD.) JUANITO G. ESPINO, JR.
Commissioner

(SGD.) HEIDI L. MENDOZA
Commissioner

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