

## **164 SELECTION, APPOINTMENT, REPORTING REQUIREMENTS AND DELISTING OF EXTERNAL AUDITORS AND/OR AUDITING FIRM; SANCTIONS; EFFECTIVITY**

Pursuant to Section 58, R.A. No. 8791, and the existing provisions of the executed Memorandum of Agreement (MOA) dated 12 August 2009, binding the Bangko Sentral, SEC, Professional Regulation Commission (PRC) – Board of Accountancy (BOA) and the Insurance Commission (IC) for a simplified and synchronized accreditation requirements for external auditor and/or auditing firm, following are the revised rules and regulations that shall govern the selection and delisting by the Bangko Sentral of external auditors and auditing firms of covered institutions which under special laws are subject to Bangko Sentral supervision.

**Policy statement.** It is the policy of the Bangko Sentral to ensure effective audit and supervision of banks, QBs, trust entities and/or NSSLAs including their subsidiaries and affiliates engaged in allied activities and other FIs which under special laws are subject to Bangko Sentral supervision, and to ensure that reliance by Bangko Sentral and the public on the opinion of external auditors and auditing firms by prescribing the rules and regulations that shall govern the selection, appointment, reporting requirements and delisting for external auditors and auditing firms of said institutions, subject to the provisions of and implementing regulations issued pursuant to the aforesaid MOA.

- a. *Rules and regulations.* The revised rules and regulations that shall govern the selection and delisting by the Bangko Sentral of external auditors and auditing firms of covered institutions which under special laws are subject to Bangko Sentral supervision are shown in *Appendix 39*.
- b. *Sanctions.* The applicable sanctions/penalties prescribed under Sections 36 and 37 of R.A. No. 7653 to the extent applicable shall be imposed on the covered institution, its audit committee and the directors approving the hiring of external auditors/auditing firm who/which are not in the Bangko Sentral list of selected auditors for covered institutions for hiring, and/or retaining the services of the external auditor/auditing firm in violation of any of the provisions of this Section and for non-compliance with the Monetary Board directive under Item “K” in *Appendix 39*. Erring external auditors/auditing firms may also be reported by the Bangko Sentral to the PRC for appropriate disciplinary action.