

**CHECKLIST OF BANGKO SENTRAL REQUIREMENTS IN THE SUBMISSION OF
FINANCIAL AUDIT REPORT, ANNUAL AUDIT REPORT AND REPORTS REQUIRED
UNDER APPENDIX 39
(Appendix to Sec. 174 on Financial Audit)**

The external auditor (Included in the List of Bangko Sentral Selected External Auditors) shall start the audit not later than thirty (30) calendar days after the close of the calendar/fiscal year adopted by the bank. AFS of banks with subsidiaries shall be presented side by side on a solo basis and on a consolidated basis (banks and subsidiaries). The FAR shall be submitted by the bank to the appropriate supervising department of the Bangko Sentral not later than 120 calendar days after the close of the calendar year or fiscal year adopted by the bank, together with the following:

Information/Data required

Deadline for submission

A. Financial Audit Report

1. Certification by the external auditor on the following:

- a. The dates of commencement and termination of audit.
- b. The date when the FAR and certification under oath stating that no material weakness or breach in the internal control and risk management systems was noted in the course of the audit of the bank were submitted to the bank's board of directors or country head, in the case of foreign bank branches; and
- c. That the external auditor, partners, associates, auditor-in-charge of the engagement and the members of their immediate family do not have any direct or indirect financial interest with the bank, its subsidiaries and affiliates and that their independence is not considered impaired under the circumstances specified in the Code of Professional Ethics for CPA.

For submission together with the FAR not later than 120 calendar days after the close of the calendar year or fiscal year adopted by the bank.

2. Reconciliation statement for the differences in amounts between the audited and the submitted Balance Sheet and Income Statement for bank proper (regular and FCUD) and trust department, including copies of adjusting entries on the reconciling items.

Note: Please see pro-forma comparative analysis (Annex A).

For submission together with the FAR not later than 120 calendar days after the close of the calendar year or fiscal year adopted by the bank.

3. LOC indicating the external auditor's findings and comments on the material weakness noted in the internal control and risk management systems and other aspects of operations. In case no material weakness is noted to warrant the issuance of an LOC, a certification under oath stating that no material weakness or breach in the internal control and risk management systems was noted in the course of the audit of the bank shall be submitted by the external auditor.

Within thirty (30) calendar days after submission of the FAR.

4. Copies of the board resolutions showing the:
- a. Action taken on the FAR and, where applicable, on the certification under oath including the names of the directors present and absent, among other things; and
Within thirty (30) banking days after the receipt of the financial audit report and Certification under oath by the Board of Directors.
 - b. Action taken on the findings and recommendations in the LOC, and the names of the directors present and absent, among other things.
Within thirty (30) banking days after the receipt of the LOC by the board of directors.
5. In case of foreign banks with branches in the Philippines, in lieu of the board resolution:
- a. A report by the country head on the action taken by management (head office, regional or country) on the FAR and, where applicable, on the certification under oath stating that no material weakness or breach in the internal control and risk management systems was noted in the course of the audit of the bank.
Within thirty (30) banking days after the receipt of the financial audit report and certification under oath by the country head.
 - b. A report by the country head on the action taken by management (head office, regional or country) on the LOC.
Within thirty (30) banking days after the receipt of the LOC by the country head.
6. Certification of the external auditor on the date when the LOC was submitted to the board of directors or country head.
Within thirty (30) banking days after the receipt of the LOC by the board of directors or country head.
7. All the required disclosures in the AFS provided under Sec. 174 (*Disclosure requirement in the notes to the audited financial statements*).
For submission together with the financial audit report not later than one hundred twenty (120) calendar days after the close of the calendar year or fiscal year adopted by the bank.
8. Reports required to be submitted by the external auditor under *Appendix 39*:
- a. To enable the Bangko Sentral to take timely and appropriate remedial action, the external auditor must report to the Bangko Sentral, the following cases:
Within thirty (30) calendar days after discovery.
 - (1) Any material finding involving fraud or dishonesty (including cases that were resolved during the period of audit); and
 - (2) Any potential losses the aggregate of which amounts to at least one percent (1%) of the capital.
 - b. The external auditor shall report directly to the Bangko Sentral the following:
Within fifteen (15) calendar days after the occurrence/discovery.
 - (1) Termination or resignation as external auditor and stating the reason therefore;
 - (2) Discovery of a material breach of laws or Bangko Sentral rules and regulations such as, but not limited to:
 - a. CAR; and
 - b. Loans and other risk assets review and classification.
 - (3) Findings on matters of corporate governance that may require urgent action by the Bangko Sentral.

c. In case there are no matters to report (e.g., fraud, dishonesty, breach of laws, etc.) a notarized certification that there is none to report.

B. AAR- For banks under the concurrent jurisdiction of the Bangko Sentral and COA.

1. Copy of the AAR accompanied by the:

Within forty (40) calendar days after receipt of the AAR by the board of directors.

a. Certification by the institution concerned on the date of receipt of the AAR by the board of directors;

b. Reconciliation statement between the AFS in the AAR and the balance sheet and income statement of bank proper (Regular and FCDO) and trust department submitted to the Bangko Sentral, including copies of adjusting entries on the reconciling items; and

c. Other information that may be required by the Bangko Sentral.

2. Copy of the board resolution showing the action taken on the AAR, as well as on the comments and observations, including the names of the directors present and absent, among other things.

Within thirty (30) banking days after receipt of the AAR by the board of directors.

(Circular Nos. 911 dated 02 May 2016)