



<b>Circular Letter (CL) No.</b>	:	2020 - 61
<b>Date</b>	:	15 May 2020
<b>Supplements</b>	:	CL No. 2019-39

## **CIRCULAR LETTER**

**TO : ALL REGULATED ENTITIES AND ACCREDITED EXTERNAL AUDITORS OF THE INSURANCE COMMISSION (IC)**

**SUBJECT : SUPPLEMENTAL GUIDELINES IN THE REVISED FRAMEWORK ON THE SELECTION OF EXTERNAL AUDITORS (EAs)**

---

**WHEREAS**, this Commission issued IC CL No. 2019-39 on 08 August 2019 providing for the *Revised Framework on the Selection of External Auditors*;

**WHEREAS**, the Financial Sector Forum assigned the Securities and Exchange Commission (SEC) as the designated agency to receive and process application for the accreditation of EAs starting 01 January 2020;

**WHEREAS**, to effectively implement the provisions of CL No. 2019-39, the IC will transfer the monitoring of compliance of EAs from the Investments Services Division to the Financial Examination Group;

**WHEREAS**, this Commission further finds the need to institute supplemental guidelines on the reporting, evaluation and penalty procedures pursuant to Section 347 of the Amended Insurance Code;

**NOW, THEREFORE**, pursuant to the power vested in this Commission under Section 437 of the Amended Insurance Code, Section 6 of the Pre-need of the Philippines, and Section 4 of Executive Order No. 192, series 2015, the IC issues supplementary guidelines for the effective implementation of CL No. 2019-39 as follows:

### **SECTION 1: COVERAGE**

1.1 This CL covers all EAs and Auditing Firms included in the List of Accredited External Auditors.

- 1.2 Starting 01 January 2020, all new and renewal applications for inclusion in the List of Accredited External Auditors to audit 2020 financial statements and in thereafter shall be filed with the SEC.

## **SECTION 2: SUBMISSIONS OF ACCREDITED EXTERNAL AUDITORS**

- 2.1 All reportorial requirements as required in Section 4 of CL No. 2019-39 shall be submitted to the IC's Financial Examination Group on or before 31 January of the following year.
- 2.2 The accredited EAs shall submit a report containing the following:
  - a. EA's IC-regulated Client List which contains, at a minimum, the following:
    - i. Name of IC-regulated clients
    - ii. Name of the engagement partner/s in case of Auditing Firms
    - iii. Number of years of engagement/assignment in case of signing partners, if any;
  - b. Copy of each engagement contracts in compliance with Section 4.2 of CL No. 2019-39;
  - c. Matter/s discovered that adversely affect the financial condition of the regulated entity as enumerated under Section 4.3 of CL No. 2019-39, if any; and
  - d. Summary of external auditor's clients that have pre-terminated engagement contracts during the audit period stating the reasons of such pre-termination.

The documents shall be submitted in a digital/ electronic format together with a signed certification provided in "**Annex A**".

## **SECTION 3: MONITORING AND SUPERVISORY ENFORCEMENT**

- 3.1 The IC reserves the right to deploy its range of supervisory and regulatory tools to promote adherence with the requirements provided in this CL and bring about timely corrective actions.
- 3.2 For this purpose, the IC may issue directives, orders, or impose sanctions on the regulated entity and/or its directors and management who approved the appointment of the EAs and/or audit firm who/which are not in the List of Accredited External Auditors for IC's regulated entities and/or for non-compliance with the provisions of this CL and CL No. 2019-39;
- 3.3 The IC may recommend the suspension or delisting of EAs and/or audit firm from its List of Accredited External Auditors based on the results of assessment of the quality of the audited financial statements, its supplemental report and non-submission of required reports as provided under Section 2 of this CL.

3.4 Notwithstanding the list published by the SEC, the IC will regularly publish the list of accredited EAs, including any non-compliance issues observed by the IC.

**SECTION 4: PROCEDURE AND EFFECTS OF SUSPENSION/DELISTING**

The procedure and effects of suspension/delisting shall be in accordance with Section 6 of IC CL No. 2019-39.

**SECTION 5: EFFECTIVITY**

This Circular shall take effect immediately.

For strict compliance.



**DENNIS B. FUNA**  
Insurance Commissioner

