

NPM No. 12-2012

18 January 2012

ENGR. ARNOLD P. LAURENTE
Vice-Chairman, Bids and Awards Committee
METRO ILOILO WATER DISTRICT
 Bonifacio Drive, Iloilo

Re: Audited Financial Statements

Dear Engr. Laurente:

We respond to your letter dated 13 April 2011 seeking clarification on whether financial statements audited by Certified Public Accountants (CPAs) not accredited by the Board of Accountancy (BOA) should not be considered compliant with the requirement for an audited financial statement as an eligibility requirement under Section 23.1 of the revised Implementing Rules and Regulations (IRR) of Republic Act (RA) 9184.

As represented, the issue was raised in relation to Section 26 – “Prohibition in the Practice of Accountancy” and Section 28 – “Limitation of the Practice of Public Accountancy” of the IRR of RA 9298¹.

A reading of Sections 26 and 28 of the IRR of RA 9298 reveals that no person shall engage in the practice of public accountancy unless he/she is a CPA and has received a certificate of accreditation from the BOA. Since the audit of a financial statement for purposes of participation in public bidding can be considered a “practice of public accountancy” under Section 4 (a) of RA 9298, CPAs preparing such Audited Financial Statement (AFS) must be accredited by the BOA.

Thus, a CPA who prepares an AFS for public bidding without the required certificate of accreditation from the BOA can be considered performing an act against the provisions of mandatory or prohibitory laws, thereby making the act, *i.e.*, the audit of the financial statement, void by reason of Article 5 of the Civil Code of the Philippines². Since the audit is void, the financial statement would not be considered as having been audited, and thus would not qualify as an “Audited Financial Statement” required for purposes of compliance with Section 23.1 of the IRR of RA 9184.



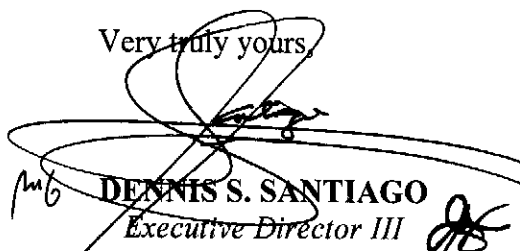
¹Philippine Accountancy Act of 2004.

²Article 5. Acts executed against the provisions of mandatory or prohibitory laws shall be void, except when the law itself authorizes their validity. (Civil Code of the Philippines RA 386)

Based on the foregoing, it is our considered view that financial statements audited by CPAs not accredited by the BOA cannot be considered for purposes of Sections 23.1 (a)(v) and 24.1 (a)(v) of the revised IRR of RA 9184.

We hope that our advice sufficiently addresses your concern. Should you have further questions, please do not hesitate to contact us.

Very truly yours,


DENNIS S. SANTIAGO
Executive Director III

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