

AAR



ACCOUNTING AND AUDITING REFORMS

Accounting and Auditing Reforms (AAR) is a key reform project which aims to harmonize accounting and auditing rules with international standards and improve participatory audit of multi-sectoral programs and projects.

PURPOSE

AAR focuses on two reform areas of the Philippine Government financial system - accounting and auditing. Set to strengthen fiscal discipline and transparency, the project seeks to harmonize Philippine Public Sector Accounting Standards (PPSAS) with the International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS); enhance the New Government Accounting System (NGAS); revise the Chart of Accounts; and develop Philippine Public Sector Standards on Auditing (PPSSA). The AAR Project Implementing Unit (AAR-PIU) is committed to review and harmonize current standards for comparable and relevant use across local and global boundaries.

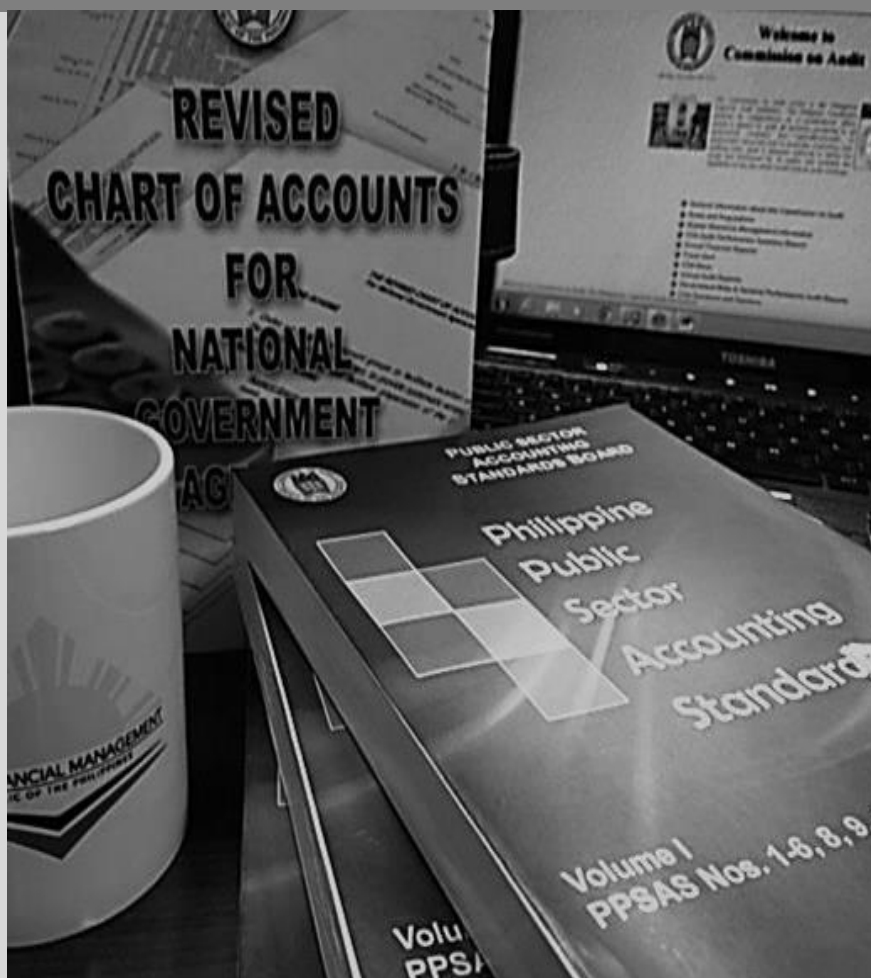
STATUS

Twenty-five (25) PPSAS harmonized with IPSAS and IFRS have been adopted for implementation in 2014 through COA Resolution 2014-003. Meanwhile, the Chart of Accounts for National Government Agencies has been revised to provide new accounts for the adoption of PPSAS, through COA Circular No. 2013-002.

The Revised Chart of Accounts (RCA) is being incorporated in the New Government Accounting System (NGAS) Manual, referred to as the National Government Accounting Manual.

Twenty-four (24) Philippine Public Sector Standards on Auditing (PPSSA) have been adopted through COA Resolution No. 2013-007.

The Trainers' Training on the PPSAS, Revised Chart of Accounts and PPSSA have already been completed. The accounting and auditing reforms are currently being rolled-out to NGAs.



PFM Committee

Executive Order No. 55 s. 2011 mandated the PFM Committee composed of Commission on Audit (COA), Department of Budget and Management (DBM), Department of Finance (DOF) and Bureau of the Treasury (BTr) to oversee the integration and automation of government financial and information systems, and implementation of the PFM Reform Roadmap. The roadmap is implemented through six key initiatives: Budget Reporting and Performance Standards, Accounting and Auditing Reforms, Improvement of Treasury Cash Management Operations, Liability Management, Government Integrated Financial Management Information System, and Capacity Building.

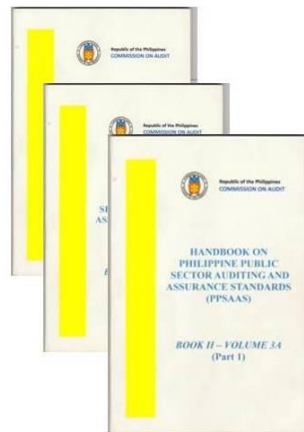
Harmonized Accounting and Auditing Rules for Efficient Public Fund Use

A harmonized accounting and auditing rules with international standards and improved auditing systems will deliver the following benefits:

- ✓ Harmonizes Philippine Government Accounting Standards with international accounting standards in global business language which is comparable across international boundaries
- ✓ Provides accurate and timely financial reports
- ✓ Enhances agencies' eNGAs and eBudget interface for more efficient accounting and auditing services
- ✓ Revises unified chart of accounts among NGAs for refined and harmonized accounts
- ✓ Simplifies accounting and auditing processes, and standardizes systems and applications
- ✓ Generates Financial Statements which could be readily understood by the public, and be of use to decision-makers and legislators
- ✓ Develops PPSSA harmonized with international standards on auditing and international standards of supreme audit institutions

PHILIPPINE PUBLIC SECTOR STANDARDS ON AUDITING (PPSSA)

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| PPSSA 20 | Principles of Transparency and Accountability |
| PPSSA 30 | Code of Ethics |
| PPSSA 40 | Quality Control for the Commission on Audit |
| PPSSA 100 | Basic Principles in Government Auditing |
| PPSSA 200 | General Standards in Government Auditing and Standards with Ethical Significance |
| PPSSA 300 | Field Standards in Government Auditing |
| PPSSA 400 | Reporting Standards in Government Auditing |
| PPSSA 1200 | Overall objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing |
| PPSSA 1210 | Agreeing the Terms of Audit Engagements |
| PPSSA 1220 | Quality Control for an Audit of Financial Statements |
| PPSSA 1230 | Audit Documentation |
| PPSSA 1240 | The Auditor's Responsibilities relating to Fraud in an Audit of Financial Statements |
| PPSSA 1250 | Consideration of Laws and Regulations in an Audit of Financial Statements |
| PPSSA 1260 | Communication with Those Charged with Governance |
| PPSSA 1265 | Communicating Deficiencies in Internal Control to Those Charged with Governance and Management |
| PPSSA 1300 | Planning an Audit of Financial Statements |
| PPSSA 1315 | Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment |
| PPSSA 1320 | Materiality in Planning and Performing an Audit |
| PPSSA 1330 | The Auditor's Responses to Assessed Risks |
| PPSSA 1402 | Audit Considerations Relating to an Entity Using a Service Organization |
| PPSSA 1450 | Evaluation of Misstatements Identified During the Audit |
| PPSSA 1700 | Forming an Opinion and Reporting on Financial Statements |
| PPSSA 1705 | Modifications to the Opinion in the Independent Auditor's Report |
| PPSSA 1706 | Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report |



PHILIPPINE PUBLIC SECTOR ACCOUNTING STANDARDS (PPSAS)

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| PPSAS 1 | Presentation of Financial Statements |
| PPSAS 2 | Cash Flow Statements |
| PPSAS 3 | Accounting Policies, Changes in Accounting Statements and Errors |
| PPSAS 4 | The Effects of Changes in FOREX Rates |
| PPSAS 5 | Borrowing Costs |
| PPSAS 6 | Consolidated and Separate Financial Statements |
| PPSAS 8 | Interests in Joint Ventures |
| PPSAS 9 | Revenue from Exchange Transactions |
| PPSAS 12 | Inventories |
| PPSAS 13 | Leases |
| PPSAS 14 | Events after the Reporting Date |
| PPSAS 16 | Investment Property |
| PPSAS 17 | Property, Plant and Equipment |
| PPSAS 19 | Provisions, Contingent Liabilities and Assets |
| PPSAS 20 | Related Party Disclosures |
| PPSAS 21 | Impairment of Non-Cash Generating Assets |
| PPSAS 23 | Revenue from Non-Exchange Transactions (Taxes and Transfers) |
| PPSAS 24 | Presentation of Budget Information in Financial Statements |
| PPSAS 26 | Impairment of Cash Generating Assets |
| PPSAS 27 | Agriculture |
| PPSAS 28 | Financial Instruments Presentation |
| PPSAS 29 | Financial Instruments Recognition and Measurement |
| PPSAS 30 | Financial Instruments Disclosure |
| PPSAS 31 | Intangible Assets |
| PPSAS 32 | Service Concession Arrangements: Grantor |

GIFMIS and AAR

IT-based systems on budget and accounting, including Government Integrated Financial Management Information System (GIFMIS), require a harmonized and enhanced PPSAS and PPSSA for its operationalization. GIFMIS is an integrated IT solution that can collect and organize financial information in a central database to support, at a minimum, budget preparation, execution and financial reporting.

AAR represents a broad move in strengthening fiscal responsibility between oversight agencies and national government agencies.

KEY PRIORITY AREAS

Accounting

1. Harmonize PGAS with IPSAS
2. Enhance New Government Accounting System
3. Revision of Chart of Accounts

Auditing

Develop Philippine Public Sector Standards on Auditing (PPSSA)

FOR INFORMATION

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