

## **[ BSP MEMORANDUM, July 26, 2004 ]**

### **SUBMISSION OF AUDITED FINANCIAL STATEMENTS AND ANNUAL REPORT OF MANAGEMENT TO STOCKHOLDERS**

Subsections X 164.1 and X 426.2 of the Manual of Regulations for Banks (MORB) and Section 4172Q of the Manual of Regulations for Non-Bank Financial (MORNBFI) require that an annual financial audit of the bank/non-bank with quasi-banking functions [Bank/NBQB Proper (Regular and FCDU) and the Trust Department] be conducted by an external independent auditor not later than thirty (30) calendar days after the close of the calendar year or the fiscal year adopted by the bank. Reports of such audits shall be made and submitted to the board of directors and the appropriate supervising and examining department of the BSP not later than ninety (90) calendar days after the start of such audit.

In consonance with the aforementioned regulations, banks and NBQBs are to be guided with the checklist of Bangko Sentral requirements in the submission of AFS and Annual Report as shown in Annex A.

Delayed submission of certification of the external auditor, schedules/attachments and amendments in the required reports shall be considered late recording, subject to the penalties under Subsection X 162.2b, MORB and Subsection 4162Q3.b, MORNBFI, as follows:

#### **Information/Data required**

#### **Deadline for submission**

1. Certification on the following:

For submission together with the audited financial statement (AFS) (Not later than ninety (90) calendar days after start of audit)

a. The dates of commencement and termination of audit.

b. The date when the audit report was submitted to the bank's/institution's board of directors/executive officer or country head.

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 a bank, quasi-bank, trust entity, NSSLA, its subsidiaries and affiliates where they or any member of their immediate family member have any direct or indirect financial interest and their independence is not considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accountants.

2. Reconciliation for the differences in amounts between the audited financial statements and the submitted Consolidated Statement of Condition (CSOC) and Consolidated Statement of Income and Expenses (CSIE) for bank proper (regular and FCDU) and trust department, including copies of adjusting entries effected by the external auditor.

For submission together with the audited financial statements (AFS). (Not later than ninety (90) calendar days after start of audit)

Note: Please see pro-forma comparative analysis (Annex A-1<sup>\*</sup>)

3. Letter of Comments (LOC) by the external auditor and Certification of the external auditor on the Date when the Letter of Comments was submitted to the bank/institution's board of directors.

Within thirty (30) banking days after the receipt of the LOC by the Board of Directors/Chief Executive Officer or Country Head.

Note: The Letter of Comments embodies the external auditor's findings and comments on the bank's material weakness on the internal control systems and other aspects of operations

In case no material weakness is noted to warrant the issuance of an LOC, a formal statement issued by the external auditor confirming said fact shall be submitted by the bank/NBQB.

4. Copies of the board resolutions showing the:

1. Action taken on the financial audit report and among other things, the names of the directors present and absent.

Within thirty (30) banking days after the receipt of the audit report (AFS) by the Board of Directors/Chief Executive Officer or Country Head. (AFS to be submitted within Ninety (90) days after start of audit)

2. Action taken on the findings and recommendations in the Letter of Comments (LOC) and among other things, the names of the directors present and absent.

Within thirty (30) banking days after the receipt of the LOC by the Board of Directors/Chief Executive Officer or Country Head.

Note: Foreign banks with branch in the Philippines having no board of directors in the country may submit a certification from the authorized officers that the management had acted on the AFS and LOC in lieu of the board resolution.

5. All the required disclosures in the audited financial statements provided under Subsections X 164.4 to X 164.6 of the MORB, as follows:

(Information is an integral part of the AFS)

i. Basic quantitative indicators of financial performance such as return on average equity, return on