

[BSP CIRCULAR NO. 554, s. 2006, December 21, 2006]

SUBMISSION OF ANNUAL AUDIT REPORT (AAR)

Pursuant to Monetary Board Resolution No. 1470 dated 30 November 2006, the

Manual of Regulations for Banks (MORB) is hereby amended, as follows:

SECTION 1. The following provisions of Subsection X 166.1 on Financial Audit is hereby amended to read, as follows:

"Sec. X166.1 Financial Audit. Banks shall cause an annual financial audit by an external auditor acceptable to the BSP not later than thirty (30) calendar days after the close of the calendar year or the fiscal year adopted by the bank. Report of such audit shall be submitted to the board of directors or country head, in the case of foreign bank branches, and the appropriate supervising and examining department of the BSP no later than one hundred twenty (120) calendar days after the close of the calendar year or the fiscal year adopted by the bank. The report to the BSP shall be accompanied by the (1) Certification by the external auditor on the: (a) dates of start and termination of audit; (b) date of submission of the financial audit report 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 to the board of directors or country head; and (c) the absence of any direct or indirect financial interest and other circumstances that may impair the independence of the external auditor; (2) Reconciliation Statement between the AFS and the balance sheet and income statement for bank proper (regular and FCDU) and trust department submitted to the BSP, including copies of adjusting entries ON THE RECONCILING ITEMS; and (3) other information that may be required by the BSP."

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"Government-owned or controlled banks, including their subsidiaries and affiliates, as well as other financial institutions under BSP supervision which are under the concurrent jurisdiction of the Commission on Audit (COA) shall be exempt from the aforementioned annual financial audit by an acceptable external auditor: *Provided,* That when warranted by supervisory concern such as material weakness/breach in internal control and/or risk management systems, the Monetary Board may, upon recommendation of the appropriate supervising and examining department of the BSP, require the financial audit to be conducted by an external auditor acceptable to the BSP, at the expense of the institution