

Role of auditors in the new economy cited

BY MAYVELIN U. CARABALLO

AUDIT firm Reyes Tacandong & Co. (RT&Co) is emphasizing the key role of auditors in ensuring that corporate governance remains sound amid the new normal.

Protacio T. Tacandong, Chief Operating Officer of RT&Co, told *The Manila Times* that businesses and industries continue to deal with the volatile environment brought about by Covid-19.

The pandemic, he noted, has made the auditor's role more critical as shareholders depend on audit opinions provided in financial statements, which should mirror a company's true financial position especially during critical times.

The health crisis, Tacandong said, has heightened severe threats to fundamentals such as asset valuation, liquidity, contingent liabilities, and profitability, among others. This is turn highlighted the auditor's critical role in providing independent views on how management can navigate the many risks and opportunities.

Auditors, the RT&Co executive noted, can assist organizations to recover from the impact of the pandemic while ensuring that they stick to sound corporate governance by ensuring a long-term strategic focus.

"A typical enterprise struggle is the day-to-day 'firefighting' for the many operational issues that are often internal in nature, which can sway management attention from the more important strategic concerns. This situation can exponentially worsen during a crisis, when business and market fundamentals change, and management without full understanding of these changes does not know how to navigate," he pointed out.

Tacandong said this could make organizations unknowingly sacrifice longer-term goals for short-

term gains, mainly due to the lack of a formalized risk management framework.

"Auditors can fill in the gap. Ideally, before any crisis, auditors can help management set up such framework with a sustainable design, risk-focus and grounded on the company's principles towards longer-term success," he continued.

Amid a crisis, Tacandong said auditors could come up with independent views on how risk management had impacted a company's financial position and results, as well as the operational resiliency of the controls environment. These insights can be utilized by organizations to continually enhance corporate governance and refocus towards longer-term value creation.

"The uncertainties caused by the pandemic are beyond any predictive model and raise expectations about assurance and certainty of information. However, the auditor's responsibility does not rise or ebb with crisis or prosperity," he emphasized.

"Auditors must understand the control environment, the 'mood at the top,' and the control features in place, including the elements of good corporate governance," Tacandong added.

Auditors can help clients evaluate aspects of corporate governance that are challenged by any business slump, he continued, adding that direct and open communication with the board of directors is a must, with added urgency and frequency, to tackle concerns and alternatives to help formulate frameworks from the perspectives



Protacio T. Tacandong, Chief Operating Officer of RT&Co

of preservation and organizational recovery.

"Raising profound questions about the organization's objectives and strategy, its planning process, the costs of temporary shutdown, layoffs, suspension of benefits and capability building efforts, redefined processes, risks, and regulatory compliance can help the organization focus on the essentials," he pointed out.

"Machinery and processes can be replaced as soon as financial resources are available and the auditor can identify compensating controls and alternatives to satisfy governance, reporting and compliance requirements within acceptable risks, and quantify the impact on the financial statements with reasonable certainty," Tacandong added.

Lastly, he said that corporate governance, which cushions the onslaught of any crisis, is one rampart that organizations can rely on, especially in these fast-changing times. It can help organizations take stock of what has been lost, what can be saved, and what are still functional or useful.

Organizations with good governance practices will withstand challenges and fare better in its aftermath, Tacandong said. They are also ready for a post-pandemic scenario that can be implemented at the first sign of normalcy.

On the other hand, "those who took good governance for granted

in happier times are likely struggling in the crisis, rudely awakened to the challenges presented by the effects of the pandemic," he noted.

"Corporate governance knows no season and is relevant both in good and bad times."

RT&Co is a group of Filipino professionals that provides digital transformation, due diligence, tax, advisory, and audit services.

The firm also recently launched three new companies: RT&Co. DigIT Inc., which provides intelligent digital solutions for businesses through digital transformation and IT consultancy services; RT&Co. Strategic Processes Inc., which is a strategy consulting and human capital development company that provides non-traditional training for top and senior management; and RT&Co. Outsource Inc., which provides services for companies seeking to employ human resources equipped with required competences while following regulatory compliance.

Reyes Tacandong & Co. currently has 30 partners and principals and a complement of around 700 professionals with offices in Makati, Davao, Cebu, Iloilo and Clark. Its main office is located at the 26/F BDO Towers Valero, 8741 Paseo De Roxas, Makati, 1226 Metro Manila. The firm can be reached through info@reyestacandong.com or +632 8982 9100. RT&Co is a member firm of RSM.