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# Regulatory Policy

## The Approval of an Auditor for a Regulated Institution

### 1. Statement of Objectives

The various regulatory laws require that the Authority approve the auditors of regulated institutions. This policy will be applied when auditors apply to the Authority for approval. It is expected that approved auditors will continue to meet this policy on an ongoing basis.

### 2. The Policy

#### 2.1. Assessing the acceptability of an auditor in auditing a regulated institution

The following criteria will be applied for approved auditors of regulated entities:

- Sufficient Expertise and Resources
- Continuing Professional Education
- Quality Assurance Reviews
- Independence
- Professional Indemnity Insurance

#### 2.2. Sufficient Expertise and Resources

2.2.1 The firm should have relevant experience in auditing in the respective industry, based on assignments of comparable size and complexity. In addition, staffing of the engagement should include sufficient specialized skills appropriate to the industry of the regulated institution. In the assessment of resources, the factors to be considered would include: (a) whether the local firm is an extension of



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an international firm or a separate legal entity; (b) whether the firm will be undertaking local sign offs or 'full' audits; and, (c) the industry sectors which it will audit.

2.2.2 Partners signing off on audit engagements, or any member of the firm with authority to sign off the audit, are expected to possess an internationally recognised accounting qualification. For the purposes of this policy, the following would be considered internationally recognised accounting bodies: The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants in Ireland, The Institute of Chartered Accountants of Scotland, The Canadian Institute of Chartered Accountants, The Association of Chartered Certified Accountants, The American Institute of Certified Public Accountants, or any other Professional Body or Institute approved by the Authority. As a general rule, the Authority would expect partners to have a minimum of five years auditing experience of financial institutions at a management level, in the respective industry sectors or businesses they are auditing. If a firm should not have partners with the necessary experience, the Authority may at its discretion limit the industries or licensees which the firm may be approved to audit.

### 2.3. Continuing Professional Education

All professional accounting personnel are expected to perform relevant continuing professional education and maintain good standing with their international accounting body.

### 2.4. Quality Assurance Reviews

2.4.1 The Authority expects that the firm has in place a competent quality assurance process that ensures that the firm's internal and any externally imposed standards are being complied with.



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2.4.2 It is expected that the quality control process would include:

- a) Pre-established guidelines requiring concurring partner review of the audit procedures and audit work, and,
- b) Internal quality control reviews of the firm's processes and methodology by experts of that firm on a regular basis.

## 2.5. Independence

2.5.1 Independence is important in order to maintain an objective frame of mind in accomplishing the audit. All staff must sign off annually on internal firm independence declarations, and the firm must have clear and comprehensive procedures for ensuring independence in relation to new engagements.

- a) The applicant firm of accountants should follow the guidance in the International Federation of Accountants (IFAC) Code of Ethics Section 8: Independence when designing and implementing their independence procedures.

2.5.2 If the auditors supply other services to the licensee in addition to auditing, for example internal audit services, the nature and extent of these services should be kept under review by the firm, in order to ensure that the auditors' objectivity is not affected.

2.5.3 In addition, audit firms are not permitted to audit financial statements of licensees where it (or a closely related entity, for example, a corporate services company with common owners to the audit firm) prepared the financial statements.

2.5.4 Notwithstanding the examples above, there may be other circumstances that would result in a firm being deemed not independent or objective and audit firms must be vigilant to this



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possibility and take appropriate steps to ensure that the audit firm is independent and objective.

#### 2.6. Professional Indemnity Insurance

The Authority would expect audit firms to have adequate professional indemnity insurance of a minimum of CI\$500,000 for any one claim and CI\$1,000,000 in aggregate. In meeting this Policy, the Authority would accept an extension of the professional indemnity insurance from a member firm.

#### 2.7. Sanctions

Failure to comply with this policy may lead to the removal of the auditor from the list of approved auditors.

#### 2.8. Local Audit Sign-Off

This policy applies to all provisions of the regulatory laws where accounts are to be audited annually by an auditor approved by the Authority, and includes the references to approved auditors in the Local Audit Sign-Off Policy for mutual funds issued by the Authority.