



ANGUILLA FINANCIAL SERVICES COMMISSION

GUIDELINES ON ACCEPTABILITY OF AN AUDITOR

(Issued under Section 49 of the Financial Services Commission Act, R.S.A. c.F28 (as amended))

1. Statement of objectives

These guidelines set out conditions with respect to the acceptability of auditors of licensed financial services businesses.

2. Statutory provisions

The Company Management Act, R.S.A. c. C75; Insurance Act, R.S.A. c. I16; Money Services Business Act, R.S.A. c. M104; Mutual Funds Act, R.S.A. c. M107; and Trust Companies and Offshore Banking Act, R.S.A.c. T60 require that certain licensees furnish or forward their audited annual financial statements to the Commission, or make their audited annual financial statements available for examination by the Commission.

Each definition of “auditor” in these enactments requires that the auditor be a member of a professional body that is named in the legislation, or approved or recognised by the Commission, or that the auditor be satisfactory to the Commission (see Appendix).

For convenience, these guidelines will refer to the requirements that a professional body be “approved” or “recognised” by the Commission, or that an auditor be “satisfactory” to the Commission, as “acceptability” of an auditor.

3. Criteria for acceptability

The following criteria will be used by the Commission to assess the acceptability of an auditor to audit a licensee:

- Membership in a professional body
- Use of appropriate accounting and auditing standards
- Sufficient expertise and resources
- Continuing professional education
- Quality assurance review process
- Independence
- Professional indemnity insurance



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Membership in a professional body

Partners signing off on audit engagements, or any members of the firm with authority to sign off the audit, are expected to possess a professional accounting designation, given by an internationally-recognised accounting body. For the purposes of these guidelines, 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, any provincial or territorial body of the Canadian Institute of Chartered Accountants or the Chartered Professional Accountants Canada, the Association of Chartered Certified Accountants, the American Institute of Certified Public Accountants, or any other professional body or institute approved or recognized by the Commission.

Use of appropriate accounting and auditing standards

The accounting standards used to prepare the financial statements and the auditing standards used to conduct the audit must be clearly articulated. It is the Commission's expectation that financial statements will be prepared in accordance with international financial reporting standards ("IFRS") and audited in accordance with international standards on auditing ("ISA"). The Commission may accept financial statements prepared or audited using other standards, where appropriate.

Sufficient expertise and resources

The audit 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 licensee. In the assessment of resources, the factors to be considered would include: (a) whether the local firm is an extension of 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.

As a general rule, the Commission 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 does not have partners with the necessary experience, the Commission may at its discretion limit the industries or licensees which the firm may be found acceptable to audit.

Continuing professional education

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



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Quality assurance review process

The Commission 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.

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.

Independence

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

If the auditors render 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.

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

Notwithstanding the examples above, there may be other circumstances that would result in a firm being deemed not independent or objective and audit firms should be vigilant to this possibility and take appropriate steps to ensure that the audit firm is independent and objective.

Professional indemnity insurance

Professional accounting bodies in many jurisdictions require their members in public practice to have specified levels of professional indemnity insurance ("PII"). Where an auditor is a member of such a body, the Commission may require confirmation that the auditor meets those PII requirements. Where an auditor is a member of a professional accounting body that does not require its members to have PII, the Commission expects



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that the auditor will have assessed their potential risks, based on the type of work performed, and whether PII cover is required. Where an auditor is a member of a professional accounting body that does not require PII, the Commission will consider on a case-by-case basis whether to accept that auditor.

Removal of acceptance

Failure to comply with these guidelines may result in the Commission finding that the auditor is not acceptable to audit a licensee.

Approved by the Board
Anguilla Financial Services Commission
9 December 2015



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Appendix

Company Management Act, R.S.A. c. C75

Section 1(1)

“auditor” means a person who is in good standing as a member of an association of chartered or public accountants or other similar body approved by the Commission as a reputable auditing association;

Insurance Act, R.S.A. c. I16

Section 1

“auditor” means a person who has qualified as an accountant by examination of, and holds a practicing certificate issued by, one of the Institutes of Chartered Accountants in England and Wales, Ireland and Scotland, or the Canadian Institute of Chartered Accountants or the American Institute of Certified Public Accountants, and who is a current member of good standing of one of the above Institutes or another professional accountancy body which is recognised by the Commission as such for the purpose of this Act;

Money Services Business Act, R.S.A. c. M104

Section 15(1)

A licensee shall appoint annually an auditor who must be a chartered accountant, a certified public accountant, a member of the Institute of Chartered Accountants of the Eastern Caribbean or some other professionally qualified accountant, satisfactory to the Authority [Commission]...

Mutual Funds Act, R.S.A. c. M107

Section 1(1)

“auditor” means a person who has qualified as an accountant by examination of, and holds a practicing certificate issued by, one of the Institutes of Chartered Accountants in England and Wales, Ireland and Scotland, or the Canadian Institute of Chartered Accountants or the American Institute of Certified Public Accountants, and who is a current member of good standing of one of the above Institutes recognised by the Commission as such for the purposes of this Act;



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Trust Companies and Offshore Banking Act, R.S.A.c. T60

Section 1

“auditor” means a person who is in good standing as a member of an association of chartered or public accountants or other similar body approved by the Commission as a reputable auditing association;