

MINIMUM STANDARDS FOR APPOINTMENT OF EXTERNAL AUDITORS

1. INTRODUCTION

- 1.1.** The Financial Services Commission (the “Commission”) is responsible for the licensing, regulation and supervision of firms engaged in the conduct of international financial services in and from within Belize pursuant to Financial Services Commission Act, Chapter 272 of the Laws of Belize, Revised Edition 2011. The Commission has the duty, in collaboration with its licensees, to promote and maintain high standards of conduct and management in the provision of international financial services.

All licensees are expected to adhere to the Commission’s licensing and other requirements and ongoing supervisory programmes, including periodic on-site inspections, and required regulatory reporting. Licensees are also expected to conduct their affairs in conformity with all other legal requirements in Belize.

2. PURPOSE

These Guidelines:

- 2.1.** Outline the minimum standards that the Commission will apply to assess the fit and proper status for the appointment of external auditors; and
- 2.2.** Outline minimum requirements for the conduct of the external audits of licensees.

3. APPLICABILITY

- 3.1.** These Guidelines apply to all licensees holding the following licenses and their external auditors:
- 3.1.1.** Trading in financial and commodity-based derivative instruments and other securities;
 - 3.1.2.** Trading in foreign exchange;
 - 3.1.3.** International money lending; and

3.1.4. Mutual funds services

4. REQUIREMENTS FOR APPROVAL

- 4.1.** The following factors should be considered when appointing an external auditor:
- 4.1.1.** Whether the accountant(s) or partners of the audit firm are members of the Institute of Chartered Accountants in Belize (ICAB) or if the audit firm is not located in Belize, whether the accountant or each of the partners of the audit firm is in possession of a valid licence to engage in public practice in the jurisdiction in which they operate;
 - 4.1.2.** The reputation of the audit firm, the members of its management, the individual accountant(s), and their knowledge of auditing, securities, and general financial matters;
 - 4.1.3.** The audit firm's resources and its ability to efficiently perform the proposed audit engagement(s);
 - 4.1.4.** The audit firm's previous experience in conducting audits of Trading in Securities, Foreign Exchange, International Money Lending firms or similar activities;
 - 4.1.5.** That there are no direct or indirect interests or relationships by the audit firm or accountant, its management, or partners in any of the business affairs of the licensee(s), its Board of Directors or management, or any related company;
 - 4.1.6.** That the individual accountant, audit firm or partners of the audit firm do not have any relationship with the licensee or any related company with respect to any credit facilities that they have obtained or that are outstanding with the licensee, which may affect their objectivity;
 - 4.1.7.** Whether the audit firm or accountant provides non-audit services for the licensee(s) in any capacity other than that of an auditor. The following non-audit services should not be performed by the audit firm or accountant:

- a) bookkeeping or other services related to the accounting records or financial statements of the audit client;
- b) internal audit outsourcing services;
- c) financial information systems design and implementation;
- d) appraisal or valuation services, fairness opinions, or contribution in kind reports;
- e) actuarial services;
- f) management functions or human resource;
- g) broker or dealer, or investment advisor;
- h) legal services and expert services unrelated to the audit; and
- i) any other services that the Commission considers impermissible.

4.2. The following person should be disqualified from appointment as auditor of the licensee:

- 4.2.1.** A partner, director, or senior auditor of the audit firm who has been a liquidator or director of any affiliate of the licensee within the two years immediately preceding the appointment;
- 4.2.2.** A significant shareholder or director of the licensee;
- 4.2.3.** An entity that a significant shareholder controls or which controls a significant shareholder;
- 4.2.4.** An affiliate of the financial institution; and
- 4.2.5.** A related party.

5. SCOPE OF THE AUDITOR'S WORK

5.1. The licensee's shareholders or board of directors should ensure that the scope of the auditor's work covers, at a minimum, the following:

- 5.1.1.** Examination and evaluation of the adequacy and effectiveness of the internal control systems;

- 5.1.2.** Review of the application and risk management procedures and risk assessment methodologies;
- 5.1.3.** Review of the accuracy and reliability of accounting records and financial reports;
- 5.1.4.** An assessment of compliance with internal policies and procedures, anti- money laundering legislation and all other relevant legislation;
- 5.1.5.** Review of compliance with legal and prudential requirements of the Commission and other relevant regulatory bodies, the IFS Practitioner (code of conduct) Regulation, 2001 and other policies and procedures. This review should test the adequacy of the internal systems maintained by the licensee to ensure compliance with these elements; and
- 5.1.6.** Review of the stability in respect of the financial affairs of the licensee by requiring the maintenance of solvency and prudential financial control.

6. THE MANAGEMENT LETTER

- 6.1.** The auditor issues the management letter. It details internal control exceptions, risk assessments, recommendations for corrective action and the responses of the licensees. At the end of an audit engagement, where the auditor has concerns relating to the internal controls of the financial institution a management letter should be issued. When there are no significant concerns, a management letter should be issued with a comment such as “nothing to report”.

7. REQUIREMENTS FOR LICENSEES

- 7.1.** Licensees must notify the Commission in writing of their intention to appoint an audit firm. and request the Commission’s no objection to the appointment of the external auditor. The information sent to the Commission should include:
 - a. Details of the auditor’s background and legal status;
 - b. A statement of the principal place of business or head office of the auditor and other places of business or branches;
 - c. Details of the legal and professional status of the parent company, if any; and

- d. The names, personal data, and detailed resumes of the audit team;
 - e. A list of major audit assignments that have been performed by the auditor in the last three (3) years; and
 - f. Any other information requested by the Commission.
- 7.2.** Licensees must notify the Commission of their intention to change their audit firm and provide the Commission with an explanation of the reasons for such change; and
- 7.3.** Every licensee must annually furnish a copy of the finalized management letter from its external auditor to the Commission within ten days of its receipt from the auditor.

8. OTHER REQUIREMENTS

- 8.1.** All documentation must be in English language and the audit report must be in accordance with International Financial Reporting Standards (IFRS).

All Trading in Securities, Trading in Foreign Exchange, International Money Lending and Mutual Funds firms are required to comply with these guidelines with effect from 5th December 2018.

Financial Services Commission

5th December 2018