



**GUIDELINES FOR:  
CRITERIA FOR AUDITORS**

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**The Financial Services Commission  
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<b>LEGISLATIVE REFERENCE:</b>	Sections 21(2) and 64 of the Securities Act Regulation 27 of the Securities (Mutual Fund) Regulations Regulation 4(1) of the Securities (Disclosure of Interest) Regulations Sections 28(1) and 37(1) of the Insurance Act Regulation 79 of the Insurance Regulations Section 12(1) of the Pensions (Superannuation Funds and Retirement Schemes) Act (the "Pensions Act")
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## 1.0 BACKGROUND

- 1.01 The Financial Services Commission (the "FSC") is responsible for the administration of the statutes relating to the securities, insurance and private pensions sectors. The respective statutes do not all require the auditor of entities regulated by the FSC to apply for approval of the auditors being used by the entities. However, given the role of, and the rationale behind the auditor throughout the various pieces of legislation, it is implied that that an auditor must be suitable to carry out the function of auditing financial statements and the FSC must be able to rely on the accuracy of the auditor's review.
- 1.02 Section 21(2) of the Securities Act stipulates that a recognized stock exchange shall appoint annually an auditor from a panel of persons approved by the FSC as being qualified by training and experience to audit the accounts of the exchange. Section 64 also specifies that a dealer must appoint an auditor or auditors to audit its dealer's accounts other than a person who is specified as ineligible. A person providing auditing services to a dealer is ineligible if the person is:
- (a) not a registered Public Accountant under the Public Accountancy Act
  - (b) an officer, shareholder or an employee of a dealer
- 1.03 Regulation 27 of the Securities (Mutual Fund) Regulations specifies that a management company or the directors of a mutual fund shall appoint an auditor for the fund who is independent of the management company, the custodian and the directors of the local mutual fund.
- 1.04 Section 28(1) of the Insurance Act stipulates that the accounts of every registered insurer must be audited annually by an independent auditor who shall not be an employee or an officer of the insurer. Section 37(1) also provides for registered insurer, agent and broker to appoint an auditor and Regulation 79 of the

Insurance Regulations states that an auditor is qualified to be appointed to the office of auditor of a registered insurer if he is a fellow in good standing of the Institute of Chartered Accountants of Jamaica.

- 1.05 A person (whether a body corporate or a sole practitioner) who is related to an approved superannuation fund (“fund”) or approved retirement scheme (“scheme”) shall not be appointed as an auditor of that fund or scheme without the prior approval of the FSC in keeping with section 12 (1) of the Pensions Act.

## 2.0 OBJECTIVE AND SCOPE

- 2.01 The purpose of these guidelines is to outline the FSC’s criteria for the appointed auditor of a regulated entity in determining whether the person appointed is suitable to perform the duties of an auditor. This is to ensure that the skills and resources of the auditor are appropriate for the size, nature and complexity of the regulated entity.
- 2.02 These guidelines apply to persons who audit the accounts of registrants or licensees regulated by the FSC.
- 2.03 This document is to be read in conjunction with all other relevant guidelines and bulletins issued by the FSC, including the:
- Bulletin For Appointment of Auditor – *PR-ADVI-17/9-0001*
  - Guidelines on the Criteria for Auditors and Actuaries to Function in the Insurance Industry – *IR-GUID-09/06-0012*

## 3.0 CRITERIA

- 3.01 Work performed by external auditors of any regulated entities must be performed by auditors who:
- are properly licensed and in good standing
  - have relevant professional experience and competence
  - have a programme for continuing professional education
  - are subject to a quality assurance review
  - are independent in fact and appearance of the entity being audited
  - are objective and impartial

### 3.02 ***Properly Licensed and in Good Standing***

An appointed auditor must be a registered Public Accountant under the Public Accountancy Act. The auditor must also be in good standing with the Public Accountancy Board (“PAB”) and the Institute of Chartered Accountants of Jamaica (“ICAJ”), if also a member of that institution. Qualified auditors must never have had their auditing licence revoked or suspended by the PAB.

### 3.03 ***Relevant Professional Experience and Competence***

3.03.1 Senior staff of an audit firm must have the required skills and resources commensurate with the scale, nature, and complexity of an entity’s operations and the regulatory requirements and standards applicable to the auditing. Partners or any member of the firm signing off on audit engagements, are expected to possess an internationally recognized accounting qualification. For the purpose of this requirement, the following would be considered internationally recognized accounting bodies: the

- (a) Association of Chartered Certified Accountants (ACCA) of the United Kingdom

- (b) Institute of Chartered Accountants of Scotland
- (c) Institute of Chartered Accountants of Ireland
- (d) Canadian Institute of Chartered Accountants
- (e) American Institute of Certified Public Accountants
- (f) any other Professional Body or Institute approved by the Commission.

3.03.2 Having qualified professionals audit regulated entities' financial statements will improve financial reporting and enhance investor confidence that the underlying financial statements include full and fair disclosure. As a general rule, the FSC expects partners to have a minimum of five years auditing experience of financial statements at a management level, in the respective industry sectors or businesses they are auditing.

3.03.3 Regarding the auditing of pension plans, the FSC expects auditors to have at least two years' experience working with approved superannuation funds and retirement schemes and a minimum of five years general auditing experience in total. Further, the FSC may declare auditors with less than two years of experience working with approved funds and schemes in a responsible capacity as suitable, provided that the auditor can demonstrate to the FSC's satisfaction, their ability to adequately carry out the duties expected of a pension auditor.

### 3.04 ***Continuing Professional Education***

The appointed audit firm should have a program to ensure that its staff maintain professional proficiency through continuing education and training and maintain good standing with their local and international accounting body. The firm should also have policies and programmes to support the continuous awareness of its professional staff on developments in the accountancy profession including relevant local and international pronouncements on accounting, auditing and other relevant regulations and statutory requirements.

### 3.05 ***Quality Assurance Review***

3.05.1 The auditor (individual or body corporate) must establish a system of quality control designed to provide reasonable assurance of compliance with professional standards as well as regulatory and legal requirements; and that reports issued by the entity or engagement partners are appropriate in the circumstances. The nature of the policies and procedures will depend on various factors such as the size and operating characteristics in the case of corporate entities, hence the systems established will vary, as will the extent of their documentation. It is expected that the system of control should include policies and procedures addressing each of the following elements:

- (a) leadership responsibilities for quality within the firm
- (b) ethical requirements
- (c) acceptance and continuance of client relationships and specific engagements
- (d) human resources
- (e) engagement performance
- (f) monitoring

3.05.2 Internal quality control reviews of the auditor's processes and methodologies should be conducted by experts of the entity on a regular basis. Auditors are expected to comply with the requirements of the ICAJ regarding documents and information to be submitted to the institution.

### 3.06 **Independence**

- 3.06.1 Independent auditors play a critical role in enhancing the reliability of financial information by attesting to whether the financial statements prepared by management fairly present the financial position and past performance of a regulated entity in compliance with accepted accounting standards. Auditors should maintain independence, both in fact and appearance.
- 3.06.2 When carrying out an audit, auditors must be independent from the entity being audited and shall not in any way be involved in management decisions of the audited entity.
- 3.06.3 Auditors must not carry out an audit if there is any financial, business, employment or other relationship, including the provision of additional services, with the audited entity that might compromise the auditor's independence. The aim in this regard is to ensure that in providing non-audit service, external auditors do not:
- audit their own work
  - make management decisions for the company
  - create mutuality of interest
  - find themselves in the role of advocate for the audited entity

The auditor, if a corporate body, must have clear and comprehensive procedures for ensuring independence in relation to new engagements.

### 3.07 **Objectivity and Impartiality**

- 3.07.1 Auditors must not only be independent of audited entities and other interest groups but also be objective and impartial in dealing with the issues and topics under review. They must also be objective and impartial in fact and appearance.
- 3.07.2 The principle of objectivity imposes the obligation on all professional accountants to be fair, intellectually honest and free of conflicts of interest.

**Questions regarding this Guideline may be directed to the:**

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