

Directive on the appointment of an external auditor

Directive on the appointment of an external auditor by virtue of article 98 of the State Ordinance on the Supervision of the Security Business (AB 2016 no. 53) (SOSSB) for security brokers, portfolio managers, collective investment schemes, and operators of a stock exchange licensed by the Central Bank of Aruba (the CBA).

1. Introduction

It is important that supervisors get the information they need to properly form an opinion on the financial strength of the operations of each security business companies. This information is obtained, amongst others, from the financial reports that are filed, supported by information obtained through communication with the external auditor. As such, supervisors have a clear interest in ensuring that external audits performed are acceptable and that an adequate relationship between them and the security business companies' external auditors exists, essentially based on the principles formulated by the International Organization of Securities Commissions. In this respect, high standards of auditing are indispensable. As such, the audit performed should be carried out by external auditors who:

- are properly licensed and in good standing;
- have relevant professional experience and competence;
- are subject to a quality assurance program;
- are independent in fact and in appearance;
- are objective and impartial; and
- comply with all ethical requirements.

Pursuant to article 1 of the SOSSB, an external auditor is defined as: 'a person who is not employed by the company or institution, being a "registeraccountant" or an "accountant-administratieconsulent" registered pursuant to article 36, paragraph 2, item i, of the Dutch Law on the accounting profession (Stb. 2012, 680).

2. Directive

Any appointment of, or change in external auditor, needs the CBA's prior written approval. In order to assess the intended appointment or change, the institution concerned and the external auditor are required to complete the "Questionnaire External Auditor (Annex 1). Reference is also made to the Guidance notes associated with the Questionnaire External Auditor.

In case of a change of external auditor, the CBA should be informed on the reason(s) of the intended change.

SUPERVISORY DIRECTIVES

The CBA will grant its approval if the external auditor complies with the requirements as stipulated in article 1 of the SOSSB and if there are no circumstances that, in the opinion of the CBA, would make the external auditor unfit for the assignment.

With regard to the independence in fact and appearance, there may not be any material financial interest, loans and guarantees, business relationships, and family and personal relationships between i) the security business company, its Managing Board or a member thereof, its Supervisory Board or a member thereof, its direct or indirect shareholder(s), and (ii) the external auditor, the audit firm of the external auditor or a member/partner thereof.

The CBA maintains at all times the right to revoke its approval if there are circumstances that in the opinion of the CBA justify such a revocation.

Furthermore, when the auditor is given the assignment to audit the annual statements, the security business company should authorize the auditor in writing to:

- a. after consultation with the security business company that granted the assignment, provide the CBA forthwith with a copy of the auditor's report to the Supervisory Board, of the management letter and of the correspondence that relates directly to the auditor's report, in so far as these documents are considered to be necessary in reason for the proper fulfillment of the CBA's supervisory tasks;
- b. after consultation with the security business company, inform the CBA in writing forthwith of circumstances that could hinder the issue of an auditor's report stating that the annual accounts give a true and fair view of the financial position of the security business company;
- c. after consultation with the security business company that granted the assignment, inform the CBA in writing forthwith of circumstances which could endanger the continuity of the security business company, or from which it appears that there is a serious suspicion of an extensive fraud; and
- d. furnish the CBA, if required, with additional information on the documents referred to under a. and on the circumstances referred to under b. and c.

Subject provisions should be included in the engagement letter. A copy of the draft engagement letter must be attached to the request.

Upon the Bank's approval of the external auditor, the final and signed engagement letter must be submitted to the CBA.

This directive enters into force as of **August 2019**.



CENTRALE BANK VAN ARUBA

QUESTIONNAIRE EXTERNAL AUDITOR &

ASSOCIATED GUIDANCE NOTES

April 1, 2020

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PURPOSE AND SCOPE

The Centrale Bank van Aruba's ('CBA') written approval is required for any appointment of, or change in external auditor in relation to an entity under its supervision pursuant to:

- the State Ordinance on the Supervision of the Credit System (*Landsverordening toezicht kredietwezen* or 'SOSCS')¹;
- the State Ordinance on the Supervision of the Insurance Business (*landsverordening toezicht verzekeringsbedrijf* or 'SOSIB')²;
- the State Ordinance Company Pension Funds (*Landsverordening ondernemingspensioenfondsen* or 'SOCPF')³;
- the State Ordinance on the Supervision of the Security Business (*Landsverordening toezicht effectenverkeer* or 'SOSSB')⁴; and
- the State Decree on the Supervision of Insurance Brokers (*Landsbesluit toezicht assurantiebedruidelaars* or 'SDSIB')⁵.

(henceforth referred to as the 'Supervisory Laws')

Beside abovementioned supervisory laws, reference is made to the supervisory directives issued by the CBA for the different sectors on the appointment of an external auditor.

These guidance notes seek to assist applicants and external auditors by clarifying areas of uncertainty that may arise when completing or answering questions contained within this Questionnaire External Auditor ('Questionnaire').

For the purpose of this Questionnaire and associated guidance notes:

Applicant includes the regulated entity which has filed an application for approval to appoint an external auditor.

External auditor as defined under section 1 of the SOSCS: 'a person who is not employed by the company or institution, being a "registeraccountant" or an "accountant-administratieconsulent" registered pursuant to article 36, paragraph 2, item i, of the Dutch Law on the accounting profession (Stb. 2012, 680)'.

CBA means Centrale Bank van Aruba.

Regulated entity includes an entity that is regulated under the SOSCS, SOSIB, SOC PF, SOSSB, or SDSIB.

PRIOR WRITTEN APPROVAL

Pursuant to the respective Supervisory Laws, the CBA's prior written approval is required for any appointment of or change in external auditor. In this respect, relevant information must be submitted to enable the CBA to assess the proposed candidate.

¹ Article 15, paragraph 1, in conjunction with article 21a, of the SOSCS.

² Article 10 in conjunction with article 15a of the SOSIB.

³ Article 11a in conjunction with article 12a of the SOC PF.

⁴ Article 98 of the SOSSB.

⁵ Article 4, paragraph 5 of the SDSIB.

PROCESS FOR APPROVAL

The process for approval usually involves at least three parties:

- the regulated entity (“applicant”) that intends to appoint an external auditor;
- the external auditor;
- the CBA.

After the applicant and the external auditor have completed the Questionnaire, the applicant must submit the Questionnaire and all other requested documents to the CBA for its review and approval.

Upon completion of the assessment and after the CBA has reached a conclusion, the CBA sends its decision to the applicant. The CBA’s decision is subject to objection and appeal by both the applicant and the external auditor in accordance with the provisions of the State Ordinance on Administrative Proceedings (*Landsverordening administratieve rechtspraak AB 1993 no. 45.*).

REQUIRED INFORMATION

In addition to the Questionnaire , the following documents must be submitted to the CBA as part of the application:

- A formal request for the appointment of the proposed external auditor, including the reason(s) for the intended change.
- Draft engagement letter, including the stipulations as mentioned in article 23 of the SOSCS.
- Detailed resume/curriculum vitae of the external auditor, including an overview of the financial institutions which he/she audited during his/her career.
- Proof of the registration of the external auditor at the “Nederlandse Beroepsorganisatie van Accountants” (including registration number).
- A summary of the Quality Review Process in place at the audit firm; and the name and resume (including the audit experience in the sector) of the Quality Review Partner assigned to perform the quality review on the audit engagement.

If the CBA deems this necessary, it may ask the applicant and the external auditor for additional information.

CONTINUING OBLIGATION TO ADVISE THE CBA OF CHANGES

On an on-going basis, the CBA is to be informed of any changes to information previously submitted in the Questionnaire, and of any other circumstances, that can reasonably be considered relevant to the CBA’s assessment of the external auditor involved. This obligation lies with the applicant. On the basis of the new information, or other new facts or circumstances, the CBA may decide to conduct a re-assessment of the external auditor.

CHANGE OF EXTERNAL AUDITOR

In case of a change of the external auditor, the CBA should be informed on the reason(s) for the intended change.

COMMUNICATION

The CBA will in principle communicate with the applicant. However, the CBA may invite the external auditor for an interview at its premises.

GENERAL POINTS

This Questionnaire comprises of 9 sections and each section contains a number of questions. All questions contained in the Questionnaire must be answered.

All responses should be typed or written in blue ink.
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Incomplete Questionnaires will be returned to the applicant for completion and re-submission.

All (other) facts and circumstances that can reasonably be considered relevant to the CBA's assessment must be disclosed in the application. Withholding such information may be considered as providing misleading information and as such may have consequences for this application and future applications.

SUBMISSION OF THE QUESTIONNAIRE

After completion, the Questionnaire should be signed by both the External Auditor and the Applicant. The Applicant must submit its request for the appointment of the External Auditor, including the filled-out Questionnaire and required documents, to the CBA in hardcopy and provide the CBA with an electronic readable version (pdf format) via e-mail address informationcenter@cbaruba.org.



CENTRALE BANK VAN ARUBA

QUESTIONNAIRE EXTERNAL AUDITOR

All questions must be answered.

Please refer to the Guidance Notes to aid completion of this Questionnaire.

All responses should be typed or written in **blue ink**.

Any attachments should be clearly referenced to the relevant question(s) and signed by the individual completing the Questionnaire, as confirmation that they are complete and accurate.

The CBA reserves the right to seek references from organizations and individuals named in this Questionnaire, including foreign regulatory authorities. It is important, therefore, to ensure that **full and accurate names, addresses, and contact information** are provided.

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www.cbaruba.org



CENTRALE BANK VAN ARUBA

Information to be provided by the applicant

SECTION 1

- 1.1 Name and address of the regulated entity who requests the proposed appointment of the external auditor:**

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- 1.2 Name and address of the audit firm of the external auditor:**

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- 1.3 Mark the relevant boxes to indicate the legislation under which you are seeking approval:**

State Ordinance on the Supervision of the Credit System	
State Ordinance on the Supervision of the Insurance Business	
State Ordinance Company Pension Funds	
State Ordinance on the Supervision of the Security Business	
State Decree on the Supervision of Insurance Brokers	

Information to be provided by the external auditor

SECTION 2 – Personal Details

2.1 Surname:

	Title(s):	
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2.2 Given name(s):

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SECTION 3 – Experience

3.1 Employment history

Please provide details of your current employment position and your employment history. Your reasons for leaving should be categorised as follows:

1. Resignation;
2. Redundancy;
3. Retirement;
4. Termination/dismissal;
5. End of contract; and
6. Other (please provide details).

Please provide as much contact information as possible on any relevant regulator in order to accelerate the inter-regulatory checks process undertaken by the CBA.

Should you, or the regulated entity, maintain or have previously maintained a business relationship with any of your previous employers listed, please give details using a clearly referenced attachment.

Name / address of employer and nature of business	Name of regulator	Position(s) held	Relevant dates (mm/yy)	Reason(s) for leaving

3.2 Please provide details of any employment or otherwise important positions, whether paid or unpaid, including memberships of a board or a committee.

Name / address of organization and nature of business or activities	Name of regulator	Position(s) held	Relevant dates (mm/yy)	Task and responsibilities

3.3 Please provide details of relevant professional qualifications, degrees, etc.

Please state the awarding body (to include full name and address), and the date the qualification was obtained.

Qualification(s)	Date awarded (dd/mm/yy)	Name & address of awarding body

3.4 Please provide details of past and current membership of any relevant professional body or organization and the year of admission.

If applicable, please provide details of why your membership ceased.

Membership details	Date of admission (dd/mm/yy)	Name and address of professional body or organization

A relevant professional body or organization would in any case include an organization of fellow professionals.

3.5 Please provide details of your specific experience (knowledge, capabilities, competences, fields of expertise, etc.).

SECTION 4 – Quality review process

4.1 Provide a summary of the Quality Review Process in place at your firm including supporting documents.

4.2 Provide the name and resume (including the audit experience in the sector) of the Quality Review Partner assigned to perform the quality review on the engagement.

SECTION 5 – Business related financial antecedents

5.1 Do you have a direct or indirect interest or relationship with the regulated entity as referred to under section 1.1, other than your proposed appointment?

A direct or indirect interest may in this case be related by consanguinity or affinity in a direct or indirect line up to and including relations in the third degree, your (former) spouse or cohabitant.

***YES/NO**

*If YES, please provide details.

5.2 Has any institution whose policy is or was (co-)determined by you experienced major financial difficulties?

***YES/NO**

*If YES, please explain (legal procedure, suspension of payments, bankruptcy, or other).

5.3 Is there currently a judicial inquiry concerning, or were you ever ordered by a court of law to pay, (unpaid) debts because of liability for the bankruptcy of a legal entity pursuant to the applicable provisions of the Bankruptcy State Ordinance (*Faillissementsverordening*), the Civil Code of Aruba (*Burgerlijk Wetboek van Aruba*) or any similar provisions elsewhere?

***YES/NO**

*If YES, please provide details.

5.4 If you answered question 5.2 or 5.3 affirmatively, please provide any particulars if you were directly involved with the financial difficulties, or with the legal proceedings, suspension of payments, bankruptcy or other, and if you were found liable on what grounds.

5.5 Do you hold directly or indirectly, shares in an other institution?

***YES/NO**

*If YES, please provide details.

5.6 Do these other institution(s), referred to under section 5.5, maintain a commercial interest with the regulated entity as referred to under section 1.1?

***YES/NO**

*If YES, please provide details.

SECTION 6 – Other antecedents

6.1 Have any disciplinary or similar measures ever been taken against you or a disciplinary complaint has been filed against you which is pending a decision by a relevant professional body or organization (refer to section 3.4)?

***YES/NO**

*If YES, please explain (the measures, the organization by which, when, and the reason why).

6.2 Have you ever been involved in a conflict with an employer?

***YES/NO**

*If YES, please provide the name of the employer(s) and explain.

6.3 Relating to any conflict specified under question 6.2, where there any sanctions imposed on you under employment law (e.g., a warning, a reprimand, or dismissal)?

***YES/NO**

*If YES, please explain.

SECTION 7 – Miscellaneous questions

7.1 Is there between you and the regulated entity any financial relationship?

***YES/NO**

*If YES, please explain.

7.2 At any time in the past, have you been assessed by a regulator (in Aruba or elsewhere) in charge of financial supervision?

***YES/NO**

*If YES, please explain (name of regulator, period and result of the assessment).

7.3 Are you aware of any other facts or circumstances that could reasonably be expected to be of relevance to the CBA when assessing your personal and/or professional qualities?

***YES/NO**

*If YES, please provide full particulars.

PLEASE DISCLOSE ANY OTHER FACTS THAT YOU CONSIDER MATERIAL TO THIS APPLICATION.

SECTION 8 – Checklist additional information and documents

Please check the corresponding box to indicate whether the documents and information listed have been included with your application (reference is made to page 3 of the Guidance Notes).

Documents and information to be provided by the applicant:

- A formal request for the appointment of the proposed external auditor, including the reason(s) for the intended change.

Documents and information to be provided by the external auditor:

- Draft engagement letter, including the stipulations as mentioned in section 23 of the SOSCS.
- Detailed resume/curriculum vitae of the external auditor, including an overview of the financial institutions which he/she audited during his/her career.
- Proof of the registration of the external auditor at the “Nederlandse Beroepsorganisatie van Accountants” (including registration number).
- A summary of the Quality Review Process in place at the audit firm; and the name and resume (including the audit experience in the sector) of the Quality Review Partner assigned to perform the quality review on the audit engagement.

SECTION 9 – Declaration(s)

The external auditor

I am aware that withholding information may be considered as providing misleading information and as such may have consequences for this application and future applications.

I am also aware that it is a criminal offence to knowingly or recklessly provide any information which is false or misleading in connection to this Questionnaire.

I confirm that the information in this form and any attachment is accurate and complete to the best of my knowledge and belief.

I agree to provide details of any changes to information in this form and any attachment immediately to the CBA.

I authorize the CBA to make such enquiries and to seek further information as it deems appropriate to verify the information given in this form. In particular, I consent to the CBA carrying out a judicial record check on any unspent convictions and convictions for relevant offences that I may have, conducting checks with other regulators, companies and institutions stated in this Questionnaire External Auditor and using external data sources.

I confirm that I fully understand my role(s), responsibilities and accountabilities under the Supervisory Law(s) to which this Questionnaire relates.

Signed:

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Date:

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Name (BLOCK CAPITALS):

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The applicant

I confirm to have completed Section 1 of the Questionnaire fully and truthfully.

I declare to be authorised to represent the applicant named under 1.1.

Signed:

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Date:

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Name (BLOCK CAPITALS):

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Position:

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