

Securities Commission of The Bahamas

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PRESS RELEASE

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Commission Supports BICA's Peer Review/Practice Monitoring Programme

The Securities Commission of The Bahamas (SCB/the Commission) applauded the Bahamas Institute of Chartered Accountants' (BICA/the Institute) move to implement of a Peer Review/Practice Monitoring Programme at a recent workshop held by the Institute.

The workshop was held on February 12-13 at the British Colonial Hilton to help prepare accounting professionals for the Programme. SCB Executive Director Dave S. Smith addressed the topic, "Who is an Approved Auditor? How do Regulators Determine the Statements and the Audits Thereof are Not in Accordance with The Standards?"

Smith commended BICA's initiative to implement a Peer Review/Practice Monitoring Programme as a tangible step toward the ultimate goal of adequate oversight of auditors. The Programme should bolster the confidence of local and international investors in the audited financial statements of public issuers and other registrants of the Commission.

Protecting the integrity of the capital markets is a legislated function of the SCB, who regulates this sector as well as the securities and investment funds industries.

The Programme is an important obligation for BICA under the International Federation of Accountants (IFAC) Statement of Membership Number One, regarding Quality Assurance, and is an important component of BICA's self-regulatory functions.

Smith told workshop participants that the roll-out of the Peer Review/Practice Monitoring Programme is timely, as the SCB is formulating a formal application process for accounting professionals who wish to be approved to audit registered firms, Marketplaces and public issuers.

"The approval process is likely to involve a considered review of the fitness and propriety of the applicant, and as such include requirements that the member is in good standing with BICA and

in compliance with the Public Accountants (Rules of Professional Conduct) Regulations, 1993,” said Smith. A review of any disciplinary actions taken against the applicant by BICA, the Commission, or other regulatory authority, for example, is envisaged to be a part of the approval process as well.

According to Smith, the powers and responsibilities provided for in the Securities Industry Act, 2011 (SIA) and Securities Industry Regulations, 2012 (SIR) have led the SCB to formalise the application process for auditors.

Consideration of the independence of auditors and audit firms relative to prospective engagements is also likely to be an important aspect of any formal approval process, according to Smith. He added that the appropriateness of an applicant’s expertise and the relevance of the applicant’s continuing education would also be considered.

Part V, Section 64 of the SIA, lays out the requirement for licensees under that Part, which includes Marketplaces, to have an approved auditor who, “shall make examination, in accordance with generally accepted auditing standards, of their audited financial statements and shall provide the Commission with the prescribed reports on their financial affairs.”

Similar provisions exist for registered firms under Part VII, Section 76; and for every public issuer under Part X, Section 100 of the Act.

Part III of the SIR defines approved auditors as individual auditors or audit firms recognised by the Commission to act on behalf of registered firms, public issuers and registrants under Part V of the SIA, which includes Marketplaces. Section 12 of the Regulations provides the qualifications necessary to be recognized as an approved auditor.

The International Organisation of Securities Commissions’ (IOSCO) Principles of Securities Regulation include several provisions of direct impact to accounting and audit professionals. Among them are:

- Principle 18, “Accounting Standards used by issuers to prepare financial statements should be of a high and internationally accepted quality.”
- Principle 19, “Auditors should be subject to adequate levels of oversight.”
- Principle 20, “Auditors should be independent of the issuing entity that they audit.”
- Principle 21, “Audit standards should be of a high and internationally acceptable quality.”

The explanatory note issued by IOSCO for Principle 19 in particular states that the auditor oversight framework should not be based exclusively or predominantly on self regulation. According to Smith, it means that productive collaboration, communication and engagement

with BICA should be ongoing as both bodies seek to ensure the regulatory landscape meets best practices and standards.



SCB Executive Director, Dave Smith

The Securities Commission of The Bahamas (“the Commission”) is a statutory body established in 1995 pursuant to the Securities Board Act, 1995. That Act has since been repealed and replaced by new legislation. The Commission’s mandate is now defined in the Securities Industry Act, 2011 (SIA, 2011). The Commission is responsible for the administration of the SIA, 2011 and the Investment Funds Act, 2003 (the IFA), which provides for the supervision and regulation of the activities of the investment funds, securities and capital markets. The Commission, having been appointed Inspector of Financial and Corporate Services effective 1 January 2008, is also responsible for administering the Financial and Corporate Service Providers Act, 2000.

The Commission is mandated to: advise the Minister on all matters relating to the capital markets and its participants; maintain surveillance over the capital markets and ensure orderly, fair and equitable dealings in securities; foster timely, accurate, fair and efficient disclosure of information to the investing public and the capital markets; protect the integrity of the capital markets against any abuses arising from financial crime, market misconduct and other unfair and improper practices; promote an understanding by the public of the capital markets and its participants and the benefits, risks, and liabilities associated with investing; create and promote conditions that facilitate the orderly development of the capital markets; and perform any other function conferred or imposed on it by securities laws or Parliament.