

# FSC Newsletter

Number 1 Year 2012



**Financial Services  
Commission**

## Completion of the Accountant's Report Form

### Introduction

This newsletter provides guidance to those auditors and audit firms (the "Auditors") who are required to complete the Accountant's Report Form ("the Report") in respect of solicitors who handle clients' money, to confirm that they have complied with the Solicitors' Accounts Rules "SAR" in Gibraltar.

The purpose of this newsletter is to highlight common issues which have been identified by the FSC as part of its review of the SAR work conducted by the Auditors. The findings below serve as a tool to enhance the quality of the Reports submitted to the Supreme Court and also serves to protect both the underlying client and the work conducted by the Auditor.

### **Adherence to ISAE 3000**

All Auditors must be aware of the International Standards on Assurance Engagements 3000 "ISAE 3000".

The purpose of this particular standard is to establish basic principles and essential procedures for professional accountants in order to structure and perform assurance engagements such as the SAR. The Auditor should be using this method to conduct the SAR, as not only does it highlight key areas that the Auditor should consider, but it reinforces and focuses their attention to fundamental areas such as the IFAC Code of Ethics for Professional Accountants; adherence to which is also a requirement under the Financial Services (Auditors) Regulations 2010 ("the Regulations").

If this standard is not adhered to, it is impossible for an external reviewer to conclude whether sufficient work has been performed in issuing unqualified reports and the accompanying checklists submitted to the Supreme Court.

The FSC urges all Auditors to immediately familiarise themselves and adopt the ISAE 3000 for this particular engagement where they have not already done so.

### **Code of Ethics**

All Auditors must comply with the Code of Ethics. This is already stipulated by the Regulations, particularly in areas relating to Independence and Audit Fees. The engagement cannot be conducted for free, neither should the Auditor be providing the service at such a low cost that it is difficult to determine how the fees can sufficiently cover the resources required to complete the engagement.

All Auditors should note that failure to comply with either the Financial Services (Auditors) Act 2009 ("the Act") or the Regulations could result in enforcement action which could potentially lead to removal from the Register resulting in the Auditor being unable to conduct statutory audit activity in Gibraltar.

### **Auditors must report qualifications**

It is paramount that the Auditor understands that where significant differences and substantial breaches have occurred and these noted and documented by the Auditor. This may lead to a qualified Report and/or justification or as to why there has been no qualification of the Report.



### **Sample Testing**

The Auditor must determine a sample testing period and these sample periods should be changed in each year. These sample period selected should be changed so that no person can predict individual transactions that will be tested.

### **GSA Checklist**

The SAR Report submitted to the Supreme Court must be accompanied with the standard GSA checklist. The purpose of the checklist is to satisfy the examination requirements under the SAR rules. It must be completed in its entirety.

All Auditors must cross reference the checklist to the audit file documentation. This highlights that the checklist/form has the supporting working papers. Without such papers it is impossible for an external reviewer to arrive at a conclusion on the work performed on the SAR Report.

### **2007 AML/CFT Guidance Notes**

Auditors are reminded of their obligation under the AML/CFT Guidance Notes to report to either the audit firm's MLRO or, for sole practitioners, to GFIU, where normal audit work could give rise to knowledge or suspicion on money laundering or terrorist financing activity. Examples could include the payment out of the client account of a number of small payments (from money belonging to the same client to the same destination) which may indicate an attempt to disguise the overall size of the payment.

This newsletter is not exhaustive and only points out key areas that any Auditor should be taking into consideration when completing the report.

There has been a change in the culture and approach to these engagements over the last year, as evidenced by the Focused Visits conducted by the FSC, and we are appreciative that the Auditors concerned have worked closely with us to complete their remediation programme. However, the FSC still considers it important to reiterate the crucial areas which Auditors must take into consideration prior to the submission of an SAR report.

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