GUIDELINES TO INSURANCE INDUSTRY ON EXTERNAL AUDITORS
THE INSURANCE ACT 2006, ACT 724
GUIDELINES TO THE INSURANCE INDUSTRY
ON EXTERNAL AUDITORS

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1.0 AUTHORISATION

In exercise of the powers conferred by section 85 of the Insurance Act, 2006, Act 724 issues the Guidelines set out here below, for observance by all insurers and reinsurers registered under the Insurance Law 2006, Act 724 in respect to the engagement of external auditors.

2.0 INTRODUCTION

The Authority requires all Insurers to have their financial statements prepared on an annual basis in accordance with International Financial Reporting Standards (IFRS) and audited in accordance with the International Standards on Auditing (ISA). A qualified, independent external auditor is essential for accurate financial reporting of an insurer and an intermediary.

3.0 OBJECTIVES

The objective of these guidelines is to ensure:

3.1 There is a reliable financial reporting process for both public and supervisory purposes;

3.2 There are clearly defined roles and responsibilities of the Board, Management and the External Auditor in regard to the financial reporting process;

3.3 With reasonable assurance, the financial statements of the insurer and intermediary are free from material misstatement, whether due to fraud or error.

4.0 GENERAL PRINCIPLES

4.1 A firm is qualified as an external auditor of an Insurer under the following circumstances

- Is a licensed member of the Institute of Chartered Accountants, Ghana and in good standing
- Has at least two (2) full time partners in the firm.

4.2 A person is regarded as being qualified as an Auditor under circumstances where he or she:
is a member of the Institute of Chartered Accountants of Ghana or any other equivalent qualification recognized by the Commission.

Has been authorized by the Institute of Chartered Accountants of Ghana or any professional body to practice auditing for the relevant period;

Has at least five years experience in Insurance Accounting at partner level;

Has at least four years experience in Insurance Accounting at managerial level; and

Is not disqualified from acting as an auditor under any legislation.

4.3 An insurer shall ensure that the external auditor is independent and has no conflict of interest with respect to the insurer.

4.4 The auditor, on an annual basis, shall be required to complete a formal independence and 'fit and proper' declarations which shall be submitted to the Commission by the insurer.

4.5 The insurer shall notify the Commission in writing if, at any time, it forms the opinion that its auditor is not independent.

4.6 The Board shall be required to carry out the following oversight functions:

- Oversee the preparation of the financial statements, financial reporting and disclosure processes;
- Monitor whether accounting policies and practices of the Insurer are operating as intended;
- Oversee the audit process and review the auditor’s plans and material findings;
- Oversee the processes for hiring, removing and assessing the performance and independence of the external auditor and to ensure that the external auditor has the necessary knowledge, skills, expertise, integrity and resources to conduct the audit; and
- Investigate the circumstances relating to the resignation or removal of an external auditor, and ensure prompt actions are taken to mitigate any identified risks to the integrity of the financial reporting process.
4.7 The Board shall be required to safeguard and promote an effective relationship with the external auditor by ensuring that:

- The terms of engagement of the external auditor are clear and appropriate to the scope of the audit and resources required to conduct the audit and specify the level of audit fees to be paid;
- The auditor undertakes a specific responsibility under the terms of engagement to perform the audit in accordance with applicable auditing standards;
- There are adequate policies and a process to ensure the independence of the external auditor, including policies and processes that address the auditor's compliance with applicable ethical and professional standards, restrictions and conditions for the provision of non-audit services which are subject to approval by the Board, partner or firm periodic rotation as appropriate, and safeguards to eliminate or reduce to an acceptable level identified threats to the independence of the external auditor;
- There is unrestricted access by the external auditor to information and persons with the insurer as necessary to the conduct of the audit; and
- There is an evaluation of the effectiveness of the external audit process at the end of the audit cycle.

4.8 The auditor of an Insurer is obliged to:

- Audit the Insurer's financial statements and report to the insurer in accordance with International Standards on Auditing (ISA):
- Report to the Insurer's Board and the Commission in accordance with all ISA requirements, including but not limited to ISA 260, 'Communication With Those Charged with Governance' and ISA 265, 'Communication Deficiencies in Internal Control to Those Charged with Governance and Management
- Certify the Insurer's compliance with such obligations and matters as may be specified in the Insurance Act, Regulation, Code and Guidelines;
- Provide such certifications, confirmations or any other information specified by the Commission in a written notice sent to the insurer and the auditor; and
• Carry out such other duties as may be required of the auditor by Insurance Act, Regulations, Code and Guidelines.

5.0 SPECIFIC REQUIREMENTS

5.1 An Insurer shall be required to disclose any information required by the Commission with regards to the auditor that they intend to engage.

5.2 If an Auditor resigns or is replaced, the Insurer shall notify the Commission and give the reasons for the resignation or replacement. Such a notification needs to include a statement from the Insurer on whether there were any disagreements with the former auditor over the content of the auditor’s opinion.

5.3 The Commission may require an Insurer to replace an auditor when the auditor fails to adequately perform the required functions or duties, is subject to conflict of interest or no longer meets eligibility requirements.

5.4 In relying on the audit evidence generated by the Insurer’s actuarial function, the auditor shall be required to:

• Evaluate the competence, capabilities and objectivity of the actuarial function;
• Obtain an understanding of the work of the actuarial function; and
• Evaluate the appropriateness of the work as evidence for the assertion.

5.5 The scope of consultation shall, at a minimum, include:

• Verifying the quantum of policyholder reserves and benefits using generally accepted actuarial principles; and
• Verifying the liability adequacy test as required by the International Financial Reporting Standards.

5.6 Auditors tenure with an Insurance Company shall be determined on the following basis;

• Audit partners are permitted to be responsible for the audit of a specific Insurer for a period of not more than three (3) consecutive years;
• Audit managers are permitted to support a partner for the audit of a specific insurer for a period of not more than three (3) consecutive years;
• Audit staff other than the audit manager are permitted to support the audit manager and the audit partner on the audit of specific Insurer for a period of not more than three (3) consecutive years, thereafter at least 50% of the audit staff working on an audit of a specific Insurer shall be required to be replaced;

• An audit firm is permitted to carry out the audit for a specific Insurer for a period of up to five (5) consecutive years;

• An Insurer may replace an auditor at any stage; and

• The Insurer shall not engage the replaced audit firm before expiry of a period of at least three (3) years.

6.0 REPORTING REQUIREMENTS

6.1 The Insurer shall submit copies of the long form report and the management report to the Commission within four (4) months of the end of the financial year.

6.2 The Auditor shall report to the Commission directly and immediately in circumstances where the Insurer has breached, or is likely to breach solvency requirements.

6.3 The Auditor shall report to the Commission directly where an Insurer or its Directors may have contravened the Act or any other law and the contravention may prejudice the interests of policyholders.

6.4 Where such a report is made directly to the Commission the auditor is not under any obligation to disclose this to the Management and/or the Directors of the Insurer if the Auditor:

• Considers that by doing so the interests of policyholders may be jeopardised; or

• Has lost confidence in the Board or Management of the Insurance Company.

7.0 ENFORCEMENT

7.1 Remedial Measures

When the Commission determines non-compliance with the provisions of these guidelines, it may take any intervention measures or steps prescribed in the Insurance Act.

7.2 Administrative Sanctions
• Where the Commission determines that an Insurer has not met the requirements of this directive, the Commission may impose any or all of the administrative sanctions to correct the situation in accordance with the provisions of the Insurance Act, including but not limited to:
  > Prohibition from declaring and/or paying dividends;
  > Declaration that a person may not take the office of Auditor;
  > Rejection of an audit, and requiring the Insurer to commission a further audit conducted by an auditor of the Commission’s choice, at the expense of the insurer;

8.0 EFFECTIVE DATE

8.1 The effective date of these Guidelines is 1st January, 2014.

9.0 TRANSITIONAL ARRANGEMENTS

9.1 For the audit of the 2014 accounting year, the existing auditors will perform the audit.

9.2 Auditors who will attain five consecutive years on the 2014 audit shall not be retained after the audit.

9.3 Newly appointed auditors may audit the Insurer’s 2015 year end accounts if existing auditors will attain five consecutive years audit at December, 2014.