



**AIFC AUDITOR RULES**

**(AUD)**

**AIFC RULES NO. FR0010 OF 2017**

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Astana International Financial Centre, Astana

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## AIFC AUDITOR RULES

### Guidance: Purpose of this rulebook

The purpose of this rulebook, "**AUD**", is to provide a single reference point for all persons who are permitted by the AFSA and the Registrar of Companies to carry out audit services in the AIFC.

AUD will assist the AIFC to ensure that auditors, and audit services undertaken in the AIFC comply with international best practice in the field of regulation of audit and the provision of audit services.



## 1. APPLICATION

### 1.1. General application rule

These AUD Rules apply to:

- (a) every Person who is granted a Licence by the AFSA as an Ancillary Service Provider for the provision of Audit Services;
- (b) every Person who is registered by the Registrar of Companies as an auditor under the Companies Regulations;

(each such Person being an "Auditor" for the purposes of these AUD Rules); and

- (c) every individual who is approved by the AFSA, and registered by the Registrar of Companies as an Audit Principal.

#### **Guidance: Requirement to Appoint an Auditor**

- (1) Section 109 of the Framework Regulations provides that an Authorised Person must appoint an auditor who is an Ancillary Service Provider.
- (2) GEN 1.3 outlines the requirements for a Person to obtain a Licence to carry out Ancillary Services (which includes Audit Services).
- (3) Chapter 3 of Part 10 of the Companies Regulations governs the conduct of a Person who is registered as an auditor by the Registrar of Companies.



## **2. REGISTRATION**

### **2.1. Registration of Auditors**

#### **2.1.1. Form of application**

A Person may apply to the:

- (a) AFSA for a Licence as an Ancillary Service Provider for the provision of Audit Services; and
- (b) the Registrar of Companies to be registered as an auditor, in each case by,
  - (a) completing the form prescribed in Schedule 1 and filing the form with the AFSA accompanied by such documents as are specified in the form;
  - (b) providing such further information as the AFSA or the Registrar of Companies may require; and
  - (c) paying the fee prescribed in the Fees Rules.

#### **2.1.2. Application for registration**

In assessing an application by an applicant to be granted a Licence by the AFSA and to be registered as an Auditor by the Registrar of Companies, the AFSA may:

- (a) make any enquiries which it considers appropriate, including enquiries independent of the applicant; and
- (b) take into account any information which the AFSA considers to be relevant.

#### **2.1.3. Criteria for application for registration**

An applicant to be granted a Licence by the AFSA and to be registered as an auditor by the Registrar of Companies must be able to demonstrate to the satisfaction of the AFSA that it:

- (a) is fit and proper;
- (b) has obtained adequate and appropriate professional indemnity insurance as required under AUD 8.1.1;



- (c) has adequate systems, procedures and controls to ensure due compliance with the:
  - (i) International Standards on Auditing;
  - (ii) International Standards on Quality Control; and
  - (iii) Code of Ethics for Professional Accountants;
- (g) has identified at least one appropriate individual, to be registered as, and to undertake the responsibilities of, an Audit Principal; and
- (h) has complied with any other requirement specified by the AFSA.

#### **2.1.4. Fit and proper considerations**

For the purposes of assessing whether an applicant meets the fit and proper requirement under AUD 2.1.3(a), the AFSA may consider:

- (a) the applicant's standing with any relevant regulatory body;
- (b) the applicant's disciplinary record;
- (c) the applicant's procedures for monitoring and preventing Financial Crime;
- (d) the risk posed to the AIFC by the applicant's activities; and
- (e) any other matter as the AFSA considers relevant.

#### **2.1.5. Cumulative effect of factors**

The AFSA will, in assessing the matters in AUD 2.1.3 and AUD 2.1.4, consider the cumulative effect of factors which, if taken individually, may be regarded as insufficient to give reasonable cause to doubt the fitness and propriety of an applicant.

## **2.2. Registration of Audit Principals**

An individual applying for registration as an Audit Principal must be able to demonstrate to the satisfaction of the AFSA that the individual:

- (a) holds a qualification conferred by a full member of the International Federation of Accountants;



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- (b) is a member in good standing of a full member of the International Federation of Accountants;
- (c) has at least 5 years of relevant post qualification audit experience in the past 7 years, including at least one year of experience in a managerial role supervising and finalising audits; and
- (d) is fit and proper to conduct audit work.

### **2.3. Notification by AFSA to the Registrar of Companies**

If the AFSA grants a Licence to an Ancillary Service Provider for Audit Services, it will require the Companies Registrar to register:

- (a) the holder of such Licence as an Auditor in the register of auditors maintained by the Registrar of Companies together with any conditions or restrictions on the scope of the Licence; and
- (b) any Audit Principals in the register of Audit Principals maintained by the Registrar of Companies.



### **3. CONTINUING OBLIGATIONS**

#### **3.1. Continuing obligations of Auditors**

##### **3.1.1. Ongoing compliance with standards and legislation**

An Auditor must comply on a continuing basis with:

- (a) the International Standards on Auditing, International Standards on Quality Control and the Code of Ethics for Professional Accountants; and
- (b) the registration criteria in AUD 2.1.3.

##### **3.1.2. Requirement to maintain an Audit Principal**

An Auditor must at all times have at least one individual appointed by it and registered by the AFSA and the Registrar of Companies to undertake the responsibilities of an Audit Principal.

##### **3.1.3. Demonstration of audit work**

The AFSA may require an Auditor which has not recently conducted any audit work under its Licence and registration to provide other examples of audit work it has carried out in order to demonstrate that it is still able to meet its continuing obligations.

#### **3.2. Continuing obligations of Audit Principals**

An Audit Principal must comply on a continuing basis with:

- (a) the registration criteria in AUD 2.2; and
- (b) the principles for Audit Principals set out in AUD 7.2.



## 4. BREACH OF AUD RULES

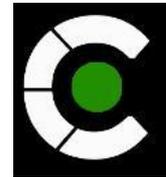
### 4.1. Effect of breach of AUD

In circumstances where an Auditor or an Audit Principal breaches these AUD Rules the AFSA may:

- (a) modify the terms of, suspend or withdraw the Licence of the Auditor as an Ancillary Service Provider; and/or
- (b) require the Registrar of Companies to modify the terms of, suspend or withdraw the registration of the Auditor.

#### **Guidance: Consequences of breach of AUD Rules**

- (1) GEN 1.3.6 outlines the circumstances in which the AFSA may withdraw the Licence of an Ancillary Service Provider.
- (2) Section 134 of the Companies Regulations provides that the Registrar of Companies may impose restrictions on the Auditor's registration, vary or withdraw any restrictions or conditions imposed on the registration, or suspend or withdraw the Auditor's registration.



## **5. SUSPENSION OR WITHDRAWAL OF AUDIT PRINCIPALS**

### **5.1. Suspension or withdrawal of Audit Principals**

#### **5.1.1. Power to suspend or withdraw registration**

The AFSA may:

- (a) suspend the registration of an Audit Principal on its own initiative; or
- (b) withdraw the registration of an Audit Principal on its own initiative or at the request of an Auditor or an Audit Principal.

#### **5.1.2. Conditions on suspension of registration**

If the AFSA suspends the registration of an Audit Principal, it may impose such conditions on the Audit Principal as it sees fit during the period of the suspension, and requirements on the procedure for lifting the suspension as it considers appropriate.

### **5.2. Suspended Audit Principals**

An Audit Principal that has had his registration suspended by the AFSA must not manage the conduct of any audit work undertaken by the relevant Auditor, or sign any audit reports, or other reports required by the AIFC legislation, on behalf of the Auditor.

### **5.3. Withdrawal of registration at the request of the Auditor or Audit Principal**

#### **5.3.1. Procedure for requesting withdrawal of registration**

A request for withdrawal of an Audit Principal's registration by the relevant Auditor or Audit Principal must be made in writing to the AFSA.

#### **5.3.2. Criteria for granting withdrawal of registration**

Before granting a request for withdrawal of an Audit Principal's registration, the AFSA must first be satisfied that:

- (a) the Auditor is able to continue to comply with AUD 3.1.2; and



- (b) any other matter which the AFSA would reasonably expect to be resolved has been resolved.

### **5.3.3. Notification by AFSA to the Registrar of Companies**

If the AFSA makes a decision under AUD 5.1.1, it will notify the Companies Registrar of such decision and require the Companies Registrar to update the register of Auditors and Audit Principals.



## 6. ROLE OF THE REGISTRAR OF COMPANIES

### 6.1. Powers of Registrar of Companies

The Registrar of Companies must act only on the express instructions of the AFSA in the exercise of its powers and the making of any decision under Section 134(4) or 136(6) of the Companies Regulations.

#### Guidance

- (1) Section 134(4) of the Companies Regulations permits the Registrar of Companies to grant or refuse to grant an application for registration as an auditor, and impose any restrictions or conditions on granting registration.
- (2) Section 136(6) of the Companies Regulations permits the Registrar of Companies to, on its own initiative or at the request of the Auditor, impose or vary restrictions or conditions on an Auditor's registration, or suspend or withdraw the Auditor's resignation.



## 7. CORE PRINCIPLES FOR AUDIT PRINCIPALS

### 7.1. Application

The five Principles set out in this section apply to every Audit Principal.

#### Guidance

- (1) These Principles are derived from the fundamental principles published in the Code of Ethics for Professional Accountants.
- (2) In circumstances where an Audit Principal breaches a Principle, the AFSA may consider suspending or withdrawing the registration of the Audit Principal and if that person is the only Audit Principal, the Auditor on that basis.

### 7.2. The Core Principles

#### 7.2.1. Principle 1 – Integrity

An Audit Principal must be straightforward and honest in all professional and business relationships.

#### 7.2.2. Principle 2 – Objectivity

An Audit Principal must not allow bias, conflict of interest or the undue influence of others to override professional or business judgements.

#### 7.2.3. Principle 3 – Professional competence and due care

An Audit Principal must maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques. An Audit Principal must act diligently and in accordance with applicable technical and professional standards.

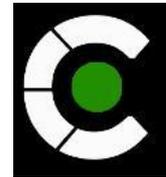
#### 7.2.4. Principle 4 – Confidentiality

An Audit Principal must keep confidential all information acquired as a result of professional and business relationships and specifically must not disclose any of that information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor may the Audit Principal use the information for the personal advantage of the Audit Principal or a third party.



#### 7.2.5. Principle 5 – Professional behaviour

An Audit Principal must comply with relevant laws and regulations and must avoid any action that discredits the profession.



## **8. GENERAL OBLIGATIONS OF AUDITORS**

### **8.1. Professional Indemnity Insurance**

#### **8.1.1. Requirement to maintain professional indemnity insurance**

An Auditor must at all times hold adequate and appropriate professional indemnity insurance which covers all types of civil liability arising in connection with the conduct of the Auditor's business by its Personnel.

#### **8.1.2. Requirement to maintain run off cover**

An Auditor must arrange to hold appropriate run off cover that covers a period of 2 years after the withdrawal of its Licence as an Ancillary Service Provider under the Framework Regulations or its registration as an auditor under the Companies Regulations, whichever last occurs.

#### **8.1.3. Annual reporting**

An Auditor must provide to the AFSA, on an annual basis, information relating to the Auditor's professional indemnity insurance policy including the terms and duration of, and any claims made under that policy.

#### **8.1.4. Obligation to maintain records**

An Auditor must maintain proper records and all relevant information relating to:

- (a) its professional indemnity insurance, including the terms of cover and its duration;
- (b) how it determined the adequacy and appropriateness of the cover for the purposes of AUD 8.1.1;
- (c) any insurance claims made by it under its professional indemnity insurance policy; and
- (d) its financial standing including financial statements.

#### **8.1.5. Provision of information**

An Auditor must, on request, promptly provide to the AFSA the information referred to in AUD 8.1.4 and any other information reasonably required by the AFSA.



## **8.2. Suitability of Audit Personnel**

### **8.2.1. Fit and proper requirements of Audit Personnel**

An Auditor must ensure that all Audit Personnel:

- (a) remain fit and proper to carry out their role; and
- (b) if applicable, undertake continuing professional development in accordance with:
  - (i) the requirements of the International Federation of Accountants of which the Audit Personnel is a member;
  - (ii) any applicable internal standards of the Auditor; and
  - (iii) any direction given by the AFSA.

### **8.2.2. Records of continuing professional development**

An Auditor must maintain records of continuing professional development undertaken by Audit Personnel.

## **8.3. Working papers and records**

### **8.3.1. Obligation to maintain working papers and records**

An Auditor must maintain sufficient working papers and records to:

- (a) facilitate proper performance of its functions and duties under AIFC legislation; and
- (b) be able to demonstrate to the AFSA that it has properly performed its functions and duties,

for a period of at least 7 years from the date of completion of each audit carried out by it.

### **8.3.2. Obligation to disclose working papers and records**

The working papers and records, however stored, must be capable of production in English on paper and within a reasonable period not exceeding 3 business days if requested by the AFSA.



#### **8.4. Annual Information Return**

An Auditor must complete the Annual Information Return form for each calendar year and submit the form to the AFSA by 31 January of the following year.

#### **8.5. Notification of Events**

##### **8.5.1. Notification of changes in core information**

An Auditor must provide the AFSA and the Registrar of Companies with reasonable advance notice of any change in:

- (a) its name or any business or trading name under which it carries on its business;
- (b) its legal nature;
- (c) its Audit Principals;
- (d) the address of its principal place of business in the AIFC, where applicable; and
- (e) in the case of a Branch, its registered office or head office address.

##### **8.5.2. Notification of key events**

An Auditor must notify the AFSA and the Registrar of Companies immediately if it becomes aware, or has reasonable grounds to believe, that any of the following matters may have occurred or may be about to occur:

- (a) the Auditor fails to satisfy the fit and proper requirements in AUD 2.1.3(a) or the continuing obligations in AUD 3;
- (b) any one of its Audit Principals no longer meets the registration criteria in AUD 2.2;
- (c) the Auditor or any of its Audit Principals fails to comply with their obligations under AIFC legislation;
- (d) any claim is made against the Auditor relating to the provision of Audit Services, including but not limited to, a claim lodged against the Auditor's professional indemnity insurance policy;



- (e) the Auditor or any of its Employees including the Audit Principals breaches any requirement imposed by any applicable law relating to the provision of Audit Services; or
- (f) a significant failure in the Auditor's systems or controls.

### **8.5.3. Notification of actions by other regulators**

An Auditor must notify the AFSA and the Registrar of Companies immediately of:

- (a) the grant or refusal of any application for, or revocation of, authorisation of the Auditor to carry on audit services in any jurisdiction outside the AIFC;
- (b) the Auditor becoming aware that a government or other regulatory authority exercising powers and performing functions related to the regulation of auditors has started an investigation into the conduct of the Auditor or of any of its Audit Principals;
- (c) the appointment of inspectors, howsoever named, by a governmental or other regulatory body, including a self-regulatory body or organisation exercising powers and performing functions related to the regulation of auditors, to investigate the affairs of the Auditor or any of its Audit Principals; or
- (d) the imposition of disciplinary measures or disciplinary sanctions on the Auditor or any of its Audit Principals in relation to its conduct of audit work by a government or other regulatory authority exercising powers and performing functions related to the regulations of auditors.

### **8.6. Communication with the AFSA and Registrar of Companies**

An Auditor must ensure that each notification it provides to the AFSA and the Registrar of Companies is:

- (a) in writing;
- (b) in English; and
- (c) contains the Auditor's name.

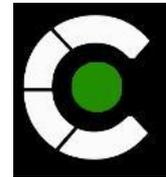
### **8.7. Disclosure of regulatory status**

An Auditor must not:



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- (a) misrepresent its regulatory status with respect to the AFSA or the Registrar of Companies expressly or by implication; or
- (b) use or reproduce the AFSA logo without express written permission from the AFSA and in accordance with any conditions for use imposed by the AFSA.



## 9. FUNCTIONS OF AUDITORS, CONDUCT OF AUDITS AND PREPARATION OF AUDIT REPORTS

### 9.1. Functions of Auditors

The functions of Auditors are set out in Section 138 of the Companies Regulations.

### 9.2. Conduct of Audits and Content of Reports

#### 9.2.1. Standards of Reports

An Auditor must conduct an audit, and prepare the contents of any relevant audit report, referred to in AIFC legislation in accordance with the following table:

Audit Report	Requirement	Applicable Standards	Contents
Financial Statements – Authorised Person	GEN 6.3.9	International Standards on Auditing	ISA 700
Financial Statements – Company -	Section 137 of the Companies Regulations	International Standards on Auditing	ISA 700
Financial Statements – Reporting Entity	MAR 3.2.2		ISA 700
Financial Statements - Non-Exempt Fund	CIR 11.4(a)		ISA 700
AML Policies, Procedures, Systems and Controls – Authorised Person	AML 14.6.1		ISA 700 AML 14.6.1(b)
Client Money Auditor's Report	COB 8.2.19	International Standards on Assurance Engagement (ISAE) or International Standards on Related Services (ISRS)	Annex A
Client Investments Auditor's Report	COB 8.3.14		Annex B
Insurance Intermediary Audit Report	COB 11.8.15		Annex C



**9.2.2. Additional required content**

An Auditor must ensure that every audit report produced by it includes the name of the:

- (a) the Auditor; and
- (b) the Audit Principal.

**9.2.3. Additional reports**

The AFSA may at any time require auditors of certain companies to prepare such additional audit reports as it believes necessary to ensure the efficient operation of entities within the AIFC.



## Schedule 1: Forms

For the purpose of the AUD Rules the prescribed forms are listed in the following table.

Purpose	Relevant Section or Rule	Form
Application for a Licence to be an Ancillary Service Provider for the provision of Audit Services	AUD 2.1.1(a)	
Application for registration as an auditor under the Companies Regulations	AUD 2.1.1(b)	
Annual Information Return	AUD 8.4	

## Annex A – Client Money Auditor's Report

In producing a Client Money Auditor's Report, an Auditor must state as at the date on which the Authorised Firm's audited statement of financial position was prepared:

- (a) the amount of Client Money the Authorised Firm was holding and controlling in accordance with the Client Money Rules in COB 8; and
- (b) whether:
  - (i) the Authorised Firm has maintained throughout the year systems and controls to enable it to comply with the relevant provisions of COB 8;
  - (ii) the Authorised Firm's controls are such as to ensure that Client Money is identifiable and secure at all times;
  - (iii) any of the requirements in the Client Money Rules in COB 8 have not been met;
  - (iv) if applicable, Client Money belonging to Segregated Clients has been segregated in accordance with the Client Money Rules;
  - (v) if applicable, the Authorised Firm was holding and controlling the appropriate amount of Client Money in accordance with the Client Money Rules in COB 8 as at the date on which the Authorised Firm's audited statement of financial position was prepared;
  - (vi) the Auditor has received all necessary information and explanations for the purposes of preparing this report to the AFSA; and
  - (vii) if applicable, there have been any material discrepancies in the reconciliation of Client Money.

### Guidance

Where an Authorised Firm does not hold or control any Client Money as at the date on which the Authorised Firm's audited statement of financial position was prepared, the AFSA expects that this should be stated in order to comply with Annexure A(a).

## Annex B – Client Investments Auditor's Report

In producing a Client Investments Auditor's Report, an Auditor must state as at the date on which the Authorised Firm's audited statement of financial position was prepared:

- (a) the extent to which the Authorised Firm was holding and controlling Client Investments, Arranges Custody or Provides Custody; and
- (b) whether:
  - (i) the Authorised Firm has, throughout the year, maintained systems and controls to enable it to comply with the Client Investments Rules in COB 8;
  - (ii) the Client Investments are registered, recorded or held in accordance with the Client Investments Rules in COB 8;
  - (iii) there have been any material discrepancies in the reconciliation of Client Investments;
  - (iv) the Auditor has received all necessary information and explanations for the purposes of preparing this report to the AFSA; and
  - (v) any of the requirements of the Client Investments Rules in COB 8 have not been met.

### Guidance

Where an Authorised Firm does not hold or control any Client Investments, Arrange Custody or Provide Custody as at the date on which the Authorised Firm's audited statement of financial position was prepared, the AFSA expects that this should be stated in order to comply with Annexure B(a).

## Annex C – Insurance Intermediary Auditor's Report

In producing an Insurance Intermediary's Auditor's Report, an Auditor must state as at the date on which the Authorised Firm's audited statement of financial position was prepared:

- (a) the amount of Client Money the Insurance Intermediary was holding and controlling in accordance with COB 11; and
- (b) whether:
  - (i) the Insurance Intermediary has maintained throughout the year systems and controls to enable it to comply with the relevant provisions of COB 11;
  - (ii) the Insurance Intermediary's controls are such as to ensure that Client Money is identifiable and secure at all times;
  - (iii) any of the requirements in COB 8 have not been met;
  - (iv) if applicable, the Insurance Intermediary was holding and controlling an appropriate amount of Client Money in accordance with COB 8 as at the date on which the Insurance Intermediary's statement of financial position was prepared;
  - (v) the Auditor has received all necessary information and explanations for the purposes of preparing this report to the AFSA; and
  - (vi) if applicable, there have been any material discrepancies in the reconciliation of Client Money.

### Guidance

Where an Insurance Intermediary does not hold or control any Client Money as at the date on which the Insurance Intermediary's audited statement of financial position was prepared, the AFSA expects that a nil balance be stated to comply with Annexure C(a).