



GOVERNMENT GAZETTE

OF THE

REPUBLIC OF NAMIBIA

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General Notice

BANK OF NAMIBIA

No. 407

2017

DETERMINATION UNDER THE BANKING INSTITUTIONS ACT, 1998

In my capacity as Governor of the Bank of Namibia (Bank), and under the powers vested in the Bank by virtue of section 71(3) of the Banking Institutions Act, 1998 (Act No. 2 of 1998), as amended, read in conjunction with section 43(6) of the aforementioned Act, I hereby issue this **Determination on the Appointment, Duties and Responsibilities of Independent Auditors (BID-10)**. This Determination shall become effective as from **30 October 2017**.

I. SHIMI
GOVERNOR

Windhoek, 21 September 2017

Banking Institution Determination No. 10 (BID-10)**APPOINTMENT, DUTIES AND RESPONSIBILITIES OF INDEPENDENT AUDITORS
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PART I: PRELIMINARY

1. **Short Title** - Independent Auditor of a Banking Institution and Controlling Company.
2. **Authorization** - Authority for the Bank to issue this Determination is provided in Section 71(3) of the Act.
3. **Application** - This Determination applies to all appointed and prospective independent audit firms and their respective engagement partners and audit committees of banking institutions and controlling companies in Namibia.
4. **Definitions** - Terms used within this Determination are as defined in the Act, as further defined below, or as reasonably implied by contextual usage.
 - 4.1 Act - means the Banking Institutions Act, 1998 (Act No. 2 of 1998), as amended.
 - 4.2 Audit Committee - means the audit committee of a banking institution and controlling companies.
 - 4.3 Audit Oversight Body - means the Public Accountants and Auditors Board (PAAB).
 - 4.4 Bank - means the Bank of Namibia.
 - 4.5 Controlling company - means a controlling company as defined in the Companies Act, 2004 (Act No. 28 of 2004).
 - 4.6 Engagement partner - means a partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor's report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
 - 4.7 Independent audit firm - a sole practitioner, partnership or corporation or other entity of registered auditors in public practice in Namibia, appointed by a banking institution and controlling companies to act as an independent auditor.
 - 4.8 Network firm personnel- refer to a person employed as a professional accountant or auditor by a firm that belongs to a group of related audit firms.
 - 4.9 PAA Act - means the Public Accountant and Auditors Act, 1951 (Act No. 51 of 1951), and any amendment made thereto.

PART II: STATEMENT OF POLICY

5. **Purpose** - This Determination is intended to set out rules and regulations relating to the appointment, duties and responsibilities of independent audit firms of banking institutions and controlling companies and the role of the audit committee in that regard.
6. **Scope** - This Determination applies to all appointed and/or prospective independent auditors of banking institutions and controlling companies in Namibia.
7. **Responsibility** - The appointed and/or prospective independent auditors of each banking institution and controlling company in Namibia will ensure that they comply with all the provisions of this Determination. The audit committee of each banking institution will ensure that they discharge of their responsibilities with regard to the independent auditors of their respective banking institutions, and in accordance with the Bank's requirements, as outlined in the Determination.

PART III: IMPLEMENTATION AND SPECIFIC LIMITATIONS**8. Duties and Responsibilities of the Engagement partner**

The engagement partner of a banking institution will:

- 8.1 After he/she furnishes the Public Accountants and Auditors' Board with a report in terms of section 26(3) of the PAA Act and has received an acknowledgment of receipt thereof, he/she should furnish the Bank with copies of such a report and of any acknowledgement of receipt thereof and reply thereto and such other particulars as he/she may deem fit.
- 8.2 Pursuant to section 49(5) of the Act, the independent auditor will be required to issue a report (expressing the audit opinions, review conclusions or state the factual findings, as the case may be) on the following returns and any other information submitted by a banking institution or controlling company to the Bank in terms of section 49 of the Act:
- a) Balance Sheet or Statement of Financial Position Return - BIR 101;
 - b) Off-Balance Sheet or Off-Statement of Financial Position Return- BIR 111;
 - c) Income Statement or Statement of Comprehensive Income Return-BIR 201;
 - d) Consolidated Return on Capital Adequacy Ratio - BIR 401;
 - e) Return on Credit Risk - BIR 501;
 - f) Single Borrowers and Concentration Risk Return - BIR 511;
 - g) Liquidity Risk Return - BIR 621;
 - h) Minimum Liquid Assets Return - BIR 610;
 - i) Minimum Reserve Requirements Return - MRR 1;
 - j) Any other return introduced and specified from time to time by the Bank through the Determinations and/or Circulars.
 - k) Consolidated Balance Sheet or Statement of Financial Position BCR – 001
 - l) Consolidated Off-Balance Sheet BCR – 002
 - m) Consolidated Statement of Comprehensive Income BCR – 003
 - n) Consolidated Capital adequacy requirements BCR – 004
 - o) Credit Risk Weighted Assets BCR – 005
 - p) Risk-Weighted Assets for Market Risk Return BCR – 006
 - q) Risk-Weighted Assets for Operational Risk BCR – 007
 - r) Large Exposures (Group Wide) BCR – 008
 - s) Intra-Group Exposures and Transactions BCR – 009
 - t) Group Members BCR – 010
- 8.3 In respect of the following reports which the independent auditor is required to issue under clause 8.2:
- a) The independent auditor will report on the banking institutions' financial position and the results of its operations as reflected in the returns specified below, which had been submitted as at the financial year-end of the reporting banking institution:
 - (i) Balance Sheet or Statement of Financial Position Return - BIR 101
 - (ii) Income Statement or Statement of Comprehensive Income Return -BIR 201
 - (iii) Consolidated Return on Capital Adequacy Ratio - BIR- 401
 - (iv) Any other return specified from time to time by the Bank through the determinations and/or circulars.
 - b) In addition to paragraph 8.3(a) above, the other reports on returns specified under paragraph 8.2 above, will be submitted to the Bank at the financial year-end of the banking institution.
 - c) All returns, specified under paragraph 8.2 above, submitted to the Bank other than at financial year-end of a banking institution will be reported on as follows:
 - (i) For returns and information rendered on a monthly basis, any one return within each calendar quarter; and
 - (ii) For returns and information rendered on a quarterly basis, any one return for any other calendar quarter; and

- (iii) For returns and information rendered on a bi-annual and annual basis, all the returns submitted.
- d) In addition to paragraphs 8.3(a), 8.3(b) and 8.3(c) above, the independent auditor will report whether in his opinion, in all material¹ respects the information contained in the returns submitted at year-end and other than at year-end:
- (i) Reasonably reflects the information contained in the statutory financial statements or management accounts presented to the board of directors, whichever is applicable;
 - (ii) Reflects that in the management accounts;
 - (iii) Is complete in so far as all relevant information contained in the accounting and other records at the reporting date has been extracted there from and recorded in the returns;
 - (iv) Is accurate in so far as it correctly reflects information contained in, and extracted from, the accounting and other records at the reporting date;
 - (v) Is prepared using the same accounting policies as those applied in the management accounts and the statutory financial statements;
 - (vi) Is in accordance with the rules and guidelines set out in the applicable Determinations issued under the Act.
- 8.4 In the event that an engagement partner discovers material² errors in the returns and any other information, including the use of an inappropriate accounting policy or asset valuation or failure to disclose essential information, he/she should request the revision of any material errors noted and, in the event that these are not corrected, draw attention to the error in the audit report. Should such revisions not be made this fact will be clearly noted in the report submitted to the Bank and the responsible partner will consider the impact of this on other returns on which a report will be issued. Where corrections are made the engagement partner will highlight that the return has been resubmitted.
- 8.5 If there are differences between the regulatory requirements and accounting requirements, then a brief description of such difference must be stated.
- 8.6 The reports will be issued to the Director of Banking Supervision within three months of the banking institution's year-end and will conform to the format recommended from time to time by PAAB and as approved by the Bank.
- 8.7 The Bank may request for additional information from the independent auditor concerning the audit of a banking institution or controlling company, as-and-when deemed necessary, for supervisory purpose. This information may relate to any business activity of the banking institution audited.

9. Appointment of an Independent Audit Firm and Engagement partner of a Banking Institution and Controlling Company

A banking institution or controlling company must ensure that only "fit and proper" persons and audit firms with sufficient expertise and experience are appointed and/or continue to act as an engagement partner and independent audit firm respectively. In this regard, the following criteria will apply:

- 9.1 No person will be eligible for the appointment or to act as an engagement partner if such a person:

¹ As per International Financial Reporting Standards (IFRS)

² Materiality in this regard will be assessed as per International Standards on Auditing (ISA)

- a) Is not registered to act as an auditor under the PAA Act;
- b) Conducts himself in an improper manner. It may be construed that a person has conducted himself in an improper manner if such a person:
 - (i) contravenes or fails to comply with the provisions of section 290 of the Companies Act, 2004 with which it is his duty to comply;
 - (ii) contravenes or fails to comply with the provisions of section 45 of the Act and this determination, with which it is his duty to comply.

9.2 The independent auditor and engagement partner will be independent from the banking institution or controlling company. For further guidance on independence refer to Annexure A.

Audit staff with managerial responsibility will take cognisance of the provisions of sections 36 and 37 of the Act.

9.3 The independent audit firm and responsible engagement partner should be professionally competent to effectively perform the audit, given its complexity, with due professional care. Therefore, an independent audit firm and engagement partner shall have at least five (5) years of banking institution and controlling company audit experience. Alternatively, a prospective independent audit firm and engagement partner without banking institution audit experience should have gone through satisfactory training on banking business and banking institutions audits.

For the purpose of this Determination, satisfactory training refers to educational training, both theoretical and practical, on the following, (the list is not exhaustive):

- (i) Financial and Legal Risks to which banking institutions are exposed;
- (ii) Auditing standards for banking institutions; and
- (iii) Procedures for the review of banking business structure and models.

The above training should be presented in conjunction with reputable institution (s), and certification obtained should be attached to the application for appointment as an independent auditor for a banking institution.

This criterion should be fulfilled prior to the appointment of an audit firm for the position of an independent auditor, and may not be set as a condition of approval by the Bank.

9.4 The independent audit firm and engagement partner will observe the provisions of the Code of Ethics for Professional Accountants, issued by the International Federation of Accountants, as adopted by the Institute of Chartered Accountants of Namibia.

9.5 The criteria set out in this determination should not be regarded as an automatic qualification, disqualification or as being exhaustive. The Bank retains the absolute discretion to approve or disapprove an application for the approval of the appointment of an independent audit firm and engagement partner when in its opinion, circumstances so warrant. In the event that the Bank disapproves an application, the Bank will communicate in writing the reasons for the disapproval to the respective banking institution or controlling company.

10. Appointment and approval process of an independent audit firm

10.1 The independent audit firm appointed as an auditor will nominate a specific partner as partner responsible for the audit engagement of that banking institution. More than one firm of joint auditors may also be appointed, as joint auditors, and this process applies to both independent audit firms appointed as such.

- 10.2 A banking institution or controlling company should submit a written application to the Bank, for the approval of the independent audit firm and engagement partner. The application should be signed by the chairperson of the board of directors, on the form annexed hereto and marked Annexure C. The audit firm and partner will submit a relevant application form issued by the Bank, duly completed by the engagement partner, providing information on the firm, as well as on himself/herself to the Bank. The application form to be used is in two parts and is annexed hereto and marked Annexure B. Part A relates to information regarding the firm, and part B relates to information regarding the engagement partner.
- 10.3 In view of changes in circumstances that may occur after the approval of the appointment by the Bank, the following provisions must be observed by a banking institution or controlling company and/or its independent audit firm:
- a) If the engagement partner is no longer with the firm, or is rotated from the audit engagement, part B of the application form providing details of the new engagement partner should be submitted for approval by the Bank. The approval of the appointment of the firm will be subject to review by the Bank if no new engagement partner is appointed within 90 days, or a shorter period at the discretion of the Bank, if circumstances require it.
 - b) If the firm resigns from the audit, this fact, and the reasons for the resignation, must be advised to the Bank by the auditor. A banking institution or controlling company will then seek approval for the appointment of a new independent audit firm. The same applies if the banking institution decides to change auditors. A new application form consisting of both parts A and part B needs to be completed and submitted to the Bank.
 - c) In a case of a merger of audit firms, since a new entity is born, the same process applies as in the case of a new appointment and both parts A and B of the application form should be completed.
- 10.4 The appointment and approval process of an independent auditor applies to and should be followed in the case of group appointments of auditors where a banking group represented in Namibia makes a worldwide appointment of an independent auditor.

11. Tenure of appointed Auditor

To foster confidence in the banking institutions' or controlling companys' financial statements, it is imperative that the independence of an independant auditor is preserved. Thus, to ensure independence, an independent audit firm and engagement partner may not be involved in the audit of a banking institution for a period greater than ten (10) and five (5) consecutive years, respectively. After the tenth and fifth year of audit service, the independent audit firm and engagement partner should be rotated off the banking institution, respectively, and should have no further involvement in that banking institution for a period of at least three years.

12. Role of audit committee with respect to independent audit firm and engagement partner:

- 12.1 The audit committee should have a robust process for approving, or recommending for approval, the appointment, reappointment, removal and remuneration of the independent audit firm.
- (a) The audit committee should approve or recommend to the board of directors for approval, the appointment, reappointment, removal and remuneration of the independent audit firm. In doing so, the audit committee should determine appropriate criteria for selecting the independent audit firm and should regularly

assess the knowledge, competence and independence of the independent audit firm and the effectiveness of the external audit.

- (b) The audit committee's procedures for approving or recommending the approval of the independent audit firm should include a risk assessment of the likelihood of the withdrawal of the independent audit firm from the audit, and how the banking institution or controlling company would respond to that risk.
- (c) The audit committee should assess the overall quality of the independent audit firm, before its first appointment and at least annually thereafter. The audit committee should consider the quality control standards applicable to the external audit and request that the independent audit firm report on its own internal quality control procedures, including the audit firm's engagement quality control process, and any significant matters of concern arising from these procedures. The audit committee should also consider, where available, the external audit firm's annual transparency report and any inspection reports on the audit firm issued by the relevant audit oversight body.
- (d) The audit committee should maintain an understanding and knowledge of:
 - (i) the structure and governance of the audit firm;
 - (ii) the current nature of the audit environment, including in jurisdictions abroad where the banking institution operates;
 - (iii) significant issues and concerns raised by the relevant audit oversight body regarding the audit firm, and the auditor's actions in addressing these concerns, to understand how these issues/concerns may affect the quality of the audit of the banking institution;
 - (iv) the nature of banking regulatory actions and conditions that could have an impact on the independent audit firm's work on the banking institution, including any regulatory actions and conditions specific to the banking institution being audited, and any that the Bank is imposing on all banking institutions (for example, through newly implemented regulations and policies); and
 - (v) public lessons learned from any recent external audit failures associated with the banking institutions auditor, and other audit firms and how the audit firms have dealt with them so that similar audit risks are appropriately identified and limited.
- (e) The audit committee should satisfy itself that the level of the audit fees is commensurate with the scope of work undertaken. Where fee reductions are offered and accepted, the audit committee should seek assurance that these reductions do not imply an inappropriate increase in the materiality level to be applied by the independent audit firm, or an inappropriate narrowing of the independent audit firm's proposed scope of the audit, or an inappropriate reduction in the attention which will be given to each business component and the significant audit risks identified.
- (f) The audit committee should discuss and agree to the terms of the engagement letter issued by the independent audit firm prior to the approval of the engagement. Where relevant, the audit committee should agree to an engagement letter that has been updated to reflect changes in circumstances, such as those arising from changes in legal requirements and changes in the scope of the independent audit firm's work as a result of revisions to internationally accepted auditing standards which have arisen since the previous year.
- (g) If the independent audit firm resigns or communicates an intention to resign, the audit committee should follow up on the reasons/explanations giving rise to such

resignation and consider whether it needs to take any action in response to those reasons.

- 12.2 The audit committee should monitor and assess the independence of the independent audit firm.
- (a) The independence of the independent audit firm is one of the main prerequisites for an adequate level of audit quality. As such, the audit committee should understand the applicable independence requirements, and have procedures to monitor and assess the independence of the independent audit firm at least annually, taking into consideration relevant national laws, regulations and professional requirements. The assessment also involves a consideration of all relationships between the banking institutions and the audit firm (including the provision of non-audit services).
 - (b) Where the audit firm has been the independent audit firm of the banking institution for many years, there may be a risk that there is a familiarity or self-interest threat to the independent auditor's objectivity and independence in its audit of the banking institution. However, when the banking institution changes its independent audit firm, there is a risk that the depth of understanding of the banking institution and its activities and systems will be lost. This may affect the new independent audit firm's ability to identify risks of material financial statement misstatements and respond to them appropriately, and hence may detract from the quality of the audit.
 - (c) The audit committee should understand the audit firm's policy on rotation of members of the audit engagement team and the audit firm's compliance with any jurisdictional or other local regulatory independence requirements in this regard.
 - (d) The audit committee should seek assurance that the audit engagement team members and their firm and, when applicable, the network of independent audit firm have no personal, family, business, financial or other relationships with the banking institution which could adversely affect the auditor's actual or perceived independence and objectivity. The audit committee should seek from the independent audit firm, at least on an annual basis, information about the audit firm's policies and processes for maintaining independence and monitoring compliance with the relevant independence requirements.
 - (e) The audit committee should develop a formal policy which governs the acceptance of non-audit services provided by the auditor, within the local jurisdictional framework. Amongst other provisions, the policy should include criteria for the types of non-audit services that the independent audit firm may provide or is prohibited from providing, and rules stipulating when advance approval by the audit committee is required.
 - (f) Where non-audit services are provided by the independent audit firm, the audit committee should monitor the provision of such services to ensure that their performance does not impair the independent audit firm's objectivity and independence, taking into consideration various factors including the skills and experience of the independent audit firm, safeguards in place to mitigate any threat to objectivity and independence, and the nature of and arrangements for non-audit fees.
 - (g) Where the independent audit firm provides non-audit services to the banking institution, the banking institution's annual report (or other relevant publications) should explain to shareholders the nature of and the fee arrangements for the non-audit services received, and how auditor independence is safeguarded.

- 12.3 The audit committee should monitor and assess the effectiveness of the independent audit.
- (a) Audit committees have a key role in contributing to audit quality by monitoring and assessing the effectiveness of external audits. The audit committee should consider whether the audit approach is appropriate, including considerations relating to the audit scope, the level of materiality, areas of focus and how the auditor proposes to address the areas of significant risks.
 - (b) The audit committee should consider whether the proposed resources to execute the audit plan are reasonable given the scope of the audit engagement, the nature and complexity of the banking institution's operations, and its structure and activities. The audit committee should understand the nature and extent to which the independent audit firm intends to use audit work performed by network firm personnel and other audit firms.
 - (c) The audit committee should obtain confirmation from the independent audit firm that there is adequate knowledge, competence and expertise within the audit engagement team and that the audit will be conducted in compliance with internationally accepted auditing standards, as well as any applicable laws and regulations.
 - (d) The audit committee should discuss with the independent audit firm the findings of the latter's work. In the course of its monitoring, the audit committee should:
 - (i) obtain an understanding of the independent audit firm's view on any significant matters that arose during the audit (including those matters that were subsequently resolved as well as those that have been left unresolved), in particular the independent audit firm's explanation of the significant judgments the audit engagement team made and the conclusions reached. This should include the discussions with management and the judgments involved, the range of possible outcomes and, where available, a comparison of the banking institution's position with other players in the banking sector (on an anonymous basis), including a comparison with previous periods;
 - (ii) obtain an understanding of the rationale behind the final conclusions drawn by the audit engagement partner on significant accounting and auditing matters; and
 - (iii) review the nature and levels of misstatements identified during the audit, obtaining explanations from management and, where necessary, the independent audit firm as to why certain errors might remain unadjusted.
 - (e) The audit committee should also discuss with the independent audit firm the statements provided by management in the representation letter to the auditor, giving particular attention to any matters for which the independent audit firm requested specific written representations from the board of directors/senior management.
 - (f) As part of the on-going monitoring process, the audit committee should discuss with the auditor the audit-related reports on matters of significance, including any management letter (or equivalent), which the independent audit firm has provided to the banking institution. Such reports include, but are not limited to, written communications regarding matters that internationally accepted auditing standards require the auditor to communicate in writing to those charged with governance. In particular, the audit committee should discuss with the independent audit firm any significant deficiencies identified during the audit in the banking institution's internal control over financial reporting, which must be communicated in writing.
 - (g) Upon completion of the audit fieldwork, but before the responsible engagement partner issues the audit report, the audit committee should request the engagement

- partner to confirm whether the independent audit firm has followed its audit plan and understand the reasons for any changes in the plan, including those resulting from changes in the identified risks of material misstatement and the work undertaken by the independent audit firm to address those risks.
- (h) The audit committee should seek to obtain information from the independent audit firm, where relevant, on the main findings of audit quality reviews of the banking institution's audit and the audit firm's quality control systems by audit oversight bodies.
 - (i) The audit committee should then report on the effectiveness of the process to the board of directors, and discuss its findings and any recommendations with the board.
- 12.4 The audit committee should have effective communication with the independent audit firm to enable the audit committee to carry out its oversight responsibilities and to enhance the quality of the audit.
- (a) The foundation for an effective relationship is regular, timely, open and honest communication between the audit committee and the independent audit firm. Regular dialogue between the two parties should be held throughout the reporting cycle of the banking institution.
 - (b) While both cooperation and challenge are needed between the independent audit firm and the audit committee for the external audit to be effective, the need for cooperation should never prevent robust challenges from being made when needed. Such challenges are a key responsibility of the audit committee and are part of the productive dialogue on key judgments that can result in stronger and deeper understanding of and views on the positions of all parties.
 - (c) In order to reinforce the audit committee's effectiveness and enhance the quality of the audit, the audit committee should consider inviting the independent audit firm to attend audit committee meetings (except when discussing matters in relation to the assessment of the independent audit firm), even if there are no items explicitly relevant to the external audit on the agenda. The independent audit firm's attendance should facilitate the exchange of views on the banking institution's business performance, risk and other topics. Further, to enhance audit quality, the audit committee should consider, if necessary, assisting the independent audit firm to gain access to any other committee meetings that the independent audit firm determines to be relevant for the auditor's work.
 - (d) The audit committee should have the right and authority to meet regularly – in the absence of executive management – with the independent audit firm. This will enable the audit committee to understand and discuss all issues that may have arisen between the independent audit firm and banking institution management in the course of the external audit and how these issues have been resolved. In addition, these meetings should address any other matters that the independent audit firm believes the audit committee should be aware of in order to exercise its responsibilities.
 - (e) The audit committee should discuss with the auditor any matters arising from the statutory audit that may have an impact on regulatory capital or regulatory disclosures. This may include discussion of the interaction between the accounting information and the regulatory information, e.g. accounting impairment charges versus regulatory expected losses, or the consistency of the banking institution's prudential information with its annual report.
 - (f) The audit committee should discuss with the independent audit firm any significant issues identified in the course of the audit, particularly in areas which could be

relevant to future financial statements, to promote early discussion and planning. This includes upcoming changes in accounting standards or regulations and the consequences of material transactions for the financial reporting processes and performance of the banking institution.

- (g) The audit committee should also communicate to the independent audit firm matters that are likely to be of significant relevance to the conduct of the statutory audit. Such matters may encompass subjects that the audit committee believes warrant particular attention or may influence the audit of the financial statements, including significant communications with the Bank.

- 12.5 The audit committee should require the independent audit firm to report to it on all relevant matters to enable the audit committee to carry out its oversight responsibilities.

13. Signing of reports by joint auditors

In the case of a joint audit, all audit firms involved in the audit of a banking institution will be required to jointly sign all reports and letters required in terms of the Act and the related Determinations and/or Circulars.

14. Effective relationship and open, timely, regular communication between the Bank, Independent audit firm and Audit oversight body

- 14.1 The Bank and the independent audit firm should have an effective relationship that includes appropriate communication channels for the exchange of information relevant to carrying out their respective statutory responsibilities.

- (a) Supervisors and independent audit firms should have an open and constructive relationship. Information exchanged should be treated appropriately and confidentially.
- (b) The scope and terms of this relationship should be clear to both the Bank, as a supervisor, and the independent audit firm. In this regard, the Bank may issue guidance or enter into MOU with independent audit firms.

- 14.2 The independent audit firm should report to the Bank directly on matters arising from the audit that are likely to be of material significance and contravenes section 45 of the Banking Institution Act, to the supervisory functions of the Bank.

- 14.3 There should be open, timely and regular communication between the Bank, audit firms and the accounting profession as a whole on key risks and systemic issues as well as a regular exchange of views on appropriate accounting techniques and auditing issues. The Bank will schedule annual meeting with the independent audit firm together with any director(s), and/or internal auditors and/or members of the board audit committee of a banking institution, in accordance with the Banks' identified needs relating to the independent audit of the banking institution. The Bank may also request for meetings with the independent audit firm as and when the need may arise.

- 14.4 There should be regular and effective dialogue between the Bank and the relevant audit oversight body. In this regard, the Bank may also request for meetings with the audit oversight body as and when the need arise.

15. Regular Meetings with Bank

- 15.1 The Bank shall conduct an annual meeting with the independent audit firm together with any director(s), and/or internal auditors and/or members of the board audit committee of a banking institution, in accordance with the Banks' identified needs relating to the independent audit of the banking institution.

PART IV: CORRECTIVE MEASURES**16. Remedial measures**

- 16.1 If anyone contravenes with any section of this determination, then the Bank may pursue any remedial measures as provided under the Act as the Bank may deem appropriate in the interest of prudent banking practice.

PART V: OTHER PROVISIONS

17. **Effective date** - The effective date of this Determination shall be 30 October 2017.
18. **Repeal of BID -10** - This Determination repeals and replaces the Determination on the Appointment, Duties and Responsibilities of the Independent Auditor of Banking Institutions (BID-10) published under General Notice No. 427, in the Government Gazette No. 5089 issued on 7 December 2012.

PART VI**ANNEXURE A****BID-10****GUIDELINES ON INDEPENDENCE AND PROFESSIONAL COMPETENCE OF AN INDEPENDENT AUDIT FIRM****1. Independence**

- 1.1 Any person, i.e. a partner and their firm, when undertaking a reporting assignment as an independent audit firm for a banking institution, should be independent in fact and appearance.

Independence is a quality which enables the auditor to apply unbiased judgment and objective considerations to established facts in arriving at an opinion or decision.

- 1.2 To be recognised as independent, the auditor must be free from any material obligation to, or material interest in a banking institution, its management and/or its shareholders.

For the purposes of these determinations:

- a) A material obligation means an obligation of an auditor which, in aggregate with co-partners in the firm, their spouses and dependents, is more than five percent of the capital funds of the banking institution. For the purposes of this clause, capital funds will have the same definition as that used for capital adequacy as determined in terms of sections 28 and 29 of the Act.
- b) A material interest means an interest where an auditor, in aggregate with co-partners in the firm, their spouses and dependents, directly or indirectly holds, controls or is entitled to exercise the voting rights in more than five per cent of any class of voting shares of a banking institution.

Generally, a person should be independent of a banking institution and all its associates and affiliates.

- 1.3 The dependence of the firm on a banking institution could raise doubts as to the independence of the firm.

The size of the firm should be sufficient relative to the banking institution, so that the receipt of recurring fees from the banking institution does not represent a large proportion of the total gross fees of the firm as a whole. *In line with other regulators, the Bank will regard 10% of the fees as a larger proportion.*

The firm must submit supporting documents to confirm the respective percentage of recurring fees of the banking institution in relation to the gross fees of the firm.

Table 1: Percentage of recurring fees

Month (start with the first month in your financial year)	Recurring fees	Total gross fees	Percentage of recurring fees to total gross fees	Is it a large portion (Y/N)
1.				
2.				
3.				
4.				
5.				
6.				

7.				
8.				
9.				
10.				
11.				
12.				
Total				

The auditor should reduce audit fees with caution as this may invariably undermine the effectiveness of the auditor's performance, particularly if it results in the reduction of the extent and quality of work done by him/her.

1.4 Following are paragraphs which indicate some situations which, because of the actual or apparent lack of independence, would give a reasonable observer grounds for doubting the independent audit firm's independence:

a) Fiduciary or financial involvement with, or in the affairs of, a banking institution

Financial involvement with a banking institution on whose affairs a person has a responsibility to report, may affect his objectivity and may lead an observer to conclude that objectivity has been impaired. Such an involvement can arise in a number of ways, such as:

- (i) a direct or indirect financial interest in the banking institution;
- (ii) by a fiduciary interest in the banking institution;
- (iii) loans to or from a banking institution or any officer, director or principal shareholder of a banking institution;
- (iv) by holding a financial interest in a joint venture with a banking institution or employee(s) of a banking institution; and
- (v) by having a financial interest in a non-banking institution that has an investor or investee relationship with a banking institution.

The following, however, would not ordinarily be considered to impair an auditor's independence:

- (i) holding of trading securities in a banking institution in which the trading securities are widely held, provided that the holding is not five (5) percent greater than the total number of securities issued by the banking institution or in relation to the assets of the auditor, or his professional staff, or his spouse or dependents;
- (ii) making deposits with, or accepting loans from banking institutions on the same terms as are available to the general public;
- (iii) making indirect investments in a banking institution through the holding of units in mutual funds, insurance policies or retirement funding investments; and
- (iv) indebtedness arising out of normal trading transactions on the same terms as is available to the general public.

b) Appointments in banking institutions

- (i) When a person is or was, within the period under current review or immediately preceding an assignment:
 - A member of the board, an officer or an employee of a banking institution, or

- a partner of, or in the employment of, a member of the board or an officer or an employee of a banking institution;

He would be regarded as having an interest that could detract from independence when reporting on that banking institution.

- (ii) A person in a situation as in (a) above should not be appointed as auditor of the banking institution concerned. It is also clearly desirable that they should not be personally appointed or involved in other assignments on which an opinion is required.

It is suggested that the period immediately preceding the assignment should be no less than one year.

c) Provision of other services to banking institutions

When an independent audit firm, in addition to carrying out the attest function, provides other services to a banking institution, they should take care not to perform any management function or make management decisions. All management decisions remain the responsibility of the board of directors and management.

d) Family and personal relationship

- (i) Personal and family relationships can affect independence.
- (ii) With respect to family relationships, it is important to ensure that the degree of relationship with a banking institution should not be too close to ensure that an independent approach to professional services for that banking institution will suffer.
- (iii) Family relationships which always pose an unacceptable threat to independence are those in which a sole practitioner or a partner in a firm, or an employee engaged on the assignment relating to the banking institution, is the spouse, relative living in a common household or child, of an officer or employee with managerial responsibilities in a banking institution concerned, director or substantial shareholder of the banking institution.
- (iv) In the event that a family relationship exists between the employees of an independent audit firm and the banking institution or its employees, then the independent audit firm must be guided further by the prevailing “Code of Ethics for Professional Accountants” and state the basis why such relation is deemed not to affect the independence of the auditor.

e) Goods and services

- (i) Acceptance of goods, services or commissions, not on the same terms as available to the general public from a banking institution may threaten the independence of an independent audit firm’s independence as may acceptance of undue hospitality.
- (ii) Therefore, goods or services should not be accepted from a banking institution by employees of an independent audit firm, their spouse or dependents except on business terms which are no more favourable than those generally available to others. Hospitality and gifts on a scale which is not commensurate with the normal courtesies of social life should not be accepted.

2. Professional Competence

- 2.1 In general the firm and engagement partner should be capable of performing the audit, given the complexity of the engagement, with proficiency and due professional care.
- 2.2 Knowledge, skills and disciplines available in the firm should be sufficient and relevant to the engagement.
- 2.3 The firm and engagement partner should have at least five (5) years experience in auditing in the banking industry, based on past assignments of comparable size and complexity. Firms involved in auditing in the banking industry for the first time may wish to seek appointment as joint auditors with a firm with proven experience.
- 2.4 It is desirable that the engagement partner or at least one of the key audit staff to be utilised on the engagement possess relevant experience and a suitable qualification.
- 2.5 Staffing of the engagement should include sufficient specialised skills appropriate to the banking industry.
- 2.6 The firm should have access to a technical department capable of researching new developments in auditing and accounting standards in the banking industry and any ad hoc aspects of the engagement that may arise in the course of the audit.
- 2.7 It is desirable that the firm have access to international links with auditors of similar institutions in other countries, in order to share information and expertise and also to facilitate the audit of any cross-border activities of the institutions.
- 2.8 The firms should have access to a training department capable of providing adequate specialised training for auditors in the banking industry.
- 2.9 The firm should have access to a library with up to date sources of all applicable and relevant statements, standards, legislations, regulations, literature, trends and development within the banking industry.
- 2.10 The firm should possess or have access to a specialized unit capable of auditing and assessing the adequacy and effectiveness of complex computerised systems.
- 2.11 The firm should have an audit approach, techniques and procedures designed to obtain reasonable assurance that misstatements arising from fraud and error that are material to the statutory financial statements taken as a whole, are detected.
- 2.12 In addition to the requirement to be subject to external practice reviews, the engagement partner should also be subject to internal peer review from time to time by partners with appropriate industry experience.
- 2.13 The firm should be able to demonstrate a competent quality assurance process that ensures the firm's internal and any externally imposed standards are being complied with.
- 2.14 The staffing of the firm and the engagement itself should be such that effectiveness can be maintained from year to year in the conduct of the audit and continuity of staff should be encouraged.

ANNEXURE B**BID-10****INFORMATION REQUIRED BY THE BANK OF NAMIBIA IN CONSIDERING THE APPROVAL OF THE APPOINTMENT OF AN INDEPENDENT AUDITOR FOR A BANKING INSTITUTION**

This application form and the certification on the last page should be viewed in conjunction with the application for approval of appointment of an independent auditor and responsible partner, as per section 43(2) of the Act.

Instructions for completion of the application form

The form consists of two parts:

- Part A Applicable to the audit firm
- Part B Applicable to the responsible partner

The engagement partner should be specifically nominated by the firm being appointed, as the engagement partner on the audit of the banking institution.

The engagement partner should complete the application form and certify the contents as set out in the declaration on the last page of this document.

When firms are appointed for the first time, both Parts A and B of the application form should be completed. Further, the same application form should be completed and submitted to the Bank for the approval of each annual appointment.

Space has been provided for any comments that the engagement partner might wish to make that could be relevant to the Bank when considering the application for approval. Should the space provided not be sufficient, the details can be provided on a separate page, duly cross referenced to the relevant question.

Whilst the questions cover various criteria for qualifying or disqualifying audit firms from audit engagements of banking institutions, the criteria and replies thereto should not be regarded as an automatic qualification or disqualification or as exhaustive.

The criteria have been made as objective as possible, but naturally, a degree of subjectivity is still present in some criteria, and not all applicable criteria could be foreseen by the Bank.

Furthermore, depending on the complexity and size of the audit of a particular banking institution, certain questions may not be appropriate and/or applicable. Where this is the case, the fact and reason for the question not being applicable should be stated.

PART A (TO BE COMPLETED IN RESPECT OF THE AUDIT FIRM)**I General objective: Administrative and firm profile information**

1. Name of firm

2. Business contact details:

Physical address

.....

Postal address

8.	Details of institutions similar to banking institution(s) audited	Ref No.	No of years audited
Name			
.....			
.....			
.....			
.....			
.....			
.....			

II General objective: Independence of the firm

9. Do you believe that your firm is organisationally independent from the banking institution or the group of which it is part, and able to maintain an objective frame of mind in accomplishing its audit responsibilities? (Please provide details)

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9.1 What percentage of your firm’s total gross fees per annum are received (or will be received) directly or indirectly from the banking institution or the group of which it is part? (The Bank consider 10 percent or more of the total gross fees to be a large portion.)

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III General objective: Professional proficiency of the firm

10. Are you of the opinion that sufficient and relevant knowledge, skills and experiences are available in your firm for the engagement? (Please provide details)

.....

.....

- 11. Is the engagement partner registered to act as auditor under the PAA Act?
.....
- 12. What relevant qualifications, if any, in the banking industry do you and the key staff to be involved in the engagement, possess?
.....
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.....
.....
- 13. Do you and your firm have access to a technical department capable of researching new developments in auditing and accounting standards in the banking industry? (Please provide details)
.....
.....
.....
- 14. Does your firm have international links with auditors of similar institutions in other countries, in order to share information and expertise and to facilitate the audit of any cross-border activities of a banking institution? (Please provide details)
.....
.....
- 15. Does your firm have access to adequately specialised training for auditors in the banking industry? (Please provide details)
.....
.....
- 16. Does your firm have access to a library with up-to-date sources of all relevant statements, standards, legislation, regulations, literature, trends and developments within the banking industry? (Please provide details)
.....
.....
- 17. Does your firm possess or have access to a specialised unit capable of auditing and assessing the adequacy and effectiveness of computerised systems? (Please provide details)
.....
.....
.....

18. Does your firm have an audit approach, techniques and procedures designed to obtain reasonable assurance that misstatements arising from fraud and errors that are material to the financial statements as a whole are detected? (Please provide details)

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19. Does your firm ensure that its audit approach is kept up to date with regard to developments in the profession and within the banking industry? (Please provide details)

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20. Does your firm have a competent quality-assurance process that ensures that there is compliance with the firm’s internal standards and any externally imposed standards? (Please provide details)

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21. Do you have firm and feasible plans to staff the engagement such that its effectiveness can be maintained from year to year, and the continuity of staff as part of the policy of your firm? (Please provide details)

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IV General objective: Disqualification of the firm

22. Is the engagement partner qualified to act as auditor, specifically relating to the criteria stated in these determinations?

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23. Are there any pending or current lawsuits or professional liability suits against partners of the firm that the Bank should be aware of? (Please provide current detailed report on the developments of such a lawsuit on an annual basis. Any material developments in this lawsuit, subsequent to this application must also be submitted to the Bank)

.....

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24. Has your firm previously been engaged by a banking institution to perform a special investigation on its behalf that the Bank should be aware of? (Please provide details)

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25. Does your firm have the knowledge to comply with all the special duties imposed by legislation on the auditor of a banking institution? (Please provide details)

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.....

PART B (TO BE COMPLETED IN RESPECT OF THE RESPONSIBLE ENGAGEMENT PARTNER)

I General objective: Engagement partner information, qualifications and experience

1. Name of engagement partner (including any former names).

.....

Contact Number

Electronic-mail Address

2. Name of Institute and Society to which you belong.

.....

3. Membership/reference number with Institute (ICAN) and with the Public Accountant’s and Auditor’s Board (PAAB).

.....

.....

4. Professional qualifications and year in which they were obtained. Provide a copy of your curriculum vitae, unless it has already been provided to the Bank.

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5. Occupation and employment during the past 10 years. While in auditing, indicate types of clients, in particular how many in the banking industry.

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6. Has your registration as a chartered accountant ever been suspended or have you ever been cautioned, reprimanded or fined by the PAAB? (Please provide details)

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.....

7. Details of attendance of ICAN’s workshops relating to the banking industry?

.....
.....

8. Are you on ICAN’s mailing list for receiving documentation of the banking industry?

.....

9. Do you have a copy of the relevant Acts, regulations and Bank’s determinations and circulars that are in force within the banking industry and are you aware of the contents thereof?

.....

II General objective: Independence of the responsible partner

10. Do you believe that you are independent from the banking institution, or the group of which it is part, and able to maintain an objective frame of mind in accomplishing your audit responsibilities? (Please provide details)

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10.1 Do you believe that in your provision of other consulting services, if any, to the banking institution, you will always be able to maintain an independent frame of mind in forming an opinion regarding the institution? (Please provide details)

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10.2 Are you or your firm involved in the management or decision making of the banking institution, or are you or your firm associated with a service provider of the banking institution? If yes, kindly provide a list of other services provided to the banking institution, an indication of the

extent of such services, as well as whether such services are carried out independent of the responsible partner.

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(Actions such as being engaged in the preparation of the financial statements and statutory returns, involvement in the valuation of assets or liabilities for purpose of recording them in the financial statements, acting for the banking institution in the resolution of litigation that may have a material impact on the financial statements, or performance of services having a direct impact upon senior management, such as their recruitment, which could indicate involvement in the management of the banking institution).

10.3 Do you, as responsible partner, have (or intend having) a direct line of communication and a working relationship with the board of directors and audit committee where required by the banking institution?

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.....
.....

10.4 Is there anything known to you that will prevent the audit relationship from continuing to exist? (Please provide details)

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III General objective: Professional proficiency of the responsible partner

11. What relevant qualifications, if any, in the banking industry do you possess? (If not covered in question 12 of Part A).

.....
.....

12. Do you, in your capacity as responsible partner, have access to the following resources:

12.1 Technical department, as contemplated in question 13 of Part A?

.....

12.2 International links with the auditors of similar institutions, as contemplated in question 14 of Part A?

.....

12.3 A library, as contemplated in question 16 of Part A?

.....

12.4 A specialised unit, as contemplated in question 17 of Part A?

.....

13. Are you, as engagement partner of the engagement, subject to external practice reviews?

.....

.....

14. Are you, or will you be able to show how all problems addressed in the most recent practice review report have been subsequently resolved?

.....

15. Are you, as engagement partner of the engagement, subject to internal peer review from time to time by other partners with appropriate industry experience? (Please provide details)

.....

IV General objective: Disqualification of the lead partner

16. Are you qualified to act as auditor specifically keeping in mind the criteria covered in these Determinations?

.....

.....

17. Are there any pending or current lawsuits or professional liability, suits pending against you that the Bank should be aware of? (Please provide current detailed report on the developments of such a lawsuit on an annual basis. Any material developments in this lawsuit, subsequent to this application must also be submitted to the Bank)

.....

.....

18. Have you ever been an engagement partner engaged by a regulatory authority to perform a special investigation on its behalf that failed to reveal a problem that was subsequently shown to exist? (Please provide details)

.....

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.....

19. Have you ever been removed as engagement partner of a banking institution by the Bank?
(Please provide details)

.....

20. How many shares in the institution are registered in your name or the name of a related party? If applicable, give name(s) in which registered and class of shares.

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ANNEXURE C

DECLARATION

I,, the designated engagement partner of (banking institution), certify that, to the best of my knowledge, the information given in annexure B, Part A and B of BID 10, is true, complete, accurate and not misleading in any respect.

I undertake, as long as I continue to be the partner responsible for the audit of the banking institution, to notify the Bank of Namibia of any material changes, affecting the completeness or accuracy of, to the answers to the questions above, inclusive of any disciplinary action instituted against me by not later than 21 days as from the day that such changes come to my attention. I also authorize the Bank to request and receive any information necessary, from any source the Bank deems appropriate, to verify the accuracy of information contained in these statements.

I know and understand the content of this declaration. I have*/do not have* objections to taking the prescribed oath. I consider the prescribed oath to be binding*/not binding* on my conscience.

..... SIGNATURE OF DEPONENT

..... ADDRESS OF DEPONENT

..... NAME OF DEPONENT

..... POSITION OF DEPONENT

I certify that the above statement was taken by me and that the deponent has acknowledged that he*/she* knows and understands the content of this statement. This statement was sworn to*/affirmed* before me and the deponent's signature was placed hereon in my presence at on

COMMISSIONER OF OATHS

FULL NAMES

EX OFFICIO

AREA

ADDRESS

*NB*Delete whichever is not applicable*

ANNEXURE C

BID-10

**APPLICATION FOR APPROVAL OF APPOINTMENT OF INDEPENDENT AUDIT FIRM AND ENGAGEMENT PARTNER
(To be submitted in duplicate)**

The Director
Banking Supervision Department
Bank of Namibia
WINDHOEK

1. I, the undersigned, Chairperson of the Board of Directors of, hereby declare that -

(a) in accordance with the provisions of section 43 of the Banking Institution Act, 1998 (Act No. 2 of 1998), as amended, a resolution is expected to be passed at a meeting/ annual general meeting* of directors/members* of the said institution, to be held on, to appoint:-

.....
(name)

of.....
(address)

and.....
(name)

Of.....
(address)

as auditor(s) of the said institution from..... until the conclusion of the next annual general meeting of the said institution.

2. (a) In terms of section 43(2) of the Banking Institution Act, 1998 (Act No. 2 of 1998), as amended, I hereby apply for your approval of the appointment set out in paragraph 1(a) above.

(b) I further certify that either of the auditors mentioned above:

I is not a director, officer or employee of this banking institution;

II does not have a material or other interest in a banking institution, its management and/or its shareholders; and

III does not have a material obligation to this institution.

.....
Chairperson of the Board of Directors

Address

.....

.....

Date

FOR OFFICIAL USE

Approval of appointment of -

.....
as auditor granted/refused *;

.....
as auditor granted/refused*;

Date

.....
Director: Banking Supervision

** Delete whichever is not applicable*
