



'Ensuring Investor Protection'

## THE SECURITIES AND EXCHANGE COMMISSION

# GUIDELINES ON AUDITORS OF PUBLIC COMPANIES AND SEC LICENSEES

**NUMBER: SEC/GUI/002/01/2020**

### **1.0. Preamble**

These Guidelines are issued by the Securities and Exchange Commission (hereinafter referred to as “the SEC”) pursuant to sections 3, 146 and 209 of the Securities Industry Act, 2016 (Act 929) with respect to services provided by Auditors to public companies and SEC licensees (hereinafter referred to as “Auditee firms”).

### **2.0. Scope and Application**

These guidelines shall apply to auditors of Auditee firms.

### **3.0. Requirements for auditors**

(1) An Auditor of Auditee firm shall:

- a) be a member of the Institute of Chartered Accountants, (Ghana) under the Chartered Accountants Act, 1963 (Act 170) and also hold a practice certificate issued under Act 170;
- b) not be disqualified under the Companies Act, 2019 (Act 992);
- c) not be disqualified under the Securities Industry Act, 2016 (Act 929)
- d) be registered before the expiration of January each year, with the Securities and Exchange Commission on SEC Form D (III);
- e) possess a valid professional indemnity insurance acceptable to the SEC;
- f) Submit a copy of the professional indemnity insurance contract/policy to the SEC at registration.
- g) Where the auditor is a firm, all its partners shall be registered with the SEC before the expiration of January each year on SEC Form D (III)

#### **4.0. Approval of appointment to audit**

A person shall not audit the accounts of an auditee firm unless the appointment of that person is approved in writing by the SEC. Such approval shall be given for every audit engagement and shall remain valid for a financial year.

#### **5.0. Independence of the Auditor**

- (1) The Auditor shall be independent of the auditee firm.
- (2) The Auditor shall comply with the code of ethics for Professional Accountants of International Federation of Accountants (IFAC).

#### **6.0. Restrictions on the Auditor**

- (1) The Auditor shall not simultaneously act in the capacity of a reporting Accountant for the same auditee firm.
- (2) A former Auditor of an auditee firm shall not act in the capacity of a reporting Accountant for the same public company or a SEC licensee within a period of 12 months immediately after the expiration of its appointment as Auditor.
- (3) An Accountant who has provided reporting services for a public company shall not act in the capacity of an Auditor for the same public company within a period of 12 months immediately after the provision of the reporting services.

#### **7.0. Removal and resignation of the auditor**

- (1) An Auditee firm may, with the consent of the SEC, remove an auditor of the Auditee firm from office.
- (2) An Auditor of an Auditee firm may, by notice in writing given to the Auditee firm, resign as an Auditor of the Auditee firm where the auditor:
  - (a) has, by notice in writing given to the SEC, applied for consent to resign and has, at or about the same time that the notice was given to the SEC, notified the Auditee firm in writing of the application to the SEC;
  - (b) Has received the consent of the SEC.
- (3) The SEC shall, as soon as practicable, after receipt of the notice from an Auditor under subsection (2), notify the Auditor and the Auditee firm whether or not it consents to the resignation of the auditor.

- (4) Within fourteen (14) days after the receipt of a notice of resignation from an Auditor, or, where an Auditor of an Auditee firm is removed, the Auditee firm shall lodge a notice of the resignation or removal in a prescribed form with the SEC.
- (5) Where the Auditor becomes disqualified under the Companies Act, 2019 (Act 992), or any other subsequent replacement legislation, the Auditor shall notify the Auditee firm and the SEC within seven days of the disqualification.

#### **8.0. Auditor to report to the Commission in certain matters**

- (1) Where an Auditor, in the performance of its functions becomes aware of a matter, such as fraud, financing of terrorism and other illegal operations as well as money laundering, which may negatively affect investor or shareholder interests, the Auditor shall within seven (7) days after becoming aware of that matter, lodge with the SEC a written report on the matter and send a copy of the report to the Auditee firm.
- (2) The matters referred to in subsection (1) above shall be in addition to any other prescribed matters specified in the Securities Industry Act, 2016 (Act 929).

#### **9.0. Duties of auditors**

- (1) Duties and powers of the Auditor shall be as provided for under the Companies Act, 2019 (Act 992).
- (2) The SEC may require additional duties of the Auditor as may be necessary for the protection of the interests of shareholders and other investors.

#### **10.0. Auditor's report**

The Auditor's report shall conform to the provisions of the Companies Act, 2019 (Act 992), Auditing Standards adopted by the Institute of Chartered Accountants (Ghana) and any additional requirements of the SEC necessary to protect the interests of shareholders and other investors.

#### **11.0. Suspension or Cancellation of registration**

- (1) The SEC may suspend or cancel the registration of the Auditor where:
  - a) a levy of execution in respect of that auditor has not been satisfied;
  - b) the Auditor ceases to hold a licence to practice;
  - c) the Auditor is adjudged bankrupt in any jurisdiction;
  - d) the SEC has reason to believe that the Auditor has not performed his functions efficiently, honestly or fairly;
  - e) the Auditor is convicted of an offence involving fraud or dishonesty;

- (3) The SEC shall not suspend or cancel the registration of an Auditor without first providing the Auditor an opportunity of being heard..

## **12.0. Sanctions for Non-Compliance**

Where there is a breach of any provision stipulated in these guidelines by the Auditor:

- a) The SEC may take any action(s) specified under section 209 or any other relevant provision applicable under the Securities Industry Act 2016 (Act 929).
- b) The SEC reserves the right to cancel the registration of the Auditor from its register.

## **13.0. Registration fees**

- (1) The SEC shall from time to time determine an annual fee that shall be paid during registration.

## **14.0. Revocation, Variation and Revision**

The SEC may revise, amend, vary or revoke these guidelines.

## **15.0 Interpretation**

- (a) Where any doubt arises about the meaning of any provision contained in these Guidelines, the same shall be referred to the SEC and the interpretation provided by the SEC shall be final.

- (a) Auditee firm in these Guidelines refer to a Public Company or an SEC Licencee.

These Guidelines shall be effective 6<sup>th</sup> January, 2020