

About

To foster trust and promote public confidence in the accounting profession, and increase the credibility of financial reports, improve governance standards, and oversee the quality of audit and assurance engagements.

**THE GAMBIA FINANCIAL REPORTING OVERSIGHT BOARD
(FROB)**

AUDIT RULES (Vol 1) 2024

Pursuant to Section 76(1) and Section 49 of the Financial Reporting (FR) Act, 2013, the Financial Reporting Oversight Board hereby presents the following rules:

And in exercise of the powers conferred by Section 76(3) of the FR Act, 2013, **I Seedy K.M Keita Minister of Finance and Economic Affairs** of the Gambia hereby approve the following Rules on the advice of the Financial Reporting Oversight Board.

[Commencement/Effective Date: _____]

1.0 APPLICATION/SCOPE

From the effective date, these rules shall apply to:

- a) All External Auditors of Public Interest Entities (PIE).

These Rules should be read in conjunction with other available Rules, Regulations and the Financial Reporting Act of the Gambia.

2.0 CITATION

These rules may be cited as Audit Rules (Vol 1).

Made at Banjul on this _____ day of _____ 2024.

Seedy K.M Keita
Honorable Minister of Finance & Economic Affairs

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Rule 1:1 Registration.

From the commencement of these rules, every Auditor, Audit firm, Audit Committee Members and Other Assurance Services Providers, of Public Interest Entities shall register with the Board.

Rule 1:1.1 Public Register

The Board shall maintain a public register with the following information-

- a) name, address and FROB registration number of individual Auditors including email and web address where applicable;
- b) name, address and FROB registration number of Audit firm including web address where applicable;

Rule 1:1.2 PIE Audit Firms

FROB Registration Fees for PIE Audit Firms

Bands	Thresholds - Turnover	No Audit Staff	Registration Fees
Big-Tier Firms	Above D10,000,000	22 & above	Tier 1 fees
Middle Tier Firms	D5,000,000 - D10,000,000	10 to 21	Tier 2 fees
Small-Tier Firms	Below D5,000,000	Less than 10	Tier 3 fees

For an audit firm to be ranked as a top tier firm, both ranking metrics needs to be satisfied. If only one of the two is met, then the firm would be ranked as a middle tier firm. The same principle applies to middle tier firm(s) ranking, both conditions would need to be met. If only one is met, the firm would be ranked as a small tier firm for FROB registration and consideration in the bidding of audit work for Public Interest Entities.

For any exceptional circumstances under the audit firm tiering system, A PIE auditor may apply to the FROB for a ranking waiver where a potential PIE client has a higher ranking, matters the FROB may consider includes but is not limited to:

- International affiliation of the firm
- Good track record of Quality Assurance Reviews
- Number of audit partners
- Industry specialisation of the firm e.t.c.

The registration fees for PIE auditors shall be set and published by the FROB.

Rule 1:1.3 Selection of External Auditors

In the selection of Audit firms for statutory audits of designated large Public Interest Entities, the reporting entity shall not engage the services of a small-tier firm and middle-tier firms. Except in the case of joint audits of local firms, and where the FROB has granted waivers in writing following a successful PIE auditor application.

Large PIEs and other PIE categories shall be as defined by the FROB.

Rule 1:2 Requirements for Registration.

For the purpose of these Rules, any individual, group, firm or institution that wishes to carry out any audit and other assurance services in The Gambia shall comply with the requirements and guidelines as approved by the Board.

- (1) An Audit firm shall provide the following-
 - a) name and address of the Audit firms;
 - b) certificate of registration with the Registrar of Companies
 - c) a valid practice license issued by GICA;
 - d) address of its branch offices, if any;
 - e) name and evidence of FROB registration of each partner involved in the auditing of PIE
 - f) name and evidence of FROB registration of each audit team member involved in the auditing of PIE.
 - g) For section (1) e & f immediately above the applicant shall pay a registration fee of D500.00 (five hundred Dalasis) per person.
 - h) any other relevant information that may be required from time to time by the Board.
 - i) International firms shall make a separate applications to the FROB before undertaking any audit and assurance services of public interest entities.

Rule 2:1 Deregistration

The Board shall deregister an Auditor, and Audit firm, where the:

- a) individual or firm fails to comply with these Rules;
- b) Board accepts an application from the individual/firm to cancel the registration;
- c) license is withdrawn by GICA;
- d) it is considered by the Board that the continued registration of the individual/firm may adversely affect the public interest;
- e) individual/firm fails to act on notices, rules, guidelines and regulations issued by the Board; or
- f) where the sole owner or firm ceases to exist.

In this Rules the sole owner or firm ceases to exist –

- a) when the firm goes into liquidation/wind-up;
- b) when the firm ceases to carry on its business;
- c) in the event of death of sole owner or incapacity to carry on business; or
- d) on the happening of cessation event or event likely to impact the conduct of the firm's business such as but not limited to bankruptcy, fraud, and government prohibition.
- e)

Rule 3:1 Term Limits and Rotation of Audit Partners & Audit Firms

In safeguarding the integrity of the external audit process and in ensuring independence of the External Auditors, entities shall rotate both the Audit Firms and Engagement Partners.

- a) Audit firms shall be retained for no longer than ten years continuously.
- b) Audit firms shall disengage after continuous service to a PIE for five (5) years while a joint Audit arrangement shall be for a maximum period of 5 years. A five (5) year cooling-off period shall elapse before an Audit firm or any member in its network can be re-appointed as the statutory Auditor.
- c) Where an Auditor's tenure has already exceeded ten years at the date of commencement of these Rules, such Auditor shall cease to hold office as an Auditor of the company at the end of the financial year that these Rules comes into force.
- d) Audit firms shall rotate the Engagement Partners assigned to undertake the External Audit of the PIE after a maximum of five years.

Rule 4:1 Restrictions and Prohibitions on Non- Audit Services

- (1) An external Auditor may provide to the client such other services as approved by the Board of Directors on the recommendation of Audit Committee subject to the provisions of International Ethical Standards Board for Accountants (IESBA)'s Code of Ethics for Professional Accountants including International Independence Standards as Amended /reviewed-
 - (a) any other kind of services as may be prescribed by relevant regulators;
 - (b) a limit on permissible Non-Audit Services of not more than 70% of the annual audit fees paid for the statutory audits of the audited entity and, where applicable, of its parent undertaking and controlled undertakings; and
 - (c) the consolidated financial statements of that group of undertakings with the proviso that the –
 - i. limit applies on the preceding year audit fee,
 - ii. limit applies to statutory auditor of Public Interest Entities (PIEs),
 - iii. fees generated by the services provided by members of network firms is not relevant for the purposes of the calculation of the limit, and
 - iv. services commissioned by governments and their agencies are exempted from the calculation of the limit.
- (2) An Auditor or Audit firm that has been performing any non-audit services on or before the commencement of these Rules shall comply with the provisions of these Rules before the end of the first financial year after the date of commencement of these Rules.

Rule 5:1 Responsibilities of Auditors

- (1) The responsibilities of the Auditors/firms include but not limited to the following-

- a) provision of audit services in accordance with auditing & accounting standards and relevant local legislation.
- b) demonstration of a good understanding of the client's business, industry and also the impact of the economic environment on the entity;
- c) carrying out a comprehensive and sound risk assessment;
- d) providing an independent opinion on the true and fairness of the financial statements of the PIE;
- e) the Engagement Partner and Audit team shall be satisfied with the quality of other Engagement Teams that perform other portions of the Audit in various domestic and foreign locations; also
- f) the Engagement Partner and Engagement Team are independent of the client, as such, shall approach their work with due care and high level of objectivity supported by the use of professional skepticism.
- g) Pre-conditions of Audit are met before acceptance of audit engagement.

(2) Where the Board or any other Regulator is satisfied that an external Auditor of an entity has abused his office, acted in a fraudulent manner or colluded in any fraud in the entity, it may –

- a) by regulatory order, direct the company to approach its shareholders to consider and resolve whether on the basis of any facts revealed, the entity at the general meeting shall change its Auditors; and
- b) the proceeding for the change of Auditor shall be without prejudice to any sanctions that the regulator might impose on such erring Auditor.

(3) Where the External Auditor observes or receives information on irregularities during an Audit, he must report same to the Board within 30days.

Rule 6:1 Organisation of Audit Work & Reporting

Rule 6:1.1 Audit Partner & Team Resource

The Firm shall ensure that when statutory Audit is carried out by an Audit firm, the Audit firm shall-

- a) designate at least one key Audit Partner;
- b) provide the key Audit Partner(s) with sufficient resources and personnel that have the necessary competence and capabilities to carry out the duties appropriately;
- c) ensure that audit quality, independence and competence shall be the main criteria when the Audit firm selects the key Audit Partner(s) to be designated; and
- d) ensure that the key Audit Partner(s) is actively involved in carrying out the statutory Audit.

Rule 6:1.2 Records

The Audit Firm shall- keep records of clients and assignments in confidence as required by the companies act 2013 and other relevant laws and regulations. These records shall include but not limited to:

- a) the name, the registered address and the place of business of each client;
- b) , the names of the engagement Partners; and
- c) the fees charged for the statutory audit and other services in any financial year.

Rule 6:1.3 Maintain an Audit File

The Auditor shall-

- a) create an Audit file for each statutory Audit;
- b) keep records that are considered appropriate to support their Audit report in accordance with ISA;
- c) close Audit file not later than 60 days after the date of signing of the Audit report; and
- d) keep records of any complaint made in writing about the performance of the statutory Audits carried out.

Rule 6:2 Audit Reporting

(1). The Auditors shall present the results of statutory Audit in an Audit report in accordance with the requirements of International Standards on Auditing issued by the Standards Committee.

(2). The Audit Report shall –

- a) be in writing;
- b) identify the entity whose financial statements are the subject of statutory Audit;
- c) specify the financial statements, date, period covered and identify the financial reporting framework that has been applied in their preparation;
- d) include a description of the scope of statutory Audit which shall, as a minimum, identify the auditing standards in accordance with which the statutory Audit was conducted; and
- e) include an Audit opinion, which shall be unmodified opinion when the Auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. It shall:
 - I. state whether the annual financial statements give a true and fair view in accordance with the relevant financial reporting framework,
 - II. refer to any other matters to which the Auditors draw attention by emphasis without modifying the Audit opinion,
 - III. include an opinion and report, both of which shall be based on the work undertaken in the course of the Audit,
 - IV. provide a statement on any material uncertainty relating to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern, and
 - V. where applicable, include in a separate paragraph in the Auditor's report, those matters determined to be key Audit matters that are communicated or were required to be communicated to those charged with governance.

- f) If the Auditor:
 - I. concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
 - II. is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are not free from material misstatement, the Auditor shall modify the opinion in the auditor's report in accordance with ISA 705 (Revised).

(3). Where the statutory Audit was carried out by more than one Audit firm, the Auditors shall

- a) agree on the results of the statutory Audit, submit a joint report and opinion; and
- b) where there is a disagreement, each Auditor shall submit his opinion in a separate paragraph of the Audit report and state reasons for the disagreement.

(4). The Audit report shall be signed and dated by the Engagement Partner with the FROB Registration number affixed;

- a) where an Audit firm carries out the statutory Audit, the Audit report shall bear the signature of at least one of the Engagement Partners that carried out the statutory Audit on behalf of the Audit firm;
- b) where there is a joint audit, the audit report shall be signed by all the Engagement Partners;
- c) The Auditor shall present their report to those charged with governance and ensure compliance with ISA 260 (revised).

(5). Notwithstanding the provisions of sub-regulation

(4) (a) – (d) of this Regulation, the names of the persons involved shall be known to the Board.

(6). The report of the Auditor on the financial statements shall comply with the requirements set out in sub-regulation (1) – (5) of this Regulation.

(7). No Auditor shall affix FROB Registration number to any audited report if, as at the date of signing the report, the Auditor is indebted in any form to the Board, failure of which shall attract appropriate sanctions.

Rule 6:3 Statutory Audit of Consolidated Financial Statements

(1). The FROB shall ensure that in the case of a statutory Audit of consolidated financial statements of a group of undertakings, the –

- a) group Auditor bears the full responsibility for the Audit report; and
- b) documentation retained by the group Auditor shall be such as to enable the FROB to review the Auditor's work.

(2). Where the group Auditor is subject to a quality assurance review or an investigation concerning the statutory Audit of the consolidated financial statements of a group of

undertakings, the group Auditor shall, when requested, make available to the FROB relevant documentation retained concerning the Audit work performed by the Auditors for the purpose of the group Audit, including any working papers relevant to the group Audit.

(3). The FROB may request additional documentation on the Audit work performed by any Auditor for the purpose of the group Audit.

Rule 7:1 Audit Documentation and Retention

(1). Audit Firm/Auditor shall retain records relevant to the audit or review. Such records include-

- a) working papers and other documents that form basis of the audit; or
- b) review of an entity's financial statements, memoranda, correspondence, communications; and
- c) other documents, and records, including electronic records. 12

(2) Notwithstanding the provisions of sub-regulation (1) of this Regulation, two criteria must be met, which are-

- a) records created, sent or received in connection with the audit or review shall contain conclusions, opinions, analyses, or financial data related to the audit or review; and
- b) Auditor shall ensure that all working papers and relevant materials that support the Auditor's conclusions in any audit report are retained for a minimum period of six years.

(3) Audit Firm/Auditor shall document evidence of review of non-compliance of PIEs with the provisions of the FR Act 2013 in line with its duties as delineated in section 345 of the Companies Act 2013.

Rule 8:1 Monitoring & Sanctions of Auditors

Rule 8:1.1 Monitoring

(1). The Board may, for any purpose related to inspecting, monitoring or investigating statutory Audit work request for information on the financial statements or the consolidated financial statements of any public interest entity.

(2). The persons to whom notice may be given under this sub-regulation (1) of this Regulation are-

- a) any person involved in the activities of a statutory audit directly or outsourced,
- b) any public interest entity (PIEs), and
- c) any subsidiary or parent of a public interest entity or any other subsidiary of a company of which a public interest entity is a subsidiary,

(3). A notice under sub-regulation (1) of this Regulation shall be in writing and specify the purposes for which the information is required.

(4). A notice under sub-regulation (1) of this Regulation may-

- a) specify the time and manner within which the person to whom it is given shall comply with it,
- b) require the creation of documents, or documents of description, specified in the notice, and
- c) require the provision of those documents to the Board.

(5). A person commits an offence where the person-

- a) intentionally obstructs the Board or an officer of the Board in exercising or seeking to exercise a power under and in accordance with these Regulations;
- b) intentionally fails to comply with a requirement imposed by the Board or an officer of the Board under this Regulation;
- c) without reasonable excuse, fails to give the Board or an officer of the Board any other assistance or information which the Board or officer may reasonably require for a purpose for which the Board or officer may exercise a power under this Regulation;
- d) where in giving information of a kind mentioned in sub- regulation (c) of this Regulation, the person-
 - I. makes a statement which the person knows is false or misleading in a material respect, or
 - II. recklessly makes a statement which is false or misleading in a material respect.

(6). A person who is guilty of an offence under sub-regulation (5)(a)- (d) of this Regulation is liable to a penalty and/or prosecution.

(7). The Board shall adopt the Code of Ethics for Professional Accountants including International Independence Standards as issued by the International Ethics Standard Board for Accountants (IESBA).

Rule 9:1 Quality Assurance

9:1.1 Adoption of Quality Assurance Standards

Quality assurance review of Auditors shall be in line with International Standards on Quality Management (ISQM) as may be revised from time to time and issued by the Standards Committee of the Gambia.

9:1.2 Provisional Measures

In the event of:

- (a) an early adoption of International Standards of Quality Management by an assurance provider or firm and this has been made public and in their public documents, proposals and/or in the annual reports of public interest entities, the Board may uphold such standards as part of its quality assurance reviews and may impose sanctions to the firm and partner(s) in the event of damage, violations and serious ethical infringements are found.
- (b) FROB registration under section 58, 60, 61 and any subsidiary legislation of the FR Act 2013 as part of the application of the assurance providers submission to the Board relevant to quality management the board may uphold such standards as part of its quality assurance reviews and may impose sanctions to the firm and partners In the of event damage, violations and serious ethical infringements are found.
- (c) an early adoption of International Standards on Auditing by an assurance provider or firm and this has been made public in their public documents, proposals and/or in the annual reports of public interest entities the Board may uphold such standards as part of its quality assurance reviews and may impose sanctions to the firm and partners In the event of damage, violations and serious ethical infringements are found.

9:1.3 System of Quality Management

- (a) internal quality control mechanisms shall be designed to secure compliance with decisions and procedures at all levels of the Audit firm or of the working structure of the Auditor;
- (b) in the case of an Audit firm, responsibility for the internal quality control system shall lie with a person who is qualified as an Auditor;
- (c) Auditor shall monitor and evaluate the adequacy and effectiveness of their systems, internal quality control mechanisms and arrangements established in accordance with this Rules and take appropriate measures to address any deficiencies;
- (d) Auditor shall use appropriate systems, resources and procedures to ensure continuity and regularity in the carrying out of their statutory audit activities;
- (e) Auditor shall in particular carry out an annual evaluation of its internal system of quality management in line with rule 9:1.1 or 9:1.2 in the case of early adoption.
- (f) Auditor shall keep records of findings of the evaluation and any proposed measure to modify the internal quality control system, and the policies and procedures shall be documented and communicated to the employees of the auditor;
- (g) the Auditor shall be able to demonstrate to the Board that the policies and procedures designed to achieve such compliance are appropriate, given the scale and complexity of activities of the Auditor.