

Rwanda

Regulation on Accreditation and Other Requirements for External Auditors of Banks, Insurers and Insurance Brokers

Regulation 4 of 2009

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Regulation on Accreditation and Other Requirements for External Auditors of Banks, Insurers and Insurance Brokers

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Pursuant to Law n° 55/2007 of 30/11/2007 governing the Central Bank of Rwanda especially in its articles 6, 53, 56, 57 and 58;

Pursuant to Law n° 007/2008 of 08/04/2008 concerning the organization of banking especially in its articles 53, 54, 55, 56 and 57;

Pursuant to Law governing the organization of insurance business especially in its articles 24, 26, 27, 28, 29, 30, 31, 32, 33 and 39;

The National Bank of Rwanda hereafter referred to as “Central Bank”, decrees:

Chapter One Appointment and accreditation of external auditors

Article 1 – Obligation to appoint external auditors

Banks, licensed insurers and insurance brokers are required to appoint an external auditor accredited by the Central Bank as indicated on the list of external auditors published by the Central Bank.

In case the bank, insurer or insurance broker fails to appoint an external auditor, the Central Bank shall appoint him/her at the expense of the institution.

Banks and insurers shall appoint external auditors registered only as auditing firms or companies. However, brokers may appoint either an auditing firm or an individual external auditor.

The external auditor's term office shall be three (3) years. No external auditor may perform two consecutive mandates with the same bank, insurer or broker.

The accreditation of an external auditor by a Central Bank shall be valid only for three (3) years unless renewed before expiry date.

Article 2 – Accreditation process, procedures and fees

In order to be registered on the Central Bank's list of accredited external auditors, the applicant shall submit a duly filled application form as set out in Appendix 1 for auditing firms and Appendix 2 for individual auditors. The application shall be accompanied by proof of payment of a fee equivalent to five hundred thousand Rwandan francs (Rwf 500,000) for auditing firms and one hundred thousand Rwandan francs (Rwf 100,000) for individual external auditors.

The application shall include documents/information specified hereafter:

- a) Copy of Certificate of Practice issued by the Institute of Certified Public Accountants of Rwanda (ICPAR);

- b) Names, qualifications, experience and a detailed CVs of the external auditor or each of his partners in case of an auditing firm, and the number of professional staff;
- c) Physical and postal address of the local office and its branches in Rwanda together with its organizational structure. In case of an international auditing firm, full details of its head office, as well as the name, qualifications and experience of the audit partner in charge of the audit of the bank or insurer;
- d) The name, qualifications and experience of the manager who will directly be engaged in the audit of the bank or insurer;
- e) Details of his experience in auditing other financial institutions including a list of major audit assignments over the past three (3) years;
- f) Details of any existing business relationships between the external auditor or its partners and the bank or insurer;
- g) Copy of the external auditor's audited financial statements for the past three (3) years;
- h) Sample of an audit engagement letter;
- i) Proof that the external auditor or the signing partner has no pending administrative or criminal case and has not been convicted of, or has not been accomplice in any offence involving corruption, fraud, tax evasion, money laundering, other economic and financial crimes, crimes against humanity, crime of genocide or terrorism;
- j) General description of the quality assurance policies and procedures adopted by the auditing firm;
- k) Undertaking that the external auditor or the signing partner shall preserve his working papers including any related documents for a period of five (5) years and shall make them available to the Central Bank when required;
- l) Any other information considered necessary in support of the application.

Article 3 – Obligation to notify the Central Bank

The external auditor shall notify the Central Bank of any changes in his qualification and organization, the termination of his appointment or his resignation, and of any disciplinary actions taken against the firm or the auditors within seven (7) days of the event.

Article 4 – Accreditation criteria

For the purpose of assessing the application, the Central Bank shall ensure that the applicant meets in particular the following criteria:

- a) The external auditor, in terms of banks, is not disqualified because of incompatibilities attached to the duties of external auditors as provided for by the law concerning the organization of banking or, in terms of insurers and insurance brokers, by being an officer of the Central Bank or the insurer or broker, by holding any interest in the insurer or broker except as a policyholder, or by performing any functions whatsoever other than that of external auditor in the insurer or broker or in any enterprise owned by it or by its qualifying shareholders, directors or managers or in its parent company;
- b) compliance by the external auditor with generally prevailing standards of their profession and with the regulations, instructions, advices and decisions of the Central Bank;
- c) The audit experience of the external auditor;
- d) The absence of misconduct in the performance of the external auditor's duties in other financial institution or general clients;
- e) Registration with ICPAR as authorized audit practitioner;
- f) Presence of at least two active partners who are registered by ICPAR;

- g) Presence of at least five staff members with education and experience in accountancy and auditing, of which two staff members must be registered with ICPAR;
- h) The external auditor is independent, in fact and appearance, of the bank or insurer or broker being audited, that is to say, the auditor is objective and impartial;
- i) The external auditor or its partners and staff are independent and seen to be independent in ownership and/or in business relationship with banks, insurers or brokers and other financial institutions regulated by Central Bank;
- j) The external auditor complies with any other applicable ethical requirements;
- k) The ability of the external auditor to demonstrate an effective quality assurance process to ensure that internal and any externally imposed standards have been complied with.

Chapter II

Duties and responsibilities of external auditors

Article 5 – Duties of external auditors

External auditors shall carry out their duties in accordance with the generally prevailing standards of their profession and with the regulations, instructions, advices and decisions of the Central Bank.

The main role of the external auditors is to express an objective opinion as to whether:

- a) The accounts dealt with in the report are in agreement with the books of account and are in conformity with applicable accounting standards;
- b) The external auditors have obtained all the necessary information and explanation for the audit of books of accounts and have applied internationally accepted auditing standards;
- c) The financial statements derived from the books of accounts give a “true and fair view” of the financial status of the institution in accordance with international financial reporting standards.

In addition to the above functions, the external auditor has the statutory duty under article 56 of the Banking Law and under article 28 of the Law governing the organization of insurance business to promptly inform the Central Bank of:

- a) Any information or occurrence relating to the affairs of the institution, that in his or her opinion, could jeopardize the interest of the institution, its depositors or policyholders or other creditors, or information that the institution is insolvent or is likely to be unable to meet its obligations;
- b) Any criminal offence that has been or is being committed by the institution or in connection with its business;
- c) Any breach or non-compliance with relevant laws or regulations including those relating to money laundering or to supporting terrorism;
- d) Any significant weaknesses in the institution’s internal control which may render it vulnerable to significant risks or any exposures that have potential to jeopardize its financial viability.

Article 6 – Responsibilities of external auditors

While exercising their duty of care, protection of public interest, depositors and policyholders, external auditors shall ensure that:

- a) There is an appropriate disclosure of accounting policies to enable full understanding of the financial status and risks facing the institution;

- b) All material factors affecting the ability of the bank, insurer or broker which continue as an ongoing concern have been evaluated;
- c) The institution's processes for identifying and managing risks (on and off-balance sheet) have been assessed;
- d) Transactions with related parties have been adequately disclosed.

Article 7 – Audit opinion

External auditor shall not be exonerated by disclaimer clauses in the statements they endorse if those statements contain material errors and gross misrepresentation.

External auditor shall apply audit approaches, techniques and procedures designed to obtain reasonable assurance that material misstatements arising from fraud and errors are detected. When the auditor determines that such material misstatements exist, they are required to disclose this information to the Central Bank.

When the auditor discovers material misstatements related to the financial statements, including the use of an inappropriate accounting policy or asset valuation or failure to disclose essential information, the auditor must request management to adjust the financial statements in order to correct the misstatement.

If management refuses to make the correction, auditor should inform the Central Bank and must issue the qualified or an adverse opinion on the financial statements.

External auditor shall issue a qualified opinion or a disclaimer of opinion if management failed to provide the auditor with all information or explanations that the auditor requires.

Chapter III Reporting requirements

Article 8 – Annual audited accounts

The external auditor shall, at least three (3) weeks prior to the meeting of the institution's Board of Directors to discuss the annual audited accounts, submit to the Central Bank a copy of the audit report which shall include:

- a) A statement of financial status as of balance sheet date;
- b) A Statement of financial performance for the financial year;
- c) A statement of cash flow relating to the financial year;
- d) Accompanying notes and disclosures of the financial statements;
- e) An opinion on the financial statements;
- f) A copy of the external auditor's letter to management on their audit findings and concerns; and
- g) Any other comments on the institution's risk profile and control environment.

Article 9 – Additional report to Central Bank

In addition to the assignments enumerated in article 5, the external auditor is required to report promptly to the Central Bank any of the information concerning the following matters:

- a) Indication that may affect the institution's ability to continue as an ongoing concern;
- b) Matters of serious conflict within the decision-making bodies;
- c) Intention of the auditor to resign or any threat of removal of the auditor from office;
- d) Material adverse changes in current or potential risks of in the institution's business;

- e) Serious irregularities or significant losses which may jeopardize the interests of depositors, policyholders or other creditors of the institution;
- f) Information that indicate a material breach of the institution's own policies, articles of association and memorandum of association.

Article 10 – Actuarial valuation for long-term insurers

The external auditor of a long term insurer may accept, for the purposes of the audit and supervision, a valuation conducted by the actuary appointed by the insurer relating to the insurer's liabilities resulting from insurance policies as at the end of a financial year and to any change during the financial year in the liabilities resulting from insurance policies of the insurer in relation to a particular fund.

Article 11 – Submission of group accounts

Where an institution is a member of a group of companies, the Central Bank may require the submission of group accounts and to have such accounts audited by the external auditors or by another auditor approved by the Central Bank.

Chapter IV

Disqualification of external auditors and corrective measures

Article 12 – Disciplinary sanctions

Without prejudice to any other disciplinary sanctions or penal proceedings, the Central Bank may apply sanctions to an external auditor who fails to comply with the Banking Law, Insurance Law and this regulation, as follows:

- a) Warning;
- b) Prohibition from carrying on audit operations of the institution;
- c) Withdrawal from the list of external auditors accredited by the Central Bank for a period of three (3) years;
- d) Permanent stacking off the list of external auditors accredited by the Central Bank.

Article 13 – Cancellation of external auditors' appointment

When the Central Bank determines that the external auditor failed to meet his/her obligations in accordance with the relevant laws and regulations, or no longer fulfills the requirements to operate as an external auditor, it shall inform the institution in writing of its decision to cancel the auditor's appointment and the institution shall appoint a new auditor.

The Central Bank shall give a notice to the external auditor revoking his/her appointment

Article 14 – Repealing provision

Any prior provision contrary to this regulation is hereby abrogated.

Article 15 – Commencement

This regulation shall come into force on the date of its publication in the Official *Gazette* of the Republic of Rwanda.

Appendix 1 and 2

Forms

[Editorial note: The forms have not been reproduced.]