

Directive 13

1 Nov 1985

Directives to Merchant Banks

## **Auditing**

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13(1) Notwithstanding the provisions of the Companies Act, every merchant bank shall appoint annually an auditor approved by the Authority.

(1)(A) An auditor shall not be approved by the Authority as an auditor for merchant banks unless he is able to comply with such conditions in relation to the discharge of his duties as may be determined by the Authority.

(2) The Authority may appoint an auditor -

- a) if the merchant bank fails to appoint an auditor; or
- b) if it considers it is desirable that another auditor should act with the auditor appointed under Directive 13(1);

and may at any time, fix the remuneration to be paid by the merchant bank to that auditor.

(3) The duties of an auditor appointed under Directive 13(1) and (2) shall be -

- a) to carry out, for the year in respect of which he is appointed, an audit of the accounts of the merchant bank; and
- b) to make a report in accordance with Section 207 of the Companies Act upon the annual balance sheet(s) and profit and loss account(s).

(3)(A) The Authority may impose all or any of the following duties on an auditor in addition to those provided under Directive 13(3):-

- a) a duty to submit such additional information in relation to his audit as the Authority considers necessary;
- b) a duty to enlarge or extend the scope of his audit of the business and affairs of the merchant bank;
- c) a duty to carry out any other examination or establish any procedure in any particular case; and

d) a duty to submit a report on any of the matters referred to in Directive 13(3)(A)(b) and (c),

and the merchant bank shall remunerate the auditor in respect of the discharge by him of all or any of these additional duties.

(4) The auditor's report made under Directive 13(3) shall be attached to the balance sheet and the profit and loss account and a copy thereof together with any report submitted under Directive 13(3)(A) shall be transmitted in writing to the Authority.

(5) If an auditor, in the course of the performance of his duties as an auditor of a merchant bank, is satisfied that --

- a) there has been a serious breach or non-observance of the directives or that otherwise a criminal offence involving fraud or dishonesty has been committed;
- b) losses have been incurred which reduce the capital funds of the merchant bank by fifty per cent;
- c) serious irregularities have occurred, including irregularities that jeopardise the security of the creditors; or
- d) he is unable to confirm that the claims of creditors are still covered by the assets,

he shall immediately report the matter to the Authority.

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