

Frequently asked questions regarding financial reporting and audit

Concerning the proposed Law changes, new and varied Order and the new Code Requirements that are effective from 1 August 2023

Order: Banking Business (Accounts, Auditors and Reports) (Jersey) Order 202-.

Code documents:

- › Appointment of Auditor Code
- › Financial Statements Code
- › Prudential Reporting Code
- › Declaration of Compliance Code

Issued: November 2022

1 General

1.1 Why has the implementation been delayed to 1 August 2023?

The intention was to have the new requirements be effective for reports relating to year-ends in 2023.

However, implementation in January 2023 has the potential to be confusing as reports relating to year-ends in 2022 will due to be filed in 2023. It was decided to delay the appointed day for the law change to 1 August 2023 to avoid this. This date is late enough to ensure that all 2022 reports are due prior to the new requirements becoming effective.

It is intended to make the Order effective shortly after 1 August 2023.

2 Appointment of Auditors Code

2.1 What happens where appointments are carried out at the OIB level (located outside Jersey). Is a separate ratification required locally, by the Jersey Branch?

The Jersey Branch forms part of the OIB. The OIB should make the appointment following its processes for doing this. This may include processes taking place in the Jersey Branch but, for the avoidance of doubt, this is not required and there is no requirement for the Jersey Branch to ratify the appointment.

2.2 Must the appointment notification come from the OIB, or can this be done by the Jersey Branch on behalf of the OIB and the Branch?

The Jersey Branch forms part of the OIB and hence the OIB or the Jersey Branch can make the notification.

2.3 Given the amount of effort required to review all auditor appointment proposals, has the JFSC considered the option of having a list of auditors, who have met certain minimum criteria?

We do not intend to change our approach to this.

2.4 For the avoidance of doubt, does this requirement only apply to future appointments or would retrospective notification be required for existing audit appointments?

Article 20 of the Order addresses this, stating that auditors currently engaged at the point the Order comes into effect are deemed to have been appointed under it.

2.5 Will registered persons receive a formal “no objection” when the JFSC is notified of the appointment of a JIB Auditor or a Branch Auditor and has determined that the criteria are met?

No, the Order does not require the JFSC to provide “no objection” to such appointments. The notification is sufficient to update our records and the JFSC will duly acknowledge the notification.

2.6 The Order requires an OIB to notify the JFSC upon termination of its own auditor or the Branch auditor. The relevant auditor is also required to make a statement to the JFSC regarding the termination and any matters to note. Is the expectation that the

OIB and the Auditor, irrespective of their location, would have to advise the JFSC directly? Can this be done by the Jersey Branch?

The notification may be made via the Jersey Branch in both respects.

2.7 Does it apply to the reappointment of OIB Auditors, JIB Auditors and Branch Auditors, including initially in 2023.

No, as we have already been notified which auditors act in those capacities for every bank, in connection with existing requirements.

2.8 Within Section 3, the Code refers to the appointment and oversight of a Branch Auditor as the responsibility of either the audit committee or the OIB's Board. We interpret this as the audit committee and the Board of the OIB (the legal person) rather than the Jersey branch. Can you confirm if this interpretation is correct?

Yes.

3 Financial Statements Code

3.1 We have been granted variances to provide unaudited parent accounts, use other accounting principles or with respect to consolidation. Will these continue?

Where such a variance has been agreed re the current Code requirements, the Order says that this will continue provided that the JFSC are notified within three months of the Order coming into force, see Article 20.

The Order also provides for variations to be granted should such variations be identified as appropriate in future, see Article 17.

4 Prudential Reporting Code

4.1 In situations where Auditors are appointed at the Group level, with a specified scope agreed for the Branches, is the expectation that this scope will now be expanded to include the audit of the year-end Prudential Return, addressing the specific matters listed in Section 3, bearing in mind the implications in terms of time, cost and additional effort required?

Yes, there is a requirement to engage a Branch Auditor to produce a report, as was proposed in CP 13 2020. Where this is the same auditor as the auditor of its financial statements (the OIB Auditor), this could be achieved by adding this to the scope or it could be achieved in any case through a separate engagement for this purpose.

4.2 What is the deadline for submission?

The report must be submitted alongside the bank's (1) audited financial statements and (2) report on its declaration of compliance. The deadline for this is 3 months after the financial year-end for JIBs and 4 months for OIBs (see Articles 13 and 14 of the Order).

5 Declaration of Compliance Code

5.1 In situations where Auditors are appointed at the Group level, with a specified scope agreed for the Branches, is the expectation that this scope will now be expanded to include the audit of the declaration of compliance, bearing in mind the implications in terms of time, cost and additional effort required?

Yes, there is a requirement to engage a Branch Auditor to produce a report, as was proposed in CP 13 2020. Where this is the same auditor as the auditor of its financial statements (the OIB Auditor), this could be achieved by adding this to the scope or it could be achieved in any case through a separate engagement for this purpose.

5.2 Can a single declaration of compliance report be produced that addresses this Order and Orders issued under the Financial Services (Jersey) Law?

There is no reason why reports cannot be consolidated into a single document provided it addresses all relevant requirements.

5.3 What is the deadline for submission?

The report must be submitted alongside the bank's (1) audited financial statements and (2) the report on its year-end prudential return. The deadline for this is 3 months after the financial year-end for JIBs and 4 months for OIBs (see Articles 13 and 14 of the Order).