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Organization of Eastern Caribbean States Report on the Observance of Standards and Codes

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MAIN ABBREVIATIONS AND ACRONYMS

A&A	Accounting and Auditing
ACCA	Association of Chartered Certified Accountants (UK)
CGA	Chartered General Accountants (Canada)
CPA	Certified Public Accountant
CPD	Continuing Professional Development
ECCB	Eastern Caribbean Central Bank
ECSE	Eastern Caribbean Stock Exchange
ECSRC	Eastern Caribbean Securities Regulatory Commission
GDP	Gross Domestic Product
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IAIS	International Association of Insurance Supervisors
IAPS	International Auditing Practice Statement
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASCF	International Accounting Standards Committee Foundation
ICAC	Institute of Chartered Accountants of the Caribbean
ICAEC	Institute of Chartered Accountants of the Eastern Caribbean
IES	International Education Standard for Professional Accountants
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ISA	International Standards on Auditing
MSC	Multidisciplinary Steering Committee
NBFI	Non-banking Financial Institution
OECS	Organization of Eastern Caribbean States
ROSC	Reports on the Observance and Standards of Codes
SAI	Supreme Audit Institution
SMO	IFAC's Statement of Membership Obligations
SRU	Single Regulatory Unit

This report was prepared on the basis of the findings from a diagnostic review carried out by a team from the World Bank (LCSFM) from November 2007 to April 2008 in the OECS. The team included Svetlana Klimenko, Henri Fortin and Kit Cutler. Jamil Sopher provided assistance with quality review. The review was conducted through a participatory process involving various stakeholders and led by the country authorities.

Organization of Eastern Caribbean States (OECS¹)

REPORT ON THE OBSERVANCE OF STANDARD AND CODES (ROSC)

ACCOUNTING AND AUDITING

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EXECUTIVE SUMMARY

This report provides an assessment of accounting, financial reporting and auditing requirements and practices within the enterprise and financial sectors in the OECS. The report uses International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) as benchmarks and draws on international experience and good practices in the field of accounting and audit regulation.

High-quality financial information supports relevant strategic objectives for the OECS, including (1) an investor-friendly business climate, (2) sub-regional and regional harmonization, (3) better management and increased transparency of public-interest enterprises and (4) improved SME access to credit as an outgrowth of a shift toward lending based on the borrower's financial performance and cash flow.

Small size, constrained human capacity and vulnerability to external shocks define everyday reality in the OECS countries and significantly affect their development strategies

Due to their small size (total population about 560,000) and their tropical island geography, OECS countries face special development challenges, including limited human and institutional capacity, high per capita costs of basic social and infrastructure services, and vulnerability to natural disasters and other external shocks. High levels of indebtedness and fiscal imbalance are additional factors affecting growth and crowding out private investment. These constraints significantly affect the strategic planning and decision-making processes in both the public and private sectors and make capacity issues more significant than in larger countries.

Sub-regional integration and private sector development – Two major drivers of competitiveness and sustainable growth

One of the growing challenges of the OECS countries is to adapt to an increasingly competitive and liberalized world economy. To meet this challenge, governments have pursued a sub-regional integration strategy, to pool scarce resources and take advantage of economies of scale. Since 2000, OECS countries have been working together toward the establishment of an OECS Economic Union. They already share a number of public sector agencies, including a Supreme Court, a Central Bank and a Securities Commission, in addition to a stock exchange. In addition, they are in the process of establishing a number of sub-regional professional bodies. Predictably, the changing political-economic landscape requires significant changes in the underlying legal, statutory and institutional frameworks and puts increased strain on available human resources.

Small and medium enterprises (SMEs) make up most of the private sector in the OECS. As their businesses grow, so too does their demand for financing and credit. Improved access to finance requires reliable, high-quality financial information; the lack of such information, its poor quality and lack of reliability ultimately diminish the pace and extent of OECS economic growth. The OECS's accounting and auditing practices need to be strengthened and modernized to serve adequately the emerging needs of the market and support sustainable economic development.

¹ The OECS includes Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines, all members of the World Bank Group. There is a seventh, full member (Montserrat) and two associate members (Anguilla and the British Virgin Islands); these are overseas territories of the United Kingdom.

The challenges posed to the accounting and auditing profession in the OECS are similar to those facing the rest of the economy

Limited human resources, challenges in attaining internationally recognized qualifications, and an on-going brain drain are three main factors affecting the growth and development of the profession. In the absence of national accounting and auditing standards, IFRS and IAS are often used as a benchmark for preparation of financial reports. As such, knowledge and understanding of these standards remain a prized possession. While a number of local professionals are members of internationally recognized accounting bodies (ACCA, CGA, CICA and CPA (US) being the most common qualifications), there are many others, who still lack the ability to do so.

There is no single legislative Act regulating the accounting and auditing profession among the OECS countries. Instead, a number of different Acts (e.g., Companies Act, Securities Act and Banking Act) include sections that deal with the matters of accounting, financial reporting and auditing. Implementation and enforcement of these requirements is a responsibility of the respective regulators. While professional capacity of these regulators varies, the involved personnel appear to be uniformly sensitive with regards to the importance of their mission.

As part of a broader professional institutionalization effort, an Institute of Chartered Accountants of the Eastern Caribbean (ICAEC) has been formed in recent years. Although its growth and development have been very slow, it could with effort be transformed into a well-functioning institution, providing an opportunity for OECS-wide knowledge sharing and training. Such a sub-regional center of accounting and auditing expertise would be a key counterpart for governments, the private sector and donor institutions who seek a stronger, more skilled accounting profession.

Regulatory and Institutional Reforms in the Area of Accounting and Financial Reporting

Historically, the OECS regulatory framework has been respectful of the role of accounting, auditing and financial reporting in informing the shareholders, directors, regulators and other external stakeholders. However, as any other legal and institutional framework, it is inherently static and needs to be updated to take account of changes and constraints. Much progress has already been made in the OECS over the past few years. To bring existing legislation to par with good international practices, a harmonized Banking Act and Securities Act have been passed by the various governments.

Updated and harmonized Insurance and Co-operative Societies Acts, which will set new standards for the development and regulation of the non-banking financial services sector, are currently being drafted.

The ongoing legislative reform has been accompanied by restructuring and consolidation of the underlying institutions. In addition to the already functioning sub-regional Central Bank and Securities Commission, the individual member-countries of the OECS are currently establishing Single Regulatory Units, responsible for the regulation and oversight of non-banking financial services. Once these units are established and functioning, it is envisioned that they will jointly comprise the OECS Regulatory Oversight Committee.

Recommendations

While much has already been done, a lot remains to be achieved. Accordingly, this A&A ROSC report makes recommendations to guide the next stages of reform. These recommendations have been crafted to take into consideration international experience, good practice, and local circumstances. They follow the three key guiding principles of *(i) regionalization, (ii) simplification, and (iii) efficient use of the limited supply of human resources.*

Whereas the report seeks to provide a holistic picture of the needed reforms, the suggested actions

cannot be implemented all at once. Instead, a proper sequencing of reforms needs to be determined, giving due regard to capacity of key institutions involved to contribute to the reform process. An approximate timeline for their implementation is provided on page v. A condensed summary is given hereafter.

A. Improving the Statutory Framework

The focus of these recommendations is to improve existing Acts and regulations to enable a higher level of compliance. The report recommends that:

- All public companies, banks and financial institutions be required to apply IFRS and their auditors be required to apply ISA.
- SMEs be subjected to a limited set of financial reporting requirements, appropriate to their size and nature, consistent with the proposed IFRS for SMEs currently being developed by the IASB.
- Non-banking financial institutions (NBFI) be required to make their audited financial statements publicly available in full and in a timely manner.
- Secondary regulations and application guidance be developed and extensive training be provided to regulators and preparers in support of the implementation of existing and amended Acts on financial reporting.
- Public accountants be subject to clear licensing requirements, including procedures relating to appointment, dismissal and liability of auditors.
- Government oversight of financial reporting by “statutory bodies” (i.e. state-owned enterprises) be strengthened, observance of IFRS being the ultimate goal.
- The role of the various regulatory agencies with regard to financial reporting be clarified.

B. Institutional Strengthening

As the OECS economy grows and diversifies, financial reporting requirements become more sophisticated, especially in the financial sector. Recommendations in this second area focus on the ways to mitigate the increasing challenges that the OECS’s existing and newly established institutions face.

The proposed recommendations emphasize a regional approach and the use of human resources already in place, to the extent possible. They are fully consistent with the countries’ long-term objectives. The report recommends the following institutional strengthening measures:

- Each regulatory agency and professional body should develop a long-term plan including an estimate of resources needed to carry out its mission. The plans are likely to include capacity-building measures, training and in some cases recruitment of additional personnel. Their implementation will require additional funding.
- The newly established SRUs should be developed with care, truly “empowered” from the outset in terms of both regulatory and supervision functions, and be supported with an adequate mandate as well as sufficient resources.
- The ECSRC and ECSE should develop and implement risk-assessment systems and risk-based supervision processes, similar to the one already used by the ECCB. This will allow them to focus limited resources more effectively on issues of public interest. Their enforcement capacity needs to be strengthened accordingly.
- The ECSE should gradually align its rules, regulations and operational policies with those of the other active stock exchanges in the Region.
- The ICAEC should transform itself into a sub-regional center of accounting and auditing expertise, seeking further alignment with the Institute of Chartered Accountants of the Caribbean (ICAC).

C. Capacity Development and Training for Accountants and Auditors

A genuine understanding of international accounting, financial reporting and auditing standards requires adequately educated and trained financial statement preparers, auditors, and regulators. In this regard, it is essential to enhance the capacity of existing practitioners and ensure the capacity of the future ones. This is particularly important for those employed by local firms, which do not have the support of extensive international networks. Proposed measures include:

- Implementing a continuing professional development program for Eastern Caribbean practitioners, tailored to the OECS environment. ICAEC should be given primary responsibility for coordinating training program, and it should seek assistance from the other Caribbean institutions, and consider sourcing these courses from international organizations already active in the Region.
- Designing and delivering sector-specific courses for target groups, including the regulators, banking sector, NBFIs, Statutory Bodies and SMEs.
- Seconding key operational staff at regulatory and supervisory agencies to similar international agencies for 'on-the-job' training.

From Recommendations to Reform

Proposed recommendations are aimed to enhance the quality of corporate financial reporting and create an institutional financial reporting platform conducive to sustainable private and financial sector growth, thereby having a beneficial impact on all OECS citizens. Their successful implementation requires a holistic, multi-disciplinary approach; close cooperation among a wide range of stakeholder groups including Governments, regulators, donors and the accountancy profession; champions among the senior level of sub-regional governments.

To oversee the implementation of the suggested reforms, a Multidisciplinary Steering Committee (MSC) should be established under the aegis of the OECS governments and regulators. The MSC should develop an OECS Action Plan for Accounting & Auditing, setting out key actions, assigning responsibilities, and providing an itemized budget with adequate resources for a successful implementation.

SUMMARY OF RECOMMENDATIONS, TIMELINE AND EXPECTED RESULTS

Theme	Short-term results (<18 months)	Medium-term results (18 months - 4 years)	Long-term results (5 years and more)
OECS Action Plan for Improved A&A	<ul style="list-style-type: none"> A Multidisciplinary Steering Committee (MSC) is set up MSC develops OECS A&A Action Plan. 	<ul style="list-style-type: none"> Action Plan implemented 	<ul style="list-style-type: none"> Action Plan implemented Updated Action Plan
A. Statutory and Legal Framework	<ul style="list-style-type: none"> Insurance and Co-Operative Societies Acts is passed Banks, NBFIs and public companies be required to adopt IFRS, their auditors be mandated to use ISA: respective Acts and regulations be adjusted ECCB and ECSRC rules and regulations are updated to make them IFRS compliant Additional guidance focused on the IFRS application is published 	<ul style="list-style-type: none"> Rules and regulations supporting implementation of the new Acts and providing guidance with regards to the financial reporting and prudential standards to be applied by the NBFIs be prepared and published by the SRUs. Guidelines for the external auditors of the public companies and NBFIs be prepared and published by the ECSRC and SRUs Statutory Bodies required to apply the specified accounting standards with the ultimate objective of adopting IFRS; audits of statutory bodies prepared by private sector auditors are shared with the SAIs ICAEC rules specify membership and licensing requirements and to separate the concept of an audit from other services 	<ul style="list-style-type: none"> Legislative procedures governing external auditors appointment, selection, dismissal and resignation be updated based on the best international practices Extent of auditors liability in case of malpractice clarified Requirement for the auditors to hold professional indemnity insurance Memorandum of Understanding among the members constituting the Regulatory oversight Committee SMEs accounting requirements appropriate to their size and scope of operations, e.g. IFRS for the SMEs
B. Institutional Strengthening	<ul style="list-style-type: none"> The main regulatory institutions develop a long-term business plan Permanent office space is allocated to the ICAEC; supporting staff is hired 	<ul style="list-style-type: none"> ECSRC moves towards risk-based supervision SRUs established and fully functional ICAEC gradually becomes a sub-regional center of expertise in the area of accounting and auditing: IFAC guide to ISA and “Ethic Code” are adopted; membership and licensing requirements are enforced; training course and CPD program are being developed 	<ul style="list-style-type: none"> ECSE streamlines its rules and regulations with those of the other stock-exchanges in the sub-region. Possibly joins the Caribbean Exchange Network ICAEC functions at its full strength: sector-specific audit guidance is developed/adopted; quality assurance procedures and conflict resolution procedures are in place; CPD program is functioning
C. Capacity Development and Training	<ul style="list-style-type: none"> Ad hoc training courses tailored to the needs of the local profession are developed and delivered by the ICAEC and CARTAC and/or other external providers 	<ul style="list-style-type: none"> Personnel in sub-regional Regulatory agencies have received ‘on-the-job’ training within similar regional and international institutions CPD program implemented by the ICAEC and/or other external providers 	<ul style="list-style-type: none"> CPD program is fully functioning

I. INTRODUCTION

1. The review of accounting and auditing practices in the Organization of Eastern Caribbean States (OECS) is part of a joint initiative of the World Bank and International Monetary Fund (IMF) to prepare Reports on the Observance of Standards and Codes (ROSC¹). The review focuses on the strengths and weaknesses of the accounting and auditing environment that influence the quality of corporate financial reporting and includes both a review of both mandatory requirements and actual practice. The report uses International Financial Reporting Standards (IFRS)² and International Standards on Auditing (ISA)³ as benchmarks and draws on international experience and good practice in the field of accounting and auditing regulation. A decision was made to adopt a regional approach to the preparation of this report, considering the OECS countries as a group, in order to reflect properly the results of the ongoing regionalization effort. This effort, which was spearheaded by the OECS governments and regional bodies, has had direct impact on the regional legislative framework, regulatory bodies and professional institutions. All important differences attributable to the individual countries are duly noted in the text of the report.

2. **The OECS includes the following six independent countries: Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines, all members of the World Bank Group.** There is a seventh, full member (Montserrat) and two associate members (Anguilla and the British Virgin Islands), all of which are overseas territories of the United Kingdom. The OECS was created on June 18, 1981 by the Treaty of Basseterre, which was named after the capital city of St. Kitts and Nevis. The Organization's six independent members form a chain of small-island states in the Eastern Caribbean. Together they occupy a land mass of about 2,810 square kilometers with a total population of approximately 560,000 (2007 estimate).⁴ Gross Domestic Product (GDP) per capita ranged from EC\$11,900 (US\$4,450) for Dominica to EC\$31,200 (US\$11,700) for Antigua and Barbuda in 2006. The Eastern Caribbean region has experienced a decline in growth since the 1980s, mainly due to contraction in its two major exports, bananas and sugar. Nonetheless, growth has recovered from the low levels of the early 2000s, with an estimated average growth of 5.7% in 2005,⁵ mainly driven by construction, tourism, and foreign direct investments (FDI). The

¹ See www.worldbank.org/ifa.roscaa.html.

² International Financial Reporting Standards are issued by the International Accounting Standards Board, an independent accounting standard-setter based in London, United Kingdom. In April 2001, the IASB announced that it would adopt all of the International Accounting Standards issued by the International Accounting Standards Committee. For simplicity's sake the term IFRS will mean both IFRS and IAS in this report.

³ International Standards on Auditing are the standards issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants.

⁴ The smallest being St. Kitts and Nevis with a population of approximately 43,000 and the largest being St. Lucia with a population of approximately 166,000.

⁵ "Organization of Eastern Caribbean States (OECS)," *Preliminary Overview of the Economies of Latin America and the Caribbean*. Economic Commission for Latin America and the Caribbean (ECLAC). Washington, DC: 2006, pp. 129-130.

OECS countries are highly indebted with high fiscal imbalances—OECS total debt stood at 107% of the area's GDP in 2005, reaching as high as 180.5% of GDP in St. Kitts and Nevis in 2006.⁶ The fiscal situation is a significant factor dampening growth and crowding out private investment. In an environment of growing poverty and rising unemployment, the OECS economies are highly challenged by their extreme vulnerability to external shocks, due to the predominantly import-based structure of their economies, limited human resources and their susceptibility to natural disasters.

3. **One of the growing challenges facing the OECS countries is their ability to adapt to an increasingly competitive and liberalized world economy.** One of the strategies they have adopted to pursue greater competitiveness is regional integration, allowing them to pool scarce financial and human resources and take advantage of economies of scale.⁷ In addition to sharing certain regulatory agencies (aviation, telecommunications), a Supreme Court and a stock exchange, the OECS states are also members of the Eastern Caribbean Currency Union—sharing a common currency and a common central bank: the Eastern Caribbean Central Bank (ECCB). The ECCB is at the apex of the financial system, with overall responsibility for promoting and maintaining financial stability in the Union. Since early 2000, the OECS member countries have been working together towards the establishment of the OECS Economic Union. This process has now reached an advanced stage, with the draft Economic Union Treaty currently undergoing a public consultations process.

4. **Stimulating private sector competitiveness and growth is high on the OECS development agenda.** OECS policymakers, with the support of donors, have taken initiatives to facilitate private sector development, such as the EU-funded Private Sector Development Program, as well as fiscal incentives and technical assistance. Limited access to credit is one of the main constraints facing the private sector, particularly small and medium enterprises (SME).⁸ The OECS countries fall in the bottom half of the global ranking on the ease of getting credit, according to the 2006 Doing Business report. For SME to have easier access to financing, banks and other lenders should be able to rely on businesses' financial data, as opposed to requiring asset-based sureties from these businesses. Improved accounting and reporting practices in the private sector would provide the reliable and transparent information necessary to help businesses gain access to the credit they need to grow.

5. **Another focus of the OECS governments has been to improve the efficiency of public sector enterprises, commonly referred to as statutory bodies, which in some of the OECS countries cover such key sectors of the economy as transportation, utilities (e.g., electricity and water) and some of the financial services.** The 2003 CFAA emphasized the lack of oversight and effective scrutiny of these bodies, which in many ways fall into a 'no-man's-land' between the public and private sector. Proper oversight of these institutions is necessary given their social and economic significance and their use of government-guaranteed debt. The 2007 OECS Public Fiduciary Management Policy Note indicated that the shortage of adequately trained professional accountants and auditors in the public sector is one of the main obstacles standing in the way of effective oversight. Therefore, efforts to enhance the capacity of the accounting profession will benefit the public sector in addition to local businesses.

6 "IMF Executive Board Concludes 2006 Regional Discussions with Eastern Caribbean Currency Union," *Public Information Notice* (PIN) No. 07/13. International Monetary Fund, February 6, 2007.

7 The OECS Development Charter, signed in 2002, states "the strengthening of our regional architecture [for integration] will facilitate the achievement of the development objectives outlined in this Charter."

8 Demircuc-Kunt, Beck and Honohan, *Finance For All? Policies and Pitfalls in Expanding Access*. World Bank Policy Research Report (Washington, DC: 2008), p. x.

6. **The OECS commercial banking sector comprises 39 banks** (20 foreign and 19 domestic) with total assets of approximately EC\$19 billion (approximately US\$7 billion) as of October 2006. Notwithstanding the stability of the system, a joint IMF-World Bank FSAP done in 2003 identified some emerging risks to the system.⁹ The ECCB, which has responsibility for the supervision of domestic banks in the region, has taken remedial steps such as revising the Uniform Banking Act, strengthening its prudential regulations on capital adequacy, and corporate governance standards. While recognizing this progress, the ECCB acknowledges the further need to strengthen accounting and auditing practices of banking financial institutions, especially as they are transitioning to IFRS.

7. **In addition to commercial banking, the regional financial sector includes a variety of non-banking financial services and institutions.** These include insurance companies, cooperative credit unions, financial companies and offshore financial institutions (which are excluded from the scope of this report). Each country has a national insurance system whose investments are dominated by short-term assets in banks, and exposure to local government and statutory bodies. The private insurance sector, which is dominated by branches of foreign companies, is also present and growing in each of the OECS countries. Another important grouping within the non-banking financial services industry is the cooperative credit unions, which serve a wide spectrum of the population. These institutions have gained great significance in the OECS countries, as their clients include many people with limited access to commercial bank loans.

8. **While the banking sector is supervised by the regional regulatory body (ECCB), other non-banking financial institutions are regulated at the individual countries level.** Nonetheless, with the OECS's greater focus on regional integration, there has been a consistent move towards a single integrated financial space within the ECCU, governed by uniform legislation. A number of uniform acts regulating the financial services industry have been enacted (Banking Act) or drafted (Insurance and Co-operative Societies Acts) on this basis. As part of a move toward regulatory reform of the non-banking financial sector, the ECCB has been spearheading an initiative to establish stand-alone Single Regulatory Units, which would regulate and supervise all non-banking financial institutions in each of the member countries. This effort stands at varying stages of progress in the member countries and their completion is a high priority for the ECCB.

9. **The continued development of the region's money and capital markets is an important aspect of the region's development strategy.** In 2001 a regional securities market, the Eastern Caribbean Stock Exchange (ECSE), was established. However, the securities markets remain semi-liquid and lack depth owing to the size of the economy and persistent historical preference for privately held investments.¹⁰ In addition, it faces competition from other Caribbean stock exchanges in Trinidad and Tobago, Jamaica and Barbados. If the ECSE is to develop, it must seek alliances with the other regional players, deepen investor confidence and increase market transparency. An improved corporate financial reporting regime would contribute

9 In the domestic banking sector the FSAP noted *inter alia* a relatively high level of unprovisioned, non-performing loans, the practice of some banks of taking accrued interest on government loans in arrears into income, and the need to strengthen data integrity, especially with respect to capturing all on- and off-balance-sheet exposure in prudential returns. The study also noted the exposure of the financial system, especially indigenous banks, to the high public debt of member governments.

¹⁰ There are currently 11 domestic equity listings on the ECSE.

considerably to this goal. The Eastern Caribbean Securities Regulatory Commission (ECSRC) regulates the securities market.

10. **Although each of the independent OECS countries retains its own unique history and tradition, the erosion of trade preferences and other globalizing forces have pushed all of them to work together and continue to integrate their economies.** Business and government leaders agree that they must pool scarce human and other resources in order to remain competitive. Sound, universal financial reporting standards such as IFRS are a key piece of the puzzle. Increased levels of both foreign direct investment (FDI) and domestic investment require higher quality financial information consistent with international standards. In this context, this report sets out policy recommendations to enhance the quality of corporate financial reporting and foster a financial reporting platform conducive to sustainable private and financial sector growth, thus increasing access to global financial markets and other tools of the market economy.

II. INSTITUTIONAL FRAMEWORK FOR CORPORATE FINANCIAL REPORTING AND AUDITING¹¹

A. STATUTORY FRAMEWORK

11. **Since gaining independence,¹² the OECS countries have adopted a legal system based on British common law.** Under this system, establishment and operation of business enterprises is guided by the Companies Acts. In the mid-1990s, the OECS countries adopted new, harmonized Companies Acts, which replaced the ones put in place by the colonial administration.¹³ These current Companies Acts draw a clear distinction between public companies (as defined by these acts) and all other business entities, with respect to governance arrangements, financial reporting, accounting and auditing requirements.¹⁴

12. **In all companies incorporated or continued under the Companies Act, directors are responsible for overseeing the conduct of the company's affairs.** Every company is required to have at least one director, but a public company must have no fewer than three directors, at least two of whom cannot be officers or employees of the company.¹⁵ As part of their responsibilities, company directors are required to approve the corporate financial statements and place them before the shareholders at every annual meeting.

13. **Public companies must, and any other company may, elect an audit committee, which must be composed of not less than three directors of the company.**¹⁶ The shareholders' meeting is responsible for the appointment of external auditors, whenever such appointment is mandated by the Companies Act (see Section A.2. for further details). The company's directors and audit committee must then review and approve the annual audit reports produced by the external auditors and present the reports to the shareholders meeting.

11 This report outlines the legal principles applicable to accounting and auditing. This report is not meant to be an exhaustive rendition of the law nor is it legal advice to those reading it.

12 Antigua and Barbuda became independent in 1981, Dominica in 1978, Grenada in 1974, St. Kitts and Nevis in 1983, St. Lucia in 1979, St. Vincent and the Grenadines in 1979.

13 It is important to notice that, of the six countries constituting the OECS, the St. Kitts and Nevis Companies Act, which was adopted in 1996, is somewhat different from the other, virtually identical, Acts. All exceptions important in the context of this report will be further noted in the relevant sections.

14 Five out of the six Companies Acts have similar definitions of the public company as a company any of whose issued shares or debentures are or were part of a distribution to the public. St. Kitts and Nevis defines public company as a company the memorandum of which states, or is deemed to state, that it is a public company. Furthermore, all companies, which have more than 50 members, are deemed to be public companies.

15 The directors of the company may designate the officers of the company and delegate to them powers to manage the day-to-day business and affairs of the company.

16 The St. Kitts and Nevis Companies Act does not specifically require establishment of an Audit Committee. In all other matters dealing with the appointment of the external auditors and preparation and presentation of the audit reports it is consistent with the other OECS Companies Acts.

A.1. Accounting and Financial Reporting Requirements

14. **Special provisions of the Companies Acts set the general requirements for accounting and financial reporting that OECS incorporated companies must prepare.** The Acts do not specify accounting standards for companies to apply while preparing their financial information; however, they set special requirements with regard to the preparation, presentation and publication of financial information produced by public companies. Other legislative acts regulating requirements for accounting and financial reporting in a number of specialized areas include:

- Securities Act – harmonized acts regulating the OECS’ securities market, including financial reporting and information disclosure requirements
- Banking Act – harmonized acts regulating the banking industry, including financial reporting and information disclosure requirements
- Insurance Act (under preparation) – harmonized acts, which will regulate the insurance industry, including financial reporting and information disclosure requirements
- Co-operative Societies Act (under preparation), which will regulate co-operative societies and credit unions, including financial reporting and information disclosure requirements

15. **The Companies Acts require directors to present comparative consolidated financial statements at every shareholders meeting, accompanied by the report of the external auditor (in cases when audit is required by the legislation, for further details see section A 2), as well as any further information regarding the financial position of the company and the results of its operations as required by the articles of the company, its by-laws, or any unanimous shareholder agreement.** This information should be sent out to the shareholders not later than 21 days before the annual meeting. Publicly listed companies may instead use summary financial statements derived from the company’s annual accounts and the directors’ report.

16. **Public companies and companies whose annual gross consolidated revenues exceed ECS 4,000,000 (US\$ 1,490,000), or whose consolidated assets exceed ECS 2,000,000 (US\$ 740,000), are required to file their annual audited (when required) financial information with the local Companies Registrar** not later than 21 days before the annual shareholders meeting. In case these companies are also required to file interim financial statements with a public authority or recognized stock exchange, or are expected to distribute such statements to their shareholders, they should also send copies of such interim financial information to the local Companies Registrar.

17. **All other companies are required to file with the local Companies Registrar a certificate of solvency,** stating the total value of company’s assets and liabilities, signed at least by one director and when applicable by the external auditors. In addition, this certificate is required to state whether, in the opinion of the company’s auditor or director, the company was able or unable to pay its debts and liabilities as they fell due, and as indicated at the balance sheet date. If the auditor of a company refuses to give or sign such certificate, a note of refusal should be enclosed in the file. All information filed with the local Companies Registrar becomes automatically available to the public, unless otherwise stated by the law.

18. **There is no further interpretation or guidance with regard to the general accounting and financial reporting requirements at the individual countries level.** The Companies Act of St. Kitts and Nevis requires that companies prepare their financial accounts according to “generally accepted accounting standards,” but it does not provide any further clarification. Therefore, putting the legislation’s requirements into practice is entirely left to the management

of the individual companies, whose actions are very often limited by their available human and financial capacity and existing market incentives (or lack thereof).

19. **The Eastern Caribbean Securities Regulatory Commission (ECSRC), physically located in Basseterre, St. Kitts, regulates and supervises the securities market in the OECS countries.** The harmonized Securities Act, adopted in 2001, governs the placement and circulation of securities and the exercise of professional activities on the stock market.¹⁷ Many parts of this Act are based on U.S. securities regulations and comprehensively cover financial reporting requirements for the regulated entities. The Act's provisions are further explained in the supporting Regulations and Rules issued by the ECSRC, which provide detailed instructions on, among other things, the initial placement, registration and continuing disclosure requirements for regulated entities.

20. **While the Securities Act does not explicitly prescribe accounting standards to be used by public companies, supporting rules refer to "international accounting standards," which must be used for the preparation of financial statements.**¹⁸ Reporting issuers are required to submit to the ECSRC their annual report with their consolidated audited financial statements,¹⁹ as well as semi-annual and quarterly reports with unaudited financial statements.^{20,21} A reporting issuer is also required to disclose major shareholdings and insider information, and file with the Commission a notification of material change within seven days of the occurrence of such change. Some of the material changes, as defined by the regulations, include: changes in control of the reporting issuer; acquisition or disposal of assets of the reporting issuer; bankruptcy of the reporting issuer; change of the reporting issuer's Auditor, Attorney or Banker; change in the directors of the reporting issuer.

21. **The Securities Act requires each issuer to send an annual audited financial statement to each holder of its securities within one hundred and twenty days after the end of its financial year.** Annual financial information submitted by the listed companies is made publicly available on the Eastern Caribbean Stock Exchange website. In addition, the ECSRC is currently putting together a database containing information received from all reporting issuers. At the individual country level, financial information produced by the public companies is supposed to be accessible through the local Companies Registrars.

22. **The Securities Act also sets out requirements for the ECSRC to review and approve prospectuses prepared by the entities issuing securities.** The approved prospectus then has to be published and made available to the public. However, by approving the document, the ECSRC

17 Provisions of the Securities Act are applied to all issuers of securities, debentures and bearer bonds as well as investment companies. Pension funds are specifically excluded from its scope.

18 Securities (Accounting and Financial Reports) Rules # 1 of 2002, and Securities (Registration Statements) Rules #2 of 2002.

19 While Rule #1 requires annual financial statements to be submitted within 120 days following the end of the fiscal year, Securities (Continuing Disclosure Obligations of Issuers) Regulation 2001 stipulates that this information must be submitted not less than 21 days before the date of the issuer's annual general meeting and not more than 3 months after the end of the fiscal year.

20 Semi-annual and quarterly information must be submitted within 30 days following the end of the reporting period.

21 While according to the currently existing rules/regulations reporting issuers include both - traded and non-traded companies, the ECSRC is currently considering whether the periodical financial reporting requirements could be somewhat relaxed for non-trading companies. In particular, changes under consideration include discontinuing requirement to submit interim financial statements and allowing more flexibility while defining focus of the management discussion and analysis.

does not accept responsibility for the potential damage suffered by investors as a result of any prospectus. Instead, such responsibility explicitly stays with every offeror, issuer, and/or director of an offeror or issuer. Retention of responsibility by the offerors or issuers is evidence of the general requirement for companies and directors to be responsible at all times for financial information issued by a company.

23. **The Eastern Caribbean Securities Exchange (ECSE) was established in 2001 with the purpose to serve the sub-regional securities market.**²² While it has grown somewhat its development has been at a disadvantage in competition with the other sub-regional security exchanges, including those located in Barbados, Jamaica and Trinidad and Tobago.

24. **The ECSE listing rules identify four tiers in which securities may be listed.**²³ There is no differentiation in terms of the listing rules and listing maintenance requirements between the tiers. For the initial listing the issuer is required to provide three copies (in hard copy and electronic form) of its annual report and audited financial statements for the past three years and three copies of any interim financial reports that have been prepared since the end of the last financial year. To maintain its listing, the issuer is required to make public disclosure (on a timely basis) of all pertinent information. This includes but is not limited to annual, semi-annual and quarterly earnings reports, interest payments, dividend declarations, mergers, acquisitions, rights to subscribe to new or additional securities, tender offers, stock splits, redemption payments and senior management changes. The normal method for the release of information is by means of a press release. In practice, the same set of periodic financial information is simultaneously submitted by the listed companies to the ECSRC and to the ECSE.

25. **Overall, the regulatory framework put in place by the joint effort of the ECSRC and ECSE is adequate and provides for the majority of needed accountability mechanisms, checks and balances.** However, the effectiveness of these arrangements is constrained due to limited coverage (fewer than 60 public companies and 20 traded companies for the entire OECS) as well as capacity limitations existing within the regulatory bodies themselves.

26. **The Eastern Caribbean Central Bank (ECCB) is responsible for the development and implementation of accounting and financial reporting requirements applicable to the banking sector.** The new Banking Act (passed between 2005 and 2007) is uniformly in force in the eight members of the Eastern Caribbean Currency Union. Amendments to the new Act were in part based on the 25 Core Principles for Effective Banking Supervision issued by the Basel Committee on Banking Supervision, and legislative gaps identified by the ECCB. In particular, financial globalization, the complexities of large conglomerates and the diversity of the products and services offered by financial institutions, have compelled regulators to adopt a risk-focused approach to supervision. The Act also refined the overall regulatory regime and enhanced the powers of the ECCB.

22 The ECSE was established by the ECCB to serve the eight member territories of Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines. Its headquarters are located in the city of Basseterre, on the island of St. Kitts.

23 Listing Requirements and Procedures for Corporate Securities identify the following four listing tiers: (a) Entry-Level Equity Tier for equity securities; (b) Large Capitalisation Tier for equity securities; (c) Corporate Debt Lower Tier for Corporate Debt Securities; and (d) Corporate Debt Upper Tier for Corporate Debt Securities.

27. **Neither the Banking Act nor other instructions issued by the ECCB explicitly refer to accounting standards that are required to be used by banking institutions.** The Guidelines on Corporate Governance for Institutions Licensed to Conduct Banking Business Under the Banking Act (2005), under the Transparency in Governance section, require that the level of disclosure be at least the minimum required by IFRS. In addition, the ECCB has developed detailed instructions with regard to the prudential reports required for banking institutions, and put in place regulations mandating disclosure of the key areas of banking activity, including liquidity risk management and related party transactions. As was expected, ongoing transition to IFRS provided a number of challenges, some of which are still being addressed. The ECCB has made every effort to smooth this process, by organizing trainings and providing ad hoc explanations. However, as with so many other areas in the Eastern Caribbean, limited human capacity among both regulator and regulated remains an inherent impediment.

28. **Banks are required to submit to the ECCB their annual audited consolidated and stand alone financial statements, together with additional reports and information, within four months following the end of the fiscal year.** Annual audited financial statements of local banks must be published in the gazette and in a local newspaper; and must be exhibited in a conspicuous place in each of their offices. The banks are also required to submit to the ECCB their balance sheets and selected financial information on a monthly basis, and their income statements on a quarterly basis. The branches of the foreign banks represent a significant share of the local banking business. Under the current practice, the ECCB receives annual consolidated financial statements from the headquarters of such banks, along with the unaudited stand-alone financial statements of the local branches. The ECCB is making an effort to change this practice, and to ensure that local branches start submitting their audited stand-alone financial statements.

29. **As was mentioned in the Section I, paragraph 7, the OECS countries are currently reforming their non-banking financial institutions (NBFIs) regulatory and oversight model.** It is envisioned that, in the near future, fragmented departments (normally located under the auspices of each country's MOF) that are currently responsible for the registration and supervision of insurance companies, co-operatives, credit unions and other non-banking financial services will be merged to form stand-alone Single Regulatory Units (SRUs). Almost all OECS countries have already initiated the reform process, and in some (e.g., Grenada) reform is well underway. Annex 1 provides additional information on this matter. It is anticipated that once all such units are formally established and functioning, together with the ECCB and ECSRC they will form the OECS Regulatory Oversight Committee. Such an organizational structure would enhance the sharing of scarce knowledge and expertise across the sub-region as well as the leveraging of scarce professional human resources.²⁴

30. **In parallel to the institutional reform described in the previous paragraph, the OECS regional authorities are currently spearheading a key initiative focused on the major overhaul and harmonization of the legislative acts regulating the NBFIs sector.**²⁵ Two main legislative acts that are currently being prepared include:

- Harmonized Insurance Act, which is intended to replace currently enacted insurance legislation, dating back to the 1960s-1990s and
- Harmonized Co-operative Societies Act, which is intended to provide significant updates to the existing Co-operative Societies Acts, dating back to the late 1990s.

24 Exact arrangements pertaining to the establishment of the Regulatory Oversight Committee are yet to be defined.

25 Among those standing at the helm of this initiative are: the ECCB, the Caribbean Confederation of Credit Unions, CARTAC.

This initiative, if adequately undertaken, would equip the OECS countries with a modern, comprehensive legislative framework, compatible with international best practices. It would provide a set of powerful tools, which could be effectively used in these countries pursuit of global competitiveness, the creation of the CARICOM Single Market and Economy, and the deepening of the OECS Economic Union.

31. In the area of accounting and financial reporting, in addition to reconfirming already existing periodic filing requirements²⁶ new legislation will address the following critical areas:

- Accounting and prudential (when applicable) standards to guide the preparation of financial reports;
- Content of periodic accounting and financial reports;
- Publication of periodic financial reports;
- Introduction of “fit and proper”²⁷ criteria with regard to the NBFIs’ management, including the Chief Financial Officer and Chief Accountants;
- Selection, Appointment and Dismissal of external auditors;
- Role of the Audit/Supervisory committees.

32. When the proposed Acts are passed, the newly created SRUs will have to play a pivotal role to ensure their successful implementation. One of the major challenges facing the sector’s accounting professionals is the lack of a comprehensive, sector-specific accounting and financial reporting methodology. In particular, this is an important issue for the local firms, which, unlike the local branches of the foreign conglomerates, have nowhere else to go for assistance. It is thus essential to ensure that the newly created SRUs would be adequately positioned to assume the eventual role of sub-regional centers of excellence, responsible for the development and dissemination of sector-specific accounting and financial reporting methodology, organization of trainings and awareness campaign. Due to very limited capacity available in the OECS countries in this area, external assistance will be particularly important.

33. The OECS economy includes a significant number of so-called statutory bodies, covering a variety of sectors such as transportation, utilities and financial services.²⁸ As a rule, these entities are established by Acts of the various Parliaments, prescribing their *modus operandi* and stipulating requirements for their financial reporting.²⁹ Being part of the government, the statutory bodies are required to have their financial statements audited and tabled with the Parliament within a specified period.³⁰ The Statutory Acts frequently do not specify the accounting standards to be applied when preparing financial reports. Day-to-day management of the statutory bodies is supposed to be supervised by the board of directors, comprised of the representatives of various stakeholders’ groups, such as the government, the employees, the trade unions, the private sector, etc.

²⁶ Under currently existing practices and legislative acts, NBFIs are normally required to submit their annual financial statements to the designated regulatory unit/department, usually located under the auspices of the MOF.

²⁷ These essentially represent a set of professional requirements based on standards of education, experience and probity.

²⁸ Statutory bodies are different from government-owned companies, which fall under the jurisdiction of the Companies Act.

²⁹ In some countries, e.g. in St. Kitts and Nevis, the Finance Administration Act can also make reference to the accounting and financial reporting requirements applicable to the statutory bodies.

³⁰ While the Supreme Audit Institutions (SAIs) have a mandate to audit the statutory bodies, in practice, this is almost never a case. Due to the SAIs capacity and time limitation, such audits are normally outsourced to the private sector.

34. **In practice, compliance with the existing requirements is almost entirely left to the discretion of the acting management.** While private sector accounting standards are normally applied, final results vary significantly in timing and quality among the individual entities. Additional financial reporting challenges often arise from doing business with other Statutory Bodies (e.g. preparing accounts reconciliations when the two entities owe each other outstanding payments). With a limited supply of qualified accountants available on the market, and very limited supervision and assistance from governments that are already overburdened by other tasks, financial statements produced by the statutory bodies are often delayed, incomplete or unreliable.³¹

35. **Small and Medium Enterprises (SMEs) operating in the OECS follow the requirements of the Companies Act, as described in paragraphs 14-18.** As noted above, in most cases, such entities are only required to submit to the Companies' Registrar their annual solvency statements, containing condensed financial information. However, for many SMEs compliance with even reduced financial reporting requirements is a significant challenge. Very few SMEs fall under the definition of public companies, and thus external demand for their financial information is very limited. Moreover, with concentrated ownership and perceived difficulties in getting access to external financing, the requirement to produce comprehensive financial information is often perceived as unnecessarily burdensome. As a result, SMEs are left virtually without guidance on accounting and financial reporting matters. It is thus not surprising that their financial reports are often fragmented and inconsistent. These reports are often of little value to potential users, such as banks, who as a result rely heavily on collateral to secure loans. To address this gap, the OECS should consider the example of the recently issued exposure draft of IFRS for SMEs, with further simplification for the smaller entities.

A.2. Statutory Audit Requirements

36. **There is no one separate, stand-alone law in the OECS countries regulating audits and the auditing profession.** The Companies Acts stipulate requirements for statutory audits, which are obligatory for all public companies as defined in paragraph 9, and for companies whose gross revenue exceed EC\$2 million (US\$740,000) or the asset of which exceed EC\$1 million (US\$370,000).³² The Companies Acts then set ground rules pertaining to the selection, appointment and eligibility of the external auditors. In particular, it states that:

- The auditor must be appointed by the shareholders meeting;
- A person is eligible for appointment as auditor of a company only if he/she is a practicing member of a recognized supervisory body;
- A person is ineligible for appointment as auditor of a company if he/she is an officer or employee of the company, or if there is any connection between him/her and the company.
- The external auditor's opinion must be presented to the shareholders meeting along with the financial statements of the company, reviewed by the audit committee and signed by the directors of the company (Para. 15). The Companies Acts do not specify the auditing standards to be used during the external audit.

31 It is important to note that there are some exceptions to this rule. For example, some of the statutory bodies operating in St. Lucia serve as flagships, which not only prepare their financial information accurately and on time, but also were pioneers as one of the first entities in this country in adopting IFRS.

32 One exception is the St. Kitts and Nevis Companies Act, which states that all public companies or companies whose articles or resolution of the general meeting so require should be audited.

37. **Rules and regulations published by the ECSRC stipulate the requirement for regulated companies to produce annual audited financial statements.** There are, however, no further instructions either with regard to the auditor selection and appointment process, or with regard to the auditing standards to be applied by the external auditors. One exception applies to the ‘licensees’ as defined by the Securities Act.³³ The Act explicitly specifies that:

- Within one month after becoming licensed under this Act, a licensee shall appoint an auditor who is acceptable to the Commission.
- No person shall be qualified for appointment as an auditor, unless he/she is an accountant;
- An auditor shall not be eligible for appointment if he/she is a director, officer, employee, shareholder or partner of the licensee; and
- A licensee is required to submit to the Commission, within 90 days after the end of the financial year, audited financial statements prepared in accordance with international accounting standards.

38. **The Banking Act requires all banks operating in the OECS to have an annual independent audit of their financial statements carried out by a qualified auditor pre-approved by the ECCB.** To assist the commercial banks, the ECCB has issued Guidelines for External Auditing of Institutions Licensed under the Banking Act. These Guidelines focus on such issues as the auditors’ independence, expertise and professional education. The Guidelines also lay down the framework for the conduct of the external audit and require the audits to be performed in accordance with ISA. However the ECCB says that it may extend the scope of the auditors’ report beyond what is specified by ISA, if the ECCB considers it necessary.

39. **As discussed in Para. 29, the NBFIs sector in the OECS is currently undergoing significant institutional and legislative reform.** As the new institutional units are being established, and the new legislative acts are being drafted and adopted, it is essential to ensure that the following issues are adequately addressed with respect to the auditing framework and standards applied in the NBFIs sector:

- The new Acts should clearly stipulate the use of ISA in the audit of the NBFIs;
- They should clearly establish criteria for the external auditors’ selection and hiring; and
- They should clarify the SRUs’ involvement in the pre-approval of the NBFIs’ auditors.

40. **Existing legislation is silent on contractual liabilities that may be incurred by auditors.** It also does not include any requirement for auditors to have mandatory professional indemnity insurance. The only exception is the *Guidelines for External Auditing of Institutions Licensed under the Banking Act*, which requires the financial institution to verify that the selected auditor or audit firm has adequate indemnity insurance.

A.3. Summary of the Institutional and Legislative Framework

41. **It appears that the OECS statutory framework historically has been respectful of the role played by accounting and auditing in informing the shareholders, directors, regulators and other external stakeholders.** However, as with any legal and institutional framework, it has been and is inherently static and needs to be updated to take account of changes and constraints. Legal structures put in place in the OECS countries following their independence (or in some cases inherited from the colonial period) were rather fragmented; they differed among

33 Licensees are defined as the following: a broker dealer; a limited service broker; an investment advisor; or their representative.

countries, and often did not take account of the region's increasingly severe human resources limitations. Over time it has become clear that these legal structures need to be modernized, simplified, and harmonized; legal reform aimed at achieving these objectives has already begun, and the recommendations of this report mainly provide guidance for a process that is already under way. Similarly, regulatory functions need to be centralized to the degree possible, thus optimizing the productivity of the limited available human resources and enabling the realization of economies of scale. OECS Governments are aware of this issue, and this reform process has also already begun. Application of corporate financial reporting requirements to different enterprises is summarized in Table 1 below.

Table 1: Overview of Accounting and Auditing Requirements in the OECS

	Law and Regulator	Accounting Standards	Audit Requirement	Publication
Banks	Banking Act and Companies Act. Supervised by ECCB.	The Guidelines on Corporate Governance require adherence to the IFRS.	- External auditor must be pre-approved by the ECCB. - ISA required.	<ul style="list-style-type: none"> • Annual FS must be published in the Gazette. • FS should be filed with the Companies Registrar.
Public Companies	Securities Act and Companies Act.	ECSRC rules require public companies to use “international accounting standards”.	- External audit is required. - Audit standards are not specified.	<ul style="list-style-type: none"> • FS must be sent to each holder of securities. • Published on ECSE website • Entered in ECSRC database. • FS should be filed with the Companies Registrar.
NBFIs	Insurance Act, Cooperative Societies Act (under preparation). Companies Act.	Currently not specified.	- New Acts will reconfirm requirement for the external audit. - Audit standards are not specified.	<ul style="list-style-type: none"> • No publication is required. • FS should be filed with the regulator. • If meets criteria set in Para. 14 – F/S must be filed with the Companies Registrar.
Statutory Bodies	Relevant Parliament Acts.	As specified in individual Parliament Acts.	- External audit is required. - Audit standards as specified in individual Acts.	<ul style="list-style-type: none"> • FS should be presented to the Parliament. • Additional publication requirements may be specified in individual Acts.

B. THE ACCOUNTING AND AUDIT PROFESSION

42. While the number of internationally qualified accountants in the OECS is not precisely known, it is known that the accounting and auditing sectors suffers from the same problems as the rest of the OECS economy: limited availability of human resources that is shrinking as a result of a brain drain, and difficulties in attaining internationally recognized qualifications. As a result, internationally qualified accountants (ACCA, CGA, CICA, US CPA or being the most common degrees) remain prized, and subject to fierce competition among employers. Most of the internationally qualified accountants work in a few top-tier private companies or open their own accounting and auditing practices. The next level of the accounting profession is represented by those who are still pursuing their qualification, and thus are willing

to work in lower-paid government structures or smaller companies. Outside of the holders of overseas qualifications, accountants who prepare financial statements in the majority of the OECS SMEs have in general received only some training in modern, internationally recognized accounting and financial reporting techniques. As a result, bookkeeping and financial reporting in such entities are often conducted according to the tax rules, and can not be used for any other external purposes, such as solicitation of additional investments or applications for a bank loan.

43. **The sub-regional Institute of Chartered Accountants of the Eastern Caribbean (ICAEC) was formed in 2001, as part of a broader sub-regional harmonization and institutionalization effort,³⁴ with the goal of bringing together professional organizations of accountants and auditors existing in the different OECS countries.** The three initial members of the institute were the Institute of Chartered Accountants of Antigua and Barbuda, the St. Kitts-Nevis Association of Chartered Accountants and the Institute of Chartered Accountants of St. Lucia, which continue functioning as separate branches. These were later joined by Dominica. Membership for the Grenada and St. Vincent and the Grenadines accounting professional bodies is still pending. ICAEC's Articles of Agreement include the following objectives:

- To promote, foster and maintain the highest standards of accounting in public practice, the public service and the commercial and industrial spheres;
- To promote and increase the knowledge, skill and proficiency of its members and students of accountancy;
- To provide facilities for the study of accountancy and to make provisions for examinations of persons pursuing courses in accountancy;
- To regulate the etiquette, ethics, discipline, professional conduct and standards of its members and students of accountancy;
- To conduct directly, through other agencies or in conjunction with other agencies, courses of study in all aspects of the accounting profession.

44. **Although a few years have passed since its establishment, the ICAEC still does not have permanent office space and a permanent staff.** While some of its basic functions (i.e., collection of membership fees and issuance of the certificate) are performed on a *pro bono* basis by its members, the absence of a dedicated space and resources remains a significant impediment to its growth and eventual assumption of the role envisioned at the Institute's inception.³⁵ While the ICAEC's legislative mandate is rather comprehensive and well-defined, it lacks the people and funding to perform its functions adequately.

45. **The ICAEC Articles of Agreement prescribe that no person shall offer him/herself in public practice or use the title of Chartered Accountant unless he/she has been registered as a member of the Institute and possesses a valid certificate issued by the ICAEC Council,** which entitles him/her to be in public practice. The ICAEC rules further specify conditions of admission to the Institute membership, including the age limit, examination and experience requirements.³⁶ A list of all members of the Institute who have been granted valid practicing certificates must be published annually in a newspaper circulated in each member state. In

34 As have many other sub-regional initiatives, this effort has been spearheaded by the ECCB. As part of the same initiative, the Bankers Association and the Insurance Association have also been established.

35 The Preamble of the Agreement establishing the ICAEC states as one of its objectives the following: *to provide greater coherence and clarity in the structure and organization of the accounting profession in the states that are parties to the Treaty establishing the OECS member states.*

36 The ICAEC rules, however, allow it to forgo the specified admission requirements on the grounds of educational qualifications, expertise, experience or standing. Such decision requires a special resolution of the ICAEC Council.

practice, the Institute's activities are limited to issuing certificates to the applicants and receiving the membership fees.

46. **The ICAEC is a member of the Institute of Chartered Accountants of the Caribbean (ICAC), which is located in Kingston, Jamaica, and includes seven sub-regional institutions.** Because of the ICAEC semi-dormant status, its membership in the ICAC is currently nominal. However, as the ICAEC grows and develops, it should to the extent possible draw on the resources and possibilities for collaboration offered by the ICAC, seeking further harmonization and simplification among the member institutions.

47. **The ICAEC mandate, defined in its Articles of Agreement, allows it to take upon itself an active role in the areas of continuing professional development (CPD) and quality assurance.** The former represents a particularly challenging and important topic. Most OECS accountants are desperate for high-quality courses and training opportunities—educating them is key to improving the quality of the financial reporting produced in the sub-region. While some of the more active branches periodically organize *ad hoc* trainings and seminars, planning and implementation of training programs should become a full-time responsibility of the ICAEC. The Institute should also be able to provide CPD opportunities to its members holding international accounting qualifications, and thus relieve them from the need to seek solutions outside the OECS. In sum, a long-term objective for ICAEC should be to transform itself into a sub-regional center of excellence in the area of accounting and auditing, providing an opportunity for OECS-wide knowledge-sharing and training. While this is a realistic goal, its achievement will take a lot of effort and dedication on the part of the OECS governments, regulatory institutions and donors.

48. **Part of the problem hindering ICAEC's development has been the consistent lack of funding.** To overcome this obstacle, the Institute must try to support its operations from a variety of sources such as membership fees, government contributions and development partners' assistance. Once established, its education program could become an important source of income. To survive in the long term, the Institute must diversify its sources of financing, while seeking twinning opportunities with other Caribbean and international accounting bodies and seeking to work with development partners where appropriate.

49. **The OECS audit profession can be divided in two main categories: local branches of the four largest global international networks of audit firms ("Big 4"), and local firms.**³⁷ Besides the fact that "Big 4" firms are generally much better positioned to hand pick and hire the best and brightest accounting graduates, another major difference is that, while the "Big 4" firms are able to draw on their internal international network and resources for capacity development and training needs, the local firms are left on their own, and can only rely on what the local market has to offer. Present structure of the OECS economy provides sufficient markets for both groups of firms. The "Big 4" firms do a lot of referral work and are very active in some specialized sectors, (e.g. banking), while local audit firms pick up significant share of smaller jobs. For many of the SMEs in the OECS the only practical solution, due to the difference in fees, would be to hire a local firm. Thus, it is very important to ensure that the quality of work performed by the entire audit sector was adequate and in compliance with the international auditing standards.

³⁷ Those could be further subdivided into two groups: "the second tier" firms, represented by two or three biggest local firms, and often staffed by the ex-employees of the "Big 4", and other, smaller, firms.

50. **Given the general lack of human resources in the OECS countries and the relatively small size of the regulated market, it appears reasonable for the ICAEC to assume full responsibilities over the regulation of audit profession.** Some of these responsibilities include:

- Performing professional certification of the auditors;
- Setting audit standards and assisting in their implementation;
- Approving auditors' training curricula;
- Maintaining a registry of audit firms and individual auditors;
- Organizing quality control of audit services; and
- Taking measures to ensure auditors' independence.

51. **As described in Section A2, there is no single legal source prescribing which auditing standards must be applied in OECS countries.** While the majority of the audit firms claim to use ISAs, many local firms are struggling to implement these standards in practice. Particular problems arise with regard to the audit of specialized sectors of the economy, such as insurance, banking and non-banking financial services. Once again, this gap could be narrowed if the ICAEC assumed a more active role as educator and promulgator of the latest professional developments, methodologies and innovations, primarily focusing on the local representatives of the audit profession. However, the lack of capacity, in particular in the specialized areas described above, remains an acute problem.

52. **Establishment and enforcement of rigorous certification (licensing) requirements for all practicing auditors is another area requiring attention.** As part of quality-at-entry controls, comprehensive certification criteria should consistently be applied to all local audit firms. While holders of internationally recognized qualifications such as ACCA could benefit from simplified certification procedures, all others should be required to undergo a rigorous evaluation focused on education, experience and practical auditing skills, prior to being issued a practice certificate. While some of these requirements are already part of the ICAEC rules, they need to be clarified, adapted to the specifics of the auditing profession and enforced in practice. Successful candidates should be registered in the Auditors Registry maintained by the ICAEC. As part of their education program, the ICAEC could conduct a specialized training course to prepare candidates for the examination.

53. **There was consistent anecdotal evidence of a problem with the perceived quality and value of audit, resulting is a wide-spread perception that only few local audit firms are capable of performing ISA-compliant audits.** The low price paid for some of the audits confirms this perception. Large differences in the technical proficiency, level of experience and level of resources across audit firms contribute to significant variations in audit quality. While the local member firms of international audit firm networks have the benefit of firm-wide internal quality control procedures, many local firms have to rely solely on their own limited resources and experience. This problem is worsened by the absence of quality control mechanisms. While some of the local ICAEC branches have been trying to put in place systems to monitor the quality of auditors based on peer review, this effort has had very limited success. Quality control of auditors is covered in more detail in Section E below.

54. **With the accounting and auditing profession growing and diversifying, and financial reporting and auditing requirements gradually becoming more sophisticated, it is essential to ensure that practitioners get guidance and support 'close to home'.** In this context, establishment of the OECS-wide Institution of Chartered Accountants, consolidating separate chapters previously existing at the individual countries level, was a timely and sensible measure, enabling enhancement of the productivity of limited complement of human resources. As a next

step, the governments, regional institutions and members of the profession need to mobilize their political will and available resources to ‘jump-start’ the Institution, transforming it into an operational body able to assume its stipulated responsibilities. This task is smaller than it might seem. The most important success factors – a critical mass of professionals interested in establishment of an effective professional body, market demand, and buy-in on the part of most of the national governments are already there. It thus would require a focused, but relatively modest incremental effort (that should be supported by regional donors) to transform the institution into an effective professional organization.

C. PROFESSIONAL EDUCATION AND TRAINING

55. **OECS businesses, government agencies, financial institutions, and accounting & auditing firms reported an acute shortage of qualified accountants, as well as stiff competition for those on the market.** A 2007 World Bank Report on education in the Eastern Caribbean States identifies four main causes of a lack of professional and highly skilled workers in the sub-region: “(a) a low enrollment rate into post-secondary education; (b) a high out-migration of highly skilled labor; (c) a need to link the career programs of the OECS community colleges to demand; and (d) the relatively small size of the individual Eastern Caribbean labor markets.”³⁸ These factors affect the supply of qualified accountants as well.

56. **OECS students who are interested in pursuing post-secondary education in accounting and auditing must travel overseas, because community colleges on each island offer only A-level courses, as well as vocationally oriented crafts and technical training.** While some students choose to attend universities in the United States, Canada, or the United Kingdom, the closest alternatives for post-secondary accounting and auditing education are the University of the West Indies (with campuses in Barbados, Jamaica, and Trinidad and Tobago) and the University of the Virgin Islands (with campuses in St. Thomas and St. Croix). Both of these institutions offer accounting majors and minors. The University of the Virgin Islands prepares students to sit for the US CPA examination, while the University of the West Indies emphasizes the ACCA (British) and Canadian credentials.³⁹

57. **There is some cooperation between professional organizations and university-level education providers.** Students at UVI are offered a comprehensive CPA review course that prepares them to sit for the exam. At UWI, accounting majors may be exempted from the first year of ACCA or CA requirements. The Big Four accounting firms offer scholarships and prizes to the top students, but do not have direct input into the curriculum. While the University of the West Indies has an agreement with the International Association of Certified Fraud Examiners to offer continuing professional education courses, they have no similar agreement with any of the Caribbean accounting bodies.

58. **Neither ICAEC nor any of its local chapters administers accounting qualification exams or offers exam preparation classes,** so students seeking to attend preparation courses allowing them to obtain an internationally recognized professional qualification must travel either to Trinidad (where ACCA has an office) or to the US, Canada, or the UK. It is possible for students to self-study for the exams and travel overseas only to take the tests. Graduates from

38 Andreas Blom and Cynthia Hobbs, *School and Work: Does the Eastern Caribbean Education System Adequately Prepare Youth for the Global Economy?*, Phase I Report: Skills Challenges in the Caribbean, Latin America and the Caribbean Region, World Bank Report 38555, May 2007.

39 However, The Dean of the UWI-Cave Hill (Barbados) School of Management noted increasing demand for education in the CPA credential due to the growing importance of the offshore banking sector, which rewards familiarity with US accounting rules.

university accounting programs often find work with an international accounting firm, which will pay for the training and examination fees once students have completed the program.

59. **Fulfillment of IFAC’s continuing professional development (CPD) requirements remains a challenge for qualified accountants—members of the internationally recognized bodies—practicing in the OECS.** The requirement for accountants and auditors to maintain their technical competence is crucial to the quality of their work. CPD is one of the key ways by which certified accountants and auditors can maintain their technical competence. Yet, as was discussed in paragraph 47, currently ICAEC does not offer CPD courses to its members, and only some of its local chapters (such as the St. Lucia chapter) offer these programs. For the most part, accountants and auditors must complete their CPD requirements online, at a larger island in the Caribbean such as Trinidad or Jamaica, or further field in the UK, Canada, or the US.

D. SETTING ACCOUNTING AND AUDITING STANDARDS

60. **As mentioned in Section A1, application of IFRS/ISA in the OECS is currently required for public entities and is also expected from banking institutions.** Other large non-public entities may voluntarily choose to apply international standards. There are no National Accounting Standards proper in the OECS. The ECCB issues additional accounting regulations and instructions, which must be applied by the banking institutions. These regulations and instructions are primarily based on IFRS.

61. **Currently, there are no specific regulations governing accounting and auditing standards for insurance companies and NBFIs.** It is thus important to ensure that, as the new Insurance and Co-operative Societies Acts are passed, they mandate the use of the applicable international standards, and that those mandates be supplemented with explanatory rules and regulations, following the best international practices while providing guidance in sector-specific areas.⁴⁰

62. **As discussed in Section A2, application of ISA is only explicitly required from auditors of banking institutions in the OECS countries.** However, the majority of practicing audit firms claim to apply ISA in their work, by default. There are no national auditing standards or methodological recommendations supplementing ISA, which could be used by the local auditors to amplify their own resources.

E. ENSURING COMPLIANCE WITH ACCOUNTING AND AUDITING STANDARDS

E.1 Compliance with Accounting (Financial Reporting) Standards

63. **A proper and rigorous regime ensuring compliance with the accounting and financial reporting requirements is key to establishing and maintaining the quality of financial reporting and to underpinning investors’ confidence in financial markets.** Ensuring compliance with the proper application of financial reporting standards in the OECS countries is the responsibility of regulators—primarily the ECSRC and ECSE (for companies with securities), the ECCB (for banks) and, once they are fully formed, the SRUs (for NBFIs).

40 Examples of such sector-specific areas include accounting for insurance reserves, calculation of unearned premium reserves, capitalization level of credit unions, etc.

64. **While the existing legislation provides the ECSRC, ECSE and ECCB sufficient authority to monitor compliance with legal and financial reporting requirements, there are a number of significant challenges which must be overcome if the regulators are to become effective enforcers of high-quality financial reporting.** Some of the most notable concerns include the following:

- All three regulators face the problem of limited resources and the need to use those finite resources effectively and efficiently. The regulators must direct work to those areas where the risk is greatest. Risk (in a regulatory sense) is the combination of impact and probability, where impact is the impact that a misstatement of those financial statements would have on the confidence in the accounting and financial system and probability is the risk that those financial statements are misstated. The ECCB has already moved in this direction, by establishing a risk-assessment system and transitioning to risk-based supervision.⁴¹ It is essential that the ECSE and ECSRC follow in the same direction.
- The oversight work of the ECSRC is currently primarily focused on enforcing timeliness of filings, and revealing incomplete statements and inconsistencies between narrative and numerical information. There is little or no monitoring of compliance of the statements with the relevant accounting framework. The extension of the ECSRC's role to monitor compliance with the applicable reporting framework and take appropriate measures in the case of infraction, is essential if the Securities Commission is to operate in a manner similar to accounting enforcers in the OECD countries.
- There remains a shortage of internationally recognised expertise operating in the enforcement departments of each regulator. This is partly a result of the effects of low civil service wages and high staff turnover; it also reflects a significant training need and overall capacity shortage. In particular, if the application of IFRS were to become compulsory in financial reporting of regulated entities, additional training would be needed for the supervision staff, as few have IFRS expertise at present.

65. **As the individual countries pass the required legislation and establish SRUs, it will be important to ensure that (a) such legislation provides the SRUs with sufficient authority to monitor compliance with legal and financial reporting requirements and (b) every effort is made to take into account lessons learned and challenges faced by other regulators, and find ways to address those in a timely manner.** It is however expected that skills and capacity issues will become particularly challenging for the SRUs, due to the specificity of their mandate and the specialization of the covered sectors.

66. **While SAIs are nominally responsible for the external audit of statutory bodies, in practice, this part of their mandate is almost never fulfilled.** Due to the existing time and capacity limitations, the SAIs normally delegate responsibilities for the external audit of the statutory bodies to private sector auditors. Another complication arises due to the fact that, unlike the rest of the government, statutory bodies normally use private sector accounting and financial reporting standards. As such, it becomes particularly difficult for the SAIs, which are used to deal with the government accounts and accounting standards, to provide any kind of meaningful oversight or assistance. As the Statutory Bodies represent a special type of corporate organization, lingering between the private and public sector, their effective supervision would

41 The Banking Supervision department of the ECCB has been instrumental in developing a comprehensive risk-based supervision model. This model is based on the input and analysis of a wide variety of risk factors and latest available information. The risk-based approach is complemented by a base-line requirement to have on-site supervision for all larger banks at least once every 12 months, and for all smaller banks at least once every 18 months.

require a special approach and close collaboration between the institutions and regulators otherwise independently responsible for these two sides of the OECS economy.

67. **Finally, it is important to mention the role of the Companies Registrars, which are supposed to serve as the main repositories of information (including financial information) in the individual countries.**⁴² While the existing legal system (the Companies Act) lays a very solid foundation to support this mandate, including a number of enforcement mechanisms, the Companies Registrars' ability to serve the general public effectively is sometimes hindered by two main factors:

- The Registrar's insufficient personnel significantly limits the follow-up activities that can be undertaken in case of non-compliance with requirements;
- The lack of awareness about (i) the legislative requirements on the part of the Companies, and (ii) about the available information.

While the issue of limited capacity represents an inherent obstacle that will be difficult to overcome, the general public level of awareness about the registrars' functions and requirements could be raised by conducting a focused public information campaign.

E.2 Compliance with Auditing Standards

68. **Enforcing auditing standards contributes to ensuring audit quality, which in turn can add credibility to published financial information and provide important protection for shareholders, investors, creditors and other stakeholders.** As such, it is critical to have a designated institution, which will be responsible for monitoring and enforcing compliance with auditing standards by the statutory auditors it supervises. In the OECS, ICAEC could potentially assume this role.

69. **One of the broad objectives included in the ICAEC Articles of Agreement states that it is expected to “regulate the etiquette, ethics, discipline, professional conduct and standards of its members and students of accountancy”.** This broad statement should be put into practice and extended to include the audit profession. The audit firms and individual auditors should be required to submit their annual returns to the ICAEC. The ICAEC should be provided with a range of adequate disciplinary measures which can be applied in cases of infractions, including the canceling of an auditor's license and removal of the audit firm or auditor from the official register.

70. **As the ICAEC grows and develops, it should put in place a centralized sub-regional program of quality control reviews of the auditors it supervises.** This program could be based on peer reviews of one audit firm by another or any other model that may be deemed adequate. As such, it would have to ensure that peer reviewers have sufficient incentives to perform their work in an adequate and timely manner. Given the resources limitation factor, it would be critical to calibrate the review mechanism in such a way, that while achieving its main objectives it does not put unbearable strain on the involved professionals. If the peer review system is chosen, the ICAEC could seek to learn from the OECD audit regulators who operate similar system such as in France and Germany. The quality review exercise could also be conducted with the participation of similar bodies from within the region (e.g. the Barbados Institute of Chartered Accountants). A key priority for the program would be to promote the general sense of

42 Given the small size of the individual states and respective economies, the role of the Companies Registrars as an easily available and accessible centralized information database becomes particularly important.

accountability among the local professionals, and to ensure that all registered auditors are inspected within a target period.

73. Once the quality control program is chosen and put in place, the format, work program and scope of the inspections/reviews should be standardized and, to the extent possible, aligned with the similar practices adopted by the other ICAC members. The outcomes of inspection visits must lead to appropriate action. Where significant deficiencies are found, licenses should be removed or suspended conditional on improvements and re-training. Where less significant deficiencies are found, ICAEC should develop a range of measures such as requiring targeted training, the adoption and application by the auditor of a standard audit methodology and other remedial action. Where such improvements are not confirmed by subsequent inspection, the auditor's license should be removed. Removal from the register of auditors who are not able to perform audits to the required standard, and the improvement in the standard of work of those that remain, will help improve quality—actual and perceived—over time, of statutory audits in the OECS.

III. ACCOUNTING AND AUDITING STANDARDS AS ADOPTED AND AS PRACTICED

74. **As already noted in Chapter II, the statutes do not always specify which accounting standards should be applied in the OECS.** As discussed in Para. 18, the Companies Acts in the individual jurisdictions are silent on the issue of which specific accounting standards apply, in favor of the traditional notion of “generally accepted accounting principles.” Only for public companies and banks are there explicit specifications of which accounting standards should be applied (see Table 1).

75. **ICAEC has not formally endorsed IFRS. As it gradually assumes its responsibilities, such an endorsement would be fully consistent with its mandate to “promote, foster and maintain the highest standards of accounting”** as noted in Para. 43.” Moreover, ICAEC’s affiliation with ICAC, the umbrella organization for the accounting profession for the whole English-speaking Caribbean, which is itself a member of IFAC (Para. 46), implies that ICAEC should “use [its] best endeavors to incorporate IFRS into [the] national accounting requirements (...).”⁴³

76. **Nonetheless, IFRS appears to be the *de facto* standard of reference, at least for public interest entities (e.g., banks and listed companies).** In the banking sector, the existence of ECCB-issued prudential rules do not appear to preclude these banks from applying IFRS, as evidenced by the fact that published banks’ financial statements are all IFRS-based.⁴⁴

77. **As regards auditing standards, ISA also appear to be the *de facto* benchmark in the OECS, including the ECCB requirement for the ISA to be applied for any audit of banking institutions.** ICAEC has the power to require observance of ISA by all its membership, which includes all licensed auditors. In addition, similarly the adoption of IFRS, the adoption of ISA is recommended practice for all IFAC members (SMO no. 3), which indirectly applies to ICAEC as an ICAC affiliate.

78. **Based on the evidence obtained by the ROSC team, IFRS seem to be reasonably well known and applied among the larger OECS business entities and audit firms.** As part of this ROSC, a review was conducted of nine sets of corporate financial statements of sizeable entities in a variety of sectors (banking, insurance, trading and development, infrastructure and utility). These financial statements were audited by either a Big 4 or “second tier” local firm. Even though the sample used for the review appears relatively small, because the companies reviewed are large and have a high corporate profile, the ROSC team is of the opinion that it can provide useful indications on current levels of use of IFRS in the Eastern Caribbean corporate sector.

⁴³ IFAC Statement of Membership Obligations (SMO) no. 7.

⁴⁴ The financial statements of East Caribbean Financial Holding Company, Eastern Caribbean Home Mortgage Bank, and St Kitts Nevis Anguilla National Bank as published on the ECSE’s website or on the respective company website, state that they conform to IFRS. In the case of the Bank of Nevis, the “Audited Financial Statements” as of June 30, 2007 make no mention of IFRS.

79. **The review did identify a number of departures from IFRS, however, mainly with regards to missing disclosures.** The identified disclosure problems related to (a) the incomplete description of methods used to account for revenue and for the valuation of various types of assets and liabilities; (b) missing details of key items of the financial statements or off-balance sheet commitments; and (c) the fact that the date of authorization of the financial statements was not provided for four of these sets of financials. These disclosures are essential to shed light on key aspects of the financial statements and to allow their intended users to use them effectively. Other issues involved the way certain sensitive and material items of the balance sheet were valued, such as property, plant and equipment and liabilities relating to employee benefits. The table below gives an indication of the extent and distribution of the problems identified within the sample of financial statements reviewed:⁴⁵

Company	Sector	Type of F/S	Date (MM/YY)	No. of issues	Disclosure matters	Other matters
A	Infrastructure	Legal entity	12/03	4	3	1
B	Infrastructure	Consolidated	03/06	3	2	1
C	Trading	Legal entity	01/07	7	3	4
D	Utility	Legal entity	12/06	2	1	1
E	NBFI	Legal entity	12/07	2	2	-
F	Insurance	Consolidated	6/06	5	2	3
G	Insurance	Legal entity	12/06	1	1	-
H	Banking	Consolidated	12/06	1	1	-
I	Banking	Consolidated	6/07	10	10	-

80. **There are indications that in some cases financial statements are prepared by the auditors rather than by the companies themselves.** This practice is not uncommon in countries where relatively few accountants in business (i.e. not in public practice) are well versed in the use of IFRS. In the case of the OECS, this could also be explained by the fact that transitioning to the IFRS is still an ongoing process. As such, many accountants employed by the companies are still learning how to deal with the new requirements, often with the help of the auditors. However, having the auditors prepare the financial statements does tend to limit the company's concerns for the quality of its financial statements and leads to a lower level of assurance on the quality of these statements, since the auditor prepares rather than reviews them.

81. **Three of the reviewed audit reports omitted important information pertaining to the audit process and content of the examined financial statements, pointing to the need for more rigorous application of the ISAs stipulating the form and content of the auditor's report.** In one case, the report was issued more than 18 months after the date of the financial statements. Such an unusually long time span should have been explained, especially since the reporting entity recorded significant losses for both reporting periods with no explanation being provided in the notes. In another case, the audit opinion was qualified due to the failure to depreciate some property and the failure to recognize deferred taxes, but the corresponding effect was not mentioned in the audit report. Finally, in the third case, the text of the audit report omitted references to (i) the statement of changes in equity (in the scope paragraph); (ii) significant accounting policies and notes; (iii) management's responsibility with regard to the financial statements; and (iv) ethical and planning requirements and internal control work, all of

45 The review also noted that two of the audit reports had a qualified opinion, which is cause for concern since qualified opinions mean that the auditors are unable to conclude that the financial statements are free of material error or irregularity.

which are required by ISA 700, *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements*. Additionally, in this last case, the audit report mentioned work done on certain supplementary information but did not give any kind of assurance on that information.

IV. PERCEPTIONS ON THE QUALITY OF FINANCIAL REPORTING

82. **There is a general perception that statutory financial statements prepared in the OECS vary significantly in quality.** There is a perception that the financial statements purporting to comply with IFRS prepared by banks and voluntarily by certain other large companies are more reliable and of higher quality, though even banks struggle to apply certain standards, such as IAS 39, accurately. The market attributes the higher perceived quality of the financial statements to the closer monitoring and enforcement from the ECCB, the banks' and larger companies' ability to attract professionals with a better understanding of IFRS, and the fact that virtually all main banks and large companies are audited by local member firms of international audit firm networks. On the other hand, the market attributes the poorer perceived quality of statutory financial statements prepared by the medium and small companies to the limited demand for financial information from third parties, dominance of tax reporting in the absence of other demand, limited or no enforcement of quality by the appropriate authorities, and limited capacity due to the general lack of human resources and limited training opportunities.

83. **In general, commercial banks rarely rely on the financial statements presented by potential borrowers in determining whether to extend credit.** There is a perception among the banks that, with the exception of financial statements purporting to comply with IFRS audited by international audit firms, the financial statements of companies in the OECS are of a low quality and do not provide a sufficient basis for assessing the financial position of a potential borrower. Although entities are often required to submit their financial statements as part of the loan application process, banks base their lending decisions on other factors including the amount of collateral, business forecasts and site visits.

84. **Auditors' reports issued by the local audit firms have less perceived value, as compared to the audit reports issued by the local branches of international firms, because there is a strong perception that such audit reports are prepared by auditors with lesser experience and qualifications, and without proper compliance with appropriate auditing standards.** This view was held by various regulators, commercial banks, educators, accountants, and even some auditors themselves. As discussed in Section II.E, the ineffectiveness of the existing quality control and enforcement mechanisms contributes to the problem.

V. RECOMMENDATIONS

85. The principal objective of this ROSC assessment is to assist the regional and country authorities and other stakeholders to strengthen the financial and non-financial sectors' accounting, financial reporting and auditing practices. This assessment supports several relevant strategic objectives for the OECS as follows:

- Enhancing the business climate, as a means of contributing to improved growth and competitiveness, and bolstering domestic and foreign direct and portfolio investment in the private sector;
- Promoting the OECS's regionalization agenda, by strengthening the sub-regional regulatory and professional bodies, pooling scarce resources, and harmonizing the normative and legal frameworks in the area of financial reporting, accounting and auditing;
- Encouraging greater transparency in both State and privately-owned enterprises, thus allowing shareholders and the public at large to assess management performance and influence their behavior;
- Facilitating SME access to credit by encouraging a shift from collateral-based lending decisions to lending based on the financial performance of the prospective borrower, thereby supporting growth in the SME sector; and
- Helping to ensure that the financial reporting and auditing rules applicable to different types and sizes of entity are appropriate to the needs of those entities and the users of their financial statements.

Without attempting to provide a detailed tactical design for reforms, this report sketches the policy recommendations to support the implementation of accounting reform and ultimately enhance the quality of corporate financial reporting.

86. The policy recommendations outlined in this report are based on the assumption that the countries' long-term objectives include continuing sub-regional integration, upgrading and modernization of the accounting and auditing professions, and developing a business environment conducive to preparation of transparent financial information compliant with international standards. Achievement of these objectives should be supported by the implementation of a carefully designed strategy, taking into account the OECS-specific circumstances and following *the three key guiding principles of regionalization, simplification and leveraging of the limited supply of human and financial resources.*

87. This ROSC provides a set of holistic and mutually supportive recommendations, collectively designed to improve the financial reporting environment in the OECS. While majority of such recommendations draws on the initiatives and proposals already approved or considered by the OECS governments, they should not be enacted without giving adequate regard to the OECS countries' ability to carry out proposed actions, especially in view of the constrained capacity of limited human resources, which is the single, most important constraint influencing the decision-making process in the sub-region. A relatively lenient rule that is robustly and consistently enforced is preferable to a good, rigorous one that is unenforceable. The policy recommendations below, while challenging, can be carried out in the short-to medium-term and are conducive to OECS's long-term objectives. They fall into three key areas:

- **Harmonization of the sub-regional statutory framework** – these recommendations address relevant Acts, the normative basis supporting those Acts and measures to assist implementation of each Act, in turn (Para. 90-99);
- **Institutional Strengthening** (Para. 100-109); and
- **Training and capacity development** for the accounting and auditing profession (Para. 110-111).

88. To carry the planned program forward, the OECS countries should establish a **Multidisciplinary Steering Committee (MSC) to champion and coordinate the accounting and auditing reforms**. The MSC should advise policymakers and regulators regarding the implementation of the recommendations. Based on the successful experience of other countries, this report recommends that the MSC develop a Regional Strategy and a detailed Action Plan, which clearly set out the key actions and allocates responsibilities for implementing the necessary reforms. Since certain important data related to individual and institutional capacity within the accounting and auditing profession (e.g. exact number of qualified practicing public accountants) was not deemed to be available within the OECS during the preparation of this report, this data should be gathered, analyzed and taken in consideration during the preparation of the Action Plan. This effort should be driven by the countries themselves, as part of their effort to assume ownership of the reform effort. The final Plan should include an itemized budget, indicating the resources necessary for successful implementation; and, the government, external stakeholders and development partners should work together to secure the needed financial resources so as to achieve the common goal of enhancing the quality and availability of financial information in the OECS.

89. **Donors support remains important for the sub-regional development agenda.** A few major donors have active and diversified programs in the OECS countries, affecting a number of areas, directly or indirectly related to the subject of this study. Such support could be very important for the successful implementation of the recommendations proposed in this report, especially in the areas of institutional strengthening, capacity building, training and professional development. To maximize its potential impact, various donors should be working together from the inception of the program, to the extent possible coordinating and aligning their individual projects and initiatives. Specific cases which would allow for such coordination are discussed in the following sections.

V A. Statutory and Legal Framework

90. In the past few years, the OECS legal framework has been significantly updated, including the introduction of harmonized Banking Acts and Securities Acts. However, the reform is not complete without a finished harmonized Insurance Acts and Co-operative Societies Acts. In addition, some amendments to the existing legislation are needed if the statutory framework for accounting and auditing is to conform to international best practice. Accordingly, this report recommends that the MSC take the lead in working with the countries parliaments and key regulatory institutions to pass amendments to the various Acts and regulations, as appropriate.

91. While in general the new harmonized Banking Acts provide a comprehensive legal framework, supporting operations of banking institutions, this report recommends the following amendments to be introduced to the Act:

- Require the banking institutions to use IFRS in preparing their periodic financial information.⁴⁶ As this requirement is being introduced, supporting regulations and instructions issued by the ECCB should be reviewed to ensure their consistency with IFRS. Whenever necessary, additional instructions should be prepared and published to assist banking institutions during the transition process.
- Clearly define in which cases banking institutions are required to prepare and submit to the ECCB both consolidated *and* stand-alone financial statements.

92. The ECSRC should continue its efforts to support the implementation of financial reporting requirements introduced by the new Securities Acts:

- In addition to already existing rules and regulations, the ECSRC should prepare and publish updated regulations and rules focused on the application of IFRS and preparation of the required disclosures (e.g., related-parties disclosures). The ECSRC could consider creating a joint working group with the ECCB and ECSE, when preparing these guidelines. It could use as a starting point similar guidelines already published by other regional and international regulators.
- The rules and regulations issued by the ECSRC should be explicitly amended to require the auditors of the public companies to use IAS while performing audit work.
- The ECSRC should prepare and publish guidelines for the external auditing of public companies, similar to the ones issued by the ECCB for banking institutions. These Guidelines could address such areas as: selection and hiring of external auditors, auditor independence and suitability, auditor rotation and liability, and reportable transactions and conditions.

93. The Companies Acts should be amended to:

- Update the procedures governing auditors' appointment, selection, dismissal and resignation as defined by the best international practices.
- Clarify the extent of the auditor's potential liability in the event of malpractice or negligence. In this clarification, it should be made clear that the auditor's main liability is to the company's shareholders, not to the management of the company.
- Require that auditors hold professional indemnity insurance sufficient to meet a reasonable level of potential claims arising from their work.

94. While the Insurance and Co-operative Societies Acts regulating the NBFIs are currently being drafted or finalized, it is important to ensure that they:

- Require that internationally acceptable accounting and financial reporting (full IFRS or IFRS for SMEs) standards be followed by the preparers of the financial information.
- Require all NBFIs to have their financial statements audited by statutory auditors in accordance with ISA.
- Require all NBFIs to make their audited financial statements publicly available in a timely manner.
- Put in place basic provisions regarding the selection, hiring, rotation and dismissal of external auditors.

⁴⁶ Strictly speaking, this requirement is already in place, as it was introduced in the Corporate Governance Guidelines, issued by the ECCB in 2005. Thus, this recommendation is just 'formalizing' something that is already happening.

- Include legal provision formally establishing competence and probity requirements for owners and directors (including finance directors and chief accountants) for NBFIs (commonly referred to as “fit and proper”).⁴⁷
- Ensure that the legal constitution of NBFIs gives representation to and protects major stakeholders (i.e., depositors or pension contributors).

95. Once these Acts are introduced, their implementation should be aided by development and publication of the supporting methodologies, rules and regulations.

Particular attention should be paid to the following areas:

- Content of periodic accounting and financial reports, including required disclosures and benchmark criteria to be included in quarterly and annual financial statements.
- Methodological guidance with regard to the application of IAS/IFRS and preparation of the required disclosures (e.g., related-parties disclosures).
- Minimum compliance requirements for NBFIs (covering adequacy of books and records, completeness of financial statements and regulatory returns [including notes to the same], provision of an auditor’s report, compliance with regulations regarding investment portfolio management, deposit, investment and capital analysis, etc.).
- Prudential reporting and application of prudential standards (whenever applicable).
- Selection and pre-approval of NBFI auditors. In this regard it could be useful to prepare and publish guidelines for the external auditing of NBFIs, similar to the ones issued by the ECCB for banking institutions. These Guidelines could address such areas as: selection and hiring of external auditors, auditor independence and suitability, auditor rotation and liability, and reportable transactions and conditions.⁴⁸
- Practical application of the ‘fit and proper’ requirements.

96. The parliamentary acts regulating Statutory Bodies should be amended, whenever necessary, to specify the applicable accounting standards to be used by them in preparing their financial reports, and the auditing standards to be used by external auditors while conducting the audit. Eventual adoption of full IFRS should be an ultimate goal of this reform. If a private sector audit firm is hired to conduct the external audit of a statutory body:

- The SAI of the respective country should participate in the selection process;
- Upon the completion of the audit process, the audit report along with the management letters should be submitted to the SAI.

97. ICAEC rules should be amended to explicitly address the following issues:

- Specify membership and practice licensing requirements, in parts related to the professional qualification, examination and education criteria. Exempt current members

47 “Fitness” requires that a person appointed as a Director or Manager have the necessary qualifications, skills and experience to perform the duties of that position. “Probity” requires that a person be honest, fair and ethical. As the owners and directors are taking custody of other peoples’ savings and pension funds it is reasonable to expect that they be required to demonstrate that they meet these requirements.

48 The Regulator should consider establishing legal criteria that require auditors of NBFIs to make specific reporting statements concerning:

- a) a report on specific regulatory reporting matters (e.g., completeness of records and returns, and adequacy of capital) based on objective criteria.
 - b) a report on the existence and operation of a system of internal control and asset segregation (between business assets and stakeholders funds and assets).
 - c) Make direct report to the Regulator when they believe the interests of depositors or contributors are at risk, or if they feel the owners or managers of the NBFI are in breach of legal requirements or duties.
-

of the major internationally recognized bodies (e.g. ACCA, CPA, CGA) from some or all of these requirements.

- Separate the audit function from any other services that may be provided to a client by firms that conduct audits.
- Require the practicing auditors to prepare and submit to the ICAEC an annual report and disclosures (including disclosure of statutory audit fees and non-audit services fees).

98. **Small and medium-sized enterprises (SMEs) should be required to follow accounting requirements appropriate to their size and scope of operations, as is envisaged by the IASB's SME international financial reporting standards, recently issued as an exposure draft.** The ICAEC should eventually take a responsibility for the adaptation of these standards to the needs of the local market, their dissemination and the training of practitioners. In doing so, it should join forces with the other sub-regional institutions, members of the ICAC.

99. **If and when the Regulatory Oversight Committee, referred to in paragraph 29, is established, the participating bodies should prepare and sign a Memorandum of Understanding,** clarifying their roles and responsibilities with regards to the oversight, monitoring and enforcement of the financial and regulatory reporting requirements, as specified by a variety of regional Acts.

V B. Institutional Strengthening

100. **All the regulators and institutions responsible for the financial reporting process—including the ECCB, ECSRC, ICAEC and the nascent SRUs—face increasing challenges as the demand for high quality financial reporting grows and requirements for accounting and auditing become more sophisticated.** There is a consistent need for institutional and capacity-building measures at each institution. As a starting point, this report recommends that each institution, if it has not already done so, develop a long-term business plan setting out the revenues and resources required to carry out its responsibilities and options for ways to fulfill these needs. The plans are likely to require the implementation of a coordinated capacity-building program, including staff internships in leading regional and international professional associations and regulators, as well as the recruitment of personnel with appropriate accounting and auditing qualifications and experience. The funding required for this should where possible be covered through subscription/registration fees from regulated entities, charged to reflect the entities' size and profitability. However, it is likely that additional financial assistance will be needed, possibly from development partners.

101. **The ECCB, which has firmly established itself as a flagship of innovation and change in the area of accounting and financial reporting, could assume an even broader coordinating role as the new regulatory structures (SRUs) are established and the Regulatory Oversight Committee is set up.** While the ECCB is able to attract and retain some of the best and brightest professionals in the OECS, it nevertheless is not immune to the limited capacity issue. As its mandate broadens, and as the sub-regional banking industry gradually moves toward full adoption of IFRS, the ECCB will need to make sure that it has sufficient staff, capacity and resources to enable it to adequately address new challenges and needs.

102. **The ECSRC has done a commendable job, providing the registrants with needed instructions and guidance. While it should continue its work in this direction, it should also focus on strengthening its supervision function, whenever possible by relying on and sharing tools and methodologies already developed by the ECCB.**

- The ECSRC should develop and implement a risk-assessment system and adopt a risk-based supervision process. This will enable the ECSRC to focus its limited resources on those areas where the effect of its effort will be greatest, such as economically significant or listed companies.
- Introduction of a risk-based system should be accompanied by the shift of oversight work away from being primarily focused on enforcing the timeliness of filings and revealing inconsistencies between narrative and numerical information. Greater emphasis should be placed on the monitoring of statements' compliance with the relevant accounting framework.
- Reform of the oversight system and extension of the ECSRC role would require additional resources and skills. Hopefully, the ECSRC could benefit from its closeness to the ECCB (in terms of both physical proximity and their shared interest in financial sector stability). The two organizations could consider leveraging their scarce human resources through the creation of joint task forces, and sharing of methodologies and know-how. The ECSRC personnel could also benefit from study tours and secondments to similar institutions within or outside of the region. However, to address the capacity gap fully, additional external help may be required.

103. **Recommendations provided to the ECSRC in paragraph 102 could be extended to the ECSE.** In addition, the ECSE should consider gradually streamlining its rules, regulations and operating policies with those of the other stock exchanges acting in the sub-regions. The Caribbean Exchange Network, connecting the exchanges of Barbados, Jamaica and Trinidad & Tobago, has been launched in April 2008. One of the options for the ECSE would be to join this Network.

104. **As the SRUs regulating the NBFIs are established, their true empowerment, in terms of both regulatory and oversight functions, becomes pivotal for the overall success of Non-Banking Financial Sector reform.** While putting such units in place, respective governments should take into consideration lessons learned and challenges faced by other regulators. It is, however, expected that lack of the adequate skills and capacity will become one main issue facing new regulatory bodies, due to the specificity of their mandate and the breadth and specialization of the covered sectors.

105. **While making decisions with regard to the required staffing and resources, the respective governments should keep in mind that, to become effective regulators, the SRUs should be able to fulfil at least the following functions:**

- Provide methodological recommendations and guidance with regard to financial and prudential reporting requirements;
- Review submitted information and conduct necessary follow-up, including enforcement actions, whenever necessary;
- Maintain a registry of the reporting NBFIs;
- Maintain compliance with the 'fit and proper' requirements among the registrants;
- Pre-approve external auditors;
- Provide *ad hoc* assistance whenever necessary.

106. **As can be seen, the challenges facing the newly established SRUs are plenty. To overcome them, the OECS countries would need to mobilize all available resources, including external help and technical assistance.** CARTAC is perhaps one of the better positioned regional players to provide needed support. Funded by a number of regional donors, it has needed in-house expertise and access to an international network of experts, which enables it

to become a sub-regional centre for knowledge sharing and training coordination in the area of non-banking financial services. It already has started preparing a series of training modules in the area of insurance and, with the help of other donors, could potentially scale it up to address additional needs. Last, but not least, the new bodies could significantly benefit from an awareness campaign to explain their role and significance to the registrants and the general public.

107. The ICAEC should work with the sub-regional governments, donors, (e.g. World Bank, CIDA and the EU), and regulatory bodies to be able to fulfil adequately its mandate: to regulate, oversee and support the accounting and auditing profession. The long-term objective of the ICAEC should eventually be to become a sub-regional center of excellence in the area of accounting and auditing, providing an opportunity for OECS-wide knowledge-sharing and training. One indispensable issue, which has to be addressed prior to any further actions being undertaken in this direction, is the establishment of a permanent office, with at least two or three full-time staff, which would be responsible for the day-to-day administration of the ICAEC activities. In addition, two OECS countries, which still have not officially joined the ICAEC (Grenada and St. Vincent and the Grenadines), should pass needed legislation as soon as possible.

108. Once the office space and basic staffing needs are addressed, and provided that the adequate technical assistance and financial support are made available by the governments and donors, the ICAEC should focus on advancing its agenda in the following areas:

- Effectively implementing the membership and licensing requirements, especially with regard to the local practitioners, who are non-members of any other international organizations;
 - Whenever necessary, set the requirements for the accounting and auditing standards to be used by the local practitioners. This would be particularly important for the non-specialized sectors, which are not covered by other Acts and regulations dealing with the financial reporting and accounting requirements (e.g. SMEs).
 - Develop general and sector-specific auditing guidance fully compliant with current ISA. As a starting point the IFAC Guide to Using International Standards on Auditing in the Audits of Small- and Medium-sized Entities should be adopted and introduced to the local practitioners. To achieve better results, the ICAEC could act in coordination with the major regulators (ECCB, ECSRC, SRUs) and practitioners.
 - Adopt and explicitly require its members to follow international ethical standards, the “Ethics Code”, introduced by the International Ethics Standards Board for Accountants (IESBA) of IFAC.
 - Design and introduce a comprehensive quality assurance system for audit; all statutory auditors and audit firms should be subjected to the quality assurance procedures within a defined timeframe. The procedures should be standardized and align to the extent possible with the similar practices adopted by the other ICAC members, to ensure consistency of the visit outcomes. The results of a quality assurance review should be instrumental in the ICAEC’s decision as to whether or not to continue the licensing of a given audit firm, or issue a license subject to restrictions or conditions.
 - Establish an effective system of investigations, conflict resolution and sanctions for potentially serious misconduct relating to statutory audit. Serious disciplinary measures taken or sanctions imposed on statutory auditors and audit firms should be appropriately disclosed to the public.
 - Develop and implement a comprehensive training and CPD program, covering the needs of the local professionals.
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- While designing and implementing its overall development strategy, the ICAEC should work in close coordination with the other regional professional bodies and ICAC, seeking maximum possible harmonization and resource sharing.

109. **While the Institutional Strengthening component proposes a significant number of actions, its objectives can largely be accomplished within existing human resources and budgetary constraints**, as in many cases their implementation is based on the consolidation, reorganization and optimization of already existing structures and resources. This statement is particularly true with regards to the already functioning institutions, such as the ECCB, ECSRC and the ECSE. While the establishment/strengthening of the SRUs and especially the ICAEC will be more challenging, and would require additional efforts, this too could be overcome if supported with the adequate technical and financial help. The sub-regional donors should play a special role in the process, by working together and providing a coordinated assistance to jump-start and support the planned institutional strengthening program.

V C. Training and Capacity Development of the Accounting and Auditing Profession

110. **In parallel to improving the statutory and institutional framework, there is a strong need for the continuous training and development of the accounting and auditing profession.** The genuine understanding and adoption of international accounting, financial reporting, and auditing standards requires relevant education and training for financial statement preparers, auditors and regulators. In this regard, it is essential to enhance the capacity of existing accountants as well as to ensure the capacity of future accountants. This is particularly important for the practitioners employed by the local firms, which do not have support offered by the extensive international network, and can only rely on what the local market has to offer. Measures should include:

- Implementing CPD programs and general training courses for practicing accountants. Preparers of financial statements in the OECS companies should be encouraged to improve their understanding of international accounting and auditing standards and the key principles of their application within the existing financial reporting framework. It is important to make sure that offered courses will be tailored to the needs of OECS companies. In many companies, especially the SMEs, much of the finer detail of IFRS will be irrelevant, so the topics for the courses should be carefully chosen.

One way to address this need at the entry level, would be by adding a bookkeepers course to the curriculum of the existing vocational training centers, such as the National Skills Development Centre in St. Lucia. Another option is to outsource preparation and delivery of training courses to well-established international organizations active in this area. Whichever option is chosen, long-term sustainability of the proposed solution should be a critical decision-making factor.

- Designing and delivering of specialized courses for the identified target groups: the banking sector, NBFIs, Statutory Bodies and SMEs. Special training courses should be also prepared for regulators. While designing such courses, it is important to make sure that they count toward the CPD requirements.
- Key operational staff from the regulatory and supervisory agencies should be seconded to similar agencies abroad for on-the-job training on best international practices regarding monitoring and supervision in the regulators' respective areas, as well as IFRS.

111. **The Regional Technical Assistance and Development Centers, such as CARTAC and CARICAD, should play a special role in design and implementation of the professional training and development program.** These organizations already play a very special role in the

sub-regional development, due to the close proximity to the client countries (both are located in Barbados), the regional donors support, and most importantly, the qualified experienced international personnel they have been able to hire. As such, their help and buy-in could be extremely important. While they already offer some courses in the area of accounting and auditing, and are preparing the new ones, their involvement and impact on the capacity building agenda would be brought to a different level, if, working in close coordination with the ECCB, ECSRC, ICAEC and ICAC, they would develop and adopt a comprehensive, long-term strategy, supporting their training and professional development programs. In turn, the regional donors, should continue rallying behind these organizations, providing them with necessary support and resources.

Annex 1: Status of the Single Regulatory Units (SRUs) in the OECS countries

VI. ANNEX

Country	Antigua and Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines
Legislation	Current legislation has been passed in the early 2000, but it needs to be updated to provide the unit with a comprehensive mandate.	Act establishing the mandate of the Financial Services unit is currently in draft. Expected to be passed by the Parliament in 2008.	Act establishing the Grenada Authority for the Regulation of Financial Institutions (GARFIN) was passed in March 2008. GARFIN is responsible for the regulation and supervision over the entire non-banking financial sector, including off-shore operations. GARFIN is managed by the board of directors and the Chairman, who is appointed by the Minister of Finance.	Government plans to prepare and pass the regulation in the next 12 months.	Preparing to pass legislation based on Grenada model.	Legislation has not been passed yet. Probably will be looked at in 2008-2009.
SRU status	Financial Regulatory Commission is up and running, however, some of the functions are still being performed by the departments within the MoF. Transition is expected to be completed in 2008.	Financial Services Unit (FSU) is up and running. It is currently located within the Ministry of Agriculture.	Unit has been established since 2007. It is still not fully staffed, but is operational.	Unit is yet to be established. Currently the supervision and oversight of the NBFIs are conducted by various departments within the Ministry of Finance.	Unit is yet to be established. Currently the supervision and oversight of the NBFIs are conducted by the Financial Services Supervision Unit and Department of Cooperatives and Credit Unions within the MoF.	Unit is yet to be established. Currently the supervision and oversight of the NBFIs are conducted by the Supervisory & Regulation Division in the MoF.
Key Challenges	<ul style="list-style-type: none">• Outdated legislation (updated acts are being prepared)• Capacity constraints and lack of clarity on what skills are actually available• Some resistance on part of the previously existing institutions.	<ul style="list-style-type: none">• Outdated legislation (updated acts are being prepared)• Capacity constraints, difficulties in finding expertise in such areas as insurance and other non-banking financial services• Lack of awareness with regard to the FSU mandate and requirements among the business community	<ul style="list-style-type: none">• Outdated legislation (updated acts are being prepared)• Capacity constraints, difficulties in finding expertise in such areas as insurance and other non-banking financial services	<ul style="list-style-type: none">• Outdated legislation (updated acts are being prepared)• Capacity constraints, difficulties in finding expertise in such areas as insurance and other non-banking financial services	<ul style="list-style-type: none">• Outdated legislation (updated acts are being prepared)• Relatively strong Insurance regulator, including one foreign consultant, but still would benefit from capacity building.	<ul style="list-style-type: none">• Outdated legislation (updated acts are being prepared)• Capacity constraints, difficulties in finding expertise in such areas as insurance and other non-banking financial services

MAP SECTION

THE CARIBBEAN AREA ORGANIZATION OF EASTERN CARIBBEAN STATES

