
**FRAMEWORK FOR THE EXTERNAL AUDITOR'S
ANNUAL PERFORMANCE ASSESSMENT**



*Prepared by the Internal Audit Department
27 March 2020*

**EASTERN CARIBBEAN CENTRAL BANK
ST KITTS**

FRAMEWORK FOR THE EXTERNAL AUDITOR'S ANNUAL PERFORMANCE ASSESSMENT

1.0 APPROACH

The proposed approach and tool for the assessment, which will guide the process, was based on research and review of samples disseminated by chartered accountant institutes and audit committee centers associated with global first tier audit firms¹.

The approach reflects the following key steps:

1. ***Obtain input/feedback from key Bank personnel*** – The following key Bank personnel who interact with the external auditors will complete an Assessment (Appendix I to IV) designed to obtain specific information which will aid the BARC in its assessment.
 - a. Deputy Governor
 - b. Director Accounting Department
 - c. Director Management Information Systems Department
 - d. Director Internal Audit Department

2. ***Obtain input/feedback from the External Auditor*** – The External Auditor will be asked to complete an Assessment (Appendix V) designed to obtain specific information required by the BARC to aid in the Assessment.

3. ***Assessment by the BARC*** - The BARC members will be provided an Assessment tool (Appendix VI) with areas to consider which will help with the assessment. In addition, the input obtained from the key Bank personnel and KPMG would also be provided to the BARC members to assist in the process. Following review of the input from the key personnel and KPMG, the BARC members will complete their assessment and prepare for discussion and decision.

¹ Source: Chartered Professional Accountants (CPA) of Canada and KPMG – Evaluation of External Auditors.

4. *Conclusion on comprehensive assessment* – The BARC members will submit their completed assessments to the IAD for compilation. A summary report will be submitted to the BARC, which will assist with the discussion and subsequent decision. The BARC is ultimately responsible for the annual review of the external auditor’s performance, which should be undertaken between the period July and September of each year.

2.0 METHODOLOGY

The framework would provide for assessment of the firm in five categories, which are considered as critical considerations in the evaluation of the performance of an audit firm. These are listed below:

- a. Independence, objectivity and professional skepticism
- b. Quality of the engagement team
- c. Quality of communications and interactions with the external auditor
- d. Quality of service
- e. Technical competence of the firm

Information points related to each category above would be crafted and assigned ratings using a scale of 1 (low) to 10 (high). In the event that an assessor does not have a view on a particular information point being examined a n/a (not applicable) should be reflected. For any ratings of 7 and below, the assessor would be asked to provide reasons for the rating in the comments section of the Evaluation form. The request for details to corroborate the ratings of 7 and below is significant as this should provide information on areas to be improved.

The results of the assessment will be evaluated and a report drafted. The report should clearly articulate the improvement areas to be communicated to the external auditors. Subsequent to discussion and approval of the report by the BARC, the Bank should communicate any performance improvement requirements to the external auditors.

FEBRUARY 2020

External Auditor Comprehensive Assessment

DEPUTY GOVERNOR

In keeping with the requirements of the Bank’s Policy and Procedures for the Engagement of External Auditors, an annual review of the external auditor is being conducted. The results of this Assessment will help Board Audit and Risk Committee (BARC) identify potential areas for improvement by the audit firm.

To assist the Bank’s BARC with the Assessment, kindly provide your input in the Questionnaire below. The Questionnaire takes about thirty (30) minutes to complete and should be completed in the following manner:

1. Using a scale of 1 (low) to 10 (high), complete each question by placing your rating/score in the box beside the question.
2. N/A can be used where you do not have a view on the matter in question.
3. There is a space provided for comments beside each question. We encourage you to provide comments for each rating as your comments will improve the quality of the review. However, in instances where your rating falls below seven (7), you are kindly asked to provide the reasons for your rating.

A. Quality of Service

	Rating	N/A	Comments
1. The external auditor is proactive in identifying information requirements and timely in requesting information from management.	()	()	
2. The external auditor is effective in completing the audit on a timely basis.	()	()	
3. The external auditor keeps management informed about the progress of the audit and difficulties encountered.	()	()	
4. The engagement team maintained a respectful and professional attitude during the audit.	()	()	

B. Quality of Engagement Team

	Rating	N/A	Comments
1. Audit team members have appropriate qualifications for their roles.	()	()	
2. Audit team members have sufficient industry experience for their roles.	()	()	
3. Audit team members understand our business and its issues.	()	()	
4. Audit team members are proactive in their approach.	()	()	
5. Audit team members are consistent in their approach to matters.	()	()	
6. The engagement partner's and other senior personnel's involvement in the audit is appropriate.	()	()	
7. During the audit, the external auditor met the agreed-upon performance criteria, such as the engagement letter and audit scope.	()	()	
8. The external auditor is proactive in identifying opportunities and risks, for example, by anticipating and providing insights and approaches for potential business issues and improving internal controls.	()	()	

C. Communication and Interaction with the External Auditor

	Rating	N/A	Comments
1. Issues are discussed on a timely basis.	()	()	
2. Communications accurately detail the issues encountered during the audit and their resolution.	()	()	
3. The external auditor is proactive in identifying and advising the	()	()	

	Rating	N/A	Comments
management about new developments regarding risk management, corporate governance, financial accounting and related risks and controls on a timely basis.			
4. The audit team seek feedback on the quality and effectiveness of the audit.	()	()	
5. The external auditor communicates about matters affecting the firm or its reputation, for example, by advising management on significant matters pertaining to the firm while respecting the confidentiality of other clients' information and by complying with professional standards and legal requirements.	()	()	
6. The dialogue between the engagement partner and management is candid and complete. The engagement partner explained accounting and auditing issues adequately.	()	()	

D. Technical Expertise

	Rating	N/A	Comments
1. Audit team members have sufficient technical experience for their roles.	()	()	
2. The audit team responds to technical questions with a definitive answer within an agreed time frame.	()	()	
3. The audit team's advice reflects our industry considerations in an appropriate manner.	()	()	
4. The audit firm provide appropriate technical support through seminars and publications.	()	()	

5. The audit firm has access to technical expertise to conduct complex assignments such as valuation of securities and IFRS 9.	()	()	
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E. Independence, Objectivity and Professional Skepticism

	Rating	N/A	Comments
1. The external auditor demonstrates integrity, objectivity and professional skepticism, for example, by maintaining a respectful but questioning approach throughout the audit.	()	()	
2. The external auditor is forthright in dealing with difficult situations, for example, by proactively identifying, communicating and resolving technical issues.	()	()	
3. The relationship between the external auditor and entity personnel is appropriate and does not affect the external auditor's independence, objectivity or professional skepticism.	()	()	
4. The external auditor demonstrates independence by proactively discussing independence matters and reporting exceptions to its compliance with independence requirements.	()	()	

External Auditor Comprehensive Assessment

DIRECTOR ACCOUNTING DEPARTMENT

In keeping with the requirements of the Bank's Policy and Procedures for the Engagement of External Auditors, an annual review of the external auditor is being conducted. The results of this Assessment will help Board Audit and Risk Committee (BARC) identify potential areas for improvement by the audit firm.

To assist the Bank's BARC with the Assessment, kindly provide your input in the Questionnaire below. The Questionnaire takes about thirty (30) minutes to complete and should be completed in the following manner:

1. Using a scale of 1 (low) to 10 (high), complete each question by placing your rating/score in the box beside the question.
2. N/A can be used where you do not have a view on the matter in question.
3. There is a space provided for comments beside each question. We encourage you to provide comments for each rating as your comments will improve the quality of the review. However, in instances where your rating falls below seven (7), you are kindly asked to provide the reasons for your rating.

A. Quality of Service

	Rating	N/A	Comments
1. The external auditor is proactive in identifying information requirements and timely in requesting information from management.	()	()	
2. The external auditor is effective in completing the audit on a timely basis.	()	()	
3. The external auditor keeps management informed about the progress of the audit and difficulties encountered.	()	()	
4. The engagement team maintained a respectful and professional attitude during the audit.	()	()	

B. Quality of Engagement Team

	Rating	N/A	Comments
1. Audit team members have appropriate qualifications for their roles.	()	()	
2. Audit team members have sufficient industry experience for their roles.	()	()	
3. Audit team members understand our business and its issues.	()	()	
4. Audit team members are proactive in their approach.	()	()	
5. Audit team members are consistent in their approach to matters.	()	()	
6. The engagement partner's and other senior personnel's involvement in the audit is appropriate.	()	()	
7. During the audit, the external auditor met the agreed- upon performance criteria, such as the engagement letter and audit scope.	()	()	
8. The external auditor is proactive in identifying opportunities and risks, for example, by anticipating and providing insights and approaches for potential business issues and improving internal controls.	()	()	

C. Communication and Interaction with the External Auditor

	Rating	N/A	Comments
1. Issues are discussed on a timely basis.	()	()	
2. Communications accurately detail the issues encountered during the audit and their resolution.	()	()	

	Rating	N/A	Comments
3. The external auditor is proactive in identifying and advising the management about new developments regarding risk management, corporate governance, financial accounting and related risks and controls on a timely basis.	()	()	
4. The audit team seek feedback on the quality and effectiveness of the audit.	()	()	
5. The external auditor communicates about matters affecting the firm or its reputation, for example, by advising management on significant matters pertaining to the firm while respecting the confidentiality of other clients' information and by complying with professional standards and legal requirements.	()	()	
6. The dialogue between the engagement partner and management is candid and complete. The engagement partner explained accounting and auditing issues adequately.	()	()	

D. Technical Expertise

	Rating	N/A	Comments
1. Audit team members have sufficient technical experience for their roles.	()	()	
2. The audit team responds to technical questions with a definitive answer within an agreed time frame.	()	()	
3. The audit team's advice reflects our industry considerations in an appropriate manner.	()	()	
4. The audit firm provide appropriate technical support through seminars and publications.	()	()	

5. The audit firm has access to technical expertise to conduct complex assignments such as valuation of securities and IFRS 9.	()	()	
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E. Independence, Objectivity and Professional Skepticism

	Rating	N/A	Comments
1. The external auditor demonstrates integrity, objectivity and professional skepticism, for example, by maintaining a respectful but questioning approach throughout the audit.	()	()	
2. The external auditor is forthright in dealing with difficult situations, for example, by proactively identifying, communicating and resolving technical issues.	()	()	
3. The relationship between the external auditor and entity personnel is appropriate and does not affect the external auditor's independence, objectivity or professional skepticism.	()	()	
4. The external auditor demonstrates independence by proactively discussing independence matters and reporting exceptions to its compliance with independence requirements.	()	()	

Appendix III

External Auditor Comprehensive Assessment

DIRECTOR MANAGEMENT INFORMATION SYSTEMS DEPARTMENT

In keeping with the requirements of the Bank’s Policy and Procedures for the Engagement of External Auditors, an annual review of the external auditor is being conducted. The results of this Assessment will help Board Audit and Risk Committee (BARC) identify potential areas for improvement by the audit firm.

To assist the Bank’s BARC with the Assessment, kindly provide your input in the Questionnaire below. The Questionnaire takes about thirty (30) minutes to complete and should be completed in the following manner:

1. Using a scale of 1 (low) to 10 (high), complete each question by placing your rating/score in the box beside the question.
2. N/A can be used where you do not have a view on the matter in question.
3. There is a space provided for comments beside each question. We encourage you to provide comments for each rating as your comments will improve the quality of the review. However, in instances where your rating falls below seven (7), you are kindly asked to provide the reasons for your rating.

A. Quality of Service

	Rating	N/A	Comments
1. The external auditor is proactive in identifying information requirements and timely in requesting information from management.	()	()	
2. The external auditor is effective in completing the audit on a timely basis.	()	()	
3. The external auditor keeps management informed about the progress of the audit and difficulties encountered.	()	()	
4. The engagement team maintained a respectful and professional attitude during the audit.	()	()	

B. Quality of Engagement Team

	Rating	N/A	Comments
1. Audit team members have sufficient industry experience for their roles.	()	()	
2. Audit team members understand our business and its issues.	()	()	
3. The engagement partner's and other senior personnel's involvement in the audit is appropriate.	()	()	
4. The external auditor is proactive in identifying opportunities and risks, for example, by anticipating and providing insights and approaches for potential business issues and improving internal controls.	()	()	

C. Communication and Interaction with the External Auditor

	Rating	N/A	Comments
1. Issues are discussed on a timely basis.	()	()	()
2. The audit team seek feedback on the quality and effectiveness of the audit.	()	()	()
3. The dialogue between the engagement Leader and management is candid and complete.	()	()	()

D. Technical Expertise

	Rating	N/A	Comments
1. Audit team members have sufficient technical experience for their roles.	()	()	
2. The audit team responds to technical questions with a definitive answer within an agreed time frame.	()	()	

	Rating	N/A	Comments
3. The audit team's advice reflects our industry considerations in an appropriate manner.	()	()	
4. The audit firm provide appropriate technical support through seminars and publications.	()	()	
5. The audit firm has access to technical expertise to conduct complex assignments such as valuation of securities and IFRS 9.	()	()	

E. Independence, Objectivity and Professional Skepticism

	Rating	N/A	Comments
1. The external auditor demonstrates integrity, objectivity and professional skepticism, for example, by maintaining a respectful but questioning approach throughout the audit.	()	()	
2. The external auditor is forthright in dealing with difficult situations, for example, by proactively identifying, communicating and resolving technical issues.	()	()	
3. The relationship between the external auditor and entity personnel is appropriate and does not affect the external auditor's independence, objectivity or professional skepticism.	()	()	
4. The external auditor demonstrates independence by proactively discussing independence matters and reporting exceptions to its compliance with independence requirements.	()	()	

External Auditor Comprehensive Assessment

DIRECTOR INTERNAL AUDIT DEPARTMENT

In keeping with the requirements of the Bank’s Policy and Procedures for the Engagement of External Auditors, an annual review of the external auditor is being conducted. The results of this Assessment will help Board Audit and Risk Committee (BARC) identify potential areas for improvement by the audit firm.

To assist the Bank’s BARC with the Assessment, kindly provide your input in the Questionnaire below. The Questionnaire takes about thirty (30) minutes to complete and should be completed in the following manner:

1. Using a scale of 1 (low) to 10 (high), complete each question by placing your rating/score in the box beside the question.
2. N/A can be used where you do not have a view on the matter in question.
3. There is a space provided for comments beside each question. We encourage you to provide comments for each rating as your comments will improve the quality of the review. However, in instances where your rating falls below seven (7), you are kindly asked to provide the reasons for your rating.

A. Quality of Service

	Rating	N/A	Comments
1. The external auditor is proactive in identifying information requirements and timely in requesting information from management.	()	()	
2. The external auditor is effective in completing the audit on a timely basis.	()	()	
3. The external auditor keeps management informed about the progress of the audit and difficulties encountered.	()	()	
4. The engagement team maintained a respectful and professional attitude during the audit.	()	()	

B. Quality of Engagement Team

	Rating	N/A	Comments
1. Audit team members have sufficient industry experience for their roles.	()	()	
2. Audit team members understand our business and its issues.	()	()	
3. The engagement partner's and other senior personnel's involvement in the audit is appropriate.	()	()	
4. The external auditor is proactive in identifying opportunities and risks, for example, by anticipating and providing insights and approaches for potential business issues and improving internal controls.	()	()	

C. Communication and Interaction with the External Auditor

	Rating	N/A	Comments
1. Issues are discussed on a timely basis.	()	()	
2. The audit team seeks feedback on the quality and effectiveness of the audit.	()	()	
3. The dialogue between the engagement Leader and management is candid and complete.	()	()	

D. Technical Expertise

	Rating	N/A	Comments
1. Audit team members have sufficient technical experience for their roles.	()	()	
2. The audit team responds to technical questions with a definitive answer within an agreed time frame.	()	()	
3. The audit team's advice reflects our industry considerations in an appropriate manner.	()	()	

	Rating	N/A	Comments
4. The audit firm provides appropriate technical support through seminars and publications.	()	()	
5. The audit firm has access to technical expertise to conduct complex assignments such as valuation of securities and IFRS 9.	()	()	

E. Independence, Objectivity and Professional Skepticism

	Rating	N/A	Comments
1. The external auditor demonstrates integrity, objectivity and professional skepticism, for example, by maintaining a respectful but questioning approach throughout the audit.	()	()	
2. The external auditor is forthright in dealing with difficult situations, for example, by proactively identifying, communicating and resolving technical issues.	()	()	
3. The relationship between the external auditor and entity personnel is appropriate and does not affect the external auditor's independence, objectivity or professional skepticism.	()	()	
4. The external auditor demonstrates independence by proactively discussing independence matters and reporting exceptions to its compliance with independence requirements.	()	()	

F. Internal Audit

	Rating	N/A	Comments
1. Considers how the work of the internal audit function can be used in the external audit.	()	()	
2. Has an appropriate working relationship with the internal auditors.	()	()	

External Auditor Comprehensive Assessment

THE EXTERNAL AUDIT FIRM

In keeping with the requirements of the Bank’s Policy and Procedures for the Engagement of External Auditors, an annual review of the external auditor is being conducted. The results of this Assessment will help Board Audit and Risk Committee (BARC) identify potential areas for improvement by the audit firm.

To assist the Bank’s BARC with the Assessment, kindly provide your input in the Questionnaire below.

	Comments
1. How long has the audit firm been the external auditor? What steps have been taken to address possible institutional familiarity treats?	
2. What are the firm’s plans for the training and development of the engagement team?	
3. What are the firm’s expectations as to future partner rotation or other changes to senior engagement team personnel?	
4. How are the size, resources and geographical coverage of the audit firm changing?	
5. What efforts are being made to enhance audit quality within the audit firm generally and the external audit of the entity specifically?	
6. How has the audit firm’s relevant expertise in the industries and markets in which the entity operates	

been evolving? What are the audit firm's future plans to serve the entity with an engagement team with appropriate expertise?	
7. What reputational challenges, if any, are facing the audit firm and how are these being addressed?	

External Auditor Comprehensive Assessment

BOARD AUDIT RISK COMMITTEE

In keeping with the requirements of the Bank’s Policy and Procedures for the Engagement of External Auditors, an annual review of the existing external auditor is being conducted. The results of this Assessment will help Board Audit and Risk Committee (BARC) meet their responsibility by identifying potential areas for improvement by the audit firm.

To assist the Bank’s BARC with the Assessment, kindly provide your input in the Questionnaire below. The Questionnaire takes about fifteen (15) minutes to complete and should be completed in the following manner:

1. Using a scale of 1 (low) to 10 (high), complete each question by placing your rating/score in the box beside the question.
2. N/A can be used where you do not have a view on the matter in question.
3. There is a space provided for comments beside each question. We encourage you to provide comments for each rating as your comments will improve the quality of the review. However, in instances where your rating falls below seven (7), you are required to provide the reasons for your rating.

A. Caliber of External Audit Firm

	Rating	N/A	Comments
1. The external audit firm has a strong reputation.	()	()	
2. Recent or current litigation against the firm will not have a significant adverse impact on the audit firm’s reputation.			
3. The audit firm has a strong presence in this industry.	()	()	
4. The external audit firm has the size, resources and geographical coverage required to audit this company.	()	()	

B. Quality Processes

	Rating	N/A	Comments
1. The audit firm has strong internal quality control processes in place. (Factors to be considered include the level and nature of review procedures, the approach to audit judgements and issues, independent quality control reviews and the external audit firms approach to risk.)	()	()	
2. Relevant and qualified specialists are involved in the audit process.	()	()	
3. The external auditor is effective in completing the audit on a timely basis.	()	()	
4. The external auditor keeps management informed about the progress of the audit and difficulties encountered.	()	()	
5. The engagement team maintained a respectful and professional attitude during the audit.	()	()	

C. Audit Team

	Rating	N/A	Comments
1. Audit team members have appropriate qualifications for their roles.	()	()	
2. Audit team members have sufficient industry experience for their roles.	()	()	
3. Audit team members understand our business and its issues.	()	()	
4. Audit team members are proactive in their approach.	()	()	
5. The engagement partner's and other senior personnel's	()	()	

involvement in the audit is appropriate.			
6. The audit partner and the engagement team execute their duties with professionalism.			

D. Audit Scope

	Rating	N/A	Comments
1. The audit plan appropriately addresses the areas of higher risk.	()	()	
2. The audit team communicate their audit plan in advance of the audit.	()	()	
3. The audit team comprise an appropriate number and level of staff.	()	()	
4. Partners and managers are involved sufficiently throughout the audit.	()	()	
5. Appropriate specialists are involved in the audit process (IT, Valuation, IFRS 9).	()	()	
6. The audit team work to appropriate materiality levels.	()	()	
7. The audit team complete their work in line with the agreed timetable.	()	()	
8. The external audit team's approach to seeking and assessing management representations is appropriate.	()	()	
9. The audit team has an effective working relationship with internal audit.	()	()	

E. Communications

	Rating	N/A	Comments
1. All communications from the audit team are clear and relevant.	()	()	
2. Issues are discussed on a timely basis.	()	()	
3. The external audit firm have open lines of communication with the audit committee.	()	()	
4. The audit partner maintains contact with the audit committee on an informal basis 'between meetings'.	()	()	
5. Communications accurately detail the issues encountered during the audit and their resolution.	()	()	
6. The external auditor advises the audit committee about new developments regarding risk management, corporate governance, financial accounting and related risks and controls on a timely basis.	()	()	
7. The audit team sought feedback on the quality and effectiveness of the audit.	()	()	
8. The external auditor communicates about matters affecting the firm or its reputation, for example, by advising management on significant matters pertaining to the firm while respecting the confidentiality of other clients' information and by complying with professional standards and legal requirements.	()	()	
9. The external auditor informs the audit committee of current developments in accounting and auditing standards relevant to the entity's financial statements and their potential impact on the audit.	()	()	

	Rating	N/A	Comments
10. During the audit, the external auditor met the agreed- upon performance criteria, such as the engagement letter and audit scope. How well did the external auditor meet its commitments, for example, by meeting agreed-upon performance delivery dates and multiple reporting deadlines and by being available and accessible to management and the audit committee.	()	()	
11. The dialogue between the engagement partner, the audit committee and the audit committee chair is candid and complete. The engagement partner explains accounting and auditing issues.	()	()	

F. Technical Expertise

	Rating	N/A	Comments
1. Audit team members have sufficient technical experience for their roles.	()	()	
2. The audit team responds to technical questions with a definitive answer within an agreed time frame.	()	()	
3. The audit team's advice reflected our industry considerations in an appropriate manner.	()	()	
4. The audit firm provides appropriate technical support through seminars and publications.	()	()	
5. The audit firm has access to technical expertise to conduct complex assignments such as valuation of securities and IFRS 9.	()	()	

G. Audit Governance and Independence and Objectivity

	Rating	N/A	Comments
1. External audit partners and staff demonstrate a high degree of integrity in their dealings with the audit committee.	()	()	
2. The external audit firm discusses their internal process for ensuring independence with the audit committee.	()	()	
3. Management respect the external auditors as providers of an objective and challenging audit process.	()	()	
4. The nature of non-audit services is appropriate and adequate safeguards exist to preserve audit objectivity and independence.	()	()	
5. The external auditor's relationship with both the audit committee and management is appropriate.	()	()	
7. The auditors approach their work with objectivity to ensure they question appropriately and challenge management's assertions made when preparing the financial statements.	()	()	
8. There are no concerns about relationships between the external auditor and entity personnel that might affect the external auditor's independence, objectivity or professional skepticism.	()	()	
9. The external auditor informed the audit committee about matters that might reasonably be thought to bear on the firm's independence, including exceptions to its compliance with independence requirements and its safeguards in place to detect independence issues.	()	()	