



# Transparency Report 2010

Ernst & Young Accountants

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# Country Managing Partner's letter



At Ernst & Young, we firmly believe the audit profession plays a vital role in promoting the transparency that underpins confidence in the world's capital markets and drives economic growth. We have welcomed the independent oversight that auditors have faced globally over the past decade, because we believe it has helped to further the quality of our work, and auditors have become more transparent to all of our stakeholders.

As part of our profession's move to greater transparency, the European Union's 8th Company Law Directive require Dutch Caribbean statutory auditors of Public Interest Entities to publish annual transparency reports disclosing certain information. This is a requirement that we have also embraced.

This Ernst & Young Accountants Report 2010 complies with the Directive, and covers the fiscal year ending June 30, 2010.

At Ernst & Young Accountants we welcome the opportunity to provide this insight into our organization and are certain that you will find it both useful and interesting.

A handwritten signature in blue ink, appearing to read 'Erick R. Status van Eps', written over a faint blue line.

Erick R. Status van Eps  
Country Managing Partner  
Ernst & Young Dutch Caribbean

# Legal structure, ownership and governance

Ernst & Young Accountants is a partnership formed in Curaçao. Ernst & Young Accountants is part of Ernst & Young Participaties N.V., a limited liability company that owns the assets and liabilities of the following partnerships: i) Ernst & Young Accountants ; ii) Ernst & Young Tax Advisors; and iii) Ernst & Young Advisory. Ernst & Young Participaties N.V. is operating under the name Ernst & Young Dutch Caribbean. The employees are employed by the three different partnerships as the legislation of these employees are governed by its own set of rules for Accountants/Advisors and Tax Advisors.

Ernst & Young Dutch Caribbean is a member firm of Ernst & Young Global Limited (EYG or Global). In this report we refer to ourselves as Ernst & Young Accountants (accounting practice), Ernst & Young Dutch Caribbean (entire firm), the "Firm" or "we" or "us".

Ernst & Young Dutch Caribbean also includes our branch in Aruba

We currently have a managing partner and four partners overseeing the operations of the Firm. We are part of Ernst and Young Americas.

Ernst & Young's Americas Area comprises 11 Sub-Areas- Canada; East Central; Financial Services Office (FSO); Israel; Mexico and Central America (MeCASA); Midwest; Northeast; Southeast; Southwest; South America (SASA) and West.

The Americas has an aligned governance, organizational and operating structure that brings together some 41,500 people working in 150 offices across 32 countries.

## **Americas Executive Board**

The Americas Executive Board (AEB) is the top decision-making body of the Ernst & Young Americas Area, with accountability for the execution of strategy, including market leadership and growth, partner and people matters, quality and risk management.

The AEB comprises senior leaders; Service Line Vice Chairs; 13 Sub-Area Managing Partners; as well as the Vice Chairs of People; Quality & Risk Management; Professional Practice and Risk Management; and Public Policy, Sustainability and Stakeholder Engagement.

## **Americas Advisory Council**

Ernst & Young Americas has an Americas Advisory Council, which is composed of a number of partners of the EYG member firms in Americas. It serves in an advisory role to the Americas Executive on policies, strategies and other matters and its approval is required for a number of significant matters, e.g. appointment of the Americas Managing Partner, the financial reports of Ernst & Young Americas, and material transactions. The Ernst & Young Americas Area also has a single Advisory Council, with a separate nomination processes for selecting

members from the United States, Canada, SASA, MeCASA, Israel; Bahamas, Bermuda and Cayman Islands; and EY Caribbean.

# Network arrangements

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, 141,000 people in over 140 countries are united by shared values and an unwavering commitment to quality. Ernst & Young makes a difference by helping its people, clients and wider communities achieve their potential.

In this report, Ernst & Young refers collectively to the global organization of member firms of Ernst & Young Global Limited (EYG or Global), a UK company limited by guarantee. EYG is the central entity of the Ernst & Young network and coordinates the member firms and cooperation among them. EYG does not provide services to clients. Its objectives include the promotion of the provision by its member firms of seamless, consistent, high-quality client service, worldwide. Each member firm is a legally distinct entity. The member firms' obligations and responsibilities are governed by the regulations of EYG and various other agreements.

The member firms are grouped into four geographic Areas: Americas, Asia-Pacific, EMEIA (Europe, Middle East, India and Africa) and Japan. The Areas comprise a number of Sub-Areas, which are composed of member firms or sections of those firms.

Ernst and Young Dutch Caribbean belong to the Americas Area, which comprises member firms in 32 countries. Within the Americas Area, there are 11 Sub-Areas. Ernst & Young Dutch Caribbean is part of the Ernst and Young Caribbean Sub-Area and Southeast Area.

The structure of the global organization reflects the principles that governance and management roles be separated and that Ernst & Young as a global organization has one shared strategy.

EYG's principal global bodies include:

## **Global Advisory Council**

The Global Advisory Council comprises a number of member-firm partner-level professionals (referred to as "partners") drawn from across the four Areas and, to facilitate stakeholder dialogue, will include independent non-executive representatives ("INEs"). The partners, who otherwise do not hold senior management roles, are elected by their peers. The INEs are nominated by a dedicated committee. The Global Advisory Council advises EYG and Ernst & Young on policies, strategies, and the public interest aspects of their decision making. The approval of the Global Advisory Council is required for a number of significant matters that could affect Ernst & Young.

## **Global Executive**

The Global Executive brings together the three dimensions of Ernst & Young – functions, services and geographies. It is chaired by the Chairman and Chief Executive Officer of EYG, and includes its Chief Operating Officer; the Area Managing Partners; the global functional leaders – the Global Managing Partners of People, Markets, Quality & Risk Management and Operations and Finance; and the global service line Vice Chairs – Assurance, Advisory, Tax and Transaction Advisory Services. The Global Executive also includes a representative from the emerging markets.

The Global Executive approves a nominee for the Chairman and Chief Executive Officer of EYG before the Global Advisory Council considers the nominee.

## **Global Executive Committees**

Chaired by members of the Global Executive and bringing together representatives from the four Areas, the Global Executive Committees are responsible for making recommendations to the Global Executive. There are committees for People, Quality & Risk Management, Markets, Operations and Finance, Assurance, Advisory, Tax, and Transaction Advisory Services.

## **Global Practice Group**

This group brings together the members of the Global Executive, Global Executive Committees and Sub-Area leaders. The Global Practice Group seeks to ensure common understanding across member firms of Ernst & Young strategic objectives and consistency of execution across the organization.

Under the regulations of EYG, the member firms commit themselves to pursue Ernst & Young's objectives such as the provision of seamless, consistent, high-quality service, worldwide. To that end, the member firms undertake to implement the global strategies and plans and to maintain the minimum scope of service capability. They are required to comply with common standards, methodologies and policies including those regarding audit methodology, quality and risk management, independence, knowledge sharing, human resources and technology enablers.

Above all, EYG member firms commit themselves to conducting their professional practices in accordance with the applicable professional and ethical standards as well as with all applicable requirements of law. This commitment to integrity and doing the right thing is underpinned by our Global Code of Conduct and our Values.

Besides the regulations of EYG, member firms enter into several other agreements covering aspects of their membership in the Ernst & Young organization such as the right and obligation to use the Ernst & Young name and the sharing of knowledge.

Member firms are subject to reviews that evaluate their adherence to EYG requirements and policies governing issues such as independence, quality and risk management, audit methodology and human resources. As necessary, other special focus reviews are performed to address situations or concerns as they arise. Member firms unable to meet the quality commitments and other EYG membership requirements are subject to separation from the Ernst & Young organization.



# Internal quality control system

Ernst & Young Accountants' reputation for providing high quality professional audit services in an independent, objective and ethical manner is fundamental to our success as independent auditors.

At Ernst & Young Accountants, our role as auditors is to provide assurance on the fair presentation of audit clients' financial reports. We bring together qualified teams to serve our clients, drawing on our expertise - across industry sectors and services. We continually strive to improve our quality and risk management processes so that the quality of our client service is at a consistently high level.

"We recognize that in today's environment - characterized by continuing globalization and the rapid movement of capital - the quality of our audit services has never been more important". Reflecting the strength of our commitment to delivering quality in everything we do, Ernst & Young has continued to invest heavily in developing the audit methodology, tools and training to support quality service delivery. While the market continues to demand high-quality audits, it also demands increasingly efficient and effective delivery of audit services. Ernst & Young continues to seek ways to improve the effectiveness and the efficiency of the audit methodology and processes, while maintaining audit quality.

## Effectiveness of quality control system

Ernst & Young has designed and implemented a comprehensive set of global audit quality control policies and practices, as described herein. These policies and practices meet the requirements of the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB). Ernst & Young Accountants has adopted these global policies and procedures, and has supplemented them as necessary to comply with local laws and professional guidelines and to address specific business needs. We also execute the Ernst & Young Audit Quality Review (AQR) program and annually evaluate whether our system of audit quality control has operated effectively in a manner so as to provide reasonable assurance that Ernst & Young Accountants and our personnel comply with applicable professional and Ernst & Young standards and regulatory requirements.

The results of the AQR program and external inspections are evaluated and communicated within Ernst & Young Accountants to provide the basis for continuous improvement in audit quality, consistent with the highest standards in the profession.

The recent results of such monitoring, together with the recent feedback from independent regulatory inspection visits, provide Ernst & Young Accountants with a basis to conclude that our internal control systems are designed appropriately and are operating effectively.

In this section, we describe the various components of our audit quality control system:

- ▶ Instilling professional values
- ▶ Performing audits
- ▶ Review and consultation
- ▶ Internal and external accountability
- ▶ Audit quality reviews

## Instilling professional values

### Tone at the top

Setting the right “tone at the top” is a key responsibility of our senior leadership team. We communicate to our people that quality and professional responsibility starts with them and is the most important thing they do every day. Our approach to ethics and integrity is embedded in training programs and internal communications. Our senior management regularly reinforces these expectations and the importance of performing quality work and complying with professional standards and our policies. Also, we assess quality of professional service as a key metric in our system of evaluation and reward for all professionals. Our culture strongly supports collaboration and consultation and places special emphasis on the importance of consultation in dealing with complex or subjective accounting, auditing, reporting, regulatory and independence matters. We also emphasize the importance of determining that an engagement team and client have correctly followed consultation advice when necessary. Our internal message consistently has been that no single client is more important than professional reputation - the reputation of Ernst & Young Dutch Caribbean and the reputation of each of our professionals. “Quality In Everything We Do” is a message that we continually reinforce to our people and clients.

### Code of conduct

We promote a culture of integrity, as well as the performance of high-quality audits, among all professionals. Ernst & Young’s Global Code of Conduct provides a clear set of the standards and behaviors that guide our actions and our business conduct. It is organized into five categories containing principles that are to be followed by everyone within Ernst & Young Dutch Caribbean to guide behavior across all areas of activity:

- ▶ Working with one another
- ▶ Working with clients and others
- ▶ Acting with professional integrity
- ▶ Maintaining our objectivity and independence
- ▶ Respecting intellectual capital

Through our procedures to monitor compliance with the Global Code of Conduct and through frequent communications, we strive to create an environment that encourages all personnel to act responsibly, including reporting misconduct without fear of retaliation.

We also have EY/Ethics, a global ethics hotline, to provide Ernst & Young Dutch Caribbean people, clients and others outside of the organization with a means to confidentially report activity that may involve unethical or improper behavior that may be in violation of professional standards or otherwise inconsistent with the Global Code of Conduct. EY/Ethics is operated by independent external organizations that provide confidential and, if so desired, anonymous, hotline reporting services for companies worldwide.

In addition to the Global Code of Conduct we have specific anti-bribery and insider trading policies.

### Our values

#### *Who we are*

People who demonstrate integrity, respect and teaming.

People with energy, enthusiasm and the courage to lead.

People who build relationships based on doing the right thing.

## Performing audits

### Audit methodology

The Ernst & Young Global Audit Methodology (EY GAM) provides a global framework for delivery of high-quality audit services through consistent application of thought processes, judgments and audit procedures in all audit engagements. One of the cornerstones of EY GAM is making (and reconsidering and modifying, when appropriate, throughout the audit) risk assessments and then determining the nature, timing and extent of audit procedures based on those risk assessments. EY GAM also places emphasis on the application of appropriate professional scepticism in the execution of audit procedures. EY GAM is based on International Standards on Auditing (ISAs) and is supplemented in Dutch Caribbean to comply with the local Netherlands auditing standards and regulatory or statutory requirements.

EY GAM is organized into interdependent phases designed to focus on the client's business and financial statement risks and how those risks affect our audit of the financial statements. EY GAM reflects the typical flow of an audit's execution. The methodology and related guidance is presented in a three-layer format. The three parts of EY GAM consist of the GAM Framework, GAM Performance Guidance and GAM Enablers. The GAM Framework is a concise description of how Ernst & Young Accountants performs an audit and provides links to the GAM Performance Guidance. The GAM Performance Guidance is organized in exhibits and provides more specific guidance on how and why we perform the procedures outlined in the methodology. The GAM Performance Guidance also describes parameters for making certain audit decisions. The GAM Enablers consist of templates, examples, checklists, and leading practice illustrations for performing and documenting audit procedures.

Enhancements to the audit methodology are made on a regular basis as a result of new standards, emerging auditing issues, or implementation experiences. For example EY GAM was completely rewritten this past year to incorporate new auditing requirements as a result of the issuance of new and clarified ISAs.

As part of EY GAM, there are procedures required to be completed to assess independence from the audit client.

### Technology enablers

Numerous technology enablers are used by audit engagement teams to assist in executing and documenting the work performed in accordance with EY GAM. For example, GAMx is an audit support tool that drives uniform execution of EY GAM and appropriate audit documentation, strengthening our ability to deliver consistent, high-quality audits. It provides linked access to knowledge databases (audit guidance and interpretations), professional standards, documentation templates and other tools necessary to execute and document a risk-based audit effectively. GAMx provides a team-collaboration environment that facilitates sharing information and the documentation of procedures and conclusions. GAMx also enables secure peer-to-peer communications so our people can work together as if they were in the same physical location. Audit engagement teams use other software applications, forms and templates during various phases of an audit to assist in making and documenting audit considerations and data acquisition and analysis functions.

### Formation of audit engagement teams

Ernst & Young Accountants policies require an annual review of partner assignments by our Assurance leadership and Professional Practice Director (PPD) to make sure that the professionals leading listed company audits possess the appropriate competencies, i.e., the knowledge, skills and abilities to fulfill their engagement responsibilities, and are in compliance with applicable auditor rotation regulations.

The assignment of people to audit engagement teams is also made under the direction of our Assurance leadership. Factors considered when assigning people to audit teams include: competence, engagement size and complexity, specialized industry knowledge and experience, timing of work, continuity and opportunities for on-the-job training. For more complex engagements, consideration is given to whether specialized or additional expertise is needed to supplement or enhance the audit engagement team.

In many situations, internal specialists are assigned as part of the audit engagement team to assist in performing audit procedures and obtaining appropriate audit evidence. We use these professionals in situations requiring special skills or knowledge, such as information systems, asset valuation and actuarial analysis.

## Review and consultation

### Reviews of audit work

Ernst & Young policies describe the requirements for timely, direct executive participation on audits and various levels of reviews of the work performed. Members of the audit engagement team perform a detailed review of the audit documentation while engagement executives perform a second-level review. A tax representative reviews the significant tax and other relevant working papers. For listed companies, an engagement quality review partner (described below) reviews important areas of accounting, financial reporting and audit execution, as well as the listed audit client's financial statements and our report thereon. The nature, timing and extent of the reviews of the working papers that are appropriate in a given instance depend on many factors, including the materiality, subjectivity and complexity of the subject matter; the ability and experience of the audit team member preparing the audit documentation; the level of the reviewer's direct participation in the audit work and the extent of consultation employed.

These policies also describe the roles and responsibilities of each audit engagement team member and the requirements for documenting their work and conclusions.

### Consultation requirements

Consultation requirements and related policies and procedures are designed to involve the right resources so that audit teams can reach appropriate conclusions on relevant accounting, auditing, reporting, regulatory and independence matters. Consultation is a part of the decision-making process, not just a process to provide advice. For complex and sensitive matters, we require or encourage consultation outside of the audit engagement team with other personnel who have more experience or specialized knowledge, primarily Professional Practice and Independence personnel. We provide guidance on matters that require consultation.

Ernst & Young policies also describe our requirements for documenting consultations, including the requirement to obtain written concurrence from the person consulted to demonstrate the consultant's understanding of the matter and its resolution.

### Engagement quality reviews

Engagement quality reviews, performed by audit partners in compliance with professional standards, are required for audits of all listed companies. Engagement quality reviewers are experienced professionals with significant subject-matter knowledge, independent of the engagement team and able to provide a further objective evaluation of significant accounting, auditing and reporting matters. In no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual. The engagement quality review is an activity that generally spans the entire engagement cycle and is not limited to a review of the financial statements at the time of issuance of our report. Policies and procedures for the performance and documentation of engagement quality reviews, which were strengthened this past year to place more emphasis on this important quality feature, provide specific guidelines on the nature, timing and extent of the procedures to be performed. Our PPD reviews and approves all engagement quality review assignments.

### Audit engagement team disagreement-resolution process

We have a collaborative culture and encourage our people to speak up if a professional disagreement arises or they are uncomfortable about a matter having to do with a client engagement. Policies and procedures are designed to empower our people by requiring members of an audit engagement team to raise any disagreements that are considered to be material or that may affect our opinion on the financial statements being audited. Such policies are introduced at the entry level and reinforced thereafter to instill in our people both the responsibility and authority to require a thorough hearing and vetting of differing viewpoints.

Differences of professional opinion that arise during an audit generally are resolved at the audit engagement team level. However, if any individual involved in the discussion of an issue is not satisfied with the decision, he or she has both the right and the obligation to see that the issue is referred to the next level of authority. If the engagement quality reviewer makes recommendations that the engagement partner does not accept and the matter is not resolved to the reviewer's satisfaction, the report is not issued until the matter is resolved by following the appropriate consultative processes for resolution of professional differences. When a matter that goes beyond the audit engagement team is ultimately resolved, our policies require it to be documented in the same manner as described previously for consultations.

**Document retention and data privacy**

Ernst & Young Dutch Caribbean's record retention policy applies to all engagements and personnel. This policy emphasizes that all documents must be preserved whenever any person becomes aware of any actual or reasonably anticipated claim, litigation, investigation, subpoena or other government proceeding involving us or one of our clients that may relate to our work. The policy also addresses Dutch Caribbean legal requirements applicable to the creation and maintenance of working papers relevant to the work performed.

Ernst & Young has a global policy on data privacy that sets out the principles to be applied to the use and protection of personal data, including that relating to current, past and prospective personnel, clients, suppliers and business associates. It provides a foundation for maintaining the privacy of all personal data used by Ernst & Young Dutch Caribbean. Furthermore, Ernst & Young Dutch Caribbean has a policy to address its specific Dutch Caribbean data privacy requirements and business needs.

## Internal and external accountability

### Audit partner rotation

We comply with the audit partner rotation requirements of the code of the International Ethics Standards Board for Accountants (IESBA). Ernst & Young Accountants supports audit partner rotation because it provides a fresh perspective and promotes independence from company management.

For listed companies where rotation of the audit partner is not mandated by local independence regulation, or is less restrictive than the IESBA requirements, EYG's Global Independence Policy requires the lead engagement partner and the engagement quality reviewer be rotated after seven years. For a newly listed audit client, the lead engagement partner and the engagement quality reviewer may remain in place for an additional two years before rotating off the team, regardless of the time they served prior to the listing. Following rotation, the partner may not resume the lead or engagement quality review role until a minimum of two years has elapsed.

To monitor requirements on partner rotation effectively, we have tools with which we track partner rotation. We also have implemented a process for partner rotation-planning and decision-making that involves consultation with and approvals by our Professional Practice and Independence professionals.

### Client acceptance and continuance

Ernst & Young's client acceptance and continuance policy sets out principles to determine whether to accept a new client or a new engagement, or to continue a relationship with an existing client. These principles are fundamental to maintaining quality, managing risk, protecting our personnel and meeting regulatory requirements. The objectives of the policy are to:

- ▶ Establish a rigorous process for evaluating risk and making decisions to accept/continue clients or engagements
- ▶ Meet applicable independence requirements
- ▶ Identify and deal appropriately with any conflicts of interest
- ▶ Identify and decline clients that pose excessive risk
- ▶ Require consultation with designated professionals to identify additional risk-management procedures for specific high-risk factors
- ▶ Comply with legal, regulatory and professional requirements.

In addition, the global conflicts policy forms the framework for the client and engagement acceptance and continuance process as far as it relates to conflicts of interest. It defines categories of conflicts of interest as a global standard as well as a process for identifying potential conflicts of interest.

Furthermore, the global conflicts policy includes provisions for managing conflicts of interest, which have been identified by that process, as quickly and efficiently as possible, through the use of appropriate safeguards. Such safeguards range from obtaining the relevant clients' consent to act for two or more clients to member firms ceasing to act in order to remove an identified conflict.

The Global Tool for Acceptance and Continuance (GTAC) is an intranet-based system for efficiently coordinating client and engagement acceptance and continuance activities in line with global, service line and member firm policies. GTAC takes users step-by-step through the acceptance and continuance requirements and connects to the resources and information needed to assess both business opportunities and associated risks.

The client acceptance process involves a careful consideration of the risk characteristics of a prospective client and several due-diligence procedures. Before we take on a new engagement or client, we determine if we can commit sufficient resources to deliver quality service, especially in highly technical areas, and that the services the client wants are appropriate for us to provide. The approval process is rigorous, and no new listed audit engagement may be accepted without the approval of our PPD.

In our annual client continuance process, we review our service delivery and ability to continue to provide quality service and confirm that clients share Ernst & Young Accountants' commitment to quality and transparency in financial reporting. The partner in charge of each audit, together with our Assurance leadership, annually reviews our relationship with the audit client to determine whether continuance is appropriate. As a result of this review, certain audit engagements are identified as requiring, and are then subjected to, additional oversight procedures during the audit, and some clients are discontinued. As with the client acceptance process, our PPD is involved in the client continuance process and must concur with the continuance decisions.

Both client acceptance and client continuance decisions depend on, among other things, the absence of any perception that a company's management pressures the audit engagement team to accept inappropriate accounting and reporting or uses financial pressures to undermine audit quality. Considerations and conclusions on the integrity of management are essential to acceptance and continuance decisions.

## Audit quality reviews

Ernst & Young Americas executes the global Audit Quality Review (AQR) program. The global AQR program complies with guidelines in the International Standard on Quality Control No. 1, as amended (ISQC No.1) and is supplemented where necessary to comply with Dutch Caribbean professional standards and regulatory requirements. The primary goal of the global AQR program is to determine whether systems of quality controls, including those of Ernst & Young Accountants, are appropriately designed and followed in the execution of audit engagements to provide reasonable assurance of compliance with applicable policies and procedures, professional standards and regulatory requirements. The AQR program also aids Ernst & Young Accountants continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

The engagements reviewed each year are selected on a risk-based approach emphasizing clients that are large, complex or of significant public interest, with the objective of covering engagements for approximately one third of audit partners. The AQR program includes detailed, risk-focused file reviews covering a large sample of listed and non-listed audit engagements to measure compliance with internal policies and procedures, EY GAM requirements and relevant local professional standards and regulatory requirements. In addition, practice level reviews are performed to assess compliance with quality control policies and procedures in the functional areas set forth in ISQC No. 1. The AQR program complements external practice monitoring and inspection activities, such as regulatory inspection programs.

The professionals who serve as AQR reviewers and team leaders are selected based on their skills and professional competence in both accounting and auditing as well as their industry specialization. Additionally, team leaders and reviewers frequently work in the AQR program over a period of several years and possess a high level of skill in the execution of the program. Team leaders and reviewers are assigned to inspections outside of their home location and are independent of the audit teams reviewed.

Results of the AQR program and external practice-monitoring and inspection activities are evaluated and communicated so that quality improvement actions can be taken at the appropriate level. Measures to resolve audit quality issues noted from the AQR program, regulatory inspections and peer reviews are addressed by our Assurance leadership and our PPD. The actions identified are monitored by our PPD. These programs provide important practice monitoring feedback for our continuing quality improvement efforts.



# External quality assurance review

Ernst & Young Accountants' audit practice is subject to inspection by "Het Koninklijk Nederlands Instituut van Registeraccountants" ("NIVRA"). As part of its inspections, the NIVRA evaluates the Firm's quality control systems and reviews selected engagements. The last quality assurance inspection by NIVRA took place in 2006. The final report on the inspection was issued on February 27, 2006.

Information on the above mentioned regulator can be found on its website <http://www.nivra.nl>.

# Independence practices

Ernst & Young independence policies and processes are designed to enable Ernst & Young Accountants and our professionals to comply with the independence standards applicable to specific engagements, including, for example, the independence standards of the International Ethics Standards Board for Accountants (IESBA) of the International Federation of Accountants (IFAC), the Netherlands and United States of America independence standards. All professionals and certain other employees are required to participate in annual independence learning, to help maintain our independence when performing services for audit clients. The goal is to help our people understand both their personal and Ernst & Young Accountants' obligations to be free from interests that might be regarded as being incompatible with objectivity, integrity and impartiality in serving an audit client.

We consider and evaluate independence from several relevant perspectives, including the financial relationships of both our Firm and covered persons (as defined by applicable professional standards), employment relationships, business relationships, the potential non-audit services we provide to audit clients, partner rotation, fee arrangements, Audit Committee pre-approval where applicable and partner remuneration and compensation.

A professional's failure to comply with applicable professional independence requirements will generally factor into promotion and compensation decisions, and may lead to other disciplinary measures.

We have implemented Ernst & Young global applications, tools and processes to support us, our professionals and other employees in complying with independence policies.

## **Global Independence Policy**

Ernst & Young's Global Independence Policy contains the independence requirements for member firms, professionals and other employees. It is a robust policy predicated on the IESBA independence code, with more stringent requirements where prescribed by a given regulator. The Global Independence Policy also contains helpful supplementary guidance on a wide range of topics to aid professionals and other employees in applying the complex independence rules. The Global Independence Policy is readily accessible through our intranet.

## **Global Independence System**

Ernst & Young's Global Independence System (GIS) is an intranet-based tool that helps us, our professionals and other employees determine the listed entities from which independence is required and the independence restrictions that apply to each one. Most often these are listed audit clients and their affiliates, but they can be other types of attest or assurance clients. The tool includes family-tree data relating to affiliates of the listed audit client and is updated periodically by client-serving engagement teams. The entity data includes notations that indicate the independence rules which apply to each entity so our professionals can readily see both the entity and the independence notations. GIS is frequently used by our professionals to determine the type of services that can be provided to the client based on the independence notations.

## **Global Monitoring System**

Ernst & Young's Global Monitoring System (GMS) is another important global tool that assists us and our professionals in identifying proscribed securities and other financial interests that are not permissible to own. Professionals of manager or higher rank are required to report the securities, which they or their immediate family members hold, into the GMS. When an individual enters a proscribed security into GMS, the individual will receive a notice and be required to dispose of the security in a timely manner. Identified exceptions are reported through the Global Independence Incident Reporting System (GIIRS) for regulatory matters.

GMS also permits annual and quarterly confirmation of compliance with Ernst & Young independence policies, as described in greater detail below.

### **Independence compliance**

EYG has established a number of processes and programs aimed at monitoring the compliance with independence requirements of Ernst & Young professionals and member firms. These include the following activities, programs and processes:

#### ***Independence confirmations***

Annually, each member firm and its associated entities are included in an Area-wide process to confirm compliance with the Global Independence Policy and requirements and to report identified exceptions, if any.

All Ernst & Young professional personnel and certain others based on their role or function are required to confirm compliance with Ernst & Young independence policies and procedures no less than annually. All partners are required to confirm compliance quarterly.

Timely and accurate completion of annual and quarterly independence confirmations is a high priority for our leadership.

#### ***Global Independence Compliance Team***

Ernst & Young's Global Independence Compliance Team (GICT) conducts an array of testing and member firm visits to assess compliance with several independence matters, including reviewing for non-audit services, business relationships with audit clients and financial relationships of member firms.

Furthermore, the GICT establishes the annual program for testing compliance with personal independence confirmation requirements and with reporting of information into GMS.

For the 2010 testing cycle, Ernst & Young Americas tested one partner and two other personnel of Ernst and Young Dutch Caribbean.

Ernst & Young Dutch Caribbean confirms that the GICT completed an internal review of independence compliance during 2010.

#### **Non-audit services**

Compliance with professional standards governing the provision of non-audit services to audit clients is designed to be achieved through a variety of mechanisms including the use of SORT (described below), training, tools and required procedures completed during the performance of audits and our internal inspection processes.



**Global independence learning**

EYG develops and deploys a variety of independence learning programs within Ernst & Young.

The annual independence learning program covers the Global Independence Policy and focuses on changes but also recurring themes and topics of importance. The annual independence learning must be completed by professionals and certain other personnel. Timely completion of annual independence learning is required and is monitored closely. In addition to the annual independence learning program, there are numerous other independence learning programs or content such as in the new hire program, certain milestone programs and core service line curricula.

**Service Offering Reference Tool**

We assess and monitor our portfolio of services on an ongoing basis, confirming that they are permitted by law and professional standards, and to make sure that we have the right methodologies, procedures and processes in place as we develop new service offerings. When appropriate, we exit or restrict services that could present independence or other risks. The Service Offering Reference Tool (SORT) provides our people with information about our service offerings. SORT includes guidance around which services can be delivered to audit and non-audit clients, and independence and other risk management issues.

**Business Relationship Evaluation Tool**

We oversee compliance with business relationships independence requirements through our Business Relationships Evaluation Tool. Our Firm, our professionals and other employees are required to evaluate and obtain approval of potential business relationships with an audit client in advance so that our business relationships are consistent with applicable independence professional standards.



# Continuing education of statutory auditors

## **Recruitment and hiring**

A strategic objective is to attract and build life-long relationships with talented audit professionals. Recruiting for the Assurance practice is performed primarily on university campuses and supplemented, when necessary, by hiring people with prior work experience.

Candidates are evaluated based on the following competencies:

- ▶ Technical skills and knowledge
- ▶ Intellectual competence
- ▶ Leadership skills
- ▶ Team/personal skills
- ▶ Motivation
- ▶ Communication skills
- ▶ Administrative skills

## **Professional development**

Following its launch last year, we continue to deploy EYU, Ernst & Young's globally consistent career development framework. Through EYU, we provide our people with opportunities for the right experiences, learning and coaching to help them grow and achieve their potential.

EYU expands the commitment to coaching via various forms of counseling and mentoring, from the moment people are recruited through the various phases of their careers.

The learning component of EYU is based on an extensive and globally consistent learning curriculum that helps all of our people develop the right technical and personal leadership skills wherever they are located around the world. The core audit training courses are supplemented by learning programs that are developed in response to changes in accounting and reporting standards, independence and professional standards, and emerging practice issues. We require our audit professionals to obtain at least 20 hours of continuing professional education each year and at least 120 hours over a three-year period. Of these hours, 40 % (eight hours each year and 48 hours over a three-year period) must cover technical subjects related to auditing and accounting.

In addition to formal learning, professional development occurs through coaching and experiences our professionals receive on the job. Coaching helps to transform knowledge and experience into practice. Experienced professionals are expected to coach and develop less experienced personnel to create a continual learning environment.

## **Performance management**

A comprehensive performance management process requires our people to set goals, have clear work expectations, receive feedback and talk about their performance. The Performance Management and Development Process (PMDP) is designed to help our people grow and succeed in their careers. Under the PMDP, periodic job performance reviews are combined with annual self-appraisal and annual reviews. As part of the annual review process, each professional, in conjunction with his or her counselor (an assigned, more experienced professional), identifies opportunities for further development. Professionals and their counselors are guided by a set of service line competencies that articulate the knowledge and skills that should be maintained and developed for the respective rank.

# Financial information

The financial information presented below for Ernst & Young Dutch Caribbean refers to the financial year ended on June 30, 2010. This financial information represents combined gross revenues.

Service	Revenue	Percent
Statutory audit	\$ 15,669,000	68%
Other assurance	2,220,000	10%
Tax advisory	3,781,000	16%
Advisory	1,399,000	6%
<b>Total</b>	<b>\$ 23,069,000</b>	<b>100%</b>

Gross revenue is presented in the above table in accordance with Dutch GAAP. Other Assurance Services revenue includes accounting services. Advisory revenue includes transaction, valuation, performance improvement, restructuring and other attestation services, risk related services including internal controls, internal audits, technology and security, fraud and forensics, and other advisory related services.

# Partner remuneration

Quality is at the center of our business strategy and a key component of our performance-management systems. Partners and other professionals are evaluated and compensated based on criteria that include specific quality and risk management indicators, covering both actions and results.

The Global Partner Performance Management (GPPM) process is a globally consistent evaluation process for all partners in Ernst & Young member firms around the world. It reinforces the global business agenda by linking their performance to wider goals and values. GPPM is an ongoing cyclical process that includes goal setting, personal development planning, performance review and recognition and reward. It is used as the cornerstone of the evaluation process to document partners' goals and performance.

Specific quality and risk management performance measures have been developed to take account of:

- ▶ Technical excellence
- ▶ Living our values as demonstrated by behaviors and attitude
- ▶ Demonstrating knowledge of and leadership in quality and risk management
- ▶ Compliance with policies and procedures
- ▶ Compliance with laws, regulations and professional duties
- ▶ Contributing to protecting and enhancing the Ernst & Young brand

Our partner compensation philosophy calls for meaningfully differentiated rewards based on a partner's level of performance, as measured by the GPPM process. Partners are assessed annually on their performance in quality service delivery, leading people, operational excellence and market leadership and growth. To recognize different market values for different skills and roles, and to attract and retain high-performing individuals, the following factors are also considered when calculating total reward: seniority, role and responsibility, long-term potential and mobility.

Instances of non-compliance with quality standards result in remedial actions, which may include compensation adjustment, additional training, additional supervision, or reassignment. A pattern of non-compliance or particularly serious non-compliance may result in actions that include separation from our Firm.



# Appendix: Public interest entity audit clients

In the financial year ended on 30 June 2010, Ernst & Young Accountants performed statutory audits of the following public interest entities based on the definition of International Federation of Accountants on the above date:

Mizuho Finance Curacao N.V.

Premium Capital Appreciation Fund N.V.

Rorento N.V.

WestLB Finance Curaçao N.V.

UBS Finance Curaçao N.V.



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**About Ernst & Young**

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 141,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

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