

External Audit TOR

Audit of Financial statements of Da Afghanistan Bank for 3 years starting from 01/10/1400 to 30/12/1403

1. Background

Da Afghanistan Bank (DAB) was established in 1938 as Islamic Republic of Afghanistan's Central Bank and plays a critical role in the economy and overseeing of the banking system in Afghanistan. Article 103 of Da Afghanistan Bank law 2003 states that "the Accounts and Records of Da Afghanistan Bank shall be audited in accordance with international Auditing Standards by Independent external Auditors appointed By the Council Of Ministers of Afghanistan."

2. Overall Objectives

Auditors shall conduct audit in accordance with International Standards on Auditing (ISA) with the objective of expressing an opinion whether the Financial Statements give a true and fair view of the state of the bank's affairs as at the statement of financial position date and its financial performance and of its cash flows for the year ending in accordance with international financial reporting standards and requirements of Da Afghanistan Bank Law.

3. Scope of Work

These terms of reference address the requirement for external audit of financial statements of DA Afghanistan Bank for three financial years:

- The extend of accounting period for the First Financial year to be audited shall be 15 months starting from 1/10/1400 up to 30/12/1401
- The remaining two years accounting period auditing shall be 12 months starting from Hamal to Hoot for the years 1402 and 1403.
- Audit will be conducted in accordance with International Standards on Auditing. Those standards require that with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.
the audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected shall depend on the auditors' judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error.
The audit procedures shall also include evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements, report will be addressed to the members of Supreme Council of the Bank.
- A draft audit report should be submitted 15 days before the supreme council meeting and final report should be Presented in three months after financial statement date which can allow Da Afghanistan Bank fulfill its legal responsibility of submitting audited financial statements in three months after financial year end to the supreme council.
- External auditors have to present the audit report to supreme council and provide necessary clarifications required by members
- Audit should be carried out in according to ISA (International Standards on Auditing) and DAB Law.
- Sufficient audit evidence should be gathered to substantiate in all material respects the accuracy of financial statements.
- The audit report of the auditors should state if the audit was not in conformity with any of the above and indicate the alternative standards or procedures followed.

- External auditors should arrange a meeting with Chief of audit Committee on necessary basis and at least once in a year.
- The external auditors should examine the reliability and appropriateness of information technology and related systems through which financial statements are prepared and accounts are maintained.
- External auditors should report on appropriateness of internal controls which has direct relation with accuracy of financial statements.

4. Reports and Deliverables

With regard to the financial and portfolio audit, the auditor is required to provide the following reports:

- The annual financial statements, after appropriate adjustments, for periods under review: Balance sheet, Profit and Loss Statement, Statement of changes in Shareholders' Equity.
- The basic audit opinion rendered of the financial statements;
- An enumeration and quantification of all adjustments necessary to fairly present the financial statements;
- The Auditor should submit a letter to the management at the completion of the audit that should include the followings:
 - a. Auditor's observation on the accounting records, procedures, systems efficiency, Internal Control weaknesses.
 - b. Recommendations to resolve/eliminate the internal control weaknesses.
 - c. Management comments/response to audit findings and recommendations.
 - d. Any other issues the auditor finds relevant from their professional judgment.

In addition to the above, the financial audit report shall be prepared and submitted in Long Form, and shall discuss the following:

- Summary of efforts made by the auditors to verify the reliability of the accounting information processed in the IT system or through manual procedures.
- The auditors must mention any inability to obtain sufficient information or verify any part of work and enter a relevant reservation in judgment.

5. Timeline

The total length of the assignment is around 12 weeks for each calendar year.

6. Required Personnel

Composition of team for conducting audit of Da Afghanistan Bank should be as following:

Designation	Number of persons required	Qualifications	Experience
Team Leader	One	CA or Equivalent	Seven years of Bank Audit
Senior Auditor	One	CA or Equivalent	Five years of Bank Audit
Junior Auditor	Two	Graduate in Commerce or Economics	Three years of Audit
Banking expert	One	Masters in Finance, banking or related field	Ten years' experience in banking and consulting (organizational and institutional audits)
IT Audit Specialist	One	Masters in IT or related field	Three years of IT Audit

Since the audit will be for opinion of auditors on the financial statements which is a thorough process therefore it requires inclusion of qualified team on all the related areas.

Curriculum vitae (CVs) of the principals of the firms who would be responsible for providing the opinions and reports should be provided, together with the CVs of other personnel proposed for the project. CVs for audit personnel should include details on audits carried out by these staff, including ongoing assignments.

Recommended qualifications and experience are detailed below.

Team Leader

- Tertiary qualifications
- Member of an internationally recognized accounting professional body
- Minimum fifteen years' experience in the accounting profession
- Minimum seven years auditing experience of financial institutions
- Demonstrated analytical and communication skills
- Demonstrated similar experience in the management of complex engagements

Senior Auditor

- Tertiary qualifications
- Member of internationally recognized accounting professional body
- Minimum ten years' experience in the accounting profession
- Minimum five years auditing experience of financial institutions
- Demonstrated analytical and communication skills
- Similar experience in developing countries desirable

Banking expert

- Masters in Finance, banking or related field
- Minimum ten years' experience in the banking
- Demonstrated analytical and communication skills
- Demonstrated similar experience in the management of complex engagements

IT Audit Specialist

- Masters in IT or related field
- 3years experience of IT audit
- Demonstrated analytical and communication skills

Junior Auditor

- Graduate in Commerce or Economics
- Minimum three years' experience in the accounting profession
- Demonstrated analytical and communication skills

7. Location of the Assignment

The auditor will be based in the DAB Head-office, Kabul, Afghanistan, and will be able to undertake most of the work from Head-office. The Auditor will be based at the Accounting and Finance Department of DAB Head-office.

8. Reporting

The firm will provide regular progress reports on its Auditing to the Management of Da Afghanistan Bank and CFO.

9. Administrative Arrangements

DAB will provide office space and make necessary arrangements to perform this assignment.