

# **External Auditor Appointment Guidelines for Forex Bureaus and Money Remittance Companies, 2016**

## **1. Purpose**

The purpose of the guidelines is to;

- i) Ensure that external auditors of Forex Bureaus and Money Remittance Companies have acceptable standards of competence and independence;
- ii) Require external auditors of Forex Bureaus and Money Remitters to discharge their responsibilities effectively;
- iii) Promote transparency and accuracy in reporting to enhance market discipline
- iv) Promote confidence in the sub-sector by ensuring that qualified auditors prepare reports; and
- v) Enforce international best practice in carrying out audits of Forex Bureaus and Money Remittance Companies;

## **2. Appointment**

A Forex Bureau or Money Remittance Company shall nominate for appointment an External Auditor from a prequalified list published by Bank of Uganda, whose duty shall be to perform an audit of the annual financial statements of the institution.

Bank of Uganda shall use the following criteria in drawing up the prequalified list;

- a) The staff strength of the firm taking into account the number of staff, their qualifications and experience in audit;
- b) The history and experience of the audit firm basing on previous work done in auditing Forex Bureaus and Money Remittance companies or other financial institutions;
- c) The audit methodology, tests and procedures employed by the firm; and
- d) The legal status of the firm which shall consist of proper registration of the firm and the existence of practicing certificates of partners issued by the Institute of Certified Public Accountants of Uganda (ICPAU).

An audit firm that wishes to be included on the list of pre-qualified external auditors shall apply in writing to the Central Bank not later than 30<sup>th</sup> September of each year.

### **3. Approval**

- a) A Forex Bureau or Money Remitter shall, seek Central Bank approval prior to appointment of the nominated auditor.
- b) After receipt of an application from a Forex Bureau or Money Remitter on the appointment in (a) above, the Central Bank may in writing.
  - i) Approve the appointment
  - ii) Approve the appointment subject to such conditions as shall be specified in the approval; or
  - iii) Decline to approve the appointment in which case a Forex Bureau or Money Remitter shall nominate another firm as External Auditors and shall apply to the Central Bank for approval.
- c) An external audit firm shall not serve as an external auditor of a Forex Bureau or Money Remitter for a continuous period exceeding three years.
- d) The Central Bank may for sufficient cause withdraw it's approval of the appointment of an external auditor previously granted. Similarly, the Central Bank may limit the number of Forex Bureaus or Money Remittance companies audited by a single firm of External Auditors.
- e) Bank of Uganda shall maintain a blacklist of audit firms that contravene these guidelines.
- f) A Forex Bureau or Money Remitter shall not change it's external auditors without prior written approval of the Central Bank.

### **4. Duties, responsibilities and rights of the external auditor**

The primary duty of an External Auditor of a Forex Bureau or Money Remittance Company is to perform an audit of the financial statements of the institution and to give an opinion in accordance with the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006, the Companies Act, International Financial Reporting Standards and International Standards on Auditing as adopted by ICPAU on the following;

- i) Annual balance sheet (statement of financial position), profit and loss account (statement of profit or loss and other comprehensive income), cash flow statement (statement of cash flows), statement of changes in equity and other accompanying financial statements;
- ii) Compliance with the requirements of the Foreign Exchange Act, 2004, the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006 and the requirements of the Companies' Act.

- iii) Compliance with other relevant laws such as the Anti money Laundering Act, 2013 and the Anti Money Laundering Regulations, 2015.

**a) Duties to the Forex Bureau or Money Remitter**

In carrying out his or her functions, an External Auditor has the following duties to the Forex Bureau or Money Remitter;

- i) To obtain sufficient, relevant and reliable evidence to satisfy themselves of the various matters necessary to form their opinion on the financial statements;
- ii) To carefully plan, supervise and review all their work including work performed by subordinate staff;
- iii) To ascertain, evaluate and test internal controls before placing reliance on them and to advise the Directors on any internal control weaknesses which may impact on the operations of the institution.
- iv) To advise the Directors on any cases of non-compliance or potential non-compliance with the relevant laws, regulations or guidelines issued by the Central Bank.
- v) To exercise reasonable care and skill in accordance with professional standards and practices and to perform the audit in accordance with international standards on auditing issued by ICPAU and such other regulations, directives, policies and guidelines as the Central Bank may issue.

**b) Duties to the Central Bank**

In carrying out its functions, an External Auditor has the following duties to the Central Bank;

- i) To inform the Central Bank if there are reasonable grounds to believe that the Forex Bureau or Money Remitter has contravened a requirement in the Foreign Exchange Act, 2004, the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006, Anti Money Laundering Act 2013, Anti Money Laundering Regulations, 2015 or any other relevant laws and guidelines issued by the Central Bank.
- ii) To assess the appropriateness of internal controls, information systems and the reliability of the information produced thereof and to submit the findings in a management letter.

- iii) To verify all quarterly returns and other reports of the Forex Bureau or Money Remitter which the Central Bank may from time to time require to be verified;
- iv) To perform any other functions as the Central Bank may by notice assign to them.

**c) Rights to access information**

The External Auditor of a Forex Bureau or Money Remitter shall have the right of access at all times to books of account, management information systems, vouchers or any other records of the institution and shall be entitled to receive from officers and staff of the Forex Bureau or Money Remitter all information and explanations as he or she may require in the performance of his or her duties.

If an External Auditor fails to comply with the requirements of these guidelines, the Central Bank may disqualify the External Auditor and remove them from the list of approved auditors.

**5. Reporting requirements**

- a) The external auditor shall, after performing the audit, submit to the Forex Bureau or Money Remitter an audit report and the institution shall ensure that this report and the management letter are submitted to the Central Bank with the financial statements to which they relate by March 31, every year.
- b) The Central Bank may, if dissatisfied with the standard or quality of the audit, reject the audit report and call for a fresh audit at the expense of the Forex Bureau or Money Remitter concerned.

**6. Meetings between the Central Bank, the Forex Bureau or Money Remitter and the External Auditor.**

The Central Bank may, if it considers it necessary, arrange meetings with the auditors of a Forex Bureau or Money Remitter to discuss matters relevant to the Central Bank's supervisory responsibilities or the Forex Bureau or Money Remitter's financial performance, accounting and internal control systems.