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NATIONAL BANK OF ETHIOPIA

ADDIS ABABA

TELEGRAPHIC ADDRESS

NATIONBANK

TELEX 21020

CODES-USED

PETERSON 3rd & 4th ED.

BENTLEY'S 2nd PHRASE

A. B. C. 6th EDITION

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P. O. Box 5550

ADDIS ABABA

LICENSING AND SUPERVISION OF
BANKING BUSINESS

Directive No. SBB/19/96

Approval of Appointment of an
Independent Auditor

1. Issuing Authority

This directive is issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by Article 36 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Definition

- 2.1 For the purpose of this Directive "associate" shall mean "any company where the independent auditor or his partner(s) has a business interest".
- 2.2 The term "bank" shall mean a company licensed under Licensing and Supervision of Banking Business Proclamation 84/1994 to undertake banking business.

3. Application for Approval

- 3.1 After appointing an independent auditor in line with Article 370 of the Commercial Code of Ethiopia, every licensed bank shall annually apply to the National Bank of Ethiopia for approval of the appointed independent auditor.
- 3.2 In the application for approval, the bank should confirm that such an auditor has been properly assessed prior to the appointment and is, in the bank's view, able to comply with the provisions of Article 18 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994. For this purpose the bank must seek a declaration from the auditor which will be submitted together with the application to the effect that:
- a) the auditor is qualified in terms of Article 18 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.
- b) The auditor, his partners or associates do not operate an account or have not been granted any type of facilities in the bank except in the normal course of business and at arm's length.

- c) The auditor, any of his partners or associates does not represent directly or indirectly the interests of the shareholders or directors of the bank in any business venture.
 - d) The partners of the auditor do not have any business association with the shareholders or directors of the bank.
- 3.3 An application for approval of the independent auditor should in addition contain at least the following information on the auditor:
- a. Registered name of the Auditor;
 - b. Names, qualifications and experience of each partner.;
 - c. Address (Location, P.O.Box, Telephone No.);
 - d. Name, qualifications and experience of the manager to be engaged in the audit of the bank;
 - e. Details of the auditor's experience in auditing other banking or similar institutions;
 - f. Details of any existing business relationships between the auditor or his partners and the bank;
 - g. Copy of the license to practice auditing, including for each partner in the case of a firm;
 - h) Copy of minutes of the general meeting of shareholders approving the appointment of the auditor;
 - i) Any other information considered necessary in support of the application.
- 3.4 Information requested under 3.3 above need not be submitted in case of application for approval of the re-appointment of the same auditor in consecutive periods. However, any new information on the auditor and his partners must be submitted.
- 3.5 In case an auditor is removed from office, prematurely or after completion of the term of appointment, the reasons for the removal must be submitted by the bank to the National Bank of Ethiopia immediately.
- 3.6 The National Bank of Ethiopia may require to verify any information submitted by the bank for the purpose of approval of the auditor.

This Directive shall enter into force as of 20th day of November 1996.



Dubale
Jale

Dubale Jale
Governor
National Bank of Ethiopia