

THE DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK (AID ANK)

TERMS OF REFERENCE **FOR THE** **AUDIT OF THE FINANCIAL STATEMENTS**

1. Background

The Dominica Agricultural Industrial and Development Bank (DAIDB) is a body corporate established in 1971, which operates under the Dominica Agricultural Industrial and Development Bank Act, Chapter 74:03 of the laws of the Commonwealth of Dominica [(1990 Revised Edition)]. The office and principal place of business of the Bank is located at the Corner of Charles Avenue and Rawles Lane, Roseau, Dominica.

The DAIDB Act states that the objectives of the Bank are to:

1. Promote and influence economic development in the Commonwealth of Dominica; and
2. Mobilize funds for the purpose of such development.

The authorized capital of DAIDB is \$47,970,205. As at June 30, 2020, paid-up share capital amounted to \$47,970,205 of which 89.58 percent is held by the Government of Dominica (GOCD) while the Dominica Social Security (DSS) owns the remaining 10.42 percent.

Copies of the Bank's Annual Reports from prior years are available on its website at www.aidbank.com. These reports provide details on the structure and operational activities of the Bank. Further details about the Bank's operations can be provided upon request. The Bank has a fully functional finance and audit committee headed by a non-executive director, who is not involved in the daily operational activities.

The audit committee delegates to the General Manager and the Chief Financial Officer responsibility for day-to-day interface with the External Auditor. The Bank's management will supply the External Auditor with all relevant information required to complete the tender.

2. Objective of the External Audit

The objective of the external audit of the Bank's financial statements is to enable the auditor to express a professional opinion on the consolidated financial statements of the AID Bank and the Industrial Estate Unit for the fiscal year ending June 30, 2021 in accordance with International Financial Reporting Standards.

3. Scope of the External Audit

The external audit will be carried out in accordance with International Standards on Auditing (ISAs), and will include such tests and controls, as the Auditor considers necessary under the circumstances.

The Auditor should plan and perform the audit to attain reasonable assurance about whether the financial statements are free from material misstatement.

It is anticipated that the Auditor will pay special attention to key account balances, particularly the loan portfolio and loan loss provisions, cash and cash equivalents, fund balances, investments, valuation of assets and liabilities, taxation, insurance arrangements, capital adequacy, ownership, statutory reserves and other regulatory requirements etc. The Auditor shall also focus on the areas of major risk including credit risk, operational risk, market risk, foreign exchange risk, interest rate risk, reputation risk etc. Given the extent of the loan portfolio and its contribution to the Bank's asset base, the Auditor is encouraged to use statistical sampling methods to ensure that a representative sample of loans is tested. As part of the audit process, the Auditor may visit major Bank projects within any sector as necessary during the audit process.

4. Financial Statements and Other Information

The Bank prepares its financial statements in accordance with International Financial Reporting Standards and will provide to the External Auditor, the un-audited financial statements for both entities aforementioned. The financial statements will include:

- Statement of Financial Position (Balance Sheet)
- Statement of Comprehensive Income (Income Statement)
- Statement of changes in Shareholders' Equity
- Statement of Cash-Flows
- Notes to Financial Statements.

While the accuracy of the information provided and the reasonableness of procedures used to derive it, are primarily the responsibility of management, the Auditor's opinion will extend to all financial statement disclosures, whether they appear in the main body of the financial statements or in the notes to those statements. The Auditor will be given access to all legal documents, correspondence, and any other information associated with the Bank deemed necessary by the auditor.

5. Prior Year Audits

The financial statements of the Bank were last audited for the year ended June 30, 2019. The audit for the year ended June 30, 2020 is currently ongoing.

6. Audit Opinion

The External Auditor is required to provide a professional opinion on the financial statements of the Bank in accordance with International Financial Reporting Standards.

7. Report on Internal Controls and Risk Management

In addition to the auditors' report, the auditor will be required to comment on weaknesses in internal controls and quality of risk management that may come to their attention during the course of the audit, including;

- Weaknesses in the accounting records, systems, and controls that were examined during the audit, including but not limited to systems for handling and recording cash; adherence to policies and procedures in the loan approval and disbursement process; segregation of duties in loan and cash areas; procedures for loan loss provisions; proper recording and cut-off of payables and accruals; etc.
- Any non-compliance with policies and regulatory requirements as well as identified risks and quality of risk management processes.
- The appropriateness, and consistency of application, of policies for loan loss provisioning, loan write-offs, allocation of indirect costs between financial and non-financial services, and where applicable, cessation and reversal of accrued but unpaid interest on nonperforming loans.
- Weaknesses in other specific systems and processes, such as the loan approval and disbursement function, administration system and management information systems.
- Weaknesses in information technology controls within the Bank.
- Recommend improvements where specific weaknesses are identified in any of the above systems and controls.
- Communicate any other matters identified during the audit that might significantly affect the ability of the Bank to meet its business objectives.

8. Timing of the Audit

The audited financial statements and the memorandum on internal controls should be received by the Bank no later than September 15 after the end of the financial year to which the audit refers. The Auditor should submit the reports to the Bank's Management and the Audit Committee.

9. Communications with Management and the Audit Committee

The selected auditor will be required to present their audit approach and planned audit program to the management and the Audit Committee before commencing the engagement. The Audit Partner and manager will be required to attend meetings of the Audit Committee related to the audit. If External Auditors discover any irregularities, fraudulent acts, or material errors during their work, they are required to communicate these immediately to the Audit Committee. At the end of the audit, the auditors will be required to provide management and the Audit Committee with recommendations for improvements in the Bank's risk management practices, internal control structure and operations.

10. Technical Proposal

Proposals incorporating the following information, must be organized into the four sections indicated and be no more than 10 pages in length.

- **Understanding of the work**

Demonstrate understanding of the work to be performed, knowledge of the Bank and the industries within which it operates, as well as experience in auditing Bank accounts that are prepared and presented in accordance with IFRS.

- **Audit approach**

Describe the proposed audit approach and methodology, timing of tasks, and quality assurance and control procedures.

- **Audit Engagement Team**

For each senior member of the audit team, describe roles in the engagement and approximate level of effort. For each auditor proposed for this engagement, provide a separate attachment with name and brief summary of qualifications and experience, including:

1. Education and qualifications.
2. Memberships in professional audit or accounting associations.
3. Details of audit and accounting work experience, including experience in financial/banking/insurance industry.
4. Written and spoken fluency in English.

- **Experience of Audit Firm**

Provide the following information at a minimum:

1. Description

State the legal nature of the firm (sole proprietorship, partnership). State the total number of auditors (excluding support staff) who are owners or employees of the firm. Indicate how many of these are qualified accountants and experienced auditors. Indicate services

provided by the firm and the approximate percentage of auditing services in the firm's total fee income. State whether the firm has any association or affiliation with any other professional firm as auditors, accountants, consultants, or lawyers, either in the country or abroad. If so, provide details.

2. Experience in audit of financial institutions

Discuss the firm's commitment to serving the finance/banking/ insurance industry and experience with finance/banking/ insurance institution audits. In particular, indicate the firm's experience in auditing Information Technology (IT) controls.

3. Independence of the firm

State whether any of the individuals listed above (or spouses or close relatives) are employed by, serve as a director of, or have any financial or business relationship with the Bank. If so, provide details.

4. Audit practice

Attach a separate list of the firm's main clients (particularly any financial/banking/ insurance institutions) in the past five years. Specify the type of service (auditing, consulting, and accounting) provided to each client. State whether the firm has performed audits jointly with international audit firms. If so, provide details.

5. Audit standards and procedures

State whether the firm adheres to international standards on auditing. Describe how the firm's audit procedures and methods ensure that these standards are followed. State whether the firm's audit procedures and methods are recorded in a manual or similar document. State briefly how employees are supervised. State briefly the internal procedures used to ensure high-quality work and services.

6. Indemnity

State whether the company has professional indemnity insurance to cover any action loss, claim or damage arising out of an audit engagement and extent of coverage. Also state details of any limitation of liability.

11. Financial Proposal

Each bidder is required to submit a financial proposal detailing the billing system and cost estimate, for the engagement. The financial proposal should include audit fees as well as estimate of out-of-pocket expenses for the completion of the audit. The proposal should clearly indicate;

- (a) the cost for audit fees including estimated man hours
- (b) the estimated cost of out-of-pocket expenses and

(c) Any projected increase in costs over the three year period.

Note that the DAIDB is not obligated to award the contract to the lowest bidder.

12. Oral Presentation

As part of the proposal process, the bidders may wish to present their proposal in person to the audit committee. In the proposal, bidders should indicate their intention to make such a presentation. Senior members of the proposed audit team will be expected to attend the proposal presentation.

13. Submission and Deadlines

The technical and financial proposals should be submitted to the Bank no later than May 31, 2021. All proposals and correspondences should be emailed to the General Manager and copied to the Chief Financial Officer at marie-therese.johnson@aidbank.com and tammy.jeanjacques@aidbank.com respectively. A hard copy should be addressed and delivered to:

**The Chairman
Finance and Audit Committee
Dominica Agricultural Industrial and Development Bank
Cnr. Charles Avenue and Rawles Lane
Roseau
Dominica**