

26- INSTRUCTIONS CONCERNING EXTERNAL AUDITORS

- A) Instructions requiring banks to appoint two external auditors .
- B) Instructions concerning the organization of audit functions to be performed by external auditors .
- C) Instructions concerning the principles adopted by the board of Directors of the Central Bank of Kuwait in the review of banks' applications received for approval of the audit bureaus they nominate as their auditors .

Jomada Al-Akher 10, 1415 H
November 13, 1994

THE GENERAL MANAGER

Instructions requiring banks to appoint two external auditors*

We would like to advise you that Law No. (51) of year 1994 was issued on 1/8/1994, amending some of the rules of Commercial Companies Law No. (15) of the year 1960, by adding a paragraph to article (161) of the said Law, which provides that companies listed on the Kuwait Stock Exchange must have external auditors, namely not less than two chartered accountants from two separate audit bureaus.

Accordingly, your bank must take necessary action to comply with the said amendment, effective beginning of the fiscal year 1995, and notify us in advance of its nominated audit bureau before the latter's final appointment, noting that your bank's financial statements for 1995 will not be considered for approval unless they are endorsed by two separate external auditors.

Best regards,

Hamid Ahmed Al-Rusheid

Executive Manager, Supervision Department

* Circulated to all local banks.

26- INSTRUCTIONS CONCERNING EXTERNAL AUDITORS.

A- Instructions requiring banks to appoint two external auditors.

GOVERNOR

Shawal 7, 1415 H
March 8, 1995

THE CHAIRMAN

**Instructions concerning the organization of audit
functions to be performed by external auditors***

This has reference to Law No. (51) of Year 1994 issued on 1/8/1994 in connection with the amendment of some of the rules of the Commercial Companies Law No. (15) of Year 1960, by adding a paragraph to Article (161) of the said Law, which provides that companies listed on the Kuwait Stock Exchange must have external auditors, namely not less than two chartered accountants from two separate audit bureaus. Accordingly, your bank must take necessary action to comply with the said amendment, and notify us in advance of its nominated audit bureau, for obtaining the Central Bank's approval thereon, before the definitive appointment of that bureau by the General Assembly of your bank.

We would like to note in this regard that each of the two auditors must separately perform a comprehensive audit of your bank's accounts, so that both do not agree on one of them conducting the audit and the other conducting the review, or on dividing the audit functions between them.

With my best regards,

SALEM ABDUL-AZIZ AL-SABAH

* Circulated to all local banks.

26- INSTRUCTIONS CONCERNING EXTERNAL AUDITORS.

B- Instructions concerning the organization of audit functions to be performed by external auditors .

GOVERNOR

Muharram 29, 1424 H
April 1, 2003

Mr Naser Musaed Al-Sayer
Chairman of Kuwaiti Banks Committee

The auditor's profession is one impacting the activity of banks, since it brings to light their financial positions, and thus serves the interest of shareholders and customers alike. Furthermore, banks are considered major financial institutions in the domestic economy. Therefore, the Board of Directors of the Central Bank of Kuwait (CBK) adopted the following guiding principles in the review of applications received from banks for approval of the audit bureaus they nominate as their auditors:

- 1 – The local accountancy office must be a full member of an international auditing firm and as such bound to observe the latter's policies and procedures; as opposed to merely being a representation office using the international firm's name, but having no such obligations.
- 2 – The experience of the international office in auditing bank accounts shall be taken into consideration. As such, the international auditing firm should have been the auditor of a bank (or banks) listed among the largest fifty worldwide. Additionally, a list of banks in the Arabian Gulf region, which were audited by that international auditing firm shall be obtained, if applicable.
- 3 – Whether the international auditing firm developed a method or produced a manual regarding auditing banks.
- 4 – The local auditing firm shall have at least one qualified partner or practitioner experienced in auditing banks. Also, the firm's employees who audit banks shall hold CPA or CA accreditations.
- 5 – Ascertaining whether the local auditing firm provides employees assigned to auditing banks, with training on banks' auditing for an adequate period, say 30 hours as a minimum.

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- 6 – Ascertaining whether the international audit firm randomly inspects audit files of the local accounting firm, to ensure the latter's abidance by its policies and procedures and evaluate the quality of the local firm's audit.

Therefore, and in order for CBK to be able to review the application it receives from local banks requesting CBK's endorsement of audit firms newly nominated as their external auditors, other than those already existing, banks shall ensure the fulfillment of the mentioned criteria before lodging any such application, and shall attach thereto all supporting documents in this regard

With my best regards,

SALEM ABDUL-AZIZ AL-SABAH

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