

Selection of the audit firms for conducting Concurrent Audit:

The following basic criteria should be kept in mind while selecting a firm for concurrent audit assignments:

- a) It should be a partnership firm of Chartered Accountants. We may consider Sole proprietorship firms also in case of non-availability of Partnership firms.
- b) The firm should be selected from the RBI panel as per gradation suggested for Branch Statutory Auditor appointment.
- c) There should not be any disciplinary action by RBI pending against the firm. The name of the firm should not appear in the list of Third Party Entities (TPE) Caution list of IBA.
- d) Audit firms engaged by banks for audit work should have qualified Information System Auditor (CISA / DISA) with necessary exposure to systems audit since all banks are fully computerized and IS audit should form an integral part of audit of banks in the circumstance. Exceptions may be allowed in case of non-availability of CISA / DISA qualified persons.
- e) Weightage to be given to the firms where the partners themselves were ex-bankers or the firm has got tie-up with ex-bankers with requisite experience and exposure.
- f) It is to be ensured that the audit firm or any sister / associate concern / network firm is not conducting the statutory audit of the Bank or any of its branches.
- g) Weightage to be given to a firm having exposure in conducting concurrent audit of the Bank branches for a few public sector / major private sector banks.
- h) The firm should have necessary office set up and adequate personnel to ensure proper deployment and timely completion of the assignments.
- i) The firm should execute undertaking of fidelity and secrecy on its letterhead in the format prescribed by the Bank.
- j) The assignment should be carried out in a professional manner and in case of any misconduct & negligence the Bank is free to report the matter to ICAI / RBI under the guidelines from time to time. This will be in addition to the disengagement from the assignment.
- k) The firm should not sub-contract the audit work assigned to any outside firm or other persons even though such persons are qualified chartered accountants.
- l) A declaration to be furnished by the firm that credit facilities availed by the firm or partners or firms in which they are partners or directors including any facility availed by a third party for which the firm or its partners are guarantor/s have not turned or are existing as non-performing assets as per the prudential norms of RBI. In case the declaration is found incorrect, the assignment would get terminated besides the firm being liable for any action under ICAI / RBI guidelines.
- m) There should not be any complaint against concurrent auditor for having unduly referred any credit proposals of their friends / relatives / clients / non clients of the bank.
- n) If the branch under concurrent audit is closed / merged / removed from concurrent audit due to official exigencies and for any other reasons whatsoever, the tenure of the concurrent auditor of the branch will stand terminated automatically. In such cases Bank will not be liable to give alternate branch for audit to the CA firm, whose concurrent audit assignment is so terminated.
- o) Any other terms and conditions of the assignment would be decided by the Bank on a case-to-case basis.

Appointment of Concurrent Auditors, their fees and other conditions:

- a) The Chartered Accountants / CA firms applying for appointment of Concurrent Auditors should find place in the panel approved by RBI. The appointment of the concurrent auditors for various concurrent audit assignments needs to be done as per the gradation based on the size of the Branch. The list of chartered accountant firms fulfilling the eligible criteria for empanelment shall be placed to Committee of General Managers comprising of GM(I&C) and two GMs / DH from among the following; GM(Credit), GM(RMD), GM(IED), GM(Accts) for approval. Suitable firms would be identified for each assignment and would be approved taking into account their experience and exposure, similar activity carried out for the Bank or other banks, availability of adequate trained resources, location of the audit unit etc. The monthly fees payable to the auditors will be approved by Board.
- b) The tenure of the concurrent audit would be initially for one year and would be extended for a further period of two years (overall three years), based on the performance of the auditor in the first year.
- c) After completion of specific period, the firms may be considered for audit assignment in other locations or areas. Cooling period of two years would be observed for a firm to become eligible for appointment in the same audit unit. This will be purely at the discretion of the Bank and no rights whatsoever accrue to the firm for such appointment.
- d) At any one point of time, not more than one audit assignment would be awarded to any single firm. An audit assignment that needs to be carried out across the branches / units at different locations would be considered as a single assignment for this purpose.
- e) As required vide Sec 141 of the Companies Act 2013, a self-declaration should be submitted by the Concurrent Auditors / stock auditors.
- f) The concurrent auditor should adhere to the audit coverage strictly as per the scope as may be decided by the Bank from time to time.
- g) The concurrent auditors should not undertake any other activities / assignment on behalf of the branch or unit without obtaining the concurrence of the audit department in writing.
- h) No out of pocket expenses or traveling allowance / halting allowance would be paid to the concurrent audit firms for carrying out the assignment. However, GST or other taxes as applicable from time to time will be paid in addition to the basic fees. The concurrent auditors may be reimbursed actual out of pocket expenses incurred in connection with travel involved for conducting stock audits. The payment to the concurrent auditors would be subject to deduction of tax at source at appropriate rates.
- i) All the necessary certificates that need to be given as a part of the concurrent audit assignment (Bills of Entry verification, A1/A2 Forms etc.) would be given by the audit firm under its letter head without any additional certification fee.
- j) There is a need to transform the present concurrent audit system to Risk based concurrent audit. Therefore, the concurrent auditors would give rating or grade either numerical or phrased one for the audit entity. This rating should be based on his observations about branch functioning.

The format used for risk based concurrent audit has been designed on the lines of RBIA. Various check lists under Business and Control parameters are incorporated in the format and assessed for their risks. Overall risk rating is assessed through a risk matrix taking into account the business and control risks.

- k) A detailed checklist and other operating guidelines will be provided to the concurrent auditors. Necessary training / consultation required would be provided to them for enhancing the quality of the audit. They would be made aware of the guidelines and circulars issued subsequent to commencement of assignment and having impact on the concurrent audit, to keep them abreast of the changes in the operational and regulatory guidelines.
- l) Necessary arrangement should be made for providing space, workstation and access to systems (viewing rights only) to the concurrent auditors for ensuring smooth conduct of audit assignment. This would be the responsibility of the controller of the audit unit / Branch Head.
- m) The Bank will prescribe structured formats for the audit reports and also stipulate the time limits for submission of the reports. Letter of caution will be given to Concurrent auditors for late submission of reports. Timely submission of reports is one of the areas assessed in the half yearly performance review of the auditors. Their services may be discontinued if there is continuous non compliance.
- n) The audit formats would be reviewed on an annual basis. The firms should strictly adhere to the format and the time limit. Bank may prescribe different periodicity for different reports within the same audit unit.
- o) Audit assignments and subsequent renewals shall be given to Concurrent Auditors during the month of July every year.
- p) Fees payable is based on the level of Total Advances of the branch as of previous year ending March. The fees once fixed shall remain the same throughout the tenure of the concurrent audit irrespective of change in the total advance of the branch. The only exception may be in case of transfer / shifting of entire business of another branch to the auditee branch. Bank's decision will be final in this regard.
- q) Removal / Delisting of Concurrent Auditors:**

Concurrent Auditors, who have colluded with borrowers for pecuniary benefit and who failed to report major irregularities and frauds of more than Rs.One crore, will be included in the IBA's Caution List Under Third Party Entity (TPE) and auditors whose names are included in the IBA Caution List from time to time will also be removed from the Concurrent audit as per extant guidelines.

Concurrent Auditors will be Delisted / removed by placing a note to General Manager (I&C) in the following instances:

- ▶ Frauds of financial loss less than Re 1 crore not detected / not reported.
- ▶ Poor ratings in the Half yearly performance by the respective Inspection Centres;
- ▶ Not complying with our requirements viz., refusing to attend assignments like Pre-release audit and Credit Audit, etc.
- ▶ Not conducting audit for the minimum required number of days; Poor quality of reports etc. and;
- ▶ Who have resigned in the middle of their assignment period.

