

APPLICATION TO BE SUBMITTED TO:

**THE GENERAL MANAGER,
INSPECTION DIVISION,
KARNATAKA VIKAS GRAMEENA BANK,
HEAD OFFICE,
BELGAUM ROAD,
DHARWAD – 580 008.**

**ON THE WEBSITE
OUTSOURCING OF CONCURRENT AUDIT FUNCTIONS
Notification No.KVGB/INSP/01/2020-21 Dated 28.02.2020**

Issued for engaging Chartered Accountants

Details

- A. Terms and Conditions Of Engagement
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A. TERMS AND CONDITIONS FOR APPOINTMENT OF EXTERNAL AUDITORS, CONDUCTING CONCURRENT AUDIT OF BRANCHES AND OFFICES .

The following are the terms and conditions for applying for empanelment as Concurrent auditor and Conditions for appointment:

1. Applicant should be either a Proprietorship, Partnership or Company.
2. The audit firm shall be in the RBI panel and satisfy the minimum eligible criteria like professional qualification, experience etc ie. Auditor/partner shall be qualified FCA and undertaken Statutory audit in any bank or concurrent audit in any other bank
3. The audit firm shall submit one application only. If more than one application is submitted, only one application will be considered by the Bank at its choice. However, this does not disqualify any audit firm from submitting application as member of any other partnership firm.
4. The empanelment and allocation of branches to the auditors will purely be the prerogative of the Bank. Such empanelment shall be initially for a period of one year and can be extended up to a maximum period of 3 years subject to satisfactory performance of the auditor.
5. The concurrent audit firm should furnish the name and qualification of the persons, who shall be conducting audit in the branch, to the Bank before commencing the audit assignment and such persons will have to continue audit for all the months during the concurrent period.
6. The concurrent audit firm shall give an undertaking that they will not sub contract the audit assignment.
7. The concurrent audit firm will not lobby directly or indirectly for considering any credit proposals of their friends/clients to the Bank.
8. Auditors should not have been disqualified under Section 226 of the Companies Act, 1956 to accept this appointment.
9. The Concurrent audit firm / or the partners should not have any credit facilities with the audit branch for which they are applying for except credit facilities against their own deposits. The audit firm shall not have any conflict of interest that are of material significance in discharge of their functions as Concurrent Auditors.
10. The Company / Directors and Firm /any partners' of the firm should not have statutory audit, credit audit, valuation of fixed / current assets or any other similar assignments with any branch.
11. The Company / Directors and Firm/any partners' of the firm should not have any disciplinary matters pending with ICAI/RBI and they should not have suffered any disqualification.
12. The firm should have sufficient experience in conducting audits in Banks.
13. The firm should be nearer to the proposed audit branch as for as possible.

14. Maximum of selected 5 branches will be allocated to a firm. However, the Bank has the discretion to change the allocation of the branches based on administrative exigencies.
15. The audit firm should give their consent in writing / undertaking letter in the prescribed format agreeing to comply with and bound by the terms and conditions prescribed by the Bank.
16. While discharging their duties as Concurrent Auditors, the audit firm shall follow the applicable guidelines / procedures as may be advised by Government/ CVC and other Regulatory agencies.
17. The auditor / audit firms shall exercise due diligence while conducting the concurrent audit. The auditor / audit firm is accountable for any deficiencies in the audit report / lack of diligence on the part of the auditor or any of its employees leading to any losses.
18. The audit firm shall own professional responsibility for concealment of facts, not reporting serious irregularities or losses on account of non reporting/non detection of early warning signals/frauds.
19. The auditor / firm shall indemnify the Bank against all actions, omissions, proceedings, claims, suits, damages and any other expenses for causes attributable to the auditor / firm including any loss suffered on account of any breach of the terms and conditions of the offer of the appointment.
20. The performance of the auditor /audit firm shall be reviewed at periodical intervals and if the performance is found wanting, then the services of the auditors shall be terminated with due intimation at the discretion of the Bank and such Audit firms shall stand de-empanelled. This is without prejudice to referring the issues to the professional body and also claims damages for such unsatisfactory service, whatsoever by the firm or any of its employees.

Methodology of selection:

- 1) The interested firms / companies should apply in the prescribed format furnished in the Bank's website on or before the specified date. They should send the application to General Manager, inspection Department, Head Office, Belgaum Road, Dharwad.
- 2) Mere submission of application by the audit firms for appointment as Concurrent Auditor in Karnataka Vikas Grameena Bank shall not entitle them automatically for assignment. The application will be processed and empanelment will be communicated in due course
- 3) The audit firm which is provisionally selected for empanelment will be communicated through letter/ e-mail and the acceptance to the Bank's offer is to be confirmed by the audit firm immediately.
- 4) After receipt of letter of acceptance from the Firms, the Bank will appoint the audit firm for concurrent audit for the period of one year subject to correctness of information furnished in the application
- 5) If the selected firm has not sent copies of other details as called for and letter of acceptance duly signed by them within the due date, the provisional selection will

stand automatically cancelled. No separate intimation in this regard will be communicated.

- 6) The present offer of appointment is purely provisional and subject to the applicant taking up the audit assignment within the stipulated date.
- 7) The appointment / allotment of branches shall be based on the availability of the branches and number of audit firms in a particular region. However the decision of the bank is final in this matter.
- 8) The Bank reserves the Right to appoint / reject any audit Firm for Concurrent Audit.
- 9) In respect of firms which are not being selected, no communication will be entertained.
- 10) Bank may conduct a day's workshop for selected auditors for familiarization of our terminologies, Systems and procedures before actual commencement of concurrent audit. No traveling / halting allowance or any such allowances will be payable for attending such workshops.
- 11) Procedure relating to issue of letter of authority to enable the audit firm to verify relevant files/ records at specific branch allotted to audit firm for conducting concurrent audit will be informed to audit firm separately while confirming the acceptance / appointment letter.
- 12) The auditor shall maintain in strict confidence, the information containing instructions to Inspecting Officers issued during the period, index of circular issued during the period, indicative list of serious irregularities observed by the internal inspectors, indicative list of early warning signals, shall not use or disclose to others. This should be maintained even after the termination of the agreement.
- 13) The appointment of concurrent audit is purely contractual and for a specific period of 12 months and same may be renewed on a yearly basis subject to satisfactory performance/eligibility of the particular branch for concurrent audit.
- 14) The maximum period of contract shall be restricted to 3 years. However, the Bank reserves the right to terminate the contract at any point of time for whatsoever reason as the Bank may deem fit.
- 15) After termination of the contract the auditor / firm shall not use/keep any material information given by the Bank. They shall return all materials belonging to the Bank after the termination of this agreement, unless otherwise instructed in writing in Bank.
- 16) The Bank shall have the absolute discretion in allotting the branch, revising fee structure, stipulating terms and conditions of the appointment and termination of the services of the empanelled auditor after giving due notice at any point of time including during the pendency of the contract.
- 17) The monthly concurrent audit report shall be completed before 7th of succeeding month. If the report is not completed by 7th of succeeding month a penalty by way of 10% cut in the monthly remuneration will be imposed. Further if the report is not completed before 15th of the succeeding month no remuneration become payable to the concurrent Auditors for such month.**

Application Form for Empanelment of Concurrent Auditors

I. GENERAL INFORMATION.

1	NAME OF THE FIRM					
2	Complete postal/communication address with City/Pin Code, State					
3	Office Telephone No./s.					
4	Office FAX No. with STD Code					
5	E-mail Address. (validation)					
6	Constitution	Individual/Proprietorship/ Partnership Firm Limited Co.				
7	Date of formation /Establishment of the Firm					
8	Registration No. of the Firm / Company with date with Institute of Chartered Accountants of India (ICAI)					
9	Registration No. of Firm/Co. With date (unique code number) with RBI.					
10	Service Tax Registration No.					
11	C&AG Empanelment No.					
12	Permanent A/c No. of the Firm (Mandatory)					
13	No. of Partners / Directors.					
14	Name, Qualification, Membership No., year and other details (DASA qualification may also be mentioned).					
	Name of the Proprietor/ Partner/ Director	Contact Number	Educational Qualification	Membership Number	Year	Brief profile.
1						
2						
3						

15. Details of audit staff employed	
a) Qualified Chartered Accountants	
b) Semi Qualified Chartered Accountants	
c) Retired/ex-bank officers	
d) Article/audit clerks	
c) other assistants	
Total	

II. PAST EXPERIENCE OF THE FIRM / COMPANY (Relating to various bank audits)

Particulars	Name of the Bank	No. of years in completed years	During the period
A. Central Statutory Audit			
B. Statutory Branch Audit			
C. Concurrent Audit			
D. Income/Revenue Audit			
E. System / IS Audit			
F. Any other Special Audit / assignment allotted by the Bank			
G. Details of Bank audit assignment currently on hand including as Concurrent Audit if any.	Bank		Type of audit
H. Areas of specialization of the firm/partners in Bank audits (Large Corporate Branch, SME Branch, Housing Finance Branch, Any other Commercial Bank / Gramin Bank).			
I. Any other relevant details / particulars of the Firm.			
<p>Documents to be enclosed (a) copy of partnership deed / memorandum and Articles of association, (b) Certificate of registration with ICAI/ROC in the case of companies, (c) Copy of UCN registration with RBI, (d) Copies of letters received from the other Banks assigning the work of concurrent audit / statutory audit/other audits to audit firms as reported in the application, (e) any other relevant enclosures/evidence / reports which audit firm has mentioned in the application.</p>			

Place

Date

Signature

UNDERTAKING/DECLARATION

1. We have read the above terms and conditions for selection / appointment of concurrent auditor and agree to abide by the same. We also undertake to execute the undertaking letter in the prescribed format agreeing to abide by the specific terms and conditions of appointment before taking up the assignment in case the firm is selected for Concurrent Audit.
2. We hereby declare that all the partners of the firm are full time practicing Chartered Accountants.
3. We hereby declare that individually, no partner is engaged in practice otherwise or in any other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act 1949.
4. We hereby declare that neither our Firm nor any of the partners have been disqualified / debarred / cautioned by ICAI during the last 5 years.
5. We hereby declare that the constitution of the firm as on the date shown in this profile / resume is the same as that of in the Constitution Certificate issued by the ICAI and any changes in the constitution will be intimated to the Bank as and when takes place.
6. We hereby declare and confirm that the above particulars are true, complete and correct and no other material information has been withheld.
7. The above particulars / information / details are given on behalf of the applicant, by the undersigned authorised to do so.
8. We also undertake to abide by any other Terms and Conditions which the Bank may stipulate in compliance to RBI / Government guidelines or other internal guidelines of the Bank issued from time to time.
9. In case of any dispute, the decision of the Bank is final and only the appropriate Courts in Dharwad shall have the jurisdictional authority.

Place

Date

Signature

Details of Fee Structure

The Schedule of Fee shall be as under

Business Level	Amount in Rs. per branch/ month
For branches with total business up to Rs 100 crores	8000
Branches with total business of Rs 100 crores & above but less than 250 crores	9000
Branches with total business of Rs 250 crores & above	10000

In addition to the above Rs 800/- per month for auditing of extension counter.

In case of concurrent audit of branch is outside the head quarter, the travelling and conveyance expense of Rs 1000 per branch shall be paid.

METHODOLOGY FOR CONDUCTING CONCURRENT AUDIT/REPORTING

- 1) The audit team should be led by the Chartered Accountant – Proprietor/ Partner/ Director of the audit firm with experienced assistance as the work may warrant. The audit personnel should not be changed so that continuity and consistency is maintained. If there is any change in the constitution of the firm during the period of appointment it shall be informed to the Bank immediately.
- 2) The audit team should visit the branch for minimum of 4 days in a month, out of which chartered accountant / partner of the audit shall visit the branch compulsorily and submit the audit report.
- 3) The audit firm shall conduct appropriate due diligence before employing any personnel who will be entrusted with the work of conducting the audit of the Bank. The audit firm is also responsible for any commission and omission of its employees which may cause and or likely to cause any loss / damage to the Bank or its clients.
- 4) Before commencing the audit, the members of the Audit team should be properly introduced to the Branch in charge by proper introduction letter containing the specimen – signatures and photo/s of the persons conducting the Audit duly attested by the Chartered Accountant – Proprietor / partner of the firm / Directors of the Company / Authorised Officials of Head Office.
- 5) Auditor to be guided by Circulars, Manual of Instructions and other guidelines issued by the Bank from time to time (which are available in the branch) for conducting the audit of the branch. If necessary, Head Office, Inspection Department will provide the copies of important Circular / guidelines as and when demanded / situations warranted.
- 6) Auditors should do parameter checking of the software to ascertain that the interest rates and parameters are in accordance with the Circular guidelines in order to check any leakage of income to the Bank. They shall also verify that various hardware/software are kept properly and proper access control is maintained during the Branch operations. They should also verify securities charged to the Bank and ensure its correctness.
- 7) The auditor should keep watch on large withdrawals from OCC / Cash Credit account with limits of Rs 25 Lakhs and above and any deviations observed should be reported to the Head Office immediately.
- 8) Any deficiencies / lacunae pertaining to post CBS migration issues / Finacle issues if any come across during the course of Audit, Auditors should bring to the knowledge of HO through special report and over phone / e-mail or fax.

PROCEDURE OF REPORTING

The audit team should adopt the following procedure in the matter of reporting their findings.

- (i) The auditors should prepare jotting sheets in duplicate on day to-day basis duly listing the findings and handover the one copy of such report to the branch manager against his acknowledgement and follow-up for prompt rectification.
- (ii) Upon completion of the audit of the given branch in full, the audit firm shall prepare a final report in triplicate after discussing with the branch Manager and the original copy of the final report shall be given to the Manager with due acknowledgement. One copy shall be submitted to Regional office and one copy to Head Office, Inspection Department immediately after completion.
- (iii) Any transactions of serious nature which is against normal banking practices / any other un-healthy practices indulged by the branch staff, persistent irregularities, shortage of securities, transactions of fraudulent nature, borrowal accounts giving early warning signals and other serious irregularities like deficiency in sanction or documentation / pendency in Documentation / Incomplete documentation / non-renewal or non-recovery of expired limits / non-obtention or not making available LoRs for loan accounts beyond 36 months, expired limit status and so on should be submitted to / brought to the notice of Head Office through special report and over phone / email / fax. Any failure / omission / negligence on the part of the audit firm shall render the firm liable for action and termination of audit assignment. The special report should cover the deficiency in critical areas / guidelines and the irregularities / shortcomings observed during the course of the audit. Auditors are however free to report any other deficiencies which they may come across during the course of their audit. The special report should reach Head Office within 7 days of the final reporting made.

Expectations from the auditors

01. The system of concurrent audit has been introduced mainly with the following objectives:-
- a) To keep all routine work of the branch under continuous check so as to supplement Bank's efforts to ensure a robust internal control system at the branch in the critical and sensitive areas.
 - b) To ensure that violation, if any, in the procedures of the Bank are brought to the notice of the management immediately so that timely corrective and remedial steps are taken.
 - c) To pick up and report early warning signals in the right time to alert the management.
 - d) To report serious irregularities / fraudulent activities noticed at the branch to management in right time.
 - e) To ensure the quality of credit portfolio with due focus on credit appraisal, sanction, monitoring, and recovery aspects etc.
02. The audit firm shall own professional responsibility for concealment of facts, not reporting serious irregularities or losses on account of non-reporting / non detection of early warning signals / frauds.
03. The Bank may convene the meetings of select auditors at periodical intervals at the specified centres for interaction.
04. The Bank will also evaluate the performance of the auditors at periodical intervals based on the following parameters:-
- i) Adequacy of the coverage of audit areas and reporting, as per norms.
 - ii) Timely submission of Special Report.
 - iii) Timely reporting of serious irregularities / early warning signals.
 - iv) Contribution to improvement in overall control by the branch.
 - v) Failure to detect and report leakage of income as well as serious irregularities.
05. The auditor / firm shall indemnify the Bank against all actions, omissions, proceedings, claims, suits, damages and any other expenses for causes attributable to the auditor / firm including any loss suffered on account of any breach of the terms and conditions of the offer of the appointment.
06. If the performance is found wanting, then the services of the auditors shall be terminated with due intimation at the discretion of the Bank and such audit firms shall stand de-empanelled. These are without prejudice to referring the issues to the professional body and also claim damages for such unsatisfactory services, whatsoever by the firm or any of its employees.