

SCOPE OF CONCURRENT AUDIT

a. Cash transactions including physical verification of cash, etc.

- i. Transactions in staff accounts in general, with special attention on cash transactions of Rs.1 lakh & above and transfer transactions of Rs.2 lakh & above should be monitored.
- ii. All High value transactions of Rs.25 lakh and above of customers to be verified in depth; Non-compliance to KYC, deficiency in due diligence and risk categorisation, suspicious nature of transactions, etc. if any should be reported.
- iii. If any transaction is suspected to be fraud or fraudulent activity or act of exercising powers beyond MDL unreasonably or indication of any foul play in any transactions of fraudulent nature warranting the attention of Top Management is observed, immediately the same should be submitted by way of Special Report to GM (I&C), CVO under copy to Head of FIO. As per extant guidelines of RBI, any deliberate failure on the part of the auditor would render himself liable for action.
- iv. Transactions should be verified with respect to risk profile of the customer / due diligence and advice the Branch to modify risk profile of the customer, if necessary.

b. Loans & Advances including physical verification of securities, delegation of Powers for sanction, Security Charge Creation, end use verification of funds, monitoring of accounts with excess drawings, monitoring of projects, etc.

- i. Verify the application forms, back papers, documents etc. of all loans sanctioned during the month, except Jewel loans & Loans against Deposits and record their comments.
- ii. Verify documentation in respect of all loans sanctioned during the month and shall submit end use certificate in respect of all new loans (excluding JL & LOD) by verifying the mode of release of loan in the system. Negative observations, if any, in appraising and sanctioning of Jewel Loans & Loans against Deposits shall be reported in the Flash Report.
- iii. Irregularities / deviations in the documentation / transactions / stock audit & legal audit details of 5 Borrowal Accounts of limits of Rs.2 Crore and above of the Branch every month on rotation.
- iv. Mandatorily inspect at least five units every month jointly with Bank Officials. Preference to be given to all new sanctions / high value advances, accounts showing symptoms of stress and units that were not inspected by Branch during the last 6 months. Unit Visit Report should form part of the Concurrent Auditor's Monthly Report. The Unit Visit Reports should include an End Use Certificate by concurrent auditor. Geo-Tagging of the mortgaged properties should be ensured.
- v. Ensure verification of genuineness and their enforceability of documents of title submitted as security for loans.
- vi. To ensure that irregularities / deviations in Zero Tolerance areas observed are rectified by the Branch and status shall be included before final submission of the Report.
- vii. Comment on compliance on negative remarks made in the Statutory / Branch / Credit / Stock / Legal Audits of the account or borrower so as to ensure that the transactions in the accounts of the borrower are satisfactory.
- viii. Verify whether Solvency Certificate issued by Branches are backed by sanction from competent authorities.
- ix. Check and verify master data entered in CBS system both for Deposit and Loan accounts. Ensure that all terms and conditions including product code, interest rate, repayment schedule

etc. for each loan account sanctioned during the month in CBS system are as per latest sanction letter.

x. Any sudden spurt in advances both in number and amount to be verified and reported. In cases where increase of 10% and above from previous month should be analysed and details to be included in the report.

c. Adherence to KYC / AML guidelines including monitoring of transactions in accounts, compliance with Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS), monitoring of transactions in new accounts / staff accounts, reporting of CTR / STR, etc.

- i. Verify whether Branch is following Fair Lending Practices, Privacy Policy, AML / KYC (including CTS, STR and Counterfeit Currency Report (CCR) and BCSBI).
- ii. Verify KYC / AML guidelines complied with CA / SB accounts opened during the month.
- iii. Verify whether all FCNR / NRE / NRO accounts opened on or after 01.11.2015 are with new application forms with FATCA / CRS details.

d. Remittances / Bills for Collection including SWIFT transactions, monitoring of overdue statements (Bills Purchased / Discounted / Negotiated, etc.).

- i. Any remittances, including SWIFT, without charges / fees, overdue etc. should be verified.
- ii. Verify whether the Branch has verified every Bill of Entry, online through www.icegate.gov.in or otherwise before Negotiating / Discounting relevant bills.

e. House Keeping including reconciliation of accounts, monitoring of BGL / Parking Accounts, opening of internal accounts, etc.

- i. Reconciliation of Capital subsidy account ie. SRF account.
- ii. Routing of any unrelated transactions in BGL a/c viz., Sundry Deposit, SR-II, Routing account, other non-customer transactions etc., should be verified.
- iii. Reconcile all outward SWIFT messages pertaining to Documentary Credit / Trade Finance (including LCs / LOU). Concurrent Auditors should verify the Outward SWIFT messages vis-à-vis related accounting entries in BANCS / EXIM BILLS.

f. Non-Fund Based Business.

- i. It should be ensured that all units having exclusive Fund based & Non-Fund Based sanctioned limits of Rs.1 crore and above, are visited at least once in a half year.

g. Foreign Exchange Transactions.

- i. Verify the Guarantees / LCs issued vis-à-vis related accounting entries in BANCS / EXIM BILLS. Also, the issue of Guarantees / LCs should be verified to assess whether they are backed by sanction from competent authorities or otherwise 100% secured. Besides the following also to be ensured.

- ▶ Recovery of Processing Charges and Commission for BGs / LCs.
- ▶ Comment on timely performance of projects for which BGs issued (Actual vs. Projected) and likely invocation of BGs / LCs, if any.
- ▶ Timely reversal of expired BGs

- ▶ Timely payment / default of BGs invoked.

- ii. Ensure that imports / exports outstanding beyond the permissible period, as per FEMA guidelines are checked and commented upon.
- iii. 100% verification of EDPMS, IDPMS, Form 15CA / 15CB and other FOREX operations.
- iv. In view of the directions given by RBI Vide A.P (DIR Series) Circular No 27 dated 12.01.2017, Concurrent auditors of authorized branches should verify outward remittance against imports and appropriation of Bill of Entry in the Import Data Processing and Monitoring System (IDPMS). Concurrent Auditor should check and verify the original documents kept at base branches related to Forex transactions.

h. Conduct of employees, mis-selling of products, etc.

- i. Observe and report any mis-selling of products etc. by any staff / employees of the Product Company / outsourced employees viz. FBC, DSA etc. within the bank premises / outside the Bank.
- ii. Verifying marking of attendance through bio-metric authentication for both 'IN and OUT'.
- iii. In case the concurrent auditors come across any gross negligence on the part of BM / other staff or any act of fraudulent nature or suspected to be fraud, the same has to be informed by way of Special Reports to GM (I&C), CVO and respective FIO Head.

i. Compliance to RBI guidelines and internal Policy guidelines issued from time to time.

- i. Pre Release Audit shall be carried out as per the extant guidelines. In case pre-release audit gives a qualified report for a particular sanction, pending compliance of certain conditions, verification of progress in compliance of pending terms and conditions will be taken up by Concurrent Auditor till full compliance.
If the Branch is under Concurrent Audit and a loan is disbursed without pre-release audit, the same should be reported in the flash report of the month.
- ii. All types of customer complaints received by the Branch which is not addressed fully and pending should be reported. Serious complaints which require immediate attention of controlling authorities are to be escalated.

j. Monitoring of NPA

- i. The process of identification of NPA is system-driven and auto flagging is done on monthly basis. Accordingly, the Concurrent Auditors are advised to verify the following aspects of the auditee branch on
 - ✓ NPA identification (on CIF basis)
 - ✓ Any manual flagging / de-flagging / up-gradation of NPAs should be reported.
 - ✓ Ensure Red Flagged Accounts have been tagged in CBS for better monitoring and for MIS.
 - ✓ Recovery mechanism– Process of SARFAESI, NCLT, Suit Filed, Lok Adalat etc.
 - ✓ To verify from master data that all terms & conditions of restructuring and movement in Restructured Advances, as per latest sanction letter, has been incorporated by Branch in CBS system and to ensure that the process of NPA identification and other issues are as per guidelines of IRAC norms.
 - ✓ Verify whether the Authorised Officer is strictly following the procedures laid down with timelines for dealing with SARFAESI accounts and follow up for realization of our dues.

- ✓ Even if one Bill is classified as NPA, the entire BP a/c and all the other credit facilities of the borrower are to be classified as NPA. Auditors to ensure that all Bills Purchased / Negotiation Transactions are routed through EXIM BILLS module to ensure system based identification of all overdue Bills.
- ii. To observe and comment on Early Warning Signals in respect of accounts with balance of Rs.50.00 Crore and above as per the guidelines of RBI to enable the Bank to take a view on RED FLAGGING of those accounts.

k. General Areas

- i. Visit minimum of 5 SHG groups per month in Microsate branches and other branches having SHG business of Rs.10 crores and above as on previous March and the visit report should form part of the monthly Concurrent Audit Report.
- ii. Verify whether RTI and Ombudsman cases are properly diarized and reply sent to the respective departments in time.
- iii. Verify whether e-VVR checking is up to date, numbers are marked in the vouchers and missing vouchers are recorded in a separate register as per the guidelines of the Bank.
- iv. The monthly audit report should contain a review of the compliances to the observations in the previous reports. Irregularities pending compliance should be carried over.
- v. Verify the claim filed by the Branch to various authorities such as ECGC / NCLT / DICGC / CGTMSE etc.
- vi. Accounts reflected as SMA by the system itself should be observed carefully so that it may not slip to NPA. Other accounts, which are not reflected as SMA by system, should also be seen for non-reflection in SMA list.

Undertake functions of Quarterly Limited Review and Half Yearly Revenue audit, not of the same branch, to be assigned by respective FIOs against suitable remuneration.

Apart from daily checking of transactions, the Concurrent Auditor has to undertake the following:

- i. Quarterly ATM audit. Monthly IT audits covering ATM audit & Branch implementation of back-up procedures and retrieval.
- ii. Concurrent Audit is risk based where irregularities of various areas like Advances, Deposits, NPA Management, House-keeping etc. are described in Check List and Auditor has to feed check list at the moment he observes any deviation.
- iii. Verify the LFAR observations made / reported by Statutory Auditor of that Branch for the previous FY, i.e. 31st March and rectified by the Branch. No additional fee will be payable for this assignment.
- iv. Verify the creation of limit tree at Branches for all loan accounts

FEE STRUCTURE

Advance position of Branch as of 31st March of the year	Fees (Rs)
Upto Rs.50 crore	15000
Above Rs.50 and upto & inclusive of Rs.125 crore	17500
Above Rs.125 and upto & inclusive Rs.250 crore	20000
Above Rs.250 and upto & inclusive Rs.500 crore	25000
Above Rs.500 and upto & inclusive Rs.1000 crore	30000
Above Rs.1000 and upto & inclusive Rs.3000 crore	35000
Above Rs.3000 crore	40000
Additional fees for FOREX authorised branches	1000

The report is to be submitted latest by 10th of succeeding month. If not submitted by 15th, 10% audit fees and by 20th, 20 % audit fee will be deducted. No fee will be paid on submission of report after 20th.

ACCOUNTABILITY

If external firms are appointed and any serious acts of omission or commission are noticed in their working, fraud surfaced at the branch which the concurrent auditor has failed to report the details, their appointments may be cancelled after giving them reasonable opportunity to be heard and the fact shall be reported to ACB of the Bank, RBI, IBA and ICAI.

Concurrent Auditors, who have colluded with borrowers for pecuniary benefit and who failed to report major irregularities and frauds 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, after Zonal Manager calling for comments and with recommendations of ZACE, by placing a note to GM (I&C) in the following instances:

1. Frauds of financial loss not detected / not reported.
2. Poor ratings in the Half yearly performance by the respective FIOs;
3. Not complying with our requirements viz., refusing to attend assignments like Pre-release audit, issuing end use certificate etc. in the branch where the Concurrent Auditor is assigned.
4. Not conducting audit for the minimum required number of days; Poor quality of reports etc.

THE CONCERN & EXPECTATIONS OF THE BANK

- 1) Concurrent auditors have a responsibility to the bank and are accountable for any act of omission during the course of audit. They should be vigilant, objective and analytic in their approach.
- 2) The concurrent auditors should participate in branch functioning and assist them in identifying and weeding out defects/ deficiencies then and there before they assume dangerous proportions.
- 3) The emphasis of the system should be on rectification / regularisation rather than fault finding and punitive. In case of disagreement on any point between the concurrent auditor and branch manager, the auditor should append with their report the comments of the branch manager.
- 4) Concurrent auditors should not only ensure rectification of irregularities but also to stop recurrence of such irregularities.
- 5) During the course of audit, the auditors may avail of every opportunity to discuss with the branch manager about the functioning of various sections/ departments of the branch, as observed by him/ her, and again in detail as and when the draft report is ready for a given month.
- 6) Leakage of income and revenue must be periodically carried out and a report thereof to be sent to the concerned authorities.
- 7) Inspection of securities must be periodically carried out and a report thereof to be sent to the concerned authorities.
- 8) Some of the auditors depute very junior or new article clerks for concurrent audit of branches with whom complex issues cannot be discussed threadbare. Moreover, junior auditors with inadequate exposure become too submissive with the branch officials. A regular visit by a senior auditor can assert sufficient authority on the branches for irregularities observed and carry out rectification thereof.
- 9) The reporting formats are designed to help uniform reporting by the auditors. Information which are branch specific and not covered by the format should be reported separately by the concurrent/ internal auditors.
- 10) The reporting formats are only an outline and the concurrent auditors are to report on any other aspects separately.
- 11) Concurrent auditors may report all pending items in the chronological order along with the name of the official in charge to facilitate fixing up of responsibility/ accountability.
- 12) The reporting should also be more qualitative covering critical areas of branch functioning with focus on comparative analysis indicating improvements/ deterioration, their causes and branch efforts to find a remedy. This would enable the Top Management to get a better view of the branch functioning thus facilitating timely and necessary corrective action to improve the situation.
- 13) Concurrent auditors should submit their reports in the e-audit system only. The HARD COPY of Flash report, Discussion & Attendance report together with two certificates signed by the auditor with membership number & seal along with the signature of the Branch Manager shall be submitted to the Inspection Centre concerned after REPORT RELEASE in the e-audit system for that month.

- 14) In commenting on the irregularities and furnishing data, the concurrent auditors should strictly adhere to the columns in the format and no column is to be left blank or indicated in dash. Wherever there are no particulars to be furnished that should be specifically noted as 'Nil'.
- 15) Each report shall be finalised after having discussed the same with Branch Manager and a timeline obtained for rectification of the irregularities, if any.
- 16) Concurrent auditor shall confirm that the deficiencies / irregularities reported in the previous month are rectified / complied by the Branch. If the irregularities are still persisting, it shall be reported in the monthly Flash Report.
- 17) The report of the concurrent auditors should be qualitative with a stress on follow up attended at the branch for rectification or irregularities rather than their mere submission in data based form in a routine manner.

APPROACH TO AUDIT

1. The concurrent auditors' functions are very important for on the spot correction of irregularities observed at the branch level so as to minimise the incidence of serious errors and fraudulent manipulations.
2. The list of various items to be verified / audited as indicated in the audit reporting format is only illustrative and not exhaustive. It should be ensured that all other areas (not covered in the structured format) are comprehensively covered in the concurrent audit report. In other words, the concurrent auditors should not confine their area of functioning to instructions on subject matter already given to them in writing, but use their own judgement and wisdom in such other matters which tend to put the bank to a financial loss subsequently.
3. Thus the approach of the concurrent auditors to the system should be to:
 - a) Ensure that the bank's systems, procedures and guidelines are followed scrupulously as per the set procedure of the bank. For this the concurrent auditor may refer to the books of instructions / manuals available at the branches covering all the key functional areas.
 - b) Checking of daily vouchers, stress is on sensitive accounts as well as Profit & Loss Account, checking instances of abnormal cash receipts / payments. This is further clarified in length under voucher audit.
 - c) Cash verification and checking of books / registers including Cash Book and General Ledger.
 - d) Verification of transactions in Bank a/cs and their reconciliation.
 - e) Monitoring follow up of Inspection and Statutory reports.
 - f) Checking of interest and other charges levied on borrowal accounts with a view to detect income leakage.
 - g) Keeping track of balancing of books periodically.
 - h) Test check of applications of interest on deposit accounts.
 - i) Scrutiny of operations in provision accounts.
 - j) Close watch on entries in sensitive accounts like:
 - a. Sundries Receivable A/c
 - b. Sundry Deposit accounts
 - c. Clearing Adjustment a/c
 - d. Interest Accrued and Payable on Term Deposit A/c
 - e. All parking accounts
4. Monitoring follow up on long pending entries in the BGLs.

5. Verification and monitoring the remittance of Tax Deduction at Source.
6. Timely submission of control returns/ Test checking of returns.
7. Verification of the security items held at the bank.

ADVANCE ACCOUNTS

The report of concurrent auditors in advance accounts should be a comprehensive one covering the entire status of the borrower's accounts and financial transactions with the bank. The report should not give piece-meal information in a very generic form. The report of the auditors should reveal a true and fair view of the inspection of the physical assets charged to the bank, godown inspection, status of the account etc. to get the useful feedback of the borrower's account with the branch. In particular, the auditors should monitor and report on every aspect from pre sanction appraisal, sanction, documentation, disbursement, follow up etc. and comment on the following:

- a) Overdrawing in the accounts.
- b) Delays in submission of balance sheets / CMA data / stock statements / QIS statements.
- c) Cases of overdue proposals.
- d) Pending insurance policies on record and cases of under insurance/ expired insurance.
- e) Variance in sales turnover/ stocks/ debtors/ creditors as per QIS I and II.
- f) Calculation of penal interest/ commitment charges.
- g) Follow up of suit filed/ decreed/ other inspection, slow moving accounts for recovery.
- h) Overdue loan instalments.
- i) Provision on non-performing assets.
- j) Inspection of securities of all the accounts minimum once in every six months.
- k) Verification of valuation report on immovable property accepted by way of security as a mortgage.
- l) Report on whether proposal papers are sent to high authorities for post sanction scrutiny in time and any observations made by higher authorities remain un-replied.
- m) Check whether TOD / Excess / adhoc regularly allowed to same parties, even though within Branch Manager's powers.
- n) Check the accounts due for review and test check documentation to ensure that documents are current and live.
- o) Concurrent Auditor should go through the irregularities in the documentation / transactions / stock audit & legal audit details of 5 Borrowal Accounts of limits of Rs.50 Lakhs and above of the branch every month on rotation. Next round of inspection is to be conducted during the next six months.

FOREIGN EXCHANGE OPERATIONS

1. The approach to the assignment should be beyond mere transactions checking and to assist the management in developing systems and procedures with in-built control, to eliminate duplications and redundancies and thereby achieve, both, better efficiency and effectiveness. The firm has to understand the nature of foreign business transactions performed by the branch. Obtain detailed understanding of work-flow and documents flow for foreign business activities.

2. Evaluate the internal checks and controls and based thereupon, determine the extent of checking required. Perform audit in a manner so that, in addition to basic objectives of early identification of errors / irregularities, the audit can assist the management in strengthening the systems and procedures and to improve operational efficiency.

INSPECTION OF UNITS BY THE AUDITORS

Units for this purpose include KCC godowns, OCC stocks and all assets pledged / hypothecated to bank under advance bills, packing credit, MTL and other loans and building property mortgaged to bank and assets created out of bank advance.

- 1) Unsecured (clean) advances and advances to staff members are excluded from the purview of unit inspection.
- 2) Concurrent Auditor should inspect at least five units every month jointly with Bank Officials, with preference to all new sanctions (other than SLPs) by BM / ZLCC and above accounts showing symptoms of stress and units that were not inspected by branch during the last 6 months. It should be ensured that all units with Fund based & Non-Fund Based sanctioned limits of Rs.50 lakhs and above, are visited at least once in a half year. Next round of inspection is to be conducted during the next six months. Geo-Tagging of the units should be ensured. Unit visit report should form part of the concurrent auditor's monthly report. Performance of the concurrent auditors in this respect will be taken up into consideration while recommending extension of the term of audit. Hence the concurrent auditors are required to attach importance to this aspect of their concurrent audit assignment
- 3) As regards outstation units / assets the auditors may furnish a list of all such units / assets to the Zonal Head concerned immediately with the request to arrange for inspection by the nearest branch. Auditors can append the reports received from the branches with their own observations on the accounts in their monthly / quarterly reports. In case the inspection report is not forthcoming from the designated branch, they may report the default to Zonal Office separately and also include the same in the reports.
- 4) The element of surprise should be ensured during the unit visits / inspections.
- 5) The auditors on no account should undertake unit visit / inspection on his / her own without being accompanied by branch manager and/ or official duly authorised by the branch manager.
- 6) Auditors should maintain proper record of all their unit visits / inspections.
- 7) Whether stock registers are maintained properly and up to date? Whether Bin card system is introduced?
- 8) Whether Goods received under DA / LC are kept segregated from OCC / PC stocks.
- 9) Whether the insurance cover with bank clause is adequate, is in force and is renewed in time?
- 10) Furnish the details of inspection as per the format given in the report. Any other irregularities not covered by the format to be given at the end of the report.

ON LINE QUARTERLY COMPLIANCE REPORT

Concurrent Auditor is to verify the authenticity / Correctness of the on-line quarterly compliance report submitted by the Branch / Department and to bring out deviations, if any, in the report submitted by the Auditor.

RISK BASED AUDIT

Concurrent Auditors have to conduct risk based audit and to prepare the necessary formats after proper assessment of various risks involved in the branch.

ELIGIBILITY CRITERIA FOR CHARTERED ACCOUNTANTS

The following basic eligibility criteria should be kept in mind while selecting a firm for Concurrent Audit assignments:

- a) The applicant firm should be a Member of ICAI and should be either a partnership firm or proprietary firm having Chartered Accountant(s) as partner(s) / proprietor, duly empanelled with RBI.
- 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 pending against the firm by RBI. 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 the Bank for audit work should have qualified Information System Auditor (CISA / DISA) with necessary exposure to systems audit since all Branches are fully computerized and IS audit should form an integral part of audit of Bank. 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) 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.
- g) The firm should have necessary office set up and adequate personnel to ensure proper deployment and timely completion of the assignments.
- h) In case of Proprietary firm, the sole proprietor of the firm is a full time practicing Chartered Accountants and not employed elsewhere and do not have any other business interest (Chartered Accountants in professional service and engaged in part-time teaching vocation, can be considered as in full time practice).
- i) The firm or their partners / proprietor have not been subjected to inquiries in the past for misconduct by the Institute of Chartered Accountants of India as per provision of Section 21 of the Chartered Accountants Act, 1949. Similarly, no such inquiries are pending initiated or contemplated by the Institute till date.

TERMS AND CONDITIONS FOR EXTERNAL AUDITORS

- a) In view of directions given by RBI in its Circular dated 25.06.2013, the Concurrent Auditors should certify all the reports under Branch Statutory Audit System Wherever Concurrent Audit are conducted by external auditors. Such Concurrent Auditors should be advised to provide various Certifications done earlier by Branch Statutory Auditors, covering NPA provisioning, Insurance coverage, P&L Account, ALM, CRAR, DICGC, LFAR etc. Similarly, Certification regarding Tax Audit may also be taken from the Concurrent Auditors. It is pertinent to note that the Concurrent Auditors are carrying out all the verifications on a continuous basis which the Branch Statutory Auditors are supposed to do annually for giving these Certificates.
- b) 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.
- c) Vide Sec 141 of the Companies Act 2013, a self-declaration should be submitted by the Concurrent Auditors / Stock Auditors that the audit firm / proprietor / any of the partners do not suffer from one or more of the disqualifications stipulated in Section 141 of the Companies Act, 2013 or under any other law for the time being in force.
- d) 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.
- e) The Concurrent Auditors should not undertake any other activities / assignment on behalf of the branch or unit without obtaining the concurrence of the CO: Inspection Department in writing.
- f) No out of pocket expenses or travelling 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 TDS at appropriate rates.
- g) All the necessary Certificates that need to be given as a part of the Concurrent Audit assignment (Bills of Entry verification, Form 15CA / 15CB, Weekly Certificate for Currency Chest transactions etc.) would be given by the audit firm under its letter head without any additional certification fee.
- h) 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.
- i) 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.
- j) 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.

- k) Necessary arrangement should be made for providing space, workstation and access to CBS systems (viewing rights only) to the Concurrent Auditors for ensuring smooth assignment (this would be the responsibility of the Controller of the Audit Unit / Branch Head).
- l) 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.
- m) 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.
- n) 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.
- o) 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.
- p) The firm should execute declaration of undertaking and fidelity & secrecy on its letterhead in the format prescribed by the Bank.
- q) 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.
- r) 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.
- s) 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.
- t) 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.

Any other additional qualifications of the assignment would be decided by the Bank on a case-to-case basis.



(On receipt of Assignment letter CA / Firm shall submit the following declaration in their letter head)

To

INDIAN BANK
Corporate Office
Inspection Department
254-260, Avvai Shanmugam Salai,
Royapettah, Chennai 600 014

Dear Sir,

DECLARATION

Sub: Assignment of Concurrent Audit of _____ Branch.

Ref: Your letter dated _____.

Anent the above, we confirm that

1. Our partners are not common partners in any other firm that has been assigned concurrent audit by the bank.
2. Neither our firm nor the associate firm or sister concern have been allotted Statutory Audit (Central or Branch) for the year 2019-2020 by the Bank.
3. None of the partners or proprietor of the firm is a Director of the Bank.
4. None of the disqualification contained in Section 226 of the Companies Act, 1956, applies to our firm and as such we are qualified for appointment as Concurrent Auditor. That we continue to qualify to act as Concurrent Auditor of the Bank under Section 226 of the Companies Act, 1956.
5. The audit firm / proprietor / any of the partners do not suffer from one or more of the disqualifications stipulated in Section 141(3) of the Companies Act, 2013 or under any other law for the time being in force.
6. Any change in name / constitution or postal address of the firm will be intimated to the Bank immediately.
7. Ours is a Proprietary firm and the sole Proprietor of the firm is a full time practicing Chartered Accountant not employed elsewhere and that we do not have any other business interest.
(Note: Chartered Accountant in professional service and engaged in part-time teaching vocation, can be considered as in full time practice).
8. The firm or their partners / proprietor have not been subjected to inquiries in the past for misconduct by the Institute of Chartered Accountants of India as per provision of Section 21 of the Chartered Accountants Act, 1949. Similarly, no such inquiries are pending initiated or contemplated by the Institute till date.
9. We will not sub-contract the assignment of concurrent audit to another firm / persons in any manner whatsoever.



10. None of the partners or proprietor of the firm is related to any of the Executives / Directors of the Bank.
11. The proprietor / partner(s) of the firm are not defaulter(s) of any Bank for any liability / loan or obligation.

DECLARATION OF FIDELITY & SECRECY

I / We, _____, Chartered Accountant(s), do hereby declare that we will faithfully, truly and to the best of our skill and ability, execute and perform the duties required of us as Branch Auditors of INDIAN BANK and which properly relate to the office or position in the said INDIAN BANK held by us.

I / We further declare that we will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of INDIAN BANK or the affairs of any person having any dealing with INDIAN BANK nor will we allow any such person to inspect or have access to any books or documents belonging to or in the possession of INDIAN BANK relating to the business of INDIAN BANK or to business of any person having any dealing with INDIAN BANK.

I / We also undertake that the audit of the branches would be carried out by our own staff and that we would not sub-contract the work.

Place:

Date:

Signature:

Membership No:

Seal with address:

DO'S AND DON'TS FOR CONCURRENT AUDITORS

Do's:

1. Pre concurrent audit study of the branch/ department should be done getting all relevant information and off site surveillance reports of the auditee as stated in the engagement letter.
2. Prepare proper audit plan based on 1 above, covering all the areas of the scope, keeping in the view the time lines
3. Have a structured introductory meeting with the auditee and seek all the information required in advance with proper time schedule. Introduce the audit team to the auditee officials.
4. Audit team should have accompanied by senior and experienced members as required.
5. Auditors to display team spirit and avoid misunderstandings/ arguments in the presence of auditees.
6. Discuss his findings with branch officials on daily basis and try to rectify the defects then and there itself.
7. Give auditees a chance to express their opinion while discussing the issues. Getting proper explanation in a co-operative atmosphere will save precious time.
8. In case of difference of opinion with auditee, the auditor should first discuss with the leader of his team. Further discussion on a higher level may be made, if required.
9. In case, auditor comes across any information which causes him to suspect any element of fraud, gross negligence, gross incompetence or similar unfavorable actions or tendencies, he should report the matter to the leader of the team immediately.
10. Auditor should keep utmost secrecy of the information/ audit observations / issues etc. relating to the auditee.
11. Be courteous, cooperative and professional.

Don'ts:

1. Auditor should not have any professional or commercial relationship either direct or indirect with borrowers / beneficiaries of the branch / department which they are auditing and also will not have in future as far as possible for a minimum period of three years.
2. Auditor should not take advantage of his association as concurrent auditor with the branch/ department of the bank and canvas for any client/ business with the bank either directly or indirectly.
3. Auditor should not represent on behalf of any client / customer of the bank for a minimum period of as far as possible three years after the completion of term of the audit.
4. Auditor should not share/ pass on/ discuss any audit related observations / issues / findings with anyone other than concerned in the bank.
5. Auditor need not act overly reserved or unfriendly in order to maintain his independence as an auditing officer. A forbidding attitude on his part may well cause others to adopt the same attitude towards him. This can adversely affect the work entrusted to the inspecting officer.
6. Auditor should not get involved in heated argument with auditee.
7. Auditor should not give orders to auditee and seek requirements from the officer assigned to assist him on a particular job. The concerned officer would issue the necessary orders to their employees if he accepts inspector's suggestions and recommendations.
8. Auditor should not delay the submission of audit report.



**Evaluation parameters for Chartered Accountant Firms for
Empanelment of Concurrent Auditors**

1. CATEGORY OF FIRM (Category norms as per RBI)
NUMBER OF BRANCH OFFICES
2. ASSOCIATES
NUMBER OF FELLOW CAs (FCA)
3. AVAILABILITY OF EXPERIENCED MANPOWER
NUMBER OF PAID EMPLOYEES
DOES THE FIRM HAVE BANK STATUTORY AUDIT EXPERIENCE? Y/N
NUMBER OF AUDIT AND ARTICLED CLERKS OF THE FIRM ENGAGED IN OUTDOOR AUDIT
EXPERIENCE IN CONCURRENT AUDIT / BRANCH AUDIT IN INDIAN BANK AND ALLAHABAD BANK
AS A CONCURRENT AUDITOR OF INDIAN BANK / ALLAHABAD BANK, THREE YEARS NOT COMPLETED IN THE PRESENT BRANCH
4. BANK AUDIT EXPERIENCE OF THE PARTNER / PROPRIETOR
EXPERIENCE OF FIRM AS STATUTORY CENTRAL AUDITORS OF PSBs / PVT BANKS
DOES PARTNER / PROPRIETOR HAVE BANK STATUTORY AUDIT EXPERIENCE? Y/N
NUMBER OF CONCURRENT AUDITS UNDERTAKEN IN PSBs DURING LAST 3 YEARS
5. PSU AUDIT EXPERIENCE
DOES FIRM HAVE ANY PUBLIC SECTOR UNDERTAKING AUDIT EXPERIENCE? Y/N
6. STOCK AUDIT EXPERIENCE
No. of STOCK AUDITS IN PSBs DURING LAST 3 YEARS