

Annexure-“C”

Empanelment/ Selection of Concurrent Auditors in J&K Bank for the FY 2022-23

1. Eligibility Criteria for Chartered/ Cost Accountants (FCA Firms)

While selecting a firm for Concurrent Audit assignment/s following basic criteria should be followed: -

- **Constitution:** - It should be a Limited liability partnership firm/sole proprietorship firm having minimum of one partner as FCA.
- **Efficacy of Manpower& their Skill Levels:** - It must have sufficient manpower with requisite skill levels and infrastructure to conduct the audit in a professional and specialized manner as per the manpower.
- **Not Delisted/depanelled by any Bank/Financial Institution:** - The firm should not be on the depanelled list of the ICAI/RBI or delisted by any bank/financial institution.
- **Certificate Course on Concurrent Audit (CCCA) of Banks:** - The firm must have sufficient CCCA qualified manpower to carry out the Concurrent Audit.
- **Ex-bankers as Staff/Partners Preferred:** - Weightage /preference to be given to the firms where the partners themselves are ex-bankers or the firm has got tie-up with ex-bankers with requisite banking experience and exposure.
- **Not associated with Banks Statutory Audit:-** 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 Business Units.
- **Banking/Audit Experience:** - Weightage/preference will to be given to a firm having exposure in conducting Concurrent Audit of the Bank Business Units for a few public sector / major private sector banks.
- **Availing Credit Facilities from any Bank:** - A declaration to be furnished by the firm that credit facilities availed by the firm or partners or firms in which they are partners, directors including any facility availed by a third party for which the firm or its partners are guarantors have neither turned NPAs nor 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.

2. Terms of Engagement of Concurrent Auditors:-

a). **Tenure of appointment and extension of term:** The tenure of the CA Firm shall be initially for a period of one year extendable upto three years, after which a cooling period of one year shall apply. However, the CA firm/ Auditors have to apply a fresh each year. In case of retired bank officers only one Business Unit or office shall be allotted to one eligible retired officer. However the retired officer must not have worked in the allotted branch during two preceding years prior to his retirement. He shall not be retained as Concurrent Auditor for more than two years for the same Business Unit / office but shall be rotated to other branch/office.

b). **Number of Business Units allotted per auditor shall be as under:**

Location of BU	Chartered /Cost Accountant		Retired Bank Official	In-house Bank Staff
	Partnership	Sole Proprietorship		
UTs of J&K & Ladakh*	Upto 5 BUs	Upto 2 BUs	1 BU	Upto 2 BUs
Rest of India	1 BU	1 BU	1 BU	Upto 2 BUs

** More than 1 BU can only be allotted if there is scant presence of CA firms in the region.*

c) Accountability/ /Removal/dis-empanelment of Concurrent Auditors:-

Concurrent Auditors, will be subject to removal/de-listing/de-empanelment in following cases:

- When the Concurrent Auditors have colluded with borrowers for pecuniary benefit and failed to report major irregularities and frauds, the names of such auditors / firms will be referred to IBA's for inclusion in Caution List (under Third Party Entity - TPE).
- When the auditors name is included in the IBA Caution List from time to time, the name of such auditors will also be removed from the panel of Concurrent Auditors as per extant guidelines.
- When frauds of financial/other loss/es is/are not detected / not reported.
- When they fail to retain/maintain desired performance in the half yearly review.
- When their performance is not found to be of desired level for two consecutive months by concerned Compliance Department or S, C & Audit Divisional Office/Corporate Headquarters or any other Office.
- When they refuse to attend to any inspection/audit assignment or delay it, without proper justifications/reasons.
- When they fail to attend the business unit on regular basis for Concurrent Audit.
- When a Concurrent Auditor resigns/revokes his job in middle of the assigned period.
- Frequent expiry of password on account of non-attendance.
- Asking undue favours from customers of the Bank.
- Late submission of Concurrent Audit report by more than five days (before 15th of the month following the month to which the report pertains.)
- Quality of Concurrent Audit report is very poor as it lacks comprehensive coverage of all the areas.
- The auditor fails to display a cooperative/constructive/collaborative approach towards the staff posted at the business unit and does not discuss the vital aspects of his findings with the branch manager/ other officials in-charge of various sections/departments.
- Fails to maintain the secrecy of the information of the borrowers/depositors or workings of the unit.
- Auditor is involved in some unlawful activities necessitating the bank to withdraw assignment/ allotment and other event likely to have material effect on the conduct of the Concurrent Audit in the business unit.
- Any serious acts of omission or commission if any noticed in their working, 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 and ICAI.

- In cases of serious acts of omission or commission noticed in the working of bank's own staff working as concurrent auditors shall be guided by the Officer's service manual and other circulars issued from time to time defining the responsibilities/ acts of omission & commission of the officers, and fixing of staff accountability.
- In case of Retired Staff, if serious acts of omission or commission are noticed in their working, their appointments may be de-listed/ blacklisted not only for concurrent audit but also for all other types of audit assignment/s of the bank, after giving them reasonable opportunity to be heard and the fact shall be reported to ACB of the bank.
- Refusal to take up the allotted assignment & non commencement/ completion/non-submission of audit report within prescribed time.
- Dissolution/Reconstitution of the firm under different name & style. However, in case the firm informs the bank of its reconstitution/relocation/renaming with full documentary evidence, the bank may consider such requests subject to its satisfaction. The powers for continuance of such audit firm in the panel shall rest with Executive President/ General Manager of the vertical.
- In case unsatisfactory performance is observed on the part of concurrent auditor or deviation from the terms of engagement, his assignment will be cancelled even before completion of the allocated period of one year. In case of CA firms appointed, any serious acts of omission or commission if noticed in their working may be reported to RBI & ICAI, besides cancelling their appointment.
- Further any MOC surfaced under statutory or other audit and not reported by Concurrent Auditor shall entail disqualification and cancelling of appointment of the concurrent auditor which shall be monitored by the concerned S&C Zone.
- The de-empanelment of the CA firm will be done by MD & CEO on the recommendations of the Committee empowered for selection in case of unsatisfactory performance while making review. The selection committee for the purpose includes Deputy General Manager (S, C & Audit), Incharge (S, C & Audit) and concerned desk officer.

3. **Other Conditions of Engagement:**

- i. The auditors will not sub-let/sub-assign the audit assignment to any person/ firm. Selection of Concurrent Auditor/s will be the sole discretion of the bank.
- ii. The Concurrent Audit firm/individual will be liable to be removed at any time at the sole discretion of the bank without assigning any reason.
- iii. The empanelled firms/retired official shall be accountable for the acts of omission and commission during the course of the Concurrent Audit.
- iv. The Concurrent Auditor should strictly adhere to the audit coverage as per the scope of Concurrent Audit as may be communicated /decided by the Bank from time to time.
- v. The Concurrent Auditors should not undertake any other activities / assignment on behalf of the business unit/operational office without obtaining the concurrence of the S,C & Audit Division, Corporate Headquarters in writing.
- vi. The empanelled concurrent Auditors will not be eligible for any leave facility and medical expense reimbursement.
- vii. No out of pocket expenses or traveling allowance / halting allowance would be paid to the Concurrent Audit firms/individuals for carrying out the audit assignment and/ or attending workshops / meetings etc.