

## **Empanelment of Concurrent Auditors in J&K Bank for the FY 2019-20**

### **1. Eligibility Criteria for Chartered Accountant Firms**

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

- a) Constitution: - It should be a partnership firm/sole proprietorship firm having minimum of one partner as FCA. The firm should have three years' experience in the line of concurrent audit with any bank.
- b) 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.
- c) 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.
- d) CISA (Certification in Information System Audit) / DISA (Diploma in Information System Audit) Qualified Manpower: - The firm must have sufficient CISA/DISA qualified manpower to carry out the Concurrent Audit.
- e) Ex-bankers as Staff/Partners Preferred: - Weightage /preference 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 banking experience and exposure.
- f) Audit Firm or any Sister / Associate Concern / Network firm is not conducting the Statutory Audit of the Bank or any of its Business Units: - 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.
- g) Banking/Audit Experience: - Weightage/preference will 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.
- h) 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 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.
- i) As per Sec 141 (3) of the Companies Act 2013, the following persons shall not be eligible for appointment as an auditor of a company, namely:-
  - a) A body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008 (6 of 2009);
  - b) An officer or employee of the company;
  - c) A person who is a partner, or who is in the employment, of an officer or employee of the company;
  - d) A person who, or his relative or partner—

- (i) is holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company: Provided that the relative may hold security or interest in the company of face value not exceeding one thousand rupees or such sum as may be prescribed;
- (ii) is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of such amount as may be prescribed; or
- (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, for such amount as may be prescribed;
- (e) A person or a firm who, whether directly or indirectly, has business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed;
- (f) A person whose relative is a director or is in the employment of the company as a director or key managerial personnel;
- (g) A person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies;
- (h) A person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction; (i) any person whose subsidiary or associate company or any
- (i) any person whose subsidiary or associate company or any other form of entity, is engaged as on the date of appointment in consulting and specialized services as provided in section 144.

## **2. Terms of Engagement**

- a. Tenure:** The assignment of Concurrent Audit shall be for a period of one year.
- b. Delisting:** -The concurrent Auditor shall be depanelled from the bank in case of:-
  - i) Refusal to take up the allotted assignment & non\_commencement/completion/non submission of audit report within prescribed time.
  - ii) 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.
  - iii) In case of unsatisfactory performance for two consecutive months or on half-yearly review of his performance, the assignment will be cancelled even before completion of the allocated period of one year. The delisting will make the firm/individual liable for non-receipt of fee for the particular month/days. In case of CA firms appointed

and if any serious acts of omission or commission are noticed in their working, their appointments may be cancelled and the fact may be reported to RBI & ICAI.

- iv) The de-panelling of the CA firm will be done in case of unsatisfactory performance while making review.
- c. Existence/Proximity of Office: - The Office/sub-office of the Concurrent Audit firm must be within the accessible/proximity of our business unit/s to be allotted.
- d. Nature of Concurrent Audit to be Dynamic: - The nature of the Concurrent Audit will be dynamic and its scope may change in terms of RBI guidelines/bank's policy decisions/business model etc. from time to time. Hence the scope of Concurrent Audit is subject to change without any financial impact on the bank during the already allocated Concurrent Audit period.
- e. Quality of concurrent audit: - In order to maintain the quality of concurrent audit of the branch, the CA firm must depute a person who must have ample experience & exposure of such kind of audits, preferably in a bank's branch and he /she must have minimum qualification of CA inter (IPCC). It should be ensured that partners / proprietor of CA firm personally visits the allotted Business Unit / s at least twice a week. However, for the large and extra-large Business Unit / s two persons one with qualification of FCA be deputed on regular basis, to ensure the quality of audit.

### **3. General Conditions:**

- a. The auditors will not sub-let/sub-assign the audit assignment to any person/firm.
- b. Selection of Concurrent Auditor/s will be the sole discretion of the bank.
- c. 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.
- d. The empanelled firms/retired official shall be accountable for the acts of omission and commission during the course of the Concurrent Audit.
- e. 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.
- f. 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 Division, Corporate Headquarters in writing.
- g. The Empaneled Concurrent Auditors will not be eligible for any leave facility and medical expense reimbursement.
- h. No out of pocket expenses or traveling allowance / halting allowance would be paid to the Concurrent Audit firms/individuals for carrying out the assignment.