# ANNEXURE – “b”

**Guidelines & other Terms & Conditions for conducting**

**Concurrent Audit of Branch/s for the year 2023-24**

1. **While conducting the Concurrent Audit of the Branch/s, the Concurrent Auditor shall keep the following objectives in view:**

* 1. To keep the routine work of the branch under continuous vigil so as to supplement the efforts of bank to ensure good internal control system at the branch in its critical and sensitive areas for averting the possibility of perpetration of fraud and irregularities.
  2. To ensure that violations, of gross nature if any, from prescribed systems and procedures are timely brought to the notice of the Management for corrective and remedial action so also to avoid their repetition
  3. To tone up the House Keeping standards of the branch for effective and adequate internal control system including the risk tools and control framework including but not limited to reconciliation of accounts, monitoring of General Ledger/Subsidiary General Ledger/Parking Accounts, opening of internal accounts, etc.

1. The Concurrent Auditor shall see that the transactions and decisions taken at the branch/s are well within the policy parameters laid down by the Bank and these do not contravene the extant instructions/policies of the bank conveyed vide circulars, RBI directions and that they are within the delegated authority and in compliance with the terms and conditions for exercise of the delegated authority and has to be regarded as part of Bank’s “preventive vigilance system” that helps in prompt detection of irregularities and lapses. It should be a process to ensure accounting excellence, effectiveness of control and supervision and compliance with the statutory requirements /RBI and Bank’s instructions.
2. **It is obligatory on the part of the CA Firms/Retired Officers that the branch/s allotted to them for the purpose of conducting Concurrent Audit should under no circumstances be entrusted / sublet to any other audit firm or individual on contract basis.**
3. 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 branch/s at least twice a week. However, for the large and extra-large branches viz Scale V & scale IV Branches two persons one with qualification of FCA be deputed on regular basis, to ensure the quality of audit.
4. It should be ensured that the information on customers of the bank which you or your assistants would acquire during the conduct of Audit by virtue of access to bank’s books / record would be kept strictly confidential in conforming to the bank’s secrecy obligations. It should also be noted that you /your audit firm would be liable to the bank for any loss arising out of divulgence of any information by the firm / your audit assistant/s and / or supporting staff. **The bank shall also remain indemnified by you in this regard. A secrecy bond enclosed herewith should be returned duly signed by External Concurrent Auditors on Rs 100/- Non-Judicial Stamp Paper.**
5. The Bank reserves the right to terminate this engagement at any time without assigning any reason therefore and without giving any notice.
6. In the event of auditor’s intentions to discontinue the audit of the allotted branch (es) / offices, it will be mandatory on the part of auditor to inform the concerned Zonal Deputy General Manager, Supervision & Controls Division, at least one month prior to discontinuation of the audit assignment. In case of failure, bank shall not be liable for payment of professional fee for the month lastly audited.
7. The bank reserves its right to withhold / recover the professional fee in case the audit is not conducted as per the Terms and Conditions / Guidelines / Checklists and further additions / amendments advised from time to time.
8. As the concurrent audit system is to ensure timely detection of irregularities/lapses, which help in preventing fraudulent transactions, the audit should be carried out in-depth. **It is to be ensured that all the office accounts including Staff as well as Government accounts are viewed / examined on daily basis and all the transactions are duly authenticated and cross checked with vouchers/ supplementary to avoid any malpractices.** Emphasis should be laid on **substantive checking** in key areas rather than **test checking**. The auditor/s will necessarily see whether the transactions or decisions taken are within the policy parameters laid down by the Corporate Headquarters/RBI guidelines issued from time to time. Special attention needs to be given to see that the branch abides by the guidelines for income recognition and asset classification.
9. It should also be certified that your firm/sister concern is not engaged in the conduct of **Statutory Audit** of our bank for the current financial year. In such case, this engagement letter be treated as cancelled.

11. In case of observing any major/ serious irregularities the Concurrent Auditor should not wait until the audit is completed/concluded for submission of “Confidential/Special Audit Reports.” These reports should be sent as & when the irregularities are committed/or noticed by the auditor. A few instances of major irregularities which require submission of “Confidential/Special Audit Reports” could be:

1. Serious violation of RBI regulatory guidelines/bank’s policies and procedures relating to any segment of banking business.
2. Unethical practices for mobilization of business (deposits and advances);
3. Limitation of security documents i.e. loan documents becoming time-barred or have already become time-barred;
4. Delay/default in initiating recovery action for enforcement of security interest under SARFAESI Act/or normal legal recourse;
5. Manipulation/tampering with the vital data/information resulting in concealment of actual state of affairs of a branch /health of loan assets/serious revenue leakage etc.;
6. Wrong classification of loan assets or failure to lodge/pursue/enforce their insurance claims in time as a result of which there is possibility of potential/actual loss;
7. Glaring deficiencies in execution of security documents for securing credit facilities including under-stamping/non-stamping of loan documents or failure to create a charge/lien in favour of the bank, when such a charge/lien could have been created in normal course of banking business;
8. Persistence of already pointed out grave irregularities but the branch manager is indifferent to take necessary action or displays a state of defiance/default with impunity;
9. Observation of cases of bribery/corruption on the part of the branch officials ; cases of actual frauds/attempt to create frauds/mis-appropriation or abuse of delegated powers/authority to get pecuniary benefit at the expense of the bank; improper use of discretionary powers/delegated powers, undue favouritism & nepotism; or any such type of malpractices that are detrimental to the health/ interests of a branch/bank;
10. Any other matter of confidential nature involving working of the personnel/officials of a branch.
11. To examine whether any fictitious accounts are operating wherein the cheque purchase facilities have been allowed and loans have been granted with a view to concealing the fraudulent transactions;
12. The auditor shall check all the clearing related transactions on continuous basis.
13. To examine and mark observations regarding Offices accounts and reconciliation of suspense and sundry accounts.
14. To examine and mark observations regarding excess cash found at ATM and reconciliation of pending/untallied ATM entries.
15. To examine and mark observations w.r.t the yearly review of eligible term loan accounts.

However, the Concurrent Auditor will explore the possibility of first discussing these issues with the Branch Manager in case he is not directly involved in the irregularity. These reports must be directly addressed to the General Manager / Deputy General Manager (S&C) of the concerned Zonal Office, with copies endorsed to the General Manager / Deputy General Manager (S&C), Corporate Headquarters, Srinagar for speedy/swift action on mail id concurrent.chq[@jkbmail.com](mailto:s&c.chq@jkbmail.com)

12. The performance of the auditor cannot be judged by his voluminous audit report but the following points forming the basis to assess his performance:-

* 1. Timely Submission of the report.

Monthly Concurrent Audit Report, Flash Report and Revenue Report are required to be submitted by or before the 10th of the immediately succeeding month **through eTHIC *module.***

**b) Quality of the report**

There will be no compromise on the quality and content of Concurrent Audit report. The report has to be comprehensive covering all aspects of the working of a branch, very meticulous and in depth. Its coverage and comprehensiveness should be all pervasive and nothing left out for RBIA/snap inspections/statutory auditors/other inspectors/auditors so that there is quality improvement in the working of a branch with the services of a Concurrent Auditor and the branch /operational office scores top rating from the internal/external auditors. It must be ensured that:-

* Observations in audit report are specific. It should not be like “in some case or in few cases”. All the remarks should be written with instances.
* Report is to be submitted on-line through eTHIC application.
* Since concurrent audit is a real time or near to real time audit 100% testing of transactions has to be ensured.
* In order to maintain the quality of concurrent audit of the branch, the CA firm must depute a person on daily basis 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 branch/s at least twice a week. However, for the large and extra-large branch/s two persons one with qualification of FCA be deputed on regular basis, to ensure the quality of audit.
* Auditors to submit an Executive Summary (i.e. gist of important observations) along with the report.

c) On spot rectification of pointed out irregularities

The irregularities observed during the course of audit have to be got rectified on the spot wherever possible. **List of irregularities observed during audit are passed on to the Branch Manager / Sectional-in-charge on daily basis for expeditious rectification.**

d) **Persisting/un-rectified irregularities**: Irregularities brought out in previous Concurrent Audit reports, which may have remained un-rectified after closure of audit report, shall be available under persisting irregularities menu in eTHIC application for follow-up and rectification. **If any irregularity persists for more than 90 days from the reporting date, the reasons of non-rectification be mentioned. The concurrent auditor shall also specifically mention the name along with code number of the official(s) in the audit report responsible for such irregularity / ies and /or revenue leakage, which may remain un-rectified beyond the stipulated timeframe.**

e) Revenue Leakage Detected and its on-spot recovery.

**Apart from covering all the areas of the branch functioning/operations, the concurrent auditor shall also conduct Revenue Audit of the branches covering both domestic as well as foreign business, if any, to detect, recover and prevent the income leakages.**

**(Latest Revised Service Charges Manual issued by Strategy & Partnership Division Corporate Headquarters be referred to while carrying out the monthly revenue audit of the branch.) There is however, a separate service charges manual for Forex operations, which can be had from the Forex department of the Branch.**

The Revenue Audit report be prepared as per the prescribed format on monthly basis under the title “REVENUE AUDIT OF THE BRANCH” To check If the branch(es) allotted to you is / are dealing in foreign exchange business, in that case report on revenue leakage, if any, detected in the Forex Operations should form a part of the main monthly revenue audit report for effective control.

It is compulsory for Concurrent Auditors to send a Flash Message to concerned S&C Division in the event of huge deviations / dereliction by the branch on the perusal and verification of **“Exception Report”** on daily basis are to be analyzed/reported. Verification of newly opened accounts particularly current accounts/SB Accounts where **unusual / large value transactions** have been carried out and **funds transferred** to unrelated parties immediately after opening of deposit accounts.

Further, ensure reporting of unusual transactions, *if any*, in E-Audit report without any fail.

f) Presence / Punctuality of the concurrent auditor at the Branch.

1. The chartered accountant / his assistant/retired officer are under the obligation to remain present in the branch per directions during working hours regularly and their attendance shall be confirmed by the audit user login through system.
2. The new application Software **eTHIC** is in place and the Auditors are required to submit the report on-line instead of Hard Copies. The initial password of the user specified for the Concurrent Auditor and Finacle Audit user is obtained from the S&C Division of the respective Zone and it is to be ensured that the auditor changes his /her user password immediately after login.
3. The audit user is to be used specifically by the Concurrent Auditor for audit purpose only and not for the generic usage by the branch for other back office jobs.

13. The role of the auditor should be constructive and supportive aiming to improve the overall branch functioning thereby resulting in all round development.

1. A Concurrent Auditor may not oppose the judgment/decisions taken by the branch manager or any other authorized official of the branch / office. He is not meant to interfere in the routine working of the branch /office but has to provide a second cool look on the operations.
2. A concurrent auditor is required to certify that the branch is
   1. Maintaining Drawing Power in respect of all the Cash Credit Accounts.
   2. Hypothecated Stocks / Mortgaged Property are adequately insured.
   3. No D. P. Note/ Mortgage Deed is time barred.
   4. All terms and conditions related to the loans / advances are fully complied with by the branch before their disbursement.
   5. Ascertain the title of mortgaged property (ies) and value thereof.
   6. Branch abides by the guidelines for income recognition and asset classification.
   7. Confirmation about rectification of irregularities to be obtained from concurrent auditors before dropping the identified irregularities.
3. An appointment Letter containing the Terms and conditions for conducting concurrent audit of the branches will be issued to CA firms/retired officers in duplicate. Acceptance of Terms and conditions shall be obtained from such firms/retired officers on one copy which shall be kept on record.
4. The user ID of the FCA partner, representative auditor of CA firms and other concurrent auditors shall be got created by Zonal S&C Divisions for eTHIC Audit Concurrent Audit Module, Finacle.
5. *To ensure individual accountability as also to restrict sharing of the pass word, unique login Id will be provided individually to F*CA partner, representative auditor of CA firm and other concurrent auditors. Enabling / Disabling of particular user IDs shall be ensured on daily basis by the system manager/ Branch Manager.
6. *Representative auditor of the CA firm deputed for conducting concurrent audit of allotted branch shall be duly authorized by its nominated FCA partner. Such Authorization Letter shall be verified by the Branch Manager (verify the signature) and kept on record.*
7. *A* ***photo identity card*** *shall be issued to every* ***individual auditor*** *by the concerned Zonal S&C Division which must contain interalia the* ***Unique No as*** *allotted for Login ID, date of Validity, and name of the Branch for which such card is valid.*
8. The auditor shall not carry any mass storage device such as pen drive / flash drive/ thumb drive or any Lap top inside the branch premises and use of these devices are not required for the assigned job.
9. **Please note that the performance of the concurrent auditor is evaluated on the basis of broad parameters like his compliance with all foregoing terms & conditions, achievement in getting the infirmities and irregularities rectified during the course of audit itself, getting all the prescribed norms implemented, recovery/refund of undercharges / overcharges etc. Review in this regard shall be taken after every two months.**
10. *In case you are found to be not diligent enough to report (MOC) revenue leakage in the allotted Branch/s and such un-reported revenue leakages will get reported by any other audit vis. RBIA, Credit Audit, Statutory Audit etc., you may be disengaged for conducting the concurrent audit without assigning any reason/ notice thereof.*

Signature / Seal of Concurrent Auditor