

Invitation for EOI for Appointment of Concurrent Auditors for Bank's branches

The bank invites EOI from practicing Chartered Accountant firms & retired AGMs of the KCCB bank for appointment as Concurrent Auditor. The eligibility criteria, Terms & Conditions, Scope of Audit & Application Format are hosted on Banks website www.kccb.in. Interested and eligible firms/officers may submit their application along with necessary documents, and latest by 15/02/2022 by post only.

Sd/-

Managing Director

A circular blue stamp with the text "KCCB" and "1571" is visible. Overlaid on the stamp is a handwritten signature in blue ink.

Application Form

(For Retired KCC Bank officials)

Name of the applicant	
Address of the applicant along with Contact number & e mail address	
Date of Retirement as Asstt. General Manager	
Place of Retirement of applicant	
Date of Birth of the applicant	
Qualification (including additional qualifications) of the applicant	
Number of Branches of the bank inspected as Asstt. General Manager	
Names of the branches inspected along with years of Inspection.	

It is hereby declared that above listed information is true & as per record. I/we accept the Terms & conditions including the remuneration as offered by the bank.

Dated:.....

Signature

Application Form

(For CA firms)

1.	Name of the Audit Firm	
2.	Address of Audit Firm in HP along with e mail & contact numbers	
3.	Contact Person with Mobile No & e mail address	
4.	Date of Incorporation of Audit Firm as per ICAI & FRN (Please send latest copy of Constitution certificate as per ICAI records)	
5.	Number of FCA & years of association with firm	
6.	Number of ACA & years of	



	association with firm	
7	Number of partners/CA employees (as per ICAI record) with CISA/DISA qualification/Certified Concurrent Auditor of ICAI	
8	No. of Paid CA employees as per ICAI record	
9	PAN of (LLP/firm/proprietorship)	
10.	GST No (HP)	
11	Copy of RBI Category	
12	Copies of DISA/Certificate of Concurrent Audit of ICAI	
13	Copies of Experience of Concurrent Audit/Stock audit/Revenue audit/credit audit etc.in PSB/Pvt/Co-operative Banks	
14	Turnover of the Firm in the FY 2019-20 & Copy of ITR	
15	Number of Professional Audit Staff (excluding Admn. Staff	

I/We hereby declared that above listed information is true & correct. I/We accept the Terms & conditions including the remuneration as offered by the bank as per EOI. I/we declare that we have not been debarred by any Govt. Authority or held guilty of professional misconduct by ICAI.

Dated:.....

Place _____

Name of Signing proprietor/partner with Seal
Membership Number



Eligibility, Guidelines & Terms

1. The following norms shall applicable for appointment of firms of Chartered Accountants/Retired officers of KCCB as Concurrent Auditors:

I. Applicant must be a registered firm of ICAI and should be either a partnership firm or proprietary firm having Chartered Accountant(s) as partner(s) / proprietor, duly empanelled with RBI and have office in Himachal Pradesh as per ICAI record.

II. The CA firm or its partners are duly qualified as auditors in terms of Section 141 of the Companies Act, 2013.

III. The partner/proprietor/CA Employee must have DISA OR Certificate course of Concurrent Auditor of ICAI.

IV. The applicant firm shall be in existence for a period of minimum five years as on date of EOI and should have bank audit experience.

V. The applicant firm, partnership/proprietorship should have minimum turn over of Rs.15.00 Lacs in the FY 2020-21 and shall attach copy of B/Sheet & P&L Account and copy ITR of applicant.

VI. The Applicant firm of CAs should have GST number in HP.

VII. The retired AGMs of the bank who have retired within 3 years & not attained the age of 62 years are also eligible to apply provided they have worked as AGMs (officiating or substantive) for a period not less than two years.

2. Where there are group of firms of Chartered Accountants having common partners, only one of the firms in the group will be eligible for assignment of Concurrent Audit;

3. The CA Firms would be allotted Concurrent Audit as per category of firm, Overall Number of partners & CA employees, experience in Bank audit, DISA, CCA certification of ICAI etc, as follows:

- Category I (as per RBI) : Up to Four Branches
- Category II (as per RBI) : Up to three branches
- Category III (as per RBI) : Up to two Branches
- Category IV (as per RBI) : Up to one Branch



4. Besides Chartered Accountants, the firm should have other qualified and experienced staff, infrastructure and office within an approachable distance from the location of the auditee branch /office to undertake Concurrent Audit;

6. The firm which has partner / proprietor who is also a partner / proprietor of the firm entrusted with the Statutory Audit of Bank shall not be considered for appointment as Concurrent Auditors in the Bank. In other words, associate concerns of the firm carrying out Statutory Audit of

Bank shall not to be considered for appointment as Concurrent Auditors as in (5) above;

7. The firm should not have any professional or commercial relationship either direct or indirect with borrowers/beneficiaries of the branch / department under audit and also shall not have in future, as far as possible, for a minimum period of three years;

8. If any of the Directors of Bank is a partner / proprietor in a firm, such firm shall not be considered for appointment as Concurrent Auditor;

9. The Concurrent Auditors shall be initially appointed for a period of one year and their appointment may be extended by further term of one year on the basis of their performance which shall be evaluated on adequacy of coverage and quality of report, attendance in bank & visits of partner/proprietor, timely submission of reports & inspection of units besides reporting of Revenue Leakage areas etc. In case the performance of the Branch Concurrent Auditor falls short of the expectation, the Bank shall have discretion to replace the Branch Concurrent Auditor at any time.

10. Ideally the Partner/Proprietor should get the concurrent audit conducted under their direct supervision on daily basis. It may be desirable that the proprietor/partner/CA employee of the firm, who will attend the proposed Concurrent Audit Assignment, has attended the Certificate course on Concurrent Audit of the banks, conducted by the ICAI or DISA, ICAI.

11. The assignment of concurrent audit cannot be given to others on sub-contract basis;

12. Mere submission of application for Concurrent Audit & fulfilling the criteria thereof does not, in any way, constitute guarantee for assigning any type of audit of the Bank;

13. The online applications only shall be considered. Allotment will be considered for the listed branches in the area of near to office of applicant, prioritizing and selecting from the online applications. The Bank reserves the right to add / delete name of branch(s) from the list. No correspondence shall be entertained in the matter.

14. If firm or partners are availing any credit facility(s) from any branch of the Bank or have guaranteed any credit facility in favour of a third party exceeding `10000/-, the same shall be a disqualification;

15. Concurrent Auditors shall also issue various certificates covering NPA provisioning, Insurance coverage, P&L Account, CRAR, LFAR, DICGC, DEAF, and Interest Subvention etc. Similarly, certification regarding Tax Audit shall also be provided by 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, at year end, are giving as Certificates. These Certificates, as a part of the Concurrent Audit assignment, would be given by the Concurrent Auditors on their letter head without any additional certification fee;

16. The Concurrent Audit should be conducted for at least 4 days in a week (on four working days). The scope of concurrent Audit shall encompass guidelines from Regulator, besides Bank's requirement.

17. **Concurrent Audit fee shall be Rs 15000/-(Fifteen thousand) per branch per month (All inclusive) plus GST, as applicable** and shall be paid separately provided the firm furnishes the GST



registration number. TDS shall be deducted as per rules. The monthly fee shall be paid through electronic mode by the branches. All concurrent auditors shall submit details to the auditee branch for payment by NEFT; The Concurrent Auditor shall not be entitled for any additional benefits or perquisites;

18. Concurrent Auditors shall submit findings every week to auditee branch, & submit monthly/Quarterly reports within 7 days of the close of the month/quarter on prescribed formats. Failure to submit report in time will attract penalty of 10% of fees payable. The Bank reserves the right to change the reporting formats, at any time. The Bank is in process of procuring Audit Software for conducting Concurrent Audit and reporting therein. Selected firm will have to conduct the concurrent audit and submit reports as per provisions of the software, once the same is made alive. Separate login ID shall be provided to the concurrent Auditors.

19. The Partner/Proprietor/Officer shall have to attend meetings as & when called by the Executives of Regional Office/ Zonal Audit Office or Central office, at their own cost.

20. CA Firm should not have business dealing with any borrower of the branch for which concurrent audit assignment is sought.

21. Concurrent Auditor conducting Concurrent Audit of the branch, will not canvass credit proposals directly or indirectly.

22. Bank reserves the right to modify / alter any terms of selection process at any point of time. Selection process will be at Bank's absolute and sole discretion. No representations /claims will be entertained whatsoever.

23. The CA firm should not have refused any assignment allotted by the Bank in the past.

24. The CA Firm/officers, while accepting assignment, should execute an undertaking of fidelity and secrecy on its letterhead in the prescribed format provided by the Bank.



25. The concurrent auditors will have to carry out short inspection / unit visit and submit the report along with regular report. No separate fee will be paid for carrying out the unit visit.

26. Other Important terms & conditions:

- a. Any application for appointment as concurrent auditor sent to HO prior to this EOI shall not be considered. Such applicants are required to apply in response to this EOI.
- b. The applicant shall sign and accept the terms & conditions.
- c. Applications can be submitted up to 31/12/2021 by post only.
- d. Selected firms/officers for assignment of concurrent audit shall be informed on their e-mails only on email address provided in application.

e. The Proprietor / Partner (s) of CA Firms/ Retired officers should not be defaulter (s) of any Bank for any liability / loan or obligation. An undertaking to this effect is to be submitted along with application.

f. The proprietor / partner (s) of CA Firm to file a signed undertaking that they have not been debarred by ICAI / RBI / or any other Bank and also that by accepting the assignment they are not violating any code of conduct & ethic of ICAI.

g. Application received with incomplete, information and necessary documents, is liable to be rejected.



Scope of Concurrent Audit
Minimum Audit Programme for Branch Concurrent Auditors of Bank

A Cash transactions –Verify & Report

1. Surprise physical verification of cash at branch and ATM cash reconciliation along with safekeeping and dual custody.
2. High Value cash transaction, particularly any abnormal receipts & payments.
 3. Surprise verification of cash by an officer other than the joint custodian conducted in branch.
 4. Cash in excess of retention limit.
 5. Adequacy of insurance cover for cash in hand and Cash in transit.
6. All cash transactions of Rs. 10 lakh and above reported in CTR. That all cash transaction of Rs. 50,000 and above invariably indicate PAN No. /Form 60. Information for reporting in AIR of Income Tax.
7. Detail of soiled notes/coins (not in active circulation).
8. Reconciliation of ATM with GL. Balance in the branch books in respect of cash with its ATM(s) tally With the amount of balances with the respective ATMs.
9. Cash order reconciliation and reporting old entries with their nature.

B Clearing transactions Remittances/Bills for Collection / –Verify & Report

1. Reconciliation with bank's account at Clearing House and review of old outstanding entries for reconciliation.
2. Monitor status of NEFT & RTGS.
3. Remittance of funds by way of DDs/TTs/MTs/TC/NEFT/RTGS any other mode in cash exceeding the prescribed limit.



C. Advances – Reporting on five areas:Verify & Report

(a) Credit Appraisal– At the time of application and sanction. – And also on Review/Renewal, Verify & Report the deficiencies in 100% of such advances.

- i. Whether Application from borrower in prescribed form and complete in all respect.?
- ii. Whether KYC Compliance as Per RBI Requirements? CKYC documents obtained and uploaded in CKYC portal.
- iii. Whether Evaluation of Financial Data, Project Report- CMA data, Projected P&L, Balance Sheet & Cash Flow etc. done at fresh as well as renewal of facility?
- iv. Board /Society Resolution for the availing of the facility obtained.
- v. Latest I. Tax Records & Net Worth of Borrower/Guarantor obtained.
- vi. Confidential report and NOC from the existing banker, if any.
- vii. CIBIL Report on record to verify the score.
- viii. Title clearance report i.e Report of an Advocate & valuation report by approved valuer obtained.
- ix. Whether Analysis of important Financial ratios done?
- x. Whether Security Valuation & Title Verified?
- xi. Whether Appraisal done by Competent person and any consultant appointed for that purpose?

(b) Sanction / Disbursement – Authority to Sanction, Compliance of Sanction Terms before Disbursement, Verify & Report the deficiencies

- i. Examine the sanction procedure and powers related to sanctioned loan
- ii. Check that the Limits sanctioned are within the powers of the sanctioning authority
- iii. Any change in the terms of sanction whether ratified by proper authority
- iv. Examine the system of Pre & Post-Disbursement, unit inspection and reports.
- v. Whether Acceptance of the terms & conditions of sanction obtained from Borrower?
- vi. Verify that Disbursement done only after compliance of all the Sanction terms and conditions

(c) Documentation- Execution & Renewal of Documents, Vetting of Documents by Legal Dept.- Disbursement without Documentation?

- i. Whether All loan documents, as required by the sanction letter and loan policy have been executed
- ii. Whether Loan documents are properly executed and approved by legal department or legal expert?
- iii. Fresh loan documents obtained on change in limit, change in the constitution of the borrower?
- iv. Whether Original title deeds, title clearance certificate valuation report are held on record?
- v. Whether Charge on securities registered with ROC/ RTO/ LIC/ other appropriate authority
- vi. Lien marking/ NOC of housing society etc as per the nature of Loan.



(a) Accounting Compliance

- i. Master data relating to limit, rate of interest, EMI, moratorium period details have been correctly entered and updated/modified in the system.
- ii. Processing Charges, as applicable, are recovered and also reported as revenue leakage.

(b) Review / Monitoring / Supervision of Advances.

- i. Verify that Regular Stock & Debtors statements are submitted and scrutinized – Examine Stock Inspection reports
- ii. Whether Periodic Review of Overdue/ NPA accounts is done by Bank
- iii. Adequacy and Validity of Insurance Cover.
- iv. Review/ Renewal of facilities carried out as per Bank policy
- v. End use of Funds – Ensure that No Diversion of Funds
- vi. Penal interest charged for breach of DP limits/ non-submission of Stock Statements?
- vii. Stock statements older than 3 months – Account will be NPA.

- viii. Non-renewal/ Non-regularization of regular/ ad-hoc limit within 180 days from the due date will make the account NPA.
- ix. Verify Stock audit report (obtained as per Banks policy) and Valuation Report (not older than three years) for Accounts with limits Rs.5.00 Crore above.
- x. Report quick mortality accounts.
- xi. Does the branch have on its record, a due diligence report in the form and manner required by the Reserve Bank of India in respect of advances under consortium and multiple banking arrangements

(c) NPA Management

- i. Whether branch has any Red flag loan accounts.
- ii. Valuation of security should not be older than three years. In case of fresh valuation, if there is substantial deterioration in value of security, same shall be reported.
- iii. Has the branch identified and classified advances into standard / substandard I doubtful / loss assets through the computer system, without manual intervention?
- iv. Is this identification & classification in line with the norms prescribed by the Reserve Bank of India
- v. Whether the branch is following the system of classifying the account into SMA -0, SMA -1, and SMA -2.
- vi. Whether the auditor disagrees with the branch classification of advances into standard (Including SMA -0, SMA - 1, SMA -2) I sub -standard /doubtful / loss assets, the details of such advances with reasons should be given.
- vii. List the accounts (with outstanding in excess of Rs. 2.00 crore) which have either been downgraded or upgraded with regard to their classification as Non -Performing Asset or Standard Asset during the year
- viii. Particulars of restructured account and the procedure is followed as per policy and guidelines.
- ix. Has the branch complied with the Recovery Policy prescribed by the controlling authorities of the bank with respect to Compromise/settlement and write-off cases? Details of the cases of compromise/settlement and write-off cases involving write-offs/waivers in excess of Rs. 10.00 lakhs may be given.
- x. Is the branch prompt in ensuring execution of decrees obtained for 56 recovery from the defaulting borrowers?
- xi. List of borrowers where the LCs have been devolved or guarantees have been invoked but not paid with amount thereof



D. Other Assets

a. Stationery & Stamp Items:

- i. Examine the control on custody and issue of Stationery Items like Drafts, Pay

Orders, TDRs, Cheque Books.

b. Sundries & Suspense Debit Items:

- i. Obtain details of age-wise analysis of Pending Entries in Sundries and Suspense Debit Account.
- ii. Examine the reasons for Long Outstanding / Pending Entries and its Recoverability.
 - i. Examine the outstanding entries in inter branch account.
 - ii. Examine Debit entries Branch Head account.

E. Deposits

- i. Adherence to KYC/AML guidelines in opening of fresh accounts and monitoring of transactions in such accounts.
- ii. Check whether the required self attested KYC documents obtained from the account holders are verified and uploaded in CKYC portal.
- iii. Does the bank have a system of identification of dormant/ inoperative accounts and internal controls with regard to operations in such accounts?
- iv. After the balance sheet date and till the date of audit, whether there have been any unusual large movements (whether increase or decrease) in the aggregate deposits held at the year end? If so, obtain the clarifications from the branch and give your comments thereon as to window dressing.
- v. Is the branch complying with the regulations on minimum balance requirement and levy of charges on non maintenance of minimum balance in individual savings accounts?
- vi. Whether branch follows the RBI guidelines on Activation and operations in inoperative accounts and/or transfer to RBI DEAF account.
- vii. Settlement of claims of deceased customers and payment of TDRs against lost receipts and obtaining of indemnities, etc. To check revival of dormant accounts and accounts with minimum activities.
- viii. Obtain and Examine the list of Overdue/ Matured Deposits & Whether Bank has a system of providing for Interest on Overdue / Matured Deposits?



F. Other Liabilities - Bills Payable, Sundry Deposits , etc.

- i. Obtain and Examine the list of age-wise pending entries in Bills Payable and Sundry Deposit Accounts.
- ii. Identify Unusual Items if any in these accounts. Also Examine How these items have been disposed off (e.g. Deposit of Money without Account Number in Sundry Deposits A/c.) – Possible Fraud Area.
- iii Also suggest Disposal of Long Outstanding Entries

C. PROFIT AND LOSS ACCOUNT

- i. Test check interest/discount/ commission/ fees etc. revealed excess/short credit of a material amount?
- ii. Has the branch complied with the Income Recognition norms prescribed by R.B.I.?
- iii. Does the bank have a system of estimating and providing interest accrued on overdue/matured/ unpaid/ unclaimed term deposits including in respect of deceased depositors.
- iv. Whether TDS is deducted on payments as per Income Tax Act and/or Form 15G/H is obtained and Return filed in Form 60.
- v. TDS returns are filed in time and a deficiency report may be downloaded from TDS portal and material deficiency therein should be reported.
- vi. Test check vouchers of expenditure to ascertain that vendors GST No is mentioned on bills and in accounting 50% of GST amount is treated as expenditure and remaining is shown as Input Tax credit.
- vii. Regular recoveries in Locker Rent, if not outstanding with Locker No. shall be reported.
- viii. Verify that in variable Interest FDR, it is renewed at proper applicable rate of Interest.
- ix. In cases of Demand Loans, rate of interest is fixed at 10% in the system Where as the rate of interest shall be 1%-2% over & above the rate on FDR as the case may be. This is done manually in the branch therefore verify that proper ROI is charged in loan against deposit.



H. General

- i. Whether branch is generating, and verifying exception reports at the periodicity as prescribed by the bank
- ii. Whether the system of bank warrants expeditious compliance of daily exception reports and whether there are any major observations pending such compliance at month end.
- iii. Whether the bank has laid down procedures for manual intervention to system generated data and proper authentication of the related transactions arising there from along with proper audit trail of manual intervention has been obtained.
- iv. Whether any suspected or likely fraud cases are reported by branch to higher office.
- v. In respect of fraud, based on your overall observation, please provide your comments on the potential risk areas which might lead to perpetuation of fraud (e.g. falsification of accounts/false representation by the borrower.

- vi. Whether early Warning Framework is working effectively.
- vii. Have you come across any instances where data integrity was compromised? E.g nonadherence to Password Protection policy. Further any transaction process where the maker checker principle is missing,
- viii. Check voucher verification report and examine whether id of staff on leave was opened.
- ix. Branch is updating CERSAI.
- x. Examine proper maintenance of Fixed Asset Records and Calculation of Depreciation.
- xi. Examine the Possibility of Window Dressing by the Branch.
- xii Any other matter to be brought to the notice of the Management

