

Empanelment of Concurrent Auditors

1. Invitation for empanelment

- 1.1. Union Bank of India invites applications in the prescribed format from practicing firms of Chartered Accountants of India who are willing to have their firm empanelled as Concurrent Auditor in the Bank. The applications should be submitted ONLINE followed by submission of documents as prescribed in this empanelment document.
- 1.2. Empanelment would be valid for Six months from date of empanelment and bank may allot the Concurrent Audit assignment during empanelment period as and when branch is brought under the ambit of Concurrent Audit.
- 1.3. The System generated Application form duly signed should be submitted to the Dy. General Manager, Central Audit and Inspection Dept., Concurrent Audit Cell, Central Office, World Trade Centre, The Arcade, 2nd Floor, Cuffe Parade, Mumbai - 400005 by postal service / courier.
- 1.4. **“Application for empanelment for Concurrent Audit-2015-16”** should be mentioned on the envelope carrying duly signed system generated Application form alongwith other documents.
- 1.5. All enclosures must be attested as true copy under seal by the partners.
- 1.6. Last date for filling of Online Application is 03/03/2015, before 5.00 PM, and signed application form alongwith annexure should reach CA&ID office within 7 days i.e. latest by 10/03/2015 failing which application will not be considered.
- 1.7. Mere submission of application does not, in any way, constitute guarantee for allotment of any audit job from the bank. After empanelment, the work will be allotted as & when need arises at the sole discretion of the Bank.

2. Eligibility Criteria

Sl. No.	Criteria
1	Firm should be a partnership firm of Chartered Accountants.
2	Firm should be Registered with ICAI having registration number
3	Firm should be Registered with RBI having Unique Code Number
4	The firms should preferably have qualified Information System Auditor (CISA/DISA) with necessary exposure to systems audit since all Banks are fully computerized. In case any firm does not have CISA/DISA qualified partners at the time of appointment, they should undertake to ensure completion of the same within 1 year failing which their tenure may not be extended.
5	Preference to be given to firms where the partners themselves were ex-bankers or the firm has got tie-up with ex-bankers with requisite experience and exposure.
6	The audit firm or its associate concerns should not be conducting statutory audit of the Bank or any of its branches.
7	The firm should have necessary office set-up and adequate personnel to

	ensure proper deployment and timely completion of assignments.
8	The firm should not sub-contract the audit work assigned to any outside firm even if they are qualified chartered accountants.
9	Preference will be given to CA firms having Chartered Accountants undergone the “Certificate Course on Concurrent Audit of Banks” conducted by ICAI and Certificate for the same is submitted. If not, the CA firm should furnish an undertaking to comply with this requirement within one year. Renewal shall be considered only after complying with this requirement.

3. The following type of audit firms are not eligible to participate in empanelment process:

- i) If Firm / it’s proprietor / any partner has been disqualified / de-empanelled or whose appointment has been terminated by RBI/ ICAI/ Bank / any other Bank on an earlier occasion.
- ii) Audit firms who are at present in the panel of Union Bank of India for undertaking Statutory Audit.
- iii) Associate concerns of Audit firms who have been assigned Statutory Audit work (conducted statutory audit of Union Bank of India branches for the year 2014-15) defined as under by RBI: “Associate concerns means any corporate body or partnership firm wherein the proprietor and/or partner(s) of the statutory audit firm and/or their relative(s) is/are Directors or partners and/or jointly or severally hold 20% or more of the interest in the corporate body or partnership. “Relative” for this purpose will mean the spouse or any lineal ascendant or descendant of the proprietor or partner of the statutory audit firm.”

4. Evaluation of CA firm for allotment of Concurrent Audit

4.1. The CA firm will be evaluated based on the following parameters

- i) Eligibility criteria as mentioned above.
- ii) Preference will be given to Audit firm having office in the same centre as that of Auditee branch.
- iii) Experience of Audit with Union Bank of India and/or Other Public Sector Bank.
- iv) Weightage will be given to firms where the partners themselves were ex-bankers or the firm has got tie-up with ex-bankers with requisite experience and exposure.
- v) Preference will be given to CA firm having Chartered Accountants undergone “Certificate course on Concurrent Audit of Banks”.
- vi) The firm will be allotted branches based on category suggested by RBI and internal policy of Bank. However, in case CA firm of requisite category is not available in particular location, then Bank will select next category CA firm.

Sr. No.	Grade of Auditor	Branches to be allotted for concurrent audit.	Level of advances of the Branch
a.	I	Industrial Finance Branch, Overseas Branch,	Rs. 100.00 Crore and above

		Exceptionally Large Branches, Treasury etc.	
b.	II	VLBs, CMS, ATM Division etc.	Rs.50.00 Crore to Rs.100.00 Crore
c.	III	Large Branches, Service Branches, CO Departments etc.	Rs.25.00 Crore to Rs.50.00 Crore
d.	IV	Medium and Small Branches, Any other Branch not covered above.	Rs.5.00 Crore to Rs.25.00 Crore.

- 4.2. Merely meeting the eligibility criteria shall not automatically entitle the firm for empanelment. After empanelment, the work will be allotted as and when need arises at the sole discretion of the Bank. The empanelment will not give any right to the empanelled firms for carrying out the assignments. The Bank reserves its right to cancel any or all the offers without assigning any reason whatsoever.
- 4.3. A detailed evaluation matrix shall be compiled by evaluation committee allotting marks for various parameters which shall form the basis for allotment of Concurrent Audit.

5. Documents to be submitted with the application:

- 5.1. CA firms shall submit the following documents along with the application.
- i) General information as per ONLINE Application (format given in the document - Application for empanelment of Concurrent Auditor).
 - ii) Copies of certificate of experience and conduct of Concurrent Audit etc., in relation to similar assignment performed elsewhere, if any.
 - iii) Copies of Registration Certificate issued to the firm by ICAI.
 - iv) Copy of constitution Certificate issued by ICAI.

6. Terms and Conditions

- 6.1. At any one point of time, not more than one audit assignment shall be awarded to any single firm. An audit assignment that needs to be carried out across the branches/units at different locations shall be considered as a single assignment for this purpose.
- 6.2. Concurrent auditors shall not undertake any other activities on behalf of the branch without obtaining the concurrence of Audit Department in writing.
- 6.3. The firm shall execute undertaking of fidelity and secrecy on its letterhead in the format prescribed by Bank.
- 6.4. In order to avoid conflict of interest, an undertaking shall be obtained from the concurrent auditors that they do not have any professional or commercial relationship with the borrowers of the branch/Department which they are auditing.
- 6.5. The Auditor shall sign the Do's & Don'ts statement in order to have proper arms

length relationship with the Branch / Department of which they are conducting Audit.

- 6.6. A declaration shall 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 guarantors have not turned or are existing as non-performing assets as per prudential norms of RBI. In case the declaration is found incorrect, the assignment shall get terminated besides the firm being liable for any action under ICAI / RBI guidelines.
- 6.7. All the necessary certificates including quarterly, half-yearly, annual closing of Book of Accounts that need to be given by audit firm as a part of Concurrent Audit assignment shall be given under its letterhead without any additional certification fee.
- 6.8. A detailed checklist and other latest operating guidelines, view ID, required Menus for verification of details shall be provided to the concurrent auditors.
- 6.9. Appointment of Concurrent Audit shall be purely at discretion of the Bank and no rights whatsoever accrue to the firm for such appointment.
- 6.10. Audit firms shall submit monthly/quarterly/half-yearly reports in structured formats within stipulated period i.e. within 10 days of the completion of month /quarter /half-year. Any persistent delay shall be viewed negatively at the time of review of the CA firm.
- 6.11. Bank shall monitor the performance of audit firms closely. Performance of the Firms shall be evaluated once in a year for their quality and coverage of reporting. In case, CA firm is not attending audit work properly, continuous delay in submission of reports, non reporting of serious irregularities/deviations, non-detection of fraud, non-detection of Leakage of income in branches where they are conducting concurrent audit, Bank reserves the right to terminate the assignment, without assigning any reason. In case of termination of assignment, the remuneration for the incomplete month shall not be payable by the Bank.
- 6.12. Concurrent Auditors shall not be permitted to mobilize any credit related proposals to any of the Branches of the Bank during their period of assignment.

7. Tenure of Concurrent Auditors

- 7.1. As per the existing concurrent audit policy of our Bank, appointment of concurrent auditors will be made initially for a period of one year. The term may be extended, solely at the discretion of the Bank, for a further period of two (1+1) years on receiving satisfactory feedback from ZAO about their overall performance. A cooling period of One Year shall be given after completion of three years of audit.
- 7.2. After completion of specific period (including the cooling period), the firm may be considered for audit assignment in same or other location or areas, as per extant policy of the Bank.

8. Payment and Fees:

- 8.1. No out of pocket expenses or travelling allowance/halting allowance shall be paid to the concurrent audit firms for carrying out the assignment. However, service tax, education cess etc. shall be paid as applicable from time to time in addition to basic fees.
- 8.2. The concurrent auditors shall be reimbursed actual out of pocket expenses incurred in connection with travel involved for conducting stock audits.
- 8.3. Payment to concurrent auditors shall be subject to deduction of tax at source at appropriate rates.
- 8.4. All necessary certificates that need to be given as part of concurrent audit assignment shall be given by the audit firm without any additional certification fee.
- 8.5. Fees payable to concurrent auditors is based on the level of advances in case of branches. However, in case of specialized units it is consolidated fee payable. Service Tax will be paid extra.

Sl No.	Level of Advances	Fee structure for concurrent audit
Branches		
1.	Upto Rs.100 crores	Rs. 25,000/-
2.	Above Rs. 100 crores upto Rs.500 crores	Rs. 30,000/-
3.	Rs. 500 crores and above	Rs. 35,000/-
Specialized Units		
4.	Service Branches	Rs.20,000/-
5.	Data Centre Process Audit	Rs.30,000/-
6.	Integrated Treasury	Rs.40,000/-
7.	ATM Division	Rs. 30,000/-
8.	CMS Division	Rs.10,000/-
9.	Vostro Branch	Rs.10,000/-
10.	Various Departments in Central Office like SSD, RBD, etc.	Rs. 10,000/- each

- 8.6. The Concurrent Audit fees once fixed shall remain the same throughout the tenure of the Concurrent Auditor irrespective of the level of Advances thereafter. The only exception may be in case of transfer/shifting of entire advances of another branch to the auditee branch. Bank decision will be final in this regard.

9. Conduct and Performance Monitoring

- 9.1. Each branch / audit unit shall identify Nodal Officer as a single point contact for coordinating the concurrent audit work.
- 9.2. Bank shall provide the concurrent auditor with requisite initial information of the branch activities and further support to conduct audit.
- 9.3. Minor irregularities pointed out by Concurrent Auditors are to be rectified on the spot. The audit units should ensure rectification of deficiencies without any loss of time so as to achieve the very purpose of concurrent audit.

- 9.4. Pending issues of previous reports shall be mentioned as persisting irregularity / deficiency in the subsequent reports.
- 9.5. A formal wrap up discussion with the branch / units shall be arranged before submission of report by the concurrent auditor. In case of any difficulty in interpretation of existing guidelines of the Bank by the Branch/Concurrent Auditor, the same shall be referred to the Controlling Office/Concerned Audit Office before finalization of the report.
- 9.6. Quality of compliance with the concurrent audit reports shall be covered and commented upon by internal auditors.
- 9.7. Zonal Audit Office shall ensure that deficiencies pointed out in the Concurrent Audit reports are rectified and the Audit Reports are closed within one month of submission. Regional Offices shall be responsible for follow up with branches to ensure compliance.
- 9.8. Zonal Audit Office shall interact with Concurrent Auditors at least once in a quarter.
- 9.9. The Bank reserves its right to review the appointment at any point of time and if necessary, can cancel the appointment by giving 7 days notice.
- 9.10. In case the firm fails to report serious irregularities / high value income leakage, Bank reserves right to report the matter to RBI / ICAI / IBA & initiate appropriate action. Such firms will be de-empanelled/black listed and they will not be eligible for assignment of audit work with Bank for next five years.
- 9.11. Concurrent Audit has very important role in identifying System lapses, irregularities of every type, income leakage, ensuring compliance of terms of sanction for advances, detecting frauds, pointing out symptoms of sickness in time, etc.
- 9.12. Quality of Concurrent Audit is reflected in reducing number of irregularities, absence of persisting irregularities as RBI envisages that Auditor should also educate staff about hazards of deviation from Systems and Procedures. If Concurrent Audit is effective, it should also result in up gradation of the Branch in annual inspection and / or maintaining higher-level ratings obtained (Low - medium risk under RBIA)
- 9.13. If the RBIA rating of the Branch is downgraded, the performance of the Concurrent Auditor shall be critically examined and reviewed for deciding continuance of service or otherwise.
- 9.14. If the Concurrent Auditor fails to detect and report irregularities/deviations from laid down policies/norms, his services are liable to be terminated by giving 7 days notice.
- 9.15. If the Concurrent Auditor fails to attend the Branch on day-to-day basis or the attendance of the Partner of the firm is found to be poor, his services are liable to be terminated by giving 7 days notice.

PERFORMANCE REVIEW AND RATING OF CONCURRENT AUDITORS

FEEDBACK REPORT FOR THE PERIOD ENDED _____

1. Name of C. A. firm : M/s
2. Address of C.A. Firm :
3. Details of Branch Audited
 Branch Name :
 R. O. :
 Category : ELB/VLB/LB etc.
4. The C. A. firm is auditing the Br. Since :

PERFORMANCE REVIEW (PARAMETERS 1 TO 3 TO BE FILLED UP BY BRANCH HEAD AND 4 & 5 BY In-Charge ZAO)

Sr. No.	Parameter	Norms for Assigning score	Max. Marks	Marks assigned
1.	Attendance		10	
	a. On all working days by Audit Assistant		10	
	b. 1-5 days absence in a month by Audit Assistant		5	
	c. Absence for more than 5 days by Audit Assistant		0	
2.	Visits of partner/Proprietor & attending briefing sessions		05	
	a. Minimum 4 visits in a month by Partner		5	
	b. 3 visits in a month by Partner		3	
	c. Less than 3 visits by Partner in a month.		0	
3.	Timely Submission of Reports -		10	
	a. By 10th day of the succeeding month		10	
	b. Between 11th and 15th day of the succeeding month.		5	
	c. After 15th day of succeeding month		0	

(Branch Manager)

Sr. No.	Parameter	Norms for Assigning score	Maximu m Marks	Marks assigned
4.	Adequacy of coverage and quality of report		45	
	a. Quality and Coverage of report		15	
		Excellent	15	
		Good	10	
		Satisfactory	5	
		Unsatisfactory	0	
	b. Comments on compliance of KYC/AML norms in new A/cs.		10	
		Excellent	10	
		Good	8	
		Satisfactory	4	
		Unsatisfactory	0	
	c. Asset Classification as per IRAC		10	

	guidelines	Excellent		10	
		Good		8	
		Satisfactory		4	
		Unsatisfactory		0	
	d. Reporting of persisting irregularities regularly		10		
		Excellent		10	
		Good		8	
		Satisfactory		4	
5.	Effectiveness of Concurrent Auditor		30		
		a. Efforts put in by and steps taken by the Concurrent Auditors to get the irregularities rectified and revenue leakage recovered and overall efforts in bringing improvement in Branch functioning.		15	
		Excellent		15	
		Good		10	
	b. Whether there was any instance of the Concurrent Auditor not pointing out serious irregularities /revenue leakage/fraud which was subsequently detected during Regular Audit:	Satisfactory		5	
		Unsatisfactory		0	
		a. Serious irregularities		5*	
		b. Revenue leakage		5*	
	Total	c. Fraud		5*	
				100	

* In case there is any instance of concurrent auditors not pointing out any of the above, zero marks may be given. If not, full marks to be given.

In-Charge ZAO

OVER ALL ASSESSMENT OF PERFORMANCE.

Grade/Rating	Maximum Marks	Marks obtained
A	80 and above	
B	70 - 79	
C	60 - 69	
D	Below 60	

Note:

i) The contract with audit firm falling in Grade 'D' shall be terminated before completion of the audit term.

Reserve Bank Of India

Guidelines regarding disqualification and restrictions of Auditors.

- I. Under Section 226 of the Companies Act, the following persons are disqualified for being appointed as auditor of a company. (Here the company means Bank.)
 - A. A body corporate
 - 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 is indebted to the company for an amount exceeding Rs.1000/- or who has given a guarantee or provided any security in connection with the indebtedness of any third person to the company for an amount exceeding Rs.1000/-.

The section also provides that, if an auditor becomes subject to any of the above disqualification after his appointment, he shall be deemed to have vacated his office as such.

- II. Some of the audit firms appointed to carry out the audit of the Banks, sub-contract the job to some other audit firms. Such a practice is not desirable as it tends to dilute the qualitative standards being adopted, in the matter of selection of auditors. The audit firm should therefore give an undertaking to the Bank, to the effect that, the firm will not subcontract the audit assignment.
- III. The audit firms which are entrusted with 'Statutory Audit' (Central or Branch) of a Bank, should not be considered for appointment as internal auditors or auditors for any special assignment in the same Bank. Similarly, Branch office of the Statutory Audit Firm (Central or Branch) should also not be considered for appointment as internal auditors of the same Bank. Likewise, associate firms or sister concerns should also be disqualified for any special assignments when their main firm/partners is allocated statutory audit of Bank/Branch in a particular year.

Sole Proprietary Concerns have to declare specifically that they are full time practicing Chartered Accountants and are not employed elsewhere and do not have any other business interest. Such declaration should indicate the nature of other business interest, if any.