



**Small Industries Development
Bank of India**

**Request for Proposal (RfP)
For
Concurrent Audit of**

**Operations of SIDBI Branch
Offices at Various Locations (05
Nos)**

Critical Information Summary

- ◆ Last date for submission of RfP : **Jan 22, 2018 (by 5.15 PM)**
- ◆ One hard copy need to be submitted in sealed cover labeled (top of the envelope) **“Request for Proposal (RfP) for Concurrent Audit of Operations of _____ BO”** at the following address. On top of the envelop clearly mention the name of the BO for whom applicant has applied, as detailed below.

Request for Proposal for Concurrent Audit of _____ BO (Name of the Branch).

To,

The General Manager

Audit & Fraud Management Cell
Small Industries Development Bank of
India
SIDBI Tower,
15, Ashok Marg,
Lucknow – 226001 (U. P.)
Telephones : (0522) 2288546-50
Email : auditvertical_ho@sidbi.in

From :

- ◆ For queries and clarifications regarding the RfP, please feel free to contact us at the above address / telephone numbers/ e-mail id.
- ◆ Last date for requesting any clarifications: **Jan 19, 2018 (by 5.15 PM)**. Please note that all the information desired **needs to be provided**. Proposal with incomplete information is liable to be rejected.

The Technical Bids will be opened on Jan 23, 2018 at 11.00 AM at 4th floor at the address indicated above. It would be bidder's responsibility to depute the representative (one only) for the opening of bids. No separate communication in this regard shall be sent to the bidders

Introduction and Disclaimers

1.1 Purpose of RfP

The purpose of RfP is to shortlist experienced professional firm/ Limited Liability Partnership (LLP) of Chartered Accountants, for undertaking Concurrent Audit of Operations of Branch Office (BO) of SIDBI at **the following locations.**

Table – I

S. No.	Regional Office	Branch Office (BO)	Direct Credit O/s as on March 31, 2017 (₹ in Crore)
1	Chandigarh	Chandigarh	636.27
2	Bangaluru	Hubballi	58.18
3	Jaipur	Jaipur	597.06
4	Pune	Nasik	197.22
5		Pune	786.40

1.2 Information Provided

The Request for Proposal document contains statement derived from information that is believed to be relevant at the date but does not purport to provide all the information that may be necessary or desirable to enable an intending contracting party to determine whether or not to enter into a contract or arrangement with SIDBI. Neither SIDBI nor any of its employees, agents, contractors or advisors gives any representation or warranty, express or implied, as to the accuracy or completeness of any information or statement given or made in this document. Neither SIDBI nor any of its employees, agents, contractors, or advisors has carried out or will carry out an independent audit or verification exercise in relation to the contents of any part of the document.

1.3 Disclaimer

Subject to any law to the contrary, and to the maximum extent permitted by law, SIDBI and its officers, employees, contractors, agents and advisors disclaim all liability from any loss or damage (whether foreseeable or not) suffered by any person acting on or refraining from acting because of any information including forecasts, statements, estimates or projections contained in this RfP document or conduct ancillary to it whether or not the loss or damage arises in connection with any negligence, omission, default, lack of care or misrepresentation on the part of SIDBI or any of its officers, employees, contractors, agents, or advisers.

1.4 Costs to be borne by Applicants

All costs and expenses incurred by Applicants in any way associated with the development, preparation, and submission of responses, including but not limited to the attendance at meetings, discussions, demonstrations, etc. and providing any additional information required by SIDBI, will be borne entirely and exclusively by the Applicant

1.5 No Legal Relationship

No binding legal relationship will exist between any of the Applicant and SIDBI until execution of a contractual agreement.

1.6 Applicant Obligation to Inform Itself

The Applicant must conduct its own investigation and analysis regarding any information contained in the RfP document and the meaning and impact of that information.

1.7 Evaluation of Offers

Each applicant acknowledges and accepts that SIDBI may in its absolute discretion apply selection criteria specified in the document for evaluation of proposals for shortlisting / selecting the eligible Concurrent Auditor(s). The RfP document will not form part of any contract or arrangement, which may result from the issue of this document or any investigation or review carried out by a Recipient.

1.8 Maintaining Secrecy and Confidentiality

The applicant shall be liable to maintain secrecy and confidentiality of all the information / data / operations, etc. of SIDBI.

1.9 Errors and Omissions

Each applicant should notify SIDBI of any error, omission, or discrepancy found in this RfP document.

1.10 Acceptance of Terms

A Applicant will, by responding to SIDBI for RfP, be deemed to have accepted the terms of this Introduction and Disclaimer.

1.11 Lodgment of RfP

1.11.1 RfP submission:

- ◆ RfP document submission is required to be done by **Jan 22, 2018 (5.15 PM)** as under :-

One Hard copy should be submitted at the following address in sealed single envelope superscribed at the top of the envelope – “Request for Proposal (RfP) for Concurrent Audit of Operations of _____ BO”.

The General Manager

Audit & Fraud Management Cell
Small Industries Development Bank of India (SIDBI)
SIDBI Tower, 15, Ashok Marg,
Lucknow – 226001 (U. P.)
Telephones : (0522) 2288546-50
Email : auditvertical_ho@sidbi.in

RfP must be submitted before the aforementioned closing date.

- **Faxed / e-mailed copies of any submission are not acceptable and will be rejected by the Bank.**
- **All copies of RfPs and attachments must be provided in a sealed envelope.**

The person(s) signing the RfP shall initial all pages of the RfP. The RfP shall contain no erasures or overwriting except as necessary to correct errors made by the applicant, in which case corrections shall be initialed by the person(s) signing the RfP.

If the submission does not include all the information required or is incomplete, the proposal is liable to be rejected.

All submissions, including any accompanying documents, will become the property of SIDBI. Applicants shall be deemed to license, and grant all rights to SIDBI to reproduce the whole or any portion of their submission for the purpose of evaluation, to disclose the contents of the submission to other Respondents and to disclose and / or use the contents of the submission as the basis for any resulting RfP process, notwithstanding any copyright or other intellectual property right that may subsist in the submission or accompanying documents.

1.11.2 RfP Validity Period

The proposal must remain **valid and open for evaluation according to their terms for a period of at least six (6) months** from the time the RfP closes on the deadline for lodgment of RfP.

1.11.3 Cost of RfP Document

No cost has been prescribed for the RfP Document.

1.11.4 One RfP / application per applicant

APPLICANT CAN SUBMIT RFP / APPLICATION FOR BO, WHERE APPLICANT has REGULAR SET-UP, EITHER HEAD OFFICE OR FULL FLEDGED BRANCH OFFICES, AT RESPECTIVE LOCATIONS OF SIDBI BRANCHES.

AS A MATTER OF POLICY, SIDBI SHALL ENGAGE THE SERVICES OF FIRM / LLP FOR CARRYING OUT CONCURRENT AUDIT OF ONE BO ONLY, AT A TIME. ACCORDINGLY IN CASE, IF APPLICANT APPLIED FOR MULTIPLE BRANCHES AND FOUND SUITABLE, THEY MAY BE CONSIDERED FOR ONE BRANCH ONLY.

Firms already engaged with SIDBI:

- ***SIDBI shall engage the services of a firm / LLP for carrying out Concurrent Audit of one BO only at a time. Accordingly, in case the applicant has been already engaged as Concurrent Auditor***

by SIDBI in any of its branches, such applicant will not be eligible for the proposed assignment.

- **Such firms/LLP only after completion of specific period (continuous three years), cooling period of one year would be observed for considering the services of the CA firm again in the same Branch Office. However, the CA firm could be considered for award of contract to carry out concurrent audit of any other Branch Office of the Bank.**

1.11.5 Late Applications

Any RfP / application received after the deadline for submission of the RfPs / applications will be treated as “**Late Application**” and such late applications shall not be considered at all for competitive consideration.

1.12 Requests for Proposal

Applicants are required to direct all communications related to this RfP, through the Nominated Point of Contact person:

Contact	<i>Shri Avinash Kumar, AGM</i> <i>Shri Amit Kumar, Assistant Manager</i>
Email	<i>auditvertical_ho@sidbi.in</i>
Telephone	<i>(0522) 2288546-50 Extension : 753 & 774</i>

SIDBI may, in its absolute discretion, seek additional information or material from any applicants after the RfP closes and all such information and material provided must be taken to form part of that Applicant’s response.

Applicants should provide details of their contact persons, Fax, Telephone, email and full address(s) to ensure that replies to RfP could be conveyed promptly.

If SIDBI, in its absolute discretion, deems that the originator of the question will gain an advantage by a response to a question, then SIDBI reserves the right to communicate such response to all Applicants.

SIDBI may, in its absolute discretion, engage in discussion or negotiation with any Applicant (or simultaneously with more than one Applicant) after the RfP closes to improve or clarify any response.

1.13 Notification

SIDBI will notify all short-listed Applicants in writing as soon as practicable about the outcome of their RfP. SIDBI is not obliged to provide any reasons for any such acceptance or rejection.

1.14 Disqualification

Any form of canvassing / lobbying / influence / query regarding shortlisting, status, etc. will be a disqualification.

2. About SIDBI

2.1 Small Industries Development Bank of India (SIDBI) was established in April 1990 under an Act of Indian Parliament as the principal financial institution for:

- Promotion
- Financing
- Development of industry in the small scale sector and
- Co-ordinating the functions of other institutions engaged in similar activities

The Bank provides its services through a network of Branch Offices located all over India. Detailed information on the functions of the bank is provided on the website, www.sidbi.in

2.2 SIDBI runs several financial products and services for catering the financial needs of Micro Small and Medium Enterprises (MSMEs) through its field level offices. These include the following broad areas:

- ◆ Direct Finance
- ◆ Bills Finance
- ◆ Refinance
- ◆ International Finance
- ◆ Promotion and Development
- ◆ Micro-finance

3. Project Particulars

3.1 Project Objective and Scope of Operations of SIDBI's Branches

SIDBI's Branch Office(s) functions include credit dispensation under Direct Credit and other day to day operations of the Bank. The selected Chartered Accountants would undertake the concurrent audit of operations of the Branch (es) **on daily/ regular basis** and based on their findings also regularly suggest measures to improve the functioning of operations of Branch of SIDBI. Assignment would also include verification and confirmation on the adequacy of internal controls and IT system for sustaining operations. The staff deputed by the firm / LLP of Chartered Accountants for carrying out the audit should be qualified and experienced in the area of work.

Concurrent Audit covering the Branch Operations including its core functions such as credit appraisal, pre-sanction and post-sanction supervision mainly under Direct Credit, Working Capital, Receivable Finance, Refinance and other day to day operations, various lists/

statements being submitted by the State Financial Corporations to SIDBI towards Refinance availed of by them and other Companies/ Banks/ Institutions covered under bulk resource support business of the Bank. The objective and scope of the Concurrent Audit to be undertaken in the above center are as under:

A. Objective of Concurrent Audit

The main objectives of the concurrent audit are as follows:

- a. Verifying whether sanctions for advances and disbursement thereof is obtained from competent authority.
- b. Scrutinizing the completeness of documents submitted for availing advances and other facilities.
- c. Ensuring compliance of laid down systems, procedures and policies.
- d. Examining books of accounts, records and / or registers to ensure that they are maintained in accordance with the prescribed systems/ reconciled with general ledger.
- e. Physical checking of stocks financed under working capital scheme at relevant places.
- f. Detection and arresting of leakage of income, if any.
- g. **To follow up with authorities to ensure timely rectification of irregularities reported with regard to the operations of the branch and rectified on the spot/ during audit period itself.**
- h. Verify prompt, timely and regular submission of the periodical and statutory returns.
- i. Any violation of procedure is brought to light.
- j. **Reporting any irregularity in working which may result in financial or other loss to the Bank.**
- k. Feedback on regulatory compliances.
- l. Physical checking of live Bills under MSME-Receiveable Finance Scheme.
- m. Verification of Daily Liability Register under MSME-Receiveable Finance Scheme.
- n. Physical verification of approvals granted for discounting of Bills under MSME-Receiveable Finance Scheme.
- o. Verifying the various lists/ statements being furnished by Primary Lending Institutions under Refinance and Resource Support to intermediaries.
- p. Any other areas on the operations of the Bank which are vital, in nature.

B. Scope

- a. Whether the transactions or decisions are within the policy parameters laid down by the Head Office.
- b. Sanction and disbursement of loans & advances are within the policy parameters laid down by the Bank. All the loan disbursements are to be checked / verified by the concurrent auditors before actual disbursements and all the disbursement notes need to be signed off by the concurrent auditors (CA Partner).
- c. Verify whether pre-sanction / pre-disbursement / post-disbursement visits are undertaken and reports are available on record.
- d. Sanctions / disbursements are within the delegated authority.
- e. Sanctions / disbursements do not violate the instructions or policy prescriptions of the RBI / other regulators.
- f. Compliance to RBI guidelines relating to defaulters list / Caution Advice / CIBIL List / IBA caution list for Third Party Entity / fraudulent borrowers list, KYC / AML, etc. is done satisfactorily.
- g. DoP has been exercised properly and Post Sanction Reporting (PSR), wherever applicable, is sent to Post Sanction Reporting Authority (PSRA).
- h. Security creation has been done properly. All the prescribed and necessary documents are collected from borrowers.
- i. Verify whether all charges of SIDBI on the assets mortgaged/ hypothecated are registered with Registrar of Companies (ROC)/CERSAI
- j. Pre-disbursement conditions are duly complied with. Deviations made, if any, are within the guidelines issued from time to time.
- k. Verify the end use of term loan disbursed by the Branch for the purpose it is meant for.
- l. Undertake visits, wherever necessary, to the projects under implementation and observation, if any, in terms of time over-run/ reasons for delay in implementation of the project, bring to the notice of the authority of the Branch.
- m. All the receipts have been properly accounted for/ appropriated as per Bank's accounting policy.
- n. All regulatory provisions/ guidelines are duly complied with (e.g. areas including TDS and service tax / professional tax/GST etc).
- o. Whether in all cases where the statements/ documents (stock statement, No-lien account statement, project completion report, final list of machinery, Balance Confirmation Certificate, Acknowledgment of Debt, Annual report etc.) are not received even after a reasonable time, prompt action is taken by the Branch to get the same.
- p. Verify whether there is any mis-utilisation of the loans and whether there are instances indicative of diversion of funds.

- q. The maintenance and balancing of accounts, ledgers and registers is proper.
- r. Bank reconciliation – Verification of transaction both credit and debit is based on legitimate instruments. Comments/Confirmation on whatever reconciliation undertaken by the dealing offices is in order.
- s. Independently verify the transactions and accounts viz. receipts & payments validated through instruments, verify the process of reconciliation undertaken by BO of various sensitive accounts viz. Sundry, Suspense, Receipts Pending Appropriation, bank reconciliation etc., instead of reporting merely based on the certificates / statements by the branch officials.
- t. Early reconciliation of entries outstanding in the Branch with regard to inter-branch and inter bank accounts, Suspense Account, Sundry Deposits Account, etc. Ensure early adjustment of entries in the Branch.
- u. Detection & prevention of revenue leakages in the operation of the Branch through close examination of income and expenditure persists.
- v. Verify whether there are any borrowal accounts (other than those reported by the Branch) which are showing early warning signals or symptoms of sickness and/or can be classified as NPAs. If so, ascertain the reasons therefor and analyse the steps taken by the branch in the matter.
- w. Verify whether the classifications of loan assets of the Branch have been done properly and income recognition norms have been followed as per Bank's guidelines and procedure/ RBI norms by the respective Branch.
- x. Verify whether subsidy claims like CLCSS/TUFS etc. are as per the respective scheme and lodged timely with govt. authorities by the Branch through Head Office.
- y. Verify whether claims submitted by Branch to CGTMSE and ECGC are in time.
- z. Carrying out Credit Audit in respect of the eligible cases, as per the extant guidelines of the Bank.
 - aa. Verify whether guarantee fee for coverage under CGTMSE is collected and deposited with Credit Guarantee Trust Fund.
 - bb. Verification of end use statements being submitted by Primary Lending Institutions.
 - cc. Verify the ratings (including CART ratings) and submission of a certificate in writing that the ratings (including CART ratings) are found to be correct. The discrepancies, if any, should be brought to the notice of the Bank.
 - dd. Verify the updation of CIBIL data and report the status in the monthly audit report.

- ee. Verify the details of flow of applications, time taken for appraisal of proposals, pending applications etc. with Central Loan Processing Cell of the RO concerned / located at the same place and report the status in the monthly audit report.
- ff. Verify whether assets have been verified by the BO within 30 days from the date of classification of account as NPA.
- gg. Verify whether the proposals covered under JICA Line of Credit – Scheme for Energy Saving Projects in MSME sector and KfW Energy Efficiency LoC – Assistance for Energy Efficiency Products, respectively have been properly flagged in the DFS/ Flex Package. Also to verify whether the requisite Annexures prescribed for the purpose have been obtained and kept on record.

C Additional Scope for Working Capital Cases

- To ensure that margin on stock/ book debts; Rate of Interest & Drawing Power is considered / fixed as per the terms of sanction.
- To ensure that the limits have not been made operational beyond the validity period, without approval of the competent authority for extension of the validity period.
- To ensure that the periodic visits to the borrower units have been undertaken as per the Scheme guidelines. The auditor may also undertake some sample visits along with BO officials on random basis and/ or on the basis of criticality of the account.
- To ensure that the monthly stock statement from the borrower is obtained in time and duly updated in the system.
- To scrutinize the monthly stock statements to ensure correct valuation/ calculation of drawing power (e.g. by exclusion of non-moving / obsolete stocks for calculation of DP and by excluding old & doubtful book debts, margins. etc.).
- To ensure that the inventories/ fully paid stocks as mentioned in the Stock statement furnished by borrowers for calculating drawing powers are correct and as per the books of borrower.
- To ensure that the CA certified book debt statements from the borrowers are obtained on half-yearly basis.
- To ensure that stocks are adequately insured as per the extant guidelines of the bank and are in the joint names / with bank clause and the policies are renewed on timely basis.
- To ensure that Quarterly Information System (QIS) statements & other financial statements are obtained, wherever applicable and indicate the observations on the general business operations / profitability etc.
- To ensure that stock audit is undertaken, wherever applicable and to ensure that the compliance of stock audit observations are met.

- To check the correctness of upfront fee, interest / penal interest other expenses etc.
- To examine the overdue accounts closely (in terms of operations in the a/c, Stock & Book Debt statement, Credit Summation, QIS & other statements, Renewal, Cheque Bouncing etc.).
- To ensure compliance of extant guidelines, in case of multiple current accounts and / or multiple banking arrangement.
- To verify the correctness of security (primary & collateral), Legal compliance, ROC search etc.
- To verify whether the Memorandum of Entry for creation of mortgage has been prepared/ pasted on Register.

D Additional Scope for MSME-RFS Cases

- To ensure end use by undertaking visits & verification of documents of the MSME seller units.
- To verify MSME category of vendors & verify sellers certificates including KYC documents.
- To ensure that the visits to the vendors' units have been undertaken as per the extant guidelines of the bank. The auditor may also undertake some sample visits along with BO officials on random basis and / or on the basis of criticality of the transactions.
- To verify, due date-wise, Live Bills under MSME-Receivable Finance Scheme.
- To verify whether Daily Liability Register is showing correct picture under MSME-Receivable Finance Scheme.
- To undertake visit to purchaser companies to verify the invoices under Trade Receivables Engine for E-discounting (NTREES).
- To verify seller / KYC documents under Trade Receivables Engine for E-discounting (NTREES).
- Safe custody verification as per extant guidelines.

E Further Scope for Letters of Credit (LC) / Bank Guarantee (BG)

- Check whether LCs are for genuine trade transactions and necessary vouchers reflecting LC opening are passed by BO.
- Check whether the Letters of Credit issued by the branch are within the delegated powers.
- Check that LC commission is taken and necessary vouchers passed.
- Check whether LCs are retired in time and necessary reversal vouchers are passed by BO.

- Check whether Guarantees are issued after vetting by Legal Department and guarantee number is auto generated from Direct Finance System.
- Check whether bank guarantees issued are properly worded and recorded in the register of the bank. Whether they have been promptly renewed on the due dates.
- Check that correct Guarantee commission is taken and necessary vouchers passed and Guarantee commission is appropriated quarterly.
- Check that Guarantees are closed and reversed in time as per extant guidelines.

F Scope for Follow up & Monitoring

- Verify whether Registration of charge(s) under Central Registry for all eligible cases has been done.
- Verify whether RAM / CART ratings are approved and printouts of the same are available on record.
- Verify whether Annual Review and Re-rating of the accounts as per guidelines has been done.
- Verify whether demand advices are raised correctly and sent in time as per extant guidelines.
- Verify whether Safe Custody verification is being carried out by BO as per the extant guidelines.
- Verify whether insurance cover for the assets charged to SIDBI has been obtained/ available.
- Verify whether validation of sanction / review of undisbursed sanctions has been carried out as per extant guidelines.
- To verify / review the interim disbursements / final security creations.

The above areas of operation are illustrative and not exhaustive.

3.2 The CA will have to submit the following reports to the Management:

(A) Reports relating to Operations in Branch

- (i) Monthly reports covering Branch's day-to-day operations including its core functions such as credit appraisal, pre-sanction and post-sanction supervision mainly under Direct Credit, Working Capital, Receivable Finance, Refinance and other operations, various lists/ statements being submitted by the State Financial Corporations to SIDBI towards Refinance availed of by them and other Companies/ Banks/ Institutions covered under bulk resource support business of the Bank with regard to their correctness, compliance to the terms and conditions of sanction, post disbursement, supervision, documentation,

review/renewal of limits, bills discounting, KYC norms, monitoring of business risks, compliance of Delegation of Powers etc.

- (ii) **Monthly** reports covering comments on adherence to regulatory, internal policy, procedure, guidelines, compliance of Delegation of Powers and areas of audit as indicated at para 3.1.
- (iii) Any other related report as may be required by SIDBI from time to time.

3.3

- (i) CA shall submit only one proposal either individually or joint venture partnership.
- (ii) The CA shall be accountable, on its part, for wrongly verifying any document or signing off disbursement notes or such other important documents based on the Bank takes a decision.

The above reports with regard to operations of the respective Branch in the area of credit dispensation and other day to day operations should be submitted in the following manner to the Regional Offices concerned.

S. No.	Name of the Branch	Name of the Regional Office to whom reports to be submitted	Remarks
1	Chandigarh BO	Regional Manager, Regional Office, Chandigarh	Audit Report should be submitted in the Audit Software, developed by the bank within one week of the reporting period for which the report pertains.
2	Hubballi BO	Regional Manager, Regional Office, Bangaluru	
3	Jaipur BO	Regional Manager, Regional Office, Jaipur	
4	Nasik BO	Regional Manager, Regional Office, Pune	
5	Pune BO		

A detailed operating guidelines will be provided to the concurrent auditors. Necessary training/ consultation required would be provided to them for enhancing the quality of the audit. They would be made aware of the guidelines and circulars issued subsequent to commencement of assignment and having impact on the concurrent audit, to keep them abreast of the changes in the operational and regulatory guidelines.

SIDBI will prescribe structured formats for the audit reports and also stipulate the time limits for submission of the reports. The audit formats would be reviewed on annual basis. The firm/ LLP should strictly adhere to the format and the time limit. SIDBI may prescribe different periodicity for different reports of the same branch.

3.3 The selected Chartered Accountant would initially be assigned the contract for a period upto **June 30, 2018** subject to renewal for **two** more

years with ***increase in professional fee not more than 5% annually***, if the contract is renewed, after one year provided performance is found to be satisfactory on review. The proposed assignment would be subject to periodical review at the discretion of SIDBI and is liable to be terminated at any time, if not found satisfactory, by giving **short** notice.

- 4 **Selection Criteria for the Branch Operations including its core functions such as credit appraisal, pre-sanction and post-sanction supervision mainly under Direct Credit, Working Capital, Receivable Finance, Refinance etc.**

4.1 Selection Process

This RfP will be assessed on the following Selection process:-

Invite Request for Proposal (RfP) wherein Technical Evaluation is submitted in envelope.

Technical evaluation

- a) The Applicant is required to submit the details of its proposal in a sealed envelope. The **envelope** should be superscribed “For Technical Evaluation” for said Concurrent Audits and should contain detailed statement giving the various technical particulars of the proposal covering aspects of the Applicant like name and location, year of establishment, names of its partners, staff, their qualification / experience, registration number of the firm / LLP, details of ICAI membership / Certificate of Practice details, methodology proposed and all other such relevant particulars in the format given in **Annexure I**.
- b) A pre-evaluation meeting would be held to clarify on points, if any, if desired by the intending applicants.
- c) **After the expiry of last date for submission of RfP / application**, the envelope containing the compliance on the “Technical Evaluation” would be opened in respect of all the applicants to verify the compliance of the applicants with the prescribed Technical Evaluation requirements.
- d) The Technical Evaluation of RfP / Application would be carried out by an In-house Committee constituted by SIDBI **at Audit & Fraud Management Cell, HO, Lucknow**. The list of technically qualified applicants would be short listed.

Technical Evaluation Procedure of the applicants for Branch Operations

The technical capabilities of the applicants with regard to audit of the operations of the operating/ branch office mainly in the area of credit

dispensation under Direct Credit and other day to day operations would be evaluated based on the following criteria and weightage:

Pre-Requisite for Applying

The Applicant should

- ***furnish proof of Valid registration / Certificate of Practice from the Institute of Chartered Accountants of India (ICAI).***
- ***be a Partnership firm/ LLP of Chartered Accountants with minimum 3 partners of which at least 2 partners should be FCA(s). At least one partner should have a continuous association with the firm of a minimum of 5 years and another partner should have a continuous association with the firm of a minimum of 3 years. The details of each partner including experience, qualification etc., and their Registration Number with Institute of Chartered Accountants of India (ICAI) to be furnished as documentary proof.***
- ***has minimum five years of previous track record of carrying out concurrent audits in other Financial Institutions / Public/private Sector Banks mainly in the area of credit dispensation under Direct Credit and other day to day operations of the bank (with documentary proof).***

Without compliance of the above pre-requisites, the applicant will not be eligible for applying.

Desirable Criteria

- ***In addition, the Firm / LLP may have a retired commercial banker(s) as Partner / Employee.***

The Rating Chart is given below:

Sl. No	Criteria	Maximum Marks (Weightage)
i	<ul style="list-style-type: none"> • Year of establishment of Chartered Accountant firm/ Limited Liability Partnership (LLP) of Chartered Accountants • Knowledge and experience in carrying out audit of branch (s) operations mainly in the area of credit dispensation under Direct Credit and other day to day operations of a Financial Institution / Public Sector/private sector Bank. 	30
	Experience – Above 5 years and upto 10 years – 20 marks	
	- More than 10 years – 30 marks	

ii.	<ul style="list-style-type: none"> Be a partnership firm / Limited Liability Partnership (LLP) of Chartered Accountants with minimum 3 partners of whom at least two should be FCA. At least one partner should have a continuous association with the firm of a minimum of 5 years and another partner should have a continuous association with the firm of a minimum of 3 years. 15 Marks In addition to the above firm having a retired commercial banker as Partner / Employee – 20 Marks (additional 5 marks) 	20
iii	<ul style="list-style-type: none"> Minimum five years of previous track record of carrying out such audits in other Financial Institutions / Public/private Sector Banks mainly in the area of credit dispensation under Direct Credit and other day to day operations of the Financial Institution / bank (with documentary proof). – 15 Marks In addition to the above firm having previous track record in the area of credit dispensation under MSME – 20 Marks (additional 5 marks). 	20
iv.	Whether the firm/ LLP empanelled with RBI as <ul style="list-style-type: none"> Statutory Central Auditor - 10 Marks Statutory Branch Auditor(Category I) – 7 Marks Statutory Branch Auditor (Category – II) – 5 Marks 	10
v.	Availability of suitable infrastructural facilities including office set up, adequate manpower who are specialized in the area of audit of Branch Operations mainly in the area of credit dispensation under Direct Credit and other day to day operations of the Bank. Competence and qualification of key professional staff who shall carry out the assignment in a time bound manner. Particulars about the firm/ LLP including details of partners, their qualifications and experience may also be furnished.	10
vi.	Regular set-up, either Head Office or full fledged Branch Offices, at respective locations (locally) of SIDBI branches.	10
	Maximum technical score	100

- Preference would be given to the applicants where the partners themselves are ex-bankers with requisite experience and exposure and the firms having qualified Information System Auditor (CISA/ DISA) with necessary exposure of systems audit.
- The Applicant shall ensure that the audit firm/ LLP or any sister / associate concern, is not conducting the statutory audit of the Bank or any of its branches.
- On appointment the Applicant shall execute undertaking of fidelity and secrecy on its letterhead in the format prescribed by the Bank.
- The Applicant shall ensure that the audit be carried out in a professional manner and in case of any misconduct & negligence,

the Bank may approach the concerned professional bodies with complaints of professional misconduct, if any, on the part of any professional engaged by the Bank. Accordingly, we may also recommend their name to ICAI / RBI /IBA or any other authority, for suitable action thereon by them.

- The Applicant shall ensure that it will not sub-contract the audit work assigned to any outside firm/ LLP or other persons even though such persons are qualified Chartered Accountants.
- The applicant appointed as Concurrent Auditor to a branch should nominate a CA or retired Bank Officer who will be heading the Concurrent Audit Team as the Designated Auditor authorized to act on behalf of the firm.
- The audit team composition for Concurrent Audit and attendance requirements should be specified as under :
 - a) The designated FCA partner of the firm / LLP who shall visit the branch at least 4 days in a month; and
 - b) Chartered Accountant / Retired Bank Officer who shall visit the branch preferably on all working days but for a minimum of 20 days in a month; and
 - c) Audit assistant who shall visit the branch preferably on all working days but for a minimum of 20 days in a month.
- A declaration to be furnished by the applicant 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 guarantor/s 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.
- The applicant must submit a undertaking that the firm / LLP does not have any professional relationship with any of the borrowers of SIDBI nor will it in future accept professional relationship with any of the borrowers of SIDBI during the period during which the firm / LLP acts as the concurrent auditor for SIDBI.
- Any other terms and conditions of the assignment would be decided by the Bank on a case-to-case basis.
- All applicants scoring 80 marks or more (in Technical Evaluation) will be selected as the Technically Qualified Applicant. In case, less than three applicants get 80 marks or more in the Technical

Evaluation, the top three applicants getting the maximum marks in Technical Evaluation will be given preference, subject to them getting at least 70 marks.

- The final selection of the successful applicants from the technically qualified applicants will be done at **Audit & Fraud Management Cell, Head Office**.
- The concurrent auditor should adhere to the audit coverage strictly as per the scope as may be decided by the Bank from time to time.
- The concurrent auditors should not undertake any other activities / assignment on behalf of the branch without obtaining the concurrence of the Audit & Fraud Management Cell at Head Office, in writing.
- The CA should attend Preventive Vigilance Committee (PVC) in the Bank which discusses and deliberates on various operational and administrative aspects concerning Vigilance administration in the ROs/ BOs. The meeting of the PVC takes place at least once in a quarter in the succeeding month of every quarter at the concerned Regional Office of the Bank.
- The concurrent auditors will co-operate with investigative body, regarding processing or execution of the consultancy contract or any matter related with discharge of contractual obligations.
- No out of pocket expenses or traveling allowance / halting allowance would be paid to the concurrent auditors for carrying out the audit. However, the service tax, education cess / GST etc. would be paid as applicable from time to time in addition to the basic fees. The payment to the concurrent auditors would be subject to deduction of tax at source at appropriate rates.
- The concurrent auditors would give rating or grade to the Branch, if desire by SIDBI.
- Necessary arrangement would be made for providing space, workstation and access to systems (**viewing rights only**) to the concurrent auditors for ensuring smooth conduct of the audit. This would be the responsibility of the **Bank. However, Branch In-charge will shoulder the responsibility of the arrangements.**
- The applications received would be examined by “Applications Opening and Evaluation Committee” which would be constituted at **Head Office Level at Lucknow**.
- On the recommendation of the Committee, name of the successful applicant would be identified for the **Branch**.

The applicant appointed as concurrent auditor shall nominate a CA or retired bank officer who will head the concurrent audit team as the “Designated Auditor” duly authorised by the FCA partner of the CA firm/LLP to act on behalf of the firm. The Designated Auditor would be required to submit his/her identity proof and address proof together with specimen signatures with a request to be allotted biometric enabled unique login ID for access to the system. The Designated Auditor would require to log in and log out of the system each working day. The Designated Auditor would require to surrender the login ID on completion of the concurrent audit tenure or on any change in the Designated Auditor by the firm/LLP.

- The concurrent auditor shall be granted read only access to the systems at the branch office.
- The concurrent audit report shall be pre formatted and available on the SIDBI’s systems to the Designated Auditor who shall be required to enter the audit findings into the system on a day-to-day basis.
- The concurrent auditor shall not be allowed to carry any mass storage device such as pen drive/flash drive/thumb drive or any lap top inside the branch premises as these devices will not be required for the job. Concurrent auditors shall be provided with computer system with disabled USB ports by the concerned branches
- The concurrent auditor are required to plan the audit that it results in gradual shortening of the interval between a transaction and its examination by an independent person. The concurrent auditor shall perform substantive checking in key areas and emphasis should be on ‘on the spot’ rectification of deficiencies. The concurrent auditor shall daily go through all the vouchers and books of the branch for the previous day and identify areas to be scrutinised in detail.
- Should maintain and keep back up papers in support of observations made.

5. Fixed Fee Structure

- The fee structure / inclusion / exclusion of the BOs under this mechanism is based on the outstanding portfolio of the BO as at the end of previous financial year. The award of contract to CA firms / LLPs to undertake concurrent audit will be as per fee structure issued by the Bank from time to time. The present four slab fee structure, based on the outstanding portfolio size, is indicated below:

Outstanding Portfolio (MSME Direct Credit)	Fee Payable Per Month (excluding applicable service tax, education cess, etc.)
Upto ₹100 crore	₹ 15,000/-
Above ₹100 crore – upto ₹ 150 crore	₹ 20,000/-
Above ₹150 crore – upto ₹ 200 crore	₹ 25,000/-
Above ₹ 200 crore – up to ₹ 300 crore	₹ 30,000/-
Above ₹ 300 crore	₹ 35,000/-
Note: Maximum upto 5% annually enhancement in remuneration may be considered, if the contract is renewed, after one year, provided the performance is found satisfactory.	

No out of pocket expenses or traveling allowance / halting allowance would be paid to the concurrent audit firm / LLP for carrying out the audit. However, the service tax, education cess/GST, etc. would be paid by the Bank, as applicable, in addition to the basic fees. The payment to the concurrent auditors would be subject to deduction of tax at source, at applicable rates.

The Outstanding Portfolio (MSME Direct Credit) of the BOs are given at Table – I.

6. Guidelines & Instructions

i. SIDBI will endeavour to make available all relevant information in the RfP. In case of need of any further information or clarification during the application period, the applicant must contact **only** the Contact Officer named above. **On no account** should the Applicants communicate directly with any other SIDBI personnel. Failure to comply with this requirement may result in the disqualification of the applicant from this competition.

ii. Government Tax

Applicants are responsible for establishing the status of the Services for the purpose of any government tax including service tax, cess etc. to Gol.

iii. Alterations to Application

Any manuscript or other alteration to the RfP / Application must be countersigned and dated by the person submitting the RfP / application.

iv. Letters and Declaration to Accompany Applications

The RfP / Application must be accompanied by a letter on Firm/ LLP letter head showing the full registered name(s), registered office address of the applicant. It should be signed by a person of suitable authority to commit the applicants to a binding contract.

v. Packaging and Delivery of Applications

Applications must be delivered in a double sealed envelope clearly labeled with the following:

1. Project Title
2. Application Due Date
3. Applicant's Name

SIDBI accepts no responsibility for the premature opening of any incorrectly marked Applications.

Applications must be received at Audit & Fraud Management Cell, Small Industries Development Bank of India, SIDBI Tower, 15, Ashok Marg, Lucknow – 226001 (U. P.) for the attention of **The General Manager by 5.15 PM on the due date**. Late applications will not be accepted under any circumstance and will be returned unopened. No special pleadings will be accepted. **Faxed or e-mailed applications will not be accepted.**

vi. Conflict of Interest

Applicants must disclose in their application details of any circumstances, including personal, financial and business activities that will, or might, give rise to a conflict of interest; this includes any sub-contractor, if they were awarded this contract. Where applicants identify any potential conflicts they should state how they intend to avoid such conflicts. SIDBI reserves the right to reject any application which, in SIDBI's opinion, gives rise or could potentially give rise to a conflict of interest.

vii. Disclosures

The applicant must disclose:

- a. If they are OR have been the subject of any proceedings or other arrangements relating to bankruptcy, insolvency or the financial standing of the applicant including but not limited to the appointment of any officer such as a receiver in relation to the applicant's personal or business matters or an arrangement with creditors or of any other similar proceedings.
- b. If they are OR any of the applicant's staff have been convicted of, or are the subject of any proceedings, relating to:
 - a criminal offence or other offence, a serious offence involving the activities of a criminal organisation or found by any regulator or professional body to have committed professional misconduct.

- corruption including the offer or receipt of any inducement of any kind in relation to obtaining any contract, with SIDBI, or any contracting authority.
- failure to fulfill any obligations in any jurisdiction relating to the payment of taxes or social security contributions.

Disclosure extends to any entity in the same group of the applicant (including but not limited to parent subsidiary and sister companies, and companies with common shareholders whether direct or indirect and parties with whom the applicant is associated in respect of this application / RfP).

If an applicant or related entity or any individual discloses details of any previous misconduct or complaint, SIDBI will seek an explanation and background details from them. At the sole discretion of SIDBI and assessment as to whether the Applicant will be allowed to submit a application, decision will then be made by SIDBI.

viii. Indemnity

The successful applicant shall exercise reasonable skill, care and diligence in the performance of the assignment and indemnify and keep SIDBI indemnified in respect of any loss, damage or claim howsoever arising out of or related to breach of contract, statutory duty or negligence by the firm/ LLP or its staff, agents or sub-contractors in relation to the performance or otherwise of the Services to be provided under this Contract.

ix. Assigning to Others

The successful applicant shall not, without the prior written consent of SIDBI, assign or transfer or cause to be assigned or transferred, whether actually or as the result of take over, merger or other change of identity or character of the CAs, any of its rights or obligations under the Contract or any part, share or interest therein. Upon any such assignment or transfer, this engagement may forthwith be terminated by SIDBI.

x. Termination

SIDBI may, at its sole discretion and at any time terminate the Contract and inform the CAs of SIDBI's decision by written instruction to that effect. In the event of the Contract being so terminated, the firm/ LLP shall take such steps as are necessary to bring the Services to an end, (including terminating any sub-contracts placed by the firm/ LLP) in a cost effective, timely and orderly manner. ***No further correspondence will be entertained in this regard.***

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Annexure ITechnical Evaluation for Concurrent Audit of Branch Operations

A) Audit Firm / LLP Details:

S.N	Requirements	Compliance	Remarks
1	Name of the Chartered Accountant Firm/ LLP with year of establishment.	Yes/No	
2	Knowledge and experience in carrying out audit of Branch Operations mainly in the area of credit dispensation under Direct Credit and other day to day operations.	Yes/No	
3	Be a Partnership firm/ LLP of Chartered Accountants with minimum 3 partners of which 2 partners should be FCA(s). At least one partner has a continuous association with the firm of a minimum of 5 years and another partner has a continuous association with the firm of a minimum of 3 years. Details of each partner including experience, qualification etc. and their Registration number with CA Institute (furnish a detailed list of all the partners)	Yes/No	
4	Minimum five years of previous track record of carrying out such audits in other Financial Institutions / Public Sector /Private Sector Banks mainly in the area of credit dispensation under Direct Credit/MSME and other day to day operations of the Financial Institution / bank (furnish documentary proof)	Yes/No	
5	Valid registration / Certificate of Practice from the Institute of Chartered Accountants of India (furnish documentary proof).	Yes/No	
6	Whether the firm/LLP empanelled with RBI (furnish documentary proof).	Yes/No	
7	Availability of suitable infrastructural facilities including office set up, adequate manpower who are specialized in the area of audit of Branch Operations mainly in the area of credit dispensation under Direct Credit and other day to day operations of the Financial Institution / bank. Competence and qualification of key professional staff who shall carry out the assignment in a time bound manner (furnish a detailed list of all the skilled / semi skilled employees / staff).	Yes/No	
8	Regular set-up, either Head Office or full fledged Branch Offices at respective locations (locally) of SIDBI branches (furnish the details regarding branch offices, if any).	Yes/No	

9	The firm/ LLP shall ensure that the audit firm/ LLP or any sister / associate concern is not conducting the statutory audit of SIDBI or Concurrent Audit in any of SIDBI branches.	Yes/No	
10	The firm/ LLP shall agree to execute undertaking of fidelity and secrecy on its letterhead in the format (as enclosed) prescribed by the Bank, if the contact assigned.	Yes/No	
11	The firm/ LLP shall ensure that the audit be carried out in a professional manner and in case of any misconduct & negligence, the Bank is free to report the matter to ICAI / RBI /IBA under the guidelines from time to time.	Yes/No	
12	The firm/ LLP shall ensure that it will not sub-contract the audit work assigned to any outside firm/ LLP or other persons even though such persons are qualified Chartered Accountants.	Yes/No	
13	A declaration to 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 guarantor/s 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.	Yes/No	
14	The firm / LLP must submit a undertaking that the firm / LLP does not have any professional relationship with any of the borrowers of SIDBI nor will it in future accept professional relationship with any of the borrowers of SIDBI during the period during which the firm / LLP acts as the concurrent auditor for SIDBI.		

Note: All the relevant details & documentary evidence are to be furnished. The above is only a format. Information may be submitted in additional sheets.

B) Details of Concurrent Audit of Branch Operations mainly in the area of credit dispensation done in banks / FIs

1. Details of Statutory Branch Audits (Category – I / II) of various banks' branches

Sr. No.	Name of the Bank	Branch	Year of Audit / Period (From - To) [Data required Since establishment of your firm]

2. Details of Concurrent Audits of various banks' branches

Sr. No.	Name of the Bank	Branch	Year of Audit / Period (From - To) [Data required Since establishment of your firm]

3. Details of Statutory Central Audits (Category - I) of various Banks

Sr. No.	Name of the Bank	Branch	Year of Audit / Period (From - To) [Data required Since establishment of your firm]

Declaration

(to be furnished in the letter head of the firm/ LLP)

We hereby declare that the information submitted above is complete in all respect and true to the best of our knowledge. We understand that in case any discrepancy or inconsistency or incompleteness is found in the information submitted by us, our application is liable to be rejected.

Date:

Authorised Signatory

Declaration of Eligibility

I / We _____ Chartered Accountants hereby declare that I comply with the eligibility conditions specified established under the Chartered Accountants Act, 1949, and I declare that:

None of the Partners of the firm do not have any disciplinary proceeding under the Chartered Accountants Act, 1949 pending against them or any disciplinary action under the Chartered Accountants Act, 1949/ penal action under any other law taken / pending against them.

It is further confirmed that the firm is not the Statutory Auditor of Small Industries Development Bank of India (SIDBI).

None of the Partner of the firm hold any shares or other securities (including options or furthers) in Small Industries Development Bank of India (SIDBI).

Our Firm will continue to satisfy the eligibility norm for appointment of Chartered Accountants as Concurrent Auditors as prescribed by the Bank from time to time.

I / We understand that any breach of the provisions regarding eligibility shall be considered as gross negligence and may result in appropriate action under the Chartered Accountants Act, 1949.

For _____
Chartered Accountants

Place: _____

Date: _____

Partner