

## Empanelment of external auditors for 30 branches/AHLC

### TO WHOMSOEVER IT MAY CONCERN

Can Fin Homes Ltd.(CFHL), invites applications from the eligible/interested Firms/ Companies for empanelment as External Auditors for conducting Internal Audit at Quarterly/ half yearly intervals in the identified 30 branches/Affordable Housing Loan Centre as per Annexure 1 for the period from 01.04.2019 to 31.03.2020, subject to our norms.

In this connection, we furnish the following.

Annexure 1 - List of 30 branches/AHLC, Category & Periodicity of branch

Annexure 2 - Application format

Annexure 3 - Terms and conditions for Appointment, Selection Procedure, Methodology for conducting audit, reporting and system for review of performance of the selected auditors.

Eligible/interested Firms / Companies, who are agreeable to the above terms & conditions, may submit their **application in the prescribed format in duplicate** to the respective branches/AHLC/Registered Office, on or before **10/03/19** in person or through the authorized person. The copies of offer/ appointment letters issued by other Banks, other certificates etc. need not be submitted along with the application.

Registered Office, CFHL will not entertain any correspondence/ communication from the applying firms till selection of the firms. However, the firms may contact local Branch Manager for clarifications, if any. This notification is only for inviting the applications and there is no commitment on the part the Company for engaging/empanelment. The decision of the Company shall be final in the matter.

Place : Bangalore  
Date : 05/02/19

sd/-  
Managing Director

## ANNEXURE – 1

### List of 30 branches/AHLC required empanelment of external auditors

SI No.	Name of the Branch/AHLC	Category of Branch	Periodicity of audit
1	Hyd-Nampally	VLB	Quarterly
2	Bhopal	VLB	Quarterly
3	Gurgaon	ELB	Quarterly
4	Tambaram	LB	Quarterly
5	Baroda	SB	Half Yearly
6	Dehradun	MB	Half yearly
7	Gachibowli	ELB	Quarterly
8	Hesaraghatta	VLB	Quarterly
9	Hubli	MB	Half yearly
10	Jaipur	ELB	Quarterly
11	Meerut	MB	Half yearly
12	Navi Mumbai	MB	Half yearly
13	P N Palyam	LB	Half yearly
14	Pondicherry	LB	Half yearly
15	Pune	MB	Half yearly
16	Sahakar Nagar	ELB	Quarterly
17	Salem	LB	Quarterly
18	Taranaka	LB	Quarterly
19	Vijayawada	ELB	Quarterly
20	Chengalpattu	SB	Half Yearly
21	Nagpur	SB	Half Yearly
22	Shimoga	VSB	Half Yearly
23	Panvel	MB	Half yearly
24	Varanasi	MB	Half yearly
25	Agra	MB	Half yearly
26	Nashik	SB	Half yearly
27	Rajahmundry	MB	Half yearly
28	Tirupur	MB	Half yearly
29	Karnal	LB	Quarterly
30	Bhilai	SB	Half yearly

**SB – Small branch, MB- Medium branch, LB – Large branch, VLB- Very Large Branch, ELB – Exceptionally Large Branch, AHLC-Affordable Housing Loan Center**

**ANNEXURE - 2**

**APPLICATION FORM FOR EMPANELMENT OF EXTERNAL AUDITORS (Hard copy to be submitted to the respective Branches/AHLC)**

**I. GENERAL INFORMATION:**

<b>1. Name of the Firm *</b>						
<b>2. Complete postal/communication address of the Firm / Company *</b>						
<b>3. Office telephone Number/Numbers *</b>						
				Std Code	Tel No.	
					Mob No.	
<b>4. Office FAX Number</b>						
<b>5. E-mail address *</b>						
<b>6. Constitution</b>						
<b>7. Date of formation/establishment of the Firm*</b>						
<b>8. Registration Number of the Firm* / Company with date with Institute of Chartered Accountants of India (ICAI)</b>				Regn. Number	Date of registration	
<b>9. Registration Number of the Firm* / Company with date (unique code number) with Reserve Bank of India</b>						
<b>10. GST Number *</b>						
<b>11. C&amp;AG Empanelment Number</b>						
<b>12. Permanent Account Number (PAN) of the firm (Mandatory) *</b>						
<b>13. Number of partners / Directors</b>						
<b>14. Name, qualification, membership Number, year and other details (DISA qualification may also be mentioned)</b>						
Name of the Partner / Director	Contact Number	Educational Qualification	Membership Number	Year	Brief profile	
1.						
2.						
3.						
<b>15. Details of audit staff employed</b>						
<b>Qualified Chartered Accountants</b>						
a) Semi qualified Chartered Accountants						
b) Retired/ex-bank officers						
<b>Article/audit clerks</b>						
c) other assistants						
<b>Total</b>						

**\*denotes the mandatory information**

**II. PAST EXPERIENCE OF THE FIRM / COMPANY(Relating to various bank audits):**

<b>A. Central Statutory Auditors</b>			
Name of the Bank		No of years in completed years	During the Period
<b>B. Statutory Branch Auditors</b>			
Name of the Bank	Branches	No of years in completed years	During the Period
<b>C. Concurrent Auditors</b>			
Name of the Bank	Branches	No of years in completed years	During the Period
<b>D. Income/Revenue Auditors</b>			
Name of the Bank	Branches	No of years in completed years	During the Period
<b>E. System /IS Auditors</b>			
Name of the Bank	Branches	No of years in completed years	During the Period
<b>F. Details of audit assignment currently on hand</b>		BANK	Type of audit

<b>G. Any other relevant details / particulars of the firm</b>		
<b>H. Whether the firm is appointed for Statutory audit of the Can Fin Homes Ltd. If so, furnish the names of the branches/AHLC.</b>		
Name of the Branch/s	During the period	
<b>I. Whether the firm has been earlier appointed as the external auditor of any of the branches/AHLC of Can Fin Homes Ltd. If so, furnish the full details.</b>		
Name of the branch	Period of empanelled	Last audit assignment

**III. CHOICE OF BRANCH ( only 3 branches/AHLC to be identified depend up on the nearness of the firm to the branch ) :**

Name of the branch	Distance to the branch from your branch
1.	
2.	
3.	

Date:

Place:

(Signature of the Authorized Signatory with seal)

## **ANNEXURE 3**

### **TERMS AND CONDITIONS FOR APPOINTMENT OF EXTERNAL AUDITORS, FOR CONDUCTING INTERNAL AUDIT OF BRANCHES/AHLC, REPORTING & REVIEW OF PERFORMANCE OF THE AUDITORS.**

#### **I. Conditions for appointment:**

1. Applicant should be either a Proprietorship / Partnership firm.
2. *The empanelment and allocation of branches/AHLC to the auditors will be purely the prerogative of the company. Such empanelment shall be initially for a period of **one year only** and can be extended up to a maximum period of 3 years subject to satisfactory performance of the auditor and solely at the discretion of the company.*
3. A firm/Auditor who has already conducted/completed audit of the branches/AHLC during the earlier period will be eligible for re-empanelment only on the completion of 2 years of their existing assignment.
4. The audit firm will undertake that they will not sub contract the audit assignment.
5. The audit firm will not lobby directly or indirectly for considering any credit proposals of their friends/clients to the company.
6. Auditors should not have been disqualified under Section 138 of the Companies Act, 2013 to accept this appointment.
7. The Company and Firm/any partners' of the firm should not have any disciplinary matters pending with ICAI/RBI and they should not have suffered any disqualification.
8. The firm should have sufficient experience in conducting audits in Companies/Corporate.
9. The firm should be nearer to the proposed auditee branch.
10. Only one branch will be allocated to a selected firm. However, the company has the discretion to change the allocation of the branches/AHLC based on any administrative exigencies.
11. *The CFHL has the discretion to consider or reject any of the applications based on any of the NHB/ RBI / Government / Internal guidelines of the company.*
12. The audit firm should give their consent in writing / undertaking letter in the prescribed format agreeing to comply with and bound by the terms and conditions prescribed by the company.
13. Period of appointment is from 01/04/19 to 31/03/20

#### **II. Details of Fee payable:**

1. The audit fee will be paid per quarter/half year at the applicable rate.
2. Audit fee will be paid [after deducting applicable TDS] by the concerned branch within 7 days after receipt of quarterly/half yearly report.

3. Other than the above, no separate Traveling Allowance/Halting Allowance/Out of Pocket Expenses, fees for inspecting the securities/attending training.
4. Fee structure will be reviewed on regular basis solely at the discretion of the Company. The Company reserves the right to change the fee structure/ periodicity of the audit of the branches/AHLC depending upon the business volume of the branch/ category of the branch.

### **III. Methodology for selection:**

1. For large branch only partnership firms with 15 years' experience in practice with 10 years of Company audit experience. The same shall be 10 years & 5 years for Medium branches and 5 years & 2 years for small branches/AHLC respectively.
2. Appointment/ allotment of branches/AHLC shall be based on the availability of branches/AHLC and number of audit firms in particular area. The company reserves the right to appoint any audit firm for internal audit.
3. Company shall communicate the provisional selection to such firms by way of email / letter and call for the hard copies of the application and letter of acceptance to be received by the company before the specified due dates. After receipt of this communication, the audit firm should send the hard copy of the application and copies of registration certificate issued by ICAI, proof of UCN registration issued by RBI etc., within the specified date.
4. After receipt of hard copy of the application and letter of acceptance from the firms (please refer to item no. IV), the company will empanel the audit firm for audit for the period from 01.04.2019 to 31.03.2020 subject to correctness of the information furnished in the application /annexure.
5. If the selected firm has not sent hard copies of the application and other details (as per item no. IV) and letter of acceptance duly signed by them within the due date, the provisional selection will stand automatically cancelled. No separate intimation in this regard will be communicated.
6. In respect of firms, which are not being selected, no communication will be sent by the company and no correspondence will be entertained.

### **IV Acceptance of Company 's offer:**

1. The audit firm which is provisionally selected for empanelment will be communicated through e-mail and the acceptance to company's offer is to be confirmed by the audit firm by way of return e-mail to **inspection@canfinhomes.com** followed by a hard copy of application along with the supporting documents shown below.
2. Self attested hard copies of the following shall be sent to us along with the acceptance letter.
  - a. Certificate of Registration with ICAI.
  - b. Copies of few letters received from Companies assigning the work of Internal Audit/ Statutory Audit / other audits to audit firm, as reported in the application.

- d. Letter of acceptance of Terms and Conditions in the prescribed format. (Format as per annexure -2).
- e. Any other report / enclosures/evidence which audit firm has mentioned in the application.

#### **V. Appointment:**

1. On receipt of the above documents, the company shall scrutinize the same and verify the correctness of application / annexure. Thereafter, the company shall communicate the appointment initially by way of e-mail followed by a hard copy of appointment letter.
2. The present offer of appointment is purely provisional and subject to the applicant taking up the audit assignment within the stipulated date.
3. Along with the copy of appointment letter a CD containing the gist of circulars/manuals will be sent to the audit firm:
4. The auditor / firm shall maintain in strict confidence, the information contained in the CD and shall not use or disclose to others. The auditor / firm shall also maintain the confidentiality of the information provided by the Company so as to prevent unauthorized copying, use, distribution, installation or transfer of possession of such information and shall not disclose to persons except to the limited extent of fulfilling the obligations stated herein. Further, the auditor / firm shall maintain the confidentiality of the information even after the termination of the agreement.

#### **VI. Termination / cancellation of Empanelment / Appointment:**

1. If the selected firm has not sent hard copies of the application and other documents duly signed by them within the stipulated time the offer will be cancelled by the company.
2. If any of the information / documents furnished by the auditor is found to be incorrect, the company's offer will automatically stand cancelled without entertaining any further correspondence.
3. In case the application is rejected for reasons mentioned in 1 & 2 above, the company shall identify a new auditor for the branch, at its discretion and you shall not claim any right for audit of said or any other branch.
4. The appointment for audit is purely contractual and for a specific period of 12 months and the same may be renewed on a yearly basis subject to satisfactory performance / eligibility of the particular branch for audit. The maximum period of contract shall be restricted to 3 years. However, the company reserves the right to terminate the contract at any point of time for whatsoever reasons as the company may deem fit. The fresh appointment on completion of 3 years for a particular firm/auditor shall be made only upon a break of two years on completion of the existing assignment.
5. After termination of the contract, the auditor / firm shall not use or keep any of the material information given by the company like CDs or make any representations to public or outsiders as continuing this agreement. The auditor / firm shall return



all materials belonging to the company after termination of this agreement, unless otherwise instructed in writing by the company.

**VII Methodology for conducting audit / reporting:**

1. The audit team should be led by the Chartered Accountant - Proprietorship /Partner of the audit firm with experienced assistants as the work may warrant.
2. The audit team shall visit the branch for **20 days per audit** and they should commence the audit before 5<sup>th</sup> of July/Oct/Jan & last week of March, out of which the Chartered Accountant/ Partner of the audit firm shall visit the branch **for 4 days**.
3. The audit personnel should not be changed so that continuity and consistency is maintained. The audit firm shall conduct appropriate due diligence before employing any personnel who will be entrusted with the work of conducting the internal audit of the Company. The audit firm is also responsible for any commission and omission of its employees which may cause and or likely to cause any loss / damage to the Company or its clients.
4. If there is any change in the constitution of the firm during the period of appointment it shall be informed to the Company immediately.
5. Before commencing the audit, the members of the Audit team should be properly introduced to the Branch In charge by proper introduction letter containing the specimen signatures and photo/s of the persons conducting the Audit duly attested by the Chartered Accountant – Proprietor / partner of the firm.
6. Auditor to be guided by Circulars, Manual of Instructions and other guidelines issued by the company from time to time (which are available in the branch) for conducting the audit of the branch. Company will provide soft copies of the important circulars, guidelines & ITIOs (Instructions to Inspecting Officers) to the E-Mail address of the concerned auditors, on a periodical interval. No hard copies will be provided to the auditors.
7. Auditors should do parameter checking of the software to ascertain that the interest rates and other parameters are in accordance with the latest Circulars and guidelines of the Company, to check any leakage of income to the Company.
8. The auditors shall also verify that various hardware/software are kept properly and proper access control is maintained during the branch operations.
9. Verification of securities mortgaged to the company to be conducted as per the guidelines issued by the company from time to time.
10. The audit team should adopt the following procedure in the matter of reporting their findings.
  - a) An Executive Summary should be prepared for each report covering the critical areas mentioned in the checklist/guidelines and the irregularities / shortcomings observed during the course of the audit. Auditors are however free to report any other deficiencies which they may come across during the course of audit.
  - b) Any transactions of serious nature which is unusual/not normal to the Company practice or usual course of business or any other un-healthy practices indulged

by the branch staff, persistent irregularities, shortage of securities observed during the physical verification, transactions of fraudulent nature, borrowal accounts giving early warning signals, other serious irregularities like disbursements without proper sanction/incomplete documentation/irregularities as per guidelines (refer manual of instructions in CD), income leakages in any account/branch as a whole on a monthly basis may however be reported immediately to the company directly . Any failure/ omission/ negligence on the part of the firm shall render the firm liable for action and termination of audit assignment.

- c) The serious irregularities, if any, noticed shall be covered exhaustively in the executive summary submitted to the company.
- d) The executive summary along with the annexure should be submitted by the auditor so as to reach the company by 22<sup>nd</sup> of the succeeding month.

### **VIII Methodology for review of the performance of the auditors:**

1. The system of audit has been introduced mainly with the following Objectives.
  - a) To keep all routine work of the branch under continuous check so as to supplement Company's efforts to ensure a robust internal control system at the branch in the critical and sensitive areas.
  - b) To ensure that violation, if any, in the procedures of the company are brought to the notice of the management immediately so that timely corrective and remedial steps are taken.
  - c) To pick up and report early warning signals in right time to alert the management.
  - d) To report serious irregularities/fraudulent activities noticed at the branch to management in right time.
  - e) To ensure the quality of credit portfolio with due focus on credit appraisal, sanction, monitoring, recovery aspects etc.,
2. The audit firm shall own professional responsibility for concealment of facts, not reporting serious irregularities or losses on account of non reporting/non detection of early warning signals/frauds.
3. The company will also evaluate the performance of the auditors at periodical intervals based on the following parameters:
  - i. Adherence to time norms for overall attendance (@ 20 days per Quarter, attendance by the Chartered Accountants. (@ 4 days per audit)
  - ii. Adequacy of the coverage of audit areas and reporting, as per norms
  - iii. Timely submission of Executive Summary Quarterly Report
  - iv. Timely reporting of serious irregularities/early warning signals.
  - v. Contribution to improvement in overall control by the branch.
  - vi. Failure to detect and report leakage of income as well as serious irregularities.
4. The auditor / firm shall indemnify the company against all actions, omissions, proceedings, claims, suits, damages and any other expenses for causes attributable to the auditor / firm including any loss suffered on account of any breach of the terms and conditions of the offer of the appointment.
5. If the performance is found wanting, then the services of the auditors shall be terminated with due intimation at the discretion of the company and such Audit

firms shall stand de-empanelled. This is without prejudice to referring the issues to the professional body and also claims damages for such unsatisfactory service, whatsoever by the firm or any of its employees.