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**Bank of Baroda, UK Operations, Invites Requests for Proposal (RFP) from Audit firms for Appointment as Statutory Auditors for the FY 2022-23.**

**Tender Floating date: 24 Nov 2021**

**Last Date of receipt of quotation: 17 Dec 2021**

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## **PREAMBLE**

Bank of Baroda (UK operations) is subject to Audit every year as per head office and home country regulations. The UK territory office appoints Statutory Auditor for the FY 2022-23 (accounting period 1<sup>st</sup> April to 31<sup>st</sup> March) to carry out the Audit exercise (Quarterly Limited review and Annual Audit) of one wholesale branch in UK.

The total assets of Bank of Baroda UK branch as of 31<sup>st</sup> March 2021 was £3.9bn. The branch is profitable. For the accounting period ending 31 October 21, the assets totaled £3.4bn. The entire Money-market operations, Investments, Syndicated Loans & Trade finance are concentrated at one branch in London.

Further, the bank has set up and operationalized another wholly owned retail subsidiary in UK i.e., Bank of Baroda (UK) Limited w.e.f. 17<sup>th</sup> December 2018 with 10 branches. Before 17<sup>th</sup> December 2018, 10 branches were part of Bank of Baroda and after operationalization, all the retail business along with the branches shifted to the subsidiary and now Bank of Baroda is left with only one branch with wholesale and syndication portfolio. The retail subsidiary is not covered under this audit.

The eligibility, scope and reporting requirements are detailed below

### **ELIGIBILITY OF AUDIT FIRMS:**

- The firms should have in depth knowledge of the Statutory and Regulatory guidelines of the Host country regulators as well as those of home country regulator, Reserve Bank of India.
- The audit firms who have completed -4- consecutive annual tenures as statutory auditors of the territory shall not be eligible for re-appointment for a 5th consecutive term.
- The firms should have sound reputation and there should be no adverse remark against the firm with the Institute of Chartered Accountants (or similar body in the territory) / Regulators/ Statutory authorities. A suitable undertaking/or certificate or declaration should be submitted by the Audit firms to this effect.
- The firm should not be engaged in Internal Audit of any of the branches / territory at the time of submitting the RFP.
- The firm should have sufficient number of Chartered Accountants, qualified assistants and support staff to ensure that the audit work is conducted smoothly and within the timelines stipulated by the Bank.
- The audit firms shall not enter into any sub-contract for conduct of the audit work.



- In case any statutory license / approval is required for conduct of bank audits in the territory, it shall be ensured that the audit firms have the necessary approvals and should produce if required.
- Proof for having done audit of Indian Banks, if any, in foreign territories (may be appointment letter of Bank with appropriate redactions or RBI sanction letter for appointment)
- Declaration/Undertaking/Confirmation letter by the applicant auditor/firm on their letter head for not having networking connection with SCA/SBA (Statutory Central Auditor/Statutory Branch Auditor) who is under cooling period for being appointed as SCA/SBA with Bank of Baroda. If found later, it will be treated as disqualification.
- Declaration/Undertaking by the firm/auditor that they should be approved auditor by local regulator, and they should not be in cooling period as per the local regulations for being appointed at Bank of Baroda as SBA.
- Audit Report/review report including internal financial control review/ report for host country should be as per the format given by the Central Statutory Auditors (Draft formats attached as annexures of this document) which will include the statements that the audit was performed as per guidelines stated in the Indian GAAP; Asset classification is done as per RBI norms on IRAC, etc.
- A report on operating effectiveness of internal financial controls has to be submitted by Statutory Branch Auditor as an annexure to the Independent Auditor Report, annually as per RBI guidelines.
- LFAR etc. will have to be furnished strictly as per the format prescribed by our Corporate Office/RBI and no deviation/deletion of any nature will be acceptable. The final format which may include additional requirement will be provided once it is received from home country regulator – RBI.
- Auditor will provide Group Auditor communication (SA600 and other acknowledgment statements) in prescribed format given by Central Statutory Auditor.
- Appointment of Statutory Auditors is subject to approval of both the home and host country regulators.

**We give below the requirements of audit under the Indian Law:-**



- 1) Section 30 of the Banking Regulation Act 1949 provides that the Balance Sheet and Profit and Loss Account shall be audited by a person duly qualified under any law for the time being in force to be an Auditor of companies.
- 2) The Auditor shall have the powers of, exercise the functions vested in, and discharge the duties imposed on auditors of companies by Section 227 of the Companies Act 1956.
- 3) In addition to the matters which are required to be reported under the aforesaid Companies Act 1956 the Auditor is required to state in his Report, in case of a Banking Company incorporated in India, the following:
  - a) whether or not the information and explanations required by him have been found to be satisfactory.
  - b) whether or not the transactions of the company which come to his notice have been within the powers of the company.
  - c) whether or not the returns received from branch offices of the company have been found adequate for the purposes of his audit.
  - d) whether the Profit & Loss Account shows a true balance (of profit or loss) for the period covered by such account.
  - e) any other matter which he considers should be brought to the notice of the shareholders of the company.
- 4) Section 227 of the Companies Act 1956 requires the auditor to inquire:-
  - a) whether loans and advances made by the company on the basis of security have been properly secured and whether the terms on which they have been made are not prejudicial to the interests of the company or its members.
  - b) whether transaction of the company which are represented merely by book entries are not prejudicial to the interests of the company.
  - c) where the company is not an investment company within the meaning of Section 372 of a banking company, whether so much of assets of the company as consist of shares, debentures and other securities have been sold at a price less than that at which they were purchased by the company.
  - d) whether loans and advances made by the company have been shown as deposits.



- e) whether personal expenses have been charged to revenue account.
  - f) where it is stated in the books and papers of the company that any shares have been allotted for cash , whether cash has actually been received in respect of such allotment, and if no cash has actually been so received, whether the position as stated in the accounts books and the balance sheet is correct, regular and not misleading
- 5) The said Section 227 also stipulated that the Auditor shall make a report on the accounts examined by him, and on every Balance Sheet and Profit & Loss Account, and on every other document annexed to the Balance Sheet or Profit & Loss Account and the report shall state whether, in his opinion and to the best of his information and according to the explanations given to him, the said accounts give the information required by this Act in the manner so required and give a true and fair view :-
- i) in the case of the balance sheet, of the state of the company's affairs as at the end of its financial year; and
  - ii) in the case of the Profit & Loss Account, of the profit of loss for its financial year.
- 6) The said Section 227 of the Companies Act 1956 also stipulates that the auditor's report shall also state:-
- a) whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purposes of his audit.
  - b) whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books, and proper returns adequate for the purposes of his audit have been received from branch not visited by him.
  - c) whether the report on the accounts of any branch office audited by another auditor has been forwarded to him as required under the Act and how he has dealt with the same in preparing the auditor's report.
  - d) whether the company's Balance Sheet and Profit & Loss Account dealt with by the report are in agreement with the books of account and returns.
- 7) Additionally, the requirements of the Reserve Bank of India in respect of revised Long Form Audit Report for which a point wise reply will be required to be given by the auditors is also enclosed for your perusal as **Annex-1**.



- 8) Audit should be completed within prescribed time fixed by the Bank.
- 9) Appointment of Statutory Auditors is subject to approval of both the home and host country regulators, if applicable.
- 10) The audit work will include internal financial control certification/audit of all prescribed statements/returns including those required for compliance under BASEL-II/ III as per Reserve Bank of India. It will also include taxation work.

Having given the above related provisions in the applicable laws concerning the audit, we request you to go through the above with a view to having audit of our UK territory done in future in accordance with the said provisions which should be a proper audit under Indian requirements culminating into a report without disclaimers as far as possible to enable us to meet the requirements of our Bank's Central Statutory Auditors.

Please note that if your quotations for the audit work are accepted by our higher authorities/Reserve Bank of India, your certificate should comply with the regulatory requirements/provisions of :-

- 1) Section 30 (3) of "Banking Regulation Act 1949" of India
- 2) "Banking Companies (Acquisition and Transfer of Undertakings) Act 1970" of India.
- 3) "Indian Companies Act 1956".

The above Indian requirements in respect of audit of our UK Branch are communicated to you to enable you to take a view while offering your services.

### **INDICATIVE WORKLOAD:**

The Statutory Auditors have to carry out Annual statutory Audit, Quarterly Review (June 2021, September 2021 & December 2021) and LFAR. The workload specified is as per requirements of host/ home regulators.

1. Quarterly Limited Review of the Bank as on June, September & December.
2. Annual Audit of the Branch/Territory.
3. Reporting to the Bank and Central Statutory Auditors.
4. Duly sign Audited returns and statements / annexures required by corporate office.
5. Completion of Long Form Audit Report (LFAR) – Annual.
6. Meeting and Discussions relating to Audit.

### **PROPOSALS**

**Last date for submission of proposal is 17 December 2021**



The quotations should be in two part (1) Technical Bid – containing the details of firm's experience and other documents and (2) Financial Bid – which will include only fees related to the audit work. Both should be in separate sealed covers.

The quotation (financial bid) should clearly indicate separately fees for Annual Audit as per Indian GAAP, annual audit including internal financial controls as per home country laws, Taxation work, LFAR, Limited Reviews (quarter-wise) others (to be specified like VAT etc.) and out of pocket expenses as required as per the guidelines from, local Regulatory Authority and Reserve Bank of India.

Please note that no additional fee/charges will be payable for submission of any report/information/certificates regarding the audit work required by our Central Statutory Auditors/our Central Office.

Besides along with your quotation following information may also be submitted in Technical Bid :-

- i) Your credentials
- ii) Past experience
- iii) Names of Banks/other financial institutions for whom you have been auditors.

**Please note that you are required to furnish audit certificates/review certificate/ LFAR etc. strictly as per the enclosed format and no deviation of any nature will be acceptable.**

Audit work is to be completed within the time frame fixed by the bank.

The Proposal/ Quotation should reach us on or before due date at the following address:

***The Deputy Chief Executive  
Bank of Baroda  
32, City Road  
EC1Y 2BD***

Copy of following documents are enclosed for your reference :

1. LFAR (Annex I)
2. Draft Group Limited Review Instructions/Communication (Annex-II)
3. Draft Branch Audit Report (Annex-III)
4. LFAR Annexures List (Annex – IV)

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