BoB’s move to change concurrent auditors stirs hornet’s nest

Bank of Baroda, the country’s second-largest public sector bank, has stirred up a hornet’s nest with its decision to not renew the contracts of an existing panel of concurrent auditors and instead issue a fresh tender with terms that practically disqualify all small- and medium-size Indian audit firms from applying.

The auditing profession in the country sees the terms as favouring the multinational audit firms such as KPMG, PriceWaterhouseCoopers, Deloitte and EY and as designed to keep out home-grown firms.

Concurrent audits are real-time examination of transactions to ensure accuracy, compliance and prevent frauds.

Bank of Baroda (BoB) wrote to its existing concurrent auditors on March 30 informing them of its decision to not renew their contracts for 2016-17 but it gave no reasons for the same. The bank followed it up with a Request for Proposal (RfP) for appointment of new concurrent auditors on March 31 and posted the same on its website.

New conditions

The RfP sets out several conditions for eligibility one of which is that the bidder should have minimum revenue of □150 crore from audit services in the financial year 2014-15.

This condition would disqualify small and medium-sized Indian audit firms as their revenues would be just a fraction of the eligibility limit set by the bank.

V Venkata Siva Kumar, a Chennai-based CA who was a concurrent auditor of BoB, said he has moved the Madras High Court seeking an ad interim injunction restraining BoB from going ahead with the tendering process.

The Public Interest Litigation petition, expected to come up for hearing on April 6, also prays for a direction to BoB to constitute a committee of experts in banking, finance and audit in consultation with the RBI, Ministry of Finance and The Institute of Chartered Accountants of India (ICAI) for studying the proposed tendering process and make suitable recommendations.

‘Arbitrary move’
Calling BoB’s move as “shocking, arbitrary, capricious and irrational” Kumar told *BusinessLine*: “BoB has dismantled the existing system without giving proper reasons.

Are there loopholes in the existing system?

If there are, how will the new system address them by merely raising the qualifying size of the audit firm to ₹150 crore revenues?”

Kumar alleged that the proposed tendering process would increase the cost of operations for BoB “exponentially” without corresponding benefit.

Also, by allowing the bidder to align with its network firms in India and also subcontract the work, BoB was bestowing “uncontrolled powers” on the multinational firms without any accountability.

Kumar said that BoB’s move is against the law settled by the apex court concerning awarding of government contracts through tenders and failed the tests of public interest and reasonableness prescribed by the Supreme Court.

He said the decision to terminate the existing panel violates Article 14 of the Constitution because no reasons were specified for the move.

BoB did not respond to an email sent to it seeking answers to why the contracts of the concurrent auditors were not renewed and what was the justification behind the ₹150-crore revenue limit set for prospective appointees.

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