



**KARNATAKA STATE
CHARTERED ACCOUNTANTS
ASSOCIATION (R)**



CA. Raghavendra T.N.

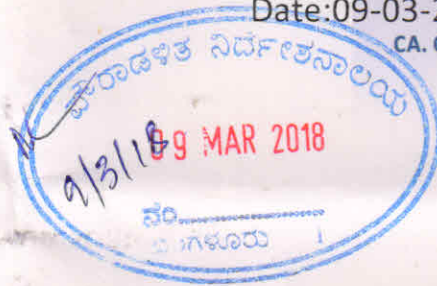
President

CA. Chandrashekara Shetty

Secretary

To,
The Director of Municipal Administration,
V.V.Towers, Dr Ambedkar Road,
BANGALORE.

Date:09-03-2018



Respected Sir,

Sub:- Empanelment of Chartered Accountants for the Audit of ULBs for the years 2017-18, 2018-19 & 2019-20 reg

Ref:- Your EOI hosted on e-procurement portal on 05-03-2018

On behalf of the Chartered Accountants empanelled for the ULB audit for the years 2014-15, 2015-16 & 2016-17 we wish to bring to your kind notice the following lacunas in the above referred EOI with respect to the eligibility criteria of the CAs for to be eligible for empanelment:

1. The earlier EOI had marks for Experience of the firm in Accounting & Auditing but in the new EOI there is no such criteria.
2. Marks were given to Chartered Accountants firms having Audited the Transactions of a specified amount in State, Central Govt and their undertakings and Local bodies in the earlier years, But no such criteria in the present EOI.
3. Chartered Accountant Firms having completed Statutory Audits of Corporate entities & Trusts were given some marks, but no such criteria in the present EOI.
4. Preference was given to Chartered Accountant firms having completed Accounting & Auditing in Double entry accounting system in ULBs in the last 5 years, which is necessary as the ULBs have shifted to Double entry system of accounting from the year 2006-07 onwards. But there is no such preference in the new EOI.

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5. The new EOI is giving preference only to the size of the firm. There are no marks for experience of the firm even with respect to the earlier audit experience of the ULBs for which the present audit is needed and called for. No marks for the consultancy and experience in the CA firms engaged and experienced in the implementation of the Double entry system of accounting.
6. As stated above maximum marks are allotted for the size of the firm as per the details given below:
- a) **30 Marks** for Full Time FCA Partners (5 Points each for first 5 Partners and then 2.5 points each from 6th partner onwards) : It means there should be Minimum 7 FCAs.
 - b) **20 Marks** For Full Time ACA Partners (3 Points each for first 5 Partners and then 1.5 points each from 6th partner onwards) : It means there should be Minimum 9 ACAs.
 - c) **15 Marks** For Long association with the same firms between 5 years to 25 years It means all the above number of 7 FCAs + 9 ACAs should have long association with the firm ranging from 5 to 25 years. Which is practically not possible.
 - d) **15 Marks** For Full Time CA Employees (1 Points each for first 15 CA employees) : It means there should be Minimum 15 CA Employees. Which is also practically not possible
 - e) **10 Marks** Up to 50 lakhs of turnover there is no point. Then progressively points are increased by one point for turnover up to 5.00 Crore. Which is also practically not possible. (The minimum turnover in the earlier EOI was 25 lakhs).

Out of the total 100 marks the above stated marks takes 90 marks which require 7 FCAs as Partners + 9 ACAs as Partners + 15 CA as Employees associated with the firm ranging from 5 to 25 years and further the firm should have turnover of Fees from 50 Lakhs to 5.00 crores.

The minimum scoring of marks required for eligibility is 70.

It seems practically impossible for normal working firm (Which are doing audits for so many years) to have so many number of Chartered Accountants with such a high turnover.

It appears not of Karnataka firms but the Nationwide firms of Mumbai, Delhi, Kolkata and internationally firms will only qualify in the requirement of EOI.

It is worth of mentioning here that the audit is to be done for TPs, TMCs and CMCs barring some countable City Corporations which are small in sizes and are situated in remote places where the facilities of even a good hotel is also not there. The requirement is basically of a single experienced Chartered Accountant who can handle the whole audit along with his assistants. Therefore, the importance of proprietorship firms having good experience is more here rather than big sizes of firms. The normal fees payable also are in the range of 60,000/- to Rs. 1,25,000/- which further includes all TA and DA expenses (Keeping in view of the size of the TPs, TMCs and CMCs.)

There is no requirement of knowledge of Kannada which is very much essential as many of file notings and correspondences are in Kannada.

7. Hence we request you to kindly look at the Comparison sheet enclosed of the terms & conditions of eligibility as per the old EOI & the new EOI and do justice to the CA Empanelment by following the old EOI norms with suitable changes if at all required keeping in mind the necessity of the

- CA firm having experience in Audit of Corporate entities
- State & Central Government Audits
- Particularly Urban Local Bodies Audit
- Assignment of Double entry accounting
- **Knowledge of Kannada**, which is very much essential for the successful completing of the ULB Audits where in many of file notings and correspondences are in Kannada.

Considering the above points we request you to kindly make the necessary changes in the EOI with respect to the eligibility criteria keeping the eligibility requirements as it was in Old EOI and an addendum be published or a new EOI be hosted on the procurement portal so that a reasonable number of CA Firms qualify to conduct the audit smoothly.

Thanking You,

Yours Faithfully


President

Karnataka State
Chartered Accountants
Association (R)