

**BID DOCUMENT**  
**EXPRESSION OF INTEREST FOR**  
**APPOINTMENT/ EMPANELMENT OF**  
**INTERNAL AUDITORS FOR THE FINANCIAL**  
**YEAR 2017-18**



**SJVN LIMITED**

**INTERNAL AUDIT DEPARTMENT**

**Regd. and Corporate Office: SHAKTI SADAN,  
Shanan, SHIMLA**

**HIMACHAL PRADESH - 171006**

**Fax & Phone No: 91-177- 2660241**

**Email: - [internalaudit.sjvn@gmail.com](mailto:internalaudit.sjvn@gmail.com)**

**Website: [www.sjvn.nic.in](http://www.sjvn.nic.in)**

**Corporate Identity Number (CIN): L40101HP1988GOI008409**

## **SJVN Limited**

### **Mini Ratna & Schedule 'A' Company**

#### **EXPRESSION OF INTEREST (EOI) FOR APPOINTMENT/ EMPANELMENT OF CHARTERED ACCOUNTANT / COST ACCOUNTANT FIRMS FOR CONDUCTING INTERNAL AUDIT FOR THE FINANCIAL YEAR 2017-18.**

SJVN Limited invites expression of interest for appointment/empanelment of Chartered Accountant / Cost Accountant Firms for Internal Audit of the functions and activities of the company. The scope of work along with detailed terms & conditions and estimated schedule of fee together with Annexure – I, II and III are available on the website [www.sjvn.nic.in](http://www.sjvn.nic.in) which can be downloaded. The selection of the auditor shall be based on overall suitability of the firm and its experience in the internal audit of Central/state Power sector PSUs. Preference will also be given to firm having its office near headquarter of SJVN.

Interested firms (having requisite experience in Internal Audit of Central/State Power Sector organisations / PSUs and having its office preferably in northern region) may send their application in prescribed format in envelopes super scribing “*Appointment / Empanelment of Chartered Accountant / Cost Accountant Firms for conducting Internal Audit for the F.Y 2017-18*” so as to reach in the office of AGM (Internal Audit), SJVN Ltd, Internal Audit Deptt. Corporate Office Complex, SHAKTI SADAN, Shanan, Shimla Shimla (HP)-171006 latest by **13-02-2017**. The offer should be submitted strictly as per terms and conditions laid down in the document.

**Important Note:** - For the purpose of this EOI ‘Firm’ means a Firm of Chartered Accountants / Cost Accountants and include Limited Liability Partnerships.

# **SJVN Limited**

## **Mini Ratna & Schedule 'A' Company**

### **Selection and Appointment of Internal Auditors**

#### **A) Introduction:**

SJVN Limited, a Mini Ratna & Schedule 'A' CPSU under the administrative control Ministry of Power, Govt. of India, is a joint venture between the Govt. of India & Govt. of Himachal Pradesh. The present equity shareholding of GoI, GoHP and Public are 64.46%, 25.51% and 10.03% respectively. SJVN Limited is presently operating country's largest 1500 MW Nathpa Jhakri Hydro Power Station (NJHPS) on river Satluj in Distt Kinnaur and Shimla in Himachal Pradesh. All the six units of 412 MW Rampur Hydro Power Station (RHPS) and 47.6 MW Khirvire Wind Power Project have started commercial generation during the year 2014-15. SJVN also signed a MoU with Druk Green Power Corporation, a PSE of Royal Govt. of Bhutan on 23<sup>rd</sup> April, 2014 for carrying out pre-construction activities for development of Kholongchhu Hydroelectric Power Project (600MW). The foundation stone of the Project was laid by Shri Narendra Modi, Hon'ble Prime Minister of India on 16th June 2014. SJVN also signed a Project Development agreement for implementation of 900 MW Arun-3 Hydro Electric Project with Government of Nepal at Kathmandu in the presence of Shri Narendra Modi, Hon'ble Prime Minister of India and Shri Shushil Kumar Koirala, Hon'ble Prime Minister of Nepal. An MOU has been signed with the Government of Arunchal Pradesh on August 13, 2014 for implementation of 80 MW Doimukh Hydro Electric Project.

SJVN also forayed into generation of thermal power. An MOU has been signed for setting up Green Field 1320 MW (2x660 MW) super critical technology thermal power project at Chausa village in Buxar district, Bihar in January, 2013. The Corporation is entrusted with the job of carrying out Survey & Investigation, Construction of other hydro-electric projects in the Satluj river basin in HP and in other states of India and abroad in Nepal/Bhutan also.

SJVN intends to empanel Chartered Accountant / Cost Accountant Firms to conduct internal audit of the functions and activities of the various projects/offices of company for the F.Y 2017-18 and onwards as required under section 138 (1) of the Companies Act, 2013. The applications are invited from the firms of Chartered Accountant / Cost Accountant preferably of Northern region, having requisite experience in Internal Audit of Power Sector organisations / PSUs, along with their latest resume for empanelment.

In exercise of the powers conferred under sub-sections (1) section 138 read with section 469 of the Companies Act, 2013, and in supersession of the Companies (Central Government's) General Rules and Forms, 1956 or any other rules prescribed under the Companies Act, 1956 (1 of 1956) on matters covered under these rules, the Ministry of Corporate Affairs, Govt. of India, New Delhi has issued notification for conducting Internal Audit of the function and activities of the company in respect of each of its financial year commencing on or after the 1<sup>st</sup> day of April, 2014 and Rule (13) (1) (a) of Companies (Accounts) Rules, 2014. Hence, SJVN Ltd desires to empanel the Internal Auditors for conducting Internal Audit of the functions and activities of SJVN Ltd.

## **B) Scope of Work:**

SJVN is looking for engagement of eligible Chartered Accountant / Cost Accountant firm preferably from Northern Region for carrying out the following job:-

- i. Internal audit is to be conducted for the year 2017-18 in respect of 1 operating unit i.e. Rampur Hydro Power Station (RHPS) Jhakri and 1 Office consisting of C&SO deptt Shimla and BD&MS Delhi in accordance with Rule (13) (1) (a) of Companies (Accounts) Rules, 2014 and as required by the Section 138 of the Companies Act, 2013 and in adherence to the relevant orders/clarifications as issued from time to time by Ministry of Corporate Affairs, Govt. Of India, and the Auditing Standards issued by the Institute of Chartered Accountants of India.
- ii. The Scope of work of Internal Auditors is attached at **Annexure – I**, which is indicative. The scope of work may increase/decrease depending upon the requirement of work.

## **C) Audit team:**

Auditors should deploy suitable teams for undertaking the audit, after a thorough perusal of requirements of appointment letter, terms and conditions contained therein and the Detailed Guidelines for Internal Audit, ensuring that the size of the audit team is commensurate with the size of auditee unit and the volume of work. The Head of Finance of the Unit will coordinate with the Audit team for smooth functioning of the audit.

It should be ensured that the audit team is headed every time by a Chartered Accountant / Cost Accountant (who may be a partner) and consist of adequate number of qualified/semi qualified audit assistants of the firm. For the technical audit, the firm having qualified Graduate Engineer on their roll should submit the bio-data of the Engineer along with their experience in the format given as **Annexure – II**.

## **D) Proposed Audit Fee:**

The schedule of fee will be as under:

- i. The schedule of fee for each project/office (a) With technical audit ( RHPS Jhakri): Rs. 2,00,000/- (b) Without technical audit ( BD&MS, Delhi along with Commercial Department, Shimla): Rs.1,50,000/-
- ii. 50% of audit fees will be payable on completion of the 1<sup>st</sup> phase Audit and submission of compliance report and the remaining 50% will be payable on completion on submission of Compliance Report for the full F.Y. 2017-18 (i.e after submission of the audit report for the 2nd phase), and shall be payable within 30 days on submission of the bills.
- iii. The travelling and out of pocket expenses will be paid subject to production of documentary evidence. The entitlement for the purpose of payment of TA/DA shall be as per SJVN rule which shall be indicated in detail in the appointment letter.
- iv. Service Tax shall be paid extra as applicable on furnishing copy of the registration certificate.
- v. Tax Deduction at Source (TDS) will be made as applicable.

### **E) Selection Criteria/Evaluation:-**

The selection of the Internal Auditor shall be as per qualitative criteria indicated in **Annexure - III** which is based on the overall suitability of the firm and its experience in the internal audit of Central / State Power sector PSUs. The firm securing maximum marks will be selected. Preference will be given to firm having its office near headquarter of SJVN Ltd.

### **F) Other Terms and Conditions:**

The appointment of Internal Auditors is subject to the following declarations:

- i. The Audit firm must not sub contract the -work. In case it is subsequently found at any stage of the appointment process / post appointment that outsourcing has been resorted to, the appointment will be liable for cancellation with immediate effect.
- ii. The designated team will work in strict confidence and will ensure that the information in respect of the operation of the area/ unit is dealt in strict confidence and secrecy. A certificate towards maintaining confidentiality to be provided by the Internal Auditor before commencement of audit.
- iii. No partner of the Auditors is related to C.M.D. / whole time Director or part time or Independent Director of the company within the meaning of Sub-Section (76) & (77) of Section 2 of the Companies Act,2013.
- iv. Neither the firm nor its partner or associates have any interest in the business of the company.
- v. The auditor will be required to issue certificate of Independence before commencement of audit.
- vi. The auditor / audit Firm must not be holding any assignment as Statutory Auditor or Cost Auditor of SJVN Ltd.
- vii. The partners holding certificate of Practice issued by the Institute of Chartered Accountant of India / Institute of Cost Accountants of India are in whole time practice.
- viii. The Internal auditor shall ensure that data given to the Auditor by company and any information generated from the data provided shall not be used by the Auditor for any other purpose.
- ix. The Auditor / Audit Firm will be debarred from getting the Internal Audit in future in SJVN Ltd. and its subsidiaries in the following cases:
  - a. If the firm obtains the appointment on the basis of false information/ false statement.
  - b. If the firm does not take up audit in terms of appointment letter.
  - c. If the firm does not submit the audit report, complete in all respect in terms of appointment letter.
  - d. Conditions as per provisions of Companies Act, 2013.
  - e. If the Firm violets any of the stipulations from (i) to (ix).
- x. ***Jurisdiction of courts:*** The law of land as promulgated / modified /amended or replaces from time to time shall govern this EOI.  
Any dispute arising out of or in respect of the contract will be subject to the jurisdiction of High Court of Shimla (H.P) Only.
- xi. ***Disclaimer:*** SJVN reserves the right to accept or reject any or all responses and to request additional submissions or clarifications from one or more Applicant(s) at any stage or to cancel the process entirely without assigning any reason.
- xii. Only one audit will be awarded to the firm at a time in SJVN.
- xiii. RHPS Jhakri- Audit firm having technically qualified member is only eligible.

## **GENERAL INSTRUCTION TO AUDIT FIRMS AND DOCUMENT LIST**

### **TO DO LIST**

#### **A. Instruction to Audit Firms**

1. Format for Application must be completely filled in. Incomplete applications will be rejected out-rightly.
2. Please ensure that date of registration of Registered Office / Branch Office(s), date of joining of partners/qualified/semi-qualified assistants into the firm should be invariably indicated in the application.
3. All EOI will be evaluated on the basis of the documents furnished along with application only. No further documents will be called during the scrutiny of EOIs. Any additional documents received, after last date & time of receiving of EOI as stipulated in the notice inviting EOIs, will not be entertained.
4. Since, all the applications will be evaluated strictly on the basis of Selection Criteria as per “*Annexure – III*”, please avoid attaching unsolicited information / documents to processing applications expeditiously.
5. All documents submitted should be signed by a partner with his name and under the seal of the firm.
6. Any application received after the stipulated date due to any reason whatsoever, will be rejected out-rightly.

#### **B. List of documents to be submitted along with the Applications / EOIs**

Interested audit firm are advised to go through contents of EOI documents carefully and submit all attested copies of the following documents in proper sequence along with the EOIs as described hereinafter:

- 1) Registration certificate of the firm issued by the Institute of Chartered Accountant of India / Institute of Cost Accountant of India. Information related to year of establishment of Head Office & Branch Office(s), addresses, details of partners and their membership nos. as indicated in the Certificate will be treated as conclusive and final information for evaluation of EOIs.
- 2) Membership certificate of the Partners / Qualified Assistants issued by the Institute of Chartered Accountants of India / Cost Accountant of India.
- 3) Certificate / Mark sheets issued by the ICAI/ICMAI in evidence of qualification of Semi-Qualified Assistants.
- 4) Copies of appointment orders for statutory audit / internal audit in SJVN and PSUs (Central/State) in evidence of experience.
- 5) The firm must submit a copy of audited balance sheet and P&L Account for the last three financial years i.e 2013-14, 2014-15 and 2015-16.
- 6) Copy of PAN Card.
- 7) Copy of Service Tax Registration.
- 8) A cancelled cheque of the Bank to which Fee payments will be made.
- 9) A copy of complete EOI documents duly signed and documents are to be signed by the partner/owner of the firm along with seal of the firm as a token of acceptance of all terms and conditions.

**Format of Application**

1.	Name of the Firm	
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2.	Registration No. of firm :- (Institute of Chartered Accountant of India/ Institute of Cost Accountant of India)		Respective page no of the document.
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3.	Date of Registration of the firm		Page No
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**4. Details of Head Office & Branch Office(s):-****Head Office:-**

Address	Date of Establishment	Contact No(s)/Fax	E-mail	Page No

**Branch Office 1 :-**

Address	Date of Establishment	Contact No(s)/Fax	E-mail	Page No

(Insert further Branch Office(s), if any)

**5. Details of Partners in the Firm/Limited Liability Partnership :-**

SI. No	Name of the Partner	Membership No.	Membership Status ACA/FCA/ACMA /FCMA	Date of joining of the firm as partner	Respective page no of the document.

**6. Details of Qualified Assistants :-**

SI. No	Name of the Qualified Assistants	Membership No.	Membership Status ACA/FCA/ACMA /FCMA	Date of joining of the firm as Qualified Assistant	Respective page no of the document.

**7. Details of Semi-Qualified Assistants :-**

SI. No	Name of the Semi-Qualified Assistant	Whether C.A/CMA Intermediate	Date of Joining the firm as Semi-	Page No

			Qualified Assistants	

8. Details of Technical Experts :-

SI. No	Name of the Expert	Engineering field in which qualified	Date of Joining the firm	Page No

9. Details of Experience in Power Sector :-

SI. No	Name of the Company/Unit	Year of Audit	Type of Audit – whether Statutory/Internal Audit	Page No

10. Details of Experience in PSUs other than Power Sector :-

SI. No	Name of the Company/Unit	Year of Audit	Type of Audit – whether Statutory/Internal Audit	Page No

11.	PAN No. of the firm :-		Page No
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12.	Service Tax Registration No :-		Page No
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13. Bank details for NEFT:-

i.	Bank Name	
ii.	Branch Name, Address & Pin Code	
iii.	Type of account (saving or current account)	
iv.	IFSC Code No.	

14. Whether Internal Audit of SJVN Ltd. has been conducted earlier. If yes, the financial years for which the Internal Audit has been conducted shall be given.

Declaration:-

I/We, \_\_\_\_\_ Partner/owner of the Firm \_\_\_\_\_, hereby declare that the above information furnished is true & correct to the best of my knowledge and I will abide by the Terms & Conditions set by the company for the Appointment / Empanelment as Internal Auditors

**Signature of Partner with**



**SELECTION CRITERIA (POINT ALLOCATION) FOR SELECTION OF**  
**INTERNAL AUDITORS WILL BE AS FOLLOWS**

<b>Sr. No</b>	<b>Particulars</b>	<b>Points to be allocated</b>	<b>Max. Points</b>
1	Year of Establishment of the Audit Firm / Limited Partnership Firms (Minimum 5 years)	1 (one) per year in the existence (fraction of the year to be ignored)	10 (Ten)
2	No. of Partners in the Firms / Limited Liability Partnership Firm who are associated with the firm for <b>not less than three years</b> as on date of application	a) 2 (two) for each Partner who is ACA/ACMA b) 3 (three) for each Partner who is FCA/FCMA	15 (Fifteen)
3	No. of Qualified Assistants (CA / CMA ) employed with the firm	2 (Two) per Qualified Assistant	10 (Ten)
4	No. of Semi-qualified Assistants (CA/CMA Intermediate employed with the firm).	1 (One) per Semi-qualified Assistant	5 (Five)
5	Turnover of the firm (Average annual turnover in the Last three years) At least Rs.10 Lakh	Rs. 10-12 Lakh = 5 Marks More than Rs.12-15 lakh=8 Marks More than Rs. 15lakh = 10 Marks	10 (Ten)
6	Experience of Internal / Statutory Audit assignment of Power Sector PSUs (Central/State)	5 (Five) Points per assignment per year (fraction to be ignored)	30 (Thirty)
7	Experience of Internal / Statutory Audit assignment of other than Power Sector PSUs in Central/State	2 (Two) Points per assignment per year (fraction to be ignored)	10 (Ten)
8	Place of Registered Office/Branch office of Chartered Accountant/Cost Accountant firm	HP/Chandigarh = 10 Points Delhi(NCR)/Punjab/Haryana/Uttra khand = 6 Points Any other states/UT = 3 Points	10 (Ten)
9		<b>Total Points</b>	<b>100</b>

**Minimum Eligibility Criteria:**

- i. The firms should have at least 10 years experience as Internal / Statutory Auditor with minimum 3 years experience in Power Sector PSUs.
- ii. The average annual turnover of the firm during the last three financial years must be at least Rs. 10 Lakh.
- iii. The firm must be registered under the Service Tax Authorities.

**Scope of Work for Internal Auditors of SJVN Ltd.**

Internal audit is an important tool of management to keep watch and exercise control over activities of the Company. With the specialized knowledge of professional firms of Chartered Accountants/Cost Accountant, SJVN endeavours to significantly improve not only finance & accounting related performance but also exercise management control over non-financial activities with the help of efficient Internal Audit mechanism.

Companies Act 2013, while giving statutory recognition to the Internal Audit and making it mandatory for certain class of companies vide Rule 13 of the Companies (Accounts) Rules 2014, recognizes the importance and usefulness of Internal Audit by providing that the report of the Board of Directors shall contain the details in respect of adequacy of internal financial control with reference to the Financial Statement (Sub-rules 4 & 5 of Rule 8 of Companies (Accounts) Rules 2014.

Accordingly, to strengthen the control over SJVN's financial and other activities management will rely extensively on the reports submitted by Internal Auditors and hence responsibilities of Internal Auditors are vast and it is expected that the Internal Auditors shall apply their expertise in bringing out the deviations and irregularities and support the concerned unit(s) in streamlining its/ their activities. SJVN management also desires to gather valuable suggestions from Internal Auditors to review modify and enhance professionalism and financial discipline in the Company.

The objective of internal audit is to review the accounting and internal control system as a service to the Company. The functions of Internal Audit inter-alia include examining, evaluating and reporting to the Management on the adequacy and effectiveness of components of the Accounting and Internal Control System. The scope of coverage shall include examination of the economic effectiveness of operations including non-financial control system in the organization.

Internal Audit Manual of the Corporation prescribes various aspects of audit. The areas and magnitude in respect of scope of audit has been defined in clause No. 3.0 – Scope and

Coverage. During the course of audit, the Management may add / delete / modify the scope of any of these areas of work.

Based upon SJVN's requirements and working following are the broad guidelines for Internal Auditors –

**(I) AS PRIME RESPONSIBILITIES OF THE INTERNAL AUDITOR**

- a) Should ensure that no transaction, agreement, act or commitment of the SJVN Offices / Project(s) is ultra virus to the laws prevailing and / or applicable for the period under audit.
- b) Should ensure that no transaction is booked in the books of accounts against mandatory accounting standards issued by the Institute of Chartered Accountants of India and / or as notified by Companies (Accounting Standards) Rules, 2015.
- c) Should ensure that no transaction is booked in the books of accounts of the SJVN Offices / Project(s) against Generally Accepted Accounting Principles (GAAP/Ind As), fundamental accounting assumptions and accounting concepts unless the GAAP/ Ind AS is / are superseded by Company's Accounting policies.
- d) Should ensure that while recognizing transactions SJVN's accounting policies are adhered to.
- e) Should ensure that the circulars, guidance and (accounting) instructions issued from time to time by SJVN Corporate Office to comply with the changes in laws, business requirements, smoothening of procedures and ease of accounting are being followed properly and correctly. It is also expected that internal auditor should check and ensure that treatment given to transactions is not ultra virus to the circulars, guidance and instructions so issued by Corporate Office.

**(II) MAJOR FOCUS AREAS**

- (a) To verify the awarding of contracts in respect of Civil, Electro Mechanical and Infra-structure Works including variation orders / amendments thereto and accounting for the expenditure there against. Major and important activities including pre and post award procedures of contracts are required to be audited in detail. The applicability / availment of 'Exemption of Excise & Customs Duty' facility by RHPS – being a World Bank aided project need to be examined. In addition, all the contracts above Rs. 5.00 crore either awarded or executed during the year are to be reviewed and analysis of the same is to be submitted along with the Report. The applicability of "Service Tax" to the Works Contracts awarded needs to be examined.

Some of the major and infra work contracts have been completed but due to certain formalities, the same could not be closed due to which security deposits, retention money and liabilities are to be settled / cleared. Audit report should include a para on the same mentioning the latest status and the reasons / issues due to which the closure of contracts is pending.

- (b) World Bank loan had been availed to meet the expenditure of major components of RHPS like Civil Works, Electro-Mechanical Works and Consultancy services. The audit report should specify the expenditure incurred on these components eligible for loan drawal from World Bank. The report should also specify the total expenditure incurred, claimed from World Bank and the variance between the advance drawn and the actual expenditure, if any, with reasons thereof. This should be reconciled with the reports submitted to WB for drawal of loan.
- (c) The audit should cover the generation detail of electricity, it's reporting to Regulatory Authorities as well as Commercial Deptt of the Corporation for raising the bills. It should also look into major differences, if any, between the figures reported and bills raised / sales booked.
- (d) Audit should verify timely rising of bills, their realisation, allowing rebate / discount, charging of Late Payment Surcharge in terms of CERC guidelines, correct appropriation of amounts received from the beneficiaries towards rebatable dues and non-rebatable dues.
- (e) Review the proper and correct maintenance of Sundry Debtor's Ledger for bills raised, amounts realised and the balances outstanding.
- (f) To verify realisation of sales invoices from the beneficiary states through Escrow account, raising necessary advises for such realisations to the concerned offices / units, payments released on behalf of the projects / units under e-payment system (RTGS etc.) and timely raising of necessary advises, any expenditure either capital or revenue against new & upcoming projects and proper accountal thereof by Delhi office.
- (g) To check the investment of surplus funds as per the guidelines issued by Govt. of India from time to time and raising short term loans depending on exigencies and their repayments.
- (h) To monitor and report on implementation of the Internal Audit Manual and Finance Manuals.

- (i) To review the formulation of budgets both capital as well as revenue, approval, source of funding vis-à-vis the amount spent there-against and the accounting & reporting thereof. The report should point out any major deviations requiring re-appropriation / re-allocation of funds provided in these budgets. The report should also contain the Budget Provisions vis-à-vis the actual achieved and the reasons for variance.
- (j) The audit report should also make a reference regarding the prevailing information reporting systems and suggestions for their improvement.
- (k) The audit team should include at least one technically knowledgeable person in power industry and one member should also be a Senior Auditor / Audit Manager for conducting technical audit. The technical audit should cover the monitoring of progress of work as per contract agreements, critical path, if any, and views of the auditors on the same.

Apart from the above, audit should also cover all the other activities like Finance, Power House & Dam Maintenance, P&A (including Workshop & Transport Deptt.), Stores, Legal, R&R, Corporate Planning and Consultancy Services Deptts. etc.

Although, the areas and magnitude in respect of scope of audit as defined in Internal Audit Manual and above mentioned broad scope of work cover the entire work requirement from the auditors, some of other areas are elaborated and detailed as under :-

1. Statutory compliances and Internal Controls:

To ensure compliance of Companies Act, 1956 & 2013 with particular reference to the accounting functions and the Accounting Standards & Guidance Notes issued by the Institute of Chartered Accountants of India from time to time and also other statutory provisions applicable to the company. To assist and advice the company in formulation / revision of accounting policies and in establishing proper accounting practices and procedures as per the changing needs.

2. Works Accounting :

- (i) To verify and scrutinize payments to contractors with reference to respective contracts and adjustment thereof while accounting for the work done by them and ensure that deductions in respect of Mobilisation Advance etc. and statutory deductions are correctly made from their bills.

- (ii) The internal auditor should check that adjustments for returns, shortages, damages and unserviceable stores and materials at sites are properly made.
- (iii) The internal auditors should check that various Statutory Tax Returns should be timely filed with the Tax Authorities and also verify the facts and figures given in the Tax Returns.
- (iv) Review of terms and conditions of tender documents and agreements, verification of Bank guarantees and specific emphasis to be given on final payments.
- (v) Review of system for issue of Project Authority Certificates (PAC) and reimbursement of the customs / excise duty due to change in subsequent legislation so that loophole in the system for issue of certificates can be curtailed.
- (vi) To plug loopholes, which might have crept in the system due to passage of time and complacency on the part of persons particularly engaged in financial concurrences, release of payments, updating accounting records, authorisations as per DoP etc.

3. Capital work-in-progress and capitalisation:

- (a) Work-in-progress should be verified by the internal auditors with reference to field records such as Interim Payment Certificates and certification of progress issued by the EIC. Quantum of work-in-progress recorded should be compared with work orders / contracts and subsequent approvals for variations, to ensure that payments are duly authorized.
- (b) To verify capitalization of assets and accounting of capital expenditure (including expenditure incidental to the construction) and its further distribution on the specific assets as per Accounting Policy of the company for capitalization.

4. Fixed Assets :

To verify that proper records of assets of the company are maintained as per requirements of Companies (Auditors' Report) Order, 2015, issued by the Ministry of Corporate Affairs in terms of sub-section (11) of Section 143 of the Companies Act, 2013.

Review the system regarding accounting, custodianship and safeguarding of monetary and non-monetary assets of the enterprise and to see that the assets of the company are reasonably and adequately protected against loss. Also check that the transfer / sale of

each asset is immediately and properly accounted for. Also check the applicable depreciation rates and calculation of depreciation

5. Scrutiny of Bank Transactions and Reconciliation:

(a) Scrutiny of Bank Transactions

To verify that cash (wherever applicable) & bank transactions are recorded properly and surplus funds, if any, shall be kept in short terms / flexi deposits with the banks as per Investment Guidelines. Entries in the deposit statement should tally with the term deposit certificates. Also to verify that interest on deposits and TDS thereon has been correctly calculated and accounted for in the books of the Company. Also review the stale cheques, if any.

(b) Bank Reconciliation:

Verify the Bank Reconciliation Statements of various Bank Accounts and report for old / unadjusted items requiring special attention.

6. Vouching :

To verify all accounting transactions so as to ensure interalia that bookings have been made to the appropriate heads of accounts.

7. Ledger Scrutiny :

Scrutiny of trial balance, groupings, General Ledger, subsidiary records, review of sundry debtors, creditors and loans and advances outstanding for more than one year and ensure that CWIP of the project is accounted correctly.

8. Store transactions and valuation thereof:

To verify the vouchers pertaining to stores receipts, issues and the valuation thereof. The coverage shall include purchases of stores and scrap disposal on test basis. The internal auditor while verifying these transactions shall evaluate internal control procedures operative within the enterprise for efficient materials management.

9. Verification of secured / unsecured advances and securities given / received on behalf of the company:

- (i) Documents / agreements relating to secured & unsecured advances to parties / Govt. Bodies shall be verified on test basis.

(ii) The scope includes verifications of securities deposited by the company with different authorities / parties. The internal auditor shall check and examine the purpose and the duration of such deposits and whether the deposit certificates are in safe custody for presentation at the time of claiming refund. Security deposit received from the parties shall also be verified to ensure that the company beyond prescribed period does not retain these.

10. Income Recognition:

To verify that income recognition is being made in conformity to Accounting Policy / procedure and the transactions are recorded accordingly.

11. Strengthening of Internal Control System:

To identify weaknesses in controls which can lead to frauds and report the same to the Management for timely corrective actions.

12. Other matters :

To examine that :

- (i) The authorities at every level are being strictly adhered to as per DoP.
- (ii) The expenditure are sanctioned and booked as per the authorisation.
- (iii) All important documents including term deposit receipts, tax returns, bank guarantees, cheque books etc. are kept under safe custody,
- (iv) There is a proper mechanism that the bank guarantees are extended well before the expiry dates.

13. Keeping in view the above requirements, internal auditors are also required to contribute for following activities:

- Helping in rectification of errors and omissions observed in the course of audit.
- Guiding in location of difference in Bank Reconciliation and proper control over banking transactions.
- Review and guidance in the finalization of accounts.
- Online scrutiny of TDS deductions from payments made to contractors / suppliers and consultants.
- Advising on statutory requirements of the Companies Act, Accounting Standards and other various taxation laws.
- To report any other matters coming to notice during verification in order to strengthen internal control system and for improving MIS.



- Review of liabilities and provisions.
- Proper accounting of expenditure and incomes accruing to the enterprise and adherence to matching principle.
- Review the system for intangible assets assessment and impairment of assets.
- Review the adequacy of the insurance cover for the various risks involved.
- To verify that all moneys received are accounted for.

14. (a) Insurance and other claims lodged by the company:

Internal auditor while verifying insurance and other claims of the company should see that losses to the company giving rise to claims are properly lodged and proper follow up action is taken for realization of overdue claims and the claims are properly accounted for after settlement.

(b) Claims lodged against the company:

Internal auditor while verifying claims lodged against the company should ascertain that the passed claims are with the approval of Competent Authority and are properly accounted for after settlement.

15. Employee payments:

To verify that accounting for salary and benefits admissible to employees and directors are being done properly and all subsidiary records for loans / advances and other deductions related to employees are reconciled properly. Requirements of Ind AS-19 should be complied with.

16. Consultancy Services: Review the terms and conditions of all consultancy contracts and report the debtors' position in case the same are overdue.

**17. Nomination / Single Tender :-**

**(I) To examine at least 10% audit of those contracts which are awarded on “Nomination / Single Tender” basis and submit a separate report for the perusal of Audit Committee / Board as per CVC guidelines.**

**(II) Works & contracts awarded on nominations / single tender basis to local parties around project areas should be invariably audited for the perusal of Audit Committee / Board.**

### **(III) AUDIT PROGRAMME**

Internal Audit shall be conducted in 2 phase (Phase – I covering April to September and Phase – II covering October to March). The commencement of Phase – I audit will be on/ around 25<sup>th</sup> September and Phase – II will be on/around 15<sup>th</sup> March and the report of for Phase – I & II are to be submitted by 30<sup>th</sup> November and 25<sup>th</sup> April respectively.

They shall plan and conduct their audit for the whole year in such a manner that company's target in regard to annual balance sheet is successfully achieved. They will submit their plans in advance to enable the Management to take appropriate steps for finalization of various tasks as per pre-decided matching schedule.

On completion of the Audit of respective Audit unit of each phase, the following steps should be followed before finalization of the report and the partner of the firm should meet and discuss the audit observations.

- a) **The salient audit observations of the respective preliminary audit shall be discussed with the Head of Finance (HoF) along with the Head of Project (HoP),** so that corrective action may be taken.
- b) Based on the outcome of discussion and after giving due consideration to the explanations offered the final audit report shall include conclusions and recommendations of HoP / in-charge of the office.
- c) The report should also contain the specific suggestion for improvements, if any.

### **(IV) INITIATIVES**

- 1) Suggestion for improvement in accounting, following of rules, dealing with taxation matters, awareness about accounting standards, laws prevailing and amendments being introduced by governments.
- 2) Suggestion for better accounting practices and business policies based on auditor's experience with practicality of uniform applicability in a pan India environment.
- 3) Suggestion for betterment of process, capturing of information and improving MIS.
- 4) Suggestion for improvement in internal control systems for financial and non financial activities.

## **(V) AUDIT REPORT**

The Audit Report should be concise, to the point and should be professionally written covering all important aspect. Above guidelines are indicative and not exhaustive. Wherever internal auditor incorporate issues in the report he should clearly report in such a way that shall meaningfully be used by SJVN.

Further, internal auditor is expected to have good working knowledge of “*Standard on Internal Audit*” (SIA) issued by ICAI from time to time and should invariably apply such standard while conducting internal audit and concluding his comments.

The firms shall be required to maintain highest standard of professional competence and ethics. A thorough professional approach towards work, concisely written Audit Report with concrete suggestions, clear and unambiguous approach towards issues of concern and practical solutions to the issues is highly desirable.

The **Management / Executive Summary** should be integral part of audit report and auditor is expected to prepare the same.