

**NATIONAL FERTILIZERS LIMITED  
(A Government of India Enterprise)**

**CORPORATE OFFICE  
A-11, Sector-24,  
NOIDA-201301  
(U.P.)**

**REGISTERED OFFICE  
SCOPE Complex, Core-III,  
7, Institutional Area,  
Lodhi Road,  
New Delhi-110003**

**TENDER NO: -A/NFL/INTERNAL AUDIT /2015-16/03**

**Tender Document for**

**Pre-qualification and Appointment as Internal Auditors of NFL's Corporate Office,  
Central Marketing Office, Manufacturing Units located at Nangal, Panipat, Bhatinda,  
Vijaipur and Marketing Zonal Offices located at Chandigarh, Bhopal & Lucknow.**

**Last Date & Time of Receipt of Tender**

**At Venue:**

**Corporate Offices,**

**A-11, Sector-24, Noida-201301**

**28.08.2015 AT 2:30 PM**

**Date and Time of opening of Technical Bid Documents**

**28.08.2015 at 3:00 PM**

**Phone: 0120 – 2412294**

**Fax No. 0120 – 2412445**

**Website: [www.nationalfertilizers.com](http://www.nationalfertilizers.com)**

## NOTICE INVITING BID

**NFL Profile:** National Fertilizers Limited was incorporated on 23<sup>rd</sup> August 1974. The Company has a rated capacity of 35.68 lakh MT of urea. The Company is having four production units located at Nangal, Bhatinda, Panipat and Vijaipur and three Zonal Marketing offices at Chandigarh, Lucknow and Bhopal. Company has its Registered Office at Scope Complex, Lodhi Road, New Delhi and Corporate & Central Marketing Office at Noida. The Books of Accounts of manufacturing units are consolidated at corporate office & accounting of sale is consolidated at Central Marketing Office and transferred to manufacturing units. During the year 2014-15 the Company produced 36.39 lakh MT of urea and recorded an annual Gross sales turnover of Rs. 8553 crores as follows:

Units/ Offices	Production Capacity (LMT)	Turnover For Urea (Rs./crores)	No. of Employees
Nangal	4.785	1618 (Urea) 102 (Ind. Products)	1221
Bhatinda	5.115	1315	631
Panipat	5.115	1676	609
Vijaipur I & II	20.661	3929	752
CO/CMO		15	182
Zonal Offices			326
<b>Total</b>		<b>8553</b>	<b>3721</b>

1. Sealed bids are invited by National Fertilizers Limited from Firms of Chartered Accountants/ Cost Accountants for Pre-qualification and Appointment as Internal Auditors for Financial Year 2015-16 at following locations:

1.1 Corporate Office & Central Marketing Office- located at Sector-24, Noida and Zonal Office Bhopal.

1.2 Zonal Offices Chandigarh and Lucknow.

1.3 Manufacturing Units located at Nangal/ Bhatinda/ Panipat/ Vijaipur.

Pre- qualified parties would remain on Panel for a period of three years.

### 2. Eligibility Criteria for pre-qualification:

Minimum Eligibility Criteria for pre-qualification of Chartered Accountant /Cost Accountant Firms as Internal Auditors is given below:

- The firm should be in practice for the past fifteen years as on 31.03.2015. (supported by Date of Incorporation certificate issued by Institute of Chartered Accountants of India/ Institute of Cost Accountants of India)
- The firm should have at least 2 full time partners as on 31.03.2015 (supported by copy of Constitution certificate of the firm issued by Institute of Chartered Accountants of India/ Institute of Cost Accountants of India).
- The Firm should have at least 3 full time qualified Chartered Accountants or Cost Accountants (inclusive of 2 full time partners as mentioned at "b" above) and 10 article assistants/ Audit staff.
- The firm should have experience in conducting Statutory Audit or Internal Audit for 20 companies (Registered under Companies Act) up to 31.03.2015.
- Out of the 20 companies, firm should have experience of at least one Urea manufacturing Company/organization/co-operative in any one financial year. Work order placed by Urea manufacturing company on your firm's name to be enclosed.

- f) The firm is required to enclose a copy of Firm's PAN Card.
- g) The firm is required to enclose a copy of its valid Service Tax Registration certificate (ST-2).
- h) The name of the senior partner who shall issue the Internal Audit Report should be mentioned.
3. Requirements for Bid to be considered valid, Bid Evaluation Process, Arbitration, Jurisdiction and other related clauses that are material to the process of award of Assignment and its execution are mentioned in **Annexure-A**. Declaration Sheet with regard to Acceptance of Terms and Conditions of Bid and other related clauses are enclosed at **Annexure-B**. Tenderer would be required to keep the following **under Sealed Cover 1**:
- Documents in support of Technical Bid mentioned at **a) to j)** stated above at Para 2 duly signed with seal.
  - Annexure **B & B-1 Declaration sheet** duly signed with seal.
  - **Annexure E** - Application form for Internal Audit Assignment **along with Annexures E1 to E5** (Duly signed with Seal).
  - **Annexure F**- Undertaking
  - **Annexure G**- List of Documents attached.

Financial Bid as per **Annexure- C** (to be kept **under Sealed Cover-2**), would be opened only for the pre-qualified bidders. In Financial Bid, lump sum fee that is inclusive of Travelling, Boarding, Lodging, Transportation and all other expenses but excluding Service Tax for conducting the assignments are to be quoted. Guest house facilities would be provided at manufacturing units on chargeable basis.

4. Detailed scope of work, extent and periodicity of checking for each area of audit, Reporting Format etc. are mentioned in **Annexure-D** enclosed. It may please be noted that the scope as given in enclosure is only inclusive and not exhaustive. The firm may be asked to look into any other activity as may come to the notice during the course of audit and/or render any advice/opinion in the area of audit. Reports of Corporate Office/Central Marketing Office/ Manufacturing Units and Zonal Offices are required to be submitted separately.
5. **Time schedule:** The Internal Audit has to be conducted as per Audit Programme of NFL (**Placed at Annexure D**) in the following 3 phases:
- |           |                       |
|-----------|-----------------------|
| Phase I   | April to August       |
| Phase II  | September to November |
| Phase III | December to March     |

The Audit Reports are required to be submitted as per schedule.

<b>Time Schedule for submission of Phase Audit Reports and Replies of Corporate Office/Central Marketing Office/ Zonal Offices/ Manufacturing Units</b>			
Period of Audit	Draft Audit Report by Auditors	Reply by the offices	Final Report to be Submitted by auditors
Apr. to Aug. 2015	21-09-2015	30-09-2015	09-10-2015
Sept. to Nov. 2015	21-12-2015	31-12-2015	11-01-2016
Dec. '15 to March 2016	20-04-2016	27-04-2016	02-05-2016

In addition to above, the audit Report will be finalized & Issued by a senior partner of the firm.

6. The selected firms would have to deploy following minimum staff/ Days for conducting Internal Audit :

<b>Deployment of Minimum Staff &amp; Period of Working Days , for conducting Internal Audit</b>			
<b>S. No.</b>	<b>Units/ Offices</b>	<b>Minimum number of staff to be deployed</b>	<b>Minimum number of working days</b>
1.	Corporate Office, Noida	i) One Chartered/Cost Accountant	Minimum 7 working days in each phase (as per schedule, mentioned at Para 5- for each office).
	Central Marketing Office, Noida	ii) Two semi-qualified persons/article assistants.	
2.	Manufacturing Units		Minimum 7 working days in each Phase (as per schedule, mentioned at Para 5).
i)	Nangal	i) One Chartered/Cost Accountant	
ii)	Bhatinda	ii) Four semi qualified persons/ article assistants. ( For each Unit)	
iii)	Panipat		
iv)	Vijaipur		
3	Zonal Marketing Offices		Minimum 05 working days in each Phase (as per schedule, mentioned at Para 5).
i)	Chandigarh	i) One Chartered/Cost Accountant	
ii)	Lucknow	ii) Two semi qualified persons/ articulated assistants. ( For each Zone)	
iii)	Bhopal		

7. **Payment Terms:** The payment of audit fee would be made in terms of percentage specified below on submission of final audit report and Invoice, phase- wise (as mentioned at Para 5). The payment will be verified and released by F&A Department of concerned Office/Units/Zone, subject to deduction of Income –Tax at source as applicable.

**Statutory Taxes etc.:** All the other taxes or other statutory levies etc shall be paid extra.

The payment would be released on Phase basis (for all the offices/units/Zones), as under:

<b>S. No.</b>	<b>Phase/ Period</b>	<b>%age of Total Fee Payable</b>
1.	1st Phase. (April to Aug 2015)	45 %
2.	2nd Phase (Sept. to Nov. 2015)	25%
3.	3 <sup>rd</sup> Phase (Dec.'15 to March 2016)	30%

8. **Period of Contract:** The period of contract will be from date of acceptance of work order till 31.05.2016. Date can be further extended at the sole discretion of management.

**The Applicant firms are required to quote fee for all locations (Units/ Offices); however assignment shall be awarded to the lowest (L-1) bidder for one location only.**

**Tender Ref. No. : A/NFL/INTERNAL AUDIT /2015-16/03**

**Last Date and Time for receipt of offer: 28.08.2015 up to 2:30 PM**

**Date and Time of opening of Bid Documents :28.08.2015 at 3:00 PM**

The tender documents (non- transferable) can be had from the office of Dy. General Manager (IA), Corporate Office, National Fertilizers Limited, A-11, sector 24, Noida, (U.P.).The tender documents are also available at NFL website- [www.nationalfertilizers.com](http://www.nationalfertilizers.com) and can be downloaded from the site.

Every page & supporting document forming part of the tender need be signed/seal and submitted.

In case you require any other information, please feel free to contact the undersigned on any working day.

The bid documents complete in all respects duly signed with seal, by authorized person, shall be submitted by the bidder in two sealed separate envelopes as at (a) & (b) below. These two sealed envelopes should be kept under another sealed envelope and must be sent /delivered clearly super scribing **"Application for Pre-qualification and Appointment of Internal Auditors"** and Tender No. **"A/NFL/INTERNAL AUDIT/2015-16/03"**

- (a) **Cover-1, "Bid documents along with related Annexure for Pre-qualification and Appointment for Internal Audit for the year 2015-16"**
- (b) **Cover-2, "Financial Bid for Internal Audit 2015-16 "**

On or before **28.08.2015 till 2.30 PM** by hand/regd. Post/speed post at the following address:

**Dy. General Manager (Internal Audit)**  
**National Fertilizers Limited**  
**Corporate Office, A-11, Sector 24,**  
**NOIDA-201301.**  
Email: [Nagraj@nfl.co.in](mailto:Nagraj@nfl.co.in)

For further details log on to [www.nationalfertilizers.com](http://www.nationalfertilizers.com) , [www.eprocure.gov.in](http://www.eprocure.gov.in)

The bids should be valid up to 31<sup>st</sup> October, 2015.

**(A Nagraj)**  
**DGM (IA)**

Encl:

1. General Terms & Conditions (**Annexure-A**)
2. Declaration Sheet (**Annexure-B**)
3. Financial Bid Format (**Annexure-C**)
4. List of Annexure to Internal Audit of Corporate Office & Central Marketing Office Marketing Zones(**Annexure-D**)
5. Application form for Internal Audit Assignment (**Annexure E along with its proforma under Annexure E1 to E7**)
6. Undertaking sheet (**Annexure F**)
7. List of documents (**Annexure G**)
8. Scope to Internal Audit of Corporate Office & Central Marketing Office Marketing Zones and manufacturing Units(**Annexure-1.1a to 1.4e**)

**GENERAL TERMS AND CONDITIONS**

**1 Requirements for Bid to be considered Valid.**

- 1.1 In Financial Bid, lump sum fee that is inclusive of Travelling, Boarding, Lodging, Transportation and all other expenses but excluding Service Tax for conducting the assignments are to be quoted. Guest house facilities would be provided at manufacturing units on chargeable basis.
- 1.2. It shall be certified by the tenderer that none of the NFL employees is related to Owner/Directors. (In case any relative is working in NFL furnish details separately). It shall also be certified by the tenderer that none of NFL Ex employee is employed with them. (In case an ex-employee of NFL is employed, furnish details separately). It shall be certified that none of the NFL employees is related to Partners of the Firm, none of NFL Ex employee is employed with the Firm and no sister concern/ Common Partner is bidding separately in this tender in the name of Other Firm
- 1.3. Incomplete offers would be summarily rejected.
- 1.4.No extension of time shall be permitted for the collection of Tender Documents and/or Tender opening date.
- 1.5.No cutting or overwriting would be allowed in Financial Bid. In such cases, bid would not be considered.
- 1.6.While submitting the bid, tenderers are requested to ensure that bids are in compliance with the regulations applicable under various statutes. Any fine, penalty or expenses due to breach arising thereon will be borne by the tenderer; NFL will bear no financial implication on this account.
- 1.7. NFL takes no responsibility for delays, loss or non-receipt of tender documents or any letters sent by post/courier either way and also reserve the right to reject any offer in part or full without assigning any reasons thereof.
- 1.8. NFL shall always be at liberty to reject or accept any offer or offers or part thereof at its sole discretion. The submission of offer shall have no cause of action or claim against NFL for rejection of offer. The firm, whose offer is not accepted shall not be entitled to claim any costs, charges and expenses incidental to or incurred in connection with submission of offer or its consideration by NFL, even though NFL may opt to modify/withdraw the Invitation to Tender or does not accept the offer or cancel the tender as a whole.
- 1.9. No Firm engaged for Internal Audit work will be allowed to sub-contract the job awarded to it.

## 2. Bid Evaluation Process

2.1 Bids shall be evaluated unit/office wise in the order of Ranking allotted to each unit/office as mentioned below:

<u>Location-(Unit/Office)</u>	<u>Ranking</u>
i) Vijaipur	1
ii) Corporate Office & Central Marketing Office-- Sector-24, Noida. & Zonal office Bhopal	2
iii) Panipat	3
iv) Bhatinda	4
v) Nangal	5
vi) Zonal Offices Chandigarh & Lucknow.	6

Bidders shall quote for all locations (Units/Offices); however, **assignment shall be awarded to the lowest (L-1) bidder for one location only**. In case a bidder happens to be lowest (L-1) in more than one location, evaluation criteria shall be:

1. The contract shall be awarded to L-1 bidder for the location as per ranking given above.
2. L-2 bidder of other location(s) shall be asked to match location wise L-1 rates received by NFL & in the event of acceptance by L-2 bidder, the contract for that particular location shall be awarded.
3. In case respective L-2 bidder does not accept respective L-1 rates of location(s), bidders having status of L-3, L-4 and so on shall be asked to match L-1 price.

2.2 The bids should be unconditional. Conditional bids would be summarily rejected.

2.3 NFL retains the right to negotiate with all or any of the bidders.

2.4 Evaluation of bids shall be done on the basis of rates quoted in the financial bid separately.

2.5 Financial Bids shall be opened only after pre-qualification of Firms is finalized. The day for opening of Financial Bids shall be intimated separately to the pre-qualified parties.

2.6 If some discrepancies are found between the rates given in words & figures the rate as quoted in words shall be adopted.

2.7 Should there be a tie in the quotations received from different bidders; preference would be given to the Firm that was incorporated earliest among the bidders.

2.8 The acceptance of tender will rest with NFL and reserves itself full right to reject any or all tenders, without assigning any reason whatsoever.

2.9 The tenderer are not entitled to any compensation for the expenses incurred in connection with the preparation and submission of tenders.

2.10 Currencies for bid and payment shall be in Indian Rupees only.

### **3. Action against the Tenderer/ Successful bidder**

Failure to act according to tender conditions, non-fulfillment of any or whole of the contract may entail de-listing of the firm in addition to taking other appropriate action against the Firm.

### **4. Arbitration:**

Except where otherwise provided in the contract, all matters, questions, disputes or difference whatsoever, which shall at any time arise between the parties hereto, touching the construction, meaning, operation or effect of the contract, or out of the matters relating to the contract or breach thereof, or the respective rights or liabilities of the parties, whether during or after completion of works or whether before or after termination shall after written notice by either party to the contract be referred to the arbitration of Director Finance, National Fertilizers Limited or his/her nominee.

The Arbitration proceedings shall be governed by the Arbitration and Conciliation Act, 1996 or any statutory modification or re-enactment thereof and the rules made there under.

The firm hereby agrees that it shall have no objection if the arbitrator so appointed is an employee of NFL and had to deal with the matter to which the contract relates and that in the course of his duties as such he has expressed his views on all or any of the matter in dispute or differences.

Further, it is agreed by and between the parties that in case a reference is made to the Arbitrator or the Arbitral Tribunal for the purpose of resolving the disputes/differences arising out of the contract by and between the parties hereto, the Arbitrator or the Arbitral Tribunal shall not award interest on the awarded amount more than the rate SBI PLR/Base Rate applicable to NFL on the date of award of contract.

### **5. Jurisdiction**

In respect of all tender conditions, the decision of NFL shall be final and binding. The venue of the Arbitration shall be Delhi & Delhi courts will have exclusive Jurisdiction.

### **6. General**

6.1 Bidder/Tenderer shall mean the firm who submits the tender and enters into contract with NFL and shall include their executors, administrators and successors and permitted assignees.



**ANNEXURE-B**

**DECLARATION SHEET**

I, \_\_\_\_\_ hereby certify that all the information and data furnished by me with regard to this tender specification are true and complete to the best of my knowledge. I have gone through the Terms, conditions and stipulations in detail and agree to comply with the requirements and intent of specification.

I, further certify that I am the duly authorized representative of the under mentioned tenderer.

I further certify that none of the NFL employees is related to Partners of the Firm, none of NFL Ex employee is employed with the Firm and no sister concern/ Common Partner is bidding separately in this tender in the name of Other Firm as mentioned in Clause 1.1 of Annexure-A. **(If the Partner(s) of the Firm has an NFL employee or ex-NFL employee as relation, Annexure B-1 enclosed may be filled in. In case the Partner(s) has no such relation, Annexure B-1 may be filled as NIL and duly signed.)**

I/We also undertake that the terms and conditions of **Notice Inviting Bid and Annexure-A of NIT** is acceptable to us without reservations and no deviation to NIT has been taken while making the offer.

I/We further agree to abide by the conditions of contract and to carry out all work that would be assigned **(as per Annexure D)** within the specified time in accordance with instructions referred to in the Notice Inviting Bids.

In case of acceptance of the Bid by National Fertilizers Limited, I/We bind myself/ourselves to execute the contract as per the conditions mentioned in the Assignment awarded.

Yours faithfully

For M/s \_\_\_\_\_

(Signature of Bidder with Seal)

Address: \_\_\_\_\_

E-Mail-ID : \_\_\_\_\_

Contact No : \_\_\_\_\_

**DECLARATION**

I / We, \_\_\_\_\_ (Name and address of the bidder) further certify that my / our following close / distant relative(s) are working in National Fertilizers Limited (NFL):

<b>S.No.</b>	<b>Name (S/Shri)</b>	<b>Designation</b>	<b>Department</b>
1.			
2.			
3.			

\_\_\_\_\_  
**Signature of Tenderer (with Seal)**

**Name:** \_\_\_\_\_

**Date :** \_\_\_\_\_

**Annexure- C**

**Financial Bid for Internal Audit of NFL for 2015-16**

Name of the Firm: .....

Address of Firm: .....

.....

E-Mail ID of the Firm .....

Contact No's .....

<b>S. No.</b>	<b>Location (Unit/Office)</b>	<b>Audit Fee (All Inclusive) (Rupees In figures) for full year- excluding Service Tax</b>	<b>Total Amount (In Words)</b>
1.	Vijaipur		
2.	Corporate Office, Central Marketing Office & Zonal Office Bhopal		
3.	Panipat		
4.	Bhatinda		
5.	Nangal		
6.	Zonal Offices Chandigarh & Lucknow		

It is certified that above prices are valid till 31<sup>st</sup> of October 2015.

Note: - Bidder has to bid for all locations; assignment shall be awarded to L-1 bidder for one location only

(Signature of Bidder with seal)

**List of Annexure to Internal Audit:-**

**1.1 Annexures for Internal Audit of CO**

- 1.1(a) Scope & Area of Internal Audit Programme
- 1.1(b) Quantum & Periodicity for 2015-16
- 1.1 (c) to (e) Reporting format for Quarterly Audit Reports CO.

**1.2 Annexures for Internal Audit of CMO**

- 1.2 (a) Scope & Area of Internal Audit Programme
- 1.2(b) Quantum & Periodicity for 2015-16
- 1.2 (c) to (e) Reporting format for Quarterly Audit Reports CMO.

**1.3 Annexures for Internal Audit of Zonal Marketing Offices Chandigarh/ Lucknow/ Bhopal**

- 1.3(a) Scope & Area of Internal Audit Programme
- 1.3(b) Quantum & Periodicity for 2015-16
- 1.3 (c) to (e) Reporting format for Quarterly Audit Reports of Zonal Marketing Offices

**1.4 Annexures for Internal Audit of Manufacturing Units located at Nangal/ Bhatinda/ Panipat/ Vijaipur**

- 1.4(a) Scope & Area of Internal Audit Programme
- 1.4(b) Quantum & Periodicity for 2015-16
- 1.4(c) to (e) Reporting format for Quarterly Audit Reports of Units

**Annexure - E**

**Application form for Internal Audit Assignment**  
(Please strike off whichever is not applicable)

<b>Status of the firm</b>			<b>PARTNERSHIP</b>	
1.	a)	Name of the firm (in Capital letters)		
	b)	Address of the Head Office		
	c)	Name of the Senior Partner, who shall issue the Internal Audit report.		
	d)	Telephone Number		
	e)	E-mail address		
	f)	PAN of the firm		
	g)	Service Tax No.		
2.		Firm Registration No. (As Issued by Institute of Chartered Accountants of India/ Institute of Cost Accountants of India)		
3.		Date of in Incorporation (as per certificate issued by Institute).		
4.		Number of full Time Partners of the firm as on 01.04.2015 <b>(Please fill up Annexure-E1)</b>		
5.		Number of qualified Chartered Accountants / Cost Accountant Employed with firm <b>(Please fill up Annexure-E2)</b>		
6.		Number of Article Assistants/Audit Staff. <b>(Please fill up Annexure-E3)</b>		
7.		Whether the firm has an experience of statutory/Internal Audit in 20 companies (Regd. Under Companies Act) up to 31.03.2015 – <b>(If yes, please fill up details at Annexure- E4)</b>	Yes	No
8.		Whether the firm has experience of at least one Urea manufacturing Company/organization/co-operative in any one financial year - <b>(If yes, please fill up details at Annexure- E5)</b>	Yes	No

(Name & Signature of Managing/ senior partner of the firm with seal)

**Annexure –E1**

Firm's Name\_\_\_\_\_

**Details of Full Time Partners of the Firm as on 01.04.2015**  
(Please refer to Sl. No.4 of the application form **at Annexure E**)

<b>S. No.</b>	<b>Name of the Partner</b>	<b>Membership No.</b>	<b>Whether Associate/ Fellow member</b>	<b>Date of joining the Firm (Full time)</b>

- **Please attach a copy of the Membership certificate in support of above.**

(Name & Signature of Managing/ senior partner of the firm with seal)

**Annexure –E2**

Firm's Name\_\_\_\_\_

**Details of Qualified Chartered Accountants/Cost Accountants employed with the firm.**  
(Please refer to Sl. No.5 of the application form **at Annexure E**)

<b>S.No.</b>	<b>Name of the Chartered accountant/ Cost Accountant</b>	<b>Membership No.</b>	<b>Whether Associate/ Fellow member</b>	<b>Date of joining the firm (Full time)</b>

- **Please attach a copy of the Membership certificate in support of above.**

(Name & Signature of Managing/ senior partner of the firm with seal)

**Annexure –E3**

Firm's Name\_\_\_\_\_

**Details of Article Assistants/Audit Staff.**

(Please refer to Sl. No.6 of the application form **at Annexure E**)

<b>S.No.</b>	<b>Name</b>	<b>Designation</b>	<b>Date of joining the firm (Full time)</b>

(Name & Signature of Managing/ senior partner of the firm with seal)



**Annexure –E4**

Firm's Name\_\_\_\_\_

**List of Firm's experience of Statutory /Internal Audit in 20 companies (Regd. Under companies Act), Up to 31.03.2015.**

(Please refer to Sl. No.7 of the application form **at Annexure E**)

S.No.	Year of Audit	Name of the Company		Type of Audit Statutory/Internal
		PSUs (Central or State)	other than PSUs	

(Name & Signature of Managing/ senior partner of the firm with seal)

**Annexure –E5**

Firm's Name\_\_\_\_\_

**Please indicate name of at least one Urea manufacturing company/organization/co-operative whose statutory/ internal audit has been handled by the firm any one financial year.**

(Please refer to Sl. No.10 of the application form **at Annexure E**)

S.No.	Name of the Company		Year of Audit	Type of Audit Statutory/Internal

(Name & Signature of Managing/ senior partner of the firm with seal)

- **Please attach a copy of work orders issued by the Urea manufacturing company (PSU/ Pvt. Company), in the name of the Firm.**

**Undertaking**

I \_\_\_\_\_, the Managing Partner/Sr. Partner of M/s \_\_\_\_\_, Chartered Accountant/ Cost Accountant firm do hereby verify and declare: -

- a) That the particulars given under Annexure E and related Annexures enclosed are complete and that if any of the statements made or the information so furnished in the application form is later found to be in-correct or false or there has been suppression of material information, the firm would not only stand disqualified from award of job but would be liable for disciplinary action under relevant Act.
  - i) That the firm or partners has not been debarred or cautioned by Institute of Chartered Accountants of India/ Institute of Cost Accountants of India during the last three years.(If debarred give details).
  - ii) That individually we are not engaged in practice otherwise or in any other activity which would be deemed to be in practice.
  - iii) That the constitution of the firm as on 01.04.2015 shown in the application is same as that in the constitution certificate issued by the Institute of Chartered Accountants of India/ Institute of Cost Accountants of India .

(Signature of Managing/ senior partner of the firm with seal)

Firm's Name \_\_\_\_\_

**Annexure –G**

**LIST OF DOCUMENTS ATTACHED**

S.No.	Name of Document	Document attached		
		Yes	No	Page No.
<b>Documents under Cover-1</b>				
1.	Duly signed & stamped copy of <b>Annexure B-Declaration Sheet</b>			
2.	Duly signed & stamped copy of Service Tax Registration Certificate. <b>(ST-2)</b>			
3.	Duly signed & stamped copy of <b>PAN Card</b> (in the name of the Firm)			
4.	Duly signed & stamped copy of Application form for Internal Audit Assignment <b>as per Annexure E</b>			
5.	Duly signed & stamped copy of <b>Annexure F-Undertaking Sheet</b>			
6.	Duly signed & stamped copy of <b>Annexure – E1 to E3</b> stating Particulars of partners, qualified Chartered Accountants/ Cost Accountants and Article assistants/ Audit staff, along with Membership Certificate copies of partners, qualified Chartered Accountants/ Cost Accountants.			
7.	A copy of incorporation certificate issued by Institute of Chartered Accountants of India/ Institute of Cost Accountants of India.			
8.	A copy of Firm's constitution certificate of firm issued by the Institute of Chartered Accountants of India/ Institute of Cost Accountants of India to the firm containing inter-alia, the details of partners as on 01.04.2015.			
9.	Duly signed & stamped copy of <b>Annexure E4</b> , (stating company-wise experience of having audited 20 companies)			
10.	Duly signed & stamped copy of <b>Annexure E5</b> along with the copy of work orders placed by Urea Manufacturing companies/organizations/co-operatives on your firm's name.			
<b>Documents under Cover-2</b>				
11.	<b>Financial Bid</b> in the format prescribed as per <b>Annexure C</b>			

**Note: All the above documents should be signed, certified, page numbered and properly tagged. This office owns no responsibility for the loss of any documents which are not properly tagged along with the application or documents sent subsequently in piecemeal.**

(Signature of Managing/ senior partner of the firm with seal)

**National Fertilizers Limited  
Internal Audit Department**

**SCOPE & AREA OF INTERNAL AUDIT PROGRAMME FOR CO  
FOR THE YEAR 2015-16**

**General:**

- i) To check that internal checks and control system for various activities of the organization and monitoring of such systems, is in place in the organization.
- ii) To check the adequacy of the existing guidelines/procedures and Internal control system and suggest measures for their improvement / streamlining.
- iii) To check adherence to laid down policies / procedures applicable in various manuals i.e. Internal Audit Manual, Accounting Manual and Marketing Manual.
- iv) To follow the general guiding principles of Internal Audit as specified Under Chapter-3 of the Internal Audit Manual. Planning, execution & conduct of internal audit shall be as per chapter-6 of the Internal Audit Manual.
- v) The scope and areas required to be covered by Internal Auditors and quantum & periodicity has been elaborated in detail under respective chapters in the Internal Audit Manual, however, brief details of the same are mentioned below which are indicative only.

**1. Cash & Bank Accounts:-**

- i) Check that Cash/Bank books are prepared daily and signed by the cashier/officer and counter signed by In-charge (cash section).
- ii) Surprise checking of cash in hand on monthly basis. Review of Cash Office Operations for evaluating controls in cash / bank receipts and disbursements. Securities kept for cash like Double Locking System, Insurance of cash in safe and in transit, fidelity insurance for officials dealing in cash.
- iii) Check that only machine numbered printed / computerized receipts are used and all unused new blank receipt books are kept in custody of the authorized officer. The existence of unused books may be verified physically with reference to the stock register. Ensure that the original copies of all the cancelled receipts are kept with the counter-foils invariably. Similar check may also be exercised in respect of cheques.
- iv) Checking of Bank Reconciliation Statement, dishonored/ stale checks, if any.
- v) Check that cash transactions occur only after approval of the delegated authority
- vi) Check that Cash balance is physically verified by the concerned Officer (In charge) daily and suitable record of such verification under his signature is kept on the cash book. Also surprise verification of cash by an officer other than Officer In charge (Cash), is done under the orders of the Head of the Finance and Accounts Dept. and the results of such verification are put up to him and in case of discrepancies, adequate and prompt action is taken.
- vii) Check the payments are as per the main cash book, bank book and petty cash with the relevant vouchers and verify that proper identification/ acknowledgement of the payee has been obtained for all payments.
- viii) All bank charges, interest debited on CC account, interest received on Company's Investment / Holdings have been accounted for promptly in the cash/bank book and have been verified/checked and a suitable record of such checking is also kept by the Cash Accounts Section.
- ix) The cash payments/receipts do not exceed the limit as provided under Income Tax Act 1961. As a matter of practice all payments to suppliers, contractors should be made through "Accounts Payee" cheques only or through Electronic Clearing Systems.

- x) Review the system relating to management of funds with particular attention to the Statement of Sources and Application of Funds. Review the systems relating to cash management with particular attention to – (a) statement of cash flow, (b) cash budgets and forecasts.
- xi) Verify that Forex and Interest Rate Risk policy, as approved by NFL BOD, is implemented.
- xii) Check that confirmation of issue of Bank Guarantee is obtained directly and reviewed regularly to ensure validity/renewal.
- xiii) Check that surplus funds if any have been invested as per company's Investment Policy in Securities or fixed deposits or mutual funds etc.

## **2. Central Accounts Section:-**

- i) Review of Assets ledger, Reconciliation of assets with reference to balances in asset ledger based on physical verification reports.
- ii) To check that Physical Verification of Fixed Assets is carried out and discrepancies resolved. Also verify that the system of numbering/coding of each asset to enable identification and easier stock verification is implemented. Whether a register for all fixed assets/moveable fixed assets is being maintained and items in register are periodically reconciled with the Asset Ledger.
- iii) Inter Unit reconciliation of accounts including stocks.
- iv) Review of accounts schedules and observations. Comment in particular on old out standings.
- v) Whether procedures applicable to disposal of capital items are complied with during disposal of Fixed/Moveable Fixed Assets.
- vi) Review of depreciation rates and check the depreciation charged in quarterly /yearly accounts.
- vii) Check that Income Tax, Excise, and Service Tax Returns are submitted in time. Check pending cases of dispute if any at different stages there under.
- viii) Inter unit comparison of actual expenditure including with reference to budget.
- ix) Compliance with relevant Accounting Standards applicable to the company accounts.
- x) Check that change in accounting policy, which has a material effect has been disclosed to reflect the effect of such change in financial statement.
- xi) Check that the nature and amount of extra ordinary items/Exceptional Items if any are disclosed in the Statement of Profit & Loss Account as per the requirements of Schedule VI of Companies Act.
- xii) To check that confirmation of balances of the parties is obtained by the units/offices. Auditor to give report containing financial account head, total no. of parties & amount as per account head, no. of letters issued & amount covered, no. of confirmation letters received & value covered and %age of value for which confirmation is received.

## **3. Establishment Accounts Section:-**

### **a) Payment of Salary & Wages – Recoveries:**

- i) Check the input data for preparation of the salary bill, the controls and checks in force to prevent double/wrong payments.
- ii) Review the procedural instructions and confirm that they cover adequately the processes and controls expected for the system.
- iii) Verify whether bills are prepared as per computerized attendance records/ time cards, orders of appointment/ promotion, LPC etc.
- iv) Tests check the absentee reports with the computerized attendance records/ time cards.
- v) Check that all statutory deductions such as provident fund, income tax and other recoveries i.e. Life Insurance premium, house rent, water and electricity charges, conveyance/ house building/ household/ other advances, if any, are

- made regularly in such manner and at such rates as are prescribed under the relevant rules/orders and there are no abnormal delays in affecting recoveries.
- vi) Check whether the house rent allowance is paid after due verification of the house rent receipts as required under the rules.
  - vii) Check that recoveries from the employees for whom accommodation has been taken on lease/tripartite basis are correctly made.
  - viii) Ascertain that present value of future liability towards gratuity and en-cashable EL/HPL is accounted for on the basis of year end actuarial valuation,

**b) Advances and related Documents:**

- i) Check that competent authority for sanctioning advances, terms of repayment, charging of interest etc. has approved the same.
- ii) Verify that proof of purchase of conveyance/household articles or title deed in case of house building advance, etc. was produced and ownership documents are on record.
- iii) Verify whether proper and adequate surety, hypothecation/mortgage was obtained and kept in safe custody.
- iv) Check that a proper register of surety is maintained.
- v) Ensure that recoveries are commenced promptly and is regular.
- vi) Check that personal ledger account for each employee is maintained for control purposes and the balances are reconciled with the General/Central Ledger.
- vii) Ensure that all prescribed conditions for the grant of above advances are fulfilled.
- viii) Review the possibility of any advances becoming doubtful of realization and if so, adequacy of the steps taken for its realisation.

**c) Statutory Bonus and Production Incentive:**

- i) Verify that the statutory bonus has been paid only to eligible employees as per statutory provisions contained in the Payment of Bonus Act 1965 as amended.
- ii) Production/Profit-Linked incentive for workers and officers respectively have been calculated based on the relative factors as laid down in the approved schemes.

**d) Other Miscellaneous Payments:**

- i) Review of TA bills / LTE bills / Medical Reimbursement Bills, Leave Encashment and other payments made by Estt. Section.
- ii) Other payments to employees such as honorarium, ex-gratia payments, etc. may be checked for arithmetical accuracy and sanction of the competent authority.

**e) Perks & allowance:**

- i) Check that payment on account of all perks i.e. Conveyance Allowance (LTE) Transport Allowance, Lease Rent, Canteen subsidy/coupon, kit maintenance, professional journals /periodicals and Education/Transport Facilities/Membership of Professional Body and Group Productivity allowance is paid as per approved guidelines/scheme.
- ii) Check that perks listed at above referred para are paid on reduced Basic Pay due to HPL, EOL and absence etc.

#### **4. Budget & MR Accounts Section:-**

- i) Verify that budgeting systems are effective and adequately meet the control objective of providing an accurate and reliable budgeting system, as a means to ensure that agreed financial and business objectives are achieved.
- ii) To check that budgets are planned comprehensively with sufficient detail for effective control to achieve the financial and business objective.
- iii) To check that production/sale plans are in sufficient detail and subsidiary budgets have been prepared as per norms prescribed.
- iv) To check that budgets are used as instrument of control.
- v) To check that actual financial performance is reviewed with respect to budget estimate, the reasons for variation are analyzed, appropriate modifications is done periodically over the remaining budget period.
- vi) To check that appropriation from one head to other head have the approval of Competent Authority.
- vii) Verify and analyze MIS Reports, Reconciliation with Actual performance and variation, if any.
- viii) Examine whether records required with regard to Fertilizer Subsidy have been maintained and claims for subsidy raised as per FICC policy circulars.
- ix) Check whether budgetary mechanism monitors under-recoveries of subsidy & reasons thereof.
- X) Trend of under- recoveries in last 3 years. Steps taken to reduce under-recoveries.

#### **5. Miscellaneous Accounts:-**

- i) Review of various advances and related documents.
- ii) To check whether deductions from wages are properly recorded in Control Accounts and statutory deductions deposited in time.
- iii) Check that payments have been released as per Company Policies/procedures and /or guidelines as prescribed in manuals/circulars etc.
- iv) Vouching of legal expenses including payments in foreign currencies.
- v) Check that payments released have supporting documents / approval of competent authority as per sub-delegation of powers.
- vi) Check that procedure as per Company policies, procedures and/or guidelines as prescribed in respective manuals have been followed wherever applicable before releasing payments.

#### **6. Record Retention & Long Term Storage:**

##### **a. Record Retention:-**

- i) To verify that archived records are stored in locked storage areas designated for this purpose and that access to these areas is limited.
- ii) To verify that Permanent records are maintained in metal fire-resistant file cabinets. Non-permanent files will be stored in cardboard file boxes and each file box will be labeled on the front with the contents, dates covered, and destruction date if applicable.
- iii) To verify that files are stored only in boxes with similar items, dates and retention periods to allow for easier access and purging of records.
- iv) To check that the listing and categorization of records files is as per the procedures framed for this purpose.
- v) To verify that files are maintained for as long as is necessary but only to the extent they serve a useful purpose or satisfy corporate or legal requirements and are as per the norms of the prescribed policy of the Company on Record (vendors, customers, investors and employees), and other data that would assist in rebuilding the business (business plans, intellectual property, or proprietary information).  
Retention Periods.
- vi) To verify better internal control copies of critical records that are vital to the daily operations of the Company should also be kept off site, where practicable,



in case of possible disasters. This may include information needed to file insurance claims (assets lists, insurance contacts, policy numbers), financial data for tax purposes, contacts lists to inform or restart the operations.

**b. Record Destruction:-**

- i) To verify that the concerned department has destroyed the records/files that have exceeded their recognized holding period by following the notified procedure.

**II Specific Area of Operation at Corporate Office for Audit:**

**1. Personnel, Administration and Public Relations Department:-**

- i) Check that proper records relating to payments of telephone bills, electricity & water charges are maintained and recoveries from concerned are affected.
- ii) Verify that appropriate stock registers are maintained for all assets under its charge.
- iii) Check that physical verification of assets has been done periodically to ascertain the existence of the assets in serviceable condition and proper certificate in this regard is recorded in the register by the authorized officer. Whether discrepancies noticed are reconciled and accounted for in relevant records.
- iv) Check the records relating to the expenditure incurred on maintenance of vehicles owned by the company. Analyze the consumption of petrol/diesel per KM and examine the reasons for variations. Also verify that each vehicle has valid registration and insurance cover. Also verify that the drivers have proper, appropriate and valid driving license for the type of vehicles he is deployed with.
- v) Check that the work orders of various contracts such as miscellaneous contracts, hiring of taxis, reimbursement of coupons, canteen, sanitation, horticulture etc. are awarded as per the tendering procedure laid down by the Company. Give Recommendations to improve efficiency of lining up such contracts to optimize costs.
- vi) Scrutiny of files for award of various contracts of Personnel, Administration & Public Relations Department and checking execution thereof.
- vii) Medical Re-imburement Bills- Whether scrutiny is being done as per Company's Policies. Examine whether employees are opting for hospitals based on location proximity or opting for particular hospitals only.
- viii) Check that loans and advances to employees are in conformity to company's policy/rules.
- ix) Check the pay fixation cases of Employees to see that same are as per company's rules /regulations.
- x) To check the fixation of lease rent of the Employees.
- xi) To check that rent on companies building given to outside agencies is being received in time.
- xii) Check Maintenance of Time Office Records. Also check whether leave account of each employee is maintained properly as per rules of the Company.

**2. Materials Department:-**

- i) Whether Purchase Procedure as per Purchase Manual applicable to CO/CMO is being followed for procurement of Materials.
- ii) Verify that approved list of suppliers is maintained by the Dept. and is reviewed periodically as per guidelines/procedure given in the Purchase Manual.
- iii) Check if limited tender enquiry in lieu of press tender has the approval of Competent Authority.
- iv) Check whether the approved tender procedure for procurement of materials was followed. CVC guidelines have been followed.
- v) Check that Receipt, Issue and Balance columns of material as entered in register are shown correctly after every transaction.
- vi) Analyse time lag in conversion of purchase requisition to purchase orders. Report all exceptional delays.
- vii) Review adequacy of floating enquires to verify whether quotes are invited from sufficient number of vendors to have competitive rates. Report all the deviations.

- viii) Review materials procurement contracts.
- ix) Review Compliance of delegation of power with regard to procurement procedure and report all the deviations.
- x) Review adherence with authorisation procedures and release strategy. Report all the deviations.
- xi) Review the comparative statements prepared for arriving at the L-1 vendor and report all the deviations.
- xii) Review all cases where order has been placed on any other vendor than the L-1 vendor. Report all such cases.
- xiii) Review of system followed for procurement, rate comparison and vendor selection. Report cases of substantial differences.
- xiv) Review feedback from plant for packing material complaints and action taken against vendor.
- xv) Review placement of purchase orders on vendors whose previous purchase orders are not serviced for the same material.
- xvi) Review issuance of multiple Purchase Orders for same materials within short period and report on failure to club requirements for such cases.
- xvii) Review the quantity of Purchase Orders with reference to the average consumption trend and report cases of major difference.
- xviii) Review the open Purchase requisition (PRs) and open Purchase Orders (Pos) and report cases where PRs are open for more than 90 days and Pos are open for more than 45 days after expiry of the scheduled delivery date.

### **3. Stores Accounts Section:-**

- i) Check whether SRV Receipt Vouchers have been prepared in time and signed by the Competent Authority, pricing done correctly, differences in provisional liability and actual payment as per bills promptly reconciled, recovery of demurrage/wharf age/freight etc. is made and SRV's are adjusted quickly.
- ii) To verify that issue notes are signed by authorized official, chargeable heads of accounts are correct, all issue notes are included in Issue Notes Summary, pricing of issue notes through computer is correct, issues to contractors/on loan and to other units has the approval of Competent Authority and are accounted for correctly.
- iii) To check that sale of scrap is affected as early as possible, SD and payments are deposited as per terms of sale order and sales invoices are raised timely.

### **4. Provident Fund and Employees Pension Account Section**

#### **a) Provident Fund:-**

- i) To check that contribution from employees and share of the company is at prescribed rate and interest thereon as approved by Central Board of Trustees, has been credited to member's account.
- ii) To check the nomination of all the members with reference to its particulars and safe custody.
- iii) To review the advances both refundable and no refundable with reference to rules and recovery thereof and to see that necessary documents have been obtained and the condition prescribed for the purpose have been satisfied.
- iv) To check the register of investments. See that investments are in approved securities as per percentage laid down by Govt. of India from time to time and are in safe custody and also to check the calculation of interest. Physically verify the securities.
- v) To check the final settlement, transfer of balances to trust of other organizations and inter unit transfer of Provident Fund.
- vi) To verify that proper returns have been submitted and inspection charges are paid to the Govt. Examine the inspection report of Inspector of Provident Fund and action taken thereon.

- vii) To check the Bank Book, payments & receipts of contribution, reconciliation of Bank Account regularly.

**b) Employees Pension Scheme:-**

- i) To verify that members of PF are also members of EPS w.e.f. 16.11.1995.
- ii) To verify that contributions are correctly calculated, recovered from the employees and deposited/remitted to the Regional Provident Fund Commissioner (RPFC) in time.
- iii) To verify that proper records are maintained and all prescribed returns are submitted to RPFC.
- iv) To check that the pension claims in respect of deceased members/ members who has attained the age of 58 yrs, are lodged with the concerned Regional Provident Fund Commissioner (RPFC) timely to secure the available benefits to the entitled person.
- v) To verify that transfer cases of Pension Scheme from other Regional Offices is expeditiously made and review status of pending cases.

**5. Insurance Accounts Section:**

- i) To see that the insurance under fire & allied risks, marine insurance, other miscellaneous insurance are obtained. To also check the adequacy of insurance covers. Handbook on insurance (Appendix 4 to Internal Audit Manual) may be referred to.
- ii) To check that Insurance Cover has been taken for all the assets and exclusion of assets, if any, has been made by a conscious decision.
- iii) To check that all necessary steps to comply with changing requirements of Insurer/Insured, in order to negotiate reduction in premium, have been taken. To check that claims along with supporting documents are lodged as becoming due for fire and allied risk policy as well as other policies. The claims are also lodged on transporter/suppliers. Quarterly ageing of claims is also done.

**6. Contracts, Works and Bills Payable Section (CWB)**

- i) To check randomly that work has been awarded as per procedure prescribed in works manual and budget provision keeping in view the justification and necessity of jobs. To review that the tendering procedures and directives issued for the works contracts procedures are properly followed. Estimates are prepared based on real facts and reasonable factors. Check that subsequent amendments, if any, were imperative due to technical considerations of the design consultant and additional financial implication, if any, has the financial concurrence and approval of the competent authority.
- ii) To check whether administrative, technical & financial sanction had been obtained as per delegation of powers.
- iii) To verify that the work has been awarded to the lowest tenderer, if not justification for awarding the work other than the lowest has been recorded, and financial concurrence/approval of Competent Authority obtained. The agreement on non-judicial stamp paper is executed wherever required.
- iv) To check that execution of work is as per work order.
- v) To verify that advance payments, payments to contractors/consultants/ engineer firms and architects are as per work order.
- vi) To check Bank Guarantees are kept valid and there is a proper system of watching the validity. Confirmation of issue of Bank Guarantees is obtained directly from the Bank.
- vii) To verify the security deposit various statutory (TDS) and other deduction like liquidated damages, non-conforming work etc.
- viii) To check that wherever there is delay in completion of work, necessary liquidated damages, have been recovered as per the terms of the contract over extension of

time has been granted by the competent authority after certifying on record that no loss had incurred.

- ix) To check whether deviation statement has been prepared for each item of contract/work order.
- x) To verify proper account of expenditure. In case of capital work, proper completion and capitalization.
- xi) To check that the particulars of the bill agree with the purchase order with reference to the rates, specifications, date of supply, mode of transport, quantity ordered and where there are deviations these are supported by proper amendments. Also check Bank advices, Bill of Entry (BE), Bill of Clearing Agent, Port Trust charges, LC charges etc. for import of materials. The bill is supported by the Stores Receipt Voucher and Inspection Report duly signed by Competent Authority.
- xii) Check that items like packing and forwarding charges, excise duties, sales tax/vat etc. for which rates are not shown in the purchase order have been billed correctly and concession rate of sales tax/VAT is availed of whatever applicable.
- xiii) To check the bills of clearing agent to ensure that they have been passed as per the terms of contract with them and necessary recoveries in respect of demurrage etc. have been duly made.
- xiv) To check that confirmation of issue of Bank Guarantees is obtained directly from the bank and are reviewed regularly to ensure their validity/renewal.
- xv) To check the statutory deduction and its timely deposit.
- xvi) Review the system of follow up of Pos. Ascertain whether supplies were received within stipulated dates of delivery. In case of delays it may be examined whether the extension of time of delivery is given after due consideration at the appropriate level and with financial concurrence and whether non-enforcement of claims for liquidated damages was as per the exigencies of the work.
- xvii) To examine that the CST/Sales Tax/ VAT Registration Certificates are obtained by the offices.
- xviii) Check that advances to the suppliers are allowed strictly in accordance with the terms stipulated in the Purchase Orders and advances are adjusted before bills for payment are passed.
- xix) To check that the total advances to suppliers as per the Advance Ledger are reconciled periodically with the Control Accounts maintained in the general ledger.
- xx) To check the Suppliers Advance Ledger and scrutinize cases of old outstanding lying unadjusted.
- xxi) To review Sundry Creditors ledger and check that reconciliation of balances is done and confirmation of balances is obtained as per the guidelines and time schedule notified by Corporate Office.

## **7. Capital Expenditure:-**

### **A. Project initiation and approvals-**

Check that:

- i) The approved procedures for establishing the need for the Capex project as also for carrying out detailed work thereon are being adhered to.
- ii) Estimates are in sufficient detail for facilitating planning and control processes. Abnormal increases/deviations in the physical components of an estimate and extra items arising during execution should be examined in depth along with the original estimates/tenders as.
- iii) The outlays on the project which are to be charged off to revenue /deferred revenue, if any, are separated from those to be capitalised with justification for charging the expenditure to revenue/ deferred revenue as the case may be. This is particularly important in the case of replacement /modification type projects.

## **B. Review of contracts-**

Check that:

- i) Time taken in inviting bids and finalising the contracts for the jobs to be executed and equipment and supplies to be procured was according to bar charts and time schedules as have been approved.
- ii) Check that the departments/authorities empowered to enter into contracts on behalf of the company, maintain a list of approved vendors/ contractors, with updated history of their performance. Verify that the background, reputation, past history, financial strength, on time delivery and execution capabilities etc. of new contractors is checked before empanelment.
- iii) Examine that the company's policies/ procedures in regard to negotiation and award of work have been adhered to.
- iv) The relevant contract documents clearly define the terms of preliminary and final acceptance, quality of work, performance requirements, penalties for shortfall in performance, etc.
- v) The purchase orders/work orders etc. have been issued in the prescribed formats. In the case of additions to/ deletions of any standard terms and conditions, check that justification for the same was recorded and approved by the competent authority in consultation with Finance and Legal Departments.
- vi) In respect of procurement of equipment, stores and spares for execution of capital projects, where the expenditure is significant, guidelines laid down in the Chapter on "Materials Management" are strictly followed.

## **C. Project implementation and control:**

- i) Review the implementation of the various projects /schemes viz-a -viz planning in each case and comments there upon.
- ii) That NFL's contractual obligations to the contractor have been duly fulfilled and non-compliance has not resulted in claims for extras by the contractor and delay in implementation schedules. Examine and comment on extensions of time granted to the contractor/s.
- iii) Examine the constraints that have been experienced which have hindered timely completion of projects and verify whether timely and adequate action has been taken to overcome the same. Highlight and report losses due to time over-runs including where premium costs are authorised for acceleration of work.
- iv) Determine that the status and control and other MIS reports submitted to management are timely and reasonably accurate.
- v) Analyse the reasons for abandoning any project/scheme and examine the treatment of expenditure on it in accounts. Highlight and report on the cost of abandonment to the company giving justification thereof.

## **D. Escalation-**

In case of escalation, check that:

- i) The escalation formula is specific and unambiguous. The base indices for labour, material etc. and linkages with statutory levies have been clearly defined and the same are based on scientific study and methods and not on ad-hoc basis.
- ii) The contracts clearly provide that no escalation will be payable due to extension of time if the delay is attributable to the contractor.
- iii) Supporting documents to be furnished by the contractor in support of the escalation claims are mentioned in specific terms.

## **E. Testing, Commissioning, Acceptance and Project close up Reports.**

**NATIONAL FERTILIZERS LIMITED  
INTERNAL AUDIT DEPARTMENT**

**Annexure 1.1(b)**

**Audit Programme for CO for the year 2015-16.**

**(Quantum and Periodicity)**

Sr. No.	Name of Deptt./ Sections	Quantum and Periodicity
<b>1.0</b>	<b>CO</b>	
<b>1.1</b>	<b>Cash &amp; Bank Accounts :</b>	
	i) Cash & Bank Books (item 9.2.2(B) of Audit Manual	One month in each Quarter
	ii) Other items	Once in each Quarter
<b>1.2</b>	<b>Central Accounts Section :</b>	
	i) Up-keep of Control Ledger/Sub Ledger	Once in each Quarter
	ii) Up-keep of Assets Ledger & calculation of depreciation	Once in each Quarter
	iii) Periodical Returns	Every Quarter
	iv) Quarterly, Half Yearly, Annual Accounts	Every Quarter
	v) Confirmation of balances of the parties	In fourth Quarter of the year
<b>1.3</b>	<b>Establishment Accounts Section :</b>	
	i) Salary Bills including perks & allowances	One month's bill in each Half Year
	ii) TA bills	100% bills for one month in each Quarter
	iii) Medical reimbursement bills (exceeding Rs. 10,000/-)	100% bills for one month in each Quarter
	iv) Leave Encashment	100% bills for one month in each Half year
	v) Conveyance, House Building & Education Advance	50% of cases added/sanctioned in each Quarter

	vi) Salary Advance	25% cases added/sanctioned in each Quarter
	vii) Bonus/Incentive	10% Once in a Year
	viii) Final Settlements	100%
<b>1.4</b>	<b>Provident Fund &amp; Employees' Pension Account Section :</b>	
	i) Checking of individual computerized ledger accounts of the members	5% of Member's Accounts.
	ii) Calculation of interest credit to the members accounts	5% cases once in a Year when Interest is credited to member's account
	iii) Nomination of the members	10% in each Quarter
	iv) Loan sanctioned	10% in each Quarter
	v) Investment/Deposit of accumulations	Once in each Quarter
	vi) Final settlement/transfer of members accounts	100% in each Quarter
	vii) Pension applications	10% in each quarter
<b>1.5</b>	<b>Contracts , Works &amp; Bills Payable Section (CWB)</b>	
	i) Contracts above Rs. 20 lakhs	100% in each Quarter
	ii) Contracts above Rs. 5 lakhs & upto Rs. 20 lakhs	30% in each Quarter
	iii) Contract below Rs. 5 lakhs	20% in each Quarter
	iv) Review of work in progress and other schedules	Quarter end
	v) Other items	Once in each Quarter
<b>1.6</b>	<b>Purchase Accounts Section :</b>	
	i) Invoices above Rs.3 lakhs	100% of one month randomly selected in each Quarter.
	ii) Invoices Rs.1 lakh to Rs.3 lakhs	50% of one month (excluding the month selected under (a) above) randomly selected in each Quarter..
	iii) Invoices less than Rs. 1.00 lakh	10% of one month in each half year (excluding (a&b) above).

	v) Other items including reasons for delay in decision on Liquidated damages for Capital & Revenue contracts.	Once in each Quarter
<b>1.7</b>	<b>Stores Accounts Section :</b>	
	i) Pricing of Stores Receipt Vouchers & Issue Notes	One month's transaction in each half year
	ii) Register of Provisional Liability for Stores	One month's transaction in Quarter.
	iii) Priced Stores Ledger (PSL)	One month's transaction in each year
	iv) Stores Inventory	One month's transaction in each year
	v) Perpetual identification of slow-moving, non-moving, surplus and obsolete items.	Once in 4 <sup>th</sup> Quarter of the Year
	vi) Other items	One month transaction in each Quarter
<b>1.8</b>	<b>Budget &amp; MR Accounts Section :</b>	
	i) All items of 9.6.2 (1 to 18) of Audit Manual	Once in each Half Year
	ii) Examine the variances beyond 10% in actual expenditure over CPLY/Budget	Every Quarter
	iii) Verify and analyse MIS Reports, Reconciliation with Actual performance and variations, if any.	Every Quarter
<b>1.9</b>	<b>Miscellaneous Accounts Section:</b>	
	i) Review of various advances and related documents.	Once in each Quarter
	ii) To check payments relating to telephone bills, electricity charges, hiring of taxies, repair & maintenance of company's vehicles, sanitation horticulture etc. and deductions, if any. Also check whether proper records are maintained and statutory deductions are deposited in time.	Once in each Quarter
	iii) Check that payments have been released as per Company Policies/Procedures and / or Guidelines as prescribed in manuals/circulars etc.	Once in each Quarter
	iv) Vouching of legal expenses including payments in foreign currencies.	Once in each Quarter
	v) Check that payments released have supporting documents / approval of competent authority as per sub-delegation of powers.	Once in each Quarter



	vi) Check that procedure as per Company policies, procedures and/or guidelines as prescribed in respective manuals have been followed wherever applicable before releasing payments.	Once in each Quarter
<b>2.0</b>	<b>Record Retention and Long-term Storage</b>	Once in 2 <sup>nd</sup> Half of the year
<b>3.0</b>	<b>SPECIFIC AREA OF OPERATION AT CORPORATE OFFICE FOR AUDIT:</b>	
<b>3.1</b>	<b>Personnel &amp; Administration :</b>	
	i) Administration Department	Once in a year
	ii) Personnel Department	Once in a year
	iii) Leave Accounts	One month in each Half year
	iv) Contracts	Once in a year
	v) Corporate Social Responsibility	Half yearly basis
<b>3.2</b>	<b>Material Management :</b>	
	<b>A) Purchases</b>	
	<b>i) Purchase Orders/Contracts -</b>	
	- Up to Rs.1 lakh	20% in each Quarter
	- Above Rs. 1 lakh and upto Rs. 3 Lakhs	25% in each Quarter
	- Above Rs. 3 Lakhs	50% in each Quarter
	<b>ii) Emergency Purchases</b>	
	- Upto Rs. 50,000/-	25% in each Quarter
	- Above Rs. 50,000/-	50% in each Half Year
	<b>iii) Approved list of Suppliers</b>	100%

<b>3.3</b>	<b>Insurance Accounts Section :</b>	
	i) Insurance Claims {97.1(B)}	Every Quarter
	ii) Ageing of Claims	Quarter end
	iii) Various Insurance Policies	Annually
	iv) Other items	Annually or as specified in any Para of Chapter
<b>3.4</b>	<b>Capital Expenditure (CAPEX) :</b>	
	i) Project proposals and award of contracts etc.	Once in each quarter
	ii) Payments and Statutory deductions	Once in each quarter

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File No.: \_\_\_\_\_

Dated: \_\_\_\_\_

**QUARTERLY FINAL INTERNAL AUDIT REPORT  
For the Period \_\_\_\_\_ to \_\_\_\_\_**

**Non-Technical Audit**

1. Final Report Number :
  - i) Date of submission :
  - ii) Due date of submission :
2. Name of the Auditee Unit/Office:
3. Period covered in the Audit:
4. Date of start/completion of Audit:
5. Detail/Names of Auditors:
6. Audit Scope/Area of transactions covered in the Audit and extent of verification/sampling technique:  
**(Actual area covered may be indicated here, in brief even if there is no observation, for the information of Audit Committee. If required, separate sheet may be attached)**

S.No.	Section Verified	Scope and extent covered as per scope defined
1.	Cash & Bank Accounts	
2.	Central Accounts Section	
3.	Establishment Accounts Section	
4.	Miscellaneous Accounts section	
5.	Record retention and long term storage	
6.	Specific area of Operation at Corporate Office for Audit	
a.	Personnel , Administration & Public Relations Department	
b.	Materials Department	
c.	Insurance Account section	
d.	PF Account Section	
e.	Contracts, Works & Bills Payable Section ( CWB)	
f.	Capital Expenditure	
g.	Budget	

7. Methodology and process of Audit employed:
8. Brief of the Internal Control Systems/Procedures examined for its Adequacy, short comings/weaknesses/appreciable points observed and suggested measures/viable solutions suggested :
9. Constraints in conducting the Audit :

Final Audit report/observations along with executive summary indicating therein the financial implication and risk category (High/Major/Moderate) is enclosed as **Annexure-1.1(d)**:

Encl.: As above.

(Signature)  
Name & Address of the Auditors/Firm

File No. \_\_\_\_\_

Dated: \_\_\_\_\_

Annexure –1.1(d)

**Final Audit Report and Executive Summary of the Internal Auditors**  
of \_\_\_\_\_ (Unit/Office) for the Period \_\_\_\_\_ to \_\_\_\_\_.

**Non-Technical Audit**

Sr. No.	Audit Queries/Observations	Reply as given by the Auditee Unit/Office	Internal Auditor's Final Comments/Suggestions

Signature  
Name & Address of the Auditors/Firm

File No. \_\_\_\_\_

Dated: \_\_\_\_\_ **Annexure 1.1(e)**

Audit Committee of Board of Directors,  
National Fertilizers Limited,  
New Delhi.

**Subject: Significant Observations of Internal Audit in respect of \_\_\_\_\_(Unit/Office) for the period \_\_\_\_\_ to \_\_\_\_\_**

**Non-Technical Audit**

Sirs,

We have conducted the Internal Audit of \_\_\_\_\_(Unit/Office) for the period \_\_\_\_\_ to \_\_\_\_\_. The significant points observed during the Audit are indicated below for kind information and necessary action :

Sr. No.	Audit Queries/Observations	Reply as given by the Auditee Unit/Office	Internal Auditor's final Comments/Suggestions

Thanks,

Yours faithfully,

(Signature)  
Name & Address of the Auditors/Firm

**National Fertilizers Limited  
Internal Audit Department**

**SCOPE & AREA OF INTERNAL AUDIT PROGRAMME FOR CMO  
FOR THE YEAR 2015-16**

**General:**

- i) To check that internal checks and control system for various activities of the organization and monitoring of such systems, is in place in the organization.
- ii) To check the adequacy of the existing guidelines/procedures and Internal control system and suggest measures for their improvement / streamlining.
- iii) To check adherence to laid down policies / procedures applicable in various manuals i.e. Internal Audit Manual, Accounting Manual and Marketing Manual.
- iv) To follow the general guiding principles of Internal Audit as specified Under Chapter-3 of the Internal Audit Manual. Planning, execution & conduct of internal audit shall be as per chapter-6 of the Internal Audit Manual.
- v) The scope and areas required to be covered by Internal Auditors and quantum & periodicity has been elaborated in detail under respective chapters in the Internal Audit Manual, however, brief details of the same are mentioned below which are indicative only.

**1. Cash & Bank Accounts:-**

- i) Check that Cash/Bank books are prepared daily and signed by the cashier/officer and counter signed by In-charge (cash section).
- ii) Surprise checking of cash in hand on monthly basis. Review of Cash Office Operations for evaluating controls in cash / bank receipts and disbursements. Securities kept for cash like Double Locking System, Insurance of cash in safe and in transit, fidelity insurance for officials dealing in cash.
- iii) Check that only machine numbered printed / computerized receipts are used and all unused new blank receipt books are kept in custody of the authorized officer. The existence of unused books may be verified physically with reference to the stock register. Ensure that the original copies of all the cancelled receipts are kept with the counter-foils invariably. Similar check may also be exercised in respect of cheques.
- iv) Checking of Bank Reconciliation Statement, dishonored/ stale checks, if any.
- v) Check that cash transactions occur only after approval of the delegated authority
- vi) Check that Cash balance is physically verified by the concerned Officer (In charge) daily and suitable record of such verification under his signature is kept on the cash book. Also surprise verification of cash by an officer other than Officer In charge (Cash), is done under the orders of the Head of the Finance and Accounts Dept. and the results of such verification are put up to him and in case of discrepancies, adequate and prompt action is taken.
- vii) Check the payments are as per the main cash book, bank book and petty cash with the relevant vouchers and verify that proper identification/ acknowledgement of the payee has been obtained for all payments.
- viii) All bank charges, interest debited on CC account, interest received on Company's Investment / Holdings have been accounted for promptly in the cash/bank book and have been verified/checked and a suitable record of such checking is also kept by the Cash Accounts Section.
- ix) The cash payments/receipts do not exceed the limit as provided under Income Tax Act 1961. As a matter of practice all payments to suppliers, contractors should be made through "Accounts Payee" cheques only or through Electronic Clearing Systems.

- x) Review the system relating to management of funds with particular attention to the Statement of Sources and Application of Funds. Review the systems relating to cash management with particular attention to – (a) statement of cash flow, (b) cash budgets and forecasts.
- xi) Verify that Forex and Interest Rate Risk policy, as approved by NFL BOD, is implemented.
- xii) Check that confirmation of issue of Bank Guarantee is obtained directly and reviewed regularly to ensure validity/renewal.
- xiii) Check that surplus funds if any have been invested as per company's Investment Policy in Securities or fixed deposits or mutual funds etc.

## **2. Central Accounts Section:-**

- i) Review of Assets ledger, Reconciliation of assets with reference to balances in asset ledger based on physical verification reports.
- ii) To check that Physical Verification of Fixed Assets is carried out and discrepancies resolved. Also verify that the system of numbering/coding of each asset to enable identification and easier stock verification is implemented. Whether a register for all fixed assets/moveable fixed assets is being maintained and items in register are periodically reconciled with the Asset Ledger.
- iii) Inter Unit reconciliation of accounts including stocks.
- iv) Review of accounts schedules and observations. Comment in particular on old out standings.
- v) Whether procedures applicable to disposal of capital items are complied with during disposal of Fixed/Moveable Fixed Assets.
- vi) Review of depreciation rates and check the depreciation charged in quarterly /yearly accounts.
- vii) Check that Income Tax, Excise, and Service Tax Returns are submitted in time. Check pending cases of dispute if any at different stages there under.
- viii) Inter unit comparison of actual expenditure including with reference to budget.
- ix) Compliance with relevant Accounting Standards applicable to the company accounts.
- x) Check that change in accounting policy, which has a material effect has been disclosed to reflect the effect of such change in financial statement.
- xi) Check that the nature and amount of extra ordinary items/Exceptional Items if any are disclosed in the Statement of Profit & Loss Account as per the requirements of Schedule VI of Companies Act.
- xii) To check that confirmation of balances of the parties is obtained by the units/offices. Auditor to give report containing financial account head, total no. of parties & amount as per account head, no. of letters issued & amount covered, no. of confirmation letters received & value covered and %age of value for which confirmation is received.
- xiii) Check whether budgetary mechanism monitors under-recoveries of subsidy & reasons thereof. Trend of under- recoveries in last 3 years. Steps taken to reduce under- recoveries.

## **3. Establishment Accounts Section:-**

### **a) Payment of Salary & Wages – Recoveries:**

- i) Check the input data for preparation of the salary bill, the controls and checks in force to prevent double/wrong payments.
- ii) Review the procedural instructions and confirm that they cover adequately the processes and controls expected for the system.
- iii) Verify whether bills are prepared as per computerized attendance records/ time cards, orders of appointment/ promotion, LPC etc.
- iv) Tests check the absentee reports with the computerized attendance records/ time cards.
- v) Check that all statutory deductions such as provident fund, income tax and other recoveries i.e. Life Insurance premium, house rent, water and electricity charges, conveyance/ house building/ household/ other advances, if any, are



made regularly in such manner and at such rates as are prescribed under the relevant rules/orders and there are no abnormal delays in affecting recoveries.

- vi) Check whether the house rent allowance is paid after due verification of the house rent receipts as required under the rules.
- vii) Check that recoveries from the employees for whom accommodation has been taken on lease/tripartite basis are correctly made.
- viii) Ascertain that present value of future liability towards gratuity and en-cashable EL/HPL is accounted for on the basis of year end actuarial valuation,

**b) Advances and related Documents:**

- i) Check that competent authority for sanctioning advances, terms of repayment, charging of interest etc. has approved the same.
- ii) Verify that proof of purchase of conveyance/household articles or title deed in case of house building advance, etc. was produced and ownership documents are on record.
- iii) Verify whether proper and adequate surety, hypothecation/mortgage was obtained and kept in safe custody.
- iv) Check that a proper register of surety is maintained.
- v) Ensure that recoveries are commenced promptly and is regular.
- vi) Check that personal ledger account for each employee is maintained for control purposes and the balances are reconciled with the General/Central Ledger.
- vii) Ensure that all prescribed conditions for the grant of above advances are fulfilled.
- viii) Review the possibility of any advances becoming doubtful of realization and if so, adequacy of the steps taken for its realisation.

**c) Statutory Bonus and Production Incentive:**

- i) Verify that the statutory bonus has been paid only to eligible employees as per statutory provisions contained in the Payment of Bonus Act 1965 as amended.
- ii) Production/Profit-Linked incentive for workers and officers respectively have been calculated based on the relative factors as laid down in the approved schemes.

**d) Other Miscellaneous Payments:**

- i) Review of TA bills / LTE bills / Medical Reimbursement Bills, Leave Encashment and other payments made by Estt. Section.
- ii) Other payments to employees such as honorarium, ex-gratia payments, etc. may be checked for arithmetical accuracy and sanction of the competent authority.

**e) Perks & allowance:**

- i) Check that payment on account of all perks i.e. Conveyance Allowance (LTE) Transport Allowance, Lease Rent, Canteen subsidy/coupon, kit maintenance, professional journals /periodicals and Education/Transport Facilities/Membership of Professional Body and Group Productivity allowance is paid as per approved guidelines/scheme.
- ii) Check that perks listed at above referred para are paid on reduced Basic Pay due to HPL, EOL and absence etc.

#### **4. Miscellaneous Accounts:-**

- i) Review of various advances and related documents.
- ii) To check whether deductions from wages are properly recorded in Control Accounts and statutory deductions deposited in time.
- iii) Check that payments have been released as per Company Policies/procedures and /or guidelines as prescribed in manuals/circulars etc.
- iv) Vouching of legal expenses including payments in foreign currencies.
- v) Check that payments released have supporting documents / approval of competent authority as per sub-delegation of powers.
- vi) Check that procedure as per Company policies, procedures and/or guidelines as prescribed in respective manuals have been followed wherever applicable before releasing payments.

#### **5. Record Retention & Long Term Storage:**

##### **a. Record Retention:-**

- i) To verify that archived records are stored in locked storage areas designated for this purpose and that access to these areas is limited.
- ii) To verify that Permanent records are maintained in metal fire-resistant file cabinets. Non-permanent files will be stored in cardboard file boxes and each file box will be labeled on the front with the contents, dates covered, and destruction date if applicable.
- iii) To verify that files are stored only in boxes with similar items, dates and retention periods to allow for easier access and purging of records.
- iv) To check that the listing and categorization of records files is as per the procedures framed for this purpose.
- v) To verify that files are maintained for as long as is necessary but only to the extent they serve a useful purpose or satisfy corporate or legal requirements and are as per the norms of the prescribed policy of the Company on Record (vendors, customers, investors and employees), and other data that would assist in rebuilding the business (business plans, intellectual property, or proprietary information).  
Retention Periods.
- vi) To verify better internal control copies of critical records that are vital to the daily operations of the Company should also be kept off site, where practicable, in case of possible disasters. This may include information needed to file insurance claims (assets lists, insurance contacts, policy numbers), financial data for tax purposes, contacts lists to inform or restart the operations.

##### **b. Record Destruction:-**

- i) To verify that the concerned department has destroyed the records/files that have exceeded their recognized holding period by following the notified procedure.

#### **6. Appointment of Handling & Transportation Contracts:**

Review proposals received for concurrence from Zonal offices for lining up Handling and Transportation Contracts Vis-à-vis terms & rates offered by competitors like RCF, CFCL etc. & submit a separate report.

#### **7. Import of fertilizers & other tradable items:**

**Import of Fertilizer-** Check that due exercise is undertaken as per detail guidelines specified in the Internal Audit Manual for import of fertilizers and other tradable items i.e. assessment of requirement & marketability, economic analysis, approval of

competent authority, global tendering procedure, evaluation of tenders, issue of LOI, security, letter of credit, marine insurance of products etc.

**Tradable items-** Status of setting up of seed processing plant at Indore.

**8. Freight Subsidy Claims**

- a. Examine whether records pertaining to freight subsidy claim have been maintained by Supplies and Distribution Section are raised as per FICC Policy/guidelines.
- b. Examine possibility of replicating Lucknow zone system of paying fixed freight subsidy in other two zones & spell out recommendations & potential savings.

**9. Sales Accounts:**

**a. Urea:**

Review of Sundry Debtors ledger. Besides normal scrutiny, the ledgers may be reviewed for outstanding every quarter with reference to recoveries effected during current financial year. Comment in particular on old out-standings.

**b. Industrial Products:**

- i) Review of Pricing System of Industrial Products.
- ii) Review award and execution of various contracts for sale of Industrial Products from the stage of NIT to release of security deposit.
- iii) Review the case of levy of penalties with reference to terms and condition of the contract.
- iv) Evaluate the disputed cases and settlement thereof.
- v) Review of Sales ledger to verify that the proceeds have been received as per the approved sale terms. Verify that no supply has been made contrary to the payment terms provided in the contract of sale.
- vi) Review of Sundry Debtors and Advance Ledgers and to bring out discrepancies with reference to company's policy / terms agreed.
- vii) To check whether ageing schedules are prepared periodically and reviewed by a responsible person.
- viii) Comparison of sales quantity and value with that of previous year and budgeted quantity.
- ix) Comparison of budgeted rebates and discounts with actual rebates and discounts.
- x) Check whether capacities are fully utilized & report on underutilized capacities & reasons thereof. Give reasons & suggest ways to improve capacity utilization.

**10. Supplies and Distribution Section:-**

- a. Check that terms and conditions of sales are as per the approved sales policy of the company and are in keeping with the Sale of Goods Act, Fertilizer Control Order, Essential Commodities Act and other relevant Statutory Laws & Rules. All terms of sales are concurred by F&A Deptt. and approved by the competent authority.
- b. Review the policy with regard to sales terms, its implementation with respect to prevailing market conditions including terms offered by competitors & give comments/ suggestions.

**11. CSR and Agricultural extension activities:**

To verify that Corporate Social Responsibility (CSR) and sales promotion budget as approved by Board of Directors of NFL is further allocated to the Units/Marketing offices based on detailed projects submitted. The activities/project(s) are identified after a detailed Base Line Survey of the concerned area/village conducted in accordance with DPE guidelines by designated agencies. Also to verify that duly approved CSR activities are effectively implemented.

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**NATIONAL FERTILIZERS LIMITED  
INTERNAL AUDIT DEPARTMENT**

**Annexure 1.2 b**

**Audit Programme for CMO for the year 2015-16.**

**(Quantum and Periodicity)**

Sr. No.	Name of Deptt./ Sections	Quantum and Periodicity
<b>1.0</b>		
<b>1.1</b>	<b>Cash &amp; Bank Accounts :</b>	
	i) Cash & Bank Books (item 9.2.2(B) of Audit Manual	One month in each Quarter
	ii) Other items	Once in each Quarter
<b>1.2</b>	<b>Central Accounts Section :</b>	
	i) Up-keep of Control Ledger/Sub Ledger	Once in each Quarter
	ii) Up-keep of Assets Ledger & calculation of depreciation	Once in each Quarter
	iii) Periodical Returns	Every Quarter
	iv) Quarterly, Half Yearly, Annual Accounts	Every Quarter
	v) Confirmation of balances of the parties	In fourth Quarter of the year
<b>1.3</b>	<b>Establishment Accounts Section :</b>	
	i) Salary Bills including perks & allowances	One month's bill in each Half Year
	ii) TA bills	100% bills for one month in each Quarter
	iii) Medical reimbursement bills (exceeding Rs. 10,000/-)	100% bills for one month in each Quarter
	iv) Leave Encashment	100% bills for one month in each Half year
	v) Conveyance, House Building & Education Advance	50% of cases added/sanctioned in each Quarter

	vi) Salary Advance	25% cases added/sanctioned in each Quarter
	vii) Bonus/Incentive	10% Once in a Year
	viii) Final Settlements	100%
<b>1.4</b>	<b>Contracts , Works &amp; Bills Payable Section (CWB)</b>	
	i) Contracts above Rs. 20 lakhs	100% in each Quarter
	ii) Contracts above Rs. 5 lakhs & upto Rs. 20 lakhs	30% in each Quarter
	iii) Contract below Rs. 5 lakhs	20% in each Quarter
	iv) Review of work in progress and other schedules	Quarter end
	v) Other items	Once in each Quarter
<b>1.5</b>	<b>Miscellaneous Accounts Section:</b>	
	i) Review of various advances and related documents.	Once in each Quarter
	ii) To check payments relating to telephone bills, electricity charges, hiring of taxies, repair & maintenance of company's vehicles, sanitation horticulture etc. and deductions, if any. Also check whether proper records are maintained and statutory deductions are deposited in time.	Once in each Quarter
	iii) Check that payments have been released as per Company Policies/Procedures and / or Guidelines as prescribed in manuals/circulars etc.	Once in each Quarter
	iv) Vouching of legal expenses including payments in foreign currencies.	Once in each Quarter
	v) Check that payments released have supporting documents / approval of competent authority as per sub-delegation of powers.	Once in each Quarter
	vi) Check that procedure as per Company policies, procedures and/or guidelines as prescribed in respective manuals have been followed wherever applicable before releasing payments.	Once in each Quarter

<b>1.6</b>	<b>Record Retention and Long-term Storage</b>	Once in 2 <sup>nd</sup> Half of the year
<b>2.0</b>	<b>Specific Area of Operation at CMO :</b>	
	i) Tradable Items – Contracts & related activities	One month each quarter
	ii) Freight subsidy claims	One month each quarter
	iii) Import of Fertilizers	Half yearly
	iv) Sales Accounts ( Urea & Industrial Products)	One month in each quarter
	v) Supplies and Distribution	One month in each quarter
	vi) CSR and Agricultural extension activities	Half yearly

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File No.: \_\_\_\_\_

Dated: \_\_\_\_\_

**QUARTERLY FINAL INTERNAL AUDIT REPORT  
For the Period \_\_\_\_\_ to \_\_\_\_\_**

**Non-Technical Audit**

1. Final Report Number :
  - i) Date of submission :
  - ii) Due date of submission :
2. Name of the Auditee Unit/Office:
3. Period covered in the Audit:
4. Date of start/completion of Audit:
5. Detail/Names of Auditors:
6. Audit Scope/Area of transactions covered in the Audit and extent of verification/sampling technique:  
**(Actual area covered may be indicated here, in brief even if there is no observation, for the information of Audit Committee. If required, separate sheet may be attached)**

S.No.	Section Verified	Scope and extent covered as per scope defined
1.	Cash & Bank Accounts	
2.	Central Accounts Section	
3.	Establishment Accounts Section	
4.	Miscellaneous Accounts section	
5.	Record retention and long term storage	
6. Specific area of Operation at Central Marketing Office for Audit		
a.	Handling & Transportation Operations	
b.	Import of Fertilizer & other Tradable items	
c.	Freight Subsidy claims	
d.	Sales Account – Urea & Industrial Product	
e.	Supplies & Distribution	
f.	CSR & Agricultural Extension Activities	
g.	sundry Debtors Urea & Industrial Product	

7. Methodology and process of Audit employed:
8. Brief of the Internal Control Systems/Procedures examined for its Adequacy, short comings/weaknesses/appreciable points observed and suggested measures/viable solutions suggested :
9. Constraints in conducting the Audit :

10. Final Audit report/observations along with executive summary indicating therein the financial implication and risk category (High/Major/Moderate) is enclosed as **Annexure-1.2d**:

(Signature)

Name & Address of the Auditors/Firm

Encl.: As above.



File No. \_\_\_\_\_

Dated: \_\_\_\_\_ Annexure –1.2 d

**Final Audit Report and Executive Summary of the Internal Auditors**  
of \_\_\_\_\_ (Unit/Office) for the Period \_\_\_\_\_ to \_\_\_\_\_.

**Non-Technical Audit**

Sr. No.	Audit Queries/Observations	Reply as given by the Auditee Unit/Office	Internal Auditor's Final Comments/Suggestions

Signature  
Name & Address of the Auditors/Firm



**SCOPE & AREA OF INTERNAL AUDIT PROGRAMME FOR ZONAL OFFICES  
FOR THE YEAR 2015-16**

**General:**

- i) To check that internal checks and control system for various activities of the organization and monitoring of such systems, is in place in the organization.
- ii) To check the adequacy of the existing policies/procedures and internal control systems and suggest measures for their improvement/ streamlining.
- iii) To check adherence to laid down policies / procedures applicable in Accounting Manual, Marketing Manual and Internal Audit Manual.
- iv) To follow the general guiding principles of the Internal Audit as specified Under Chapter-3 of the Internal Audit Manual. Planning, Execution & conduct of Internal Audit shall be as per chapter-6 of the Internal Audit Manual.
- v) The scope and areas required to be covered by Internal Auditors and quantum & periodicity has been elaborated in detail under respective chapters in the Internal Audit Manual, however, brief details of the same are mentioned below which are indicative only.

**1. Cash & Bank Accounts:**

- i) Check that Cash/Bank books are prepared daily and signed by the cashier/ officer and counter signed by In-charge (cash section).
- ii) Review of Cash Office operations for evaluating controls in cash/bank receipts and disbursements, maintenance of records in the Department, securities kept for cash like Double Locking System, Insurance of Cash in safe and in transit, Fidelity Insurance for officials dealing in cash.
- iii) Check that only machine numbered printed receipts are used and all unused new blank receipt books are kept in custody of the authorized officer. The existence of unused books may be verified physically with reference to the stock register. Ensure that the original copies of all the cancelled receipts are kept with the counter-foils invariably. Similar check may also be exercised in respect of cheques.
- iv) Check that cash transactions occur only after approval of the delegated authority.
- v) Checking of Bank Reconciliation Statement, dishonoured/stale cheques, if any.
- vi) Checking of Bank Guarantees received by the Company towards EMD/SD from various contractors/dealers with reference to validity and other contractual obligations. Also see that confirmation of issue of BGs have been obtained directly from the concerned bank and reviewed regularly to ensure validity/ renewal.
- vii) As a matter of practice, all payments to suppliers, contractors etc. should be through "A/c Payee" Cheques only. Cash payments/receipts should not exceed the limit as prescribed under Income Tax Act 1961.
- viii) Checking of payments/receipts through e-payment/e-collection.
- ix) Surprise checking of cash in hand.
- x) Ensure the cancelled cheques are mutilated.

**2. Sales Accounts Section and Sundry Debtors:**

- i) Check that Invoice-cum-Dos have been prepared as per Sales Terms and that Cash Receipt Vouchers have been raised with reference to sale terms.
- ii) Verify that the sales on credit are in accordance with the approved "Secured Credit Policy" of the company and interest on delayed payments has been recovered.
- iii) Check whether secured credit limits are fixed in respect of individual customers and whether the limits are approved by Zonal Office Committee.
- iv) Reconciliation of dispatches with the Sales Invoices. Review of Sundry Debtors and Advance Ledgers to bring out discrepancies with Company's policy/terms agreed.

- v) Reconciliation of Private Parties/Institutional buyer's ledgers with reference to all debits/credits for collections and rebates etc. allowed bringing out over due outstanding.
- vi) Check whether ageing schedules are prepared periodically and reviewed. Besides, Sundry Debtors Ledger may be reviewed for outstanding as on 31-03-2013 with reference to recoveries effected during current financial year and outstanding at the end of each quarter and comment on it.
- vii) Check whether Statements of Accounts are checked with Debtors Ledger and issued regularly to all customers.
- viii) Verify and reconcile VAT collected from dealers as entered in Sales Day Book, its timely deposit with appropriate authorities after ensuring correctness of amount. Timely filing of prescribed returns together with requisite forms. Also check accuracy of other statutory deductions and their timely deposit.
- ix) Review and report whether CSS Scheme is meeting its objectives.
- x) Check whether there is adequate internal control procedure for sale of goods.
- xi) Verification of VAT Registration Certificate so as to ensure that all the products subjected to VAT are covered in the Registration.
- xii) Verification of Reconciliation of Purchase Invoice and Sales Invoice with respect to VAT Returns and MIS.
- xiii) Check that proper follow up of outstanding debtors is done by Executive Department.
- xiv) Check that interest is charged from the customers wherever applicable.
- xv) Check that records pertaining to Dealer Master for Type of Party, Duplication of Party Code, Secured Credit limit etc. are properly maintained.
- xvi) To check that confirmation of balances of the parties is obtained by the units/offices. Auditor to give report containing financial account head, total no. of parties & amount as per account head, no. of letters issued & amount covered, no. of confirmation letters received & value covered and %age of value for which confirmation is received.

### **3. Handling and Transportation Accounts Section:**

- i) 100% checking of quantities moved by Road to various Districts from GR/ requisite documents and quantities as per FMS.
- ii) Ensure that needful action for incorporating clause in NIT of H&T Contract for MSME declaration by the parties, if any.
- iii) Status of TDS demands and compliance.

### **4. Central Accounts Section:**

- i) Verify that budgeting systems are effective and adequately meet the control objective of providing an accurate and reliable budgeting system, as a means to ensure that agreed financial and business objectives are achieved.
- ii) Review of Accounts Schedules in a manner that Schedule of each activity is checked thoroughly at least once during each quarter.
- iii) Check compliance with Accounting Standards and significant accounting policies of the company to the extent applicable to the Mktg. Division.
- iv) Checking of assets and assets records.
- v) Verification of VAT Registration Certificates so as to ensure that all the products/place of business of business are covered in the VAT Registration Certificate.
- vi) Compliance Report on various State/ local laws.

### **5. Establishment Accounts Section:**

- i) Review TA bills and other payments made by Estt. Section.
- ii) Review various Advances and related documents.
- iii) Review Medical Reimbursement Bills.

## **6. Personnel & Administration Department:**

- i) To verify that Corporate Social Responsibility (CSR) budget as approved by Board of Directors of NFL is further allocated to the Units/Marketing offices based on detailed projects submitted. The activities/project(s) are identified after a detailed Base Line Survey of the concerned area/village conducted in accordance with DPE guidelines by designated agencies. Also to verify that duly approved CSR activities are effectively implemented.
- ii) Review of procedure by which casual labour has been appointed.
- iii) Check that physical verification of fixed assets is carried out by the Zonal Office/Area Office. Reconciliation of book balances with physically verified balances is done and discrepancies resolved. Also verify that the system of numbering/coding of each asset to enable identification and easier stock verification is implemented. System to ascertain assets as serviceable/unserviceable exists and a certificate in this regard is recorded in the register by the authorized officer.
- iv) Review of assets control register.
- v) Reconciliation of book balances with physically verified balances.
- vi) Review of insurance of assets of the company and its adequacy.
- vii) Expenditure on communication, telephone/fax.
- viii) Area/Zonal Offices premises whether hired as per prescribed procedure.
- ix) Check that the Fixed Assets are insured as per Company's Policy.

## **7. Miscellaneous Accounts Section:**

- i) Checking of Imprest Register at Zonal Office and at least two Area Offices.
- ii) Examine whether recouplements of imprests were authorized as per powers sub-delegated.

## **8. Marketing Functions:**

### **a) Appointment of Dealers & Central Stockists:**

- i) Check that appointment of dealers/central stockists is as per the laid down procedures of the company/marketing manual.
- ii) Check applications received have been scrutinized by a Selection Committee for recommendations.
- iii) Check that dealers to be initially appointed are for a probationary period.
- iv) Check that adhoc dealers do not exceed the limit prescribed in the marketing manual.
- v) Check that list of adhoc dealers at Area Offices is up to date.
- vi) Check that adequate security is made by the dealers.
- vii) Check that applications received from Dealers for change in status of Dealership (name and nature of firm) is scrutinized as per clause 5.20 of Marketing Manual.
- viii) Check that Dealership Agreement is entered into by company with regular dealers only.

### **b) Credit Administration:**

- i) Check that the application for availing secured credit has been signed by all partners of the firm and/or Managing Director along with copy of resolution to the effect.
- ii) Check that certified copy of registered partnership deed is submitted by the parties.
- iii) Check that credit worthiness of the applicant is established.
- iv) Check that adequate security deposit is made by the dealers to avail credit limit facility. In case, security is in the form of BGs, direct confirmation of its issue has been obtained from the concerned bank. Effective tracking of expiry dates of Bank Guarantees/Letters of credit is being done.

**c) Handling and Transportation Operations:**

- i) Review proposals initiated by Zonal Office for lining up Handling and Transportation Contracts Vis-à-vis terms & rates offered by competitors like RCF, CFCL etc. & submit a separate report.
- ii) Check that NIT is issued to the pre-qualified parties.
- iii) Check all the supporting documents such as; EMD, Certificate of experience, Affidavit of proprietorship in case of individual ownership, Copy of partnership deed, List of immovable assets standing in the name of proprietor/partners / Firm, Copies of RC books of owned vehicles, if any, Income Tax Returns for the last 3 years and income tax clearance certificate, Certificate from the Bank confirming financial status of the party and to extend working capital facility.
- iv) Verify that negotiations with L-1 (if required) have been carried out by duly approved Committee and approval of Competent Authority are available on record.
- v) Check that Appointment of Handling and Transportation Contractors is in accordance with Company's laid down procedure.
- vi) Check demurrage & wharf age for delayed clearance, damage caused due to usage of hooks and for Shortage of material while handling are being recovered from H&T contractor.
- vii) Check H&T Bills are submitted along with material acknowledgement. Cost of unacknowledged material is being recovered from H&T contractor and payment is released as per terms and conditions of the contract. TDS as applicable is also deducted.
- viii) Verify that moving material beyond 100 Kms from warehouse has necessary approval.
- ix) Check that validity of H&T contract does not exceed two years. Extension, if any, is allowed on the same terms and conditions for one more year on the proposal of Area Manager.
- x) Surprise check of at least 1-2 rakes at rake points and submit report as per **Annx.-1.3 a1**.
- xi) Check inter rake comparison of rates in the Zone once in six months.
- xii) Check whether CSS claims for handling and transportation from same rake point have been checked with the claims of private H&T contractor to avoid double payments/claims for same transaction.
- xiii) Check whether CSS claims for Commitment Rebate (in spite of "inability" of NFL to supply material regularly to the dealer) has been counter checked with availability of NFL material in nearby CWC / SWC warehouses.
- xiv) Ensure that needful action has been taken for incorporating clause in NIT of H&T Contract for MSME declaration by the parties if any.

**d) Hiring of Godowns/ Warehousing:**

- i) Check and verify that hiring of warehouses, validity of warehouses hired and renewals thereof are as per marketing manual. Also to check warehouses hiring rates are reasonably competitive with Govt. warehouses.
- ii) Check that Warehouse utilization report is prepared periodically to check operating efficiency of each warehouse & *warehouse space utilization report is generated*.
- iii) Check Insurance of material lying in warehouses and its timely renewal, condition of warehouse materials. Report whether material is being dispatched on first-in-first-out (FIFO) basis.
- iv) Check movement of material in the receipt & disposal (R&D) statement with actual sale to avoid excess payment of godown rent for material stored.
- v) Surprise random check of 1-2 private warehouses and submit report as per **Annex.-1.3 a2**.
- vi) Check warehouses appearing on the hired list of Marketing Offices are actually hired.
- vii) Check that double *lock system is followed by Area Offices* in case of private godowns to guard against theft /pilferage.

**e) Stock Accounting:**

- i) Check whether perpetual stock records are kept for finished goods.
- ii) Check whether the records are reconciled with accounting records.
- iii) Review of Stock Ledger to examine accounting of shortages in transit, in handling at rake point and warehouse.

**f) Terms of Sale:**

- i) Check that the sale terms are duly approved.
- ii) Check that invoices raised are in accordance with sales terms.
- iii) Verify that Cash receipt vouchers (CRVs) have been raised with reference to Delivery Orders-cum-Invoice and sales terms.
- iv) Verify bank guarantees/DD have been received towards EMD/Security deposit.
- v) Review the policy with regard to sales terms, its implementation with respect to prevailing market conditions including terms offered by competitors & give comments/suggestions.

**g) Tradable items:**

Check that due exercise is undertaken as per detail guidelines specified in the Internal Audit Manual for tradable items i.e. assessment of requirement & marketability, economic analysis, approval of competent authority, evaluation of tenders, issue of LOI, security, letter of credit etc.

**9. Record Retention & Long Term Storage:**

**a) Record Retention:-**

- i) To verify that archived records are stored in locked storage areas designated for this purpose and that access to these areas is limited.
- ii) To verify that Permanent records are maintained in metal fire-resistant file cabinets. Non-permanent files will be stored in cardboard file boxes and each file box will be labeled on the front with the contents, dates covered, and destruction date if applicable.
- iii) To verify that files are stored only in boxes with similar items, dates and retention periods to allow for easier access and purging of records.
- iv) To check that the listing and categorization of records files is as per the procedures framed for this purpose.
- v) To verify that files are maintained for as long as is necessary but only to the extent they serve a useful purpose or satisfy corporate or legal requirements and are as per the norms of the prescribed policy of the Company on Record Retention Periods.
- vi) To verify better internal control copies of critical records that are vital to the daily operations of the Company should also be kept off site, where practicable, in case of possible disasters. This may include information needed to file insurance claims (assets lists, insurance contacts, policy numbers), financial data for tax purposes, contacts lists to inform or restart the operations (vendors, customers, investors and employees), and other data that would assist in rebuilding the business (business plans, intellectual property, or proprietary information).

**b) Record Destruction:-**

To verify that the concerned deptt. has destroyed the records/files that have exceeded their recognized holding period by following the notified procedure.

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**NATIONAL FERTILIZERS LTD.**

**REPORT ON SURPRISE CHECK OF RAKE AT UNLOADING POINT**

Report No. \_\_\_\_\_

Dated: \_\_\_\_\_

1. Name of the Rail Head :
2. State :
3. Wagon Particulars:
  - i) RR Number & Date :
  - ii) Wagon No. :
  - iii) Product :
  - iv) Quantity :
  - v) Date of Arrival :
  - vi) Weather Condition at the time of Unloading :
  - vii) Condition of Seal at the time of Unloading :
  - viii) Condition of the Wagon:
    - Roof
    - Floor
    - Door
    - Others causing damage to Bags
  - ix) Number of Bags Damaged :
  - x) Number of Bags Mended :
  - xi) Number of Bags Requiring Standardization :

(Signature)  
NFL Representative

(Signature)  
H&T Contractor

(Signature)  
Internal Auditor



**NATIONAL FERTILIZERS LTD.**

**REPORT ON SURPRISE CHECK OF PRIVATE WAREHOUSE**

Report No. \_\_\_\_\_

Dated: \_\_\_\_\_

1. Location :
2. Address :
3. Date of Inspection :
4. Observations: -
  - i) Stack Size and Height
  - ii) Physical Stock vs Book Stock
  - iii) Number of Empty Bags Available  
No. of Bags \_\_\_\_\_ Since When \_\_\_\_\_
  - iv) Quantity of Damaged Stock
  - v) Standardization proposed to be taken up on
  - vi) Material in transit

Details of RR Nos.	Date	Product	Qty. in MT's

- vii) Any leakage from the roof or sides
- viii) Nature of Dunnage provided
5. Last report sent by Warehouse on :
6. Latest bill sent on :
7. Details of bills pending :
8. Overall Comments :

(Signature)  
NFL Representative  
Name:  
Designation:

(Signature)  
Warehouse Incharge

(Signature)  
Internal Auditor

**NATIONAL FERTILIZERS LIMITED  
INTERNAL AUDIT DEPARTMENT**

**Annexure-1.3 b**

**Audit Programme for all Zonal Marketing Offices for the year 2015-16.**

**(Quantum and Periodicity)**

Zonal Office.....

Sr. No.	Name of Deptt./ Sections	Quantum and Periodicity
1.	<b>General:</b> Internal checks, Control system, policies, procedures etc.	Every Quarter
2.	<b>Cash &amp; Bank Accounts :</b>	
	i) Cash & Bank Books (item 9.2.2(B) of Audit Manual	One month in each Half Year
	ii) Other items	Once in each Quarter
3.	<b>Sales Accounts Section :</b>	
	i) Invoices	One month in each Quarter
	ii) Reconciliation of value of sale	At the end of each Quarter
	iii) Reconciliation of opening, production dispatches and closing balance	At the end of each Quarter
	iv) Age-wise analysis of sundry debtors	At the end of each Quarter
	v) Physical verification of stocks in ware houses done by Marketing Division.	10% once in a year
	vi) Review of Collection Accounts	Once in each Quarter
	vii) Appointment of dealers under CSS	10% Cases every year
	viii) Other items	One month in each Quarter
	ix) Contract of internal Handling and Transportation of Urea/other products.	Once in half year

4.	<b>Central Accounts Section :</b>	
	i) Up-keep of Central Ledger/Sub Ledger	Once in each Quarter
	ii) Up-keep of Assets Ledger & calculation of depreciation	Once in each Quarter
	iii) Periodical Returns	Every Quarter
	iv) Quarterly, Half Yearly, Annual Accounts	Every Quarter
5.	<b>Establishment Accounts Section :</b>	
	i) TA bills	100% bills for one month in each quarter
	ii) Medical reimbursement bills (exceeding Rs. 10,000/-)	100% bills for one month in each quarter
	iii) Reimbursement of LTE	Random checking of 10% bills once in each quarter
6.	<b>Personnel &amp; Administration :</b>	
	i) Administration Department	Once in a Half year
	ii) Personnel Department	Once in a Half year
	iii) Leave Accounts	One month in each Half year
	iv) Contracts	Once in a year
	v) Corporate Social Responsibility	Every quarter

<b>7.</b>	<b>Miscellaneous Accounts:</b>	
	i) Checking of Imprest Register at Zone and at least Two Area Offices	Once in each Quarter
	ii) Examine whether recoupments of imprests were authorized as per sub-delegation of powers.	Once in each Quarter
<b>8.</b>	<b>Marketing Department Functions:</b>	
	i) Surprise check of Rakes	1-2 rakes at rake points in each quarter
	ii) Physical verification of stocks in Private Warehouses	Random check of 1-2 warehouses in each quarter
	iii) Confirming Debtors Balances	90% Once in a year
	iv) Other items: a) Appointment of dealers b) Credit Administration c) Handling & Transport Operation d) Hiring of Godowns/Warehousing e) Terms of sales f) Sales Accounting & Sundry Debtors g) Tradeable Items	Once in each Quarter
<b>8.</b>	<b>Record Retention and Long-term Storage</b>	Once in 2 <sup>nd</sup> Half of the year

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File No.: \_\_\_\_\_

Dated: \_\_\_\_\_

**QUARTERLY FINAL INTERNAL AUDIT REPORT  
For the Period \_\_\_\_\_ to \_\_\_\_\_**

**Non-Technical Audit**

1. Final Report Number :
  - i) Date of submission :
  - ii) Due date of submission :
2. Name of the Auditee Unit/Office:
3. Period covered in the Audit:
4. Date of start/completion of Audit:
5. Detail/Names of Auditors:
6. Audit Scope/Area of transactions covered in the Audit and extent of verification/sampling technique:  
**(Actual area covered may be indicated here, in brief even if there is no observation, for the information of Audit Committee. If required, separate sheet may be attached)**

S.No.	Section Verified	Scope and extent covered as per scope defined
1.	Cash & Bank Accounts	
2.	Sales Accounts Section	
3.	Central Accounts Section	
4.	Establishment Accounts Section	
5.	Miscellaneous Accounts section	
6.	Personnel & Administration	
7.	Marketing Functions	
a.	Appointment of Dealers & Central stockiest	
b.	Credit Administration	
c.	Handling & Transportation Operations	
d.	Hiring of Godowns/ Warehousing	
e.	Terms of Sale	
f.	Sales Accounting & sundry Debtors	
8.	Record retention and long term storage	

7. Methodology and process of Audit employed:
8. Brief of the Internal Control Systems/Procedures examined for its Adequacy, short comings/weaknesses/appreciable points observed and suggested measures/viable solutions suggested :

9. Constraints in conducting the Audit :

Final Audit report/observations along with executive summary indicating therein the financial implication and risk category (High/Major/Moderate) is enclosed as **Annexure-1.3 d**:

Encl.: As above.

(Signature)  
Name & Address of the Auditors/Firm

File No. \_\_\_\_\_

Dated: \_\_\_\_\_ Annexure – 1.3 d

**Final Audit Report and Executive Summary of the Internal Auditors**  
of \_\_\_\_\_ (Unit/Office) for the Period \_\_\_\_\_ to \_\_\_\_\_.

**Non-Technical Audit**

Sr. No.	Audit Queries/Observations	Reply as given by the Auditee Unit/Office	Internal Auditor's Final Comments/Suggestions

Signature  
Name & Address of the Auditors/Firm

**Annexure -1.3 e**

File No. \_\_\_\_\_

Dated: \_\_\_\_\_

Audit Committee of Board of Directors,  
National Fertilizers Limited,  
New Delhi.

**Subject: Significant Observations of Internal Audit in respect of \_\_\_\_\_(Unit/Office) for the period \_\_\_\_\_ to \_\_\_\_\_**

**Non-Technical Audit**

Sirs,

We have conducted the Internal Audit of \_\_\_\_\_(Unit/Office) for the period \_\_\_\_\_ to \_\_\_\_\_. The significant points observed during the Audit are indicated below for kind information and necessary action :

Sr. No.	Audit Queries/Observations	Reply as given by the Auditee Unit/Office	Internal Auditor's final Comments/Suggestions

Thanks,

Yours faithfully,

(Signature)  
Name & Address of the Auditors/Firm



**Scope & Area of Internal Audit Programme For Units - 2015-16.**

**Non-Technical Audit**

**General :**

- i) To check that internal checks and control system for various activities of the organization and monitoring of such systems, is in place in the organization.
- ii) To check the adequacy of the existing policies/procedures and Internal control systems and suggest measures for their improvement/ streamlining.
- iii) To check adherence to laid down policies/procedures applicable in the Internal Audit Manual and Accounting Manual.
- iv) To follow the general guiding principles of the Internal Audit as specified Under Chapter-3 of the Internal Audit Manual. Planning, execution & conduct of Internal Audit shall be as per Chapter-6 of the Internal Audit Manual.
- v) The scope and area required to be covered by Internal Auditors and quantum and periodicity has been elaborated in detail under respective chapters in the Internal Audit Manual, however, brief details of the same are mentioned below which are indicative only.

**1. Cash & Bank Accounts:**

- i) Check that Cash/Bank books are prepared daily and signed by the cashier/ junior officer and counter signed by In-charge (cash section).
- ii) Review of Cash Office Operations for evaluating controls in cash/ bank receipts and disbursements, maintenance of records in the Department, no unauthorized corrections, Securities kept for cash- like Double locking system, Insurance of cash in safe and in transit, fidelity insurance for officials dealing in cash.
- iii) Check that only machine numbered or computerized receipts are used and all unused new blank receipt books are kept in custody of the authorized officer. The existence of unused books may be verified physically with reference to the stock register. Ensure that the original copies of all the cancelled receipts are kept with the counter-foils invariably. Similar check may also be exercised in respect of cheques.
- iv) Check that cash payments/receipts do not exceed the limit as prescribed under Income Tax Act, 1961. As a matter of practice all payments to suppliers, contractors should be through 'A/c Payee' cheques only.
- v) Check that cash transactions occur only after approval of the delegated authority.
- vi) Checking of Bank Reconciliation Statement, Dishonored/ Stale cheques, if any.
- vii) Surprise checking of cash in hand.
- viii) Checking of Payments/Receipts through e-payments/e-collection.
- ix) To check that system exists to examine that the financial resources are raised at minimum possible cost. Also verify that Forex and Interest Rate Risk policy, as approved by NFL BOD, is implemented (at CO only).
- x) To check Register of unpaid payments, collateral security and valuable documents and bank confirmation certificate.
- xi)** Check that confirmation of issue of Bank Guarantee is obtained directly and reviewed regularly to ensure validity/renewal.

**2. Purchase Accounts Section:**

- i) Check that the particulars of the bill agree with the purchase order with reference to the rates, specifications, date of supply, mode of transport, quantity ordered and where there are deviations these are supported by proper amendments. Also check Bank advices, Bill of Entry (BE), Bill of Clearing Agent,

Port Trust charges, LC charges etc. for import of materials. The bill is supported by the Stores Receipt Voucher and Inspection Report duly signed by Competent Authority.

- ii) Check that items like packing and forwarding charges, excise duties, sales tax/vat etc. for which rates are not shown in the purchase order have been billed correctly and concession rate of sales tax/VAT is availed of whatever applicable.
- iii) Check that confirmation of issue of Bank Guarantees is obtained directly from the bank and are reviewed regularly to ensure their validity/renewal.
- iv) Check the statutory deduction and its timely deposit.
- v) Review the system of follow up of Purchase Orders. Ascertain whether supplies were received within stipulated dates of delivery. In case of delays it may be examined whether the extension of time of delivery is given after due consideration at the appropriate level and with financial concurrence and whether non-enforcement of claims for liquidated damages was as per the exigencies of the work.
- vi) To examine that the CST/Sales Tax/ VAT Registration Certificates are obtained by the units/offices.
- vii) Check that advances to the suppliers are allowed strictly in accordance with the terms stipulated in the Purchase Orders and advances are adjusted before bills for payment are passed.
- viii) To check that the total advances to suppliers as per the Advance Ledger are reconciled periodically with the Control Accounts maintained in the general ledger and scrutinize cases of old outstanding lying unadjusted.

### **3. A. Sales Accounts Section:**

- i) In respect of Direct Sales, check that the terms & conditions of sales are as per the approved sales policy of the Company and are in keeping with the Sale of Goods Act, Fertilizer Control Order, Essential Commodities Act and other statutory laws and rules. Cash receipt vouchers have also been prepared with reference to delivery orders.
- ii) Check that the invoices for road and rail dispatches have been raised correctly. The total dispatches made as per loading statement received from the Transportation Deptt. in a month are reconciled with the quantity shown in the Sales Day Book.
- iii) Check that in case of sales to Institutional Buyers/Private Dealers, invoices have been prepared and presented as per the terms of credit sales policy.
- iv) Verify that the sales on credit are in accordance with approved 'Credit Policy' of the Company and interest on delayed payments have been recovered.
- v) Check reconciliation of value of sale done by the unit every quarter.
- vi) Check reconciliation of opening balances, production, dispatches, shortages/damages and closing stock done by the unit every quarter.
- vii) To review Sundry Debtors ledger and check that reconciliation of balances/age-wise analysis is done and confirmation of balances is obtained. Proper follow up for recovery of outstanding debtors is done by the executive Deptt.
- viii) Check that Advances received are correctly accounted for and adjusted.
- ix) Check that adequate Security Deposit is collected from the dealers.
- x) To verify that direct confirmation for issue of Bank Guarantees (BG) by the bank is obtained from the bank and are regularly reviewed to ensure their timely renewal/validity.
- xi) Check accuracy of statutory deduction and their timely deposit.
- xii) Check payment of excise duty.
- xiii) Check bagging, loading, transportation and shortages in transit.
- xiv) Check approval for hiring of warehouses, payment of rent, verification of warehouse stock.
- xv) Check operation of collection account and ensure that DDs received against sale proceeds are deposited quickly and the funds are transferred to Main

Collection Account immediately. The unauthorized debits/credits are properly reconciled and appropriate action is taken.

- xvi) To verify that all the terms and conditions and guidelines of FICC for subsidy claims have been fulfilled and subsidy claims have been correctly raised and timely submitted to the appropriate authority with relevant documentary evidence. Also examine that the subsidy has been accounted for as per accounting policy followed by the company.
- xvii) Check that the award of contracts for loading/transportation of urea/other products are as per the laid down procedure of the Company and the payments including service tax are released as per terms and conditions of the contracts. TDS is deducted at the applicable rates.

**B. D & C Cell for Industrial Products (For Nangal Unit only) :**

- i) To check that the invoices in respect of industrial products have been prepared on the basis of Cash Sale Advices i.e. Delivery Instruction (DI) received from D&C cell and weighment/loading statement received from the plants/store indicating the actual quantities issued. Also see that the prescribed procedure with regard to sale of industrial products is being strictly adhered to.
- ii) Verify that the invoices have been prepared promptly within seven days of the date of D.I. and as per the sale terms approved by Competent Authority. To verify whether statutory provisions contained in Sale of Goods Act, State Sales Tax Act and other relevant statutory law & rules are complied with.
- iii) To check that CST/Sales tax declaration forms in respect of sale of industrial products are obtained from the parties and given to unit for submission of return.
- iv) Reconciliation of Dispatch advices with Sales Invoices.
- v) To check that confirmation of balances of the parties is obtained by the office. Auditor to give report containing financial account head, total no. of parties & amount as per account head, no. of letters issued & amount covered, no. of confirmation letters received & value covered and %age of value for which confirmation is received.
- vi) Check that advances received are correctly accounted for and adjusted.
- vii) Surprise check on weighment of at least three Industrial Product tankers/ trucks every quarter and submit report in the proforma at **Annexure-1.4 a2**.
- viii) Whether Physical Verification of Inventories of Industrial Products has been conducted at reasonable intervals.

**4. Stores Accounts Section:**

- i) Check whether SRV (Stores Receipt Vouchers) have been prepared in time and signed by the Competent Authority, pricing done correctly, differences in provisional liability and actual payment as per bills promptly reconciled, recovery of demurrage/wharf age/freight etc. is made and SRV's are adjusted quickly.
- ii) To verify that issue notes are signed by authorized official, chargeable heads of accounts are correct, all issue notes are included in Issue Notes Summary, pricing of issue notes through computer is correct, issues to contractors/on loan and to other units has the approval of Competent Authority and are accounted for correctly.
- iii) To verify that stores issued to contractors and other outside parties/loan are with the approval of Competent Authority and are debited to contractor's account in RA bills of works accounts.
- iv) To verify that issue note reference is indicated in Material Returned Notes, the returned unused materials are valued at cost.
- v) Review the Priced Stores Ledger (PSL), for irregular balances if any. Review non-moving inventory of Chemicals and catalysts not moved for more than 5 years and check requirement of provision for obsolescence/diminution in value.
- vi) Review of missing and diverted/unconnected rakes/wagons of coal and oil and settlement thereof.

- vii) Check that sale of scrap is affected as early as possible, SD and payments are deposited as per terms of sale order and sales invoices are raised timely.
- viii) Check that action for identification of stores & spares as surplus or obsolete items and other items of inventory for the purpose of account of diminution in value of such stores & spares is taken in the books of accounts.
- ix) Check that action arising out of Physical Inventory Report with regard to adjustment of excesses/shortages has been taken after obtaining sanction of the competent authority.
- x) Check that the award of contracts in respect of material handling, unloading of oil and coal including the contract for supervision of coal at collieries are as per the laid down procedure of the company and the payments including service tax are released as per terms and conditions of the contract. TDS is deducted at applicable rates.

#### **5. Budget & MR Accounts Section:**

- i) Verify that budgeting systems are effective and adequately meet the control objective of providing an accurate and reliable budgeting system, as a means to ensure that agreed financial and business objectives are achieved.
- ii) Check that budgets are planned comprehensively with sufficient detail for effective control to achieve the financial and business objective.
- iii) Check that production/sale plans are in sufficient detail and subsidiary budgets have been prepared as per norms prescribed.
- iv) Check that budgets are used as instrument of control.
- v) Check that actual financial performance is reviewed with respect to budget estimate, the reasons for variation are analyzed, appropriate modifications are done periodically over the remaining budget period and comment thereon.
- vi) To see that Cost Review meetings are being held regularly and the decisions taken are implemented.
- vii) Check that appropriation of Budget provisions from one head to other head has the approval of Competent Authority.
- viii) Check expenditure of repairs & maintenance is as per the provisions of revenue budget for the year and comment variance if any.
- ix) Examine Non-Project minor Capital Schemes valuing more than Rs.5.00 lakhs which had been implemented during previous year and submit report submitted as to whether the benefits originally envisaged have been achieved.
- x) Verify and analyse MIS Reports, Reconciliation with Actual performance and comment on variation, if any, to be reported under **Annexure 1.4a1**
- xi) 100% checking of quantities moved by Rail to various districts from requisite documents like Railway Receipts.

#### **6. Insurance Accounts Section:**

- i) To examine that the Insurance Policies under fire & allied risks, marine insurance, other miscellaneous insurance covers are obtained. Also check the adequacy of insurance covers. Handbook on insurance (Appendix 4 to Internal Audit Manual) may be referred to.
- ii) Check that Insurance Cover has been taken for all the assets and exclusion of assets, if any, has been made by a conscious decision.
- iii) Check that all necessary steps to comply with changing requirements of Insurer/Insured, in order to negotiate reduction in premium, have been taken. Check that claims along with supporting documents are lodged as becoming due for fire and allied risk policy as well as other policies. The claims are also lodged on transporter/suppliers.
- iv) Verify that the declarations in respect of transit insurance are made correctly and timely. Claims are lodged promptly.
- v) Quarterly ageing of claims is also done and ascertain the reasons of non-settlement.

## **7. Central Accounts Section:**

- i) Check that monthly trial Balance, Quarterly/Half-yearly/Annual Accounts are prepared and reviewed including Inter Unit reconciliation of accounts and comment thereon.
- ii) Check that Main Ledger/Sub-Ledger is prepared regularly, Central Ledger reviewed monthly, irregular balances are probed for appropriate rectification.
- iii) Check that assets ledger are prepared, reviewed and reconciled with Central Ledger monthly. Check the correctness of calculation of depreciation on fixed assets. Check that adjustments for assets transferred, sold, discarded etc. are recorded correctly.
- iv) Check that physical verification of immoveable assets is carried out by the units as per guidelines issued by Corporate Office and discrepancies resolved. Also verify that the system of numbering/coding of each asset to enable identification and easier stock verification is implemented.
- v) Check that procedures applicable to purchase/disposal of capital items are being complied with during purchase/disposal of Fixed/Moveable Fixed Assets.
- vi) To see compliance with all the Mandatory Accounting Standards along with significant accounting policies and whether deviation if any, have been disclosed in annual report.
- vii) Check that change in accounting policy, which has a material effect has been disclosed to reflect the effect of such change in financial statement.
- viii) Check that the nature and amount of extra ordinary items although shown in net profit or loss, separately disclosed in the statement of profit or loss in the manner that its impact on current profits or loss can be perceived.
- ix) To check that Income Tax Return is submitted in time, income is properly classified computation of Income Tax Surcharge/Cess and interest in respect of Income Chargeable to Tax Wealth Tax is properly calculated and compiled with.
- x) Check that Leasehold property is amortized over the lease period.
- xi) Check that proper procedure for excisable products and service taxable services have been followed for maintenance of records, timely deposit of excise duty/service tax and returns thereof.
- xii) Check that confirmation of balances of the parties is obtained by the units/offices. Auditor to give report containing financial account head, total no. of parties & amount as per account head, no. of letters issued & amount covered, no. of confirmation letters received & value covered and %age of value for which confirmation is received.

## **8. Works Accounts Section:**

- i) Check randomly that work has been awarded as per the prescribed procedure and budget provision keeping in view the justification and necessity of jobs. To review that the tendering procedures and directives issued for the works contracts procedures are properly followed. Estimates are prepared based on real facts and reasonable factors. Check that subsequent amendments, if any, were imperative due to technical considerations of the design consultant and additional financial implication, if any, has the financial concurrence and approval of the competent authority.
- ii) In deciding on the extent of Jobs to be done through outside agencies check that facilities available in house have been fully considered.
- iii) Check whether administrative, technical & financial sanction had been obtained as per delegation of powers.
- iv) To verify that the work has been awarded to the lowest bidder, if not justification for awarding the work other than the lowest has been recorded, and financial concurrence/approval of Competent Authority obtained. The agreement on non-judicial stamp paper is executed.

- v) Check that execution of work is as per work order.
- vi) Check the system of recording of measurements, standard of test checking. Preparation & checking of bills (R/A & Final Bill).
- vii) To verify that advance payments, payments to contractors/consultants/engineer firms and architects including service tax are as per work order.
- viii) To verify that payment of sub-standard work, extra/substituted items, escalation is regulated as per provisions of work order.
- ix) To check Bank Guarantees are kept valid and there is a proper system of watching the validity. Confirmation of issue of Bank Guarantees is obtained directly from the Bank.
- x) To verify that deductions towards security deposit, TDS and other deduction like liquidated damages, non-conforming work etc. are regulated as per work orders.
- xi) Check that wherever there is delay in completion of work, necessary liquidated damages, have been recovered as per the terms of the contract. Extension of time has been granted by the competent authority after certifying on record that no loss had occurred.
- xii) Check the receipt, consumption and control of materials.
- xiii) Check whether deviation statement has been prepared for each item of ARC/contract/work order.
- xiv) To verify proper account of expenditure.
- xv) In case of capital work, check that various requirements with regard to capitalization of fixed Assets as per AS-10, allocation of expenditure during construction, unallocated expenditure etc are complied with.
- xvi) Status of implementation of e- tendering for works contract above Rs. 1 Crore.

#### **9. Establishment Accounts Section:**

- i) Check the input data for preparation of salary bill, the control and checks in force to prevent double/wrong payments.
- ii) Verify whether salary bills are prepared as per attendance records/time cards.
- iii) Scrutiny of salary bills, perks, allowances, review of TA Bills/LTE Bills/Medical Reimbursement Bills and other misc. payments made by establishment section.
- iv) Review the various advances and related documents.
- v) Check whether statutory and other deductions have been made from wages are properly recorded in control accounts and statutory deductions deposited in time.
- vi) Check that payments relating to Statutory Bonus and production/profit linked incentive for workers and officers have been calculated and paid as per payment of Bonus Act and laid down policy of the Company.
- vii) Ascertain that present value of future liability towards Gratuity and En-cashable EL/HPL, is accounted for on the basis of year and actuarial valuation.

#### **10. Provident Fund and Employees Pension Account Section**

##### **A) Provident Fund:-**

- i) Check that contribution from employees and share of the company is at prescribed rate and interest thereon as approved by Central Board of Trustees, has been credited to member's account.
- ii) Check the nomination of all the members with reference to its particulars and safe custody.
- iii) Review the advances both refundable and non-refundable with reference to rules and recovery thereof and to see that necessary documents have been obtained and the condition prescribed for the purpose have been satisfied.
- iv) Check that register of investments is maintained, investments made in approved securities are as per percentage laid down by Govt. of India from time to time, kept in safe custody and also check the calculation of interest. Physically verify the securities.

- v) Check the final settlement, transfer of balances to trust of other organizations and inter unit transfer of Provident Fund.
- vi) Verify that proper returns have been submitted and inspection charges are paid to the Govt. Examine the inspection report of Inspector of Provident Fund and action taken thereon.
- vii) Check the Bank Book, payments & receipts of contribution, reconciliation of Bank Account regularly.

**B) Employees Pension Scheme:-**

- i) Verify that members of PF are also members of EPS w.e.f. 16.12.1995.
- ii) Verify that contributions are correctly calculated, recovered from the employees and deposited/remitted to the Regional Provident Fund Commissioner (RPFC) in time.
- iii) Verify that proper records are maintained and all prescribed returns are submitted to RPFC.
- iv) Check that the pension claims in respect of deceased members/ members who have attained the age of 58 yrs, are lodged with the concerned Regional Provident Fund Commissioner (RPFC) timely to secure the available benefits to the entitled person.
- v) Verify that transfer cases of Pension Scheme from other Regional Offices are expeditiously made and review status of pending cases.

**11. Capital Expenditure Projects:**

- i) Examine various broad phases of activities related to capital expenditure like conceptualization of project, documentation, sanctions, budgeting & funding (Internal accrual, external borrowings etc.), entering into contracts or departmental execution, clearances from environment, pollutions and other statutory authorities, progressive execution of project/payment along with running bills with reporting against budgets.
- ii) Check that detailed techno-economic feasibility report, detailed project report, cost benefit analysis, and the approved procedure for establishing the need for the CAPEX Project are available on record.
- iii) Examine Revamp Projects for conversion of operation from FO/LSHS Feed Stock to NG based Feed Stock at Nangal, Bathinda & Panipat and Energy Saving & Capacity Enhancement schemes at Vijaipur, their completion, testing, commissioning and acceptance (both preliminary and final) etc.
- iv) Check that the payments against WOs/POs/LSTK etc. are being made and final settlement/closure of contracts is carried out as per the provisions and in accordance with the terms & conditions of the work order.
- v) Verify financial settlement (extra items, escalation, liquidated damages, penalties etc. relating to Projects related activities at all the Units.
- vi) Verify that capitalization of expenditure, work in progress account is done in the appropriate asset accounts as a consequence of successful completion of revamping of plants at Nangal, Bathinda, Panipat and Energy Saving and Capacity Enhancement Projects at Vijaipur. Also check and verify that de-capitalization of old assets and/or their segments is done simultaneously, wherever applicable, in the financial records.
- vii) Verify that project completion appraisal and project closure reports are properly generated as per requirements of the work/purchase order and are available in the record.
- viii) Check adherence to the contract clause for trial runs (testing and commissioning) for important equipments, assemblies, sub-assemblies, components so that stipulated capacity is operationally achieved.

**12. Personnel & Administration:**

**A) Administration Department:-**

- i) Check that proper records relating to payments of telephone bills, electricity & water charges are maintained and recoveries from concerned are made.
- ii) Verify that appropriate stock registers are maintained for all assets under charge of Deptt.
- iii) Check that physical verification of assets has been done periodically to ascertain the existence of the assets in serviceable condition and proper certificate in this regard is recorded in the register by the authorized officer. Whether discrepancies noticed are reconciled and accounted for in relevant records.
- iv) Check the records relating to the expenditure incurred on maintenance of vehicles owned by the company. Analyze the consumption of petrol/diesel per KM and examine the reasons for variations. Also verify that each vehicle has valid registration and insurance cover. Also verify that the drivers have proper, appropriate and valid driving license for the type of vehicles he is deployed with.
- v) Check that the work orders of various contracts such as miscellaneous contracts, hiring of taxis, reimbursement of coupons, canteen, sanitation, horticulture etc. are awarded as per the tendering procedure laid down by the Company.
- vi) To verify that Corporate Social Responsibility (CSR) budget as approved by Board of Directors of NFL is further allocated to the Units/Marketing offices based on detailed projects submitted. The activities/project(s) are identified after a detailed Base Line Survey of the concerned area/village conducted in accordance with DPE guidelines by designated agencies. Also to verify that duly approved CSR activities are effectively implemented.

**B) Personnel Department:-**

- i) Check that recruitment is made against sanctioned posts.
- ii) Checks that all statutory obligations with regard to contract labour i.e. PF, ESI etc. are adhered to.
- iii) Check the cases of fixation of pay whether financial concurrence has been obtained wherever necessary.
- iv) Check that in case of trainees, service bonds are obtained in prescribed forms and cost of training is recovered from those who discontinue their training/service during training period.
- v) Verify that all the statutory reports are being sent to State/Central Govt./Labour Commissioner and other Govt. Offices within scheduled time.
- vi) Verify that the personnel files with regard to maintaining of personal information of the employees, family particulars, nomination forms for gratuity, pension etc. are properly maintained.
- vii) Check whether leave account of each employee is maintained properly as per rules of the Company.
- viii) Verify that medical reimbursement bills are as per the company Policy/Rules and also check the list of dependents in case of claim of dependents.
- ix) Whether units have declared surplus labour.
- x) Steps taken for dealing with surplus labour. Whether action has been taken to re-deploy through transfer to other department or other plant & if transferred-whether implemented. If no, reasons for delay in implementation & resultant loss.
- xi) Whether there is objective & declared criteria used for declaring surplus labour.
- xii) Status of steps taken by Nangal unit to implement transfer orders of employees declared surplus.

**13. Materials Management - Purchases:-**

- i) Verify that general guidelines regarding procurement of materials, engagement of service contractors/material handling contracts etc. as per purchase manual are followed. Also check that NIT/tender documents have financial vetting and approval of Competent Authority.
- ii) Verify that approved list of suppliers is maintained by the Dept. and is reviewed periodically as per guidelines/procedure given in the Purchase Manual.



- iii) Check whether the approved tender procedure for procurement of materials was followed.
- iv) Verify that the indents are approved by competent authority and the indents for capital items have the financial concurrence with budget provision.
- v) Verify that the order has been awarded to the lowest tenderer and if not, the reasons for ignoring the lowest have been recorded and have been approved by Competent Authority. CVC guidelines have been followed.
- vi) Review the cases of emergent purchases with reference to their justification, reasonableness and actual consumption after procurement.
- vii) Check if constitution of tender committee is as per guidelines of the purchase manual and the order has been placed as per terms agreed by the tender committee.
- viii) Check the internal lead time taken in conversion of indents in to POs.
- ix) Progress made in e-tendering & reverse auction for purchases exceeding Rs. 1 Cr.
- x) Check whether all procurements exceeding Rs. 2 Lacs have been done through E- Tendering.

#### **14. Materials Management – Stores:**

- i) Check that all the inward materials consigned to NFL is got released from railways/transporter without incurring demurrage/wharfage.
- ii) Check that proper records are maintained for materials received and kept in safe custody for inspection.
- iii) See that delivery orders against the annual rate contracts are released keeping in view the level of inventory.
- iv) Check that Receipts, Issues and Balances columns of material are entered in Bin-cards & shown correctly after every transaction.
- v) Check that periodical physical stock verification is carried out. The verification reports are promptly attended, shortages/ discrepancies are reconciled and adjusted.
- vi) Check that proper claims have been lodged on insurance/ Railways/ Transporters for any shortage or breakage of the material.
- vii) Check that proper procedure provided in the stores manual is followed for material sent to fabricators for repair and maintenance.
- viii) Check the cases of delay in inspection of materials received in the main stores.
- ix) Check the cases of delay in raising of SRVs after the inspection of materials.
- x) Examine that there is proper system of classification of non-moving and slow moving items of inventory to identify the items as surplus & obsolete and action for their disposal is taken.
- xi) Check that sale of scrap is affected as early as possible.

#### **15. Rail/Road Transportation**

- i) To check that causes for demurrage on inward goods i.e. coal & oil and outward rakes of urea fertilizers have been analyzed and also check that claims on railways for excess freight, under loading, missing/diverted wagons for coal & oil are lodged timely and followed up for settlement.
- ii) Check that the contract for transportation of urea by road and maintenance of railway siding are timely awarded and are in compliance with the procedures.

#### **16. Township Administration & Guest House:**

##### **A) Township Administration:-**

- i) Check that proper records for land, building etc. are maintained, registration deeds and other permanent documents are kept in safe custody.
- ii) Verify that the procedures and rules for allotment of land/buildings/quarters/shops etc. are followed and proper records are maintained. Also check delay in occupancy and out of term allotments.
- iii) Check whether the total allotments along with vacant houses are reconciled periodically with the total number of houses.

- iv) Check the billing system for recoverable from outsiders in respect of land/buildings/quarters/shops etc. allotted to them. Test check documents in respect of recoveries for two months with reference to the lease agreements/rules of the Company.
- v) Verify that the control in existence and system followed to keep a watch over unauthorised encroachments on Company's land/property is adequate.
- vi) Check that the terms of lease of land allotted to various parties and the allotments have been approved by the Competent Authority.
- vii) Steps taken to realise outstanding lease rent from Shopkeepers.
- viii) Progress in implementation of recommendation by legal department to evict shopkeepers defaulting in payment of lease rent.

**B) Township Maintenance Records:**

- i) Examine that proper procedure for award of Work Orders/Contracts is adopted and budgetary control system applied.
- ii) Check the Accounts of Stores, its issue and consumption by contractor. Also examine the stock of stores not moved/moved slowly.
- iii) Check the complaints register and comments on the effectiveness of attending the complaints.
- iv) Check the imprest account and temporary advances and reports cases of non-adjustments or where there have been unreasonable delays.

**C) Township Income:-**

Verify that the bills for recovery of various types of income/recovery are raised timely, rates for the services including bought out services are in order.

**D) Public Health:-**

- i) Check the necessity of job contracted out, its contractual terms, authorization and performance.
- ii) Check that the garbage disposal/removal and environment dis-infection programmes are working satisfactorily.
- iii) Check the adequacy of steps taken to control insects and pests and insects borne diseases in the township.
- iv) Review the functioning of the various immunization programmes.

**E) Guest House – Owned/Leased:-**

- i) Verify that register of visitors is maintained, Test check the bills, amount received from guests and also the occupancy rate.
- ii) Check the stock register of guest house non-consumable items.

**F) Horticulture:-**

- i) Review the actual coverage of plantation with the planned programme.
- ii) Review the afforestation work done through contractors and comments on the performance.
- iii) Examine the system of procurement and accounting for tools and implements as well as disposal of scrapped/condemned items.
- iv) Review sale of items (by auction or otherwise) including method of price fixation.
- v) Verify the expenditure incurred on maintenance of lawns/parks and see it is within budget provision.

**17. Schools & Hospitals:**

**A) Schools:-**

- i) Check fee collection & Collection Register, various funds collected by the school are properly accounted for and expenditure incurred there from is as per the budget provision.
- ii) Check various School Equipments and Stores Registers that the stores issues to the schools have been taken on stock register.
- iii) Check that there is a system of regular physical verification of the school Equipment and Stores. Test check physical existence of some of the items.

- iv) Check Imprest Account in the name of Principal/Headmaster (if any) with respect to its correctness and completeness regarding the expenditure incurred there-from.
- v) Check the Library Register that all books have been entered therein. Also see that there is a proper system of periodical check of the books and write-off of lost/Mutilated books.
- vi) Scrutinize Register of Periodicals and Newspapers that the purchases are sanctioned by the Competent Authority and the used newspapers, periodicals etc. are sold regularly after adopting the prescribed procedure.

**B) Hospitals:-**

- i) Check that requisite standards of good hospital housekeeping in the areas of waste disposal, safety, sanitation and odor control, pest, rodent and animal control, interior decoration is met.
- ii) Check that the Hospital Linen Services like- Procurement, preparation, safety & control, processing, condemnation and incineration and replacement are as per laid down standards of good housekeeping.
- iii) Check that the requisite standard is met for equipment maintenance, environment hygiene, Infection Control and proper record is maintained.
- iv) Check that maintenance of records and documents is proper.
- v) Check that proper record for procurement of hospital equipments/machines, its inventory, details of idle/break-down of equipments is maintained and preventive maintenance is undertaken.
- vi) Examine that the prescribed procedures for treatment of non-entitled patients are strictly followed, the sanction of the Competent Authority is obtained and recoveries thereof have been made as per the approved scheduled rates and the amount realized is deposited with cash Deptt.

**18. Record Retention & Long Term Storage:**

**A) Record Retention:-**

- i) Verify that archived records are stored in locked storage areas designated for this purpose and that access to these areas is limited.
- ii) Verify that Permanent records are maintained in metal fire-resistant file cabinets. Non-permanent files will be stored in cardboard file boxes and each file box will be labeled on the front with the contents, dates covered, and destruction date if applicable.
- iii) Verify that files are stored only in boxes with similar items, dates and retention periods to allow for easier access and purging of records.
- iv) Check that the listing and categorization of records files is as per the procedures framed for this purpose.
- v) Verify that files are maintained for as long as is necessary but only to the extent they serve a useful purpose or satisfy corporate or legal requirements and are as per the norms of the prescribed policy of the Company on Record Retention Periods.
- vi) Verify for better internal control that copies of critical records vital to the daily operations of the Company are also kept off site, where practicable, in case of possible disasters. This may include information needed to file insurance claims (assets lists, insurance contacts, policy numbers), financial data for tax purposes, contacts lists to inform or restart the operations (vendors, customers, investors and employees), and other data that would assist in rebuilding the business (business plans, intellectual property, or proprietary information).

**B) Record Destruction:-**

- i) Verify that the concerned deptt. has destroyed the records/files that have exceeded their recognized holding period by following the notified procedure.

## ANNEXURE-1.4a2

NATIONAL FERTILIZERS LTD.

### REPORT ON SURPRISE CHECK ON WEIGHMENT OF INDUSTRIAL PRODUCTS

Report No. \_\_\_\_\_

Dated: \_\_\_\_\_

1. Name of the Product :
2. i) D.I.No. and date :  
ii) Qty. as per D.I. :
3. Date and time of Surprise Check :
4. Particulars of tanker/truck:
  - i) Tanker/Truck No. :
  - ii) Capacity of the tanker/truck :
    - a) Gross Weight :
    - b) Tare Weight :
    - c) Net Weight Loaded :
  - iii) Weight found on surprise check :
  - iv) Discrepancy if any :
5. Remarks if any :

(Signature)  
NFL Representative

(Signature)  
Driver

(Signature)  
Internal Auditor

**Annexure1.4 a1**

**National Fertilizers Limited :**

Variances in expenditure beyond 10% upto ----- over the previous year/corresponding period/Budget.

Name of Unit:

(Amount in Rs./Lakhs)

Sr.No.	Particulars	Actuals		Budget upto	Variance wrt CPLY%	Variances wrt BE(%)	
		upto ----	upto-----				
1	Production (MT)						
2	Material Cost						
3	Power & Fuel						
4	Salries & Wages						
5	Repair & Maintenance						
6	Finance Cost						
	Total						

Reasons:

- 1
- 2
- 3
- 4
- 5
- 6

**Non-Technical Audit Programme for the year 2015-16.**

**(Quantum and Periodicity – Units)**

<b>Sr. No.</b>	<b>Name of Deptt./ Sections</b>	<b>Quantum and Periodicity</b>
<b>1.</b>	<b>General:</b> Internal checks, Control system, policies, procedures etc.	Every Quarter
<b>2.</b>	<b>Cash &amp; Bank Accounts :</b>	
	i) Cash & Bank Books (item 9.2.2(B))	One month in each Half Year
	ii) Other items	Once in each Quarter
<b>3.</b>	<b>Purchase Accounts Section :</b>	
	i) Invoices above Rs. 3 lakhs	100% of one month randomly selected in each half year.
	ii) Invoices Rs. 1 lakh to Rs. 3 lakhs	50% of one month (excluding the month selected under (a) above) randomly selected in each half year.
	iii) Invoices less than Rs. 1.00 lakh	10% of one month in each half year (excluding (a &b) above).
	iv) Other items including reasons for delay in decision on liquidated damages for Capital & Revenue contracts.	Once in each Quarter
<b>4.</b>	<b>Sales Accounts Section :</b>	
	i) Invoices	One month in each Quarter
	ii) Reconciliation of value of sale	At the end of each Quarter
	iii) Reconciliation of opening, production dispatches and closing balance	At the end of each Quarter
	iv) Age-wise analysis of sundry debtors	At the end of each Quarter
	v) Physical verification of products at units	10% once in a year
	vi) Review of Collection Accounts	Once in each quarter

	viii) Other items	One month in each quarter
	ix) Contract of Internal Handling and Transportation of urea/other Industrial Products.	Once in half year (all contracts)
	x) Subsidy Bills and Claims	100% in each Quarter
<b>5.</b>	<b>Stores Accounts Sections :</b>	
	i) Pricing of Stores Receipt Vouchers & Issue Notes	One month's transaction in each quarter
	ii) Register of Provisional Liability for Stores	One month's transaction in each quarter
	iii) Priced Stores Ledger (PSL)	One month's transaction in each quarter
	iv) Stores Inventory	One month's transaction in each quarter
	v) Identification of slow-moving, non-moving, surplus and obsolete items for the purpose of diminution in value.	Once in 4th quarter of the year
	vi) Other items as given in Audit programme	One month transaction in each Quarter
<b>6.</b>	<b>Budget &amp; MR Accounts Section :</b>	
	i) All items of 9.6.2 (1 to 18) of Audit Manual	Once in each Half Year
	ii) Examine the variances beyond 10% in actual expenditure over CPLY/Budget	Every Quarter
	iii) Verify and analyse MIS Reports, Reconciliation with Actual performance and variations, if any.	Every Quarter
<b>7.</b>	<b>Insurance Accounts Section :</b>	
	i) Insurance Claims {97.1(B)}	Every quarter
	ii) Ageing of Claims	Quarter end
	iii) Various Insurance Policies	Annually
	iv) Other items	Annually or as specified in any Para of Chapter
<b>8.</b>	<b>Central Accounts Section :</b>	
	i) Up-keep of Control Ledger/Sub Ledger	Once in each Quarter
	ii) Up-keep of Assets Ledger & calculation of depreciation	Once in each Quarter

	iii) Periodical Returns	Every quarter
	iv) Quarterly, Half Yearly, Annual Accounts	Every quarter
	v) Confirmation of balances of the parties	In fourth quarter of the year
	vi) Physical verification of immoveable assets	Once in a year
<b>9.</b>	<b>Works Accounts Section :</b>	
	i) Contracts above Rs. 20 lakhs	100% in each Quarter
	ii) Contracts above Rs. 5 lakhs & upto Rs. 20 lakhs	30% in each Quarter
	iii) Contract below Rs. 5 lakhs	20% in each Quarter
	iv) Review of work in progress and other schedules	Quarter end
	v) Other items	Once in each Quarter
<b>10.</b>	<b>Establishment Accounts Section :</b>	
	i) Salary Bills including perks and allowances	One month's bill in each Half Year
	ii) TA bills	100% bills for one month in each Half year
	iii) Medical reimbursement bills (exceeding Rs. 10,000/-)	100% bills for one month in each Half year
	iv) Leave Encashment	100% bills for one month in each Half year
	v) Conveyance, House Building & Education Advance	50% of cases added/sanctioned in each Quarter
	vi) Salary Advance	25% cases added/sanctioned in each Quarter
	vii) Bonus/Incentive	10% Once in a Year
	viii) Ascertain present value of future liability of Gratuity and Encashable Leave	Once in quarter.
	ix) Telephone bills, electricity and water charges bills	One month in each quarter
	x) Miscellaneous contracts- Taxies, food coupons, sanitation etc. including final settlement payments.	One month in each quarter
	xi) Running expenses on company's vehicles	One month in each quarter



<b>11.</b>	<b>Provident Fund &amp; Employees' Pension Account Section :</b>	
	i) Checking of individual computerized ledger accounts of the members	5% of Member's Accounts.
	ii) Calculation of interest credit to the members accounts	5% cases once in a Year when Interest is credited to member's account
	iii) Nomination of the members	10% in each Quarter
	iv) Loan sanctioned	10% in each Quarter
	v) Investment/Deposit of accumulations	Once in each Quarter
	vi) Final settlement/transfer of members accounts	100% in each Quarter
	vii) Pension applications	10% in each quarter
<b>12.</b>	<b>Capital Expenditure (CAPEX) :</b>	
	i) Projects above Rs.5 Crores	100% once in each Quarter
	ii) Projects above Rs.1 Crore	100% once in each Quarter
	iii) Projects above Rs.50 lakhs	50% once in each Quarter
	iv) Projects above Rs.25 lakhs	25% once in each Quarter
	v) Projects below Rs.25 lakhs	10% once in each Quarter
	vi) Reasons for estimate relating to capital expenditure remaining live for a significant period even though the respective asset got capitalized long back.	Once in a year
	vii) Checking of Projects for their completion, testing, commissioning and acceptance	Once in year
	viii) Final settlement/closure of contracts	Last quarter of the year
	ix) Capitalization/de-capitalization of Revamp projects/ Energy Saving/Capacity Enhancement Projects	Last quarter of the year
x) Other items normal and routine works expenditure	Once in each Quarter	
<b>13.</b>	<b>Personnel &amp; Administration :</b>	
	i) Administration Department	Once in a quarter.

	ii) Personnel Department	Once in a quarter.
	iii) Leave Accounts	One month in each Half year
	iv) Contracts	Once in a quarter.
	v) Corporate Social Responsibility	Once in a quarter.
<b>14.</b>	<b>Material Management :</b>	
	<b>A) Purchases</b>	
	<b>i) Purchase Orders/Contracts -</b>	
	- Up to Rs.1 lakh	20% in each Quarter
	- Above Rs. 1 lakh and upto Rs. 3 Lakhs	25% in each Quarter
	- Above Rs. 3 Lakhs	50% in each Quarter
	<b>ii) Emergency Purchases</b>	
	- Upto Rs. 50,000/-	25% in each Quarter
	- Above Rs. 50,000/-	50% in each Half Year
	<b>iii) Approved list of Suppliers</b>	100%
	<b>B) Rail Transportation</b>	
	i) Contracts	100% once in a Year
	ii) Cases of demurrage	10% cases in each Quarter
	iii) Checking of wagons	Once in each quarter
	iv) Other items	Once in each Half Year
<b>15.</b>	<b>Materials Management- Stores :</b>	
	i) Contracts for sale of scrap	

	- Upto Rs.1 Lakh	10% in each Quarter
	- Above Rs.1 Lakh & up to Rs. 5_Lakhs	30% in each Quarter
	- Above Rs.5 Lakhs	50% in each Quarter
	ii) Bin - Cards	Once in a year
	iii) Stores Inventory	Once in a year
	iv) Reasons for rejection of material even after inspection/ acceptance of the same	Once in a year
	v) Other items	Once in each quarter
<b>16.</b>	<b>Township Administration &amp; Guest House:</b>	
	i) Township Administration, Maintenance and Income	Once in a year
	ii) Public Health	Once in every six months
	iii) Guest House (Owned/Leased)	Once in a year
	iv) Horticulture	Once in a year
<b>17.</b>	<b>Schools &amp; Hospitals</b>	
	i) Hospital & Medical Services etc.	Once in a year
	ii) Schools	Once in a year
<b>18.</b>	<b>Record Retention and Long-term Storage</b>	Once in 2 <sup>nd</sup> Half of the year

Sr. No.	Name of Deptt./ Sections	Quantum and Periodicity
<b>19.</b>	<b>Sales Accounts Section : Urea &amp; Industrial Product</b>	
	i) Invoices	One month in each Quarter
	ii) Reconciliation of value of sale	At the end of each Quarter
	iii) Reconciliation of opening, production dispatches and closing balance	At the end of each Quarter
	iv) Age-wise analysis of sundry debtors	At the end of each Quarter
	v) Physical verification of stocks in ware houses done by Marketing Division.	10% once in a year
	vi) Review of Collection Accounts	Once in each Quarter
	vii) Appointment of dealers under CSS	10% Cases every year
	viii Other items	One month in each Quarter
<b>20.</b>	<b>Miscellaneous Accounts:</b>	
	i) Checking of Imprest Register.	Once in each Quarter
	ii) Examine whether recoupment of imprests were authorized as per sub-delegation of powers.	Once in each Quarter
<b>21.</b>	<b>Marketing Department Functions:</b>	
	i) Surprise check of Industrial Products (Tankers)	In each quarter
	ii) Physical verification of Inventories of Industrial Products	Random check in each quarter
	iii) Confirming Debtors Balances	90% Once in a year

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File No.: \_\_\_\_\_

Dated: \_\_\_\_\_

**QUARTERLY FINAL INTERNAL AUDIT REPORT  
For the Period \_\_\_\_\_ to \_\_\_\_\_**

**Non-Technical Audit**

1. Final Report Number :
  - i) Date of Submission :
  - ii) Due date of Submission:
2. Name of the Auditee Unit/Office:
3. Period covered in the Audit:
4. Date of start/completion of Audit:
5. Detail/Names of Auditors:
6. Audit Scope/Area of transactions covered in the Audit and extent of verification/sampling technique:  
(Actual area covered may be indicated here, in brief even if there is no observation, for the information of Audit Committee. If required, separate sheet may be attached)

S.No.	Section Verified	Scope and extent covered as per scope defined
1.	Cash & Bank Accounts	
2.	Purchase Accounts section	
3.	Sales Accounts Section	
4.	Store Accounts Section	
5.	Budget & MR Section	
6.	Insurance Accounts Section	
7.	Central Accounts Section	
8.	Works Accounts Section	
9.	Establishment Accounts Section	
10.	Provident Fund & Employees' Pension Account Section	
11	Capital Expenditure (CAPEX)	
12	Personnel And Administration	
13	Material Management: (purchase)	
14	Material Management : (Store)	
15	Township Administration & Guest House	
16	School & Hospitals	
17	Record Retention and Long term Storage	

7. Methodology and process of Audit employed:
8. Brief of the Internal Control Systems/Procedures examined for its Adequacy, short comings/weaknesses/appreciable points observed and suggested measures/viable solutions suggested :
9. Constraints in conducting the Audit :

Final Audit report/observations along with executive summary indicating therein the financial implication and risk category (High/Major/Moderate) is enclosed as **Annexure-1.4 d**:

Encl.: As above.

(Signature)  
Name & Address of the Auditors/Firm

File No. \_\_\_\_\_

Dated: \_\_\_\_\_ Annexure – 1.4 d

**Final Audit Report and Executive Summary of the Internal Auditors**  
of \_\_\_\_\_ (Unit/Office) for the Period \_\_\_\_\_ to \_\_\_\_\_.

**Non-Technical Audit**

Sr. No.	Audit Queries/Observations	Reply as given by the Auditee Unit/Office	Internal Auditor's Final Comments/Suggestions

Signature  
Name & Address of the Auditors/Firm

**Annexure -1.4 e**

File No. \_\_\_\_\_

Dated: \_\_\_\_\_

Audit Committee of Board of Directors,  
National Fertilizers Limited,  
New Delhi.

**Subject: Significant Observations of Internal Audit in respect of  
\_\_\_\_\_ (Unit/Office) for the period \_\_\_\_\_ to \_\_\_\_\_**

**Non-Technical Audit**

Sirs,

We have conducted the Internal Audit of \_\_\_\_\_ (Unit/Office) for the period \_\_\_\_\_ to \_\_\_\_\_. The significant points observed during the Audit are indicated below for kind information and necessary action :

Sr. No.	Audit Queries/Observations	Reply as given by the Auditee Unit/Office	Internal Auditor's final Comments/Suggestions

Thanks,

Yours faithfully,

(Signature)  
Name & Address of the Auditors/Firm