



रूरल इलेक्ट्रीफिकेशन कारपोरेशन लिमिटेड Rural Electrification Corporation Limited

(भारत सरकार का उद्यम) A Government of India Enterprise
A 'Navratna' CPSE under the Ministry of Power

Chennai Project Office : 12, TNHB Complex,
180, Luz Church Road, Mylapore, Chennai - 600 004. Tamil Nadu
Tel. : 044 - 24672376, 24987841, 24671196, 24987960
Fax : 044 - 24670595 Web : www.recindia.com
E-mail : pochennai@recl.nic.in; cpmchennai@yahoo.com

REC/PO-CHN/AUDIT/2017-18/40

dt.13.04.2017

To

The Pre-qualified Professional Audit Firms listed in Annexure

Sir/Madam,

Sub: Invitation for participation of bid for Internal Audit of Project Office Chennai for the year 2017-18

Rural Electrification Corporation Limited is a Navratna Public Sector Undertaking under the administrative control of Ministry of Power is an Infrastructure Non Banking Finance Company. The corporate office is situated in New Delhi and various project offices are located all over India. Now it is decided to outsource the internal audit assignment of Chennai Project office for the financial year 2017-18 to professional audit firm.

The professional audit firm would be selected based on various parameters spelt out in technical bid form. A firm securing minimum 50% points based on the evaluation criteria would alone be considered for participating in financial bid. The lowest financial proposal (L1 bid) will be given a score of 100 points. The financial scores of the other financial proposals are to be calculated as under:-

$$\text{Financial score} = \frac{\text{Price of Lowest Bidder (L1)}}{\text{Price of the bidder under consideration (L2, L3 etc)}} \times 100$$

The technical and financial scores will then be given 70% and 30% weightages respectively. Proposals will be ranked accordingly to their combined technical and financial scores using the weights mentioned as per the following formula

$$\text{Combined scores} = \text{Technical Score} \times 70\% + \text{Financial Score} \times 30\%$$

The applicant receiving the highest combined technical and financial score as above would be recommended by Chennai Project Office for appointment.

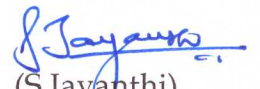
The detailed parameters is enclosed for your ready reference. It is requested to submit Technical Bid along with Earnest Money Deposit(EMD) of Rs.5,000/- payable in the form of Demand Draft/Bankers Cheque in favour of "RURAL ELECTRIFICATION CORPORATION LIMITED" payable at Chennai in one Cover and Financial Bid in separate cover and both the covers to be put in a separate cover and the same needs to be sent to this office. Detailed checklist to be followed by the appointed professional firm is also enclosed for your advance reference. The Earnest Money Deposited by the all the bidders will be returned without any interest after conclusion of tendering process.

The selected professional audit firm would be required to conduct the internal audit of Chennai Project Office located in the address given above in line with the Internal Audit Manual and guideline/Circular of REC as amended from time to time. The firm would be required to conduct audit twice in a year and issue its report latest by 10th October 2017 and 10th April 2018 covering audit period from April 2017 to September 2017 and October 2017 to March 2018 respectively for consideration of IAD.

It is requested to submit the tender form along with EMD in this office on or before 03.00 PM of 25th April 2017 and the same will be opened on the same day. The Successful bidder will be intimated separately. REC reserves the right to cancel whole bidding process without assigning any reason and intimation to any bidders.

Thanking you,

Yours faithfully


(S.Jayanthi)

Chief Project Manager

Encl:

1. Bid form (both Technical & Financial)
2. Detailed checklist

OTC
8
13/4/17

Annexure

1. M/s. Varma & Varma
"Sreela Terrace"
105, First Main Road,
Gandhi Nagar,
Adyar,
Chennai - 600020
2. M/s. Roy Ghosh & Associates
545, G.T.Road(South),
4th Floor,
Room No.410,
Howrah - 711101
3. M/s. Essveeyar
Flat No.FF2, Sri Karpagambal Apartments,
29/14, II Main Road,
R.A.Puram,
Chennai - 600028
4. M/s. N.C.Rajagopal & Co
22, V.Krishnaswamy Avenue
Luz Church Road,
Mylapore,
Chennai - 600004
5. M/s.Sethuraman & Srivatsan,
New No.9 (C-3) Third Cross,
West Extension, Thillainagar,
Trichy - 620018
6. M/s.Ponraj & Co
Trade Centre, II Floor,
108, Wallajah Road,
Chennai - 600002

RURAL ELECTRIFICATION CORPORATION LIMITED

CHENNAI PROJECT OFFICE

FINANCIAL BID

Particulars	Fees quoted all inclusive in lump sum (exclusive of Service Tax)
Professional Fee for conducting internal audit of Chennai Project Office for the year 2017-18	Rs. (Rupees.....)

(The above fee is all inclusive cost covering professional fee, travel cost and any other cost/ out of pocket expenses)

(Service Tax will be paid extra)

(Signature of authorized person of Audit Firm)

RURAL ELECTRIFICATION CORPORATION LIMITED

CHENNAI PROJECT OFFICE

TECHNICAL BID

(Firms who obtain at least 50 points based on the following evaluation criteria alone be considered for opening financial bid)

Sl. NO.	Criteria as on 1 st April of Current Year	Point per criteria	Maximum Points	Documents Required (all the documents to be self attested)
1.	No. of completed years of existence from the date of registration (minimum 5 years)	1 point per completed year	15	Copy of firm registration certificate.
2.	Any one qualified ISA/DISA/CISA/CIA/Partner or Employee	Lump Sum	5	List of Partners and employees having the prescribed qualification to be submitted in firm's letter pad along with copy of qualification certificate (Qualification Proof for at least One)
3.	No. of CA/ICWA/CMA qualified employee/partner	2 points per qualified employee/partner	12	Copy of firm registration certificate for partners/paid assistants and list of CA/ICWA/CMA qualified staff to be submitted in firm's letter pad along with copy of qualification certificate. (Qualification Proof for a maximum of Six)
4.	No. of semi-qualified employees (CA/ Cost intermediates)	1 point per semi-qualified assistant	5	Copy of firm registration certificate for semi-qualified employees and list of CA/Cost intermediate qualified staff to be submitted in firm's letter pad along with copy of qualification certificate. (Qualification Proof for a maximum of Five)
5.	No. of Technical Experts (B.E/B.Tech/ M.Tech/ or equivalent)	2 points per technical expert	4	List of B.E/B.Tech/ M.Tech/ or equivalent qualified employees to be submitted in firm's letter pad along with copy of qualification certificate (Qualification proof for a maximum of two)
6.	Experience of Internal Audit assignment in Central/State Government PSU in last three years	3 points per assignment	15	Copy of Internal Audit Appointment orders of PSU's (Proof for a maximum of 5 assignments)
7.	Experience of internal audit in Bank/ NBFC in last three years	3 points per assignment	15	Copy of Internal Audit/ Concurrent Audit appointment orders given by Bank/ NBFC. (Proof for a maximum of 5 assignments)
8.	Average annual turnover of last three years (minimum Rs.10 Lakh)	3 points per 10 lakh average turn over	15	Copy of Audited Profit & Loss account/ Income and Expenditure Account and Balance Sheet of 2015-16,2014-15 and 2013-14
9.	Firm having HO/ Branch Office registration in Chennai.	Lump Sum	14	Copy of firm registration certificate
		Total	100	

(Points allotted by REC is final and binding all)

(Signature of authorized person of Audit Firm)

Rural Electrification Corporation Ltd.

Suggested guidelines for Audit Firms (For ZO/PO)

A) The scope of work of Internal Auditor shall include:

- (1) Examination and evaluation of adequacy and effectiveness of the internal control and risk management system at various operations and activities of the Auditee office.
- (2) Review of accuracy and reliability of the accounting records and financial reports.
- (3) Checking of both transactions and functioning of specific internal control procedures at the Auditee office.
- (4) Evaluation of adherence to legal and regulatory requirement and approved policies and procedures.
- (5) Evaluation of effectiveness of existing policies and procedures and give recommendations for improvement.
- (6) Identifying opportunities for cost saving and give recommendations for improving cost efficiencies.
- (7) Examine that resources are acquired economically, used efficiently and safeguarded adequately.
- (8) Suggest measure to add value, improve operational efficiency, risk management and internal control system.

B) Following checklist may be referred by the Auditor for covering areas. Applicability of checks may be assessed by the auditor based on working of respective offices. However auditor is expected to include other areas and checks/verifications as per their expertise and understandings. The tentative checklist of various areas may be as below:-

1. Generation Schemes

Loan Documentation

a) **Verification of Loan documents** executed for financing of the project including checklist for documentation, Loan Agreement, MOU, Hypothecation/ Mortgage Deed, Pledging of shares, Escrow agreement, TRA,

Security Trusty Agreement etc. regular monitoring of trust and Retention Account and Escrow mechanism by verifying the bank statements to ensure its implementation as per the agreement.

- b) **Common Loan Agreement (CLA)** in case of consortium financing- to see that REC's separate/ special terms (if any) are incorporated or not.
- c) **Vetting by Legal Division:** To see that Documents are vetted by lender legal counsel / Legal Division on a regular basis for ensuring that the same are as per approved terms and conditions.
- d) **Filing of charge with ROC:** It may be verified that the charge for existing and future assets is filed with ROC in time.
- e) **Payment of stamp duty:** It may be verified that required Stamp Value as per the state stamp act is paid.
- f) Signature of signatories and their authorization.
- g) Dead Documents: As per policy issued by legal division.
- h) Safe custody of the legal documents and authorizing the specific officials for handling of the legal documents to ensure its safety to avoid any inappropriate use of the same.
- i) Loan documents are scanned and attached as attachments with all schemes which are processed in ERP system.

Loan Disbursement

The standardization of terms & conditions of the Generation Projects –both private and state govt. projects are approved by the Board. The same are to be verified before release of loan.

- a) **Release of 1st Installment:** Various terms and conditions are required to be verified before releasing of first installment which are covered in pre-disbursement conditions of the sanction letter. Processing of first claim through ERP along with capturing scanned copies of all the scheme related documents may be verified.
- b) **2nd and subsequent release:** In subsequent claims review of project progress, Quarterly Progress Reports, Lender's Engineer reports, and infusion of required equity while releasing the claim needs to be checked.
- c) Verify the system checklist for the claim release and LE / our engineer's progress reports. Test check that the items provided in the check-list which have been ticked for yes or no or correctly entered by CPM/ZMs.
- d) Test check that the claims are released on FIFO basis and undue delay in processing the claims are not there.

Project Monitoring

- a) Pre-sanction field visits- to verify the facts given in DPR, feasibility, Project management team etc wherever required in the Guidelines.
- b) Post sanction field visits - to verify the implementation of schemes as per declaration given in the claim, creation of assets etc. It may be verified that the monitoring guidelines are followed while conducting monitoring and reports are timely

submitted.

- c) Verify the Monitoring reports/ LEs reports, entries in monitoring register, preparation of monitoring schedule.
- d) LE role in the monitoring and outcome of the reports submitted by LE's wherever applicable.
- e) The audit team may verify on test cases that the discrepancies observed during monitoring is being watched, rectified or recovered during ensuing claims.
- f) Monitoring of transactions from Trust & Retention Account & minimum inflow in the Escrow account.
- g) Verification of periodical reports submitted by the borrower and its examination w.r.t. terms and conditions of the agreement
- h) Verification of cash flow and utilisation of funds statements as furnished by Lenders' financial advisors/Chartered Accountant;
- i) Verification of revision in project cost/implementation schedule due to time and cost overrun;

Records to verify – ensure that the records prescribed are as per ISO requirement

- a. **Scheme incoming register**- with the status of total pending schemes and reason for pending etc. It may also be checked that the schemes are processed in a chronological order, preferably FIFO basis.
- b. **Fee Register** - Details of fee received like processing fee, upfront fee, Lead Financer fee, Additional interest levied etc. (as applicable) with payment details date wise.
- c. **Claim Register**: Scheme code wise entry of claim releases, particulars of all scheme details on one page with all disbursement details and schemes period extension etc.
- d. **Claim Diary Register**: to verify the details of claim received and fund release / recommended with amount etc. A Delay Register is also required to verify to know the reason for delay in claim processing, if any and a review by HOD etc.
- e. **Monitoring Register** -To records the monitoring done with scheme details and type, monitoring reports issued etc.
- f. **Annual Review of Project and Entity**- To assess the status of financial strength and weaknesses of entity on continual basis and in order to protect the interest of REC. Review of feedbacks given by Project Monitoring Team and action taken etc.

2. T&D, R-APDRP & NEF Schemes

REC has issued "Operational Guidelines for Transmission & Distribution Projects" and separate guidelines for National Electricity Fund (NEF) projects. The compliance of guidelines may be reviewed which interalia covers following aspects:

Loan Appraisal

- a) **Review of Entity Appraisal** - The entity appraisal is presently carried out by Entity Appraisal Division at CO and rating notified with specific exposure norms for all borrowers.

Accordingly, the operational division has not much to do but to restrict the exposure upto the approved limit.

- b) **Review of Technical Appraisal** – For all state sector projects, Zonal/Project Offices are handling this activity and submit the appraisal note with recommendation to Corporate Office for sanction. T&D Division, Corporate Office, thereafter, review the appraisal and recommend the scheme to Competent Authorities based on the Delegation of Power of the Corporation. The audit team may verify technical feasibility, financial viability of the project, project requirement justification; Cost data adoption, Credit Exposure balance, Scope of work, Loan amount sanction, Escrow, TRA Account, etc. Time taken at each level (as per REC fair practice code) for loan appraisal/sanction/disbursement are to be checked to avoid any undue delay.
- c) **Review of Delegation of Powers:** It may be verified that while sanctioning the project, delegation of powers have been adhered. It may also be verified that all facts and figures of Project Appraisal, limitations/ waivers and pre-disbursement conditions etc. have been duly incorporated in the memorandum to the Board of Directors or any other authority competent to approve the project. The approval of Competent Authorities / BOD Minutes, sanction letter and amendments, if any, also needs to be verified by the audit team.
- d) **Sanction of loan:** Verify the minutes of sanction of competent authority, communication with PO/ ZO, Sanction letter issued by PO/ ZO and subsequent amendments, Terms and conditions mentioned including special terms if any, limitations/ waivers and pre-disbursement conditions etc.
- e) **Delay in sanction:** Audit Team has to verify that the scheme is being sanctioned within norms prescribed in fair practice code approved by Board of Directors. Any delay has to be reported.

Loan Documentation & Loan Disbursement

Same as in the case of Generation project specified above.

Project Monitoring

- a) Formulation of Annual Monitoring Plan as required by Project Monitoring Guidelines issued by REC detailing the description of schemes, schedule etc.
- b) Achievement of monitoring w.r.t. targets
- c) Verify the Monitoring reports and correlation with claim released considering the discrepancies observed during monitoring;
- d) Monitoring register is maintained containing all the relevant details.
- e) The audit team may verify on test cases that the discrepancies observed during monitoring is being watched, rectified or recovered during ensuing claims.
- g) Monitoring is done by technical officials and report are prepared in prescribed formats duly supported with photographs for discrepancies.

Non Starter Schemes

As per guidelines, non starter schemes are schemes wherein no disbursement is released up to one year from the date of documentation. In such case, action are to be ensured as stipulated in the T&D guidelines.

The audit team has to verify the action taken on the issue.

Closure of schemes

As per guidelines, on completion of scheme period, disbursement of loan sanctioned or achievement of physical progress, the scheme has to be closed and any unutilized amount has to be refunded by the borrower within reasonable time. Certificate of expenditure incurred needs to be obtained from the borrower and no scheme shall be closed without final monitoring as stipulated in the guidelines.

Audit Team has to verify that the closure of scheme is in practice and targets are achieved. Moreover, unutilized amount, if any, persuaded and recovered timely.

Schemes which are not closed as per the scheme period is reported at appropriate level for taking required action.

3. Deen Dayal Upadhyaya Gram Jyoti Yojna Schemes (DDUGJY)

The schemes have been/are being implemented in following phases i) 10th Plan ii) 11th Plan iii) 11th Plan phase II iv) 12th Plan v) DDUGJY Schemes with individual guidelines and norms as specified by MoP/REC. The Checklist for DDUGJY schemes may be as below:

Loan Appraisal

- a) Review of DPRs - District wise DPRs were submitted by utility where scope of work is defined with the relevant cost data.
- b) Review of Scheme Appraisal - Technical feasibility, Project requirement justification, Cost data adoption, Scope of work, Submission of area map, Notification, formation of District level Committee, Appointment of Nodal officer, Loan amount calculation, site visits for verification of DPR etc (as may be applicable).
- c) Sanction of loan recommendation of PO / CO, Minutes of monitoring committee of MOP conveying sanction of schemes, Sanction letter issued by PO/ZO, Acceptance of State Governments. Review the deviation in the cost of award, and informed to REC, recommendation of PO with proper justification keeping quantity as same, Approval of monitoring committee for revised cost and issue of revised sanction letter.

Loan Documentation

Presently no loan documents except MOU / MOA between REC, State Government and Electricity Board / Discoms are being done. Review of Tripartite/ Quadripartite Agreement in respect of these schemes..

Loan Disbursement

- a) Release of 1st installment: review the recommendation of 1st installment in line with the guidelines for respective schemes.
- b) In subsequent claims review of utilization certificate of fund. Review of QPR, Progress reports submitted by Implementing Agency, Appointment of Third party monitoring (RQM, NQM), Franchisee development, review of progress submitted.

Project Monitoring

- a) Appointment of third party/RQM/NQM monitoring and reports submitted to REC.
- b) Review of monitoring done by third party and verify the progress reported by Implementing Agency.
- c) Review the monitoring reports verifying the quality of the equipment used and adherence of REC quality standards.

Audit Team may verify that required monitoring is being undertaken by the agencies.

Records to verify

- a) Progress report file - Record file of schemes wise progress received from implementing agencies.
- b) Claim Register / ledger: Scheme code wise entry of claim releases, particulars of all scheme details on one page with all disbursement details and scheme period extension etc.
- c) Monitoring Register - To records the monitoring done with scheme details and report issued.

4. DDG Schemes

Checklist for DDG schemes:

Loan Appraisal

- a) Review of DPRs - DPRs are submitted by utility where scope of work is defined with the relevant cost data.
- b) Review of Scheme Appraisal - Technical feasibility, Project requirement justification, Cost data adoption, Scope of work as per the DDG Guidelines.
- c) Sanction of loan recommendation of PO/ CO, Minutes of monitoring committee of MOP conveying sanction of scheme, Sanction letter issued by PO/ZO, Acceptance of state. Review the deviation in the cost of award, and informed to REC, recommendation of PO with proper justification keeping quantity as same, Approval of monitoring committee for revised cost and issue of revised sanction letter.

Loan Documentation

MOU / MOA between REC, State Government and Electricity Board / Discoms are being done. Review of MOU signed between REC, Tripartite/ Quadripartite Agreement.

Loan Disbursement

Receipts and review of claims by PO and subsequent recommendation to CO through ERP. as mentioned in DDG Guidelines issued by MoP/REC.

Project Monitoring

- a) Appointment of third party monitoring and reports submitted to REC.
- b) Review of monitoring done by third party and verify the progress reported by Implementing Agency.
- c) Review the monitoring reports verifying the quality of the equipment used and adherence of REC quality standards.
- d) Three tier monitoring: Three tier monitoring, 1st by MOP, 2nd by REC and 3rd by implementing agency has to be undertaken. Audit Team may verify that required monitoring is being undertaken by the agencies. Further directions /approvals of MoP with respect to monitoring may be taken care.

Records to verify

- a) Progress report file - Record file of schemes wise progress received from implementing agencies.
- b) Claim Register / ledger: Scheme code wise entry of claim releases, particulars of all scheme details on one page with all disbursement details and scheme period extension etc.
- c) Monitoring Register - To records the monitoring done with scheme details and report issued.

5. Administration

As per the present REC's policy regarding petty purchase/ repairs of an amount not exceeding Rs. 50,000/- can be made after orally ascertaining competitive market and recording the statement on the body of the bill. For the purchase/repair/services of the amount exceeding Rs. 50,000/- and upto Rs. 25,00,000/- through a committee of three officers including one from Finance Division following limited tender procedure. Further, any purchase involving expenditure of over Rs. 25,00,000/- would be through open tendering process. E-tendering is to be followed for all procurements above Rs. 2,00,000/-. The Purchase regulations/procedures approved by the competent authority as per Procurement Guidelines of REC are to be followed.

Further to check that:

- a) **Insurance of Assets:** The assets are insured and the insurance is valid, renewed without delay, for proper value, addition to insurable assets on procurement during the year.
- b) **Stationery:** Procurement from empanelled parties at approved rates, proper stock register (for receipt and issue), check abnormal consumption, minimum balance to be maintained etc.

- c) **Dispatch:** The dispatch arrangements are satisfactory for its effectiveness and efficiency. Verify the service provider engagement and payments according to the agreed contract.
- d) **Payments:** Proper register is kept of the rent, electricity, water, telephone, fax bills etc. There is a proper system to send advices to Pay Section regarding personal calls for recovery from employees. Payments to third parties are made in FIFO basis.
- e) **Hiring of Taxies:** Proper empanelment of suppliers of vehicle in such a way to synchronies with addresses of the officers to avoid dead mileage. Proportionate hiring from each party to avoid favoritism. Proper log book in case of monthly hiring / duty slips for misc hiring. Entitlement of vehicle services to the officers may be verified.
- f) **Air bookings-** In case, booking is made by Administration Division, proper register is kept to avoid double payment and to link with Travel bills of individual.
- g) **Own Vehicle:** Check the log sheets of each vehicle and verify whether details of all repairs/services, spare parts replaced, petrol consumed etc. are recorded therein. Check whether the log sheet is written upto date. Analysis of the consumption of petrol/diesel and oil per kilometer vehicle-wise have been made and examine the reasons for variations in the same vehicle over a period and compared to other vehicles. No vehicle is kept idle for long time without being used/ repaired. Vehicles are insured and the insurance is valid. Registration books are held in proper custody.
- h) There is a system to identify unused/damaged assets; their disposition with proper authority's approval and proper accounting of receipts exists.
- i) Proper asset register is kept showing acquisition, date of purchase, amount, and depreciation in accordance to the Companies Act and the rules made there under and amended thereafter.
- j) **Maintenance of Assets Registers:** All the assets must be entered in the Assets Register. No payment should be made without entry and reference of entry on the face of the bill. The asset register matches with the general ledger and the asset captured in ERP for the respective office. Assets are numbered and periodical stock verification system is in vogue.
- k) To ensure that expenditure incurred is within approved budget and delegated powers.
- l) To ensure that purchases are made by following the prescribed purchase regulation.
- m) Proper system exists for receipt of mail, opening and sending to various departments. There is no scope to interception of mail by unauthorized persons.
- n) All valuables received by mail should be signed by officer are forwarded to concerned Head of the Department. .
- o) **Estate:** Maintenance of office building, residential houses, guest houses etc in proper way to avoid its devaluation. Property documents must be kept in lockers; proper taxes etc have to be paid in time.
- p) Proper arrangement for maintenance of assets of the Corporation.

Any change in the above Admin policy would be the responsibility of the Admin division w.r.t. change in the policy documents and implementation of the new policy.

6. Pay, Bills and HR Establishment

Activities of this division includes following:-

- a) Salary & allowances.
- b) Employee benefits and perquisites
- c) Leave Records of Employee
- d) Long term Advances to Employees
- e) Medical reimbursements
- f) Tour/Transfer TA Claims etc.

Auditee responsibilities

- a) Any change in the applicable rules, guidelines or provisions of applicable Acts would be the responsibility of the concerned division.
- b) Each user is required to work/ operate in line with the delegated responsibilities and guidelines.
- c) Clear audit trail of different work flows and approvals should be available.
- d) Proper attendance record is maintained for punctuality.

I.SALARY & ALLOWANCES

Pay procedures are centralized in REC, however wherever applicable followings may be checked/ verified:

- a) Office order and related documents on first appointment as regular/ deputation/contract is maintained.
- b) Updation i.e. addition or removal of data on appointment or retirement/resignation in computerized pay roll system/Supported by HR orders.
- c) In case of employees under suspension the pay & allowances are regulated correctly in accordance with the orders of competent authority and also the standing orders/disciplinary rules, necessary certificates of non-employment has been produced by the employee under suspension; that deductions from subsistence allowance is made correctly.
- d) Declaration from employees giving details of savings for claiming deduction under Income Tax Act.
- e) Incentive payments are regulated with rules of the schemes governing payments.
- f) Leave encashment disbursed as per leave sanction order.
- g) Proper system exists for deduction for pay in respect of Half Pay Leave, Extra ordinary Leave etc.
- h) Removal of data of employees retired/resigned from salary bill and there exists a proper system to delete the name from the pay bill forthwith & No Objection Certificate obtained before releasing final payments.
- i) Recording of each month salary and other taxable components like performance incentive, leave encashment etc.
- j) There exists a proper system of intimating the salary section of the recovery

to be effected for private use of transport and telephone expenses over and above the entitlement.

- k) To create new file for each employee this is arranged employee code-wise.
- l) Pay fixation order's issue stating the scale of pay and date of increment as per the offer of appointment in case of new recruits and revised pay fixation in case of promotions.
- m) To issue Last Pay Certificate in case of employee transferred.
- n) Before processing of pay-roll for the month update attendance and leave records.

II. LEAVE RECORDS OF EMPLOYEE

Verification of leave records/leave book of the employees in POs/ZOs in line with leave rules of the organization. Verification of leave balance and leave applications in HR ERP system. Further, a statement of leave balance as on 31-12-2017 in the following format duly audited and signed by the Internal Auditor may also be submitted along with Internal Audit Report.

(LEAVE TRANSACTIONS DURING THE PERIOD FROM _____ TO _____)

Sl No. 1	Emp. No. 2	Name of the employee S/Shri 3	Leave Type 4	LEAVE BAL. AS ON January 1 2016 5	Leave taken during the year No, Days 6	Total No, of days (Twice in case of Commutated leave) 7	LEAVE BALANCE AS ON December 31 2016 8	Remarks 9
1	1111	XXXXXXXX	Earned Leave					
			Earned Leave Encashment					
			Half Pay leave					
			Commutated Leave					
			Extraordinary Leave					
			Paternity/Maternity Leave					
			Study Leave					
			Child Care Leave					

III. LONG TERM ADVANCES TO EMPLOYEES

- (i) Loan advances disbursed after issue of certificate by HR towards execution of required documents
- (ii) Details of loan disbursed and EMI to be deducted have been recorded in Pay roll software and employee-wise and Loan wise sub-ledger is being generated. Deduction of EMI, if any is ensured while payroll processing.
- (iii) Interest accrued is accounted annually.

IV. MEDICAL REIMBURSEMENT

Presently the following policy is in operation for medical reimbursement. Any change in the policy would be the responsibility of the official disbursing payments.

- (i) Copy of Family declaration accepted by HR Department.
- (ii) Eligibility and ceiling as per entitlement.
- (iii) Details for payment for OPD treatment of upto Rs. 15000/- p.a and more than Rs. 15000/- p.a. included in taxable salary of the employee.
- (iv) Medical claims are substantiated by medical bills and other supporting.
- (v) Verification of direct payments to the empaneled Hospitals.
- (vi) Verification of medical payments towards dental and ophthalmic expenses which are governed by separate guidelines.

V. TOUR /TRANSFER CLAIMS

- (i) Payment of advance as per approved tour programme.
- (ii) Claim as per TA/DA rules of REC.
- (iii) Claim submission within the defined time from return of tour.

7. PAYMENT/ADJUSTMENT FOR PROCUREMENT & SERVICES

Items and Services are to be procured in line with REC's Procurement Guidelines. Further following may be verified:-

- (i) To verify approval with delegation of powers.
- (ii) Expenses incurred are within the budgetary limits or specific approval as per DOP has been obtained.
- (iii) Proper Purchase procedure for procurement of goods/services has been followed.
- (iv) Certificate of concerned division has been obtained that work has been executed as per Purchase order before releasing the payment.
- (v) Provision of penalty clause has been considered by concerned division before giving certificate that work has been executed as per Purchase order.
- (vi) Advances wherever given have been adjusted. Booking in proper head/sub-head of account.
- (vii) Follow-up action for adjustment/recovery of advance.
- (viii) Payments are made on the basis of verified bills along with supporting.
- (ix) Separate registers for Capital and revenue expenses are maintained.
- (x) TDS, service tax, Work Contract tax etc has been deducted and deposited wherever applicable as per the existing laws and proper registers maintained.
- (xi) Certificate for the tax deducted has been issued and quarterly & yearly returns as applicable have been filed.

8. Compliance of previous audit:-

- (i) Auditee division has submitted compliances of outstanding audit observations of previous reports in time bound manner.
- (ii) Review the status of pending observations.
- (iii) Directions of the Audit Committee, if any in respect of significant audit observations are to be ensured.