

ODISHA HYDRO POWER CORPORATION LIMITED

A GOLD RATED STATE PSU

ODISHA STATE POLICE HOUSING CORPORATION BUILDING
Bhoinagar, Bhubaneswar-751022
Phone No. 0674-2542983, 2542802, 2545526, 2542826

**NOTICE INVITING EXPRESSION OF INTEREST FOR APPOINTMENT /
EMPANELMENT OF CHARTERED ACCOUNTANT / COST ACCOUNTANT
FIRMS FOR INTERNAL AUDIT, STOCK AUDIT, PHYSICAL VERIFICATION
OF FIXED ASSET AND ANY OTHER ASSIGNMENT**

Scope of Work & Period of Audit

The scope of work of Internal Auditor, Stock Auditor & Physical Verification of Fixed Asset is attached as **Annexure-1**, which is indicative. The scope of work may increase depending upon the requirement of works. The period of engagement shall be for two years which may be extended for another one year depending on the performance of Audit.

Audit Team

The audit team should consist of adequate number of qualified / semi qualified Staffs led by a senior partner (ACA / FCA / ACMA / FCMA) of the firm. Details may be furnished as prescribed in **Annexure-2**.

Audit Fee:

The schedule of fee will be as follows:

- i) The present fee structure of OHPC is enclosed at **Annexure -3** which is likely to be revised w.e.f. 2013-14 and subsequently in every three years.
- ii) 50% of the audit fees will be payable on completion of 1st phase Audit (six months) and the remaining 50% will be payable on completion of 2nd phase Audit (rest six months) and submission of final report.
- iii) The traveling and out of pocket expenses will be subject to production of documentary evidence and as per TA / DA rules of the corporation.
- iv) Service Tax shall be paid extra as applicable on furnishing the registration number along with proof of amount paid with the appropriate authority.

- v) The fees for Stock Audit & Physical Verification of Fixed Asset are to be paid after submission of Stock Audit report & Physical Verification and Fixed Asset Report respectively.
- vi) The payments shall be released by corporate office after receipt of performance report from the unit finance head.

Minimum Eligibility Criteria:

1. The firm should be a partnership firm and must be empanelled with C & AG and Institute of Chartered Account of India (ICAI). (supporting documents to be enclosed).
2. The firm should be a partnership firm and must be empanelled with the Institute of Cost Accountants of India (ICAI). (supporting documents to be enclosed).
3. The firms should have atleast 7 years experience as Internal / Statutory / Stock Auditor with minimum 3 years experience in Power Sector PSUs. (supporting documents to be enclosed).
4. The average annual turnover of the firm during the last three financial years must not be less than Rs.5 (Five) lacs. (supporting documents to be enclosed).
5. The Firm must be registered under Service Tax Act and provide Service Tax Regd. Number.
6. The firm must be registered under Income Tax Act & provide PAN Number.
7. In case a firm does not qualify under SI.No. 3 above on its own strength in such case they can form a consortium with a firm having the requisite criteria including SI. No.3 and apply for the purpose.
8. The partners having experience in power sector shall be considered as an added advantage.

Selection and Award Criteria.

The weightage for selection and award of the work will be done based on the overall suitability of the firm having experience of audit in Power Sector PSUs and strength of partners / qualified or semi qualified staffs. The firm having its office at Bhubaneswar and / or nearby areas of power house may be given preference.

Other Terms & Conditions:

The appointment of auditors is subject to the following:

- i) The Audit firm must not subcontract the work.
- ii) The audit team will work in strict confidence and will ensure that the information in respect of the operation of the area unit is dealt in strict confidence and secrecy. A certificate

towards maintaining confidentiality to be provided by the Auditor before commencement of audit.

- iii) No partner of the Auditors is related to CMD / whole time Director or part time Independent Director of the company within the meaning of Section 6 of the Companies Act, 1956.
- iv) Neither the firm nor its partner or associates have any interest in the business of the company.
- v) The Audit Firm will be debarred from getting the Internal Audit, Stock Audit or Fixed Asset verification in future in OHPC in the following cases.
 - a. If the firm obtains the appointment on the basis of false information / false statement.
 - b. If the firm does not take up audit in terms of appointment letter.
 - c. If the firm does not submit the audit report, complete in all respects in terms of appointment letter.
 - d. If the Firm violates any of the stipulation from (i) to (iv).
 - e. If the performance of audit is found to be unsatisfactory as reported by the units.
- vi) The offer should be submitted strictly as per terms and conditions laid down in the document. Application documents duly sealed and signed are to be submitted as a token of acceptance of all terms & conditions. All envelopes must be sealed and super scribed mentioning "Appointment / Empanelment of Internal Audit, Stock Audit & Fixed Asset verification".
- vii) Application received after the due date and closing time of submission of applications shall be ignored. Any application received late due to any reason whatsoever will not be accepted.
- viii) Jurisdiction of courts: Any dispute arising out of or in respect of the contract will be subject to the jurisdiction of the High Court of Odisha, Cuttack only.
- ix) Disclaimer : OHPC reserves the right to accept or reject any or all responses and to request additional submission or clarifications from one or more Appointment(s) at any stage or to cancel the process entirely without assigning any reason.

Scope of Work

A. Internal Audit

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

The broad scope of work is as under:

- a) To verify the awarding of contracts in respect of Civil, Electro Mechanical and Infrastructure Works including variation orders / amendments thereto and accounting for the expenditure there against. Major and important activities including pre and post award procedures of contracts are required to be audited in detail. In addition, all the contracts above Rs.5.00 lacs either awarded or executed during the year are to be reviewed and analysis of the same is to be submitted along with the Report. The applicability of "Service Tax" to the Works Contracts awarded needs to be examined.

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

- b) The audit should cover the generation detail of electricity, it's reporting to Regulatory Authorities as well as Commercial Deptt of the Corporation for raising the bills. It should also look into major differences, if any, between the figures reported and bills raised / sales booked.
- c) Audit should verify timely raising of correct bills, in terms of OERC guidelines and power purchase agreement.
- d) Review the proper and correct maintenance of Sundry Debtor's Ledger for bills raised, amounts realized and the balance outstanding.
- e) To check the investment of surplus funds as per the guidelines issued by the Govt. from time to time and raising short term loans depending on exigencies and their repayments.
- f) To monitor and report on implementation of the Internal Audit Manual and Accounts Manual.

- g) To review the formulation of budgets both capital as well as revenue, approval, source of funding vis-à-vis the amount spent there against and the accounting & reporting thereof. The report should point out any major deviations requiring re-appropriation / re-allocation of funds provided in these budgets. The report should also contain the Budget provisions vis-à-vis the actual achieved and the reasons for variance.
- h) ***The audit team should include at least one technically knowledgeable person in power generation industry and one member should also be a Senior Auditor / Audit Manager. The technical audit should above the monitoring of progress of work as per contract agreements, critical path, if any, and views of the auditors on the same.***

Apart from the above, audit should also cover all the other activities like Finance, Power House & Dam Maintenance, P & A (including Workshop & Transport Deptt.), Stores, Legal, R & R, Corporate Planning, Administration, Income Tax and any other works as advised by the management.

Some of the other areas are elaborated and detailed as under:

1. Statutory compliance and Internal Controls:
To ensure compliance of Companies Act, 1956 with particular reference to the accounting functions and the Accounting Standards & Guidance Notes issued by the Institute of Chartered Accountants of India from time to time and also other statutory provisions applicable to the company. To assist and advice the company in formulation / revision of accounting policies and in establishing proper accounting practices and procedures as per the changing needs.
2. Works Accounting
 - (i) To verify and scrutinize payments to contractors with reference to respective contracts and adjustment thereof while accounting for the work done by them and ensure that deductions in respect of Mobilization Advance etc. and statutory deductions are correctly made from their bills.
 - (ii) The internal auditor should check that adjustments for returns, shortages, damages and unserviceable stores and materials at sites are properly made.

- (iii) The internal auditors should check that various Statutory Tax Returns Should be timely filed with the Tax Authorities and also verify the facts and figures given in the Tax Returns.
- (iv) Review of terms and conditions of tender documents and agreements, verification of Bank guarantee and specific emphasis to be given on final payments.
- (v) To plug loopholes, which might have crept in the system due to passage of time and complacency on the part of persons particularly engaged in financial concurrences, release of payments, updating accounting records, authorizations as per DoP etc.
- (vi) To verify the Bank Guarantee issued by suppliers / contractors and its validity.

3. Capital work-in-progress and capitalization

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

4. Fixed Assets :

To verify that proper records of assets of the company are maintained as per requirements of CARO, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004, issued by the Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956.

Review the system regarding accounting, custodianship and safeguarding of monetary and non-monetary assets of the corporation and to see that the assets of the company are reasonably and adequately protected against loss. Also check that the transfer / sale of each asset is immediately and properly accounted for. Also check the applicable depreciation rates and calculation of depreciation.

5. Scrutiny of Bank Transactions & Reconciliation:

(a) Scrutiny of Bank Transactions

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

(b) Bank Reconciliation :

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

6. Vouching :

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

7. Ledger Scrutiny:

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

8. Store transactions and valuation thereof:

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

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

- (i) Documents / agreements relating to secured & unsecured advances to parties / Govt. Bodies shall be verified on test basis.
- (ii) The scope includes verifications of securities deposited by the company with different authorities / parties. The internal auditor shall check and examine the

purpose and the duration of such deposits and whether the deposit certificates are in safe custody for presentation at the time of claiming refund. Security deposit received from the parties shall also be verified to ensure that the company beyond prescribed period does not retain these.

10. Income Recognition:

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

11. Strengthening of internal Control System ;

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

12. Other matters :

To examine that :

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

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

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

- Review of liabilities and provisions.
 - Proper accounting of expenditure and incomes accruing to the enterprise and adherence to matching principle.
 - Review the system for intangible assets assessment and impairment of assets.
 - Review the adequacy of the insurance cover for the various risks involved.
 - To verify that all moneys received are accounted for.
14. (a) Insurance and other claims lodged by the company:
- Internal auditor while verifying insurance and other claims of the company should see that losses to the company giving rise to claims are properly lodged and proper follow up action is taken for realization of overdue claims and the claims are properly accounted for after settlement.
- (b) Claims lodged against the company :
- Internal auditor while verifying claims lodged against the company should ascertain that the passed claims are with the approval of Competent Authority and are properly accounted for after settlement.
15. Employee payments :
- To verify that accounting for salary and benefits admissible to employees and directors are being done properly and all subsidiary records for loans / advances and other deductions related to employees are reconciled properly. Requirements of AS 15 should be complied with.
16. Consultancy Services: Review the terms and conditions of all consultancy contracts and report the debtor's position in case the same are overdue.
- The internal auditors are required to issue drafts paras for verification of facts and figures before putting in the reports and also discuss conclusions and recommendations with the officer in-charge of the office and final report shall be drawn after giving due consideration to the explanations offered.

The Internal Audit shall be conducted half yearly. The 1st half report (1st April to 30th September) shall be submitted by 30th October and the 2nd half (1st October to 31st March) shall be submitted by 30th April positively in order to meet the company's target regarding successful drawl of annual statement of P & L Account and Balance Sheet. Accordingly, they shall submit their plans & programs in advance to enable the management to take appropriate steps for finalization of various tasks as per pre-decided matching schedule.

B. Scope of Stock Audit

1. The Stock Auditor should physically verify all the inventories lying in different stores including site store.
2. To reconcile the store ledger with Accounts ledger both in quantity and value and suggest for rectification entry if any.
3. To verify the stores consumption both in quantity & value and its proper accounting.
4. The auditor while verifying the transactions shall evaluate internal control procedures operative within the enterprise for efficient materials management.
5. To verify the scraps and its Proper accounting.
6. To submit the reconciliation statement of stores with accounts.
7. To submit the final report by 30th April.

C. Scope of physical verification of Fixed Assets

1. To verify that proper records of assets of the company are maintained as per requirements of CARO 2003 as amended by companies (Auditors Report) Amendment order 2004 issued by Gol in terms of sub-section (4A) of section 227 of the Companies Act, 1956.
2. To physically verify all the fixed asset and reconcile with General Ledger.
3. To comment on the system regarding accounting, custodianship and safeguarding of monetary and non-monetary assets of the corporation.
4. To see that the assets of the company are reasonably and adequately protected against loss.
5. To check that the transfer / sale of each Asset is immediately & properly accounted for.
6. To check the applicable depreciation rates and calculation of depreciation.
7. To check whether the assets are impaired or not and submit a certificate that there is no impairment of Asset.

Annexure -2

Format of the offer

- | | | |
|----|--|---|
| 1. | Name of the Audit Firm/Consortium Firm | : |
| 2. | Address | : |
| | i) Permanent Address | : |
| | ii) Correspondence Address | : |
| | iii) Telephone Number | : |
| | iv) Fax Number | : |
| | v) Email Address | : |
| | vi) PAN Number | : |
| | vii) Service Tax Req'd. No. | : |

| Sl. No. | Particulars | |
|---------|---|---|
| 1. | Year of establishment & registration of Firm(s) | |
| | Average Annual Turnover of the firm in the preceding 3 Financial Years | |
| 2. | Number of partners in the firm | |
| 3. | Number of qualified assistants (Chartered / Cost Accountants) in the Firm. He should be a member of his respective institute. | <u>Name</u> <u>Institute</u> <u>Membership No</u> |
| 4. | Number of semi qualified assistant (Inter Chartered /Cost Accountant) in the firm and relevance and quality of the Methodology of execution of work | |
| 5.(a) | Types of Audit conducted in State/Central power sector PSUs. | |
| 5(b) | Types of Audit conducted in other State/Central PSUs. | |
| 6. | The address of the office / branch near to HQ of OHPC & near by power stations. | |
| 7. | Date of Partnership deed with Registration Number. | |
| 8. | Copy of consortium agreement | |

Note :

1. Documentary evidence of all the information as stated above are to be furnished along with the offer.
2. All the pages of the terms & conditions and documents submitted are to be signed with the seal of the firm.
3. In case of applicants through consortium, the consortium agreement should form a part of requisite document.

(Sign. & Seal of the Partner of the Firm)

Annexure-3

Fees for Internal Audit / Stock Audit / Physical verification of Fixed Assets

Category A

| | |
|----------|--------|
| UIHEP(M) | 40,000 |
| BHEP | 40,000 |
| HHEP | 40,000 |

Category B

| | |
|-------|--------|
| UKHEP | 36,000 |
| RHEP | 36,000 |

Category C

| | |
|------------------|--------|
| CHEP | 32,000 |
| UIHEP(K) | 32,000 |
| Corporate Office | 32,000 |

In addition to the audit fees, the out-station auditors shall be paid traveling allowance and daily allowance as applicable to E6 grade for partners and E3 grade for the assistant according to the applicable TA rules of OHPC, subject to a limit of Rs.30,000/-.