

**Hiring of Services of a Chartered Accountant Firm  
for Internal Audit of  
Armoured Vehicles Nigam Limited, Avadi, Chennai**

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**RFP No: 201/AVNL/ IA/ 22-23**

**Date: 15 Sept 2022**

**1. INTRODUCTION**

- 1.1. Armoured Vehicles Nigam Limited (AVNL) is a strategic Defence PSU formed out of the Corporatisation of the OFB under the Ministry of Defence. The incorporation of M/s AVNL took place on 14.08.2021 and the company commenced operations from 01.10.2021. The Annual Turnover of the AVNL is estimated to be about Rs. 2500 Crore. The Corporate office of AVNL is situated at Bhaktavatsalapuram, HVF Avadi Road, Avadi, Chennai- 600 054.
- 1.2. AVNL has diverse customers which include the Army, Navy, Air Force, Para Military Forces, Police, PSUs, Central /State Government Departments, and Civil Customers for its products.
- 1.3. The Units under AVNL are engaged in the manufacture of strategic requirements of Armoured Vehicles and other "B" vehicles and other armaments for the various applications, as per requirements of customer organisations. The manufacturing units are located in four States of the Indian Union.

**2. INTERNAL AUDIT OF OPERATIONS**

- 2.1. The Company desires to engage the services of a Chartered Accountant Firm with its own team of Chartered Accountants and Cost Accountants (CA/CFA/CMA) along with requisite no of qualified and experienced staff for the purpose to conduct internal audit function as part of the AVNL Internal Audit (IA) Cells and shall work at the Units along with the Internal Audit Officials of AVNL, as a composite team and conduct the audits in compliance of Section 138 of the Companies Act 2013 and Companies (Account) Rules 2014.
- 2.2. Internal Audit Teams of the firm shall be located at 05 major manufacturing units (for units and the attached training establishments) and the Corporate Office of the Company which shall carry out audits as per risk-based Annual Audit Programme approved by **Audit Committee / Senior Management** of AVNL.
- 2.3. The Audit Teams shall, led by a Chartered accountant / Cost accountant with the requisite work experience of Financial /Cost Accounting/Internal Audits for a medium/ heavy/ large engineering in the manufacturing Sector under the State/ Central Govt. with units at multiple locations. The team shall also comprise suitable number of assistants who may be CA/ ACA/CMA/ACMA.
- 2.4. All the Internal Audit teams shall submit monthly audit reports to their team leaders and after considering the Auditees' replies / action taken reports, team leaders shall submit reports of significant issues observed during the audit to **Head of Internal Audit** on periodical basis. Corrective action taken on CAG observations, if any, to be reported as part of Internal Audit report.



2.5. Head of Internal Audit, as **Chief Internal Auditor**, shall submit his/her reports to Company's Management at various levels for corrective actions and shall finally submit report to the AVNL **Audit Committee/ AVNL Board** indicating status of compliance with well-established internal control systems of the Company and plans for mitigating the key risks associated with major activities of the Company.

2.6. The Internal Audit Cell comprising our Officials and Staff is at each of the factory units are tasked to carry out the internal audits of documents, records and practices, to confirm and provide the assurance of compliance to the company Procedure Manuals/ SOPs and the guidelines and directions provided by the Govt. of India, from time to time. This includes vigilance guidelines being issued by the offices of the CVC and CVO/AVNL and its subordinate offices. The officials of the CA firm engaged through this contract shall combine and form composite teams with the existing officials to conduct of the Internal Audit covering the areas spelt out in the scope of work mentioned herein.

2.6.1 The Internal Audit shall be required to check the adequacy and effectiveness of internal control system through regular audits, system reviews, process reviews and provides assurance on compliance with the legal and regulatory requirements, and internal policies and procedures of the company. An allied objective of the Audit is to enable the company to establish optimum and effective controls that prevent misuse and wastage of resources and facilitate achievement of objectives of the company.

2.6.2 **Internal Control of Financial Reporting (ICoFR)** – to conduct test of the controls as per the RCM (Risk Control Matrix) and provide a report on its compliance.

2.7. Audit shall also provide the suggestions on the treatment of risks identified during the course of audit, so that necessary steps can be taken by the company so as to minimize or eliminate risk or transfer the same.

2.8. Functioning of Internal Audit as well as Internal Control systems shall be periodically reviewed by the Internal Audit Committee/ AVNL Board.

2.9. The AVNL **Audit Committee / Board**, shall regularly review the audit plans, significant audit findings, adequacy of internal controls, and compliance with accounting standards and policies from time to time and issue directives for compliance to further strengthen the internal control system and ensure its effectiveness.

2.10. The Company continues its efforts to align all its processes and controls with global best practices, to assure the highest level of Corporate Governance as per the requirements of the Companies Act of 2013.

2.11. **Location to be Audited:** The Internal Audit is to be conducted at the following locations:

**1) AVNL Corporate Office**

AVNL Corporate Office- Bhaktavatsalapuram, Avadi, Dist Thiruvallur, Chennai.

**2) AVNL Manufacturing Units**

- a) Heavy Vehicle Factory (HVF) Avadi, Dist Thiruvallur, Chennai
- b) Engine Factory Avadi (EFA), Dist. Thiruvallur, Chennai
- c) Vehicle Factory Jabalpur (VFJ), Dist. Jabalpur, Madhya Pradesh.
- d) Machine Tool Prototype Factory (MTPF), Ambarnath (West), Dist. Thane, Maharashtra
- e) Ordnance Factory Medak (OFMk), Yedumailaram, Dist. Sangareddy, Telangana



- 3) **Training Establishments/ Institutes: AVNL Institutes of Learning** – attached to the manufacturing units as follows:
- a) IOL Avadi (IOLAV) – attached to HVF Avadi
  - b) IOL Ambarnath (IOLAM) attached to MTPF Ambarnath
  - c) IOL Medak (IOLMk) attached to the unit- OF Medak.

**2.12. Period of the Service**

Internal Audit function for a period of 24 months covering the Financial Year 2022-23 and 2023-24 and may be extended upto another year (12 months) if agreed upon mutually.

**2.13. Scope of Auditing** is as per **Annexure 'A'**.

**2.14. Pre-Qualification & Technical evaluation of Firms** shall be as per **Annexure -B**

**2.15. Audit Reporting & Audit Report requirements** are as per **Annexure 'C'**.

**2.16. Arbitration & Settlement of Disputes** is covered in **Annexure "D"**

**2.17. Penalties for Breach of Contract** as per **Annexure 'E'**

**2.18. Price Bid** is as per **Annexure 'F'**

**3. DELIVERABLES:**

Internal Audit activities of all the Audit places mentioned covered in this RFQ at 2.11 should be completed on or before the specified deadlines as per the Scope of Work. Assignments pertaining to one quarter should not be carried forward and clubbed with subsequent quarters. Reporting of each quarter is to be done separately.

The **Audit Scope** has been detailed in **Annexure -A**.

**Audit Reporting** requirements have been stated in **Annexure C**.

The successful bidder has to conduct the audit activities for each month / quarter as per the scope of work and submit a quarterly Audit report (after incorporating the outcome of discussion with the Auditees) to **GM-Internal Audit, AVNL Corporate Office, AVNL HQ, Avadi, Chennai – 600054** as per the following reporting deadlines. (Refer clause 4.5 of the General Terms & conditions).

Quarter/ Half Year	Period ending	Reporting Deadlines
Q1	30 <sup>th</sup> June	31 <sup>th</sup> August*
Q2	30 <sup>th</sup> September	30 <sup>th</sup> November*
Q3	31 <sup>st</sup> December	28 <sup>th</sup> February
Q4	31 <sup>st</sup> March	31 <sup>th</sup> May

In case of 28<sup>th</sup> falling on any National Holiday or Sunday, the report to be submitted on the next working day. Report shall be submitted in hard copy as well as soft copy, (MS Word File as well as PDF file) by registered post/email.

**\*If audit is taken up for the first time for the period (FY 2022-23) April 2022 till Sept 2022, the work has to be taken up immediately and report may be submitted by 25<sup>th</sup>**

Nov 2022 or within three months of issue of Service Order (or) as mutually agreed between both parties prior to issue of Service Order (PO). For the subsequent quarters/FYs, the above timelines are to be adhered to.

#### 4. GENERAL TERMS AND CONDITIONS:

4.1. The bidder should not outsource the work to any other party under any circumstances.

4.2. The firm has to discuss the audit points on the findings of the auditing / observations with the auditees and obtain their views/replies and incorporate the same in the audit report. The audit report(s) shall be issued to the respective Controlling Officers of the SBU / GM-Finance/ CGM of the Unit. The prepared draft Audit report shall be reviewed by the Corporate Office - Internal Audit. On finalisation the same shall be submitted to Head of Internal Audit at Corporate Office. The reporting requirements have been stated in **Annexure -C**

4.3. After discussions and deliberations on the comments/replies from the respective SBU / Unit/ Corporate Finance Heads, the **Internal Audit Cell**, supported by the Internal Audit Team of the CA firm, shall prepare final report along with supporting documents/ records taken as evidence. This should be sent to office of the Internal Audit / AVNL Corporate Office on a quarterly basis in duplicate, on or before the due date for each quarter (address for sending reports and due dates for each quarter will be provided separately). Soft copy of the report along with the working papers, documents, MS excel / MS word file and any other relevant documents / files for substantiating the report should also be sent to Internal Audit Section by email for internal records of AVNL.

4.4. Fees for assignment should be inclusive of all charges and will be paid on a quarterly basis. However, GST will be extra as per the provisions of GST Law.

4.5. Audit Report should be submitted within the reporting deadlines (mentioned under Clause 3.0 - Deliverables), failing which AVNL shall be entitled to deduct Liquidated Damages @ 0.5% of fees of the assignment for each week's delay subject to a maximum of 10%. Penalties for non-deployment of Auditors, etc. as per **Annexure -E**

4.6. Engagement of CA/CMA firms will be governed by "Code of Ethics for Chartered Accountants/Cost Accountants" circulated by the respective Institutes in their websites and the company reserves right to initiate necessary action against such CA/CMA firms and its partners in case serious deficiencies are observed. CA/CMA Firms which are presently debarred by its Institutes or any other regulatory bodies are not eligible for applying / empanelment. The eligible Audit Firms should be qualified under the provisions of Section 141 of the Companies Act 2013, for appointment as auditors. *No adverse remarks, disciplinary proceedings, pending/ initiated against the firm/ any of its partners/proprietor on record of Institute of Chartered Accountants of India (ICAI) or National Financial Reporting Authority (NFRA).* **A self –declaration in this regard shall be obtained from the Audit Firms** as per the Company accepted format or otherwise (refer **Annexure – H**).

4.7. The Firm shall depute adequate number of assistants having at least graduation in Commerce or Chartered Accountant/ Cost & Works Accountant (CA/ICWA) with intermediate qualification and having experience in the auditing of a manufacturing company, and one qualified Certified Chartered Accountant or Cost Accountant (CA/CMA) to guide and supervise the work as part of carrying out the scope of work of tender document with experience in the auditing of at least two manufacturing



companies a turnover of not less than 500 crores. Personnel deployed shall have working knowledge of a Relational Data Base Management System (RDBMS) based ERP and possess other analytical skill as required. *They should have good written and oral communication skills. The preferred languages of communication: English and Hindi.*

**4.8.** The staff deployed by the firm will be disciplined, courteous, polite and cooperative and should be able to discuss and resolve issues within their scope of work.

**4.9.** Cost of transportation and other incidental expenses will be borne by the successful bidder themselves. Basic infrastructure at AVNL premises will be provided by the company.

**4.10.** CA/CMA firms which have carried out Financial Accounting of AVNL or Statutory Audit of AVNL, recently for a year will not be considered for the Internal Audit Assignments for next 2 years. These instructions would even apply to firms of which, a partner or proprietor, is engaged or to be engaged in any internal assignment of the company.

**4.11.** An audit firm in which a partner is also a partner / proprietor of firm entrusted with Financial Accounting of the Company presently is also not eligible for assignment of Internal Audit.

**4.12.** The bidder will be responsible for any damage to equipment, property and third-party liabilities caused by acts on part of its deployed person at AVNL / User's premises.

**4.13. Secrecy & Confidentiality:** Team should work in strict confidence and ensure that the data, statements and any other information in respect of the operation is dealt in strict confidence and secrecy. AVNL operations are in the strategic defence sector and hence the bidders have to maintain confidentiality of all the information at all points of time.

Any information necessary for the internal audits shall be provided by the officials with due approvals as necessary. The audit firm and its representatives will be bound by the non-disclosure agreement for maintaining the confidentiality of the information so collected.

**4.14. Safety & Security Regulations:** The staff of CA/CMA firm may be allowed to bring their own Laptops etc. subject to security clearances. They shall abide by the safety and security guidelines including the working hours of the units and ensure their safety while in the premises, by the use of suitable PPEs as prescribed in various area of operations.

## **5. BID SUBMISSION:**

**5.1.** BIDS complete in all respects must be submitted by as per the date and time of closing of submission of the bids as notified in the notice of Tender/ notice for bid submission.

**5.2.** AVNL may at its own discretion, extend the date for bid submission. In such a case all rights and obligations of AVNL and the Bidders shall be applicable to the extended time frame. The bids received after the closing date will not be considered. No correspondence will be entertained on this matter.

**5.3.** The last date for receipt of bid duly completed in all respects is mentioned in the bid notice placed on the digital platform.



## 6. BID OPENING & EVALUATION:

- 6.1. Bid shall be opened as specified in the Digital Platform where the Bid / Tender document is uploaded. The Bid opening date may be extended to get sufficient no of bids for evaluation against the requirements and will be notified on the digital platform only.
- 6.2. All the bids shall be evaluated based on the terms & conditions of this RFQ to finalise the bid. The firms who shall score above 70% in the technical evaluation shall only be considered for financial bid opening.
- 6.3. The method of selection is combined Quality and Cost Based Selection (QCBS).
- 6.4. The bids will be screened as per Pre-Qualification criteria as per **Annexure-B**. The qualifying score for the technical Pre-Qualification is 70 points (Max 100 points).
- 6.5. The weightage given to the Technical Bid and Commercial Bids is: 70%: 30% respectively.
- 6.6. Score of final bids of a firm bid shall be calculated as follows:
- i)  $R_t = (\text{Firms Bid Score Received} / \text{Highest Score of Technical Criteria})$ .
  - ii)  $R_p = (\text{Lowest Price Bid received} / \text{Firms Price Bid Received})$ .
  - iii) **The final Score R shall be determined as:  $R = 0.70 R_t + 0.30 R_p$ .**
- 6.6.1. Thus L1 shall be the firm with the highest score of R and the others ranking shall be in decreasing order of the composite score R.
- 6.7. AVNL shall consider placement of order on the qualified bidder whose offer shall be with the highest composite R score (L1).
- 6.8. L2 and L3 shall be according to the R score in decreasing order.
- 6.9. AVNL reserves the right to negotiate with bidders regarding price, terms and conditions in the best interest of the Company as per procurement procedures.
- 6.10. Firm shall, in the Financial Bid quote their rate as all-inclusive lump sum fee which will be inclusive of Travelling, lodging & boarding expenses, TA/DA (for visits to the project site), any out of pocket expenses. The lump sum fee should not include GST which should be quoted extra. The basis for financial bid evaluation, shall be the lump sum fee to carry out the entire work and complete the assignment as per Scope of Work. Accommodation at Unit Guest House/ Hostel can be provided on payment basis, as available.
- 6.11. The financial offer/bid submitted should be on a firm and fixed basis and there is no provision for not any price escalation, whatsoever, during the currency of the contract.
- 6.12. The lump sum fee and the scope of work shall also include any services, which are required for completion of the assignment but are not specifically mentioned in the Terms of Reference, in order to ensure completeness of deliverables.

## 7. AWARD OF CONTRACT / SERVICE ORDER (PO)

- i) **Right to accept / reject bids.** AVNL reserves the right to accept or reject any tender and to cancel the entire tender process at any time prior to award of contract without assigning any reasons / intimation.





- ii) AVNL shall inform the successful bidder in writing and the bidder is required to convey acceptance of offer within 7 days of such communication, failing which the offer will be treated as withdrawn.
- iii) The conditions stipulated in the contract will be strictly adhered to and violation of any of the conditions will entail termination of the contract without prejudice to the rights of AVNL.
- iv) The successful bidder shall sign confidentiality agreement i.e. **Non-disclosure Agreement (NDA)** within a week after the award of the contract/ Service Order (PO).

#### **7.1. Acceptance of proposal**

- i) AVNL reserves the right to reject any or all proposals or any part thereof, to waive formalities, and to accept the proposal deemed most favourable to AVNL. This Request for Quote (RFQ) or anything included in it should not be construed as an offer or commitment to enter into a contract or any other form of agreement with the bidders.
- ii) All approved bidders who have received this RFQ may be requested to participate in a pre-bid meeting, if any, to be held on a date which will be communicated to them. All clarifications that the bidders have w.r.t scope of work and other details will be addressed so that the bidders have a clear and common understanding of the RFQ requirements. However, holding of pre-bid meeting is not mandatory. Minor clarifications may be sought through email/ telephone well within the due date for submission of quotes.

#### **7.2. Termination of contract:**

The contract/service order (PO) is liable for termination for any deficiency in any service by giving one-month notice. No compensation is payable under any circumstances on account of such termination. The fees if any payable to the Firm will be only up to the period for which Audit activity is completed and Audit Report is issued. No fees is payable for the period after serving the notice of termination. The decision of AVNL in this regard is final and binding.

### **8. TRAVELLING, BOARDING & LODGING AND OUT OF POCKET EXPENSES**

- 1) Payment of fee will be limited to amount quoted in price schedule by the successful bidder subject to income-tax/ GST (TDS) deductions. No travelling, boarding & lodging and out of pocket expenses will be paid separately.
- 2) AVNL shall however provide the following:
  - (i) Local conveyance at the units with Escort (authorised rep of the CGM) to physically visit the Lands/Buildings & other assets and facilities owned by AVNL for the purpose of the audit.
  - (ii) Guest House with lodging & boarding at charges payable, based on request and availability.

### **9. PERIOD OF CONTRACT**

The period of the Contract shall be 24 months from the date of issue of Service Order / Work Order. AVNL reserves the right to renew the contract on the satisfactory performance of the service provider by another one year with mutual agreement on the



same terms and conditions subject to certain need based changes in the scope of Work and after approval of AVNL Management.

#### **10. TERMS OF PAYMENT**

- 1) Payment shall be made on quarterly basis after deducting applicable taxes as applicable on receipt of the invoice on completion of Audit and submission of report for each quarter. All claims are to be certified by the Chief Internal Auditor at AVNL, Corporate Office for each quarter for payment.
- 2) Payment will be made within 30 days of acceptance of acknowledged work completion certificate & CRAC (Consignee's Receipt and Acceptance Certificate); All invoices will be paid within 30 days of receipt with applicable documents. No advance payment is allowed.

#### **11. FORCE MAJEURE CLAUSE**

- 1) Force Majeure means an event beyond the control of the supplier / service provider / firm and not involving the supplier's / service provider's / firm's fault or negligence and which is not foreseeable. Such events may include, but are not restricted to, acts of the purchaser / AVNL either in its sovereign or contractual capacity, wars or revolutions, hostility, acts of public enemy, civil commotion, earthquake, sabotage, fires, floods, explosions, epidemics, quarantine restrictions, strikes, lockouts, and freight embargoes.
- 2) If there is delay in performance or other failures by the supplier / service provider / firm to perform its obligation under its contract due to event of a Force Majeure, the supplier / service provider / firm shall not be held responsible for such delays / failures. If a Force Majeure situation arises, the supplier / service provider / firm shall promptly notify the purchaser / AVNL in writing of such conditions and the cause thereof within twenty-one days of occurrence of such event. Unless otherwise directed by the purchaser / AVNL in writing, the supplier / firm shall continue to perform its obligations under the contract as far as reasonably practical, and shall seek all reasonable alternative means for performance not prevented by the Force Majeure event.
- 3) If the performance in whole or in part or any obligation under this contract is prevented or delayed by any reason of Force Majeure for a period exceeding sixty days, either party may at its option terminate the contract without any financial repercussion on either side. There may be a Force Majeure situation affecting the purchase organization AVNL only. In such a situation the purchase organization / AVNL is to take up with the supplier / firm on similar lines as above for further necessary action.
- 4) The bidder must submit an undertaking that the bidder has clearly understood the requirements and complexities of the requirement as described in the RFQ and takes the complete responsibility of meeting all the requirements of the assignment.

#### **12. ARBITRATION AND LEGAL JURISDICTION**

Any disputes or differences arising out of or in connection with this assignment/ contract shall be settled by mutual bilateral discussions. Any dispute, disagreement or question arising out of or relating to the Contract or relating to construction or performance, which cannot be settled amicably, may be resolved through arbitration. The standard clause of arbitration is as per AVNL Purchase Manual 2022 as amended (**Refer Annexure 'D'**). The place of Arbitration is CHENNAI





## SCOPE OF THE AUDITING

Sl. No.	Particulars	Extent of Financial Auditing (minimum)	<u>Indicative Volume of vouchers &amp; Value p.a.</u> <u>( Total of All units)</u>
1.	<b>Purchase to Payment for Local Vendors</b> including advances, Misc. purchases of Goods and Services. @ (Above 10 Cr – 100% Value Rs. 5 -10 crores - 100% Value Rs. 50 lakh to 5 Cr– 50% Value Rs. 20-50 lakh- 25% Below Rs. 20 Lakh - 15%)	15% <sup>@</sup>	45000 nos vouchers/ invoices Rs. 2000 Cr
2.	<b>Purchase to pay for Foreign Vendor</b> contracts and Payments including advances for goods and services	100%	Contracts: 20 No of Vouchers: 50 nos Rs. 50 Cr
3.	<b>Purchase to Payment for Local Vendors</b> for purchase of Plant & Machinery	100%	No of contracts: 20 Value of contracts: Rs. 150 Cr
4.	<b>Purchase to pay for Foreign Vendors</b> payments for purchase of Plant & Machinery	100%	No of contracts: 20 Value of contracts: Rs. 200 Cr
5.	<b>Works Contracts</b> – Purchase to Payment for Works contracted.	25%	Rs.30 Cr
6.	<b>Payroll payments</b> including arrears and allowances and advances to regular employees.	10%	11000 no employees Rs 500 Cr
7.	<b>Pay roll payments</b> including allowances and advances to contractual employees	20%	1100 employees
8.	Medical Reimbursements to Employees	20%	Rs 2.0 Cr
9.	Travelling (TA/DA) claims for employees including payment to agencies for Air Tickets etc.	20%	Rs 50 Lakh
10.	<b>Township Management</b> - Revenue and Expenditure <ul style="list-style-type: none"> <li>Shops and commercial establishments.</li> <li>Rent and electricity charges for Community Hall, Exhibitions, Quarters, Guest Houses, etc</li> <li>Sale of scrap</li> <li>Conservancy expenses.</li> <li>Any other transactions of recoveries or expenses.</li> </ul>	15%	Rs 3.0 Cr



11.	<b>Vendor Database &amp; Management</b> Registration Process – vendor documents and office approvals. Review for updating and/ or removal, etc.	10%	Approx 1000 active vendors
12.	<b>Operations &amp; Maintenance Management</b> (1) Customer Order Book Maintenance. (2) Production Shop Orders. (3) Maintenance & Utility Services expenditures. (4) Marketing & Export (5) Sales – Payments (6) Any other related area.	25%	Commensurate with turnover of 2500 Cr.
13.	<b>Finance Management</b> <ul style="list-style-type: none"> <li>• Budget Management.</li> <li>• Cost Accounting &amp; Control</li> <li>• Asset management</li> <li>• Revenue Management</li> <li>• Treasury Management.</li> <li>• Financial Statements &amp; Reports. Any other aspect related to finance management.</li> </ul>	100%	Commensurate with turnover of 2500 Cr.
14.	<b>Legal Cases</b> : Legal cases regarding employees, vendors, customers.		
15.	<b>CSR Activities</b> : Budget Allocation and expenses on projects.		
16.	<b>Company Secretariate Section</b>		
17.	<p><u>Audit 100% of the Transactions related to:</u> (The list is indicative not all of the stated transactions may be required every year)</p> <ol style="list-style-type: none"> <li>Investments and Fund Transfers.</li> <li>Exports/Foreign Payment/ Royalty for IPR/Technology Transfer agreements.</li> <li>Claims – insurance, compensation, etc.</li> </ol> <p><b>NOTES:</b></p> <p>(i) For the above listed audit areas, Internal Audit Teams shall during audit will also check for compliance to the company Procedure Manual and procedures, Vigilance guidelines and issued from time to time. During the course of audit, the extent /scope and depth of the examination can be enhanced depending upon the risk evaluation.</p> <p>(ii) The <b>Audit</b> processes and the <b>Audit Report</b> shall conform to the reporting standards specified by the ICFAI and must be compatible with the <b>CARO</b> and <b>IndAS</b> requirements.</p> <p>(iii) Any revisions to financial rules and manuals, procedures during the audit period as applicable may be considered for compliance.</p> <p>(iv) Previous Audit Observations of Internal Audits and any other Audits – compliance to recommendations accepted for implementations by the Senior Management of the Company shall to be verified.</p>		



### **Check lists for the Internal Audit:**

Purpose of the Internal Audit is to verify and must ensure the following:

- i) Compliance to the documented policies and procedures on Operations, Purchase, Sub-contract, Works contract, Accounting, HR, IT and Security, Sub-delegation of Powers, etc. covering all financial and operating functions, and revised from time to time.
- ii) Adequate internal controls have been introduced to provide a reasonable assurance with regard to maintaining of proper accounting controls for ensuring proper authorisation by competent financial authorities, reliability of financial transactions, Financial reporting, monitoring of transactions and operations, and protecting assets from unauthorized use or losses.
- iii) Compliance with all the legal and statutory regulations as revised from time to time, Tax Laws, Company procedures, Manuals, Standing instructions, SOPs, etc.
- iv) File & Information retention schedules and retention/ retrieval systems to ensure enhanced transparency and availability of information.
- v) Preparation of accounts consistent and in compliance with Indian Accounting Standards (IndAS) and Companies Act, 2013.
- vi) Prevention of and timely detection of fraud and other irregularities. Verify existing controls and suggest controls, wherever necessary, to prevent such irregularities.

**This check list given below is indicative & illustrative and not exhaustive or comprehensive and other documents/ activities must be examined as necessary to verify compliance related to the audit requirements:**

#### **A. PURCHASE TO PAYMENT:**

##### **1) Vendor Management System**

- a) Enrolment and Registration; Vendor enrolment process- -competence and capacity evaluation, periodic review and updating of vendor database.
- b) Established Sources and Development of new suppliers for critical and major components, sub-systems, indirect or direct goods and services.
- c) Safeguarding repeated or duplicate, frauds, mis-representation.
- d) Indicators in vendor database for MSME/SME, SC/ST ownerships, etc as per Govt . guidelines for subsidies, exemptions and other benefits.
- e) Processes for vendor de-registration, blacklisting, penalty, etc.

##### **2) Tender & Process for Orders**

- a) Compliance with the Procurement Manual of the Company
- b) Compliance with Govt. directives (GeM purchase)
- c) Assessment of requirements – Stock, Dues and Customer requirements.
- d) Selection of Vendors.
- e) Tender Notices - Notice inviting Tenders (NIT), Request for Proposals(RFP) to cover all specifications- Technical and Commercial requirements, General Terms & Conditions (GTC), Additional Terms & Conditions (ATC) so as to unambiguously



provide all relevant information for a contract agreement to fulfil the company requirements;

- f) Tender Evaluations as per rules and procedures
- g) Data collection and collating the paid rates in past and market trends and market information. Information gathering mechanisms. economic indices, etc.
- h) Approvals for Tendering and procurement processes at various stages, Tender Purchase/ Evaluation Committees (TPC/ TEC) for both technical and commercial evaluation, committee deliberations and decisions.
- i) Financial Approvals by Competent Financial Authority (CFA) at various stages as per delegation of financial powers.
- j) Budget Assessment and allocations for procurement of various types.
- k) Budget Expenditures – monitoring and control.

**3) Local Vendor Payments (Goods):**

- a) Check when preparing the Receipt (Rt.) Voucher (Vr.) / Goods Receipt for the quantity supplied and the result of the inspection, acceptance on the MIS (Material Inward Slip/ Inspection documents) with respect to acceptance of the quantity.
- b) Documents for claiming the payment is as per the Purchase Order (PO)/ Contract Agreement- such a warranty documents, Bank Guarantee, PSG, etc. besides validity.
- c) Approvals of documents and transactions by the competent authorities and as per delegation of financial Powers
- d) Original Invoice as per GST requirement.
- e) Payment Liability is to be made for the quantity accepted based on the Rt.Vr/ Goods receipt/ invoice which must also be verified against the Purchase order records.
- f) At the time of booking the Receipt for payment, expenditure to be booked in correct budget code head and General Ledger (GL) as per the Account assignment.
- g) While checking Receipt Vouchers/ Invoices, check PO terms, Liquidated Damages (LD) clause for delay,
- h) Payment terms as per the PO.
- i) Availing of ITC (Concession) as per the GST rules.
- j) Applicable Income Tax -TDS and GST-TDS or discount (if any) etc.
- k) Filing of the respective tax returns on the online portal - reconciliation with primary documents and records.
- l) In case the vendor is Micro, Small and Medium Enterprises, payment to be made as per MSME Act after due consideration of payment terms as per the PO. As far as possible, Interest payment to be avoided.
- m) Advances, Stage Payments, Security Deposit (SD) and Rejections (if any) to be taken care at the time of payment.
- n) In case of balance payment (5% or 10%), whether Performance Bank Guarantee (PBG) required to be submitted by the vendor or not as per PO terms and conditions to be checked.
- o) Whether Payment authorizations are as per Company's Procedures/ Procurement Manual/ Financial Limits / Sub-delegation of Powers.
- p) Any other documents relevant for billing, vouching and release of payment.





**4) (i) Local Vendor Payments (Services)**

- a) Service Records/ Attendance Sheets, Job Completion documents made and accepted by the Indenter.
- b) All the points referred above from SI no2, and 3 (b) to (m) are to be complied.
- c) Freight Payments inward and outward Contracts.
- d) Payments to Clearing House Agents and Transport Agencies.
- e) Any other documents relevant for billing, vouching and release of payment.

**4. (ii) Local Vendor Payments for Contract Nature Of Services (Civil / Electrical / Mechanical / Labour / etc.**

- a) Measurement Book (MB) / Sheets to be verified for payments.
- b) Site- in Charge Report and Engineer-in-charge confirmation to be seen.
- c) Work Surveyor Report to be seen (for Works).
- d) Minimum wages to be paid as per the contract (Labour Contracts)
- e) Compliance to EPF, ESIC Acts to be verified. (Labour Contracts).
- f) Terms and conditions as per the contract to be complied for payments.
- g) Attendance Sheet and Wage Register for Labour Contract to be verified.
- h) Points referred in SI No 2 and 3(b) to (m) above to be complied.
- i) Any other documents relevant for billing, vouching and release of payment.

**5) Foreign Vendor Payments (Goods):**

- (a) Pricing of the MIRO is done based on INCO terms. The same to be checked.
- (b) Payment to Foreign Vendors is through LC, Sight Draft or Telegraphic Transfer. Documents required are Invoice, Bank Details of the Vendor, Air way bill/ Bill of Lading, Bill of Entry, FEMA Declaration, Authorized Signatory Advice to Bank.
- (c) Points referred above from 2 and 3(a) to 3(h) and 3(l) to 3(o) above are to be checked.
- (d) Payment of Customs Duties (including Manual payments of Customs and GST) and availing of applicable ITC
- (e) Freight Payments to the Freight Forwarder to be checked.
- (f) Whether Payment authorizations are as per Company's Procedures/ Limits/ sub-delegation of powers
- (g) Any other documents relevant for billing, vouching and release of payment.

**6) Foreign Vendor Payments (Services):**

- (a) In case of Foreign Service POs, Tax implication needs to be taken care (IT TDS, GST, availing of ITC and other compliances required as per the IT Act).
- (b) Points referred above from 2 and 3(a) to 3(f) to be checked.
- (c) Any other documents relevant for billing, vouching and release of payment.

**7) Misc. Bills Payments**

- (a) These are based on Management Sanction as per delegation of financial powers.
- (b) Request from Indenter is made in system mandatorily against which liability to be created. Sanction shall be obtained for the necessary expenditure.
- (c) Internal Order/Payment Order is compulsory for Misc. Payments.



- (d) Along with above, Invoice to be forwarded with Inward Gate Pass with entry in-seal of Security and Delivery Challan for release of payment in case of receipt of goods.
- (e) Acceptance - Indenter shall confirm the quality of goods/service received.
- (f) Tax applicability to be checked. GST invoices shall be required as applicable.
- (g) Wherever applicable ITC (Income Tax Cert) is to be taken care.
- (h) Any other documents relevant for billing, vouching and release of payment to be checked.

#### **8) Advance Payments**

- (a) Advance is paid strictly based on the terms of the POs.
- (b) For advances to be considered, request from Indenter/ supplier request is compulsory.
- (c) Documents required are Invoices, Board approval copy, Bank Guarantee (110%), Confirmation of the BG, FEMA declaration (in case of Foreign PO), and any other documents as required by PO. Original approval file also to be seen for compliance.
- (d) Periodic review of advances to be done.
- (e) Advance to be adjusted immediately on receipt of goods.
- (f) In case items get rejected, the advance paid to be transferred to Rejection GLs.
- (g) Any other documents relevant for release of payments must be verified.
- (h) GST & TDS Liability on advance payments – treatment and reconciliation.

### **B. HUMAN RESOURCE MANAGEMENT AND ADMINISTRATION**

#### **1) Payroll: Salary, TA DA Claims and Medical Reimbursements**

- a) Checking of individual Salary & Claims as per TA DA Rules;
- b) Checking of individual claims with Medical reimbursement rules, Office Orders etc.
- c) Payments to Travel Agents for Air Ticket booking as per agreements, if any.
- d) Checking of adjustment of advances at the time of final payments.
- e) Checking for input tax (GST) credits wherever applicable.
- f) Regular employees– Loans, advances; Pay fixation, Arrears on fixation of pay and promotion, special increments, etc.
- g) Contractual employees- compliances of Min Wages, EPF, ESIC, Taxes, etc
- h) Any other documents related to Personnel transactions.

#### **2) CSR Activities**

- a) Budget allocations and expenditure of funds for the stated projects.

### **C. STORE ACCOUNTING & MANAGEMENT**

#### **1) Stores Accounting and Inventory Management**

- a) Store accounting – physical accounting of receipts, sampling standards, inspection standards, other aspects of inspection,
- b) Stock holding and store-godowns – maintenance of stock and its preservation.
- c) Inventory Management – first in – first out, stacking and storage, categorisation into fast and slow moving and non-moving inventory,
- d) Procedure for treatment of non- moving inventory.
- e) Review of valuation methodology used for various inventories is as per IND-AS standards.





**2) Disposal of Stores, Plant & Machinery, other scrap items:**

- a) Scrap and un-serviceable stores, plant and machinery, appropriate disposal thereof.
- b) Serviceable surplus review and appropriate disposal thereof.
- c) Compliance with procedures, estimation of value, prevent the loss of revenue,

**D. MANUFACTURING & OPERATIONS**

**1) Operations**

- a) Customer Contracts management.
- b) Marketing, Exports and Sales Management.
- c) Work Orders/ Production Orders or Warrants issue against firm orders
- d) Labour charges and booking of expenditure
- e) Material Consumption and booking of expenditure
- f) Indirect expenses, workshop expenses charging of.
- g) Inspection- Test standards and compliance of.
- h) Accounting for and booking of charges of inspection
- i) Energy and Water consumption and booking of expenditure
- j) Cost accounting for products and services.
- k) Technology transfer and cost of the technology
- l) Royalty agreements and charges.

**2) Plant & Machinery and Utilities Management-**

- a) Procurement, Operation and Maintenance of Plant and Machinery.
- b) Procurement, Operation and Maintenance of Utility Services
- c) Maintenance of plant and utilities and related expenditure for repair and renovations and upgradation.
- d) Cost Accounting for the expenses on Plant and Utilities operation and maintenance.
- e) Renewal and Replacement and related expenses
- f) Mechanism for Technology upgradation and modernisation.
- g) Scrap and un-serviceable plant and machinery - disposal thereof.

**3) Revenue Accounting**

- a) Reconciliation of Inter – PSU transactions.
- b) Customer – revenue collection processes, ageing reports,
- c) Customer Invoicing and tax compliances.,
- d) Cost Accounting for the expense of Operation & Maintenance.
- e) Compliance to contract terms and conditions.
- f) Taxes and Tax returns- reconciliation of Income Tax returns, GST Returns.
- g) TDS & TCS reconciliations.

**E. LANDS AND BUILDINGS**

**1) Township and Estate Management**

- a) Review of Invoicing process towards rent collections
- b) Revenue collection in terms of the agreements and terms and conditions of allotment.
- c) Rent, Electricity and Water collections
- d) Shops and Commercial establishment.

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- e) Estate Revenue of any other account- welfare measures, community halls, exhibition grounds, Sale of Solar Energy, Guest House Charges, etc.
- f) Periodic maintenance services and utilities operational Expenses- Water Supply Electricity Supply in Estates and Factory.
- g) Expenses for maintenance and preservation and conservancy of buildings and land assets, Landscaping, Guest Houses, Training Establishments, etc.

**2) Production Buildings**

- a) Periodic maintenance services and utilities operational Expenses- Water Supply Electricity Supply in Factory.
- b) Expenses for maintenance and preservation and conservancy of buildings.
- c) Fire-fighting & Safety Management.

**F. INFORMATION TECHNOLOGY**

- a) Check compliances as per the policy of company.
- b) IT Assets- Review the adequacy and appropriateness of procurement of IT Asset, issue and consumption, checking of reconciliation and physical verification records of same.
- c) Assets Utilization- Review of utilization of assets including software.
- d) Software Up-gradation- Review of expenses incurred for Up-gradation Process of Software.
- e) Complaint Management- Check the system for Complaint management
- f) IT Policies- Check compliance of IT Policies for access control, data security.
- g) IFC Requirement- Check the compliance to control procedures against risks. Identify the risks for preparation of an IFC document and accordingly, provide suggestions on addition/ modification of risks and controls matrix.
- h) Adequacy and integrity of data and information, required for financial reporting.

Note: This check list above is illustrative and not exhaustive nor comprehensive and other documents/ activities/areas will be required to be examined as necessary to verify compliance related to the audit requirements and company policies and Govt. guidelines.

**G. LEGAL CASES**

- a) Pending legal & arbitration cases-Related to IT, GST, Purchases, Sales, Civil matters.
- b) Monitoring expenses on cases and progress.
- c) Provisions for any contingent liability.
- d) Reporting in accordance with IndAS requirements.

**H. COMPANY SECRETARATE SECTION**

**I. FINANCE MANAGEMENT**

- a) Cash Book maintenance
- b) Bank Reconciliation Statement – Corporate & Units.
- c) Reporting of Stale cheques, Cancelled cheques.
- d) Budget Managements- Allocations & allotments, approvals and authorities for utilisation of funds. Monitoring use of funds for stated purposes.
- e) Bank Guarantees- Verifications through SFMS system from issuing banks, maintaining validity as per terms of the contract agreements, ensuring periodic review of validity and obtaining extensions as required.



- f) Insurance Policies to secure the assets and mitigate any liabilities or losses as per the risks identified.
- g) Fixed Deposit Receipts, Term Deposits, etc. - Verification and monitoring of deposits and accounting of the interest accrued.
- h) Obtaining the certificates of interest from the Banks for the deposits and closing balance of FDR/STDR/TDRs.

**NOTE:**

- (i) The scope given above is not to restrict the scope of the internal auditors but only intended to meet with the requirements of verification of internal controls of the company. ***An Audit Plan shall be prepared by the Internal Audit AVNLCO to essentially cover the potential areas of risk for audit during the auditing period as identified by the company.***
- (ii) Any other area that may be felt necessary by the Company, shall also be audited during the financial year. Certain other areas may be added to the scope of work for the next period of audit based on the significance and need. This may be to validate the modifications or improvement to the the internal controls of the company
- (iii) Internal auditors encourage to suggest solutions to rectify the errors or deficiencies and not merely confine to the making of observations. Internal Audit should suggest system improvements and ensure compliance of the audit observations at the unit level. Auditors may verify other documents any other areas as deemed fit in view of the audit requirements and the interest of the company.
- (iv) Audit findings will be discussed with the heads of the units as well as with the officials of the corporate office. Audit observations and the replies received from the units will be examined and if the replies provide the confidence about the mitigation of the risk, the same could be settled. Suitable records may be maintained of the observations and their replies along with supporting documents at the internal audit cell at the unit level.
- (v) The final audit report shall bring out the matters which could not be resolved and remain unsettled and the identified risks levels of these observed anomalies, along with the recommendations as appropriate.



1. Pre-Qualification Criteria

Sl. No	Basic requirement	Particulars	Mandatory/ Maximum Points	Supporting Documents
1	<b>Legal Entity</b>	The bidder must be a registered proprietorship/ Partnership firm/LLP (Limited Liability partnership) with professional body of Institute of Chartered Accountants of India	Mandatory requirement	Copy of Registration certificate of relevant authority.
2	<b>Past performance</b>	The Firm should be in practice and should have relevant accounting /auditing experience of at least 5 years to clients such as Central/State/Govt./PSUs, with at least 2 companies with manufacturing units, with turn over or 500 Crore or more.	Mandatory Requirement	Copy of Supply order/work completion certificate of the client(s)
3	<b>Financial Standing</b>	Average Annual turnover of the Bidder firm during last three financial years should be INR Rs. 30 Lakhs PA or more	Mandatory Requirement	Annual audited financial statement for the past three completed financial years
4	<b>Insolvency</b>	The firm should not have faced Insolvency proceedings or declared Insolvent or under liquidation/ court receivership or any such similar proceedings.	Mandatory Requirement	Self-Declaration to be submitted in firm's letter head duly signed and sealed.
5	<b>Debarred/ Black listed</b>	The firm should not have been debarred/ blacklisted by any of Govt/PSUs or any other legal entities for consultancy services. The firm should not have been convicted by a court of Law or indicted by a regulatory authority for any offence against it. The firm should also not have any Criminal/civil investigation pending against it, by enforcement or Prosecution Authorities.	Mandatory requirement	Self-Declaration to be submitted in firm's letter head duly signed and sealed.
6	<b>Firm's Location for rendering service to AVNL Corporate Office through their Offices</b>	The firm should have a GST registered office located in Chennai and the project shall be handled from Chennai only.	Mandatory Requirement	GST Registration Certificate of the office located in Chennai
7	<b>Qualification &amp; experience of Manpower</b>	The Auditors should have sufficient experience in handling audits preferably in manufacturing sector. Should have post qualification experience of 2 or more years in the firm.	Mandatory Requirement	Documentary details Auditors indicating qualification, experience, membership, Post held in firm, date of joining firm.





**2. Criteria for Technical Evaluation of the Internal Audit Firm**

S.No	Particulars	Detail	Points to be allocated	Maximum Points
1	Year of Establishment of Firm	Established as an Chartered accountant Audit Firm / Limited Liability Partnership (LLP) Firm	01 (one) per completed year of existence (fraction to be ignored)	16 (sixteen)
02	No of full time Partners in the Firm/ LLP Firm	No of full time Partners in the Firm/ LLP Firm who are with the firm for a minimum period of one year as on date of tender.	03 for each who is a FCA. 02 for each partner who is a ACA.	20 ( twenty)
03	No of Chartered Accountants/Cost Accountants (other than partners)	ACA/FCA or ACMA/FCMA with CISA/DISA	02 per person with requisite qualification.	08 ( eight)
04	No of Qualified Assistants employed with the firm	Employed for the past one year (CA/CMA and ACA/ ACMA, intermediates/IPCC.	02 per qualified assistants CA/CMA	16 ( sixteen)
			01 per Assistant for semi-qualified CA/CMA intermediates/IPCC	10 (ten)
05	No of Technical Experts	Experts with Engg. Background ( ME/BE/ Diploma in Engg.)	02 per expert	6 (six)
06	Experience of the Firm under Central/ State Govt./ Large Manufacturing Private sector.	Financial/ Cost/ Internal Audit of PSU in Industrial sector/ Autonomous body under the Central/State Govt./ Large Manufacturing Private sector. (10yr Period of 2011-12 to 2021-22 to be considered)	02 per year of Audit (fraction to be ignored)	12 ( twelve)
07	Empanelment of the firm with the CAG of India, having Head Office/ Branch office in Chennai	Statutory Audit	02 (two) per year of Statutory Audit (fraction to be ignored)	12 ( twelve)
			<b>TOTAL</b>	<b>100 ( Max)</b>

**Note:**

- i) Audit firms with minimum work experience of 5 yrs (at least 2 yrs of which shall be in the manufacturing sector) shall be considered for opening of financial bid. Supporting documents as evidence, copies of Contract agreements, completion certificates shall be required to be submitted.
- ii) Audit firms which score at least 70% on the above qualifying criteria shall be considered for opening of financial bid.
- iii) Registration and Membership Certificates /Mark sheets & Certificates issued by the Institute of Chartered Accountants of India / Institute of Cost Accountants of India shall be only be considered.
- iv) Date of Joining the firm by all the professionals should be invariably indicated in your response to the RFP/NIT.
- v) Details of Year of Establishment of Head Office, Branch Office(s), Addresses, details of partners and their membership nos, etc. as indicated in the Certificate will be treated as final and conclusive information for the evaluation purpose.
- vi) Copies of appointment Orders issued by the Govt Authorities/PSUs shall be taken for evidence of experience.
- vii) Copy of PAN, TAN, GST Registration shall be required to be submitted along with the tender document.
- viii) Copy of ITR of last three financial years (2018-19 onwards) will also be required to be submitted.
- ix) Incorrect or incomplete response are liable to be rejected out-right. Hence all necessary documents must be submitted as specified in the NIT/RFP. Submission of unsolicited information may please be avoided.
- x) Audit Firms having their Registered Head / Branch Offices in Chennai may participate in the RFP. One or more no of partners of the CA Firm should be located at Chennai.
- xi) Audit firm may have branch offices in other cities like Hyderabad, Mumbai, etc. which would be desirable.
- xii) Audit Teams may have to travel and stay at the auditee units for the period necessary for the fulfilment of the Audit.
- xiii) Firms shall submit willingness for the assignments in the format for appointment of Internal Auditors for AVNL for the period 01 April 2022 to 31 March 2023 and 01 April 2023 to 31 March 2024 as per Annexure G

**[All submitted documents be legible and must bear seal of the firm and signature of authorised Partner(s) & Name(s)]**





**REPORTING REQUIREMENTS**

On completion of the Audit of the respective Audit Unit of each phase, the following steps should be followed before finalization of the report and the partner of the Firm along with the Officer-Incharge Internal Audit at the unit should meet and discuss the audit observations with officials of the unit.

- (i) The preliminary audit observations shall first be discussed with the GM/ SBU and GM Finance of the Auditee Unit along with the Chief General Manager of the Unit.
- (ii) Pursuant to the above discussions, the preliminary Audit observations of the respective Auditee Unit shall be prepared.
- (iii) The salient audit observations of the respective preliminary Audit shall be discussed with the GM/Finance of Corporate Office along with the Chief General Manager/ Internal Audit so that timely corrective action may be taken.
- (iv) Based on the outcome at each Audit unit, a draft composite Audit Report covering all the Audit Units within the scope shall be compiled / prepared, including additional information if any, that may be provided / obtained during such discussions and rectifications carried out at the instance of audit.
- (v) Based on the outcome of the discussions, the Audit Report thus compiled. The report should also contain specific suggestions for improvements, if any.
- (vi) The Report shall be submitted to the Director/ Finance for onward submission to the Audit Committee of the Board.

The Audit Report thus compiled shall be structured as follows-

**Internal Audit Reports should be divided into three separate parts, namely:**

**Part-I Compliance Report:**

This part shall cover the comments of the Auditors on the adequacy of the compliance and action taken for rectification of errors/discrepancies pointed out by previous auditor pertaining to earlier phase and also Phase-I of the current year. It shall also contain the confirmation regarding implementation of policies, systems, controls etc. to avoid the recurrence of such irregularities in future. It may be ensured that the compliance report on audit observations pointed out in reports relating to earlier audits is made and corrective actions taken on those points are furnished in the Audit Report. In other words it may be ensured and verified while conducting the audit, so a compliance report of the audit observations pointed out in the earlier audit report of preceding period, is furnished along with the corrective action taken.

**Part-II Important Observations/ Findings:**

This part shall contain all such significant discrepancies observed during the current Audit and the observations in which, the auditor feels immediate attention of management specifying the financial implications, if any. In this part Auditor shall also bring the important areas requiring improvement and their recommendation, if any. Also to indicate the improvements made by the Company based on the audit observations. Further to report any deviations/observations from policies, systems and procedures of AVNL.

**Part-III Detailed Audit Report:**

In this part, the Auditor shall furnish the detailed results of the Audit and Auditors confirmation whether Company's system/guideline/propriety has been adhered to in the areas including Operations & Manufacturing, contracts of all types, procurement, maintenance, establishment records in Finance & HR, Establishment expenses, other expenses, depreciation,

Commercial billing & its realization /reconciliation, maintenance of fixed assets register, current assets, capital work in progress, expenditure on R&D, expenditure during manufacturing, maintenance and inspection and packing & logistics for despatch, , mandatory spares, stores, Expensed for marketing and export, Sales and after sales support, customer complaints, inter unit accounts, review of accounts, township, transit camps, guest houses, rest house/hostels, Training establishments, Electrical & Water Supply infrastructure, and provision of liabilities, scrap income etc.

The report should be supplemented, in each Phase of Audit, by a statement indicating:

(I) Particulars of records along with their volume (i.e. total no. of vouchers in each category for each phase) and value/volume checked as compared to the total volume and value of transactions viz. Bank receipt vouchers/Bank payment vouchers/Cash receipt vouchers/Cash payment vouchers/JV etc. Similar statistics are required with reference to audit of contracts with the total no. of contracts awarded and the percentage of contracts for which audit done.

(II) A summary report indicating the important observations for each phase and for each area.

(III) A statement indicating the audit personnel deployed (designation) including the visits of partners and the period of audit for each unit. The partner is expected to carry out the audit by himself so that the entire scope is covered in a systematic manner and to facilitate the reporting as per the requirement.

(IV) Any other observation of interest and importance.

(V) The detailed audit report should be furnished for each audit unit/office separately as per the schedule stated in the Scope of the Audit at **Annexure –A as per the schedule given in deliverables.**

**The Internal Audit report shall also include:**

The Executive Summary on the major findings in each quarter audit report together with the professional recommendations on the weakness observed & the risk involved. The significant audit observations requiring immediate corrective actions shall be summarized and to be reported in the format. The observation shall also disclose the financial impact in respect of the significant observations.

**Significant observations:**

Sl.No	SBU /Unit/ Business Area	Observation	Risk	Auditee Response	Audit Recommendations





Format for Internal Audit Report (IAR) may be used as follows :

IA objection Report Number : number and month/ quarter/half year	
	Name of the Unit/Factories/Offices involved
A	Number of major objections and minor observations
B	Financial value/Loss etc. (If any):
C	Audit team members and duration of audit
D	Executive Summary
E	Details of previous outstanding objections
F	Each objection in the report to reflect the following
	a) Objective: Scope, Approach, Data:
	b) Background :
	c) Irregularities involved :
	(i)
	(ii)
	Relevant Rules/Orders on the subject :
	Audit suggestions for rectifying the irregularity and for improvement in the systems and procedures :
	i)
	ii)
	Letter number and date under which objection referred to the Executive Authority Concerned.
	Signature :
	Date :

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**ARBITRATION CLAUSE****1. ARBITRATION**

Normally, there shall not be any scope for dispute between the purchaser and the vendor after entering into a mutually agreed valid contract. However, due to various unforeseen reasons, problems may arise during the progress of the contract leading to disagreement between the purchaser and the vendor. Therefore, the conditions governing the contract shall contain suitable provision for settlement of such disputes / differences binding on both the parties. Mode of settlement of such disputes/differences shall be through Arbitration. However, when a dispute/difference arises, both the purchaser and the vendor shall first try to resolve the same amicably by mutual consultation. If the parties fail to resolve the dispute by such mutual consultation then, depending on the facts/ position of the case, either the purchaser or the vendor shall give notice to the other party of its intention to commence arbitration as per the applicable arbitration procedure of AVNL.

**2. JURISDICTION**

This contract shall be governed by and subject to and interpreted and construed in accordance with the Laws of Republic of India, as may be in force from time to time;

Only competent courts shall have the jurisdiction. The place of Arbitration shall be CHENNAI.

**3. SETTLEMENT OF DISPUTES, APPLICABLE ARBITRATION LAWS:**

- (1) It is incumbent upon the bidder to avoid litigation and disputes during the tenure of the contract.
- (2) However, if any dispute or difference whatsoever arising between the parties out of relating to the construction, meaning, scope, operation or effect of this contract or the validity or the breach thereof shall be settled by bilateral discussions. Both the purchaser and the vendor shall first try to resolve the same amicably by mutual consultation.
- (3) The Bidder shall make request in writing to the CMD, AVNL, for settlement of any dispute within 30 (thirty) days of arising of the cause of dispute failing which no disputes/claims shall be entertained by AVNL;
- (4) Any dispute or difference whatsoever arising between the parties out of relating to the construction, meaning, scope, operation or effect of this contract or the validity or the breach thereof, which cannot be settled amicably within sixty (60) days or such longer period as such longer period as may be mutually agreed upon, from the date on which either party informs the other in writing by a notice that such dispute, disagreement or question exists, shall be settled by **Arbitration**.
- (5) The Arbitration Proceedings shall be conducted in India under the **Indian Arbitration and Conciliation Act, 1996** (amended time to time) and the award of such Arbitration shall be enforceable in Indian Court only. The Law applicable to arbitration shall be Indian Law.
- (6) The decision of the CMD, AVNL or an Arbitrator appointed by CMD, AVNL will be final and binding on the parties. The jurisdiction of arbitration will be Chennai.
- (7) All questions, disputes or differences arising out of or in connection with the contract, if concluded shall be subject to the exclusive jurisdiction of the Court within the local limits





whose jurisdiction the place from which the acceptance of Tender/Bid is issued, is situated (i.e CHENNAI). This contract shall be governed by and subject to and interpreted and construed in accordance with the Laws of Republic of India, as may be in force from time to time;

- (8) In the event of clash of terms and conditions of GeM and AVNL, conditions set by AVNL will prevail.

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Annexure E

**BREACH OF CONTRACT & PENALTIES :-**

1. The performance of the firm will be monitored by a Nominated Officer of AVNL and performance lower than the requisite performance as desired in terms and conditions of contract will be amounting to penalties and subsequently termination of contract after repeated failures.
2. The buyer reserves the right to levy penalties on the firm for violation of service contract as tabulated below :-

S. No	Particulars	Penal Financial Implications
1	<b>Non Deployment of Qualified Personnel</b> as per the conditions of contract and non-adherence to the time schedule of the deliverables.	Up to 15 days, @0.1% per day of the total value and beyond 15 days cancellation of the contract with forfeiture of PSD.
2	<b>Discontinuity of Work/ Absence of Qualified Professionals</b> - for more than 2 working days or without taking prior approval	Substitute within 2 days failing which @0.1% per day of the total value (excluding service tax, etc) of the absent resources up to 15 days. Beyond 15 days, cancellation of the contract with forfeiture of PSD.
3	If cumulative penalties in respect of 1& 2 above, reach 3 % of the contract value.	Termination of Contract.

PRICE BID

Sl. No.	Particulars	Overall Fee (INR)
1	Lump sum Professional Fees for conducting internal Audit of All the Units of M/s AVNL# for the <b>Financial Year 2022-23 &amp; 2023-24</b> in accordance with the scope of work defined and other terms and conditions of the RFQ document.	
2	Add: GST @    %	Extra as applicable

(# Refer Para 2.11 of the RFP)

Amount in words .....

Date

(Signature of the Authorised Rep of the Audit Firm)

Name :

Seal of Firm

**Notes:**

1. The fees quoted above shall be all inclusive price. No separate TA DA etc. will be paid. The Audit Firm (Bidder) is responsible for compliance with necessary labour laws (including Minimum wages Act, PF Act, ESI Act etc.) in respect of Manpower deployed by them in carrying out the vouching activity.
2. The fees quoted by the bidder for the auditing activities to be performed shall not be subject to any variation on any account and shall remain firm and fixed throughout the period of the contract. Also no price escalation on any ground whatsoever will be allowed.
3. Payment of fees (along with applicable GST) will be made quarterly (overall fee in 4 equal instalments) after completion of work (CRAC) and submission of reports as stated, after deduction of applicable IT/GST (TDS) within 30 days of receipt of invoices. No advance is payable.





**APPLICATION FOR APPOINTMENT OF INTERNAL AUDITORS FOR AVNL  
CHENNAI FOR THE PERIOD FROM 01<sup>st</sup> APRIL 2022 TO 31<sup>st</sup> MARCH 2024.**

To,

The Chairman & Managing Director,  
Armoured Vehicles Nigam Limited,  
HVF Road,  
Bhaktavatsalapuram  
AVADI, CHENNAI - 600054.

Dear Sir,

With reference to your letter No .....dated .....

After going through the scope of internal audit of the tender we are interested to take up Internal Audit work of your esteemed organization M/s Armoured Vehicles Nigam Ltd, Chennai (consisting of a Corporate Office, 5 No of Manufacturing Units and attached 3 No of Institutes of Learning) for the period from **1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2024** as the remuneration of Rs. \_\_\_\_\_ (in fig & words) **per annum**, excluding GST.

**Total remuneration for the 24-month audit period shall be Rs.....(in fig & words) excluding the GST.**

I/We furnish herein below the particulars as required by you.

- 1) Name of the CA/CA firm and addresses of Head Office & Branch Offices with telephone and e-mail
- 2) Membership No., PAN No.
- 3) Year of establishment:
- 4) Head office/Branch Address located at places for which we want us to take up the internal audit.
- 5) Experience as Internal Auditor/Statutory Auditors of any Govt./PSU/CPSE, Industry Sector. (enclose documents)
- 6) No of accounting staff of the CA company/CA firm
  - a) Chartered Accounts
  - b) Paid Assistant
  - c) Article Assistant

Authorised Signatory of the Firm  
Signature with Seal

Place:

Date:

Seal of the CA Firm

**AFFIDAVIT**

(To be submitted by bidder on non-judicial stamp paper of Rs.100/ (Rupees Hundred only) duly attested by Notary Public)

Affidavit of Mr. .... S/o .....

R/o .....

I, the deponent above named do hereby solemnly affirm and declare as under:

1. That I am the Proprietor/Authorized signatory of M/s .....  
Having its Head Office/Regd. Office at .....
2. That the information/documents/Experience certificates/Bank Guarantee(s) submitted by M/s..... along with the tender for Services of Internal Audit of M/s Armoured Vehicles Nigam Limited, Avadi Chennai (hereafter mentioned as AVNL), for the period 01.April 2022 to 31<sup>st</sup> March 2023 and 01April 2023 to 31<sup>st</sup> March 2024, to AVNL are genuine and true and nothing has been concealed.
3. I shall have no objection in case AVNL verifies those from issuing authority(ies). I shall also have no objection in providing the original copy of the document(s), in case AVNL demands so for verification.
4. I/we hereby confirm that in case any document, information and/or certificate submitted by me/us is found to be incorrect / false / fabricated at any stage; AVNL at its discretion may disqualify / reject / terminate the bid/contract, forfeit the EMD / all other dues, place the firm under a suspense list and the business dealings shall also be suspended by AVNL.

I, ....., the Proprietor / Authorised signatory of M/s..... do hereby confirm that the contents of the above Affidavit are true to my knowledge and nothing has been concealed there from..... and that no part of it is false.

DEPONENT

Verified at .....this.....day of .....

DEPONENT

**ATTESTED BY (NOTARY PUBLIC)**





## GENERAL INFORMATION

1. **Name of Bidder:**
2. **Address for correspondence:**
3. **Official e-mail for communication:**
4. **Contact Person:**
  - a) Telephone Nos.
  - b) Mobile Nos.
5. **Type of Organization:**
  - a) An individual
  - b) A proprietary firm
  - c) A firm in partnership (Attach copy of Partnership)
  - d) A Limited Company (Attach copy of Article of Association)
  - f) Any other (mention the document type) :
6. **Place and Year of Incorporation:**
7. **Name of Directors/Partners in the organization:**
8. **Name(s) and Designation of the persons, who is authorized to deal with AVNL**  
(Attach copy of Power of Attorney)
9. **Bank Details: Name of Bank, Address of Bank Branch, Account No., RTGS, IFS Code.**

Signature of Bidder with Seal

(Signature of Bidder)

Place:  
Date:



GST REGISTRATION DETAILS OF BIDDER/VENDOR		
S.No.	Name of bidder/firm/company	
1.	Address (As per registration with GST)	
2.	City	
3.	Postal Code	
4.	Region/State (Complete State Name)	
5.	Permanent Account Number	
6.	GSTIN ID/Provisional ID No.: (copy of Acknowledgement required)	
7.	Type of Business (As per registration with GST)	
8.	Service Accounting Code/ HSN Code:	
9.	Contact Person	
10.	Landline and Mobile Number	
11.	Email ID	
12.	Compliance Rating (if updated by GSTN)	

Place:

Date:

Signature of Bidder with Seal

