

EXPRESSION OF INTEREST
For Appointment of Audit firms for conducting Internal Audit as Lead Auditor and/ or Circle Auditor for 19 Circles in Assam for the Financial Year 2018-19

ANNEXURE - I

SCOPE OF WORK

(A) FOR LEAD AUDITOR:

- 1) To explore the Scope of Audit (as defined for Circle Internal auditor) and to draft the reporting format for Circle Internal Audit Report in consultation with APDCL management, covering the prescribed compliances with the various Rules & Regulations as framed under the Electricity Act 2003, by the Assam Electricity Regulatory Commissions (AERC) , Companies Act, 2013 & Other Statutory Law & Regulations and to cover the possibility of reporting of all types of Revenue Leakage.

- 2) Internal Audit Reports formats for each matter of the Scope of the Work shall be drafted and prepared under Six separate parts / heading , namely:

Part I	Executive Summary of Significant Observations, with suggested remedial measures.
Part II	Summary of Revenue Leakage observed during the Audit.
Part III	Action Taken and compliances by the unit on previous Internal Audit Report.
Part IV	Matters which though erroneous, are minor in nature and would be adequate if rectified locally.
Part V	Important items which in the opinion of the Auditor, should be brought to the Notice of Corporate Office.
Part VI	Itemwise detailed Check List against all Scope of work with a separate column of Comments of Internal Auditor and also having placing of Reply column from Unit Head for proactive action taken by the Unit Head.

- 3) To check, formulate and supervise the Internal Audit Programme of Circle Internal Auditor CA/CMA firms and to coordinate the activities of other Circle Internal Auditor (CA/CMA firms).
- 4) To give guidance to other Internal Audit CA/CMA firms.
- 5) To have constant interactions with APDCL officers, to ensure that other firms also complete the work as per appointment letter and per defined time stipulated and finally act as the interface between Circle Auditors and APDCL Management.
- 6) To examine and authenticate Circle Wise Revenue Leakage pointed out by the Circle Internal Auditors and place to the APDCL management the summary of actual revenue leakage , which can be realised/ recovered.
- 7) To give direction (in consultation of APDCL management) to Circle Auditor for re-internal audit at the cost of Circle Internal Auditor , if the Circle Wise Internal Auditor Report do not fully cover the Scope of works defined by Lead Auditors or the Internal Audit Report do not match with the standard expectation.
- 8) To place to the APDCL management the Executive Summary Report- Circle Wise with recommendation of feasible remedial measures to overcome the defects pointed out in Executive Summary Report.

(B) FOR CIRCLE INTERNAL AUDITORS:

Internal audit is an independent management function, which involves a continuous and critical appraisal of the Functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall functional mechanism of the entity, including the entity 's strategic risk management and internal control system. Internal audit, therefore, provides assurance that there is transparency in reporting, as a part of good governance.

While submitting the audit report the Auditor must give a certificate of Audit in the following manner:-

"This is to certify that:-

1. Internal Audit has been conducted strictly as per Scope of work.
2. 100% checking of all those files, bills, ledgers, statement etc have been conducted where 100% checking was defined as per scope of work.

Internal Audit Reports formats for each matter of the Scope of the Work shall be drafted and prepared under Six separate parts / heading , namely:

Part I	Executive Summary of Significant Observations, with suggested remedial measures.
Part II	Summary of Revenue Leakage observed during the Audit.
Part III	Action Taken and compliances by the unit on previous Internal Audit Report.
Part IV	Matters which though erroneous, are minor in nature and would be adequate if rectified locally.
Part V	Important items which in the opinion of the Auditor, should be brought to the Notice of Corporate Office.
Part VI	Itemwise detailed Check List against all Scope of work with a separate column of Comments of Internal Auditor and also having placing of Reply column from Unit Head for proactive action taken by the Unit Head.

Major areas to be covered during the course of Internal Audit:

The Internal Audit shall be carried out in accordance with the Auditing Standards and Accounting Standards prescribed by the institute of Chartered Accountants of India along with checking of compliances for various Rules & Regulations as framed under the Electricity Act 2003, by the Assam Electricity Regulatory Commissions (AERC) , Companies Act, 2013 & Other Statutory Law & Regulations and to cover the possibility of reporting of all types of Revenue Leakage and will include such test and controls, as the Lead Internal Auditors suggest & the Circle Internal Auditor consider necessary under the existing circumstances. The scope of Internal Audit encompasses and examination and evaluation of the adequacy and effectiveness

of the organization's system of Internal control with special emphasis on the following, however Lead Internal Auditors may also add/ substitute some more points in the scope of works :-

1. Tenders and allied matters

- The tenders should be floated as per Guidelines for Tendering (GFT), and approval of the competent authority as per the Delegation of Financial Powers (DOFP).
- Ensure that the basis of preparation of estimates for work/ package/DPR is realistic and logical (based on cost data, schedule of rates etc.), and as the approval of the competent authority as per DOFP.
- The comparative statement should be verified by Finance and their correctness should be checked based on random sampling method.
- Tender Evaluation Committee (TEC) minutes should be verified to establish the reasonableness of rates (considering the special condition, if any) and irregularities to be reported.
- Letter of Award (LOA) should be issued as per TEC recommendations and only after finance verified. An accepted copy of same should be verified to rule out any deviation/ omissions.
- Earnest money provided should be checked for sufficiency and validity, in case of Bank Guarantee. Bank Guarantee submitted by the firm must be confirmed by the issuing bank.
- An agreement should be executed within the time and conditions stipulated by LOI and NIT, and should be signed by competent authorized signatories.

2. Project Execution matters

- Monitoring of physical and financial progress of work vis-a-vis targets.
- Comparative study of the actual cost vis-a-vis sectioned estimates, and major deviations are to be reported.
- Reconciliation between total work done, work certified and uncertified, work billed and unbilled, payments received from the clients, recoveries including taxes, retention money, performance guarantee, mobilization advance, interest, etc., in terms of the contract.
- Analysis of work-in-progress in the context of work done and CWIP to be further scrutinized with the following break-up-work done but not certified, work done certified but not billed and work done, certified and billed but not paid.
- Analysis of variation orders executed, which is, work done not expressly provided in the contract, certified and billed, basis of rates billed, certified and approved and pending for approval.
- Scrutinize present status of work that still to be executed, with the respect to the contract for any changes in BOQ having material impact on the project, with acceptance from the client.
- In cases, where extension of completion that of the contracts is required, the delay should be properly justified and validated by approval from competent authority. Further, Liquidated Damages (LD) should also be imposed, as per the provisions of the contract, wherever required.

- Any non schedule item should be supported by proper approvals from competent authority.
- In case of departmental work, estimates of the work should be prepared as per the sanctioned cost data and approved by competent authority. Reasons for deviation, if any, must be recorded and justified. Further, material procured and consumed should be properly reconciled at frequent intervals.

3. Procurement of materials, recording of Receipts and issues etc.

- 100% checking of files related to procurement of material
- Checking of purchase procedure on the basis of indents, purchase orders, quotations, price comparative statements, authorized distributors list, etc
- Checking of material receipt on the basis of purchase orders, delivery challans/ invoices weigh slips with the goods receipt notes.
- Compliance to quality control procedures
- Analysis of slow moving inventory.
- 100% checking of files related to sanction of estimates related to works.
- 100% checking of Bill registers/ Agreement register.
- Scrutiny of measure material procurement order placed as per DOFP.

4. Contracting matters

- 100% checking of files related to sanction of estimates related to works.
- Allotment of works contract
- Ensure the timely submission of performance guarantee, as per the provisions of the contract
- Labour license requirements needed to be verified, as per Minimum Wages Act
- Proper monitoring of the milestones achievements (physical& financial both), as per the provisions of the contract
- Advances to the sub-contractors, such as mobilization advance etc. should be need based and to be given strictly as per the provisions of the contract, ensuring the sufficient collateral (in form of bank guarantee etc)
- Scrutinizing monthly running account (RA) bills of the contractors with respect to the work orders relating to the quantity of work rates, plant and mobilization advance, interest (if any), liquidated damages, etc.
- Ensuring all work outsourced to work to third parties is supposed by proper work order / agreement.
- Proper upkeep and maintenance of measurement of books (MB) of all outsourced work.
- Analysis of time taken for the clearance of bill and final payment from the date of submission of the bill.
- No claim certificate from contractors should be obtained with final bill.
- Contractor & Supplier ledger should be properly maintained.
- 100% checking of Allotment of works contract.
- 100% checking of files related to sanction of estimates related to works.

- **100% checking of Bill registers/ Agreement register.**
 - Scrutiny of work order issued having order value more than Rs.10 Lakhs.
 - 100% checking of file related to allotment of work under deposit head.
 - 100% checking of file related to allotment of work without calling tender.
 - 100% checking of files/ registered related to technical section of estimates & work orders.

5. Billing and receivable/ payables matters

- Checking the billing terms and conditions, which are either defined in the W.O/P.O/ Agreement signed between client and APDCL or as per the provisions of the contracts.
- Ensure that the timely bills are being raised as per provision of the billing terms and conditions. Major variations are to be reported.
- Payment to the contractors / suppliers with respect to the contractual payment period. Security of payment in bank, otherwise then from cheques issued to clients.
- The review of the payables has been carried as per Guidelines issued by company from time to time.
- In case of final bill, ensures that it should includes variations in quantity, non-schedule items, price escalation etc, if any.

6. Statutory registration, deduction and payments matters:

- Verification of all payments made to suppliers/ contractors.
- Check registration/renewals with different statutory authorities like labour department, PF, ESIC, VAT, Service Tax, Professional Tax, Mining department etc.
- Ensure correct deduction and recoveries of taxes and statutory levies like TDS, TCS, WCT, VAT, Service Tax, PF, ESIC, Professional Tax, Labourcess etc.
- Ensure timely payment and deposit of taxes and other statutory levies.
- Adherence to time limits in filing prescribed returns.
- Status of assessments /before various tax authorities.
- Details of statutory disputes and cases pending before various authorities with financial implications for being treated as contingent liabilities.
- Taxation issue including statutory compliances.

7. Assets and liabilities matters

- Ageing of advances and scrutinizing debit balances, including advances to staff, workers, suppliers, contractors. Classification into recoverable and non-recoverable advances. Assessing the adequacy of provision of doubtful advances. Matching advances against corresponding liabilities.
- Assessing the proper estimation and adequacy of provisions made at the year-end and outstanding liabilities. Scrutinized all credit balances.
- Identifying Pre-paid expenses.
- Physical verification of the FDR and Bank Guarantees to be done.
- Capitalisation of expenditure during the year.

8. Revenue Matters

- 100% checking of Bill registers/ Agreement register.
- Checking of SPPS/IBDF/CBDF agreement with their outstanding amount.
- 100% checking of file related to assessment order passed under competency of circle office under Section 126 of Electricity Act, 2003.
- Checking Register of Suits filed for recovery of Revenue Arrear. In the absence of Register, a statement to be submitted stating name of consumer, name of Advocate and status of the case.
- Load Sanction as per delegation of power.
- Grant of installment as per delegation of power.
- Revenue statement of circles/ division where payment is made from circle offices.
- Scrutiny of cases where consumer bill has been revised downwards for more than Rs. Fifty Thousands.
- Audit of 100% HT consumers circle wise.
- Audit of 100% LT consumers circle wise.
- Test check of consumer billing of other categories based on Energy Consumption, load and billing amount.
- 100% checking of revenue statements
- Audit of LT & commercial consumers 30 KW & above, 50% on rotation basis.
- Domestic consumers-10%
- Checking of New service connection register along with ensuring that necessary particulars like Consumer Name & Address, Sanctioned Load, date of Connection, Category etc. and corresponding billing of New Consumers thereof.
- Under billing due to wrong categorization of consumers, conversion of LT Consumers to HT Consumers as per norms of AERC Guidelines, checking of meter reading records to determine whether any deviation or anomalies occurs in the Sub-Division.
- Checking the authenticity of load security deposit from consumers and extension/reduction of load in the system and enhancement/reduction of load security from those consumers to be maintained in the sub-division with upkeep and maintenance of proper records regarding load security deposits by consumers with APDCL and reporting thereon in the Audit Report.
- Checking of Assessment bill book, Assessment bills, Penalty bills etc. to ascertain the aspect of non-billing/under-billing etc. to check/authenticate the accuracy or authenticity of payment to be realized from the consumers based on correct consumption of electricity by those consumers, accuracy or non-accuracy of average billing and determination of under billed amount, if any, in respect of the consumers within the Sub-Division and working of exact amount of under billing to be reflected in the audit report.
- Checking of TDC and PDC register and to ensure that proper records are incorporated when there is any update in regards to TDC & PDC Consumers.
- Temporary Service Connection and relevant records/ documents. Furthermore to ensure that Final Bill is served to the Consumers with proper meter reading and necessary adjustment thereof.
- TOD tariff register.
- Govt. Adjustment/Non cash adjustment/Interest on Load Security adjustment details.
- Meter Changing/ Faulty meter Reporting Register along with cross verification in the system.

- Register for Phase Conversion and subsequent entry in the system.
- Surcharge Waiver Register along with proper accounting entry thereof.
- Inspection report of MTI and necessary action thereof.
- Bill Rectification Register along with necessary accounting treatment.
- Cross checking of Monthly Revenue Return (MRR) along with Sale of Power (SoP) accounts.
- Checking of Black Meter/Stopped Meter details and necessary action thereof.

9. Matter related to materials at Electrical Central Stores

- Transformers issued to the repairer, received back from the repairer and lying with the repairer with capacity, quantity and date of issue from store to repairer is to be certified by the auditor.
- Transformers received in various stores for repairing, materials used in repairing and returned back to different circles/ division/ sub divisions.
- Checking of quantum of used transformer oil issued to reclamation unit and quantum received back and balance lying with reclamation Unit. A statement indicating all the details is to be provided & certified by Auditor.
- The Auditor will segregate the stock to Moving/ Slow moving/ Non moving.

10. Cash, Bank, Payments, and Allied Matter

- 100% checking of Cash Book related to working fund/ RE Head/ ADB Head etc.
- Checking of Earnest money registers/ security registers/ Bank reconciliation Statements.
- Payroll and leave records
- Verification of all receipts and its accounting.
- Verification of Bank and Reconciliation Statement with reference to each Bank account including non-operative Bank Accounts and follow up action including passing necessary accounting entries as per finding of BRS as on 31.03.2019.
- Verification of Balance Confirmation Certificate of various bank as on 31.03.19
- Legal charges paid to the advocates and analysis of their performances.
- Ensure the payments of statutory liabilities and interest on borrowed funds from different agencies must be made within the due date.
- Verification of various MIS/ Compliance with AERC requirements.
- Verification of purchases of general items.
- Verification of Fund allocation to Area.
- Ensure all the closing entries & provisions have made by the unit for the transactions related till 31.03.2019 .
- Any other area having material effect for having financial impact of Rs.5 Lakhs and above.
- To be ensure that the deposit of statutory dues like IT,WCT, CGST, SGST, IGST, PF & ESI etc. must be made within due date. Any discrepancy found shall be form part of your report.

11. Miscellaneous Matters

- Checking of quantity of scraps devaluated in stores in comparison of repair of transformers in respective TRWs
- For arbitration, court cases and contingent liabilities, proper provisions should be calculated and booked.
- Compliance made by the project upon comments made by the Statutory Auditors in its report.
- Detection of systematic flaws and suggestions for adopting corrective measures.
- Irregularities of serious nature noticed during audit are to be reported to the Head of Internal Audit Cell through a special report under part-III of the audit report.

Note:-

- The details above are not to restrict the scope of Internal Auditors but are only indicative to meet with the minimum specific requirement for Internal control of company.
- Lead internal Auditor may also add/ substitute some more points in the scope of works.
- Internal Auditors are encouraged to suggest solution to rectify the errors or deficiencies and not merely confine to making observations. Internal Auditors should also give suggestions for system improvement and ensure compliance of the audit observations at the Project site itself in their presence.