



INTERNAL AUDIT DEPARTMENT

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED
(A Government of India Undertaking)

REGISTERED OFFICE
UDYOGAMANDAL, ELOOR, KOCHI,
KERALA 683501.

TENDER NO: -01/FACT/INTERNAL AUDIT /2017-19

Tender Document for

Pre-qualification and Appointment as Internal Auditors for
Non-technical function in FACT

Last Date & Time of Receipt of Tender:

3.00 PM on 20.07.2017

At Venue:

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED,

Date and Time of opening of Technical Bid Documents 21.07.2017 at 11:00 AM

Phone: 0484 – 2545022/2567340

Website: www.fact.co.in



INTERNAL AUDIT DEPARTMENT

NOTICE INVITING TENDER

1.0 FACT Profile:

The Fertilizers And Chemicals Travancore Limited., popularly known as FACT set up the first large scale Nitrogenous factory in the country in 1944, on the banks of Periyar at udyogamandal, near the Cochin Port. From a single product fertilizer plant of the forties, FACT has through the years grown into a large multi-product, multi-divisional corporation today - a legend of our times and triumph of the public sector.

FACT's two fertilizer manufacturing divisions at [Udyogamandal](#) and [Cochin](#) together have so far produced and distributed millions of tonnes of fertilizer nutrients, which has helped farmers to produce over 50 million tonnes of food grains.

[FACT's marketing division](#) has a well-organised sales network, which ensures that even the farmer in the remotest village is fully benefitted through its agronomy and rural development services.

The rich fund of expertise, experience and skills gained over the years in manufacturing units of FACT were pooled together in the mid-sixties to form two separate engineering divisions, [FACT Engineering & Design Organization \(FEDO\)](#) & [FACT Engineering Works \(FEW\)](#). These two divisions between them cover the entire spectrum of consultancy and engineering services and have contributed a great deal to attain self-reliance in fertilizer and chemical technology in the country.

In 1990, FACT further diversified into the field of petrochemicals by setting up a [Carprolactam unit](#). Today, FACT is on the threshold of further diversification and backward integration.

The Registered office is situated at Udyogamandal, Eloor, Cochin.

1.2 FACT is a leading producer and marketer of Complex fertilizers and Ammonium Sulphate industrial products in India. FACTAMFOS (20:20:0:13) is the flagship brand of the company. The Company also manufactures and markets AMMONIUM SULPHATE fertilizers under the brand name FACT Ammonium Sulphate, Bio-fertilizers in addition to traded products like Urea, MOP and a wide range of industrial products like Caprolactum, Nitric Acid, etc.

1.3 FACT is a listed company with an authorized share capital of Rs.1000 crore and paid up capital of Rs.647.07 crore. The shares of the company are listed at Bombay Stock Exchange (BSE).

1.4 FACT operates under the administrative control of the Ministry of Chemicals & Fertilizers, Department of Fertilizers, Government of India.

1.5 Further details regarding the operational and financial performance of the company including Annual Reports of the Company is available on company's website www.fact.co.in.

1.6 Financial Accounting & Reporting Systems at FACT:

FACT maintains Books of Accounts as required under the applicable regulations and statutes. The Company's books of accounts are maintained in SAP ERP systems and FACT has implemented various SAP modules i.e. FI/CO, MM, PP, PM, SD, HR/Payroll etc. The accounts of the Company are prepared Profit Centre / Cost Centre wise, with each Profit Centre / Cost Centre representing areas of operation like Head office, Udyogamandal Division, Cochin Division, Petrochemical Division, FEDO, FEW and Marketing divisions and Corporate Office based on which the accounting and operations are recorded and controlled. The company prepares Interim and Annual financial results as per the Companies Act 2013 and the listing Agreements with the Stock Exchanges.

1.7 Present scenario of Internal Audit

The Company has a well-defined Internal Control System that is adequate and commensurate with the size and nature of its business comprising an in-house Audit Department, which conducts internal audit of various operational and financial matters on on-going basis.

As required by the Companies Act, 2013, the Audit Committee has formulated the Scope, Functioning, Periodicity and Methodology for conducting the Internal Audit.

For the year 2017-18, Audit Committee has approved Audit Plan of 61 non -technical audits as shown in the detailed.Audit Plan included as Attachment 1 to Annexure D

Reporting to Audit Committee:

The significant observations along with suggestions made in the audits performed, replies received from the auditees and Internal Audit department's further comments are put up to the Audit Committee for their review and further directives, if any, on quarterly basis. The directives received from the Audit Committee are communicated to the concerned departments for compliances.

The Action Taken Reports by the concerned section in respect of directives are also put up to Audit committee. The performance of the Audit department as regards to the audits conducted during the previous quarter is also reviewed by Audit Committee.

2.0 Tender:

2.1 Sealed bids are invited in two bid system (Technical and Financial/Price bids) by The Fertilizers and Chemicals Travancore limited from the firms of Chartered Accountants/ Cost Accountants Firms or LLPs for Pre-qualification and Appointment as Internal Auditors for the period from 01.04.2017 to 31.03.2019 for audit of the following areas:

Head Office (including review of Annual Accounts), Udyogamandal Complex (UC), Marketing Head Office and FEDO situated in Udyogamandal, Cochin Division (CD) situated in Ambalamedu (30 Kms from Udyogamandal) and FEW situated in Palluruthy (25 Kms from Udyogamandal).

2.2 The Pre-qualified firms would remain valid for a period of two years.

3.0 Eligibility Criteria for pre-qualification:

Eligibility for prequalification is limited to CA/CMA firms on Partnership/LLP. The pre-qualification criteria for the firms are given below:

A. MANDATORY:

3.1 The firm (Partnership/LLP etc.) should be in practice for the **past 10 years** as on the date of submission of Tender. (Supported by date of Incorporation certificate issued by Institute of Chartered Accountants of India/ Institute of Cost Accountants of India).

3.2 The firm should have **at least 3 full time** Chartered Accountants / Cost Accountants, (inclusive of two full time partners/directors) as on the date of submission of Tender (supported by copy of Constitution certificate of the firm issued by Institute of Chartered Accountants of India/ Institute of Cost Accountants of India)

3.3 The firm should have **at least 3(Three) semi-qualified** assistants as on the date of submission of Tender (supported by institute documents)

3.4 The firm should have **at least 10(Ten) Audit staff/article assistants** as on the date of submission of Tender.

3.5 The firm should have experience in conducting Statutory Audit or Internal Audit for **at least 10(Ten) companies** (Registered under Companies Act) as on the date of submission of Tender.

3.6 Out of the 10 Companies as mentioned at 3.5 above, the firm should have experience in **at least 3(Three) manufacturing companies having Annual Turnover of at least Rs. 500 Crore each during last 7 years** and out of these 3 manufacturing companies, **at least one** should be a **listed company**.

B. NON-MANDATORY

3.7 The firm should have experience in conducting audit in **SAP ERP system (MM, SD & FICO module)** in **at least 1 manufacturing company/ organization/co-operative** having Annual Turnover of at least Rs. 500 Crore each during last 7 years (to be supported by documents by the firm).

3.8 The firm having experience in conducting Statutory Audit or Internal Audit in **at least one fertilizers manufacturing Company/organization/co-operative** having Annual Turnover of Rs. 500 Crore or more each during last 7 financial years will be given weightage in selection.

3.9 The firm having experience in the area of Direct, Indirect taxation and IND AS will be given weightage in selection.

3.10 The firm having **Registered Office / Main office in Kerala** will be given weightage in technical bid.

The firms, which are not fulfilling any of the mandatory pre-qualification criteria, will not be considered.

4.0 Tenderer would be required to keep the following **under Sealed Cover 1:**

- Annexure A – General Terms & conditions duly signed with seal towards acceptance.
- Annexure B -Declaration sheet duly signed with seal.
- Annexure E -Application form for Internal Audit Assignment along with Annexures E1 to E9 duly signed with Seal.
- Annexure F-Undertaking duly signed with Seal.
- Annexure G-List of Documents to be attached.
- Documents in support of Technical Bid mentioned at Para 3 above duly signed with seal.

Tenderer would be required to keep the following **under Sealed Cover 2:**

- Annexure C -Financial Bid in a sealed cover duly signed with seal.

This would be opened only for the pre-qualified bidders. In Financial Bid, lump sum fee that is inclusive of Travelling, Boarding, Lodging and all other expenses but excluding Service Tax for conducting the assignments are to be quoted.

5.0 Proposed Audit Plan for the year 2017-18, scope of work, extent and periodicity of checking, reporting formats etc. are mentioned in Annexure-D enclosed. It may be noted that the scope as given under this Annexure is only indicative and not exhaustive. The Audit Plan for the year 2018-19 will be finalized with some replacement/ addition/deletion etc. The number of Audit reports can vary by +/-10%. The firm may be asked to look into any other activity as may come to the notice during the course of audit and/or render any advice/opinion in the area of audit.

6.0 Time schedule: The Internal Audit has to be conducted as per Audit Plan of FACT (Placed at Annexure D) in the following 11 phases:

- Phase I April 2017 to September 2017
- Phase II October 2017 to December 2017
- Phase III January 2018 to March 2018
- Phase IV April 2018 to June 2018
- Phase V July 2018 to September 2018
- Phase VI October 2018 to December 2018
- Phase VII January 2019 to March 2019

The Audit Reports are required to be submitted as per following schedule:

Time Schedule for Phase Audit Reports

Period of Audit	Draft Audit Report submission by Auditors	Reply by FACT Offices	Final Report along with draft significant observations to be submitted by auditors
April 2017 to September 2017	On or before 7th day of October 2017	Within 15 days from receipt of draft report.	Within 7 days from date of reply of draft report
Oct to Dec 2017	On or before 7th day of Jan 2018	--DO--	--DO--
Jan to Mar 2018	On or before 7th day of April 2018	--DO--	--DO--
Apr to June 2018	On or before 7th day of July 2018	--DO--	--DO--
July to Sept 2018	On or before 7th day of Oct 2018	--DO--	--DO--
Oct to Dec 2018	On or before 7th day of Jan 2019	--DO--	--DO--
Jan to Mar 2019	On or before 7th day of April 2019	--DO--	--DO--

a. The Final audit reports with Executive Summary and Significant observations of Auditors (**Attachment 4 & 5 to ANNEXURE – D**) are to be submitted to FACT Head of Internal Audit Department for issue to concerned Auditee department.

b. The replies to the reports will be received by FACT Head of internal Audit department and forwarded to the concerned Internal Audit firm.

c. All the working papers during course of audit will be the property of the FACT and handed over to Head of Internal Audit (FACT) on submission of final audit report.

7.0 The selected firms would have to deploy sufficient number of Chartered Accountant/ Cost Accountant, semi-qualified persons and article assistants / Audit staff for reasonable duration of time for conducting and completion of the each Audit report. The senior partner of the firm will

be required to attend quarterly Audit Committee meetings (generally held at UDYOGAMANDAL) to brief the significant matters covered under Audit reports issued.

8.0 Payment Terms:

The details of minimum total audit reports to be covered during 2017-18 are given at **Attachment 1 to ANNEXURE – D**. The minimum number of audit reports to be evenly phased out and covered during each phase will be **21** reports respectively for the year 2017-18. Similarly, based on Audit Plan for 2018-19, the minimum number of audit reports are to be evenly phased out during each phase in that year. The payment of audit fees would be made in terms of percentage specified below within 30 days from submission of these minimum number of final audit reports, summarized executive reports and significant observations pertaining to that phase along with tax Invoice. The tax invoice will be verified and certified by FACT Internal Audit Department and payment will be released by Finance Department, subject to deduction of Income –Tax at source as applicable from time to time.

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

The payment would be released on Phase basis (for both the areas), as under:

S. No.	Phase/ Period	% age of Total Fee Payable
1	April 2017 to September 2017	16.66%
2	October 2017 to December 2017	16.66%
3	January 2018 to March 2018	16.68%
4	April 2018 to June 2018	12.50%
5	July 2018 to September 2018	12.50%
6	October 2018 to December 2018	12.50%
7	January 2019 to March 2019	12.50%

9.0 Period of Contract: The period of contract will be from 01.04.2017 to 31.03.2019.

10.0 General:

a. Tender Ref. No. : 01/FACT/INTERNAL AUDIT /2017-19

b. Last Date and Time for receipt of offer: 03.00 pm on 20.07.2017

c. Date and Time of opening of Technical Bid: 21.07.2017 at 11.00 AM

d. VALIDITY OF BIDS: Validity period of Bids should be up to 31.10.2017. No revision in the bids would be allowed during the validity period of the bids.

e. The tender documents are available at FACT website www.fact.co.in and CPP portal at www.eprocure.gov.in and can be downloaded from these sites.

g. Every page & supporting document forming part of the tender need to be numbered, signed & sealed by the bidders.

h. The bid documents complete in all respects duly signed with seal, by authorized person, shall be submitted by the bidder in three sealed separate envelopes as at (a) and (b) below:

(a) Cover 1: To be super scribed “Technical Bid along with related Annexures for Pre-qualification and Appointment for Internal Audit for the period 01.04.2017 to 31.03.2019”.

(b) Cover 2: To be super scribed “Financial Bid for Internal Audit of FACT Ltd. for the period 01.04.2017 to 31.03.2019”

These two sealed envelopes should be kept in another sealed envelope and must be sent/delivered clearly super scribing it “Application for Pre-qualification and Appointment of Internal Auditors” and Tender No. “01/FACT/INTERNAL AUDIT/2017-19”, by hand/regd. Post/speed post/courier at the following address to reach on or before 03.00 PM on 20.07.2017

ASST. GENERAL MANAGER (Internal Audit)
Fertilizers And Chemicals Travancore Limited
Internal Audit Department,
Head Office Building,
Udyogamandal -683501
Phone: 0484-2545022/2567340

For further details log on to www.fact.co.in & www.eprocure.gov.in

In case of requirement of any further information, please feel free to contact the undersigned.

M. Aravindan
Asst. Gen. Manager (IA)

Encl:

1. General Terms & Conditions (**Annexure-A**)
2. Declaration Sheet (**Annexure-B**)
3. Financial Bid Formats (**Annexure-C**)
4. Scope of work, Quantum, periodicity and Reporting Formats (**Annexure-D**)
5. Application form for Internal Audit Assignment (**Annexure E along with its proforma under Annexure E1 to E9**)
6. Undertaking format (**Annexure F**)
7. List of documents to be attached (**Annexure G**)

GENERAL TERMS AND CONDITIONS

1.0 Requirements for Bid to be considered Valid.

1.1 In Financial Bids, lump sum fee that is inclusive of Travelling, Boarding, Lodging and all other expenses but excluding Service Tax for conducting the assignments are to be quoted.

1.2 No cutting or overwriting would be allowed in Financial Bids. In such cases, bid would not be considered.

1.3 While submitting the bid, tenderers are requested to ensure that bids are in compliance with the regulations applicable under various statutes. Any fine, penalty or expenses due to breach arising thereon will be borne by the tenderer.

1.4 FACT takes no responsibility for delays, loss or non-receipt of tender documents or any letters sent by post/courier either way and also reserve the right to reject any offer in part or full.

1.5 The submission of offer shall have no cause of action or claim against FACT for rejection of offer. The bidding firms shall not be entitled to claim any costs, charges and expenses incidental to or incurred in connection with submission of offer or its consideration by FACT, even though FACT may opt to modify/withdraw the Invitation to Tender or does not accept the offer or cancel the tender as a whole.

1.6 The successful bidders engaged for Internal Audit work will not be allowed to sub-contract the job awarded to them.

1.7 The successful bidders engaged for Internal Audit work will be provided with infrastructure facilities like office space for staff, computers (not lap tops) with SAP, internal telephones and printer.

2.0 Bid Evaluation Process & Award of Contract

2.1 Technical Bid Evaluation

Sealed cover 1 of all bidders would be opened first. The bidder firms, which are pre-qualified as per Tender Document Clause No. 3 (i.e. Eligibility criteria for pre-qualification), would be evaluated by a designated Committee on the following line:

1. The Committee would evaluate the bidder firms based on the documents submitted against pre-qualification criteria and assign the points / marks out of total points/marks as below:

2. Evaluation criteria

Clause No	Particulars	Minimum Requirement	Points/Marks to be allocated	Maximum Points/Marks
3.1	Existence of the firm as on date of Tender in completed years	10 Years	1 mark per Year	15
3.2	Number of full time Chartered Accountants / Cost Accountants (inclusive of two full time Partners/directors) as on date of Tender.	3 Numbers	3 marks for each person	15
3.3	Number of Semi-qualified Assistants as on date of Tender	3 Numbers	1 Mark for each Semi-Qualified	6
3.4	Number of Article Assistant/Audit Staff as on date of Tender.	10 Numbers	0.20 Mark for each Article/Audit Staff	3
3.5	Number of companies audited by the firm.	10Companies	1 Mark for each Company	15
3.6	Number of manufacturing companies having Annual Turnover of Rs. 500 Crore or more each audited by the firm during last 7 years. Outof these, at least one should be listed company.	3 Companies (including One listed Company)	2 Marks for each Company	12
3.10	Audit firm having Registered Office/MainOffice in Kerala	desirable		4
	TOTAL			70

3.The area wise total of points / marks as above will be considered as the scores for Technical Bid Evaluation of each firm.

4. These scores of points/marks of each firm would be disclosed before opening of financial bids.

2.2 Financial Bid Evaluation

1.The pre-qualified bidder firms would be informed regarding the date, time and place of opening of financial bids and can remain present at the time of opening of financial bids.

2.After evaluation of technical bids as above, the financial bids of only pre-qualified bidderfirms would be opened.

3.The lowest bidder firm would be given 30 points / marks and the next higher bidder would be given proportionate points / marks out of total 30 points / marks.

For example: If first three lowest quotations received are for Rs. 100, Rs. 120 and Rs.150, then the firm quoting Rs.100 would be given 30 points, the firm quoting Rs.120 would be given 25 points ($100/120*30$) and the firm quoting Rs.150 would be given 20 points ($100/150*30$)

This process would be carried out for all the bidders for this area.

2.3 Ranking of Bidders

The combined score of technical bid (out of 70) and financial bid (out of 30) would determine the ranking of bidders for this area. The bidder scoring the highest combined score for this area would be considered as the Most Preferred bidder (P1) for this area. The bidder having next highest combined score with respect to this area would be considered as Second Preferred bidder (P2) and so on.

2.4 Award of Assignment / Contract

The contract shall be awarded to the P1 bidder firm as determined at 2.3 above.

2.5 In case of any tie within the bidders, preference would be given to the bidder firm that has scored more points / marks out of total 70 in Technical Bid evaluation.

3.0 Other Terms and conditions.

1. The bids should be unconditional. Conditional bids would be rejected.
2. FACT reserves the right to negotiate with the bidders.
3. If some discrepancies are found between the rates given in words & figures the rate as quoted in words shall be adopted.
4. The acceptance of tender will rest with FACT and FACT reserves itself full right to reject any or all tenders.
5. The tenderer are not entitled to any compensation for the expenses incurred in connection with the preparation and submission of tenders.
6. Currencies for bid and payment shall be in Indian Rupees only.
7. The successful bidder would ensure that the information obtained during the audit in respect of FACT is maintained in strict confidence and secrecy. An undertaking towards maintaining confidentiality is to be provided by the successful bidder.

8. The manpower engaged by the successful bidder Audit firms for FACT Audit work shall be the employees of the bidder Audit firms for all intends and purposes. The manpower should be engaged on need basis and should not be engaged for more than 240 days in a year for the subject contract. The Audit firms have to withdraw the manpower deployed by them after expiry/completion/termination of the contract and FACT will not take any responsibility of them.

9. The firm must have atleast one branch office in Kerala desirably at Ernakulam.

4.0 Termination of contact

FACT reserves the right to terminate the contract if the progress/performance of the audit firm is found unsatisfactory or any part/whole of the contract terms are not fulfilled. FACT also reserves right to de-list such audit firms and take other appropriate action against them.

5.0 Arbitration:

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

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

The bidders hereby agree that they shall have no objection if the arbitrator so appointed is an employee of FACT and had to deal with the matter to which the contract relates and that in the course of his/her duties as such he/she has expressed his/her views on all or any of the matter in dispute or differences.

6.0 Jurisdiction

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

7.0 Force Majeure:

Neither party shall be liable for any claim on account of any loss, damage or compensation, whatsoever, arising out of any failure to carry out the terms of this contract where such failure is caused due to war; rebellion, mutiny, civil commotion, fire riot, earthquake, drought, floods, crop failure, or Act of God or due to any restraint or regulation of the State or Central Government or a local authority/authorities provided a notice of such occurrence is given to the other party in writing within 10 days from the date of occurrence of the force condition,

furnishing therewith a documentary evidence supporting the invoking of the force majeure clause. On cessation of the force majeure, the party invoking force majeure shall inform the other party of the period for which the force majeure condition continued and shall also give documentary evidence thereof to this effect.

8.0 General

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

DECLARATION SHEET

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

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

I/We, further certify that the following close / distant relative(s) of partner/director of our firm are presently working in Fertilizers And Chemical Travancore Limited (FACT):

S.No. Name Designation Department

- 1.
- 2.
- 3.

I/We, further certify that the following Ex-employees of Fertilizers And Chemical Travancore Limited (FACT) are presently working/associated with our firm:

S.No. Name Last Designation in FACT

- 1.
- 2.
- 3.

I/We, further certify that no sister concern / Common Partner is bidding separately in this tender in the name of other concern/firm.

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

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

In case of acceptance of the Bid by Fertilizers And Chemical Travancore Limited (FACT), I/We bind myself/ourselves to execute the contract as per the conditions mentioned in the Assignment awarded.

Yours faithfully

For M/s _____

(Signature of Bidder with Seal)

Address: _____

E-Mail-ID : _____

Contact No : _____

Financial Bid for Internal Audit of FACT for 2017-19.

Name of the Firm :

Address:

E-Mail ID :

Contact Numbers :

S. NO	Area of Audit (Refer clause no 2.1(i) of Tender Document)	Lump sum Audit Fee (All Inclusive) (Rupees In figures) for the Period 01.04.2017 to 31.03.2019 excluding Service Tax	Lump sum Audit Fee (All Inclusive) (Rupees In words) for the Period 01.04.2017 to 31.03.2019 excluding Service Tax
1	Corporate Head Office(including review of Annual Accounts),Udyogam andal Complex, Marketing head office, Cochin Division, FEDO & FEW	Rs. _____	Rupees in words: _____ _____ _____

Note 1 The quoted bids are valid for entire contract period: FY 2017-18 and 2018-19 and no escalation will be claimed during the contract period.

2 Service tax/ statutory levies will be extra as applicable.

3 Above fees is in Indian Rupees and inclusive of all i.e. TA, DA, Lodging, Boarding, incidental expenses etc.

(Signature of Partner with Membership number and seal of the firm)

Annexure - D

For Internal Audit of Corporate Head Office, Udyogamandal Complex (UC), Marketing Head Office, Cochin Division (CD), FEDO and FEW:

1. Attachment 1 -Proposed Audit Plan, Quantum & Periodicity for 2017-2018.
2. Attachment 2 -Overall Indicative Scope.
3. Attachment 3 -Reporting formats for Monthly Final Audit Reports.
4. Attachment 4 -Reporting formats for Executive Summary of Audit Reports.
5. Attachment 5 -Reporting formats for Quarterly Significant Observations Reports.

Attachment 1**PROPOSED AUDIT PLAN, QUANTUM & PERIODICITY FOR 2017-18**

SL NO	AREAS TO BE COVERED	LOCATION	NO OF AUDIT	MINIMUM SCOPE OF AUDIT TO BE COVERED AS MENTIONED AT ATTACHEMENT 2 Annexure 1 is applicable for each audit report along with Annexure numbers as mentioned below:
1	Funding , short term deposits, Forex & Hedging Transactions	HO	1	8 ,28
2	Schedule Review	HO	1	14
3	Bank Reconciliation	HO	1	9, 12
4	Overdrafts, Interest on overdraft etc.	HO	1	8, 12
5	GOI Loan, Interest on GOI Loan	HO	1	8
6	New Projects and Schemes in progress	HO	1	28
7	Cost Sheets	HO	1	31, 32
8	Capitalization & Capital payments including Imports	HO	1	32, 11
9	Insurance policy & claims	HO	1	28
10	Subsidy claims (Fertilizer & Freight) and overdue follow up	HO	1	13
11	Review of Annual Accounts	HO	1	28
12	Vouching of Payroll Section and Time office	HO	1	4, 5, 6, 20
13	Final Settlement of Employees	HO	1	4
14	Incentive payments and	HO	1	27,4

	Attendance Bonus			
15	Purchase Orders (Materials other than bulk raw material and bags)	HO	1	15
16	Payment and accounting of Materials other than bulk raw material and bags	HO	1	15
17	Vouching of Purchase payments other than Bulk Raw Material and Bags	HO	1	11
18	Vouching of Foreign Exchange Payment including Raw materials	HO	1	11
19	Procurement of Bulk raw material	HO	1	15
20	Vouching of Bulk Raw Material Payment and accounting of Bulk Raw Material including Imported material and settlement of Despatch Money / Demurrage etc.	HO	1	11, 15
21	Procurements of Bags & other packing Materials	HO	1	15
22	Vouching of Bags& other packing materials Payments.	HO	1	11, 15
23	Payment and accounting of Bags and Packing Materials	HO	1	15
24	C & F contracts for imported raw materials, Fertilizers etc.	HO	1	17
25	Transportation contract for Raw material including Bulk Raw Materials movement from Division to Division and from Wellington Island to Divisions and spot verification.	HO	1	17
26	Transportation contract for Finished products from Factory to Destinations including Rail movement.	HO	1	17
27	Vouching and verification of payments to Transportation Contractors for inter Division movement of raw materials and from Wellington Island to Divisions.	HO	1	11
28	Vouching and verification of payments to Transportation	HO	1	11

	Contractors for Finished Products movement from factory/Kalamassery railsidings to Destinations including Rail Movement.			
29	Procurement of Imported Fertilizers and other traded products	HO	1	15
30	Payment and Accounting of Imported Fertilizers and other traded products	HO	1	15
31	Orders on Single Tender & on Emergent basis	HO	1	15
32	Vouching and Verification of records of Caprolactum including its price fixation and sales	HO	1	3
33	Vouching and verification of records of Gypsum, Nitric Acid, Soda Ash, Carbon Dioxide and other bye products of Caprolactum including its price fixation and sales	HO	1	3
34	Vouching and verification of records of Ammonia, Water, Sulfuric Acid etc. including its price fixation and sales	HO	1	3
35	GST, IGST & SGST (Presently Central Excise, Income Tax and Service Tax department)	HO	1	10, 3
36	Audit of Administration Dept. including procurement and Contracts, Taxi Hiring etc.	HO & CD	1	18, 21, 25
37	Movement of Material to outsiders for repairing	UC, CD, FEW	1	16
38	Civil Contracts in Township (Civil, Electrical Depts.)	UC & CD	1	15
39	Payment and Accounting of Civil Contracts in Township (Civil, Electrical Depts.)	UC & CD	1	22
40	Estate Department including Township Contracts (payment and accounting)	UC & CD	1	22, 26
41	Contracts including payment and accounting by Bagging Plant	UC & CD	1	15, 17
42	Energy saving and pollution	UC, CD &	1	2

	control schemes	FEW		
43	Contracts by R&D including payment and accounting	R&D(FEDO)	1	15
44	Contracts by Technical Services(TS) including payment and accounting	HO	1	15
45	CISF working and payments	HO	1	11, 18
46	Township Security contract including payment and accounting	HO	1	11, 18
47	Spot audit of Cash /cheques & Imprest accounts including vouching	HO	1	7
48	Maintenance contracts including Civil, Mechanical, Electrical and instrumentation within the Factory including payment and accounting.	UC , CD, FEW & FEDO	1	11
49	Vouching of Maintenance Contracts Civil, Mechanical, Electrical and instrumentation.)	UC , CD, FEW & FEDO	1	11
50	Misc. Payments including accounting.	HO	1	11
51	Rejected material & pending inspection items.	UC & CD	1	16
52	Contracts by PRO / Training including payment and accounting	HO	1	15, 23
53	Medical claims of Employees and Dependents	HO	1	6
54	Spot audit of Canteen & Guest Houses.	UC & CD	1	19, 24
55	Verification of Finished Products Pricing decisions and its implementation including Schemes for Sales Promotion on finished products.	MHO(HO)	1	3
56	Verification of Godown Hiring Decisions.	MHO(HO)	1	15
57	Verification of Adhoc Contracts at Marketing Head office(MHO)	MHO(HO)	1	15
58	Commercial Department Records including status of O/S dues	FEDO & FEW	1	3
59	Audit of Inventory/ Stores and	UC, CD	1	16, 30

	Spares			
60	Audit of Computer Services(CS) including SAP	HO	1	29
61	Audit of MDC, Training School, Welfare Department etc.	HO	1	33

ATTACHMENT -2

Overall Indicative Scope

Annexure – 1

The following check points are only indicative and not exhaustive. The Audit Plan for the year 2018-19 will be finalized with some replacement/ addition/deletion etc. The number of Audit reports can vary by +/-10%. The detailed Standard Operating procedures (SOPs) for major activities are under preparation and will be provided to the firm for their further improvement/enrichment in the scope of Internal Audit. The firm may be asked to look into any other activity as may come to the notice during the course of audit and/or render any advice/opinion in the area of audit.

Further, the scope of Audit shall include:

- (i) To check that internal checks and control system for various activities of the organization and monitoring of such systems, is in place in the organization.
- (ii) To check the adequacy of the existing guidelines/procedures and Internal control system and suggest measures for their improvement / streamlining.
- (iii) To check adherence to laid down policies / procedures.
- (iv) To check compliance of IND –AS.
- (v) To review adequacy with respect to Internal control on financial reporting (ICFR).

Annexure – 2

Checklist for Audit of Utilities

Utilities used in the plants are gas, water & electricity. These are used as inputs in the generation of final output.

1. GAS

Gas is used both as a raw material (feed gas) as well as as a fuel. At present, GAIL supplies gas to FACT. In respect of supply of gas by GAIL.

- (a) Check contract terms & condition.
- (b) Check the procedure for ensuring the smooth, uninterrupted and accurate running of the meters installed on the gas pipeline.
- (c) Check the agreement and its tenure for supply of gas between GAIL and FACT.
- (d) Check SAP PO of gas for quantity, rate and other Tax conditions.
- (e) Check PO in SAP T-code ME2N:PO status as per PO number ME2M:PO as per Material number.
- (f) The abnormal increase in rate of gas needs to be checked.

2. ELECTRICITY

Electricity supplied by KSEB.

With respect to the supply and consumption of electricity, check the following:

-What is the periodicity in which routine checkup of meters is done and certified by the operations/technical manager.

-What are the number of breakdowns of the meters during the audit period and what corrective measures (with what promptness) were taken and its impact on the production / billing.

-Check up thoroughly the periodical bills raised by suppliers as regards the period of billing, quantity, quality, Exchange rate, total amounts and certification for payment, etc. after having technically checked the same by the operations manager.

-Sanctioning the payment of the bills, by the competent official, as per the delegation of powers and see that bill is paid well within due date.

-The abnormal increase in rate to be checked.

-SAP P.O to be closed after supply of utilities.

-Breakup pertaining to consumption of electricity used at factory for production purposes and at township for domestic use be checked.

-Check up whether the different rates are quoted by supplying authorities for use of electricity for industrial and domestic purposes.

ELECTRICITY GENERATED BY FACT

Occasionally and thoroughly verify the cost sheet for turbo – generation. Ensure that it is favorably matching with the rates charged by outside agencies like KSEB and may give appropriate suggestions to the management for MAKE OR BUY decision or ensuring profitable production of electricity through appropriate plant modifications etc.

Thoroughly review the energy consumption of the different plants over the period of time in relation to their designed / rated energy consumption.

GENERAL OBSERVATIONS

-In case of major contracts check the payments made through the running bills to see that items of work had been executed as per the work order and as per the rates contained therein.

-During checking of running bills see that necessary deductions for security deposit, water and power supplied, stores issued, advance paid if any, income tax and other statutory levies were made.

-Check whether the concurrence of the finance department was taken before issuing work order to the contractors.

-To see whether all P.O are closed in SAP after completion of supply.

ANNEXURE – 3

1. PRICING POLICY

- a) To ascertain the present cost of production from the management report/Cost sheet. Also to see whether any abnormal increase in raw material is taken into account for finding out the present cost of production.
- b) See whether the cost of sales is analyzed in terms of variable cost and fixed cost before making proposal for pricing.
- c) See whether the comparative study of prevalent market conditions and price terms offered between our company and other companies similar in set up to our company has been done.
- d) To compare the proposed selling price with variable cost and to find out the contribution. Also, compare fixed cost of the product with the contribution to find out the profit per ton.
- e) To see that by accepting a reduction in selling price, whether the quantum of entire sales is enough to recover fixed cost substantially and with the result whether the profit is increased or not.
- f) To ensure that the products are not sold with negative contribution.
- g) See that the terms of off take rebate should be given only when,
1. The customer gives in writing his commitment to lift so much quantity of material within prescribed month / quarterly / annually. See that the off take rebate is not given when the commitment is not fulfilled. Check whether the proposal for off-take rebate has been made only when there is an increase in market share of our product.
 2. See that the off take rebate is avoided where one or more buyers form as a group and claim rebate on entire quantity unless there is a commitment in the beginning of the year and agreement between FACT and group of buyers is reached.
 3. Check that no new company was added in the middle of the year in order to claim extra rebate. This should be supported with approvals from competent authority.
- h) See that the proposal for rebate on total quantity is avoided to the maximum and if given, to be given on gradient basis.
- i) See that there is a proper policy being followed up for issuing credit note at specified period.
- j) Check whether the credit note for off take rebate has been adjusted for supplied only after the specified period mentioned in the policy and also after the credit notes are issued by accounts department.
- k) To review contribution Per MT with earlier two years and if significant drop in contribution amount.

2. CASH REBATE

- i) Check whether cash rebate has been allowed only when there is specific approval for allowing credit for the product without interest.
- ii) Check whether the cash rebate has been fixed based on bank borrowing rate.
- iii) Check whether cash rebates have been allowed only when there are payments in advance by draft / cheques and credited to our account and whether cash rebate has been reversed in case of dishonored cheques.
- iv) Interest is to be charged at applicable rate over cash credit rate.
- v) Freight rebate can be considered only where there is an increase in market share of the product in the State in which we are selling the product. Check whether the freight rebate can be allowed only when the material actually reaches the State. See that the proof of octroi duty / entry tax paid / GRN are attached with the claim and certified by the Chartered Accountants of the claimant.
- vi) Check whether other conditions of cash rebate are strictly followed.

3. INVOICE

The invoice has to be checked in the following respects.

1. The price given in the invoice is based on the price circular prevailing at that date from SAP T-code V/LD, KE24.
2. If different prices are adopted for different parties see that price given in the invoice is applicable to that party as per approval.
3. See that cash rebate given in the invoice is proper and rebate is given when actual payment is received in advance.
4. See excise duty charged in the invoice is as per rate applicable to particular excise chapter and head.
5. Whenever excise duty is not charged see whether the product is non-excisable or whether the material has been issued on production of form.
6. See whether the sales tax is charged properly such as central sales tax or KVAT. From 01.07.2017 onwards see whether the IGST / SGST is charged properly.
7. See wherever sales tax is not charged, whether it is due to sales tax exemption for the product or material supplied on production of form as prescribed in the Sales Tax Act.

8. See that wherever material is supplied with specified credit period with interest, whether interest is charged in the invoice properly.

9. Check PAN, CST, VAT, Service Tax number and GST No. is printed on TAX Invoice.

4. BANK REMITTANCE CHALLAN (BRC):-

1. NEFT / RTGS receipts are encouraged.

2. BRC's are created on the same day on which the NEFT / RTGS receipts are credited in our Bank account.

3. See that in the BRC the party code and party name is appearing similar to the details given in the letter received from the party.

4. Any cancellation of BRC should be authorized by responsible officer.

5. See that duplicate BRC is not prepared for the same NEFT / RTGS.

6. All BRC's can be viewed from customer ledger FBL5N

5. CUSTOMER LEDGER

Scrutinize the customer ledger based on outstanding with

1. Current

2. 1 month to 3 months

3. More than 4 months upto 6 months.

4. More than 7 months upto 12 months

5. More than 1 year

6. More than 3 years

See that the accounts department has to prepare an outstanding statement at periodic intervals showing party wise outstanding for more than due date.

See that customer ledger give a clear picture of outstanding so that at any time the proper invoice against which outstanding is there can be known.

See that customer ledger adjustment/clearing entries has to be passed month wise so that customer ledger will not be bulky. See that even though interest has to be charged on late payment (i.e. after due date) there should not be abnormal delay of realizing the amount after due date. To see that legal action is initiated in time for recovery of dues.

6. CREDIT NOTES

Credit notes are issued for the following:

1. For off take rebate, freight rebate, special rebate, etc.

2. For reversal of debit note issued wrongly.

The credit note for off take rebate has to be checked by verifying that the party has actually lifted the material and off take is correctly calculated.

To check whether invoices have not been cancelled for which credit notes have been issued.

See that for freight rebate credit note is issued only after getting the proof that the material is actually received at the place for which freight rebate is payable.

See that there is an endorsement made in the copy of invoice that off take rebate is given in order to avoid duplication of credit note.

See the proper accounting of all the rebates.

7. DEBIT NOTE:

Debit note is to be issued in the following cases.

1. For interest on delayed payment.
2. For bank charges, interest etc.
3. For reversal of wrong credit note.
4. For dishonor of instruments.

The debit note for interest on delayed payment has to be checked with invoice date, due date of payment and actual date of payment.

Check that the claim for interest on delayed payment has been raised on all parties, inclusive of Government companies, where pricing term provides so.

See that debit notes were raised without delay after getting the intimation of dishonor.

To see accounting of debit notes in SAP and realization/clearing of debit note.

8. EXCISE DUTY

1. Verify whether correct excise duty is charged according to the relevant chapters, and also see that in case excise duty is not charged whether relevant forms have been collected.

2. See whether monthly reconciliation is done between excise duty paid on finished goods and excise duty recovered from parties and action to be taken for the differences identified.

3. See that yearend reconciliation is done tallying with excise duties paid and recovered.
4. See that in case price is reduced retrospectively the reduction in excise duty is given after the receipt of refund from excise duty and certificate from the customers that he has not claimed the entire MODVAT benefit.
5. See that in case price is increased retrospectively extra tax is recovered from party by issuing debit note and copy of PLA account for debit made.
6. See that Modvat on capital goods are timely claimed and adjusted against the excise duty payable.
7. See whether credit in PLA account is not in excess and is being monitored periodically to avoid blocking of working capital.

9. SALES TAX(GST,IGST & SGST)

1. See whether sales tax is charged in the invoice as per rate prevalent on that day. From 01.07.2017 onwards see whether IGST/ SGST is charged in the invoice as per the rate prevalent on that day.
2. See that either central sales tax or State VAT is levied based on actual place of dispatch. From 01.07.2017 onwards see that either IGST / SGST is levied based on actual place of purchaser.
3. See that in case central sales tax is charged at relevant rate whether it is against C or D form. See that in case sales tax is charged at lesser percentage whether it is against obtaining of relevant form.
4. See whether sales tax recovered in the invoice is deposited with sales tax authorities within prescribed time. From 01.07.2017 onwards see whether SGST recovered in the invoice is deposited with GST authorities within the prescribed time.
5. See the period upto which the assessment has been completed. See the assessment order and also see any demand notice issued by Sales Tax Authorities.
6. See that set off given in the assessment order is adjusted properly in the books.
7. See that relevant forms given by the customer are kept in a file since the sales tax authorities may require the same during assessment.
8. See whether any disputed tax liability is there.
9. See whether register is maintained for disputed tax.

10. See the level at which disputed tax is pending and the reasons thereof.
11. See that no statutory liability is outstanding in the books of accounts, if undisputed.
12. See the treatment given in the case of sales return with respect to Sales tax already paid at the time of original invoicing.

10. EXPENSES:-

1. See the expenditure is incurred with the Competent Authority's approval and with relevant document.
2. Compare the budgeted expenses and actual expenses and analyze the reason with reference to turnover and other areas of similar size.
3. Analyze the marketing cost compared to previous years,

1.Salaries and Wages

- 1.Check up whether the scales of pay are approved by the Board.
- 2.To check whether the schemes for the benefit of employees i.e. pension, gratuity, medical reimbursements, etc. have been approved by the Board.
- 3.To check a few cases as to whether the pay fixed is in accordance with the scales for which the appointment / grade has been allotted to the employees.
- 4.To check whether approval is available from competent authorities for general increase in pay, individual increase in pay, advance of wages, holiday pay, leave encashment etc.
5. To check that the increment is at regular intervals as per personnel records.
6. Are the names of retired / resigned / discharged employees reported in writing from the personnel dept. to the wages dept.?
- 7.Is the payroll checked as to whether the statutorydeductions are being made properly on account of Income Tax, Professional Tax etc.?
- 8.Are all deductions other than statutory made from employee's wages are properly authorized?
9. To check the accounting entries for all the recoveries effected from employee's wages and whether they have been credited to the respective accounts.
- 10.To check whether the payments are released in time to outside entities for whom the deductions have been effected from the employees' salaries i.e. on account of LIC premium, co-op. society loans, Income Tax, PF, etc.
11. Test check a few cases for monthly pay, allowances, deductions, overtime, etc. with Attendance Records as per SAP.

2. Final Settlement of Employees on departure due to Superannuation /death/resignation/VRS/Removal.

Checklist for Audit of Final settlement of departed employees

- 1.To obtain list from SAP/personnel dept. for persons departed during for the period to be audited.
- 2.To see whether Personnel department has issued requisitions of 'No dues certificates' to all departments and all these completed certificates have been handed over to Payroll dept. within 15 days of departure.

3. To check whether final payments were released only after the 'No dues certificates' have been received from all the sections.
- 4.To check with payroll department the status of settlement of dues of departed employees.
5. To see whether the personnel dept. has issued a relieving certificate to employees so departed.
6. To check whether the leave records have been updated by the time office upto the date of departure and sent to payroll section for final settlement of dues.
7. To check with wages record whether the dues pertaining to Last pay, Leave encashment, Incentives, Bonus and other payments if any have been made correctly and as per rules.
- 8.To check whether all recoveries have been effected for outstanding LTC advances. TA and Misc. advances, Conveyance advance, and other misc. recoveries.
- 9.To check whether the Income tax has been calculated properly for the financial year and see whether the recovery / refund has been done correctly.
- 10.To check Gratuity has been calculated properly.
11. To check whether Notice of superannuation is being sent to retired employees in time.
- 12 To see that the proper claim for refund of gratuity paid is lodged with and received from the LIC against Gratuity Fund.
13. To see that the Gratuity Fund is renewed on time and premium paid.

Annexure – 5

Checklist for Audit of TA Advances and Expenses

- 1.To obtain the latest details of TA advances from SAP/Pay Roll section.
- 2.To check whether advances are outstanding for more than the specified time and list out the cases for scrutiny.
- 3.To ascertain the reasons for non-recovery / adjustment of TA advances from employees, which are outstanding for more than the time specified.
- 4.To check some of the vouchers to ascertain whether competent authorities as per delegation of powers have approved the advances.
5. To check bills submitted by the employees with respect to
 - a) Approval of the bills by competent authority.
 - b) Whether the bills have been passed as per the TA rules and as
 - c) Specific approvals obtained when payments are made above entitlements for travel and lodging
 - d) The bills of foreign TA for rules and rates as circulated by GOI and approved by the Board.
6. See that receipt orders are prepared at the time of finalization of the TA bills and the employee makes refund within 24 hours from the date of the receipt order. If money is not refunded, action taken for recovery of the same.
7. See that no TA advances due from the employees are transferred to other accounts such as Accounts Receivable.
8. In case of local traveling claims, the distance traveled and the places visited should be clearly mentioned in the claim form. As per policy, claims are to be made only when the employee covers more than 8 Kms one way, if he/she draws conveyance allowance.
- 9.To check Special G/L of TA and Misc. Advances from SAP T-code FBL3N, FAGLB03 as on the date of audit to check whether the employees / outsiders have been regularly submitting their bills against their advances. The delay in submission to be reported.
- 10.It is also ascertained whether second advance has been given, to any of the employee / party, without submission of bills for the first advance, such cases are reported.
11. To check the status of recovery of the advances outstanding for more than one month from the date of travel declared.

Annexure – 6

Checklist for Audit of Medical Advances and Expenses

1. To obtain from the SAP the details of Medical advances given to employees.
- 2.To check whether the requisitions for granting of advances have been approved by hospital authorities and other authorities as per the delegation of powers.
- 3.To check whether the bills have been settled as per the approved medical rules for hospitalization and nursing charges.
- 4.To check whether the bills reimbursement forms have been filled properly for all the columns of declarations and information.
5. To check whether bills have been paid duly supported by valid prescriptions and bills form pharmacies, hospital and doctors.
6. To check whether bills have been claimed for dependents as per the list of dependents declared by the employee available with the hospital / personnel department.
7. To check whether cases referred to outside hospitals are as per rules and by competent authority
- 8.To check whether income tax at source is deducted with reference to “perquisites” under medical expenses.
9. To check the reimbursement of medical expenses for treatments availed from other than Allopathic have obtained necessary approvals from the concerned authority.

Annexure – 7

Checklist for Physical Verification of Cash

- 1.To conduct surprise verification of cash at the cash office.
- 2.To check the main cash and imprest cash according to the balances as per the cash register and tally it with the SAP balance.
- 3.To check and note the denominations of main and imprest cash along with stamps and coins.
- 4.To randomly check some of the payments released and cash received during the day of the audit.
5. To verify the insurance policies of cash in safe and cash in transit and verify the cash register to check whether the balances have exceeded the limit of insurance policies.
6. To check and ascertain as to whether high amount of cash balance is being maintained by cash office – if so, suggestion to be given to reduce the cash balances.
7. To check payments made, if any, but not yet accounted in main cash and ascertain the reasons for the same.
- 8.To check the status of soiled notes.
- 9.Check whether physical verification of cash is conducted at regular intervals by finance officials / representative of the concerned unit.
10. To check how many sets of keys are available and in whose custody, to see that the keys are not handled by the same person.
11. To check that sufficient security is provided at the time operating the safe and while getting the cash from the Bank (Main Branch).
12. To ensure that cash handling allowances are disbursed in line with company's policy.

Checklist for Interest on Cash Credit/working capital and Long Term Loans

- 1.Verification of opening A/c, operation of A/c, obtaining of C.C. limits/working capital and long term loans to ensure that such kind of powers are centralized and exercised strictly in accordance with the delegation of powers / Board approval etc.
- 2.Check up the interest rates applied and whether they are in line with the RBI guidelines and competitive comparison rate of various banks.
- 3.Check up actual operation, product calculation and interest application and its accuracy.
- 4.Check up for delay in receipts of TT's and debit of TR's in Main account from various branches.
5. Check accounting entries with the help of the bank pass book entries, debit / credit advices, etc.
6. Check up whether any surplus cash is available which could have been utilized to adjust the C.C. to reduce interest burden of the company or alternatively for short term Investment (TDR) if rate of return is higher than interest expenses.
7. Ascertain whether value dating provision is available and in use by the company. Check whether transactions made during the peak hours have been recorded on the same day to avail the benefit of reduction in CC balances, leading to interest saving.
- 8.Check accounting entries are recognized and presented as per accounting Standards.
- 9.Foreign exchange fluctuation on loan and interest amount is correctly recognized and shown separately in books.
10. Check roll over decisions are giving long term benefit to company.

Checklist for Bank Reconciliation

1. To download the Bank statement and Cash/Bank book for each month for last six months. Also check whether the reconciliation process is automated in SAP.

2. To take a particular month's reconciliation statement between SAP ledger and bank reconciliation statement and see the difference between balance as per bank statement and balance as per SAP Ledger. Analyze the reasons for the difference.

3. From the bank statement, SAP Ledger and reconciliation statement following are to be checked.

I Cheques deposited but not credited:

- a. See that all the cheques received and deposited by FACT are credited in the bank statement by bank in time.
- b. In case of local cheques verify that bank has given credit in the same day or the following day.
- c. In case of outstation cheques see that credits are given by bank within 21 days.
- d. See that any dishonored cheques were returned and verify the reversal entry passed by the concerned department who has prepared the Receipt Orders for acceptance of cheques immediately.
- e. See that the cash department has followed up with bank for the cheques for which credit was not given in the bank statement. In such cases whether the interest was collected from the bank beyond the collection period.
- f. List out details of cheques not credited and reasons thereof.

II. Cheques issued but not presented for payment:

a). Verify whether payee presented all cheques issued by FACT to the bank within 3 months. In case any cheque has not been cleared within 3 months, see that the stale cheques are accounted properly.

b). List out details of cheques issued by FACT but not debited to our account and reasons thereof.

c) Check reasons for not presenting the cheque for payment in time to ascertain whether the delay for the same is on our / party's account. Whenever the party has reported loss of cheques, ensure that the duplicate cheques are issued after verifying the following conditions:

- i. The party has given affidavit that once he has received the original cheques, the same will be returned to FACT to indemnify FACT for any loss incurred.
- ii. Cash department has to verify whether the cheque not cleared by the bank is on the basis of original cheques.
- iii. Intimation should be given to the bank to stop payment for the original cheques and acknowledgement be obtained to stop the payment.
- iv. Reversal entry for such transactions should be passed by Finance before issuing a duplicate cheques to the party.
- v. See that no cheques are lying in the cash department and if any cheques are found, the reasons and the age should be ascertained.
- vi. In case of salary and incentive cheques, if the employee has not collected the cheques in time, verify the cheques has been forwarded to wages department of paying it through next salary slip.
- vii. Check whether reversal entries were made in books for unpaid cheques periodically and particularly at year-end.

III. Amount debited by Bank but not adjusted in Cash book

1. To check whether all the debit advices issued for bank charges, interest, dishonored instruments and the payment made for materials through bank are received from bank and sent to the concerned department immediately so that the department can account / respond the transaction / advice early.
2. See that part responding of advices is avoided to the maximum extent. Any clarification can be sought from the bank and action should be taken for responding the advice in full. This will reduce the work of reconciliation.

IV. Amount credited by bank but not adjusted in Cashbook

1. Verify the credit advices issued for interest income, documents sent through bank against L/C, sales realization of export material and time taken to send to the concerned section.
2. See that action is taken for responding the advices in full. Verify that all transactions are accounted immediately and there is no variation between closing balance of bank statement and Cashbook in any month.

General Observations:

The voucher prepared by any department is valid up to the month in which it is prepared and also in subsequent month.

Any voucher / RO prepared and where there is no validity, then the concerned department has to reverse that entry.

To take print of open item lying in bank book from SAP T-code FBL3N after passing clearing entries of all reconciled items. The total of Main account to be checked with bank closing balance.

Checklist for Audit of Excise Cell

- 1.Verification of RG1 daily stock register with the base documents, whether posting has been done properly?
- 2.What are the products?
- 3.Whether all the products are excisable?
- 4.Under what chapter the products fall?
5. What are the rates of duty?
6. Whether the rates of duty are properly charged?
7. Whether the credit in PLA is taken in the same date as the date of realization by Bank as acknowledged by bank in TR-6 challan?
8. Whether TR-6 challan file is separately maintained?
9. Whether the PLA was debited on daily basis and balance is shown properly?
10. Whether excessive credit balance is shown in PLA?
11. Whether the PLA is properly monitored for keeping the minimum balance to avoid unnecessary blocking of funds?

MODVAT CREDIT

1. Whether RG23 A (Part I & Part II) posting is updated?
2. Whether RG23 C (Part I & Part II) posting is updated?
3. Whether there is delay between the date of entering duty paid and the date of taking Modvat Credit?
4. Check whether RG23 A & RG23 C is debited regularly so that maximum Modvat credit can be availed at the earliest.
5. Whether Modvat credit has been taken at 95% from 1.7.98.
6. What is the status of Modvat claim on Capital goods procured for various projects?

7. Ensure that there is a system prevailing for sending copy of all the invoice cum gate passes for receipt of materials in stores so that the excise department can follow up on modvat credit.

8. Reconciliation status of duties paid and availed.

A- Checklist for Work Order Contracts for Maintenance.

1. Check whether the estimate for the job was approved by the competent authority also checks whether the tender committee was formed by the competent authority's approval.
2. Check the mode of enquiry for quotations i.e. limited tender, local, regional press advertisement. All India press notification as per the value of the contract is to be followed as per work order contract procedure.
3. If it is not followed check whether approval of competent authority was taken. To check whether pre-qualification of parties for various categories of jobs has been done periodically. Check in case of limited tender whether NIT was sent to all the pre-qualified parties.
4. Check whether time allowed for submission of bids was reasonable. Check whether all the bids received were opened on due date in presence of finance representative. To check whether EMD has been given by all the parties as per NIT. Check whether the bidders were technically pre-qualified before opening of price bid.
5. Check whether the QCS (Quotation Comparative Statement) was prepared by the department, checked and signed by the finance department representative.
6. To carry out test check whether comparative statement was correctly prepared by giving due weightage to price discount, payment terms, taxes and duties, completion in time, etc.
7. To check whether negotiation was absolutely necessary and if so, only lowest party was called for negotiation after approval of the competent authority. If not, justifications thereof.
8. To check the recommendation of the tender committee and the work order issued to the parties on the basis of recommendation by tender committee and approved by the competent authority.
9. Check that acceptance of the work order placed on the contractor has been received and an agreement on non-judicial paper as required has been executed for each contract.
10. Check whether Bank Guarantee for security deposit received from the successful bidder is within the stipulated time. Check that Bank Guarantee is as per our requirement.
11. Check payments made are for the work certified by engineer-in-charge of the work and as per the work order terms.
12. Check whether the work order contains the payment terms as per the work contract procedure manual. For deviations, if any, whether competent authority's approval was taken.

13. Check for the detailed workings for part rates used for stage payments and whether approved for adoption of these rates was taken from competent authority.

B.Checklist for Payments against Work Orders (Mechanical,Electrical and Instrumentation)

i) The actual payments made, deductions / recoveries of advances, in case of civil work order, material reconciliation and amount recoverable from contractor (when supplied to him by FACT on chargeable basis), statutory deductions, liquidated damages, etc. with the terms and conditions of the respective work orders.

ii) The quantity and value, the description of the account, account number, correct distinction between capital and revenue items and posting to the appropriate account code, cost code, payee code, should be done in SAP PO/WO.

iii) Authorization of the payment voucher by the competent officials as per the delegation of powers of the Company.

iv)Existence of the internal checking mechanism i.e. whether every transaction is counter checked by the person other than one who has done the original work, etc.

v) Checking of the validity of the Bank Guarantee / Security Deposit as the case may be up to contract period as per condition of SAP P.O.

vi) Any default made by party, to check recoveries against B.G/S.D

vii) Authorization of Service sheet updated in SAP as per actual performance of activity/as per W.O

viii) Closure of P.O/W.O in SAP to check from SAP T-Code ME2N.

C-Voucher verification

While verifying the vouchers the following points are to be checked.

a) Whether proper classification of expenses i.e. Capital and Revenue has been done.

b) Whether the payments are released with competent authority's approval.

c) Whether tax if required to be deducted at source from payment of suppliers and contractors has been done as per rules and whether the same have been deposited in the bank before the 7th of the subsequent month.

d) Whether payments have been released within the budget provisions.

e) Whether tender procedures, if applicable, have been followed.etc.

Annexure – 12

Checklist for Audit of Bank Charges

1. To obtain copy of the agreement between Bank and FACT.
2. To know the rates charged by bank.
3. To verify whether commission was charged correctly by the bank.
4. To ascertain the necessity of purchasing demand drafts.
5. To verify the bank charges towards Bank Guarantees issued.
6. Whether the bank is charging on account of postage / other charges and the same is as per agreed rates.
7. To check accuracy of the entry.
8. To know the trends and reasons for increase / decrease, if any, on account of bank charges in a year.
9. Action taken to get wrong entries for charges reversed by the bank timely.

Annexure – 13

Checklist for Audit of FICC Claims

To check the following:

1. Whether the claims are preferred as per FICC norms.
2. Whether all the notification circulars as issued by FICC have been considered before lodging the claims.
3. The age of the claims pending and ascertain the reasons for non-settlement of the same.
4. Whether the quantity as claimed in the FICC claims tallies with the dispatch figures for the corresponding period in SAP.
5. Whether subsidiary claims have been raised when there is revision in the selling prices with retrospective effect.

6. Entries passed at the time of preferring claims, receipt of moneys from FICC, reversal for quantities unsold etc., in SAP.

Annexure – 14

Checklist for Schedule Review

1. Obtain list of transaction from T-Code FBL1N and Trial Balance. Arrange the data into G/L account wise for review.
2. See that schedule of accounts gives information sufficient for reference and control purposes. It should contain the below mentioned information. Description of the account, Document no., Date, Payee Code Number, Link Voucher No., PO / WO No., Cheques No., Debit/Credit amount, All the data must be filled in correctly and completely and there should not be any omission / incomplete date.
3. Check that the procedure / periodicity as per the predetermined program of critically evaluating the scheduled accounts for outstanding decides the daily reference for the clearance of advances etc.
4. See whether advances / accounts receivables, bills receivables / payables are scrutinized for age-wise analysis and communication / correspondence, follow-up / clearance etc.
5. All the entries routed through the above accounts must be as per the terms and conditions of the purchase / work orders and under proper sanctions as per delegation of powers.
6. Check up the procedure / periodicity, promptness with which odd / adverse balances in the scheduled accounts are rectified properly.
7. Check up whether appropriate sanctions are taken for transfer of entries from Advances accounts to account receivables accounts, creating provision for bad and doubtful debt and write off from the accounts.
8. To check whether any credit balances are appearing in party's accounts after final payments against the Purchase Orders have been made, if so what action has been taken for reversing the credit balance.
9. To check whether amounts are appearing in advances and provisions for the same payee codes and action taken for adjustment of the same.
10. To see clearing of open items on regular basis after review.

A - Checklist for Purchase Orders

Indenting Stage:

1. Check whether competent authority as per the delegation of power has approved the indent.
2. To select the purchase orders of Electrical, Mechanical, Instrumentation and General items depending on value of POs and see that a proper purchase procedure is elaborately given in the Materials Manual. T-Code is ME2N.
3. To check whether there is a system of control for maintaining maximum and minimum levels of stores and spares, EOQ for procurement of stores and useful life of material is determined.
4. To check the consumption of the material during last two years as per our inventory record or inventory generated indent so as to check the urgency of the item to be procured to ascertain that the present quantity indented is justified with consumption of the past period. Therefore all Material Master to be updated for all these details in SAP. Proper care to be taken based on ABC analysis.
5. Check auto Indent facility in SAP is used properly.

Tendering stage:

1. To check whether tender notice are put on the FACT website/ CPP portal & NIC portal.
2. To check whether quotations are asked from parties as per approved vendor list – Also to ascertain, whether the vendor list is updated periodically or not. To check, if the order is to be placed on proprietary basis, whether justification / approval for the same has been given / obtained from competent authority.
3. Check whether prequalification of parties carried out after every three years.
4. Check that acceptance of single quote offers are decided by next higher authority.
5. To check whether the quotations have been received from all the parties to whom enquiries had been sent and action taken / proposed to be taken in case parties who did not respond to the enquiries.
6. To check whether the material has been received as per the delivery schedule as mentioned in the PO.

7. Check whether E-procurements are made as specified in Tender guidelines.
8. Check the tendering process has not been delayed beyond 120 days from purchase requisition to placement of purchase order.

Tender evaluation and award of Contract:

1. To check the comparative statement whether the rates compared are as per quotations of all the parties and for all the items. Also to check that the terms of delivery, payment, taxes and other charges, if any, have been considered to arrive at the lowest quotation offered.
2. To check whether negotiation, if any, was absolutely necessary and approval from competent authority was taken. If negotiation was conducted with other than lowest party, reasons thereof.
3. To check whether the purchase order has been concurred by the budget and finance / concurrence department. To check, whether the committee formed and members nominated for the committee are as per delegation of powers.
4. To check whether the clauses, terms and conditions as recommended by the committee / competent authority have been included in the PO.
5. To check whether current stock and consumption are mentioned in the MOM.

Other Points:

1. To check whether the rates in the current P.O if abnormally higher than the estimates/earlier P.O's are approved by competent Authority
2. To check any PO is generated without complete details in Vendor Master.
3. To check whether demands for VARIOUS DIVISIONS are clubbed together so as to reap the benefits of bulk buying.
4. To check any intentional bifurcation/split of purchase orders so to avoid approval from higher authorities.
5. To check that all PO's are correctly classified in SAP as Emergent, Single, Nominal, Proprietary etc.
6. To check penalty terms in case of default is properly included or in case of default FACT has right to procure from another party at the risk and cost of defaulting vendor.
7. To check whether the material has been received as per the delivery schedule as mentioned in the PO. T-code is ME23N.

8. To check age wise analysis of material procured during the year but lying in stock for more days to be reviewed increased inventory cost of material procured.
9. Check Material Master available in SAP from SAP T-code MM03.
10. Check list of defaulter to be available in SAP Enquiry route and also prequalification of vendor list.
11. Check all condition records are clearly defined in SAP P.O like cost to be taken for Inventory, CENVAT, set off of Taxes etc.
12. Check that purchase orders are closed once delivery is complete or if material is not required.
13. To avoid post facto approvals , in case of ARC's whether lining up action has started at least three months prior to expiry of contract. In case of orders on nomination/single tender reported to boards.

B-Checklist for Purchase Payments subject to finalization of P.O.and Supplies of material

1. Payments are to be made strictly as per the terms and conditions of P.O. Any deviations whatsoever needs appropriate sanction through Amendment / Concurrence procedure and purchase officer / paying officer on his own has no authority whatsoever to deviate from the P.O. terms. The amendment in SAP PO to be made in system.
2. Finance Department on receipt of documentary evidence of receipt /RD /DC of ordered material from stores will proceed to make payments for the material received and passed. Ensure that quantities in the case of high value items are not varying sizably compared to the originally concluded quantities without the approval of the competent authority. Verify the arithmetical accuracy of advances recovery calculations, taxes and duties, TDS, freight, discount, L.D. recovery etc. and see that they are strictly as per P.O. terms.
3. Check up the accounting entry passed from the document prepared. The should show description of the account, account number, identification of the item, capital or revenue, nature of item purchased and appropriate accounting entry thereafter indicting account code, cost code, payee code, work order number etc. Also check the narration and counter checking of each payment by 2 persons (prepared by &checked by) who have to put their signatures on payment vouchers and Document entry and see whether the transaction is within the scope of their authority given (conferred) by Delegation of Powers of the Company.
4. Check whether taxes and duties are reimbursed against production of proof for payment by the suppliers to authorities where prices are not inclusive of taxes and duties.
5. See that modvat receivable entries are of correct amount and as per condition record of SAP to be supported by documentary proof given by supplier.

6. Check Tax Invoice to contain details of PAN, Service Tax and MODVAT etc. for claiming set off benefit.

C-Purchases & Creditors

1. Check Re-order level for various items of materials on the basis of factors like EOQ, Ordering cost, Usage rate, lead time etc.

2. Check Indent are raised by Indenter after verifying stock position in hand.

3. Check Tenders are invited as per Tender Guidelines and evaluation of tender proposals on factors such as quality, quantity, terms of supply, payment terms, prices, duties and taxes, procedural formalities etc.

4. Check Committee approval before placing Purchase Order. When a large quantity of any material is to be purchased it is advisable to distribute the orders to several suppliers, to maintain regular supplies and development of new vendors.

5. Check evidence of inward movement of material from CISF.

6. Check any delay in preparation of GRN, and inspection.

7. Check the copies of GRN are send by Storekeeper to Excise for availing CENVAT and to Purchase Department for payment against P.O. and delivery challan.

8. Check the materials are placed in Bin and entries are made in Bin Cards.

9. Check the issues of material to plant are made in SAP, with correct cost centres etc.

10. Check any material returned to supplier (credit notes etc.)

11. Check statement of balances with suppliers are confirmed regularly.

D-Checklist for Packing Materials / Bags

1. Check up Government restrictions on usage of Jute/HDPE bags etc. (Composition in procurement)

2. Check up company's directive / policy for procurement of bags in terms of delegation, requisitioning, tendering, finalization of terms & conditions of NIT, selection of supplier / panel of suppliers. The division of P.O. in between the parties and staggered delivery, rate, quantity, quality, printing (design/layout) etc. should be unambiguous. Penalty for late delivery, rejection of defective bags /re-acceptance with / without penalty but after appropriate sanction, laboratory testing (FACT / third party inspection) etc. be thoroughly checked. Compliance should be rigorously checked.

3. Record control procedure/documentation for receipt/ issue/ balance of bags purchased, periodical reconciliation of book stock vs. physical stock vis-à-vis filled product dispatched duly certified by competent officials be checked. Similarly whether records have been maintained for cut /stolen /torn /wasted bags and entire stock position / usage /procurement have been reconciled at frequent (reasonable) intervals.
4. Procurement must be well launched so as to ensure continuous, smooth supply of packing material according to the production. But at the same time whether appropriate level of inventory has been maintained (optimum level to be decided by expert study). Study the system for ensuring accuracy of bulk packing material received viz. statistical, sampling techniques etc. for which team of management should have been involved.
5. See whether most prompt economical, speedy, procedure is existing for standardization and re-bagging of the product from cut and torn bags and spillage in the operating floors.
6. In respect of disposal of cut and torn bags whether standardization procedure is streamlined for accounting. Disposal and mixing of cut and torn bags with fresh bags is to be avoided.
7. Treatment of other companies' bags lying in our godowns to be checked.
8. Procedures and accounting of return to stores / bagging plants to be thoroughly checked.
9. Procedures and accounting of procurement of drums and heir usage to be thoroughly checked.
10. Check stock position of bags/drums already existing before further procurements in SAP
11. Check consumption entries passed regularly for packing materials/Bags/Drums.
12. Abnormal wastage / consumption to be reported separately.

A-Checklist for Audit of Inventory/ Stores and Spares

1. Complete data of Inventory of stores & Spares, Packing materials, finished goods etc. to be taken from SAP system storage location wise. T-codes are MB52.
2. To check age wise analysis has been done for all items. Non-moving and Slow-moving items for longer period (3 yrs. / 5 yrs.) including High value items of non-moving are regularly reported.
3. To check proper identification are made for Surplus and Obsolete spares. To check movement types are correctly assigned for disposable/usable surplus items in SAP.
4. The Slow / Non-moving inventory should be further classified into the following categories –
The value and quantity of
 - a). Item that will be consumed in the next few months.
 - b). Items that can be sold off being not required.
 - c). Items that have to be scrapped – useful life being over.
5. Ensure that an action plan has been drawn to dispose off / sell the Non-moving inventory.
6. To check Physical verification of items at random and tallying with SAP stock.
7. To check Pending returnable material based on FACT's gate pass.
8. To check Project surplus items lying in plant stores / main stores are recorded in SAP system and its uses.
9. To Check percentage of consumption for 3 years and Inventory amount lying for last 3 years. Analyse reasons for huge amount lying in stock.
10. To check Block facility in SAP system is used in material master of those materials if already existing. The further procurement of such materials should be stopped.
11. To check reports are regularly sent for unused list of stores to all plants for any usage in Udyogamandal Complex and Cochin division.
12. To check Abnormal wastage/consumption are reported separately.

13. To check Stores items carry proper identification tags / codes etc. and are put on the bins for identification of material and recorded in SAP.

14. To check whether an ABC analysis of the stores inventory is carried out both by value and consumption. Comment upon the need for an ABC classification of inventory for ensuring a proper control.

15. Ensure that the stores stock ledgers are kept up-to-date and entries in respect of receipts / issues are made on a daily basis.

16. To check that Norms (No of days consumption) have been determined in respect of inventory level. The inventory level should be maintained at that level. Comment if the inventory levels are at a higher level as compared to the Norms.

17. To check that a proper control is kept by Stores over items sent outside for job work/repair etc. (Material sent under a Returnable Gate Pass). Check that the list of pending items (RGP) is prepared on a regular basis and the materials sent are received back within a reasonable period.

18. To check that various items forming part of the Stores inventory are stored properly and safely. For example in case of chemicals, ensure that the containers are kept safely and not exposed to rain / heat /sunlight etc. Carry out a review of all the items Stores-**Raw material/General//packing material and the finished goods warehouses etc.**

19. To check that all key items in the Stores are insured against fire, theft etc.

20. To check whether there are adequate firefighting arrangements in the Stores e.g. required no of fire extinguishers etc. required in the event of fire etc. and as part of industrial regulations.

21. To check that the Rejected Material is kept separately and the material is returned back to the supplier only after adjustment of outstanding balance in Accounts. Analyse the reports of rejected materials over a period of time.

B-Checklist for Audit of Material under Inspection / Transit

1. Procure the list from the stores accounts for the period / month to be audited.

2. List out cases where the amounts are pending in the statement for material under inspection and in transit.

3. To check the period for which and confirm the reasons as to why the amounts are been lying under inspection / transit account.

4. To check and ascertain the frequency of utility of the item with the period for which the material was under inspection / in transit. Abnormal delay in the above cases to be reported.

5. To check whether all materials have been received after inspection and material on receipt is transferred to stores account duly transferred from material under inspection / transit account.

6. To check whether defective materials were duly replaced by the suppliers and in time. If not, action taken thereof.
7. To check whether payment to the extent of defective materials was withheld. To check advance payment duly adjusted/recovered if defective material is returned.
8. To see whether modvat benefit has been obtained at the time of taking the materials to capital items.
9. SAP report for movement type 103, 105 to be checked.

C- Checklist for Scrap / Surplus / Obsolete / Moving / non-moving / slow moving Stores items

1. To check the policy existing for –
 - a. Defining each of the abovementioned items.
 - b. Identifying each of the abovementioned items.
 - c. Declaration of the stores items to be Scrap /Surplus /Obsolete / Moving /non-moving /slow moving stores items.
 - d. Sorting of the items as Scrap /Surplus /Obsolete / Moving /non moving /slow moving stores items.
 - e. Evaluation of each of the above mentioned items.
 - f. Timely action of Disposal /Sale /Transfer (in case of surplus item) from one plant to another plant for its alternative utilization.
2. To ensure strict compliance / adherence to the policy and procedure in respect of each of the above steps by going through documents and other physical evidences available. Any kind of discrepancy / deviation / shortcoming in the compliance should be suitably reported.
3. Also to ensure whether existing system of record keeping is facilitating adequate control over the accounting / monitoring / physical controlling / reconciling at the regular intervals and that all records maintained are correct, complete and up to date in all respects.
4. Also check whether committee exist, for identifying surplus / Obsolete / Moving /non-moving /slow moving items of stores and spares.
5. As regards the scrap sales management check up whether the predetermined standard procedure is laid down for finalization of Sales Order, which should be parallel to the purchase order finalization procedure of the company.

6. In case of surplus items specifically look into age-wise analysis of items lying unutilized for unreasonable period of time and extent of funds utilized and losses incurred thereon.
7. To check movement type is changed in SAP for obsolete, usable surplus, disposable etc.
8. To check provision amounts are reversed of disposable surplus after sale of scrap.
9. In respect of insurance spares required to be stocked to take care of emergency requirements of the plant. Auditor should verify the relevant documentation / record / registers maintained in respect of these items.
10. In respect of obsolete items, after reviewing age wise analysis, verify the remedial action taken. If no remedial action has been taken till the date of audit, check why timely disposal action had not been taken to minimize the losses due to obsolescence.
11. In respect of non-moving and slow-moving items verify the detailed procedure and documentation involved in monitoring / certification / reporting of such items periodically thereof, corrective actions taken by the management etc. If it is observed that no proper follow-up of non-moving and slow moving items is done within reasonable time, it should be suitably reported along with the suggestions for changes in the adequate / periodicity / channels of reporting such kind of data to the higher executives who can act upon it.

E-Checklist for pending returnable material report.

1. Check whether any register is maintained by CISF by showing entry for outgoing and incoming materials.
2. Check whether CISF is keeping copies of the gate passes properly for use at the time of return of materials.
3. Check whether the plants / departments are maintaining properly register of materials sent out on returnable basis, showing the expected date of return and actual date of return, gate pass entry, etc. Check from the department / plants the reason for the materials not returned in time.
4. Check whether the department / plant vigorously follows up with the party for getting back the material, which is not returned within the expected date.
5. Check whether the code number of the material and the value of the material are given in the returnable gate pass besides the description of the material.
6. Check whether plant/department is maintaining properly the files of returned copy of the gate passes where in CISF entries for incoming outgoing materials are given. Also see whether file is maintained for keeping delivery challan, bill for repairs along with returnable material gate pass.
7. Check whether defective materials sent out for replacement are not returned and taken as fresh purchases.

Checklist for Audit of Work Orders of Clearing, Forwarding and Transportation Contracts:

1. To check whether the budget provision exists for the contracts that have be awarded.
2. To check whether the previous year actual expenditure was well within the budget and whether the same have been considered for finalization of the budget for the current period.
3. To check if the previous years expenditure has exceeded the budgetary provision proper justification and appropriate sanction has been obtained for the same.
4. To check the newly estimated requirement and expenditure are in light of the factors given in the proposal for entering into a new contract and in line with the previous year working. IN case there is any deviation, whether proper justifications for the same have been given.
5. To check thoroughly the tender procedures followed.
6. To check up the comparative statement of the quotations.
7. To check up the finalization of work orders i.e.
 - a) Finalization is on the lowest basis.
 - b) Other than lowest basis. Check up the reasons and sanctions for finalizing the order on other than lowest basis.
8. To check the detailed terms and conditions of work order in the light or NIT issued for the contract awarded.
9. To check whether the bills are raised within the reasonable time after rendering of the services under the work order. The condition of work order to be checked in SAP.
10. To check up the bills with reference to Terms and Conditions of work order and the recoveries to be effected thereof.
11. To check whether the new contracts / renewals are initiated well in time before the expiry of the existing work orders to avoid 11th hour extension / renewals, etc.

12. To check the time taken during IN and OUT of the trucks and tankers inside the factory. To ascertain the reason for delay and suggest procedure for improvement.

Annexure – 18

ADMINISTRATION AUDITS

A-Checklist for Log Books of Company Vehicles

1. To obtain logbook from the users of the vehicles or the administration dept. for vehicles in pool.
2. To check whether the logbook is complete in all respects such as date of use of vehicle, opening and closing mileage, total mileage, opening time and closing time, place of visit, name of user and designation, purpose of use and signature of the user and designation.
3. To check whether the entries for fuel bill have been made in the logbook.
4. To check the details of repair expenses from the user / administration dept. and to ascertain whether the expenses are reasonable.
5. Try to ascertain the mileage per litre of fuel consumed. If abnormal variations are found the reasons for the same to be obtained from the user / administration dept.
6. To check the age of the vehicle vis-à-vis expenses on fuel & repairs and maintenance to ascertain whether continuation of the vehicle is economical or needs replacement.
7. Whenever an employee uses the vehicle the logbook has to be signed by the person using the vehicle or by a responsible officer.
8. To check whether vehicles are used by entitled staff only.
9. Analysis or calculations to be made on the basis of data available in logbook i.e. kms covered, fuel consumed, etc. for a particular period to ascertain proper use of vehicle.

B-CISF CONTRACTS

- a) Verify the contracts lined up for CISF.
- b) Verify that the payment is as per the agreement.
- c) Medical expenses, township facilities and other expenses approvals and entitlement.

d) Deployment of man power and expenditure monitoring.

C -SECURITY CONTRACTS

a) Verify the contracts lined up for Security.

b) Verify that the payment is as per the contract.

c) Verify the system of Deployment of man power and expenditure monitoring

Annexure – 19

Checklist for Guest House Expenses

1. Budget approval for the year for Revenue and Capital Expenditure.
2. Whether department wise budget for entertainment in Guesthouse is strictly followed.
3. Mode of booking of Guesthouse and procedure for raising requisitions for accommodation.
4. The existing contract provision for scope of the contractor and terms of the contract.
5. Actual expenditure whether within Budget or has exceeded the budget.
6. List of assets and equipments in the Guest house with full details.
7. Test-check the list of occupants at least for 2 months.
8. Recovery of tariff from employees and outsiders for room rent and other charges.
9. Whether the equipments were in good condition or missing and whether the recoveries for the same had been effected from the last contractor at the time of change over from one contractor to other.
10. The suggestion book provided in the Guesthouse and the implementations of the suggestions thereof.
11. Whether the rates charged by the contractors are as per the approved rates.
12. Whether the physical verification of the assets i.e. furniture, fixtures and equipments handed over to the contractor is done periodically.
13. Whether statutory deductions have been made correctly and in time from the contractor's payments.

14. Whether recoveries are made from the bills of contractor towards upkeep of appliances, if the company has incurred expenses on his account.

15. Whether necessary approvals are sought for conducting functions, meetings and gatherings at the guesthouse.

16. Whether the maintenance of the guest house and its surroundings are in order or not.

Annexure – 20

Checklist for Audit of Time Office

1. To check the computer punching record of workmen with attendance record and EDP record for salary preparation.

2. To check whether leave applications duly approved by competent authority as per Delegation of Powers are submitted on time.

3. To check leave applications along with leave balances, whether the leave has been sanctioned considering the available balances, if no what action has been taken by Time Office

4. To check leave balances along with applications for a few employees to confirm whether leave balances are updated properly.

5. To conduct a surprise check of a few plants / offices to ascertain that the physical attendance of the staff tally with the records maintained by the supervisory staff and EDP.

Annexure – 21

Checklist for Audit of Hired Vehicles

1. Company's policy for total vehicles hired.

2. Movement of men by hired vehicles within and outside the plant vis-à-vis owned vehicles and its extent of utilization.

3. Detailed report by administration department for need of hiring outside vehicles justified by committee decisions etc.

4. Procedure of lining up contracts through normal tendering procedure till final issue of contract (concurrence procedure) and SAP W.O.

5. Procedure for log book maintenance, correct and complete in all respects each entry signed in full by actual user with full identifiable signature (only entitled category of employee should have authority to sign the log book).

6. Checking logbooks by administration department in all respects (correctness of distances, private / official uses, timings, etc.)

7. Certification of bills, recoveries to be effected, payment control procedure.
8. Check up 3 to 4 years trend for increasing /decreasing expenditure, analyze reasons by administration department vis-à-vis scale of operations in general.
9. Suggestions for minimizing the expenditure on hired vehicles.
10. Cost-benefit analysis between T mark and owned vehicles.

Annexure – 22

Checklist for Township Maintenance

This section generally looks after providing the general services / maintenance of township in respect of civil, electrical, horticulture, conservancy, sanitation, pest control, water supply, painting etc.

1. To check whether contracts are lined up for each type of job mentioned above.
2. To check thoroughly the entire routine and documentation involved in the finalization of work orders and ensure that there are no deviations whatsoever from the company's laid down policies, procedures and precedence in respect of work order finalization.
3. To check any deviation / irregularity / extravagant things should be got clarified and /or reported suitably.
4. To check the rate structure for different types of job/piece works given above.
5. To check up the procedure of requisitioning of the service by the township occupants.
6. To check up the following:
 - Calling on the contractor by the township administrator to attend such requisition / complaint.
 - The attendance of requisition / complaint by contractor men in terms of the written orders issued by the township administrator under the respective work order.
 - To obtain occupant's certification of having attended the requisition / complaint mentioning clearly the details of materials used up by him in attending the same.
 - Counter checking (supervision) by township administrator / his representative of complaint's attended / service rendered.
 - Certification of contractor's periodical bills raised in terms of work orders and sending them to the accounts department along with the supporting documents.

-Payments made by the accounts department as per the laid down procedures and delegation of powers.

7. To check and ensure that adequate system of internal check and mechanism is existing in the entire system.

8. To verify the trend of expenditure on the above items of service over the span of 2/3 yeas to trace out and report abnormal / disproportionate expenditure.

Electricity to Township

1. Check up whether system of budgetary control or such other system is in existence for controlling the expenditure over the township maintenance or not and if it is devised check up its implementation and strict compliance / follow up through appropriate organizational channels.

2. What is the policy of providing domestic electricity to the township occupants(employees as well as outsiders) and at what rate.

3. What is the procedure / periodicity of checking the fitness of electric meters and ensure accurate reading / billing on the occupants.

4.What is the procedure / periodicity for recovering the electricity bills from the occupants.

a). In case of employees, whether it is recovered from the salary or otherwise.

b). In respect of outsiders, whether recovery is made from the sums payable to them under the running work orders or whether there is system of taking advance against electricity supply account.

5. Check up whether adequate control, records and registers are maintained and are correct, complete and up to date in all respects and are properly utilized for timely recovery of outstandings.

Annexure – 23

Checklist of Working of Public Relations Department.

This department mainly deals with the following:

-Publication of in-house journal.

-Advertisements – for tenders, quotations, etc.

-Nurturing the positive image of FACT in public

1. To check up thoroughly (as per the checklist for work order finalization) and point out any deviation irregularity, discrepancy, etc.

2. To check whether the adequate number of records and registers are duly maintained for physical control over the day-to-day routine. To see whether these are maintained correct, complete and up-to-date in all respects and the way in which they are serving the purpose of controlling things, else suggestions for amendments in the same may be given.

3. To check what kind of control mechanism like budgetary control etc. is introduced for controlling actual expenditure on different heads mentioned above.

-How they are monitored and controlled.

-At what intervals.

-What kind of follow-up / remedial actions are taken thereon, etc.

4. To check up the work orders issued in all respects, especially to see whether appropriate sanctions as per delegation of powers are obtained.

5. Check up the revenue, if any, generated from in-house journal advertisements, sale of old newspapers, etc.

6. In respect of distribution of gifts, mementos to outsiders whether proper authorization in writing was taken.

Annexure – 24

Checklist for Canteen management

1. Check SAP Records to ensure that consumption of materials is properly accounted.
2. Purchase Requisition is based on consumption for the previous periods.
3. Surprise physical verification of canteen stores.

on implementation of outsourcing of canteen services:

1. To check whether proper procedures have been followed for award of contract for the canteen facility of the employees.
2. To check whether all the clauses with respect to Labour Laws and other statutes have been incorporated in the work order.
3. To check the rates fixed by the management for the items to be supplied in the canteen are as per the work order.
4. To check the clauses in respect of hygiene and cleanliness have been incorporated in the work order for canteen operation.

5. To physically verify the assets supplied by the company to the contractor and see whether the appliances installed in the canteen are working properly.
6. To check whether recoveries have been effected from the contractor's bills in case of shortages of items noticed during physical verification.

Annexure – 25

Checklist for purchase of Printing and Stationery Items

1. To obtain the list of printing and stationery items procured by the Administration department (HO) to be kept at stores.
2. To check whether annual requirement of the stationery items has been worked out by stores department and compared with the total issue for the previous year.
3. To check whether proper requirements / indents have been received from the user department indicating the requirements of stationery for the full year and month wise and also check opening stock in hand has been considered while working out the indenting quantity.
4. To check whether tendering procedures and preparation of comparative statements have been properly followed.
5. To check whether proper specifications have been given in the enquiry letters with respect to quality of paper and printing before calling the quotations and whether the samples submitted by the parties are as per the specifications required.
6. To check whether proper records have been maintained for issue of stationery items and compare some of the issues with the requirement letter of the user department.
7. To check whether any abnormal use of stationery in any department and if so the reasons thereof.
8. To physically verify the stationery items at stores and ascertain reasons for shortages if any.

Annexure – 26

Checklist for Audit of Allotment of Quarters and recovery of ALF & Electricity charges etc.

1. To check Company's policy for allotment of quarters to the employees (as per the entitlement) and to the outsiders (need based for benefit of FACT).

2. Get the list of persons occupying our quarters including FACT employees, C.I.S.F. and outsiders.
3. Check the list of quarters lying vacant and verify the period for which they were vacant and ascertain the reasons.
4. Check for Rent fixation for various categories of employees and recovery from outsiders.
5. Recovery from outsiders –Whether an advance is taken from the outsider or whether outstanding is recovered from the running bills, under different work orders, from the outsiders.
6. Check up whether adequate documents, records, registers are correct, completely and up-to-date in all respects and maintained by the Estate Department and whether they are sufficient and effectively used for monitoring and controlling outstandings.
7. Study the procedure and its adherence / implementation for recovery of outstanding – like servicing of ordinary notices, legal notices, court cases, eviction procedures etc.
8. To check whether shops or other places have been allotted in the township to outsiders for specific reasons and whether the rents are being recovered from them as per schedule.
9. To check whether proper meter readings are being taken at fixed intervals for the quarters let out on commercial rent and other shops and establishments to effect recovery of making adjustment against monthly recoveries.
10. To check whether the recovery is effected from the salary slips in case of employees.
11. To see whether quarters are allotted to outsiders such as contractors and whether recovery has been made in their running bills.
12. See in the case of retired employees occupying the quarters whether Rent / electricity are recovered / received properly.

Annexure – 27

Checklist for Attendance Bonus, Incentive payments and other awards.

1. Check the details with Industrial Engineering and Payroll and Study the scheme for Incentive and Attendance Bonus payments and see whether proper agreement between the concerned has been made out.
2. See that the incentive is calculated properly and the percentage drawn are proper as per approval.
3. Check what is the basis of evaluation of an employee for award purposes.

Checklist for Corporate Finance Department

1. Payment Vouchers

- a. See whether payments for purchase of computers, ribbons, disk and other stationery items are made as per terms and conditions of purchase orders.
- b. To see whether payment for annual maintenance contracts for computers, air conditioners, conservancy and others are made as per terms and conditions of work orders prepared in SAP.
- c. To see whether payments for purchase of furniture and other office appliances are made as per terms and conditions of contract.
- d. To see other expenses incurred are as per competent authorities' approval and as per delegation of powers.
- e. To check benefit of CENVAT is availed.

2. Loans & Investments

- a. See the contracts between FACT and banks/ foreign banks for procuring short term and long term loans.
- b. To check the clause in the agreement for charging interest, bank charges and other charges.
- c. In case of loan from banks and other financial institutions see that Board approval is obtained before making contracts.
- d. See that the Company's Act u/s 370 to 372 are complied with while company is making investments in procuring loan from other companies. Guidelines of Investment for PSU are followed.
- e. Effect of change in foreign exchange rate to be checked as per Accounting standards and note to accounts.

- f. To check payment are made on due dates.
- g. Effective rate of return on investment to be checked.

3. Income Tax

- a. See that tax deducted at source by other parties is properly accounted and claimed in our tax returns.
- b. To see whether estimation is properly made and advance tax is paid as per the schedule.
- c. To see records of any disputed liabilities for income tax, wealth tax, are maintained and the level at which it is pending.
- d. To see whether income tax returns are filed within time and assessment has been completed within reasonable period.
- e. To see that income tax is calculated after availing all deductions and benefits
- f. To see that amendments in Income tax laws are being taken care of.
- g. Reconcile the details of Tax return with Tax assessment order. The action taken for difference items.
- h. Reasons for disallowance and adjustment of all T.D.S, Tax provision, Tax receivable entries.
- i. Tax refund alongwith interest are correctly accounted in books.
- j. Deferred Tax Assets/Liabilities are recognized, accounted and yearly reconciliation of the same.
- k. Check disclosure of Tax is made as per Accounting Standards.
- l. Check presentation of KVAT.
- m. Check whether income tax department has issued demand notices, if any.
- n. See that whenever demand is disputed appeal is made within time schedule.
- o. See whether registers/files are maintained showing correspondence taken place, when appeals are made with income tax appellate etc. Check whether capitalization has taken place to avail full benefit of depreciation.

4. General

- a. See that periodical return to the bank for availing loan is sent in time.
- b. To see any circular issued for change in accounting policies and see the circulars issued for change in delegation of powers, changes in accounting treatment, change in tax structure.
- c. Scrutinize the projects in hand with the department and study intricate detail, with reference to procurement of funds for project purpose.
- d. Check process of preparation of financial statements like Cash flow, Fund flow, Profit and Loss Account, Consolidated Balance Sheet etc.
- e. Check the process of assessment of Working Capital requirement of the company. Check the feasibility of the terms and conditions of the banks providing finance.
- f. To check whether accounting of expenses of liaison office at Delhi is proper.

5. Preparation of monthly, quarterly and yearly profitability statements

- a. Check whether profitability statement is arrived at after taking into account all provisions for expenses and income due such as subsidy, insurance claims etc.
- b. Compare the projected profitability and actual profitability and analyze the reasons for variations.
- c. Analyze the prior year income and expenses.
- d. To see whether proper provisions have been made for doubtful debts / claims. Also analyze miscellaneous income / expenses.
- e. To see allocation of Interest Income/Expenses in various business area for segment reporting.
- f. To check any delay in Capitalization entries.

6. Consolidation and preparation of Revenue and Capital budget

- a. See that budget is prepared taking into account all key factors. Verify the expenditure budget, capital budget, maintenance budget, sales budget, profitability budget, welfare budget and compare with the previous years actual.
- b. See that the budget has been approved in the Board meeting.
- c. Analyze the variation between budgeted expenses and actuals and comment on grey areas. Study the corrective action taken by the department to narrow down the negative variations.
- d. The configuration of Budget to be entered in SAP.

e. To check the reporting from SAP for monitoring Capital Budget and actual expenses.

7. Annual Plan and Five-year plan

a. See that the Annual plan and Five-year plan are prepared after taking into account all technical and commercial aspects.

b. See that approval is received from Board/Central Govt. for projects to be undertaken.

c. See how the project finance will be met i.e. whether through internal accrual or through loans from financial institutions and ascertain the rationale behind the decision.

8. Work relating to MOU

a. See the parameters applied for production and sale to be achieved and utilities for preparing the MOU and getting it signed with the Ministry.

b. Study whether targets of MOU have been achieved during the year and if not the reasons thereof.

c. Verify the steps taken to rectify the situation so that future targets are achieved as per M.O.U.

9. Credit Monitoring and Appraisal

a. See whether budgeted working capital is prepared periodically.

b. See whether proper returns are sent to banks for procurement of loan for working capital.

c. See whether giving proposals to the management for review of credit policy of sale helps to monitor working capital.

d. See whether inventory is kept at minimum and debt is collected within due time to improve the working capital.

e. See the payment to vendor is made on due date.

10. Expenses

a. See that there is budget for expenditure and it is approved.

b. See that expenses are approved as per delegation of powers.

c. See that concurrence is given to purchase orders / work orders and also payments are made as per terms and conditions of purchase orders / work orders.

d. See that tax is deducted at source as per income tax act while making payments to contractors, consultants and other agencies.

e. See that the competent authority duly approves the payment for consultancy fee.

f. See that interest expenses on working capital is allocated properly to all departments as per the share of individual department.

11. Income

a. See all income such as rent, royalty, remuneration for services rendered (received and accrued) are accounted properly.

b. See the original copy of TDS deducted while getting income is kept properly for claiming the benefit from Income Tax Department.

12. Projects / Joint Ventures

a. Analyze the basis and workings of equity contribution of partners in joint ventures.

b. Increase of overseas venture see whether RBI and Govt. of India approvals have been obtained.

c. Study the loan agreement made between FACT and suppliers of loans.

d. Study the buy-back agreement, if any.

e. Study project feasibility studies done on the project.

f. Study the financial viability of the project taking into account, internal rate of return, buyback period, breakeven point, market study, Govt. policy, expected import, pricing , etc.

g. See the workings of capital cost of the project and study for time / cost overrun.

h. Find out the progress made in the joint ventures.

13. Insurance Policies

a) To obtain the list of Insurance policies taken by company and to verify whether the policies are valid during the period of our audit.

b) To check whether all the items for which insurance is required to be done have been covered.

c) To check whether the policies in respect of plant & equipment, building, stock, cash in transit, fidelity, cash in safe and policies pertaining to office furniture and equipment's for burglary and fire have been taken and covered.

d) To check the insurance claims and their timely settlement.

14. Contingent Liabilities

1. Check Contingent Liabilities for estimated amount of contract remaining to be executed on capital account and not provided for.
2. Check any other matter, which the Company is contingently liable.
3. The amount of any guarantee given by the Company on behalf of Directors or officers of the Company.

15. Checklist for Corporate Planning

1. See that five years corporate plan is prepared based on technical details, plant reports etc.
2. See that future plan is envisaged properly taking into account expansion, revamping and retrofitting.
3. Check whether market study is done by expected time so that the key factors have been identified and proposals correctly evaluated.
4. See that updating is done wherever there is a change in the plan.
5. The original corporate plan has to be updated depending on memorandum of understanding signed by the Company with the Ministry.
6. See that financial analysis has been done properly.
7. See the basis on which projected profit and loss account and cash flow statement is prepared.
8. See whether new project study has been undertaken taking into account the viability of the project, economic feasibility, etc.
9. See whether proper estimates have been done for procuring short and long term loans.
10. See whether proper arrangements are made for procuring loan so that loan will be available at appropriate time.
11. See whether accounting ratios arrived at on the basis of corporate plan gives clear picture of the corporate standing.
12. Check whether Sensitivity Analysis is being performed. Also check whether Buy or make option has been considered while judging viability of new projects.

13. See whether Economic Value Added Concept, Debt service coverage ratio, cost of capital, etc. have been taken care of.

Annexure – 29

Checklist for Computer Services.

1. Study the work order procedures to ensure that delegation of powers and financial concurrence are properly followed in respect of :

- a) Purchase of computers, Laptops etc.
- b) Purchase of Printers
- c) Purchase of Stationery
- d) Purchase of Disk etc.

2. See that the computers procured are properly distributed to departments where it is required.

SAP

- 1. Check IT Policy.
- 2. Check exceptional reports in SAP system.
- 3. Check confidentiality of sensitive information
- 4. Check IT policy and should be easily available to all person.
- 5. Check the provision for uninterrupted power supply.
- 6. Check smoke detector and automatic fire-extinguish equipments are installed for protection against fire hazards.
- 7. Check the inventory level of computers, file servers, printers, etc.
- 8. Check back-up options.
- 9. Check virus protector established in servers and administration done by IT. The regular updated of virus applicator.
- 10. To check secured Internet access authorization.

11. Updating in SAP for latest changes in legislation.

Customer Master (XD03)

1. Check list of customers code Area wise from report ZVCUST.
2. The details regarding address of customer, PAN, TIN, GST, Telephone and attributes like legal status, operative/non operative, provision for Bad/Doubtful debts, nursing etc. Are completed and updated from time to time.
3. Check duplicate/dummy customers codes are blocked and are not in operation.
4. Check all details of customer along with supporting documents like photo identity and address proof, fertilizer license, MFMS registration number, Vat registration number, GST registration number etc., are properly documented and updated in SAP.
5. Check that the documents received are properly self-attested by customer and crossverified by FACT officer.
6. Check that dealership agreements are complete in aspects.
7. To check whether all utilities in Sap are operated by concern departments and to suggest further improvement.

Navigation – Logistics – S&D – Master Data – Business Partners – Customer

1. Check Pricing / Discounts / Taxes from VK03, for sales.
2. Check conditions records are maintained for each condition type based on various key combinations based on the sales operations.
3. Check sales order from VA03. Logistics – S&D – Sales – Sales Order. Check payment terms, incoterms, delivery plant, material and order quantity.
4. Check outbound delivery from VL03N. Logistics – S&D – Shipping & Transportation – Outbound delivery – Create – Single document – with reference to order.
5. Check shipping point.
6. Check Billing from VF03 – Logistics – S&D – Billing
7. To check whether all utilities in Sap are operated by concern departments and to suggest further improvement.

Vendor Master – (XK03)

1. Check correct Reconciliation A/c TAB is given in Vendor.
2. Check withholding tax Accounting TAB for declaration of IT exemption certificate, validity period of exemption, details of TDS etc. in Vendor Master. See the date of changes made in masters etc. for TDS etc.
3. Check CIN details TAB for Sales Tax / Excise registration no., PAN No. details correctly given.
4. Check report for all vendors from MKVZ, and XK03. The details regarding address, Mobile number, E-mails, Taxes etc. are complete for all vendors.
5. Check whether any blocked vendors were operated during the year. The reason and approval may be seen.
6. Check all Vendors linking with materials have been done.
7. Check preparation of Purchase order is blocked in absence of complete details of Vendors.
8. Check major financial payments made to vendors other than through P.O are also completed with all details in Master.
9. Check whether complete details of Vendors like mobile number, address, E-mail ID etc. are given through Authorized Officer before opening of new Vendor Code.
10. Check that search term is properly updated in SAP.
11. Check whether the details furnished are genuine on the face of it. For e.g. mobile number shall not be 1234568991.
12. Random Checking for duplication of same details in different Vendors.
13. To check whether all utilities in Sap are operated by concern departments and to suggest further improvement.

Material Master (MM03)

1. Check correct Material Type is operated for opening of new material code . For each item 9 digit code is allotted.

For eg. for description of Material like for Raw Material Serial No. is 68.....

Packing material 687.....

Stores & Spares 0 to 9.....

Finished goods 680.....

By products 680.....

2. Check assignment of Valuation Class Code of material in Master from T-code MM03.
3. Check Price control 'V' and Price determination '2' for current moving Average Price in the system, which gets updated with every receipt / purchase transaction. With Price control 'S' and Price determination '3', transaction and inventory gets valued at Standard Price.
4. The duplicated material code if any opened may be checked from short/long description of material.
5. Check space provided for old material code has been utilized for identifying plant wise spares etc.
6. Check Spares linking with Assets have been made for all plants.
7. Check ABC, VED categories are given for all material codes.
8. Check duplicate material codes are blocked.
9. Check warranty – guarantee details are updated in SAP.
10. Check material codes are created under proper authorisation.
11. Check for Import P.O. advance is paid only through MIRO.
12. In case of shortage of material either at Port or during transfer of material from Port to Factory, scrapping of material is done against movement type '551' for short quantity.
13. To check whether all utilities in Sap are operated by concern departments and to suggest further improvement.

Service P.O.

1. Check services are codified. Check valuation class to determine GL Account correctly.
2. If services are not codified, description of the services is to be given in text field.
3. Check MBST for Material in transit.
4. To check stock with sub contractor MMBE & MBLB.

Management Services:-

1. Check whether the work order procedures, delegation of power and financial concurrence is followed up for purchase of computer stationery, refilling of ribbons, purchase of computer spares etc.

2. See whether password is given to each individual so that he / she alone can have access to their respective and regular programs.
3. What is the basis of allotment of PC's / terminals to various departments and whether terminals / PCs given are in excess / short?
4. Study the output to ensure that the programs are adequate to protect company's interest.
5. See whether suggestions can be given for better utilization of terminals / PCs.
6. What are the methods being adopted by the department to assess the full utilization of computers at various outlets?
7. See what the computer programming is updated so that it meets the latest development.
8. Study the contract between FACT and SAP.
9. What measures are being taken by IT to provide latest facilities in software, like e-mail, internet, SAP etc. for global information, modern connections for bank / marketing transactions etc., at required levels?
10. See the data security measures etc., Risk involved for any loss of data etc. to be checked. The preventive steps to reduce such losses to be checked.

Annexure – 30

Materials issued on loan

1. Check Purchase Order for the material and the quantity to be received on loan has been given as the Purchase Order quantity.
2. Check Return Tab 'Ticked'
3. Check amount paid as deposit to the Party as advance given to the party's account.
4. Check if any expenses incurred on the loan quantity are loaded to Inventory Cost.
5. Check if any excess material return is made, the purchase order to be amended for quantity.

Annexure – 31

Audit of Cost Accounting Records

1. Check the information of cost records give systematic determination of cost at every single and distinct process of manufacture to provide a continuous check on the margin of waste in the processing of raw and semi-finished materials on the utilization of machinery installed, on the manpower expanded and the percentage of rejection of finished products.

2. Check Reconciliation of cost records and cost statements with audited accounts, for financial year.
3. Check classification of variable, semi-variable, fixed cost. Check the allocation of Fixed Cost and capacity utilization of plant.
4. Check the cost records policy for accounting material, Utilities, labour, Overhead. Check basis of allocation of Overhead cost. Check rebates, Cenvat Credit and service Tax set off has been considered in determination of cost.
5. Check consumption entries are made in SAP on time.
6. Check Repairs & Maintenance cost are compared with Budget etc. Check cost of major overhauls and basis of amortization. Any abnormal portion of the repairs and maintenance cost to be analyzed.
7. Check treatment made in books for abnormal losses.
8. Check Cost Accounting Standards w.e.f. 1.4.2011 are implemented for preparation of cost sheet.
9. Check reconciliation statement has been made for all indirect taxes.
10. Check cost records for traded goods.
11. Check timely E-filing of cost reports i.e. within 180 days from the close of the company's financial year.
12. Check the reports generated for all types of wastages.
13. Check Budgetary control and standard costing reports are generated for cost comparison.
14. Check valuation of closing stock.
15. Check accounting of by products and joint products.
16. Check system to recognize revenue and capital expenditure.
17. Check cost centre and profit centre are defined in SAP for all products. Check any cost accounted in common cost centre instead of product wise cost centre.
18. Check appointment of Cost Auditors.
19. Check comments of Cost Auditors and action plan taken by Company for improving Profit.

Check Capital Budget & Payment

1. Check budget approval by Board, for lump sum amount for capital items under renewals & replacement category.
2. Check in SAP for Budget allocation, procurement, monitoring, control & reporting after Board Approval.
3. Check IM23 Accounting – Financial Accounting – Investment Management Programs – Master data Investment Program Structure.
4. Check IM36-Cr Budget amount Accounting – Financial Accounting – Investment Management Program – Program planning
5. Check Internal Order (Budget Code) No. given before placement of Purchase Order of the capital items.

Accounting – Controlling – Internal order – Master data – Special Functions – Order

4. Check reports in S_ALR_87013018 Total Plan Actual commitments
5. Check Fixed Asset Master (Asset Class) AS03.
6. Check KO88 has been done before Monthly Costing run.
7. Check Asset value data for date of capitalization.
8. If any sale of Assets are made or decapitalized, Asset retirement report to be checked for date of decapitalization.

Asset history sheet S_ALR_87011990

S_ALR_87012050 Asset Acquisition

S_ALR_87012052 Asset Retirement

S_ALR_87011966 Asset balance by cost centre

9. Check Physical Verification report

Annexure – 33

Proprietary Audit for PSU

1. Check on substance of transactions, documents, vouchers, evidence.
2. Check executive actions and decisions.
3. Check vigilance exercised by officers in respect of expenditure incurred form public money.
4. Check Public Financial Morality.
5. Check care and due diligence in sanctioning of any expenditure.
6. Check Accountability and improvements made.
7. Check any documents, unsupported by transactions.
8. Check reasons for sale at loss.
9. Check any personal expenses charged to revenue.

Investments

1. The documents title should be physically verified.
2. Check Bonus, dividends, Interest are accounted properly.
3. Check certificates, documents are in safe custody.
4. Check all Investments are in name of FACT.
5. Check any delay in execution of transactions.

Annexure 34

Project Finance

1. See whether project study for financial viability is undertaken before starting the project.
2. See how the finance has been / is proposed to be met for the project.
3. See whether work order procedures & delegation of powers are followed for awarding contracts.

4. See that the payments have been made as per the terms of the work orders and internal order allotted in SAP.
5. See whether TDS / WCT etc. has been deducted as per income tax act from the contractors' bills.
6. See whether Bank Guarantee is available and valid for performance guarantee, security deposit etc.
7. See that payments are made as per contractual terms and after the completion certificate is obtained, it is transferred to capital work in progress account.
8. See that contract value remaining to be executed is shown under contingent liability under "Commitments".
9. See that expenses are booked under expenditure during construction so that it can be allocated properly at the time of capitalization.
10. Ascertain the reasons for cost / time overrun of the project, if any and whether approval was taken from the competent authority.
11. Check whether project surplus, if any, has been identified, ascertain the value of the same and check whether they have been recapitalized, by giving credit to stores. If not reasons thereof.
12. Check whether amounts are lying in advance accounts for a long time, unadjusted depriving the benefit of capitalization resulting in losing depreciation benefit, Modvat benefit, subsidy benefit, etc. from T- code FBL1N.

Report No.: _____
Dated: _____

DRAFT INTERNAL AUDIT REPORT

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

S. No.	Particulars/ Area Audited	Scope and extent covered as per scope defined	Draft Audit Observations
1			
2			
3			
4			
5			

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

Final Audit report, executive summary and significant observations indicating there in the financial implication and risk category (High/Medium/Low) will be given after receipt of replies from the Auditees (Attachment 4 and 5):

(Signature)

Name & Address of the Auditors/Firm

Attachment-4

Report No _____ Dated: _____

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

Sr. No	Draft Audit Queries/Observations	Reply as given by the Auditee Unit/Office	Internal Auditor's Comments/Suggestions with Financial implication	Final Grading of Risk (High/Medium/Low)

Signature

Name & Address of the Auditors/Firm

Attachment-5

File No. _____ Dated: _____

Head of Internal Audit Department,
FACT

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

Sirs,

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

Sr. No	Audit Queries/ Observations given	Reply as by Auditee Unit/Office	Internal Auditor's Final Comments/Sugges tions with Financial implication	Grading of Risk (High/Medium/Low)
1				
2				
3				
4				

Thanks,

Yours faithfully,
(Signature)
Name & Address of the
Auditors/Firm

Annexure -E

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

Sr. no.	Particulars		Details	
1.	a)	Name of the firm (in Capital letters)		
	b)	Address of the Head Office		
	c)	Name of the Senior Partner, who shall issue/sign the Internal Audit report.		
	d)	Telephone Number		
	e)	E-mail address		
	f)	PAN of the firm		
	g)	Service Tax No. / GST No.		
2.		Firm Registration No. (As Issued by Institute of Chartered Accountants of India/ Institute of Cost Accountants of India)		
3.		Date of Incorporation (as per certificate issued by Institute).		
4.		Number of full Time Partners of the firm as on date of tender (Please fill up Annexure-E1)		
5.		Number of qualified Chartered Accountants / Cost Accountant Employed with firm (Please fill up Annexure-E2)		
6.		Number of Semi-qualified and Article Assistants/Audit Staff. (Please fill up Annexure-E3)		
7.		Whether the firm has experience of statutory/Internal Audit in at least 10 companies (Registered Under Companies Act) as on date of tender– (If yes, please fill up details at Annexure-E4)	Yes	No
8.		As per clause no.3.6 of Notice Inviting Tender, whether the firm has experience in at least 3 manufacturing companies having Annual Turnover of at least Rs.500 Crore each and out of these 3 manufacturing companies at least 1 should be listed company. (If yes, please fill up details at AnnexureE5)	Yes	No
9.		Whether the firm has experience of audit in at least one fertilizers manufacturing company/organization/Co-operative having Annual Turnover of at least Rs.500 Crore each during last 7 years. (If yes, please fill up details at Annexure-E6)	Yes	No
10.		Whether the firm has experience in conducting audit in	Yes	No

	SAP ERP system (MM, SD & FICO module) in at least one company having Annual Turnover of at least Rs.500 Crore each during last 7 years audited by the firm (If yes, please fill up details at Annexure-E7)		
11.	As per clause no.3.9 of Notice Inviting Tender, whether the firm has experience in the area of Direct, Indirect taxation and IND AS. (For considering weightage in selection) (If yes, please fill up details at Annexure-E8)	Yes	No
12.	Whether the firm has Regd. Office/Head Office in Kerala (If yes, please fill up details at Annexure-E9)	Yes	No

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

Annexure –E1

Firm's Name _____

Details of Full Time Partners of the Firm as on date of Tender.

(Please refer to Sl. No.4 of the application form at Annexure E)

Sl. No.	Name of the Partner	Membership No.	Whether Associate/ Fellow member	Additional Qualification CISA/DISA/etc.	Date of joining the Firm as Partner Full time)

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

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

Annexure –E2

Firm's Name _____

Details of Qualified Chartered Accountants/Cost Accountants employed with the firm as on the date of Tender.

(Please refer to Sl. No.5 of the application form at Annexure E)

S.No.	Name of the Chartered Accountant/Cost Accountant	Membership No.	Whether Associate/ Fellow member	Additional Qualification CISA/DISA/etc.	Date of joining the firm (Full time)

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

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

Annexure –E3

Firm's Name_____

a. Details of Semi-qualified Assistants as on date of Tender

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

S.No.	Name	Qualification	Date of joining the firm (Full time)

b. Details of Article Assistants / Audit Staff as on date of Tender

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

S.No.	Name	Qualification being studied or completed	Date of joining the firm (Full time)

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

Annexure –E4

Firm's Name _____

List of Firm's experience of Statutory /Internal Audit in at least 10 companies (Regd.Under companies Act), as on date of Tender.

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

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

Please attach the copies of work order/letter placed by above companies on the firm's name along with copies of relevant documents supporting completion of Audit

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

Annexure –E5

Firm's Name_____

Please indicate name of at least 3 manufacturing companies having annual turnover of at least ` 500 crore each whose statutory/ internal audit has been handled by the firm. Out of these 3 manufacturing companies at least one should be listed company.

(Please refer to Sl. No.8 of the application form at Annexure E)

S.No.	Name of the Manufacturing Company	Whether Listed Company (Yes /No)	Year of Audit	Type of Audit Statutory/Internal

Please attach the copies of work order/letter placed by companies on the firm's name along with copies of relevant documents supporting completion of Audit.

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

Annexure –E6

Firm's Name _____

Please indicate out of 3 manufacturing companies at least one fertilizer manufacturing company having annual turnover of at least Rs.500 crore each whose statutory/ internal audit has been handled by the firm during last 7 years.

(Please refer to Sl. No.9 of the application form at Annexure E)

S.No.	Name of the Company	Whether Listed Company (Yes /No)	Year of Audit	Type of Audit Statutory/Internal

Please attach the copies of work order/letter placed by companies on the firm's name along with copies of relevant documents supporting completion of Audit

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

Annexure –E7

Firm's Name _____

Please indicate name of the Companies having Annual Turnover of at least Rs.500 Crore each during last 7 years in which the firm has experience in conducting audit in SAP ERP system (MM, SD & FICO module).

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

S.No.	Name of the Company	Turnover of the company	Whether Manufacturing Company (Yes /No)	Year of Audit	Type of Audit Statutory/Internal

Please attach the copies of work order/letter placed by companies on the firm's name along with copies of relevant documents supporting the existence of SAP ERP system during the period of Audit and completion of Audit.

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

Annexure –E8

Firm's Name _____

Please indicate name of the Companies in which the firm has experience in the area of Direct, Indirect taxation and IND AS.

(Please refer to Sl. No.11 of the application form at Annexure E)

S. No.	Name of the Company	Turnover of the company	Whether listed Company (Yes /No)	Year of Audit	Type of Audit Statutory/Internal

Please attach the copies of work order/letter placed by companies on the firm's name along with copies of relevant documents supporting the experience during the period of Audit and completion of Audit.

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

Annexure –E9

Firm's Name_____

Please mention name and address of Regd. Office/Head Office in Kerala
(For considering weightage in selection)

(Please refer to Sl. No.12 of the application form at Annexure E)

S.No.	Address of Regd. Office / Head office in Kerala

Please attach the copy of branch incorporation issued by institute of Chartered Accountant/
Cost Accountant.

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

Annexure –F

Undertaking

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

- i) That the particulars given under Annexure E and related Annexures enclosed are complete and that if any of the statements made or the information so furnished in the application form is later found to be in-correct or false or there has been suppression of material information, the firm would not only stand disqualified from award of job but would be liable for disciplinary action under relevant Acts.
- ii) That the firm or partners has not been debarred or disqualified or cautioned by Institute of Chartered Accountants of India/ Institute of Cost Accountants of India during the last three years. (If debarred/disqualified, give details).
- iii) That the constitution of the firm as on date of tender shown in the application is same as that in the constitution certificate issued by the Institute of Chartered Accountants of India/ Institute of Cost Accountants of India.
- iv) That the information obtained in respect of FACT will be maintained in strict confidence and secrecy.

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

Firm's Name _____

LIST OF DOCUMENTS

ATTACHED

S. No.	Name of Document	Document attached		
		Yes	No	At Page No.
	Documents under Cover-1			
1.	Duly signed with seal towards acceptance - Annexure A			
2.	Duly signed & stamped copy of Annexure B-Declaration Sheet			
3.	Duly signed & stamped copy of Service Tax Registration Certificate / GST No. (ST-2)			
4.	Duly signed & stamped copy of PAN Card (in the name of the Firm)			
5.	Duly signed & stamped copy of Application form for Internal Audit Assignment as per Annexure E			
6.	Duly signed & stamped copy of Annexure F - Undertaking Sheet			
7.	Duly signed & stamped copy of Annexure – E1 to E3 stating Particulars of partners, qualified Chartered Accountants / Cost Accountants and Article assistants / Audit staff, along with Membership Certificate copies of partners, qualified Chartered Accountants / Cost Accountants.			
8.	A copy of incorporation certificate issued by Institute of Chartered Accountants of India/Institute of Cost Accountants of India.			
9.	A copy of Firm's constitution certificate of firm issued by the Institute of Chartered Accountants of India/ Institute of Cost Accountants of India to the firm containing inter-alia, the details of partners as on date of tender.			
10.	Duly signed & stamped copy of Annexure E4, (stating company-wise experience of having audited 10 companies)			
11.	Duly signed & stamped copy of Annexure E5 to E7 along with the copy of work orders placed by Fertiliser Manufacturing Companies /			

	organizations / co-operatives and other manufacturing companies on your firm's name.			
12.	Duly signed & stamped copy of Annexure E8 and E9.			
13.	Documents under Sealed Cover 2			
	Financial Bid in the format as prescribed at Annexure C			

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

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