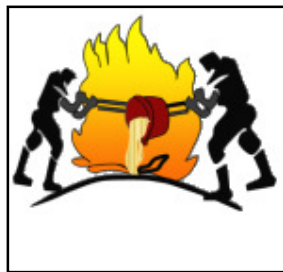


Tender for Appointment of Internal Auditors for the F Y 2018-19



Hutti Gold Mines Co Ltd

**May
2018**

THE HUTTI GOLD MINES COMPANY LIMITED, HUTTI

1. INTRODUCTION

1.1 The Hutti Gold Mines Company Limited (HGML), a Government of Karnataka Undertaking has the unique distinction of being the only primary producers of gold in the country. The corporate office of the Company is at Bangalore and gold extraction plants at Hutti. HGML has been active in the process of exploration, development and exploitation of gold deposits occurring in Karnataka.

1.2 At present the company on an average extracts 2 metric tonnes of gold per year. The extraction capacity of gold may be increased to 3 tonnes in the next 2 years' time. HGML has huge reserves of gold and may take up further expansion in future.

1.3 Location of the Mines : Lingsugur Taluk, Raichur Dist, Karnataka State
Distance : 480 KM North of Bengaluru
300 KM Southwest of Hyderabad
80 KM West of Raichur
20 KM Northeast of Lingsugur
Railway Station : Raichur, south Central Railway – 80.km
History of Mining : a) Ancient Mining – 2000+ years old
(Pre-Ashokan era)
b) Modern Mining – Main Mine during
Nizam's period (1902 -1918)
c) Modern Mining – Rediscovery of parallel
Lodes and Mining from 1947 onwards.
Present Mine Depth : 26th Level, 842 Metres

1.4 The Company has four major Departments which play main roles in extraction of primary gold.

Mining Department
Exploration Department
Metallurgical Department
Engineering Department

1.5 Performance of the Company during last 3 years:-

(Rs. in lakhs)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18 (Provisional)
Production			
a) Ore treated (MT)	548237	569087	568692
b) Net recovery grade	2.39	2.78	2.88
c) Gold produced (kgs)	1310.00	1579.72	1639.52
Income / Turnover	43971.73	47882.46	50265.35
Profitability	632.76	3077.09	3960.75

1.6 Disclaimer

This Tender Document is not an agreement and is not an offer or invitation by The Hutti Gold Mines Co Ltd (HGML) to any party other than the one that qualifies to submit the Bid. The purpose of this Tender Document is to provide information to the potential bidders to assist them in responding to this Tender Document. Though this Tender Document is prepared with sufficient care to provide all required information to the potential bidders, they may need more information than what has been provided in this document. In such cases, the potential bidder is solely responsible to seek the information required from HGML. HGML reserves the right to provide such additional information at its sole discretion. In order to respond to the tender, if required, and with the prior permission of HGML, each bidder may conduct his own study and analysis, as may be necessary.

HGML makes no representation or warranty and shall incur no liability under any law, statute, rules or regulations on any claim the potential bidder may make in case of failure to understand the requirement and respond to the Tender document. HGML may, in its absolute discretion, but without being under any obligation to do so, update, amend or supplement the information in this Tender Document.

2.0 SCOPE OF WORK:-

HGML being the only primary producers of gold in India intends to appointment Internal Auditors under section 138 of the Companies Act 2013, for the F.Y.2018-19. Scope, extent and coverage of audit of Hutti (including projects i.e. Uti & Heerabuddinni), Chitradurga and Registered Office Bengaluru is mentioned below,

Underground

- Review and verification of incentive payments including calculations , thresholds etc.,
- Review and check of awards and incentives
- Review of production records including operating efficiency of ore hoisting
- Review of ore stock records
- Verification and reporting of consumption of major inputs, in comparison with standards
- Utilization of major Machinery & equipment

Metallurgy

- Review and check of Gold Bar Books
- Review and check of Monthly Gold Production Records/dispatch/stock & sales reconciliation with Finance records
- Review and check of smelting Records
- Check of Cyanide Consumption and Gold Production Registers
- Consumption of Grinding media balls& Liners with reference to standards / norms
- Review and check of recovery of gold
- Review of monthly reports regarding the Ore treated, concentrate and cyanide gold recovered with reference to all relevant registers maintained at the Units
- Monthly review of operating efficiency of ore processing
- Review and verification of new Refinery Unit
- Review and verification of incentive payments including calculations , thresholds etc.,
- Review and check of awards and incentives
- Review of production records

Engineering

- Review the cost of the power, generation of electricity, and compare with purchase of power from outside agencies. Reconciliation with finance records
- Review of utilization of machinery and to report on idle machinery
- Review of installation and commissioning of machinery
- Review of contracts entered into with various parties in respect of transport of mine ore from several mine heads and to ensure that the payments are made in accordance with the contract and that the penalty is levied as per the terms agreed into. Reconciliation with finance and purchase records
- Review of utilization of fleet of vehicles, comparison of cost of operation vis-a-vis contract transportation
- Checking of Vehicle Log books and consumption of fuel
- Operating efficiency of ore Manpower deployment for various works / departments
- Review and verification of incentive payments including calculations , thresholds etc.,
- Review and check of awards and incentives

Purchase / Stores

- Review the system of purchases, listing of vendors, vendor rating, system of preparation of comparative statements
- Review of purchase files relating to capital equipment and other materials
- Review of slow-moving / non-moving / unserviceable / obsolete / surplus stores.
- Audit of all purchase vouchers
- Physical verification of stores
- Review of Inventory control
- Review of issue of stores
- Review of timely recovery of advances. Reconciliation with finance records
- Review of contracts entered into with various parties in respect of transport of mine ore from several mine heads and to ensure that the payments are made in accordance with the contract and that the penalty is levied as per the terms agreed into
- Consumption of major inputs such as steel items, cements
- Materials issued to other units and reconciliation

Finance

- Review of monthly operational cost sheets and to report reasons for wide variations
- Review the expenses incurred and apportion/accounting on the development of each section of mine
- Audit of all cash and bank payments
- Audit of journal vouchers
- Checking of payments against weekly release of funds from Regd. Office
- Check of postings in general ledger and other related records
- Audit of all claims receivable, analysis, and age wise details
- Inter-unit – accounts (i.e. RO, CGU, HB, UTI & Projects)
- Audit of Salary, TA and other benefits to employees
- Compliance with various Statutory Laws like Sales Tax, Income-tax and other laws
- Review of Income-tax deduction and their remittances
- Checking of Bank Reconciliation and other Reconciliation statements
- Review of cost records
- Review of Cash Management
- Review of Budgetary Control system
- Review of Insurance
- Review of Advances paid to suppliers and others
- Review of Significant Account Policies with respect to maintenance of Books of Accounts and advises thereon
- Review of classification of expenses.
- Review of compliance of mandatory Accounting Standards & Ind.AS.
- Review of Statutory and C&AG observations pertaining to previous year and suitable advise for compliance including disclosure , accounting treatment etc.,
- Review and advise on tax-planning
- Review and reconciliation of all tax related accounts.
- Review of purchase entries relating to capital equipment and other materials
- Review and check of payment of Ex-gratia& reconciliation
- Review of Suppliers, contractors, consultants and hospital ledgers
- Review the cost of the power, generation of electricity, and compare with purchase of power from outside agencies& reconciliation
- Review and check of Monthly Gold Production Records/dispatch/stock & reconciliation
- Imports, CVD, ED, CENVAT, VAT , Input Tax Credit, Entry tax provisions pending issues
- Review of implementation of GST
- System Audit (EDP Audit) & its effectiveness.

Human Resources

- Review and check of Welfare Expenses
- Review and check of payment of Ex-gratia & reconciliation.
- Pre-paid advances and recoveries
- Festival advance records
- Time office records
- Grants, Donations paid from HGU
- Employee service cards, annual increments, allowances, DA/IDA, Bonus, PLIB
- Leave records, discipliner cases
- Court cases, RTI records
- HGML hospital records, expenses
- Medical referrals
- Procurement of drugs, issues of medicines to employees
- Stock of medicines and procedure of disposal of time-barred medicines
- Review of employee institute, officers club, cricket club, Guest-house, Canteen, other institutional records and activities. Revenue collection and expenditure

Security Department :-

- Deployment and utilization of man-power
- Booking and payment of overtime, Sunday incentives, and allowances
- Materials and equipment records

Common for All Departments of HGU

- Review system of booking of labour / idle labour.
- Physical verification of fixed assets.
- Compliance audit of procedures.
- Checking of consumption of stores, spares and other components, vis-a-vis standards
- Review of Internal Control and Internal Check procedures and comments regarding adequacy and strengthening measures if required
- Review of financial follow-up, security and vigilance.
- Review of implementation of suggestions.
- Review of Delegation of Powers , deviations from delegations if any.

Chitradurga Wind Farm Unit

- Review of windmill operations and efficiency
- Review of wind power sales to BESCOM
- Review of Sale of COT
- Review of O & M, other contract / purchase files.
- Review of attendance / leave records, overtime / Sunday booking & other miscellaneous payments to employees and contractors / suppliers & professionals.
- Review of Cash / Bank Books, BRS, Inventory / fixed asset register.
- Review of Statutory Deductions / Remittances
- Review of General / Sub-Ledger

Heera-Buddinni Gold Project

- Review of General / Sub-Ledger
- Review of attendance / leave records, overtime / Sunday booking & other miscellaneous payments & allowances to employees.
- Verification of production records
- Review & verification of utilization of man power, machineries & efficiency.

UTI Gold Project

- Review of General / Sub-Ledger
- Review of attendance / leave records, overtime / Sunday booking & other miscellaneous payments & allowances to employees.
- Verification of production records
- Review & verification of utilization of man power, machineries & efficiency.

Projects

- Review & verification of on-going capital works at HGU, Heera-Buddinni, UTI Gold Project & Chitradurga units.
- Procurement / implementation of capital equipments and works as per approved capital budget

Registered Office, Bengaluru

- Review of General / Sub-Ledger
- Review of Sale of Gold / Silver
- Review of CSR (Corporate Social Responsibility)
- Review of attendance / leave records, overtime / Sunday booking

& other miscellaneous payments to employees and contractors / suppliers & professionals.

- Review of Cash / Bank Books, BRS, Inventory / fixed asset register.
- Review of Statutory Deductions / Remittances
- Review of Fixed Deposit register.

Deliverables:-

Quarterly Audit reports

3.0 INSTRUCTIONS TO BIDDERS

The Bidder is required to submit Covering Letter in **Form No. 1**. Following are the guidelines for bidders to submit Technical and Financial Bids for this assignment.

3.1 Bid Formats:

The bid shall consist of two parts i.e. Technical bid & Financial bid.

The Technical bid shall contain all the documents and declaration/information with respect to compliance with pre-qualification criteria as per **Form No. 2**.

3.2 Technical Bid:

The technical bid document shall include specific responses addressing the requirements described below:

1. Understanding of Hutti Gold Mine's needs.
2. The bidder's organization profile
3. Relevant Experience of the firm.
4. The curriculum vitae of key team members to be associated with this study.

Note 1: Documentary evidences are to be submitted towards all the experiences claimed and clearly highlighting the relevant part in the document.

3.3 Financial Bid:

The Financial quote shall not be part of technical bid. The total amount /fees including TA/DA, out of pocket expenses and all taxes and duties shall be entered in the e-portal, financial bid approval format.

3.4 Others:

The company will arrange free of cost for the boarding and lodging at its mine sites.

4.0 MANDATORY ELIGIBILITY CRITERIAS

The following are the essential qualifying criterias' for the firms to qualify in Technical Bid.

- 1) The firm should have been registered with the Institute of Chartered Accountants of India **or** the Institute of Cost Accountants of India.
- 2) The firm should have at least 3 Chartered / Cost Accountants as its partners
- 3) One of the partners should be a fellow member of the Institute of Chartered Accountants of India **or** the Institute of Cost Accountants of India.
- 4) The firm should have carried out Internal Audit work in any state PSUs in Karnataka at least for one year during the previous 3 years.
- 5) The firm shall have minimum personnel strength of 5 assistants / article assistants

Note: Documentary evidences are to be submitted towards compliance with Mandatory qualification criterias along with the technical bid.

5.0 EVALUATION CRITERIAS

5.1 Stage 1: Technical Evaluation

Stage 1 evaluation will be taken up for those bidders who have submitted bid through e-portal. The bid will be scrutinized with respect to the mandatory eligibility requirements. Only those bids who meet all the eligibility requirements shall be considered for further evaluation. The details of these

parameters are given in Form No-2 (Technical Bid). Financial bid shall be opened for only those bidders, who qualify technically as per the Technical Bid.

5.2 Stage 2: Financial Evaluation

Bidders who qualify in stage 1, their financial bids shall be opened. The lowest bid amount as per e-portal, among the technically qualified bidders shall be taken for further consideration,

The amount to be entered in the e-portal financial bid shall be inclusive of all charges, fees, expenses, TA/ DA & out of pocket expenses and applicable taxes. The amount entered in the e-portal shall be final and binding.

The assignment/audit work shall be awarded after evaluation of the financial Bid.

6.0 OTHER TERMS AND CONDITIONS

6.1 HGML's right to accept/ reject the bids

Notwithstanding anything stated in the Tender Document or in any related correspondence, HGML reserves the right to accept or reject any Bid. It also reserves the right to cancel/annul the bidding process and reject all Bids at any time before the award of the Contract, without assigning any reason and thereby without incurring any liability to the affected bidder or bidders or any obligation to inform the affected bidder or bidders of the grounds for HGML's action/decision.

7.0 FAILURE TO ABIDE BY THE CONTRACT

The bidder is expected to strictly adhere to the terms specified in this Tender document as well as the LOI. Any violation of any of the terms could lead to immediate termination of the Contract at the risk and cost of

such bidder without prejudice to the rights of HGML with such penalties as specified in the Tender Document and the LOI.

8.0 TERMS OF PAYMENT

HGML will release payments for execution of the Assignment based on milestones of work completion as indicated in **APPENDIX - 1**.

9.0 CONFLICT OF INTEREST

Neither the selected firm nor any of the firm's personnel shall engage in any personal business or professional activity which conflicts or could conflict with any of their obligations in relation to this project. The key members mentioned in the Tender document shall not be changed in any circumstances without the prior approval of the HGML. Failure to comply, the HGML will have the right to cancel the Contract at the risk and cost of such bidder without prejudice to the rights of HGML.

10.0 PRICE VALIDITY

The price quoted by the bidder should be valid for 90 days from the tender due date.

Form 1: Cover Letter

To

Date:

The Deputy General Manager (Materials),
Hutti Gold Mines Co Ltd.,
Hutti-584115

Sub: Tender for Assignment of Internal Audit of HGML for the F.Y.2018-19

Dear Sir,

1. We, the undersigned, after having examined the terms and conditions mentioned in the tender document, submit our technical & financial proposals for the above tender.
2. We have read the provisions contained in the tender document and confirm that these are acceptable to us.
3. We further declare that additional conditions, variations, deviations, if any, found in our proposal shall not be given effect to this tender.
4. We hereby declare that all the information and statements made in this proposal are true and accept that any misinterpretation contained in it may lead to our disqualification and without prejudice to other remedies available to HGML

Authorized Signatory (in full and initials):

Name and title of signatory:

Duly authorized to sign this Proposal for and on behalf of [Name of Consultants]

Name of Firm:

Address:

TECHNICAL BID

Sl. No.	Mandatory Criterias	Yes/No (To be filled by the Firm)	Required Documentary Evidence
1	The firm should have been registered with the Institute of Chartered Accountants of India <u>or</u> the Institute of Cost Accountants of India.		Certified copy of the Registration / certificate of incorporation
2	The firm should have at least 3 Chartered / Cost Accountants as its partners		Certificate of Registration.
3	One of the partners should be a fellow member of the Institute of Chartered Accountants of India or the Institute of Cost Accountants of India.		Certificate issued in this regard
4	The firm should have carried out Internal Audit work in any state PSUs in Karnataka at least for one year during the previous 3 years.		Names of the companies with copies of work orders.
5	The firm shall have minimum personnel strength of 5 assistants / article assistants		Curriculum Vitae in brief.

(A) - The technical bid document should include specific responses addressing the requirements described below:-

1. Understanding of Hutti Gold Mine's needs.
2. The bidder's organization profile
3. Relevant Experience of the firm.
4. The curriculum vitae of key team members to be associated with this assignment.

Note 1: Documentary evidences are to be submitted towards all the experiences claimed and clearly highlighting the relevant part in the document.

(B) - Credentials related to the works / assignments completed/continuing for last 3 (Three) years.

Sl. No.	Name of the Client/ Organization with Address	Contacting person of Client with telephone Number	Scope of Services Provided by Bidder	Year of services provided	Value of Assignment (INR)	Period of Completion of Assignment

(C) - Qualifications and Experience of Key Personnel to be associated with the Assignment:

Particulars	Professional No.1	Professional No.2
Name and Designation		
Experience / Work History		
Educational / Professional Qualification(s)		
Expected Nature of Involvement (Specific roles / activities Full time/ part time)		

Appendix - I

Terms of Payments

The following schedule will be adopted for the payment of fees:

Milestones	Schedule of Payment
1) Submission of first 2 quarterly Internal Audit report.	50%
2) Submission of balance 2 quarterly Internal Audit Report and clearance from Audit Committee of HGML	50%

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