

KARNATAKA STATE BEVERAGES CORPORATION LTD
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**INVITATION FOR EXPRESSION OF INTEREST
FOR EMPANELMENT OF INTERNAL AUDITORS FOR CONDUCTING
THE INTERNAL AUDIT OF IML/RS DEPOTS OF THE CORPORATION**

A. LOCATIONS OF DEPOTS

IML/RS DEPOTS – Click here - [IML and RS Depots.xlsx](#)

B. ELIGIBILITY CRITERIA

1. Chartered Accountant's/Cost Accountants firms should have been registered with ICAI/ICWAI (indicate registration number) and shall have at least five years of post qualification experience and the proprietor/partner should have a Fellow Membership.

2. The firm shall have carried out internal audit work satisfactorily in KSBCL or any other State Public Sector undertaking in Karnataka during any of the financial years 2012-13, 2013 – 14 and 2014 – 15.

3. The CA/Cost Accountant firm should have their office or branch locally at the place where IML/RS depots of KSBCL exists or at least in the same/neighboring district.

4. The firm shall have personnel strength of a minimum of 5 assistants/article assistants.

EOI addressed to The Managing Director should be submitted with details like profile of the firms, firm registration number, branch office details, experience in the field of internal audit with reference to State Public Sector Undertakings along with the copies of appointment letters issued by the PSUs and staff strength as per the eligibility criteria, in sealed envelope duly super scribed “Expression of Interest for Internal Audit Services” and delivered by 5.00 p.m. on or before 30.04.2015 at the above address.

C. FEE STRUCTURE

The present fee structure of IML and RS depots are as follows:

IML DEPOTS

Category	Audit fee per month Rs. (exclusive of service tax)
A	10,500.00
B	7,500.00
C	6,000.00

RS DEPOTS

Category	Audit fee per annum Rs. (exclusive of service tax)
A	15,000.00
B	12,500.00
C	10,000.00

D. SHORT LISTING OF FIRMS OF AUDITORS

KSBCL will short list CAs/Cost Accountants firms based on the eligibility and by considering the year of Registration, experience in conducting the internal audit of State Public Undertakings and the availability of manpower with the firm. The CAs/Cost Accountant firms so short listed shall be considered for appointment as Auditors, as and when necessary. The short listing itself will not give any right to the CAs/Cost Accountant firms to get appointment as Internal Auditors.

An auditor appointed for any depot in a year, may in the subsequent year be appointed to the same or some other depot. The auditor once appointed will be continued only if his services are found satisfactory by KSBCL.

In respect of the above, KSBCL shall have discretion and its decision in this regard shall be final.

E. SCOPE OF AUDIT

IML DEPOTS

SCOPE OF DEPOT INTERNAL AUDIT

Preamble:

K S B C L is the sole licensee authorized by the Government of Karnataka to channelise liquor business in Karnataka. The Corporation has established depots in all districts as well as in locations where business potential exists. Its operations covers placing of orders, receiving liquor stock from the distilleries within the State as well as from out-side the State including dealing in imported liquor from foreign countries and selling them to the retailer's at approved rates. The business operations are carried through depots located in various places in Karnataka. Therefore in order to have control on business operations of depots as well as to monitor the business results in achieving desired turnover, proper internal control has to be exercised and hence the need for depot internal audit.

General profile:

The Corporation's accounting software is Profit 5rm in Oracle data base. All depot transactions are entered in the system and data synchronized to the Head Office daily. We are following single book concept. In the depots not much of financial transactions take place except petty cash transactions. All the receipts are only through E-Payments/RTGS-NEFT solution of HDFC bank.

The depots are accepting supplies from distilleries through a document captioned as “Order For Supply” (OFS), issued by the Head Office and entries are made through Material Inward Slip (MIS), in depot. Sales are affected through sales invoice generated in system as per price list populated by H.O. In the depot, only quantity is accounted and purchase entry is not made. Therefore, no creditors account is maintained at depot. Only the retailers accounts and tax collected at source accounts are maintained.

The scope of audit is furnished below:

Scope:

The audit is mainly of two parts viz.

1. STOCK AUDIT and
2. FINANCIAL AUDIT

1. STOCK AUDIT:

a. Physical stock verification of depots shall be conducted by the Depot Internal Auditor every month on the **Second Saturday** with the assistance of depot staff and in the presence of depot manager as per detailed procedure stated in the guidelines. The results of physical verification will be certified by the Audit Firm as well as by the depot manager. Any deviation noticed in ground balance with that of book balance shall be brought to the notice of depot manager in writing and compliance obtained from the depot manager. The stock verification report including depot managers' compliance along with [Annexure - A](#) shall be sent to H.O. with a copy marked to the depots by the Audit Firm.

b. In addition to this on each audit, the Auditors are to conduct open inspection of a minimum of 40 carton boxes of different brands/sizes including loose bottles, and certify as to the correctness of the contents in terms of number of bottles with that of standard packing including the condition of bottles. The depot auditor should ensure as far as possible, stocks are moved by the depot on FIFO basis periodically and loose bottles kept in the godown are disposed and old stocks/loose bottles do not remain in the godown unnecessarily for a long period. Any deviation in this regard has to be reported. Comments like damages, partly filled etc. can be made. Necessary certificate is to be furnished as per format enclosed ([Annexure B](#)) and sent to H.O. along with physical stock verification reports.

c. Accounting of damages and shortages is done on day today basis in the depots. Further the procedure to be followed with regard to recording of "Batch number and date of manufacture on the list of transit damages" and keeping of transit damaged bottles in full/percentage basis depending on the depot is prescribed vide inter

office note No. INS-01-003 dated 22nd February '13 by the Executive Director (O). On the day of stock verification both the transit damages and depot damages are to be verified with reference to excise labels and broken bottle kept in plastic pouches with batch number, date of manufacturing on day today basis at depot with that of system generated data and the same should be destroyed by burning method immediately after a detailed verification in the presence of depot internal auditor, depot manager and supporting staff and certificates furnished as per [Annexure - C](#). In this regard the procedure as prescribed vide inter office note No. INS-01-003 22.02.13 issued by E.D. (O) should be followed. Further, the instructions issued vide IOL No: EDO/20/2013-14 Dated 3rd June 2013 by the Executive Director (Operation) to enter the batch number, manufacturing date and EAL numbers in the Goods Inward Register, Check List, Material Inward Slip and to preserve the damaged bottles in full to facilitate to verify physical stock along with the above information may also be ensured.

d. Bulk/abnormal depot damages/ transit damages accounted on a day for a single variety should be commented after obtaining compliance from the depot manager. Comment is also to be made after verification on depot damage of premium brands/costly brands with reference to IOL dated 04.07.11 by furnishing the details.

e. Apart from the above, depot auditors should verify the excise labels on the day of physical stock verification and submit a statement indicating the total quantity of excise labels verified size wise separately for Wine/IML/LAB and furnish a certificate of verification of excise labels along with physical stock verification certificate. The depot auditors should ensure that the excise label statements have been prepared in the FIFO method format for Issues/utilization. i.e., previous receipts of EAL should be utilized first and completed. For the issues, references of MIS

No. have to be submitted in the form of schedule along with the EAL statement. The reports of EAL account should be sent along with the physical verification of stock report only.

f. The EAL statement should contain 'from' and 'to' dates clearly (from date indicates the previous date of PSV of EAL and to date indicates current date of PSV of EAL) as per [Annexure D](#). (PSV means Physical Stock Verification) and EAL means Excise Adhesive Labels).

g. In the case of depots where no stock of excise labels exists, a 'NIL' certificate may be sent.

h. Review of pending EVCs for clearance from Excise.

i. Review of pending check list.

Review of pending check list and report any discrepancies.

j. There are instances where abnormal shortages are noticed in transit due to theft or accident. Under such circumstances the depot auditor may refer the E-mail dated 30-12-2009 sent to all the IML depots and report the observations based on the facts available at the time of verification.

k. Any non-moving and slow moving brands remaining in the depot without being transacted for a period of more than three months need to be reported with full particulars.

l. Stock Adjustment: The depot managers have been authorized to adjust the stock account through stock adjustment entry only in respect of errors committed in sales invoices. Therefore, stock

adjustment entries are to be verified and certified with reference to their accuracy and necessity.

m. Drained out/returns: With regard to this item the Auditors have to furnish the certificate as “We have verified the transactions pertaining to Material Drained out, Material returned to distilleries, Material sent to chemical analysis and Material sent for re-distillation with the relevant supporting documents and found to be in order” Or /following are our observations (**in the case of any observation**).

n. Review of compliance on previous audit remarks, pending EVR needs to be reported.

All the above areas are to be covered and necessary reports sent to the Inspection Section, H.O. along with the certificates within a week’s time from the date of physical verification.

GUIDELINES FOR PHYSICAL VERIFICATION OF STOCK

On the day of physical verification of stock in order to confirm stability of data, please take the following steps:

1. Verification of stock

a. Generate available stock report and note down the totals available at the end of the report separately. Then send the report to excel. Delete the quantity column fully, take print outs as required (say 5 to 6 copies) handover the copies to auditors and depot staff engaged in verification of stock.

b. Generate brand wise stock summary as on date of verification. Note down all the totals so generated under each column. This need not be sent to excel.

c. Generate storage audit report as on date of physical verification of stock. Note down the total and then send to excel as well as save.

d. Generate stock ledger book query as on date of verification and note down all the totals given under each column. This also need not be sent to 'excel'.

e. Now feed all the totals so noted down in the format enclosed in excel (**Annexure E**). Then compare the reports with each other and ensure accuracy of data. The data should match. Take print outs and send a copy to H.O. duly signed along with physical verification report every month without fail. The auditors also shall verify and certify.

f. After generation of these reports review them and trace negative balance if any. Immediate action shall be taken to rectify the negative balance under intimation to H.O.

g. Concerned Depot Manager should not try to convince the auditor on the grounds that “similar product is available in another code and so put together tallies”. This is a wrong notion. Always note that negative balance in one item will hit adversely similar brand in another code physically. Therefore allow the negative balance to remain in book stock. **Do not indicate negative balance in ground stock column.**

h. Exhibit the shortage in another code under relevant column as physical verification would have revealed shortage. Make necessary comments at the end of the report under the caption “remarks”. Locate the reason by probing them through stock check query, find out the exact invoice through which such negative balance is shown in closing balance column. Adjust properly the negative balance through stock adjustment entry under intimation to H.O. Advise the auditor to verify the adjustment entry and offer his comments and certify.

i. After verification of stock, enter the details of actual ground stock in the storage audit report, which is already saved in excel format. Re-verify the entries once again and give command in excel so that the system will generate differences column. Please note that the difference between book balance and actual balance in **plus** indicates shortage and **minus** figure indicated in bracket will be excess. Record necessary information in remarks column.

2. Open inspection of carton boxes

A minimum of 40 carton boxes are to be opened every month at the time of physical verification and contents verified by selecting all the available sizes in the depot. A report as per the enclosed format is to be prepared and sent to H.O. duly certified by the auditors and signed by the depot manager.

3. Verification of damages and shortages

Verification of transit damages and depot damages are to be done as per procedures already communicated and necessary certificates sent to H.O. in the prescribed format only. Please note the following:

- a. Do not send the hard copies of the reports generated through system.
- b. You are required only to send the certificates in the formats enclosed.
- c. Verification of damages and shortages are to be done only on calendar month basis irrespective of date of verification.
- d. Ensure that the damages and shortages are accounted on day today basis.

Important points to be taken care of before sending verification reports to H.O. every month

1. Verification reports shall be prepared and sent to H.O. only in storage audit report without changing captions under each column.

2. Reports shall be generated only in A4 size paper and that too in “landscape orientation” only. Page Numbers have to be indicated in all the pages of the storage audit reports and all the pages of the report should be attested by both depot manager and the depot auditors.

3. Item code number shall be of 11 digits only. When the report is sent to excel the first two or three digits in zeros on the left side of item code may not appear. So please apply the following operations step by step to get 11 digits code in excel format without fail.

- a. First select the item code column in full.
- b. Go to format on top of excel sheet and then select. It will open.
- c. Again choose cells and it will open.
- d. Again select custom (a small window will open).
- e. Select general and enter 11 zeros to get the zeros on the left side retrieved. Then give okay command.
- f. Check the item code column – 11 digits would have appeared.

4. Find out existence of negative balance in book stock and arrange to rectify the defects through stock adjustment entry and get it audited.

5. Please see that detailed physical verification report with certificate, summary of stock reports, verification of open inspection of 40 carton boxes and certificate for damages/shortages **along with compliance report** are sent every month to H.O. without fail. Please also note that there is no necessity for sending statement of damages and shortages in hard copy to H.O.

6. Send compliance report in the format enclosed to the auditor on the same day.

7. Make sure that the reports are sent to H.O. within a week's time.

8. Depot Managers to note that on date of physical verification, no business transaction can be made till stock verification is over completely. Do not make damages entries in the system on the date of verification before stock verification. In other words, the stock verification shall match the closing stock of the previous day which will be the opening stock on the date of verification based on which auditor's will verify.

9. If depot damages are not adjusted in respect of damaged quantity on previous two or three dates the same may be indicated as "damages yet to be accounted". Allow the auditor's to exhibit the good quantity physically verified in "ground stock" column and show the unadjusted depot damages quantity as shortages as well as indicate the reason in "remarks" column. Get such transactions audited and obtain a

certificate on the damages register maintained manually in depot as “certified the damages and found correct”. As far as possible adjust all depot damages on the previous day without fail before closure of business, as such omission may lead to discrepancy and may lead to need for further verification.

10. Also do not unload lorries on the date of verification before auditors verify the stock. In case if situation warrants, unloading can be done after completion of stock verification and that too after getting approval from Operation in-charge.

These points may please be meticulously followed every time as otherwise it may lead to suspicion and warrant further disciplinary procedure.

Physical verification of stock conducted on.....

Depot:

Compliance report

Observations by the Auditor	Reply by the Depot	Further remarks of the Auditor

Audit Programme - Stock

This shall be done every month on **Second Saturday** without fail. In case of changes in programme, Auditors will be communicated through e-mail as well as by the depot managers over phone. The verification of damages are to be made on monthly basis only on the stock verification day and the same should be destroyed by burning method in the presence of depot internal auditor, depot manager and supporting staff and submit report individually (**refer annexure**). **Under no circumstances verification of damages shall be done other than on monthly basis.**

As a mandate, the stock verification reports along with the depot manager's compliance shall be sent to the Inspection Section, H.O. within 7 days from the date of verification. Annual stock verification as at the close of financial year will be done on the year end or next day and reports shall be sent to H.O. within seven days.

2. FINANCIAL AUDIT:

a. Cash transactions

The petty cash receipts and payments are to be verified with the basic documents. Cash balance is to be verified and certified and details of denomination to be indicated **in the financial audit report only**. Expenditure exceeding Rs.2,000.00 in each case, other than statutory payments such as telephone charges, electricity charges, water charges and other taxes levied by municipality, are to be approved by H.O. Wherever approvals are not obtained/available shall be reported. The guidelines issued by the accounts department provides for the “Heads of Accounts” in respect of expenses incurred in the depot. Expenses under each head may be reviewed on a monthly basis and reported in the monthly report as per the following format with comparative figures under each head for the latest three months. If there is substantial increase in the expenditure under any particular head the same should be reported.

Karnataka State Beverages Corporation Limited

Statement of expenses summary report for the months from April 2015 to of Depot

		Apr.	May	June	Total
	Account Head	Debit	Debit	Debit	Debit
Sl.No.		(Rs. Ps.)	(Rs. Ps.)	(Rs. Ps.)	(Rs. Ps.)
1	Books & Periodicals				
2	Computer Stationery				
3	Conveyance Expenses				
4	Power and Fuel Expenses				
5	Entertainment Expenses				
6	Hire Charges				
7	Office Maintenance Expenses				

Karnataka State Beverages Corporation Limited

Statement of expenses summary report for the months from April
2015 to of Depot

		Apr.	May	June	Total
	Account Head	Debit	Debit	Debit	Debit
Sl.No.		(Rs. Ps.)	(Rs. Ps.)	(Rs. Ps.)	(Rs. Ps.)
8	Packing & Forwarding Expenses				
9	Postage & Courier Expenses				
10	Printing & Stationery Expenses				
11	Rates & Taxes				
12	Reimbursement of Fuel Expenses				
13	Repairs & Maintenance Expenses to Buildings				
14	Repairs & Maintenance Expenses to Computer and Peripherals				
15	Repairs & Maintenance Expenses to Furniture and Fixtures				
16	Repairs & Maintenance of Expenses to Office Equipment				
17	Telephone Expenses				
18	Water Charges				
	Sub Total				
	Grand Total				

b. Bank transactions:

1. The Corporation in Circular No: 227 dated 7th July 2014 introduced E-Payment Facility for retailer to transfer the funds to KSBCL with effect from 4th August 2014 in addition to the existing system of making payment through RTGS/NEFT solution of HDFC bank. This system with slight modification to the existing system of payment was introduced in association with major banks. In respect of occasional licensees (CL.5) hitherto the Corporation was accepting the funds through Demand Drafts. However, with effect from 25th September 2014, the occasional licensees (CL.5) are also required to transfer the funds

under e-payment mode. The working of this system is available in KSBCL Website. As per this system the raising of manual receipt at the depot level is dispensed with. Under this system, after credit of the funds to KSBCL account by the retailers, E-Receipts will be pushed from KSBCL Head Office to the concerned depot using the current P5RM ERP. As through this system, the automation of receipt are raised at IML depots by clicking on the buttons (generate receipt) at the depot, the Auditors are to ensure that no double receipt is raised by the depot for a single credit and stocks issued. The auditor should report such instances where double receipts are raised at the depot and stocks issued accordingly.

c. M I S – Audit:

The documentation of MIS is to be verified manually. A minimum of 100 numbers per month of MIS chosen on random basis are to be verified with all the original documents such as OFS, excise permit, supplies invoice, check list etc. and documentation certified. Any deviation pointed out. The system data under the caption MIS summary report is also to be cross verified with hard copy thoroughly and deviations pointed out. As the values are not considered for accounting of receipt of material in the stock ledger at depot level, differences if any between rate/value as per OFS/supplier invoice and rate/value as per MIS may be ignored.

d. Inter depot transfer – transactions:

All inter depot transactions viz. ‘transfer out slip (TOS)’ and ‘transfer in slip (TIS)’ are to be verified with the relevant supporting documents and deviations brought out and total quantity, value to be cross verified with transfer in slip (TIS)/transfer out slip (TOS) summary

report. Specifically transfer in transactions are to be cross verified with the respective hard copy of TOS in order to ensure accuracy of receipt and reported on a monthly basis without fail. If hard copy of TOS/TIS is not received at the time of audit the same may be verified during next visit in order to ensure that TOS quantity corresponding TIS quantity is correctly accounted. Further the rate difference between TOS and TIS if any may kindly be ignored. However, quantity should tally with each other. The auditor should report that they have verified the hard copies of TOS and TIS with remarks, if any, and to ensure that they are enclosed to the TOS instead of keeping them separately.

e. Sales invoice verification:

Similar to verification of MIS documentation, the sales invoices are required to be verified subject to a minimum of 100 numbers on random basis along with other original documents such as excise permit and EVC etc. Since sales invoices are finalized based on sales indents, any pending sales indent for a long time along with the reasons to be reported.

Auditors shall also generate sales price variance report every month and adjust short billing to retailers if any, by **passing stock adjustment entry** only. In respect of excess billing H.O. is to be intimated for taking further action as credit note utility voucher is not provided in depot software.

f. Review of retailers accounts:

Auditors shall also report debit balances in party's account outstanding on any date as well as advise depot managers to arrange for

recovery without further delay since our sourcing policy does not permit credit sales.

Balance in retailer account shall also be pruned with regard to heavy credit balances as at the close of a month which may occur on extraneous circumstances where remittances are made on the last day but stock not lifted on the same day. Normally credit balance in party's account will be quite minimal. This verification is quite necessary to check that the correctness of data in the software as omission of an invoice will adversely boost the party's account. The auditor may report in respect of credit balances only if the same balance is outstanding for more than 3 months or if there are no transactions in the parties account for 3 months in following format:

Name of the Retail/Code	Amount (Rs.)	Last day of the Transaction	Remarks

g. Verification of TCS account:

TCS account is to be verified in detail with regard to its accuracy. The concessional rates adopted in recovery TCS is to be checked with the supporting documents issued by the concerned IT authorities (viz. Form 27G). This is to be cross verified with the total as per sales wise TCS and ED Cess summary report and also to be certified and sent to H.O.

h. Verification of services of outsourcing employee:

Verification of the services of outsourcing employees through the agencies as Supporting Staff, DEOs, Security Guards etc. The payments for such services are being made through the agency to which contracts

are awarded and to ensure that the payments to these Supporting Staff are being made promptly by the agency from time to time. Also to ensure whether the service provider (Agency) has provided PF statement and facilitated their employees with ESI cards and also verify whether ESI facilities are being availed by them and commented in the audit report. As the PF/ESI remittances are made by the Agency by consolidating the same at the HO, the proof for the PF/ESI remittances is being verified at Head Office.

FORMAT FOR FINANCIAL AUDIT REPORT

1. Verification of Cash Transactions:

a. Petty cash balance has been physically verified on ____ and found a sum of Rs.____ which tallies with the balance as per the system.

The denomination wise details are given below:

DENOMINATION	NOS.	AMOUNT
Rs.1,000.00	x	
Rs.500.00	x	
Rs.100.00	x	
Rs.50.00	x	
Rs.20.00	x	
Rs.10.00	x	
Rs.5.00	x	
Coins		
DD Received on hand/yet to be en- cashd		
TOTAL		

b. We have verified 100% of transactions of cash payments with vouchers and found that all payments are supported by proper vouchers/bills duly approved by the depot manager. The expenditure other than statutory payments such as telephone bills, electricity charges etc., exceeding Rs.2,000.00 incurred in the depot have been supported by written approval from the H.O. We have reviewed the expenditure under the following heads and there is abnormal/substantial increase in expenditure compared to previous months and the details of such instances are furnished as per the

prescribed format vide Annexure I/expenditure incurred is within the reasonable limits **(strike off which is not applicable)**

2. Verification of E-payment/Electronic Fund Transfer:

We have carried out 100% verification of e-payment/RTGS/NEFT transactions and raising of receipts and issue of stocks at the depot and the same is found to be in order (observation on the above if any may be made by indicating the instances).

3. Verification of Material Inward Slip (MIS)

We have verified the MISs documentation to the extent of a minimum 100 numbers of MIS generated in the month. We have verified hard copies of the MIS with its enclosures such as OFS, Excise permit, EVC, Suppliers invoice, lorry receipt and check-list for unloading and found them to be correct/the following are our observations. We have also verified MIS summary report with hard copy of MIS and found to be in order/following are our observations:

4. Verification of Transfer in Slip (TIS)

We have verified the TIS for inter depot transfers with its enclosures such as excise permit copy, EVC, and check list for unloading. We have also cross verified hard copies of the TOS received with the respective TIS and found that the quantity and value agrees. We have also verified the reports generated in the system and no deviations were observed on such verification/the following are our observations:

5. Verification of Transfer out Slip (TOS)

We have verified the TOS for inter depot transfers with its enclosures such as excise permit copy and check list for loading. We have also verified hard copies of the TIS received for quantity and value which agrees with TIS. We have also verified the various reports generated in the system and no deviations were observed on such verification/the following are our observations:

6. Sales invoice verification:

a. We have verified sales invoices documentation covering more than 100 numbers of the total sales invoices generated in the month on random basis. We have verified hard copies of the sales invoices with sales indent for loading and excise permit and EVC. We have verified various reports generated in the system and no deviations were observed/following are our observations:

b. We have also generated the sales price variance report and not found any short billing or excess billing during the month/the following discrepancies are noticed:

c. We have verified the party balances and found no debit balances in the parties accounts, and there are no heavy credit balances as at the close of the month in these parties accounts/the following discrepancies are noticed:

d. In-operative accounts of parties:

We have verified the in-operative accounts of retailers and details are furnished as per prescribed format vide Annexure.

7. Verification of TCS:

a. There were no cases where the concessional rate of TCS to be applied (i.e. cases supported by the certificate from the assessing officer in Form No. 27G) and the TCS has been collected at the rates specified in the income tax rules, 1962.

b. There are no cases of short collection of TCS in the depot during the month/the following discrepancies are noticed during the month. We have cross verified totals of collection of TCS with the totals as appeared in the depot account balance - sales wise TCS and ED Cess summary report and the totals agrees.

8. Verification of services of outsourcing employees:

We have verified the transactions regarding P.F./ESI pertaining to outsourced employees and found to be in order/following are our observations.

**SIGNATURE OF INTERNAL AUDITOR
(WITH SEAL)**

Audit programme - Finance

Financial audit: Financial audit as per scope of audit shall be carried out every month after the closure of transaction of previous month and submit reports **along with the depot managers compliance** on or before 20th of the succeeding month.

The finance audit may be programmed by the auditors in such a manner convenient to them as deemed fit so that auditor's visit can be fine tuned with stock audit date in order to avoid further visit to the depots.

General: Financial audit of depots will be done regularly month by month and reports along with the depot manager's compliance shall be sent to H.O. within 20th of each month. The audit reports submitted by the depot auditors will not be accepted if compliance report of the depot is not enclosed/received at H.O.

RS DEPOTS

SCOPE OF AUDIT FOR INTERNAL AUDIT OF RS DEPOTS CONSISTING OF RECTIFIED SPIRIT, EXTRA NEUTRAL ALCOHOL, DE-NATURED SPIRIT, ETHANOL AND ABSOLUTE ALCOHOL

A. STORAGE VATS FACILITY

1. Verification of sketch (blue print) given by the distillery containing details of entry/exist points etc and numbering of vats with details of OTL locations. Check drawings of pipeline and storage of spirit drawings.

2. Whether additions/change in vat and other installations has been approved by the competent authority.

3. Verification of documents maintained in this regard.

4. Verification of licensed capacity in relation to production and sales.

5. Whether Storage & Receiver vats provided with measuring facility and is it in order as per sourcing policy.

6. Verify validity of calibration certificate for each Vats/tanks issued by the competent authority.

B. DIP READINGS

1. Verification of taking dip readings and its regularity.

2. Correlating recorded readings with readings indicated in declaration Form No. 1 and to report the variations. If there are any shortages during the period report the same.

3. Check whether depots have maintained all equipments related to dip reading such as dip Flexible measuring tape/dip rod, manometer gauges systems, testing instruments like hydrometer, thermometer and jar etc. to check spirit samples etc., and they are in orders.

C. STOCK RECEIPTS

1. Verify physical stock stored in vats on the day of your visit and compare the same with book stock and report.
2. Verification of receipt of Form No. 1 and proper filing.
3. Verification of data as per system and as per declaration Form No. 1 on random basis (at least 50% of the entries during the audit period) and report any variations.

D. ISSUE OF ORDER FOR SUPPLIES

1. Check whether OFS issued is as per allotment letter and the quantity agrees with the allotment letter. Excess if any to be reported.
2. Verify whether the issue of OFS is only after receipt of EFT/DD/PO in respect of small quantity at depots.
3. Verification of DDs/POs received are accounted and dispatched regularly.
4. Verification of proper filing of receipts issued and filing of all documents.

E. MIS

1. Check whether supportings such as supplier sales invoice, excise permit enclosed to each MIS is in order.
2. Check whether the rate as per OFS and supplier sales invoice are the same.
3. Check whether VAT and other applicable taxes charged in the sales invoice is as per the circular issued from H.O. time to time.
4. Reconcile the quantity received against each individual allotment letter and report excess, if any.
5. As per the KSBCL procedure there should be no stock in the godown and report if any stock is displayed and ensure that entries in respect of stocks are correct.

F. SALES

1. Verify the hard copy of the sales invoice rate with the declaration of rate issued by the distillery and report variations, if any.

2. Check whether VAT and other applicable taxes charged is in accordance with the circular issued from H.O. from time to time.

3. Reconcile whether the quantity supplied against each individual allotment letter agrees. Report variations, if any.

4. Check whether the acknowledgement/Annexure V (is in the letter head of concerned distillery in respect of Oil companies) is obtained after delivery of the material and report variations if any between the quantity supplied and quantity received.

5. Verify the quantity of denaturant added for conversion of denature spirit to ascertain the correct quantity of RS consumed.

6. Verify whether a separate file pertaining to Denature Spirit Taxation (Value Added Tax) is maintained and taxes are collected correctly from time to time.

G. ISSUE OF SPIRIT FOR CAPTIVE CONSUMPTION

Verification of captive consumption allowed is supported by allotment order of the excise commissioner and Annexure VII enclosed is filled properly and is in order and check whether all the documents are filled properly or not.

H. LOSS OF STOCK

Verify the loss declared by the distillery in Form No. 1 and the entries made in the system. Report any variances.

I. DECLARATION OF PRICES

Verification of changes in the prices and changes in pricing has been duly declared by the distillery.

J. OTL RECEIPTS

1. Check whether the OTL receipts are accounted correctly.

2. Check whether the tampered/damaged OTLs segregated at the time of receipt and accounted and properly recorded in the register maintained for this purpose.

K. OTL UTILISATION AND DESTRUCTION

1. Check the issues of OTL are properly recorded in the register maintained.

2. Verification of recording of details in the prescribed registers including verification of number of OTLs received, used, rejected and balances as on the date of audit. Variances, if any to be indicated in the audit report. Further, the reconciliation of stock account of OTL may be reported in the following format on a **monthly basis during the period of audit:**

OB Nos.	Rpts Nos.	Inter Depot Tr.	Excess Rpt.	Short Rept	Total	Issues Nos.	Dama ges	Tr. out	Total	CB Nos.

Note: Difference if any between total OTL destroyed and total of issues/damages should be indicated with necessary details.

3. Furnish the certificate for destruction of OTL and enclose the same to the audit report.

L. TRANSIT SECURITY SERVICES

1. Verification of procedure prescribed in the depot manual has been followed.

2. Verification of entries recorded after dispatching regarding telephone calls, messages etc. in the records.

3. Verify the Annexure V for the quantity delivered with EVC and report whether the material is delivered to it's destination within reasonable time.

4. Verify whether the OTL, documents and sample bottles are returned to the depot with in the prescribed time for each sales effected. Report the variations.

5. Check whether Form – IV issued by Depot Manager is in order and report deviation noticed if any.

6. Verify the details of entries made in a software “Transit Security Service” in comparison with trip sheet, Annexure – V and Form – IV and report deviation noticed if any.

M. PETTY CASH

1. Verify the physical verification of cash and compare the same with the book balance.

2. Verification of supporting documents for the payment made/expenditure incurred and to ensure their proper accounting. Whether the expenditure is booked to proper head of accounts and pass the necessary rectification entries for the wrong head of account.

3. Whether the expenditure incurred exceeds the limit and if so, approval/ratification from H.O. is verified and reported.

N. SAMPLE BOTTLES

Verify whether the sample bottles received from security guards and returned to distilleries are accounted in the manual register maintained in the depot and the closing balance as per register tallies with the physical stock at the depot.

O. RECTIFICATION OF ENTRIES

Verify correction entries passed during the period of audit and comment on each correction entry.

P. DAILY BACK UP OF DEPOT DATA

Check whether the depot manager is taking daily backup of depot data on day today basis.

STATEMENT - II

AUDIT PROGRAMME

Financial Audit:

The internal audit of R.S. depots is to be conducted in two spells as per scope of audit furnished. For the period from 01.04.2015 to 30.09.2015 audit may be conducted during the month of October '15. Subsequently, audit for the remaining period from 01.10.2015 to 31.03.2016 may be conducted during the month of April '16. The copy of the report may be handed over to the concerned depot manager and **obtain compliance report and forward both the audit report and the compliance from the Depot Manager to H.O.** before 31.10.2015, for the period from 01.04.2015 to 30.09.2015 and on or before 30.04.2016 for the period from 01.10.2015 to 31.03.2016.

FORMAT FOR AUDIT REPORT OF RS DEPOTS

Note: Please strike out which are not applicable while reporting on each item in the format

A. STORAGE VATS FACILITY

1. We have verified the photo copy of sketch (Blue print) given by distillery containing details of entry/exist points and numbering of vats with details of OTL locations, and found to be in order/following are our observations. We have also verified the drawings of pipeline and storage of spirit drawings and they are in order/following are our observations.

2. There were no changes/additions in VAT and other installations/following changes in vat/other installations, during the period of audit.

3. We have verified the documents maintained with regard to blue print and calibration certificates and no deviations in this regard/following are deviations.

4. We have verified the documents of licensed capacity in relation to production and sales and found to be in order/following are our observations.

5. Verified the Storage & Receiver vats provided with measuring facility and is it in order as per sourcing policy/following are our observations.

6. Verified the validity of calibration certificate for each Vats/tanks issued by the competent authority and found to be in order/following are our observations.

B. DIP READINGS

1. We have verified the DIP register maintained at the depot and found that DIP readings are being taken regularly/following are observations.

2. As per our verification no variations/variations in the depot while correlating the recorded reading with readings indicated in declaration Form No. 1 on random basis.

3. As per our verification depot has maintained all equipments related to dip reading such as dip Flexible measuring tape/dip rod, manometer gauges systems testing instruments like hydrometer, thermometer and jar etc. to check spirit samples etc., and they are in orders/following are observations.

C. STOCK RECEIPTS

1. Verified the stock on the day of visit and compared the same with the book figures and found to be in order/following discrepancies are noticed.

2. Form No. 1 have been received regularly and filed properly/following discrepancies are noticed.

3. No variations/variations were observed regarding data as per system and as per declaration Form No. 1 while conducting audit on random basis.

D. ISSUE OF ORDER FOR SUPPLIES

1. OFS are issued at Head Office for bulk sales and the concerned documents available in depot were checked and found to be in order. The quantity agrees with the allotment letter and there is no excess issues.

2. In case of sales below 3000 liters documentation pertaining to allotment order and quantity issued that were available at the depot were checked and found to be in order/following are our observations. These OFS were issued after receipts of DDs/POs.

3. All the DDs/POs received are accounted and dispatched regularly/following discrepancies are noticed.

4. All the documents have been filed properly/following discrepancies are noticed.

E. MIS

6. Supporting documents such as supplier sales invoice and excise permit enclosed to each MIS are found to be in order/following are our observations.

7. The rates as per OFS and supplier sales invoices are found to be the same/following discrepancies are noticed.

8. VAT and other applicable taxes charged in the sales invoices are found to be in order as per the circular issued from H.O. time to time/following are our observations.

9. No variations/variations found relating to quantity received against each individual allotment letter.

10. It is found that no stock/stock was found in the godown during our audit and the entries in respect of stocks are found to be correct/following discrepancies are noticed.

F. SALES

7. No variation was found on verifying the sales invoice rates with the declarations of rates issued by the distillery/following are our observations.

8. VAT and other applicable taxes charged in the sales invoices are as per the circular issued from H.O. time to time/following are our observations.

9. No variation was found relating to quantity supplied against each individual allotment letter/following are our observations.

10. We have verified the acknowledgements obtained in Form V after delivery of materials and no variations/variations found between the quantity supplied and quantity received.

11. We have verified the documents relating to denaturant added for conversion of denature spirit to ascertain the correct quantity of RS consumed, and found to be in order/following are our observations.

12. We have verified the maintenance of separate file pertaining to Denature Spirit Taxation (Value Added Tax) and found that the taxes are collected correctly from time to time/following are our observations.

G. ISSUE OF SPIRIT FOR CAPTIVE CONSUMPTION

We have verified the supporting documents such as allotment orders from Excise Commissioner and Annexure VII in relation to captive consumptions, and found to be in order/following are our observations.

H. LOSS OF STOCK

No variations/variation found relating to losses of stock between the declaration in Form No. 1 made and the entries made in the system.

I. DECLARATION OF PRICES

We have verified the declarations made by the distillery in relations to the changes in pricing and found to be in order/following are our observations.

J. OTL RECEIPTS

1. Verified the documents relating to receipt of OTL and accounting of OTL and found to be in order/following discrepancies are noticed.

2. It is found that damaged OTLs are segregated and accounted and properly recorded in the register maintained for the purpose/following are our observations.

K. OTL UTILISATION AND DESTRUCTION

1. We have verified the used OTLs with the concerned register and no discrepancies/discrepancies observed in this regard.

2. Reconciliation of stock of account of OTLs on month wise basis are as follows:

OB Nos.	Rpts Nos.	Inter Depot Tr.	Excess Rpt.	Short Rept	Total	Issues Nos.	Dama ges	Tr. out	Total	CB Nos.

Note: Please do not send separate annexure/enclosure for the above. Difference if any between total OTL destroyed and total issues/damaged should be indicated with necessary details.

3. The certificate for the destructions of the above mentioned OTLs have been annexed to this report as Annexure.

L. TRANSIT SECURITY SERVICES

1. No variations/variations found on the part of following the procedure described in the depot manual.

2. The entries recorded after dispatching regarding telephone calls, messages etc. in the record are found to be correct/following discrepancies noticed.

3. Verified the Annexure V for the quantity delivered with EVC and found materials were delivered to its destinations within a reasonable time/following discrepancies are noticed.

4. Found that OTL, documents and samples bottles are returned to the depot with in the prescribed time as per the manual for each sales effected and found to be in order/following are our observations.

5. Found Form – IV issued by Depot Manager is in order/following are our observations.

6. Verified the entries made in a software “Transit Security Service” in comparison with trip sheet, Annexure – V and Form – IV and found to be in order/following are our observations.

M. PETTY CASH

1. Petty cash balance has been physically verified on ____ at ____A.M/P.M. and found a sum of Rs.____ which tallies with the balance as per the system. The denomination wise details are given below:

DENOMINATION	NOS.	AMOUNT
Rs.1,000.00	x	
Rs.500.00	x	
Rs.100.00	x	
Rs.50.00	x	
Rs.20.00	x	
Rs.10.00	x	
Rs.5.00	x	
Coins		

TOTAL

Note: Please do not send separate annexure/enclosure for the above.

Further, expenses under each head may be reviewed on a monthly basis and if there is substantial increase in the expenditure under any particular head the same should be reported by indicating month wise expenditure as shown below:

KARNATAKA STATE BEVERAGES CORPORATION LTD.

Statement of expenses summary report for the period.....ofdepot

Sl. No.	Account Head	Apr '15 Debit	May '15 Debit	June'15 Debit	Jul '15 Debit	Aug'15 Debit	Sep'15 Debit	Total Debit
1	Books & Periodicals							
2	Computer Consumables							
3	Conveyance Expenses							
4	Conveyance Monthly							
5	Entertainment Expenses Staff							
6	Office Expenses							
7	Packing, Forwarding and Freight							
8	Postage and Courier							
9	Printing and Stationery							
10	Reimbursement of fuel expenses of monthly							
11	Telephone Expenses							
12	Traveling Expenses							
13	Water Charges							
14	Repairs & Maintenance of Computer Equipments							
15	Repairs & Maintenance of Office Equipment							
	Total							

2. Supporting documents were found for all the payments made during the period of audit. Filing of documents is done as per the procedure prescribed and expenditure has been booked to proper head of accounts as prescribed by the Head Office/following discrepancies are noticed.

3. No expenditure above Rs.2,000 has been booked during the period of audit without the prior approval of HO/following are our observations.

N. RECTIFICATION OF ENTRIES

Rectification of entries is passed as per the instructions of the Head Office. As on date of our audit there were no entries/entries of rectification.

O. SAMPLE BOTTLES

We have verified the manual register maintained for accounting of sample bottles received and returned to distillery and noticed that all the receipts are properly accounted in the register and sample bottles are returned to the distillery which is more than six months old.

P. DAILY BACK UP OF DEPOT DATA

Depot is taking daily backup of depot data on day today basis.

**SIGNATURE OF INTERNAL AUDITOR
(WITH SEAL)**

Note: Please send annexure/enclosure the report wherever it is found necessary.

ANNEXURE

NAME OF THE CHARTERED ACCOUNTANT AND ADDRESS

CERTIFICATE FOR DESTRUCTION OF ONE TIME LOCKS

We certify that a total of _____(in words) one time locks used at KSBCL Depot_____ for the period from_____to_____ have been destroyed by burning in our presence on_____

for (CA firm name)

Signature of Chartered Accountant

Date:

Place: