



“Appointment of Internal Auditors F.Y. 2017-18”

Annexure-I

The following information to be furnished by interesting professionals/firms:

- 1.Name of the Firm.
- 2.Firm Registration no. allotted.
- 3.Address of the Head Office as well as Branch Offices (if any).
- 4.Contact Nos. (Landline and Mobile).
5. Details of Registration with CAG Office, if any.
6. Details of Internal Audit and Statutory Audit of companies undertaken by the firm during last five years.
- 7.Details of partners with their education qualification /Membership No’s, if any.
- 8.Details of partners experience in years.
- 9.Details of total staff strength of the firm.
- 10.Turnover of the firm.
- 11.Details of experience as Internal Auditors of companies.
- 12.Details of having experience of working in ERP along with certification from the respective organization (s) where SAP is implemented is to be submitted by the firm where they have conducted audit along with the application form.
- 13.Details of having experience in conducting audit of Power Generating Companies which are in commercial operations, having production capacity of 5 MW and above, along with certification of such audit to be submitted by the firm.

Declaration:

1. We confirm that the information furnished herein are correct and fair in all respects and we have the necessary documentary proof to substantiate the same. It is further confirmed that in case any of the contents contained herein are found to be incorrect, Himachal Pradesh Power Corporation Ltd. is free to initiate any appropriate action against us.
2. We further declare that there have been no adverse comments/ qualification on our performance from the Management/Audit Committee.

Partner
(Name)
Date:

Eligibility criteria:

1. The firm should have its Head office or Branch Office in Himachal Pradesh.
2. The firm should have minimum 10 years' experience in carrying out Internal Audit of Companies.
3. Minimum experience of 3 years in SAP is compulsory.
4. Experience in conducting audit of Power Generating Companies which are in commercial operations, having production capacity of 5 MW and above.
5. Firms having maximum experience w.r.t. the above points will be given preference by giving due weightage during evaluation of technical bids.
6. The audit team should consist of at least one technically knowledgeable professional in power industry and one member should be a senior finance professional.

The Time frame of Audit:

The Internal Audit shall be conducted in two phases as per details given hereunder:

Phase	Period of Audit	Last date for commencement of audit	Audit Duration	Last date for submission of audit report
I	1 st April 2017 to 30 th September 2017	Within 15 days of appointment	Not less than 10 days for each unit under construction & not less than 06 days for projects under investigation stage	Within 45 days of appointment
II	1 st October 2017 to 31 st March 2018	31 st May 2018	Not less than 10 days for each unit under construction & not less than 06 days for projects under investigation stage	20 th June 2018

Fee structure for Internal Audit:

Sr. No.	Projects/Units	Proposed amount in rupees (FY 2016-17)
1	For projects under construction stage/ in operation (5 No's)	45,000/- + taxes as applicable (Each Project)
2	For projects under investigation stage (9 No's)	15,000/- + taxes as applicable (Each Project)
3	Corporate office, Shimla	45,000/- + taxes as applicable
4	Design Wing, Sunder Nagar	15,000/-+ taxes as applicable

Further, out of pocket expenses i.e. TA/DA etc. shall be reimbursed to the partners of the CA firm, at the rates at par with the entitlement of DGM level executive and to its audit assistants at the rates at par with Junior Officer level supervisor of the Corporation.

Proposed schedule of payment:

The payment to Audit Firms shall be released as under:

Payment of audit fee shall be made after acceptance of final report by HPPCL authorities. Audit firms are to submit fee invoices including TA/DA claim, supported by stay certificate issued by Head of Finance of the unit and any other supporting documents required to process such bills.

SCOPE OF INTERNAL AUDIT IN HPPCL

For achieving an excellence in accounting principles in compliance of the accepted Accounting Standards and physical targets linked to the budgetary allocations, the Management of a Company needs to watch and exercise effective control over the financial as well as non-financial functioning of the company. The system of Internal Audit is the best tool for the purpose. The Management of HPPCL is aware of certain weaknesses in the working of the company specially in the area of budgetary allocation and allocation of physical targets in linkage to the financial target among others. Therefore, the following areas have been identified to fall in the scope of Internal Audit for the current financial year.

A) Budget:

1) Review of budget formation procedure.

- i) Check whether guidelines for preparation of Budget are followed and draft budget is submitted by the profit center to the competent authority and approved budget is on record.
- ii) Whether budgetary allocations for the financial year are progressively scaled over consecutive months.
- iii) Whether specific physical targets have been allotted and aligned with the financial targets set by the management.
- iv) To verify the availability of resources and their utilization on a prescribed timeline.
- v) To help in drawing the guidelines and procedures for budget preparation with specific linkage reference to physical/execution targets.

2) Review of Budget Utilization and reasons for under/over utilization.

- i) To verify submission of report on utilization of financial budgets and achievement of physical targets on suitable formats for Review of budget utilization. To guide in formulation of the reporting formats.
- ii) to verify and comment that the periodical bill as per physical target have been received from the executing vendor and have been paid duly accounted for in the budget and advance adjusted,
- iii) To verify and help submit proposals for necessary reallocation of budgets financial/physical targets during the currency of the budgetary period.
- iv) To verify the rationality/ indispensability in submitting re-appropriation proposals. To comment on observance of time line for submission of such proposals and guide the profit units to carry out such exercises well within the financial year so that approvals are obtained

well in time to ensure putting through the entries before March 31 of the financial year. Last date for submission of such proposals may be fixed as 31st December of the FY. Laxities in submitting such proposals should be specially commented upon to ensure timely annual closing and completion of Statutory Audit.

B) Land Acquisition and R&R Policies:

- 1) Review of land acquisition process, reasons for delay in land acquisition and disbursement of compensation awards.
- 2) Review of follow up of Land acquisition Regular First Appeal (RFA) Cases.
- 3) Monitoring of enhancement cases and their logical follow-up at various civil / revenue court.
- 4) Review of land dispute settlement procedures, status of mutations & possession of the acquired land.
- 5) Review of R&R policies and adherence thereof by projects (HEPs).
- 6) To verify status of target achievements and its social impact at ground, PAFs & PAAs level etc.

C) EMP, CAT Plan & Forest Compensation payments:

- 1) To verify and comment on adherence to Govt. Policies in vogue related to EMP, CAT Plan and LADF.
- 2) To verify and comment on the status of payment of installments as per schedule under the various corporate social welfare schemes.
- 3) To comment on the status of utilization of funds by Govt. agencies on PAFs & PAAs etc. by verifying their books of expenditure.

D) Contract: Review of tendering and awarding process:

- a) Review of awarding of tenders in respect of Civil, Electro Mechanical and Infrastructure works including variation orders/amendments /extensions thereto and accounting for the expenditure there against . To take into account the following areas also:
 - (i) Pre –award and post award procedures of the contract and linkage of their execution to budgetary allocation,
 - (ii) Availing of facilities of exemptions of excise, central excise duties and entry taxes allowed to power companies,
 - (iii) All the awards of Rs.1.00 Crore and above awarded/executed during the FY, under audit to be verified for adherence to execution time lines and thereby timely completion and also to comment upon their status of execution.
- b) Review of terms & Conditions of agreements with special emphasis on adherence of time line for completion/execution and linkage with the monthly/quarterly /half yearly / yearly budgetary allocation, c) to examine and comment on the reasonableness of deviations/extensions in works and their quantum.

d) Review of procurement procedures and authorizations (DOFP) with reference to routine / low value purchases.

e) Review of procedure of work award to professionals and advocates.

E) F&A:

a) Review of court cases related to all Taxation, EPF etc.

b) Review of FC procedures & its compliance.

c) Compliance to statutory requirements & payment of dues related to Income Tax, Sale Tax, Service Tax, Entry Tax and Excise & Custom duties etc.

F) Statutory compliances and internal controls:

To verify compliance of Companies Act 1956 & 2013 with reference to Accounting Standards and guidance Notes issued by Institute Of Chartered Accountants of India from time to time,

G) Work accounting:

i) To scrutinize/verify the payment to contractors with reference to contract & adjustments and comments on timely recovery of the related advances and statutory deductions.

ii) To check and comment on adjustment for returns, strategies, damages, unserviceable stores/material at sites.

iii) To check timely filing of statutory tax returns and make specific comments on delay and leviability of fines for delay/short deposits etc.

iv) To review the system for issue of project authority certificates (PAC) and re-imbursement of custom duty/excise duty benefits due to subsequent legislations, so that loopholes for issue of certificates can be curtailed.

v) to examine irregularities with specific reference to financial concurrence, release of payments, updating of accounting records, authorization as per DOFP.

(H) Insurance other claims lodged by the company:

(i) To verify timely and correct (with all the requisite documents) lodgment of the insurance claims with insurance company follow up for settlement,

(ii) Claims lodged against the company: to verify that the claims passed by the company have the approval of the competent authority.

(I) Checking of FMRs (Financial Management Records):

Checking of the Financial Management Reports prepared by Corporate Office Unit Offices and confirming that the same have been made on a realistic basis and based on books of Accounts.

(J) Nomination/Single tender:

To examine and comment on at least 10% of the contracts awarded on single tender/nomination basis and to submit a separate report to the audit committee of the Company

(K) Capital work-in-progress & capitalization:

The following observations/ verifications will be restricted to Sainj HEP & IKHEP only during the current financial year.

- i) Work in progress should be verified with reference to interim payment certificate and certification of progress issued by the EIC, quantum of work in progress recorded should be compared with the awards/contracts and subsequent variations.
- ii) To verify and comment on the capitalization of assets and accounting of capital expenditure and its further distribution on specific assets as per accounting policy of the company for capitalization.
- iii) the above said areas will also include expenses on additions/alterations/renovations/repairs etc in electrical/civil/mechanical installations.

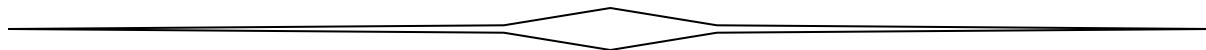
(L) Vouching:

To verify the transaction and narration recorded in the voucher to ensure inter-alia that bookings have been made to the correct head of account.

To verify that journal numbers generated for each transaction is manually recorded on the relative voucher and another transaction serial number is manually created and punched in the system against the relative transaction.

Code of ethics for Auditors:

1. They should keep themselves away from illegal practice / dishonest arrangements.
2. The Internal Auditor shall have an obligation to work objectively and diligently while performing his/her duties.
3. The Internal Auditor shall not accept any gifts or hospitality from any employee, contractor, supplier or business associate of HPPCL.
4. None of the staff of Internal Audit Team would direct or supervise the activities of any department of HPPCL, except where such activities are a part of the internal audit process.



REPORTING REQUIREMENTS

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

PART- I IMPORTANT OBSERVATIONS, OBJECTIONS AND RESERVATIONS:

This part should contain the auditor’s comments on all such irregularities or occurrences which auditors want to bring to the notice of management, along-with their financial implications, if any. This part should also bring out deviations (non - compliances) by units from (with) policies, systems and procedures prescribed by HPPCL. Any non-compliance with the matters/areas specified in the Guidelines/ policy of HPPCL should also be identified here. The observations should be arranged in self-contained paras, preferably with suitable titles.

PART – II COMPLIANCE REPORT:

Auditors to Report on compliance of internal audit observations outstanding as at the end of the previous year (that is, as contained in the Report of the preceding phase). For example, while submitting the internal audit report of Phase – I for the current year (say, 2015-16) it may be ensured that a compliance report on audit observations contained in Phase – 1V report of the previous year (i.e. 2014-15) as well as on such observations contained in reports of earlier years, pending settlement, is included and details of corrective actions taken on those observations are furnished in the current year’s audit report.

PART –III REPORT ON CONTRACTS / P.Os PLACED ON SINGLE TENDER BASIS:

Internal auditors will report separately on Contracts / Work Orders (W.Os)/Purchase Orders (P.Os) placed on Single Tender basis, ascertaining the follow- up, of procedure etc.

PART – IV DETAILED REPORT:

This part shall comprise auditor’s detailed observations regarding areas specified in the Scope of the audit. However, non-compliance with the matters / areas specified in the Audit Scope which are identified in Part I of the report, should also be invariably detailed in Part IV. While, Contracts/ W.Os. / P.Os placed on Single Tender basis should be reported in Part – III of the report, auditors should report their findings on all Contracts/W.Os. / P.Os placed on other than Single Tender basis in this Part (i.e. Part IV). Further, a point -wise report on the scope of audit is to be submitted a/w a certificate that the internal audit has been done as per scope of work.

The following may also be ensured:

- (a) The report should be supplemented, **in each phase**, by a statement indicating:
 - (i) Particulars of records checked along with their volume and value as compared to the total volume and value of the transactions. Auditors should also mention the entry date of the last document verified by them in the SAP system.
 - (ii) A statement indicating the audit personnel deployed their designation and the period of deployment in each phase.
- (b) The report should also contain references to areas where no adverse observations have been noted. In respect of other areas, specific suggestions for improvement, if any, may also be highlighted for each area.

- (c) The results of audit should be discussed with Head of Project followed by Director (Finance) in each phase and important observations should be brought to their notice so that timely corrective actions may be taken. The report should be prepared after duly taking into account the additional information that may be provided / obtained at such discussions.
 - (d) There would be a penalty clause, which authorizes HPPCL to impose the penalty maximum upto 10% of the Fee, in case of any delay in the submission of the reports and non adherence to the scope of work. However, relaxation may be granted in case of genuine reasons beyond control of the Audit Firm.
 - (e) The selected firm will be required to comply with the instructions if any issued by the HPPCL.
 - (f) The firm shall not disclose the documented management systems to any third party including their internal department.
 - (g) Firm to whom the work awarded shall not sub contract the work to any other parties either in part or full.
 - (h) The successful tenderer shall not be entitled to claim any additional amount for any reason whatsoever for the above Internal Audit.
 - (i) In case of any dispute, the decision of HPPCL Management shall be final and binding on the firm.
 - (j) The terms and conditions enumerated in this document can be modified at any time by HPPCL at its sole discretion.
 - (k) Bids received after due date and time shall not be accepted in any circumstances and shall be returned unopened. No further correspondence on such responses shall be entertained.
 - (l) Respondents, if so desire, may participate in „Bid Opening“ on production of authorization / Identity certificate. Only one person from each firm will be allowed to participate.
 - (m) Bid submitted should be free from correction, over-writing etc.
 - (n) All the information/ details required to be filled in Technical and Price bids must be properly filled and no column should be left blank or should not be filled with ambiguous/ incorrect details.
 - (o) Each page of Bid and EOI (**including Annexure**) should be stamped and signed by the authorized signatory of the firm.
 - (p) Canvassing in any form shall render the submitted Bid liable for rejection.
 - (q) Disregard of any instructions may result in bid being rejected.
 - (r) HPPCL reserves the right to accept or reject the proposal at any time prior to award of Contract, without thereby incurring any liability to the Firm concerned or any obligation to inform the Firm concerned of the grounds for the institute's action.
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