



UPCL

Uttarakhand Power Corporation Ltd

**UTTARAKHAND
POWER
CORPORATION
LIMITED**

INTERNAL AUDIT MANUAL

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Chapter 1: INTRODUCTION

1.1 Purpose of Manual

This manual describes the internal audit process of Uttarakhand Power Corporation Ltd. (“UPCL”), covering various aspects such as audit charter, audit organization structure, objectives of internal audit, code of ethics for Internal Auditors, audit approach, the period to be covered, the scope and extent of checking, documentation, issuance of reports, the follow-up of reports, and the system for ensuring compliance of internal audit observations.

Detailed guidelines in respect of all the areas to be covered by internal audit have also been included. The purpose of this manual is to act as a quick reference guide for all internal auditors in relation to the internal audit methodology and to have uniformity in reporting.

1.2 Applicability

The methodologies described in this manual are mandatory. If Internal Auditor believes that application of the methodology is not appropriate for a particular project, or it will be inefficient to apply the standard methodology, then this should be discussed with the Head of Internal Audit at Head Quarter.

If the Head of Internal Audit at Head Quarter waives the requirements to use the standard methodology, this should be documented on the appropriate project file.

1.3 Updates to the Manual

From time to time, there will be necessity to update or revise the manual. Any updates to this manual should be duly approved by the Audit Committee and circulated to all holders of the manual.

However checklists in the **Appendix 9** can be updated with the approval from Head of Internal Audit at Head Quarter, if there are changes in any process or regulations from government.

1.4 Distribution

This manual shall be distributed to all Internal Audit staff and appointed Internal Auditors for their reference.



1.5 Confidentiality

The contents of this manual are confidential. Copies or extracts of this manual may not be provided to any person who does not belong to internal audit department, without prior permission from the Head of Internal Audit.

Chapter 2: INTERNAL AUDIT DEPARTMENT

2.1 Organization Status

Internal Audit Department should be an independent, appraisal function within the organization for review of the systems of control and quality of performance as a service to the management. Internal Audit will assist the management in exercising overall supervision and control. It will help Uttarakhand Power Corporation Ltd. to accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes.

Internal Audit should be independent of the activities it audits. The independence of Internal Audit is achieved through organizational status and its objectives. The organizational status of the Internal Audit Department should be sufficient to permit the accomplishment of its audit responsibilities.

Internal Audit Department should have the support of Senior Management, the Board and the Audit Committee to gain the co-operation of the Auditees and perform the audit free from interference. This is proposed to be achieved by reporting of Internal Audit Department directly to the Audit Committee on Internal Audit matters. All postings in and out of internal audit department will be with the approval of Director Finance and Managing Director (MD) in consultation with Head (IA). All the appraisal reports of the Internal Audit Staff at Head Quarters will be approved by Director Finance/ Head (IA) as per the policy of the Corporation.

2.2 Audit Charter

Internal Audit will be an independent department functioning under the control of Director (Finance) and reporting to Functional Director. The Internal audit set-up will be organized in both the zones of the Corporation, viz. Garwhal and Kumaon. The in-charge of each internal audit set-up will directly report to the Head (IA) at Head Quarters. Internal Auditors shall not assume operational responsibilities. Persons transferred to or temporarily engaged by the Internal Audit department should not be assigned to audit those activities they previously performed until a reasonable period of time has elapsed.

Appendix 1 depicts current organization chart for Internal Audit Department and **Appendix 2** shows, proposed organization chart showing internal audit set-up, their locations and area of activities. Based on strength available as per Appendix 2, preference shall be given to plan audits with the internal team. In absence of required manpower strength, Internal Audits can be outsourced by Head of Internal Audit in consultation with Director Finance.

All postings in the Internal Audit department will be based on suitable criteria of education as per section 2.4 of this manual and experience will be given due consideration to scope of work

and level of responsibility. Each internal audit set-up should collectively possess the knowledge and skills needed to carry out its audit responsibilities. Internal Audit department will have employees who are qualified in discipline such as accounting, audit, economics, finance, statistics, information technology, engineering, taxation, law, environmental affairs, and such other areas as needed to meet the department's audit responsibilities.

Internal Audit set up in the zone and head quarter will have a separate sitting arrangement and sufficient record room to keep the audit records and files safe and intact along with separate sets of computers and its peripherals and other communications facility. Following key points should be kept in mind with respect to Audit Charter:

1. The Internal Auditor has full & free access to all departments and all the records. The Internal Audit is free to review and critically appraise any activity of the Departments/authorities, but their review and appraisal does not in any way relieve the Executives and Line supervisors of their responsibilities as internal audit is an advisory function.
2. The usefulness of the internal audit will depend much on the co-operation and working facilities provided to the department.
3. Head of Internal Audit of the zone would have power to split the yearly programme as approved by the Head Quarter into detailed quarterly programme/ monthly programme. All tours and contingency will be planned accordingly.
4. Internal Audit department should not be involved in any sort of operational activities which it audits, like tendering, hiring, etc.
5. Due to large size of Uttarakhand Power Corporation Ltd., it will not be possible to audit all the Departments/ Disciplines each year. Therefore, in selection of the Departments/ disciplines for audit, preference should be given to those Departments/disciplines which have been identified as high risk areas by any external consultants or which by nature of their activities and as revealed by past experience, are more sensitive. **The functions selected for this purpose should include those where lapses and inadequacy of internal control may result into considerable financial losses.**
6. Attempts should be made to audit the following **Departments / Divisions at least once every year:-**

1	Head Quarter
1a	Commercial Department
1b	Contracts & Procurement Department
1c	Central Accounts Office
1d	Human Resource Department (Specially Establishment Section)
1e	Statutory Compliances

1f	Corporate Maintenance Unit
1g	Taxation Compliances
2	Zonal Offices
3	Circle Offices
4	Distribution Divisions
5	Test Divisions
6	Workshop Divisions
7	Stores Divisions
8	Secondary Works Divisions
9	Civil Construction Divisions
10	Rural Electrification Divisions
11	Pole Construction Division
12	Project Units – Restructure Accelerated Power Development Reform Program (RAPDRP), etc.

2.3 Roles & Responsibilities of key personnel

The Duties and responsibilities of various functionaries in the internal audit department are as under:

2.3.1 Head (IA)

- ✓ To update the Internal Audit Manuals and Internal Audit Department’s organization chart from time to time after the same is approved by the competent authority.
- ✓ To inform the Director (Finance) the findings of all the Internal Audit Reports submitted by internal auditors and compliance given by Head of the Region/Zone and compile the compliance report received from the Head Office, Zonal Offices, Circle offices and Divisions, etc.
- ✓ To investigate in the matters assigned by the Audit Committee from time to time.
- ✓ Finalize the Audit plan for the Corporation as a whole and obtain the approval from the Director (Finance).
- ✓ Timely submission of MIS and inform Director (Finance)/ the Audit Committee of Board on all the matters pertaining to Internal Audit Department. In case some issues are essential to be looked into, Head Internal Audit can request for exceptional reporting.



- ✓ Arrange to submit the Internal Audit Department work schedule, staffing plan and financial budget annually to Director (Finance)/ Audit Committee for approval.
- ✓ Design appropriate training programme for the executives in internal audit.
- ✓ To arrange for periodical internal audit in accordance with the directions and instructions issued in the guidelines for all divisions of Head Quarter, Zonal Offices, Circle offices and Divisions, etc. as per chart.
- ✓ To arrange the special audit program of the units as approved by Director (Finance).
- ✓ To ensure prompt disposal of audit objections both in-house and internal auditors appointed by the Corporation.
- ✓ To update the checklist for audit at regular intervals based on the experience gained during audit.

2.3.2 SAO/AO/AAO

They shall be allotted work in accordance with the audit programme. The utilities and responsibilities of the subordinates should be communicated to Head of Internal Audit.

2.4 Selection and Recruitment for IA Department

The Corporation needs to have a well-defined recruitment and selection policy for the Internal Audit Department. The following features need to be considered for the same:

2.4.1 Qualification and Experience Profile of the Internal Auditor

The qualification and experience requirements of the internal auditors for the department should be well defined. At least 80% of the Internal Audit Department should be professionally qualified and/or experienced from Accounts and Finance Department. Given below are the required qualifications:

Professionally Qualified Persons Or	Chartered Accountant/Cost Accountant
Experienced Persons from the Department Or	<ul style="list-style-type: none"> i. Persons promoted through passing of departmental tests (Graduates or intermediates) ii. Person with technical qualifications and having field experience.
Support Staff	B.Com or Persons promoted through passing of departmental tests

2.4.2 Age Profile

A conscious effort needs to be made to maintain a proper mix of people in the department. A constant review should be done of the age profile of the internal auditors to ensure that there are adequate numbers of fresh and young people willing to undertake intensive travel.

2.4.3 Discretion to select

The transferring authority i.e. presently Director Finance, should involve the Head of Internal Audit in the selection and transfer of employees in the department. The departments need to provide their best people to the Internal Audit Department to enable it to function effectively. Thus all transfers/selection of people into or out of the Internal Audit Department should be done by Director (Finance) with consultation of Head of Internal Audit. Further, a policy should be formulated by the Corporation to ensure that only people having a “high” rating in the Annual Confidential Report of the previous 2-3 years should be transferred to the Internal Audit Department.

2.4.4 Rotation

The permanent staff within the Internal Audit Department needs to be rotated on a regular basis as per the policy of the Corporation (not more than 3 years).

However, some of the senior positions in internal audit should not be rotated too much to give the department a sense of stability (approximately within 5 years).

PART 3: FUNDAMENTALS OF INTERNAL AUDIT

3.1 Objectives

Paragraph 3.1 of the Preface to the *Standards on Internal Audit*, issued by the Institute of Chartered Accountants of India defines internal audit as follows:

“Internal audit is an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity’s risk management and internal control system.”

The importance of an effective internal audit system for Uttarakhand Power Corporation Ltd. cannot be over-emphasized. Apart from covering routine financial transactions, it must also involve a review of policies and procedures in operation with a view to improving their effectiveness. Though ensuring the accuracy of the books of account and providing a check against fraud is certainly one of the objectives of internal audit, but efficient Internal Audit will locate the weakness in systems which have given rise to the errors rather than locating errors themselves.

The necessity of having an internal audit system has also been recognized by the Companies Act. The Manufacturing and other Companies (Auditors’ Report) Order 1975 and Companies (Auditors Report) Order 2003 vide cl. 3 sub clause (vii) has made, it obligatory for auditors of all Companies (including Government Companies) with a paid up capital in excess of Rs. 50 Lakhs, to comment on whether the Company has an internal audit system, commensurate with its size and nature of the business.

The broad objectives of Internal Audit shall be as under:-

- ✓ To ensure that the accounting and financial management systems are reliable and effective in design and to assess the extent to which they are being followed;
- ✓ To review the efficacy, adequacy and application of accounting, financial and operating controls and thereby ensuring the accuracy of the books.
- ✓ To verify that the system of internal check is effective in design and operation in order to ensure the prevention of and early detection of embezzlement, frauds, misappropriations and misapplications
- ✓ To identify areas of significant inefficiencies in existing systems and to suggest necessary remedial measures;
- ✓ To confirm the existence of financial propriety in all decisions and verify compliance to Government and statutory requirements.
- ✓ To review the performance of various functions in the light of performance budgeting and to suggest cost reduction measures, if any.
- ✓ To report compliance of guidelines issued by corporate finance from time to time.



- ✓ To review the compliances of guidelines relating to assessment, realization and received fund remittances etc.
- ✓ To ensure compliance of all points mentioned in the scope of audit and extent of audit.

3.2 Code of Ethics for Internal Auditor

There are certain moral principles which the Internal Auditors should follow. These are recommendatory in nature and provide the basic guidelines to the Internal Auditors with regard to the moral issue and conflicts which they may face while carrying out Internal Audit Assignments.

3.2.1 Integrity, Objectivity & Independence of Internal Auditor

- ✓ Internal Auditor shall have an obligation to exercise honesty, objectivity, and diligence in performance of their duties and responsibilities.
- ✓ Internal Auditors holding the trust of the Corporation, shall exhibit loyalty in all matters pertaining to the affairs of the Corporation.
- ✓ Internal Auditors shall refrain from entering into any activity which may be in conflict with the interest of Uttarakhand Power Corporation Ltd.
- ✓ Internal Auditors shall not accept a fee or a gift from an employee, a client of a Contractor or a supplier. Internal Auditor must be fair and must not allow prejudice or bias to override his objectivity. She/he should maintain an impartial attitude. The internal auditor should not, therefore, to the extent possible, undertake activities, which are or might appear to be incompatible with her/his independence and objectivity. For example, to avoid any conflict of interest, the internal auditor should not review an activity for which she/he was previously responsible.
- ✓ Internal Auditor should immediately bring any actual or apparent conflict of interest to the attention of the appropriate level of management so that necessary corrective action may be taken.
- ✓ Certain standard facilities with cap on expenditure, which should be within the budget, be specified for administrative needs / expenditure in hands, etc.

3.2.2 Confidentiality

- ✓ Internal Auditor shall be prudent in the use of information acquired in the course of their duties. She/he shall not use confidential information for any personal reason or in a manner which would be detrimental to the interest of the Uttarakhand Power Corporation Ltd.



- ✓ Internal Auditor should not disclose any such information to a third party, including the employees of the entity, without the specific authority of the management/ client or unless there is a legal or a professional responsibility to do so.

3.2.3 Proficiency and Due Professional Care

- ✓ Internal Auditor should exercise due professional care in carrying out the work entrusted to him in terms of deciding on aspects such as the extent of work required to achieve the objectives of the engagement, relative complexity and materiality of the matters subjected to internal audit, assessment of risk management, control and governance processes and cost benefit analysis. Due professional care, however, neither implies nor guarantees infallibility, nor does it require the internal auditor to go beyond the scope of his engagement.
- ✓ Internal Auditor should have obtained required skills and competence through general education, technical knowledge obtained through study and formal courses, as are necessary for the purpose of discharging his responsibilities.
- ✓ Internal Auditor shall also have a continuing responsibility to maintain professional knowledge and skills at a level required to ensure that the Corporation receives the advantage of competent professional service based on the latest developments in the profession, the economy, the relevant industry and legislation.

PART 4: OVERVIEW OF METHODOLOGY

4.1 Risk Based Approach

Risk based methodology shall be followed to conduct Internal Audit effectively. First step should be to identify all the risks to develop the risk universe. These risks should be prioritized based on the implications. Second step should be to develop annual audit plan to cover at least all the high risk areas and other medium and low risk areas based on sensitivity. It might not be possible to cover all the medium and low risk areas in a single year. In such case all efforts should be made to cover all the areas within a span of 3 to 4 years. Once annual plan is finalized, audit program should be designed, specifying the steps to be performed to execute the audit. The Audit program should be agreed by Internal Audit Coordinator for the respective units. Audit program should cover but not be restricted to the Appendices provided in this manual for the major areas. Post finalization of audit program, Internal Auditors should carry out Test of Design and Test of Effectiveness of controls as per audit program. All the finding should be reported to management.



4.2 Scope & Prioritization of Areas

The Scope of the proposed internal audit system can be broadly divided into the following:

- 1) Review of Systems
- 2) Review of Transactions
- 3) Review of Sanctions
- 4) Review of Internal Control
- 5) Review of Operations

4.2.1 Review of Systems

A systems' audit is a means for verifying the efficiency of a system by performing end to end walkthrough for sample transactions of completely / partially automated process. For instance in auditing the system of purchases the audit procedure would be to follow the purchase indent from its origin in the indenting department through to the payment of the particular supplier's bill and the corresponding postings in the books of account as well as stock records. Such an audit provides a means of verifying whether the system, laid down in the manuals or by other means is actually being followed or not. It also provides a better understanding of the system and helps to disclose errors, incompleteness or irregularities in the systems of accounting or in the system of internal check. It also does not mean that manuals cannot be updated. Internal Audit in consultation with concerned department can advise updation of manuals and systems.

4.2.2 Review of Transactions

An audit of transaction involves an examination of supporting documents and accuracy of the transactions. The primary purpose of an audit of transactions is to verify the effectiveness of internal control. The objectives of such an audit are listed below:-

- 1) Transactions carried out are valid.
- 2) Recording of the transactions are proper.
- 3) Transactions are properly verified before recording.
- 4) Transactions are properly classified and recorded in correct Accounts Head.
- 5) Transactions are recorded without delay.
- 6) Transactions are properly included in the records and correctly summarized.

4.2.3 Review of Sanctions

Sanctions consist of :

- a) Administrative Sanction
- b) Financial Sanction
- c) Technical Sanction

An audit of sanctions means verifying the followings:

- 1) All transactions are covered by sanctions.
- 2) The Authority sanctioning is competent to do so by virtue of the powers delegated to her/him by the provisions of any rules, regulations or orders framed or passed by the management.

- 3) The sanction accorded must be definite and must need no reference to the sanctioning authority itself or to any higher authority.

4.2.4 Review of Internal Control

A review of the internal control is a means by which audit can determine areas where opportunities for error or fraud exist in the system as a whole. It would be an appraisal into the organization to determine whether the management information is distributed to the appropriate level of management so that necessary action is taken by the right man at the right time. Audit must ensure that no one person should be in a position to control all phases of processing chances of error or defalcation. As far as practicable the work of an individual should be independent of, or checked by, the work of others. Similarly procedures must also be checked so as to ensure that one aspect of the control is automatically checked by a subsequent step. Audit must ensure that independent controls by management are functioning satisfactorily.

4.2.5 Review of Operations

A review of the operations means audit of day to day functioning of any of the department of the Uttarakhand Power Corporation Ltd. It would be a check on efficiency of process followed in department and an assessment of process design and control gaps. Audit must ensure that the documented procedures have been updated from time to time, based on any changes in technology, environment or regulatory changes.

4.3 Annual Audit Plan

The annual plan should be drafted by the Head of Internal Audit for presentation to the Director Finance and the same should be duly approved by Director Finance. Any changes to the plan must be explained and brought to the notice of Director Finance. This plan should be used as a basis for reporting the status of audit progress to the Director Finance.

Key areas to be covered in Annual Audit Plan are mentioned in **Appendix 4**; however Annual Audit Plan may not be restricted to these areas. Audit may be extended to any area of Corporation's operations on need basis. Following sources should be referred to in preparation of Annual Audit plan:

Source	Key Risk Areas
Policy & Procedures	✓ Areas identified on the basis of risk priority
Previous internal audit plans	<ul style="list-style-type: none"> ✓ High risk areas from previous years ✓ Issues held over from previous years



Source	Key Risk Areas
Management feedback	<ul style="list-style-type: none"> ✓ Specific issues of concern that different process owners may have identified either formally or informally in the past ✓ Areas of known control problems
Minutes of the Audit Committee	<ul style="list-style-type: none"> ✓ Matters of concern to the Board and senior management ✓ New business initiatives or operational changes that should be taken into account ✓ Emerging Legislative, operational or financing changes that should be considered in the plan
Experts' reports	<ul style="list-style-type: none"> ✓ Indication of problem areas ✓ Indication of future change areas ✓ Control problems
Corporate plan	<ul style="list-style-type: none"> ✓ Areas of significant change ✓ Emerging areas
Annual report and recent management reports	<ul style="list-style-type: none"> ✓ Matters of concern to the Directors

4.4 Auditing in IT Environment

Auditor should obtain the knowledge of the IT environment and assess whether it influences the assessment of the inherent and control risks. The nature of the risks and internal control includes the following:

- ✓ **Lack of transactions trails:** where complex application system performs a large number of processing steps, errors embedded in an application's program logic may be difficult to detect on a timely basis by manual (user) procedures.
- ✓ **Lack of segregation of the functions:** Many control procedure that would ordinarily be performed by separate individuals in manual systems may become concentrated in an IT environment. Thus, an individual who has access to the computer programs, processing or data may be in a position to perform the incompatible functions.

The internal auditor should review whether the information technology system in the entity considers the confidentiality, effectiveness, integrity, availability, compliance and validity of data and information processed. The internal auditor should also review the effectiveness and safeguarding of IT resources, including – people, applications, facilities and data

4.5 Composition of Audit Team

The audit team shall consist of 3 members in which 1 member should not be below the rank of AAO and 2 Asst. accountants. The team may be increased on the basis of volume of transactions. One technical personnel for critical / high risk areas, as identified by Functional Director may be included.

Time provided for Internal Audit of each unit:

Type of Units	Time provided* (No. of working days)
Electricity Distribution Divisions (i.e. Commercial – cum - works Divisions) & Company Headquarter (excluding Corporate Maintenance unit)	18
Work Divisions namely Secondary Works Division / Rural Electrification Division / Electricity Stores Division / Workshop Division / Electricity Test Division / Electricity Civil Construction Division / Corporate Maintenance and like units	10
Electricity Distribution Circle / Electricity Secondary Works Circle and like units	7
Miscellaneous units namely Chief Engineer’s Office / Zonal Accounts Office and like units where Commercial Transactions are not taken place	4

* Time required for each audit is tentative and shall be assessed by Head – Internal Audit on an annual basis.

4.6 Risk Rating Criteria

All the observations should be rated as critical, major or moderate based on the matrix defined below:



Risk Factors	Critical	Major	Moderate
Financial	Serious Financial irregularities: which results in financial and revenue loss to the Corporation i.e. embezzlement and excessive use of financial power and expenditure over and above budgeted limits etc.	Financial irregularities of Normal nature: Diversion of funds and irregularities which cause temporary loss to the Corporation	Procedural irregularities which resulted due to non-compliance of prescribed procedures
Compliance			
Legal & Regulatory	Serious failure to comply with legal/regulatory requirements	NA	Other than Critical
Serious Failure = High Revenue or Cost Impact; Impact on Brand/ Reputation; any legal proceedings / penalty.			
Operational (Impact to be linked with the above financial limits)			
Policy definition and / or documentation	Repetitive issue or high fraud vulnerability or involves gross negligence of policy / process.	Policy not defined and / or documented or Policy documented with significant control gaps; Undocumented Process being followed	Policy defined and documented but with minor procedural / control gaps
Compliance to defined policies / process		Non-compliance to critical policies / processes i.e. those impacting revenues, costs, regulatory compliance, customer dissatisfaction, etc.	Non-compliance to non-critical policies / processes but which have a financial impact
Systems and Tools		System enhancement or implemented without major functionality or with serious flaws Loss of systems leading to severe / significant business disruption OR threat of external / internal	Improvements to system functionalities Loss of systems leading to insignificant business disruption



		intrusion of IT systems / network impacting non-critical components	
<p>People - Structure / Competency & Skill / Adequacy</p>		<p>Organization Structure not appropriately defined for efficient functioning</p> <p>The people does not have appropriate skills/competencies to perform the required task</p> <p>Adequacy of resources</p>	NA

4.7 Informing Management

Head of Internal Audit or his / her team members should give prior notice of impending audits (except in the case of fraud investigation, some special investigations and audits) to Head of Department/ Division and Head of Finance & Accounts. Scope of Audit should be sent out at least two weeks prior to the suggested commencement date. This will give an opportunity to management to consider issues which they would like to be included in the audit review and also to give proper consideration to the purpose of the audit as broadly explained in the charter.

On arrival at the Auditable Division/ Department, the In-charge of the Internal Audit Party shall call on the Head of the Division/ Department and Head of the Finance & Accounts to apprise them of the procedure which shall be followed by the Internal Audit Party and request them to issue instructions to the concerned officers and employees under their control to provide the information/records within 24 hours of the requisition by Internal Audit Party.

4.8 Coverage & Period for the audit

Limits and extent of coverage in the audit is described in detail in **Appendix 5**. Reasons for any deviations from the same should be duly approved by Head of Internal Audit and documented appropriately in Internal Audit Report.

Audit period for any area should range from last time audit was conducted for the area to most recent period which has been ended. However this could be specific to areas, and should be decided in consensus with Head of Internal Audit.

4.9 Information Request

Immediately on arrival at the Audit unit and even without intimation to process owner, Internal Audit Party can visit the Cash and Bank section of Finance & Accounts Department so as to ensure that the cash balance is in order by physical count. Further audit team should see the safe keep of cheque books and other valuable documents such as title deeds, loan documents bank guarantees etc.,

Thereafter, Internal Audit Party would proceed to obtain the following information before the actual commencement of the audit:-

- 1) Register of files
- 2) Cash/Bank books maintained
- 3) Bills register/Day book/Control Accounts
- 4) Register of contracts/agreements
- 5) Monthly activity reports, status of inputs, status of equipment, vehicles, inventories etc.
- 6) Report of disposal of surplus stocks, equipment etc.
- 7) Inventory statement with Price Stores Ledger (PSL)
- 8) Cases of losses, thefts, embezzlement, etc.
- 9) Different establishment and administration records like service records, personal files, TA, Medical, compensation on land acquisition, manpower distribution and utilization
- 10) Progress reports on construction activities

The above list is only illustrative and not exhaustive.

4.10 Sampling

The detailed review of more than a fraction of a large company's transactions becomes very costly and the time involved is so great that many of the benefits of audit are lost by the time the work is completed. It has therefore become necessary to rely to a far greater extent on sampling.

Standards on Internal Audit 5, issued by the Institute of Chartered Accountants of India defines audit sampling as follows

"Audit sampling" means the application of audit procedures to less than 100% of the items within an account balance or class of transactions to enable the internal auditor to obtain and evaluate audit evidence about some characteristic of the items selected in order to form a conclusion concerning the population.'

Below we have discussed various element of sampling.

4.8.1 Statistical vs. Non-statistical Approach

Internal Auditor should apply his/her professional judgment in using statistical or non-statistical sampling approach. Preferentially statistical sampling should be used, however in certain cases of tests of controls where on basis of analysis of the nature and cause of errors, if Internal Auditors feel non-statistical sampling would be more useful, same should be applied. In such cases reasons for using non-statistical approach should be appropriately documented.

For statistical approach, determination of how much sampling is needed is determined through statistical sampling techniques by which the degree of risk involved, and the reliability of the sample can be readily established. This provides a far more objective approach than is possible through intuitive sampling. It aids in arriving at an informed opinion of the whole transactions on the basis of mathematical concepts. Specification of the precision and reliability necessary in a given test is an auditing function and the auditor must exercise his own judgment in this regard. It does not reduce the use of judgment by the auditor but permits statistical measurement relating to sampling that is not otherwise possible with any other method.

4.8.2 Sample Size

Standards on Internal Audit 5, discuss certain factors which influence sample size in Test of Controls and Test of Details. Same can be referred in **Appendix 6** and **Appendix 7**. Further it is very important to consider frequency of control activity to determine the sample size. Guidance on the same is provided in **Appendix 8**.

On the basis of the above sample size reference sheet giving the size and basis of samples to be audited in each audit areas should be suitably evolved. Each of the audit procedures have the relevant column for sample size reference and would have to be co-related to the reference sheet to determine the size and basis of sample to be selected.

We have not listed the sample details in the audit procedures in order to maintain the required element of surprise and secrecy necessary for effective internal audit. Besides the size and basis of sample selection would be suitably modified by the head of internal audit department on the basis of the extent and depth of checking required. The sample size reference sheet would thus be suitably amended and released immediately preceding the commencement of the audit. We recommend that sample size reference sheet be accordingly modified / altered at least once a year and by the Internal Audit Department.

4.8.3 Sample Selection

The sample can be selected by any of the following:



- 1) **Random number selection:** The items included in the sample must be drawn completely at random from the entire transactions so that each item or transactions has an equal or known chance of being selected.
- 2) **Systematic or interval selection:** This is by taking a uniform interval between sample items – every ninth item, or so.
- 3) **Stratified or block selection:** When the range between the smallest and largest value varies considerably, this method should be used. It is a process by which data is segregated into extreme values and separate sampling is done for each stratum with a higher percentage of verification for high value items and lower fraction for low value items.

4.8.4 Analysis of Errors in Sample

In analyzing the errors detected in the sample, the internal auditor will first need to determine that an item in question is in fact an error. When a sample is designed, internal auditor should have defined tolerable error limits. Errors need to be verified against these tolerable limits. For example, in a substantive procedure relating to the recording of accounts receivable, an erroneous posting between customer accounts does not affect the total accounts receivable. Therefore, it may be inappropriate to consider this an error in evaluating the sample results of this particular procedure, even though it may have an effect on other areas of the audit such as the assessment of doubtful accounts.

When the expected audit evidence regarding a specific sample item cannot be obtained, the internal auditor may be able to obtain sufficient appropriate audit evidence through performing alternative procedures. For example, if a positive account receivable confirmation has been requested and no reply was received, the internal auditor may be able to obtain sufficient appropriate audit evidence that the receivable is valid by reviewing subsequent payments from the customer. If the internal auditor does not, or is unable to, perform satisfactory alternative procedures, or if the procedures performed do not enable the internal auditor to obtain sufficient appropriate audit evidence, the item would be treated as an error.

The internal auditor would also consider the qualitative aspects of the errors. These include the nature and cause of the error and the possible effect of the error on other phases of the audit.

In analyzing the errors discovered, the internal auditor may observe that many have a common feature, for example, type of transaction, location, product line, or period of time. In such circumstances, the internal auditor may decide to identify all items in the population which possess the common feature, thereby producing a sub-population, and extend audit procedures in this area. The internal auditor would then perform a separate analysis based on the items examined for each sub-population.

PART 5: TYPES OF AUDIT

5.1 Compliance Audits

These are reviews carried out to gauge the level of understanding of and compliance with policies, procedures or legislative requirements. The relevant items to consider will depend upon the area being examined. When a compliance focus is required in the audit, then the methodology requires an explicit statement of the basic items against which compliance will be gauged i.e. the law, policy or procedure must be specified in the plan or programme. Wherever possible, compliance is measured against a pre-determined acceptable benchmark level, dependent on the nature of compliance requirement.

5.2 Performance, Operational & Efficiency Audit

Performance of any department should be compared to departmental objectives set up for the department. Many of these objectives may be explicit and even written down, others may be implied. One of the most common implied objectives is that the achievement of a program or target should be carried out cost effectively and without the wastage of valuable resources. As organization is constantly striving to improve the performance of its organizational objectives, there is a need for measures of performance, in order to be able to gauge the degree of improvement.

‘Performance auditing is an independent review of the information relating to performance, the measurements which are used, the resources utilized including the efficiency with which they are used, and the achievement of objectives. The purpose of such reviews is to form opinions as to the relevance and accuracy of measures and reporting and to assess the cost effectiveness and efficiency with which inputs are used.’

Reviewing economy and efficiency is clearly a major component of performance auditing. The term economy refers to acquiring the appropriate quality and quantity of financial, human and physical resources at the appropriate time and place and at the lowest cost. The term efficiency refers to the use of financial, human and physical resources to maximize the output for a given input; or to minimize input for any given quantity of output. The method in which inputs are used and outputs are produced can be termed "operation". These definitions should form a framework for assessing the economy and efficiency of most activities or functions.

5.3 Financial & Probity Reviews

These are reviews, which are designed to gain assurance that financial control objectives are being met. These control objectives are:



- ✓ Authorization of transactions
- ✓ Ethical soundness of transactions
- ✓ Completeness and accuracy of recording transactions
- ✓ Timeliness of recording
- ✓ Appropriateness of reporting
- ✓ Integrity of standing information

Where a financial review is carried out it is assumed that these objectives are being met. If any of these objectives are excluded from the review, then the reasons for same should be appropriately documented.

5.4 Concurrent Audit

Concurrent audit is a systematic and timely examination of financial transactions on a regular basis to ensure accuracy, compliance with procedure and guidelines, etc. As and when required, Internal Audit Department will do concurrent audits, to have assurance over the transactions.

PART 6: DOCUMENTATION & REPORTING

6.1 Purpose

Documentation and reporting forms essential part of Internal Audit process so as to:

- ✓ Provide the evidence that the audit was carried out in accordance with the methodology laid by the organization and established Standards on Internal Audit
- ✓ Support findings of Internal Audit Report
- ✓ Plan and perform the internal audit, review and supervise the work of internal auditor
- ✓ Help in any internal or third party review
- ✓ Provide audit observations to management in clear, factual, concise and unambiguous manner so that the necessary action can be taken

6.2 Audit Files

In order to keep a record of the various aspects of the Corporation, its operations and all matters that affect the internal audit, it is essential that certain formal audit records be maintained. The management should render its full support to provide sufficient space in order to keep the audit documents and files safe and intact. Audit files should consist of:

6.2.1 Permanent Audit File

A permanent audit file should contain all the information and data of a continuing nature which does not relate exclusively to a particular period but has continuing importance year after year. The papers and documents which should be kept in the permanent audit file are listed as under:

- ✓ The Memorandum and Articles of Association of Uttarakhand Power Corporation Ltd.
- ✓ The Electricity (Supply) Act 2003 as amended by The Electricity (Amendment) Act, 2003 and The Electricity (Amendment) Act, 2007
- ✓ The necessary requirements of:
 - The Bureau of Public Enterprises
 - State and Central Electricity Authority
 - The Income Tax Act, 1961 (as amended in subsequent years) & rules made there-under
 - The Companies Act, 1956 (as amended in subsequent years) & rules made there-under
 - Contract Labor (Regulation & Abolition) Act, 1970
 - Minimum Wages Act, 1948
 - Payment of Bonus Act, 1961



- Other Labour Laws and relevant statutes.
- CERC/ UERC Regulations
- Service Tax, etc.
- Standards on Internal Audit issued by ICAI
- ✓ Minutes of important board meetings having relevance in internal audit
- ✓ Important agreements/contracts, circulars, notification, etc.
- ✓ The delegation of powers by the Board to the various line functions, outlining the limit of authority to be exercised at the various levels of management, along with specimen signatures and initials of persons responsible for authorizing documents and transactions
- ✓ List of books and other accounting records along with notes on accounting procedures. Chart of accounts and list of procedure manuals should also be included
- ✓ Information related to the evaluation of internal control including organization charts, flow charts, questionnaires and other internal control information, enumerating strengths and weaknesses in the system
- ✓ Copies of reports/observations of the AG and Statutory Auditors
- ✓ Annual Reports of the Corporation

6.2.2 Current Audit File

A new current audit file should be started before each period's audit which should collect all the working papers and other information developed during the current audit. This should generally contain the following:

- ✓ Sample size reference sheets
- ✓ Audit Programme
- ✓ Internal control questionnaire
- ✓ Copies of extracts of minutes of the Board relevant to the current audit, which would later be transferred to the permanent audit file
- ✓ Audit working papers, explained in the point 6.3

6.3 Working Papers

Audit working papers are a vital part of internal audit. They are very important tools whereby the purpose of internal audit is accomplished. Working papers should record the audit plan, the nature, timing & extent of auditing procedures performed & the conclusions drawn from the evidence obtained. They are confidential and should be protected. Internal Audit working papers generally include

- ✓ Engagement letter or the internal audit charter, as the case may be.
- ✓ Internal audit plan and programme.



- ✓ All significant matters which require the exercise of judgment together with auditors' conclusion should be included in working papers.
- ✓ Papers relating to the staff requirement and allocation.
- ✓ Papers relating to requirements for technical experts, if any
- ✓ Time and cost budgets.
- ✓ Copies of significant contracts and agreements or management representations on terms and conditions of those contracts.
- ✓ Internal review reports.
- ✓ Evaluation questionnaires, checklists, flowcharts, etc.
- ✓ Minutes of the meeting with the process owners.
- ✓ Papers relating to discussions/ interviews with the various personnel including legal experts, etc.
- ✓ Chart of the organizational structure, job profile of the persons listed in the chart and rules of delegation of powers.
- ✓ Annual budget and development plan.
- ✓ Progress report, MIS report.
- ✓ Reconciliation statements.
- ✓ Communication with various personnel and third parties, if any.
- ✓ Certification and representations obtained from Management.
- ✓ Copies of relevant circulars, extracts of legal provisions.
- ✓ Results of risk and internal control assessments.
- ✓ Analytical procedures performed and results thereof.
- ✓ List of queries and resolution thereof.
- ✓ Copy of draft audit report, along with the comments of the auditee thereon and final report issued.
- ✓ Records as to the follow up on the recommendations/ finding contained in the report.

6.4 Level of Reporting

On completion of the Internal Audit of the respective audit unit of each phase, the following steps should be followed before finalization of the report.

- ✓ Preliminary observations in the form of rough notes shall be issued on daily basis to the Auditee Division.
- ✓ The replies on the rough notes shall be submitted within 2 days to the Auditor.
- ✓ The Internal Auditors along with representative from Internal Audit Department (SAO/AO) shall discuss the Rough Notes with Head of the Audited Division / Department. The discussions shall also include auditor's comments on the adequacy of the compliance of audit observations pointed out for the earlier period
- ✓ Based on the outcome of the discussions, the Audit Report shall be structured by the head of audit team.

6.5 Elements of Internal Audit Report

Internal Audit report should be submitted for each audit and should be divided into 4 main parts.

6.5.1 Introduction (Part I)

This part shall include following basic elements, ordinarily, in the following layout:

- ✓ Title
- ✓ Addressee
- ✓ Report Distribution List
- ✓ Period of coverage of the Report
- ✓ Opening or introductory paragraph
 - Introduction about the processes/functions of Units/Regions and items of financial statements audited
 - A statement of the responsibility of the entity's management
- ✓ Objectives paragraph - statement of the objectives and scope of the internal audit engagement
- ✓ Scope paragraph (describing the nature of an internal audit)

6.5.2 Compliance and Report (Part II)

This part shall cover the comments of the Auditors on the adequacy of the compliance and action taken for rectification of errors / discrepancies pointed out by previous auditor pertaining to earlier audit. It shall also contain confirmation regarding implementation of policies, systems, controls, etc. to avoid the recurrence of such irregularities. Compliance of the audit observations pointed out in earlier reports of preceding periods may be ensured while conducting the audit and same should be furnished along with corrective action taken.

6.5.3 Executive Summary (Part III)

This part shall contain all such significant discrepancies observed during the current audit and which as per auditor require immediate attention of management specifying financial implications, if any. In this part auditor shall also bring out the important deviations / observations from policies, systems and procedures laid down by Uttarakhand Power Corporation Ltd.

6.5.4 Detailed Report (Part IV)

In this part, the auditor shall furnish the detailed results of the Audit and auditor’s confirmation whether Corporation’s system / guidelines / propriety has been adhered to in the areas specified in the scope of work. However, non-compliance of the matters / areas specified in the guidelines should also be reported. This part shall also contain auditor’s recommendations on the audit findings and comments from local management regarding the same.

The detailed report shall be divided in two parts – 2A and 2B. 2A shall consist of Serious Financial irregularities while 2B shall consist of other observations of general nature.

6.6 Detailed Report Format

Detailed report should contain the following things:

- ✓ Brief Heading / Title
- ✓ Category (Financial / Operational / Statutory Non-compliance)
- ✓ Risk Rating
- ✓ Detailed Observation
- ✓ Relevant References / Annexure
- ✓ Root Cause
- ✓ Implications
- ✓ Recommendations
- ✓ Process Owner
- ✓ Management Comment
- ✓ Date of Implementation

6.7 Distribution of Audit Report

The distribution of the Internal Audit Report shall be done as summarized below:

For Serious Financial irregularities:

- | | | |
|---|---|--------|
| ✓ Chief Engineer/ GM | - | 1 Copy |
| ✓ Superintendent Engineer/ DGM | - | 1 Copy |
| ✓ Deputy Chief Accounts Officer of zone | - | 1 Copy |
| ✓ Executive Engineer | - | 1 Copy |

For Other irregularities:

- | | | |
|--------------------------------|---|--------|
| ✓ Superintendent Engineer/ DGM | - | 1 Copy |
|--------------------------------|---|--------|

✓ Executive Engineer

- 1 Copy

Audit Reports should be issued by Officer not below the rank of DD (IA).

6.8 Timeliness

After completion of audit, the head of the audit team will submit the information required in the checklist given in Appedix 8, through DD(IA) to the head of the internal audit within 7 days of completion of audit.

Audit Reports shall be issued within 30 days of completion of Audit.

Date of commencement of audit, date of completion of audit, last date of submission of report, compliance by the audited divisions/ departments will be decided & communicated by the management.

The Auditor shall adhere the following:

- ✓ The internal audit shall be carried out by audit staff having requisite experience.
- ✓ Auditors have to ensure that the size of the audit team is commensurate with the size of the audit units and the volume of work involved in consultation with the head of Internal Audit.

Time guidelines should be strictly adhered to. No delay of whatsoever will be accepted.

PART 7: FOLLOW UP PROCEDURES

7.1 Guidelines

Follow-up activities are essentially directed towards ensuring implementation of the recommendations i.e. the focus is on the correction to the previously identified weaknesses.

Though an internal audit system may be very effective in pointing out errors in operation or deficiencies in the various systems, this would be meaningless if no action is taken on the observations. Action taken reports / Compliance Reports should be submitted well in time. Some guiding principles for proper follow up are as under.

- i. At time of conclusion of audit, issued rough notes shall be discussed with audited units seeking their compliance / replies.
- ii. Replies to the internal audit observations shall be furnished by the divisions / departments in time.
- iii. The replies furnished shall be examined by the Internal Audit Department.
- iv. Director Finance can frame a committee for settlement of Internal Audit observations.
- v. Individual paras shall be settled if the sites have either intimated compliance with the observations or have furnished satisfactory explanation. The paras where action is yet to be reported or the explanation is unsatisfactory shall be sent back to units with further comments for compliance/ further replies.
- vi. The reports shall be reviewed from time to time with a view to monitor the compliance of compliable points and status of those which need explanation and remedial action.
- vii. The Head (IA) can direct for the administrative action for the followings:
 - a. In case of non-submission of replies to the paras.
 - b. If there is any fraud or embezzlement of funds, and also for any irregularity of Serious nature.

7.2 Issues to be Followed-up

Follow-up should be done for all unclosed issues of prior audit during the current audit. Also, Internal Auditors need to do follow-up of all the observations in current audit once the final report has been issued.

7.3 Methodology

After submission of the audit report, compliance should be reported by the process owners i.e. units through concerned Chief Engineer/ Superintending Engineer within the scheduled time as

per **Table- A** given below. Any discussions regarding the same, if required, should be done with Head of Finance / Head of Unit and Internal Audit Coordinator for the concerned audit.

7.4 Follow-up Reports

On the basis of the response (against observations) provided by the departmental head and process owners, whatever corrective/preventive action taken by the units will be evaluated and reported to the corporate internal audit head through concerned Chief Engineer/ Superintending Engineer.

TABLE - A

S. No.	Type of Audit Observations	Prescribed Timelines for submission	Authority by whom reply is submitted	Responsibility for non-submission of reply in time to be fixed against
1.	Internal Audit report – Part 2B	1 Month	Through the next higher authority, i.e. SE or Chief Engineer (CE) as the case may be, with his comments	EE and SE concerned
2.	Internal Audit report – Part 2A	2 Months	Through CE concerned with his comments	EE/SE/CE concerned
3.	Special Audit report	3 Months	Through CE concerned with his comments	EE/SE/CE concerned

PART 8: CONSIDERATION OF RULES & REGULATIONS IN INTERNAL AUDIT

8.1 Introduction

In current complex environment, Board and Audit Committee members seek reasonable assurance from the Internal Auditors over compliance of various rules and regulations. The Institute of Chartered Accountants of India has also issued *Standards on Internal Audit 17*, which lay deals with the Internal Auditor's responsibility to consider laws and regulations when performing an internal audit. Paragraph 2 of this SIA describes non-compliance as:

'Non-compliance – Acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations. Such acts include transactions entered into by, or in the name of, the entity, or on its behalf, by those charged with governance, management or employees. Non-compliance does not include personal misconduct (unrelated to the business activities of the entity) by those charged with governance, management or employees of the entity.'

The effect on the functioning of an entity of laws and regulations varies considerably. Those laws and regulations, to which an entity is subject to, constitute the legal and regulatory framework. The provisions of some laws or regulations have a direct effect on the financial statements in that they determine the reported amounts and disclosures in an entity's financial statements. Other laws or regulations are to be complied with by management or set the provisions under which the entity is allowed to conduct its business but do not have a direct effect on an entity's financial statements. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the entity that may have a material effect on not only the reporting framework of the financial statements but also on the functioning of the entity and which in extreme cases may impair their ability to continue as a going concern itself.

8.2 Responsibility of Internal Auditor

Key objectives of the internal auditor can be summarized as:

- To obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements
- To perform specified audit procedures to help identify instances of noncompliance with other laws and regulations that may have a significant impact on the functioning of the entity
- To respond appropriately to non-compliance or suspected non-compliance with laws and regulations identified during the internal audit

This SIA 17 distinguishes the internal auditor’s responsibilities in relation to compliance with two different categories of laws and regulations as follows:

- (a) The provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as tax and laws regulating the reporting framework
- (b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operating aspects of the business, to an entity’s ability to continue its business, or to avoid material penalties (for example, compliance with the terms of an operating license, compliance with regulatory solvency requirements, or compliance with environmental regulations). Non-compliance with other laws and regulations may result in fines, litigation or other consequences for the entity, the costs of which may need to be provided for in the financial statements, or may even have a significant impact on the operations of the entity, but are not considered to have a direct effect on the financial statements, as described in paragraph (a). Non-compliance with laws and regulations that have a significant impact on the operations of the entity may cause the entity to cease operations, or call into question the entity’s continuance as a going concern.

Differing requirements are specified in SIA 17, for each of the above categories of laws and regulations:

- For the category referred to in paragraph (a), the internal auditor’s responsibility is to obtain sufficient appropriate audit evidence, in accordance with the Standard on Internal Audit (SIA) 10, “*Internal Audit Evidence*”, about compliance with the provisions of those laws and regulations.
- For the category referred to in paragraph (b), the internal auditor’s responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a significant impact on the functioning of the entity.

Appendix 9 provides illustrative list of applicable laws, compliance to which should be checked by the Internal Auditors.

8.3 Limitations

Owing to the inherent limitations of an internal audit, there is an unavoidable risk that some non-compliance with laws and regulations and consequential material misstatements in the financial statements may not be detected, even though the internal audit is properly planned and performed in accordance with the SIAs. In the context of laws and regulations, the potential effects of inherent limitations on the internal auditor’s ability to detect non-compliance are greater for such reasons as the following:

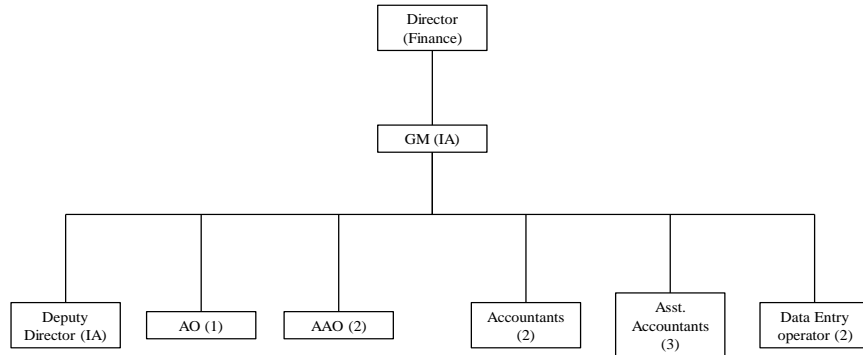


- There are many laws and regulations, relating principally to the operating aspects of an entity that typically do not affect the financial statements and are not captured by the entity's information systems relevant to financial reporting
- Non-compliance may involve conduct designed to conceal it, such as collusion, forgery, deliberate failure to record transactions, management override of controls or intentional misrepresentations being made to the internal auditor
- Whether an act constitutes non-compliance is ultimately a matter for legal determination by a court of law.

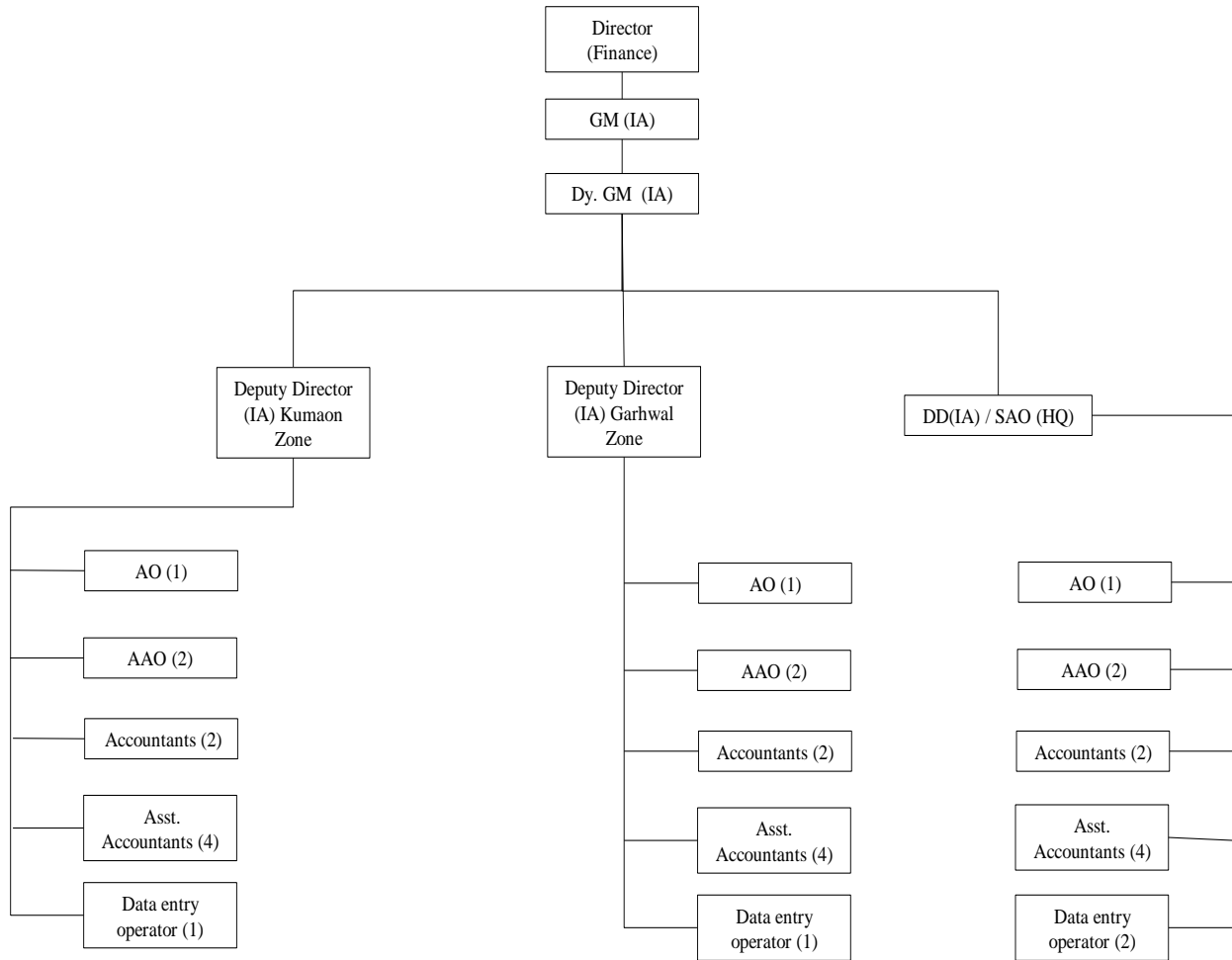
Ordinarily, the further removed non-compliance is from the events and transactions captured or reflected in the entity's information systems relevant to financial reporting, the less likely the internal auditor is to become aware of it or to recognize the non-compliance.



Appendix 1: Organization Chart of Internal Audit Department



Appendix 2: Proposed organization Chart for Internal Audit Department



Appendix 3: Major areas to be covered during the Internal Audit

S.No.	Areas
1.	Distribution divisions
2.	Award and execution of contracts placed by Contract Services, during construction stage pertaining to: <ul style="list-style-type: none"> • Works • Supplies • Supply cum installation / erection
3.	Contracts for works and procurement of material for Operation & Maintenance stage
4.	Procurement of materials / services other than mentioned in 1 & 2, including appointment of consultants
5.	Central Accounts Office, HQ Payment Unit (Corporate Maintenance), Finance and Accounts Department of each divisions / zones / circles
6.	Commercial Department
7.	Human Resources and Administration Department
8.	Monitoring of operation and maintenance activities
9.	Stores Divisions
10.	Test Divisions
11.	Taxation & Statutory Compliances
12.	Workshop Divisions
13.	Secondary Divisions
14.	Civil Construction Divisions
15.	Rural Electrification Divisions
16.	Pole Construction Division
17.	Project Units – Restructure Accelerated Power Development Reform Program (RAPDRP), etc.

Appendix 4: Internal Audit Coverage

S. No.	Description	Coverage (In each Phase)
1	Audit of Works including Operation & contracts (Pre-award and execution) (a) Contracts with value below Rs. 50 Lakhs (b) Contracts with value between Rs. 50 Lakhs to Rs. 1 Crore (c) Contracts with value above Rs. 1 Crore	25% 50% 100%
2	Procurement (Pre-award & execution) (a) Contracts with value below Rs. 50 Lakhs (b) Contracts with value between Rs. 50 Lakhs to Rs. 1 Crore (c) Contracts with value above Rs. 1 Crore	25% 50% 100%
3	Contracts of materials / services other than covered in 1 & 2, including appointment of consultants	25%
4	Revenue of distribution divisions (a) Large & Heavy power (b) Others & realisation	50% 1 month
5	Accounts – vouching of all vouchers (Cash/bank/JVs/etc.)	1 month
6	Verification of Bank Reconciliation Statements of all banks for all months including pending entries in BRS.	100%
7	Establishment section of Accounts Department (a) Payments to employees including salary and all types of advances, etc. (b) Review of sub-ledgers	1 month
8	Commercial department including filing of Tariff Petitions, etc.(Corporate Level)	100%
9	HR department / Establishment (Division/Circle/Chief) covering Leave records, LTC records, payment of all types of advances to employees, training & other areas	20%
10	Stores department (a) Documentation & Procedure, including inventory valuation (b) Stores Receipt / Issues / Returns	1 month 1 month

Note: Latest amended Delegation of Powers (DOP) to be taken into account while verifying each transaction.



Appendix 5: Factors Influencing Sample Size for Test of Controls

The following are some factors which the internal auditor considers when determining the sample size required for tests of controls (TOC). These factors need to be considered together assuming the internal auditor does not modify the nature or timing of TOC or otherwise modify the approach to substantive procedures in response to assessed risks.

Factor to be considered by Internal Auditor	Effect on sample size
An increase in the extent to which the risk of material mis-statement is reduced by the operating effectiveness of controls	Increase
An increase in the rate of deviation from the prescribed control activity that the internal auditor is willing to accept	Decrease
An increase in the rate of deviation from the prescribed control activity that the internal auditor expects to find in the population	Increase
An increase in the internal auditor’s required confidence level	Increase
An increase in the number of sampling units in the population	Negligible effect

Notes –

- i. Other things being equal, the more the internal auditor relies on the operating effectiveness of controls in risk assessment, the greater is the extent of the internal auditor’s tests of controls, and hence the sample size is increased.
- ii. The lower the rate of deviation that the internal auditor is willing to accept, the larger the sample size needs to be.
- iii. The higher the rate of deviation that the internal auditor expects, the larger the sample size needs to be so as to make a reasonable estimate of the actual rate of deviation.
- iv. The higher the degree of confidence that the internal auditor requires that the results of the sample are indicative of the actual incidence of errors in the population, the larger the sample size needs to be.
- v. For large populations, the actual population size has little effect on sample size. For small populations, sampling is often not as efficient as alternative means of obtaining sufficient appropriate audit evidence.

Source: Standards on Internal Audit 5, Sampling



Appendix 6: Factors Influencing Sample Size for Tests of Details

The following are some factors which the internal auditor considers when determining the sample size required for tests of details (TOD). These factors need to be considered together assuming the internal auditor does not modify the nature or timing of TOD or otherwise modify the approach to substantive procedures in response to assessed risks.

Factor to be considered by Internal Auditor	Effect on sample size
An increase in the internal auditor's assessment of the risk of material misstatement	Increase
An increase in the use of other substantive procedures by the internal auditor, directed at the same assertion	Decrease
An increase in the total error that the internal auditor is willing to accept (Tolerable Error)	Decrease
Stratification of the population when appropriate	Decrease
An increase in the amount of error which the internal auditor expects to find in the population	Increase
An increase in the internal auditor's required confidence level	Increase
The number of sampling units in the population	Negligible effect

Source: Standards on Internal Audit 5, Sampling

Appendix 7: Frequency of Control Activity and Sample Size

The following guidance related to the frequency of the performance of control may be considered when planning the extent of tests of operating effectiveness of manual controls for which control deviations are not expected to be found. The internal auditor may determine the appropriate number of control occurrences to test based on the following minimum sample size for the frequency of the control activity dependent on whether assessment has been made on a lower or higher risk of failure of the control.

Frequency of control activity	Minimum sample size*		Example
	Risk of failure		
	Lower	Higher	
Annual	1	1	Annual Physical Verification of Inventory
Quarterly (including period- end, i.e., +1)	1+1	1+1	
Monthly	2	3	Monthly provisioning of expenses
Weekly	5	8	
Daily	15	25	Daily closing of cash book
Recurring manual control (multiple times per day)	25	40	Vouching

***This shall not be applicable in cases where sampling is defined as 100% transactions or for complete month.**

Note: Although +1 is used to indicate that the period–end control is tested, this does not mean that for more frequent control operations the year-end operation cannot be tested.

Source: Standards on Internal Audit 5, Sampling

Appendix 8: Checklist for Information required on completion of Audit

Status at the end of the month

Name of the document/Record		Status of Maintenance (i) Prepared/Not prepared (ii) month of posting
1.	Assets Register	
2.	Register of Work-in-progress	
3.	Miscellaneous Advance Register	
4.	Purchase(suspense) Register	
5.	Security deposit from consumer Register	
6.	ATD Register (outgoing/incoming) Annex list of pending ATD/ATCs (within zone & out of zone separately.)	
7.	Posting of stock Register (4 S and 4 T)(Show the status of comparison and closing)	
8.	Details of liabilities for material purchased from Small Scale Industries.	
9.	Dishonoured Cheque Register	
10.	Bill Revision Register	
11.	Status of preparation of Bank Reconciliation Statement of Receipt, EMF and Expenditure account of unit and status of differences and details of action taken.	
12.	Status of Reconciliation of Revenue Realisation	



	Statement with Revenue Receipt and Revenue Cash book	
13.	Status of Reconciliation of Report 16 and 17 with revenue cash book and clearance of discrepancies, if any.	
14.	Status of ledgerisation of new connection (annex detail of month wise unledgerised connections)	
15.a	Amount and number of TI/advance, month wise opened in period of Audit.	
15.b	Month wise and head wise Detail of expenses against TI/advance in period of Audit.(as per SJ-2 Register/Records)	
16.	Status of pending miscellaneous advance against Corporation employees (annex list of cases wherein recovery not started and detail of action taken)	
17.	Detail of pending important audit observation and number of paras dropped by Audit Committee in meeting.	
17.	a. no. of IAOs_____period_____ b. no. of PDPs_____period_____ c. no. of DPs_____period_____ d. _____no. _____of _____Audit Paras_____period_____ e. no. of SFIs_____period_____ _____	
18.	Status of physical verification of store material and accountal for the differences found in verification.	
19.	Name of JEs/SDOs by whom monthly accounts have not been submitted timely or lying pending	



20.	Status of maintenance of Revenue receipt book return Register. Annex list of Receipt book which are returned after one month from date of last use.	
21.	Status of maintenance of register of works done under deposit head	
22.	Status of cases of diversion of fund in unit	
*23.	Status of maintenance of register on actual basis	
**24.	Status of issue of Electricity bills, Revenue realisation and accounting thereof	
25.	Position of matching of CS-4 with monthly accounts	

AAO(Party in charge) AO/SAO/DDIA (Supervisory officer)

note: * Report whether all expenses and liabilities of the financial year has been accounted for in the same financial year.

Report the month wise debit/credit and balances of the registers mentioned at Sl. No. 1 to 5 & duly tallied with monthly A/c figures.

** Mention the status regarding process adopted in unit.



Appendix 9: Illustrative Checklists for Key Audit Areas

A. Contracts

A.I Contracts (Turnkey and Non turnkey Contracts)

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.
2. Verify general compliance to Delegation of Powers (DOP), including other approved policies and procedures for various pre-award, award & post-award activities including those stated herein.
3. Ensure that Cost Estimate and Qualification requirements have the concurrence of the finance department.

Indenting Department (Engg./ Distribution etc.)

4. Verify whether Package List is as per approved policies and procedures and are approved by competent authority. Verify the Technical Portion of the Bidding Documents is as per the Standard Technical Specifications if applicable (with package specific changes) and in case of variation, approval of competent authority has been obtained.

Cost Engg. Group/Indenting Department

5. Verify whether cost estimates (including updation/ review thereof) have been prepared as per approved policies and procedures and have been approved by competent authority.

Corporate Communication Department/ Public Relations Department

6. Verify that for corporate packages advertisement is given in the newspapers as per approved policies and procedures.
7. Verify that advertisement in the media for Notice Inviting Tender (NIT)/ Invitation for Bids (IFB) for particular package(s) has been released.

Corporate Contract and Procurement Department

8. Check whether the Commercial Portion of the Bidding Documents is as per “Model Bidding Document (MBD)”, if applicable (with package specific changes), and in case of variation, approval of competent authority has been obtained.
9. Verify compliance to DOP/PWC in inviting Limited tender and Single tender and that reasons for inviting Limited tender and Single tender have been recorded.
10. Check whether for Single tender on ground of urgency; the urgency is duly supported by adequate reasons and justifications thereto.



11. Trace the sale of Bidding Documents in the “Bidding Documents Sale Register” and verify that Bidding Documents have been sold at cost as per PWC. Verify that terms & conditions relating to sale of Bidding Documents are complied with.
12. Verify that proceeds from sale of Bidding Documents (cash, demand draft etc. as applicable) have been sent to Finance Department.
13. Verify that all the bids for particular package(s) are opened only after receipt of the approved cost estimates for such package(s).
14. Verify that all bids have been received within the stipulated deadline.
15. Verify that details of all the bids received within the stipulated deadline for submission of bids such as names of the bidders, numbers of sealed packets, bid receipt numbers, names and signatures of representative(s) of bidders attending the bid opening etc. are entered in the “**Bid Opening Register**”.
16. Verify that Bid Opening Statement having details of Bid Security/ Earnest Money Deposit is prepared at the time of bid opening as per the PWC. Verify that **Bid Opening Statement** has been signed by the representative(s) of the bidders present during the bid opening and the Bid Opening Committee in accordance with the PWC.
17. Examine the “Bid Evaluation Report” with the Bid Opening Register/Bid Opening Statement and verify that all the bidders have been considered in Bid Evaluation Report.
18. Review the “**Bid Evaluation Report**” and the Bidding Documents to verify that the bids which are not found substantially responsive to the bidding requirements or do not meet the stipulated qualification requirements of the bidders have been identified and dealt with suitably in the Bid Evaluation Report in accordance with the provisions of the Bidding Documents and the PWC.
19. Verify that the statement giving total quoted and corrected bid prices are prepared. In case of cost compensations on account of differential loss parameters, verify that such compensations are in accordance with the provisions of the Bidding Documents.
20. Verify that final evaluated prices are arrived at considering total financial cost of deviations, loading/cost compensations on account of deviations or scope deficiencies, if any, as per the provisions of the Bidding Documents and the PWC.
21. Review the recommendations of the tender committee and check whether approval has been obtained from the competent authority as per DOP.
22. Review whether the reasonability of bids were evaluated on the basis of prevailing market price or at price order by the head office.



23. Verify whether concerned departments have made all the necessary tie-ups during post bid discussions in line with approval obtained and approved policies and procedures.
24. Verify that Notification of Award (NOA)/ Letter of Award (LOA) has been issued to the successful bidder within the bid validity period. Verify that terms and conditions of the LOA/NOA are in line with the approval obtained. Check whether NOA/LOA has been signed by the competent authority as per DOP.
25. Examine the Contract Agreement entered with the Contractor and verify that the total Contract Price, terms and conditions etc. are in line with the approval obtained. Check whether contracts have been signed by the competent authority as per DOP.
26. Check whether all the terms and conditions of the loan agreement (if any)/agreements for deposit work/consultancy assignment (as applicable) have been complied with.
27. Exceptions, if any should be highlighted in the Internal Audit Report.

A.II Consultancy Contracts

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Concerned Department

2. Examine request for consultancy services and ensure that it has been authorized by the competent authority as per DOP.
3. Verify compliance to applicable guidelines.
4. Verify the evaluation of offers received and recommendation for award have been duly approved by competent authority.
5. Examine the final contract and verify the terms of reference, time schedule etc. are in line with the approval obtained.
6. Exceptions, if any should be highlighted in the Internal Audit Report.

A.III Bid Security/ Earnest Money Deposit

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual

Corporate Contract & Procurement Department/ Finance Department



2. Verify that bid security documents such as bank guarantee, fixed deposit receipts etc. have been properly kept in safe custody. Tests check a few current bid evaluation cases to verify that this procedure is being followed.
3. Confirm that bank guarantees, fixed deposits etc. collected for earnest money of all unsuccessful bidders have been returned within a reasonable time of award of the contract as per the provisions of the Bidding Documents and the PWC.

Finance Department

4. Verify the deposit of drafts, etc. in the bank with the “Earnest Money Received Register” and confirm realization thereof.
5. Exceptions, if any should be highlighted in the Internal Audit Report.

A.IV Mobilisation advance to Contractors – Initial / Interim / Mobilization

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Corporate Contract & Procurement Department/ Division

2. Review applications for mobilisation advance payments and confirm these are as per Terms of contract / agreement.
3. Verify that bank guarantee (in format and from eligible bank as specified in the Contract) equivalent to mobilisation advance payment is available and same is unconditional and valid as per the Contract.
4. Ensure that bank guarantee has been verified independently by direct correspondence with bank in the specified format.
5. Verify confirmation by the engineer nominated for the relevant contract, certifying the completion of the specified stage / fulfillment of necessary conditions in the contract, on which advance is payable.
6. Ensure that demand for advance/loan over and above that provided in the contract has been entertained as per PWC.

Finance Department

7. Verify that advance payment has been made as per the terms agreed in the contract.
8. Verify tax deduction at source u/s. 194 (C) of the Income Tax Act have been made.
9. Confirm the relevant vouchers have been approved by the competent authority.



10. Verify the recording of advances in the Advance register and “Contractor’s Bill Payment Register” and its subsequent monthly adjustment through journal voucher.
11. Exceptions, if any should be highlighted in the Internal Audit Report.

A.V Contractors’ Bill for Despatch – Non LC

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Division

2. Verify the rates charged and all other terms and condition are as per contract/ agreement and check all calculations and documents.
3. Verify that bill has been submitted within the specified period from the date of despatch as per contract condition. If not, then check if proper follow-up has been done for the same.
4. Examine the “Works Contract Register” to confirm that the cumulative amount is entered in the analysis column.
5. Follow steps 4 to 8 of contractor’s advance- interim as explained above.
6. Exceptions, if any should be highlighted in the Internal Audit Report.

A.VI Contractors’ Bill for Receipt – Non LC

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Division

2. Review applications for payments supported by invoice duly certified by the concerned and authorized engineer confirming the receipt of equipment. Confirm proper Receipt Voucher has been prepared & signed by concerned officer.
3. Verify the amount claimed has been pro-rated in the manner stipulated in the contract and all the terms and condition specified in the contract are complied with. Check all calculations.
4. Examine the “Works Contract Register” to confirm that the cumulative amount is entered in the analysis column. It should not exceed the agreed contract amount.

Finance Department

5. Verify tax deduction at source u/s 194 (C) of the Income Tax Act has been made.
6. Verify that the relevant vouchers have been approved by the competent authority.



7. Trace the amount of contract voucher into the contract day book and monthly totals through the journal voucher into the general ledger.
8. Exceptions, if any should be highlighted in the Internal Audit Report.

A.VII Contractors' Bill for Despatch - LC

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Division/Finance Department

2. Verify that the bank advice of payment supported by invoice, packing list, test certificate, insurance policy certificate, and copy of R.R. /G.R. etc. as per the provisions of the Bidding Documents have been submitted.
3. Check whether LC is required as per terms and conditions of the agreement.
4. Follow steps 3 to 5 of Contractors Bills – Dispatch (Non LC) as explained above.
5. Follow steps 5 & 7 of Contractors Bills – Receipt (Non LC) as explained above.
6. Exceptions, if any should be highlighted in the Internal Audit Report.

A.VIII Contractors' Bill for Receipt - LC

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Division/ Finance Department

2. Review bank advice of payment supported by invoice and the certificate by the concerned engineer confirming receipt and storage of equipment at Division.
3. Follow step 3 to 7 of Contractor Bills for Receipt Non-LC.
4. Exceptions, if any should be highlighted in the Internal Audit Report.

A.IX Contractor Bills - Erection Price

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Division

2. Review the application for payment, which should be certified by the concerned engineer confirming completion of erection work with respect to which application for payment has been made.



3. Follow step 3 to 7 of Contractor Bills for Receipt – Non-LC.
4. Exceptions, if any should be highlighted in the Internal Audit Report.

A.X Contractor Bills – Other Price Components (viz., Taxes and Duties, Freight & Insurance Charges, Type Test Charges, Training Charges, Price Reduction/ Liquidated Damages (LD) etc.)

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Division

2. Review the application for payment supported by requisite documents as per the Contract conditions. Check for necessary approval by the concerned engineer, as applicable, for release of payment.
3. Verify the amount claimed has been pro-rated in the manner stipulated in the contract as applicable and all the terms and condition specified in the contract are complied with. Check all calculations.
4. Follow step 4 to 7 of Contractor Bills for Receipt – Non-LC.
5. Exceptions, if any should be highlighted in the Internal Audit Report.

A.XI Contractor Bills – Consultancy Contracts

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Concerned Department

2. Review the consultant's invoice which should be certified by the department concerned confirming output having been received, against which amount is being claimed.
3. Verify the rates, fees charged etc. are as per contract and the payment claimed is as per the agreed payment schedule.

Finance Department

4. Check that advances have been deducted / adjusted proportionately.
5. Check whether tax deduction at source (TDS) at prescribed rates has been deducted on the same.
6. Confirm the relevant vouchers have been approved by the competent authority.



7. Trace amount of contract voucher into the contract day book and monthly totals through the journal voucher into the general ledger and subsidiary ledger/ register.
8. Exceptions, if any should be highlighted in the Internal Audit Report.

A.XII Contractor Bills – Civil Work

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Division

2. Review the contractors' application for payment along with his progress bill which should be supported by the concerned engineer's certificate and work measurement abstract.
3. Check the work measurement abstract with the rates stipulated in the contract and verify calculations.

Finance Department

4. Verify whether the stock issued have been priced as per the agreed rates.
5. Check that the price of stores and other advances have been deducted from the bill.
6. Scrutinize contractor's ledger for any unadjusted items for hire of construction equipment and ensure that these have been deducted.
7. Verify deduction like security deposit, retention money, etc. have been made as stipulated in the contract.
8. Verify tax deduction at source u/s 194 (C) of the Income Tax Act.
9. Confirm the contract voucher has been approved by the competent authority.
10. Trace the amount of contract voucher into the contract day book and works contract register. Trace monthly totals of contract day book through the journal voucher into the general ledger and sub-ledger.
11. Exceptions, if any should be highlighted in the Internal Audit Report.

A.XIII Contractor Bills – Final Payment

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Division

2. Review application for payment which should be supported by a certificate by the concerned engineer confirming the completion of the contract and performance



being discharged as stipulated in the contract and recommending release of final payment.

3. Check computations of rates, calculations, etc. and the final amount worked out are as per the Contract.
4. Verify that material reconciliation has been done for the contract and all material return notes have been accounted for.

Finance Department

5. Verify that recoveries have been made from the contractor for rent of quarters, electricity, vigilance queries (if any) or any other dues.
6. Ensure all Physical Verification claims have been verified and accounted for at the time of contract closing.
7. Verify that all the conditions of the contract have been fulfilled as per the final amendment made to the contract.
8. Scrutinize contractors ledger for any other recoverable amounts and ensure that these have been deducted including cost of owner supplied material & recoverable advances/outstanding if any.
9. Verify tax deduction at source u/s 194 (C) of the Income Tax Act.
10. Confirm the relevant voucher has been approved by the competent authority.
11. Ensure that payment made through Cheques have been acknowledged from the payee.
12. Ensure whether waiver of liquidated damages is on justifiable reasons.
13. Trace the amount of contract voucher into the contract day book and monthly posting through the journal voucher into the general ledger and sub-ledger.
14. Exceptions, if any should be highlighted in the Internal Audit Report.

A.XIV Deposit of TDS (Contractor Bills)

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Finance Department

2. For the selected month, check the totals of income tax deducted column from the contracts day book and check the posting through the journal voucher into the general ledger.
3. Review the bank payment voucher which should be supported by receipted copy of challan bearing the amount and date of deposit.



4. Compare the amount of payment voucher with the amount traced in Step 2 above.
5. Exceptions, if any should be highlighted in the Internal Audit Report.

A.XV Payment to Contractor under LC

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Finance Department

2. Examine the intimation from banks regarding payment of amount to the beneficiary and check the accounting entries with regard to contractor, bank charges and commission, etc.
3. Verify that the voucher has been approved by the competent authority.
4. Verify that the voucher U/S. 194 (c) of the Income Tax Act have been made.
5. Verify and ensure that the documents retired through Bank against LC are as per terms and conditions of LC including the amendments issued thereafter.
6. Verify that the payment under LC is as stipulated in the contract.
7. Examine whether the LC was valid at the time of negotiation. In case the LC has expired on the date of payment, report this in the audit report.
8. Check the entry into the LC register and the contractor's account in the subsidiary ledger/ register.
9. Exceptions, if any should be highlighted in the Internal Audit Report.

A.XVI Forfeiture of Bid Security/Earnest Money Deposit

1. Select sample of contracts to be audited as per sampling techniques defined in IA Manual.

Corporate Contracts Services Department/ C&M Department/ Finance Department

2. Check whether bid security/ earnest money is forfeited in case of failure to comply with the conditions given in the Bidding Documents.
3. Examine the advice from the contract services department as applicable and the relevant contract documents and verify that letter to the bidder/bank was sent by registered post.
4. Verify the financial entry in respect of forfeited amount either by draft / bank guarantee / post office, national savings certificates / fixed deposit receipts, etc. as the case may be and check the entry into the general ledger.



5. Check whether bank should be informed as per the Bidding Documents about the forfeiture.
6. Confirm that the letter was sent by registered post informing the party of the forfeiture. Also verify that EMD forfeited is taken under the head income as EMD forfeited account.
7. Exceptions, if any should be highlighted in the Internal Audit Report.

A.XVII Contract Closing

1. Ensure that separate executive has been identified for contract closing in each Region.
2. Ensure that payment conditions in the LOA are taken care of while closing contract.
3. Ensure that contract has been closed within one year from the date of commissioning for all the packages. Ensure compliance to PWC.
4. Ensure that quarterly MIS is circulated by each Region for the status of contract closing.
5. Exceptions, if any should be highlighted in Internal Audit Report.

B. Revenue divisions other than LT/HT lines for industries

1. Verify the Agreement and checked for the compliances of terms and conditions of the agreement.
2. Check whether master data of all new services is posted in the Consumer Master.
3. Check the new connections released and their ledgerisation at Division/Sub-Division levels from the concerning reports and comment whether there is any delay in issue or checking of first bill. Also ensure that new services are billed from the date of release of supply.
4. Check whether meter readings for all the Services are obtained.
5. Check whether services are reconciled (Comparison of the service connections as per the Service connection Register and the Service connections as per the Billing Master to ensure that all the services are billed).
6. Check whether credits/ debits are reconciled from consumers as per the Consumer Ledger with the Financial Ledger and verify that appropriate action has been taken for the un-reconciled credits.



7. Check whether the system of reconciliation of security deposit as per the Consumer Master with the Financial Ledger is followed.
8. Check the records of Revenue Receipt books, it's distribution to the concerned revenue collecting agents and position of return after use.
9. Check and compare, for the test period/month, Revenue Receipt Books with Revenue Realisation Statement and identify and report the cases of shortages.
10. Verify the amount received as per Revenue Receipt books with Revenue realisation statement.
11. Check the reconciliation of Revenue Cash Book with Revenue realisation statement.
12. Ensure that all the collections received in cash are banked on the same day or on the next working day.
13. Check whether monthly BRS has been prepared and the details of outstanding entries more than 90 days have been captured.
14. Check whether there is any violation of MOU with Banks with regard to remittance of funds and claiming of interest from banks.
15. Check whether there is a periodic reconciliation of collections made by the outside collection agencies with the amounts collected from them.
16. Ensure that changes to the consumer master are authorized by the Section Officer concerned in writing.
17. Verify the Changes Register / Corrections Register and cross verify the changes / rectifications with the complaints / requests received from the consumers.
18. Verify the complaints register and check whether all the complaints are addressed as per the guidelines.
19. Check whether dishonored cheques are properly reversed in the consumer ledger and applicable delayed payment charges are levied.
20. Check the compliance to collection guidelines. As per collection guidelines, the customers whose cheques were dishonored, collections through Cheque from them are not allowed for at least one year.
21. Verify the Meter Reading Register to ensure that all Stuck Up/Burnt meter services, Door lock, and Reading not furnished services are properly billed as per the guidelines prescribed.
22. Verify all the meter changed slips and ensure such services closing reading and new reading of the changed meter were correctly recorded in the Meter Reading Registers.



23. Verify whether proper assessment was made as per tariff guidelines for defective period.
24. Check whether charges for supply to employees are properly recovered and accounted for in the books.
25. Verify category/load/name/premises change services and ensure that the changes were duly supported with the documents.
26. Reconcile the additional loads released register in the sub-division with the consumer master to identify the services where connected loads are changed and this process of reconciliation shall be done time to time & check whether all fixed charges such as Service line & Development charges and Security deposit were duly collected and penalty, if any was levied as per the guidelines.
27. Check and comment on Billing of Temporary connection and Permanent Disconnection cases lying pending for more than one year. Also check the Permanent Disconnection Notice/Report and comment on the actual realisation of arrears or waiver.
28. Ensure that the income is accounted on accrual basis in respect of various surcharges. For example: Surcharge for delayed payment etc. Also check the records relating to waiver of Surcharge for delayed payment by Government or through One-time settlement.
29. Ensure that the load restrictions for each category of billing are properly adhered and point out the cases of abnormal consumption (excessive/ low).
30. Check and comment on all computerized generated reports and reconciliation of Report 16 with Cash Book.
31. Check the cases where electricity dues received from the consumers in installments or part payment. Also check whether the approval was taken from competent authority. Report the instances where installments or part payments are not received timely.
32. Check whether the regulations issued by the State Electricity Regulatory commission are being complied with.
33. Check whether the instructions issued by the head office on various subjects including Tariff Directives (i.e., unit rate applicable on the basis of category of the consumers and consumption) of the Electricity Regulatory Commission are implemented.
34. Check whether the provision of Income Tax Act 1961 are adhered to while paying interest on the security deposits of the consumers including the issue of Certificate of Tax Deducted at Source.

C. Revenue divisions for LT/HT lines for industries

1. Verify the Agreement and checked for the compliances of terms and conditions of the agreement.
2. Trace the readings from the Meter Reading Card / AMR (Automatic Meter Reading) data to the bills / ledger of the consumer.
3. Check whether the Meter Readings are acknowledged by the consumer or his representative?
4. Verify whether the meter is being tested at least once in a year by the MRT (Meters Relay testing) wing of the circle.
5. Ensure that the observations on the Annual Meter Test by the MRT are considered while billing for the month in which the test is conducted.
6. Check whether there is any change in the Multiplication Factor (MF) of the meter and cross check the same with the Consumer Master. In case of Meter Change (MC) check that the MF of the new meter installed is updated in the consumer master.
7. Cross verify the data at billing center with that of the MRT Wing by obtaining the data directly from the MRT Unit.
8. Check whether the Meter Reading Cards / AMR Data are received by the Unit within time? In case of delay analyze the reasons therefore.
9. Check whether there is any periodic testing to the AMR Device? Comment on the testing observations. Comment whether they have any impact on the transmission of reading from the Meter to the Terminal at the Billing center / Data Center?
10. Check whether the prescribed Load Factor (LF) is maintained for giving Incentive to the consumers.
11. Check whether there are any instances where the LF is more than 100%? If so, check the inferences that are drawn from the same and what remedial action was taken for avoiding such instances.
12. In case of seasonal industries check whether the norms laid down in the tariff order are being followed while billing?
13. In case of category changes due to change in the constitution of the organization or due to new activities of the consumers, required documents are available.
14. For services released under the tenure of the Electricity Board under categories having lower tariff ensure that the tariff conditions are fulfilled else whether any



clarification has been sought from the Regulatory Commission to avoid loss of revenue?

15. Check whether there a mechanism of 100% verification of billing within the unit at various stages.
16. Check whether there is any cross verification of total Income from sale of energy.
17. Cross-verify the data from the MIS reports with the actual data as per the books of account /registers.
18. Check whether all the receipts are recorded in the Cash Book and are banked on the same day or the next working day.
19. Are there any receipts through online collections / Electronic Clearance System (ECS)? If so verify the ECS mandates furnished by the consumers.
20. In case of consumers having payment of bills through ECS mechanism, what is the action taken for unsuccessful ECS transactions.
21. Verify the Bank Reconciliation Statements (BRS) and observe the ageing of the funds deposited pending credit to the unit's bank account.
22. Check and report the instances of cheque dishonour (for insufficient funds) and the action taken under the provisions of the Negotiable Instruments Act, 1881 apart from disconnecting the service and recovery of the applicable bank charges and late payment surcharge etc. Also comment on the maintenance of the dishonour check register.
23. Check and report instances of acceptance of cheques from consumers whose cheques had been dishonoured earlier?
24. Check whether the permanent receipt issued specifies that payments through cheques / demand drafts are subject to realization.
25. Check whether centralized collections are credited to the consumer ledger on the same day?
26. Check the interest on security deposit is credited to the consumers account before the due date.
27. Check whether adjustment of excess of consumption / security deposit towards dues has been properly done.
28. Check and comment on Billing of Temporary connection and Permanent Disconnection cases lying pending for more than one year. Also check the Permanent Disconnection Notice/Report and comment on the actual realisation of arrears or waiver.



29. Verify all the meter changed slips and ensure such services closing reading and new reading of the changed meter were correctly recorded in the Meter Reading Registers.
30. Verify whether proper assessment was made as per tariff guidelines for defective period.
31. Ensure that the income is accounted on accrual basis in respect of various surcharges. For example: Surcharge for delayed payment etc. Also check the records relating to waiver of Surcharge for delayed payment by Government or through One-time settlement.
32. Check the cases where electricity dues received from the consumers in installments or part payment. Also check whether the approval was taken from competent authority. Report the instances where installments or part payments are not received timely.

D. Power Purchase

1. Verification of Power Purchase agreements/ MOU with Central & State agencies.
2. Verification of tendering process for purchase of power from open market.
3. Check to ensure that the terms of the agreements are not prejudicial to the interest of the Company.
4. Sale/ purchase/ reconciliation of co-generation is in accordance with the guidelines/ instructions prescribed by the CERC/ SERC/ NRPC or any other regulatory body.
5. Verification of Power Purchase Bills : The following are important and ensure that the :-
 - a) Variable charges for KWH of electricity received duly verifying the same with the meter readings taken
 - b) Fixed Charges are based on PLF and year of operation (refer relevant schedule in agreement)
 - c) U.I Charges (based on the systems efficiency)
 - d) Surcharge and rebate, payable or receivable, are adjusted or charged in the bills
 - e) Wheeling charges are levied as per the terms of the contracts
 - f) Levy of Trading margin as per the terms of contracts
 - g) Service tax levied, if any, under service tax act.
6. Verify the unit rate levied w.r.t. the respective schedule in the agreement based on the year of operation.



7. Ensure that records for input of electricity are maintained and the same is duly reconciled with the input of energy as per Energy Audit.
8. Ensure that the U.I. Charges are calculated uniformly w.r.t. the agreement.
9. Ensure that the delegation of powers is duly adhered to for passing the Bills for payment.
10. Ensure the payment is made only after availing the availing the full credit period.
11. Ensure that TDS, if applicable has been deducted at the applicable rates of Income Tax Act, 1961.
12. Check whether there is any delay in payment of liability to State Government with regard to free power.
13. Verify the documentation in respect of the Letter of Credit / Bank Guarantee for each of the Agreement.
14. Ensure that the commission for Bank Guarantee / Letter of Credit is properly accounted (over the tenure of the agreement).
15. Ensure that the finance charges relating to Power Purchase are treated as part of Power Purchase cost.
16. In case of Guarantee by the Government ensure that guarantee commission is properly accounted and paid.
17. Ensure that the schedule of Mandatory Annual Shut Down by the Generator is considered and planned with an alternative supply from any other generator to meet the requirements during that period.
18. Ensure that the bill for escalation in fuel cost is properly verified along with the conditions in the agreement with the Generator.

E. Installation, Testing & Repair of transformers

1. Verify the drawl of power transformers from stores with reference to work order number and requisition.
2. Verify the erection and installation report by concerned officer and Inspection report of higher authorities.
3. Review of periodical maintenance record and comments recorded therein by the Inspecting officer.
4. Review of complaints regarding Transformer problems noticed.
5. Verify the Inspection Report on the compliant attended by the concerned officer.
6. Verify the Devolution of the failed transformer.



7. Review of Reports submitted on the devoluted transformer regarding failure.
8. Verify the number of Transformers sent to each contractor for repairs on Transfer Note with respect to the contract agreement as the repairs are carried out by the contractors.
9. Verify the payments to contractors for Repairs and Maintenance to Transformers with respect to :
 - a) Nature of Repairs
 - b) Conditions and Period in warranty
 - c) Standard Schedule of Rates (SSR) for each part of repaired item;
 - d) R & M bills with Measurement Book (MB)
10. In case of expiry of the warranty of transformers, check to ensure that the guidelines for repair & maintenance of transformers in house or from the contracts are duly adhered.
11. Verify the receipt of repaired Transformers from the contractors along with Delivery Challan.
12. Verify the accounting of repaired units in to rolling stock.
13. Verify the intimation to the company or contractor for repairs to be carried out to the Power Transformer.
14. Review of quality test and inspection report on the repaired Power Transformers.

F. Meters & Protection

F.I Meters

1. Review of complaints regarding Meter problems received with the Consumer Complaints Register.
2. Verify the Test Report on the compliant attended by the concerned officer.
3. Verify the issue and receipt of meters for check meter process.
4. Verify the test report for check meter.
5. Verify the Devolution of the failed meters with regard to the transfer note submitted.
6. Review of Reports submitted on the devoluted meters regarding failure and error.
7. Verify the number of units sent to each contractor for repairs on transfer note with respect to the contract agreement as the repairs are carried out by the contractors.
8. Verify the receipt of repaired meters from the contractors along with Delivery Challan.



9. Review of quality test and inspection report of the repaired meters.
10. Verify the accounting of repaired units into rolling stock.
11. Verify the payments to contractors for Repairs and Maintenance to Meters with respect to:
 - a) Nature of Repairs
 - b) Standard Schedule of Rates (SSR) for each part of repaired items
 - c) R& M bills with Measurement Book

F.II Protection

1. Verify the periodical maintenance of Vacuum Circuit Breakers (VCBs) and Oil Circuit Breakers (OCBs), meters relay etc.
2. Review of periodical maintenance record and comments recorded therein by the Inspecting officer.
3. Review of record of complaints regarding Breakers.
4. Verify the Inspection Report on the compliant attended by the concerned officer.

G. Human Resources, Administration & Training

G.I Recruitment

1. Select the items to be audited as per the defined sampling technique in the internal audit manual.
2. Ensure that the recruitment of the employees is done as per the defined Recruitment Policy & Procedures.
3. Ensure approval of competent authorities have been obtained for all staff recruitment and appointments.
4. Ensure that most appropriate and cost effective method of recruitment is utilized and that excessive recruitment costs are avoided.
5. Ensure that all the documents required to be collected from the new hires are collected and verified at the time of hiring.
6. Ensure that the employees' files are maintained as per the requirements of the HR policies.
7. Ensure that the employee files are timely updated and amended.
8. Ensure that the employee master file contains all the details for the all the employees.
9. Ensure that new employees are correctly set up on the payroll and that their salary rate is valid for the position.



10. Ensure Personnel and Employment records adequately protected from unauthorized access and use.
11. Exceptions, if any should be highlighted in Internal Audit Report.

G.II Leave Management

1. Select the items to be audited as per the defined sampling technique in the IA Manual.
2. Review the leave sanction memos and ensure that the same have been sanctioned by the competent authority.
3. Match the leave sanction memos with the payroll records and confirm that the category for which leave is recorded in the leave records is same as sanctioned leave (e.g. earned leave, sick leave, casual leave, etc.).
4. Ensure that the leave card/booklet of the employee is timely and accurately updated.
5. Ensure that the reconciliation between leave records and file sent to finance department for deductions while computation of payroll.
6. Match the leave records with the provision for leave and earned leave salary registers.
7. Ensure that the leave balances in the employee accounts are properly tracked.
8. Ensure that the salary for the leaves taken in excess than the entitlement is not paid to the employee.
9. Ensure that HR has informed the leave balance of all type of leaves to all the employees.
10. Ensure that the payments made for the leave encashment are correctly computed and approved.
11. Ensure payroll has been computed as per the records received from Personnel Department.
12. Exceptions, if any should be reported in internal audit report.

G.III Pay Roll Processing

1. Select sample of employees to be audited as per the defined sampling technique in the IA Manual.
2. Verify the Register of Incumbency with reference to sanction number and items maintained. In incumbency register, Verify cadre-wise appointment details like



Date of joining, Date of leaving/retiring from the current place of working and the no. of vacancies due to above transfers and retirements.

3. Verification of Probationers/ temporary employees Register: The following are to be verified:
 - a) List of probationary employees in each department;
 - b) Date of commencement of probation;
 - c) Date of completion;
 - d) Date of passing of qualifying tests.
4. Verify the Register of Service Books maintained for all the staff.
5. Verify the Service Registers for the accuracy of pay fixation made with reference to orders in force.
6. Check whether cross-reference to the original pay bills is made whenever supplementary claims are made.
7. Verify the Register of Superannuation up-to-date and superannuation notices issued in time.
8. Ensure that list of all the employees added / deleted from the rolls is provided by the HR to Finance on a monthly basis before salary preparation by F&A.
9. Ensure that the attendance system takes care of attendance properly without any proxy attendance.
10. Check the calculation of the number of working days with the payroll. Ensure that in case attendance of employee has not been received, the salary has been released after proper documentation and approval.
11. Check the calculations for provident fund, family pension scheme, etc. Ensure that these have been deducted in the payroll with respect to the selected employees.
12. Ensure that the declaration relating to investments, other deductions under income tax have been taken from the employees.
13. Check computation of TDS as per Income Tax Act, 1961 and ensure that the amount is deducted from the salary of the employee.
14. Check the advance accounts of selected employees and ensure that data regarding amount of advances and mode of repayment have been correctly stated and advances have been deducted as stipulated.
15. Ensure that the amount to be paid as bonus / incentive is correctly computed as per the policy and included in the wages to be paid. Ensure same has been approved by competent authorities in line with DOP.



16. Ensure that that the net amount payable is derived after accounting for all deductions
17. Check the journal voucher prepared along with the supporting documents for the gross amount payable in respect of wages. Match actual payment figures with the payroll.
18. Ensure that the employee has signed for the wages paid to him and in case the wages are deposited in the bank account, confirm that it has been deposited to the correct bank account.
19. Ensure that the amounts deducted as PF, ESI etc from the wages has been deposited on time. Challans/receipts received should also be verified.

G.IV Provident Fund

1. Select the items to be audited as per the defined sampling technique in the IA Manual.
2. Check the calculations of employer's contributions transferred to the PF trust and confirm that it has been correctly computed and not less than the amount required to be transferred under the Employee Provident Fund & Miscellaneous Provisions Act, 1952.
3. Ensure that the amount deducted towards the employee contribution has been correctly computed as required under the act and transferred correctly to the PF trust.
4. Ensure that the amount has been transferred to the PF trust within the time specified in the act and cross verify the same with the bank payment vouchers.
5. Ensure that advances/loans against the provident fund have been granted to the employees as per the policy and as per the rules of the Employee Provident Fund & Miscellaneous Provisions Act, 1952.
6. Ensure that no interest is charged on the loans given to the employees against the PF.
7. Ensure that the deductions from the salary of the employee against the P.F. advance are in accordance with the terms of the advance.
8. Check that PF reconciliation is carried out periodically with General Ledger and at the end of the year with PF Trust.
9. Exceptions, if any should be reported in internal audit report.



G.V Pensions

1. Ensure that Pay fixation statements must be attached to the Service Register and attestations must be observed with signatures of officers for pre-check and post check wherever necessary.
2. Verify the Financial Charges Register (FCR) for pension payments maintained up-to-date and register of life certificates for pensioners maintained.
3. Ensure that enclosed certificates must have been attested by concerned authorities.
4. Ensure that Controlling Head of the office must attest all the Service Register entries.
5. Ensure that One year retirement notice has been entered in the Service Register.
6. Ensure that the incumbent's last relief entry with Dispatch Number should be entered in Service Register (Retirement Entry).
7. Ensure that in last pay certificate (LPC), last pay must be tallied with Service Register Entry.
8. Ensure that all recoveries must be shown in no dues certificate.
9. Ensure that all Audit paras pending should be attended before finalisation and submission of pension proposals with proper entries in the Service Register.
10. Ensure that service register has been verified from First page to last page all the increment entries and pay fixation statements are verified and pasted to the Service Register are also verify whether pay fixations was pre-checked by the concerned authority.
11. Verify whether the pension proposal is correctly filled by the incumbent. All the certificates shall be verified and counter signed by the Unit Officer.
12. Ensure that leave account must be tallied with Service Register and Terminal Leave must be attested and recommended by the concerned authorities.
13. Ensure that the proposals of deceased employee should be collected from the dependents.
14. Ensure that in case of deceased employee the death certificate & legal heir certificate must be in original attached to the pension proposals.

G.VI Appraisal

1. Ensure that appraisal system is supported by documented procedures for format, timelines, criteria, etc.



2. Ensure that proper communication has taken place regarding commitment of senior management to appraisal process, and staff and management aware of their roles in the process.
3. Ensure that performances are assessed against realistic and measurable factors and objectives which are approved by competent authorities.
4. Ensure line management are adequately trained and briefed as to their role and responsibilities in the appraisal scheme.
5. Ensure all staff appraisal and disciplinary procedures comply with the current and relevant employment legislation, and it is complied with.
6. Exceptions, if any should be reported in Internal Audit Report.

G.VII Administration

1. Ensure that budgets pertaining to administration activities like transportation, communication, hospitality, maintenance, security, horticulture, lease, etc. have been approved by competent authority.
2. Ensure compliance to various policies / guidelines issued by the Company for the various administration activities.
3. Verification of Stamps Account Register :
Verify the Purchase of stamps and issues to various departments and the balance stamps on hand. For the balance stamps on hand physical verification has to be done periodically.
4. Ensure monitoring of terms and conditions of administration contracts like security, maintenance, etc. is happening on regular basis.
5. Ensure reasons for any budget overruns are documented and duly approved.
6. Exceptions, if any should be highlighted in Internal Audit Report.

G.VIII Contract Labour

1. Select the employees to be audited as per the defined sampling technique in the IA Manual.
2. Verify the requisitions for the contact labour required and ensure that these have been sanctioned by the competent authority and entered in sanction register
3. Ensure that the contractor is hired only through the empanelled contractors for supply of labour. And also check compliance to the requirements of the Contract Labour (Regulation & Abolition) Act, 1970.



4. Ensure compliance to Payment of Wages Act, 1936 and Minimum Wages Act, 1936 for all the applicable cases.
5. Ensure contractor bills are paid on time, after all necessary deductions like TDS, etc.
6. Exceptions, if any should be reported in internal audit report.

H. Establishment Expenses

H.I Reimbursement of Conveyance Expenses

1. Select sample of vouchers to be audited as per the defined sampling technique in the IA Manual.
2. Review the applications for reimbursement of conveyance expenditure and ensure that they have been sanctioned by the competent authority.
3. Cross-check the copy of the order of the personnel department for reimbursement of conveyance expenses.
4. Ensure that the amount sanctioned is not more than entitlement of the employee as per the policy of the company.
5. Ensure the amount is correctly recorded in the pay record of the employee.
6. Ensure that the amount paid is not in excess of the amount sanctioned. Confirm the actual payment made to the employee with the payment voucher.
7. Verify the claims for conveyance expenses with the declaration of the employees.
8. Ensure that details of utilization of vehicles for official purpose is regularly submitted by employees on quarterly basis to HR as per conveyance rules and HR is advising F&A for further reimbursement of expenses.
9. Exceptions, if any should be reported in internal audit report.

H.II Telephone Expenses

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that voucher is supported by the proper telephone bills.
3. Ensure that voucher and supporting thereof have been duly authorized by the competent authorities as per DOP.
4. Verify that the bill pertains to telephones owned by the company and ensure this has been approved by the competent authority.



5. Examine the nature of expense and ensure the same has been correctly calculated / charged as per accounting policy of corporation with correct accounting code.
6. Ensure that provision has been made, if required.
7. Ensure that telephone expenses are under the budgeted amount.
8. Ensure that recovery has been made for calls made in excess of sanctioned limit as per Company's policy.
9. Exceptions, if any should be highlighted in the Internal Audit Report.

H.III Travelling Expenses

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Review the tour authorization and confirm that the tour undertaken by the employee has been authorized in advance by the competent authority.
3. Verify that the mode of travel, conveyance, hotel expenses and out of pocket expenses claimed, are in accordance with the HR policy of the company.
4. Check that where journey tickets etc. are provided by the company, no claim is made in the bills.
5. Where journey tickets are procured from Travel Agent on the authorized request of the company, check the non-cash amounts claimed with the bill of the travel agent and ensure that these are in accordance with the request of the company.
6. Check the amount of the travel agents' bill with the debit in the relevant sub ledger and ensure that the amount is the same as claimed in the traveling bill.
7. Verify the supporting bills/vouchers and match them with the traveling bill.
8. Ensure that personal expenses have not been claimed and passed.
9. Ensure that the Travelling bill has been approved by the competent authority.
10. Check the totals of the traveling bill and trace the amount into the travel bills register and the employee's account in the travel advance subsidiary ledger/register.
11. Ensure that the traveling bill has been submitted within prescribed period of the completion of the tour.
12. Ensure that provision has been made, if required.
13. Trace the monthly totals of the travel bills register into the general ledger.
14. Exceptions, if any should be highlighted in the Internal Audit Report.



H.IV Medical Expenses

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Review the medical claim and verify the supporting vouchers and confirm that the items are allowed as per the company's medical rules.
3. Ensure that the medical claim has been approved by the competent authority, and are from approved medical institutions/hospitals/panel.
4. Verify employee / dependent's details with the individual's record for claims in respect of dependents.
5. Ensure that medical bills have been submitted within the time defined for it.
6. Ensure that provision has been made, if required.
7. Exceptions, if any should be highlighted in the Internal Audit Report.

I. Purchase of Material/ Goods

I.I Vendor Management

Vendor Master

1. Ensure all new vendors are approved as per the defined policy and procedures.
2. Ensure all relevant information like name, registered address, bank account details, PAN number, TIN number, etc. have been collected from the vendor in prescribed format and updated correctly in system.
3. Ensure necessary checks are done to identify if vendor already exists in the database so as to avoid duplication in master.
4. Ensure all mandatory information is not left blank in the system.
5. Ensure that access to modify vendor master is available only with authorized employees.
6. Ensure any changes to the vendor master are done after approval from competent authority.
7. Ensure vendor master changes log is reviewed on periodic basis for any unauthorized changes.

Vendor Selection

8. Ensure adherence to the Vendor Selection policies and procedures.
9. Ensure multiple vendors have been identified for all the items so as to avoid reliance of single vendor.



10. Ensure quotations were obtained from minimum number of vendors as per the policies.
11. Ensure L1 vendor was chosen to place order. In case of exception, verify that reasons for the same were documented and approval for the same was obtained.
12. Ensure all the rate contracts with the vendors have been updated in the system.

Vendor Appraisal

13. Review the criteria's used for Vendor appraisal (criteria's like number of rejections, delays, material returns) and check if all required parameters as per the policy are evaluated.
14. Ensure vendor appraisals have been carried out as per defined periodicity.
15. Ensure all black-listed vendors have been blocked in the vendor master and no orders have been placed with them subsequently.
16. Ensure new rates have been negotiated with vendors and approved by competent authority during the annual appraisal process.
17. Ensure all dormant vendors have been identified and their details are updated. In case no further business is expected from the vendor, same should be made inactive.
18. Exceptions, if any should be highlighted in Internal Audit Report.

I.II Purchase - Credit

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that vouchers are supported with the appropriate evidences.
3. Ensure that purchases are made in line with the procurement policy of the Company.
4. Examine the vouchers and ensure that indents and purchase orders have been approved by the competent authority in line with DOP.
5. Examine the amendments in indents and purchase orders have been duly approved by the competent authority in line with DOP.
6. Ensure that indents have been converted into purchase order within the reasonable (allotted) time as per procurement and Works & Procurement Policy of the company.
7. Review the list of parties who were requested for quotation (RFQ) and compare the same with the list of approved vendors as per procurement and works policy of the company.
8. Verify the quotations and ensure that important factors like landed prices, CENVAT availability, etc. have been considered while preparing comparative statements.



9. Examine the prices at which items were purchased and analyze it with purchase price history of the items.
10. Ensure that comparative statements have been duly authorized by the competent authority in line with DOP.
11. Examine the comparative statements and verify that L1 (lowest one) vendor has been selected for supplying the materials / tools. If L2 vendor was selected, ensure that the reasons for selection of L2 vendor has been recorded.
12. Examine that purchase orders are supported by the valid terms and conditions e.g. payment terms, delivery terms, specifications, LD clauses etc.
13. Ensure that there are no long pending indents / purchase orders. Analyze the reasons of any pendencies.
14. Check the terms of delivery in the indent / buying plan with the purchase order and verify acceptance of the supplier.
15. Check the cases of purchase orders against single tender and analyze the reasonableness of prices for justification.
16. Check the actual utilization of the items procured on emergency basis.
17. Check that date of delivery actually effected with those in the purchase order and in case of delay, report this in the audit report.
18. Check that the 'C' Forms are issued wherever applicable and control rates maintained in the prescribed format for furnishing necessary monthly returns to sales tax authorities.
19. Exceptions, if any should be highlighted in the Internal Audit Report.

I.III Purchases - Spot

1. In addition to the above, ensure that cash purchases were made within the limit defined for it.
2. Check the relevant bills for rates, computations etc.
3. Ensure that the purchase has been made from approved suppliers/local vendors/dealers, except in exceptional cases.
4. Verify that cash purchases are made on emergency occasion only and the same has been duly approved in line with DOP.
5. Exceptions, if any should be highlighted in the Internal Audit Report.



I.IV Advances to Suppliers

1. Select sample of the advance payments to be audited as per sampling techniques defined in the IA Manual.
2. Review the claim for advance from supplier and refer to the relevant purchase order to confirm the terms regarding advance payable.
3. Match the amount payable with the purchase order.
4. Confirm that the approval of the finance executive has been obtained on the payment voucher in line with Financial DOP.
5. Trace the entry into the subsidiary ledger/ register and suppliers control account in the general ledger.
6. Ensure that on the delivery of the material, advance paid has been adjusted after receipt.
7. Exceptions, if any should be highlighted in the Internal Audit Report.

I.V Suppliers' Bills for Goods

1. Select sample of the purchase vouchers/orders to be audited as per sampling techniques defined in the IA Manual.
2. Examine the purchase voucher/orders with the supplier's bill.
3. Compare the quantity and rates of the bill with the purchase order and the stores receipt voucher. Verify that correct quantity is received and quality is approved after proper inspection.
4. Examine supplier's account in the subsidiary ledger/ register and confirm whether advances have been deducted.
5. Check the calculations of the bills.
6. Verify that the date of payment is in accordance with the payment terms in the purchase order. In case payment made is considerably earlier than what is stipulated, this is to be reported in the audit report.
7. Trace the entry from the purchase voucher/orders into the purchase day book and monthly totals through the journal voucher into the general ledger and subsidiary ledger/ register.
8. In case of shortages, excesses, rejection etc. verify that deductions have been made from the bill.
9. Where debit/credit notes have been issued for shortage, excesses, rejection etc. trace that these are entered into supplier's account in the subsidiary ledger/ register.



10. Check that L.D. has been recovered from the party, where applicable, for delivery of materials beyond contractual delivery date.
11. Exceptions, if any should be highlighted in the Internal Audit Report.

J. Stores

J.I Receipt of Stores

1. Select sample of the stores receipt from the Daily Transaction Report (DTR) to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that challans, Discrepancies Register and other records have been maintained as per the directions or guidelines issued.
3. Verify that proper serial control exists.
4. Check the sample transactions with reference to purchase order, invoices, consignment notes etc. for quantity received.
5. Examine that inspection report of the materials, where necessary, attached and inspection is carried out by competent person.
6. Ensure that any rejection, short receipt, damages have been recorded.
7. Cross-check the entries in store ledger/ bin cards with DTR.
8. Verify that proper follow-up has been done with suppliers for material rejected upon inspection.
9. Check that pricing of Stock is done on landed cost basis for price store ledger.
10. Ensure that on the receipt of the materials, ledgers and bin cards are being updated and the same is signed by the store in charge.
11. Exceptions, if any should be highlighted in the Internal Audit Report.

J.II Return of Goods to Stores

1. Select sample of the goods returned as per sampling techniques defined in the IA Manual.
2. Examine that the measurement of the goods has been done and duly signed by the authorized person.
3. Check the computations of pricing of the returns and verify the basis and confirm it to be in accordance with the pricing of the issues of the relevant items.
4. Verify entry into the stock register and stores ledger.

5. Ensure that the entry of credit is in the same account in which it was debited at the time of issue.
6. Ensure that returned materials has been recorded as used item in the remarks column.
7. In case of returns by contractor, check the difference on transfer of materials is adjusted when contractor's account is credited in the subsidiary ledger/ register. Diversion of material from one work to another work is also to be checked.
8. Confirm that the relevant vouchers for the above entries have been duly approved by the competent authority in line with DOP.
9. Ensure that on the receipt of the returned material, bin card has been updated and the same has been authorized by the store in charge.
10. Exceptions, if any should be highlighted in the Internal Audit Report.

J.III Issue of Tools & Plant – Departmental

1. Select sample of the Stock Issues to be audited as per sampling techniques defined in the IA Manual.
2. Examine the tools and plant issue voucher and confirm that this has been authorized by the competent authority in line with DOP.
3. Check the acknowledgement of the person taking the tools and plant in the tools and plant register.
4. Check the ATD/ATC incoming/outgoing Register for timely issue and receipt and reconciliation of material issued.
5. In case of any shortages, losses etc. the approval of competent authority must have been obtained for write off.
6. Check with the accounts department for personal recoveries where necessary.
7. Ensure that on the issue of the materials bin card is being updated and the same is authorized by the store in charge.
8. Exceptions, if any should be highlighted in the Internal Audit Report.

J.IV Issues of Tools & Plant – Non-Departmental

1. Select sample of the Stock Issues to be audited as per sampling techniques defined in the IA Manual.
2. Examine the indent which should be duly approved by the competent authority.



3. Verify whether the contractor is entitled to get the tools and plant as per norms of contract.
4. Ensure that the contractor has signed requisition acknowledging receipt of the goods.
5. Trace the entry into the stock register and tools and plant (contractor's) register.
6. Check the rates of hires with agreement / contract and verify computations made.
7. Trace the entry into the contractor's account in the relevant subsidiary ledger/ register and the month end totals through the journal into the general ledger.
8. Verify that in case of loss / damage, the amount of the repair/replacement should have been recovered from the contractor.
9. Ensure that on the issue of the materials bin card is being updated and the same is authorized by the store in charge.
10. Exceptions, if any should be highlighted in the Internal Audit Report.

J.V Issue of Material - Departmental

1. Select sample of the Stock Issues to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that approval copy is attached by the competent authority in line with DOP.
3. Verify that issues have been posted in the stock register.
4. Check the ATD/ATC incoming/outgoing Register for timely issue and receipt and reconciliation of material issued.
5. Examine the basis of pricing the issue and trace its entry into the priced store ledger.
6. Exceptions, if any should be highlighted in the Internal Audit Report.

J.VI Issue of Material – Non-Departmental

1. Select sample of the Stock Issues to be audited as per sampling techniques defined in the IA Manual.
2. Examine the contractors' stores issue vouchers and ensure that it is authorized by the concerned department.
3. Refer to the relevant contract / agreement for the rate to be charged from the contractor and ensure that this has been complied with.
4. Examine the basis of pricing the issue and trace its entry into the priced stores ledger.
5. Check the posting of issues into the bin cards and stock register.



6. Trace the entry into the contractors materials issue journal and the amount of difference between the stores accounting value and value ascertained in step 3 above to the differences column in the above journal.
7. Trace the above entries into the general ledger.
8. Reconciliation of material issued with the consumption statement and report on material loss and shortages.
9. Ensure that hiring charges have been charged / recovered from the contractor.
10. Exceptions, if any should be highlighted in the Internal Audit Report.

J.VII Sale of Scrap

1. Select sample to be audited as per sampling techniques defined in the IA Manual.
2. Examine the relevant material disposal authorization and confirm that it has been authorized by the competent authority.
3. Review the list of dealers invited to quote for the disposal and quotations received and the comparative statement.
4. Confirm that the selected dealer and the price have been duly approved by competent authority in line with DOP.
5. Verify that the payment has been received.
6. Verify the quantity with dispatch / gate receipt.
7. Trace the entry into the scrap records and through the journal into the general ledger.
8. Confirm the correct head of account has been credited.
9. Check that the approved procedure is followed both with regard to the declaration of the material as a scrap and for its disposal.
10. Check that the sales tax has been recovered on this transaction and remitted to sales tax authorities.
11. Exceptions, if any should be highlighted in the Internal Audit Report.

J.VIII Price Store Ledger

1. Check that price store ledger is prepared and reconciled at periodical intervals with bin cards / store ledger and general ledger.
2. Check whether codification of receipt and issues are done properly.



3. Review negative balance appearing in price store ledger.
4. Review the cases of purchases without issues/transfer beyond inventory norms.
5. Check that receipts are valued at landed cost basis and issues at monthly weighted average price basis.
6. Check that discrepancies found in physical verification and adjusted in price store ledger.
7. Exceptions, if any should be highlighted in the Internal Audit Report.

J.IX Others

1. Check and comment on the Position of Obsolete and unserviceable material.
2. Check the ageing and ensure that the stock is issued as per the FIFO method.
3. Check & comment on the Physical verification of Stores Material and T&P.
4. Checking of Stock and Tools & Plant a/c of JE's with the help of 1-S, 2-S, 1-T & 2-T registers at unit level. To also check the 3S, 4S Stock Register, 3-T & 4-T register at circle level.

K. Borrowings & Grant-in-aid

1. Verify the Funding options, if Internal Accruals are insufficient then only borrowings would be justified.
2. Ensure that the conditions attached to borrowings are not prejudicial to the interests of the company.
3. Ensure that all the loan covenants are appraised to the Board for according proper sanction.
4. The following factors are very vital for any borrowing :-
 - a) Rate of interest (simple or compounding);
 - b) Tenure of the loan;
 - c) Moratorium period;
 - d) Put / call options attached;
 - e) Documentation charges & commitment charges;
 - f) Pre-payment charges;
 - g) Interest on overdue installments;
 - h) Penal interest for failure to adhere to certain conditions



5. While selecting a funding agency ensure that the recommendations of the Committee / Board are followed.
6. In case of Grants-in-aid, check whether the accounting treatment of the same is in compliant with the Accounting Standard-12 “Accounting for Government Grants” issued by ICAI.
7. Check whether the Grants are amortized as per the AS-12.
8. Check whether the terms and conditions related to the utilization of grants are complied with.
9. Check whether repayments are made as per the loan agreement.
10. Check whether interest calculations are as per loan agreement and approved by the competent authority.
11. Check whether in case of any charge put on any assets same has been communicated to ROC in stipulated time as given in the Companies Act, 1956.
12. Verify the entries into General Ledger
13. Exceptions, if any should be highlighted in the Internal Audit Report.

L. Fixed Assets

L.I Fixed Assets Directly Acquired

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that expenditure is within the approved capital budget.
3. Ensure that vouchers are supported with the approved indent and purchase order / LOA, commissioning certificates etc. by the competent authority in line with the DOP.
4. Ensure that bill of freight, insurance, registration, installation expenses and other incidental expenses attached with the vouchers and that these have been included in the cost of the assets.
5. Ensure that fixed assets have been capitalized correctly.
6. Check the entry into the Fixed Assets Register and ensure that the asset has been classified and coded in accordance with the specified classification and codification procedures.
7. Ensure that accounting policy, related Accounting Standards e.g. 6, 10, 11, 12, 16, 26, 28 issued by The Institute of Chartered Accountants of India, Central Electricity



Regulatory Commission (CERC) and other applicable regulations have been complied with.

8. Check the computations of depreciation and verify the entry of provision for accumulation depreciation in the general ledger.
9. Ensure whether depreciation has been recorded on the related assets.
10. Verify the approval of competent authority on acquisition of fixed assets.
11. Trace the entry into the general ledger.
12. Ensure that payment has been debited to the correct party code.
13. Ensure Work-in Progress (WIP) conversion to Fixed Assets (Capitalization) and reconciliation of Fixed Assets Register is done with General Ledger.
14. Verify whether the receipt and recording of fixed assets is segregated from the general purchases.
15. Ensure that critical fixed asset information has been recorded in the Fixed Asset Register (title, depreciation method, period, asset number etc.).
16. Physically verify the assets in accordance with the specified procedures. Check whether identification mark has been done on all assets before start of physical verification.
17. Check the codification system for marking on all fixed assets including furniture, equipments, office appliances, etc.
18. Ensure that all assets are insured as per the policy of the Company. Also verify the validity of the insurance policy for the assets (excluding Self Insurance assets).
19. Ensure that physical verification of assets has been conducted frequently on regular intervals as defined.
20. Ensure maintenance of records, physical verification and disposal of fixed assets have been done in line with Para 4(i) (a), (b) and (c) of Companies (Auditors' Report) Order (CARO).
21. Check the system of making provision for shortage / excess on Physical Verification, investigation and write-off on regular yearly basis.

For construction equipment:

22. In addition to the above, check the brand, markings, numbers, etc. in the original invoice with the Fixed Assets Register and with the equipment on physical verification.



For vehicles:

23. Examine the vehicle registration books and check the vehicle registration number, chassis number, engine number etc. with the Fixed Assets Registers and the vehicles upon physical verification. Ensure that the ownership vests with Uttarakhand Power Corporation Ltd.
24. Exceptions, if any should be highlighted in the Internal Audit Report

L.II Fixed Assets – Procured or Constructed Under Contract

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that vouchers are supported with the approved capital budget.
3. Ensure that vouchers are supported with the approved capital indent and purchase order / LOA, commissioning certificates etc. by the Competent Authority in line with the DOP.
4. Ensure that accounting of constructed assets have been made in line with the accounting policies, related applicable Accounting Standards, Central Electricity Regulatory Commission (CERC) and other applicable regulations have been complied with.
5. Ensure that fixed assets have been capitalized correctly.
6. Check the entry into the Fixed Assets Register and ensure that the asset has been classified and coded in accordance with the specified classification and codification procedures.
7. Examine the journal voucher debiting the relevant asset and crediting the work in progress account.
8. Ensure approval has been obtained from competent authority on acquisition of fixed assets.
9. Trace the above entries in the general ledger.
10. Ensure that payment has been debited to the correct party code.
11. Ensure that Interest on borrowings has been allocated to the projects and accounted properly.
12. Ensure that reconciliation of Fixed Assets Register is done with General Ledger.
13. Exceptions, if any should be highlighted in the Internal Audit Report

L.III Fixed Assets – Write Off

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure whether the retirements have been properly authorized and appropriate procedures for invitations of quotations have been followed wherever applicable
3. Ensure whether the assets and depreciations accounts have been properly adjusted.
4. Ensure whether the sale proceeds, if any, have been fully accounted for and applicable taxes e.g. TCS, if applicable has been deducted and deposited.
5. Ensure whether the resulting gains or losses, if material, have been adjusted and disclosed in the profit and loss account.
6. Review work-order / physical verification reports to trace any indicated retirements.
7. Examine major additions to ascertain whether they represent additional facilities or replacement of old assets, which may have been retired.
8. Verify that fixed assets register has been updated with the retirement of the assets.
9. Ensure that for all assets scrapped, destroyed or sold, approval has been obtained as per the defined policy and guidelines.
10. Recovery from employees against the assets allocated to them on their retirement, if applicable.
11. Exceptions, if any should be highlighted in the Internal Audit Report.

L.IV Land Acquisition

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Examine the voucher and confirm the amount has been provided for in the capital budget.
3. Ensure the voucher has been approved by the competent authority in line with DOP.
4. Verify minutes of the Board of Directors' Meeting on acquisition of land, if required.
5. Verify the title deeds/ lease deeds to confirm the ownership of the land. Also verify copies of revenue records showing revenue numbers along with the map plan as to the situation, area, etc.



6. Verify whether cost of land includes provisional deposits, payments/liabilities towards compensation, rehabilitation and other expenses wherever possession of the land is taken.
7. Verify the cost relating to land such as legal costs, stamp duties, fees, land surveys, development costs in putting the land in use (e.g. deforesting, leveling, etc.) are properly allocated and duly sanctioned and approved.
8. Check the entry into the Fixed Assets register and the general ledger and ensure that the entire value including development costs as discussed in step 6 above have been included.
9. Ensure compliance to relevant state and central laws (Land Acquisition Act) during acquisition of land.
10. Exceptions, if any should be highlighted in the Internal Audit Report.

L.V Land Development

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that vouchers are supported with the approved capital budget.
3. Ensure that vouchers are supported with the approved capital indent and purchase order / LOA, commissioning certificates etc. by the Competent Authority in line with the DOP.
4. Survey the physical existence and approximate extent of the development projects capitalized.
5. Ensure that developed land has been recorded in the Fixed Assets register as per Accounting Standard 10 issued by ICAI.
6. Ensure the development of the land has been done within the stipulated time allocated to it.
7. Exceptions, if any should be highlighted in the Internal Audit Report.

L.VI Capital Work In Progress

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Examine the different work in progress heads of account and verify that these are operated according to Uttarakhand Power Corporation Limited's chart of account codes.



3. Ensure that relevant vouchers are supported with the approved capital budget.
4. Ensure that there is no cost overrun. Any additional expenses i.e. cost overrun has been duly authorized by the competent authority in line with the DOP.
5. Ascertain that capital expenditure is incurred by the competent authority in line with the DOP.
6. Check whether the bill submitted by the suppliers / contractors are in line with approved purchase order / service order.
7. Check the value of work done in case of civil work and the value of supplies in case of supply cum erection contracts and see that the detailed expenditure is booked to the capital work in progress account.
8. Ensure that relevant vouchers are supported with the approved capital indent and purchase order / LOA, commissioning certificates etc. by the competent authority in line with the DOP.
9. Ascertain that all such transactions are operated through a control account and deductions such as retention money and income tax is deducted as per the act.
10. Check that the adjustment for transactions such as consumption of owner supplied materials including steel and cement, loading of IDC etc. for value of work capitalized are duly taken into account.
11. Verify that capital work in progress is capitalized according to the completion of the projects supported by the completion certificates and in line with company's capitalization policy.
12. Trace the entry into the general ledger.
13. Ensure that payment has been debited to the correct party code.
14. Ensure that accounting of constructed assets have been made in line with the accounting policies, related applicable Accounting Standard - 10, Central Electricity Regulatory Commission (CERC) and other applicable regulations.
15. Ensure that Interest on borrowings has been allocated to the projects.
16. Check the brand, markings, numbers, etc. in the original invoice with the equipment on physical verification.
17. Exceptions, if any should be highlighted in the Internal Audit Report.

L.VII Expenditure during Construction (EDC)

1. Verify the details of revenue expenditure incurred during construction and check if it is in line with planned budget.



2. See that corporate office expenses are allocated to the project as per relevant accounting policy.
3. In case of common expenditure incurred during the operation and construction activities it is to be seen that EDC is worked out as per relevant accounting policy.
4. Verify that EDC relevant to the financial year has been accounted accurately.
5. Trace the entry into the general ledger.
6. Verify the workings on the above, and calculate the allocations and if any errors or omissions were noticed report these in Audit Report.
7. Exceptions, if any should be highlighted in the Internal Audit Report.

L.VIII Interest during Construction (IDC)

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that interest during construction is ascertained on the basis period during which asset is under construction.
3. See that IDC is allocated on the closing balance of work in progress.
4. Calculate the allocation, if any errors or omission have come to light, mention these in Audit Report.
5. Verify that IDC relevant to the financial year has been accounted accurately.
6. Trace the entry into the general ledger.
7. Ensure that IDC has been accounted in line with the Accounting Standard – 10, 16 issued by The Institute of Chartered Accountants of India
8. Exceptions, if any should be highlighted in the Internal Audit Report.

L.IX Depreciation

1. Select sample of the items to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that depreciation on fixed assets is provided as per applicable accounting policies laid down for preparing the financial statement.
3. Ensure that depreciation has been provided as per the Income Tax Act 1961 for tax purposes.
4. Ensure that depreciation is provided from the time an asset is ready to put to use.



5. Ensure that depreciation has been booked in the correct head of account.
6. Also see that depreciation has been provided on the Purchase Value, installation charges, taxes and duties relating to the procurement of fixed assets.
7. Ensure that depreciation on the fixed assets has been provided in compliance with Accounting Standard – 6 issued by The Institute of Chartered Accountants of India.
8. Ensure that depreciation has been booked for the assets sold upto period of sale.
9. Verify the calculation and see that nominal value of the asset is retained in the books.
10. Exceptions, if any should be highlighted in the Internal Audit Report.

L.X Sale of Fixed Assets

1. Select sample of the invoices to be audited as per sampling techniques defined in the IA Manual.
2. Check compliance of approved procedure for declaring an asset for sale, and the tendering procedure.
3. Examine the statement of assets which have been sold and confirm that these have been approved by the competent authority in line with the DOP.
4. Review whether invoices are supported by proper evidences.
5. Check whether depreciation on the said assets has been calculated till the date of sale and ensure that written down value of the asset has been calculated accurately.
6. Ensure that no depreciation has been booked from the dates when the assets are sold.
7. Verify that the profit / loss made on the sale of asset have been properly booked in the books of account.
8. Ensure that sold assets have been removed in the fixed assets register on its disposal.
9. Verify whether all the applicable taxes have been paid on the sale of assets.
10. Check the sale proceeds of the assets have been accounted accurately and ensure that same in the general ledger.
11. Exceptions, if any should be highlighted in the Internal Audit Report.



L.XI Mandatory Spares

1. See that Mandatory spares are separated from the stores item. Also see that these spares are booked to CWIP and separate memoranda register is kept by stores for its quantities.
2. See that these spares are identical and separate serial number has been given to stores receipt vouchers (SRVs) made for mandatory spares.
3. Ensure that mandatory spares have been earmarked from the other materials.
4. See that these spares capitalized along with the main equipment on the commissioning of the equipment/Transmission/substation.
5. Where the asset has been transferred from one station to another, see that the entire gross block along with the accumulated depreciation is transferred to that unit.
6. Exceptions, if any should be highlighted in the Internal Audit Report.

M. Current Assets

M.I Advances to Employees (TA advance, Scooter advance and miscellaneous advances)

1. Select sample of the advances to be audited as per sampling techniques defined in the IA Manual.
2. Review the relevant advance / loan application and ensure that this has been sanctioned by the competent authority in line with DOP.
3. Check the employee's individual pay records and ensure the amounts of advances and recoveries entered are in accordance with the sanctioned application and HR policies.
4. Ensure that HR has collected relevant security documents for the advances as per the policy / guidelines.
5. Trace the entries into the loan / advance accounts of the employees in the relevant subsidiary ledger/ register and confirm the amounts of loan / advances and recoveries are in order.
6. Ensure that entry of payment has been booked in the correct head of account, correct employee code and on the date of payment.
7. Identify the long pending outstanding balances and perform the reasoning analysis.
8. Check old advances and analyze reason for the non-recovery. Check further action taken by Finance / HR in such cases.



9. Check whether advances have been recovered for all the employees who have left the organization since last audit.
10. Verify whether the rate of interest chargeable (if any) is in conformity with the rules.
11. Check computations of interest recovered and trace these through the journal voucher into the general ledger.
12. Check whether insurance premium paid (if applicable) is as per company policies.
13. Ensure that TDS, if applicable has been deducted at the applicable rates of Income Tax Act 1961
14. Exceptions, if any should be highlighted in the Internal Audit Report

M.II Prepaid Expenses

1. Examine the vouchers and ensure that the payment pertains to the next accounting year have been booked under prepaid expenses as per the accounting policy.
2. Ensure that the expenses have been booked in the current year against the prepaid expenses accounted in previous financial year.
3. Ensure that TDS, if applicable has been deducted at the applicable rates of Income Tax Act 1961.
4. Exceptions, if any should be highlighted in the Internal Audit Report.

N. Cash & Bank Transactions

N.I Cash / Bank / Electronic Payments

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. For electronic payments, ensure that payment information has been collected from payee in prescribed format duly authorized and same has been entered into systems accurately.
3. Review whether vouchers have been supported by proper evidences.
4. Ascertain whether payment vouchers / payments by DD have been approved by the competent authority in line with the approved DOP.
5. Verify whether payment relates to current year. If not, same should be booked as per the accounting policy. Also ensure whether accounting policy in respect of prepaid exp. and prior period adjustments are followed uniformly at all the accounting units.



6. Ensure that cash payments were made in the compliance of Section 40A (3) of Income Tax Act 1961 (Presently, maximum cash payment limit is Rs. 20000 or 35000 as the case may be).
7. Ensure accounting entries have been booked on timely basis so that no negative cash balances appear in the books of accounts at any point of time.
8. Ensure that acknowledgement of the receiver has been obtained on the cash payment voucher and if payment is more than Rs. 5000, the same should be acknowledged on revenue stamp by the receiver.
9. Verify that date of acknowledgement of cash receipt and date of payment is same.
10. Ensure that payments were made within the office working hours on working days. Any deviations should be properly supported by approvals as per DOP
11. Ensure that unused leaves of Cheque book(s) have been properly crossed.
12. Ensure that every Cheque payment is supported by the acknowledgement of the payee.
13. Ensure all the dishonored Cheques have been reflected in proper account head and proper steps (on basis of root cause analysis) have been taken to avoid similar situation in future.
14. Ensure that unpaid Cheques for more than 3 months have been transferred to dead Cheques /stale Cheque accounts and review this account to further see that Cheques outstanding for more than 3 years have been transferred to misc. receipts accounts.
15. Check the entry of Cheques payment into the system records maintained for the same.
16. Ensure that bank charges charged by the Bank for making any payment, should be in line with the bank charges list provided by the Bank.
17. Ensure that all cancelled / returned electronic transactions have been properly reflected in the accounts.
18. Ensure that the voucher and supporting documents have been stamped "PAID & CANCELLED".
19. Ensure that entry of payment has been booked in the correct head of account and on the date of payment.
20. Collect sample of signature from relevant authority and verify that signatures marked on the vouchers match with them.
21. Examine that Cheque books are kept in the Cash Chest and handled by the competent person / officer in-charge.



22. Ensure system logs of changes in all the masters are reviewed on periodic basis.
23. Exceptions, if any should be highlighted in the Internal Audit Report

N.II Cash Withdrawals

1. Select sample of bank withdrawal vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that bank withdrawal vouchers have been duly authorized by the competent authority in line with the approved DOP.
3. Ensure whether cash amount withdrawn was within sanctioned limit and within the limit insured under Insurance Policy.
4. Ensure whether cash withdrawn amount has been reflected in the book correctly
5. Ensure whether terms and conditions mentioned in the Cash Insurance Policy (Cash-in-safe, fidelity insurance, cash in transit) have been complied with.
6. Ensure that whether Cash Insurance Policy has been renewed on timely basis.
7. Exceptions, if any should be highlighted in the Internal Audit Report.

N.III Cash / Bank / Electronic Receipts

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that entry of receipt has been booked in the correct head of accounts and on the date of receipt.
3. Verify the nature of the receipt and in case of certain items such as sale of scrapped assets, etc. ensure whether approval of competent authority has been obtained.
4. Ensure that the cash receipts vouchers and supporting thereof have been stamped.
5. Ensure that cash in hand more than the insured / sanctioned limit has been deposited into the banks.
6. Trace the electronic / cheque receipt entry into the bank book and tally that the amount and account is debited in correct account code.
7. Check the entry of cheques receipt into the system records maintained for the same.
8. Verify the entry of the cheque into the Bank-in-Slip duly authorized and stamped by the Bank.
9. Compare the cheque credit date with the cheque deposit date marked on the pay-in slip of Bank and report any exceptional delays.



10. Check the timely transfer from the collection bank accounts to the Head Office Bank Account.
11. Ensure whether tax if applicable e.g. TCS (tax collected at source) has been deducted as per the applicable rates. In such cases, ensure tax deduction certificate has been obtained.
12. Exceptions, if any should be highlighted in the Internal Audit Report.

N.IV Journal Vouching

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that all vouchers are serially numbered and all transactions have been authorized by the competent authority in line with approved DOP.
3. Ensure that all vouchers are supported by the relevant evidences and see that the narration given is as clear as possible.
4. Exceptions, if any should be highlighted in the Internal Audit Report.

N.V Cash Verification

1. Select the dates on which verification is to be done.
2. Verify whether the system of surprise cash verification is being followed or not. Perform surprise physical verification of cash (including revenue stamps) also on the selected dates without any prior intimation or indication to the Cash Section.
3. Check the torn (soiled) notes in hand.
4. Scrutinize Daily Cash book to ensure that cash in hand is under the insured cash holding limit.
5. Check the Cash book and Cash statement of the preceding day and verify that it has been signed by the Accounts Officer (Cash and Bank).
6. Ensure whether dual control exist for Cash in Chest.
7. Ensure that the Cash Book is written up-to-date and whether cash statement is prepared daily with periodical check by higher official.
8. Ensure the existence of fidelity insurance of cash handing person.
9. Obtain the Cash Balance Certificate duly authorized by the competent authority. Cash certificate should contain date, time, denomination of currency, preparer name, reviewer name, book balance in numeric and in words.
10. Exceptions, if any should be highlighted in the Internal Audit Report.



N.VI Bank Reconciliation

1. Bank reconciliations statements are to be checked for all months and all banks.
2. Ensure whether frequency of preparing and reviewing of BRS has been followed.
3. Obtain the Bank Reconciliation statement and the corresponding Bank Statements.
4. Ensure that bank confirmation has been taken on the defined periodicity basis, preferably for every month.
5. From the previous month's Bank reconciliation statement tick the outstanding items which have been cleared during the month under review. Regarding items still outstanding in the previous month's Bank reconciliation statement trace the entries in subsequent months and report any inordinate delays in the audit report.
6. Check the Bank Book entries for the month under review and trace them to the Bank statements.
7. List out all such un-ticked items which are neither in the Bank Book/General Ledger nor in the Bank Statement in the month under review.
8. Trace the un-ticked items listed above in subsequent months and report inordinate delays in the audit report.
9. Cheques issued but not presented for payment for more than 3 months which are to be subsequently transferred to 'Stale Cheques' account.
10. Tally the balance of the Bank Statement at the end of the month and that of the Bank Book with the Book reconciliation statement.
11. Exceptions, if any should be highlighted in the Internal Audit Report.

O. Review of Accounts

O.I Review of Sub-Ledger

Employees' Sub-Ledger

1. Select sample of the items to be audited as per sampling techniques defined in the IA Manual.
2. Review of monitoring process of pending outstanding balances and frequency thereof.
3. Review of the recoveries accounted in correct account code and adjusted against the correct employee code.
4. Review of recoveries from the employees in line with the HR Manual.
5. Review of long pending outstanding balances (Dr./Cr.) and reasoning analysis thereof.



6. Review of interest debited to the employees on outstanding advances and to ensure the chargeability thereof as per the HR Manual
7. Reconciliation of sub-ledgers' balances with general ledger and reasoning analysis of the deviations, if any.
8. Exceptions, if any should be highlighted in the Internal Audit Report

Contractors' Sub-Ledger

1. Select sample of the items to be audited as per sampling techniques defined in the IA Manual.
2. Check whether advances given to the contractors are adjusted as per terms and conditions agreed in LOA.
3. The material advances paid as per terms of the contract are recovered as soon as the materials are consumed in the execution of the work.
4. Verify that all deposits like EMD, SD have been maintained properly and reconciled with the General Ledger.
5. Ensure that records of material issued on loan to the contractors are properly maintained and follow-up is done for recoveries.
6. Recoveries in respect of rent, electricity, water charges etc. have been recovered from the contractors.
7. Check that the recovery towards the cost of departmental materials issued on recoverable basis, Retention Money etc. are properly accounted.
8. Exceptions, if any should be highlighted in the Internal Audit Report

O.II Review of General Ledger

1. Select sample of the items to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that reconciliation of sub-ledger has been done with the general ledger.
3. Ensure that provisions have been made for the expenditures which have been accrued.
4. Verify the exceptions like negative cash / bank balances.
5. Ensure that adjustment with regard to current assets and current liabilities have been done.
6. Exceptions, if any should be highlighted in the Internal Audit Report



P. Income

P.I Income

1. Select sample of the items to be audited as per sampling techniques defined in the IA Manual.
2. Check whether income booked on accrual basis has been calculated as per the rates given in the Central Electricity Regulatory Commission (CERC) guidelines/circular.
3. Ensure that revenue has been recognized in the books of account as per accounting policy of revenue recognition and in line with the Accounting Standard - 9.
4. Ensure whether surcharge for delay in payment has been charged as per the CERC guidelines/circulars.
5. Exceptions, if any should be highlighted in the Internal Audit Report

P.II Credit / Debit Notes

1. Select sample of the credit/debit notes to be audited as per sampling techniques defined in the IA Manual.
2. Examine the credit/debit notes and the request for credit/debit and verify the justification given by the concerned department for issue of the credit/debit note.
3. Ensure that the management accountant has recommended the credit/debit notes.
4. Also ensure that the competent authority has approved the credit/debit notes.
5. Check whether credit/debit notes are serially numbered and no duplicate credit memos are recorded.
6. Check whether any credit/debit memos issued in the previous period are reversed in the subsequent period.
7. Check the entry into the credit notes register and monthly totals into the general ledger.
8. Exceptions, if any should be highlighted in the Internal Audit Report.

P.III Sundry Debtors Account

1. Select the months to be checked.
2. Review the ageing analysis and understand reasons for delay in receipt of payments over and above credit period/ long outstanding.



3. Verify the calculations and adjustment for rebate to customers for LC charges and surcharge. Also check whether rebates are in line with the policy/agreement document.
4. Ensure that the age wise analysis was prepared in the stipulated time and that it has been approved by the concerned official in line with DOP.
5. Check the totals in each account with the balances in the general ledger for that period and ensure that these are reconciled for the relevant month.
6. Examine the reasons for outstanding and verify action taken and check the recoveries.
7. Inordinate delays in recoveries are to be enquired into and reported along with other irregularities observed in the audit report.
8. Examine the statement of account for the relevant month and trace the amount of the age wise analysis in the statement.
9. Verify the balance confirmation from all the customers and ensure that the balances are reconciled.
10. Enquire about the follow up procedure taken up for recoveries of outstanding. Check whether legal suits have filled for continued failure in payment as per the terms of the agreement.
11. Check whether all the necessary documents for follow up are on record.
12. Ensure that differences in accounts have been checked and adjusted.
13. Report the subsequent month's statements of account, confirming the adjustments in the next month's statements of accounts.
14. Report the un-reconciled balances and other discrepancies in the audit report.

P.IV Reconciliation and Balance Confirmation

1. Ensure periodic reconciliations have been carried out with all key customers and State Electricity Boards as per the policy.
2. Ensure that annual balance confirmations have been obtained from all the customers or necessary follow-up has been done.
3. Report the un-reconciled balances and other discrepancies in the Internal Audit Report.



Q. Expenditure

Q.I Insurance

Insurance General

1. Select insurance policies to be checked.
2. Ensure that comprehensive insurance policy has been taken as per the insurance policy of the Company.
3. Ensure that process to update new assets is in place.
4. Ensure that Insurance policy has been taken for the value, not less than the actual value of relevant assets.
5. Ensure that all the possible risks pertaining to the assets are insured under Policy.
6. Ensure that insurance policies were not invalid during the entire time period.
7. Ensure that insurance premium paid has been correctly computed and accounted.
8. Ensure that payment voucher is duly authorized by the Competent Authority as per DOP and examine the receipt of the Insurance Company confirming receipt of the payment.
9. Ensure that provision has been made, if required
10. Ensure that there is no unclaimed amount of loss on any assets.
11. Ensure that claims have been filed on time as required under the policy.
12. Ensure that calculation of actual loss to be claimed has been done correctly.
13. Trace the entry into the general ledger.
14. Exceptions, if any should be highlighted in the Internal Audit Report.

Insurance Vehicles

1. Select sample of vehicles for which insurance policy needs to be audited, as per sampling techniques defined in the IA Manual.
2. Ensure that Comprehensive Insurance policy has been taken e.g. all the vehicles are covered under policy.
3. Ensure that process of updating the new vehicle is in place.
4. Ensure that Insurance policy has been taken for the value not less than the written down value of relevant vehicles in the Fixed Assets Register.
5. Ensure that all the possible risks pertaining to the vehicles are insured under Policy.



6. Ensure that insurance policies were not invalid during the entire course.
7. Ensure that insurance premium paid has been correctly computed and accounted.
8. Ensure that provision has been made, if required
9. Ensure that payment voucher is duly authorized by the Competent Authority as per DOP and examine the receipt of the Insurance Company confirming receipt of the payment.
10. Ensure that there is no unclaimed amount of loss on any assets.
11. Ensure that claims have been filed on time as required under the policy.
12. Ensure that calculation of actual loss to be claimed has been done correctly.
13. Ensure that unclaimed bonus has been adjusted in the premium amount at the time of renewal of the policy.
14. Trace the entry into the general ledger.
15. Ensure that vehicles recently added are duly endorsed under the existing policy.
16. Exceptions, if any should be highlighted in the Internal Audit Report.

Q.II Repair and Maintenance

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that vouchers are supported by the proper evidences.
3. Ensure that vouchers and supporting thereof have been duly authorized by the competent authorities as per DOP.
4. Ensure that bills submitted, are in the name of the Company.
5. Ensure that repair and maintenance expenses are under the budgeted amount.
6. Where quotation etc. is to be invited for repairs & maintenance job, check that all tender formalities have been followed. Follow steps as stated under Audit of Contracts Tender Documents.
7. Check the frequency of repairs and maintenance in respect of particular asset and its responsibility.
8. Check the certificate from the department concerned confirming that satisfactory repair / maintenance have been carried out.
9. Examine the nature of expense and ensure the same has been correctly charged as per accounting policy of corporation with correct accounting code.



10. Ensure that provision has been made, if required.
11. Ensure that tax, if any has been deducted on the payment of the expenses.
12. Ensure that consumables have not been capitalized.
13. Ensure that all Annual Maintenance Contracts (AMCs) related to the repair and maintenance are valid.
14. Ensure that bills have not been passed for consumables of repair and maintenance done by the in-house department.
15. Exceptions, if any should be highlighted in the Internal Audit Report.

Q.III General Expenses – Electricity, Water etc.

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that vouchers are supported by the relevant bills.
3. Ensure that vouchers and supporting thereof have been duly authorized by the competent authorities as per DOP.
4. Ensure that these expenses are under the budgeted amount.
5. Verify the bill and receipt and match them with the amount in the voucher.
6. Verify the entry into the general ledger.
7. Check that the tax is deducted at the prescribed rate wherever applicable and the remittances made to income tax authorities in the stipulated time.
8. Ensure that recovery; if any is to be made from the employees under the HR manual have been made.
9. Ensure that rebate, if any has been availed on timely deposition of the payment.
10. Exceptions, if any should be highlighted in the Internal Audit Report.

Q.IV Rent

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that vouchers are supported by the rent agreements, etc.
3. Ensure that voucher and supporting thereof have been duly authorized by the competent authorities as per DOP.



4. Verify rent paid for the premises with rent agreement. In case of new premises, refer the legal deed, approval of competent authority etc.
5. Check the receipt of the landlord and confirm the amount tallies with the amount in the standing expense register / legal deeds and voucher.
6. Ensure that these expenses are under the budgeted amount.
7. Examine the nature of expense and ensure the same has been correctly calculated & charged as per accounting policy of corporation with correct accounting code.
8. Ensure that provision has been made, if required.
9. Ensure that tax, if any has been deducted on the payment of the expenses.
10. Exceptions, if any should be highlighted in the Internal Audit Report.

Q.V Repairs / Servicing of Vehicles

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that vouchers are supported by the proper evidences.
3. Ensure that vouchers and supporting thereof have been duly authorized by the competent authorities as per DOP.
4. Ensure that bills submitted are in the name of the Company.
5. Ensure that these expenses are under the budgeted amount.
6. Examine the nature of expense and ensure the same has been correctly calculated & charged as per accounting policy of corporation with correct accounting code.
7. Ensure that provision has been made, if required.
8. Check that frequency of repairs for particular vehicle is reasonable.
9. Check the entry in the vehicle maintenance register and history record of particular vehicle.
10. Ensure that log books are maintained and updated for each vehicle on timely basis.
11. Check the amount of the estimate with the amount of cash memo / bills attached to the expenses statement.
12. Exceptions, if any should be highlighted in the Internal Audit Report.



Q.VI Advertisement and Publicity or Public notices/ Tender notices

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that vouchers are supported by the proper evidences.
3. Ensure that vouchers and supporting thereof have been duly authorized by the competent authorities as per DOP.
4. Ensure that bills submitted are in the name of the Company.
5. Verify the matter advertised had prior approval of the competent authority.
6. Ensure that these expenses are under the budgeted amount.
7. Examine the nature of expense and ensure the same has been correctly charged as per accounting policy of corporation with correct accounting code.
8. Ensure that provision has been made, if required.
9. Check the copy of the advertisement in the newspaper/journal and check the date of publication with the bill.
10. Exceptions, if any should be highlighted in the Internal Audit Report.

Q.VII Administrative Expenses

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that vouchers are supported by the proper evidences.
3. Ensure that vouchers and supporting thereof have been duly authorized by the competent authorities as per DOP.
4. Ensure that bills submitted are in the name of the Company.
5. Ensure that these expenses are under the budgeted amount.
6. Ensure that there is a provision in the budget for expenses and the same has been approved by the competent authority.
7. Examine the nature of expense and ensure the same has been correctly charged as per accounting policy of corporation with correct accounting code.
8. In case of stationery and other large items verify the relevant purchase order in accordance with the audit procedure for purchases.
9. Exceptions, if any should be highlighted in the Internal Audit Report.



Q.VIII Miscellaneous Expenses

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Ensure that vouchers are supported by the proper evidences.
3. Ensure that vouchers and supporting thereof have been duly authorized by the competent authorities as per DOP.
4. Ensure that bills submitted are in the name of the Company.
5. Ensure that these expenses are under the budgeted amount.
6. Examine the nature of expense and ensure the same has been correctly charged as per accounting policy of corporation with correct accounting code.
7. Ensure that provision has been made, if required.
8. Check the entry into the general ledger.
9. Exceptions, if any should be highlighted in the Internal Audit Report.

Q.IX Prior Period Expenditure

1. Ensure that expenses have been booked in compliance of the Accounting Standard – 5 issued by the Institute of Chartered Accountants of India.
2. Check the previous year schedule as to ascertain whether provision has been made for all the expenses under the various heads like Electricity, Rent, Water, etc. for the month of March.
3. Ensure that all payments in the month of April pertaining to March month is discharged by debiting liabilities account with the approval of competent authority.
4. Verify and ensure that in the absence of provision for expenses exceeding by the prescribed limit, the same has been debited to prior period expenditure (as per Accounting Policy). Below than the prescribed limit, all expenditure to be booked to respective head of accounts.
5. Exceptions, if any should be highlighted in the Internal Audit Report.

Q.X Expenditure on Renovation and Modernization

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Verify the nature of expenditure whether it is Repair or Replacement or substitution of the asset and ensure that it is incurred with the approval of competent authority.



3. See whether the expenditure is incurred for increasing the useful life of the asset / decreasing the operating cost.
4. In case of expenditure on account of Replacement / Substitution where the amount is exceeding the prescribed limit it should be seen that the original cost along with the accumulated depreciation is written back and the expenditure on replacing an asset is capitalized as per accounting policy.
5. Exceptions, if any should be highlighted in the Internal Audit Report.

Q.XI Imprest Accounting for Expenses

1. Select sample of the vouchers to be audited as per sampling techniques defined in the IA Manual.
2. Review of the requests for imprest and to ensure that whether it has been authorized by the Competent Authority as per DOP before the release of the payment.
3. Examine the vouchers paid through imprest as per cash payments audit procedures.
4. Check the voucher along with the account of the imprest and supporting bills and verify that this has been duly approved by the competent authority.
5. Verify that the correct head of accounts have been debited with corresponding credit to the imprest account.
6. Check that the expenditure made from Imprest Accounts is for the purpose for which imprest was sanctioned. Imprest Account should be closed as soon as it is required for recoupment but not later than a month. The imprest in any case should be closed at the end of the financial year and the unspent balances should be remitted before the end of financial year.
7. Check that the imprest accounts are operated by the person to whom the imprest has been sanctioned.
8. Check that the expenditure included in the imprest accounts has the approval of competent authority as per delegation of powers.
9. Exceptions, if any should be highlighted in the Internal Audit Report.

R. Taxation Compliances

R.I Income Tax Act,1961

1. Ensure deduction of tax at source (TDS) at prevailing rates
2. Ensure monthly deposit of TDS by 7th of next month.



3. Ensure timely issuance and collection of Monthly/ Yearly TDS Certificates (quoting PAN No of the deductee) as per the provisions of Income Tax Act,1961.
4. Ensure filing of Form 15G / 15H in case of non-deduction / lower deduction of TDS.
5. Ensure filing of quarterly returns within 15 days after the expiry of each quarter. Correct PAN details in quarterly returns.
6. Ensure that TDS rates are ascertained by verifying the PAN No. of the assessee.
7. Ensure that there is no case where TDS needs to be deducted but was not deducted.
8. Ensure submission of income tax return within the due date mentioned under section 139 to avoid interest under section 234A, 234B and 234C.
9. Check to ensure timely payment of advance as per the provisions of the Act.
10. Check to ensure whether tax audit was done on or before the due date under section 44AB.
11. Check payments made in cash under section 40A.
12. Verify assessment status and assessment orders.

R.II Service Tax

1. Ensure monthly deposit of service tax by 5th of every month in Form TR -6/ GAR7
2. Ensure timely filing of half yearly return by 25th in Form ST-3.
3. Ensure compliance to Cenvat Credit Rules for input service tax credit.
4. Verify assessment status and assessment orders.

R.III Central Sales Tax

1. Check valid registration certification.
2. Ensure chargeability of sales tax at the rate applicable.
3. Ensure timely deposit of monthly sales tax in time via form no CST - 5A.
4. Ensure timely filing of quarterly returns in form no. CST -1 as applicable within time.
5. Verify assessment status and assessment orders.



R.IV Value Added Tax (VAT) / Local Sales Tax/ Works contract Tax (WCT)

1. Ensure WCT is deducted as per applicable rates.
2. Ensure timely deposit of WCT and issuance of WCT certificate to the vendors.
3. Ensure monthly/ quarterly deposit of VAT within time.
4. Ensure filing of quarterly/ annual returns within time.

S. Statutory Compliances

S.I Companies Act, 1956

1. To ensure that following registers / books are maintained (if applicable):
 - a. Register of Investments
 - b. Register of Deposits
 - c. Register of securities bought back
 - d. Register of charges
 - e. Register of members
 - f. Index of members
 - g. Minutes books
 - h. Books of Accounts
 - i. Register of particular of contracts
 - j. Register of directors, MD, Secretary
 - k. Register of Investments/ Loans/ Guarantees made
 - l. Register of records destroyed
 - m. Register of Inspection
 - n. Register of director's attendance
 - o. Fixed Assets Register
2. Ensure whether properly signed Annual Return is filed within 60 days of AGM?
3. Ensure whether Balance Sheet is adopted at the AGM and three copies are filed within 30 days of AGM?
4. Ensure for any Change in Office during the year, whether Form 18 filed with ROC within time?



5. Ensure timely filing of any resolution or agreements during the year to be filed with ROC in Form 23.
6. Ensure whether Form 25C is filed with ROC within 90 days of any whole time director/MD appointment during the year.
7. Ensure in case of any charge created or modified during the year, Whether Form 8 & 13 filed within 30 days.
8. Ensure whether notice was sent and whether attendance recorded for all the board meetings held during the year.
9. Ensure whether in all meeting quorum was present, circular resolutions noted, previous minutes got confirmed, minutes entered into minutes book and signed.
10. Ensure whether AGM is held within 15 months of last AGM, held on working day and working hours, provisions of notice, explanatory statement, quorum, chairman, proxy, attendance, register of directors shareholdings, minutes are complied with.
11. Ensure whether notice was sent before 21 days for AGM with Balance Sheet, Directors Report, and Compliance Certificate.
12. Ensure recording of Minutes in minutes book of AGM.
13. Ensure Whether all provisions of Extra-Ordinary General Meeting are complied in case any EGM was held during the year.
14. Ensure whether approvals have been taken in case any loan has been given to Director or his interested relative, firm, company.
15. Ensure whether all contracts, in which director is interested, are entered into Register and vote of each director is mentioned.
16. Ensure whether provisions of director's appointment, re-appointment, removal, if any, and resignation, consent, by rotation, disqualification, register are complied with.
17. Ensure whether all directors have disclosed their interest in Form 24AA before end of financial year, recorded in register, put up to Board?
18. Ensure whether borrowings are within limit and whether special approval of members obtained for excess borrowings.
19. Ensure whether any prosecution initiated or show cause notice or compounding done during the year.
20. Ensure whether all requirements are complied pertaining to any resolution passed by Postal Ballot.
21. Exceptions, if any should be highlighted in the Internal Audit Report.

S.II Employees Provident Fund & Misc. Provisions Act, 1952

1. Ensure Declaration / Nomination forms (Form 2) are filled by every employee who joins the fund for the first time.
2. Ensure addition of employees is recorder in Form 5 on monthly basis.
3. Ensure monthly record showing aggregate amount in recoveries made from the wages of all members and the aggregate amount contributed by the employer is maintained as stated under the Act.
4. Verify statements submitted by the contractors to UPCL showing PF recoveries from his employees within 7 days of the close of every month
5. Ensure timely submission of Consolidated Annual Contribution Statement in Form 6-A to the Commissioner after the close of the period.
6. Ensure timely deposit of PF contribution with the appropriate authorities on a monthly basis act required under the Act.
7. Ensure PF amount is calculated at the prescribed rates.

S.III Payment of Gratuity Act, 1972

1. Ensure gratuity is paid to employees who have rendered continuous service for a period not less than 5 years within 30 days of superannuation, retirement, resignation, death or disablement due to accident or disease.
2. Ensure whether abstract of the Act and Rules made there under as given in Form U are displayed in English and in the language understood by the majority of employees at or near the main entrance of the establishment.
3. Ensure Form L is submitted when gratuity becomes due within 15 days of the receipt of application for payment of gratuity
4. Ensure Form M is submitted when gratuity is found not admissible within 15 days of the receipt of application for payment of gratuity.

S.IV Payment of Wages, Minimum Wages Act, ESI, Labour Cess Act, Building and other construction workers Act and other Labor Acts

1. Ensure as a principal employer, the contractor has taken the license in the applicable labour acts and complied with the provisions of these Acts.
2. Ensure that proper monitoring mechanism is in place with adequate documentation and contractor's bills are processed only after ensuring compliance to these acts.



T. Other Miscellaneous Areas

1. Compliance of Provisions of LT/HT Regulations.
2. To ensure the compliance of Electricity Act, 2003 and other orders and guidelines issued by UERC from time to time.
3. All prescribed MIS and functional feedback that is generated in the system or is prescribed to be generated shall be reviewed. Audit will focus to confirm the reliability of the reports produced and also assess in context to the potentials for improvement, which the same may embody.
4. The prescribed provisions, procedures and regulation of CARO, Accounting Standards and also reports of Statutory and Supplementary Audit of AG shall be kept in view while performing the internal audit activities and early management feedback provided wherever any situation of concern are visible.
5. Checking of the Statement of ARR (Annual revenue return) submitted by the corporation to the UERC.
6. Any other areas which may be required to be covered as per orders and guidelines issued by UERC, Government and UPCL from time to time and required to be strictly adhered to and covered at the time of commencing the Internal Audit of units.
7. Comment on the checking conducted by Departmental officers/ Vigilance/ Raid team and Assessment/ realisation, etc. made.
8. To check the old and pending cases of embezzlement.

Appendix 10: Glossary

AG	Auditor General
AGM	Annual General Meeting
AMC	Annual Maintenance Contracts
AMR	Automatic Meter Reading
ATC	Advice of Transfer Credit
ATD	Advice of Transfer Debit
BRS	Bank Reconciliation Statement
CARO	Companies (Auditor's Report) Order, 2003
CERC	Central Electricity Regulation Commission
DOP	Delegation of Power
ECS	Electronic Clearance System
EDC	Expenditure During Construction
EGM	Extraordinary General Meeting
FIFO	First in First Out
HT	High Tension
ICAI	Institute of Chartered Accountants of India
IDC	Interest During Construction
IFB	Invitation for Bids
LC	Letter of Credit
LD	Liquidated damages
LF	Load Factor
LOA	Letter of Award
LT	Low Tension
MBD	Model Bidding Document
MOU	Memorandum of Understanding
MRT	Meter Relay Testing
NIT	Notice Inviting Tenders

NOA	Notice of Award
PSL	Price Stores Ledger
PWC	Purchase and Works Committee
ROC	Registrar of Companies
SIA	Standards of Internal Audit
TOC	Tests of Control
TOD	Tests of Details
UERC	Uttarakhand Electricity Regulatory Commission
UPCL	Uttarakhand Power Corporation Limited