

**Corrigendum-No.1 to tender No. ICSIL/2020-21/105/Internal Audit Dated-06/08/2021**

- (1) In reference to aboveTender No: ICSIL/2020-21/105/Internal Audit, it is to inform all interested bidders that Annexure-A mentioned at page No.4 is attached herewith to form a part of this tender.
- (2) Revised last date and time for submission of Bid shall be 31/08/2021,15:00 hrs.  
Revised date and time for opening of BID shall be 31/08/2021, 15:30 PM.**

## Annexure-A

**Major areas to be covered during the course of Internal Audit** The Internal Audit shall be carried out in accordance with the Auditing Standards and Accounting Standards prescribed by the Institute of Chartered Accountants of India and will include such tests and controls, as the Auditor considers necessary under the circumstances. The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control with special emphasis on the following:

### Financial Accounting & Financial Reporting Systems:

The overall Financial accounting & Financial reporting system to be checked thoroughly with the special stress on the below items:

All Accounting is being done as per Accounting Standards and Accounting Policies of ICSIL.

Cash, bank, journal vouchers including rectification vouchers are prepared correctly and trial balance is prepared accordingly.

Project estimate and reporting turnover as per Ind As.

Monitoring of physical and financial progress of work vis-a-vis targets .

Bank statements & monthly bank reconciliation statements  
Balance confirmation with all Debtors & trade Receivable...etc

TDS & payment of Statutory dues  
Prior period adjustments

Provisions and contingent liabilities  
Bank Guarantees & FDRs

Timely recovery of advances and interest.

## Tenders and allied matters

### - Pre-tender Stage

The tenders should be floated as per Govt. Guidelines For Tendering (i.e. GFR...etc) or ICSIL Purchase manual, and approval of the competent authority as per the Delegation of Powers (DOP).

Ensure that the basis of preparation of estimates for work/package is realistic and logical (based on LAR, schedule of rates etc.), and has the approval of the competent authority as per DOP.

### - Tendering Process

The Comparative Statement and the Briefing Notes should be vetted by Finance and their correctness should be checked based on random sampling method including compliance conditions on technicals with immaculate compliance with submission of requisite documents to qualify.

Tender Committee (TC) minutes should be verified to establish the reasonableness of rates (considering the special conditions, if any) and irregularities to be reported.

In the contracts, where client procedures are to be followed, ensure proper documentation and compliance of the same.

### - Award of Work

Letter of Award (LOA) should be issued as per TC recommendations and only after finance vetting. An accepted copy of same should be verified to rule out any deviations /omissions.

Earnest money provided should be kept in safe custody and to be checked for sufficiency and validity.

### - Contract Agreement

An agreement should be executed within the time stipulated by LOA and should be signed by competent authorized signatories.

Checking of contract conditions before paying or receiving mobilization or other advances by the project

## **Project Execution**

- Monitoring of physical and financial progress of work.
- Comparative study of the actual costs vis-a-vis sanctioned estimates, and major deviations are to be reported.
- Reconciliation between total work done, work certified and uncertified, work billed and unbilled, payments received from the client, recoveries including taxes, retention money, performance guarantee, mobilization and plant advance, interest, etc., in terms of the contract.
- In cases, where extension of completion date of the contracts is required, the delay should be properly justified and validated by approval from competent authority. Further, Liquidated Damages (LD) should also be imposed, as per the provisions of the contract, wherever required.
- Any non-schedule item should be supported by proper approvals from competent authority.
- In case of departmental work, realistic estimates of the work should be prepared and approved by competent authority. Further, material procured and consumed should be properly reconciled at frequent intervals.

## **Manpower outsourcing Projects**

- Robustness and sufficiency of system for recruitment of manpower outsourced to different govt. Govt /Agencies.
- Details of Manpower outsourced.
- Proper Procedures have been followed for recruitment of outsourced manpower to Govt. Deptt.

- Verification of competent authority approval of manpower outsourced to Govt. Deptt.
- Verification details like KYC...etc. of outsourced manpower personal.
- System of receiving Attendance sheet and certification by responsible officer.
- Proper deduction of ESIC,EPF ..etc from salary.
- Ascertaining back-to-back recoveries from Outsourced Manpower of deductions made by the Deptt/client.
- Proper upkeep and maintenance of individual outsourced records including Attendance sheet of all outsourced manpower.
- No claim certificate from Outsourced manpower should be obtained with final payment.
- Compliance with Law including Statutory & Labour law .
- Govt. guidelines have been followed or not.

### **Procurement of materials, recording of Receipts and issues including client materials**

- Robustness and sufficiency of processes
- Details of tenders awarded on nomination and single tender basis, whether any splitting of procurement in order to circumvent tender policies is observed?
- Verification of purchase procedure on the basis of indents, purchase orders, quotations, price comparative statements, authorized distributor list, etc.
- Checking of material receipts on the basis of purchase orders, delivery challans/ invoices, weigh slips with the goods receipt notes.
- Compliance to quality control procedures.
- Checking issue of materials on the basis of issue slips, authorized signatory list, etc.
- Checking records of reusable items .
- Inventory valuation including transportation and other acquisition costs and proper allocation of other overheads based on appropriate valuation method.

## **Assets i.e. Plant and Equipment...etc.**

- Physical verification of equipment owned by ICSIL.
- Checking logbooks to ensure proper record keeping.
- Analyse utilization of own equipment vis-à-vis hired equipment with respect to the volume of work done.
- Checking validity of rates of hired equipment compared to the market rates.

## **Contract/Sub-contracting**

- Ensure the timely submission of performance guarantee, as per the provisions of the contract
- Labour license requirements need to be verified, as per Contract Labour (Regulation and Abolition) Act 1970
- Proper monitoring of the milestones achievements (physical and financial both), as per the provisions of the contract
- Advances to the sub-contractor, such as mobilization advance etc. should be need based and to be given strictly as per the provision of the contract, ensuring the sufficient collateral (in form of bank guarantee etc.)
- Scrutinizing monthly running account (RA) bills of the subcontractors with respect to the work orders relating to the quantity of work, rates, plant and mobilization advance, interest (if any), retention deposit, GST-TDS, TDS, material recoveries, deductions for services availed, liquidated damages, etc.
- Ascertaining back-to-back recoveries from sub-contractors bills of deductions on account of work made by the client.
- Proper upkeep and maintenance of measurement books (MB) of all outsourced work.
- No claim certificate from Contractor/Sub-contractor should be obtained with final bill.
- Contractor & Supplier ledger should be properly maintained

## Client billing and receivable

- Checking the billing terms and conditions, which are either defined in the MOU signed between client and ICSIL or as per the provisions of the contract.
- Ensure that the timely bills are being raised as per provisions of the billing terms and conditions. Major deviations are to be reported.
- Collections from the client with respect to the contractual collection period. Scrutiny of receipts in bank, otherwise than from cheques received from clients.
- The review of the receivables has been carried out as per Guidelines issued by Company from time to time.
- Receivables ageing and realization analysis
- In case of final bill, ensure that it should include variation in quantity, non-schedule items, price escalation etc, if any.

## Franchise Centre

- Checking the terms and conditions, which are either defined in the MOU signed between Franchises centre and ICSIL or as per the provisions of the contract
- Ensure the timely submission of performance guarantee/EMD , as per the provisions of the contract
- Proper monitoring of the milestones achievements (physical and financial both), as per the provisions of the contract
- Proper upkeep and maintenance of measurement books (MB) of all outsourced work.
- Franchise ledger should be properly maintained
- Collections from the Franchises with respect to the contractual collection period. Scrutiny of receipts in bank, otherwise than from cheques received from clients.
- The review of the receivables has been carried out as per Guidelines issued by Company from time to time.
- Ensuring timely submission of payment details of franchises fee on monthly basis.
- Receivables ageing and realization analysis.

## **Profit and Loss Analysis**

### **Establishment matters**

- Checking of wages and salaries of different categories of employees including officers, contract staff, monthly and daily rated workers on the basis of their respective terms and conditions of employment.
- Test check a few individual files of personnel posted.
- Comparison of actual manpower deployment with the monthly budgets.
- Ensure compliance of PF and ESIC laws .
- Attendance verification of manpower deployment by ICSIL, if terms of payment are dependent on actual attendance, particularly in case of security guards and helpers.
- Verify the records with special attention to Medical rules, Final Settlement, Travelling allowances, Staff Loans/Advances etc.
- Verification of Competent authority approval as per Delegation of Power(DOP).

### **Statutory registrations, deductions and payments**

- Identification of legal framework and statutes as applicable and compliance thereof
- Check registrations/renewals with different statutory authorities like labour department, PF, ESIC, GST, Professional Tax, electricity and water supply authorities, etc.
- Ensure correct deductions and recoveries of taxes and statutory levies like TDS, TCS, GST,GST-TDS, PF, ESIC, Professional Tax, labourCess etc.
- Ensure timely payment and deposit of taxes and other statutory levies.
- Adherence to time limits in filing prescribed returns.
- Verify system of availing input tax credit on purchases and service tax against liability of GST through a proper procedure of set-off.



- Reconciliation of payments and deductions made by the client with actual liability on the basis of work done and ascertainment of year-end liability.
- Status of assessments before various tax authorities.
- Details of statutory disputes and cases pending before various authorities with financial implications for being treated as contingent liabilities.

### **Assets and Liabilities**

- Ageing of advances and scrutinizing debit balances, including Assets /cash advances given to staff, workers, suppliers, subcontractors and other parties. Classification into recoverable and non-recoverable advances. Assessing the adequacy of provision of doubtful advances. Matching advances against corresponding liabilities.
- Assessing the proper estimation and adequacy of provisions made at the year-end and outstanding liabilities. Scrutinize all credit balances.
- Identifying pre-paid expenses.
- Maintenance of Fixed Assets register, Physical verification and calculation of depreciation.
- Claims management system and review of that.

### **Miscellaneous Matters**

- For arbitration, court cases and contingent liabilities, proper provisions should be calculated and booked.
- Any material procured from Micro, Small and Medium Enterprises (MSME), provisions of MSMED Act to be followed.
- Review of the deposit with Govt. Departments such as Electricity, Water, and Telephone etc.
- Detection of systemic flaws and suggestions for adopting corrective measures.

- Irregularities of serious nature noticed during audit are to be reported through a special report.

## Special items

The scope for Internal Audit. is required to give additional attention to the below:

Taxation Issue including statutory compliances

Payroll and leave records

Approval of competent authority including financial concurrences as per DOP.

Note:

- *The details above are not to restrict the Scope of Internal Auditors but are only to meet with the minimum specific requirements for the internal control of company.*
  - *Internal Auditors are encouraged to suggest solutions to rectify the errors or deficiencies and not merely confine to making observations. Internal Auditors should also give suggestions for system improvement and ensure compliance of the audit observations at the Project site itself in their presence.*