

INVITATION
OF
EXPRESSION OF INTEREST (EOI)
FOR
OUTSOURCING OF INTERNAL AUDIT BY
EMPANELMENT AS INTERNAL AUDITOR
OF
Jharkhand Bijli Vitran Nigam Limited



FOR THE F.Y. 2014-15 & 2015-16

NOTICE

Notice inviting Expression Of Interest (EOI) for Appointment of Firms of Chartered / Cost Accountants to conduct the Internal Audit in JBVNL for the FY 2015-16 (extendable up to 3 years)

Jharkhand Bijli Vitran Nigam Limited invites expression of interest (EOI) from firms of Chartered / Cost Accountants for appointment as Internal Auditors for the following offices for the FY 2014-15, 2015-16 (concurrent audit monthly /quarterly):--

S. No.	Offices	The location of the Firm should be in the following Cities:
I	Corporate Office/ Nigam Hqr.	Ranchi, Gumla
II	ESA Ranchi	
	ESC Ranchi	
	ESC Gumla	
III	ESA Jamshedpur	Jamshedpur, Chaibasa
	ESC Jamshedpur	
	ESC Chaibasa	
IV	ESA Dhanbad	Dhanbad, Chas, Bokaro
	ESC Dhanbad	
	ESC Chas	
V	ESA Hazaribagh	Hazaribagh, Ramgarh
	ESC Hazaribagh	
	ESC Ramgarh	
VI	ESA Dumka	Dumka, Sahebganj, Deoghar, Pakur
	ESC Dumka	
	ESC Sahebganj	
	ESC Deoghar	
VII	ESA Giridrh	Giridih, Koderma
	ESC Giridih	
	ESC Koderma	
VIII	ESA Medininagar	Medininagar, Daltonganj, Garhwa
	ESC Daltonganj	
	ESC Garhwa	

Professional Firms may apply for appointment as Internal Auditors, for any of the Seven Electric Supply Area and Nigam Hqr. However one eligible firm will be engaged for either one Area or Corporate Office/ Nigam Hqr. Only. Nigam reserves the right to include/ exclude projects as per future requirements.

Interested Firms are requested to go through the Eligibility Criteria carefully given in *Annexure-A* and submit their applications (along with quote for Professional Fee and relevant documents) in prescribed format given in *Annexure-B&C*. Applications must reach on or before 31-07-2015 in a sealed envelope addressed to :-

Finance Controller
Jharkhand Bijli Vitran Nigam Limited
Regd. Office:- Engineering Building,
HEC, Dhurwa, Ranchi-834004,

After careful scrutiny of applications, the eligible firms will be called to attend the interaction meeting with selection committee, which may be intimated individually also.

Firms may carefully read the details of Conduct, Frequency, Reporting Format and Scope given in *Annexure-D*. Important instructions to Professional Firms are given in *Annexure-E*.

Table of Content:

Annexure	Particular	Page No.
<i>Annexure-A</i>	Eligibility Criteria	4
<i>Annexure-B</i>	Standard format for submission of Technical details	5
<i>Annexure-C</i>	Standard format for submission of Professional Fee Quote	7
<i>Annexure-D</i>	Internal Audit (Conduct, frequency, Reporting Format and Scope)	9
<i>Annexure-E</i>	Important Instructions to Professional Firms	13

Any further clarifications can be sought from:--

**Shri Jayant Prasad,
DGM (Fin. & Acct.),
Mobile No. 9431135506**

Eligibility Criteria

Particulars	Minimum requirement
Year of Establishment	10 years old (cut-off Date-31/03/2015)
Base Location	The location of the Firm should be in the Cities/Towns, where Nigam's Area Offices/Circle Offices are located, as given in notice.
Average turnover from professional services for last 3 years	Not less than Rs. 10.00 Lacs
No. of professionally qualified CA/CMA as partners/employee	05
Statutory Audit- No. of companies (with operating turnover more than Rs. 500 cr.) audited in last 05 years	04 (at least 02 should be in PSU/ Banking sector)
Internal Audit- No. of companies (with operating turnover more than Rs. 500 cr.) audited in last 05 years	04 (at least 02 should be in PSU/ Banking sector)
Worked as Central/Joint Statutory Auditor- No. of schedule A/B PSU audited in last 05 years	01

Note: Weightage/ preference will be given to those firms having sufficient experience in power sector, audit and CA firms having their partner necessary experience of working in power companies etc.

Standard format for submission of Technical details*To be printed on the letterhead of the Firm***I. Basic Details**

- a) Name of the firm :
- b) Base Location and Full Address :
- c) Registration No. :
- d) Date of Registration :
- Age in Years (cut-off date
31/03/2015) :
- e) Average turnover for last 3 years (in Rs. Cr.) :

	Year	Turnover from professional services (in Rs. Cr.)
2015		
2014		
2013		

Details of

- f) Branches : Total.....no. of Branches in no. of Cities

S. No.	No. of Braches	City/State	Address
1.			
2.			

II. Manpower Details

- g) Details of Partners: Total.....no. of Partners

S. No.	Name	FCA/ACA/FCMA/ ACMA/DISA/ CISA	Membership No. and Member since	Date of Joining the firm
1.				
2.				

- i) Details of Other Audit Staff : Total....no. of Audit Staff out of which.... no. are
CA/CMA

S.	Name	Qualification	Whether CA/CMA	Date of Joining the firm
1.				
2.				

III. Details of Professional Experience in last five years

h) Statutory Audit

S. No.	Name of the Company	Operating turnover in Rs. Cr. (in the year of assignment)	Industry (Banking /Other)	Period of the assignment
1.				
2.				

i) Internal Audit

S. No.	Name of the Company	Operating turnover in Rs. Cr. (in the year of assignment)	Industry (Banking /Other)	Period of the assignment
1.				
2.				

j) Worked as Central/Joint Statutory Auditor

S. No.	Name of the Company	Schedule A / Schedule B PSU	Industry (Banking/Other)	Period of the assignment
1.				
2.				

IV. Whether Firm Already worked as Internal Auditors/ Professional Consultant of erstwhile JSEB: if yes, provide the details

Annexure-C

Standard format for submission of Professional Fee Quote

To be printed on the letterhead of the Firm

Name of the Firm	
Base Location	
Indicative Fee (excluding taxes) in Rs.	

Internal Audit (Conduct, Reporting Format and Scope)

A. Conduct of Internal Audit

The Internal Audit work is controlled and monitored by the Head of Internal Audit Cell of the Nigam, who directly reports to FC and discharges his duties under his guidance. The work of Internal Audit is carried out by engaging firms of CAs/CMAs, preferably located in each Area office/Circle office. Apart from Annual Internal Audit for past previous years, concurrent audit for F.Y. 2015-16 will be taken up by outsourcing of Internal Audit work.

B. Reporting Format

Internal Audit Reports shall be prepared in five separate parts, namely:

Part-I: Executive Summary of significant observations

Part-II: Action taken by the unit on previous Internal Audit Report

Part-III: Important items which, in the opinion of the Auditor, should be brought to the notice of the Corporate Office

Part-IV: Matters which, though erroneous, are minor in nature and would be adequate, if rectified locally

Part-V: Suggestions for systems improvement.

The Auditor must discuss the draft report with the unit head before drawing up the final report and make a specific mention of this in his report. The Auditor must hand over one copy of the report to the unit head for necessary compliance and send a copy of the full Report (in soft and hard both) to the head of Internal Audit Cell in the Nigam Head Office.

No para of the Internal Audit Report can be taken as closed unless satisfactorily resolved. Outstanding paras will be carried forward to the next report and need to be properly addressed/ complied in Part-II of the Internal Auditor's Report.

C. Scope of Internal Audit

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 functional mechanism of the entity, including the entity's strategic risk management and internal control system. Internal audit, therefore, provides assurance that there is transparency in reporting, as a part of good governance.

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 existing 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:

1. Tenders and allied matters

i. Pre-tender Stage

1. The tenders should be floated as per Guidelines for Tendering (GFT), and approval of the competent authority as per the Delegation of Financial Powers (DOFP).
2. Ensure that the basis of preparation of estimates for work/package is realistic and logical (based on cost data, schedule of rates etc.), and has the approval of the competent authority as per SOP.

ii. Tendering Process

1. The Comparative Statement should be vetted by Finance and their correctness should be checked based on random sampling method.
2. Tender Evaluation Committee (TEC) minutes should be verified to establish the reasonableness of rates (considering the special conditions, if any) and irregularities to be reported.

iii. Award of work

1. Letter of Award (LOI) should be issued as per TEC recommendations and only after finance vetting. An accepted copy of same should be verified to rule out any deviations /omissions.
2. Earnest money provided should be kept in safe custody and to be checked for sufficiency and validity.

iv. Contract Agreement

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

2. Project Execution

- Monitoring of physical and financial progress of work vis-a-vis targets
- 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.
- Analysis of work-in-progress in the context of work done and ageing of total outstanding. W-I-P to be further scrutinized with the following break-up - work done but not certified, work done certified but not billed and work done, certified and billed but not paid.
- Analysis of variation orders executed, which is, work done not expressly provided

in the contract, certified and billed, basis of rates billed, certified and approved and pending for approval.

- Scrutinize present status of work that is still to be executed, with respect to the contract for any changes in BOQ having material impact on the project, with acceptance from the client.
- 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

3. Procurement of materials, recording of Receipts and issues including client materials

- Checking 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 SRV & SIV, authorized signatory list, etc.
- Proper allocation of material issued to respective work orders of contractors.
- In case materials are issued to subcontractors on recoverable basis, check correctness of recording the issues, promptness of making recoveries and rates at which recoveries are made generally conforming to cost plus handling charges.
- In case of material transfer between projects, check the indents, gate passes, delivery challans, confirmation from receiving sites and rates of recording transfers.
- To check the correct recording of material receipts at the yearend cut-off dates.
- Monthly quantitative reconciliation of major materials like transformers. Conductors, poles etc. for computing the theoretical consumption based on work done and comparing the theoretical balance with actual physical balance and actual wastage with the standard norms.
- Analysis of slow moving inventory.
- Checking records of reusable items in TRW.
- Checking records of scrap with physical stock, billing of scrap sold, VAT and TCS, as applicable.
- Inventory valuation including transportation and other acquisition costs and proper allocation of other overheads based on appropriate valuation method.
- Physical verification of major items, particularly transformers. Conductors, poles expensive spares and consumables store items.

4. **contracting**

- Ensure the timely submission of performance guarantee, as per the provisions of the contract
- Mobilization plan (for plant & machinery, manpower etc.) submitted by contractor should be as per provisions of the contract
- Labour license requirements need to be verified, as per Minimum Wages Act
- 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 contractors with respect to the work orders relating to the quantity of work, rates, plant and mobilization advance, interest (if any), retention deposit, WCT, TDS, material recoveries, deductions for services availed, liquidated damages, etc.
- Ensuring all work outsourced to third parties is supported by proper work orders/agreements.
- Proper upkeep and maintenance of measurement books (MB) of all outsourced work.
- Analysis of time taken for the clearance of bill and final payment from the date of submission of the bill.
- No claim certificate from contractor should be obtained with final bill.
- Contractor & Supplier ledger should be properly maintained

5. **Billing and receivable**

- Checking the billing terms and conditions, which are either defined in the W.O/P.O/Agreement signed between client and JBVNL 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.

6. **Statutory registrations, deductions and payments**

- Check registrations/renewals with different statutory authorities like labour department, PF, ESIC, VAT, Service Tax, Professional Tax, mining department.
- Ensure correct deductions and recoveries of taxes and statutory levies like TDS, TCS, WCT, VAT, Service Tax, PF, ESIC, Professional Tax, labour Cess etc.
- Ensure timely payment and deposit of taxes and other statutory levies.
- Adherence to time limits in filing prescribed returns.

- 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.
7. **Assets and Liabilities**
- Ageing of advances and scrutinizing debit balances, including advances to staff, workers, suppliers, contractors. 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.
 - Physical verification of the FDR and Bank Guarantees to be done.
8. **Miscellaneous Matters**
- For arbitration, court cases and contingent liabilities, proper provisions should be calculated and booked.
 - Compliance made by the project upon comments made by the Statutory Auditors in its report..
 - 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 to the Head of Internal Audit Cell through a special report.
9. **Special items for Corporate Office**
- Since the type of work handled at Nigam Hqr. is different than of Field units attention to the below:
 - Taxation Issue including statutory compliances
 - Payroll and leave records

(In cases where quarterly audit is proposed, some areas like Establishment Matters, Insurance Policies etc. can be examined and reported on half yearly basis instead of quarterly)

Note:

- *The details above are not to restrict the Scope of Internal Auditors but are only indicative 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.*

Knowledge resource/documents to be referred

The indicative list of the knowledge resource/ documents, which are to be referred before embarking the assignment will be informed after appointment.

Important Instructions to Professional Firms

(A) Instructions:

- a. Format of Application must be completely filled in. Incomplete applications will be rejected outrightly.
- b. All EOIs will be evaluated on the basis of the documents furnished along with applications only. Any additional document received, after last date & time of receiving the EOIs as stipulated in the Notice Inviting EOIs, will not be entertained.
- c. Since, all the applications will be evaluated strictly on the basis of Eligibility Criteria please avoid attaching unsolicited information/ documents for processing applications expeditiously.
- d. All submitted documents should be signed by a Partner with his name and under the seal of the firm.
- e. Applications must be submitted under sealed cover superscribing the EOI Notice No. & date and the words 'Application for Appointment as Internal Auditor for 2015-16' thereon. The name and address of the firm must also be indicated on the body of the envelope.
- f. Application may be submitted in person or by post/ courier to Finance Controller Jharkhand Bijli Vitran Nigam Limited Regd. Office:- Engineering Building, HEC, Dhurwa, Ranchi-834004 .However JBVNL does not take any responsibility for loss of application in transit. Applications sent through Telegram, Telex, Fax or E-mail will not be considered.
- g. Any application received after the stipulated date & time, due to any reason whatsoever, will be rejected outrightly.

(B) List of documents to be submitted along with the applications/ EOIs:

Interested firms are advised to go through contents of the EOI documents carefully and submit all attested copies of the following documents in proper sequence along with the EOIs as described hereinafter:--

- i. Registration certificate of the firm issued by the Institute of Chartered Accountants of India and/or Institute of Cost Accountants of India
- ii. Membership certificates of the Partners/ Audit Staff issued by the Institute of Chartered Accountants of India and/or Institute of Cost Accountants of India.
- iii. Copies of ITR for last three years, as a proof of average turnover
- iv. Copies of appointment letters/experience certificate for statutory audit/ internal audit/ in organizations as evidence of experience (*in cases, where the firm worked as Central/Joint Statutory Auditor, it should be clearly mentioned on the certificate/letter*)
- v. Copy of PAN Card.
- vi. Copy of Service Tax Registration.
- vii. A copy of complete EOI document duly signed and sealed as a token of acceptance of all terms and conditions.

Revenue Audit

1. Checking of RS-I, III, III-A, Statement-VIII on monthly basis and Govt. Dues on yearly basis against all ES Division / ES Circle etc.
2. Audit of 100% HT consumers circle wise
3. Audit of 100% LTIS consumers circle wise
4. Test check of consumer billing of other categories based on Energy consumption, Load and Billing amount.

AREA OFFICE

1. 100% checking of files related to procurement of material/ Allotment of works contract.
2. 100% checking of files related to sanction of estimates related to works.
3. 100% checking of Bill registers/ Agreement register.
4. 100% checking of file related to assessment order passed under competency of area office under Section 126 of Electricity Act, 2003
5. 100% checking of cash book related to working fund/ RE head/ ADP head etc.
6. Checking of Earnest money registers/ Security registers/ Bank reconciliation statements.
7. 100% checking of GPF ledger related to workmen being maintained to area office
8. Load sanction.
9. Grant of instalment
10. Checking of Bills/ Agreement of billing agencies in consonance with revenue statement of circle/ division where payment is made from area offices.
11. Checking of quantity of scraps devoluted in Stores in comparison of repair of transformers in respective TRW

CIRCLE OFFICE

1. 100% checking of HT billing.
2. 100% checking of Revenue statements.
3. 100% checking of file related to allotment of work under deposit head.
4. 100% checking of files related to allotment of work without calling tender.
5. 100% checking of files/ register related to technical sanction of estimates & work orders.
6. Audit of LTIS & Commercial consumers 30 KW & above, 50% on rotation basis.
7. Domestic consumers - 10%
8. New connection
9. New service connection register
10. Assessment under section 126
11. Load sanction
12. Checking of Bills/ Agreement of billing agency in consonance with revenue statement of circle/ division.
13. Checking of file related to assessment orders passed under section 126 of Act.

Scope of Physical verification of materials at Electrical stores division

- i) Physical Verification of inventory on 100% basis lying in all Central stores under various supply circles
- ii) Preparation of joint Stock verification statement duly signed Auditor and representative of EEE (Store), & one representative from the auditor's side as per the proforma enclosed here with.

- iii) Derivation of closing balance, as on last date taking physical balance on the date of actual verification , less all receipt during the first day of the F.Y till the date of verification and add all issues during First day of the F.Y till date of physical verification.
- iv) Comparing of physical balance with book balance of all items and preparation of variance analysis report.
- v) Transformers issued to the repairer, received back from the repairer and lying with the repairer with capacity, quantity and date of issue from store to repairer is to be certified by the auditor. The statement will be provided by CESU.
- vi) Transformers received in various TRWs for repairing, materials used in repairing and returned back to different circles/ divisions/ sub divisions.
- vi) Checking of quantum of used transformer oil issued to reclamation unit and quantum received back and balance lying with reclamation Unit. A statement indicating all the details is to be provided by & certified by Auditor.
- vii) The auditor will segregate the stock to moving/slow moving/non-moving.
- viii) Streamlining the records of Fixed Assets of JBVNL.

Scope of Internal Audit of Head Office and Area/ Circle offices

- i. Verification of all payments made to suppliers/ Contractors.
- ii. Verification of all receipts and its accounting.
- iii. Verification of Bank Reconciliation Statement with reference to each Bank account including inoperative Bank Accounts and follow up action including passing necessary accounting entries as per finding of BRS.
- iv. Verification of Balance Confirmation Certificate of various banks as on 31.03.14 and onwards financial year wise.
- v. Legal charges paid to the advocates and analysis of their performances.
- vii. Scrutiny of franchisee appointment and analysis of their performance.
- viii. Ensure the payments of statutory liabilities and interest on borrowed funds from different agencies must be made within the due date.
- ix. Scrutiny of power purchase bills, payment made against those bills and the reconciliation with balance confirmation from power supply companies.
- x. Scrutiny of major material procurement order placed having order value more than Rs. 1 crore for Hqr. and Rs. 10 Lakh for area offices.
- xi. Scrutiny of work order issued having order value of more than Rs. 10 Lakhs.
- xii. Scrutiny of cases where consumer bill has been revised downwards for more than 25 Lakhs.
- xiii. Verification of various MIS/Compliance with OERC requirements.
- xiv. Verification of Purchases of general items.
- xv. Verification of Fund allocation to Area/Circle.
- xvi. Ensure all the closing entries & provisions have been made by the unit.
- xvii. Any Other area having material effect for having financial impact of Rs.5 Lakhs and above.
- xviii. To be ensured that the deposit of Statutory dues like IT, WCT, PF & ESI etc. must be made within due date. Any discrepancy found shall be form part of your report.