

# ***INTERNAL AUDIT MANUAL***

## ***(WORKS AUDIT SECTION)***

***(FIRST EDITION-2009)***



***Instructions for the Works Audit Parties in connection with Expenditure  
Accounts etc.***

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***THE CHIEF GENERAL MANAGER AUDIT***

***DHBVN, HISAR***

## 1. INTRODUCTION

- 1.1 Internal Audit is an independent appraisal function within an organization for review of the system of control and quality of the performance as a service to the management. The necessity of having an internal audit system has also been recognized by the Companies Act, 1956, the Companies (Auditors' Report) Order, 2003, vide clause 3, sub clause (vii), has made it obligatory for the auditors of all companies (including Government companies) with a paid-up capital and reserves in excess of Rs. 50 lakh at the commencement of the financial year concerned or having an average turnover exceeding Rs. 5 crore for a period of three consecutive years, to comment on whether the company has an internal audit system, commensurate with its size and nature of business.
- 1.2 Erstwhile Haryana State Electricity Board (HSEB) in recognition of the growing role and importance of Internal Audit in a commercial organization like HSEB (now DHBVN), decided to constitute the Internal Audit Wing as a separate Wing under the independent charge of Chief Auditor, now re-designated as Chief General Manager/Audit. The Internal Audit Wing is a tool for management which is responsible for checking of Revenue Accounts, Collection Accounts and Expenditure Accounts as well as for checking of Works Accounts of the Nigam.
- 1.3 The Works Audit wing of the Internal Audit Wing is responsible for the audit of expenditure accounts. The Works Audit Wing is headed by DGM/Audit (Sr. Accounts Officer) and the audit is got carried out through Works Audit Parties. The Works Audit Party forms a part of the staff of Internal Audit Wing and the audit works done by them is controlled by the Chief General Manager/Audit.
- 1.4 The Works Audit Parties (WAP) consists of a Manager/Audit and Assistant Managers/Audit and one UDC. The WAP is primarily responsible to carry out the audit of expenditure' accounts using various audit techniques and Standard Audit Practices (SAPs) issued by the Institute of Chartered Accountants of India and the Standing Orders/Executive Instructions issued by the Chief General manager/Audit from time to time . The Work Audit party and the audit carried out by the WAP is supervised by the Assistant General

Manager/Inspection. The audit inspection of an auditee unit is concluded by the AGM/Inspection or DGM/Works Audit.

- 1.5 Besides the WAPs are responsible for conducting Special Audit, wherever and whenever required and assigned by the Chief General Manager/Audit. The special audit is got carried out under the direct supervision of the AGM/Inspection and concluded by the DGM/Works Audit. However, where the special audit is carried out without direct supervision of AGM/Inspection, the audit is concluded by the AGM/Inspection or by the DGM/Works Audit as directed by the CGM/Audit.

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## **2 FRAME WORK OF INTERNAL AUDIT**

### **2.1 MISSION**

2.1.1 The mission is to establish internal audit as independent management function. Internal audit involves an independent, continuous and critical appraisal of the functions of an entity with a view to suggest improvements thereto, add value to and strengthen the overall governance mechanism of the entity including strategic risk management and internal control system.

#### **Guiding principles for achieving the aforesaid mission**

2.1.2 Working as an important tool in the hands of the management to help improve its decision-making process.

2.1.3 Improving good governance from the spate of legal and regulatory requirements.

2.1.4 Establishing strong internal audit system with continuous processes for its improvement.

2.1.5 Focussing the efforts in the area where there is a greater risk, thereby enhancing the overall efficiency of the process, and adding greater value with the same set of resources.

2.1.6 Focussing on the risk areas due to intensive use of the information technology (IT), emanating from increased threats of data theft or loss because of system failures or hacking/espionage, as well as the need to comply with the cyber laws.

2.1.7 Establishing adequate coordination with the audit committee and the management to achieve the overall objectives of the DHBVN.

2.1.8 Building the image of the internal auditor as a friend and guide to develop and motivate the professional staff.

2.1.9 Maintaining professional standards and relying upon his professional judgement.

### **2.2 OBJECTIVES OF INTERNAL AUDIT**

2.2.1 The main objective of the internal audit is to help the organisation to achieve their stated objectives by using systematic methodology for analyzing business processes, procedures and activities in the goal of highlighting organisational problems and recommending solutions. The scope of internal auditing within an organisation is broad and may involve topics such as the

efficacy of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations. Internal auditing frequently involves measuring compliance with the entity's policies and procedures. However, the internal audit is not responsible for the executions of company's activities; but is responsible to advise the executive authorities, management and the Board of Directors regarding how to better execute their responsibilities.

2.2.2 The broad objectives of the Internal Audit are as under:

- a. To ensure that the accounting and financial management system are reliable and effective in design and to assess the extent to which they are being followed.
- b. To review the efficacy, adequacy, and application of accounting, financial and operating controls and thereby ensuring the accuracy of the books of accounts.
- c. To verify that the system of internal check/controls is effective in design and operation in order to ensure the prevention of and early detection of defalcations, frauds and misappropriations.
- d. To identify areas of significant in-efficiencies in existing systems and to suggest necessary remedial measures.
- e. To confirm the existence of financial propriety in all decisions and verify compliance to Government and Statutory requirements.
- f. To review the performance of various functions in the light of performance budgeting and to suggest cost reductions measures, if any.

2.2.3 The audit of expenditure' accounts of the offices by the Internal Audit Parties, as such, will be the complete audit using the established and approved audit techniques/skills, Standard Audit Practices issued by the Institute of the Chartered Accountant of India and Standing Orders/Executive Instructions issued by the Internal Audit Wing with a view to achieve all above objectives.

2.2.4 In addition to the above the Works Audit Parties are expected to educate the staff of the auditee office with a view to increase their efficiency in accounts work. Not only the record/books of the auditee office be audited, commented, got corrected and brought upto date but verbal instructions should also be imparted to the auditee staff in Works/accounts matters, pointing out the errors committed by them and explaining the proper

procedure to be followed. The instructions may be imparted with a view to minimize the mistakes and not to repeat in future. It is needless to say that minimization of the mistake will not only reduce the workload of staff posted in auditee office but also increase their efficiency and will facilitate them to give attention towards other areas of accounts/Works matters.

### **2.3 AUTHORITY OF INTERNAL AUDITOR**

- 2.3.1 The internal auditor has the authority in deciding as to the activities to be subjected to internal audit, approach, methodology and the resource allocation as well as the frequency.
- 2.3.2 He should have an unrestricted access to all the DHBVN Wings, offices, activities, the records maintained and the personnel working thereat, for the purposes of internal audit.
- 2.3.3 He may also seek information and explanation from Heads of Wings and other concerned officials.
- 2.3.4 He may also ask for copies of various MIS reports and other relevant statements.
- 2.3.5 He may also ask for a written opinion of a specialist/professional, wherever he deems it necessary for the purposes of internal audit.
- 2.3.6 He should have a direct and unrestricted access to the chairman of the audit committee.

### **2.4 ACCOUNTABILITY OF INTERNAL AUDITOR**

- 2.4.1 The internal auditor is responsible for reviewing the adequacy of the risk management, control and corporate governance framework instituted by the management in ensuring that the corporate objectives are achieved.
- 2.4.2 The internal auditor is expected to suggest improvements in the existing framework of risk management, internal control, and corporate governance.

### **2.5 ROLE OF INTERNAL AND STATUTORY AUDITORS**

- 2.5.1 The role of the internal auditor is determined by the management and depends upon the size and structure of entity and requirement of management.
- 2.5.2 The internal auditor operates in various areas such as review of accounting system and internal control, examination of financial and operating information for the benefit of management, economy, efficiency and effectiveness of operations including non financial control of various tangible assets, whereas the statutory auditor is concerned with accounts and

documentation as per applicable law and established accounting principles and other accounting standards issued by the ICAI.

2.5.3 The prime objective of internal auditor differs from that of the statutory auditor who is appointed under the Companies Act, 1956 and has to report independently on financial information.

2.5.4 The statutory auditor should as a part of his audit evaluates the internal audit function to the extent he considers that it will be relevant in determining the nature, timing & extent of his compliance and substantive procedure. Depending upon such evaluations, the statutory auditor may be able to adopt less extensive procedures that would otherwise be required.

2.5.5 The work of the internal auditor can be assistance for the statutory audit. In consultation with statutory auditor, it is desirable to plan the timing of such work, extent of audit coverage, test level, and proposed method of sample selection documentation of work performed and reporting procedure.

## **2.6 CODE OF ETHICS AND INTEGRITY**

2.6.1 The members of internal audit team should adopt self-regulatory measures that are recommendatory. During the course of audit, internal auditor should follow certain guidelines in respect of moral values and good behaviour.

2.6.2 Internal auditor should keep him/herself away from illegal practices/dishonest arrangement.

2.6.3 Internal auditor shall have an obligation to work objectively and diligently while performing his/her duties

2.6.4 The internal auditor should not accept anything from any employee, contractor, supplier, or business associate of the DHBVN without the consent of their senior management.

2.6.5 The internal audit staff should collect and keep the information only for carrying out his assignment. This should not be disclosed to or shared with any party unrelated to internal audit.

2.6.6 The internal audit staff should not take advantage of information obtained for their personal profit or use information in a manner contradictory to their ethics set forth in this code.

2.6.7 Internal auditor, holding the trust of the DHBVN, shall show loyalty in all respects pertaining to the affairs of the DHBVN.

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### **3.0 SCOPES AND EXTENT OF COVERAGE**

- 3.1 The auditor will lay emphasis on compliance of all the rules, regulations, policies, procedures, accounting standards, manuals, statutory obligations etc. The professional expertise and judgement of the auditors will have to be exercised in all areas. The Management/Audit Committee may add/delete/modify the scope of work or may assign additional specific areas for audit. The scope of internal audit should include:

#### **Review of Internal Control System and Procedure**

- 3.2.1 The internal auditor should determine whether the internal control system is in consonance with the organisational structure. As far as possible, control should be inbuilt in operating functions if they are to be cost effective.
- 3.2.2 Each control should be reviewed and analysed in terms of costs and benefits. It should also be seen whether internal controls were in use during the whole period of internal reliance. A breakdown in the internal controls for specific portion as intended reliance would need special attention.

#### **Review of Safeguarding of Assets**

- 3.3 The internal auditor should review the control system to ensure that all assets are fully accounted for. He should also review the means used for safeguarding assets against losses, e.g., fire, improper or negligent activity, thefts and illegal acts, etc.

#### **Review of Compliance with Policies, Plans, Procedure and Regulations**

- 3.4.1 The internal auditor should examine whether the management has a system by which its policies, plans, procedures and regulations are communicated to all concerned as per their responsibility and authority, so that the operations are carried out in a coordinated manner. Internal auditor should also point out specific weaknesses and suggest remedial actions.
- 3.4.2 The principal of audit i.e. **“General is more important than particular”** should be followed and where omission is found made/irregularity is found committed in general, the point should be taken up with the auditee staff and the same should be got set right. Such omissions/irregularities should not be ignored.
- 3.4.3 It should also be checked that the instructions issued by the Nigam are followed meticulously and timely. Non-compliance/non-observance of



instructions should be taken seriously and should be dealt accordingly. Wherever required, a special report should be made to headquarter as non-compliance/non-observance of instructions forfeits the very purpose of issue of instructions.

### **Review of Transactions**

3.5 The internal auditor should carry out the audit of transactions which involves examination of supporting documents and occurrence of transactions. He has to ensure that transactions are recorded in time after proper verification and under the appropriate Head of Account. All the transactions should be approved by the competent authority.

### **3.6 Extent of Checking**

3.7 The internal auditor should select sample items in such a way that the sample can be expected to be representative of the population. Based on various factors, the sample size should be selected for various business processes/sub-processes. **The sample size may be increased or decreased after discussion with the HoW, considering the audit location, project stage, volume of activities, etc. The following is the guiding factor in respect of detailed extent of checking.**

<b>Sr. No.</b>	<b>Area</b>	<b>Coverage</b>
1	<b>WORKS CONTRACTS</b> Contracts with value more than Rs. 20 lakh Contracts between Rs.10 lakh to Rs. 20 lakh Contracts below Rs.10 lakh	100% 50% 25%
2	<b>PROCUREMENT</b> Contracts with value more than Rs. 10 lakh Contracts between Rs. 5 lakh to Rs.10 lakh Contracts below Rs. 5 lakh	100% 50% 25%
3	<b>FINANCE &amp; ACCOUNTS</b> Vouching- Cash, bank & journal  All other areas	Apr, Sep, Nov, Mar, any one more month in each phase.  50%
4	<b>PERSONNEL &amp; ADMINISTRATION</b>	50%
5	<b>STORES</b>	50%

6	<b>COMMERCIAL</b>	Separate Audit
7	<b>CONSULTANCY SERVICES</b>	50%
8	<b>IT &amp; COMMUNICATION</b>	50%
9	<b>OPERATION AND MAINTENANCE</b>	50%
10	<b>WORKSHOP AND TRANSPORT</b>	50%
11	<b>OPERATING RESULTS</b>	100%

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## **4.0 AUDIT PROCESS**

### **4.1 PLANNING**

4.1.1 The internal audit team should take the following steps to carry out the internal audit effectively:

Planning,  
Finalisation of Audit Check List,  
Audit Report,  
Follow-up and Compliance.

4.1.2 The internal audit team first identifies the locations/units to be audited. In case of audit by an external agency, a system for empanelment of outside firms based on predetermined qualification and experience criteria should be chalked out.

4.1.3 After appointment of internal audit agency, an appointment letter stating audit period, estimate of time (the number of working days) for completion of audit assignment, fees, etc. should be despatched within the scheduled time.

4.1.4 The Internal Audit Wing should estimate the time as stated in paragraph 4.1.3 above, considering the factors like the size of audit unit, volume of transactions, schedule of other audit assignments (CAG, statutory audit).

### **4.2 OPENING MEETING**

4.2.1 The head of the audit team, along with team members, should have a meeting with the heads of projects/Wings at the beginning of the audit, keeping in view the following main objectives:

- a. To discuss overall audit scope, objectives, and audit duration, etc.
- b. To discuss the overall performance of the Wing/project and any new activities, systems undertaken, if any, during the period.
- c. To finalise schedule with incharge of Auditee Office before taking up the audit.
- d. To discuss any other point with the incharge of Auditee Office and note their suggestions, and revise his audit programme if deems it fit to do so.

4.2.2 The internal auditor should gather relevant information and review various policy and procedure manuals.

- 4.2.3 He should also make a brief on various records/reports for the work performed by CAG auditors, statutory auditors, physical verification report on fixed assets, various MIS, etc.
- 4.2.4 He should also obtain statistical information such as number of contracts/work awarded during the period of audit, with value, especially work awarded through limited/single tender.
- 4.2.5 Study/assessment of key performance indicators will facilitate the auditor in chalking out the focused approach.

#### 4.3 **FINALISATION OF AUDIT CHECKLISTS**

- 4.3.1 After reviewing the relevant background information, the internal auditor should refer the checklist given in the manual. He should also decide whether some additional checkpoints are required to achieve the audit objectives, in consultation with the Internal Audit Wing.
- 4.3.2 After review of the internal control assessment, the internal auditor should determine the sample size for the audit, after obtaining information about the total population size, including factors such as value, volume etc. The internal auditor should review the sample size given in the para-3.7.

#### **Fieldwork**

- 4.3.3 The fieldwork is the collection and analysis of information about the process under audit, which enables the formulation of audit conclusions. The internal auditor should determine whether the control identified during the preliminary review is operating properly and in the manner as described by the Wing/unit under audit.
- 4.3.4 Fieldwork consists of describing the process flow, breaking down the processes into various sub-processes, assigning risks – high, medium, low – to these processes, evaluating internal controls, and testing the key controls.
- 4.3.5 The fieldwork stage should conclude with a list of significant issues/observations. The internal auditor should prepare draft reports based upon the observations, which shall be discussed with heads of Wings/projects concerned.

#### 4.4 **REVIEW OF RECORDS, PROCESS AND SYSTEMS**

- 4.4.1 The auditor should perform the procedure defined in the Audit Checklists. The internal auditor should examine on test check basis the accuracy and reliability of major internal controls and accuracy of transactions with

reference to their conformity with the records and inclusion of all relevant information.

- 4.4.2 Instances of ineffective supervision, system failures, should be identified and listed in the shape of various observations.
- 4.4.3 After identifying and enlisting the audit observations/findings, the auditor should try to find out the main cause of the observations.
- 4.4.4 The identification of root cause will help the auditor to make a recommendation and suggest a corrective action and time plan thereof. The suggested corrective actions for improvement should be cost-effective and amenable to implementation.
- 4.4.5 The internal auditor should also consider a technique known as CAAT (computer aided audit technique) while reviewing the records, systems, processes of the Wings/units. The CAATs are efficient and thorough methods of analysing data to determine the effectiveness and compliance with internal controls.

#### 4.5 **EXIT MEETING**

- 4.5.1 The audit team should have formal meeting with the location/unit head and head of finance to discuss audit issues/observations.
- 4.5.2 All the point of disagreement must be discussed during the exit meeting and an attempt to sort out the same should be made. However, the disputes not sorted out must be reported through a separate audit report.
- 4.5.3 It is recommended that audit team should prepare an exit-meeting note providing the details of discussions held with auditee office.

#### 5.0 **SAMPLING TECHNIQUES**

- 5.1 Sampling techniques in internal audit stand for the techniques for forming an opinion about a group of items based on examination of only a part of the items. Internal audit team is required to select appropriate sample size for conducting an audit.
- 5.2 Sampling techniques are used to determine the sample size considering sample risk, the tolerable error, and the expected error.
- 5.3 Some important statistical techniques are:
  - (i) Random sampling,
  - (ii) Stratified sampling,

- (iii) Systematic sampling,
  - (iv) Judgement sampling.
- 5.4 In the case of random sampling, the units are selected independent of each other in such a way that each unit belongs to population has an equal chance of being part of the sample. Random sampling is very simple and effective method of drawing samples if the population is neither very large nor heterogeneous.
- 5.5 Under stratified sampling, the population is divided into a number of strata or sub-population. Each stratum is then sampled independently. The most expensive or significant item in population can be examined 100%. The result of several sampling from each of different strata may be combined into an overall estimate of the entire population.
- 5.6 Systematic-sampling scheme refers to a technique where the units constituting the sample are selected at regular intervals after selecting the first unit at random, with equal probability.
- 5.7 Purposive or judgement sampling is a non-statistical technique. This type of sampling is dependent solely on discretion of the auditor and he/she applies his own judgement in determining own sample size and method of sampling since the type of sampling is non-probabilistic. It is purely subjective and as such, varies from person to person.
- 5.8 The auditor should first consider the specific audit objective to be achieved to enable him/her to determine the audit procedure or a combination of procedures, which is likely to be the best to achieve these objectives. For example, when performing compliance test of a company's procurement procedure, the auditor will be concerned with matters such as whether invoice was clerically checked and properly approved.
- 5.9 The auditor should also determine that the population, from which he draws the sample, is appropriate for specified audit objectives.

## **6.0 MANAGEMENT INFORMATION REPORTS (MIR)**

### **6.1 OBJECTIVES**

- 6.1.1 To report the important information periodically to various officers responsible for internal audit function so that they can review, monitor and carry out the function efficiently and effectively.
- 6.1.2 To report the important information regarding the performance/ progress and observations of internal audit to the management periodically so that remedial action to correct any adverse trends/ variations can be taken and decision making process can be facilitated.
- 6.1.3 To review the performance of the internal auditors regarding their efficiency and effectiveness.

### **6.2 CONTENTS OF MIR**

- 6.2.1 To report the status of various outstanding audit paras till date on half yearly /quarterly basis. The report will show the number of paras outstanding at the beginning of the period, raised during the period, settled during the period and at the close of the period including age-wise analysis showing number of paras outstanding for less than six months, between six months to one year, between one year to two years and more than two years.
- 6.2.2 To submit the significant findings made during the audit and impact of the same, if any, on half yearly / quarterly basis to all the Directors.
- 6.2.3 To report the sanctioned v/s actual strength of internal audit staff.

## 7.0 FORMATS

7.1 In order to carry out internal audit function efficiently, effectively and to submit a report regarding various observations/suggestions, it is essential to ensure that all the relevant information/details have been collected so that the observation/suggestions pointed out in the report can be understood properly. However, before submission of the report, it is very essential to ensure that each and every observation/suggestion/para has been discussed with the incharge of auditee office concerned and to maintain a proper record for the same in order to avoid any reverse comment at a later stage. The following is the format in respect of "Discussion on observations/suggestions":

### Discussion on observations/suggestions

Name of the Unit / Office	
Period of the Audit	
Name of the Wing	
Observation No.	
Date	
Audit observation	
Nature of observation (Very Imp. / Imp. / Less Imp.)	
Comments of Head of Auditee Office  (a) If agrees  (b) If does not agree	
Signature of Auditor	Signature of Head of Auditee Office

7.2 The compliance of outstanding paras and other issues should also be reviewed and discussed and recorded in the following format :

### Status of Compliance

Name of the Unit / Office	
Period of the Audit	



Name of the Wing			
Outstanding Para No.	Brief Observation	Compliance steps taken / comments	Status
Signature of Auditor		Signature of Head of Auditee Office	

- 7.3 In order to assess the efficiency of the audit team in completing the audit assignment within the estimated / budgeted man days and the cooperation extended / lack of cooperation from the Auditee Office concerned to get the audit assignment completed within the estimated / budgeted man days and to know the reasons for variances including the lack of cooperation extended by the Auditee Office concerned, the following format is required to be filled up on conclusion of the internal audit of each phase so that necessary action can be taken in future accordingly :

**Assessment of actual days vs. Budgeted**

Auditee Office	Budgeted / Estimated	Actual	Variance
Prepared by		Reviewed by	

- 7.4 These are some of the formats as a guiding factor. The internal auditor may maintain more formats in order to carry out the function efficiently and effectively and to ensure that all the relevant information / details have been collected and all the observations / suggestions / paras have been discussed.

## **8.0 AUDIT PROCEDURE**

- 8.1 **Intimation of visit:** The tour programme of each Works Audit Party shall be prepared and issued by the Chief General Manager/Audit. Immediately after the tour programme of a party is approved, the intimation shall be given to the auditee office with a request to make proper sitting arrangements for the Audit Party and arrange to produce all the records relating to the period of audit. Since the records being maintained at Sub Divisions and even being maintained by the executive incharge of the works, will also be audited by the Works Audit Party; the intimation must be sent well in advance and preferably at least 15 days in advance excepting in cases where surprise checking is to be carried out or special audit is to be carried out. In case any change in the tour programme is necessitated because of any cogent reasons/circumstances, the request should be submitted to the headquarters well in time so that the same is considered and the tour programme is revised, if request found genuine.
- 8.2 While submitting the intimation of visit the incharge of Auditee office should be asked to keep ready all the record which was not produced during previous visit of the Auditee office. The list of all outstanding audit para and observations should also be submitted to the Auditee Office with the advice that the same shall be reviewed during the visit, as such should be kept ready and put up to the Audit Party.
- 8.3 Ordinarily the actual movements should be in accordance with the tour programme; but if in any case, a change is anticipated, the approval should be obtained from headquarter and on receipt of approval or in anticipation of approval the change should be notified to all the concerned well in time. If the halt at any place is estimated to exceed the time prescribed by the Headquarter, the prior approval of the Chief General Manager/Audit should be obtained.

With a view to effect economy in Travelling Allowances the tour programme for the months, in which there is a spell of holidays exceeding three days, should be so arranged that these holidays are spent at the headquarters and not at outstations, except that when the Audit Party, just before the holidays, is at a station, returning from which to headquarters involves travelling allowance exceeding the amount of daily allowance for the number of holidays.

8.4 **Distribution of duties amongst the members of Audit Party:** The Audit Party is supposed to work as a team but for better control and efficient working, even distribution of work is made between all the party members.

8.4.1 The work as under is entrusted to the members of Works Audit Party:

<b>Sr. No.</b>	<b>Party Member</b>	<b>Work/duty assigned</b>
1.	<b>Manager/ Incharge of the WAP</b>	<ul style="list-style-type: none"> <li>i. Analysis of work.</li> <li>ii. Purchase/Work orders including approval of proposal, preparation/approval of estimate, fixation and evaluation of PQRs, evaluation of bids and awarding of contract etc.</li> <li>iii. Adjustment books and register of Liabilities.</li> <li>iv. Checking of case of theft of material, accidents, embezzlements/misappropriation of revenue.</li> <li>v. Objection Book of Assistant manager/Accounts.</li> <li>vi. Review of Inspection Reports issued previously.</li> <li>vii. Review of Inspection Reports issued by the AG/ Audit, Haryana and CGM/GM office.</li> <li>viii. Inspections Reports of Sub Divisions conducted by the Division office/Circle Office.</li> <li>ix. Checking of special points entrusted, if any.</li> <li>x. Examination of contingent charges.</li> <li>xi. Over all supervision of the work of other party members.</li> <li>xii. Other issues of importance incorporated in the scope of audit which cannot be assigned to other party members.</li> </ul>
2.	<b>Assistant Manager/ Audit</b>	<ul style="list-style-type: none"> <li>i. Checking of all suspense schedules viz. 25.5, 26.5, 28.401, 28.870, 28.872, 42.2. 42.3, 46.919, 47.301, 47.311, Contractor Ledgers and Register of Misc. Recoveries etc. etc.</li> <li>ii. Checking of schedules of Civil Advances viz. GH-27.101, 102, 104, 108, 27.201, 202 &amp; 28.350 etc</li> <li>iii. Detailed checking of Lorry Log Books and Maintenance Registers of the Vehicles.</li> <li>iv. Accounts of Imprest and temporary Advances.</li> <li>v. Register of Works (PW-27), Works Abstract,</li> </ul>

		<p>Certification of Material at Site Form DFR (PW)-31, Disposal of balance material Form DFR(PW)-32 and other works accounts.</p> <p>vi. Register of appropriations and sanctions.</p> <p>vii. Files connected with the damaged transformers and the shortages in transformers etc.</p> <p>viii. Checking on any other points as assigned by the incharge of the Party.</p>
<b>3.</b>	<b>UDC/ Audit Clerk</b>	<p>i. Checking of Service Books, Pay Roll Ledgers, TA and other allowances paid to staff.</p> <p>ii. Registers of Rents of Building and Lands including the register for watching recovery and revision of rents.</p> <p>iii. Fixed Assets Register, Register of Property, Register of Plant &amp; Machinery and T&amp;P and T&amp;P Returns.</p> <p>iv. Register of Securities, Stamps, Stationery and issue of measurement books, census of measurement books and Abstract Book.</p> <p>v. Visitor Register of Rest Houses.</p> <p>vi. Register of receipt and issue of cheque books.</p> <p>vii. Checking on any other points as assigned by the incharge of the Party.</p>

8.4.2 The above distribution of duties is not intended in any way to be exhaustive. The Incharge of the Audit Party/Inspecting Officer is at liberty to examine any other record/point which may consider necessary. In case of inspection of the Circle Office or any other Direction Office, allocation of duties will be made to suit the local requirement keeping in view the above broad frame work.

8.4.3 It should be clearly understood that the distribution of these duties, does not, in any way, diminish the responsibility of the inspecting officer for the supervision of the inspection as whole. In case he feels that any further checking is required, he may order for the same and assign the same to any party member. He is particularly expected to carry out the checking of following item of work personally.

- i) Detailed checking of cash book in respect of the selected month's account and physical verification of the cash in the chest.
- ii) Review of the Objection Book of the Assistant Manager/Accounts.
- iii) Review of the Inspection Reports of CGM/GM and Assistant Manager/Accounts.
- iv) Review of the irregularities noticed during the previous inspections and which remained un-remedied.
- v) Review of the extent to which instructions and observation previously issued and noted for compliance are being observed in practice.
- vi) Drafting of final report and discussing it with DGM/GM concerned.

The duties as above shall be performed by the Incharge of the party in addition to his own duties, where no inspecting officer is deputed to supervise the Works Audit party.

8.4.4 Further for the better control, a unique number is assigned to each WAP.

8.5 **Permission to leave temporarily the station of duty or grant of casual leave to the audit staff:** All matter regarding leave, leaving the station, change in programme, etc., should invariably be referred to the Head Office in time and prior sanction should be obtained.

In case of extreme urgency of private nature, however, incharge of Audit Party may leave the station on a holiday in anticipation of the approval of the Headquarter, which should be applied for at once. In the case of other audit party members intending to leave the headquarter on the holidays, the incharge of Audit Party may grant the permission and inform the Headquarter of his having done so. Incharge of Audit Party may also grant casual leave not exceeding two days to the other audit party members in case of urgency subject to the approval of the Headquarter, which should be obtained in due course.

8.6 **Books of Reference:** In additions to the ordinary books of references viz., Account Code Volume-III, Departmental Financial Rules, Punjab Financial Rules, Banking Instructions, Punjab Public Works Department Code, Civil Service Rules Volume I,II,III ,Manual of instructions, Manual of Orders Delegation of Power, DHBVN Procurement Manual, Haryana Schedule Rates etc., the Audit Party should have copies of Standard Auditing Practices issued by the ICAI, Standing Orders/Executive Instructions issued by the Internal

Audit Wing, Register of special points to be checked and instructions issued/ adopted by Nigam from time to time. Since the Audit Party shall have to review the old outstanding paras and shall have to verify the facts on which para, if any, was dropped, the Audit party should collect all these details from the headquarter before proceeding to the Auditee Office.

**9.0 Procedure of audit:** Immediately after his arrival in the Auditee office the Works Audit Party should carry out a casual audit of the expenditure' accounts of the auditee office to see and ensure that internal control over the upkeep and maintenance of expenditure accounts exists and the same are maintained strictly in accordance with the instructions laid down for the same. The Audit Parties should also check and ensure that the checks prescribed for the supervisory staff/officers are being carried out by the supervisory staff/officers meticulously and that the checking being carried by them is reliable and effective.

In case the incharge of the auditee office happens to be on leave or out of station, the above formalities will be observed on the 1st day of returning of the incharge of the auditee office to his office.

9.1 The actual cash in hand with the cash balances of the Cash Book shall be checked on the 1<sup>st</sup> day of visit by the incharge of the Audit Party. Occasional checking of cash during the visit shall also be conducted by the incharge of the Audit Party.

9.2 **Issue of Half Margin:** Each and every observation on checking of the accounts/record including excess payment, omission, irregularities and non-observations of instructions should be pointed out through Half Margin.

However, cases of petty observation of Works arising in a routine manner and not involving any important aspect or interpretation of rule etc, should not be taken up through half-margin. These should be brought to notice of the incharge of the auditee office concerned and got compliance.

The WAP's are required to prepare and issue the Half Margins on the printed Half Margin Pads supplied by the headquarter. **Issue of half margin on the blank papers or local printing/purchase of half margins is not allowed.** These instructions should be followed strictly and meticulously.

9.3 The Half-margin should be prepared in duplicate by using carbon paper and the original half-margin should be handed over to the incharge of Auditee office. The duplicate half margin shall remain in the Half Margin Pad/Book.

9.4 The WAP's will maintain a register of issue of half margin on the prescribed Register and in accordance with the instructions as printed on the Half Margin Register. The WAP shall prepare the half margins on the daily basis and shall hand over the same to the incharge of Auditee office or his authorized representative on the same day or latest by the next morning. The incharge of Auditee office shall also ensure that no delay in receipt of the half margin

is caused by him or by his authorized nominee. The inspecting officers while conducting the checking of Auditee office will also scrutinize the Register of Half Margins and shall ensure that there is no delay in issue and handing over the half-margins. Non-issue of half-margins on daily basis shall attract disciplinary action.

- 9.5 All the half margins issued by the Audit Party shall be first entered in the prescribed Half Margin Register and then shall be handed over to the concerned incharge of Auditee office. Acknowledgement of the receipt of the half margin shall be given by the incharge of Auditee office himself in the appropriate column of the Half Margin Register. However, the incharge of Auditee office can issue an Office Order to effect that the half margins will be received by any other official (Name & Designation to be mentioned) on his behalf but in such case he would have to endorse the copy of the same to the concerned WAP. In case he (Incharge of Auditee office) issues such order, he would be held responsible for the disposal of HM, as if he had personally received the HMs.
- 9.6 On the closing day of audit, the WAP shall prepare, a list of all the half-margins issued during the visit showing their disposal by the Auditee office. This list shall be signed by the DGM/AGM Audit as well as by the incharge of the Auditee Office or his authorized nominee and a copy of the same shall be placed in the Audit Report. The observations as raised in the half-margin shall be incorporated in the audit report, in case half-margin is not returned on the closing day. However, reply submitted by the Auditee Office before issue of the inspection report can be considered at headquarter.
- 9.7 **Disposal of Half-Margins by Auditee Office:** The observations made by the Works Audit through Half Margin Memorandum should be scrutinized by the incharge of auditee office and in case the observations are found in order, immediate compliance should be made and reported to audit otherwise the half margin should be returned duly replied and supporting with relevant instruction/record for verification. The half margins asking any information/data/record etc. should also be disposed-off immediately by expediting the information asked for or by complying the observations as made in the half margin. The importance of the half margin should not be assessed on the basis of involvement/non-involvement of the excess payment and all the half margins issued by audit should be disposed off immediately. Where any verification of record etc. is involved the half margin should be returned within 7 days of its issue but before the close of audit inspection.



- 9.7.1 Where the observations raised by the Audit Party is not found correct or the amount pointed out is not found recoverable, the half margin should be returned to the Audit Party after recording the detailed reply/justifying the reasons and quoting the instructions under which the half margin is not accepted. The half margins not involving any excess payment should also be disposed off accordingly.
- 9.7.2 The DGM/AGM Audit or incharge of Audit Party shall examine the reply submitted by the incharge of auditee office for non-acceptance of half margin and shall drop the half margin in case the same is found justified/in order. In case the reply submitted by the incharge of auditee office is not found/considered as in order or justified, the para should be incorporated in the Inspection report and the complete case (incorporating the opinion of Auditee Office) should be put up to the Chief General Manager/Audit for final decision.
- 9.7.3 The Chief General Manager/Audit shall review the case and where he upholds the view of the Internal Audit; he will issue the audit para and take up the matter with the General Manager and Chief General Manager concerned and ensures its settlement within stipulated period from the date of first reference.
- 9.7.4 On the closing day of the audit, the inspecting officer will again discuss with the incharge of the Auditee office on all the important issues, including the general irregularities noticed in the upkeep and maintenance of accounts, if any, suggesting further action to be taken by the Auditee office. A joint discussion note of the discussion held will be prepared on the half margin and will be signed by both. The details of the records not produced to the audit shall also be recorded on the Half Margin itself.
- 9.7.5 The WAP's are required to submit their report on the prescribed Performa, within 10 days of close of audit. The submission of Audit Report within the stipulated period shall be ensured by the WAPs. The WAPs shall also enclose all the half margins issued and returned by the Auditee Office and Draft Audit Report along with the copies of the half-margins issued but not returned till close of audit and the Halfmargins issued on the 1<sup>st</sup> day and closing day of the audit.

**9.8 Maintenance of Daily Progress Register:** Incharge of Works Audit Party should maintain a diary to show the daily work done by audit party members. All members of the party should sign the diary daily. The diary should be maintained in a register duly binded and page numbered. This register is to be got issued from the office of CGM/Audit. The pages should be numbered before the register is brought to use. Particulars of the work done by each member of the audit party from day to day should be briefly written up in the Progress Register. The daily progress recorded by the Assistant Manager/Audit should be countersigned by the incharge of the works audit party i.e Manager/Audit on daily basis. **However, maintenance of Daily Progress Register shall not be mandatory to the Audit parties deputed by the Private Audit Firms for the audit assigned to them.**

9.8.1 For all outgoing and in-coming letters, Dispatch and Receipt Registers (foolscap size) should be maintained by the audit clerk in each audit party.

**9.9 Register of Special Points:** A register of special points shall be maintained at headquarter in Works Audit Section. All the points referred to Internal Audit Wing for special investigation by the higher authorities or management shall be entered in this register. Further, the Works audit wing shall also be responsible to enlist and post all the point for special investigation/checking based on the reports received from field offices, complaints and the circulars/instructions issued by the Nigam from time to time in the said register. Separate pages may be allotted keeping in view the gravity of points of investigation and types of points. These points shall be reviewed from time to time and shall be conveyed to the Works Audit Parties or Special Audit Parties being deputed for audit. The compliance by the audit parties in this regard shall also be watched and reviewed from time to time.

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## **10 AUDIT REPORT**

- 10.1 **Form of Audit Report:** The Audit Report should be prepared on the Approved Format in annotated form. The Audit Party should make a copy of Audit Report of the format before preparation of report. So that copy of the format is always available with the party and the same is not overwritten.
- 10.2 The Audit report has been designed in such a way that all the information on the audit conducted by the Audit Party is reported to headquarter. As such it is desired from the Audit Parties that all the information is filled in correctly and no column is kept blank. In case any column of the Audit report is kept blank, it will constitute non-checking on the related point by the Audit Party and action shall be taken accordingly.
- 10.3 Whenever deemed necessary, confidential reports of irregularities of serious and important nature should be sent to the Headquarter addressed to the Chief General Manager/Audit or Deputy General Manager/Works Audit by name.
- 10.4 All the half-margins issued during the audit and returned by the Auditee office should be incorporated in the Audit report. The Half margins dropped on the reply of the Auditee office should not be incorporated in the Audit Report but should be submitted to headquarters for scrutiny and record. The Audit Report of all the half-margins of difference of opinion between audit and Auditee office should be prepared and submitted to headquarter along with audit report for scrutiny and further action. The Audit Report should be prepared with care so as to avoid further correspondence and decide the issue at the earliest. The observations made by the audit, reply submitted by the Auditee office on the observations raised by the audit and the point of disagreement dully supported with facts/instructions should be clearly mentioned/incorporated in the audit report. Wherever required, the supporting documents should also be annexed to the Audit Report.
- 10.5 Points of little or no importance should not be included in the Audit Report.
- 10.6 The Audit Note will be written from the half margin concerned embodying the original objection, the reply of Auditee office and further remarks by the Incharge of Audit Party.
- 10.7 At the completion of the audit, the Audit Note should be delivered to the Incharge of Auditee Office and his acknowledgement, stating the total number of items and pages, obtained. Compliance of Audit Note should be

verified during next visit and further action viz. Dropping of Audit Note or incorporation of the same in the Audit Report should be taken on the outcome of the reply/verification.

- 10.8 The Audit Report together with all the half margins and the acknowledgement referred to in the preceding sub-paras should be submitted to the Headquarter for further disposal. The report should be written neatly in a polite language so as to avoid any offence to the incharge of Auditee office, the gist of his reply should also be embodied in it. It should be arranged under suitable headings. The real underlying idea is that the audit reports should be so brief as to involve the minimum amount of additional work on the staff of the Auditee office. The report should be written in such a manner as to prove instructive and educative, without any offence to the staff. This aim can be achieved only by the goodwill and mutual co-operation between the auditors and the staff of the Auditee Office. Every body connected with the work should, therefore, develop in himself a sense of such a co-operation.
- 10.9 The efficiency of the Works Audit party would be judged as much by the improved standard of the accounts work done by the clerical staff employed in the Auditee office, which they inspect, as any other thing. The ultimate aim of every Audit Party should be to educate the Auditee office staff in such a manner as to improve the standard of efficiency of their accounts so that in due course of time it should be possible for the audit party to state in their report that the accounts have been audited and every thing has been found correct and in order. The incharge of Auditee office should, therefore, afford every facility to the Audit Parties, in carrying out their work, and full co-operation should be shown to enable them to complete their audit satisfactorily within the limited time at their disposal.

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## **11 AUDIT FOLLOW-UP PROCESS**

- 11.1 **Action to be taken at headquarter:** On receipt of the Audit Report from the Audit Party the same shall be scrutinized at the Headquarter and the report of findings relating to the office audited will be prepared. The report shall be put up to the DGM/Works Audit duly commented and highlighting the excess payment detected & got accepted, details of half margins pending with the office audited & excess payment involved therein, status of upkeep and maintenance of expenditure' accounts and Works accounts, irregularities/omissions found committed and existence of Internal Control in the auditee office. The DGM/Works Audit shall pass orders regarding action to be taken on each point and also obtain approval/concurrence of the CGM/Audit wherever required.
- 11.2 The Draft Audit Report submitted, if any, shall also be scrutinized and the observations raised by the audit through half margin, the reply submitted by the Auditee office and further observations made by the audit party shall be examined and submitted to the DGM/Works Audit dully commented. The DGM/Works Audit may pass orders to take further action or submit the case to CGM/Audit for concurrence/approval of his orders. The CGM/Audit after careful consideration of the case may concur the orders passed by the DGM/Works Audit or record his own orders.
- 11.3 Further action on the Draft Audit Report shall be taken by the office as per orders recorded by the DGM/WA or CGM/Audit as the case may be and the follow up action shall be taken till the case is finalized.
- 11.4 The irregularities/omissions/shortcomings as reported by the audit party shall be conveyed to the concerned incharge of Auditee office with a copy to CGM/GM concerned, asking to set right all the omissions/shortcomings/irregularities and submit the compliance report within a stipulated period. In case the irregularities/omissions etc. are not discontinued and are repeated in the Auditee office, a report of the same shall be prepared and put up to CGM/Audit for taking up the matter with higher authorities or to report the facts to management.
- 11.5 The Objection Book of all the Works audit Paras shall be maintained at the headquarter. Where any item is placed in the Objection Book of Paras of Serious Nature; the name of the officer/official involved in the Para as well as extent of his responsibility shall also be recorded in the Objection Book and

vigorous pursuance shall be made till the finalization. The withdrawal of Paras shall be watched regularly and the vigorous pursuance shall be made till recoveries/settlement of Para.

- 11.6 The amount got accepted by the audit cannot be withdrawal without concurrence of audit. In case after accepting of the amount of any account, it is noticed that the amount is not acceptable, the incharge of the Auditee office concerned shall prepare a detailed case along with the documentary evidence on the basis of which the amount is not found acceptable and shall submit to the CGM/Audit for approval of withdrawal of Para from the Objection Book.
- 11.7 There may be certain cases in which the amount charged to the officer/ official concerned account on the behest of audit is objected by the officer/official on one pretext or the other. In such case the Incharge of the office concerned shall prepare a detailed case quoting the instruction as well as his comments as why the amount in question is not recoverable and submit the same to the CGM/ Audit for approval for withdrawal of para. The case shall be examined at headquarter and shall be submitted to CGM/Audit for decision through DGM/WA.

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## **12 ROLE OF INTERNAL AUDIT IN STRENGTHENING CORPORATE GOVERNANCE**

12.1 Internal audit can help maximising the benefits from the corporate governance policies. Internal audit involves critical appraisal of the functioning of the DHBVN with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the DHBVN, including the DHBVN's strategic risk management and internal control system.

12.2 Following are some of the measures by which internal audit contributes to sound corporate governance:

- a) Understanding and assessing the risks and evaluate the adequacies of the prevalent internal controls.
- b) Identifying areas for systems improvement and strengthening controls.
- c) Ensuring optimum utilisation of the resources of the DHBVN, for example, human resources, physical resources, etc.
- d) Ensuring proper and timely identification of liabilities, including contingent liabilities of the DHBVN.
- e) Ensuring compliance with internal and external guidelines and policies of the DHBVN as well as the applicable statutory and regulatory requirements.
- f) Safeguarding the assets of the DHBVN.
- g) Reviewing and ensuring adequacy of information systems security and control.

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## **PART-II**

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### 13 RISK ASSESSMENTS

13.1 After obtaining an understanding in respect of laid down policies and procedures, accounting systems and internal control systems, the internal auditor should make a preliminary assessment of control risk at assertion level for each activity and class of transactions.

13.2 The preliminary assessment of controlled risk is based on the assumption that controls operate generally as described and they operate effectively throughout the period of intended reliance. There will always be a controlled risk because of inherent limitations of any human weakness.

13.3 Ignorance of risk assessment shall result in wastage of corporate resources, frauds, financial losses to the DHBVN and unnecessary delays in projects.

13.4 The following are the expected risks:

S. No.	Item	Risk
<b>1.0</b>	<b>WORKS CONTRACT</b>	
<b>1.1</b>	<b>Pre-award</b>	
1.1.1	Approval of Proposal	Non-compliance of laid down policies and procedures in respect of approval/budgetary provisions shall result in delay in the issue of Letter of Award and unnecessary financial losses to the DHBVN.
1.1.2	Preparation of Estimate and its Approval	Preparation of cost estimates on irrelevant information including preparation of estimate on a single tender basis.
<b>1.2</b>	<b>Tender Invitation Process</b>	
1.2.1	Fixation and Evaluation of Pre-qualification Criteria	If the tender documents are not complete in respect of commercial and other clauses, it will create confusion with bidders and lead to quoting of irrelevant prices and putting irrelevant terms and conditions. Deposit of statutory dues may not be recovered from the contractor or construction labour etc. Imposition of penalty for non-compliance of statutory provisions of applicable Acts viz. Contract Labour Regulation and Abolition Act, Provident Fund Act, Minimum Wages Act, ESI Act, Income Tax Act, Sales Tax Act, Service Tax Act, VAT, Works Contract Tax etc.

S. No.	Item	Risk
1.2.2	Circulation of Notice Inviting Tender	Restriction on availing of better prices and other terms and conditions due to the limited circulation of NIT and non-updating of the list of approved contractors on a regular basis.
1.2.3	Preparation, Vetting and Issuance of Tender Documents	<p>Chances of non-incorporation of all relevant commercial/non commercial clauses in tender document i.e. Performance Guarantee, EMD, Statutory Provisions, Price Variations, Scope of Work, Issuance of Departmental Material, Compliance of Labour Law and Inspection of Stores etc.</p> <p>Chances of issuance of tender documents without proper vetting by Legal/Finance Wing may lead to dispute with bidders.</p> <p>Chances of issuance of tender documents to parties not fulfilling pre-qualification criteria where as such are decided.</p>
<b>1.3</b>	<b>Receipt and Evaluation of Tender Bids</b>	
1.3.1	Receipt of Tender Bids	Inconsistency in proper constitution of Tender Evaluation Committee.
1.3.2	Tender Bids Opening and Earnest Money Deposit	<p>Chances of opening of tender in the absence of tender committee and bidders.</p> <p>Non receipt of EMD.</p>
1.3.3	Tender Evaluation	Rejection of the lowest bidder without proper justification because of whims and fancies of some officials.
<b>1.4</b>	<b>Selection of Suitable Party and Contract Awarding</b>	
1.4.1	Comparative Statement	<p>Contract may be awarded at higher rates with an undue favour to the contractor.</p> <p>Undue favour to a specific party without any credentials.</p> <p>Non-consideration of relevant parameters viz. technical, financial etc.</p>
1.4.2	Awarding of Contract	The absence of compliance of relevant clauses, like Performance Bank Guarantee, Payment Terms, Liquidated Damages etc. shall lead to ambiguity and

S. No.	Item	Risk
		<p>result in delay in awarding of the contract.</p> <p>This will also lead to unnecessary litigation with the contractors.</p>
<b>1.5</b>	<b>Execution</b>	
1.5.1	Advance to Contractor	<p>Furnishing of insufficient security against advance released.</p> <p>His bill will be passed at a higher rate without deduction of advances, security deposits, retention money, recovery on account of additional facilities, viz. accommodation, electricity supply, equipment hiring charges and supply of material.</p>
1.5.2	Processing of Bills and Release of Payments	<p>Release of escalated payment to the contractor even in the case of a fixed price contract, consideration of a different price index in his favour.</p> <p>Attracting penal provisions of tax legislation, that is, payment without making statutory deduction from payment to the contractor.</p> <p>Release of payment without approval from the competent authority.</p>
1.5.3	Insurance Coverage	<p>Inadequate risk coverage in the insurance policy.</p> <p>Delay in renewal of the policy.</p> <p>All the required policies with relevant clauses to safeguard the interest of the DHBVN may not be taken by the contractor.</p> <p>Financial loss to the DHBVN due to the inability to protect against the occurrence of any mishap.</p>
1.5.4	Material Issued to Contractors	<ul style="list-style-type: none"> <li>• Receiving material under an incorrect party account and an incorrect quantity.</li> <li>• Incorrect monitoring over actual consumption of the material.</li> <li>• No control over generation and handover of scrap.</li> <li>• Non-recovery of material/equipment issue on loan/returnable basis.</li> <li>• Delay in recovery of material from the contractor.</li> </ul>
1.5.5	Material at Site	<ul style="list-style-type: none"> <li>• Incorrect accounting of material issued to the</li> </ul>

S. No.	Item	Risk
		contractor. <ul style="list-style-type: none"> <li>• Incorrect monitoring over actual consumption of the material.</li> </ul>
1.5.6	Monitoring of Progress	<ul style="list-style-type: none"> <li>• Delay in completion of the project and the cost overrun of the project.</li> <li>• Recording of a fictitious date of completion, though work incomplete.</li> <li>• Seeking grant of extension of time by contractor on flimsy grounds.</li> <li>• Liquidated damages may not be charged from the contractor as per the terms of the contract.</li> <li>• Incorrect recording of entries in MB in respect of measurement details.</li> </ul>
1.5.7	Full and Final Payment to Contractor	<ul style="list-style-type: none"> <li>• Full and final payment will be released to the contractor without adjusting various recoveries, viz. material issued, advances given, charges for facilities, hire of equipment/vehicles, liquidated damages, etc.</li> <li>• Financial loss to the DHBVN.</li> </ul>
<b>1.6</b>	<b>Bank Guarantees Received from Contractor</b>	
1.6.1	Validity	<ul style="list-style-type: none"> <li>• Furnishing of BG for an inadequate amount.</li> <li>• There may be financial risk to the DHBVN due to non-recovery of amount from contractor for want of BG</li> <li>• There may be theft/misplacement of BG in absence of security measures for keeping and maintaining of BG.</li> </ul>
1.6.2	Renewals	<ul style="list-style-type: none"> <li>• No timely renewal of BGs being expired.</li> </ul>
<b>1.7</b>	<b>Insurance of Plant and Machinery</b>	<ul style="list-style-type: none"> <li>• Non-adherence to the corporate policy of insurance may result in heavy financial losses on the happening of undesirable circumstances.</li> <li>• Assets have been insured for either inadequate amount or exaggerated sum without the relevant risk.</li> <li>• Overpayment/wrong calculation of the insurance premium.</li> <li>• There may be delay in submission of claim to the insurers.</li> <li>• There may be wrong estimation of claims lodged and</li> </ul>

S. No.	Item	Risk
		<p>lack of follow-up.</p> <ul style="list-style-type: none"> <li>• Financial loss due to faulty claim management.</li> <li>• There may be a lack of clarity in respect of insuring risk amount, taking an inadequate risk cover, and submission of claims to insurers.</li> </ul>
<b>2.0</b>	<b>PROCUREMENT</b>	
2.1	Indent / Purchase Requisition (PR)	<ul style="list-style-type: none"> <li>• Approval of PR from an incompetent authority is in violation of provisions prescribed in the DOP.</li> <li>• Higher procurement cost due to an inadequate system of estimation, lack of objectivity in the estimation and non-consideration of all the cost factors for the same.</li> <li>• Blocking of funds of the DHBVN due to procurement of excess material, procuring on emergency grounds without justifiable reasons, without taking non-availability certificate from the stores.</li> <li>• There may be awarding of purchase order to some specific suppliers at a higher rate by giving undue favour to some parties.</li> <li>• Loss due to non-availing of the advantage of bulk purchases by taking better discounts, concessions on better terms and conditions.</li> <li>• Circulation of tender to a limited number of parties, resulting in restrictions on competition, and availing of a competitive price.</li> <li>• Tender issued to specific parties for giving undue advantage or based on a list that is not updated on a regular basis.</li> </ul>
2.2	Vendor Selection	<ul style="list-style-type: none"> <li>• There may be a selection of parties without assessing their credentials or past performance which results in financial and other quality-related losses to the DHBVN.</li> <li>• Non-compliance of policies or procedures for evaluation of bids by incompetent authorities, non-constitution of Tender Evaluation Committee (TEC).</li> <li>• There may be a risk of post-tendering negotiations by</li> </ul>

S. No.	Item	Risk
		<p>single person or by incompetent official/authority in place of TEC.</p> <ul style="list-style-type: none"> <li>• There may be ignorance on all relevant clauses in the purchases or awarding of the contract namely, Clauses Pertaining to Performance BG, Period, Termination of Order, Defect Liability, Liquidated Damages etc.</li> <li>• There may be a delay in awarding an order.</li> <li>• There may be a threat to the overall interests of the DHBVN.</li> </ul>
2.3	Annual Rate Contract	<ul style="list-style-type: none"> <li>• There may be a lack of system of vendors' standardisation.</li> <li>• Huge wastage of resources due to non-compliance of procurement procedure.</li> <li>• Possibilities of irregularities in revision of annual contracts.</li> <li>• Finalisation of annual rate contract at higher rate for giving undue favour to specific parties.</li> </ul>
2.4	Receipt of Material and Monitoring of Pending Purchase Orders	<ul style="list-style-type: none"> <li>• In absence of proper monitoring system of pending orders, there may be a delay in receipts of material required on emergency basis.</li> <li>• Financial loss due to non-charging of penalty on late deliveries.</li> </ul>
2.5	Suppliers' Bills	<ul style="list-style-type: none"> <li>• Release of payment at higher rate/unauthorised bill passing.</li> <li>• Chances of faulty bill payment.</li> <li>• Delay in payment to suppliers results in loss of goodwill and levy of interest/penalties.</li> </ul>
2.6	Spot/Cash/Local Purchase	<ul style="list-style-type: none"> <li>• Financial loss to the DHBVN due to procurement at uneconomical rates and non-availing of quantity discount.</li> </ul>
<b>3.0</b>	<b>FINANCE AND ACCOUNTS</b>	
<b>3.1</b>	<b>Cash Transactions</b>	
3.1.1	Cash Payments and Receipts	<ul style="list-style-type: none"> <li>• Absence/non-compliance of policies and procedures of the DHBVN may lead to frauds and misappropriations.</li> </ul>

S. No.	Item	Risk
		<ul style="list-style-type: none"> <li>• Payment without an approval from the competent authority.</li> <li>• Chances of double payment against the same bill.</li> <li>• Payment in contravention of provisions of the Income Tax Act, 1961.</li> <li>• No proper system for safe custody of cash.</li> <li>• Inadequate insurance cover for cash in hand/transit.</li> <li>• Receiving cash without official cash receipt, resulting in incorrect accounting of cash transaction.</li> </ul>
3.1.2	Bank Transactions	<ul style="list-style-type: none"> <li>• Delay in deposit of cheques in bank and incorrect accounting.</li> </ul>
3.1.3	Cash Withdrawals from Bank	<ul style="list-style-type: none"> <li>• Chances of cash withdrawals without an approval from the competent authority.</li> <li>• Chances of withdrawal of cash without requirement &amp; mis-utilisation of cash.</li> </ul>
3.1.4	Bank Reconciliation	<ul style="list-style-type: none"> <li>• Delay in preparation of periodical bank reconciliation statements.</li> </ul>
3.1.5	Journal Vouching	<ul style="list-style-type: none"> <li>• Risk of booking of vouchers wrongly in respect of rectification entries.</li> <li>• Making of wrong provisions resulting in under/over-booking of expenses, leading to incorrect financial results.</li> <li>• Wrong entries for various provisions and reserves, resulting in wrong presentation of true and fair view of financial disclosures.</li> <li>• Passing of wrong closing entries.</li> </ul>
3.1.6	Fund/Limit Transfers to Units, Fund Transfer from Collection Centres	<ul style="list-style-type: none"> <li>• Delay in adjustment of unreconciled items/inter-unit fund balances.</li> <li>• Situation of surplus/idle funds.</li> </ul>
<b>3.2</b>	<b>Fixed Assets</b>	
3.2.1	Procurement of Fixed Assets	<ul style="list-style-type: none"> <li>• Procurement of fixed assets without an approval of competent authority and without complying with the policies and procedures in this regard.</li> <li>• Assets procured may not be of the required quality/specification.</li> </ul>

S. No.	Item	Risk
		<ul style="list-style-type: none"> <li>• Capital expenditure may be in excess of sanctioned expenditure.</li> </ul>
3.2.2	Capital work-in-progress	<ul style="list-style-type: none"> <li>• There are chances that assets may have not have been booked under the proper a/c head as per nature of the assets.</li> </ul>
3.2.3	Incidental Expenditure during Construction Period	<ul style="list-style-type: none"> <li>• Incorrect apportionment of overhead during construction period.</li> </ul>
3.2.4	Interest during Construction Period	<ul style="list-style-type: none"> <li>• There are chances that interest during construction period may not have charged to various items of capital work-in-progress properly.</li> </ul>
3.2.5	Accounting and Capitalisation of Fixed Assets (Fixed Assets Register)	<ul style="list-style-type: none"> <li>• Incorrect classification of capitalisation of fixed assets and accounting in the wrong Head of Account.</li> <li>• Non-capitalisation of all the cost related to fixed assets.</li> <li>• Chances of booking of revenue expenditure as capital expenditure and vice versa.</li> </ul>
3.2.6	Sale/Disposal and Transfer of Fixed Assets	<ul style="list-style-type: none"> <li>• Unauthorised sale of useful assets and that too at non-competitive price.</li> <li>• No proper identification and following up of procedure for sale of obsolete/surplus assets.</li> </ul>
3.2.7	Depreciation /Amortisation	<ul style="list-style-type: none"> <li>• Charging of depreciation at incorrect rate.</li> <li>• Charging of depreciation after the date of declaration of assets as surplus/obsolete/sold.</li> </ul>
3.3	<b>Investments</b>	<ul style="list-style-type: none"> <li>• No approval for purchase/sale of investment.</li> <li>• No proper investment policies resulting in improper investment decisions.</li> <li>• Lack of safe custody measures for original documents may lead the chances of fraud/misappropriation.</li> <li>• Incorrect accounting of investment/income thereon.</li> </ul>
3.4	<b>Loans and Borrowings</b>	<ul style="list-style-type: none"> <li>• Raising funds without an approval of competent authority.</li> <li>• Funds at higher interest rates or on such terms and conditions which are prejudicial to the interests of the</li> </ul>



S. No.	Item	Risk
		DHBVN. <ul style="list-style-type: none"> <li>• Incorrect accounting of interests and other charges, delay in drawing of funds / repayment of instalments.</li> <li>• Imposition of penalty due to the non-compliance.</li> </ul>
3.5	<b>Payables</b>	<ul style="list-style-type: none"> <li>• Non existence of internal control system for passing of bills.</li> <li>• Release of payment without proper scrutiny i.e. Documentary evidence, wrong calculation &amp; non-adjustment of recoverable.</li> <li>• Non-availing of Early Payment Rebate.</li> <li>• Non-reconciliation of related Account Books.</li> </ul>
3.6	<b>Budgeting</b>	<ul style="list-style-type: none"> <li>• Adoption of different bases by various Wings for preparation of budget resulting in a wrong assessment of fund requirements.</li> <li>• Delay in submission of budget from various Wings resulting in late circulation of approved budget and delayed execution of activities.</li> <li>• Incurrence of expenses in excess of budgeted amount.</li> <li>• Finding out/analyses of variances shall not be proper.</li> <li>• Absence of interim monitoring of budget with actuals.</li> <li>• Lack of meeting funds flow requirement.</li> </ul>
3.7	<b>Scrutiny of Expenses</b>	<ul style="list-style-type: none"> <li>• Booking of expenses without the approval of the competent authority.</li> <li>• Booking of expenses under wrong heads.</li> <li>• Booking of expenses for a period other than the accounting period under reference, resulting in disallowances under the Income Tax Act.</li> <li>• Chances of wrong allocation of expenses to cost centres.</li> </ul>
3.8	<b>Review of Sub-ledgers</b>	<ul style="list-style-type: none"> <li>• Wrong recovery against an advance made.</li> <li>• Non-recovery of advances from contractors given against material, equipment, etc.</li> <li>• Non-recovery of expenses from contractors in respect of rent, electricity, water charges, equipment hire charges, etc.</li> </ul>

S. No.	Item	Risk
		<ul style="list-style-type: none"> <li>• Danger of long-lying outstanding balances, both in employees' and contractors' sub-ledgers.</li> <li>• Chances of non-reconciliation of sub-ledgers and general ledger.</li> <li>• Inadequate provisioning for expenses.</li> <li>• Non-scrutiny of various items of expenses for long.</li> <li>• Booking of expenses inconsistently with the stated accounting policies and accounting standards.</li> <li>• Non-scrutiny of expenses from the point of view of disclosure requirements under the Companies Act or any other Act in force.</li> <li>• Non-adherence of the normal cut-off procedure followed for matching revenue with expenses.</li> </ul>
3.9	<b>Inter-Unit Account</b>	<ul style="list-style-type: none"> <li>• Non-reconciliation of inter-unit accounts may result in long outstanding balances, leading to wrong financial results.</li> <li>• It will also affect profitability of units working as independent cost centres.</li> <li>• Non-verification of credit notes with corresponding debit notes issued by the units concerned.</li> <li>• Non-disclosure of discrepancies to the top management.</li> </ul>
3.10	<b>Salary Section</b>	
3.10.1	Preparation of Salary	<ul style="list-style-type: none"> <li>• Chances of non-compliance of corporate policies and procedures in respect of preparation of salaries and its disbursements.</li> <li>• Chances of non-updating or unauthorised updating of employees' master records.</li> <li>• Incorrect calculation of salaries and statutory/other deductions, other benefits, etc., may lead to dissatisfaction in the employee and lowering of morale, resulting in loss to the DHBVN.</li> <li>• This may lead to imposition of unnecessary statutory penalties and interest.</li> </ul>
3.10.2	Salary Disbursement	<ul style="list-style-type: none"> <li>• Chances of delay in forwarding salary statements to banks.</li> </ul>

S. No.	Item	Risk
		<ul style="list-style-type: none"> <li>• Chances of non-raising of inter-unit advice in respect of salary of employees, transferred from other units, wherever applicable.</li> </ul>
3.10.3	Payment of Arrears	<ul style="list-style-type: none"> <li>• Wrong computation of payment of arrears, based upon wage revisions, promotion orders, etc.</li> <li>• Wrong computation of relief u/s 89 of the Income Tax Act on payment of arrears.</li> </ul>
3.10.4	Leave Encashment	<ul style="list-style-type: none"> <li>• Chances of payment of non-encashable leaves.</li> <li>• Non-updating of earned leave registers on regular basis.</li> </ul>
3.10.5	Shift Duty Allowance	<ul style="list-style-type: none"> <li>• Chances of payment of night shift allowances without the prior approval of the controlling officer.</li> <li>• Chances of payment of night shift allowances to the specified category of employees by giving undue favour.</li> </ul>
3.10.6	Payment of Lease Accommodation and its Recovery	<ul style="list-style-type: none"> <li>• Non-updating of lease master on regular basis.</li> <li>• Non-recovery of lease amount paid in excess of entitlement from the employees.</li> <li>• Chances of payment of lease amount in respect of employees transferred to another unit beyond the period of extension granted by the controlling officer.</li> <li>• Non-generation of inter-unit debit advices in case of employees transferred to another unit.</li> <li>• Non-deduction of tax as per prescribed rates and deposit with the governmental authorities within the stipulated time limit.</li> <li>• Chances of no timely renewal of lease before due date.</li> </ul>
3.10.7	Payment of Staff Advances HBA, Computer, Furniture, Conveyance, etc., and its Recovery	<ul style="list-style-type: none"> <li>• Release of advances without the approval of the competent authority.</li> <li>• Release of advances to employees without adequate securities / required documents.</li> <li>• Release of advances without the settlement of earlier advances.</li> <li>• Sanction of advances over and above the entitlement</li> </ul>

S. No.	Item	Risk
		/ repayment capacity of employees.
3.10.8	ESI, PF, TDS Deduction and Timely Deposit.	<ul style="list-style-type: none"> <li>• Non-provision for gratuity, and leave encashment as per the accounting policies at the year-end.</li> <li>• Wrong deduction / late deposit of statutory and other dues resulting in imposition of penalties and interest.</li> </ul>
3.10.9	Remunerations & other benefits	<ul style="list-style-type: none"> <li>• Grant of remuneration without proper sanctions and authority.</li> <li>• Allowing of remuneration without justification.</li> <li>• Non-making of budget provision.</li> </ul>
<b>3.11</b>	<b>Other Issues Relating to Employees</b>	
3.11.1 3.11.2 3.11.3	LTC Advance and Claim Tour Advance and Claim Medical Advance and Claim	<ul style="list-style-type: none"> <li>• Non-compliance of corporate policies and procedures.</li> <li>• Chances of incorrect calculation of entitlement.</li> <li>• Chances of passing of bills without adequate supporting.</li> <li>• Release of advance without settlement of earlier advances.</li> <li>• Chances of non-updating of employees' records.</li> <li>• Chances of advance pending for a long period.</li> <li>• Chances of non-returning of unspent money immediately.</li> </ul>
<b>3.12</b>	<b>Review of Sales &amp; Other Income.</b>	<ul style="list-style-type: none"> <li>• Sale without proper approval of competent authority and on the lower rates.</li> <li>• Not proper recording in accounts</li> </ul>
<b>3.13</b>	<b>Stores Accounts</b>	
3.13.1	Maintenance of Price Stores Ledger	<ul style="list-style-type: none"> <li>• No timely reconciliation of stock records with the quantity appearing in the price stores ledger (PSL).</li> <li>• Lack of control over inventory, misappropriation of inventory, negative balance appearing in the PSL.</li> <li>• Lack of control over purchases without issuances.</li> <li>• Chances of under/excess valuation of inventory.</li> </ul>
3.13.2	Valuation and Bill Passing	<ul style="list-style-type: none"> <li>• Non-adherence of the DoP, leading to unauthorised bill passing.</li> <li>• Chances of excess/duplicate bill payments.</li> <li>• Chances of pre-payment of bills without availing agreed discounts.</li> </ul>

S. No.	Item	Risk
		<ul style="list-style-type: none"> <li>• Chances of delay in making payment after due date, resulting in levy of penalty and interest, and financial loss to the DHBVN.</li> <li>• Chances of over/under-valuation of stores in contravention of AS-2 issued by the ICAI.</li> </ul>
3.14	<b>Audit of Final Accounts</b>	<ul style="list-style-type: none"> <li>• Chances of not representing a true and fair view of assets and liabilities.</li> <li>• Non-compliance of generally accepted accounting principles and accounting standards, issued by the ICAI and provisions of the Companies Act/other relevant Acts.</li> <li>• Chances of adverse qualifications by the auditors.</li> <li>• Chances of over/under-statement of revenue and expenses.</li> </ul>
3.15	<b>Cost Audit</b>	<ul style="list-style-type: none"> <li>• Chances of non-compliance of statutory provisions prescribed in Cost Accounting Records (Electricity Industry) Rules, 2001.</li> <li>• Chances of penal proceedings as per Companies Act, 1956, and other relevant Acts for non-compliance of statutory provisions.</li> </ul>
4.0	<b>PERSONNEL AND ADMINISTRATION</b>	
4.1	<b>Manpower Planning</b>	
4.1.1	Preparation of Manpower Requirement	<ul style="list-style-type: none"> <li>• Chances of wrong assessment of manpower, resulting in over/under-staffing.</li> <li>• Chances of non-adherence of budgetary limits and regulatory guidelines.</li> <li>• Recruitment of manpower without approval of competent authority.</li> <li>• Imbalance in manpower requirement will result in financial loss and badly affect the operational efficiency of the DHBVN.</li> </ul>
4.1.2	Monitoring of Actual vs. Sanctioned Strength	<ul style="list-style-type: none"> <li>• Posting of more staff persons for the same job than required.</li> <li>• Absence of formal reporting system from units in respect of manpower surplus/shortage.</li> </ul>

S. No.	Item	Risk
		<ul style="list-style-type: none"> <li>• Imbalance in manpower requirement shall affect the operational efficiency of the DHBVN.</li> <li>• Chances of imbalance between higher level and lower level staff.</li> </ul>
<b>4.2</b>	<b>Recruitment</b>	
4.2.1	Receipt and Approval of Manpower Requirement	<ul style="list-style-type: none"> <li>• Chances of unauthorised recruitment of personnel.</li> <li>• Delay in receipt and approval of manpower requirement.</li> </ul>
4.2.2	Advertisement for Inviting Applications	<ul style="list-style-type: none"> <li>• Chances of less detail in advertisement for inviting applications and limited circulation resulting in incomplete information from the applicants.</li> </ul>
4.2.3	Receipt and Scrutiny of Applications	<ul style="list-style-type: none"> <li>• In absence of a proper system for collection of applications, there may be a chance of non-receipt/misplacement of applications.</li> <li>• Selection of candidates not meeting the pre-defined criteria.</li> <li>• Delay in recruitment of employees resulting in adverse effect on operational efficiency.</li> </ul>
4.2.4	Conducting Written Test	<ul style="list-style-type: none"> <li>• There may be chances of non-receipt of information for attending written test by the short listed candidates.</li> <li>• Chances of using unscientific/arbitrary methods for conducting a written test.</li> <li>• Chances of leakage of question papers, resulting in selection of incapable candidates, unsuitable for the job.</li> </ul>
4.2.5	Short listing of Candidates	<ul style="list-style-type: none"> <li>• Chances of short listing the candidates ignoring the pre-determined criteria.</li> </ul>
4.2.6	Interviewing the Candidates	<ul style="list-style-type: none"> <li>• For want of proper procedure for calling candidates to appear for interview, the short listed candidates may not be able to attend the interview.</li> <li>• There may be chances to call the candidates for an interview who have not qualified the written test.</li> <li>• Chances of improper composition of the interview panel, resulting in selection of incapable candidates.</li> </ul>

S. No.	Item	Risk
4.2.7	Selection and Issue of Appointment Letters	<ul style="list-style-type: none"> <li>• Selection of candidates through personal references, not meeting the pre-defined selection criteria, resulting in appointment of incapable candidates.</li> <li>• Delay in sending appointment letters to selected candidates.</li> <li>• Issuance of appointment letters without clearly stating the terms and conditions, pay scales as approved by the competent authority.</li> </ul>
4.2.8	Induction, Assignment of Designation and Job Profile	<ul style="list-style-type: none"> <li>• No clarity for job profiles assigned to inducted candidate, resulting in suffering of work performance.</li> <li>• Chances of unclear authority and responsibility.</li> </ul>
4.2.9	Exit Interviews	<ul style="list-style-type: none"> <li>• In absence of a reasonable system of taking interview at the time of relieving of an employee, the DHBVN will not be able to know the reasons of employee turnover.</li> </ul>
<b>4.3</b>	<b>Time Office</b>	
4.3.1	Attendance	<ul style="list-style-type: none"> <li>• Inaccurate records of attendance resulting in incorrect salary preparation.</li> <li>• Chances of fake attendance or proxy.</li> <li>• Financial loss to the DHBVN.</li> </ul>
4.3.2	Leave Management	<ul style="list-style-type: none"> <li>• Chances of non-existence of well defined leave policy in the DHBVN.</li> <li>• Chances of incorrect recording of leave and that too on irregular basis.</li> <li>• Availing leave without any formal sanction.</li> <li>• Incorrect accounting of leave may result in payment of higher salary or other benefits.</li> </ul>
4.3.3	Late Coming and Early Going	<ul style="list-style-type: none"> <li>• Non-adherence of office timing strictly and adverse effects on operational efficiency.</li> <li>• No deductions, though prescribed by rules.</li> </ul>
<b>4.4</b>	<b>Payroll</b>	
4.4.1	Pay Fixation and Maintenance/Updating of Employees' Master Records	<ul style="list-style-type: none"> <li>• Pay scales are not authorised by the competent authority.</li> <li>• Non-compliance of the corporate policies and procedures for pay fixation, preparation and</li> </ul>

S. No.	Item	Risk
		disbursement of salary. <ul style="list-style-type: none"> <li>• Not updating of master records on a regular basis.</li> </ul>
4.4.2	Promotion/Transfer of Employees	<ul style="list-style-type: none"> <li>• Issuance of transfer order by HR not duly authorized by the competent authority.</li> <li>• Chances for not issuing Last Pay Certificate (LPC) timely and not containing all necessary details.</li> <li>• Non deduction of advances for want of recovery schedules of advances issued by transferor unit.</li> <li>• Promotion of employees without following the DHBVN's policies and procedures made in this respect.</li> <li>• Dissatisfaction in the employees.</li> </ul>
<b>4.5</b>	<b>LEGAL</b>	
4.5.1	Empanelment of Lawyers	<ul style="list-style-type: none"> <li>• Selection of incompetent lawyers due to non-adherence of the provisions of DOP / circulars / officer orders in this regard.</li> <li>• No well-defined qualification/experience criteria for empanelment of lawyers.</li> <li>• Chances of empanelment of large number of lawyers.</li> <li>• No regular updation of empanelment.</li> </ul>
4.5.2	Fixation of Fees	<ul style="list-style-type: none"> <li>• Fixation of fees without considering the relevant factors i.e. prevailing rates, experience of lawyers, specialisation etc. may result in fixation of fees structure on the higher side.</li> <li>• Payment of incidental expenditure i.e. boarding and lodging, travelling expenses in excess of the limit fixed in this regard.</li> </ul>
4.5.3	Control on Expenditure	<ul style="list-style-type: none"> <li>• No monitoring over legal expenditure, direct as well as indirect, incurred on various cases.</li> <li>• No submission of detail of expenses to appropriate authority for appraisal and review.</li> </ul>
<b>4.6</b>	<b>Hospitals/Health Centres/Dispensaries</b>	
4.6.1	Medicines/Consumables	<ul style="list-style-type: none"> <li>• Chances of purchase of medicines not duly approved by the competent authority.</li> <li>• Chances of purchase of sub-standard medicines and</li> </ul>



S. No.	Item	Risk
		<p>in excess quantity whose expiry date is near.</p> <ul style="list-style-type: none"> <li>• Non-maintenance of various records with regard to patients' medicines, consumables, surgical equipment and apparatus.</li> </ul>
4.6.2	Medical Consultation and Hospitalisation Services	<ul style="list-style-type: none"> <li>• Chances of availing of hospital facilities by patients who are not entitled.</li> <li>• Chances of not charging of necessary fee as per prescribed rates.</li> <li>• Non-receipt of necessary charges from the outside patients resulting in financial loss to the DHBVN.</li> </ul>
<b>4.7</b>	<b>Township</b>	
4.7.1	Allotment	<ul style="list-style-type: none"> <li>• Lack of proper guidelines for allotment of premises may result in out of turn allotment/allotment to person not entitled.</li> <li>• Non-maintenance of records on a regular basis may lead to incorrect recovery of various charges.</li> <li>• Unauthorised occupation of allotted premises after the expiry of allotment period.</li> <li>• Chances of no agreement with outside parties for allotment of premises.</li> </ul>
4.7.2	Recoveries	<ul style="list-style-type: none"> <li>• Incorrect recovery of various charges against the laid down rules and terms and conditions of agreement, resulting in financial loss to the DHBVN.</li> <li>• Statement of outstanding recoveries is not made, so no follow up action.</li> </ul>
4.7.3	Vacation	<ul style="list-style-type: none"> <li>• Chances of not verifying the premises at the time of vacation resulting in misuse of fittings and furnishing at the premises.</li> <li>• No dues certificate is issued without verifying the records.</li> <li>• Records are not updated after vacation.</li> </ul>
<b>4.8</b>	<b>Guest Houses/Transit Hostels /Transit Camps</b>	<ul style="list-style-type: none"> <li>• Chances of non maintenance of various records.</li> <li>• Misuse of guest house facilities for want of follow up or guidelines for allotment of guest house.</li> <li>• Chances of incorrect charges resulting in revenue loss</li> </ul>

S. No.	Item	Risk
		<p>to the DHBVN.</p> <ul style="list-style-type: none"> <li>• No proper record of assets may result in transfer of assets without approval.</li> <li>• No periodic physical verification of assets.</li> <li>• Wastage and misuse of eatables/consumables.</li> </ul>
<b>4.9</b>	<b>Other Issues</b>	
4.9.1	Leave Travel Concession and Claim	<ul style="list-style-type: none"> <li>• Chances of paying LTC advances and other claims more than the entitlement of employees.</li> <li>• Tendency of settlement of advances over a long period.</li> <li>• Delay in recovery of advances not utilised within prescribed time limit.</li> <li>• Non recovery of penal interest at prescribed rates.</li> </ul>
4.9.2	Staff loan and advances – HBA, Computer, Furniture, conveyance etc. And its recovery	<ul style="list-style-type: none"> <li>• Sanction of excess loan that of admissible.</li> <li>• Not obtaining of required documents.</li> <li>• Not starting of recovery of the loan as per ruled.</li> <li>• Omission in regular recovery and not intimation to next office in case of transfer.</li> <li>• Incorrect calculation of interest.</li> </ul>
4.9.3	Leased accommodations	<ul style="list-style-type: none"> <li>• Not updating of lease masters/contracts</li> </ul>
<b>5.0</b>	<b>STORES AND TRANSFORMER REPAIR WORKSHOPS</b>	
5.1	Receipt of Material	<ul style="list-style-type: none"> <li>• Non-checking of material on receipt for quality, quantity, damaged condition or proper documentation would result in excess/shortages in inventory and loss to the Company.</li> <li>• Buying without any real need would result in blocked funds, which could have been better utilised for productive uses.</li> <li>• Chances of misappropriation of inventory.</li> <li>• Improper recording and accounting of inventory may badly impact information on stock position, reordering quantity and time, bill passing etc.</li> </ul>
5.2	Issue of Material	<ul style="list-style-type: none"> <li>• Issuing material without authorisation and approval of the competent authority increases the risk of misappropriation of inventory.</li> </ul>

S. No.	Item	Risk
		<ul style="list-style-type: none"> <li>• Irregular recording and accounting of issuances makes monitoring of inventory very difficult.</li> <li>• Allocating costs to different Wings and processes on approximate basis which cannot be relied upon.</li> </ul>
5.3	Inventory Management	<ul style="list-style-type: none"> <li>• Chances of not fixing of inventory levels – minimum, maximum and reorder levels, or of revising the same at the right time.</li> <li>• Embarrassing out of stock positions of critical spares or equipment, and the accumulation of surplus/obsolete inventory at the same time.</li> <li>• Inadequate review of slow or non-moving inventory position or its circulation to concerned Wings or to the higher management.</li> </ul>
5.4	Return of Damaged Transformers in Stores/ Workshops.	<ul style="list-style-type: none"> <li>• Chances of not proper checking of shortage of transformer oil and parts visible outside at the time of receipt and non-accounting of the same in accounts.</li> <li>• Chances of non-recording of shortages in the shortage book and recording of measurement of the available parts in the measurement book noticed at the time of receipt.</li> <li>• Chances of non-accounting of cost of transformers including transformer oil &amp; parts in monthly accounts and non-affording of credit to the office from where transformer was received.</li> </ul>
5.5	Accounting of transformer oil and checking of the transformer for the purpose of repair/ disposal.	<ul style="list-style-type: none"> <li>• Chances of non-accounting of transformer oil as contained in the damaged transformer vis-a-vis entry into dirty transformer oil card, ascertaining and accounting of sludge, accounting of de-hydrated oil.</li> <li>• Chances of delay in checking or non-checking of the damaged transformer (after opening) and taking of decision regarding repair/disposal based on the condition of the transformer.</li> <li>• Chances of non-accounting and non-affording of credit of the cost of HV/LV coils etc. after opening of the transformer.</li> </ul>

S. No.	Item	Risk
5.6	Custody of Material and Physical Control	<ul style="list-style-type: none"> <li>• Inadequate care in providing storage space for different kinds of material in accordance with requirement.</li> <li>• Avoidable wastage of time in locating and identifying items while issuing material from stores.</li> <li>• Theft/pilferage/misappropriation of material.</li> </ul>
5.7	Scrap Disposal	<ul style="list-style-type: none"> <li>• Insufficient reporting of surplus/obsolete stock of material to the corporate office.</li> <li>• Lacunae in reconciling scrap handed back by the contractor i.e. standard wastage, actual wastage and actual quantity returned.</li> <li>• Misappropriation of scrap by the contractor.</li> <li>• Non-disposal of scrap through auction as per policy of DHBVN resulting into blockage of funds, and financial loss.</li> </ul>
<b>6.0</b>	<b>COMMERCIAL</b>	<ul style="list-style-type: none"> <li>• Not in scope of Expenditure/Works Audit but related to Revenue Audit</li> </ul>
<b>7.0</b>	<b>Consultancy Services</b>	
7.1	Cost Assessment and Price Fixation	<ul style="list-style-type: none"> <li>• Absence of adequate policy guidelines for computing the assignment cost may result in under/ over costing of assignment.</li> <li>• Resource requirement may have been determined without considering detailed scope of work, required skill set etc.</li> <li>• There may be chances of wrong calculation of other costs also in case all relevant cost factors such as basic pay, reimbursement and perquisites allowed to employees, overhead cost etc have not been considered properly.</li> <li>• Non-approval of assignment's costing and pricing from the competent authority as prescribed in DOP.</li> <li>• Chances of low profit margin due to inadequate system of pricing resulting in revenue loss to the DHBVN.</li> <li>• Inadequate system of pricing may also lead to losing of assignment due to non-competitiveness.</li> </ul>

S. No.	Item	Risk
7.2	Execution	<ul style="list-style-type: none"> <li>• Financial loss to the DHBVN due to the deployment of excessive staff/ resources.</li> <li>• Delay in execution of project resulting in non-receipt of payment and levy of penalty.</li> <li>• Chances of deployment of incompetent manpower resulting in negative effect on goodwill of the DHBVN.</li> <li>• Chances of inadequate monitoring system on regular basis.</li> </ul>
7.3	Billing, Recovery and Follow up	<ul style="list-style-type: none"> <li>• Financial loss to the DHBVN due to non-adherence of terms and condition of the contract.</li> <li>• Chances of billing at incorrect rates and delay in raising bills.</li> <li>• Non-approval of bills and credit notes by competent authority.</li> <li>• Lack of proper follow up system in respect of old outstanding.</li> </ul>
7.4	Assessment and Feedback System	<ul style="list-style-type: none"> <li>• Absence of proper feedback from the clients may result in negative affect on brand image and goodwill of the DHBVN.</li> <li>• Chances of no proper analysis of root cause and action plan for improvement based on feedback from the client resulting in no corrective action in time.</li> <li>• Lack of reporting on profitability of assignment to higher authorities.</li> </ul>
7.5	Business Development Process	<ul style="list-style-type: none"> <li>• Non-tapping of potential clients due to lack of proper development strategy.</li> <li>• Lack of adequate budgetary control system to monitor and control the performance of Wing resulting in opportunity loss to the DHBVN.</li> <li>• Lack of analysis of variances between actual result and budgeted amount resulting in non-implementation of action plan timely for improvement.</li> </ul>
<b>8.0</b>	<b>IT &amp; COMMUNICATION</b>	
8.1	Software Development Process	<ul style="list-style-type: none"> <li>• In the absence of adequate system for assessing and analyzing needs of computerization including</li> </ul>

S. No.	Item	Risk
		<p>development of software either by in house technical staff or by outside agencies, there is a chance of inadequate computerized system resulting into wastage of resources.</p> <ul style="list-style-type: none"> <li>• Chances of commencement of software development programmes including modification / changes in the existing system without taking approval from the competent authority.</li> <li>• Chances of selection of incompetent outside agency based on weak credentials resulting in time and cost overrun in software development process.</li> <li>• In the absence of proper support of user manual and required training may lead to operational inefficiency of the staff.</li> <li>• Non-adherence of prescribed tendering process for selection of outside agency.</li> </ul>
8.2	Maintenance of Hardware and Software	<ul style="list-style-type: none"> <li>• Chances of hindrances in work due to the system failure in absence of annual maintenance contract.</li> <li>• The data may be lost due to non-adherence of maintenance system.</li> <li>• No hardware / software can be maintained properly in the absence of proper training and extending proper consultation for solving the day to day problems of the system users.</li> </ul>
8.3	Information Security and Controls	<ul style="list-style-type: none"> <li>• In the absence of any policy regarding information security, there are chances of improper awareness to employees for security and control measures.</li> <li>• No proper policy regarding password specifying minimum length of password, compulsory change of password, locking of Id after prescribed no. of consecutive login failure, use of login ID of ex-employees, etc.</li> </ul>
<b>9.0</b>	<b>OPERATION AND MAINTENANCE</b>	
9.1	Schedule of Preventive Maintenance	<ul style="list-style-type: none"> <li>• In the absence of preventive maintenance system there is a chance of frequent break down resulting in decrease of operational efficiency.</li> </ul>

S. No.	Item	Risk
9.2	Breakdown Analysis	<ul style="list-style-type: none"> <li>• No system to carry out break down analysis in depth and plan for remedial action will result in loss to the DHBVN due to frequent breakdowns.</li> </ul>
9.3	Budgetary Control	<ul style="list-style-type: none"> <li>• No budgetary control in respect of repair and maintenance expenditure.</li> <li>• No variance analysis to take remedial action for controlling the excessive expenditure.</li> </ul>
9.4	Critical Spares	<ul style="list-style-type: none"> <li>• Non-maintaining adequate inventory for critical spares and non-availability of the same may result in loss to the DHBVN due to loss of generation.</li> </ul>
9.5	Maintenance of History Sheet/Cards/Logbooks	<ul style="list-style-type: none"> <li>• Non maintenance / updation of machines' history cards, may result in non availability of useful data on expenditure on repair and maintenance, machine life, breakdown hours etc.</li> </ul>
<b>10.0</b>	<b>TRANSPORT</b>	
10.1	Hiring of Vehicles/ Equipments	<ul style="list-style-type: none"> <li>• No approval from competent authority resulting in hiring of excess vehicles.</li> <li>• Non-compliance of tendering procedure in selection of transporters / contractors resulting in selection of incompetent parties even at uneconomical rates.</li> <li>• The absence of clarity in the terms and conditions of the contract may result in unnecessary disputes with the parties.</li> <li>• Chances of renewal of contract for undue long period without proper approval for extension by the competent authority.</li> <li>• Chances of hiring of vehicles without any contract.</li> </ul>
10.2	Utilisation of Vehicles/ Equipments	<ul style="list-style-type: none"> <li>• Chances for allotment/ allocation of vehicles without approval of competent authority which may not be as per entitlement of the employees.</li> <li>• Chances of no recovery/ less recovery from the outside parties using the vehicle i.e. contractor etc.</li> <li>• Non-maintenance of vehicle log/history book on regular basis resulting in mis-utilisation and excessive expenditure.</li> </ul>

S. No.	Item	Risk
		<ul style="list-style-type: none"> <li>• No control over tracking of maintenance expenditure, uneconomical performance of vehicle etc.</li> <li>• Chances of non compliance of the requirements of Motor Vehicle Act in respect of renewal of drivers' licenses, pollution certificate etc. resulting in levy of penalty for not adhering to statutory/legal requirements.</li> </ul>
10.3	Repair and Maintenance of Vehicles/Equipments	<ul style="list-style-type: none"> <li>• Lack of approval from competent authority resulting in excessive expenditure and mis-utilisation.</li> <li>• No proper system for getting the vehicles / equipments repaired from the out side parties.</li> <li>• No monitoring and control over running cost of vehicles.</li> <li>• No analysis of heavy expenditure on a particular vehicle.</li> </ul>
10.4	Disposal of Vehicles/ Equipments	<ul style="list-style-type: none"> <li>• Accumulation of obsolete vehicles in absence of proper identification process regarding surplus / old vehicles resulting in blockage of fund.</li> <li>• Chances of disposal of good and usable vehicles identified on unjustifiable grounds.</li> <li>• Disposal of vehicles at lower rates without inviting competitive offers resulting in financial loss to the company.</li> <li>• No regular reporting to the corporate office.</li> </ul>
10.5	Compliance of Company Vehicle Rules	<ul style="list-style-type: none"> <li>• In the absence of proper and clear guidelines there may be chances of mis-utilisation of vehicles.</li> <li>• Use of vehicle for more than the entitlement in respect of personal use of vehicles.</li> </ul>



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## **PART-III**

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**1.0 WORKS CONTRACT (INCLUDING CIVIL, ELECTRO-MECHANICAL, AND O&M CONTRACTS)**

**1.1 Pre-Award**

**1.1.1 Approval of Proposal**

1.1.1.1 Enquire with the process owners and check that the policy guidelines in respect of sanction and approval are in place.

1.1.1.2 Check whether technical and administrative sanctions of the proposal have been obtained from the competent authority as per the DoP.

1.1.1.3 Ascertain whether reasonability is established before award of the contract.

1.1.1.4 Examine that in case of excess of cost estimates over the DPR/annual plan, reasons for variations have been analysed and presented to the approving authority for appraisal.

1.1.1.5 Ascertain in detail the time involved in the whole of the approval process. Highlight the instances of undue delays and enquire the reasons thereof.

**1.1.2 Preparation of Estimate and its Approval**

1.1.2.1 Examine whether administrative and expenditure sanction of the proposal has been obtained from the competent authority as per the Delegation of Powers. Accordingly cost estimates have been properly made out and award values compared with estimates.

1.1.2.2 Enquire with the process owners about the basis for calculating the cost estimates – market rates, Schedule of rates or previous rates. Verify that the basis taken was adequate and justifiable.

1.1.2.3 If the cost estimates are prepared on the basis of scheduled rates, ensure the following:

Estimates have been prepared on the basis of updated/latest scheduled rates.

If scheduled rates for particular items/work are not available, adequate loading for differential factors/circumstances have been duly considered and proper Analysis of Rate for that item has been made and got approved from the competent authority.

Loading on account of inflation (wage rates, diesel and other cost factors) is reasonable and within prevailing wage rates of the state/market rates etc.

Estimates have been prepared on the basis of scheduled rates of the same items/scope of work and if scheduled rates for the same scope of work are not available, then adequate adjustments have been carried out and the Analysis of Rates has been made correctly/justifiably.

- 1.1.2.4 In case cost estimates are prepared on the basis of the previous purchase rates, ensure the following:

The latest purchase base should be taken considering the inflation factor if the time gap of purchase order is too long. There should be justification for not inviting new quotations for obtaining fresh estimates.

The item specification/make/location of the previous supplies is similar to current requirements.

- 1.1.2.5 Ensure the reasonableness of the estimates in case any other method of costing was adopted, by considering the facts and circumstances of the case.

- 1.1.2.6 Besides the basis of costing, examine the following as well: All the cost parameters such as basic cost, transportation, loading and unloading, duties and taxes have been duly considered. Provision for overhead and administrative expenses, as also incidental expenses, has been made.

Provision for contingencies has been taken as per the normal norms. Approval from the competent authority is required in case there is an element of foreign exchange in the cost.

Estimate is free from arithmetical errors and omissions. Reasonable profit margin has been considered in preparation of the estimates.

- 1.1.2.7 Ensure that the estimates have been duly approved by the competent authority as per the DOP.

- 1.1.2.8 Also ensure that the expenditure incurred has remained within the prescribed limit and if exceeded revised estimate has been prepared on actual basis and got approved from the competent authority as per DOP.

## **1.2 TENDER INVITATION PROCESS**

### **1.2.1 Fixation and Evaluation of Pre-Qualification (PQ) Criteria**

- 1.2.1.1 Enquire whether written policy/guidelines stating the detailed procedure for fixing the qualification criteria are followed. The criteria are defined in clear and understandable terms. It should be properly documented. Check that pre-qualification criteria have not been changed/modified after receipt of tender.
- 1.2.1.2 Ascertain whether pre-qualification bids have been evaluated on the basis of minimum qualifying criteria stated in PQ document.
- 1.2.1.3 Examine whether all parties selected for tendering hold valid labours licence and applicable registration in respect of Income Tax/PF/ESI/Sales Tax/VAT/Service Tax/Works Contract Tax, etc., where it is specifically mentioned in the bid documents.
- 1.2.1.4 Ascertain in case of first-time bidders (with DHBVN) whether detailed assessment of their technical/financial capabilities has been done by the bid evaluation committee as per terms and conditions laid down in the bid documents and its report considered by the competent authority. The award of contract has to be made to financially sound and capable parties.

### **1.2.2 Circulation of Notice Inviting Tender (NIT)**

- 1.2.2.1 Examine whether an approved list of contractors has been drawn up and updated as per the guidelines / procedure in this regard.
- 1.2.2.2 A summary of the contracts awarded with values, with full classification, should be included in the list, for each of the modes:
  - a. open tender,
  - b. limited tender,
  - c. single tender.
- 1.2.2.3 Analyse and comment on the reasonableness of the justification in single/limited tender cases. Check that no preference has been given in selection of parties.
- 1.2.2.4 Ensure that proper sanction and approval has been taken from the competent authority as per the Delegations of Powers.
- 1.2.2.5 Ensure that bid specifications, i.e., description of items, tender number, address for communication, opening and closing dates, Earnest Money

Deposit (EMD), etc., are clear, unambiguous and consistent with approved needs.

- 1.2.2.6 Check the NIT-circulation documents and ensure that the tender has been circulated to all the parties which fulfil the pre-qualification criteria.
- 1.2.2.7 Ensure that adequate time has been given to parties for receiving of tender document and submission of bids.
- 1.2.2.8 Check that necessary fee for tender document and EMD for tender has been fixed as per relevant circular of DHBVN.
- 1.2.2.9 Ensure that there is no change in the tender requirement and if there is some, it is as per the Delegation of Powers.

### **1.2.3 Preparation, Vetting & Issuance of Tender Documents**

- 1.2.3.1 Ensure that the tender document is prepared after considering all provisions and guidelines of the Procurement Manual and proper sanction from the competent authority regarding the same has been received.
- 1.2.3.2 Ensure that tender document should contain all relevant clauses such as performance Bank Guarantee, statutory provision, prices are FIRM or variable(if variable base date fixed for, work schedule, EMD, list of relevant documents to be submitted by the contractors, charges for providing various services, i.e. electricity, accommodation etc.
- 1.2.3.3 Generally eligibility of the bidders is examined on the basis of documents submitted by the bidder along with his bid but there may be some cases where it is decided by the competent authority that the tender documents be issued only to those parties which qualify the eligibility criteria. In such cases, ensure that tender document is issued to pre qualified parties on receipt of prescribed fees after obtaining approval from competent authority.
- 1.2.3.4 Ensure that the tender document before opening to the general public is duly vetted by the legal and finance Wings and if there is any deviation it must be duly considered by the competent authority.

### **1.3 RECEIPTS AND EVALUATION OF TENDER BIDS**

#### **1.3.1 Receipts of Tender Bids**

- 1.3.1.1 Ensure that there is a proper system for receipt and recording of tender documents.
- 1.3.1.2 Check that all the tenders are received within given time frame and ensure that bidders fulfil all the requirements of the tender and those which do not satisfy the criteria are rejected.
- 1.3.1.3 Verify that the system for the safe custody of bid/offer is well explained.

#### **1.3.2 Tender Bid Opening and Earnest Money Deposit**

- 1.3.2.1 Ensure that tender is opened in the presence of tender committee and representative of bidders who choose to be present at the time of tender opening.
- 1.3.2.2 Ensure that proper recording is done in the tender register immediately after the opening of the tenders.
- 1.3.2.3 Check and ensure that EMD received on tenders is correct and properly recorded in the register. Waiver off of EMD has been allowed by competent authority as per Delegation of Powers.
- 1.3.2.4 Technical bids are opened only for those bidders who have given valid and requisite amount of EMD.
- 1.3.2.5 In case of bid document are received from less than three bidders, the competent authority should be informed for its decision and are processed further only after having approval of competent authority.

#### **1.3.3 Tender Evaluation**

- 1.3.3.1 Ensure that the composition of the Tender Evaluation Committee (TEC) has been duly approved by the competent authority as required under DHBVN Procurement Manual.
- 1.3.3.2 Ensure that persons involved in receiving tenders are not included in the TEC while carrying out the process of evaluation.
- 1.3.3.3 Ensure that related parties such as associated firms/partners have not joined hands by submitting the offer in different names.
- 1.3.3.4 Check that due weightage has been given to various factors like difference in payment terms, delivery, make of items, etc.

- 1.3.3.5 Ascertain whether all tendering procedures, like approval of tendering, invitation for bids, requirement of EMD/bid security, specifying bid-opening dates in the IFB, maintenance of tender box, minutes of the bid-opening and formation of the TEC have been followed in all cases.
- 1.3.3.6 Verify whether the finance Wing has given its concurrence.
- 1.3.3.7 Review the recommendations of the TEC and verify the approval of the competent authority.

## **1.4 SELECTION OF SUITABLE PARTY AND CONTRACT AWARDING**

### **1.4.1 Comparative Statement**

- 1.4.1.1 Verify whether the comparative statement, which shows the evaluation of tenders, has been drawn up correctly considering all the relevant facts, viz., basic cost, taxes and duties, transportation cost, various discounts (cash/trade), etc.
- 1.4.1.2 Check whether the comparative statement is duly approved by the competent authority.
- 1.4.1.3 Check whether DGS&D rates have been obtained and compared wherever relevant.
- 1.4.1.4 Examine the cases where the lowest evaluated commercially and technically responsive tenders have been overlooked and whether the same are justifiable. Highlight cases where the same are not considered reasonably.
- 1.4.1.5 Ensure that cost estimates have been revised considering the prevailing competitive market price not just to match with the cost of the lowest bidders.
- 1.4.1.6 Ensure that price preference to PSU, if any, has been given in accordance with the applicable government directives/policies/guidelines.
- 1.4.1.7 Check the records of negotiations, if held by SHPPC / HPPC as per guidelines of the CVC, and ensure the process adequacy by verifying the following points:
  - Negotiated rates higher than the schedule of rates/market rates have not been allowed.
  - Negotiations were not held without getting/ensuring the price reasonableness of the price quoted by the party.

Special consideration on high and low rates items, e.g., during negotiations heavy reduction in low rate items as compared to high rate items.

- 1.4.1.8 Check the comparative statement and contract documents and ensure that the contract has been awarded to the lowest bidder and in case of rejection of lowest bidders, approval for re-bidding or for negotiations with the L-2 vendors has been sought from the competent authority.

#### **1.4.2 Awarding of Contract**

- 1.4.2.1 Ensure that, after finalisation/selection of parties, a final contract has been signed within a reasonable period of time.
- 1.4.2.2 Check that the contract is as per the prescribed format and contains the necessary clauses.
- 1.4.2.3 Check that major contracts are duly vetted by the legal Wing.
- 1.4.2.4 Ensure that a duplicate copy of the contract has been signed by the contractor as a token of his acceptance to all the terms and conditions in the contract.
- 1.4.2.5 Check the terms and conditions of the contract and ensure that any alteration, modification, addition or deletion in the contract terms and conditions has been duly approved by the competent authority.
- 1.4.2.6 Ensure that all the changes agreed to at the time of pre-award discussion between the supplier/contractor and the TEC and approved by the competent authority have been incorporated suitably in the final agreement.
- 1.4.2.7 Verify performance guarantee as stipulated in the contract has been furnished within the stipulated time and post confirmation thereof from the issuing bank branch.
- 1.4.2.8 Examine whether there has been a delay in processing the award having financial implications to the DHBVN.
- 1.4.2.9 Confirm that EMD of all unsuccessful bidders has been returned within a reasonable time of award of the contract. Report the list of unpaid EMD outstanding for more than one year.



## **1.5 EXECUTION**

### **1.5.1 Advances to Contractors**

- 1.5.1.1 Review applications for advance payments. Verify whether initial advance, interim advance, mobilisation advances, etc., have been released in accordance with provisions of the Letter of Award (LOA) and have been given with the approval of the competent authority.
- 1.5.1.2 Verify that amount of advances is being adjusted from the running account (R/A) bills.
- 1.5.1.3 In case of interim advance, verify the confirmation by the engineer nominated for relevant contract, certifying the completion of specified stage in the contract, on which the advance is payable.
- 1.5.1.4 Verify the documents submitted by the contractor in support of the advance payment and ensure that machinery/equipment/material is hypothecated in favour of DHBVN.
- 1.5.1.5 Verify the insurance cover taken by the contractor with endorsement in favour of the DHBVN.
- 1.5.1.6 Verify that the bank guarantee furnished by the contractor is unconditional, adequate and valid.
- 1.5.1.7 Verify that the deduction of Tax under section 194C of the Income Tax Act has been made.
- 1.5.1.8 Whether interest has been charged and accounted as per contract terms and conditions. Approval for waiver of interest has been taken from appropriate authority.

### **1.5.2 Processing of Bills and Release of Payments**

- 1.5.2.1 Test check the Running Account bills submitted by the contractors for various works, verifying the following:
  - The payment due is in line with rates provided in the contract and quantity recorded in the Measurement Book (MB) and approved by the competent authority.
  - Adequate supporting documents, i.e., abstract of MB, test check certificates, etc., are attached along with bills.
- 1.5.2.2 Ensure that deductions/recoveries have been considered on account of following items:

Security deposits/retention money, advance granted;

Material supplied to the contractor;

Charges recoverable for the other facilities granted; such as electricity, accommodation, machinery hire charges etc.

Penalty/liquidity damage, Early Payment Rebate if any, provided for in the contract;

Income Tax/Works Tax to be deducted at source.

1.5.2.3 Examine on test verification whether escalation bills are paid as per applicable indices with reference to formula instruction mentioned in the LOA.

1.5.2.4 Ensure that no escalation payment is allowed in case of fixed price contract and in case of delay in completion of work due to fault of the contractor.

1.5.2.5 Verify the rates charged as per contract/agreement and check all the calculations.

1.5.2.6 Examine the works contract register to confirm that the cumulative amount is entered in the Analyse column.

### **1.5.3 Insurance Coverage**

1.5.3.1 Obtain the list of major contracts awarded during the period of audit and check that required insurance policy has been taken by the contractor concerned.

1.5.3.2 Examine the reasonableness of insurance coverage and indemnity bonds furnished by the contractor for material issued to them.

1.5.3.3 Ensure that insurance policy has been taken before starting of construction or erection activities and that they are valid.

1.5.3.4 Verify that necessary endorsement in favour of the DHBVN has been recorded on the policies.

1.5.3.5 Enquire with the process owner in respect of system of controlling and monitoring insurance policies furnished by contractors and timely intimation for renewal of policy is given to contractor.

### **1.5.4 Material Issued to Contractors**

1.5.4.1 Verify the process of material issuance and ensure the following:  
Issue of material against the approved and sanctioned indent/requisition;

Issue of material to the authorised representative of the contractor;

Acceptance of the material issue note by the contractor's authorised representative;

Accounting of the issue in the correct party code and for correct quantity,

Adherence to contract's terms and conditions;

Issue of material is commensurate with the requirement (i.e. issue of material in line with consumption).

1.5.4.2 Review the timely recovery of material issued to contractor from every running bill at the rates provided for in contract.

1.5.4.3 Verify that records in respect of consumption of material are updated regularly and abnormal wastage, if any, has been charged to the contractor's account.

1.5.4.4 Physical verification of the material lying with the contractor is carried out at regular intervals.

1.5.4.5 Review the records pertaining to material/equipment issued on loan/returnable basis to the contractor, ensuring the following:

That the issue was as per terms and conditions of the contract and on the basis of approval of the competent authority;

That adequate records are being maintained on a regular basis;

That proper steps are being taken for recovery of the material lying with the contractors;

That in case of non-recovery of material/equipment within the stipulated period/extended period, an adjustment has been made in the contractor's account.

### **1.5.5 Material at Site**

1.5.5.1 Ensure that due care is exercised to the material which is unutilised and lying at the site, and ensure that proper checking is done by the site in-charge.

1.5.5.2 Ensure that a monthly report is prepared regarding opening stock of material, received/issued during the month and balance lying in stock and it is duly checked by the contract Wing with the records.

### **1.5.6 Monitoring of Progress**

- 1.5.6.1 Verify the Measurement Book(s) maintained by various Wings ensuring the recording of correct item as per agreement/contract, actual date of execution, duly approved and authorised by the competent authority.
- 1.5.6.2 Ensure that Measurement Books are updated on regular basis. Any cutting or overwriting should be duly authorised.
- 1.5.6.3 Obtain the progress reports (e.g. PERT, CPM charts, minutes of periodic site management meeting) and ensure that progress of development is adequately monitored and timely reported.
- 1.5.6.4 Ensure that approval regarding Extension of Time (EoT) is granted after taking proper approval from the competent authority and recording of the reasons for the same is made.
- 1.5.6.5 Check that no undue advantage was given to the contractor and it should be based on the valid reasons and approved by the competent authority as per the DoP/Procurement Manual.
- 1.5.6.6 Ensure that prescribed documents/registers are being maintained by the contractor in respect of PF, ESI and under any other labour laws.

### **1.5.7 Release of Final Payment to Contractor**

- 1.5.7.1 Check the final bills submitted by the contractors on test check basis and ascertain that following steps have been taken before releasing the payment:
  - Whether material reconciliation statement has been made. Ensure that recovery of balance material has been made, if any.
  - Performance Guarantee (PG) has been received from the contractors as per the terms of the contract.
  - Whether material/equipment given on returnable basis has either been received back or adjusted against the final payment.
  - After making adjustment of material used & actual expenditure booked for execution of works.
- 1.5.7.2 Scrutinise contractor's ledger to ensure that amount recoverable, if any, from the contractor has been deducted.
- 1.5.7.3 Also verify that an NOC has also been obtained from the Engineer-in-Charge (EIC) concerned/Wing concerned.

- 1.5.7.4 Verify and ensure that the documents retired through bank against LC are as per terms and conditions of LC including the amendments issued thereafter.
- 1.5.7.5 Verify deduction of tax under section 194C of the Income Tax Act and work Contract Tax as per Act.
- 1.5.7.6 Verify that security deposit has been released on completion of the contract/as per terms of the contract, after prior approval of the competent authority.
- 1.5.7.7 Obtain a list of security deposits pending for payment for more than one year.

## **1.6 BANK GUARANTEES RECEIVED FROM THE CONTRACTOR**

### **1.6.1 Validity**

- 1.6.1.1 Verify from the records maintained in respect of Bank Guarantees (BG) and ensure that BG has been taken for an adequate amount and period from the contractors as per the terms and conditions of the contract.
- 1.6.1.2 Check whether a written confirmation in respect of the BG has been obtained from the issuing bank.
- 1.6.1.3 Ensure that BG was issued as per specified format and showing the terms and conditions in respect of purpose, its validity and invocation.
- 1.6.1.4 Original BGs are kept in the custody of an authorised official.
- 1.6.1.5 In case of mobilisation advances/other advances, ensure that these are released only after receipt of a valid BG.
- 1.6.1.6 Where BG is acceptable in lieu of EMD, ensure that the NIT specifically contains a clause to that effect.
- 1.6.1.7 The BG should mention the reference number of the NIT, the date of its publication, etc.
- 1.6.1.8 Ensure that the BG register is renewed on a regular basis and list out the cases of the expired BGs.
- 1.6.1.9 Ensure that on satisfactory completion of the contract, BG is released after a prior approval of the competent authority.
- 1.6.1.10 Ensure that the concerned Wing takes prompt action to invoke the BG in case of a default by the contractor, as per the terms and conditions of the contract, with the approval of the competent authority.

### **1.6.2 Renewals**

- 1.6.2.1 Identify the cases of renewal of BGs after the prescribed time limit, as per the terms and conditions of the contract and the reasons of such delay.
- 1.6.2.2. Timely action is taken to review the BG at least one month before its expiry and ensure that necessary costs are borne by the contractor or the supplier concerned.

## **1.7 INSURANCE OF PLANT AND MACHINERY (P&M)**

- 1.7.1 Ensure that relevant corporate insurance policies/guidelines regarding plant and machinery are available.
- 1.7.2 Check their amount and validity with their respective insurance papers.
- 1.7.3 Determine whether a cost-benefit analysis is carried out for taking an insurance policy for various risks.
- 1.7.4 Obtain a list of uninsured items of P&M and examine the reasons given thereof.
- 1.7.5 Check that adequate insurance cover is obtained for all items of P&M, keeping in view their replacement values/depreciated values, as per the corporate guidelines.
- 1.7.6 Ensure that quotations were invited from various companies and comparative statement was prepared before finalisation of the policies, considering that all possible discounts were availed for the DHBVN.
- 1.7.7 Ensure that an approval from the competent authority has been taken for the purchase of the insurance cover.
- 1.7.8 Ensure that the cover note clearly contains the required details in respect of the amount covered, type of risk covered, validity clause, etc.
- 1.7.9 Ensure that the records for insurance of assets are being maintained properly and on a regular basis.
- 1.7.10 Ensure that the policies are being renewed timely after making a risk assessment.
- 1.7.11 Ensure that proper claims are lodged and records are maintained thereof.
- 1.7.12 Check the claim records, consisting of claim register and files, to ensure the following:
  - The claim has been lodged correctly within a reasonable time after occurrence of the event.
  - A proper follow-up action has been taken, especially in case of claims pending for a long time.

- 1.7.13 Verify that unclaimed amounts/losses are written off as per the DHBVN guidelines/delegations.
- 17.14 Obtain a list of pending insurance claims and seek the reasons for long-pending claims and the follow-up action in that regard.

## **2.0 PROCUREMENT**

### **2.1 INDENT/PURCHASE REQUISITION**

- 2.1.1 Verify that purchase requisitions have been raised, approved and sanctioned by the competent authority as prescribed in the DHBVN Procurement Manual and Delegation of Powers.
- 2.1.2 Ascertain whether all tendering procedures like approval of tendering, parts of tender such as single part or two parts, pre-qualification report fixed for invitation of bids, requirement of EMD/bid security, specifying bid opening dates, maintenance of tender box, certification of tender opening by Contracts/Finance, formation of the tender committee and validity of tender has been followed in all cases as per DHBVN Procurement Manual and Delegation of Powers.
- 2.1.3 Ensure that there is availability of adequate budgetary provisions and in the absence of budgetary provisions, an approval of the competent authority has been obtained.
- 2.1.4 Ensure that in the case of purchase requisition involving expenditure in foreign currency, a prior approval of the competent authority has been obtained.
- 2.1.5 In case of repeat order, ensure that terms and conditions as prescribed in Procurement Manual have been duly complied with.
- 2.1.6 Ensure that the detailed purchase order has been issued in standard format and contains all the relevant terms and conditions, e.g., description, quantity, specification, rate FIRM of variable break up price, delivery schedule, payment, EPR, penalty for delayed supply of material, default on liability, percentage of bank guarantee of contract value required, warranty period, freight payment, etc.
- 2.1.7 Make sure that any modification/change in any terms in the PO has been done only after taking prior approval of the competent authority.
- 2.1.8 Ensure that due concurrence of the Finance Wing has been obtained.
- 2.1.9 In case of purchase order on urgency basis, verify that there is no undue time gap between award of contract and supply of the order.
- 2.1.10 Check that in case the PR is for purchase of an item for replacement of an existing asset, proper justification for the replacement, i.e., obsolescence etc. along with the proposed action plan for disposal of the existing asset has been recorded.



## **2.2 VENDOR SELECTION**

- 2.2.1 Check the nature of the tender and ascertain, adhering to the provisions of the Procurement Manual whether it is:  
Single Tender,  
Limited Tender, or  
Open Tender.
- 2.2.2 In case of single tender/limited tender, the basis of procurement proposal, where adequate justification for the same like source standardisation, technical suitability, urgency, etc. have been given; analyse the reasonableness of the justification furnished.
- 2.2.3 Verify that the enquiry was issued to competent parties, preferably to PSU/Government agencies – manufacturers, authorised dealers, etc. – dealing in the same item.
- 2.2.4 Verify that approval on the selected names of the vendors have been obtained from the competent authority.
- 2.2.5 Ensure that no preference has been accorded to any party in the selection process.

## **2.3 ANNUAL RATE CONTRACT**

- 2.3.1 Enquire with the process owners and ensure that a system of vendor source standardisation is in place and in line with the provisions of the Procurement Manual.
- 2.3.2 Check and ensure that annual rate contracts are reviewed at regular intervals.
- 2.3.3 Ensure that annual rate contracts have been finalized as per provisions of Procurement Manual/DHBVN rate contract manual.
- 2.3.4 Ensure that the annual rate contract/vendor source standardisation has been carried out by the committee constituted for the purpose and as per the provisions of the Procurement Manual
- 2.3.5 Review the system of quantity estimation and ensure that quantity estimation is in line with the consumption pattern.
- 2.3.6 Provision of price fall clause has been incorporated/mentioned in the rate contract if delivery period of P.O. is relating to more than 6 months.

## **2.4 RECEIPT OF MATERIAL AND MONITORING OF PENDING PURCHASE ORDERS**

- 2.4.1 Review the statement of pending purchase orders/follow-up action at regular intervals.
- 2.4.2 Check the instances of delay in receipt of material. Ensure that penalty for late delivery has been recovered from the supplier or waived off after the approval of the competent authority.
- 2.4.3 Where extension in delivery schedule was made, ensure that due approval has been obtained from the competent authority.
- 2.4.4 Reasonability of rates or requirement of material is to be certified at the time of granting extension after contractual delivery period or acceptance of material after overall delivered schedule by competent authority.
- 2.4.5 Auditors should check if there are any purchase orders placed on suppliers that have not been executed by them. Make comment on the follow-up action being taken by the unit concerned. Auditors should also comment on action taken for procurement of the items not supplied by parties on whom POs have been placed from other sources along with details of additional cost incurred and penal action taken against defaulting suppliers.

## **2.5 SUPPLIER'S BILL**

- 2.5.1 Examine the supplier's bill with the purchase voucher.
- 2.5.2 Compare the quantity and rates of the bill with the purchase order and the stores receipt voucher/challan. Verify that correct quantity is received and quality is approved after proper inspection.
- 2.5.3 Examine the supplier's account in the subsidiary ledger and confirm whether advances have been deducted while making payment.
- 2.5.4 Verify that the date of payment is in accordance with the payment terms in the purchase order. In case payment is made earlier from due dates than EPR is to be deducted from the payment of the firm as per terms & conditions of P.O.
- 2.5.5 In case of shortages, excesses, rejections, etc., verify that deductions have been made from the bill & excess material supplied is covered under tolerance clause of P.O. or if more than tolerance clause the approval of competent authority before release of payment to firm or contractor.

- 2.5.6 Where debit/credit notes have been issued for shortage, excesses, rejection, etc., trace them in supplier's account in the subsidiary ledger.
- 2.5.7 Check that penalty has been recovered from the party, where applicable, for delivery of materials beyond contractual delivery, etc.
- 2.5.8 Check that Early Payment Rebate has been recovered from the party where applicable for Early Payment i.e before due date of payment.
- 2.5.9 LD charges equivalent to percentage fixed on the value of undelivered material has been recovered/proposed to be recovered from the firm.
- 2.5.10 Review the claim for advance from supplier and refer to the relevant purchase order to confirm the terms regarding advance payable.
- 2.5.11 Match the amount payable with the payment voucher.
- 2.5.12 Confirm that the approval of the competent authority has been obtained on the payment voucher.

## **2.6 SPOT/CASH/LOCAL PURCHASE**

- 2.6.1 Ensure that spot purchases have been made only in emergency cases. Verify the justification of the same from the concerned authority.
- 2.6.2 Ensure that in case of cash purchases only such items as prescribed in the procurement manual and power delegated to the authority under D.O.P to be purchased and check the relevant bills for rates computation etc. Ensure that a committee consisting of one representative each from the indenting, finance & accounts and procurement division has made spot purchase beyond the amount prescribed.
- 2.6.3 Verify the instances of spot/local purchase and ensure that spot purchases are duly recorded in store records and not directly issued to end-user.

### **3.0 FINANCE AND ACCOUNTS**

#### **3.1 CASH TRANSACTIONS**

##### **3.1.1 Cash Payments and Receipts**

- 3.1.1.1 Verify the vouchers selected along with supporting documents and ascertain that these have been approved by the competent authority in accordance with the DoP/instruction. Also ensure that correct head of account has been debited.
- 3.1.1.2 There is no manual change on the cash payment voucher.
- 3.1.1.3 Ascertain reasons if payment in cash exceeds Rs. 20,000/- in contravention of Income Tax Act 1961 and report these in the audit report. Also ensure that voucher and supporting documents have been stamped "PAID".
- 3.1.1.4 Verify that the date of the receipt for payment and the date of payment is the same. In case the date of receipt is later than the date of payment mentioned in the cash payment voucher/cash book, report this in the audit report.
- 3.1.1.5 Check the entry in the cash book with vouchers for the amount, date and the account debited.
- 3.1.1.6 Verify that cash payments made on holidays or beyond working hours are supported by the reason for making such payments.
- 3.1.1.7 Verify that all cash payments are duly stamp-receipted wherever necessary.
- 3.1.1.8 Review the request for imprest and confirm that this has been duly approved by the competent authority prior to the amount of the imprest having been paid.
- 3.1.1.9 Select the receipts to be audited and ensure that these have been signed by the competent authority.
- 3.1.1.10 Ensure that there is a proper system for issue of official receipt for all cash receipts, which are serially controlled.
- 3.1.1.11 Ensure that cash receipts have been properly accounted for and the same is deposited into the bank on the same/next day of the receipt.

- 3.1.1.12 Verify the nature of receipts and in case of certain items such as sale of scrapped assets etc., ensure that the approval of the competent authority has been obtained.
- 3.1.1.13 Trace the receipt into the cash book and check the date of the receipt and entry. Ensure that the continuity of serial numbers of the receipts is in order.
- 3.1.1.14 Verify the receipts control register to ensure that there are no missing receipt books. A physical count of the receipt books may sometimes be carried out.
- 3.1.1.15 Take physical verification of cash at the beginning of selected dates and note the details there of in the audit working papers. Surprise check is to be made without any prior information or indication to cash section.
- 3.1.1.16 Check that the cash book is written up-to-date. Observe whether cash tally statement is prepared daily with periodical checks by higher official.  
Check if there is dual control of the safe and that the amount being kept in the chest is not abnormally high.
- 3.1.1.17 Check that at the close of month balance is made nil by depositing the surplus cash in the Bank and the balance amount is not deposited with sole intension to use the same in the next month.
- 3.1.1.18 Check that the amount deposited with Nigam is not utilized for making payment and the same is deposited in the Bank at the earliest.

### **3.1.2 Bank Transactions**

- 3.1.2.1 Select the vouchers to be checked.
- 3.1.2.2 Verify that all cheque books have been kept in safe custody under the authorised officials.
- 3.1.2.3 Verify the vouchers along with the supporting documents and ascertain that these have been approved by the competent authority in accordance with the DoP / instruction.
- 3.1.2.4 Ascertain that correct classification of capital and revenue expenditure has been made and debited to the correct head of the account with reference to the Corporate Chart of account codes.
- 3.1.2.5 Ensure that the voucher and the supporting documents have been stamped "Paid".

- 3.1.2.6 Verify that the payment has been made by an account payee cheque and the payee receipt is available.
- 3.1.2.7 Trace the entry into bank book and tally the amount and account debited with correct account code.
- 3.1.2.8 Verify the posting from the bank book to the general ledger and the sub-ledger.
- 3.1.2.9 In case the cheque is outstanding for more than six months, report this in the audit report.
- 3.1.2.10 Unpaid cheques for more than 6 months should be transferred to unpaid cheques account and review this account to see further that cheques outstanding for more than 3 years are transferred to misc. receipts account.
- 3.1.2.11 In case of issue of a duplicate cheque, ensure that the request of firm/contractor /supplier has been obtained alongwith indemnity bond and no payment certificate from bank. Further permission from the approval authority has been taken and instructions were also issued to the bank for stopping the payment of the earlier cheque.
- 3.1.2.12 Foreign currency payments by DD/transfers:
- In addition to the above checks, verify the exchange rate and calculations for conversion.
- Check exchange permit and its endorsement as to the date and rate of remittance and verify the same.
- 3.1.2.13 Retirement of documents through bank:
- In addition to the above checks, verify the purchase order as to the terms of payment.
- Check the calculation of interest and bank charges with reference to the terms of the purchase order, verify by whom these are to be borne and ensure that this has been complied with. Verify the stores receipts voucher with bank documents.
- 3.1.2.14 Ensure that the receipts have been duly approved by the competent authority.
- 3.1.2.15 Verify the receipts into the bank book.
- 3.1.2.16 Verify postings from the bank book into the general ledger and the sub-ledger.

- 3.1.2.17 Check the entry into the cheques receipt register and ensure that cheques are under safe custody until they are promptly deposited with the bank.
- 3.1.2.18 Verify the entry of the cheque into the bank pay-in-slip, duly authenticated by received stamp of the bank.
- 3.1.2.19 Verify that cheques are properly checked at the time of receipt for completeness and validity.
- 3.1.2.20 Ensure that post-dated cheques received are properly recorded, kept in safe custody and presented on due dates.
- 3.1.2.21 Bank receipts In Foreign Exchange paid directly  
In addition to the above checks, verify the exchange rate and its calculations.  
Ascertain the amount receivable on this account in rupee value and ensure that the difference on account of exchange fluctuation has been accounted for in the exchange rate fluctuation account.

### **3.1.3 Cash Withdrawals from Bank**

- 3.1.3.1 Examine the bank withdrawal voucher and ascertain whether it has been duly authorised by the competent authority.
- 3.1.3.2 Verify that total cash in hand has not exceeded the sanctioned limit for cash in hand and it is within the limit of insurance coverage for cash in safe, fidelity insurance and cash in transit policy.
- 3.1.3.3 Report all cases of withdrawal from bank where the withdrawal was made in excess of requirement and the cash withdrawn was kept in the chest for substantial time without any cogent reasons.
- 3.1.3.4 Ensure that cash withdrawal is accounted on the same day and adequate custody procedure is followed to keep the cheque for cash withdrawal in case cash is not withdrawn on the same day.

### **3.1.4 Bank Reconciliation**

- 3.1.4.1 Verify that the bank reconciliation for all bank accounts is made as per schedule.
- 3.1.4.2 Select the months for which bank reconciliation's are to be checked and obtain the bank reconciliation statements and the corresponding bank statements.

3.1.4.3 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, report any inordinate delays in the audit report including inordinate delays in respect of current month's outstanding items.

### **3.1.5 Journal Vouching**

3.1.5.1 See that all journal vouchers are serially numbered and all transactions should be approved by the competent authority.

3.1.5.2 Ensure that all journal vouchers are supported by the relevant documents and see that the narration given is as clear as possible.

3.1.5.3 Check that the payments made from imprest account are 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 be remitted.

3.1.5.4 Check that the imprest accounts are operated by the person to whom the imprest has been sanctioned.

3.1.5.5 Examine the justification for passing the journal entries for making rectification of errors.

3.1.5.6 Verify the accuracy of entries made for various adjustments for expenses/incomes accrued but not received or paid.

### **3.1.6 Fund Transfers/Limit Transfers to Units, Fund transfer from Collection Centres**

3.1.6.1 Whether monthly fund requirement from various units are received as per time schedule duly approved by head of the unit.

3.1.6.2 Whether funds transferred exceed the budgeted provisions. Ensure that transfer of additional funds was duly approved by concerned Director/MD/competent authority.

3.1.6.3 Verify that fund utilisation statements are received on monthly basis from all the units.

3.1.6.4 Test check the fund utilisation for a few months and verify that no surplus/idle balance was lying in the unit.

3.1.6.5 Check the inter unit reconciliation and related bank reconciliation's and confirm that all inter unit fund transfers have been accounted.

3.1.6.6 Obtain the list of long outstanding entries and review the explanation given by unit for the outstanding amounts.



## **3.2 FIXED ASSETS**

### **3.2.1 Procurement of Fixed Assets**

- 3.2.1.1 Obtain the list of fixed assets purchased during the period of audit. Examine the relevant vouchers and confirm that the amount has been provided for in the capital budget duly approved by the competent authority.
- 3.2.1.2 Purchases of fixed assets have been duly authorised by the competent authority.
- 3.2.1.3 If fixed assets have been purchased without any provision in the approved budget, special approval was obtained as per guidelines provided in this regard.
- 3.2.1.4 Verify the freight, insurance, registration, installation expenses, any directly attributable cost incurred for bringing the assets to its working condition or for its intended use etc. with the relevant vouchers and that these have been included in the cost of assets.
- 3.2.1.5 Verify the entry into the fixed assets register and ensure that the assets have been classified and coded in accordance with specified classification and codification procedure.
- 3.2.1.6 Ensure that Assets Identification Number (AIN) is allotted to all assets at the time of preparation of Store Requisition (SR), if routed through stores. Otherwise AIN is allotted at the time of capitalisation.
- 3.2.1.7 Ascertain whether valid insurance policy for the assets exists. In case insurance policy has been lapsed and not renewed, report this in the audit report.
- 3.2.1.8 Verify that all cost elements for procurement of land have been included in the cost such as purchase price of land/compensation paid for land, compensation for structure, trees, crops on the acquired land, legal charges, stamp duty, resettlement/rehabilitation and community development expenses.
- 3.2.1.9 In case of building, verify that its cost includes purchase price/compensation paid for acquisition of building, stamp duty and legal charges, payment to tenant at the time of acquisition, fees paid to architects and amount incurred on repair/alteration/improvement.

- 3.2.1.10 Where building is purchased alongwith land at a consolidated price the purchase cost shall be bifurcated between land and building.
- 3.2.1.11 Ensure that machinery spare parts/standby equipments procured, whose use is expected to be irregular, have been capitalised with the main equipments.
- 3.2.2 Capital Work-in-Progress**
- 3.2.2.1 Review the details of capital work in progress and trace out the purchase orders raised for its procurement. The amount has been booked under various heads / accounts codes as per DHBVN's Chart of Accounts Codes.
- 3.2.2.2 Incidental expenditure during construction should include corporate office expenses for the year as apportioned to capital work in progress.
- 3.2.2.3 Claims for price variation/exchange rate variation in case of contracts are accounted for on acceptance.
- 3.2.3 Incidental Expenditure during the Construction Period (IEDC)**
- 3.2.3.1 Ensure that IEDC have been computed accurately and capitalised accordingly. The incidental expenses comprise borrowing cost, exchange rate variation, administrative and other general overheads attributable to assets, depreciation, etc.
- 3.2.3.2 In case a building is constructed, ensure that all cost relating to construction has been identified and capitalised.
- 3.2.3.3 Ensure that borrowing cost in respect of construction/acquisition of the fixed assets for the period up to completion of construction of fixed assets have been capitalised to the cost of related assets. Ensure that Accounting Standard-16 issued by the ICAI has been followed.
- 3.2.3.4 Verify that all the incomes during construction period i.e. sale of scraps etc. have been adjusted against expenditure during construction period. Ensure that in case such income is taxable as per Income Tax Act, then tax liability in this respect has been considered as IEDC.
- 3.2.3.5 Ensure that the sales revenue during the period has been deducted from the commissioning expenses and the net expenses have been capitalized.
- 3.2.3.6 Check that cost incurred on start up and commissioning of any plant including expenses on trial run have been capitalised.

### **3.2.4 Interest during Construction Period**

- 3.2.4.1 Ensure that while calculating interest relevant provisions issued by the ICAI are being followed.
- 3.2.4.2 Check and ensure that interest for the period is being charged on the closing balance of capital work-in-progress items.
- 3.2.4.3 Ensure that payment of interest is being made as per the provisions of the DoP and after taking prior approval from the competent authority.
- 3.2.4.4 Also ensure that all the interest payments are made timely and obtain statement of the financial institution/bank showing the outstanding amount of loan.

### **3.2.5 Fixed Assets Register (FAR)**

- 3.2.5.1 Ensure that acquisition cost of fixed assets have been computed considering the relevant accounting standard issued by ICAI. Also check that proper classification of assets have been made as per Accounts Code Book of the DHBVN.
- 3.2.5.2 Ensure that fixed assets register (FAR) is being maintained as per requirements of CARO, 2003. Verify that the same is regularly updated.
- 3.2.5.3 Check whether FAR shows all necessary details regarding every item, viz.,  
Assets identification number (AIN).  
Location, quantitative details and description of all assets.  
Historical cost of fixed assets.  
Accumulated depreciation.
- 3.2.5.4 Verify that FAR is regularly reconciled with the General Ledger.
- 3.2.5.5 Ensure that every movement of fixed assets has been recorded in FAR stating date of transfer and quantitative details.
- 3.2.5.6 FAR should also contain the information in respect of assets located at residential premises of employees, if any.
- 3.2.5.7 Ensure that any mortgage or encumbrance against a fixed asset has been properly disclosed in accordance with Schedule-VI of the Companies Act, 1956.
- 3.2.5.8 In case of revaluation of fixed assets, verify whether it has been disclosed properly in the accounts as per AS-10 issued by the ICAI.

### **3.2.6 Sale/Disposal and transfer of fixed assets**

3.2.6.1 Check that a register for recording scrapped/obsolete assets and sale and disposal thereof is maintained and updated regularly.

3.2.6.2 Review the procedure for identification and disposal of fixed assets and ensure the following:

Regular system for identification of obsolete and scrapped items is as per guidelines of the DHBVN.

Net realisable value of assets has been determined as per guidelines issued in this regard.

Ensure that disposal of assets have been made as per the guidelines and authorised as per DoP through tendering process except when sale is made to Government or to PSUs.

3.2.6.3 In case sale of fixed assets is made to employee of DHBVN ensure that the sale has been made in accordance with the rules of DHBVN in this regard.

3.2.6.4 Ensure that there is a proper system to identify any impairment of tangible/intangible assets. Verify that provisions of AS-28 are complied with.

3.2.6.5 Verify that any loss/profit on sale of fixed assets has been properly accounted.

3.2.6.6 Check the cases of transfer of assets during the period under audit and verify the followings:

Requisition for transfer of assets duly approved by head of the unit has been received from transfer unit.

The transfer of assets has been approved by competent authority.

3.2.6.7 Ensure that Inter-unit advise prepared by transferor unit contains all relevant details such as original cost, accumulated depreciation, date of capitalisation, rate of depreciation etc. to facilitate the transferee unit for making necessary accounting entry.

### **3.2.7 Depreciation/Amortisation**

- 3.2.7.1 Ensure that depreciation is being charged on various assets as per DHBVN policies and procedures and is in conformity with AS-6. Check whether the DHBVN is providing depreciation on rates as per Schedule-VI of the Companies Act, 1956 or as per the rates notified under The Electricity Act, 2003 whenever applicable and as per the Income Tax Act, 1961 for Tax audit purposes.
- 3.2.7.2 Check the computation of depreciation and verify entry of provision for accumulated depreciation in the general ledger.
- 3.2.7.3 Where historical cost of depreciable assets is changed due to change in long term liability consequent upon exchange rate fluctuation, price adjustments, changes in duties or similar factors etc., the depreciation on revised unamortized depreciable amount has been provided over the residual life determined on the basis of the rate of depreciation of the assets.
- 3.2.7.4 Depreciation should be charged even if fixed assets remain idle during the accounting period under reference.
- 3.2.7.5 Check that depreciation on assets acquired is provided on proportionate basis from the month in which assets was ready to use.
- 3.2.7.6 If cost of depreciable assets is covered partly by Government Grants (GG), one of the two following alternative accounting approaches as per policy of DHBVN are suggested for accounting purposes:
- Amount of GG is deducted from cost of fixed assets and depreciation is charged on the net cost, **or**
- Amount of GG is credited to a subsidy reserve and depreciation is charged on the original cost of the fixed assets and the balance standing in the credit of the subsidy reserve is transferred to profit and loss account systematically in proportion of depreciation.
- 3.2.7.7 In case of transfer of assets to other units, verify that depreciation is provided for by the transferee unit for the whole year, irrespective of the period for which such asset was actually used by the transferor.

### **3.3 INVESTMENTS**

- 3.3.1 Ensure that the investments are made as per the DoP and proper approval from the competent authority. Also ensure that all investments are made by the CGM/Finance, DHBVN and in case of any other office, with the approval of the competent authority.
- 3.3.2 Check and ensure that a detailed study of risk and returns for various investments is carried out after considering factors like past returns, etc., for determining the line of direction for future investments.
- 3.3.3 Check and ensure that a register is maintained for recording of investments u/s 372(A) of the Companies Act, 1956 and there is a system of intimating the Company Secretary for the details of investments made/disposed off to enable him to update the register on a regular basis. Also ensure the compliance of AS-13 issued by the ICAI.
- 3.3.4 Ensure that proper bifurcation of the nature of investments is made regarding trading/non-trading, quoted/unquoted, short-term/long-term investments, etc., and proper procedure and documentation is followed for the same.
- 3.3.5 Ensure that a physical verification of all the investments has been made by the competent authority and during the period of audit, surprise checks are done so that proper reliance is being placed on that and obtain confirmation for investment lying with the bank/third parties.
- 3.3.6 Ensure that a separate register is being maintained for the income from investments and check that all incomes are booked on accrual basis.
- 3.3.7 Ensure that whenever an investment is sold, proper approval is taken from the competent authority and necessary adjustments are made in the investment register. Also ensure that no investment is sold below the acquisition cost and if it is so, ask for the reasons for the same.
- 3.3.8 Ensure that if the investments are made in shares/mutual funds, a statement is received periodically from the broker/depository participant (DP) or the original certificates are checked on sample basis.
- 3.3.9 Review the valuation of investments in the books of accounts and check whether any provision for permanent diminution is required to be made.
- 3.3.10 Ensure that TDS certificates are obtained monthly or at the end of the year in case of deduction of tax at source in respect of income earned.
- 3.3.11 Ascertain that all the investments have been stated in the Schedule of Investments as per the requirements of Schedule-VI of the Companies Act, 1956.
- 3.3.12 Income/gains and losses on disposal of investments have been properly recorded.
- 3.3.13 Proper disclosure of any encumbrance of an investment or contingent liability in respect of partly paid shares.

### **3.4 LOANS AND BORROWINGS**

#### **3.4.1 General Aspects Applicable to All Loans**

- 3.4.1.1 Obtain details of loans and borrowings raised in foreign currency during the period of audit and ensure that an approval had been taken from the Board of Directors.
- 3.4.1.2 Ensure that terms and conditions of loan agreement have been vetted thoroughly by the legal Wing.
- 3.4.1.3 Whether necessary charge on assets has been registered with the Registrar of Companies within the prescribed time limit after signing of loan agreement.
- 3.4.1.4 Check that drawls have been made as per schedule given in the loan agreement.
- 3.4.1.5 Verify that proper accounting entries have been passed for each drawl.
- 3.4.1.6 Verify the computation of interest as per rate given in the loan agreement. Penal interests levied, if any, are due to the default. Reasons for the default have also been informed to the competent authority.
- 3.4.1.7 Interest payment is accounted for on accrual basis and made in time.
- 3.4.1.8 Check that processing charges, commitment charges, and other fees paid are as per the terms of the loan agreement.
- 3.4.1.9 In case of prepayment of loan, check whether detailed cost-benefit analysis had been made justifying the prepayment.
- 3.4.1.10 In case of closure of loan, ensure the following:
  - Satisfaction of charge has been filed with the Registrar of Companies within the prescribed time limit.
  - NOC has been obtained from the lender.
  - Securities provided for the loan have been received back.
  - Loan master has been updated.
- 3.4.1.11 Ensure that no long-term borrowing was used for short-term requirements and vice versa.

### **3.4.2 Specific Aspects Related to Loans Raised in Foreign Currency**

#### **3.4.2.1** Verify the following:

Rate of interest is reasonable considering the risk of exchange rate variation

Exchange rate variations have been computed and loan liability has been restated at the end of each accounting year.

In case of forward exchange contract, analyse the terms like period of contract, premium/discount, etc.

#### **3.4.2.2** Ensure that in case of External Commerce Borrowings (ECB), guidelines issued by Ministry of Finance/RBI have been duly complied with.

#### **3.4.2.3** Verify that Accounting Standard 11 in respect of accounting for effect of changes in foreign exchange rate issued by the ICAI has been followed.

### **3.4.3 Specific Aspects Related to Funds Raised Through Bonds**

#### **3.4.3.1** Ensure that bonds are issued after complying with the requirements of Companies Act, 1956, SEBI Guidelines or any other guidelines applicable and issued from time to time.

#### **3.4.3.2** Check that interest on bonds has been paid as per terms of the issue after deducting the tax at source at the applicable rate.

#### **3.4.3.3** Check that redemption of bonds, if any, made during the year was as per terms of issue and on due date.

#### **3.4.3.4** Ledger account of bonds is reconciled with bond issue register on regular basis.

#### **3.4.3.5** Confirm that unclaimed amount of matured bonds and interest thereon over 7 years have been credited to Investor Education and Protection Fund established as per the provision of Sec. 205C of the Companies Act., 1956.

#### **3.4.3.6** Ensure that stock of stationery is physically verified and reconciled with record maintained in this regard.



## **3.5 PAYABLES**

### **3.5.1 Bill Passing and Payments**

3.5.1.1 Ensure that a proper system exists for bill passing and release of payments to suppliers.

3.5.1.2 Verify the following:

Documentary evidence in respect of goods/services received and inspected.

Calculation of bill amount with regard to rates charged, allowable discount, TDS or other statutory dues if applicable, adjustment of advance, retention money/other claims.

Expenditure was made as per approval by the competent authority and within the budgetary limits.

Report the inordinate delay between passing of bill and actual payment made to suppliers.

3.5.1.3 In case, the payments are made to suppliers before the due date verify that approval from the competent authority was taken. Early Payment Rebate was also availed from suppliers as per terms of the contract.

### **3.5.2 Reconciliations, Confirmations**

3.5.2.1 Scrutinise the sub-ledger of creditors and report the debit balances/advances outstanding for more than six months.

3.5.2.2 Check whether some old or disputed bills have been booked just to adjust the long outstanding debit balance / excess payment.

3.5.2.3 Check whether debit balance / advance payment has further been accumulated without adjustment of earlier debit balance / advance payment unreasonably.

3.5.2.3 Obtain the list of creditors showing long outstanding credit balances but not written back till date.

3.5.2.3 Ensure that creditors' accounts are reconciled on regular basis.

3.5.2.4 Check and ensure that there is a system of obtaining balance confirmation from the creditors at the year-end.

### **3.6 BUDGETING**

- 3.6.1 Ensure that there is a clear policy of the DHBVN on preparation of the budget, portraying with precision the overall business activities and determining targets of performance for each section or Wing of the DHBVN. It includes a detailed procedure for budget preparation and compilation, basis of estimation and justification for the budgeted amount.
- 3.6.2 Review the procedure for preparation and compilation of the budget at various levels and verify the following:  
The formats used are standardised.  
Adequate consideration has been given to representations from concerned Wings on the budget proposals. It provides yardsticks against which actual performance can be compared with the predetermined targets.  
It provides a detailed procedure for analysing the deviations, if any.
- 3.6.3 Obtain a copy of the budget for one or two Wings and verify the following:  
The budget lays down the responsibility of each executive and other personnel for making objective assessment of activities. Whether budget proposals were made timely and approved by the competent authority.  
Verify that the basis of estimation, used in the budget, has been computed as per budgetary guidelines issued by the DHBVN.  
Review the compilation process of the budget.
- 3.6.4 Ensure that budget was approved by the competent authority and sent to concerned Wings in time.
- 3.6.5 Review the overall budgetary process and ensure that expenses were made within the constraint of the budget, and necessary approval is sought from the competent authority, when the amount exceeds the budgetary provisions.
- 3.6.6. On the basis of overall budget working report, showing variance analysis in respect of actual expenses vis-à-vis budgeted expenses, ensure that variances are shown as a part of the MIS and report it.
- 3.6.7 Test check whether these variances have been correctly calculated and analysed with the reason to take an appropriate plan of action.
- 3.6.8 Ensure that a corrective action has been taken timely on the basis of action plan.

### **3.7 SCRUTINY OF EXPENSES**

- 3.7.1 Check the expenditure with source document i.e. expense bills, rent receipts, insurance policies, electricity bills, telephone bills, etc. (in case, the same have not been or could not be covered during vouching).
- 3.7.2 Ensure that expenses have been booked for the relevant quarter/half-year and at the correct value for the purpose of preparation of quarterly/half-yearly results accurately.
- 3.7.3 Ensure prepaid expenses have been properly booked and year-end provisions for outstanding expenses have also been made on accrual basis as per the accounting policy of the DHBVN. All provisions should be based on unaccounted bills and other calculations justifying the amount of provisions.
- 3.7.4 Ensure that amount of all the provisions have been reversed in the beginning of next accounting year.
- 3.7.5 Ask for the explanation if any expense account has negative balance.
- 3.7.6 Ensure that prior period expenses/incomes are identified and booked separately under the head "Prior Period Expenses", if they exceed the limit prescribed in the accounting policy of the DHBVN and in terms of AS-5 issued by the ICAI.
- 3.7.7 Examine whether expenses are within the budgetary provisions.
- 3.7.8 Compare the major expense heads with the previous year and make out the detailed analysis in case of large variation. Also analyse the monthly trend of major expenses and carry out the scrutiny of expenses showing abnormal increase or decrease.
- 3.7.9 Verify the DHBVN office expenses and allocation of the same as per DHBVN policies and procedures.

#### **Electricity and Water Expenses**

- 3.7.10 Check whether rebate for timely payment is availed.
- 3.7.11 Ensure that there is a system for passing the electric and water bills on the basis of consumption shown by relevant meters.

#### **Rent**

- 3.7.12 Verify the amount of rent for the premises with the rent agreement. In case of new premises refer the approval of the competent authority and legal Wing.

- 3.7.13 Check that Tax is deducted at the prescribed rate wherever applicable and TDS is deposited with the Income Tax Department within the stipulated time.

#### **Advertisement and Publicity**

- 3.7.14 Examine whether an approved list of advertising agencies has been drawn, reviewed and updated at a reasonable interval.
- 3.7.15 Verify the matter advertised had prior approval of the competent authority.
- 3.7.16 Examine whether the bills have been duly sanctioned and approved by the competent authority, the agreed discount has also been availed and contracts have been awarded at the best economical rates.
- 3.7.17 Ensure that there is a budgetary provision for the amount.

#### **Repair/ Servicing of Vehicles**

- 3.7.18 Compare the expenses with the sanctioned estimates.
- 3.7.19 Ensure that expenses have been approved by the competent authority.
- 3.7.20 Check the entry in vehicle maintenance register and history record of a particular vehicle.

#### **Miscellaneous Expenses**

- 3.7.21 Verify that amount has been duly approved by the competent authority.
- 3.7.22 Examine the nature of expenses and ensure that the same has been correctly charged as per accounting policy of the DHBVN with correct accounting code.

### **3.8 REVIEW OF SUB-LEDGERS**

#### **3.8.1 Employees' Sub-Ledgers**

3.8.1.1 Report the detail of all the debit balances in various accounts outstanding for more than six months.

3.8.1.2 Enquire about the credit balances for taking the appropriate steps for their adjustment. Report the detail of all the credit balances in various accounts outstanding for more than six months.

3.8.1.3 Some of the accounts in respect of various loans, advances and recoveries are as under:

HBA, conveyance advance, computer advance, multipurpose advance, furniture / household items advance, TA, LTC advance, pay advance, four months' pay advance, other temporary advance, amount recoverable from employees (salary), amount recoverable from employees (store), amount recoverable from ex-employees, electricity charges recoverable from employees / others etc.

#### **3.8.2 Sub-Ledgers for Contractors, Suppliers, Govt. Deptts. /Agencies & Others**

3.8.2.1 Scrutinise the sub-ledgers in respect of various advances/balances of contractors including security deposit, EMD, retention money, deduction on account of performance guarantee etc. and examine whether the balances in the control account in general ledger have been duly reconciled with sub ledger balances.

3.8.2.2. Review and comment on old balances appearing in sub-ledgers after taking the feedback from the Wing. Report the list of old outstanding balances (both debit balances & credit balances) for more than six months.

3.8.2.3 Verify that recoveries in respect of rent, electricity and water, accommodation charges, machinery hire charges, cost of departmental materials issued on recoverable basis etc. are being made and are being properly accounted for.

3.8.2.4 Ensure that all the deductions, i.e., retention money, EMD, security deposit, etc., are being made and properly accounted for.

3.8.2.5 Some of the accounts in r/o various advances, recoveries etc. relating to the contractors are as under:

Mobilisation advances against bank guarantee (BG), machinery / equipment advances, unsecured advances, material issued to contractors, amount recoverable from contractors (works), electricity charges recoverable from contractors etc.

- 3.8.2.6 Some of the accounts in respect of various advances, recoveries etc. relating to the suppliers are as under:

Advances to suppliers- revenue, advances to suppliers- capital, amount recoverable from suppliers (purchase), amount recoverable from suppliers (considered doubtful) etc.

- 3.8.2.7 Some of the accounts in respect of various advances, recoveries etc. relating to the Govt. Deptts / Agencies and other parties are as under:

Advances to Govt. Deptts/ agencies, advances to others, amount recoverable from Govt. Deptts.- salary/store/welfare, machinery / equipment hire charges recoverable from Govt. Deptts/agencies/others.

### **3.9 INTER-UNIT ACCOUNT**

#### **3.9.1 Remittances / Inter-Unit Adjustments**

- 3.9.1.1 Examine the debit notes/credit notes and ascertain whether the same have been authorised by the competent authority.

- 3.9.1.2 Check that the bank payment/receipt voucher has been duly approved by the competent authority, along with supporting documents. Trace the entry in the bank book and see that the concerned unit has been debited/credited with the same amount.

- 3.9.1.3 Check whether the concerned project/office has issued a corresponding credit note for the amount.

- 3.9.1.4 Verify the payment made on behalf of other unit and check the entry in the bank book and in the general ledger in order to check that the concerned unit's account is debited.

#### **3.9.2 Reconciliation**

- 3.9.2.1 Verify the inter-unit reconciliation statement and check whether outstanding items are adjusted subsequently.

- 3.9.2.2 Verify the year-end reconciliation between units and ensure that their balances are in agreement.

- 3.9.2.3 In case of unadjusted items beyond a reasonable period, the same should be reported with comments of project/office concerned.

### **3.10 SALARY SECTION**

#### **3.10.1 Preparation of Salary**

- 3.10.1.1 Scrutinise the attendance records of a few employees and check the calculation of the number of working days with the payroll, including earned leaves, half-pay leaves and leaves without pay.
- 3.10.1.2 Obtain the list of increments, promotions, etc., and verify whether the same have been incorporated in the payroll on test check basis.
- 3.10.1.3 In the case of a few new employees / transferred cases, check with relevant appointment letters and personnel records for their rate of pay and the basis of remuneration.
- 3.10.1.4 If any difference occurs in respect of basic pay, dearness allowance, HRA, city compensatory/project allowance, PF contributions, etc., note it properly and verify it with personnel section's memos and individual pay record and ensure that the differences observed are properly reported in the audit report.
- 3.10.1.5 List out the salary advances outstanding for more than three months.
- 3.10.1.6 Scrutinise the loan accounts of these employees to check whether the data regarding amount of loans and monthly deductions thereof are being correctly stated and deducted accordingly.
- 3.10.1.7 Verify that the net amount payable figure is arrived at after accounting for all types of recoveries of loans/advances, interest thereon (viz. HBA recovery, conveyance advance recovery, pay advance recovery, unspent balance of TA/TTA/LTC etc.).
- 3.10.1.8 Ensure that all supplementary packages have been updated before processing the salary for the month, i.e., attendance records, advance records, leased accommodation, TDS accounting system, PF system, etc.
- 3.10.1.9 Check the journal voucher prepared for the gross amount deducted and paid to appropriate authorities in time and check for any differences. The above vouchers should also be compared with the payroll. Challans/receipts received should also be verified and amounts compared.
- 3.10.1.10 Ensure that the final processing of the salary is made after due verification of trial processing.
- 3.10.1.11 Whenever an employee is relieved on transfer, it is to be ensured that the unit has issued the LPC immediately and the advances outstanding

against his name should be sent through Inter-Unit Advice i.e ATD/ATC immediately.

3.10.1.12 Verify the negative pay cases and enquire reasons for the same.

### **3.10 .2 Salary Disbursement**

3.10.2.1 Verify the documents generated in respect of a few employees subsequent to final processing of payroll, such as final pay bill, bank payment voucher and pay slips etc.

3.10.2.2 Where salary is disbursed through direct transfer to employees' bank accounts, ensure that employee's bank account particulars are updated at the time of appointment, transfer, resignation or death, in the master data.

3.10.2.3 Where salary is disbursed through cheque, authorised pay slips are forwarded to the head of office for distribution of salary.

### **3.10.3 Payments of Arrears**

3.10.3.1 Test check the arrear payments based on orders received for revision / promotion. Calculate the arrears retrospectively from the date specified in the order. Ensure that relief under section 89 (i) of the Income Tax Act has been correctly calculated.

3.10.3.2 Verify the Inter Unit Advice raised for the arrear paid to the employee for the period of service rendered in other units.

### **3.10.4 Leave Encashment**

3.10.4.1 Check whether a well defined leave policy for the DHBVN is in existence.

3.10.4.2 Ensure that the amount of leave encashment has been correctly calculated as per the rules and paid on the basis of order issued by the competent authority.

3.10.4.3 Verify that the earned leave encashment is made as per instruction and TDS has been made, if applicable.

3.10.4.4 Check that the earned leave register is updated on the payment of leave encashment.

3.10.4.5 Compare the leave records with the provision for leave encashment.



### **3.10.5 Shift Duty Allowance**

- 3.10.5.1 Verify whether the shift duty allowance has been paid to the eligible employees only, as per DHBVN guidelines in respect of payment of such allowance.
- 3.10.5.2 Verify on test check basis that the amount of shift duty allowance has been paid to the employee as per prescribed rates. Care should be taken in case an employee has been rostered for the shift but he does not attend the same.
- 3.10.5.3 Verify that proper records are being maintained for shift duty allowance and the prior approval of the competent authority has been taken.

### **3.10.6 Payment of Lease Accommodation and its Recovery**

- 3.10.6.1 Ensure that lease masters are updated as per the new lease agreements/amendments during the year.
- 3.10.6.2 Check entitlement of the employee for lease and lease recovery from him as per rules of the DHBVN. In case lease rents are paid in excess of rent entitlement; ensure that recoveries for the excess amount are being made through the payroll.
- 3.10.6.3 Lease rentals, paid in case of transferred employees, have been transferred to the concerned units through Inter Unit Advices.
- 3.10.6.4 Ensure that TDS affected on payment of lease rents are deposited with the government within the stipulated time limit.

### **3.10.7 Payment of Staff Loans and Advances – HBA, Computer, Furniture, Conveyance etc. and its Recovery**

- 3.10.7.1 The principal amount and the interest accrued have been correctly computed and recovered as per terms of the sanction order.
- 3.10.7.2 List out the cases where recoveries have not been affected from the due date.
- 3.10.7.3 Ensure that employee's records for loan sanctioned and repayments are updated on a regular basis.
- 3.10.7.4 Verify the cases where new advances were given to employees without adjusting the previous outstanding advance in contradiction of DHBVN rules.

3.10.7.5 In case of transfer of an employee, ensure that a detailed recovery schedule is sent to the transferee unit for the outstanding amount of the advance and interest thereon.

### **3.10.8 ESI, PF, TDS and other Deduction and Timely Deposit thereof**

3.10.8.1 Test check the employer's contributions and confirm that these have been correctly computed while preparing payroll and have been duly entered in the PF account.

3.10.8.2 Ensure that the deductions against PF advance made through the payroll are in accordance with the terms of the advances.

3.10.8.3 Ensure that relevant evidence for claiming various deductions under the Income Tax Act have been received, along with his declaration submitted with the DHBVN, viz. rent receipt, saving certificates, certificate for payment of housing loan for claiming negative income under the head "Income from House Property".

3.10.8.4 Ensure that TDS made are deposited within the prescribed time limit and timely returns are filed accordingly.

3.10.8.5 Verify the payment voucher for the deposit of amount into the bank. In case there is an inordinate delay, reasons for the same are to be obtained and reported in the audit report.

### **3.10.9 Scrutiny of Employee Remuneration and Benefits**

3.10.9.1 Reconcile the salary and wages booked in the books with payroll section records and provident fund records.

3.10.9.2 Analyse monthly trend of expenses and verify the instances of abnormal variations (increase/decrease).

3.10.9.3 Compare the salary and wages with previous year's figures and analyse reasons whether the differences are due to new recruitment, employee retirement, payment of arrear of salary normal hike in the wages rates, etc.

3.10.9.4 Check the provision for gratuity and leave encashment and ensure that provision has been made accurately on actuarial basis and provisions of AS-19 (revised) issued by the ICAI in respect of accounting for retirement benefits of employees have been complied with.

3.10.9.5 Ensure that the muster roll for casual labour has been approved by the competent authority.

### **3.11 OTHER ISSUES RELATING TO EMPLOYEES**

#### **3.11.1 LTC – Advances and Claims**

- 3.11.1.1 Test check the LTC claims which were duly supported with rail /bus/air tickets, taxi bills etc. and duly sanctioned by the competent authority.
- 3.11.1.2 LTC rules had been complied with and various criteria, e.g., eligibility as per block year, family members, their age, etc., have been met.
- 3.11.1.3 LTC advances have been paid as per entitlement of employees prescribed in rules and circulars issued from time to time.
- 3.11.1.4 Ensure that the advance against LTC has been refunded to the DHBVN if not utilised within fifteen days. Ascertain that the unspent advance has also been returned immediately i.e. within fifteen days from the date of advance.
- 3.11.1.5 Verify that penal interest has been charged in case of delay in submission of bills or deposit of unspent amount.
- 3.11.1.6 List out the advances outstanding for more than three months.

#### **3.11.2 Tour Advances and Claims**

- 3.11.2.1 Verify that the tour advance is released on the basis of application, duly approved by the competent authority.
- 3.11.2.2 Where an earlier advance is outstanding, verify whether second advance has been paid with the specific approval of the competent authority.
- 3.11.2.3 Ensure that the quantum of advance has been determined on the basis of duration of trip, rules laid down and circulars issued from time to time in this regard.
- 3.11.2.4 Review the tour authorisation and confirm that the tour undertaken by an employee has been authorised in advance.
- 3.11.2.5 Verify that mode of travel, conveyance, hotel expenses and out-of-pocket expenses claimed by the employee are in accordance with the Travelling Rules of the DHBVN.
- 3.11.2.6 Check where journey tickets etc. are provided by the DHBVN, no claim is made in the bills.
- 3.11.2.7 Ensure that the travelling bill has been approved by the competent authority.

- 3.11.2.8 Ensure that the travelling bill has been submitted within the prescribed time limit from the completion of the tour.
- 3.11.2.9 Ensure that the advances are refunded immediately in case of cancellation of journey.
- 3.11.2.10 Verify that penal interest has been charged in case of delay in submission of bills or deposit of unspent amount.
- 3.11.2.11 List out the advances outstanding for more than six months.

### **3.11.3 Medical Advances and Claims**

- 3.11.3.1 Test check the cases of reimbursement of medical claims.
- 3.11.3.2 Verify that bills for medical claims have been verified as per entitlement of employees and medical attendance rules laid down in the Medical Attendent Rule and circular issued from time to time.
- 3.11.3.3 Check that the payment of bills have been authorised by the competent authority with reference to employees and their dependents.
- 3.11.3.4 Test check the direct payment made to the hospitals.
- 3.11.3.5 Verify that penal interest has been charged in case of delay in submission of bills or deposit of unspent amount.
- 3.11.3.6 Verify that TDS made and deposited in time on the payment of medical claims in excess of the amount specified in the Income Tax Act.
- 3.11.3.7 List out the advances outstanding for more than six months.
- 3.11.3.8 Test check the employee's individual details for claim in respect of dependents.

## **3.12 REVIEW OF SALES AND OTHER INCOME**

### **3.12.1 Sales**

Since the main business activity of DHBVN is sale of power detailed, intensive and concurrent audit of Revenue Accounts including audit of consumers' accounts is required to be carried out. Accordingly a separate and independent wing headed by the DGM/Revenue Audit has been established and separate Manual of Audit has been published.

### **3.12.2 Other Income**

- 3.12.2.1 Ensure that other incomes are booked only with source documents, viz., interest income with interest warrant/loan agreement, dividend income with dividend warrants.

- 3.12.2.2 Reconcile the income of consultancy in financial records vis-à-vis records maintained in the consultancy division.
- 3.12.2.3 Test check the details of miscellaneous income with the relevant source documents and ensure the correctness and accuracy of the amount booked, income pertaining to current year only, etc.
- 3.12.2.4 Ensure that the approval from the competent authority is obtained before writing back the provisions/liability not required.

### **3.13 STORES ACCOUNTS**

#### **3.11.1 Maintenance of Price Stores Ledger**

- 3.13.1.1 Verify that the price stores ledger is prepared and reconciled at periodic intervals with bin cards/stores ledger and the general ledger.
- 3.13.1.2 Check whether coding of receipts and issues has been done properly.
- 3.13.1.3 Obtain a list of items purchased but not issued.
- 3.13.1.4 Report on odd balance quantity without value, value without quantity, and negative balances.
- 3.13.1.5 Ensure that discrepancies found during physical verification are adjusted after approval of the competent authority.

#### **3.13.2 Valuation**

- 3.13.2.1 Verify that receipts of items are valued at landed cost basis and issues at monthly weighted average price basis.
- 3.13.2.2 Verify whether AS-2 issued by the ICAI has been followed in the valuation process.
- 3.13.2.3 Ensure that valuation of inventories has been made in accordance with the policies and procedures adopted in the previous years.

### **3.14 Audit of Final Accounts**

- 3.14.1 Ensure that the amount has been debited to the correct accounting head and there is no error of principal.
- 3.14.2 Ensure that the generally accepted accounting standards issued by the ISAI and provisions of Companies Act, 1956 and all other laws have been complied while compiling the accounts.

3.14.3 Ensure that there is no change in the accounting policy of the company as adopted by the company and if any change was made the same has been brought on the record.

3.14.4 Ensure that the contingency liability, if any, has been brought on the record.

### **3.15 COST AUDIT**

3.15.1 Verify that units are maintaining necessary accounting records and cost statements as provided in Cost Accounting Records (Electricity Industry) Rules, 2001.

3.15.2 Verify that proper quantitative records are being maintained for received/sale of electricity.

3.15.3 Ensure the following:

(a) There is a proper reconciliation between cost and financial records.

(b) Maintenance of store accounting records showing quantity and relevant components of cost in respect of receipts/issues including wastage, spoilage/loss of stores etc., if any.

3.15.4 Review the expenses in respect of salary & wages, repair & maintenance, depreciation, all other over heads, royalties, financial cost, human resource development, expenses on various measures of pollution control etc. with a view to facilitate the cost audit.

## **4.0 PERSONNEL AND ADMINISTRATION**

### **4.1 MANPOWER PLANNING**

#### **4.1.1 Preparation of Manpower Requirement**

4.1.1.1 Ensure that there is a clearly defined policy of the DHBVN in respect of manpower requirement.

4.1.1.2 Verify that manpower planning is based upon various factors, like upcoming project requirements, nature of vacancies, retirements during the year, etc. and as per the manpower approved by the BoD.

4.1.1.3 Ensure that a proper sanction is received from the competent authority and all the basic criteria are fulfilled as per the Recruitment Policy considering the requirement of HERC/other regulatory guidelines in respect of manpower planning.

4.1.1.4 Check that comparative statements are made in respect of own staff vs. outsourcing option.

#### **4.1.2 Monitoring of Actual v/s. Sanctioned Strength**

4.1.2.1 Verify whether there is a formal reporting system for existing manpower which clearly shows actual manpower grade-wise deployed at various units.

4.1.2.2 Check whether periodic reports are received in respect of employees outsourced or deployed on contract basis, while calculating the actual manpower.

4.1.2.3 Check and highlight the cases where shortage/surplus of certain manpower positions is continuing for a long time and ensure from the competent authority that necessary steps are being taken to correct the same.

4.1.2.4 Ensure that excess employees of certain categories not required in one project are shifted to other construction projects.

4.1.2.5 Certain categories of employees essential to control the O&M projects have been transferred to other projects before commencement of commercial operations.

4.1.2.6 Check the requisition for casual labour and ensure that these have been sanctioned by the competent authority.

## **4.2 RECRUITMENT**

### **4.2.1 Receipt and Approval of Manpower Requirement**

4.2.1.1 The manpower requirement advices are received timely to provide sufficient time to the recruitment cell to recruit the personnel on the basis of given selection criteria.

4.2.1.2 Check the reports of various units showing their manpower requirement and ensure that a proper approval has been taken from the competent authority to fulfil the same.

### **4.2.2 Advertisement for Inviting Applications**

4.2.2.1 Check the means of communication used for the advertisement for recruitment having wide reach to the people. Ensure that proper approval has been taken from the competent authority for such advertisement in the media. Check where the posts are not advertised whether other resources for recruitment as prescribed in the regulation have been used.

4.2.2.2 Verify few advertisements on test check basis and ensure that proper details as per pre determined criteria have been given.

### **4.2.3 Receipt and Scrutiny of Applications**

4.2.3.1 Enquire whether procedures for collection of application are proper and facilitate to short list the application as per pre defined procedure.

4.2.3.2 Verify that registration number has been written on each application and particulars of application are recorded in the register.

4.2.3.3 Ensure that reasons have been recorded for rejecting the application.

4.2.3.4 Check that the project/Wing concerned has scrutinised the applications and selected the short-listed candidates.

4.2.3.5 Check that the selected applications have been verified and approved by the competent authority.

### **4.2.4 Conducting Written Test**

4.2.4.1 Ensure that there is a reasonable procedure to intimate short listed applicants about date, time and venue of written test.

4.2.4.2 The process for setting and printing of question paper, appointment of invigilators, venue, etc. are carried as per the policy guidelines of the DHBVN in this regard.



- 4.2.4.3 Approval is taken from appropriate authority if no policy/guidelines exist.
- 4.2.4.4 Check that various aspects were considered regarding confidentiality in respect of selection of test paper, collection and safe keeping of answer sheets, etc.
- 4.2.4.5 Travel expenses are reimbursed to the candidate if same are allowed as per rules of DHBVN.

#### **4.2.5 Short-Listing of Candidates**

- 4.2.5.1 Ensure the evaluation criteria for test sheets and test check a few test sheets to ensure that the same has been followed.
- 4.2.5.2 Check that the list is free from personal bias and that there is a proper authority, which checks the entire procedure to ensure the accuracy.
- 4.2.5.3 Short listing process is made within reasonable time limit and ensure that result has been declared on the basis of marks secured.
- 4.2.5.4 Candidates are invited for interview as per the final list as approved by the competent authority and call letters have been issued to them.

#### **4.2.6 Interviewing the Candidates**

- 4.2.6.1 Enquire about the procedure of conducting interviews.
- 4.2.6.2 Ensure that interviews were conducted by the panel of people from relevant discipline constituted as per instruction.
- 4.2.6.3 Obtain the details of expenses incurred on the interview and ensure that the same is as per policy / budget of the DHBVN.

#### **4.2.7 Selection and Issue of Appointment Letters**

- 4.2.7.1 Ensure that appointment letters are sent only to the selected candidates as per standard format containing the terms of appointment and authorised by the competent authority. All terms in respect of monetary benefits have been duly authorised.
- 4.2.7.2 Check and ensure that there are no unreasonable delays in issuing appointment letters after the selection of employees.

#### **4.2.8 Induction, Assignment of Designation and Job Profile**

- 4.2.8.1 Ensure that a reasonable induction procedure exists in the DHBVN to introduce a newly appointed employee to the DHBVN's general decorum and other rules and regulations.

4.2.8.2 Selected candidates are appointed at the required location after assigning the designations as approved by the competent authority.

4.2.8.3 Ensure that detailed job profiles are prepared and issued to employees with concurrence of the functional head in writing.

#### **4.2.9 Exit Interviews**

4.2.9.1 Enquire about the existence of a reasonable system of taking an exit interview at the time of relieving an employee.

4.2.9.2 Analyse the data on employee turnover for the last one year and necessary steps taken to minimise the same in case of high employee turnover.

4.2.9.3 There should be a system of regular analysis of the remarks given by the employees and reporting the same to the management.

### **4.3 TIME OFFICE**

#### **4.3.1 Attendance**

4.3.1.1 Understand the procedure of marking and recording the daily attendance of employees.

4.3.1.2 Ensure that in case of punch cards, there exists a sufficient control over the blank punch card inventory kept under the custody of time office.

4.3.1.3 Check and ensure that reasonable records are kept to record the issue of punch cards and acknowledgement is taken from the employee.

4.3.1.4 Take a dummy card and test the attendance recording and conversion by using it at all the machines installed in the premises.

4.3.1.5 Check the procedure of setting the time on all machines and ensure various security measures exist to avoid any manipulation of time which should be uniform in all the machines and regularly tallied with Indian standard time.

4.3.1.6 No manual intervention should be possible in the attendance data after punching, except as authorised by the competent authority.

4.3.1.7 Obtain the manual register kept for taking attendance in case an employee fails to bring punch card and ensure that it is not resorted to regularly.

4.3.1.8 In case employees record their attendance manually in separate registers maintained at different Wings, obtain the same and check that

attendance, leaves, absence etc. have been properly recorded and compare the same with the absentee statements sent by the Wings concerned.

- 4.3.1.9 Compare the monthly absentee statement with the manual attendance register and ensure that there are no discrepancies.

#### **4.3.2 Leave Management**

- 4.3.2.1 Understand the system of maintaining leave record. Check whether a well-defined leave policy for the DHBVN is in existence.

- 4.3.2.2 Test check the sample leave application and verify that leaves are sanctioned as per entitlement in accordance with leave rules of the DHBVN and sanctioned by the competent authority.

- 4.3.2.3 Check the attendance sheets forwarded to finance deptt. containing all types of leaves including leave without pay, the amount of which is to be deducted from the salary.

- 4.3.2.3 Ensure that leave records are maintained properly and comply with the statutory requirement in this regard.

- 4.3.2.4 Check that leave records are timely updated. Verify whether the number of leaves as stated in the records in respect of each employee is correct as compared with employee's handbook on test check basis.

- 4.3.2.5 Check that balance leaves are carried forward to the next period.

- 4.3.2.6 Obtain a copy of the employee handbook issued to new joiners and check if it contains all the information regarding the leave rules.

#### **4.3.3 Late Coming and Early Going**

- 4.3.3.1 Check whether a well-defined policy exists in respect of late coming and early going.

- 4.3.3.2 Test check few cases for late coming and early going and ensure that half day has been deducted as per the requirement of the policy and also check that out-duty slip, duly approved from the competent authority, is available in the file.

### **4.4 PAYROLL**

#### **4.4.1 Pay Fixation and Maintenance / Updation of Employees' Master Records**

- 4.4.1.1 Understand the procedure of maintenance and updation of employees' master records.

- 4.4.1.2 Test check few cases of new appointment, promotion, increment in salary and ensure the following aspects:  
Pay fixation order has been issued by the authorised executive and is as per pay fixation rules notified from time to time.  
Records for pay fixation and employees detail are updated from time to time.  
In case of increment, date is fixed for making the payment as per pay fixation rules.
- 4.4.1.3 Ensure that the right to access the employees' master record is available only with authorized executives.
- 4.4.1.4 In case of computerized records, appropriate back up procedure exists.
- 4.4.2 Promotion/Transfer of Employees**
- 4.4.2.1 Ensure that promotion/transfer orders of employees are issued by the executive duly authorised by the competent authority.
- 4.4.2.2 In case of transfer of employee, Last Pay Certificate (LPC) is issued by his DDO annexing the details / documents regarding payroll ledger, recovery schedule of advances, pay details, entitlements etc.
- 4.4.2.3 Inter unit advise has been made at the time of transfer showing various advances / loans.
- 4.5 LEGAL**
- 4.5.1 Empanelment of Lawyers**
- 4.5.1.1 Verify the empanelment process of the lawyers and ensure the followings:  
Minimum qualification and experience criteria and field of specialisation has been defined.  
Empanel number of advocates as per requirement of DHBVN.  
Provision of DoP has been complied with.
- 4.5.2 Fixation of Fees**
- 4.5.2.1 Review the fees fixation criteria and ensure the following:  
a). Various factors such as seniority and expertise of lawyers, market standing of lawyer, prevailing rates have been considered.  
b). Entitlement for expenses such as boarding and lodging, travelling has also been determined and specified in agreement.
- 4.5.3 Controls on Expenditure**

- 4.5.3.1 Details of expenditure incurred on various cases are prepared and submitted to appropriate authority.
- 4.5.3.2 Verify that expenditure incurred on cases are monitored and controlled as far as possible.
- 4.5.3.3 Appropriate decision for withdrawal of case or any other remedial action has been taken with the approval of appropriate authority.

## **4.6 Hospitals/Dispensaries**

### **4.6.1 Medicines/Consumables**

- 4.6.1.1 Ensure that proper records are maintained for receipt, issue and availability of medicines and consumables.
- 4.6.1.2 Check that approval of officer in-charge is obtained for making the indent for procurement of medicines and consumables.
- 4.6.1.3 Ensure that approval for procurement of medicines is given on the basis of average consumption and seasonal requirements.
- 4.6.1.4 Verify from the records that costly medicines are being purchased as per the actual requirements.
- 4.6.1.5 Ensure that a monthly summary of medicine consumption is prepared and reviewed by the competent authority. Obtain one of the monthly summaries and check a few entries from the daily medicine issue register. Investigate if any differences are noted in the same.
- 4.6.1.6 Ensure that expired medicines are disposed off as per the approval of the competent authority and in the presence of a senior executive of the hospital.
- 4.6.1.7 Ensure that all the receipts of surgical equipments, apparatus and tools received are recorded in the register maintained for the purpose.

## **4.7 TOWNSHIP**

### **4.7.1 Allotment**

- 4.7.1.1 Examine the applications for allotment of houses and ensure that employees' particulars have been verified by the personnel department.
- 4.7.1.2 Obtain the following registers and ensure that they are being properly maintained and updated:
  - a. Township occupancy register,
  - b. Register of contracts/agreements,

c. Recovery register.

- 4.7.1.3 Ensure that houses have been allotted on the basis of recommendation of the Residence Allotment Committee (RAC) formed for this purpose.
- 4.7.1.4 Check the basis of allotment of houses and ensure that allotments have been made as per the pre-defined criteria e.g. entitlement, seniority of employee, etc.
- 4.7.1.5 Ensure that in cases allotment of house is made to contractors, other persons not entitled for allotment, approval from the competent authority has been obtained. Also ensure that in case of such type of allotment, corporate rules and guidelines have been followed.
- 4.7.1.6 Check a few entries in township occupancy register and ensure that these are as per the terms and conditions given in the allotment letter.
- 4.7.1.7 Verify that agreements have been entered into with all the persons other than employees whose names are appearing in occupancy register.
- 4.7.1.8 Verify the entries in the register of agreement and ensure that terms of agreement have not been expired and in case date has been expired and the premises has not yet been vacated , then investigate the reason of non-vacation of the premises or the renewal of agreement.
- 4.7.1.9 Review the allotment register and ensure that accommodation has been allotted to the eligible persons only and no unauthorised allotment has been made.

#### **4.7.2 Recoveries**

- 4.7.2.1 Verify that rent, electricity, water and other charges are being recovered on the basis of rules/rates specified in the circulars issued from time to time.
- 4.7.2.2 Ensure that proper records are being maintained for taking meter readings in respect of electricity consumed.
- 4.7.2.3 Ensure that a statement of outstanding recoveries is prepared on a periodic basis and an appropriate action has been taken for recovery of charges.
- 4.7.2.4 Ensure that charges for rent, electricity, water and other charges are being recovered from contractors/commercial premises as per rates stipulated in the contract/agreement.

4.7.2.5 Ensure that in case recovery of such charges is made in the form of deduction from the contractor's bills, the recovery should be from the running bills/final bills as per the terms and conditions of the contract.

#### **4.7.3 Vacation**

4.7.3.1 Verify the case of vacation of houses and premises by employees and outsiders with the vacation orders and ensure that fittings etc. have been duly verified by the office concerned.

4.7.3.2 Verify the recoveries in case of shortage/breakage etc.

4.7.3.3 Verify that all the recoveries in all cases of vacation have been effected before issuing vacation orders.

4.7.3.4 Ensure that vacation orders are sent to finance deptt. immediately for updation of their records.

4.7.3.5 Check whether the houses are being vacated timely. Report the cases where the vacation date has been expired or the employee has been transferred but the house has not yet been vacated. Investigate the reasons, why the premises have not yet been vacated.

#### **4.8 GUEST HOUSE/TRANSIT HOSTELS/TRANSIT CAMPS (TCs)**

4.8.1 Check whether the following registers are being maintained in the guest house or not:

- a. Guest occupancy register,
- b. Register of non-consumable items,
- c. Register for consumable items.

4.8.2 Obtain the aforesaid registers and ensure that they are being properly maintained and updated.

4.8.3 Ensure that all entries in the guest register are properly filled in and no unauthorised alteration is being made.

4.8.4 Ensure that allotment of guest house facility has been provided only to the guests entitled for availing it and as per approval of the competent authority.

4.8.5 Verify the charges recovered from the guests as entered in the register with cash receipt from the employees and outsiders and ensure that the same are in conformity of the rules.

- 4.8.6 Check that the amount of rent and other charges collected from the guests are being deposited to the DDO on weekly/ monthly basis.
- 4.8.7 Compare the actual expenditure and income of the guest house with that of earlier year and note the deviations.
- 4.8.8 Check and verify the assets register maintained by the guest house in-charge with the fixed assets register maintained in the finance Wing.
- 4.8.9 In case of stay of guest for more than 5 days ensure that prior approval of competent authority has been taken.

#### **4.9 OTHER ISSUES**

##### **4.9.1 Leave travel concession and claim**

- 4.9.1.1 Ensure that the leave Travel concession is allowed as admissible to the claimant under the rules as applicable at the time of sanction.
- 4.9.1.2 Ensure that the approval has been granted by the authority competent to grant such permission.
- 4.9.1.3 Check and ensure that the actual claims are submitted within the stipulated period and the same are adjusted without any delay.
- 4.9.1.4 Check and ensure that where the advance are not utilized within the stipulated period or where advance was in excess of the claim the same were deposited within the stipulated period.
- 4.9.1.5 Ensure that penal interest has been recovered wherever applicable.

##### **4.9.2 Staff Loans and Advances – HBA, Computer, Furniture, Conveyance etc. and its Recovery**

- 4.9.2.1 Ensure that loans/advances were sanctioned to the employees on the basis of advance requisitions in the prescribed format and duly approved by the competent authority as per entitlement of the employee.
- 4.9.2.2 Required documents in respect of loan sanctioned have been collected and vetted by the legal cell before issue of necessary office orders for disbursement.
- 4.9.2.3 In case of HBA, ensure that the employee concerned has given the intimation in respect of possession taken so that the DDO can start the recovery of instalments as per terms of the agreement.



4.9.2.4 Ensure that the insurance cover on house was taken for an amount not less than the advance amount with the necessary endorsement for hypothecation in favour of the DHBVN.

**4.9.3 Leased Accommodation**

4.9.3.1 Ensure that lease masters are updated as per the new lease agreements/amendments during the year.

4.9.3.2 Verify personnel records to ensure that the approval of the competent authority has been obtained before leasing the accommodation to the employee.

4.9.3.3 Examine the lease deeds of the rented accommodation and ensure the interests of the company have been safeguarded.

4.9.3.4 Ensure that the system is working properly regarding timely renewal of lease deeds before the due date.

4.9.3.5 Ensure that all the documents required for lease deed are complete and are duly vetted by the legal cell.

## **5.0 STORES AND TRANSFORMER REPAIR WORKSHOPS**

### **5.1 RECEIPT OF MATERIAL**

- 5.1.1 Review the material receipt process and ensure that material is checked and recorded at all the locations, viz. security gate, at stores etc. Ensure that gate inward register has been maintained by the gatekeeper and entry of receipt of material has been recorded on a timely basis. Undue delay with reason should be viewed.
- 5.1.2 Check that store challan control registers/stock registers and store requisition (SR) are maintained as per DHBVN's policies and procedures. Verify that proper serial control exists over SRs. Test check whether Store Challan and Store Requisition are being controlled properly with reference to stores records.
- 5.1.3 Verify the procedure for receipt of material on test check basis and ensure that all documents like Purchase Order, Challan, Gate Entry Note, Invoice and Inspection Note/Report are attached to the Store Challan including a note regarding shortage/rejection, if any.
- 5.1.4 Examine the Store Return Warrant (SRW) duly signed by the authority approving return of stores and stores giving reasons for return and references of Store requisition in respect of unused material.
- 5.1.5 Check that any deviation from the purchase order is intimated to the procurement Wing for their necessary action.
- 5.1.6 Ensure that damaged/rejected goods are kept separately and reported to procurement Wing for necessary follow-up action.
- 5.1.7 Verify the receipt/consumption certificate in case of direct unloading of material at site.
- 5.1.8 Ensure that wherever required an adequate transit insurance cover has been taken.
- 5.1.9 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.
- 5.1.10 Verify entry into the stock register and priced stores ledger.
- 5.1.11 In case of returns by contractor, check the difference on receipt of materials and necessary adjustments are made in contractor's account.

- 5.1.12 Confirm that the competent authority has duly approved the relevant vouchers for the above entries.
- 5.1.13 Check the Store Challan and ensure that all goods received have been accounted for and recorded under the correct item code.
- 5.1.14 Report the variations in rates of a particular item purchased on different dates in the period under review.
- 5.1.15 Verify the cases of material returned from various offices duly authorised by the concerned Officers. Verify that material returned has been inspected for proper condition, quantity of material before issuing SRW.

## **5.2 ISSUE OF MATERIAL**

- 5.2.1 Verify the Store Requisitions on test check basis showing the detail of work, work order number and name of the Wing to which the cost is chargeable and also that the Store Requisition is authorised by the competent authority.
- 5.2.2 Verify that over-writing on the Store Requisition is duly authorised.
- 5.2.3 Ensure that bin card/stock register has been updated on every receipt/issue of material and accounted for in correct item code.
- 5.2.4 Verify that Value Ledger is also updated on every issue made and valued as per accounting guidelines. Ensure that material has also been issued on monthly moving average basis in accordance with the AS-2 issued by the ICAI.
- 5.2.5 Intimation is given to procurement Wing when the stock level reaches at reorder level.

## **5.3 INVENTORY MANAGEMENT**

- 5.3.1 Enquire that inventory level have been fixed viz. minimum, maximum and reorder level considering the lead time of procurement, consumption pattern, etc
- 5.3.2 Enquire that aforesaid inventory levels are reviewed at reasonable intervals.
- 5.3.3 Verify that actual inventory in respect of A and B class items are not kept in excess of maximum inventory level.
- 5.3.4 Whether list of slow moving/non moving inventory item are being made and intimated to user Wing for review and chalking out action plans for

disposal/alternate use of such items also ensure that the said list is being submitted to Head office/management regularly and specifically with regard to A and B class items.

5.3.5 List out the stores items which have been procured on emergency basis but not yet utilised/issued.

5.3.6 List out the stores items which have been procured for the specific work/requirement by the authorities other than the material procurement authority but not yet utilised/issued.

#### **5.4 RETURN OF DAMAGED TRANSFORMERS IN STORES/ TRANSFORMER REPAIR WORKSHOPS**

5.4.1 Ensure that the transformer oil as contained in the transformer and the parts visible outside the transformers are properly checked and the shortages, if any, is properly recorded in the shortage book.

5.4.2 Ensure that the measurement of the transformer oil and the parts as available at the time of receipt/checking is recorded in the measurement book properly.

5.4.3 Ensure that the notional value of the damaged transformers as well as the value of transformer oil and the available parts; as fixed from time to time and applicable at the time of receipt is accounted for in the month of receipt itself and resultant credit is afforded to the concerned accounting unit through IUT.

#### **5.5 ACCOUNTING OF TRANSFORMER OIL AND CHECKING OF THE TRANSFORMER FOR THE PURPOSE OF REPAIR/DISPOSAL**

5.5.1 Ensure that the transformer oil as received along with the transformer and recorded in measurement book is taken into Dirty Transformer Oil card; sludge as contained in the oil is determined and deducted and the balance is transferred to the de-hydration transformer oil register. Also ensure that the oil received after de-hydration is recorded in the De-hydrated transformer Oil Register.

5.5.2 Ensure that the damaged transformer is opened and checked thoroughly at the earliest possible and a decision regarding repair or the disposal is taken promptly. Also ensure that the parts/material dismantled after opening of the transformer are properly measured, accounted for and the

resultant credit is afforded to the concerned accounting unit. It may also be ensured that abnormal delay in checking/accounting is not committed.

## **5.6 CUSTODY OF MATERIALS AND PHYSICAL CONTROL**

- 5.6.1 Ensure that adequate internal checks and controls are in place and adhered to regularly e.g. no single person is responsible for physical storage, custody, issue and maintenance of bin cards etc.
- 5.6.2 Ensure that adequate storage facilities are available with stores and based on the nature, volume, value and criticality of the items, storage place has been allocated e.g. high value items should be kept under lock and key; heavy materials may be kept near the exit gate etc.
- 5.6.3 Check that storage place has been properly marked with identifiable code, numbering, marks etc.
- 5.6.4 Ensure that bin card/stock register clearly shows the receipt, issue and balance and location of inventory and the same should be authenticated with the physical verification on test check basis.
- 5.6.5 Enquire from the process owner about the procedure to maintain the stock and ensure that the stores personnel have followed that procedure while handling stock.
- 5.6.6 Ensure that the physical verification of the inventory has been carried out as per the schedule chalked out by the process owner and carried out by an independent person/committee.
- 5.6.7 Review the physical verification reports and ensure that the reasons for shortages/excesses have been ascertained and necessary action plan for controlling such shortages/excesses has been chalked out.
- 5.6.8 Review the procedure for writing off any shortage and ensure that shortages have been written off after taking the approval of the competent authority.
- 5.6.9 Ensure that adequate fire fighting and security arrangements have been made.

## **5.7 SCRAP DISPOSAL**

- 5.7.1 Verify that scrap/surplus/obsolete inventory items are identified and disposed off as per the policy and procedures of the DHBVN.

- 5.7.2 Examine the relevant material disposal authorisation and confirm that it has been authorised by the competent authority in accordance with instruction.
- 5.7.3 Verify whether store Wing maintains adequate records showing receipt of scrap from different Wings, its disposal and balance in hand, etc.
- 5.7.4 Ensure that scrap items have been disposed off after weighment and system for weighment is adequate.
- 5.7.5 Ensure that contractor has returned the entire scrap quantity calculated on the basis of standard/actual consumption.
- 5.7.6 Review the list of dealers invited to quote for the disposal, their quotations received and comparative statement.
- 5.7.7 Confirm that the selections of the dealer and the prices have been duly approved by the competent authority with concurrence of the financial Wing.
- 5.7.8 Verify the payments received with the register maintained by the store Wing and counter check it with bank account in the general ledger.
- 5.7.9 Check that the Sales Tax has been recovered on this transaction and remitted to Sales Tax authorities in time.

## **6.0 COMMERCIAL**

Since the main commercial activity of DHBVN is the sale of electricity to the consumers', the concurrent audit of consumers' accounts as well as Revenue Accounts is required and the same is carried out by the Revenue Audit Section of Internal Audit Wing. A separate Manual for Revenue Audit is in existence.

## **7.0 CONSULTANCY SERVICES**

### **7.1 COST ASSESSMENT AND PRICE FIXATION**

- 7.1.1 Examine request for consultancy services and ensure that this has been authorised by the competent authority.
- 7.1.2 Review the terms of reference and verify the determination of resource requirement by considering the detailed scope of work, suitable person with the requisite experience duly approved by the competent authority.
- 7.1.3 Verify the manpower costing after considering all the relevant cost factors viz. basic pay, perquisites and reimbursement allowed to employees, etc. as also the approval of the competent authority for the manpower costing.
- 7.1.4 Examine the system for review/revision of manpower rates at a reasonable interval.
- 7.1.5 Ensure that the cost sheet was made after considering all the cost items i.e. manpower, overheads, hiring of outside resources etc.
- 7.1.6 Check that the overall costing of the proposal has been approved by the competent authority.
- 7.1.7 Verify that due consideration was also given to normal profit margin, provision for contingencies, etc.
- 7.1.8 Check the proposals having low profit margin and find out the reasons of accepting the proposal.
- 7.1.9 Ensure that the costing and pricing of the assignment have been duly concurred by the finance Wing.
- 7.1.10 Check whether the legal Wing has duly vetted the contract.

### **7.2 EXECUTION**

- 7.2.1 Ensure that the resources have been deployed as per the original plans. Identify the cases where excess resources have been deployed and the reasons for the same.
- 7.2.2 Verify that the resources have been timely deployed and the assignment has been taken up as per the schedule.
- 7.2.3 Check whether resources deployed in various assignments are reasonable in terms of number, skill and experience.
- 7.2.4 Ensure that actual deployment of resources has been regularly monitored, periodically reviewed and modifications are also carried out accordingly by the HoW.
- 7.2.5 See the correspondence file/records and ensure that all the matters/queries have been duly taken up/replied/sorted out.



7.2.6 Review the progress of the assignment against the predetermined schedule; adequate action plans for timely completion of the project have been chalked out.

### **7.3 BILLING, RECOVERING AND FOLLOW-UP**

7.3.1 Verify the debtors ledger and ensure that billing has been carried out as per terms and conditions contained in the contract and as per time schedule.

7.3.2 Check that billing for the extra items/deviation has been made timely.

7.3.3 Check that payments from the clients are being collected in time as per stipulated terms.

7.3.4 Check that collection outstanding positions are made a part of MIS.

7.3.5 Check that regular follow-up has been ensured with the parties for speeding up the collection process.

7.3.6 Check that rebate/discount/writing off bad debts, if any, have been allowed only after prior approval from the competent authority.

### **7.4 ASSESSMENT AND FEEDBACK SYSTEM**

7.4.1 Ensure that the system of getting client feedback is in existence.

7.4.2 Review that steps are being taken for improvement of quality of services, considering the new ideas and feedback of clients.

7.4.3 Profitability of the assignment is reviewed from time to time. In case of deviation plan for future improvement has been chalked out and implemented.

### **7.5 BUSINESS DEVELOPMENT PROCESS**

7.5.1 Review the departmental efforts towards getting the business and maximisation of revenue.

7.5.2 Enquire whether analysis of success ratio is being made a part of MIS.

7.5.3 Enquire with the process owner and ensure that a system of budgetary control is in place and regularly followed for monitoring the performance of the Wings. Compare the actual with the budget and note the reasons for variance.

## **8.0 IT & COMMUNICATION**

### **8.1 SOFTWARE DEVELOPMENT PROCESS**

- 8.1.1 Review the plan of the Wing in respect of software development. Also review the budget for the same.
- 8.1.2 Review the system of the organisation for taking the feedback from various Wings in respect of their software needs.
- 8.1.3 Analyse the software requirement received from various units and verify the following:
  - a. Whether required software is to be procured / got developed from outside agency or to be developed in house.
  - b. Assess the in-house resources for development of software.
  - c. Identify the agencies for development of required software and assess the credentials of software development agencies.
  - d. Prepare the comparative statement.
- 8.1.4 Ensure that the IT system development assignment has been undertaken after obtaining the approval of the competent authority.
- 8.1.5 Test check the records and verify the estimates in detail/budgets outlaying the cost time lines and resource requirements, etc., has been prepared before taking up the authority.
- 8.1.6 Ensure that the outside consultant has been deployed only in absence of a competent person available in house.

### **8.2 MAINTENANCE OF HARDWARE AND SOFTWARE**

- 8.2.1 Verify that there is an adequate training programme regarding the new system. Proper emphasis is given on the system of feedback on quality. Due consultations are given in case of difficulties faced by user promptly.
- 8.2.2 Verify that the software purchased/developed in house have been used for the intended purposes and meeting the envisaged requirements.
- 8.2.3 Verify that all the IT assets have been covered under an adequate AMC.
- 8.2.4 Review the system to ascertain whether the contractor of AMC has performed his duties as per the terms and conditions of the contract, i.e., number of visits, deployment of staff, supply of spares, etc.

### **8.3 INFORMATION SECURITY AND CONTROLS**

- 8.3.1 Verify that the licences for all the software have been obtained.
- 8.3.2 Verify that there is a regular system to take the feedback from all user Wings in respect of performance of AMC contractors/software for the intended use, time taken by the contractor to remove the defect.

- 8.3.3 Ensure that the information security policy has been framed and intimated to all the employees. The policy is also reviewed at periodical intervals.
- 8.3.4 Ensure that password policy has been followed strictly. The internal auditor should verify the system by using dummy data.
- 8.3.5 Ensure that there is a system to monitor whether the user Wings are keeping back-up of data and arrangements are being made for its proper placement outside the premises.

## **9.0 OPERATION AND MAINTENANCE**

### **9.1 SCHEDULE OF PREVENTIVE MAINTENANCE**

9.1.1 Check that the preventive maintenance schedule defining the maintenance frequency has been prepared and all the critical equipment and machines have been covered.

9.1.2 Review various log books to verify that maintenance has been carried out as per these schedules.

9.1.3 List out the instances of non-adherence of maintenance schedules and ascertain the consequences, if any.

### **9.2 BREAK DOWN ANALYSIS**

9.2.1 Verify that regular breakdown analyses are prepared for ascertaining the nature, root cause analysis of breakdowns, etc.

9.2.2 Review the break down reports to check that an appropriate plan of action has been chalked out and implemented to ensure that no repetitive break down has occurred.

9.2.3 Instances of break down due to non-adherence to preventive maintenance schedules are to be reported.

### **9.3 BUDGETARY CONTROL**

9.3.1 Check that the system of budgetary control in respect of shut down hours, repair and maintenance expenses in unit and monetary terms is in place in terms of annual plan and the basis of budget preparation are correct.

9.3.2 Verify that the actual performance of the Wing is regularly monitored and compared with the budgets and corrective actions are being taken in respect of deviations after ascertaining the reasons. Also verify that a proper plan of action is being chalked out to control the deviations.

### **9.4 CRITICAL SPARES**

9.4.1 Ensure that inventory of critical items/spares has been maintained adequately and verify the procurement records to ensure that proper quantity of spares required in maintenance have been indented/procured in time keeping in view the availability of these items in stores, lead period required for procurement, availability of spares vis-à-vis the schedule of maintenance to avoid blockage of funds and to achieve the maintenance of optimum level.

9.4.2 Ensure that a physical verification system has been maintained by the unit and no excess inventory has been kept by the Wing.

### **9.5 MAINTENANCE OF HISTORY SHEET/CARDS/LOGBOOKS**

9.5.1 Check that adequate machine history cards/log books containing the details of repair and maintenance expenses, machine life, machine hours, break down hours, etc. have been maintained in respect of each machine and are being updated at periodic intervals.

## **10.0 TRANSPORT**

### **10.1 Hiring Of Vehicles/Equipments**

- 10.1.1 Verify the current position of vehicles/equipments as per the requirement of the organisation. Check whether the requirement of hiring more vehicles has been determined on the basis of assessment from time to time. A situation of keeping surplus vehicles should be avoided.
- 10.1.2 Check whether the process of hiring additional vehicles/equipments started after obtaining an approval from the competent authority.
- 10.1.3 Ascertain whether all tendering procedures like invitation of bid through open/limited tender, formation of tender committee, technical and financial evaluation, etc., have been adopted.
- 10.1.4 In case of final contracts, review the following points:
  - (a) Contracts were awarded at economical rates.
  - (b) Reasons for not inviting open tenders have been quoted on justifiable grounds.
  - (c) Contract agreements are signed and accepted by both the parties.
- 10.1.5 Examine whether estimate has been properly made out and contract has been awarded on the terms and conditions not prejudicial to the interests of the DHBVN.
- 10.1.6 Ascertain whether the contract has been renewed at periodical intervals and no long extension has been granted without any valid reason.
- 10.1.7 Vehicles/equipments are checked in respect of their models, condition, past behaviour of the contractor, if renewed, etc, before entering into the contract.

### **10.2 Utilisation of Vehicles/Equipments**

- 10.2.1 Examine and comment on serial control of the requisition slips.
- 10.2.2 Review the vehicles/equipments allotment/allocation registers and ensure that vehicles/equipments have been allotted on the basis of requisition slips duly authorised by the competent authority and as per the entitlement of the employees for outstation journeys.
- 10.2.3 Verify whether records maintained for vehicles/equipments in respect of running cost are being controlled/monitored.
- 10.2.4 Review the percentage utilisation of vehicles/equipments, indicating cases of under-utilisation, breakdown, lying idle etc.
- 10.2.5 Examine whether the Wing has submitted statements of hire charges on vehicles/equipments let out to contractors on regular/timely basis to the Finance Wing for affecting timely recoveries.

- 10.2.6 Verify whether log books are being maintained properly and updated regularly.
- 10.2.7 Ensure the compliance of various statutory requirements, viz. validity of licences of drivers, validity of registration certificates, insurance with comprehensive risk cover, pollution certificate, etc.
- 10.3 Repairs and Maintenance of Vehicles/Equipments**
- 10.3.1 Examine whether records have been maintained with regard to each vehicle/Wing. Review the history records of each vehicle/equipment and identify and comment on the instances of uneconomical operations with reference to norms.
- 10.3.2 Verify that repairs and maintenance for vehicles/equipments have been undertaken after getting the approval of the competent authority.
- 10.3.3 Check whether records are being maintained in respect of expenses on repairs and maintenance vehicle/equipment-wise.
- 10.3.4 Any heavy expenditure on particular vehicle/equipment should be reviewed.
- 10.3.5 Repairs and maintenance jobs are being assigned to outside parties, in case in- house maintenance facilities are not available or inadequate. Ensure that jobs have been assigned to the outside parties after following the prescribed procedure, such as, estimate of expenses, quotations from the various parties, etc.
- 10.4 Disposal of Vehicles/Equipments**
- 10.4.1 Review the records including minutes of the committee authorising the disposal of vehicles/equipments as per prescribed guidelines of the DHBVN.
- 10.4.2 The surplus vehicles/equipments are also being regularly reported to the Head Office.
- 10.4.3 The reserve prices of vehicles/equipments have been computed as per guidelines of the DHBVN in this regard.
- 10.4.4 Ensure that disposal of vehicle/equipment has been made by the procedure prescribed from time to time.
- 10.5 Compliance of Company Vehicle Rules**
- 10.5.1 Ensure that there is a clear policy regarding admissibility for utilisation of vehicle.
- 10.5.2 Ensure that entitlement for self use of vehicle for the officer has been fixed and the rate, terms and conditions for use of vehicle in excess of their admissibility has been fixed.
- 10.5.3 Ensure that proper record of the usage of vehicle has been maintained. Also cross check the genuineness of some entries made in the log book.