

INVITATION FOR EXPRESSION OF INTEREST (EOI)

EOI No: BDL/IA/EOI/Internal Auditors/2023-25 dated: 30-01-2023

Due date for submission of EOI : 06-02-2023

TO BE SUBMITTED BY EMAIL TO bdlcorpcomm@bdl-india.in

IMPORTANT NOTE

Applicants are requested to submit their EOI by email in Annexure 1A on or before the due date & time.

Total pages: 23 **Pages**

Format for submission of EOI - **Annexure - 1A**

Prequalification Criteria- **Annexure - 1B**

Terms & Conditions - **Annexure – 1C**

Scope of Internal Audit - **Annexure – 1D**

Dear Sir/Madam,

Sub : Request for submission of EOI

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Bharat Dynamics Limited (BDL) is a Public Sector Undertaking under the administrative control of the Ministry of Defence with presence in three geographical locations viz, Kanchanbagh (Telangana), Bhanur (Telangana) and Vizag (Andhra Pradesh). Three more locations viz Ibrahimpatnam (Telangana), Amravathi (Maharashtra) and Jhansi (UP) are upcoming. These Units are engaged in the manufacture and supply of defence equipment required for Armed Forces. BDL is inviting EOI in the enclosed format from Chartered Accountant (CA) / Cost Accountant (CMA) Firms for appointment of Internal Auditors for its Divisions for carrying out the Internal Audit function for a period of **Two years (from 1st April 2023 to 31st March 2025)**.

1. Appointment of CA/CMA Firm(s) for Internal Audit work will be for 4 segments with different Divisions of our company as part of each segment. One audit firm will be given appointment for one segment only. However, an audit firm can quote for all the 4 segments at the time of tender process.

Details of the 4 (Four) segments:

Segment 1 - Kanchanbagh Unit (KBU)

Segment 2 - Bhanur Unit (BU)

Segment 3 - Vizag Unit (VU)

Segment 4 - Corporate, System/IT Audit (Location-Gachibowli), LR-SAM Division and SFD (Location – Kanchanbagh).

2. We have ERP SAP Package in place and it is fully operational.
3. Interested CA/CMA Firms may please fill in the enclosed format of EOI (Annexure 1A) (please note that only the enclosed format must be used) and send us the same by email to bdlcorpcomm@bdl-india.in so as to reach on or before **06-02-2023**.
4. Please mention "Appointment of Internal Auditors" as **subject in e-mail**. Eol

received in any other mode (for eg. By post/fax) or after the last date & time will not be considered.

5. EOI response should be free from correction, over writing, erasures etc. EOI should be signed by authorized signatory of the firm/LLP indicating name and designation with Office seal of the firm/LLP. Scanned copy of signed EOI is to be sent by e-mail.
6. **Audit firms who have carried out Transaction Audit of BDL during the immediately preceding two years are not eligible to participate in the tender process.**
7. Canvassing by respondents in any form, shall render their EOI response liable for summary rejection.
8. Conditional offers will be summarily rejected.
9. BDL is not bound to accept any response or part of the response and the decision of BDL is final in this regard.
10. Non-adherence to any instruction may result in the offer being ignored.

This EOI is governed by **TERMS AND CONDITIONS** as attached.

No Agent/Agents or third party / parties are engaged by BDL in this process.

BDL is not responsible for any action/inaction on the part of bidders based on statements/information given by any person claiming to be a representative of BDL.

It is advised to deal directly with BDL Officer who is the signatory to this document.

For general correspondence, kindly make use of email ID: bdlcorpcomm@bdl-india.in and Phone no. 040-23456140/23456136.

Yours faithfully
For Bharat Dynamics Limited

Deputy General Manager (CC)
Corporate Office

Format for submission of Expression of Interest

1	Name of the Firm	
2	Number of Partners	
3	Whether the Firm has experience in Auditing (Statutory Audit / Internal Audit) of CPSUs during immediately preceding seven financial years	
4	Full Postal Address of Offices/Branch Offices. (This may be given on a separate sheet of paper and attached)	
5	Name of contact person along with landline, mobile numbers and e-mail id.	
6	Permanent Accountant Number : (PAN) of the firm	
7	GST Registration No.	

I,....., authorized partner of the firm certify that the above information is true & genuine. I also declare that the firm will abide by all the terms and conditions in the Expression of Interest (EOI) for appointment of Internal Auditor. If appointed as internal auditor, our firm will abide by the rules of the company in maintaining the secrecy of data/information.

Signature of Authorized Signatory of the Firm

Seal of the Firm

Pre-qualification criteria for submission of EoI

1. Only Firms/LLP of Chartered Accountants/Cost Accountants are eligible.
2. The firm should have minimum of two partners.
3. The firm should have experience in Auditing (Internal Audit/Statutory Audit) of Central Public Sector Undertakings (CPSU) in the immediately preceding seven financial years.
4. Firms should have branch at Hyderabad/Vizag.

Firms located at Hyderabad are eligible to audit Segments of (i) KB Unit, (ii) Bhanur Unit, (iii) Corporate, System/IT Audit, LR-SAM Division and SFD.

Firms located at Vizag are eligible to audit Vizag unit only.

Enquiry will be floated in TWO BID system (Technical Bid and Commercial Bid) on all firms meeting the above criteria. There will be 70% weightage for Non-commercial aspects and 30% weightage for Commercial (Price) aspect and combined score would be drawn. Detailed methodology for awarding the assignment will be provided in the tender documents.

TERMS AND CONDITIONS

Expression of Interest will be processed strictly based on the information furnished in the prescribed formats. Non-adherence to the formats shall lead to rejection of such bids. Further correspondence in respect of non-standard bids will not be entertained.

Sl. No.	Particulars
1	CA/CMA firms, appointed, will have to do the Audit themselves and not resort to any kind of outsourcing whatsoever. In case, it is subsequently revealed at any stage of the appointment process / post appointment that outsourcing has been resorted to, the appointment is liable to be summarily cancelled with immediate effect.
2	The appointment, for Internal Audit, is for a period of two years, on the quoted audit fees subject to satisfactory performance in the first year.
3	The scope of the Internal Audit is as indicated at Annexure-I D.
4	The Internal Audit is expected to be based on sufficient verification of the aspects covered in the scope of audit and not merely on confirmations obtained from the Finance and other related departments. The audit reports should include a table showing the name, designation, period of audit, man days spent on audit. The audit reports should also include details of sample size, population size in terms of number, percentage and value. The audit reports should clearly state the outcome of the review in each of the areas covered/audited rather than simply stating the areas covered/reviewed.
5	It is expected that the Audit will be undertaken in accordance with the Internal Audit Standards to the extent they are applicable to the given scope.
6	The Internal Audit report is to be submitted within the specific end dates given in the appointment letter, following the close of each quarter. The Internal Auditor is expected to draw up the Audit Program in consultation

	with the Divisional Finance Chiefs for this purpose in order to stick to the prescribed date for the submission of the report.
7	The report is to be submitted in four hard copies. Additionally, scanned copy of the signed report would be required to be sent by e-mail. Wherever required, soft copy in MS Word and/or MS Excel format (Tables, for example) is to be forwarded by e-mail to our official e-mail id ia.bdl@bdl-india.in
8	The efficacy of the Internal Audit will be judged on the basis of the following parameters:
	a. Number of points raised by the Statutory Unit/Main Auditors of the Company.
	b. The number of points raised by Govt. Audit.
	c. Quality of the Accounts during reviews by the Corporate Office.
9	The Audit Reports would be addressed to the Head of the respective Unit with one copy each to Head of Finance of concerned Unit, Head of Internal Audit Department of the Unit and Director (Finance). Further Director (Finance) would have an executive summary highlighting the important points requiring the action / attention of the Divisional Management. The Executive Summary should be cross referenced to the paragraphs in the Internal Audit report containing the elaborate details.
10	EOI should be submitted in Annexure-1A format only. No other format will be accepted.
11	Short listed firms based on Expression of Interest shall be issued with tender documents in TWO BID System, i.e., Technical Bid and Commercial (Price) Bid.

Scope of internal Audit

PRODUCTION DIVISIONS (PART I)

An illustrative list of areas to be covered by the external Internal Audit Firm is as below:

- I. Core Areas
- II. Bills Receivable
- III. Bills Payable
- IV. Material Accounts
- V. Costing Section
- VI. Fixed Assets
- VII. Payroll and Cash Section*
- VIII. Taxation and GST*
- IX. General*

* Non-production areas.

The transactions to be covered in the above areas are explained for a broad view of the scope of the internal audit. However, the checklist/procedures along with transaction codes of SAP as in Part III of Internal Audit Manual of BDL will be made use by the External Internal Audit Firm.

I. Core Areas: Broad areas to be covered under Core Areas

- a. Order Status, Delivery Schedules, Slippages and Delivery Date Extensions.
- b. Deliveries made, LDs suffered, efforts for refund of LDs etc.
- c. Procurement policies, Inventory levels, Redundant Materials, Disposal action, etc.
- d. Trade Receivables, Age wise analysis of Trade Receivables, Efforts made for timely realization etc.
- e. Manpower Availability, Utilization, Action Plan for improvement, Reasons for underutilization.
- f. Machine utilization.
- g. Profitability/Performance.
- h. High Value Purchases.
- i. Rejections in production.
- j. Jobs not billed.

II. Bills Receivable Check

- a. Timely claiming of initial and progressive advances and raising of bills as per terms of Indents
- b. Whether sales are set-up for all the items delivered. List of dispatch advices with dates pending over a month may be enclosed.
- c. Accounting of sales is as per terms of indent, Accounting policy and Ind AS 115 – Revenue from contracts with customers.

- d. Invoices are correctly prepared and Commercial Bills are raised & sent to customers on time.
- e. Invoices are raised for all OBDs. Amendments are obtained for extension of delivery dates.
- f. Escalations Claims & FE Variable claims are being made.
- g. Report on long outstanding claims which require to be provided for as doubtful claim. In this connection it may be kept in view of the Company's accounting policy on Sundry Debtors whereby disputed/time barred debts from the Government Departments are not treated as doubtful.
- h. Comment on the stages of reconciliation of Advances from Government of India as per the books of AO (DAD) and that of the Division. Whether the year wise and project wise analysis is done and if so whether it is correct.
- i. Examine every case of reversal of sales, find-out the reasons there-for and comment on any such reversals which amount to the write-off against company's profit.
- j. Ensure that the books of account are maintained up to date and monthly schedules are made out promptly each month.
- k. Find out the External Issue Vouchers (Ex-IVs) which are not billed.
- l. Review time lag between issue of Ex-IV and raising of bill and submission of bills to the Paying Authority.
- m. Review bills returned by Customers and still pending.
- n. Prompt dispatch of items sold
- o. Provision for bad and doubtful debts is as per Company's accounting policy.
- p. Prompt adjustment of Advances.

III. Bills Payable - Inland, Foreign, Works & Services Bills:

Check

Inland:-

- a. Liability created for accepted material/service only and without delay. Check the supporting vouchers wherever called for. Whether Payment endorsements are made on all the original documents and attested, recoveries effected if any are correct and allocation of the expenditure is correct.
- b. L.D is deducted for delayed delivery and GST is paid/ recovered.
- c. Whether there is undue delay in passing the bills or retiring the documents.
- d. If discounts available as per P. O. have been obtained.
- e. Whether the pricing of GRs with reference to invoice, loading of freight, insurance, handling charges, taxes, etc., on the material cost is correctly done.
- f. Whether claims have been preferred in time on carriers/insurers for transit losses and on the vendors for defective supplies.
- g. Input Tax Credit is availed correctly.
- h. ITC clearing account is properly accounted.
- i. Deductions for taxes like TDS, GST TDS etc., are correct
- j. Payment made to correct vendor
- k. Installation certificate, wherever applicable, is available
- l. Inspection certificate, wherever applicable, is available
- m. Long Outstanding Advances. Rejections/ Claims against supplier are set off
- n. Advances to vendors are recovered/adjusted as per PO terms
- o. Deductions like recovery of Dues. Etc., from contractors are made
- p. Confirmation of balances are obtained and reconciled periodically.
- q. Whether the paid invoices are cancelled by a paid stamp.

- r. Whether entries are made for the purchases with reference to the original documents and see that classification is correct.
- s. Clearance of GR/IR accounts.
- t. Tax codes are system driven without manual entries.

A. Foreign Suppliers Bills:

Check

- a. All the relevant items mentioned under Bills Payable - Inland.
- b. Appropriateness of point of time of opening of Letter of Credit and its duration.
- c. Whether Customs Duty paid is as per the relevant classification in the Customs Tariff.
- d. Whether freight, clearing/forwarding charges etc., are correctly paid.
- e. Whether demurrage/wharfage charges paid are justified and approved by the competent authority and remedial measures taken to avoid the same in future.
- f. Bills for technical assistance rendered by foreign collaborators for travel expenses, insurance, license fee and royalty etc.
- g. Whether the rate of exchange and Letter of Credit changes adopted by Bank are correct and reasonable.
- h. Verify the payments towards Deferred liabilities checking the timing, correctness of the amounts and proper accounting. (Applicable to BHANUR GROUP only).
- i. Clearance of GR/IR accounts.

B. Advances to Suppliers

Check

- a. Whether the advances to suppliers are made strictly according to the terms of the Purchase Orders.
- b. Whether advances are adjusted as soon as the goods are received and accepted.
- c. Advance ledger and scrutinize the cases of old outstanding advances.
- d. Ageing of Supplier's is to be taken and to be analysed and reported.

C. Service Bills and Contractors Bills:

Check

- a. All relevant aspects mentioned under Bills Payable (Inland & Foreign).
- b. Whether the payments made to contractors for execution of works, maintenance works, transport, handling, repairs and maintenance of equipment are in accordance with the contract terms and BDL Works & Contract procedure and whether the acceptance of goods/services has been recorded in measurement books or similar permanent records.
- c. Declaration to Insurance Companies, payment of premium bills and settlement of claims by Insurance.
- d. Payment of bills for electricity and water, whether correctly made and in due time.

D. Sundry Creditors

Check

- a. Whether all the items under sundry creditors are true and correct.
- b. In case of old balances whether any corresponding advance is also outstanding under GIT/Advances to suppliers account.
- c. That there are no debit balance in sundry creditors account.
- d. Aging of Supplier's is to be taken and to be analysed and reported.

E. Goods-in-Transit

Check

- a. Whether the balances are correct.
- b. In respect of old balances, ascertain the reasons for the delay in receipt of goods or preparation of Goods Receipt voucher (GR).
- c. In case the goods are received and rejected, ascertain that necessary claims on vendors/carriers/insurers have been made.
- d. That there is no credit balances in goods - in - transit.

F. Works & Services Bills**Check**

- a. Check and report on Advances outstanding for more than 6 months and examine the correctness of recovery of Income Tax/GST at the rates prescribed for the financial year including Surcharge and Education Cess if any.
- b. Examine the delay in remittances of Tax deducted at source.
- c. Examine the systems of accounting materials issued to contractors and prompt recovery there-for.
- d. Comment on any earnest money deposit/security deposit outstanding which needs to be examined for reversal to Miscellaneous Income.
- e. Wherever certificate of completion has been given, whether the asset is capitalised and depreciation has been provided for.

G. Travel Expenses Journal**Check**

- a. The Travel Expense Reports rendered by the employees for journeys undertaken on Company's work are processed and these expense reports are journalised in the Transfer Expenses Journal and Journal Entries are issued frequently by debit to the Travel Expense Account and credit to the Travel Advances Account. Please report on Travel Advance outstanding recovery for more than 3 months.
- b. The Account "Travelling" envisages booking under sub-codes defining specific objective heads. Please check whether TA for Foreign Training is correctly accounted for.

IV. Material Accounts:**A. Material Ledger****Check**

- a. The correctness of all transactions in the material ledger for a quarter in respect of some items selected from different classes/inventories, with reference to the related documents (GRs, Material Requisitions (issues), etc.).
 - The pricing of receipts and issues, correctness of unit codes, material code, specification, chargeability to correct Work Order Number, etc.
- b. Whether Material Requisitions (i.e. issues) have been authorised by proper authority.
- c. The correctness of the adjustments passed.

B. Comparison of material ledger balances with bin card balances

- a. Ensure that there are no difference in stock value between physical quantity and books.
- b. Ascertain the reasons for discrepancies, examine the implications and report the deficiencies if any for remedial steps.

C. Issues to other Divisions of BDL**Check**

- a. Issue vouchers with reference to Inter Factory Demand/Indent of the Division concerned.
- b. The dispatch advices concerned.
- c. The correctness of pricing.
- d. The correctness of transfer of cost through Control Account Advice.

**D. Materials issued to Sub-Contractors on loan
Check**

- a. Whether material issued on loan is with proper approvals.
- b. Whether the transaction is reflected in the accounts correctly.

E. Materials issued to Sub-Contractors

- a. It should be verified whether the quantities issued are as per the standard consumption (including rejection allowance if any) given in the Purchase Order.
- b. Whether accounting of material issued to Sub-Contractors and material consumption statements received from Sub-Contractors along with components is properly accounted.
- c. It should be verified whether surplus material lying with the Sub-Contractors (after completion of the Purchase Order quantity) is returned to the Company.
- d. In case of excess consumption of material by the Sub-Contractors, it should be verified whether recovery is made from their bills and whether the amount recovered is correctly accounted.

**F. Materials received on loan from Customers & others
Check**

- a. The authority and necessity for taking a loan.
- b. The terms and conditions for taking a loan.
- c. How the receipt is accounted - whether taken to regular inventory through Receiving Report or only a numerical account is kept in a register.
- d. How the issues are accounted and how the value of issues is charged to the job.
- e. How the return of material is monitored and accounted.

**G. Issue of materials against Work Orders
Check**

- a. The correctness of issue to Work Order.
- b. The correctness of pricing of issues, non-accounting of receipts, incorrect adjustments/transfers, etc.
- c. Whether heavy adjustments of customs duty, freight, etc., relating to previous periods or withdrawal of such item during subsequent periods have been correctly charged to the relevant jobs.

H. Reconciliation

Comparison of Inventory Values as per General Ledger with the list of Inventory and ensure reconciliation of the variances, if any.

**V. Costing Section:
Check**

- a. Direct materials booked to Work Order with reference bill of material for the job.
- b. The direct labour booking to jobs with reference to the labour summaries and the standard man hours relating to that job and find out reasons for abnormal variation if any.

- c. Whether any expenditure is booked subsequently against such closed Work Orders.
- d. Closed Work Orders and see whether there are significant variances, rejections, etc.
- e. The correctness of the accounting of the completed jobs.
- f. How the cost over runs have been finally dealt with, i.e., by write off, recovery from customers etc.
- g. Whether all the prescribed registers and records have been maintained as also the entries for correctness of classification etc.
- h. The valuation of W.I.P. and finished stock with reference to the Company's accounting policies.
- i. The estimates and Fixed Cost Quotations (FCQs) prepared for various products and examine the assumptions.
- j. The Work Orders with reference to Sales Orders/Process Sheets for correctness of labour and materials provided for therein.

A. Cost Ledger for the Quarters ending June, September, December & March: Check

- a. The entries in Cost Ledger element wise for correctness.
- b. Whether there are any long standing Work Orders appearing in the cost ledger with booking/without booking.
- c. Whether any Work Order reference, with bookings is posted/printed against more than one component/assembly/major assembly etc.
- d. If there are booking against closed Work Orders, and abnormal booking against live Work Orders.
- e. The quantities posted under rejection column and verify the accounting entries.
- f. The cost ledger for closed Work Orders and closing balance of WIP and compare with the transfer entries effecting WIP and SIT.

B. Reconciliation between attendance hours and utilised hours: Check

- a. The reconciliation statement of attendance hours and utilised hours for any quarter with reference to labour summaries, labour bills and labour performance statement prepared in the Industrial Engineering Department.
- b. Correctness of data taken for reconciliation and whether there is a wide variation and reasons thereof.
- c. Labour Booking against plant orders, Standing Work Orders and services for other Departments.
- d. Booking of overtime hours with reference to its requirement.
 - The lost hours under heads like avoidable and unavoidable.
- e. Reasons for avoidable lost hours like want of material, want of tooling, want of job, breakdown of machine, etc., and action taken by concerned agencies.
- f. How the variances are adjusted.

C. Work Orders in WIP in respect of Material / Labour booking: Check

- a. Work Orders from the cost ledger for closing balance of WIP.
- b. The entries with reference to labour summary and material issue analysis/entries/MR for correctness of classification and booking.
- c. The Original Work Order or bulletins and note down the component numbers, batch quantity, SMH content and bill of material and arrive at labour cost taking

into account the current efficiency factor and man hour rate, and material cost based on estimated rate.

- d. By comparing the actual bookings with the above estimates and whether the actual bookings are within the limit.
- e. Whether the rejections exceed the permissible limit and action if any taken to control the same.

D. Possible anomalies in Work Orders:

Check

- a. Whether correct series number is quoted in the Work Order.
- b. The opening and closing date of Work Orders and if there is any abnormal delay in closing or any duplication of Work Order.
- c. Whether correct Sale Order reference and customers name is made.
- d. Whether there are proper controls for issue of Work Orders and whether any orders are issued without valid Sales Order/specific management sanction.

E. Accounting of diversions of materials from manufacturing project to other project and from other project to manufacturing project:

Check

- a. Whether accounting is made as per Corporate Office instruction/accounting policies.

F. Amortisation of DRE/Tooling:

Check

- a. The basis of fixation of amortisation rate of DRE/Tooling expenditure.
- b. Whether the rate of amortisation adopted differs from rate in the FCQ.
- c. Whether the total of amortisation of DRE/Tooling expenditure is within the limit of total expenditure.
- d. Whether the total of such expenditure is within the ceiling limit.
- e. Whether at the end of a project total expenditure is within the limit and the total expenditure incurred is amortised over the project.

VI. Fixed Assets:

Check

- a. Whether all items requiring to be capitalized have so been done may be checked with reference to the balances under the capital WIP of the accounts.
- b. Physical verification of fixed assets and submission of Verification Report thereon.
- c. Whether additions to the fixed assets are capitalised in the same financial year or not.

VII. GENERAL:

Check

- a. Provision for redundancy is maintained by Divisions in terms of Accounting Policy. The computation of the provision may be checked with reference to existing instructions on the subject.
- b. Need for retention of provisions for doubtful claims, future charges etc., to be examined.
- c. Check whether all statutory liabilities have been provided for and discharged within due date.
- d. Report on items which will attract provisions in CARO.
- e. Vouching of all Cash and Journal Transactions as deemed necessary.

- f. Test check whether Cash and Journal Vouchers are approved by the Competent Authority.
- g. Vouching of Purchase Bills
- h. Vouching of Sales Invoices
- i. Correctness of classification and accounting of fixed assets purchased/sold/transferred/impaired/condemned, etc.
- j. Correctness of the adjustments in respect of Stores declared Surplus/Unserviceable/redundant.
- k. Whether shortages observed during physical verification have been written off under proper authority.
- l. Whether stock adjustment account is cleared within 3 months for shortage/overage of inventory, etc. If not, please enclose a statement.
- m. Whether appropriate treatment was given to the events occurring after 31st March of the relevant financial year i.e., Balance Sheet date and prior period adjustments.
- n. Whether the items in GIT, CWIP and Machinery in Inspection are reviewed and justification for retention of items over six months may be reviewed.
- o. Whether review of the material ledger with particular reference to non - moving inventory, non - priced inventory, etc., made. Report may be enclosed on this.
- p. Whether the subsidiary registers are properly maintained and periodically reviewed and balances reconciled with the Control account/general ledger and what are the differences and how are they dealt with in Accounts.
- q. Verification of Purchase proposals on random basis (high value) and to report deviations from Delegation of Powers/Purchase procedure.
- r. To verify whether purchases are made based on requirements taking in to account existing stocks, ordering levels etc.
- s. Whether assurances given to Government/Statutory/Internal Systems Audit in the previous year have been complied with. If not, important points in brief may be reported.
- t. Whether the accounting policies and instructions are correctly followed.
- u. Area and scope for Systems improvement, Reduction in paper work, Cost Reduction, Tax saving, etc.
- v. Applicability of Income Tax Deduction at Source: The aspect whether TDS is affected at applicable rates wherever applicable may please be verified.
- w. Repairs to Plant & Machinery, Building, etc.: The aspect whether any expenditure of capital nature is booked correctly as 'capital expenditure' may please be verified. To ensure that no capital expenditure is booked as 'revenue expenditure'.
- x. Payment of GST: Wherever GST is applicable and the same is collected and paid, whether the payment of GST to the service provider is only for taxable services and is as per the terms of contract between BDL and the service providers, may please be verified.
- y. The status of compliance of the observations made by Internal Auditors up to the previous quarter audit is to be clearly stated in the report.

SCOPE OF WORK – NON-PRODUCTION DIVISIONS

In addition to SoW stated under Production Divisions, the following specific areas to be covered.

I. Centralised Cash Section:

A. Receipts.

- a. Verify whether all receipts posted in the Cash Book are supported by cheque credit vouchers duly signed by the officer authorised according to the limits prescribed with correct head of account number and details of the amount received.
- b. Verify whether pre-numbered official receipts are issued in acknowledgement of all monies received and accounted for in the cash book.
- c. Verify whether all the cheques, demand drafts, pay orders, etc., received have been sent to the bank on the same day or the next day for collection and credit to Company's account with the bank.
- d. Verify whether inordinate delay in crediting the Company's account by the bank has been taken up with the bank.

B. Payments.

- a. Verify whether cheque payment vouchers are approved by the appropriate authorities of the respective Finance Departments, as per the powers delegated to sign the payment vouchers and are pre-audited as per the norms of the company
- b. Verify whether Officers who signed the cheques have also initialed on the payment vouchers and counterfoils of cheques with date.
- c. Verify whether cheque payment vouchers are numbered serially and filed in chronological order.
- d. Check whether cancelled cheques are linked to the counterfoils and filed in the cheque book. Cancellation shall be attested by the officer-in-charge of the Cash Section. Wherever cheques entered in the cash book are cancelled it should be ensured that cheque credit vouchers have been prepared for the cancelled cheques. Similarly in respect of stale cheques also, check whether cheque credit voucher has been prepared. Wherever cancellation of the cheque is at the instance of the other accounting sections like Bills Payable, Payroll, etc., cheque credit voucher should be initiated by the concerned Divisional Finance Department only.
- e. Verify whether there is any abnormal delay in the preparation of cheques against payment vouchers.

C. Other points for verification

- a. Verify whether bank charges, LC debits, interest charges, if any, etc., debited by the bank are correctly done as per the rates agreed to by BDL with the banks.
- b. Verify whether the authorised officials, whose specimen signatures are lodged with the bank, have only signed the cheques depending upon the cheque amount by verifying the copy of cheque.
- c. Check the authorisation letters to banks for retirement of documents and payments made against LCs opened, with the bank statement entries and cheque payment vouchers prepared by Cash Department to regularise the direct debits to bank account.
- d. Check whether BRS is prepared on a daily basis and necessary entries are passed with narration. Undue delay in adjustments of unaccounted items by the Bank/Cash Section should be highlighted and reasons for such undue delay should be recorded.

- e. Verify the unused cheque leaves and cheque books for availability of leaves in continuous nos.
- f. Verify whether the advices of the receipts/payments summaries are sent to the concerned Finance Departments on daily basis.
- g. Verify whether fidelity guarantee is available for miscellaneous transactions.
- h. Verify that all cheque books and receipt books are maintained properly and that books in use as well as that not in use are kept in proper custody.
- i. Verify whether all records of Cash Section are preserved and maintained as per statutory requirements.
- j. Ensure that all payment instructions to Bank, other than through cheques, should be counter signed by Cash Section in charge, duly serially numbered, with a copy marked to him.
- k. Ensure that all stop payment instructions are routed through Cash Section.
- l. Policy of the Company is to effect all payments to outside parties through bank (RTGS/NEFT, etc.). Hence, verify whether any payments to outside parties have been made by cheque and report the same.
- m. Check whether there are any vouchers entered in the system but not authorised for more than one week from the date of voucher. Action taken on such vouchers may be ascertained and reported.

II. Central Pay Rolls Department (CPRD):

A. Salaries & Wages Journal

Check

- a. Whether the Journal is prepared by debiting to the respective expense accounts and crediting to accrued salaries account Division wise.
- b. Whether all the Journal Entries are in order.

B. Leave Records

Check

- a. Carry-over of leave for correctness / maximum limits.
- b. Whether leave encashment has been debited in the leave account.
- c. Whether Income Tax has been deducted at source where necessary.

C. Medical Bills:

- a. The total medical reimbursement expenditure of the Company is to be audited cent percent. The following are the types of medical expenses to be covered:
- b. Bills submitted by the approved hospitals for both Company employees and CISF personnel.
- c. Bills submitted for medical tests by approved diagnostic centers.
- d. Bills submitted for dental treatment by dental hospitals.
- e. Bills submitted for post discharge treatment.
- f. Bills submitted for spectacles by employees.

Check

- a. The certification of P&A Officer with regard to dependents.
- b. Certification of Medical Officer regarding the medicines used, duration of stay, requirement of surgery, etc.,

- c. Date of referral letter, date and time of admission, date and time of discharge. If any ambiguity is there, it should be discussed to know the genuineness of the case.
- d. The bills with the approved tariff in respect of the following:
 - 1. Room rents
 - 2. Consultations
 - 3. Investigations
 - 4. Surgery
- e. Whether any of the claims which is not within the period of stay at hospital, if so, the same is disallowed.
- f. Whether any discount is to be obtained.
- g. Whether the taxes, duties, etc., are in line with the statutory provisions.
- h. Whether photocopy of MRI/CT Scans enclosed or not. If not enclosed those amounts are to be disallowed.
- i. Whether Case Sheet is enclosed or not. If not enclosed, bills are disallowed.
- j. Whether consultation charges are reasonable or genuine depending upon the case history.
- k. Whether there are any irregularities in the claim.
- l. Whether the hospitals submit the bills immediately in the following month.
- m. Chronic cases of hospitalisation.
- n. Verify whether the bills submitted by the hospitals are signed by the concerned employee.
- o. Offer suggestions for improving the system.

**D. Others
Check**

Various earnings, which are partly classified as under and whether they are paid as per the applicable rules, circulars, eligibility criteria based on attendance factor, etc.:

- i) Basic
- ii) DA
- iii) HRA
- iv) Perquisites and Allowances
- v) Telephone Reimbursement
- vi) Incentives
- vii) Stitching Charges

Whether various recoveries (both Statutory and Non-statutory) are effected as per the statutory provisions/rules and regulations.

Statutory : PF, Pension, ESI and Income Tax.

Non-statutory: House Rent, various loan recoveries like Car loan, Computer loan, Festival advance, various recoveries for remittances like Housing loan, Court Attachments, LIC Premium, Postal Savings, Etc.

- a. Whether all recoveries are remitted within the due dates.
- b. Whether transfer grant, settlement allowance, transportation charges etc. are paid and settled as per the TA / DA rules of the Company.
- c. The interest calculations in case of deferment of recoveries due to insufficient salary.

- d. The supplementary payment bills.
- e. The regularisation of loss of pay cases.
- f. The pay fixation cases in respect of promotions, etc.
- g. The name master as to whether it is updated every month correctly.
- h. Whether the total amount of production and target incentives are as the approved scheme.
- i. Reconciliation all the changes in Payroll data each month as compared to the previous month and ensure the correctness of the same.
- j. The transfer of share of Payroll expenditure to the individual Divisions.
- k. The correctness of interest calculations in the case of interest bearing advances made by the Company to the employees such as Vehicle Loan, Computer Loan, etc.
- l. Accounting entries with reference to the Payroll outputs. The registers maintained in the Department are to be test checked for individual postings.
- m. The submission of various Returns to the statutory authorities in the prescribed forms on the due dates.
- n. Provisions made towards VL, if any and for other expenses (like PLAI, Incentives, etc.) as of 31st March.
- o. Whether schedules pertaining to Payroll Accounts are in agreement with General Ledger.
- p. Whether there is a deferment of recoveries.
- q. To offer suggestions for improving the system.

III. Corporate Finance Department.

A. Corporate Cash Section.

1. Verify whether cheque payment vouchers are approved by the appropriate authorities as per the powers delegated to sign the payment vouchers.
2. Verify whether Officers who signed the cheques have also initialed on the payment vouchers and counterfoils of cheques with date.
3. Verify whether cheque payment vouchers are numbered serially and filed in chronological order.
4. Check whether cancelled cheques are linked to the counterfoils and filed in the cheque book. Cancellation shall be attested by the officer-in-charge of the Cash Section. Wherever cheques entered in the cash book are cancelled it should be ensured that cheque credit vouchers have been prepared for the cancelled cheques. Similarly in respect of stale cheques also, check whether cheque credit voucher has been prepared.
5. Verify whether there is any abnormal delay in the preparation of cheques against payment vouchers.
6. Verify that all the cheques are promptly dispatched and that they are not handed over directly to the parties.
7. Verify whether bank charges, LC debits, interest charges, if any, etc., debited by the bank are correctly done as per the rates agreed to by BDL with the banks.
8. Verify whether the authorised officials, whose specimen signatures are lodged with the bank, have only signed the cheques depending upon the cheque amount by verifying the copy of cheque.
9. Check the authorisation letters to banks for retirement of documents and payments made against LCs opened, with the bank statement entries and cheque payment vouchers prepared by Cash Department to regularise the direct debits to bank account.

10. Check whether BRS is prepared on a daily basis and necessary entries are passed with narration. Undue delay in adjustments of unaccounted items by the Bank/Cash Section should be highlighted and reasons for such undue delay should be recorded.
11. Verify the unused cheque leaves and cheque books for availability of leaves in continuous nos.
12. Verify that the cash book is updated on the same day and put up to the concerned authority next day.
13. Verify that all cheque books are maintained properly and that books in use as well as that not in use are kept in proper custody.
14. Policy of the Company is to effect all payments to outside parties through bank (RTGS/NEFT, etc.). Hence, verify whether any payments to outside parties have been made by cheque and report the same.
15. Verify whether all the amounts received by direct credit to the bank account are transferred to the respective Divisions. Examine if there are any amounts received without being transferred to any Division.

B. Deposit of surplus funds in Fixed Deposits.

Check

- Whether the Deposits are made as per the decision of Investment Committee.
 - a. Whether interest is collected at the agreed rates and for the correct period.
 - b. Fixed Deposit Certificates.

C. Corporate Tax

- a. Whether Advance Income Tax is paid as per the provisions of the Income Tax Act including the time of payment.
- b. Calculations of Deferred Tax (Asset/Liability) and Provision for Tax.

D. Goods and Service Tax

- a. Whether taxes are paid on time
- b. Whether input tax credit is taken correctly.

E. Corporate Governance

- Whether all the Guidelines/Statutory requirements are complied with.

F. Compilation of Quarterly/Annual Accounts, Budgets, MIS etc.

- a. Verify the compilation as to the correctness and adherence to rules, statutes and procedures.
- b. Whether presentation is in the proper form.
- c. Correctness of data may be counter checked.

IV. GENERAL:

Check

- a. Provision for redundancy is maintained by Divisions in terms of Accounting Policy. The computation of the provision may be checked with reference to existing instructions on the subject.
- b. Need for retention of provisions for doubtful claims, future charges etc., to the examined.
- c. Check whether all statutory liabilities have been provided for and discharged within six months. Report on items which will attract provisions in CARO.

- d. Vouching of all Cash and Journal Transactions as deemed necessary.
- e. Test check whether Cash and Journal Vouchers are approved by the Competent Authority.
- f. Vouching of Indigenous bills with particular reference to discounts given, timing of payment, GST Charged etc.
- g. Vouching of imports bills with particular reference to payment of customs duty, freight and insurance and inclusion in the value of materials and conversion of foreign currency.
- h. Correctness of classification and accounting of fixed assets purchased/sold/transferred/declared impaired/condemned, etc.
- i. Correctness of the adjustments in respect of Stores declared Surplus/Unserviceable/redundant.
- j. Whether Stock Adjustment account is reconciled within 3 months for shortage/overage of inventory, etc. If not, please enclose a statement.
- k. Whether shortages observed on physical verification have been written off under proper authority.
- l. Whether appropriate treatment was given to the events occurring after 31st March of the relevant financial year i.e., Balance Sheet date and prior period adjustments.
- m. Whether the items in GIT, CWIP and Machinery in Inspection are reviewed.
- n. Justification for retention of items over six months may be reviewed.
- o. Whether review of the material ledger with particular reference to non - moving inventory, non - priced inventory, etc., made. Report may be enclosed on this.
- p. The cost monitoring/control procedure followed may be commented upon to know how effectively the variation between estimated value of the Work Order and actuals are dealt with.
- q. Whether the subsidiary registers are properly maintained and periodically reviewed and balances reconciled with the Control account/general ledger.
- r. Verification of Purchase proposals on random basis (high value) and to report deviations from Delegation of Powers.
- s. To verify whether purchases are made based on requirements taking in to account existing stocks, ordering levels etc.
- t. Whether accounting of scrap and income out of scrap sales is correctly made.
- u. Whether assurances given to Government/Statutory/Internal Systems Audit in the previous year have been complied with. If not, important points in brief may be reported.
- v. Whether the accounting policies of the Company and applicable accounting standards are correctly followed.
- w. Sufficiency of the existing accounting policies may be reviewed.
- x. It may be ensured that the accounting policies are in line with the applicable accounting standards.
- y. Area and scope for Systems improvement, Reduction in paper work, Cost Reduction, Tax saving, etc.
 - Applicability of Income Tax Deduction at Source: The aspect whether TDS is effected at applicable rates wherever applicable may please be verified.
 - Repairs to Plant & Machinery, Building, etc.: The aspect whether any expenditure of capital nature is booked correctly as 'capital expenditure' may please be verified. To ensure that no capital expenditure is booked as 'revenue expenditure'.

- Payment of GST : Wherever GST is applicable and the same is collected and paid, whether the payment of GST to the service provider is only for taxable services and is as per the terms of contract between BDL and the service providers, may please be verified.
- The status of compliance of the observation made by Internal Auditors up to previous quarter audit is to be clearly stated in the report.

Physical Verification of Fixed Assets (PART II)

Areas to be covered are:

- a. Physical verification of Fixed Assets.
 - i. Coverage: Physical verification and reconciliation of assets which include Land & Building, Plant & Machinery, Furniture & Fixtures (including Office equipments). The auditors are required to physically verify the assets at different locations and reconcile the same with the Asset Register.
- b. Assets disposed off.
- c. Capital Work-in-progress (CWIP)
- d. Physical verification of all Assets Capitalized during the period under audit.
- e. Physical verification of 20% of all Assets capitalized (by original value and whose WDV is not equal to Rs.1/-) prior to current financial year and not covered in immediate previous two audits, so that entire assets are covered under physical verification over a period of 5 years.
- f. Action Taken Report (ATR) on previous Audit Reports relating to Fixed Assets.
- g. Internal Control Systems and Suggestions

PHYSICAL VERIFICATION OF INVENTORY/STOCKS: (PART III)

Norms for Physical Verification

Sl. No.	PARTICULARS	EXTENT/ PERIODICITY
I	Inventory (Raw Materials, components, Stores, Spares, Semi Finished Goods, Finished Goods etc.,)	
(1)	Whose value exceeds Rs.10,000/- each	Once in a year (i.e. 100% every year)
(2)	Whose value is more than Rs.3500/- each but less than Rs.10000/- each	Once in two years (i.e. 50% every year)
(3)	Whose value is less than Rs.3500/- each	Once in three years (i.e. 33 1/3% every year)
(4)	OTHERS	
(a)	Hand Tools in Stores	Once in a year
(b)	Stationery	Once in a year
(c)	Transport spares	Once in a year
(d)	Medical Items	Once in a year
(5)	Items without <i>Price</i>	Once in three year (i.e. 33.33% every year)
(6)	Special tools and Equipment	Cycle time of 5 years
(7)	Unserviceable / damaged stores	Periodical review
(8)	Canteen	Periodical review
(9)	Surprise check of Coupons, Stamps, Stamp papers	Once in a month
(10)	Surprise check of canteen coupons	Once in a year

Inventory of completed projects and Review of Status on disposal / issue of Surplus

Inventory to be carried out once in a year.

Action Taken Report (ATR) on previous Audit Reports.

Internal Control Systems and Suggestions.

Areas to be covered are:

- I. General IT System:
 - a. Verification and validation of Audit Trails.
 - b. Verification and validation of data base controls.
 - c. Verification and validation of data control access.
 - d. Verification and validation of security and protection of data base system.
 - e. Evaluation of the report generated by the system.
 - f. Evaluation of the effectiveness of the system.
- II. Planning:

Procedure of raising Procurement Advice and various reports generated.
- III. Store:

Verification of Module pertaining to Purchase, Receipt inspection and issue of material.
- IV. Evaluation of effectiveness and implementation of IT Policy of BDL with regard to Policy for PC / Laptop Users
 - a. Policy for Server Maintenance
 - b. Policy for Network Maintenance
 - c. IT Services Like AMC / Visitor Policy
 - d. Policy for Portable Media
 - e. Password Policy
 - f. Software and Hardware Procurement and Disposal Policy
 - g. Virus Protection Policy
 - h. E-mail Use Policy
 - i. Access / Authorization Control Policy
 - j. Business Continuity and Management Process Policy
 - k. Policy for CAD/CAM (R&D)
- V. The auditor should comment in respect of the following points:
 - a. Systems.
 - b. Critical comment and recommendations for improvement.
 - c. Effectiveness of ERP/IT internal control system existing in the Company
- VI. Evaluation of Internal Control in IT Systems and suggestions.
- VII. Action Taken Report (ATR) on previous Audit Reports.
- VIII. Review of Status of compliance to Advisory / Guideline issued by Cyber Security Group Under MOD, Department of Defence Production.
- IX. Internal Control Systems and Suggestions.

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