

संख्या : हडको/भुब. क्षे.का./CA Appointment/2024/

दिनांक : 04.10.2024

विषय /Sub: **Appointment of Chartered Accountant Firm as an Expert for carrying out Risk Based Internal Audit assignment including review of Internal Financial Controls for the Financial Year 2024-25.**

सेवा मे,

महोदय/ Sir,

HUDCO intends to appoint Chartered Accountant Firm as an Expert for carrying out Risk Based Internal Audit assignment including review of Internal Financial Controls for the Financial Year 2024-25 as per the terms & conditions mentioned below.

1. Minimum Technical Criteria :

- a) The CA Firm should be a Partnership/Limited Liability Partnership (LLP) registered with the Institute of Chartered Accountants of India (ICAI) and should have minimum Five Years Standing. (To be verified from the Certificate of Registration issued by ICAI).
- b) The bidder to produce PAN and GST Registration Certificate, MSME certificate (if applicable along with the TREDIS registration Certificate – if not available, CA Firm should comply with it before the contract is awarded).
- c) The CA Firm should have carried out Internal Audit assignment/Statutory Audit in Branch Office/Head Office of at least two Public Sector Undertakings/ Public Sector Banks./Public Financial Institutions/Public Sector NBFCs in the last five Financial Years. (Assignment as stock Audit not to be considered).
- d) CA Firm should have minimum three number of partners, minimum five numbers of paid assistants (qualified CA/CMA/ semi qualified CA/CMA-Inter).
- e) CA Firm should have local office having minimum five working staff (including one partner and qualified CA).
- f) CA Firms presently appointed as consultant in the Bhubaneswar Regional Office is not eligible for appointment.
- g) CA Firm to give an undertaking :
 - i) that none of the partners has any relation with any employee of HUDCO and also none of them has any relationship within the meaning of Section 2(76) of the Companies Act, 2013 and also that none of them has any relationship with the Statutory Auditors or such related work of the HUDCO which will have conflict of interest with the current assignment and also declare the compliance under section 184 and 188 of the Companies Act, 2013.
 - ii) Certified that we have not been appointed for carrying out certification/consultancy or such related work of the same Regional Office/HSMI which will have conflict of interest with the current assignment.
 - iii) There has not been any disciplinary action initiated by ICAI or any regulatory authority against the firm during last five years. As on date, the disciplinary action should have been disposed off.
 - iv) The Firm has not been banned, delisted or debarred from business by any Regulatory Body / Statutory Body / PSU / Govt. Department or any other Institution.

While evaluating the Technical Bid, CA Firm's capability to perform the assignment would be assessed and inspection of their office would be carried out so as to establish the fact that the CA Firm has proper local office at Bhubaneswar, Odisha with adequate staff.

2. The Audit team will consist minimum of one Chartered Accountant and one paid assistant {qualified (CA/CMA)/semi qualified (CA/CMA- inter)} headed by partner of the CA Firm.
3. CA firm is required to undertake 100% verification of all the activities prescribed in the scope of work. The scope of work should broadly cover the points as given in **Annexure-I**.
4. In terms of GFR rule 170(iii), Bidders are not required to pay **Bid Security** i.e. **Earnest Money Deposit (EMD)**, instead **Bid Security Declaration** in the prescribed format (**Annexure-A**) is required to be submitted.
5. The NIT shall be uploaded on the HUDCO's Website (www.hudco.org.in) and quotations shall be invited by uploading the NIT on GeM (Government e-Marketplace) Portal (www.gem.gov.in). The selection of CA Firms to be carried out after following the two bid system i.e. Technical bid should be uploaded along with the signature of authorised signatory on each page and financial bid should be uploaded separately along with the signature of authorised signatory. Both the bids should be submitted before the specified date and time. Financial bids of only those bidders be opened who have qualified the technical criteria prescribed in the tender.
6. The Firm may be engaged initially for a period of one year for internal audit for 2024-25 (01/04/2024 to 31/03/2025). However, the appointment may be renewed on yearly basis based on the satisfactory performance for a further period of two years on same terms & conditions including fees with slight modification in the scope of work as per requirement with the approval of HO.
7. Copy of ICAI Registration Certificate, PAN Card, Local Address Proof, GST Registration Certificate and MSME Certification (if applicable along with the TREDs registration Certificate -If not available, CA firm should comply with it before the contract is awarded) may be submitted along with the Technical Bid.
8. The fees of CA Firm (excluding GST) should not exceed Rs. 70,000/- (One Lakh Only) for the Financial Year.
9. The payment of fees shall be made to the firm on completion of assignment as per the Scope of Work as under :
 - On submission of report of First quarter - 15%
 - On submission of report of Second quarter - 20%
 - On submission of report of Third quarter - 20%
 - On submission of report of Fourth quarter - 25%Balance 20% shall be released after audit of annual accounts by Statutory Auditors and issuance of Tax Audit Report.
10. The CA Firm is expected to submit the Audit Report in the prescribed format to be issued by seventh of succeeding month from the end of the quarter.
11. Certificate is required to be submitted by the CA Firm (duly authenticated by Regional Chief, Bhubaneswar Regional Office) confirming that the audit has been carried out as per scope of work/checklist and audit reports have been prepared after discussion with the Regional Chief.
12. CA firm shall not disclose to any person the confidential information relating to the assignment or HUDCO's business or operations without prior permission of Head Internal Audit Department, Head Office, New Delhi.

13. In case of any dispute between HUDCO and the CA Firm regarding the present assignment given to the CA Firm at Bhubaneswar Regional Office, the decision of the CMD, HUDCO shall be final and binding on all the parties.
14. The quotation is invited for the whole assignment as per the scope of work in brief enclosed and no part assignment shall be considered.
15. Internal Audit Department, Head Office has the right to replace CA firms if it is found that the reporting / certification are not of required standard.
16. The Risk Based Internal Audit is to be conducted with the highest standard of professional, ethical competence and integrity.
17. HUDCO shall have the right to terminate the contract forthwith by giving notice of 30 days at the address mentioned herein on failure to provide satisfactory service. The decision of HUDCO regarding dissatisfaction of services/delay/damages caused by CA Firm shall be final. Further in such an event, HUDCO shall have the right to forfeit the compensation for the contract and also recover damages without any further notice to CA Firm.

Accordingly, it is requested to kindly quote the fees for **carrying out Risk Based Internal Audit assignment including review and updation of Internal Financial Controls for the Financial Year 20224-25 as has been clarified at Point No.5 above on or before 14/10/2024 by 16.00 Hrs.** The quotation will be opened at **16:30 Hrs.**

Regional Chief, HUDCO, RO Bhubaneswar reserves the right to award the work in full or part of it to the successful bidder and also reserves the right to accept / reject any proposal without assigning any reason and no claims whatsoever on this matter will be entertained. The decision of Regional Chief shall be binding and final.

सधन्यवाद,

भवदीय,

for Housing & Urban Development Corporation Ltd.
Authorised Signatory

संलग्न : यथोपरी

On Letter head of the Firm

FORMAT FOR BID SECURITY DECLARATION

Whereas, I/we _____ (name of Bidder) have submitted bid for
_____ (name of work).

I/we hereby submit following declaration in lieu of submitted Bid Security.

(1) If after the opening of tender, I/we withdraw or modify my/our bid during the period of validity of tender (including extended validity of tender) as specified in the tender document,

Or

(2) If, after the award of work, I/we fail to sign the contract within 7 (seven) days of issuance of award letter,

I/we shall be suspended for one year and shall not be eligible to bid for tenders issued by HUDCO from date of issue of suspension order.

Signed by the Authorized Signatory

SCOPE OF WORK FOR THE FINANCIAL YEAR 2024-25

PART-I

1. RISK BASED INTERNAL AUDIT TO BE CARRIED OUT ON QUARTERLY BASIS

A. LOAN PROJECTS & SPECIAL TERM LOAN(I) **Pre- Sanction Requirements / Appraisal Process****1. Receipt of application**

- (a) Verify that loan application was received in the prescribed format along with KYC, CKYC (legal entity form duly filled ip), CKYC no. no. ,relevant supporting documents and documentation charges, if applicable.

2. Constitution of Appraisal Team

- (a) Verify that Regional Head (RH) had nominated the Project and Finance Officers for preliminary examination of scheme/proposal within the prescribed timelines and received the basic documents if scheme was acceptable for registration.
- (b) Verify that Law Officer was nominated for new agency by the Regional Chief /HO within the prescribed timelines
- (c) Verify that the eligibility of proposal for HUDCO funding was evaluated by the appraisal team timely.
- (d) Verify that the proposal was evaluated for HUDCO funding on following aspects:
- # the proposed scheme was eligible for funding as per HUDCO mandate.
 - # the agency was eligible to raise loan from HUDCO as per its MoA/ Constitution.
- (e) Verify that compliance of KYC/CKYC / PML guidelines / issued by RBI and HUDCO, from time to time and directors of the agency are not in UN Sanction list was ensured for loan applications received for Project Loans and the certificate to the effect was furnished as per timelines.
- (f) Verify that LEI (Legal Entity Identifier) No was obtained, if applicable and its validity was ensured.

3. Preparation and approval of appraisal report*

- (a) (i) Verify that loan was sanctioned to only eligible borrowers for eligible scheme, after comprehensive evaluation of eligibility criteria as per guidelines.
- (ii) Verify that appraisal report was prepared correctly, comprehensively in all respect and in conformity with the facts given in various documents submitted by the borrower.
- (iii) Verify that the appraisal report was accepted and approved by the competent authority.
- (b) Verify that the credit risk rating and risk categorization was assigned by the Appraisal team in accordance with the defined framework.
- (c) Verify that the Resolution was passed by the Board of Directors of the borrower to borrow from HUDCO.
- (d) Verify that the certificate from statutory auditors of borrower was obtained confirming that the borrowings are within the limit as per the relevant provisions of Companies Act, 2013, wherever applicable.
- (e) Verify that the financial indicators (financial ratios) i.e. Net Worth, Internal Rate of Return, Fixed Assets Coverage Ratio, Debt Servicing Coverage Ratio, Pay Back Period, Debt Equity Ratio, etc. of project and/ or borrower, as applicable to the category of loan, are/were within the norms as applicable.
- (f) Verify that the promoter's contribution is as per the norms.
- (g) Verify that the exposure to state/ individual agency is within the norms/ limit prescribed by NHB/ RBI/HUDCO.
- (h) Verify that security/ guarantee proposed by the agency is as per the prescribed guidelines of HUDCO.
- (i) Verify that loan scheme was sanctioned in line with prescribed financing pattern/CORFN/CORBP committee to ensure that financing was within the prescribed limit as per sectoral guidelines and there was no overfinancing for the project.
- (j) Verify that applicable rate of interest as per financing pattern/ CORFN/CORBP committee is charged from the borrower.
- (k) Verify that in case of consortium funding, HUDCO follows the Lead Lender. However, as part of due diligence, HUDCO to appraise the project and ensure necessary safeguards to protect HUDCO's interest and deviations if any, to be approved from the competent authority. Further, verify that all the consortium meetings are attended by HUDCO official, which are minuted and duly approved by the competent authority and all the updation/changes are received timely and are in sync with other consortium partners.

**Certain conditions are incorporated in sanction conditions which should have been complied before release/ as approved by the Competent Authority.*

4. Sanctioning of loan

- (a) For sanction at RO –
- (i) Verify that appraisal report is prepared by Appraisal Team and approved by Regional Head

- (b) For sanction at HO -
 - (i) Verify that appraisal report is prepared by appraisal team of RO officials constituted by RH.
 - (ii) Verify that appraisal report along with recommendation of RH is sent to HO (EDO).
 - (iii) Verify that after updation if any by operations wing, the proposal is put up for consideration of PAC.
 - (iv) Verify that PAC is constituted as per prevailing guidelines
 - (v) Verify that PAC minutes, PAC agenda and Appraisal Report are put up to DCP, DF - LC wing.
- (c) Process for Sanction by Sanctioning Authority
 - (i) Verify that sanction note is put up to Committee of Directors and CMD as per delegated powers along with PAC minutes, PAC agenda and additional conditions of LC, DF, DCP, CRO, if any.
 - (ii) Verify that Board Note is put up to Board as per delegation and for deviations, along with PAC minutes, PAC agenda and additional conditions of LC, DF, DCP, CRO, if any.
 - (iii) Verify that the minutes are issued by Company Secretary.

(II) Post Sanction Process

1 Preparation and sharing of sanction letter with the borrower

- (a) Verify that sanction letter was sent to borrower/ agency within 2 days of approval of loan proposal.
- (b) (i) Verify that all terms & conditions and documents required to be complied with/submitted by the borrower were adequately stipulated in the sanction letter.
- (ii) Verify that sanction letter does have standard and other conditions as approved and conditions as included therein are not in deviation with the standard sanction letter.
- (iii) Verify that the sanction letter issued to the agency was duly prepared and approved by the Operations Wing at HO.
- (c) Verify that sanction data is fed in LOS ERP module from where unique scheme no. is generated

2 Verification of title deed/ CERSAI

- (a) (i) Verify that outside agency/ empanelled advocate was hired for vetting of title deed of mortgaged property to ensure that the mortgaged property is registered with appropriate authority in the name of borrower/ guarantor.
- (ii) Verify that various documents were verified by Law wing at RO/HO before disbursement of loan.
- (b) Verify that the Title Investigation-cum-Search Report OR Title Search Report OR Non-Encumbrance Certificate (if applicable) is obtained from the empaneled Lawyer/ concerned Sub-Registrar for establishing clear and marketable title of the property mortgaged.
- (c) Verify that law wing has reviewed from CERSAI, the non-existence of any other loan on mortgaged property by the borrower

3 Execution of loan and security documents

- (a) Verify that execution of loan and security documents was done post sanction as per guideline/sanction letter.
- (b) Verify that there are proper title documents for creation of security and HUDCO's charge was registered with ROC, in accordance with the requirements of Section 77 of Companies Act, 2013 (Mortgage and Hypothecation of Property), wherever applicable. Further, verify the status of registration of charge from the CERSAI portal, if applicable.
- (c) Verify that the loan was sanctioned to Corporation/ Urban Local Body/ Agency after ensuring the government approval, permission to mortgage in case land/ land & buildings is proposed to be mortgaged as security, government approval for taking up the scheme and the budgetary provision for repayment, wherever applicable.
- (d) Verify that the structured escrow mechanism against identified receivables is as per norms and the default escrow account, wherever applicable, has been identified properly keeping in view the main collection account of the borrower.

4 Valuation of mortgaged property

- (a) Verify that mortgaged property was got valued from an empanelled valuer.
- (b) Verify that mortgaged property was valued by 2 empanelled valuers in case its value exceeds Rs. 75 lakh.
- (c) Verify that valuation reports were received from the valuers timely, within the defined timelines.
- (d) Verify that valuation reports were reviewed and accepted/ approved by the competent authority.
- (e) Verify that an effective monitoring mechanism is in place for valuation of security on regular basis and top up of security is taken, if required.

5 Insurance of mortgaged property

- (a) Verify that insurance policy for mortgaged property was taken in the joint names of the Company and borrower. Also, verify the value of the policy vis-à-vis cost of the project and tenure of the policy vis-a-vis repayment period.
- (b) Verify that insurance policy for mortgaged property was renewed timely in the joint name.
- (c) Verify that insurance of project property mortgaged is as per LMC/ guidelines.

6 Custody of security documents

- (a) Verify that original security and other documents are kept in fire proof vault at R.O under the safe custody of officer nominated by RH/Legal officer.
- (b) Verify that register recording the details of security documents kept in fire proof vault was maintained to monitoring the documents.

7 Loan charges

- (a) Verify that loan documentation and other charges such as application fee/ front-end-fee/ Research and Development (R&D), wherever applicable were correctly charged and received/deducted as per guidelines and in reference to the loan agreement and financing pattern/CORFN/CORBP committee.
- (b) Verify that GST was correctly charged as applicable on various charges collected from borrower.
- (c) Verify that waiver of loan sanction conditions and other charges was done after obtaining the approval of Board of Directors

III) First / Subsequent Disbursement

1. Release of funds - request and release

- (a) Verify that funds were released after the receipt of written request from the agency.
- (b) (i) Verify that before considering the release of 1st instalment, RO has forwarded all loan documents including Security / Repayment mechanism etc. and compliance checklist of sanction conditions, duly certified by Regional Head (RH) for verification by Operations Wing (Project and Finance), Law Wing and Loan Concurrence Department as per extant HUDCO guidelines (121st Audit Committee directions).
(ii) Verify that the structured escrow mechanism against identified receivables is as per norms and the default escrow account, wherever applicable, has been identified properly keeping in view the main collection account of the borrower and the agreement has been made as per guidelines or as approved by the competent authority.
- (c) Verify that if 1st disbursement was made pending compliance of sanction conditions related to Security or Repayment Mechanism, the same was verified by HO before respective release and due approval was taken from the competent authority as per guidelines.
- (d) As per the release process configured in ERP system, default checking is done at every stage by the system automatically. Verify that RO has sent loan release request to Banking Division/ CMS tray through ERP system through Operations Wing after ensuring that the agency is not in default. RO to ensure that Escrow/Project dedicated account /Bank details were forwarded to Banking division.
- (e) Verify that the rate of interest is as per applicable Financing Pattern/CORFN/CORBP committee applicable on date of release of loan amount.

2 Progress report and funds utilization certificate

- (a) Verify that progress reports (physical and financial progress) and fund utilization were received timely from the borrower and verify their authenticity and correctness as per loan sanction terms. The cases where-ever utilization was not as per guidelines were reported and necessary recourse was undertaken.
- (b) Verify the supporting documents received with the utilization certificate to ensure the genuine incurrence and reporting of expense.
- (c) Verify that subsequent disbursements were made only after proper verification of progress report (physical and financial progress), site inspection, if any and funds utilization within prescribed time, up-to last release submitted by the borrower.
- (d) Verify that risk categorization of borrower is being done half yearly or as mandated by RBI.

3 Site Inspection

- (a) Verify that site inspection was done by technical team as per approved schedule and sanction term and conditions
- (b) Verify that site inspection report was prepared timely i.e. immediately after return from inspection and approved by competent authority.

- (c) Verify that site inspection report was prepared by technical team and it was accepted before each disbursement of funds to borrower.
- (d) Verify that completion certificate/last release utilization was obtained timely from the borrower on completion of project.

4 Recovery of charges against disbursement

Verify that processing charges were recovered/ deducted from the first disbursement (if applicable), where it is explicitly mentioned in the sanction terms/ at the request of the borrower.

(IV) Monitoring Repayments

1. Demand letters

Verify that ROs generates demand letters from the system and send it timely to the borrowers i.e well before the due date of repayment of loan.

2 Receipt of payments

- (a) Verify that effective monitoring of loan accounts is done to ensure timely receipt of repayments as per repayment schedule.
- (b) Verify that repayments are made by the borrowers in a timely manner, in accordance with sanction terms.
- (c) Verify that repayments are correctly appropriated to various agencies

3 Penal charges/ charges on delayed payments

- (a) Verify the repayments were reconciled with loan ledgers/bank statement and books of accounts to ensure its correctness.
- (b) Verify that penal charges/ other charges were correctly charged as per sanction terms/ policy in case of delayed/ untimely repayments by the borrowers/ agencies.

4. Prepayments

Verify that prepayment charges were charged from borrowers/ agencies in accordance with sanction terms and as per guidelines in case of prepayment of loan, except where prepayment charges are explicitly exempted.

(V) Loan Accounting

1 Loan card

- (a) Verify that loan card was prepared/ generated at the time of first disbursement.
- (b) Verify that details of borrower, principal repayment, interest category & sub-category fed, asset classification and disbursement schedule were correctly mentioned in the loan card.
- (c) Verify the classification of assets/ loan like Housing Boards, Private, NGOs, Co-operative, State Governments, Municipal Corporations, etc. and Housing & Non-Housing in respect of Project loans sanctioned during the financial year.

2 Revision/Change in interest rates

- (a) (i) Verify that interest rate was revised timely on account of revision in financing pattern/ CORFN/CORBP committee, weighted average rate, special rates as sanctioned and automatic reset falling due on completion of specified period as per applicability of 1yr/3 yr fix / floating rates or financing pattern.
- (ii) Verify the calculation of interest & penal charges levied on the agencies.
- (iii) Verify in case of loan released in consortium funded project, date of release, amount and rate of interest is as per terms of Common Loan Agreement (CLA)/ Inter Credit Arrangement (ICA)/ consortium partners / HUDCO guidelines and any changes in rate of interest/ COD, or others are updated timely on the basis of written communication from consortium leader.

3 Amendments in Loan Agreements

Verify that comprehensive implementation of deferment/ amendment/ waiver in the loan card/ new loan card/ loan ledger with respect to OTS/ DRP/ Decree of DRT/ DRAT/ CDR/ Restructuring/ Deferment/ reschedulment /Curtailement of loan was done as per amendment letter issued by RO and also its correct accounting in the books.

4. NPA Classification and Provisioning

- (a) Verify that RO has checked NPA classification.
- (b) Verify that valuation report of security was received timely from the borrowers and required steps including top up of security were taken timely in case of deterioration in value of security.

5. Balance Confirmations

- (a) Verify that balance confirmations have been duly called and received from the borrowers/ agencies not in litigation, on quarterly basis.
- (b) Review the balance in confirmations received vis-a-vis balances as per HIJDCOs books and verify that differences, if any, have been appropriately dealt with.

6 Recovery of charges periodically

- (a) Verify that charges such as deferment charges, prepayment charges, commitment charges, conversion charges, risk charges as per financing pattern (presently @0.25% for Stage II and 0.35% for Stage III), applicable as per guidelines/ norms, were recovered along with applicable GST thereon and penal charges levied on unutilised loan amount, wherever applicable are recovered. Verify that accounting of Corporate Debt Restructuring/ Deferment/ Re-scheduling and waiver implemented during the year correctly as per sanction terms.
- (b) Verify that charges/ fees were recovered as per terms of CLA/ ICA or any other agreement in case of consortium funded projects and these charges were accounted correctly in the books.

7 Loan Recall

- (a) Verify that loan was recalled as per terms and conditions as contained in the loan agreement.
- (b) Verify that loan recall was implemented in loan card based on loan recall notice issued by RO and verify its accounting entries.

(VI) Release of Security

1 Pre-audit of Project Loans

- (a) Verify that RO has released the security after verification that there are no pending dues recoverable and accounts of the agencies are reconciled with the loan accounting software of HUDCO in consultation with the Loan Accounts wing at HO.
- (b) Ensure that Pre-Audit before taking legal recourse before Court/Tribunals has been done and ensure that all the supporting documents required for conducting the pre-audit of accounts have been submitted.
- (c) (i) Verify that audit observations if any by internal auditor of RO/HO/CVD having financial implication are duly addressed.
(ii) Verify that legal expenses/ other expenses/ charges have been recovered from the agency as per terms conditions of sanction letter and loan agreement.
- (d) Verify that the agency/ borrower's correct/ latest dues have been incorporated in Original Application (OA) when taking legal action against the agency.
- (e) Verify that the compliance with all pre-audit observations, if any, was done before initiation of legal action by RO.
- (f) Verify that the compliance with all pre-audit observations, if any, was done/ ensured before release of security/ before initiation of legal action by RO.
- (g) Verify that the security was release to the borrower or the person authorized by the borrower.
- (h) Verify that acknowledgment for receipt of security was duly obtained from the borrower at the time of release of security to avoid dispute and the entry has been released from CERSAI and ROC.
- (i) Verify that the original movable/ immovable property documents and charges registered with any registry are released/removed within 30 days after full repayment/ settlement of the loan account.

(VII) NPA Management

1 Tracking of potential NPA /NPA accounts.

- (a) (i) Verify that default/ NPA cases are being reviewed and followed up regularly and minutes were uploaded in the online entry system from time to time.
(ii) Verify that potential NPAs are tracked regularly, and remedial action taken.
(iii) Verify that DMRC meetings were held regularly every month as per guidelines at RO to discuss the status of Potential NPA/ NPA accounts.
(iv) Verify that default cases were reviewed, and minutes were sent by RO to HO from time to time.

- (v) Verify that the report on potential default/ NPA accounts and their status was timely shared with the management.
- (vi) Verify that RO has taken necessary action for recovery/ reduction in NPA accounts.

2 Legal & Fraud cases

- (a) (i) Verify that legal case was filed in Default/ NPA cases after completion of specified period, as per guidelines and ensure that timely follow ups was done, and necessary actions were taken.
- (ii) FIR was lodged timely in all fraud cases and copy was obtained for the same.
- (b) Verify that report of fraud cases was shared correctly by RO quarterly with Risk Management Department of H.O. for its onward submission to NHB in prescribed format. And in cases of fresh fraud cases, reports should be sent on an immediate basis for further submission to RBI.

3 Monitoring of NPA accounts

- (a) Ensure timely execution of decrees given by the court.
- (b) Review the progress of declared/identified fraud cases.

4 Wilful Defaulters

- (a) (i) Verify that updated list of wilful defaulter, as declared by RBI, is held on records and borrowers credit rating is checked from CIBIL.
- (ii) Verify that compliance with internal circulars issued by HUDCO regarding wilful defaulters was ensured.

(VIII) Controls over Escrow Accounts

Verify that adequate control over Escrow accounts of various borrowers is in place to ensure its effective monitoring. Further, verify that relevant terms & conditions for Escrow account have been complied with.

(IX) One Time Settlement

- (a) Verify that calculation for OTS has been done correctly as per the guidelines.
- (b) Verify that OTS was done only after obtaining the final approval of the Board.

(X) Interest Income on Loans

1 Receipt of Income

- (a) Verify that receipt of repayments were:
 - # Correctly appropriated towards principal and interest, and
 - # Interest income correctly booked in books of accounts in HO.

(XI) KFW Scheme

- (a) Verify that the grant assistance was provided for the scheme approved by the State Government and its implementing agency is eligible under its constitution and is nominated by the State Government.
- (b) Verify that the grant assistance was provided for the eligible components within the limits, as prescribed in guidelines.
- (c) Verify that the Grant Agreement was executed with the agency and the grant was released by following the procedures defined in the guidelines.
- (d) Verify that the pre-condition of matching concept, as prescribed in the guidelines, from the State Government or Implementing agencies, as the case may be, has been fulfilled.
- (e) Verify that the grant assistance was released after obtaining the approval from HO.
- (f) Verify that the subsequent instalment(s) have been released after receipt of utilization certificate in support of grants earlier released and ensuring the physical and financial progress.

(XII) Verify compliance in respect of Fair Practices Code, Most Important Terms & Conditions, Grievance Redressal Mechanism.

A.2. Special Term Loans

In respect of Special Term Loans, the same to be verified as per above and STL guidelines vide RMC 166 dt 16.11.23 and any up-dation thereafter. In respect of monitoring, Utilization of entire loan should have been obtained within 90 days from final release.

B. LOAN NIWAS

(I) Pre-sanction Requirements/ Appraisal process

1 Receipt of Application

- (a) (i) Verify that duly filled loan applications were received from the borrower in prescribed format along with self-attested documents as per guidelines alongwith CKYC template form duly filled in and CKYC no.

- (ii) Verify the correctness of the documents received from the applicant.
- b) Verify that CIBIL of the applicant/ co-applicant was generated and credit score was recorded correctly in credit appraisal cum sanction note and was considered properly for the evaluation of credit to the borrower.
- c) Verify that KYC/CKYC/PML guidelines issued by the Company/ RBI were duly complied with and KYC documents were obtained from the borrower as per guidelines. Further, verify that it was checked that the borrower is not on the UN Sanction list.
- d) Verify that employment verification form (confidential) was received from the employer duly certified before the disbursement of loan.

2 Appraisal of loan

- a) (i) Verify that appraisal of the borrower within the prescribed limit was done timely to check the credit worthiness including CIBIL score, repaying capacity (individual and rental income), credit appraisal ratios and fixing of repayment period.
- (ii) Verify that loan amount was calculated as per guidelines.
- (iii) Verify that income growth for step-up and pension for step-down was properly considered for appraisal.
- (iv) Verify that the Balloon amount is as per guidelines.
- b) Verify that financing to the borrower is within LTV Ratio limit as prescribed by RBI and HUDCO, including combined LTV for multiple loans to the borrower.
- c) Verify that security proposed by the borrower is as prescribed in the guidelines.
- d) (i) Verify that the interest rate on loan is as prescribed in the financing norms.
- (ii) Verify that ROI was correctly recorded in the individual loan ledger from the sanction letter/ loan agreement.
- (iii) Verify that the option chosen by the borrower for interest (floating/ fixed) was correctly recorded in the system and applied.
- e) Verify that statutory approvals, approved maps, title documents are also checked at the time of approval of loan.

3 Approval of loan

- a) Verify that loan was approved by the competent authority for the prescribed limit of RS. 2 crores for Govt. employees and Rs. 1 crore for private borrowers.
- b) Verify that the loan is sanctioned as per the delegation of powers.

(II) Post Sanction process

1 Sanction Note

- a) Verify that sanction letter was prepared correctly and issued timely by Law wing/Branch Manager to the customer post sanction, with all the standard and other conditions as approved by the competent authority.
- b) Verify that sanction was accepted within 30 days from the date of sanction letter and if required, competent authority has given extension upto 90 days.
- c) Verify that admin fee along with GST was paid by the borrower after acceptance of sanction note against the tax invoice issued.

2 Verification of title deed CERSAI and Execution of loan and security documents

- (a) (i) Verify that an empaneled advocate was hired for verification of title deed of mortgaged property to ensure that the mortgaged property is registered with appropriate authority in the name of borrower except for the cases where allotment was from Government agencies and to certify that the borrower has/ shall have unencumbered title and ownership of the property
- (ii) Verify that various documents were verified by RO before disbursement of loan.
- (iii) Verify the title deed of mortgaged property for loans given during the period under audit.
- (iv) Verify that creation and registration of security as per guidelines was done by the Law Officer at RO/authorized officer at RO.
- (b) Verify that unencumbered certificate was obtained from the sub registrar office/appointed empanelled advocate.
- (c) Verify whether verification has been done from CERSAI that no loan exists on property offered by the borrower for mortgage to HUDCO.

3 Valuation of Mortgaged property

- (a) Verify that the mortgaged property in case of purchase in resale and composite loans (except where purchased from government authority) is got valued from an empanelled valuer.
- (b) Verify that valuation reports from the valuer's were received timely and were reviewed and accepted/ approved by the competent authority.

4 Insurance of mortgaged property

- a) Verify that insurance policy for mortgaged property was assigned in the name of HUDCO and also verify its adequacy in terms of value and tenure.
- b) Verify that insurance policy for mortgaged property was renewed timely and renewed policy is assigned in the name of HUDCO.
- c) Verify that insurance of mortgaged property is as per LMC/ HUDCO Niwas guidelines.

5 Custody of security documents

- (a) Verify that original security documents are kept in fireproof vault at R.O under the safe custody of law officer/authorized officer as per LMC/guidelines.
- (b) Verify that register recording the details of security documents kept in fireproof vault was maintained to monitor the custody of documents and was up to date.

(III) First/ Subsequent Disbursement

1 Request for release of funds

Verify release of loan after compliance of sanction conditions, site inspection, individual contribution, requisite financial & physical progress and after receipt of request from the borrower.

2 Site inspection

Verify that site inspection report has been prepared for site visit done by the officials as per approved schedule before each disbursement.

3 Preparation of pre- disbursement memo

- a) Verify that pre-disbursement memo was prepared to assess the result of Technical Inspection report as well as other key conditions of sanction terms, prior to disbursement of funds to borrower.
- b) Verify that complete and correct details were incorporated in pre-disbursement memo from respective Technical Inspection report.
- c) Verify that pre-disbursement memo was reviewed and approved by the competent authority.
- d) Verify that pre-disbursement sanction conditions and other conditions such as obtaining of NACH instructions per guidelines, have been complied.
- e) Verify that the status of borrower was verified, prior to disbursement of funds, to ensure that the borrower is not in default.
- f) Verify that disbursement of funds has been made in the borrower's designated bank account.

(IV) Monitoring Repayments

1 Receipt of payments

- (a) (i) Verify that EMI schedule, as generated from the system was correctly and timely intimated to the borrower.
(ii) Verify that repayments of loan is done by the borrower timely within due date and verify the repayments with respect to amount received, actual date of receipt/ credit of payments received from the borrower from the bank statement.
- (b) (i) Verify that 2 cheques were collected from the borrower in case NACH option was adopted for payment of EMI.
(ii) Verify that NACH application was timely forwarded to the bank.
- (c) Verify that the approved deduction at source letter was received from the borrower's employer and EMI was received timely.
- (d) Verify that the payments received through ECS and the PDCs received earlier have been converted to NACH.

2 Default in payment of EMI

- (a) Verify that default report was generated regularly and correctly from the system listing out the EMIS of all the borrowers who are in default.
- (b) Verify that borrower, in case of default, was informed telephonically and then through personal visit to pay the EMI.
- (c) Verify that legal notice was issued to all the borrowers who were in default immediately after the receipt of case by legal executive.

(V) Loan Accounting

1 Ledger of the borrower

- (a) Verify that ledger account and repayment schedule of the borrower was prepared at the time of first disbursement recording the details of the borrower.
- (b) (i) Verify that repayment is received from the borrower as per the schedule and entries are posted in HORSYS and is duly reconciled. Further, the same matches with entries in IGL module of ERP posted at HO level.
(ii) Verify bank reconciliation and monthly cumulative reports are generated periodically from the HORSYS system and are duly verified.

2 Revision/ change in interest rates

Verify that interest reset in case of fixed rate/floating rate interest loans was done as per agreement/Financing Pattern.

3 Provisioning

- (a) Verify that RO has checked Default/NPA classification of borrower's accounts as per extant norms/ guidelines of RBI, generated through automated system (HORSYS).
- (b) Verify that in case of multiple loans of single borrower, the assets classification in all loans is same and provided at the highest provision rate in case of NPA
- (c) Verify that valuation report of security was received timely from the borrowers and required steps including top up of security were taken timely in case of deterioration in value of security.

4 Loan Recall

Verify that loan recall notice was implemented in loan ledger of the borrower based on loan recall notice issued by RO and verify its accounting entries.

(VI) Settlement of loan

I Repayment of loan and Release of security

- (a) Verify that security was released after verification of status of dues of the borrower,
- (b) Verify that security was released to the borrower or the person authorized by the borrower. Further verify that acknowledgment for receipt of security was duly obtained from the borrower at the time of release of security for documentation and to avoid dispute.
- (c) Verify that the original movable / immovable property documents and charges registered with any registry are released/removed within a period of 30 days after full repayment/ settlement of the loan account.

(VII) NPA Management

1 Tracking of potential NPA/ NPA accounts

- (a) Verify that updated report on potential NPA cases was shared with the managers and the status of NPA cases was updated to HO.
- (b) Verify that DMRC meetings were held regularly every month as per guidelines at each R.O. to discuss the status of Potential NPA/ NPA accounts.
- (c) (i) Verify that default cases were reviewed, and minutes of default recovery were sent to HO from time to time.
(ii) Verify that action under 138 of Negotiable Instrument Act, filing of civil and criminal cases including SARFAESI Act was taken, wherever applicable.
- (d) Verify that report on potential default/ NPA accounts and their status was informed to HoD RF.

2 Legal and Fraud cases

- (a) (i) Verify that legal case was filed in Default/ NPA cases after completion of specified period, as per guidelines and ensure that timely follow up was done and necessary actions were taken.
(ii) Verify that FIR has been filed timely in all fraud cases.

3 Monitoring of NPA accounts

- (a) (i) Ensure timely execution of decrees given by the court.
(ii) Review the progress of declared/ identified fraud cases.

4 Wilful Defaulters

- (a) Verify that updated list of wilful defaulters, as declared by RBI, is held on record and borrower's credit score is checked from CIBIL.

5 One Time Settlement

- (a) Verify that OTS has been correctly calculated as per laid down guidelines.
- (b) Verify that OTS was done after obtaining the approval of RC.
- (c) Verify that OTS/ Amendment/ Decree/ Restructuring/ Curtailment of loan was comprehensively implemented as per amendment letter issued by RO and was accounted correctly in the books.

(VIII) Income from loans**1 Accrual of Income**

- (a) Verify that interest and accrued interest was correctly calculated and accounted every month based on report run from the HORSYS/ ERP system at each RO.
- (b) (i) Verify that income accrued on NPA accounts is excluded from total income and income on NPA accounts is booked on actual/ realization basis.
 - (ii) Verify that interest was correctly posted in ledger of the borrowers.
 - (iii) Verify that interest and interest accrual matches with entries in IGL module of ERP posted at HO level.

2 Penal Charges on delayed payments

- (a) Verify that penal charges and compound interest were calculated and charged as per sanction terms/ policy/ norms in case of delayed/ untimely repayments by the borrowers.
- (b) Verify that penal charges accrual matches with entries in IGL module of ERP posted at HO level.

3 Charges recovered on loans

- (a) Verify that various charges such as conversion charges (reset charges), admin fee, legal fee, bank charges, applicable as per guidelines/ norms, were recovered along with applicable GST thereon and were accounted properly.

4 Receipt of Income

- (a) (i) Verify that receipts were recorded in the system correctly.
 - (ii) Verify that financial entries for receipts was passed in the books of accounts correctly.

C. CASH AND BANK**(I) Bank Receipt**

- (a) Verify that the NACH instructions /cheque (if any) is deposited timely in the bank from the date of its receipt and also the cheques were cleared timely after its deposit in bank.

(II) Recoupment of Corporate Card

- (a) i) Verify that the preloaded corporate card is issued to RO, as per the approved amount by the competent authority.
 - ii) Verify that the corporate card is reloaded after the expenditure details are fed in ERP.

(III) Opening & Closing of Bank Accounts

Verify that bank accounts were opened/ closed after obtaining the approval of competent authority and documentation of reason thereof.

(IV) Monitoring of funds held in bank account

- (a) Verify that inoperative bank account has been closed after review of its requirement and if not closed then only minimum balance is maintained.
- (b) Verify that RO regularly reviews the fund received, if any due to the receipt of rental income, consultancy income, etc. and the same is remitted to H.O.

D. ASSETS

(I) Receivables

- (a) Check and ensure that responsibilities of billing for services is adequately segregated from those for collection and accounting to ensure control.
- (b) Verify that all receivables are recorded in the system in compliance with the revenue recognition criteria.
- (c) (i) Verify that receivable are regularly reviewed and tested for impairment and loss expected and the same is booked as per the accounting policy of the Company.
(ii) Report the party accounts with major, long-overdue advances, if any.
- (d) Verify that receivables were written-off after obtaining the approval from competent authority and after making proper documentation for all the available options that have been exhausted.
- (e) Verify that balance confirmations have been received from parties on quarterly basis and discrepancies in balance confirmation received, if any, were duly reconciled and required adjustments were made.
- (f) Verify that information was sent to HO for making the full provision towards doubtful debtors/ receivables and advances which are outstanding for more than three years.

II) Other Assets

- (a) Verify that advances are monitored on quarterly basis and follow-up has been done for all advances due for recovery. Report the party accounts with major, long overdue advances, if any.
- (b) Verify that RO/Law wing regularly follows up with respective advocate for update on legal cases, hearings due and its outcome to ensure effective monitoring.
- (c) Verify that regular follow up has been done with government/ tax authorities for refund of advances as and when the purpose for which it was given has been fulfilled.
- (d) Report the long pending entries in various asset account heads.

E. FIXED ASSETS

(I) Acquisition of Fixed Assets

- (a) Check that:
 - i) The fixed assets were purchased from available capex budget.
 - ii) The approval of competent authority was obtained.
 - iii) The defined process for acquisition of fixed assets was followed
- (b) (i) Check that the asset capitalized were eligible for capitalization in accordance with generally accepted accounting principles.
(ii) Verify that the fixed asset was correctly capitalized on correct date i.e. when asset was put to use.
- (c) In case of online bidding and reverse auction (through GeM portal), check that:
 - (i) The comparative statement was correctly prepared and financial concurrence was obtained as per the delegated powers.
 - (ii) Ensure that purchase was done from L1 party who satisfies the eligibility criteria
- (d) Verify that assets have been purchased as per Purchase manual/ GEM portal in compliance of General Financial Rules, 2017, read with the rules amended from time to time. If not, then the reason has been recorded and duly approved by HOD before the purchase of assets.
- (e) Verify the acquisition of new assets and improvements to existing assets from supporting documents such as job orders, invoices, Material Receiving Reports (MRR).
- (f) (i) Verify that asset code (Unique ID's) was allotted to all the fixed assets on their receipt.
(ii) Ensure that the asset code list is maintained for recording the Unique IDs of assets and the list is updated on real time basis.
- (g) Verify that categorization of assets has been done to proper heads of account.
- (h) Verify that assets are safeguarded for risk by way of insurance, AMC etc such as lost, stolen, destroyed or temporarily diverted. Ensure that no assets were allowed to be moved out from HUDCO campus without a gate pass.
- (i) Verify compliance with Ind AS 40 and ensure that Investment property held for rental income or capital appreciation are classified as 'Investment property'. Further, verify that valuation report is available for investment property.
- (j) Verify the provisions of Indian Accounting Standards (IND-AS) applicable to HUDCO as per the instructions issued by Head Office from time to time are complied with and furnished in the prescribed format comprising of the lease rental paid against the leasehold properties.

(II) Capital Work in Progress (CWIP)

- (a) Ensure assets under construction or pending installation and not yet ready for intended use are classified as work in progress.
- (b) Verify that additions to capital work in progress do not include revenue expenditure except for expenditure which is incurred and necessary for bringing the asset for intended use.
- (b) (i) Verify work completion report to ensure that amount was capitalized as an asset on the date on which it was put to use/ ready for its intended use.
- (ii) Verify Capital work in progress with reference to underlying contractor bills, work orders, certification of work performed by independent persons, comparison of progress and the costs incurred up to-date with the budgets, capital asset management policy and plan, pending commitments, etc.

(III) Recording of Intangible Assets

- (a) Verify that Intangible Assets have been capitalized only if company has rights/ownership to such assets i.e. licenses/title deeds etc. And life/period of asset has been clearly defined therein.
- (b) Verify the input data/ accounting/ adjustment entries passed as per applicable provisions of IND-AS-38 in accordance with approved accounting policy of HUDCO.
- (c) Verify that Intangible Assets fully amortized but still in use are carried in fixed assets register till it is in use.

(IV) Disposal/ Write Off of Fixed Assets

- (a) Verify that asset disposal committee was properly constituted by the competent authority.
- (b) Verify that sale value of assets includes GST amount to be paid on sale of assets and it is specifically shown in the sanction note.
- (c) Verify that invoices for sale of assets have been raised correctly and scrap was handed over only after receipt of sale proceeds.
- (d) Check that scrap was sold to vendor with highest quotation after following the sale procedure of inviting tenders/ quotations.
- (e) Verify that assets are decapitalized timely on its sale/ retirement from active use.
- (f) Verify that approval for sale of assets at loss (less than WDV) was obtained from the competent authority.
- (g) (i) Verify the minutes of asset disposal committee to record the approval and process for declaration of surplus/ obsolete/ unserviceable/ damaged assets as scrap.
- (ii) Verify that approval of competent authority was obtained for assets declared as scrap by the asset disposal committee.
- (iii) Verify that scrap assets were sold timely after their approval to realize funds from their sale.
- (h) Verify that TCS, if applicable was collected from the vendor to whom sale was made at the time of receipt of payment.
- (i) Verify that assets have been sold/ disposed of in presence of concerned committee of HUDCOs staff and the list of assets lifted by the vendor has been signed off by all the committee members.

(V) Fixed Assets Register (FAR)

- (a) (i) Verify that fixed asset register is maintained on real time basis whenever there is acquisition or disposal of assets.
- (ii) Verify that fixed assets register is maintained in proper format with required details and these details have been updated for each asset
- (b) Verify that the value of assets as per fixed asset register and General Ledger is reconciled annually and report the differences, if any.
- (c) (i) Verify that physical verification of assets has been carried out as per policy and assets have been classified as obsolete, non-working and working, location and asset code at the time of physical verification.
- (ii) Verify that adjustments for discrepancies reported in physical verification exercise was accounted after the approval.
- (f) (i) Verify that assets are insured against the probable risks for appropriate value to cover the risk.
- (ii) Ensure proper mechanism of insurance coverage of office asset is in place and insurance policies were renewed timely.

F. LIABILITIES

I) Payables

- (a) Verify that all the supporting documents for processing of payment were obtained and thereafter approval was taken from the competent authority for forwarding the payment through procurement module of ERP to HO for payment.
- (b) Verify that MSME vendors were correctly flagged in vendor master and the amount payable to them was shown separately in the financial statements.
- (b) (i) Verify that dues to MSME vendors were paid timely to avoid interest cost and also to ensure legal compliance.
- (ii) Verify that unadjusted credit balances are regularly reviewed with reasons of non-adjustments thereof and report such balances, if outstanding since long.
- (d) Verify that payment to vendors were made against credit balance in their account within the credit period/ agreed terms.
- (e) Verify that amount not claimed by the vendors for more than 3 years were written-back to Income after obtaining the appropriate approval.

II) Provision for Expenses

- (a) Verify whether provision for all recurring expenses was informed to HO, by RO and thereafter, made in the books by HO, on the basis of historical data/ past practice and based on best estimates i.e. committed liability/ services received or goods received.
- (b) Verify that provision for expenses were reviewed at the end of each period to confirm their continuation/ adjustment/ and these were reversed, if no longer required.

(III) Other Liabilities

Verify that the long pending entries in various liability account heads have been revived and necessary action is taken.

G. BORROWINGS

(I) Public Deposits

- (a) The public deposit scheme is scheduled to be closed in FY 2024-25. Thereby deposits are existing only at Kolkata, Mumbai and NCR office.
- (b) (i) Verify that calculation of interest was in accordance with terms & conditions of scheme opted and based on the period of deposit opted by the depositor.
- (ii) Verify that separate accrual interest register is maintained and updated timely for each depositor opted for HMP/ HCC schemes.
- (c) Verify that exemption certificates, as per the Income Tax Act, 1961, has been obtained from depositors and verified by concerned department before payment of interest and also the exemption certificate received is as per the category of the depositor.
- (d) Verify that maturity/ prematurity of deposit was done after receipt of original deposit receipt duly discharged by depositor along with letter of authorized signatories.
- (e) Verify the signature on original deposit receipt with signature of authorized depositors held in record/authorized signatories to ensure correct maturity of FDR.
- (f) Verify that after verification of documents/ requirement for maturity of deposits, FDR was marked "Matured" and placed in file. Also, the list of deposit outstanding is updated regularly and duly reconciled with ledger balance of Deposit Outstanding at regular intervals.
- (g) (i) Verify that reminder letters were sent to depositors for the deposits due for maturity within 15 days clearly stating the due date, fact that no interest is payable after due date and the unclaimed amount will be transferred to IEPF account after 7 years from the date of deposit.
- (ii) Verify that reminder letters were addressed to the Bonafide depositors. In case of death of depositor, the letter was sent to joint depositor/ nominee as per rules.
- (iii) Verify that payments to depositors and payment of brokerage to authorized Manager-cum-Brokers was made through NEFT/ RTGS in the bank account as per details obtained from them.
- (iv) RTGS/ NEFT is transferred to first depositor only and in case of death letter is sent to joint depositor 1 joint depositor 2/ nominee as per guidelines after receipt of supporting documents.
- (h) Verify that statutory returns i.e. NHB Return, E-tds return and IEPF return were correctly and timely filed within due dates.

- (i) (i) Verify that complaints of depositors under HUDCO PDS is maintained in the prescribed format.
- (ii) Ensure that the report of complaints is sent to PDS department HO on quarterly basis.
- (j) Verify the interest provision was made correctly at the end of every quarter.
- (k) Verify outstanding under the PDS with confirmation to opening balances, deposits received, and redemption made during the year and closing balance outstanding scheme-wise, period-wise and maturity-wise.

(II) Servicing of Borrowings (Applicable only for PDS)

- (a) (i) Verify that the payment has been made after obtaining the approval and proper review of supportings attached
- (ii) Verify that BRS reflecting the unpaid status in respect of transactions executed by them, tallies with bank balance certificates shared/ provided by the bank.
- (b) Verify that amount appearing in unclaimed account for more than 7 years has been transferred timely to IEPF account in compliance with the provisions of Companies Act, 2013.
- (c) Verify that TDS has been deducted correctly at applicable rates on interest payments in accordance with Income Tax Act, 1961 and in case of non-deduction/ deduction at lower rates, certificate thereof has been obtained from the beneficiaries and kept on record.

H. INCOME

(I) Rental Income

- (a) Verify that surplus area, in Company owned property, has been identified and was offered to government agencies on rent. In case of vacancy of premises, the reasons thereof be verified from the sanction obtained for its non-letting out.
- (b) Verify that properties have been let in accordance with applicable guidelines
- (c) Verify that proper agreement (allotment letter) for leased out property has been entered into with lessee and whenever the agreement expires/ due for expiry, it was renewed timely with escalation after the approval of competent authority.
- (d) (i) Verify that rent from lessee against leased out properties was timely and regularly received for agreed amount.
- (ii) Verify that fair rent certificate has been received from CPWD for area assessment annually to ensure the correctness of rent calculations.
- (iii) Verify that accounting of rental income from each property has been reconciled with agreement rates after considering the escalation clause, to ensure the correctness of rental income booked.
- (e) Verify that security deposit has been received from lessee prior to giving possession of property on lease, as per terms of agreement and ensure that there is no case of non/ short receipt of security deposit.
- (f) Verify that rental income arising from leases on investment property has been accounted for in accordance with applicable Ind AS.

(II) Fees and Commission Income

- (a) Obtain an understanding of various fee/ commission-based products of the Company and ensure that fees/ charges/prepayment charges, deferment charges, Research and Development (R&D) and other charges towards various heads/ activities were received in each case at sanctions of loans/ consultancy and other services and check its accounting in the books.
- (b) Verify that fees/ charges have been charged at applicable rates.
- (c) Verify that various fees/ charges were correctly charged at the approved scale/ rates from the customers, and these were properly and timely recorded in the books of account.

(III) Sale of Services

- (a) Verify that invoices for rendering of consultancy services were correctly raised and income was booked as per the agreement entered.
- (b) Verify that invoice has been raised for work completed/ achieved milestones as contained in the agreement.
- (c) Verify that the receipt of fees for rendering of services was as per the terms decided in the agreement,
- (d) (i) Verify that reminder letters have been sent to the client in case of delay in making payment by them and required steps have been taken for recovery of fees in case of default made by client.
- (ii) Verify that the amount, if any, has been waived off only after obtaining the approval of Board.
- (e) Verify that outsourcing of work to sub consultant has been done by the concerned department where there is lack of expertise in certain fields and proper agreement has been entered into with the consultant.

(I) Processing of Expenses

(I) CSR Expenditure

- (a) (i) Verify that the proposals for CSR received were comprehensive, related to the activities covered under CSR policy in accordance with the schedule VII of the company's act and these agencies have also submitted CSR-I registration number as generated from MCA portal.
- (a) (ii) Verify the proposals were approved by Board of Directors on the recommendation of CSR Committee of the Board.
- (b) Verify that funds for undertaking CSR activities were released after entering into agreement with the agency and after the compliance of Sanctioned conditions, if any.
- (c) Verify that funds have been released as per terms of agreement and subsequent instalments were released only after receipt of utilisation certificate for previous instalment(s) to substantiate the expense incurred.
- (d) Verify the utilisation certificates were received timely from the agencies to ensure that funds have been utilised for the specified purpose as approved and utilization certificate is signed by chief executive of the agency & counter signed by CA along with the mention of UDIN.
- (e) Verify that CSR projects undertaken by the agencies were monitored by ROS and site inspection was carried out at regular intervals, as prescribed in the guidelines, to ensure proper utilization of funds for CSR activities.
- (f) Verify that CSR expense was incurred after obtaining the approval of competent authority and was charged to revenue account after following the laid down process.
- (g) Verify that TDS, if any was correctly deducted as per the applicability at applicable rates on CSR payments on net amount, exclusive of GST at applicable rates on CSR payments on net amount, exclusive of GST
- (h) Verify that in case refunds are received from implementing agency, the same are transferred to respective CSR accounts maintained at HO.
- (i) Verify that in case of proposal of NGO agency, voluntary organization grading of agency is obtained & valid during implementation of proposal in accordance with CSR policy of HUDCO.
- (j) Verify that CSR expenditure was correctly recorded in the books and ensure that proper supporting documents are available to justify the expenditure incurred.

(II) Repair & Maintenance - Buildings/ Vehicles/ Others including IT Assets

- (a) Verify that contracts for annual maintenance (AMC) were awarded and empanelment/ engagement of service providers was done through bidding process in accordance with the prescribed guidelines in this regard,
- (b) Verify that the tenders have been floated in accordance with the HUDCO's guidelines/ purchase manual including amendments thereto issued from time to time.
- (c) Verify that all terms of contract were duly complied with, and payments were regulated as per payment terms prescribed in the job order.
- (d) Verify that purchases were made through GEM portal as per Delegation of Power (DOP).
- (e) Verify that Estate Maintenance of office building, guest houses etc. is being done as per procedures. Proper documents have been kept in lockers and insurance premium and taxes etc. have been paid timely.
- (f) Verify that maintenance of all office assets is ensured.
- (g) Verify that the invoices submitted by the contractors mentioning the % of work done were properly verified and certified by the user department.
- (h) Verify that contracts were awarded prior to execution of work by contractors and report the cases where deviations are observed.
- (i) Verify the correctness of quantum of work done by the contractor against contract awarded and as accepted and certified from the control records maintained evidencing the same.
- (j) Verify that expenditure of capital nature/ improvement made to capital assets were capitalised as per provisions of Ind AS-16 i.e. Property, Plant & Equipment.
- (k) Verify that repair & maintenance expenses were correctly charged to revenue head after obtaining the approval of competent authority.
- (l) (i) Ensure all break-up of payments has been made as per relevant head in the contract and verify with supporting documents that the contractor has made statutory payments like PF, ESI etc. within scheduled time to respective authorities and net payment released to his staff was also verified. Also, other terms of contracts have been duly complied with.
- (l) (ii) Ensure that wages paid to the contractual staff is in compliance with the applicable minimum wages act.
- (m) Verify that expenditure towards repair & maintenance were correctly recorded in the books against proper supporting documents to justify the expenditure incurred.

(III) Legal & Professional Fee

- (a) Verify that advocate located at respective location was hired at pre-approved rates and after obtaining the approval.
- (b) Verify that Appointment Letter/ Engagement Letter/ Vakalatnama was issued to the professionals engaged and their invoices were processed after due verification and certification by Law wing.
- (c) Verify that expense towards legal & professional fees was incurred after obtaining the approval of competent authority and charged to revenue after following the laid down process.
- (d) Verify that expenditure towards legal & professional fees was correctly recorded in the books against proper supporting documents to justify the expenditure incurred.

(IV) Legal cases and Expenses incurred on behalf of the borrower

- (a) Verify that expenses incurred on behalf of the borrower and recoverable as per the terms of agreement have been recovered/ incorporated in the respective loan records of the borrower for effecting recovery.
- (b) Obtain the list of legal cases on which expenses were incurred by the Company and ensure that expenses, which are non-recoverable, incurred on legal cases related to Company were charged to Company's revenue account.
- (c) (i) Verify the defined process of calculation of dues, its verification and its incorporation in Prayer clause of original application was duly followed/ complied with.
(ii) Ensure that all the recoverable expenses were correctly included in Prayer clause of original application filed.
- (d) Verify that approval of Regional Chief was obtained prior to filing of original application in the court.
- (e) Verify that revised statement of accounts detailing the dues up to date and all expenses including Insurance, Advocate Fees, Court Fees, etc. was correctly filed prior to passing of decree by the court.
- (f) Verify that contingent liability has been disclosed in the financial statements where the possibility of an outflow of resources embodying economic benefits is not remote.

(V) Travelling Expense

- (a) Verify travel bills of the employees considering the following factors.
 - # claims have been received timely in prescribed format with travel details filled therein properly.
 - # claim is received along with approved tour plan and expenses were claimed as per entitlement of employee.
 - # claims were approved timely as per the entitlement/ limit in travel policy.
 - # Original bill along with relevant supporting documents were received.
- (b) Verify that travelling expense was recorded on the basis of original bills submitted by travel agent/ claim submitted by the concerned employee.
- (c) (i) Verify that bills of travel agent were passed in conformity with bookings recorded in travel register maintained.
(ii) Verify that travel register was properly updated for tickets booked through them.
- (d) Verify that travel advance (if any) was adjusted from travel bill of the employee and ensure that excess advance was refunded by the employee timely i.e. within a month of return from tour.
- (e) Verify that original bill along with necessary supporting is verified by Admin wing/Employee and then bill of the travel agent is uploaded in ERP for approval through maker checker process, for payment by HO as per guidelines.

(VI) Rent Expense

- (a) Verify that rent was correctly and timely paid as agreed in rent agreement.
- (b) Verify that rent expense was incurred after obtaining the approval of competent authority and charged to revenue after following the laid down process.
- (c) Verify that rent expenditure was correctly recorded in the books against proper supporting documents to justify the expenditure.

(VII) Budget vs. Actual

- (a) (i) Verify that expense was monitored by comparing the actual v/s budgeted expenses on quarterly basis. Report/ confirm that actual expenditure incurred is within the budget else report the expense incurred in excess of budget.
(ii) Verify that deviations in regard to excess expenditure incurred over budget was reported by the concerned department along with action taken for reappropriation/ enhancement of budget.

(VIII) Provident Fund compliance for Manpower Services

- (a) (i) Verify that payments to manpower agencies have been processed against the original invoices and supporting documents raised by the agency after ensuring the compliance of relevant provisions of Employee State Insurance and Provident Fund by the service provider and receipt of supporting documents giving proof of deposit of PF.

(ii) Verify the working received from service providers along with the copy of PF challans that PF calculation was correct, and PF was deposited timely to ensure the compliance.

(iii) Verify that all the break-up of payments has been made as per relevant head in the contract document

Others

(b) Verify that process of empanelment/ engagement of service providers and procurement of material, as driven through Company's guidelines/ Purchase manual, was duly followed.

(c) Verify the expenditure booked and ensure that no personal expenditure was charged to Company's revenue account.

J. PAYROLL

(I) Attendance and Leave

(a) Verify that attendance of employees is recorded via Biometric and attendance of consultants/ fixed term contractual/ management trainees is also recorded either through biometric or as per the instructions issued by HR Wing.

(b) Verify that medical certificate was obtained in case of availment of more than 3 medical leaves continuously by the employees, as per policy.

(c) Verify that mis-punching of attendance in biometric was regularised by the concerned department head within fixed time period.

(d) Verify that leaves records are properly maintained in ERP and leaves credit is in line with leave rules.

(e) Verify that leave application duly sanctioned were received from the employees in support of leaves availed.

II Loans & Advances to Employees

(a) Verify the compliance of Loans and advances policy to ensure that loan was given to eligible employees (except to RC), within defined limit, rate of interest charged is correct and repayment of principal and interest is as per repayment plan

(b) Verify that loan application by employees is supported by prescribed documents such as sale deed, allotment letter, insurance policy, affidavit, NOC, possession letter, tripartite agreement, personal bond, surety, agreement, etc. in case of HBA loan and other prescribed supporting documents as applicable for other staff loans i.e. vehicle loan, welfare loan, computer advance etc.

(c) Verify that utilization certificate/ site inspection report was obtained from employees to ensure the end use of HBA advance was for specified purpose only.

(d) (i) Verify that staff loan/ advances were given to employees as per approved office order and the terms of repayment, rate of interest etc. has been correctly recorded in the system

(e) (ii) Report the staff loan/ advance overdue and not settled within the scheduled time.

(f) Verify that loan/ advances granted are secured by mortgage of property/ hypothecation of vehicles and the copy of valid insurance has been obtained from employee.

(g) Verify that original security documents of loan/ advance are kept properly under safe custody.

(h) Verify that bank account details of third parties along with sanction & release order was provided by HR & thoroughly checked by Pay Roll department (applicable only in case of car and HBA loan).

K. HUMAN RESOURCES

I Employee Separation

(a) Verify that name of employees separated has been removed from master data maintained timely i.e. by the next day of retirement/ separation and no salary was paid to employees who retired/ separated.

(b) Verify that "No Dues" clearances has been obtained from all the departments in case of retired/ separated employees.

(c) Verify that full & final settlement in case of separated employees has been done correctly on the basis of final calculation, as approved by the competent authority.

(d) Verify that official assets held by separated employees have been recovered from them at the time of their exit.

(e) Verify leave encashment (EL & HPL) and maintenance and updation of service book at the time of retirement of employee.

II Empanelment of Hospitals/ Diagnostic centre/ Path labs/ Dental clinics/ Eye clinics

(a) Verify that prescribed process of empanelment of hospitals/ diagnostic centre/ path labs/ dental clinics/ eye clinics was followed for their empanelment and only eligible institutes as per the eligibility criteria were empanelled.

- (b) Verify that the inspection committee if went for inspection of any hospital covered under the guidelines then other hospitals in nearby areas within the radius of 2 Kms were also visited, and recommendation was given for the hospitals visited and the empanelment was finalized accordingly.
- (c) Verify that HUDCO empanelled Hospitals/ Diagnostic Centres/ Path Labs/ Dental Clinics/ Eye Clinics were reviewed by the Inspection Committee with reference to approved guidelines.
- (d) Verify that compliance with empanelment terms by the empanelled Hospitals/ Diagnostic Centres/ Path Labs/ Dental Clinics/ Eye Clinics was reviewed by the Committee, chaired by Regional Head and the empanelment was terminated in case of non-compliance of following terms:
 - # Refusal of service/ complaint from HUDCO employees (minimum 5 nos.) regarding service.
 - # Undertaking any unnecessary procedures
 - # Deficient/defective service/refusal of credit facilities
 - # Over billing/prescription of unnecessary drugs
 - # Reduction of staff/ infrastructure/ equipment, etc. after the hospital/ clinic/ path lab has been empanelled.
- (e) Verify that the period of empanelment of Hospitals/ Diagnostic Centres/ Path Labs/ Dental Clinics/ Eye was extended after review of services and based on the availability of Income tax exemption certificate and its furnishing to HUDCO.
- (f) Verify that hospitals have submitted IPD/ OPD bills in original duly verified by employee or their dependent with proper details at agreed rates.
- (g) Verify that the tariff / rates were not revised before the MoU period.
- (h) Verify that tax exemption certificate was obtained while considering empanelment/ revision of rates, as per hospital policy.
- (i) Verify that priority to proposed hospitals for empanelment was given which have the facility for Annual Executive Health Check up for HUDCO employees and their spouse(including retired employees) or the charges for HUDCO package not exceeds the prescribed ceiling, as amended from time to time, being maintained by HUDCO.
- (j) Verify that medical reimbursements have been provided to employees after ensuring the compliance of HUDCO Medical Attendance Scheme.
- (k) Verify that reimbursement for chronic diseases have been made based on the prescription/ report of concerned doctor of HUDCO empanelled hospitals/ govt hospital and certification by HUDCO empaneled doctor, that the treatment for chronic diseases is prolonged in nature and does not require hospitalization.

III **Employee Transfer**

- (a) Verify that executives, during transfer, were allowed to stay in a hotel for a maximum period, as prescribed in the guidelines.
- (b) Verify that disturbance allowance, lumpsum transfer grant, packing allowance were paid within the prescribed limit.

L. STATUTORY COMPLIANCES

(I) **Compliance Calendar/ Checklist**

- (a) Obtain the compliance calendar/ checklist maintained and check that the relevant compliance requirements (amended time to time) of various Statues/ Act as are applicable to the Company are correctly and adequately incorporated therein (LEI, KYC, CERSAI, RBI directives etc).
- (b) Check whether compliance checklist is maintained and correctly filled with details of compliance and was submitted to the management on quarterly basis.
- (c) Verify that Show Cause Notice/ order received from Income Tax department were promptly attended and also proper follow-ups was done including visit to the department.
- (d) Verify the information for filing of form 3CD (for FY 2023-24) as per form 3CD at the year-end along with all the annexures required at the time of compilation of tax audit report at head office.

(II) **Income Tax Act,1961**

- (a) Verify that Show Cause Notice/ order received from Income Tax department were promptly attended and also proper follow-ups was done including visit to the department.
- (b) Verify the information for filing of form 3CD (for FY 2023-24) as per form 3CD at the year-end along with all the annexures required at the time of compilation of tax audit report at head office.

(III) **Goods and Service Tax (GST)**

- (a) i) Verify that Show Cause Notice/ order received from GST department were promptly attended and also proper follow-ups was done including visit to the department
- (ii) Fines, penalties or other punishments imposed in SCN/ order along with latest status/ action taken be reported in the audit report.

M. INFORMATION TECHNOLOGY

(I) **Creation/ Deletion of User ids, Administration & Monitoring**

- (a) Check that all official communications are done by staff through official ids with HUDCO domain and not through their personal email ids.
- (b) Verify that the requests for creation/ deletion of user ids in case of new joining/ resignation/ termination of staff are raised to competent authority and the same is created timely

(II) **Data Protection**

Check that necessary controls are in place to avoid unauthorized transfer of official data from official systems through external drives, Bluetooth, Share it, etc.

(III) **Business Continuity**

- a. (i) Check that backup is taken for standalone systems at the stipulated intervals in accordance with defined process.
- (ii) Test run the backup for 2-3 days for the period available to ensure the compliance.
- (b) Check that backup register is maintained and updated with date and time.

(IV) **Disaster Recovery Plan**

- (a) (i) Check that proper plan was prepared for working of the employees remotely in case HUDCO's Office operations facility is unavailable due to threats like natural hazards Intentional Acts, accidental hazards, infrastructure related threats or un-known threat.
- (ii) Verify that the employees were communicated timely about the restoration of damaged facility and then they started working from the HUDCO office rather than work from home.
- (b) (i) Check that there is a provision to make necessary arrangements for the availability of various IT equipment's such as power/ telecom/ data outage to facilitate employees to work remotely, in case of emergent situation and these arrangements were made, when required in immediate past.
- (ii) Check that during unavailability of HUDCO corporate office personnel, alternate location resources is available to provide support to Office resources by taking over the work load.
- (c) Check that Emergency Response Kit with defined components is maintained and the items therein are functional/ not expired etc.

N. LEGAL

(I) **Empanelment/ Engagement of Advocate**

- (a) Check that panel of advocates is maintained.
- (b) Check that the advocates are empanelled, following the defined process after the approval of the competent authority.
- (c) Check that empanelled advocates satisfies the eligibility criteria.
- (d) Check that the assignments were allotted to empanelled advocates only.
- (e) Check that the performance of empanelled advocates is evaluated annually and incapable advocates are delisted from the panel.

O: Fraud Monitoring

- (a) Verify that reports (FMR 1,2,3) etc are timely submitted.
- (b) Verify that fraud monitoring committee is formed which meets on quarterly basis for monitoring of fraud.
- (c) Verify that FIR has been registered wherever necessary as per guidelines.

P: Risk Management

- (a) Verify that risk rating , key risk indicators and other reports are timely submitted.

- (b) Verify the compliance of any observation of the Risk Management Committee of the Board if any.
- (c) Verify that risk categorization of borrower is done half yearly or as mandated by RBI.

PART-II

INTERNAL FINANCIAL CONTROLS

- (a) To update the internal control flow charts as per newly implemented ERP system.
- (b) To issue quarterly report on Internal Control deficiencies identified during the quarterly audit and suggest corrective measures.
- (c) CA firm to independently review and appraise the system of control throughout the year as per risk control matrices, mitigation plan prescribed in the various activities and recommend improvement to internal control. Facilitate in following good practice in managing risks efficiently.
- (d) Review of Test of Designs including addition/updation/modification of flow charts on annual basis.
- (e) Comment on the adequacy and effectiveness of Internal Financial Controls on quarterly basis.
- (f) Compliance of advisories issued by Internal Audit Wing from time to time.
- (g) To give necessary guidance in response to statutory/government auditors' queries in regard to Internal Financial Controls and suggesting corrective action on the part of HUDCO.
- (h) Any other activity review/reporting necessary in connection with Internal financial Control not specified above.

PART-III

COMPLIANCE OF AUDIT OBSERVATIONS

- (a) 100% verification of all the activities/checkpoints as mentioned in Part-I and Part-II.
- (b) Compliance status of outstanding observations of previous audit reports and monitoring of prior audit issues along-with action taken report in the prescribed format,
- (c) The points mentioned in the scope are indicative in nature. The firm may be requested to look into any other activity as decided by the management during the course of audit.
- (d) To suggest an addition in the areas required to be covered in the Risk Based Internal Audit Plan.