



HPGCL

**AN ISO:9001,ISO:14001 & OHSAS:18001
CERTIFIED COMPANY**

**HARYANA POWER GENERATION CORPORATION
LIMITED**



**MANUAL FOR INTERNAL AUDIT
2016**

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CHAPTER 5

Appendix (List of Important Circulars)

PREAMBLE

HARYANA POWER GENERATION CORPORATION LIMITED (HPGCL) is a 100% state-owned undertaking of the state of Haryana and is an ISO 9001, ISO 14001 and OHSAS 18001 certified Company engaged in the business of construction, operation and maintenance of state-owned power projects with a present generating capacity of 3230.5 MW (Thermal plus Hydro-electric). HPGCL has also set-up a joint venture thermal power project of 1500 MW (3 X 500 MW) at Jhajjar, Haryana, namely Aravali Power Generation Company Ltd.(APGCL), with NTPC, Government of Haryana and Government of Delhi. It is also a J.V. partner in Yamuna Coal Company Private Ltd.(YCCPL) with Indraprastha Power Generation Company Ltd.(IPGCL). HPGCL has also commenced the process for setting up of a Solar Power Plant and development of Coal Blocks. The organization structure of HPGCL is available on its website: www.hpgcl.gov.in. HPGCL also manages its Employees GPF and Pension Fund Trusts.

Currently, four (4) important areas of the Corporation's functioning are being effectively monitored and managed on the IT platform through the Computerized Integrated Plant Management System (CIPMS) which comprises the following modules:

1. Operation, Performance and Monitoring System (OPMS)
2. Maintenance Management System (MMS)
3. Material Management System and
4. Finance and Accounting System (FAS)

But HPGCL is also actively considering implementation of SAP-ERP in near future. This would be a major step to having sound Internal Controls in place and would scale up its Corporate Governance effort.

Corporate Governance is the need of the day with both the internal and external stakeholders as well as the Statutory and Regulatory authorities/bodies demanding increased transparency and good behavior by Corporates in their day-to-day functioning. This requires compliance of Corporation's Rules and Regulations- Purchase and Works regulation, Delegation of Power, Punjab Financial Rules (PFR), Departmental Financial Rules (DFR), Haryana Civil Services Rules, Manual of Instructions, Account Code- Vol.-III, Companies Act, 2013, CVC /State guidelines, SEBI and other Statutory Authorities' regulations as well as Indian Accounting Standards (developed in sync with the International Financial Reporting Standards) and Audit Standards which all prescribe good Corporate Governance in and Social Responsibilities of Companies operating in the country.

As a good corporate citizen, HPGCL firmly believes in and practices both. Its Corporate Social activities are well documented and to strengthen Corporate Governance, amongst other things, it has brought out various systems and procedures manuals and guidelines over the years.

It also has in place an Internal Audit group within the organization. In order to structure the functioning of this group, so that it fully functions as a management tool, this Manual for Internal Audit is being introduced and is expected to not only guide its readers on what to do but also how to do it. Through Internal Audit Reports, the Management would, on periodic basis, become privy to structured information about HPGCL's functioning, especially those that directly and/or indirectly affect the Company's financial health; while, at the same time, be facilitated in complying with the regulatory requirements.

CHAPTER 1

INTRODUCTION

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes." (Source: Institute of Internal Auditors, Australia). The necessity of having an internal audit system is recognized by the Companies Act, 2013 and the Companies (Auditors' Report) Order, 2015 makes it obligatory for the auditors of (barring a few exceptions) every company, including a Government company, to comment on whether there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Whether there is a continuing failure to correct major weaknesses in internal control system.

This Manual attempts to codify the system of Internal Audit that is to be practiced in HPGCL. It specifies the period to be covered during audit, the scope and extent of checking, the procedure for conduct of audit and issue of reports, follow-up thereon, settlement of paras and the system for ensuring compliance of internal audit observations. It also details the actions to be taken by the auditor in respect of various areas to be covered in audit. For this purpose, a separate Chapter on Guidelines (and checklists) for Internal Audit has been included in this Manual.

The internal audit system as codified in this Manual shall be subject to review at intervals of five years or earlier, if deemed necessary, due to changes in the internal and/or external environment. The Guidelines (and checklists) shall, however, be subject to an annual review.

The Manual has been endorsed by the Audit Committee of HPGCL and comes into effect from the Financial Year 2016.

INTERNAL AUDIT OBJECTIVES

The broad objectives of Internal Audit shall be as under:

- a. to review the efficacy, adequacy and application of accounting, financial and operating controls and to ensure accuracy of the books;
- b. to verify that the system of internal check is effective in design and operation in order to ensure the prevention and early detection of defalcations, frauds, misappropriations and misapplications;
- c. to identify areas of significant inefficiencies in existing systems and to suggest necessary remedial measures;
- d. to confirm the existence of financial propriety in decisions taken and verify compliance to Government and statutory requirements;
- e. to review the performance of various functions in the light of performance budgeting and to suggest cost reduction measures, if any;
- f. to associate with Executive Engineer / HODs, whenever asked for, in undertaking

surprise checks and inspections during audit of the project / unit;

- g. to ascertain whether an effective and efficient inventory management existed to ensure that inventory of stores, spares was within prescribed limits; contractual obligations of the contractors/ vendors were adequately and satisfactorily met; installed capacity of the generating units was optimally utilized as per norms fixed by Central Electricity Authority(CEA) / Haryana Electricity Regulatory Commission (HERC); transport facility was being utilised prudently and economically as per norms.

CHAPTER 2

INTERNAL AUDIT COVERAGE

Internal audit of HPGCL shall be conducted twice in every financial year for all accounting units including Headquarter, projects, stations, coal mining projects, other units/divisions.

The first phase of audit shall cover the first half of the financial year (period from April to September). The remaining period (October to March) shall be covered in the second phase audit. Reports in respect of both the phases shall be made and submitted to the Internal Audit Department at the Corporation's Headquarter as per the Internal Audit Plan approved by the Managing Director/ Director Finance.

SCOPE OF INTERNAL AUDIT

Internal audit in HPGCL shall be broad-based and will cover all the functions. Suggestive list of functions/areas to be covered (as applicable to each accounting unit) is given hereunder:

- a. Works including O&M Contracts & Procurement (Pre-award and Execution)
- b. Stores
- c. Operations
- d. Books of Accounts, Funds and Banking Arrangements
- e. Invoicing and Debtors for Sale of Energy
- f. Personnel and Administration
- g. Project / Station / Office related Facilities
- h. Loans
- i. Bonds and Debentures

While conducting internal audit, emphasis should be laid on compliance of the rules, regulations, policies and procedures laid down in all the areas being audited. Compliance with the relevant manuals/instructions, if any, shall be verified as a matter of course.

Guidelines and checklists have been furnished for the areas requiring attention in this manual. It is, however, emphasized that the coverage and reporting should not be restricted to the aspects mentioned in the guidelines alone. Professional expertise and judgment will have to be exercised on all other related areas and aspects as well.

Apart from the areas covered above, special investigations, as entrusted from time to time by the Board/Whole-time Directors/Audit Committee and Director(Finance) shall also be conducted and the findings/recommendations shall be submitted to the identified authority.

EXTENT OF CHECKING

The areas to be covered by internal audit are given below. The representative extent of coverage (sample size) for various business processes / sub-processes are also specified. However, the sample size may be increased or decreased after discussions with Headquarter considering the location of unit, project stage, volume of activities, etc. The internal auditor should select sample items in such a way that the sample can be expected to be representative of the population.

| Sl.No | Area | Coverage in each phase |
|-------|--|--|
| I ** | <u>WORKS INCL. O&M CONTRACTS</u> (Pre-award and execution) i) W.Os with value more than Rs.20 Lakh ii) W.Os with value from Rs.10 lakh to Rs.20 Lakh iii) W.Os with value less than Rs.10 lakh | 100% 50% 25% |
| II ** | <u>PROCUREMENT</u> (Pre-award and execution) i) P.Os with value more than Rs.20 Lakh ii) P.Os with value from Rs.10 lakh to Rs.20 Lakh iii) P.Os with value less than Rs.10 lakh | 100% 50% 25% |
| III | <u>STORES</u> i) Documentation and procedures ii) Claims iii) Store Accounts | 2 Months 50% 50% |
| IV | <u>OPERATIONS</u> A. Thermal Energy (Coal, Liquid Fuels, Gas) i) Operational Data Analysis ii) Review of Fuel Accounting records for Receipt, Consumption and Stock iii) Verification of Fuel Price Adjustment iv) Review of Monthly Operating Results B. Hydel Energy C. Solar Energy D. Coal Mining Activities | 3 Months |
| V | <u>BOOKS OF ACCOUNTS, FUNDS AND BANKING ARRANGEMENTS</u> Books of Accounts i) Review of GL and Sub-Ledgers ii) Voucher Verification Bank Payment Documents (for 3 complete months) Documents for Bank Receipt (-----Do-----) Documents for Adjustments (-----Do-----) iii) Review of Employee Compensation / Accounts Pay Bill Review Other Employee Benefits Funds and Banking Arrangements (including BRS) Maintenance of Cost Accounting Records | 50% GL / 25% SL Apr, Sep, Nov, Mar and any one(1) more month 25% 50% 50% To Comment |
| VI | INVOICING AND DEBTORS FOR SALE OF ENERGY | 100% |

| | | |
|------|--|------------------------------|
| VII | <u>PERSONNEL AND ADMINISTRATION</u> A. <u>Employee Related</u> i) Service Book ii) Employee Benefits B. <u>Other Administrative Matters</u> Land Mutation / Adverse Possession issues Unauthorised occupation of COA | 25% 25% 50% 50% |
| VIII | <u>PROJECT / STATION / OFFICE related FACILITIES</u> (viz., Colony, Shops, Petrol Pump, Guest House / Transit Camp / Field Hostel, School, Dispensary / Health Centre and Vehicle Maintenance) i) Proprietary Aspects ii) Accounts | 100% 100% |
| IX | <u>LOANS</u> i) Domestic Loans ii) Foreign Loans | 100% 100% |
| X | <u>BONDS and DEBENTURES</u> | Test Check |

** Auditors shall obtain from Auditee units and provide a list of all contracts entered into by the respective units with reference to LOA (WO/PO) numbers, award values and type of tender etc., highlighting those awards that have been examined by them. In this process, it is obligatory to ensure that at least 10% of the contracts awarded on nomination basis to PSUs & Govt. Depts. (Including Agencies / Bodies / Institutions, etc.) are covered. Auditors shall also give a certificate in respect of the same. For this purpose, Single Tender awards placed without calling for tenders should be considered as awards made on nomination basis.

AUDIT METHODOLOGY

The methodology to be adopted for attaining the audit objective consists of scrutiny of records, analysis of data, interacting with auditee's personnel and verifying – for authentication - suo-motto information received, raising audit queries and discussion of audit findings with the Management.

CHAPTER 3

CONDUCT OF INTERNAL AUDIT, ISSUE OF AUDIT REPORT & FOLLOW-UP

- A.** The following shall be ensured in the conduct of internal audit and issue of internal audit reports:
1. The audit shall be conducted in accordance with the guidelines and checks provided in the body of this manual.
 2. The results of audit ought to be discussed with the Head of Finance and the Chief Engineer in each phase of the concerned unit and important observations should be brought to their notice.
 3. The Report should be prepared after duly taking into account the additional information that may be provided / obtained in such discussions. Sharing of observations with the Project during the course of Audit would result in timely corrective actions. This would also help in reducing the number of actionable / pending queries in the Report. In such instances, both Audit observations & actions taken may be reported.
- B.** Internal Audit Reports should be divided into FOUR (4) separate parts having contents as hereunder:

PART- I IMPORTANT OBSERVATIONS, OBJECTIONS AND RESERVATIONS:

This part should contain the auditors' comments on all such irregularities or occurrences which auditors want to bring to the notice of management, along-with their financial implications, if any. This part should also bring out deviations (non - compliances) by units from policies, systems and procedures prescribed by HPGCL. Any non-compliance with the matters / areas specified in the Guidelines for Internal Audit should also be identified here. The observations should be arranged in self-contained paras, preferably with suitable titles.

PART- II COMPLIANCE REPORT:

Auditors to Report on compliance of internal audit observations outstanding as at the end of the previous half year (that is, as contained in the Report of the preceding phase). For example, while submitting the internal audit report of Phase – I for the year (say, 2015-16) it may be ensured that a compliance report on audit observations contained in Phase - II report of the previous year (i.e. 2014-15) as well as on such observations contained in reports of earlier years, pending settlement, is included and briefs of corrective actions taken on those observations are furnished in the current year's (i.e. 2015-16) Phase – I audit report. The following format may be used for reporting on compliances / pending observations:

| Report on Compliances / Pending observations against Audit Reports of earlier Year(s) / Phase(s) | | | | |
|---|------------------------------|------------------------------------|----------------------|--|
| Year / Phase | Report Part (I,II,III or IV) | Observation Ref. No. in cited Part | Observation in Brief | Corrective action taken(in brief) / Pending(P) |

PART – III REPORT ON CONTRACTS / P.Os PLACED ON SINGLE TENDER BASIS

It has been decided that internal auditors will report separately on Work Orders (W.Os) / Purchase Orders (P.Os) placed on Single Tender basis. The coverage of such contracts and the format for reporting is included in the Guidelines and Checks for Internal Audit detailed in Chapter 4 of this Manual which may kindly be adhered to.

PART – IV DETAILED REPORT:

This part shall comprise auditors' detailed observations regarding areas specified in the Guidelines and Checks for Audit. However, non-compliance of the matters / areas specified in the Guidelines which are mentioned in Part I of the report, should also be invariably detailed in this Part. Auditors should also report their findings on all W.Os. / P.Os placed on other than Single Tender basis in this Part, in the format included in the Guidelines and Checks for Internal Audit.

C. REVIEW OF REPORT AND SETTLEMENT OF PARA

The internal audit reports should be reviewed and action be taken for settlement of the audit paras. For this purpose, the following needs to be kept in view:

- i. After an audit is over, the internal audit report shall be sent to the accounting unit seeking compliance/ replies to the audit observations.
- ii. Replies to internal audit observations shall be furnished by the auditee units after approval by the respective Chief Engineer and Head of Finance.
- iii. The replies furnished by the units shall be examined by the Headquarter Audit Department. Individual paras shall be settled if the units have either intimated compliance with the observations along with verifiable evidence or have furnished satisfactory explanation. The para where action is yet to be reported or for which compliance is not verifiable or explanation is unsatisfactory shall be sent back to the unit with comments for compliance / further replies.
- iv. Such further replies shall be examined by Headquarter Audit Department. The process as in (iii) above shall be repeated for settlement of all paras in an audit report.
- v. Also, the reports shall be reviewed from time to time with a view to monitor compliance of the compliable paras and gauge the status of those which need explanation and remedial action.

D. COMPLIANCE OF INTERNAL AUDIT OBSERVATIONS

A four (4)-tier arrangement for ensuring compliance of internal audit paras has been put in place:

1. FOLLOW-UP & SETTLEMENT OF INTERNAL AUDIT PARAS

All outstanding paras shall be followed-up by the Headquarter Audit Department for ensuring compliance and / or settlement.

In this context, it is suggested that a system of mail reminders (commencing 2

weeks after report issue date) be put in place by HPGCL whereby Headquarter Internal Audit will send successive reminders for three (3) weeks to the Heads of Units from where replies to internal audit reports are outstanding. A week after the third such reminder, a status report should be generated and put-up to the Director (Finance) in respect of those units which have failed to respond.

2. PERIODICAL INTERNAL AUDIT MEETINGS

All paras remaining outstanding shall be discussed in Periodical Internal Audit Meetings organized by the Headquarter Audit Department under the joint chairmanship of Director (Finance) and Concerned Director. These meetings are to be attended by representatives of Headquarter Internal Audit, Heads of Projects, Heads of Finance of all stations and other concerned executives. Agenda for these meetings shall include complete details of all internal audit paras outstanding. Paras in respect of those units which have reported compliance or have furnished satisfactory replies shall be settled at the meetings. The decisions taken at the meetings shall be minuted and actions taken with regard to decisions in earlier meetings shall be reported in the agenda for subsequent meetings.

3. INTERNAL AUDIT REVIEWS BY MANAGING DIRECTOR

Periodic internal audit reviews may be taken by Managing Director (MD). For this, after receipt of reports for each phase of audit, an agenda may be prepared and put up with due approval.

Details of long-pending audit issues and important internal audit observations including significant observations specifically highlighted in Part 1 of the reports, some of which may be common to several units or those where decision / intervention of MD would help in expediting action / settlement of the same, shall be included in the agenda.

Action taken with regard to decisions in earlier meetings shall be reported in the agenda for such meetings.

The decisions / instructions / views of MD shall be taken up for action.

4. REVIEW BY AUDIT COMMITTEE

Review of the status of internal audit and the outstanding internal audit observations falls within the terms of reference of the Audit Committee. In this context, the following may be ensured:

- i. Important observations from the internal audit reports shall be submitted to the Committee after receipt of reports for each phase of audit.
- ii. Details of internal audit observations outstanding for more than two years shall be included in the agenda for the meetings of the Committee, apart from the status on various activities of the internal audit function.
- iii. Action taken with regard to decisions of earlier meetings shall be reported in the agenda for subsequent meetings.

- iv. The decisions / instructions / views of the Committee shall be taken up for implementation / action as directed.

CHAPTER 4

GUIDELINES (and CHECKS) FOR INTERNAL AUDIT

Referral Documents:

The following documents are to be kept in perspective while undertaking audit :

- HPGCL Purchase & Works regulation, Delegation of Power, Manual of instructions and instructions and guidelines of the Corporation.
- Haryana Civil Services Rules, PFR, DFR, PWD Account code.
- Companies Act,2013, CVC /State guidelines, SEBI and any other Statutory Authorities regulations as well as Indian Accounting Standards (developed in sync with the International Financial Reporting Standards) and Audit Standards
- Guidelines/norms for operational performance issued by CEA/HERC.
- Terms and Conditions of contract (W.O. / P.O.).
- Compliance of the agreements executed with coal companies, railways, transport agency and other contractors/agents.
- Provisions/ instructions of Environment and Pollution Control Board.
- Provisions of Energy Conservation Act, 2001 relating to Energy audit.
- Chart of Account and accounting policy of Corporation.

I & I WORKS INCLUDING O&M CONTRACTS AND PROCUREMENT

The following guidelines (and checks) shall be used for audit of W.Os / P.Os:

A. PRE AWARD - GENERAL GUIDELINES

- a) An approved list of contractors / suppliers (vendors) is required to be maintained as per Work and Purchase Regulations and Corporation's policy.

All parties selected for tendering are required to hold valid labour licence and applicable registration(s) in respect of income tax / PF / sales tax / VAT / Service tax / Works Contract tax, ESI etc. In the coming times, upon implementation of the biometric system of attendance, Aadhar No. of the labourers detailed by the contractor for work execution would also be an essential requirement.

Qualifying requirements (QR) are required to be set before invitation of bids / offers and are to be specified in the Notice Inviting Tender (NIT).

- b) Proposals for the procurement of material or services are required to be initiated keeping in view its quantum, value, quantity discount and procurement lead time as recommended in the Corporation's guidelines.

Proprietary checks are to be exercised before initiating any proposal and it is required to be adequately scrutinized by the Finance wing.

- c) Tenders are required to be floated online as per the prevailing instructions of the Corporation or the State for procurement of material or services. Standardized NIT has to be followed.

All tendering procedures like invitation of bids, the requirement of EMD / Bid security, specifying bid opening date in the IFB / NIT, maintenance of tender box, certification of tender opening by Executives / Finance, formation of the tender committee etc. are required to be followed as per guidelines / DOP.

- d) Assessment of Bidders, Bid evaluation and award recommendation / approval are required to be done with utmost transparency and following the defined rules and procedures laid down by the Corporation and State government.

Estimates are required to be made out as per the prescribed procedure and format and award values compared with estimates as well as previous rates, if any.

- e) The Delegation of Powers has to be followed strictly at all stages.

B. CHECKS to be exercised in respect of files selected for examination (corresponding to the PRE AWARD – GENERAL GUIDELINES cited in A. above)

- a) In case approved lists of vendors have not been prepared / updated, whether open tenders have been floated for all cases above Rs. 2.5 lakh (in respect of orders for which LTE is otherwise allowed) till the time the approved vendor lists are prepared/updated.

Examine and comment on deficiencies observed, if any, on the issue of valid labour licence, registrations, etc.

Examine whether QR is specified in NIT and whether it is inconsistent with the Regulations and restrictive of competition in nature.

- b) Examine the basis adopted for determining the quantities to be procured from the point of view of their availability in stores / other projects, quantity discounts etc.

Where the indent value is in excess of Rs.5 lakh, examine whether the requirement has been reviewed and recommended by the screening committee / pre-audited by the project finance.

Even in a case where the provision for extension in period of the contract is available in the P.O. / W.O., the tendering process should be initiated well in advance, keeping in view the lead time required before expiry of the initial contract period, to evaluate the financial prudence of extending the existing contract's period vis-à-vis going in for a new one.

Examine whether proprietary and standardised purchases have been properly regulated as provided in the Purchase Regulations, instructions and guidelines of the Corporation.

Enquiry for such purchases should be referred only to the manufacturer and not directly to the authorized dealers. Exception, if any, shall be reported.

Comment on the reasonableness of the rates against proprietary and standardised purchases.

Analyse and comment on the reasonableness of the justification given in single tender cases.

- c) Check whether all tenders are floated online and standard NIT format adhered to. Also check whether a provision has been kept in the NIT for regulating payments

in case shutdown of the plant for a sustained period occurs during execution of the contract.

Examine whether all tendering procedures have been followed. In case of online tendering, whether the due amount of tender fee / EMD has been credited in the account of HPGCL within the specified timeline. Whether Tax collected on the tender fee has been deposited with the appropriate authority.

Checklist for Maintenance of Tender Box:

- i) It should be made of sturdy material and adequately sized to accommodate bids / proposals as well as supporting documents.
 - ii) It should be in the custody of the concerned purchase / works department and should be placed in a secure environment therein.
 - iii) Its lid should have a double locking facility with keys for each lock in the separate and exclusive custody of the concerned purchase / works and finance departments.
 - iv) Its lid should have a wide coverable and lockable slot, wide enough to facilitate insertion of bids / proposals and supporting documents into the box, The slot should be locked immediately after the deadline for receipt of bids, the lock sealed with fabric tape or strong adhesive paper and should be initialed by the TC members of both the concerned department and the finance department.
- d) In the case of first time bidders (with HPGCL), detailed assessment of their technical / financial capabilities and order-book position are required to be done by an authorised committee & its report duly authorised by the competent authority.

Examine whether successful bidders meet the QR completely in all respects.

Examine whether non-responsive bids have also been considered for evaluation and signed by representatives of all concerned departments.

Examine whether late tenders / delayed tenders have been accepted and whether post-bid letters / communications for the purpose of evaluation have been considered.

Examine whether deviations taken by the bidders have been properly loaded for evaluation of the bids.

Further, examine whether the unit has complied with circulars with regard to purchase preference issued from time to time by the corporation or the State Govt. for bids from SME's or manufacturer of Haryana State.

Examine the cases where the lowest evaluated commercially and technically responsive bids have been overlooked and whether the same are justifiable.

Financial and technical capabilities of bidders are required to be properly assessed and award recommendation made to financially sound and capable parties.

Examine whether award recommendations were made after relaxing the QR, particularly after opening of the bids.

Also examine whether estimates have been properly made out and award values compared with estimates as well as previous rates, if any.

Verify whether instructions for release of EMDs of unsuccessful bidders have been issued immediately after approval / rejection of the award by the Competent Authority.

Check if the document for EMD release is generated from the System by Materials group.

Examine whether vetting of the P.O. / W.O. by unit's Finance Department has been effected in accordance with instructions of Corporation's Finance department.

Whether Purchase Orders (P.O) have been placed in accordance with the terms of the Memorandum of Understanding, if any, with the supplier in respect of supply of steel / spares (SAIL / BHEL etc.)

- e) Verify whether the Delegation of Powers has been followed strictly at all stages, i.e., at the time of technical approval, administrative approval, calling for tenders, formation of the tender committee, calling for negotiation and approval of the award.

C. EXECUTION – GENERAL GUIDELINES

- a) Initial, interim, mobilisation and secured advances etc. have to be released in accordance with provisions of the W.O. / P.O. after approval of Competent Authority.
- b) There could be cases of release of (special) advances not provided in the W.O. / P.O. Recorded reasons are to be examined.
- c) Insurance coverage and indemnity bonds are to be furnished by the contractors for adequacy and renewal for material issued to them as per contract.
- d) Hiring of construction equipment and issue of material is required to be done with approval of competent authority.
- e) Check whether monthly statement for recovery on account of hiring of construction equipment, rental and electricity charges towards accommodation given to the contractors on chargeable basis and dispensary/health centre charges are being received by Finance wing from the concerned departments.
- f) 'C' form / LST register is to be maintained.
- g) Examine whether Guarantee / Warrantee registers are appropriately maintained and claims for defective material are being timely lodged with the suppliers.

Review the Bank Guarantee Register to identify cases of expired Bank Guarantees. Finance has the duty to inform the concerned Engineer-in-charge atleast 120 days before the validity expiry date of a BG so that timely advice is received on the nature of action to be taken for the same; thereby preventing a BG to lapse upon expiry of its validity.

- h) Auditors should check if there are any purchase orders placed on suppliers which have not been executed by them. Also point out old cases where the work was abandoned long ago. Auditors should comment on the follow-up action being taken by the unit concerned.

Auditors should also comment on action taken for procurement / execution of the items / works not supplied / performed by parties, on whom POs / WOs had been placed, from other sources along with details of additional cost incurred and penal action taken against defaulting contractors.

- i) **Spot purchases** should be resorted only in cases of acute urgency and generally should be non-recurrent in nature.

Examine whether timely action has been initiated for procurement of material on urgency basis through spot purchase. Inordinate delay should be reported.

Verify whether appropriate record / register has been maintained by the approving authority and the Finance office for spot purchase under urgency to observe the ceiling prescribed under the DOP.

Whether payment made for spot purchase has been adjusted immediately.

Whether material purchased through Spot purchase under urgency has been routed through the store account.

Examine whether material procured on urgent basis has been utilized for the purpose for which it was procured or is still lying in stores.

- j) Deposits like EMD, security deposits, Retention money etc. have to be maintained properly.

Also security deposits have to be released as per the terms and conditions of LOA and necessary approvals are to be obtained from the Competent Authority for doing so.

Documentary evidence for release of Security Deposit / Retentions are required to be attached with the vouchers.

- k) **For RA bills** submitted by the contractors, payments are to be released keeping the following in perspective:

Payment for supplies / erection price and civil works are to be in line with P.O. / W.O. and general / special conditions of the contract and have to be made after obtaining necessary approvals.

Payments are to be in line with rates provided in the contract and the quantity recorded in the Measurement Book.

Bill of quantities is to be reviewed in detail on the basis of approval notes, letter of award and amendments thereto for compliance to Regulations and Delegation of Powers and payments on account of escalation and extra claims due to:

- a. Changes in item rates / duties / Taxes.
- b. Changes in quantities executed.
- c. Changes in scope of work.
- d. Changes in payment terms.

Escalation bills are paid as per applicable indices, with reference to the formulae mentioned in W.O. / P.O.

Where E.D. and CST or other taxes are payable extra, payments are to be released on the basis of Tax invoice of the party duly supported by the Store Receipt Voucher (SRV) / Measurement Book extract (MB) to the extent of the accepted quantity / work executed.

Wherever payments are being made against documents through bank, whether advance documents have been cleared by the Materials Management Deptt. and they are in conformity with the P.O.

Recovery of various advances like initial, mobilisation, interim and secured advances and for free issue materials brought to the site, material issued on loan to contractors, etc. is to be made.

Where rates are inclusive of transit insurance it should be ensured that the supplier has submitted the insurance cover. In case it is not submitted by the supplier, appropriate recovery / adjustment for the same has to be made from the bill. Where the amount of transit insurance is not specified in the P.O., the rate of insurance as defined in the purchase regulation for the purpose of comparative statement can be taken as base.

Hire charges in respect of equipment / vehicles being used by contractors / other outside parties on account of the contractors are to be deducted from their bills.

Recoveries are to be effected for equipment hired out and material issued at higher rates as specified in the relevant guidelines, where hire charges / rates have not been provided in the contract.

Recoveries on account of rent and electricity charges towards accommodation given to the contractors on chargeable basis and dispensary / health centre charges and interest on the advances, if any, have to be made.

L/C charges are to be recovered from the bills, if so provided in the contract. L/C charges should be in accordance with the charges negotiated by Headquarter with bankers.

Income tax / works tax is required to be deducted at source as per the prescribed rates and the same is required to be deposited in time. TDS certificates are to be issued as per provisions of the Income Tax Act.

Payments are to be released after obtaining time extension where needed.

- l) **For Final Payment bills**, payments are to be released keeping the following, **in addition to those enumerated for RA bills**, in perspective:

Material lying with Contractors have to be taken over in time after execution of the contract.

The Final payments are to be made after satisfactory conclusion of the Performance Guarantee (P.G) tests. In this context, material reconciliation statement has to be prepared and necessary recoveries for excess consumption of construction materials etc. have to be effected before releasing the final payments.

Liquidated damages are to be levied for delays in completion of the works and / or deviations from prescribed performance parameters.

Also, Final payments are to be released on the basis of Tax invoice of the party duly supported by the Store Receipt Voucher (SRV) / Measurement Book extract (MB) to the extent of the accepted quantity / work executed.

Changes to Purchase Order in CIPMS are required to be checked and verified with documentary evidence. Changes could be in the nature of quantitative / price deviation, time-extension, account assignment - Capex / Opex, delivery schedule / etc. Examine and comment.

- m) Cases of pending running account or final bills / escalation or price variation bills need to be identified.

- n) Awards regularized on post-facto approval basis are to be scrutinised.
- o) Renovation and modernization programme has been taken up at various units. Accounting entries have to be properly made in the books of accounts.
- p) Provisions for expenses and capital liabilities are to be duly made on the basis of proper documentation.

Auditor to review and cite if O&M works are included in capital works.

Review of W.Os / P.Os closed during the period are required to be undertaken.

D. CHECKS to be exercised in respect of files selected for examination (corresponding to the EXECUTION – GENERAL GUIDELINES cited in C. above)

- a) Examine & comment on availability of CA approval for advances, etc..
Auditor to submit an Exception Report, citing the comments of the executive / contractor, in cases where the mobilisation or any other advance was released but the works / supplies have not been executed / received in the due course of time or adjustments have not taken place.
- b) An exception report listing any (special)advances released during the period should also be provided in the audit report alongwith recorded reasons and auditor's view thereon.
- c) Review & comment on the issue of Insurance coverage & adequacy of I. Bonds.
- d) Comment on status of approvals for hiring of equipment and material issued to contractors.
- e) That there is regularity in receipt of monthly statements for hiring, rent, electricity, etc. by Finance wing is to be examined and commented on by the Auditors.
- f) Is(are) "C" form / LST register(s) being maintained. Whether being kept updated on real-time basis so that entries therein can be straightaway linked to the RA / Final Bills received from the contractors.
- g) Examine and comment on maintenance of Guarantee / Warrantee registers and timely raising of claims.
Ascertain and comment on the action taken for revalidation of expiring Bank Guarantees and also verify the compliance to rules regarding release, invocation etc. Highlight details of the cases where recoveries could not be effected due to inability to invoke Bank Guarantees.
- h) Examine and comment on non-execution of contract.
Comment on action taken for procurement / execution through alternate sources, on additional costs, if incurred for doing so and penal action on defaulting parties, eg., BG encashment, banning from further dealings, etc.
- i) **Spot Purchases:** Examine and comment on the issues cited.
- j) Review the entries in Security Deposit, EMD and Retention Money accounts in the sub-ledger and report old outstandings, except for running contracts. Also

check if the document for EMD release is generated from the system by Materials group.

Examine and comment on adherence to laid-down procedure preceding actual release of SD.

Comment on availability or otherwise of supporting vouchers for release of SD / RM.

k) **For RA bills**, the following checks are to be made:

Examine and comment. Also ensure that bill has been verified and approved by the Competent Authority.

Comment on payments being made at contract rates and for quantities recorded in the MB.

Review bill of quantities for payments on account of escalation and extra claims due to the cited scenarios and comment.

Comment on meeting of conditions for payment of Escalation bills.

Tax invoices paid should be reviewed for supports and commented upon. Also, Include the list of the cases in the report where a higher rate of sales tax has been paid due to non-issuance of 'C' form / applicable local sales tax form.

Review payments made against documents through bank.

Review and comment on the adjustment of the advances, materials issued on loan and free issue materials against supplies / works. Report on the old outstandings along with age-wise analysis.

In case transit insurance cover is not submitted by the supplier, whether appropriate recovery / adjustment for the same has been made from the bill. Where the amount of transit insurance is not specified in the P.O., whether the rate of insurance as defined in the purchase regulation for the purpose of comparative statement has been taken.

Auditors should verify whether proper records are being maintained by sites for determining the period of use of equipment / vehicles provided on hire to contractors and whether deductions are actually being made from their bills for the period of use.

Where hire charges / rates for equipment hired out / material issued are not provided in the contract, whether recoveries have been effected at higher rates specified in the Corporation's guidelines.

Is rent, electricity and dispensary / health centre charges being recovered from the contractor. List out old outstandings and comment on the same.

Are the L/C charges being recovered.

Are the actions required on Income tax / Works tax being undertaken so that there are no Statutory defaults.

Have approvals for time extensions been obtained.

l) **For Final Payment Bills**, the following checks, **in addition to those required for RA bills**, are to be made:

Verify whether proper record has been maintained for controlling materials issued to the contractor on loan and the unused material has been received back in good condition before making final payment to the contractor. In case material issued to the contractor at a fixed rate in terms of the contract. is

different from the store issue rate, whether difference is suitably booked in concerned job.

Whether satisfactory performance certificate from the Executive in charge is available regarding completion of work by the contractor, wherever applicable, as per the terms of contract and material reconciliation statement has been signed by the Corporation and Contractor without any pre-condition.

Examine whether liquidated damages have been levied for delays in completion of the works and/or deviations from prescribed performance parameters. If leviable liquidated damages are waived, whether the reasons recorded for waiver are justifiable. While examining cases of levy / non-levy of L.D., auditors to look-up the basic records maintained by the Engineer-in-Charge in respect of execution of the concerned contracts.

Examine and comment on adherence of conditions cited for release of Final payment.

Auditor to also check for Final delivery indicator with respect to Purchasing document in CIPMS where the supply is complete.

- m) Cases of pending RA or Final bills as well as Escalation or Price Variation bills need to be reported.
- n) Examine all awards regularized on post-facto approval basis and comment thereon.
- o) Whether accounting entries for R & M activities have been made as per instructions issued from time to time and are in accordance with the generally accepted accounting principles.

The method adopted for scrap generation may also be examined and commented on.

- p) Comment on cases of over or under provisioning in expenditure bookings and for capitalisations.

Comment on whether O & M expenses have been capitalized or vice versa.

Examine whether contract closing is done in accordance with the existing system and whether proper recoveries have been made in respect of any relaxations in the conditions of the W.O. / P.O. (Examples: waiver of specific tests, excess consumption of steel and cement, relaxation of specifications for materials, etc.).

I. REPORTING FORMATS for W.Os and P.Os PLACED ON SINGLE TENDER BASIS

As brought-out in Chapter 3, reporting on W.Os / P.Os awarded on **Single Tender basis will be covered exclusively in **Part III of the Report**; starting with the following statistics:**

SUMMARY

TABLE NO.1

| Award Value | Total No./ Value of W.Os / P.Os placed during the period under audit | | Total No./ Value of W.Os / P.Os examined during the audit | | Percentage of contracts examined (for both, number and value) | |
|--------------------------------------|--|-----------------------|---|-----------------------|---|--------------------|
| | No. (Total) | Total Value (Rs.Lakh) | No. (Total) | Total Value (Rs.Lakh) | No. (%) | Value (%) |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| More than Rs.20 Lakh | | | | | | |
| From Rs.10 Lakh to Rs.20 Lakh | | | | | | |
| Less than Rs.10 Lakh | | | | | | |
| Total | | | | | Do not Fill | Do not Fill |

Thereafter, the following reporting format shall be used for reporting on **each case** actually examined based on the Guidelines and Checks laid-down in this Chapter for both Pre Award and Execution scenarios:

CASE-WISE CONTENT

TABLE NO.2

| Sl. | Name of party, W.O. / P.O. Ref.No. and Date | Nature of work / Item purchased | Value of contract (Rs Lakh) | Whether awarded on OEM/ OES/ MOU/ PAC/ Urgency (SPOT) or such other basis | Name of the party on which such contract was placed earlier | Reasons for awarding on Single Tender basis | Observations of Internal Auditor |
|----------------------|---|---------------------------------|-----------------------------|---|---|---|----------------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| (Total Count) | | | (Total Value) | | | | |

(Auditors are required to ensure that the Totals of Nos. and Values under columns (4) & (5) of Table No.1 tally with the Total Count and Total Value under columns (1) & (4) of Table No.2.)

Auditors shall also certify below this table that they have “examined each of the W.Os / P.Os hereinabove with reference to the Guidelines (and Checks) for Works including O & M Contracts and Procurement”.

II. REPORTING FORMATS for WOs AND P.Os PLACED ON OPEN TENDER / LTE BASIS (that is, ON OTHER THAN SINGLE TENDER)

Reporting on W.Os / P.Os awarded on **Open Tender / LTE basis** will be **covered exclusively in Part IV of the Report**; starting with the following statistics:

SUMMARY

TABLE NO.1

| Award Value | Total No./ Value of W.Os /P.Os placed during the period under audit | | Total No./ Value of W.Os / P.Os examined during the audit | | Percentage of contracts examined (for both number and value) | |
|--------------------------------------|---|-----------------------|---|-----------------------|--|--------------------|
| | No. (Total) | Total Value (Rs.Lakh) | No. (Total) | Total Value (Rs.Lakh) | No. (%) | Value (%) |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| More than Rs.20 Lakh | | | | | | |
| From Rs.10 lakh to Rs.20 Lakh | | | | | | |
| Less than Rs.10 Lakh | | | | | | |
| Total | | | | | Do not Fill | Do not Fill |

Thereafter, the following reporting format shall be used for reporting on **each case** actually examined based on the Guidelines and Checks laid-down in this Chapter for both Pre Award and Execution scenarios:

CASE-WISE CONTENT

TABLE NO.2

| Sl. | Name of party, W.O. / P.O. Ref.No. and Date | Nature of Work / Item Purchased | Value of contract (Rs. Lakh) | Observations of Internal Auditor |
|----------------------|---|---------------------------------------|------------------------------------|----------------------------------|
| (1) | (2) | (3) | (4) | (5) |
| | | | | |
| | | | | |
| | | | | |
| (Total Count) | | | (Total Value) | |

(Auditors are required to ensure that the Totals of Nos. and Values under columns (4) & (5) of Table No.1 tally with the Total Count and Total Value under columns (1) & (4) of Table No.2.)

Auditors shall also certify below this table that they have “examined each of the W.Os / P.Os hereinabove with reference to the Guidelines (and Checks) for Works including O & M Contracts and Procurement”.

Guidelines and Checks**i) DOCUMENTATION and PROCEDURES**

- a) Most of the activities related to stores have been operationalised in the CIPM system. Materials being received at site are acknowledged through Goods Received Note (GRN) and taken into physical inventory in the Stores (prior to quality clearance) . On quality clearance, material is booked into stock available for issue, i.e., Store Receipt Voucher (SRV) is generated. Auditors should examine and comment upon delays in carrying out both the subsequent movements.
- b) Examine and comment on cases pending quality clearance for more than six months.
- c) Examine and comment on old cases of material-in-transit lying as open items in GR/IR clearing.
- d) In all cases where advances have been released, auditor to review and report on materials rejected upon inspection and awaiting replacement / rectification & return even after passage of the delivery period as per the P.O. or 6 months from the order date, whichever is later. In case of rejected material, whether Inspection and other related costs have been recovered from the contractor is also to be reported.
- e) Examine and comment on the follow-up maintained with suppliers in respect of cases falling under (c) and (d) above.
- f) No surplus of store of one item is adjusted against shortage of another item. Review and report on whether shortages and surpluses of store have been properly accounted for as per the departmental instructions.
- g) Whether Quantity ledger maintained in the store department has been reconciled with the Value ledger maintained in the Finance Department at the end of each financial year. Delay and deviation if any should be reported.
- h) Comment on investigation pending along with the reasons.
- i) A policy laying down the guidelines for Disposal of Obsolete/limited shelf life/ unserviceable spares / stores has been circulated. Auditors have to verify that the unit is following the policy laid down in the above-mentioned circular and include their observations regarding the same in their report. Internal auditors should also examine and comment upon updation of these items in the CIPM system.
- j) Verify whether Disposal Committee (DC) has been constituted as per guidelines and whether the DC is functioning regularly. Also examine the action taken by site on the report of the committee.
- k) Whether ageing and analysis of the stock by categorizing into regular, slow-moving and obsolete items is being done regularly. What action has been initiated for the expeditious disposal of such inventory? Reasons for stock items becoming obsolete should be reported.

- l) Examine whether scrap, by-products arising from operations and other obsolete / non-moving items of operational activities have been identified and duly disposed off.
- m) Examine and comment on adequacy of the steps taken for collection of sweep cement.
- n) Sometimes some materials are sent out of HPGCL premises on “Returnable” gate passes. Instructions have been issued for ensuring effective control over such materials. Auditors should verify and comment on the implementation of the same by sites.
- o) Verify whether instructions in respect of use of loco spares lying in HPGCL stores by the Railways for loco maintenance is being followed by stations.
- p) Comment on the layout and maintenance of the store i.e. whether the store items are well arranged and placed in their allocated bins. Bins are provided with identity tag indicating the brief description of the material and stock code.
- q) Examine whether the quantity ledger of the stock item is immediately updated after issue of SMB or SR. Exception should be reported.
- r) Whether a register is being maintained for the disputed items which could not be taken on the books due to any reasons. Whether payments have already been released for such material; if so what action has been initiated for the refund/ adjustment thereof.
- s) Whether the inventory lying in store including MAS is being shared regularly with the other users of the project and also with other projects.
- t) Whether all purchases of T&P and other movable office items i.e. mobile set, laptop, desktop, printer, fax and copier etc. are being routed through the Store Department and in case of Corporate Office through T&M office. Whether full details are being recorded against the issue of such item to particular office i.e. description and serial no. of the item, date of purchase, date of issue and the name of the recipient, in a separate register maintained for the purpose.
- u) Whether physical verification of the T&P is being done at the end of each financial year and shortages / surpluses if any are being accounted for.

ii) CLAIMS

- a) Examine whether insurance policies are being taken in time as per guidelines and properly maintained.
- b) In case of marine policies, verify whether relevant declarations are made in time.
- c) Written advice is to be given to insurance company whenever equipment are sent outside HPGCL premises for repairs, etc. Auditors should verify whether such advices have been sent by the units so as to keep the insurance, which includes transit insurance, cover valid.
- d) Examine whether all claims on railways, marine and other insurance companies, including insurance obtained by suppliers that ought to have been lodged, have been lodged in time by reference to primary records.

- e) Where guarantee clause is provided in the P,O in respect of certain spares/equipment like grinding rings, etc., whether claims are being lodged on the suppliers and the same are being followed up for realisation.
- f) Comment on cases of delays.
- g) Examine the realisation of the above-mentioned claims.
- h) Examine whether detailed claim-wise registers have been maintained with adequate follow up of all claims.
- i) Examine the basis adopted for valuation of all claims and ensure that the same is in order and incorporated in time in the books of accounts.
- j) Examine whether all doubtful claims have been identified and written off with the requisite approval.
- k) Tally the claims reflected in Finance books with the claims as indicated in the Materials records.
- l) Review the adjustment of short realised claims in the books of accounts.
- m) Review the old outstanding claims and comment on the outstandings on this account.

iii) STORE ACCOUNTS

While conducting audit, internal auditors should verify the following:

- a) Report on the instances of purchases made in spite of having inventory.
- b) Report on the variations in rates of a particular item purchased on different dates in the period under review.
- c) Whether physical verification has been conducted covering sufficient number of items as per the CARO, 2015. Whether provisions have been made for the discrepancies observed on physical verification. Also verify whether the provisions have been finally adjusted on completion of investigations, with the approval of the Competent Authority. Abnormal cases should be pointed out. Verify whether discrepancies observed during physical verification during the previous year have been investigated and adjusted in accordance with guidelines.
- d) Verify whether capital items are being included in the repairs and maintenance expenses.
- e) Whether inter-unit debits for materials transferred to other projects have been verified immediately.
- f) A list of spares which should be capitalised has been circulated. If any spares bought by stations/projects appear in the above-mentioned list, such spares should be capitalised as and when the items are procured and become available for use. Auditors should verify whether this is being followed by the units.
- g) Whether material issued on loan account has been duly approved by Competent Authority.
- h) Verify and report whether the unit has issued any capital spares for consumption during the period under audit. Verify also whether the value of such consumption has been intimated to the Sr. A.O. Regulatory under Controller Finance.

- i) Verify whether inventory of steel scrap has been accounted for on realizable value and other scrap has been accounted for on actual realisation basis.
- j) Verify whether instructions regarding accounting for insurance claims and customs claims are being followed.

I V

OPERATIONS

Fuel alone accounts for 80% of the cost of generation and improvements in this area are likely to result in huge savings.

Given below are the **guidelines and checks** for audit of operations. While an attempt has been made to make them comprehensive, auditors should use their judgement while auditing this area and give their suggestions for system improvements / cost reduction. Special attention may be paid to the controls in the area of fuel, especially coal. Daily, weekly, monthly, quarterly and annual reports are generated by the Efficiency Division of a Power Plant and sent to concerned divisions / departments within the Plant, Headquarter or various Statutory authorities, as required. Weekly Plant Performance and Ash Data as well as key Monthly Reports must be perused by the auditor and a summary sheet on issues of importance, supported with trend analysis (wherever required), should be compiled and put up to the Management by way of a separate report.

A. REVIEW FOR THERMAL ENERGY

i) OPERATIONAL DATA ANALYSIS

- a) From the monthly generation data, review and comment on the actual physical parameters – Availability Factor, Generation, Plant Load Factor, Auxiliary Power Consumption percentage, Heat Rate from each source (coal, oil, gas) and Specific Oil Consumption in the case of coal stations, with reference to budget, previous year's actuals and tariff parameters.
- b) **ENERGY SENT OUT**: Test check the figures of energy sent out and auxiliary power consumption with reference to the logbooks maintained at respective places. Verify calibration reports of various meters.
- c) Comment on the findings from the Internal Control Questionnaire relating to coal, liquid fuel(s) and gas.
- d) Auditors should comment on any unusual change in the pattern of specific fuel consumption, after consulting with site the reasons offered for such change.
- e) Compare the maintenance schedules in terms of number of days as planned with actual maintenance as done. Examine the adverse variances and corrective action taken in these cases.
- f) Examine and comment on the control maintained by the project over replacement of high value spares and replaced items as indicated in the respective Guarantee/warranty register. Examine whether the actual life of spares is as per the norms given by the supplier. Examine and comment upon the corrective/recovery action taken by the unit in case of deficiencies.
- g) Examine records maintained in the MAS and comment on abnormalities.

ii) FUEL ACCOUNTING RECORDS

While conducting audit, internal auditors should verify the following with regard to fuel:

- a) Review the reconciliation of accounts with all fuel suppliers and verify whether provisions have been made for their claims on realization basis as per the Corporation's policy.
- b) Guidelines have been issued from time to time regarding inclusion of various items of cost in the Cost of Coal. Verify whether guidelines have been strictly followed.
- c) Whether credits received for excess moisture content and oversized stones etc. have been accounted properly.
- d) Shortages/excesses on physical verification are being adjusted on monthly / quarterly basis with the approval of competent authority.
- e) Whether stocks of all fuel are being held as per tariff norms.
- f) Report whether any Minimum Guaranteed Off-take (MGO) charges paid are being accounted in the PSL and recovered from the beneficiaries through tariff.
- g) Test check calculations of fuel price adjustment in respect of all fuels.
- h) If the site is paying any taxes and duties like water cess etc. which are reimbursable by beneficiaries separately in terms of Power Purchase Agreement / Tariff notification whether the relevant information is being sent to Headquarters for raising necessary bills. Report also whether such bills are being raised and realised.

COAL

RECEIPTS

1. Indigenous Coal

- a) Test check, for each method of delivery, whether proper weighments have been undertaken throughout the period at power station-end regardless of weighment at mine-end.
- b) For each weighment, ensure adequate supporting documentation e.g., for both incoming and outgoing, weighbridge print-out [road/rail], train/truck reception report, bill of loading and unloading details. Ensure consistency of tare weights for comparable types of delivery. Examine whether the weighbridges are being calibrated as per the provisions of coal supply agreements. Also examine whether quantities of coal supplied are ascertained in line with the coal supply agreements, in case the weighing machines are out of order. Examine whether the procedure as specified is complied with for ascertainment of the weight of coal at the receiving end.
- c) For each mode of delivery, assess the accuracy of quantities advised by coal companies by test checking the suppliers' advice/delivery notes against weighbridge print-outs. Ensure that all differences in weights are recorded and that receipt documents have been signed by the appropriate official.

- d) Compare quantities shown on suppliers' and haulers' invoices with advice notes.
- e) In rail-fed stations, examine whether "Paid" Railway Receipts are being obtained for payment of freight.
- f) Accepted modalities for railway freight on coal supplies by rail without payment of surcharge have been circulated . Internal Auditors are to examine & report whether the station is following the guidelines/agreements.
- g) Railway freight is being paid through electronic mode in some stations, as per tripartite agreements entered into with the Railways and Bank. Under these agreements, freight is prepaid by debit to the Headquarter Accounts and HPGCL Headquarter in turn passes on the debits to concerned stations. Stations are to reconcile these payments on regular basis with Railways and Bank. Auditors have to verify whether reconciliation of such payments is being done as per provisions of such agreements and comment thereon.
- h) Examine records relating to claims for short weights/deliveries and missing wagons and rakes (diverted out). Also review records relating to wagons / rakes diverted in. Ascertain whether all claims arising therefrom have been pursued to a proper conclusion and settlement. Investigate and report where this has not been done. In case of claims against railways not settled within the period prescribed under rules, examine whether these claims have been taken up in time with the Railway Claims Tribunal/ Court.
- i) Auditors to examine whether quantitative and financial reconciliation has been done with Railways on quarterly basis by the unit. The period covered by the last reconciliation done (separately for number of wagons and value) with each railway is to be mentioned in the audit report in each phase.
- j) Ascertain the adequacy and integrity of the coal sampling procedure both as regards calorific value and for other specified requirements. The sampling procedure should be as per provisions of the coal supply agreements. Ensure that an adequate number of representative samples have been taken from each source of supply.
- k) Verify the procedure for drawl of the sample at the consumption end to arrive at calorific value of coal on fired basis.
- l) Variation in the billed GCV and consumption-end GCV should be observed on month to month basis. Abnormal variation on month to month basis should be highlighted.
- m)
 - (i) Check results of sampling evaluation with advices to Coal Handling / Coal Efficiency Cell of the Project.
 - (ii) Compare sampling results with supplier's analysis.
 - (iii) Ensure that appropriate adjustments have been made in accordance with the sampling results or adequate explanations have been recorded where no action has been taken.
- n) Examine the weighing and sampling equipment maintenance records for frequency of checks and ascertain whether corrective action has been taken wherever necessary.
- o) To check the implementation of provisions of Coal Supply Agreements with regard to lodging and realisation of claims against coal companies for stones / extraneous materials and excessive moisture content, if any.
- p) Examine whether prices are charged and payments are released strictly in accordance with the provisions of the coal supply agreements.

- q) Examine and report that reconciliation of accounts with each coal company has been done on quarterly basis by the unit. The period covered by the last reconciliation done with each company is to be mentioned in the audit report in each phase.
- r) Verify that the advance payments released to the coal companies are not in excess of the periodical installment due to the coal company as per the fuel supply agreement.
- s) Examine whether prompt action has been initiated by the fuel department for diverting the coal from the collieries end to avoid the additional freight. Additional freight for rebooking paid due to diversion of coal should be highlighted in the report.
- t) Whether appropriate record has been maintained for the inward/ outward diversion of the rakes. Whether the same has been adequately accounted for or not. Status of the last settlement and the pending settlement should be recorded.
- u) Whether appropriate record has been maintained by the fuel department to support timely placing of indent with the coal companies and placement of wagons/rakes by the railways. The Railway route availability factor and other constraints, if any, need be on record to verify the performance incentive and compensation claim of the coal companies.
- v) While signing the Tripartite Agreement with the Railways, all possible and available collieries need be covered therein as sources for supply of coal so as to avoid any To-pay freight.

2. Imported Coal

- a) Check, if weighment recorded by weighment system of HPGCL with electronic printout facility is taken as final after consideration of empty rake weight.
- b) Check, if there are instances when HPGCL Weigh Bridge was out of order and weighment could not be done at the power station end. In such situation, whether the alternative provisions provided in the agreement/contract for determining weight are being followed.
- c) Whether the supplier is dispatching rakes under clear identification tags and distinct identification is mentioned in all the documents for identification of rake at the destination.
- d) Check that all other charges like Demurrage, Wharfage, Over-loading / Under-loading etc as applicable for Ports and Railways are borne by the supplier. (Any delay / detention charges of rakes at power station is to the account of HPGCL)
- e) Check that primarily NABL (National Accreditation Board for Testing & Calibration Laboratories) accredited Independent Inspection Agencies (IIA) for draft survey, sampling and quality analysis at Load Port, Discharge Port & HPGCL power station are appointed by the supplier under intimation to HPGCL and costs of inspection/fee are borne by the supplier. Company can also appoint IIAs at its discretion and cost.
- f) Ascertain that the procedure for collection of samples is in line with the provisions of agreement/contract.
- g) Check the calculations for arriving at the Net Adjusted Quantity of coal received/corrected landed price i.e after carrying out adjustments due to quality

variations with respect to the base parameters on account of Total Moisture, Ash content, Size, GCV, Sulphur etc. In this process, at least 50% of the rakes received are to be covered.

- h) Whether reconciliations between the supplier and HPGCL are being carried out as per provisions of agreement/contract.
- i) Ascertain that payment terms as envisaged in the agreement/contract are being adhered to.
- j) Check that Railway freight payments are made to the supplier as per provisions of the agreement/contract. Is the supplier submitting necessary documentary evidence & certificates for the same?

CONSUMPTION

- a) Assess the adequacy of the system for obtaining the figure of Fuel Consumption and the circumstances in which any alternative methods are used.
- b) Test check entries in Fuel Register from records of gravimetric feeder belt readings, delivery advices or other records. Examine whether periodical calibration of gravimetric feeder belts are being carried out.
- c) Enquire into and record explanations for adjustments made to weigher readings or other records.
- d) Variation in consumption on month to month basis should be highlighted.

RECORDS

- a) Test check posting of coal receipts / consumption in the stock register.
- b) Ascertain figures for "coal in transit". Enquire into and record, any long outstanding items.

STOCKS

- a) Confirm that there is a satisfactory method for determining and adjusting changes in bunker stock levels while calculating closing stocks.
- b) Confirm that there is a satisfactory method for determining and adjusting changes of carpet coal stock levels while calculating closing stocks.
- c) Examine whether physical stock verification is being done in accordance with the system laid down in this regard and that discrepancies found on such verifications are being investigated into.

INTERNAL CONTROL QUESTIONNAIRE: COAL

1. GENERAL

Obtain diagrams of coal plant and stocking areas including directional diagram of conveyors and location of weighing and sampling equipment.

2. RECEIPTS

| SL.No | Particulars | Findings | Recommendations |
|--------|--|----------|-----------------|
| (2.1) | Is coal received by a) water transport b) Road c) Railway wagons d) Merry Go Round Systems | | |
| (2.2) | Is coal received from Govt. Collieries or other suppliers? | | |
| (2.3) | Is all coal weighed on receipt ? | | |
| (2.4) | Are visual checks for contents of delivery vehicles undertaken both before and after delivery? | | |
| (2.5) | Are regular checks undertaken in order to verify the security and accuracy of the weighing system? | | |
| (2.6) | Is an individual record of advised delivery kept? | | |
| (2.7) | Are such records checked against weighment tickets for all deliveries? | | |
| (2.8) | Are all differences in weights recorded? | | |
| (2.9) | Are claims made for short weights/deliveries and have these been timely lodged by the Fuel Division? Whether a copy of the same has been sent to the Finance Section for reference and record? | | |
| (2.10) | Are all such claims pursued to a proper conclusion? | | |
| (2.11) | Are price bulletins received and that these are used for checking prices charged? | | |
| (2.12) | Are there procedural instructions regarding the collection of coal samples? | | |
| (2.13) | Have arrangements been made to ensure that adequate numbers of representative samples have been taken from all sources of supply? | | |
| (2.14) | Are the results of sampling evaluations correctly and promptly advised to Coal Efficiency Cell . of the project. | | |

3. CONSUMPTION

| SI.No | Particulars | Findings | Recommendations |
|-------|--|----------|-----------------|
| (3.1) | Are figures for coal consumed obtained from belt-weigher readings? | | |
| (3.2) | Are belt weighers regularly maintained and checked? | | |
| (3.3) | Are adjustments made to weigher readings, properly authorised? | | |
| (3.4) | Are bunker stock levels taken into consideration in determining the amount of coal consumed? | | |
| (3.5) | Is there a satisfactory method for accurate assessment of bunker stock levels? | | |

4. RECORDS

| SI.No | Particulars | Findings | Recommendations |
|-------|--|----------|-----------------|
| (4.1) | Is information from prime documents like invoice/delivery advices posted promptly to memorandum coal records? | | |
| (4.2) | Are coal receipts and consumption accounted for in accordance with the laid down procedures? | | |
| (4.3) | Are records maintained which show quantity of coal-in-transit? | | |
| (4.4) | Is there a system for ensuring that claims are lodged for all long outstanding items? | | |
| (4.5) | Are records maintained to enable wagon standage or other extraneous charges to be checked? | | |
| (4.6) | Are memorandum coal records reconciled with Coal Stock A/C in the Financial Ledger at the end of each Financial Review period? | | |

5. STOCKS

| SI.No | Particulars | Findings | Recommendations |
|-------|---|----------|-----------------|
| (5.1) | Are coal stocks physically verified at frequent intervals? | | |
| (5.2) | Is there an official annual physical stock verification arranged independently? | | |
| (5.3) | Is there a prescribed method for determining stock densities? | | |

| | | | |
|----------------------|---|--|--|
| (5.4) (i) (ii) | Are densities determined independently of the location? During official annual verification During other verifications. | | |
| (5.5) | Are quantities as established by physical verification compared with book stocks? | | |
| (5.6) | Are stock discrepancies investigated and adjusted in the books after approval of Competent Authority? | | |

LIQUID FUELS

RECEIPTS

- a) Ensure that the procedure being followed in respect of receipt, unloading, issue and accounting of liquid fuels is in conformity with the system laid down in this regard.
- b) Scrutinize the available documentary evidence to ensure that proper checks on quantities have been undertaken as mentioned in the above-mentioned circular at the location in respect of all methods of delivery and ensure that receipt documents have been duly signed by appropriate employees.
- c) Where weighment has been undertaken, test, deliveries with weigh tickets and test check conversion of weights to volume. Consider whether the conversion factor used is appropriate. Examine tare weights of similar vehicles for inconsistencies.
- d) Test check, for each method of delivery, suppliers' advice/delivery notes against meter readings, record of tank dips, vehicle capacities or other available evidence. Confirm that any differences in volume have been recorded and the reasons ascertained.
- e) Verify that all delivery advices have been signed, both on behalf of HPGCL and of the suppliers, at the points of discharge.
- f) Compare quantities shown on supplier's invoices with advice notes.
- g) Test Check prices charged with suppliers agreed prices.
- h) Examine records relating to claims for short weights/deliveries, missing wagons and the temperature variance. Ascertain whether all such claims have been pursued to finality. Investigate and report on cases where not done. In case of claims against railways not settled within the period prescribed under rules, examine whether these claims have been taken up in time with the railway claims tribunal.
- i) Ascertain the adequacy and integrity of the sampling procedures. Check that appropriate action has been taken where quality differs from specification. Calculate the GCV on receipt basis and compare it with GCV on fired basis.
- j) Witness the delivery procedures for weighing, discharge, measurement and sampling of oil and comment on findings. In case of receipts through road transportation, highlight cases of time delays (beyond 6-8 hours) between entering of loaded tanker into project and weighment thereof / measurement of content through dip stick method.

- k) To check the implementation of provisions of Purchase Orders with regard to lodging and realisation of claims with oil companies for shortages etc.
- l) Examine whether payments are released strictly in accordance with the provisions of the Purchase Orders. Test check SRV valuation.
- m) Check the reconciliation of accounts with oil suppliers.

CONSUMPTION

- a) Assess the adequacy of the system of obtaining the fuel consumption figure and the circumstances in which any alternative methods are used.
- b) Test check entries in Fuel Register from records of meter readings or other available records.
- c) Enquire into and record explanations for adjustment made to consumption records.
- d) Ascertain that each grade of oil has only been used for the purpose for which it was purchased.

RECORDS

- a) Test check postings of delivery advices to station fuel records and Priced Stores Ledgers. Test check valuation of SRVs with reference to base records.
- b) Test check allocation between oil used for generation and for non-generation purposes.
- c) Ascertain figures for oil in transit. Enquire into and record any long outstanding items.
- d) Enquire into and verify all price adjustments. Enquire into reasons for any extraneous charges raised.
- e) Reconcile Ledger Balance of Oil Stock Account at the end of the previous review period with the Memorandum Oil Records.
- f) Examine records relating to wagon standage and other extraneous charges. Enquire into reasons for excessive expenditure/charges.

STOCKS

- a) Examine records relating to stock verification. Ensure that all stocks have been surveyed.
- b) Ascertain the method of determining stock density and confirm that the method and figures have been arrived at as per the guidelines issued by Corporate Centre.
- c) Check conversion of volume and density to weight and relate the same to book stock figure.
- d) Check that physical verification results have been sent to officials concerned at Corporate Centre.
- e) Confirm that appropriate adjustments are being made where the stock as verified differs significantly from the book stock, after approval of the Competent Authority.
- f) Whether systems of holding stocks of fuel oils / lubricants by the oil companies on Customer Operated Lubricant Depot (COLD) basis is being followed by the unit.

INTERNAL CONTROL QUESTIONNAIRE: LIQUID FUELS

1. GENERAL

- (1.1) Obtain details of grades of oil stocked and the purpose for which each grade is purchased.
- (1.2) Obtain details of storage tank capacity, flow diagrams, measuring devices and relevant working instructions.

2. RECEIPTS

| SI.No | Particulars | Findings | Recommendations |
|---------|---|----------|-----------------|
| (2.1) | Is oil received by : (a) Road (b) Rail (c) Pipeline (d) Water. | | |
| (2.2) | Is more than one grade of oil received? | | |
| (2.3) | Is each delivery checked as to the commodity to be discharged? | | |
| (2.3.1) | Does this agree with that entered on the delivery advice? | | |
| (2.4) | Are all inlet points clearly marked as to the grade of oil to be off-loaded? | | |
| (2.5) | Are all inlet points kept locked when not in use? | | |
| (2.6) | Are deliveries made into an isolated storage tank? | | |
| (2.6.1) | Are storage tank levels taken both before and after delivery? | | |
| (2.7) | Control checks: Are deliveries checked with capacities of delivery vehicles? | | |
| (2.8) | Are dipstick readings for all compartments checked from the top of the delivery vehicle/tanker? | | |
| (2.8.1) | Are records of such readings maintained? | | |
| (2.9) | Are delivered quantities metered? | | |

| Sl.No | Particulars | Findings | Recommendations |
|---|--|-----------------|------------------------|
| (2.10) | Are vehicles check-weighed, gross [before] and tare [after] delivery? | | |
| (2.11) | Are suppliers delivery advices checked for conversion of weights/volume determined above? | | |
| (2.11.1) | Have the correct conversion factors been used in making the above checks? | | |
| (2.12) | Are differences in quantities recorded, compared with invoices and claims made for shortages? | | |
| (2.12.1) | Are all such claims pursued to a proper conclusion? | | |
| (2.13) | Are notifications of price chargeable received from the appropriate departments? | | |
| (2.13.1) | Are these used for checking prices charged? | | |
| (2.14) | Are samples collected in accordance with the procedures laid for evaluation against specification? | | |
| (2.15) | Are the results of sampling evaluations recorded and checked against the specification? | | |
| (2.15.1) | Are any differences advised promptly to the supplier? | | |
| (2.15.2) | Are all such differences pursued to a proper conclusion? | | |
| (2.16) | Are vehicle discharge valves left open after delivery? | | |
| <i>CHECKS APPLICABLE TO RAIL DELIVERIES:</i> | | | |
| (2.17) | Is it ensured that each tank car is appropriately documented on arrival of train? | | |
| (2.18) | Is train documentation collected for comparison with consignment advice notes? | | |
| <i>CHECKS APPLICABLE TO PIPELINE DELIVERY:</i> | | | |
| (2.19) | Are appropriate meters maintained to an approved standard? | | |
| (2.20) | Are meter readings checked before and after delivery and are reconciled with advised quantities? | | |

3. CONSUMPTION

| SI.No | Particulars | Findings | Recommendations |
|-------|--|----------|-----------------|
| (3.1) | Is consumption determined by: a) Meter readings. b) Changes in tank level. | | |
| (3.2) | Is all metering equipment regularly maintained, checked and the results of such checks recorded? | | |
| (3.3) | Are any adjustments made to consumption records properly authorised? | | |
| (3.4) | Are there adequate methods for determining quantities consumed other than by generation? | | |

4. RECORDS

| SI.No | Particulars | Findings | Recommendations |
|---------|--|----------|-----------------|
| (4.1) | Is information from prime documents i.e. invoice/delivery/ advices, posted promptly in the memorandum oil records? | | |
| (4.2) | Are records maintained which differentiate between oil used for generation and oil consumed for other purposes? | | |
| (4.3) | Are records maintained which show the quantity of oil in transit? | | |
| (4.4) | Are memorandum oil stock records reconciled with oil stock account in the Financial Ledger at the end of each Financial Review Period? | | |
| (4.5) | Are physical stocks reconciled with memorandum oil stocks at stated intervals [indicate frequency]? | | |
| (4.5.1) | Are all differences explained and Recorded? | | |
| (4.6) | Is supplier responsible for all costs of operating/maintaining the pipeline? [Refer to appropriate contract? | | |

GAS

- a) Check whether the purchase of gas has been accounted and paid for on the basis of properly authenticated meter readings and records.
- b) Compare the standard heat rate level of gas indicated by suppliers modified to local site conditions with actual heat rate achieved. Analyse and comment on variances. Comment on the follow-up with suppliers.

- c) Ascertain the number of instances of Minimum Guaranteed Off-take (MGO) charges paid to GAIL due to short consumption of gas and examine the corrective action taken to reduce such cases.
- d) Compare the standard norms of generation based on standard consumption of gas with actual generation achieved at actual consumption of gas. Highlight cases of systems losses/ deficiencies.
- e) Examine and comment on the standby arrangement made by the project to stock substitute fuels like NAPHTHA / HSD.
- f) Ascertain instances of loss in generation due to grid restrictions and non-availability of gas. Examine and comment on corrective action initiated.
- g) Gas supply agreements provide for measurement of gas supply as well as computation of calorific value and provide for certain rebates. In case calorific value of gas supply is lower, examine whether the provisions are actually being implemented.
- h) Verify the method of computation of the Net Calorific Value (NCV) of gas used for the purpose of billing.
- i) Test-check the payments for pipeline maintenance and operation in accordance with the relevant contract.
- j) Examine meter records maintenance for frequency of checks and ascertain that corrective action has been taken where necessary.

iii) VERIFICATION OF FUEL PRICE ADJUSTMENT

COAL/LIQUID FUEL /NAPHTHA /GAS

| S.No. | Description | Unit | Quantity | Value |
|-----------|---|---------------------------|----------|-------|
| A. | POSITION OF COAL / OIL / NAPHTHA / GAS FOR THE MONTH OF..... | | | |
| | 1. Opening Balance | MT or KL or SCM | | |
| | 2. Receipts | - do- | | |
| | 3. Consumption | - do- | | |
| | 4. Closing Balance | - do- | | |
| | 5. Handling Loss | - do- | | |
| B. | ANALYSIS OF GCV | | | |
| | 1. GCV on Receipt Basis | KCAL/Kg or KL or 1000 SCM | | |
| | 2. GCV on fired basis | -do- | | |
| | 3. Variation | -do- | | |

| | | | | |
|-----------|---|--|--|--|
| C. | COMPARISON WITH TARIFF 1. Heat Input from Coal / Oil / Naphtha / Gas 2. Cost per MT or KL or SCM 3. Heat Rate from Coal / Oil / Naptha / Gas 4. Tariff Norms for Coal / Oil / Naptha / Gas 5. Variation | KCAL / Kg or KL or 1000 SCM Rs. Kg or KL or 1000 SCM / Kwh ML / Kwh ML/Kwh | | |
| D. | COAL / OIL / NAPHTHA / GAS COST 1. Recovery through Tariff 2. Actual Cost [consumption] 3. Over / under recoveries | Rs. Lakh -- do -- -- do -- | | |

Note: The Statement may be prepared separately for Imported / Domestic Coal, HFO, HSD, LDO, Naphtha and Gas.

iv) REVIEW OF MONTHLY OPERATING RESULTS

There is a system of Monthly reporting of Physical and Financial parameters by each generating station to Headquarter. Auditors have to obtain latest reports, as have been sent to HQ Finance and comment on the adverse variances, bringing out the financial implications of such adverse variances and the reasons contributing thereto. Variance analysis should be made separately in comparison with MOU targets as well as tariff parameters.

- (i) **Profit variance due to variance in tariff:** (budgeted tariff per kWh – actual tariff per kWh) * actual generation
- (ii) **Profit variance due to variance in generation:** (budgeted generation - actual generation) * budgeted contribution per kWh.
- (iii) **Profit variation due to variance in heat rate from each source of fuel (i.e., coal, oil or gas):** (budgeted heat rate - actual heat rate) * budgeted cost per KCal from that source.
- (iv) **Profit variation due to variance in auxiliary consumption:** {(budgeted percentage of auxiliary power consumption * actual generation) - (actual percentage of auxiliary power consumption * actual generation)} * budgeted variable charges recovery per kWh. In the case of gas projects, the variance may be reviewed separately for open and combined cycle operation.

(v) **Expenditure variance:** To be reported in the following format:

Rs/Lakh

| <u>Head of Exp</u> | <u>Budget</u> | <u>MOU</u> | <u>Actual</u> | <u>Variance</u> | <u>Reasons</u> |
|---|---------------|------------|---------------|-----------------|----------------|
| Employee Cost | | | | | |
| Repairs & Maintenance | | | | | |
| Other Station Overheads | | | | | |
| Interest & Finance charges | | | | | |
| Depreciation | | | | | |
| Total | | | | | |
| Fixed Charges in tariff | | | | | |
| <u>Note: Variances to be given w.r.t both Budget & MOU</u> | | | | | |

(vi) Variation due to non-operating income: (actuals – budget)

B. REVIEW FOR HYDEL ENERGY

Internal Auditor to review the registers/documents maintained at Hydel Power Station for adherence to periodic maintenance schedules and comment on variations, if any, between scheduled and actual downtimes alongwith recorded reasons. Similarly, if any capital overhaul has been undertaken, whether proper records of spares/assemblies/sub-assemblies removed and corresponding items used as replacements are available at station for effecting proper accountal of capital additions in the books of account. Whether forced shutdown has occurred due to technical glitches and, consequently, if any machine/component has been damaged. Also whether the Energy Meters have been fully functional throughout the period being covered by audit.

C. REVIEW FOR SOLAR ENERGY

In case of Solar Energy Generation, the following checks are to be undertaken and reported:

1. The Solar Panels are being regularly washed / cleaned for maximizing generation efficiency.
2. A record is maintained for the periodic physical check of panels being undertaken to identify any damage at an early stage.
3. Where generation is being directly fed from the solar panels / array to the grid, the energy meter at the array end and that at the feeder end are reflecting similar values for energy sent out(ESO) to the grid at each point of measurement and such readings are being entered in the register(s) maintained for the purpose. These energy meters should also be tested for accuracy at defined intervals. If there is any dispute by a beneficiary in the quantum of ESO, reason for such dispute should be mentioned in the report.
4. Where energy generated is first captured in Storage Battery Bank which is, in turn, connected to the feeder end, the following additional checks are required to be reported:
 - i) Battery Bank is being kept in cool, dry and dust free (indoor) environment which is adequately ventilated.

- ii) Battery terminals are being kept clean and free from sedimentation and battery water top ups are being regularly undertaken as per records kept in this regard.
- (iii) The instrumentation / control panel attached to the battery bank displays desired output voltage and amperage thereby indicating sound health of the system.

D. REVIEW FOR COAL MINING ACTIVITIES

In case of any Coal Mining activity undertaken by the Corporation involving a Mine Development Operator (MDO), the following is to be kept in view and reported upon:

Typically the MDO is paid a pre-agreed fee per tonne for extraction of coal falling within a certain calorific value range. The extracted coal being of uncertain (usually big) and odd size is first stockpiled and then loaded onto GPS fitted trucks / dumpers for transportation to the power plant. As this process requires movement of coal over a certain distance before it can be measured, analysed and consumed, the auditor should review tripwise records of truck movements and comment on unusual diversions / stoppages, if any.

V BOOKS OF ACCOUNTS, FUNDS AND BANKING ARRANGEMENTS

A. BOOKS OF ACCOUNTS

1. Review of General Ledger and Sub-Ledgers

- a) Review and comment on old / odd balances appearing in the General Ledger (GL) and Sub-ledgers (SL).
- b) List out cases where outstanding balances in the GL and Advances SL are not matching.
- c) Examine whether the accounting treatment followed by the unit for accounting of mandatory spares, furniture, fixture and scrap is proper, reasonable and in line with the accounting policy.
- d) Examine whether the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Service Tax, VAT, Professional Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.
- e) Units have to obtain confirmation and prepare statements of reconciliation of balances as on 31st December of the financial year under advances, claims, deposits, creditors and debtors (including those due from State Electricity Boards), and materials in transit / under inspection and with contractors/ fabricators. Further they have to carry out adjustments in the Books of Accounts upon such confirmation/ reconciliation of balances under the above heads. Guidelines have been issued in respect of confirmation of balances. Auditors shall verify and comment on compliance of the same by units.

In this context, accounting units shall analyse the advances, claims, deposits, creditors and debtors (including those due from State Electricity Boards), and materials in transit / under inspection and with contractors/ fabricators etc. into (1) good and fully recoverable, (2) requiring adjustment entries to be passed, (3) doubtful of recovery to be provided for and (4) bad and to be written off, with supporting documents / explanations and reasons as for each and every account. The analysis will be of the accounts as per the ledgers and schedules to the accounts as on 31st December of the financial year. Internal auditors are required to vet the analysis statements prepared by the units and submit their report on the same to the Corporate Internal Audit Department along with the Phase II Internal Audit Report.

- f) Units are to maintain registers with relevant details for recording items to be disclosed as contingent liabilities. Auditors should verify and indicate whether units are following the laid down procedure. Additional guidelines have been issued in respect Recognition and Disclosure of Provisions, Contingent Liabilities and Contingent Assets, as per Accounting Standard AS 29 . Auditors shall verify and comment on compliance of the same.
- g) Ascertain whether all relevant accounting standards are being followed by the unit and comment on the same.
- h) With regard to the Fixed Assets Register, internal audit should verify the following:
 - i) Examine whether segregation of assets leading to the main classification has been properly done.
 - ii) Whether depreciation has been charged at applicable rates on all assets.
 - iii) Verify whether physical verification of fixed assets has been done in accordance with the system laid down in this regard.
 - iv) Whether adjustments on account of discrepancies observed on physical verification and additions / sales / adjustments have been properly reflected in conformity with CARO, 2015.
 - v) Whether procurement and other related costs have been properly identified with the respective assets.

2. Verification of Vouchers

General guidelines to be compulsorily followed:

Most accounting entries emanate from specific modules in the CIPM system. Manual entries are also made under certain circumstances. However, it has come to light that such facility is being used in a routine manner by some sites. In this context, auditors should obtain from Site Finance the list of manual document types generated during the period covered and ensure adequate coverage of such documents as well.

An important aspect of internal audit is the verification of supporting documents. Auditors should invariably highlight such cases where

- supports are not attached thereto;
- supports are not relevant / sufficient for the said documents' creation
- supports' financial values, vendor details and others relevant data are not matching with those on the documents.

As per the approved system, vendor codes (i.e party codes) are to be created by the System Administrator on the advice of Controller of Accounts after due verification of all details. However, a few instances of vendor code creation without valid transactions have been noticed. Auditors are required to obtain a list of all vendor codes created from the unit they are auditing and verify and report that such codes have indeed been created after such verification and documentation. Similarly multiple codes operated for a single vendor should also be highlighted.

Auditors shall verify and comment on all adjustment documents of old liabilities (i.e. EMD, Security Deposit & Retention Money etc.) are supported by adequate documents signed by two executives.

Auditors shall verify that all documents relating to Inter-unit accounts are supported by proper documents.

Checks

- a) Verify all the vouchers are signed by at least two persons one of whom shall be the section/group in-charge and other is the approving officer.
- b) No payment is made without preparing and approving the voucher in the CIPMS. Examine that the vouchers are being prepared and posted on the same day and there is no pendency/ laxity of any official on this account. Exception statement be highlighted in the report.
- c) Verify whether adequate genuine supporting documents are enclosed with the payment vouchers. A sample list of supporting documents which can be enclosed is as below:
 - i) Invoice copy and copy of P.O in case of purchase orders.
 - ii) Approval of Competent Authority and relevant bills in case of miscellaneous payments.
 - iii) Copy of payment order recorded in the measurement book in case of works payments.
 - iv) Sanction Order or advance application duly approved in case of employee advances
- d) Auditors should highlight any instances of payments on the basis of photocopies of bills.
- e) Auditors should verify that the payments are being processed and approved by the competent authority on the noting sheet with speaking orders by appending the name and dated initial thereon and report on the instances where the due procedure has not been followed for processing and passing the payment.
- f) In case of miscellaneous payments in foreign currency, the instruction letters to the Bank shall be entered serially in a control register and on receipt of DD or debit advice from the bank the same should be cross-checked with the control register. Verify whether the same procedure is being followed.
- g) Verify whether adjustment vouchers for direct debits such as On-line freight payments, other than commission/ bank charges, interest, conveyance charges and LC payments, are approved by respective Sr. Accounts officer/ HOD(Finance) of the project.
- h) Verify whether Foreign LCs are opened and operated strictly in accordance with the Corporation's guidelines.

- i) Verify whether the payer's name mentioned in the bank receipt voucher prepared by the concerned department is as per the cheque receipt register.
- j) Verify whether the payment of any liability unpaid for more than three years has the approval of the designated authority in the Corporation.
- k) Examine whether the Bank Adjustment Vouchers are also supported by genuine documentary evidence in addition to advices from Banks. Verify the accuracy of the amounts directly debited to the bank account. (Example: whether proper exchange rates/ commission have been applied, name of the beneficiary being mentioned etc.)
- l) Verify account codes on vouchers to check whether any capital expenditure has been charged to revenue or vice-versa.

Check for cases where liability has been transferred from one vendor to another. The said transfer should be supported by documentary evidence in all cases.
- m) In cases where the amounts have been transferred to Retention / Security and the same is not through payment terms of P.O., then the reason for same must be supported through documentary evidence. Further the reason for not updating the purchase document must also be supported through documentary evidence.
- n) Inter-unit / Inter-Company transfer advice report is being taken regularly by the unit and the advices are being regularly followed up by the unit. Periodic reports duly followed up and verified are to be maintained by the units. Auditors should examine and comment on the same.

3. Review of Employee Compensation / Accounts

Guidelines for and Checks to be exercised by the Auditors

a) Pay Bill Review

Make a sample selection of employees across various categories and levels and check each selected employee's Pay bills for three continuous months for the following:

Earnings

- Is Basic Pay as recorded in Service Book (SB).
- Is applicable D.A. rate taken to compute the allowance.
- Is any Special Pay supported by corresponding entry in SB.
- If any Temporary Pay Advance (TPA) has been given, reason for and approval by CA need to be examined.
- Is night shift allowance based on the employee's work schedule as maintained in records.
- Is the amount of HRA received supported by entries for eligibility in SB and computed at rate provided in the policy.

Does the rent receipt submitted for IT exemption of HRA matches with data maintained in records / CIPMS.

- Is Overtime correctly computed and has been approved by CA.
- Is Conveyance reimbursement, as per policy, duly supported by a certificate from employee of expenditure incurred on utilization of conveyance.
- Does the rate at which Generation Incentive is paid match with the rate as per notified GI policy and whether it has been correctly calculated taking the leaves / unauthorized absences into consideration.
- Are any miscellaneous payments like honorarium, Hindi incentive, awards etc. duly supported by approvals of CA / policy.

Deductions

- Is TPA recovered in next month. If not, reason to be reported.
- Is HRR for residential lease allowed / quarter provided correctly computed based on policy.
- Are miscellaneous recoveries like AC / electricity charges, etc. are as per rate provided in policy.
- If fuel for conveyance utilization is being provided, recovery for same is being regularly done based on records maintained therefor.
- If recovery of monthly instalments for HBA / Conveyance advance is not taking place in terms of the prevailing policies in this regard, then it is to be reported.
- In instances of delay in start of recovery, penal interest is to be recovered alongwith instalments, as per prevailing policies. Report any aberrations.
- Verify whether correct TDS / Professional Tax (PT), as applicable for the State, PF, Self-Contributory Pension / EPS / EFPS have been correctly computed and deducted.
- Examine whether PF / Self-Contributory Pension / etc. deductions are outstanding for more than one (1) month and reason therefor.

Other Issues

- **Negative Pay (NP)**
NP tantamounts to Pay Advance and attracts TDS upon occurrence.
 - i) List out cases of negative salary and ensure negative salary and penalty has been recovered from the employee in next salary payout.
 - ii) In case of non-recovery of penalty, whether approval for the same has been accorded by the competent authority.
 - iii) List out cases where negative salary has become repetitive every month.
- **Interest on Advances**
The monthly calculation of interest on all the interest bearing advances need to be cross-checked for accuracy.

- **Deposit of Taxes / Other recoveries**
Timely deposit of TDS / PT with concerned Statutory / State authorities and PF / Pension with the concerned Regional authorities need to be examined. Cases of delays and consequential levy of penal interest by the Statutory authority / loss of interest accrual to employees to be reported.
- **Pay Drawn vis-à-vis Sanctioned Strength**
Whether pay is drawn for the sanctioned strength only. Report such cases where pay is drawn for staff more than the sanctioned strength as per records.

b) **Other Employee Benefits**

T.A. advance / Bill

Check the Bills for claims as per entitlement.

List out the advances outstanding for more than three months.

Medical Claims

Check Medical claims / bills with their classification into taxable / non-taxable categories.

Check Direct payments to hospitals with reference to the process given.

Check TDS deduction from the reimbursement of non-empanelled hospital bills as per the provision of the Income Tax Act and deposit in time.

List out the advances outstanding for more than six months.

Transfer T.A.

Check Transfer T.A. bills for claims as per entitlement.

List out cases of outstandings for more than three months.

Staff Advance

Check that advances are released with the approval of Competent Authority.

List out cases where the staff advance has remained unadjusted for more than 3 months.

List out cases outstanding for more than six months.

B. FUNDS AND BANKING ARRANGEMENTS (INCLUDING BRS)

HPGCL is maintaining centralized Funds and Banking arrangements at its Corporate office (office of Controller of Finance, HPGCL). Projects and other locations of HPGCL are acting as Drawing and Disbursing offices through their respective finance wings. Coordination between the office of Controller of Finance and the respective drawing and disbursing office is of utmost importance for efficiently and professionally managing the funds and banking arrangements. While prudence for incurring an expenditure vests with the approving authority, projects and other drawing & disbursing offices are required to spend within the drawing

limits sanctioned by the office of Controller of Finance which, in turn, are based on the fund requirements sent by their offices. In this context, banking instructions issued from the office of Controller of Finance are required to be followed meticulously.

Drawing and Disbursing offices are also collecting the receipts for HPGCL relating to their offices and are required to be deposit the same in the Central account maintained for the purpose without any delay. Controller of Finance's office is managing the funds and maintains centralized bank account for disbursing the drawing limits in the allocated Bank Codes for the respective locations of the drawing and disbursing offices. Cheque books are got issued from Banks centrally by Controller of Finance's office and issued to the authorized DDOs, as per their requirements.

Bank is required to be reconciled by Controller of Finance's office as well as by all the projects and other drawing & disbursing offices regularly. A monthly bank reconciliation statement alongwith cheques drawn and remittances into bank statement is required to be submitted to the office of Controller of Finance along with reasons of differences if any and their adjustment/correction.

Accordingly, audit checks have been categorized into two parts i.e. for the projects / DDO offices and Funds & Banking branch of Controller of Finance office.

C.1 AT PROJECT / DDO OFFICES

C.1.1 FUND AND CHEQUE RECEIPT / DEPOSIT (REMITTANCES IN BANK)

- (a) Examine whether fund requirements are being made by the project offices as per the instructions from the office of Controller of Finance. In case of date-bound payments having financial implications or otherwise, whether appropriate remarks have been suitably given in the fund requirement communication.
- (b) Examine and comment whether Cheques Inward Registers for the cheques received have been maintained properly. Also comment on inconsistency between date of receipt, date of deposit and date of credit given by Bank.
- (c) Examine and comment whether all the receipts at the project / DDO offices have been promptly deposited in the Centralised bank account of HPGCL. In cases where separate collection accounts are maintained for the purpose, whether all the collections in such accounts are swapped into the Centralised bank account on daily basis.
- (d) Examine whether Funds received through E-Tendering have been properly accounted for by project offices on time. In cases E-tendering funds (EMD or tender fee) have been received in the centralized bank account maintained with the corporate office, then the ATD for the same has been promptly raised on the HQ.

C.1.2. CHEQUE DRAWN / ISSUED

- (a) Examine whether cheques are being issued after entering into monthly Cheque drawn register being maintained in the system and even the manual cheques issued are being updated in the system.
- (b) Examine whether the cheque book in use is one which is issued by authorized officer of the F&B office and is entered in the system. A cheque book receipt

register is maintained indicating the receipt of book from corporate office, utilization thereof and the balance cheques in hand.

- (c) Whether payments are being made by the project offices in a transparent manner on seniority basis. In case of violation of seniority in the interest of the project, the written order of the competent authority should be taken .
- (d) Examine and comment whether any Cheques have been issued in excess of drawing limit in hand.
- (e) Examine and comment whether the cheques drawn statement along with surrender certificate and trial balance of the ledger group head – 34 is submitted to F&B office by 5th of the following month.
- (f) Verify that:
 - i) All cheque books are kept under lock & key and handled by the accountant and the officer in charge of the Cash & Bank section.
 - ii) In-charge of the Cash & Bank section has conducted checks from time to time for the safe-keeping and record of unused cheque books.
 - iii) A certificate to the effect that the cheques contained in the cheque book are found in order has been recorded on each cheque book before it is put to use.
 - iv) All unused cheques are intact and prompt intimation has been given to the bank for loss, if any, of an unused cheque.
 - v) Blank cheques have not been given to anyone.
 - vi) Whether the entries pending in the Bank reconciliation, as communicated from time to time by the Corporate Office, have been rectified. If not, reason for the same.
 - vii) Whether appropriate action / adjustment has been taken for the old outstanding unpaid cheques.
- (g) Examine whether any payment exceeding Rs. 10,000/- has been made by any mean other than through RTGS and if so whether the same has been approved by the competent authority.
- (h) Examine whether the payments by Demand Drafts have been approved by competent authority.
- (i) Examine whether the funds received from HQ have been utilized for the purpose for which these were released. Deviation should be reported.

C.2 AT HEADQUARTER

In addition to the audit checks required at the project / DDO office, following additional checks are required to be exercised during the course of audit:

- i) Whether the bank reconciliation is being prepared regularly on monthly basis by 10th of the following month and all the entries pending in the Bank reconciliation are being communicated from time to time to respective offices.
- ii) Whether the adjustments intimated by project offices have been duly incorporated in the Bank Reconciliation.
- iii) Whether the charges debited by bank for commission, bank charges, interest, conveyance charges etc. and LC payments are duly verified and approved by the

Accountant / Section Officer and Sr. Accounts Officer (Funds & Banking). In case of wrong / higher debits, timely actions have been initiated for the refund thereof.

- iv) Whether timely renewal of the Cash credit limits and other working capital borrowings have been ascertained.
- v) Whether requisite information are periodically submitted to the bankers / financial institutions to avoid any penal action.
- vi) Whether timely action has been initiated for arranging the funds for day to day requirement.
- vii) Whether the funds have been utilized judiciously and prudently.
- ix) Whether proper record is maintained for the requirement of funds received by the project offices and the drawing limits issued for the same.

C. MAINTENANCE OF COST ACCOUNTING RECORDS

Maintenance of cost accounting records is now a statutory necessity for all HPGCL units. Auditors should verify that units are maintaining the necessary accounting records in compliance of the government notifications in this regard as well as guidelines issued by Headquarter from time to time.

Cost centre for wages / salary and travel are as per department and place of posting of the employee. Verify cost centre for all transfer-in cases.

VI INVOICING AND DEBTORS FOR SALE OF ENERGY

- a) Verify the system of billing and ensure that the billing has been done in time and energy accounting prepared by the concerned REB.
- b) Verify the agreements with State Electricity Boards and ensure that the Fuel Price Adjustment (FPA) and other charges are in accordance with the agreements / tariff notifications. Test verify the fuel price adjustment rates.
- c) Verify the deposit of taxes collected on sales with appropriate authorities and ensure that the same has been done in time.
- d) Verify that rebates etc. allowed to SEBs are in line with Power Purchase Agreements / tariff notifications / special schemes of HPGCL and that approvals have been obtained from competent authority.
- e) Verify that the accounting of sales is in line with the guidelines issued by Headquarter Finance .
- f) Examine and comment on the age wise analysis for all debtors' accounts.
- g) Compare the balances in the sub ledger with the General Ledger and ensure that the balances are in agreement.

- h) Review the various debtors' accounts and the debtors control account and comment on inordinate delays in recoveries and also examine and comment on the steps taken to recover the outstandings.
- i) Review the quarterly reconciliation of outstanding dues prepared jointly and signed by representatives of HPGCL and beneficiaries. Comment on unusual / abnormal items.
- j) Units have to obtain balance confirmations and prepare statements of reconciliation of balances as on 31st December of the financial year under the account head debtors (including those due from State Electricity Boards). Further they have to carry out adjustments in the Books of Account upon such confirmation / reconciliation of balances under the above head. Guidelines have been issued in respect of confirmation of balances. Auditors should verify and comment on compliance of the same.

In this context, debtors shall be analysed into (1) good and fully recoverable, (2) requiring adjustment entries to be passed, (3) doubtful of recovery to be provided for and (4) bad and to be written off with supporting documents / explanations and reasons for each and every account. The analysis will be of the accounts as per the ledgers and schedules to the accounts as on 31st December of the financial year. Internal auditors are required to vet the analysis statements prepared by the units and submit their report on the same to the HQ Internal Audit Department along with the Phase II Internal Audit Report.

- k) Review the LCs opened by various SEBs and comment on their reasonableness with reference to the respective agreement and average monthly billing.
- l) Examine and comment on cases of delays in the opening of LCs.
- m) Examine whether all charges related to LCs (i.e. opening, negotiation, usance & commitment charges) being levied by the banks are in line with those negotiated by HPGCL Headquarter with them from time to time.
- n) Examine the collection bank account statement and comment on the delays in remitting the receipts to Headquarter. Auditors should also enclose a copy of the bank statement with their report.
- o) Examine the bank charges debited by different banks in respect of collection accounts and comment on the uniformity of the same within the region.
- p) Examine whether L/C charges being borne by HPGCL are in line with the provisions of the Power Purchase Agreements or the incentive schemes of the Company.
- q) Verify that all credits to the Debtors' accounts including rebates are in line with Power Purchase Agreements/ Tariff notifications/ schemes of HPGCL.

RECONCILIATION OF DISCOM BALANCE, AS PER JOINT STATEMENT,
WITH BALANCE AS PER BOOKS AS ON -----

| PARTICULARS / DISCOMS | UHBVN | DHBVN | HVPNL | Others | TOTAL |
|---|-------|-------|-------|--------|-------|
| BALANCE AS PER DISCOM "A" | | | | | |
| DETAILS OF AMOUNTS DISPUTED BY DISCOMS | | | | | |
| 1 | | | | | |
| 2 | | | | | |
| SUB TOTAL "B" | | | | | |
| AS PER HPGCL "B1" | | | | | |
| ADJUSTMENTS IN BOOKS | | | | | |
| BILLS BOOKED BUT NOT SHOWN IN RECONCILIATION | | | | | |
| REBATE / PAYMENT DIFFRENCES IN RECONCILIATION AND A/Cs | | | | | |
| OTHER ADJUSTMENTS | | | | | |
| OTHERS, SPECIFY | | | | | |
| 1 | | | | | |
| 2 | | | | | |
| SUB TOTAL "C" | | | | | |
| BALANCE IN DISCOM A/C IN GL "B1"- "C" | | | | | |
| DEBTORS CONTROL ACCOUNT BALANCE | | | | | |
| PROVISION FOR BAD & DOUBTFUL DEBTS | | | | | |

VII

PERSONNEL AND ADMINISTRATION

A. 1. EMPLOYEE SERVICE BOOK

Guidelines

The internal audit party should check service books and leave accounts of at least 25% of total sanctioned strength of the office inspected in each category of staff. The selection should be so made as to complete the check of all service books within a cycle of four years. If an office is not inspected annually, percentage of check may be suitably increased.

A list showing the names and designation of employees whose service books were checked should be attached with the Report to avoid duplication and also to facilitate selection by the next audit party.

The service books and leave accounts of officials who are due to retire during next five years must be checked completely to ensure that they are complete in all respects, so that there would be no problem in finalizing their pension cases at the time of superannuation.

A detailed report of checking done should be prepared in triplicate in respect of each service book. One copy of the report duly completed and signed should be sent to the DDO concerned for taking further necessary action. The second copy may be handed over to the Head of Office after obtaining his acknowledgement and third copy should form part of the Report.

Checks

- (i) Service Books have been maintained in the prescribed form in respect of all employees (except daily-wage workers). Establish that availability of all service books has been physically verified / certified at least once in every quarter by the Head of Office or DDO.
- (ii) Service books depict entries i.e. the date of appointment and other entries on the first page, certificate of verification of antecedents (including details of leave encashment and gratuity transferred to HPGCL by previous employer) and medical fitness etc. under attestation of the competent authority. In this context, it is to be seen that-
 - a) Original Medical fitness certificate from the Govt. Hospital is pasted in the service book.
 - b) Date of birth has been authenticated as per 10th class or school leaving certificate or, in case of illiterate employee, by competent authority.
- (iii) Except in case of clerical error, no alteration in the date of birth once recorded in the service book, has been made without prior sanction of the Head of Department.

- (iv) All entries on the first page have been duly attested and the service book has been kept upto date.
- (v) Departmental exam. passed by the employees, if any, shall be entered in the service book.
- (vi) Promotion and transfer orders shall be entered in the service book with corresponding release and joining orders / reports.
- (vii) No demand certificates issued by the offices from which an employee has been released shall be entered in the service book.
- (viii) Option for scale of pay, undertaking and the statement showing fixation of pay in the revised scale should stand pasted in the service book. It should be seen that all pay fixation statements have been checked by Pay fixation offices.
- (ix) Increments have been correctly drawn, keeping in view the provisions of rules. Correctness of a few entries of pay in the service books may be checked with reference to pay bills in respect of the selected month for detailed audit.
- (x) Employees Insurance Scheme etc. has been recorded in the service book.
- (xi) Declaration regarding home town, G.P. Fund account number, receipt of nominations for Terminal benefit / family pension need to be checked.
- (xii) Availing of Leave Travel Concession (LTC) shall be entered in the service book.
- (xiii) All leaves sanctioned to an employee are recorded in the service book with respective leave commencement and re-joining reports; and debits thereof are traceable in the corresponding leave accounts.
- (xiv) The leave account is maintained in the prescribed form, correct credits and debits are afforded and the balances are worked out correctly and attested by an authorized officer.
- (xv) Any punishment (in red Ink) and incentive / bonus given to the employee shall be entered in the service book.
- (xvi) Periods of suspension and / or interruption in and unauthorized absence during service are promptly recorded with full details of duration and regularization etc.
- (xvii) Certificate of verification of service is recorded every year, and Head of Office inspects annually at least 10% of the total number of service books / leave accounts and initials them as a token of having done so.
- (xviii) In respect of periods spent on Foreign Service, a similar certificate is recorded by the DDO regarding the receipt of leave salary and pension contributions from the

foreign employer or employee himself, if he has to bear the liability in terms of the conditions of Foreign Service.

- (xix) In case of employees retained in service beyond the date of superannuation, entry has been made in the service book, duly supported by orders of the competent authority; and that no official is paid pay and allowances beyond the date of superannuation or after expiry of extended period of service.
- (xx) Every step in the employee's official career is recorded in the service book under proper attestation by competent authority.

2. EMPLOYEE BENEFITS

Test check –

- (i) Conveyance reimbursement sanctioned during the period is as per policy and all documents are in order.
- (ii) Payment of HRA and recovery of rent for residential lease allowed / quarter provided due to retention of house at a place other than place of posting is as per approval / policy and rate provided in the policy.

The Lease rent maintained and data in CIPMS matches with actual lease agreement. Verify that eligibility matches with the wage type.

The Quarter type for employee residing in Colony is correctly maintained and timely updated in system.

- (iii) Whether timely action has been initiated in settling the terminal benefits of the employees. Report the cases of inordinate delay and pending cases.
- (iv) And examine whether data entry for fuel issued to employee is being done in the records on regular basis.
- (v) That furniture purchased for residential office of senior executives have been updated in fixed assets register with employee number.
- (vi) Whether Annual Confidential Report (ACR) of the employees are timely written by the controlling officer.
- (vii) Whether the promotion and transfer policy of the employees is being adhered to. Exception Report should be given for the cases in which persons remained posted more than the stipulated period at a particular station or at a sensitive post.
- (viii) That loans sanctioned with relaxation in eligibility criteria are as per approval granted by competent authority.
- (ix) The original documents such as mortgage deeds, hypothecation deeds, RC books, etc. in connection with sanction and release of House Building Advance, Conveyance Advance, etc. List out default cases.

That the receipt for comprehensive vehicle insurance policy has been submitted to HR annually by employees against whose names conveyance advances are outstanding. Auditors should verify and comment on compliance of the same.

- (x) Procedure for booking of air and train tickets and claims on cancellation of the tickets, payment to travel agents and system for linking the payments to employee accounts and adjustment of the same on submission of tour claim by employees.
- (xi) Nominations and payments towards participant fees are made quite in advance of the dates of the seminar / conference. In some cases, fees are to be refunded in case nominated persons are unable to attend the conferences. Auditors should verify the method of tracking and obtaining such refunds and their deposit with the Finance Department.

B. OTHER ADMINISTRATIVE MATTERS

Auditors should review the status of reconciliation done by the units between the land under physical possession with the ownership documents possessed by them and report thereon.

Auditors should report on any forcible occupation / adverse possession of HPGCL land.

Auditors to report on unauthorized occupation of Company Owned Accommodation (eg., quarters, shops, guest house, transit camp, etc.) and action taken therefor.

V III

PROJECT / STATION / OFFICE RELATED FACILITIES

(i) Colony

Checks

- a) Verify the allotment made with reference to rules and approval by competent authority in case of allotment to outsiders.
- b) Verify the entry for recoveries due from the date of allotment and ensure that recoveries have been made from the date of occupation by the allottees. Comment on the recoverability aspect of the amounts outstanding from employees not on the rolls as well as outsiders.
- c) Verify that proper record is being maintained for the outsider occupant including staff of the contractor/ supplier and whether the monthly statement for the recovery of dues made or to be made is intimated to the finance office and the executive office. Whether there is any outstanding or unrecovered dues and, if so, should be reported.
- d) Verify whether Monthly occupation report of the resident is being updated and a copy thereof is also sent to the finance office.
- e) Whether the standard rent is being reasonably fixed periodically as per the prevailing guidelines and is being reviewed on annual basis.
- f) (i) Test check computation of electricity and water charges for recovery from outsiders and ensure that recoveries have been made in time.
(ii) Comment on outstandings on this account along with age-wise analysis.

- g) (i) Verify the cases of vacation of houses and premises by outsiders with the vacation slips and ensure that fittings etc. have been duly verified by the Administration Department.
- (ii) Verify the recoveries in case of shortage/breakage etc.
- (iii) Verify the recoveries due on account of electricity and water and ensure that in all cases of vacation, recoveries have been effected before issuing vacation slips.
- h) (i) Trace the cash/bank receipt on this account into the daily collection statement.
- (ii) Highlight the cases of delays in the accounting of cash/bank receipts.
- (iii) Trace the entries in the daily collection statement into the recovery statement and the General Ledger.

i) IMPREST ACCOUNTS:

1. Examine whether statements of account have been rendered in time by the imprest holder/s and that the same has been approved by competent authority.
2. Whether proper vouchers have been attached to the imprest account statements.
3. Whether recoupment has been done in line with expenditure incurred.
4. Whether the amount of imprest held is reasonable as compared to the general quantum of expenditure incurred.

j) SUB – STORES:

1. Examine whether receipts and issues of materials have been properly documented and carry the approval of competent authority.
2. Test check the quantities received in the MAS from the main stores on the basis of SIVs of main stores.
3. Examine and comment on the control over issue of materials from the MAS and whether items in stock have been physically verified at regular intervals.

k) MISCELLANEOUS SALES:

Verify that for disposal of miscellaneous items, approval by competent authority along with the basis for determination of rates for disposal are on record and ensure that the proceeds have been handed over to Finance Deptt. on a timely basis for accounting.

Highlight the facilities in colony lying unutilised indicating the cost of the facilities along with the period from which these have been lying unutilised.

(ii)Shops

Checks

- a) Verify whether valid licensing agreements are in place between the Corporation and the Shopkeepers.
- b) Verify whether the licence fee is being reasonably fixed as per the guidelines and is being renewed on annual basis.
- c) Test check computation of electricity and water charges monthly recoverable from the shopkeepers.

- d) Check and report whether the monthly statements for recovery of dues on account of licence fee, electricity and water made or to be made is intimated to the Finance office as well as the Executive office.
- e) Comment on outstanding dues with agewise analysis for erring shopkeepers.
- f) Comment on the action taken on erring shopkeepers for recovery of dues / eviction.
- g) Verify whether the monthly occupation report of the shopkeepers is being updated and a copy thereof being sent to the Finance office.
- h)
 - (i) Trace the cash/bank receipt on this account into the daily collection statement.
 - (ii) Highlight the cases of delays in the accounting of cash/bank receipts.
 - (iii) Trace the entries in the daily collection statement into the recovery statement and the General Ledger.

(iii) Petrol Pump

Checks

1. Whether oil tankers coming in with supplies have the oil company's seals intact both at inlet and outlet points?
2. Whether records are maintained for dip-stick measurements of oil in the tankers as well as the underground oil storage tank(s) at the pump(s)? Whether such measurements are being signed-off by the Corporation's authorized signatories both before and after every oil transfer at the pump(s)?
3. Whether oil samples are being drawn from each tanker and sent to the designated laboratory for purity analysis?
4. Whether payments to oil suppliers are being effected after matching their invoices with the corresponding oil measured at the pump, duly adjusted for deficiency in quality, if any?
5. Whether the oil being dispensed to vehicles is evidenced with a written request on pre-printed stationary (coupon) duly signed by the designated employee whose vehicle is being tanked up?
6. Whether the underground tanks are properly and adequately secured at all times with locks whose keys are only available with the designated official?
7. Whether record of every opening and closing of the tank has been made in the specified register maintained at the pump with reason for such action?
8. Whether regular calibration check of the oil dispensing machine is being undertaken and tamper proof seal affixed thereon is in place?
9. Whether periodic reconciliation of oil stock is being undertaken? If any aberrations have been found, how these were resolved without any fiscal loss to the Corporation?

iv) Guest House / Transit Camp / Field Hostel

Guidelines and Checks

- a) Booking of Guest House / Transit Camp /Field Hostel is required to be communicated in writing by unit's HR department. Examine and comment on same.
- b) Examine entries in the register of guests maintained in the Guest House / Transit Camp and ensure that such entries are complete in all respect.
- c) Similar register, as maintained in Guest House / Transit Camp /FH, is required to be maintained in HR Department. The request for booking of the guest is required to be entered in this register. Both registers to be cross-checked for accuracy and consistency of data entry every week by the concerned dealing executive. Examine and comment on same.
- d) Verify cases of company's guests with written communication to support the non-recovery of charges.
- e) Auditors may verify that the Guest House / Transit Camp/FH contractor has been issued and uses only one Bill Book at any point of time, bills from which are issued to the guests for room rent collection.
- f) Verify charges recovered from guests (both employees and outsiders) as entered in the register with the cash receipts issued and for conformity of rates with respect to rules.
- g) Trace cash receipts into the daily collection statement.
- h) The concerned dealing executive is to ensure that the room rent collected from the guests by the contractor stands deposited by the latter in the bank every week. Auditors may verify that copies of Bank pay-in-slips evidencing such deposits are available in HR / Finance Deptt.
- i) Auditors may verify and comment whether the procedure specified in SAP for accounting of the cash received at Guest House/Transit Camp /FH is being followed.
- j) Examine records maintained for food and beverages indicating receipt of materials and their consumption.
- k) Examine imprest account maintained by Guest House Incharge for recoupment along with supporting vouchers. Ensure that the quantum of imprest held is reasonable as compared to the level of expenditure in the guesthouse.
- l) Compare actual expenditure and income of the guest house with the same for earlier years and identify and comment on abnormal variations.

m) **Guest House Assets:**

1. Examine whether the assets at guest house have been properly identified, recorded in a register, physically verified at the end of the year, tallied with the balance reflected in the register and corrective action taken for the discrepancies noticed on such verification.
2. Examine whether the guesthouse assets have also been tallied with the fixed asset register maintained in finance.

n) **Sub-Stores:** Examine and comment on the system of receipt and issue of materials and whether the same has been properly documented, recorded and authorised by the competent authority.

o) Examine whether expenditure incurred on telephones and trunk-calls has been monitored on the basis of a register and the same is recovered from the guests. Comment on cases of non-recoveries.

(v) School

Checks

1. Whether all terms of the MOU with the educational society which operates the school are being honoured by the society. If not, what are the actions taken by the Corporation to protect its interest.
2. Whether the Corporation's nominee(s) on the Management Committee of the school is / are regularly participating in its meetings / activities and written records of the same are being maintained.
3. If the Fixed Assets (eg., land, building, furniture, fixtures, etc.) are owned by the Corporation, whether proper account of same are occurring in its books of accounts and these assets are also being properly protected.
4. If other resources, such as, books and periodicals, teaching aids and gadgets, sports / games equipment / material, etc. are also being funded by HPGCL, whether records are being maintained to account for their proper upkeep and use.
5. Whether Bank Account maintained by the school is being operated on similar principles as enunciated by the Corporation for its own accounts.
6. Monthly attendance registers for students of all classes / sections to be reviewed for arriving at the total number of students in the school and tallied with the records maintained in the office.
7. The fees received in cash / by cheque or draft from / on behalf of the students should be cross-checked with data gleaned from the attendance registers and it should be seen that the same is being promptly deposited in the Bank through pay-in-slips. Receipts issued for the fees should be evidencible from the counterfoils / carbon copies which should carry consecutive numbering in ascending order.
8. Usually, there would be an approved Annual Budget for running the school. Auditor should check the actual expenditure (net of income from fees / other miscellaneous income) with respect to such budget and comment on aberrations, if any. This would be particularly useful where HPGCL is required, as per MOU terms, to finance the deficit also.

(vi) Dispensary / Health Centre

Checks

- a) Cross-check and verify the updated list of employees/ex-employees and their dependents with the OPD register in the Dispensary / HC.
- b) Examine recoveries from contractors and outsiders, if any, in accordance with corporation's rules.
- c) Examine the control over receipt and issue of medicines (from the medical store to the dispensing counter and from there to the registered employees) and also whether the issue of medicines to employees has been approved by the doctor incharge.
- d) Examine that there exists a system of stock taking on periodic basis and a record, duly signed by the store-keeper and the doctor incharge, of each such stock taking is maintained. Comment on serious anomalies found, especially with respect to high value medicines.
- e) Review the register of medicines to identify cases of expired and expiring medicines and comment on the action taken by the project in this regard.
- f) Review and comment on the bio-medical waste disposal process which is required to be organized on periodic basis through certified agency.
- g) Compare the per employee (including dependents) annual expenditure on OPD treatment at the Dispensary/HC, Chemists and empanelled Labs / Hospitals with similar expenditure for earlier years and comment on any abnormal variances.
- h) **ASSETS:** Examine whether the assets have been properly documented and also a memorandum register maintained to identify the location of these assets. Ensure that these assets have been physically verified at least once a year. Also whether discrepancies observed between balances reflected in the register and physical count have been properly brought to the notice of the competent authority before initiating action for adjustment. Compare the balances reflected in the memorandum register with the fixed asset register maintained in finance and comment on findings.
- i) Examine whether proper records of expenditure have been maintained to monitor recoveries, if any, due from employees and comment on the findings on this account.
- j) **MISCELLANEOUS SALES:** Examine the records indicating the items for disposal and the basis and rates for disposal. Ensure that the same has been done with the approval of competent authority.

(vii) Vehicle Maintenance

Guidelines and Checks

Auditor to ensure that the guidelines / instructions on maintenance of passenger / non-passenger vehicles are being adhered to by the functionaries / departments to whom / which such vehicles are assigned.

That each vehicle has a bound log book which is kept in the control of the designated authority and is updated and countersigned by the said authority on a daily basis.

Distinct entries for official / private use is being recorded in such log book and monthly recoveries, as per the Corporation's rules, are being effected for private use.

Log book entries in support of fuel intake and average consumption are also being made on tank to tank basis. Consumption of the fuel is not more than the approved mileage for the vehicle.

Whether the mileage of the vehicle is approved by following a transparent and fool-proof system, and is reviewed on annual basis. Approved mileage should be supported with the report of the designated authority/ committee on the basis of Test drive.

Whether entries are also being made in the log book for periodic and breakdown service with clear details of itemwise expenditure incurred. Such entries should also have endorsement of the designated authority.

Whether the repairs are being made through the authorized dealers as per the instructions of the State Govt. issued from time to time.

Whether, in case of accident of the vehicle, investigation report is being made and approved by the competent authority. Auditor should also check and comment on the annual expenditure being incurred separately on passenger and non-passenger vehicles with respect to the sanctioned annual budget for each category and highlight reasons for aberrations, if any.

Auditor should also review and comment on unserviceable vehicles in both categories and if any expenditures are being incurred thereon.

Whether all the expenditure incurred on repair and fuel has been duly accounted in the vehicle maintenance register and small measurement book.

I X

LOANS

Internal auditors should verify the following with respect to all loans taken by the company:

1. TERMS OF LOANS:

To verify the following from loan agreements:

- a. Loan amount.
- b. Drawal Schedule & Terms & Conditions of drawal.
- c. Project and specific packages to be funded out of loan.
- d. Instructions for filing of claims (time period).
- e. Dates of Payment of Agency Fee/ Management Fee/ Upfront Fee.
- f. Dates of payment of Commitment Fee.
- g. Interest payment dates.
- h. Repayment schedule and repayment dates.

2. LOAN DRAWALS:

After verifying the above from the loan agreements, check the following in respect of each loan:

- a. Drawals have been made as per schedule.
- b. Drawals have been made as per the terms & conditions and for the packages mentioned in the loan agreement.
- c. Loan Register has been updated after each drawal
- d. Accounting entries have been passed for each drawal.
- e. Quarterly reconciliation of the account has been done with the lender.

3. PAYMENT OF AGENCY FEE/MANAGEMENT FEE/UPFRONT FEE:

Terms of the loan may involve any or all of the above mentioned fees. Internal auditors should verify that:

- a. Payment is made as per Loan agreement.
- b. Payment has been made on time.
- c. Verification of exchange rate debited as per Bank advice with bid rate.
- d. Adjustment entry has been passed.
- e. Loan ledger has been updated.
- f. Adjustment entry has been passed for accrual.

4. DEBT SERVICING: INTEREST PAYMENTS:

Verify that:

- a. Interest is calculated as per loan agreement.
- b. Payment has been made on time.
- c. Verification of bid rates with exchange rate charged in the bank advice.
- d. Adjustment entry has been passed.
- e. Loan ledger has been updated.
- f. Adjustment entry has been passed for accrual.

5. DEBT SERVICING: REPAYMENT OF LOANS:

Verify that:

- a. Repayment amount is calculated as per loan agreement.
- b. Payment has been made on time.
- c. Verification of bid rates with exchange rate charged in the bank advice.
- d. Adjustment entry has been passed.
- e. Loan ledger has been updated.

6. EXTENSION OF LOAN AGREEMENT:

Verify that:

- a. Loan drawal is as per schedule.
- b. Extension is taken with the approval of competent authority.
- c. If extension is taken due to the delay on the part of the supplier then charges are paid by the supplier.

X

BONDS AND DEBENTURES

- a) Check approvals for raising of funds by issue of Bonds
- b) Check proposals for Issue of Bonds under each series, which includes invitation of offers, their evaluation, approvals and confirmation to the investors for payment.

- c) Check whether necessary statutory requirements for such issues have been complied.
- d) Check interest calculations for each live series of Bonds both for accrual and sum due for payment during each accounting period.
- e) Check whether interest accruals are being properly allocated to each business area as per approval.
- f) Check the payments made towards redemption / part redemption of Bonds during the period specifically with regard to timeliness.
- g) Check for disputes with regard to interest/redemption payments and action taken for their resolution.
- h) Check whether Debenture/Bond Redemption Reserve (DRR) is being created/written back as per extant guidelines.

CHAPTER 5

Appendix (List of Important Circulars)