

HARYANA STATE WAREHOUSING CORPORATION
BAY NO.15-18, SECTOR-2, PANCHKULA

DOCUMENT TITLE

Procedure for Internal audit

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Distribution :

All the HSWC employees (through _____)
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HARYANA STATE WAREHOUSING CORPORATION
BAY NO.15-18, SECTOR-2, PANCHKULA

The Haryana State Warehousing Corporation is getting the internal Audit of the 9 District Offices and the Head Office through a firm of Chartered Accountant. The firm is conducting the audit of the Corporation on quarterly basis and submit his report of internal audit to the Internal Audit Officer/SAE at Head Office.

Abbreviation /terminology	Expansion /definition
IAO	Internal Audit Officer
SAE	Senior Accounts Executive
DM	District Manager
Asstt.	Dealing Assistant

Sr.No.	Input Description	Source
1.	Periodicity of Audit based capacity of the unit	As per the Scope of work supplied to the firm of Chartered Accountant
2.	Complaint Basis	Chief Vigilance Officer
3.	Specific Instruction basis/transactional audit	-do-/IAO

S.No.	Activity title	Activities with Preferred sequence	Responsibility
1.	Scope of work given to the firm of Chartered Accountant	<p>A. <u>Scope of Work</u></p> <p>a) <u>General Accounts</u></p> <p>The most important aspect of the Corporation is revenue and it is received in the form of the following items:</p> <p>1. The storage charges from the private depositors at Warehouses are realized at the Warehouses and its statement is sent to the District offices on weekly basis in the shape of the weekly custom reports (weekly). The storage charges realized from the private depositors are also incorporated in the storage charges statement which is sent to the District Offices on monthly basis. These Weekly custom reports and Storage charges Statements are required to be audited so as to assess the correct realization of storage charges as per the tariff issued by the HSWC from time to time.</p> <p>2. Weekly custom reports are required to be posted in the Custom Registers (Weekly). Register further required to be reconciled with the Warehouse Receipts.</p> <p>3. The Corporation is also raising monthly bills of reservation charges for the warehouses hired by the Food Corporation of India (FCI) on guarantee / reservation basis, the timely submission of these bills and realization of payment there against is also required to be confirmed / audited. The Corporation also handles the food grain stocks of FCI and the handling & transportation charges bills there against are also raised to FCI after making the payment to the contractor. The correctness of these</p>	DM/Asstt in the field units and IAO at Head Office

		<p>bills is also required to be ensured. The storage charges from FCI other than the guarantee / reservation warehouses are also to be checked.</p> <p>4. To ensure that record relating to submission of bills and recovery thereof has been maintained properly.</p> <p>5. All payments made by the District Offices in respect of purchases, services and other related activities including personal claims of the staff are to be checked. It is to be ensured that whether the Cash book has been maintained properly and cash in hand shown in the Cash book is physically available in the Cash chest.</p> <p>6. The Manager hire / employ the casual labour for various services like fumigation / cleaning and dressing of warehouses / etc in the warehouses, the payment to casual labour should be as per norms fixed by Head office.</p> <p>7. Emphasis has to be made to see that the staff has reconciled all Bank Accounts of the general funds and of procurement activities. It should be seen that funds are not scattered and retained unnecessarily in the field units / various banks.</p> <p>8. The care has to be taken in the preparation of Assets registers of dead stock articles and Insecticide register. It is required to be ensured that the quantity of opening balances are correctly incorporated in the registers and duly reconciled with the statement received from the concerned authority (i.e. respective Managers / Branch Heads) and depreciation is charged correctly on the assets as per Policy of the Corporation.</p> <p>9. The issue relating to storage loss in rice stocks stored by the FCI in the warehouses of HSWC is also required to be checked with reference to the deductions made by FCI on this account including arbitrary deductions made by FCI from the payments.</p> <p>10. It should be ensured that the accounts are being maintained according to the applicable Accounting Standard issued by Institute of Chartered Accountants Of India (ICAI) and as per Warehousing Corporation Act.</p> <p>11. It also needs to be ensured that all Statutory taxes being charged / incorporated in the books of accounts, are being deducted and deposited and their returns have been filed in time and are reconciled as per provisions of the respective Act.</p> <p>12. It is to be ensured that liability of all known expenses including statutory charges has been accounted for at the close of the year.</p> <p>13. To see that the income has been accounted for from time to time and accrued income has also been accounted for at the close of the year.</p> <p>14. To ensure that the accounts of outstanding recovery, earnest money / security, advances, loan, other liabilities / payable etc. are reconciled with its detail.</p> <p>15. To confirm as to whether against the disallowed amount of expenditures, action has been taken for getting the same regularized / recovery as the case may be.</p> <p>16. To check the detail of outstanding against storage agencies, etc.</p>	
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		<p>maintained depicting date wise receipt and consumption. It should be duly verified by the concerned JE / ASDE / SDE.</p> <p>15. To ensure that the security (as per allotment letter) is being deducted from each running / final bill. Detail of security is also required to be mentioned in each bill (i.e. total security required to be deducted of the gross work done less previously deducted and the balance to be recovered from the current bill).</p> <p>16. Anti termite treatment certificate duly verified by the Manager / In-charge or Technical Staff of concerned warehouse / site is required to be enclosed with the bill.</p> <p>17. If steel item is in weight in that case weighment slip should be duly verified by the concerned ASDE / SDE.</p> <p>18. Performance guarantee should be deposited as per tender clause.</p> <p>19. To ensure that sufficient funds have been received from the depositor in case of deposit work being executed by the Corporation.</p> <p>20. The Gross Work should not exceed 10% of total estimated cost on quoted rates, if it exceeds, the approval of the competent authority i.e. MD shall be obtained invariably.</p> <p>21. To ensure that technical sanction has been granted by the XEN/ SE.</p> <p>d) <u>GST:</u> Audit as prescribed in accordance with section 35 (5) Under CGST Act 2017 is to be conducted.</p>	
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B. Terms and conditions:

1. The Internal Audit for the Financial Year 2017-18 be completed & report shall be submitted within 4 months from the date of allotment.

2. HSWC reserves its right to review the appointment at any point of time and if necessary can cancel / terminate the appointment by giving 7 days written notice.

3. If the firm fails to start the internal audit as prescribed in the scope of work within fifteen days, left the audit incomplete, the appointment shall be terminated by giving 7 days notice.

The Internal Audit Officer (IAO) shall be the competent authority to terminate the appointment. In case of termination of assignment / appointment the remuneration shall not be payable by HSWC at all. The appeal against the orders of the IAO can be made before the Managing Director (i.e. Appellate Authority) of the Corporation and his decision shall be final.

4. The time fixed for the submission of the audit report must be adhered

to strictly, failing which the penalty of 25% of contract amount can be imposed by Internal Audit Officer (IAO). However, appeal against the imposition of penalty can be made with the Managing Director (i.e. Appellate Authority) of the Corporation. The decision of Managing Director shall be final.

5. If the Audit report is not upto the mark and satisfactory, then, it shall not be accepted by the Internal Audit Officer (IAO) of the Corporation and no payment can be made against this, security amount shall also be forfeited. However appeal against this can be made before the Managing Director (i.e. Appellate Authority) of the Corporation .The decision of managing director shall be final.

6. Appeal:-

Work terminated by I.A.O, penalty of 25% contract amount imposed for delay in submission of audit report & if the audit report is not upto the mark, satisfactory & not accepted by I.A.O of the Corporation & no payment made against these & earnest money & security is forfeited.

Appeal against these can be made before Managing Director i.e Appellate Authority of the Corporation within one month of date of issue of such letters/orders to the Audit Firm. The decision of Managing director shall be final.

7. In case the firm fails to report serious omissions / commissions / non-compliance / etc, HSWC reserves right to report the matter to ICAI / CAG and initiate appropriate action. Such firms will be black listed and they will not be eligible for assignment of audit work with HSWC for next five years.

8. The Auditors are expected to provide an executive summary of observation along with every audit report and submitted the same to the MANAGER (ACCOUNTS).

9. The payment of fee for 2017-18 Internal audit will be released after completion of audit and submission of audit reports as per scope of work of all districts and Head office within four months from the date of

allotment, along with requisite certificates and attendance sheet on the prescribed format as under :-

Sr. No.	Date of Audit	Name of employees/ Auditors	Qualification of Audit/ along with certificate	Centre at which the audit done	Remarks/ Signature of concerned D.M on attendance sheet.
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9(A) Earnest Money and Security Amount

The Security amount shall be Rs.50,000/- or 10% of quoted Internal Audit fee whichever is more, the earnest money shall be converted into security amount on your acceptance. It will be released after completion of audit in all respect. No interest will be paid on this amount.

10. Any other work likely to be considered necessary at any stage will form a part of duty of the auditors.

11 All disputes arising out of the contract shall be referred to the Managing Director (i.e. Appellate Authority) of the Corporation. His decision in the matter shall be final and binding on both the parties.

12 All the necessary certificates that need to be given as part of audit assignment shall be given by the audit firm without any additional certificate fee.

13 As your firm appointed for Internal Audit for 2017-18 the information will be sent to CAG/ICAI, however if your firm gets Statutory Audit of the Corporation subsequently from CAG /Govt. your firm will not accept the Statutory Audit from CAG/Govt.

14 The articles/ other staff deployed by the CA firm should be minimum inter CA qualified.

15 The assignment should be carried out in professional manner and in case of any misconduct and negligence, HSWC is free to report the matter to ICAI / (CAG) . This will be in addition to the disengagement from the assignment.

a. All the necessary report that need to be given by audit firm as a part of the respective assignment shall be given on its letter head without any additional certificate fee.

b. The audit firm shall adhere to the audit coverage strictly as per the scope as may be decided by HSWC from time to time.

c. The firm shall not sub- contract without express permission from HSWC, part of the audit work assigned to any outside firm or other persons even though such persons are Chartered Accountants.

d. The parties agree that they shall hold in trust any confidential information received by either party, under the engagement and the strictest of confidence shall be maintained in respect of such confidential information. The parties agree to execute conditions of confidentiality agreement prior to finalization of engagement and shall abide by the terms and conditions of confidentiality as contained therein.

e. Audit firm will have to stick to the following deadlines:

- Completion and submission of Audit reports within four months.

		<p>- HSWC shall monitor the performance of audit firm closely. HSWC reserves the right to terminate the assignment without assigning any reason. In case of termination of assignment the remuneration shall not be payable by HSWC at all.</p> <p>f. Any other terms and conditions of the assignment (In addition to the terms & conditions mentioned in this RFP) would be decided by HSWC on a case-to-case basis.</p> <p>g. HSWC reserves the right to seek views from the entities with whom the firm is/ has been / was associated as Auditors.</p> <p>h. Any other work likely to be considered necessary at any stage will form a part of duty of the Auditors.</p> <p>16. The appointment of your firm is for a period of one financial year i.e. financial year 2017-18.</p> <p>17. No travelling allowance, halting allowance, out of pocket expenses/ etc. Shall be paid to the Audit firms for carrying out the assignment. However GST and other applicable statutory levies (excluding income tax i.e. TDS) shall be paid as applicable for time to time in addition to basic fees as per agreement.</p> <p>17a Payment to the auditors shall be subject to deduction of tax at source at appropriate rates as applicable form time to time</p> <p>18. The audit fees once fixed shall remain the same throughout the tenure of Audit. The only exception may be in case of revision in the scope of audit, the HSWC's decision will be final in this regard.</p> <p>19. IAO will be Nodal officer as a single point contact for coordinating the audit assignment.</p> <p>a. If the firm fails to start the Internal Audit as prescribed in the scope of work within fifteen days form the end of the shall be terminated by giving 7 days notice. The Internal Audit Officer (IAO) shall be the competent authority to terminate the appointment. In case of termination of assignment/ appointment the remuneration shall not be payable by HSWC at all. The appeal against the orders of the IAO can be made before the Managing Director (i.e. Appellate Authority) of the Corporation and his decision shall be final.</p> <p>b. The contract may be terminated by either side with a prior notice of seven days.</p> <p>c. HSWC reserves its right to review the appointment at any point of time and if necessary can cancel/ terminate the appointment by giving 7 days written notice.</p> <p>d. In case the firm fails to report serious omissions/ commissions/ non compliance/ etc, HSWC reserves right to report the matter to ICAI / CAG and initiate appropriate action. Such firms will be black listed and they will not be eligible for assignment of audit work with HSWC for next five years.</p> <p>e. The auditors are expected to provide an executive summary of observation along with every audit report and submit the same to the Manager. (Accounts)</p> <p>f. The auditors are expected to strictly abide by the directions of the HSWC advised to them from time to time. Further, the scope of audit as defined in this document is indicative and is subject to revision /</p>	
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		<p>modification/ alteration/ addition with the approval of the competent authority of the Corporation.</p> <p>g. If you need any requisite initial information of the Corporation activities and further support to conduct the audit, you may contact the Nodal officer (IAO).</p> <p>20. The courts of India at Panchkula have exclusive jurisdiction to determine any proceeding in relation to the engagement. These provisions shall survive the engagement.</p> <p>21. The Engagement shall be governed in accordance with the law of Republic of India. These provisions shall survive the Engagement.</p> <p>22. For the purpose of Internal Audit, the company will frame audit programme and the same will be communicated to HSWC 15 days in advance of the commencement of audit.</p> <p>a.) The firm will be ensuring that the audit staff has detailed knowledge of the commercial accounting system and the relevant rules regulations of the business being carried over by the HSWC in addition to the rules and regulations of the Sate Govt. on completion of the audit, the Audit firm will submit the observations / objection statement containing audit findings. The audit firm will provide the detailed suggestions for the corrective measures to be taken by HSWC.</p> <p>b.) Issue an Annual Audit certificate under the signature of the authorized signatory of firm in token of completion of Internal audit of accounts of the financial year under Audit.</p> <p>c.) Any other specific assistance sought by the co-chair, governing body and the directions of HSWC in administrative , legal and financial matters will be provided by you.</p> <p>d.) The Internal Auditors and / or his team shall pay visit to HSWC every quarter and also as and when required, shall dedicate time for advising the Accounts Branch.</p> <p>23. Your firm is expected to attend the meeting of the audit committee/ board of HSWC when their respective items are put-up for consideration. Board may also like to separately interact with the auditors at their direction without the presence of HSWC management.</p> <p>24. The parties agree that they shall hold in trust any Confidential information received by either party, under the engagement and the strictest of confidence shall be maintained in respect of such confidential information. The parties agree to execute conditions of confidentiality agreement prior to finalization of engagement and shall abide by the terms and conditions of confidentiality as contained therein.</p> <p>25. <u>Minimum Man days required for performing the Internal Audit:</u></p> <p>a.) At least 7 to 10 man days are required for performing the Internal Audit of each District Office and Head Office.</p> <p>b.) The Internal Audit shall be conducted under the overall supervision of at least one chartered Accountant whose presence is required all the time during the Internal Audit at District Office & Head Office.</p>	
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HARYANA STATE WAREHOUSING CORPORATION
BAY NO.15-18, SECTOR-2, PANCHKULA

S.No.	Outpur Description	Users
1.	Reports/Observations/findings	IAO at Head office DM in the field
2.	Major points	IAO

S.No.	Critical success factor	Targets
1.	Submission of Internal Audit Reports	The Audit reports are submitted by the firm of Chartered Accountant within the specified period to the IAO at Head Office . The reports are dealt at Head Office by the IAO and sent to the respective District Managers in the field for their comments on the findings of the audit within a period of one month
2.	Further course of action	On receipt of comments of the DMs on the findings of the audit , the reports are submitted by the IAO to the Competent Authority for orders .

Sr.No.	Input Description	Source
1.	Appointment of IAO	IAO