



Delhi Financial Corporation

(A Government undertaking)

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No.DFC/A/cs-Corp./456/FY 2014-15/

Dated: 01.08, 2014

M/s
Chartered Accountants

Reg: Invitation of Sealed Financial bids for appointment of Internal Auditors for the financial year 2014-15

Dear Sir,

The Corporation invites sealed financial bids for appointment of Internal Auditors for financial year 2014-15 to conduct internal audit of the accounts of the Corporation as per the scope of work (Annexure- I) and terms and conditions (Annexure- II).

Accordingly, you are requested to send financial bids for internal audit in sealed cover latest by 14th August 2014 at the Head Office of the Corporation. The bid shall be opened on 14th August 2014 at 3.00 P.M. in chamber of G.M.(C/A).

For further clarifications you may please contact the undersigned.

Yours Faithfully,

(Ashok Khanna)
A.G.M (A/cs-Corp.)

Encl: Copy of annexure enclosed.

Annexure - I**SCOPE OF WORK**

1. The firm shall be required to be well conversant with the procedures, policies and rules and regulations of the Corporation, RBI/SIDBI guidelines besides SFCs Act, 1951 in order to be effective in the internal audit work.
2. The firm is expected to test check maximum number (preferably 50%) of Corporation's cases in particular quarter. These cases shall include matters relating to business/operation, particularly, sanction, disbursement, recall, recovery or otherwise settlement of loans of various types and other matters relating to Personnel and General Administration.
3. The firm shall examine that the expenditure incurred by the Corporation is authorized and is in accordance with the approved procedure, delegation of powers and within the sanctioned budget. It shall also identify and highlight cases or irregularities and frauds and shall comment on the existing mechanism of check and control on such frauds. Reference to earlier CAG audit and Statutory Audit shall be made every time. The firm shall see if the affairs of the Corporation are conducted with an eye to economy in expenditure and with reference to Budget provisions.
4. The firm shall ensure compliance of the statutory liabilities such and deduction, deposit and filling of returns in respect of Sales Tax, Income Tax, P.F. Gratuity, Pension, and Service Tax etc. It shall advise and assist the Corporation in the matter of deduction of income tax at source from salary of the staff and shall pre-audit annual returns of tax deducted at source both for salary and other payments.
5. It shall examine the system of keeping service records, leave records, and other records relating to business and frequency of weeding out of redundant cases and their overall management. It shall comment on the adequacy of the staff, recruitment rules, recruitment / promotion structure of the organization and its management functioning and present system of in-house training & employees participation for conference / seminars for HRD purpose.

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6. The firm shall examine the personnel matters and report about the observance of rules / regulations / guidelines by the Corporation. The Personnel matters include records relating to recruitment, promotion, fixation of pay, increments, attendance, leaves LTC, medical and other reimbursements / allowances, advances and their adjustments, GPF / CPF deductions and their management, pension and pension fund, gratuity etc., and observance of rules and regulations in their maintenance.
 7. It shall check and comment on adequacy and efficiency of the present system, including management information system (MIS) and internal control system in meeting the business objectives of the Corporation.
 8. The firm shall examine present ordering system in respect of purchases being carried out by the Corporation for its activities and check records for observance of purchase procedures (contracts, tenders, petty expenses, expenditure from contingency fund) and check if purchases during a particular quarter are in accordance with the rules and orders and with the sanction of competent authority. Physical verification of entire dead – stock, stationery and other items shall also be undertaken along with the examination of the measures and actions by the Corporation for management of its assets, dead stock and standards of valuation / depreciation and help the management for prevention and detection of frauds, misappropriations and pilferage.
 9. It shall examine all records pertaining to payment on telephone / electricity / water bills and highlight cases where economy / beneficial utilization of these facilities could be possible. Similarly, usage of staff vehicles, economy on the fuel and repairs etc., shall be commented upon.
 10. The firm shall be required to review of the soundness, adequacy and application of accounting, financial and operational and operational controls. Review of adequacy and effectiveness of internal control in safeguarding of assets of the Corporation. It shall comment on periodical ageing of the borrowers accounts, borrowings, deposits, advances and comments thereon. The firm shall examine the targets fixed by the Corporation and also its business plan.
 11. The firm shall examine / check the accounts books of the Corporation to see if they are maintained properly, checked and balanced periodically and if the transactions of receipt and payments are in accordance with the rules and orders in force and brought to account under appropriate account head & classification of the Corporation the firm in its report shall report the deficiencies / irregularities in maintenance of accounts books along with suggestions / recommendations / remedial measures. Verification and timely

up-dation of Books of Accounts and subsidiary ledgers and reconciliation including the Bank Reconciliation shall also be undertaken by it.

12. It shall be the duty of the firm undertaking internal audit to examine and report if the loan cases are processed in accordance with the stipulated legal, technical financial angles and administrative procedures. It shall examine the loan cases to see if the interest (documented interest, penal interest, etc.) is levied / calculated / realized properly, and if the recovery (principal + interest of various types) is made in accordance with the procedure, policies and guidelines. It shall also examine the cases of the legal branch to see the status and report on the progress of suit files for decree / execution.
13. The firm shall check, inspect and record its findings about maintenance of borrowers account both in manual ledgers and the computers and deficiencies/ irregularities, if any, in services, provided by the Corporation to its borrowers in respect of their loans accounts, repayments, NOC and timely release of security / mortgage assets. Reports on suggestions about improvement in computerization process and manual accounting shall be specifically made a part of the quarterly audit report.
14. It shall be the duty of the firm to scrutinize if the mortgaged properties / securities in loan cases are legally and financially adequate, properly mentioned in safe custody, adequately insured, and timely realized or discharged depending upon the nature / stage of particular cases. Any irregularity noticed in this context shall be highlighted and immediately brought to the notice of the CMD.
15. The firm may also inspect the units / establishment of DFC's borrowers at Delhi and Chandigarh in order to verify the position in Corporation's records. Appropriate comments status of the units (whether sick or running) shall be incorporated in the quarterly in the quarterly internal audit report highlighting cases of bad and doubtful debts.
16. The firm shall examine and check all bank accounts of the Corporation at Delhi and Chandigarh to see if they are reconciled up to date and if there are any outstanding entries. It shall also comment on the status and progress of submission of periodical returns / statement of accounts to Industrial Development Bank of India / State Government / Reserve Bank of India / Small Industries Development Bank of India etc.
17. The firm shall specially check / audit the cash management system at Delhi office and Branch Office Chandigarh and if it is maintained properly on daily and monthly basis. Comments about cash management shall be specially highlighted in the quarterly audit report along with appropriate suggestions. The firm shall give time-to-time advice and help to the Corporation in carrying on its activities on Cash Accounting basis.

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18. Quantitative and financial reconciliation of Income and Expenditure.
 19. The Firm shall comment on the finance and refinance policies of the Corporation from the point of view of their comparative advantages / disadvantages.
 20. It shall be the duty of the firm to examine and comment on the sources of finance and their maintenance. It shall see if the bonds are timely and properly sanctioned / drawn in terms of the budget of the Corporation and also see the liquidity position and make appropriate comments on the capital adequacy, investment decision, dividend policy, short term and long borrowings and utilization and mis-utilization, if any, of such borrowing.
 21. The firm shall examine business targets in different fields of activities of the Corporation with reference to Budget / BPRF and compare actual performance together with reason for variance to highlight performance profile of the Corporation.
 22. The firm shall check if the classification of assets and provisioning made by the Corporation is as per the guidelines issued by RBI/SIDBI. It shall check and report on the asset liability management & suggest measures to remove mismatch. If any, it shall also suggest measures for reduction in the cost of funds.
 23. The firm shall tender advice and assistance whenever required by the Corporation.
 24. The firm shall also check compliance of KYC & Anti-money laundering (AML) norms as approved by the Board of DFC.
 25. The firm shall also pre-audit all such transactions, relating to & payment, expenses, taxation, fixation of pay & pension etc which may be referred to it by the management.

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(Annexure - II)

TERMS & CONDITIONS

1. The appointment shall be initially for a period of three years, however, the same shall be subject to annual appraisal of performance & decision of the Corporation.
2. The firm entrusted with internal audit of DFC's offices at Delhi & Chandigarh shall be required to deploy such manpower (not less than ACA) as would suffice for thorough examination of loan cases of various types and also other matters for thorough examination of loan case of types and also other matters relating to purchase, stores, income tax, personnel matters etc. scope of work of internal audit is defined separately in Annexure 'A'.
3. Internal audit of the Corporation shall be undertaken every quarter in a financial year and completed within that quarter. The firm shall conduct pre-audit of such transactions as are referred to it by the management. Detailed Report on finding along with suggestions/remedial measures shall be submitted to the CMD before the closed of every quarter.
4. If the firm fails to submit quarterly report in time a penalty of 10% on the annual fee/charges shall be levied by the Corporation and shall be deducted from the payment.
5. The firm shall maintain strict confidentiality regarding any sensitive information obtained in course of its contract with the DFC and shall not use of such information for any purpose other than audit. It shall also not accept cases or render advice against the Corporation so long as its contract is continued with the Corporation. The firm shall be required to submit a bond of fidelity to the Corporation and maintaining secrecy of Corporation's business operations, procedures and policies.
6. The firm, before undertaking the internal audit, shall submit an undertaking that if during its contact with the corporation, any of its client/clients happen to be Corporation's borrower whether directly or indirectly, it shall be forthwith brought to the notice of the CMD. Failure to do so shall entail cancellation of the contract and otherwise action as decided by the Corporation.
7. The firm shall be entitled for payment towards fee for internal audit work twice a year i.e. on completion of two quarters. Payment shall be subject to satisfaction of the CMD on the work performed by the firm. The decision of CMD shall be final and binding on the firm.
8. The Corporation shall provide accommodation to the staff of CA firm during the course of internal audit. No secretarial assistance shall be provided.

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9. The firm will be liable for the consequences errors and omission on its part or on the part of its officials. However, the indemnification to be paid by the firm shall be based on the seriousness of errors and omission and shall be determined in relation to the firm's fee and shall never be in excess of that fee.
10. The contract shall not be determined by the death or retirement of a member of the firm.
11. Details of offices and various Divisions is given at Annexure 'B' an audit check list at Annexure 'C' and suggestive audit methodology at Annexure 'D'.

Details of Office's and various Divisions

Head Office :

37-38, Pankha Road Institutional Area,
D-Block, Janak Puri, New Delhi -110058.

Branch Offices:

Ambedkar Bhawan,
4th Floor, Sector - 16,
Rohini, New Delhi - 110085.

Chandigarh Branch

Delhi Financial Corporation
182/19 Industrial Area, Phase -1
Chandigarh-160001

Various Divisions

1. Personnel Division
2. General Administration
3. Accounts Corporate
4. Account Loans
5. Transport Division
6. Project Division (General) (Sanction, Disbursement and Recovery)
7. Project division (Relocation)(Sanction, Disbursement and Recovery)
8. Legal Department
9. Economic & Statistics
10. Marketing
11. Board Meeting
12. EDP
13. Consultancy Guidance Cell
14. Entrepreneur Guidance Cell
15. Vigilance Cell

Audit Check List

Cash Management

1. Have you checked the cash in hand on the first day of start of the audit or surprise check during the audit period?
2. Have you pointed out soiled notes kept in the cash balance?
3. Have you verified the balance in the following accounts as on date of audit by physical examination:
 - a) Petty Cash / Imprest balance
 - b) Postage and Telegrams
 - c) Securities (including FDRs in hand)
4. Whether Manager / Asstt. Manager in checking entire cash, at least once in a Month?
5. Have you verified whether excess cash in hold for unduly long period?
6. Whether cash in holding within the prescribed insurance limit?
7. Whether cashier kept of the cash chest jointly and other officer authorized for the purpose?
8. Whether duplicate keys are kept in Head Office in case of units?

Cash in transit

9. Whether adequate safe guards are taken for while remitting the cash from units to banks with head office.
10. Is there any entry outstanding without valid/satisfactory reasons? List of entry outstanding for more than 3 days?
11. Whether adequate insurance cover has been obtained for cash-in-transit.

Bank Account

12. Have you verified that bank statements are frequently calling from the bankers and these are regularly reconciled and checked with out book?
13. Are you satisfied that there are no long outstanding items of objectionable nature?
14. Whether balances lying in the current accounts are within minimum limit and surplus balance has been invested immediately without loss of interest.

Imprest / contingent advance

15. Have you verified imprest / contingent advance? A list of outstanding Contingent advances unadjusted for one month may be given in a separate annexure as per format given in the Annexure.
16. Whether advance have utilized for which they a drawn.
17. Whether there is any system to issued reminder for adjustment of advance Outstanding more than one month.

Balancing of Accounts

18. Whether you have obtained Trial Balance as on closing of your audit period.
19. Whether details of salary payable available and tallied with figures shown in the Trial Balance.
20. Whether details TDS payable available and tallied with figures shown in the Trial Balance.
21. Whether details EMD available the tallied with figures shown in the Trail Balance.
22. Whether details of security deposit available and tallied with figures shown in the Trail Balance.
23. Whether all other details of advance to party available and tallied with figures shown in the Trail Balance.
24. Whether all other details of available and tallied with figures shown in the Trail Balance.

Maintenance of Books

25. Whether the Corporation maintains proper books.
26. Whether revenues are classified in proper head.
27. Whether Expenditure are classified in proper head.

Store, Stationery & Consumable

28. Whether procedure of procurement of store, stationery and consumable is Adequate.
29. Whether Corporation as having adequate system issuance of these items.
30. Have you satisfied that proper economy is exercised on its consumption?

Fixed Assets

31. Whether procedure of procurement of Fixed Assets us adequate.
32. Whether Corporation is having adequate system for maintenance of fixed assets records.
33. Whether fixed assets are being physically verified periodically and reconciled with the books of accounts?
34. Whether individual responsibility has been fixed for custodian of fixed assets.
35. Whether the entries have been made in Fixed Assets Register (maintained in computer with specially designed software) before releasing the payment.

Property Tax

36. Whether Corporation is having good system of timely payment of property tax and maintaining proper and adequate records in this regard.

Loans & Advances

37. Whether debts are recorded properly in the books of accounts.
38. Whether procedures of recovery of debts is adequate.
39. Whether the division invariably taking appropriate, prompt and effective steps for recovery of overdue. If so, what is the cause of accumulation? Reports in this respect should be factual and specific.
40. A list of outstanding loanes as on closing of the date of the audit period may be given in a separate annexure as per format.

Investment

41. Have you verified the investment instruments physically?
42. Whether the procedures for investment of surplus fund is adequate.
43. Have you verified that surplus fund is being invested immediately without loss of interest?
44. Have you ensured that all investment decisions are in order with the regulations as per the SFCs Act, 1951. Govt Instructions and other Rules, if any as applicable.
45. Whether investments are being made as per the delegation of power? Is there any system of automatic internal reporting to the Board at its next meeting in all cases?
46. Whether there is any element of speculation on the yield obtaining from the investments
47. Whether the investment decision bases on sound commercial judgment commercial prudence.
48. Whether all the TDS Certificates have been collected from the respective department / banks and necessary accounting entries have been passed for the same.

Purchase

49. Whether the purchases are made from the registered dealers only?
50. Whether codal formalities like calling of tenders, invitation of limited quotations etc.,
51. Whether all the purchases made during the period under audit are accounted for in the books of accounts?
52. Whether system of purchase is adequate.

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EDP Cell

- 53. Whether the system of safeguard of data is adequate keeping in view the data size.
- 54. Whether outsider is allowed and excess to the live data.
- 55. Whether there is any system to store the data outside the office premises.

Expenditure

- 56. Have you satisfied that proper economy is exercised on stationery consumption?
- 57. Have you satisfied that proper economy is exercised on telephone?
- 58. Have you made a test check of relative vouchers in respect of expenditure head to satisfy that there is no leakage of revenue by way of overcharging in expenditure head.

Income

- 59. Have you made a test check of relative vouchers in respect of income head to satisfy that there is no leakage of revenue by way of undercharge in case of income heads.

Public Relation / Customer Service

- 60. Whether the unit is following guidelines, if any, on customer service.
- 61. Whether the time taken in processing the bill and realizing of payments thereof is reasonable.
- 62. Have you satisfied that duties have been clearly defined and properly delegated
- 63. Have you verified whether Information Counters have been displaying and distributed the publicity material properly.
- 64. Whether the unit is provided with an inquiry window with properly manned.

Records

- 65. Have you verified that records are properly kept and a record register is being maintained
- 66. Have you verified that old record requiring destruction have been properly dealt.
- 67. Have you satisfied that files in use are properly numbered and have centralized system of opening of new file

Correspondences

- 68. Have you satisfied that Dark Receipt and Disposal Register are maintained in accordance with the prescribed instruction, if any?

Complaints / Suggestions Boxes

- 69. Have you verified that Corporation is having a system of complaints/suggestions at all its units?
- 70. Whether you verified that all the complaints outstanding against the unit have been properly attended.

Security Measures / Safeguards

71. Whether the system of security measure is adequate keeping in view the size.
72. Whether proper guards/chowkidars have been appointed at all the sensitive points.

Advance / Loan to Staff

73. Have you verified EMI / Installment of the loan deducted regularly from the salary?
74. Have you verified the securities of secured advance? Whether these securities have been kept properly?
75. Have you verified that the system of mortgage/hypothecation of security is proper?
76. Has the fixation of salary & due drawn statements have been checked according to 6th pay commission.

Income Tax and other Return

77. Have you verified that the returns as per Income Tax Act, Service Tax etc, are filed timely?
78. Whether TDS (Salary & others) is being promptly deposited as per rule?

Inventory

79. Whether the system of physical verification of inventories is adequate.

Delegation of Powers

80. Whether the officers discharging the duties within the delegated powers.
81. Have you checked the various powers as vested with the official at different levels have not been exceeded/violated?
82. Have you verified whether there is any mis-utilisation of powers
83. Do you think power needs to be further delegated?
84. Are supervisory staffs at various level exercises their powers and authority correctly and judicially?

Time Keeping Department

85. Have you checked the system of attendance of the employees?
86. Whether the existing system of recording of time is maintained proper

Preliminary Work

- Define the nature and scope of the internal audit.
- Analyse background information and establish what the system is trying to achieve.
- Select relevant audit objectives.

Audit terms of reference

- Draw up a preliminary work plan covering ongoing issue.
- Prepare a detailed work plan including timetable and completion date.
- Hold a meeting with the relevant officers and employees of the corporation.

Field Work

- Identify the key controls presently implemented by management.
- Evaluate the controls using checklists recording any weaknesses.
- Carry out compliance tests to determine whether controls are working and adequate.
- Select areas needed depth investigation and carry out substantive testing if required.
- Consider whether value for money is being achieved.
- Put together the findings and confirm them.
- Close co-ordination with Staff and Management and organize meeting before concluding.
- Identify key issues arising from the audit.
- Obtain an agreement on underlying facts.

Draft Reports

- Discuss findings with operational officers/officials as applicable.
- Discuss findings with management at finance and accounts.
- Resolve all issues arising.

Reports on findings and conclusions

- Present report at a face-to-face meeting with the General Manager / Chief General Manager.
- Issue written notes on all matters agreed and action points arising therefrom.
- Issue a concise final report to the Managing Director & Chief Executive.