

## **SCOPE OF INTERNAL AUDIT**

### **General**

The internal auditors shall be required to conduct detailed audit of the operations of all the SBUs and the Corporate Office. The audit shall include the review of soundness and adequacy of administrative, accounting, financial and other controls; adequacy of systems regarding the custody and safety of the enterprise's assets; compliance with policies, plans and procedures of the company; efficient and economical use of resources; efficiency and effectiveness of functioning of various departments, compliance of relevant statutes, rules and regulations etc.

### **SBU-Rock Phosphate**

In the course of audit, the auditors shall check and review and give their comments/ suggestions on the various operations of the SBU, including the following broad areas of activity:

#### **1. Reporting on performance of the SBU**

Reporting production & sales, separately for departmental & contractual performance, in both quantitative & value terms, of various products, other revenue, expenditure incurred & profit earned by the SBU vis-a-vis budget, giving figures for corresponding half of the previous year. In the case of report for second half, figures for whole year should also be given.

#### **2. Finance & Accounts**

##### **A. Cash & Bank**

- i) Scrutiny of all cash & bank transactions.
- ii) Checking classification under proper accounting heads.
- iii) Checking Bank reconciliation & verification of bank balances.
- iv) Physical verification of cash.
- v) Reporting funds retained by the SBU in excess of the limits prescribed.

## **B. Payroll**

- i) Scrutiny of monthly pay roll transactions on test check basis.
- ii) Scrutiny of employees' income tax & its deduction at source on test check basis.
- iii) Scrutiny of ledger of loans and advances given to employees & recoveries thereof.
- iv) Scrutiny of transactions pertaining to contribution to Provident Fund.
- v) Scrutiny of employees' TA bills.
- vi) Scrutiny of employees' other personal claims like medical bills etc on test check basis.

## **C. Bills of suppliers, contractors & others**

- i) Scrutiny of all bills of suppliers, contractors & others on the basis of work order/LoA/Purchase Order.
- ii) Checking recovery/deduction from the bills as per the LOA/work order/P.O or applicable statute., including recovery/deduction of security deposits, outstanding advances, TDS, WCT, service tax, stores/ consummables supplied by RSMML etc.
- iii) Checking excess/additional/substitute items vis-a-vis work order/LoA/Purchase Order & whether competent approval exists for the same.
- iv) Checking extra claims, if any & whether competent approval exists for the same.
- v) Checking whether any payment has been released prior to execution of agreement/deposit of SD.

## **D. JVs, Ledgers etc.**

- i) Scrutiny of all JVs, General ledger, subsidiary ledgers etc.
- ii) Checking classification under proper accounting head .
- iii) Scrutiny of old debit / credit balances outstanding for more than three years with reasons thereof giving period of outstanding.
- iv) Checking provision for liabilities, prepaid expenses & expenses pertaining to previous year.

## **E. Fixed Assets register & Depreciation**

- i) Scrutiny of fixed assets register/ledger.
- ii) Checking computation of depreciation.

#### **F. Taxes & levies**

- i) Checking compliance of Works Contract Tax, service tax, Road tax, entry tax, TDS and other applicable taxes, duties, levies etc.
- ii) Checking timely deposit of all taxes & statutory levies.

#### **G. Miscellaneous**

- i) To have an overview of the operation of the system of reconciliation of inter-unit entries/transactions.
- ii) Checking valuation of finished goods.
- iii) Scrutiny of contingent liabilities & capital commitments.
- iv) Providing suggestions, if any, for improvement in the accounting systems & procedures followed by the SBU.

### **3. Mining & HGO crushing:**

- i) Reporting monthly pit-wise production of HGO, LGO, Overburden & HGO crushed.
- ii) Checking award, operation & closure of contracts with respect to compliance with contract manual, procedures & normal prudence including the following points:

#### **A. Award of contract/work:**

Checking whether competent administrative approval exists for the work awarded & whether proper procedure was followed for inviting NIT; checking the evaluation carried out in respect of the work awarded; checking deviation, if any, from the established/standard practices for award of work; checking the terms and conditions mentioned in the Letter of Acceptance (LoA) / Work Order with those mentioned in tender document/corrigendum; checking records maintained for DDs/Pay Orders received towards EMD & timely refund thereof.

#### **B. Operation of contract/work awarded**

Checking compliance with the Quantity / Quality parameters; checking the work executed by the contractor & the payments made with reference to the provisions of the work order; checking timely action for award of new contract, justification for extension of the period of the existing contract, if any; checking proper receipt/deduction of security deposit, deduction/retention of LD amount, if any, from running bills; checking payment with reference to the terms of the contract regarding stripping ratio, if any; checking recoveries/deductions from bills for material & power supplied/given by RSMML, de-escalation of diesel prices, rent for accommodation provided etc.; checking compliance with other

terms & conditions of the contract & whether payments are in accordance with these terms & conditions; checking compliance with the provisions of various statutes including EPF & MP Act; checking whether the company has entered into formal agreement with the contractor

### **C. Closure of Contract/work awarded**

Checking whether all procedural formalities for closure of the contract have been adhered to; checking whether all terms & conditions of the contract have been complied with & whether the final output meets quantity and quality parameters as per the work order; checking justification & competent approval in case of variation; checking imposition of Liquidated Damages as per the provisions of the contract & if not imposed, whether proper justification & approval exists; verification of the payments made during the contract and of the final payment, including SD, made/to be made to the contractor and whether approval of competent authority exists; checking whether the contracts were closed in reasonable time giving list of contracts pending closure.

- iii) Utilisation of mining equipment giving working hours, production, productivity (i.e., production per hour) & breakdown hours with reasons, for individual equipment vis-à-vis budget/norms, if any.
- iv) Utilisation of crushing plant giving working hours, production & productivity (i.e., production per hour) & breakdown hours with reasons, vis-à-vis budget/norms, if any.
- v) Machine wise diesel consumption giving monthly working hours, diesel consumed during the period & diesel consumption per hour vis-à-vis budget/norms, if any
- vi) Monthly diesel consumption per ton of rock excavated separately for departmental & contractors' production with previous three years' figures & budget/norms, if any.
- vii) Consumption of explosives, giving quantities & value of explosives consumed, rock excavated & consumption per ton, separately for departmental & contractual production, with previous three years' figures and budget/norms, if any.
- viii) Working out the cost per tonne of rock handling giving previous three years' figures & budget/norms, if any.
- ix) Reporting the status of various mining leases under the SBU.
- x) Suggest the areas / fields to minimise the operative expenses without affecting the productivity.

### **4. Maintenance Operations**

- i) Break down hours & reasons thereof for individual machines vis-à-vis budget/norms, if any.

- ii) Scrutiny of award, operation & closure of contracts, if any, with reference to the points as mentioned at sr. no.(ii) of the head "Mining & HGO Crushing".
- iii) Fleet-wise expenditure incurred on maintenance of mining and heavy earth moving equipment giving figures for utilisation of tyres, spares, consumables & other stores with previous three years' figures & budget/norms, if any.
- iv) Year-end reporting of inventory of spares and other consumable stores lying at the shop floor.

#### **5. Electrical**

- i) Analysis of power consumption in terms of per unit of production giving figures for previous three years & budget/norms, if any, separately for mining (excluding consumption by PHED pumps) & IBP.
- ii) Operation of the 3.8 MW DG set giving working hours, breakdown hours, units generated & cost of operation.
- iii) Checking compliance of Wheeling and Banking arrangement for power.
- iv) Utilisation of spares and consumables/stores.

#### **6. INDUSTRIAL BENEFICIATION PLANT**

- i) Month-wise feed of LGO & production of concentrate giving grade, recovery percentage, moisture etc.
- ii) Scrutiny of award, operation & closure of contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & HGO Crushing".
- iii) Consumption, in quantitative & value terms, of reagents giving figures of previous three years and budget/norms, if any.
- iv) Expenditure incurred on spares and other consumables/stores vis-à-vis budget/norms, if any.
- v) Expenditure incurred on maintenance of the plant vis-a-vis budget/norms, if any.
- vi) Suggest the areas/fields to minimize the operative expenses without affecting the productivity.

#### **7. Purchase Department**

Checking purchases with respect to compliance with purchase policies, purchase manual, procedures & normal prudence, including the following points: -

- i) Whether there was proper indent/proposal with competent administrative approval giving with full information / specifications pertaining to the proposed purchase.
- ii) Checking the reasonability of purchases with reference to last purchase price, previous years' consumption, available stock, budget provision & normal prudence.
- iii) In case of deviation from the standard procedure of purchase, checking whether the prior approval of the competent authority has been obtained for the said deviation.

- iv) Checking whether sufficient justification has been provided for any deviation from tender specifications, terms and conditions etc pertaining to the purchases made and whether competent approval has been obtained for the same.
- v) Checking the evaluation of the offers / bids received and placement of orders.
- vi) Checking whether appropriate securities e.g. earnest money deposit, security deposit etc has been obtained in reference to the proposed purchase.
- vii) Year-end reporting of group-wise inventory with previous three years' figures.

## **8. Civil Department**

- i) Scrutiny of award, operation & closure of contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & HGO Crushing".
- ii) Checking excess/additional/substitute items vis-a-vis work order/LoA/Purchase Order & whether competent approval exists for the same.
- iii) Checking extra claims, if any & whether competent approval exists for the same.

## **9. Marketing Department**

- i) Month-wise & product-wise sales with figures of corresponding half of the previous year.
- ii) Scrutiny of award, operation & closure of contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & HGO Crushing".
- iii) Recovery from debtors & Whether interest has been charged on the overdue amount and recovery position of such interest.
- iv) Checking of sale bills vouchers, moisture rebates, Debit/Credit Notes, debtors / freight accounts etc.
- v) Checking royalty, VAT/CST, M.R.Cess etc paid to the Govt. & recovered from parties.
- vi) Checking of Release Orders, reconciliation of quantity dispatched/ sold & verification stock position.
- vii) Reconciliation of quantity of rock phosphate transported from Weigh Bridge to railway sidings, grinding units etc.
- viii) Suggestions for improvement in the systems & procedures being followed.

## **10. Quality Assurance**

- i) Expenditure incurred on contract for quality assurance.

- ii) Expenditure incurred on stores & consumables.
- iii) Expenditure on purchased raw material used for preparation of product for SSP/DAP sectors.

#### **11. Personnel**

- i) Scrutiny of pay fixation, annual grade increments, leave encashment, VRS etc.
- ii) Checking records pertaining to attendance & leave balance of employees.
- iii) Scrutiny of loans & advances granted to employees.
- iv) Scrutiny of engagement of casuals (if any) with reference to compliance with policies, procedures, statutes & delegation of powers.

#### **12. Administration**

- i) Scrutiny of award, operation & closure of contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & HGO Crushing".
- ii) Scrutiny of requirement and deployment of departmental & hired vehicles.
- iii) Checking log books of such vehicles with reference to their proper utilisation.
- iv) Checking broadly the diesel consumption with reference to norms.
- v) Checking the records pertaining to procurement and issue of stationery items.
- vi) Checking asset register of furniture and fixtures and other capital items & disposal of scrap etc.
- vii) Checking receipt, issues & stock of medicines.

#### **13. Reporting on Internal Controls**

The auditor should point out gaps/lacunae in internal control procedures, if any, and suggest measures to strengthen the same. The auditor may also give suggestions for improvement in the systems, procedures & overall working of various departments of SBU-Rock Phosphate.

## **SBU & PC - Gypsum**

### **1 Reporting on performance of the SBU**

Reporting production & sales (in both quantitative & value terms) of Gypsum/Selenite, other revenue, expenditure incurred & profit earned by the SBU vis-a-vis budget, giving figures for corresponding half of the previous year.

## **2. Finance & Accounts**

### **A. Cash & Bank**

- i) Scrutiny of all cash & bank transactions.
- ii) Checking classification under proper accounting heads.
- iii) Checking Bank reconciliation & verification of bank balances.
- iv) Physical verification of cash.
- v) Reporting funds retained by the SBU in excess of the limits prescribed.

### **B. Payroll**

- i) Scrutiny of monthly pay roll transactions on test check basis.
- ii) Scrutiny of employees' income tax & its deduction at source on test check basis.
- iii) Scrutiny of ledger of loans and advances given to employees & recoveries thereof.
- iv) Scrutiny of transactions pertaining to contribution to Provident Fund.
- v) Scrutiny of employees' TA bills.
- vi) Scrutiny of employees' other personal claims like medical bills etc on test check basis.

### **C. Bills of suppliers, contractors & others**

- i) Scrutiny of all bills of suppliers, contractors & others on the basis of work order/LoA/Purchase Order.
- ii) Checking recovery/deduction from the bills as per the LOA/work order/P.O., including recovery/deduction of security deposits, outstanding advances, TDS, WCT, service tax, stores/ consummables supplied by RSMML etc.
- iii) Checking items in excess of/addition to the work order/LoA/Purchase Order & whether competent approval exists for the same.
- iv) Checking whether any payment has been released prior to execution of agreement.

### **D. JVs, Ledgers etc.**

- i) Scrutiny of all JVs, General ledger, subsidiary ledgers etc.
- ii) Checking classification under proper accounting head in general & for FBT in particular.



- iii) Scrutiny of old debit / credit balances outstanding for more than three year with reasons thereof giving period of outstanding.
- iv) Checking provision for liabilities, prepaid expenses & expenses pertaining to previous year.

**E. Fixed Assets register & Depreciation**

- i) Scrutiny of fixed assets register/ledger.
- ii) Checking computation of depreciation.

**F. Taxes & levies**

- i) Checking compliance of Works Contract Tax, service tax, Road tax, entry tax, TDS and other applicable taxes, duties, levies etc.
- ii) Checking timely deposit of all taxes & statutory levies.

**H. Miscellaneous**

- i) To have an overview of the operation of the system of reconciliation of inter-unit entries/transactions.
- ii) Checking valuation of finished goods.
- iii) Scrutiny of contingent liabilities & capital commitments.
- iv) Providing suggestions, if any, for improvement in the accounting systems & procedures followed by the SBU.

**3. Mining & crushing operations:**

- i) Reporting monthly mine-wise production & production from plant at Rawla.
- ii) Checking award, operation & closure of contracts with respect to compliance with contract manual, procedures & normal prudence including the following points:

**A. Award of contract/work:**

Checking whether competent administrative approval exists for the work awarded & whether proper procedure was followed for inviting NIT; checking the evaluation carried out in respect of the work awarded; checking deviation, if any, from the established/standard practices for award of work; checking the terms and conditions mentioned in the Letter of Acceptance (LoA) / Work Order with those mentioned in tender document/corrigendum; checking records maintained for DDs/Pay Orders received towards EMD & timely refund thereof.

**B. Operation of contract/work awarded**

Checking compliance with the Quantity / Quality parameters; checking the work executed by the contractor & the payments made with reference to the provisions of

the work order; checking timely action for award of new contract, justification for extension of the period of the existing contract, if any; checking proper receipt/deduction of security deposit, deduction/retention of LD amount, if any, from running bills; checking compliance with other terms & conditions of the contract & whether payments are in accordance with these terms & conditions; checking compliance with the provisions of various statutes including EPF & MP Act; checking whether the company has entered into formal agreement with the contractor

### **C. Closure of Contract/work awarded**

Checking whether all procedural formalities for closure of the contract have been adhered to; checking whether all terms & conditions of the contract have been complied with & whether the final output meets quantity and quality parameters as per the work order; checking justification & competent approval in case of variation; checking imposition of Liquidated Damages as per the provisions of the contract & if not imposed, whether proper justification & approval exists; verification of the payments made during the contract and of the final payment, including SD, made/to be made to the contractor and whether approval of competent authority exists; checking whether the contracts were closed in reasonable time giving list of contracts pending closure.

- iii) Utilisation of Rawla crusing plant giving working hours, production & productivity (i.e.,production per hour) & breakdown hours with reasons, vis-à-vis budget/norms, if any.
- iv) Reporting the status of various mining leases under the SBU.
- v) Suggest the areas / fields to minimise the operative expenses without affecting the productivity.

### **4. Electrical**

Analysis of power consumption in terms of per unit of production giving figures for previous three years & budget/norms, if any.

### **5.Purchases**

Checking purchases with respect to compliance with purchase policies, purchase manual, procedures & normal prudence, including the following points: -

- i) Whether there was proper indent/proposal with competent administrative approval giving with full information / specifications pertaining to the proposed purchase.
- ii) Checking the reasonability of purchases with reference to last purchase price, previous years' consumption, available stock, budget provision & normal prudence.
- iii) In case of deviation from the standard procedure of purchase, checking whether the prior approval of the competent authority has been obtained for the said deviation.

- iv) Checking whether sufficient justification has been provided for any deviation from tender specifications, terms and conditions etc pertaining to the purchases made and whether competent approval has been obtained for the same.
- v) Checking the evaluation of the offers / bids received and placement of orders.
- vi) Checking whether appropriate securities e.g. earnest money deposit, security deposit etc has been obtained in reference to the proposed purchase.

## **6.Civil works**

- i) Scrutiny of award, operation & closure of contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & HGO Crushing".
- ii) Checking items in excess of/addition to the work order/LoA/Purchase Order & whether competent approval exists for the same.

## **7. Marketing Department**

- i) Month-wise & product-wise sales with figures of corresponding half of the previous year.
- ii) Scrutiny of award, operation & closure of contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & Crushing Operations".
- iii) Recovery from debtors & Whether interest has been charged on the overdue amount and recovery position of such interest.
- iv) Checking of sale bills vouchers, moisture rebates, Debit/Credit Notes, debtors / freight accounts etc.
- v) Checking of Release Orders, reconciliation of quantity dispatched/ sold & verification stock position.
- vi) Reconciliation of quantities of Gypsum/Selenite transported from Weigh Bridge to railway sidings, grinding units etc.
- vii) Suggestions for improvement in the systems & procedures being followed.
- viii) Expenditure incurred on contract for quality assurance.

## **8. Personnel**

- i) Scrutiny of pay fixation, annual grade increments, leave encashment, VRS etc.
- ii) Checking records pertaining to attendance & leave balance of employees.
- iii) Scrutiny of loans & advances granted to employees.

- iv) Scrutiny of engagement of casuals (if any) with reference to compliance with policies, procedures, statutes & delegation of powers.

## **9. Administration**

- i) Scrutiny of award, operation & closure of contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & Crushing operations".
- ii) Scrutiny of requirement and deployment of departmental & hired vehicles.
- iii) Checking log books of such vehicles with reference to their proper utilisation.
- iv) Checking broadly the diesel consumption with reference to norms.
- v) Checking the records pertaining to procurement and issue of stationery items.
- vi) Checking asset register of furniture and fixtures and other capital items & disposal of scrap.
- vii) Checking receipt, issues & stock of medicines.

## **Reporting on Internal Controls**

The auditor should point out gaps/lacunae in internal control procedures, if any, and suggest measures to strengthen the same. The auditor may also give suggestions for improvement in the systems, procedures & overall working of various departments of SBU-Gypsum.

## **SBU & PC - Lignite**

In the course of audit, the auditors shall check and review and give their comments/ suggestions on the various operations of the company, including the following broad areas of activity:

### **1. Reporting on performance of the SBU**

Reporting unit-wise production & sales (in both quantitative & value terms), other revenue, expenditure incurred & profit earned vis-a-vis budget, giving figures for corresponding half of the previous year. In the case of report for second half, figures for whole year should also be given.

### **2. Finance & Accounts**

## **A. Cash & Bank**

- i) Scrutiny of all cash & bank transactions.
- ii) Checking classification under proper accounting heads.
- iii) Checking Bank reconciliation & verification of bank balances.
- iv) Physical verification of cash.
- v) Reporting funds retained by the SBU in excess of the limits prescribed.

## **B. Payroll**

- i) Scrutiny of monthly pay roll transactions on test check basis.
- ii) Scrutiny of employees' income tax & its deduction at source on test check basis.
- iii) Scrutiny of ledger of loans and advances given to employees & recoveries thereof.
- iv) Scrutiny of transactions pertaining to contribution to Provident Fund.
- v) Scrutiny of employees' TA bills.
- vi) Scrutiny of employees' other personal claims like medical bills etc on test check basis.

## **C. Bills of suppliers, contractors & others**

- i) Scrutiny of all bills of suppliers, contractors & others on the basis of work order/LoA/Purchase Order.
- ii) Checking recovery/deduction from the bills as per the LOA/work order/P.O., including recovery/deduction of security deposits, outstanding advances, TDS, WCT, service tax, stores/ consumables supplied by RSMML etc.
- iii) Checking excess/additional/substitute items vis-a-vis work order/LoA/Purchase Order & whether competent approval exists for the same.
- iv) Checking extra claims, if any & whether competent approval exists for the same.
- v) Checking whether any payment has been released prior to execution of agreement.

## **D. JVs, Ledgers etc.**

- i) Scrutiny of all JVs, General ledger, subsidiary ledgers etc.
- ii) Checking classification under proper accounting head in general & for FBT in particular.
- iii) Scrutiny of old debit / credit balances outstanding for more than three year with reasons thereof giving period of outstanding.
- iv) Checking provision for liabilities, prepaid expenses & expenses pertaining to previous year.

#### **E. Fixed Assets register & Depreciation**

- i) Scrutiny of fixed assets register/ledger.
- ii) Checking computation of depreciation.

#### **F. Taxes & levies**

- i) Checking compliance of Works Contract Tax, service tax, Road tax, entry tax, TDS and other applicable taxes, duties, levies etc.
- ii) Checking timely deposit of all taxes & statutory levies.

#### **I. Miscellaneous**

- i) To have an overview of the operation of the system of reconciliation of inter-unit entries/transactions.
- ii) Checking valuation of finished goods.
- iii) Scrutiny of contingent liabilities & capital commitments.
- iv) Providing suggestions, if any, for improvement in the accounting systems & procedures followed by the SBU.

### **3. Mining & depressurisation operations:**

- i) Reporting monthly mine-wise production.
- ii) Checking award, operation & closure of contracts with respect to compliance with contract manual, procedures & normal prudence including the following points:

#### **A. Award of contract/work:**

Checking whether competent administrative approval exists for the work awarded & whether proper procedure was followed for inviting NIT; checking the evaluation carried out in respect of the work awarded; checking deviation, if any, from the established/standard practices for award of work; checking the terms and conditions mentioned in the Letter of Acceptance (LoA) / Work Order with those mentioned in tender document/corrigendum; checking records maintained for DDs/Pay Orders received towards EMD & timely refund thereof.

#### **B. Operation of contract/work awarded**

Checking compliance with the Quantity / Quality parameters; checking the work executed by the contractor & the payments made with reference to the provisions of the work order; checking timely action for award of new contract, justification for extension of the period of the existing contract, if any; checking proper receipt/deduction of security deposit, deduction/retention of LD amount, if any, from running bills; checking payment with reference to the terms of the contract

regarding stripping ratio, if any; checking recoveries/deductions from bills for material & power supplied/given by RSMML, de-escalation of diesel prices, rent for accommodation provided etc.; checking compliance with other terms & conditions of the contract & whether payments are in accordance with these terms & conditions; checking compliance with the provisions of various statutes including EPF & MP Act; checking whether the company has entered into formal agreement with the contractor

### **C. Closure of Contract/work awarded**

Checking whether all procedural formalities for closure of the contract have been adhered to; checking whether all terms & conditions of the contract have been complied with & whether the final output meets quantity and quality parameters as per the work order; checking justification & competent approval in case of variation; checking imposition of Liquidated Damages as per the provisions of the contract & if not imposed, whether proper justification & approval exists; verification of the payments made during the contract and of the final payment, including SD, made/to be made to the contractor and whether approval of competent authority exists; checking whether the contracts were closed in reasonable time giving list of contracts pending closure.

- iii) Expenses on consultancy & Research & Development
- iv) Reporting the status of various mining leases under the SBU.
- v) Suggest the areas / fields to minimise the operative expenses without affecting the productivity.

### **4. Marketing Department**

- i) Month-wise & product-wise sales with figures of corresponding half of the previous year.
- ii) Scrutiny of award, operation & closure of contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & Depressurisation Operations".
- iii) Recovery from debtors & Whether interest has been charged on the overdue amount and recovery position of such interest.
- iv) Checking of sale bills vouchers, moisture rebates, Debit/Credit Notes, debtors / freight accounts etc.
- v) Checking royalty, VAT/CST, M.R.Cess etc paid to the Govt. & recovered from parties.
- vi) Checking of Release Orders, reconciliation of quantity dispatched/ sold & verification stock position.
- vii) Reconciliation of quantities of Gypsum/Selenite transported from Weigh Bridge to railway sidings, grinding units etc.

viii) Suggestions for improvement in the systems & procedures being followed.

ix) Expenditure incurred on contract for quality assurance.

## **5. Personnel**

i) Scrutiny of pay fixation, annual grade increments, leave encashment, VRS etc.

ii) Checking records pertaining to attendance & leave balance of employees.

iii) Scrutiny of loans & advances granted to employees.

iv) Scrutiny of engagement of casuals (if any) with reference to compliance with policies, procedures, statutes & delegation of powers.

## **6. Administration**

i) Scrutiny of award, operation & closure of contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & Crushing operations".

ii) Scrutiny of requirement and deployment of departmental & hired vehicles.

iii) Checking log books of such vehicles with reference to their proper utilisation.

iv) Checking broadly the diesel consumption with reference to norms.

v) Checking the records pertaining to procurement and issue of stationery items.

vi) Checking asset register of furniture and fixtures and other capital items & disposal of scrap.

vii) Checking receipt, issues & stock of medicines.

## **7. Miscellaneous**

i) Checking purchases with respect to purchase policies, purchase manual, procedures & normal prudence.

ii) Scrutiny of award, operation & closure of civil contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & Crushing Operations" & checking items in excess of/addition to the work order/LoA/Purchase Order & whether competent approval exists for the same.

iii) Analysis of power consumption per unit of production giving figures for previous three years & budget/norms, if any.

iv) Operations of MIS/computer department including expenses on consumables, AMC's of software & hardware, consultancy etc.



## **8. Reporting on Internal Controls**

The auditor should point out gaps/lacunae in internal control procedures, if any, and suggest measures to strengthen the same. The auditor may also give suggestions for improvement in the systems, procedures & overall working of various departments of SBU-Lignite.

## **SBU & PC - Limestone**

In the course of audit, the auditors shall review and give their comments/ suggestions on the various operations of the company, including the following broad areas of activity:

### **1. Reporting on performance of the SBU**

Reporting unit-wise production & sales (in both quantitative & value terms), other revenue, expenditure incurred & profit earned vis-a-vis budget, giving figures for corresponding half of the previous year. In the case of report for second half, figures for whole year should also be given.

### **2. Finance & Accounts**

#### **A. Cash & Bank**

- i) Scrutiny of all cash & bank transactions.
- ii) Checking classification under proper accounting heads.
- iii) Checking Bank reconciliation & verification of bank balances.
- iv) Physical verification of cash.
- v) Reporting funds retained by the SBU in excess of the limits prescribed.

#### **B. Payroll**

- i) Scrutiny of monthly pay roll transactions on test check basis.
- ii) Scrutiny of employees' income tax & its deduction at source on test check basis.
- iii) Scrutiny of ledger of loans and advances given to employees & recoveries thereof.
- iv) Scrutiny of transactions pertaining to contribution to Provident Fund.
- v) Scrutiny of employees' TA bills.

vi) Scrutiny of employees' other personal claims like medical bills etc on test check basis.

**C. Bills of suppliers, contractors & others**

- i) Scrutiny of all bills of suppliers, contractors & others on the basis of work order/LoA/Purchase Order.
- ii) Checking recovery/deduction from the bills as per the LOA/work order/P.O., including recovery/deduction of security deposits, outstanding advances, TDS, WCT, service tax, stores/ consumables supplied by RSMML etc.
- iii) Checking excess/additional/substitute items vis-a-vis work order/LoA/Purchase Order & whether competent approval exists for the same.
- iv) Checking extra claims, if any & whether competent approval exists for the same.
- v) Checking whether any payment has been released prior to execution of agreement.

**D. JVs, Ledgers etc.**

- i) Scrutiny of all JVs, General ledger, subsidiary ledgers etc.
- ii) Checking classification under proper accounting head in general & for FBT in particular.
- iii) Scrutiny of old debit / credit balances outstanding for more than three year with reasons thereof giving period of outstanding.
- iv) Checking provision for liabilities, prepaid expenses & expenses pertaining to previous year.

**E. Fixed Assets register & Depreciation**

- i) Scrutiny of fixed assets register/ledger.
- ii) Checking computation of depreciation.

**F. Taxes & levies**

- i) Checking compliance of Works Contract Tax, service tax, Road tax, entry tax, TDS and other applicable taxes, duties, levies etc.
- ii) Checking timely deposit of all taxes & statutory levies.

**J. Miscellaneous**

- i) To have an overview of the operation of the system of reconciliation of inter-unit entries/transactions.
- ii) Checking valuation of finished goods.
- iii) Scrutiny of contingent liabilities & capital commitments.

- iv) Providing suggestions, if any, for improvement in the accounting systems & procedures followed by the SBU.

### **3. Mining & crushing operations:**

- i) Reporting monthly mine-wise ROM & production from Crushing plant giving recovery percentage.
- ii) Checking award, operation & closure of contracts with respect to compliance with contract manual, procedures & normal prudence including the following points:

#### **A. Award of contract/work:**

Checking whether competent administrative approval exists for the work awarded & whether proper procedure was followed for inviting NIT; checking the evaluation carried out in respect of the work awarded; checking deviation, if any, from the established/standard practices for award of work; checking the terms and conditions mentioned in the Letter of Acceptance (LoA) / Work Order with those mentioned in tender document/corrigendum; checking records maintained for DDs/Pay Orders received towards EMD & timely refund thereof.

#### **B. Operation of contract/work awarded**

Checking compliance with the Quantity / Quality parameters; checking the work executed by the contractor & the payments made with reference to the provisions of the work order; checking timely action for award of new contract, justification for extension of the period of the existing contract, if any; checking proper receipt/deduction of security deposit, deduction/retention of LD amount, if any, from running bills; checking payment with reference to the terms of the contract regarding stripping ratio, if any; checking recoveries/deductions from bills for material & power supplied/given by RSMML, de-escalation of diesel prices, rent for accommodation provided etc.; checking compliance with other terms & conditions of the contract & whether payments are in accordance with these terms & conditions; checking compliance with the provisions of various statutes including EPF & MP Act; checking whether the company has entered into formal agreement with the contractor

#### **C. Closure of Contract/work awarded**

Checking whether all procedural formalities for closure of the contract have been adhered to; checking whether all terms & conditions of the contract have been complied with & whether the final output meets quantity and quality parameters as

per the work order; checking justification & competent approval in case of variation; checking imposition of Liquidated Damages as per the provisions of the contract & if not imposed, whether proper justification & approval exists; verification of the payments made during the contract and of the final payment, including SD, made/to be made to the contractor and whether approval of competent authority exists; checking whether the contracts were closed in reasonable time giving list of contracts pending closure.

- iii) Utilisation of crushing plant giving working hours, production & productivity (i.e., production per hour) & breakdown hours with reasons, vis-à-vis budget/norms, if any.
- iv) Reporting the status of various mining leases under the SBU.
- v) Suggest the areas / fields to minimise the operative expenses without affecting the productivity.

#### **4. Marketing Department**

- i) Month-wise & product-wise sales giving budget & figures of corresponding half of the previous year.
- ii) Scrutiny of award, operation & closure of contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & Crushing Operations".
- iii) Recovery from debtors & Whether interest has been charged on the overdue amount and recovery position of such interest.
- iv) Checking of sale bills vouchers, Debit/Credit Notes, debtors / freight accounts etc.
- v) Checking royalty, VAT/CST, M.R.Cess etc paid to the Govt. & recovered from parties.
- vi) Checking of Release Orders, reconciliation of quantity dispatched/ sold & verification stock position.
- vii) Reconciliation of quantities of Limestone transported from Weigh Bridge to railway sidings, grinding units etc.
- viii) Suggestions for improvement in the systems & procedures being followed.
- ix) Expenditure incurred on contract for quality assurance.

#### **5. Personnel**

- i) Scrutiny of pay fixation, annual grade increments, leave encashment, VRS etc.
- ii) Checking records pertaining to attendance & leave balance of employees.
- iii) Scrutiny of loans & advances granted to employees.

- iv) Scrutiny of engagement of casuals (if any) with reference to compliance with policies, procedures, statutes & delegation of powers.

## **6. Administration**

- i) Scrutiny of award, operation & closure of contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & Crushing operations".
- ii) Scrutiny of requirement and deployment of departmental & hired vehicles.
- iii) Checking log books of such vehicles with reference to their proper utilisation.
- iv) Checking broadly the diesel consumption with reference to norms.
- v) Checking the records pertaining to procurement and issue of stationery items.
- vi) Checking asset register of furniture and fixtures and other capital items & disposal of scrap.
- vii) Checking receipt, issues & stock of medicines.

## **7. Miscellaneous**

- i) Checking purchases with respect to purchase policies, purchase manual, procedures & normal prudence.
- ii) Scrutiny of award, operation & closure of civil contracts with reference to the points as mentioned at sr. no.(ii) of the head "Mining & Crushing Operations" & checking items in excess of/addition to the work order/LoA/Purchase Order & whether competent approval exists for the same.
- iii) Analysis of power consumption per unit of production giving figures for previous three years & budget/norms, if any.
- iv) Operations of MIS/computer department including expenses on consummables, AMCs of software & hardware, consultancy etc.

## **8. Reporting on Internal Controls**

The auditor should point out gaps/lacunae in internal control procedures, if any, and suggest measures to strengthen the same. The auditor may also give suggestions for improvement in the systems, procedures & overall working of various departments of SBU-Limestone.

## **CORPORATE OFFICE**

**(including Registered Office, Jaipur and Liaison Offices at New Delhi and Kolkata as also the wind farm and solar plant).**

In the course of audit, the auditors shall review and give their comments / suggestions including the following broad areas of activity:

### **1. Finance & Accounts**

#### **A. Cash & Bank**

- i) Scrutiny of all cash & bank transactions.
- ii) Checking classification under proper accounting heads.
- iii) Checking Bank reconciliation & verification of bank balances.
- iv) Physical verification of cash.

#### **B. Payroll**

- i) Scrutiny of monthly pay roll transactions.
- ii) Scrutiny of employees' income tax & its deduction at source on test check basis.
- iii) Scrutiny of ledger of loans and advances given to employees & recoveries thereof.
- iv) Scrutiny of transactions pertaining to contribution to Provident Fund.
- v) Scrutiny of employees' TA bills.
- vi) Scrutiny of employees' other personal claims like medical bills etc on test check basis.

#### **C. Bills of suppliers, contractors & others**

- i) Scrutiny of all bills of suppliers, contractors & others on the basis of work order/LoA/Purchase Order.
- ii) Checking recovery/deduction from the bills as per the LOA/work order/P.O., including recovery/deduction of security deposits, outstanding advances, TDS, WCT, service tax, stores/ consumables supplied by RSMML etc.
- iii) Checking excess/additional/substitute items vis-a-vis work order/LoA/Purchase Order & whether competent approval exists for the same.
- iv) Checking extra claims, if any & whether competent approval exists for the same.
- v) Checking whether any payment has been released prior to execution of agreement.

#### **D. JVs, Ledgers etc.**

- i) Scrutiny of all JVs, General ledger, subsidiary ledgers etc.
- ii) Checking classification under proper accounting head in general & for FBT in particular.
- iii) Scrutiny of old debit / credit balances outstanding for more than three year with reasons thereof giving period of outstanding.
- iv) Checking provision for liabilities, prepaid expenses & expenses pertaining to previous year.

#### **E. Fixed Assets register & Depreciation**

- i) Scrutiny of fixed assets register/ledger.
- ii) Checking computation of depreciation.

#### **F. Taxes & levies**

- i) Checking of provision for Income Tax & deferred tax.
- ii) Checking compliance of Works Contract Tax, service tax, Road tax, entry tax, TDS, royalty, DMF, NMET and other applicable taxes, duties, levies, contributions etc.
- iii) Timely deposit of all taxes & statutory levies.

#### **K. Miscellaneous**

- i) To have an overview of the operation of the system of reconciliation of inter-unit entries/transactions.
- ii) Scrutiny of contingent liabilities & capital commitments.
- III) Providing suggestions, if any, for improvement in the accounting systems & procedures followed by the company.

## **2. Contract cell**

Checking awarding of contracts with respect to compliance with contract manual, procedures & normal prudence including the following points:

- i) Checking competent administrative approval for getting the work executed on contract basis.
- ii) Checking whether proper procedure was followed for inviting NIT.
- iii) Checking evaluation of the contracts awarded.

- iv) Deviation, if any, from the contract manual/established practices followed for award of contract in the company.
- v) Checking terms and conditions mentioned in the Letter of Acceptance (LoA) / Work Order with those mentioned in tender document/corrigendum.
- vi) Checking records maintained for DDs/Pay Orders received towards EMD & timely refund thereof.

### **3. Materials Management Department**

Checking purchases with respect to compliance with purchase policies, purchase manual, procedures & normal prudence, including the following points: -

- i) Whether there was proper indent/proposal with competent administrative approval giving with full information / specifications pertaining to the proposed purchase.
- ii) Checking the reasonability of purchases with reference to last purchase price, previous years' consumption, available stock, budget provision & normal prudence etc.
- iii) In case of deviation from the standard procedure of purchase, checking whether the prior approval of the competent authority has been obtained for the said deviation.
- iv) Checking whether sufficient justification has been provided for any deviation from tender specifications, terms and conditions etc pertaining to the proposed purchase and whether competent approval has been obtained for the same.
- v) Checking the evaluation of the offers / bids received and placement of orders.
- vi) Checking whether appropriate securities e.g. earnest money deposit, security deposit etc has been obtained in reference to the proposed purchase.

### **4. Projects Department**

1. Scrutiny of the contracts/works awarded by the Projects Department with reference to compliance with standard procedures & normal prudence including the following points:

#### **A. Award of contract/work:**

Checking whether competent administrative approval exists for the work awarded & whether proper procedure was followed for inviting NIT; checking the evaluation carried out in respect of the work awarded; checking deviation, if any, from the established/standard practices for award of work; checking the terms and conditions mentioned in the Letter of Acceptance (LoA) / Work Order with those mentioned in tender document/corrigendum; checking records maintained for DDs/Pay Orders received towards EMD & timely refund thereof.

#### **B. Operation of contract/work awarded**



Checking compliance with the Quantity / Quality parameters; checking the work executed by the contractor & the payments made with reference to the provisions of the work order; checking timely action for award of new contract, justification for extension of the period of the existing contract, if any; checking proper receipt/deduction of security deposit, deduction/retention of LD amount, if any, from running bills; checking recoveries/deductions from bills for material & power supplied/given by RSMML, de-escalation of diesel prices, rent for accommodation provided etc; checking compliance with other terms & conditions of the contract & whether payments are in accordance with these terms & conditions; checking compliance with the provisions of various statutes including EPF & MP Act; checking whether the company has entered into formal agreement with the contractor

### **C. Closure of Contract/work awarded**

Checking whether all procedural formalities for closure of the contract have been adhered to; checking whether all terms & conditions of the contract have been complied with & whether the final output meets quantity and quality parameters as per the work order; checking justification & competent approval in case of variation; checking imposition of Liquidated Damages as per the provisions of the contract & if not imposed, whether proper justification & approval exists; verification of the payments made during the contract and of the final payment, including SD, made/to be made to the contractor and whether approval of competent authority exists; checking whether the contracts were closed in reasonable time giving list of contracts pending closure.

2. Scrutiny of any other work awarded by the Project Dept., viz., appointment of consultants etc.

## **5. Personnel**

- i) Scrutiny of pay fixation, annual grade increments, leave encashment, VRS etc.
- ii) Checking records pertaining to attendance & leave balance of employees.
- iii) Scrutiny of loans & advances granted to employees.
- iv) Scrutiny of engagement of casuals (if any) with reference to compliance with policies, procedures, statutes & delegation of powers.

## **6. Administration**

- i) Scrutiny of requirement and deployment of departmental & hired vehicles.
- ii) Checking log books of such vehicles with reference to their proper utilisation.
- iii) Checking broadly the diesel consumption with reference to norms.
- iv) Checking the records pertaining to procurement and issue of stationery items.
- v) Checking asset register of furniture and fixtures and other capital items & disposal of scrap etc.

- vi) Checking receipt, issues & stock of medicines.
- vii) Scrutiny of award, operation & closure of various contracts of Administration Department keeping in view the points described earlier under the sub-heads "Award of contract/work", "Operation of contract/work awarded" & "Closure of contracts/work awarded" under the head "Projects Department".

## **7. MIS department**

- i) Checking purchases of consummables.
- ii) Checking Annual Maintenance contracts (AMCs)/ updation contracts for hardware & software.
- iii) Scrutiny of capital purchases, if any.

## **8. Reporting on Internal Controls**

The auditor should point out gaps/lacunae in internal control procedures, if any, and suggest measures to strengthen the same. The auditor may also give suggestions for improvement in the systems, procedures & overall working of various departments of Corporate Office.