

Subject: Engaging of Chartered Accountant Firms for conducting Internal Audit for the financial year 2017-18

A. INTRODUCTION

PEC Limited is an International Trading Organization under Department of Commerce, Ministry of Commerce and Industry, Govt. of India dealing in Import, Export and Domestic Trade. The paid up capital of the Corporation is Rs 60.00 crore consisting of 6000000 shares of Rs 100 each. The Corporation has achieved a turnover of 6254.51/- crore and Rs.3784.29 crore during the Financial Year 2014-15 & 2015-16 respectively. PEC has its corporate office at New Delhi and Branch offices at Mumbai, Kolkata, Chennai, Ahmadabad, Tuticorin, Kandla, Vizag.

B. AUDIT OBJECTIVE AND APPROACH

1. The Internal Audit has to be conducted on quarterly basis as per Audit Programme of the Corporation (Placed at Annexure 'A')
The Audit Report is required to be submitted within one month of the end of each quarter.

The focus is changing from 'compliance' to improving the quality of business processes and managing risks in the ever changing business environment. The key purpose of the Audit will be to install an independent, on-going and effective review and feedback mechanism. This function would support to complement the statutory audit functions.

The primary objectives of the internal audit will be to:

- a) Support and Assist the Board and the Management in discharging Corporate Governance Responsibility.
- b) Provide Control Assurance of losses for all key Risks through validation of internal controls, systems and processes.
- c) Independent evaluation of compliances with policies, procedures/guidelines and applicable laws including compliance of the provisions of the Companies Act, 2013 and other applicable laws and accounting standards/IFRS.
- d) Assess integrity and reliability of data for use in various decision processes including phased Reporting.
- e) Assist in enhancing Operational Efficiency involving
 - I. Cost Reduction/Revenue Maximization
 - II. More Effective Utilization of Resources/ Assets/ Investment
 - III. Recommendation of Best Practices

2. The audit approach should be such that the focus is on improving efficiency and performance of all activities and operations besides ensuring an effective risk assurance process. The Audit should be more oriented towards **Business Processes** rather than mere routine transaction and recommendation for improvement/corrections required, if any.

C. SCOPE OF WORK

Audit Programme indicating the detailed scope of work enclosed as per Annexure-A

The above scope of the work is not exhaustive, which may change according to the requirement of the Management.

D. PROCESS OF APPOINTMENT

PEC is in the process of appointing one internal auditor firm for the FY 2017-18. Based on the satisfactory performance, the tenure may be further extended on year to year basis depending upon the performance of the firm and requirement of the company. PEC is looking for reputed Chartered Accountant Firm(s) for appointment as Internal Auditor of the company for the financial year 2017-18.

Eligibility Criteria: -

- The Chartered Accountants firm must be a Partnership firm with at least four full time partners and who are Fellow/ Associate Members of the Institute of Chartered Accountants of India.
- The firm should have an experience of conducting internal audit of reputed trading companies engaged in Import/Export and Domestic Trade for three years out of the five previous financial years.
- The Firm should have at least 5 full time audit staff and 10 articles.
- The Firm should have reported a professional income of Rs.30 lakh during the last financial years i.e. 2015-2016.
- The Firm should have offices or associate offices in Delhi/NCR and at least at 3 locations where PEC has its offices.
- The Firm should be in existence for the last 10 years.

The other terms and conditions for quoting fee for the Internal Audit Assignment for the year 2017-18 for the scope of work indicated as per Internal Audit Programme (Annexure-A) is placed as per Annexure-I.

The Applicant firms are required to quote the fee as per **the scope of work indicated in Internal Audit Programme (Annexure-A)**.

Internal audit assignment will be finalized on the basis of technical bid and price bid and letter of award of assignment will be issued accordingly.

Separate TA/DA or any other incidental charges shall be payable for conducting Stock visit or branch visit required if any on the instruction of PEC Ltd. TA/DA to full time partner and other staff shall be paid as per entitlement of General Manager and Manager respectively.

In this regard the Corporation invites sealed tenders from Chartered Accountants firms to be submitted in two parts,

Part - I (Technical bid comprising signed copy of letter inviting tender including scope of work, other terms and conditions as per Annexure-I, Application as per Annexure-II along with supporting annexures, Computation of Income as per Annexure-III and list of documents attached as per Annexure-V and

Part II (Price Bid as per Annexure-IV) separately sealed and super scribed with the nature of bid i.e. technical or Price bid and name of the work.

Both the bids i.e. Technical bid and Price bid shall be sealed in a 3rd separate envelope with complete tender details super scribed – Tender Notice No, Date & Name & Address of the Bidder. The last date for receipt of application along with the quotation is as per time schedule given in other terms and conditions (annexure I).

Every page & Supporting document forming part of the tender need to be signed and submitted.

The Corporation reserves the right to accept / reject any / all tenders without assigning any reasons thereof.

**Sanjay Mathur
General Manager (Finance)**

"Annexure-I"

OTHER TERMS AND CONDITIONS:

Time Schedule	<table border="1"> <tr> <td data-bbox="630 401 743 478">a)</td> <td data-bbox="743 401 1105 478">Last date and time for receipt of Tender</td> <td data-bbox="1105 401 1344 478">5th April, 2017 at 1.30 P.M.</td> </tr> <tr> <td data-bbox="630 478 743 590">b)</td> <td data-bbox="743 478 1105 590">Date and time for opening of technical bid (Part I)</td> <td data-bbox="1105 478 1344 590">5th April, 2017 at 3.00 P.M.</td> </tr> <tr> <td data-bbox="630 590 743 873">c)</td> <td data-bbox="743 590 1105 873">Date of opening of price bid (Part II)</td> <td data-bbox="1105 590 1344 873">To be intimated separately to the eligible tenderers as per tender terms and conditions.</td> </tr> </table>	a)	Last date and time for receipt of Tender	5 th April, 2017 at 1.30 P.M.	b)	Date and time for opening of technical bid (Part I)	5 th April, 2017 at 3.00 P.M.	c)	Date of opening of price bid (Part II)	To be intimated separately to the eligible tenderers as per tender terms and conditions.
a)	Last date and time for receipt of Tender	5 th April, 2017 at 1.30 P.M.								
b)	Date and time for opening of technical bid (Part I)	5 th April, 2017 at 3.00 P.M.								
c)	Date of opening of price bid (Part II)	To be intimated separately to the eligible tenderers as per tender terms and conditions.								
Full Time Partners/CA Employee	<p>The term full-time partner/ CA employee does not include those persons who are-</p> <ul style="list-style-type: none"> (i) Partners in other firms, (ii) Employed part time elsewhere, practicing in their name or engaged in practice otherwise or engaged in any other business/ activity which would deemed to be a practice under the chartered Accountants Act, 1949. (iii) Partners, who have earned more professional income from other sources (including income from educational institutions/private tuitions) than income from the firm. (iv) The tenderer should give a certificate that none of his/her relative is employed in PEC Limited. 									
Application	<p>The application be submitted in the prescribed format – Annexure II enclosed herewith along with all requisite documents prescribed as per Annexure F 1 to F 8 would only be considered.</p>									
Documents to be Annexed with the Application	<p>All the firms are required to enclose the following documents along with their application: -</p> <ul style="list-style-type: none"> (i) A copy Constitution certificate of the firm issued by the ICAI containing inter-alia <ul style="list-style-type: none"> (a) Date of Formation of the firm. (b) Detail of partners/ CA employees as on <u>1st March 2017</u>, date of joining the firm, date of becoming FCA, their other interest, if any, (ii) A copy of the Partnership deed, (iii) A copy of the acknowledgement of the IT return of the firm for the assessment year 2016-17 as per Annexure-III. 									

	<p>(iv) A copy of financial statements of the firm along with schedules for the Financial Year 2015-2016.</p> <p>(v) Details of the court cases/ arbitration cases/ and whether if the firm has been blacklisted by Central /State Government or Central/State undertaking.</p> <p>(vi) Showing the audit experience of the firm in Import, Export and Domestic Trade for the last five years (Annexure-F7).</p>
Receipt of Applications	<p>The applications must be delivered / submitted (in a sealed Envelope) in the Tender Box kept at the Reception of PEC. The application is to be addressed to: -</p> <p>Shri Pardeep Kumar Company Secretary, PEC Limited,13th Floor, 15, Hansalya, Barakhamba Road, New Delhi-110 001</p> <p>On the Top of the envelope containing the application and attached documents, the following should be stated: "Application for Internal Audit assignment"</p>
Signature of the full time partners/paid CA employees	<p>Managing Partner/ Sr. Partner who are authorized should invariably sign the undertaking appended in the application format enclosed herewith.</p>
Acceptance of applications	<p>Only applications complete in all respects will be considered for evaluation of financial bid. The decision of PEC in this respect will be final and binding.</p>
Award of Assignment of Internal Audit	<p>L1 bidder on overall basis may be awarded the Internal Audit work.</p>
Tenure of Assignment	<p>Tenure of assignment will be initially for a period of one year. Based on the satisfactory performance, the tenure may be further extended on year to year basis depending upon the performance of the firm and requirement of the company on same terms and conditions subject to the discretion of the Management.</p>
Payment of Remuneration & Other Expenses	<p>(i) Professional Fee: Professional fee for the internal audit assignment shall be paid on submission of quarterly internal audit report and acceptance of the same by the management. The payment of fee shall be paid subject to deduction of tax at source as per the provisions of the Income Tax Act, 1961 and any other deduction as per applicable laws.</p>

	<p>(ii) Statutory Taxes etc.: All the other applicable taxes or other statutory levies etc shall be paid extra.</p> <p>Out of Pocket Expenses: Separate TA/DA or any other incidental charges shall be payable for conducting Stock visit or branch visit required if any on the instructions of PEC Ltd. for visit from the nearest branch of the CA firm. No TA/DA shall be paid if the CA firm is having branch in the city where the visit is required. TA/DA to full time partner and other staff shall be paid as per entitlement of General Manager and Manager respectively.</p>
Sub-contracting	No CA firm engaged for internal audit work will be allowed to subcontract the job awarded to it.

For further details log on to www.peclimited.com

In case of any query:

Name of The person: Mr. Manish Gupta

Contact no: 09827422555

“Annexure II”
Application form for Internal Audit Assignment
(Please strike off whichever is not applicable)

SECTION-A

Status of the firm	PARTNERSHIP						
1.	a)	Name of the firm (in Capital letters)					
	b)	Address of the Head Office					
		Telephone Number					
		E-mail address					
	c)	PAN of the firm					
2.		ICAI Registration No.	_____	Region Name	_____	Region Code No.	_____
3.	a)	Date of constitution of the firm _____					
	b)	Date since when the firm has a full time FCA _____					
	c)	Date of formation					
4.	Number of full-Time Partners of the firm as on 01-04-2017 (Please fill up Annexure F-1)		FCA		ACA		
5.	Number of Part-Time Partners if any, of the firm as on 01-04-2017 (Please fill up Annexure F-2)						
6.	Number of full time Chartered Accountant employees employed as on 01-04-2017 (Please fill up Annexure F-3)						
7.	Number of audit staff employed full-time with the firm -(Please fill up Annexure F-4)						
	(a) Articles -(Please fill up Annexure F-5)						
	(b) Other audit staff (with knowledge of book keeping and accountancy)						
	(c) Other professional staff (please specify)-						
8.	Number of Branches/ Associate Offices (Please fill up Annexure F6)						
9.	Whether the firm has experience in the audit of reputed trading companies involving Import, Export and Domestic Trade (details be given in proforma prescribed as per Annexure-F 7)				YES	NO	

<p>10. Whether the firm is presently engaged in any internal /concurrent audit or any other service of any Government Companies/ Corporations etc. If yes, details may be given in Annexure F 8</p>	<p>YES</p>	<p>NO</p>
<p>11. Whether there are any court/ arbitration/ pending on the firm and whether if the firm has been blacklisted by Central /State Government or Central/State undertaking. (if yes, give a brief note of the case indicating its present status)</p>	<p>YES</p>	<p>NO</p>

SECTION-B

Undertaking

I, the Managing Partner/ Sr. Partner of M/s

_____ Chartered Accountant firm do hereby verify and
Declare-

- a) That the particulars given are complete and that if any of the statements made or the information so furnished in the application form is later found nor correct or false or there has been suppression of material information, the firm would not only stand disqualified from allotment but would be liable for disciplinary action under the Chartered Accountants Act, 1949 and the regulations framed there under:
- I. That the firm or partners has not been debarred or cautioned by ICAI during the last three years, (If debarred, give details);
 - II. That individually we are not engaged in practice otherwise or in any other activity which would be deemed to be in practice under the Chartered Accountants Act, 1949.
 - III. That the constitution of the firm as on 1st March, 2017 shown in the application is same as that in the constitution certificate issued by the ICAI.

S.No.	Name of the full time partner	Membership Registration No.	PAN No.

Signature of Managing Partner/ Sr. Partner/Authorized Signatory

(Seal of the Firm)

***Attach membership certificate of all full time partner**

**** Attach certificate of practice of the firm**

Place:

Date:

Enclosures: _____ pages.

Firm's Name _____

“Annexure III”

COMPUTATION OF INCOME

1. Income from business/profession as per IT Return: _____

2. Income received from other sources:

a. Rent from house property

b. Interest on deposits

c. Income from shares

d. Income from any other sources (Pension etc.) Please specify

Certified that the above tallies with the Income Tax return/computation sheets submitted to IT authorities (Copies enclosed) filed by me.

Signature of Managing Partner/ Sr. Partner/Authorized Signatory

**Seal of the firm
(Name of partner)**

MRN No.

Date:

Attach: IT Return for AY 2016-17 and P&L A/c for FY 2015-16

FORMAT OF FINANCIAL BID

ANNEXURE-IV

Firm's Name _____

Fees as per the scope of work defined in the Audit Programme (annexure A)	Professional fee PER ANNUM exclusive of taxes (In Rs.)
New Delhi Head office and visit to any branch and stock location if required.	

Signature of Managing Partner/ Sr. Partner/Authorized Signatory

Seal of the firm

(Name of partner)

MRN No.

Note: (i) Man-days required to be devoted on quarterly audit basis by various level of persons of CA firm are summarized as under:

SR. No.	Level of person to be associated in the Internal Audit	Minimum Man-days required to be devoted on quarterly Internal Audit - excluding travelling time
1.	Partner/ Sr. Partner	3
2.	Chartered Accountant Employee	15
3.	Junior Staff	30

(ii) No. additional fee will be payable for additional man-days spent on the work.

Firm's Name _____

“Annexure F-1”

Details of Full-Time Partners

(Please refer to SL. No.4 of the application form)

S.No.	Name of the Partner	Member Ship No. *	Whether FCA/ ACA/	Date of joining the firm (Full time)	Date of becoming FCA	Station & Region Where residing at present

*please attach a copy of the certificate.

Signature of Managing Partner/ Sr. Partner/Authorized Signatory

Seal of the firm

Firm's Name _____

Details of Part Time Partners of the firm

(Please refer to SI No. 5 of the application form)

Name of partners	Membership No. *	Whether FCA/ACA	Date of joining Partnership	Date of becoming FCA	No. of other firm in which he is partner	Whether practicing in his own name also(Y/N)	Whether employed elsewhere (Y/N)

* Please attach a copy of the certificate.

Signature of Managing Partner/ Sr. Partner/Authorized Signatory

Seal of the firm

“Annexure F-3”

Firm's Name _____

Details of full time Chartered Accountant Employees
(Please refer to SL.No.6 of the application form)

S.No.	Name	Membership No. *	Whether FCA/ ACA *	Date of joining the firm as full time employee

*** Please attach a copy of the certificate.**

Signature of Managing Partner/ Sr. Partner/Authorized Signatory

Seal of the firm

Firm's Name _____

Details of full time Audit Staff

(Please refer to SL.No.7 of the application form)

Sl. No.	Name	Designation	Date of joining the firm as full time employee

Signature of Managing Partner/ Sr. Partner/Authorized Signatory

Seal of the firm

Firm's Name _____

Details of Articles

(Please refer to SL.No.7 of the application form)

Sl. No.	Name of the Article	Article No.	Date of joining the firm as article.
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

Signature of Managing Partner/ Sr. Partner/Authorized Signatory

Seal of the firm

Firm's Name _____

“Annexure F -6”

Particulars of Branches/Associate Offices in India

(Please refer to SL.No.8 of the application form)

SL No.	Station at which located	Complete address with PIN Code & Telephone No., Mobile No. and Email-ID	Name of the partner in-charge of the branch	Date of opening of the branch	Region

Signature of Managing Partner/ Sr. Partner/Authorized Signatory

Seal of the firm

(Please refer to SL.No.9 of the application form)

1. Firm's Name _____
2. Please indicate not more than 5 audits handled by the firm in the areas given below,

Areas:

**Import,
Export and
Domestic Trade**

The information may be given in the following proforma.

Name of the area/ sector	Name of the company/ body audited (a)PSU, (b)Companies in Private Sector	Years of audit (during last five years)	Fees charged for each of the Assignments in Each year (Rs. in thousands)	Nature of audit assignment viz. Statutory audit/ or Internal Audit	Accounting Package used	Name of the full time partner who supervised the audit or signed the financial Statements and who is still working in the firm.
1	2	3	4	5	6	7

Signature of Managing Partner/ Sr. Partner/Authorized Signatory

Seal of the firm

Instructions for filling up the Annexure F-7

- (i) The information should be given for each different area as mentioned in Annexure F 7 itself
 - (a) Name of the company: (The names of all the PSUs may be given first followed by the Companies the private sector)
 - (b) Years of Audit:(In this column indicate the financial years for which the firm conducted assignment)
- (ii) Information should be given only if the firm has completed the assignments properly.

NOTE:

- i. Attach an experience profile of the partners who have conducted major audits mentioned in the above proforma
- ii. The necessary proof of the firm having handled the audits or other assignments will be called for from the firms, if considered necessary.
- iii. In case , it is deemed necessary, the firm will be asked to make a presentation to explain its systems and procedures of conducting audit

“Annexure- F 8”

(Please refer to SL.No.10 of the application form)

Firm’s Name _____

Details of internal audit work/any other accounting work of Public Sector Undertaking in hand with the firm.

Sl. No.	Name of the PSU/Unit	Nature of assignment	Year for which appointed

Signature of Managing Partner/ Sr. Partner/Authorized Signatory

Seal of the firm

Firm's Name _____

Annexure V

LIST OF DOCUMENTS ATTACHED

Nature of Document	Document attached		
	Yes	No	Page No.
1. Particulars of partners, paid CA employees, Branches and details of Internal Audit work etc. in Annexure F- 1,F-2,F-3,F-4, F-5			
2. A copy of constitution certificate of firm issued by the ICAI to the firm containing inter alia, the details of partners, CA employees and their interests as on 1 st April, 2017.			
3. A copy of the financial statement (Balance Sheet, Profit & Loss account along with schedules) for the year 2013- 14, 2014-15 and 2015-16 of the firm			
4. Information regarding the experience of the firm in Annexure F 7			
5. Copies of acknowledgement of Income Tax return in respect of the firm and a copy of computation of income of the firm in Annexure III			
6. Financial Bid in the format prescribed as per Annexure-IV.			

NOTE: ALL THE ABOVE DOCUMENTS SHOULD BE SIGNED, CERTIFIED, PAGE NUMBERED AND PROPERLY TAGGED. THIS OFFICE OWNS NO RESPONSIBILITY FOR THE LOSS OF ANY DOCUMENTS WHICH ARE NOT PROPERLY TAGGED ALONGWITH THE APPLICATION OR DOCUMENTS SENT SUBSEQUENTLY IN PIECEMEAL.

Annexure 'A'
PEC LTD
(INTERNAL AUDIT DIVISION)
INTERNAL AUDIT PROGRAMME: F.Y 2017 – 18

The function and scope of Internal Auditing are (a) to check compliance with policies, procedures and controls laid down by the Management; (b) the examination and evaluation of the adequacy and effectiveness of Organization's system of internal control and the quality of performance, in carrying assigned responsibilities. For this purpose, Internal Auditors should verify the accounting records, reports and operating results for their accuracy and reliability.

The Internal audit report must contain cases of substantial losses and blatant violation of laid down procedures. All cases where the agreement/contract concluded/executed is in gross violation of the general guidelines/decisions of the Competent Authority should invariably be included in the internal audit reports.

The pattern for submission of Internal Audit Reports during the year will be as under:-

- 1st report covering the period from April - June.
- 2nd report covering the period from July; - September
- 3rd report covering the period from October – December
- 4th report covering the period from January- March

Internal Audit Programme for the financial year 2017-18 covering audit of various items to be followed in Corporate and Branch offices during the year is indicated below:-

1. **Cash Book, Journal Book, Bank Reconciliation, Ledger, Vouchers, Trial Balance and other books:**
 - To verify above books with special emphasis to be laid on verification of expenditure, which should be within the allocated budget.
2. **Purchase, sales and other related records :**
 - While verifying purchase, sales and other related records, auditors to check whether transactions are approved by the Competent Authority and are as per trade guidelines and delegation of powers.
 - To check whether any guidelines or instructions provided by Board of Directors, CMD, Directors or other competent authority has been complied or not.
 - To check whether all related provisions of trade guidelines are compiled or not
 - To check correctness of provisional/final invoices and TDS, Sales Tax etc. any other taxes & duties and levies are deducted / recovered as per Act and remitted in time.

- To check whether sufficient Margin Money/FD/PBG has been obtained as per terms of the contract.
- To check whether recovery or payment of interest is as per rates prescribed by company.
- To check whether the accounting procedures are being correctly complied or not.
- To check reconciliation of accounts of Associates is made transaction wise.
- To check whether confirmation of balances is obtained.
- To check whether the provisions of Associate ship contracts or other trade related contract are being complied or not.
- In case of debit balance, to check whether and how PEC is secured.

3. Stocks

- To check maintenance of stock register.
- Whether stocks are properly insured and the insurance policy properly vetted by Insurance Consultant of the Branch in accordance with insurance/trade guidelines issued by C.O.
- To comment on stocks held for over 3 months, the report to cover such stocks and also report on timely identification and liquidation of stocks.
- To check the stocks Hypothecated/pledged to PEC in case of funding to the associate and are periodically inspected by the Surveyors for quality and quantity. Any delay in lifting of pledged stocks vis-à-vis contractual terms to be reported.
- To check the valuation of stocks hypothecated/pledged and whether it is adequate at all the times to cover the outstanding recoverable from the Associates.
- Whether PV of stock is conducted as per the guidelines of the Corporation.
- To check whether stocks are insured in accordance with the Insurance guidelines of the Corporation.
- Physical verification of stock shall be conducted as any when required by the company.

4. Claims Recoverable, Provisions and Claims Account

- To conduct detailed scrutiny.

5. Fund Transfer

- To check value dating in respect of funds transferred from/to branches and also instances of late deposit of cheques and credit thereof.
- Any idle funds lying in Branches to be reported.

6. Financial Assistance/Advances to Associates

- To point out cases where recovery has been delayed beyond agreed schedule.
- To check correctness of interest calculations.

7. Sales Tax, Service Tax or other statutory Duties

- To report on proper receipt custody of declaration forms.

8. Assets

- Whether assets are fully utilized
- To check whether all stocks and office building/equipment/ fixtures are fully insured as per the policy of the Corporation.
- To verify whether all rent/lease deeds are timely renewed.
- To list out the details of the properties where Rent Deed not renewed.
- To check all the rent, water and electricity charges, service tax dues from tenants are promptly recovered.
- To verify all Conveyance Deed, Lease Agreements to ensure that these have been properly executed in favour of PEC.
- To check details of properties where Lease Deed are not executed and Registration of Conveyance Deeds are pending. Reasons for delay and efforts made by the Branch/Division to be ascertained.
- To check whether Fixed Assets Register is updated for all additions and deletions.
- To check whether physical verification of assets at proper intervals conducted and discrepancies properly accounted for and to report on assets which are not in use and kept for discard.
- To conduct physical verification of assets once in a financial year.

9. Warehouses

- To check reasonability of rent being paid for warehouses/storage space vis-à-vis prevalent market rate/its utilization and maintenance of stock register.

10. Appointment of Clearing and Handling Agents, Transporters, Storage Agents, Surveyors, Processors etc.

- To verify that the procedures laid down for appointments/removal are strictly followed and payments released after completion of their obligation.

11. Income Tax, Advance Tax, TDS, Work Contract Tax, Service tax etc.

- To check correctness and timeliness of deductions and payments including service tax under Reverse charge mechanism.
- To check whether all returns are being furnished in time.
- To check whether cases of assessment/refunds are being promptly followed.
- To check whether TDS certificates are issued in time.

12. Legal Cases

- To check for maintenance of proper records including year-wise details of expenditure of each case. Whether the records are updated with gist of new development including hearings, response filed/received etc.,
- To verify that each expenditure has been incurred with the approval of competent authority.

13. Non-compliance of Trade guidelines on back-to-back Transactions and Risk Management:

- To examine whether a statement on Risk Analysis Assessment is attached with all trade proposals. The Risk based assessment should be as per guidelines issued for computing values of various parameters for arriving at risk index of any trade proposal.
- To check whether the branch has actually taken the risk mitigation steps proposed to be undertaken in respect of all major risks involved in it.
- To check whether the operating manager has updated the risk profile of each transaction under execution and has informed any significant change to the Divisional Head or the Branch Manager; and
- To check status of implementation of all COM decisions while approving the trade proposal and to report on non-compliance of the same.

14. Administrative issues

- To check the maintenance of proper records such as service books, attendance register, leave records, etc.
- To check procedures for drawing salary bills, especially with regard to unauthorized absence.
- To check the procedures for hiring of cars.
- To check records related to staff cars such as log books, procedure followed for repairs, average mileage, etc.
- To check that correct procedures are followed in awarding jobs relating to maintenance of office building, staff quarters etc.
- To check whether mortgage formalities with regard to HBA, MCA, etc. have been completed and title documents kept in safe custody of the Corporation.
- To check that all purchases of capital items are as per procedures and within the approved budgets.
- To check that purchase of all consumables/stores/stationary and printing etc. are as per need and procedures, and within the approved budgets.
- To verify EDP operations at Company HO/Branches.
- To check all the loans & advances drawn by employees, recovery with interest made thereof.
- To check whether the branch/C.O. has obtained AMC (Annual maintenance contract) required for all the equipment like computer, AC etc. and records maintained to ensure that service has been provided in accordance with the schedule.

15. Others

- Custom Bond, Bank Guarantees –To verify that timely actions have been taken for receipt, disposal, safe custody, renewal, discharge, invocation, etc. within the validity period.

16. Periodically Accounts

- To check/review provisional unaudited Periodically accounts within the prescribed time schedule before submission to H.O and inclusion of corrective/Rectification entries for proper accounting and maintenance of books of Accounts

17. Actions required on annual basis

- To check the Performa account, trading account, profit and loss account, balance sheet and other books of accounts before final signing by the Statutory Auditors.
- To check schedules relating to liabilities, claims, advance, suspense account, sundry creditors, sundry debtors, etc.
- To comment on the action taken for clearance and reconciliation of party accounts.
- To comment upon excessive/outstanding demurrage or dispatch claims.
- To report on cases of excessive shortages or theft.
- To highlight outstanding debits and credits relating to inter branch banking transactions.
- To report all material items quarterly which require attention of the Management.

18. Internal Financial Controls

- To furnish a report on internal financial control As per Section 134 of the Companies Act 2013.

19. Branches and Stock visit.

- To check whether Braches are compiling the rules as prescribed the personnel division of the company.
- To conduct physical verification of the stock and assets of the branches.
- To check whether the branch is complying the guidelines applicable on it.

Further following areas are also required to be looked into and reported in the Audit Report:

- Confirmation of compliance of Companies Act 2013 and any other applicable laws on the company.
- Comment on the adequacy of Provisions
- Limited Quarterly Review of accounts
- Update on review of previous audit
- Suggested measures of control of Loss in various commodities/Transactions

Note: To report all material items which require attention of the Management

GUIDELINES FOR CONDUCTING INTERNAL AUDIT

1. **Internal Audit will be conducted for the period:**
 - i) **April – June,**
 - ii) **July – September**
 - iii) **October – December**
 - iv) **January – March**

Report for each period shall be furnished within one month after the end of the period.

2. The Internal Audit shall encompass verification of 100% entries in respect of vouchers, books of accounts and other records and not on the basis of sample checking.
3. Provisional quarterly accounts as also final annual accounts will also be examined as a part of internal audit.
4. It will be examined whether guidelines, procedures, administrative instructions, delegation of powers prescribed by the Corporate Office from time to time are being followed by the branches/divisions or not.
5. It shall be examined whether there has been any deliberate splitting of contracts with a view to bring down the value of a transaction within the delegation of power.
6. Internal Audit Reports will also make suggestions for improvement in the systems and procedures for the future.
7. Internal Audit will be more of regulatory and proprietary in nature.

**PEC LTD: NEW DELHI
(INTERNAL AUDIT DIVISION)**

Additional guidelines for follow-up by Internal Auditors

Executive Summary

All the Internal Auditors shall furnish an executive summary with each period's audit report of the concerned branch, the format for the same has been placed at Annexure-I. The Internal Auditors shall indicate the major paras and discrepancies in the said summary to invite the kind attention of the management as well as enabling to take corrective action.

Audit of Trade Transactions

Internal Auditors are expected to concentrate on the trade matters specifically the commodities financed by PEC. As the trade transactions include Imports, Exports and domestic, the major thrust would be on disposal of stocks and recoveries. The reasons for non-disposal of stocks and recoveries must be clearly indicated in the audit reports. A statement on the commodities financed by PEC is required to be furnished as per Annexure-II.

Stock Statements/Position

Stock statements showing the latest position of the stocks at the branches shall be required to be furnished in the format as per Annexure-III. It is to be ensured that the expenditure pertaining to godown rent, insurance cover and others has been fully recovered from the Associates. The expenditure has to be seen in terms of the agreement with the associate. Suggestions to dispose of the stocks with minimum losses can be given from time to time to the management in the quarterly audit reports.

Recovery of Interest/Penal Interest

It should be ensured in each quarter that interest/penal interest due from the parties on account of commodities financing or otherwise is calculated and accounted for on quarterly basis. It should also be seen that confirmation of the amount of interest/penal interest from the parties has been obtained by the concerned branch and same is incorporated in the audit report.

Reviewing the position of Debtors/Claims

Age-wise analysis of the debtors shall be carried over by the Internal Auditors in each period's report indicating the opening balance, debtors/claims recovered during the period and closing balance at the end of the period. Proper correspondence took place between the associate and branch should be seen thoroughly and suggestions should be made to recover the outstanding amount from the concerned.

**Annexure –I
Format**

**PEC LTD
Compliance Report on the previous Internal Audit Report
for the period----- pertaining to ----- branch**

Audit Paras	Reply of the branch	Reason for pendency

**Annexure - II
PEC LTD**

_____ Branch
Executive Summary

Major Paras	Discrepancies observed	Reply of the Branch/Division	Further Observations/Suggestions

Annexure – III

**PEC LTD
Internal Audit Report for the period -----
Pertaining to ----- branch**

Audit Para/Observation	Reply of the Branch/Division	Further Observations

Annexure – IV

PEC LTD

_____ Branch

Statement of Outstanding as on -----

Name of Party	Name of Commodity	Amount (Rs.)	Date of release of payment	Due date of payment	Amount recovered (Rs.)	Amount outstanding (Rs.)	Interest and Trade Margin included in the recovery (Rs.)

Annexure - V

PEC LTD

_____ Branch

Stock Statement position as on -----

S.No.	Name of Item	Contract/LC No.	Name of Party	Location of stock	Name of custodian	Opening stock at the beginning of the quarter	Closing stock at the end of Quarter.
						Qty. Value	Qty. Value