



**Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited**  
(A wholly-owned Govt. of MP Undertaking)  
**Nishtha Parisar, Govindpura, Bhopal**

**No.CMD/MK/05/NIT/1991**

**Bhopal,Dt.26-11-11**

**Notification of the Tender Document including ToR (Terms of Reference) for the appointment of The Chartered Accountant Firms as Internal Auditor**

**Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited**, with its office at Nishtha Parisar, Govindpura, Bhopal is a Power Distribution Company incorporated under the provisions of the Companies Act, 1956 and is a Government of Madhya Pradesh Undertaking.

The company desires to engage a reputed Chartered Accountant firm empanelled with CAG and with one (1) office of operation located in Madhya Pradesh (MP), as internal auditor at the Corporate Office to carry out internal audit of all the sections/departments of the Corporate Office on a quarterly basis for a period of three (3) years with effect from the quarter in which the work is commenced and updating of the Internal Audit Manual and preparations of the Checklists.

Firms, who fulfill the following criteria, need only to apply:

- a) The CA Firm must be in operation for at least fifteen (15) years, with at least one (1) office of operation located in any town within Madhya Pradesh;
- b) The CA Firm must be empanelled with CAG, having a minimum of three (3) Fellow Chartered Accountants (FCA) and at least one (1) DISA/CISA qualified Chartered Accountant;
- c) The firm must undertake to deploy at least one (1) FCA and two (2) experienced staff (each with minimum 2 years experience);
- d) The Firm should have served as internal auditors for two (2) years during past four years in any zonal / regional/ corporate office(s) of a Govt. / Semi Govt. Undertaking with a turnover of at least Rs. 500 Crores;
- e) The Firm should not have less than Rs. 20 Lakhs annual fees from Audit Services in 2010-11;
- f) There should be no legal suit / Criminal case pending or contemplated against the CA Firm on the grounds of turpitude or for violation of any of the law in force.

The interested Chartered Accountant Firms meeting the above qualification criteria, should collect the tender document in person from the O/o CMD, MPMKVVCL on any working day before 15.12.2011, between 10.00 AM and 5.00 PM on payment of Rs. 1,000/- (Rs. One Thousand Only) by way of demand draft or can download from website [www.madhyavitran.nic.in](http://www.madhyavitran.nic.in) . The Bidders who download the tender document should pay the tender document fees of Rs. 1,000/- by way of a demand draft along with submission of the bid.

The Pre-bid Conference shall be held on 07.12.2011 at 3.00 PM at the O/o CMD, MPMKVCL.

The bidders should submit the sealed offers in **ONE (1) ORIGINAL** and **ONE (1) COPY**, in “three (3) covers separately marked” as

“Bid for appointment as Internal Auditor-Technical Bid”;

“Bid for appointment as Internal Auditor-Financial Bid”; and

“EMD and Tender Document Fees [*Bidder to insert if applicable*]”.

addressed to **the Director (Finance), O/o CMD (CZ), MPMKVCL, Nishtha Parisar, Govindpura Bhopal** latest by 24.12.2011 up to 2.00 PM. The Bid must be sealed and signed by the authorized representative of the firm.

The appointment of Chartered Accountants / Firms shall be based on the evaluation of the Financial Bids of the pre-qualified firms on the basis of their Technical Bids and the firm offering the lowest quote for the assigned work shall be considered as a Qualified Bidder and will be appointed as the Internal Auditor.

Place:

Sd/-

Date:

Director (Finance)

**TENDER DOCUMENT INCLUDING TERMS OF REFERENCE (ToR) FOR APPOINTMENT  
OF  
THE INTERNAL AUDITOR**

**INTRODUCTION & BACKGROUND**

**Madhya Pradesh Madhya Khsetra Vidyut Vitran Company Limited**, with its office at Nishtha Parisar, Govindpura, Bhopal is a Power Distribution Company incorporated under the provisions of the Companies Act, 1956 and is a Government of Madhya Pradesh Undertaking, post un-bundling of Madhya Pradesh State Electricity Board in 2005, as a part of the MP power sector reforms. The scope of work of the company includes:

- i. Distribution of electricity to retail consumers;
- ii. Compliance of requirements provided under provisions, regulations, notifications, clarification, etc issued or notified by Madhya Pradesh Electricity Regulatory Commission (MPERC);
- iii. Operation and Maintenance of distribution system;
- iv. Billing to retail consumers and collection of revenue from retail consumers;
- v. Capital investment for improvement and capacity enhancement of distribution system.

The Company is engaged in the distribution & retail supply of electricity to its consumers through 2 regional offices, 14 circles and 50 divisions. There are about 336 Distribution centers in the specified area.

The Management of the Company has decided to appoint Internal Auditors, by engaging the Firms of Chartered Accountants with a view to bring in a professional approach in the Internal Audit of the Power Distribution business in Madhya Pradesh. As a part of the implementation of the same, the appointment is planned to be done on a 2-tier basis:

1. **Tier I Audit Firms** – Internal Audit of all the sections/departments of the Corporate Office along with managing/verifying the works of the Tier II Audit Firms.
2. **Tier II Audit Firms**– Internal Audit at the Regional/ Division Office(s)

The company desires to engage a reputed Chartered Accountant firm as Internal Auditor for undertaking the Tier I Audit functions at the Corporate Office to carry out the internal audit on a quarterly basis of all the sections/departments of the Corporate Office.

**OBJECTIVE**

The objective of this assignment shall be to:

- a) Focus on regular internal audit of the office(s) to assess, review, recommend and comment in respect of effectiveness and efficiency of accounting, financing, operation & maintenance functions and procedural compliance at all the corporate divisions ;
- b) Ensure prevention by early detection of misappropriation, fraud, irregularities, negligence, etc;
- c) Establish an effective internal audit and control system.
- d) Achieve the objectives specified in the Corporate and Operational Plans

## **QUALIFICATION CRITERIA**

(Refer *Annexure 1* for Submission of Information for the Qualification Verification)

- a) The CA Firm must be in operation for at least fifteen (15) years, with at least one (1) office of operation located in any town within Madhya Pradesh;
- b) The CA Firm must be empanelled with CAG, having a minimum of three (3) Fellow Chartered Accountants (FCA) and at least one (1) DISA/CISA qualified Chartered Accountant;
- c) The firm must undertake to deploy at least one (1) FCA and two (2) experienced staff (each with minimum 2 years experience);
- d) The Firm should have served as internal auditors for two (2) years during past four years in any zonal / regional/ corporate office(s) of a Govt. / Semi Govt. Undertaking with a turnover of at least Rs. 500 Crores;
- e) The Firm should not have less than Rs. 20 Lakhs annual fees from Audit Services in 2010-11;
- f) There should be no legal suit / Criminal case pending or contemplated against the CA Firm on the grounds of turpitude or for violation of any of the law in force.

### **PERIOD OF VALIDITY OF THE BID**

The Bid shall remain valid for a period three (3) months from the date of opening of Technical Bid. MPMKVVCL reserves the right to request extension of the bid validity for an additional period of three (3) months, if necessary.

### **TERM OF AGREEMENT (CONTRACT PERIOD)**

The Internal Auditor for the Corporate Office would be appointed for an initial period of three (3) years from the date of letter of award.

MPMKVVCL, Bhopal reserves the right to terminate the Agreement at any time before the expiry of the Contract Period.

### **EARNEST MONEY DEPOSIT**

All interested bidders are expected to submit, along with their Bid, Earnest Money Deposit (EMD) of Rs. 10,000 /-, in the form of DD / Bankers' Cheque, drawn on any scheduled bank in favour of MPMKVVCL, payable at Bhopal.

The EMD of the unsuccessful bidder shall be returned not later than sixty (60) days after the expiry of the period of Bid validity as specified above.

However, EMD of Successful Bidder shall be returned after the submission of the Security Deposit and Execution of the work.

### **CLARIFICATION/ FURTHER INFORMATION**

The Bidders may seek clarification on the ToR by making a request in writing, submitted to the person addressed below, either in person, or through registered post / courier, or through email, in the format prescribed in *Annexure 3* till the last day of sale of the tender documents as per the details provided below:

Designation:	Director Finance
Address:	O/o CMD (CZ) MPMKVVCL, Nishtha Parisar, Govindpura, Bijli Nagar, Bhopal.
Phone No.:	(0755)
Fax:	(0755) 2589821
Email:	dirfinance@mpmkvvc.com

## PRE-BID CONFERENCE

Interested Bidders may attend the pre-bid conference on **07.12.2011** at **3.00 pm** at the following address:  
**Director Finance, O/o CMD (CZ), MPMKVVCL, Nishtha Parisar, Govindpura, Bhopal**

## DUE DATES

Sl. No.	Activities	Due Dates
1	Commencement of sale of Tender document	28 <sup>th</sup> November, 2011
2	Pre Bid Conference	07 <sup>th</sup> December, 2011
3	Last date for receiving queries / clarifications	15 <sup>th</sup> December, 2011 up to 17:00 Hrs
4	Last date for sale of Tender document	
5	Last date of submission of Bid (Bid Deadline)	24 <sup>th</sup> December, 2011 up to 14:00 Hrs
6	Opening of Technical Bids	24 <sup>th</sup> December, 2011 at 16:00 Hrs
7	Opening of Financial Bid (Tentative)	05 <sup>th</sup> January, 2012 at 16:00 Hrs
8	Issue of Letter of Award (Tentative)	09 <sup>th</sup> January, 2012
9	Commencement of Audit (Tentative)	16 <sup>th</sup> January, 2012

## CONSIDERATIONS OF BID

- a) The bid must be enveloped and super-scripted as “**Envelope 1 - Bid for appointment as Internal Auditor- Technical Bid**” containing all the information and enclosures as required in *Annexure 1* and undertakings as attached in *Annexure 4* and *Annexure 5*. The bid which do not contain the requisite information or is not supported by the supporting documents will be treated as non responsiveness, and his bid will not be opened.
- b) “**Envelope 2 - Bid for appointment as Internal Auditor- Financial Bid**” must contain the Quotation for each year of the Contract period for the appointment as Internal Auditor of the Corporate Office and Quotation for the Updation of the Internal Audit Manual and Checklists.
- c) “**Envelope 3 – Earnest Money Deposit and Tender Document Fees** [*Bidder to insert if applicable*]”;
- d) The bids, found eligible after evaluation of the technical bid, will be shortlisted and financial bids of only such eligible bidders shall be opened.
- e) The financial bid with the lowest Total Quoted Fees will be selected for award.
- f) The selected bidder shall be issued a Letter of Award (LoA) by MPMKVVCL, Bhopal and, upon acceptance of the LoA by such selected bidder, will be appointed as an Internal Auditor of the Corporate Office.

- g) The selected bidder shall accept the Letter of Award unconditionally, within seven (7) days from the date of issue of the LoA.
- h) The selected bidder shall not sublet the work of Internal Audit to any other party. Any violation of this provision would make the contract liable for termination.
- i) MPMKVCL, Bhopal reserves the right to cancel the tender without assigning any reason thereof.

### **DUE DATES OF OPENING OF THE BID**

Bids will be accepted up-to 14.00 hours on 24<sup>th</sup> December 2011 and will be opened on the same day at 16.00 hours in presence of the CA Firms or their authorized representative.

### **RIGHT OF REJECTION**

The Company is not bound to accept lowest Total Quoted Fees, nor is it bound to assign any reason whatsoever for rejecting any or all of the Bids.

### **ROLES AND RESPONSIBILITIES**

- a) The **FCA deployed**, referred to as Sr. Manager Audit hereafter, shall be responsible for the overall coordination of the Internal Audit function and Validation of the Internal Audit Manual;
- b) **Manager(s) (Audit)** [2 experienced staff deployed] shall be responsible for:
  - (1) Preparation of the Internal Audit schedule / program for conducting audit of the field units;
  - (2) Carrying out the Internal Audit of the Corporate Office; and
  - (3) Updating of the Internal Audit Manual.
- c) The Internal Audit staff will be authorized to review all areas of the organization and shall have full and free access to all activities, records, property and personnel of the organization.
- d) The Internal Auditor should be responsible for periodically evaluating the adequacy and effectiveness of the system of internal control and the quality of performance in carrying out assigned responsibilities throughout the Company.
- e) The Internal Auditor shall be obliged to maintain complete secrecy and not to disclose any matter which comes to its knowledge while conducting Internal Audit, to any third party, which may affect the interest of the Company adversely.
- f) The Internal Auditor shall not sublet the work of Internal Audit to any other party.

**SECURITY DEPOSIT**

The successful bidder needs to submit a Security Deposit equivalent to five percent (5%) of the Total Quoted Fees in the form of a DD drawn on a scheduled bank in favour of MPMKVCL, payable at Bhopal, within seven (7) days from the date of acceptance of the LoA by the Successful Bidder.

Failure to commence the audit within one (1) month from the date of acceptance of the LoA shall entail the forfeiture of security deposit and cancellation of the LoA.

**INTERNAL AUDIT - AUDIT OPINION AND REPORTING:**

Audit Reporting shall be in the following manner:

The Internal Auditor shall have 2 types of reporting, viz., Monthly reporting and Quarterly reporting:

(1) **Monthly report** shall cover only the following:

- Certificate for Monthly balances of Cash and Bank of all the banks of Corporate Office;
- Observations on treatment and accounting of interest charges, Loan repayment and other charges related to various grants, loans etc;
- Certification on working of T& D Loss, Collection efficiency and Statement of Input Energy, Sales, Demand and Collection, and
- Any other critical observation which might have significant impact due to non attention.

The monthly report will need to be submitted by the 15<sup>th</sup> of the subsequent month.

(2) **Quarterly Report** shall cover the detailed scope of audit as per *Annexure 6*. The Internal Auditor should ensure the applications of the Standards of Internal Audit (SIA) while performing the function of Internal Audit. The quarterly report to be submitted by the 15<sup>th</sup> of the month following the quarter.

The internal auditors are required to include following format in their report:

(a) The following records could not be referred by the Auditors (List of records with the reason e.g. non production / non availability)

- .....
- .....
- .....

(b) Irregularities noticed in all the departments

(Point wise irregularities may be furnished under following broad category)

(i) Financial Irregularities:

- (a) .....
- (b) .....

(ii) Regulatory irregularities:

(a) .....

(b) .....

(iii) Persistent irregularities:

(a) .....

(b) .....

(iv) Procedural Irregularities:

(a) .....

(b) .....

(3) In addition to the Audit reports, the Internal Auditor shall prepare the Management Letter, in which the following shall be included:

- a) Comments and observations on the accounting records, financial systems and internal controls that were examined during the course of the audit.
- b) Comments on the deficiencies in the internal controls, procedural compliance in the various departments of the Corporate Office.
- c) Identify specific deficiencies and areas of weakness in systems and internal controls at all levels in the Corporate Office and make recommendations for their improvement.
- d) Report on the degree of compliance with standards of ethics, plans, policies and procedures of reporting, laws and regulations and give comments, if any, on internal and external matters affecting such compliance.
- e) Communicate matters that have come to the attention during the audit which might have a significant impact on the functioning in the company, and
- f) Bring to the company's attention any other matters that it considers pertinent for risk mitigation and strengthening the internal controls.
- g) Give recommendations for the audit findings.

Each deliverable shall be provided in printed format in triplicate to MPMKVCL, Bhopal along with the soft copy. Further, a summary of each audit report will be submitted to the top management of the company.

The Head of Internal Audit will include the Management's response in the audit report and shall clearly specify the corrective action taken or to be taken in regard on the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed. All significant findings will remain open until cleared by the Head of Internal Audit.

The Internal Auditor shall work for the achievement of the objectives of Internal Audit and as per the Standards of Internal Audit prescribed.

However, if the performance of the Internal Auditor is found to be unsatisfactory or not to the standards as expected by MPMKVVCL, the contract can be terminated even before the expiry of the period of agreement. Indicative performance parameters are listed in *Annexure 2* can be used as the medium for reviewing the performance of the Internal Auditor.

#### **INTERNAL AUDIT MANUAL AND CHECKLISTS:**

a) MPMKVVCL, Bhopal has a Internal Audit Manual which needs to be updated in a descriptive manner, detailing the objectives of the Internal Audit Function in the company, roles and responsibilities of the IAD, scope and coverage of audits, Audit Techniques to be used, implementation of the Internal Control System, Defining the Internal Audit Process and standard checklists and templates for the audit functions at each level. Detailed scope of work is listed in *Annexure 7*.

b) The internal audit and control manual should be prepared based on the As-Is study of internal audit and control processes and procedures , identification of gaps in compare to standard practices, recommendation on process reengineering, standard of internal audit (SIA) issued by the ICAI and proposed organization structure.

c) The work of the Updation of the Internal Audit Manual and preparation of the checklist should be completed within a period of three (3) months.

d) The deliverable shall be provided both in soft copy and hard copy to MPMKVVCL, Bhopal.

#### **PERIODIC ASSESSMENT**

The Head of Internal Audit of the Company should periodically assess whether the purpose, authority and responsibility, as defined in this charter, continue to be adequate to enable the internal audit function to accomplish its objectives. The changes, if any, required should be recommended to senior Management and CMD. The same shall be applicable to the Internal Auditor of the Corporate Office.

#### **OFFICE SPACE**

The Company shall provide all sitting arrangements including furniture and office equipment, etc. free of cost for its bona-fide use only.

#### **STATIONERY**

The Company shall arrange to supply all the necessary stationery for the work to be done.

## **TRAVELLING EXPENSES**

The expenses incurred on travelling of the staff of the Internal Auditor deployed on the project to any of the Field offices for the purpose of the Audit shall be reimbursed at par, provided the same is with the consent of the Head of Internal Audit, MPMKVVCL. The TA Bill shall be submitted to Joint Director (Finance), Bhopal in the prescribed form of the Company. However, the TA Bill shall be reimbursed based on the travel slab applicable to the corresponding rank in the Company under the rules in force from time to time.

## **PAYMENT TERMS**

### **(A) Fees for the Internal Audit Function**

The Bidder shall quote the lump-sum price for each year of the Contract period, inclusive of all taxes, duties etc., for carrying out internal audit of MPMKVVCL as per scope of work and the terms and conditions given in the tender document. The payment terms for each year of the Contract period will be as follows:

Sl. No.	Release of Fees	Percentage (%) of the Annual Quoted Fees (AQF)
1	On submission and acceptance of 1 <sup>st</sup> Quarter Report along with the Management Letter	20%
2	On submission and acceptance of 2 <sup>nd</sup> Quarter Report along with the Management Letter	20%
3	On submission and acceptance of 3 <sup>rd</sup> Quarter Report along with the Management Letter	20%
4	On submission and acceptance of 4 <sup>th</sup> Quarter Report along with the Management Letter	20%
5	Final payment after one (1) month from the date of submission of 4 <sup>th</sup> quarter report	20%

In case of delay in submission of the Quarterly Audit Report beyond the 15<sup>th</sup> of the month corresponding the Quarter, a penalty of 2% of the fees due for the particular job will be imposed for every week delay to a maximum of 5%.

### **(B) Fees for the Updation of the Internal Audit Manual**

Lumpsum price for each year of the Contract period inclusive of all taxes, duties etc. for updating the internal audit manual of MPMKVVCL as per scope of work and the terms and conditions given in the tender document.

Sl. No.	Release of Fees	Percentage (%) of the total payment quoted
1	On submission and acceptance of Internal Audit Manual	50%

2	On Approval of the Internal Audit Manual by the Board of Directors (BOD) of MPMKVCL	50%
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## **FORMAT FOR THE FINANCIAL BID**

The following shall be used as a format for the “**Financial Bid**” to be submitted in **Enevelope-2** of the Bid.

### **(A) Annual Quoted Fees (AQF) for the Internal Audit Function**

<b>Sl. No.</b>	<b>Details</b>	<b>Amount in Rs.</b>
1	Lumpsum price inclusive of all taxes, duties etc. for carrying out internal audit of MPMKVVCL as per scope of work and the terms and conditions given in the tender document.	Rs. .... only. In words:.....

### **(B) Fees for the Updation of the Internal Audit Manual**

<b>Sl. No.</b>	<b>Details</b>	<b>Amount in Rs.</b>
1	Fees for the Updation of the Internal Audit Manual and preparation of the Checklists inclusive of all taxes, duties etc.	Rs. .... only. In words: .....

#### **Note:**

1. Evaluation will be done on the Total Quoted Fees = (3 \*AQF) + B
2. Any overwriting or erasing in the quotation shall render the same invalid.
3. Where there is any discrepancy between the rates in figures and words, words will govern.
4. Any difference between the original and duplicate copy of the bid, the Original Bid shall govern.

## ANNEXURE 1

### **Submission of Information for the Qualification Verification**

- a) All information submitted shall be sealed and signed by the authorized representative of the firm.
- b) **A brief “Profile” of the Firm’s Practice and experience giving the following details clearly:**

1	Name of the Firm
2	ICAI Registration No.
3	CAG Empanelment No.
4	PAN No.
5	Service Tax Registration No.
6	Strength of manpower.
7	Audit and Certification work done in past 2 years (along with details as Name of the client and the fees charged)
8	Experience of PSU’s other than Bank and Insurance Sector

**Along with the Profile above, the firm must submit documentary evidences in support of the above mentioned details, as given in the table below:**

1	Photocopy of the certificate of registration of the partnership with ICAI
2	Photocopy of the latest certificate of Constitution of firm issued by ICAI.
3	Documentary evidence for the CAG Empanelment No.
4	Photocopy of PAN Card
5	Photocopy of Service Tax Registration Certificate / Copy of Service Tax Challan etc clearly specifying the Name and Registration No. of the CA firm
6	DISA/CISA certificates of the DISA/CISA qualified CA
7	Audited copies of P & L A/c, Balance Sheet, and Income Tax Return for last three years of the CA firm
8	Breakup of the Professional Fees of 2010-11, clearly segregating the fees from Audit services during the year (if not already available in the audited accounts), duly attested by its Auditor.

c) **Qualification of the staff**

<b>Sl. No.</b>	<b>Qualification</b>	<b>No. of Staff on rolls</b>
1	No. of CAs	
2	No. of DISA/CISA qualified CA	
3	Postgraduate in Commerce	
4	Graduates in Commerce	

d) **Details of list of major five clients with data for FY 2010-11 giving the following details clearly:**

1	Name of organization.
2	Form of organization (Partnership/ Proprietary/Company).
3	Turnover.
4	Fee charged.
5	Experience/Completion Certificates of Statutory / Internal Audit from at least three clients out of the Clients as mentioned above.
6	Audited Financial Statements of the Year 2010-11 of the clients mentioned above.

- e) **Documentary evidence** in support of the internal audits undertaken for zonal / regional/ corporate office(s) of a Govt/ Semi-Govt Undertaking (Appointment letter for the appointment as Internal Auditor of the zonal / regional/ corporate office(s) of a Govt./ Semi-Govt. Undertaking)
- f) **Certificate of Turnover** of the Govt/ Semi Govt. Undertaking for whom the firm has served as Internal Auditor.
- g) **Audited Financial Statements** of the Govt/ Semi-Govt undertaking for the respective year(s) for which the firm has served as Internal Auditor.

**Indicative Performance Parameters of the work of Internal Auditor**

The performance of the Auditor shall be determined based on the following parameters:

- Feedback from the Board of Directors of the Company;
- Elapsed time for issue of reports – completion of audit work to draft report;
- Elapsed time for issue of reports – draft to final report;
- % unsatisfactory audit opinions (not more than 10%);
- % of recommendations accepted (not less than 50% - 70%);
- Number of repeat audit findings;
- Amount of direct savings potential as a result of audits;
- Amount of measurable savings achieved as a direct result of audits;
- Number of major process improvements implemented as a result of audits;
- Extent of reliance External audit can place on Internal Audit;
- Extent of advice given; and
- Number of best practice ideas shared

In addition to the above list, the Internal Auditor is also expected to follow and meet the minimum standards for Internal Audit as prescribed from time to time.

**ANNEXURE 3**

**FORMAT FOR CLARIFICATIONS IN THE TENDER DOCUMENT**

<b>Sl. No.</b>	<b>Clause no. and existing provision</b>	<b>Clarification required</b>	<b>Rationale for the clarification</b>

**UNDERTAKING BY THE BIDDERS**

**(This undertaking is to be submitted along with the Technical Bid.)**

(This undertaking should be on a non-judicial stamp paper of requisite value duly notarized)

To,

Director Finance,  
O/o CMD(CZ), MPMKVVCL,  
Nishtha Parisar, Govindpura, Bhopal.

Dear Sir,

**Sub: Bid for Appointment of Internal Auditors at the Corporate Office, MPMKVVCL, Bhopal  
(Tender Specification No. CMD/MK/05/NIT/1991 Bhopal dtd: 26-11-11)**

This undertaking is submitted in respect of the appointment of Internal Auditors for the Corporate Office of MPMKVVCL, Bhopal, in response to the tender document dated 26-11-11 issued by MPMKVVCL, Bhopal and subsequent amendment thereof.

We hereby confirm that:

1. We have never been blacklisted by any Government Department or Public Sector Undertaking of any State Government in India or the Government of India for practicing in India.
2. We have no pending or contemplated legal suit or criminal cases on grounds of turpitude or for violation of any other law in force.

We understand and agree that if the information mentioned above is found to be incorrect at any stage of this Bidding Process, our Bid shall be considered as non-responsive and rejected accordingly. If this undertaking is found to be incorrect post the issue of LoA, then such LoA issued shall be cancelled and the contract terminated, without any liability to either Party. Under such circumstances, however, we acknowledge and accept the right of MPMKVVCL to encash our EMD.

We further understand and agree that if the Audit is awarded to us and this undertaking is found to be incorrect after execution of the work, the order of appointments stands terminated, without any liability to either Party. Under such circumstances, however, we acknowledge and accept the right of MPMKVVCL to encash our security deposit.

.....  
**(Signature of authorised signatory of the firm issued along with firm seal)**

Name: .....

Designation: .....

Date: .....

Place: .....

**UNDERTAKING BY THE BIDDERS**

**(This undertaking is to be submitted along with the Technical Bid.)**

**To,**

Director Finance,  
O/o CMD(CZ), MPMKVVCL,  
Nishtha Parisar, Govindpura, Bhopal.

Dear Sir,

**Sub: Bid for Appointment of Internal Auditors at the Corporate Office, MPMKVVCL, Bhopal  
(Tender Specification No. CMD/MK/05/NIT/1991Bhopal dtd: 26-11-11)**

This undertaking is submitted in respect of the appointment of Internal Auditors for the Corporate Office of MPMKVVCL, Bhopal, in response to the tender document dated 26-11-11 issued by MPMKVVCL, Bhopal and subsequent amendment thereof.

**We hereby agree that:**

- a) We shall deploy 1 FCA on the assignment who shall be responsible for the overall coordination of the Internal Audit function and Validation of the Internal Audit Manual;
- b) We shall deploy 2 full time experienced staff of the firm who shall be responsible for:
  - (1) Prepare the Internal Audit program for conducting audit of the field units;
  - (2) Internal Audit of the Corporate Office;
  - (3) Updating of the Internal Audit Manual.
- c) The experienced staffs deployed on the assignment are not the articulated assistants of the firm.
- d) The staff will maintain complete secrecy of the records and will not disclose any matter which comes to the knowledge during the conduct of internal audit, to the third party, which may affect the interest of the Company adversely.

.....  
**(Signature of authorized signatory of the firm issued along with firm seal)**

Name: .....

Designation: .....

Date: .....

Place: .....

**Broad Scope of Internal Audit at the Corporate Office Level**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit firm appointed shall be responsible to carry out internal audit function, and submit reports as per the reporting requirements on Audit observations a initial period of three (3) years.

**(A) BROAD SCOPE**

- a) Updation of the Internal Audit Manual and Checklists for the Company as a whole to:
  - 1. Provide a **Handy guidance tool** for the Audit in the Company as a whole.
  - 2. Have a **systematic and uniform Approach** to the Internal Audit covering the scope as reflected in *Annexure 7*
- b) Providing supporting services in the Statutory Audit and CAG Audit.
- c) Providing supporting services in the finalization of Accounts at the Corporate Office.
- d) Providing supporting services in the preparation of the budget at the Corporate Office. To provide a MIS for the expenditure incurred under various heads with reference to the budget allocation approved.
- e) Report monthly utilization of capital / revenue funds for the specified purpose.
- f) Coordinate with the Internal Audit team of the company to fix priority in the Audit program depending on the needs, ensure speedy and appropriate compliance and review of Audit paras.
- g) To ensure that all the RAO/Divisions follow uniform accounting and reporting procedures.

**(B) SCOPE OF INTERNAL AUDIT AT CORPORATE OFFICE**

Scope of Work should include the verification of internal controls and process at all the sections/departments of the Corporate Office It includes the following:

- (i) Internal Controls in all the departments / sections of the Corporate Office namely:**
  - a) Purchase and Stores Department
  - b) Works and Planning Department
  - c) Commercial Department
  - d) HR Department

- e) Projects Department
- f) Finance Department
- g) IT Department

**(ii) Review of the status of the Pending Audit Paras**

Follow up of the pending paras of Audit, Half margins etc, including PUC paras and report the status of the same.

**(iii) Books of Accounts**

- a) Ensure that the books of accounts like Loan registers, grant registers, shareholders registers and all the other books of accounts required to be maintained as per CAG or any other Statute are maintained and duly updated.
- b) Checking of fixed asset register. To check that fixed asset register is updated at the time of capitalization / purchase /disposal of assets and location / situation of each fixed assets is properly reflected in the register. To check proper accounting entries in cases where assets have been declared obsolete / unserviceable / buyback .
- c) Status of physical verification and proper identification on fixed assets. Reconciliation of fixed asset register with financial records and difference if any between the two figures be rectified.
- d) Checking of the log books of the vehicles.

**(iii) Bank Transactions**

- a) Reporting of the Status of the bank reconciliation statement of the bank account at the Corporate Office and passing of adjustment entries.
- b) Report on the settlement of all old items reflected in the BRS.
- c) Report on the status FDR's and Investments indicating interest earned/ accrued during the quarter vis-à-vis reinvestment of the amount.
- d) Surprise verifications.
- e) Review of the Bank Accounts and suggestions for the closure of unnecessary Bank accounts and discontinuance of the same.

**(iv) Loan Servicing**

- a) Verification of repayment of principal of various loans as per the payment schedule.
- b) Interest payments on various loans.
- c) Preparation of JVs month wise and proper accounting entries of the same.
- d) Review of the terms and conditions and benefits accrued as per the loan agreements.

**(v) Finance and Accounting**

- a) The financial transactions have to be thoroughly checked for their accounting.
- b) Checking of administrative & financial approval and payment against tenders above 50 lacs
- c) To verify the progress of all the turnkey contracts awarded and ensure the same comply with the contract conditions.
- d) Checking of the cost data and estimates of the turnkey projects.

- e) Scrutiny of trial balances of all accounting units and head office, and reporting of the observations on the same.
- f) To verify accounting and treatment of the interest charges, bank charges, guarantee and other charges on funding by various funding agencies.
- g) Reporting on the status of the physical verification of inventory.
- h) Ensure reconciliation and neutralization of difference as per accounts and as per the physical verification of inventory is done.
- i) Checking of capitalization and depreciation calculations every quarter. Checking of pay bills, accounting adjustment and closing of Permanent & Temporary Imprests.
- j) Verification of the Power purchase bills from various sources, as per the policies laid down by the Board/Government. Any variations of the power purchase from the planned power purchase need to be analyzed on a month on month basis and reported as a separate annexure to the Audit Report.
- k) Verification of all the Transmission, SLDC charges, True Up charges etc.
- l) Refund status of EMD/ SD
- m) Release of BG where the contracts are concluded.
- n) To verify and certify that the Billing software is updated from the effective date for the Tariff Rates consumer category wise as approved by MPERC.

**(v) Regulatory and Statutory Compliance**

- a) Checking of fee & fines realized by Commission as per relevant Regulation.
- b) Violation of TDS at the time of payment towards rent, consultancy charges, professional fees etc.
- c) Compliance of MPERC regulations.
- d) To ensure adequate internal control procedures commensurate with the size of the business in compliance to CARO, 2003
- e) Proper accounting of Grant.
- f) Follow up and reminders and support for deduction of income tax at sources and other statutory dues and liabilities and ensure their remittance to appropriate authorities at all the RAO's is done within the due dates.
- g) Non compliance of payments of the Statutory Dues along with the reasons for the same should be reported on a quarterly basis.
- h) Checking of the pending cases with the courts vis-a-vis occurring of contingent liability.

**(C) SCOPE OF INTERNAL AUDIT TO VERIFY THE WORK OF THE TIER II AUDITORS:**

- a) Designing of the Audit Program “**Standard Checklist and Audit template**” for the revenue audit, expenditure audit etc at all RAO/ Division Level audits.
- b) Scheduling the frequency of the Audit at RAO/ Division Level based on the assessment of risk, potential benefits and cost involved.

- c) Ensuring timely submission of Internal Audit reports by Tier II Firms and follow up on the Audit observations of the same.
- d) Consolidation of all the Internal Audit reports of the various RAO/Divisions, and preparation of summarized report (quarterly) on the key issues, and observations pending for more than 3 months.
- e) Scrutiny of the Test Audit Report/ Test Audit Notes (TAR/TAN) submitted to the company by the Tier II Auditors.
- f) To assist in preparing the U.O. Note on the basis of scrutiny of paragraph-wise compliance and offer comments in respect of final settlement of paragraphs in TAR/ TAN for their disposal, dropping or rejoinder, as the case may be. The comments will be submitted to the Joint Director (A & A) for the final consideration.

It is however emphasized that the coverage in the scope of services as mentioned above is indicative and not exhaustive. Apart from the audit observations, auditor will be required to indicate discrepancies / inadequacies in the system or procedures so as to initiate steps for improving the system and making it more efficient. The audit team will also be required to educate the dealing staff so as to avoid repetition of routine procedural / technical errors.

Further all other incidental / necessary activities for the completion of audit & resolution of matters arising during the audit shall be deemed to be included in the scope of services. In case of judicial proceeding(s) initiated by MPMKVVCL, Bhopal pursuant to the audit for the period, the auditor shall reasonably assist MPMKVVCL, Bhopal office by acting as a witness and providing evidences required as related thereto.

**Broad Scope of Work for Preparation Internal Audit Manual and Checklists**

The Areas to be included in the internal audit and control manual are:

- i. **Corporate mission and internal audit department's (IAD) objectives** covering the followings-
  - Operating policy & purpose of IAD;
  - Organization of the IAD;
  - Job responsibilities;
  - Relationship with management, external auditors and other functions; and
  - Roles and responsibilities of the department
  - Support to/from User Departments
  
- ii. **Audit approach and methodology for internal audit** covering the following-
  - Scope of work;
  - Coverage and Frequency of Audits;
  - Audit planning & risk assessment;
  - Auditing techniques;
  - Review of audit work;
  - Audit reports;
  - Follow ups; and
  - Auditing in an IT environment
  
- iii. **Human Resources** covering the following:
  - Staff qualifications;
  - Organization of the IAD;
  - Job roles & responsibilities;
  - Training and Capacity Building of internal audit staff; and
  - Performance appraisal system
  
- iv. **Audit Administration** covering the following-
  - Ethics and independence;
  - Internal auditor and line/ operational duties;
  - Time reporting;
  - Quality assurance reviews; and
  - Maintenance and Updation of manual
  
- v. **Internal Audit Checklists and templates (wherever necessary) relating to the Audit of the various activities and units:**

The checklists for the following must be prepared incorporating the process and audit methodology for **transaction audit** so as to analyse whether the transaction is fair and

complete, **system audit** ensuring the system for the transaction is in place and **compliance audit** to ensure that all the statutory and regulatory compliance have been done.

- Checklists for the Audit of Revenue Expenditure;
  - i. Checklists for the Statutory Compliances (Direct and Indirect tax, Company act etc);
  - ii. Checklists for the Regulatory Compliances;
  - iii. Checklists for the Transaction Audit;
  - iv. Checklists for the System Audit
- Checklists for the audit of LT Revenue Units;
- Checklists for the audit of HT Revenue Accounting Units;
- Checklists for the audit of Regions / Circle / Division offices;
- Checklists for the audit of Sub division / Zone offices;
- Checklists for the audit of Distribution Centre;
- Checklists for the Audit of Transformer Repairing Units;
- Checklists for the Audit of Meter testing division;
- Checklist for the verification of the Bank Reconciliation;
- Checklists for the Audit of the New Service Connections;
- Checklists for the Audit of Outsourcing Activities;
- Checklists for the review of Energy Audit Activities,
- Checklists for the audit of Power Purchase;
- Checklists for the Refund of Security Deposit;
- Checklists for the audit of Administration and Payrolls section;
- Checklists for the audit of Pension;
- Checklists for the Audit of the Pay fixations & Pay fixation anomalies;
- Checklists for the Audit of Capitalization;
- Checklists for the Audit of De Capitalization;
- Checklists for the audit of Projects and Construction Activities,
- Checklists for the audit of Investments;
- Checklists for the audit of Borrowing Activities;
- Checklists for the audit of Grant-in-Aid;
- Checklists for the Verification of Work Orders;
- Checklists for the Audit of Works Contract Bills;
- Checklists for the audit of Purchases of Materials;
- Checklist for the audit of Stores and Pricing,
- Checklists for the audit in ERP Environment and other IT initiatives, etc