



VISVESVARAYA JALA NIGAM LIMITED

(A Government of Karnataka Enterprises)
No.148, Embassy Square, Infantry Road, BENGALURU -560 001.
Ph: 080-22863071,
CIN:_ U41000KA2016SGC097260

**REQUEST FOR QUOTATION [RFQ] DOCUMENT
THROUGH KPP Portal**

NAME OF THE ASSIGNMENT

**APPOINTMENT OF INTERNAL AUDITORS
FOR REGISTERED OFFICE, BENGALURU &
CENTRAL OFFICE, CHITRADURGA
AND PROJECT OFFICES OF VJNL
FOR FY 2025-26 to 2027-28
(3-Years)**

INDEX

Chapter	Particulars	Page No.
1	Notice inviting Bids	3
2	Letter of Invitation	4-5
3	Brief history, background of the Company, Nature & Scope of work	6-8
4	Procedure for submission of bids	9-11
5	Eligibility and Pre-qualification Criteria	12-13
6	Method of Evaluation of Technical Bid	14-15
7	Terms of payment	16
Sch. - A	Technical bid	17-18
Sch. - B	Financial bid	19
Ann-I	Format of Declaration	20
Ann- II & IIA	Details of offices where internal audit has to be carried out	21-23
Ann- III	Organisation Structure	24

CHAPTER - 1

NOTICE INVITING BIDS

VISVESVARAYA JALA NIGAM LIMITED
(A Government of Karnataka Enterprises)
No.148, Embassy Square, Infantry Road,
BENGALURU - 560 001.

TEL : 22289966 / 22256688, FAX: 080 22264477 email: mdvjnl@gmail.com

**Sub: Invitation of Competitive Quotations for Appointment of Internal Auditors
for FY 2025-26 to 2027-28 (3-Years)**

No : VJNL/ 2025-26/SE0156/CALL-2

Date. 11.03.2026

- Visvesvaraya Jala Nigam Ltd. was incorporated for the purpose of execution of certain major and medium irrigation projects coming under Upper Bhadra, Yethinaholle and other projects in the State of Karnataka.
- The Registered office of the Company is situated at Bengaluru, Central Office at Chithradurga and Zones at Tumkur and Chithradurga.
- The Company invites Short term tender for carrying out internal audit at Registered Office, Central Office, Zones, Circles, Divisional offices for the FY 2025-26 to 2027-28.
- In this context bids are invited from eligible Chartered Accountant/ Cost Accountant firms as per the Criteria mentioned in the Request For Quotations (RFQ) document.
- The eligible Chartered Accountant firms / Cost Accountant firms may download RFQ document from <https://kppp.karnataka.gov.in> from 11.03.2026 to 18.03.2026.
- Please note that henceforth, further changes, if any, will be updated only on VJNL website, i.e. <https://vjnl.karnataka.gov.in>
- The last date of submission of bid documents is 18.03.2026.

sd/-
(MANAGING DIRECTOR)

CHAPTER 2

LETTER OF INVITATION

No : VJNL/ 2025-26/ SE0156/CALL-2

Date. 11.03.2026

Sir(s),

Sub: Request for quotation for appointment of internal auditors for the FY 2025-26 to 2027-28 (3-Years).

1. Quotations (Bids) in the prescribed forms are hereby invited by the Managing Director, Visvesvaraya Jala Nigam Ltd., Registered Office, Bengaluru as per the provisions of **The Karnataka State Transparency in Public Procurements Act, 1999.**

Particulars	Purpose
Name of the Assignment	Appointment of Internal Auditors for Internal Audit at Registered Office, Bengaluru, Central Office, Chithradurga, Zones, Circles ,Divisions and Land Acquisition Offices in the districts of Chikkaballapur, Kolar, Bengaluru Rural, Chitradurga, Chickamagalur, Hassan, Shivamogga, Davanagere and Tumakuru Districts of Karnataka for the FY 2025-26 to 2027-28.
Estimate Cost/Amount put to tender	Rs.6.50 lakhs per year (Excluding out of pocket expenses i.e travelling & refreshment expenses) (excluding GST)

2.The following details are provided in this Request for Quotation (RFQ) document to enable you to submit your quotation:

Chapter No.	Particulars
1	Request for Quotation Notification
2	Letter of Invitation
3	Brief history & background of the company and nature & scope of work
4	Procedure for submission of Bids
5	Eligibility and Pre-qualification Criteria
6	Method of Evaluation of Technical Bid
7	Terms of payment
Sch.- A	Technical bid
Sch.- B	Financial bid
Ann-I	Format of Declaration
Ann- II & IIA	Details of offices where internal audit has to be carried out
Ann- III	Organization Structure
5	Eligibility and Pre-qualification Criteria

3. Following are the schedule of events for submission of quotations:

Sl. No.	Events	Date
1	Date of uploading RFQ document in VJNL website.	11.03.2026
2	Last date for downloading RFQ document from website	18.03.2026
3	Last date for submission of pre-bid query if any in writing only before 5.30 pm.	12.03.2026
4	Pre-bid meeting @ 5.00 pm	13.03.2026
5	Last date for submission of bid @ 17.00 hrs	18.03.2026
6	Date of opening of Technical bid@ 11.30 am	20.03.2026
7	Date of opening of Financial bid @ 04.30 pm.	30.03.2026

4. Other relevant Information:

Sl. No	Particulars	
1	Name and Address of the Procuring Entity	VISVESVARAYA JALA NIGAM LTD. No.148, Embassy Square, Infantry Road, Bengaluru - 560 001 TEL: 080 22289966 / 22256688, FAX: 080 22264477 <i>email:vjnlfinance@gmail.com,</i> <i>Website: vjnl.karnataka.gov.in</i> CIN : U41000KA2016SGC097260
2	Designation and Address of the Tender Inviting Authority	MANAGING DIRECTOR VISVESVARAYA JALA NIGAM LTD. No.148, Embassy Square, Infantry Road, Bengaluru - 560 001 TEL: 080 22289966 / 22256688, FAX: 080 22264477 <i>email:vjnlfinance@gmail.com,</i> <i>Website: vjnl.karnataka.gov.in</i> CIN : U41000KA2016SGC097260
3	Place of Opening of Proposal	Board Room, Registered Office at the above mentioned address.

5. Estimate Cost / Amount put to tender

Sl. No.	Project Zones /Offices	No of Offices	Rate for Audit per Office per year (Excluding out of pocket expenses & GST)
1	CE UBP Chitradurga Zone	13	20,000/-
2	CE YHP Tumkur Zone	9	30,000/-
3	RO and Central Office	2	60,000/-

Yours faithfully,
sd/-
MANAGING DIRECTOR

CHAPTER - 3

BRIEF HISTORY, BACKGROUND OF THE COMPANY, NATURE & SCOPE OF WORK

3.1. **VISVESVARAYA JALA NIGAM LIMITED** was incorporated as a wholly owned Government of Karnataka Company under Companies Act, 2013 on 20th October, 2016.

3.2. MAIN OBJECTS OF THE COMPANY.

3.2.1. Plan, investigate, estimate, build, operate and maintain all kinds of infrastructures like Dams, Reservoirs, Barrages, Weirs, Canals, Lift Irrigation Schemes, Solar Irrigation Systems, Pipelines, Road Works, etc., required for the Project for supply of water for irrigation, drinking, power generation and other purposes including the works of Command Area Development Authority (CADA).

3.2.2. To take up and implement the projects based on the study report submitted by the Expert Committee for formulation of permanent irrigation facilities to Kolar and Chikkaballapur Districts and to take over the implementation and management of Yettinahole Integrated Drinking Water Project and the Upper Bhadra Irrigation Project and allied Projects from Karnataka Neeravari Nigam Limited and also other Projects that the Government of Karnataka may entrust from time to time for catering to the water needs of the drought prone areas of Chikkaballapur, Kolar, Bengaluru Rural, Chitradurga, Chickamagalur, Hasan, Davanagere and Tumakuru Districts of Karnataka.

3.2.3. To plan, promote, build, operate and adopt modern irrigation systems /methods like sprinkler, drip, solar water pumps and any other methods or systems for effective utilization of water and build, construct, operate, maintain irrigation project entrusted by the Government of Karnataka including providing rehabilitation of people and places affected by the building of water utilization projects and promote suitable scheme for afforestation and control flood by adopting suitable ways, means and standards and also providing navigation, leisure / recreation activities, fisheries, etc., in the rivers / water bodies.

3.1. A BRIEF SUMMARY OF THE BUSINESS/ ACTIVITIES OF THE ISSUER AND ITS LINE OF BUSINESS.

0.3.1. With a view to expedite completion of the Upper Bhadra project and Yettinahole project the Government of Karnataka promoted Visvesvaraya Jala Nigam Limited and was incorporated on 20th October, 2016 as a Public Limited Company under the Companies Act.

0.3.2. The Company is responsible for planning, investigating, estimation, execution, operation and maintenance of all the irrigation projects coming under Upper Bhadra and Yettinahole Projects and all kinds of

infrastructures like Dams, Reservoirs, Barrages, Weirs, Canals, Lift Irrigation Schemes, Solar Irrigation Systems, Pipelines, Road Works, etc., required for the Project for supply of water for irrigation, drinking, power generation and other purposes including the works of Command Area Development Authority (CADA) and such other related works across rivers mainly Krishna, Ghataprabha, Malaprabha, Tunga, Bhadra, Varada, Tungabhadra, Bhima, Godavari, and Varahi in Karnataka. The Company has also been executing other irrigation projects entrusted to it by Government of Karnataka from time to time.

0.3.3. The Company is also entrusted with the rehabilitation and resettlement of the people affected by the Project.

0.3.4. The Company is authorized to borrow or raise required resources through issue of Bonds or Term Loans and any other securities for the purpose of the projects being executed by it.

0.3.5. The Company has been empowered to levy and collect water charges from individual farmers, group of farmers, Water Users Co-op. Society (WUCS) including CADA, Town panchayaths, City Municipalities and industries and recover revenues.

0.3.6. The status of the projects being executed by the company and the Annual Reports are available for reference at the company's website viz. vjnl.karnataka.gov.in.

3.4 ORGANISATION STRUCTURE: The organization structure of VJNL is given Ann - III.

3.5 SCOPE OF ASSIGNMENT:

3.5.1. The scope of the assignment and methodology for internal audit is set out in internal audit manual in detail.

3.5.2. For the purpose of easy manageability of the works, the project units have been divided into zones, circles, divisions and sub-divisions. The details are given in **Ann-IIA**.

3.5.3. The maintenance of the accounts is centralised at the Registered Office, Bengaluru. The books of account are maintained on double entry book-keeping system through Tally package. In addition to this certain ledgers also maintained manually at the zones, circle and division offices as per the PWD Codal provisions. However, the internal audit has to be carried out at all the offices listed in **Ann-IIA**.

3.5.4. Though efforts are made to define all the areas of importance, the scope of the assignment set out in the manual is neither exhaustive nor to be limited to the extent of manual.

- 3.5.5. The Internal auditors are also required to devise additional areas of inspection and examination of the documents/areas of operation which in their opinion deem appropriate so as to minimize loss of revenue, increase transparency and internal controls, maximize functional efficiency, detect/prevent frauds and mismanagement, efficient application of contract resources and finances, adherence to regulatory mechanisms as per the contract documents, adherence to Indian Accounting Standards, Standards on Internal Audit and to the requirement of Companies Act, 2013 and Rules there under etc.
- 3.5.6. The internal auditor should facilitate strengthening the internal controls at all spheres of operation of the company.
- 3.5.7. Internal Auditors are requested to meet the requirements under Standard for Internal Auditors issued by ICAI and to comply with the provisions of Companies Act, 2013 read with relevant rules.

3.6 Bidders are requested to consider following points before Submitting Financial Proposal.

- 3.6.1 The annual programme of works (AWP) for the FY 2025-26 would be about Rs. 3,838.43 crore and for FY 2026-27 would be about Rs. 4,000.00 crores and for FY 2027-28 would be about Rs. 5,000.00 crores. The above may be taken into consideration before submitting the financial proposal.
- 3.6.2 Audit team should include one experienced qualified partner, one qualified team leader and sufficient number of semi-qualified assistants/B.com graduates.
- 3.6.3 Staff Pattern: The Chartered Accountant Firm/ Cost Accountant Firm shall provide adequate staff for the assignment.
- 3.6.4 In order to have efficiency and continuity of audit, the team identified for a particular division shall not be changed quarter to quarter. The same team shall conduct audit for the entire financial year.
- 3.6.5 The Registered Office of the company is at Bengaluru and Central office at Chithradurga. The project offices are located at various places of Chikkaballapur, Kolar, Bengaluru Rural, Chitradurga, Chickamagalur, Hasan, Davanagere, Shivamogga and Tumakuru Districts of Karnataka.
- 3.6.6 The internal auditor should attend Audit Committee meetings.
- 3.6.7 The detailed nature and scope of work and the extent of coverage are as stated in the Internal Audit Manual.

CHAPTER - 4

PROCEDURE FOR SUBMISSION OF BIDS

4.1. Payment of Tender processing fee and EMD

- 4.1.1. A non-refundable tender processing fee as determined by the KPP portal platform shall be payable, electronically, by the Proposers at the time of submitting proposals.
- 4.1.2. The Proposers (Bidders) shall pay security deposit of ₹ 65,000/- towards Earnest Money Deposit (EMD). The EMD of the Successful bidder will be taken to VJNL account and the same is refunded on successful completion of the assignment.
- 4.1.3. EMD of unsuccessful Proposers will be returned back to their respective Bank a/cs automatically through online EMD Refund System of E-Governance Department, Government of Karnataka.
- 4.1.4. Kindly note that if transaction/Processing fee and EMD are not submitted properly, bids are likely to be rejected automatically at KPP portal.

4.2. Instructions for submitting Proposals

- 4.2.1. Upload copies of all the documents as specified in the RFQ document.
- 4.2.2. The fees quoted in Schedule - B should be inclusive of all Taxes (including GST), out of pocket expenses and all other expenses.
- 4.2.3. The minimum fee to be quoted is Rs.6.50 lakhs per year (excluding GST & out of pocket expenses i.e travelling and refreshment expenses)
- 4.2.4. The VJNL or any of the offices under VJNL will not reimburse out of pocket expenses viz. conveyance, boarding & lodging, travelling and/or any incidental expenses.
- 4.2.5. Tax will be deducted at source as per the provisions of IT Act, prevailing at the time of payment.
- 4.2.6. Proposers (Bidders) are requested to note the Scope of Work and details of assignment before proposing the fee. Fee quoted by the bidders will remain the same for all the financial years throughout the contract term and no revisions are permitted. Further, no additional or enhancement of fees will be entertained.
- 4.2.7. The fee should be quoted on yearly basis in INR only.

- 4.2.8. Proposers may please note that for Technical qualification all the eligibility criteria and Documentation requirement should be uploaded to the satisfaction of the Company.
- 4.2.9. Any deviation in respect of dates and timings are not allowed.
- 4.2.10. The supporting documents, wherever required, evidencing the criteria prescribed for evaluation of Technical Proposal shall have to be enclosed. Any ambiguity in any of the information furnished will entail non-consideration of such information for the purpose of evaluation of Technical Proposal.
- 4.2.11. The documents are to be uploaded properly.
- 4.2.12. The completed Pre-qualification, Technical and Financial proposal must be uploaded on/or before the scheduled date and time stated in this RFQ document along with prescribed tender processing Fee and EMD.
- 4.2.13. The company is not responsible for Technical problems encountered while submitting proposals, payment of tender processing fee and EMD amount. Proposers (Bidders) are requested to submit their proposal well in time considering the processing time involved and the time involved in remittance of fees and EMD through on-line payment system.

4.3 Other procedures:

- 4.3.1 The Proposals along with prescribed documents shall be submitted through KPP portal. The Proposers (Bidders) are therefore requested to familiarize themselves with the procedure of KPP portal thoroughly before submission of Proposal.
- 4.3.2 Mere issue of Proposal Document does not qualify Chartered Accountant/Cost Accountant firm for appointment. The Proposer i.e Chartered Accountant/Cost Accountant firm which does not comply with the eligibility criteria mentioned in the Tender Notification will be rejected.
- 4.3.3 The submission of proposals by the Chartered Accountant firm/Cost Accountant firm implies that they have read and understood all the contents of Tender Notification.
- 4.3.4 The Company reserves the right to accept/reject all or any of the tenders without assigning any reasons.
- 4.3.5 The Company reserves the right to include/exclude any work in the scope of work.
- 4.3.6 Conditional proposals are not acceptable and the same will be rejected.

- 4.3.7 Proposals shall be valid for 90 days from the last date of submission of Bids.
- 4.3.8 Selected Chartered Accountant /Cost Accountant firm shall submit Declaration on Rs.100/- stamp paper duly notarized as per the format given in Annexure-1 and a duly signed and sealed copy of the RFQ Document before issue of Appointment Letter.
- 4.3.9 The selected Bidder should accept the mandate within 15 days from the date of appointment letter. In the event of non-acceptance, the same shall be offered to second lowest fee bidder.
- 4.3.10 Efforts are made to provide all the required details in the RFQ Document. In case of any query, proposers may contact Assistant General Manager (Finance) and/or General Manager (Finance), VJNL, Registered Office, Bengaluru at telephone number: 080 22289966 / 22256688.

4.4 E-Tendering:

- 4.4.1 All Proposals are accepted only through KPP Portal, for which the Proposers should purchase Digital Signature Certificate from any of the Empanelled Certifying Authorities as mentioned in the KPP Portal.
- 4.4.2 Proposers who wish to undergo training on e-Procurement can contact e-procurement Helpdesk, Government of Karnataka, M.S. Building, II Gate, Room No. 108, K.R. Circle, Bengaluru -560001.
- 4.4.3 Kindly note that the training on e-procurement will be given by the Government of Karnataka on all Saturdays (except second Saturdays) between 11 a.m. to 5 p.m. on prior appointment.
- 4.4.4 Any changes/notifications will be uploaded in the KPP Portal and in the company's website <https://vjnl.karnataka.gov.in> and shall be binding on all the participating Proposers (Bidders).
- 4.4.5 The Company shall not be held responsible for any technical problems encountered during submission of Proposal (Bid) through KPP Portal, delay in remittance of Tender Processing fee and EMD through on-line payment system.
- 4.4.6 Bidders may keep in mind that the remittance of Tender Processing Fee and EMD are only through on-line payment system. The payments can be made only on bank working days and during banking hours.
- 4.4.7 Further Bidders may note that the submission of proposals through KPP Portal is not possible after the Last date and Time mentioned for submission of Proposals mentioned in this RFQ document.

CHAPTER - 5

ELIGIBILITY AND PRE-QUALIFICATION CRITERIA

- 5.1. **Pre-qualification Criteria:** In order to be eligible for pre-qualification, the Proposers should satisfy following eligibility criteria and should include following documents :
- 5.1.1. Should be a Chartered Accountants or Cost Accountants Partnership firm/LLP with a minimum of 10 years' experience. Kindly upload scanned copy of the Self Certified Registration Certificate issued by Institute of Chartered Accountants of India/Institute of Cost Accountants of India along with the firm's registration number.
- 5.1.2. Scanned copy of declaration as per the format given in **Ann-I** should be submitted in the Letter head of the Bidding firm/company at the time of submitting the proposal with signature/ seal of the authorized partner.
- 5.1.3. The selected CA/CMA firm/company should submit the original declaration form on a stamp paper ₹ 100 value duly notarized at the time of offer of appointment.
- 5.1.4. If any one or more of the above pre-qualification criteria are not satisfied, the proposals (Bids) will be disqualified at this stage and will not be considered for further evaluation.
- 5.2. **Eligibility criteria for Technical Qualification:** In order to be eligible for Technical qualification, the Proposal should include following documents and score minimum required score for each of the eligibility criteria mentioned in Chapter - 6.
- 5.2.1. Mere having branch office(s) at the above places shall not entail qualification.
- 5.2.2. The CA/CMA firm should have experience in Statutory Audit or Internal Audit audit of any two Public Sector Undertakings in Karnataka having minimum paid up share capital of Rs.500.00 crores during the last 10 years of which one should be in any one of the four Irrigation Companies viz., Visvesvaraya Jala Nigam Limited, Krishna Bhagya Jala Nigam Limited, Karnataka Neeravari Nigam Limited and Cauvery Neeravari Nigam Limited functioning under the Water Resources Department, Government of Karnataka or Karnataka Power Corporation Ltd
- 5.2.3. The resume of the Partner-in-charge of this assignment along with self-attested copy of the Membership certificate issued by Institute of Chartered Accountants of India or Institute of Cost Accountants of India should be uploaded.
- 5.2.4. Upload the profile of the firm as per the format given below:

Sl. No	Particulars	Details	Remarks
1	Place of Head Office of the Firm		
2	Name and Address of the firm		
3	Year of Registration with ICAI/Inst. of Cost Accountants		
4	Total number of partners		
5	Total number of FCAs/FCMAs (Amongst Partners)		
6	Total number of ACAs/ACMAs		

	(Amongst Partners)		
7	Total number of paid ACAs/FCAs/ ACMAs /FCMAs		
8	No. of Branches and address of the Branches		
9	Partner In-Charge of the proposed assignment who will be the coordinator.		
10	Contact Details (Provide Landline No.s, Mobile No and email ID)		
11	Details of Team Members assigned for Internal Audit of VJNL. Please provide the Name, Qualification and experience of the Team Members in a separate annexure		

5.2.5

- a) The consultant (Audit firm) shall be independent of the Nigam to be audited.
- b) Neither firm nor its partner or Associates have any interest in the business of the Nigam.
- c) The Consultant (Audit firm) is not one against which disciplinary orders have been issued by the Public Companies Oversight Board and these orders in force. A declaration is to be submitted with Tender document by the firm.
- d) Also any partner / senior manager of audit firm is not associated with the audit in any manner if he/she:
 - Has been found guilty of professional /other misconduct by the Institute of Chartered Accountants of India or Institute of Cost & Management Accounts of India.
 - Is one against whom disciplinary section orders have been issued by the Public Companies Accounting Oversight Board.

5.2.6 Terms and Conditions of Contract

Sub-Contracting: The contractor shall not assign, sub-contract or sub-let the whole or any part of the contract in any manner. In case of an unavoidable circumstance, the contractor shall be able to do it with the approval of the Nigam.

CHAPTER - 6

Method of Evaluation of Technical Bid

6.1 The CA firms which satisfy the eligibility criteria requirements should secure a minimum of 75% computed on the following basis;

Sl. No.	Criteria	No. of Points	Maximum Marks	Documents to be uploaded
1.	No. of years standing of the firm	Minimum marks for 10 years -5. For each additional years - 1 mark.	10	Copy of the registration of the firm from ICAI/ICWAI
2.	The CA/CMA firm should have experience in Statutory Audit or Internal Audit of any two Public Sector Undertakings in Karnataka having minimum paid up share capital of Rs.500.00 crores during the last 10 years of which one should be in any one of the four Irrigation Companies viz., Visvesvaraya Jala Nigam Limited, Krishna Bhagya Jala Nigam Limited, Karnataka Neeravari Nigam Limited and Cauvery Neeravari Nigam Limited functioning under the Water Resources Department, Government of Karnataka or Karnataka Power Corporation Ltd. To be furnished as per the format at note below.	Minimum marks for 5 years - 15. For each additional Year -3 marks as statutory audit /Internal Audit	30	Appointment letter by CA&G / Company in respect of Internal audit
3.	No. of partners in the firm who have been with the applicant firm for a minimum of two years	Minimum marks -8, additional 2 for each partner who is FCA/FCMA 1 for ACA/ /ACMA	16	Copy of the registration of the firm from ICAI/ICMA
4.	Team Leader FCA/FCMA ACA/ACMA	(Minimum marks -3) 6 3	6	Letter from the firm nominating the Team Leader

5.	Team Members with previous experience in Infrastructure Sector who will be assigned for this Internal Audit a. Qualified Assistants * b. Semi qualified assistants **	Minimum marks -10 and additional 3 for each qualified Assistant 2 for each semi qualified Assistant	30	Letter from the firm nominating the Team Members
6.	Gross receipts of the Firm for the FY 2024-25 (i) Rs. 75 - 100 lakhs (ii) Rs. 60 - 74 lakhs (iii) Rs. 40 - 59 lakhs	(Minimum marks -10) 8 4 2	8	Acknowledgement of Return of Income by the IT Department
Total			100	

* Qualified Assistant means a Chartered Accountant /Cost Accountant who are full time employees of the firm but is not a partner as appearing in the latest ICAI firm Card.

**Semi Qualified Assistant is a professional who has cleared the CA Intermediate exams and completed their mandatory 3 years article ship but has not yet cleared the CA final examination.

Note:

Details of Experience (to be submitted on the letterhead of the Agency /Firm)

Sl No.	Name of the organization/Institute where assignment viz Statutory Audit/Internal Audit has been conducted. Provide with Name of contact person, Contact No. & email Id	Value of the assignment in INR	Duration		Total years of experience (YY/MM)	Copy of contract/agreement along with the performance report (Yes/No)
			From	To		

- Note: Bidders are required to provide the information on above format only in reverse chronological order (start from latest/recent most organization to oldest organization) and also attach copy of contract/agreement/performance certificate in same sequence. Bidders may add row/rows in the above format, in No of organizations/Institutions are more or may add additional sheet also.

Signature of Agency

Name: _____
 Designation: _____
 Organization Name: _____
 Contact No. : _____

- 6.2 For Technical qualification, the Proposer (Bidder) should submit all the documents mentioned in **Schedule -B (Technical proposal)** to the satisfaction of VJNL and should score minimum marks prescribed in **this Chapter** for each of the eligibility criteria.
- 6.3 The proposal shall be rejected at this stage if ;
- Documents are not submitted to the satisfaction of the Company;
 - Minimum marks required under each of eligibility criteria are not scored;
 - Important aspects of the Terms Reference are not fulfilled.
- 6.4 After Evaluation of Technical Proposals, based on the Evaluation criteria, the results of Technical Evaluation will be uploaded and technically accepted/rejected in KPP Portal.
- 6.5 The KPP Portal will display the financial proposals of only those Proposers (Bidders) who are technically qualified based on the Eligibility criteria prescribed in the RFQ document and programmed in the KPP Portal.
- 6.6 The final selection of the successful bidder from the technically qualified bidders will be done by considering the technical bid and financial bid by using the following criteria and weightage:

Criteria	Maximum Marks (weightage)	Method of allotting marks for Combined score.
Financial	30	The bidder with the lowest quote will be awarded 30 Marks and of the bidders will be awarded proportionately less marks. For example, if the lowest quote is Rs.60/-, the bidder quoting this price will get 30 marks. A bidder quoting Rs.100/- will get $(60/100) \times 30 = 18$ marks.
Technical	70	The bidder with the maximum technical score will be Awarded 70 marks and other bidders will be awarded proportionately less marks. For example, if the highest technical score is 80, bidder having this will get 70 marks. Bidder having technical score of 70 will get $(70/80) \times 70 = 61.25$ marks
Total	100	

Notes:

- The Financial Bid has to be submitted ON-LINE only.
- All marks will be rounded off up to 2 decimal places. The bidder getting the maximum combined score out of 100 will be selected as the successful bidder.

- c) In case of a tie, preference will be given to the bidder with higher financial score i.e having quoted the lower fee. In case of a tie in financial as well as technical score, the VJNL can award the assignment to any one of the bidders at its sole discretion.
- d) VJNL reserves the right to assign all or any of the scope of work to any of the technically qualified bidders.
- e) VJNL reserves all rights to accept or reject any or all bids without assigning any reason thereof.
- f) The Financial Bids of the technically qualified bidder shall be opened in the presence of their representatives, on a specified date and time and Venue, which will be intimated to the Technically Qualified bidders.
- g) If there is a discrepancy between words and figures, the figures written in words shall prevail.

6.7 The decision of VJNL is final in all the matter.

CHAPTER - 7

TERMS OF PAYMENT

- 7.1 The fee shall be quoted for all the offices of VJNL in schedule-B and the fee is all inclusive as stated at paras 4.2 above.
- 7.2 The fee should be quoted for full year i.e. per annum inclusive of all Taxes subject to deduction of tax at source as per the prevailing provisions of Income Tax Act and other applicable taxes at the time of payment. The fee quoted for one year only. The same fee will be applicable for all the financial years throughout the contract period.
- 7.3 The Proposals shall be evaluated as per the method of evaluation mentioned in **Chapter - 6** after opening of financial proposal.
- 7.4 The VJNL reserves the right to negotiate the fee with L1. The decision of VJNL is final in all the matter.
- 7.5 Appointment of Internal Auditor is for the period of 3 years i.e. for FY 2025-26, 2026-27 & 2027-28.
- 7.6 During this tenure, if it is found that the appointed internal auditor is not attending audit work as per the schedule & as per the terms of appointment or if the services provided are not satisfactory, the mandate issued is liable to be cancelled at any time.
- 7.7 50% fee will be paid on receipt of audit report for the period upto 30th Sep and balance on receipt of report for the period upto 31st Mar. (Two payments in a year)
- 7.8 The internal audit report shall be as per the format indicated in the enclosed internal audit manual. The internal audit report should contain all the items specified in the format.
- 7.9 The internal audit report should be **submitted on quarterly basis** and combining audit and submission of reports for two or four quarters is strictly prohibited.
- 7.10 The compliance submitted by VJNL offices for internal audit reports should be invariably verified 100% by internal auditors and any modification/ documentary evidences should be guided for Nigam officers to enable finalization/closing of audit query.

SCHEDULE - A

I. Technical Bid

Sl. No	Particulars	Details
1	Name and Address of the firm	
2	Year of Registration	
3	GST Number & Date of Registration	
4	Place of Head Office of the Firm	
5	Year of empanelment with C&AG	
6	Name of the Company wherein the firm was appointed as statutory auditors in the last 10 years.	
7	PAN no.	

II. Other Details:

Sl. No.	Criteria	Details of the criteria	Supporting Documents
1.	No. of years standing of the firm		Copy of the registration of the firm from ICAI
2.	The CA/CMA firm should have experience in Statutory Audit or Internal Audit of any two Public Sector Undertakings in Karnataka having minimum paid up share capital of Rs.500.00 crores during the last 10 years of which one should be in any one of the four Irrigation Companies viz., Visvesvaraya Jala Nigam Limited, Krishna Bhagya Jala Nigam Limited, Karnataka Neeravari Nigam Limited and Cauvery Neeravari Nigam Limited functioning under the Water Resources Department, Government of Karnataka or Karnataka Power Corporation Ltd		Appointment letter by CA&G / Company in respect of Internal audit

3.	No. of partners in the firm who have been with the applicant firm for a minimum of two years		Copy of the registration of the firm from ICAI/ICMA
4.	Team Leader FCA/FCMA ACA/ACMA		Letter from the firm nominating the Team Leader
5.	Team Members with previous experience in Infrastructure Sector assigned for Internal Audit a. Qualified Assistants * b. Semi qualified assistants		Letter from the firm nominating the Team Members
6.	Gross receipts of the Firm for the FY 2024-25. (i) Rs.75-100 lakhs (ii) Rs. 60-74 lakhs (iii) Rs.40-59 lakhs		Acknowledgement of Return of Income by the IT Department
7.	Any other details the firm would like to furnish (Example: Awards & Accreditations)		

*Qualified Assistant means a Chartered Accountant/Cost Accountant who are full time employees of the firm but is not a Partner, as appearing in the latest ICAI firm Card.

III. Verification:

The details furnished in the application are true and correct to the best of my/our knowledge and that in case of furnishing any false information or suppression of material information, the application shall be liable to be rejected besides invitation of panel proceedings by Nigam if deems fit.

For (Name of the Bidder Firm)

**Name and Designation of the
Authorized signatory
(Membership No. _____)
(SEAL)**

SCHEDULE -B

FINANCIAL BID

(i) We wish to quote an Internal Audit fee of Rs. _____
(Rupees _____) p.a. for all the
offices under VJNL for the scope of work as per NIT.

(ii) We hereby certify that;

- a) The fee quoted is for one year only. The same fee will be applicable for all the financial years throughout the contract period.
- b) The fees quoted are inclusive of all taxes prevailing at the time of payment and out of pocket expenses viz. conveyance, boarding & lodging, travelling and other incidental expenses etc.
- c) TDS to be deducted as applicable prevailing at the time of payment.
- d) If there is a discrepancy between words and figures, the amount in words shall prevail.

For (Name of the Bidder Firm)

**Name and Designation of the
Authorized signatory
(Membership No. _____)
(SEAL)**

Date:
Place:

ANNEXURE - I

The scanned copy of the following Declaration shall be uploaded by the Chartered Accountant firm/Cost Accountant firm along with Schedule - B (i.e. Technical Proposal).

The original declaration in ₹ 100/- stamp paper should be produced on appointment.

NAME OF THE ASSIGNMENT: Carrying out Internal Audit at VJNL Registered Office at Bengaluru and for Project offices for the financial years 2025-26, 2026-27 and 2027-28.

DECLARATION

1. We _____ (Name of firm) are a firm of Chartered Accountants/Cost and Management Accountants registered with the Institute of Chartered Accountants of India/Institute of Cost Accountants of India (firm registration No. _____). In connection with submission of our bid for “*selection of a CA or CMA Firm/ Limited liability partnership firm/company carrying out Internal Audit to VJNL*”, we hereby declare and solemnly affirm that we have not been declared as ineligible for corrupt and fraudulent practices by Government of India/Government of Karnataka or black listed by any Government dept./ Institution/ agency.
2. We hereby declare that we have made ourselves thoroughly conversant with local conditions regarding the location of offices where the Internal Audit has to be carried out, the nature and quantum of work involved, no. of people required for effective audit of the work etc.
3. Our Proposal (Bid) is in total conformity with the RFQ stipulation and we do not have any additional technical/commercial conditions.
4. We accept all terms and conditions mentioned in RFQ document and terms of reference and payment.
5. The details/documents produced in the Technical Proposal are true and complete and are as per the Original Records.
6. We also agree produce the originals of the records/documents for verification before shortlisting/appointment.

For (Name of the Bidder Firm)

**Name and Designation of the
Authorized signatory
(Membership No. _____)
(SEAL)**

ANNEXURE - II

DETAILS OF OFFICES WHERE INTERNAL AUDIT HAS TO BE CARRIED OUT ARE

(Below mentioned lists are not exhaustive. Internal Auditor(s) is (are) advised to obtain the current list of offices at the time of conducting Internal Audit from Registered Office and/or Central Office)

Name of the Office	Place
Registered Office	No.148, Ground Floor, Embassy Square, Infantry Raod, Bengaluru - 560 001 Tel: 080 22289966 email: yjnlfinance@gmail.com CIN : U41000KA2016SGC097260
Central Office	Central Office, V.P. Extension, Chitradurga - 577501 Email: caovjnl@gmail.com CIN : U41000KA2016SGC097260
Zones/Circles/Divisions	As per Annexure - II (A)

ANNEXURE - IIA

UPPER BHADRA PROJECT ZONE, CHITRADURGA

I	CE, UBP Zone, Chitradurga
II	SE, UBP Circle No.1, BR Project
1	EE, UBP Dn. 1, Kadur
a	AEE, UBP Sub Dn. 1, Kadur
b	AEE, UBP Sub Dn. 2, Kadur
2	EE, UBP Dn. 2, B. R. Project
a	AEE, UBP Sub Dn. 3, B. R. Project
b	AEE, UBP Sub Dn. 4, Tarikere
c	AEE, UBP Sub Dn. 5, Tarikere
3	EE, UBP Dn. 3, Ajjampura
a	AEE, UBP Sub Dn. 7, Ajjampura
b	AEE, UBP Sub Dn. 8, Ajjampura
III	SE, UBP Circle No.2 Chitradurga
1	EE, UBP Dn. 4, Hosadurga
a	AEE, UBP Sub Dn. 9, Ajjampura
b	AEE, UBP Sub Dn. 10, Hosadurga
c	AEE, UBP Sub Dn. 11, Madadakere, Camp @ Hosadurga
2	EE, UBP Dn. 5, Chitradurga
a	AEE, UBP Sub Dn. 12, Chitradurga
b	AEE, UBP Sub Dn. 13, Burujanaroppa, Camp @ Chitradurga
c	AEE, UBP Sub Dn. 14, Imangala, Camp @ Chitradurga
3	EE, UBP Dn. 6, Challekere
a	AEE, UBP Sub Dn. 15, Challekere
b	AEE, UBP Sub Dn. 16, Sanekere, Camp @ Challkere
4	EE, UBP Dn. 7, Hiriur, Camp @ Chitradurga
a	AEE, UBP Sub Dn.18, Hiriur, Camp @ Chitradurga
b	AEE, UBP Sub Dn. 20, Adiwala, Camp @ Chitradurga
c	AEE, VV Sagara Sub Dn. Hiriur (Transferred from UTP Zone)
5	EE, UBP Dn. 9, Sira
a	AEE, UBP Sub Dn. 23, Sira
b	AEE, UBP Sub Dn. 23, Kallambella, Camp @ Sira
IV	AC Tarikere
V	SLAO Chitradurga

YETTINAHOLE PROJECT ZONE, TUMKUR

I	CE, Yettinahole Project Zone, Tumkur
II	SE, Yettinahole Project Circle, Tumkur
a	EE, Yettinahole Project Dn. 1, Sakaleshpura
b	AEE, Yettinahole Project Sub Dn.1, Sakaleshpura
c	AEE, Yettinahole Project Sub Dn.8, Sakaleshpura
d	AEE, Yettinahole Project Electrical Sub Dn. Sakaleshpura
e	AEE, Yettinahole Sub Dn.13, Sakaleshpura
2	EE, Yettinahole Project Dn. 2, Tumkur
a	AEE, Yettinahole Project Sub Dn. 2, Tumkur
b	AEE, Yettinahole Project Sub Dn. 3, K.B. Cross, Camp @ Tumkur
c	AEE, Yettinahole Project Sub Dn. 12, Tiptur, Camp @ Tumkur
3	EE, Yettinahole Project Dn. 3, Arasikere
a	AEE, Yettinahole Project Sub Dn. 9, Aluru
b	AEE, Yettinahole Project Sub Dn. 10, Belur
c	AEE, Yettinahole Project Sub Dn. 11, Arasikere
4	EE, Yettinahole Project Dn. 4, Madhugiri
a	AEE, Yettinahole Project Sub Dn. 4, Madhugiri
b	AEE, Yettinahole Project Sub Dn. 5, Koratagere
c	AEE, Yettinahole Project Sub Dn. 6, Chikkaballapura
d	AEE, Yettinahole Project Sub Dn. 7, Kolar
III	SLAO Yettinahole Project, Sakleshapura /Hassan
IV	SLAO Yettinahole Project, Tumkur
V	SLAO Yettinahole Project, Doddaballapura



VISVESVARAYA JALA NIGAM LIMITED

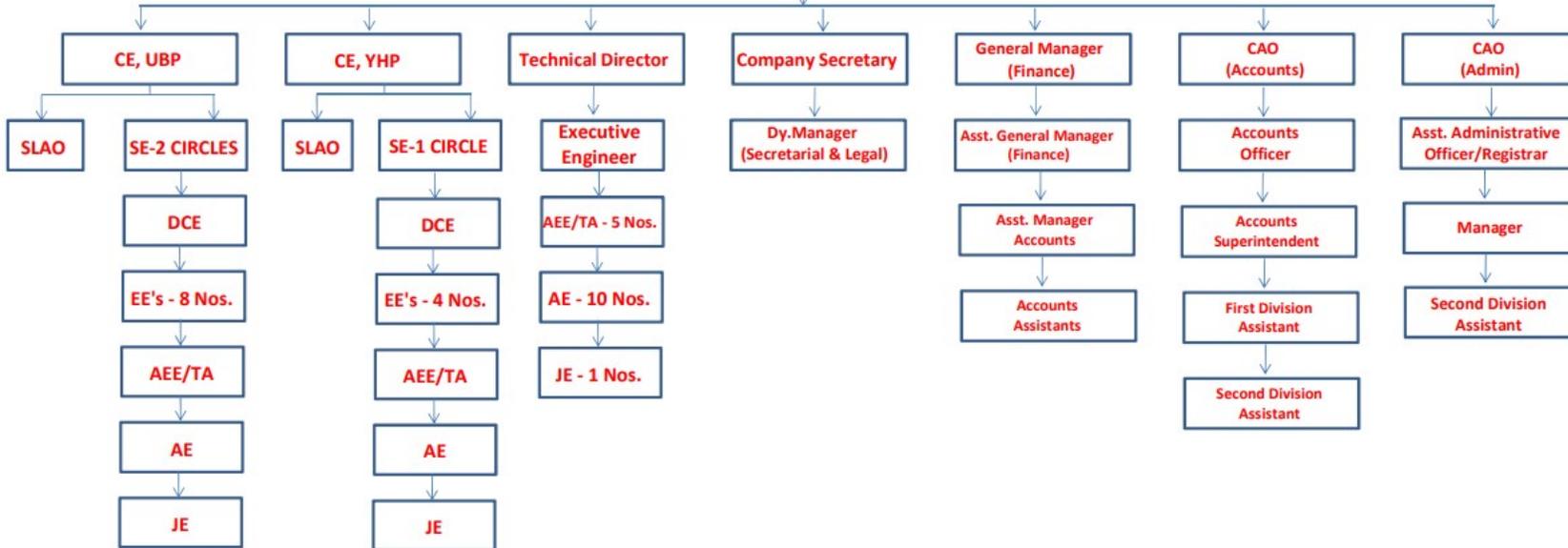
(A GOVERNMENT OF KARNATAKA ENTERPRISE)

ORGANISATIONAL CHART



Board of Directors

Managing Director



INTERNAL AUDIT MANUAL



VISVESVARAYA JALA NIGAM LIMITED

SL. NO.	CONTENTS	PAGE NO.
1.	GLOSSARY	3-5
	ABBREVIATIONS	6
	SECTION 1: INTRODUCTION	7-8
	Overview	
	Provisions of Companies Act, 2013	
	Purpose of Manual	
	Applicability	
2.	SECTION 2: INTERNAL AUDIT APPROACH	9-10
	Definition of Internal Audit	
	Position & Mission of Internal Audit	
	Financial Compliance	
	Capacity Building	
3.	SECTION 3: INTERNAL AUDIT FUNCTIONING IN VJNL	11-12
	Role of the Head of internal Audit Wing	
	Role of Internal Auditor	
	Audit Committee of the Board	
4.	SECTION 4: PROFESSIONAL STANDARDS	13-14
	Professional Standards of Internal Auditors	
	Audit Quality	
	Computer Assisted Audit Techniques (CAATs)	
	Audit Quality Evaluation	
5.	SECTION 5: PLANNING AN AUDIT	15-17
	Annual Audit Program Planning through Risk assessment	
	Risk Score Chart (RSC)	
	Preparing Annual Audit Programme	
	Communication of Audit Programme	
	Co-ordination with the Head of VJNL	
6.	SECTION 6: INITIATING AN AUDIT	18-21
	Planning Individual Audits	
	Risk Based Assessment	
	Assessment of Internal Controls	
	Types of Controls	
	Tests of Internal Controls	
7.	SECTION 7: CONDUCTING AUDIT	22-36
	Areas to be covered in Internal Audit	
8.	SECTION 8: INTERNAL AUDIT REPORTS	37-45

GLOSSARY

The definitions/descriptions/meanings of the various terms used in this manual are as follows:

- **Accountant General** means the head of the office of audit and accounts subordinate to the Comptroller and Auditor General of India who keeps the accounts of the State and exercises audit functions on behalf of the Comptroller and Auditor- General of India.
- **Administrative Approval** means the formal approval of the competent authority/Managing Director of the VJNL or its Board or the Government as per the delegated powers.
- **Assembly or Legislature** means Karnataka Legislative Assembly.
- **Audit Camp** means the location specified by the VJNL for conducting audit by the auditor or audit parties.
- **Audit Committee** means Audit Committee of the Board of VJNL set up under the provisions of the Companies Act 2013 and /or the requirement of the Listing Agreement with the Stock Exchange, where the debt securities of the VJNL are listed.
- **Audit Party** means the Composition of audit personnel as framed and approved in the audit program.
- **Audit Programme** means a detailed plan of the audit to be performed, the procedures to be followed in verification, audit personnel involved and estimated time required to complete the audit.
- **Audit Sampling** means the application of audit procedures to less than 100% of the items to enable the auditor to obtain and evaluate audit evidence about some characteristic of the items selected, in order to form or assist in forming a conclusion.
- **Bank** means any branch of a scheduled Commercial Bank where Karnataka Neeravari Nigam Limited holds a savings/current/Fixed deposit account for its operations.
- **Board / Board of Directors** means Board of Directors of VJNL.
- **Budget Year** means the year commencing on the 1st of April of the year and ending on the 31st of March of the following year
- **Chief Finance Officer (CFO)**: means Chief Finance Officer as per the Companies Act as nominated / authorized by the Board of VJNL.
- **Company, VJNL, Nigam** means Visvesvaraya Jala Nigam Limited. (A Government of Karnataka undertaking) having Registered Office at
**C/O Karnataka Neeravari Nigam Limited,
No.1, 4th Floor, Coffee Board Building,
Dr. B.R. Ambedkar Veedhi,
BENGALURU – 560 001.**
- **Company Secretary** means Company Secretary of VJNL.
- **Comptroller and Auditor General** means the Comptroller and Auditor General of India appointed under article 148 of the Constitution of India.
- **Competent Authority** means the Government /the Board or any other Committee /persons to whom relevant powers may be delegated by Government/Board / Managing Director of the Company by virtue of the approved delegation of Powers/Government orders directions circulars etc..
- **Constitution** means the Constitution of India.
- **Controlling Officer** means a Head of a Department or other Departmental officer who is

entrusted with the responsibility of controlling the incurring of expenditure and or the collection of revenue by the officers of the Company.

- **Computer Assisted Audit Techniques** means the practice of using computers to automate the audit process, to test computer files and databases during an audit which may normally includes but not limited to using basic office productivity software i.e., spread sheets, word processors and more advanced software packages involving use of statistical analysis to arrive at audit conclusions..
- **Drawing and Disbursing Officer** means a Departmental officer who is entrusted with the responsibility of drawing and disbursing funds of the Company.
- **Estimate Review Committee (ERC)** means Estimated Review Committee of VJNL formed as per the Government order.
- **Finance Department** means the Finance Department of Visvesvaraya Jala Nigam Limited.
- **Financial Year** means the year beginning on the 1st of April of the year and ending on the 31st of March of the following year.
- **Finance, Remuneration and Investors' Grievances Committee (FR&IG)** means Finance, Remuneration and Investors' Grievances Sub-Committee of Board of VJNL
- **Grant** means the amount released by the Government of Karnataka as per budgetary allocation of Government of Karnataka.
- **Government/GOK** means the Government of Karnataka.
- **Head of a Department** means (i) Any authority declared to be such by the competent authority
- **Internal Auditor:** means an auditor appointed as such by the Company to conduct internal audit of the functions and activities of the Company as per provisions of Companies Act 2013 read with relevant Rules.
- **Internal Control** means the procedures adopted by the management of VJNL to assist in achieving management's objective of ensuring the orderly and efficient conduct of its business, including adherence to management policies, to safeguard assets / interest of the Company, systems and procedures laid down by the Company to facilitate detection and prevention of fraud and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information.
- **Performance Audit** refers to an independent examination of the programs, functions, operations or the management systems and procedures of the Company to assess whether the Company is achieving economy, efficiency and effectiveness in the employment of available resources to meet the laid down objectives of the Company as laid down in its Memorandum and Articles of Association of the Company.
- **Reserve Bank** means any office or branch of the Banking Department, of the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934).
- **Risk Based Assessment** means the process of (i) Identifying and analyzing potential risks posing threat on the Company's financial aspects as well as achievement of its objectives and (ii) Developing response to address the identified risks and prioritizing audit focus in the risk potential areas.
- **Risk Score Chart** means a score chart for assigning scores and ranks to the offices on the basis of the risk indicators.
- **Sampling** means the process of selecting a subset of the population of the items to draw inferences that represent the entire population.

- **Technical Advisory Committee (TAC)** means a Sub Committee of the Board to render Technical Advice to the Company as per the scope of the Committee laid down in Government Order.
- **Technical Sub Committee (TSC)** means Technical Sub Committee of VJNL.
- **Value for Money Audit** means an independent assessment of the project, Program, scheme or of an organizations in terms of their goals and objectives and ascertaining the extent to which the expected results have been achieved from the use of available resources of men, money and materials in consonance with the Memorandum and Articles of Association of the Company and directions of the Government from time to time.
- **Working Papers** means those papers which are formally referred to as (i) Audit documents or (ii) Audit file. The documents serve as proof of audit procedures performed, evidence obtained and the conclusion or opinion of the auditor.

ABBREVIATIONS

AAP	Annual Audit Program
ACM	Audit Committee Meeting
AR	Audit Report
ATR	Action Taken Report
CAAT	Computer Assisted Audit Techniques
CGA	Controller General of Accounts
DDO	Drawing and Disbursing Officer
DO	Division Office
GOK	Government of Karnataka
HO	Head of Office
IAO	Internal Audit Organization
IAD	Internal Audit Department
IAMC	Internal Audit Monitoring Cell
RSC	Risk Score Chart
SR	Schedule of Rates
UC	Utilization Certificate
WRD	Water Resources Department, Government of Karnataka

SECTION - 1

INTRODUCTION

1.1. Overview

Visvesvaraya Jala Nigam Limited (VJNL) aims to strengthen the Internal Control Systems throughout the Company's operations in its various Zones, Offices, Divisions and Departments operating under the Company. An effective Internal Audit function identifies the potential weaknesses in the internal controls with an aim to strengthen the functioning of the Company and helps in achievement of the objective of the Company. This manual is an attempt to lay down a set of guidelines to ensure effective internal audit procedure for directing and regulating internal audit function in VJNL.

1.2. Provisions of Companies Act, 2013:

As per section 138 of the Companies Act, 2013, and 13 (1) of Companies Accounts) Rules 2014, VJNL being a Company with more than Rs. 50 crore paid up capital is required to appoint an internal auditor or a firm of internal Auditors ,

“who shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

(2) The Central Government may by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board.”

(3) The Audit Committee of the company or the Board shall, in consultation with the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit.”

1.3. Purpose of Manual

This Internal Audit Manual is developed to guide/assist the internal audit wing of the Company / Internal Auditor to provide independent, objective, value-added and advisory services in order to improve the achievement level of the Company. More specifically this manual is intended to provide internal audit wing of Company / Internal Auditor with tools and information for assessing risk in processes and activities, developing an appropriate internal audit work program and planning, performing and reporting on audit engagements.

1.4. It is intended:

- 1.4.1. To act as a handbook for internal Auditors,
- 1.4.2. To identify roles & responsibilities of internal auditors of VJNL,
- 1.4.3. To focus internal audit to assess weakness in internal controls and suggest measures to strengthen the same.
- 1.4.4. To introduce the annual audit program planning through risk based assessment.
- 1.4.5. To standardize reporting and monitoring mechanism to improve audit effectiveness.

1.5. Applicability :

This manual is designed for the Internal Audit Wing / Internal Auditor of the Company who are primarily responsible for carrying out the internal audit function throughout the entire gamut of operations and functions of the Company across all locations of the Company. This manual contains guidance of a generic nature and outlines minimum common procedures for conduct of internal audit in the Company. It is not the intention of this manual to limit the independence of the Internal Auditor in the types of independent tests and Audit Procedures to be adopted by them to achieve the objectives of the Internal Audit.

SECTION -2 Internal Audit Approach

Definitions of Internal Audit

The Institute of Chartered Accountants of India (ICAI) defined, "Internal Audit is an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity's strategic risk management and internal control system."

2.1 Position & Mission of Internal Audit

Internal Audit in the Company should aid the Company in strengthening its management systems, and procedures and internal controls to prevent errors and frauds and deviations from the laid down procedures and processes in consonance and aligned with the overall objectives of the Company. The major scope of internal audit activity is summarized below:

- 2.1.1 Planning of Annual Audit Program
- 2.1.2 Assessment of Internal Controls within the Department
- 2.1.3 Risk Assessment and Sampling to narrow down areas of focus
- 2.1.4 **Reporting on the adequacy and effectiveness of the functioning of the Internal controls and major deviations there from, suggesting improvement to existing systems and procedures.** Tracking compliance to audit findings and preparation of report for the consideration of the Audit Committee.
- 2.1.5 New schemes evaluation with special reference to its economy, efficiency and effectiveness, and whether they are aligned with the objective of the Company.
- 2.1.6 Suggest adequate Capacity Building measures to the Company to strengthen the management processes
- 2.1.7 **Report on significant deviations from the Annual Program of Works of the Company.**

2.2 Financial Compliance

They should also focus on financial compliance while conducting different types of audits as mentioned below:

- 2.2.1 **Transaction audit** includes examination of all relevant vouchers of receipts and expenditure as per the cashbook / bank book to establish the expenditure with reference to the activities and that the authority approving the expenditure has not exceeded its powers.
- 2.2.2 **That expenditure of a personal nature are not charged to the Company.**
- 2.2.3 **Compliance audit** means examination of documents as to whether money spent was legally available for expenditure and sanctioned by the competent authority.
- 2.2.4 That the expenditure incurred are strictly as per the contractual obligations, as per the contract documents and are arising out of compliance with statutory requirement.
- 2.2.5 **Financial Reports Review** includes Trial balance Audit and audit of the Annual financial statements for compliance with the requirement of the Companies Act, and the accounting standards before they re-submitted to the Statutory Auditors of the Company.

2.2.6 **Performance Review:** Performance review is an assessment of efficiency and effectiveness of the program, with due regard to economy and addresses the issues Internal Audit functions on the principle of 3Es:

- **Economy** – means acquiring resources at the lowest cost by observing financial properties keeping in view the objectives of the VJNL.
- **Efficiency** – refers to the way resources are used achieve the objectives of the Company.
- **Effectiveness** –means the extent to which VJNL has achieved its objectives by optimum use of its available resources.

2.2.7 Any one or more types of audits may be applied simultaneously by the Auditor as per requirement.

2.3 Capacity Building

Internal Audit shall also support in building capacities of the accounts and financial management within VJNL. They should facilitate skill transfer by sharing of knowledge on better accounting practices.

SECTION – 3

Internal Audit Functioning in VJNL

3.1 Head of Internal Audit Wing:

The Head of Internal Audit Wing (HoIA)/CFO of the Company shall control and supervise the functions of the Internal Audit in VJNL and will ensure effective audit of the accounts of the Company and report to the Managing Director immediately on observing any Fraud, misappropriations and / or any other serious irregularities. Detailed job description of HoIA CFO relating to the Internal Audit is given below:

- 3.1.1 To ensure optimum utilization of services of the appointed internal firm.
- 3.1.2 To review, recommend and obtain approval of the Annual Audit Program from the Managing Director and the Audit Committee.
- 3.1.3 To issue a letter of intimation to the concerned zonal officers before Internal Auditors/Audit teams proceed to the audit camp.
- 3.1.4 To guide, direct and supervise the internal audit assignments on the following principles:
 - The approved audit programs are followed unless deviation is justified and authorized.
 - The audit is conducted with due, professional care.
 - The working papers and evidence adequately support the audit conclusions and provide sufficient data to prepare a meaningful audit report.
 - The audit objectives as planned and defined are substantially achieved.
- 3.1.5 To highlight the major audit objections and misappropriations to the notice of the Managing Director and the Audit Committee.
- 3.1.6 To clear audit reports reflecting minor observations and in case of special audits or any audit report depicting serious nature of loss of Govt. money shall be processed by him and endorsed to the Managing Director and the Audit Committee for approval.
- 3.1.7 To issue the relevant audit reports to proper Zonal offices and Department heads for compliance, get the Compliance examined by the Internal Auditor for their acceptance and report compliance to the Audit Committee
- 3.1.8 To take steps for realization of recoveries suggested by the audit after its due examination and to ensure credit of the recovered amount under appropriate Head of account.
- 3.1.9 To attend Audit Committee Meetings conducted for speedy disposal of audit objections/paras.
- 3.1.10 To review the cases of non-cooperation/non-compliance by the VJNL and take steps to its logical end.
- 3.1.11 To appraise the Management and the Audit Committee on internal audit program and achievements.

3.2 Internal Auditor

Brief job description of the Auditor is given below:

- 3.2.1 To visit all prescribed Zones / Offices / Divisions of VJNL and to carry out internal audit in accordance with the approved audit program.

- 3.2.2 To issue Audit Requisition to the Head of Office / Division / Zone for production of relevant accounting records, registers, files and other documents required to be checked during the course of audit.
- 3.2.3 To conduct physical verification of the cash book and cash balance on the date of commencement of audit. Findings of the physical verification shall be reported in the Internal Audit Report.
- 3.2.4 To obtain a general view of all accounts, records maintained by the VJNL to prepare detailed plan of audit.
- 3.2.5 To evaluate the effectiveness of Internal Control System followed in the VJNL.
- 3.2.6 To review the compliance with the existing statutory requirement financial rules, regulations, procedures etc. and executive instructions/orders issued by the competent authorities
- 3.2.7 To plan and execute the Internal Audit function in compliance with the requirements of Internal Audit Standards issued by Institute of Chartered Accountants of India issued from time to time as applicable to the nature and functions of VJNL.
- 3.2.8 To conduct a detailed check of accounts of records of the period as given in the approved audit program.
- 3.2.9 To verify whether the Cash book is written in the prescribed form and maintained according to Companies Act and other applicable Statutory Provisions.
- 3.2.10 To verify the correctness of opening balance, totaling of receipt and expenditure shown in the cash book and closing balance for the period of audit.
- 3.2.11 To examine the receipts and disbursements with reference to relevant supporting documents and registers.
- 3.2.12 To identify the areas of wastage of resources, cases of general misuse of funds or properties and misappropriations of financial resources, if any.
- 3.2.13 To verify the reconciliation statements pertaining to bank and advances.
- 3.2.14 To verify whether parking funds in banks etc. beyond authorized period, if any and the funds have been placed with the banks based on the competitive rates of interest.
- 3.2.15 To conduct review of the procurement procedures of goods and services adopted by the VJNL for compliance with the provisions of the KTPP Act and Rules.
- 3.2.16 To conduct performance review of specific scheme objectives and outcomes, if any.
- 3.2.17 To conduct review of the utilization certificates position on different schemes and report the outstanding position as per the prescribed format.
- 3.2.18 To conduct review of the status of past audit reports, Statutory Audit observations and AG audit objections, and other audit findings and its compliances.
- 3.2.19 To conduct review of the budgetary compliances such as timely release of grants/allotments, expenditure as per allotments, re-appropriation if any whether as per rules or not.
- 3.2.20 To prepare draft audit reports in the prescribed format enclosing relevant documents.
- 3.2.21 To submit the draft audit report to the concerned Departmental / Divisional / Zonal Head within 5 days of the date of completion of the audit.
- 3.2.22 To perform any other duties assigned by VJNL.

To Submit final Internal Audit report after discussion the draft reports and after considering further information to the Chief Finance Officer of the Company.

3.3 Audit Committee of the Board

The Audit Committee of the Board of VJNL shall overview the major Internal Auditor's Observations, may direct to drop the observations in consultation with Internal Auditors if the Compliance is satisfactory. If required, the Audit Committee may further direct the concerned to submit further compliance within the specified time limit.

SECTION – 4 PROFESSIONAL STANDARDS

Professional Standards prescribe the norms, principles and practices, which the Internal Auditors shall adhere to during the course of audit. These standards shall act as a guide to Internal Auditors and overall audit function, thereby ensuring efficiency in operations and professional conduct.

4.1. Professional Standards of Internal Auditors

The Management of the Company relies on the Pre-Audit Certificate issued by the Internal Auditors before release of funds to the pay and accounts offices to meet the contract liabilities. The Internal Audit reports submitted by the Internal Auditors are relied upon by the Statutory Auditors while expressing their view on the Financial Statement of the Company. Further, the Management relies on the Internal Audit report while taking decisions and also as a test to ensure that the internal controls laid down by the Company are actually being followed and that they are fool proof. Hence the Internal Auditors are expected to maintain the following professional standards:

- **Objectivity:** Internal Auditors should acknowledge and incorporate all information received from VJNL without withholding any information which may distort the reporting of activities under review. Internal Auditors shall be fair in reporting and any deviations from the laid down systems and procedures. Without fear or favor.
- **Competency:** They should possess thorough knowledge of the internal audit process, applicable rules and orders and object Mandatory Standards on Internal Audit issued by the Institute of Chartered Accountants of India.
- **Confidentiality:** Internal Auditors should not disclose the information acquired during audit to any person other than the Company *unless there is a legal or professional obligation to do so. They should not use the information for any personal gain or in any other manner, which is detrimental to the VJNL or to the Government.*
- **Integrity:** Internal Auditors should comply with ethical principles and code of conduct governing the auditor's professional behavior and responsibilities, which include; Integrity, Objectivity and fairness, Confidentiality and Technical Standards. They would be governed by the ethical requirements as laid down by the Institute of Chartered Accountants of India or the Institute of Cost and management Accountants of India, as the case may be.

4.2. Audit Quality

The services rendered by the **Internal Auditors** are expected to be of high quality and the quality can be maintained by following:

- 4.2.1. By deploying professionally qualified personnel for conducting the Audit.
- 4.2.2. Understanding the functioning of the VJNL going to be audited, including the thorough knowledge of the various rules and technical parameters of the functioning of the Company
- 4.2.3. Frequent discussions with the VJNL and its officers at the field and Head Office level
- 4.2.4. Use of standard sampling methods
- 4.2.5. Use of Computer Assisted Audit Techniques (CAATs)
- 4.2.6. By adopting the format of report insisted by the Company.
- 4.2.7. By complying with the standards of Internal Audit issued by the Institute of Chartered Accountants of India.

4.3. Computer Assisted Audit Techniques (CAATs)

- 4.3.1. Computer Assisted Audit Techniques (CAATs) is the practice of using computers to facilitate and speed up the audit process by using spread sheets, word processors, advance software packages involving use of statistical analysis etc to analyse the data and transactions
- 4.3.2. Usage of CAAT increases economy and efficiency in audit covering huge volume of transactions saves times and focuses on areas of risk.
- 4.3.3. While planning an audit, the auditor may use both combinations of manual as well as computer assisted audit techniques in relation to the situation and context.
- 4.3.4. While deciding use of CAATs, the Internal Auditors may consider the following factors:
 - Availability of CAATS with the VJNL;
 - IT infrastructure;
 - Availability of data and data sources;
 - Economy and time constraints.

4.4. Audit Quality Evaluation

Proper evaluation of the audit reports will lead to improvement of audit quality in due course of time. The following tools may be used for the purpose of audit quality evaluation:

- 4.4.1. While evaluating the quality of Internal Auditor's report, the HoIA/CFO shall evaluate the audit functions based on the professional standards, and criteria provided by the Company from time to time and shall involve examination of:
 - Audit team's approach to strategic planning
 - Auditing standards and Audit guidelines followed by the audit team
 - Collection of audit evidence Documentation and reporting by the audit team
 - Proper review and supervision mechanism whether followed
 - Proper interactions held with VJNL
 - Any other guidelines and approaches followed by the internal audit team
 - Adherence to this Internal Audit Manual requirements
- 4.4.2. The Officer In charge of the Internal Audit in VJNL shall report and identify opportunities for improvement in the system along with a plan of action.

SECTION – 5 PLANNING AN AUDIT

This section deals with steps involved in selection of VJNL units annually for the purpose of audit and planning the annual audit program. The existing list of Zonal / Offices may have changed due to closure or opening of new divisions. Hence at the Commencement of each year, Internal Auditor should identify and prepare a list of Auditee divisions in Joint consultation with the CFO/ CAO/CEs

5.1. Annual Audit Program Planning through Risk Assessment

- 5.1.1. Since it is not possible to audit all offices of the Company every year, a scientific method should be in place to select offices cautiously for the purpose of audit. Since the objective of conducting internal audit is to ensure effective conduct of activities and achievement of desired goal by the Company, offices shall be selected on the basis of degree of risk parameters.
- 5.1.2. The Chief Finance Officer of VJNL is responsible for selection of offices for audit and prepares an Annual Audit Program of the Company for each financial year in consultation with the Internal Auditor.
- 5.1.3. An approved Annual Audit Program of the Company shall be communicated to all concerned officials and to the Audit Committee by end of February each year.

5.2. Risk Score Chart

5.2.1. As discussed above a systematic framework should be in place for selection of offices / Activities as per their risk profile, hence a **Risk Score Chart (RSC)** shall be prepared, which assigns ranks to the offices on the basis of the risk indicators.

5.2.2. An overview of three broad categories of risk parameters is given in Table no.1.

Table No.1: An overview of three broad categories of risk parameters

	Category A: Most Critical	Category B: More Critical	Category C: Critical
Sl. No.	Matters which needs CFO attention immediately and to be reported to the Audit Committee	Matters which needs CFO attention could be cleared at CFO level	Matters which will be brought to the notice of the Head of the Office / Division / Zone and settled at their level
1.	Critical to the objectives of the Company,	Non Compliance of Statutory Provisions	Non maintenance of/ completion of/ updation of Registers
2.	Irrigation Potential Oriented activity	Non Reconciliation of Bank Accounts	Matters which could be verified during the next spell of audit and could be cleared at Divisional level
3.	Public Interest is huge.	Non recovery / Short recovery of Statutory	Recovery of Rent, Electricity etc.
4.	Involves substantial monetary value.	Non remittance / Short remittance of Statutory Deductions	Non compliance of previous Audit observations

5.	Where loss of revenue to the Company and the Government is involved	Non filing of Statutory Returns in time	Non renewal of Security Deposits / Bank Guaranties etc.
6.	Major/Serious Fraud, suspected frauds, serious irregularities/ discrepancies which needs Management	Deviations from the approved Budget / Program of works	Non maintenance of proper Records
7.	Miss-appropriation of funds Lack of proper security to the Assets of the Company		Any other matters which Internal Auditor feels which needs to be brought to the notice of Zonal / Divisional Head
8.	Non compliance to the Statutory Provisions and Internal Control Guidelines of the Company	Non renewal of Security Deposits in time exceeding Rs. 15.00 lakhs.	
9	Lack of Internal Control System/ Internal Guidelines / policies which may lead to major fraud, risk etc.	Long pending Category C observations	
10	Long pending Category B observations	Any other matters on which CFO attention is required	
11	Any other matters which Internal Auditor feels it is most critical and needs to be discussed at ACM		

5.3. Preparing Annual Audit Program

5.3.1. Generally, Annual Audit Program contains the following details:

- Name of the Zone/Division Offices selected for Internal audit
- Period of Accounts to be audited
- Number of working days allotted for completion of audit, the number of working days required for conducting audit will be decided by the CFO of the Company in consultation with the internal Auditor taking to consideration the experience from the last audit, quantum of receipt and expenditure to be audited, number of new schemes to be verified etc.
- Once the audit plan is finalized by the Chief Finance Officer, he/she will obtain the approval of the Managing Director. The Audit Committee of the Company should approve the Annual Audit Plan.

5.3.2. Preparing Audit Schedule

As the Annual Audit Program provides only the No. of working days allotted for

each Zonal / Division office for carrying out audits, the respective Auditor shall schedule the visit dates to each Office in consultation with concerned PCAO / CAO/CFO

5.4. Communication of Audit Program

The Officer in Charge of the Internal Audit at the Registered Office will communicate the Program of audit to the concerned Head of the Office well in advance. A copy of this communication will be provided to the Auditor/Audit Team to take up and complete the audit within the stipulated time. In view of time limit fixed, the head of Office will be requested to extend their cooperation for completion of audit in due time.

The Heads of office will further communicate the Audit program to the Subordinate offices in his jurisdiction and ensure that the Books of Account, other records files are updated and kept ready for verification and provide the Audit all information /clarification/explanations to help the auditor to draw correct conclusions /offer suggestions recommendations.

5.5. Coordination with the Head of VJNL

Audit Team Head /In-Charge shall seek cooperation of the Head of Office (HoO)/ Drawing and Disbursing Officer (DDO) and Other Office personnel responsible for maintaining accounts / records for smooth conduct of audit.

The Auditor shall have meeting with the Heads of office before commencing the audit for a particular period .On the closing day the auditor will discuss the major observations which would form a part of his reports. The Heads of office should not wait for the formal audit report to reach him but initiate necessary corrective actions immediately after noticing the same.

SECTION - 6. INITIATING AN AUDIT

It is the responsibility of Internal Auditor to take necessary steps to initiate the audit as planned in annual audit Program. Before proceeding to conduct the audit they shall ensure that below mentioned steps are taken.

6.1. Planning Individual Audits

While planning individual audits, due considerations should be given to the information available in previous audit files of the VJNL. In case of first audit, sufficient time should be given to the audit team to gain knowledge on the working of the Department.

Preliminary planning involves:

6.1.1. Gaining an understanding of the VJNL functions: Auditor should have fairly good knowledge of the organization and its operations. This includes understanding the rationale behind establishing the Department, structure of the Department and functions of the Department. Primary source of information about the Department can be obtained through the following documents:

- Previous internal audit plans,
- Previous audit reports,
- AGs inspection reports,
- Budget estimates, revised estimates and actual expenditure,
- Statutory and regulatory requirements applicable to the Company /to be followed by the Company .Rules and regulations framed by the relevant Government of Karnataka Department like Water Resources Department, Public Works Department etc., to the extent they are applicable to VJNL,
- Important directions /circulars /orders issued by State and Central Governments from time to time, as much as they are applicable to the Company.
- Organization charts and flow charts of processes,
- List of accounting registers and records maintained in the Department,
- MIS reports,
- Delegation of the Financial and other administrative powers to the officers of the Company,
- Any other document relevant to audit.

6.1.2. Understanding Controls: The Auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal controls in place. After gaining understanding of the organization, auditor should identify key control areas in of the functional area of operation and management of the Company. The Internal Auditor should examine and evaluate the existence and operation of control systems in relation to the financial statements of the Company as also the various controls laid down various codes, manuals, Internal Audit Standards and government orders.

6.1.3. Analyzing the earlier audit reports: Analysis of the earlier audit reports are needed to verify the Department's compliance on the recommendations of the audit. Following issues needs to be verified to understand the environment:

- Errors corrected at the instance of the audit,
- Remedial recourse or penal actions taken on the recommendation of the audit,
- Improvements in internal control systems in response to auditor's recommendations,
- Any special audits conducted that supplements the present audit.

6.1.4 Identifying legal compliances to be made: Auditor should acquaint himself with the applicable legal provisions like adherence to Codes, Rules and various government orders tax laws and other statutory compliances applicable to the Company.

6.1.5 Sharing and finalizing the areas of the audit in discussion with the VJNL: Based on the understanding of VJNL functions and environment, scope of audit will be discussed with the VJNL and areas of audit shall be finalized.

6.1.6 Providing an overview of the audit process to the VJNL: Once the areas of Audit are finalized, the Internal Auditors shall provide an overview of the audit process to be carried out. Requirements, support or any other information or disclosures required from the VJNL may be obtained.

6.2 Risk Based Assessment

Risk assessment is the process of:

6.2.1 Identifying and analyzing potential risks posing threat to the existence of the Company, going concern, risks relating to regulatory requirement, risks that may affect the achievements of the objects of the Company, risk of loss of revenues from operations, risks to the assets and properties of the Company .

6.2.2 Developing/recommending initiatives to be taken by the Company to mitigate/address the identified risks and prioritizing audit focus in the risk potential areas.

6.2.3 After identification of risk areas, Internal Auditors shall finalize the audit plan prioritizing audit scrutiny in potential risk areas to test the sufficiency of internal controls systems and suggest measures to strengthen the internal controls in those focus areas.

6.3 Assessment of Internal Controls

6.3.1. Internal control mechanism is an integral process operated by an organization, designed to address risks and to provide a reasonable assurance in pursuit of organization's objectives /mission. Following general objectives are achieved by the process of Internal Control:

- Execution of orderly, ethical, economical, efficient and effective operations;
- Fulfilling of accountability obligations;
- An effective level of comfort to the stake holders of the Company that the Company is Compliance with applicable laws and regulations and Safeguarding resources against loss, misuse and damage.
- Safe guarding the Company against loss of revenue.

6.3.2 Internal Auditors shall do an assessment of Internal Controls to ensure that an adequate internal control framework is in existence and operating as designed by the Department and errors if any to be located with the operation of established internal controls. Internal

Control Assessment will help Internal Auditors to know the following:

- Reliability of records and registers maintained by the Department;
- That the internal controls facilitate the preparation of error free financial statements.
- The extent and the depth of the examination and the focus required on the potentially risk areas that needs to be carried out;
- What are the areas where controls are weak and where it is unnecessarily excessive;
- Whether suggestions can be given to improve the control systems.
- Whether the internal controls are sufficient
- Whether the internal controls laid down are actually being followed

6.4 Types of controls

Generally there are two types of internal controls such as:

6.4.1. Preventive Control: This type of internal control would prevent a risk from occurring. For example:

- All transactions and events are initiated on proper authorizations and approvals.
- Segregation of functions/duties among the official as far as practicable to prevent risk.
- Control over access to resources and records to prevent unauthorized or improper use of resources.

6.4.2 Detective Control: Detective controls are measures that would point to any loss/misdeeds/misappropriation that is taking place in the organization. Any kind of reconciliation (bank reconciliation), analytical reviews, post audit, etc. would fall under this category as they help to detect if something had gone wrong. Some examples of control activities are:

6.4.3 Verifications: Transactions or events are verified to ensure correctness and validity. Personal records / service books etc. are periodically verified to ensure their correctness.

6.4.4 Reconciliations: This is one of the most commonly used and effective control measures. Reconciliation of one set of records with another including external source records like bank pass books etc an effective level of comfort to the stake holders of the Company are made to ascertain correctness of the transactions or facts.

6.5 Tests of Internal Controls

6.5.1. Through audit procedures the effectiveness of the VJNL's internal control systems are assessed. The Internal Auditors should make a list of internal controls which are in operation in the VJNL. Then Internal Auditors shall perform tests of controls to assess the existence and adequacy of all the internal controls.

6.5.2 The Internal Auditors may initially check the controls by conducting a compliance testing that is, testing to assess compliance with the internal control. Substantive testing is required to obtain evidence to ensure the completeness, accuracy and validity of the data produced by the accounting system.

6.5.3 The Auditor will first check whether there is compliance with the control measure. If it is seen that the control measure is not operating properly, then the auditor would have to go for a substantive testing of the transactions to examine whether non-compliance

with the control has resulted in any irregularity.

- 6.5.4** Substantive testing includes tests of details of classes of transactions, account balances and disclosures.
- 6.5.5** The Auditor after assessing controls shall give his recommendation on the operation of the internal controls, whether operation of internal controls is satisfactory or needs improvement or is not in existence. A sample template for assessment of Internal Controls may be collected from the HoIA/CFO.

SECTION - 7. CONDUCTING AUDIT

While conducting audit, Internal Auditors are required to visit various field offices located across Districts and villages. Further, field work involves verification of accounts, relevant records and compliance to rules, codes and various orders; however the responsibility of the Internal Auditor is not limited to verification of accounts and procedures but also to give recommendations to improve the financial management system of the VJNL.

- a. Any discrepancies noticed while conducting audit or non-production of any record or non-cooperation by any Officer-In Charge shall be brought to the notice of the Head of office by way of issue of Draft observation. In case there is non-compliance even after intervention of the Head of Office, the matter may be reported to the CFO who shall immediately initiate remedial measures /penal action in consultation with the Head of Administration wing of VJNL.
- b. Whenever any loss of money or stores is detected by means of any misappropriation or fraud, the fact shall be reported promptly through an Interim Report to the Managing Director directly who shall consider the gravity of the case and take appropriate actions.
- c. Internal Auditors are expected to continually update themselves with the various Departmental and other guidelines issued from time to time concerning audit.

SCOPE OF INTERNAL AUDIT

FORMAT OF INTERNAL AUDIT REPORT IS ENCLOSED AT ANNEXURE-I.

AREAS TO BE COVERED IN INTERNAL AUDIT:

- I. BUDGET
- II. RELEASE OF GOVERNMENT GRANTS AGAINST BUDGETARY GRANTS
- III. MOBILIZATION OF FUNDS
- IV. DEPLOYMENT OF FUNDS
- V. ACCOUNTING AND RECORD KEEPING
- VI. HUMAN RESOURCES MANAGEMENT
- VII. GENERAL ADMINISTRATION MATTERS.
- VIII. AND STATUTORY COMPLIANCES
- IX. ACTION TAKEN ON PREVIOUS INTERNAL AUDIT OBSERVATIONS
- X. LEGAL MATTERS
- XI. PROJECT WORKS
- XII. LAND ACQUISITION, REHABILITATION AND RESETTLEMENT
- XIII. REALIZATION OF REVENUE
- XIV. TRIAL BALANCE
- XV. OTHERS

I. BUDGET:

1. Request submitted to the government for annual budgetary support.
2. Annual works programme submitted by the Chief Engineers of the Projects.
3. Approval of tentative Annual Works Programme and allocation of grants to the projects.

II. RELEASE OF GOVERNMENT GRANTS AGAINST BUDGETARY GRANTS:

1. Accounting of Government grants shall be in capital or revenue nature
2. Accounting of Government grants as per the Accounting Standard.

III. MOBILIZATION OF FUNDS:

A. Areas to be covered in this section

1. Share capital
2. Borrowings through bonds and loans

B. Percentage of Coverage: 100%

C. Share capital: Verify and report whether

- i. The Share Capital does not exceed the Authorized capital as per the Memorandum and Articles of Association of the Company and verify the limit of the Authorized Capital.
- ii. The addition to issued and subscribed capital is backed by proper authorization of the Board.
- iii. The legal requirements as laid down by the companies act, SEBI and other regulatory bodies are met.
- iv. Compliance requirements: Auditor should check that various compliance requirement in relation to share capital and filing of related returns are carried out within the Statutory period.

D. Borrowings through bonds and loans:

- i. Verify whether the Company has obtained necessary approval from the Government of Karnataka, Annual General Meeting of the Company, Board of Directors and the Off Budget Borrowing Monitoring Committee, Stock exchange for listing and other required Statutory Authorities for borrowing.
- ii. Verify whether the Company has complied with all the required Statutory Provisions while borrowing the funds including applicable SEBI guidelines and Companies Act.
- iii. Verify whether all the Intermediaries appointed are as per the delegation of power and as per the provisions of KTPP Act and Internal control manual.
- iv. Verify whether the Rate of Interest at which the funds are raised is best competitive prevailing Rate by a process of competitive bidding. Verify whether the Company has complied with all the provisions of Information Memorandum / Loan agreement after the borrowing, and post issue SEBI guidelines in respect of Bonds including complying with the relevant clauses of Trustee agreement
- v. Verify, in case of debentures, bonds, allotment of the securities has been made as

per the terms of prospectus / Information Memorandum / applicable statutory provisions.

- vi.* Verify whether the money borrowed has been utilized for the purpose for which it has been borrowed.
- vii.* To verify and report whether Debt Servicing is done regularly and paid as per the terms of borrowing.
- viii.* To verify whether proper compliance reports are submitted to Regulatory Authorities
- ix.* To verify and report whether sufficient Asset Cover is available as per the terms of borrowing.
- x.* To verify and confirm whether Debt Equity Ratio is within the acceptable norms.
- xi.* To issue the Compliance Certificate as per the format enclosed quarterly

IV. DEPLOYMENT OF FUNDS

A. Areas to be covered in this section

1. Investment of Short-term surplus.
2. Budgetary Control
3. Releases to Project (works).
4. Payment of bills / Other expenses

B. Percentage of Coverage: 100%

C. Investment of Short-term surplus.

- i.* To verify and report whether the Company has proper Investment policy in force.
- ii.* To verify and report (a) instances current account balances have been carried in excess of 7 days without conversion to interest bearing deposits, (b) surplus amount in the current account in excess of Rs. 1.00 crore have been invested in interest bearing deposits as per the Investment policy and Internal Control manual.
- iii.* To verify and report whether the rate of interest received on deposits are competitive rates prevailing at the time of deposit, by inviting quotes.
- iv.* To verify and report whether the interests on deposits have been received fully and are reconciled and proper documents for deduction of tax at source are available and they are reconciled with the entries in the AS-26 statement generated on the TRACE
- v.* To verify and report whether proper Certificates of Deposits in the name of VJNL have been received and the same has been kept in safe custody. Physically verify the existence of the fixed deposit receipts as the date of commencement of audit.
- vi.* To verify and report whether proper Registers have been maintained with regard to Deposits and updated regularly.

D. Budgetary Control

To verify and comment on the Company's Budgetary Control system and give suggestion for improvement.

E. Releases to Project Offices for Works and other expenses

- i.* To verify and report whether requisitions by Project Offices are supported by proper certifications and confirmations and are as per the Internal Control guidelines and circulars issued from time to time in this regard.
- ii.* To verify and report whether the proper budgetary provisions are available for release of funds and in case of re-appropriation of budgetary provisions from one head of account to another head of account is approved by competent authority.
- iii.* To verify and report whether necessary approvals from the Competitive authority have been obtained before release of funds.

F. Payment of bills for others expenses

- i.* To verify and report whether necessary supporting documents are available.
- ii.* To verify and report whether the expenditures are within the budgetary provisions and are approved by competent authority and as per delegation of powers
- iii.* To verify and report whether proper Internal Control procedures are followed.
- iv.* To verify and report whether all deductions are made, remitted and Returns filed as per the Statutory Provisions.

V. ACCOUNTING AND RECORD KEEPING

A. Areas to be covered in this section

1. Petty cash expenses payment procedures
2. Cheque payment procedures
3. Accounting and Record keeping
4. Bank Reconciliation and Confirmations
5. Temporary Advances to Employees outstanding for settlement.

B. Percentage of Coverage: 100%

C. Petty cash expenses payment procedures :To verify and report whether:

1. Imprest amount drawn are in excess of the limits sanctioned,
2. Proper authorization from the competent authority has been obtained for the expenditure as well for payment.
3. Proper supporting documents are available for the transaction.
4. The expenditure has been accounted properly in the books and all the vouchers are authenticated by the competent authority.
5. The drawee has submitted accounts before drawing next Imprest advance.
6. That expenditure of a personal nature are not charged to the Company.
7. The bills are not split to avoid it from requirement of inviting quotes/tenders.
8. The petty cash book is checked by a competent officer named for the purpose and entries are authenticated. The petty cash book is balanced daily and the opening balance for the next day is physically verified.

D. Cheque payment procedures: to verify and report whether:

1. The expenditure is bonafide and is in the interest of the Company.
2. The transaction is supported with proper documentary evidence.
3. The expenditure and the payment are approved by the competent authority and are as per the procedures mentioned in the Internal Control manual and relevant statutory provisions.
4. The statutory deductions (including Service Tax under reverse charge mechanism, wherever applicable) have been made, remitted and returns have been filed as per the relevant provisions.
5. The transactions have been accounted as per the standard accounting principles in the books of accounts and the vouchers are authenticated by the competent authority.
6. A proper cheques register is maintained and the entries in the register are authenticated by the authorities writing the Cheque and signing the cheque.
7. A record of Cheque books is kept with serial numbers of cheques and unused cheque books are properly accounted for are held in the safe deposit locker, when not in use.

E. Accounting and Record keeping: To verify and report whether:

1. Ledger accounts are reviewed periodically at least once in a month and correction entries are passed only with the approval of the authorized signatory/ies by way of approved Journal Vouchers. Entries once passed shall not be deleted in the system. A system of hierarchical authorization for various levels of officers for passing of correction entries has been laid down and actually is being followed.

2. Check whether proper books of accounts as laid down under the Companies Act, 2013 and Rule there under are maintained in the manner required to be maintained as per extent provisions of the said Act and Rules.
3. That proper back up norms to save and preserve the electronic accounting records are laid down and properly being followed.
4. That Physical vouchers, ledgers and other Accounting records are properly preserved in safe locations so as to protect them from destruction etc.
5. Whether proper internal control procedures are in practice to detect fraud, misuse of funds and documents.

F. Reconciliation and Confirmations: To verify and report whether:

1. There is a proper system of monthly reconciliation of the various bank accounts and internal unit accounts. Check bank statements for extensions/carry forwards /balancing and accuracy of balance reflected. Check all payments and receipts with the bank statements for each quarter.
2. Check that all items in the reconciliation of the previous period are cleared in accordance with the reconciliation.
3. Check through the items in reconciliation to the next period.
4. Comment upon the adequacy of/arrears in reconciliation.
5. Check whether Stale cheques are reversed and the fact is informed to the bank to stop payment.

G. Temporary Advances to Employees: To verify and report whether

1. Temporary advances, festival advance given are properly accounted
2. All the advances are approved by the appropriate authority.
3. All the advances are settled within the stipulated period and accounted for properly.
4. Any advances over and above the stipulated time period may be specifically reported.

VI. HUMAN RESOURCE MANAGEMENT

A. Areas to be covered in this section

1. Human resources management policy
2. Human resources planning
3. Employee recruitment, training etc.
4. Performance appraisal and control
5. Payment of employee emoluments

B. Percentage of Coverage: 100%

C. Human resources management policy: To verify (review once in a year) and report whether:

1. The company has well defined and active Human Resources Management Policy for regulation of the employees.
2. The company has documented succession and replacement plan.
3. The company has proper promotion policy.

D. Human resources planning: To verify and report whether Company has defined and active Human Resources Management policy

E. Employee recruitment, training etc. To verify and report whether:

1. The recruitments are based on man power requirement (only when fresh

recruitments are made).

2. At the time of inviting applications vide publicity is given.
3. No discrimination is done based sex, caste etc., except Roster policy and the reservation policy of the Government.
4. Proper training is provided to employees to update their knowledge to carry out day to day activities of the Company

F. Performance appraisal and control: To verify and report whether:

1. Proper performance measurement and appraisal policy is in vogue.
2. Proper feedback is given to the employee after appraisal for improvement
3. Corrective actions are taken based on the appraisal.

G. Payment of employee emoluments: To verify and report whether:

1. The employee emoluments are approved by the appropriate authority
2. Employee attendance is regulated properly.
3. Disbursement of employee emoluments like salaries, allowances, gratuity, EPF, advances are as per the relevant provisions and are accounted properly.
4. Tax is deducted at source wherever required as per the provisions of Income Tax Act and is remitted to Central Government A/c within the time limit and necessary Returns have been filed.

VII. GENERAL ADMINISTRATION MATTERS.

A. Areas to be covered in this section

1. Levy and collection of Water rates. Recoveries
2. Purchase of fixed assets and maintenance of registers
3. Purchase of consumables, stores etc.,
4. Disposable of assets
5. Repairs and maintenance
6. Security of assets

B. Percentage of Coverage: 100%

C. Water rates collection: To verify and report whether:

1. The area under Irrigation for the year has been notified by the Irrigation Consultative Committee (ICC).
2. Demand has been raised for the water let out to the farmers during Khariff and Rabi as per the rates prescribed in the Karnataka Irrigation Act and Rules.
3. There is a system of serving the Demand notices on the Farmers as per the procedure laid down in VJNL.
4. Proper Demand & Collection Register is maintained and the same is updated for each irrigation season i.e Khariff and Rabi. The demand raised and actual collection is entered in the register and balanced on a date to day basis. The total arrears of a particular farmer is ascertainable from the register.
5. Uncollected demand over a period of 3 years is intimated to the District Collector/Deputy commissioner/Concerned Assistant Commissioner/Tahasildar to recover the liability in the revenue records of the Government.
6. The Banks in the area /jurisdictional sub registrar of properties have been intimated to insist on a due certificate from the Concerned Irrigation Officers for the purpose of bank lending/disposal or alienating the properties.

7. Periodical returns are submitted to the General manager Administration for further follow up in the matter and appraising the Audit Committee periodically.
8. Water charges collected have been deposited to designated accounts and the accounts are reconciled and confirmations obtained from the Banks.
9. The collections over and above Rs. 5,000/- have been transferred to escrow account maintained at Canara Bank, Bangalore.

D. Recoveries: To verify and report whether:

1. Whether there is laid down accountability of officers to prevent mis use, an authorized occupation of the Properties including Land and Buildings.
2. That all such properties are in the possession of the Company in the Revenue records of the Company and proper rent, electricity etc., have been recovered properly.
3. In case of non-recovery details may be provided.
4. Suggest measures for speedy recovery

E. Purchase of fixed assets and maintenance of registers : To verify and report whether:

1. Purchases of fixed assets are per the procedures laid down in Internal Control manual and are authorized by the appropriate authority. Wherever required proper procedure laid down as per the KTPP Act and Rules have been followed.
2. Fixed assets are accounted properly in the books of accounts as required in the CARO audit report
3. Fixed asset Register has been maintained properly and updated regularly including Location where such assets are currently placed including such properties lying with third parties
4. Physical verification of assets has been made at least once in a year
5. All the assets are numbered and can be identified.

F. Purchase of consumables, stores etc.: to verify and report whether:

1. Purchase of consumables, stores etc., have been purchased for the official use through a centralized basis operated by the GM Admin for Registered Office and concerned heads of offices as per the delegated financial powers by inviting rate contracts /inviting tenders wherever required on the Indents authorized by the concerned department head
2. Purchases are authorized by proper authority as per the delegation of powers and all applicable statutory provisions have been complied with while purchasing.
3. Proper stock registers have been maintained and are updated regularly.
4. Purchases are based on actual requirement and should not be stocked for more than next three months requirement based on the average consumption for the last 2 quarters.
5. Issues are approved by competent authority.
6. The bills for purchase of consumables are checked for quantity and quality by an officer independent of the purchasing authority.
7. The stock of consumable to be reviewed periodically to weed ou slow moving non moving stocks.
8. Stock verification is done regularly.

- G. Disposal of Assets: To verify and report whether:**
1. Disposable assets are declared as scrap as per the prevailing guidelines issued by the Government from time to time before disposal of assets are approved by competent authority
 2. Disposal of assets has been done as per the applicable rules and regulations by online electronic tendering system
 3. Disposal of assets has been accounted properly bifurcating the book value of assets, depreciation provision and the sale price and accounting the Profit/ loss on the sale of assets as per the relevant Accounting Standard.
 4. the Fixed Assets Registers have been updated.
 5. Receipts from the disposal have been accounted properly.
- H. Repairs and maintenance: To verify and report whether:**
1. Whether repairs and maintenance have been done based on actual requirement and is carried on properly after obtaining the approval of the appropriate authority and the same have been certified and confirmed by the concerned officer with regard to quantity and quality of work.
- I. Security of assets: To verify and report whether:**
1. The Company has an inventory of assets.
 2. Proper security arrangements have been made for the protection of the assets of the Company.

VIII. COMPLIANCES TO LISTING AGREEMENT

A. Areas to be covered in this section

Compliance to listing agreement.

B. Percentage of Coverage: 100%

C. Compliance to listing agreement :

To verify and report whether the Company has complied with all the clauses of Listing agreement entered in to with the National Stock Exchange or other Stock Exchange if any.

IX. ACTION TAKEN ON PREVIOUS AUDIT OBSERVATIONS

A. Areas to be covered in this section

1. Action taken on previous Internal Audit observations

B. Percentage of Coverage: 100%

C. Action taken on previous Internal Audit observations

1. To verify and report whether the Company has taken necessary action on previous Internal Audit observations. If not provide the details and provide pendency report as given Annexure.

X. LEGAL MATTERS

A. Areas to be covered in this section

1. Wherever decrees are passed in favor of VJNL, necessary action have been taken to execute the decrees and realize the decreed amount.
2. Are there any long pending litigations.
3. Examine whether adverse decisions are appealed in higher courts and wherever the decisions are not contested 'non appeal' decisions have been taken only by the competent authority. Whether court deposits made have been properly followed up and withdrawn wherever VJNL has won the case

4. To verify and report whether the Company has accounted/disclosed contingent liabilities arising out of litigations properly as laid down in the relevant accounting standard of the Institute of Chartered Accountants of India.

B. Percentage of Coverage: 100%

XI. PROJECT WORKS /CAPITAL EXPENDITURE

A. Areas to be covered in this section

1. Sanction of new work
2. Progress of existing work
3. Procedures followed while providing extension of time
4. Approval of additional financial implication
5. Completion of work
6. Payment of work bills
7. Levy of penalty for slow progress of work
8. Management of security deposits

B. Percentage of Coverage: 100%

C. Sanction of new work: To verify and report whether

1. Whether administrative approval of the Government has been received before taking up the schemes.
2. Whether approvals of the Board / TSC / TAC / ERC /Managing Director/Chief Engineer/Superintending Engineer/Executive Engineer of VJNL have been taken as per delegated financial powers.
3. All necessary approval of the appropriate authority has been obtained for the new work
4. Whether the work is included in the approved list of program of works.
5. Estimates prepared are as approved by competent authority.
6. Provisions of KTPP Act have been complied with while selecting Vendor/Contractor /Service provider.
7. Agreement with Contractor is as per the Standard tender document as per DTP approved by competent Authority and is not detrimental to the interest of the Company.

D. Progress of existing work: To verify and report whether

1. The progress of the work as per the time schedule indicated in the Contract document
2. The progress of the implementation of the project has been reviewed as per contract clause -2 and the delay has been apportioned between the Contractor and the Department ,and the contractor has been penalized as per clause 2(d) of the contract agreement.
3. The work bills are supported with quality control reports issued by the Quality control department and the defects noticed are rectified and so reported before the bill are admitted for payment.

E. Procedures followed while providing extension of time :To verify and report whether

1. Procedures required as per tender conditions have been complied with by apportionment of delays while granting extension of time and the same has been properly recorded.
2. Clause 2(d) penalty has been levied as per tender conditions after apportioning

the delays between department and the Contractor.

- F. Approval of additional financial implication: To verify and report whether**
1. Procedures required under Internal control manual, tender conditions, PWD Codal procedures, delegation of power and the provisions of all other applicable rules and regulations have been complied with while granting Extra Financial Implications and the same has been properly recorded.
 2. EFIS as a general rule are not to be considered. Only in exceptional cases the reasons for the EFI have been analyzed to prevent recurrence in future.
- G. Completion of work: To verify and report whether**
1. Whether the work as completed as per the scheduled and approved time period.
 2. Whether the concerned officers have inspected the work and certified the quality and quantity of work as per the PWD Codal Rules, Internal Control guidelines of the Company.
 3. Whether the same has been entered properly in the measurement book.
 4. Whether the completion certificate is issued.
 5. Whether the Certificate for satisfactory maintenance of work during the maintenance period is available.
 6. Whether all the audit recoveries legal case recoveries have been fully deducted from the final bill . Whether the bills have been finalized and the assets are capitalized on completion as per the accounting policy of the Company.
- H. Payment of works bills: To verify and report whether**
1. Works bills have been pre-audited before payment.
 2. Necessary entries for the Gross amount and recoveries / deductions have been passed in the books of Accounts properly keeping in view classification of Capital and Revenue expenditure in terms of accounting policies and accounting standards.
 3. Statutory Deductions have been made for Royalty, VAT, Service Tax, TDS, Mobilization Advance, FSD, interest if any etc.,
 4. Escalation cost/ bills have been prepared / raised as per the terms of Contract, and the relevant and appropriate price index have been adopted as per the provisions of Karnataka Transparency in Public Procurement Act 2000 and subsequent amendments form time to time, and no escalations are allowed for the quantities extended beyond the contractual period for the delays attributed and apportioned to the contractor.
 5. The correct base price indices have been adopted
 6. Management of security deposits: To verify and report whether;
 7. Security Deposits recovered were not refunded in advance of the due date as per tender conditions and without the approval of the competent authority.
 8. To ensure that the Security Deposits wherever converted into Fixed Deposits are with the consent of the Contractors only and that they are in the joint names of the EE and the Contractor. Such fixed deposits receipts are in the safe custody of the concerned Executive Engineer In Charge of the work. The fixed deposits are renewed from time to time till they are to be returned to the Contractor.
 9. To verify whether the security deposit registers are kept up-to-date, and wherever they are released, under a competent authority's orders properly recorded in

Registers.

10. Whether the release of EMD and Security Deposits is as per the Internal Control guidelines of the Company laid down from time to time, Tender conditions.

I. Verification OF Records OF DIVISIONAL OFFICE RECORDS:

1. Verify and report whether Statutory Registers like Minor / Major Work Registers, Contractor's Ledger, Bank Guarantee Register, Time Extension Register, EMD / FSD Registers are maintained, updated and reconciled with Actual and Tally records. Major instances of non reconciliation between the various records shall be reported and their compliance shall be verified and reported during the next audit.

XII. LAND ACQUISITION, REHABILITATION AND RESETTLEMENT and CADA

A. Areas to be covered in this section

1. Remarks on Action taken Report
2. Funds Management
3. Payments and Operation of Bank Account
4. Reconciliation of bank accounts and Accounting of Stale Cheques
5. Process of payment for Land Acquisition with identification of awardees
6. Suggestions:

B. Percentage of Coverage: 100%

C. Action taken report:

1. To review the compliances on observation rose in previous audit report and to confirm the completeness of actions taken.
2. To highlight the area through an exception to Management where action are yet to be taken.

D. Funds management:

1. To verify Account wise detail of receipts from VJNL and that the amounts temporarily surplus for requirement have been converted in to interest bearing deposits.
2. To check accuracy of Interest accrued and credited with respect to fixed deposits.
3. To verify the Account wise detail of payment on account of following are as per the laid down rehabilitation policy
 - Compensation to Project affected Families (PDFs)
 - Rehabilitation and Resettlement
 - Others

E. Payments and operation of Bank Account

1. To confirm that all the payment have been made to the project affected people through RTGS to Land Losers' / Beneficiaries' Bank Account or through Account Payee Cheques only.
2. To confirm whether adequate arrangement exist for safe custody of un-issued cheques , stale cheques etc. Further verify and comment on the position of un-issued / Stale Cheques and the action taken on the same.
3. To comment on adequacy of the system of entire process of disbursement of compensation, documents management and give suggestions for the improvement in the above.

F. Reconciliation of bank accounts and Accounting of Stale Cheques

1. Verify monthly Bank Reconciliation Statement (BRS) of each Bank Account.
2. Check Account wise BRS as at the end of each month covered in the reporting Period.
3. Check pending items in the BRS for more than 3 months.
4. Comment on the adequacy of bank reconciliation and confirm whether reconciliation is done on monthly basis.
5. Confirm and report whether the Stale cheques are reversed and the same has been taken to books properly.
6. Verify Balances in each of Bank Account, Reconciliation Statement, Interest Certificates & TDS Certificate of each Bank Account at the end of each quarter.

G. Process of payment for Land Acquisition with identification of Awardees

1. To verify and comment upon the procedures of payment for land acquisition starting with identification awardees and system of physical identification of standing crops, resettlement and rehabilitation assistance, structures and standing trees, for which the payment is made and checked with Assets register of Gram Panchayath.
2. Verify and comment on the procedure for payment of R&R, wherever applicable.
3. Verify whether cheques distributed and amount disbursed on account of cost of compensation of land acquisition have been appropriately accounted for and are backed by the proper documents example, if the payment is made for the standing crops or resettlement and rehabilitation assistance, structures and standing trees, there is adequate documents available for needful validation.
4. To check the land awards with reference to the notified rates.
5. To check the R&R awards with reference to the notified R&R compensations.
6. To confirm that all payments made are supported by proper documentation for land acquisition and Land Awards.
7. Verify and report the instances of -
 - i. Accounting of the cheques issued to PAPs but not encashed;
 - ii. Award declared but PAPs have not accepted the payment,
 - iii. Instances of increased compensation due to arbitration / Lokadalt or court decision, and survey number wise details are linked to the original land compensation
8. Details of funds locked in due to legal issues such as:
 - Land Award amount deposited in courts;
 - Money frozen due to stay by court order;
 - Funds held up due to Arbitration Awards
9. Comment upon the complete procedure being followed by the SLAOs for declaration and disbursement of awards along with its accounting of Rule 28A cases.

H. Suggestions:

1. To make suggestion with regard to improving the accounting of the award declaration and its disbursement.
2. To suggest / draw a format for Monthly Progress Report (MPR) for all awards, funds received, payments made and balances for each SLAO Office and its

consolidation at Chief Accounts Officer's office.

3. Court decree cases delays should be paid or appealed immediately.

XIII. REALIZATION OF REVENUE:

A. Areas to be covered in this section: Verify and report

1. Fixation, Demand and collection of water rates from farmers
2. Fixation, Demand and Realization of revenue from Power producers
3. Fixation, Demand and Realization of revenue from Industrial users
4. Fixation, Demand and Realization of revenue from Domestic users
5. Fixation, Demand and Realization of Lease rent on land and buildings

B. Percentage of Coverage: 100%

XIV. TRIAL BALANCE AUDIT:

- A. The Divisional / Field office Trial Balance as at 31st March shall be audited along with the final audit spell with special emphasis on the India Accounting Standards and the requirements of Companies Act, 2013, provisioning, etc. A separate report shall be submitted on the same.**

XV. OTHERS:

- A. Any other issue or subject related to the audit referred by the Managing Director.**

SECTION - 8 INTERNAL AUDIT REPORTS

- 8.1. No objection shall be booked or reflected in draft audit report without discussing the matter with the concerned Division / Department Head, without issue of initial draft Audit report. Initial observations issued by Internal Auditors shall be complied by the Officers-In Charge of Accounts within 2 days from the date of issue and returned to the Internal Auditors with necessary reply under the signature of the head of the office or in his absence the Officer-in-Charge of Accounts.
- 8.2. In case the reply of the officer is found to be satisfactory, the objection need not be incorporated in the Audit Report. The original initial draft audit observations with reply thereon shall be appended with the Audit Report for reference. The Auditor shall mark dropped with red ink on the initial draft report with date and signature.
- 8.3. If initial draft Audit report is not returned within stipulated time or returned with unsatisfactory replies, the Auditor shall incorporate the objection in the Audit report without waiting for an indefinite period for the reply. The duplicate copy of the memo shall be attached with the Report to substantiate the Audit views.
- 8.4. The Head of the Audit Teams / AAO should check the supporting Audit evidence for each observation that is proposed to be put in the report. He should satisfy himself about the sufficiency and relevance of the evidence. Then He/she should prepare a Draft Audit Report.
- 8.5. The format of the draft report shall be same as final report after approval by the concerned authority. All the applicable quality checks equally holds good for draft report also except that the title of the report shall be "Draft Internal Audit Report".
- 8.6. **Qualities of a good report**
The Internal Auditors should exercise due professional care to ensure that the internal audit report, inter alia, is:
 - 8.6.1. Clear and not ambiguous
 - 8.6.2. Factual – presents all significant matters with disclosure of material facts
 - 8.6.3. Specific
 - 8.6.4. Concise
 - 8.6.5. Timely and
 - 8.6.6. Complies with generally accepted audit procedures
- 8.7. **Preparing the Internal Audit Report** : Internal Auditor(s) shall use a standard format for reporting audit observations.
- 8.8. The Internal Audit report should be divided into seven parts. A Sample Report format given in **Annexure** . Contents to be covered under each part of the Internal Audit Report is detailed below:

Part – 1: General Information

The Internal Auditors shall mention general information details in the prescribed format which includes following:

- **VJNL Profile:** Name, Address, Head of the VJNL Office, etc.
- **Internal Auditors Profile:** Name and contact details (email and phone no.) of the Internal Audit Team who conducted the audit
- **Audit Profile:** Audit Period or cycle and Duration of Audit.
- **Audit Starting and Completion Date:**

- **Name(s) of the Auditor(s) / Audit Team:**
- **Books of Accounts Maintained and verified:** Provide the details of the Books of Accounts applicable / maintained and verified in the Office Audited.
- **Scope of Internal Audit :** Provide the Details of the Activities / Scope of Internal Audit which are applicable to the Office Audited.

Part – 2: Previous Audit Compliance

The Internal Auditors shall mention the following details regarding previous audit status:

- i) **Previous Audit Observations and Compliance:** In this section, the Internal Auditors shall provide the pending status of previous audit observations and compliances. (Internal and AG Audits)
- ii) **Persistent Irregularities:** Internal Auditors shall give details of persistent irregularities which were identified during the past audits but are still not addressed. The Internal Auditors shall identify the cases of non-compliance and list the same under Persistent irregularities.
- iii) **Internal Audit Pendency report shall be as per the format given below:**

Section –A:

SI No	Quarter and year	Internal Audit Observation	Compliance given by the Concerned officer	Auditor's remarks for not considering the report	Nature of Risk ie., Category A,B or C	Pending Since

Section – B. Internal Audit Pendency report Statistics

S N	Name of the Office	Opening Balance	Year														
			Q1			Q2			Q3			Q4			Total		
			No. of observa tions	Disposed	Pending	No. of observ ations	Disposed	Pending									

8.9. Part – 3: Pending Position of IRs / Draft Para/Draft Report of C&AG shall be provided as per the format given in Annexure.

8.10. Part- 4: Verification of Internal Controls, Observations and suggestions for strengthening the Internal Control Systems:

In this section, Internal Auditors shall detail out the Weak Internal Control System which are against the Internal Control Guidelines of the Company / Industry Practice and shall suggest the better system as per the format given in Annexure.

8.11. Part – 5: Provide the Physical verification and Reconciliation Status, Observations as per the Format Given in Annexure.

8.12. Part – 6: Current period observations and recommendations: Detailed Observations as per the format given in Annexure shall be provided. All major irregularities noticed during the course of audit shall be mentioned separately in this section. The Internal Auditors shall also report consequences for non- compliance of the same. Reference evidence and memos shall be attached as annexure.

8.12.1. Some examples of major irregularities are mentioned below:

- Fraudulent withdrawal from treasury/ government bank accounts
- Bogus payment and non-payment to beneficiaries
- Misappropriation of cash and stocks
- Any excess payments
- Irregularities in procurement procedure which may or may not have resulted in excess or illegal payments
- Loss in revenue and fee realization
- Irregularities in revenue and fee collections and utilizations
- Any un-authorized expenditure.

8.12.2. Other Irregularities: Here Auditor shall report the observations on irregularities noticed while conducting audit. On each item of verification as mentioned below, separate observations will be given on irregularities.

- Physical Verification of Cash, Stock and other items(there will not be any major cash or stock)
- Receipts(Of what)
- Payments
- Contracts
- Stores
- Procurements
- Reconciliations
- Any Other Review Conducted

8.13. Part – 7: Risk Score Chart: as per the format provided in Annexure, Part 7, shall be provided.

8.14. Part-8: General Overall view:

This section shall be filled by the Internal Auditors after consultation with the VJNL. The Auditor shall provide the list of the areas needing improvement and recommendations for compliance along with a proposed time line as per the Risk Score Chart provided in this manual.

8.15. Annexure

The observations given by the Internal Auditors in report need to be supported by relevant audit evidence. These evidences act as a reference to the Audit observations reported by

the Auditor(s). Internal Audit report should ideally contain the following documents as Annexes:

- Draft Initial Audit Report
- Internal Control Assessment checklists, questionnaires
- List of books of accounting records verified
- Statements of closing stock, assets, cash and other valuables with physical verification reports
- Procurement review checklists
- Performance review status
- Budget Vs Expenditure with reason for variance
- Bank Reconciliation statements
- Non – recoupment of advances
- Statement of recovery amounts
- Annexure of supporting evidence documents (Any photo copies, photos, CDs etc.)
- Any other Audit evidence which may be considered appropriate by the Internal Auditors

8.16. Submission of Internal Audit Report

The following is the schedule of reporting:

AUDIT SPELL	QUARTER/PERIOD	DEADLINE FOR REPORTING
I	April to June	31 st July
II	July to Sep.	15 th Oct
III	Oct to Dec.	31 st Jan
IV	Jan to Mar	30 th Apr
Trial Balance review	As at 31 st March	By June 30 th of each year

Annexure

Format of Internal Audit Report (IAR)

Part-1: General Information

1	Name of the Accounting zone	
2	Name of the Zonal office	
3	Name of the Division Office	
4	Audit Period	
5	Audit Starting date and Completion date	
6	Name(s) of the Auditor(s)/Audit Team	
7	Books of Accounts Maintained and verified	a. b. c.
8	Scope of Internal Audit (applicable)	a. b. c. d.

Part-2: Pending position of previous internal audit observations:

A. Pending observation details:

Sl. No.	Quarter and year	Internal Audit Observation	Compliance given by the Concerned officer	Auditor's remarks for not considering the report	Nature of Risk i.e, Category A,B or C	Pending Since

B. Pending observation statistics:

S N	Name of the Office	Opening Balance	Year														
			Q1			Q2			Q3			Q4			Total		
			No. of observa tions	Disposed	Pending	No. of observ ations	Disposed	Pending									

Part-3: Pending position of IRs/Draft para/Draft report of C&AG

The status of Inspection Reports as at is as follows;

Sl. No.	Particulars	No.
a	No. of Inspection Reports outstanding	
b.	No. of Inspection Paras outstanding	
c.	No. of paras replied	
d	No. of Paras marked for local verification	
e.	Further remarks awaited from AG	
f.	No. of Paras carried forward after conducting adhoc committee meeting	
g	Draft Notes issued during the period	
h	Draft Notes replied during the period	
i	Draft Notes dropped during the period	
j	Draft Paras issued during the period	
k	Draft paras replied during the period	
l	Draft paras dropped during the period	
m	C&AG report for the year -----issued. No of paras -----	
n	C&AG para replied	
o	C&AG report for -----Dropped	
p	No of C&AG paras dropped	
i	Less than 6 months / more than 6 months	

Part-4: Verification of Internal Controls, Observations and suggestions for strengthening the Internal Control Systems

Sl. No.	Particulars (Heading)	Existing Internal Control system	Internal Auditor's observations on the adequacy of the control	Suggestions of Internal Auditor if the existing controls are in adequate

Part-5: Physical verification and Reconciliation of accounts:

Sl. No.	Particulars	Opening Balance as per Manual book / Tally	Closing Balance as on ... as per Books / Tally of VJNL	Closing balance as on... as per pass book/ Tally or physical verification	Deviations	Internal Auditor's Remarks
1.	Fixed Deposits					

2.	Bank Guarantees				
3	Stamps				
4	Stock and Stores				
5	Bank accounts				

Part-6: Current period observations and recommendations (if not applicable to kindly mention not applicable)

Sl. No.	Particulars	Risk category	Records verified	Internal auditor's observations
A	MOBILIZATION OF FUNDS			
1	Share capital			
2	Borrowings through bonds and loans			
B	DEPLOYMENT OF FUNDS			
3	Investment of Short-term surplus.			
4	budgetary Control			
5	Releases to Project (works).			
6	Payment of bills / Other expenses			
C	ACCOUNTING AND RECORD KEEPING			
7	Petty cash expenses payment procedures			
8	Cheque payment procedures			
9	Accounting and Record keeping			
10	Bank Reconciliation, Confirmations and action taken on the BRS items.			
11	Temporary Advances to Employees outstanding for settlement.			
D	HUMAN RESOURCES MANAGEMENT			
12	Human resources management policy			
13	Human resources planning			
14	Employee recruitment, training etc.			
15	Performance appraisal and control			
16	Payment of employee emoluments			
E	GENERAL ADMINISTRATION MATTERS.			
17	Water rates collection			
18	Recoveries			
19	Purchase of fixed assets and maintenance of registers			
20	Purchase of consumables, stores etc.,			
21	Disposal of assets			
22	Repairs and maintenance			
23	Security of assets			
F	COMPLIANCES TO LISTING AGREEMENT			
24	Whether Board of Directors of the Company have met as and when received.			

25	Whether Audit Committee of the Company is active and has met as and when received.			
26	Whether Remuneration / Investor's Grievance Redressal Committee of the Company is active and has met as and when received.			
27	Whether the Company has Complied with terms Listing Agreement and Information Memorandum			
28	Comment on timely servicing of debt			
29	Comment on Professional management of the activities of the Company			
30	Comment on Risk assessment & Minimization Procedure			
31	Any Frauds detected during the Audit			
G	LEGAL MATTERS			
32	Wherever decrees are passed in favor of VJNL, necessary actions have been taken to realize the decreed amount.			
33	Are there any long pending litigation.			
34	Examine whether 'non appeal' cases which have been decreed against the Nigam, have been approved by the competent authority for compliance.			
35	Whether court deposits made have been properly followed up.			
36	To verify and report whether the Company has accounted contingent liabilities arising out of litigations properly.			
H	PROJECT WORKS			
37	Sanction of new work			
38	Progress of existing work			
39	Procedures followed while providing extension of time			
40	Approval of additional financial implication			
41	Completion of work			
42	Payment of work bills			
43	Levy of penalty for slow progress of work			
44	Management of security deposits			
I	LAND ACQUISITION, REHABILITATION AND RESETTLEMENT			
45	Land acquisition and payment of compensation			
46	Maintenance of registers			

47	Reconciliation of bank accounts			
J	REALIZATION OF REVENUE			
48	Fixation of Demand and collection of water rates from farmers			
49	Fixation of Demand and Realization of revenue from Power producers			
50	Fixation of Demand and Realization of revenue from Industrial users			
51	Fixation of Demand and Realization of revenue from Domestic users			
52	Fixation of Demand and Realization of Lease rent on land and buildings			
K	TRIAL BALANCE			
53	The Divisional/Field office Trial Balance as at 31st March shall be audited along with the final audit spell with special emphasis on the India Accounting Standards and the requirements of Companies Act, 2013, provisioning, etc. A separate report shall be submitted on the same.			
54	Status of reconciliation of balances as per subsidiary books/ registers / records like FDs, BGs, FSD, MPWA, waters rates with Tally and physical records			

Part-7: Risk Score Chart

Sl. No.	Category A: Most Critical	Category B: Critical	Category C: Less Critical
		Matters which needs CFO attention immediately and to be reported to the Audit Committee	Matters which needs CFO attention & could be cleared at CFO level itself

Part-8: General overall view

Part-9: Annexure if any

For (INTERNAL AUDITOR)

Name and Designation of the Authorized signatory
(SEAL OF THE FIRM)

<<<END OF THE DOCUMENT>>>

Package Name

S No	Package Name	No of Items	View Item Details					
1	Default	1						
S No	Item Details	Unit	Quantity	Value of Service	Extent of Contract	Estimate Unit Rate	Denomination	Estimate Item Price
1	Code: IA-01 Name: Appointment of Internal Auditors Specifications: Conducting Internal Audit for VJNL:Conducting Internal Audit for VJNL	YEARLY	1	---	3	650000	RUPEES	1950000.00