



Himachal Pradesh Power Corporation Limited

(A State Government Undertaking)
Regd. Office: Himfed Building, BCS, New Shimla.
Ph. No: 0177-2671589 Website: www.hppcl.in
(CIN: U40101HP2006SGC030591)

EXPRESSION OF INTEREST (EOI) FOR APPOINTMENT/ EMPANELMENT OF CHARTERED ACCOUNTANT FIRMS FOR CONDUCTING INTERNAL AUDIT FOR THE FINANCIAL YEAR

2023-24 & 2024-25

Himachal Pradesh Power Corporation Limited (HPPCL) invites Expression of Interest from CA Firms eligible under Section 138 of the Companies Act, 2013 for empanelment to appoint as Internal Auditors for the Financial Year 2023-24 and 2024-25. For detailed Terms & Conditions, Scope of Work, Eligibility Criteria and Fee payable etc. **Annexure "A" to "F"** be referred by logging in to HPPCL Website: www.hppcl.in. Interested and eligible firms may submit their application in prescribed format as per **Annexure – "F"**, to the undersigned, latest by 29th June 2024, by 01:30 P.M. and shall be opened on same date i.e. on 29th June 2024 at 3:00 P.M. in the chamber of A.G.M. (Fin.), HPPCL, BCS, New Shimla-9. Management reserves the right to cancel the Eoi at any time, without assigning any reasons.

Sd/-
AGM (Finance)

Introduction:

Himachal Pradesh Power Corporation Limited (HPPCL) was incorporated in December, 2006 under the Companies Act 1956, with the objective to plan, promote and organize the development of power generation on behalf of Government of Himachal Pradesh (GoHP). GoHP has allotted 15 Hydro power projects and 37 Solar Power Projects with aggregate installed capacity of 2778 MW and 500 MW respectively for development under state sector to Himachal Pradesh Power Corporation Ltd. (HPPCL). Out of these 276 MW of Hydro Power Projects and 37 MW of Solar Power Projects are in successful operation and work is in progress on Hydro Power Projects aggregating to 668 MW and on Solar Power Projects aggregating to 15 MW.

HPPCL is actively in process of identifying suitable locations for setting up of aggregate 500MW of Solar Capacity by March 2025. HPPCL is also working on implementation of Green Hydrogen Project (on pilot basis) of 1MW capacity and two no's of Compressed Bio Gas Plant of 2 ton per day capacity and Geo Thermal energy.

SCOPE OF INTERNAL AUDIT:

For achieving an excellence in accounting principles in compliance of the accepted Accounting Standards and physical targets linked to the budgetary allocations, the Management of a Company needs to watch and exercise effective control over the financial as well as non-financial functioning of the company. The system of Internal Audit is the best tool for the purpose. The Management of HPPCL is aware of certain weaknesses in the working of the company. Therefore, the following areas have been identified to cover in the scope of Internal Audit.

A) Budget:

1) Review of budget formation procedure.

- i. Check whether guidelines for preparation of Budget are followed and approved budget is on record.
- ii. Whether budgetary allocations for the financial year are progressively scaled over consecutive months.
- iii. Whether specific physical targets have been allotted and aligned with the financial targets set by the management.
- iv. To verify the availability of resources and their utilization on a prescribed timeline.
- v. To help in drawing the guidelines and procedures for budget preparation with specific linkage/ reference to physical/ execution targets.

2) Review of Budget Utilization and reasons for under/over utilization.

- i. To verify submission of report on utilization of financial budgets and achievement of physical targets on suitable formats for Review of budget utilization.
- ii. To verify and comment that the periodical bills as per physical targets have been received from the executing vendors and have been paid and duly accounted for in the budget and advance if any, is adjusted.
- iii. To verify reallocation of budgets financial/ physical targets during the currency of the budgetary period.
- iv. To verify the rationality/ indispensability in submitting re-appropriation budgetary proposals.
- v. To comment on observance of time line for submission of such proposals and guide the units to carry out such exercises well within the financial year so that approvals are obtained well in time to ensure putting through the entries before 31st March of the financial year. Laxities in submitting such proposals should be specially commented upon to ensure timely annual closing and conducting of Income Tax, GST, Cost and Statutory Audits etc.

B) Land Acquisition and R&R Policies:

- i. Review of land acquisition process, reasons for delay in land acquisition and disbursement of compensation awards.
- ii. Review of follow up of Land acquisition Regular First Appeal (RFA) Cases.
- iii. Monitoring of enhancement cases and their logical follow-up at various civil / revenue court.
- iv. Review of land dispute settlement procedures, status of mutations & possession of the acquired land.
- v. Review of R&R Policies and adherence thereof by projects (HEPs).
- vi. To verify status of target achievements and its social impact at ground, PAFs & PAAs level etc.

C) EMP, CAT Plan & Forest Compensation payments:

- i. To verify and comment on adherence to Govt. Policies in vogue related to EMP, CAT Plan and LADF.
- ii. To verify and comment on the status of payment of installments as per schedule under the various corporate social welfare schemes.
- iii. To comment on the status of utilization of funds by Govt. agencies on PAFs & PAAs etc. by verifying their books of expenditure.

D) Contract: Review of tendering and awarding process:

- i. Review of awarding of tenders in respect of Civil, Electro Mechanical, Infrastructure works and IT related works, Procurement of routine items by Estate Cell etc. including variation orders/amendments /extensions thereto and accounting for the expenditure thereof. To take into account the following areas also:
 - a. Pre-award and post award procedures of the contract and linkage of their execution to budgetary allocation,
 - b. Availing of facilities of any exemption allowed to power companies as per Government of India notifications issued from time to time.
 - c. All the awards of Rs.1.00 Crore and above awarded/executed during the FY, under audit to be verified for adherence to execution time lines and thereby timely completion and also to comment upon their status of execution.
- ii. Review of terms & conditions of agreements with special emphasis on adherence of time line for completion/execution and linkage with the monthly/quarterly /half yearly / yearly budgetary allocation,
- iii. To examine and comment on the reasonableness of deviations/extensions in works and their quantum.
- iv. Review of procurement procedures and authorizations (DoFP) with reference to routine / low value purchases.
- v. Review of procedure of work awards to professionals and advocates.
- vi. Review of Time over run and Cost overrun in projects.

E) F&A:

- I. Review of court cases related to all Tax matters, EPF etc.
- II. Review of FC procedures & its compliance.
- III. Compliance to statutory requirements & payment of dues related to Income Tax, GST etc.

F) Statutory compliances and internal controls:

To verify compliance of Companies Act 2013 with reference to Accounting Standards, as applicable and guidance Notes issued by Institute of Chartered Accountants of India from time to time. Advising on statutory requirements of the Companies Act 2013, Accounting Standards and other various Taxation Laws. To report any other matters coming to notice during verification in order to strengthen internal control system and for improving MIS.

G) Work accounting:

- i. To scrutinize/ verify the payment to contractors with reference to contract and comment on timely recovery of the related advances and statutory deductions.
- ii. To identify and report the errors in books of accounts and its rectification entries be done during Audit.
- iii. To check and comment on adjustment for returns, strategies, damages, unserviceable stores/material at sites.
- iv. To check timely filing of statutory tax returns and make specific comments on delay and leviability of fines for delay/short deposits etc.
- v. To review the system for issue of Project Authority Certificates (PAC), if any.
- vi. To examine irregularities with specific reference to financial concurrence, release of payments, updating of accounting records, authorization as per DOFP.

(H) Insurance other claims lodged by the company:

- i. To verify timely and correct (with all the requisite documents) lodgment of the insurance claims with insurance company follow up for settlement,
- ii. Claims lodged against the company: To verify that the claims passed by the company have the approval of the competent authority.
- iii. Review the adequacy of the insurance cover for the various risks involved.

(I) Checking of FMRs (Financial Management Records):

Checking of the Financial Management Reports prepared by Corporate Office and Project Offices and confirming that the same have been made on a realistic basis, based on books of Accounts and submitted timely.

(J) Nomination/Single tender:

To examine and comment on at least 10% of the contracts awarded on single tender/nomination basis and to submit a separate report to the Audit Committee of the Company.

(K) Capital work-in-progress & capitalization:

The following observations/verifications will be restricted to the projects which were commissioned during the year under audit only during the current financial year.

- i. Work in progress should be verified with reference to Interim Payment Certificate (IPC) and certification of progress issued by the EIC, quantum of work in progress recorded should be compared with the awards/contracts and subsequent variations.

ii. To verify and comment on the capitalization of assets and accounting of capital expenditure and its further distribution on specific assets as per accounting policy of the company for capitalization.

iii. The above said areas will also include expenses on additions/ alterations/renovations/repairs in Electrical/ Civil/ Mechanical installations etc.

(L) Vouching:

- (i) To verify the transaction and narration recorded in the voucher and to ensure inter-alia that bookings have been made in the correct head of account.
- (ii) To ensure that no manual voucher is prepared and all the vouchers are posted in the related profit centre in SAP through FI Module with proper narration.
- (iii) To check and report that no direct entry is posted in SAP and must ensure that all the payments be routed through Vendor Accounts by adopting proper Accounting procedure.

(M) Fixed Assets:

(i) To verify that proper records of assets of the company are maintained as per requirements of Companies (Auditors' Report) Order, 2016, issued by the Ministry of Corporate Affairs in terms of sub-section (11) of Section 143 of the Companies Act, 2013.

Review the system regarding accounting, custodianship and safeguarding of monetary and non-monetary assets of the enterprise and to see that the assets of the company are reasonably and adequately protected against loss. Also check that the transfer / sale of each asset are immediately and properly accounted for. Also check the applicable depreciation rates and calculation of depreciation as per methodology adopted.

(N) Physical Verification of Assets:

The physical verification report alongwith list of Scrap items may be properly checked by the Auditors as per format supplied by Corporate Office.

(O) Store transactions and valuation thereof:

To verify the vouchers pertaining to store receipts, issues and the valuation thereof. The coverage shall include purchases of stores and scrap disposal on test basis. The internal auditor while verifying these transactions shall evaluate internal control procedures operative within the enterprise for efficient materials management.

(P) Verification of secured / unsecured advances and securities given / received on behalf of the company:

(i) Documents / agreements relating to secured & unsecured advances to parties / Govt. Bodies shall be verified.

(ii) The scope includes verifications of securities deposited by the company with different authorities / parties. The internal auditor shall check and examine the purpose and the duration of such deposits and whether the deposit certificates are in safe custody for presentation at the time of claiming refund. Security deposit received from the parties shall also be verified to ensure that the company beyond prescribed period does not retain these.

(Q) Income Recognition:

- a) To verify that income recognition is being made in conformity to Accounting Policy / procedure and the transactions are recorded accordingly.
- b) Energy audit: Audit of power generation of all projects of HPPCL on the following points:
 - Audit of energy generation, Charges, net energy sold, and reconciliation of income thereof.
 - Audit of energy consumption, costs, and specific energy consumption,
 - Suggested energy conservation measures, energy savings, benefits, cost economics/ analysis, monitoring and evaluation.
 - RTM purchases etc.

(R) Additional Matters:-

- Checking of accounting for the funds received and expenditure incurred against the financing by Multi/ Bilateral funding agencies such as World Bank, AFD etc.
- All important documents including term deposit receipts, tax returns, bank guarantees, cheque books etc. are kept under safe custody,
- There is a proper mechanism that the bank guarantees are extended well before the expiry dates.
- Helping in rectification of errors and omissions observed in the course of audit.
- Guiding in location of difference in Bank Reconciliation and proper control over banking transactions.
- Review and guidance in the finalization of accounts.
- Online scrutiny of TDS deductions from payments made to contractors/suppliers and consultants.
- To review that all the liabilities and provisions have been accounted for.
- Proper accounting of expenditure and incomes accruing to the enterprise and adherence to matching principle.

- Review the system for intangible assets assessment and impairment of assets.
- To verify that all moneys received are accounted for.
- To review and monitor PFC loan, KCCBL and HPSCBL cash credit limits.
- **Consultancy Services:** Review the terms and conditions of all consultancy contracts and report the debtors' position in case the same are overdue.

(S) Drawing of Annual Accounts of the Company, as per Ind. AS, as applicable:

In addition to the internal audit work, the appointed Internal Audit Firm has to draw and submit to the HPPCL (Hard as well as Soft Copies) both in lakhs and in absolute figures, the Financial Statements/ Annual Accounts both Standalone & Consolidated, as per Ind. AS, applicable to the Company i.e. Balance Sheet and Profit and Loss Accounts, Cash Flow Statements, along with associated statements, all the schedules/sub schedules and Notes on accounts, ratio analysis, financial analysis and any other working schedules complete in all respects, to the satisfaction of the Management and further submission to the Statutory Auditors for audit & submitting their report thereon. Comparative Project-wise Balance Sheets, Profit & Loss, Cash Flow Statements, Schedules & sub-schedules a/w ratio analysis and financial analysis of all the projects (except projects under Survey & Investigation stage) are to be drawn and submitted to the Management in both hard and soft copies both in lakhs and in absolute figures.

(T) Selection criteria/Evaluation:

1. The selection of the internal auditor shall be as per criteria indicated in Annexure-E. The firm securing maximum marks will be selected. In case of tie in overall evaluation as per selection criteria to select L1, preference will be given as per the following order:-
 - (a) Firm having more experience in Internal Audit/ Statutory Audit of Govt. Companies (Central/ State) shall be given **1st preference.**
 - (b) Firm having comparatively more experience of working in ERP (SAP) software shall be given **2nd preference.**
 - (c) Firm having relatively more experience in Internal Audit/ Statutory Audit of Power Sector Govt. Companies (Central/ State) shall be given **3rd preference.**

Code of ethics for Auditors:

1. The Internal Auditors should keep themselves away from illegal practice / dishonest arrangements.
2. The Internal Auditors shall have an obligation to work objectively and diligently while performing his/her duties.
3. The Internal Auditors shall not accept any gifts or hospitality from any employee, contractor, supplier or business associate of HPPCL.
4. None of the staff of Internal Audit Team would direct or supervise the activities of any department of HPPCL, except where such activities are a part of the internal audit process.
5. The audit team should consist of at least one technically knowledgeable professional in power industry and headed every time by a Chartered Accountant (who may be a partner) and consist of adequate number of qualified/semi-qualified audit assistants of the firm.



REPORTING REQUIREMENTS

Internal Audit Reports should be divided into four separate parts, namely:

PART- I IMPORTANT OBSERVATIONS, OBJECTIONS AND RESERVATIONS:

This part should contain the auditor’s comments on all such irregularities or occurrences which auditors want to bring to the notice of management, along-with their financial implications, if any. This part should also bring out deviations (non - compliances) by units from (with) policies, systems and procedures prescribed by HPPCL. Any non-compliance with the matters/areas specified in the Guidelines/ policy of HPPCL should also be identified here. The observations should be arranged in self-contained paras, preferably with suitable titles.

PART – II COMPLIANCE REPORT:

Auditors to Report on compliance of internal audit observations outstanding as at the end of the previous year (that is, as contained in the Report of the preceding year), pending settlement, is included and details of corrective actions taken on those observations are furnished in the current year’s audit report.

PART –III REPORT ON CONTRACTS / P.Os PLACED ON SINGLE TENDER BASIS:

Internal auditors will report separately on Contracts / Work Orders (W.Os)/Purchase Orders (P.Os) placed on Single Tender basis, ascertaining the follow- up, of procedure etc.

PART – IV DETAILED REPORT:

This part shall comprise auditor’s detailed observations regarding areas specified in the Scope of the audit. However, non-compliance with the matters / areas specified in the Audit Scope which are identified in Part I of the report, should also be invariably detailed in Part IV. While, Contracts/W.Os. / P.Os placed on Single Tender basis should be reported in Part – III of the report, auditors should report their findings on all Contracts/W.Os. / P.Os placed on other than Single Tender basis in this Part (i.e. Part IV). Further, a point -wise report on the scope of audit is to be submitted a/w a certificate that the internal audit has been done as per scope of work. Further, the auditors should give specific observations along with factual data (details of transaction etc.) instead of general statement in their audit report.

Other terms & conditions:

- (a) The report should be supplemented by a statement indicating:
 - (i) Particulars of records checked along with their volume and value as compared to the total volume and value of the transactions. Auditors should also mention the entry date of the last document verified by them in the SAP system.

- (ii) A statement indicating the audit personnel deployed with their designation and the period of deployment.
- (b) Further, internal auditor is expected to have good working knowledge of “**Standard on Internal Audit**” (SIA) issued by ICAI from time to time and should invariably apply such standard while conducting internal audit and concluding his comments.

The firms shall be required to maintain highest standard of professional competence and ethics. A thorough professional approach towards work, concisely written Audit Report with concrete suggestions, clear and unambiguous approach towards issues of concern and practical solutions to the issues is highly desirable.
- (c) The report should also contain references to areas where no adverse observations have been noted. In respect of other areas, **specific suggestions for improvement**, if any, may also be highlighted for each area.
- (d) The results of audit should be discussed with Head of Project followed by Director (Finance) in each phase and important observations should be brought to their notice so that timely corrective actions may be taken. The report should be prepared after duly taking into account the additional information that may be provided / obtained at such discussions.
- (e) The firm shall not disclose the data i.e. physical, documented management systems etc. to any third party including their internal department. For this a Non-disclosure agreement will be signed.
- (f) **Bid security:** The firm has to deposit EMD/ Bid security amounting Rs.20,000/- (Twenty Thousand only) alongwith the application form in the shape of Bank Demand Draft in favour of Himachal Pradesh Power Corporation Limited.
- (g) **Performance Security:** Firm has to deposit Performance Security in the shape of a Bank Demand Draft amounting to Rs.50,000/- (Fifty Thousand only). In case the performance of the firm is found satisfactory, then DD of Rs. 50,000/-(Fifty Thousand only) shall be valid & released after one month from date of submission of Statutory Audit Report of the respective year.
- (h) The firm will be required to comply with the instructions if any issued by the HPPCL.
- (i) Firm to whom the work awarded shall not sub contract the work to any other parties either in part or full.
- (j) The firm shall not be entitled to claim any additional amount for any reason whatsoever for the above Internal Audit.
- (k) In case of any dispute, the decision of HPPCL Management shall be final and binding on the firm.
- (l) The terms and conditions enumerated in this document can be modified at any time by HPPCL at its sole discretion.
- (m) **Disclaimer:** HPPCL reserves the right to cancel the audit assignment at any stage without assigning any reason, without thereby incurring any liability to the Firm concerned or any obligation to inform the Firm concerned of the grounds, for the Corporation’s action.
- (n) **Jurisdiction of courts:** Any dispute arising out of or in respect of the contract will be subject to the jurisdiction of High Court of H.P. Shimla only.

The Time Frame of Audit:

The tenure of appointments shall be at the sole discretion of the Company. The tenure for appointments shall be initially for one year. The period of appointment can further be extended for another period of one year based on the satisfactory performance of Auditors.

- 1) The Internal Audit shall be conducted as per the schedule given hereunder:

Period of Audit	Last date for completion of audit	Last date for submission of audit reports	Last date for submission of Financial Statements
1 st April, 2023 to 31 st March,2024	31 st July, 2024	10 th August, 2024	5 th September, 2024
1 st April, 2024 to 31 st March,2025	15 th June, 2025	20 th June, 2025	10 th July, 2025

- 2) Annual Accounts complete in all respects and ratio analysis as specified in the scope of work must be finalized and submitted to the management by 5th September, 2024 for F.Y. 2023-24 and 10th July, 2025 for F.Y. 2024-25. The firm will also share/provide all the workings related with preparation and finalisation of Financial Statements/Annual Accounts including Ratio Analysis. Further, if required, the observations of the Statutory Auditor pertaining to the year will be sent for settling the audit observations and further preparing its replies.

Fee structure for Internal Audit:

Sr. No.	Projects/Units	Amount in rupees
1.	For projects under construction & operation stage (STKHEP, SKHEP, Sainj HEP, Integrated Kashang HEP(Stage- I,II & III), Chanju III- 5 nos.)	45,000/-+taxes as applicable (Each Project)
2.	For projects under Investigation or pre- Constructionstage (Deothal Chanju, RDP, Thana Plaun- 3 nos.)	15,000/-+taxes as applicable (Each Project)
3.	Corporate Office, Shimla	45,000/- + taxes as applicable
4.	Design Wing, Sunder Nagar	15,000/- + taxes as applicable
5.	Solar Power Projects under Construction and Generation stage.	45,000/-+taxes as applicable (Lum Sum per year)

Further, for drawing Financial Statements/ Annual Accounts as specified and defined in Annexure ‘A’ point no. ‘S’ in the Scope of Work, extra fee of Rs. 2.50 Lacs, plus taxes, as applicable, (for each financial year) shall be paid, in addition to the Internal Audit Fee mentioned above.

Schedule of payment:**The payment to Audit Firms shall be released as under:**

1. 50% of the Audit Fee payable shall be made after acceptance of final Internal audit reports of all the Units/Projects by HPPCL authorities.
2. Out of pocket expenses i.e. TA/DA etc. shall be reimbursed to the partners of the CA firm, under HPPCL/H.P. Govt. rules at the rates at par with the entitlement of DGM level executive (E-7) and to its audit assistants at the rates at par with Finance Officer level executive (E-2) of the Corporation. The Audit firms are to submit fee invoices including TA/DA claims, supported by stay certificates, issued by Head of Finance of the unit/project and any other supporting documents required to process such bills. Boarding/lodging to the audit team during conduct of audit will be provided in HPPCL Transit Camps subject to its availability. In case of full occupancy of transit camp, the audit firm has to make its own arrangements and will be reimbursed as per entitlement as defined above. It is further clarified that the audit firm will make their own arrangements for transport/ conveyance for any movement during the course of Audit. HPPCL will not arrange/ provide any vehicle for audit purpose.
3. Remaining 50% of the Audit Fee payable shall be paid after the Financial Statements / Annual Accounts both, Standalone & Consolidated complete in all respect are drawn, placed and approved in the BoD meeting.
4. The payment for drawing of Financial Statements / Annual Accounts shall be released on receipt of final Statutory Audit Report for the year under consideration.

Eligibility Criteria:

1. The CA firm should have minimum Five Partners.
2. The CA Firm should have minimum Rs.25 Lakh average Annual Turnover in the last three financial years.
3. The CA Firm should have minimum experience of 4 years of audit in ERP-SAP environment
4. The CA firm should have minimum experience of at least 5 years in conducting Internal/ Statutory Audit assignment of PSUs/ Govt. Companies (Central/State).
5. The CA firm should have minimum experience of at least 2 years in drawing of Financial Statements/ Annual Accounts.
6. The CA firm who do not possess any of the above will be considered as disqualified.

AGM (Finance)

“Appointment of Internal Auditors for the F.Y. 2023-24 and 2024-25”

Annexure-“F”

The following information to be furnished by interesting CA firms on their Letter Head:-

1. Name of the Firm.
2. Registration No. & details of registration with CAG Office, (if any) with supportings from ICAI website.
3. Copy of PAN Card.
4. Copy of GST Registration.
5. Address of the Head Office as well as Branch Offices (if any) with supporting from ICAI website.
6. Contact No. of the CA firm (Landline and Mobile).
7. Details of partners along with their Membership No's, and experience in years (supportings from ICAI website).
8. Details of total staff strength of the firm i.e. No. of Assistants- Qualified/ Semi-qualified.
9. Minimum average Annual Turnover in the last three financial years shall be Rs.25 Lakh a/w supporting documents.
10. Details of having experience of working in ERP-SAP along with its certification from that respective organization(s).
11. Details of Internal Audit/ Statutory Audit of PSUs/ Govt. Companies (Central/ State) undertaken by the firm (Certification from concerned PSUs/ Govt. Companies is mandatory).
12. Details of having experience in drawing of Financial Statements / Annual Accounts i.e. Balance Sheet and Profit & Loss Accounts etc. both Standalone and Consolidated of Companies along with certification of such works from that organization(s) is required to be submitted by the firm.

Declaration:

1. We confirm that the information furnished herein is correct and fair in all respects and we have the necessary documentary proof to substantiate the same. It is further confirmed that in case any of the contents contained herein are found to be incorrect, Himachal Pradesh Power Corporation Ltd. is free to initiate any appropriate action against us.
2. We further declare that there have been no adverse comments/ qualification on our performance from the Management/Audit Committee.

Partner (Signature)

Name & Membership No. Date: