

SCOPE OF WORK FOR THE FINANCIAL YEAR 2021-22

PART-I

1. RISK BASED INTERNAL AUDIT TO BE CARRIED OUT ON QUARTERLY BASIS

A. LOAN PROJECTS

(I) Pre - Sanction Requirements / Appraisal Process**1 Receipt of application**

- (a) Verify that loan application was received in the prescribed format along with relevant supporting documents and documentation charges.

2 Appointment of Nodal officer

- (a) Verify that Nodal Officer was appointed by the Regional Chief timely on receipt of application and supporting documents.
- (b) Verify that the eligibility of proposal for HUDCO funding was evaluated by the nodal officer within the prescribed timelines.
- (c) Verify that Nodal officer has evaluated the proposal for HUDCO funding on following aspects:
 # the proposed scheme is eligible for funding as per HUDCO mandate.
 # the agency is eligible to raise loan from HUDCO as per its MoA/ Constitution.
- (d) Verify that compliance of KYC/PML guidelines, issued by NHB and HUDCO from time to time has been ensured for loan applications received for Project Loans and furnishing the certificate as prescribed from time to time.

3 Constitution of appraisal team

- (a) Verify that Mission/ Appraisal team was constituted by the competent authority timely i.e. within 2 days of registration of application.
- (b) Verify that appraisal team was constituted properly comprising of minimum three members, one member each from project, finance and legal discipline.
- (c) Verify that Nodal officer was appointed to monitor the progress of appraisal and keep H.O. informed, in case of constitution of appraisal team by H.O.

4 Preparation and approval of appraisal report

- (a) (i) Verify that loan was sanctioned to only eligible borrowers for eligible scheme, after comprehensive evaluation of eligibility criteria as per guidelines.
 (ii) Verify that appraisal report has been prepared correctly, comprehensively in all respect and in conformity of the facts given in various documents submitted by the borrower.
 (iii) Verify that the appraisal report was accepted and approved by the competent authority.
- (b) Verify that the credit risk rating has been assigned by the Appraisal team in accordance with the defined framework.
- (c) Verify that the Resolution has been passed by the Board of Directors of the borrower to borrow from HUDCO.
- (d) Verify that the certificate from statutory auditors of borrower has been obtained confirming that the borrowings are within the limit as per the relevant provisions of Companies Act, 2013.
- (e) Verify that the financial indicators (financial ratios) i.e. Net Worth, Internal Rate of Return, Fixed Assets Coverage Ratio, Debt Servicing Coverage Ratio, Pay Back Period, Debt Equity Ratio, etc. of project and/ or borrower, as applicable to the category of loan, are within the norms.
- (f) Verify that the promoter's contribution is as per the norms.
- (g) Verify that the exposure to state/ individual agency is within the norms/ limit prescribed by NHB/ HUDCO.
- (h) Verify that security/ guarantee proposed by the agency is as per the prescribed guidelines of the Company.
- (i) Verify that loan scheme was sanctioned in line with prescribed financing pattern to ensure that financing was within the prescribed limit and there was no over financing for the project.
- (j) Verify that applicable rate of interest as per financing pattern is charged from the borrower.

5. Sanctioning of loan

- (a) (i) Verify that appraisal report was reviewed/ approved by appropriate authority as per defined approval matrix.
 (ii) Verify whether the scheme is being processed within the sanctioning powers of the competent authority.

(II) Post Sanction Process**1 Preparation and sharing of sanction letter with the borrower**

- (a) Verify that sanctions letter was sent to borrower/ agency within 2 days of approval of loan application.

- (b) (i) Verify that all terms & conditions and documents required to be submitted by the borrower were adequately stipulated in the sanction letter and it was vetted by legal wing prior to its sending to borrower.
- (ii) Verify that sanction letter does have standard and other conditions as approved and conditions as included therein are not in deviation with the standard sanction letter.

2 Verification of title deed/ CERSAI

- (a) (i) Verify that outside agency/ empanelled advocate was hired for vetting of title deed of mortgaged property to ensure that the mortgaged property is registered with appropriate authority in the name of borrower/ guarantor.
- (ii) Verify that various documents were verified by Law wing at RO before disbursement of loan.
- (b) Verify that Unencumbered certificate was obtained from the appointed outside agency/ empanelled advocate.
- (c) Verify that law wing has verified from CERSAI, the non-existence of any other loan on mortgaged property by the borrower.

3 Execution of loan and security documents

- (a) Verify that title search report was obtained from the empanelled advocate and security documents such as DP Note/ Hypothecation Agreement/ Term Loan Agreement etc. were duly verified by Law wing, RO before disbursement and were got vetted by the empanelled advocate/ outside agency.
- (b) Verify that legal department ensured the execution of loan and security documents, post sanction.
- (c) Verify that charge was created in accordance with the requirement of Section 77 of Companies Act, 2013 (Mortgage of Property), wherever applicable.
- (d) Verify that the loan was sanctioned to Corporation/ Urban Local Body/ Agency under direct control of government after ensuring the government approval, permission to mortgage in case land/ land & buildings is proposed to be mortgaged as security, government approval for taking up the scheme and the budgetary provision for repayment.
- (e) Verify that the structured escrow mechanism against identified receivables is as per norms and the default escrow account, wherever applicable, has been identified properly keeping in view the main collection account of the borrower.

4 Valuation of mortgaged property

- (a) Verify that mortgaged property was got valued from an empanelled valuer.
- (b) Verify that mortgaged property was valued by 2 empanelled valuers in case the amount of loan is 50 lakh or above.
- (c) Verify that valuation reports were received from the valuers timely, within the defined timelines.
- (d) Verify that valuation reports were reviewed and accepted/ approved by the competent authority.
- (e) Verify that effective monitoring mechanism is in place for valuation of security on regular basis and top up of security is taken, if required.

5 Insurance of mortgaged property

- (a) Verify that insurance policy for mortgaged property was taken in the joint names of the Company and borrower. Also, verify the value of the policy vis-à-vis cost of the project and tenure of the policy vis-à-vis repayment period.
- (b) Verify that insurance policy for mortgaged property was renewed timely in the joint name.
- (c) Verify that insurance of project property mortgaged is as per LMC/ guidelines.

6 Custody of security documents

- (a) Verify that original security and other documents are kept in fire proof vault at R.O under the safe custody of law officer.
- (b) Verify that register recording the details of security documents kept in fire proof vault was maintained to monitoring the documents.

7 Loan charges

- (a) (i) Verify that loan documentation and other charges such as application fee/ front-end-fee/ Research and Development (R&D) were correctly charged as per guidelines and in reference to the loan agreement and financing pattern.
- (ii) Check the accounting entries with respect to relevant voucher passed.
- (b) Verify that GST was correctly charged as applicable on various charges collected from borrower.
- (c) Verify that waiver of loan documentation and other charges was done after obtaining the approval of Board of Directors.

(III) First / Subsequent Disbursement

1 Release of funds - request and release

- (a) Verify that funds were released after the receipt of request from the agency.
- (b) Verify that before considering the release of funds, the compliance of all the terms and conditions of sanction letter have been ensured, all the supporting documents required to be submitted by the agency were reviewed and deviations if any are approved by the competent authority.
- (c) Verify that the release has been effected only after taking the confirmation/ clearance from the concerned SBUs.
- (d) (i) Verify that R.O. processed the loan release as per extant HUDCO guidelines.
(ii) Verify the date of release of loan amount and ensure that the rate of interest is as per applicable Financing Pattern.
- (e) Verify that funds were disbursed to the agency in Escrow/ Project dedicated account only after confirmation received from loan department that the agency was not in default.

2 Progress report and funds utilization certificate

- (a) (i) Verify that progress reports and fund utilization certificate were received timely from the borrower and verify their authenticity and correctness as per loan sanction terms. Report the cases where Utilization Certificates have not been received.
(ii) Verify the supporting documents received with the utilization certificate to ensure the genuine incurrence and reporting of expense.
(iii) Verify that subsequent disbursements were made only after proper verification of progress report and funds utilization certificate upto last release fund submitted by the borrower.

3 Site Inspection

- (a) Verify that site inspection was done by technical team as per approved schedule.
- (b) Verify that site inspection report was prepared timely i.e. immediately after return from inspection and approved by competent authority.
- (c) Verify that site Inspection report was prepared by technical team and it was accepted before each disbursement of funds to borrower.
- (d) Verify that completion certificate was obtained timely from the borrower on completion of project.

4 Preparation of pre - disbursement checklist

- (a) Verify that pre-disbursement checklist was prepared to assess the result of progress and site inspection report as well as other key conditions of sanction terms (including bringing in promoter's contribution), prior to disbursement of funds to borrower.
- (b) Verify that complete and correct details were incorporated in pre-disbursement checklist from respective progress report and site inspection report.
- (c) Verify that pre-disbursement checklist was reviewed and approved by the competent authority.
- (d) Verify that pre-disbursement sanction conditions and other conditions (including timely receipt of Budgetary provisions in respect of government guaranteed projects) have been complied and effective monitoring of achievement of required level of expenditure for second and subsequent releases was done.

5 Recovery of charges against disbursement

- (a) Verify that processing charges were recovered/ deducted from the first disbursement, where it is explicitly mentioned in the sanction terms/ at the request of the borrower.

(IV) Monitoring Repayments

1 Demand letters

- (a) Verify that ROs generates demand letters from the system and sent timely to the borrowers i.e. before the due date of repayment of loan.

2 Receipt of payments

- (a) Verify that effective monitoring of loan accounts is done to ensure timely receipt of repayments as per repayment schedule.
- (b) Verify that repayments are made by the borrowers timely, in accordance with sanction terms.
- (c) Verify that repayments are correctly appropriated to various agencies
- (d) Verify the repayments were reconciled from bank statement with the books of accounts to ensure its correctness.

3 Penal interest/ charges on delayed payments

- (a) Verify that penal interest/ other charges were correctly charged as per sanction terms/ policy in case of delayed/ untimely repayments by the borrowers/ agencies.

4 Prepayments

- (a) Verify that prepayment charges were charged from borrowers/ agencies in accordance with sanction terms and as per guidelines in case of prepayment of loan, except where prepayment charges are explicitly exempted.

(V) Loan Accounting

1 Loan card

- (a) Verify that loan card was prepared at the time of first disbursement.
- (b) Verify that details of borrower, principal repayment, interest category & sub-category fed, asset classification and disbursement schedule were correctly mentioned in the loan card.
- (c) Verify the classification of assets/ loan like Housing Boards, Private, NGOs, Co-operative, State Governments, Municipal Corporations, etc. and Housing & Non Housing in respect of Project loans sanctioned during the financial year.

2 Revision/Change in interest rates

- (a) (i) Verify that interest rate were revised timely on account of revision in financing pattern, weighted average rate, special rates as sanctioned and automatic reset falling due on completion of specified period as per financing pattern.
(ii) Verify the calculation of interest & penal interest levied on the agencies.
(iii) Verify in case of loan released in consortium funded project, date of release, amount and rate of interest is as per terms of Common Loan Agreement (CLA)/ Inter Credit Arrangement (ICA)/ consortium partners for verification of interest charged by consortium partners/ Hudco guidelines.

3 Provisioning

- (a) Verify that valuation report of security was received timely from the borrowers and required steps including top up of security were taken timely in case of deterioration in value of security.

4 Balance Confirmations

- (a) Verify that balance confirmations have been duly called and received from the borrowers/ agencies not in litigation, on quarterly basis.
- (b) Review the balance in confirmations received vis-a-vis balances as per HUDCO's books and verify that differences, if any, have been appropriately dealt with.

5 Recovery of charges periodically

- (a) Verify that charges such as deferment charges, prepayment charges, commitment charges, conversion charges, applicable as per guidelines/ norms, were recovered along with applicable GST thereon and penal interest levied on unutilised loan amount may not be recovered. .
- (b) Verify that accounting of Corporate Debt Restructuring/ Deferment/ Re-scheduling and waiver implemented during the year correctly as per sanction terms.
- (c) Verify that charges/ fees were recovered as per terms of CLA/ ICA or any other agreement in case of consortium funded projects and these charges were accounted correctly in the books.
- (d) Verify that comprehensive implementation of deferment/ amendment/ waiver in the loan card/ new loan card/ loan ledger with respect to OTS/ DRP/ Decree of DRT/ DRAT/ CDR/ Restructuring/ Deferment/ reschedulement/ Curtailment of loan was done as per amendment letter issued by RO and also its correct accounting in the books.

6 Loan Recall

- (a) (i) Verify that loan was recalled as per terms and conditions as contained in the loan agreement.
(ii) Verify that loan recall notice was implemented in loan card based on loan recall notice issued by RO and verify its accounting entries.

(VI) Release of Security

1 Pre-audit of Project Loans

- (a) Verify that the cases which were subjected to pre-audit have been submitted for verification before release of security/ part security/ initiating legal action.
- (b) Ensure that all the supporting documents required for conducting the pre-audit of accounts have been submitted.
- (c) Verify that after pre-audit by CA Firm at RO, pre-audit clearance/ no dues certificate has also been obtained from IA wing HO in case of non government borrowers and one time government borrowers as per the guidelines before filing the dues to DRT courts or other courts for recovery including initiation of action under SARFAESI Act, 2002.

- (d) Verify that after verification of accounts by internal auditor at RO, in case of regular government agencies, no dues certificate has also been obtained from loan accounts wing HO/ RO.
- (e) Verify that the correct/ latest dues of the agency/ borrower have been incorporated in Original Application (OA) at the time of taking legal action against the agency/ borrower.
- (f) Verify that legal expenses/ other expenses/ charges have been recovered from the agency as per terms conditions of sanction letter and loan agreement.
- (g) Verify that the compliance with all pre-audit observations, if any, was done/ ensured before release of security/ before initiation of legal action by RO.
- (h) Verify that security was released to the borrower or the person authorized by the borrower.
- (i) Verify that acknowledgment for receipt of security was duly obtained from the borrower at the time of release of security to avoid dispute and the entry has been released from CERSAI and ROC.

(VII) NPA Management

1 Tracking of potential NPA/ NPA accounts.

- (a) (i) Verify that default/ NPA cases are being reviewed and followed up regularly.
- (ii) Verify that Excel sheet on potential NPA's is timely prepared and updated.
- (iii) Verify that Excel sheet on recoveries in NPA accounts is prepared and updated.
- (b) Verify that DMRC meetings were held regularly every month as per guidelines at RO to discuss the status of Potential NPA/ NPA accounts.
- (c) Verify that default cases were reviewed and minutes were uploaded in the online entry system from time to time.
- (d) Verify that the report on potential default/ NPA accounts and their status was timely shared with the management.
- (e) Verify that RO has taken necessary action for recovery/ reduction in NPA accounts.

2 Legal & Fraud cases

- (a) (i) Verify that legal case was filed in Default/ NPA cases after completion of specified period, as per guidelines and ensure that timely follow ups was done and necessary actions were taken.
- (ii) FIR has been lodged timely in all fraud cases. Obtain the copy of the same.
- (b) Verify that report of fraud cases was shared correctly by RO quarterly with Risk Management Department of H.O. for its onward submission to NHB in prescribed format.

3 Monitoring of NPA accounts

- (a) (i) Ensure timely execution of decrees given by the court.
- (ii) Review the progress of declared/ identified fraud cases.
- (iii) Identify the cases of potential defaults and verify that timely steps were taken by HUDCO.

4 Wilful Defaulters

- (a) (i) Verify that updated list of wilful defaulter, as declared by RBI, is held on records and borrowers credit rating is checked from CIBIL.
- (ii) Verify that compliance with internal circulars issued by HUDCO regarding wilful defaulters was ensured.

(VIII) Controls over Escrow Accounts

- (a) Verify that adequate control over Escrow account of various borrowers is in place to ensure its effective monitoring. Further, verify that relevant terms & conditions for Escrow account have been complied with.

(IX) One Time Settlement

- (a) Verify that calculation for OTS has been done correctly as per the guidelines.
- (b) Verify that OTS was done only after obtaining the final approval of the Board.

(X) Interest Income on Loans

1 Receipt of Income

- (a) Verify that receipt of repayments were:
 - # correctly appropriated towards principal and interest, and
 - # interest income correctly booked in books of accounts in HO.

(XI) KFW Scheme

- (a) Verify that the grant assistance was provided for the scheme approved by the State Government and its implementing agency is eligible under its constitution and is nominated by the State Government.

- (b) Verify that the grant assistance was provided for the eligible components within the limits, as prescribed in guidelines.
- (c) Verify that the Grant Agreement was executed with the agency and the grant was released by following the procedures defined in the guidelines.
- (d) Verify that the pre-condition of matching concept, as prescribed in the guidelines, from the State Government or Implementing agencies, as the case may be, has been fulfilled.
- (e) Verify that the grant assistance was released after obtaining the approval from H.O.
- (f) Verify that the subsequent instalment(s) have been released after receipt of utilization certificate in support of grants earlier released and ensuring the physical and financial progress.

B. LOAN NIWAS

(I) Pre-sanction Requirements / Appraisal process

1 Receipt of Application

- (a) (i) Verify that duly filled loan applications were received from the borrower in prescribed format along with self attested documents as per guidelines.
- (ii) Verify the correctness of the documents received from the applicant.
- (b) Verify that CIBIL of the applicant/ co-applicant was generated and credit score has been recorded correctly in credit appraisal cum sanction note and was considered properly for the evaluation of credit to the borrower.
- (c) Verify that KYC guidelines issued by the Company/ NHB have been duly complied with and KYC documents were obtained from the borrower as per guidelines.
- (d) Verify that employment verification form (confidential) was received from the employer duly certified before the disbursement of loan.

2 Appraisal of loan

- (a) (i) Verify that appraisal of the borrower was done timely to check the credit worthiness including CIBIL score, repaying capacity (individual and rental income), credit appraisal ratios and fixing of repayment period.
- (ii) Verify that loan amount was calculated as per guidelines.
- (iii) Verify that income growth for step-up and pension for step-down was properly considered for appraisal.
- (iv) Verify that Balloon amount is as per guidelines.
- (b) Verify that financing to the borrower is within LTV Ratio limit as prescribed by NHB and HUDCO, including combined LTV for multiple loans to the borrower.
- (c) Verify that security proposed by the borrower is as prescribed in the guidelines.
- (d) (i) Verify that interest rate on loan is as prescribed in the financing norms.
- (ii) Verify that ROI was correctly recorded in the individual loan ledger from the sanction letter/ loan agreement.
- (iii) Verify that the option chosen by the borrower for interest (floating/ fixed) was correctly recorded in the system and applied.
- (e) Verify that statutory approvals, approved maps, title documents are also checked at the time of approval of loan.

3 Approval of loan

- (a) Verify that loan was approved by the competent authority for the prescribed limit of Rs. 2 crores for Govt. employees and Rs. 1 crore for private borrowers.

(II) Post Sanction process

1 Sanction Note

- (a) (i) Verify that sanction letter was prepared correctly and issued timely by Law wing to the customer post sanction, with all the standard and other conditions as approved by the competent authority.
- (ii) Verify that sanction was accepted within 30 days from the date of sanction letter and if required, competent authority has given extension upto 90 days.
- (iii) Verify that admin fee along with GST was paid by the borrower after acceptance of sanction note against the tax invoice issued.

2 Verification of title deed/ CERSAI and Execution of loan and security documents

- (a) (i) Verify that an empanelled advocate was hired for verification of title deed of mortgaged property to ensure that the mortgaged property is registered with appropriate authority in the name of borrower/ guarantor, except for the cases where allotment was from Government agencies.
- (ii) Verify that various documents were verified by Law wing at RO before disbursement of loan.
- (iii) Verify the title deed of mortgaged property for loans given during the period under audit.
- (iv) Verify that creation and registration of security as per guidelines was done by the empanelled advocate.

- (b) Verify that unencumbered certificate was obtained from the appointed empanelled advocate.
- (c) Verify whether verification has been done from CERSAI that no loan exists on property offered by the borrower for mortgage to Hudco.

3 Valuation of Mortgaged property

- (a) Verify that the mortgaged property in case of purchase in resale and composite loans (except where purchased from government authority) is got valued from an empanelled valuer.
- (b) Verify that valuation reports from the valuers were received timely and were reviewed and accepted/ approved by the competent authority.

4 Insurance of mortgaged property

- (a) Verify that insurance policy for mortgaged property was assigned in the name of Hudco and also verify its adequacy in terms of value and tenure.
- (b) Verify that insurance policy for mortgaged property was renewed timely and renewed policy is assigned in the name of Hudco.
- (c) Verify that insurance of mortgaged property is as per LMC/ guidelines.

5 Custody of security documents

- (a) Verify that original security documents are kept in fire proof vault at R.O under the safe custody of law officer.
- (b) Verify that register recording the details of security documents kept in fire proof vault was maintained to monitor the documents and was up to date.

(III) First/ Subsequent Disbursement

1 Request for release of funds

- (a) Verify release of loan after compliance of sanction conditions, site inspection, individual contribution, requisite financial & physical progress and after receipt of request from the borrower.

2 Site inspection

- (a) Verify that site inspection report has been prepared for site visit done by the officials as per approved schedule before each disbursement.

3 Preparation of pre- disbursement memo

- (a) Verify that pre-disbursement memo was prepared to assess the result of Technical Inspection report as well as other key conditions of sanction terms, prior to disbursement of funds to borrower.
- (b) Verify that complete and correct details were incorporated in pre-disbursement memo from respective Technical Inspection report.
- (c) Verify that pre-disbursement memo was reviewed and approved by the competent authority.
- (d) Verify that pre-disbursement sanction conditions and other conditions such as obtaining of PDCs/ ECS as per guidelines, have been complied.
- (e) Verify that status of borrower was verified, prior to disbursement of funds, to ensure that the borrower is not in default.
- (f) Verify that disbursement of funds has been made in the borrower's designated bank account.

(IV) Monitoring Repayments

1 Receipt of payments

- (a) (i) Verify that EMI schedule, as generated from the system was correctly and timely intimated to the borrower.
- (ii) Verify that repayments of loan is done by the borrower timely within due date and verify the repayments with respect to amount received, actual date of receipt/ credit of payments received from the borrower from the bank statement.
- (b) (i) Verify that 2 cheques were collected from the borrower in case ECS option was adopted for payment of EMI.
- (ii) Verify that ECS application has been timely forwarded to the bank.
- (c) Verify that the approved deduction at source letter was received from the borrower's employer and EMI was received timely.
- (d) Verify that the payments have been received through ECS and the PDCs received earlier have been converted with NACH.

2 Default in payment of EMI

- (a) Verify that default report was generated regularly and correctly from the system listing out the EMIs of all the borrowers who are in default.
- (b) Verify that borrower, in case of default, was informed telephonically and then through personal visit to pay the EMI.
- (c) Verify that legal notice was issued to all the borrowers who were in default immediately after the receipt of case by legal executive.

(V) Loan Accounting

1 Ledger of the borrower

- (a) Verify that ledger account of the borrower was prepared at the time of first disbursement recording the details of the borrower and repayment schedule and was reviewed by an independent person.
- (b) (i) Verify the books of accounts and vouchers to ensure appropriateness and correctness of heads of accounts.
(ii) Verify bank reconciliation and monthly cumulative reports as generated periodically from the system.

2 Revision/ change in interest rates

- (a) Verify that interest reset in case of Niwas (Bulk Loans) and individual fixed rate interest loans was done in the Niwas software by HO based on the interest reset details intimated by RO.

3 Provisioning

- (a) Verify that borrower's accounts are correctly classified into various categories, as per extant norms/ guidelines of NHB through automated system.
- (b) Verify that valuation report of security was received timely from the borrowers and required steps including top up of security were taken timely in case of deterioration in value of security.

4 Loan Recall

- (a) Verify that loan recall notice was implemented in loan ledger of the borrower based on loan recall notice issued by RO and verify its accounting entries.

5 Credit Linked Subsidy Scheme (CLSS)

- (a) (i) Verify that the subsidy was timely forwarded to PLIs by R.O. after the claim was approved by HO and CLSS subsidy was released to RO.
(ii) Verify that the tax invoice of processing fees was received for the CLSS subsidy released to PLIs by R.O.
(iii) Verify that the site inspection wherever required has been undertaken and Utilization Certificate has been received from PLIs.
(iv) Verify that in case of loan processed by R.O., subsidy claim application was timely sent to H.O. by R.O. and the interest subsidy was timely credited upfront to borrower's accounts by R.O.

(VI) Settlement of loan

1 Repayment of loan and Release of security

- (a) Verify that security was released after verification of status of dues of the borrower.
- (b) Verify that security was released to the borrower or the person authorized by the borrower.
- (c) Verify that acknowledgment for receipt of security was duly obtained from the borrower at the time of release of security for documentation and to avoid dispute.

(VII) NPA Management

1 Tracking of potential NPA/ NPA accounts

- (a) Verify that updated report on potential NPA cases was shared with the managers and the status of NPA cases was updated to HO.
- (b) Verify that DMRC meetings were held regularly every month as per guidelines at R.O. to discuss the status of Potential NPA/ NPA accounts.
- (c) (i) Verify that default cases were reviewed and minutes of default recovery were sent to HO from time to time.
(ii) Verify that action under 138 of Negotiable Instrument Act, filing of civil and criminal cases including SARFAESI Act was taken, wherever decided.
- (d) Verify that report on potential default/ NPA accounts and their status was timely shared with the management.

2 Legal and Fraud cases

- (a) (i) Verify that legal case was filed in Default/ NPA cases after completion of specified period, as per guidelines and ensure that timely follow up was done and necessary actions were taken.
- (ii) Verify that FIR has been filed timely in all fraud cases. Obtain the copy of the same.

3 Monitoring of NPA accounts

- (a) (i) Ensure timely execution of decrees given by the court.
- (ii) Review the progress of declared/ identified fraud cases.
- (iii) Identify the cases of potential defaults and verify that timely steps were taken by HUDCO.

4 Wilful Defaulters

- (a) Verify that updated list of wilful defaulter, as declared by RBI, is held on record and borrower's credit score is checked from CIBIL.

5 One Time Settlement

- (a) Verify that OTS has been correctly calculated as per laid down guidelines.
- (b) Verify that OTS was done after obtaining the approval of RC.
- (c) Verify that OTS/ Amendment/ Decree/ Restructuring/ Curtailment of loan was comprehensively implemented as per amendment letter issued by RO and was accounted correctly in the books.

(VIII) Income from loans

1 Accrual of Income

- (a) Verify that accrued interest was correctly calculated and accounted every month based on report run from the system at each RO.
- (b) (i) Verify that income accrued on NPA accounts is excluded from total income and income on NPA accounts is booked on actual/ realization basis.
- (ii) Verify that interest was correctly posted in ledger of the borrowers.

2 Penal interest on delayed payments

- (a) Verify that penal interest and compound interest were calculated and charged as per sanction terms/ policy/ norms in case of delayed/ untimely repayments by the borrowers.

3 Charges recovered on loans

- (a) Verify that various charges such as conversion charges (reset charges), admin fee, legal fee, bank charges, applicable as per guidelines/ norms, were recovered along with applicable GST thereon and were accounted properly.

4 Receipt of Income

- (a) (i) Verify that receipts were recorded in the system correctly.
- (ii) Verify that financial entries for receipts was passed in the books of accounts correctly.

C. CASH AND BANK

(I) Bank Receipt

- (a) Verify that vouchers were correctly and timely prepared in system with available supporting documents for all receipts in bank account as reflected in bank statement.
- (b) Verify that the cheque (if any) is deposited timely in the bank from the date of its receipt and also the cheques were cleared timely after its deposit in bank.

(II) Bank Payment

- (a) Verify that payment is made only through bank transfer/ RTGS/ NEFT in the designated bank account of correct vendor/ party after receipt of duly authorised voucher from the competent authority.
- (b) Ensure that payment is made through e-mode and cheque payment is used only in exceptional cases by recording the reasons thereof.
- (c) Verify that supplier code is created by designated person (System supervisor) after receiving the request with HOD approvals and supporting documents and thereafter supplier is mapped in system.
- (d) Verify that bank advice is generated automatically by system based on party master and no duplicate payment/ payment for the wrong amount/ payment to unauthorized or fictitious suppliers was occurred.

(III) Recoupment of Imprest

- (a) (i) Verify that requirement of fund has been assessed before raising the requisition for funds and minimum balance is maintained as per directions.
- (ii) Verify head office control account with reference to remittances received from HO and disbursement made at R.O.

(IV) Bank Reconciliation Statement (BRS)

- (a) Verify that BRS is prepared for all bank accounts by 3rd of every month. Report the pending entries other than for recent months appearing in BRS.
- (b) Verify that monthly BRS is reviewed and signed by the concerned officials and timely adjustments/ updation of books has been done.
- (c) Verify that confirmation is downloaded for internet banking accounts or else confirmation is obtained from bank for every bank account at the month end and ensure reconciliation of bank accounts with reference to closing balances as per ledgers.
- (d) Verify that there is no such case where cash (if any)/ bank receipts/ payments :
 - # have been recorded when there are no cash/bank receipts/payments, or
 - # have been improperly recorded, or
 - # have not been recorded/applied, or
 - # are not accurately recorded.
- (e) Verify the reconciliation of bank accounts with reference to closing balances as per ledgers.

(V) Opening & Closing of Bank Accounts

- (a) Verify that bank accounts were opened/ closed after obtaining the approval of competent authority and documentation of reason thereof.

(VI) Maintaining Earmarked Funds

- (a) Verify that separate current account is maintained for earmarked funds to ensure the utilization and monitoring of funds for specific/ earmarked purpose (Whether funds received / receivable for specific schemes from Central/ State agencies were properly accounted for / utilized as per its term and condition ? List the cases for deviation).

(VII) Monitoring of funds held in bank account

- (a) Verify that inoperative bank account has been closed after review of its requirement and if not closed then only minimum balance is maintained.
- (b) Verify that the finance department regularly reviews the fund availability vis-a-vis utilization requirement in upcoming period and surplus funds, if any, have been remitted to H.O. on timely basis.

D. ASSETS

(I) Receivables

- (a) Check and ensure that responsibilities of billing for services is adequately segregated from those for collection and accounting to ensure control.
- (b) Verify that proper verification is done by the finance team to verify that all receivables are recorded in system in compliance to the revenue recognition criteria.
- (c) (i) Verify that receivable are regularly reviewed and tested for impairment and wherever any credit loss is expected, same is booked as per the accounting policy of the Company.
- (ii) Report the party accounts with major, long overdue advances, if any.
- (d) Verify that receivables were written-off after obtaining the approval from competent authority and after making proper documentation for all the available options that have been exhausted.
- (e) Verify that balance confirmations have been received from parties on annual basis and discrepancies in balance confirmation received, if any, were duly reconciled and required adjustments were made.

- (f) (i) Verify that ledger scrutiny was performed by Finance department periodically and in case of discrepancy it was resolved in consultation with concerned department/ person.
(ii) Verify that full provision has been made towards doubtful debtors/ receivables and advances which are outstanding for more than three years in accordance with accounting policy of the Company and ensure its correctness on account of following:

- # use of appropriate methodology for the calculation of provision,
- # use of correct ageing of receivables for the calculation of provision,
- # the receivables which are included in the provision for doubtful trade receivables calculation exist and entity has rights to such receivables, and
- # all the receivables, on which provision is required, are considered for provisioning.

(II) Other Assets

- (a) Verify that advances are monitored on quarterly basis and follow-up has been done for all advances due for recovery. Report the party accounts with major, long overdue advances, if any.
- (b) Verify that law wing regularly follow ups with respective advocate for update on legal cases, hearings due and its outcome to ensure effective monitoring of advances under dispute.
- (c) Verify that regular follow up has been done with government/ tax authorities for refund of advances as and when the purpose for which it was given has been fulfilled.
- (d) Report the long pending entries in various asset account heads.

E. FIXED ASSETS

(I) Acquisition of Fixed Assets

- (a) Check that:
- i) The fixed assets were purchased from available capex budget.
 - ii) The approval of competent authority was obtained.
 - iii) The defined process for acquisition of fixed assets was followed
- (b) (i) Check that the asset capitalized were eligible for capitalization in accordance with generally accepted accounting principles.
(ii) Verify that the fixed asset was correctly capitalized on correct date i.e. when asset was put to use.
- (c) In case of online bidding and reverse auction (through GeM portal), check that:
- (i) The comparative statement was correctly prepared and financial concurrence was obtained.
 - (ii) Ensure that purchase was done from L1 party who satisfies the eligible criteria.
- (d) Verify that assets have been purchased as per Purchase manual/ GEM portal in compliance of General Financial Rules, 2017, read with the rules amended from time to time. If not then the reason has been recorded and duly approved by HOD before the purchase of assets.
- (e) Verify the acquisition of new assets and improvements to existing assets from supporting documents such as job orders, invoices, Material Receiving Reports (MRR) and title deeds (in case of land and building).
- (f) (i) Verify that asset code (Unique ID's) was allotted to all the fixed assets on their receipt.
(ii) Ensure that the asset code list is maintained for recording the Unique IDs of assets and the list is updated on real time basis.
- (g) Verify that categorization of assets has been done to proper heads of account.
- (h) Verify that assets are safeguarded for risk such as lost, stolen, destroyed or temporarily diverted. Ensure that no asset was allowed to be moved out from HUDCO campus without gate pass.
- (i) Verify compliance with Ind AS 40 and ensure that Investment property held for rental income or capital appreciation are classified as 'Investment property'.
- (j) Verify the provisions of Indian Accounting Standards (IND-AS) applicable to HUDCO as per the instructions issued by Head Office from time to time are complied with and furnished in the prescribed format comprising of the lease rental paid against the leasehold properties.

(III) Capital Work In Progress (CWIP)

- (a) Ensure assets under construction or pending installation and not yet ready for intended use are classified as work in progress.
- (b) Verify that additions to capital work in progress does not include revenue expenditure.
- (c) (i) Verify work completion report to ensure that amount was capitalized as an asset on the date on which it was put to use/ ready for it's intended use.
(ii) Verify Capital work in progress with reference to underlying contractor bills, work orders, certification of work performed by independent persons, comparison of progress and the costs incurred up to-date with the budgets, capital asset management policy and plan, pending commitments, etc.

(III) Recording of Intangible Assets

- (a) Verify that intangible assets have been capitalized only if company has rights/ ownership to such assets i.e. licenses/ title deeds etc. and life/ period of asset has been clearly defined therein.
- (b) Verify the input data/ accounting/ adjustment entries passed as per applicable provisions of IND-AS-38 in accordance with approved accounting policy of HUDCO.
- (c) Verify that Intangible Assets fully amortized but still in use are carried in fixed assets register till it is in use.

(IV) Disposal/ Write Off of Fixed Assets

- (a) Verify that asset disposal committee was properly constituted by the competent authority.
- (b) Verify that sale value of assets includes GST amount to be paid on sale of assets and it is specifically shown in the sanction note.
- (c) Verify that the profit/ loss on sale of asset has been properly accounted for and was reviewed by concerned official(s).
- (d) Verify that invoices for sale of assets has been raised correctly and scrap was handed over only after receipt of sale proceeds.
- (e) Check that scrap was sold to vendor with highest quotation after following the sale procedure of inviting tenders/ quotations.
- (f) Verify that assets are decapitalized timely on its sale/ retirement from active use.
- (g) Verify that approval for sale of assets at loss (less than WDV) was obtained from the competent authority.
- (h) (i) Verify the minutes of asset disposal committee to record the approval and process for declaration of surplus/ obsolete/ unserviceable/ damaged assets as scrap.
(ii) Verify that approval of competent authority was obtained for assets declared as scrap by the asset disposal committee.
(iii) Verify that scrap assets were sold timely after their approval to realize funds from their sale.
- (i) Verify that TCS, if applicable was collected from the vendor to whom sale was made at the time of receipt of payment.
- (j) Verify that assets have been sold/ disposed off in presence of concerned committee of HUDCO's staff and the list of assets lifted by the vendor has been signed off by all the committee members.

(V) Fixed Assets Register (FAR)

- (a) (i) Verify that fixed asset register is maintained in the system of designated officials with password protection.
(ii) Verify that fixed assets register is maintained in proper format with required details and these details have been updated for each asset.
- (b) Verify that FAR is maintained in Excel/ System with its back up.
- (c) Verify that the value of assets as per fixed asset register and General Ledger is reconciled annually and report the differences, if any.
- (d) Verify that FAR is updated on real time basis whenever there is acquisition or disposal of assets.
- (e) (i) Verify that physical verification of assets has been carried out as per policy and assets have been classified as obsolete, non-working and working, location and asset code at the time of physical verification.
(ii) Verify that adjustments for discrepancies reported in physical verification exercise was accounted after the approval.
- (f) (i) Verify that assets are insured against the probable risks for appropriate value to cover the risk.
(ii) Ensure proper mechanism of insurance coverage of office asset is in place and insurance policies were renewed timely.

F. LIABILITIES**(I) Payables**

- (a) Verify that vouchers were correctly prepared to book the liability from approved bills, supporting documents & other administrative approved documents.
- (b) Verify that MSME vendors were correctly flagged in vendor master and the amount payable to them was shown separately in the financial statements.
- (c) (i) Verify that dues to MSME vendors were paid timely to avoid interest cost and also to ensure legal compliance.
(ii) Verify that unadjusted debit balances are regularly reviewed with reasons of non-adjustments thereof and report such balances, if outstanding since long.
- (d) Verify that payment to vendors were made against credit balance in their account within the credit period/ agreed terms.

- (e) Verify that amount not claimed by the vendors for more than 3 years were written-back to Income after obtaining the appropriate approval.

(III) Provision for Expenses

- (a) Verify whether provision for all recurring expenses was made in the books on the basis of historical data/ past practice and based on best estimates i.e. committed liability/ services received or goods received.
- (b) Verify that provision for expenses were reviewed at the end of each period to confirm their continuation/ adjustment and these were reversed, if these are no longer required.
- (c) Verify that TDS was deducted on provisions made in the books of accounts as per applicable provisions.

(III) Other Liabilities

- (a) Report the long pending entries in various liability account heads.

G. BORROWINGS

(I) Public Deposits

- (a) Verify that KYC documents were stamped/ marked as 'Original Seen and Verified' by Authorised Manager cum - Brokers or Hudco's Official in all cases ensuring strict adherence of compliance of KYC documentation.
- (b) Verify that period of deposit and calculation of interest thereon is commenced from the date on which deposit amount was credited in HUDCO's bank account and the maturity interest/ pre-mature interest on FDR/ Loan against FDR has been calculated correctly.
- (c) (i) Verify that calculation of interest was in accordance with terms & conditions of scheme opted and based on the period of deposit opted by the depositor.
(ii) Verify that separate accrual interest register is maintained and updated timely for each depositor opted for HMP/ HCC schemes.
(iii) Verify that scheme opted by the depositor in the application form has been checked before issue of FDR.
- (d) Verify that exemption certificates, as per the Income Tax Act, 1961, has been obtained from depositors and verified by concerned department before payment of interest and also the exemption certificate received is as per the category of the depositor.
- (e) (i) Verify that details of deposit mobilized by authorised manager-cum-brokers were obtained from all Regional Offices and consolidated.
(ii) Verify that payment of brokerage to Manager-cum-Broker was made after obtaining the confirmation from Head Office regarding achievement of target within stipulated time.
- (f) (i) Verify that duly filled application along with original FDR was received whenever loan was given against FDR.
(ii) Verify that original fixed deposit receipt was marked as LIEN by Hudco's official and it has been kept in safe custody.
(iii) Verify that approved loan was not more than 75% of deposit amount and loan facility was allowed only after 3 months from the date of deposit to ensure the compliance of Companies Act, 2013/ NHB Guidelines.
- (g) (i) Verify that maturity/ prematurity of deposit was done after receipt of Original deposit receipt duly discharged by depositor along with letter of authorized signatories.
(ii) Verify the signature on Original deposit receipt with signature of authorized depositors held in record/authorized signatories to ensure correct maturity of FDR.
(iii) Verify that after verification of documents/ requirement for maturity of deposits, FDR was marked "Matured" and placed in file. Also the list of deposit outstanding is updated regularly and duly reconciled with ledger balance of Deposit Outstanding at regular intervals.
- (h) (i) Verify that reminder letters were sent to depositors for the deposits due for maturity within 15 days clearly stating the due date, Reminder letter for claim of unclaimed amount informing that the same will be transferred to IEPF account after 7 years from the due date of deposit. Fact that no interest is payable after due date is already available in the application form.
(ii) Verify that reminder letters were addressed to the Bonafide depositors. In case of death of depositor, the letter was sent to joint depositor/ nominee as per rules.

- (i) (i) Verify that payments to depositors and payment of brokerage to authorized Manager-cum-Brokers was made through NEFT/ RTGS in the bank account as per details obtained from them.
 - (ii) RTGS/ NEFT is transferred to first depositor only and in case of death, letter is sent to joint depositor 1/ joint depositor 2/ nominee as per guidelines after receipt of supporting documents.
 - (j) Verify that statutory returns i.e. NHB Return, E-tds return and IEPF return were correctly and timely filed within due dates.
 - (k) Verify the accounting heads of public deposits such as interest on PDS, Interest Accrued but Not Due (IABN), brokerage payable/ brokerage paid, unclaimed PDS/ unclaimed interest on PDS, TDS payable, PDS receipt control interest under various schemes, LA PDS/ interest on LA PDS/ interest accrued on LA PDS, prior period brokerage, prior period interest expenses, any other deferred expenses, stale cheques, any other accounting head added to the PDS accounting during the financial year.
 - (l) (i) Verify that complaints of depositors under HUDCO PDS is maintained in the prescribed format.
 - (ii) Ensure that the report of complaints is sent to PDS department HO on quarterly basis.
 - (m) Verify that HUDCO PDS control accounts i.e. GL 322080 and GL 322081 were made NIL at the end of every quarter.
 - (n) Verify the interest and brokerage provision was made correctly at the end of every quarter.
 - (o) Verify the Cash Flow Statement on quarterly/ yearly basis to monitor the cash position.
 - (p) Verify outstanding under the PDS with confirmation to opening balances, deposits received and redemption made during the year and closing balance outstanding scheme-wise, period-wise and maturity-wise.
- (II) Servicing of Borrowings (Applicable only for PDS)**
- (a) (i) Verify that the payment has been made after obtaining the approval and proper review of supportings attached
 - (ii) Verify that BRS reflecting the unpaid status in respect of transactions executed by them, tallies with bank balance certificates shared/ provided by the bank.
 - (b) Verify that amount appearing in unclaimed account for more than 7 years has been transferred timely to IEPF account in compliance with the provisions of Companies Act, 2013.
 - (c) Verify that TDS has been deducted correctly at applicable rates on interest payments in accordance with Income Tax Act, 1961 and in case of non-deduction/ deduction at lower rates, certificate thereof has been obtained from the beneficiaries and kept on record.

H.INCOME

- (I) Rental Income**
- (a) Verify that surplus area, in Company owned property, has been identified and was offered to government agencies on rent. In case of vacancy of premises, the reasons thereof be verified from the sanction obtained for its non-letting out.
 - (b) Verify that properties have been let in accordance with applicable guidelines
 - (c) Verify that proper agreement (allotment letter) for leased out property has been entered into with lessee and whenever the agreement expires/ due for expiry, it was renewed timely with escalation after the approval of competent authority.
 - (d) (i) Verify that rent from lessee against leased out properties was timely and regularly received for agreed amount.
 - (ii) Verify that fair rent certificate has been received from CPWD for area assessment annually to ensure the correctness of rent calculations.
 - (iii) Verify that accounting of rental income from each property has been reconciled with agreement rates after considering the escalation clause, to ensure the correctness of rental income booked.
 - (e) Verify that security deposit has been received from lessee prior to giving possession of property on lease, as per terms of agreement and ensure that there is no case of non/ short receipt of security deposit.
 - (f) Verify that rental income arising from leases on investment property has been accounted for in accordance with applicable Ind AS.

(II) Fees and Commission Income

- (a) (i) Obtain an understanding of various fee/ commission based products of the Company and ensure that fees/ charges towards various heads/ activities were received in each case when a loan was sanctioned.
(ii) Verify the receipt/ recovery of application fee/ front-end-fee/ Research and Development (R&D)/ other charges such as prepayment charges, deferment charges and other charges as per terms and conditions of the agreement, as applicable in reference to loan agreement and financing pattern and check its accounting in the books.
- (b) Verify that fees/ charges have been charged at applicable rates.
- (c) Verify that various fees/ charges were correctly charged at the approved scale/ rates from the customers and these were properly and timely recorded in the books of account.

(III) Sale of Services

- (a) Verify that invoices for rendering of consultancy services were correctly raised and income was booked as per the agreement entered.
- (b) Verify that invoice has been raised for work completed/ achieved milestones as contained in the agreement.
- (c) Verify that the receipt of fees for rendering of services was as per the terms decided in the agreement.
- (d) (i) Verify that reminder letters have been sent to the client in case of delay in making payment by them and required steps have been taken for recovery of fees in case of default made by client.
(ii) Verify that the amount, if any, has been waived off only after obtaining the approval of Board.
- (e) Verify that outsourcing of work to sub consultant has been done by the concerned department where there is lack of expertise in certain fields and proper agreement has been entered into with the consultant.

(IV) Other Income

- (a) Verify that interest on staff advances, interest on income tax refund, interest on construction, overhead charges on construction projects etc. has been recorded timely, properly and correctly in the books.
- (b) (i) Verify that interest on staff advance was correctly booked in system at the amount calculated through staff advance software linked to payroll system.
(ii) Verify that the interest has been recovered from the employee as per agreed terms and in accordance with the interest computed in staff advance software.
- (c) Verify that tax deducted at source has been properly and correctly accounted on each transaction and TDS has been claimed as credits at the time of filing of Income tax return of the Company.
- (d) Verify timely preparation of vouchers and posting of entries in the system.

I. EXPENSES

(I) CSR Expenditure

- (a) (i) Verify that the proposals for CSR received were comprehensive, related to the activities covered under CSR policy and activities are not restricted by Companies Act.
(ii) Verify the proposals were approved by CSR committee and the Board.
- (b) Verify that funds for undertaking CSR activities were released after entering into agreement with the agency and obtaining the approval of CSR committee.
- (c) Verify that funds have been released as per terms of agreement and subsequent instalments were released only after receipt of utilisation certificate for previous instalment(s) to substantiate the expense incurred.
- (d) Verify the utilisation certificates were received timely from the agencies to ensure that funds have been utilised for the specified purpose which is in compliance with Section 135 of Companies Act, 2013.
- (e) Verify that CSR projects undertaken by the agencies were monitored by ROs and site inspection was carried out at regular intervals, as prescribed in the guidelines, to ensure proper utilization of funds for CSR activities.
- (f) Verify that CSR expense was incurred after obtaining the approval of competent authority and was charged to revenue account after following the laid down process.
- (g) Verify that TDS was correctly deducted at applicable rates on CSR payments on net amount, exclusive of GST.
- (h) Verify that CSR expenses incurred was monitored by comparing the actual v/s budgeted expenses on monthly basis. Report the expense incurred in excess of budget.

- (i) Verify that CSR expenditure was correctly recorded in the books and ensure that proper supporting documents are available to justify the expenditure incurred.

(II) Repair & Maintenance - Buildings/ Vehicles/ Others including IT Assets

- (a) Verify that contracts for annual maintenance (AMC) were awarded and empanelment/ engagement of service providers was done through bidding process in accordance with the prescribed guidelines in this regard.
- (b) Verify that the tenders have been floated in accordance with the Hudco's guidelines/ purchase manual including amendments thereto issued from time to time.
- (c) Verify that all terms of contract were duly complied with and payments were regulated as per payment terms prescribed in the job order.
- (d) Verify that purchases were made through GEM portal as per Delegation of Power (DOP).
- (e) Verify that Estate Maintenance of office building, guest houses etc. is being done as per procedures. Proper documents have been kept in lockers and insurance premium and taxes etc. have been paid timely.
- (f) Verify that maintenance of all office assets is ensured.
- (g) Verify that the invoices submitted by the contractors mentioning the % of work done were properly verified and certified by the user department.
- (h) Verify that contracts were awarded prior to execution of work by contractors and report the cases where deviations are observed.
- (i) Verify the correctness of quantum of work done by the contractor against contract awarded and as accepted and certified from the control records maintained evidencing the same.
- (j) Verify that expenditure of capital nature/ improvement made to capital assets were capitalised as per provisions of Ind AS-16 i.e. Property, Plant & Equipment.
- (k) Verify that repair & maintenance expenses were correctly charged to revenue head after obtaining the approval of competent authority.
- (l) (i) Ensure all break-up of payments has been made as per relevant head in the contract and verify with supporting documents that the contractor has made statutory payments like PF, ESI etc. within scheduled time to respective authorities and net payment released to his staff was also verified. Also, other terms of contracts have been duly complied with.
(ii) Ensure that wages paid to the contractual staff is in compliance with the applicable minimum wages act.
- (m) Verify that expenditure towards repair & maintenance were correctly recorded in the books against proper supporting documents to justify the expenditure incurred.

(III) Legal & Professional Fee

- (a) Verify that advocate located at respective location was hired at pre-approved rates and after obtaining the approval.
- (b) Verify that Appointment Letter/ Engagement Letter/ Vakalatnama was issued to the professionals engaged and their invoices were processed after due verification and certification by Law wing.
- (c) Verify that expense towards legal & professional fees was incurred after obtaining the approval of competent authority and charged to revenue after following the laid down process.
- (d) Verify that expenditure towards legal & professional fees was correctly recorded in the books against proper supporting documents to justify the expenditure incurred.

(IV) Legal cases and Expenses incurred on behalf of the borrower

- (a) Verify that expenses incurred on behalf of the borrower and recoverable as per the terms of agreement have been recovered/ incorporated in the respective loan records of the borrower for effecting recovery.
- (b) Obtain the list of legal cases on which expenses were incurred by the Company and ensure that expenses, which are non-recoverable, incurred on legal cases related to Company were charged to Company's revenue account.
- (c) (i) Verify the defined process of calculation of dues, its verification and its incorporation in Prayer clause of original application was duly followed/ complied with.
(ii) Ensure that all the recoverable expenses were correctly included in Prayer clause of original application filed.
- (d) Verify that approval of Regional Chief was obtained prior to filing of original application in the court.
- (e) Verify that revised statement of accounts detailing the dues up to date and all expenses including Insurance, Advocate Fees, Court Fees, etc. was correctly filed prior to passing of decree by the court.

- (f) Verify that contingent liability has been disclosed in the financial statements where the possibility of an outflow of resources embodying economic benefits is not remote.

(V) Travelling Expense

- (a) Verify travel bills of the employees considering the following factors:
claims have been received timely in prescribed format with travel details filled therein properly.
claim is received along with approved tour plan.
claims were approved timely as per the entitlement/ limit in travel policy.
Original bill along with relevant supporting documents were received.
- (b) Verify that travelling expense was recorded on the basis of original bills submitted by travel agent/ claim submitted by the concerned employee.
- (c) (i) Verify that bills of travel agent were passed in conformity with bookings recorded in travel register maintained.
(ii) Verify that travel register was properly updated for tickets booked through them.
- (d) Verify that travel advance (if any) was adjusted from travel bill of the employee and ensure that excess advance was refunded by the employee timely i.e. within a month of return from tour.
- (e) Verify that travelling expenses were correctly charged to revenue head after obtaining the approval of competent authority.
- (f) Verify that travelling expenditure was correctly recorded in the books against proper supporting documents to justify the expenditure incurred.

(VI) Rent Expense

- (a) Verify that rent was correctly and timely paid as agreed in rent agreement.
- (b) Verify that rent expense was incurred after obtaining the approval of competent authority and charged to revenue after following the laid down process.
- (c) Verify that rent expenditure was correctly recorded in the books against proper supporting documents to justify the expenditure.

(VII) Budget vs. Actual

- (a) i) Verify that expense was monitored by comparing the actual v/s budgeted expenses on monthly basis. Report/ confirm that actual expenditure incurred is within the budget else report the expense incurred in excess of budget.
ii) Verify that deviations in regard to excess expenditure incurred over budget was reported by the concerned department along with action taken for reappropriation/ enhancement of budget.

(VIII) Provident Fund compliance for Manpower Services

- (a) (i) Verify that payments to manpower agencies have been processed against the invoices raised by the agency after ensuring the compliance of relevant provisions of Employee State Insurance and Provident Fund by the service provider and receipt of supporting documents giving proof of deposit of PF.
(ii) Verify the working received from service providers along with the copy of PF challans that PF calculation was correct and PF was deposited timely to ensure the compliance.
(iii) Verify that all the break-up of payments has been made as per relevant head in the contract document.

(IX) Others

- (a) Verify that process of empanelment/ engagement of service providers and procurement of material, as driven through Company's guidelines/ Purchase manual, was duly followed.
- (b) Verify the expenditure booked and ensure that no personal expenditure was charged to Company's revenue account.
- (c) Verify that TDS at applicable rates was deducted on the payments made for the expenditure incurred.

J. PAYROLL

I Attendance and Leave

- (a) Verify that attendance of employees is being recorded via Biometric and the Management Trainees mark their attendance manually in a register. In case the biometric system has been dispensed with, then the attendance is marked by the employees as per the instructions issued by HR Wing.
- (b) Verify that medical certificate was obtained in case of availment of more than 3 medical leaves continuously by the employees, as per policy.
- (c) Verify that mis-punching of attendance in biometric was regularised by the concerned department head within fixed time period.

- (d) Verify that leaves records are properly maintained and leaves credit is in line with leave rules and leaves taken were correctly updated therein from leave application and biometric attendance report.
- (e) Verify that leave application duly sanctioned were received from the employees in support of leaves availed.

(II) Maintenance of Payroll Master

- (a) Verify that unique employee code was assigned to each employee on joining the organisation and then only salary of such employees was processed.
- (b) (i) Verify that Employee master, with information such as personal details, department, designation, salary details etc., is maintained and remains in the custody of HR and Payroll team.
(ii) Verify that the ownership of compensation and personal information of employees in the Payroll Input Sheet is appropriately restricted within HR and Payroll team and Payroll processing team does not have access to modify these details.
(iii) Verify that changes to employee master (limited to financial data) is done by Finance & Accounts team, based on the signed appointment letter.
(iv) Verify that addition of employee in employee master data was made after verification of joining documents.
- (c) (i) Verify that payroll is processed on the basis of employee master data and order for leave was received from HR to salary section and was recorded by salary division.
(ii) Verify that master data was updated by next day of retirement/ separation, in case of retirement/ separation of employee.
(iii) Verify that salary of employee who separated in previous month was not processed.
- (d) Verify that salary processed in payroll software was booked in system by executive finance on the basis of journal voucher generated from payroll software and payment voucher was approved by concerned official(s).
- (e) Verify that the salary has been processed correctly considering the following input reports:
 - # New joiners and resignation details
 - # Changes in input data, if any from the last month
 - # Information about misc. payments/ deductions
 - # Information about allowances
- (f) Verify that authorized signatories reviewed and formally approved the actual disbursements to ensure that no changes to actual amounts paid were made and check that actual salary disbursements is in conformity with final amount computed for payment.
- (g) Verify that the G/L codes are mapped with respective user IDs in system based on their roles & responsibilities and these codes are displayed during voucher posting to minimize the risk of wrong G/L selection.
- (h) (i) Verify that budget was prepared before incurring the expense on staff welfare and administrative as well as financial approval was obtained.
(ii) Verify that the expenses were incurred as approved budget and within the budgeted limit.
(iii) Verify that timely action was taken for re-appropriation or enhancement of budget with budget section.
- (i) Verify that TA/ DA claims of employees were reimbursed in compliance with TA/ DA rules whereby reimbursements were made against duly approved tour programme and supportings for expenditure were submitted by employee along with claims and also expenses was claimed as per the entitlement of employee.
- (j) Verify that payroll ledger is reconciled on monthly basis with general ledger and any differences are timely followed-up and cleared by Finance & Accounts team.
- (k) (i) Verify that overtime allowance was paid in accordance with overtime policy.
(ii) Verify that timings of overtime worked were verified and approved by concerned official(s).
- (l) Verify that payroll software is password protected and journal entry for payroll was posted in software by the authorized employee only.
- (m) Verify that income tax calculation of employees has been done as per applicable provisions of Income Tax Act and all deductions/ exemptions given are as per relevant sections of Income Tax Act and backed with duly supported relevant documents.
- (n) Verify that present pay is in line with latest pay revision order issued.
- (o) Verify heads of accounts in salary vouchers and ensure the appropriateness and ensure the correctness of calculations and deductions.
- (p) Verify that various contributions of employee is correctly calculated, recorded under correct head and deductions are correctly made from salary and these are remitted to concerned trust with details.
- (q) Verify that payment/ reimbursement to employees which is taxable has been incorporated in taxable income and TDS has been deducted on such payment/ reimbursement.

- (r) Verify that HRR for all the flats occupied by employees was recovered correctly as per norms from the monthly salary of the employees.

(III) Provisions for Employee Benefits

- (a) Verify that the correct and complete data was forwarded to H.O., after its review by concerned official(s), for its onward submission to actuary for actuarial valuation of various employee benefits.

(IV) Statutory Deductions

- (a) Verify that following statements were prepared for deposit of statutory deductions and were cross tallied with salary sheet to ensure correct deposit i.e. there is no excess or short payment :
- (i) PF Deduction Statement
 - (ii) Pension Deduction Statement
 - (iii) TDS Deduction Statement
- (b) Verify that the statutory dues were deposited timely within the due dates.
- (c) Verify that calculation of PF and Pension is correct i.e. as per applicable rate and inputs and data has been sent timely to HO for remittance of PF & Pension.
- (d) Verify that TDS has been deducted from salary payments correctly in accordance with the relevant provisions of Income Tax Act, 1961.
- (e) Verify that tax was deducted correctly with reference to Savings & Investments, Income from House Properties, Medical Bill Payments and all other payments as per the provisions of Income Tax Act.
- (f) Verify that various statutory returns have been filed correctly with the appropriate authorities within the due dates.

(V) Loans and Advances to employees

- (a) Verify the compliance of Loans and advances policy to ensure that loan was given to eligible employees (except to RC), within defined limit, rate of interest charged is correct and repayment of principal and interest is as per repayment plan.
- (b) Verify that loan application by employees is supported by prescribed documents such as sale deed, allotment letter, insurance policy, affidavit, NOC, possession letter, tripartite agreement, personal bond, surety, agreement, etc. in case of HBA loan and other prescribed supporting documents as applicable for other staff loans i.e. vehicle loan, welfare loan, computer advance etc.
- (c) Verify that utilization certificate/ site inspection report was obtained from employees to ensure the end use of HBA advance was for specified purpose only.
- (d) (i) Verify that staff loan/ advances were given to employees as per approved office order and the terms of repayment, rate of interest etc. has been correctly recorded in the system.
(ii) Verify that recovery towards advance on account of interest and principal repayment was done correctly every month from salary.
(iii) Verify that interest on staff advance was recorded correctly.
(iv) Report the staff loan/ advance overdue and not settled within the scheduled time.
- (e) Verify that the interest free advance is considered as perquisite and tax is calculated thereon.
- (f) Verify that loan/ advances granted are secured by mortgage of property/ hypothecation of vehicles and the copy of valid insurance has been obtained from employee.
- (g) Verify that original security documents of loan/ advance are kept properly under safe custody.
- (h) Verify that bank account details of third parties along with sanction & release order was provided by HR & thoroughly checked by Pay Roll department (applicable only in case of car and HBA loan).
- (i) Verify that no fresh/ new loans was sanctioned before repayment of outstanding previous loan, except in case of HBA.
- (j) Verify that the concessional loans given to staff are :
- (i) fair valued and the difference between fair value and nominal value is recognized as employee cost
 - (ii) carried at amortized cost using effective interest rate.

K.STATUTORY COMPLIANCES

(I) Compliance Calendar/ Checklist

- (a) Obtain the compliance calendar/ checklist maintained and check that the relevant compliance requirements (amended time to time) of various Statues/ Act as are applicable to the Company are correctly and adequately incorporated therein.
- (b) Check whether compliance checklist is maintained and correctly filled with details of compliance and was submitted to the management on quarterly basis.

(II) Income Tax Act, 1961 (IT Act)

- (a) Verify that TDS was deducted correctly at applicable rates and in accordance with procedure prescribed under applicable sections under the Income Tax Act, 1961.

- (b) Verify that certificate issued by IT department has been obtained from deductee for non-deduction/ deduction of TDS at lower rates and said certificate is valid and TDS has been deducted at lower rates on payments within the limit specified in the certificate.
- (c) Verify that TDS deducted under various sections has been correctly deposited with Income Tax department each month within the due dates as specified in Income Tax Act, 1961.
- (d) (i) Verify that TDS returns were correctly filed for every quarter within the due dates as mentioned in Income Tax Act, 1961.
(ii) Verify that correction statement/ rectification of TDS returns, wherever required has been filed.
- (e) Verify that TDS certificates were issued in Form 16 (annually)/ Form 16A (quarterly) as the case may be, within 15 days from the due date of filing of TDS return.
- (f) Verify Income Tax Return has been filed correctly within the due dates as mentioned in section 139 of Income Tax Act, 1961
- (g) (i) Verify that Show Cause Notice/ order received from Income Tax department were promptly attended and also proper follow-ups was done including visit to the department.
(ii) Fines, penalties or other punishments imposed in SCN/ order along with latest status/ action taken be reported in the audit report.
- (h) Verify the information for filing of form 3CD as per format of CBDT at the year end along with all the annexures required at the time of compilation of tax audit report at head office.
- (i) (i) Verify the TDS deducted, if any on hudco's income and its accounting to the appropriate head of account.
(ii) Review the same in reference to form 16A and its reflection in 26AS as per confirmation obtained from Head office.
- (j) Verify the compliance of circulars/ bulletins/ amendments in Act/ Rules etc. w.r.t. TDS circulated on intranet from time to time.

(III) Goods and Service Tax (GST)

- (a) Check that invoices were raised on correct party and for correct amount as per terms & conditions of the agreement/ milestones contained in the work order, as per applicable provisions of GST for output services and transactions are recorded in appropriate account head.
- (b) Check that invoices were raised as per applicable provisions of GST for input services from un-registered vendors, specified services covered under RCM.
- (c) Check that input Credit Register/ Records for availment of GST input credit is maintained and eligible Input Credit / ineligible input credits are recorded in appropriate account head.
- (d) Check that Input Tax Credit was taken correctly under GST regime as per applicable provisions/ rules/ circulars at the time of making monthly payments.
- (e) Verify that ledgers of GST on Input services, GST collected on output services, GST payable under RCM, adjustment of GST on Input services towards GST liability were reviewed with reference to applicable provisions.
- (f) Check that GST paid on input services, GST collected on output services & GST payable under RCM i.e. reverse charge was verified with reference to invoices received/ issued and booking under appropriate GL account head.
- (g) Check that GST Liability was correctly computed after review of ledgers of GST Input Credit on input goods/ services, GST collected on output services, GST payable under RCM.
- (h) (i) Check that GST was paid timely to the authority within due dates for the amount as payable and to ensure correct deposit of GST.
(ii) Reconcile the payments appearing in the ledgers with the original copy of challans to ensure correct payment of GST.
(iii) In case any penalty/ interest was levied by GST authorities due to late deposition of GST liability, then such penalty/ interest be reported in the audit reports.
- (i) Check that GST returns were filed timely on GST portal on or before the due date after its review by appropriate authority
- (j) (i) Verify that Show Cause Notice/ order received from GST department were promptly attended and also proper follow-ups was done including visit to the department.
(ii) Fines, penalties or other punishments imposed in SCN/ order along with latest status/ action taken be reported in the audit report.
- (k) (i) Check that the compliance with relevant provisions of GST Act (CGST/ SGST/ UTGST/ IGST/ Compensation Cess etc) and various circulars/ instructions issued by Head Office was ensured.
(ii) Review GST/ tax consultant's report and GST audit reports, if any.
- (l) Check that TDS under GST was deducted @ 2% from the applicable payments made to suppliers of goods and services on contract value of more than Rs. 2.50 lakhs in reference to the applicable provisions/ amendments from time to time.

- (m) (i) Check that TDS return was filed in required form GSTR-7 by 10th of following month.
(ii) Ensure that GST TDS liability was determined from GST payable ledger extracted from system.
- (n) Verify the compliance of circulars/ bulletins/ amendments in Act/ Rules etc. w.r.t. GST circulated on intranet from time to time.

(IV) Indian Accounting Standards (IND-AS)

- (a) Verify that the provisions of Indian Accounting Standards (IND-AS) as applicable to HUDCO as per the instructions issued by Head Office from time to time are complied with and furnished in the prescribed format comprising of the following:
 - (a) Brokerage paid against Public Deposit.
 - (b) Security deposit and deposit for services outstanding as on date.
 - (c) Lease rental paid against the leasehold properties.
 - (d) Fee received against the project loans.
 - (e) Administrative fees received against HUDCO Niwas loans.
- (b) Verify that necessary IND AS entries were passed correctly in respective GL heads.

2.RISK BASED INTERNAL AUDIT TO BE CARRIED OUT ON HALF-YEARLY BASIS

L. HUMAN RESOURCES

(I) Performance Appraisal

- (a) Verify the Performance Related Pay has been computed correctly in accordance with the performance appraisal guidelines/ office order issued by the HR wing, C.O. and was booked under correct head of accounts.

(II) Employee Separation

- (a) Verify that name of employees separated has been removed from master data maintained timely i.e. by the next day of retirement/ separation and no salary was paid to employees who retired/ separated.
- (b) Verify that "No Dues" clearances has been obtained from all the departments in case of retired/ separated employees.
- (c) Verify that full & final settlement in case of separated employees has been done correctly on the basis of final calculation, as approved by the competent authority.
- (d) Verify that official assets held by separated employees have been recovered from them at the time of their exit.
- (e) Verify that the entry of full & final settlement payment was correctly posted in the system and physical copy of JV was verified and signed by concerned official(s).
- (f) Verify leave encashment (EL & HPL) at the time of retirement of employee and TDS deducted thereon as per applicable provisions of Income Tax Act, 1961.

(III) Empanelment of Hospitals/ Diagnostic centre/ Path labs/ Dental clinics/ Eye clinics

- (a) Verify that prescribed process of empanelment of hospitals/ diagnostic centre/ path labs/ dental clinics/ eye clinics was followed for their empanelment and only eligible institutes as per the eligibility criteria were empanelled.
- (b) Verify that the inspection committee if went for inspection of any hospital covered under the guidelines then other hospitals in nearby areas within the radius of 2 Kms were also visited and recommendation was given for the hospitals visited and the empanelment was finalized accordingly.
- (c) Verify that HUDCO empanelled Hospitals/ Diagnostic Centres/ Path Labs/ Dental Clinics/ Eye Clinics were reviewed by the Inspection Committee with reference to approved guidelines.
- (d) Verify that compliance with empanelment terms by the empanelled Hospitals/ Diagnostic Centres/ Path Labs/ Dental Clinics/ Eye Clinics was reviewed by the Committee and the empanelment was terminated in case of non-compliance of following terms:
 - # Refusal of service/ complaint from HUDCO employees (minimum 5 nos.) regarding service.
 - # Undertaking any unnecessary procedures
 - # Deficient/defective service/refusal of credit facilities
 - # Over billing/prescription of unnecessary drugs
 - # Reduction of staff/ infrastructure/ equipment, etc. after the hospital/ clinic/ path lab has been empanelled.
- (e) Verify that the period of empanelment of Hospitals/ Diagnostic Centres/ Path Labs/ Dental Clinics/ Eye was extended after review of services and based on the availability of Income tax exemption certificate and its furnishing to Hudco.
- (f) Verify that hospitals have submitted IPD/ OPD bills with proper details at agreed rates.

- (g) Verify that the tariff / rates were not revised before the MoU period.
- (h) Verify that tax exemption certificate was obtained while considering empanelment/ revision of rates, as per hospital policy.
- (i) Verify that priority to proposed hospitals for empanelment was given which have the facility for Annual Executive Health Check up for HUDCO employees and their spouse(including retired employees) or the charges for HUDCO package not exceeds the prescribed ceiling, as amended from time to time, being maintained by HUDCO.

(IV) Medical Reimbursements

- (a) Verify that medical reimbursements have been made to employees after ensuring the compliance of HUDCO Medical Attendance Scheme.
- (b) Verify that reimbursement for chronic diseases have been made based on the prescription/ report along with certification by concerned doctor of govt. hospitals/ HUDCO empanelled hospitals that the treatment for chronic diseases is prolonged in nature and does not require hospitalization.

(V) Employee Transfer

- (a) Verify that executives, during transfer, were allowed to stay in a hotel for a maximum period, as prescribed in the guidelines.
- (b) Verify that disturbance allowance, lumpsum transfer grant, packing allowance were paid within the prescribed limit.
- (c) Verify that outstanding loans and advances of transferred employees were transferred to the transferred location.

(VI) Employee Training

- (a) Verify that per diem allowance was paid within the prescribed limits.

(VII) Pay Fixation

- (a) Verify that revised pay fixation on promotion was correctly calculated to ensure the correctness of payments made.
- (b) Verify that recovery for over-payments made to employees has been done as reported in previous audits.

M .INFORMATION TECHNOLOGY

(I) Creation/ Deletion of User ids, Administration & Monitoring

- (a) Check that all official communications is done by staff through official ids with Hudco domain and not through their personal email ids.
- (b) Verify that the requests for creation/ deletion of user ids in case of new joining/ resignation/ termination of staff are raised to competent authority timely.

(II) Access Control Management

- (a) Check that job wise user access rights have been defined and rights have strictly been given to staff accordingly.
- (b) Check that access rights given to staff are being reviewed on periodic basis.
- (c) Check that required steps were taken on the basis of observations arising out of review of user access rights.
- (d) Check that two factor authentication is required for allowing the user to connect remotely.
- (e) Check that secure login procedure is in place to access the operating system.
- (f) Check that restrictions on connection times are used to provide additional security for high-risk applications.
- (g) Check that inactive sessions are terminated after a defined period of inactivity.

(III) Data Protection

- (a) Check that systems are password (specified strength) protected to restrict the access to authorized person only and passwords are mandatorily changed periodically after every 30 days.
- (b) Check that necessary controls are in place to avoid unauthorized transfer of official data from official systems through external drives, Bluetooth, Share it, etc.

(IV) Business Continuity

- (a) (i) Check that backup is taken at the stipulated intervals in accordance with defined process.
(ii) Test run the back up for 2-3 days for the period available to ensure the compliance.
- (b) Check that backup register is maintained and updated with date and time.

- (c) Check that copies of back up is kept in fire proof almirah/ safe and also at off site location to ensure its availability at the time of emergency.

(V) Disaster Recovery Plan

- (a) (i) Check that proper plan was prepared for working of the employees remotely in case Hudco's Office operations facility is unavailable due to threats like natural hazards, Intentional Acts, accidental hazards, infrastructure related threats or un-known threat.
(ii) Verify that the employees were communicated timely about the restoration of damaged facility and then they started working from the HUDCO office rather than work from home.
- (b) (i) Check that there is a provision to make necessary arrangements for the availability of various IT equipments such as power/ telecom/ data outage to facilitate employees to work remotely, in case of emergent situation and these arrangements were made, when required in immediate past.
(ii) Check that during unavailability of HUDCO corporate office personnel, alternate location resources is available to provide support to Office resources by taking over the work load.
- (c) Check that Emergency Response Kit with defined components is maintained and the items therein are functional/ not expired etc.

(VI) Logical Security

- (a) Check that various system generated reports are reviewed for its correctness and in case of any discrepancies observed therein then these were intimated to vendor for its correction timely.

(VII) Access to network and network services

- (a) Check that sensitive systems have a dedicated isolated computing environment.
- (b) Check that websites which poses security risk are identified and blocked explicitly.
- (c) Check that access to non-business related websites such as pornography, terrorism, hacking and religious provoking sites etc. are blocked/ prohibited.

N. LEGAL

(I) Empanelment/ Engagement of Advocate

- (a) Check that panel of advocates is maintained.
- (b) Check that the advocates are empanelled, following the defined process.
- (c) Check that empanelled advocates satisfies the eligibility criteria.
- (d) Check that the assignments were allotted to empanelled advocates only.
- (e) Check that the performance of empanelled advocates is evaluated annually and incapable advocates are delisted from the panel.

PART-II

INTERNAL FINANCIAL CONTROLS

- 1 To issue quarterly report on Internal Control deficiencies identified during the quarterly audit and suggest corrective measures.
- 2 CA firm to independently review and appraise the system of control throughout the year as per risk control matrices, mitigation plan prescribed in the various activities and recommend improvement to internal control. Facilitate in following good practice in managing risks efficiently.
- 3 Review of Test of Designs including addition/updation/modification of flow charts on annual basis.
- 4 Comment on the adequacy and effectiveness of Internal Financial Controls on quarterly basis.
- 5 Compliance of advisories issued by Internal Audit Wing from time to time.
- 6 To give necessary guidance in response to statutory/government auditors' queries in regard to Internal Financial Controls and suggesting corrective action on the part of HUDCO.
- 7 Any other activity review/reporting necessary in connection with Internal financial Control not specified above.

PART-III

CERTIFICATION OF TRIAL BALANCE AND COMPLIANCE OF AUDIT OBSERVATIONS

- 1 100% verification of all the activities/checkpoints as mentioned in Part-I and Part-II
- 2 Verification / Certification of monthly trial balance.
- 3 Compliance status of outstanding observations of previous audit reports and monitoring of prior audit issues alongwith action taken report in the prescribed format.
- 4 The points mentioned in the scope are indicative in nature. The firm may be requested to look into any other activity as decided by the management during the course of audit.
- 5 To suggest any addition in the areas required to be covered in the Risk Based Internal Audit Plan.