

SCOPE OF WORK FOR THE FINANCIAL YEAR 2021-22**PART-I****1. RISK BASED INTERNAL AUDIT TO BE CARRIED OUT ON QUARTERLY BASIS****A. TRAINING****I Preparation of Training calendar**

- (a) Verify that training calendar was prepared timely and also approved by the competent authority.
- (b) Verify that training calendar covering various aspects has been finalised on the basis of need assessment carried out by various departments.
- (c) Verify that timely follow-up was done with regular training partner for conducting the fee based training programme for them.
- (d) (i) Verify that training programmes were carried out as per training calendar and changes, if any, were carried out after following the due procedure/ approvals.
(ii) Verify that deviation in scheduled training programme was appropriately reported to the sanctioning authority and approval for such deviation was obtained.
- (e) Verify that requirement for training of staff was assessed at regular intervals and training was conducted timely after evaluation of its requirement.
- (f) Verify that the evaluation for training to be conducted In-house or externally was done and was conducted timely within the approved budget.
- (g) (i) Verify that training calendar was prepared based on requirements of training of various departments.
(ii) Verify that training is provided to employee who requires it considering the job description/ responsibilities and employees are nominated on rotational basis.

II Imparting of Training

- (a) Verify that officers were nominated timely by HR department to attend the training programme .
- (b) Verify that training programme was conducted within the approved budget and approval of the competent authority for deviations was taken.
- (c) Verify that programme was reviewed and internal support for the programme was mobilized properly.
- (d) Verify that feedback of participants was obtained, post training report was prepared and evaluation was done in case of various trainings conducted.
- (e) Verify that budget for imparting training was timely and properly prepared for the expenses of training programme and financial concurrence/ approval of the competent authority was obtained.
- (f) (i) Verify that brochure for training programme was prepared properly and comprehensively and was issued timely.
(ii) Verify that required number of nominations were received from other institutions/ organisations for the training programme .
- (g) Verify that expression of interest to concerned institution for conducting the training was floated timely and terms & conditions of proposals received were properly examined by HSMI prior to its acceptance.
- (h) Verify that acceptance of proposal was conveyed to the concerned institution after obtaining the financial concurrence and approval of competent authority.
- (i) (i) Verify that advance was paid as per the terms of proposal,
(ii) Verify that detailed training schedule was submitted for comments.

- (j) Verify that the list of Hudco employees, as nominated by HR wing, was timely forwarded to the institution(s) for making necessary arrangements.
- (k) Verify that feedback of participants, post training report and evaluation thereof was obtained from the institution(s) in case of training exclusively for Hudco employees in partnership with identified institutions.

- (l) Verify that terms & conditions with external training provider were finalized prior to training.
- (m) Verify that training schedule was prepared and shared with the institution(s) for furnishing the comments thereon after the approval of budget.

III Bill Processing and payment of fees

- (a) Verify that payment was made to the faculty correctly against proper invoice after obtaining the approval of competent authority.
- (b) Verify that Invoices and supporting documents received were verified by the concerned department and respective institution/ empanelled agency was intimated about any discrepancy observed and/ or in case of non-receipt of all the necessary documents.
- (c) (i) Verify that sanction order was prepared and forwarded to competent authority for obtaining approval and same has been updated in sanction order register.
(ii) Verify that invoice along with sanction order and supporting documents were forwarded to accounts department for processing the payment and it has been properly updated in Dak diary.
- (d) Verify that payment to institutions/ empanelled agencies was made only through electronic mode.
- (e) Verify that bills from the empanelled/ agencies were received timely within a reasonable time period of training and these were processed properly.

IV Raising of invoices and receipt of fees

- (a) Verify that invoices along with documentary evidence were correctly raised within a specified time period on successful completion of fee based training programme and GST is charged in invoices as per regulatory requirement at applicable rates.
- (b) Verify that payment has been received timely against the invoices raised for conducting the fee based training.
- (c) Verify that all expenses pertaining to training programmes carried out during the year were properly recorded in the books of accounts and all claims wherever required have been settled correctly.

B. CASH & 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 (G/L 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.

C. 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.

D. 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.

II 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.

III Disposal/ Write Off of Fixed Assets

- (a) Verify that asset disposal committee was properly constituted at appropriate level by the competent authority.
- (b) Verify that sale value of assets includes impact of 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 assets approved for sale as scrap have been disposed off to H1 vendor after following the process 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.

IV Fixed Assets Register (FAR)

- (a)
 - (i) Verify that fixed asset register is maintained by the designated officials in the system with password protection.
 - (ii) Verify that fixed assets register is maintained properly in suggested format with required details of assets being recorded 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 are renewed timely.

E. 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.

II Provisions

- (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 on all applicable provisions.

III Other Liabilities

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

F. INCOME

I Other Income

- (a) Verify that interest on staff advances, interest on income tax refund, 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.

G. EXPENSES

I Repair & Maintenance - Buildings/ Vehicles/ Others

- (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.

II Travelling Expenses

- (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.

III 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.

IV 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.

V 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.

H. 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 avilment 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 per 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 Deduction

- (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 EDT), 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.

I. 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

- (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 (CGST, SGST/ UTGST, IGST) 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.
- (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:
 - (i) Security deposit and deposit for services outstanding as on date.
 - (ii) Lease rental paid against the leasehold properties.
- (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

J. HUDCO CHAIR

I Objective & Appointment of eligible agencies

- (a) Verify that the agencies appointed on Hudco Chair are eligible for the appointment as per operational guidelines i.e. Government and Govt. sponsored Training & Research Institutions of repute including Universities.
- (b) Verify that no agencies were appointed on Hudco Chair for more than period of 3 years.

II Ceiling of funding to appointed agencies

- (a) Verify that funding to agencies appointed on Hudco Chair, has been done within the limit defined in the operational guidelines.

III Approval of HUDCO Chair

- (a) # Verify that defined process of approval of HUDCO Chair has been complied with.
Verify that the performance guarantee of adequate amount and adequate validity has been timely received from the concerned institute/ agency.

IV Fund Disbursement Mechanism

- (a) Verify that funds to the agencies appointed on Hudco Chair have been disbursed in instalments in accordance with operational guidelines and after receipt of deliverables/ completion of stage as prescribed in the guidelines.

V Constitution of Sub-committee and approval of activities

- (a) Check that sub-committee was constituted properly in accordance with operational guidelines
- (b) (i) Check that planned activities proposed to be undertaken during the financial year were approved by the Sub-Committee at the start of the financial year.
(ii) Check that spill over/ deferred/ modification/ changes in activities during the collaboration period was also approved by the Sub-Committee.
- (c) Check that new activities were sanctioned after completion/ satisfactory progress of previous sanctioned activities. as approved by Sub-Committee.

VI Utilization of Funds

- (a) Check that Utilization Certificate (UC) along with Statement of Expenditure (SOE) was received from the agencies for reporting on utilization of funds released duly signed by the competent authority of the Chair Institution.
- (b) Verify that Utilization Certificate (UC) along with Statement of Expenditure (SOE) from the agencies for reporting on utilization of funds released was obtained within a period of 6 (six) months from the date of release of funds.

- (c) Verify that request seeking extension for submission of Utilization Certificate (UC) and Statement of Expenditure (SOE) was received from the agencies for obtaining the approval of sub-committee for extension by 6 (six) months.
- (d) Verify that Utilization Certificate has been obtained for gross amount of fund released irrespective of bank charges, GST and TDS.
- (e) Verify the UCs and SOEs submitted by the agencies and ensure that the funds have been utilized within the budget for specified purpose only.
- (f) Check that in case of other than Government/ Government recognized institutions whose accounts are audited annually, Utilization Certificate along with Statement of Expenditure obtained was duly signed by a firm of practicing Chartered Accountant(s).

VII Collaborating Institutions Contribution

- (a) # Verify that expenditure/ cost of Infrastructure and manpower support for HUDCO Chair and sponsored programmes was booked on same terms & conditions as prevalent for Central/ State programmes.
Verify that publication has due acknowledgement and the outcome documents have been provided for HSML library and also shared with HUDCO Chair institutions.
- (b) Verify that HUDCO Chair Coordinator of a rank lower than Associate Professor is not appointed by HUDCO Chair Institution.

VIII Monitoring of Progress

- (a) Check that quarterly physical & financial progress report has been received from all the agencies timely.
- (b) Check that status of reports received from agencies and progress has been reported to Sub-committee on regular basis.
- (c) Check that the status of progress has been put up by Sub-committee to CoD at Hudco for review.
- (d) Verify that quality and deliverables of HUDCO Chair are monitored by the head of HUDCO Chair institutions.

IX Termination of agencies

- (a) Check that appointment of agencies was terminated and funds disbursed to agencies was recalled and received in following conditions:
If progress report was not submitted within defined period, or
Progress report as submitted was unsatisfactory, or
Accounts were not settled within defined time frame.

X Capacity building and research areas

- (a) Check that capacity building and research work has been done in areas, as specifically suggested in operational guidelines.

K. RESEARCH & DEVELOPMENT

I Appointment of Institutions

- (a) Check that only eligible institutions i.e. national institutions of eminence as stipulated in the operational guidelines have been appointed to conduct the research & development.

II Research proposals

- (a) Check that research proposals were approved with well-defined outcomes within a dedicated project budget and for the period as specified in the operational guidelines.
- (b) Check that research projects were appropriately evaluated in terms of innovations, implementability, benefits to society and Hudco's mission to promote habitat development to enhance the quality of life prior to its acceptance.
- (c) Check that research proposal accepted for funding were comprehensive in coverage of contents/ matters as defined in the operational guidelines.

III Financial Assistance to Institutions

- (a) Check that funds were allocated and utilized by the institutions only for the purposes as specified in the operational guidelines.
- (b) (i) Check that budget for equipment only required specifically for the purpose of undertaking research was sanctioned.
(ii) Check that equipment was received back after the completion/ closure of R&D, if its purchase was funded.

IV Approval of Research Activity Plan

- (a) Check that research activity plan submitted by the Institution was reviewed, approved and communicated to the Institutions through an award letter.

V Release of Funds

- (a) Verify that the funds were disbursed in instalments, as defined in operational guidelines after receipt of specified deliverables and obtaining the required approvals.
- (b) Check that funds released for research activity were supported by the activities/ documentation, seminar, evaluation study, field study, preparation of policy papers and research papers, publication in journal and presentation in conferences.

VI Submission of Utilization Certificate

- (a) Check that Utilization Certificate/ provisional accounts, duly verified by Finance Department of research institutions has been received from research institutions timely against each instalment released.
- (b) Verify that funds released as advance have been utilized for the intended purpose as per approved programme/ activity schedule from the UC received from the research institute.
- (c) Verify that the accounts of every research institutions have been correctly settled annually on the basis of Utilization Certificate, duly verified by the finance in-charge of the research institutions/ research programme, received from them latest by 30th of June each year.

VII Recall of Funds

- (a) Verify that progress of research study undertaken by research institutions have been monitored on regular basis and in case of unsatisfactory progress, recall notice was issued timely.
- (b) Verify that funds have been received back from the institutions, to whom recall notices were issued, within the defined timelines. If not, check that necessary steps were taken for receipt back of funds.

L. HOSTEL

I Booking of Room/ Conference Hall

- (a) Check that booking records are maintained properly at the Hostel and ensure that records were updated on real time basis.
- (b) Check that bookings recorded in the register maintained at the Hostel is in conformity with the bookings approved by EDT.
- (c) Verify that in case HUDCO staff stays at the hostel for more than 15 days then approval of competent authority was obtained and room charges were charged at double the approved rates.
- (d) Verify that in case of other than HUDCO staff, maximum stay in the Hostel is allowed for 5 days and approval of competent authority was obtained for their stay beyond 5 days.

II Receipt of payment, Issue of receipt and booking of income in the books

- (a) Check that receipt was issued against all the approved bookings. Further, check that rate was charged in the receipt at approved rates for the relevant category.
- (b) Verify that GST has been correctly charged at applicable rates, wherever required as per the provisions of GST Act.
- (c) Check that pre-serially numbered receipts are used at the hostel for its issue at the time of receipt of payments and a copy of receipt is maintained at the hostel for record.
- (d) Ensure that no cash was accepted for settlement of hostel charges and the payments have been received through cheque or bank cards.
- (e) Check that relevant documentary evidence has been obtained in the cases where hostel charges were charged at low rate from specified officials.
- (f) Check that the details of payment received along with copy of receipt and other relevant supporting documents have been sent to accounts department for its timely accounting.
- (g) Check that the income has been booked correctly by accounts department after verification of records received from HSMI.

III Canteen Facility

- (a) Check that all executives are covered in canteen facility and proper records are maintained to monitor the employees covered in the facility.
- (b) Check that deduction from salary at approved rate was done for all the employees covered in the facility.

M. 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.

N. 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 Physical Security of server room

- (i) Check that access to server room is restricted and allowed to authorized persons only after punching the entry in bio-metric.
- (ii) Check that necessary safety measures are taken for security of server room such as installation of dry type fire extinguishers, smoke detectors, alarm, etc.

V Business Continuity

- (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.

- (d) Check that IT department monitors the connectivity on regular basis and no frequent complaints in this regard were recorded in the logbook.
- (e) Check that complaint register maintained and complaints are recorded therein along with status of compliant redressal on real time basis.
- (f) Check that AMCs for IT equipments have been taken and the faults/ breakdowns were timely intimated to AMC vendor for repair etc.

- (g) Check that fault/ breakdowns as intimated to AMC vendor were timely resolved and in case of delay in resolution of fault/ breakdown by the vendor, check that appropriate penalty was imposed on the vendor as per terms of contract.

VI 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.

VII 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.

VIII 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.

3. RISK BASED INTERNAL AUDIT TO BE CARRIED OUT ON YEARLY BASIS

O. LIBRARY

I Purchase and receipt of Books & Periodicals and issuance thereof

- (a) Verify that books and periodicals were purchased against request and after obtaining the approval of the competent authority.
- (b) Verify that purchased books & periodicals were duly recorded in the library records on real time basis and a unique serial number was assigned to each book for its tracking.
- (c) Verify that books & periodicals were issued to employee after recording the details in the register and book as well.

II Recovery of cost of Books & Periodicals

- (a) Verify that books & periodicals have been returned by the employees on retirement/ resignation/ termination or else cost of books have been recovered from the employee.

III Stock Taking of Books & Periodicals

- (a) Verify that stock of books & periodicals have been physically verified periodically and necessary steps for discrepancies observed during physical verification as required, has been taken after obtaining the approval of competent authority.

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