

CCIC OF INDIA LTD.

Bunkar Complex, Bunkar Colony, Bharat Nagar,
Delhi – 110 052.

CCIC/AGM(F)/2011

June 30, 2011

Notice inviting Offers

1. Central Cottage Industries Corporation of India Ltd. (CCIC) invites offers for Appointment of Internal Auditors for its Head Office at Delhi and its branch offices at Mumbai, Bangalore and Chennai from firms of Chartered Accountants empanelled with Comptroller and General of India for the F.Y.2011-2012.

2. The Corporation is engaged in Retail sale of Handicraft and handloom products through its Showroom at Delhi (Janpath, Rajiv Gandhi bhawan), Stores, Accounts and Buying at Bharat Nagar New Delhi and Noida and branches at Mumbai, Kolkatta, Bangalore and Chennai. The operations of Sales and purchases are made in computerized system having small value but high volume. The accounting is being done on Customised in house package developed at H.O. Delhi and Mumbai and on Tally at its branches in Bangalore and Chennai. The Branch-wise annual Turnover and staff strength for F.Y.2010-11 is as under:

Name of Branch	Turnover 2010-11 (Rs.in lakhs)	No. of Employees	Present fees of internal audit (p.a)
Delhi	5107	250	Rs.88000 plus service tax
Bangalore	403	16	Rs.25000 plus service tax
Chennai	216	8	Rs.11000 plus service tax
Mumbai	404	39	Rs.40,000 plus service tax

3. The applicant firms meeting the eligibility criteria can apply by submitting the Biodata of the firm and Fee for internal audit The Offers should be submitted for each location separately in two separate parts. The first part shall comprise of "Technical bid" and second part "Financial offer". Both the parts should be enclosed in the separate envelopes super-scribing the envelop with "Technical bid" and "financial offer". Both these envelopes should be enclosed in one envelope and superscribed with words " Offer for Appointment of Internal Auditors at Location " (Name of branch of CCIC).

4. Offers must be delivered at following address

Sh. Vineet Gupta
Addl.Genl.Manager (Finance)
Central Cottage Industries Corporation of India Ltd.,
Bunkar Complex, Bunkar Colony,
Bharat Nagar,
New Delhi- 110 052

5. The **Scope of work** is given in Internal Audit Manual enclosed at Annexure 'III'.

6. The last date of submission of offer is 10.7.2011 up to 3.30 PM. Offers received after this date shall not be considered.

7. The Technical bid shall be opened at 4 PM on 10.7.2011 in the presence of applicants who desire to be present there.

8. The financial offer shall be opened in respect of applicants found eligible as per eligibility criteria under Technical bid for which intimation will be sent. The Internal Audit assignment shall be awarded to Lowest financial offerer.

9. Eligibility Criteria

DELHI

- a) The CA firm should be empanelled with C&AG.
- b) The firm must have minimum experience of TWENTY years in Audit as on 31.3.2011.
- c) The firm should have H.O./ branch in Delhi/NCR
- d) The firm should have a strength of minimum seven working partners, two full time Qualified CA and 10 paid assistants/articled clerks

BRANCHES

- a) The CA firm should be empanelled with C&AG.
- b) The firm must have minimum experience of five years in the internal Audit of PSU's as on 31.3.2011.
- c) The firm should have H.O/branch in the location for which the audit assignment is applied for.
- d) The firm should have a strength of minimum FOUR working partners, ONE full time CA and 6 paid assistants/articled clerks. The personnel deputed to Audit should be well versed in Tally based Accounts Audit and should have knowledge/experience in working in computerised environment.

10. CCIC has the right to accept / reject the quotation(s) of any firm without assigning any reason(s) thereof.

11. Payment of Internal Audit fee will be released quarterly on submission of Audit Report against bill.

Sd/-
(Vineet Gupta)
Addl.Genl.Manager (Finance)

Technical Bid Form

To,

Addl.Genl.Manager (Finance)
Central Cottage Industries Corporation of India Ltd.,
Bunkar Complex, Bunkar Colony,
Bharat Nagar,
New Delhi – 110052.

Description of the works : Appointment of Internal Auditor forbranch.

1.	Name of the CA firm	
2.	Address Head Office	
3.	Address of Dealing Branch Office	
4.	Telephone No	
5.	Fax No.	
6.	Contact Person for the firm With Telephone No, Email	
7.	Experience in the Internal Audit (No. of years)	(Attach details as per proforma I)
8.	Name(s) of the Partners, their Qualification (ACA/FCA), membership No.etc.	
9.	Names of Audit Assistants/Articled clerks, Auditors, qualifications and experience	Please enclose separate annexures as per Proforma II attached
10.	Year of incorporation and Registration details with C&AG (attach proof)	

11.	PAN No. (mandatory) Service tax no.	
12.	Does your company have an existing/past relationship with CCIC? Describe the nature and extent of this relationship.	

DECLARATION:

1. All the information furnished by me / us here above is correct to the best of my / our knowledge and belief.
2. I / we have no objection if enquiries are made about the work listed by me / us in the accompanying sheets / annexure.
3. I / We have read all the terms & conditions of tender and instruction of tender document and these are acceptable to us.

Signature of Authorized Signatory: _____

Name and Title of Authorized signatory: _____

Name of Firm/Company: _____

PLACE :

DATE :

PERFORMA- I

Detail of Internal Audit Assignments handled

Sl. No.	Name of the organization (with address & telephone no.)	Year for which worked as internal Auditor
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		

PERFORMA- II

Detail of Key personnel

Sl No.	Name	Qualifications	Experience	Particulars of Audit work	Employed in your firm since
1.					
2.					
3.					
4.					
5.					
6.					

Financial Bid
For Internal audit
Branch

Sr.No.	Particulars of fee	Amount (₹)
1.	Professional fee per annum	
2.	Taxes (if any) – percentage (Extra / Inclusive)	
	Total	

Date

(Signature)

Name

Membership No.....

Address.....

.....

.....

To:

Addl.Genl.Manager (Finance)
Central Cottage Industries Corporation of India Ltd.,
Bunkar Complex, Bunkar Colony,
Bharat Nagar,
Delhi – 110052.

CENTRAL COTTAGE INDUSTRIES CORPORATION OF INDIA LTD.

INTERNAL AUDIT MANUAL

1. AIM AND OBJECTIVE OF INTERNAL AUDIT

The Internal Auditors combines the functions of a pathologist and a physician. He has to study, analyse, diagnose and suggest remedies. In fact, he should develop a 'polyclinic' approach to problems. He does not look at individual cases in isolation from the limited stand-point of technical regularity with reference to rules or orders but takes a total view of the operations, analyses the reasons for the defects, if any, and suggests remedial measures not only for the immediate problems but also long term measures for improving the working of the organisation.

For internal audit in this Corporation, the role is both protective and creative -- Protective is as much as he detects irregularities, mistakes, frauds etc. through its concurrent checking of accounting records and Creative because he must constantly review internal controls, policies, procedures, financial arrangements and makes suggestions for improvement and throw up useful information as an aid to management decisions. Greater stress is laid on the creative role of Internal Audit.

2. NATURE AND SCOPE OF INTERNAL AUDIT

Internal Auditing is an independent appraisal activity within an organisation for the review of accounting financial and other operations as well as accounting financial and other operations as well as performance against targets that the organisation has set for itself. It is a managerial control which functions by measuring and evolving the effectiveness of other controls. The overall objective of Internal Auditing is to assist all members of the Management in the effective discharge of their responsibilities by furnishing them with objective analysis, appraisals, recommendations and pertinent comments concerning the activities reviewed.

Internal Audit is thus

- Assigned a positive role in the Corporation's system of accountability, and;
- Made the hub of an integrated system of audits.

The accounts will be certified by the Internal Auditors in much the same way as is being done by the Statutory Auditors. The Internal Auditors observations will be placed before the Managing Director. This is with a view to ensure a measure of freedom to Internal Audit in the matter of criticizing the Management without fear or favour. The suggestions made by the Internal Audit will be examined and whatever suggestions are accepted will be implemented. In the day-to-day working, however, the Internal Audit will

continue to be responsible to the General Manager (Finance)/Head of Finance.

3. INTEGRATED SYSTEM OF AUDIT

There is multiplicity of agencies at present auditing the accounts of public sector undertakings. There are the statutory auditors, CAG and Internal Auditors.

To further the development of an integrated system of audits, it is necessary that besides the checking of accounts and accounting records, Internal Audit should carry out an audit of the trading and other activities of the Corporation from propriety angle and offer their comments freely. Besides, the area in which govt. auditors/statutory auditors have given adverse comments should be further examined for compliance.

Keeping in view the requirements of independence and security, important observations of Internal Audit which arise in the course of operational audit should also be periodically reported to the Managing Director in an appropriate manner. Should the Internal Auditor feel that some of the important points raised by them have been, without adequate justification, ignored to the detriment of the Corporation's interest, they will have a right to report such matters directly to the Managing Director.

Another step involved in an integrated system of audit is drawing up of internal audit programme of work in consultation with the Government and/or statutory auditors.

4. PERIODICITY OF ACCOUNTS

The books of account of the Corporation in Head Office are compiled on monthly basis on computer. The vouchers are however being generated manually. With the computerisation going on in the Accounts deptt. to generate voucher and books on online basis, all the financial processes, statements, trial balances, registers and sub-ledgers shall be available on computers at any point of time with hard copies available on monthly basis. Audit trails will be made available to Audit at various steps.

The books of accounts at Calcutta and Chennai branch are manual and those at Mumbai & Bangalore are computerised in a batch processing mode with hard copies available on monthly basis. Once the new system of online computerisation is installed in Head Office successfully, the same shall be applied to branches and then the requirements of internal audit applicable for computerised environment will apply.

5. FINANCIAL STATEMENTS/REPORTS

Besides the basic books like cash imprest book, cash receipt book, bank book, journal and general ledger, various sales/purchase registers, debtors/creditors sub-ledgers etc. shall also be generated on computers on monthly basis. The trial balance though made available at any given time shall also be available on hard copy on monthly basis.

The Corporation quarterly reviews the accounts lists for analysis/checking and remedial action. Half yearly results are compiled and midyear reviews/budgets prepared.

Annual Accounts shall be drawn for Audit in the quickest possible time after the close of the year and performance evaluated vis a vis budgets.

6. PROGRAMME OF WORK

Broadly the work of Internal Audit in the Corporation will cover the following fields:

- Scrutiny of all basic books, general ledger & subsidiary books to ensure that they are accurately maintained. Full checking of physical vouchers to ensure that they are booked into proper accounts while feeding into the computer and on timely basis with proper supporting documents attached/available separately and are in accordance with accepted accounting principles and Accounting Standards issued by the Institute of Chartered Accountants of India.
- Sanctions of Competent Authorities exist for all payments and adjustments and the same are in accordance with relevant agreements and are properly accounted for.
- Examining that the decisions taken by the Management/Board are properly implemented at various levels while conducting the transactions.
- To ensure that the directions of Govt./controlling Ministry/Deptt. of Public Enterprises are adhered to.
- To ensure that internal controls exist in every sphere of activity of the Corporation and are being implemented and updated regularly.
- Examination of contracts, agreements, important decisions, policies and procedures relating to procurement, sale, storage and services/expenses to ensure that the interest of the Corporation are adequately safeguarded.

- Whether losses are being incurred on trading operations and if so whether the same have been approved by the Competent Authority.
- To ensure that the physical stock taking of merchandise and fixed assets of the Corporation when conducted by the Management is accurately conducted and information is correctly compiled.
- Examination of all stock books to ensure that they are timely recorded and reports are reliable/accurate.
- Examination of compliance of all statutory laws viz Companies Act, Income Tax Act, Sales Tax, Labour Laws, P.F., FEMA Etc. in the transactions of the Corporation.
- To check whether the prices for purchases and sales are determined as per laid down procedure. Quantities and quality of the merchandise is approved by the Competent Authority and brief reasons have been recorded so that measure of accountability is ensured.
- To ensure that the system of various computer software/programmes, generating the accounts/ stock records/inventory management system is quarterly tested, checked with dummy data for correction of reports.
- Examination of export sales vis-à-vis orders received from buyers as per pricing policies and compliance with FEMA/RBI regulations/procedures with proper discharge/filing of GR liabilities and realization of foreign currency.
- Review of legal cases for/against the company at the end of financial year.
- Review of contingent liabilities at the end of financial year.
- Review of insurance claims filed, settled and realisation of outstanding claims on quarterly basis.
- Compliance to provisions of Companies Act for maintenance of Statutory records/registers/books and filing of relevant returns with the appropriate authorities.
- Examination of old stocks lying in Stores/Showroom quarterly and review of action taken in this matter. Examination of disposal of damaged stocks.
- Comparison of fixed assets acquired with those of sanctioned budgets and review of stock levels.

In carrying out the above checks, the internal audit will lay greater emphasis on making constructive suggestions for streamlining procedures and effecting economies.

The detailed Audit Programme of work covering the above fields is Enclosed (Annexure I).

The programme shall cover the Accounts of Head Office including wholesale Export Unit and Production Centre as well as all the branches.

The Internal Audit shall be carried out on quarterly basis with quarterly reports. An annual audit shall also be conducted to check the balance sheet, profit and loss account, schedules and consolidation with separate Annual Internal Audit Report.

7. INTERNAL AUDIT REPORT

The Internal Auditors shall furnish the following reports to Managing Director:

- a) A quarterly report on working of Accounts and other departments of the Corporation.
- b) Annual report reviewing the audit of the year and highlighting areas where action has not been taken on their suggestions and
- c) Annual report on preparation of final accounts and consolidation.

The above reports shall bring out following aspects:-

1. Area of Audit covered and extent of checking as per enclosed Annexure – 1 and Routine and system errors noticed along the quarter.
2. Indepth checking of area covered during the quarter and observation on adequacy of internal control procedures.
3. Conclusions and Suggestions.

PROGRAMME OF INTERNAL AUDIT**PART – A**

SL. NO.	AREA OF AUDIT	EXTENT OF CHECKING
1	VOUCHING	
(a)	Cash payment/Bank/Cash Receipt & deposits/Journal vouchers	100%
(b)	Postings in basic books, general ledgers and subsidiary ledgers and castings where manual books are maintained.	100%
2.	RECORDING AND PAYMENTS OF PURCHASES/ EXPENSES	
(i)	Purchase (P & W.S.E. & F.P. codes) bills	100%
(ii)	Approval purchase bills	100%
(iii)	Consignment Purchase bills	100%
(iv)	Sundry Suppliers & Expense bills	100%
(v)	Stock Transfer out invoices	100%
(vi)	Stock transfer in invoices	100%
(vii)	IDS Purchases	100%
(viii)	Misc. supplies and fixed assets, packing and freight and other expenses etc.	100%
3.	RECORDING OF SALES/INCOME	
(i)	Cash sales (recording in computer and generation of statement)	Sample to test systems in each deptt. to the satisfaction of Internal Auditors.

(ii)	Credit sales (including checking of orders received and executed)	100%
(iii)	IDS Sales (including checking of orders received and executed)	100%
(iv)	a) Interest on investments b) Interest on staff loans	100% Sample checking under each loan to the satisfaction of Internal Auditors.
(v)	Export packing and shipping bills with price fixation.	100%
(vi)	Export sale bills (including W.S.E. Exports) and price fixation as per policy/customer's orders.	100%
(vii)	Export incentives	100%
(viii)	All types of commission	100%
(ix)	Miscellaneous/other receipts	100%
4. ESTABLISHMENT EXPENSES		
(i)	Checking of monthly pay bill	One month Complete checking in two quarters.
(ii)	Disbursement/sanction of loans and repayments	100%
(iii)	Deduction of tax at source and deposit with govt.	100%
(iv)	Deduction of P.F. and other statutory dues and payment of contributions.	Sample checking to the satisfaction of Internal Auditors.
(v)	Payment of overtime and other allowances as per rules	Sample checking to the satisfaction of Internal Auditors.

(vi)	Payment of Gratuity and leave encashment and actuarial valuation	100%
(vii)	Checking of EL/SL balances of Employees and fixation of pay in pay scales.	100%
5.	Scrutiny of all sub-ledgers and general ledgers	For each quarter ending.
6.	Checking of deduction/collection of taxes under sales tax, income tax, service tax, TDS and issue of TDS certificates and filing of returns.	100%
7.	Audit of all statutory registers required to be maintained under Companies Act, Income Tax and Sales Tax act, P.F. and Bonus Acts etc. and to ensure their maintenance and updation.	100%
8.	a) Checking of markups fixed for sale on merchandise in Stores as per approved policy in Stores copy of invoice and sample checking of tags. b) Markdowns and write off of stocks and price change reports.	Sample to the satisfaction of Internal Auditors. 100%
9.	Checking of orders for trading goods for pricing/costing, delivery schedules/order quantities vis a vis stock levels	Samples for each deptt. to the satisfaction of Internal Auditors.
10.	Checking bank reconciliation	100%
11.	Checking investment decisions	100%
12.	Depreciation on fixed assets	100%
13.	Receipt and utilization of grants	100%

14. Checking of Purchase and Sales Invoices to ensure that they are properly recorded in following stock book and the book balances are correctly arrived.		
(i)	Stock Register Purchase (Computerised)	Sample to the satisfaction of Internal Auditors.
(ii)	Stock Register Sales (Computerised)	- do -
(iii)	Stock Ledger Main (Manual)	- do -
(iv)	Purchases & Sales Register (Approval Goods) (Computerised)	- do -
(v)	Sales Register (Consignment) Computerised)	- do -
(vi)	Approval Goods inward and issue Register Party wise (Manual)	- do -
(vii)	Purchase Return Register (Computerised)	- do -
(viii)	Sales Return Register (Manual)	- do -
(ix)	Transfer out to branches/units (Computerised)	- do -
(x)	Transfer in from branches (Manual)	- do -
15.	Physical verification of cash in hand with Cashiers (including revenue stamps), franking imprest, postage imprest, Parcel Imprest and Export Imprest.	Quarterly
16.	Physical verification of stocks. Packing and gift wrapping material, stationery and fixed assets.	Once a Year
17. Indepth checking of adherence to internal control systems for procurement, storage and sale/export of merchandise and service income/expenses and all the above aspects at Sl. No. 1 to 16.		

PROGRAMME OF INTERNAL AUDIT

PART – B

SL. NO.	AREA OF AUDIT	EXTENT OF CHECKING
1.	Scrutiny/audit of quarterly and annual profit and loss account and balance sheet generated from Computer (where manual P&L account and balance sheets are prepared they should also be checked with ledgers/trial balances).	100%
2.	Audit of Annual consolidation of Profit and loss account and balance sheet of Head Office and branches.	100%
3.	Ensuring that all liabilities and provisions have been made in the books of accounts.	100%
Note: Items not covered under the above schedule but mentioned in Audit Programme (Para 6) will be subjected to 100% Audit.		