

## HLL LIFECARE LTD

### EMPANELMENT OF CA/CMA FIRMS FOR INTERNAL AUDIT ASSIGNMENT

1. HLL Lifecare Ltd, a Mini ratna enterprise invites applications on the undernoted prescribed format from practicing ‘Partnership firms/LLPs/Proprietorship firms of Chartered Accountants/ Cost & Management Accountants in India’ who fulfill the eligibility criteria as mentioned hereunder and are willing to have their Firms empanelled as Internal Auditors of the Company for conducting internal audit of Manufacturing units, C&FA Agents ,Depots, Marketing Offices, Diagnostic Centers, Medical Labs and Medical Retail Outlets across India.
2. The Application should be submitted as per Annexure 1 to the Senior Vice President (CAS), HLL Lifecare Ltd, Corporate & Registered Office, HLL Bhawan, Poojappura, Thiruvananthapuram – 695012, by postal service / courier or by mail : cas@lifecarehll.com
3. “Application for “Empanelment of CA/CMA Firm for Internal Audit” should be mentioned on the envelope/subject, carrying the application.
4. The Scope of Audit is prescribed in Annexure 2 and the format of Audit report in Annexure 3. “Eligibility Criteria” for empanelment for CA/CMA Firms for Internal Audit in our company is as per Annexure 4. States and number of units in Annexure 5.
5. The minimum cutoff points to qualify for empanelment is “60” (please check selection criteria as per Annexure 4). So those who score 60 or above in self-assessment only need to apply.
6. Audit Firms applying for empanelment must submit along with application, the Copy of partnership deed + Copy of registration certificate issued by the ICAI certifying the constitution of the Firm, their branches & date from which it is continuing as a Firm (latest).
7. Experience Certificates of CA/CMA Firm in the Public Sector Undertakings as Internal Auditor be enclosed, *in absence of which application will not be accepted.*
8. Mere submission of application does not, in any way, constitute guarantee for allotment of the audit job of any nature from the company. The allocation of units to the auditors will purely be the choice of the Company.
9. The periodicity of internal audit assignment (if any) will be for ONE YEAR with quarterly review of performance and would be extended for a further period of THREE YEARS (Overall 3 years), based on the ‘Satisfactory Performance’ of the CA/CMA firm.
10. ‘Incomplete Application’ or ‘Application Without Requisite Enclosures’ will not be entertained.
11. The Internal Audit Firm will undertake that they will not sub contract/sub assign the audit assignment.
12. General Terms for Engagement for Internal Audit
  - i) Internal Audit firm has to discuss the draft report with the auditee to obtain their views/replies and incorporate the same in the final report along with your final comments on the same. The final audit report along with bill should be sent to us on a quarterly basis in duplicate, on or before the due date for each quarter (Address to send reports and due dates for each quarter will be mention in the

appointment letter). Soft copy of the report should also be sent to cas@lifecarehll.com mail id for our e-records.

- ii) **Internal audit fees for the assignment is inclusive of all other charges and out of pocket expenses and will be paid on a quarterly basis. However, GST will be paid additionally at prevailing rate.**
- iii) **We are having 289 Pharma outlets and 279 Labs situated across the Country. Audit for the same will be planned in such a way that all the centres are covered within 3 years span of time. For the Internal Audit of Pharmacy and Labs situated across the country, management may insist on conduct of One Time Internal Audits and submit the final reports along with the Invoice.**
- iv) **Audit Reports should be submitted within the due dates (will be mention in appointment letter), failing which HLL will be entitled to deduct Liquidated Damages@ 5% of Internal Audit fees for each week's delay subject to a maximum of 20%.**
- v) **Your representatives will have to attend the Audit Committee/ Board Meeting for discussion on audit reports as and when required by HLL**

**The detailed terms & conditions of offer including fee and other expenses payable will be intimated at the time of allotment of audit work.**

13. **Assignments of empanelled CA/CMA firms will be governed by “Code of Ethics for Chartered Accountants/ Cost Accountants” circulated by its respective Institutes in its website and the company will initiate necessary action against such CA/CMA firms and its partners in case serious deficiencies observed are detrimental to company's interest. CA/CMA Firms which are presently debarred by its Institutes or any other regulatory bodies are not eligible for empanelment.**
14. **CA/CMA firms who intends to apply for particular State/States for Audit, should have either its head office or branch with full time partner for that State, in which units are allotted for Internal Audit. States and the number of tentative units for Internal Audit are mentioned in Annexure 5.**
15. i) **CA/CMA firms which carry Statutory Audit Assignments for a year will not be considered for internal audit assignment during that year and the next year. These instructions would even apply to firms of which a partner or proprietor is engaged or to be engaged in internal assignment of the company.**

**“Associate concerns of CA/CMA Firms” should not have conducted Statutory Audit of our Company or its subsidiaries during the previous year.**

**An audit firm in which a partner is also a partner / proprietor of firm entrusted with Statutory Audit of the Company is not eligible for appointment of internal auditor.**
16. **All other terms and conditions for empanelment of CA/CMA firm as internal auditor will be applicable as per approved policy of the company subject to change from time to time.**

17. Only those applications which are received between the date of notice and the last date of receipt of applications, will be considered.
18. The CA/CMA firm who has submitted any such application earlier to the date of this notice, is required to apply afresh within the stipulated period, if the CA/CMA firm meets the requirements for empanelment.
19. The last date for receipt of application with Bio-data as per Annexure 1 at ours is 13.03.2023 till close of working hours, at the following address :

Senior Vice President (CAS),  
HLL Lifecare Ltd, Corporate & Registered Office,  
HLL Bhawan, Poojappura,  
Thiruvananthapuram – 695012

Landline: 0471-2354949, e-mail address: [cas@lifecarehll.com](mailto:cas@lifecarehll.com)

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S.No	Particulars	Details	
1.	Name of the CA/CMA Firm		
2.	Address of its Head Quarter		Pin Code
3.	Landline No/s. (with STD Code)	STD code	
4.	Name & Mobile No. of the nominated FCA/FCMA partner of the CA/CMA Firm to whom Company may/ will contact, in connection with the assignment applied for.	Name :	
		Mobile / Landline No :	
		Email id :	
5.	Fax No/s.		
6.	E-mail address(es) of CA/CMA Firm		
7.	Date since when working as Partnership Firm only. (Institute Certificate be enclosed)		
8.	Total Experience as Internal Auditor in Public Sector Undertakings as on 31.03.2022	Years :	Months :
		(Enclose all Certificates)	
9.	Registration No. of Firm		
10.	CAG/RBI Empanelment Number if any		
11.	State(s) for which application is submitted (refer point 14 and Annexure 5)		

## 11. Detail of Branch/es of the CA/CMA Firm:

Name of Branch	Address (with Pin code)	Name of Branch Head	Landline No. (with STD Code)	Mobile No.	E-mail Address

**12. Particulars of All Partners & Qualified Staff**

Sr. No	Name	Age (in years)	Membership No.	Whether passed DISA**/CISA (Xerox copies of the certificates to be enclosed)	Whether FCA/FCMA or ACA/ACMA	Mobile No.	E-Mail address
<b>Total Partners:</b>			<b>FCA/FCMA :</b>				
			<b>ACA/ACMA :</b>				

**13. Experience of Internal Audit of Public Sector Undertakings (No other audits details to be mentioned here, except Internal Audit of PSUs (Copy of appointment letters for internal audit assignment/s be enclosed)**

Name of the Company	Name of the Unit	Date:From	Date:To	Total Period

**14. List of Other Internal Audit Engagements (Copy of Appointment letters for Internal Audit assignment/s be enclosed)****15. List of Assignments handled in SAP Applications****16. List of assignments handled in Pharma /Medicare sector****17. Whether the Firm or any partner has ever been debarred by the Institute. If yes, details be mentioned.**

Sr. No.	Name of the Partner (Sh.)	Brief Reasons for Debar

**18. CONSTITUTION**

{Copy of Partnership Deed + Copy of Constitution Certificate issued by the Institute certifying the constitution of the Firm, their branches & date from which it is continuing as a Partnership Firm (latest) to be enclosed}

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**19. Other details if any**

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**20. Certificate/s:**

- a) We hereby confirm that the Firm/any partner is neither Statutory Auditor nor associate concern of Statutory Auditors of HLL Lifecare Ltd or its subsidiaries & have not been disqualified on any of grounds given under Sec 141 of the Companies Act. 2013.
- b) We also confirm that the details/information furnished above are / is true and correct. In case, any detail furnished above is found incorrect later on, the Company has the right to terminate the assignment given, without giving any notice.
- c) We also undertake that we will not sub-contract / sub-assign the audit assignment.
- d) We also hereby declare that if our name is included in the Company's list of approved Internal Auditors, we will undertake to do the tasks entrusted to us in the best interest of the Company.
- e) We shall also abide by the rules and regulations of the Company in force from time to time and will always keep the company's interest foremost in our mind.

**20. Signature of All Partners:**

Sr.No	Name (Sh./ Smt.)	Signature	Institute Membership No.	Office Seal

**(Signature of all partners with Name and Membership No. & Office Seal)**

**Date:**

**Scope of Audit relating to each business unit**

**A. Manufacturing Unit**

- To verify whether assets are procured as per approved budget and DOP and to check maintenance of Fixed Assets registers and periodical physical verifications
- To verify procurement procedures are followed for major raw materials and chemicals and packing materials.
- Analysis of inventories with regard to expiry, stock level, valuation and also classification of inventory under ABC category
- To verify the methods adopted for receipts/issues of materials, analyze and report non moving stocks and also to check a system of EOQ based on Min/Max/reorder levels.
- Verification of sales, analysis of debtors, age wise reporting debtors, verification of accounting of sales return with respect to physical return and also to scrutinize the debtors account with regard to credit policy,
- To verify and report the position of pending work orders, delay in dispatch if any compared to scheduled time, Collection regarding DOD based sales.
- To Conduct Surprise Spot verification of cash including petty cash & imprest cash
- Verification & Vouching of all cash & Bank payment vouchers & journal Entries with regard to DOP, accounting, authorization, compliant with applicable legislations rules and policies etc.
- To verify advances (both staff and others) policies its recovery /settlement and to report long pending loans and advances.
- To verify payments to creditors are inline with agreed P.O terms & that full credit has been availed of.
- Review of provisions made with regard to correctness and subsequent adjustments.
- Leger scrutiny of all accounts to ensure whether all entries are accounted under proper head and to report abnormal transaction if any.
- Review of existing Account heads/New heads created to confirm that the reporting system would facilitate the disclosure requirements under the provisions of the companies act as amended which are applicable for the Financial year
- Review of procedures followed for disposal/accounting of scrap /waste items.
- To verify correctness & confirming if proper approvals are taken for creation of provision /write off of debts/ advances/ inventory /assets by reference to the clauses in the delegation of powers of the company.
- To verify the timely accounting of consumption of major raw materials, chemicals & Pkg materials and analysis, reporting thereafter with reference to standard norms and to report observations of exceptional and nonrecurring nature.
  - Abnormal consumption.
  - Variance analysis
- To ensure payment of correct salary by verifying attendance, leave, tour basic pay, increments, overtime, statutory deductions etc.
- Verification of all expenses with regard to DOP, budget, rules, authenticity contract, agreement etc and also to verify correctness of accounting.
- To verify the procurement, sales, inventory and profitability of trading operations.



- To verify and report the status of inter unit and bank reconciliation and scrutiny of unreconciled items and report if there is unusual delay in accounting and delay in preparation of reconciliation statement.
- To check and report all statutory compliances relating to FEMA, Income tax, Customs, company Law, GST, etc.
- A detailed scrutiny of the complete trail of transactions in areas of weaknesses observed in the course on audit.
- Provision and Settlement of various advances relating to Projects.
- Analysis of budgeted expenditure v/s Actual expenditure and reporting the variance.
- Discount/Concession authorizations given to customers and approvals
- Whether all required Licenses / approvals have been obtained.
- Timely availment of all Export Benefits/incentives and timely utilization if applicable
- Transactions of Sourcing Division
- Review of adequacy of insurance coverages.
- Comments on overall business operations & profitability of the business unit.

## **B. Service Divisions**

### **Scope for Audit in Pharma Outlets:**

#### **A. Control of Stock / Inventory**

- To check whether 10 or more items (medicines or reagents or others) are being taken and verified on a random basis at each centre and its records made available to the audit team.
- To verify the Slow moving or stock expiry report and to opine on whether it is being taken periodically by the centre in charge and action being taken.
- To verify medicines which required to be kept separately / lock and key are kept accordingly and a verification of such medicines have been carried during audit.
- Physical verification of stock items to done on a quarterly basis & evaluate the differences between book stock & physical stock.
- Age wise analysis of inventory items with reference to slow moving / non- moving items if any in the inventory. Review of expiry stock returns.
- Review the procedures for receipt, issue & stocking of different stock items in the Retail outlets.

#### **B. Control over Cash**

- To verify last day when cash was deposited from the centre and how much is the average cash holding at any point of time in each centre and of any differences with sales report and cash report.
- Cash expenses are taken separately after approvals and not set off with cash available at centre.
- Review the remittances made by the centre & check whether the remittances are made on a timely basis.
- Daily Cash collection & deposit into bank a/c. Bank reconciliation on a daily basis.
- Security aspects duly adhered for daily cash collection pick-up by Bank's authorized outsourcing agency.
- Verification of petty/imprest cash.

#### **C. Billing / GST Area**

- Review the billing procedures adopted by the concern & evaluation of the internal control system in respect of billing procedures followed by the centre.
- Compliance of GST and other statutory levies.

#### D. Administration

- The attendance registers are proper and kept by Centre in charge and bouncing medicines register.
- Review the Accounting of the Fixed Assets at the centre.
- Review the purchase procedures adopted by the Sourcing Division including vendor evaluation and development.
- Review whether the payment as regards purchases are made within the credit period & the collection from debtors made within the credit period given.

#### E. Collection Control

- Receivables & collection. Ageing analysis and comment on collection efficiency.

#### F. Expense Control

- Verify the expenses with supporting vouchers.
- Ensure expenses are not met with sales cash.

#### G. Others

- Verify whether the auditor satisfied that the CC TV surveillance is working perfectly and covering the medicines, cash counter, patients outside strictly and all cameras working and back up taken periodically.
- To verify advances (both staff and others) policies its recovery /settlement and to report long pending loans and advances
- Evaluation of quarterly financial reporting system.
- Data migration in SAP.
- Adequacy of insurance coverage.

#### **MRI Centre:**

##### A. Control of Stock / Inventory

- To verify medicines/reagents which required to be kept separately / lock and key are kept accordingly and a verification of such medicines have been carried during audit.
- Review the procedure for receipt, issue & stocking of various consumables & chemicals used in the diagnostic divisions.

##### B. Control over Cash

- To verify last day when cash was deposited from the centre and how much is the average cash holding at any point of time in each centre and of any differences with sales report and cash report.
- Cash expenses are taken separately after approvals and not set off with cash available at centre.
- Review the remittances made by the centre & check whether the remittances are made on a timely basis.
- Daily Cash collection & deposit into bank a/c. Bank reconciliation on a daily basis.

- Security aspects duly adhered for daily cash collection pick-up by Bank's authorized outsourcing agency.
- Verification of petty/imprest cash.

#### C. Administration

- Review whether turnaround time is fixed for each request and whether proper monitoring is in place to evaluate that the requests are processed based on the time fixed for the same.
- Evaluate the record management in the diagnostic division and check whether the control system is satisfactory.
- Review the Accounting of the Fixed Assets of the relative units.
- Evaluation of quarterly financial reporting system.
- The attendance registers are proper and kept by Centre in charge and bouncing medicines register.

#### D. Billing / Tax Area

- Review the bill submission process and report that whether the credit bills are submitted to the respective customers in time and to check the submitted credit bills are matching the individual credit invoices generated through the billing software
- Verification of every service/testing is accounted as sale & to ensure billing of services with approved rates/contract.
- Review the billing procedures adopted by the centre & evaluation of the internal control system in respect of the billing procedure.
- Check the compliance requirements as to the Tax deducted at source as per the Income Tax Act.

#### E. Expenses Control

- Cash expenses are taken separately after approvals and not set off with cash available at centre.

#### F. Others

- Verify whether the auditor satisfied that the CC TV surveillance is working perfectly and covering the medicines, cash counter, patients outside strictly and all cameras working and back up taken periodically.
- Evaluate the Agreements with the state government regarding the procedures followed for offering free treatments stipulated in the agreement.
- SAP data migration
- Receivables management.
- Adequacy of insurance coverage.

### **Hind Lab**

#### A. Control of Stock / Inventory

- To verify the timely accounting of consumption of major raw chemicals and analysis, reporting thereafter with reference to standard norms and to report observations of exceptional and nonrecurring nature.
  - Abnormal consumption.
  - Variance analysis
- Check whether 10 or more items ( medicines or reagents or others ) are being taken and verified on a random basis at each centre and its records made available to the audit team
- To verify medicines/reagents which required to be kept separately / lock and key are kept accordingly and a verification of such medicines have been carried during audit.

- To verify the Slow moving or stock expiry report and to opine on whether it is being taken periodically by the centre in charge and action being taken.
- Review of procedures followed for disposal/accounting of scrap /waste items.
- Procedures followed for the procurement and accounting for consumable stores and spares used in the process, segregation into insurance spares, accounting under respective heads of assets in the case of insurance spares.
- To verify procurement procedures followed for major chemicals and solutions.
- Analysis of inventories with regard to expiry, stock level, valuation and also classification of inventory under ABC category - (Chemicals/solutions/tools/other equipments)

#### B. Control over Cash

- To verify last day when cash was deposited from the centre and how much is the average cash holding at any point of time in each centre and of any differences with sales report and cash report.
- Cash expenses are taken separately after approvals and not set off with cash available at centre.
- Review the remittances made by the centre & check whether the remittances are made on a timely basis.
- Daily Cash collection & deposit into bank a/c. Bank reconciliation on a daily basis.
- Security aspects duly adhered for daily cash collection pick-up by Bank's authorized outsourcing agency.
- To Conduct Surprise Spot verification of cash including petty cash & imprest cash
- To verify and report the status of bank reconciliation and scrutiny of un reconciled items and report if there is unusual delay in preparation of reconciliation statement.

#### C. Administration

- The attendance registers are proper and kept by Centre in charge and bouncing medicines register.
- To verify whether assets are procured as per approved budget and DOP and to check maintenance of Fixed Assets registers and periodical physical verifications

#### D. Billing / Tax Area

- Review the bill submission process and report that whether the credit bills are submitted to the respective customers in time and to check the submitted credit bills are matching the individual credit invoices generated through the billing software.
- Verification of every service/testing is accounted as sale & to ensure billing of services with approved rates/contract.
- To check and report all statutory compliances.

#### E. Expenses Control

- Analysis of budgeted expenditure v/s Actual expenditure and reporting the variance.
- Verification of all expenses with regard to DOP, budget, rules, authenticity contract, agreement etc and also to verify correctness of accounting.
- Verification & Vouching of all cash & Bank payment vouchers & journal Entries with regard to DOP, accounting, authorization, compliance with applicable legislations rules and policies etc.

#### F. Others

- Verify whether the auditor satisfied that the CC TV surveillance is working perfectly and covering the medicines, cash counter, patients outside strictly and all cameras working and back up taken periodically.

- To verify advances (both staff and others) policies its recovery /settlement and to report long pending loans and advances.
- To verify payments to creditors are inline with agreed P.O terms & that full credit has been availed of.
- Ledger scrutiny of all accounts to ensure whether all entries are accounted under proper head and to report abnormal transaction if any.
- Review of existing Account heads/New heads created to confirm that the reporting system would facilitate the disclosure requirements under the provisions of the companies act as amended which are applicable for the Financial year.
- To ensure payment of correct salary by verifying attendance, leave, tour basic pay, increments, overtime, statutory deductions etc.
- Verification of insurance coverage and adequacy of coverage.
- To verify the procurement, sales, inventory and profitability of trading operations.
- A detailed scrutiny of the complete trail of transactions in areas of weaknesses observed in the course on audit.
- Receivables management

### **Infrastructure Division**

#### **Background –Infra structure Division Accounts**

The company has been undertaking various assignments for carrying out major civil works relating to construction from various government/ semi government/ autonomous institutions commencing from finalization of tenders, selection of vendors based on two bid systems, evaluation of financial bids, finalization and selection of tender, execution of agreement with the finalized vendor, release of work order, making payments for bills in accordance with the contract ,maintenance of accounts, Submission of returns stipulated, preferring claims towards consultancy charges, compliance with the applicable statutes etc.

The work would also include maintenance of separate accounts for receipt of funds from the funding agencies, project expenditure incurred, interaction with the funding agencies, preferring claims for consultancy charges on a time bound basis as per agreement etc. The company acts as a trustee of the funding agencies in respect of these agencies and acts as a consultant for the completion of the projects.

The internal audit would require verification of the transactions indicated below.

- To verify whether contract payment is properly authorized as per D.O.P/Agreement and to ensure that payment is made after deducting statutory deduction such as T.D.S, work contractors tax ,applicable local taxes etc and other deductions such as advances, security deposit, penalty etc in accordance with the work order awarded.
- To verify bank guarantees received, secondary confirmation letters received expiry dates and return after due date, maintenance of requisite registers for monitoring the transactions.
- To ensure proper accounting of Earnest Money Deposit, Security deposit, maintenance of registers, etc.
- Procedure followed if the billed quantity is in excess of agreed quantity and whether the same is in conformity with agreement and DOP.

- To ensure the compliance of procedures followed in the contract/agreement with Ministry/parties are followed.
- To verify whether invoices for consultancy charges are raised and accounted as income with reference to completion of milestones activities indicated in the agreements.
- To verify whether assets are procured as per approved budget and DOP and to check maintenance of Fixed Assets registers and periodical physical verifications.
- Verification of consultancy income, analysis of receivables,, age wise reporting of receivables and scrutinization of the account for subsequent realization..
- To Conduct Surprise Spot verification of cash including petty cash & imprest cash
- Verification & Vouching of all cash & Bank payment vouchers & journal Entries with regard to DOP, accounting, authorization, compliance with applicable legislations rules and policies etc.
- To verify advances paid (contractors/ staff and others) as per proper approval D.O.P & company policies and its recovery /settlement and to report long pending loans and advances.
- To ensure that payments to creditors are inline with agreed work order terms & that full credit has been availed of.
- Review of provisions made and its verification with regard to correctness and subsequent adjustments.
- Leger scrutiny of all accounts to ensure whether all entries are accounted under proper head and to report abnormal transaction if any.
- Review of existing Account heads/New heads created to confirm that the reporting system would facilitate the disclosure requirements under the provisions of the companies act as amended which are applicable for the Financial year
- To verify correctness & confirming if proper approvals are taken for creation of provision /write off of debts/ advances/ inventory /assets by reference to the clauses in the delegation of powers of the company.
- To ensure payment of correct salary by verifying attendance, leave, tour basic pay, increments, overtime, statutory deductions etc.
- Verification of all expenses with regard to DOP, budget, rules, authenticity contract, agreement etc and also to verify correctness of accounting.
- To verify and report the status of bank reconciliation and report if there is unusual delay in accounting and delay in preparation of reconciliation statement.
- To check and report all statutory compliances relating to FEMA, Income Tax, Customs, Company Law, GST, local taxes etc.
- A detailed scrutiny of the complete trail of transactions in areas of weaknesses observed in the course on audit and observations and suggestions on ledger scrutiny.
- Analysis of budgeted expenditure v/s Actual expenditure and reporting the variance.
- Whether all required Licenses / approvals have been obtained and renewed
- To analyse payable to projects A/c with Receivables from projects.
- Verification of opening balances incorporated in the beginning of year.

### **Corporate Head Office**

- To verify whether assets are procured as per approved budget and DOP and to check maintenance of Fixed Assets registers and periodical physical verifications.
- To Conduct Surprise Spot verification of cash including petty cash & imprest cash

- Verification & Vouching of all cash & Bank payment vouchers & journal Entries with regard to DOP, accounting, authorization, compliant with applicable legislations rules and policies etc.
- To verify advances (both staff and others) policies its recovery /settlement and to report long pending loans and advances.
- To verify payments to creditors are inline with agreed P.O terms & that full credit has been availed of.
- Ledger scrutiny of all accounts to ensure whether all entries are accounted under proper head and to report abnormal transaction if any.
- Review of existing Account heads/New heads created to confirm that the reporting system would facilitate the disclosure requirements under the provisions of the companies act as amended which are applicable for the Financial year
- To verify correctness & confirming if proper approvals are taken for creation of provision /write off of debts/ advances/ inventory /assets by reference to the clauses in the delegation of powers of the company.
- To ensure payment of correct salary by verifying attendance, leave, tour basic pay, increments, overtime, statutory deductions etc.
- Verification of all expenses with regard to DOP, budget, rules, authenticity contract, agreement etc and also to verify correctness of accounting.
- To verify and report the status of bank reconciliation and scrutiny of unreconciled items and report if there is unusual delay in preparation of reconciliation statement.
- To check and report all statutory compliances relating to FEMA, Income Tax, Customs, Company Law, GST, etc.
- A detailed scrutiny of the complete trail of transactions in areas of weaknesses observed in the course on audit.
- Analysis of budgeted expenditure v/s Actual expenditure and reporting the variance.

### **Procurement & Consultancy Division**

- To Conduct Surprise Spot verification of cash including petty cash & imprest cash
- Verification & Vouching of all cash & Bank payment vouchers & journal Entries with regard to DOP, accounting, authorization, compliant with applicable legislations rules and policies etc.
- To verify advances (both staff and others) policies its recovery /settlement and to report long pending loans and advances.
- To verify payments to creditors are inline with agreed P.O terms & that full credit has been availed of.
- Ledger scrutiny of all accounts to ensure whether all entries are accounted under proper head and to report abnormal transaction if any
- Review of existing Account heads/New heads created to confirm that the reporting system would facilitate the disclosure requirements under the provisions of the companies act as amended which are applicable for the Financial year
- To verify and report the status of bank reconciliation and scrutiny of un reconciled items and report if there is unusual delay in preparation of reconciliation statement.
- To verify correctness & confirming if proper approvals are taken for creation of provision /write off of debts/ advances/ inventory /assets by reference to the clauses in the delegation of powers of the company.
- To ensure payment of correct salary by verifying attendance, leave, tour basic pay, increments, overtime, statutory deductions etc. and proper Debit/credit notes are issued to other units/divisions.

- Verification of all expenses with regard to DOP, budget, rules, authenticity of contract, agreement etc and also to verify correctness of accounting.
- To check and report all statutory compliances relating to FEMA, income tax, Customs, Company Law, GST, etc.
- A detailed scrutiny of the complete trail of transactions in areas of weaknesses observed in the course on audit.
- Analysis of budgeted expenditure v/s Actual expenditure and reporting the variance. To verify whether contract payment is properly authorized as per D.O.P/Agreement and to ensure that payment is made after deducting statutory deduction such as T.D.S, work contractors tax ,applicable local taxes etc and other deductions such as advances, security deposit, penalty etc in accordance with the work order awarded.
- To verify bank guarantees received, secondary confirmation letters received expiry dates and return after due date, maintenance of requisite registers for monitoring the transactions.
- To ensure proper accounting of Earnest Money Deposit, Security deposit, maintenance of registers, etc.
- Procedure followed if the billed quantity is in excess of agreed quantity and whether the same is in conformity with agreement and DOP.
- To ensure the compliance of procedures followed in the contract/agreement with Ministry/parties are followed.
- To verify whether invoices for consultancy charges are raised and accounted as income with reference to completion of milestones activities indicated in the agreements.
- To verify whether assets are procured as per approved budget and DOP and to check maintenance of Fixed Assets registers and periodical physical verifications.
- Verification of consultancy income, analysis of receivables,age wise reporting of receivables and scrutinization of the account for subsequent realization..
- To Conduct Surprise Spot verification of cash including petty cash & imprest cash
- Verification & Vouching of all cash & Bank payment vouchers & journal Entries with regard to DOP, accounting, authorization, compliance with applicable legislations rules and policies etc.

### **Liaison Office**

- To verify whether assets are procured as per approved budget and DOP and to check maintenance of Fixed Assets registers and periodical physical verifications.
- To Conduct Surprise Spot verification of cash including petty cash & imprest cash
- Verification & Vouching of all cash & Bank payment vouchers & journal Entries with regard to DOP, accounting, authorization, compliant with applicable legislations rules and policies etc.
- To verify advances (both staff and others) policies its recovery /settlement and to report long pending loans and advances.
- To verify payments to creditors are inline with agreed P.O terms & that full credit has been availed of.
- Ledger scrutiny of all accounts to ensure whether all entries are accounted under proper head and to report abnormal transaction if any.
- To verify and report the status of bank reconciliation and scrutiny of un reconciled items and report if there is unusual delay in preparation of reconciliation statement.
- Review of existing Account heads/New heads created to confirm that the reporting system would facilitate the disclosure requirements under the provisions of the companies act as amended which are applicable for the Financial year



- To ensure payment of correct salary by verifying attendance, leave, tour basic pay, increments, overtime, statutory deductions etc.
- Verification of all expenses with regard to DOP, budget, rules, authenticity contract, agreement etc and also to verify correctness of accounting.
- In the case of GBDD the receivables transferred from units are accounted and the advances received from the ministry and receipts relating to sales realization are also accounted. A detailed review may also be made on the status of accounts in this area.
- To verify the bills received from various divisions/ Units of HLL, collection status, and also to prepare reconciliation between receipt of bills and collection from Government.

### **Project Accounts**

The unit accounts the consultancy income in P&CD books relating to various projects for which the company acts as a consultant. The receipt of funds, its utilization, and the relative bank accounts are maintained in separate project accounts in the unit. As these transactions have a bearing on the accounting of income, and the company is obliged to the funding agencies till the completion of the projects. The accounting of consultancy income to be verified with reference to the various agreements entered by the company with the various agencies..

- a. Completion of bank reconciliation statement with reference to each project accounts and verification confirmation of balances due to funding agencies with statement of accounts.
- b. Procedure for releasing cheques and obtaining payees signature
- c. Maintenance of dispatch register
- d. Confirmation from banks.
- e. Confirmation of balances due to funding agencies with statement of accounts.

### **C. Marketing Division**

#### **Clearing & Forwarding Agent (C&FA)**

##### **1. Sales**

- a. To ensure that timely sales are taken place against authenticated orders.
- b. To ensure that invoices are raised on Stockiest & Distributors as per credit limit/ credit policy/ Security cheque/ DD/ etc.
- c. To ensure that free samples are issued/ mentioned in invoice as per approved scheme. Please verify the period of the scheme also.

##### **2. Inventory**

- a. To ensure that stocks are received from HLL manufacturing units/ Other C& FAs/ HLL Depots/ HLLFPT/ other sources and accepted on the basis of advice from Logistic department.
- b. To ensure that timely information are given to logistic department in case of Short receipt/ damaged goods.

- c. To ensure that stocks are stored as per guidelines given in C&FA Manual.
- d. To ensure that safety measures are taken as per guidelines given in C&FA Manual.
- e. To ensure that stock returns are accounted on the basis of approval from Logistic department.
- f. To ensure that stock are despatched to Stockiest & Distributors on the basis of sales invoices in time.
- g. To ensure that other distribution such as stock transfer to other C& FA/Depot, stock return to HLL factories/ suppliers are carried out as per the advice of Logistic department then and there.
- h. To verify whether any stocks are not moved out of C& FA premises after DC / invoice is raised.
- i. To ensure that samples required for the purpose of displays, exhibitions, lab testing, free distribution etc. are issued as per the advice of Logistic department.
- j. To ensure that for receipt & issue of goods, all the guidelines are adhered.
- k. To verify whether accepted Delivery Challan/ POD are collected & filed for stocks supplied.
- l. To verify the stock at the end of each quarter and submit stock verification report.
- m. To analyze non-moving stock, short expiry period stock (less than six months), expired stock and submit a report.
- n. Review of adequacy of insurance coverage

### **3. Gift Stock & issues:**

To verify whether receipt & issue of gift articles are properly documented

- a. To verify whether there is an over stocking of gift items compared to sales achievement.
- b. To verify whether gift items are issued as per scheme & proper utilization of gift articles.
- c. To submit physical verification report of gift stock.
- d. Efficacy of gift schemes in increasing business volume.

### **4. Cash & Bank**

- a. To physically verify the blank cheques, security cheques available with the register and to ensure that same are in order.
- b. To verify whether the cheques/ DDs received are deposited in to Company's account immediately.
- c. To ensure that collection statements are forwarded to concerned authorities on daily basis.
- d. To ensure that collections are reconciled with sales invoices.
- e. To verify and inform the incidents of delayed collections, which is not as per Company's policy.
- f. To inform about the dishonored cheques with action taken to collect the DDs
- g. To ensure that Company's policies are followed in case of dishonored cheques.
- h. To inform the risk factors, if any, in collection procedure.

### **5. Administration Expenses**

- a. To ensure that C& FA expenses are claimed & released as per agreed terms & conditions.
- b. To ensure that commission is reimbursed as per agreed terms.
- c. To ensure that freight charges are paid on the basis of rate contract and the rate charged are reasonable.
- d. To ensure that proper receipts are collected for freight payment.

## **6. Statutory Compliance**

The review, inter-alia, shall check

- a. To ensure that periodical GST Returns are filed as per Act.
- b. To ensure that GST rules are strictly followed.
- c. To inform about pending Tax cases and risk factor, if any.
- d. To provide certified statement of annual sales for the purpose of annual return of GST.
- e. Due compliance of GST especially on reverse charge.

## **7. Physical verification of stocks at C&FAs – Year end**

- a. The Cut off date for the year end stock verification would be intimated by the Supply chain Management. Old, Obsolete and slow moving stocks should be identified separately.
- b. A representative from the regional finance or logistics department would be present in the respective location at the time of stock taking.
- c. The stock report should indicate the discrepancy, if any, noticed during the verification which should be considered appropriately in the valuation of inventories.
- d. The report should be signed by all the members (representative of C&FA, Representative of HLL and the internal auditors authenticating the report) & the same should be forwarded to CMO, Chennai for accounting. The copy of the same has to be forwarded to CAS.

### **Auditor to submit the following reports along with audit report**

- Physical Verification Report of stock including gift items along with variations if any.
- List of Cheque dishonored pending for collection with details such as date of Dishonor, Cheque No, Name of Party, Amount, No of Days pending for collection etc.

### **Central Marketing Office**

- To verify whether assets are procured as per approved budget and DOP and to check maintenance of Fixed Assets registers and periodical physical verifications.
- To Conduct Surprise Spot verification of cash including petty cash & imprest cash

- Verification & Vouching of all cash & Bank payment vouchers & journal Entries with regard to DOP, accounting, authorization, compliant with applicable legislations rules and policies etc.
- To verify advances (both staff and others) policies its recovery /settlement and to report long pending loans and advances.
- To verify payments to creditors are in line with agreed P.O terms & that full credit has been availed of.
- Ledger scrutiny of all accounts to ensure whether all entries are accounted under proper head and to report abnormal transaction if any.
- Review of existing Account heads/New heads created to confirm that the reporting system would facilitate the disclosure requirements under the provisions of the companies act as amended which are applicable for the Financial year
- To verify correctness & confirming if proper approvals are taken for creation of provision /write off of debts/ advances/ inventory /assets by reference to the clauses in the delegation of powers of the company.
- To ensure payment of correct salary by verifying attendance, leave, tour basic pay, increments, overtime, statutory deductions etc.
- Verification of all expenses with regard to DOP, budget, rules, authenticity contract, agreement etc and also to verify correctness of accounting.
- To verify and report the status of bank reconciliation and scrutiny of unreconciled items and report if there is unusual delay in preparation of reconciliation statement.
- To check and report all statutory compliances relating to FEMA, Income Tax, Customs, Company Law, GST, etc.
- A detailed scrutiny of the complete trail of transactions in areas of weaknesses observed in the course on audit.
- Analysis of budgeted expenditure v/s Actual expenditure and reporting the variance.
- Utilisation of Export Benefits
- Transactions of Sourcing Division
- Decisions of the PFC and its Implementation

### **Regional Marketing Office**

- **To verify whether assets are procured as per approved budget and DOP**
- To verify procurement procedures followed for gift items.
- To analyze the sales against marketing expenses and verification of schemes and expenses statement.
- Verification of C&FA expense statement with regard to actual bills and sanctioned limit.
- To check whether advertisement expenses are incurred as per DOP & with proper approval.
- Ensure that various schemes, free samples are operated with proper approval.
- Ensure credit notes are issued as per prevailing policy and with proper approval.
- To verify and scrutiny various sales promotion schemes introduced during the year and verification of expense incurred for the same.
- Physical Verification of inventories/gift articles, chances of damage, overstocking, maintenance of registers etc
- Verification of sales, analysis of debtors, age wise reporting debtors, verification of accounting of sales return with respect to physical return and also to scrutinize the debtors account with regard to credit policy,
- To Conduct Surprise Spot verification of cash including petty cash & imprest cash

- Verification & Vouching of all cash & Bank payment vouchers & journal Entries with regard to DOP, accounting, authorization, compliant with applicable legislations rules and policies etc.
- To verify advances paid (both staff and others) as per proper approval D.O.P & company policies and its recovery /settlement and to report long pending loans and advances.
- To ensure that payments to creditors are in line with agreed P.O terms & that full credit has been availed of.
- Review of provisions made with regard to correctness and subsequent adjustments.
- Leger scrutiny of all accounts to ensure whether all entries are accounted under proper head and to report abnormal transaction if any.
- Review of existing Account heads/New heads created to confirm that the reporting system would facilitate the disclosure requirements under the provisions of the companies act as amended which are applicable for the Financial year
- To verify correctness & confirming if proper approvals are taken for creation of provision /write off of debts/ advances/ inventory /assets by reference to the clauses in the delegation of powers of the company.
- Verification of all expenses with regard to DOP, budget, rules, authenticity and also to verify correctness of accounting.
- To verify and report the status of inter unit and bank reconciliation and scrutiny of un reconciled items and report if there is unusual delay in accounting and delay in preparation of reconciliation statement.
- To check and report all statutory compliances relating to FEMA, Income Tax, Customs, Company Law, GST, etc.
- A detailed scrutiny of the complete trail of transactions in areas of weaknesses observed in the course on audit.
- To verify whether C&D forms are collected and to report pending collection status
- Utilisation of Export Benefits
- Transactions of Sourcing Division
- Decisions of the PFC and its Implementation



### Annexure 3

#### **Format of Audit Report**

The Audit report should include:-

- I. Executive Summary on the major findings in each quarter audit report together with the professional recommendations on the weakness observed & the risk involved. The audit observations should be categorized as A, B & C categories based on their significance.

Ranking Criteria	A-High	B-Medium	C-Low
<b>Parameters</b>	Financial loss, Blockage of working capital, Statutory non compliance, Reliability of reporting systems	Operational inefficiency	System deficiency  Low impact on the reliability of reports

Suggested format & the criteria for classification of observation are given in Annexure A

- II. It is necessary to conduct a post audit meeting for each quarter with the auditees with a view to appraise the audit findings. Suggested format indicated in Annexure B. The audit report is finalized based on auditees feedback/action taken and further comments, if any, of the auditor.
- III. For units which requires only one time visit, shall submit only one internal audit report of that unit and submit the same after getting the management response.
- IV. The audit report from the second quarter should include the fact that whether the suggestions/action taken notes made in the previous report have been duly implemented by the auditees. The internal audit is to be carried out and audit report to be submitted quarterly. The auditor has to highlight the critical issues immediately to the Management, which require immediate attention. The reports should be submitted within fifteen days of the close of each quarter/ end of due dates. The audit report shall be issued to SVP (CAS), HLL. The report shall be submitted in soft as well as hard copies.

### Annexure A

#### **Executive summary**

The significant audit observations requiring immediate corrective actions shall be summarized and reported in the following format. The observation shall also disclose the monetary impact in respect of the significant observations.

SI No	Area	Observation	Risk	Management /Auditee Response	Audit Recommendations
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#### **Criteria for classification of observation**

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**Annexure B**

**Details of the Audit conducted**

SL. No.	PARTICULARS	
1	Name of the unit audited	
2	Period Covered	
3	Period during which audit was conducted	
4	Date of the post Audit Meeting	
5	Name of the Company's persons who has attended the post audit meeting	
6	Names of partner , Senior Auditor, Audit staff with their qualifications who had undertaken the assignment	
7	Extent of verification indicating the areas and percentage of verification (Format given below)	

**Extent of Audit Verification**



<b>SLNO.</b>	<b>Audit Area</b>	<b>% of AUDIT/VERIFICATION</b>
1.	Fixed Assets	25
2.	Depreciation	100
3.	Capital Work in Progress	25
4.	Sundry Debtors	100
5.	Cash & Bank Balance	100
6.	Other Current Assets	25
7.	Loans& Advances	25
8.	Current Liabilities	50
9.	Sales & Services (Agency Commission)	100
10.	Other Income	25
11.	Employee salaries & Benefits	25
12.	Admn. Expenses	50
13.	Finance Charges	25
14.	Prior Period Exp.	100
15.	Inter unit reconciliation.	100
16.	Statutory Compliance	100
17.	Budgetary Control	25
18.	Cash Flow	50
19.	Suppliers/Contractors Payment	100
20.	Contingent Liability	25
21.	Contractual Obligations	50
22.	Quarterly Financial Results.	100

## Annexure 4

### SELECTION CRITERIA FOR EMPANELMENT OF INTERNAL AUDITOR

Sl. no.	Particulars	Points to be allocated	Maximum points
1	Year of establishment of firm (minimum 3 years)	3 to 5 years – 5points 5 to 10 years – 10 points 10 or more years – 15points	15 (fifteen)
2	Number of Partners	3 points per Partner	15 (fifteen)
3	Number of DISA /ISA /CISA /CCDA /SAP-FICO Partners	3 points per Partner	15 (fifteen)
4	Exposure of the firm as Internal Auditors	3 points per Company	15 (fifteen)
5	Exposure of the firm as Internal Auditors of PSU	3 points per PSU	15(fifteen)
6	Exposure of the firm in SAP environment	3 points per Company	15 (fifteen)
7	Number of Qualified Assistants	2 points per Qualified Assistants	10 (Ten)
<b>TOTAL POINTS</b>			<b>100 (hundred)</b>

## Annexure 5

### STATES AND TENTATIVE NUMBER OF UNITS FOR AUDIT

STATES	Tentative Units for Audit
ANDRA PRADESH	2
ARUNACHAL PRADESH	1
ASSAM	109
BIHAR	5
CHANDIGARH	9
CHHATTISGARH	6
DELHI	13
GUJARAT	64
GOA	1
HARYANA	10
HIMACHAL PRADESH	6
JAMMU	11
JHARKHAND	2
KARNATAKA	36
KASHMIR	8
KERALA	32
MADHYA PRADESH	11
MAHARASTHRA	143
MANIPUR	1
MEGHALAYA	2
ORISSA	6
PUDUCHERRY	1
PUNJAB	6
RAJASTHAN	1
TAMIL NADU	5
TELANGANA	19
TRIPURA	1
UTTAR PRADESH	67
UTTARAKHAND	4
WEST BENGAL	6
<b>Total</b>	<b>588*</b>

**NB:** Most of the above units are pharmacies and Diagnostic labs and MRI centers.\* Number of units may change as per Company Decision.