



**THE ODISHASTATECO-OPERATIVE MILK PRODUCERS' FEDERATION LTD**  
**D-2, SAHID NAGAR, BHUBANESWAR**  
**PHONE: 0674 – 2546030/ 2546121/2540417 FAXNO: 0674 – 2540974**  
**Website: [www.omfed.com](http://www.omfed.com) E-mail: [omfed@yahoo.com](mailto:omfed@yahoo.com)**

**OMFED/2024/FIN/39/ACCTS/AIA**

**21.06.2024**

**NOTICE INVITING EXPRESSION OF INTEREST**

Online EOIs are invited for **APPOINTMENT OF CHARTERED ACCOUNTANTS FOR INTERNAL AUDIT FOR THE FINANCIAL YEAR 2024-25**. The EOI notice, EOI document, containing the terms and conditions can be seen online & downloaded through following website [www.omfed.com](http://www.omfed.com) from 21-06-2024 , 03:00 PM onwards up to 28-06-2024 at 02:00 pm. The EOI will be opened on 28-06-2024 at 03:00 pm the detailed EOI form can be seen (only for reference) at our website [www.omfed.com](http://www.omfed.com).

Corrigendum/ amendment if any to this publication would appear only on the above mentioned website and will not be published elsewhere. The Managing Director, OMFED has right to reject whole EOI without assigning any reasons and no explanation can be demanded of the cause of rejection of the EOI by any participant.

**MANAGING DIRECTOR, OMFED**



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**SHORT TERM EOI FOR 'APPOINTMENT OF CHARTERED ACCOUNTANT FOR INTERNAL AUDIT OF DIFFERENT UNITS OF OMFED AND MILK UNIONS' FOR THE YEAR 2024-25**

Schedule- I	:	General Terms & Conditions. Special Terms & Conditions.
Schedule- II	:	Details of Units to be Audited
Schedule- III	:	Format of Application
Schedule- IV	:	Audit Scope
EOI Document Download Start Date		21 June 2024
EOI Document Download End Date		21 June 2024
EOI Submission Start Date		21 June 2024
EOI Submission End Date		28 June 2024 at 2.00 PM
Mode of submission of EOI document		By Post/ Courier/By Hand
EOI Opening Date		28 June 2024 at 3.00 PM
Place of opening of EOI		Corporate Office, OMFED D-2, Saheednagar, Bhubaneswar 751007
Address for Communication		Managing Director OMFED, D-2, Saheednagar, Bhubaneswar Odisha 751007

**Managing Director**

## SCHEDULE - I

### **General Terms & Conditions for EOI submission & Chartered Accountant services**

**The Odisha State Cooperative Milk Producers' Federation Ltd (OMFED)**, a state owned cooperative organization, invites EOI from bonafide Chartered Accountant Firms for the services of Internal Audit & Pre Audit of Different Units and Milk Unions of OMFED for the financial year 2024-25, strictly in adherence to the detailed specifications given in the schedule-II of the EOI documents.

The Managing Director, OMFED, reserves the right to accept or reject any or all EOIs, which in their opinion justify such actions, without further explanation to the Participants.

#### 1.0 DECLARATION :

The submission of a EOI by a Participant implies that he/she has read the notice and conditions of the EOI and the terms and conditions of contract and has made himself/herself aware of scope and specifications of the work to be made and the destination where the work have to be done and satisfied himself/herself regarding the quality and specifications of the articles.

#### 2.0 EOI SUBMISSION:

- 2.1 EOI is to be submitted to The Managing Director, OMFED, Corporate Office. EOIs received by e-mail will not be considered.
- 2.2 Individuals signing on the EOI and other related documents must specify in which capacity of the firm he/ she has signed the documents.
- 2.3 The Participants(s) should clearly state in their offer the address, telephone, fax, e-mail, PAN and GST. Any change in the address should immediately be communicated to the Managing Director, OMFED and correspondence thereafter will be made at the changed address.
- 2.4 Negligence on the part of renderer in filling the EOI form offers him/her no right to withdraw the EOI after it has been opened/Submitted
- 2.5 The acceptance of the EOI and award of the work order will be the sole right of the Managing Director, OMFED who does not bind himself to accept a EOI in whole or in part or reject any or all the EOIs received without assigning any reasons and no explanation can be demanded of the cause of rejection of the EOI by any Participants.
- 2.6 The Managing Director, OMFED reserves the right to place order for whole requirement with any Participants or split the orders among one or more Participants or not to consider any firm even after rate approval.
- 2.7 Each EOI should be accompanied with copy of PAN, Income Tax Return of the last three financial years, GSTIN Registration certificate and Constitution Certificate issued by ICAI without which the EOI may not be entertained. (Copy to be attached –mandatory).
- 2.8 The Scope of Audit can be downloaded from website. The conditional EOIs are liable to be rejected.
- 2.9 No person or firm is permitted to submit more than one EOI under different names.

- 2.10 The Participants shall not sublet the contract or assign to any other party or parties, the whole or any portion of the contract without prior written permission of Managing Director, OMFED during the service.
- 2.11 Participants shall fill all the details of the firm in the enclosed format of application schedule-III. (copy to be uploaded – mandatory).
- 2.12 As per guidelines issued by ICAI, Statutory Auditors cannot take up the assignment of Internal Audit. Hence, any Firm or associates which has been allotted any Statutory Audit of OMFED or any Unit of OMFED including Milk Unions and continuing the position as such need not apply for this. **Declaration by the Firms in this regard that they are not currently assigned with any statutory audit of OMFED or units of OMFED by AGCS Odisha should be submitted along with the EOI.**

### **3.0 PRICES:**

- 3.1 OMFED reserves the right to fix the remuneration for each unit under audit.
- 3.20 If the Participants fails to give services as per work order without any valid reason, the order would be treated as cancelled and the firm may be blacklisted for future dealings and EMD also would be forfeited by the management.

### **4.0 PAYMENT:**

Payment for the Audit of different Units under OMFED will be done on quarterly basis after submission of audit reports.  
For Milk Unions the payment shall be made by the Unions on quarterly basis.

### **5.0 CONSEQUENCES OF BREACH OF AGREEMENT:**

If any firm under the contract commits breach of any of the conditions, it shall be lawful for the Managing Director, OMFED. To cancel the contract and to give it to other firm from any other alternate sources on the risk and cost of the defaulting unit.

### **6.0 DISPUTE ARBITRATION & FINAL AUTHORITY:**

- 6.1. It should be clearly understood that in the event of a successful Participants failing to accept and execute the work order, then decision of the Managing Director, OMFED., in this respect will be final and binding on the successful Participants.
- 6.2 For all matters of dispute, the decision of the Managing Director, OMFED under Arbitration and Conciliation Act. 1996 and/or any amendments/modifications thereof shall be final and binding on all the concerned.
- 6.3 For all disputes, the venue for legal course shall be at Bhubaneswar.
- 6.4 If the EOI opening date become any govt. holiday then the next day may considered for EOI opening.

## **7.0. Other Most Important Points :-**

- 7.1** Internal Auditor should visit the Units allotted regularly and their representatives should visit the concerned auditee unit for day to day work regarding audit in case of Pre Audit strictly as per scope of audit. The audit firm shall depute representatives and Partner for smooth processing of files as per requirement by OMFED. The Firm shall ensure to depute sufficient manpower to cater to the need of OMFED.
- 7.2** The term of the Internal Audit will be one financial year from the date of work order.
- 7.3** Work tenure will be increased if both the parties are agreed after successfully completion of one financial year.

## Special Terms & Conditions for Chartered Accountant services

The following Qualification, Experience and Status is required from Chartered Accountant Firms for eligibility to assign the Audit for the year 2024-25

- 7.3.1** The Chartered Accountant firm must be registered with the Institute of Chartered Accountants of India ( ICAI).
- 7.3.2** The Chartered Accountant firm must be registered with the CAG of India.
- 7.3.3** The Chartered Accountant firm must have PAN Registration.
- 7.3.4** The Chartered Accountant firm must have GST Registration.
- 7.3.5** The Chartered Accountant firm must have a HO in the state of ODISHA.
- 7.3.6** The Chartered Accountant firm must be Registered with Co-Operative panel of AGCS, Odisha.
- 7.3.7** The Chartered Accountant firm must have the experience of at least 5 years in Internal Audit & Pre Audit of concern(s) Registered under Co-Operative Societies Act /Companies Act.
- 7.3.8** The average Annual turnover of CA firm must be **10 lakhs or above** for the last 3 FY (2020-21, 2021-22 & 2022-23).
- 7.3.9** The Chartered Accountant firm must submit the undertaking as to :-
  - 7.3.9.1** They have fulfilled all the labor law & other necessary laws.
  - 7.3.9.2** That no disciplinary action has been taken by ICAI against the firm or any partner.
  - 7.3.9.3** That the firm is not debarred/blacklisted in any government / co-operative department / PSU.
- 7.3.10** Selection of the firm will be on the basis of QCBS system (second stage) after evaluating above technical specification.
- 7.3.11** The Managing Director, OMFED reserves the Right to accept or reject the offer of or criteria of allotment of work to any Chartered Accountant firm, without assigning reasons whatsoever.
- 7.3.12** The bidder shall sign all pages of the EOI at the time of submission of EOI.
- 7.3.13** The EOI should be submitted in a sealed envelope. The Envelope should be superscribed with “EOI FOR APPOINTMENT OF CHARTERED ACCOUNTANT FOR INTERNAL AUDIT OF DIFFERENT UNITS OF OMFED AND MILK UNIONS FOR THE YEAR 2024-25” and to be submitted to the Corporate Office on or before the due date and time mentioned above. Any EOI received after the due date and time shall not be entertained.

*Managing Director, OMFED*

### Technical Evaluation Criteria (Second Stage)

The evaluation of technical proposals shall be based on the following parameters:

Sl. No.	Particulars	Minimum Criteria	Max Marks	Evaluation Criterion	Mandatory Documents to be submitted
1	Number of Full Time Partners exclusively associated with the firm (As per certificate of ICAI as on 1.1.2024)	The proprietor or one Partner should be FCA)	10	One FCA partner = 5 marks 1 mark for additional partner. (Upto 5 Marks Maximum)	Constitution Certificate of ICAI as on 01.01.2024.
2	Turnover of the firm (Average annual turnover in last three financial yrs.) (Fy 2020-21, 2021-22, 2022-23)	Minimum Rs.10 Lakhs	15	For min Rs 10 Lakhs = 10 marks 1 mark for every increase of 25 lac.	Audited Final Accounts for last threeyears.
3	No of Assignment: Experience of Government/PSU/ Cooperatives (Internal Audit / Pre Audit) Excluding bank Concurrent audit during last 5 years	5 Assignments	15	5 assignments = 5 marks Additional 1 mark for every increase	Copy of Offer Letters/Work Orders
4	Experience of Internal Audit in FMCG , Dairy Sector	2 Assignments	20	5 Mark for each Assignment	Copy of Offer Letters/Work Orders
5	Firm Existence as per ICAI Record as on 01.01.2024	Min 5 year	10	5 year= 5 Marks 1 mark for every additional 5 year (Upto 2 Marks).	Constitution Certificate of ICAI as on 01.01.2024
6	Branch located within 50 Kms from the auditee Unit	NA	10	NA	Constitution Certificate of ICAI as on 01.01.2024
7	Empanelment with AGCS for the FY 2023-24	AGCS Empanelment	10	10 Mark for AGCS empanelment	AGCS Empanelment Certificate/Letter
8	Empanelment with C&AG for the FY 2023-24	C&AG Empanelment	10	10 Mark for C&AG empanelment	C&AG Empanelment Certificate
		<b>TOTAL</b>	<b>100</b>		

**Minimum 75 marks shall be the qualifying mark for Technical Evaluation.**

**SCHEDULE - I I**  
**Details of Units to be Audited**

SI No	Name of the Dairy/Unit	Address	Nature of Audit
1	Corporate Office	Saheed Nagar Market, D2, Meghdoot Street, Saheed Nagar, Bhubaneswar, Khordha, Odisha, 751007	Pre-cum-Internal Audit
2	OMFED Dairy, Arilo	GOVINDPUR, Plot No-1409/2060, ARILO, GOVINDPUR, Cuttack, 754006	Pre-cum-Internal Audit
3	Balasore Dairy	REMUNA, JAMUGANJ, Remuna, Baleswar, Odisha, 756019	Pre-cum-Internal Audit
4	Angul Dairy	KARADAGADIA, PANCHAMAHALA, ANGUL, Angul, Odisha, 759132	Internal Audit
5	Dhenkanal Dairy	Tarine Temple, PAIKADAHIKORE, DHANKANAL MAIN ROAD, Dhenkanal, Dhenkanal, Odisha, 759027	Internal Audit
6	Berhampur Dairy	KUKUDAKHANDI, ANKUSHPUR, Kukudakhandi, Ganjam, Odisha, 761100	Internal Audit
7	Sambalpur Dairy	Bus Stop, SAMBALPUR DAIRY, GOSALA KALAMATI ROAD, GOSALA SAMBALPUR, KALAMATI, Sambalpur, Odisha, 768025	Pre-cum-Internal Audit
8	Keonjhar Dairy	RAISUAN, SILISUAN, KENDUJHAR, Kendujhar, Odisha, 758013	Internal Audit
9	Jeypore Dairy	JEYPORE, NEAR JEYPORE Rly Stn, Jeypur, Koraput, Odisha, 764001	Internal Audit
10	Rourkela Dairy	LUAKERA,ROURKELA, LUHAKERA VILLAGE ROAD, LUAKERA, Rourkela, Sundargarh, Odisha, 769009	Internal Audit
11	Bhawanipatna Dairy	Post Office Passport Seva Kendra, Bhawanipatna Main Road, Bhangabari, Bhawanipatna, Kalahandi, Odisha, 766001	Internal Audit
12	Salapada Dairy	ANANDAPUR, SALAPADA, Anandapur, Kendujhar, Odisha, 758020	Internal Audit
13	Cattle Feed Plant, Radhadamodarpur	RADHAKISHORE, RADHADAMODARPUR, Athagad, Cuttack, Odisha, 754029	Pre-cum-Internal Audit
14	Cattle Feed Plant, Jagannathpur	BALIANTA, JAGANNATHPUR ROAD, JAGANNATHPUR, Khordha, Odisha, 752101	Pre-cum-Internal Audit
15	OMTDC, Jagannthpur	OMFED TRAINING CENTER,BALIANTA, JAGANNATHPUR ROAD, JAGANNATHPUR, Khordha, Odisha, 752101	Internal Audit

The Firm has to mention the Unit name from the above for which application is made. The firm intending to undertake all the units may also specify the same in the EOI.



### Details of Milk Unions to be Audited

SI No	Name of the Milk Union	Address	Nature of Audit
1	PUMUL, Puri	Puri District Co-operative Milk Producers' Union Ltd.At: Sabarasahi Lane,Kalpana	Pre Audit
2	BBAMUL, Balasore	Balasore Bhadrak District Coop.Milk Producers' UnionLtd. At:Kalidaspur, (Infront of Rameswar Temple) Plot No.– 487 Po:Haripur, ThanaRemuna District:Balasore	Pre Audit
3	SAMUL, Sambalpur	Samaleswari Regional Cooperative Milk Producers' Union Ltd. At/Po: Sakhipara District:Sambalpur-768001	Pre Audit
4	GGGMU, Berhampur	Greater Ganjam Gajapati Co -operative Milk Union Ltd.At:R.N.Temple Road Po: Gate Bazar, Berhampur District:Ganjam	Post Audit
5	BKN, Bolangir	BKN Regional Co-op.Milk Union LTD. At-Inside Veterinary Hospital Campus, Hatisalpada, Pin767001.	Pre Audit
6	KMNR, Jeypore	Koraput, Malkanagiri, Nawarangpur& Raygada Dist.Coop.Milk Producers Union Ltd.At:Power House Colony(IB Road),Third Lane Po: Jeypore,District:Koraput-764001	Pre Audit
7	Keonjhar Milk Union, Keonjhar	Keonjhar Milk Union Ltd.At /Po.: Salapada Andhapur District: Keonjhar	Post Audit

The Firm has to mention the Union name from the above for which application is made.

**SCHEDULE – III**  
**FORMAT OF APPLICATION**

Sl.	Particulars	Details	Documents submitted
1	Name of the Firm/LLP		
2	Address of the Company		
	Address : HO		
	Branch Office (if any)		
3	Telephone No		
4	Mail id		
5	Mobile No		
6	Name of Proprietor/Partners with Membership No		
7	ICAI Registration No		
8	PAN No		
9	GSTIN		
10	Number of Full Time Partners exclusively associated with the firm (As per certificate of ICAI as on 1.1.2024)		
11	Turnover of the firm (Average annual turnover in last three financial yrs.) (Fy 2020-21, 2021-22, 2022-23)		
12	No of Assignment: Experience of Government/PSU/ Cooperatives (Internal Audit / Pre Audit) during last 5 years		
13	Experience of Internal Audit in FMCG , Dairy Sector		
14	No. of Article clerk employed as per ICAI record.		
15	No. of Chartered Accountants employee with the firm As per ICAI records		
16	Firm Existence as per ICAI Record as on 01.01.2024		
17	Branch located within 50 Kms from the auditee Unit		
18	Empanelment with AGCS for the FY 2023-24		
19	Empanelment with C&AG for the FY 2023-24		
20	i)Our Firm or its sister concern have never been black listed/debarred by OMFED/ Cooperatives or GOI /Go Odisha & its undertaking or any PSU. ii)That no disciplinary action has been taken by ICAI against the firm or any partner iii) Our Firm have fulfilled all the labor law & other necessary laws		
21	I/WE HAVE READ THE TERMS AND CONDITIONS OF THE EOI DOCUMENT. WHICH ARE ACCEPTABLE TO ME/US. NO ADDITIONAL CONDITION/DEVIATION OR POINT OF DIFFERENCE HAS BEEN GIVEN BY ME/US.		
22	I AM THE PROPRIETOR / PARTNER/ DIRECTOR OF THE PARTICIPATING FIRM AND HAVE BEEN AUTHORISED TO SUBMIT THE AUTHORITY LETTER IN THIS REGARDS IS ENCLOSED HEREWITH.		
23	I/We have understood all the conditions of this EOI and confirmed that we have fully satisfied and have understood the terms and conditions of the Tender document. The Bidder hereby expressly waives any and all claims in respect thereof.		
24.	Preference of the Units for which the Firm intends to under take the Internal Audit/ Pre Audit assignment.		
Date :		Seal & Signature of the Authorised Signatory	

SCHEDULE IV

SCOPE OF AUDIT

## **INTERNAL AUDIT**

### **SCOPE OF WORK (HEAD OFFICE)**

A. Audit should involve the following functions:

**1. Checking of material procurement:**

A centralized Tender for e-procurement is followed to procure materials and awarding contracts at Corporate Office. The Auditor should audit the procedure followed for such procurement of materials. The audit should analysis the clauses mentioned in Tender documents, the terms and conditions of the Purchase Order and authenticity of documents submitted by the supplier. The report should include deviations and suggestions, if any doubt on the existing procedure followed for the procurements.

**2. Checking of Awarding Contracts:**

The Auditor should audit the procedures followed for selection of contract for any job/ service. The audit should analysis the clauses mentioned in Tender Documents, the escalation clauses, the terms & conditions of the contract, the eligibility criteria of the contractor, authenticity of documents submitted by the contractor, the EMD and Security Deposit and Bank Guarantee submitted by the contractor, validity of period of contract. The report should include the deviations and suggestions about the existing procedure followed for selection procedure.

**3. Checking of Milk Bill Payment:**

Milk is purchased from Milk Union and a major portion of milk bill is paid at Head Office. The milk bill is paid to Milk Union on the basis of bill submitted by the Dairies. The Auditor should have to check the milk bill calculation and other deductions and net amount paid against the bill.

**4. Checking of Contractor Bill:**

- The process followed for awarding of contract, the estimation of work, check measurement report submitted by contractor, running bills of the contract, statutory deductions, material advance, cash advance, quantity of materials used at site, reconciliation of materials at site.
- Escalation Clause, penalty clause for delay completion of work.
- The compliance of ESI, EPF, Labour Cess by the contractor.

**5. Checking of Labour Contractor Bills:**

The auditor should audit the

- Agreement copy of the contract.
- Period of the contract and the no. of manpower supply.
- The Payment procedure to the employees engaged by the contractor.
- Compliance GST, EPF, GSLI, Professional Tax by the contractor.
- Journal Entries for Payment.

**6. Checking of Payroll Bills:**

The salary of all employees of the Federation is prepared at Head Office. Hence, Auditor should verify.

- The computation of Salary Bill, Basic, GP and percentage of DA.
- Deduction like EPF, GSLI, TDS and other deductions.

- The annual increment & Promotional benefits etc.
- Reconciliation of EPF, GSLI, Professional Tax and TDS deposits.
- Monthly Journal Entries for the payroll bill.

**7. Checking of advance to employees:**

The advance paid to employees like- TA, Salary Advance, Medical Advance, Vehicle Advance, etc. The audit should report on –

- The eligibility of the employees and the purpose of advance.
- The repayment schedule and date of recovery.
- The list of defaulters of advance adjustment.
- Journal entries for adjustment of advance.

**8. Checking of Advance to contractors & suppliers:**

The IA report should highlight on-

- The approval advance to the contractor or supplier.
- The period of supply against advance.
- Period of submission of bills against the advance.
- The list of defaulters of advance adjustments.
- Journal entries for adjustment of advance.

**9. Reconciliation:**

The audit report must highlight on reconciliation of the followings:

- All kind of bills for Milk bill, SMP Purchase, Payroll, Packaging materials are done at Head Office level. So, it needs to be reconciled with the ledger accounts of all Dairies and other Units.
- The funds transferred from Dairies and funds transferred to Dairies also need to be reconciled at Head Office ledger.
- Bank account reconciliation.
- Statutory dues like – GST, TDS, ESI, EPF and other online deposits to be reconciled with head office ledger.
- Inter unit reconciliation.
- Stock transfer reconciliation.
- Sundry debtor and creditor reconciliation.
- Reconciliation with different Milk Unions.

**10. Verification of Cash Book:**

The audit report must highlight on the following points

- The cash books must be written and closed on daily basis.
- The cashier must ensure the physical verification of cash.
- Audit of cash vouchers.
- Physical verification of cash by the Auditor on regular intervals.

**11. Payment to Supplier:**

- Auditor has to check the indent of different Dairies for required quantity of material.
- Check whether materials are purchased through tender or not. Verify tender documents.
- All payments have been approved by the competent authority as per Federation's administrative rule and delegation of authority.
- Match approved quantity to place order & PO Quantity.
- All vouchers have been supported with supporting documents.

- All payments, receipts and journals are properly accounted with correct head of accounts prescribed.
- Checking of supplier bill as per terms & conditions of purchase order.
- Checking invoice with CMR & Quality report.
- Deduction of penalty if any due to quality deviation.

**12. Checking of TA Bill:**

- Checking of TA Bills as per TA rule of OMFED.

**13. Checking of Medical Reimbursement Bill:**

- Checking of medical bill as per medical rule of OMFED.

**14. Statutory Deductions and Deposits:**

Internal Auditor should check whether

- TDS (income tax) payment on payment has been duly deducted as per prescribed rate and deposited within time.
- Deposits of GST & input credit availed.
- Reconciliation of GST.
- Tax payable, outstanding, filing of different return intime.
- Updating employee in respect to GST.
- Checking of input credit.

**15. Budget Analysis:**

The internal audit is to check the budget for the period of audit and present the analysis with reason of deviation in summarized form in the report.

**16. Project estimate:**

The Internal Auditor has to check all new project estimated as per schedule of project.

**17. Checking of Costing of Milk & Milk Products:**

Checking of cost estimate of milk & milk products.

**18. Government Grants:**

Record keeping of Govt. Grants, creation of assets out of Govt. Grants.

- Advice to management early utilization Government Grants.
- Submission of utilization certificate.

**19. Checking of Monthly Cash Flow Statement:**

Checking of Monthly Cash Flow Statement with reference to records maintained at Head Office and different Units.

**20. Fixed Assets:**

- Whether physical verification of fixed assets has been carried out by the management or not in commensuration with the size of the business.
- Review the controls and process surrounding fixed assets, including the process of verification checks.
- Check whether assets are identified, recorded, verified and accurately reflected in the accounts.

- Ensure that the depreciation is appropriate and in accordance with Federation's policy and prevailing regulations, and that asset disposals and write offs are valid, authorized and correctly reflected in the accounts.
- Confirm whether assets are appropriately protected and insured.
- Capitalization of WIP assets.

**21. Monthly/Quarterly Accounts:**

Certification of Monthly/Quarterly of provisional balance sheet & profit and loss account.

**22. Insurance:**

- I. Checking of adequacy, timely payment of insurance premium and timely settlement of claims made by the organization.
- II. Checking of areas to be covered under insurance policies such as fixed assets, stocks (stores, consumables, semi-finished goods and finished goods.), cash in safe and cash in transit, finished goods in transit and any other transit/marine insurance issued against procurements/import of raw materials & turnkey equipments, etc.

**23. Record Keeping:**

Checking and comments on safe keeping of all documents, records, files etc. Proper binding of vouchers, indexing and retrieval of records etc.

**24. Accounts Compilation:**

Preparation of annual accounts of OMFED with all relevant schedules and annexures as per AGCS, Odisha requirements for the year 2023-24.

**25. Penalty Clause:**

Thorough checking of penalty/rebate which is deducted from supplier's/service providers' invoice as per Purchase Order.

- 26.** Any other matter, Internal Auditors considered it as of importance for the management, needs to be reported in consultation with competent authority.

## **INTERNAL AUDIT**

### **SCOPE OF WORK(DAIRY)**

**Pre/Post Audit** of all vouchers before payment/adjustment with reference to all supporting documents.

### **MONTHLY/QUARTERLY VERIFICATION AND REPORTING:**

#### **A) FACTORY:**

Verification of all records and registers within the factory premises, which includes,

1. Milk in/out registers.
2. Factory raw material stock register and reconciliation of receipt and issue with central main store.
3. Factory finished goods stock register.
4. Individual product registers.
5. Replacement registers of milk and milk products.

Internal Auditor has to report the following in addition to any irregularities out of above registers/records.

#### **B) Finished Goods Control and Realization:**

At Dairy level, factory includes cold storage where the finished goods kept for transfer to market. The individual product register gives data as to,

- Quantity of raw milk used for production. Additional raw materials are used etc.
- Quantity of individual item wise produced during the period of audit (say 500gms., 200gms., 100gms. etc.)

#### **Audit has to see the,**

- I. Adequacy and authenticity of maintenance of finished goods record, its reconciliation with raw milk used.
- II. Individual item wise sales realization from market during the period of audit vis-à-vis the data of preceding quarter and average sales realization of previous year. The difference if any should be analyzed and be reported.
- III. That the quantity produced, quantity sold and quantity in stock during the period of audit should be physically observed and reported.
- IV. That all records are being maintained parallel to production, regularly signed by the production in charge regularly checked and signed by PM. Nothing in records has been disfigured and maintained legibly. The Internal Auditor may silently observe this and report.
- V. There is regular laboratory test as to production.

#### **C) FAT/ SNF Analysis:**

The FAT and SNF is a major raw material for all dairy products. The Internal Auditor has to see that there is absolutely no abnormal loss starting from "milk input to dairy to marketing". The report shall include,

1. The area where the management should look into for minimisation of input loss.
2. Percentage of total loss of FAT and SNF on input vis-à-vis the loss of previous quarter and average loss of previous year.
3. The percentage of abnormal loss during the period of audit. Example- milk cuddled, ,milk/products return from market and destroyed, loss during production /marketing etc.



#### **D) Poly Roll/ Containers Analysis**

The containers include those in main store and in factory, which are usually taken for use. Taking all the stock of containers in total, the Internal Auditor is to observe,

- The adequacy in mechanism of stock transfer from main store to factory for use via requisition slip.
- The container actually used as per production data vis-à-vis issued from main store.
- The difference in above may include normal as well as abnormal losses that can easily be found out on observation of the process by the internal auditor.
- In case of poly roll there is a standard of use per kg. of poly roll (no. of packets to be generated per kg. of poly roll). The Internal Auditor has to see the actual use vis-à-vis the issue from store, normal loss and abnormal loss. The Internal Auditor may silently observe one production process to find out standard and corresponding losses and pilferages, if any.
- A reconciliation statement and yield with respect to each container may be reported.

#### **E) Sales:**

- I. Reconciliation of sales quantity with production record.
- II. Verification of DCs and their valuation.
- III. Verification of all sales as to quantity and value and their accounting.
- IV. Verification of market return and their accounting
- V. Verification of individual sales account to see that all sales realization has been made either by cash/ bank or return slips (if any). No adjustment has been made by way of JV from other unrelated debit balances and every credit should be properly explained.
- VI. Debtor confirmation and certification of the dairy management as to recovery.
- VII. Checking of marketing tally sheet submitted by concerned marketing in charge and checking of records maintained by marketing in charge with respect to their jurisdiction.
- VIII. The internal auditor has to see that adequate records are being maintained for the individual agents. Any outstanding in the nature of market in charge should be independently confirmed by internal auditor by issue of letter with the help of plant manager.
- IX. The details of market outstanding with respect to any market in charge transfer to his general advance account. Here internal auditor has to report the details of such cases and the administrative actions taken by daily management against that MIC.
- X. Mode of sales realization and utilization thereof.
- XI. Reconcile of debtor control account with individual debtor account,
- XII. Debtor analysis (if any).

#### **NB: -**

- For “due for recovery” having more than 7 days, each case should be supported by reason of such delay, specific date from which due, status of agent and action taken for recovery.
- No amount of bad & doubtful debt shall be adjusted at the dairy level unless it is out of bad accounting.

## F) Inter Unit Reconciliation:

Internal Auditor has to ensure that quarterly reconciliation with “other dairy/s and unions” with whom transaction exist has been done and accounting has been done properly. And confirmation has been obtained.

## G) Cash/ Bank:

The scope includes

- Physical verification of cash, money receipts (two types- issued by dairy’s accounts section and other issued by respective market in charge on collection) and cheque books. The report should state the no. of physical verification undertaken by the PM during the period of audit and ***whether the PM is regular in signing the cashbook?***
- Verification of bank reconciliation statement.
- Verification of cash book/ bank book.
- Verification of petty cash register (if any).
- The bank reconciliation statement should be certified by the Internal Auditor before submission to H.O with cash flow statement.
- Verification of cash collection and marketing staff with deposit and accounting.

## H) Vouching:

This included auditing of all cash and non-cash, journal vouchers, receipt voucher and shall see that,

- All payments have been approved by competent authority as per Federation’s administrative rule and delegation of authority.
- Payment approved by Plant Manager are within his administrative power.
- All vouchers have been duly supported with adequate enclosures.
- All milk bill payments to the Unions are as per actual receipt of milk and after due recovery such as cattle feed, other input etc.
- All payment, receipt and journals are properly accounted with correct head of accounts prescribed.
- Payment to staffs has been made as per rule of the federation. ***In case of travelling claim,*** has been raised within due time otherwise the advance has been recovered with interest as per rules.
- All payments under contractual obligations have been made as per contract/ agreement ***and*** in force. (Example – transport payment, security payment etc.)
- All vouchers have been signed by respected PM and no unsigned vouchers have been entered in the cash/ bank book.

## I) Stock/ Stores:

- i. Checking and certifying all CMR (certificate and material receipt) on the basis of records maintained at plant i.e., security gate register, challan/ bills, weighment register, quality test report etc.
- ii. Checking of stores report and reconciliation of transaction with “issued” department.
- iii. Reconciliation between main store and factory.
- iv. Internal auditor has to ensure that the stock ledger is being maintained valued on FIFO basis regularly.
- v. Internal audit shall be part of annual stock taking committee for physical verification at the end of the year.

- vi. Verification of closing stock statement (to be submitted by units) on quarterly basis. Group wise ( summarized) valuation statement should be part of quarterly report.
- vii. Checking of physical balances. Any deviation should be reported.
- viii. Any other exercise seems beneficial by Internal Auditor.
- ix. Verification of non-moving and obsolete stock and reason thereof.
- x. Verification of purchase bill with delegation of power and issue thereof.

**J) Budget Analysis:**

The Internal Auditor has to check the budget for the period of audit and present the analysis with reason of deviation in summarized form in the report.

**K) Statutory Deductions and Deposits etc.:**

Internal auditor is to check,

- i. TDS (Income tax) on payment has been dully deducted as per prescribed rate and deposited within time.
- ii. All other statutory dues required to be adhered by units as to license etc. has been dully done & within time.
- iii. There is optimum insurance coverage as to cash-in-safe and cash in transit in the required areas.
- iv. **GST:** This is usually deposited at Corporate Office. Hence, internal audit report should contain the detail of GST sales, GST thereon and deposits after adjusting the GST credit on purchase during the period of audit.

**L) (A) Labour Bill:**

While checking the labor bill submitted by a labor contractor of the dairy the auditor should verify the bill in respect to the office order no. 104/2014 dated 02.06.2014 to ensure the payment for a labor both for hourly basis and also for piece rate basis is not being claimed. The auditor should check the wage cards submitted with the labor bill and shall give comments in his audit report that above office order is fully complied while passing the labor bill payment of the dairy by him. Comparison of labor hour/day spent with production if any with previous period. Variation in this regard should be analyzed and report thereon.

**L) (B) Energy Consumption:**

Here internal audit report should contain the following,

- i. Details & type of energy (coal/diesel/furnace oil/petrol/electric/steam) consumed by the Unit.
- ii. Quantum of energy (in units-kg/liter/unit) consumed during the period of audit and cost involved.
- iii. Total milk processed during the period **including** the processed milk transferred to other dairy (to be shown separately).
- iv. Energy cost per unit of milk processed (with respect to total milk processed **“and”** excluding the processed milk transferred to other dairy).
- v. Percentage of capacity utilized with respect to licensed capacity (in case of electricity).

**Apart from above,**

the Internal Auditor has to check that,

- log book has been duly and neatly maintained with respect to energy consumed. And, prima facie the record should show the actual consumption. Receipts should reconcile with the purchase made at dairy level, duly received as per security gate and stock record.

- With respect to purchase at dairy level (such as diesel etc.), there is a properly constituted committee to handle purchase and all has been duly certified including Plant Manager.
- Payment with respect to purchases of diesel has been made by cheque or through “Petro card” only, and no payment has been made by cash.
- The internal auditor may look into the adequacy of control over such purchases and report short coming, if any.

#### M) Transport Cost Analysis:

Internal audit report should contain the,

- Total transportation cost incurred during the period of audit, which **included** those accrued but not paid. Details market/vehicle wise can also be reported by way of route analysis in order to incorporate any advice to minimize the transportation cost.
- Total milk processed and marketed (including transfer to other dairy) during the period of audit.
- Cost per unit of milk processed and marketed (i/ii).
- Analysis of transport vehicle capacity utilization.

#### N) Advance to Staffs, other unadjusted advances:

- **Staff advances:**

This advance includes travelling, general, salary advances staff sales (on credit). The Internal Auditor has to see the following report as under:

1. Each advance has to be seen whether advance has been made as per federations rule.
2. No advances have been created by book entry by adjusting with other (say sales), where the concerned staff has misappropriated the money. **If so**, the details have to be provided as to name/designation of staff, the money misappropriated, the date of commitment of such fraud/misappropriation.
3. No advances are running without recovery.
4. Advances showing the record are with respect to staff serving in the dairy.
5. The details of advances made to a staff without adjustment of previous advances.
6. No advances have been refunded **“as it is”** (without adjustment of even part) after an unreasonable time. If so, this shall be treated as **“Temporary Misappropriation”** of federation money, which shall attract penalty. Hence it should be reported.
7. The details of respective advances with age.

- **Advance to suppliers/contractors:**

1. All advances have been made as per defined procedure and have been made under terms of contract/work order.
2. The goods/purpose, for which advances made, has been received/executed.
3. No advances coming since long and to see no double payment has been made at the time of adjustment.
4. Report should contain the **details of unadjusted advances** along with the period from which coming for adjustment.

- **Advance to transporter:**

1. All advances are in the name of transporter presently serving.
2. Advances made are as per agreement in force.
3. No unadjusted advances carrying since long with/without recovery.
4. Advances should be for transport service and should not be out of misappropriation of milk or cash. If so, the amount should have been recovered immediately from the next subsequent bill.
5. The **details of such advances, status**, the period from which due.

**O) Monthly/Quarterly Accounts:**

Certification of Monthly/Quarterly of provisional balance sheet & profit and loss account.

**P) Checking of Monthly Cash flow statement:**

Checking of monthly cash flow and outflow statement with reference to records maintained at plant level. The auditor has to certify the monthly cash flow statement before it is submitted to Head Office by the plant.

**Q. Insurance:**

- I. Checking of adequacy, timely payment of insurance premium and timely settlement of claims made by the organization.
- II. Checking of areas to be covered under insurance policies such as fixed assets, stocks (stores, consumables, semi-finished goods and finished goods.), cash in safe and cash in transit, finished goods in transit and any other transit/marine insurance issued against procurements/ import of raw materials & turnkey equipment's, etc.

**R. Record Keeping:**

Checking and comments on safe keeping of all documents, records, files etc. Proper binding of vouchers, indexing and retrieval of records etc.

**S. Penalty Clause:**

Thorough checking of penalty/rebate which is deducted from suppliers/service providers' invoice as per Purchase Order.

**T) General:**

- i. Wherever, previous figure available, the audit report may give a comparison to all the above analysis, as to cost per unit,
- ii. Internal auditor may suggest, out of observation for strengthening the internal control system in force at units.
- iii. OMFED may seek any other information above the unit directly as it may require from time to time.
- iv. If any certification relating to statutory matter (as and when required).
- v. Internal auditor's report may also contain the number/details of fraud/misappropriation occurred during the period of audit and the action taken by the concerned plant management.
- vi. Wherever confirmation/certification is required with respect to any information (on which adequate record does not exists), internal auditor is empowered to obtain such from the PM.
- vii. Internal Auditor may also provide all other information that may warrant the attention of the Managing Director.

- viii. Internal Auditor shall also report any area where there is a scope of cost minimization.

***As per the previous experience of the federation from the service of the previous auditors, these are some points, which you may look into for smooth and meaningful functioning.***

- ❖ The responsible and experienced staffs with good analytical skill may please be deputed.
- ❖ Most of the auditor are relying the data (most part of the audit report) being provided at the plant level without application of mind and audit is being treated as completed after vouching only.
- ❖ No area is being audited properly and in-depth exercise is not being done for reporting, resulting a lot of irregularity gone unreported.
- ❖ The Internal Auditor may distribute the scope between quarter so that every quarterly report should carry in-depth analysis of certain area with general observation of others. By this the standard of exercise maybe meaningful and shall be a great tool to the management of the federation. This maybe mentioned in the report.
- ❖ Internal auditor should be advisor to the federation management in his report. Hence audit report should include the suggestion with justification from quarter to quarter for effective utilization of resources at dairy level.
- ❖ Timely completion of audit and reporting plays a vital role for its effectiveness. Hence Internal Auditor may give his report within 15 days of the close of the quarter. After every quarter, there shall be a meeting for report analysis and corrective actions between the- Managing Director, Plant Manager and Internal Auditor.
- ❖ A copy of such audit report should be sent to PM of the dairy for compliance and other copy should be forwarded to M.D OMFED.
- ❖ All the copies of the audit report should be counter signed by the respective unit head/plant manager of the plant while forwarding to corporate office.

## **SCOPE OF WORK(DAIRY)**

**Pre/Post Audit** of all vouchers before payment/adjustment with reference to all supporting documents.

### **MONTHLY/QUARTERLY VERIFICATION AND REPORTING:**

#### **A) FACTORY:**

Verification of all records and registers within the factory premises, which includes,

1. Milk in/out registers.
2. Factory raw material stock register and reconciliation of receipt and issue with central main store.
3. Factory finished goods stock register.
4. Individual product registers.
5. Replacement registers of milk and milk products.

Internal auditor has to report the following in addition to any irregularities out of above registers/records.

#### **B) Finished Goods Control and Realization:**

At dairy level, factory includes cold storage where the finished goods kept for transfer to market. The individual product register gives data as to,

- Quantity of raw milk used for production. Additional raw materials are used etc.
- Quantity of individual item wise produced during the period of audit (say 500gms, 200gms, 100gms etc.)

**audit has to see the,**

- I. Adequacy and authenticity of maintenance of finished goods record, its reconciliation with raw milk used.
- II. Individual item wise sales realization from market during the period of audit vis-à-vis the data of preceding quarter and average sales realization of previous year. The difference if any should be analyzed and be reported.
- III. That the quantity produced, quantity sold and quantity in stock during the period of audit should be physically observed and reported.
- IV. That all records are being maintained parallel to production, regularly signed by the production in charge regularly checked and signed by PM. Nothing in records has been disfigured and maintained legibly. The internal auditor may silently observe this and report.
- V. There is regular laboratory test as to production.
- VI. Verify the yield of all product including milk with adhere to the SOP of the Federation.
- VII. Verify the consumption of SMP/WMP in all segment of product.

#### **C) FAT/ SNF ANALYSIS:**

The FAT and SNF is a major raw material for all dairy products. The internal auditor has to see that there is absolutely no abnormal loss starting from "milk input to dairy to marketing". The report shall include,

1. The area where the management should look into for minimisation of input loss.
2. Percentage of total loss of FAT and SNF on input vis-à-vis the loss of previous quarter and average loss of previous year.
3. The percentage of abnormal loss during the period of audit. Example- milk cuddled, milk/products return from market and destroyed, loss during production /marketing etc.

#### **D) Poly Roll/ Containers Analysis**

The containers include those in main store and in factory, which are usually taken for use. Taking all the stock of containers in total, the internal is to observe,

- The adequacy in mechanism of stock transfer from main store to factory for use via requisition slip.
- The container actually used as per production data vis-à-vis issued from main store.
- The difference in above may include normal as well as abnormal losses that can easily be found out on observation of the process by the internal auditor.
- In case of poly roll there is a standard of use per kg of poly roll (no. of packets to be generated per kg of poly roll). The internal auditor has to see the actual use vis-à-vis the issue from store, normal loss and abnormal loss. The internal auditor may silently observe one production process to find out standard and corresponding losses and pilferages, if any.
- A reconciliation statement and yield with respect to each container may be reported.

#### **E) SALES:**

- I. Reconciliation of sales quantity with production record.
- II. Verification of DCs and their valuation.
- III. Verification of all sales as to quantity and value and their accounting.
- IV. Verification of market return and their accounting
- V. Verification of individual sales account to see that all sales realization has been made either by cash/ bank or return slips (if any). No adjustment has been made by way of JV from other unrelated debit balances and every credit should be properly explained.
- VI. Debtor confirmation and certification of the dairy management as to recovery.
- VII. Checking of marketing tally sheet submitted by concerned marketing in charge and checking of records maintained by marketing in charge with respect to their jurisdiction.
- VIII. The internal auditor has to see that adequate records are being maintained for the individual agents. Any outstanding in the nature of market in charge should be independently confirmed by internal auditor by issue of letter with the help of plant manager.
- IX. The details of market outstanding with respect to any market in charge transfer to his general advance account. Here internal auditor has to report the details of such cases and the administrative actions taken by dairy management against that MIC.
- X. Mode of sales realization and utilization thereof.
- XI. Reconcile of debtor control account with individual debtor account,
- XII. Debtor analysis (if any).

#### **NB: -**

- For “due for recovery” having more than 7 days, each case should be supported by reason of such delay, specific date from which due, status of agent and action taken for recovery.
- No amount of bad & doubtful debt shall be adjusted at the dairy level unless it is out of bad accounting.

#### **F) INTER UNIT RECONCILIATION:**

Internal audit has to ensure that quarterly reconciliation with “other dairy/s and unions” with whom transaction exist has been done and accounting has been done properly. And confirmation has been obtained.



### **G) CASH/ BANK:**

The scope includes

- Physical verification of cash, money receipts (two types- issued by dairy's accounts section and other issued by respective market in charge on collection) and cheque books. The report should state the no. of physical verification undertaken by the PM during the period of audit and ***whether the PM is regular in signing the cashbook?***
- Verification of bank reconciliation statement.
- Verification of cash book/ bank book.
- Verification of petty cash register (if any).
- The bank reconciliation statement should be certified by the internal auditor before submission to H.O with cash flow statement.
- Verification of cash collection and marketing staff with deposit and accounting.

### **H) VOUCHING:**

This included auditing of all cash and non-cash, journal vouchers, receipt voucher and shall see that,

- All payments have been approved by competent authority as per federation's administrative rule and delegation of authority.
- Payment approved by plant manager are within his administrative power.
- All vouchers have been dully supported with adequate enclosures.
- All milk bill payments to the unions are as per actual receipt of milk and after dure recovery such as cattle feed, other input etc.
- All payment, receipt and journals are properly accounted with correct head of accounts prescribed.
- Payment to staffs has been made as per rule of the federation. ***In case of travelling claim,*** has been raised within due time otherwise the advance has been recovered with interest as per rules.
- All payments under contractual obligations have been made as per contract/ agreement ***and*** in force. (Example – transport payment, security payment etc.)
- All vouchers have been signed by respected PM and no unsigned vouchers have been entered in the cash/ bank book.

### **I) STOCK/ STORES:**

- i. Checking and certifying all CMR (certificate and material receipt) on the basis of records maintained at plant i.e., security gate register, challan/ bills, weighment register, quality test report etc.
- ii. Checking of stores report and reconciliation of transaction with "issued" department.
- iii. Reconciliation between main store and factory.
- iv. Internal auditor has to ensure that the stock ledger is being maintained valued on FIFO basis regularly.
- v. Internal audit shall be part of annual stock taking committee for physical verification at the end of the year.
- vi. Verification of closing stock statement (to be submitted by units) on quarterly basis. Group wise (summarized) valuation statement should be part of quarterly report.
- vii. Checking of physical stock of raw material and packing material at plant with adhere to consumption and receipt from the store.
- viii. Checking of physical balances. Any deviation should be reported.
- ix. Any other exercise seems beneficial by internal auditor.

- x. Verification of non-moving and obsolete stock and reason thereof.
- xi. Verification of purchase bill with delegation of power and issue thereof.

**J) BUDGET ANALYSIS:**

The internal audit is to check the budget for the period of audit and present the analysis with reason of deviation in summarized form in the report.

**K) STATUTORY DEDUCTIONS AND DEPOSITS etc.:**

Internal auditor is to check,

- i. TDS (Income tax) on payment has been dully deducted as per prescribed rate and deposited within time and checked the necessary accounting for deposit.
- ii. All other statutory dues required to be adhered by units as to license etc. has been dully done & within time.
- iii. There is optimum insurance coverage as to cash-in-safe and cash in transit in the required areas.
- iv. **GST:** This is usually deposited at corporate office. Hence, internal audit report should contain the detail of GST sales, GST thereon and deposits after adjusting the GST credit on purchase during the period of audit. Verify the GST outward, Inwards and RCM accounting entry for deposit and adjustment on monthly basis
- v. TCS: Verify the TCS collected deposited in time and posting the payment entry. TCS receivable should be reconciled and verify the transfer entry to Corporate office
- vi. GST TDS: Verify the deduction GST TDS and payment thereof intime with reference to accounting entry. Similarly verify the payment towards GST TDS and accounting there off with giving notes in the audit report.

**L) (A) LABOUR BILL**

While checking the labor bill submitted by a labor contractor of the dairy the auditor should verify the bill the respect to the office order no. 104/2014 dated 02.06.2014 to ensure the payment for a labor both for hourly basis and also for piece rate basis is not being claimed. The auditor should check the wage cards submitted with the labor bill and shall give comments in his audit report that above office order is fully complied while passing the labor bill payment of the dairy by him. Comparison of labor hour/day spent with production if any with previous period. Variation in this regard should be analyzed and report thereon. Verify the advance to labour contractor if any and its authenticity.

**L) (B) ENERGY CONSUMPTION:**

Here internal audit report should contain the following,

- i. Details & type of energy (coal/diesel/furnace oil/petrol/electric/steam) consumed by the unit.
- ii. Quantum of energy (in units-kg/liter/units) consumed during the period of audit and cost involved.
- iii. Total milk processed during the period **including** the processed milk transferred to other dairy (to be shown separately).
- iv. Energy cost per unit of milk processed (with respect to total milk processed **“and”** excluding the processed milk transferred to other dairy).
- v. Percentage of capacity utilized with respect to licensed capacity (in case of electricity).

**Apart from above,** the Internal Auditor has to check that,

- log book has been duly and neatly maintained with respect to energy consumed. And, prima facie the record should show the actual consumption. Receipts should reconcile with the purchase made at dairy level, duly received as per security gate and stock record.
- With respect to purchase at dairy level (such as diesel etc.), there is a properly constituted committee to handle purchase and all has been duly certified including plant manager.
- Payment with respect to purchases of diesel has been made by cheque or through “Petro card” only, and no payment has been made by cash.
- The internal auditor may look into the adequacy of control over such purchases and report short coming, if any.

#### **M) TRANSPORT COST ANALYSIS:**

Internal audit report should contain the,

- i. Total transportation cost incurred during the period of audit, which **included** those accrued but not paid. Details market/vehicle wise can also be reported by way of route analysis in order to incorporate any advice to minimize the transportation cost.
- ii. Total milk processed and marketed (including transfer to other dairy) during the period of audit.
- iii. Cost per unit of milk processed and marketed (i/ii).
- iv. Analysis of transport vehicle capacity utilization.
- v. Verify the crate outstanding with both transporter and security and recovery thereof on monthly basis.
- vi. Verify the vehicle capacity as per agreement with average quantity of transporting.
- vii. Verify the engagement of vehicle with adhere to agreement.

#### **N) ADVANCE TO STAFFS, OTHER UNADJUSTED ADVANCES:**

- **Staff advances:**

This advance includes traveling, general, salary advances staff sales (on credit). The internal auditor has to see the following the report as under:

1. Each advance has to be seen whether advance has been made as per federations rule.
2. No advances have been created by book entry by adjusting with other (say sales), where the concerned staff has misappropriated the money. **If so**, the details have to provided as to name/designation of staff, the money misappropriated, the date od commitment of such fraud/misappropriation.
3. No advances are running without recovery.
4. Advances showing the record are with respect to staff serving in the dairy.
5. The details of advances made to a staff without adjustment of previous advances.
6. No advances have been refunded **“as it is”** (without adjustment of even part) after an unreasonable time. If so, this shall be treated as **“Temporary Misappropriation”** of federation money, which shall attract penalty. Hence it should be reported.
7. The details of respective advances with age.

- **Advance to suppliers/contractors:**

1. All advances have been made as per defined procedure and have been made under terms of contract/work order.
2. The goods/purpose, for which advances made, has been received/executed.
3. no advances coming since long and to see no double payment has been made at the time of adjustment.
4. Report should contain the **details of unadjusted advances** along with the period from which coming for adjustment.

- **Advance to transporter:**

1. All advances are in the name of transporter presently serving.
2. Advances made are as per agreement in force.
3. No unadjusted advances carrying since long with/without recovery.
4. Advances should be for transport service and should not be out of misappropriation of milk or cash. If so, the amount should have been recovered immediately from the next subsequent bill.
5. The **details of such advances, status**, the period from which due.

**O) MONTHLY/QUARTERLY ACCOUNTS:**

Certification of Monthly/Quarterly of provisional balance sheet & profit and loss account.

**P) CHECKING OF MONTHLY CASH FLOW STATEMENT:**

Checking of monthly cashflow and outflow statement with reference, to records maintained at plant level. The auditor has to certify the monthly cashflow statement before it is submitted to Head Office by the plant.

**Q. INSURANCE:**

- I. Checking of adequacy, timely payment of insurance premium and timely settlement of claims made by the organization.
- II. Checking of areas to be covered under insurance policies such as fixed assets, stocks (stores, consumables, semi-finished goods and finished goods.), cash in safe and cash in transit, finished goods in transit and any other transit/marine insurance issued against procurements/import of raw materials & turnkey equipment's, etc.

**R. RECORD KEEPING**

Checking and comments on safe keeping of all documents, records, files etc. Proper binding of vouchers, indexing and retrieval of records etc.

**S. PENALTY CLAUSE**

Thorough checking of penalty/rebate which is deducted from supplier's/service providers' invoice as per Purchase Order.

## **T. FIXED ASSETS**

Whether physical verification of Fixed assets has been carried out by the management or not in commensuration with the size of the business.

Review the controls and process surrounding fixed assets, including the process of verification checks.

Check whether assets are identified, recorded, verified and accurately reflected in the accounts.

Ensure that the depreciation is appropriate and in accordance with federation's policy and prevailing regulations, and that asset disposals and write offs are valid, authorized and correctly reflected in the accounts.

Confirm whether assets are appropriately protected and insured.

Capitalization of WIP assets.

## **U) GENERAL:**

- i. Wherever, previous figure available, the audit report may give a comparison to all the above analysis, as to cost per unit,
- ii. Internal auditor may suggest, out of observation for strengthening the internal control system in force at units.
- iii. OMFED may seek any other information above the unit directly as it may require from time to time.
- iv. If any certification relating to statutory matter (as and when required).
- v. Internal auditor's report may also contain, the number/details of fraud/misappropriation occurred during the period of audit and the action taken by the concerned plant management.
- vi. Wherever confirmation/certification is required with respect to any information (on which adequate record does not exist), internal auditor is empowered to obtain such from the PM.
- vii. Internal auditor may also provide all other information that may warrant the attention of the managing director.

***As per the previous experience of the federation from the service of the previous auditors, these are some points, which you may look into for smooth and meaningful functioning.***

- ❖ The responsible and experience staffs with good analytical skill may please be deputed.
- ❖ Most of the auditor are relying the data (most part of the audit report) being provided at the plant level without application of mind and audit is being treated as completed after vouching only.
- ❖ No area is being audited properly and in-depth exercise is not being done for reporting resulting a lot of irregularity gone unreported.

- ❖ The internal auditor may distribute the scope between quarter so that every quarterly report should carry in-depth analysis of certain area with general observation of others. By this the standard of exercise may be meaningful and shall be a great tool to the management of the federation. This may be mentioned in the report.
- ❖ Internal auditor should be advisor to the federation management in his report. Hence audit report should include the suggestion with justification from quarter to quarter for effective utilization of resources at dairy level.
- ❖ Timely completion of audit and reporting plays a vital role for its effectiveness. Hence internal auditor may give his report within 15 days of the close of the quarter. After every quarter, there shall be a meeting for report analysis and corrective actions between the managing director, plant manager and internal auditor.
- ❖ A copy of such audit report should be sent to PM of the dairy for compliance and other copy should be forwarded to M.D OMFED.
- ❖ All the copies of the audit report should be counter signed by the respective unit head/plant manager of the plant while forwarding to corporate office.

## **SCOPE OF WORK (CATTLE FEED PLANT)**

**Pre Audit** of all Vouchers before payment / adjustment with reference to all supporting documents.

### **MONTHLY/QUARTERLY VERIFIATION & REPORTING:**

#### **A. Factory:**

Verification of all records and registers within the factory premises, which includes,

1. Material In /Out Register.
2. Factory Raw Material Stock Register and reconciliation of receipt and issue with central/main Store.
3. Factory Finished Goods stock register.
4. Individual product registers.
5. Analysis of all Overhead expenses and suggestion for cost reduction if any.
6. Analysis of manpower position and suggestion for improvement of efficiency.
7. Periodically stock verification and deviation if any.
8. Weighment register for in and out of materials.
9. Abnormal loss of material if any and suggestion for same.
10. Process of checking the quality of raw/finished products and suggestion if any.

Internal auditor has to report the following in addition to any irregularities out of above registers /records.

**Note :** The above statement includes opening stock, consumption and closing stock in store /stock in-Process. The stock information for Stores section is to be maintained separately by respective Store.

#### **B) Finished Goods Control, Consumption of Raw materials and Realization:**

- i. Adequacy and authenticity of maintenance of Finished Goods record, its reconciliation with raw material used.
- ii. That the quantity produced, quantity sold and quantity in stock during the period of audit should be physically observed and reported.
- iii. That all records are being maintained parallel to production, regularly signed by the Production In-charge, regularly checked and signed by PM. Nothing in records has been disfigured and being maintained legibly. The internal auditor may silently observed this and report.
- iv. There is regular laboratory test as to production.
- v. The adequacy in mechanism of stock transfer from main store to factory for use via requisition slip.
- vi. HDPE bags actually used as per production data vis-à-vis issued from main store.
- vii. The difference in above may include both normal as well as abnormal losses that can easily be found out on observation of the process by the Internal auditor.
- viii. Audit team has to observe one production process to find out the standard and corresponding losses and pilferages, if any.
- ix. A reconciliation statement and yield with respected to each container my be reported.
- x. Checking of all CMR (Certificate of Material Receipts.) before sending to HO for payment.

**C) SALES:**

- i) Reconciliation of sales quantity with Production Record.
- ii) Verification of DCs and their valuation.
- iii) Verification of all sales as to quantity and value and their accounting.
- iv) Verification of Feed Return and their accounting.
- v) Sales realization and utilization thereof.

**D) INTER UNIT RECONCILIATION:**

Internal Audit has to ensure that quarterly reconciliation with “other diary/s and unions” with whom transaction exist has been done and accounting has been done properly. And confirmation has been obtained.

**E) CASH/BANK:**

The scope includes

- Verification of Bank Reconciliation Statement.
- Verification of Cash Book/Bank Book.
- Verification of Petty Cash Register (if any).
- The Bank Reconciliation Statement should be certified by the Internal Auditor before submission to H.O. with cash flow statement.
- Verification of cash collection by marketing staff with deposit and accounting.

**F) VOUCHING:**

This included auditing of all Cash and Non-Cash, Journal Vouchers, Receipts vouchers and shall see that,

- All payments have been approved by the competent authority as per Federation’s administrative rule and delegation of authority.
- Payments approved by Plant Manager are within his administrative power.
- All vouchers have been dully supported with adequate enclosures.
- All payment, receipts and journals are properly accounted with correct head of accounts prescribed.
- Payment to staffs has been made as per Rule of the Federation. *In case of Traveling Claim*, claim has been raised within due time otherwise the advance has been recovered with interest as per rule.
- All payments under contractual obligations have been made as per contract/agreement *and* in force (Ex. Transport payment, security payment etc.)
- All vouchers *have been signed by respective PM* and no unsigned vouchers have been entered in the Cash/Bank Book.



**G) STOCK/STORES:**

- i. Checking and Certifying all CMR( Certificate of Material Receipt) on the basis of records maintained at plant i.e. security gate register, challan /bills, weighment register, quality test report etc. .
- ii. Checking of Stores Record and reconciliation of transactions with “issued” department.
- iii. Reconciliation between Main Store and Factory.
- iv. Internal Auditor has to ensure that the Stock ledger are being maintained valued on FIFO Basis regularly.
- v. Internal Audit shall be part of Annual Stock Taking Committee for physical verification at the end of the year.
- vi. Verification of the Closing stock statement (to be submitted by units) on quarterly basis. Group wise (summarized) valuation statement should be part of quarterly report.
- vii. Checking of physical balances. Any deviation should be reported.
- viii. Any other exercise seems beneficial by Internal auditor.
- ix. Verification of non-moving and obsolete stock and reason thereof.
- x. Verification of purchase bill with delegation of power and issue thereof.

➤ **CERTIFICATE OF MATERIAL RECEIPT (CMR)-** The auditor shall check all the entire in the CMR before passing and forward it, he should ensure that it contain the test report the material receipt, where ever required and no information which is sought for the CMR is left blank. He should also ensure that CMRs are issued 5 days from the receipt of materials. Cases of delay in issuing CMR shall be reported in his quarterly audit report.

**H) BUDGET ANALYSIS:**

The Internal audit is to check the budget for the period of audit and present the analysis with reason of deviation in summarized form in the report.

**I) STATUTORY DEDUCTIONS AND DEPOSITS etc.:**

Internal Auditor is to check,

- i. TDS (Income Tax) on payment has been duly deducted as per prescribed rate and deposited within time.
- ii. All other statutory dues required to be adhered by units as to license etc. has been duly done & within time.
- iii. There is optimum insurance coverage as to Cash-in-safe and cash in transit in the required areas.
- iv. **GST:** This is usually deposited at Corporate Office. Hence, Internal Audit Report should contain the detail of GST Sales, GST thereon and deposits after adjusting the GST **credit** on purchase during the period of audit.

**J) LABOUR BILL**

While checking the labour bill submitted by a labour contractor of the dairy the auditor should verify the bill to ensure that payment for a labour both for hourly basis and also for piece rate basis is not being claimed. The auditor should check the wage card submitted with the labour bill and shall give

comments in his audit report that above office order is fully complied while passing the labour bill payment of the dairy by him. Comparison of labour hour/day spent with production if any with previous period. Variation in this regard should be analyzed and report there on.

**K) ENERGY CONSUMPTION:**

Here Internal Audit Report should contain the following,

- i. Details & Type of Energy (Coal/Diesel/Furnace Oil/Petrol/Electric/Steam) Consumed by the unit.
- ii. Quantum of energy (in units – Kg/liter/units) consumed during the period of audit and cost involved.

Sl. No.	Type of Energy	Quantum	Average Rate	Amount (Rs.)	Remarks
1.					
2.					
3.					
4.					
<b>Total</b>					

- iii. Percentage of Capacity utilized with respect to licensed capacity (in case of electricity).
- iv. Contract demand vs actual consumption

**Apart from above,**

The Internal auditor has to check that,

- Log Book has been duly and neatly maintained with respect to energy consumed. And, prima facie the record should show the actual consumption. Receipt should be reconciled with the purchase made at plant level, duly received as per security gate and stock record.
- Payment with respect to purchases of diesel has been made by Cheque or through “Petro Card” only, and no payment has been made by cash.
- The Internal Auditor may look into the adequacy of control over such purchases and report short coming, if any.

**L) TRANSPORT COST ANALYSIS:**

Internal Audit Report should contain the

- i. Total transportation cost incurred during the period of audit, which *includes* those accrued but not paid.
- ii. Analysis of transport vehicle capacity utilization.
- iii. Transportation cost per MT of Feed to be reported .

M) **ADVANCE TO STAFFS, OTHER UNADJUSTED ADVANCES:**

- **Staff Advances:**

This advance includes Traveling, General, Salary Advances staff sales (on credit). The Internal auditor has to see the following and report as under:

1. Each advances has to be seen whether advances has been made as per Federations rule.
2. No advances have been created by book entry by adjusting with other (say sales), where the concerned staff has misappropriated the money. ***If so,*** the details have to be provided as to name/designation of staff, the money misappropriated, the date of commitment of such fraud/misappropriation.
3. No advances are running without recovery.
4. Advances showing in the records are with respect to staff serving in the diary.
5. The details of advances made to a staff without adjustment of previous advances.
6. No advances has been refunded “**as it is**” (without adjustment of even part) after an unreasonable time. If so, this shall be treated as “**Temporary Misappropriation**” of Federation money, which shall attract penalty. Hence it should be reported.
7. The details of respective advances with age.

- **Advance to Suppliers/Contractors:**

1. All advances have been made as per defined procedure and have been made under terms of contract/Work Order.
2. The goods/purpose, for which advances made, has been received/executed.
3. No advances are coming since long and to see no double payment has been made at the time of adjustment.
4. Report should contain the **details of unadjusted advances** along with the period from which coming for adjustment.

- **Advance to Transporter:**

1. All advances are in the name of transporter presently serving.
2. Advances made are as per agreement in force.
  3. No unadjusted advances carrying since long with/without recovery.
4. Advance should be for transport service and should not be out of misappropriation of milk or cash. If so, the amount should have been recovered immediately from the next subsequent bill.
5. The **details of such advances, status,** the period from which due.

**N) QUARTERLY ACCOUNTS:**

Quarterly accounts (P&L, Balance Sheet, Cash Flow Statement with up to date BRS and Unit Reconciliation) submitted by units is to be checked and verified. Internal Audit Remarks be the part of quarterly audit report.

**O) CHECHKING OF MONTHLY CASH FLOW STATEMENT :**

Checking of Monthly Cash Flow and Out Flow Statement with reference to records maintained at Plant level. The auditor has to certify the Monthly Cash Flow statement before it is submitted to Head Office by the Plant.

**P) GENERAL:**

- i. Where ever, previous figure available, the audit report may give a comparison to all the above analysis as to cost per unit.
- ii. Internal Auditor may suggest out of observation for strengthening the internal Control System in force at units.
- iii. OMFED may seek any other information about the unit directly as it may require from time to time.
- iv. Any certification relating to statutory matter (as and when required).
- v. Internal Auditor's Report may also contain, the number/details of fraud/misappropriation occurred during the period of audit and the action taken by the concerned Plant Management.
- vi. Wherever confirmation/certification is required with respect to any information (on which adequate record does not exist), Internal Auditor is empowered to obtain such from the PM.
- vii. Internal Auditor may also provide all other information that may warrant the attention of the Managing Director.

*As per the previous experience of the Federation from the service of previous auditors, these are some points, which you may look into for smooth and meaningful functioning.*

- ❖ The responsible and experienced staffs with good analytical skill may please be deputed.
- ❖ Most of the auditor are relying the data (most part of the audit report) being provided at the plant level without application of mind and the audit is being treated as completed after vouching only.
- ❖ No area is being audited properly and in-depth exercise is not being done for reporting resulting a lot of irregularity gone unreported.

- ❖ The internal auditor may carry in-depth analysis of certain area with general observation of others. By this the standard of exercise may be meaningful and shall be a great tool to the management of the federation. This may be mentioned in the report.
- ❖ Internal Auditors should be advisor to the Federation management in his report. Hence audit report should include the suggestion with justification from quarter to quarter for effective utilization of resources at dairy level.
- ❖ Timely completion of audit and reporting plays a vital role for its effectiveness. Hence Internal auditor may give his report within 15days of the close of the quarter. After every quarter, there shall be a meeting for report analysis and corrective action between the – Managing Director, Plant Manager and Internal Auditor.
- ❖ A copy of such audit report should be sent to P.M. of the Dairy for compliance & other copy should be forwarded to M.D. OMFED.
- ❖ All the copies of the audit report should be counter signed by the respective unit head/ plant manager of the plant while forwarding to Corp. Office.

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## **SCOPE OF WORK(OMTDC)**

**Pre/Post Audit** of all vouchers before payment/adjustment with reference to all supporting documents.

### **MONTHLY/QUARTERLY VERIFICATION AND REPORTING:**

#### **A)OMTDC PREMISES:**

Verification of all records and registers maintained by the OMTDC , which includes,

1. Training Materials in/out registers.
2. Reconciliation of receipt and issue of stock with central main store.
3. Any other goods stock register.
4. Guest lecture attendance & payment Register ,Hostel wards movement register
5. Trainee attendance register/document

Internal auditor has to report the following in addition to any irregularities out of above registers/records.

#### **B) Movement stock & Stores material :**

At OMTDC stores received & issue of stock on behalf of central stores ,

**Audit has to see the,**

- I. Auditor has to verify the stock receipt register with adhere to the order copy, Security Gate Register, Weighment Register, CMR Etc
- II. Auditor has to verify the stock issue with adhere to requisition of central store, Security gate register, weighment register etc
- III. Auditor has to verify the physical closing stock balance with book stock
- IV. .Auditor has to certify the inventory report as and when required
- V. Auditor has to verify the stock receipt, issue and physical balance of stock of the hostel accommodation, stock of training material and stock of live stock etc.

#### **C) Canteen Utilization/Hostel Maintenance**

- The internal Auditor to verify the meal consumption with adhere to hostel accommodation and staff strength.
- Verify the proper order and instruction for meal consumption in canteen.
- Verify the payment for canteen with adhere to canteen contractor meal consumption register with hostel accommodation register as well staff attendance register.
- Auditor has to physical verify the hostel housekeeping, cleaning etc

#### **D)SALES:**

- I. Reconciliation of raw milk sales quantity with milk pouching record.
- II. Verification of sale of live stock with adhere to necessary documents and realization there off.
- III. Verification of sale of training material etc. with adhere to necessary documents and realization there off.
- IV. Verification of scrap sales
- V. Debtor confirmation and certification of the OMTDC management as to recovery.
- VI. The internal auditor has to see that adequate records are being maintained for the above.
- VII. Mode of sales realization and utilization thereof.

VIII. Reconcile of debtor control account with individual debtor account,

IX. Debtor analysis (if any).

**NB: -**

- For “due for recovery” having more than 7 days, each case should be supported by reason of such delay, specific date from which due, status of agent and action taken for recovery.
- No amount of bad & doubtful debt shall be adjusted at the Unit level unless it is out of bad accounting.

**E) INTER UNIT RECONCILIATION:**

Internal audit has to ensure that quarterly reconciliation with “other Unit/s and unions” with whom transaction exist has been done and accounting has been done properly. And confirmation has been obtained.

**F) CASH/ BANK:**

The scope includes

- Physical verification of cash, money receipts Unit and cheque books. The report should state the no. of physical verification undertaken by the Unit in Charge during the period of audit and ***whether the Unit in Charge is regular in signing the cashbook?***
- Verification of bank reconciliation statement.
- Verification of cash book/ bank book.
- Verification of petty cash register (if any).
- The bank reconciliation statement should be certified by the internal auditor before submission to H.O with cash flow statement.

**G) VOUCHING:**

This included auditing of all cash and non-cash, journal vouchers, receipt voucher and shall see that,

- All payments have been approved by competent authority as per federation’s administrative rule and delegation of authority.
- Payment approved by Unit in Charge is within his administrative power.
- All vouchers have been duly supported with adequate enclosures.
  
- All payment, receipt and journals are properly accounted with correct head of accounts prescribed.
- Payment to staffs has been made as per rule of the federation. ***In case of travelling claim***, has been raised within due time otherwise the advance has been recovered with interest as per rules.
- All payments under contractual obligations have been made as per contract/ agreement ***and*** in force. (Example – transport payment, security payment etc.)
- All vouchers have been signed by respected Unit in Charge and no unsigned vouchers have been entered in the cash/ bank book.

**H) STOCK/ STORES:**

- i. Checking and certifying all CMR (certificate and material receipt) on the basis of records maintained at OMTDC i.e., security gate register, challan/ bills, weighment register, quality test report etc.
- ii. Checking of stores report and reconciliation of transaction with “issued” department.
- iii. Reconciliation between Central store and OMTDC Store.

- iv. Internal auditor has to ensure that the stock ledger is being maintained valued on FIFO basis regularly.
- v. Internal audit shall be part of annual stock taking committee for physical verification at the end of the year.
- vi. Verification of closing stock statement (to be submitted by units) on quarterly basis. Group wise (summarized) valuation statement should be part of quarterly report.
- vii. Checking of physical stock & Stores with adhere to issue and receipt from the store.
- viii. Checking of physical balances. Any deviation should be reported.
- ix. Any other exercise seems beneficial by internal auditor.
- x. Verification of non-moving and obsolete stock and reason thereof.
- xi. Verification of purchase bill with delegation of power and issue thereof.

#### **I) BUDGET ANALYSIS:**

The internal audit is to check the budget for the period of audit and present the analysis with reason of deviation in summarized form in the report.

#### **J) STATUTORY DEDUCTIONS AND DEPOSITS etc.:**

Internal auditor is to check,

- i. TDS (Income tax) on payment has been dully deducted as per prescribed rate and deposited within time and checked the necessary accounting for deposit.
- ii. All other statutory dues required to be adhered by units as to license etc. has been dully done & within time.
- iii. There is optimum insurance coverage as to cash-in-safe and cash in transit in the required areas.
- iv. **GST:** This is usually deposited at corporate office. Hence, internal audit report should contain the detail of GST sales, GST thereon and deposits after adjusting the GST credit on purchase during the period of audit. Verify the GST outward, Inwards and RCM accounting entry for deposit and adjustment on monthly basis
- v. TCS: Verify the TCS collected deposited in time and posting the payment entry. TCS receivable should be reconciled and verify the transfer entry to Corporate office
- vi. GST TDS: Verify the deduction GST TDS and payment thereof in time with reference to accounting entry. Similarly verify the payment towards GST TDS and accounting there off with giving notes in the audit report.

#### **K) (A) LABOUR BILL**

While checking the labor bill submitted by a labor contractor of the Unit the auditor should verify the bill the respect to the office order no. 104/2014 dated 02.06.2014 to ensure the payment for a labor both for hourly basis and also for piece rate basis is not being claimed. The auditor should check the wage cards submitted with the labor bill and shall give comments in his audit report that above office order is fully complied while passing the labor bill payment of the Unit by him. Verify the advance to labour contractor if any and its authenticity.

#### **K) (B) ENEGRY CONSUMPTION:**

Here internal audit report should contain the following,

- i. Details & type of energy (coal/diesel/furnace oil/petrol/electric/steam) consumed by the unit.
- ii. Quantum of energy (in units-kg/liter/units) consumed during the period of audit and cost involved.



- iii. Percentage of capacity utilized with respect to licensed capacity (in case of electricity).

**Apart from above,**

the internal auditor has to check that,

- Payment with respect to purchases of diesel has been made by cheque or through “Petro card” only, and no payment has been made by cash.
- The internal auditor may look into the adequacy of control over purchases of diesel with consumption there off with adhere to log book and report short coming, if any.

**L) TRANSPORT COST ANALYSIS:**

Internal audit report should contain the,

- i. Total transportation cost incurred during the period of audit, which **included** those accrued but not paid.
- ii. Verify the vehicle capacity as per agreement with average quantity of transporting.
- iii. Verify the engagement of vehicle with adhere to agreement.

**M) ADVANCE TO STAFFS, OTHER UNADJUSTED ADVANCES:**

- **Staff advances:**

This advance includes traveling, general, salary advances staff sales (on credit). The internal auditor has to see the following the report as under:

1. Each advance has to be seen whether advance has been made as per federations rule.
2. No advances have been created by book entry by adjusting with other (say sales), where the concerned staff has misappropriated the money. **If so**, the details have to provided as to name/designation of staff, the money misappropriated, the date of commitment of such fraud/misappropriation.
3. No advances are running without recovery.
4. Advances showing the record are with respect to staff serving in the Unit.
5. The details of advances made to a staff without adjustment of previous advances.
6. No advances have been refunded **“as it is”** (without adjustment of even part) after an unreasonable time. If so, this shall be treated as **“Temporary Misappropriation”** of federation money, which shall attract penalty. Hence it should be reported.
7. The details of respective advances with age.

- **Advance to suppliers/contractors:**

1. All advances have been made as per defined procedure and have been made under terms of contract/work order.
2. The goods/purpose, for which advances made, has been received/executed.
3. no advances coming since long and to see no double payment has been made at the time of adjustment.
4. Report should contain the **details of unadjusted advances** along with the period from which coming for adjustment.

- **Advance to transporter:**

1. All advances are in the name of transporter presently serving.
2. Advances made are as per agreement in force.
3. No unadjusted advances carrying since long with/without recovery.

4. The **details of such advances, status**, the period from which due.

#### **N) MONTHLY/QUARTERLY ACCOUNTS:**

Certification of Monthly/Quarterly of provisional balance sheet & profit and loss account.

#### **O) CHECKING OF MONTHLY CASH FLOW STATEMENT:**

Checking of monthly cash flow and outflow statement with reference, to records maintained at plant level. The auditor has to certify the monthly cash flow statement before it is submitted to Head Office by the plant.

#### **P. INSURANCE**

- I. Checking of adequacy, timely payment of insurance premium and timely settlement of claims made by the organization.
- II. Checking of areas to be covered under insurance policies such as fixed assets, stocks (stores, consumables, semi-finished goods and finished goods.), cash in safe and cash in transit, finished goods in transit and any other transit/marine insurance issued against procurements/import of raw materials & turnkey equipment's, etc.

#### **Q. RECORD KEEPING**

Checking and comments on safe keeping of all documents, records, files etc. Proper binding of vouchers, indexing and retrieval of records etc.

#### **R. FIXED ASSETS**

Whether physical verification of Fixed assets has been carried out by the management or not in commensuration with the size of the business.

Review the controls and process surrounding fixed assets, including the process of verification checks.

Check whether assets are identified, recorded, verified and accurately reflected in the accounts.

Ensure that the depreciation is appropriate and in accordance with federation's policy and prevailing regulations, and that asset disposals and write offs are valid, authorized and correctly reflected in the accounts.

Confirm whether assets are appropriately protected and insured.

Capitalization of WIP assets.

**S) GENERAL:**

- i. Wherever, previous figure available, the audit report may give a comparison to all the above analysis, as to cost per unit,
- ii. Internal auditor may suggest, out of observation for strengthening the internal control system in force at units.
- iii. OMFED may seek any other information above the unit directly as it may require from time to time.
- iv. If any certification relating to statutory matter (as and when required).
- v. Internal auditor's report may also contain, the number/details of fraud/misappropriation occurred during the period of audit and the action taken by the concerned plant management.
- vi. Wherever confirmation/certification is required with respect to any information (on which adequate record does not exist), internal auditor is empowered to obtain such from the PM.
- vii. Internal auditor may also provide all other information that may warrant the attention of the managing director.

***As per the previous experience of the federation from the service of the previous auditors, these are some points, which you may look into for smooth and meaningful functioning.***

- ❖ The responsible and experience staffs with good analytical skill may please be deputed.
- ❖ Most of the auditor are relying the data (most part of the audit report) being provided at the plant level without application of mind and audit is being treated as completed after vouching only.
- ❖ No area is being audited properly and in-depth exercise is not being done for reporting resulting a lot of irregularity gone unreported.
- ❖ The internal auditor may distribute the scope between quarter so that every quarterly report should carry in-depth analysis of certain area with general observation of others. By this the standard of exercise maybe meaningful and shall be a great tool to the management of the federation. This maybe mentioned in the report.
- ❖ Internal auditor should be advisor to the federation management in his report. Hence audit report should include the suggestion with justification from quarter to quarter for effective utilization of resources at Unit level.
- ❖ Timely completion of audit and reporting plays a vital role for its effectiveness. Hence internal auditor may give his report within 15 days of the close of the quarter. After every quarter, there shall be a meeting for report analysis and corrective actions between the managing director, plant manager and internal auditor.
- ❖ A copy of such audit report should be sent to PM of the Unit for compliance and other copy should be forwarded to M.D OMFED.
- ❖ All the copies of the audit report should be counter signed by the respective unit head/plant manager of the plant while forwarding to corporate office.

## SCOPE OF INTERNAL AUDITWORK (UNION)

### MONTHLY/QUARTERLY VERIFIATION & REPORTING:

**Pre / Post Audit** of all Vouchers before payment / adjustment with reference to all supporting documents. The scope of Internal Audit are given below.

#### **1. FAT & SNF ANALYSIS**

a) Milk received from Society and payment thereof analysed by below format

Sl.No	Particulars	Quantity	Fat%	Snf%	Kg.Fat	Kg.Snf	Pmt. recd. from OMFED	Pmt. to Society	No.of Farmers paid	No of farmer paid by cash
A	Receipts from Dairy									
01-10										
11-20										
21-30/31										
Total										
B	Payment to Society									
01-10										
11-20										
21-30/31										
Total										
C	Difference (A-B)									
Reason for Difference if any										

- b) Checking of Society wise Truck Sheet Report at BMC level and milk bill payment thereof.
- c) Mode of payment to farmers and reason of cash payment if any.
- d) BMC capacity utilization analysis, solid analysis and cost analysis. Tracking BMC wise purchase and sales data.
- e) Sample verification of milk collection sources of Society i.e. Registered members/Traders/Collection Agent/Non Members.
- f) Sample Verification Society registration/members registration in society who are pouring the milk and received the payment thereof.

## 2. TRANSPORTATION:

- a) Verification payment to head loaders, private transporter & private tanker with adhere to the agreement.
- b) Verification of vehicle repair & maintenance expenditure , comparison to previous period and noting of variance if any.
- c) Verification of vehicle log book, diesel filling log book.
- d) Verification of payment to diesel pump for filling of diesel.
- e) Comparison and verification of vehicle wise fuel consumption and efficiency thereof.
- f) Verification of statutory clearance of vehicles.
- g) Total transportation cost incurred during the period of audit, which **includes** those accrued but not paid. Details route/vehicle wise can also be reported by way of Route Analysis in order to incorporate any advice to minimize the transportation cost.

## 3. VOUCHING:

This includes auditing of all Cash and Non-Cash, Journal Vouchers, Receipts vouchers and shall see that,

- a) All payments have been approved by the competent authority as per UNION's administrative rule and delegation of authority.
- b) Payments approved by the Authority are within his administrative power.
- c) All vouchers have been duly supported with adequate enclosures.
- d) All Milk Bill payments to the society are as per actual receipt of milk and after due recovery such as cattle feed, other input etc.
- e) All payment, receipts and journals are properly accounted with correct head of accounts prescribed.
- f) Payment to staffs has been made as per Rule of the UNION. In case of Travelling Claim, claim has been raised within due time otherwise the advance has been recovered with interest as per rule.
- g) All payments under contractual obligations have been made as per contract/agreement **and** in force (Ex. Transport payment, security payment etc.)
- h) All vouchers **have been signed by approving Authority** and no unsigned vouchers have been entered in the Cash/Bank Book.

## 4) STOCK/STORES:

- a) Checking and Certifying all CMR( Certificate of Material Receipt) on the basis of records maintained at chilling centre/plant i.e. security gate register, challan /bills, weighment register, quality test report etc. .
- b) Checking of Stores Record and reconciliation of transactions with "issued" department.
- c) Reconciliation between Main Store and chilling centre/Factory.
- d) Internal Auditor has to ensure that the Stock ledger are being maintained properly.
- e) Internal Audit shall be part of Annual Stock Taking Committee for physical verification at the end of the year.

- f) Verification of the Closing stock statement on quarterly basis. Group wise (summarized) valuation statement should be part of quarterly report.
- g) Checking of physical balances. Any deviation should be reported.
- h) Any other exercise seems beneficial to the Management.
- i) Verification of non-moving and obsolete stock and reason thereof.
- j) Verification of purchase bill with delegation of power and issue thereof.
- k) Verification of expired period of the purchase stock if applicable.
- l) Verification of issue of medicine, milk testing equipment, stationeries, chemicals etc to societies, BMC's , Factories, Chilling Centres etc and utilization thereof.

#### 5) BUDGET ANALYSIS:

The Internal audit has to check the budget for the period of audit and present the analysis with reason of deviation in summarized form in the report.

#### 6) STATUTORY DEDUCTIONS AND DEPOSITS etc.:

Internal Auditor is to check,

- a) TDS (Income Tax) on payment has been duly deducted as per prescribed rate and deposited within time.
- b) All other statutory dues required to be adhered by chilling centre /factory as to license etc. has been duly done & within time.
- c) There is optimum insurance coverage as to Cash-in-safe and cash in transit in the required areas.
- d) Internal Audit Report should contain the detail of GST Sales/ GST Collected, GST thereon and deposits after adjusting the GST **credit** on purchase during the period of audit.

#### 7) FUND/STOCK UTILIZATION

- a) Verification of grant accounting, actual grant utilization, utilization certification (UC) submission. All grant UC must have enclosed audited /authenticated bills & certificates.
- b) Verification of TI Fund and other Fund received from time to time & utilization thereof.
- c) Verification of all stocks i.e. medicine, fodder, etc. supplied to Society &utilization thereof.
- d) Verification of Camp expenses &utilization of camp fund/materials thereof. The Internal Auditor should be a report of Camp progress.
- e) Verification of management and accounting of un-utilised grant funds
- f) Verification of grant fund parking in a separate Bank Account.
- g) Sample verification of assets/ infrastructure as per grant UC submitted

## 8. CASH/BANK:

The scope includes

- a) Physical verification of Cash, Money Receipts (issued by Union Accounts Section, Chilling Centre, Factory & Market in Charge on Collection ) and Cheque Books. The report should state the number of physical verification undertaken by the approving authority during the period of audit and **whether, the approving authority is regular in signing the Cash Book?**
- b) Verification of Bank Reconciliation Statement.
- c) Verification of Cash Book/Bank Book.
- d) Verification of Petty Cash Register (if any).
- e) The Bank Reconciliation Statement & Cash Flow Statement should be certified by the Internal Auditor before submission to the Management.
- f) Verification of cash collection by marketing staff with deposit and accounting.

## 9) SALES:

- a) Reconciliation of sales quantity with production Record.
- b) Verification of DCs and their valuation.
- c) Verification of all sales as to quantity and value and their accounting.
- d) Verification of Market Return and their accounting.
- e) Verification of individual sales accounts **to see that** all sales realization has been made either by cash/bank or return slips (if any). No adjustment has been made by way of JV from other unrelated debit balances AND every credit should be properly explained.
- f) Debtor Confirmation and certification of the Unit management as to recovery.
- g) Checking of Marketing Tally Sheet submitted by concerned Marketing In-Charge and checking of records maintained by Marketing I/c with respect to their jurisdiction.
- h) The internal auditor has to see that adequate records are being maintained for the individual agents. Any outstanding in the name of Market in charge should be independently confirmed by the internal auditor to the Authority.
- i) The details of market outstanding with respect to any market in charge transfer to his General advance account. Here internal auditor has to report the details of such cases and the administrative action taken by the dairy management against that MIC.
- j) Mode of sales realization and utilization thereof.
- k) Reconcile of Debtor Control Account with Individual Debtor Account,
- l) Debtor Analysis (if any).
- m) The age wise debtor analysis should be submitted as per the below format.

Agent Code	Name of Agent/ Party	Name of Market I/c	Amount Due/ Advance	Age of Sundry Debtors (in case of due for recovery)			
				1 Day	1 to 3 days	3 to 7 days	More than 7days

NB:

- For “Due for Recovery” having more than 7 days, each case should be supported by reason of such delay, specific date from which due, status of the agent and action taken for recovery.
- No amount of Bad & Doubt full debt shall be adjusted at the diary level unless it is out of bad accounting.

**10) INTER UNIT RECONCILLIATION:**

Internal Audit has to ensure that quarterly reconciliation with “OMFED dairy/s and unions” with whom transaction exist has been done and accounting has been done properly and confirmation has been obtained.

**11) LABOUR/SECURITY CHARGES**

- While checking the labour/Service Provider/Security bill submitted by the respective contractor, the auditor should verify the bill with respect to the office works order/agreement and ensure the actual payment to be released.
- The auditor should verified the attendance register of the above contract work for certify the bills. Verify the statutory obligation of the above bill fulfilled.
- Verification of the wage card submitted with the labour bill and shall give comments in his audit report that above office order is fully complied while passing the labour bill payment.
- Comparison of labour hour/day spent with production if any with previous period. Variation in this regard should be analyzed and report there on.



## 12) ENERGY CONSUMPTION:

Here Internal Audit Report should contain the following,

- a) Details & Type of Energy (Coal/Diesel/Furnace Oil/Petrol/Electric/Steam) Consumed by the unit.
- b) Quantum of energy (in units – Kg/liter/units) consumed during the period of audit and cost involved.

Sl. No.	Type of Energy	Quantum	Average Rate	Amount (Rs.)	Remarks
1.					
2.					
<b>Total</b>					

- c) Verification of consumption of diesel and efficiency of DG Set compare to Standard , of DG Set installed at BMC
- d) Verification of electricity charges paid under which tariff . i.e Agriculture, Commercial or Domestic.
- e) Type of DG installed i.e. hired or own and verification of DG hire charges and compare to present market hire charges.

## 13) ADVANCE TO STAFFS, OTHER UNADJUSTED ADVANCES:

- **Staff Advances:** This advance includes Travelling, General, Salary Advances staff sales (on credit). The Internal auditor has to see the following and report as under:
- a) Each advances has to be seen whether advances has been made as per Federations rule.
  - b) No advances have been created by book entry by adjusting with other (say sales), where the concerned staff has misappropriated the money. **If so**, the details have to be provided as to name/designation of staff, the money misappropriated, the date of commitment of such fraud/misappropriation.
  - c) No advances are running without recovery.
  - d) Advances showing in the records are with respect to staff serving in the diary.
  - e) The details of advances made to a staff without adjustment of previous advances.

- f) No advances has been refunded **“as it is”** (without adjustment of even part) after an unreasonable time. If so, this shall be treated as **“Temporary Misappropriation”** of Federation money, which shall attract penalty. Hence it should be reported.
  - g) The details of respective advances with age.
- **Advance to Suppliers/Contractors:**
- a) All advances have been made as per defined procedure and have been made under terms of contract/Work Order.
  - b) The goods/purpose, for which advances made, has been received/executed.
  - c) No advances are coming since long and to see no double payment has been made at the time of adjustment.
  - d) Report should contain the **details of unadjusted advances** along with the period from which coming for adjustment.
- **Advance to Transporter:**
- a) All advances are in the name of transporter presently serving.
  - b) Advances made are as per agreement in force.
  - c) No unadjusted advances carrying since long with/without recovery.
  - d) Advance should be for transport service and should not be out of misappropriation of milk or cash. If so, the amount should have been recovered immediately from the next subsequent bill.
  - e) The details of such advances, status, the period from which due.
- 14) QUARTERLY ACCOUNTS:**
- Quarterly accounts (P&L, Balance Sheet, Cash Flow Statement with up to date BRS) is to be checked and verified . Internal Audit Remarks be the part of quarterly audit report.
- 15) CHECKING OF MONTHLY CASH FLOW STATEMENT :**
- Checking of Monthly Cash Flow and Out Flow Statement with reference to records maintained of all productive centre with all variances and report the adverse position to the Management with reasons in justification and advice for improvement of financial stability.
- 16) CHECKING OF CREDITORS/EMD/SECURITY DEPOSIT/SAVINGS/LOAN**
- Review and scrutiny of Sundry Creditors, Security Deposit, EMD, Advance, Saving (Bank, Postal, Share Market, Other Institute etc) & Loan given/taken and report monthly to the Management for any deviation or irregularities .

**17) RECORD MAINTENANCE:**

Review and checking of all records such as Fixed Assets Registers, Purchase Registers, Stock Registers etc. Suggestion may be given for improvement the organization benefit.

**18) INSURANCE:**

I. Checking of adequacy, timely payment of insurance premium and timely settlement of claims made by the organization.

II. Checking of areas to be covered under insurance policies such as fixed assets, stocks (stores, consumables, semi-finished goods and finished goods.), cash in safe and cash in transit, finished goods in transit and any other transit/marine insurance issued against procurements/import of raw materials & turnkey equipment's, etc.

**19) RECORD KEEPING:**

Checking and comments on safe keeping of all documents, records, files etc. Proper binding of vouchers, indexing and retrieval of records etc.

**20) FIXED ASSETS:**

- i) Whether physical verification of Fixed assets has been carried out by the management or not in commensuration with the size of the business.
- ii) Review the controls and process surrounding fixed assets, including the process of verification checks.
- iii) Check whether assets are identified, recorded, verified and accurately reflected in the accounts.
- iv) Ensure that the depreciation is appropriate and in accordance with federation's policy and prevailing regulations, and that asset disposals and write offs are valid, authorized and correctly reflected in the accounts.
- v) Confirm whether assets are appropriately protected and insured.
- vi) Capitalization of WIP assets.

## 21) GENERAL:

- i. Where ever, previous figure available, the audit report may give a comparison to all the above analysis as to cost per unit.
- ii. Internal Auditor may suggest out of observation for strengthening the internal Control System in force at units.
- iii. Management may seek any other information about the unit directly as it may require from time to time.
- iv. Any certification relating to statutory matter (as and when required).
- v. Internal Auditor's Report may also contain, the number/details of fraud/misappropriation occurred during the period of audit and the action taken thereof.
- vi. Wherever confirmation/certification is required with respect to any information (on which adequate record does not exist), Internal Auditor is empowered to obtain such from concerned Authority.
- vii. Internal Auditor may also provide all other information that may warrant the attention of the Management.
- viii. Internal Auditor may report the organizational difficulties to the Management.
- ix. Addition or alternation of the above scope as per Organisational requirement without increasing the Audit Fees during the year