

## **Appointment of Internal Auditor**

### **I. Introduction**

The Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFDCL) was established in 1991 as a Non-Banking Financial Company (NBFC) wholly owned by Government of Tamil Nadu with a paid up capital of Rs. 3,767.00 Crores as on 31.03.2024.

### **II. Objectives:**

The overall objectives of the internal audit are:

- To express an independent professional opinion with regard to efficiency, effectiveness and economy of the company operations
- To ascertain and evaluate the adequacy and effectiveness of the financial management and internal control frame work.
- To ascertain compliance of the laid down policies, RBI guidelines, State Government Procedures, various other guidelines, manuals etc. as applicable for the company.
- To identifying areas for improvement and critical weaknesses, if any.
- To provide Board of Directors with timely information and recommendations on financial management and other aspects of the Company to enable timely corrective actions, as necessary.
- To undertake Risk-Based Internal Audit (RBIA) which is an audit methodology which primarily focus on the inherent risk involved in the activities or system and provides assurance that risk is being managed by the management within the defined risk appetite level. It is an audit which focuses upon the analysis and management of risk. A risk-based approach will seek to identify risks with the greatest potential impact.

### **III. Coverage:**

The Internal Audit will be performed on quarterly basis.

### **IV. Scope of work for Internal Audit:**

The Internal Audit should be carried out in accordance with the Standards on Auditing (SIA) published by the Institute of Chartered Accountants of India and should include such tests and controls, as necessary for performance of the audit. The responsibility of the internal auditor includes reporting on the adequacy of internal controls, the accuracy and propriety of transactions, to the extent of which assets are accounted for and safeguarded, and the level of compliance with Companies policies, norms, RBI Guidelines applicable to Non-Banking Financial companies (including KYC policy and procedures as per KYC directions), RBI Act, Companies Act, 2013, Goods and Services Act and other relevant statutory regulations and filing of necessary returns as stipulated under the above mentioned act and rules framed thereon and State Government procedures. Specific areas of audit should include the following:

1. Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
2. Reviewing the adequacy of systems established to ensure compliance with those policies, plans, procedures, laws, rules, and regulations, which could have a significant impact on operations.
3. Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and they are being carried out as planned.
4. Reviewing the correctness of financial statements/compliance with prevailing Accounting Standards.
5. Reviewing the means of safeguarding the assets as appropriate.
6. Appraise of the quality of performance in carrying out the responsibilities assigned to functional sections, and to recommend operational improvements, in order to achieve corporation goals.
7. Raising issues based on the sound analysis of facts and figures to the management to take final view.
8. An assessment of the adequacy of the Corporation's Financial Management System, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls exercised by the Corporations and suggestions of improvements, if any.
9. Funds have been used and expenditure have been incurred in accordance with the relevant financial norms and financial regulations with due attention to economy and efficiency, and only for the purpose for which the financing has been provided. Further, adequate and proper supporting documents, namely purchase orders, tender documents, invoices, vouchers, receipts pay bills etc., are maintained and linked to the transactions. This include the following:
  - a) Cash/Bank and Journal Transactions (100% Vouching)
  - b) Transactions relating to Terms Loans and other financial assistance to TANGEDCO and private/Public Sector Organizations and agreements and documents executed for the same.
  - c) Transactions relating to loan taken from the Government/Bank and repayments of principal amount and interest.
  - d) Transactions relating to Income Tax, Goods and Service Tax, Tax Deduction at Source, Declaration in form 15G and submission of various returns under the Income Tax Act, 1961 (amended up to date) and rules framed thereon.
  - e) Transaction relating to all purchase expenditure/income/Assets & Liabilities.
10. An assessment of the adequacy of financial and administration delegation and segregation duties and controls and assessing expenditure incurred are duly authorized as per the financial and administrative delegation approved by the Board of Directors.

11. An assessment of the applicable legal compliances and whether the same has been complied with by the organization and the respective internal controls are in place.
12. Assessment and review of the IT system, the process, procedures and internal controls regarding the same.
13. To review the interest payout amounts for the month of March in order to determine the annual amount of interest paid.
14. To review and report the monthly interest payout at regular intervals.
15. Evaluation of various Components of LRM (Liquidity Risk Management).
16. Reconciliation of Bank statements and accounts is regularly carried out on a monthly basis and necessary corrections on account of Bank's credits/debits and stale cheques are accounted for concurrently.
17. Assets: Completeness, existence, recording, safeguard and utilization for the purpose intended including physical verification of sample assets.
18. Ascertain the reliability of integrity, controls, security and effectiveness of the operation of computerized system. Identify constraints, if any, in the timely updating of the Core Banking Solution (CBS) and in adhering to the internal control procedures.
19. Deposit receipts, maturity payments, renewals, premature payment of deposits, interest payment to depositors, loan to depositor and recovery of loan and interest, maintenance of records for the above and all other matters connected with deposits and Inter Corporate Deposits.
20. Periodical checking of Trial Balance, Profit & Loss and Balance Sheet after finalization.
21. Risk-based Internal Audit (RBIA) -Risk Categorization & Prioritization
  - i) Risk can be categorized as Strategic Risk, Operational Risk, Reporting Risk and Compliance Risk. • Strategic risk includes high-level goals, aligned with and supporting its mission. • Operations risk includes effective and efficient use of its resources, frauds and pilferage. • Reporting risk means reliability of reporting • Compliance risk is compliance with applicable laws and regulations and ability of systems to comply with audit findings.
  - ii) The identified risk needs to be prioritized based on the pre-defined criteria. The typical risk prioritization is done on the scale of 1 to 5 where 1-Low, 2-Minor, 3-Moderate, 4- High, and 5-Extreme or Critical. This prioritization depends on many factors viz., Risk of non-compliance, risk of significant financial loss, risk of Safety, Health and Environment (SHE), risk of organizational reputation, risk of technology etc.
22. Preparation and certification of Bi-Annual Inspection Report of the corporation.
23. To verify the TDS vis-vis 26AS statements of the Corporation.
24. Correctness of the classification of Regulated/Exempted deposits in the system.
25. Reviewing of RBI Compliance as per RBI Notification dated 31.05.2018 and suggestion of improvement if any.

26. Reviewing on Statutory compliance of various returns filed under the act such as GST returns, TDS returns, Annual Information Report, RBI returns, ROC returns etc., and suggestion of improvement if any.
27. Reviewing Accountant General (AG) Audit Report, RBI Inspection Report queries and suggest suitable action if required.
28. Reviewing on pending Income Tax issues and suggest suitable action if required.
29. Reviewing the outsourcing contracts with payments made and suggestion of improvement if any.
30. All other matters relating to the entire operation of the Corporation.

## **V. REPORT:**

1. Internal Audit Report – (Quarterly – Internal Audit Report format will be evolved with discussion).
2. Compliances of Statutory and other obligations – (Half yearly) and
3. Review and report discrepancies in the Inspection Report, if any – (Half yearly – Sl. No.27 as above)

## **VI. Other Information:**

### **Timing of Audit and Submission of Audit Report:**

PERIOD OF AUDIT	SUBMISSION OF REPORT	SUBMISSION OF MANAGEMENT REPLY	SUBMISSION OF FINAL REPORT
April – June	15 <sup>th</sup> July	20 <sup>th</sup> July	25 <sup>th</sup> July
July – September	15 <sup>th</sup> October	20 <sup>th</sup> October	25 <sup>th</sup> October
October – Dec.	15 <sup>th</sup> January	20 <sup>th</sup> January	25 <sup>th</sup> January
January - March	15 <sup>th</sup> April	20 <sup>th</sup> April	25 <sup>th</sup> April

### **Reporting and Deliverables:**

The Internal Audit firm should furnish a quarterly audit report (along with checklist) to the Managing Director, TNPFC with an Executive summary of the critical issues/findings that require attention of the Audit Committee and a copy of the report must be placed with the Audit Committee and Board of Directors. Non submission of Internal Audit Report within the stipulated period may attract a penalty of 0.5% of total contracted value payable per quarter.

### **Period of Appointment:**

The contract will be three year depending on the satisfactory completion of assignment during the previous year and with the approval of the Board.

### **Note:**

- a. The Internal Audit Reports must contain compliance report on the unsettled observations in the previous internal audit reports.

- b. Special Audit Report or Interim Audit Report may be submitted within 7 days upon detection of major irregularity during the course of audit.

**VII. Proposed eligibility criteria for appointment of internal auditors:**

- The firm should have minimum 20 years of experience in the profession.
- Must be registered under Goods & Services Tax Act.
- The firm should have minimum six partners (6) FCA/FCMA and five (5) ACA/ACMA for 5 years continuously.
- The firm should have minimum ten (10) semi-qualified audit assistants (CA Inter/CMA Inter/CS Inter)/a degree or post graduate degree with accountancy.
- The firm should deploy two semi-qualified audit assistants on-site, for the time as may be agreed between the firm and the Corporation, from time to time.
- The firm should have minimum 5 years of experience in auditing NBFC's, Scheduled banks having total asset size of greater than or equal to Rs. 6,000 Crores or Average Annual Turnover greater than or equal to Rs. 3000 Crores in the last 5 years ending 31<sup>st</sup> March, 2024.
- The annual average turnover of the interested firm should not be less than Rs. 1 crore for last three financial years.
- The firm or any partner of the firm should not have been blacklisted by any Government department, C&AG, PSUs or any other organization in respect of any assignment or behavior.
- Preference shall be given for eligible participating firms having relevant experience in similar line of industry.

**VIII. Deadline for submission of Proposal:**

Last date and time for submission of proposal: **12.07.2024 at 5.00 PM**

The sealed cover proposal can be sent only through registered post to the below address:

**Tamil Nadu Power Finance and Infrastructure  
Development Corporation Limited  
No.490/3-4 floor, Tufidco-Powerfin Tower,  
Anna Salai, Nandanam,  
Chennai – 600 035.**