



**A P State Agro Industries Development Corporation Ltd**  
**504, Hermitage Office Complex, Hill Fort Road, Hyderabad-500 004.**  
**Phone: 91-40-2339 1331, Fax: 91-40-2339 4234**

**TERMS OF REFERENCE**  
**FOR APPOINTMENT OF A CHARTERED ACCOUNTANT FIRM**  
**FOR INTERNAL AUDIT OF ACCOUNTS FOR THE YEAR 2012-13.**

**1.0 Introduction**

AP State Agro Industries Development Corporation Ltd (APSAIDC Ltd) which was established under Companies Act of 1956 was established in 1968. Year after year the business transactions are increasing. Hence, it is felt to appoint an Internal Auditor to audit the transactions and to keep the Corporation Account books as per Statutory Accounting Standards.

**2.0 Background**

APSAIDC Ltd has presence with its service centres in every district and Regional Offices situated in 10 different locations spread over the Andhra Pradesh State to serve the Farming Community. Activities like Land Development, being as a nodal agency making available of Agri inputs to farmers under subsidy schemes of Agriculture and Horticulture Departments and general sales through Unemployed Entrepreneur Outlets (ARSKs) and providing establishments to facilitate the farmers in Post Harvesting Technologies and making available items related to Agricultural Machinery like Tyres, Tubes and Batteries to tractors/ transport vehicles etc., are being transacted by the Corporation. The turn over of the Corporation in the year 2010-11 is Rs.455.67Crores.

**3.0 Objectives:**

The objective of the audit of the Accounts is to enable the auditor to express a professional opinion on the financial front due to the implementation of the aforesaid activities at the end of the current financial year and of the funds/grant received and expenditure incurred for accounting period ending 31.03.2013.

The accounts (books of accounts) provide the basis for preparation of the Financial Statements and are established to reflect the financial transactions in respect of the activities being implemented, as maintained by the Service Centres, Regional Offices and Head Office of the Corporation.

#### **4.0 Scope**

Income is generated and Expenditure is incurred due to implementation of various activities through trading products. Final Audited Financial Statements are to be placed for the perusal of the Members of Parliament and to State Legislative Assembly. The CA firm is required to exercise such tests of accounting records, internal checks and control and other necessary audit of the accounts as per general principles and standard of audits of the Institute of Chartered Accountant of India. In conducting the Audit, attention should be given to the following:

- 4.1 Audit at the Regional Offices is to be made party wise along with the records from the Agro Service Centres under its control i.e. providing supporting services in finalization of Accounts at Branch/Region Level.
- 4.2 Generally accepted accounting principles are followed by all entities that are authorized to enter in Cash Books and reconciliation of Bank Accounts with the Bank Books maintained at the Regional Offices and Head Office.
- 4.3 Expression of opinion on proper maintenance of Books of Accounts as per the guidelines & reconciliation of bank statements and accounts which should be carried out regularly on a monthly basis. The opinion on the above has to be submitted by the auditor separately to the management.
- 4.4 All necessary supporting documents, records and accounts kept in respect of all activities which are covered by Statement of Expenditure, Clear linkages should exist between the books of accounts and reports which are to be consolidated with Head office Accounts and presented to the Govt. of India and State Govt.
- 4.5 Verification of the Purchases and Sales made which is carried forward since last Financial Year.

- 4.6 Goods, works and services transacted have been procured / done in accordance with relevant provisions of the procurement procedure prescribed for the purpose. Proper documents namely purchase orders, tender documents, invoices, vouchers, receipts, pay bills and TA bills etc. are maintained and linked to the transactions and retained till the end.
- 4.7 Arriving to the Physical Stock Position and verifying the physical stocks on quarterly basis.
- 4.8 Verification of the Party wise amount, due to Corporation and from the Corporation to others through party ledgers.
- 4.9 Reconciliation between Head Office Accounts and Branch Office Accounts.
- 4.10 Verification of Pay Bills and linkages with Service/ Leave rules of the Corporation.
- 4.11 Verification of Appointment Procedure in engaging the Contract Personnel and payments made to them.
- 4.12 Consolidation of Internal Audit reports of various regions and remedies suggested for follow up.
- 4.13 Cooperation and Coordination in preparation of Regional Office and Head Office Accounts finalization of accounts quarterly wise.
- 4.14 Providing supporting services in Statutory Audit and AG Audit.
- 4.15 Providing supporting service in finalization of Accounts at Head Office level.
- 4.16 The C.A. firm appointed for the audit should also look into the position of audit compliance of previous audit objections raised, if any.
- 4.17 Coordination to filing returns and attending to hearings before the Commissioner of Income Tax on appeals pending and complying with Statutory requirements pertaining to Income Tax Audit and Sales Tax Audit.
- 4.18 To stipulate additional reports to be followed in future to facilitate in preparation of Financial Statements.
- 4.19 To verify whether the expenditure incurred is strictly in accordance with the financial norms prescribed in the Corporation framework or any other clarifications issued from time to time. The expenditure statements/financial statements included in the statement of expenditure of the relevant period

- represent a true and fair view of implementation and operations at the end of the financial year and of resources and expenditure for the year ended on that date.
- 4.20 Expenditure is incurred with reference to the budget allocation approved. To facilitate in preparation of budget for next Financial Year.
  - 4.21 Funds are used efficiently and economically for the purpose for which they are intended.
  - 4.22 The C.A. firm appointed for the audit should be required to give audit certificates, utilization certificate, procurement certificate and any other certificate required from time to time in respect of the districts allotted to them. Finally on the basis of those documents the lead Auditor has to give the Consolidated Audit Certificate,
  - 4.23 Utilisation Certificate and any other certificate required from time to time of the project as a whole.
  - 4.24 Guidance for Security measures to be taken against Cyber Crimes.

## **5.0 Audit Opinion**

The primary audit opinion should include the Corporation Financial Statements, the annual report of the Corporation accounts, a specific certificate on adherence to financial principles and Procurement Procedure as laid down in the procedures of the Corporation so far on Financial Management and Procurement.

*The Financial Statements including the Audit Report & above certificate should be furnished to the Vice Chairman & Managing Director, AP Agros.*

In addition to the audit reports, the auditor will prepare a management letter in which the auditor will:

- 5.1 Give comments and observations on the accounting records, financial systems and internal controls that were examined during the course of the audit.
- 5.2 Identify specific deficiencies and areas of weakness in systems and internal controls and make recommendations for their improvement.

- 5.3 Report on the degree of compliance of each of the financial covenants of the financing agreement and give comments, if any, on internal and external matters affecting such compliance.
- 5.4 Communicate matters that have come to the attention during the audit which might have a significant impact on the implementation of the programme, and
- 5.5 Bring to the implementing agencies attention any other matters that the auditor considers pertinent.

## 6.0 Key Personnel

The key personnel in the audit team, their minimum qualifications, and their expected inputs are indicated below:

- 6.1 The audit team should be led by one of the partners of the firm.
- 6.2 During the period of the audit he / she must visit all the service centres and Regional Offices.
- 6.3 The audit team should include **one partner** of the firm, and **a core team of two to four number of audit staff** with suitable experience commensurate with the size and scope of the assignment. The rest of the staff may be selected by the audit team based on the volume of the work and should have suitable qualifications to take up internal audit.

## 7.0 Competency of the Auditing Firm

- 7.1 To enclose the experience certificates of the Auditing made in previous year's experience of Auditing Public Sector Undertakings/ Government Departments, if any.
- 7.2 Registration details with C&AG.
- 7.3 Testimonials, if any.
- 7.4 Registration of the Firm
- 7.5 Number of Personnel with qualifications

## **8.0 Costs for Internal Audit:**

In the Financial Bid, a single quotation for the audit fee including Travel and Stay expenses for all Regional Offices and Head Office is required to be submitted.

## **9.0 Submission of Bid documents:**

To be enclosed **in separate covers and marked as Technical Bid along with a demand draft of Rs.500/- on the name of VC&MD, APSAIDC Ltd, Financial Bid and** should be sent to

**VICE CHAIRMAN & MANAGING DIRECTOR  
AP STATE AGRO INDUSTRIES DEV.CORPN. LTD  
504, HERMITAGE OFFICE COMPLEX,  
HILL FORT ROAD, HYDERABAD-500004**

Vice Chairman & Managing Director

**PS:** The technical bid will be opened at 5.30 p.m. on 13-02-12 and opening of the financial bid will be at the discretion of the Corporation.