

**KARNATAKA STATE BEVERAGES CORPORATION LTD**  
**78, Seethalakshmi Towers, Mission Road, Bangalore – 560 027.**  
**Phone: 22483638/39/43**

**INVITATION FOR EXPRESSION OF INTEREST FOR EMPANELMENT**

KSBCL is the sole licensee authorized by Government of Karnataka to channelize liquor (IML) business and Rectified Spirit in Karnataka through its' depots situated in the districts of Karnataka.

Karnataka State Beverages Corporation Limited, Bangalore invites "Expression of Interest" from reputed and experienced Chartered Accountant firms for empanelment for appointment of Internal Auditors for our Head Office situated at Bangalore for the year 2013 – 14. The last date for receipt of application is on or before 31.05.13.

**A. ELIGIBILITY CRITERIA**

**1.** The firm of Chartered Accountant shall be registered with ICAI – Registration number should be indicated along with the year of registration, copy of the registration certificate issued by the Institute should be enclosed.

**2.** The firm should have minimum 2 partners and one should be a Fellow Chartered Accountant.

**3.** The firm should have empanelled by Comptroller and Audit General of India for the year 2011 – 12. The copy of the self certified C&AG empanelment certificate should be enclosed.

4. The firm should have carried out the internal audit of any Corporate Office of the State Public Sector Undertakings of Karnataka for a minimum period of five years and out of which 2 years during the financial years between 2008 – 09 and 2012 – 13 details to be furnished.

5. The firm should have minimum staff of 10 assistants/article assistants and the audit should be supervised by the qualified CA who should directly associate with the internal audit – details to be furnished.

### **B. FEE STRUCTURE**

The present fee structure - ₹ 60,000.00 plus service tax per quarter.

### **C. SHORT LISTING OF FIRMS OF AUDITORS**

KSBCL will short list CAs/firms based on the eligibility and by considering the year of Registration, experience in conducting the internal audit of State Public Undertakings and the availability of manpower with the firm. The CAs/firms so short listed shall be considered for appointment as Auditors. The short listing itself will not give any right to the CAs/firms to get appointment as Auditors.

An auditor appointed is for a year and may be extended for one more year with the same terms and conditions. Auditor once appointed will be continued only if his services are found satisfactory by KSBCL.

In respect of the above, KSBCL shall have discretion and its decision in this regard shall be final.

**D. EOI TO BE SENT**

EOI addressed to The Managing Director should be submitted with details like profile of the CA/firm, firm registration number, experience in the field of internal audit with reference to State Public Sector Undertakings and staff strength as per the eligibility criteria, in sealed envelopes duly super scribed “Expression of Interest for Internal Audit Services” and delivered by 5.00 p.m. on or before 31.05.13 at the above address.

**E. SCOPE OF AUDIT**

**SCOPE OF INTERNAL AUDIT WITH MINUM QUANTUM  
REQUIRED TO BE AUDITED BY THE INTERNAL AUDIT TEAM AT  
H.O.**

**Note:** The audit is required to be conducted and report has to be submitted on quarterly basis.

**I M L TRANSACTIONS**

<b>SCOPE OF AUDIT</b>	<b>MINIMUM QUANTUM TO BE AUDITED</b>
<b>A. Pricing</b>  1. Check whether the brands offered for sale through KSBCL has the requisite label approval and whether the MRP and its constituents are accurately calculated.	100 percent verification in respect of all new brands from April '13 and verification of revision of prices of brands of different distilleries from time to time.

<b>SCOPE OF AUDIT</b>	<b>MINIMUM QUANTUM TO BE AUDITED</b>
<p data-bbox="300 365 789 569">2. Scrutiny of Order For Supplies (OFS), specially the purchase price with reference to price declared.</p> <p data-bbox="250 646 461 680"><b>B. Inventory</b></p> <p data-bbox="300 758 789 1016">1. Verification of Excise Labels in respect of their procurement, issue, usage and balance and records kept therefore.</p> <p data-bbox="250 1037 558 1071"><b>C. Payments (IML)</b></p> <p data-bbox="300 1148 789 1241">1. Review the payment module for accuracy.</p> <p data-bbox="300 1318 789 1633">2. Verify the landed cost, specially with reference to change of price if any, as recorded in the related document and captured in the payment module.</p> <p data-bbox="300 1711 789 1856">3. Verify the calculation of ED advance, interest and its recovery.</p>	<p data-bbox="813 365 1328 623">In respect of all brands for which DP has changed from April '13 and recovery of differential duty in respect of ED/AED on quarterly basis.</p> <p data-bbox="911 758 1208 791">100 percent check.</p> <p data-bbox="911 1148 1203 1182">100 percent check</p> <p data-bbox="813 1318 1328 1520">100 percent check in respect of 10 major distilleries of IML as indicated in Annexure – I.</p> <p data-bbox="956 1711 1198 1745">Detailed review</p>

<b>SCOPE OF AUDIT</b>	<b>MINIMUM QUANTUM TO BE AUDITED</b>
<p>4. Verify calculation and recovery of demurrage.</p>	<p>- do -</p>
<p>5. Verify that necessary accounting entries have been passed for the payments made and all recovers effected.</p>	<p>- do -</p>
<p>6. Review of ledger accounts of distilleries and comment.</p>	<p>- do -</p>
<p><b>D. Cash &amp; Bank transaction of Head Office</b></p>	
<p>1. Verification of physical cash balance.</p>	<p>At the time of conducting audit and on 31<sup>st</sup> March.</p>
<p>2. Whether expense vouchers are in order including head of account.</p>	<p>100 percent verification.</p>
<p>3. Whether the expenditure incurred has been approved by the competent authority.</p>	<p>- do -</p>
<p><b>E. Bank reconciliation/Bank Credits:</b></p>	

<b>SCOPE OF AUDIT</b>	<b>MINIMUM QUANTUM TO BE AUDITED</b>
<p>1. Verify whether funds reconciliation and bank reconciliation are up-to-date and correct.</p> <p>2. Verify whether collection at depots have been credited to the appropriate account on the same day.</p>	<p>100 percent check in respect of all banks at the rate of 1 month's transactions per bank during 2013 – 14.</p> <p>- do -</p>
<p><b>F. Verification of salary/wages</b></p> <p>1. Verification of monthly salary with all allowances, deductions and remittances to statutory bodies/organizations including company's contributions like leave salary/pension/gratuity/PF .</p> <p>2. Verification of reimbursement of claims other than salary of staff.</p> <p>3. Review of various advances paid to employees.</p>	<p>Detailed checking.</p>

<b>SCOPE OF AUDIT</b>	<b>MINIMUM QUANTUM TO BE AUDITED</b>
<p>4. Verification of TDS/PT and filing the quarterly/annual returns.</p>	<p>Detailed checking</p>
<p>5. Payment made to agencies for providing various services like Security, DEO, Escorts services.</p>	<p>100% verification of all payments in respect of every 3<sup>rd</sup> month during 2013 – 14.</p>
<p>6. Verification of payment for supply and services and whether supported by documents such as purchase orders, invoice, agreement, if any and stock inward.</p>	<p>Detailed checking</p>
<p><b>G. Review of periodical and annual accounts:</b></p>	
<p>1. Review of Spirit Division TB, Consolidated TB, Balance Sheet, Profit &amp; Loss Account, Sundry Creditors, Sundry Debtors, Purchases and Sales, Ledger Accounts, and Journals and to suggest</p>	<p>Detailed review with reference to books of accounts maintained as required under Company Law, Income Tax Act and compliances for Board decision.</p>

<b>SCOPE OF AUDIT</b>	<b>MINIMUM QUANTUM TO BE AUDITED</b>
<p>rectification/comments.</p> <p><b>2.</b> Obtaining of direct confirmation of balances at the year end by the auditors from customers, suppliers, banks and financial institutions, reconciliation of accounts and verification of management information reports.</p> <p><b>3.</b> Review of annual accounts in all respects including accounting policies and notes on accounts in line with Accounting Standards, Companies Act and etc.</p> <p><b>4.</b> Review of complete taxation aspects under Income Tax Act, VAT, CST, Service Tax, PT, stamp duty, local tax etc., as per the respective tax laws and provisions made thereon.</p>	<p>100 percent check.</p> <p>100 percent check.</p>

<b>SCOPE OF AUDIT</b>	<b>MINIMUM QUANTUM TO BE AUDITED</b>
<p>5. Whether audit paras have been attended to and complied with.</p> <p><b>H. Taxation</b></p> <p>1. Verify that TDS and TCS have been correctly deducted/collected and remitted.</p> <p>2. Verify the correctness of periodical returns filed by H.O.</p>	<p>100 percent in respect of TDS and 50% in respect of TCS with filing of returns.</p> <p>Detailed review of all returns.</p>

**R.S. TRANSACTIONS**

<b>SCOPE OF AUDIT</b>	<b>MINIMUM QUANTUM TO BE AUDITED</b>
<p><b>A. Purchases</b></p> <p>1. Check whether the total quantity of OFS issued against an individual allotment tallies with the quantity indicated in the allotment. Rate and applicable taxes indicated in OFS/invoices is in accordance with</p>	<p>25 percent check.</p>

<b>SCOPE OF AUDIT</b>	<b>MINIMUM QUANTUM TO BE AUDITED</b>
<p>agreement/circulars issued from H.O. from time to time.</p>	<p>100 percent check.</p>
<p><b>B. Inventory</b></p> <p>1. Verification of OTLs in respect of their procurement, issue, usage and balance and records kept there for.</p>	<p>100 percent check.</p>
<p><b>C. Bank Reconciliation/Bank Credits:</b></p> <p>1. Verify whether funds reconciliation and bank reconciliation are up-to-date and correct.</p> <p>2. Verify whether collection at depots have been credited to the appropriate account on the same day.</p>	<p>100 percent check in respect of all banks at the rate of 1 month's transaction per bank during 2013-14.</p> <p>- do -</p>
<p><b>D. Payment (RS):</b></p> <p>1. Weekly payment to distilleries including</p>	<p>100 percent check in respect of Oil Companies and 6</p>

<b>SCOPE OF AUDIT</b>	<b>MINIMUM QUANTUM TO BE AUDITED</b>
payment for ethanol supplies to oil companies.	RS distilleries per month as indicated in Annexure I.
2. Ad-hoc advance payment to distilleries.	100 percent check
3. Verification of payment of charges for escort services.	100 percent check
4. Verification of reimbursement of VAT incentive to distilleries.	100 percent check
5. Review of ledger accounts of distilleries and comment.	100 percent check
<b>E. Review of periodical and annual accounts:</b>	
1. Review of TB, Balance Sheet, Sundry Creditors, Sundry Debtors, Profit & Loss Account, Sales and Purchases and Journals and to suggest rectification/comments.	Detailed review with reference to books of accounts maintained as required under Company Law, Income Tax Act and Compliances for Board decision.
2. Obtaining of direct confirmation of balances at	

<b>SCOPE OF AUDIT</b>	<b>MINIMUM QUANTUM TO BE AUDITED</b>
<p>the year end by the auditors from customers, suppliers, banks and financial institutions, reconciliation of accounts and verification of management information reports.</p> <p><b>3.</b> Review of annual accounts in all respects including accounting policies and notes on accounts in line with Accounting Standards, Companies Act and, etc.</p> <p><b>4.</b> Review of complete taxation aspects under Income Tax Act, VAT, CST, Service Tax, PT, stamp duty, local tax etc., as per the respective tax laws and provisions made thereon.</p> <p><b>5.</b> Whether audit paras have been attended to and complied with.</p>	<p>100 percent check</p> <p>100 percent check</p>

<b>SCOPE OF AUDIT</b>	<b>MINIMUM QUANTUM TO BE AUDITED</b>
<p><b>F. Taxation:</b></p> <ol style="list-style-type: none"> <li>1. Verifying that TDS have been correctly deducted/collected and remitted.</li> <li>2. Verifying VAT returns filed.</li> <li>3. Verify the correctness of periodical returns filed by H.O.</li> </ol> <p><b>G. Virtual Depots</b></p>	<p>100 percent in respect of TDS and filing returns.</p> <p>Detailed review of all returns.</p> <p>- do -</p> <p>100% check as per the scope of audit enclosed.</p>

**SCOPE OF AUDIT FOR INTERNAL AUDIT OF RS DEPOTS (VIRTUAL DEPOTS) CONSISTING OF RECTIFIED SPIRIT, EXTRA NEUTRAL ALCOHOL, DE-NATURED SPIRIT, ETHANOL AND ABSOLUTE ALCOHOL**

**A. ISSUE OF ORDER FOR SUPPLIES**

1. Check whether OFS issued is as per allotment letter and the quantity agrees with the allotment letter. Excess if any to be reported.

2. Verify whether the issue of OFS is only after receipt of DD/PO in respect of small quantity at depots.

3. Verification of DDs/POs received are accounted and dispatched regularly.

4. Verification of proper filing of receipts issued and filing of all documents.

**B. MIS**

1. Check whether supportings such as supplier sales invoice, excise permit enclosed to each MIS is in order.

2. Check whether the rate as per OFS and supplier sales invoice are the same.

3. Check whether VAT and other applicable taxes charged in the sales invoice is as per the circular issued from H.O. time to time.

4. Reconcile the quantity received against each individual allotment letter and report excess if any.

5. As per KSBCL procedure there should be no stock in the godown and report if any stock is displayed and ensure that entries in respect of stocks are correct.

**C. SALES**

1. Verify the hard copy of the sales invoice rate with the declaration of rate issued by the distillery and report variations, if any.

2. Check whether VAT and other applicable taxes charged is in accordance with the circular issued from H.O. time to time.

**3.** Reconcile to verify whether the quantity supplied against each individual allotment letter agrees. Report variations, if any.

**4.** Check whether the acknowledgement/Annexure V (in respect of Oil company should be in the letter head of the distillery) is obtained after delivery of the material and report variations, if any between the quantity supplied and quantity received.

**D. ISSUE OF SPIRIT FOR CAPTIVE CONSUMPTION**

Verification of captive consumption allowed as to whether it is supported by allotment order of the Excise Commissioner and Annexure VII and filing of the documents.

**E. DECLARATION OF PRICES**

Verification of changes in the prices and changes in pricing has been duly declared by the distillery.

**F. OTL RECEIPTS**

**1.** Check whether the OTL receipts are accounted correctly.

**2.** Check whether the tampered/damaged OTLs segregated at the time of receipt and accounted and properly recorded in the register maintained for this purpose.

**G. OTL UTILISATION AND DESTRUCTION**

**1.** Check that the issues of OTL are properly recorded in the register maintained.

2. Verification of recording of details in the prescribed registers including verification of number of OTLs received, used, rejected and balances as on the date of audit. Variances, if any to be indicated in the audit report. Further, reconciliation of stock account of OTL may be reported in the following format on a **monthly basis during the period of audit:**

<b>OB Nos.</b>	<b>Rpts Nos.</b>	<b>Inter Depot Tr.</b>	<b>Excess Rpt.</b>	<b>Short Rpt.</b>	<b>Total</b>	<b>Issues Nos.</b>	<b>Dama ges</b>	<b>Tr. out</b>	<b>Total</b>	<b>CB Nos.</b>

**Note:** Difference if any between total OTL destroyed and total of issues and damages should be indicated with necessary details.

3. Furnish the certificate for destruction of OTL and enclose the same to the audit report.

#### **H. TRANSIT SECURITY SERVICES**

1. Verification of procedure prescribed in the depot manual has been followed.

2. Verification of entries recorded after dispatching regarding telephone calls, messages etc. in the records.

3. Verify the Annexure V for the quantity delivered with EVC and report whether the material is delivered to it's destination within reasonable time.

**4.** Verify whether the OTL, documents and sample bottles are returned to the H.O. within the prescribed time for each sales effected. Report the variations.

**KARNATAKA STATE BEVERAGES CORPORATION LTD., H.O. BANGALORE****LIST OF MAJOR DISTILLERIES**

<b>SL. NO.</b>	<b>NAME OF THE DISTILLERY</b>	
	<b><u>IML</u></b>	
<b>1</b>	J.P. Distilleries Pvt. Ltd. (0063)	
<b>2</b>	John Distilleries Ltd. (0067)	
<b>3</b>	Khoday R C A Industries (0001)	
<b>4</b>	Shashi Distilleries Pvt. Ltd. (0097)	
<b>5</b>	United Spirits Ltd - Formerly Mcdowell & Co.Ltd, Bangalore (0020)	
<b>6</b>	United Spirits Ltd - Formerly Pampasara Distillery,Hospet (0029)	
<b>7</b>	United Spirits Ltd - L/O of KBD Sugars & Dist. Ltd (0033)	
	<b><u>BEER</u></b>	
<b>8</b>	Mysore Breweries a unit of SKOL Brewieres Ltd. (0209)	
<b>9</b>	United Breweries Ltd - Formerly Karnataka Breweries & Dist. (0206)	
<b>10</b>	United Breweries Ltd. (0202)	
	<b><u>R.S.</u></b>	
<b>1</b>	Renuka Sugars, Havalaga.	
<b>2</b>	Shree Renuka Sugars Ltd., Kokatnur.	
<b>3</b>	Shree Renuka Sugars Ltd., Munoli.	
<b>4</b>	Godavari Bio Refineries, Sameervadi.	
<b>5</b>	Vijayanagar Sugar Pvt. Ltd., Gadag.	
<b>6</b>	Karthik Agro Industries Pvt. Ltd., Bagalkot	