

Invitation Document for  
Shortlisting / Appointment Auditor(s) for Stock Verification  
For Financial Year 2016-17



Heavy Power Equipment Plant (HPEP)  
Bharat Heavy Electricals Limited  
Ramachandrapuram, Hyderabad

# SHORTLISTING / APPOINTMENT AUDITORS FOR STOCK VERIFICATION FINANCIAL YEAR 2016-17

## Table of Contents

Para No	Particulars	Page No
1	Introduction	3
2	Scope of Work	3
3	Selection Criteria	4
4	Procedure for Evaluation	5
5	General Terms & Conditions	5
6	Terms of Payment	7
7	Obligation and Compliances	7
8	Special Instructions	8
9	Estimated Value of the Work	8

## Annexures

Annex No	Particulars	Page No
A	Format of the Offer	9
B	Quantity and Details of Materials Codes, Assets and Books to be verified	10
C	Format for NEFT/Bank Details to be given for e-payment after appointment.	11

**Last Date for Submission of Offers**

**09-09-2016 by 11.00 Hrs.**

**At BHEL, HPEP, Hyderabad.**

**INVITATION OF PROPOSAL FOR SHORTLISTING / APPOINTMENT  
OF STOCK VERIFICATION AUDITOR(S) FOR FINANCIAL YEAR 2016-17**

**1) Introduction – BHEL :**

Bharat Heavy Electricals Limited (BHEL, hereinafter referred to as Company) is a MAHARANA PSU under the Ministry of Heavy Industries, Government of India. Heavy Power Equipment Plant (HPEP) is a Unit of the Company located at Ramachandrapuram, Hyderabad – 32. HPEP Unit is involved in the Design, Manufacture and Supply of a wide range of Capital Equipment to the Power, Industry and other vital sectors of the Economy.

**2) Stock Verification – Introduction:**

Stock Verification will be carried in compliance of Stock Verification Manual issued by BHEL Corporate Office (Corporate Office) from time to time.

Independent stock verification is an important tool to exercise internal controls to guard against losses due to pilferage and leakage. Periodical and Perpetual Stock Verification of Stores and Assets is required to bring to the notice of management the cases of wrong account-keeping of stores and Assets as well as shortages.

This Stock Verification Reports are also required by Statutory Auditors for certification of Books of Accounts of the Company.

**3) Scope of Work:**

The particulars of items to be verified, volume, location, frequency of stock verification as per present record is given in the Annexure – B. However this may vary depending upon actual stock position. The items to be verified includes following:

- 3.1 Raw materials, components, stores and spare parts.
- 3.2 Fixed asset items (Including Assets value less than INR. 10,000)
- 3.3 Equipments, furniture and fixtures supplied by BHEL to institutions like schools/clubs/community centre, etc., in the township as BHEL assets.
- 3.4 BHEL materials lying with Fabricators /Sub-contractors and also materials received from customers free of cost for job work undertaken by BHEL.
- 3.5 Stationery, gift articles and other consumable items.
- 3.6 Library books
- 3.7 Assets/kitchen-ware under the charge of canteens.
- 3.8 Assets at hospitals, dispensaries, guest houses, staff welfare clubs, community centres and training schools, etc.
- 3.9 The Scope of stock Verification of stores and assets, is to ensure that the Materials and Assets held in stock or in the custody of respective dept., to confirm description and specification in Bin Card / stock / Asset register / SAP System, that the actual physical balance thereof agrees with balance appearing in Bin Card / stock / Asset register / SAP System.
- 3.10 The work involves physical verification in the location indicated in the Annexure B, of stock of raw materials, stores & spares, tools, assets, consumables etc. with respect to the ledger balances in SAP System, preparation of discrepancy vouchers if any and ensure that discrepancies have been rectified.
- 3.11 Any other work related to stock verification as directed by the in charge of the BHEL Stock Verification Section.

- 3.12 Stock Verification and settlement of discrepancies shall be conducted as per the procedures and instructions prescribed in BHEL Stock Verification Manual.
- 3.13 CA Firm shall submit daily progress report and monthly report of verification in prescribed format. The monthly report of verification duly signed by the concerned stores officer/Department executive (in case of assets)/sub-contractors (in case of materials lying with subcontractors) and, shall be certified by the CA Firm.
- 3.14 The duties and responsibilities of Stock Verification team shall also comply with the duties, responsibilities and other instructions as mentioned in BHEL Stock Verification Manual.

#### **4 Selection Criteria:**

- 4.1 Firms of Practicing Chartered Accountants registered with the Institute of Chartered Accountants of India (ICAI) having its office(s) in Hyderabad region shall be considered for Shortlisting /Appointment of Auditor(s) for Stock Verification for conducting Physical Verification of Stock of HPEP Unit of the Company.
- 4.2 The following will be the basis of Points for selection. Applicants who obtain a minimum score of 15 will be shortlisted.

Sl. No.	Selection Criteria	Basis for awarding of Points	Maximum Scoring
1	Proximity to Unit	<b>5 Points</b> for firms located Within 40 Km. radius from HPEP Unit.  Reduction of <b>1 Point</b> for each interval of 40 Km. increases in distance thereafter.	5
2	Experience in practice (No: of years)	<b>1 Point</b> for every 2 years of Firm's Registration.	5
3	No. of Article Clerks / Audit Assistants employed by the firm.	<b>1 Point</b> for every Article Clerk / Audit Assistant.	5
4	Experience of PSU Audit	<b>1 Point</b> for each completed Audit of a PSU Unit/ Company.	3
5	Experience related to Infrastructure Industry	<b>1 Point</b> for a completed Audit of Infrastructure Industry.	3
6	Majors clients (i.e., Companies with Annual Turnover > Rs. 100 Crores)	<b>1 Point</b> for each such Client.	2
7	Profile of the Partners	<b>1 Point</b> for work experience of the Partners.	1
8	Any special achievement	<b>1 Point</b> for Academic/Professional Excellence of the Partners.	1
		<b>TOTAL</b>	<b>25</b>

Clear and complete details in separate sheets, for determination of Points in support of information against Item Sl. No. (1) to (8) above is to be furnished.

## 5 Pre-requisites for Shortlisting:

- 5.1 Documentary evidence(s) in support of Criteria at (1) to (8) mentioned in tables to Para-4.2 above is required to be submitted. Proposals without the required documentary evidence(s) shall be ignored for evaluation.
- 5.2 The quotations shall be valid for 60 days from date of opening of the tender.
- 5.3 The bidder shall agree to comply the following –
- Scope of work as given in Clause – 3
  - General terms and Conditions, Obligations and Instructions as given in Clause – 6 & 8.
- 5.4 The Tenure of the contract one year from date of assignment of the contract and may be extended for one more consecutive year, subject to administrative approval. BHEL reserves the right to suspend the agreement any day without assigning any cause or reason whatsoever.
- 5.5 The Company reserves the right to accept / reject any or all the offers without assigning any reason whatsoever therefor.
- 5.6 All the pages of the proposal document shall have to be signed by the applicant firm(s) with the firm's seal and documents submitted along-with the offer shall also have to be authenticated by the authorised signatory of the applicant firm(s) with the firm's seal.
- 5.7 The proposal should be submitted strictly as per the terms & conditions laid down in the document.
- 5.8 Evaluation of offer for physical verification work will be based on total cost to BHEL for the year which shall be calculated as sum of the value obtained from **“rates per unit\*” multiplied by “number of units for verification for the year as given in the price format”**.  
\*(Unit means material code)

## 6 General Terms and Conditions –

- 6.1 CA Firm shall engage and decide the number of suitable staff to carry out the daily verification work in time under its supervision. CA Firm shall ensure that the staffs possess proper qualification, experience and skills to conduct the physical verification of inventory and fixed assets (**preferably – CA Article Clerks or candidate having Minimum graduation qualification**).
- 6.2 In case of emergency, if any additional staffs are required to carry out the verification work, CA Firm shall provide the additional staff.
- 6.3 Change in staff, if any shall be made only in consultation with BHEL.
- 6.4 The stock verification work shall be conducted during 0700 Hrs. to 1530 Hrs.
- 6.5 No. of items mentioned in price format is only an estimate and actual number of items in each category may vary.
- 6.6 In case of awardal of work, CA Firm has to submit security deposit of 10% of the contract value. Security Deposit may be furnished in any one of the following forms:
- Cash (as permissible under the Income Tax Act)
  - Pay Order, Demand Draft in favour of BHEL
  - Local cheques of scheduled banks, subject to realization.
  - Securities available from Post Offices such as National Savings Certificates, Kisan Vikas Patras etc. (Certificates should be held in the name of Contractor furnishing the security and duly pledged in favour of BHEL and discharged on the back).
  - Bank Guarantee from Scheduled Banks/ Public Financial Institutions as defined in the Companies Act. The Bank Guarantee format should have the approval of BHEL.
  - Fixed Deposit Receipt issued by Scheduled Banks/ Public Financial Institution as defined in the Companies Act. The FDR should be in the name of the contractor, A/C BHEL, duly discharged on the back.

- g. The security deposit shall not carry any interest.
  - h. The contract shall be cancelled if the security deposit could not be deposited as per norms.
- 6.7 All information relating to BHEL including information on Stores, Assets, Inventories, etc., and reports, statements of physical verification work shall be treated fully confidential and not be shared with any outsiders other than Stock verification cell/ Finance Department of BHEL RC Puram Unit. Any Leakage of such Information shall be viewed as serious lapses in performance.
  - 6.8 If verification report is submitted without actual verification which affects department reputation the CA Firm would be fully responsible.
  - 6.9 In case the CA Firm does not carry out the statutory obligations or the services rendered by it are found to be unsatisfactory, BHEL shall bring the same to the notice of firm. Upon which the Firm will be obliged to discharge the obligations and rectify the deficiency/anomaly within three days' time.
  - 6.10 Also, BHEL reserves the right to terminate the contract any day during the operation of contract, without assigning any cause or reason whatsoever. In such an event, no damages will be payable for short closure of the contract.
  - 6.11 Any matter or suit or other legal proceedings arising out of or in connection with agreement shall be under jurisdiction of Sangareddy court (Medak District) A.P.
  - 6.12 Entry passes for staff of CA Firm carrying stock verification will be arranged by BHEL.
  - 6.13 Besides regular stock verification as per monthly programme, Surprise verification of valuables and pilferable items of stores and assets shall also be carried out in the prescribed manner whenever the instructions for the same is given by the BHEL Stock Verification Officer.
  - 6.14 Penalty: The verification work is time bound. Verification Programme will be handed over in advance. Any delay (if delay occurred for reasons attributable to CA Firm) will attract penalty @ 2% on the amount of fees payable for verification of items not verified as per programme. However BHEL reserves the right to change the monthly verification programme.
  - 6.15 BHEL shall have the privacy of the contract with the CA Firm only and will give instructions to the CA Firm or his authorized representative. BHEL have nothing to do or be concerned with the employment of employees working for the CA Firm. The relationship between BHEL and the CA Firm will be of independent entities and nothing herein contained will amount to joint venture, partnership or an employer-employee relationship.
  - 6.16 The CA Firm shall adhere to all the instructions notified by the BHEL, Labour Department, P.F. authorities, Factory Inspectors, ESI Inspectors, or any other such authorities under any Act, rules and regulations from time to time.
  - 6.17 Non-compliance of any provisions under the act/rule/instructions/guidelines shall make the CA Firm liable for termination of contract.
  - 6.18 The successful bidder shall execute an agreement on INR. 100/- Non – Judicial stamp paper for the period of the contract and security deposit at the rate of 10% of the contract value shall be paid or deposited as per BHEL Works Policy Para 8.2.
  - 6.19 The successful bidder shall commence the work within 7 days of contract awarded.

## **7 Payment Terms:**

- 7.1 Claim for reimbursement of physical verification fees shall be made on quarterly basis by first week of the following quarter for verification work completed and reported during the previous Quarter.
- 7.2 Payment for verification work done will be made at quoted rates for the actuals in each category, subject to overall ceiling to total contract value.
- 7.3 Payment of verification charges shall be subject to statutory deductions (like TDS).
- 7.4 The payment for surprise stock verification will be on the basis of normal rate of respective items verified.
- 7.5 In case of plant & machinery and other fixed assets payment shall be made for the items physically found.
- 7.8 Quoted rates are firm till the completion of contract.

## **8 Obligations and Compliance:**

- 8.1 CA Firm to ensure that the employees deployed for physical stock verification are physically and mentally fit and do not have any criminal record. Such employees should possess requisite skill, proficiency, qualification, experience etc.
- 8.2 CA Firm to provide safety appliances and safety shoes to his employees. CA Firm shall be responsible for enforcing all safety regulations as applicable including Safety rules and regulation issued by BHEL. CA Firm to ensure that all precautions are taken for safety of its employees and equipments. CA Firm shall provide safety appliances and maintain the same at its own cost which may be required under the statute or otherwise.
- 8.3 All statutory requirements under Minimum Wages Act, 1948, Factories Act, Payment of Wages Act, 1936, Workmen Compensation Act. 1923, EPF & MP Act, 1952, Payment of Gratuity Act. 1972. ESI Act 1948, The contract labour (R&A) act 1970, Payment of bonus act 1965, Income tax act, Service Tax Act, Child Labour Act ( regulation & abolition) and any other Acts as applicable for the time being in fore, shall be complied with by the CA Firm.
- 8.4 CA Firm shall also comply with all statutory requirements, rules, regulations, notifications in relation to employment of its employees issued from time to time by the concerned authorities.
- 8.5 CA Firm shall indemnify BHEL against all claims and losses under various labour Laws, statutes or, any civil or criminal law in connection with the employees deployed by it for physical stock verification.
- 8.6 Any liability for any compensation on account of injury sustained by an employee of the CA Firm shall exclusively born by the CA Firm.
- 8.7 CA firm to obtain insurance cover for his employees carrying out physical verification and take third party risk insurance coverage at its own cost. BHEL shall not be responsible for any loss or damage of any kind to the staff of the firm.
- 8.8 The firm(s) shall have to comply with and furnish declarations and certificates as required under Statutory/Company rules, upon appointment as cost auditor(s), as under:

- 8.9 The Stock Verification (CA) Firm shall not sub-contract the Stock Verification work.
- 8.10 The Stock Verification team will work in strict confidence and will ensure that the data, reports and information and any other information in respect of the operation of the location / work centre / Company is dealt with in strict confidence and secrecy. A certificate towards maintaining confidentiality shall have to be provided by the Stock Verification Auditor(s) on receipt of appointment letter from the Company or before commencement of work.

## **9. Special Instructions**

- 9.1 The submission of quotation shall be strictly in accordance with the terms and conditions stipulated in this tender notice. No counter conditions will be acceptable or valid.
- 9.2 The bidders(technically qualified) must satisfy themselves by personal study, inquiries and visit to BHEL Plant and Stores, etc. and understand thoroughly the scope of proposed work in detail and all conditions affecting the work before quoting. There shall not be at any time after submission of the tender, dispute/ complaint of any nature regarding the scope or work and interpretation of specifications or any misunderstanding with regard to nature or omission of the work to be done nor shall any application for compensation in terms of time and money shall be accepted by BHEL in regard to the above.
- 9.3 The rates quoted by the bidder shall be firm for the contract period. No revision in the contract rates shall be allowed during the period of contract.

## **10 The Offer in the Prescribed Format at Annexure – A & B, can be submitted in physical form or in electronic form to following address:**

Dy. General Manager (Finance),  
Books, Budget & Costing Section,  
Bharat Heavy Electricals Limited,  
Heavy Power Equipment Plant,  
Ramachandrapuram, Hyderabad – 502 032.  
Ph. No. 040-23183268 / +91-9490167451

The envelope must be sealed and super-scribed with "Offer for Shortlisting/Appointment of Stock Verification Auditor". The name and address of the applicant firm must also be mentioned on the body of the envelope.

- 10.1 If submitted through electronic form all the documents should be signed and scanned sequentially into one PDF file and e-mailed to [books@bhelhyd.co.in](mailto:books@bhelhyd.co.in). The proposals received through e-mails should be followed by the originals.
- 10.2 Offers submitted in any other form shall not be considered.
- 10.3 The Company reserves the right to accept or reject any or all responses and to request additional submissions or clarification from one or more applicant(s) at any stage or to cancel the process entirely at its sole discretion without assigning any reason whatsoever.
- 10.4 The Firms are required to submit their Service Tax registration number in their offers.
- 10.5 The last date for receipt of the proposal is **9<sup>th</sup> September 2016 by 11.00 Hrs. at BHEL HPEP, Hyderabad.** Proposals received after this date and time shall not be considered.

## **II Estimated value of the work:**

Stock Verification Fees shall be commensurate with the Stock Verification work and shall be decided by the Company from time to time. The Estimated Value of the Work for the year 2016-17 is INR. 4.07 Lakh (plus applicable service tax).



(Preferably to be given on the Audit Firm's Letter Head)

Annexure - A

**Format for submission of Offer**

- I. Name of the CA Audit Firm:
2. Registration Number of the CA Audit Firm with Institute of Chartered Accountants of India:
3. Particulars of CA Audit Firm:
  - i) (a) Address of the Firm as registered with ICAI:  
  
(b) Address of the Firm at Hyderabad  
(if different from 'a')  
  
(c) Distance (approx.) from BHEL, RC PURAM.
  - ii) (a) Telephone Number with STD Code:  
(b) Mobile No. of the Senior Partner (for Contact Purpose)
  - iii) Fax Number with STD Code:
  - iv) Email address of the Firm:
  - v) Website of the Firm, if any:
  - vi) PAN No. of the Firm:
  - vii) Service Tax No of the Firm
4. Technical Details

1	Experience in practice (No: of years) (Details to be submitted in Annexure)	
2	Number of Article Clerks / Audit Assistants (Details to be submitted in Annexure)	
2	Experience of PSU Stock Verification (Details to be submitted in Annexure)	
3	Experience related to Infrastructure Industry (Details to be submitted in Annexure)	
5	Majors clients, if any (i.e., Companies with annual turnover > Rs. 100 Crores) (Details to be submitted in Annexure)	
7	Profile of the Partners (Details to be submitted in Annexure)	
8	Any special achievement (Details to be submitted in Annexure)	

5. We hereby confirm the acceptance of all provisions and the terms & conditions of the Invitation without any deviation.

Place :

Authorized Signatory  
With Official Stamp

Date :

# ANNEXURE – B

Quantity and Details of the Materails, Assets and Books to be verified							ANNEXURE - B	
Sl. No.	Items to be verified	% Verification Required	Units	Quantity for Normal Verificaiton	Quantity for Surprice Verificaiton	Total Quantity	Rate for Unit of Verification (INR)	TOTAL (unit rate multiply quantity)
I.	Inventory - Lying at BHE RC Puram Unit							
	Materails classified Under A Class having value INR. 25000 & above	100%	No. of Material Codes	8,227	914	9,141		
	Materails classified Under B Class having value INR. 5000 & above and Less than INR. 25000	100%	No. of Material Codes	11,653	1,295	12,948		
	Materails classified Under C Class having value Less than INR. 5000.	50%	No. of Material Codes	78,956	8,773	87,729		
				-	-			
				-	-			
II.	Materails - Lying with Sub Contractors / Fabricators	33%	No. of Material Codes	17,995	1,999	19,994		
				-	-			
III.	Assets lying with BHEL RC Puram	50%	No. of Assets	8,568	952	9,520		
IV.	Library Books at BHEL RC Puram Unit							
	at TIC Library, Factory	33%	No. Of Books	10,571	-	35,594		
	at HRDC	33%	No. Of Books	1,663	-	5,600		
							TOTAL	

(Format for NEFT – To be submitted in Firm's Letter Head, along with acceptance of Appointment)

To  
Dy. Manager/Finance-CM  
Bharat Heavy Electricals Limited  
Ramachandrapuram  
Hyderabad 502 032

Ref No:

Date:

Dear Sir,

Sub: Details for National Electronic Fund Transfer

We request and authorize you to effect payment through NEFT to our Bank account, subject to RBI Guidelines, as per the details given below

A. Sup code (As per PO/SCO) :  
B. (Name as per PO/SCO) :  
(Retd Employee to indicate address here)  
C. PAN of Beneficiary :  
D. TIN of Beneficiary :  
E. e-mail address of Beneficiary :  
F. City (of Beneficiary) :  
G. Bank Name :  
H. Branch (of Bank) :  
I. A/c Number :  
J. A/c type (Savings or Current) :  
K. MICR Code of the branch (9 digit) :  
L. IFSC for NEFT (11 char) :  
M. IFSC for RTGS (If different from L) :

Thanking you,

(Signature with Seal)  
Authorized Signatory  
Name  
Designation

Certified that the particulars furnished above are correct as per our record

Date

(Signature of authorized official of bank)  
Bank Stamp