

# Annexure-I

## MAHANAGAR TELEPHONE NIGMA LIMITED

### SCOPE OF WORK

#### 1. Cash & Bank Balances:

##### To confirm that –

- Cash I hand has been verified physically on monthly / quarterly / yearly basis and tallies with the cash book balances. A certificate should be given by the Internal Auditor in the cash book and signed by him.
- Balance as per cash book agreed with physical cash in hand and no unauthorized appropriation is made in physical cash balance.
- Revenue and Postage stamps and balance in franking machine is verified physically and certified by the concerned uit. Entry for consumption of stamps is passed correctly in the accounts book on regular basis.
- Certificate for closing balance with bank is taken from the respective bank and balance agreement is done with MTNL records. Cheques collected but not remitted to bank is taken correctly under the had “ Cheques in Hand”.
- Comment on the utilization of weekly fund may be offered.

#### Bank Reconciliation:

- Review of Bank Reconciliation statement of Revenue and Operational A/c.
- Details of wrong debits / credits, cheques dishonor4ed and bank charges is taken from the Bank and adjusted in respective bank book.
- Commission and other service charges debited by Bank is checked from records and no discrepancy is found its calculation.
- Delay in deposit of Cheques & their realization may be commented upon along with loss of interest thereon.

#### 2. Fixed Assets:

##### To Confirm that -

- Stock Register is kept for each item of Assets by the concerned unit officer.
- Fixed Assets Register is maintained in the proper format and kept up to date.
- Periodical verification of fixed assets is done and ensure that it is in agreement done with stock register and fixed assets register.
- Adjustment is made in the accounts book for excess / shortage/losses of assets and scrapped / unserviceable / decommissioned assets.
- Fixed Assets schedule is prepared in proper format. Inter unit transfer and adjustment for difference in opening balance is taken separately in adjustment column in fixed assets schedule. Deduction from gross block and depreciation is made to the extent of original cost and accumulated depreciation in case of assets sold / decommission / scrapped. Such transaction is shown separately in the fixed assets schedule.

#### 3. Depreciation:

##### To Confirm that –

- 100% depreciation is charged on assets of small value as under:
- Purchases below 5000/- (Rupees Five Thousand only)
- A & P, Training & Testing equipment upto Rs.10,000/-
- Partitiouns upto Rs.2,00,000/- (Rupees Two Lacs Only).

Depreciation is worked out on prorate basis at following Rates:

1. Lease hold Land (to amortize in 99 years.)
2. Building office 1.63%
- Exchange 3.34%

3. Electrical Fittings	4.75%
4. A & P	9.5%
5. Cable	5.2%
6. Lines & Wires	9.5%
7. Furniture	6.33%
8. Light Vehicles	9.50%
9. Heavy Vehicles(Truck, Crane etc)	11.31%
10. Office Equipment	4.75%
11. Electrical Appliances	4.75%
12. Computer	16.21%

#### 4. Advances:

##### To Confirm that :

- Agreement of subsidiary records with general ledger done on monthly basis and action taken for adjustments in respect of expenditure already incurred during the year and recovery for delayed supply/execution of work or non performance for any other reason.
- Interest bearing advances is being recovered from the staff and others. Records maintained as per terms and conditions of the agreement and recoveries of principal amount made and interest is worked out correctly and outstanding amount of interest is being recovered and credited to 'Interest Received' in time.
- Tax is deducted at source on payment of advance to contractors, landlords and others as per income tax act and deposited in Govt. account in time.
- Leave cases of staff is settled and overpayment is worked out and taken under the HOA "120900". Action is taken to recover the amount from the staff and reason for heavy outstanding balance against staff to be ascertained.
- Temp. Advance and Imprest is reviewed periodically and expenditure incurred for the purpose it is taken and advance fully recovered / adjusted regularly.

#### 5. Personnel and Establishment :

- All the promotions, creation of posts, fixation of pay, Special Pay allowances and confirmation are according to administrative orders.
- The particulars of amounts held under objections and their subsequent adjustment by recovery are noted in the register and recovery particulars are entered in the register.
- Are the service books being maintained & complete in all respect. Leave Account of employee is maintained upto date.
- Is an Index register for Service Books for staff of the unit maintained & complete. For staff posted to unit and transferred out & appointed – their service books are maintained properly and all the entries are made and noted therein.
- Have all the nominations in respect of DCRG / CPF / Pension/Family Pension / Insurance been obtained and kept on record in service Book.
- Have the retention / sanctions for the temporary posts obtained in all cases. Accordingly Scale check register has been maintained by the unit and may be critically examined . Any deviation / objections may be reported in the report.

#### 6. Pension Cases:

- Whether annual verification of service of all the officials for previous years w.r.t. pay bills was completed and necessary certificate has been recorded in the service book.
- In respect of employees who have either completed 25 years of service or have 5 years of service left before retirement on superannuation whichever is earlier and period of qualifying service has been reviewed. In case of non-completion, whether action has been initiated to get the work completed.
- Whether a register of Pension cases is maintained to watch that various cut off dates are being followed strictly as per pension rules.
- Whether checking of calculation of Pension /DCRG / Leave encashment has been done and cases settled are with reference to prevailing rules applicable to MTNL/PSU.
- Cases where payment of pension is delayed should be reviewed and cause of delay identified and commented upon.

## 7. Current Liabilities:

To confirm that :

- Subsidiary records are maintained in respect of all liability heads and agreement done with the general ledger.
- Income Tax is recovered at source at the time of credit to the account of staff and contractor and paid to Govt. account on due date. Agreement is done between the tax paid and amount shown in tax return filed in time.
- Liability for stores supplied, works done or service rendered by the suppliers/contractors or other parties for which no bill received or paid are provisionally adjusted with reference to available records, i.e. Purchase order, Proforma Invoice, Delivery Challan etc.
- Sales Tax is recovered correctly and paid through “MM” branch to Govt. Account on the due date and return filed in time.
- The CENVAT Credit Rules are followed strictly and credits are availed.
- Stale cheques are transferred to the HOA “130103” after the expiry of 6 months from the date of issue and recorded in a separate register. Any payment made from this account is done after detailed scrutiny and certification by customers with the consent of competent authority.
- Recoveries from salaries are remitted to the respective authority offices in time e.g. LIC, PLI etc. and CPF & FPF recoveries remitted to Corporate office by 3<sup>rd</sup> of following month through AO (TA).
- Provision for bonus is to be made based on the last year actual plus 5% and adjusted under “135002”. Any excess expenditure over provision is taken as expenditure for the year, if individual case does not exceed Rs.1 lac.
- Provision for leave salary and pension contribution is to be made @ 14% of the basic pay for DOT. Any payment to employees on superannuation or death is recoverable from DOT till terms of deputation finalized.

## 8. Expenditure:

To conform that :

- All fixed overheads i.e. rent, electricity, water, hiring charges, police escorts etc. are adjusted for 12 months.
- Any arrear bill paid on receipt of court judgement for Government orders is taken to the current year expenditure and also any bill upto Rs.1,00,000/- even for the previous year is to be charged to current year.
- 100% verification of Vouchers may be carried out – for their sanction & approval, Head of a/c. In case of Journal Vouchers – emphasis may be laid on narrations and proper reference vis a vis cash, bank voucher, ATC / ATD etc.

## 9. Audit Compliance :

- To ensure that all paras of audit memos & half margins are complied with. Also ensure that qualifications as given in the audited accounts of Delhi / Mumbai are not repeated.
- Whether costing records are maintained as per the provision of Companies Act.

## 10. Intern-Unit Transactions:

- To ensure that inter unit balance with other areas are confirmed and ATD raised by the unit are acknowledged.

## 11. Work in progress:

To confirm that :

- Proper records is maintained for sanction of estimate and actual expenditure incurred / booked under WIP.
- Expenditure incurred for capital works has only been taken in WIP and maintained expenditure charged in the year of transaction made.
- Confirmation for status of on going works taken on regular basis from respective unit officer and reconciled with records.
- Spill over / surplus store adjusted based on intimation / ACE-5 received from units.

## **12. Capitalization:**

To confirm that :

- Fixed asset is capitalized as per certificate of the unit officer, wherever applicable.
- Land is capitalized when possession of land is taken. Free hold and leasehold land is shown correctly and separately in Accounts and Fixed Assets Schedule.
- Building is capitalized to the extent it is ready for use.
- A & P is capitalized as and when the exchange is commissioned and put to use in full or in part.
- Lines & Wires are capitalized as and when erected or laid and to the extent of completion certificate issued.
- Cable is capitalized as and when ready for connection to the main system.
- Vehicle & Other items not forming part of the project and capitalized as and when purchased.
- Temporary sheds and maintenance tools are charged to revenue and not capitalized.
- Overheads area also allocated to project works in the year expenditure is incurred at the rates prescribed by DOT.
- Expenditure on replacement and rehabilitation work is capitalized if enhancement in revenue earning capacity is certified by the unit officer.
- Electrical works executed through DOT is capitalized based on certificate from DOT electrical wing or consignee unit. Provision is made for estimated liability on jobs completed but not billed.
- Full amount of cost of assets is capitalized even though payment is made in part but item received in full as per purchase order by taking the unpaid amount as liability in books.

## **13. Inventory:**

To confirm that :

- Physical verification of inventory done and item wise list showing quantity of stores in hand and value prepared and reconciled with general ledger and priced stores ledger.
- Excess / Storage / Crapped / Unserviceable / Slow Moving items identified and adjusted in the books .
- 100% cost charged to inventory items on receipt of stores even though part payment made to the suppliers.
- Items under stores in transit are not kept for more than 15 days and value agreed with general ledger HOA "111200".
- Adjustments made for exchanges decommissioned / assets scrapped during previous year and also for the sale / action of these stores during this period.
- Scrapped assets are taken at written down value or market value whichever is low and loss, if any, is adjusted under loss. Final adjustment under profit or loss will again be made in the year of sale.

## **14. Telephone Revenue Account :**

### **(a) Land line :**

To confirm that :

- Bills are issued in respect of all working connections of the area and accounted for as revenue under the concerned detailed heads. "No Master Cases" may be examined and action taken to complete them may be commented upon.
- Adjustment made under "Misc. Income" as per computer output is taken under the concerned liability and deposit heads.
- Opening balance of accrued debited to the revenue for the year under the respective heads and accrued revenue for the year is worked out based on computer output and exchange records and adjusted in the concerned revenue heads.
- Opening balance of advance revenue credited to the respective revenue heads and income received in advance during the year is not taken as revenue and transferred to advance revenue head.
- In case of private local /STD PCOs full amount of revenue is accounted for and commission paid to the PCO holder is taken as expenditure item separately.
- In case of Deptl. CCB PCOIs collection efficiency as compared to exchange meter reading is not abnormally low.
- In case of EPABX / PABX/ PBX bills are issued for services provided to all the customers except service connections, amount collected and accounted for correctly under the proper account code.
- Surcharge collected/cancelled on bills taken under the detailed surcharge heads.

- Service tax is calculated correctly in computerized bills / supplementary bills and demand notes issued by TRA and commercial branch credited to the HOA “132700” by debit to “070700” and balance under both the heads agreed with computer outputs.
- Adjustment made from ‘Tatkal’ deposit by transferring Rs.12000/- to revenue in the year of provision of telephone connection to the subscriber and further transfer of Rs.3000/- to revenue, if connection closed within 3 years.
- Adjustment made from voluntary deposit on account of outstanding telephone bills and other charges due from customers is transferred to the debtors head and balance of voluntary deposit is agreed with the computer output.
- Proper amount of Security Deposit is taken from the defaulting customers whose outstanding s abnormal and cheques for payments are frequently dishonoured by bank.
- Reconciliation of billed calls and metered calls.
- Comment on disconnection for nonpayment of bills may be given whether the disconnection has been done on time.
- In case of value added services and other services chargeable from subscriber are billed or not.
- Accounting of VCC cards, remittance, stocks etc.
- Reconciliation of money collected at QCSC’s i.e. sale of VCC, BOL, Anmol, Trump Recharge coupons, TR collections, Dolphin connections etc. and remittance thereof.
- Pursuit of Old outstanding, DOD/DID Billing, Clearance of payment errors, generalizing of ABF, Analysis of Sundry Debtors booking in Trial Balance, Write off of Bad debts.
- Review of journalizing of Refund transaction with reference to outstanding bills, calculation of advance income, journalizing of income relating to WLL & Cor DECT & Mobile services, Pursuit of Court cases may be commented upon.

#### **15.(A) IUC Billing:**

- All the payments & Receipts under IUC billing are to be properly checked and accounted for.
- To check all the billings for IUC is properly done.
- IUC reconciliation(internal/external efforts with other operators)-from WS unit.

#### **(b) CDMA :**

- Billing for post paid, Accounting and Revenue reconciliation
- Sale of Post paid and Re-charge coupons and reconciliation
- Debtors reconciliation
- Service Tax reconciliation.
- Stock verification of CDMA instruments and reconciliation.
- Stock verification of SIM Cards and reconciliation.
- Disposal of time barred Re-charged coupons.

#### **(c) GSM:**

- GSM Revenue Billing for post paid and Accounting and Revenue reconciliation.
- Sale of Post paid and Re-charge coupons and reconciliation.
- Debtors reconciliation.
- Service Tax reconciliation.
- Stock verification of GSM Instruments and reconciliation.
- Stock verification of SIM Cards and reconciliation.
- Disposal of time barred Re-charged coupons
- Calculation of WPC and License fee.
- Roaming reconciliation.

#### **16. Current Assets:**

To confirm that :

- Sundry debtors for surcharge and service tax is taken under the correct heads in accounts books and agreed with the computer output.
- Sundry debtors contain debtors outstanding against bill issued after 1.4.86 i.e. MTNL periods and also does not include DOT/MPs constituency outside Delhi / Sterling / UDI or M & N debtors. It is agreed with sub ledger. (Computer out put).

- Cheques collected during, previous year but dishonoured before the date of periodical / annual closing of A/cs of the area is taken under sundry debtors.
- Ageing of debtors is done after review provision is made for doubtful debts in the books.

### **17. Monthly Revenue:**

- Vouching of cash, bank, advances, purchases and salaries.
- Bank reconciliation.\
- Reconciliation of subsidiary ledger with general ledger.
- Reconciliation of fixed expenditure heads with subsidiary records.
- Reconciliation of verification of stock and assets.

### **18. A. Building – Owned building:**

- Whether a register of buildings is maintained and updated indicating further additions / alternations, sale, abandonment, change of ownership are recorded.
- Whether any portion of the building owned was let to any private firm/ person and if so whether Rent and other Municipal taxes are being realized as per agreement entered in this regard and such agreements are renewed periodically.
- Classification of expenditure in respect of Telecom Building is as per the provision in accounting / purchase policy of the MTNL.
- Whether Inventory of electrical fittings is maintained.
- A register of furniture is maintained which must contain the details of all furniture. It is to be seen that whether physical verification of furniture is conducted every year.
- Whether exchange and stores lying at site are fully insured.
- Whether the lease charges & property taxes (if any) for buildings and vacant plots are being paid regularly on time to avoid penalties and subsequent cancellation of plots.

### **B. Hired or Leased :**

- Whether proper lease deed has been executed by the lessee and deposit have been properly accounted for.
- Whether the lease deed has been renewed on due date and administrative approval / sanction have been taken to renew the lease.
- The rate of licence fee fixed is being paid by the lessee on due dates.

### **C. Staff Quarters :**

- Review the allotment registers to see that the allotments are made as per seniority and wherever deviations are made, the competent authority's approval is obtained.
- Review the quarters register to see whether any quarters are lying vacant / un-allotted for long periods. Find out whether proper justification exists for non-allotment of quarters.
- See that there is no delay in receipt of advance from civil department about taking over / vacation of quarters and in advising Accounts thereof and rent recoveries are regulated according to allotment rules.

### **D. Guest Houses:**

- Check the register of furniture & fixtures with reference to Fixed Assets Register , Register of Occupation, Register of Trunk Calls, Property Register for crockery, utensils, Linens & other consumables etc.
- See that the register of occupation is properly maintained and proper rates of room rent etc. are charged & bringing out the short recoveries / discrepancies, if any. The Guest house collections are remitted promptly to the Accounts Department.

### **19. Electricity :**

#### **Comments of Power consumption / load :**

- Sanction load vis-à-vis consumption load is as per standards. If the consumption load is more than the sanctioned load – Action has been taken to get the additional load sanctioned from the Electric Company.

- If the consumption load is far below the sanctioned load – charges (if any) paid by MTNL for power factor may be examined.
- Whether the electricity connection is temporary or permanent. If any case for temporary connection is detected – Action taken to get permanent connection by the unit concerned.
- Checking utilization of Diesel in exchanges in the event of power cuts with reference to records and comments on adequacies.

## **20. Sox Testing excluding ITGC Testing :**

- Financial & Critical process considered by SOX consultant based on the various parameters.
- Testing of the MRCM for various process at respective exchanges/units.
- Collection of the evidences for the defined test period.
- Preparation of the test worksheet for all controls tested.
- Filing of the test worksheet along with the valid evidences.
- Testing of the remedial controls.

## **21. I.T. & I.S. Auditing :**

### **A. Hardware :**

- Whether any contract exists for equipment maintenance.
- If 'Yes' whether it is first line of maintenance or second line maintenance.
- What is the down time per month between the two, in terms of hours and minutes and separate down time during the second line maintenance peripheral-wise?
- Whether any contract exists for the maintenance of the A/C plants – any tender called for – how it is decided, to whom and at what rate is it given ? What are the terms and conditions ? Any down time for the A/C Maintenance and reason thereof.
- Whether any Contract exists for procurement of consumables like ribbons etc. for line printers, procedure followed thereof and how these are accounted for etc.
- Procedure in regard to procurement of different type of Bands for Line printers and maintenance of utility registers.
- What is the procedure followed for proper control on the inventory of computer spares – ways and means to procure them, Utility details and Register of Maintenance etc.

### **B. Software – CSMS:**

1. What is the currency of wait listed exchanges updation regarding commercial file preparation in respect of additions, deletions, modifications and shifts?
2. Whether any watch is kept on the error list thrown out in the billing operations for its refeeding etc. by the TRA in area.
3. How is the DQ maintenance carried out regarding updation of Directory Master file.
4. Whether detailed documentation of all the application programs are kept.
5. Whether any register is maintained to clearly indicate the authenticity of all modifications and if so, the orders of the competent authority be indicated.
6. Whether any documentation for all the billing application program exists.
7. Any modification done to the existing programs have got proper order from the competent authority - any registers / files are maintained to denote these particulars.
8. Whether any requests are coming from the TRA units etc. for improvements or modifications to the existing programs and if so, what actions is taken ?
9. Whether lot book analysis is done on manual basis in the area.
10. Whether ringing and Disc. Lists are produced within a reasonable time from the date of issue of the bill and if not , what action is taken to gear up the machinery – AO (TR) in area.
11. While processing whether all the checks and pre-checks are being verified for all the runs and if so, whether any register is being maintained and reviewed – AO (CSMS) in area.
12. For important runs of the billing system, whether proper back up policy is there or not to fall back in case of necessity ?
13. Whether any tape / MOD/cartridges / STD / ISD register or loose leaf ledgers maintained and updated.
14. After the billing process is over, whether a list of No Master cases is taken out for review.
15. Whether reconciliation on Metered & Billed Calls is being done.
16. What is the procedure adopted for checking the output produced and whether there are any exception report produced after each billing period.

17. Whether any time schedule followed for handing over to the mailing agency etc.
18. Whether bills for high callers being checked by AOTRs for further disposal.

**C. SOFTWARE – WFMS:**

1. Any correction in amount / Cheque No./HOA should be done by authorized officer.
  2. For security of the system, User password must be changed frequently on need basis.
  3. Since bank reconciliation for the operational bank account is done, the same may be examined for correctness.
  4. Reconciliation of loans & Advances is to be critically examined with reference to manual registers and recovery register. The interest application on advance must be checked for its correctness.
  5. In case of Transfer / posting, the LPCs issued by the unit should be checked for balance of advance / interest for the outgoing / coming officer.
  6. Similarly, Income Tax deducted, GPF / CPF transferred must be checked for its correctness.
  7. For Budget control, the programs available in the WFMS may be studied and any deviation may be pointed out in the report.
  8. In case of Inter-Unit Transaction (Schedule 51,52, 54& 55) may be studied and variables may be reported in the report for reconciliation.
22. Any other items of works as may be assigned.

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