



BHAGYANAGAR GAS LIMITED
(A JOINT VENTURE OF HPCL & GAIL)

BID DOCUMENT FOR

**HIRING OF SERVICES FOR INTERNAL AUDIT AND ICFR FOR 03 YEARS
STARTING FROM FY 2026-27 INCLUDING PREPARATION OF RISK
CONTROL MATRIX (RCM)**

**UNDER OPEN DOMESTIC
COMPETITIVE BIDDING**

e- tender

Bid Document No.: BGL/728/2026-27

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SECTION 7: SPECIAL CONDITIONS OF CONTRACT

1) Contract Period:

The appoint of Auditors is for the services required for THREE YEARS (03) from FY 2026-27.

2) Payment Terms:

Internal Audit: 100% payment within 15 Days of submission of each quarterly report and as accepted by office-in-charge.

For RCM: 70% on submission of Risk Control Matrix for all the departments and balance 30% on acceptance by the officer-in-charge.

No reimbursement of expenses is applicable for audit of Hyderabad locations. Out-of-pocket expenses shall be reimbursed on actuals on production of necessary bills and supporting documents for audit locations other than Hyderabad. For travel from Hyderabad to other audit locations like Kakinada and Vijayawada, expenses shall be paid on production of supporting documents. Travel expenses are limited to 2AC train fare for partners and 3AC for others.

3) Performance Security / Security Deposit: Not Applicable

4) Secrecy:

All the data / information / description / documents / papers etc. which shall be handed over to the bidder's working team members shall be treated confidential documents of M/s BGL. It shall be the bidder's responsibility to maintain the secrecy of these documents / information / data / descriptions/papers and ensure that such information / data / description / documents / papers shall not be used or put up, directly or indirectly, intentionally or unintentionally in any office, court or in public against BGL without the written consent of BGL.

**5) EVALUATION OF PROPOSALS: CONSIDERATION OF QUALITY AND COST
As per Vol I of II , Bidder Evaluation Criteria.**

The evaluation of the proposals shall be carried out **in two stages: first the quality, and then the cost.** Evaluators of Technical Proposals shall not have access to the Financial Proposals. Financial proposals of acceptable bidders shall be opened only after carrying out the technical evaluation in full conformity with the provisions of the RFP.

5.1 NEGOTIATIONS AND AWARD OF CONTRACT

1. Negotiation with the first ranked bidder is an Industry Practice and may be done in a limited manner as described hereinafter.
2. A negotiation which shall include discussions in respect of TOR, methodology, staffing, employers' input and special conditions of contract may be held with the first rank bidder. Such discussions should not change the substance of the bid including original scope of

work/services. The final TOR and the agreed methodology shall be incorporated in “Description of Services / Scope of Work” which shall form part of the contract. This negotiation shall not include negotiation of prices which form part of financial evaluation. If the negotiations with the selected Consultant fail, the employer shall cancel the bidding process and re-invite the bids.

3. The selected firm should not be allowed to substitute key staff, unless both parties agree that undue delay in the selection process makes such substitution unavoidable or that such changes are critical to meet the objectives of the assignment. If this is not the case and if it is established that key staff were included in the proposal without confirming their availability, the firm may be disqualified. The key staff proposed for substitution shall have qualifications and experience equal to or better than the key staff initially proposed. During execution of the assignment, if for unavoidable reasons, the Consultant proposes for substitution of key personnel, the same may be allowed by the Client with the approval of Competent Authority, without any prejudice to the completion period. However, in such a situation also, the key staff proposed for substitution shall have qualifications and experience equal to or better than the key staff earlier working for the assignment.
4. Negotiations shall also include clarification of the consultants’ tax liability (if any) and how this tax liability has been or would be reflected in the contract. As Lump-sum Contracts payments are based on delivery of outputs (or products), the offered price shall include all costs (staff time, overhead, travel, hotel, etc). Consequently, if the selection method for a Lump-sum contract included price as a component, this price shall not be negotiated. In the case of time based Contract, payment is based on inputs (staff time and reimbursable) and the offered price shall include staff rates and an estimation of the amount of reimbursable. When the selection method includes price as a component, negotiations of staff rates should not take place, except in special circumstances, like for example, staff rates offered are much higher than typically charged rates by consultants for similar contracts. Consequently, the prohibition of negotiation does not preclude the right of the Bhagyanagar Gas Ltd (BGL) to ask for clarifications, and, if fee are very high, to ask for reduction of fees. Reimbursables are to be paid on actual expenses incurred at cost upon presentation of receipts and therefore are not subject to negotiations.
- 6) **Audit Methodology:** As specified in Scope of Work
- 7) **Timelines of Deliverables:** The firm will have to start and complete the assigned work about Internal Audit of BGL as per time schedule laid down by the BGL.



Bhagyanagar
Gas Limited

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SECTION 8: SCOPE OF WORK

Scope of Work– BGL

The Work Scope comprises of 2 parts:

- A) Internal Audit Scope
- B) ICFR Related Scope

A- INTERNAL AUDIT SCOPE

1. Operational Audit Scope

This area focuses on the efficiency of the core business—getting gas from the pipeline to the customer's vehicle.

• Gas Reconciliation & Loss Analysis (Key Risk Area):

- Verify the **Daily Gas Reconciliation Report (DGR)**: Input (Meter reading at Mother Station/Pipeline) and Reading at IPNG and CPNG customers for the purpose of billings
- Analyze **Unaccounted Gas (UAG)** or Transmission Loss. Check for abnormal variances.
- Check calibration status of Mass Flow Meters (MFM) to ensure accurate measurement.

• Compressor & Equipment Maintenance:

- Review adherence to the **Preventive Maintenance Schedule** for compressors, dispensers, and cascades.
- Verify **compressor uptime/downtime reports**; calculate revenue loss due to breakdown.
- Audit the internal consumption of CNG and electricity.

2. Commercial Audit Scope

• Cash Management (High Risk):

- **Cash Deposition:** Verify if daily cash collections are deposited into the bank within the stipulated timeline (T+0 or T+1). Since cash is collected daily but credited T+1/T+2, verify the **CIT GL account**. Ensure old entries are not sitting in CIT (indicating cash theft or unposted entries).
- **Shortage/Excess:** Audit the tracker for cash shortages recovered from CNG station attendants.

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- **Surprise Cash Count:** Conduct physical cash verification at stations during site visits.
 - **Billing & Sales:**
 - **Credit Sales:** Review credit agreements with fleet customers (buses, logistics co.) and verify aging/recovery of dues.
 - **Rate Change Management:** Verify that changes in CNG prices are updated as per management approvals.
 - Check if the Customer has provided the required Bank Guarantee (BG) or Security Deposit.
 - **Utility Payments:**
 - Analyse electricity bills for stations; check for penalties due to low Power Factor (PF) or delayed payments.
- 3. Compliance, Regulatory & Safety Scope**
- The CNG business is heavily regulated due to the explosive nature of the product.
- **Statutory Licenses:**
 - Verify validity of **CCOE / PESO Licenses** (Petroleum & Explosives Safety Organization) for storage and dispensing/Hydro test reports of the cascades.
 - Check **Weights & Measures** stamping (calibration) on dispensers (usually done annually).
 - Verify Factory Inspectorate, Labor Law, and Fire NOC compliances.
 - **Regulatory Reporting:**
 - Ensure timely submission of returns to regulatory bodies (e.g., PNGRB - Petroleum and Natural Gas Regulatory Board).
 - **Safety Audits:**
 - Check availability and expiry dates of **Fire Extinguishers** and Sand Buckets.
 - Verify functioning of **Emergency Stop Buttons (ESD)** and Gas Leak Detectors.
 - Review "Near Miss" reporting logs and "Incident/Accident" reports.

- **Insurance:**

- Review adequacy of **Public Liability Insurance** and Standard Fire and Special Perils policy.

4. **Project & Capex Audit**

- **Capitalization:** Verify that capitalization of assets (Compressors, Dispensers) matches the "Put to Use" date.
- **Procurement:** Review tender processes for awarding Civil, Mechanical, and Electrical contracts.

5. **HR & Administration**

Retail stations often have high attrition and informal labour practices.

- **Employee related payment Verification:**

- Check biometric/attendance logs for patterns (e.g., one person punching for two).
- Check F&F settlement are done on time.
- Audit OT payments and Out of Pocket expenses. Is OT recurring for specific individuals? Does it exceed statutory limits?

- **Land / Vehicle Lease Management:**

- **Lease Renewals:** Review the lease tracker for station lands. Ensure renewals are initiated 6 months prior to expiry to avoid business disruption/eviction.
- Check Lease rental is made on timely basis.
- Vehicle Lease rentals with validation of Bills submitted by Car hire vendors.

6. **Logistics & Distribution (For Daughter Stations)**

For stations fed by trucks (LCVs), logistics cost is a major P&L line item.

- **Supply Chain (Daughter Booster Stations):**

- For stations not connected by pipeline (Daughter Stations): Audit the **LCV (Light Commercial Vehicle) Cascade utilization and their payments.**

- **Route & Trip Optimization:**

- Analyse "**Wait Time**" at **Mother Stations:** Excessive waiting reduces the number of trips per day, increasing per-kg logistics cost.

- **Decanting Efficiency:**

- Check **Residual Gas** left in cascades when they return to the mother station. If high pressure is left (e.g., >30 bar), the daughter station compressor is not stripping the gas efficiently, wasting logistics capacity.

7. Core Accounting Scope

A. Cost of Goods Sold (Gas Procurement)

- **Invoice vs. GSA Verification:**

- Audit gas purchase invoices against the **Gas Supply Agreement (GSA)** terms. Check for correct application of **APM (Administered Pricing Mechanism)** vs. **Non-APM** rates.
- Verify "Take or Pay" liability: Check if the company failed to lift minimum quantities and if provisions for penalties are required.

- **Transportation Charges:**

- Verify invoices from pipeline transporters (GAIL) against the volume received at the City Gate Station (CGS).

B. Fixed Assets (PPE) & Capitalization

Whether updated proper fixed asset register is maintained with details Additions/ Deletions with full particulars, including quantitative details and situation of fixed assets. Whether the fixed assets details agree with Accounts Records. Differences if any, and suggestions to rectify the same.

Whether there is adequate compliance of procedures and approval of Competent Authority of deletions of fixed assets.

Whether the assets are insured and insurance is timely renewed as per Company policy.

• **Component Accounting:**

- Ensure complex assets (e.g., Compressors) are capitalized correctly. The motor and the body may have different useful lives.

• **CWIP Aging Analysis:**

- Review **Capital Work in Progress (CWIP)**. Identify projects (stations) that are physically operational ("Put to Use") but still sitting in CWIP and not being depreciated.

C. Accruals & Provisions Validation during Accounts Closing

• **Power & Fuel Accruals (Critical):**

- Electricity bills often arrive late. Audit the **provision for electricity expenses**.

• **O&M Contract Accruals:**

- Ensure expenses for Annual Maintenance Contracts (AMCs) for compressors are accrued based on "running hours" if the contract is variable, or time-elapsed if fixed.

• **Unbilled Revenue (for Piped Gas/PNG segments):**

- If the entity also does PNG, audit the estimate for gas consumed by households but not yet billed at quarter-end.

D. Inventory Valuation (Gas Stocks) – Closing Stock of Pipelines, MS etc.

E. Analytical Review (Variance Analysis)

- **Gross Margin Analysis:** Compare Gross Margin per SCM (Standard Cubic Meter) of the current quarter vs. previous quarter. Investigate drops in margin (e.g., Did purchase price rise while sales price remained static?).
- **OpEx Ratios:** Analyze Electricity Cost / Total Revenue and Freight Cost / Total Revenue. Significant deviations must be justified by operational data (e.g., increased distance to new daughter stations).

F. Treasury & Banking

- **Bank Reconciliation Statements (BRS):**

- Review BRS for all collection accounts. Ensure there are no "Uncleared Debits" older than 3 days (could indicate bounced dealer cheques).

- **Loan Covenants:**

- Verify compliance with banking covenants (e.g., Debt Service Coverage Ratio - DSCR, Debt/EBITDA) to ensure no technical default exists at quarter-end.

G. Contingent Liabilities & Disclosures

- **Legal & Disputes:**

- Review status of ongoing litigation (e.g., land disputes for stations, compensation claims for accidents).
- Ensure "Probable" losses are provided for, and "Possible" losses are disclosed as Contingent Liabilities.

- **PNGRB Penalties:**

- Check for any notices from the regulator regarding network exclusivity or service obligations. Ensure potential penalties are disclosed.

H. Property, Plant & Equipment (Assertion: Rights, Existence & Completeness)

CNG is capital intensive. Misstating assets significantly impacts the Balance Sheet.

- **Ind AS 116 / IFRS 16 (Leases):**

- **Scope:** Most CNG stations are on leased land (Dealer Owned or Company Owned). Review the "Right of Use" (ROU) Asset and "Lease Liability" calculations.
- **Statutory Focus:** Are lease escalations and termination clauses correctly factored into the liability calculation?

- **Componentization of Assets:**

- **Scope:** Verify if huge assets like "Mother Station Compressors" are split into components (Motor, Cylinder, Piping) with different useful lives for depreciation.
- **Statutory Focus:** Compliance with Schedule II (Companies Act) or IAS 16.

8. Controls

- **IT General Controls (ITGC):**

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- **Scope:** Review access rights to the ERP. Who has access to "Post" and "Approve" journal entries? Are these duties segregated?
 - Firewalls and Security of Data Base.
 - Hardware Controls – Utilizations and Custodians.
 - **Segregation of Duties (SoD) in Procurement:**
 - **Scope:** Ensure the person who *approves* the Gas Purchase Order is not the same person who *verifies* the invoice for payment.
- 9. Compliance & Provisions (Assertion: Presentation & Disclosure)**
- **PNGRB / Regulatory Dues:**
 - **Scope:** Calculate the liability towards regulatory levies independently and compare with the books.
 - **Statutory Focus:** Completeness of liabilities. Under-provisioning for regulatory dues is a common audit qualification.
 - **LCV Transport Contracts:**
 - **Scope:** specific review of "Variable" vs "Fixed" components in transport contracts.
 - **Statutory Focus:** Ensuring proper accrual of transport costs at period-end, even if the transporter hasn't sent the bill yet.

10. Human Resources (HR) Audit Scope – Outsourced Staff Compliance

A. Payroll & Compensation

- **Outsourced Staff Compliance:**
 - **Scope:** Most CNG stations use third-party manpower agencies. Audit the **"Principal Employer" liability:**
 - Verify proof of PF (Provident Fund) and ESI (Employee State Insurance) deposit by the contractor *before* releasing their monthly invoice payment.
 - Check for "Ghost Employees" in the contractor's invoice vs. Station Attendance Register (Biometric logs).
- **Overtime (OT) & Incentive Audit:**

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- **Scope:** Analyze OT trends. Is OT being used as a permanent substitute for hiring? Are sales incentives calculated on *actual* dispensed volume (verified by system data) or manual claims?
- **Labor Law Compliance:**
 - **Scope:** Verify adherence to the **Minimum Wages Act**. Ensure staff at remote daughter stations are paid according to the specific state/zone regulations (which may differ from Head Office).
 - **Shop & Establishment Act:** Ensure every active station has a valid registration and renewal.

11. Procurement & Stores Management Audit Scope

- Review of Lead Time for tendering and procurement,
- Documentation for Purchases (including PR&SR).
- Material Reconciliation, Documentation all in and Out Materials (with Vendor/BGL) and Inventory Ageing.
- Vendor Management – in C&P

12. Capital Expenditure (Capex) & Project Management

Project Execution (Construction Phase) – Execution of Various WO and Certifications including Free Issue Material reconciliations

13. Physical Verification of Stores, Inventory, Capital Inventory.

14. Payroll processing, Computation and Statutory compliances.

15. Insurance – Coverage and Claims and Validity.

16. Procure to Pay and Record to Report.

17. Any other specific areas as per the requirement of BGL Management that may arise from time to time.

Audit Methodology

The Internal Auditor shall ensure the following:

- a) Internal Audit (IA) shall be carried out under the direct supervision of one of the partners.
- b) As per the requirement of BGL, to meet the deadlines, the auditor shall intimate the detailed schedule, to BGL.
- c) The auditor shall have a prior meeting before commencing the audit process and finalize the audit plan and schedule of audit.
- d) Internal Audit of any Quarter for any Unit/Deptt/Area should start with opening meeting with concern Head of Unit/Deptt/Area-in-charge. Further, at the close of the Audit, a separate meeting shall also be conducted with concern Head of Unit/Deptt/Area-in-charge to discuss the important / significant audit observation for immediate corrective / preventive action, if any. The Closing meeting shall be attended by Senior Chartered Accountant along with audit team.
- e) Apart from Hyderabad, the Internal Auditor should cover plan to visit the other GA's at-least twice in a year.
- f) The Risk Control Matrix to be validated and observations w.r.t deviations needs to be a part of the Internal Audit. Management expects RCM Coverage once in year for all the departments.
- g) The Internal Auditor shall work in a friendly manner and as a guide to develop and motivate the staff of BGL as it shall be an important support in the hands of the management in strengthening internal controls. The Auditor may seek required information and explanations from the concerned staff for the accomplishment of his / her task. The Internal Auditor shall have requisite access to Unit Heads. The Auditor shall lay emphasis on compliance of all rules, regulations, policies, procedures, accounting standards, manuals, statutory obligations etc.

Timelines of Deliverables: The firm will have to start and complete the assigned work about Internal Audit of BGL as per time schedule laid down by the BGL.

B-ICFR RELATED SCOPE

1. Develop Risk Control Matrices and validation with the Management for all the important departments (Finance, HR, C&P, Project, O&M, Marketing, Legal and IT).
2. As per the Internal Assessment, it is expected that the RCM will require approx. 100 days i.e. 20 Days for Finance, 25 Days for HR, C&P, 40 Days for Project, O&M and 25 Days for Marketing, Legal and IT. The Job for C&P, Project and O&M may require site visits also. However, the time taken may vary depending on Auditors assessment and expertise.
3. The Auditor may develop RCM in phases (Department wise) and ensure to complete the RCM of BGL before December 2026.
4. The IFC Auditor shall Prepare the RCM and structure the IFC audit to meet the compliance requirement of ICAI and Companies Act and provide certification of compliance for submission to Statutory Auditors.
5. Presentation to the Board and Statutory Auditors of BGL if required by the management.

Qualification of Deployment of Manpower

In respect of Internal Audit:-

Internal Auditor must deploy the following manpower to carry out the Internal Audit of various departments: -

Particulars	Number
Senior Chartered Accountant having minimum 10 Years post qualification experience to monitor the work done	1
Articles / CA/ICWA/CS (Inter) having minimum 1 year experience.	2

Note:

1. Name of the team member is to be declared before start of the audit and any change of team member needs prior consent of the company.
2. Internal Audit is to be carried only by the regular employees of your firm.
3. Documents in support of availability of above stated manpower to be submitted along with the bid.

In respect of Internal Controls over Financial Reporting:-

The Man power deployed for Internal Controls over Financial Reporting will be as per following details :-

- a. One Qualified Chartered Accountant having minimum three years post qualification experience to monitor the work done.
- b. Two Article/CA/ICWA/CS (Inter)



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SECTION 9: SCHEDULE OF RATES



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BHAGYANAGAR GAS LIMITED					
SCHEDULE OF RATES					
SUB: HIRING OF SERVICES FOR INTERNAL AUDIT AND ICFR FOR 03 YEARS STARTING FROM FY 2026-27 INCLUDING PREPARATION OF RISK CONTROL MATRIX (RCM)					
TENDER NO: BGL/728/2026-27					
NAME OF THE BIDDER					
SL.NO	ITEM DESCRIPTION	UOM	QUANTITY (A)	UNIT PRICE EXCLUDING GST (B)	TOTAL A*B
1	Internal Audit Fees per Quarter	Quarterly	12		0.00
2	RCM Preparation	One-Time	1		0.00
				Sub Total	0.00
				GST%	
				GST Amount	0.00
				GRAND TOTAL INCLUDING ALL TAXES AND DUTIES	0.00
Amount in Words:					
Note:					
<ul style="list-style-type: none">• No reimbursement of expenses is applicable for audit of Hyderabad locations. Out of pocket expenses shall be reimbursed on actuals on production of necessary bills and supporting documents for audit locations other than Hyderabad. For travel from Hyderabad to other audit locations like Kakinada and Vijayawada, expenses shall be paid on production of supporting documents. Travel expenses are limited to 2AC train fare for partners and 3AC for others.• The bidder shall quote for both Internal Audit and IFC Audit or else the bid shall be rejected.• Evaluation shall be done based on overall least cost.					