

Documentation for CARO



Welcome !!!

CA M N Choksi

**G C D , B C o m , F C A
DISA(India),CISA(USA)**

WIRC of ICAI

www.mncandco.com

1

Topics to be covered

- ✓Documentation – AAS 3
- ✓Documentation – SA 230 Rev
- ✓Information Technology Act , 2000
- ✓Documents for CARO

WIRC of ICAI

www.mncandco.com

2

Continued

Next Topic

WIRC of ICAI

www.mncandco.com

3

Audit and Assurance Standard Documentation (AAS-3)

Audit and Assurance Standard Documentation (AAS-3)

- ✓ Need
- ✓ Advantages
- ✓ Objective
- ✓ Meaning
- ✓ Design and Preparation
- ✓ Working Papers
- ✓ Ownership and Retention

Need / Advantages / Objectives

- ✓ Proof of work done
- ✓ Process followed for arriving at Conclusion
- ✓ Proof of exercise of due care (as against negligence)
- ✓ Facilitates delegation
- ✓ Control on quality of work
- ✓ Peer Review

Meaning

- ✓ Papers prepared
- ✓ Papers obtained
- ✓ Papers retained
ie. Working papers

Design and Preparation

- ✓ Such that it facilitates delegation
- ✓ Control Quality of work
- ✓ Third Person Confirmation (PR)
- ✓ Proof of audit done
- ✓ Page Numbering
- ✓ Indexing
- ✓ Easily retrievable

Working Papers

- ✓ Permanent Files
- ✓ Current Files

Permanent Files - 1

- ✓ Legal Document viz MAA
- ✓ Registration Certificates
- ✓ Organisational Structure
- ✓ Authorisation Structure
- ✓ Agreements
- ✓ Minutes
- ✓ Internal Controls
-etc

Documentation for
CARO

www.mncandco.com

7

Permanent Files - 2

- ✓ Letter of appointment
- ✓ Previous Auditors Communication
- ✓ Letter of NOC from previous auditor
- ✓ Reports of Previous Year
- ✓ Accounting Policies
- ✓ Reports of Relevant Year
- ✓ Audit Observations of Previous Year

Documentation for
CARO

www.mncandco.com

8

Current Files - 1

- ✓ Audit Plan
- ✓ Audit Programme
- ✓ Audit Coverage
- ✓ Time Sheets
- ✓ Auditing Procedures
- ✓ Auditing Methodology

Documentation for
CARO

www.mncandco.com

9

Current Files - 2

- ✓ Communications
- ✓ Extracts of Minutes
- ✓ Confirmation Letters
- ✓ Certificates obtained
- ✓ Management Representations

Documentation for
CARO

www.mncandco.com

10

Current Files - 3

- ✓ Query Sheets
- ✓ Analysis Sheets
- ✓ Review and Approval Sheets
- ✓ Reasoning and Opinion Sheets
- ✓ Final Statements
- ✓ Audit Reports

Documentation for
CARO

www.mncandco.com

11

Ownership and Retention

- ✓ Auditor - Owner
- ✓ Auditee - Inspection
- ✓ Reasonable Period

Documentation for
CARO

www.mncandco.com

12

Conclusion

- ✓ Important to do the Audit Deligently
- ✓ Equally important to prove it

New Standard

- ✓ AAS renamed as SA
- ✓ AAS-3 renumbered as SA 230

Continued

Next Topic

Audit Documentation

SA 230 Revised

Documentation for
CARO

www.mncandco.com

1

Coverage

- ✓Objective
- ✓Nature and Purpose
- ✓Effective Date
- ✓Definitions
- ✓Form
- ✓Content
- ✓Extent
- ✓Examples
- ✓Assembly
- ✓Ownership
- ✓Conclusion

Documentation for
CARO

www.mncandco.com

2

Objective

Evidence for

- ✓Basis of Conclusion
- ✓Planning and Performance

Documentation for
CARO

www.mncandco.com

3

Additional Purposes

- ✓Planning and Audit
- ✓Performing an Audit
- ✓Delegation and Supervision
- ✓Accountability
- ✓Responsibility
- ✓Quality Control
- ✓External Inspections
- ✓Enduring Information

Documentation for
CARO

www.mncandco.com

4

Effective Date

✓01-Apr-2009

Documentation for
CARO

www.mncandco.com

5

Definitions

- ✓Audit Documentation
- ✓Audit File
- ✓Experienced Auditor

Documentation for
CARO

www.mncandco.com

6

Audit Documentation

- ✓ Audit Procedures Performed
- ✓ Audit Evidence Obtained
- ✓ Conclusions Reached

Documentation for
CARO

www.mncandco.com

7

Audit File

- ✓ Folders
- ✓ Files
- ✓ Physical
- ✓ Electronic

Documentation for
CARO

www.mncandco.com

8

Experienced Auditor

- ✓ Practical Audit Experience
- ✓ Reasonable Understanding
 - Audit Processes
 - SA's
 - Legal Requirements
 - Business environment
 - Reporting issues

Documentation for
CARO

www.mncandco.com

9

Form of Audit Documentation

(Viz Audit Program)

- ✓ Specific Items Tested
- ✓ Who and When Performed
- ✓ Who and When Reviewed

Documentation for
CARO

www.mncandco.com

10

Content of Audit Documentation

- ✓ Audit Procedures Performed
- ✓ Results of Audit Procedures
- ✓ Evidence Obtained
- ✓ Deliberations / Discussions
- ✓ Conclusions Reached
- ✓ Inconsistencies and Resolutions thereof
- ✓ Departures and Resolutions thereof
- ✓ Matters arising after Date of Report

Documentation for
CARO

www.mncandco.com

11

Extent of Audit Documentation

- ✓ Size
- ✓ Complexity
- ✓ Risks Identified
- ✓ Procedures Performed
- ✓ Methodology Used
- ✓ Tools Used
- ✓ Significance of evidence
- ✓ Conclusions

Documentation for
CARO

www.mncandco.com

12

Examples of Audit Documentation

- ✓ Audit Programs
- ✓ Audit Coverage
- ✓ Audit Methodology
- ✓ Checklists
- ✓ Analysis
- ✓ Summaries
- ✓ Explanations
- ✓ Observations
- ✓ Confirmations
- ✓ Minutes
- ✓ Management Representations
- ✓ Correspondence

Documentation for
CARO

www.mncandco.com

13

Assembly of Audit File

- ✓ Timely – 60 days
- ✓ Consolidation
- ✓ Organizing
- ✓ Arranging
- ✓ Indexing
- ✓ Retaining – 10 Years
- ✓ Retrieving

Documentation for
CARO

www.mncandco.com

14

Ownership

- ✓ Auditor – Owner
- ✓ Auditee – Inspection , Extracts
(at Auditors Discretion)

Documentation for
CARO

www.mncandco.com

15

Conclusion

- ✓ Important to do the
Audit Diligently
- ✓ Equally important to
Prove it

Documentation for
CARO

www.mncandco.com

16

Continued

Next Topic

Documentation for
CARO

www.mncandco.com

17

Information Technology Act , 2000

Coverage

- ✓Electronic Record
- ✓Data Recorded / Generated / Image / Sound
- ✓Data Stored / Received / Sent
- ✓Retrievable in Legible Form
- ✓Accessible but Unaltered

Continued

Next Topic

Documentation for CARO

Documents for CARO

- ✓ Documents to be maintained
- ✓ Documents to be verified
- ✓ Documents to be collected

Documents – Clause Wise Study

- | | |
|----------------------------------|------------------------------|
| ✓ Checklist of Applicability | ✓ Statutory Dues |
| ✓ Internal Control Questionnaire | ✓ Accumulated Losses |
| ✓ Fixed Assets | ✓ Repayment of Loans |
| ✓ Inventory | ✓ Loans against Pledge |
| ✓ Loans Granted | ✓ Chit Fund |
| ✓ Loans Taken | ✓ Share Trading |
| ✓ Internal Control | ✓ Guarantees |
| ✓ Contracts or Arrangements | ✓ Usage of Term Loans |
| ✓ Public Deposits | ✓ Short Term Long Term Funds |
| ✓ Internal Audit | ✓ Preferential Allotment |
| ✓ Cost Records | ✓ Debentures |
| | ✓ Public Issues – End Use |

Fixed Assets

- ✓ Fixed Assets Schedule
- ✓ Fixed Assets Register
- ✓ Register of Verification
- ✓ Report of Verification
- ✓ Management Certificate
- ✓ Checklist of AAS 16 / SA 570
- ✓ Going Concern

Inventory

- ✓ Inventory Records
- ✓ Inventory Verification Sheets
- ✓ Inventory Verification Register
- ✓ Procedure for Verification
- ✓ Report of Verification
- ✓ Management Certificate

Loans Granted

- ✓ Register u/s 301
- ✓ List of Persons u/s 301
- ✓ Ledgers of such loans
- ✓ Loan Confirmations
- ✓ Terms and Conditions /
- ✓ Loan Agreements
- ✓ Resolutions
- ✓ Study of prevailing Market Rates
- ✓ Documents for Recovery

Loans Taken

- ✓Register u/s 301
- ✓List of Persons u/s 301
- ✓Ledgers of such loans
- ✓Loan Confirmations
- ✓Terms and Conditions /
- ✓Loan Agreements
- ✓Resolutions
- ✓Study of prevailing Market Rates

Documentation for
CARO

www.mncandco.com

7

Internal Control

- ✓Internal Control Questionnaire
- ✓Organization Chart
- ✓Segregation of Duties
- ✓Authorization Matrix
- ✓Understanding the Process of Control
- ✓Flow Chart of Control Process
- ✓Internal Audit Reports
- ✓Discrepancies in all past Reports

Documentation for
CARO

www.mncandco.com

8

Contracts or Arrangements

- ✓Register u/s 301
- ✓List of Persons u/s 301
- ✓List of such Contracts / Arrangements
- ✓File of Forms 24AA
- ✓Ledgers of such Persons
- ✓Terms and Conditions
- ✓Contracts
- ✓Resolutions
- ✓CS Compliance Certificate u/s 383A
- ✓Study of prevailing Market Rates

Documentation for
CARO

www.mncandco.com

9

Public Deposits

- ✓List of Loans
- ✓Study of applicability of 58A / 58AA
- ✓Advertisement for Invitation
- ✓RBI Directions
- ✓List of Overdue Deposits
- ✓Checklist of RBI Requirements
- ✓Deposit Application Forms
- ✓Register of Depositors
- ✓RBI Returns
- ✓Correspondence with CLB , NCLT etc
- ✓Orders of RBI
- ✓Orders of CLB
- ✓Orders of NCLT
- ✓Orders of Court

Documentation for
CARO

www.mncandco.com

10

Internal Audit

- ✓Checklist of applicability
- ✓Summary of Final Statements – Last 3 Years
- ✓Internal Department
- ✓External Agency
- ✓Quantity of People
- ✓Quality of People
- ✓Coverage
- ✓Reports
- ✓Reporting Hierarchy
- ✓Compliance Reports
- ✓Minutes of Board / Audit Committee

Documentation for
CARO

www.mncandco.com

11

Cost Records

- ✓Checklist of applicability
- ✓Cost Records
- ✓Cost Statements
- ✓Cost Audit Reports , if any

Documentation for
CARO

www.mncandco.com

12

Statutory Dues

- ✓List of Statutory Dues
- ✓Monthly Summary of Each Due
- ✓Orders from Respective Authorities
- ✓List of Disputed Dues

Documentation for
CARO

www.mncandco.com

13

Accumulated Losses

- ✓Profit and Loss of the year
- ✓Profit and Loss of preceding year
- ✓Working of Cash Losses

Documentation for
CARO

www.mncandco.com

14

Repayment of Loans

- ✓List of all Loans / Debentures
- ✓Sanction Letters of Loans
- ✓Terms of Debentures
- ✓Statements of Accounts of Loans
- ✓Loans Balance Confirmations
- ✓Debentures Overdue List

Documentation for
CARO

www.mncandco.com

15

Loans against Pledge

- ✓KYC of borrower
- ✓Promissory Notes
- ✓Loan Documents
- ✓Terms and Conditions
- ✓Records of Disbursement , Charge of Interest , Repayment
- ✓Balance Confirmations
- ✓Documents of Pledge / Set Off
- ✓Physical Verification of Security
- ✓Custody of Security
- ✓Value of Security

Documentation for
CARO

www.mncandco.com

16

Chit Fund

- ✓Checklist of Respective Statute
- ✓Credit appraisal procedures
- ✓Loan Documents
- ✓Repayment Monitoring
- ✓IRAC Norms
- ✓Etc

Documentation for
CARO

www.mncandco.com

17

Share Trading

- ✓Buy Register
- ✓Sell Register
- ✓Demat Statements
- ✓Share Register
- ✓Internal Control

Documentation for
CARO

www.mncandco.com

18

Guarantees

- ✓List of Guarantees
- ✓MAA
- ✓Resolution
- ✓Guarantee Agreements
- ✓Terms and Conditions
- ✓Register u/s 301
- ✓Contingent Liability Disclosure

Documentation for
CARO

www.mncandco.com

19

Usage of Term Loans

- ✓List of such Loans
- ✓Loan Sanction Letters
- ✓Terms and Conditions
- ✓Cash Flow after Disbursement
- ✓Overall Fund Flow

Documentation for
CARO

www.mncandco.com

20

Short Term Long Term Funds

- ✓Cash Flow Statement
- ✓Fund Flow Statement

Documentation for
CARO

www.mncandco.com

21

Preferential Allotment

- ✓Register u/s 301
- ✓SEBI Valuation
- ✓Valuation Certificate
- ✓Govt Valuation Order
- ✓Management Representation

Documentation for
CARO

www.mncandco.com

22

Debentures

- ✓Trust Deed
- ✓Charge Documents
- ✓ROC Documents

Documentation for
CARO

www.mncandco.com

23

Public Issues – End Use

- ✓SEBI Documents
- ✓Offer Documents
- ✓Cash Flow
- ✓Fund Flow
- ✓Disclosure Requirements

Documentation for
CARO

www.mncandco.com

24

Fraud

- ✓ Compliance of SA 240
- ✓ Fraud Register
- ✓ Internal Audit Reports
- ✓ Disciplinary Committee Documents
- ✓ Minutes Books

Checklists

- ✓ Applicability of CARO
- ✓ Audit under CARO
- ✓ Internal Control

Continued

Next Topic

CA M N Choksi

G C D , B C o m , F C A
DISA (India) , CISA (USA)

Thank You !!



Name of the Company:

Financial Year:

Assessment Year:

Check List for the Applicability of Caro

S No		Particulars	If ?	Applicability
1		Whether financial year ends on or after 01/01/2004 ?	Yes	Applicable
			No	Not Applicable
2		Whether a banking company as defined in clause (c) of section 5 of the Banking Regulation Act , 1949	No	Applicable
			Yes	Not Applicable
3		Whether an insurance company as defined in clause (21) of section 2 of the Companies Act , 1956	No	Applicable
			Yes	Not Applicable
4		Whether a company licensed to operate under section 25 of the Companies Act , 1956	No	Applicable
			Yes	Not Applicable
5		Whether a private limited company - satisfying all the following conditions (if any one of the condition is not satisfied the CARO is applicable)	Any one out of A to D below is "No "	Applicable
			All Yes	Not Applicable
	A	paid up capital and reserves are not more than Rs. 50 lacs		
	B	No public deposits are accepted		
	C	No outstanding loan exceeding Rs. 25 lacks or more from any bank or financial institution		
	D	Whether has a turnover not exceeding Rs. 5 crores		

Check List for CARO

Client :

Audit Period :

Manager In-Charge :

Clause No.	Particulars	Remarks	Working paper reference
4(i)(a)	Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets		
(a)	Whether records of Fixed Assets (tangible, intangible and leased assets) are maintained showing the following particulars. (i) Sufficient description (distinctive numbers, purchase agreement, documents, records and registration references, etc.) of the asset to make identification possible. (ii) Classification, that is, the head under which it is shown in the accounts, e.g. plant and machinery, office equipment, etc. (iii) Location (iv) Quantity i.e. number of units (v) Original Cost (vi) Year of purchase (vii) Adjustment for revaluation or for any increase or decrease in cost, e.g. on revaluation of foreign exchange liabilities. (viii) Date of revaluation, if any (ix) Rate and basis of depreciation, particulars regarding amortization and impairment. (x) Depreciation, amortization and impairment for the current year. (xi) Accumulated depreciation, amortization and impairment loss. (xii) Particulars regarding sale, discarding, demolition, destruction etc. (xiii) Particulars of fixed assets that have been retired from active use and held for		

	disposal.		
	(xiv) Particulars of fixed assets that have been fully depreciated or amortised or impaired.		
(b)	Whether fixed assets as per Register/ Records agree with General Ledger balances? If not, note the disagreements in respect of each class of assets. Conclusion :		
4(i)(b)	Whether these fixed assets have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account.		
(a)	(i) Whether Fixed Assets were physically verified at any time during the year or earlier years according to a phased program? (ii) What is the periodicity of physical and whether the same is reasonable? (iii) Whether assets physically verified agreed/ reconciled with book figures? If not, note the discrepancies against each class of assets in terms of value, and state how the discrepancies have been dealt with. (iv) Instructions to officials for carrying out physical verification to include procedures, timing, competency of team members, countsheets/ tags, formats etc.		
(b)	Physically verify few items from the Fixed Asset register & vice versa.		
(c)	Whether management representation is obtained confirming that: · Fixed assets are physically verified by the company in accordance with the policy of the company. · Periodicity of the physical verification of		

(a)	Has the management physically verified the inventory, as defined in AS 2? Inventory normally includes- Raw materials and Components Packing Materials Maintenance Supplies Work in Progress Finished Goods Stores and Spares Consumables and Loose tools Whether evidence of physical verification has been seen and reasonableness of periodicity and procedure of physical verification evaluated? If yes, verify:		
(b)	· Written instructions issued by the management. · Duly authenticated physical verification sheets. · Duly authenticated summary sheets/ consolidation sheet. · Internal memo etc. regarding issues		

	arising on physical verification. Any other documents evidencing physical verification. Conclusion:		
4(ii)(b)	Are the procedures of physical verification of inventory followed by the management reasonable and adequate in relation to the size of the company and the nature of its business? If not, the inadequacies in such procedures should be reported.		
(a)	Whether stock-taking procedures were reasonable and adequate in relation to the size of the company, nature of its business and volume of stock? If not, list out the inadequacies/weaknesses observed by us.		
(b)	Whether the management has instituted adequate cut-off procedures?		
(c)	Whether the original physical verification sheets have been reviewed and selected items traced into the final inventories? (including the more valuable ones as per ABC Classification)		
(d)	Whether the comparison of final inventories with stock has been done? Whether records and other corroborative evidence, e.g. inventory statements submitted to banks?		
(e)	Whether the procedures for identifying damaged and obsolete items of inventory operate properly?		
(f)	Instruction issued by the management		
(g)	In case of continuous stock taking method, whether management: - Maintains adequate and up-to-date stock records; - Has established adequate procedures for physical verification of inventories, so that in the normal circumstances, the programme of		

	physical verification will cover all material items of inventory at least once during the year; and iii. Investigates and corrects all material differences between the book records and the physical counts.		
	Conclusion:		
4(ii) (c)	Whether the company is maintaining proper records of inventory and whether any material discrepancies were noticed on physical verification and if so, whether the same have been properly dealt with in the books of account.		
(a)	Proper records, in general, should contain, among other things, the following particulars: · Details regarding quantity of the receipts, issues, balances and dates of transactions in a chronological manner; · Particulars of the items, like nomenclature, nature, etc. · Relevant documents no. & department identification, if any; · Identification code of the item; · Physically verified quantities; · Location; · Valuation details; if any.		
(b)	Whether the transactions entered in stock registers are duly supported are duly supported by relevant documents.		
(c)	Whether stock register is updated and value of inventory extracted from above said records tally with the books of account.		
(d)	If any material discrepancies were found as compared to stock records, what were the extant of discrepancies (in terms of value) and how the same have been dealt with in the books of account as well as in the stock records?		
	Conclusion:		
4(iii) (a)	Has the company either granted or taken any loans, secured or unsecured to/from companies, firms or other parties in the register maintained under section 301 of the Act. If so, give the number of parties and amount involved in the transactions.		
	(i) Has the company granted/taken any loans (Secured or unsecured) from/ to companies, Firms or other parties listed in the register maintained under section 301 of the Act? If yes, give number of parties		

	and the maximum amount involved at any time during the year. (ii) Where the company has granted / taken any loans from section 301 parties and squared off during the year, such details of transactions taken? Conclusion:		
4(iii) (b)	Whether the rate of interest and other terms and during conditions of loans given or taken by the company, secured or unsecured, are prima facie prejudicial to the interest of the company.		
	Whether the terms of loans are prima facie prejudicial, due consideration to be given to the factors mentioned below: · Terms & condition of the loan repayment, rate if interest, restrictive covenants etc, · Company's financial standing, its ability to borrow/ lend, · The nature of the security, · The availability of alternative sources of finance, · The urgency of the borrowing, · Purpose of the loan, · Prevailing market rate of interest etc. Conclusion:		
4(iii) (c)	whether the payment of principal amount and interest are also regular.		
(a)	whether principal amount and interest thereon are paid regularly on the due date or immediately thereafter? If not, the same should be reported. Conclusion:		
(b)			
4(iii) (d)	If overdue amount is more than one lakh, whether reasonable steps have been taken the company for recovery/ payment of the principal and interest.		
(a)	Whether reasonable steps taken for recovery/ payment of loan?		
(b)	With regard to loans taken, the following may be seen:		

	Note: (Major weakness depends upon facts and circumstances. Ordinarily, any weakness in the internal control that may result into a significant loss to the company or may result in a material misstatement is considered to be a major weakness.) Whether continuing failure is with reference to the weakness that existed at the time of previous year's audit and known to the management and not corrected on the date of balance sheet? Whether there was a continuing failure to correct major weakness in the internal control system, is corrected at the time of issuance of report, state the fact. Whether management has taken reasonable steps to correct major weakness in the internal control system, but weakness continues, if yes, report the weakness and steps taken for correcting the weakness. Whether the report of internal auditors, minutes of the meeting of the audit committee if any, previous year's working paper have been reviewed in order to determine weakness in the internal controls already communicated to management? Whether the existence of any major weakness in the internal control that has adverse effect have been considered for reporting appropriately? Conclusion:		
(c)			
(d)			
(e)			
(f)			
(g)			
4(v) (a)	Whether transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered.		
(a)	Whether a written representation from the management has been obtained concerning the completion of the entries in the register is maintained (u/s 301)		

(b)	Whether the completeness of the entries as stated above have been verified with reference of the following: · Review of working papers for the prior years; · Review the entity's procedures for identification of parties; · Review From 24AA, and ensure compliance with provisions of section 297 & 299 · Tracing transactions in the books of Account		
(c)	In case the company has not maintained the register required to be maintained by it under section 301, mention the fact of non-maintenance/ improper maintenance of the aforesaid register.		
	Conclusion:		
4(v) (b)	Whether each of these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.		
(a)	Whether reasonableness of the prices of transactions, exceeding the value of Rs.5,00,000/- in respect of any party and during the financial year, entered in pursuance of contracts or arrangements entered in the register(s) maintained u/s 301 of the Act, ensured whether reasonableness of prices ensured on the basis of prevailing market prices at the relevant time and all the factors surrounding the transactions such as the delivery period/ schedule of implementation, the quality of the product/service, the quantity, the credit terms, the previous record of supplier/buyer/client, Quotation analysis reasons for not taking lowest/ highest prices etc..		
(b)	In case where transactions are entered with sole suppliers also ensure that the fact is stated in the report, examine the reasonableness of prices paid with reference to list prices of the supplier concerned, other trade terms of the supplier, etc.		
	Conclusion:		
4 (vi)	In case the company has accepted deposits from the public, whether the directives issued by the Reserve Bank of India and the provision of the sections 58A and 58AA of the Act and the rules framed there under, where applicable, have been complied with. If not, the nature of contraventions should be stated; if an		

	order has been passed by Company Law Board whether the same has been complied with or not?		
(a)	If any Company has accepted deposits from the public state whether: (i) The directives issued by the Reserve Bank of India have been complied with and also that: (ii) The provisions of Section 58A of the Companies Act, and the rules framed there under have been complied with. (iii) List out contraventions, if any. Whether there is noncompliance of section 58AA, failure of the company to intimate the tribunal (CLB) any default in repayment of deposit made by small investors or part thereof or any interest thereon. Where an order has been passed by the CLB in respect of above, examine the steps taken by the company to comply with the order, and if not, report briefly stating there in the nature of contravention and the fact that Company has not complied with the order. Conclusion:		
4 (vii)	In the case of listed companies and / or other companies having a paid up capital and reserves exceeding Rs.50 lakhs as at the commencement of the financial year concerned, or having an average annual turnover exceeding five crores rupees for a period of three consecutive financial years immediately preceding the financial year concerned, whether the company has an internal audit system commensurate with its size and nature of its business.		
	Have you considered the following factors to determine whether the internal audit system is commensurate with the size of the company nature of its business: a) Is there an internal audit system in the Company?(Mere internal check should not be considered as internal audit). b) Has the internal audit been conducted by a separate internal audit department or by outside professional firm? c) Is the internal audit department sufficient in size and properly manned to perform the internal audit function?		

	d) Is the head of the internal audit department a member of the institute of Chartered Accountants of India? e) Is it independent of the accounting and custody departments? f) To whom the department is responsible? g) Are the audits conducted in accordance with the generally accepted auditing standards? h) Do the Internal Audit have questionnaires or guide manual? i) Whether audit work is carried out according to a plan and programme and, if so what are the areas covered this year? j) Whether adequate files and records are maintained by the Internal Audits? k) Do the Internal Auditors' Reports give: Conclusion on the audit? Exceptions to the Account and records? Recommendations on the Internal Auditors' Reports: · Are they sent to an appropriate operating official? · Is corrective/ remedial action initiated? · Do internal auditors follow up to see that appropriate action is taken? · Do the files indicate that appropriate action was taken? Conclusion:		
4 (viii)	Where maintenance of cost records has been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 (1 of 1956), whether such accounts and records have been maintained.		
	Whether cost-accounting records have been prescribed for the company under section 209(1) (d) of the Companies Act? If so verify whether proper cost accounts and records are made and maintained by the Company as prescribed.		
	Conclusion:		
4 (ix) (a)	Is the company regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state		

	insurance, income-tax, sales-tax, wealth-tax, custom duty, excise duty, cess and any other statutory dues with the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated by the auditor.		
(a)	Whether a list of statutory dues which company is required to deposit regularly has been obtained.		
(b)	In case where there are so no arrears on the balance sheet date but the company has been irregular during the year in depositing the statutory dues, the fact should be stated.		
(c)	Whether the Company has been generally regular in depositing statutory dues or otherwise, indicate the same. Note: A matter is disputed where there is a positive evidence or action on the part of the company to show that it has not accepted the demand for payment of tax or duty, e.g., where it has gone into appeal.		
(d)	Whether penalty and/or interest levied under the respective law is included under amounts payable.		
(e)	Ensure that disclosure is restricted to the actual arrears and should not include the amounts which have not fallen due for deposit and have been shown as arrears at the balance sheet date.		
(f)	Whether the information about arrears of outstanding statutory dues is provided in the format: · Name of the Statute · Nature of the dues · Amounts(Rs.) · Due date · Date of payment Whether a written representation with reference to the		

(g)	date of the balance sheet from the management obtained: · Specifying the cases and the amounts considered disputed; · Containing a list of the cases and the amounts in respect of the statutory dues which are undisputed and have remained outstanding for a period of more than six months from the date they became payable; · Containing a statement as to the completeness of the information provided by the management. Whether any register of significant laws with which the entity has to comply within its particular industry and a record of complaints in respect of non-compliance been maintained Conclusion:		
(h)			
4 (xi)	In case of sales tax/income tax/custom tax (duty/ wealth tax/ excise duty/ cess have been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending may please be mentioned.(Mere representation to the Department shall not constitute dispute.)		
(b)			
(a)	Review internal audit report, minutes of the meeting of the board of Directors and audit committee		
(b)	Ensure that information about arrears of disputed statutory dues is provided in the format:		
	· Name of the Statute · Nature of the dues · Amounts (Rs) · Forum where dispute is pending		
4 (x)	Whether in case of company which has been registered for a period not less than five years, its accumulated losses at the end of the financial year are not less than fifty per cent of its worth and whether it has incurred cash losses in such financial year and in the financial year immediately preceding such financial year also.		
(a)	Whether the Company is in existence for more than five years		

(b)	Whether the amount of cash losses is stated.		
(c)	Whether effect of qualification on the figure of accumulated losses, net worth and cash losses considered? In case qualification is not capable of being quantified, whether the fact is stated in the Report?		
(d)	Whether the accumulated losses exceeds 50% or not of the networth		
	Conclusion:		
4 (xi)	Whether the company has defaulted in repayment of dues to a financial institution or bank or debenture holders? If yes, the period and amount of default to be reported.		
(a)	Whether all defaults existing at the balance sheet date are reported irrespective of when those defaults have occurred.		
(b)	If application of reschedulement of loan has been made/accepted or default has been made good during accounting period, whether the fact has been stated.		
(c)	Whether the disputes between the company and the lender on various issues give rise to disclaimer stating the fact there is a dispute between the company and the lender and auditor is unable to determine whether there is a default in repayment of dues to the lender concerned.		
	Conclusion:		
4 (xii)	Whether adequate documents and records are maintained in cases where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities; if not, the deficiencies to be pointed out.		
(a)	Has the company maintained the following documents & records: · Full name and address of the borrower. · Amount of the loan or advance. · Stipulations regarding period of repayment, the rate of interest, the security		

	to be pledged and all other terms of the loans or advance. · The record of the disbursements, repayments towards the loans or advance and recovery of the interest. · Full particulars of the security pledged. · Documents needed to transfer the ownership of the security in case of need. · Periodical acknowledgements from the parties confirming the balance due. · Proof that the party has power to borrow, e.g., in case the borrower is a company, its memorandum of association, board resolution or shareholders resolution. Information about market value of securities such as stock exchange quotations. Whether physical verification of security pledged carried on. Whether security is in the custody of company and market value of security is adequate to over the outstanding amount of loan and interest. (b) Whether there is any deficiency, observed at the time of examining various documents and records as referred above? If yes, report the same. (c) Conclusion: (d)		
4 (xiii)	Whether the provisions of any special statute applicable to chit fund have been duly complied with?		
(a)	Enquire whether company is carrying on the chit fund business? (a transaction is not a chit within the meaning of this clause, if in such transaction: · Some alone, but not all, of the subscribers get the prize amount without		

	any liability to pay future subscriptions; or All the subscribers get the chit amount by turn with a liability to pay future subscriptions.)		
(b)	Ensure that the company has complied with all the provisions of the special statutes, relating to of the chit fund company and state the same. In respect of nidhi/mutual benefit fund/societies: (a) Whether the net-owned funds to deposit liability ratio is more than 1:20 as the date of balance sheet; (b) Whether the company has complied with the prudential norms on income recognition and provisioning against substandard/default/loss assets; (c) Whether the company as adequate procedures for appraisal of credit proposals/ requests, assessment of credit needs and repayment capacity of the borrowers; (d) Whether the repayment schedule of various loans granted by the nidhi is based on the repayment capacity of the borrower and would be conducive to recovery of the loan amount. Whether in the case of a nodhi and mutual benefit society net-owned funds to deposit liability ratio is more than 1:20 as on the date of balance sheet?		
(a)	(i) Net owned funds in the case of a nidhi or a mutual benefit society means the aggregate of paid-up equity capital and free reserves as reduced by accumulated losses and intangible assets appearing in the last audited balance sheet of the company. (ii) Free reserves is a reserve considered as a "free reserve" if it is available for distribution as dividend. (iii) The amount representing the proceeds of issue of preference shares shall not be included for calculating net-owned funds. However, for nidhis or mutual benefit societies existing on or before 26th July 2001, the proceeds of issue of preference shares are to be included for calculation of net-owned funds up to the		

	financial year 31 st march 2003.		
	(iv) Deposit liability would mean the aggregate deposits accepted by the company.] Ensure that ratio is computed by using the figures of net owned funds and deposit liability computed in accordance with as stated under this clause. Sub Clause (b) of the Order requires, whether, the company has complied with the prudential norms on income recognition and provisioning against sub-standard/doubtful and loss assets. Whether the prudential norm for revenue recognitions and classification of assets has been complied with by the nidhi or nutual benefit society in the preparation and presentation of the financial of the statements? If not state the fact in report.		
(b)	Examine, as per sub-clause (c) of the order study and analyse the various procedures prevailing in the company for appraisal of credit proposals/requests, assessment of credit needs and repayment capacity of the borrowers and their follow up.		
(c)	As per sub-clause (d) the whether the repayment schedule of various loans granted by the nidhi is based on the repayment capacity of the borrower and would be conducive to recovery of the loan amount. Scope is limited to the examination of documents available with the company in regard to loan.		
(d)	Ensure that the system, policies and procedures are complied with based on the examination of all large loans and a test check of other loans.		
(e)	Have we examined the documentation available with the company with regard to large loans.		
	Conclusion:		

(f)			
(g)			
(h)			
4 (xiv)	If the company is dealing or trading in shares, securities, debentures and other investments, whether proper records have been maintained of the transactions and contracts and whether timely entries have been made therein; also whether the shares, securities, debentures and other securities have been held by the company, in its own name except to the extent of the exemption, if any, granted under section 49 of the Act.		
(a)	Note: The clause is not applicable to a company which invest its surplus funds with a view to earn income from investment of surplus funds. Whether: · Records regarding transactions and contracts are maintained; · Timely entries have been made in such records; and · The investments are in the company's own name.		
(b)	Whether the form in which records have been maintained is adequate, properly written up and preserved?		

(c)	Whether adequacy of the records maintained can be verified from the following: · Purchases and sales and the profit or loss arising on sale, · The stock of investments and their valuation, and · The amounts due for sales and payables for purchases. To ascertain that timely entries are made in the records, have you applied any of the following methods:		
(d)	· A surprise inspection of the records; · An examination of the system of internal control with particular reference to the manner in which and the time at which entries are made in the records; and · An examination of the internal audit reports to ensure if the programme of internal audit specifically covers an inspection of the records to determine whether entries are made in time. In case investments which are intended to be sold immediately may not have been transferred in the name of the company, whether, in the circumstances of each case, the failure to transfer the investments to the company's name is understandable. Conclusion:		
(e)	4 (xv) Whether the company has given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.		
(a)	Whether the company has given any guarantee for loans taken by others from bank or financial institutions? If yes, examine the terms and conditions of guarantee given by the company for loan taken by other. Ensure on the basis of examination of Memorandum of		

(b)	Association whether company can issue guarantees?		
(c)	Obtained a list of guarantees issued by the company during the year from the management. Whether there are adequate internal controls over issuance of guarantees?		
(d)	Review the guarantees to ensure the reasonableness thereof in view of previous experience and knowledge of current year's activities.		
(e)	Whether the tangible/ intangible benefits flowing to the company due to furnishing of guarantee are commensurate with risk undertaken by the company in doing so.		
(f)	Whether on the basis of examination carried out, the company could have provided the guarantee on better terms and conditions, obtain the company's explanation in writing as to why the company considers that the terms obtained are not prejudicial to the interest of the company.		
(g)	In case the explanation given above is not convincing, state that the terms and conditions on which the company has given the guarantees are prejudicial to the interests of the company and also disclose the amount involved in such guarantee.		
(h)	Whether compliance with the provisions with section 295 and 372A of companies Act ensured? Whether a written representation from the management obtained that:		
(i)	· All obligations in respect of guarantees have been duly recorded in the register and disclosed; · There are no guarantees issued up to the		

(i)	year-end which are yet to be recorded; and Disclosed contingent liabilities do not include any contingencies which are likely to result in a loss and which, therefore, require adjustment of assets or liabilities. Conclusion:		
4 (xvi)	Whether the term loans were applied for the purpose for which the loans were obtained.		
(a)	Whether the company has taken any term loan? Examine the terms and conditions subject to which the company obtained the term loans including purpose for which term loans were sanctioned? Compare the purpose for which term loans were sanctioned with the actual utilization of the loans and obtain sufficient appropriate audit evidence regarding the utilization of the amounts raised. In case during a construction phase surplus funds were temporarily invested, however, subsequently the same are utilized for the stated objectives, mention the fact that the funds were temporarily used for the purpose other than for which the loan was sanctioned but were ultimately utilized for the stated end- use. Whether term loans taken were not applied for stated purpose during the year for any reason? If yes, mention the facts and amount. Also disclose the fact about utilization of term loan of earlier year in current year. Whether the fund flow statement has been reviewed where one to one correlation was not possible. Conclusion:		
(b)			
(c)			
(d)			
(e)			
(f)			
4 (xvii)	Whether the funds raised on short-term basis have been used for long term investment and vice versa. If yes, the nature and amount is to be indicated.		

(a)	Whether long term funds have been used to finance the core working capital (when long term funds are significantly more than long tem application of funds)?		
(b)	Whether movement of funds of company can be examined and verified and such movement also be supported by relevant documentation, direct relationship between particular funds and an asset from the balance sheet can be ascertained.		
(c)	Whether trail is available to show that movement of source and application of funds and direct relationship between them? if not, determine movement and application of funds on a overall basis.		
	Conclusion:		
4 (xviii)	Whether the company has made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act, and if so whether the price at which shares have been issued is prejudicial to the interest of the company.		
(a)	Whether pricing of shares in case of listed company allotted preferentially is in accordance with guidelines issued by SEBI? If yes, it may be concluded that shares have been issued at a price which is not prejudicial to the interest of the company.		
(b)	In case of unlisted or private companies, where any of the four pricing methods (Net Assets Basis, Maintainable Profit Basis, Yield Basis & Discounted Cash flow Method) have been followed, it may be concluded that the share price is not prejudicial to the interest of the company. In case and expert opinion has been relied upon ensure compliance AAS9 " Using the work of expert"		
(c)	Whether opinion is formed on the basis of the Order issued by the Government, state the fact of reliance on the Government Order.		
(d)	Obtain a representation from the management as to why the company considers that the price charged is not prejudicial to the interest of the company. If the explanation is not convincing, state that the price charged by he company is prejudicial to the interest of the company. Conclusion:		

(e)			
4 (xix)	Whether securities have been created in respect of debentures issued?		
(a)	Where the company has issued any debentures, examine the debentures trust deed executed under the section 117A of the Act.		
(b)	Whether proper securities have been created in favour of the debentures trust? Verify the relevant documents.		
(c)	Whether provisions of Section 125 and 130 of the Companies Act, 1956 have been complied with regarding creation of charge?		
	Conclusion:		
4 (xx)	Whether the management has disclosed the end use of money raised by public issues and the same has been verified.		
(a)	Whether complete disclosure of the end use of money raised by public issues has been made in the Financial Statements? If not, state the fact.		
	Whether the end use of money raised from public issues is capable of being determined? If not state the fact.		
(b)	Whether the end-use of money disclosed in the financial statements by way of a Note is significantly different from the actual end use? If so, state the fact.		
(c)	Examine the various documents submitted to SEBI and also examine the report of board of directors, if available, to find out whether funds raised have been utilized for the purpose for which they were issued.		
(d)	Whether a representation of the government has been obtained as to the completeness of the disclosures with regard to the end-use of money's raised by the public issues?		
(e)	Whether the fund flow statement has been reviewed where one to one correlation is not possible.		

(f)	In case a listed company where the issue size is more than Rs.500 crores ensure monetary agency is appointed Conclusion:		
(g)			
4 (xxi)	Whether any fraud on or by the company has been noticed or reported during the year. If yes, the nature and the amount involved is to be indicated.		
(a)	Has AAS 4 been complied with?		
(b)	Examine the following to ascertain whether any fraud has been reported or noticed by the management? · The reports of the internal Audit · The auditor should enquire from the management about any frauds on or by the company that it has noticed or that have been reported to it. · Discuss the matter with other employees of the company. · Examine the minutes book of the board meeting, audit committee etc., of the company in this regard. Where any fraud on the company or by the company has been noticed or report determine the nature and amount of frauds and disclose the same. Obtain management representation to this effect.		
(c)	Conclusion:		

Discussed with.....

Designation.....

Date.....

Name of the Division:

Name of the Company:

Financial Year:

Assessment Year:

Questionnaire for Internal Controls

S No			Particulars	Reply's of the Company	Remarks of the Auditor
A	PURCHASES AND CREDITORS				
1			Is Purchasing centralised in the Purchase Department?		
2	(a)		Are purchases made only from approved suppliers?		
	(b)		Is a list of approved suppliers maintained for this purpose?		
	(c)		Does the masterlist contain more than one source of supply for all-important materials?		
3			Are the Purchase Orders based on valid purchase requisitions duly signed by persons authorised in this behalf?		
4	(a)		Are purchases made on behalf of employees?		
	(b)		If so, is the same procedure followed as for other purchases?		
5			Is special approval required for :		
	(a)		Purchase from employees, Directors and Companies in which Directors are interested?		
	(b)		Purchases of capital goods?		

	6	Are purchases based on competitive quotations from two or more suppliers?			
	7	Is comparative quotation analysis sheet drawn before purchases are authorised?			
	8	If the lower quotation is not accepted, is the purchase approved by a senior official?			
	9	If the price variation clause is included, is it approved by a senior official?			
	10	Are purchase orders pre-numbered and strict control exercised over unused forms?			
	11	Are purchase orders signed only by employees authorised in this behalf?			
	12	Do purchase orders contain the following minimum information :			
		(a) Name of supplier?			
		(b) Delivery Terms?			
		(c) Quantity?			
		(d) Price?			
		(e) Freight terms?			
		(f) Payment terms?			
		(g) Any extra terms as applicable?			
	13	Is revision of terms of purchase orders duly authorised?			
	14	(a) Are copies of purchase orders and revisions forwarded to accounts and Receiving departments?			
		(b) If 'yes', do the copies show the quantities order?			
		(c) If 'no', is there an adequate procedure for the Receiving Department to be notified to accept deliveries?			

	15	Is a list of pending purchase orders compiled by the Purchase department at least once every quarter?			
	16	Are the materials, supplies, etc., received only in the Receiving Department?			
	17	If they are received directly by the User Department/ Processors/ customers, is there a procedure of obtaining acknowledgement for the quantity received and the condition of the goods?			
	18	Are persons connected with receipt of materials and the keeping of receiving records denied authority to issue purchase orders or to approve invoices?			
	19	Are materials, supplies inspected and counted, weighted or measured in the Receiving Department?			
	20	Are quantities and description checked against purchase order (or other form of notification) and goods inspected for condition?			
	21	(a) Does the Receiving Department deliver or supervise the delivery of each item received to the proper Stores or Department location?			
		(b) Are acknowledgements obtained from suppliers for goods/containers returned to them?			
	22	Are all receipts of materials evidenced by pre-numbered Goods Received Notes?			

	23	Are copies of Goods Received Notes forwarded to Accounts Department and a list of goods received to Purchase Department?			
	24	Are all cases of materials returned shortages and rejections advised to the Accounts Departments, for raising Debit Memos on suppliers or claim bills on carriers/insurance companies, as the case may be?			
	25	Are all debit notes, etc.-			
	(a)	Pre-numbered?			
	(b)	Numerically controlled?			
	(c)	Properly recorded (in the financial accounts or in memorandum registers, as the case may be)?			
	26	(a) Are all suppliers' invoices routed direct to the Accounts Department?			
	(b)	Are they entered in a Bill Register before submitting them to other department for check and/or approval?			
	(c)	Are advance and partial payments entered on the invoices before they are submitted to other department?			
	27	Does the system ensure that all invoices and credit notes received are duly processed?			
	28	In respect of raw materials and supplies, are reconciliation made of quantities an/or values received, as shown by purchase invoices, with receipts into stock records?			

	29	Are duplicate invoices marked immediately on receipt to avoid payment against them?			
	30	If payments are made against duplicate invoices even occasionally, are adequate precautions taken to avoid duplicate payments?			
	31	Does the Accounts Department match the invoices of the suppliers with Goods Received Notes or acknowledgments received as per Q. 17 and purchase orders?			
	32	(a) Are Goods Received Notes and receiving records regularly reviewed for items for which no invoices have been received?			
		(b) Are all such items investigated and is provision made for the liability in respect of such items?			
		(c) Is such review/investigation done by a person independent of those responsible for the receipt and control of goods?			
	33	Do all invoices bear evidence of being checked for prices, freight terms, extensions and additions?			
	34	Is the relative purchase order attached to the invoice for payment?			
	35	Where the client both buys from and sells to a person regularly, is a periodic review made of all amounts due from that person to determine whether any set-off is necessary?			

	36	(a)	Is a special request used for making payments in advance or against documents through Bank?			
		(b)	Thereafter, are the invoices processed in the normal course?			
	37	(a)	Are all advance payments duly authorised by the persons competent to authorise such payment?			
		(b)	Is a list of pending advances made at least every quarter and is a proper follow-up maintained?			
	38		Are all adjustments to creditors' accounts duly approved by those authorised in this behalf?			
	39		Is a list of employees, by designation, with limits of authority in respect of several matters referred to in this section maintained?			
	40		Are all suppliers' statements compared with ledger accounts?			
	41		Is there any follow-up action to investigate differences, if any, between the suppliers' statements and the ledger accounts?			
	42		Is a list of unpaid creditors prepared and reconciled periodically with the General Ledger Control account?			
	43		Is there a system of ensuring that cash discounts are availed of whenever offered?			
B	STOCKS					
	1		Are stocks stored in assigned areas?			
	2		If so, is access to these areas limited?			

	3	Are stops insured against the following risks:			
		(a) Fire?			
		(b) Strike, riot and civil commotion?			
		(c) Flood?			
		(d) Hail damage where applicable?			
	4	If the answer to any of the above is negative, is it due to specific decision taken by a senior official?			
	5	Is a record maintained for the insurance policies?			
	6	Is the record reviewed periodically?			
	7	Is there an official who decides on the value for which the stocks are to be insured?			
	8	Is the adequacy of the insurance cover reviewed periodically?			
	9	Are perpetual stock records kept for:			
		(a) Raw materials?			
		(b) Work-in-progress?			
		(c) Finished goods?			
		(d) Stores?			
	10	Are they periodically reconciled with accounting records?			
	11	Is there a system of perpetual inventory for stocks of:			
		(a) Raw materials?			
		(b) Work-in-progress?			
		(c) Finished goods?			
		(d) Stores?			
	12	Where there is a system of perpetual inventory count:			
		(a) Is there a periodical report of shortages/excess?			
		(b) If so, are these differences investigated?			
		(c) Are these differences adjusted in the stock records and in the financial accounts?			

		(d)	Is written approval obtained from a responsible official to adjust these differences?			
	13		Are there norms for stock levels to be held?			
	14		Is there a periodic reporting of:			
		(a)	Slow-moving items?			
		(b)	Damaged items?			
		(c)	Obsolete items?			
		(d)	Over-stocked items?			
	15		Is there a well-laid out written procedure for inventory count?			
	16	(a)	Are stocks physically verified once in a year?			
		(b)	Is this done by a person independent of persons who are responsible for maintaining these records or the storekeeper?			
		(c)	Are written instructions prepared for guidance of employees engaged in physical stock taking to cover:			
		(i)	Slow-moving items?			
		(ii)	Proper identification and arrangement of stocks?			
		(iii)	Cut-off points of receipts and deliveries?			
		(iv)	Compliance with the conditions warranties in the relative insurance policies?			
	17		Are the physical inventory records, such as tags, cards, tally sheets, under numerical control?			

	18	Are the clerical steps in the preparation of stock sheets checked independently for:			
		(a) Summarisation of quantities?			
		(b) Unit rates?			
		(c) Additions?			
		(d) Extension?			
		(e) Unit Conversions?			
		(f) Summarisation of cards and/or sheets?			
	19	Are the quantities shown in the stock sheets compared with the quantities declared to banks or insurers, where possible?			
	20	If there are significant variations between the actual stocks and book stocks:			
		(a) Are they investigated?			
		(b) Is a recount made where necessary?			
		(c) Is the stock book corrected with proper authority?			
	21	Are the following stocks checked:			
		(1) Physically by the company's staff?			
		(2) With certificates from concerned holders of the stocks?			
		(a) Stock in public warehouses?			
		(b) Stocks with consignees?			
		(c) Stocks with sub-contractors for fabrication, etc.?			
		(d) Stocks with customers, on approval?			
		(e) Stocks I bonded warehouses?			
		(f) Stocks			

				pledged with third parties?			
	22	Is stock on hand relating to third parties?					
	23	Are the procedures relating to record keeping and stock-taking made applicable to third also?					
	24	Are confirmation obtained from the third parties for stocks held on their behalf?					
	25	Are records maintained for:					
		(a)	Scrap available for sale?				
		(b)	By-products?				
		(c)	Returnable containers?				
	26	Is there an adequate recording procedure for:					
		(a)	Stocks with outsiders?				
		(b)	Stocks of outsiders held by the company?				
	27	Is there a system of job/production orders for control of production?					
	28	Does the storekeeper issue raw materials, stores etc., only against Requisition Notes signed by properly authorised officials?					
	29	Does the storekeeper acknowledge in writing the quantity of finished goods received from the Factory?					
	30	Is the stock record periodically checked with such acknowledgments?					
	31	Does the cost system provide for obtaining units or job order costs for:					
		(a)	Work-in-progress?				
		(b)	Finished goods?				
	32	Is the cost system integrated with/or reconciled to General Ledger controls as regards:					

		(i)	Materials?			
		(ii)	Labour?			
		(ii)	Overheads?			
		i)				
	33	Does the cost system provide for detailed units or job order costs in terms of:				
		(i)	Raw Materials costs?			
		(ii)	Direct labour?			
		(ii)	Overheads?			
		i)				
		(iv)	Physical quantities?			
		(v)	Unit rates?			
	34	Are similar records kept for service departments also?				
	35	Are Overhead rates:				
		(a)	Reviewed periodically by designated employees?			
		(b)	Adjusted in the light of current experience?			
	36	Are separate control accounts maintained for stock of:				
		(a)	Work-in-progress?			
		(b)	Finished goods?			
	37	In a job order industry, are the estimates of costs compared with actual costs?				
	38	If standard cost system exists:				
		(i)	Are variances investigated?			
		(ii)	Are standards reviewed periodically?			
	C	FIXED ASSETS				
		Purchases and Disposals				
	1	Are budgets for capital expenditure approved by the Board?				
	2	Are approved budgets communicated in writing to:				
		(a)	Purchase Department?			
		(b)	Accounts Department?			

		(c)	Department originating the request.			
	3		Are written authorisations required for incurring capital expenditure for items included in the budget.			
	4		Is the authority to incur capital expenditure restricted to specific officials?			
	5		Are purchases of capital items subject to same controls as are applicable to purchase of raw materials, stores etc.,			
	6		Are receipts of capital items subject to same procedures as applicable to raw materials, stores, etc.?			
	7		Is there proper check to see that amounts expended do not exceed the amount authorised?			
	8		Is supplemental authorisation required for excess expenditures?			
	9		Is there an established procedure for moving plant and machinery from the location to another?			
	10	(i)	Is written authority required for:			
			(a) Scrapping fixed assets?			
			(b) Selling fixed assets?			
		(ii)	Is the authority to permit scrapping /selling of fixed assets restricted to specified officials			
		(ii i)	Are limits specified in this regard?			
		(iv)	Are sales of fixed assets subject to same procedures as are applicable to sales of finished goods?			
	11		Are reports issued promptly in respect of:			
		(a)	Units sold?			

		(b)	Units scrapped?			
		(c)	Units moved from one location to another?			
		Records:				
			Are fixed assets under construction:			
	12	(a)	Subject to separate control account in General Ledger?			
		(b)	Controlled by job number?			
	13	Is expenditure on wages, materials and stores charged to capital account on reasonable basis?				
	14	Is there any official responsible for ensuring that allocation of expenditure between capital and revenue is in accordance with the company's accounting policy?				
	15	Is a register of all fixed assets (including fully depreciated assets) maintained?				
	16	Is the register regularly written up throughout the year?				
	17	Is the register periodically tallied with the financial accounts?				
	18	Is the following information available, in the register?				
		(a)	Supplier's name			
		(b)	Date of purchase.			
		(c)	Cost (including additions, improvements, exchange rate adjustments etc.)			
		(d)	Location and identification number			
		(e)	Rate of depreciation and estimate life			
		(f)	Accumulated depreciation			
		(g)	Estimated salvage value			

	19	Is a record maintained of equipment used by the company, but owned by others?			
	20	Is a record maintained of equipment used by the company, but owned by others?			
	21	Is the register of patents or trademarks maintained up-to-date?			
	22	Are title deeds of properties kept in safe place?			
	23	If they are lodged as security, are certificates obtained to that effect periodically?			
	24	Are registration books of vehicles periodically verified?			
	Verification:				
	25	Are fixed assets verified periodically?			
	26	Is there a written procedure for such verification?			
	27	Does the procedure provide for verification / confirmation of fixed assets with third parties?			
	28	Does the procedure provide for verification of compliance with the warranties and conditions in the relevant insurance policies?			
	29	Are reports prepared on such verification?			
	30	Do such reports indicate damaged / obsolete items of fixed assets?			
	31	(a) Are discrepancies disclosed by such reports investigated?			
		(b) Are the records and financial accounts corrected, with proper authority?			

	32	Are damaged / obsolete items disclosed by such reports, removed from the records and financial accounts with proper authority?			
	Moulds, Patterns, Jigs. Fixtures, Tools etc.				
	33	Is there satisfactory control over the acquisition and write-off of such items?			
	34	Are there physical safeguards against theft or loss of tools and other movable equipment?			
	35	Are records maintained for?			
	(a)	Items treated as stock?			
	(b)	Items treated as fixed assets?			
	36	(i) Are the following risks covered in respect of buildings and machinery:			
		(a) Fire			
		(b) Strike, riot and civil commotion			
		(c) Flood			
		(d) Earthquake			
		(e) Nuclear risks			
		(f) Malicious damage			
		(g) War risks			
	37	Is there an adequate procedure to ensure that assets acquired between two renewal dates are also covered by insurance?			
	38	Is there an official who decides on the value for which policies are taken?			
	39	Are the fixed assets insured at re-instatement basis?			
	40	Does the official who decides on the value for which policies are taken, review periodically the adequacy of the insurance cover?			

	41	(i)	Is there loss-of-profits insurance cover?			
		(ii)	Is there machinery-breakdown insurance cover?			
		(ii i)	If the answer to (i) or (ii) is negative is it due to a specific decision taken by a senior official?			
D Sales and Debtors						
	1		Are Standard price lists maintained?			
	2		Are prices, which are not based on standard price lists, required to be approved by a senior executive outside the Sales Department?			
	3		Are written orders from customers received in all cases?			
	4		If oral / telephonic orders are received, are they recorded immediately in the client's standard forms?			
	5		Is there a numerical control of all customers' orders?			
	6		Are credit limits fixed in respect of all customers' orders?			
	7		Are these limits approved by an official independent of the sales Department?			
	8		Are credit card limits approved by an official independent of the Sales Department?			
	9		Are credit limits reviewed periodically?			
	10		Is this done by a person independent of the Sales Department?			
	11		If sales to employees are made a confidential prices:			
		(a)	Is there a limit to the value of such sales?			

		(b)	Is there an adequate procedure to see that these limits are not exceeded?			
		(c)	Are the amounts recovered in accordance with the terms of sale?			
	12		Are dispatches of goods authorised only by dispatch Notes / Gate Passes or similar documents?			
	13		Do such dispatch notes / gate passes or similar documents bear preprinted numbers?			
	14		Are they under numerical control?			
	15		Are they prepared by a person independent of:			
		(a)	The sales Department?			
		(b)	The processing of invoices?			
	16		Except when all documents are prepared in one operation, are the dispatch Notes / Gate Passes matched with :			
		(a)	Excise Duty records?			
		(b)	Sales invoices?			
		(c)	Freight payable to carriers (where applicable)			
	17		Are unmatched Dispatch Notes/ Gate Passes reviewed periodically?			
	18		Are the goods actually dispatched checked independently with the dispatch Notes/ Gate Passes reviewed periodically?			
	19		Are acknowledgements obtained from the customers for the goods delivered?			
	20		Are the customers' orders marked for goods delivered?			
	21		Are the customers' orders marked for goods delivered?			

	22	Are credits to customers for shortages, brokerages and losses in transit match with claims lodged against carriers / insurers?			
	23	Are sales invoices pre-numbered?			
	24	Are all invoice numbers accounted for?			
	25	Are invoices checked for:			
		(a) Prices?			
		(b) Calculations (including excise duty and sales tax)?			
		(c) Terms payment?			
	26	Are 'no charge' invoices authorised by a person independent of the custody of goods or cash?			
	27	Are invoices mailed direct to the customers promptly?			
	28	Are credits customers for remittances posted only from the entries in the cash book (or equivalent record)?			
	29	Does Cashier notify immediately :			
		(a) Sales Department			
		(b) Debtors' Ledger Section and			
		(c) Credit Controller:			
		(i) Of all dishnoured cheques or other negotiable instruments?			
		(ii) Of all documents sent through bank but not returned by the customers?			
	30	Is immediate follow-up action taken on such notification?			
	31	Are bills of exchange (or other negotiable instruments) accepted by customers recorded?			

	32	Are bills of exchange, etc., as per such record periodically verified with the bills on hand?			
	33	(a) Is a record of customers' claims maintained?			
		(b) Are such claims properly dealt with in the accounts?			
	34	Does the receiving department count, weigh or measure the goods returned by the customers?			
	35	Does the receiving department record them on sales Returns Note?			
	36	Are copies of sales Returns Notes sent to:			
		(a) Customers?			
		(b) Sales department?			
		(c) Debtors' Ledger Section?			
	37	Are the returned goods taken into stock immediately?			
	38	Is a credit Note issued to a customer for the goods returned?			
	39	Are all Credit Notes pre-numbered?			
	40	Are Credit Notes numerically controlled?			
	41	Are Credit Notes authorised by a person independent of:			
		(a) Custody of goods?			
		(b) Cash receipts?			
		(c) Debtor's ledger?			
	42	Are Credit Notes:			
		(a) Compared with sales Returns Notes or other substantiating evidence?			
		(b) Checked for prices?			
		(c) Checked for calculations?			
	43	Are corresponding recoveries of sales commissions made when Credit Notes are issued to customers?			

	44	Are units of sales (as per sales invoices) correlated and reconciled with the purchases (or production) and stocks on hand?			
	45	Is the Sales Ledger balanced periodically and tallied with the General Ledger Control account?			
	46	Are ageing schedules prepared periodically?			
	47	Are they reviewed by a responsible person?			
	48	Are statements of accounts regularly sent to all customers?			
	49	Are the statements checked with the Debtors' Ledger before they are issued?			
	50	Are the statements mailed by a person independent of the ledger-keeper?			
	51	Are confirmations of balances obtained periodically?			
	52	Are the confirmations verified by a person independent of the ledger-keeper and the person preparing the statement?			
	53	Is special approval required for:			
		(a) Payment of customers' credits balances?			
		(b) Writing off bad debts?			
	54	Is any accounting control kept for bad debts written off?			
	55	Is any accounting control kept for recovering amounts written off?			
	56	In the case of export sales:			
		(a) Is a record maintained of import entitlements due?			
		(b) Does the record cover the utilisation / disposal of such entitlements?			

		(c)	Is there a procedure to ensure that claims for incentives etc., receivable are made in time?			
	57		Are sales of scrap and wastage subject to the same procedures and controls as sales of finished goods?			