INTERNAL CONTROL QUESTIONNAIRE

I. INTRODUCTION

The modern trend in auditing is for the auditor to appraise the internal control in force, before planning his detailed audit programme.

The American Institute of Certified Public Accountants has defined 'internal control' as follows:-

'Internal control comprises the plan of organisation and all of the co-ordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies".

The same Institute has listed the characteristics of internal control as follows:-

1. "A plan of organisation, which provides appropriate segregation of functional responsibilities.

2. A system of authorisation and record procedures adequate to provide reasonable accounting control over assets, liabilities, revenues and expenses.

3. Sound practices to be followed in performance of duties and functions of each of the organizational departments.

4. Personnel of a quality commensurate with responsibilities."

The Institute of Chartered Accountants in England & Wales also has come out with statements to the same effect.

By evaluating the internal control system, the auditor can restrict his detailed checking in areas where the internal control is satisfactory, and extend his checking in areas where the internal control is weak. This results in a reduction in the time and cost of conducting an audit while, at the same time, increasing the effectiveness of the audit, which will benefit both the auditor and the client.

Internal control may be evaluated, by using three different forms of appraisal; appraisal by workflow, appraisal by duties and appraisal by questionnaire. Use of any one of the three techniques does not preclude the use of the others.

In this booklet, a specimen Internal Control Questionnaire is presented. The questions are so framed that most of them can be answered "Yes" or "No" or "Not applicable". Affirmative answers indicate good internal control while negative answers indicate weaknesses. Where necessary, suitable explanatory notes may be added, and space is provided for this purpose. The controls implied in this Questionnaire may not apply to all organisations. For example, accounting control over purchases may begin with purchase orders or goods received notes or suppliers' invoices. Similarly, accounting control over sales may begin with sales orders or dispatch advices or sales invoices. The method of doing business and the volume of transactions will govern the controls to be applied and their timing. Again, the questions included in this booklet are applicable, mostly to manufacturing companies. Therefore, the questionnaire will have to be modified to suit individual circumstances, but it is hoped that, the required modifications will be few.

The Questionnaire is to be filled up by the auditor on the basis of observations and personal interviews with the clients' staff. He may check at random a few transactions (say 10 or 15 of each type), to test the accuracy of the answers to the questions and correct them, if necessary. The auditor then should review the Internal Control Questionnaire, and discuss with the client all the negative answer, in order to determine what additional steps he should take, to enable him to express and opinion on the accounts. Opportunity may also be taken to suggest improvements in procedures.

A complete evaluation of the internal control system should be done at regular intervals, say once every three or five years. At the time of every annual audit during the intervening period, the Internal Control Questionnaire should be reviewed with the client, to note any major changes in the control procedures that may have a bearing on the extent of audit work.

An Internal Control Questionnaire, covering various aspects of a business is necessarily long; but the time invested in completing the Questionnaire will be apply justified by the reduced time spent in detailed checking and the improved quality of audit.

II. GENERAL

Sr. No.	Particulars	Yes	No	N.A.	Ex. N
(1)	Is an organisation chart readily available?				
(2)	If not, have you prepared an organisation chart on the basis of the discussion with senior officials?				
(3)	Does the organisation chart show a clear definition and allocation of duties and responsibilities of officials and employees?				
(4)	Is there an effective plan of rotation of employees' duties?				
(5)	Is an accounting manual in use?				
	Note: Circulars and instructions which fulfil the same purpose may be regarded as an accounting manual, for the purpose of this questionnaire.				
(6)	Is a chart of accounts in use?				
(7)	Are the accounts coded?				
(8)	Have you taken a copy of the chart of accounts and code nos. for the audit file?				

(9)	Are the chart of accounts and accounting manual periodically reviewed and amended?					
(10)	Does the chart of accounts /accounting manual clearly define the items to be recorded in the various accounts?					
(11)	(a)	Have you obtained a list of the principal books of account and equivalent accounting records maintained, showing the names of the persons responsible for the same?				
	(b)	Is the client required by law to maintain cost accounting records?				
(12)	(a)	Are the accounting records kept upto date?				
	(b)	Are they balanced monthly?				
	(c)	Are control accounts kept in the General Ledger in respect of all transactions where the volume justifies it ?				
	(d)	Are the subsidiary records reconciled with the respective control accounts periodically?				
(13)	Have you obtained (either from the accounting manual or its equivalent or by discussions with senior officials), a statement of the major accounting policies adopted by the client?					

(14)	Are those accounting policies in conformity with the Institute's and IASC's statements?					
(15)	(a)	Is there a system of budgetary control?				
	(b)	Does the budget cover all aspects of the client's business?				
(16)	(a)	Is there a system of internal management reporting?				
	(b)	Do such reports bring to the Management's attention any abnormal financial results?				
(17)	Is there an internal audit system in force?					
(18)	Is the Internal Auditor independent of accounting functions?					
(19)	Does the Internal Auditor report to the Chief Executive?					
(20)	Are you satisfied with the scope of the internal audit?					
(21)	(a)	Is the Internal Audit Department adequately staffed?				
	(b)	Are you satisfied with the caliber of the Internal Audit staff?				
(22)	Does the Internal Auditor follow written programmes?					
(23)	Have you make notes of the defects, if any, pointed out by the Internal Auditor?					
(24)	Are proper follow up actions taken on the Internal Auditor's report?					

(25)	Are the Purchase and Sales Departments and Branches furnished with upto date lists of Directors and Companies etc., in which they are interested?				

III. PETTY CASH

Sr. No.	Particulars		Yes	No	N.A.	Ex. N
(1)	Is petty cash maintained on					
	(i)	Imprest basis?				
	(ii)	Limited to a reasonable amount?				
(2)	Is it handled by only one person whose duties are divorced from other entries of cash receipts and disbursements?					
(3)	Is the petty cashier directly responsible for petty cash balance?					
(4)	Is petty cash not mingled with cash from other sources (i.e. cash receipts unpaid salary, etc.)?					
(5)	Is it physically verified periodically by a senior officer not connected with the custody or recording of such cash transactions?					
(6)	Do vouchers support all payments?					
(7)	Are such vouchers cancelled upon reimbursement to prevent re-use?					
(8)	Are such payments duly authorised /approved?					

(9)	Are reimbursement cheques drawn only in favour of the petty cashier (custodian)?					
(10)	(a)	Is prior approval of a responsible official required for paying cash against employee's cheques?				
	(b)	Are these cheques banked promptly?				
(11)	Are I.O.Us prohibited?					
(12)	Are stamps, money order forms, Hundi papers, etc., reimbursed on imprest basis?					
(13)	Is a franking machine in use?					

IV. CASH AND BANK

Receipts

Sr. No.	Particulars	Yes	No	N.A.	Ex. N
(1)	Is inward mail opened by persons not connected with handling cash or the Accounts Department ?				
(2)	Is the inward mail date-stamped ?				
(3)	Is there a detailed record of receipts prepared ?				
(4)	Are all cheques specially crossed by employees opening mail ?				
(5)	Are bank deposits prepared and made by some one other than those responsible for cash receipts and/or personal ledger ?				
(6)	Are duplicate (or counterfoils of) receipted deposit slips received from the bank ?				
(7)	Is there any comparison of items listed on the duplicate (or counterfoils of deposit slips with the amounts of cheques recorded in the cash receipts records ?				
(8)	Are receipts given for over-the-counter collections?				
(9)	Is there reconciliation of such proofs of collection with amounts banked ?				

(10)	Are collections of branch offices and sales offices deposited in special bank accounts, subject to withdrawal only by the Head Office ?					
(11)	If collections are made by representatives of the company in cash, have serially numbered receipts been issued to them ?					
(12)	Are such collections promptly received and banked ?					
(13)	(a)	serially numbered ?				
	(b)	kept in safe custody ?				
	(c)	controlled by register ?				
	(d)	unused stocks checked regularly ?				
	(e)	made out by one employee and dispatched by another ?				
	(f)	accounted for, including those cancelled ?				
(14)	If post-dated cheques are received, are they held in safe custody until deposited ?					
(15)	Are such cheques entered in a separate register ?					
(16)	Is the opening of bank accounts authorised by the Board of Directors ?					
(17)	Are sundry items, such as, dividends, interest, rent, commissions, etc. regularly checked by responsible official to satisfy that correct amounts are received ?					

(18)	Is the cash balance verified frequently ?				

Payments

Sr. No.	Particulars	Yes	No	N.A.	Ex. N
(1)	Does the company's policy prohibit disbursements directly from cash receipts ?				
(2)	Are all disbursements made by cheques?				
(3)	Are the names of officials and the limits upto which they are authorised to sign cheques, specified ?				
(4)	Are all cheques payable 'to order' and crossed 'Account Payee only', except cheques for salaries and wages and petty cash ?				
(5)	Are cheque protectors used?				
(6)	Are unused cheques under proper physical control?				
(7)	Are cancelled cheques mutilated and preserved ?				
(8)	Is the practice of signing cheques in blank prohibited ?				
(9)	Are payments made only against original invoices (or equivalent documents)?				
(10)	Do vouchers when presented for signature accompany cheques?				

(11)	Do vouchers contain evidence of examination by persons signing cheques and/or those authorizing vouchers for payment?				
(12)	Is the accounting distribution on the voucher checked at the time of payment?				
(13)	Are all supporting documents properly defaced and identified by cheque number at the time of signature ?				
(14)	Is there a method to check if cheques are dispatched immediately?				
(15)	Are remittances by bank transfers, (e.g. TTs, MTs, standing instructions), subject to the same controls as cheque payments ?				
(16)	Is there proper procedure for transfer between various bank accounts?				
(17)	When "stop-payment" instructions are issued, are the original entries reversed immediately?				
(18)	'Is there a schedule of dates in each month for the recurring payments such as P.F., Tax deducted at source, Telephone bills, Electricity bills, etc.?				
(19)	In respect of bills accepted:				

	(a)	Is there a record of such bills?				
	(b)	Are they signed by officials authorised to do so ?				
(20)	Are bank loans or overdrafts (including temporary overdrafts) arranged only by officials authorised by the Board?					
(21)	Are letters of credit opened only by authorised officials?					
(22)	Are requests for issue of guarantees made only by authorised officials ?					
(23)	Is there an effective system in force for following up receipts from payees and filing complete vouchers ?					

V. BANK BALANCES

Sr. No.	Particulars		Yes	No	N.A.	Ex. N
(1)	Are bank statements opened by a person other than the person signing cheques, recording cash and receiving or disbursing amounts?					
(2)	Is Bank reconciliation statement drawn by a person independent of cash receipt and disbursement function?					
(3)	Does the reconciler compare each item in the deposit and withdrawal columns of the bank statement with amount deposited or withdrawn as shown by the cash records both as regards date and amount?					
(4)	Is there a periodic follow up of old					
	(i)	outstanding deposits ?				
	(ii)	outstanding payments ?				
	(iii)	outstanding stop payment advices ?				
(5)	Does the reconciler check the total of the debits and credits in the bank statement with that of the cash book for that period ?					

(6)	Are the items under reconciliation reviewed by a responsible official promptly or upon completion ?				
(7)	Are confirmations of balances obtained periodically in respect of all bank balances and compared with the bank statements ?				
(8)	Is there a periodic review of balances held as security for Letters of Credit, Guarantees, etc., to ensure the need for their continuance ?				
(9)	Are Fixed Deposit Receipts held in safe custody?				
(10)	Is there a register of Fixed Deposits showing maturity dates, rates of interest and dates for payment of interest?				
(11)	Is there a follow-up system to ensure that interest on Fixed Deposits is received on due dates?				
(12)	Is a Certificate obtained from the bank for Deposit Receipts lodged as security?				

VI. PURCHASES, RECEIPT OF GOODS AND PAYMENTS FOR INVOICES

Sr. No.	Particulars		Yes	No	N.A.	Ex. N
(1)	Is purchasing centralized in the Purchase Department ?					
(2)	Are the following within the scope of the Purchase Department:					
	(a)	Office supplies (Stationery) ?				
	(b)	Advertising ?				
	(c)	Services (maintenance of airconditioners, typewriters, travel, etc.)				
(3)	(a)	Are purchases made only from approved suppliers ?				
	(b)	Is a list of approved suppliers maintained for this purpose ?				
	(c)	Does the master list contain more than one source of supply for all important materials ?				
(4)	Are the Purchase Orders based on valid purchase requisitions duly signed by persons authorised in this behalf ?					
(5)	(a)	Are Purchases on behalf of employees Prohibited ?				
	(b)	If not, is the same procedure followed as for other purchases ?				

(6)	Is special approval required for :						
	(a)	Purchase from employees, Directors and Companies in which Directors are interested?					
	(b)	Purchases of capital goods?					
(7)	Are purchases based on competitive quotations from two or more suppliers?						
(8)	Is comparative quotation analysis sheet drawn before purchases are authorised?						
(9)	Are purchase orders pre-numbered and strict control exercised over unused forms?						
(10)	Are purchase orders signed only by employees authorised in this behalf?						
	(i)	Do purchase orders contain the following minimum information:					
		(a)	Name of suppliers?				
		(b)	Delivery terms?				
		(c)	Quantity?				
		(d)	Price?				
		(e)	Freight terms?				
		(f)	Payment terms?				

		(g)	Any extra applicable?				
	(ii)	Is the price filled in all cases?					
(12)	Is revision of terms of purchase orders duly authorised?						
(13)	(a)	Are copies of purchase orders and revisions forwarded to Accounts and Receiving Departments?					
	(b)	If ‘yes’ do the copies show the quantities ordered?					
	(c)	If ‘no’ is there an adequate procedure for the Receiving Department to be notified to accept deliveries?					
(14)	Is a list of pending purchase orders complied by the Purchase Department at least once every quarter?						
(15)	Are all materials, supplies, etc., received only in the Receiving Department?						
(16)	If they are received directly by User Departments | Processors| Customers, is there a procedure of obtaining acknowledgements for the quantity received and the condition of the goods?						
(17)	Are persons connected with receipt of materials and the keeping of receiving records denied authority to initiate purchases or to approve invoices?						

(18)	Are materials, supplies, etc. inspected and counted, weighed or measured in the Receiving Department?					
(19)	Are quantities and description checked against purchase order (or other form of notification) and goods inspected for condition?					
(20)	(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?				
(21)	Are all receipts of materials evidenced by pre-numbered Goods Received Notes?					
(22)	Are copies of Goods Received Notes forwarded to Accounts Department and a list of Goods Received to purchase department?					
(23)	Are all cases of materials returned, shortages and rejections advised to the Accounts Department, for raising Debit Memos on suppliers or claim bills on carriers | insurance companies, as the case may be?					
(24)	(a)	Are all suppliers' invoices routed direct to the Accounts				

		Department?				
	(b)	Are they entered in a Bill Register before submitting them to other departments for check and / or approval?				
	(c)	Are advance and partial payments entered on the invoices before they are submitted to other departments?				
(25)	Does the system ensure that all invoices and credit notes received are duly processed?					
(26)	In respect of raw materials and supplies, are Reconciliations made of quantities and /or values received, as shown by purchase invoices, with receipts into stock records?					
(27)	Are duplicate invoices marked immediately on receipt to avoid payment against them?					
(28)	Does the Accounts Department match the invoices of suppliers with Goods Received Notes or acknowledgements received as per Q. 16 and purchase orders?					
(29)	(a)	Are Goods Received Notes and receiving records regularly reviewed for items for which no invoices have been received?				
	(b)	Are any 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?				
(30)	Do all invoices bear evidence of being checked for prices, freight terms, extensions and additions?					
(31)	(a)	Is the relative purchase order attached to the invoice for payment?				
	(b)	Does the invoice bear cancellation to avoid double payment?				
(32)	Are accounting distributions on an invoice checked before payment?					
(33)	(a)	Is a special form of request used for making payments in advance or against documents through Bank?				
	(b)	Thereafter, are the invoices processed in the normal course?				
(34)	(a)	Are all advance payments duly authorised by 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?				

(35)	Does the payment routine provide for cheques being marked out without returning to the person who prepared the cheques?				
(36)	Are all adjustments to creditors' accounts duly approved by those authorised in this behalf?				
(37)	Is a list of employees by designation with limits of authority in respect of several matters referred to in this section maintained?				
(38)	Are all suppliers' statements compared with ledger accounts?				
(39)	Is there any follow up action to investigate differences, if any, between the suppliers' statements and the ledger accounts?				
(40)	Is a list of unpaid creditors prepared and reconciled periodically with the General Ledger Control account?				
(41)	Is there a system of ensuring that cash discounts are availed of, whenever offered?				

VII. SALES AND DEBTORS

Sr. No.	Particulars	Yes	No	N.A.	Ex. N
(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 individual customers?				
(7)	Are these limits approved by an official independent of the Sales Department?				
(8)	Are credit limits reviewed periodically?				
(9)	Are customers' credit limits checked before orders are accepted?				
(10)	Is this done by a person independent of the Sales Department?				
(11)	Is special approval required for sales to employees, Directors and Companies in which Directors are interested?				

(12)	Are sales to Directors/Companies in which Directors are interested					
	(a)	Reported to the Board?				
	(b)	Recorded in the 'Register of Contracts' in which Directors are interested?				
(13)	If sales to employees are made at concessional price,					
	(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?				
(14)	Are dispatches of goods authorised only by Dispatch Notes/Gate Passes or similar documents?					
(15)	Do such Dispatch Notes/Gate Passes or similar documents bear pre-printed numbers?					
(16)	Are they under numerical control?					
(17)	Are they prepared by a person independent of					
	(a)	The Sales Department?				
	(b)	The processing of invoices?				
(18)	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) ?				
(19)	Are unmatched Dispatch Notes/Gate Passes reviewed periodically?					
(20)	Are the goods actually dispatched checked independently with the Dispatch Notes |Gate Passes and Customers' Orders?					
(21)	Are acknowledgements obtained from the customers for the goods delivered?					
(22)	Are the customers' orders marked for goods delivered?					
(23)	Are shortages in goods delivered to the Customers investigated?					
(24)	Are credits to customers for shortages, breakages & losses in transit matched with claims lodged against carriers/insurers?					
(25)	Are sales invoices pre-numbered?					
(26)	Are all invoice numbers accounted for?					
(27)	Are invoices checked for					
	(a)	Prices?				
	(b)	Calculations (including excise duty and sales tax)?				
	(c)	Terms of payment?				

(28)	Are 'no charge' invoices authorised by a person independent of the custody of goods or cash?							
(29)	Are invoices mailed direct to the customers?							
(30)	Are credits to customers for remittances posted only from the entries in the cash book (or equivalent record)?							
(31)	Does cashier notify immediately							
	(a)	Sales Department,						
	(b)	Debtors' Ledger Section						
and	(c)	Credit Controller -						
		(i)	Of all dishonored cheques?					
		(ii)	Of all documents sent through bank but not retired by the customers?					
(32)	Is immediate follow up action taken on such notification?							
(33)	Are bills of exchange (or other negotiable instruments) accepted by customers recorded?							
(34)	Are the bills of exchange, etc., as per such record periodically verified with the bills on hand?							
(35)	Does the Receiving Department count, weigh or measure the goods returned by customers?							

(36)	Does the Receiving Department record them on a Sales Returns Note?					
(37)	Are copies of Sales Returns Notes sent to					
	(a)	Customer?				
	(b)	Sales Department?				
	(c)	Debtors Ledger Section?				
(38)	Are the returned goods taken into stock immediately?					
(39)	Is a Credit Note issued to the customer for the goods returned?					
(40)	Are all Credit Notes pre-numbered?					
(41)	Are Credit Notes numerically controlled?					
(42)	Are Credit Notes authorised by a person independent of					
	(a)	Customer?				
	(b)	Sales Department?				
	(c)	Debtors Ledger Section?				
(43)	Are Credit Notes					
	(a)	Compared with Sales Returns Notes or other substantiating evidence?				
	(b)	Checked by prices?				
	(c)	Checked for calculations?				

(44)	Are corresponding recoveries of sales commissions made, when credit notes are issued to customers?						
(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)	Is special approval required for						
	(a)	Payment of customers' credit balances?					
	(b)	Writing off bad debts?					
(53)	Is any accounting control kept for bad debts written off?						
(54)	Is any follow up action taken for recovering the amounts written off?						

(55)	Are units of sales (as per sales invoices) correlated and reconciled with the purchase (or production) and stocks on hand?					
(56)	In the case of export sales,					
	(a)	Is a record maintained of import entitlements due?				
	(b)	Does the record cover the utilization/disposal of such entitlements?				
(57)	Are sales of scrap and wastage subject to the same procedures and controls as sales of finished goods?					

VIII. STOCKS

Sr. No.	Particulars		Yes	No	N.A	Ex.N.
(1)	Are stocks stored in assigned areas?					
(2)	If so, is access to these areas limited?					
(3)	Are stocks insured against the following risks:					
	(a)	Fire?				
	(b)	Strike, riot and civil commotion?				
	(c)	Flood?				
(4)	If the answer to any of the above is negative, is it due to a 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)	Are stocks insured on reinstatement basis?					
(9)	Is the adequacy of the insurance cover reviewed periodically?					
(10)	Are perpetual stock records kept for:					
	(a)	Raw materials?				

	(b)	Work-in-progress?				
	(c)	Finished goods?				
	(d)	Stores?				
(11)	Are they periodically reconciled with accounting records?					
(12)	Is there a system of perpetual inventory for stocks of:					
	(a)	Raw materials?				
	(b)	Work-in-progress?				
	(c)	Finished goods?				
	(d)	Stores?				
(13)	Where there is a system of perpetual inventory taking:					
	(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?				
(14)	Are there norms for stock levels to be held?					
(15)	Is there a periodic reporting of:					
	(a)	Slow moving items?				
	(b)	Damaged items?				

	(c)	Obsolete items?				
	(d)	Over-stock items?				
(16)	Is there a well laid out written procedure for inventory taking?					
(17)	(a)	Are stocks physically verified at least 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) proper identification and arrangement of Stocks?				
		(ii) Cut-off points of receipts and deliveries?				
		(iii) Recording of the condition of the stocks?				
		(iv) Compliance with the conditions / warranties in the relative insurance policies?				
(18)	Are the physical inventory records, such as, tags, cards, tally sheets, under numerical control?					
(19)	Are the clerical steps in the preparation of stock sheets checked independently for:					
	(i)	Summarization of quantities?				
	(ii)	Unit rates?				

	(iii)	Additions?				
	(iv)	Extensions?				
	(v)	Unit conversions?				
	(vi)	Summarization of cards and/or sheets?				
(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 book stock corrected with proper authority?				
(21)	Are the following stocks checked:					
	(i)	Physically by the Company's staff?				
	(ii)	With certificates from concerned holders of the stocks?				
		(a) Stocks in Public warehouses?				
		(b) Stocks with consignees?				
		(c) Stocks with sub-contractors for Fabrication, etc.?				
		(d) Stocks with customers, on approval?				

IX. FIXED ASSETS

Sr. No.	Particulars		Yes	No	N.A	Ex.N.
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 specified officials?					
(5)	Are purchases of capital items subject to same controls as applicable to purchases 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 authorized?					
(8)	Are supplemental authorisations required for excess expenditures?					

(9)	Is there an established procedure for moving plant and machinery from one 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?				
	(iii)	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:

Sr. No.	Particulars		Yes	No	N.A	Ex.N.
(12)	Are fixed assets under construction					
	(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				

	(d)	Location and identification number				
	(e)	Rate of depreciation and estimated 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 the register of patents or trade marks maintained up-to-date?					
(21)	Is there a list of title deeds for the landed properties and buildings?					
(22)	Are title deeds of properties kept in a safe place?					
(23)	If they are lodged as security, are certificates obtained to that effect periodically?					
(24)	Are registration books of vehicles kept in safe place?					

Verification:

Sr. No.	**Particulars**	**Yes**	**No**	**N.A**	**Ex.N.**
(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?					

Loose Tools, etc.:

(33)	Is there satisfactory control over the acquisition and write-off of small tools?				
(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?				

Insurance:

(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				
	(ii)	If the answer to any of the above is negative, is it due to a specific decision taken by a senior official?				
(37)	Is there an adequate procedure to ensure that assets acquired during a period 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 on reinstatement basis?					

(40)	Does the official, who decides on the value for which policies are taken, review periodically the adequacy of the insurance cover?				

X. INVESTMENTS

Sr. No.	Particulars		Yes	No	N.A	Ex.N.
(1)	Is an investment register kept, showing					
	(a)	the nature and description of the investments?				
	(b)	in the case of investments in companies, the name of company in which the investment has been made?				
	(c)	Certificate numbers?				
	(d)	Distinctive numbers?				
	(e)	Amounts paid up and face value?				
	(f)	The names in which the investments have been made?				
	(g)	Due dates for receipt of interest?				
	(h)	Dates on which dividends are ordinarily received?				
	(i)	Maturity dates?				
(2)	Are the scrips etc. kept by independent custodian with adequate security arrangements?					
(3)	Are the scrips etc. periodically physically verified with the Register?					

(4)	Is there a periodic review to ensure that all investment income is received when due?				
(5)	Are transactions in investments authorized by the Board or a person to whom powers have been delegated under section 292 of the Companies Act?				
(6)	Is a proper record made of all bonus issues, sub-divisions of shares, entitlements to rights, etc.?				

XI. SHARE CAPITAL

Sr. No.	Particulars		Yes	No	N.A	Ex.N.
(1)	Does the company have its own share department?					
(2)	Are all share certificates signed manually by all the persons authorized to sign them?					
(3)	If any signature on a share certificate is affixed by mechanical means, are the plates or other devices kept under the control of a person other than the one who signs the certificates manually?					
(4)	Is there a record of					
	(a)	Duplicate share certificates issued?				
	(b)	Split share certificates issued?				
	(c)	certified transfer deeds issued?				
	(d)	New share certificates issued in lieu of damaged certificates?				
(5)	Are the old share certificates marked cancelled, after new or split certificates are issued?					
(6)	Is there a Register of share transfers / transmissions lodged?					

(7)	Are transfer deeds individually numbered on receipt?						
(8)	Are the transfer deeds entered in the Register immediately on receipt?						
(9)	Are transferors notified immediately on receipt of the transfer deeds?						
(10)	Is the share transfer/transmission register verified by an authorized officer, before the share transfers / transmissions are placed before the Board / Committee for approval?						
(11)	Is the share transfer / transmission Register signed by the Chairman of the Committee / Board, in token of approval of the transfers / transmissions?						
(12)	Are the entries in the Share Ledgers initialed by an authorized officer?						
(13)	Is the Share Ledger balanced and tallied with the financial ledger?						
	(a)	When filing the Annual Return with the Registrar of Companies?					
	(b)	When preparing dividend lists?					
	(c)	On any other occasion?					
(14)	Does the schedule of balances under item (13) show separately						

	(a)	Amount paid up on each share?				
	(b)	Amount of calls in arrears?				
	(c)	Amount of calls in advance?				
(15)	Is the printing of share certificates authorized by the Board?					
(16)	Are the share certificates numbered at the time of printing?					
(17)	Are the dies, blocks etc., used for printing the share certificates, kept in safe custody?					
(18)	(a)	Are unused share certificates kept in safe custody by an authorized officer?				
	(b)	Is a record kept of the stock of unused share certificates?				
	(c)	Are the stocks of such unused share certificates verified by an authorized officer and tallied with the Stock Register?				
(19)	Are dividend mandates					
	(a)	Scrutinised?				
	(b)	Filed in sequence and cross-referenced to the Share Ledger?				
(20)	If dividend warrants are pre-signed,					
	(a)	Is a certificate obtained from the printers regarding the				

		number of warrants?				
	(b)	is a reconciliation prepared of the number of warrants used and the spare warrants?				
	(c)	are unused warrants marked to prevent unauthorized use?				
(21)	(a)	Is the dividend list checked by a person other than the one who prepared it?				
	(b)	Is the dividend list compared with the dividend warrants?				
	(c)	Is a separate bank account kept for dividends?				
	(d)	Are the paid warrants returned by the Bank?				
	(e)	Is a schedule of unpaid dividends taken and tallied with the balance in the Dividend Bank account?				
(22)	Is revalidation of stale dividend warrants prohibited, and are fresh cheques issued in lieu of stale dividend warrants surrendered?					
(23)	Powers of Attorney:					
	(a)	Are they entered in a separate register?				
	(b)	Are copies kept?				
	(c)	Are specimen signatures of the power of attorney				

		holders obtained and kept on file?				
(24)	Does the company use the services of a Share Transfer Agent or Registrar?					
(25)	If so, does the company obtain annually a certificate from the Registrar to the effect that all the controls mentioned above are in operation?					

XII. SALARIES, WAGES AND RELATED MATTERS

Sr. No.	Particulars		Yes	No	N.A	Ex.N.
(1)	Are there approved scales of pay?					
(2)	Are there approved schemes for benefits to employees? (e.g., pension, gratuity, medical reimbursements, etc.)					
(3)	Are the following approved by a competent official?					
	(a)	Employment of an individual?				
	(b)	Fixing his starting pay in the company's scales of pay?				
(4)	Are such written authorities communicated to Accounts Department?					
(5)	Are there written authorities from competent officials for:					
	(a)	General increase in pay?				
	(b)	Individual increase in pay?				
	(c)	Advances of wages?				
	(d)	Leave availed?				
	(e)	Leave encashment?				
	(f)	Holiday pay?				
	(g)	Reimbursement of medical and other expenses in				

		accordance with the company's scheme?				
	(h)	Bonus?				
	(i)	Gratuity and terminal payments?				
	(j)	Discharges?				
(6)	Are records kept for each employee showing particulars of:					
	(a)	Employment?				
	(b)	Retirement or dismissal?				
	(c)	Rates of pay?				
	(d)	Increments and promotions?				
	(e)	Leave availed/ encashed?				
	(f)	Benefits availed under various schemes?				
	(g)	Specimen signatures?				
(7)	Is there physical control over personnel records?					
(8)	Are identity cards					
	(a)	Issued to all employees at the time of appointment?				
	(b)	Renewed periodically?				
	(c)	got back at the time of ceasing to be in service, and before final payment in made?				
(9)	Are time-keeping and attendance recording functions separated from pay-roll preparation?					

(10)	Is there adequate supervision of employees checking in and out?						
(11)	Is overtime working authorized by a competent official?						
(12)	Does preparation of payroll include						
	(a)	Check of original time records?					
	(b)	Check against employment and rates of pay records?					
	(c)	Check against production cards?					
(13)	Are payrolls checked independently by another person?						
(14)	Is the payroll completed in ink or other permanent form before it is approved for payment?						
(15)	Is approval of the payroll given by an authorized official?						
(16)	Is the gross pay for each wage period reconciled with the corresponding amount for the preceding wage period?						
(17)	Are payroll payments made						
	(a)	In cash?					
	(b)	By cheques or bank transfers?					
(18)	If payment is made in cash, is the net amount withdrawn from the bank?						
(19)	Is the net amount payable sorted and tallied, before payment starts?						

(20)	Are employees identified at the time of payment?						
(21)	Are employees' signatures obtained at the time of payment?						
(22)	Are employees advised of their gross pay, deductions and net pay?						
(23)	Is written authority from an employee required for some one else to collect his wages?						
(24)	Are surprise checks made at the time of wage payment, by a responsible official independent of the wages department?						
(25)	Does the paying official make an immediate record of all unclaimed wages handed to the cashier?						
(26)	Does the obtain an acknowledgement from the cashier?						
(27)	Does a responsible official regularly check the unpaid wages?						
(28)	(a)	Is a separate voucher obtained at the time of disbursing unpaid wages?					
	(b)	Is the payroll cross referenced to such voucher?					
(29)	Are the unpaid wages periodically re-deposited in the bank?						
(30)	Are the deductions from wages properly recorded in control accounts?						
(31)	Is there a proper system for checking the E.S.I. cards periodically against payrolls and salaries record?						

(32)	Is there periodical checking to see that the cards are up-to-date?					
(33)	Is the official responsible for checking independent of					
	(a) Maintaining the cards?					
	(b) control of the stamps/franking machine					
	(c) Maintaining the records relating to direct payments?					

XIII. LOANS AND ADVANCES

Sr. No.	Particulars		Yes	No	N.A	Ex.N.
(1)	Does the Board resolution authorizing the loans specify					
	(a)	The total amount upto which loans may be made?				
	(b)	The purposes for which loans may be made?				
	(c)	Maximum amount of loans which may be made for each such purpose in individual cases?				
	(d)	The terms on which such loans may be granted?				
(2)	Does the resolution specify the persons who are empowered to make loans?					
(3)	Where loans are sanctioned to outsiders, is a formal credit rating carried out?					
(4)	Are all advances to employees under a scheme duly approved by the competent authority?					
(5)	Do letters sanctioning the loan/advances specify					
	(a)	The number and amount of installments payable?				
	(b)	Rates of interest payable?				
(6)	Are all variations in the terms duly approved in writing?					

(7)	Where security is taken against the loans (e.g., H.P. Endorsement for motor car loans), are the form and adequacy of security reviewed by a responsible official?				
(8)	Is there a review to ensure that installments / interest are received on the due dates?				
(9)	Are outstanding balances on loans / advances reviewed with General Ledger periodically?				
(10)	Are confirmations of balances obtained periodically?				
(11)	Is there a procedure to ensure that advances for travel and other expenses are cleared within a reasonable time?				
(12)	Is specific approval of a senior official required for drawing an advance while an earlier advance is outstanding?				

PREPAID EXPENSES

Sr. No.	Particulars	Yes	No	N.A	Ex.N.
(13)	Does the accounting manual specify the expenses which shall be treated as prepaid, taking into account the nature of payments and the materiality?				

(14)	Does the company maintain subsidiary records showing the total amount of prepaid expenses and its distribution over the year?				
(15)	Are such subsidiary records reconciled with the General Ledger periodically?				
(16)	Are the balances in prepaid expense accounts reviewed to ensure that they are properly chargeable to future accounting periods?				
(17)	Is there a system to ensure that refunds due on premature termination of contracts are accounted for?				

CLAIMS AND OTHER RECEIVABLES

(18)	(a)	Is a detailed list kept in the form of a Register or similar record?				
	(b)	Is the Register tallied with the financial accounts?				
	(c)	Are the outstanding items reviewed periodically?				

TAX DEDUCTED AT SOURCE

(19)	Are the original tax deduction certificates held in safe custody till they are filed with the Tax Department?				

DEPOSITS

(20)	Does the company maintain proper records of deposits made showing					
	(a)	Name of the authority with whom the money is deposited?				
	(b)	Amount?				
	(c)	The period for which the deposit is to be held?				
	(d)	The mode of repayment, e.g., whether by refund order or by adjustment against bills?				
	(e)	The dates on which interest, if any, is payable on the deposits?				
(21)	In the case of refundable deposits, are the original receipts kept in safe custody for production at the time of refund?					
(22)	Is there a system of follow-up on the deposits which are due for refund?					
(23)	Is the Deposit Register reconciled with the General Ledger periodically?					

XIV. BORROWINGS

Sr. No.	Particulars		Yes	No	N.A	Ex.N.
GENERAL						
(1)	Does the Board resolution authorizing the borrowings specify					
	(a)	The total amount upto which monies may be borrowed?				
	(b)	The persons authorized to borrow?				
	(c)	The security that can be offered against the borrowings?				
	(d)	The period of the borrowings?				
	(e)	The rate of interest?				
(2)	Is the borrowing made in the form of					
	(a)	Debentures issued to the public?				
	(b)	Term loans?				
	(c)	Bank overdrafts?				
	(d)	Public deposits?				
(3)	Does the company employ a Transfer Agent or Register or any other agency for					
	(a)	Issue of securities?				
	(b)	Payment of interest?				

(4)	If so, does the company obtain a certificate from the outside agency as to the controls followed by them?					

ISSUE OF SECURITIES/EXECUTION OF LOAN AGREEMENT

(5)	Where Debentures are issued,					
	(a)	Are Debenture Certificates renumbered?				
	(b)	Are the numbers accounted for?				
	(c)	Are the unused certificates kept in safe custody by an authorized official?				
	(d)	Is the printing of Debenture Certificates authorized by a Board resolution?				
(6)	In the case of Public Deposits,					
	(a)	Are the Deposit Receipts serially numbered?				
	(b)	Are the numbers accounted for?				
	(c)	Are the unused receipts kept in safe custody by an authorized official?				
(7)	Are the Debenture Certificates/Deposit Receipts/Loan Agreements signed by persons and sealed in the presence of those specified in the resolutions?					

(8)	If any signature on any Certificate or Receipt is affixed by mechanical means, are the plates or other devices kept under the control of a person other than the one who signs the Certificate or Receipt manually?				
(9)	Is an abstract of the Loan Agreement sent to the Accounts Department?				
(10)	Is there a review by a responsible official periodically to ensure that all covenants under the Loan Agreement are complied with?				

TRANSFERS

(11)	Are Transfer Deeds received in respect of					
	(a)	Numbered on receipt?				
	(b)	Entered in a Transfer Register?				
(12)	Are the Transferors notified immediately on receipt of the Transfer Deed?					
(13)	Is the Transfer Register verified by an authorized official before it is submitted for approval?					
(14)	Is the Transfer Register signed by the Chairman of the Committee/Board in token of approval?					

(15)	Is there a record of					
	(a) Duplicate certificates issued?					
	(b) New certificates issued in lieu of damaged certificates?					
(16)	Are the old certificates marked 'Cancelled' after new certificates are issued?					
(17)	Are the entries in the Debenture Holders/Deposits Ledger initialed by an authorized official?					
(18)	Is the Debenture-Holders/Depositors Ledger reconciled with the financial ledger periodically?					

REPAYMENT OF PRINCIPAL/PAYMENT OF INTEREST

(19)	Is a Schedule of Repayments maintained?				
(20)	Is a list of due dates for payment of interest maintained?				`
(21)	Is a list of interest warrants payable prepared and reconciled with the total interest payable?				
(22)	Is a separate bank account kept for payment of interest?				
(23)	Are the paid interest warrants returned by the bank?				
(24)	Is a schedule of unpaid interest warrants taken and tallied with the balance in the bank account?				
(25)	Are mandates received entered in a separate register?				

(26)	If interest warrants are pre-signed, is a certificate obtained from the printer regarding the number of warrants?					
(27)	Is a reconciliation prepared of the numbers used and spare warrants?					
(28)	Are there controls to ensure that spare warrants are not used without proper authorization?					
(29)	Are fresh cheques issued in lieu of stale interest warrants surrendered?					
(30)	Are Debenture Certificates/Deposit Receipts surrendered to the company on maturity,					
	(a)	Discharged by the Debenture Holder/Deposit Holder?				
	(b)	Cancelled after payment?				
(31)	Where foreign exchange is involved,					
	(a)	Does a responsible official negotiate foreign exchange rates?				
	(b)	Is forward cover taken wherever necessary?				

XV. BRANCHES / FACTORIES

Sr. No.	Particulars		Yes	No	N.A	Ex.N.
(1)	Are the branches / factories self accounting					
(2)	If so, has the internal control system at the branches been evaluated					
(3)	Does the Head Office exercise control over the branches / factories? (e.g., through budgets, target return on investment, etc.)					
(4)	Are collections of branches / factories deposited in special bank accounts, subject to withdrawal only by the Head Office?					
(5)	Are disbursements at the branches/factories controlled on imprest basis?					
(6)	Is there an adequate control over stocks at the branches / factories?					
(7)	Are daily returns and reports received from branches / factories for					
	(a)	Collections?				
	(b)	Sales and dispatches?				
	(c)	Production and receipt of goods?				

(8)	Are periodical returns and reports received from branches / factories, covering their operations?				
(9)	Is there proper check of the returns and reports at the Head Office?				
(10)	Are there frequent spot checks and audits by the Head Office over the branches / factories?				
(11)	Are inter-office accounts reconciled periodically?				
(12)	Are the items in the reconciliation reviewed and followed up promptly?				