Audit Process Flow

PARTICULARS

I KNOWLEDGE OF THE CLIENTS BUSINESS

(For first timers,with respect to audit executives)

a) Documents to be obtained

i)Soft Copy

Previous years audit working files (to be obtained from our office).

ii)Hard Copy

MOA, AOA, Agreements with Inter-Group companies, Service providers, Suppliers, Distributors,Previous Years Audit Reports.Previous audit working papers (to be obtained from our office)

b) Process

i) Discuss the audit with the teamleader,who had previously handled the audit,and obtain his views on the same.
ii) Read all the documents, mentioned above
iii) Refer the Tally.
iv) Discussion with Accountant of the Client company for understanding and also for latest changes made

II Follow up for Previous Audit

a) Process

i) Check whether all the mistakes found at the time of previous audit are corrected or not.
ii) If not, get clarification for the same.

II PREPARE THE CHECKLIST-CUM-STATUS OF WORK

III OPENING BALANCE VERIFICATION

a) Documents to be obtained

Soft Copy

Tally

Hard Copy

Copy of PY's Signed Balance Sheet.

b) Process

i) Whether all balances, as per the previous audited balance sheet have been, correctly carried forward to the current year records?
ii) Whether there are any opening balance differences, which have been kept unreconciled over a period of time.
iii**) CI**

IV CASH VOUCHING

a) Documents to be obtained

Soft Copy

Obtain a relevant extract from the accounting software.

Hard Copy

i) Cash Payment Vouchers for the audit Period.
ii) Get the specimen signature of the Authorized Signatory

b) Process

i) Whether the vouchers are duly authorized and filed in order,and supported by external evidences?
ii) Confirm that, the person approving the payment had the necessary authorization.
iii) Whether the vouchers are numbered serially, and match with the accounting software
iv) Whether contra entries for cash withdrawals and deposits are made and are they on the same date
v) Whether any cash payments exceed Rs.20000/-
vi) If cash payments exceeding Rs.5000/- have been stamped?
vii) Whether cash payment has been made to any party where in general only bank payments are made
viii) Whether more than one payments have been made to a same person by cash in one single day
ix) Check whether the expense accounted under the correct ledger head.
x) Accounting Period - Relates to which financial year.

V BANK VOUCHING

a) Documents to be obtained
Soft Copy
Travel policy of the company
Hard Copy
Bank Payment Vouchers for the audit Period.
b) Process
i) Check Date, Party Name or Expense Head, Amount, Narration and cheque number matched between voucher and Tally.
ii) Were the vouchers duly authorized and filed in order and supported by external evidences
iii) Whether the person approving the payment had the necessary authorization.
iv) Whether the vouchers are numbered serially and match with the accounting software
v) Whether the Cheques are issued in order
vi) Whether any old cheques are released towards recent payments
vii) Any cancelled cheques/ payment vouchers filed in order
viii) Any personal transactions have been made through company's bank account
ix) Check whether the expense accounted under the correct ledger head.
x) Accounting Period - Relates to which financial year.

VI <u>JOURNAL VOUCHING</u>

a) Documents to be obtained
Soft Copy
Hard Copy
Travel Policy of the Company, Journal Vouchers
b) Process
i) Whether the Journal Entries passed are authorized and passed under proper authorization.
ii) Whether the Account Heads under which the Journals are passed are proper
iii) Whether entries of previous audit period are passed now
iv) All vouchers are supported by necessary explanations and documentary evidences

VII <u>PURCHASE VOUCHING</u>
a) Documents to be obtained
Purchase Invoices, GRN's Purchse Orders made.
b) Process
i) Purchase requisition has been prepared by the respective departments.
ii) Purchase order has been raised or not?
iii) GRN(Good received note) are prepared and security acknowledges is available
iv) Whether contra entries for cash withdrawals and deposits are made and are they on the same date
v) All invoices are supported with DC,GRN,QC report and authorized signatory and same have been properly filed or not?
vi) Trade Discount if any for bulk purchases?
vii) Purchase returns are properly accounted?
viii) Whether they have booked in FOB value or not?
ix) Whether Input credit is properly accounted in books?

VIII <u>SALES VOUCHING</u>
a) Documents to be obtained
Soft Copy
Hard Copy
Sales Invoices, Delivery Challans and Purchase orders received.Further Discount Policy, Approved Price List as on date of verification.
b) Process &
i) Purchase order has been raised or not?
ii) Check whether physical invoices are matching with Tally.
iii) Check whether prices charged as per Approved Price List
iv) Check whether discouts are given as per company policy
v) Check whether CST/VAT whichever is applicable is raised at applicable rate

<u>BANK RECONCILIATION STATEMENT</u>
a) Documents to be obtained
Soft Copy
Tally
Hard Copy
Bank Statement(For all bank accounts)
b) Process

i) Compare the bank balance in Bank statement and in Tally after Reconciliation
ii) Check for the stale cheques if any.If not tallying get the reason for the difference.

IX STATUTORY COMPLIANCES

A.Collection and Remittance of CST & VAT

a) Documents to be obtained
Soft Copy
Hard Copy
CST (Form 1) & VAT (Form I) Monthly Returns
b) Process
CST
i) Check the Invoice with Tally and ensure that CST accounted correctly
ii) Check whether sale transaction attracts CST or not?
iii) Check CST Rate
iv) Check whether CST Remitted within due date or not?
v) Check whether monthly Return filed within due date
VAT
i) Whether the VAT has paid in accordance with the rates applicable
ii) Whether the figures as per returns match with the book figures
iii) Whether the returns are filed within due date
iv) Whether revised return has been filed and if yes whether duly authorized

B - Collection and Remittance of Service Tax
a) Documents to be obtained
Soft Copy
Hard Copy
CST (Form 1) & VAT (Form I) Monthly Returns
b) Process &
i) Check whether service supplied transaction attracts Service Tax or not?
ii) Check Rate at which invoice raised.
iii) Check whether only collected amount remitted or invoiced amount remitted.
iv) Check whether Remitted within due date
v) Check whether monthly Returns filed within due date

C - Remittance of FBT
a) Documents to be obtained
Soft Copy
FBT Workings
Hard Copy
FBT Workings, FBT Remittance Challans
b) Process
Interim Audit
Final Audit
i) Check whether ledger head included is correct or not
ii) Check whether if any ledger head for which FBT applicable is not excluded
iii) Check the amounts with Tally
iv) Whether the FBT payments made match with the provisions made, challan remitted and returns filed.
v) Whether the rates applied for transactions are as per the recently amended rates
vi) Whether the remittances are made within the due date
vii) Whether interest has been calculated and remitted in case late remittance of FBT has been made
viii) Whether challan copies for all remittances are available
ix) Any un reconciled pending amount is standing as provision in the FBT account

D - Deduction and Remittance of TDS
a) Documents to be obtained
Soft Copy
Hard Copy
Details of Deductees, TDS Remittance Challans, Quarterly TDS Returns(Form 24Q and 26Q and Form 27 A)
b) Process
i) Whether the TDS payments made match with the provisions made, challan remitted and returns filed.
ii) Any transactions has been noted where TDS is applicable but no tax has been deducted
iii) Whether the rates applied for transactions are as per the recently amended rates

iv) Whether the remittances are made within the due date

v) Whether interest has been calculated and remitted in case late remittance of TDS has been made

vi) Whether challan copies for all remittances are available

vii) Any un reconciled pending amount is standing as provision in the TDS account

E - Deducion and Remittance of Provident Fund

a) Documents to be obtained

Soft Copy

Hard Copy

PF Remittance Challans, PF Returns,

b) Process

i) Whether all eligible employees have been included in the computation of PF liability

ii) Whether the Employer's share and Employee's share has been computed accurately

iii) Whether any deduction in excess of statutory requirement has been made, and if yes whether approvals are available

iv) All remittances match with the actual liability

v) All remittances are made within the due date

vi) The monthly returns are being submitted within the due date

vii) Any un reconciled pending amount is standing as provision in the PF account

F - Deduction and Remittance of Professional Tax

a) Documents to be obtained

Soft Copy

Salary Processing Files

Hard Copy

PT Remittance Acknowledgements, PT Returns

b) Process

i) Whether all employees are covered under PT regulations

ii) Whether the PT remittances are as per the rates existing in the local administration limits

iii) Check whether Professional Tax remitted within due date

iv) Whether the challan copies of the remittances made are available

v) Whether the PT for resigned / retired employees has been adjusted properly

X SECRETARIAL COMPLIANCES - Incomplete

a) Documents to be obtained

Soft Copy

Hard Copy

Resolutions

FIRC

Copy of Forms filed with ROC

b) Process

i) Check whether forms under Companies Act'56 filed with ROC within due date, wherever necessary

XI SHARING OF EXPENSES

a) Documents to be obtained

Soft Copy

Their workings

Hard Copy

b) Process

i) Check the expenses which is Compare the Excel with Tally, Each companies ledger in each companies Books.

Ii) Compare with prevoius and check whether consistency followed or not

XII SALARY PROCESSING

a) Documents to be obtained

Soft Copy

Monthly Salary Workings File

Hard Copy

b) Process

i) Check whether TDS, PF, PT deducted as per statutory regulation or not.

ii) Check the Bonus & Incentive in case of Full & Final Settlements made.

iii) Compare Excel workings with Tally after verification

iv) Salary summary and wage summary are matching with the actual amount paid to employees as salary and wages

v) Whether records for all attendance, overtime and leaves approved maintained in order

vi) Whether the salary paid is as per the appointment order / increment letter issued to the employees

vii) Whether any casual workers were employed and salary was paid to them as per statutory reirements?

viii) All Statutory deductions like TDS, PF, ESI, PT and loan recovery as per company policy made at the time of making payment

ix) Other allowances , discounts etc are as per company policy

XIII **DEBIT NOTE**

a) Documents to be obtained

Soft Copy

Their workings of Forex Transactions

Hard Copy

Debit Notes file, their workings

b) Process

i) Compare the Debit Note/Credit Note with that companies book of account.

ii) Books of account with necessary supportings.

iii) check the mail confirmation.

iv) Check whether the transaction relating this company.Check the date of transaction.

v) check w

XIV **STOCK VALUATION**

a) Documents to be obtained

Soft Copy

Inventory

b) Process

i) Value the stock at FIFO Method.

ii) Check whether the opening stock value is matching with audited balance sheet.

iii) check whether all purchases are updated stock sheet.

iv) Check whether all sale transaction updated in stock sheet.

XV **LEDGER SCRUTINY**

a) Documents to be obtained

Soft Copy

Updated Tally

b) Process

i) Classification of accounts - Group wise and ledger wise.

ii) Accounting period

iii) Abnormal Transactions

Balance Sheet Item

Profit / Loss Items

XVI **UPDATION OF MASTER DATA**

a) Documents to be obtained

Soft Copy

Hard Copy

Original certificates

b) Process

i) Note the details which is required for Master Data Updation, as and when you crossing the abovementioned processes.

XVII **Working Papers and Files**

Take Notes for Tax Audit & Finalisation

i) For the documentation purpose and also to avoid conflicts, sent your all queries to client through ours webmail marking CC to your team leader.

ii) In case of conficts between our team and Clients persons, get the Managements Representation

VOUCHING SAMPLING INSTRUCTION:

- * Sort the vouchers alphabetically and Export them from Tally _ Cash, Bank & journal
- * Then filter the vouchers in the appropriate ranges, Say >10000, 5000-10000,1000-5000 & so..
- * Now Within a particular Range - The Major heads of Expense can be taken easily(as its in alphabetical order)
- * This is as regards the No. of vouchers
- * Based on the heads of income and its importance the nos to be verified can be taken thereby arriving at the % of Verification(1st stage).
- * After this, details about the Value of sample can also be compared with actuals
- * The vouchers need correction to be cetogories according to the nature of queries mention in the analysis sheet.
- * Based on the number of vouchers & amount involved the audit partner or audit manager will decide the next action such as whether to increase the extent of verification
  or the existing control is satisfactory