

Guidance Note on Audit of Fixed Assets

This Guidance Note outlines the procedures of the auditor in relation to the audit of fixed assets. It highlights the peculiar features of fixed assets, which impact the audit thereof. The following are the important aspects of audit of fixed assets, covered by the Guidance Note:

Internal Controls: control over expenditure on fixed assets, self constructed assets, accountability and utilisation controls, information controls.

Verification of Records: acquisition of new fixed assets, improvements to existing ones, self constructed assets, capital work-in-progress, scrutiny of expense accounts, audit procedures in respect sold, destroyed or scrapped assets, procedures to identify unrecorded transactions in respect of such assets.

Physical verification: management's responsibility in respect of physical verification, factors to be considered in assessing the appropriateness as well as reasonableness of the physical verification conducted by management, auditor's duties in case of discrepancies noticed on physical verification.

Valuation and Disclosure: compliance with the generally accepted bases of accounting, calculation of depreciation, revaluation of fixed assets and using the work of experts in case of revaluation etc., assets purchased for a consolidated price, joint ownership of assets.

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