

## LOCAL AUDIT GUIDELINES

### **3.01 General Guidelines for field parties.**

The Assistant Audit Officer of each Inspection Party is supplied with an Attendance Register/ Bio metric Attendance. The register should be submitted to the Senior Audit Officer when he visits the party. Whenever the Assistant Audit Officer is transferred / relieved from the party, he should handover the attendance/ Bio metric Attendance register and correspondence files to the reliever or in his absence to the senior most member of the party.

### **3.02 Leave while on Inspection duty:**

Intimation about persons leaving camp station on casual leave, regular leave or otherwise should be sent to headquarters the same day on which leave is applied for. Members of the audit party should neither leave the camp on holidays nor proceed on leave without prior permission of the Audit Officer and intimation to headquarters. Audit Officer should obtain prior approval of Group officer before leaving camp on leave. Gazetted Officers proceeding on Earned leave and training should report at the headquarters on the expiry of leave and training unless advised otherwise. Casual Leave should normally be availed of by the Inspection Party members only after obtaining prior sanction. Casual Leave Register is maintained by OAD (Commercial) Head Quarters Section. The party may itself maintain a casual leave account for ready reference. The casual leave application should be sent to OAD (Commercial) Headquarters Section.

*Office copies of all the correspondence exchanged with the headquarters should be kept in a file and put up to Audit Officer on his visit.*

*A diary of day to day work done by each member of the party should be maintained and signed daily on conclusion of audit of each unit.*

*A despatch register showing day to day despatches of letters DIRs etc., should also be maintained.*

A file containing all circulars issued by the headquarters should be maintained by the Assistant Audit Officer in charge of the party for reference by the party members.

### **3.03 Working Hours and Holidays:**

The working hours and holidays of the Office under inspection shall be observed by the field audit parties.

### **3.04 Time Schedule:**

The Field Audit parties are required to follow the Scheduled programme approved by the Headquarters. For extension or deviation in the program, prior approval should be obtained from Senior Deputy Accountant General. Any deviation in programme not having prior approval would be treated as unauthorised and liable to disciplinary action along with forfeiture of TA/DA.

### **3.05 Allocation of duties among party members in Inspection Parties**

Allocation of duties among the members of the party may be allocated by SAO or in his absence by AAO in charge of the party. A model statement showing the allocation of duties to the members of the party and the Supervising Officer is enclosed. **(Annexure A (i) & (ii))**. As per para 2.9 of the Manual of Instructions on Restructuring and para 2.5 of Manual of Central Audit, the auditors are expected to be able to finalise audit memos and put up notes on their own. However, the head of the party (viz. SAO/AAO) remains responsible for the audit as a whole and he must guide other members of the party by general instructions and always keep himself posted with the progress of the work.

### **3.06 Duties of Supervising Officer:**

The Supervising Officer shall call on the Chief Executive of the undertaking or Head of the Office and have general discussion with him at the time of commencement of audit. During supervision, the local audit party works under his control. It has to be ensured that the prescribed quantum of checks have been complied with by the local audit party. If the test check reveals any serious irregularity, he/she should get in touch with the Sr. DAG with a view to make arrangement for detailed investigation. If he finds any of the irregularities noticed could be considered for further processing into Draft Paragraph for incorporation in Audit Report, he/she should see that a paragraph is drafted separately, copies of all relevant key documents are collected, and the replies of the management obtained. A self-contained PDP should be forwarded by him to the Group Officer. He/she should complete those items of original work that should be carried out as per orders of AG, issued from time to time. The items of work checked personally should be recorded in the title-sheet to the Inspection Report and Certification of accounts audit. **(Please refer Annexure B(i) for Format of Title Sheet for transaction audit and Annexure B (ii) to (vi) for Format of Title sheet for certification of Accounts)**

The **Inspecting Officer** should write the report himself/herself and **should not leave it to the subordinates to do the drafting**. The draft Inspection Report should be discussed with the Chief Executive/Head of office on the last day of inspection and his signature obtained as a token of verification of facts and figures and of having discussed the Draft Inspection Report. In case where the head of the office /unit is not available on the last day of inspection, he should be requested to nominate any other officer under his control for discussion of the report. In no case the inspection report should be withheld for discussion after the conclusion of audit.

The draft inspection report should be despatched at the most within 3 days from the date of conclusion of audit irrespective of the fact whether the replies were received and discussion was held or not.

### **3.07 Duties of Assistant Audit Officer**

The Assistant Audit Officer is generally guided by the Supervising Officer and shall conduct audit in accordance with his instructions. The AAO should see the following:

- i) The allocation of work among the members of the party has been carried out in such a way as to complete the work within the time allowed in the programme approved by the Group Officer. If the work cannot be completed within the allotted time, the AAO shall apply for extension of time with justification through OAD (Comml) Headquarters for approval of Group Officer. Approval of Supervisory Officer may be obtained before submission of the same to Headquarters.
- ii) Items of work completed should be indicated in the title sheet
- iii) The Auditors have satisfactorily completed the work assigned to them
- iv) The points marked by OAD (Comml) HQrs., for local verification, including those relating to Agenda and Minutes, Register of important points have been examined and put up to Inspecting Officer
- v) Work diaries are written up duly by the Auditors and the work diaries of all Party personnel are put up to the Inspecting Officer on the dates of supervision and the diaries are despatched to HQrs. at the end of the week regularly.
- vi) Audit Enquiries are drafted and issued to the Management after approval of Inspecting Officer

When no supervision by Inspecting Officer has been provided, all the responsibilities of an Inspecting Officer in respect of Audit of the Institution would devolve on AAO.

### **3.08 Duties and Responsibilities of Local Audit Parties.**

**3.08.1** Local Audit of Government Companies is taken up twice: one for efficiency –cum- performance audit and the other for audit of final accounts under Section **143(6)** and **143(7)** of the Companies Act 2013 respectively.

**3.08.2** On completion of Audit the following actions are to be taken by the LAP:

- a) In case of accounts audit under Section 143(6) of Companies Act copies of audit enquiries issued along with management’s reply and supporting documents have to be sent to SAO(C) immediately.
- b) In case of transaction audit the LAP shall prepare the Draft Inspection Report after considering the Management’s Reply if any, received for the audit enquiries issued and send the same duly linking to the key-documents wherever required to the Headquarters section concerned.
- c) In case of review of performance of any Company (Performance audit) or any topic (Thematic audit) the LAO shall periodically inter-act with the Group Officer and discuss the issues likely to arise during the audit examination. Further in case of review, pilot study report and detailed guidelines have also to be prepared in line with the Performance Auditing Guidelines 2014 after discussions with Group Officer and SAO (R).

**3.08.3** The concerned Section in HQtrs. shall vet the Comments/DIR/Pilot Study/Guidelines as the case may be for submission to Group Officer/Accountant General. On getting approval further necessary action for obtaining Headquarters’ approval shall be taken by the concern Branch Officer (SAO).

**3.08.4** The concerned Section in Headquarters shall forward the following to the LAP:

- 1) Title Sheet
- 2) Register of important points

- 3) Survey questionnaire for IT Applications
- 4) Details of records called for
- 5) Statistics form
- 6) Previous IR and Rough Notes
- 7) Agenda Review Register
- 8) Details of High Value Contract

### **3.09 Attitude of Inspecting Staff:**

The members of Audit parties should conduct themselves in such a way as to avoid any misunderstanding or friction with local office. Their attitude shall be not merely to criticise but to avoid raising frivolous objections. They should bear in mind that unnecessary and badly expressed objections not only bring discredit to Audit and cause annoyance to the company officials but increase the work at both ends. The members of Audit Party should maintain a strictly detached and dispassionate attitude in day to day conduct of their work.

The Inspecting officers should not make suggestions to maintain records other than those prescribed or to dispense with any prescribed records. They should be Circumvent when discussing the objections with the Departmental Officers. If their advice is sought on any matter by the local authorities, they may do so only in regard to minor cases. The substance of the advice so tendered should be included as brief note in the Inspection Report for information to the Headquarters.

### **Code of Ethics:**

Keeping with International Best Practices, CAG has adopted a Code of Ethics which are standards with Ethical significance for auditors in the public sector. The code incorporates the values and principles contained in Central Civil Services Conduct Rules for Government servants in India. The declaration is required to be signed separately by each member of the

audit team prior to the commencement of the audit. A copy of the declaration should be given to the head of the audited entity as soon as the audit commences. Each declaration should be enclosed in original with the Inspection Report. **(Code of Ethics Form ) (Annexure-C)**

### **3.10 Procedure for Local Audit:**

The audit party shall examine records and details of transactions no doubt but should apply mind to appreciate any transaction in its proper perspective. The party should make a study of the system and procedure prevailing in the institution, its system of internal check and internal control, budget, administrative orders and annual report and also make a general review of agenda and minutes to form an idea of institution as prelude to commence audit. The local audit shall be an intelligent scrutiny to assess the institution's performance in its proper footing and shall never be a routine exercise and a check in a mechanical way. The objection noticed as a result of audit should be recorded in the form of an audit enquiry/audit query (prepared in duplicate) and the same be issued to the management even while the audit is in progress for obtaining their remarks. The audit query should be serially numbered and proper acknowledgement obtained from them.

Every effort should be made to get replies to the audit queries. The drafting of Inspection Report should in no case be delayed due to non-receipt of replies to the queries from the management. It is the primary responsibility of the management to satisfy audit by furnishing replies to audit observations.

The audit party shall take all possible care to compile the figures from the records, files and reports produced before them during local inspection and intimate the same to the management for confirmation. If the management has not contested the position stated in the query, Audit shall presume the facts and figures stated in the query as correct and then the party would draft the Inspection Report or DP as the case may be.

No objection should be dropped without the specific approval of the supervising Audit Officer of the party. If any objection has been dropped from the inspection Report during discussion, the minutes of such discussion should be kept to enable the Headquarters to understand the circumstances under which the objection has been dropped.

### **3.11 Issue of Comments**

The audit comments under section 143(6)(b) should be issued to the Statutory Auditors who certify the accounts of that year with a copy to the Management. It should be mentioned that the reply/remarks on the audit comments may be furnished within 3 days of their receipt as otherwise it will be deemed that the statutory auditors have no remarks to offer and the comment will be finalised ex-parte. Such audit comments should be normally issued over the signature of the Inspecting Audit Officer.

### **3.12 Value for money audit:**

The audit focus here shall be checking the underlying remittances made for any activity consuming scarce resources of the auditee organisation. Further, where the audit organisation has got the value of money for the amount spent shall have to be examined. This is more often objective oriented audit wherein the auditor will sit in jurisdiction as far as the merits and demerits of any expenditure incurred by the auditee.

### **3.13 Fraud and Corruption**



Auditors are not primarily responsible for preventing fraud and corruption. But they be alert for situations, control weaknesses, inadequacies in record keeping, unusual transactions, improper or unlawful expenditure, unauthorised operations, waste, inefficiency or lack of honesty.

Since complete evidence of cases of fraud and corruption may not be available, due care should be exercised in arriving at an audit conclusion. While reporting such cases, the term 'Fraud' or 'Corruption' may not be used in a conclusive sense unless such act is established in a Court of Law.

Individual cases of suspected/presumptive Fraud/Corruption should be duly addressed to the concerned by the Group Officer. If need be, the matter shall be reported to the State Vigilance Commission/Lok Ayukta with the approval of the Accountant General.

### **3.13 Inspection Report:**

The Local Audit Parties have to issue audit enquiries after proper verification of the documents and assimilation of data contained in the office documents. The Local Audit Officers have to insist for spot replies for audit enquiries issued at least 2 days before the closure of the audit. The Local Audit Officer is required to draft the Inspection Reports after verifying the reply of the management. The drafting of the Inspection Report requires both technical skills in understanding the issues and drafting skills in communicating the audit observations. For the purpose of drawing the attention of the management for important issues, the draft inspection report has to be arranged as under:

**Part I –A.** indicates (i) Introductory (ii) Financial review (iii) Targets and achievements in brief and (iv) Details regarding unsettled paragraphs of previous Inspection reports.

**Part II-A** relates to Major irregularities which may be developed into draft para of the Audit Report and cases of system failure.

**Part II-B** deals with other important effects and irregularities requiring attention of the higher authorities and instances of recoveries to be effected or regularised.

**Part III** – Irregularities / System deficiencies where money value can be quantified but audit risk may be high for verification of compliance during next audit. Test Audit Note containing minor irregularities, to which a schedule of items settled on the spot, should be attached. The procedural irregularities of which the head of the office has held out assurances about following correct procedure in future should be noted in this schedule.

The Draft Inspection Report will be finalised and discussed with the Head of the Office/ Chief Executive of the undertaking. The audit party should forward all documents such as Draft Inspection report, rough notes, key documents, Tittle sheet, Code of Ethics and etc, with a covering letter to Headquarters immediately after the audit is over but not later than 3 days after the completion of audit.

**TITLE SHEET FOR COMMENTS ON ACCOUNTS**

<b>PART - A</b>		
1.	Name of the Company	
2.	Name of the Party Personnel with dates of attendance	
	i. Supervisory Officer	
	ii. Assistant Audit Officer/Section Officer	
	iii. Auditors	
3.	Year of accounts	
4.	i. Date when the financial statements were approved by the Board of Directors	
	ii. Date of the Audit Report (Applicable where a separate Statutory Auditors is appointed)	
	iii. Date of receipt of certified accounts alongwith Auditor's Report (To be filled by PAG/AG's Office)	
	iv. Period of Audit (Dates of Audit)	
	v. Details of extension sought for, if any, and the no. of days for which extension granted beyond six weeks	
5.	<b>Provisional Comments (To be filled by PAG/AG's Office)</b>	
5(i)	Date of issue of Provisional comments to	
	(i) Statutory Auditors	
	(ii) Company	
5(ii)	Date of receipt of replies to the provisional comments from	
	(i) Statutory Auditors	
	(ii) Company	
5(iii)	Date of sending draft comments to HQrs	
6.	Date of the AGM in which the accounts for the previous year were adopted	
7.	Did the Audit Committee have a discussion with Auditor and review the financial statements before their submission to the Board of Directors	
8.	Whether Statutory Auditors attended the meetings convened for planning and finalization of audit of accounts. If not details of the meetings not attended. (To be filled by PAG/AG's Office)	
9.	Whether all the Audit Enquiries have been replied to by the Management/Statutory Auditors? If not, whether it has been brought to the personal attention of Chief Executive	
10.	Whether all records/information required by Audit Team were made available. If not, the details of records not produced to Audit	

<b>PART - B</b>		
<b>I.</b>	<b>Review of Statutory Auditors' Report</b>	
1.	Whether all the statutory assertions as specified in Sections 143 (3) and (11) of the Companies Act 2013 have been stated in the Report	
2.	Whether the requirements of AAS 28 have been fulfilled as regards the form and content of the Report ( <i>A Check list is enclosed as Annexure – I</i> )	
3.	Whether the Report includes the required statements on all matters specified in CARO 2016. Whether the following requirements of CARO 2016 have been complied with	
	(i) If the auditor is unable to report on any of the matters, whether that fact has been indicated along with reasons	
	(ii) Whether the assessment made by Statutory auditors on the adequacy of internal control system is consistent with other observation of the Auditors	
	(iii) Whether the report of auditor on maintenance of proper books of accounts under law is correct and verified <sup>1</sup>	
4.	<b>Qualifications in Auditor's Report</b> Whether the requirements of Section 143 and Statement on Qualifications in Auditor's Report as indicated below have been complied with.	
	(i) Has the auditor stated the full information about the subject matter of qualification?	
	(ii) Has the auditor stated the reasons for the qualification?	
	(iii) Has the auditor stated all the qualifications in their report itself and also without referring to a report made in earlier years?	
	(iv) If any note to accounts is a subject matter of qualification, whether the auditor has stated the full subject matter of the note in his qualification, instead of making a reference to the note	
	(v) Whether the auditor has stated, wherever possible, the effect of individual qualification and total effect of all the qualification on profit or loss or state of affairs	
	(vi) If it is not possible to quantify the effect of qualifications accurately, whether the auditor has stated the effect on the basis of estimates made by the management, after indicating the fact that the figures were based on management estimates.	
5.	Whether the Auditor has furnished the report u/s. 143 (5) along with Auditor's Report u/s. 134 (5). If not the date of receipt of report.	
6.	Has the auditor complied with all directions issued u/s. 143 (5) and sub-directions issued?	
7.	Whether Statutory Auditors has shared his working papers with the Audit Team as and when asked for	
8.	Whether the opinions expressed by the auditor on the financial statements is fair keeping in view their qualifications	
9.	If the auditor has revised his Audit Report, whether the same is in accordance with 'Guidance Note on Revisions of Auditor's Report'.	

<sup>1</sup> The purpose of this item is to verify the audit observations relating to non-maintenance of proper books of record required by the Companies Act and/or any other relevant Act with reference to records of the company. There is no need to examine all the records of the company but where the statutory auditor has made audit observations on this aspect, only those observations need to be examined and not all the records.

10.	Whether Statutory Auditors has issued any communication to those charged with Governance under AAS 27?. If yes, whether the same has been reviewed <sup>2</sup> ?	
11.	Is there any material evidence regarding non-compliance with any Auditing and Assurance Standards by the Auditor? <sup>3</sup>	
<b>II</b>	<b>Review of Financial Statements</b>	
	<b>Whether the following have been verified?</b>	
1.	Whether the Balance Sheet and Profit and Loss Account have been prepared in the forms set out in Schedule III of the Companies Act 2013 respectively.	
2.	Whether the Balance Sheet Abstract and Company's general business profile have been stated in prescribed format as required in Schedule III of the Act.	
3.	Whether financial Statements have been approved by Board of Directors as required under Sections 134 (1) of the Companies Act 2013 and authenticated as required under Section 143 of the Act.	
4.	Whether all significant Accounting policies have been disclosed <sup>4</sup>	
5	Whether the Accounting Policies form Part of the financial statements	
6	Whether any accounting policy is vague leaving scope for mis-interpretation or is against the provisions of Accounting Standards/relevant laws.	
7	If there is a change in accounting policy, whether such change has approval of the competent authority	
8	Whether auditor have signed their report only after adoption of previous years accounts in AGM as required in Companies Act 2013 and letter of appointment of auditor	
9	Whether unusual transactions have been dealt within accounts properly. If no, has the Auditor given sufficient comments on it?	
10	Whether test checks revealed that AAS 21 regarding due consideration of laws and regulations have been followed by the Auditor is adequately report?	
<b>III</b>	<b>Compliance with Accounting Standards (AS)</b>	
1	Whether the financial statements complied with the AS as required in Section 133 of Companies Act 2013	
2	Cases of non compliance if any noticed during test check ( A Check list is enclosed as Annexure – II)	
3	(i) Whether the company has made disclosures as required in Sec 133 of Companies Act 2013 and	
4	(ii) If not, whether the Statutory Auditors has stated the non compliance in their report	
<b>IV</b>	<b>Compliance with Assurances:</b>	
	Whether the company has complied with all the assurances given to audit in the previous year(s)	

<sup>2</sup> Communication under AAS 27 can be reviewed either before taking up or during the supplementary audit to review the observations of statutory audit contained therein which may be helpful in deciding the scope and extent of supplementary audit

<sup>3</sup> To be reported only on exception basis if some convincing evidence indicating material non-compliance of AAS are noticed during the normal course of supplementary audit

<sup>4</sup> List of the areas where the entity should frame accounting policy as given in AS-1, can be considered as significant areas. In addition to this, based on the experience, PAG/AG's office may be aware of the major significant areas where the company should have an accounting policy. Such examination is not necessary during supplementary audit, it can be done before the start of audit or any part of the year as change in Accounting Policies is not a routine feature of a company and most of the accounting policies remain the same.

<b>V</b>	<b>Compliance with requirements of Regulatory Authorities relating to preparation and presentation of financial statements/accounts</b>	
	Whether the requirements of any, regulatory authorities viz., SEBI, IRDA, RBI, BPE, NHB and Administrative Ministry etc. with regard to financial; reporting been complied with by the Company? If not, indicate whether specific non compliance has been pointed out.	
<b>VI</b>	<b>Recommendations of Supervisory Officer</b>	
1	Whether any change in time allotted is necessary for future audit?	
2	What are the areas to be focused on in transaction audit?	
3	Other recommendations/remarks	

<b>PART – C</b> <b>(The matters included in this part are not exhaustive, PAG/AG's office may include other matter according to their requirement)</b>		
1	Whether all the points indicated in the register of important points marked for verification in the accounts audit by the OAD section have been reviewed and action taken.	
2	Whether list of audit points which may have some audit value for other RAPs been attached.	
3	Whether the Statutory Auditors' report and the audited accounts of units not selected for audit been reviewed.	
4	Whether contribution statement with money value and the name of the RAP/LAP official been attached.	
5	A list indicating allocation of duty amongst the party members to be attached along with a certificate signed by all the members of the audit party that duly assigned to him or her was completed.	

Submitted to Sr.DAG/DAG (HQ)

Signature of Sr.A.O.  
I/C of Party

Camp:

Date:

**ALLOCATION OF WORK DURING AUDIT OF ACCOUNTS**  
**OF COMPANIES ACT 2013**

**UNDER SECTION 143**

**ITEMS TO BE  
CHECKED**

**ALLOCATED TO**

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<b>AAO</b>	<b>Sr.Ar/Ar. Initials of</b>	<b>Supervision</b>	<b>Officer</b>
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**BALANCE SHEET ITEMS**

***EQUITY***

Equity Share Capital

Other Equity

***LIABILITIES***

Non-Current Liabilities

- a) Financial liabilities
- b) Provisions
- c) Deferred tax liabilities
- d) Other non-current liabilities

Current Liabilities

- a) Financial liabilities
- b) Other current liabilities
- c) Provisions
- d) Current tax liabilities

***ASSETS***

**Non-current Assets**

- a) Property, plant and equipment
- b) Capital work in progress
- c) Investment property
- d) Intangible assets
- e) Biological assets
- f) Financial assets
- g) Other non-current assets

**Current Assets**

- a) Inventories
- b) Financial assets
- c) Other current assets
- d) Assets held for sale

***PROFIT AND LOSS A/C***

**Expenditure (Item wise)**

- Cost of materials consumed
- Purchase of stock in trade
- Change in inventories
- Employee benefit expenses
- Finance costs
- Depreciation & Amortization expenses
- Others expenses

**Income (Item wise)**

- Revenue from operations
- Other Income



# ANNEXURE – A (i)

## DUTY ALLOCATION

### STATEMENT A

Allocation of duties in the audit party conducting Accounts Audit under Section 143(6)(b) of Companies Act 2013 of Public Sector Undertakings

#### *SENIOR AUDIT OFFICERS.*

1. Co-ordination and Supervision of the work of the audit team.
2. Review of the minutes and Agenda papers of the Board of Directors meeting or meetings of the committees regarding resolutions relating to annual accounts
3. Review of the System of internal control and internal audit and their effectiveness to determine the extent of audit
4. Review of Balance Sheet and Profit and Loss Account to see that they meet the requirement of the relevant statute and the generally accepted / accounting principles.
5. Examination of the Auditors' report to the share-holders to see whether they indicate any persistent deficiencies in systems and similar examination of various disclosures made in the notes to the accounts to see whether adjustments which ought to have been reflected in accounts in accordance with the accounting standards have been carried out or not.
6. Review of the accounting policies
7. Giving guidance to the other members of the party about the points / areas to be test checked
8. Review of the Journal Vouchers involving large amounts relating to adjusting entries in connection with the annual closing of accounts.
9. Review of large and unusual items in Sundry Creditors, Sundry Debtors, payments etc brought to the notice of the Audit Officers by Assistant Audit Officer or Senior Auditor
10. Finalisation of the draft comments and discussion with the management.

#### *ASSISTANT AUDIT OFFICER*

1. Review of the various items in the Schedule forming part of the Profit and Loss Account and Balance Sheet to see that these are correct and meet the requirements of the relevant statute and accepted accounting principles.
2. Verification of the figures in the Profit and Loss Account and Balance Sheet with reference to Schedules
3. Checking of the Correctness of sales set up and checking adequacy of the provisions for depreciation, taxation, dividends, bonus, outstanding expenses etc.
4. Allocation of expenditure between Capital and Revenue.
5. Contingent Liabilities.
6. Check of Consolidated annual accounts with reference to the audited accounts of the branches / Units.
7. Preparation of Review of Accounts.
8. Examination of the basis of valuation of inventories and adequacy of provisions.
9. General Review of the Journal Vouchers including adjustment entries in connection with annual closing of accounts.
10. Any other item of work entrusted by Audit Officer/Senior Audit Officer.

#### SENIOR AUDITOR/ AUDITOR

1. Detailed Calculation of items allotted by the Audit Officer / Assistant Audit Officer

2. Test check of postings in the ledgers, correctness of the Trial Balance, Groupings and correctness of annual accounts and schedules. Totaling of Balance sheet. Profit and Loss Account and schedules
3. Checking of previous years figures
4. Physical verification reports of assets
5. Bank Reconciliation Statement
6. Checking of valuation of inventories etc.
7. Adequacy of provision for Bad and doubtful debts and advances
8. Prior period adjustments
9. Any other item of work entrusted by Audit Officer / Assistant Audit Officer / Section Officer.

## **STATEMENT B**

Allocation of duties in the audit party conducting Audit of Financial Corporations

### *SENIOR AUDIT OFFICER*

1. Review of Minutes and Agenda papers of the Board of Directors Meetings and Executive Committees
2. Co-ordination and overall supervision of the work of the Audit Party.
3. Review of the system of investment of funds
4. Review of the system followed in the sanctioning of Loan. Individual cases of loans exceeding Rs.20 lakh each
5. Review of the system of internal check/control measures, in pre-sanction disbursement, follow-up and other operations
6. Examination of under-writing contracts
7. Finalization of the Inspection Report and discussion with the Management

### *ASSISTANT AUDIT OFFICER*

1. Examination of the Loan Register, Application Register, sanctions of loans. Individual cases of loans above Rs.5 lakh to Rs.20 lakh.
2. Checking of disbursement of loans and repayment of loans / interest with reference to all connected records
3. Review of files of defaulting loanees
4. Review of arbitration / court cases
5. General review of cash book and other connected records
6. Any other item of work entrusted by Audit Officer.

#### *SENIOR AUDITOR / AUDITOR*

1. Review of the register of securities, Bond Register.
2. Review the Register of Registration charges
3. Review of post disbursement Inspection Reports, progress reports etc.
4. Examination of loans upto Rs.5 lakhs
5. Any other item of work entrusted by Audit Officer / Assistant Audit Officer.

### **STATEMENT C**

Allocation of duties in the audit party conducting Efficiency-cum-Propriety Audit (under Section 143(7) of Companies Act) of Public Sector Undertakings

#### *SENIOR AUDIT OFFICER*

1. Review of Minutes and Agenda papers of the Board of Directors Meetings and Executive Committees
2. Co-ordination and overall supervision of the work of the Audit Party.
3. Review of the Principal Activity / activities including scrutiny of the major transactions in respect of the principal activity / activities and allocations of specific aspects / transactions for examination in regard to other members of audit party.
4. Scrutiny of contracts/agreements of all types above the limit specified by the Principal Audit Officer.
5. Review of the system of internal check/control measures in operation
6. Review of cash management system.
7. Finalization of the Inspection Report and discussion with the Management

#### *ASSISTANT AUDIT OFFICER*

1. Scrutiny of contracts/agreements of all types upto the limit specified by the Audit Officer/ Senior Audit Officer
2. Review of the activities of all the service departments of the undertaking.
3. Examination of the specific aspects of the principal activity allocated by the Audit Officer
4. Examination of inventory control and purchase procedure.
5. Investment decisions including modernization, diversification and expansion programmes
6. Examination of the supplementary reports of the professional Auditors and of the Quarterly Financial Report.
7. Man and Machine Utilisation

8. Examination of special points referred by the Headquarters.
9. Review of cost accounts, cost management and cost control including consumption, wastage and rejections.
10. Any other item of work entrusted by Audit Officer.

*SENIOR AUDITOR / AUDITOR*

1. Main and petty cash book
2. Records of Transport Wing of the Company
3. Records of Guest Houses, Canteens, Hospital and library etc.
4. Establishment audit
5. Claim cases of losses, theft, embezzlement and fire etc
6. Records relating to the receipt and issue of stores transactions
7. Records relating to Customs / excise duty, sales tax, wharfage, demurrage insurance / payment etc.
8. Examination of the specific aspect / transactions of the principal activity / activities allotted by Audit Officer.
9. Any other item of work entrusted by Audit Officer / Assistant Audit Officer / Section` Officer.

ANNEXURE – A (ii)

**ALLOCATION OF WORK DURING AUDIT OF ACCOUNTS UNDER SECTION 143  
OF COMPANIES ACT 2013**

<b>ITEMS TO BE CHECKED</b>	<b>ALLOCATED TO</b>		
	<b>AAO</b>	<b>Sr.Ar/Ar.</b>	<b>Initials of Supervision Officer</b>
<b>BALANCE SHEET ITEMS</b>			
<b><i>EQUITY</i></b>			
Equity Share Capital			
Other Equity			
<b><i>LIBILITIES</i></b>			
Non-Current Liabilities			
e) Financial liabilities			
f) Provisions			
g) Deferred tax liabilities			
h) Other non-current liabilities			
Current Liabilities			
e) Financial liabilities			
f) Other current liabilities			
g) Provisions			
h) Current tax liabilities			
<b><i>ASSETS</i></b>			
<b>Non-current Assets</b>			
h) Property, plant and equipment			
i) Capital work in progress			
j) Investment property			
k) Intangible assets			
l) Biological assets			
m) Financial assets			
n) Other non-current assets			
<b>Current Assets</b>			
e) Inventories			
f) Financial assets			
g) Other current assets			

h) Assets held for sale

***PROFIT AND LOSS A/C***

**Expenditure (Item wise)**

Cost of materials consumed

Purchase of stock in trade

Change in inventories

Employee benefit expenses

Finance costs

Depreciation & Amortization expenses

Others expenses

**Income (Item wise)**

Revenue from operations

Other Income

## **ANNEXURE B (ii)**

### **OFFICE OF THE ACCOUNTANT GENERAL (E&RSA), TAMIL NADU, CHENNAI – 600 018**

#### **Check list to ensure compliance of Auditing and Assurance Standard 28**

Whether the audit report contains the following basic elements:

- Title
- Addressee
- Opening Paragraph
- Scope paragraph
- Opinion Paragraph
- Date of Report
- Place of Signature
- Auditor's Signature

Whether the type of report to issued based on audit has been decided, if yes, whether it is properly drafted considering the type of report-

- Qualified
- Disclaimer
- Adverse

Whether the membership number is mentioned of the member signing the report.

## **CHECKLIST FOR COMPLIANCE OF ACCOUNTING STANDARDS**

### **1. Disclosure of accounting policies (AS-1)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Whether accounting policies are disclosed				
2.	All these policies should be disclosed in one place in the form of Annexure/Schedule to accounts				
3.	Is there any change in accounting policies				
4.	Effect of change should be disclosed through accounting notes				
5.	Auditor to refer this change in his report if material and its effect on profit/loss and assets/liabilities				
6.	If fundamental accounting assumptions are not followed, the disclosure should be made				
7.	Auditor to refer the non-compliance of fundamental accounting assumptions				
8.	Paras 11 and 12 of Form 3CD should be verified with the requirements of AS-1.				

## 2. Valuation of inventories (AS-2)

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check classification of inventories in raw material, WIP finished goods				
2.	Valuation of inventories – least of cost or realisable value				
3.	Cost formula used – FIFO, Weighted				
4.	Any change in cost formula				
5.	Borrowing cost is not cost of conversion or other direct cost				
6.	For the purpose of Form 3CD of Income Tax, the excise duty or any tax incurred whether refundable/adjustable is cost				
7.	Disclosure of policy and cost formula				
8.	Physical verification of inventory				
9.	Third party confirmation				

## 3. Cash flow statement (AS-3)

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	If the reporting enterprise falls under the Level-II and Level-III, the accounting standard is not applicable				
2.	If company is a listed company “indirect method” is to be followed				
3.	Verify the cash flow from operating, investing and financing activities as per AS-3				
4.	If reporting enterprises are bank, share broker, Investment Company, report cash flow on net basis for operating activities				
5.	Disclosure of non-cash transaction by way of note				
6.	Disclose cash or cash equivalents which are not freely remissible to the company or there is no restriction on using those				
7.	Reconciliation of cash and cash equivalent				

**4. Contingencies and events occurring after the balance sheet date (AS-4)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Refer AAS-19 "subsequent events"				
2.	Read minutes of Board of Directors, Executive Committee for events occurring after balance sheet date, up-to the date of finalization of audit				
3.	Go through all legal cases and their position up-to the date				
4.	Go through interim financial statement				
5.	Check if event has bearing on going concern				

**5. Net profit or loss for the period, prior period items and change in accounting policies (AS-5)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Ensure that prior period term represent only the items due to errors or omission not and change of estimate				
2.	Make list of prior period items detailing their nature				
3.	Verify clause 22(b) of Form 3CD of Income-tax Act, 1961				
4.	Disclose them separately in Profit and Loss Account				
5.	Make a list of extra-ordinary items and disclose separately				
6.	Is there any change in accounting policy				
7.	If yes, its calculate, impact on current year profit and if material on subsequent year profit				
8.	Refer these changes in Audit Report, if material				

**6. Depreciation accounting (AS-6)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check the cost of asset				
2.	Check the rate of depreciation based on useful life				
3.	In case of companies, check whether the depreciation rate is more than Schedule XIV rate				
4.	If yes, see the disclosure in accounting notes and mention in it audit report also				
5.	If assets are revalued, check whether depreciation is on revalued value				
6.	In case of tax audit verify clause 14 of Form 3CD of Income-Tax Act				
7.	Check whether the calculation of managerial remuneration is based on the depreciation rate of Schedule XIV to Companies Act, 1956.				

**7. Construction contract (Revised) (AS-7)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check that only the percentage of completion method is followed for recognizing the revenue of construction contract				
2.	Check the method of making reliable estimate of cost to completion				
3.	Check the method of calculation of contract revenue				
4.	Check the disclosure requirement as set out in AS-7				
5.	Check the accounting policies regarding revenue recognition				



6.	Is provision for expected loss required				
<b>8. Revenue recognition (AS-9)</b>					
<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check in case of sales whether the seller has transferred all significant risk and rewards of ownership to the buyer and no effective control on the goods transferred is retained by the seller				
2.	No significant uncertainty regarding the collection of sale amount exists				
3.	Check whether interest and royalties are recognized on accrual basis with no significant uncertainty in collection of the interest and royalties				
4.	Due provisions for un-expired warranty if sales is warranty sales				
5.	Accounting policies as regards revenue recognition are disclosed				

### 9. Accounting for fixed assets (AS-10)

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check fixed asset register and details as per Schedule-VI, Part -I				
2.	Check the addition and deletion				
3.	Is there any revaluation or restructuring, if yes, verify				
4.	Check disclosure of revaluation or reduction in balance sheet				
5.	Asset held for disposal to be separately shown at realisable value or book value whichever is less				
6.	Check the result of physical verification				
7.	Any CENVAT credit availed on fixed assets and reduced from the fixed assets				
8.	In case of Tax Audit verify Point-14 of Form 3CD of Income-tax Act				
9.	Is any subsidy or grant received for fixed asset, if yes, see treatment as per AS-10 and AS-12				
10.	Exchange fluctuation properly dealt or not				
11.	Are fixed assets subject to impairment, if yes, whether AS-28 has been followed wherever applicable				

### 10. The effects of changes in foreign exchange rates (AS-11) (Revised-2003)

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check whether foreign currency transaction was entered before 1.4.2004				
2.	If yes, AS-11 (pre-revised) shall continue to apply				
3.	If foreign currency transactions are entered on or after 1.4.2004, AS-11 (revised 2003) applies				
4.	If there are foreign operations				
5.	Whether classified as integral or non-integral				
6.	Exchange difference on integral operation and foreign currency transactions to be expensed or recognized as income				
7.	Exchange difference in translation of non-integral operation to be transferred to foreign exchange translation reserve				
8.	Is there partial or full disposal of net investment in integral foreign operation				

9.	If yes, transfer proportionately or full amount to income or expense as the case may be. Check if there is re-classification of foreign operation				
10.	If yes, apply the re-classification provision				
11.	Whether reporting enterprises entered into exchange forward contract				
12.	If yes, classify whether it is for risk management/hedging or for trading or speculation				
13.	If for hedging/risk management apply the relevant provisions of accounting standards				
14.	If for speculation, apply the relevant provisions of accounting standard by marking to market price, the outstanding forward contract				
15.	Check all disclosures have been made as per accounting standards				

### 11. Accounting for Government grants (AS-12)

S.N.	Check List	Yes	No	N/A	Remark
1.	Check whether asset specific grant has been treated as per AS-12				
2.	Check allocation of deferred income				
3.	Un-apportioned deferred income is disclosed in balance sheet				
4.	Grant in nature of promoter contribution credited to capital reserve				
5.	Refund of grant if debited in profit and loss as extra ordinary items				
6.	Accounting policy relating to Government grant is disclosed with accounts				
7.	In case of tax audit verify Point 14 (d)(iii) of Form 3CD				
8.	Whether Government grant receivable as compensation for expenses or losses incurred in the previous is credited to profit and loss account and disclosed as an extra-ordinary item				

### 12. Accounting for investments (AS-13)

S.N.	Check List	Yes	No	N/A	Remark
1.	Check initial recording of investment at cost				
2.	Check investment classified in current and long-term				
3.	Check valuation as per AS-13				
4.	Check disclosure of accounting policy as regard investment				
5.	Check the requirements of Schedule VI of Companies Act, 1956				
6.	Auditor report if required covers point u/s 227(1A) in case of company				
7.	In case of bank check RBI Guidelines				
8.	In case of mutual fund check SEBI Guidelines				

### 13. Accounting for amalgamation (AS-14)

S.N.	Check List	Yes	No	N/A	Remark
1.	Go through the scheme sanctioned under section 394 of Companies Act, 1956 by the court/tribunal				
2.	Whether it is merger or purchase				
3.	If merger – pooling interest method of accounting, if purchase – the purchase method of accounting is applied				
4.	Check the disclosure requirements as per AS-14				

5.	Check whether the scheme sanctioned prescribes a different treatment to be given to reserves to the transfer or company as compared to AS-14				
6.	If yes, see whether deviation has been reported				
7.	Check whether the notes to accounts give the notes regarding the previous year figure not comparable				

**14. Employee benefits (AS-15)(Revised 2005)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check type of enterprise – Level I or more than 50 employee or less than 50 employee				
2.	Check short-term employee benefits are expensed at the time of rendering of services by the employees				
3.	Check whether for post-employment benefits-defined contribution plans or defined benefit plans				
4.	If defined benefit plans – go through the actuary reports				
5.	Examine the assumptions made by the actuary are in compliance with AS-15				
6.	Check whether projected unit credit method to measure the obligation is followed				
7.	Examine the policy for employee benefits with reference to AS-15				
8.	Check whether all disclosures requirements are complied with AS-15				
9.	Check whether termination benefits (VRS) is expensed or if incurred upto 31.03.2009 is accordance with accounting policy				

**15. Borrowing costs (AS-16)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check whether enterprise has purchased or constructed any qualifying asset during the period				
2.	If yes, whether borrowing cost is incurred				
3.	Check amount of borrowing cost as per AS-16				
4.	Whether borrowing cost is capitalized				
5.	Whether capitalization of borrowing cost is as per AS-16				
6.	Whether accounting policy as regard borrowing cost is disclosed				
7.	Whether borrowing cost capitalized is disclosed as per accounting note				

**16. Segment reporting (AS-17)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check whether AS-17 is applicable				
2.	If yes, ask enterprise to make a segment reporting				
3.	Check whether segments are truly based on risk and reward				
4.	Tally the segments revenue to total revenue in Profit and Loss Account				
5.	Tally the segment assets, segments liabilities with consolidated figure in Balance Sheet				
6.	Check secondary segment reporting as per AS-17				
7.	Check–same accounting policies followed for segment reporting as followed for preparation of financial statements				
8.	If the reporting enterprise falls under the level-2 and level-3, the accounting standard is not applicable				

**17. Related party disclosure (AS-18)**

S.N.	Check List	Yes	No	N/A	Remark
1.	See whether AS-18 is applicable				
2.	If yes, follow the audit procedure prescribed in AAS-23				
3.	Classify the related parties into two categories – control and significant influence				
4.	Whether disclosure is done as per AS-18				
5.	If required, get representation form management				
6.	In case of tax audit verify clause 18 of Form 3CD				
7.	If the reporting enterprise falls under the level-II and level-III the accounting standard is not applicable				

**18. Accounting for leases (AS-19)**

S.N.	Check List	Yes	No	N/A	Remark
1.	Check lease agreement				
2.	Verify the Accounting policy as regards lease				
3.	Classify the lease to be financial or operation				
4.	If operating- check the accounting as per AS-19 for lesser and lessee				
5.	If financial lease-check the accounting as per AS-19				
6.	In case of finance lease, verify the implicit rate of interest/discounting factor				
7.	If assets are required under H.P.system, the same should be accounted for as per finance lease				
8.	In case of sale of lease back, classify the lease				
9.	Check whether accounting is done as per AS-19				
10.	Check the detailed disclosure requirements of AS-19				
11.	Check whether there is difference in accounting income and taxable income due to lease, if yes, create deferred tax as per AS-22				
12.	Few disclosure requirements are not applicable to level-II and level-III enterprises				

**19. Earnings per share (AS-20)**

S.N.	Check List	Yes	No	N/A	Remark
1.	Check EPS as mentioned in part IV of schedule VI of the Companies Act, 1956 is the basic EPS and has been calculated as per AS-20				
2.	If it is listed company -				
.	- The basic and diluted EPS must be disclosed on the face of profit and loss statement				
	- Reconciliation of weighted number of shares and profit available for equity shareholders is disclosed through notes to accounts				
	- Check whether basic or diluted EPS has been disclosed with and without extra-ordinary income/expense				
3.	Level-II and Level-III enterprises are not required to disclose diluted earning per share				

**20. Consolidated financial statements (AS-21)**

S.N.	Check List	Yes	No	N/A	Remark
1.	If company under audit is holding and is listed, AS-21 applies				

2.	Check whether the company is covered by exceptions prescribes in AS-21				
3.	Consolidation required as per clause 32 of listing agreement				
4.	Consolidation procedure shall be as per AS-21				
5.	Check disclosure requirements as per AS-21 and General Clarification (GC-5) issued by ICAI				
6.	Check the particulars under section 212 of the Companies Act, 1956				

### 21. Accounting for taxes on income (AS-22)

S.N.	Check List	Yes	No	N/A	Remark
1.	Check whether AS-22 is applicable for enterprise under reporting				
2.	Check whether accounting income and taxable income differ				
3.	If yes, it is due to permanent or timing difference				
4.	Ignore, if due to permanent difference. Create deferred tax for timing difference				
5.	Apply prudence for recognizing deferred tax asset				
6.	Verify virtual certainty while creating deferred tax asset for an absorbed depreciation and carry forward losses				
7.	Review deferred tax asset				
8.	Apply transitional provision if applicable				
9.	Present deferred asset and deferred tax liability in balance sheet after investment and unsecured loan respectively				
10.	Disclose break up of deferred tax asset and liabilities				
11.	Verify accounting policy as per AS-22				
12.	Verify other disclosure requirements as per AS-22				

### 22. Accounting for investments in associates in consolidated financial statements (AS-23)

S.N.	Check List	Yes	No	N/A	Remark
1.	Is company under audit a listed company				
2.	If yes, whether it has subsidiary				
3.	If yes, whether it has made investment in associate				
4.	If yes, AS-23 is applicable				
5.	Investment in associate in consolidated financial statement shall be accounted as per equity method				
6.	Is it first occasion AS-23 applicable? Apply transitional provisions				
7.	AS is not applicable for Level-II and Level-III enterprise				

### 23. Discontinuing operations (AS-24)

S.N.	Check List	Yes	No	N/A	Remark
1.	Whether the enterprise has entered into agreement or approval/announced to sell the substantially in its entirety or in piece-meal the assets and liabilities				
2.	If yes, AS-24 applies				
3.	Disclosure of “discontinuing operation” separately than “continuing operation” required				
4.	Check manner of disclosure as per AS-24				
5.	Disclosure is also required in quarterly results				
6.	Disclosure through notes to accounts is required				
7.	AS is not applicable for Level-II and Level-III enterprise				

**24. Interim financial reporting (IFR) (AS-25)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	AS-25 is mandatory in case of listed company and banks				
2.	SEBI guidelines to be considered				
3.	Minimum components of an interim financial report to be disclosed				
4.	Accounting policy should be the same as followed for annual accounts				
5.	Generally discrete view is followed in AS-25 except for tax				
6.	Selected explanatory statements to be enclosed				
7.	Format given under AS-25 is suggestive not compulsory, generally listed company has to follow the format prescribed by SEBI				
8.	AS is not applicable for Level-II and Level-III enterprises				

**25. Intangible assets (AS-26)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Whether asset is intangible asset as per AS-26				
2.	Whether recognition criteria as per AS-26 are fulfilled				
3.	Useful life is presumed to be 10 years if contrary is not proved				
4.	Residual value taken as NIL				
5.	Amortization is on straight line method if pattern of benefit not established				
6.	Goodwill as per AS-14 and 21 excluded				
7.	Addition/subsequent expenditure to intangible assets				
8.	Intangible asset to be recognized on disposal or when no further benefit is expected				
9.	If standard being applicable first time adjustment to any intangible asset as required by AS-26 to be made with opening reserve "Transitional Provision"				
10.	Impairment losses to be recognized				
11.	Disclosure as per AS-26				

**26. Financial reporting of interest in joint venture (AS-27)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check joint venture agreement				
2.	Classify type of joint venture into jointly controlled operation, jointly controlled assets or jointly controlled entity				
3.	Check accounting in separate financial statements for jointly controlled operation and jointly controlled assets as per AS-27				
4.	Check accounting for jointly controlled entity in separate financial statement and if consolidated statement are prepared in consolidated financial statement				
5.	Check transaction between a venture and a joint venture				
6.	Verify disclosure requirement as per AS-27				
7.	AS is not applicable to the extent of requirements relating to consolidated financial statements to Level-II and Level-III enterprises				

**27. Impairment of assets (AS-28)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Has management reviewed/assessed the asset for impairment				
2.	Consider the indications				
3.	Verify the future cash inflow				
4.	Assess the net selling price				
5.	Verify the impairment loss				
6.	Where net selling price or value in use for individual asset is not determinable, check the cash flow of Cash Generating Unit (CGU)				
7.	Also consider goodwill, corporate asset and their allocation				
8.	Verify the impairment loss for Cash Generating Unit (CGU)				
9.	Verify allocation of impairment loss in case of Cash Generating Unit (CGU)				
10.	Check the disclosure requirements				
11.	Accounting standard is applicable w.e.f. 1-4-2004 for Level-I, 1-4-2006 for Level-II and 1-4-2008 for Level-III enterprises				

**28. Provisions, contingent liabilities and contingent assets (AS-29)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check whether there is present obligation as a result of past event not recorded in books				
2.	If yes, is it probable				
3.	Can the amount be estimated reliability				
4.	If yes, recognize the provision				
5.	If there is possible obligation or amount cannot be estimated reliably- disclose the contingent liability				
6.	Ensure that happening of ever should not be remote for contingent liability				
7.	Ensure the disclosure requirement is met for provisions and contingent liability				
8.	Contingent asset neither recognize nor disclosed				
9.	Few disclosure requirements are not applicable for Level-II and Level-III enterprises				

**Sr.Audit Officer ( I )**



## Annexure- B (ii)

### TITLE SHEET FOR COMMENTS ON ACCOUNTS

PART - A		
1.	Name of the Company	
2.	Name of the Party Personnel with dates of attendance	
	i. Supervisory Officer	
	ii. Assistant Audit Officer/Section Officer	
	iii. Auditors	
3.	Year of accounts	
4.	i. Date when the financial statements were approved by the Board of Directors	
	ii. Date of the Audit Report (Applicable where a separate Statutory Auditors is appointed)	
	iii. Date of receipt of certified accounts alongwith Auditor's Report (To be filled by PAG/AG's Office)	
	iv. Period of Audit (Dates of Audit)	
	v. Details of extension sought for, if any, and the no. of days for which extension granted beyond six weeks	
5.	<b>Provisional Comments (To be filled by PAG/AG's Office)</b>	
5(i)	Date of issue of Provisional comments to	
	(i) Statutory Auditors	
	(ii) Company	
5(ii)	Date of receipt of replies to the provisional comments from	
	(i) Statutory Auditors	
	(ii) Company	
5(iii)	Date of sending draft comments to HQrs	
6.	Date of the AGM in which the accounts for the previous year were adopted	
7.	Did the Audit Committee have a discussion with Auditor and review the financial statements before their submission to the Board of Directors	
8.	Whether Statutory Auditors attended the meetings convened for planning and finalization of audit of accounts. If not details of the meetings not attended. (To be filled by PAG/AG's Office)	
9.	Whether all the Audit Enquiries have been replied to by the Management/Statutory Auditors? If not, whether it has been brought to the personal attention of Chief Executive	
10.	Whether all records/information required by Audit Team were made available. If not, the details of records not produced to Audit	

<b>PART - B</b>		
<b>I.</b>	<b>Review of Statutory Auditors' Report</b>	
1.	Whether all the statutory assertions as specified in Sections 143 (3) and (11) of the Companies Act 2013 have been stated in the Report	
2.	Whether the requirements of AAS 28 have been fulfilled as regards the form and content of the Report ( <i>A Check list is enclosed as Annexure – I</i> )	
3.	Whether the Report includes the required statements on all matters specified in CARO 2016. Whether the following requirements of CARO 2016 have been complied with	
	(i) If the auditor is unable to report on any of the matters, whether that fact has been indicated along with reasons	
	(ii) Whether the assessment made by Statutory auditors on the adequacy of internal control system is consistent with other observation of the Auditors	
	(iii) Whether the report of auditor on maintenance of roper books of accounts under law is correct and verified <sup>5</sup>	
4.	<b>Qualifications in Auditor's Report</b> Whether the requirements of Section 143 and Statement on Qualifications in Auditor's Report as indicated below have been complied with.	
	i) Has the auditor stated the full information about the subject matter of qualification?	
	ii) Has the auditor stated the reasons for the qualification?	
	iii) Has the auditor stated all the qualifications in their report itself and also without referring to a report made in earlier years?	
	iv) If any note to accounts is a subject matter of qualification, whether the auditor has stated the full subject matter of the note in his qualification, instead of making a reference to the note	
	v) Whether the auditor has stated, wherever possible, the effect of individual qualification and total effect of all the qualification on profit or loss or state of affairs	
	vi) If it is not possible to quantify the effect of qualifications accurately, whether the auditor has stated the effect on the basis of estimates made by the management, after indicating the fact that the figures were based on management estimates.	
5.	Whether the Auditor has furnished the report u/s. 143 (5) along with Auditor's Report u/s. 134 (5). If not the date of receipt of report.	
6.	Has the auditor complied with all directions issued u/s. 143 (5) and sub-directions issued?	
7.	Whether Statutory Auditors has shared his working papers with the Audit Team as and when asked for	
8.	Whether the opinions expressed by the auditor on the financial statements is fair keeping in view their qualifications	
9.	If the auditor has revised his Audit Report, whether the same is in accordance with 'Guidance Note on Revisions of Auditor's Report'.	

<sup>5</sup> The purpose of this item is to verify the audit observations relating to non-maintenance of proper books of record required by the Companies Act and/or any other relevant Act with reference to records of the company. There is no need to examine all the records of the company but where the statutory auditor has made audit observations on this aspect, only those observations need to be examined and not all the records.

10.	Whether Statutory Auditors has issued any communication to those charged with Governance under AAS 27?. If yes, whether the same has been reviewed <sup>6</sup> ?	
11.	Is there any material evidence regarding non-compliance with any Auditing and Assurance Standards by the Auditor? <sup>7</sup>	
<b>II</b>	<b>Review of Financial Statements</b>	
	<b>Whether the following have been verified?</b>	
1.	Whether the Balance Sheet and Profit and Loss Account have been prepared in the forms set out in Schedule III of the Companies Act 2013 respectively.	
2.	Whether the Balance Sheet Abstract and Company's general business profile have been stated in prescribed format as required in Schedule III of the Act.	
3.	Whether financial Statements have been approved by Board of Directors as required under Sections 134 (1) of the Companies Act 2013 and authenticated as required under Section 143 of the Act.	
4.	Whether all significant Accounting policies have been disclosed <sup>8</sup>	
5	Whether the Accounting Policies form Part of the financial statements	
6	Whether any accounting policy is vague leaving scope for mis-interpretation or is against the provisions of Accounting Standards/relevant laws.	
7	If there is a change in accounting policy, whether such change has approval of the competent authority	
8	Whether auditor have signed their report only after adoption of previous years accounts in AGM as required in Companies Act 2013 and letter of appointment of auditor	
9	Whether unusual transactions have been dealt within accounts properly. If no, has the Auditor given sufficient comments on it?	
10	Whether test checks revealed that AAS 21 regarding due consideration of laws and regulations have been followed by the Auditor is adequately report?	
<b>III</b>	<b>Compliance with Accounting Standards (AS)</b>	
1	Whether the financial statements complied with the AS as required in Section 133 of Companies Act 2013	
2	Cases of non compliance if any noticed during test check ( <i>A Check list is enclosed as Annexure – II</i> )	
3	(i) Whether the company has made disclosures as required in Sec 133 of Companies Act 2013 and	
4	(ii) If not, whether the Statutory Auditors has stated the non compliance in their report	
<b>IV</b>	<b>Compliance with Assurances:</b>	
	Whether the company has complied with all the assurances given to audit in the previous year(s)	

<sup>6</sup> Communication under AAS 27 can be reviewed either before taking up or during the supplementary audit to review the observations of statutory audit contained therein which may be helpful in deciding the scope and extent of supplementary audit

<sup>7</sup> To be reported only on exception basis if some convincing evidence indicating material non-compliance of AAS are noticed during the normal course of supplementary audit

<sup>8</sup> List of the areas where the entity should frame accounting policy as given in AS-1, can be considered as significant areas. In addition to this, based on the experience, PAG/AG's office may be aware of the major significant areas where the company should have an accounting policy. Such examination is not necessary during supplementary audit, it can be done before the start of audit or any part of the year as change in Accounting Policies is not a routine feature of a company and most of the accounting policies remain the same.

<b>V</b>	<b>Compliance with requirements of Regulatory Authorities relating to preparation and presentation of financial statements/accounts</b>	
	Whether the requirements of any, regulatory authorities viz., SEBI, IRDA, RBI, BPE, NHB and Administrative Ministry etc. with regard to financial; reporting been complied with by the Company? If not, indicate whether specific non compliance has been pointed out.	
<b>VI</b>	<b>Recommendations of Supervisory Officer</b>	
1	Whether any change in time allotted is necessary for future audit?	
2	What are the areas to be focused on in transaction audit?	
3	Other recommendations/remarks	

<b>PART – C</b>		
<b>(The matters included in this part are not exhaustive, PAG/AG's office may include other matter according to their requirement)</b>		
1	Whether all the points indicated in the register of important points marked for verification in the accounts audit by the OAD section have been reviewed and action taken.	
2	Whether list of audit points which may have some audit value for other RAPs been attached.	
3	Whether the Statutory Auditors' report and the audited accounts of units not selected for audit been reviewed.	
4	Whether contribution statement with money value and the name of the RAP/LAP official been attached.	
5	A list indicating allocation of duty amongst the party members to be attached along with a certificate signed by all the members of the audit party that duly assigned to him or her was completed.	

Submitted to Sr.DAG/DAG (HQ)

Signature of Sr.A.O.  
I/C of Party

Camp:

Date:

## Annexure – B (i)

### Title Sheet for Transaction audit

#### PART A

1. Name of the Organization Audited

2. Party Personnel

Name	Designation	Duration

3. Period of Audit

4. Months selected for Audit and rationale

5. Units selected for Inspection and reason

6. Duration of Audit

7. Whether duration of Audit need change, if so append reasons

8. Whether all the documents were received by the party in time from the HQrs.

9. Whether action has been taken to call for the required documents by the party and Hqrs.

10. Whether all the documents required was produced in time by the unit.

11. Whether any special points marked by the Hqrs for scrutiny during local audit was seen by the party

12. Paragraphs if any, to be reported to higher authorities in advance or to be brought to special notice of the Hqrs. are mentioned by the party.

13. Whether paras marked for NAV have been verified

14. Recovery at the instance of audit (as reported by the Party)

1. Current LAR & 2. Previous LARs

15. Whether internal audit is in existence, if not whether the same has been commented upon

16. No. of Potential Draft Paras (Part IIA) in current IR

17. IR Paras which are of relevance in other audits also, to be brought to special Notice of H.Qrs

18. Whether all items required to be checked as per Manual of Commercial Audit /relating to this organization or do codified elsewhere have been checked?

19. Items of significance left unchecked to be enumerated with reasons – Specify if it can be checked during next audit or by a special team
20. General remarks, if any
21. Actual date of submission of report

**PART B**

1. Whether Part I & II (A& B) of the IR have been discussed with the Head of the undertaking inspected?
2. (a) Whether Statement I showing allocation of duties among members of the party has been enclosed?  
  
(b) Date of Entry Conference conducted:  
(c) Date of Exit Conference conducted:  
  
(d) Whether Compliance Audit Design Matrix was prepared (Separate Copy may be enclosed)
3. (a) List of Contracts/Work orders/ Purchases during the year, test checked in Audit

Sl No	Name of Supplier / Contractor	Material	Value of Contract	Unit rate

(Separate annexure can be enclosed)

- (b) Audit Sampling Technique/ Rationale adopted to test check the above out of the population may be elaborated.
4. a) Whether the quantum prescribed (as per **statement III**) for audit was completed?  
  
b) Are there points which could not be fully investigated during current Audit and which requires investigation in next audit?  
If so, these should be listed out with reasons for not checking them during current audit, indicating the records from which these should be checked in next audit.
5. Whether daily dairy indicating documents/ records checked by SAO/AAO/Sr.Ar. has been maintained and submitted to H.Qrs
6. Whether a statement of persistent irregularities has been attached.

7. Whether **Statement IV** showing the information relating to the contracts/ works/purchases has been enclosed.
8. Whether Survey Questionnaire for IT Applications enclosed as per **Statement V**.
9. Whether there has been any delay on the part of management in replying to the audit queries for more than 7 days in case of resident audit, 3 days in case of other audit? If so, in how many cases?
10. Whether all the points indicated in the Register of important points and points marked for next audit by the HQrs. Section have been reviewed and action taken thereon?
11. Indicate the position of pending paras in respect of Audit Report Part II as under

Period of Audit Report	Number of paras outstanding	Number of Paras settled	Reasons for remaining / outstanding

12. (a) Originators of Paragraphs

Part / Para No.	Name/ Designation

- (b) Details of work allocation among members of Audit Team:

Sl No	Name / Designation	Details of Work done	Signature

13. (a) Budget Estimate of Expenditure for the year of Audit :  
 (b) Revised Estimate of the Expenditure for the year of Audit:  
 (Separate sheet may be enclosed)

### PART C

- (a) **General Information**

Incorporation of the Company	
Department under which functioning	
Dates of Last Audit	
Period of Audit covered in last audit	
Period Covered by Present Audit	



Officials holding the Post of Chairman, MD during the period covered in Audit	<b>Sl. No.</b>	<b>Name of the official</b>	<b>Designation</b>	<b>Period</b>
Year up to which Accounts have been finalized				

**(b) Profile**

The jurisdiction covered by the Company is <Geographical area, district, places, etc.> with <xxx> number of branches and <xxxx> of units. (In respect of STUs, number of Workshops, Body Building Units, etc. should be stated)

**(c)**

<b>Financial Information</b>			
Balance Sheet, Profit & Loss Statement details for last three years may be given			
Heads of Assets/ Liabilities/ Income / Exp	Previous Year1	Previous Year2	Current Year

**(d)**

<b>Operational Information</b>			
The details regarding production, sales, cost per unit, revenue per unit, etc., with targets & achievement may be given			
Heads of Assets/ Liabilities/ Income / Exp	Previous Year1	Previous Year2	Current Year

**Internal Control (Including Internal Audit)**

Presence of Internal Control Adequacy of Internal Control Presence of Feedback/ Information input/ MIS to report System/Internal Control Lapses to appropriate authority  Constitution of Audit Committee and functions vis-à-vis Provisions of Companies Act, 1956	<b>In case of any adverse remarks emanating, separate para as an audit observation may be included.</b>
---	---

The list of outstanding findings of earlier inspection is given below:

<b>Year</b>	<b>IR No.</b>	<b>No. of Paras outstanding</b>	<b>No. of Paras recommended for settlement</b>	<b>No. of Paras pending</b>

**Outstanding Paras of Earlier Inspection Reports,**

Sl. No.	LAR No.	Year of Audit	Para No.	Gist of Objection

**PART D**

1. Certified that all the outstanding points in the previous inspection reports Part IA & B and Part II have been discussed with the unit officers and those have either been dropped or included in the current Inspection Report.
2. Certified that all points from the register of important points and points marked for next audit by the Headquarters have been reviewed and action taken thereon indicated in separate note.
3. Certified further that all the points raised in the report and appendix have been discussed by me personally with the .....(designation of the officer to be mentioned here) and the facts mentioned therein have also been verified by them.

**Signature of the Inspecting Officer.**

**Camp:**

**Date:**

**(Remarks of the Supervising Officer)**

**Camp:**

**Date:**

**STATEMENT I**

(List of Records and Vouchers etc. brought from headquarters)

Sl.No.	Particulars of records	Files put to use

**STATEMENT II**

(List of records and document checked)

Sl.No.	Particulars of records	Extent of percentage of audit exercised

**SUPERVISING OFFICER**

**ASSISTANT AUDIT OFFICER**

Name of the Company :

Party undertaken :

Duration of Audit :

**Details of records to be kept for audit:**

01. (a) P&L a/c and Balance sheet alongwith Schedules for the year  
(b) Details of self a/c units or profit within the auditee unit
02. Board Minutes and Agenda Note
03. Correspondence with major sundry debtors – file
04. Internal Audit Report
05. Statutory Audit Report
06. Register of Contracts / Tenders
07. Details of loans given/taken, bank a/c etc
08. Bank Reconciliation Statement
09. AMC Agreements
10. IT file, Advance Tax
11. Asset Register
12. Sales Tax, Advance Sales Tax etc.
13. Excise Central / State rebate / refund
14. MIS Report
15. List of new projects, budgeted, undertaken and completed
16. Reports on feasibility study on new projects
17. Administrative Report latest
18. List of major repairs and maintenance done and its value
19. Assets commissioned but lying idle

**Senior Audit Officer (C)**

Statistical information on important checks conducted during local audit inspection of

Office of the -----

Name: -----Senior Audit Officer/Audit Officer

Sl. No.	Particulars			
1.	Complete review of accounts of purchase / projects / works completed since last audit			
(a)	Quantum of checks			
	Less than Rs.5 lakh		Sr. Ar / Ar	10%
	Rs.5 lakh and above but less than Rs.15 lakh		SO/AAO	25%
	Rs.15 lakh and above but below Rs.25 lakh		SO/AAO	50%
	Rs.25 lakh and above but below Rs.50 lakh		AO/SAO	100%
	Rs. 50 lakh and above but below Rs.1 crore		AO/SAO/GO	100%
	Rs.1 crore and above		AO/SAO/GO/AG	100%
(b)	Total number of such purchases / projects / works completed since last audit			
(c)	Total number of purchases / projects / works reviewed			
(d)	Audit result included in the Draft Inspection Report together with money value			
	Part IB		Part II	
	Para No.	Monetary Value	Para No.	Monetary Value
2.	Scrutiny of regular works / contracts / agreements executed during the year (list to be annexed)			
3.	Quantum of checks			
	Less than Rs.5 lakh		Sr. Ar / Ar	10%
	Rs.5 lakh and above but less than Rs.15 lakh		SO/AAO	25%
	Rs.15 lakh and above but below Rs.25 lakh		SO/AAO	50%
	Rs.25 lakh and above but below Rs.50 lakh		AO/SAO	100%
	Rs. 50 lakh and above but below Rs.1 crore		AO/SAO/GO	100%
	Rs.1 crore and above		AO/SAO/GO/AG	100%
(b)	Total number of such contracts / agreements executed in the year covered in audit under each category			

(i)				
(ii)				
(iii)				
(iv)				
(v)				
(c)	Total number of contracts / agreements scrutinized during local audit (out of (b) above)			
(i)				
(ii)				
(iii)				
(iv)				
(v)				
(vi)				
(d)	Number of contracts not examined with reasons			
(e)	Audit result included in the draft inspection report together with monetary value			
	Part IB	Part II		
	Para No.	Monetary Value	Para No.	Monetary Value

Note:

1. After covering the cases due for current audit, the project review and contract audit can include cases not audited during immediately preceding spell of audit.
2. The checks which are not applicable to the unit inspected may be indicated as N.A

Certified that I have exercised the audit checks prescribed in CAG's letter No.335/CA-II/74-97 dated 18 06.1998 and that no item of check prescribed or to be carried out under special orders issued from time to time has been over looked either in the distribution of the duties or in the actual performance of work during the inspection.

**Senior Audit Officer**

**OFFICE OF THE ACCOUNTANT GENERAL (E & RSA), TAMIL NADU  
LEKHA PARIKSHA HAVAN, 361 ANNA SALAI, CHENNAI - 18**

AG(E&RSA)/OAD(C)/

DT: .

To  
The Managing Director,

Sir,

Sub: Contracts/Purchases over 25 lakhs – Details called for – Reg.  
-----

In this connection, I request you to furnish particulars of contracts valuing Rs.25 lakh and above, entered into during the period to in the proforma enclosed, in respect of execution of Civil/Structured works, Purchase of materials or equipments, rendering of services etc.

If no such contracts were entered in the above period, a NIL statement may kindly be sent.

Yours faithfully,

Senior Audit Officer (I)

Encl: as above



## Statement III

NAME OF THE AUDIT

Sl.No (1)	Items of work (2)	Norm in Mandays (3)	Actual number of items, Mandays in each category (4)	Mandays (5)
01.	(a) Cash book Receipts (b) Cash book review of vouchers (c) Petty cash book review	1 manday / year 500 Vrs / manday 1 manday / Year		
02.	Journal Vouchers – Review	500 / manday		
03.	Salaries and wages book, fixation of pay analysis of wages for various jobs, verification of leave cases, review of personnel records	200 cases / day		
04.	Purchase – Local and Foreign (i) Major purchase over 1 lakh - 100% (ii) Other 50,000 to 1 lakh - 75% (iii) 10,000 to 50,000 - 50% (iv) Others – 10%	3 cases / day 4 cases / day 8 cases / day 16 cases / day		
05.	Purchase returns book	1 manday in all		
06.	Sales 1. Review of pricing 2. Check of Invoices More than 50,000 – 100% Others – 10% 3. Returns and Special review	1 manday 1 manday 20 mandays 100 mandays 1 manday in all		
07.	Bills receivable / payable			
08.	Creditors ledger examination of the individual accounts reconciliation of individual accounts with central accounts	2 manday in all		
09.	Debtor ledger examination of overdue accounts, provision for bad and doubtful accounts, adjustments of advances periodical reconciliation with the statement of accounts	10 cases / day		
10.	Nominal ledger examination of rents, wages, salaries / insurance Telephone, Printing and Stationary, discount, interest etc.	2 mandays in all		
11.	Stores, stock valuation, fixing of maximum and minimum, ABC analysis, slow moving, non-moving items, physical verification reports	100 items / day		
12.	Provision towards depreciation, bad debts, IR taxes accrued, interest on loans etc. Depreciation percentage 100%	3 mandays		
13.	Dividends	1 manday		
14.	Maintenance of Statutory Book	1 manday		
15.	Construction accounts – Civil contracts check of estimates, tenders, M.Books, M.Roll, part and completion reports, advance payment comparison of similar contracts etc.			
16.	Examination of cost records booking of direct and indirect expenditure material and labour allocations, Allocation of overheads, Production	3 mandays / in all		



	programme, Fulfillment idle labour statement idle machinery etc.			
17.	Examination of documents relating to 1. Transport – log books, log sheets allocation 2. Packing 3. Workshop	20 log books / day 1 manday in all 1 manday in all		
18.	Agenda and Minutes of Board Meetings etc	2 meetings / I manday		
19.	Examination of General Items i. Sufficiency or depreciation ii. Amount of reserves iii. Sufficiency of working capital iv. Rates of equity to loan capital v. General states of books and records vi. Ways and means position vii. Stores control viii. Capitalisation of expenses ix. Preparation of budget etc.	2 mandays in all		
20.	Balance sheet, Schedules etc	2 mandays in all		
21.	Company Auditors Report	1 manday / Report		
22.	Check bank reconciliation	1 manday in all		
23.	Reconciliation for cost financial figures	1 manday in all		
24.	Review of Internal Audit Report, major contract consultant report, Project reports, quarterly financial reports, monthly progress reports etc. 1. Major reports 2. Others	1 Report / manday 1 manday / 2 reports		
25.	Memorandum and Articles of Association (First Audit)	1 manday		
26.	Financial Institutions – Review of 1. Grant of loans – more than Rs.1 lakh all cases 2. Others – 25% 3. Repayment, Defaulter etc.	2 cases / day 8 cases / day 2 cases / day		
27.	Transport, Ticket, Revenue, Reconciliation parcel revenue, newspapers, advt. revenue etc.	3 mandays		
28.	Examination of MV Tax payment and refund in STUs			
29.	Other items to be specified – preparation of statement showing audit slip / reports of the company for issue of preliminary comments by headquarters – Preparation of title sheet collection of statistics Preparation of financial review	2 mandays  1 manday		

**Annexure – B- (v)**

**For Local Audit Party**

**PROFORMA ON THE PERFORMANCE OF AUDITORS OF GOVERNMENT COMPANIES & CORPORATION**

To be sent to the Comptroller and Auditor General's office with the endorsement copy of issue of Comments/Nil comments/Non review certificate on the accounts of a Company.

**A. Basic Data**

- (i) Name of the Company/ Corporation :
- (ii) Name of the Branch/Unit of the Company/Corporation Audited :
- (iii) Year of Account :
- (iv) Name of Statutory Auditors and Branch Auditors :
- (v) Name of the Partners, Chartered Accountant Employees and Other employees who actually audited the Company/Unit and the man days deployed/spent by the Partners/CA employees/other employees on the audit.

Name	Man days/hours spent in Audit	TA/DA paid/payable (Rs.)	Out of Pocket expenses paid/ payable (Rs.)
a) Partners			
b) Chartered Accountant Employees			
c) Other employees			

(vi) Audit fee and other remuneration paid/payable to the Auditors by the Company (please give separate entries for each Audit firm and each type of remuneration)

Name of the Statutory auditor/branch auditor	Audit fees mentioned in the Annexure II attached with the appointment letter	Audit fees actually paid by the company	Details of other remuneration/ fee paid/payable to the auditor along with amount thereof for the year of account:	
			(i) Tax Audit	Rs.
			(ii) VAT Audit	Rs.
			(iii) Half yearly Financial Reviews/ Quarterly Financial Reviews	Rs.
			(iv) Others (specifying the nature of services rendered)	Rs.
			<b>Total</b>	Rs.

**Sr. Audit Officer (I)**

## ANNEXURE B (iv)

### Check list to ensure compliance of Auditing and Assurance Standard 28

Whether the audit report contains the following basic elements:

- Title
- Addressee
- Opening Paragraph
- Scope paragraph
- Opinion Paragraph
- Date of Report
- Place of Signature
- Auditor's Signature

Whether the type of report to issued based on audit has been decided, if yes, whether it is properly drafted considering the type of report-

- Qualified
- Disclaimer
- Adverse

Whether the membership number is mentioned of the member signing the report.

## CHECKLIST FOR COMPLIANCE OF ACCOUNTING STANDARDS

### **1. Disclosure of accounting policies (AS-1)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Whether accounting policies are disclosed				
2.	All these policies should be disclosed in one place in the form of Annexure/Schedule to accounts				

3.	Is there any change in accounting policies				
4.	Effect of change should be disclosed through accounting notes				
5.	Auditor to refer this change in his report if material and its effect on profit/loss and assets/liabilities				
6.	If fundamental accounting assumptions are not followed, the disclosure should be made				
7.	Auditor to refer the non-compliance of fundamental accounting assumptions				
8.	Paras 11 and 12 of Form 3CD should be verified with the requirements of AS-1.				

## 2. Valuation of inventories (AS-2)

S.N.	Check List	Yes	No	N/A	Remark
1.	Check classification of inventories in raw material, WIP finished goods				
2.	Valuation of inventories – least of cost or realisable value				
3.	Cost formula used – FIFO, Weighted				
4.	Any change in cost formula				
5.	Borrowing cost is not cost of conversion or other direct cost				
6.	For the purpose of Form 3CD of Income Tax, the excise duty or any tax incurred whether refundable/adjustable is cost				
7.	Disclosure of policy and cost formula				
8.	Physical verification of inventory				
9.	Third party confirmation				

## 3. Cash flow statement (AS-3)

S.N.	Check List	Yes	No	N/A	Remark
1.	If the reporting enterprise falls under the Level-II and Level-III, the accounting standard is not applicable				
2.	If company is a listed company “indirect method” is to be followed				
3.	Verify the cash flow from operating, investing and financing activities as per AS-3				
4.	If reporting enterprises are bank, share broker, Investment Company, report cash flow on net basis for operating activities				
5.	Disclosure of non-cash transaction by way of note				
6.	Disclose cash or cash equivalents which are not freely remissible to the company or there is no restriction on using those				
7.	Reconciliation of cash and cash equivalent				

## 4. Contingencies and events occurring after the balance sheet date (AS-4)

S.N.	Check List	Yes	No	N/A	Remark
1.	Refer AAS-19 “subsequent events”				
2.	Read minutes of Board of Directors, Executive Committee for events occurring after balance sheet date, up-to the date of finalization of audit				

3.	Go through all legal cases and their position up-to the date				
4.	Go through interim financial statement				
5.	Check if event has bearing on going concern				

**5. Net profit or loss for the period, prior period items and change in accounting policies (AS-5)**

S.N.	Check List	Yes	No	N/A	Remark
1.	Ensure that prior period term represent only the items due to errors or omission not and change of estimate				
2.	Make list of prior period items detailing their nature				
3.	Verify clause 22(b) of Form 3CD of Income-tax Act, 1961				
4.	Disclose them separately in Profit and Loss Account				
5.	Make a list of extra-ordinary items and disclose separately				
6.	Is there any change in accounting policy				
7.	If yes, its calculate, impact on current year profit and if material on subsequent year profit				
8.	Refer these changes in Audit Report, if material				

**6. Depreciation accounting (AS-6)**

S.N.	Check List	Yes	No	N/A	Remark
1.	Check the cost of asset				
2.	Check the rate of depreciation based on useful life				
3.	In case of companies, check whether the depreciation rate is more than Schedule XIV rate				
4.	If yes, see the disclosure in accounting notes and mention in it audit report also				
5.	If assets are revalued, check whether depreciation is on revalued value				
6.	In case of tax audit verify clause 14 of Form 3CD of Income-Tax Act				
7.	Check whether the calculation of managerial remuneration is based on the depreciation rate of Schedule XIV to Companies Act, 1956.				

**7. Construction contract (Revised) (AS-7)**

S.N.	Check List	Yes	No	N/A	Remark
1.	Check that only the percentage of completion method is followed for recognizing the revenue of construction contract				
2.	Check the method of making reliable estimate of cost to completion				
3.	Check the method of calculation of contract revenue				
4.	Check the disclosure requirement as set out in AS-7				
5.	Check the accounting policies regarding revenue recognition				
6.	Is provision for expected loss required				

**8. Revenue recognition (AS-9)**

S.N.	Check List	Yes	No	N/A	Remark
1.	Check in case of sales whether the seller has transferred all significant risk and rewards of ownership to the buyer and no effective control on the goods transferred is retained by the seller				
2.	No significant uncertainty regarding the collection of sale amount exists				

3.	Check whether interest and royalties are recognized on accrual basis with no significant uncertainty in collection of the interest and royalties				
4.	Due provisions for un-expired warranty if sales is warranty sales				
5.	Accounting policies as regards revenue recognition are disclosed				

#### 9. Accounting for fixed assets (AS-10)

S.N.	Check List	Yes	No	N/A	Remark
1.	Check fixed asset register and details as per Schedule-VI, Part -I				
2.	Check the addition and deletion				
3.	Is there any revaluation or restructuring, if yes, verify				
4.	Check disclosure of revaluation or reduction in balance sheet				
5.	Asset held for disposal to be separately shown at realisable value or book value whichever is less				
6.	Check the result of physical verification				
7.	Any CENVAT credit availed on fixed assets and reduced from the fixed assets				
8.	In case of Tax Audit verify Point-14 of Form 3CD of Income-tax Act				
9.	Is any subsidy or grant received for fixed asset, if yes, see treatment as per AS-10 and AS-12				
10.	Exchange fluctuation properly dealt or not				
11.	Are fixed assets subject to impairment, if yes, whether AS-28 has been followed wherever applicable				

#### 10. The effects of changes in foreign exchange rates (AS-11) (Revised-2003)

S.N.	Check List	Yes	No	N/A	Remark
1.	Check whether foreign currency transaction was entered before 1.4.2004				
2.	If yes, AS-11 (pre-revised) shall continue to apply				
3.	If foreign currency transactions are entered on or after 1.4.2004, AS-11 (revised 2003) applies				
4.	If there are foreign operations				
5.	Whether classified as integral or non-integral				
6.	Exchange difference on integral operation and foreign currency transactions to be expensed or recognized as income				
7.	Exchange difference in translation of non-integral operation to be transferred to foreign exchange translation reserve				
8.	Is there partial or full disposal of net investment in integral foreign operation				
9.	If yes, transfer proportionately or full amount to income or expense as the case may be. Check if there is re-classification of foreign operation				
10.	If yes, apply the re-classification provision				
11.	Whether reporting enterprises entered into exchange forward contract				
12.	If yes, classify whether it is for risk management/hedging or for trading or speculation				
13.	If for hedging/risk management apply the relevant provisions of accounting standards				
14.	If for speculation, apply the relevant provisions of accounting standard by marking to market price, the outstanding forward contract				
15.	Check all disclosures have been made as per accounting standards				

**11. Accounting for Government grants (AS-12)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check whether asset specific grant has been treated as per AS-12				
2.	Check allocation of deferred income				
3.	Un-apportioned deferred income is disclosed in balance sheet				
4.	Grant in nature of promoter contribution credited to capital reserve				
5.	Refund of grant if debited in profit and loss as extra ordinary items				
6.	Accounting policy relating to Government grant is disclosed with accounts				
7.	In case of tax audit verify Point 14 (d)(iii) of Form 3CD				
8.	Whether Government grant receivable as compensation for expenses or losses incurred in the previous is credited to profit and loss account and disclosed as an extra-ordinary item				

**12. Accounting for investments (AS-13)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check initial recording of investment at cost				
2.	Check investment classified in current and long-term				
3.	Check valuation as per AS-13				
4.	Check disclosure of accounting policy as regard investment				
5.	Check the requirements of Schedule VI of Companies Act, 1956				
6.	Auditor report if required covers point u/s 227(1A) in case of company				
7.	In case of bank check RBI Guidelines				
8.	In case of mutual fund check SEBI Guidelines				

**13. Accounting for amalgamation (AS-14)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Go through the scheme sanctioned under section 394 of Companies Act, 1956 by the court/tribunal				
2.	Whether it is merger or purchase				
3.	If merger – pooling interest method of accounting, if purchase – the purchase method of accounting is applied				
4.	Check the disclosure requirements as per AS-14				
5.	Check whether the scheme sanctioned prescribes a different treatment to be given to reserves to the transfer or company as compared to AS-14				
6.	If yes, see whether deviation has been reported				
7.	Check whether the notes to accounts give the notes regarding the previous year figure not comparable				

**14. Employee benefits (AS-15)(Revised 2005)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check type of enterprise – Level I or more than 50 employee or less than 50 employee				
2.	Check short-term employee benefits are expensed at the time of rendering of services by the employees				
3.	Check whether for post-employment benefits-defined contribution plans or defined benefit plans				
4.	If defined benefit plans – go through the actuary reports				
5.	Examine the assumptions made by the actuary are in compliance with AS-15				
6.	Check whether projected unit credit method to measure the obligation is followed				
7.	Examine the policy for employee benefits with reference to AS-15				
8.	Check whether all disclosures requirements are complied with AS-15				
9.	Check whether termination benefits (VRS) is expensed or if incurred upto 31.03.2009 is accordance with accounting policy				

**15. Borrowing costs (AS-16)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check whether enterprise has purchased or constructed any qualifying asset during the period				
2.	If yes, whether borrowing cost is incurred				
3.	Check amount of borrowing cost as per AS-16				
4.	Whether borrowing cost is capitalized				
5.	Whether capitalization of borrowing cost is as per AS-16				
6.	Whether accounting policy as regard borrowing cost is disclosed				
7.	Whether borrowing cost capitalized is disclosed as per accounting note				

**16. Segment reporting (AS-17)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check whether AS-17 is applicable				
2.	If yes, ask enterprise to make a segment reporting				
3.	Check whether segments are truly based on risk and reward				
4.	Tally the segments revenue to total revenue in Profit and Loss Account				
5.	Tally the segment assets, segments liabilities with consolidated figure in Balance Sheet				
6.	Check secondary segment reporting as per AS-17				
7.	Check–same accounting policies followed for segment reporting as followed for preparation of financial statements				
8.	If the reporting enterprise falls under the level-2 and level-3, the accounting standard is not applicable				

**17. Related party disclosure (AS-18)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
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1.	See whether AS-18 is applicable				
2.	If yes, follow the audit procedure prescribed in AAS-23				
3.	Classify the related parties into two categories – control and significant influence				
4.	Whether disclosure is done as per AS-18				
5.	If required, get representation form management				
6.	In case of tax audit verify clause 18 of Form 3CD				
7.	If the reporting enterprise falls under the level-II and level-III the accounting standard is not applicable				

### 18. Accounting for leases (AS-19)

S.N.	Check List	Yes	No	N/A	Remark
1.	Check lease agreement				
2.	Verify the Accounting policy as regards lease				
3.	Classify the lease to be financial or operation				
4.	If operating- check the accounting as per AS-19 for lesser and lessee				
5.	If financial lease-check the accounting as per AS-19				
6.	In case of finance lease, verify the implicit rate of interest/discounting factor				
7.	If assets are required under H.P.system, the same should be accounted for as per finance lease				
8.	In case of sale of lease back, classify the lease				
9.	Check whether accounting is done as per AS-19				
10.	Check the detailed disclosure requirements of AS-19				
11.	Check whether there is difference in accounting income and taxable income due to lease, if yes, create deferred tax as per AS-22				
12.	Few disclosure requirements are not applicable to level-II and level-III enterprises				

### 19. Earnings per share (AS-20)

S.N.	Check List	Yes	No	N/A	Remark
1.	Check EPS as mentioned in part IV of schedule VI of the Companies Act, 1956 is the basic EPS and has been calculated as per AS-20				
2.	If it is listed company -				
.	- The basic and diluted EPS must be disclosed on the face of profit and loss statement				
	- Reconciliation of weighted number of shares and profit available for equity shareholders is disclosed through notes to accounts				
	- Check whether basic or diluted EPS has been disclosed with and without extra-ordinary income/expense				
3.	Level-II and Level-III enterprises are not required to disclose diluted earning per share				

### 20. Consolidated financial statements (AS-21)

S.N.	Check List	Yes	No	N/A	Remark
1.	If company under audit is holding and is listed, AS-21 applies				
2.	Check whether the company is covered by exceptions prescribes in AS-21				
3.	Consolidation required as per clause 32 of listing agreement				
4.	Consolidation procedure shall be as per AS-21				
5.	Check disclosure requirements as per AS-21 and General Clarification (GC-5) issued by ICAI				
6.	Check the particulars under section 212 of the Companies Act, 1956				

**21. Accounting for taxes on income (AS-22)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check whether AS-22 is applicable for enterprise under reporting				
2.	Check whether accounting income and taxable income differ				
3.	If yes, it is due to permanent or timing difference				
4.	Ignore, if due to permanent difference. Create deferred tax for timing difference				
5.	Apply prudence for recognizing deferred tax asset				
6.	Verify virtual certainty while creating deferred tax asset for an absorbed depreciation and carry forward losses				
7.	Review deferred tax asset				
8.	Apply transitional provision if applicable				
9.	Present deferred asset and deferred tax liability in balance sheet after investment and unsecured loan respectively				
10.	Disclose break up of deferred tax asset and liabilities				
11.	Verify accounting policy as per AS-22				
12.	Verify other disclosure requirements as per AS-22				

**22. Accounting for investments in associates in consolidated financial statements (AS-23)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Is company under audit a listed company				
2.	If yes, whether it has subsidiary				
3.	If yes, whether it has made investment in associate				
4.	If yes, AS-23 is applicable				
5.	Investment in associate in consolidated financial statement shall be accounted as per equity method				
6.	Is it first occasion AS-23 applicable? Apply transitional provisions				
7.	AS is not applicable for Level-II and Level-III enterprise				

**23. Discontinuing operations (AS-24)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Whether the enterprise has entered into agreement or approval/announced to sell the substantially in its entirety or in piece-meal the assets and liabilities				
2.	If yes, AS-24 applies				
3.	Disclosure of “discontinuing operation” separately than “continuing operation” required				
4.	Check manner of disclosure as per AS-24				
5.	Disclosure is also required in quarterly results				
6.	Disclosure through notes to accounts is required				
7.	AS is not applicable for Level-II and Level-III enterprise				

**24. Interim financial reporting (IFR) (AS-25)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	AS-25 is mandatory in case of listed company and banks				
2.	SEBI guidelines to be considered				
3.	Minimum components of an interim financial report to be disclosed				

4.	Accounting policy should be the same as followed for annual accounts				
5.	Generally discrete view is followed in AS-25 except for tax				
6.	Selected explanatory statements to be enclosed				
7.	Format given under AS-25 is suggestive not compulsory, generally listed company has to follow the format prescribed by SEBI				
8.	AS is not applicable for Level-II and Level-III enterprises				

#### 25. Intangible assets (AS-26)

S.N.	Check List	Yes	No	N/A	Remark
1.	Whether asset is intangible asset as per AS-26				
2.	Whether recognition criteria as per AS-26 are fulfilled				
3.	Useful life is presumed to be 10 years if contrary is not proved				
4.	Residual value taken as NIL				
5.	Amortization is on straight line method if pattern of benefit not established				
6.	Goodwill as per AS-14 and 21 excluded				
7.	Addition/subsequent expenditure to intangible assets				
8.	Intangible asset to be recognized on disposal or when no further benefit is expected				
9.	If standard being applicable first time adjustment to any intangible asset as required by AS-26 to be made with opening reserve "Transitional Provision"				
10.	Impairment losses to be recognized				
11.	Disclosure as per AS-26				

#### 26. Financial reporting of interest in joint venture (AS-27)

S.N.	Check List	Yes	No	N/A	Remark
1.	Check joint venture agreement				
2.	Classify type of joint venture into jointly controlled operation, jointly controlled assets or jointly controlled entity				
3.	Check accounting in separate financial statements for jointly controlled operation and jointly controlled assets as per AS-27				
4.	Check accounting for jointly controlled entity in separate financial statement and if consolidated statement are prepared in consolidated financial statement				
5.	Check transaction between a venture and a joint venture				
6.	Verify disclosure requirement as per AS-27				
7.	AS is not applicable to the extent of requirements relating to consolidated financial statements to Level-II and Level-III enterprises				

#### 27. Impairment of assets (AS-28)

S.N.	Check List	Yes	No	N/A	Remark
1.	Has management reviewed/assessed the asset for impairment				
2.	Consider the indications				
3.	Verify the future cash inflow				
4.	Assess the net selling price				

5.	Verify the impairment loss				
6.	Where net selling price or value in use for individual asset is not determinable, check the cash flow of Cash Generating Unit (CGU)				
7.	Also consider goodwill, corporate asset and their allocation				
8.	Verify the impairment loss for Cash Generating Unit (CGU)				
9.	Verify allocation of impairment loss in case of Cash Generating Unit (CGU)				
10.	Check the disclosure requirements				
11.	Accounting standard is applicable w.e.f. 1-4-2004 for Level-I, 1-4-2006 for Level-II and 1-4-2008 for Level-III enterprises				

**28. Provisions, contingent liabilities and contingent assets (AS-29)**

<i>S.N.</i>	<i>Check List</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Remark</i>
1.	Check whether there is present obligation as a result of past event not recorded in books				
2.	If yes, is it probable				
3.	Can the amount be estimated reliability				
4.	If yes, recognize the provision				
5.	If there is possible obligation or amount cannot be estimated reliably-disclose the contingent liability				
6.	Ensure that happening of ever should not be remote for contingent liability				
7.	Ensure the disclosure requirement is met for provisions and contingent liability				
8.	Contingent asset neither recognize nor disclosed				
9.	Few disclosure requirements are not applicable for Level-II and Level-III enterprises				

**Sr.Audit Officer ( I )**

**ANNEXURE C**  
**(Ref: Para 3.24 of the Code of Ethics)**

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**Declaration regarding adherence to the Code of Ethics of the Comptroller and Auditor General of India**

*(This declaration is required to be signed separately by each member of the audit team prior to the commencement of the audit. A copy of the declaration should be given to the head of the audited entity as soon as the audit commences. Each declaration should be enclosed in original with the Inspection Report).*

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I, Shri/Smt/Kum \_\_\_\_\_ (name) \_\_\_\_\_ (designation)  
hereby declare that:

- I have read and understood the SAI India's Code of Ethics.
- I will uphold and abide by the SAI India's Code of Ethics and the CCS (Conduct) Rules.
- I do not have any personal or professional interest in the audited entity.

As a representative of the SAI India, I undertake to adhere to the following:

- I will conduct the audit assigned to me in a fair, honest, timely and competent manner.
- I will maintain strict confidentiality of all information gathered in the course of audit.
- I will not behave or conduct myself in an inappropriate manner with any official of the audited entity.
- I will not accept any kind of inducement prohibited under the Central Civil Services (Conduct) Rules, 1964, directly or indirectly from the audited entity.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

**For Local Audit Party**

**PROFORMA ON THE PERFORMANCE OF AUDITORS OF GOVERNMENT COMPANIES & CORPORATION**

To be sent to the Comptroller and Auditor General's office with the endorsement copy of issue of Comments/Nil comments/Non review certificate on the accounts of a Company.

**B. Basic Data**

- (iii) Name of the Company/ Corporation :
- (iv) Name of the Branch/Unit of the Company/Corporation Audited :
- (iii) Year of Account :
- (v) Name of Statutory Auditors and Branch Auditors :
- (v) Name of the Partners, Chartered Accountant Employees and Other employees who actually audited the Company/Unit and the man days deployed/spent by the Partners/CA employees/other employees on the audit.

Name	Man days/hours spent in Audit	TA/DA paid/payable (Rs.)	Out of Pocket expenses paid/ payable (Rs.)
a) Partners			
b) Chartered Accountant Employees			
c) Other employees			

(vi) Audit fee and other remuneration paid/payable to the Auditors by the Company (please give separate entries for each Audit firm and each type of remuneration)

Name of the Statutory auditor/branch auditor	Audit fees mentioned in the Annexure II attached with the appointment letter	Audit fees actually paid by the company	Details of other remuneration/ fee paid/payable to the auditor along with amount thereof for the year of account:	
			(i) Tax Audit	Rs.
			(ii) VAT Audit	Rs.
			(iii) Half yearly Financial Reviews/ Quarterly Financial Reviews	Rs.
			(iv) Others (specifying the nature of services rendered)	Rs.
			<b>Total</b>	Rs.

**Sr. Audit Officer (I)**