Appendix-8.6

(Referred to in Para 8.39)

Audit Checks for Certification Audit of Autonomous Bodies

General Checklist for certification of accounts of Autonomous Bodies

1. Previous year's Balance Sheet and audit report	1. The auditor must inspect the last year's balance sheet to ensure that balances have been correctly recorded in the books of account. 2. Also note that corresponding figures of last year are also required to be given in the balance sheet. 3. Auditor should also inspect previous auditor's report and ensure that assurances given by management last year have been duly carried out by the entity.
2. Certificates required to be taken	The auditor should obtain the following certificates from the management while conducting the audit:- 1. Number of bank accounts together with certificate of bank reconciliation. 2. Name of financial institutions from whom loans have been taken specifying the nature of security. 3. Cash in hand 4. Certificate in respect of investments held by bankers or other authorities. 5. Balance of inventories at year end. 6. Stock-in-transit.

	7. Work-in-progress with processors. 8. Contingent liabilities. 9. Actuary's certificate in respect of gratuity / pension.
3. Verification of the opening balances.	1. Tally the opening balances of all ledgers with the previous year's balance sheet. 2. Verify the following ledgers for this purpose: i. General Ledger ii. Debtors' Ledger iii. Creditors' Ledger iv. Other Subsidiary Ledgers. 3. Tally the opening balance of cash with cashbook maintained by the entity.
4. Journal Vouching	1. Check why debit balances have been written off or credit balances written back. Verify whether all these types of entries are duly authenticated by the management. 2. Check and verify that all the journal vouchers have correct head of account. 3. If there are entries relating to earlier or subsequent period, please check for their authenticity. 4. Prepare a list of unticked items. 5. Check that all journal vouchers are duly supported by necessary evidence or explanation.

	6.	Verify whether all vouchers are properly authorised by a responsible official of the auditee organisation.
5. Stock records	1.	Check the opening stock from preceding year's inventories.
	2.	Check the receipts of raw materials while checking purchases.
	3.	Tally issues in the stock records with material issue note.
	4.	Trace closing stock with physical inventory sheets.
	5.	Correlate consumption with production records.
	6.	Check that the materials given or taken on loan have been properly accounted and proper record has been duly maintained.
	7.	Check and ensure that slow-moving, obsolete and damaged items have been properly identified.
	8.	Check material consumption with excise and other records.
	9.	Verify whether proper cut-off procedures are duly adopted by the entity.
	10.	Reconcile opening stock production, sales and closing stock.
	11.	Also verify and examine the basis on which the inventories have been valued by the company.

6. Capitalisation of items	1.	Check all additions to assets with account heads and approvals and ensure that no inadmissible expenditure has been capitalized.
	2.	Make sure that the Guidelines of the ICAI regarding the capitalisation of interest during construction period has been duly complied with by the entity.
	3.	Examine the sale and disposal records of the assets sold or disposed off and the capital gain / loss thereof.
	4.	Verify whether proper authentication has been done whenever expenses are capitalised.
	5.	In case the advances given to the contractors are transferred to relevant asset account, check whether these are transferred only after the security deposit has been withdrawn.
	6.	Verify whether proper basis and rate of construction have been applied while capitalising the advances given to contractors.
7. Posting records	1.	Check ledger posting from the following records: • Cash book. • Bank Book. • Sales register. • Purchase register. • Debit notes. • Credit notes. • Journal. • Any other principal books.

2. If the entity follows a system of summarised posting of sales/purchase register or debit notes /credit notes petty cash book, etc., ensure that these have been posted accordingly.

3. Make a list of items remaining unticked and find out the causes for the same.

8. Ledger scrutiny	1. Note that the ledger scrutiny is one of the most ticklish tasks to be taken care of by the auditor in order to effect an efficient audit.

2. Please note that if your audit staff does not opt for such scrutiny and simply vouches the books with vouchers, etc., then in such a case, there is every possibility of frauds or errors remaining untraced.

3. The ledger scrutiny however, involves major analytical task. Following things are to be properly analysed for an effective ledger scrutiny:

   (a) General Ledger
   (b) Debtors Ledger
   (c) Creditors Ledger
   (d) Staff loan Ledger
   (e) Advance Ledger
   (f) Loan Ledger

4. The year-end balances of these Ledgers must be clearly known with break up in precise terms.

5. Examine the expenses accounts properly to ensure that non-accrual expenses during the

year have not been recorded and only expenses relevant to the period under audit have been entered in such account.

6. Also examine the revenue accounts to ensure that all revenues during the year are duly accounted and credit has not been taken for any revenue not accruing during the year.

7. Also verify the assets and liabilities and ensure that all assets and liabilities have been properly accounted and there is nothing included in these accounts, which does not represent assets or liability of the entity.

8. Make sure that the assets are shown on their proper valuation (e.g. fixed assets at WDV and current assets at lower of historical cost or current market price).

9. Also ensure that contingent liabilities are not included in the liabilities.

10. While exercising a scrutiny of the creditors ledger, the auditor has to ensure the following:

    (a) That the advances against goods have properly been adjusted against such goods. If not adjusted for more than a reasonable time, they must be noted separately.
    (b) If credit balances lying with creditors have remained unpaid for more than a reasonable time, then it must also be taken care of.
    (c) Separation must be made for the items, which are not in the nature of purchases but merely loans. Please note that only authorised transactions need be recorded in such ledger.

11. Verify the debtors' ledger by keeping the following specific points in mind.

    (a) Categorisation is made for debtors outstanding for more than 6 months and otherwise.
    (b) Doubtful debts must be calculated by scrutinising the overdue debtors.
    (c) Sale items must be distinguished with loan items

12. Following specific accounts must be scrutinised to check whether capital and revenue items have not been merged:

    (a) Building Repairs
    (b) Machinery Repairs
    (c) Other repairs

13. Note that such categorisation will have far reaching consequences on the final result of the entity. It may result in over or under showing of profits if not considered according to established accounting principles.

14. Also check the fixed deposits registers, receipts and application.

15. Check the register of postage.

16. Also enquire into pending litigation / tax litigation / claims against the entity not acknowledged as debts/other contingent liabilities.

17. Prepare a list from cash book for cash payment in excess of Rs.10,000 and examine the reasons thereof.

	18.	Make a list of loans or advances taken or given in excess of Rs.20,000 and examine the reasons thereof.
	19.	Verify whether any material deviations have been noticed in the excess of income over expenditure (and vice versa) rate as compared with the previous year. If so, please call for the reasons thereof.
	20.	Verify whether any immovable assets have been sold during the previous year. If so, verify whether such transactions have been properly recorded.
9. Depiction of expenses in Income & Expenditure A/c		Note that any item under which expenses exceeds 1% of the total revenue of the entity or Rs.50,000/- whichever is higher, shall be shown as separate and distinct item against an appropriate head in Income and Expenditure Account.
10. Application of Accounting Standards/Notes and Instructions under this Manual		Verify whether the requirements of the various Accounting Standards as issued by the Institute of Chartered Accountants of India as required under this Manual have been adhered to by the entity. If not, the audit report has to be suitably qualified by the auditor.
11. Other General points	1.	Verify whether provisions for bonus and gratuity have been made and if not, then qualify the report.
	2.	Also check the basis for providing gratuity and bonus.

3. Check that the entity accounted for all the known incomes accruing during the year.

4. Check that income has accrued for materials processed but not invoiced/delivered.

5. Check that advance income has been properly adjusted.

6. Ensure that every material expenses, i.e., one percent of the turnover has been shown separately. If not, reasons therefore should be asked.

7. Check that non-recurring and extraordinary items have been shown separately.

8. List out all major variations after comparing accounts with previous year.

9. Compute the raw material consumption ratio to production for the year and compare with that of the previous year. If there is any major difference, detailed investigation should be made.

10. Verify whether the basis of accounting for claims:

    (a) made by the entity
    (b) made on the entity in accordance with generally accepted principles.

11. Also ensure that a register for claims has been maintained.

12. Verify whether the accounting polices as disclosed in the accounts have been duly followed in preparation of the accounts.

Checklist for audit of items under Assets

1. Fixed Assets	1.	Check whether all fixed assets are physically in existence and in the ownership of entity by checking relevant records.
	2.	Verify the repair account to ensure that no items of capital nature are included therein.
	3.	Examine and ensure that additions to fixed assets do not carry revenue nature items.
	4.	Verify whether the expenditure prior to asset being put to use, has been duly capitalised, and also interest up to the date of commencement of use of asset has been capitalised in case of specific loans against the assets.
	5.	Verify whether the composite acquisition of assets for a lump price has been bifurcated into land and building and either asset supported by proper evidence.
	6.	In case assets have been acquired in foreign currency loans, check whether adjustments are made as per accounting standard on foreign exchange. (AS-11 as revised).
	7.	Verify whether government grants (including capital subsidy) are received towards cost of assets. If so, make a note on the treatment given. (AS-12)
	8.	Verify whether the assets acquired under hire purchase agreements have been correctly and consistently accounted for.

9. Check whether fixed assets have been revalued during the year. If yes, then-

   (a) What is the basis of revaluation?
   (b) Fact of revaluation has to be disclosed for subsequent five years.
   (c) Quantum of revaluation has to be disclosed.
   (d) If a revalued asset has been sold, have transfers been made from revaluation reserve to capital reserve. If not, give suitable note.

10. Verify whether immovable properties held as investments and as stock in trade have been shown accordingly in the accounts.

11. Verify whether any immovable assets have been sold during the year. If so, verify whether such transactions have been properly recorded.

12. Verify whether all assets were in use during the year and all items of fixed assets have been adequately insured.

13. Verify whether additions/deductions deletions of assets are duly authorised by Executive Body and all additions are properly supported by documents of titles.

14. Obtain and verify the following:

   (a) List and value of fixed assets taken on lease.
   (b) An item wise list of 'capital work in progress.
   (c) Explanation for items appearing in capital work in progress for a long time without any movement.

15. Verify whether scientific research is also included in fixed assets, whether it will be written off in the year of acquisition. If yes, then note on the accounts should be given.

16. Check and ensure that proper depreciation is provided on fixed assets.

17. Verify whether all fixed assets are properly distinguished and charge, if any, on any asset is properly disclosed.

18. Verify whether there is proper authority for the purchase of assets.

19. Check the payment made by reference to the invoice received from the supplier.

20. Check that the title to the assets belongs to the entity.

21. Check that all expenses incidental to the purchase of assets have been duly capitalised.

22. In case the property is purchased through broker see the broker's note and also see that the brokerage paid on the purchase of the asset is duly capitalised.

23. Check that the fixed assets account has been duly credited and the cash amount has been debited with amount for which the assets has been sold.

24. Check and verify that proper adjustment has been made in profit and loss account / income and expenditure account on sale of fixed assets.

	25.	Verify the counterfoil or carbon copy of receipt issued to party.
2. Investments.	1.	Verify whether the investments are within the limits laid down under the rules, if any. If yes, verify whether the compliance of the requirements of the provisions of the rules has been duly made.The investments made are not in unauthorised institutions and are in no way inherently risky.
	2.	In case the investments are purchased cum-dividend ensure that the dividend is actually received and the amount of dividend is excluded from the purchase price.
	3.	Check the purchase of investments by reference to the broker's bought note.
	4.	Check whether there are any restrictions on sale of investments? If yes, a note on accounts must be made.
	5.	Check whether investments have been physically verified and ensure that the investments are held in entity's name and a certificate there of is furnished to audit.
	6.	Check and ensure that the investments register is duly maintained and updated with each transaction of investments. Also check that the list of investments have been verified and correlated with investment register and ledger balance.
	7.	Check that trade and other investments and income therefrom have been separately shown in the accounts.

8. In the case of quoted investments, comparison of cost with stock exchange quotations at the year-end must be made on the basis of valuation where the cost or market value is to be disclosed.

9. In case of unquoted investments comparison of cost with breakup values at the year-end must be made.

10. Check and ensure that adequate provision has been made for significant fall in the value of investment.

11. In case investments have been made during the year ensure compliance with relevant rules/regulations/authority government's sanction etc and investment decision has been made on sound commercial judgement and the organisation has evolved a sound investment policy.

12. Check that the sale of investments is properly authorised.

13. Verify the sale proceeds by reference to the broker's sold note.

14. In case the shares are sold ex-dividend, vouch the receipt of dividend later on.

15. Verify that the profit or loss on the sale of investments is correctly adjusted in the accounts.

16. In case the investments are sold through bank, please vouch the sale proceeds by reference to the banker's advice.

	17. In case the investments relate to any earmarked fund then please check that the profit or loss on sale of investments are duly transferred to that fund.
3. Cash and Bank Balances	1. Cash & stamps in hand at the date of balance sheet should be counted and checked by the auditors.
	2. Surprise check must be made to verify the physical counting of cash and stamps.
	3. Verify whether unusually large cash balance was observed during the year. And if yes, then proper explanation must be obtained from the management.
	4. Verify and trace outstanding entries in bank reconciliation statements to subsequent bank statements.
	5. Check and ensure that losses, if any, due to exchange variation have been duly accounted for in case of foreign currency accounts.
	6. Verify whether there exists a practice of maintaining a particular minimum sum in hand. If so, then ensure that the same has been duly maintained. If not, reasons must be enquired.
4. Debtors	1. Check that Debtor's ledger trial balance agrees with the respective control account, if not, reasons thereof should be investigated.
	2. Verify whether adequate provision for bad and doubtful debtors and loans and advances has been made.

3. Check if legal action has been taken on non-payers. If not, then explanation must be asked from management.

4. Check that all secured loans have been segregated and nature of security is stated against each category.

5. Verify whether review has been made for subsequent year's transactions for reversal of cheques credited during current year.

6. Check all credit notes issued after year- end date and ascertain whether they relate to current year.

7. In respect of debts due from non-residents, verify whether the balance at the end of year been converted in Indian currency at the rate prevailing at the balance sheet date.

8. Check details of any unusually large or abnormal balances outstanding at the year-end.

9. Check and ensure that confirmations from debtors have been called, and whether there is any discrepancy noticed as compared to records and if yes, then what action has been taken by the management.

10. Verify the counterfoil or carbon copy of the receipt issued to customer, to verify the amount received from debtors.

11. If any discount is allowed on receipt of amount from debtors then ensure that the discount is granted as per the policy of the company.

	12.	Verify whether a responsible official has authorised the allowability of such discount.
5. Loans and Advances	1.	Check whether loans and advances made by the entity are properly secured and that the terms on which they are made are not prejudicial to the interest of the entity.
	2.	If the loan is given on the basis of security, verify that the amount of loan does not exceed the value of security.
	3.	Check that the entity has authority to lend. If so, are the loans and advances in accordance with that authority.
	4.	Verify whether loans and advances made to individual and private concerns have been shown correctly as such or as deposit.
	5.	Check and compare balances with previous year-end and enquire into major variances.
	6.	Check advance to suppliers on capital account, for expenses and for supplies.
6. Bills Receivable	1.	Check the entries regarding receipt of cash against bills receivable by reference to the corresponding entry in bills receivable book.
	2.	Check that contingent liability in respect of bills receivable discounted with bank has been correctly determined and properly recorded in the books
	3.	Check to trace out from the bills receivable book any bills, which have become due for payment but payment has not been received.

	4.	In cases where the bills have been dishonoured, check the entries made for dishonour of bills.
	5.	Verify the bills that have been returned by the bank after dishonour and the payment subsequently made by the entity to the bank.
	6.	Check that the amount of dishonoured bill is duly debited to debtors account.
	7.	Check the commission charged by bank and the recovery thereof from debtors.
7. Inventories	1.	Check the opening stock from the preceding years inventory.
	2.	Check and ensure that physical verification has been made and whether any material discrepancy has been noticed. If yes, what action has been taken after due explanation.
	3.	Tally issues in the stock records with material issue note.
	4.	Correlate consumption with production records.
	5.	Verify whether the goods in transit have been checked with subsequent receipt.
	6.	Check that the inventories lying with third parties have been physically verified and confirmation obtained from them directly also.
	7.	Check and ensure that the material given / taken on loan has been properly adjusted.
	8.	Check and ensure that current job work-in-progress is to satisfaction.

9. Make a comparison of quantities in valuation summary with physical verification stock sheets.

10. Check the basis of valuation of
    (a) Raw materials
    (b) Work-in-progress.
    (c) Finished Goods.
    (d) Stores and Spares.

11. Verify whether proper cut-off procedures are duly adopted by the entity.

12. Prepare a detailed note describing components of cost and check the basis of computing net realisable value.

13. Verify whether the costs are allocated on normal production or production for the year, whichever is higher.

14. Check and ensure that excise duty and sales tax set off is not included in valuations of stock of raw materials.

15. Check and ensure that proper adjustments have been duly made to eliminate any unrealised profit on stock supplied by other units.

16. Check that adequate provisions have been made in respect of slow moving or obsolete items and damaged items.

17. Check closing stock with physical inventory sheets.

18. Reconcile opening stock, production, sales and closing stock

8. Miscellaneous Expenditure (to the extent not written off or adjusted)	1.	The auditor should satisfy himself that the period of amortisation of the expenditure is reasonable.
	2.	Examine details of any expenditure incurred that had been carried forward and state the basis on which the same is to be written off.
	3.	Give details of any amounts written off during the year, if not disclosed in the accounts.
	4.	Also satisfy yourself that the expenditure shown to have been incurred during the year actually occurred during the year and there is proper authority for the expenditure and for its deferral.
	5.	Also ensure that the criteria which previously justified the deferral of the expenditure continue to be met and the expected future revenue/other benefits related to the expenditure continue to exceed the amount of unamortized expenditure.
	6.	Check whether the basis of carrying expenditure forward is consistent with the practice of earlier years.
	7.	Verify whether the Executive body of the entity has passed resolution for deferring the expenses. Is it supported by any expert opinion?
	8.	In case of preliminary expenses, ensure that write off is in accordance with Section 35D of the Income Tax Act.

Development Expenditure

1. Verify the development expenditure with reference to supporting documents such as purchase invoices, agreements with third parties, etc.

2. In case specific authorities approve the research programme, the auditor should review the report of such authorities.

3. Ensure that the deferred expenditure on research and development is duly allocated to future accounting periods on a systematic basis by reference either to the sale or use of the related product or process or to the time period over which the related product or process is expected to be sold or used.

4. Examine that the criteria justifying the deferral of the expenditure on research and development continues to be met and that the unamortised balance of the deferred expenditure on research and development should not exceed the expected future revenue/other benefits related thereto.

Expenditure during construction

1. Examine whether the deferral and the amortisation of expenditure incurred during the construction period are in accordance with recognised accounting policies and practices.

2. Where the expenditure incurred is heavy and is deferred and written off over a long period of time, the auditor should examine whether

			the deferral of the expenditure meets the relevant criteria.
		3.	Also verify whether the amount of periodic write-off of the expenditure is appropriate.
		4.	Ensure whether all the relevant disclosure requirements have been duly complied with.

Checklist for audit of items under Liabilities

1.	Corpus Fund and Reserves and Surplus	1.	Check the transfer to / from reserves corpus fund / reserves from the sanctions/ Receipt and Payment Account / Income & Expenditure account of the body.
		2.	Ensure that all movements of reserves have been duly shown in accounts. Such movements must be reviewed with reference to applicable rules / regulations.
		3.	Any transfer to the general reserve out of statutory reserve must receive special attention.
		4.	Where reserve is specifically represented by earmarked investments, then the word 'fund' should be used.
		5.	Verify whether the grants, contributions and subsidies received for meeting capital expenditure have been shown as part of corpus fund. It may however be shown by way of deduction from the cost of the relevant asset.
2.	Borrowings.	1.	Check that the entity has power to borrow money.

	2.	Verify the terms and conditions of loans and also vouch the receipt of payment from the receipt issued to the lender.
	3.	Verify whether the loan has been taken against security. In this case secured loan must be properly disclosed by clearly disclosing the nature of security, must be co-related with register of charges.
	4.	Verify whether terms loans have been taken. If yes, then installments due within 12 months must be duly shown.
	5.	Registration of charges must be carefully checked, so as to ensure that assets cannot be re-charged by the entity.
	6.	Verify whether borrowings have been correlated with the interest expenses, and ensure that interest is properly calculated and recorded.
	7.	Check and ensure that the interest/panel interest accrued and due have been included under loans and disclosed separately,
	8.	Check the minutes/govt. orders authorising fresh loans.
3. Taxation	1.	Ensure that the provisions for taxation adequately cover estimated liability for taxation on income and wealth for the year including provisions for VAT, if any.
	2.	If the accounting year of the entity is not the 'financial year' ensure that the provision has been made in respect of income of the full accounting year.

	3. If the entity accounts for deferred taxation, state basis of calculation and give details of movements in the year unless already shown in the accounts.
	4. Ensure that all the necessary entries are made in respect of completed assessments including for the assessments which are disputed in appeal.
	5. Verify whether there is any such situation that, in spite of book profits, no provision for taxation is made. Report must be qualified stating that no provision for tax has been made. Where assessment is completed, excess provision for taxation should be properly accounted for.
	6. Check where assessment is completed, excess provisions for taxation should be properly accounted for.
	7. If no provisions for taxation, though applicable, are made, then qualify the report suitably.
4. Creditors	1. Check and ensure that creditor's ledger trial balance agree with control registers. If not, give details.
	2. Verify whether the list of creditors, outstanding for more than 12 months, has been obtained and the reasons must also be ascertained for non-payment.
	3. Verify whether there are disputed creditors. And if any, list must be obtained and cases examined.

	4.	Check and ensure that direct confirmation has been obtained from selected creditors. And what action has been taken where any discrepancy has been noticed between balance as per party and balance as per books of account.
	5.	Check and ensure that the advances have been duly segregated from credit balances of parties and included on the asset side.
	6.	Verify whether any unusually large debit or credit balances have been noticed, if yes, then look into the reasons.
5. Contingent Liabilities	1.	A contingent liability can be described as one which has not become known or which has not matured. It may or may not occur. Generally these liabilities are shown at the foot of balance sheet.
	2.	A note describing the system of recording contingent liabilities may be obtained and examined.
	3.	Verify whether there is dependable procedure that all such claims and contingent liabilities will be brought to the notice of Finance/ Administration Head.
	4.	Obtain a list of contingent liabilities from the entity and correlate it with the following: a) Minutes of the Executive Body meeting, if any. b) Entity's purchase contracts for liquidated damages / penalties / warranties. c) Income Tax, sales tax and excise records.

d) Confirmation from client's solicitors as to pending suits for claims against the entity and reconcile the same with schedule of fees paid to solicitors / counsel.

e) Certificate from client's bankers for contingent liabilities (e.g. bill discounted, letters of credit, guarantees etc.,)

f) Labour union agreements whether these have expired and whether union have demanded a revision or additional remuneration or bonus.

g) Investments schedule for outstanding calls on investments.

5. Verify whether last year's contingent liabilities have been duly followed and ensure that the same have been duly considered for the current year's account.

6. Check that contingent liabilities in respect of bills receivable discounted with bank have been correctly determined and properly recorded.

Checklist for audit of Income & Expenditure Account

(a) Income

1. Sales.	1. Verify the sales-invoices with delivery challans.
	2. Verify whether corresponding entries in the stock records have been duly made.
	3. Check and ensure that goods sent on approval basis, goods sent on consignment are not recorded as sales.
	4. Check that goods delivered have been duly invoiced and vice versa.

	5. Examine sales booked immediately after the year-end with dispatch notes/excise gate pass.
	6. Verify whether provision has been made for materials still to be supplied where invoice has been raised for the entire supply.
	7. Scrutinize dates of dispatch notes prepared immediately after year- end.
	8. Check that sales returns have been properly recorded, credit notes issued and included in inventory.
	9. Verify whether the rebates and discounts have been adjusted properly.
	10. In the case of long term contracts, what is the basis of accounting profits or loss and have provisions for losses been made if anticipated. If so, on what basis. If not, reasons must be enquired.
	11. In selected cases, test check the rates per unit and it should be ensured that they are not below the reserve price.
	12. Also discounts and rebates applicable must be test checked to verify the correctness of transactions.
	13. Check and ensure that proper treatment is made for excise leviable, etc.
2. Commission received	1. Obtain a list of names of parties from whom the commission is receivable and also the rate of commission in each case.

	2.	Verify the commission received from the counter-foils or the carbon copies of the receipts issued to the parties.
	3.	Check the entry regarding commission due but not received.
	4.	In case the commission is received from a party outside India then please check the same by reference to bank advice and also ensure that the requirement of FEMA have been duly complied with.
3. Income from Investments		**Interest received on Debentures**
	1.	Verify the receipt of interest by reference to the interest warrant received from the company.
	2.	Verify the certificates regarding tax deducted at source (TDS) on such interest.
	3.	Check that the full amount of interest is duly credited to the interest account.
	4.	Check that the interest is received as per the terms and conditions of the issue of debentures.
	Interest received on government securities	
	1.	Verify the interest received by reference to the interest warrant.
	2.	Check and ensure that the cheque received is duly realized.
	3.	Check and ensure that the cheque is in the name of the client.

	4. Examine and ensure that provision is duly made in respect of interest accrued and due and also in respect of interest accrued but not due.
4. Dividend received	1. Check that the dividend warrant is in the name of the auditee. 2. Verify the dividend received by reference to the dividend warrant and entry in the bank account. 3. Check that the dividend is actually realised. 4. If the shares are sold cum-dividend then ensure that the dividend is actually realised. 5. If the shares are purchased cum-dividend then ensure that the dividend is actually received.
5. Rent received	1. Verify the receipt of rent by reference to the counterfoils or carbon copies of the rent receipts. 2. Check the entries made for the rent received in advance. 3. Verify that the amount received in advance is duly credited to 'rent received in advance account' and not to rent account. In the following year, vouch reverse entry. 4. Check entries in respect of rent outstanding. In the following year reverse entry should be checked

6. Interest received	**Interest received from banks** 1. Verify the entry in this regard by reference to the advice received from banks. 2. Check that the deposits are in the name of the client. 3. In respect of the interest on fixed deposits ensure that they are accounted for on accrual basis, as the interest is paid by the bank only after the expiry of the term of fixed deposit. **Interest received from parties to whom loans are given.** 1. Check that the rate at which the interest is paid by the borrower is as per the terms and conditions of the agreement. 2. Check that the interest is correctly credited to the interest account and the corresponding debit is raised to the cash/bank account. 3. Check and ensure that the cheque is actually realised. **Interest received from customers** 1. Verify the receipt of interest by reference to the counterfoil or the carbon copies of the receipts. 2. If interest is received along with the debt, then check and ensure that interest element is separated and credited to the interest account. Check that the rate at which the interest is paid by the borrower is as per the terms and conditions of the agreement.

		3.	Verify that the cheques for the interest are in the same name of the entity. Also check that the cheques are actually realised.
		4.	Check that the interest is correctly credited to the interest account and the corresponding debit is raised to the cash/bank account.
7.	Royalty received	1.	Verify the royalty agreement and provisions for calculating the royalty.
		2.	Verify the correspondence with the party and check the calculations for the royalty received.
		3.	Check the counterfoils / carbon copies of the issued to the party.
8.	Miscellaneous receipts.	1.	Depending upon the type and the character of the receipt, the auditor should verify the following- i. agreement or contract, if any entered into with the party ii. Correspondence, if any with the parties iii. Other documents, if any.
		2.	Check the calculations whereever applicable.
		3.	Check the counterfoils/carbon copies of the receipts issued to the party.
9.	Bad debts recovery	1.	Verify entries in debtors account, cash/bank book and bad debts recovered account.
		2.	Vouch the receipt of amount from the receipts issued to the party.

Checklist for audit of Income & Expenditure Account

(b) Expenditure

1. Salary and Wages	1.	Check salary charts with the payments in Cash Book / Bank Book or journal.
	2.	Check attendance with time card or master register maintained by the company.
	3.	Verify whether the statutory deductions in respect of the following have been correctly made: (a) Provident Fund (b) ESIC (c) Income Tax (TDS) (d) Any other item
	4.	Check overtime payments with the relevant registers and entity's rules.
	5.	Check whether the provisions of the Payment of Bonus Act have been duly complied with while paying bonus.
	6.	Check incentive payment with its basics. Ad-hoc incentives should be listed out.
	7.	Check payment to contractors or casual workers. Also check whether statutory deductions have been duly made
	8.	Check and ensure that the employees are paid for leaves on which they have worked as per their agreement.

9. Tally the staff advances accounts with their salary accounts and see that the adjustments have been made on time.

10. Check increments with relevant approvals.

11. Examine the entries in the payroll/wage sheets with reference to relevant records, e.g. employee's records maintained by the personnel department showing details of pay such as basic pay, allowances, annual increments, leaves availed of, etc.

12. Examine whether any legal, regulatory or contractual requirements having a bearing on the rate or amount of wages and salaries have been complied with. Similar considerations would also apply to payments made to a contractor for hire of labour.

13. Obtain a list of employees who have retired or otherwise left the services of the entity during the period under audit and examine that they have not been included in the payroll.

Managerial Remuneration

1. Pay particular attention to determine whether the salaries payable are as per the terms of contract with the employees concerned.

2. Check computation of the remuneration.

3. Check that remuneration and perquisites are not over availed by the managerial people. If so verify whether recovery has been made accordingly for such extra payments. If not the report should be qualified.

	4.	Verify whether the payment on account of medical expenses or reimbursement of the medical expenses is in accordance with the rules and regulations.
2. Bonus	1.	Ensure that provision for bonus is in accordance with the Payment of Bonus Act, 1965, and/or agreement with the employees or award of competent authority.
	2.	If bonus paid is in excess of statutory minimum limit then check for authority for the same.
	3.	Check the basis for providing the quantum of bonus.
3. Gratuity	1.	Verify whether appropriate provision for gratuity has been made as per relevant rules and regulations. If not qualify the report.
	2.	Check the basis for providing the quantum of gratuity.
4. Retirement Benefits	1.	Examine whether the entity is liable to pay any retirement benefits to its employees such as provident fund, superannuating pension, gratuity, etc., whether in pursuance of requirements of any law and/or in terms of agreement with the employees.
	2.	If yes, examine whether the amount payable has been computed in accordance with the relevant legal and/or contractual requirements.
	3.	Ensure that provision for accruing gratuity/ pension liability has been made properly and check the same with actuarial certificate.

5. Purchases	1.	Check that the purchases are duly authorised by a responsible officer.
	2.	Check cash purchases by reference to cash memos or receipted bill.
	3.	Check that the purchase account is duly debited.
	4.	Verify that the advance given against purchase of goods has been properly adjusted against the supply of goods.
	5.	In case any discount is availed of, please check that only the net amount is debited to the purchase account.
	6.	Make a comparison with stock register and creditors ledger to ensure that all materials included in stock has been recorded as purchases. Also check that the quantity maintained in the invoices is duly recorded into stock records.
	7.	Ensure that goods returned has been adjusted properly and excluded from stock. Also verify whether claims for defective materials have been duly adjusted.
	8.	Cross-examine the rates and quantities from the order sheet and the goods actually received and recorded. If any discrepancy has been noticed, action must be taken forthwith.
	9.	Verify whether goods are as per delivery challan and matches with the ordered quality and quantity.

	10.	Verify whether supplier has allowed any cash discount. If yes, ensure that it has been properly accounted for.
	11.	Check whether any forward purchase contracts are outstanding at the year-end and properly accounted for.
	12.	Ensure that purchases and purchase returns relate to accounting period only.
	13.	Examine selected entries in the purchase journal with reference to the related purchase invoices, receipt records and other supporting documents such as the purchase orders.
	14.	Examine whether subsidies, rebates, duty drawbacks or other similar items have been properly accounted for.
	15.	Costs of purchase consist of the purchase price including duties and taxes freight inwards and other expenditure directly attributable to the acquisition. Trade discounts, rebates, duty drawbacks and other similar items are deducted in determining the cost of purchase.
	16.	For manufacturing concerns check that whether purchases are bifurcated between materials for manufacturing and for trading.
	17.	Enquire into the reasons of over rulings in the purchase invoice and make sure that it is not done by the entity's staff.
6. Conversion costs (Power, fuel,	1.	Check for relevant documentary evidence.

	processing charges)	2.	Compare the amount of expense on a particular item with the corresponding figure for previous years.
		3.	Work out the ratios of different items of conversion costs to total cost of production for the current year and compare the same with the corresponding figures for previous years. Any unusual relationship may be looked into.
7.	Repair and maintenance		Scrutinise the repairs and maintenance account to ascertain that new fixed assets and substantial improvements to existing assets have not been included in repairs and maintenance
8.	Excise Duty	1.	Note that excise duty is paid in advance and any amount so paid is set —off against the goods manufactured and cleared on factory gate.
		2.	Check that the amount is deposited in a separate bank account through challan.
		3.	Check that the payment is duly authorised.
		4.	Check the payment made with the periodical statement issued by the excise department.
		5.	Check that the voucher is supported by receipted challan.
9.	Depreciation	1.	Check whether depreciation on assets has been duly provided for by the entity. If so, check the calculation of depreciation.
		2.	The total depreciation arrived at should be compared with that of previous years to identify reasons for variations.

	3.	Examine whether the depreciation policy having regard to rate of depreciation and method of depreciation followed consistently is adequate keeping in view the generally accepted basis of accounting for depreciation.
	4.	Verify whether the method of charging depreciation has been disclosed in accounts.
	5.	Ensure that depreciation on additions and deletions is proportionate. State the basis of verifying dates for additions/deletions of fixed assets.
	6.	Verify whether extra shift-working has been properly authorised. If yes, a certificate must be obtained.
	7.	Verify whether additional or exceptional depreciation charges have been shown in accounts separately.
	8.	Check that all depreciable fixed assets have been depreciated accordingly.
	9.	It must be ensured that depreciation has also been charged to Income and Expenditure Account of the entity even if there is loss because it is a charge against surplus and not an appropriation.
	10.	Where assets have been revalued, then the amount of depreciation should be checked and any excess/shortfall should be adjusted accordingly.
10. Establishment and Administrative expenses	1.	Check for relevant documentary evidence.

	2.	Compare the amount of expense on a particular item with the corresponding figure for previous years.
11. Travelling Expenses.	1.	Examine the rules and regulations framed by the entity in respect of reimbursement of travelling expenses.
	2.	Check that payment is made on the basis of documentary evidence produced by the person concerned to whom the expenses are reimbursed.
	3.	Check that the expenses are reimbursed on the basis of approval of appropriate authority.
	4.	Check whether the expenses reimbursed by the entity are on the basis of actual amount expended or on the basis of fixed allowance per day.
	5.	In the case of foreign travelling expenses, please check that the permission of RBI/ government has been duly obtained for the foreign exchange outgo involved.
	6.	In case any advance is given to employees, then check whether such advance has been appropriately adjusted.
12. Commission Paid to Agents	1.	Check that the rate of commission is as per the terms and conditions and also check the correctness of the amount.
	2.	If the commission is granted on the realisation of debtors, then see that the amount due from debtors is actually realised.

	3.	Verify the payment of commission by reference to the receipt given by the agent.
	4.	Check whether the payment of commission to agent is authorised.
13. Advertisement.	1.	Generally advertisement are booked through agents and payment is made to the agents directly.
	2.	Check the bill given by the agent in this regard.
	3.	Check that the bill is appropriately supported by the paper cutting of the advertisement.
	4.	Check the payment for advertisement on the basis of receipt given by the agent in this regard.
14. Interest and financial charges	1.	Verify the amount of interest expense for the year with reference to the terms and conditions of relevant agreements.
	2.	If the entity has paid any penal interest it should also be examined. Such interest should be disclosed as part of normal interest.
	3.	Compare interest expenses for the period under audit with previous period and check for major deviations.
15. Sales Tax.	1.	Check the receipted challans in support of the payment voucher and also the assessment order where the assessment has been completed.

	2.	Check whether the assessee has recorded sales tax payment in respect of State Sales Tax and Central Sales Tax separately.
	3.	Check the returns and verify the calculations so as to ensure the correctness of the amount paid.
16. R & D expenses	1.	Examine whether provisions have been made in accordance with the Accounting Standard.
	2.	Verify various items of expenses incurred on research and development with reference to supporting documents and related agreements.
17. Audit fees		It may be verified whether provision for audit fees has been made.

Checklist for audit of Receipts & Payments Account
(a) Receipts

1. Opening Balances	1.	Verify the opening balances from the closing balances of the cash book of the previous year.
	2.	Examine whether the opening balances are duly entered in correct columns.
2. Cash Sales	1.	Verify the cash sales summary book with carbon copies of the memos.
	2.	Verify that the daily totals of the summary book agree with total cash sales recorded in cash book.
	3.	Check whether the cash is daily deposited into bank. If yes, then verify the pay-in-slips.

	4.	If cash memos are cancelled then its original copy should be verified.
	5.	Verify that the cash discount paid, if any, is granted as per the policy of the auditee concern.
3. Receipt from Debtors	1.	Verify the counterfoil or carbon copy of the receipt issued to customer, to verify the amount received from debtors.
	2.	Verify that the receipts issued to customers are serially numbered.
	3.	Verify that the unutilised receipt book remains in the custody of a responsible official.
	4.	If any discount is allowed on receipt of amount from debtors then ensure that the discount is granted as per the policy of the entity.
	5.	Verify whether a responsible official has authorised the allowability of such discount.
	6.	If amount is received by cheque /bank draft then check that the amount has actually been realised.
4. Bills Receivables	1.	Check the entries regarding receipt of cash against bills receivable by reference to the corresponding entry in bills receivable book.
	2.	Check bank pay-in-slip for amounts deposited in bank.
	3.	Check that contingent liability in respect of bills receivable discounted with bank has been correctly determined and properly recorded in the books.

		4.	Check and trace out from the bills receivable book any bills which have become due for payment but payment has not been received.
		5.	In cases where the bills have been dishonoured, check the entries made for dishonour of bills.
5.	Loans and Advances	1.	Check whether the auditee entity has power to borrow money.
		2.	Verify the terms and conditions of loans and also vouch the receipt of payment from the receipt issued to lender.
		3.	Check and verify that the entries for interest accrued and due or interest accrued but not due, are correctly made in the books.
		4.	Check the following: a) the resolution of the executive body/ orders of the government authorising to borrowing money, b) that the amount borrowed does not exceed the limits, if any, specified in the resolution.
6.	Recovery of Bad Debts	1.	Verify entries in debtors account, cash/bank book and bad debts recovered account.
		2.	Vouch the receipt of amount from the receipts issued to the party.
7.	Sale of Fixed Assets	1.	Verify that the sale of fixed assets is authorised by appropriate authority.

		2.	Check that the fixed assets account has been duly credited and the cash account has been debited with amount for which the assets has been sold.
		3.	Check and verify that proper adjustment has been made in profit/loss on sale of fixed assets.
		4.	Verify the counterfoil or carbon copy of receipt issued to party.
8.	Sale of Investment	1.	Check that the sale of investments is properly authorized.
		2.	Verify the sale proceeds by reference to the broker's sold note.
		3.	In case the shares are sold ex-dividend, vouch the receipt of dividend later on.
		4.	Verify that the profit or loss on the sale of investments is correctly adjusted in the accounts.
		5.	In case the investments are sold through bank, vouch the sale proceeds by reference to the banker's advice.
		6.	In case the investments relate to any earmarked fund then please check that the profit or loss on sale of investments are duly transferred to that fund.
9.	Receipt of Rent	1.	Verify the receipt of rent by reference to the counterfoils or carbon copies of the rent receipts.
		2.	Check the entries made for the rent received in advance.

	3.	Verify that the amount received in advance is duly credited to 'rent received in advance account' and not to rent account. In the following year, vouch reverse entry.
	4.	Check entries in respect of rent outstanding. In the following year, reverse entry should be checked.
10. Commission received	1.	Obtain a list of names of parties from whom the commission is receivable and also the rate of commission in each case.
	2.	Verify the commission received from the counter-foils or the carbon copies of the receipts issued to the parties.
	3.	Check the entry regarding commission due but not received.
	4.	In case the commission is received from a party outside India then please check the same by reference to bank advice and also ensure that the requirement of FEMA have been duly complied with.
11. Insurance Claims	1.	Check the copy of the insurance claim lodged with the company to verify the amount for which claim is lodged.
	2.	Check the copy of the receipt issued to the insurance company for the amount received.
	3.	Verify that the respective asset account has been duly adjusted for the amount of insurance claim

12. Interest received from Banks	1.	Verify the entry in this regard by reference to the advice received from banks.
	2.	Check that the deposits are in the same name of the entity.
	3.	In respect of the interest on fixed deposits please ensure tnat they are accounted for on accrual basis, as the interest is paid by the bank only after the expiry of the term of fixed deposit.
13. Interest received on debentures subscribed to by the entity.	1.	Verify the receipt of interest by reference to the interest warrant received from the company.
	2.	Verify the certificates regarding tax deducted at source(TDS) on such interest.
	3.	Check that the full amount of interest is duly credited to the interest account.
	4.	Check that the interest is received as per the terms and conditions of the issue of debentures.
14. Interest received from parties to whom loans have been given.	1.	Check that the rate at which the interest is paid by the borrower is as per the terms and conditions of the agreement.
	2.	Verify that the cheques for the interest are in the name of the entity.
	3.	Check that the interest is correctly credited to the interest account and the corresponding debit is raised to the cash/bank account.
15. Interest received on government securities.	1.	Verify the interest received by reference to the interest warrant.

	2.	Verify and ensure that the cheque received is duly realized.
	3.	Check and ensure that the cheque is in the name of the entity.
	4.	Examine and ensure that provision is duly made in respect of interest accrued and due and also in respect of interest accrued but not due.
16. Interest received from customers	1.	Verify the receipt of interest by reference to the counterfoil or the carbon copies of the receipts.
	2.	If interest is received along with the debt, then check and ensure that interest element is separated and credited to the interest account.
17. Receipt of Dividend	1.	Check that the dividend warrant is in the name of the auditee.
	2.	Verify the dividend received by reference to the dividend warrant and entry in the bank account.
	3.	Check that the dividend is actually realised.
	4.	If the shares are sold ex-dividend then ensure that the dividend is actually realised.
	5.	If the shares are purchased cum-diviidend then ensure that the dividend is actually received.
18. Royalty received	1.	Verify the royalty agreement and provisions for calculating the royalty.

	2.	Verify the correspondence with the party and check the calculations for the royalty received.
	3.	To check the counterfoils / carbon copies of the receipts issued to the party.
19. Miscellaneous receipt	1.	Depending upon the type and the character of the receipt, the auditor should verify the following: i) agreement or contract, if any entered into with the party, ii) correspondence, if any with the parties, iii) other documents, if any.
	2.	Check the calculations wherever applicable.
	3.	Check the counterfoils / carbon copies of the receipts issued to the party.

Checklist for audit of Receipts and Payments Account
(b) Payments

1. Opening Balances		This situation generally arises only in the case of cash book containing a bank column. In such cases, there can be credit balance in the bank column i.e., when there is overdraft. The auditor has to verify this from the cash-book of previous year.
2. Cash Purchases	1.	Check that the purchases are duly authorised by a responsible officer.
	2.	Check cash purchases by reference to cash memos or receipted bill.
	3.	Check that the purchase account is duly debited.

	4. In case any discount is availed of, please check that only the net amount is debited to the purchase account.
3. Payment to creditors	1. Verify the payments to creditors with reference to the receipts issued by the creditors.
	2. Check that the payment is in agreement with the invoice received from the parties.
	3. In case the payment is made in full and final settlement, the difference should be adjusted.
	4. Check the statements of account.
	5. In case the payment is made in excess of the amount due or where a bill is paid twice, then enquire into the reasons therefor. Also ensure that the excess amount paid is received back from the creditor or deducted from the subsequent bills.
4. Bills Payable	1. In the case of bills payable when payment is made, the bill is returned by the person concerned. Check whether the bills so received are duly cancelled.
	2. Verify the payment made by reference to the bills payable so cancelled.
	3. Check that proper entries are made in bills payable book in this regard.
	4. Verify whether there are any bills in respect of which payment has not been made on due date.

5. Bills receivable dishonoured	1. Verify the bills that have been returned by the bank after dishonour and the payment is subsequently made by the client to the bank. 2. Check that the amount is duly debited to debtors account. 3. Check the commission charged by bank and the recovery thereof from debtors.
6. Purchase of Fixed Assets.	1. Verify whether there is proper authority for the purchase of assets. 2. Check the payment made by reference to the invoice received from the supplier 3. Check that the title to the assets belongs to the entity. 4. Check that all expenses incidental to the purchase of assets have been duly capitalised. 5. In case the property is purchased through broker, see the broker's note and also see that the brokerage paid on the purchase of the property is duly capitalised.
7. Purchase of Investment.	1. Check that the investments are purchased only on basis of appropriate authority. 2. In case the investments are purchased cum-dividend please ensure that the dividend is actually received and the amount of dividend is excluded from the purchase price. 3. Check the purchase of investments by reference to the broker's bought note.

		4. Verify the investments physically, where investments are held by bankers, obtain a bankers' certificate in this regard. 5. Check and ensure that the investments are in the name of entity.
8.	Loans and advances.	1. Check the payment of loan by reference to the receipt given by the borrower. 2. If the loan is given on the basis of security, verify that the amount of loan does not exceed the value of security.
9.	Repairs to assets	1. Check that the repairs are undertaken only on the basis of permission of appropriate authority. 2. Check that the repairs of capital nature are not debited to profit and loss account and the amount is included in the cost of assets. 3. In case the repairs are undertaken by the client internally then ensure that appropriate amount is duly transferred to the repairs account.
10.	Patents and Copyrights	1. Where the patents and copyrights are purchased please check the following: i) To check the agreement for purchase of patents and copyrights and verify the receipt for payment. ii) To check that all expenses connected with the purchase of patents and copyrights are duly included in the cost thereof. 2. Where patents are secured through research, check the following:

		i) To verify whether all the expenses incurred in connection with the research and equipment for creation of patents are duly capitilised as part of the cost of patents. ii) To check the evidence for all the expenses incurred and payments made.
11. Commission to Agents	1.	Check that the rate of commission is as per the terms and conditions and also check the correctness of the amount.
	2.	If the commission is granted on the realisation of debtors, then see that the amount due from debtors is actually realised.
	3.	Verify the payment of commission by reference to the receipt given by the agent.
	4.	Check whether the payment of commission to agent is duly authorised.
12. Travelling Expenses	1.	To examine the rules and regulations framed by the entity in respect of reimbursement of travelling expenses.
	2.	Check that payment is made on the basis of documentary evidence produced by the person concerned to whom the expenses are reimbursed.
	3.	Check that the expenses are reimbursed on the basis of approval of appropriate authority.

	4.	Check whether the expenses reimbursed by the entity are on the basis of actual amount expended or on the basis of fixed allowance per day.
	5.	In the case of foreign travelling expenses, please check that the permission of RBI/Govt. has been duly obtained for the foreign exchange outgo involved.
	6.	In case any advance is given to employees, then check whether such advance has been appropriately adjusted.
13. Advertisement	1.	Generally advertisements are booked through agents and payment is made to the agents directly. Check the bill given by the agent in this regard.
	2.	Check that the bill is appropriately supported by the paper-cutting of the advertisement.
	3.	Check the payment for advertisement on the basis of receipt given by the agent in this regard.
14. Excise Duty	1.	To note that excise duty is paid in advance and any amount so paid is set-off against the goods manufactured and cleared on factory gate.
	2.	Check that the amount is deposited in a separate bank account through challan.
	3.	Check that the payment is duly authorised.
	4.	Check the payment is made periodically with the statement issued by the excise department.

	5.	Check that the voucher is supported by receipted challan.
15. Income Tax	1.	Check the accounting year for which the payment has been made. Also verify whether the payment is advance tax payment or payment on the final assessment.
	2.	Check the receipted challans for payment and also the assessment order, wherever applicable.
	3.	To see the orders on appeals, if any.
	4.	To see that the ledger accounts for payment of income tax are maintained separately for different accounting years. This will be helpful where advance tax is paid every year in instalments and the final assessment is completed after a few years.
	5.	Check whether the interest on belated payment of income tax is properly recorded.
16. Sales Tax	1.	Check the receipted challan in support of the payment voucher and also the assessment order where the assessment has been completed.
	2.	Check whether the assessee has recorded sales tax payment in respect of State Sales Tax and Central Sales Tax separately.
	3.	Check the returns and verify the calculations so as to ensure the correctness of the amount paid.