Practitioner's Guide to Audit of Small Entities

(Revised 2020)

The Institute of Chartered Accountants of India
(*Set up by an Act of Parliament*)
New Delhi

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Foreword

Audit of small entities although relatively easier as compared to audit of large entities but has certain peculiar features which needs to be considered by auditors while conducting audit of these entities. These features include lack of appropriate internal control system, lack of separation between ownership and management, greater possibility of management override of controls etc. Auditors of small entities also face the difficulty of scaling the requirements of Standards on Auditing as per the size and nature of the entity. To address the same, the Institute of Chartered Accountants of India (ICAI) under the aegis of its Auditing and Assurance Standards Board had brought out a publication "Practitioner's Guide to Audit of Small Entities" in 2008.

I am happy to note that the Auditing and Assurance Standards Board has now brought out this revised edition of the "Practitioner's Guide to Audit of Small Entities". The purpose of this Guide is to provide a practical approach for performing audit of small entities in accordance with the Standards on Auditing. I am also pleased to note that the Guide has been developed in a simple to understand language & format and is also quite comprehensive.

I compliment CA. G. Sekar, Chairman, CA. Debashis Mitra, Vice-Chairman and all other members of the Auditing and Assurance Standards Board for bringing out this publication for the benefit of the members who undertake audit of small entities.

I am sure that the members and other stakeholders would find this publication immensely useful.

January 29, 2020
New Delhi

CA. Prafulla P. Chhajed
President, ICAI

Preface

As we all are aware that smaller entities make a substantial contribution to our Indian economy, and quantitatively the majority of audits are also audits of smaller entities.

In India, all entities particularly those in the corporate sector are required to get their accounts audited and even in case of non-corporate sector also, audit is mandatory under various laws and regulations. Audit of Smaller entities remain challenging considering the mandatory compliance of Standards on Auditing (SAs) irrespective of the nature, size and complexity of the entity. SAs unlike accounting standards, need to accommodate the audits of the largest or most complex multinationals and at the same time the smallest entities as well.

Considering the challenges faced by the members in audit of smaller entities, in 2008, the Auditing and Assurance Standards Board (AASB) of ICAI issued a publication, “Practitioner's Guide to Audit of Small Entities” to provide a step by step approach to implementation of Standards on Auditing that may be followed in audit of small entities. The publication was last revised in 2010. Since 2010, number of developments have taken place e.g. revision of some Standards on Auditing, issue of new Standards on Auditing, changes in Accounting Standards, changes in various law and regulations having bearing on audits of small entities. These developments necessitated revision of this publication.

AASB feel happy to publish this revised edition of the “Practitioner's Guide to Audit of Small Entities”. The draft of revised Guide was developed by a study group constituted by AASB for this purpose and thereafter it was finalized with the contributions of AASB members and Central Council members of ICAI. The Guide contains ready to use audit programme templates for audit of small entities. The Appendices to the Guide contain illustrative checklist to verify compliance with various Standards on Auditing. The Appendices also contain illustrative formats of various letters and confirmations required in course of audit of small entities.

At this juncture, we wish to place on record our sincere gratitude to CA. Durgesh Kumar Kabra, Central Council member and AASB member for leading the study group under his able convenorship. Our deepest gratitude is also due to all members of the study group viz., CA. Narayan Pasari, CA. Rahul Shah, CA. Gourav Roongta, CA. Manish Sampat, CA. Pavan Gattani, CA. Avinash Rawani, CA. Hardik Chokshi, CA. Abhay Mehta, CA. Mehul Shah and CA. Niraj Gupta for sparing time out of their other preoccupations to revise the Guide.

We wish to express our sincere thanks to CA. Prafulla Premsukh Chhajed, Honourable President, ICAI and CA. Atul Kumar Gupta, Honourable Vice-President, ICAI for their guidance and support to the activities of the Board.

We also wish to place on record our sincere thanks to all the Board members for their suggestions, support and guidance in finalising this Guide and other pronouncements of the Board. We also wish to thank CA. Megha Saxena, Secretary, AASB and staff of AASB for their technical and administrative contribution, at various stages of finalizing this Guide.

As a matter of fact, we wish to emphasis that, this Guide is not a substitute for the text of Standards on Auditing and other authoritative pronouncements issued by ICAI. We are confident that the members would find this publication very useful.

CA. G. Sekar	**CA. (Dr.) Debashis Mitra**
Chairman,	Vice Chairman
Auditing and Assurance Standards Board	Auditing and Assurance Standards Board

Disclaimer

This Guide is not a substitute for the authoritative literature, including Standards on Auditing and other engagement and quality controls standards and Guidance Notes, issued by the Institute in respect of audit of financial information. The practitioners using this Guide are, therefore, urged to separately ensure that they are compliant with the applicable Standards and other relevant applicable pronouncements of the Institute while carrying out the audits.

The Guide also does not claim to be absolute and comprehensive. The practitioners are therefore also requested to ensure that the procedures adopted by them are sufficient to achieve the objectives of the audit engagement. The Institute does not take any responsibility for any action taken by the readers on the basis of the contents of this Guide.

Purpose of this Guide

The purpose of this Guide is to provide a practical approach to implementation of the Standards on Auditing that may be followed while carrying out audit of small entities. Since the Guide is in the form of a checklist, it is also hoped that by using that checklist, the practitioner would be able to maintain appropriate documentation of the audit work.

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Client : ______________________________

Financial Year : ______________________________

Prepared By : ____________________ Date : ____________________

Reviewed By : ____________________ Date : ____________________

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Specimen for Profile / Information about the Auditee

Sl. No.	Particulars	Reply by the Auditee
1.	Name of the auditee	
2.	Financial year of Audit	
3.	Period of Audit (i.e. From dd/mm/yyyy to dd/mm/yyyy)	
4.	Constitution: *(Proprietary/ Partnership/LLP/ HUF/ AOP/ BOI/ Private/ Public Limited Company/ Trust/ Others)*	
5.	Whether there was any change in constitution during the year. If so, furnish details of such change along with relevant documents evidencing such change (e.g. Retirement/ Admission of Partner/ Director, Merger/ Demerger/ Amalgamation, Conversion of Private limited company into Public limited company or vice versa, Conversion into LLP, etc.)	
6.	Nature of Audit to be conducted – • Statutory Audit under section 143 of Companies Act, 2013 • Tax Audit under section 44AB of the Income Tax Act, 1961 • Charitable/ Religious Trust Audit under sections 11, 12, 12A, 12AA of the Income Tax Act, 1961 • Special Audit under section 142(2A) of the Income Tax Act, 1961 or • Any other specific assignment (e.g. internal audit, stock audit, debtors audit, forensic audit, etc.)	
7.	Address(es) of places of Business *(Specify the principal place of business and all other places of business such as registered office, corporate office, administrative offices, factories, branches, depots, godowns etc., along with date of commencement of other places of business. In case of any change in address, the date of such change.)*	

8.	Audit is to be conducted for *[Mention whether for the whole unit or any specific unit]*	
9.	Phone numbers of all places of business	
10.	Fax numbers of all places of business	
11.	E-mail addresses of all places of business	
12.	Date of Incorporation/ Formation	
13.	Company (CIN)/ Firm Registration Number	
14.	Income Tax PAN	
15.	Tax Deduction/ Collection Account Number (TAN) of all units, if any	
16.	Central Excise Registration Numbers of all registered units, wherever applicable. Copies of Registration Certificates (Where assessments are pending)	
17.	Service Tax Registration Numbers of all registered units, if any. Copies of Registration Certificates.(Where assessments are pending)	
18.	VAT Registration Numbers of all registered units, wherever applicable. Copies of Registration Certificates (Where assessments are pending)	
19.	GST Registration Numbers of all registered units, if any. Copies of Registration Certificates	
20.	Import Export Code Number (IEC)	
21.	Details of all Bank Accounts(including accounts closed during the period covered by audit) Furnish details such as name of the bank, branch, Type of account (Savings, Current, OD, CC, TL etc.), Account Number, BSR code, MICR code of the branch	
22.	Key persons for audit interaction and communication with the management (Proprietor/ Partner(s)/ Director(s)/ Trustee(s))/ Manager(s)/ Accounts-in-charge (Whether full time or part time) / Members in the Audit Committee) along	

	with their PAN/Aadhar/DIN, contact numbers and / or email addresses, their relationship with owners and date of appointment. Change if any, in key persons during the audit period may be also obtained	
23.	Contact person/ Coordinator for audit with Phone / Fax / Mobile numbers / E-mail Addresses	
24.	Nature of Business / Core Activity Like Manufacturing / Trading / Marketing / Service Provider / Franchisee / Agency / Others (Please specify) In case of any change in the nature of business, details of such changes and date of such changes	
25.	Brief note on the manufacturing process / business activities	
26.	Main products / By-products manufactured / Traded / Dealt in	
27.	Main Raw materials used in manufacture	
28.	Method of Accounting: Mercantile/ Cash *(Wherever method of accounting is Mercantile and certain items are accounted for on cash basis or vice versa, list out such items)*	
29.	Method of Book keeping: *(Totally computerized/ Totally manual or Mixed (If mixed, specify the areas of computerization)*	
30.	If computerized, a brief note on accounting package used and list of books/ reports which could be generated from the said accounting package	
31.	List of books including inventory books maintained listing out separately computerized and manual	
32.	Whether the entity is covered by Internal Audit. If so, name and address of the Internal Auditors. Attach copies of the Internal Audit Reports	
33.	Details of all other entities where the Partners / Proprietors / Directors are interested	

34.	If yes , nature of such interest	
35.	DIN (Director Identification No.) of all Directors	

For

[Designation]
Place :
Dated:

Applicability Checklist

Client : ____

Financial Year : ____

Prepared by : ____________________ Date : ________________

Reviewed by : ____________________ Date : ________________

The Guidance given in this Practitioner Guide will be applicable to small entities only. To be qualified as small entity, the entity has to qualify the criteria prescribed in this applicability checklist.

Guidance:

The meaning of "small entity" in this context gives considerations not only to the size of an entity but also to its typical qualitative characteristics. Quantitative indicators of the size of an entity may include balance sheet totals, revenue and the number of employees, but such indicators are not definitive.

Criteria for corporate entities to qualify as Small Entity

Section 2(85) of the Companies Act 2013 defines a small company and accordingly for a corporate entity the company has to qualify as a small company as per this section. Section 2(85) of the Companies Act, 2013 is reproduced below:

"small company means a company, other than a public company,— (i) paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than five crore rupees; or (ii) turnover of which as per its last profit and loss account does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than twenty crore rupees:

Provided that nothing in this clause shall apply to—

(A) a holding company or a subsidiary company;

(B) a company registered under section 8; or

(C) a company or body corporate governed by any special Act;"

Criteria for non-corporate entities to qualify as Small Entity

For non-corporate entities, qualitative characteristics of smaller entities are given in paragraph A64 of SA 200. The Paragraph is reproduced below.

"Considerations Specific to Smaller Entities

A64. For purposes of specifying additional considerations to audits of smaller entities, a "smaller entity" refers to an entity which typically possesses qualitative characteristics such as:

(a) Concentration of ownership and management in a small number of individuals (often a single individual – either a natural person or another enterprise that owns the entity provided the owner exhibits the relevant qualitative characteristics); and

(b) One or more of the following:

(i) Straightforward or uncomplicated transactions;

(ii) Simple record-keeping;

(iii) Few lines of business and few products within business lines;

(iv) Few internal controls;

(v) Few levels of management with responsibility for a broad range of controls; or

(vi) Few personnel, many having a wide range of duties.

These qualitative characteristics are not exhaustive, they are not exclusive to smaller entities, and smaller entities do not necessarily display all of these characteristics."

The paragraphs given below provide practical guidance in respect of some of the qualitative characteristics of smaller entities given in aforesaid paragraph A64 of SA 200.

(a) Is the concentration of ownership and management limited to a small number of individuals?

Guidance:

Small entities usually have few owners, often there is a sole proprietor. Many owner-managers adopt a 'hands on' approach to internal control issues by personally exercising supervisory controls. The owner may employ a manager to run the business but in most cases he himself is directly involved in running the business on a day-to-day basis. As the proprietor, the owner-manager has a personal interest in safeguarding the assets of the business, measuring its performance and controlling its activities, but is unable to divert limited management time to such matters as formal internal control procedures. However, the lack of formality does not by itself indicate circumstances giving rise to a high risk of fraud or error. The auditors of a small entity make their assessment of risk in the light of its particular circumstances. The term "owner-manager" means the proprietors of entities who are involved in running of the entity on a day to day basis. Where proprietors are not involved on a day to day basis, the term "owner-manager" is used to refer to both the proprietors, and to any managers hired to run the entity.

(b) Is the entity engaged in uncomplicated activities and has few sources of income?

Guidance:

Small entities typically have a limited range of activities and often specialize in a single product or service and usually operate from a single location.

Uncomplicated activities can make it easier for the auditors to acquire, record and maintain knowledge of the business. In addition, in many small entities, accounting populations are often small and easily analysed, the application of a wide range of audit procedures can often be straightforward in such circumstances. For example, effective predictive models for use in analytical procedures can sometimes be constructed.

(c) Is there simple and personalized record keeping in the entity?

Guidance:

Most small entities employ a few personnel who are solely engaged in record keeping. Consequently, record keeping may be simple, customised or personalised, which results in a greater risk that the financial statements may be inaccurate or incomplete.

(d) Are there limited internal controls in the entity together with the potential for management override of controls?

Guidance:

Size and economic considerations in small entities mean that sophisticated internal controls are often neither essential nor desirable. The fact that there are few employees limits the extent to which segregation of duties is practicable. Further, dominant position of the owner-manager may lead to management override of controls which may have a significant adverse effect on the control environment in any entity, leading to an increased risk of management fraud or material misstatement in the financial statements.

Also refer Appendix XI, "Illustrative Quantitative Guidance for the Applicability Checklist for Non-corporate Entities" for detailed quantitative guidance.

Engagement Letter

Client : ____________________

Financial Year : ____________________

Prepared by : ____________________ Date : ____________________

Reviewed by : ____________________ Date : ____________________

Guidance

The Engagement Letter has to be prepared in duplicate and signed by the client before the commencement of the audit engagement. A sample format (for a company under the Companies Act, 2013) is given below which is required to be tailored for each circumstance.

The auditor and the client should agree on the terms of the engagement. In the interest of both client and auditor, the auditor should send an engagement letter, before the commencement of the audit engagement, in order to avoid any misunderstandings with respect to the engagement. The engagement letter documents and confirms the auditor's acceptance of the appointment, the objective and scope of the audit and the extent of the auditor's responsibilities to the client.

To (the appropriate representative of management)

____

____

The objective and scope of the audit

You have requested that we audit the financial statements of ABC Company Private Limited, which comprise the Balance Sheet as at 31st March, 2XXX, the Statement of Profit and Loss and the (Cash Flow Statement[1]) for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory information. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing (SAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The responsibilities of the auditor

We will conduct our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Companies Act 2013. Those Standards require that we comply with ethical requirements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

[1] Where so prepared and presented by the entity.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with SAs.

The responsibilities of management and identification of the applicable financial reporting framework

Our audit will be conducted on the basis that [management and, where appropriate, those charged with governance] acknowledge and understand that they have responsibility:

(a) For the preparation of financial statements that give a true and fair view in accordance with the Financial Reporting Standards. This includes:

   - The responsibility for the preparation of financial statements on a going concern basis.

   - The responsibility for selection and consistent application of appropriate accounting policies, including implementation of applicable accounting standards along with proper explanation relating to any material departures from those accounting standards.

- The responsibility for making judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.

(b) For such internal control as [management] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and

(c) To provide us with:

   (i) Access, at all times, to all information, including the books, account, vouchers and other records and documentation, of the company, whether kept at the head office of the company or elsewhere, of which [management] is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   (ii) Additional information that we may request from [management] for the purpose of the audit; and

   (iii) Unrestricted access to persons within the company from whom we determine it necessary to obtain audit evidence. This includes our entitlement to require from the officers of the company such information and explanations as we may think necessary for the performance of our duties as auditor.

As part of our audit process, we will request from [management and, where appropriate, those charged with governance], written confirmation concerning representations made to us in connection with the audit.

We also wish to invite your attention to the fact that our audit process is subject to 'peer review' under the Chartered Accountants Act, 1949 to be conducted by an Independent reviewer. The reviewer may inspect, examine or take abstract of our working papers during the course of the peer review.

We look forward to full cooperation from your staff during our audit.

[*Other relevant information*]

[*Insert other information, such as fee arrangements, billings*[2] *and other specific terms, as appropriate*.]

[Reporting]

[*Insert appropriate reference to the expected form and content of the auditor's report including, if applicable, the reporting on other information in accordance with SA 720 (Revised).*]

The form and content of our report may need to be amended in the light of our audit findings.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

[2] For example, "Our fees will be billed as the work progresses".

XYZ & Co.
Chartered Accountants
Firm's Registration Number

(Signature)
(Name of the Member)
(Designation[3])

Date:
Place:

Acknowledged on behalf of ABC Company Private Limited by
……………………..
(Signature)
Name and Designation
Date

[3] Partner or proprietor, as the case may be.

Acceptance Formalities Checklist

Client : ______________________________

Financial Year : ______________________________

Prepared by : ______________ Date : ______________

Reviewed by : ______________ Date : ______________

In performing an audit engagement, the following acceptance formalities need to be completed before commencing the Audit Engagement.

	Yes	No	N/A
Is it a new engagement or continuing engagement?			
Proposal from the company to appoint as auditors			
Our reply to the above proposal for appointment as Auditors along with eligibility certificate as per section 141 of Companies Act 2013			
Company's formal letter of appointment			
Communication with Previous Auditor in terms of Clause 8 of Part I of First Schedule to Chartered Accountants Act 1949			
Our letter to the Company accepting the appointment /re-appointment			
Form ADT 1 filed by the Company			
Have we issued the standard Engagement Letter?			
Acknowledged copy of the Engagement Letter			

Conclusion on the Acceptance formalities:

Confirm if the acceptance formalities have been completed and all relevant documents / communications / approvals have been documented.

____

____

Representations by Management

Client	:	________________________________			
Financial Year	:	____________________			
Prepared by	:	____________________	Date	:	__________
Reviewed by	:	____________________	Date	:	__________

Guidance

The Management Representation Letter is required to be furnished before the Financial Statements are signed and is required to be modified in accordance with the circumstances.

The auditor should obtain representations from management, wherever considered appropriate.

The auditor should obtain evidence that management acknowledges its responsibility for the appropriate preparation and presentation of financial information and that management has approved the financial information.

During the course of the audit, management makes many representations to the auditor, either unsolicited or in response to specific enquiries. When such representations relate to matters which are material to the financial information, the auditor should:

(a) seek corroborative audit evidences from sources either internal and / or external to the entity;

(b) evaluate whether the representations made by management appear reasonable and consistent with other audit evidence obtained, including other representations; and

(c) consider whether the individuals making the representation can be expected to be well informed on the matter.

Representations by management cannot be a substitute for other audit evidence that the auditor could reasonably expect to be available. For example, a representation by management as to the quantity, existence and costs of inventories is no substitute for adopting normal audit procedures regarding verification and valuation of inventories. In case an auditor is unable to obtain sufficient and appropriate audit evidences regarding any matter which has or may have a material effect on the financial information, this will constitute a limitation on the scope of his examination even if he has obtained a representation from management on the matter.

A Specimen of Management Representation Letter on Statutory Audit is given in **Appendix X.**

II
Administration

Time Budget

Client : ______________________

Financial Year : ______________________

Prepared by : ______________ Date : ______________

Reviewed by : ______________ Date : ______________

	BUDGET			ACTUALS		
	HOURS	RATE	TOTAL	HOURS	RATE	TOTAL
Senior Partner						
Partner in Charge						
Audit Manager -1						
- 2						
Articled Clerk -1						
- 2						
- 3						
- 4						
- 5						
Audit Fees					Rs.	
Total Cost					Rs.	
Recovery / Shortfall					Rs.	
Recovery % on						

III
Planning & Control

The objective of this section is that the audit is conducted in an effective manner thereby facilitating in designing a structured and well planned audit program. The auditor shall establish an overall audit strategy, that sets the scope, timing and direction of the audit.

This objective can be achieved by identifying and assessing the risks of material misstatement in the financial statements, through an understanding of the entity and the environment under which it operates, including the entity's internal controls.

Understanding the Client's Business and the Entity's Internal Controls (give reference of SA 315 and SA 250)

Obtaining an understanding of the client's business is a continuous process during the audit cycle. Such understanding can be obtained through various internal and external factors affecting its business and operations. This includes knowledge of Industry, Regulatory framework, other factors affecting the financial statements and reporting framework.

The following are illustrated checkpoints:-

Client : ____

Financial Year : ____

Prepared by : ____________________ Date : __________________

Reviewed by : ____________________ Date : __________________

1. Identify external factors such as industry and general business environment; and laws and regulations which have a fundamental impact on entity's operations:-
   - Industry factors – general economic and competitive environment, nature of products, technology driving the industry, key industry ratios.
   - Applicable laws and regulations and the supervisory framework.
   - Accounting policies and industry specific accounting practices.
2. Identify internal factors such as ownership and control, and business operations-. affecting the business:-
   - Business objective of the entity, the nature of operations and list of products and services.
   - Ownership and Management – Owners/Entity's credentials, Organisational hierarchy, the relationship between the owner and the entity as may be applicable, list of key personnel.
   - Type of Investments made such as subsidiaries, associates, joint ventures, partnership, any special purpose vehicles.
   - Mode of funding the entity.
   - Inquire about the IT systems being used.
   - Selection and application of accounting policies and any change in accounting practices.
   - Taxation status and litigations faced by the entity and owner, if any.
3. Management's risk assessment process – the process used to identify, analyse, and manage the risks faced by the entity.

Understanding the Accounting Process

Client : ________________________________

Financial Year : ________________________________

Prepared by : ____________________ Date : ____________

Reviewed by : ____________________ Date : ____________

Accounting policies followed by small entities should be consistent with the generally accepted accounting principles and practices.

1. Useful information related to accounting process:

   Document any additional information related to the accounting process that may be useful when performing substantive procedures, such as:

   - Identify the accounting software being used.

     ____

     ____

     ____

   - Location of the primary accounting records. (e.g. bank statements, minutes, agreements, etc.)

     ____

     ____

     ____

   - Names of individuals responsible for the key accounting functions. (e.g., authorization of expenses, follow up of overdue amounts, recording of transactions, reconciling bank accounts, preparation of summary reports, etc.)

     ____

     ____

     ____

     ____

   - Description of any commercial accounting software packages used. (e.g., the accounting functions performed, who is responsible for program data, reports produced, data stored, how problems are resolved.)

     ____

     ____

     ____

     ____

     ____

2. Accounting Policies

   - Consider whether the accounting policies used are appropriate and consistent with that of the prior year.

     ____

     ____

     ____

     ____

   - Consider the risk of going concern assumption and its impact on the financial statements.

     ____

     ____

     ____

     ____

General Audit Programme

Client : ____________________

Financial Year : ____________________

Prepared by : ____________________ Date : ____________________

Reviewed by : ____________________ Date : ____________________

Sl. No.		Schedule Reference	Performed By	Date
	PERFORM PRE- ENGAGEMENT ACTIVITIES			
1.	Review engagement risk by considering the factors which are client specific.			
2.	Prepare preliminary audit engagement budget and schedule appropriate audit staff.			
3.	Review terms of engagement and prepare fee estimates.			
4.	Review the points brought forward from the prior year, correspondence file, report file and tax file, and ensure that points of concern are appropriately addressed.			
5.	Partner to hold a pre-audit meeting with the engagement manager to discuss engagement risk consideration, audit approach to be taken and design and preparation of the audit plan.			
	PERFORM PRELIMINARY PLANNING			
6.	Organise a planning meeting with the client's staff to update our understanding of the client's business and their accounting process.			
7.	Consider environmental and industry factors which might identify specific potential risk and document our concern.			
8.	Update understanding of the accounting process and identify specific risks.			
9.	Perform preliminary analytical procedures and identify any unusual or unexpected balances, and or, relationship which may indicate potential misstatement of the financial statements.			
10.	Determine planning materiality after assessment of the specific circumstances of the client.			
11.	Review and update the permanent file as appropriate and record amendments made.			

12.	Update systems notes/flowcharts as appropriate and a copy of system notes prior to amendment should be filed together with the last audit to which they were relevant.			
	INTERIM AUDIT VISIT (s)			
13.	Update understanding of the client's business, accounting process, control environment and materiality. Where changes are significant or where factors indicate potential risks, document the details and specific concerns as a matter for Partner's attention. Draft responses to address the risk and seek partner/manager approval.			
	FINAL AUDIT VISIT			
14.	Update understanding of the client's business, accounting process, control environment and materiality. Where changes are significant or where factors indicate potential risks, document the details and specific concerns as a matter for partner's attention. Draft focused responses to address the risk and seek partner/manager approval.			
15.	Ensure all review points have been cleared and relevant work papers amended.			
16.	Ensure all adjustments to the accounting records are reflected in the lead schedule and that they agree to the financial statements.			
17.	Ensure all material misstatements are discussed and reported to management and recorded appropriately.*(To be done as highlighted in Summary of unadjusted errors).*			
18.	Complete subsequent events review up to the date of the completion of the audit field work and ensure this is updated to a date as near as it is practicable to the date of signing the financial statements.			
19.	Ensure matters to be considered by partners are properly documented and cleared before the issue of auditor's report.			
20.	Prepare an Audit Summary Memorandum including any outstanding matters.			
21.	Ensure an appropriate letter of representation is received from the management.			
22.	Prepare debriefing notes on audit and carry forward points to next year.			

	STATUTORY AND DISCLOSURE MATTERS			
23.	Inspect statutory registers and ascertain whether prima facie the information they contain is up to date and inform client of improvement, if necessary.			
24.	Read the minutes of all meetings and written resolutions of shareholders / partners, of directors and of any committee whose decisions may affect the accounts.			
25.	Complete the appropriate compliance checklist for accounting and other legal requirements to which the entity is subject and ensure all material matters have been complied with.			
26.	Ensure adequate documentation is on file to support disclosure items in the financial statements.			
27.	Ensure the accounts disclose related parties and related party transactions that are material to the financial statements.			
	MANAGEMENT LETTERS			
28.	Prepare matters for inclusion in management letters relating to any internal control weaknesses and client service objective.			
29.	Review prior year management letter points and ensure these have been followed up by client or need to be readdressed.			
30.	Ensure management's response to those points that have been raised for inclusion in the management letter are documented in the files.			
31.	Review any reports issued by the internal audit department noting their findings and recommendations. Plan and execute responses to their findings and the impact on the financial statements. Determine if any corrective actions have been taken based upon the reports.			
32.	Complete and issue formal management letter to the appropriate officials of the entity.			
	ADMINISTRATION MATTERS			
33.	Ensure the time records are updated daily and reconciled to the time sheet fortnightly. Report to manager if material deviation from budget is found and see whether there are any areas which can be improved. All significant deviations from budgeted time, cost, or staff requirement have been fully described in files.			
34.	Ensure that the staff report has been completed and discussed with each staff member.			

Analytical Procedures in Planning the Audit

Client : ____

Financial Year : ____

Prepared by : ____________________ Date : __________________

Reviewed by : ____________________ Date : __________________

Guidance

The auditor applies analytical procedures at the planning stage of the audit. The nature and extent of analytical procedures at the planning stage of the audit of a small entity may be limited by the timeliness of processing of transactions by the small entity and the lack of reliable financial information at that point of time. Small entities may not have interim or monthly financial information that can be used in analytical procedures at the planning stage. The auditor may, as an alternative conduct a brief review of the general ledger or such other accounting records as may be readily available. In many cases, there may be no documented information that can be used for this purpose, and the auditor may obtain the required information through discussion with the owner-manager.

❖ Review draft financial statements for unusual or unexpected amounts or for the absence of such amounts and relationship and comparison of amounts with the prior year financials to analyse the variances.

The variances, if any need to be analysed and reasons properly documented in line with the materiality fixed (engagement specific). Based on materiality, a threshold may be fixed say, in terms of percentage or a fixed amount and only items above this threshold are analysed.

ACCOUNT BALANCE	CY (RS.)	PY (RS.)	DIFFERENCE	IN %	SUBJECT TO THRESHOLD	IF NO, REASONS

❖ Examine impact of the above in our scope of audit procedures.

OBSERVATION	ACCOUNT BALANCE AFFECTED	AUDIT PROCEDURE	CONCLUSION

Assessment of Risk

Client : ______________________________

Financial Year : ______________________________

Prepared by : ____________________ Date : ____________________

Reviewed by : ____________________ Date : ____________________

For each significant account balance, consider whether there are circumstances which will increase the risk of misstatements. Also analyse whether there are conditions or events which increases risk of fraud or error. List below the risk factors identified for specific account balances:

DETAILS OF RISK	ACCOUNT BALANCE(S) AFFECTED	ASSERTIONS AFFECTED	AUDIT PROCEDURES	NO. OF SAMPLES

Materiality

Client : ______________________________

Financial Year : ______________________________

Prepared by : ____________________ Date : __________________

Reviewed by : ____________________ Date : __________________

Critical component	Current Year		Last Year	Previous Last Year
	Actual	Estimated		
____________________	Rs.________	Rs.________	Rs.________	Rs.________
___% of thereof (Top Limit)	Rs.________	Rs.________	Rs.________	Rs.________
___% of thereof (Low Limit)	Rs.________	Rs.________	Rs.________	Rs.________

Materiality Rs.________

Guidance

Materiality is significant in determining the scope of our audit and should be at a level sufficient for us to conclude that a material misstatement does not exist in the financial statements.

To obtain a quantitative materiality guide, we need to identify an appropriate base amount which we believe is a critical component of the financial statements. The critical component should be (i) relevant to the financial statements as a whole and (ii) stable and normal in the ordinary business of the entity. One or more of the following may be taken as critical component:

i. Profit or loss before tax (adjusted, if appropriate, for the effect of any abnormal levels of items of expenditure such as the owner-manager's remuneration)

ii. Revenue

iii. Balance sheet total

A. Reason for the use of the above critical component and percentage range:

____

____

____

B. Other influences and financial components affecting determination of planning materiality:

____

____

____

Performance Materiality

Guidance

The determination of Performance Materiality requires us to apply professional judgment and is not a mechanical exercise.

Performance Materiality is based on, but is less than, Planning Materiality. We set Performance Materiality at a lower level than Planning Materiality to provide a cushion, so that if misstatements are detected, we may nevertheless be able to conclude with reasonable assurance that the total misstatements in the financial statements does not exceed Planning Materiality.

We should determine the Performance Materiality to be used in the design of our audit procedures.

We determine Performance Materiality by deducting from Materiality the total amount of misstatements that we anticipate identifying and which we believe that the management will not correct in the financial statements. Misstatements identified include Known and Likely Misstatements.

Particulars	**Calculation amount (Rs.) Current Year**	**Previous Year**
Materiality		
*Less: Total anticipated uncorrected misstatements**		
Performance Materiality		

** Total anticipated uncorrected misstatements is the total amount of factual, judgmental, projected misstatements that we anticipate remaining uncorrected at the end of the current engagement.*

Factors to be normally considered include:

- *understanding of the Entity and its environment*
- *the Risks identified when performing our Risk Assessment Procedures*
- *the Entity's history of Uncorrected Misstatements*
- *the likelihood that uncorrected Known and Likely Misstatements from the prior period will recur in the current period*
- *the Management's willingness to investigate and correct Known and Likely Misstatements identified during the current audit period.*

Identification of Material Transactions, Account Balances and Disclosures

Client :

Financial Year :

Prepared by : Date :

Reviewed by : Date :

Based on the trial balance and /or financial statements (including the use of the last year's audit experience), material account balances need to be identified. Risks identified earlier and materiality also plays a vital role in determination of material account balances and disclosures. Role of partner and senior on the audit engagement is vital to identify the material transactions and account balances.

Transactions/ account balances/Disclosure	**CY balance**	**Explain any identified risk associated with the account balance**	**Material (Yes / No)?**	**Reason for such conclusion**

Note: Most financial statements line items and disclosures are material or they would not be presented separately in the financial statements. We may then consider one or more succeeding levels of detail of the composition of the class of transaction, account balance or disclosure taking into account the nature and composition of the disaggregated parts to identify those that are material.

Permanent File Update

Client :

Financial Year :

Prepared by : Date :

Reviewed by : Date :

ADDITION/ AMENDMENT/ DELETION	REFERENCE	PREPARED BY	REVIEWED BY

It is imperative for auditors to have a permanent file being prepared for future references as well for understanding significant client issues faced during the audit.

Fraud Risk Questionnaire

Client : ______________________________

Financial Year : ______________________________

Prepared by : ____________________ Date : __________________

Reviewed by : ____________________ Date : __________________

The auditor's responsibilities lie in identifying and assessing the risk of material misstatements arising due to fraud and error. The auditor should obtain sufficient and appropriate audit evidence and is expected to respond effectively to the identified or suspected fraud.

Guidance

Consideration of Fraud and Error:

When planning and performing audit procedures and evaluating and reporting the results thereof, the auditor should consider the risk of material misstatement in the financial statements resulting from fraud and error.

The presence of a dominant owner-manager is an important factor in the overall control environment, as the need for management authorization can compensate for otherwise weak control procedures and reduce the risk of employee fraud and error. However, this can be a potential weakness since there is the opportunity for management override of controls. The owner-manager's attitude to control issues in general and to the personal exercise of supervisory controls can have a significant influence on the auditor's approach. The auditor's assessment of the effect on such matters is conditioned by knowledge of that particular entity and the integrity of its owner-manager.

	Yes / No / N.A.	Details of Risk Identification	Reference
a) Does the owner-manager have a specific identifiable motive (for example, dependence of the owner-manager on the success of the entity) to distort the financial statements, combined with the opportunity to do so?			
b) Does the owner-manager make no distinction between personal and business transactions?			
c) Is the owner-manager's life-style materially inconsistent with the level of his or her remuneration (this includes other sources of income of which the auditor may be aware of by referring the owner-manager's tax return)?			
d) Are there frequent changes of professional advisors?			
e) Has the start date for the audit been repeatedly delayed or there are unexplained demands to complete the audit in an unreasonably short period of time?			

f) Are there unusual transactions around the year end that have a material effect on profit?			
g) Are there unusual related party transactions?			
h) Are the payments of fees or commissions to agents and consultants appear to be excessive?			
i) Are there any disputes with tax authorities?			
j) Are parts of the detailed accounting records unavailable or have been lost for implausible reasons?			
k) Is there a significant level of cash transactions without adequate documentation?			
l) Are there many transactions without adequate documentation?			
m) Are there numerous unexplained aspects of audit evidence (such as differences between the accounting records and third-party confirmations, or unexpected results of analytical procedures)?			
n) Is there inappropriate use of accounting estimates?			
o) Have the owner-manager or key personnel not taken annual leave for a long period of time?			
p) Is there lack of sufficient working capital?			
q) Do weaknesses reported earlier still continue?			
r) Is there non-maintenance of year ending inventory and stock registers?			
s) Whether periodical reconciliation statements prepared for branch / head office accounts / reimbursement account / site accounts?			
t) Whether statutory dues / employees dues are pending for more than 3 months?			
u) In case any debit/credit balances (e.g. debtors and creditors balances) are being set off, whether rationale and evidence of such underlying transactions are obtained?			
v) Are trading activities evident with actual movement of goods. Is the nature of activities of the trading parties commensurate with the clients activities?			

IV
Audit Program – Balance Sheet Items

Audit Program - Tangible Assets

Client : ______________________________

Financial Year : ______________________________

Prepared by : ____________ Date : ____________

Reviewed by : ____________ Date : ____________

Approved by : ____________ Date : ____________

Updated by : ____________ Date : ____________

	PROCEDURE	EXTENT OF CHECK	BASIS OF SELECTION OF SAMPLE	DONE BY	W/P REF.	M/F REF.
1.	SYSTEM UPDATE					
	Update and document understanding of the controls and accounting system through a review of the system notes in the carry forward section.					
2.	RISK ASSESSMENT					
	If specific risks have been identified in the risk assessment and planning process, modify the audit procedures in accordance with the responses.					
3.	INTERNAL CONTROLS					
	Review the system of internal controls relating to Property, Plant and Equipment, particularly the following:					
	a) Control over expenditure incurred on Property, Plant and Equipment acquired or self-constructed figures					
	b) Accountability and utilization controls					
	Guidance:					

	Accountability over each item of Property, Plant and Equipment (or each class of Property, Plant and Equipment) is established, among other things, by maintaining, appropriate records. This facilitates control aspects of custodianship of such assets, for example, physical verification by the management or establishment of procedures relating to disposal of Property, Plant and Equipment or treatment of low value assets. On the other hand, utilisation controls ensure that the individual Property, Plant and Equipment have been properly used for meeting the objectives of the entity.					
	c) Information controls					
	Guidance:					
	These controls ensure that reliable information is available for calculating and allocating depreciation, recording disposals or retirements, preparing tax returns, establishing the amount of insurance coverage, filing insurance claims, controlling repairs and maintenance charges, etc.					
4.	EXAMINATION OF RECORDS:					
	a) Check opening balances of the existing Property, Plant and Equipment from records such as the schedule of Property, Plant and Equipment, ledger or register balances.					
	b) Verify acquisition of new Property, Plant and Equipment and improvements in the existing ones with reference to supporting documents such as orders, invoices, reports and title deeds.					

	c) Check self–constructed Property, Plant and Equipment, improvements and capital work-in-progress with reference to the supporting documents such as contractors' bills, work-order records and independent confirmation of the work performed.					
	d) Scrutinise expense accounts (e.g., Repairs and Renewals) to ascertain that new capital assets and improvements on existing ones have not been included therein.					
	e) Examine whether low value Property, Plant and Equipment have been written off or fully depreciated in the year of acquisition / construction in accordance with applicable regulatory requirements.					
	f) Whether the entity has maintained proper records showing full particulars including quantitative details and situation of its Property, Plant and Equipment.					
	g) In respect of Property, Plant and Equipment retired i.e., destroyed, scrapped or sold. Examine :					
	i. Whether the appropriate procedures have been properly followed.					
	ii. Whether the accounting for acquisition, allocation of cost of acquisition in case of consolidated purchase, sale and profit / loss on sale is proper.					
	iii. Where several assets have been sold for a consolidated consideration whether					

	appropriation of consideration amongst the various assets sold is proper.					
	iv. Whether the profit / loss have been properly disclosed in the statement of profit & loss.					
	v. Whether a certificate obtained from the management confirms that all assets scrapped, destroyed or sold have been properly recorded in the books.					
	h) Verify the ownership of assets, like land and buildings by examining title deeds. In case, the title deeds are held by other persons, such as solicitors or bankers, obtain confirmation directly through a request signed by the client.					
	i) Verify whether the assets are held in the name of the auditee or in any other person's name. Whether it is properly documented.					
	(j) Ensure whether the Property, Plant and Equipment are properly classified into appropriate class of assets as per their nature.					
	(k) In case the entity capitalizes leasehold improvements verify whether the same is amortised over lower of the useful life or lease period.					
	(l) Whether depreciation has been provided on machines running on triple shift, double shift and single shift as per the usage.					
5.	PHYSICAL VERIFICATION:					
	a) Evaluate the procedure and periodicity of physical verification.					
	b) Test check the book records of					

	Property, Plant and Equipment with the physical verification reports.					
	c) Examine whether discrepancies noticed on physical verification have been properly dealt with. If the discrepancy is material enough to warrant an adjustment in the accounts and/or modification in the internal control system.					
6.	VALUATION AND DISCLOSURE					
	a) Ensure that the valuation and disclosure (as per Schedule II of the Companies Act, 2013, in case of companies) in the financial statements are consistently followed and in accordance with the generally accepted accounting principles.					
	b) Check the calculations of depreciation and the total depreciation arrived at should be compared with that of the preceding years to identify reasons for variations.					
	c) Examine whether the depreciation charge is adequate keeping in view the generally accepted accounting principles for depreciation.					
	d) For assets revalued, examine scientific/technical appraisals and consider acceptance.					
	e) Where several assets have been purchased for a consolidated price, examine the method by which the consideration has been apportioned to various assets.					
	f) If this has been done on the basis of an expert valuation, examine whether the same appears reasonable.					

	g) Where an entity owns assets jointly with others (otherwise than as a partner in a firm) examine the relevant documents such as title deeds, agreements etc., in order to ascertain the extent of the entity's share in such assets.					
	h) Examine whether any of the Property, Plant and Equipment has been impaired. If so, examine whether the provisions of AS 28, "Impairment of Assets" has been applied.					
	i) Examine that spare parts are capitalized at their carrying amount and depreciated as per AS 10, "Property, Plant and Equipment" and not included in inventory.					
	j) Whether the auditee has carried out component accounting.					
	(k) Has expenditure prior to asset being ready to use been capitalized (AS 10, "Property, Plant and Equipment").					
7.	CAPITAL WORK IN PROGRESS (CWIP)					
	(a) Verify records to ensure that the assets under construction or pending installation and not yet ready for intended use are classified as CWIP.					
	(b) CWIP should be verified with reference to the underlying contractor bills, work orders, certification of work performed by independent persons, comparison of the progress and the costs incurred up to date with the budgets, capital asset management policy and plan, pending commitments, etc.					

	(c) Whether appropriate system is in place to capture all directly identifiable costs, which can be capitalised, to be so accumulated to the CWIP whilst expenses which are not eligible for being capitalised are identified and charged to revenue in the normal course.					
	(d) Whether technical certificate obtained from concerned authority with regards to CWIP capitalised during the year. Has capitalization ceased for the assets capitalized.					
	(e) Has expenditure prior to asset being ready to use been capitalized (AS 10, "Property, Plant and Equipment").					

Audit Program - Intangible Assets

Client : ____________________

Financial Year : ____________________

Prepared by : ____________ Date : ________

Reviewed by : ____________ Date : ________

Approved by : ____________ Date : ________

Updated by : ____________ Date : ________

	PROCEDURE	EXTENT OF CHECK	BASIS OF SELECTION OF SAMPLE	DONE BY	W/P REF.	M/F REF.
1.	SYSTEM UPDATE					
	Update and document understanding of the controls and accounting system through a review of the system notes in the carry forward section.					
2.	RISK ASSESSMENT					
	If specific risks have been identified in the risk assessment and planning process, modify the audit procedures in accordance with the responses.					
3.	INTERNAL CONTROLS					
	Review the system of internal controls relating to intangible assets, particularly the following:					
	a) Control over expenditure incurred on intangible assets acquired or self-constructed figures					
	b) Accountability and utilization controls					
	Guidance:					
	Accountability over each item of intangible assets (or each class of intangible assets) is established, among other things,					

	by maintaining, appropriate records. This facilitates control aspects of custodianship of such assets, for example, establishment of procedures relating to disposal of intangible assets or treatment of low value assets. On the other hand, utilisation controls ensure that the individual intangible assets have been properly used for meeting the objectives of the entity.					
	c) Information controls					
	Guidance:					
	These controls ensure that reliable information is available for calculating and allocating amortisation, recording disposals or retirements, preparing tax returns, establishing the amount of insurance coverage, filing insurance claims, controlling repairs and maintenance charges, etc.					
4	EXAMINATION OF RECORDS:					
	Objectives regarding intangible assets are to establish that:					
	a) Amount stated have been correctly calculated on the basis of the accounting policy, which has been consistently applied.					
	b) Amortisation period is correctly calculated on straight line basis unless the pattern of consumption of economic benefits arising from the asset can be clearly determined otherwise.					
	c) All intangible assets which meets recognition criteria and meet definition of AS 26, "Intangible Assets" are					

	recorded in the financial statements.					
	d) Disposals are accounted for correctly.					
	e) Assets affected by impairment have been written down to an appropriate value.					
	f) Expenses relating to intangible assets are valid.					
	g) Intangible assets and related expenses are properly classified, described and disclosed in financial statements.					
	h) The amounts reported in the financial statements are in agreement with the accounting records.					
	i) Amount of research and development expenditure recognised as an expense during the period has been appropriately disclosed in the financial statements.					
	j) Examine whether the provisions of AS 26, "Intangible Assets" have been applied on the intangible assets.					
	k) Whether intangible assets are in the nature of rights, license, patents, trademarks, goodwill, etc. Whether the basis of amortization is reasonable and is written off over the primary period of life of such assets.					
5.	DISCLOSURES					
	a) If an intangible asset is amortised over a period exceeding ten years, the reasons why the useful life is determined exceeding ten					

	years should be provided. In giving these reasons, the entity should describe the factor(s) that played a significant role in determining the useful life of the asset.					
	b) A description of the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements of the entity as a whole should be provided.					
	c) The existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities.					
	d) The amount of commitments for the acquisition of intangible assets.					
6	INTANGIBLE ASSETS UNDER DEVELOPMENT					
	(a) The costs of intangible assets under development should be recognized from the time when the intangible asset first meets the recognition criteria of AS 26, "Intangible Assets".					
	(b) Verify the costs included in such assets by scrutinizing the same and ensure that only those costs which are directly attributable to generating the asset are allocated to such asset. Other expenses incurred are charged to statement of profit and loss.					
	(c) Inquire about the progress of development of such asset and verify whether the asset is not subject to impairment.					

Audit Program - Investments

Client : ______________________________

Financial Year : ______________________________

Prepared by : ____________________ Date : ____________

Reviewed by : ____________________ Date : ____________

Approved by : ____________________ Date : ____________

Updated by : ____________________ Date : ____________

	PROCEDURE	EXTENT OF CHECK	BASIS OF SELECTION OF SAMPLE	DONE BY	W/P REF.	M/F REF.
1.	SYSTEM UPDATE					
	Update and document your understanding of the controls and accounting system through a review of the system notes in the carry forward section.					
2.	RISK ASSESSMENT					
	If specific risks have been identified in the risk assessment and planning process, modify the audit procedures in accordance with the responses.					
3.	INTERNAL CONTROLS EVALUATION					
	a) Study and evaluate the system of internal control relating to investments to determine the nature, timing and extent of other audit procedures.					
	b) Review the following aspects of internal control relating to investments:					
	i. Control over acquisition, accretion and disposal of investments:					
	Guidance: There should be proper authority for sanction, acquisition and					

	disposal of investments including renunciation of rights. It should also be ensured that investments are made in accordance with the legal requirements governing the entity as also with its internal regulations, e.g. the provisions of the articles of association, rules and regulations, trust deed, etc.					
	ii. Safeguarding of investments:					
	Guidance: The investments should be in the name of the entity as far as possible. The legal requirements in this behalf, if any, should be complied with. There should exist a proper system for the safe custody of all scrips or other documents of title to the investments belonging to the entity.					
	iii. Controls relating to title to investments:					
	Guidance: It should be ensured that in cases where the title does not pass on to the entity immediately on acquisition, the same is transferred to the entity in due course of time, along with the benefits that might have accrued since the acquisition of the investments. It should be ensured that there is no undue time-lag in the execution of various stages of the transactions.					
	iv. Information controls:					
	Guidance: These controls should ensure that reliable information is available for recording acquisitions (including by way of conversion of securities, right					

	issues or other entitlements, under schemes of amalgamation, acquisition, etc.), accretions and disposals, and for ascertaining the market values, etc. Detailed records regarding acquisition, disposal, etc., of the investments should be maintained along with proper documentation.					
4.	EXAMINATION OF RECORDS:					
	a) Ensure that the purchase / sale of investments are according to the applicable laws and regulations, duly authorized and does not ultra vires the entity.					
	b) Verify the acquisition / disposal of investments with evidence like contract note etc.					
	c) Check whether purchases / sales are cum-dividend or ex-dividend, cum-right / ex-right, cum-bonus / ex-bonus and their proper adjustments in the books.					
	d) Check whether proper adjustments in this regard have been made in the cost/sale value of securities purchased or sold.					
5.	PHYSICAL INSPECTION :					
	a) Carry out physical inspection of investments in the form of shares, debentures and other securities.					
	b) In the case of transaction with depository services verify the periodic reconciliation between the records of the client and those entities rendering depository services.					
	c) Examine the certificates issued by such organisations					

	confirming the holdings of the entity.					
	d) Wherever investments are held by a third person other than the client obtain a certificate directly from the third person and examine the justification for the third party custody, e.g., securities in the custody of brokers or with the company concerned for transfer, consolidation, splitting up, conversion, etc. Evidence of securities held with others should be examined and, in appropriate cases, physical inspection of the relevant documents may be made, to the extent possible, in the course of audit. Where the investments are recorded at an office other than the one where the documents of title thereto are physically located, the local auditor may be requested to verify the same.					
	e) If the investments are held otherwise than in the name of entity (e.g., in the name of nominees / trustees), ascertain the reasons for the same and examine the relevant documentary evidence (e.g., written confirmations from the nominees, trustees, etc.) supporting the real / beneficial interest of the entity in the investments.					
	f) Examine any other aspects required to be examined or reported upon by the relevant statute.					
	g) Where shares are held not in the name of the company but in the name of a director,					

	officer, etc., examine whether the declaration referred to in Section 89 of the Companies Act, 2013 has been properly made.					
	h) Examine whether the provisions of AS 13, "Accounting for Investments" have been applied on the Investments.					
6.	IMMOVABLE PROPERTIES:					
	Where immovable properties are held as investments, verify them in the same manner as in the case of immovable properties held as property, plant and equipment.					
7.	ANALYTICAL REVIEW PROCEDURES:					
	a) As a measure of judging the overall reasonableness of the amounts attributed to investments, relate the amount of income received from investments with the corresponding figures of investments and compare this ratio with the similar ratio for the previous years. For this purpose, investments may be classified into appropriate categories. Thus, in the case of fixed interest-bearing securities, relate the amount of interest earned with the face value of the related securities.					
	b) In the case of other securities, review the schedule of dividend and other returns and the schedule of investments prepared by the entity and judge their reasonableness.					

	c) In case of disposal of Investment :- Examine whether:					
	- Sale proceeds have been correctly accounted for					
	- Profit/Loss has been correctly computed					
	- Transaction is properly authorized					
	d) In case of a Company: Has compliance with section 186 of Companies Act, 2013 been ensured regarding:					
	Limits					
	Shareholders Sanction					
	Government Sanction					
	Other Provisions					
8.	MANAGEMENT REPRESENTATIONS:					
	Obtain from the management of the entity a written statement regarding classification and valuation of investments for balance sheet purposes.					
9.	EXAMINATION OF VALUATION AND DISCLOSURE:					
	a) Ensure that the investments have been valued and disclosed in the financial statements in accordance with recognized accounting policies and practices and relevant statutory requirements In case of companies, Schedule III to Companies Act 2013 requires following disclosures:					
	• Investment property					
	• Investments in Equity Instruments					

	• Investments in Preference shares					
	• Investments in Government or trust securities					
	• Investments in debentures or bonds					
	• Investments in Mutual Funds					
	• Investments in Partnership firms					
	• Other non-current investments (specify nature)					
	b) Examine whether the method of valuation followed by the entity is consistently applied.					
	c) Examine whether, in computing the cost of investments, acquisition charges such as, transfer fees, stamp duty, brokerage, etc., is included in the cost of investments. In case of any recovery of cost, ascertain that the same is calculated properly by appropriate allocation between pre-acquisition and post-acquisition periods.					
	d) Ascertain the market value of the quoted securities from official quotations of the stock exchange. In case of unquoted securities, ascertain the method adopted by the entity for determining the market value of such securities.					
	e) Examine whether the method adopted by the entity is one of the recognised methods of valuation of securities such as break-up value method, capitalisation of yield method, yield to maturity method, etc. In the case of investments					

	other than in the form of securities (e.g. rare paintings), examine that the market value has been ascertained on the basis of authentic market reports.					
	f) Examine whether the valuation of Investments is as per AS 13, "Accounting for Investments", i.e., Current Investments have been valued at least of cost or net realizable value and non-current investments have been valued at cost unless there is other than temporary diminution in value of investment.					

Audit Program - Inventories

Client :

Financial Year :

Prepared by : Date :

Reviewed by : Date :

Approved by : Date :

Updated by : Date :

	PROCEDURE	EXTENT OF CHECK	BASIS OF SELECTION OF SAMPLE	DONE BY	W/P REF.	M/F REF.
1.	SYSTEM UPDATE					
	Update and document your understanding of the controls and accounting system through a review of the system notes in the permanent file.					
2.	RISK ASSESSMENT					
	If specific risks have been identified in the risk assessment and planning process, modify the audit procedures in accordance with the findings.					
3.	INTERNAL CONTROLS EVALUATION					
	a) Study and evaluate the system of internal control relating to inventories to determine the nature, timing and extent of other audit procedures.					
	b) Review the following aspects of internal control relating to inventories:					
	i. The control procedures should provide for segregation of such functions whose combination may permit the commitment or concealment of fraud or error; for example,					

	persons undertaking the physical verification of stocks should be different from those responsible for store-keeping in respect of those stocks.					
	ii. The stores procedures should provide for the use of pre-numbered standardized forms.					
	iii. There should be a system of cross-checking the data generated by different operating departments.					
	c) Review specific controls over receipts, issues, physical inventories, and inventory records.					
4.	EXAMINATION OF RECORDS:					
	a) Examine detailed stock records maintained in the form of stores/stock ledgers showing in respect of each major item, the receipts, issues and balances, with reference to the relevant basic documents (e.g., goods received notes, inspection reports, material issue notes, bin cards, etc.)					
	b) Where the entity does not maintain detailed stock records other than the basic records relating to purchases and sales, suitably amend the extent of application of the audit procedures in (a) above.					
	c) Check daily production with Production records. Also correlate consumption with production records.					
	d) Check materials given/ received to/ from others for processing, and reconcile with the E-way bills generated.					

5.	PHYSICAL VERIFICATION OF STOCK					
	a) Examine the adequacy of the methods and procedures of physical verification followed by the entity.					
	b) Examine the instructions for physical verification to assess their efficacy.					
	c) Observe the procedure of physical verification adopted by the stock-taking personnel to ensure that the instructions issued in this behalf are being actually followed properly.					
	d) Perform test-counts to be satisfied about the effectiveness of the count procedures. Give particular consideration to those stocks which have a high value either individually or as a category of stocks. Pay attention to the physical condition of inventories.					
	e) Review the procedures adopted by the entity to account for the movement of inventories from one location to another within the entity during stock-taking (e.g., issues from stores to production departments).					
	f) Examine whether the entity has instituted appropriate cut-off procedures to ensure that:					
	i. goods purchased but not received have been included in the inventories and the liability has been provided for;					
	ii. goods sold but not dispatched have been excluded from the inventories and credit has been taken for the sales.					
	g) Examine a sample of documents evidencing the					

	movement of stocks into and out of stores, including documents pertaining to periods shortly before and shortly after the cut-off date, and check whether the stocks represented by those documents were included or excluded, as appropriate, during the stock-taking.					
	h) Review the original physical verification sheets and trace selected items including the more valuable ones into the final inventories.					
	i) Compare the final inventories with stock records and other corroborative evidence, e.g. stock statements submitted to banks.					
	j) Examine whether the discrepancies noticed on physical verification have been investigated and properly accounted for.					
	k) For a perpetual inventory system, ensure that the entity:					
	i. maintains adequate stock records that are kept up-to-date.					
	ii. has satisfactory procedures for physical verification of inventories, so that in the normal circumstances, the programme of physical verification will cover all material items of inventories at least once during the year; and					
	iii. investigates and corrects all material differences between the book records and the physical counts.					
	l) Determine whether the procedures for identifying					

	defective, damaged, obsolete, excess and slow-moving items of inventory are well-designed and operate properly.					
6.	CONFIRMATION FROM THIRD PARTIES:					
	a) Examine that the third parties are not such with whom it is not proper that the stocks of the entity are held.					
	b) Directly obtain from the third parties written confirmation of the stocks held. Arrangements should be made with the entity for sending requests for confirmation to such third parties. A proforma letter of request for confirmation to be used in such cases is given in **Appendix II**.					
	c) Obtain confirmation from such third parties for whom the entity is holding significant amount of stocks.					
7.	ANALYTICAL REVIEW PROCEDURES:					
	a) Reconcile quantities of opening stocks, purchases, production, sales and closing stocks.					
	b) Compare closing stock quantities and amounts with those of the previous year.					
	c) Compare the relationship of current year stock quantities and amounts with the current year sales and purchases, and with the corresponding figures for the previous year.					
	d) Compare the composition of the closing stock (e.g., raw materials as a percentage of total stocks, work-in-process as a percentage of total stocks) with the corresponding figures for the previous year.					

	e) Compare current year gross profit ratio with the gross profit ratio for the previous year.					
	f) Compare actual stock, purchases and sales figures with the corresponding budgeted figures, if available.					
	g) Compare yield with the corresponding figure for the previous year.					
	h) Compare significant ratios relating to inventories with the similar ratios for other firms in the same industry, if available.					
	i) Compare significant ratios relating to inventories with the industry norms, if available.					
8.	WORK-IN-PROCESS:					
	a) Carefully assess the stage of completion of the work-in-process for assessing the appropriateness of its valuation. For this purpose, examine the production/costing records (e.g. cost sheets), hold discussions with the personnel concerned, and obtain expert opinion, where necessary.					
	b) In certain cases, due to the nature of the product and the manufacturing process involved, physical verification of work-in-process may be impracticable. In such cases, examine whether the system, from which the work-in-process is ascertained, is reliable. Also examine the subsequent records of production/sales.					
9.	MANAGEMENT REPRESENTATIONS:					
	Obtain from the management of the entity, a written statement describing in detail, the location					

	of inventories, methods and procedures of physical verification and valuation of inventories.					
10.	EXAMINATION OF VALUATION AND DISCLOSURE:					
	a) Obtain evidence that the amount at which inventories have been valued is computed on an appropriate basis.					
	b) Ensure that the valuation of inventories is in accordance with the generally accepted accounting principles and is on the same basis as in the preceding year.					
	c) Examine that the cost formula used reflects the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition.					
	d) With regard to determination of cost, examine, *inter alia*, the stock sheets, records of physical verification, invoices, costing records and other relevant documents and also examine and test the treatment of overhead expenses as a part of cost of inventories.					
	e) Where only a single or a few major products are produced, call for a reconciliation of the total cost of production for the year as determined by the cost records with the total expenses as per the financial books and review this reconciliation.					
	f) Where standard costs are used or where overheads are charged at standard rates or percentages, examine the variances from actual and, where these are significant, ensure that					

	appropriate adjustment is made to the inventories.					
	g) Examine the evidence supporting the assessment of net realisable value. In this regard, particularly examine whether appropriate allowance has been made for defective, damaged and obsolete and slow-moving inventories in determining the net realizable value.					
	h) Ensure that the inventories have been disclosed properly in the financial statements. Where the relevant statute lays down any disclosure requirements in this regard, examine whether the same have been complied with.					
	i) Examine whether the provisions of AS 2, "Valuation of Inventories" have been applied for the purpose of valuation and measurement of inventories, etc.					

Audit Program – Debtors, Loans and Advances

Client : ______________________________

Financial Year : ______________________________

Prepared by : ____________________ Date : ____________________

Reviewed by : ____________________ Date : ____________________

Approved by : ____________________ Date : ____________________

Updated by : ____________________ Date : ____________________

	PROCEDURE	EXTENT OF CHECK	BASIS OF SELECTION OF SAMPLE	DONE BY	W/P REF.	M/F REF.
1.	SYSTEM UPDATE					
	Update and document your understanding of the controls and accounting system through a review of the system notes in the permanent file.					
2.	RISK ASSESSMENT					
	If specific risks have been identified in the risk assessment and planning process, modify the audit procedures in accordance with the findings.					
3.	INTERNAL CONTROLS EVALUATION					
	Review the following aspects of internal control relating to debtors, loans and advances:					
	a) In respect of debtors:					
	i. Verify whether the basis on which credit limits for customers are to be determined has been clearly laid down.					
	ii. Check whether the credit limits fixed in respect of individual customers is approved by an official independent of the sales					

	department.					
	iii. Check whether these limits are verified before orders are accepted from the customers.					
	iv. Is there also a system of periodic review of the credit limits?					
	v. Ensure whether there is prompt recording of debts and realisations and of linking receipts with outstandings.					
	vi. Is there a procedure for preparation of aging schedule of debtors at regular intervals?					
	vii. Are these schedules reviewed by a responsible official and necessary action initiated in respect of overdue accounts?					
	viii. Are statements of account sent to all debtors at periodic intervals?					
	ix. Are confirmations received reviewed by a person independent of the ledger-keeper and the person responsible for preparing the statements of account, and necessary action is taken in case of discrepancies?					
	x. Are material adjustments in debtors' accounts or any write-off of bad debts approved by the competent authority?					
	xi. Is there a system of periodic reconciliation of various debtor balances with related control accounts?					
	xii. Verify whether trade debtors in respect of international transactions have been restated in accordance with the provisions of AS 11, "The					

	Effects of Changes in Foreign Exchange Rates".					
	b) In respect of loans and advances:					
	i. Does the system specify the following:					
	• total amount up to which loans may be made;					
	• the purposes for which loans may be made;					
	• maximum amount of loans which may be made for each such purpose in individual cases;					
	• the terms on which such loans may be made;					
	• the persons who are authorised to make loans;					
	• procedure for ensuring compliance with relevant legal requirements.					
	ii. Are all variations in the terms of loans and advances duly approved in writing by the competent authority?					
	iii. Where security is taken against the loans, is the form and adequacy of security reviewed by a responsible official?					
	iv. Are the loan and security documents kept in safe custody of a responsible official? Is a record of all such documents maintained and the documents periodically verified with reference to such record?					
	v. Does the system provide for identification of cases where principal and/or interest have become overdue or where any other terms are not being					

	complied with?					
	vi. Are confirmation of balances obtained at periodic intervals in the same manner as in the case of debtors?					
	vii. Verify whether trade loans and advances outstanding in respect of international transactions have been restated in accordance with the provisions of AS 11, "The Effects of Changes in Foreign Exchange Rates".					
4.	EXAMINATION OF RECORDS					
	a) Check the agreement of balances as shown in the schedules of debtors with those in the ledger accounts.					
	b) Check the agreement of the total of debtor balances with the related control accounts. Examine differences, if any.					
	c) Verify subsequent realisations even in cases where direct confirmation procedure is followed.					
	d) In the case of significant debtors, also examine the correspondence or other documentary evidence to support their validity and accuracy.					
	e) Examine the schedules of debtors with reference to the debtors' ledger accounts, paying special attention to the following aspects:					
	i. Where the schedules show the age of the debts, examine whether the age of the debts has been properly determined.					
	ii. Whether the amounts outstanding are made up of items which are not overdue, having regard to the credit terms of the entity.					

	iii. Whether transfers from one account to another are properly evidenced.					
	iv. Whether provisions for allowances, discounts and doubtful debts are required.					
	v. Whether provision has been made for bad and doubtful debts in accordance with generally accepted accounting principles which the entity has followed consistently?					
	vi. In case no provision has been made where required, whether a corresponding note for such non-provision included in notes to accounts?					
	vii. Whether such non-provision will affect the true and fair view of financial statements?					
	Guidance: Please note that even though a debtor may have confirmed the balances due by him, he may still not pay the same. The following are some of the indications of doubtful and uncollectible debts, loans and advances:					
	i. The terms of credit have been repeatedly ignored.					
	ii. There is stagnation, or lack of healthy turnover, in the account.					
	iii. Payments are being received but the balance is continuously increasing.					
	iv. Payments, though being received regularly, are quite small in relation to the total outstanding balance.					
	v. An old bill has been partly paid (or not paid), while later bills have been fully settled.					

	vi. The cheques received from the debtor have been repeatedly dishonoured.					
	vii. The debt is under litigation, arbitration, or dispute.					
	viii. The auditor becomes aware of unwillingness or inability of the debtor to pay the dues e.g., a debtor has either become insolvent, or has closed down his business, or is not traceable.					
	ix. Collection is barred by statute of limitation.					
	f) Verify bad debts written off, excessive discounts or unusual allowances with the relevant correspondence and proper authorisation should also be inspected.					
	g) In the case of claims made against insurance companies, shipping companies, railways, etc., examine the correspondence or other available evidence to ascertain whether the claims have been acknowledged as debts and there is a reasonable possibility of realization.					
	Guidance: If it appears that they are not collectible, they should be shown as doubtful. Similar considerations apply in respect of claims for export incentives, claims for price escalation in case of construction contracts, claims for interest on delayed payments, etc.					
	h) Examine whether the contingent liability, if any, in respect of rejected claims, bills accepted by customers and					

	discounted with the banks is properly disclosed.					
	i) Examine whether adequate provision on this account has been made, where required.					
5.	SPECIAL CONSIDERATION IN CASE OF LOANS AND ADVANCES					
	Guidance: In general, the procedure outlined above with regard to debtors is also applicable in the case of loans and advances. However, in the case of loans and advances, the auditor may find greater documentary evidence (in the form of loan and security documents and related correspondence) on which he can place reliance.					
	a) Examine whether the entity is empowered to make loans.					
	Guidance: In many cases, the statute governing the entity may contain restrictions or conditions about the amount of loans, purposes for which loans may be granted, parties to which loans may be granted, etc. Similarly, the internal regulations of the entity may also prescribe the procedure to be followed for making the loans.					
	In case of Company:-					
	i) Has the company granted any loans secured or unsecured to companies, firms, LLP's and other parties covered in the Register maintained under Section 189 of the Act?					
	ii) Obtain a statement containing the name of the company, firm or other Party, nature of					

	relationship, amounts and dates of loans granted, amounts and dates of loans refunded, amounts and dates of interest received, closing balance at year end, particulars of installments (amount and period outstanding for) of overdue principal and interest together with the details regarding the rate of interest, if any, and brief terms and conditions like security, repayment particulars (principal and interest) etc.					
	iii) Examine the above statement with necessary documents and records on a reasonable test check basis.					
	iv) Check and conclude that the rate of interest and other terms and conditions are not prima facie prejudicial to the interest of the company or otherwise by consideration of factors such as, loan agreements, borrower's financial standing, its ability to lend, nature of security, the availability of alternative sources of finance, the urgency of borrowing, purpose of the loan, prevailing market rates of interest etc.					
	v) Check whether any repayment schedule has been prescribed and if so the same is adhered to.					
	vi) Is any amount overdue? If yes, then whether reasonable steps are taken to recover.					
	With regards to Compliance with Section 185 of Companies Act 2013:-					

	i) Obtain from the management the details of the directors or any other person/entity in whom the director is interested. Also check the details of the persons covered under this clause from the Form MBP-1 and from the Register maintained under section 189 of the Companies Act 2013.					
	ii) Obtain and check the details of the transactions carried out with such persons, including of any guarantee given and security provided.					
	With regards to Compliance with Section 186 of Companies Act 2013:- i) Obtain the details of loans given to any person or other body corporate, guarantee given or security provided in connection with a loan to any other body corporate or person and securities acquired of any other body corporate by way of subscription, purchase or otherwise, made during the year as well as the outstanding balances as at the beginning of the year.					
	ii) Check whether, at any point of time during the year in case of aforesaid transactions, the company has exceeded the limit of sixty per cent of its paid-up share capital, free reserves and securities premium account or one hundred per cent of its free reserves as defined in section 2(43) of the Companies Act and securities premium account, whichever is more.					

	iii) If it exceeds the limits specified above, whether prior approval by means of a special resolution passed at a general meeting has been obtained.					
	iv) Check whether the company has disclosed the full particulars of the loan given, investment made or guarantee given or security provided in the financial statements including the purpose for which the same is proposed to be utilized by the recipient.					
	b) Examine the loan documents and other evidence with reference to the above while determining the legality and recoverability of the loans made by the entity.					
	c) Ascertain whether the parties to whom loans and advances have been made have complied with the terms and conditions relating to payment of interest, repayment of loans or adjustment of advances, etc. In the case of defaults, e.g., where the repayment of loans and advances or the payment of interest are overdue, consider whether such defaults are indicative of unwillingness or inability of the parties concerned to make the payment.					
	d) Examine loans and advances given to parties in whom directors or persons who are substantial owners of the entity are interested. Ascertain the purpose of such loans and advances, the terms and conditions on which they have been made as also their recoverability.					

	e) Examine any other aspects, required to be examined or reported upon by the relevant statute.					
	f) Where loans have been advanced to companies (including subsidiaries) verify the financials of such companies, to ascertain that there is no negative net worth. If so, examine whether any provision/disclosure has to be made.					
6.	DIRECT CONFIRMATION PROCEDURE					
	a) Obtain direct confirmations from selected debtors and examine discrepancies, if any, in responses received. Illustrative Letter of Confirmation of Accounts receivables is given in **Appendix III**.					
	b) In the case of non-responses, apply alternative procedures.					
7.	ANALYTICAL REVIEW PROCEDURES					
	a) Compare closing balances of debtors, loans and advances with the corresponding figures for the previous year.					
	b) Compare the relationship between current year debtor balances and the current year sales with the corresponding figures for the previous year.					
	c) Compare actual closing balances of debtors, loans and advances with the corresponding budgeted figures, if available.					
	d) Compare current year's aging schedule with the corresponding figures for the previous year.					
	e) Compare significant ratios					

	relating to debtors, loans and advances with the similar ratios for other firms in the same industry, if available.					
	f) Compare significant ratios relating to debtors, loans and advances with the industry norms, if available.					
	g) Review cases where recoveries are not in accordance with terms of repayment.					
8.	DISCLOSURE					
	Ensure that debtors, loans and advances have been disclosed properly in the financial statements. Where the relevant statute lays down any disclosure requirements in this regard, examine whether the same have been complied with.					

Audit Program – Cash and Bank Balances

Client :

Financial Year :

Prepared by : Date :

Reviewed by : Date :

Approved by : Date :

Updated by : Date :

	PROCEDURE	EXTENT OF CHECK	BASIS OF SELECTION OF SAMPLE	DONE BY	W/P REF.	M/F REF.
1.	SYSTEM UPDATE					
	Update and document your understanding of the controls and accounting system through a review of the system notes in the permanent file.					
2.	RISK ASSESSMENT					
	If specific risks have been identified in the risk assessment and planning process, modify the audit procedures in accordance with the findings.					
3.	INTERNAL CONTROLS EVALUATION					
	Review the following aspects of internal control relating to cash and bank balances:					
	a) Segregation of duties relating to authorisation of transactions, handling of cash/issuance of cheques and writing of books of account, and rotation of duties periodically.					
	b) Proper authorisation of cash and banking transactions.					
	c) Daily recording of cash transactions.					

	d) Safeguards such as, restrictive crossing of cheques and use of pre-printed, pre-numbered forms.					
	e) Periodic reconciliation of bank balances.					
	f) Reconciliation of cash-in-hand with book balance on a daily basis or at other appropriate intervals, including surprise checks by higher authorities.					
	g) Safe custody of cash, cheque books, receipt books, etc.					
	h) Cash/fidelity insurance.					
4.	VERIFICATION OF CASH BALANCES					
	a) Carry out physical verification of cash at the date of the balance sheet. However, if this is not feasible, physical verification may be carried out, on a surprise basis, at any time shortly before or after the date of the balance sheet.					
	b) Examine whether the cash balance shown in the financial statements reconciles with the results of the physical verification after taking into account the cash receipts and cash payments between the date of the physical verification and the date of the balance sheet.					
	c) Besides physical verification at or around the date of the balance sheet, also carry out surprise physical verification of cash during the year.					
	d) All cash balances in the same location should be verified simultaneously.					
	e) Cash pertaining to sister					

	concerns, staff societies should also be verified at the same time so as to avoid chances of cash balances of one entity being presented as those of another.					
	f) If IOUs ('I owe you') or other similar documents are found during physical verification, obtain explanations from a senior official of the entity as to the reasons for such IOUs/other similar documents remaining pending. It should also be ensured that such IOUs/other similar documents are not shown as cash- in-hand.					
	g) The quantum of torn or mutilated currency notes should be examined in the context of the size and nature of business of the entity. Examine from records whether such currency notes are exchanged within a reasonable time.					
	h) If, during the course of the audit, it comes to the attention of the auditor that the entity is consistently maintaining an unduly large balances of cash-in-hand, carry out surprise physical verification of cash more frequently to ascertain whether the actual cash-in-hand agrees with the balances as shown by the books.					
	i) If the cash-in-hand is not in agreement with the balance as shown in the books, seek explanations from a senior official of the entity. The entity may also be advised to deposit the whole or the major part of the cash balance in the bank at reasonable intervals.					
	j) Where post dated cheques are in hand on the balance sheet					

	date, verify that they have not been accounted for as collections during the period under audit.					
5.	VERIFICATION OF BANK BALANCES					
	a) Advise the entity to send a letter to all its bankers to directly confirm the balances to the auditor. The request for confirmation should also cover dormant accounts as well as accounts closed during the year.					
	b) Examine the bank reconciliation statement prepared as on the last day of the year.					
	c) Examine the reconciliation statements as at other dates during the year. It should be examined whether:					
	(i) cheques issued by the entity but not presented for payment, and					
	(ii) cheques deposited for collection by the entity but not credited in the bank account, have been duly debited/credited in the subsequent period. For this purpose, examine the bank statements of the relevant period. If the cheques issued before the end of the year have not been presented within a reasonable time, it is possible that the entity might have prepared the cheques before the end of the year but not delivered them to the parties concerned. In such a case, examine whether the entity has reversed the relevant entries.					
	d) If there are post dated cheques issued by the entity,					

	verify that any cheques pertaining to the subsequent period have not been accounted for as payments during the period under audit.					
	e) Pay special attention to those items in the reconciliation statements which are outstanding for an unduly long period. Ascertain the reasons for such outstanding items from the management. Examine whether any such items require an adjustment/write off.					
	f) In case a large number of cheques have been issued/deposited in the last few days of the year, and a sizeable proportion of such cheques have subsequently remained unpaid/uncleared, it may be appropriate to obtain confirmations from the parties concerned, especially in respect of cheques involving large amounts. This may indicate an intention of understating creditors/debtors or understating/ overstating bank balances.					
	g) Examine whether a reversal of the relevant entries would be appropriate under the circumstances.					
	h) In relation to balances/deposits with specific charge on them, or those held under the requirements of any law, examine that suitable disclosures have been made in the financial statements.					
	i) In respect of fixed deposits or any other type of deposits with banks, examine the relevant receipts/certificates, duly supported by bank advices.					

	j) Remittances shown as being in transit should be examined with reference to their credit in the bank in the subsequent period.					
	k) Examine whether suitable adjustments are made in respect of cheques which have become stale as at the close of the year.					
	l) Where material amounts are held in bank accounts which are blocked, e.g. in foreign banks with exchange control restrictions or any banks which are under moratorium or liquidation, examine whether the relevant facts have been suitably disclosed in the financial statements. Examine whether suitable adjustments on this account have been made in the financial statements, where required.					
	m) If the number of bank accounts maintained by the entity is disproportionately large in relation to its size, exercise greater care about the genuineness of banking transactions and balances.					
	n) Check for negative balances in cash during the year, if any. Find out the causes; e.g.; - Cash Invoices / vouchers booked twice; - Mismatch in date of cash withdrawal from or deposit to bank and posting to cash book; - Non-recording of cash transactions; - Others.					
	o) Check contra entries from bank statements to cash book					

	on test check basis using sampling technique. - Put emphasis on the dates where minimum and maximum cash balances are available.					
	p) Are there changes in dates of cash vouchers /bills? If yes, check for the authorization and reasons for change.					
	q) Check for system of cash maintenance at Branch of the entity.					
	r) Are entire proceeds of cash sales deposited in the bank at regular intervals as per the policy or portion of it is retained in hand? - What are the internal controls put in place to reconcile cash balances at regular intervals?					
6.	EXAMINATION OF VALUATION AND DISCLOSURE					
	Ensure that cash and bank balances have been valued and disclosed in the financial statements in accordance with recognised accounting policies and practices and relevant statutory requirements, if any. In this regard, examine that following items are not included in cash and bank balances:					
	a) Temporary advances.					
	b) Stale or dishonoured cheques.					
	Postage and revenue stamps, if material in amount, may be shown separately instead of being included under cash and bank balances.					

Audit Program – Capital and Reserves

Client : ______________________________

Financial Year : ______________________________

Prepared by : ____________________ Date : ____________________

Reviewed by : ____________________ Date : ____________________

Approved by : ____________________ Date : ____________________

Updated by : ____________________ Date : ____________________

The Auditing and Assurance Standards Board of ICAI has issued Guidance Note on Audit of Capital and Reserves in order to keep the members abreast in resolving the technical intricacies involved in audit of capital and reserves. The Guidance Note discusses the auditing aspects of capital and reserves separately. It deals in detail, with different principle related aspects dealing with the audit of capital and reserves including implications of key legal requirements. This Guidance Note not only gives special consideration to companies but partnerships and sole proprietary concerns as well. The Guidance Note also incorporates circulars issued by the Government and other regulatory authorities wherever applicable.

The Guidance Note discusses significant aspects of audit of capital and reserves such as evaluation of internal controls and verification, the audit evidence, the auditing procedure to be followed in case of issue of shares for consideration other than cash and in case of issue of Sweat Equity shares etc. The Guidance Note also deals with various types of reserves and their accounting treatment while discussing auditing aspects. It also lays down the documentation requirements for the audit of capital and reserves.

Capital and reserves constitute the owners' funds. Capital comprises both the amounts contributed by the owners and the profits capitalized over a period of time (by way of issue of bonus shares in case of corporate entities or by way of crediting the retained earnings to the capital account in case of non-corporate entities). Capital may consist of various classes of shares with varying voting rights in case of corporate entities.

Reserves are the portion of earnings, receipts or other surplus of an enterprise (whether capital or revenue) appropriated by the management for a general or a specific purpose other than a provision for depreciation or diminution in the value of assets or for a known liability. Reserves comprise both capital and revenue reserves. Ordinarily, revenue reserves are retained earnings, whereas the capital reserves may constitute both retained capital, profits and owners' contribution in the form of premium on issue of shares and surpluses resulting from re-issue of forfeited shares. Revaluation reserve arising from revaluation of fixed assets is also a capital reserve.

The auditor, in many audit engagements, particularly those relating to corporate entities, may find very few changes in the capital account and/ or reserve accounts. However, the transactions in the capital and reserve accounts are normally material in amount in addition to being significant in nature and, therefore, each transaction in these accounts requires careful attention.

	PROCEDURE	EXTENT OF CHECK	BASIS OF SELECTION OF SAMPLE	DONE BY	W/P REF.	M/F REF.
1.	SYSTEM UPDATE					
	Update and document your understanding of the controls and accounting system through a review of the system notes in the permanent file.					
2.	RISK ASSESSMENT					
	If specific risks have been identified in the risk assessment and planning process, modify the audit procedures in accordance with the findings.					
3.	EXAMINATION OF RECORDS					
	a) Check Opening Balance of Share Capital with supporting statutory records of shareholders / partners for fresh issue of share capital.					
	b) Verify					
	i. Certificates/ Acknowledge-ments issued					
	ii. Bank Statements					
	iii. Forms filed with statutory authority					
	iv. If there is foreign remittance, check foreign inward remittance certificate for statutory purpose and also ensure compliance with FEMA, 1999					
4.	Verify movements of Reserves, if any.					
5.	If the Company is an NBFC, whether specified Reserves are maintained adequately as per the norms prescribed by the Reserve Bank of India?					

Audit Program – Liabilities

Client : ______________________________

Financial Year : ______________________________

Prepared by : ____________ Date : ____________

Reviewed by : ____________ Date : ____________

Approved by : ____________ Date : ____________

Updated by : ____________ Date : ____________

The liabilities are broadly classified into:

a) Loans/ Borrowings
b) Current Liabilities
c) Provisions
d) Deferred Tax Asset /Deferred Tax Liability
e) Contingent Liabilities

As per Schedule III to the Companies Act 2013, the liabilities are broadly classified into long term and short term liabilities.

Long term liabilities are those which are ordinarily payable after 12 months from the closing of accounts; whereas short term liabilities are generally classified as such when they are to be discharged within a period of 12 months.

General checks and Controls:

	PROCEDURE	EXTENT OF CHECK	BASIS OF SELECTION OF SAMPLE	DONE BY	W/P REF.	M/F REF.
1.	SYSTEM UPDATE					
	Update and document your understanding of the controls and accounting system through a review of the system notes in the permanent file.					
2.	RISK ASSESSMENT					
	If specific risks have been identified in the risk assessment and planning process, modify the audit procedures in accordance with the findings.					
3.	INTERNAL CONTROL EVALUATION					
	a) Review the following aspects					

	of internal control relating to liabilities:					
	i. In respect of loans and borrowings (including advances and deposits):					
	As far as possible, the following should be clearly specified:					
	• the borrowing powers and limits;					
	• persons authorised and competent to borrow;					
	• terms of borrowings;					
	• procedure for ensuring compliance with relevant legal requirements/ internal regulations.					
	• Any variations in the terms of loans and borrowings should be duly approved/ ratified in writing by competent authority.					
	• Security offered against loans and borrowings should be properly recorded and periodically reviewed.					
	• The records and documents should be kept in proper custody and reviewed periodically.					
	• The system should bring out all cases of non-compliance with terms and conditions including amounts of principal and/or interest which have become overdue.					
	• Confirmation of balances should be obtained at periodic intervals and the discrepancies, if any, should be duly investigated and reconciled.					
	• There should be a proper procedure for year-end					

	valuation of loans and borrowings, especially for those designated in foreign currencies.					
	ii. *In respect of Trade Creditors*					
	• The procedure should ensure proper recording of transactions and facilitate the linking of payments with outstanding.					
	• The payments made to creditors should be in line with the approved policies of the entity.					
	• There should be specific procedures for payments against duplicate invoices or other duplicate records as well as for payments against accounts which have remained unclaimed for quite some time.					
	• There should be a procedure for preparation of schedules of trade creditors at periodic intervals; this should be reviewed by a responsible person, and necessary action should be initiated on overdue accounts.					
	• Statements of account should be called from creditors at periodic intervals and the discrepancies, if any, should be duly investigated and reconciled.					
	• All adjustments in the creditors' accounts such as, those relating to claims for returns, defectives, short receipts of goods, rebates, allowances and commissions, etc., should require approval of competent authority. Similarly, any write-back of creditors' balances and					

	escalation claims should be approved by competent authority.					
	• There should be appropriate cut-off procedures in relation to transactions affecting the creditor accounts.					
	iii. *In respect of other current liabilities, trade deposits and provisions.*					
	• The internal control procedures as spelt out above for loans, borrowings and creditors broadly apply in relation to these items also.					
	b) In respect of contingent liabilities, examine whether the internal control system of the entity provides for a procedure for identifying and estimating such liabilities and for periodic review of the same.					
	c) Examine whether the provisions of AS 29, "Provisions, Contingent` Liabilities and Contingent Assets" have been complied with.					
4.	EXAMINATION OF RECORDS					
	a) Loans and Borrowings					
	i. Examine whether the loans obtained are within the borrowing powers of the entity.					
	ii. Examine the relevant records to judge the validity and accuracy of the loans.					
	iii. In respect of loans and advances from banks, financial institutions and others, examine whether the book balances agree with the statements of the lenders. Examine the reconciliation statements, if any, prepared					

	by the entity in this regard.					
	iv. Examine the important terms in the loan agreements and the documents, if any, evidencing charge in respect of such loans and advances. Examine whether the requirements of the applicable statute regarding creation and registration of charges have been complied with.					
	v. Where the entity has accepted deposits, examine whether the directives issued by the Reserve Bank of India or other appropriate authority have been complied with.					
	vi. In case the market value of the security falls below the amount of the loan outstanding, examine whether the loan is classified as secured only to the extent of the market value of the security.					
	vii. Where short-term secured loans have been disclosed separately from other secured loans, verify the correctness of the amount of such short-term loans.					
	viii. Where installments of long-term loans falling due within the next twelve months have been disclosed in the financial statements (e.g. in parentheses or by way of a footnote), verify the correctness of the amount of such installments.					
	ix. Examine the hire purchase agreements for the purchase of assets by the entity and ensure the correctness of the amounts shown as					

	outstanding in the accounts, and also examine the security aspect. Future installments under hire purchase agreements for the purchase of assets may be shown as secured loans.					
	x. The deferred payment credits should be verified with reference to the important terms in the agreement, including due dates of payments and guarantees furnished by banks. Also verify the copies of hundies/ bills accepted separately.					
	xi. Whether non-fund based credit facilities availed from bank are correctly disclosed in the balance sheet.					
	xii. Whether liabilities to bank towards bills discounted, bills negotiated, cheques discounted, etc. are correctly reflected and disclosed in the accounts.					
	b) Trade Creditors and Other Current Liabilities					
	i. Check the adequacy of cut-off procedures adopted by the entity in relation to transactions affecting the creditor accounts.					
	ii. Check whether the total of the creditors' balances agrees with the related control account and the difference, if any, should be examined.					
	iii. Examine the correspondence and other relevant documentary evidence to satisfy about the validity, accuracy and completeness of creditors/ acceptances.					

	iv. Verify that in cases where income is collected in advance for services to be rendered in future, the unearned portion, not applicable to the period under audit, is not recognized as income of the period under audit but is shown in the balance sheet as a part of current liabilities.					
	v. Examine schedule of creditors and other schedules such as, those relating to advance payments, unclaimed dividends and other liabilities, by paying special attention to the following aspects:					
	• long outstanding items;					
	• unadjusted claims for short supplies, poor quality, discount, commission, etc.;					
	• liabilities not correlated/ adjusted against related advances;					
	• authorisation and correctness of transfers from one account to another. Based on examination as aforesaid, determine whether any adjustments in accounts are required.					
	vi. In case there are any unusual payments around the year-end, examine them thoroughly. In particular, examine if the entries relating to any such payments have been reversed in the subsequent period.					
	vii. Review subsequent transactions to identify/confirm material					

	liabilities outstanding at the balance sheet date.					
	viii. Verify whether trade creditors in respect of international transactions have been restated in accordance with the provisions of AS 11, "The Effects of Changes in Foreign Exchange Rates".					
	ix. Examine whether the liabilities that are classified as long term in nature in annual accounts are settled within a period of 12 months.					
	x. Examine whether related party liabilities are classified separately.					
	xi. Examine whether liabilities that are classified as short term in nature have movements within 12 months.					
	xii. Examine whether current maturity of long term debts is classified separately in accounts.					
	xiii. Examine whether details of terms of borrowing are appropriately disclosed as per Schedule III to the Companies Act 2013.					
	c) Provisions					
	• Examine whether the provisions made are not in excess of what is reasonably required. • Examine whether the provisions made represents any liability of contingent nature.					
	d) Provisions for Taxes and Duties:					
	i. Examine the adequacy of the provision for taxation for the					

	year including the provisioning for deferred tax liability as per the provisions of AS 22, "Accounting for Taxes on Income".					
	ii. In respect of assessments completed, revised or rectified during the year, examine whether suitable adjustments have been made in respect of additional demands or refunds, as the case may be.					
	iii. Examine whether excess provisions or refunds have been properly adjusted. The relevant orders received up to the time of audit should be considered and, on this basis, it should be examined whether any short provisions have been made good. If there is a material tax liability for which no provision is made in the accounts, qualify auditor's report in this respect even if the reserves are adequate to cover the liability.					
	iv. If the entity disputes its liability with regard to demands raised, examine whether there is a positive evidence or action on the part of the entity to show that it has not accepted the demand for payment of tax or duty. In determining whether a provision is required, among other procedures, make appropriate inquiries of management, review minutes of the meetings of the board of directors and correspondence with the entity's lawyers, and obtain appropriate management representations.					

	v. In case the entity has made the provision for taxation on the basis of the tax-effect accounting method, examine whether the method has been applied properly.					
	vi. Provision for Gratuity: Examine whether the entity is required to pay gratuity to its employees by virtue of the provisions of the Payment of Gratuity Act, 1972 and/or in terms of agreement with employees and, if so, whether provision for accruing gratuity liability has been made by the entity.					
	vii. Examine the adequacy of the gratuity provision with reference to the actuarial certificate obtained by the entity. In case the entity has not obtained such certificate, examine whether the method followed by it for calculating the accruing liability for gratuity is rational.					
	viii. Provision for Bonus: In the case of provision for bonus, examine whether the liability is provided for in accordance with the Payment of Bonus Act, 1965 and/or agreement with the employees, or award of competent authority.					
	ix. Where the bonus actually paid is in excess of the amount required to be paid as per the provisions of the applicable law/ agreement/ award, specifically examine the authority for the same (e.g., resolution of the board of directors in the case of a company).					

	x. Provision for Dividends: Examine whether dividends are provided for as per applicable provisions of the relevant laws and rules framed there under, relevant agreements and resolutions.					
	xi. Other Provisions: Where provisions are made for liabilities that may arise on account of product warranties, service contracts, performance warranties, etc., examine the reasonableness of the basis for quantifying the provision with reference to the relevant agreements.					
	e) Contingent Liabilities					
	i. The term 'contingent liabilities' refers to possible/ present obligations relating to past transactions or other events or conditions such that their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities may or may not crystalise into actual liabilities. If they do become actual liabilities, they give rise to a loss or an expense. Contingent liabilities should also be distinguished from those contingencies which are likely to result in a loss (i.e., a loss is not merely possible but probable) and which, therefore, requires an adjustment of relevant assets or liabilities. Some of the instances giving rise to contingent liabilities are:					

	• law suits, disputes and claims against the entity not acknowledged as debts.					
	• membership of a company limited by guarantee.					
	ii. The following general procedures may be useful in verifying contingent liabilities:					
	• Review of minutes of the meetings of board of directors, committees of board of directors/other similar body.					
	• Review of contracts, agreements and arrangements.					
	• Review of list of pending legal cases, correspondence relating to taxes, duties, etc.					
	• Review of terms and conditions of grants and subsidies availed under various schemes.					
	• Review of records relating to contingent liabilities maintained by the entity.					
	• Enquiry of, and discussions with, the management and senior officials of the entity.					
	• Representations from the management.					
	iii. Verify whether contingent liabilities do not include any items which require an adjustment of relevant assets or liabilities. Examine the possibility and effect on / of company not remaining going concern in the event of crystallizing of the contingent liability into actual liability.					

	f) Direct Confirmation Procedure					
	i. Circulate selected creditors' balances to obtain direct confirmation. Make a request to the client to write to its creditors to send confirmations directly at the auditor's address. Select come cases where the auditor directly writes to creditors to send direct confirmations. Analyze the confirmations so received with account balances of the client and reconcile the significant differences. Consider giving appropriate disclosures in financial statements or auditor's report where the difference is significant or otherwise desirable to report.					
	g) Analytical Review Procedures					
	i. Compare closing balances of loans and borrowings, creditors, etc., with the corresponding figures for the previous year.					
	ii. Compare the relationship between current year creditor balances and the current year purchases with the corresponding figures for the previous year.					
	iii. Compare actual closing balances of loans and borrowings, creditors, etc., with the corresponding budgeted figures, if available.					
	iv. Compare current year's aging schedule of creditors with the corresponding figures for the previous year.					
	v. Compare significant ratios relating to loans and borrowings, creditors, etc.,					

	with the similar ratios for other firms in the same industry, if available.					
	vi. Compare significant ratios relating to loans and borrowings, creditors, etc., with the industry norms, if available.					
	vii. Analyse variances and obtain explanations for significant results.					
	h) Examination of Disclosure					
	i. Ensure that the liabilities have been disclosed properly in the financial statements. Where the relevant statue lays down any disclosure requirements in this regard, examine whether the same have been complied with.					
	ii. Examine whether the disclosures concerning the loans guaranteed by third parties are appropriate.					
	iii. Ensure that disclosure, in parentheses or in footnotes, of the installments of term loans, if any, falling due for repayment within the next twelve months has been made.					
	iv. Examine that the following have been disclosed in respect of contingent liabilities:					
	• nature of each contingent liability;					
	• the uncertainties which may affect the future outcome;					
	• an estimate of the financial effect or a statement that such estimate cannot be made.					

V
Audit Program – Statement of Profit and Loss

Audit Program – Revenue

Client : ______________________________

Financial Year : ______________________________

Prepared by : ______________ Date : ______________

Reviewed by : ______________ Date : ______________

Approved by : ______________ Date : ______________

Updated by : ______________ Date : ______________

	PROCEDURE	EXTENT OF CHECK	BASIS OF SELECTION OF SAMPLE	DONE BY	W/P REF.	M/F REF.
1.	SYSTEM UPDATE					
	Update and document your understanding of the controls and accounting system through a review of the system notes in the permanent file.					
2.	RISK ASSESSMENT					
	If specific risks have been identified in the risk assessment and planning process, modify the audit procedures in accordance with the findings.					
3.	EXAMINATION OF RECORDS					
	a) Examine whether the basis of recognition of revenue by the entity is in accordance with the recognized accounting principles as laid down in AS 9, Revenue Recognition.					
	b) Examine whether the entity has instituted adequate cut-off procedures and tests in relation to sales and sales return.					

	c) Examine selected entries in the sales journal with reference to the related sale invoices, dispatch documents and other supporting documents such as, the credit approval notes, Material Receipt Note by customer, etc. Reconcile Customer Purchase Order with corresponding Sales Invoice. Compare the actual price charged with the authorised price lists or with the authorisation by the appropriate official of the entity, as the case may be. Trace the selected entries to the customers' account.					
	d) Examine selected dispatch documents such as e-way bill in case of goods, with related sale invoices and the sales journal.					
	e) Examine selected entries in the sales return journal with the receiving reports in respect of goods returned, credit notes and entries in the customers' accounts. Examine selected credit notes with reference to entries in the sales return journal, receiving reports in respect of goods returned, and entries in the customers' accounts.					
	f) In respect of goods sent on approval, examine whether revenue in respect of such goods is not recognised until (a) the goods have been formally accepted by the buyer, or (b) the buyer has done an act adopting the transaction, or (c) the time period for rejection has elapsed or where no time has been fixed, a reasonable time has elapsed.					
	g) In respect of sales to intermediate parties (i.e., where					

	goods are sold to distributors, dealers or others for resale), ensure that revenue from such sales is not recognised until the significant risks and rewards of ownership have passed. However, in situations where an intermediate party is in substance an agent (e.g., a consignee), revenue should not be recognised until the related goods are sold to a third party.					
	h) Where the consideration is receivable in installments and includes an element of interest, examine whether the revenue attributable to the sale excludes the interest element.					
	i) In respect of export sales, carry out the following procedures in addition to the usual audit procedures applicable in respect of domestic sales:					
	• Examine whether revenue from export sales in which consideration is receivable in a foreign currency is recorded at an appropriate amount in accordance with AS 11, "The Effects of Changes in Foreign Exchange Rates". Check the terms of sales-CIF or FOB.					
	• Obtain a written representation from the management to the effect that the entity has complied with the legal and regulatory requirements relating to exports.					
	j) In respect of revenue arising from services rendered (i.e. in the form of fees, commission, brokerage, etc.), examine the related agreements and other documents.					

	k) Similarly, in respect of revenue in the form of interest, dividends, royalties and rentals examine the related documents such as loan documents, investment details, lease agreements, etc., and also seek confirmatory certificates from the parties concerned.					
	l) Verify realisations subsequent to the date of the balance sheet to identify items of unrecorded revenue.					
	m) Verify the turnover with turnover reported in GST returns, Differences if any to be reconciled					
	n) Ensure that AS 7, "Construction Contracts" is applied in the financial statements of contractors only. Hence, it will not cover builders and developers. Refer Guidance Note on Accounting for Real Estate Transactions (Revised 2012) issued by ICAI.					
	o) *Recognition & Measurement of Contract Revenue and Expense* Verify the contract Revenue and Contract cost should comprise details as mentioned in AS 7, "Construction Contracts". Is the outcome of the contract estimated reliably. Percentage completion method, i.e., recognise the revenue and expenses having regard to the stage of completion of the contract activity at the reporting date is applied. Verify whether revenue is recognised only to the extent of such contract costs incurred, the					

	recovery of which is probable. Further, contract costs are to be treated as period expense. Verify the methods of Determination of stage of completion: e.g.: Costs incurred to estimated total contract costs method, Survey Method, Physical Evaluation Method. Verify the treatment of Contract cost related to future activity. Verify the treatment of Expected loss in Contract. Check w.r.t Uncertainty regarding collectability of an amount.					
4.	ANALYTICAL PROCEDURES					
	a) Compare product-wise and location-wise, revenue for the current year with the corresponding figures for previous years.					
	b) Compare ratio of gross margin to sales for the current year with the corresponding figures for previous years.					
	c) Compare ratio of sales returns to sales for the current year with the corresponding figures for previous years.					
	d) Compare ratio of trade discount to sales for the current year with the corresponding figures for previous years.					
	e) Compare ratio of GST paid/ export incentives to sales for the current year with the corresponding figures for previous years.					
	f) Compare product-wise and location-wise, quantity sold during the year with the corresponding figures for previous years.					

	g) Product-wise reconciliation of quantity sold during the year with opening stock, purchases/production and closing stock.					
	h) Compare dividend/interest/ royalty/rent for the current year with the corresponding figures for previous years.					
	i) Compare ratio of income on investments to average investments for the current year separately for each major type of investment with the corresponding figures for previous years.					
	j) Analyse variances and obtain explanations for significant results.					
	k) Compare the sales, service charges, etc. with the amounts disclosed in statutory returns filed under GST law.					
5.	EXAMINATION OF PRESENTATION AND DISCLOSURE					
	Ensure that the revenue has been disclosed properly in the financial statements as per AS 7, "Construction Contracts" & AS 9, "Revenue Recognition". Where the relevant statute lays down any disclosure requirements in this regard, examine whether the same have been complied with.					
	Ensure disclosure requirements of Schedule III to Companies Act 2013 have been complied with for the disclosure of Revenue from Operations and Other Income in case of a company.					

Audit Program – Expenses

Client : ____________________

Financial Year : ____________________

Prepared by : ____________ Date : ____________

Reviewed by : ____________ Date : ____________

Approved by : ____________ Date : ____________

Updated by : ____________ Date : ____________

	PROCEDURE	EXTENT OF CHECK	BASIS OF SELECTION OF SAMPLE	DONE BY	W/P REF.	M/F REF.
1.	SYSTEM UPDATE					
	Update and document your understanding of the controls and accounting system through a review of the system notes in the permanent file.					
2.	RISK ASSESSMENT					
	If specific risks have been identified in the risk assessment and planning process, modify the audit procedures in accordance with the findings.					
3.	INTERNAL CONTROL EVALUATION					
	Evaluate the system of internal control relating to expenses, to determine the nature, timing and extent of other audit procedures. Review the following aspects of internal control relating to expenses:					
	a) The systems and procedures relating to incurring of expenses including authorisation procedures.					
	b) Accounting procedures relating to recognition of expenses.					
	c) Existence of periodic reports on actual performance vis-à-vis					

	budgets and internal management reports, if any.					
4.	COST OF MATERIALS CONSUMED, PURCHASES OF STOCK-IN-TRADE & CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE					
	Examine purchases of goods and materials made during the year as well as of purchase returns and of opening and closing inventories for cost of goods, stores and materials.					
5.	PURCHASES AND PURCHASE RETURNS					
	a) Examination of Records					
	i. Examine whether the entity has instituted adequate cut-off procedures in relation to purchases and purchase returns.					
	ii. Examine the efficacy of cut- off procedures.					
	iii. Examine the selected receipt documents (such as, goods received notes) pertaining to a few days immediately before the year-end and verify that the related purchase invoices have been recorded as purchases of the current year.					
	iv. 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. Also trace the selected entries to the suppliers' account.					
	v. While examining purchase invoices, examine whether subsidies, rebates, duty drawbacks or other similar					

	items such as GST Input Credit have been properly accounted for.					
	vi. Examine selected receipt records with reference to related purchase invoices and the purchase journal.					
	vii. Examine selected entries of purchase returns with reference to the goods returned notes, debit notes and entries in the suppliers' accounts. Similarly, select debit notes with reference to purchase returns, goods returned notes, and entries in the suppliers' accounts.					
	viii. In case of transactions between related parties, pay special attention to nature, description and value of such transactions.					
	ix. Obtain a representation from the management to the effect that the entity has complied with the legal and regulatory requirements, if any.					
	x. In respect of imports, carry out the following procedures in addition to the usual audit procedures applicable in respect of domestic purchases:					
	• Besides examining the usual documents relating to purchases, also examine documents such as, bill of lading, custom documents, etc., which are specific to import transactions.					
	• Pay special attention to the terms of import relating to the incidence of charges like insurance and freight, i.e., whether the imports are on C.I.F. basis, or F.O.B. basis, or some other basis.					

	• Examine whether imports for which consideration is payable in a foreign currency are recorded at an appropriate amount in accordance with AS 11, "The Effects of Changes in Foreign Exchange Rates".					
	b) Analytical Procedures					
	i. Compare item-wise and location-wise, both quantity and value, of purchases for the current year/period with the corresponding figures for previous years/periods.					
	ii. Compare ratio of gross margin to sales for the current year/period with the corresponding figures for previous years/periods.					
	iii. Compare ratio of purchase returns to purchases for the current year/ period with the corresponding figures for previous years/periods.					
	iv. Reconcile product-wise quantity sold during the year/ period with opening stock, purchases/production and closing stock.					
	v. Analyse quantitative ratios and reconciliations, e.g., relate the quantum of output to the quantum of input to judge its reasonableness.					
	vi. In case segment information is available, the above procedures may be carried out for each segment.					
	vii. Verify payments subsequent to the date of the balance sheet to identify any purchases which have not been recorded in the books of account.					

	viii. Review percentage of scrap, by-products and waste generated with production and compare with previous year.					
6.	EMPLOYEE BENEFITS EXPENSE					
	a) Examination of Records					
	i. 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, etc.					
	ii. Attention may also be paid in respect of new employees joining the entity during the year.					
	iii. Examine with reference to the time records/ attendance records and leave records maintained by the personnel department. The deductions made in respect of income-tax, provident fund, Employees' State Insurance (ESI), welfare schemes, health schemes, etc., may be examined with reference to the returns submitted to the authorities concerned and the receipts/ acknowledgements issued by such authorities.					
	iv. 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. Such requirements would					

	include, inter alia, the provisions of the Minimum Wages Act, 1948, agreement with the employees, award of competent authority and judicial rulings.					
	v. In the case of senior management officials, pay particular attention to determining whether the salaries payable are as per the terms of contract with the employees concerned. Special requirements of terms of contract such as, granting stock options (as per schemes formulated by SEBI), availing leave encashment, total amount payable annually including ex-gratia, etc., should be specifically looked into.					
	vi. In the case of casual labour, besides carrying out the other audit procedures, specifically examine the sanction of the competent authority for employment of such labour and ascertain whether such employees are retained as per time rate or piece-rate basis. In appropriate cases, make a surprise visit to the sites where the casual labour is employed to assess the correctness of the attendance records maintained in respect of such labour and also ensure that the provisions of labour laws including PF and ESI are complied with. In cases where complete outsourcing of labour has been given to an outside agency, the terms of agreement and compliance thereof should be examined. In addition, ensure that the provisions of labour laws including PF and ESI are					

	complied with and TDS provisions are complied with.					
	vii. Obtain a list of employees who have retired or otherwise left the services of the entity during the period under audit and ensure that they have not been included in the payroll and full and final settlement regarding their dues is processed.					
	viii. Verify whether Gratuity, Bonus, Leave Encashment, Retirement & Other Employee Benefits as applicable are provided.					
	ix. Check statutory deductions for PF, ESI, Income Tax, Profession Tax. Check deductions for employee loan/advance.					
	x. Ensure disclosure as per Schedule III to Companies Act 2013 for employee benefit expense in case of a company.					
	b) Analytical Procedures					
	i. Compare wage bill for the year/period with the wage bill of previous years/periods.					
	ii. Compare monthly wages and salaries of a month with other months during the year/ period and with the corresponding month of previous years/ periods.					
	iii. Compare the wage bill for each department/unit for the current year/period with the corresponding figures for previous years/periods.					
	iv. Compare the ratios of wages and salaries to sales for the current year/period with the corresponding figures for previous years/periods.					

	v. Compare the ratio of wages and salaries to cost of production for the current year/period with the corresponding month of the previous years/periods.					
	vi. Compare the ratio of contribution towards provident fund to wages and salaries for the current year/period with the corresponding figures for previous years/ periods.					
	vii. Compare the ratio of contribution towards provident fund to wages and salaries for the current year/period with the rate(s) of contribution specified under the law governing provident fund.					
	viii. Compare the ratio of contribution towards ESI to wages and salaries for the current year/period with the corresponding figure for previous years/periods.					
	ix. Compare the ratio of contribution towards ESI to wages and salaries for the current year/period with the rate(s) of contribution specified under the law governing the ESI.					
7.	BONUS					
	a) In case of provision for bonus, examine whether the liability is provided for in accordance with the Payment of Bonus Act, 1965, and/or agreement with the employees or award of competent authority.					
	b) Where the bonus actually paid is in excess of the amount required to be paid as per the provisions of the applicable law / agreement / award, specifically examine the authority for the					

	same (e.g., resolution of board of directors in the case of a company).					
8	RETIREMENT BENEFITS					
	a) Examine whether the entity is liable to pay any retirement benefits to its employees such as provident fund, superannuation/pension, gratuity, etc., whether in pursuance of requirements of any law and/or in terms of agreement with the employees.					
	b) If so, whether the amount payable has been computed in accordance with the relevant legal and/or contractual requirements.					
	c) In respect of gratuity/pension, examine whether the provision for accruing gratuity/pension liability has been made by the entity.					
	d) Examine the adequacy of provision with reference to the actuarial certificate obtained by the entity.					
	e) In case the entity has not obtained such certificate, examine whether the method followed by it, say, group gratuity insurance scheme taken by the entity for calculating the accrued liability for gratuity is rational.					
	f) Examine whether the provisions of AS 15, "Employee Benefits" have been applied in respect of retirement benefits.					
9.	OTHER CONVERSION COSTS					
	a) Verify other conversion costs (such as, power and fuel, processing charges, etc.) with reference to the supporting documents and related agreements. In case the material is sent outside to third parties for processing, necessary charges					

	including materials, wastage, etc., need to be ascertained and accounted for. Documentation aspect with respect to GST laws to be examined. Ensure compliance of TDS requirements.					
	b) Compare the amount of expense on a particular item with the corresponding figure for previous years.					
	c) 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 figure for previous years.					
10.	ESTABLISHMENT AND GENERAL ADMINISTRATIVE EXPENSES					
	a) Verify establishment expenses and general administrative expenses such as insurance, rent, rates, conveyance, traveling, telephone, entertainment, printing and stationery, general expenses, etc., with reference to the sanction of the competent authority, the supporting documents, related agreements and the rules and regulations followed by the entity.					
	b) Compare the amount of these expenses with the corresponding figures for previous years.					
	c) Work out the ratios of different items of expenses to sales for the current year and compare the same with the corresponding figures for previous years.					
11.	INTEREST AND FINANCIAL CHARGES					
	a) Verify the amount of interest expense for the year with reference to the terms and conditions of relevant agreements.					

	b) Work out the ratio of interest expense for the year to average interest-bearing loans and advances outstanding during the year and compare it with the corresponding figure for previous years and reconcile the same.					
	c) Examine whether interest as well as other financing costs such as, commitment fees on funds borrowed for a qualifying asset included in the gross book value of the asset to which they relate have not been charged to the Statement of Profit and Loss of the period in which they are incurred, in accordance with AS 16, "Borrowing Costs".					
	d) Ensure compliance of TDS requirements.					
12.	DEPRECIATION/AMORTISATION					
	a) Check the calculation of depreciation and obtain certificate for extra shift working, if any.					
	b) The total depreciation arrived at should be compared with that of previous years to identify reasons for variations.					
	c) Has the method of charging depreciation been disclosed in accounts?					
	d) In case of companies, has depreciation been charged as per useful lives prescribed in Schedule II to Companies Act, 2013? In case the useful lives are different than as prescribed — Is it disclosed in notes to accounts?					
	e) Is depreciation on additions and deletions provided on pro rata basis?					
	f) Verify that the basis of amortisation of intangible assets is in accordance with AS 26, "Intangible Assets".					

	g) Verify that the leasehold land has been amortised over the period of lease.					
13.	RESEARCH AND DEVELOPMENT EXPENSES					
	a) Verify various items of expenses incurred on research and development with reference to supporting documents and related agreements.					
	b) Examine whether the accounting policy followed by the entity regarding treatment of research and development costs is in accordance with AS 26, "Intangible Assets".					
	c) Examine whether the deferral meets the appropriate legal requirements. If any accounting policy for deferral of development expenditure is adopted, it should be applied to all such projects which meet the criteria laid down for deferral under AS 26, "Intangible Assets". Examine whether the criteria laid down in AS 26 which previously justified the deferral of certain development expenditure no longer apply, the unamortised balance has been charged as an expense of the year.					
	d) Examine whether the criteria for deferral continues to be met but the amount of unamortised balance of the deferred research expenditure exceed the expected future revenues/benefits related thereto, such excess has been charged as an expense immediately.					
14.	REPAIRS AND MAINTENANCE					
	a) Scrutinise the repairs and maintenance account to ascertain whether new property, plant and					

	equipment and substantial improvements to existing assets (which are capital in nature) have not been included in repairs and maintenance.					
	b) Ensure compliance of TDS provisions for the repair and maintenance expenses.					
15.	CONTINGENCIES					
	In respect of product warranties, service contracts, performance warranties, etc., examine whether provisions have been made in accordance with AS 29, "Provisions, Contingent Liabilities and Contingent Assets". The auditor should also examine the reasonableness of the basis adopted for quantifying the provision with reference to the relevant agreements and the assessment based on his past experience.					
16.	OTHER EXPENSES					
	a) Ensure that provisions have been made for all liabilities incurred.					
	b) Ensure that the expenses in respect of which benefits accrue during the subsequent years have been quantified and classified as 'Prepaid Expenses'.					
	c) Whether all the recurring expenses have been accounted and the same should be compared with the similar expenses in the previous year with analysis of significant variations.					
	d) Verify whether item of income or expenditure which exceeds one per cent of the revenue from operations or Rs. 1,00,000, whichever is higher is disclosed separately.					

	e) Verify the items of exceptional nature. Verify as per AS 5, "Net Profit or Loss for the period, Prior period items and changes in Accounting Policies".					
	f) Have non-recurring and extraordinary items been shown separately? Verify as per AS 5, "Net Profit or Loss for the period, Prior period items and changes in Accounting Policies".					
17.	COMPLIANCES					
	a) Whether taxes has been deducted at sources on transactions, as applicable.					
	b) Wherever the tax has not been deducted at source whether the same is based on interpretations, decided case laws, legal opinion, etc., as the case may be. Whether management representation letter covers this aspect.					
	c) Where tax is deducted at lower rate or no tax is deducted, whether authorization from appropriate authority is received.					
18.	TAXES ON INCOME					
	a) Examine whether tax expense or tax saving has been properly computed and disclosed in the financial statements.					
	b) Examine whether the deferred taxes have been recognised in accordance with AS 22, "Accounting for Taxes on Income".					
	c) In respect of assessments completed, revised or rectified during the year, examine whether suitable adjustments have been made in respect of additional demands or refunds, as the case may be.					
	d) The relevant orders received up to the time of audit should be					

	considered and, on this basis, it should be examined whether adjustment is required in the financial statements.					
	e) If the entity disputes its liability with regard to demands raised, examine whether there is a positive evidence or action on the part of the entity to show that it has not accepted the demand for payment of tax or duty, e.g., where it has gone into appeal under relevant provisions of the statutes.					
	f) Obtain from the management a statement showing the status of pending tax matters. Examine the statement to assess the adequacy of provisions made in respect of those matters in the context of their current status.					
	g) Whether the disputed taxes as disclosed in the notes to accounts agree with the figures stated in the auditor's report.					
	h) Whether the disputed taxes not provided for in the accounts have been disclosed as contingent liability in the Notes to Accounts.					
19.	EXAMINATION OF PRESENTATION AND DISCLOSURE					
	Ensure that the expenses have been properly classified and disclosed in the financial statements. Where the relevant statute lays down any disclosure requirements in this regard, the auditor should examine whether the same have been complied with.					

VI
Working Papers

Specimen for Progress Sheet

(All the fields are to be invariably filled up by the Audit Assistant and the required information shall be strictly filled under relevant columns. This sheet shall be maintained on day-to-day basis in the course of audit and shall be updated daily on the close of the day. In case of more than one Audit Assistant involved in Audit, both have to record their work done in the same sheet with each one writing the details of work done by him and sign.)

Auditee		**Year of Audit**	
Audit In Charge		**Period of Audit**	
Nature of Audit:			
Date of commencement of Audit		**Date of completion of Audit**	
Checked by		**Date of Checking**	
Reviewed by		**Date of Review**	

Details of Daily Progress of Work Done

Sr. No	Date	Nature of Work Done	Period Covered	Aggregate Amount of Total Transactions	Aggregate No. of Transactions	Aggregate Amount of Verified Transactions	No. of Transactions Verified	Percentage of verification	Observations	Specific Reportable Findings	Action to be taken	Discussions with the Management	Remarks

VII
Specific Aspects of Auditing in a Computer-based Environment

Application Controls

The purpose of verification should be to ensure that there are adequate controls existing and also an effective computer-based system to verify at the point of input, processing and output stages of the computer processing cycle and over standing data contained in master files. The auditor needs to ascertain the application controls, the same are recorded and evaluated properly by the auditor to satisfy himself which is a part of the process of determining the risk of material misstatement in the audit client's financial statements.

Input controls

Control activities designed to ensure that input is authorised, complete, accurate and timely are referred to as input controls. Factors to be considered in determining these variables include cost considerations, and confidentiality requirements with regard to the data input. Input controls common to most effective application programs include on-screen prompt facilities (for example, a request for an authorised user to 'log-in') and a facility to produce an audit trail allowing a user to trace a transaction from its origin to disposition in the system.

Processing controls

Processing controls exist to ensure that all data input is processed correctly and that data files are appropriately updated accurately in a timely manner. The processing controls for a specified application program should be designed and then tested prior to 'live' running with real data.

Output controls

Output controls exist to ensure that all data is processed and that output is distributed only to prescribed authorised users. While the degree of output controls will vary from one organisation to another (dependent on the confidentiality of the information and size of the organisation).

Master file controls

The purpose of master file controls is to ensure the ongoing integrity of the standing data contained in the master files. It is vitally important that stringent 'security' controls should be exercised over all master files.

These include:

- appropriate use of passwords, to restrict access to master file data;
- the establishment of adequate procedures over the amendment of data, comprising appropriate segregation of duties, and authority to amend being restricted to appropriate responsible individuals;

- regular checking of master file data to authorised data, by an independent responsible official processing controls over the updating of master files, including the use of record counts and control totals.

Computer Assisted Audit Techniques (CAATs)

The nature of computer-based accounting systems is such that auditors may use the audit client's computer, or their own, as an audit tool, to assist them in their audit procedures. The extent to which an auditor may choose between using CAATs and manual techniques on a specific audit engagement depends on the following factors:

a) the practicality of carrying out manual testing.

b) the cost effectiveness of using CAATs.

c) the availability of audit time.

d) the availability of the audit client's computer facility.

e) the level of audit experience and expertise in using a specified CAAT.

f) the level of CAATs carried out by the audit client's internal audit function and the extent to which the external auditor can rely on this work.

There are three classifications of CAATs – namely:

i) Audit software

ii) Test data

iii) Other techniques

A detailed explanation of each type of CAATs is enumerated below.

Audit software

Audit software is a generic term used to describe computer programs designed to carry out tests of control and/or substantive procedures. Such programs may be classified as:

Packaged programs

These consist of pre-prepared generalised programs used by auditors and are not 'client specific'. They may be used to carry out numerous audit tasks, for example, to select a sample, either statistically or judgementally, during arithmetic calculations and checking for gaps in the processing of sequences.

Purpose written programs

These programs are usually 'client specific' and may be used to carry out tests of control or substantive procedures. Audit software may be bought or developed, but in any event the audit firm's audit plan should ensure that provision is made to ensure that specified programs are appropriate for a client's system and the needs of the audit. Typically, they may be used to re-perform computerised control procedures (for example, cost of sales calculations) or perhaps to carry out an aged analysis of trade receivable (debtor) balances.

Enquiry programs

These programs are integral to the client's accounting system; however they may be adapted for audit purposes. For example, where a system provides for the routine reporting on a 'monthly' basis of employee starters and leavers, this facility may be utilised by the auditor when auditing salaries and wages in the client's financial statements. Similarly, a facility to report trade payable (creditor) long outstanding balances could be used by an auditor when verifying the reported value of creditors.

Test data

Audit test data

Audit test data is used to test the existence and effectiveness of controls built into an application program used by an audit client. As such, dummy transactions are processed through the client's computerised system. The results of processing are then compared to the auditor's expected results to determine whether controls are operating efficiently and systems' objectiveness are being achieved. For example, two dummy bank payment transactions (one inside and one outside authorised parameters) may be processed with the expectation that only the transaction processed within the parameters is 'accepted' by the system. Clearly, if dummy transactions processed do not produce the expected results in output, the auditor will need to consider the need for increased substantive procedures in the area being reviewed.

Integrated test facilities

To avoid the risk of corrupting a client's accounting system, by processing test data with the client's other 'live' data, auditors may instigate special 'test data only' processing runs for audit test data. The major disadvantage of this is that the auditor does not have total assurance that the test data is being processed in a similar fashion to the client's live data. To address this issue, the auditor may therefore seek permission from the client to establish an integrated test facility within the accounting system. This entails the establishment of a dummy unit, for example, a dummy supplier account against which the auditor's test data is processed during normal processing runs.

Other CAATs include:

Embedded audit facilities (EAFs)

This technique requires the auditor's own program code to be embedded (incorporated) into the client's application software, such that verification procedures can be carried out as required on data being processed. For example, tests of control may include the reperformance of specific input validation checks (see input controls above) – selected transactions may be 'tagged' and followed through the system to ascertain whether stated controls and processes have been applied to those transactions by the computer system. The EAFs should ensure that the results of testing are recorded in a special secure file for subsequent review by the auditor, who should be able to conclude on the integrity of the processing controls generally, from the results of testing. A further EAF, often overlooked by the auditor, is that of an analytical review program enabling concurrent performance of analytical review procedures on client data as it is being processed through the automated system.

Application program examination

When determining the extent to which they may rely on application controls, auditors need to consider the extent to which specified controls have been implemented correctly. For example, where system amendments have occurred during an accounting period, the auditor would need assurance as to the existence of necessary controls both before and after the amendment. The auditor may seek to obtain such assurance by using a software program to compare the controls in place prior to, and subsequent to, the amendment date.

Information Security Checklist

The Information Security Checklist is a starting point to review information security related to the systems and services owned by each audit unit. The service owner is responsible for addressing each of the items listed under the following topic areas.

System Acquisition, Development and Maintenance

Sr. No	Particulars	Replies
1	Does the system integrate with the authentication services?	
2	When considering the development of a new system or an enhancement to an existing information system, are you considering the information security requirements and discussing with Information Technology System (ITS) Team as appropriate?	
3	When considering the acquisition of a new system, are you carefully reviewing the security requirements and data protection language in the contract and discussing with ITS team prior to purchase?	
4	If using production data containing sensitive or confidential information for testing purposes, have you applied equivalent access controls and other securities to the test system as exist in the production environment?	

Resources for System Acquisition, Development, and Maintenance:

- Standard for Protection of Test Data
- Standard for Security in Development and Support Processes
- Standard for Security Requirements of Information Systems
- Payment (Credit/Debit) Card Processing Standard

Communications Security

Sr. No	Particulars	Replies
1	Is it ensured that ITS has adequate security protocols and maintained to prohibit unauthorized access?	
2	Before allowing an outside vendor or other third party to connect a system to the network, do you obtain prior review and approval from ITS?	
3	When transferring sensitive information, have you ensured that agreements are in place with the external party to appropriately protect the data?	
4	Before transferring sensitive information, to check the restrictions on how the data is to be handled which may be governed by: the guideline for data handling, a Data Security Plan, constraints placed by the Data Owner or the Data Security Officer, legal, regulatory or contractual restrictions, and/or export control regulations?	

Resources for Communications Security:

- Standard for Communications Security
- Guideline for Network Security
- Guideline for Information Transfer

Access Control

Sr. No	Particulars	Replies
1	Are you using the centrally managed authentication services?	
2	Is it ensured that the accounts with elevated privileges adhere to the standard password requirements and are included in a documented audit conducted at least annually?	
3	Do you have a formal process for the authorization of user access?	
4	Is access granted to sensitive systems or data based on a need-to-know basis?	
5	Is access to systems terminated when an employee leaves or moves to another department?	
6	Are the access rights of all the parties to whom temporary access is given and/or third party users removed upon termination of employment, contract or agreement?	
7	Do you have a formal process for reviewing user access rights at regular intervals?	
8	Are you requiring unique user IDs?	
9	If the business need requires the use of shared user IDs, is there a process in place and followed to change the password frequently and at a minimum whenever a member of the group leaves or changes jobs?	
10	Have you removed or disabled unnecessary vendor-supplied default accounts?	
11	For required vendor accounts, have you changed the default password following the installation of systems or software?	

Resources for Access Control:

- Standard for Account Passwords
- Standard for Business Requirements for Access Control
- Standard for System and Application Access Control
- Standard for User Access Management
- Guideline for User Access Management
- Guideline for Privileged Account Management

Data Management

Sr. No	Particulars	Replies
1	Have you identified the data classification level for information stored or transmitted to/from the system or application using the data classification standard?	
2	Have you ensured that the data is being handled appropriately according to its classification as outlined in the guideline for data handling?	
3	Have you obtained review and approval from the management prior to securing a contract with a cloud service provider?	
4	When considering the transfer or surplus of hardware and/or media, have you ensured that data has been properly removed by destroying, purging, or clearing based on the guideline for hardware and media disposal?	

Resources for Data Management:

- Standard for Information Classification
- Guideline for Data Handling
- Guideline for Data Security in Cloud Services
- Standard for Hardware and Media Disposal
- Guideline for Hardware and Media Disposal

Operations Security

Sr. No	Particulars	Replies
1	Is there any security policy and is it implemented and followed a formal change management process?	
2	Have you implemented capacity management planning?	
3	Have you implemented controls to detect, prevent, and recover from malware?	
4	Have you ensured that backup copies of information, software, and system images are created and do you test them periodically?	
5	Do you maintain event logs and review them as appropriate? Do you maintain logs of privileged account holders' activity and review as appropriate?	
6	Do you review the vulnerability management scans for your system or application and determine the appropriate measures needed to address the related risks?	

Resources for Operations Security:

- Standard for Operations Security

Physical and Environmental Security

Sr. No	Particulars	Replies
1	Are all servers kept in a secure area using appropriate entry controls to ensure only authorized personnel are allowed access?	
2	Do you periodically review the access lists and remove access for those individuals who no longer need it?	

Resources for Physical and Environmental Security:

- Standard for Physical and Environmental Security - Equipment
- Standard for Physical and Environmental Security - Secure Areas

Vendors and External Parties

Sr. No	Particulars	Replies
1	When providing vendors and other external parties with the ability to access information, do you document each party's rules for acceptable use and responsibility for implementing and managing access control?	
2	Do you obtain the vendor's or external party's documented commitment to industry best practices for the protection of sensitive information?	
3	Have you stipulated the details for handling data upon termination of the contract or agreement?	

Resources for Vendors and External Parties:

- Standard for Information Security Related to Vendors and External Parties.

VIII
Reports

Audit Declaration

Client : ______________________________

Financial Year : ______________________________

Prepared by : ____________________ Date : ____________________

Reviewed by : ____________________ Date : ____________________

DECLARATION	WP REF	SIGN OFF	DATE
1. Completed the necessary work taking materiality (engagement specific) into consideration and consider that the working papers adequately support the opinion, subject to the matters noted.			
2. Carried out a detailed review of the working papers and consider that they agree with the reports and adequately support the opinion, subject to the matters noted.			
3. Financial statements have been reviewed with client representative (Name).			
4. Approval minutes have been reviewed and a duly signed letter of representation received.			
5. Subsequent events review upto the date of approval has been completed.			
6. Carried out an overriding review of the working papers and consider that they agree with the reports and adequately support the opinion. All significant matters mentioned on "Work Papers on matters for Partner/ Proprietor attention" have been cleared to satisfaction. All uncleared matters have been adequately addressed in the financial statements and auditor's report.			

Matters for Partner's/Proprietor's Consideration

Client : ____

Financial Year : ____

Prepared by : ____________________ Date : __________________

Reviewed by : ____________________ Date : __________________

SCHEDULE REF	COMMENT	CLIENT RESPONSE	DISPOSAL

Summary Memorandum

Client : ____________________

Financial Year : ____________________

Prepared by : ____________________ Date : ____________________

Reviewed by : ____________________ Date : ____________________

Summarise below the key issues arising out of audit and resolution thereof prior to signing the auditor's report.

AUDIT ISSUE	WORKING PAPER REFERENCE	ACCOUNT BALANCE AFFECTED	AMOUNT AFFECTED	FINAL DECISION AND DETAILS OF RESOLUTION

I have carried out the above audit procedures and conclude that the audit opinion, subject to matters mentioned below, can be issued.

Date : Name :

Summary of Unadjusted Errors

Client : ______________________________

Financial Year : ______________________________

Prepared by : ____________________ Date : ____________________

Reviewed by : ____________________ Date : ____________________

GROUP	CORRECTING ENTRIES			
	ASSETS	LIABILITIES	EQUITY	PRE-TAX INCOME
	Rs.	Rs.	Rs.	Rs.
A. Known Misstatements				
Sub-total				
B. Likely Misstatements				
Sub-total				
C. Carry Forward Items (Prior Years)				
Aggregate Effect			A+B+C	

Rs. ___________

Rs. ___________

Planning Materiality

CONCLUSION:____

____

Guidance

We need to consider the sufficiency of our audit scope and extend audit procedures if the known and likely misstatements are close to or exceed planning materiality.

The primary objective of this Error Evaluation Summary is to ensure that all errors have been considered for adjustments, and as a whole there are no material errors that have not been adjusted, affecting the true and fair view of the financial statements.

Financial Statements Review

Client : ____________________

Financial Year : ____________________

Prepared by : ____________________ Date : ____________________

Reviewed by : ____________________ Date : ____________________

Guidance

Analytical Procedures as Part of the Overall Review

The Analytical Procedures ordinarily performed at this stage assist in forming an overall conclusion as to whether the financial statements as a whole are consistent with the auditor's knowledge of the business.

		PERFORMED BY	COMMENTS, REFERENCES
A.	Perform analytical procedures for the review of financial statement by:		
	• Comparing the financial statements for the current year with those of previous years, analyzing variances and the reasons.		
	• Comparing the financial statements with any budgets, forecasts, or management expectations and discussing reasons for variations.		
	• Reviewing trends in any important financial statement ratios.		
	• Considering whether the financial statements adequately reflect any changes in the entity.		
	• Inquiring into unexplained or unexpected features of the financial statements.		
B.	Review the financial statements to determine whether:		
	• The financial statements are consistent with our knowledge and understanding of the business and audit evidence obtained.		
	• The accounting policies used in preparing		

	the financial statements are appropriately disclosed, as are any changes in the accounting policies.		
	• The balances, notes and disclosures in the financial statements are presented in accordance with applicable accounting standards and regulatory requirements.		
C.	Consider whether there is a risk of going concern assumption underlying the preparation of the financial statements?		
D.	Financial Indicators		
	Examine whether:		
	• There is negative net worth or negative working capital.		
	• Fixed term borrowing approaching maturity without realistic prospects of renewal or repayment, or excessive reliance on short-term borrowings to finance long-term assets.		
	• Adverse key financial ratios.		
	• Substantial operating losses.		
	• Substantial negative cash flows from operations.		
	• Arrears or discontinuance of dividends.		
	• Inability to pay creditors on due dates.		
	• Difficulty in complying with the terms of loan agreements.		
	• Change from credit to cash-on-delivery transactions with suppliers.		
	• Inability to obtain financing for essential new product development or other essential investments.		
	• Entering into a scheme of arrangement with creditors for reduction of liability.		
E.	Operating Indicators		

	• Loss of key management personnel without replacement.		
	• Loss of a major market, franchise, license, or principal supplier.		
	• Labour difficulties or shortages of important supplies.		
F.	Other Indicators		
	• Non-compliance with capital or other statutory requirements.		
	• Pending legal proceedings against the entity that may, if successful, result in judgements that could not be met.		
	• Changes in legislation or government policy.		
	• 'Sickness' of the entity under any statutory definition.		

Subsequent Events Checklist

Client : ____

Financial Year : ____

Prepared by : ____________________ Date : __________________

Reviewed by : ____________________ Date : __________________

Guidance

The primary objective of this program is to ascertain the occurrence of subsequent events that may require adjustment to, or disclosure in the financial statements.

The inquiries and discussions required by this program should be with client management having responsibility for the accounts or other matters covered by the particular procedures. Appropriate supporting working papers concerning the important matter discussed should be prepared.

The greater the time difference between the balance sheet date and issuing of the auditor's report, the more comprehensive the review will need to be. In practice, the review will normally be completed at two separate dates.

CONCLUSION

Significant subsequent events identified by our procedures are properly reflected in the financial statements, subject to the following matters noted:

DATE OF REVIEW		
END OF FIELD WORK	UPDATE	UPDATE

Signed

(The subsequent events review should cover the period upto the date of auditor's report.)

Subsequent Events Checklist

Client : ____________________

Financial Year : ____________________

Prepared by : ____________________ Date : ____________________

Reviewed by : ____________________ Date : ____________________

		(client management) discussed with	supporting document reference	(auditor) reviewed by	date
1.	Discuss with management and review the procedures used to ensure that material subsequent events are identified and properly reflected in the financial statements.				
2.	Review minutes of the meetings of partners/ management/ shareholders/ board of directors, and any other relevant committees held after the balance sheet date and inquire about matters discussed at meetings for which minutes are not yet recorded.				
3.	Review and analyse the latest management accounts and other management reports for the period subsequent to the balance sheet date and books of original entry including bank statements for periods for which there are no accounts.				
4.	Consider the effect of changes or events in the industry or business environment which may have an impact on the reported financial figures.				
5.	Where we have expressed any doubts over going				

	concern issues, review specifically the cash flow situation up to the date of our report, forecast cash flow and negotiations in progress to ensure future financing.				
6.	Inquire and discuss with management the following:				
	• The current status of items that were accounted for on a preliminary or estimated basis.				
	• Whether commitments or litigations, claims and other contingent liabilities existed at the balance sheet date or on the date of inquiry.				
	• Whether the sale of assets or operating units has occurred or is planned.				
	• Whether there is a change in ownership structure or composition.				
	• Whether any assets of the entity have been expropriated in some way or have been destroyed.				
	• Whether there have been significant developments relating to audit areas for which specific risks have been identified.				
	• Whether any unusual accounting adjustments have been made or are contemplated.				
	• Whether management is aware of any events that have occurred or are likely to occur that bring into question the				

	appropriateness of accounting policies used in preparation and presentation of the financial statements.				
7.	Obtain and review up-to-date information and correspondence concerning litigations and claims against or by the entity, and consider the need to contact directly the client's legal counsel.				
8.	Obtain letter of representation dated the same date as auditor's report from appropriate officials as to whether any events occurred subsequent to the year-end which require an adjustment or disclosure to be made in the financial statements.				
9.	Make such additional inquiries and perform such procedures as considered necessary to dispose of other potential subsequent events as identified by audit work.				

APPENDICES

Appendix I

Standards on Auditing Checklist - Control Sheet

Disclaimer: **The Checklist given below contains the important requirements of various Standards on Auditing and it is not comprehensive. Practitioners are advised to exercise professional judgment and maintain professional skepticism throughout the audit. Further, compliance with all the applicable requirements of various SAs needs to be ensured.**

Client : ______________________________

Financial Year : ______________________________

Prepared by : ____________________ Date : __________________

Reviewed by : ____________________ Date : __________________

Particulars	Yes/No/ N.A/ Done	Remarks
SQC 1 – Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Service Engagements		
Whether firm's system of quality control includes policies and procedures addressing the following? • Leadership responsibilities for quality within the firm • Ethical requirements • Acceptance and continuance of client relationships and specific engagements • Human resources • Engagement performance • Monitoring		
Whether quality control policies and procedures are documented and communicated to the firm's personnel?		
Whether the retention period of engagement documentation is maintained at no shorter than 7 years from the date of the Auditor's Report?		
SA 200-Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing		
In this audit is it ensured that all relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements are complied with?		

Whether the audit was planned and performed with professional skepticism recognizing that circumstances that cause the financial statements to be materially misstated may exist?		
To obtain reasonable assurance, whether sufficient appropriate audit evidence was obtained to reduce audit risk to an acceptably low level to draw reasonable conclusions on which to base the auditor's opinion?		
Whether all the relevant SAs were complied in the audit?		
Whether any departures from the relevant requirement of any SA necessitated?		
If an objective in a relevant SA cannot be achieved, is it evaluated as to whether this prevents the achieving of the overall objectives of the auditor in accordance with the SAs, to modify the auditor's opinion or withdraw from the engagement. Failure to achieve an objective represents a significant matter requiring documentation in accordance with SA 230?		
SA 210-Agreeing the Terms of Audit Engagements		
Whether the financial reporting framework to be applied in the preparation of the financial statements is acceptable?		
Whether management acknowledges and understands its responsibility in respect of the following? (a) For the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation; (b) For such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and (c) To provide the auditor with: • Access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documents and other matters; • Additional information that is requested from management for the purpose of the audit; and • Unrestricted access to persons within the entity from whom necessary audit evidence can be obtained.		
Where a limitation on the scope is imposed either by management or those charged with governance which will result in issuing a disclaimer of opinion on the financial statements, whether such an engagement is not accepted, unless required by law or regulation to do so?		

Whether an audit is accepted where it is determined that the financial reporting framework to be applied in the preparation of the financial statements is unacceptable?		
Whether the terms of the audit engagement are agreed with management or those charged with governance as appropriate?		
Whether the agreed terms of the audit engagement recorded in an audit engagement letter or other suitable form of written agreement and includes the following at the minimum: a) The objective and scope of the audit of the financial statements; b) The responsibilities of the auditor; c) The responsibilities of management; d) Identification of the applicable financial reporting framework for the preparation of the financial statements; and e) Reference to the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content.		
In a recurring audit whether circumstances require the terms of the audit engagement to be revised and whether there is a need to remind the entity of the existing terms of the audit engagement?		
Where a change in the terms of the audit engagement accepted, is it justified?		
Prior to completing the audit engagement, where it is requested to change the audit engagement to an engagement that conveys a lower level of assurance, whether it is justified?		
Where the terms of the audit engagement are changed, whether the new terms agreed with the management are recorded in an engagement letter or other suitable form of written agreement?		
Where a change of the terms of the audit engagement is not accepted and the management does not permit to continue the original audit engagement whether the following are done? (a) Withdraw from the audit engagement where possible under applicable law or regulation; and (b) Communicate in case there is an obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.		
If financial reporting standards are supplemented by law or regulation, is it determined that whether there are any conflicts between the financial reporting standards and the additional requirements. If such conflict exists, whether it is ascertained		

that: (a) The additional requirements can be met through additional disclosures in the financial statements; or (b) The description of the applicable financial reporting framework in the financial statements can be amended accordingly. Where both the above actions are not possible, whether it will be necessary to modify the audit opinion in accordance with SA 705(Revised)?		
Where it is determined that the financial reporting framework prescribed by law or regulation would be unacceptable but for the fact that it is prescribed by law or regulation, whether the audit engagement is accepted on fulfilling the following conditions: (a) Management agrees to provide additional disclosures in the financial statements required to avoid the financial statements from being misleading; and (b) It is recognized in the terms of the audit engagement that: • The auditor's report on the financial statements will incorporate an Emphasis of Matter paragraph, drawing users' attention to the additional disclosures, in accordance with SA 706(Revised) and • Unless the auditor is required by law or regulation to express the auditor's opinion on the financial statements by using the phrases "present fairly, in all material respects", or "give a true and fair view" in accordance with the applicable financial reporting framework, the auditor's opinion on the financial statements will not include such phrases.		
If the conditions outlined above are not present and it is required by law or regulation to undertake the audit engagement, whether the following have been done? (a) An evaluation of effect of the misleading nature of the financial statements on the auditor's report; and (b) Appropriate reference to this matter in the terms of the audit engagement.		
Where the law or regulation applicable to the entity prescribes the layout or wording of the auditor's report in a form or in terms that are significantly different from the requirements of SAs, whether the following have been evaluated? (a) Whether users might misunderstand the assurance obtained from the audit of the financial statements and, if so, (b) Whether additional explanation in the auditor's report can mitigate possible misunderstanding.		

Where it is concluded that additional explanation in the auditor's report cannot mitigate possible misunderstanding, whether the engagement is not accepted, unless required by law or regulation to do so. (An audit conducted in accordance with such law or regulation does not comply with SAs. Accordingly, the auditor shall not include any reference within the auditor's report to the audit having been conducted in accordance with SAs)		
SA 220 - Quality Control for an Audit of Financial Statements		
Whether the engagement partner has taken responsibility for the overall quality in this audit?		
Where there is an indication through observation and inquiries, of non-compliance with relevant ethical requirements by members of the engagement team, whether appropriate action taken?		
Whether the engagement partner formed a conclusion on compliance with independence requirements that apply to the audit engagement. In doing so, whether the following have been done? (a) Relevant information from the firm and, where applicable, network firms obtained to identify and evaluate circumstances and relationships that create threats to independence; (b) Evaluation of information on identified breaches, if any, of the firm's independence policies and procedures to determine whether they create a threat to independence for the audit engagement; (c) Appropriate action taken to eliminate such threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the audit engagement, where withdrawal is permitted by law or regulation. (d) Whether any communication received from engagement partner of his inability to resolve the matter for appropriate action.		
Whether the engagement partner is satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and audit engagements have been followed, and whether it is determined that conclusions reached in this regard are appropriate.		
Where the engagement partner obtains information that would have caused the firm to decline the audit engagement had that information been available earlier, whether the engagement partner communicated that information promptly to the firm for necessary action.		
Whether the engagement partner is satisfied that the engagement team, and any auditor's experts who are not part of the engagement team, collectively have the appropriate		

competence and capabilities to: (a) Perform the audit engagement in accordance with professional standards and regulatory and legal requirements; and (b) Enable an auditor's report that is appropriate in the circumstances to be issued.		
Whether the engagement partner has taken responsibility for: (a) The direction, supervision and performance of the audit engagement in compliance with professional standards and regulatory and legal requirements; and (b) The auditor's report being appropriate in the circumstances.		
Whether the engagement partner has taken responsibility for reviews being performed in accordance with the firm's review policies and procedures?		
Whether the engagement partner on or before the date of the auditor's report, after a thorough review of the audit documentation and discussion with the engagement team, satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued?		
Whether the engagement partner has taken responsibility for: (a) The engagement team undertaking appropriate consultation on difficult or contentious matters; (b) Engagement team's appropriate consultation during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm; (c) The nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and (d) Determine that conclusions resulting from such consultations have been implemented.		
Where differences of opinion arise within the engagement team, with those consulted or, where applicable, between the engagement partner and the engagement quality control reviewer, whether the engagement team followed the firm's policies and procedures for dealing with and resolving differences of opinion?		
Whether the engagement partner considered the results of the firm's monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms and whether deficiencies noted in that information may affect the audit engagement?		
Whether the following were documented? (a) Issues identified with respect to compliance with relevant		

ethical requirements and how they were resolved. (b) Conclusions on compliance with independence requirements that apply to the audit engagement, and any relevant discussions with the firm that support these conclusions. (c) Conclusions reached regarding the acceptance and continuance of client relationships and audit engagements. (d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the audit engagement.		
SA 230 - Audit Documentation		
Whether the audit documentation is prepared on a timely basis?		
Whether the audit documentation is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the following? (a) The nature, timing, and extent of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements; (b) The results of the audit procedures performed, and the audit evidence obtained; and (c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.		
While documenting the nature, timing and extent of audit procedures performed, whether the following was recorded? (a) The identifying characteristics of the specific items or matters tested; (b) Who performed the audit work and the date such work was completed; and (c) Who reviewed the audit work performed and the date and extent of such review.		
Whether the documentation includes discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place.		
Where it is identified that information is inconsistent with the auditor's final conclusion regarding a significant matter, whether it is documented as to how the inconsistency was addressed?		
Where it is considered necessary in exceptional circumstances to depart from a relevant requirement in a SA, whether the audit documentation reflects how the alternative audit procedures performed achieved the aim of that requirement and the reasons for the departure.		

Where in exceptional circumstances, new or additional audit procedures are performed or new conclusions are reached after the date of the auditor's report, whether the following were documented? (a) The circumstances encountered; (b) The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and (c) When and by whom the resulting changes to audit documentation were made and reviewed.		
Is it ensured that after the assembly of the final audit file has been completed, no deletion or discard of audit documentation of any nature has taken place before the end of its retention period?		
Where it is necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, whether the following were documented? (a) The specific reasons for making them; and (b) When and by whom they were made and reviewed.		
SA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements		
If conditions identified during the audit indicate a document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, whether it is investigated further?		
Where responses to inquiries of management or those charged with governance are inconsistent, whether it is investigated further?		
Whether a discussion took place between the engagement partner and engagement team with particular emphasis on how and where the entity's financial statements may be susceptible to material misstatement due to fraud, including how fraud might occur?		
Whether the following were inquired with the management? (a) Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments; (b) Management's process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist; (c) Management's communication, if any, to those charged with		

governance regarding its processes for identifying and responding to the risks of fraud in the entity; and (d) Management's communication, if any, to employees regarding its views on business practices and ethical behavior.		
Whether an inquiry was made with management, and others within the entity as appropriate (including internal auditors) to determine whether they have knowledge of any actual, suspected or alleged fraud or the risk of fraud, affecting the entity.		
Unless all of those charged with governance are involved in managing the entity, whether an understanding had been obtained as to how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks?		
Whether an inquiry was made with those charged with governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. Whether this has been corroborated with the responses to the inquiries of management?		
Whether other information obtained indicates risks of material misstatement due to fraud?		
Whether the risks of material misstatement due to fraud at the financial statement level, and at the assertion level for classes of transactions, account balances and disclosures, identified?		
Where it is assessed that the risks of material misstatement due to fraud as significant risks whether an understanding of the entity's related controls including control activities, relevant to such risks, have been obtained?		
Where it is determined to use the overall responses to address the assessed risks of material misstatement due to fraud at the financial statement level, whether the following were done? (a) The assignment and supervision of personnel for significant engagement responsibility was based on knowledge, skill and ability of the individuals. (b) An evaluation of the selection and application of accounting policies by the entity, particularly those related to subjective measurements and complex transactions, which may indicate fraudulent financial reporting resulting from management's effort to manage earnings; and (c) An element of unpredictability incorporated in the selection of the nature, timing and extent of audit procedures.		
Whether further audit procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement due to fraud at the assertion level, designed and performed?		

Irrespective of the assessment of the risks of management override of controls, whether the following audit procedures designed and performed? (a) Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. • Whether it is inquired with individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; • Whether journal entries and other adjustments made at the end of a reporting period are selected and tested? Is there a need to test journal entries and other adjustments throughout the period? (b) Whether the accounting estimates are reviewed for biases and evaluated for the circumstances producing the bias, if any. Does this represent a risk of material misstatement due to fraud? • Is it evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. If so, whether the accounting estimates re-evaluated are taken as a whole; • Whether a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in the financial statements of the prior year, performed? (c) Where significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual given the understanding of the entity and its environment and other information obtained during the audit, whether the business rationale (or the lack thereof) of the transactions evaluated for fraudulent financial reporting or to conceal misappropriation of assets?		
Whether the analytical procedures performed to form overall conclusion on the financial statements, indicate a previously unrecognized risk of material misstatement due to fraud?		
Where a misstatement is identified, is it evaluated as to whether such a misstatement is indicative of fraud? If there is such an indication, whether the implications of the misstatement in relation to other aspects of the audit, particularly		

the reliability of management representations, recognizing that an instance of fraud is unlikely to be an isolated occurrence, considered?		
Where a misstatement, material or not, believed to be the result of fraud and that management (in particular, senior management) is involved, whether a re-evaluation done of the assessment of the risks of material misstatement due to fraud and its resulting impact on the nature, timing and extent of audit procedures to respond to the assessed risks?		
Whether circumstances or conditions indicate possible collusion involving employees, management or third parties. If so whether the reliability of evidence previously obtained reconsidered?		
Where it is not possible to conclude whether, the financial statements are materially misstated as a result of fraud, were its implications for the audit evaluated?		
As a result of a misstatement resulting from fraud or suspected fraud, where it is decided not to continue performing the audit whether the following acts were done? (a) Whether there is a requirement for the auditor to report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities; (b) Whether it is appropriate to withdraw from the engagement, where withdrawal from the engagement is legally permitted; and (c) Where withdrawn: • Whether it is discussed with the appropriate level of management and those charged with governance, the reasons for the withdrawal; and • Whether there is a professional or legal requirement to report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities, the auditor's withdrawal from the engagement and the reasons for the withdrawal?		
Whether the written representations obtained from management include the following: (a) It acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; (b) It has disclosed to the auditor the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud; (c) It has disclosed to the auditor its knowledge of fraud or suspected fraud affecting the entity involving:		

• Management; • Employees who have significant roles in internal control; or • Others where the fraud could have a material effect on the financial statements; and (d) It has disclosed to the auditor its knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.		
When a fraud identified or circumstances indicate the existence of fraud whether timely communication was sent to the appropriate level of management?		
Where those charged with governance are not involved in managing the entity and where a fraud or suspected fraud identified involving: (a) Management; (b) Employees who have significant roles in internal control; or (c) Others where the fraud results in a material misstatement in the financial statements whether communication was sent to those charged with governance on a timely basis?		
Whether a discussion held with those charged with governance about the nature, timing and extent of audit procedures necessary to complete the audit?		
Where a fraud or suspected fraud is identified, is it necessary to report the occurrence or suspicion to a party outside the entity. (Although the auditor's professional duty to maintain the confidentiality of client information may preclude such reporting, the auditor's legal responsibilities may override the duty of confidentiality in some circumstances)		
Whether the following were documented? (a) The significant decisions reached during the discussion among the engagement team regarding the susceptibility of the entity's financial statements to material misstatement due to fraud; (b) The identified and assessed risks of material misstatement due to fraud at the financial statement level and at the assertion level. (c) The overall responses to the assessed risks of material misstatement due to fraud at the financial statement level and the nature, timing and extent of audit procedures, and the linkage of those procedures with the assessed risks of material misstatement due to fraud at the assertion level.		

(d) The results of the audit procedures, including those designed to address the risk of management override of controls. (e) The communication about fraud or suspected fraud made to management, those charged with governance, regulators and others. (f) The reasons for the conclusion reached.		
SA 250 - Consideration of Laws and Regulations in an Audit of Financial Statements.		
Whether an understanding of the entity and its environment in accordance with SA 315 includes: (a) The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates; and (b) How the entity is complying with that framework.		
Whether sufficient appropriate audit evidence was obtained regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements?		
Whether the following audit procedures were followed to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements? (a) Inquiries of management and, where appropriate, those charged with governance, as to whether the entity is in compliance with such laws and regulations; and (b) Inspection of correspondence, if any, with the relevant licensing or regulatory authorities.		
Whether the engagement team remained alert to the possibility that other audit procedures applied may bring instances of non-compliance or suspected non-compliance with laws and regulations?		
Whether the management and, where appropriate, those charged with governance were requested to provide written representations that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed to the auditor?		
Where an instance of non-compliance or suspected non-compliance with laws and regulations is suspected whether the following were obtained? (a) An understanding of the nature of the act and the circumstances in which it has occurred; and (b) Further information to evaluate the possible effect on the		

financial statements.		
Where non-compliance is suspected, whether it is discussed with the management and, where appropriate, those charged with governance? Where the management or, as appropriate, those charged with governance do not provide sufficient information that supports that the entity is in compliance with laws and regulations and the effect of the suspected non-compliance may be material to the financial statements, whether is it necessary to obtain legal advice?		
Where sufficient information about suspected non-compliance cannot be obtained, whether an evaluation of the effect of the lack of sufficient appropriate audit evidence on the auditor's opinion done?		
Where those charged with governance are not involved in management whether the matters involving identified or suspected non-compliance communicated to them?		
Where the non-compliance is believed to be intentional and material, whether it is communicated to those charged with governance as soon as practicable?		
Where it is suspected that management or those charged with governance are involved in non-compliance, whether it is communicated to the next higher level of authority at the entity, such as an audit committee or supervisory board, if it exists?		
Where no higher authority exists or where it is believed that the communication may not be acted upon or where the person to whom to report is not clearly identified, is it necessary to obtain legal advice?		
Where it is concluded that the non-compliance has a material effect on the financial statements, and has not been adequately reflected in the financial statements whether, in accordance with SA 705(Revised), a qualified or adverse opinion on the financial statements expressed?		
Where the management or those charged with governance precludes the audit team from obtaining sufficient appropriate audit evidence to evaluate whether non-compliance that may be material to the financial statements has, or is likely to have, occurred, whether a qualified opinion or disclaimer of opinion on the financial statements on the basis of a limitation on the scope of the audit in accordance with SA 705(Revised), expressed?		
Where it is not possible to determine whether non-compliance has occurred because of limitations imposed by the circumstances rather than by management or those charged with governance, whether its effect on the auditor's opinion is evaluated in accordance with SA 705(Revised)?		

Is there a need to report the identified or suspected non-compliance with laws and regulations to parties outside the entity?		
Whether the identified or suspected non-compliance with laws and regulations and the results of discussion with management and, where applicable, those charged with governance and other parties outside the entity are documented?		
SA 260(Revised) - Communication With Those Charged With Governance		
Whether the appropriate person(s) within the entity's governance structure with whom to communicate, identified?		
When auditor communicated with a subgroup of those charged with governance, for example, an audit committee, or an individual, is there a need to communicate with the governing body?		
Whether the following matters were communicated? (a) The auditor is responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. (b) The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. (c) The planned scope and timing of the audit. (d) Auditor's views about the significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures, including acceptable accounting practice under the applicable financial reporting framework. (e) Significant difficulties, if any, encountered during the audit. (f) Significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management. (g) Written representations the auditor is requesting. (h) Circumstances, if any, affecting form and content of the auditor's report. (i) Other matters, if any, arising from the audit that are relevant to the oversight of the financial reporting process.		
Whether communication with those charged with governance was made on a timely basis?		
Whether the two-way communication between the auditor and those charged with governance is adequate for the purpose of the audit? If not, whether it is evaluated for the risks of material misstatement and the ability to obtain sufficient appropriate audit evidence?		
Whether a copy of the communication is maintained in audit documentation file?		

SA 265 - Communicating Deficiencies in Internal Control to Those Charged With Governance and Management		
Where it is identified, on the basis of the audit work performed, that there are one or more deficiencies in internal control, which are determined to be significant, whether communicated to those charged with governance on a timely basis.		
Whether it is communicated to management at an appropriate level, in writing, about the significant deficiencies in internal control communicated or intended to be communicated to those charged with governance (unless it would be inappropriate to communicate directly to management in the circumstances)		
Whether the communication includes the following: (a) A description of the deficiencies and an explanation of their potential effects; (b) Sufficient information to enable those charged with governance and management to understand the context of the communication. Whether the auditor has explained to those charged with governance: (i) The purpose of the audit was for the auditor to express an opinion on the financial statements; (ii) The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control; and (iii) The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance.		
SA 299(Revised) - Joint Audit of Financial Statements		
In case of joint audits, whether the division of work and responsibility is clearly documented and communicated to those charged with governance of the entity?		
Whether the issues concerning joint responsibilities and individual responsibilities identified?		
Whether there is any matter which requires the attention of other joint auditor? If so, has it been communicated to him in writing?		
In case of a disagreement with other joint auditors on certain reporting aspects, whether a separate auditor's report is issued?		
If the answer to the above question is yes, whether the reason for the same is documented?		

SA 300- Planning an Audit of Financial Statements		
Whether Brief Memorandum based on a review of working papers and highlighting issues identified in the audit just completed is available? Also whether results of previous audits for reviewing the operating effectiveness of internal controls been taken as part of the current planning of audit		
If so, whether the same has been updated in the current period based on the discussion with Owner/ Manager?		
Whether a preliminary exercise is done of identifying areas where there may be a higher risk of material misstatements?		
Whether the analytical procedures to be applied as risk assessment procedures identified?		
In respect of complex / unusual issues, whether it is desirable to consult with other suitably experienced Auditors or the Auditor's Professional Body?		
Whether Standard Audit programs and /or checklist tailored to the circumstances of the engagement have been drawn up?		
Whether the following additional matters that are required to be considered in Initial Audit Engagement have been looked into? • Review of the working papers of the predecessor Auditor. • Audit procedures necessary to obtain sufficient appropriate audit evidence. • Other procedures required by the firm's system of quality control.		
SA 315 - Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment		
Whether inquiry of management reveals an absence of performance measurement or review? If yes, there may be an increased risk of misstatement not being detected or corrected.		
Whether a study of understanding of internal control reveals that owner or manager exercises action, which overrides the control? If yes, the auditor takes this into account in identifying the risk of material misstatement due to fraud.		
Whether the Attitudes, Awareness and Actions of Management / Owner Manager have been observed to understand the entity's control management?		
Whether inquiry of employees involved in initiating, processing or recording complex or unusual transactions undertaken to evaluate the appropriateness of selection and application of certain accounting policies?		
Whether analytical procedures performed to identify the existence of unusual transactions or events and amounts, ratios, trends that might indicate matter that have audit implications?		

Whether observation and inspection procedure followed for checking of documents, records and internal control manuals, reports prepared by management and those charged with governance and also for the inspection of the entity's premises and plant facilities?		
Whether inquiry about identified risk is undertaken by the management and how they are addressed?		
Whether the business risks which give rise to risk of material misstatement been identified?		
Whether the risk assessment process of the entity evaluated, by understanding the process followed for identifying business risks relevant to financial reporting, estimating the significance of the risks, assessing the likelihood of their occurrence and deciding about actions to address those risks?		
Whether an understanding of the entity's information system and related business process relevant to financial reporting is carried out?		
Whether the auditor has used three types of assertions to consider different types of potential misstatements viz: (i) Assertions about classes of transactions and events for the period under audit; (ii) Assertions about account balances at the period end; and (iii) Assertions about presentation and disclosure.		
SA 320- Materiality in Planning and Performing an Audit		
Whether the materiality has been determined for the financial statements as a whole in establishing overall audit strategy?		
Whether performance materiality has been determined for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures?		
Whether there are any specific circumstances that require the determination of materiality level(s) to be applied to particular classes of transactions, account balances or disclosures?		
Whether the information during audit requires revision of level of materiality? and if so, whether the auditor has revised materiality?		
Whether the following are documented? • Materiality for the financial statements as a whole. • Materiality level for particular classes of transactions, account balances or disclosures. • Performance materiality. • Any revision of the above as the audit progressed.		

SA 330 – The Auditor's Responses to Assessed Risks		
Whether overall responses to address the assessed risks of material misstatement at the financial statement level has been designed and implemented?		
Whether further audit procedure in response to the assessed risk of material misstatement at the assertion level has been designed?		
Whether the appropriate audit procedure has been performed to ensure that the overall presentation of the financial statements, including related disclosures is in accordance with the applicable financial reporting framework?		
Whether sufficient appropriate audit evidence as to a material financial statement assertion has been obtained? Otherwise, express qualified opinion or a disclaimer of opinion.		
SA 402 - Audit Considerations Relating to an Entity Using a Service Organisation		
Whether a sufficient understanding of the nature and significance of the services provided by the service organization and their effect on the user entity's internal control relevant to the audit has been obtained to provide a basis for the identification and assessment of risks of material misstatement?		
Whether one or more of the following procedures have been followed to obtain the understanding if user auditor is not able to obtain sufficient understanding from the user entity? • Obtaining Type 1 or Type 2 report. • Contacting service organization, through user entity. • Visiting service organization and performing procedures that will provide the necessary information about the relevant controls. • Using another auditor to perform procedures that will provide the necessary information about the relevant controls.		
Whether service organization has reported to the user entity, or whether the user entity is otherwise aware of, any fraud, non-compliance with the laws and regulations or uncorrected misstatements affecting the financial statements of the user entity?		
In case user auditor is not able to obtain sufficient appropriate audit evidence, whether the required modification of the opinion in the auditor's report is made in accordance with SA 705(Revised)?		
SA 450 - Evaluation of Misstatements Identified During the Audit		
Whether all identified misstatements during the audit have been		

accumulated and communicated with the management unless prohibited by the law or regulation?		
In case, the management refuses to correct misstatement(s) then whether an understanding of management's reasons for not making corrections has been obtained? And, whether the financial statements are evaluated to ascertain that it is free from any material misstatement?		
Whether a written representation has been obtained from the management / those charged with Governance as to whether they believe that the effects of uncorrected material misstatements are immaterial, individually or in aggregate, to the financial statements as a whole?		
SA 500 - Audit Evidence		
While determining the reliability of audit evidence whether the following facts are considered? • Audit evidence is influenced by its source and by its nature, • Audit evidence is dependent on the individual circumstances under which it is obtained.		
Whether the audit procedures designed and performed are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence?		
While designing and performing audit procedures, whether the relevance and reliability of the information to be used as audit evidence considered?		
Where information to be used as audit evidence has been prepared using the work of a management's expert, whether the following have been done? (a) Evaluated the competence, capabilities and objectivity of that expert; (b) Obtained an understanding of the work of that expert; (c) Evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion.		
Where the information produced by the entity is used; whether the following have been done? (a) Obtained audit evidence about the accuracy and completeness of the information; (b) Evaluating whether the information is sufficiently precise and detailed.		
Where the audit evidence obtained from one source is inconsistent with the information obtained from another source, whether additional procedures were performed to resolve the inconsistency?		

SA 501 - Audit Evidence—Specific Considerations for Selected Items		
Where inventory is material to the financial statements whether sufficient appropriate audit evidence obtained, regarding existence and condition of inventory by attending physical inventory counting for: (i) Evaluating management's instructions and procedures for recording and controlling the results of the entity's physical inventory counting; (ii) Observing the performance of management's count procedures; (iii) Inspecting the inventory to identify obsolete, damaged or ageing of inventory; and (iv) Performing test counts;		
Whether audit procedures over the entity's final inventory records performed to determine whether they accurately reflect actual inventory count results?		
Where the physical inventory counting is conducted at a date other than the date of the financial statements, whether audit procedures performed to obtain evidence about the changes in inventory between the count date and the date of the financial statements are properly recorded?		
Where auditor was not able to attend physical inventory counting, whether some physical counts made or observed on an alternative date, and if so whether audit procedures on intervening transactions performed?		
Where the attendance at physical inventory counting is impracticable, whether alternative audit procedures performed to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory? If that is also not possible, whether modified opinion issued in accordance with SA 705(Revised)?		
When inventory under the custody and control of a third party is material to the financial statements, whether sufficient appropriate audit evidence obtained regarding the existence and condition of that inventory by performing one or both of the following: (a) Requesting confirmation from the third party as to the quantities and condition of inventory held on behalf of the entity. (b) Performing inspection or other audit procedures appropriate in the circumstances.		
Whether audit procedures designed and performed to identify litigation and claims involving the entity which may give rise to a		

risk of material misstatement included the following: (a) Inquiry of the management and, where applicable, others within the entity, including in-house legal counsel; (b) Review of minutes of meetings of those charged with governance and correspondence between the entity and its external legal counsel; and (c) Review of legal expense accounts.		
Where a risk of material misstatement is assessed regarding litigation or claims that have been identified, or when audit procedures performed indicate that other material litigation or claims may exist, whether a direct communication with the entity's external legal counsel sought? (The auditor shall do so through a letter of inquiry, prepared by management and sent by the auditor, requesting the entity's external legal counsel to communicate directly with the auditor. If law, regulation or the respective legal professional body prohibits the entity's external legal counsel from communicating directly with the auditor, the auditor shall perform alternative audit procedures.)		
Where (a) management refuses to give permission to communicate or meet with the entity's external legal counsel, or the entity's external legal counsel refuses to respond appropriately to the letter of inquiry, or is prohibited from responding; and (b) It is not possible to obtain sufficient appropriate audit evidence by performing alternative audit procedures, whether modified opinion issued in accordance with SA 705(Revised)?		
Whether written representations includes a statement from the management and, where appropriate, those charged with governance that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and appropriately accounted for and disclosed in accordance with the applicable financial reporting framework?		
Whether sufficient appropriate audit evidence obtained regarding the presentation and disclosure of segment information in accordance with the applicable financial reporting framework by: (a) Obtaining an understanding of the methods used by management in determining segment information, and: • Evaluating whether such methods are likely to result in disclosure in accordance with the applicable financial reporting framework; and • Where appropriate, testing the application of such methods; and		

(b) Performing analytical procedures or other audit procedures appropriate in the circumstances.		
SA 505 - External Confirmations		
When using external confirmation procedures, whether control over external confirmation requests maintained, including: (a) Determining the information to be confirmed or requested; (b) Selecting the appropriate confirming party; (c) Designing the confirmation requests, including determining that requests are properly addressed and contain return information for responses to be sent directly to the auditor; and (d) Sending the requests, including follow-up requests when applicable, to the confirming party.		
Where the management refuses to allow the auditor to send a confirmation request: (a) Whether it is inquired as to reasons for the refusal? (b) Whether audit evidence as to its validity and reasonableness obtained? (c) Whether an evaluation done about the implications of management's refusal on the auditor's assessment of the relevant risks of material misstatement, including the risk of fraud, and on the nature, timing and extent of other audit procedures? and (d) Whether alternative audit procedures performed to obtain relevant and reliable audit evidence?		
Where it is concluded that management's refusal to allow sending a confirmation request is unreasonable, or where it was not possible to obtain relevant and reliable audit evidence from alternative audit procedures, whether the same has been communicated to those charged with governance in accordance with SA 260 (Revised)?		
In the above instance whether a determination on the implications for the audit and the auditor's opinion in accordance with SA 705(Revised) was made?		
In the event of a doubt about the reliability of the response to a confirmation request, whether further audit evidence to resolve those doubts was obtained?		
Where it is determined that a response to a confirmation request is not reliable, whether its implications on the assessment of the relevant risks of material misstatement, including the risk of fraud, and on the related nature, timing and extent of other audit procedures considered?		
What is the form of confirmation requested?		

a) Positive b) Negative		
Where in respect of a positive confirmation request for which no reply was received, whether alternative audit procedures performed provide relevant and reliable audit evidence which the confirmation would have provided?		
Where it is determined that a response to a positive confirmation request is necessary to obtain sufficient appropriate audit evidence, alternative audit procedures will not provide the audit evidence, and no such confirmation is obtained, whether a determination on the implications for the audit and the auditor's opinion in accordance with SA 705(Revised), was made?		
Whether an investigation on exceptions to determine whether or not they are indicative of misstatements was made?		
Where it is decided to obtain negative confirmations is it ensured that the following factors are present: (a) The auditor has assessed the risk of material misstatement as low and has obtained sufficient appropriate audit evidence regarding the operating effectiveness of controls relevant to the assertion; (b) The population of items subject to negative confirmation procedures comprises a large number of small, homogeneous, account balances, transactions or conditions; (c) A very low exception rate is expected; and (d) The auditor is not aware of circumstances or conditions that would cause recipients of negative confirmation requests to disregard such requests.		
Whether the results of the external confirmation procedures evaluated for providing relevant and reliable audit evidence? or is it necessary to perform further audit procedures?		
SA 510 - Initial Audit Engagements - Opening Balances		
Whether the most recent financial statements, if any, and the predecessor auditor's report thereon, if any, read for information relevant to opening balances, including disclosures?		
Whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, any adjustments have been disclosed as prior period items in the current year's Statement of Profit and Loss?		
Whether the opening balances reflect the application of appropriate accounting policies?		
Where the prior year financial statements were audited, whether the copies of the audited financial statements including the other		

relevant documents relating to the prior period financial statements pursued?		
Whether audit procedures performed in the current period provide evidence relevant to the opening balances;		
Whether specific audit procedures performed to obtain evidence regarding the opening balances?		
Where it is determined that the opening balances contain misstatements that could materially affect the current period's financial statements, whether appropriate additional audit procedures performed to determine the effect on the current period's financial statements?		
Where it is determined that misstatements exist in the current period's financial statements, whether it is communicated with the appropriate level of management and those charged with governance in accordance with SA 450?		
Is sufficient appropriate audit evidence obtained about whether the accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, and whether changes in the accounting policies have been properly accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework?		
Where the prior period's financial statements contained a modified auditor's opinion, whether evaluation about the effect of the matter giving rise to the modification in assessing the risks of material misstatement in the current period's financial statements in accordance with SA 315 was made?		
Where it is not possible to obtain sufficient appropriate audit evidence regarding the opening balances, whether a qualified opinion or a disclaimer of opinion, as appropriate issued, in accordance with SA 705(Revised)?		
Where it is concluded that the opening balances contain a misstatement that materially affects the current period's financial statements, and the effect of the misstatement is not properly accounted for or not adequately presented or disclosed, whether a qualified opinion or an adverse opinion, as appropriate, expressed in accordance with SA 705(Revised)?		
Where it is concluded that the: (a) Current period's accounting policies are not consistently applied in relation to opening balances in accordance with the applicable financial reporting framework; or (b) A change in accounting policies is not properly accounted for or not adequately presented or disclosed in accordance with the applicable financial reporting framework,		

Whether a qualified opinion or an adverse opinion expressed as appropriate in accordance with SA 705(Revised)?		
Where the predecessor auditor's opinion regarding the prior period's financial statements included a modification to the auditor's opinion that remains relevant and material to the current period's financial statements, whether opinion on the current period's financial statements modified in accordance with SA 705(Revised) and SA 710?		
SA 520 - Analytical Procedures		
Where analytical procedures were planned to be used either alone or in combination with tests of details, as substantive procedures in accordance with SA 330: (a) Whether the suitability of particular substantive analytical procedures determined, for given assertions, taking account of the assessed risks of material misstatement and tests of details, if any, for these assertions; (b) Whether the following were evaluated? • Reliability of the data • Relevance of the information • Source of the information • Comparability of the information • Control over preparation (c) Whether an expectation of recorded amounts or ratios developed? (d) Whether the expectation is sufficiently precise to identify a misstatement that, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated? (e) Whether a determination about the amount of difference of recorded amounts from expected values that is accepted without further investigation is made?		
Whether the analytical procedures performed near the end of the audit, assist in forming an overall conclusion about the consistency of the financial statements with the auditor's understanding of the entity?		
Where the analytical procedures performed in accordance with this SA identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, whether it is investigated by: (a) Inquiring of management and obtaining appropriate audit evidence relevant to management's responses; and (b) Performing other audit procedures as necessary in the circumstances.		

SA 530 - Audit Sampling		
While employing the sampling technique for audit evidence whether the following factors considered? a) Purpose of the audit procedure. b) Characteristics of the population. c) Sufficiency of the sample size.		
Where the audit procedure is not applicable to the selected item, whether the procedure performed on a replacement item?		
Where it is not possible to apply the designed audit procedures, or suitable alternative procedures, to a selected item or the replaced item, whether it is treated as a deviation from the prescribed control, in the case of tests of controls, or a misstatement, in the case of tests of details?		
Whether the nature and cause of any deviations or misstatements identified, investigated and evaluated for their possible effect on the purpose of the audit procedure and on other areas of the audit?		
Where it is considered (in extremely rare circumstances) that a misstatement or deviation discovered in a sample to be an anomaly, whether a high degree of certainty obtained that such misstatement or deviation is not representative of the population?		
Whether additional audit procedures performed to obtain sufficient appropriate audit evidence that the misstatement or deviation does not affect the remainder of the population?		
Where the sampling technique is adopted for tests of details, whether misstatements found in the sample are projected to the population?		
Whether the use of audit sampling has provided a reasonable basis for conclusions about the population that has been tested?		
SA 540- Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures		
Whether an understanding of the following obtained in order to provide a basis for the identification and assessment of the risks of material misstatement for accounting estimates: (a) The requirements of the applicable financial reporting framework relevant to accounting estimates, including related disclosures. (b) How management identifies those transactions, events and conditions that may give rise to the need for accounting estimates to be recognized or disclosed in the financial statements. (c) Whether the management inquired about changes in		

circumstances that may give rise to new, or the need to revise existing, accounting estimates? (d) How management makes the accounting estimates, and an understanding of the data on which they are based, including: • The method, including where applicable the model, used in making the accounting estimate; • Relevant controls; • Whether management has used an expert; • The assumptions underlying the accounting estimates; • Whether there has been or ought to have been a change from the prior period in the methods for making the accounting estimates, and if so, why; and • Whether and, if so, how management has assessed the effect of estimation uncertainty.		
Whether a review of the outcome of accounting estimates included in the prior period financial statements done, or, where applicable, their subsequent re-estimation for the purpose of the current period.		
Whether such a review did take into account the nature of the accounting estimates?		
Whether the information obtained from the review would be relevant for identifying and assessing risks of material misstatement of accounting estimates made in the current period financial statements?		
While identifying and assessing the risk of material misstatements, whether the degree of estimation uncertainty associated with an accounting estimate taken into consideration?		
Whether any of the accounting estimates that have been identified as having high estimation uncertainty give rise to significant risks?		
Is it determined: (a) Whether management has appropriately applied the requirements of the applicable financial reporting framework relevant to the accounting estimate; and (b) Whether the methods for making the accounting estimates are appropriate and have been applied consistently and whether changes, if any, in accounting estimates or in the method for making such estimates from the prior period are appropriate in the circumstances.		
In determining the response to the assessed risks of material misstatement, whether the following done? (a) Determine whether events occurring up to the date of the auditor's report provide audit evidence regarding the accounting estimate.		

(b) Test how management made the accounting estimate and the data on which it is based. In doing so, whether the following evaluated: • The method of measurement used is appropriate in the circumstances; and • The assumptions used by management are reasonable in light of the measurement objectives of the applicable financial reporting framework. (c) Test the operating effectiveness of the controls over how management made the accounting estimate, together with appropriate substantive procedures. (d) Develop a point estimate or a range to evaluate management's point estimate. (For this purpose: • Where the auditor uses assumptions or methods that differ from management's, the auditor shall obtain an understanding of management's assumptions or methods sufficient to establish that the auditor's point estimate or range takes into account relevant variables and to evaluate any significant differences from management's point estimate. • When the auditor concludes that it is appropriate to use a range, the auditor shall narrow the range, based on audit evidence available, until all outcomes within the range are considered reasonable)		
Whether special skills or knowledge in relation to one or more aspects of the accounting estimates are required in order to obtain sufficient appropriate audit evidence?		
Whether the following evaluated? (a) How management has considered alternative assumptions or outcomes, and (b) Why it has rejected them, or (c) How management has otherwise addressed estimation uncertainty in making the accounting estimate. (d) Whether the significant assumptions used by management are reasonable. (e) Where relevant to the reasonableness of the significant assumptions used by management or the appropriate application of the applicable financial reporting framework, management's intent to carry out specific courses of action and its ability to do so.		
Where it is determined that management has not adequately addressed the effects of estimation uncertainty on the accounting estimates that give rise to significant risks, whether a range with which to evaluate the reasonableness of the accounting estimate developed?		

For accounting estimates that give rise to significant risks, whether sufficient appropriate audit evidence obtained to determine whether the following are in accordance with the requirements of the applicable financial reporting framework: (a) Management's decision to recognize, or to not recognize, the accounting estimates in the financial statements; and (b) The selected measurement basis for the accounting estimates.		
Whether evaluated based on the audit evidence, whether the accounting estimates in the financial statements are either reasonable in the context of the applicable financial reporting framework, or are misstated?		
Whether sufficient appropriate audit evidence obtained about the disclosures in the financial statements related to accounting estimates are in accordance with the requirements of the applicable financial reporting framework?		
For accounting estimates that give rise to significant risks, whether the adequacy of the disclosure evaluated and of their estimation uncertainty in the financial statements in the context of the applicable financial reporting framework?		
Whether the judgments and decisions made by the management in making the accounting estimates are reviewed to identify whether there are indicators of possible management bias?		
Whether written representations obtained from management as to significant assumptions used by it in making accounting estimates are reasonable?		
Whether the following documented? (a) The basis for the auditor's conclusions about the reasonableness of accounting estimates and their disclosure that give rise to significant risks; and (b) Indicators of possible management bias, if any.		
SA 550 - Related Parties		
Whether the engagement team discussion included specific consideration of the susceptibility of the financial statements to material misstatement due to fraud or error that could result from the entity's related party relationships and transactions?		
Whether the following inquired of the management? (a) The identity of the entity's related parties, including changes from the prior period; (b) The nature of the relationships between the entity and these related parties; (c) Whether the entity entered into any transactions with these		

related parties during the period and, if so, the type and purpose of the transactions.		
Whether risk assessment procedures considered appropriate performed, to obtain an understanding of the controls, if any, that management has established to: (a) Identify, account for, and disclose related party relationships and transactions in accordance with the applicable financial reporting framework; (b) Authorize and approve significant transactions and arrangements with related parties; (c) Authorize and approve significant transactions and arrangements outside the normal course of business.		
Is the audit team alert to the fact when inspecting records or documents, for arrangements or other information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor?		
Where a related party or significant related party transactions identified that management has not previously identified or disclosed: (a) Whether it is promptly communicated to the other members of the engagement team; (b) Whether the management is requested to identify all transactions with the newly identified related parties for further evaluation; and (c) Whether is it inquired to find out why the entity's controls over related party relationships and transactions failed to enable the identification or disclosure of the related party relationships or transactions; (d) Whether appropriate substantive audit procedures performed relating to such newly identified related parties or significant related party transactions; (e) Whether the risk of other related parties or significant related party transactions may exist that management has not previously identified or disclosed to the auditor, is reconsidered and in such a case whether additional audit procedures as necessary are performed? and (f) Where it is determined that the non-disclosure by management appears intentional (and therefore indicative of a risk of material misstatement due to fraud), whether the implications for the audit evaluated?		
Where significant transactions outside the entity's normal course of business were identified when performing the audit procedures, whether the management inquired about: (a) The nature of these transactions; and (b) Whether related parties could be involved.		

Where the significant related party transactions outside the entity's normal course of business are identified? If so how the risk of material misstatement assessed?		
For identified significant related party transactions outside the entity's normal course of business, whether the following done? (a) Inspect the underlying contracts or agreements, if any, and whether it is evaluated to ascertain: • The business rationale (or lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets; • The terms of the transactions are consistent with management's explanations; and • The transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework; and (b) Obtain audit evidence that the transactions have been appropriately authorized and approved.		
When the management has made an assertion in the financial statements to the effect that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction, whether sufficient appropriate audit evidence about the assertion obtained?		
While forming an opinion on the financial statements whether the following evaluated? (a) The identified related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework; and (b) The effects of the related party relationships and transactions which prevent the financial statements from achieving true and fair presentation (for fair presentation frameworks); or cause the financial statements to be misleading (for compliance frameworks).		
Whether a written representations from management and where appropriate, those charged with governance obtained including the following. (a) They have disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and (b) They have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.		

Whether the names of the identified related parties and the nature of the related party relationships documented?		
SA 560 - Subsequent Events		
Whether audit procedures designed and performed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified?		
Whether the audit procedures include the following: (a) Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified. (b) Inquiring of management and, where appropriate, those charged with governance as to whether any subsequent events have occurred which might affect the financial statements. (c) Reading minutes, if any, of the meetings, of the entity's owners, management and those charged with governance, that have been held after the date of the financial statements and inquiring about matters discussed at any such meetings for which minutes are not yet available. (d) Reading the entity's latest subsequent interim financial statements, if any.		
Where the events that require adjustment or disclosure in the financial statements are identified, whether it is ensured that each such event is appropriately reflected in those financial statements?		
Whether the "Written Representations" includes a statement that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed?		
When, after the date of the auditor's report but before the date the financial statements are issued, a fact becomes known that, had it been known at the date of auditor's report, may have caused the amendment to auditor's report, whether the following done: (a) Discuss the matter with management and, where appropriate, those charged with governance. (b) Determine whether the financial statements need amendment and, (c) If so, inquire how management intends to address the matter in the financial statements.		

Where the management amends the financial statements, whether the audit procedures necessary in the circumstances on the amendment are carried out?		
When a new auditor's report on the amended financial statements is issued, whether it is ensured that, it is not dated earlier than the date of approval of the amended financial statements?		
When law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent events or events causing that amendments and those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment, did you restrict the audit procedures on subsequent events that caused the amendment. In such cases, whether the following option exercised: (a) Amending the auditor's report to include an additional date restricted to that amendment that thereby indicates that the audit procedures on subsequent events are restricted solely to the amendment of the financial statements described in the relevant note to the financial statements; or (b) Providing a new or amended auditor's report that includes a statement in an Emphasis of Matter paragraph or Other Matter(s) paragraph that conveys that audit procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements.		
The management may not be required by the applicable law, regulation or the financial reporting framework to issue amended financial statements and, accordingly, the auditor need not provide an amended or new auditor's report. However, when management does not amend the financial statements in circumstances where in auditor's belief they need to be amended, then: (a) If the auditor's report has not yet been provided to the entity, whether it is modified as required by SA 705(Revised); or (b) If the auditor's report has already been provided to the entity, whether it is notified to the management and, unless all of those charged with governance are involved in managing the entity, those charged with governance, not to issue the financial statements to third parties before the necessary amendments have been made. If the financial statements are nevertheless subsequently issued without the necessary amendments, whether appropriate action taken, to seek to prevent reliance on the auditor's report.		

When, after the financial statements have been issued, a fact becomes known, that, had it been known at the date of the auditor's report, may have caused the amendment to the auditor's report, whether the following done? (a) Discuss the matter with management and, where appropriate, those charged with governance. (b) Determine whether the financial statements need amendment and, (c) If so, inquire how management intends to address the matter in the financial statements		
Where the management amends the financial statements whether the following done? • Carry out the necessary audit procedures. • Review the steps taken by management to ensure that anyone in receipt of the previously issued financial statements together with the auditor's report thereon is informed of the situation. • Amend the auditor's report, or provide a new auditor's report as required.		
Whether it is ensured that amended/new auditor's report included an Emphasis of Matter paragraph or Other Matter(s) paragraph referring to a note to the financial statements that more extensively discusses the reason for the amendment of the previously issued financial statements and to the earlier auditor's report?		
If management does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation and does not amend the financial statements in circumstances where in auditor's belief they need to be amended, whether the management and, unless all of those charged with governance are involved in managing the entity, those charged with governance, notified, that you will seek to prevent future reliance on the auditor's report. If, despite such notification, management or those charged with governance do not take these necessary steps, whether appropriate action to seek to prevent reliance on the auditor's report taken?		
SA 570(Revised) - Going Concern		
Whether there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern considered? Whether the management has already performed preliminary assessment of the entity's ability to continue as a going concern,		

and: (a) If such an assessment has been performed, whether it is discussed with management to determine that the management has identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern and, if so, management's plans to address them; or (b) If such an assessment has not yet been performed, whether it is discussed with the management the basis for the intended use of the going concern basis of accounting and inquire of management whether events or conditions exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern.		
Did the audit team remain alert throughout the audit for audit evidence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern?		
Whether management's assessment of the entity's ability to continue as a going concern evaluated?		
In evaluating management's assessment of the entity's ability to continue as a going concern, whether the same period as that used by management, covered to make its assessment as required by the applicable financial reporting framework or by law or regulation if it specifies a longer period. If management's assessment of the entity's ability to continue as a going concern covers less than twelve months from the date of the financial statements as defined in SA 560, whether management is requested to extend its assessment period to at least twelve months from that date?		
In evaluating management's assessment, whether it is considered that management's assessment includes all relevant information arising as a result of the audit?		
Is the management inquired as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern?		
When events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, whether sufficient appropriate audit evidence obtained to determine whether or not a material uncertainty exists through performing additional audit procedures, including consideration of mitigating factors. These procedures shall include: (a) When management has not yet performed an assessment of the entity's ability to continue as a going concern, is it requested to make such assessment?		

(b) Is management's plans for future actions evaluated in relation to its going concern assessment as to whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible in the circumstances? (c) When the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in considering the future outcome of events or conditions in the evaluation of management's plans for future action, whether the following done? • Evaluated the reliability of the underlying data generated to prepare the forecast; and • Determined whether there is adequate support for the assumptions underlying the forecast. (d) Whether any additional facts or information have become available since the date on which management made its assessment considered? (e) Whether written representations from management or, where appropriate, those charged with governance, regarding their plans for future action and the feasibility of these plans obtained?		
Based on the audit evidence obtained, whether in auditor's judgment, a material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern? (A material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary for: (a) In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or (b) In the case of a compliance framework, the financial statements not to be misleading)		
Where it is concluded that the use of the going concern basis of accounting is appropriate in the circumstances but a material uncertainty exists, is it determined that whether the financial statements: (a) Adequately describe the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans to deal with these events or conditions; and (b) Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore,		

that it may be unable to realize its assets and discharge its liabilities in the normal course of business.		
Where adequate disclosure about the material uncertainty is made in the financial statements is it ensured that an unmodified opinion which includes a separate section "Material Uncertainty Related to Going Concern" is issued to: (a) Draw attention to the note in the financial statements that discloses the matters set out in paragraph 19 of this SA; and (b) State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and that the auditor's opinion is not modified in respect of the matter.		
Where adequate disclosure about the material uncertainty is not made in the financial statements, whether the auditor's report expresses a qualified or adverse opinion, as appropriate in accordance with SA 705(Revised)? Does the auditor's report state that there is a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and the financial statements do not adequately disclose this matter?		
Where it is considered that the management's use of the going concern basis of accounting in the preparation of financial statements is inappropriate, whether an adverse opinion expressed?		
Where the management is unwilling to make or extend its assessment when requested to do so, whether the auditor considers the implications for the auditor's report?		
Is it ensured that unless all those charged with governance are involved in managing the entity, they are communicated about events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern? Whether such communication includes the following: (a) The events or conditions that constitute a material uncertainty; (b) The appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements; (c) The adequacy of related disclosures in the financial statements; and (d) Implications for the auditor's report.		
When there is significant delay in the approval of the financial statements by management or those charged with governance after the date of the financial statements, is the reasons for the delay, inquired?		

Where it is believed that the delay could be related to events or conditions relating to the going concern assessment, whether additional audit procedures necessary were performed and appropriate conclusions reached?		
SA 580 - Written Representations		
Whether written representations from management with appropriate responsibilities for the financial statements and knowledge of the matters concerned, obtained?		
Whether written representation includes the following? (a) Statement from the management that it has fulfilled its responsibility for the preparation of the financial statements as set out in the terms of the audit engagement. (b) The financial statements are prepared in accordance with the applicable financial reporting framework. (c) The management has provided the auditor with all relevant information agreed and access in the terms of the audit engagement. (d) All transactions have been recorded and are reflected in the financial statements. (e) Representations required in terms of other SAs.		
Is it ensured that the date of the written representation is as near as practicable to, but not after, the date of the auditor's report on the financial statements?		
Is it ensured that the written representation covers all financial statements and period(s) referred to in the auditor's report?		
Where the competence, integrity, ethical values or diligence of management or about its commitment to or enforcement of these is a matter of concern, whether the effect that such concerns may have on the reliability of representations (oral or written) and audit evidence in general is determined?		
Where the written representations are inconsistent with other audit evidence, whether audit procedures to attempt to resolve the matter performed?		
If the matter remains unresolved, whether a determination on the reliability of representations (oral or written) and audit evidence in general, made?		
Where it is concluded that the written representations are not reliable, whether its effect on audit opinion determined?		
Where the management does not provide one or more of the requested written representations, whether: (a) It is discussed with the management; (b) The integrity of management and the effect that this may		

have on the reliability of representations (oral or written) and audit evidence in general re-evaluated; and (c) Appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance with SA 705(Revised), taken?		
Whether a disclaimer of opinion issued where it is concluded that: (a) There is sufficient doubt about the integrity of management such that the written representations are not reliable; or (b) Management does not provide the written representations required		
SA 600 – Using the Work of Another Auditor		
Whether an assessment is made as to how the work of other auditor will affect work of the principal auditor?		
Where the other auditor is not a member of ICAI, how his professional competence is judged? For example: For a foreign branch, locally qualified CA/CPA may conduct the audit in accordance with the rules of the country wherein the branch is situated.		
Whether an advice is circulated to the other auditor about the nature & matters to be covered in his report, significant accounting and auditing reporting requirements and the usage of his report?		
Whether adequate procedures are performed to obtain sufficient appropriate audit evidence, that the work of the other auditor is adequate for the principal auditor's purpose?		
Whether the principal auditor documented in working papers the following matters: a) The components whose financial information was audited by other auditors and their significance to the financial information of the entity as a whole; b) The names of the other auditors; c) Any conclusions reached that individual components are not material; d) The procedures performed and the conclusions reached; e) The results of discussions with other auditor and review of the written summary of the other auditor's procedures; and f) Where the other auditor's report is other than unmodified, how the qualifications or adverse remarks contained in the other auditor's report dealt with while framing the auditor's report.		
Whether significant findings of the other auditor, if any, are considered?		

Where other auditor's report contains qualification/adverse remarks, how the same has been dealt with in the auditor's report?		
Where the principal auditor concludes, based on his procedures that the work of the other auditor cannot be used nor has he been able to perform sufficient additional procedures regarding the financial information of the component, is it ensured that a qualified opinion or disclaimer of opinion is expressed?		
Whether the auditor's report clearly discloses the division of reporting responsibility?		
SA 610(Revised) - Using the Work of Internal Auditors		
Whether and to what extent the work of the internal auditor is used?		
Whether it has been determined that the work of internal audit function can be used for the purposes of the audit, by evaluating the following: a) The extent of internal audit function's organizational status and relevant policies and procedures supporting the objectivity of the internal auditors; b) The level of competence of internal audit function; and c) The application of systematic and disciplined approach including quality control in the internal audit function?		
If it is decided to use the work of an internal auditor, is it properly planned and coordinated in respect of the audit areas to be covered?		
Is the specific work of the internal auditor evaluated in terms of scope of work, planning, execution, sufficiency of evidence collected and conclusions reached?		
Whether sufficient audit procedures are performed on the work of internal auditor to determine its adequacy for purposes of the audit?		
Whether the above audit procedures and evaluation of the work of internal auditor is documented and recorded in the working paper file?		
SA 620 – Using the Work of an Auditor's Expert		
Whether it is necessary to use the work of auditor's expert for the purpose of obtaining sufficient appropriate audit evidence in a field other than accounting and auditing?		
Whether in deciding the audit procedure, materiality, nature and complexity of the item and availability of other evidences are considered?		
Whether the expert's skills, competence, capabilities, objectivity, confidentiality and his relationship with the client are evaluated?		

Whether the expert's work is evaluated in terms of relevance and reasonableness of expert's findings and their consistency with other audit evidence, relevance, completeness and accuracy of source data used, relevance and reasonableness of significant assumptions and methods used?		
Where it is decided to issue an other than unmodified auditor's report, whether an indication is made in the auditor's report that reference to the use of the auditor's expert work does not reduce the responsibility of the Auditor for that opinion?		
SA 700(Revised) - Forming an Opinion and Reporting on Financial Statements		
Whether an opinion is formed on the preparation of financial statements, in all material respects, in accordance with the applicable financial reporting framework?		
In forming an opinion, whether a conclusion is made that reasonable assurance has been obtained that the financial statements as a whole are free from material misstatement due to fraud or error?		
Whether the conclusion drawn has taken into account the following? • Sufficient appropriate audit evidence. • Materiality or otherwise of the uncorrected misstatements. • Evaluation of the preparation of the financial statements in all material aspects in accordance with the requirements of the applicable financial reporting framework. • Evaluation of the adequate reference or description of the applicable financial reporting framework.		
If the financial statements are prepared, in all material respects, in accordance with the applicable financial framework, is it ensured that an expression of unmodified opinion is made in the auditor's report?		
Otherwise, whether the opinion is modified in accordance with SA 705(Revised)?		
Whether the auditor's report is in writing and contains the following basic elements? 1) Title 2) Addressee 3) Auditor's Opinion 4) Basis for Opinion 5) Going Concern (Wherever applicable) 6) Key Audit Matters(Description of each Key Audit Matter in accordance with SA 701, wherever applicable)		

7) Other Information (Wherever applicable) 8) Responsibilities for the Financial Statements 9) Auditor's Responsibilities for the Audit of the Financial Statements 10) Report on Other Legal and Regulatory Requirements 11) Signature of the Auditor including membership number and firm registration number 12) UDIN 13) Place of Signature 14) Date of the Auditor's Report		
SA 701 – Communicating Key Audit Matters in the Independent Auditor's Report		
Whether there were matters, which as per auditor's professional judgment were of most significance in the audit of the financial statements of the current period?		
Whether the identified key audit matters selected from matters communicated with those charged with governance?		
In determining the matters which required significant auditor attention during the audit, whether the following have been taken into account: a) Areas of higher assessed risk of material misstatements or significant risks identified in accordance with SA 315. b) Areas in the financial statements that involved significant management judgment including accounting estimates that have been identified as having high estimation uncertainty, which involved significant auditor judgment. c) Significant events or transactions during the period which had a significant effect on the audit.		
Whether any key audit matters have been determined while forming an opinion on the financial statements, which needs to be communicated in the auditor's report?		
The introductory language in the Key Audit Matters Section should state as follows: • Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period; and • These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, the auditor does not provide a separate opinion on these matters.		
Whether the description of each key audit matter in the Key Audit Matters section of the auditor's report include a reference to the related disclosures, if any, in the financial statements and also addresses the following: • Why the matter was considered to be of most significance in		

the audit and therefore determined to be the key audit matter; and • How the matter was addressed in the audit.		
Whether the following have been documented for the key audit matters findings: a) The matters that required significant attention and the rationale for determination as to whether or not each of the matters is a key audit matter; b) The rationale for determination that there are no key audit matters to communicate in the auditor's report, where applicable; and c) The rationale for determination not to communicate in the auditor's report a matter determined to be a key audit matter.		
SA 705(Revised) – Modifications to the Opinion in the Independent Auditor's Report		
Where the misstatements, either individually or in aggregate are material but not pervasive or the possible effects on the financial statements of undetected misstatements could be material but not pervasive, whether a qualified opinion is expressed?		
Where the misstatements, either individually or in the aggregate are material and pervasive, whether an adverse opinion is expressed?		
Where auditor is unable to obtain sufficient appropriate audit evidence and concludes that the possible effects on the financial statements of undetected misstatements could be material and pervasive, whether a disclaimer of opinion is expressed?		
Where the management refuses to remove the limitation, if any, imposed on the scope of the audit, whether the following opinion is expressed in the auditor's report? • The possible effects on the financial statements of undetected misstatements could be material but not pervasive - qualified opinion. • Unable to obtain sufficient appropriate audit evidence and concludes that the possible effects on the financial statements of undetected misstatements could be material and pervasive – disclaimer of opinion.		
When the modified opinion is included, whether the "Basis for Opinion" paragraph is modified and stated as "Basis for Qualified/Adverse/Disclaimer of Opinion" as appropriate. Whether within this section a paragraph providing the description of the matter giving rise to the modification is included.		
If there is material misstatement in the financial statements that relates to specific amounts, whether a description and quantification of the financial effects of the misstatement is		

included in the Basis for Opinion section, unless impracticable. If it is impracticable to quantify the financial effects, whether it is stated so.		
If there is material misstatement in the financial statements that relates to the non-disclosure of information required to be disclosed, whether such non-disclosure discussed with those charged with governance. • Whether a description of the nature of omitted information included in the Basis for Opinion section. • Whether the omitted disclosures are included if practicable and not prohibited by law or regulation. • Also whether it is stated that sufficient appropriate audit evidence was obtained about the omitted information.		
Where the modification is on account of inability to obtain sufficient appropriate audit evidence, whether the reasons for such inability included in the Basis for Opinion section.		
In case of Disclaimer of Opinion on the financial statements, whether following is not included in the auditor's report as per SA 700(Revised): • A reference to the section of the auditor's report where the auditor's responsibilities are described; and • A statement about whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion.		
When a modified opinion is expected, whether the circumstances that led to the modification and its proposed wording are communicated to those charged with governance?		
SA 706(Revised) - Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report		
Whether a matter which is appropriately presented or disclosed in the financial statements, is considered as per judgment to be of such importance that it is fundamental to users' understanding of the financial statements, included under Emphasis of Matter paragraph.		
Whether a matter other than those presented or disclosed in the financial statements, is considered as per judgment to be of relevance to users' understanding of the audit, the auditor's responsibilities or the auditor's report, included in the Other Matter paragraph.		
While incorporating the Emphasis of Matter paragraph, whether following have been considered: • Separate paragraph within a section in the auditor's report with an appropriate heading "Emphasis of Matter". • A clear reference to the matter being emphasized and to		

where the relevant disclosures that fully describe the matter can be found in the financial statements. • Indicating that the auditor's opinion is not modified in respect of the matter emphasized.		
While incorporating the Other Matter paragraph, whether following have been considered: • Such reporting is not prohibited by law or regulation; and • Where SA 701 applies, the matter has not been determined to be a key audit matter to be communicated in the auditor's report.		
When it is expected that an emphasis of matter paragraph or other matter paragraph will be included in the auditor's report, whether this expectation and its proposed wording are communicated to those charged with governance?		
SA 710 – Comparative Information – Corresponding Figures and Comparative Financial Statements		
Whether the comparative information included in the financial statements have been presented, in all material respects, in accordance with the requirements for comparative information in the applicable financial reporting framework? Whether the reporting is in accordance with the auditor's reporting responsibilities?		
Whether it is evaluated that the comparative information agrees with the amounts and other disclosures presented in the prior period; and The accounting policies reflected in the comparative information are consistent with those applied in the current period or if there have been changes in accounting policies, whether those have been properly accounted for and adequately presented and disclosed?		
Whether sufficient appropriate audit evidence is obtained in respect of the above?		
Whether it is ensured that in respect of corresponding figures, the current auditor's report should not specifically identify comparatives?		
If the auditor's report for the prior period is modified but the issue, which caused the modification, is unresolved is it ensured that the current auditor's report is also modified with respect to corresponding figures?		
If the issue, which resulted in modification of the previous auditor's report, is not resolved but does not require modification in the current year report, is it ensured that the auditor's report is modified only for the prior period?		

Where the matter, which gave rise to the issuance of a modified auditor's report in the earlier period is resolved, has it been ensured that the current year report does not draw a reference to the same? However, if the matter is material to the current period, the same may be included as emphasis of matter paragraph.		
If the auditor comes across a situation where in respect of a previous financial statements which was materially misstated and in unusual circumstances an unmodified report was issued, whether it is examined that appropriate disclosures have been made in the current financial statements? OR If appropriate disclosures have not been made, is it ensured that a modified report for the current financials modified with respect to the corresponding figures included therein is issued?		
When prior period financial statements were audited by a predecessor auditor, whether the incoming auditor has stated in the auditor's report in Other Matter Paragraph that the financial statements of the prior period were audited by the predecessor auditor, the type of opinion expressed, if the opinion was modified, the reasons therefor and the date of that report.		
When prior period financial statements were not audited, whether the incoming auditor has stated in the auditor's report in Other Matter Paragraph that the corresponding figures are unaudited?		
SA 720(Revised) – The Auditor's Responsibilities Relating to Other Information		
Whether discussion with management was made to determine which document(s) comprises the Annual Report and the entity's planned manner and timing of issuance of such document(s)?		
Whether arrangements were made with management to timely obtain final version of the document(s) comprising the Annual Report?		
Whether other information was read to consider the following: • Material inconsistency between other information and financial statements? • Material inconsistency between other information and auditor's knowledge obtained in the audit?		
Whether auditor remained alert for indications that other information not related to financial statements or auditor's knowledge obtained in the audit appears to be materially		

misstated?		
In case of any material misstatement found in other information, whether management was requested to correct other information: • If in above case, management agrees for correction, whether it was determined that correction was made? • If in above case, management refuses for correction, whether the matter was communicated with those charged with governance and request was made to them for correction?		
Whether other information obtained by auditor has been reported in a separate section of auditor's report titled as "Other Information"?		

Appendix II

Illustrative Letter of Confirmation of Inventories held by Others

INSTRUCTIONS

This Format can be used to confirm inventories when the client prepares their periodic statements. The bold items in italics are to be replaced with client and firm-specific information. You are required to be specific with regard to whom the confirmation is to be sent.

(Client Letterhead)

Date

[Name and address of holder of inventories]

Dear Sir,

For audit purposes, kindly furnish directly to our auditors ***(name, address and email id of the auditors)*** details concerning our inventories held by you for ***[state here the purpose of holding of inventories by the third party]*** as of the close of business on (date)________.

According to our records, our following inventories are held by you as on ______

Description	Quantity	Value(as appropriate)
__________________	___________________	___________________
__________________	___________________	___________________

In case you identify certain items of inventories as defective or damaged, the details thereof may be furnished separately, indicating the quantities and giving a general description of the condition of such items. Please also confirm that our inventories held by you are free of any charge or encumbrance.

A stamped envelope addressed to our auditors is enclosed for your convenience. You may also send across confirmation with supportings on email to our auditors.

Yours faithfully,

Signature
Name of the Signatory
Designation
Affix the official seal

Appendix III

Illustrative Letter of Confirmation of Accounts Receivable

INSTRUCTIONS

This Format can be used to confirm accounts receivable when the client prepares their periodic statements. The bold items in italics are to be replaced with client and firm-specific information. You are required to be specific with regard to whom the confirmation is to be sent.

(Client Letterhead)

Date

Debtors name and address

Attention: **Person or Department**

Please examine the accompanying statement as of ***date*** carefully and either confirm its correctness, or report any differences directly to our auditors, ***(name, address and email id of the auditors)***, who are performing an audit of our financial statements.

Our auditors will advise us of any discrepancy reported, and the matter will have our immediate attention. Your prompt attention to this request will be highly appreciated. An addressed reply-paid envelope is enclosed for your reply. You may also send across confirmation with supportings on email to our auditors.

Yours very truly,

____

Firm Name

Firm Address

The balance receivable from us by _____________ (name of the client) as of selected date is correct except as noted below:

____

____

____

Signature
Name of the Signatory
Designation
Affix the official seal

Date:_______________

Appendix IV

Illustrative Letter of Confirmation of Deposits held as Security

INSTRUCTIONS

This Format can be used to confirm Deposits documents held by others. The bold items in italics are to be replaced with client and firm-specific information. You are required to be specific with regard to whom the confirmation is to be sent.

(Client Letterhead)

Date
Addressee-Company

Attention: **Person or Department**

In connection with the audit of our financial statements, please provide directly to our auditors, ***(name, address and email id of the auditors)***, the following information with regard to our deposits held by you as of ***selected date*** : ___________

A complete list of all deposits owned by us which are in your custody as of ***selected date as under***.

Nature of Deposit	Deposit held With	Date of Hand Over	Reference No.	Face Value	Whether Held with a charge

Your prompt attention to this request will be highly appreciated. An addressed reply-paid envelope is enclosed for your reply. You may also send across confirmation with supportings on email to our auditors.

Yours very truly,

____

Firm Name

Firm Address

The attached list represents deposits held by us on behalf of _____________(Name of the client)

Signature
Name of the Signatory
Designation
Affix the official seal

Date:_______________

Appendix V

Disclosure Requirements Relating to Investments

To illustrate the manner of disclosure of investments in the financial statements, this Appendix discusses the requirements of the Companies Act, 2013, insofar as they relate to disclosure of information regarding investments in the financial statements prepared and presented in accordance with the provisions of this statute. As regards the co-operative societies, the form and content of their financial statements are governed by the rules framed by the State Government concerned. It may be emphasised that, in every case, there should be an adequate disclosure of all relevant information to facilitate proper understanding of the financial statements by the users.

Requirements of the Companies Act, 2013

Schedule III – Division I to the Companies Act, 2013 requires the disclosure of investments in the balance sheet as below:

Non-current Investments

They should be classified as trade investments and other investments and further classified as:

(1) Investment property;

(2) Investments in Equity Instruments;

(3) Investments in preference shares;

(4) Investments in Government or trust securities;

(5) Investments in debentures or bonds;

(6) Investments in Mutual Funds;

(7) Investments in partnership firms;

(8) Other non-current investments (specify nature).

Current Investments

The classification has to be in the 7 categories out of 8 categories as stated in Non-current investments excluding Investment property.

Under each classification, details shall be given of names of the bodies corporate indicating separately whether such bodies are subsidiaries, associates, joint ventures or controlled special purpose entities in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with names of all their partners, total capital and the shares of each partner) shall be given.

Investments carried at other than cost should be separately stated specifying the basis for valuation thereof.

The following shall also be disclosed:

- Aggregate amount of quoted investments and market value thereof;
- Aggregate amount of unquoted investments;
- Aggregate provision for diminution in value of investments.

Appendix VI

Disclosure Requirements Relating to MSME

The Micro, Small and Medium Enterprises Development Act, 2006 ("the Act") requires certain additional information to be furnished in the Annual Accounts of enterprises, which are subjected to an audit under any law for the time being in force and who are buyers of goods or services from micro or small enterprises.

Guidance

Section 7 of the Act provides for the following classification in respect of industries engaged in production or manufacture of goods or rendering service enterprises:

Class	Manufacturing Enterprises - Investment in Plant & Machinery	Services Enterprises - Investment in Equipment
Micro	Less than Rs. 25 lacs	Less than Rs. 10 lacs
Small	Greater than Rs. 25 lacs but upto Rs. 5 Crore	Greater than Rs. 10 lacs but upto Rs. 2 Crore
Medium	Greater than Rs. 5 Crore but upto 10 Crore	Greater than Rs. 2 Crore but upto Rs. 5 Crore

The above investment excludes investment in certain plant and machinery or equipment such as pollution control, research and development, industrial safety devices, gas producer plants, extra transformers, etc., and certain other items of expenditure such as installation costs, technical know-how fees and bank charges and services charges paid to National or State Small Industries Corporation etc., (Notification no. 1722(E) dated 5-10-2006).

Sections 15 & 16 of the Act require that a buyer shall make payment within 45 days (or less, if agreed upon) from the date of acceptance of supply of goods or of services rendered by a supplier. If payment is not made within this stipulated period, interest (compounded at monthly rests) at three times the bank rate notified by RBI shall have to be paid / provided for.

Disclosures required under Section 22 of the Act which is required to be provided by any buyer, whose annual accounts audited under any law for the time being in force,

Particulars	As at 31 March, 20X2	As at 31 March, 20X1
	Rs.	Rs.
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year		
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year		
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day		

(iv) The amount of interest due and payable for the year (v) The amount of interest accrued and remaining unpaid at the end of the accounting year (vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid		
Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.		

Dis-allowance under the Income Tax Act, 1961

Section 23. Interest not to be allowed as deduction from income:-

Notwithstanding anything contained in the Income-tax Act, 1961, the amount of interest payable or paid by any buyer, under or in accordance with the provisions of this Act, shall not, for the purposes of computation of income under the **Income-tax Act, 1961**, be allowed as deduction.

Appendix VII

Specimen Letter of Appointment for Audit of Not-for-profit Organisations (Trust/ Society/ Associations, Section 8 Companies, etc.)

(Also refer Sections 11, 12, 12A, 12AA, 13 and 288 of the Income Tax Act, 1961)

Date:

The Auditors
(Name and Address of Auditors)

Dear Sir,

Re: Audit of accounts under section 12A(b) of the Income Tax Act, 1961 - Assessment Year ______-______ (Previous year ended 31-03-______) - Appointment of the "The Accountant" to audit the accounts.

The income or gross receipts of the institution/ trust/ society exceeds the prescribed limits under the provisions of Income Tax Act and / or the trust deed or formation instrument (Strike out whichever is not applicable), and hence our books of account are required to be audited.

This is to inform you that at the meeting of the institution/ trust/ society held, it was resolved to appoint/ reappoint you as Auditors of the institution/ trust/ society to conduct audit for the financial year referred to above.

Accordingly, we hereby appoint you as "The Accountant" to give the report as required under the section referred to above read with Rule 17B of the Income Tax Rules, 1962. As our accounting year ends on 31st March, ______ our accounts have to be audited and the report submitted to us before _______________. All explanations and clarifications required by you will be furnished as and when required. Kindly arrange to submit the said report before the specified date i.e., _________________.

Kindly convey your acceptance at an early date.

Thanking you.

Yours sincerely,

For XYZ & Co.,
[Designation]

Appendix VIII

Specimen Letter to be Obtained from the Company Conveying the Appointment of Auditors at the General Body Meeting

Date:

The Auditors
(Name and Address of Auditors)

Dear Sir,

Sub: Appointment of Statutory Auditors

This is to inform you that at the Annual General Meeting of the Company held on ___________, you have been appointed / reappointed as Statutory Auditors of the Company and shall hold office till the conclusion of the fifth Annual General Meeting from this Annual General Meeting.

Extract of the resolution in this regard is enclosed.

Thanking You,

Yours faithfully,

For & On Behalf of the Board,

Managing Director/ Director

Enclosure: As above

Appendix IX

Illustrative Letter of Communication with Previous Auditor

By RPAD/ Hand Delivery

Date:

Mr. ______
M/s. _______
Chartered Accountants
Address of the previous auditor

Dear Sir,

Re: Appointment as auditors for the financial year ________-________ – Seeking your objection, if any - Regarding

We have been appointed by **M/s. ____ _____** as auditors/ tax auditor of the company/ trust/ institution/ auditee.

Clause 8 of Part I of Schedule I to The Chartered Accountants Act, 1949 requires communication to the previous auditors before accepting the appointment.

We understand that you were the previous auditors of the aforesaid Auditee. Please, let us know if you have any objection, professional or otherwise in our accepting the appointment.

Please note that if we do not hear from you within 7 days of receipt of this letter, we shall presume that you do not have any objection.

Yours faithfully,

For ABC & Co.,
Chartered Accountants

[Designation]

Appendix X

Specimen of Management Representation Letter on Statutory Audit

Date:

To,

ABC,
Chartered Accountant
Address

Dear Sir,

Ref: Statutory Audit of _________________ for the year ended 31st March, 20__

Sub: Management Representation Letter

This representation letter is provided in connection with your audit of the financial statements for the year ended 31st March, 20__ for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position and of the results of the operations of the Company for the year then ended. We acknowledge our responsibility for preparation of the financial statements in accordance with the requirements of the Companies Act, 2013 and recognized accounting policies and practices, including the Accounting Standards notified under section 133 of Companies Act, 2013.

This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the financial statements, we are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. We are also responsible for overseeing the company's financial reporting process.

We hereby, confirm to the best of our knowledge and belief, the following representations:

Accounting Policies and Basis for Preparation of Financial Statements

1. The accounting policies which are material or critical in determining the results of operations for the year or financial position are set out in the financial statements and are consistent with those adopted in the financial statements for the previous year except as stated otherwise. The financial statements are prepared on historical cost convention and on accrual basis and on a going concern concept and in compliance with the Accounting Standards notified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act 2013 and relevant rules thereto.

2. The Company follows the accrual basis of accounting except in the following cases where the same are recorded on cash basis.
3. We confirm that accounting policies as disclosed in the Note No. ___ are true and correct and being consistently followed by the Company. There is no deviation in the accounting policies from the accounting policies disclosed in the financial statements.
4. The financial statements are prepared on a going concern basis.
5. We have provided you with:
    a) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
    b) Additional information that you have requested from us for the purpose of the audit; and
    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Equity & Liabilities

Shareholder's Funds

Share Capital

1. The authorized Share Capital of the Company is Rs._______ divided into ______ number of Equity Shares of Rs.__ each.
2. The Issued, Subscribed & Paid up Share Capital of the Company is Rs______ divided into ____number of Equity Shares of Rs ___ each.
3. Following are the details of Shareholders having more than 5 % shareholding in the Company as on 31st March 20__.

Name of Shareholder	**As at March 31, 20__**		**As at March 31, 20__**	
	No of Equity shares held	**Percentage**	**No of Equity shares held**	**Percentage**

4. Reconciliation of Numbers of Shares :

Particulars	**Equity Shares**		**Preference Shares**	
	Number	**Rs.**	**Number**	**Rs.**
Shares outstanding at the beginning of the year				
Shares issued during the year				
Shares bought back during the year				
Shares outstanding at the end of the year				

Reserves & Surplus

We confirm that the Company has complied with all the statutory requirements of various statutes which govern the Company, relating to the transfer to various reserves and their utilisation in the manner specified in the relevant statute.

Liabilities

We confirm that all the liabilities of the Company are correctly classified into Current and Non-Current based upon the criteria as set out in Schedule III to the Companies Act, 2013. Also the requirements of the Accounting Standards notified under Section 133 of the Companies Act, 2013 have been considered while making such classification.

Other Liabilities & Provisions

1. In our opinion, the provision for all the known liabilities including all losses expected to arise from events which had occurred by 31st March….. are adequate and are not in excess of the amount reasonably necessary.
2. Balance of Sundry creditors and other liabilities are subject to confirmation and reconciliation. Consequential adjustment thereof, if any will be given effect into the books of account in the year of such adjustment. However in view of the management, it will not have any material impact on the financial statements.
3. Provision for Current Income Tax computed as per provisions of the Income Tax Act, 1961 amounting to Rs. ___ has been charged to Statement of Profit & Loss and considered to be adequate.
4. The name of the "Micro, Small and Medium suppliers defined under "The Micro, Small and Medium Enterprises Development Act 2006" to the extent identified have been provided and the balances have accordingly been reflected under Sundry Creditors with details as per the said Act provided in a separate tabulation at Note No.___/could not be identified as the necessary evidence is not in the possession of the Company.
5. Advances received from customers represent sums received in the normal course of business either for supply of goods or for the services to be rendered and are not in the nature of loans.
6. There is no major change in / deviation from any accounting estimate applied by the Company as compared to the previous year.

Deferred Tax Liabilities / Assets

Deferred Tax Liabilities/ (Assets) amounting to Rs.______has been accounted during the year as per the provisions of Accounting Standard 22, "Accounting for Taxes on Income" and considered to be adequate. Deferred Tax Assets are recognized only to the extent there is virtual certainty that the assets will be realized in the future. The unrealizable deferred tax assets has been reversed during the year

Assets

We confirm that all the assets of the Company are correctly classified into Current and Non-Current based upon the criteria as set out in Schedule III to the Companies Act, 2013. Also the requirements of the Accounting Standards notified under Section 133 of the Companies Act, 2013 have been considered while making such classification.

The Company has a satisfactory title to all the assets stated in the financial statements and there are no liens, mortgages, or other encumbrances on the assets of the Company, except those that are disclosed in the financial statements.

In the opinion of the Board, current assets including loans and advances have a value on realisation in the ordinary course of the business at least equal to the amount at which they are stated.

Property, Plant and Equipment (PPE)

1. All the PPE are in usable conditions and are classified correctly. None of the PPEs are revalued during the year.
2. The Company has a satisfactory title to all the assets stated in the financial statements and there are no liens, mortgages, or other encumbrances on the assets of the Company, except those that are disclosed in Notes to the financial statements.
3. The net book values at which PPEs are stated in the balance sheet are arrived at:
    a. After taking into account all capital expenditure on additions thereto, but no expenditure properly chargeable to revenue.
    b. After providing adequate depreciation on PPEs during the period as required by the law.
    c. After eliminating the cost and accumulated depreciation relating to items sold, discarded, demolished, or destroyed.
    d. After attributing borrowing costs of acquisition of PPEs as part of the cost of such PPE, if applicable.
4. Depreciation on PPEs is provided on the basis of useful life as given in the Schedule II to the Companies Act, 2013. Some of the PPEs, having opening WDV of Rs …. but no useful life as per Schedule II is adjusted in the opening reserves.
5. We confirm that none of the items, which is in nature of revenue expenditure have been capitalised and none of the items, which is in the nature of capital expenditure have been charged to statement of profit and loss for the year.

Investments

1. Current investments as appearing in the Balance Sheet consist of only investments which are by their nature readily realisable and intended to be held for not more than one year from the balance sheet date. All other investments have been shown in the Balance Sheet as long term investments.
2. Current investments have been valued at the lower of cost or market value. Long term investments have been valued at cost, except that any permanent diminution in their values has been provided for ascertaining their carrying amounts.
3. All the investments as appearing in the Balance Sheet belong to the entity and they do not include any investments held on behalf of any other person.

Loans & Advances

1. All the Loans and advances are considered good and fully recoverable except those which are specifically shown as doubtful in the financial statements. Adequate provision has been made for bad and doubtful loans and advances.

2. In regard to Loans and advances particulars has been given separately in respect of following in the financial statements:

   a) Loans and advances considered good and in respect of which the company is fully secured.

   b) Loans and advances considered good for which the company holds no security other than the debtor's personal security, and

   c) Loans and advances considered doubtful or bad.

3. We confirm that there are no other loans and advances due from any related party except as are stated in the financial statements.

4. Adequate interest provision has been made wherever applicable

5. Balance of loans and advances are subject to confirmation and reconciliation. Consequential adjustment thereof, if any will be given effect in the books of account in the year of such adjustment.

6. Advances to creditors amounting to Rs. …..are in the nature of advance only and no entry is pending to be accounted there against as at 31st March ,_____________

7. Balance with GST department as per books are matching with the balance as per GST records.

Inventories

1. Inventories at the year-end consisted of the following:

Particulars	**Quantity**	**Value (Rs.)**
Raw Materials (including components)		
Work-in-Process		
Finished Goods		
Stock in Trade		
Stores and Spare Parts		
Loose Tools		
Others (specifying each major head separately)		
Total		

2. All quantities were determined by actual physical count or weight or measurement that was taken under our supervision and in accordance with written instructions, on ________ (date/dates of physical verification), except as following cases :

Sr. No.	**Particulars**
1.	
2.	

3. Inventories recorded in the books as at _____(date of balance sheet) aggregating to Rs. ______ are based upon the physical inventories taken as at ______ (date of physical verification) by actual count, weight or measurement. The material

discrepancies noticed on physical verification of stocks as compared to book records have been properly dealt with in the books of account and subsequent transactions recorded in the accounts fairly reflect the changes in the inventories up to ______ (balance sheet date), where physical verification of inventories is carried out at a date other than the closing date.

4. All goods included in the inventory are the property of the entity, none of the goods are held as consignee for others or as bailee, and, except as set out below, none of the goods are subject to any charge.
5. Goods in Transit shown in the financial statements are correct and have been included in the relevant head of the inventory item.
6. All inventories owned by the entity, wherever located, have been recorded, including goods sent on consignment.
7. Inventories have been valued on the following basis/bases:

Particulars	Basis
Raw Materials (including components)	
Work-in-Process	
Finished Goods	
Stock in Trade	
Stores and Spare Parts	
Loose Tools	
Others (specifying each major head separately)	

(In describing the basis/bases of valuation, the method of ascertaining the cost (e.g. FIFO, Average Cost or LIFO) should also be stated. Similarly, the extent to which overheads have been included in the cost should also be stated.)

8. Adequate provisions have been made in respect of excess, slow-moving, damaged, or obsolete inventories.
9. We confirm that no item of inventories has a net realizable value in the ordinary course of business, which is less than the amount at which it is included in inventories.
10. We confirm that the basis of valuation of inventories is same as that used in the previous year.
11. The Company has maintained proper records of inventory and physical verification has been carried out at reasonable intervals.

Trade Receivables

1. All the trade receivables including receivables outstanding for more than six months are considered good and fully recoverable with the exception of those specifically shown as doubtful in the Balance Sheet. Adequate provision has been made for bad and doubtful debts. Proper disclosures have been made in respect of secured and unsecured receivables.

2. The bifurcation of trade receivables outstanding for more than six months and other debtors (Considered good) as on 31st March ____ is as under :

Particulars	Amount in Rs.
Outstanding for the period exceeding six months	
Other receivables	
Total	

3. In regard to trade receivables particulars has been given separately in respect of following in the financial statements:
   a) Debts considered good and in respect of which the company is fully secured.
   b) Debts considered good for which the company holds no security other than the debtor's personal security, and
   c) Debts considered doubtful or bad.
4. A separate disclosure has also been made in respect of following:

   Receivables due by —

   i. Directors or other officers of the company;

   ii. Firms in which any director is a partner;

   iii. Private companies in which any director is a director or a member.
5. Balance of trade receivables are subject to confirmation and reconciliation. Consequential adjustment thereof, if any will be given effect in the books of account in the year of such adjustment.
6. We confirm that there are no dues from related parties except those as disclosed in the financial statements.

Cash & Cash Equivalents

1. We confirm that wherever there is a restriction from being exchanged or used to settle a liability for at least twelve months after the reporting, the cash and cash equivalents of the Company are classified into Non-Current and all other cash and cash equivalents are classified as Current based upon the criteria as set out in Schedule III to the Companies Act, 2013. Also the requirements of the Accounting Standards notified under Section 133 of the Companies Act, 2013 have been considered while making such classification.
2. The total cash balance in hand of the Company as on 31st March,_______ was Rs._______. We confirm that the cash balance was lying with the authorized person as on the Balance Sheet date.
3. There were no remittances in transit as on the date of the Balance Sheet.
4. Bank Balances as per the books of account are matching with the balances as per Bank and wherever the same are not matching, a reconciliation statement has been prepared. We confirm that items appearing in the Bank Reconciliation are cleared subsequent to the Balance Sheet date.

5. Adequate interest provision has been made on the fixed deposits with Bank. We confirm that all the fixed deposit receipts are lying with the authorized person and it has no lien or charge other than those disclosed in the financial statements.
6. We confirm that -
   a. There are no earmarked balances or money held as a margin money or security against borrowing, guarantees etc., other than those which are disclosed in the financial statements.
   b. There are no restrictions on the use of cash or cash equivalents other than those which are disclosed in the financial statements.
   c. Bank deposits with more than 12 months maturity have been disclosed separately.

Statement of Profit and Loss

1. We confirm that the statement of profit and loss have been prepared in accordance with Schedule III to the Companies Act, 2013. Also the requirements of the Accounting Standards notified under Section 133 of the Companies Act, 2013 have been followed while preparing the statement of profit and loss.
2. Except as disclosed in the financial statements, the results for the year were not materially affected by:
   a) Transactions of a nature not usually undertaken by the company;
   b) Circumstances of an exceptional or non-recurring nature;
   c) Charges or credits relating to prior years;
   d) Changes in accounting policies.
3. All the expenses and income have been accounted on accrual basis and adequate provision have been made thereof.
4. Directors remuneration paid during the year is in accordance with and within the ceiling prescribed by the Companies Act, 2013. We have completed all the necessary formalities in this regard.
5. Income and expenses which are required to be shown separately as per the requirement of Schedule III to the Companies Act, 2013 are shown separately in the financial statements.
6. All the unusual, extraordinary and prior period items have been disclosed separately in the financial statements.

Cash Flow Statement

1. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement notified under Section 133 of the Companies Act, 2013.
2. Cash and Cash Equivalents at the end of the year consist of Cash in Hand and Balances with Banks.

General

1. We have made available to you all the statutory financial records and related data (including computer-generated records) and all the books of account maintained by the Company.

2. The Company has maintained all the records, financial and statutory, as required by the Companies Act, 2013. All the transactions and operations of the Company have been fully recorded in the said records that are used as a basis for the preparation of the financial statements.

3. There are no transactions that have not been properly recorded in the said accounting records that are used as a basis for preparation of the financial statements.

4. There have been no irregularities involving management or employees who have a significant role in the system of internal control that could have a material effect on the financial statements.

5. The financial statements are free of material misstatements, error or omissions.

6. The company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory nature that could have a material effect on the financial statements in the event of non-compliance.

7. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

8. All possible care has been taken to ensure the compliance of applicable provisions of the Companies Act, 2013 and other laws governing the enterprise. There have been no material violations of the applicable laws and regulations the effect of which would result in an adjustment to the financial statements or may have to be considered for disclosure of contingencies. All the disclosures required to be made under the Companies Act, 2013 or otherwise have been duly made.

9. The disclosures given in notes to accounts in respect of requirements of Schedule III to the Companies Act, 2013 are true and correct to the best of our knowledge and belief and are complete in all respects.

10. The provisions of Corporate Social Responsibility as per Section 135 of the Companies Act, 2013, are not applicable to the Company.

    OR

    The Company has constituted CSR Committee as per the provisions of section 135 of the Companies Act, 2013 and all the relevant provisions given in the said section and Companies (Corporate Social Responsibility Policy) Rules, 2014 are complied with.

Contingent Liabilities

1. We have disclosed in notes to the accounts all the contingent liabilities as at 31st March,_____. The details thereof are given hereunder.

    a) Counter Guarantee given to Bank against their Bank Guarantee Rs. _______

    b) Claims against the Company not acknowledged as debts ____________

    c) Disputed income tax/ sales tax liability contested in appeal____________

    d) Capital Commitments on account of capital contracts remaining to be executed amounting to Rs. _______

e) Others (Specify the nature)

2. Contingent liabilities so disclosed do not include any contingencies that are likely to result in a loss and which, therefore require adjustment of assets and liabilities.
3. At the balance sheet date, there were no outstanding commitments for capital expenditure excepting those disclosed in Note ___ to the financial statements.
4. We confirm that there are no contingent liabilities other than those which are disclosed in the financial statements.

Events Occurring After the Balance Sheet Date

There have been no events subsequent to the balance sheet date which require adjustment of, or disclosure in, the financial statements or notes thereto other than those disclosed in the financial statements.

Discontinuing Operation

We confirm that during the year, none of the business of the Company has been discontinued and hence no additional disclosures are required in accordance with Schedule III to the Companies Act, 2013 and Accounting Standard – 24 on "Discontinuing Operations".

Accounting Standards

The accounts of the Company have been prepared in compliance with various mandatory Accounting Standards notified under Section 133 of the Companies Act, 2013.

Related Party Disclosure

1. The transactions with all the related parties have been properly reflected in the financial statements in accordance with the Accounting Standard-18 on "Related Party Transactions".
2. Name and Designation of the key management personnel are as under :

Sr. No.	Name of the Person	Designation
1.		
2.		
3.		

3. Name of the relatives and name of the enterprises having same key management personnel and or their relatives as the reporting enterprises with whom the Company has entered into transactions during the year are as under

Sr. No.	Name of the Person/ Enterprise	Relation
1.		
2.		
3.		

4. Name of the Holding / Subsidiary / Fellow Subsidiary/ Step down Subsidiary Company

Sr. No.	Name of the Company	Relation
1.		
2.		
3.		

Representations Related to Auditor's Report

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets and the Company has also maintained fixed assets register as required to be maintained under the Companies Act 2013.
2. The fixed assets have been physically verified by the management during the year at reasonable intervals as per the phased programme of verification and no material discrepancies have been noticed on such verification.
3. No substantial part of the fixed assets has been disposed off during the year which affected the going concern assumption.
4. We confirm that the loans including loans to section 189 parties, taken/granted by the Company are on call basis.
5. In case of loan to parties covered under section 183 of Companies Act, 2013, the maximum amount outstanding during the year in respect of loan taken and granted was Rs.______ & Rs. _________ respectively, and the year end balances in respect of loan taken and granted was Rs.______ & Rs. _________ respectively.
6. The rate of interest and other terms and conditions on the basis of which, the said loans have been taken or granted are not prejudicial to the interest of the Company.
7. The particulars of contracts or arrangements entered into with related party and the parties referred to in Section 189 of the Act have been entered in the register required to be maintained in that Section.
8. The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
9. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Companies Act, 2013 for the products that the Company manufactures/ to the industry to which the Company pertains.
10. There is no undisputed amount payable in respect of any statutory liability.
11. The Company is generally regular in depositing undisputed statutory dues including provident fund and employee's state insurance dues, income tax, sales tax, goods and service tax, custom duty, cess and other statutory dues with the appropriate authorities. However in some cases, delay in payments are there.
12. The company has no statutory dues which are outstanding as on 31st March, ------ for a period more than six months from the date they became payable

13. The details of disputed income tax, sales tax, service tax, goods and service tax, custom duty, excise duty and cess are as under

Nature of dues	Assessment Year	Amount involved	Forum where dispute is pending

14. Proper records have been maintained of the transactions and contracts and timely entries have been made therein in respect of company's dealing or trading in shares, securities, debentures and other investments.
15. The Company has not defaulted in repayment of loans or borrowing to financial institution, bank or Government. The Company has no dues payable to debenture holders.
16. During the year the Company has not raised money by way of initial public offer or further public offer (including debt instruments). The term loans availed by the Company have been applied for the purposes for which those are raised.
17. The managerial remuneration paid or provided is in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
18. All transactions with the related parties entered into by the Company are in compliance with sections 177 and 188 of the Companies Act, 2013 where applicable and the details have been disclosed in the financial statements etc., as required by the applicable accounting standards.
19. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
20. The Company has not entered into any non-cash transactions with directors or persons connected with them.
21. No funds raised on short-term basis have been used for long-term investments during the year.
22. The Company have not come across any instance of material fraud on or by the company.
23. The Company is not a NBFC and hence not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

Inquiries Pursuant to Section 143 (1) of the Companies Act, 2013

1. The terms and conditions on which loans and advances are made by the Company are not prejudicial to the interest of the company or its members.
2. The Company has not made any loans and advances which are secured.
3. There are no transactions that are represented merely by book entries.

4. The Company has not sold any assets consisting of shares, debentures, and other securities at a price less than at which they were purchased by the Company.
5. No loans and advances made by the Company are shown as deposits.
6. No personal expenses of directors and employees have been charged to revenue account, other than that payable under contractual obligations or in accordance with generally accepted business practice and legitimate business needs.
7. In respect of shares allotted during the year for cash, we confirm that cash has been actually received in those cases.

Directors Disqualification

None of the directors is disqualified as mentioned in section 164(2) of the Companies Act, 2013. No director is liable to vacate the office under any of the clauses mentioned in section 167(1)(a) of the Companies Act, 2013.

Other Matters related to Auditor's Report:-

1. The pending litigation in the name of company is as below:

   a)

   b)

   We ensure that the Company has disclosed the impact of the said litigations on its financial position.

OR

The Company does not have any pending litigations which would impact its financial position.

2. The Company has made provision, as required under any law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts.

OR

The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

3. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

OR

There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

Consolidated Financial Statements

1. The Company has following subsidiaries/Associates/Joint Ventures:

Sr. No.	**Name of Entity**	**Nature**

We confirm that the Company has prepared its consolidated financial statements as per the requirements and in accordance with section 129 of the Companies Act, 2013 read with Schedule III thereto. While preparing the consolidated financial statements, the Company has not considered following subsidiaries/Associates/Joint Ventures due to the reason mentioned below:

Sr. No.	**Name of Entity**	**Nature**

2. While preparing the Consolidated Financial statements, all possible care has been taken to ensure the compliance of applicable provisions of the Companies Act, 2013. There have been no violations of the applicable laws and regulations the effect of which would result in an adjustment to consolidated financial statements or may have to be considered for disclosure of contingencies. All the disclosures required to be made under the Companies Act, 2013 or otherwise have been duly made.

For ______________________________

Director

Place: _________

Date: ____________

Appendix XI

Illustrative Quantitative Guidance for the Applicability Checklist for Non-corporate Entities

Applicability Checklist

Client : ______________________________

Financial Year : ______________________________

Prepared by : ____________________ Date : ____________________

Reviewed by : ____________________ Date : ____________________

	GENERAL INSTRUCTIONS	
1	The entity is small and medium:	
	(a) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;	
	(b) which is not a bank, financial institution or an insurance company;	
	(c) whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding accounting year;	
	(d) which does not have borrowings (including public deposits) in excess of rupees ten crore at any time during the immediately preceding accounting year; and	
	(e) which is not a holding or subsidiary company of a company which is not a small and medium-sized company.	
2	Not more than 100 employees	
3	It is expected that the audit engagement will not take significantly longer than _________ hours to complete and/or will utilize more than three audit field staff.	

Conclusion ________________________

Completed By/ Date ________________________

Partner approval / Date ________________________