

## VOUCHING

### STRUCTURE :

- 6.0 Objective
  - 6.1 Vouching
  - 6.2 Importance of vouching
  - 6.3 Test Checking
  - 6.4 Test Checking / Auditing in depth
  - 6.5 Exercises
  - 6.6 Audit Of Expenditure Purchase
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### 6.0 OBJECTIVES

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After studying the unit the students will be able to

- Understand the meaning of Vouching
  - Know the objectives of Vouching
  - Explain the importance of Vouching
  - Know how to audit the various items of income and expenditures
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### 6.1 VOUCHING

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**Meaning:** Vouching means the examination of documentary evidence in support of entries to establish the arithmetic accuracy. When the auditor checks the entries with some documents it is called vouching. Vouching is the acid test of audit. It tests the truth of the transaction recorded in the books of accounts. It is an act of examining documentary evidence in order to ascertain the accuracy and authenticity of the entries in the books of accounts.

According to **Dicksee** "Vouching consists of comparing entries in the books of accounts with documentary evidence in support thereof."

According to **Joseph Lancaster** "it is often thought that vouching consists of the mere examination of the vouchers or documentary evidence with the book entries. This is, however, quite wrong, for vouching comprises such an examination of the ledger entries as will satisfy the auditor, not only that the entry is supported by the documentary evidence but it has been properly made upon the books of accounts."

From the above it becomes clear that vouching means testing the truth of entries appearing in the primary books of accounts. In short, vouching means to examine the evidence in support of any transaction or entry recorded in the books of accounts. Vouching does not merely see that the entries and transactions are supported by proper documentary evidence. The auditor should be satisfied that they are properly maintained, they are supported by all evidence and they are correctly recorded in the books of accounts.

### **Voucher**

Any documentary evidence supporting the entries in the records is termed as a voucher. Any document, which supports the entries in the books of accounts and establishes the arithmetical accuracy, is called a voucher.

### **Examples of vouchers:**

A bill, a receipt, an invoice, goods received note, salaries and wages sheets, goods inward and outward register, stores records, counterfoil of a cheque book, counterfoil of pay-in-slip book, bank statement, bank pass book, delivery challans, agreements, a material requisition slip, copy of purchase order, minute book, memorandum and articles of association, partnership deed, trust deed, prospectus etc. are the examples of vouchers.

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## 6.2 IMPORTANCE OF VOUCHING

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- Ensures genuineness of the transactions
- Enables to know transactions
- Helps to know relevance of the transaction
- Facilitates proper allocation of capital & revenue, expenditure
- Detects frauds and errors
- Decides authenticity of transactions
- Ensures proper accounting
- Compliance with law
- Ensures proper disclosure

The special considerations to be borne in mind by the auditor in the course of vouching.

1. Date of the voucher
2. The name of the party
3. Tick and audit rubber stamp
4. Authorisation by the authorised person
5. Revenue stamp of Re. 1 if it exceeds Rs.5000/-
6. Transaction relates to business
7. Revenue and capital
8. Amounts in words and figure
9. Account head
10. No assistance of member of clients staff to be taken for checking receipts
11. Not to accept receipted invoice
12. Missing vouchers

13. Important documents
14. Vouching of cash transaction
15. Proper filing
16. Signature of payee
17. Nature of payment
18. Noting in the audit note book
19. Alteration
20. Voucher control number

### **Objectives of vouching**

The basic objectives of vouching are as under:

1. To ensure that all the transactions are properly recorded in the books of accounts.
2. To see the proper evidence supports all the entries of the transactions.
3. To make it sure that fraudulent transactions are not recorded in the books of accounts.
4. To see that all transactions relating to business are recorded in the books of accounts.
5. To see that all transactions are properly authenticated by a responsible person.

### **Auditing Techniques**

1. To an auditor, auditing techniques are the working tools used and applied for identification and examination of those evidences which have been traced by audit procedures.
2. Distinction: The dictionary meaning of the word 'technique' is the 'method of performance or execution' and that of 'procedure' is

'method of conducting an affair' or 'course of action taken or an act performed'. In other words, we can state that an all-inclusive list of techniques can be outlined (even with an addition of new or improved method or technique), whereas an all-inclusive list of procedures is difficult to be prepared as these are keyed to the objectives to which they relate. Techniques are more or less rigid and limited, but procedures can be many and varied depending on objective considerations for the acts to be performed or actions to be taken. On the same analogy, we can draw distinctions between auditing procedures and auditing techniques as follows:

- An all-inclusive list of audit procedures cannot be prepared as these are addressed to the varying audit objectives; but such list can be outlined for audit techniques.
- Auditing procedures are ways of applying (auditing) techniques to particular phases of a particular audit.
- The procedures (of audit) adopted in different engagements result from the judicious application of the available techniques (of audit).
- Audit procedure, in fact, is concerned with the general assertions like: existence or occurrence, rights and obligations, completeness, valuation or allocation, and presentation and disclosure that may be made regarding an account; whereas audit techniques are concerned with the examination of those evidences which have been traced as such by audit procedures.

**Principal Procedures of Auditing:** An all-inclusive list of audit procedures is difficult to prepare. Judgment, with a tempering of experience, remains the basis for the determination of the type and extent of audit procedures. However, the following may be cited as the principal audit procedures:

1. Reviewing, testing and evaluating the internal accounting controls relating to inventories, purchases, payroll, sales invoice preparation, stock valuation, depreciation accounting and analysis, routing of invoices, etc.
  2. Inspecting, counting and calculating the different assets relating to cash, stocks, investment, plant and equipment, furniture; and determining that the inventory is calculated properly at the lower of cost or market price in accordance with generally accepted accounting principles consistently applied; and obtaining confirmation in regard to the validity of debtors and creditors balances, etc.
  3. Obtaining the proof of accuracy - A copy of final inventory listing can be obtained and its clerical accuracy checked and tested; obtaining the earnings records of employees and checking the same for accuracy with the original copies of appointment-cum-increment letters; Similarly, appropriation of profit and the board's resolutions.
  4. Reconciling, comparing and confirming - Sales invoices may be reconciled with the total charges to customers. The reconciliation between the cost account records and the books of financial accounts is an illustration. The Bank reconciliation statement provides a good measure of confirmation. The fact that the inventory belongs to the client and that any lien on the inventory is disclosed properly can be compared and confirmed from the minutes of the board of directors for indications of pledges or assignments.
  5. Observation and inquiry about any excess, slow-moving, obsolete, or unassailable inventory.
  6. Accounting of all pre-numbered inventories tags before and after the physical stock-taking.
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6. Verification as to the evidences relating to the ownership of assets and existence of assets and liabilities, as a part of auditing practices and procedures, is the principal duty of the auditor before he certifies that the assets and liabilities that appear in the balance sheet exhibit 'true and fair view' of the state of affairs of the business.

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## 6.3 TEST CHECKING

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### Meaning.

Carrying out detailed check of each and every transaction of a large business shall be time consuming for the auditor. In auditing the accounts of a business, every single copy is not usually checked by the auditor; what is usually done in practice is that a representative number of entries of each class are selected and checked and if they are found correct, the remaining entries are taken to be correct. This is known as Test Checking. In those organizations, where satisfactory internal check system is in existence, the auditor need not carry out detailed checking. He may adopt Test checking. It is a system of sampling employed by the auditor for the purpose of reducing the volume of detail checking involved in the audit. If, in Test Checking, he finds that the records checked by him are correct then no further detail checking need be carried out.

### Test Checking v/s Statistical Sampling

Selection of items for the purpose of checking can be done in two ways: (i) Judgment (ii) Statistical Sampling.

When the judgment method is applied, the method of checking is called test checking. When sampling techniques are applied it is called statistical sampling.

**Precautions To Be Taken** - While adopting the test check, the auditor must take the following precautions:

1. Entries selected for test checking must be representative of all transactions.
2. The selection of the items should be at random.

3. It cannot be adopted in case of vouching the cash book.
4. Client's staff should not come to know of the entries selected for test checking.
5. Period selected for test checking should differ from book to book and year to year.
6. He should not adopt test checking where the law requires thorough audit.
7. A number of entries of the first and last month of the year must be checked thoroughly.
8. Test should be so devised that a sizeable portion of the work done by each employee is checked.
9. Control accounts or impersonal ledger should not be subject to test checking.
10. Auditor should select the test independently without regard to the suggestions of the member of the client's staff.
11. Bank statement and entries for cash withdrawal and cash deposits should be checked in full.

The extent of the test checking will depend upon the judgment and wishes of the auditor but it must be remembered that time unnecessarily spent in routine checking is a waste of resources. Caution must also be taken to see that the test checking may not become insignificant in extent or automatic and unrepresentative. Test checking will be of no use unless the representative items selected for checking are chosen with great intelligence and imagination.



**Advantages of Test Check**

1. Volume of work is considerably reduced.
2. There is a saving in terms of time, cost and energy
3. The extra time available can be utilised for concentrating on areas of considerable importance,
4. If done carefully, test checking can be quite effective.

**Disadvantages of Test Check**

1. The auditor always is under fear whether he has missed out certain important items or that errors have remained undetected while test checking.
2. Where the client's staff is aware that the auditor resorts to test checking, the staff may become careless.

**Auditor's Liability :**

If any errors are found in the accounts the auditor cannot take the shield against the fact that he conducted test check. The auditor should very carefully select the items for test check and ensure on the whole that the accounts show a true and fair view of the Profit/Loss in the case of the Profit & Loss Account and of the state of affairs of the organisation in the case of Balance Sheet.

**SURPRISE CHECKS**

To avoid audit procedures from becoming routine, mechanical and predictable, surprise checks are desirable. Surprise checks involve visits by auditor to the client's office/factory without prior intimation. The element of surprise is in respect of both time and scope. Items checked

during such surprise checks are selected without prior notice to the client's staff.

Such checks are very effective in case of verification of cash, stock, investments, verification of books of prime entry. It helps in ascertaining whether the system of internal control is operating efficiently and thus prevent and detect errors and frauds in accounts.

### **USE OF TICKS**

Ticks are used to keep a control on the work done by the auditor

Use of ticks should be done with great care while conducting an audit. Firstly the colour of the tick should be determined so that it is unique and will not be confused with that of the client's staff or internal auditors. Secondly the types of ticks to be used should be selected. The ticks should be placed at the right places so that the matter remains legible and the records do not become shabby.

Care should be taken to see, that the use of different ticks does not become known to the clients staff.

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## **6.4 AUDITING IN DEPTH**

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Taylor and Perry have defined Auditing in Depth as : “the examination of the system applied within a business entailing the tracing of certain transactions from their origin to their conclusion, investigating at each stage the records created and their authorization”.

Audit in depth does not mean 100% checking. It is a detailed examination of the selected transactions from the beginning to the end. Thus, it is used along with test checking. For example, if the auditor has decided to check 25% of purchase transactions, these transactions should be checked in depth. Auditor should check the Purchase Requisition, Tenders, Purchase Orders, Purchase Bills, Goods Received Note, Inspection Note, Purchase Journal, Stock Register, Bin Card and so

on. Thus, the auditor should check the purchase transaction right from the beginning to the end. This enables him to evaluate the accounting system and internal controls.

### CHECK YOUR PROGRESS

1. What do you mean by Audit Procedures ? Describe in brief different types of Audit Procedures.
2. Distinguish between Audit Procedures and Audit Techniques. Describe briefly different audit techniques.
3. What are the general steps and procedures followed by an auditor while conducting audit?
4. Write short notes on (a) Test check (b) Auditing in Depth (c) Surprise Checks (d) Use of Ticks in Auditing.
5. In audit what do you mean by Test Check' method of checking? What Precautions should be taken by the auditor so that standard of audit can be maintained by checking selected items of similar nature?

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## 6.5 AUDIT OF INCOME

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### Cash sales

1. The cash sales register should be fully checked with the carbon copies of the cash sales bill. Particular attention should be given to first and last month of accounting year.
2. A summary of daily cash should be checked.
3. The auditor should be more careful where cash memos are issued even where cash is not received.
4. A certain representative item should be subjected to vouching in depth to get an idea about reliability of internal control.
5. Salesman's summary, gatekeeper's summary and cashier summary should also be compared.
6. Dates of cash sales bills and the date on which the receipt are recorded in the cash book must be the same. If the dates differ, the same should be inquired into.

7. Where cash sales bills are cancelled, all the copies, including original copy dully cancelled, should be kept in record.
8. Where it is a policy of the company to allow a discount, it should be seen that uniform policy is followed.
9. If the sales are made by the salesman, their statements should be verified and reconciliation should be made with the record of cash received.
10. Verify the entries in the cash book and the corresponding effect in sales A/c in the ledger.

### Sales on approval

Document to be seen	Aspect to be verified / Auditor's duties
<b>Sale or return day book</b>	<ul style="list-style-type: none"> <li>Examine the sale or return day book for the manner of accounting.</li> <li>Check actual movement of goods from dispatch register/ goods outward book.</li> <li>Note the period of approval in the case of different goods/ customers.</li> <li>Verify whether goods returned have been properly reversed in the day book.</li> </ul>
<b>Order book or confirmation book</b>	Examine this register to verify sale confirmed by customers and goods held by customers at their end as sale or return stock.
<b>Sales register</b>	Ensure that sales have been recognised whenever- (a) approval is received from the party; or (b) goods are appropriated by the party; or (c) period of approval has expired and goods have not been returned.
<b>Stock registers and statements</b>	<ul style="list-style-type: none"> <li>Ensure that closing stock includes goods lying with customers in respect of which period of approval has not expired.</li> <li>Ensure that goods validly returned by customers are duly accounted in stock.</li> </ul>

### Consignment sales

Document to be seen	Aspect to be verified/ Auditor's duties
<b>Consignment agreement</b>	<p>Ascertain and note the following terms and conditions-</p> <ul style="list-style-type: none"> <li>Commission due- manner of payment, adjustment, etc.</li> <li>Risk of bad debts- in case of del—credere commission, consignee has to bear the risk of bad debts; else bad debts are borne by the consignor.</li> <li>Reimbursement of consignment expenses- eligible expenses, extent of</li> </ul>

	reimbursement.
<b>Goods outward book</b>	Verify goods despatched by reference to the proforma invoice, consignment day book, goods outward book, transport documents, acknowledgement of the goods by the consignee and the account sales.
<b>Stock registers</b>	<ul style="list-style-type: none"> <li>• Ensure that the stock lying with consignee at the year end is be taken in the balance sheet at cost on a consistent basis and credited to the consignment a/c to arrive at the result of consignment transactions.</li> <li>• Ensure that no profit is taken for the profit on goods remaining in the hands of the consignee.</li> </ul>
<b>Account sales</b>	<ul style="list-style-type: none"> <li>• Verify whether consignment sales are accounted by crediting consignment account and debiting the consignee's account.</li> <li>• See whether the summery of transactions reported i.e. sales made, expenses incurred, commission due, remittance made, balance stock, and amount due from / to either party is properly disclosed in the general ledger.</li> </ul>
<b>Form F</b>	For goods sold through agents In the course of inter-state trade or commerce, verify whether form F has been obtained under the CST Act.
<b>Consignment account</b>	<ul style="list-style-type: none"> <li>• When the goods are consignment above cost, ensure that necessary adjustments to remove the loading are made at the end of the year.</li> <li>• Verify whether necessary adjustments are made at the year – end in respect off unsold goods, commission and expenses incurred by the consignee.</li> </ul>
<b>Confirmation</b>	Obtain confirmation of the account balance from the consignee.

### Sales return

1. Check the total of Sales Return Journal and find the amount recorded in profit and loss account.
2. Check every item of sale return with the credit notes sent to customer.
3. Check the entry in gate-keeper record for return inward movement of goods and check the internal control. Verify the entry in stock register.
4. Compare the extent of earlier year sales and return with that of the current year.

5. The sales return in the beginning of the year and of the end of the year should be carefully scrutinized.
6. Enquiry should be made if there is a wide gap between the original transaction and the return of goods
7. If the goods are return for unacceptable quality, enquiry about the steps taken after the return of the goods and verify the documentation.

#### **Recovery of bad debts written off**

1. Ascertain from the trail balance, the amount under consideration, and it should be taken to Profit and Loss Account.
2. Check the journey entry passed for the same and its authorization.
3. If the amount is received from a party under liquidation through his liquidator/ official receiver, check the letter from the person and check the amount which is received along with the year in which the original debt was written off.
4. Trace the amount in the bank statement.
5. Check the correspondence with the party and with the official receiver/ liquidator.

#### **Rental receipts**

1. Check the nature of the agreement to know the condition on which an asset is given on the rent
2. From the original documents, check the rates, periods, mode of payment i.e. cash or cheque.
3. Check the outstanding rent for last year and find out which of the receipts are for last year and how much rent is still outstanding.
4. Check the entries in the cash with pay in slips and the receipts issued.
5. Check the outstanding rent at the end of the year and see that provision has been made for the same. Next year's record may be verified to find the receipt of the same.

#### **Interest and dividend received**

1. First check the income stated in the current year's profit and loss account.
2. Ascertain the amount received on account of last year and find the outstanding balance receivable.
3. From cash book vouch the entries for income received.
4. Check the Tax Deducted at Source (T.D.S.) calculation and verify the effect given in the ledger.
5. Compare the income received in total with that of the last year and enquire about any significant variation.
6. Get a list of investments and check whether the income on all the securities and investments has been received. If any securities are pledged with bank, get a certificate from bank.

7. Ascertain the income for the year, still to be received and check whether provision has been made for the same.
8. In case of interest received check the calculations.
9. For interest from bank, verify the entry in the bank statement. For fixed deposits, check whether any F.D has matured or any F.D. newly kept.

### **Royalties received**

The auditor should see the relevant contract and examine the important provisions relating to the conditions of payment of royalty. In particular, the rate of royalty, mode of calculation and the due dates should be noted. The periodical statement received from the publisher and the calculation of the royalty should be checked. If there is any deduction on account of recoupment of royalty for the past period, the records for earlier royalty receipts should be seen to ensure that the amount of deduction is as per the contract. Royalties due but not yet received should have been properly accounted for.

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## **6.6 AUDIT OF EXPENDITURE PURCHASE**

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### **PURCHASE RETURN**

#### **Purchases Returns**

If a part or whole of a consignment of goods found to be defective or of a poor quality, the goods sometime are returned to the supplier and his account is debited. The debit is raised in the Purchase Returns Books, on the basis of Debit Note. The supplier, on receiving the Debit Note, issues Credit Note indicating his acceptance of the debit. Thus on receipt it is attached to Debit Note. All these entries should be verified by reference to the record kept in the Goods Outwards Book or the Stores Record. The original invoices through which the purchases were made also should be referred to for confirming that the nominal account, which was originally debited on the purchases being made, has been subsequently credited on a part or whole of the goods contained in the consignment if having been returned. Where the purchase returns are large, either at the beginning or at the close of the year, these might be fictitious, entered to cover bogus purchases recorded earlier. On such a consideration the nature thereof should be ascertained. The rebate in price and allowances granted by the suppliers should be adjusted through the journal on the basis Credit Notes received from the suppliers. These should be verified by reference to the original invoices."

## **SALARIES & WAGES**

### **Salaries and Wages**

Payments on account of salaries and wages need to be vouched carefully, since amounts which were either not due or in excess of those due may have been paid by the client. The evidence in support of such payments generally is internal. It can, therefore, be relied upon only if it has been produced in the normal course of business and there exists an efficient system of internal control which could be expected to prevent if from being fabricated.

Therefore, before proceeding to verify payment made on account of salaries and wages, the auditor should examine the internal control procedure as regards the following :

- (a) Appointment, promotion, transfer and discharge of employees.
- (b) Recording attendance of workers engaged on the time basis, as well as particulars of jobs performed by piece workers.
- (p) Arrangement for the preparation of wages and salaries bills and their analysis.
- (d) Sanctioning the disbursement of wages and salaries.
- (e) Arrangement for disbursement of wages and salaries for workers and employees not present on the pay day.
- (/ ) Custody of the wages records.

He should also verify that the system of internal control provides for the following matters :

- (a) Mechanical recording of attendance of workmen by time recording clocks installed at the factory gate, as well as in each department and the reconciliation of the total labour force with the total of workmen in different departments; also the recording of attendance of the staff departmental!}' in separate registers.
- (£>) Preparation of wages and salary bills by members of the staff, who are not connected with maintaining a record of engagement of workers, recording of their attendance or fixation of their wages.
- (c) Rotation of duties of different clerks employed for preparation of wages and salaries bills so that calculations, additions and extensions are not carried out by the same clerk every month. Also, signing of the statement by persons who have prepared them and



indication by each person so employed of the nature of work carried out by him.

- (d) Verification of salaries and wages bills in case of newly appointed persons by reference to orders for appointment, promotions or transfer made during each month and of those payable to old employees by reference to old records and on reference to the record of attendance.
- (e) Verification of the amount of total wages paid with the amount adjusted in costing record.
- (f) Checking and authorising the overtime and piece work payment by officers who not associated with the Wages Department.
- (g) Withdrawal by a single cheque from the bank of the exact amount of wages and salaries payable as are entered in the wages and salaries bill, depositing in the bank the undisbursed amounts.
- (h) Recording of unclaimed wages and salaries immediately in the Unpaid Wages and Salaries Register, and their subsequent payment on the employee's claim to them.
- (z) Payment of advances in lieu of wages and salaries to persons who go on leave on short notice before the end of the month through the Petty Cash.
- (i) Disbursement of wages in the presence of an official who is in a position to identify the worker and ensure that wages are not being paid to persons other than the workmen except under a proper authority.

**RENT**

Document to be	Aspect to be verified / Auditor's Duties
Rental Agreement	Examine the Rent Agreement and note aspects like - (a) period of lease; (b) rent payable; (c) manner of payment; (d) amenities and other charges
Payment Vouchers	<ul style="list-style-type: none"> <li>• Verify the Payment Vouchers and check whether the payments have been made, per the terms of the agreement.</li> <li>• Trace the payment entries into the Bank Statement. See whether proper receipts have been obtained from the owner of the property.</li> </ul>
TDS File	<ul style="list-style-type: none"> <li>• In case of rent payments exceeding Rs. 1, 20,000 per annum, see whether tax has been deducted at source at the appropriate rates, and remitted to the authorities.</li> </ul>
General Ledger / Financial Statements	<p>* Ensure that any payment in the nature of Deposit / Additional Deposit has not been<sup>1</sup></p> <p>Wrongly charged to revenue.</p> <ul style="list-style-type: none"> <li>• Where the Deposit given to the Landlord bears any interest, see whether Interest Income has been recognised in the P &amp; L Account.</li> <li>• Scrutinise the Ledger and see whether proper accounting entries have</li> </ul>

**INSURANCE PREMIUM**

Document to be seen	Aspect to be verified / Auditor's Duties
Insurance Policy / Cover Note	<ul style="list-style-type: none"> <li>Examine the insurance policy;/ cover note and note aspects like – (a) asset covered by the policy; (b) amount of premium; (c) time period of insurance, etc.</li> <li>See whether “No Claim Bonus”, whether applicable, has granted in the policy to the insured..</li> </ul>
Payment vouchers	<ul style="list-style-type: none"> <li>Verify the payment vouchers and trade the payment entries into the blank statement. Compare the same with receipt issued by the insurance company.</li> <li>Examine cases of insurance premium payments where insurance policy is taken out by arrangement with the bank e.g. in case of machineries and other assets obtained by way of bank loan.</li> </ul>
Staff insurance policy records	<ul style="list-style-type: none"> <li>where insurance premium relates to staff, examine whether the same has been properly recovered monthly / periodically from their pay bills.</li> </ul>
General ledger / financial statements	<ul style="list-style-type: none"> <li>scrutinize the ledger and see whether proper accounting entries have been passed in respect of prepaid insurance as at the beginning of the year / unexpired insurance premium at the end of the year etc.</li> </ul>

Document to be	Aspect to be verified / Auditor's Duties
Internal Control Manual	<ul style="list-style-type: none"> <li>Obtain a complete list of Telephone Connections in the name of the Company and examine the nature of connections i.e. landline, mobile phones, WLL etc.</li> <li>Examine the Internal Control System over the use of telephone by staff, particularly in respect of STD / ISD Calls.</li> </ul>
Bills and Statements of Account	<ul style="list-style-type: none"> <li>Obtain the Telephone / Mobile Phone Bills for the period and verify if the bills are addressed in the name of the Company.</li> <li>Note that the Telephone Bills relate to the period under audit.</li> <li>Scrutinize the Nominal Ledger to check whether the bills for all the 12 months have been properly taken into account.</li> </ul>
Deposit Receipts	Verify whether any deposit has been paid to the Telephones Department / Company and see if the same has been properly accounted in the books of
	In case of telephone expenditure of branch, check the same with respect to supporting documents and returns and see if the same has been accounted
Payment Vouchers	<ul style="list-style-type: none"> <li>Trace the payments into the Bank Statement and examine whether there is any abnormal time lag between the due date of bill, date of payment and date of debit of cheque in Bank Pass Book.</li> <li>Check if any adjustments have to be made against the amount of the bill in respect of credits of previous bills remaining with the Telephone Department / Company.</li> <li>Examine if the cost of any new telephone instrument purchased has also been included in Telephone Expense Account.</li> </ul>
Personal Expense Element	Note that personal Telephone Expenses of the Directors, Partners etc. have not been debited to the Profit and Loss Account, except in cases where the expenditure is attributable to business purposes.

Staff Recovery Register	In case Mobile Phone Charges paid by the Company on behalf of their staff, see whether recoveries have been made from such employees for amounts in excess of the permissible limits.
Service Tax Returns	See whether Service Tax Input Credit has been availed by the Company on the basis of the Telephone Bills / Connections in the name of the Company.
FBI Returns	See whether the liability in respect of Fringe Benefit Tax on Telephone Expenses has been properly computed and remitted to the authorities.
General Ledger / Financial Statements	<ul style="list-style-type: none"> <li>• Verify whether year-end adjustments have been properly accounted in respect of Outstanding Telephone Expenses.</li> <li>• Compute the percentage of Telephone Expenditure to Total Turnover and compare ' the same with that of previous year to ensure reasonableness.</li> </ul>

<i>Document to be</i>	<i>Aspect to be verified / Auditor's Duties</i>
<i>Internal Controls</i>	<ul style="list-style-type: none"> <li>• Examine the Internal Control in respect of Petty Cash Payments, and note the authorization procedure in respect of Postage and Courier Expenditure / Use of Postage Stamps / Prepaid Post Covers, etc.</li> </ul>
<i>Petty Cash Book</i>	<ul style="list-style-type: none"> <li>• Examine the Petty Cash Book and test-check the entries relating to Postage</li> </ul>
<i>Despatch Register</i>	Cross-check a few cases of Postage / Courier Expenses with the Despatch Register™ Outward Mail Register, to see whether any mail
<i>Acknowledgements</i>	<p>ff-sSa</p> <p>Where Postage Expenses are recorded in respect of Registered Post</p>
<i>Agreement with Courier Company</i>	<ul style="list-style-type: none"> <li>• Where<sup>1</sup> agreements are entered into" with a Courier Company / Agency settlement of bills on a monthly basis, see whether the internal control procedure^ for authorizing payments (at the month-end) is operating effectively.</li> </ul> <p>See whether TDS has been deducted at source and remitted</p>
<i>General Ledger / Financial Statements</i>	<ul style="list-style-type: none"> <li>• Verify whether year-end adjustments have been properly accounted in respect of Postage Stamps in Hand.</li> <li>• Compute the percentage of Postage Expenditure to Total Turnover and compare tell same with that of previous year to ensure</li> </ul>

### **PETTY CASH EXPENSES**

1. Identify the persons who handle Petty Cash.
2. Verify the ceiling limit of disbursement through Petty Cash.
3. Note the limit of Imp rest System.
4. See whether petty cash payments are regularly checked by a responsible official.
5. Examine Reconciliation Statements prepared regularly for Petty Cash, based on vouchers.
6. Verify the Cashbook for the transfer of Cash under Imp rest system to Petty Cash.

7. *Scrutinise the Petty Cash Vouchers along with Invoices, Bills, Receipts signed by the recipients.*
8. *Trace the postage expenses along with entries in Mail Outward Register. Compare with previous periods and obtain satisfactory explanations for abnormal movements.*
9. *Check the castings of columns, totals and main totals.*
10. *Trace the postings from the Petty Cash Book into the Nominal Ledger Head of Account.*
11. *Verify the petty cash physically available on a certain date, by way of surprise check.*
12. *Examine the Suspense Vouchers / IOU's and ensure that they are reversed within a reasonable time.*
13. *Conduct a Surprise Check of Petty Cash balance and compare the same with the Petty Cash Book.*

#### **TRAVELLING COMMISSION ADVERTISEMENT**

Demanded for all items of expenses incurred, except those which are capable of independent verification. As regards traveling expenses claimed by directors the auditor should satisfy himself that these were incurred by them in the interest of the business and that the directors were entitled to receive the amount from the business.

The voucher for travelling expenses should normally contain the undermentioned information:

(i) Name and designation of the person claiming the amount. (ii) Particulars of the journey. (iii) Amount of railway or air fare.

(iv) Amount of boarding or lodging expenses or daily allowance along with the dates and times of arrival and departure from each station.

(v) Other expenses claimed, e.g., porter age, tips, conveyance, etc.

If the journey was undertaken by air, the counterfoil of the air ticket should be attached to the voucher; this should be inspected. For travel by rail or road, the amount of the fare claimed should be checked from some independent source. Particulars of boarding and lodging expenses and in the case of halting allowance the rates thereof should be verified. The evidence in regard to sundry expenses claimed is generally not attached to T.A. bills. So long as the amount appears to be reasonable it is usually not questioned. All vouchers for travelling expenses should be authorised by some responsible official. In the case of foreign travel or any

extraordinary travel, the expenses, before being paid, should be sanctioned by the Board.

Unless the articles specifically provide or their payment has been authorised by a resolution of shareholders, directors are not entitled to charge travelling expenses for attending Board Meetings.

