**What special points will receive your attention while auditing the accounts of banking company?**

**The following important points should be noted by the auditor in the audit of accounts of a banking company:**

**General:**

1. He should, first of all, confirm that his appointment is in order.

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2. He should see that Annual Accounts of the banking company have been prepared in proper form.

3. He should examine the system of internal check and control and ascertain whether such a system is adequate or not. Generally, banks have a separate audit department for the examination of day-to-day transactions. The efficacy of such a system should be examined.

4. He should visit the bank on the last working day of the year to count the cash himself. If the money has been kept with the Reserve Bank of India or any other bank, he should obtain a certificate confirming the deposit.

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5. He should specially check the receipt of drafts, cheques, etc., on the last working day which has not been entered in the books.

**Income:**

6. He should verify investments and income there from. It should be seen that investments have been properly valued.

7. He should vouch the interest on loans and advances and ensure that irrecoverable interest is adequately provided for.

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8. He should verify bills discounted and also discount received in respect of such bills. It is to be ascertained that the rebate on bills discounted and unmetered bills has been carried forward.

9. Sometimes, a banking company gets a commission from its customers for services rendered to them. If so, such a commission received should be vouched by proper vouchers.

10. He should verify the securities deposited with bank for safe custody purpose and see that income in respect thereof has been properly accounted for.

**Expenditure:**

11. He should see that capital expenditure has been properly dealt with in the books and proper distinction has been made between capital and revenue.

12. He should check the balance of Current Account, Fixed Deposit and Savings Bank Ledgers with the schedules obtained from the client and ascertain that all interest outstanding on deposits has been provided for.

**Miscellaneous:**

13. All assets and liabilities should be verified and it should be seen that adequate provision has been made for doubtful and bad debts. He should specially check the overdrafts, etc.

14. He should examine the Branch Returns and ensure that they are being properly incorporated in the Head Office books.

15. He should go through the details of Secret Reserves, if any, maintained and see that their purpose is genuine.

16. He should ascertain the adequacy of Securities in respect of loans and advances in both cases, fully secured and partly secured.

17. He should ensure that 20% of profits before paying dividend is transferred to the Reserve Fund as required under the Act.

18. He should see that the provisions of Sees. 11-20 (Stated earlier) of the Banking Companies Act have been fully complied with.

**What are the special points to which you will give your particular attention while auditing the accounts of either an insurance company or a colliery company in India?**

**Special points to which you will give your particular attention while auditing the accounts of either an insurance company or a colliery company:**

**Insurance companies:**

**Insurance** companies in India are subject to regulation and control as required by Insurance Act of 1938 but with the establishment of the Life Insurance Corporation on 1st September, 1956 under the provisions of the Life Insurance Corporation Act, 1956, Life Insurance business is now transferred to this Corporation.

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Thus, the companies carrying on Non-Life Insurance business are still governed by the Insurance Act, 1938.

The Non-Life Insurance Business (I. e., General Insurance) consists of-

(1) Fire,

(2) Marine, and/or

(3) Miscellaneous Insurance Business.

**Auditor’s Duty**

**General:**

1. The auditor should first examine the internal check system in vogue in the company and determine the extent to which he can rely upon the system.

2. The auditor should inspect the minutes of the meetings of shareholders and the Board of Directors. He should also refer to the treaties entered into by the company in respect of claims, premiums and commissions.

3. He should inspect the certificates in respect of securities deposited with the Reserve Bank of India.

4. He should confirm that separate accounts have been maintained in respect of different funds.

5. He should check that under the provisions of the Act, proper registers for agents, policies and claims are being maintained.

6. He should see that the Annual Accounts are prepared in accordance with the Insurance Act, 1938 and the Companies Act, 1956 (as amended to date).

Income:

7. An Insurance Company has its main source of income from the receipt of premiums from policyholders. He should verify such receipts with the Policy Registers and Premium Registers. It is to be noted that under the code of conduct, insurance premiums are payable in advance except when the insured maintains with the insurance company a deposit which is sufficient to cover the amount of the premium due or he furnishes a bank guarantee for the payment of the premium.

8. He should check the accounts for such receipts and ascertain that separate accounts are being maintained for separate insurance business.

9. Then, he should vouch the receipt of interest, dividends and rents. The necessary investment should be verified and it should be ensured that no part of the income remains unrealised.

10. Outstanding premiums should also be brought into account. It should be confirmed that they are recoverable.

11. Similarly, premiums received in advance should not be credited to the Revenue Account of the current year. They should be carried forward.

**Expenditure:**

12. Claims paid should be vouched by reference to the Claims Register and other documentary evidence such as Cash Book, counterfoils of the Cheque Book, the receipts received from the claimants, cancelled policies, etc.

13. Claims admitted but not yet paid on the date of the Balance Sheet should be shown as liabilities and shown on the debit side of the Revenue Account.

14. The commission and allowances paid to the agents should be vouched with the help of agents, agreements, returns, etc. It is to be that the amount of commission does not exceed the limit prescribed by Sec. 40-A of the Insurance Act.

15. He should check the bonus by reference to the Cash Bonus Register.

16. He should ascertain that the amount of salvage has been deducted from the Claims Account.

17. He should ensure that all expenses (e.g. legal expenses, etc.).

18. He should see that different expenses are apportioned properly different heads of department account according to their nature and character.

19. He should check all payments for Annuities and see that annuities due but paid have been provided.

**Miscellaneous:**

20. He should check the Re-insurance Account in the Re-insurance Register and verify Re-insurance Premium and Re-insurance Claims. He avoid also verify the account of Reserve Deposits held on account of Re-insurances.

21. He should confirm that all outstanding branch and agency glances are recoverable.

22. He should verify the assets and liabilities and ensure that proper depreciation has been provided for. It should be seen that investments have been valued in comparison with the market quotations.

23. He should ascertain that due provision has been made for the risk in the accounts. Normally, a provision of 40% of the premiums is considered to be adequate as the minimum required under the Insurance Act for the unexpired risk.

24. He should ensure that the Code of Conduct has been strictly adhered to by the insurance company.

1. The auditor should examine the internal check system in vogue specialty in regard to wages payment, both surface and underground.

2. He should inspect lease and other contracts for royalties, and arrangements for dead rent, short workings, etc. specially.

**Income:**

3. The income of a colliery is mainly from the sale of the output of coal. He should, therefore, check the entries in the Cash Book to ascertain whether correct amounts have been entered into or not.

4. The raising of coal, etc. should be checked by reference to the Output Book and it should be ensured that the provision of minimum rent is complied with.

5. Sales should be verified with the Agent’s Account and the amount of royalty should be verified from the production of the year.

**Expenditure:**

6. He should carefully examine the distinct and proper allocation of expenditure between capital and revenue.

7. The purchase of wagons on hire-purchase system should be properly verified.

8. Wages paid to workers should be vouched by reference to wage sheets which should be certified by proper authorities.

9. Capital Expenditure relating to sinking of pits, construction of tramways, railways, workmen’s cottage and purchase of machinery and other fixed assets should be properly and carefully vouched.

10. It should be noted by him that the development expenses, which have been treated as capital expenditure, are spread over a number of years as such.

11. All fixed assets should be duly depreciated and liabilities should be shown distinctly in the Balance Sheet. It should be seen.

12. The accounts are prepared and books are maintained properly. It is also to be seen.

**What are the special points to which you will give your particular attention while auditing the accounts of either an educational institutions ,Trust or Society in India ?**

* Examine and evaluate Trust Deed or Regulations by referring to the Act of Legislature given by the Government
* Record and note all the provisions affecting the accounts in the institution
* Inspect the Minutes of Meeting of institution's Meeting Committee or Governing Body
* Thoroughly examine the copies of financial statements, balance sheets, and budget plans
* Verify the receipts, and transactions of all sorts of fees (Transportation, Hostel, Academic, Registration, Admission, etc.) paid by students on a monthly and yearly basis
* Validate advance deposits and caution money
* Record Funds and Donations granted to the institutions
* Keep a track of Salary Register and examine workers and employee salaries, tax deductions, etc.
* Verify Provident Fund Register
* Vouch for institution's expenditures
* Carefully verify scholarships granted to merit students
* Validate fees paid in the form of penalties, fines, late submissions in the library, etc.
* Examine institution's bank account, transactions, passbook, etc.
* Examine expenses spent on Library items, sports equipment, books, furniture, events, and many more
* Validate petty expenditures
* Verify Fixed Assets Register
* Check capital expenditure, income from endowments and legacies, and interest & dividend from investments

# Auditing - Audit of Clubs & Theatre

## Audit of Clubs

The following points need to be considered while conducting Audits of Clubs −

* An Auditor should decide his scope of work from his appointment letter.
* He should know whether he is engaged for only accounting and financial matter or some other assignment too.
* He should know about the constitution and the legal status of the Club under which Act the club is registered.
* A Club may be registered under the Companies Act, the Societies Registration Act or the Public Trust Act.
* An Auditor should note down all the related provisions of the applicable Act relating to the accounts and audit.
* He should study the Memorandum of Association and the Articles of Association to know the powers of executive committee.
* An Auditor should be aware of the important decisions relating to accounts, finance, sale and purchase of fixed assets and investment from the minute book of meeting of the Board of Directors or the Trustees or the Managing Committee.
* He should obtain a list of books of accounts, related documents and other records maintained by that club.

### Internal Control System

An Auditor should review the internal control system of Club to conclude on the effectiveness of it and to decide the area and scope of his work.

* He should study the letting out system of the club premises, equipment and other facilities.
* The Auditor should know the bills raising system.
* He should study the rate and the basis of guest house charges, temporary membership charges, eatables, sports equipment.
* If Auditors find that the internal control system is adequate in club, he may opt for test checking, otherwise he might have to go for detailed vouching.

## Audit of Income and Expenditure of Club

In addition to the general procedure of auditing, an Auditor should consider the following points while conducting Audit of Income and Expenditure of Club −

* The donation received by club will be verified with the counterfoils of receipt, donation register and cash book.
* To verify whether it is a capital donation or a revenue donation, an Auditor should know the policy of the Managing Committee.
* To know the policy regarding membership fees of the new members, an Auditor should check the policy of club, whether membership fees will be treated as revenue receipt or capital receipt.
* Membership fees should be vouched with counter foil of receipts, membership register and cash book.
* Annual subscription of members should be vouched from counterfoil of receipt and cash book.
* On the basis of the members register, annual subscription dues received in advance and arrears of subscription should be reconciled.
* Verification of rent received and outstanding rent may be verified with the rental agreement, receipt book and cash book. An Auditor should ensure that the provision for rent outstanding has been provided in books of accounts.
* Income received on account of interest and dividend on investment should be verified with cash book, investment register and documents.
* Bills raised for sports, canteen, health club and restaurant should be verified and he should check the payment against these bills are duly accounted for in cash book and ledger accounts.
* Capital expenditure should be verified from minutes of meeting of managing committee.
* Auditor should verify in due course of audit purchases on account of eatables, sports equipment, heath club equipment, general provisions, stationery and printing expenses, etc.
* Staff salary and annual increment to staff should be verified from appointment letters, attendance register, salary register, time records, etc.
* Physical verification is recommended for food items, wines, crockery, sports equipment etc. on the basis of stock register.

## Audit of Cinemas and Theatre

Following are the sources of income for cinemas and theatres. We will also understand how the income is to be verified by the Auditor.

* Sale of tickets
* Parking
* Canteen Sale
* Advertisements
* Rental income

An Auditor should verify the income from various sources in the following manner −

* He should verify the rules regarding rates for different class of tickets, free passes, benefit shows, concessional tickets for booking of groups of student of schools and colleges etc.
* An Auditor should ensure that each ticket should be serially numbered.
* Daily collection should be deposited in bank.
* An Auditor should verify the daily return for sale of tickets for different class and different shows from counterfoils of sold tickets.
* He should verify the amount of Entertainment Tax collected on account of sale of tickets.
* Auditor should ensure that Entertainment Tax collected on sale of tickets should be deposited with Government within due time without any fail.
* Auditor should verify the rate of parking for each class of vehicle.
* Auditor should verify the cash collection on account of parking from issued slips.
* Auditor should ensure that the parking slip should be different for each class of vehicles.
* If parking and canteen are allotted to contractor, an Auditor should examine the contract between client and contractors.
* The payment received from contractor should be verified from the receipt book and the cash book.
* The payment received on account of advertisement should be examined and verified with cash book and receipt book.
* The premises of cinema or theatre may at times be let out on rent. An Auditor should verify the rent received from rental agreement, cash book and receipt book.

## Audit of Expenses of Cinemas and Theatre

An Auditor should consider the following points while conducting audit of the expenses of cinemas and theatre −

* An Auditor should verify film hire charges from the terms and conditions of agreement.
* Accounting for the film purchased and the film hired should be done accordingly.
* Film purchased but not shown should be accounted for properly.
* Operating expenses should be thoroughly vouched.
* Outstanding liabilities should be duly provided in the books of accounts.
* Adequate depreciation should be provided on furniture & fixtures of cinemas and theatre. Rate of depreciation should be more than normal depreciation provided in other business.
* Stock of various items should be verified.
* Payment of revenue expenses like electricity, salary and wages, stationery and printing, and purchase of various items should be vouched with available supporting of vouchers.
* Revenue and capital expenditure should be treated accordingly.
* All the books like cash book, petty cash book and ledger accounts should be properly examined.

### Internal Control System

An Auditor should examine the internal check and the internal control system of business operations, concerning the cash received, payments made and unsold tickets. He should ensure that the unsold tickets are kept under proper control and in good security conditions. Sold tickets should be duly signed by the authorized officer of the business.