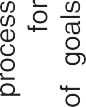
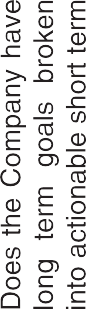
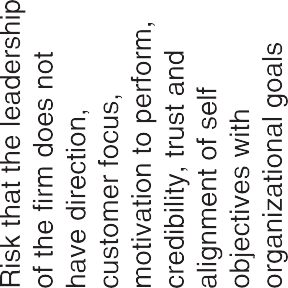
Risk Analysis



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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
| The risk that there is no clear succession plan, leading to uncertainty | 1. Does the company have clear Organization Chart 2. Are the positions adequately filled in |  |  |  | a. Organization Chart |  |
|  | c. Is there a succession plan with the management for key positions |  |
| ***Operational Risks*** | | | | | | |
| Possibility of frauds, illegal acts | a. Has the Company designed processes to ensure that there is no lapse of control leading to frauds |  |  |  | a. Audit Committee action points |  |
|  | b. Does the Management act on Statutory and Internal Audit Reports |  |
|  | c. Is there a system for evaluating legal compliance issues |  |
| The use of inappropriate controls/performance measures, leading to wrong conclusions and inferences about performance of the | 1. Is there a MIS system highlights the perform- ances of the various department and functions 2. Does the Management review the perform- |  |  |  | a. MIS Reports received by Management |  |

***Risks, Checklists, Audit Programme***

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
| firm's operations | ances and take effective actions |  |  |  |  |  |
| Risk of absence of budget or planning system leading to defocusing of corporate operations apart from lack of important control on spending | 1. Is there a process of evolving annual budget in the organization 2. Is budget converted into Operating plans 3. Are budget vis-à-vis actions monitored and corrective actions taken on deviations |  |  |  | 1. Annual Budget Plan 2. Operating Plans |  |
| Operational non clarity affecting performance | 1. Does the Company have a Standard Operating Procedure document for each processes 2. Is the SOP implemented successfully 3. Is there a review of SOP frequently for   incorporating changes |  |  |  | a. Standard Operating Procedures Manual |  |
| ***Communication Risks*** | | | | | | |
| Inability of the company to capture and institutionalize learning across the firm | a. Are training programs held in the organization for transferring knowledge |  |  |  | a. List of training programs and feedback given |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
|  | b. Does the company have a knowledge base |  |  |  |  |  |
| The risk that communication from top management gets lost in transition | a. Capture the process of movement of  memos/circulars and evaluate if the process is adequate |  |  |  |  |  |
| ***HR Risks*** | | | | | | |
| Appraisal processes for the employees not linked with the company's objective | 1. Are Key Performance Indicators designed for each function and each person in the organization 2. Are the expectations communicated to the employee |  |  |  | a. Key Performance Indicators |  |
| Inadequate skill set and knowledge with firm's key people | 1. Check the process of recruitment for key positions 2. Are the requirements of the positions well defined |  |  |  |  |  |
| ***Marketing Risks*** | | | | | | |
| Risk of customer dissatisfaction | a. Has the Management taken conscious efforts for quality improvement |  |  |  | a. Quality documents |  |

***Risks, Checklists, Audit Programme***

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
|  | b. Has the company implemented quality standards such as Six Sigma or ISO for maintaining quality and thereby customer satisfaction |  |  |  |  |  |
| Possibility of product getting obsolete or not meeting the budget requirements | 1. Does the company invest in Research and Development, Product design etc 2. Are efforts taken for exploration of new products 3. Are new markets explored for adequate product and market spread |  |  |  |  |  |
| Possibility of business cycles, whether in own business or in economy in general, creating volatile growth/profitability situation | 1. Has the company done a risk assessment exercise to identify key areas of risk 2. Does the company have a adequate business continuity and disaster recovery plans |  |  |  | a. Business Continuity and Disaster Recovery Plan |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
| Risk from choosing wrong partners, inadequate commitment, poor execution | 1. Is adequate evaluation done prior to entering into contracts, joint ventures etc 2. Are Service Level Agreement drawn for engagements and reviewed |  |  |  |  |  |

***Risks, Checklists, Audit Programme***

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| Assignment Name | | Assignment No |
| Engagement Manager |
| Company Name |  | |

**Finance and Accounts Risks Review Checklist**

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
| ***Receivables Accounting and Management Process*** | | | | | | | |
| Ineffective | Check the following in | Invoices not booked accurately and completely resulting in revenue loss for the company.  Calculate the amount to be invoiced against the amount invoiced and check with receipts to identify the quantum of revenue loss |  |  |  | 1. Invoices |  |
| process of | invoices: | Register/List |
| invoice | a. Are the invoices serially | 2. Supporting |
| generation | controlled and verify if | documents |
|  | there are any duplicate, | such as terms |
|  | cancelled invoices and | and conditions |
|  | ascertain the reasons for the same1 | 3. Payment Register |
|  | b. Check if the calculation of discounts, rebates, prices etc are accurate by verifying it against the terms and conditions | 1. Credit Notes 2. Debtor Recon- ciliation and confirmation documents |
|  |  | 6. Bad Debts |
|  |  | written off |

1 Analysis of Invoice can be done using CAAT tools

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
|  | Calculate the delays in generation and posting / dispatching of invoices with reasons as well as ageing analysis | Delays in invoicing resulting in delays in receipts and funds blockage.  Calculate the average number of days of delay and the cash flow loss due to non receipt of funds on time |  |  |  |  |  |
| Inadequate receivables management | Check if credit notes are posted accurately and are authorized by the designated personnel | Credit notes not accurately posted resulting in revenue leakage |  |  |  |  |
|  |  | Calculate the revenue loss due to such credit notes |
|  | Generate receivables ageing report and ascertain reasons for long pending outstanding and check the procedure for follow up of outstandings | Delays in monitoring receipts resulting in cash flow loss. Calculate the average number of days of delay and the cash flow loss due to non receipt of funds on time. |  |  |  |  |

***Risks, Checklists, Audit Programme***

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
|  | Obtain the documentation relating to debtor reconciliation and verify if confirmations for the balances are obtained from the debtors | Misstatement of debtor balances in the final accounts.  Reperform the reconciliation process to ensure accuracy of calculations. |  |  |  |  |  |
| Obtain the bad debts list and check if authorization is obtained for write off of bad debts. Check the procedure for resolution of unreconciled debts | Bad debts written off without sufficient justification resulting in financial loss. |  |  |  |  |
| ***Payables Accounting and Management Process*** | | | | | | | |
| Inadequate Payment Process | Check the payments to ensure the following:  a. Payments are supported by related Purchase Orders, Goods/Services Receipt note and approval from the user department for receipt of  material/service | Mismatch between actual payment and payment to be made resulting in revenue leakages |  |  |  | 1. Purchase Orders 2. Payment Vouchers 3. Payment Register 4. Goods/Ser-vice delivery Notes |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
|  | 1. Payment entry is made accurately and completely for all the GRN/Service notes 2. Payment is made as per the terms and conditions entered into with the vendor |  |  |  |  | e. Agreement with the vendor |  |
| Calculate the delays in posting of payment entries with reasons as well as ageing analysis | Delay in payment results in unnece- ssary liability imposed as per the terms and agreements with the vendor  Calculate the interest charged by the vendor for late payment |  |  |  | a. Creditors ageing analysis |  |
| Check if debit notes are posted accurately and are authorized by the designated personnel. Ensure that the rejections are authorized by designated personnel | Debit notes not supported by  Purchase returns  documents and replacement/adjustme nt not made accurately for the debit notes |  |  |  | a. Debit notes |  |

***Risks, Checklists, Audit Programme***

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
|  | Verify the process of reconciliation of debit/credit notes and accounts payable | Duplicate payments made without receipt of goods/service |  |  |  | a. Vendor  reconciliation documents |  |
| Ensure that all dues are settled at the time of the full and final settlement and adequate follow up | Delay in payment results in unnece- ssary liability imposed as per the terms and agreements with the vendor  Calculate the interest charged by the vendor for late payment |  |  |  |  |  |
| ***General Financial Closure System*** | | | | | | | |
| Books of  accounts not closed on a timely basis | Check the procedure for closure of books and accounts and ensure that the closures are done on a timely basis. Check if the following are closed:   1. Ledger Accounts 2. P&L account 3. Balance Sheet 4. Cash Flow statement 5. Debtors ageing | Delays in closure leading to non availability of financials for review and decision making.  Ascertain delays in closure of books and ensure the reasons for the delay |  |  |  | 1. Books of Account 2. Ledger   summaries   1. Ageing reports 2. Bank   Reconciliat-ion Statem-ent   1. Statutory remittances |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
|  | 1. Creditors ageing 2. Bank Reconciliation 3. Statutory remittances |  |  |  |  |  |  |
|  | Peform a GL scrutiny to ascertain any  irregularities in transactions posting and undertake a detailed review wherever discrepancies are identified  Ensure that there are no unreconciled items on opening balances | Inaccurate updation of accounts resulting in misstatement in financials. |  |  |  | a. General Ledger |  |
|  | Study / review of the Notes to accounts appended for adequacy of disclosure and compliance with statutory laws |  |  |  |  |  |
|  | Compare balances with previous periods and preparation variance analysis report |  |  |  |  |  |

***Risks, Checklists, Audit Programme***

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
| Inadequate provisioning | Check if the provisions made are accurate and subsequent accounting entries passed are correct. Check if the provisions are authorized as per the Delegation of Authority Matrix |  |  |  |  |  |  |
| ***Fund and Cash Management2*** | | | | | | | |
| Inadequate budget system | Review the budget system and verify the following:   1. Budget is prepared and authorized on an annual basis 2. Expenditure incurred is verified with the budget and corrective actions are taken for deviations from the budget 3. Revised budget if any is authorized as per Delegation of Authority Matrix | Inordinate deviations from the budget resulting in  excess/short spending |  |  |  | 1. Annual Budget 2. Variance Analysis Report |  |

2 Funds Management would also include review of Foreign Exchange gains/loss, technique of hedging etc depending upon the nature of the company.

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
| Inadequate fund utilization | Ensure if review of investments / bank balances, interest earned and identification of idle balances is being done . | Inadequate funds management resulting in idle funds and notional loss on idle funds |  |  |  | 1. Investment details 2. Bank details   and bank statements   1. Interest details |  |
| Compare interest paid on credit obtained from banks vis-à-vis idle balances if any; and credit cycle (credit obtained from suppliers). |  |  |  |  |  |
| Inadequate control over physical cash/cheques | Ensure if Physical verification of cash is done – Periodicity / timings and reconciliation of differences in balances if any. |  |  |  | 1. Cash Register 2. Physical Cash |  |
| Review the system of Internal Controls on collection of cheques / cash received – recording and serial issue of cash / cheque received vouchers. |  |  |  | 1. Cheque books 2. PDCs 3. Cash Vouchers |  |

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| Assignment Name | | Assignment No |
| Engagement Manager |
| Company Name |  | |

Human Resources Process Review Checklist

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
| ***HR Planning Process*** | | | | | | | |
| HR Plan not meeting the objectives of the Company | a. Understand the process of HR planning to verify that adequate steps are taken to ensure that the candidate requirement projected is justifiable | Positions recruited not adequately justified resulting in increasing HR Costs.  Check for  requirements which are not properly authorized. |  |  |  | a. Annual HR Plan |  |
|  | b. Compare actual vis-à- vis the plan and check for major deviations if any | Number of persons recruited in excess/short thereby resulting in inadequate HR sizing |  |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | c. Verify if any action | Approval not |  |  |  |  |  |
| taken, which is deviating | assigned for |
| from the plan has got the | deviations resulting |
| approval of the | in non compliance |
| concerned person as per | with policy and |
| the Delegation of | inadequate control |
| Authority defined by the | effectiveness |
| company |  |
| ***Recruitment Process*** | | | | | | | |
| Selection of | a. Verify the process |  |  |  |  | a. Requisition |  |
| Candidate not | carried out for selection | form wherein the |
| as per the | of the candidate. Ensure | requirement of the |
| requirements of | if it is in-house or | candidate and the |
| the Company | outsourced to | expectations are |
|  | recruitment agency | filled in |
|  |  | b. |
|  |  | Inerview/Assessm |
|  |  |  |  |  |
|  | b. If it is outsourced to a recruitment agency verify if the process carried out for selection of the agency is done after proper evaluation | Improper selection of recruitment agency resulting in recruitment flaws. | ent form   1. Candidate's resume 2. Offer letter 3. Recruitment policy and Operating |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | c. Check if the recruitment of the candidate is supported by documents, viz. resume, interview  results, terms of employment, offer letter etc. | Non availability of supporting documents for selected candidate resulting in inadequate justification for candidate selected |  |  |  | Procedure if available |  |
| d. Ensure if the selection made is as per the requirement raised by checking the skills and qualifications required are met by the person selected | Candidate selected not meeting the requirements of the department resulting in inefficiency in the functional area |  |  |  |
| e. Ensure that the HR department has carried out the recruitment without any delay by comparing the date of request and date of recruitment | Delay in recruitment resulting in positions not filled up within the  required time  leading to  inefficiency and overtime costs for the existing employees |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | f. Check if adequate background verification has been done for the candidate selected. If the selection is through the recruitment agency, check if the agency has carried out adequate background check for the candidate selected | Inadequate back- ground verification resulting in select- ion of candidate not suitable for the related vacancy |  |  |  |  |  |
| g. Check if the recruitment is authorized by the appropriate personnel | Selection not as per the requirements of the company |  |  |  |
| ***Induction*** | | | | | | | |
| Induction formalities not completed as per requirements | a. Check the personnel files and ensure if the induction formalities checklist is signed and completed on time | Inadequate indu- ction formalities resulting in admin- istrative inconv-  eniences (eg. Salary payment to be processed sep- erately because of not opening bank account of the employee on time) |  |  |  | 1. Induction Checklist if any 2. Policies/Code of conduct documents signed by the employees |  |

***Risks, Checklists, Audit Programme***

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | b. Check if the new joinee has been made aware of the key personnel policies of the company | Inadequate comm- unication of company's policies resulting in dilution of Company's objectives |  |  |  |  |  |
| ***Attendance Management*** | | | | | | | |
| Inadequate procedures for monitoring attendance of the employees | a. Select sample of attendance register (manual/system generated) for a month and compare it with the leave records to ensure that the attendance captured is accurate | Inadequate attendance captured resulting in inability to compare the salary paid to number of days worked |  |  |  | a. Attendance Registerb. Leave Records |  |
| b. In case of leave as selected above, check if the leave has been sanctioned by the concerned personnel as defined in the Delegation of Authority. | Leave not  sanctioned by the designated authority resulting in control lapses and inaccurate payroll processing |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | c. Check if the leave records of the employe- es is complete with respect of updation of various types of leave (CL/SL/PL) and verify if the balance leave calculation is done accurately. | Inaccurate calculation of leave resulting in inaccurate payroll processing and salary payment |  |  |  |  |  |
| d. Confirm that there is no possibility for  modification of attendance/leave records and in case of modifications if any, are authorized by the relevant person. | Possibility for  modifications in records resulting in non reliability of data |  |  |  |
| e. If the attendance is captured using  electronic devices, check the accuracy and authenticity by reperformance. | Incorrect logic in the system resulting in incorrect payouts |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
| ***Payroll Processing*** | | | | | | | |
| a. Inadequate Segregation of Duty | a. Check that the person capturing the attendance and the person processing the payroll is different, to ensure adequate segregation of duty. | Inadequate Segregation of Duty resulting in unauthorized access to records increasing the  possibility for manipulation |  |  |  | 1. Payroll Database 2. Offer letter for salary details 3. List of new joinees 4. List of resignees 5. List of employees transferred/ promoted 6. Authorized Payroll Register |  |
| b. Inaccurate Payroll Database | b. Compare the employee details as per the attendance register and employee details as per Payroll register and check for any dummy names in the payroll register | Fictituous employees in the payroll resulting in higher salary costs for the company |  |  |  |
| c. Obtain list of new joinees for the last three months and verify that in case of new joinees the date of updation of the entry in employee list is on the date as mentioned in the offer letter | Payment made in excess to new joinees |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | d. Obtain list of resignees for the last three months and check if any names still appear in the payroll employee list | Salary paid to resignees resulting in higher salary costs |  |  |  |  |  |
| e. Obtain the salary details from the payroll register and select a sample of employees and check if the salary details updated are as per the offer letter | Salary paid not as per the terms and conditions resulting in higher payouts |  |  |  |
| f. Obtain list of employees who have been transferred/promoted in the last three months and check if their salary details have been modified as per the transfer order/promotion letter | Salary paid not as per the terms and conditions resulting in higher payouts |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | g. If the payroll processing is done by a software, reperform the calculation to ensure that the logic built in the software is correct | Program logic inaccurate resulting in wrong salary processing and inaccurate payouts |  |  |  |  |  |
| h. Check if the payroll calculations are authorized by the concerned person prior to transferring it for payment | Inadequate authorization for document authenticity |  |  |  |
| c. Statutory Non Compliance | i. Verify  PF/ESI/Professional Tax deductions are in compliance with the prevailing Statutory Norms. | Statutory non compliances res- ulting in penalties and offences as defined under the concerned Statutory Regulation |  |  |  |
| ***Performance Appraisal*** | | | | | | | |
| Appraisal not  aligned to performance | a. Obtain the Key Performance Indicators (KPIs) defined for each role if available | Non definition of Key Result Areas resulting in inadequate communication of role profile and non alignment of role to the company's objectives |  |  |  | a. Appraisal Recordsb. Appraisal Policyc. Key Performance Indicators (KPIs) if available |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | b. Obtain the appraisal sheets and check if the appraisal is done based on the KPIs defined | Appraisal not  aligned to  performance resulting in mismatch between the position and the person |  |  |  |  |  |
| c. In case of non availability of standard KPIs, ensure the following:   * Appraisal is done by the concerned functional head to whom the employee reports * The scores given are adequately justified | Appraisal not  aligned to  performance resulting in mismatch between the position and the person |  |  |  |
| d. Ensure that the appraisal records are kept safe and confidential. Check who are the authorized persons for handling the appraisal records and ensure that the records are not made available to anyone other than the authorized persons | Non confidentiality of appraisal records resulting in employee dissatisfaction and unrest |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | e. Check if the salary upgradation for persons promoted is as per the company's policy | Non compliance  with Company's policy resulting in inefficiency |  |  |  |  |  |
| ***Training and Development*** | | | | | | | |
| Increasing Training Costs | a. Obtain the list of training programs conducted during the past six months |  |  |  |  | 1. Training Programme details 2. Training attendance sheet and Feedback form 3. Supporting documents for   training cost   1. Training Budget and approvals |  |
| b. Verify the attendance register capturing the training information and also check the training feedback forms | Training provided to fictitious employees resulting in higher training costs |  |  |  |
| c. Enquire on the decisions taken based on training feedback forms | Training feedback forms not analyzed adequately resulting in training  inefficiencies and lack of benefit to the trainees |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | d. Check the supporting documents for the relevant training program (viz. food, location, trainer's cost etc) and ensure that the cost incurred is supported by the underlying documents | Non availability of supporting documents for justifying the cost incurred |  |  |  |  |  |
| e. Check if the cost is within the training budget or approval is obtained in case of deviations if any | Cost in excess/short of the budget resulting in higher payouts or  inefficiency |  |  |  |
| ***Separation*** | | | | | | | |
| Inadequate Exit Formalities | a.Is exit happening according to exit policy of the company | Non compliance  with Company's policy resulting in inefficiency |  |  |  | 1. Exit Policy 2. Full and final settlement forms of resigned employees |  |
| b. Are exit interview documents available for all the employees who have resigned (Check in cases of resigned employees) | Increasing attrition due to  dissatisfaction |  |  |  |

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|  | c. Check if the full and final settlement is done only after the employee has obtained a Clearance from all the concerned department. Check the full and final settlement form and ensure that it is authorized by all the concerned departments | Unauthorized access to  company's assets resulting in loss of information or resource |  |  |  |  |  |
| ***Statutory Compliances*** | | | | | | | |
| Statutory Non Compliance | a. List out the various Labour Acts applicable to the Company |  |  | Checklist to be prepared for the provisions of various Labour Act applicable to the Company |  | a. Records maintained under various acts |  |
| b. List out the various returns and records to be filed and maintained by the Company |  |  |  | b. Copies of returns filed |
| c. Check the records against the list to ensure that all the relevant records are being maintained and updated by the company | Statutory non compliances resulting in  penalties and offences as defined under the  concerned Statutory Regulation |  |  | c. Remittances challans |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | d. Check if the returns (PF/ESI) are filed within the applicable due date | Statutory non compliances resulting in  penalties and offences as defined under the  concerned Statutory Regulation |  |  |  |  |  |
| e. Check if the remittances are made within the relevant due date | Statutory non compliances resulting in  penalties and offences as defined under the  concerned Statutory Regulation |  |  |  |

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| Assignment Name | | Assignment No |
| Engagement Manager |
| Company Name |  | |

Inventory Risks Review Checklist

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
| ***Receipt System*** | | | | | | | |
| Inadequate gate entry controls for material receipts | Check if there are necessary controls implemented at the gate to ensure that all the men/materials (Truck/material by Courier  , etc.) entering the premises are recorded. | Inadequate control over men/material entering the premises |  |  |  | a. Entry Register maintained by the Security Guard |  |
| Is there a procedure of confirming/cross checking the material/men reporting at the gate with the stores/visitee and the in time/out time of the truck/men entered in the register | Inadequate confirmation of  purpose of visit thereby resulting in unauthorized access to the information and facilities at the premises |  |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
|  | Does the security ensure that before giving entry there is no hazardous/ injurious/ prohibited material in the vehicle | Threat of explosions resulting in damage to men and material |  |  |  |  |  |
| Are there clearly defined timings during which the vehicles can enter/leave the factory. If yes, what happens if the vehicles come at some other time | Unauthorized entry during non office hours |  |  |  |  |
| Inadequate process for material receipt at the  warehouse | Check if the material into the warehouse is accepted only after checking the gate seal | Unauthorized receipt of material |  |  |  | 1. Goods   Inward note and register   1. Supporting documents viz. invoice and delivery challan, purchase order 2. Weighment Certificate |  |
| Ensure that the goods are unloaded only after checking the supporting documents viz. invoice, delivery challan | Receipt of material not ordered. Also check if payment has been made for the same |  |  |  |  |
| Check weighment  procedures wherever applicable and weigh bridge certificate is available for the receipts | Weight differences between the quantity ordered and quantity received and excess/short payment |  |  |  |  |

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| **67**  ***Risks, Checklists, Audit Programme***  **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
|  | Check if the gate entry and receipts entry tally. In case of differences, examine the reasons for the same | Missing receipt entries resulting in  unauthorized movement of material  Record the missing entries and trace the material. Also check if payment has been made for material not received. |  |  |  |  |  |
| Check if there is any delay in posting receipt notes by calculating the number of days of delay between the gate entry and receipts entry | Delay in receipt of material thereby affecting issues and resulting in production delays  Calculate the number of days of delay in production due to delayed issue. |  |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
|  | Check for cases which do not adhere to the timeliness/quantity/quality parameters of the purchase order leading to shortages, rejections, etc., to the purchase, accounts, vendor development, claims departments | Receipt of sub  standard material thereby affecting the production process  Compile cases of rejection in the production line due to substandard quality of material |  |  |  |  |  |
| Material received without quality clearances | Check if quality clearance is obtained for the material unloaded | Receipt of sub  standard material thereby affecting the production process  Compile cases of rejection in the production line due to substandard quality of material |  |  |  | a. Quality clearance certificates |  |
|  | Analysis of delays if any in performing quality check by comparing the date of receipt of material and date of quality certificate | Delays in quality verification resulting in delays in production |  |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
| Non tracking of goods in transit | Analyse the goods in transit and record if there are inordinate delays in receipt of material | Calculate the number of days of delay between the order date and receipt date. Analyse the average time to be taken and record transactions  where there is inordinate delay. |  |  |  | 1. List of goods in transit 2. Stock   Register |  |
| Statutory Non compliance | Compliance with excise laws and ensuring completeness of statutory records required to be maintained | Statutory non compliances resulting in penalties and offences under the relevant regulations |  |  |  | 1. Statutory records 2. Stock   Register |  |
| ***Material Stacking Procedure*** | | | | | | | |
| Unauthorized access to storage area | Check if the storage area (warehouses at multiple places also needs to be considered) is under the control of authorized person and entry for others is barred | Unauthorized entry into the storage area resulting in loss or damage of material stored |  |  |  |  |  |
| Inadequate transfer of risk | Check the adequacy of insurance cover for the premises and the material | The average amount held in stock at any point of time and the cost for setting up the  warehouse after |  |  |  | a. Insurance Policy for warehouse |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
|  |  | damages resulting in financial burden, in the event of any catastrophe |  |  |  |  |  |
|  | Does the inventory have earmarked places for storage material. Are damaged material  /material that have not cleared quality/line defects are placed separately from the good quality material | Mixing up of goods resulting in inaccurate issues and  inefficiencies in production |  |  |  |  |  |
|  | Are bin cards maintained and all receipts and issues are accurately updated | Non maintenance of bin cards and stock register results in inaccurate knowledge on material availability leading to excess purchases.  Check if purchases have been made inspite of availability of material and ascertain the amount incurred for the purchases. |  |  |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
| ***Issues Management*** | | | | | | | |
| Inadequate system for  issue of  material from the warehouse | Select the issues made from the stock register and check if the issues are tracked to request from various departments | Issues made without the requests resulting in inaccurate dispatch of stock leading to misutilization |  |  |  | 1. Issue   Request/BO M   1. Stock   Register |  |
|  | Check if there are delays in issue of material by calculating the number of days of difference between the issue request and the actual issues | Delay in issues resulting in production delays. |  |  |  |  |  |
|  | Check for material returns from the line duet to wrong issues. | Inaccurate issues resulting in production delays. Calculate the time difference between the issue request and the correct issue quantity for the delays |  |  |  | a. List of returns from the line |  |
|  | Check if the issues are updated accurately in the bin card and in the stock register for each of the issue requests | Inaccurate updation resulting in incorrect stock position. Check the stock reconciliation records and identify cases where the reconciliation was |  |  |  | 1. Stock   Register   1. Bin Card 2. Stock   Reconciliatio n Records |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
|  |  | necessitated due to inaccurate updation in stock records. |  |  |  |  |  |
| ***Stock Reconciliation Process*** | | | | | | | |
| Inadequate process for reconciliation of stock | Check the following to ensure the adequacy of the stock reconciliation process:   1. Frequency of carrying out the stock reconciliation and the last date when it was carried out 2. Cut off procedures at the time of stock taking 3. Documentation for stock verification and ensure if reasons are captures for the differences and the action taken for ensuring non recurrence of such reasons 4. If any write off is necessitated as a result of such | Difference is any resulting out of stock reconciliation implies the funds lost due to inadequate stock handling procedures |  |  |  | 1. Stock   Register   1. Physical   verification documents   1. Approvals for write off |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
|  | reconciliation check if it is authorized as per the delegation of authority matrix and such written off stocks are physically available  e. Physically verify certain sample cases to ensure that the stock are physically available |  |  |  |  |  |  |
| Inadequate Monitoring of non moving, damaged stock | Check if non moving stock is kept separately and is reported to the Management from time to time  Ensure that damage stock is kept separately and is reported to the Management from time to time | Holding of stock for a long period, implies blockage of funds.  Perform an ageing analysis of non moving stock and ascertain the interest lost on funds blocked. |  |  |  | a. List of non moving/damage d stock |  |
| Inaccurate fixing of  reorder levels | Check if reorder levels are fixed adequately to ensure that ordering of stock is accurate | Check for cases where orders are made before the stock reaching the reorder level and the financial payouts for such procurement |  |  |  | a. Reorder level policy |  |

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Information Security Review Checklist

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
| ***Security Policy Review*** | | | | | | | |
| Non definition of Security Policy in  accordance with business requirements and relevant  laws and regulations | * Enquire about Information security policy availability * If exists ask for its last renewal and approval * Ensure that the policy has been   communicated to all employees and other third parties involved in aspects relating to information security in the organization | Lack of definition of information security aspects results in risk of compromise of availability, confidentiality and integrity of data and information processing assets |  |  |  | 1. Information Security Policy 2. Minutes of   Meetings in  which the  policy is reviewed |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
|  | * Check if   confidentiality agreement exists with employees and other third parties who have access to critical information in the organization   * Review the agreement and note the clauses of security. Ensure that clauses for legal recourse, in case of compromise of   confidentiality is  included in the agreement |  |  |  |  | Confidentiality Agreements with employees and third parties |  |
| ***IT Assets Management*** | | | | | | | |
| Inadequate Maintenance of IT Assets | * Check if inventory of assets exist (software and hardware) * Review the columns and adequacy of heads * Check if licenses are live for all the software in the listing | Observe if no inventory of IT assets exists. |  |  |  | 1. IT asset Register 2. IT assets procurement details |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
|  | * Review if the register is maintained adequately. Ensure that the register is complete and is updated for every purchase, transfer and disposal of assets |  |  |  |  |  |  |
| * Check if any guidelines exist for classification of   information as  sensitive, non sensitive etc. Identify if the asset holding such sensitive information is classified and protected adequately |  |  |  |  | a. Information Classification guidelines if any |  |
| Inadequate procedure for disposal of IT assets | * Review the IT assets/media disposal procedures in place * List out the cases of computer sales in the last 1 year and analyze how the hard discs were removed from the system before sale | Access to information to outsiders due to inadequate disposal methods |  |  |  | a. List of assets disposed |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
| ***Human Resources Security*** | | | | | | | |
| Allowing access to persons without thorough background check | * Are back ground checks done on the all candidates, third party users and contractors * Verify in few cases * Verify who is responsible for back ground verification | Unauthorized access to information to persons who may misutilize the same |  |  |  |  |  |
| Lack of  awareness about information security in the organization | * Were there any training programmes conducted on IT security * What was the last date the training was conducted * Review the training documents and the participants list | Inadequate training resulting in lack of awareness and financial pay outs |  |  |  | a. List of training programmes conducted and their details |  |
| Inadequate separation procedures | * Review the procedure for employee resignation. * Review the checklist for full and final settlement to review IT access settlements | Access to information even after resignation of the employee. Observe cases where the full and final settlement process is not complete. Probe into list of items not returned by the employee. |  |  |  | 1. List of resigned employees 2. Full and final settlement |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
| ***Physical and Environmental Security Process*** | | | | | | | |
| Inadequate Security at the server room | * Review the security system for IT facility, server room * Note down all the checks available | Compromise of security at the server room would result in compromising the entire IT infrastructure of the company.  Identify the threats due to compromise in the server room physical security and list. |  |  |  |  |  |
|  | * Review the environment hazards and threats and related controls. Eg. Fire, water logging etc * Review the list of support utilities and identify protection incase of failures * Review whether the telecommunication and power cables are properly protected (test basis) | Production/operations stoppage duet o occurrence of such events  Downtime and recovery time to be calculated due to occurrence of such failures. |  |  |  | a. Insurance policies |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
| Inadequate Maintenance of IT assets | * Review whether AMC exists for all the assets (Server, Desktops, Back up, Network, UPS, Power, AC etc.,) | Downtime due to repairs and damages. Check the average downtime and frequent reasons for repairs. |  |  |  | 1. AMC details 2. Repairs   register |  |
| ***Information Security Department Responsibilities review*** | | | | | | | |
| Inadequate control against malicious codes | * Note the anti virus software being used * Verify whether the anti-virus is updated regularly | System breakdown or inefficiencies due to non updation of anti virus |  |  |  |  |  |
| Inadequate back up of information | * Is there a back up system in existence. Review the back up frequency, media, data coverage,   storage, recovery procedures | Loss of data due to inadequate back up procedures. Check the number of days of data that would be lost in case of failure of backup mechanism |  |  |  |  |  |
| Inadequate network management | * Understand the network software being used * Obtain the detailed network diagram and identify the points of contact with external environment | Compromise on  security due to inadequate network design and network monitoring |  |  |  | 1. Network diagram 2. Network security policy |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
|  | * Review the security procedures implemented in the external environment contact points * Review the network security policy and procedures in place * Run the network security analyzer on the network (if in case necessary) * Analyze the network log reports to verify threats |  |  |  |  |  |  |
| Non availability of audit logs | * Review the set of logs generated, printed by the server / IT operator and check the procedure of analysis * Review the retention procedure of the audit logs generated | Non traceability of actions due to non availability of audit logs |  |  |  | a. Audit logs details | ‘ |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
| ***Access Controls Review*** | | | | | | | |
| Inadequate access definitions | * Is there an access control policy in place * Review the procedure for giving login / access for new users (for domain / server / network, application systems, email systems, internet etc.,) * Review the procedures for deleting the login / access for users who have resigned. * Review whether the parameters are updated for regular password changes, password restrictions (alphanumeric, symbols etc.), automatic locking * Is there a procedure in place for regular management review of access roles given to various users. | Unauthorized access to data resulting in compromise of confidentiality, availability and integrity |  |  |  | a. Access  control policy |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observ- ations** |
|  | * When was the last management meeting conducted |  |  |  |  |  |  |
|  | * Is there login and password system before logging on to the operating system |  |  |  |  |  |  |
| ***Information Security Events Management*** | | | | | | | |
| Inefficient Security incidents management | * Were there any security breaches that have taken place in the last one year (hacking, data theft, web attack etc.) * Review the procedure how they are managed | Managing security  breaches avoid recurrence of such events |  |  |  | a. Security Incident details |  |

***Risks, Checklists, Audit Programme***

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| Engagement Manager |
| Company Name |  | |

Marketing Risks Review Checklist

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
| ***Target Fixation*** | | | | | | | |
| Inaccurate fixation of targets | a. Check if targets are fixed for the marketing department is based on the annual sales plan | Inaccurate targets result in inadequate plan for the marketing team. |  |  |  | 1. Annual Sales Plan 2. Short terms sales plan   with targets |  |
|  | b. Review if targets are broken into short term targets and are communicated to the marketing team | Identify if the marketing team is aligned to achieve the targets. |  |  |  |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | c. Is the target revised based on analysis of actual performance. If there is a revision, is it approved by the concerned authority |  |  |  |  |  |  |
| ***Marketing strategies evaluation*** | | | | | | | |
| Inappropriate marketing strategies | a. Is a marketing plan developed for meeting the targets.   * Evaluate the marketing strategies with respect to Branding, Advertisement and other marketing strategies. * Is selection of   agencies for  advertisement and branding, for media and publishing is done based on evaluation of quality parameters | Inadequate marketing plans resulting in insufficient market coverage and targets achievements.  Analyse the trend of marketing costs, under each strategy. Analyse deviations from budget |  |  |  | a. Advertisement spend details |  |
|  | * Is evaluation done for increasing customer   base, increased sales |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | etc from the market spends |  |  |  |  |  |  |
|  | c. Evaluate the following for ensuring the adequacy of marketing strategies: | Lack of diversification of sales results in single point failure. |  |  |  |  |  |
| * Is there a   dependence on single customer. Calculate the proportion of sales vis – a- vis the customer |  |
| * Is there   dependence on single product. Analyse the product wise sales |  |
| * Is there   dependence on single market |  |
| ***Customer Relationship Management*** | | | | | | | |
| Inadequate | a. Does the company | Inadequate |  |  |  | a. Customer |  |
| Customer | maintain a customer | information on | database |
| Information | database. Is it | customer results in |  |
|  | manual/software based. | inaccurate decisions. |  |
|  | Check for the following |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | in the database:   * Is the updation in the database made on a timely basis. | Identify cases of inaccurate, incomplete and unreliable data. |  |  |  |  |  |
| * Are all the required fields in the customer database completed by the sales team |  |
| * Does it throw entire information about the customer, ie. products ordered, no. of calls made to the customer, delivery details etc |  |
| Inadequate action on Customer Feedback | Are Customer rejections captured separately and actions are effectively taken on the same. Ensure if reason wise analysis is made and corrective actions are taken | Frequent Customer rejection results in poor reputation of the company.  Analyse the rejection cases and perform root cause analysis on cases of frequent rejections |  |  |  | a. Customer rejections summary |  |
|  | Is customer feedback | Customer feedback |  |  |  |  |  |
| obtained on company’s | collections helps in |
| projects/performance on | designing the market |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | a frequent basis and | strategy and hence |  |  |  |  |  |
| steps taken for | needs to be taken on |
| improvement | a frequent basis |
| ***Monitoring*** | | | | | | | |
| Inadequate incentive system | Check the following for evaluating the performance measure- ment system of the marketing team:  a. Are targets set for every person in the marketing team | Inadequate monitor- ing of performance resulting in poor sales and employee motivation. |  |  |  | 1. Target *vis-a vis* actuals comparison 2. Incentive system and payment |  |
|  | b. Are the targets being reviewed on a monthly basis |  |  |
|  | c. Is an incentive system designed for rewarding achievement of targets |  |  |
|  | d. Are suitable actions taken for non performance |  |  |

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| Engagement Manager |
| Company Name |  | |

Process Risks Review Checklist

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
| ***Indent Raising Process*** | | | | | | | |
| Inadequate indenting system | a. Obtain indents raised for the last one month and check the adequacy, authenticity and completeness of indents with respect to sanctioning authorities, desired information, cost benefit analysis, back-papers etc., | Indent raised without sufficient justifications resulting in purchase of items not required and thereby financial payouts |  |  |  | 1. Indents raised for a month 2. Delegation of Authority matrix for sanctioning the indents 3. Supporting documents for indents |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
|  | b. Study cycle time between receiving of an indent and raising of PO and evaluate reasons in case of exceptional delays3 | Delay in procurement of required items resulting in  production delays |  |  |  | 1. Purchase Orders raised for the requisitions 2. Procurement budget |  |
| c. Check if the requested item is as per the budget or else authorized by the designated authority | Procurement without sufficient authorization resulting in  purchases made without justification |  |  |  |
| d. Generate an exception report on open indents for a long time with reasons and analyze the root cause for such delays | Delay in procurement of required items resulting in  production delays |  |  |  | a. List of open indents |  |
| e. Check if any indents have been raised on an emergency basis and ensure that they have been authorized adequately | Procurement without sufficient authorization resulting in  purchases made without justification |  |  |  |  |  |

3 1. The process for calculating the delays can be done using CAAT tools

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
| ***Purchase Order Process*** | | | | | | | |
| Inadequate selection of vendors | Check if the procurement has been made as per the Purchases policy of the organization. In case of non availability of purchase policy, for the selected purchase orders verify the following:   1. At least quotations from three vendors have been obta-ined for finalizing 2. Check if the vendor selected has offered the best rate 3. Verify the para-meters considered for evaluation of quality of the product/service 4. Check if adequate justifications and authorization exist in case of purchase from sole supplier or at higher rates | Inadequate vendor selection resulting in the following:4   1. Procurement at higher cost5 2. Procurement of sub standard quality material 3. Vendor not competent to   deliver the service/material   1. Possibility of   collusion with  vendors and  thereby not adhering to the vendor selection policy |  |  |  | 1. Procurement Policy 2. Vendor selection documents 3. Delegation of Authority Matrix |  |

4 Use of CAAT tools is recommended for generating exceptions

5 Exceptionally high cost of procurement needs to be recorded in the Final generation of Exceptions report

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
|  | 1. Check if negotiations have been made for better terms of purchase 2. Check if authorization for the purchases as per the Delegation of Authority defined by the organization   Review the agreement with the vendor and check if the terms and conditions are met for the material/service delivered | Receipt of  material/service not as per the terms and conditions agreed upon |  |  |  | a. Agreement between the company and the vendor |  |
| Check if there is any process for annual vendor evaluation and the performance of the vendor based on quality, timely delivery, compliance with terms and conditions etc are evaluated |  |  |  |  |  |  |
| Inadequate Ordering process | Generate list of Purchase Order not serviced on time and ascertain the reasons for the same. Compare the PO date and GR/service receipt note date and ascertain the delays | Delay in procurement leading to production delays |  |  |  | a. Goods delivery/service receipt note |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
| Statutory non compliance | In case of imports check if the statutory regulations viz. customs regulations, FEMA regulations etc are complied with | Statutory Non compliances resulting in penalties and offences under various regulations |  | Statutory Compliance s Checklist |  | a. Copies of payment challans and returns filed |  |
| ***Vendor Database Management*** | | | | | | | |
| Inaccurate vendor database | Obtain the dump of vendor database and analyze for the following:   1. Duplicate vendor codes 2. Duplicate vendor names 3. Inaccurate updation of vendor details viz. item   /service supplied, rate, terms of delivery etc by comparing it with the agreement   1. Access to the vendor database to   unauthorized person (persons in  departments other than procurement department) | Purchases made from fictitious vendors not  supported by physical delivery and resulting in payout to the company |  |  |  | 1. Vendor   database dump   1. Agreements with vendors 2. Purchase orders to the vendor 3. Goods receipt note/service delivery note |  |

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| Assignment Name | | Assignment No |
| Engagement Manager |
| Company Name |  | |

Production Risks Review Checklist

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
| ***Production Planning Process*** | | | | | | | |
| Inadequate Production Plan | 1. Is there a Bill of Material (BOM) available for the production 2. Check the process for evolving the Bill of Material | Inaccurate estimation of requirements results in unnecessary purchases. |  |  |  | a. Bill of Material |  |
|  | 1. Are the purchases made according to the BOM. Check for an order, of the purchases are made as per BOM 2. Is BOM   comprehensive, | Obtain list of very old items in the inventory and ascertain the reason for not using the items and against which BOM the purchases were |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | reliable and accurate. Check for modifications if any in BOM for similar orders and obtain the justification for the same | made.  Check the overtime payments made and analyze the reasons for working overtime. Check if the overtime was pre planned or was it in the process of production. |  |  |  |  |  |
|  | a. Is production plan reviewed on a frequent basis for making necessary adjustments | Inadequate review of the production plan resulting in production inefficiencies. |  |  |  | a. Minutes of meeting for production review |  |
| b. Is the cycle time from Raw material charging to finished goods calculated and evaluated | Review the minutes of the meeting relating to production reviews and check if decisions made in the meeting are implemented. |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
| ***Raw Material Charging*** | | | | | | | |
| Inadequate controls on raw material charging process | 1. Are the raw materials charged as per the production plan 2. Does a review happens to ensure that the correct quality and quantity of raw material for the batch is charged 3. Are safety procedures complied with in case of raw material which are of hazardous nature | Inaccurate charging of raw material resulting in quality mismatches. |  |  |  | 1. Production Plan 2. Raw Material charging checksheet if any |  |
| Inadequate quality check | 1. Is the raw material certified for quality prior to charging 2. Check for quality clearance for the items introduced into the production process 3. Check the process | Inadequate quality check results in inadequate quality of the final product leading to customer rejections.  Calculate the percentage of |  |  |  | 1. Quality   clearance certificates   1. Quality   checklist   1. Customer rejections 2. Pending claims |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | checklist used by the quality  department for checking the quality parameters at this stage.  d. Verify if the checklist is being filled up accurately and completely for every input of material | rejection at the raw material stage and ensure if the procurement department has taken it up with the supplier for claims if any.  Identify the cases of customer rejection and ensure if it is due to raw material quality.  Compare the production quantity deviations due to low quality of raw material. |  |  |  |  |  |
| ***Line Processes*** | | | | | | | |
| Inadequate review of line activities | Does the production happen as per the defined procedure. Ensure the following for evaluating the efficiency of line processes:  a. Are line activities | Production not carried out as per the procedure.  Check on quality rejection in line and  calculate the |  |  |  | a. Documents showing output of line activities |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | supervised at each stage   1. Is the output at each process recorded and signed off 2. Are transfers within internal processes adequately documented and reviewed | percentage of such rejections and frequent reasons for the same. |  |  |  |  |  |
| Inadequate rejections/rewo rk Management | 1. Are the   rejections/damages and wastages adequately recorded   1. Is the physical stock sent to raw material warehouse 2. Is over and under consumption calculations made and reviewed by the production department | Non monitoring of rejection and damages resulting in material leakages.  Physically verify if the material is available |  |  |  | a. Rejections/ damages records |  |
| Inadequate Machinery | Check if the equipments and machinery used in | Production down time due to |  |  |  | a. Preventive Maintenance |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
| Maintenance | the lines are maintained adequately.  Is there a preventive maintenance schedule evolved and adhered to by the company | machinery breakdown  Review the instances of machinery breakdown and time taken to rectify the same and the number of times the instance has recurred |  |  |  | Schedule  b. Equipment failure details |  |
| Non availability of utilities | Identify the key utilities required for the production process and ensure if the company has adequate back up for shortage in supply of utilities.  Also ensure if records are maintained showing utilization details of key utilites | Non availability or inefficient usage of utilities resulting in down time  Identify instances of down time due to non availability of key utilities and the actions taken for ensuring continuous supply of the same |  |  |  | a. Production down time details |  |
| Inadequate quality check in | a. Is the output in the line certified for | Inadequate quality check results in |  |  |  | a. Quality  clearance |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
| the lines | quality prior to passing it to the next process or to the finished goods warehouse   1. Check for quality clearance for the output 2. Check the process checklist used by the quality   department for checking the quality parameters at this stage.   1. Verify if the checklist is being filled up accurately and completely for every input of material | inadequate quality of the final product leading to customer rejections.  Calculate the percentage of rejection and quantify the financial burden  Identify the cases of customer rejection and ensure if it is due to processing quality.  Compare the production quantity deviations due to low quality of output |  |  |  | certificates   1. Quality checklist 2. Customer rejections 3. Pending claims |  |
| ***Finished Goods Management Process*** | | | | | | | |
| Inadequate storage of finished goods | a. Are the finished goods stored in a safe location prior to transferring it to the warehouse | Quality rejections due to improper storage |  |  |  | a. Quality rejections |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  |  | Check for instances of quality rejections due to damage to material after production and prior to transfer to packing section |  |  |  |  |  |
| Inadequate procedure for packing and labeling of material | Check for controls adopted during the packing and labeling process to ensure the following:   * Containers used for packing are correct * The quantity of material packed is accurate * Tagging of the final product to the batch is made accurately * Labelling is done as per the standards defined * Prices are printed as per the approved price list | Quality rejections – internal and external due to inadequate packing and labeling.  Identify the reasons for rejections and evaluate the action taken for avoiding recurrence of the same. |  |  |  |  |  |

***Risks, Checklists, Audit Programme***

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| Assignment Name | | Assignment No |
| Engagement Manager |
| Company Name |  | |

Sales and dispatch Risks Review Checklist

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
| ***Sales Plan*** | | | | | | | |
| Inaccurate fixation of targets | a. Evaluate the process adopted for making annual sales plan. Check the following:   * Is the annual sales plan prepared after consideration of performance in the previous period | Inaccurate targets result in inadequate plan for the marketing team.  Identify if the marketing team is aligned to achieve  the targets. |  |  |  | 1. Annual Sales Plan 2. Short terms sales plan with targets |  |
|  | * What are the aspects analyzed for   preparation of plan and are they adequate |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | * Is the annual sales plan approved by the concerned authority * Is the sales plan made for all the products and locations of the company * Has it been communicated to all the departments |  |  |  |  |  |  |
| ***Order Booking and Delivery*** | | | | | | | |
| Incomplete/ina ccurate orders booked | Review the process of order booking and verify the following:  a. Are the orders booked completely. Check if all the calls as updated in the customer call database is booked. If not ascertain the reasons for non conversion of the order | Risk of delivery without booking of orders.  Evaluate the monitoring system for customer calls, follow up and closure and identify points of control lapses  leading to non booking of orders. |  |  |  | 1. Sales Order copies 2. Customer call information |  |
|  | b. Compare the date of call and date of order and identify reasons for delays if any |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
| Mismatch between orders and delivery | 1. Verify if the delivery is supported by sales order 2. Ensure that the delivery is monitored and authorized 3. Verify the controls for ascertaining that the material has actually reached the customer. Does the person delivering the goods carry the   acknowledgement copy from the customer and is it checked.   1. Verify if there are any delays in delivery by comparing the call closure, order and   delivery | Customer rejections due to inadequate delivery.  Check for instances of rejections from the customers and analyze the reasons for the same.  Calculate the  monetary impact, due to repeated dispatches or wrong dispatches, damages during transportation etc. |  |  |  | 1. Delivery Orders 2. Customer acknowledge ments 3. Customer rejections |  |
|  | e. If the delivery is outsourced to an agency, analyze the supporting documents for making payments to the agency and also the systems for monitoring the agency’s performance |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | f. Analyze the logistics arrangements and identify areas of duplication, inefficiencies etc |  |  |  |  |  |  |
| ***Invoicing*** | | | | | | | |
| Inaccurate invoicing | 1. Check if the invoices are serially controlled and identify duplicate, cancelled or missing invoices if any 2. Check if the invoices are prepared at the right price for the right material. If the invoices are system generated, check the application logic for rate and   material/services  selection | Inadequate invoicing results in direct revenue loss for the company.  Identify cases of inaccuracies and delays and calculate the revenue lost due to the same. |  |  |  | 1. Invoice Register 2. Sales orders and delivery notes |  |
|  | c. Check if there has been any delays invoicing by comparing the order date and invoice date and ascertain  reasons for the same |  |  |
|  | d. Check if all the orders and deliveries are |  |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observa- tions** |
|  | invoiced  e. Are the invoices authorized by the designated person |  |  |  |  |  |  |
| ***Collection Process*** | | | | | | | |
| Inadequate controls in collection  process | Check if the collection is made by the marketing team. If yes evaluate the  following: | Inadequate controls result in revenue leakage. |  |  |  | 1. Ageing report 2. Collection summary |  |
|  | a. Are adequate controls designed in the collection process to ensure that there is no leakage at the point of collection and remitting it to the  company | Assess the trend of collections, check if they are as per the terms and conditions and is there any possibility for relaxation in the  cycle |
|  | b. Are cash collections disallowed, if allowed is it supported by  suitable documents |  |
|  | c. Is there a possibility for collusion between the marketing team  and customer |  |
|  | d. Is ageing analysis done on receivables and follow up taken  periodically |  |

***Manual on Internal Audit***

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| Assignment Name | | Assignment No |
| Engagement Manager |
| Company Name |  | |

Statutory Compliances Review Checklist6

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| ***Central Excise Act*** | | | | | |
| * Does the excise registration certificate cover all chapters/subheadings/products |  |  |  | 1. Excise Registration Certificate 2. RG23D Register 3. Excise Returns |  |
| * Is the storage ground plan approved by the Excise Range superintendent |  |  |  |  |
| * Has notice of the last change in the unit head been given to Excise authorities |  |  |  |  |
| * Are the Excise authorities informed about the pre-authenticated serial nos. of invoices |  |  |  |  |

6 The Checklist is inclusive and is subject to change as per the changes to the Statutes. The checklist can be used as an indicative checklist and is not final.

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| * Are duplicate for transporter copies of excise invoices available for all consignments entered in RG23D register (for receipt of goods from plants or other locations) |  |  |  |  |  |
| * Is the RG23D register maintained properly (consignment-wise) and always kept upto date |  |  |  |  |
| * Do physical stocks reconcile with book stocks as shown in RG23D register as on the date of report |  |  |  |  |
| * Are excise returns filed by the 10th of the subsequent month |  |  |  |  |
| ***Income Tax Act*** | | | | | |
| * Has the unit made any cash payments for expenses above Rs 20000 |  |  |  | 1. TDS Challans 2. TDS returns |  |
| * Has the unit paid loans / advances / deposits in cash above Rs 20000 |  |  |  |  |
| * Has the unit received loans / advances / deposits in cash above Rs 20000 |  |  |  |  |
| * if yes, then has the unit obtained the PAN number and address of the party |  |  |  |  |

***Manual on Internal Audit***

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| * Is tax being deducted at source at correct rates on all payments liable for deduction of tax at source |  |  |  |  |  |
| * Has TDS remittances and returns made as per the due date |  |  |  |  |
| ***Services Tax*** | | | | | |
| * Verify the Registration of the assessee with the Service Tax Commissionerate |  |  |  |  |  |
| * Whether separate regn. taken for each service provided |  |  |  |  |  |
| * Check the opening credit of the current year and closing entries of the previous year |  |  |  |  |  |
| * Check whether the tax invoice is proper and mentions the Regn. No. of the assessee, Separately mentions the rate of tax and amount of tax. (From samples of the bills raised for collecting the service tax.) |  |  |  |  |  |
| * Check whether the tax invoice is proper and mentions the Regn. No. of the service provider and Separately mentions the rate of tax and amount of tax. ( From samples of the bills received by the assessee from service providers) |  |  |  |  |  |

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| * If the rates applied are different, take a copy of the authority/notification under which such change is approved. Ex. Composition, Notification, etc. |  |  |  |  |  |
| * Check whether month wise statement of service tax receivable/payable account matching with the monthly payments of service tax. |  |  |  |  |  |
| * Check whether the service tax has been deposited with in the due dates |  |  |  |  |  |
| * Check Half Yearly returns filed. Tally it with both the monthly payments and as well as the ledger entries as the relevant dates. |  |  |  |  |  |
| * Review the return and see whether the return is accurate as to, input credit, output tax payable, valuation of services, carry forward of credit, etc. |  |  |  |  |  |
| * Check the Correspondence if any with the Department and its compliance and impact. |  |  |  |  |  |

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| ***Sales Tax Act/ Value Added Tax/ Central Sales Tax Act*** | | | | | |
| * Does the establishment have registration certificates for LST and CST |  |  |  | Registration Certificate Sales Tax Challan Sales Tax Returns |  |
| * Has the unit included additional godown / seasonal godowns as additional places of business in the sales tax registration certificate |  |  |  |  |
| * Have all the products handled been declared in the sales tax registration certificates |  |  |  |  |
| * Is the LST and CST certificate prominently displayed at the unit and additional godowns |  |  |  |  |
| * Has sales tax been charged on sale of assets at correct rates |  |  |  |  |
| * Are the records, required to be maintained for Sales Tax/ Income Tax purposes available at the location |  |  |  |  |
| * Has the unit reconciled the variance between the sales tax payable as shown in books of accounts ( ERP) and the amount actually paid |  |  |  |  |



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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| * Does the unit maintain acknowledged Sales Tax challans |  |  |  |  |  |
| * Does the unit deposit sales tax dues duly within due dates |  |  |  |  |
| * Does the unit file the sales tax returns duly within due dates |  |  |  |  |
| ***ESIC Act*** | | | | | |
| Is the unit registered under ESIC  1 Employees drawing wages (excluding overtime) less than or equal to Rs 7500/- are covered under the Act.  2. If not covered under ESIC, Workmen Compensation Act will apply. |  |  |  | ESI Challans of both company / contractor  ESI Returns of both company/ contractors  ESI Compliances Files (Various forms filed with ESI authorities) |  |
| * If security contractors have been registered separately, then are the copies obtained from them and kept in safe custody |  |  |  |  |
| * Have declaration forms (Form 1) and return of declaration form (Form 3) for new employees been submitted immediately on their day of joining |  |  |  |  |

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| * Has the unit preserved all ESIC payment challans and returns |  |  |  |  |  |
| * Has the unit maintained an Accident register (Form 15) |  |  |  |  |
| * Has the unit reported all reportable accidents (i.e. which prevent an employee to report from duty for a period greater than 48 hours) to the ESIC authorities vide Accident Report (Form 16 - available in the Act) |  |  |  |  |
| * Has the unit maintained Form-7 register showing monthly ESIC contributions and all the details of employees covered under the ESIC Act   (The Company or the contractor, in case he has his own code, needs to maintain Form 7) |  |  |  |  |
| * Has the unit maintained ESIC Records for previous years (no maximum limit) as inspection can be carried out by authorities at any time. |  |  |  |  |
| * Has the unit deposited ESIC monthly contributions (both employer and employee) before 21st of the next month |  |  |  |  |

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| * Has the unit filed ESIC half-yearly return in Form-6 within 42 days of the half-year ended September 30 or March 31, as the case may be |  |  |  |  |  |
| ***Workmen’s Compensation Act*** | | | | | |
| * Has the unit filed the annual return under Workmen's compensation Act within the due dates?   (This act is not applicable to those covered under the ESIC Act) |  |  |  |  |  |
| ***Minimum Wages Act*** | | | | | |
| * Has the unit displayed a copy of the Abstract of the Minimum Wages Act |  |  |  |  |  |
| * Has the unit displayed the notice containing the minimum rates of wages applicable |  |  |  |  |  |
| * Is minimum wages paid to contract labour /security personnel, in the presence of company employees |  |  |  |  |  |
| * Has the unit filed the Annual returns under Minimum Wages act |  |  |  |  |  |

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| ***Payment of Wages Act*** | | | | | |
| * Does the unit appropriately maintain records specifying names of employees and wages paid to them |  |  |  |  |  |
| * Does the unit prominently display the abstract of payment of wages act and rules |  |  |  |  |  |
| * Has the unit filed Annual returns under Payment of Wages Act **NOT APPLICABLE FOR UNITS IN MAHARASHTRA** |  |  |  |  |  |
| ***Professional Tax*** | | | | | |
| * Does the unit maintain acknowledged Profession tax challans |  |  |  |  |  |
| * Has the unit deposited the monthly profession Tax within the due dates (Time period for the payment of tax is State specific ) |  |  |  |  |  |
| * Has the unit filed Profession Tax returns within due dates |  |  |  |  |  |
| * Has the unit paid company profession tax within due date |  |  |  |  |  |

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| ***Shop and Establishment Act*** | | | | | |
| * Is the Shop and Establishment Registration certificate valid as on date |  |  |  |  |  |
| * Is the Shop and Establishment registration certificate prominently displayed |  |  |  |  |  |
| * Has notice of the last change in the unit head been given to Shop and Establishment authorities |  |  |  |  |  |
| * Has the unit submitted notice of weekly holidays and notice of daily working hours to the Inspector under Shop and Estb Act |  |  |  |  |  |
| * Has the unit displayed a copy of the notice of daily working hours submitted to the Inspector under Shops and Estb Act |  |  |  |  |  |
| * Is the name and address of the local labour inspector displayed as per Shop and Estb Act |  |  |  |  |  |
| * Does the unit maintain an inspection book for visit remarks of the Inspector |  |  |  |  |  |

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| * Does the unit maintain a muster register as per Shop and Estb Act for all company and contracted employees |  |  |  |  |  |
| * Are the employee leave cards maintained and updated as on date |  |  |  |  |  |
| ***Payment of Bonus Act*** | | | | | |
| * Does the unit maintain payment of Bonus register |  |  |  |  |  |
| ***Payment of Gratuity Act*** | | | | | |
| * Has the unit submitted notice of opening of establishment (Form A) under the Gratuity Act to the Controlling Authority within 30 days of starting of the unit (Note: This point is applicable only for new units) |  |  |  |  |  |
| * Has the unit prominently displayed the abstract of Payment of Gratuity Act |  |  |  |  |  |
| * Has the unit intimated any change in the unit head or address of unit to the Controlling Authority in Form B |  |  |  |  |  |
| * Has the unit displayed the name of Company’s officer authorized to receive notices under the Act |  |  |  |  |  |

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| ***Contract Labour [Regulation and Abolition] Act*** | | | | | |
| * Is this Act applicable to the unit? |  |  |  |  |  |
| * Has the unit obtained Registration Certificate under the Act for engaging Contract Labour? |  |  |  |  |  |
| * Does the unit maintain Registers of Contractors containing all the names of Contract Labour staff (from various contractors), the nature of work performed by the contract labour and the rates of wages paid to contract labour? |  |  |  |  |  |
| * Are the wages to contract labour staff paid in presence of management representative Company? |  |  |  |  |  |
| * Has the unit displayed the abstract of the Contract Labour Act/Rules? |  |  |  |  |  |
| * Has the company entered into legal agreement with the Contractors? |  |  |  |  |  |
| * Has the unit (principal employer) filed annual returns under the Act? |  |  |  |  |  |
| * Have the Contractors obtained License under the Act? |  |  |  |  |  |

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| * Do the Contractors renew their License every year? |  |  |  |  |  |
| * Have the Contractors taken a separate code number for PF and ESI coverage and contributions are remitted accordingly? |  |  |  |  |  |
| * Do the contractors maintain the following:   + Muster Roll   + Register of Wages   + Register of Deductions   + Register of Overtime   + Register of Fines   + Register of Advance |  |  |  |  |  |
| * Are the Contractors keeping the registers/records relevant to the employment within 3 kms nearer to the work place? |  |  |  |  |  |
| * Have the Unit displayed notice showing rates of wages/hours of work/wage period/date of payment of wages/date of payment of unpaid wages and the name and address of the Inspector having jurisdiction over the Unit? |  |  |  |  |  |

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| **Audit Steps to Verify** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observations** |
| * Has the Contractors issued Employment Card/Wage slips to their workers? |  |  |  |  |  |
| * Have the Contractors filed Half yearly returns under the Act? |  |  |  |  |  |
| * Do the Contractors issue Service Certificate to their workers on termination? |  |  |  |  |  |

***Manual on Internal Audit***

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| Assignment Name | | Assignment No |
| Engagement Manager |
| Company Name |  | |

Administration Risks Review Checklist

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
| ***Facilities Plan*** | | | | | | | |
| Non availability of administration plan | * Check if facilities plan is made based on Annual Operating Plan * Check if it is communicated adequately * Check if the administration department has an internal procurement plan generated for the approved facilities and placed it with the procurement department | Inadequate plan resulting in inadequate purchases and non availability of the relevant facilities on time |  |  |  | Annual perating Plan  Faciltiies Plan |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
| ***Security Functions*** | | | | | | | |
| Inadequate selection and monitoring of security functions | Review if the Security functions are managed in house or outsourced. If outsourced, check the adequacy of evaluation done for selection of security persons7 | Compromise to physical security aspects due to wrong selection of guards |  |  |  |  |  |
|  | Review the security process and ensure the following:   1. Does the Security Guard note down details of all persons (employees/visitors) moving in and out of the company premises 2. Does the Security stop and check the visitors and understand the purpose of visit before letting them in 3. Are vehicles adequately checked and registered prior to giving entry | Unauthorized entry and exit resulting in unauthorized access to the company and company’s resources. |  |  |  | 1. Visitors   Register   1. Inward Gate Pass 2. Outward Gate Pass 3. Visitors   passes   1. Inward and Outward Registers |  |

7 The risk involved in outsourcing activity is not included as a part of this checklist.

***Manual on Internal Audit***

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
|  | d. Is the movement of material monitored by Inward Gate Pass and Outward Gate pass |  |  |  |  |  |  |
| ***House Keeping*** | | | | | | | |
| Inadequate house keeping | Review if the house keeping functions are managed in house or outsourced. If outsourced, check the adequacy of evaluation done for selection of persons undertaking housekeeping activity |  |  |  |  |  |  |
|  | Check the following:   1. Does the   housekeeping function have a checklist for their activity   1. Is their activities monitored 2. Is the cost of house keeping high 3. Is the house keeping material kept under safe custody | High spending on house keeping without a budget resulting in inefficient utilization of funds.  Analyze the trend in house keeping cost. Compare the cost as a percentage of total cost and sales and comment if it is on a higher side |  |  |  | 1. Housekeepin g Checklsit 2. Housekeepin g costs   breakup   1. House   keeping staff attendance |  |

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| **Risk Listing (What Wrong Can Happen)** | **Audit Steps to Verify** | **Impact Analysis** | **Auditor** | **Checklist** | **Time for Audit Step** | **Information Required from Auditee** | **Observat- ions** |
| ***Maintenance*** | | | | | | | |
| Inadequate Maintenance of facilites | 1. Check if there is a maintenance schedule and it is being adhered to 2. In case of AMCs or warranties, is the follow up done with the vendor for services 3. Is the maintenance cost too high 4. Does the company have any service level agreement for maintenance activity and is it being adhered to and monitored 5. Is all the complaints registered and actions are taken on time | Inadequate maintenance results in frequent machinery breakdowns.  Calcuate the  number of  breakdowns and the time taken for rectifying. Analyse the trend in maintenance cost to see if it is rising due to inadequate preventive maintenance. |  |  |  | 1. Maintenance Register 2. AMCs 3. Maintenance Cost details |  |