

Internal Audit Framework

Comprehensive controls checklist for Fixed Assets, Inventory, and Revenue Recognition (IFRS 15 / Ind AS 115).

Purpose: Provide a structured internal audit approach: risk assessment, control evaluation, and audit procedures. Tailor to your entity and industry.

1. Risk Matrix (Summary)

Area	Key Risk	L	I	Rating	Primary Audit Procedures
Fixed Assets	Incorrect capitalization (repairs expensed vs capitalized) and unauthorized additions.	Med	High	High	Test additions: approvals, invoices, classification; inspect FAR changes.
Fixed Assets	Existence risk: ghost/missing assets; inadequate physical verification.	Med	High	High	Observe PV; trace tags to FAR; reconcile exceptions and disposals.
Inventory	Valuation errors (cost/NRV) and inadequate obsolescence provisioning.	High	High	Crit	Reperform valuation; review ageing/NRV tests; assess provision methodology.
Inventory	Cut-off errors (GRN timing, goods-in-transit) around period end.	Med	Med	Med	Cut-off testing; match GRN/invoice/GL dates; review GIT accounting.
Revenue	Revenue recognized without satisfying performance obligations; contract mods not assessed.	Med	High	High	Select contracts; validate 5-step model and modification accounting.
Revenue	Contract assets/liabilities and variable consideration estimates misstated.	Med	High	High	Test roll-forward to billing/collections; review estimate controls & true-ups.

2. Fixed Assets - Controls Checklist & Procedures

	Checklist Item	Evidence / Notes
	Policy & governance: capitalization thresholds, component accounting approach, and approval authorities documented and current.	Capitalization policy; delegation of authority.
	Additions testing: approvals, vendor invoices, capitalization date, and put-to-use evidence retained.	Additions sample file; invoice/PO; GRN; commissioning docs.
	Depreciation review: useful lives, methods, and impairment indicators are reviewed periodically.	Depreciation schedule; management review evidence.
	Physical verification: asset tags, location ownership, and condition assessment performed at least annually with follow-up.	PV report; exception tracker; disposals approvals.

	Disposals/retirements: authorization, proceeds, and FAR updates reconciled to GL; gains/losses reviewed.	Disposal register; accounting entries; approvals.
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3. Inventory - Controls Checklist & Procedures

Checklist Item	Evidence / Notes
Counting controls: cycle counts/annual counts planned, supervised, and variances investigated and approved.	Count instructions; variance reports; approvals.
Valuation: cost method applied consistently; overhead absorption logic documented and reviewed.	Valuation SOP; cost sheets; standard cost updates.
Obsolescence/NRV: ageing review and NRV testing performed; provisions supported and approved.	Ageing report; NRV testing; provision memo.
Cut-off: GRN/invoice matching and goods-in-transit accounting controls operating effectively.	Cut-off testing pack; GRN/invoice tie-out.
Access controls: inventory movements require authorization; segregation of duties in warehouse systems.	System access list; SoD review; transaction logs.

4. Revenue Recognition - IFRS 15 / Ind AS 115 Compliance

Checklist Item	Evidence / Notes
Contract identification: contracts approved, enforceable, and stored; modifications tracked and evaluated.	Contract repository; approval workflow; change orders.
Performance obligations: identified and documented; SSP methodology applied where required.	POB matrix; SSP methodology; pricing approvals.
Transaction price: variable consideration estimated with constraint; significant financing components assessed.	Estimate memo; constraint analysis; financing assessment.
Revenue timing: point-in-time vs over-time criteria applied consistently; cut-off procedures operating.	Revenue recognition memo; cut-off testing evidence.
Contract assets & liabilities: roll-forward reconciles to billing and collections; disclosures supported.	Contract asset/liability schedule; AR/billing reconciliation.
Refunds/returns/credits: provisions and accounting treatment consistent; CN/DN issuance controls in place.	Returns policy; CN/DN logs; provisioning workbook.

5. Workpaper Index (Suggested)

Internal Audit Framework

FA-01 FAR listing & movement | FA-02 Additions sample | FA-03 Physical verification | INV-01 Inventory count | INV-02 Valuation tests | REV-01 Contract selection | REV-02 POB matrix | REV-03 Cut-off tests | REV-04 Contract asset/liability roll-forward