

CHECKLIST FOR INTERNAL AUDIT

Client's Name:

Nature of Audit:

Period covered by the Audit:

INTERNAL CONTROL QUESTIONNAIRE (Evaluation of Internal Control)

ACCOUNTING FUNCTION: WAGES & PAYROLL / CASH & BANK BALANCES /
PURCHASE & CREDITORS / SALES & DEBTORS / STOCK

INTERNAL CONTROLS IN RESPECT OF WAGES & PAYROLL

S NO.	KEY CONTROL QUESTIONS	REPLY
1.	Is there a separate department to deal with wages?	
2.	Who is responsible for various Jobs relating to wages – <ul style="list-style-type: none">➤ Time Cards➤ Payroll➤ Disbursements, etc.	
3.	What is the staff strength? <ul style="list-style-type: none">➤ Workers➤ Other employees<ul style="list-style-type: none">- Management- Others	
4.	How are the duties distributed? Explain how the work of one person is automatically checked by the other?	
5.	Who authorizes the following: <ul style="list-style-type: none">➤ Engagement of Employees➤ Retirement & Dismissal➤ Rates of Pay➤ Increment or any changes in pay➤ Deductions from Pay➤ Advance payment of salary	
6.	Are proper personnel records kept for all employees (e.g engagement letter, rates of pay, specimen signatory, etc)?	
7.		

	Are written orders passed for engagement, discharge, wage rate, etc. for all categories of workers?	
8.	What are the arrangements for recording time? Are they adequate?	
9.	Is there periodic rotation of duties?	
10.	What is the basis of overtime?	
11.	Who can authorize overtime? Are there any limits on such authority?	
12.	Are job cards maintained? Is the attendance record reconciled with the job cards?	
13.	How is the piecework recorded?	
14.	Are there adequate checks on the quantity of piecework completed?	
15.	Is the control over time and piece work excused by someone independent of the wages deptt.?	
16.	What are the rules regarding rates of pay, incentive schemes, holiday pay, bonus, and other payments? Are there rules available in writing?	
17.	Is the wages sheet well designed? Does it show various elements of gross wages? Are the deductions shown clearly?	
18.	Is the primary data (no. of hours or piece work) entered in the wages sheet? Is the regularly checked with the time cards and piece work record by an independent person?	
19.	Are the rates of pay / wages periodically checked and updated with reference to the rate card by an independent person?	
20.	Does the internal auditor or any other independent person periodically check the calculation for wages, overtime incentive, PF, ESI, and various deductions?	
21.	Are the wages by persons responsible for their preparation,	

	checking and authorization?	
22.	Are the wages payables as shown in the wages sheets approved by a senior manager before the cheque is drawn for the total amount payable?	
23.	How are the wages packed? Do twice independent persons count the cash before putting them in the envelope?	
24.	Are the wage packets prepared before wages for any section of employees are disbursed? Is the cash properly reconciled before putting them in the envelope?	
25.	Are wages disbursed on fixed days & timings?	
26.	Is proper identification and receipts obtained before disbursement of wages? Are the wages disbursed in the presence of the foreman of the section concerned?	
27.	Can another person draw wages of his colleagues, if he is so authorized? What are the checks on the unauthorized collection of wages?	
28.	What is the procedure of wage disbursement to workers of contract sites? Do adequate checks exist on primary records, rates authorization & identification of such workers?	
29.	How are unclaimed wages recorded?	
30.	Who keeps the envelopes containing unclaimed wages? Are the content of such unclaimed envelope examined? How long are these packets kept?	
31.	Who authorizes the payment of unclaimed wages? Is there proper identification of the person claiming unclaimed wages? Are there wages paid through separate voucher?	
32.	Are the deductions on account of Provident Fund, ESI, and Income Tax deposited on time?	

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INTERNAL CONTROLS IN RESPECT OF CASH & BANK BALANCES

S NO.	KEY CONTROL QUESTIONS	REPLY
1.	Is the receipt and opening of mail responsibility of an independent person? Who is he? Is a list prepared showing receipts of money orders and cheques when the mail is opened?	
2.	Have clients been advised to send payments only by crossed cheques? Are cheques being stamped "Not Negotiable" as soon as they are received?	
3.	Is the custody and control of money received the responsibility of company cashier? His name? Are his duties defined?	
4.	Does the cashier handle and have access to the books of accounts, securities, negotiable instruments, sales invoices & credit notes etc.?	
5.	Are the receipts prenumbered and carbonized?	
6.	Are the cash receipts independently rectified with the sales records?	
7.	What is the procedure for dealing with cash shortages or surpluses? Who authorizes the write off / write back thereof?	
8.	Are the cheques / drafts received banked the following day? The pay-in-slip (deposit slip) should be checked with the checklist prepared on receiving the mail. Is it being done?	
9.	Are all cash collections being banked intact? Are there any underbankings and who authorizes the same?	

9.1	Is there any fixed float for petty cash? What is the procedure for reimbursement of petty cash float?	
10.	Is access to cash restricted? Are there arrangements of safeguarding cash after business hours? Specify such arrangements?	
10.1	Is there an insurance policy for cash in the safe and cash in transit? Policy details?	
11.	Are there independent surprise counts of cash balances done, periodically? By whom?	
12.	Are all bank accounts being reconciled on a monthly basis? Are long outstanding recording items? Is there being checked by the accountant? Who reviews the bank records?	
13.	What are procedures and controls in respect of funds in trust in respect of Provident Fund, Cooperative societies, Pension Funds, etc.?	
14.	What are controls with regard to issue of cheques? With whose authority / instructions they are issued? Are presigned cheques left around? What are the procedures for safe custody of cheque books?	
15.	What are the documents on the basis of which cheques can be raised?	
15.1	Who are the signatories of the cheques? Are there joint signatories?	
16.	Are cheques issued by the company, normally account payable? What are the procedures for issuing bearer cheques? Monetary limits special approvals?	
17.	Are payments made within the discount period?	
17.1	Are signed cheques promptly dispatched?	
18.	Who authorizes cash payment? Any limits on signing powers?	

19.	Has the company clearly laid down what documents will support different kinds cash payments?	
20.	Are the discharged documents stamped “PAID” so that they cannot be presented for payment twice?	
21.	What are the rules and regulations of the company on : ➤ Cash / Staff advance to employees ➤ T.A.I.D rules. ➤ Entertainment Expenses. ➤ Allowance to senior staff – e.g. telephone, conveyance, business, allowances, medical expenses, etc.	
22.	Are there any specific rules with regard to giving IOU’s, encashment of personal cheques, etc.?	

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INTERNAL CONTROLS IN RESPECT OF PURCHASE & CREDITORS

S NO.	KEY CONTROL QUESTIONS	REPLY
1.	What is the procedure for issuing purchase requisitions?	
2.	Whether tenders are invited? If yes, then what is the procedure for opening and acceptance thereof?	
3.	Is the preparation and authorizing of purchase order, under a responsible manager?	
4.	Whether proper arrangements exist for inspection of goods, especially with regard to quantity & quality?	

5.	Do the documents evidencing the arrival and acceptance of goods, supplied to the accounts deptt?	
6.	Do the goods receipt records checked against authorized purchase orders?	
7.	Are separate persons in the accounts deptt responsible for checking supplier's invoice documents regarding purchase returns, purchase records, payment to suppliers, maintenance of ledger accounts and reconciliation of statements? If yes, then who is responsible for what?	
8.	Before payments to suppliers Are documents presented showing that goods have been received as specified in the purchase order?	
9.	What procedure is followed with regard to purchase returns, discounts on account of inferior quality of goods, and other similar adjustments?	
10.	Are there any purchases from the companies under the same group and from the employees? If yes, then whether special checks have been designed for the same?	
11.	Do the accounts of various suppliers confirmed periodically from statement received from them?	
12.	Is there any cut-off procedure to ensure that all liabilities for goods purchased during an accounting period are brought into accounts?	

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INTERNAL CONTROLS IN RESPECT OF SALES AND DEBTORS

S NO.	KEY CONTROL QUESTIONS	REPLY
1.	What is the procedure for procurement of customer's orders? Is there any authority for negotiating the various terms like prices, discounts, delivery schedules, etc.?	
2.	How documents are linked between acceptance of the order and dispatch of goods?	
3.	Who is responsible for granting credit or special discounts to customers?	
4.	How the record of outward goods is reconciled with the customer's orders, challans and invoices?	
5.	Does the sales ledger staff have access to cash, cashbook or stocks?	
5.1	How are the duties segregated among different persons for recording sales, maintaining accounts of customers, procuring orders from customers and dispatching goods?	
6.	What control procedures are followed for inspecting the Quality of the goods before dispatch?	
7.	Is there any periodic review of overdue accounts? What action is taken against defaulting customers?	
8.	Has the company clearly laid down any authority for writing off any bad debts? Is a separate ledger maintained showing the bad debts?	

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INTERNAL CONTROLS IN RESPECT OF STOCK

S NO.	KEY CONTROL QUESTIONS	REPLY
1.	Who looks after the overall receipt, storage and issue of stocks?	
2.	Is there any minimum and maximum levels for each type of stock?	
3.	Is there any independent check of actual stock done, periodically? By whom?	
4.	How the various kinds of stocks are stored keeping in view the minimum storage loss?	
5.	What are the arrangements regarding returnable containers?	
6.	What are the procedures and controls regarding issuance of material from the store?	
7.	What are the arrangements made for control over stocks of the enterprise held by others?	
8.	Has the company clearly laid down the policy regarding valuation of stocks? Is independent valuation of stock done, periodically?	
9.	What are the controls in respect of scrap or wastage?	

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