

FERRO SCRAP NIGAM LIMITED

INTERNAL AUDIT MANUAL

INNOVATIVE CONSULTANTS PRIVATE LIMITED
NEW DELHI

Ferro Scrap Nigam Ltd. (FSNL) had retained us to prepare Internal Audit Manual of the Company.

This Manual is in two parts. Part-I deals with the scope of internal audit in FSNI, its organisation and status, annual audit programme, frequency, extent of checks exercised, selection of transactions for audit, audit techniques, internal audit report and the related matters.

Part-II contains checklists which give in detail the tests to be carried out for each audit item. Checklists have been prepared for main areas viz. fixed assets, inventory, cash and bank, billing and sundry debtors, purchases, works contracts, sundry creditors, employees' remuneration, plant operations, utilisation of equipment and manpower, utilisation of stores, spares and services, personnel department, administration department and capital expenditure.

PART – I

INTRODUCTORY

1. Internal audit is an independent appraisal activity seeking to provide the management a reasonable assurance regarding the following :
 - a) That all assets of the company are safeguarded against all kinds of losses and misuse.
 - b) That the accounting controls designed to ensure the reliability of financial records are actually in operation.
 - c) That financial and other operating controls are actually in operation.
 - d) That management policies, plans and guidelines, issued from time to time are duly followed.
 - e) That the various management decisions have been made on the basis of adequate study and cost benefit analysis, keeping in view the long term objectives of the company.

Internal audit is a managerial control which functions by measuring and evaluating the effectiveness of other controls. It assists all levels of management in effective discharge of their responsibilities through analysis, appraisals, findings and suggestions.

Internal Audit is not restricted to accounting and financial areas but goes beyond these, to the operational areas as well.

INTERNAL AUDIT IN FSNL

2. Internal Audit in Ferro Scrap Nigam Limited (FSNL) is a Corporate function. Internal Audit located in the Corporate Office is responsible for internal audit both in the Corporate Office and in the units at Jamshedpur, Rourkela, Burnpur, Bhilai and Bokaro.

SCOPE OF INTERNAL AUDIT IN FSNL

3.1 Internal Audit in FSNL will have the following broad components :

- i) Audit of primary and subsidiary records i.e. cash book, bank and cash vouchers, journal vouchers, invoices on steel plants, suppliers ledgers, fixed assets registers,-sundry debtors etc.
- ii) Review of systems and procedures and internal controls to ascertain their continued adequacy, effectiveness and efficiency.
- iii) Review of operations and performance of different departments.
- iv) Review of purchases and other expenses to ensure that propriety has been observed.

3.2 Its activities in these regards will be directed to :

- Ensure that the assets of the company are adequately safeguarded against losses and misuse.
- Ensure the accuracy and reliability of accounting and other information generated.
- Ensure that the prescribed systems and procedures are being followed in the day to day operations of the company.
- Ensure that the management's policies are being adhered to.
- Ensure that the transactions and the operations in the Units are carried out with reasonable efficiency and effectiveness.
- Ensure that all the resources are utilised with maximum efficiency to attain the corporate objectives.
- Ensure observance of propriety in purchases, contracts and other financial transactions.

3.3 The above scope/activities of Internal Audit may be reviewed from time to time by the management who may add to or alter these as and when necessary.

3.4 The Internal Audit may also be required to take up special investigative assignments.

INTERNAL AUDIT AND INTERNAL CONTROL

4. Fields of internal audit and internal control are distinct. Any system of internal audit presupposes the existence of a system of proper and effective internal checks. Internal check is the responsibility of the line supervisors in all departments. The appraisal of these internal checks will be one of the functions of internal audit. However, internal check systems may be developed in consultation with the Internal Auditor.

INDEPENDENCE OF INTERNAL AUDIT

- 5.1 To ensure effective and un-biased discharge of above functions, it is essential that : Internal Audit be objective and have the necessary organizational status.

Objectivity

- 5.2 To ensure objectivity, Internal Audit will not be given line authority over any operational or financial functions or become involved in the preparation of records (although it may advise in these matters) or be considered as a source of temporary staff for other work (notably finance and accounts work) of the company.

Organization Status

- 5.3 The Head of Internal Audit in the Corporate Office will be of a rank equal to at least that of Deputy Chief Manager and shall report to the Managing Director through Chief Manager (IRA).

RIGHTS AND RESPONSIBILITIES OF INTERNAL AUDIT

- 6.1 Internal Audit will have full right of access to all company records, assets and personnel for performance of its activities as defined above. However, the audit staff shall be discreet in the use of confidential information acquired in the course of their work and shall not use the same for their personal gain nor use them in a manner detrimental to the interest of the company and the welfare of its employees.
- 6.2 Internal Auditor will be free to review and critically appraise any activity in any Unit/Department but this will not relieve the executives/supervisors of their responsibilities as internal auditing is only a staff or advisory function.
- 6.3 The Internal Audit will be informed of all changes in internal control procedures, prior to their implementation.

ANNUAL AUDIT PROGRAMME

- 7.1 The Head of Internal Audit will before the commencement of each year, draw up and get approved an Annual Audit Programme according to which the audit for that financial year shall be carried out. This annual programme will be broken up into quarterly audit programmes
- 7.2 The annual programme will state the various areas which will be subjected to audit and the requirements of months for each such area. The plan shall be constructed after taking into account the coverage during the previous years, discovery of fraud in a particular area of operations during the previous financial year, suggestions of the Statutory Auditors, if any, special assignments to be taken up as per the management instructions and the budgetary constraints.
- 7.3 The Chief Manager (F&A) will monitor the progress of work every month and based on the coverage obtained or on special considerations, will arrange for special audits or authorise modifications,

FREQUENCY OF INTERNAL AUDIT

- 8.1 Regarding frequency of internal audit, there is no fixed or general pattern. Frequency of audit in a particular area will depend on a number of factors like nature of operations, transactions, management's needs, materiality etc. However, it will be ensured that the accounting areas are covered at least once in a quarter and other areas at least once in a year.
- 8.2 The priority of each area and the intensity of audit therein will depend on materiality concept, e.g. (a) the capital employed, (b) the turnover, and (c) the effectiveness of the internal control system among other things. Whereas capital employed and turnover permit objective treatment, considerable discretion and judgement has to be exercised in evaluating the prevailing internal control in the different systems locations of operation.
- 8.3 The examination of the Internal Audit would be more detailed in Units/areas where the internal control is weak.

REVIEW OF INTERNAL CONTROL

- 9.1 A broad review of internal control system will be made at the commencement of each financial year to take note of changes effected in the system and procedures since the previous review was undertaken. The adequacy of controls imbibed in the flow and custody of various assets, documents and information will be assessed through study of respective system flowcharts on each area. Evidently, all laxities of the system are not equally vital and the Head of Internal Audit shall have to assess the gravity of individual defects in doing so.
- 9.2 An internal control evaluation report will be prepared showing the Internal Audit and department's views of the controls and the suggestions on the inadequacies of the system.

PREPARATION FOR FIELD AUDIT

- 10.1 Before the commencement of an audit each member of internal audit will be explained and will familiarise himself with the functions of the department / activity / system under audit, organisation chart showing the authority and responsibility, observations/findings in the previous reports and follow-up thereon and the procedures followed. This will help in working out/updating the plan of individual audits including the extent of checks to be carried out and audit techniques to be used. It will also help in locating fields which are comparatively weak in internal control and hence require a thorough checking. The audit plan need not be rigid and will have flexibility for modifying it in the course of audit in the light of observations and findings.
- 10.2 The audit programme will be intimated to the Unit/Department concerned by about a week in advance except in case of surprise checks. The Unit/Department will also be informed of the work to be undertaken and the records which will be required for audit.

EXTENT OF CHECKS

- 11.1 The extent of checking by Internal Audit in individual areas will depend on internal control system, the materiality of the transactions and the possibility of using overall checks to obtain assurance as to the correctness of various records.
- 11.2 Assessment of internal control has already been discussed in paragraph 9 above
- 11.3 Materiality refers to the amount by which an amount may be mis-stated without its fairness being affected. It has to be subjectively fixed after considering the turnover for the particular period in respect of revenue items, the value of the block or group of assets/liabilities to which the particular account pertains in respect of balance sheet items, and the cumulative effect of similar items e.g. a number of small errors occurring under

the same circumstances during the year may be significant in amount if aggregated.

The areas of transactions which involve greater turnover and larger capital employed etc. would normally be more important from the materiality angle and consequently would be checked more thoroughly.

SELECTING THE TRANSACTIONS

- 12.1 After considering the internal control procedures, the items to be tested will be selected either on the basis of some key characteristics (.e.g. amount, period during which the transaction was entered into, nature of transaction) or purely at random on the basis of statistical techniques.
- 12.2 The Head of Internal Audit can select any of the following sampling technique depending on the circumstances of each case :
- (a) Judgment Sampling
 - (b) Statistical Sampling
- 12.3 In judgement sampling, Internal Audit relies on its judgement in selecting the sample size and the individual items to be tested.
- 12.4 The use of statistical sampling involves determination by the Head of Internal Audit of the full extent of the population (i.e. group of data under audit), the information required, the accuracy required in the answer and the confidence with which he needs to express the answer. Size of the sample is governed by the expected rate of occurrence of the attribute being sought within the field, by the standard deviation of the population (a measure which depends on the variation in the size or value of the items within the field), by the degree of accuracy and confidence required, and is affected only to a limited extent by the size of the field from which the sample is chosen. The sample is so selected at random that all items in the field or in each stratum have an equal chance of being chosen. The results obtained from the sample have to be statistically evaluated.

AUDIT TECHNIQUE

- 13.1 The techniques normally employed in testing of transactions are vouching, physical verification, confirmation, scrutiny, recomputation, analytical review and other overall tests and personal judgement and expert's opinion.

Vouching is the most extensively used audit technique. The auditors examine the documents which form the basis of quantitative accounting and the process by which the documents were generated/raised and thereby satisfy themselves as to the authorisation, authenticity and propriety of the various transactions.

Physical verification technique, by its very nature, is restricted to tangible assets like cash, stores and fixed assets whose existence can be confirmed on inspection and tallied with the representation in the books and records.

Confirmation from outsiders is a reliable, independent evidence and is useful for validating debtors, creditors, bank balances, etc.

Scrutiny is the auditors' attempt to discover and isolate the exception from the mass. The exceptional transactions are then followed up.

Much of accounting information are derived through the process of arithmetic. Such items are to be checked by recomputation of the calculation.

Analytical review and other overall checks are largely based on correlating and comparing figures e.g. interest on loan with the loan amount, movement of stock items with the stock turnover ratio and past records.

Judgement has to be exercised in testing qualitative assertions like realisability of debts, obsolescence of stores etc. Exercise of judgement will be at the senior levels.

AUDIT FINDINGS

- 14.1 All audit findings will be recorded in the working papers. In course of the audit if the Internal Audit Staff requires clarification, he will first discuss with the departmental officers; if not satisfied he will issue an Audit Memo in duplicate to the departmental head. These audit Memos will be sequentially numbered and the copy will be countersigned by the recipient. The departmental heads will forward the reply with the reference of supporting documents at the earliest and the same will be kept in audit file.
- 14.2 Irregularities of serious nature will be brought to the notice of the Head of Internal Audit immediately who may discuss these with the Head of the Unit/Department and bring it to the notice of the Managing Director wherever necessary.

WORKING PAPERS

- 15.1 Internal Audit will maintain working papers. These will carry details of the transactions tested, the tests which were carried out and the discrepant or exceptional findings therein and the tests which could not be carried out with the reasons thereof. The working papers help to determine the adequacy or otherwise of the work performed. These also show whether or not the evidence gathered in the audit process is sufficient to support the opinions expressed in the various internal audit reports.
- 15.2 Some of the working papers to be maintained will be the internal control questionnaires duly answered, internal control evaluation papers, statement of the extent of checking as a percentage of the population where non-statistical test checks have been prescribed by the Head of Internal Audit, specific instructions on the sample size, the mode of selecting the sample specifying the key characteristics by which the transactions to be selected shall be identified. Where checklists specified in the Manual are used, a reference shall be made to the checklist no. in the working papers. For special assignments, checklists will be prepared by Head of Internal Audit and these will be retained in the file.

- 15.3 The disposal of every outstanding observation as also any suggestions or recommendations will also be recorded in the working papers.
- 15.4 The working papers on the field audit will form the basis for the report to be submitted by the auditor in charge to the Head of Internal Audit.
- 15.5 It is possible that some suggestions for improvement may not be acceptable at the operational level. In such cases, both the suggestions and the observations of the concerned department are to be recorded and brought to the knowledge of higher authority to arrive at a decision.
In certain cases, the observations may be admitted and the suggestions also accepted in toto.

INTERNAL AUDIT REPORT

- 18.1 The Internal Audit report will specify the area/system/ location under audit and the period covered by the audit, the extent of checking including the limitations, if any, under which the audit was carried out, the observations (set out in order of their relative importance) being lapses, lacunae and discrepancies observed and noted in the course of the audit, reasoned conclusions, suggestions for improvement as formulated after discussion with the departmental managers and the points raised in the earlier reports and the suggestions made therein which have not been implemented.
The report will be prepared on the basis of the audit notes and the replies thereto.
Minor discrepancies/lacunae will be brought to the notice of the departmental managers through Audit Memos. Only material discrepancies will be incorporated in the Audit Report.
- 18.2 In cases where the department has not agreed with the audit observation the report will contain the views of the department along with Internal Audit views and its further observations.

- 18.3 The format of audit report will be :
- An introductory part containing a review of the working of Department/Unit covered, the scope and period covered by audit and general state of affairs.
 - Major irregularities like cases of fraud, financial irregularities, lack or disregard of internal controls, non-implementation of established system and procedures, absence of controls etc.
 - Minor irregularities of non-recurring nature and failure to adhere to approved procedures not likely to have serious results.
 - Suggestions for improvements.
- 18.4 The report will be submitted to the departmental head within 15 days of the completion of audit for necessary action with a copy to Unit Head. The departmental head will give the comments on the audit findings. The copy of the Report will also be submitted to the Chief Manager (F&A) who will in turn bring important audit observations to the knowledge of the Managing Director. In addition to the usual reporting, the Internal Audit will submit Memos, highlighting important lacunas which shall require immediate management attention, as and when such lacunae are discovered.

FOLLOW-UP

- 19.1 It will be the responsibility of Internal Audit to verify particularly whether or not the departments have implemented its suggestions and generally whether any follow-up action has at all been taken. If some follow-up action has been taken, though not on the lines suggested, Internal Audit will examine the adequacy thereof.
- 19.2 At half-yearly intervals i.e. at the end of September and March, Internal Auditor will prepare a report on the follow-up action taken by the Units/Departments on the basis of internal audit reports submitted during the six months ending March and September respectively. This report will indicate areas on which follow-up action has been taken on the lines suggested by it, areas wherein its recommendations have not been accepted but adequate alternative action has

been taken and areas where no follow-up action has been taken by the Units/Departments.

Internal Audit will take up with Head of Units for the unreplied items of the reports as a follow-up action.

AUDIT FILES

20.0 The Internal Audit will retain appropriate information relating to the audit, subjectwise in two main classes of files viz :

- a) Permanent audit file containing information which shall remain relevant over a long term period like organisation structure, delegation of financial powers, the Accounts Manual, Stores Manual and other similar documents on the prescribed systems and procedures, system flow charts, circulars on rules/procedures issued by the appropriate authority.
- b) Current audit file containing checklists, schedules, and other working papers which are relevant for the particular assignment.

REPORT TO BOARD OF DIRECTORS

21.1 The Chief Manager (F&A) will at the internal of every six months, submit a summarised report to the Board highlighting the work done by Internal Audit and the important points brought out in the reports submitted by them. In the summarised report the views of the Head of Units/ Departments concerned will also be incorporated.

CHECKLISTS

22.1 The field work will be carried out on the basis of checklists which give in detail the tests to be carried out for each audit item.

22.2 Checklists on the following main areas are included in Part-II of the Manual :

- 1) Fixed Assets
- 2) Inventory
- 3) Cash and Bank

- 4) Billing and Sundry Debtors
- 5) Purchases
- 6) Works Contracts
- 7) Sundry Creditors
- 8) Employees Remuneration
- 9) Plant Operations
- 10) Utilisation of Machineries/Equipment
- 11) Utilisation of Manpower
- 12) Utilisation of Stores & Spares/Services
- 13) Capital Expenditure, Renewals and Replacements
- 14) Personnel Department
- 15) Administration Department
- 16) Accounts

22.3 Checklists for special assignments/audits will be prepared by the Head of Internal Audit appropriately.

22.3 The checklists are related to the systems and procedures, controls and documents described in the Accounts Manual Purchase and Stores Manual and other manuals/systems and procedure circulars of the Company.

PART – II

CHECKLIST NO. 1

FIXED ASSETS

1. Checks by Internal Audit will cover the ownership, physical availability, proper utilisation, valuation and disposal of fixed assets. Specifically, Internal Audit will ensure :
 - that all capitalisation has been done as per the Company's capitalisation policy.
 - that a Capital Budget has been duly approved by the Board of Directors and all items are included in the Capital Budget,
 - verify that the expenditure is duly authorised by the competent authority based on delegation of financial powers.
 - that costs incurred for acquisition/installation etc. are properly accounted for.
 - ascertain that there has been no undue delay in putting to use the assets received during the year or earlier years,
 - that Fixed Asset Registers have been maintained,
 - check Inter Plant Transfers for Fixed Assets to ensure that all assets - transferred are properly recorded in the Fixed Assets Register,
 - ensure that disposal, condemnation or scrapping of assets are done by competent authority on the basis of report of survey committee and check all journal entries for disposal of assets with relevant papers and documents, check that all additions and deletions have been made in the Fixed Assets Register to ascertain correctness.
2. Internal Audit will select items of equipment, furniture, etc. from Fixed Assets Register. Following checks will be exercised for all assets purchased directly from outside during the year :
 - i) Verify every addition to Fixed Assets from Fixed Assets Register/General Ledger.

- Scrutinise commission/completion/possession/brought-in-use certificate forming basis of capitalisation of such assets.
- Check journal entry with Capital Work-in-Progress to verify the amount to be capitalised.
- Tally capital code and location as per certificates with those entered in Fixed Assets Register.
- Examine the relevant inspection reports/certificates to ensure the quality of assets purchased.
- Check the posting to General Ledger.

3. For assets constructed internally, Internal Audit will :

- Note Job No. and Capital Codes,
- Scrutinise commissioning/completion/possession certificate.
- Tally costs from Capital Work-in-Progress with stores requisitions and contract payments,
- Vouch the journal entry debiting capital WIP and crediting other revenue accounts,
- Check journal entry for transfer from Capital WIP to relevant asset account,
- Check the posting to General Ledger,
- Check that accounting policy for capitalisation of assets have been complied with.

4. For Land, Internal Audit will :

- Check the title deeds to ensure that they have been duly registered. For leaseholds, note period of lease and terms of lease,
- Ensure that the title deeds are maintained in a safe place,
- Where land and building have been purchased together, ensure that cost of the superstructure has been segregated
- and booked separately.

5. For Buildings, Internal Audit will :

- Verify from (lord executed by the Vendor the terms of the acquisition and description/details of the building. of the buildiin),
Scrutinise correspondence on the negotiation, where applicable,
- In case of buildings constructed by the company, verify the cost,
- Ensure that all terms and conditions with the contractors have been complied with.

6. In case of Motor Vehicles, Internal Audit will :

- Check the order file for placement of the Order and its due authorisation.
- Verify the cost from catalogue/price list,
- Check that the car is in the name of the company,
- Ensure that road-tax and insurance payable has been paid up to date.
Note instances of non-payment'.
- Check the log books to ensure that a proper record of the mileage is being maintained.

7. **DEPRECIATION**

- Ensure that all assets except land are depreciated annually.
- Check the correctness of depreciation provided,
- Ensure that depreciation for the purpose of annual accounts as well as of Income Tax has been correctly calculated,
- Ensure that on depreciation has been charged on assets disposed off or scrapped during the year.

8. **DISPOSAL AND SCRAPPING OF ASSETS**

Here, the checks will be :

- Check the system of review of fixed assets to determine unusable assets.
Check whether all the required formalities for disposal / condemnation / scrapping of assets have been complied with.

- Ensure that the disposal/scrapping of assets has been approved by the competent authority.
- Check journal entry passed for writing off such assets from Fixed Asset Register.
- Verify profit/loss on sale of assets and its accounting by referring to written down value and sale proceeds.
- Refer to Cash Book/Bank Book and Bank Statement and relevant receipts issued to parties to ensure receipt of sale proceeds.
- Check list of condemned assets to ensure actions taken on that list for disposal.

9. VERIFICATION AND FOLLOW-UP

- The checks in this regard will be :
- Internal Audit will verify that physical verification of assets has been carried out in accordance with the corporate policy.
- Review action taken on the items where discrepancies were found on the last verification as regards the physical existence.
- Follow-up on the managements' action to establish the physical existence of the asset or if non-existence is established, to pinpoint responsibility for the loss and to ensure write off of the assets from the books and removal from the Fixed Asset Register on due authorisation.
- Follow-up on all assets disclosed as damaged, obsolete or surplus by physical verification reports to ensure that damaged items were subsequently repaired and put to use and that steps have been taken to dispose off obsolete or surplus items after necessary survey.

CHECKLIST NO.2

INVENTORY

1. Internal Audit will check :

- a) Flow of stores documents and control over these
- b) Control Registers in respect of GRNs and SIVs so as to test the effectiveness of the system.
- c) Whether all entries of receipts and issues are made on the Kardex card promptly and in a chronological order.
- d) Examine the system of preparation of GRNs and SIVs.

2. Receipts

Before checking the accounting of materials received, the Internal Audit should verify that the re-order level of stores and spares have been determined prior to placement of orders.

- Select samples from the Stores Ledger
- Trace to GRNs for the items chosen
- Verify whether GRN is supported by Material Verification Report.
- Tally entry in Daily Receipt DUCK with GRN.
- Compare GRN with Challan
- Ensure that entry in Kardex Card is made on the basis of GRNs.

3. Issue of Stores

- Samples to be selected from the Stores Ledger.
- Tally quantity in Stores Requisition with Stores Ledger.
- Ensure that Stores Requisition is issued by the appropriate authority of user department.
- Check that Stores Requisition is marked 'Issued' by Stores Department under appropriate authority.
- Verify entry in Kardex Card.
- Check that correct Kardex No. of the items issued has been entered in the issue slip.

4. Return of Materials

- Samples to be selected from Stores Ledger.
- Tally quantity with Stores Return Notes.
- Ensure proper authorisation of SRN by user Dept.
- Verify entry in K-rdex Card.

5. Rejections

- Scrutinise the materials rejection report to ascertain the reasons for rejection.
- Verify that prescribed follow up action including recovery/replacement has been taken.

6. Pricing of Materials

The Internal Audit should verify that the rates incorporated in the GRNs both indigenous and imported are computed in accordance with rates as per purchase order.

and the necessary care has been taken to correctly account for freight etc. The detailed procedure for pricing of receipts and issue has been described in the Account Manual. Similarly, Internal Audit should verify the correctness of pricing of stores issue.

7. Stock of Materials

- Ensure that the balancing is done on the basis of perpetual inventory.
- Compare the balance as per Stores Ledger with balance as per Kardex Card.
- Ensure that reconciliation of Kardex Card balance with physical balances has been done.

8. Physical Verification

- Check whether physical verification has been carried in accordance with prescribed programmes and also the adequacy of the programme.
- Check whether the prescribed procedure and the guidelines followed.
- Check the discrepancies between the physical balance as verified and Kardex balance as well as between the

- physical balance and the Stores Ledger.
- Check that shortages/excesses found on physical verification have been examined and accepted by the Stores Department.
- Check that accounting adjustments including provision.
- Ensure that statement of slow moving and non moving stores and spares and obsolete items have been prepared and reviewed and that adequate provisions has been made for obsolete redundant and non-moving items.
- Check the items with reference to quantity and value and the reasons for such obsolescnes.
- Check if such list have been reviewed and the pertinent items have been inspected. Ensure if a Survey Report has been prepared indicating the condition of the Stores.
- Note from the Survey Report the following :
 - (a) Whether any write off is recommended.
 - (b) 'Whether disposal of stores through public auction, open tender etc. is recommended.
- Ensure that obsolete and damage stores have been written off from the Stores Ledger.
- Refer to copies of Demand Notes/Cash Book and relevant receipts for sale of stores to ensure receipt of sale proceeds.

9. Other Checks (in Stores Department)

- Review the system of inventory control.
- Review the time lag between the various stages of movement of documents relating to receipt of materials i.e.
 - (a) receipt of material
 - (b) material verification and report
 - (c) raising of GRN
 - (d) transfer of GRN to Accounts to see that there is no avoidable delay.
- Examine the claims have been promptly lodged for all shortages/damages in materials and review the claims cases to see that prompt follow up action is taken.
- See whether all insurable items are covered under respective policies.
- Examine whether suppliers are promptly informed of the rejection of materials and prompt follow up action is taken.

- Review the system of placing of indents on Purchase department.
- Check the postings of receipts and issues in the Kardex Cards and proper maintenance of these.
- Ensure that control registers are maintained for stores issue vouchers, goods received notes, return notes etc. and that there are no delay in transferring the documents to Accounts.
- Check maximum, minimum and re-ordering levels. Review the Stock/purchases of 'A' and 'B' categories of materials with reference to past consumption and future consumption.
- Review action taken on. discrepancies found during physical verification.
- Review the arrangements for stocking and preservation of stores.
- Review the stocking and accounting of used material's returned to stores.
- Ensure that lists of non-moving and slow-moving items are prepared and circulated and disposal action is taken promptly for surplus and unserviceable items.
- Review the control on and disposal of scrap.
- Ensure that all disposals are made after Survey Committees Report.

CHECKLIST NO. 3

CASH AND BANK

The internal control on cash must be thorough as cash is the most liquid of all assets. It will be the primary function of internal audit to trace each item to its source and to see that adequate arrangements exist for recording each transaction and for protecting it against fraud and misappropriation. The internal Audit will ensure the existence of internal control by verifying the following :

- The Cash Book/bank Book is currently posted and kept update and supporting documents are checked daily by the Accounts Executive.
- That there are no unauthorised corrections in the cash and bank books and the entries have been attested wherever required.
- That cash in hand is not excessive having regard to daily cash requirements of the Unit/Corporate Office.
- That strict control is exercised over the custody of unused receipt forms/cneque books and issue of receipt forms/ cheque books That physical counting of cash at the end of each day and its reconciliation with the book balance is done on daily basis by a responsible officer, that surprise verifications arc done as prescribed.
- Management of cash in hand particularly cases of holding cash much in excess of requirements.
- That there is no unreasonable delay in depositing receipts with the Bank.
- That the cheque signing procedures are followed; bank transfers and requisitions for issue of demand drafts are signed by the officers who are authorised to sign the cheques.
- That vouchers are suitably numbered defaced to prevent the same being used again.

3. **CHEQUES :**

Following, checks will be exercised for receipts :

- Samples to be selected from the checks received record.
- Note Cheque No., amount, payer's name
- Trace to the receipt issued by Cash Section
- Verify posting in the Bank Book for actual receipt

- For other miscellaneous receipts - check relevant documents and posting in the Bank Book.

Following checks will be exercise for payment :

- Samples to be selected from the Bank Vouchers.
- Note payment advice No. and cheque No. in case of wage payment, trace to Payment Advice and Payslip, Payment Voucher.
- Trace to Payment Advice and note Invoice No.
- Tally amount in invoice/payslip with the counterfoil of cheque.
- Verify posting to Bank Book for actual payment.

4. CASH

- Checks for receipts will be :
- Samples to be selected.
- Note Receipt No. and amount.
- Tally amount with receipt counterfoil,
- Verify posting in Cash Book.

For payments, checks will be :

- Samples to be selected from Cash Vouchers.
- Note voucher no. and amount
- Ensure that voucher has proper authorization
- Check acknowledgement by receipt of party.
- Verify posting in Cash Book.

Following checks will be exercised on cash advances :

- Samples should be selected from cash advances.
- Trace to payment advice
- Verify posting in Cash Book
- Ensure that advance is duly authorised.

5. BANK RECONCILIATION STATEMENT

Checks to be exercised are :

- Ensure that Bank Account is reconciled every month.
- Trace the cheques issued but not cleared to bank statement of the succeeding period.

- Follow-up cheques deposited in Bank but not credited by the bank.
- Obtain periodically a certificate from the banks confirming the balance with the bank and tally the same in the Bank Statement.
- Test check computation of interest, commission and other charges debited by bank to ensure its correctness.

6. To ensure proper utilisation of cash credit facilities sanctioned by Bank, the Internal Audit will make periodical checks of all relevant papers, documents, stock returns submitted to Bank to verify the compliance of banking rules and procedures.

7. To ensure that the rules regarding the safe custody of cash, cash chest are followed, policies for insurance of cash in transit and cash in chest are kept current and the employees handling the cash have furnished the required security and the fidelity bonds executed are kept current.

CHECKLIST HO. 4

BILLING AND SUNDRY DEBTORS

Sample selected for testing billing will also be the sample for testing Sundry Debtors Account. Following checks will be exercised :

- Check that the bills for service charges are prepared in accordance with the provisions of the agreements with Steel Plants, rates charged are in accordance with the product mix given therein and quantity agrees with that given in the Shipping Notice; arithmetical computation is to be checked.
- Check that the bills for rental charges for equipment are based on the agreed period of rental, hire charges billed are in accordance with the rates given in the agreements and arithmetical computations are correct.
- Check that bills for special service charges are based on the quantum of work certified and the rates given in the work orders.
- Check that the bills have been raised in respect of all shipping notices/certified statements of work done or equipments used.
- Check the correctness of accounting entries.
- Check whether the payments are received from Steel Plants within 30 days.
- Check entry in subsidiary ledger for debtors.
- Check/scrutinise the subsidiary ledger for debtors to identify the old bills outstanding but recent bills being paid and balance static for a period longer than average collection period.
- Scrutinise party files to determine disputed claims and the adequacy of follow-up actions initiated.
- Check the reasons for debts, if any, becoming unrealisable and action taken for realisation of the same/ check adequacy of provision for doubtful debts.

CHECKLIST 5

PURCHASES

1. CHECKLIST FOR PURCHASES OF STORES AND SPARES

- Samples are to be selected from Purchase Order Register.
- Note GRN No. and date, invoice No., date and amount, purchase order No., for the items included in the samples.
- Trace GRN to invoice.
- Compare (i) Quantity and (ii) rate as per GRN with these incorporated in the invoice.
- Compare actual delivery date and stipulated delivery date and check whether any liquidated damages or penalty are recoverable and levied as per terms of Purchase Order.
- Trace Purchase Order to check the basis and amount advanced and amount adjusted against such advance. In case of adjustment of advance, check relevant journal entry.
- Check that adequate precautions are taken to guard against the passing of a subsequent claim for the same supply or against payment for supplies in excess of P.O. quantities.
- Check that all recoveries noted on the GRN are promptly made and credit afforded to the head of account concerned.
- Check posting of amount of advance paid in Bank Book and entry in Bank Statement.
- Tally account as per Payment advice with Supplier's receipt.
- Check posting with Bank Book and entry in Bank statement for final payment after adjustment of advance.
- Check relevant journal entry and posting to creditors subsidiary ledger for adjustment.
- Check authenticity and accuracy of invoice and freight calculations.
- In case of freight payment, refer to railway receipt/ carriers receipt in support of freight payment.
- Check delays in payment of suppliers bills. Examine cases of payment of demurrage and wharfage.

2. In case of Imported equipments/spares additional checks be exercised are :
 - Ensure that for capital purchases, powers have been adequately delegated and such delegations have been properly applied.
 - Ensure that such purchases have been made in accordance with approved Capital Budget and sanctions.
 - Ensure that payments are being made in accordance with agreement with suppliers.
 - Ensure that capital codes of job nos. are properly controlled.
 - Check the payments of customs duty, port trust charges,
 - ocean freight etc. and clearing agents charges to
 - see that these have been correctly calculated as per tariffs/agreed rates.
 - Examine whether Letters of Credit issued are kept open only to cover the period of supply as per agreement, check extensions and authorization therefore.

3. Further Checks are :
 - Ensure from P.O. Register that liability has been provided for in respect of goods supplied, bills for which are yet to be received by the Company.
 - Ensure that goods received as per security records have been provided for even if GRN against such goods is yet to be received.
 - Review the Journal Vouchers to ensure that the adjustments made are correct and based on proper documents; verify the postings.

4. Following procedure tests will be applied in the Purchase Department :
 - Ensure that an approved list of suppliers is maintained for the purpose of making enquiries.
 - Ensure that a proper system of vendor performance review exists.
 - Check whether the approved supplier's list is periodically reviewed / updated.
 - Ensure that all quotations received have been filed and maintained for future reference. Check, there from, whether the lowest tender was accepted. Note exceptions.
 - Check that the tenders are so invited as to ensure adequate competition and that the prescribed procedures for single tender/limited tender have been followed.

- Check that the prescribed procedure for opening of tenders/quotation, comparative statements, consideration of delayed quotations and negotiations is followed.
- Check that any deviation from standard terms of payment has been vetted by Finance and approved by competent authority.
- Check that purchase order is complete in all respects and that the terms and conditions incorporated therein are as per approval for purchase on the file and/or the standard terms and conditions.
- Check that purchase is approved by the competent authority and Finance concurrence, wherever required has been obtained.
- Check that there is no case of receipt of materials before issue of purchase order.
- Check the system of emergency purchases and check a few emergency purchases by reference to stocks available and actual issues / consumption.
- Check the effectiveness of the procedure for follow up of purchase order.
- Check whether the reasons for non-acceptance of the lowest tender have been stated.
- Check also, whether the acceptance of the higher tender has been duly authorised.
- Ensure that purchases are not excessive as compared to consumption and are within the approved budget.
- Review the various records maintained like Requisition Register, Inquiry Register, Tender Register, Purchase Order Register and the management reports.

CHECKLIST NO. 6

WORKS CONTRACTS

The works contracts may be of revenue nature or capital nature. Select samples of works contracts of each type from Contractor's Register. Following checks will be exercised :

Award of Contract

- Ensure that the estimates are administratively approved considering : essentiality, reasonableness and the same are covered by the provision made in the budget.
- Examine whether estimates have been concurred by Finance. Also examine the difference between departmental estimates and the quotations received.
- Check that the capital scheme has been approved by the competent authority and that a proper code no. etc. has been given to it.
- Check that the prescribed procedure for initiation of tenders, opening the tenders, preparation and checking up of comparative statements has been followed, whether the comparative statement has been correctly drawn taking into account all relevant items.
- Ascertain whether the work is allotted to the lowest tenderer. If the work is allotted to any tenderer other than the lowest tenderer ensure that reasonable and satisfactory justification is recorded.
- Check whether the tender documents contain complete description of work to be done and also detailed specification etc. without any ambiguity.
- Scrutinise from the final contract and see that it covers all the essential conditions required for the execution of work.
- Scrutinise the receipts of earnest money/security deposit as per terms of contract with the entry in the Earnest Money/ Security Deposit Register.

2. VOUCHING OF PAYMENTS

- Select samples of bills to be checked from Bill Receipt Register and exercise the following checks :

- Verify the signature of the departmental head forwarding the bills after approval.
- Verify the quantum of work done, either from the measurement book or from the other certificates attached to the bill.
- Check the accuracy of measurement book. Verify the rate from the works contract.
- Ensure that the cost of materials issued to the contractors are recovered from each running bill and are fully recovered before final payment is made.
- Verify that advances paid are admissible and within limits and are fully adjusted.
- Verify that the job codes are properly given for revenue/ capital jobs in the bill.
- In case of delay in execution of works contract, ensure that the penalty/liquidated damages as per terms of contract are recovered; in case of waiver, sanction has been obtained from the competent authority.
- Ensure that income tax is deducted from bills as per provisions of law.
- Ensure that the security deposit is released only after the warranty period (wherever applicable) is over and is authorised by the competent authority.
- Check the correctness of running and final payments.
- Check that all payments made to the contractor are duly recorded on the face of the contract and that after the final payment, contract is closed.
- In case of capital jobs, it may be verified that the total expenditure has not exceeded the sanctioned amount. If there is an excess, whether it has been fully justified and sanction obtained from the competent authority.
- Check that for capital items a completion report is prepared for each job.

4. FOR OTHER CONTRACTS

- Ensure that there is proper authorisation for payment,
- Payments are in accordance with the terms indicated in contract.

5. Check that all journal vouchers have been prepared and accounted for correctly, including the stores and spares which may have been drawn but not used on the job.

CHECKLIST NO. 7

SUNDRY CREDITORS

Samples selected for checking Purchases shall be selected for checking Sundry Creditors :

- Note creditor code, GRN No., payment advice, etc.
- Tally the amount as per creditor subsidiary ledger with payment advice.
- Check posting to Cash/Bank Book for actual payment.
- Scrutinise party files in respect of disputed claims of the creditors to ascertain nature of disputes and validity of the Company's contentions.
- Check whether the total balance of individual creditors as per the creditors' subsidiary ledger tallies with control account in General Ledger and the differences, if any, were analysed; check whether bills are lying unpaid for long and ascertain reasons therefore.
- Check postings to general ledger.
- Check that the advances paid to sundry creditors are correctly adjusted as per terms of the contract.
- Scrutinise cases of irregular balances in sundry creditors' ledger.
- Verify that advances made to various suppliers are duly adjusted and accounted for in proper heads of account.
- Check whether advances are lying unadjusted for any inordinately long time.

2. Sundry Creditors for Contracts

- Study the contract including the terms of agreement, terms of, payment and ensure that initial security deposit is as per agreement.
- Ensure that bills submitted by contractors are in conformity with the measurement book and with the agreement.
- Ensure that deductions allowed on account of running bills including statutory deductions like income tax, are as per specifications in the agreement.
- Ensure that materials supplied to contractors are recovered from bills submitted; that periodical reconciliations are carried out for materials issued, materials consumed, recoveries made during the period and

closing outstandings of recoveries.

- Ensure that advances to contractors are adjusted against running bills and such advances have been duly booked in Capital Work-in-Progress account.

3. Sundry Creditors for Imported Supplies

- Insure that balances, on claim accounts on suppliers, carriers, insurance companies in the Claims Ledger are carried out. With reference to formal documents of claim.
- Scrutinise old advances made on shipment through letter of credit arrangement.
- Check advance payment made, not fully adjusted against supplies.
- Check advance payments made but materials not received and not cleared.
- For long outstanding payments, analyse reasons for non-payment.
- Check whether part of the value is paid in advance and whether adequate arrangements have been made for security of the amount before advance was released.

CHECKLIST NO. 8

EMPLOYEES' REMUNERATION AND OTHER PAYMENTS

The objective of this checklist is to ensure that correct amount of salaries and allowances has been paid, all statutory and other deductions have been made, payment is made to the right person, payment is made for services actually rendered and receipt of salaries and allowance is duly evidenced.

2. **Following checks will be exercised :**

- Samples to be selected from Officers' and other Paybill prepared on EDP.
- Ensure that gross salary is computed in accordance with the rules of the company. and terms of employment, details of which are available from Payroll Master.
- Check the input documents sent by Paybill Section to EDP for the preparation of Payroll Master to verify the amount of increment, the grant of allowances, basic pay, D.A., promotion order etc.
- Check the fixed deduction statement and variable deduction statement with the basic records of Time Office to ascertain the correctness of the deductions made through payroll. Check attendance as shown in the Attendance Data Statement with the records maintained by Time Office.
- Check the absentee statement prepared by various departments with variable attendance data statement.
- Check the D.A. rate control information in the Paybill Section with the information received from personnel department for the changes in the D.A. indices on a monthly basis.
- Tally net amount payable in Paybill Summary with amount in payment voucher.
- Check the overtime hours paid with overtime statements received, ensure that overtime work was duly authorised such work was actually done and computation of overtime wages is in accordance with the provisions of Factories Act.
- Ensure that incentive payments are correctly computed and that incentive percentages have been correctly worked out in accordance with the incentive scheme.

- Ensure that the statutory deductions on salary have been deposited with the appropriate authority within the stipulated time limits.
- Ensure that payslip receipts are returned with due acknowledgements.

3. UNPAID SALARY & WAGES

- Check the amount of unpaid wages & salaries entered in Wages/Salaries Register with the Pay Bill and the corresponding cash voucher prepared for it.
- Check disbursements of unpaid salary & wages.
- In case of unclaimed salary/wages remaining unpaid for six months ensure that amount of such unclaimed salary/wages is transferred to Unclaimed Salary/Wages Account.

4. Other Checks

- Check sanction for posts operated.
- Check regulation of salaries and wages in accordance with the rules framed by the management.

5. Accounting and Remittances

- Verify the correctness of pay orders and cheque or bank advice.
- Verify the journal vouchers for accounting the pay roll disbursements and various deductions and check the classification with the salary bill and schedules received from EDP.
- Check the various schedules prepared along with the pay bills for their correctness.
- Verify remittances to outside agencies for correctness and payment within due dates.
- Check up the subsidiary records maintained for the purpose.

6. Travelling Allowance, Leave Travel Concession and Medical Claims including Advances Select sample.

- Check delays in payment of claims, sanction by controlling authorities after proper checks, admissibility under the rules, adjustment of advances etc.
- Check that the registers of TA/LTC, medical have been maintained correctly.

7. Bill for Loans/Advances

- Select the sample
- Verify that loans and advances have been sanctioned in accordance with the rules and by the authorities competent to do so, payments have been duly recorded .in the concerned registers of advance recoveries are effected promptly and correctly, agreement bond, surety bounds have been obtained wherever required.
- Check mortgages wherever required under the rules.
- Check interest calculation.

8. Encashment of Earned Leave

- Select the sample
- Check correctness of encashment allowed with reference to leave records and also pay bills rules etc.
- Check recording of encashment suitably.

9. Bonus Payments

- Select the sample. Check correctness of the total earnings for the year and the rates.
- Check entitlement of employees Check correctness of records maintained as per the Payment of Bonus Rules.

10.0 Other Payments

- Check correctness of payments like payment of gratuity, payment under the Workmen's Compensation Act. Company's Contribution to Provident Funds/ Family Pension Scheme etc. with reference to the respective rules and orders.

CHECKLIST NO. 9

PLANT OPERATIONS

The checklist for plant operations aims to ensure :

- a) that production compares favourably with targets.
- b) that the cost of production achieved is within the budgeted cost.
- c) that consumption of stores, spares, power, water, piped oxygen and acetylene is within the norms,
- d) that the despatches of processed materials are in accordance with the production,
- e) that special services and equipments let out to steel plant are well documented and accepted, to form the basis of billing.

2. The checks to be exercised will be :

- Check the actual production and compare with targets and norms.
- Check the capacity utilisation and the reasons for abnormal variations, if any, of actual production.
- Examine the monthly cost sheet and compare the actual cost with the budgeted cost.
- Examine the consumption of services (power, water, pipe line oxygen and acetylene, and the cost, with the budgeted cost and past performance.
- Check that proper records are maintained for :
 - i) stores and spares consumed
 - ii) services consumed
 - iii) details of repairs and maintenance costs
 - iv) utilisation of labour indicating separately overtime wages and incentive earned; verify that the details relating to idletime are recorded properly.

CHECKLIST NO. 10

UTILISATION OF EQUIPMENT

The productivity in the Units is achieved by proper utilisation of resources particularly capital intensive equipments and machineries. Checking of utilisation of machineries and equipment will be confined to major items only.

2. Checks exercised will be :

- Check that proper log books are maintained for each of the machine/equipment and that all the operational and repair data is recorded therein.
- Check and compare total delay due to break-downs analysing the reasons for operational delay, mechanical delay, electrical delay and miscellaneous delay with norms for various equipment.
- Check and compare the actual availability and utilisation and production of various equipments with norms.
- Check the efficiency of operation against norms wherever possible.
- Check the system of preventive maintenance and its adherence.
- For major equipment/facilities check whether norms for major repairs/shutdown exist.
- Check the budgeted capital repair programme and actual execution of the same; compare the delays in execution and find out the reasons thereof.
- Check the idle assets and condemned equipments and action taken for utilisation or disposal.
- Check whether any records are maintained for the jobs executed in the departmental maintenance shops and utilisation of the machines/equipments.
- Check in case of major break-downs or repeated break-downs of the same nature, whether any modification has been attempted and whether the equipment has not become uneconomical for further repairs.
- Check that proper estimates are prepared for each special repair and that the variances of actuals with the estimates are analysed.

CHECKLIST NO. 11

UTILISATION OF MANPOWER

Following checks will be exercised :

- Check the organisation structure and compare the actual manpower to sanctioned manpower.
- Check the total idle time' in the plant analysing reasons for idle time due to non-availability of stores, spares, power, break-down etc. and remedial action taken therefore.
- Check the labour productivity in terms of output per month and find out deviations from the norms.
- Check the overtime hours against normal hours; review the trend of OT payment/verify that overtime payment is within the approved limits.
- Check the engagement of casual labour as well as maintenance works orders during the year; check how these jobs were executed in the past and whether the present manpower is not adequate.
- Examine record of workers' absenteeism and whether it is normal or abnormal.
- Examine the accuracy of records in respect of attendance, leave, time keeping etc.

CHECKLIST NO. 12

UTILISATION OF STORES & SPARES/SERVICES

The objective of this checklist is to ensure that stores and spares and services like power, water, piped oxygen and acetylene are utilised properly, abnormal wastages are analysed, and slow moving and non-moving stores are utilised/disposed off gradually.

2. Following checks are to be made :

- Verify and check the consumption of high value stores/ spares like electrodes, welding rods, gases, wire ropes, trailing cables, conveyor belts etc. and services with norms specified in the annual budget for the period under consideration.
- Check the basis of preparation of norms and change of norms from period to period for major items.
- Check the production loss due to non-availability of stores, spares etc. and the reasons for such non-availability.
- Check the quantity accounting of stores and spares (in the plant) drawn from the Stores.
- Check whether any attempts were made for reconditioning high value spares before condemning.
- Check the basis of indenting high value spares, especially imported ones.
- Check the steps taken for disposal of non-moving and slow moving stores and spares.
- Examine whether spares were returned to the Stores before issuing replacements.

CHECKLIST NO. 13

CAPITAL EXPENDITURE, RENEWALS AND REPLACEMENTS

The checklist on capital expenditure, renewals and replacements aims to ensure :

- a) that all capital expenditure are incurred as per annual budget duly approved.
- b) that the capital additions/renewals/replacement are completed within the time schedule indicated in the capital proposals.
- c) that the tendering, placement of orders, etc. are properly authorised and approved.

Select samples for capital expenditure and check :

- that all proposals for capital expenditure were initiated on the basis of cost benefit studies and duly approved by competent authority.
- that all orders have been placed or contracts awards by the Purchase Department strictly according to the purchase procedure laid down by the company.
- that proper job codes have been allotted. Check that in case of works which are not executed according to time schedule reasons for such delay have been investigated and management actions have been taken out at the appropriate level.

CHECKLIST NO. 14

PERSONNEL DEPARTMENT

The checklist for internal audit of personnel department aims to ensure that management policies for recruitment, promotion, etc. are carried out as per rules and procedures and policies of the company and as per statutory regulations.

2. The checks are :

- Check that all rules and regulations for recruitment of all categories of employees are strictly followed and that all records in this regard are properly maintained.
- Check that promotions are as per policy and procedures of the company.
- Check that all statutory returns and forms under Industrial Disputes Act, Payment of Wages Act, Workmen Compensation Act and other labour laws are regularly compiled and submitted to the authorities concerned.
- Check that leave records are maintained properly and test check certain entries in leave record with supporting documents.
- Check correctness of final settlement for retrenched/ terminated employees.
- Check whether the prescribed records of employees are maintained.
- Check correctness of payments to casual labour, payments of LTC, group insurance etc.
- Review the sanctions for various posts.
- Ensure that personnel files of the employees are properly maintained and are complete.
- Review cases of pay fixation and grant of special pay/ allowances.
- Ensure that suitable records are maintained to check against double payment of L.T.C. claims, leave encashment, festival advance etc.

CHECKLIST NO. 15

ADMINISTRATION DEPARTMENT

1. Internal audit will cover mainly the repairs and maintenance of vehicles/office equipments, airconditioners etc. and aircraft and purchase of vehicles, furnitures, printing and stationery etc.
2. Internal Audit will select samples from various registers/ records maintained by the Department and :
 - Ensure that all quotations are obtained in sealed covers before awarding any job/contract.
 - Ensure that job/contract is awarded to lowest tenderer on various jobs; check whether deviations from this policy are approved by competent authority.
 - Ensure that proper internal control is there for, maintenance of records of various jobs and financial concurrence is obtained wherever required before awarding any contract or placement of order.
 - Check whether all repairs and maintenance are entered in log books/registers maintained for vehicles, office equipments, air-conditioners etc.
 - Check all purchases (furniture, office equipments, printing and stationery) have been made in accordance with the prescribed procedure.
 - Verify physically the stocks of printing and stationery
 - Check that issues of printing and stationery are properly authenticated and are based on norms.
 - Check the records maintained for the use of vehicles and ensure that log book for each vehicle is maintained properly, consumption of fuel, oil parts etc. are in accordance with norms and that repairs are not excessive.
 - Check that recovery of charges for private use of vehicles is being made in accordance with the rules.
 - Check that emergency/local purchase were justified, not excessive and were made according to the prescribed procedure.
 - Check that proper records are maintained for electricity and water bills,

telephone and telex bills etc. and are correctly certified for payment with reference to consumption/use.

- Check that proper control is exercised on the assets in the custody of the department.

CHECK LIST NO.16

ACCOUNTS

- Check the journal vouchers prepared by the various sections with reference to the supporting documents and the narration furnished on the journal vouchers and link them with entries in the journal and ledger.
- Check the correctness of inputs to EDP
- Check the summaries of cash receipt journal vouchers, cash disbursement journal vouchers, sales journal vouchers and accounts payable journal vouchers and also Day Book for cash receipts and payment.
- Check the journal entries for the main journal prepared on the basis of summaries.
- Check the correctness of outputs from EDP.
- Review the trial balance to see that :
 - i) adverse or unorthodox balances are not appearing under any account code and action taken to rectify such balances.
 - ii) there are no misclassifications or wrong codes used. ensure that all subsidiary ledgers are properly maintained and reviewed and balances reconciled with the control totals in the Ledger.