

INTER CA
MAY '19
REVISION NOTES
AUDIT

PART - III

CHAPTER 10 - COMPANY AUDIT

Q	Reference	Question	Answer
1	ICAI Module	Mr. A, a practicing Chartered Accountant, is holding securities of XYZ Ltd. having face value of ₹ 900. Whether Mr. A is qualified for appointment as an auditor of XYZ Ltd.?	Mr. A is Disqualified under section 141(3)(d)(i) of Companies Act, 2013. Person/Partner not allowed to hold securities in the company and its subsidiary company, holding company, associate company, subsidiary of such holding company. Relative can hold upto Rs. 1 lakh face value in the company
2	ICAI Module	Mr. P is a practicing Chartered Accountant and Mr. Q, the relative of Mr. P, is holding securities of ABC Ltd. having face value of ₹ 90,000. Whether Mr. P is qualified from being appointed as an auditor of ABC Ltd.?	Mr. P is not Disqualified under section 141(3)(d)(i) of Companies Act, 2013. Person/Partner not allowed to hold securities in the company and its subsidiary company, holding company, associate company, subsidiary of such holding company. Relative can hold upto Rs. 1 lakh face value in the company
3	ICAI Module	M/s BC & Co. is an Audit Firm having partners Mr. B and Mr. C, and Mr. A the relative of Mr. C, is holding securities of MWF Ltd. having face value of ₹ 1,01,000. Whether M/s BC & Co. is qualified from being appointed as an auditor of MWF Ltd.?	M/s BC & Co. is Disqualified under section 141(3)(d)(i) of Companies Act, 2013. Person/Partner not allowed to hold securities in the company and its subsidiary company, holding company, associate company, subsidiary of such holding company. Relative can hold upto Rs. 1 lakh face value in the company
4	ICAI Module	M/s RM & Co. is an audit firm having partners CA. R and CA. M. The firm has been offered the appointment as an auditor of Enn Ltd. for the Financial Year 2016-17. Mr. Bee, the relative of CA. R, is holding 5,000 shares (face value of ₹ 10 each) in Enn Ltd. having market value of ₹ 1,50,000. Whether M/s RM & Co. is disqualified to be appointed as auditors of Enn Ltd.?	M/s RM & Co. is not Disqualified under section 141(3)(d)(i) of Companies Act, 2013. Person/Partner not allowed to hold securities in the company and its subsidiary company, holding company, associate company, subsidiary of such holding company. Relative can hold upto Rs. 1 lakh face value in the company.
5	ICAI Module	CA. Poshin is providing the services of investment banking to C Ltd. Later on, he was also offered to be	CA Poshin cannot be appointed as auditor when he is also simultaneously engaged in providing investment banking service because:

		appointed as an auditor of the company for the current financial year. Advise.	According to Sec 141(3)(i) of Companies act, 2013 person cannot be appointed as auditor if he is providing consultancy services prescribed in Sec 144 of Companies Act, 2013 either directly or indirectly to the Company, its holding Company & Subsidiary Company. Investment Banking is a service which is prescribed under Section 144.
6	ICAI Module	Managing Director of Pigeon Ltd. himself wants to appoint CA. Champ, a practicing Chartered Accountant, as first auditor of the company	As per Sec 139(6) of Companies Act, 2013 Board of Directors appoint first auditor in case of non-government Company within 30 days of date of registration . Hence, Managing Director itself cannot appoint first auditor.
7	ICAI Module	Rano Pvt. Ltd. is a private limited Company, having paid up share capital of `18 crore but having public borrowing from nationalized banks and financial institutions of ` 72 crore. Is rotation of auditor applicable	Manner of rotation of auditor will be applicable under Section 139(2) of Companies Act, 2013. Applicability of Rotation Private limited companies having Paid up Share Capital of Rs.50 Crore or More OR Borrowings from banks and financial institution of Rs. 50 Crore or More as per immediately preceding financial year
8	ICAI Module	Jolly Ltd., a listed company, appointed M/s Polly & Co., a Chartered Accountant firm, as the statutory auditor in its AGM held at the end of September, 2016 for 11 years.	Here, the appointment of M/s Polly & Co. is not valid as the appointment can be made only for one term of five consecutive years and then another one more term of five consecutive years. It can't be appointed for two terms in one AGM only. Further, a cooling period of five years from the completion of term is required i.e. the firm can't be re-appointed for further 5 years after completion of two terms of five consecutive years.
9	ICAI Module	XYZ Ltd., a public company having paid up capital of ` 9 crore but having turnover of ` 150 crore, will be required to constitute an Audit Committee under section 177 because the requirement for constitution of Audit Committee arises if the company falls into any of the prescribed category. Examine.	Audit Committee is required to be constituted. Listed Company- Mandatory Unlisted public Company having Paid up Share Capital of Rs. 10 crore or More Turnover Rs. 100 crore or More Borrowings Rs. 50 crore or More as per latest audited financial statements

10	ICAI Module	<p>ABC & Co.” is an Audit Firm having partners “Mr. A”, “Mr. B” and “Mr. C”, Chartered Accountants. “Mr. A”, “Mr. B” and “Mr. C” are holding appointment as an Auditor in 4, 6 and 10 Companies respectively. (i) Provide the maximum number of Audits remaining in the name of “ABC & Co.” (ii) Provide the maximum number of Audits remaining in the name of individual partner i.e. Mr. A, Mr. B and Mr. C. (iii) Can ABC & Co. accept the appointment as an auditor in 60 private companies having paid-up share capital less than ` 100 crore, 2 small companies and 1 dormant company? (iv) Would your answer be different, if out of those 60 private companies, 45 companies are having paid-up share capital of ` 110 crore each?</p>	<p>As per Section 141(3)(g) of Companies Act, 2013 an individual cannot hold appointment as an auditor, at any point of time, of more than 20 companies excluding companies other than public companies and private limited companies with paid up share capital of Rs. 100 crore or More as on date of appointment.</p> <p>Firm is already holding audit of 20 companies. It can hold audit of maximum 60 companies (3 CA partners * 20 Companies each= 60 Companies).</p> <p>Case 1: ABC & Co. can accept the appointment as an auditor in 60 private companies having paid-up share capital less than ` 100 crore, 2 small companies and 1 dormant company.</p> <p>Case 2: If out of those 60 private companies, 45 companies are having paid-up share capital of ` 110 crore each then maximum 40 companies can be accepted</p>
11	ICAI Module	<p>The head accountant of a company entered fake invoices of credit purchases in the books of account aggregate of ` 50 lakh and cleared all the payments to such bogus creditor. What is your duty as an auditor</p>	<p>Here, the auditor of the company is required to report the fraudulent activity to the Board or Audit Committee (as the case may be) within 2 days of his knowledge of fraud. Further, the company is also required to disclose the same in Board’s Report. It may be noted that the auditor need not to report the central government as the amount of fraud involved is less than ` 1 crore, however, reporting under CARO, 2016 is required.</p>
12	ICAI Module	<p>Ashu Pvt. Ltd. has fully paid capital and reserves of `50 lakh. During the year, the company had borrowed `70 lakh each from a bank and a financial institution independently. It has the turnover of `900 lakh. Comment whether CARO 2016 is applicable?</p>	<p>In the given case of Ashu Pvt. Ltd., it has paid capital and reserves of `50 lakh i.e. less than `1 crore, turnover of `9 crore i.e. less than `10 crore. However, it has maximum outstanding borrowings of `1.40 crore (`70 lakh + `70 lakh) collectively from bank and financial institution. Therefore, it fails to fulfill the condition relating to borrowings. Thus, CARO, 2016 shall be applicable to Ashu Pvt. Ltd. accordingly.</p>

13	ICAI Module	The company has dispensed with the practice of taking inventory of their inventories at the year-end as in their opinion the exercise is redundant, time consuming and intrusion to normal functioning of the operations. Explain reporting requirement under CARO, 2016	Clause (ii) of Para 3 of CARO, 2016, requires the auditor to report whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, whether they have been properly dealt with in the books of account. The physical verification of inventory is the responsibility of the management of the company which should verify all material items at least once in a year and more often in appropriate cases. In the given case, the above requirement of physical verification of inventory by the management has not been taken place and therefore the auditor should point out the same under CARO, 2016. He may consider the impact on financial statement and report accordingly
14	ICAI Module	An auditor purchased goods worth ` 501,500 on credit from a company being audited by him. The company allowed him one month's credit, which it normally allowed to all known customers. Comment.	Disqualified under Sec 141(3)(d)(ii) of Companies Act, 2013. Even though it is at arms length price but indebtedness cannot exceed Rs. 5 Lakh.
15	ICAI Module	Ram and Hanuman Associates, Chartered Accountants in practice have been appointed as Statutory Auditor of Krishna Ltd. for the accounting year, 2015-2016. Mr. Hanuman holds 100 equity shares of Shiva Ltd., a subsidiary company of Krishna Ltd. Discuss	Ram and Hanuman Associates is Disqualified under section 141(3)(d)(i) of Companies Act, 2013. Person/Partner not allowed to hold securities in the company and its subsidiary company, holding company, associate company, subsidiary of such holding company. Relative can hold upto Rs. 1 lakh face value in the company
16	ICAI Module	Under what circumstances the retiring Auditor cannot be reappointed	As per Sec 139(9) of Companies Act, 2013 retiring auditor cannot be reappointed if a) his term has expired under section 139(2) of Companies Act, 2013. b) he is disqualified under section 141(3) of Companies Act, 2013 c) a specific resolution has been passed in general meeting stating expressly that retiring auditor cannot be reappointed d) he is not willing to be reappointed.

CHAPTER 9 - AUDIT OF ITEMS OF FIANNCIAL STATEMENTS

Q	Reference	Question (HOW WILL YOU VOUCH/VERIFY THE FOLLOWING)	Answer
1	ICAI Module	Goods sent out on Sale or Return Basis	<p>(i) Check whether a separate memoranda record of goods sent out on sale or return basis is maintained.</p> <p>(ii) See that price of such goods is unloaded from the sales account and the trade receivable's record.</p> <p>(iii) Ensure that the goods in respect of which the period of approval has expired at the close of the year either have been received back subsequently or customers' accounts have been debited.</p> <p>(iv) Confirm that the inventory of goods sent out on approval, the period of approval in respect of which had not expired till the close of the year lying with the party, has been included in the closing inventory.</p>
2	ICAI Module	Borrowing from Banks.	<p>(i) Reconcile the balances in the overdraft or loan account with that shown in the pass book(s) and confirm the last mentioned balance by obtaining a certificate from the bank showing the balance in the accounts as at the end of the year.</p> <p>(ii) Obtain a certificate from the bank showing particulars of securities deposited with the bank as security for the loans or of the charge created on an asset or assets of the concern and confirm that the same has been correctly disclosed and duly registered with Registrar of Companies and recorded in the Register of charges.</p> <p>(iii) Verify the authority under which the loan or draft has been raised. In the case of a company, only the Board of Directors is authorised to raise a loan or borrow from a bank.</p> <p>(iv) Confirm, in the case of a company, that the restraint contained in Section 180 of the Companies Act, 2013 as regards the maximum amount of loan that the company can raise has not been contravened.</p>

3	ICAI Module	Goods sent on consignment	<p>(i) Verify the accounts sales submitted by the consignee showing goods sold and inventory of goods in hand.</p> <p>(ii) Reconcile the figure of the goods on hand, as given in the last accounts sales, with the Performa invoices and accounts sales received during the year.</p> <p>(iii) Obtain confirmation from the consignee for the goods held on consignment on the balance sheet date.</p> <p>(iv) Ensure that the quantity of goods in hand with the consignee has been valued at cost plus proportionate non-recurring expenses, e.g., freight, dock dues, customs due, etc., unless the value is lower. In case net realisable value is lower, the inventory in hand of the consignee should be valued at net realisable value. Also see that the allowance has been made for damaged and obsolete goods in making the valuation.</p> <p>(v) See that goods in hand with the consignee have been shown distinctly under inventories.</p>
4	ICAI Module	Foreign travel expenses	<p>(i) Examine Travelling Allowance bills submitted by the employees stating the details of tour, details of expenses, etc.</p> <p>(ii) Verify that the tour programme was properly authorised by the competent authority.</p> <p>(iii) Check the T.A. bills along with accompanying supporting documents such as air tickets, travel agents bill and hotel bills with reference to the internal rules for entitlement of the employees and also make sure that the bills are properly passed</p>
5	ICAI Module	Receipt of capital subsidy	<p>(i) Refer to application made for the claim of subsidy to ascertain the purpose and the scheme under which the subsidy has been made available.</p> <p>(ii) Examine documents for the grant of subsidy and note the conditions attached with the same relating to its use, etc.</p> <p>(iii) See that conditions to be fulfilled and other terms especially whether the same is for a specific asset or is for setting up a factory at a specific location.</p> <p>(iv) Check relevant entries for receipt of subsidy. (v) Check compliance with requirements of AS 12 on "Accounting for</p>

			Government Grants” i.e. whether it relates to specific amount or in the form of promoters’ contribution and accordingly accounted for as also compliance with the disclosure requirements.
6	ICAI Module	Provision for income tax	<p>(i) Obtain the computation of income prepared by the auditee and verify whether it is as per the Income-tax Act, 1961 and Rules made thereunder.</p> <p>(ii) Review adjustments, expenses, disallowed special rebates, etc. with particular reference to the last available completed assessment.</p> <p>(iii) Examine relevant records and documents pertaining to advance tax, self assessment tax and other demands.</p> <p>(iv) Compute tax payable as per the latest applicable rates in the Finance Act.</p> <p>(v) Ensure that overall provisions on the date of the balance sheet is adequate having regard to current year provision, advance tax paid, assessment orders, etc.</p> <p>(vi) Ensure that the requirements of AS 22 on Accounting for Taxes on Income have been appropriately followed for the period under audit.</p>
7	ICAI Module	payment of taxes	<p>(i) Payment on account of income-tax and other taxes consequent upon a regular assessment should be verified by reference to the copy of the assessment order, assessment form, notice of demand and the receipted challan.</p> <p>(ii) Payments or advance payments of income-tax should also be verified with the notice of demand and the receipted challan acknowledging the amount paid.</p> <p>(iii) The interest allowed on advance payments of income-tax should be included as income and penal interest charged for non-payment should be debited to the interest account.</p> <p>(iv) Nowadays, electronic payment of taxes is also in trend. Electronic payment of taxes means payment of taxes by way of internet banking facility or credit or debit cards.</p> <p>(v) The assessee can make electronic payment of taxes also from the account of any other person. However, the challan for making such payment must clearly indicate the Permanent Account Number (PAN) of the assessee on whose behalf the payment is made.</p>

8	ICAI Module	Advertisement Expenses	(i) Verify the bill/invoice from advertising agency to ensure that rates charged for different types of advertisement are as per contract. (ii) See that advertisement relates to client's business. (iii) Inspect the receipt issued by the agency (iv) Compare the statement of account with the ledger account.
9	ICAI Module	Sale of Scrap	(i) Review the internal control as regards generation, storage and disposal of scrap. (ii) Check whether the organization is maintaining reasonable record for generation of Scrap. (iii) Analyze the raw material used, production and generation pattern of scrap and compare the same with figures of earlier year. (iv) Check the rates at which scrap has been sold and compare the rate with previous year. (v) Vouch sales, with invoices raised, advertisement for tender, rate contract with scrap dealers.

CHAPTER 6 - AUDIT IN AN AUTOMATED ENVIRONMENT

Q	Reference	Question	Answer
1	ICAI Module	Briefly mention three reasons why IT should be considered relevant to an audit of financial statements.	<p>The auditor should consider relevance of IT in an audit of financial statements for the following reasons:</p> <p>(a) Since auditors rely on the reports and information generated by IT systems, there could be risks in the IT systems that could have an impact on audit.</p> <p>(b) Standards on auditing SA 315 and SA 330 require auditors to understand, assess and respond to risks that arise from the use of IT systems.</p> <p>(c) By relying on automated controls and using data analytics in an audit, it is possible to increase the effectiveness and efficiency of the audit process</p>
2	ICAI Module	Describe how risks in IT systems, if not mitigated, could have an impact on audit.	<p>When risks in IT systems are not mitigated the audit impact could be as follows:</p> <p>(i) The auditor may not be able rely on the reports, data obtained, automated controls, calculations and accounting procedures in the IT system.</p> <p>(ii) The auditor has to perform additional audit work by spending more time and efforts.</p> <p>(iii) The auditor may have to issue a modified opinion, if necessary</p>
3	ICAI Module	What are the different testing methods used when auditing in an automated environment. Which is the most effective and efficient method of testing.	<p>When auditing in an automated environment, the following testing methods are used:</p> <p>(a) Inquiry (b) Observation (c) Inspection (d) Reperformance</p> <p>A combination of inquiry and inspection is generally the most effective and efficient testing method.</p> <p>However, determining the most effective and efficient testing method is a matter of professional judgement and depends on the several factors including risk assessment, control environment, desired level of evidence required, history of errors/misstatements, complexity of business, assertions being addressed.</p>

CHAPTER 12 -AUDIT OF BANKS

Q	Reference	Question	Answer
1	ICAI Module	The functioning of banking industry in India is regulated by the Reserve Bank of India (RBI) which acts as the Central Bank of our country. Explain	<p>The functioning of banking industry in India is regulated by the Reserve Bank of India (RBI) which acts as the Central Bank of our country. RBI is responsible for development and supervision of the constituents of the Indian financial system (which comprises banks and non-banking financial institutions) as well as for determining, in conjunction with the Central Government, the monetary and credit policies keeping in with the need of the hour.</p> <p>Important functions of RBI are issuance of currency; regulation of currency issue; acting as banker to the central and state governments; and acting as banker to commercial and other types of banks including term-lending institutions. Besides, RBI has also been entrusted with the responsibility of regulating the activities of commercial and other banks. No bank can commence the business of banking or open new branches without obtaining licence from RBI. The RBI also has the power to inspect any bank.</p>
2	ICAI Module	“The engagement team should hold discussions to gain better understanding of the bank and its environment, including internal control, and also to assess the potential for material misstatements of the financial statements. All these discussions should be appropriately documented for future reference”. Explain	<p>The engagement team discussion ordinarily includes a discussion of the following matters:</p> <ul style="list-style-type: none"> - Errors that may be more likely to occur; -Errors which have been identified in prior years -Method by which fraud might be perpetrated by bank personnel or others within particular account balances and/or disclosures; -Audit responses to Engagement Risk, Pervasive Risks, and Specific Risks; -Need to maintain professional skepticism throughout the audit engagement; -Need to alert for information or other conditions that indicates that a material misstatement may have occurred (e.g., the bank’s application of accounting policies in the given facts and circumstances).

3	ICAI Module	Write a short note on reversal of income under bank audit	<p>Reversal of Income :</p> <ul style="list-style-type: none">-If any advance, including bills purchased and discounted, becomes NPA as at the close of any year, the entire interest accrued and credited to income account in the past periods, should be reversed or provided for if the same is not realised.-This will apply to Government guaranteed accounts also. In respect of NPAs, fees, commission and similar income that have accrued should cease to accrue in the current period and should be reversed or provided for with respect to past periods, if uncollected.-Further, in case of banks which have wrongly recognised income in the past should reverse the interest if it was recognised as income during the current year or make a provision for an equivalent amount if it was recognized as income in the previous year(s).-Furthermore, the auditor should enquire if there are any large debits in the Interest Income account that have not been explained. <p>It should be enquired is there are any communications from borrowers pointing out differences in Interest charge, and whether action as justified has been taken in this regard.</p>
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CHAPTER 13 - AUDIT OF DIFFERENT ENTITIES

Q	Reference	Question	Answer
1	ICAI Module	You have been appointed as an auditor of an NGO, briefly state the points on which you would concentrate while planning the audit of such an organisation?	<p>While planning the audit of an NGO, the auditor may concentrate on the following:</p> <p>(i) Knowledge of the NGO's work, its mission and vision, areas of operations and environment in which it operate.</p> <p>(ii) Updating knowledge of relevant statutes especially with regard to recent amendments, circulars, judicial decisions related to the statutes.</p> <p>(iii) Reviewing the legal form of the Organisation and its Memorandum of Association, Articles of Association, Rules and Regulations.</p> <p>(iv) Reviewing the NGO's Organisation chart, then Financial and Administrative Manuals, Project and Programme Guidelines, Funding Agencies Requirements and formats, budgetary policies if any.</p> <p>(v) Examination of minutes of the Board/Managing Committee/Governing Body/Management and Committees thereof to ascertain the impact of any decisions on the financial records.</p> <p>(vi) Study the accounting system, procedures, internal controls and internal checks existing for the NGO and verify their applicability.</p>
2	ICAI Module	The general transactions of a hospital include patient treatment, collection of receipts, donations, capital expenditures. You are required to mention special points of consideration while auditing such transactions of a hospital?	<p>Special points of consideration while auditing certain transactions of a hospital are stated below</p> <p>(i) Register of Patients: Vouch the Register of patients with copies of bills issued to them. Verify bills for a selected period with the patients' attendance record to see that the bills have been correctly prepared. Also see that bills have been issued to all patients from whom an amount was recoverable according to the rules of the hospital.</p> <p>(ii) Collection of Cash: Check cash collections as entered in the Cash Book with the receipts, counterfoils and other evidence for example, copies of patients bills, counterfoils of dividend and other interest warrants, copies of rent bills, etc.</p>

			<p>(iii) Legacies and Donations: Ascertain that legacies and donations received for a specific purpose have been applied in the manner agreed upon.</p> <p>(iv) Reconciliation of Subscriptions: Trace all collections of subscription and donations from the Cash Book to the respective Registers. Reconcile the total subscriptions due (as shown by the Subscription Register and the amount collected and that still outstanding).</p> <p>(v) Authorisation and Sanctions: Vouch all purchases and expenses and verify that the capital expenditure was incurred only with the prior sanction of the Trustees or the Managing Committee and that appointments and increments to staff have been duly authorised.</p>
3	ICAI Module	Mention the special points to be examined by the auditor in the audit of a charitable institution running hostel for students pursuing the Chartered Accountancy Course and which charges only ₹ 500 per month from a student for his lodging/boarding.	<p>1. General</p> <p>(i) Study the constitution under which the charitable institution has been set up whether under the Society Registration Act, as a trust or as a company limited by guarantee.</p> <p>(ii) Examine the internal control structure particularly with reference to admission to hostel, expenses incurred on different kinds of activities.</p> <p>(iii) Verify the broad nature of expenses likely to be incurred with reference to the previous year's annual audited accounts</p> <p>2. Verification of the receipts</p> <p>(i) Check the amounts received on account of, monthly rentals, etc., and receipts issued for the same.</p> <p>(ii) Ascertain that there is adequate internal control over the issue of official receipts, custody of unused receipt books, printing of receipt books, etc.</p> <p>3. Verification of expenses</p> <p>(i) Check the day-to-day administration expenses incurred along with the necessary vouchers, supporting for the same like salary registers, repairs register, etc.</p> <p>(ii) Verify whether the expenses incurred are in conformity with the budgets prepared internally or filed with the relevant authorities.</p>

			<p>4. Verify investments made from surplus funds as well as existing investments by physically verifying the same and that they are in the name of the institution and that there is no charge/pledge against the same</p> <p>5. Verify all capital expenditure and expenditure on repairs, etc., incurred with the vouchers and also whether proper tenders, etc., were invited for the same. See that all furniture, glass, cutlery, kitchen utensils, liner, etc. are adequately depreciated</p> <p>6. Verify whether the institution is eligible for income tax exemption and if not, whether provision for taxation has been made</p>
4	ICAI Module	Explain in detail the duties of Comptroller and Auditor General of India	<p>The Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 lays down duties of the C&AG as under</p> <p>(i) Compile and submit Accounts of Union and States - The C&AG shall be responsible for compiling the accounts of the Union and of each State from the initial and subsidiary accounts rendered to the audit and accounts offices</p> <p>ii) to audit and report all transactions of the Union and of the States relating to Contingency Funds and Public Accounts</p> <p>iii) Where any body or authority is substantially financed by grants or loans from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly, the Comptroller and Auditor General shall, subject to the provisions of any law for the time being in force applicable to the body or authority, as the case may be, audit all receipts and expenditure of that body or authority and to report on the receipts and expenditure audited by him</p> <p>iv) Where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly to any authority or body, not being a foreign State or international organisation, the Comptroller and Auditor General shall</p>

			<p>scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the condition</p> <p>v) Where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly to any authority or body, not being a foreign State or international organisation, the Comptroller and Auditor General shall scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the condition.</p> <p>vi) The Comptroller and Auditor General shall have authority to audit and report on the accounts of stores and inventory kept in any office or department of the Union or of a State.</p> <p>vii) The duties and powers of the Comptroller and Auditor General in relation to the audit of the accounts of government companies shall be performed and exercised by him in accordance with the provisions of the Companies Act, 2013</p>
5	ICAI Module	<p>An NGO operating in Delhi had collected large scale donations for Tsunami victims. The donations so collected were sent to different NGOs operating in Tamil Nadu for relief operations. This NGO operating in Delhi has appointed you to audit its accounts for the year in which it collected and remitted donations for Tsunami victims. Draft audit programme for audit of receipts of donations and remittance of the collected amount to different NGOs. Mention six points each, peculiar to the situation, which you will like to incorporate in your audit programme for audit of said receipts and remittances of donations</p>	<p>Receipt of Donations:</p> <p>(i) Internal Control System: Existence of internal control system particularly with reference to division of responsibilities in respect of authorised collection of donations, custody of receipt books and safe custody of money.</p> <p>(ii) Custody of Receipt Books: Existence of system regarding issue of receipt books, whether unused receipt books are returned and the same are verified physically including checking of number of receipt books and sequence of numbering therein.</p> <p>(iii) Receipt of Cheques: Receipt Book should have carbon copy for duplicate receipt and signed by a responsible official. All details relating to date of cheque, bank's name, date, amount, etc. should be clearly stated. (iv) Bank Reconciliation: Reconciliation of bank statements with reference to all cash deposits not only with reference to date and amount but also with reference to receipt book.</p>

			<p>(v) Cash Receipts: Register of cash donations to be vouched more extensively. If addresses are available of donors who had given cash, the same may be cross-checked by asking entity to post thank you letters mentioning amount, date and receipt number.</p> <p>(vi) Foreign Contributions, if any, to receive special attention to compliance with applicable laws and regulations.</p> <p>Remittance of Donations to Different NGOs: (i) Mode of Sending Remittance: All remittances are through account payee cheques. Remittances through Demand Draft would also need to be scrutinised thoroughly with reference to recipient.</p> <p>(ii) Confirming Receipt of Remittance: All remittances are supported by receipts and acknowledgements</p> <p>(iii) Identity: Recipient NGO is a genuine entity. Verify address, 80G Registration Number, etc.</p> <p>(iv) Direct Confirmation Procedure: Send confirmation letters to entities to whom donations have been paid.</p> <p>(v) Donation Utilisation: Utilisation of donations for providing relief to Tsunami victims and not for any other purpose.</p> <p>(vi) System of NGOs' Selection: System for selecting NGO to whom donations have been sent.</p>
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