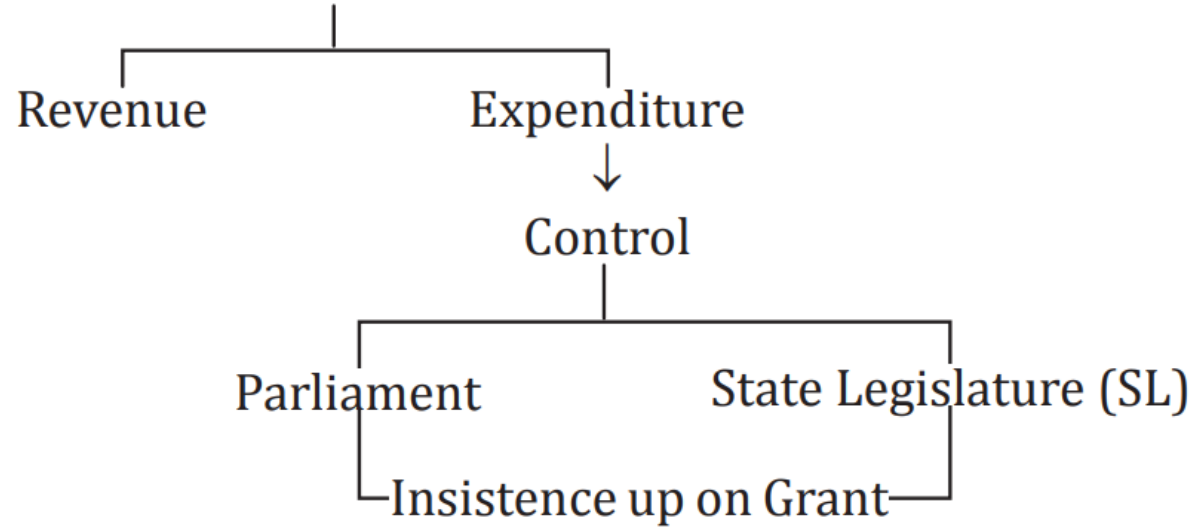


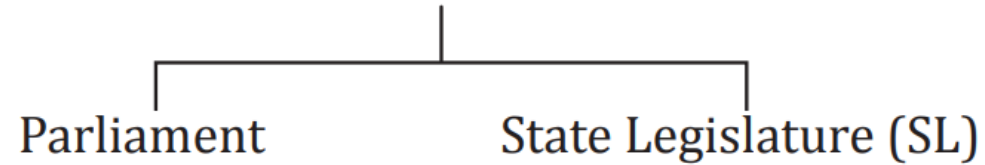
GOVT AUDIT

SUMMARY CHARTS

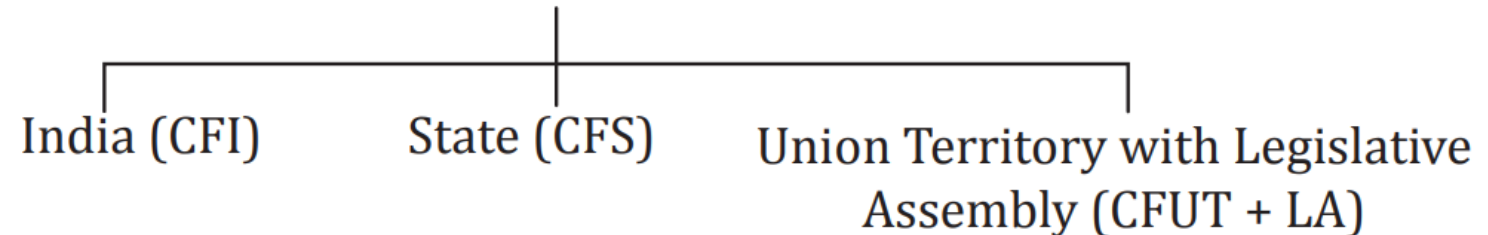
(1) Government Audit



❑ No expenditure can be incurred → unless voted up on by



❑ Funds for such expenditure must be provided out of 'consolidated Fund of'



- ❑ After expenditure is incurred + A/c. are closed



Appropriation A/c. are prepared



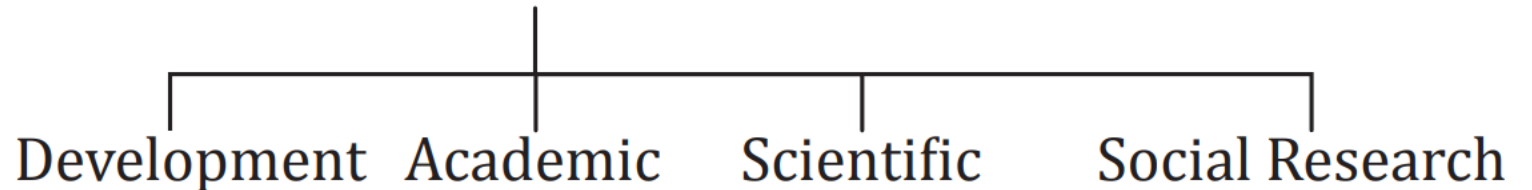
Scrutinized by 'Public Accounts Committee' (PAC)

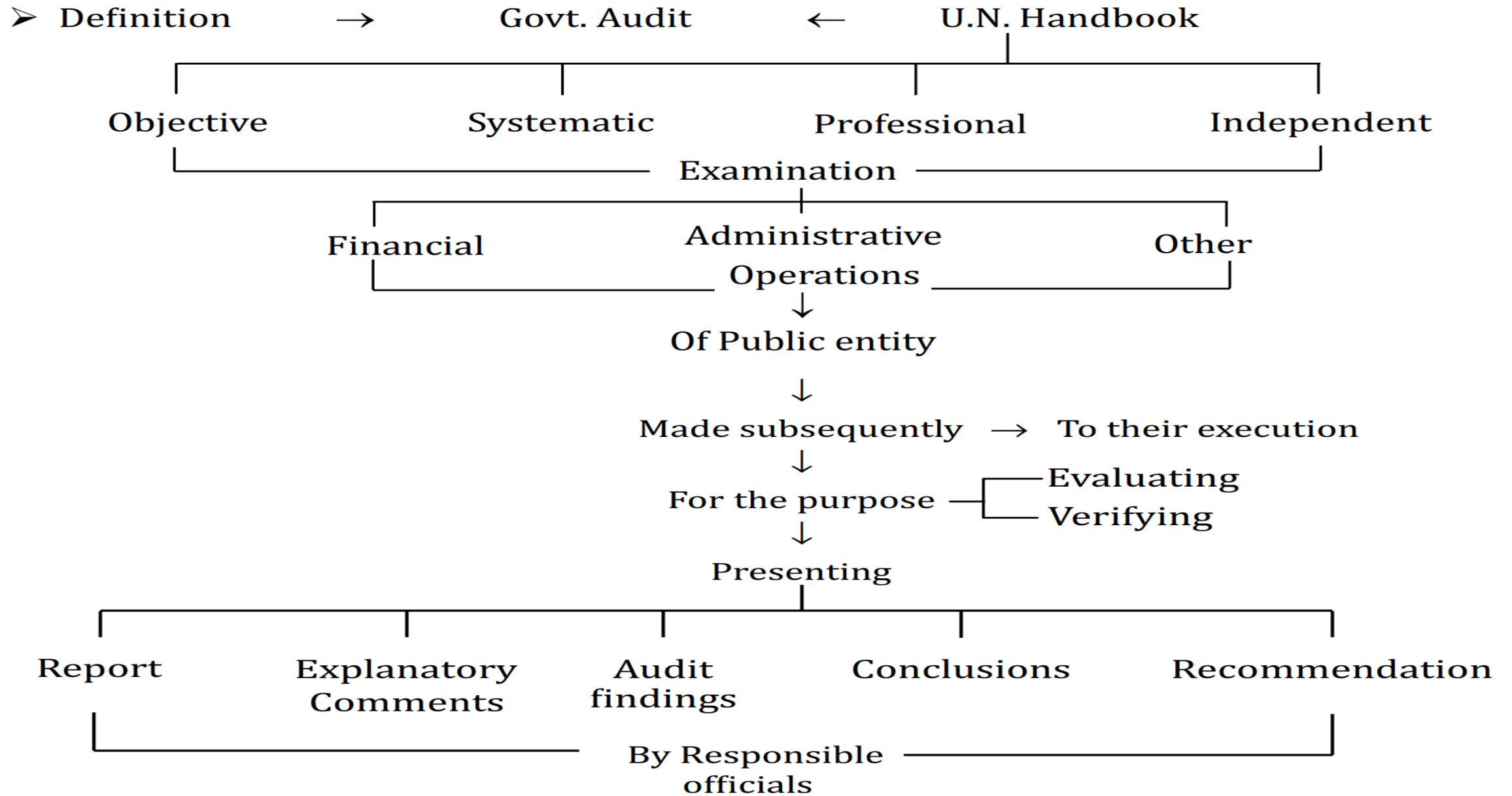
- ❑ Initially → Govt. Audit was → Expenditure oriented
- ❑ Gradually → Audit of Receipts was taken up
- ❑ With rapid growth of public Enterprises → 'Commercial Audit' Came into Being
- ❑ Large no. of Non-commercial autonomous Bodies → Field of

Financed by Govt.

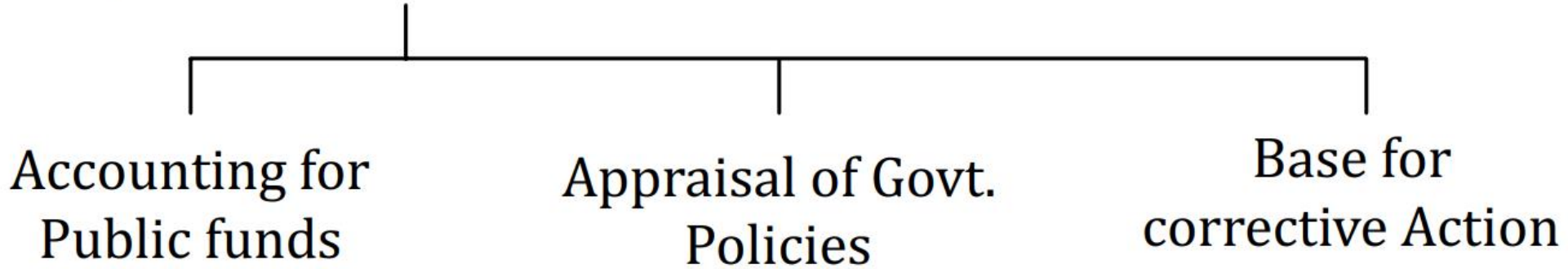


Required to be Audited





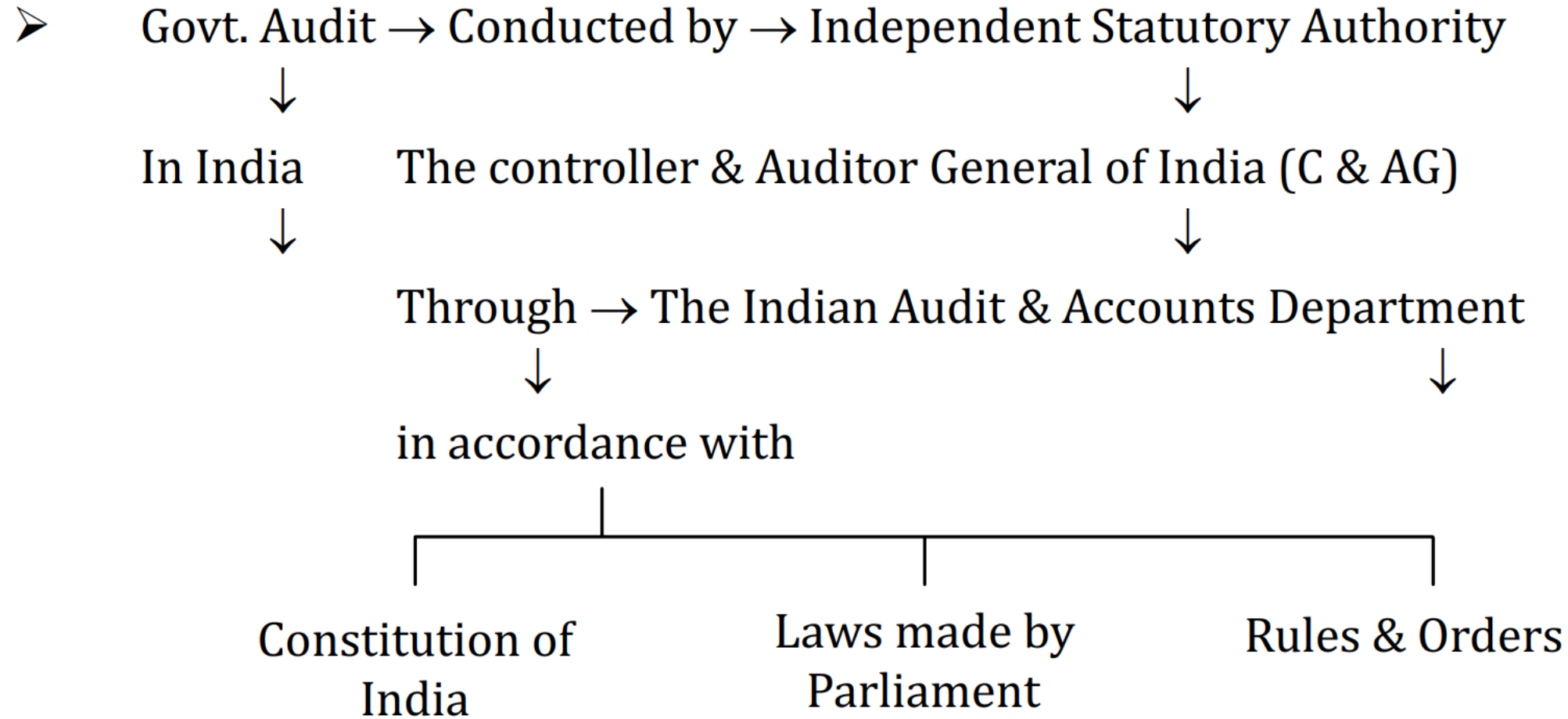
➤ Objective of Govt. Audit



➤ Main objectives of Govt. Audit



The comptroller & Auditor General (Duties, Powers & Conditions of Services) Act, 1971



■ LEGAL FRAMEWORK AND COMPTROLLER & AUDITOR GENERAL

- Appointed by → The president of India
- Shall not be Removed Except → on proven → misbehaviour → in capacity

↓

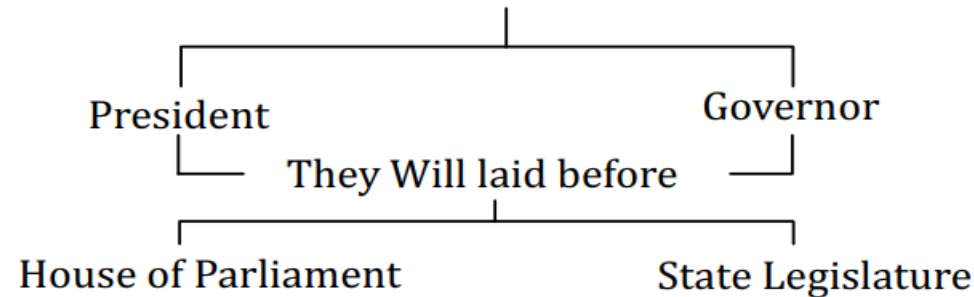
> 2/3 Majority → of Both houses of Parliament → Present & Voting

- After appointment → salary cannot be varied

↓

To his disadvantage

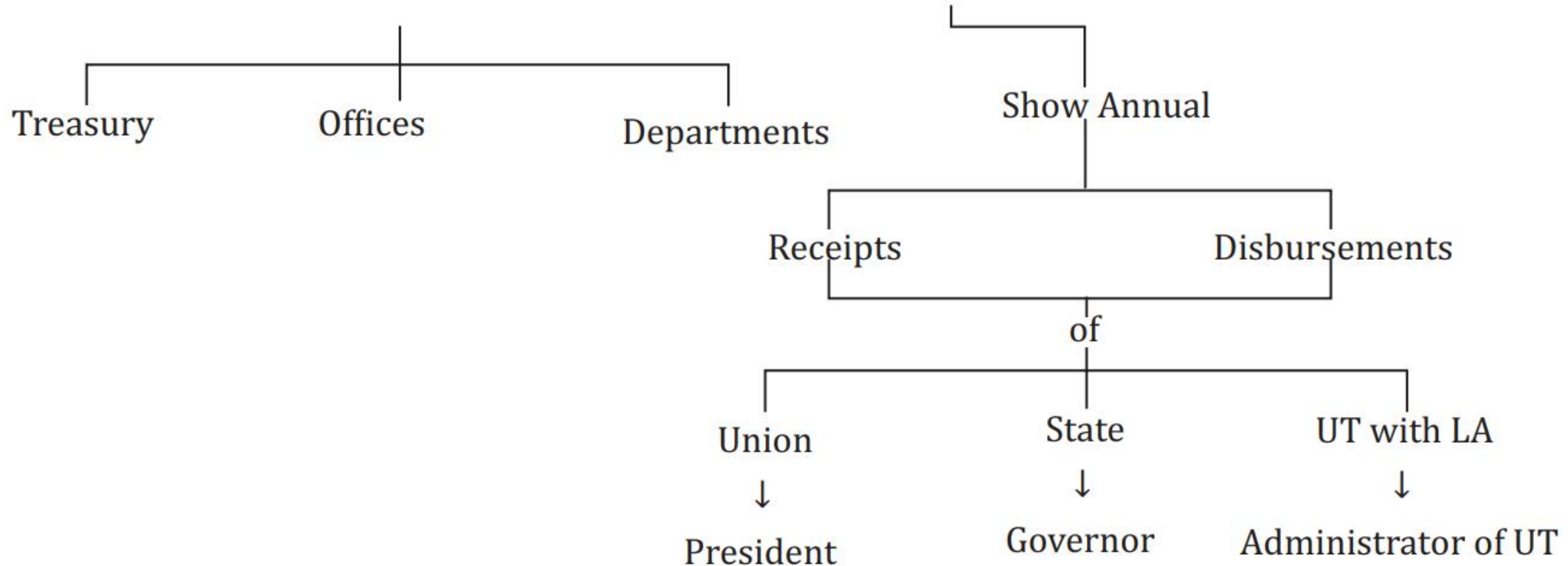
- Salary = Supreme Court Judge
- President to Consult C & AG → for appointing any person in Indian Audit & Accounts Department → for deciding Administrative Power of C & AG
- **Article 149** → of the constitution of Indian → Gives powers to C & AG
 - The C & AG (Duties, Powers & Conditions of Service) Act, 1971 → Defines the powers
- **Article 150** → Format of Accounts of Union & States → Decided by President → Advice of C&AG
- **Article 151** → C & AG to provide Report an A/c. → Submitted to



Duties of C & AG (7 Duties)

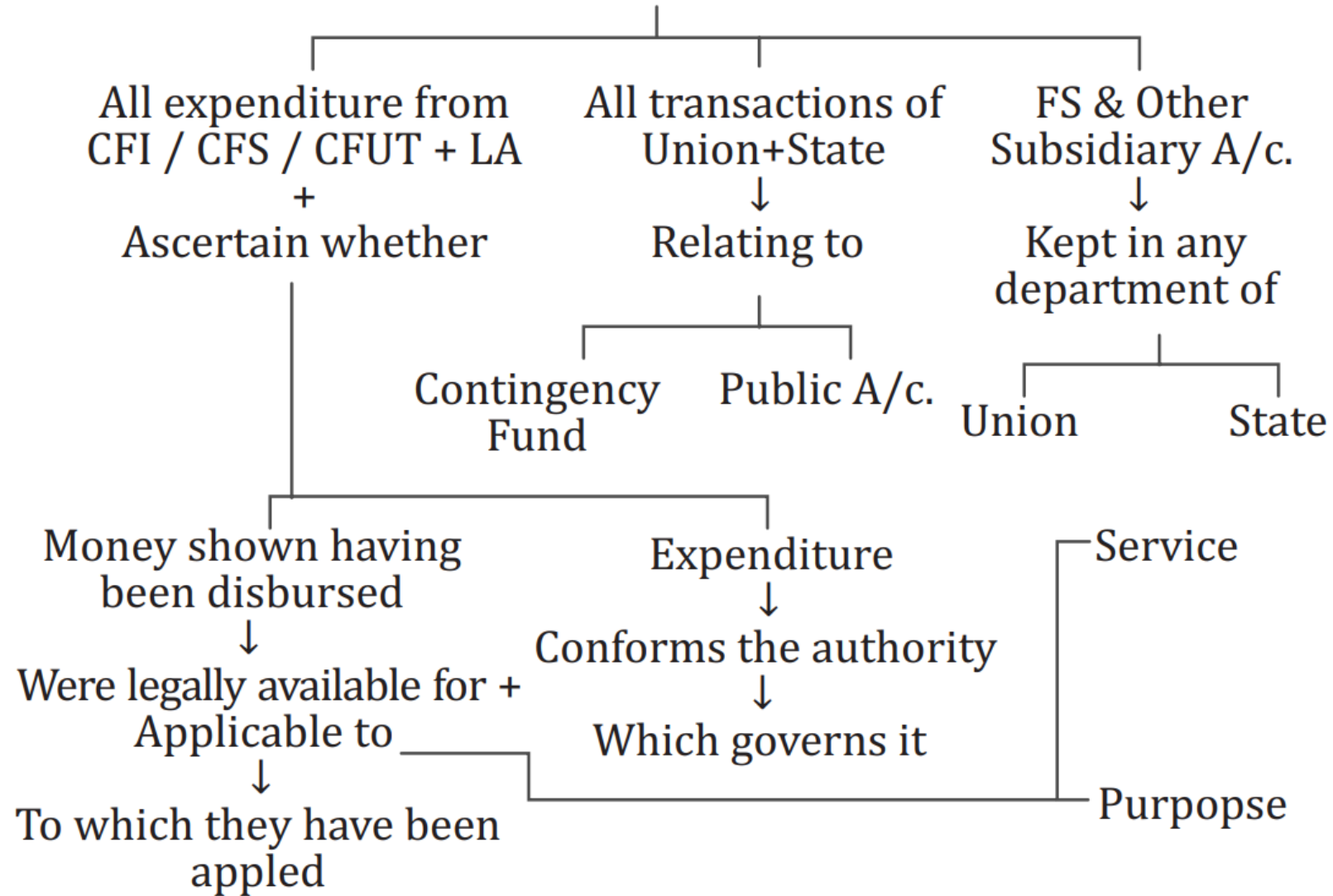
(i) Compile + Submit → A/c.'s of Union + State

Rendered to Audit & Accounts Officers → From Initial & Subsidiary A/c.

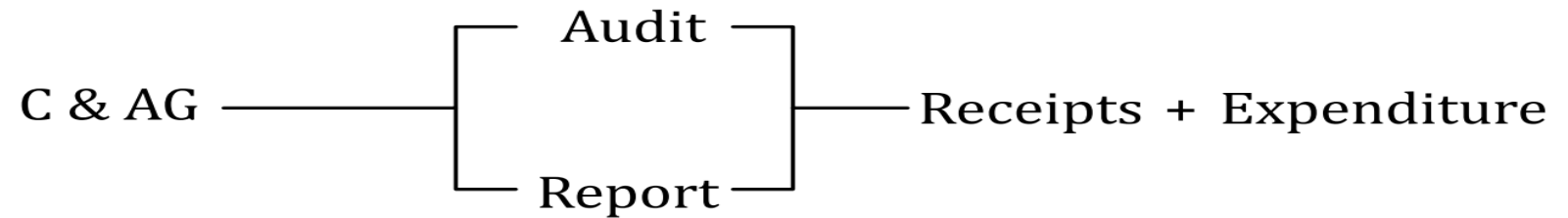
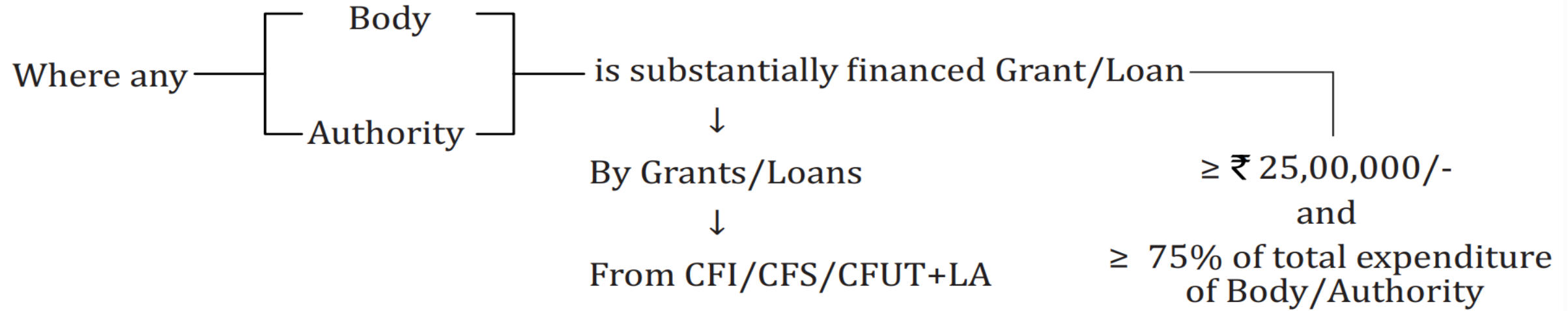


→ As per the Act → It is not the responsibility of C&AG → to → Give Info. → Prepare A/c.

(ii) General Provisions Relating to Audit Report

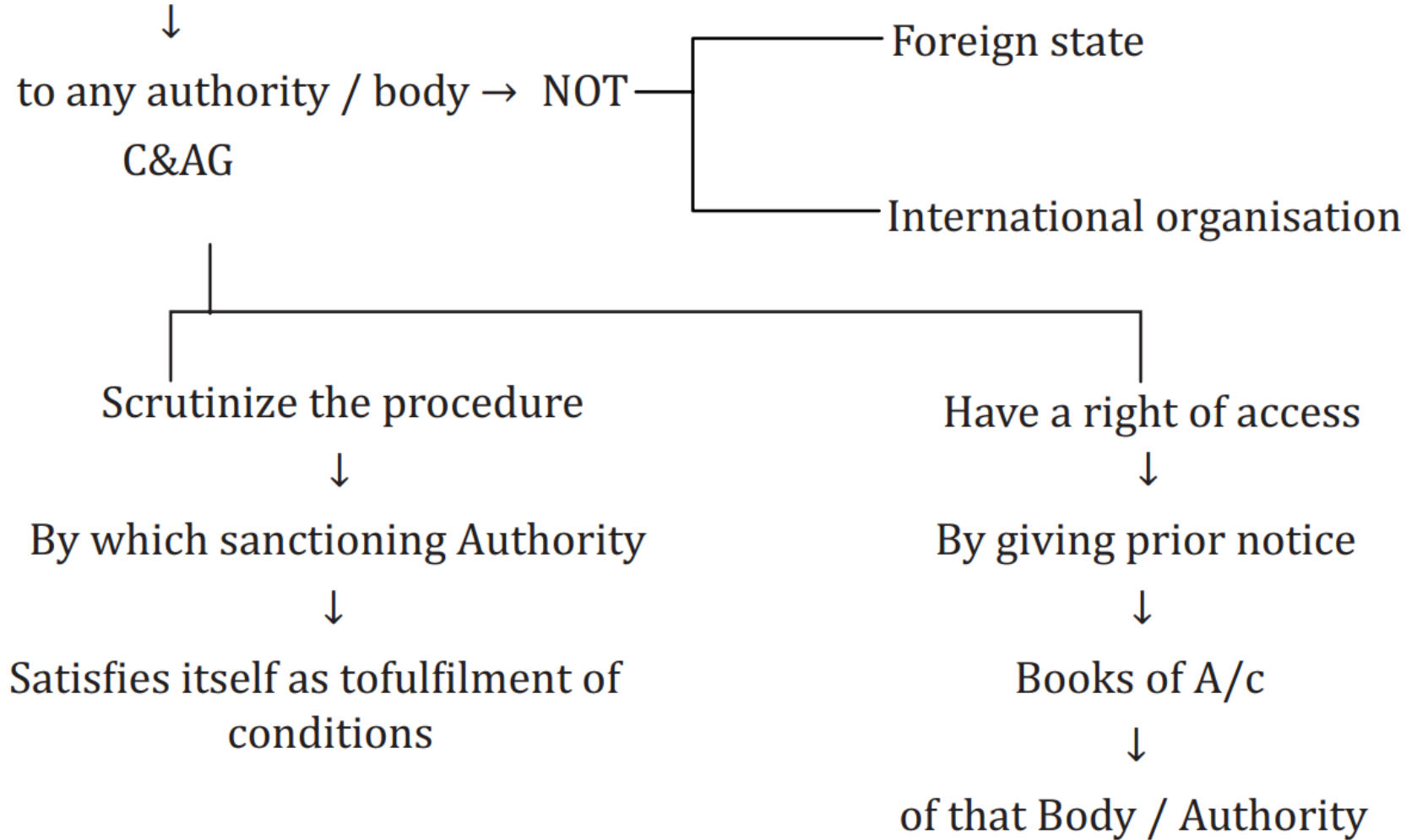


(iii) Audit of Receipts & Expenditure

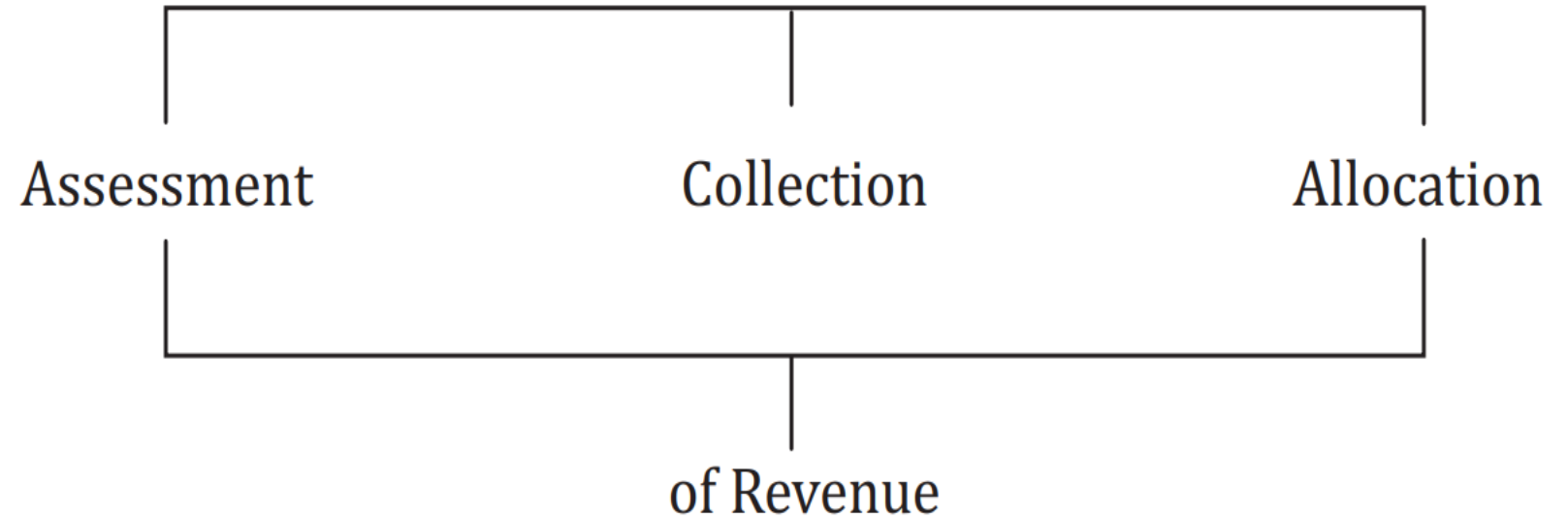


Eg: College Loan = ₹ 76,00,000/-
Substantially Financed ↓
Total Expenditure ₹ 1,00,00,000/-

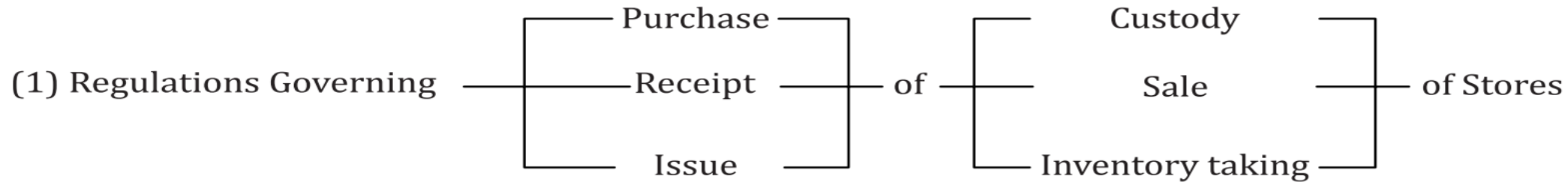
(iv) Audit of Grants / Loans → for specific purpose → from CFI/CFS/CFUT + LA



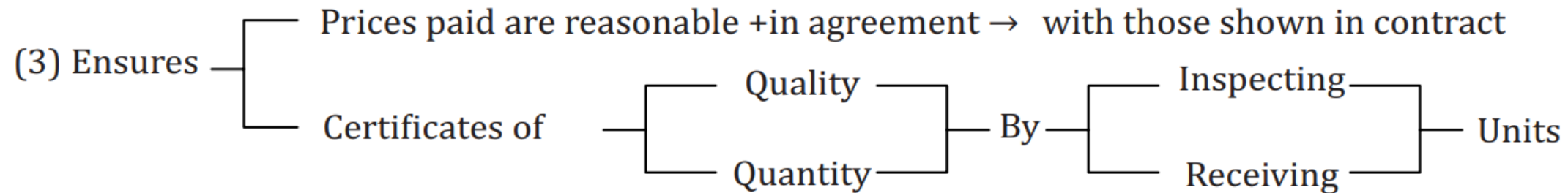
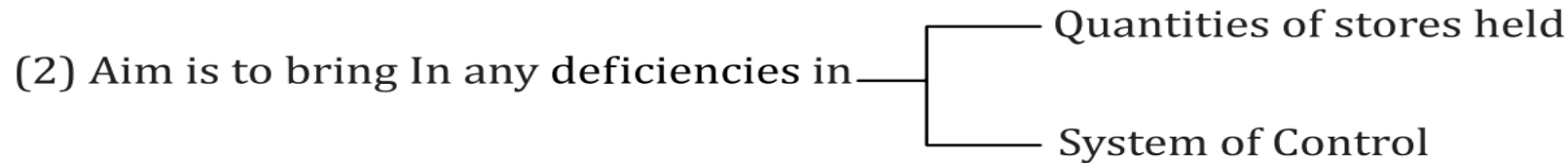
(v) Audit of Receipts of Union + State + Satisfies himself that → Rules & Procedures
→ Designed to secure an effective check on



(vi) Audit of A/c's of stores & Inventories



Devised & Properly Carried out⁺



(4) Periodical Verification

(vii) Audit of Govt. Co. & Corporations

- In accordance with The Companies Act, 2013
- Appoint Auditor u/s. 139(7) & 139(5)

■ POWERS OF C & AG

(i) To Inspect → any office → under the control of → Union + State



Including office responsible for creation of → Initial & Subsidiary A/c

(ii) To require any

[Accounts]
	Books	
	Papers	
	Documents	

 — relevant to audit → to be sent to specified places

(iii) To

[put such questions]
	make such observations	

 — he may consider necessary

(iv) Power to → dispense with → any part of detailed audit of A/cs and CoT

■ EXPENDITURE AUDIT

The basic standards → Set to ensure → provision or funds

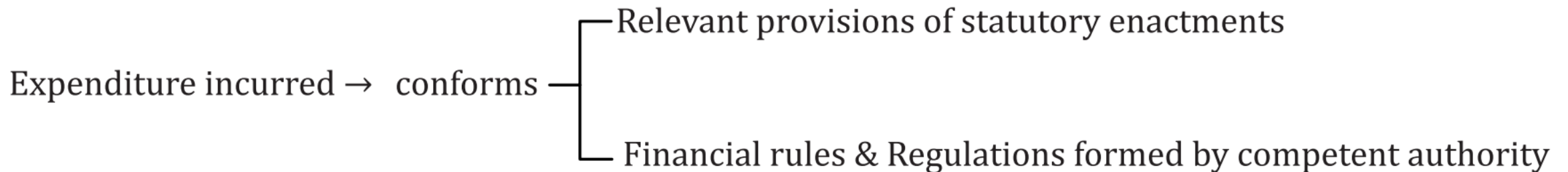


Authorised by competent authority



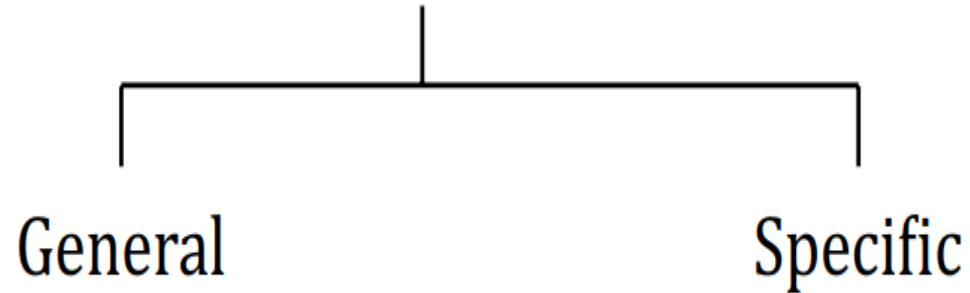
Fixing limit within which → Expenditure can be incurred

(i) Audit against Rules & orders



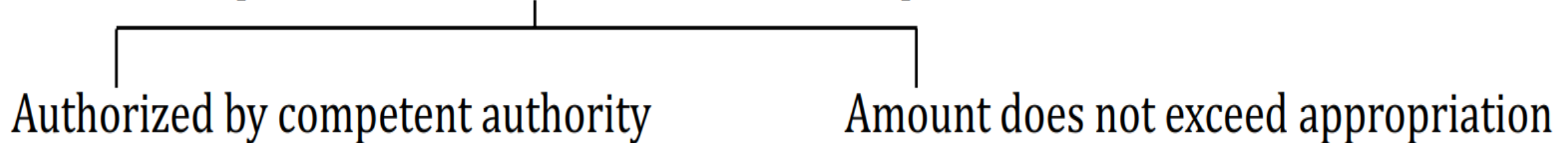
(ii) Audit of Sanctions

There is Sanction → accorded by → competent authority

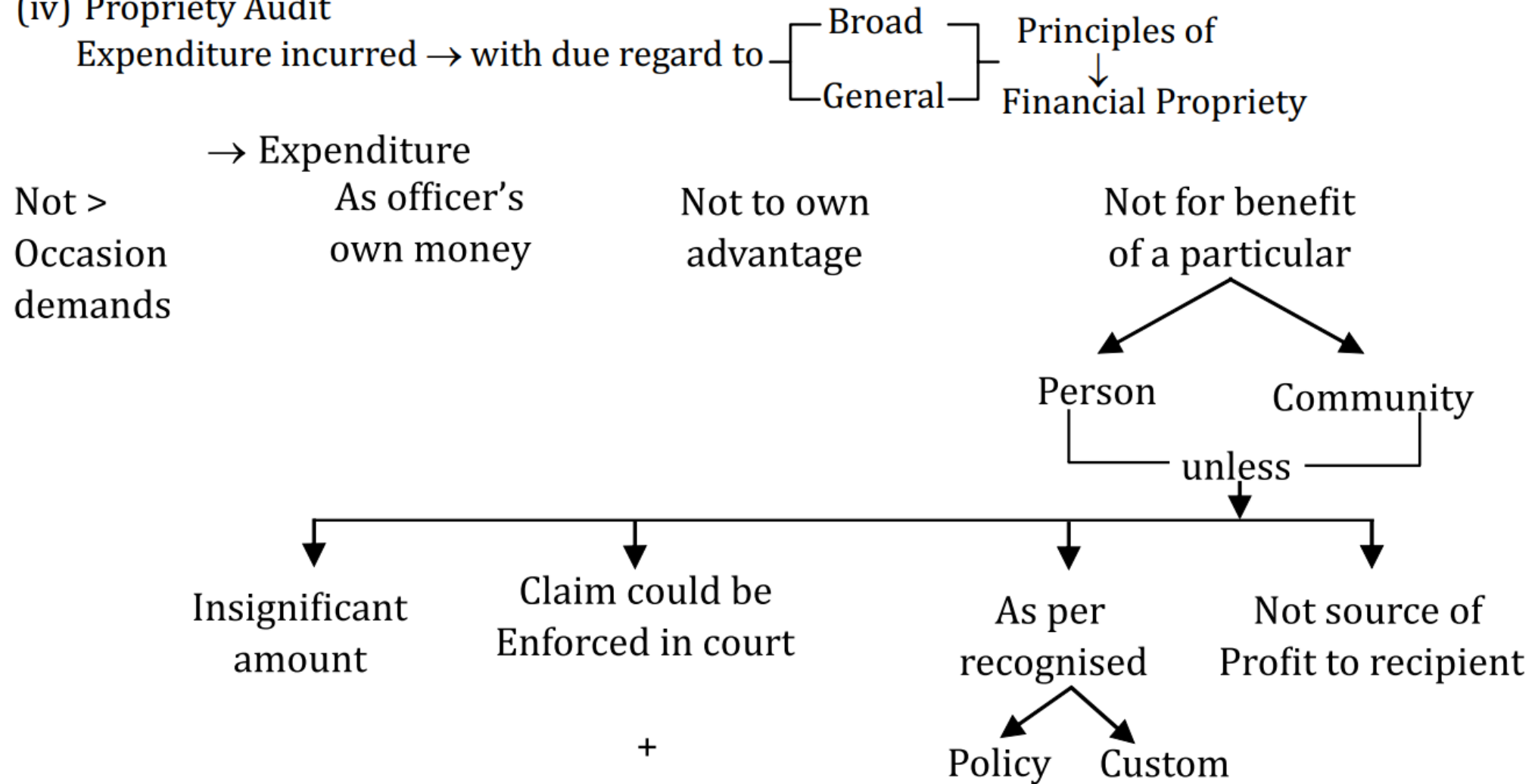


(iii) Audit against provision of funds

There is provision of funds → out of which expenditure can be incurred

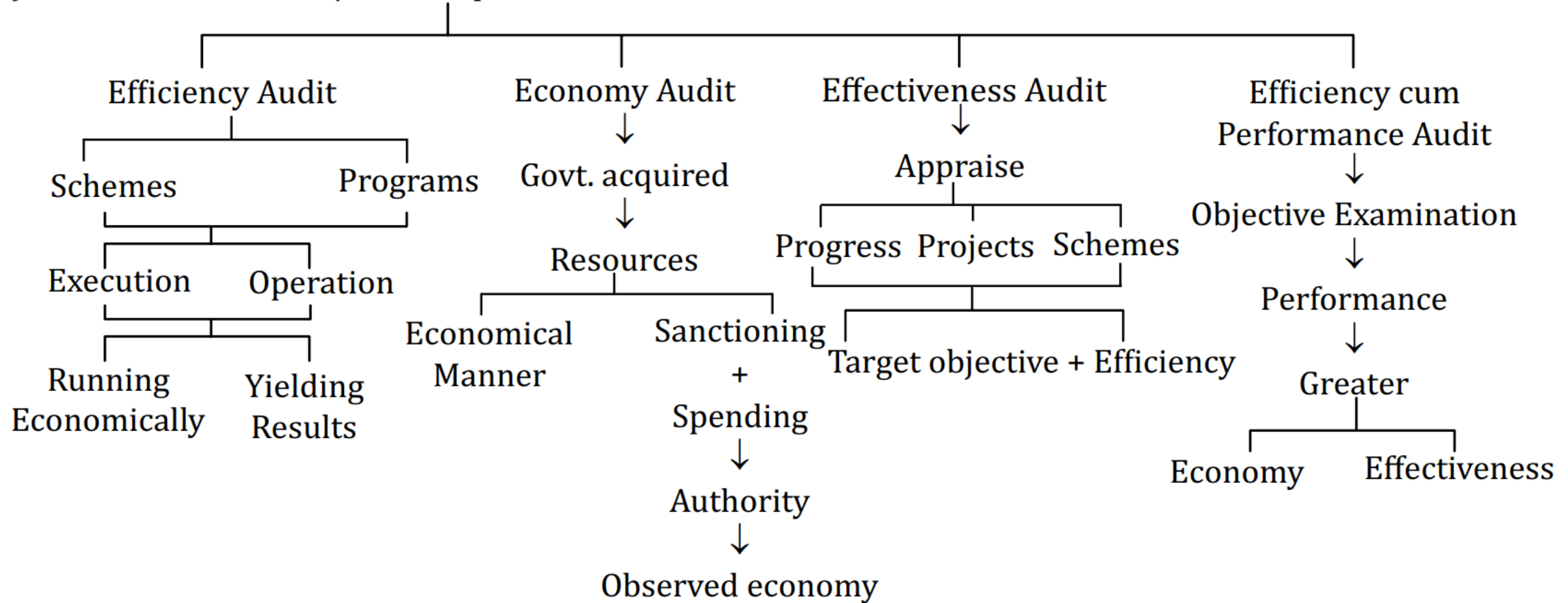


(iv) Propriety Audit

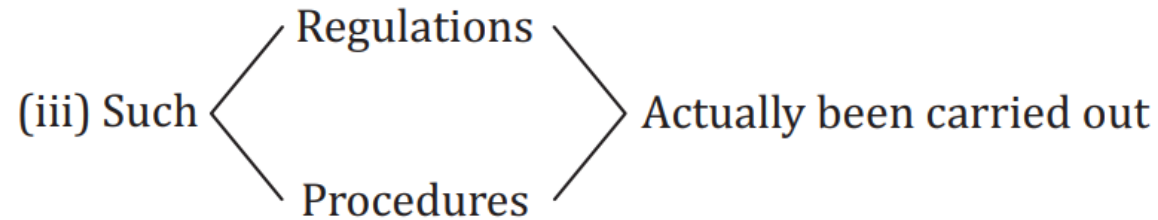
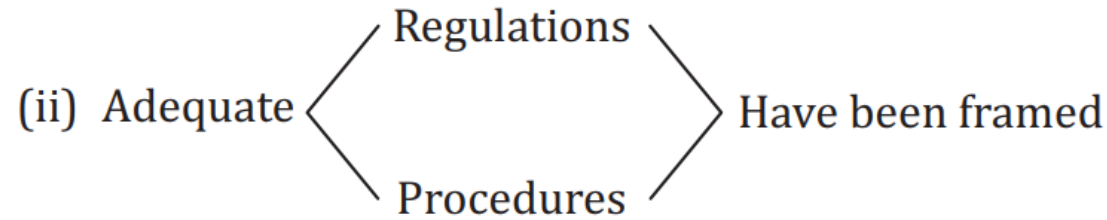
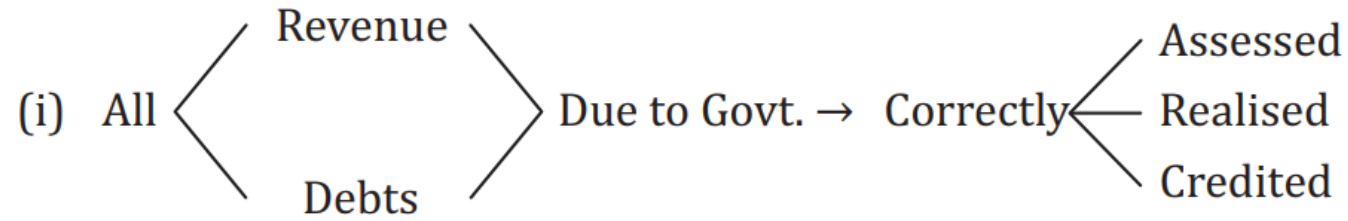


Regularity Audit → alone not suff.

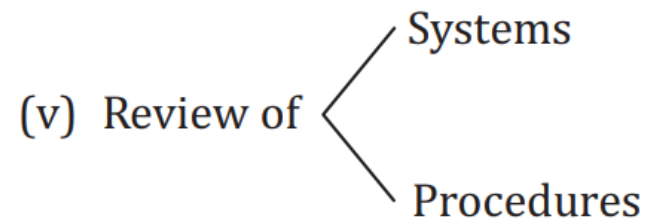
(v) Performance Audit / Full Scope Audit



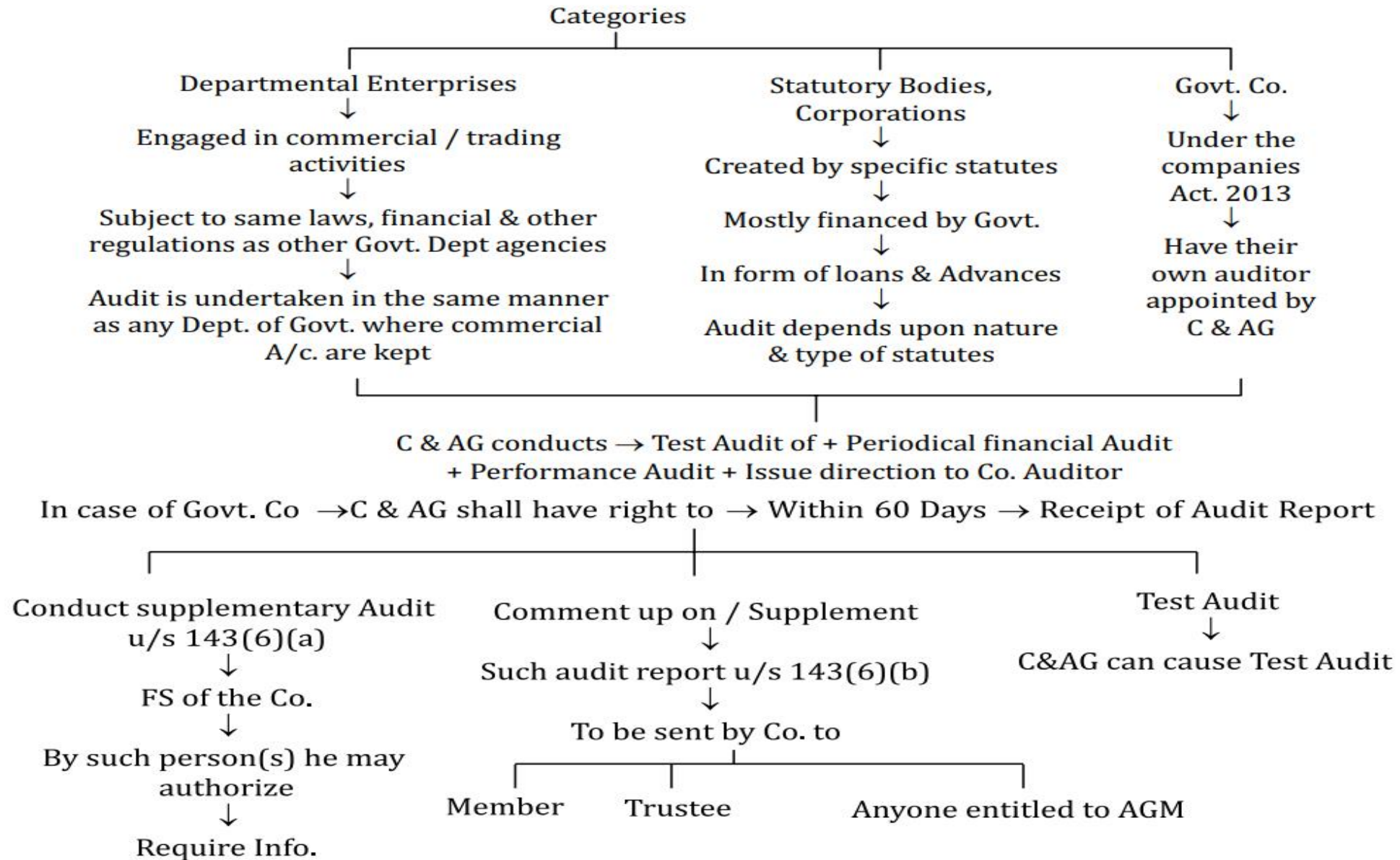
■ AUDIT OF RECEIPTS



(iv) Adequate checks are imposed

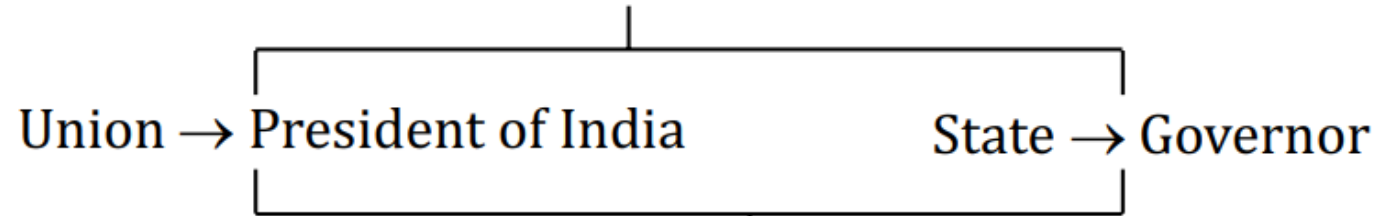


■ AUDIT OF COMMERCIAL ACCOUNTS



REPORTING PROCEDURES

→ Reporting Procedure → As per article 151 → C & AG shall report on A/c.

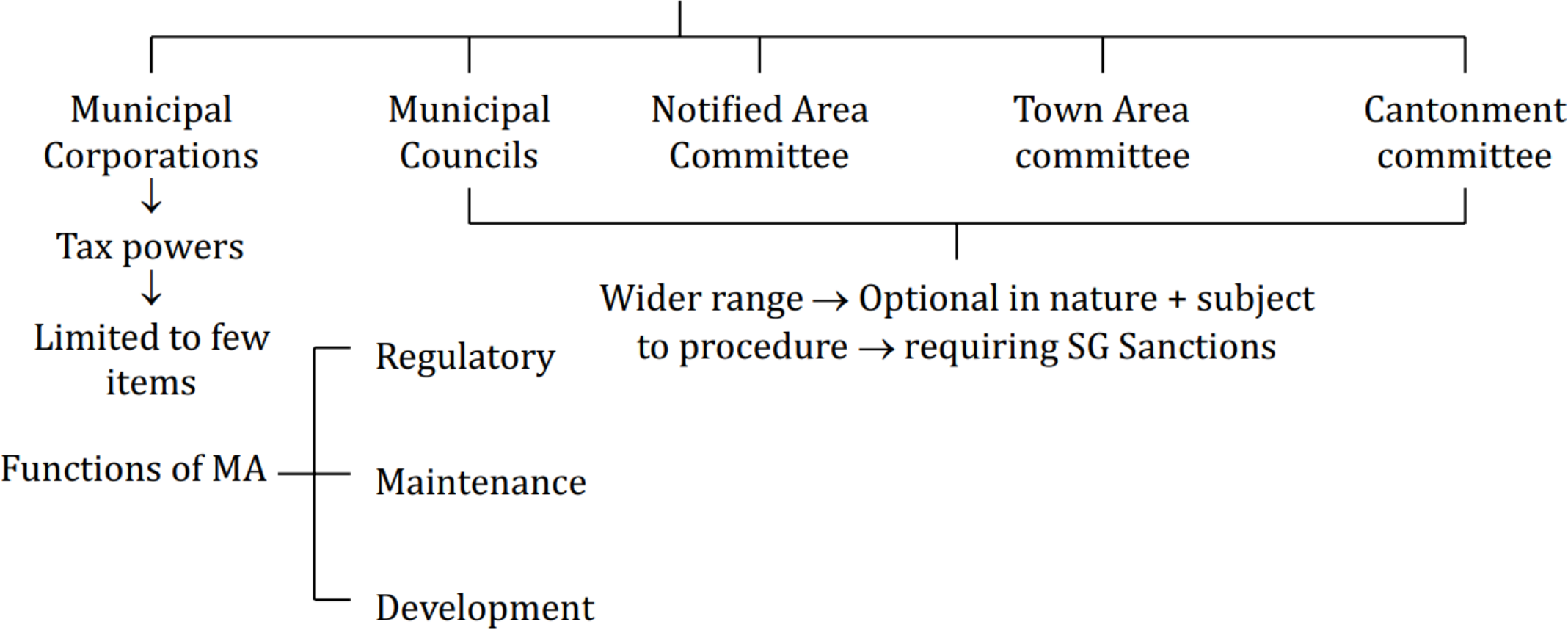


Publish Report in Legislature + Newspaper (Generally) + Create a climate for public Opinion

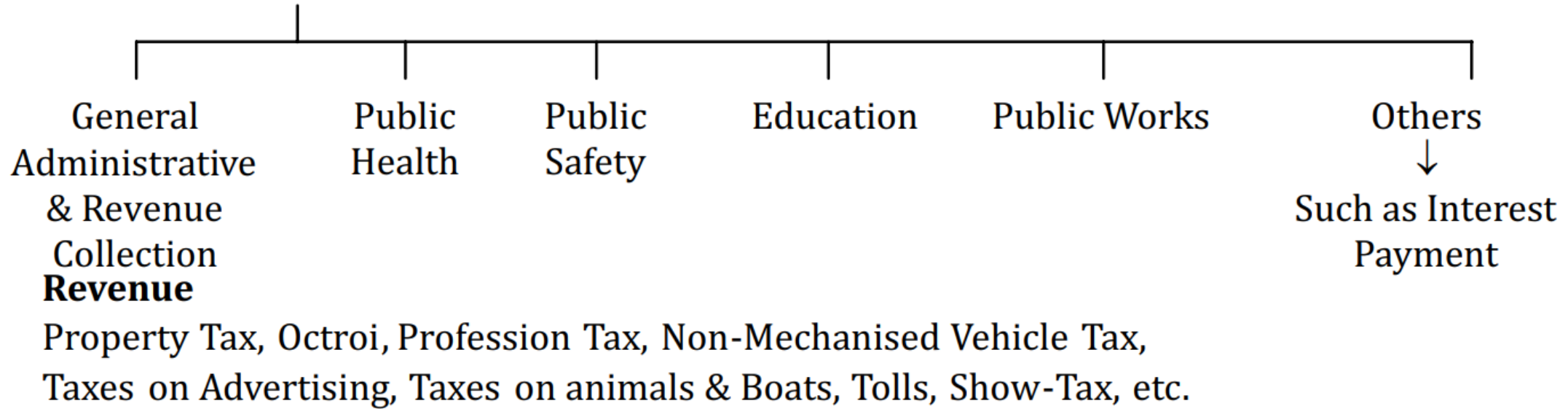
AUDIT OF LOCAL BODIES

Summary Charts

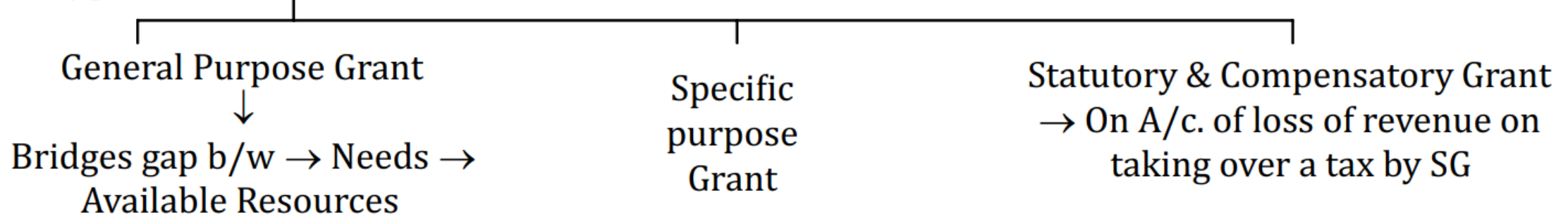
Definition → Municipality → Local self Govt. → Urban areas
Municipal Authorities (MA)



Expenditure incurred by MA



Types of Grants

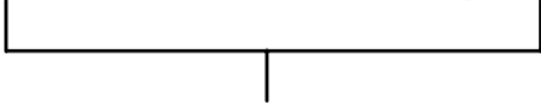


Financial Administration

To be familiar with → in order to plan an audit

(1) Budgetary Procedure → Consider → Financial Accountability + Control of Expenditure

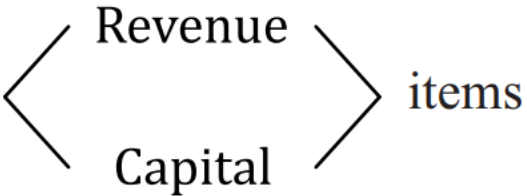
→ Main Objective → funds are raised + Money is spent



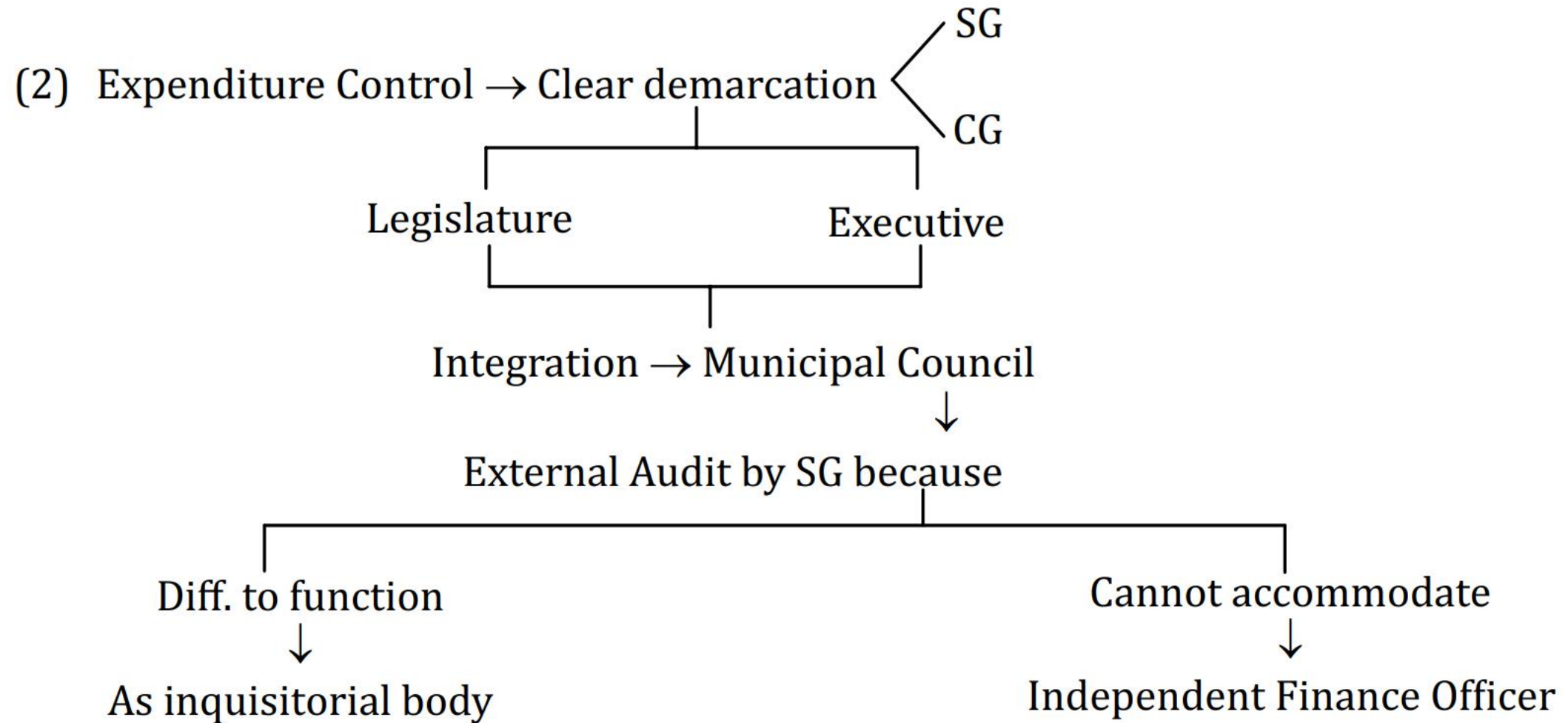
By Executive department

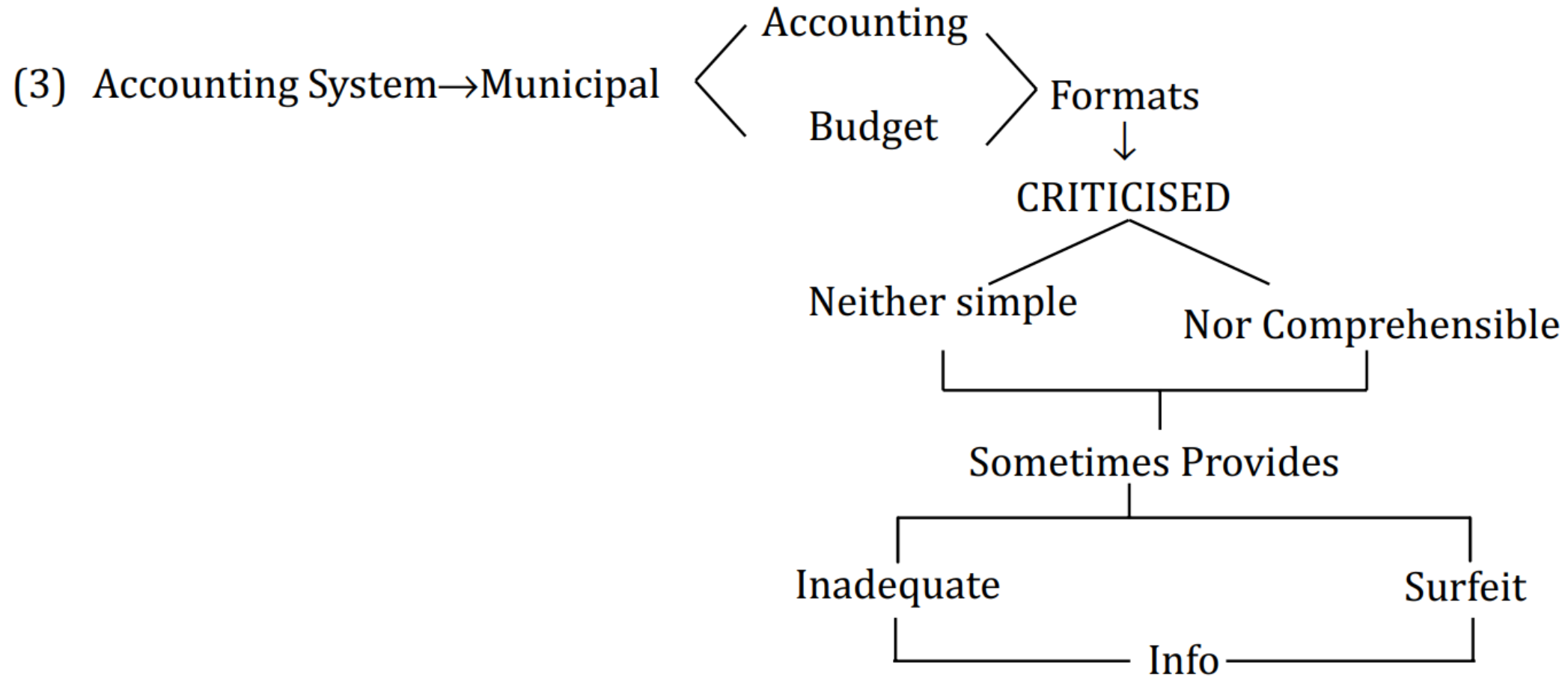
In accordance with Rules & Regulations + Limit of sanction + Authorization

+

No strict separation b/w 

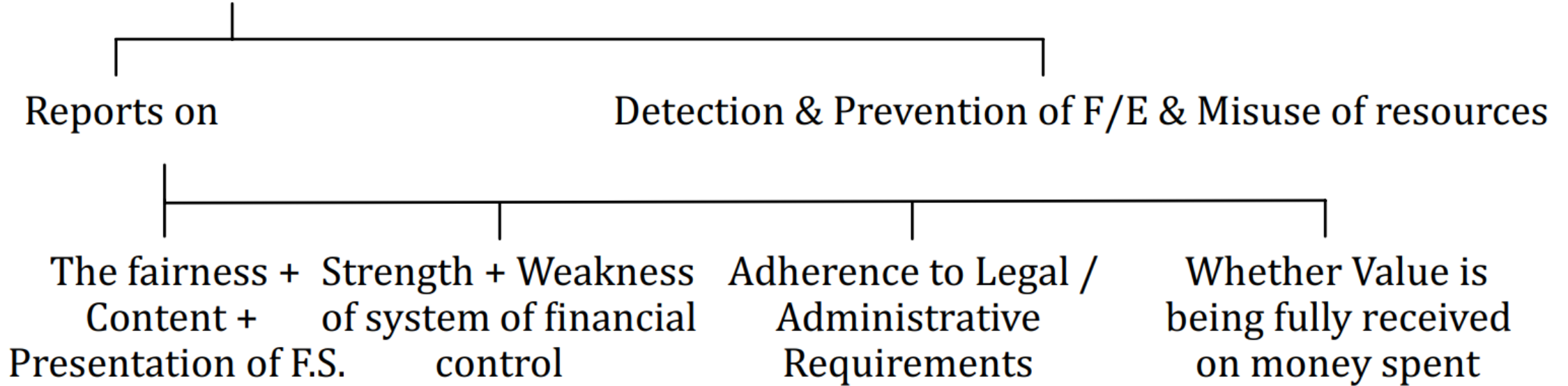
↓
Under 'Extraordinary Items' head





OBJECTIVE OF AUDIT OF LOCAL BODIES

→ Objective of Audit

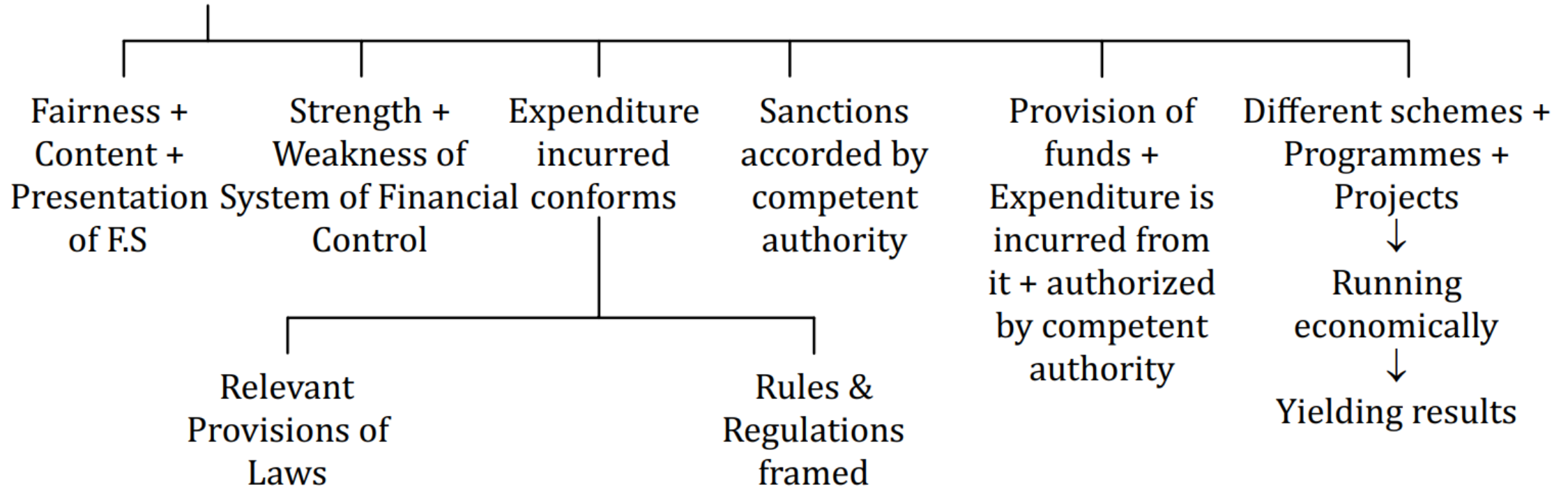


Audit Programme for local Bodies

(1) Smaller Municipal Authority → Local fund Audit wing → of SG → is generally incharge of Audit of Municipal A/c.

Bigger Municipal Authority → have power to appoint their own auditor

(2) Auditor to report on



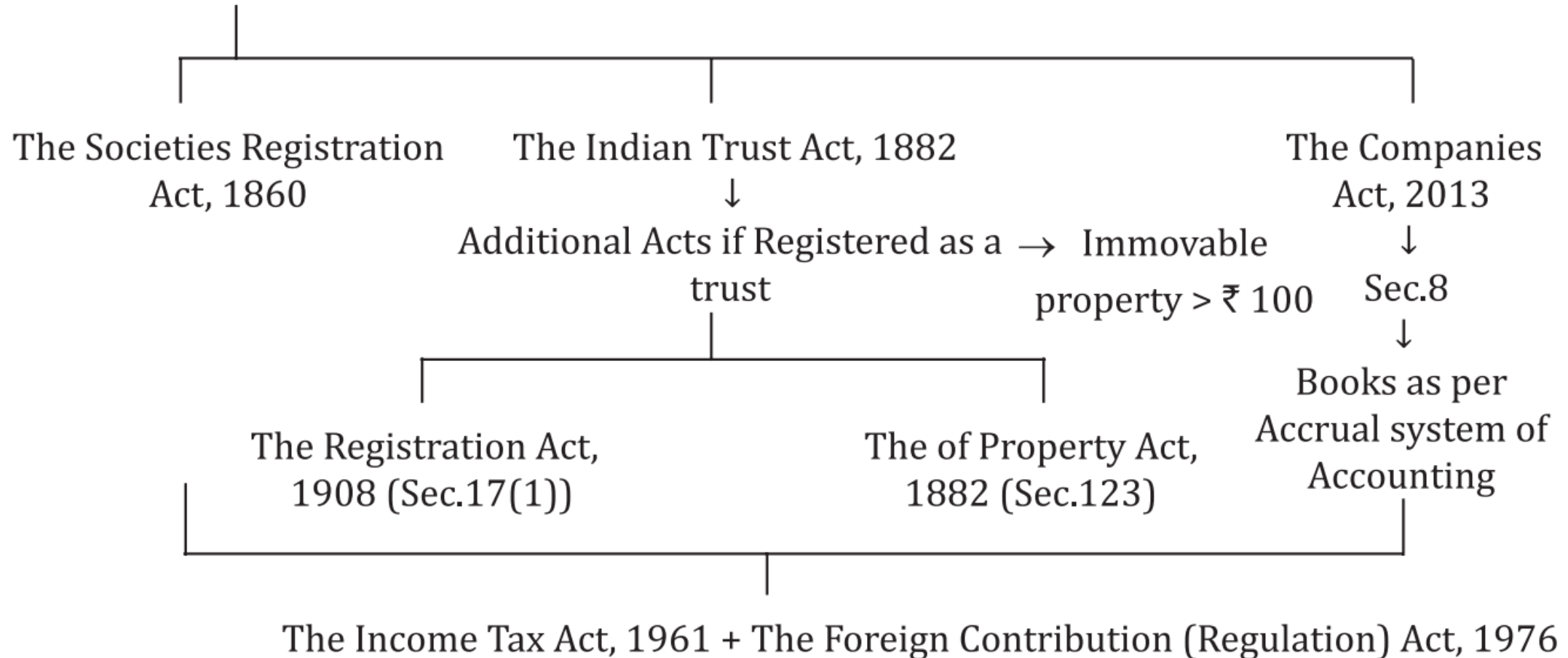
AUDIT OF NON-GOVERNMENTAL ORGANISATION (NGO'S)

SUMMARY CHARTS

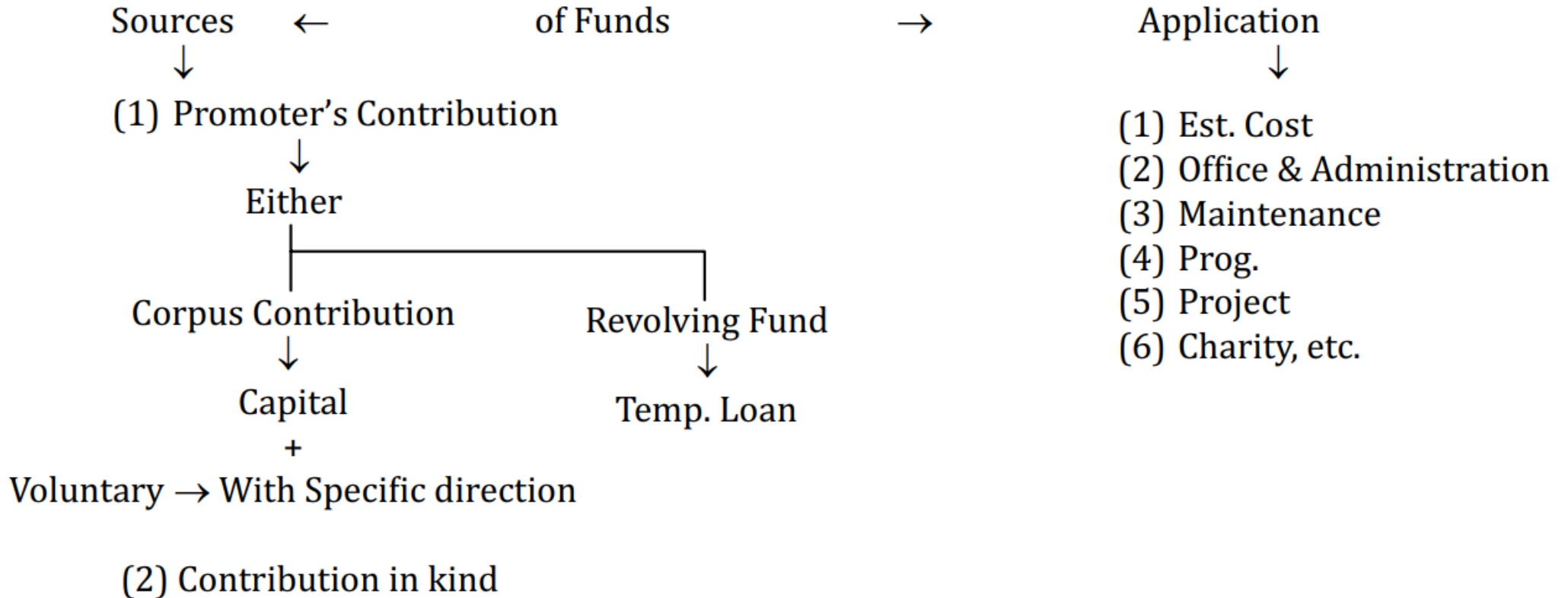
Audit of NGO's

Registration:

1. No act warrants a Mandatory Registration under them
2. NGO can be incorporated under

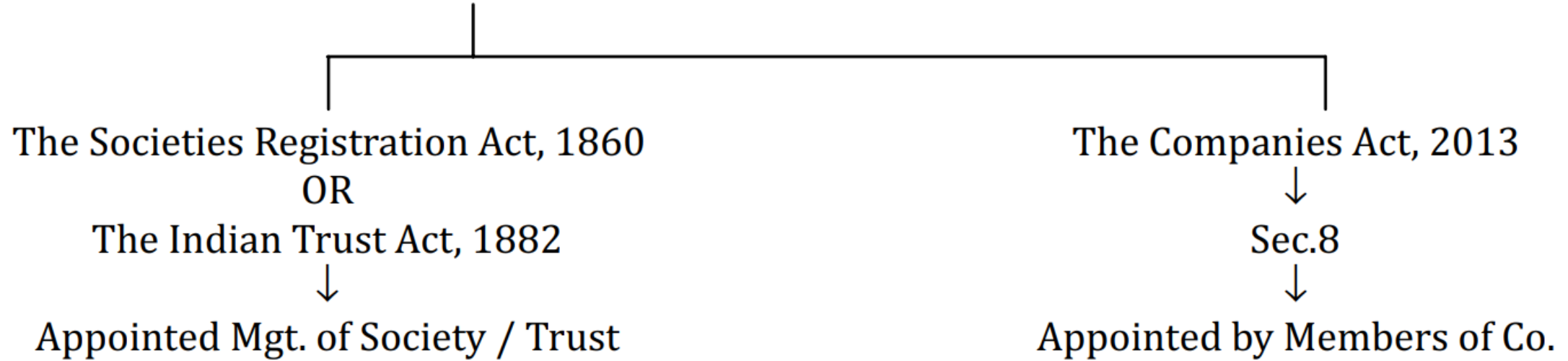


■ SOURCES AND APPLICATIONS OF FUNDS



PROVISIONS RELATING TO AUDIT

Auditor of NGO → Registered under



Compulsory Audit as per :-

- The Companies Act, 2013
- The Foreign Contribution (Regulation) Act, 2010 → Prescribed format

↓
Ministry of Home Affairs → 30 May

- The Income Tax Act, 1961



Audit has to Consider

(i) Knowledge _____
Work _____
Mission _____ of NGO
Vision _____
Area of Operation _____

- (ii) Updated knowledge of relevant statutes
- (iii) Legal form of organisation → Review
- (iv) Examination of Minutes of Meeting
- (v) Study Accounting System
- (vi) Set Materiality
- (vii) N.T.E. of Report

■ AUDIT OF SOLE TRADER

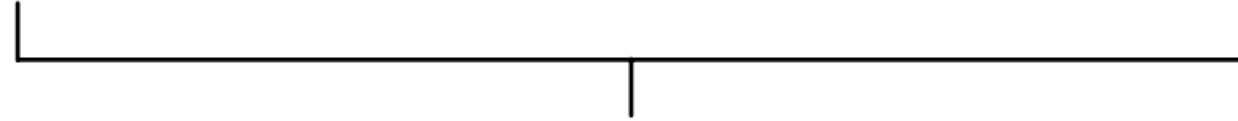
Audit of Sole Trader

- (i) Under No Legal obligation to appoint auditor
- (ii) Audit due to Regulatory Requirements → Like Bank Loan, Stock Audit etc.
- (iii) Proprietor can determine → Scope → Conditions → of audit
- (iv) Auditor to communicate with previous auditor
- (v) Contract of Appointment → Desirable → To prevent misunderstanding

AUDIT OF FIRM

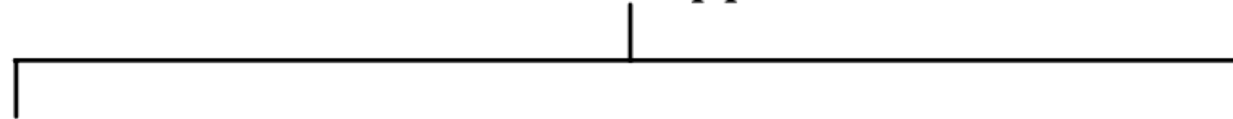
Summary Charts

Appointment → Auditor + His Remuneration + Nature + Scope of Audit



To be decided by the partners

- In writing → Via Letter of Appointment (LoA)
- Communication with previous auditor
- Ensure → application of AS → If AS not applied



Compulsory audit

Voluntary Audit



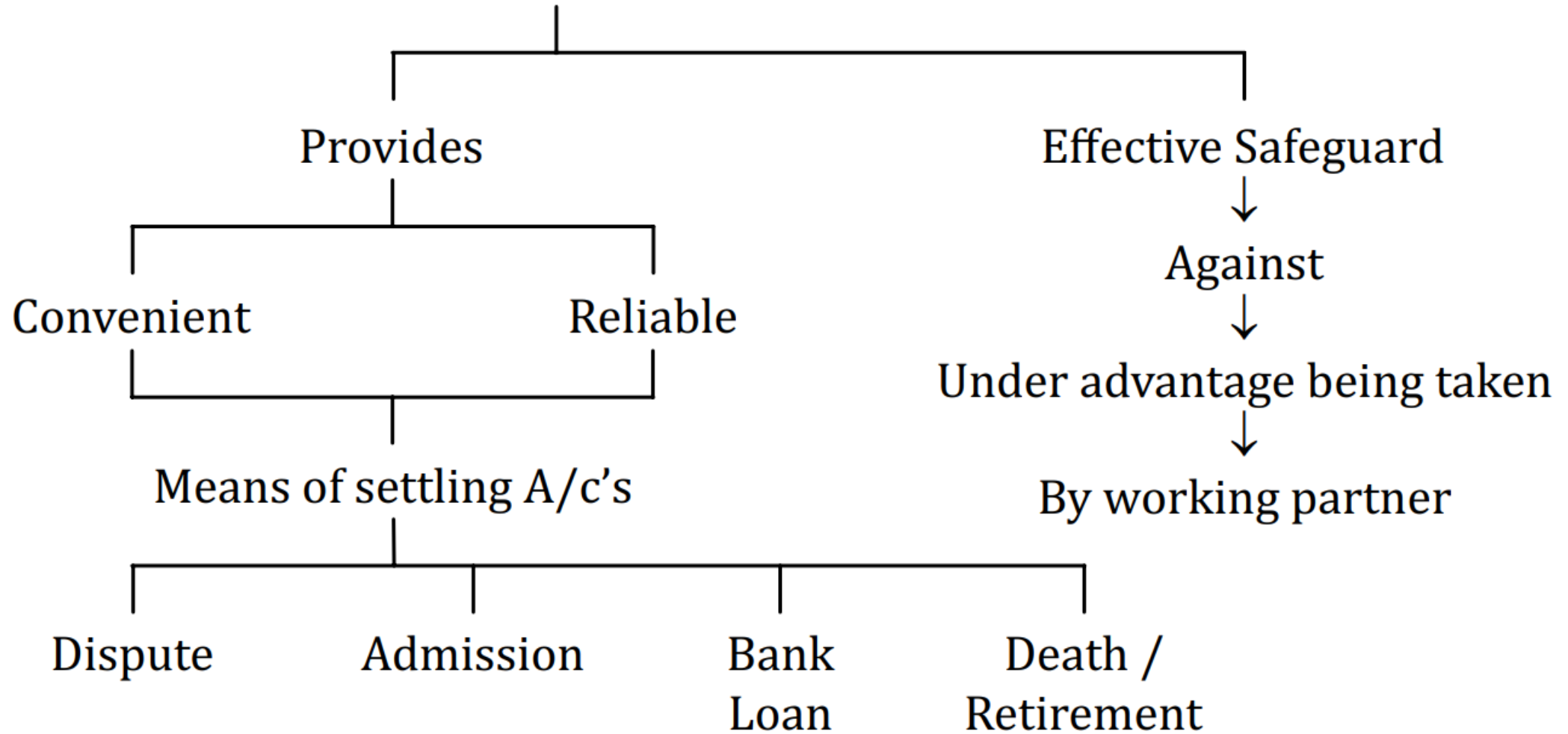
Qualified Audit Report

Disclosure of Non -
Compliance in Audit Report

→Matters to be Considered

BEFORE AUDIT		DURING AUDIT	
1) Name	<div>Partnership Deed</div>	(1) Confirming (LoA) → Signedby partner → Dulyauthorized	
Style		↓	
2) Duration		State	
3) Amount of Capital			
4) Year end?		Scope	Nature
5) Borrowing Capacity		Limitation	
6) Capital		(2) Study the minutes	
Loan		(3) Verification of T&C of agreement partnership	
Interest Rate		(4) Examining Books of A/c's	
7) Salaries		(5) Verifying that interest of no partner has suffered	
8) Managing Partner		(6) Provision for Tax has been made	
		(7) Verifying P/L → Divided in Proper Ratio	

Advantages of an Audit firm



AUDIT OF LLP

Summary Charts

Definition



Small LLP

Partner's Capital [Contribution]



$\leq ₹ 25,00,000$



[Present]



$\leq ₹ 4,00,000$

$\leq ₹ 5,00,00,000$



[May be prescribed by CG]



$\leq ₹ 50,00,00,000$

Max Limit



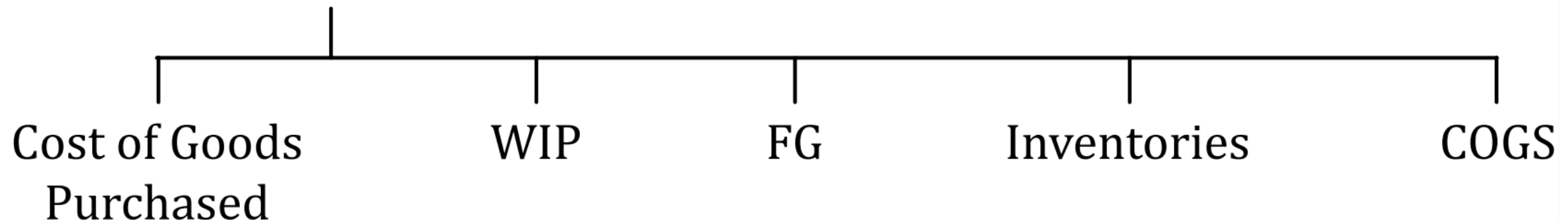
In Future

→ Books of A/c's of LLP

(i) Details of money → Received → Expended

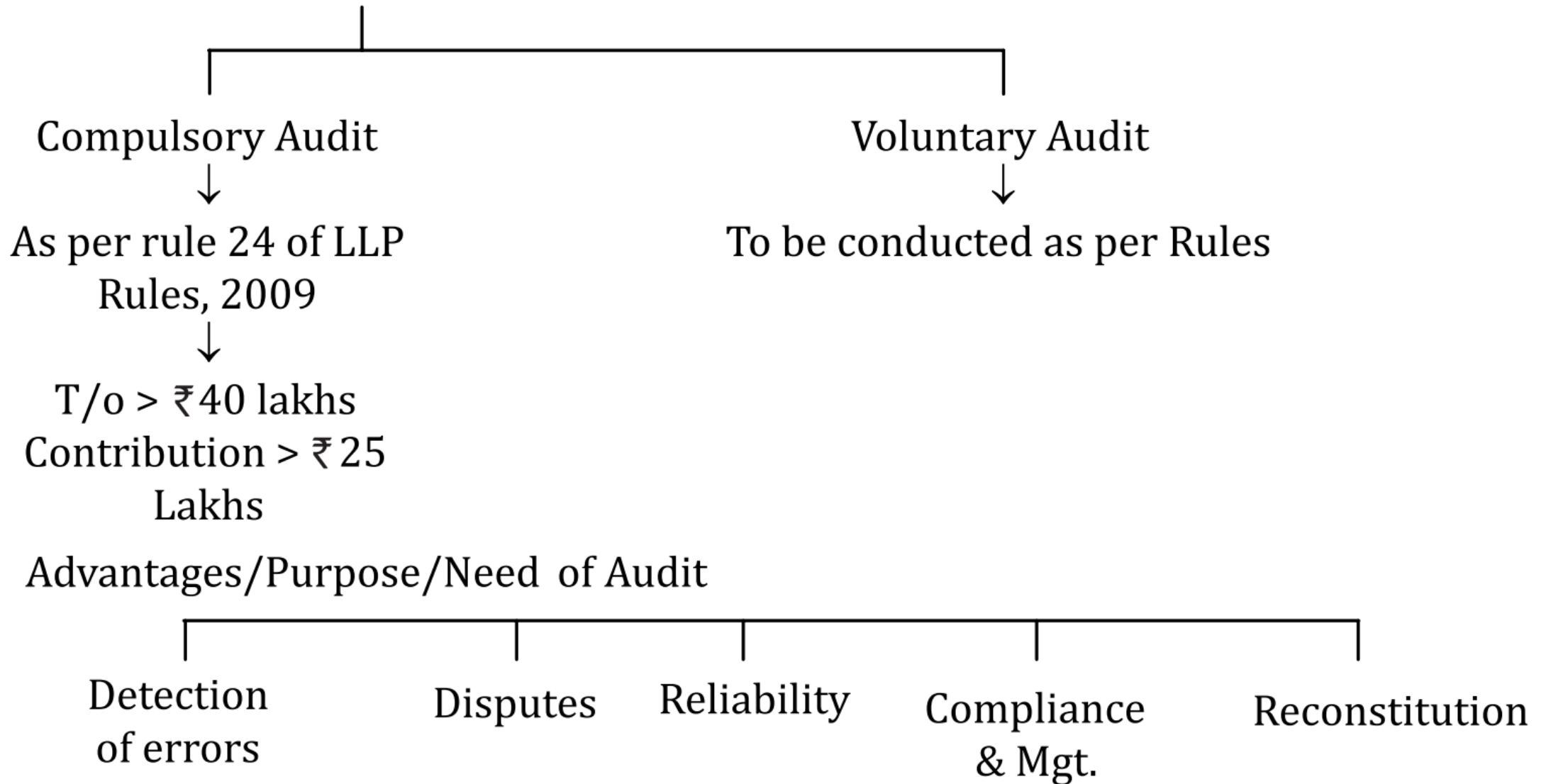
(ii) Details of Assets + Liabilities

(iii) Statement of → → WIP → FG → Inventories → COGS



(iv) Other particulars which partners may decide

Audit of A/cs of LLP



Returns to be maintained and filed by an LLP :-

Prepare → Statement of Accounts & Solvency (SAS)



In prescribed form → Form 8



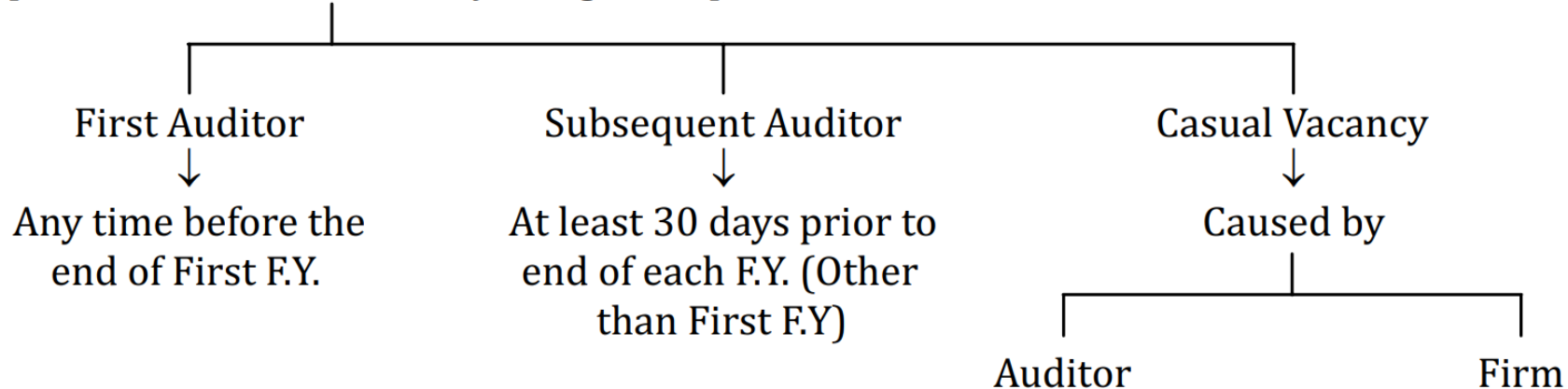
File with RoC every year → 30 days from the end of 6 months of F.Y. to which it relates
LLP to file → Annual Return → In Form 11 → with RoC



Public Document

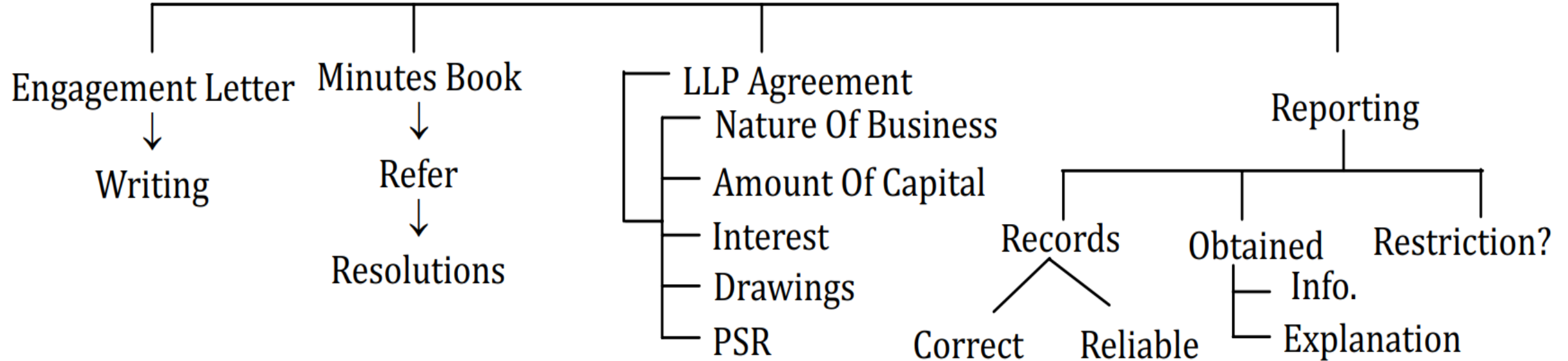
Within 60 days of close of F.Y.

Appointment of Auditor → By designated partner



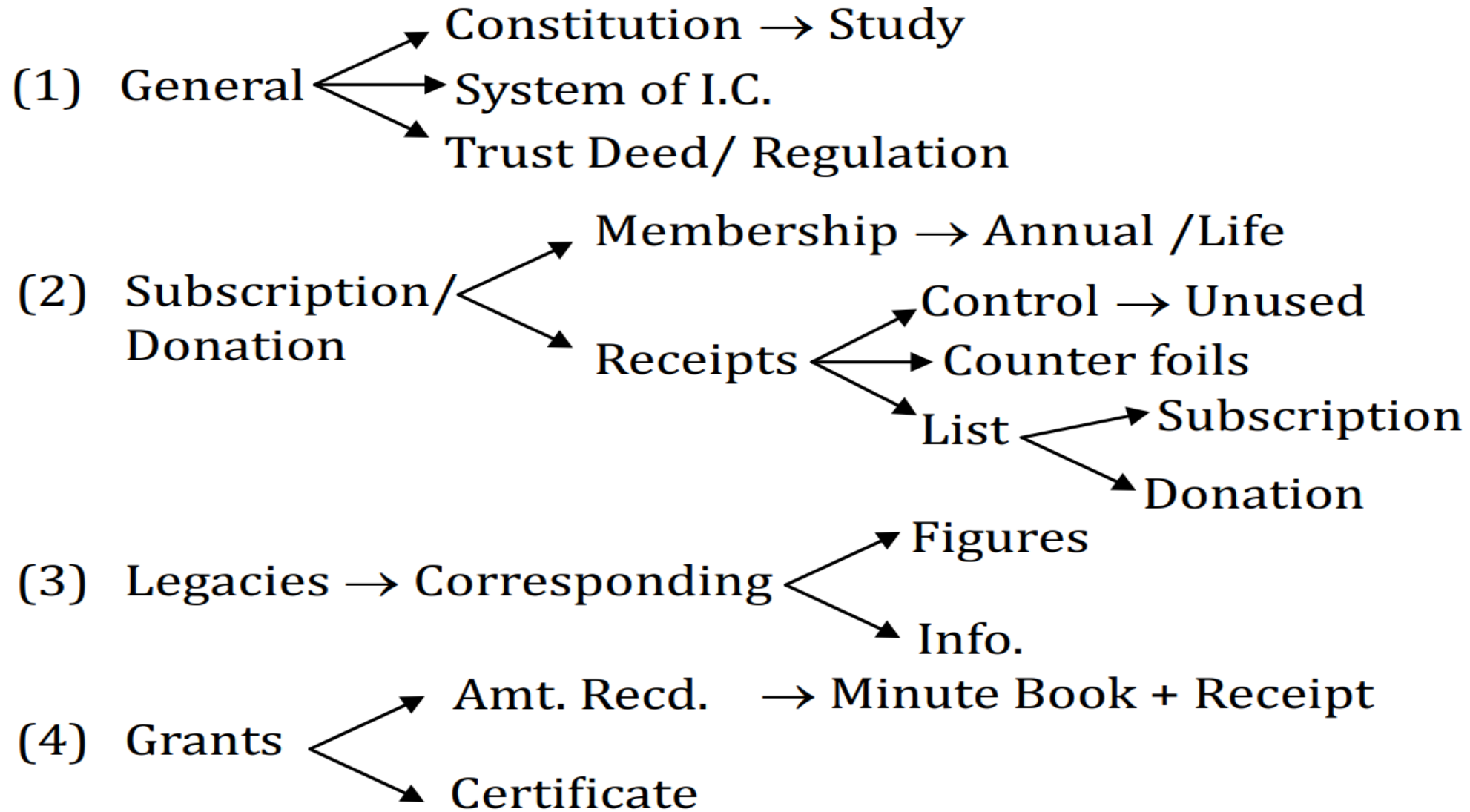
→ If designated partner fails → Other partners may appoint

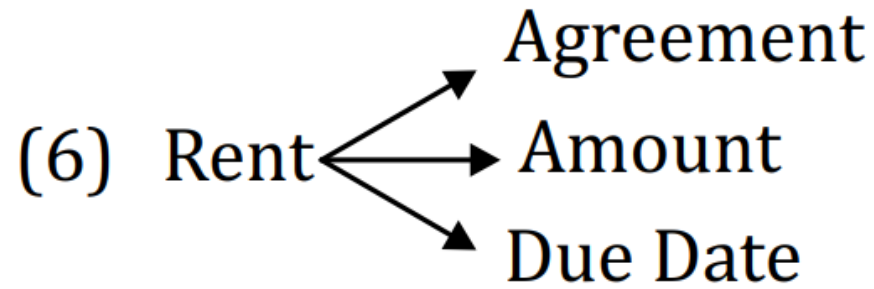
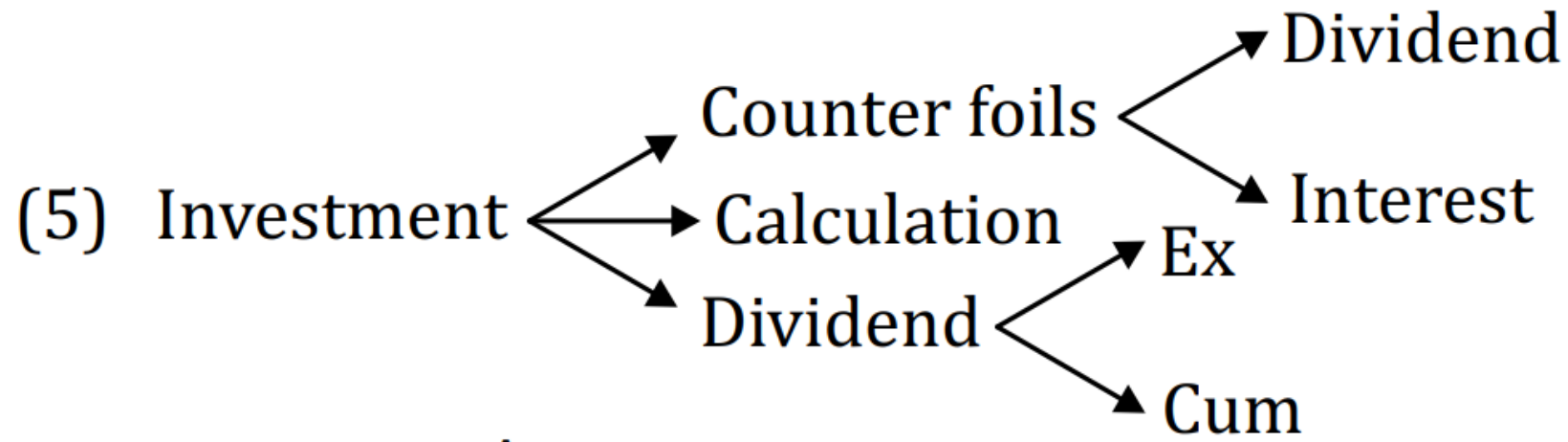
Auditor's Duty Regarding Audit of LLP



AUDIT OF CHARITABLE INSTITUTION

Summary Charts




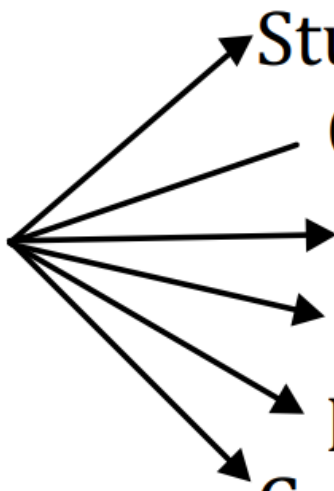



(7) Income Tax Refunds

AUDIT OF EDUCATIONAL INSTITUTIONS (SCHOOL, COLLEGE OR UNIVERSITY)

Summary Charts

(1) General  School/College→Trust Deed/ Regulation
University→Act/ Regulation
MoM

(2) Fee  Student Register
Counter foils
Advance Fee + Irrecoverable
Studentship + Concession
Fines + Dues
Caution Deposit

(3) Grants/ Donation  Rent rolls
Endowment + Legacies
Disallowed→Reason

(4) Expenditure

- P.F.
- Specific purpose donation
- Capital Expenditure → MoM
- Increases in salaries

(5) Assets & Liabilities

- Old arrears
- Caution Money
- System of Inspection
- Furniture + Stationery

(6) Compliances

- IT Refunds
- Funds

Poor Boys

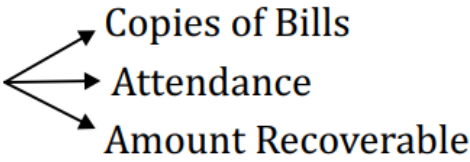
Games

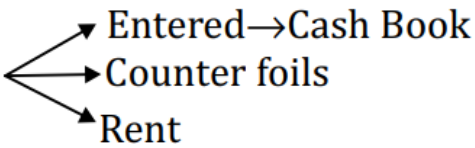
Hostel

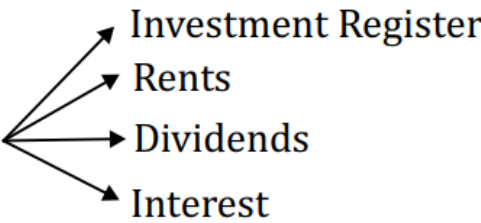
Provident

AUDIT OF HOSPITAL

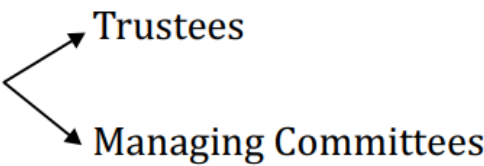
Summary Charts

(1) Register of Patients 
Copies of Bills
Attendance
Amount Recoverable

(2) Collection of Cash 
Entered→Cash Book
Counter foils
Rent

(3) Income 
Investment Register
Rents
Dividends
Interest

(4) Legacies + Donations

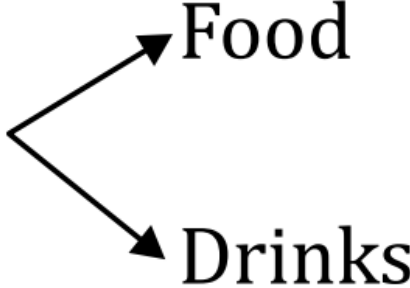
(5) Authorisation + Sanctions 
Trustees
Managing Committees

(6) Internal Check → Medicine + Linen + Apparatus + Instruments

(7) Depreciation

(8) Inventories

■ **AUDIT OF CLUB**

- (1) Entrance Fee + Counter foils
- (2) Subscriptions
- (3) Arrears of Subscriptions
- (4) Arithmetical Accuracy
- (5) Irrecoverable Member Dues
- (6) Price 

```
graph LR; Price --> Food; Price --> Drinks;
```
- (7) Purchase → Furniture + Sports items + Crockery
- (8) Management Powers

■ AUDIT OF CINEMA

- (1) Internal Control Mechanism
 - Entrance → Printed tickets
 - Serially numbered + Bound into books
 - Diff.
 - Show
 - Class
 - Adv. Booking → Separate series
- (2) St. of ticket sold
- (3) Free passes
- (4) Tax Collected
- (5) Advertisement
- (6) Depreciation
- (7) Adv. Paid to distributors
- (8) Restaurant Income

AUDIT OF HIRE PURCHASE & LEASING COMPANIES

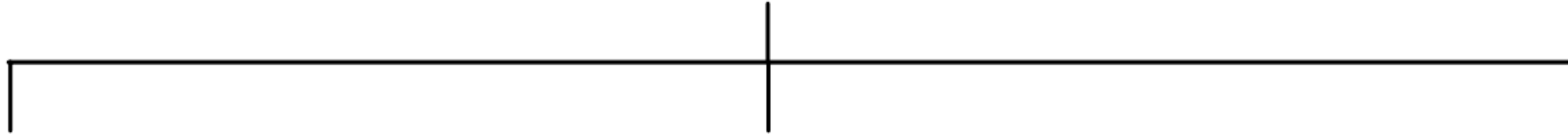
Summary Charts

Hire Purchase:

Goods are let-out on Hire → Hirer has the option to purchase then



In accordance with T & C of agreement



Possession of Goods



Transferred by owner



On condition of Periodic
Instalments

Property in Goods to Pass



On Payment of Last
Instalment

Hirer has the right



To terminate the agreement



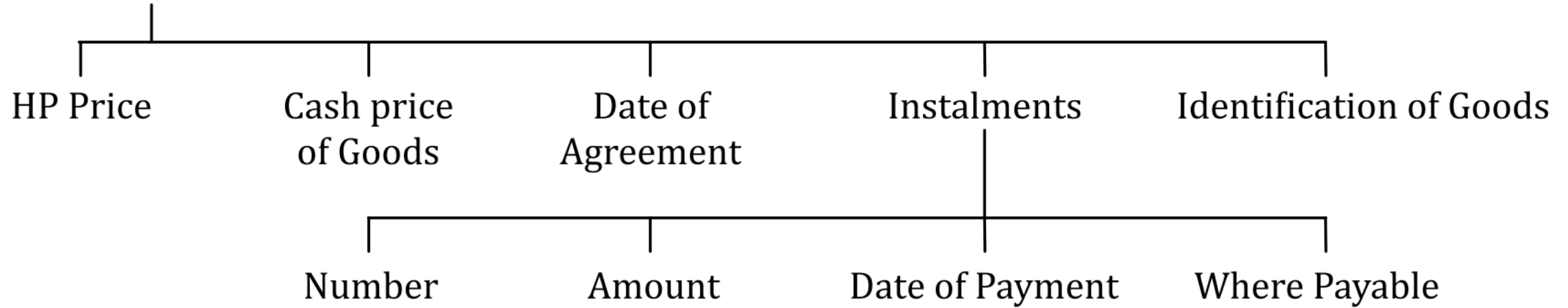
Anytime before the property
passes

→ Audit Procedure

(1) Agreement in Writing + Signed by all parties



(2) Specifies



(3) Ensure → Instalments are regularly received

Leasing

Lesser acquires the right to use assets → for an agreed period



In consideration of payment of rent

Finance Lease



Like loan Agreement

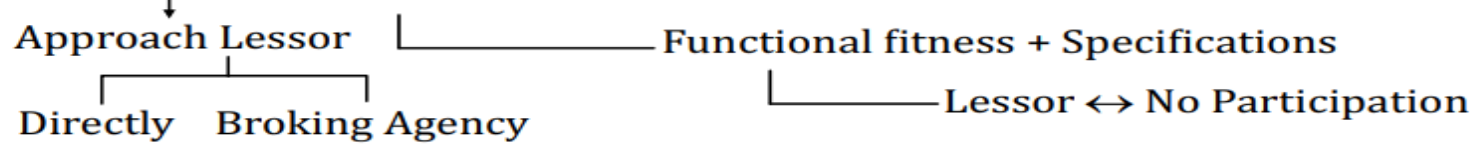
Operating Lease



Like Rent Agreement

→ Finance Lease Modalities

(i) Lessee → select equipment



(ii) Lease Agreement

Negotiated

Rates Finalised

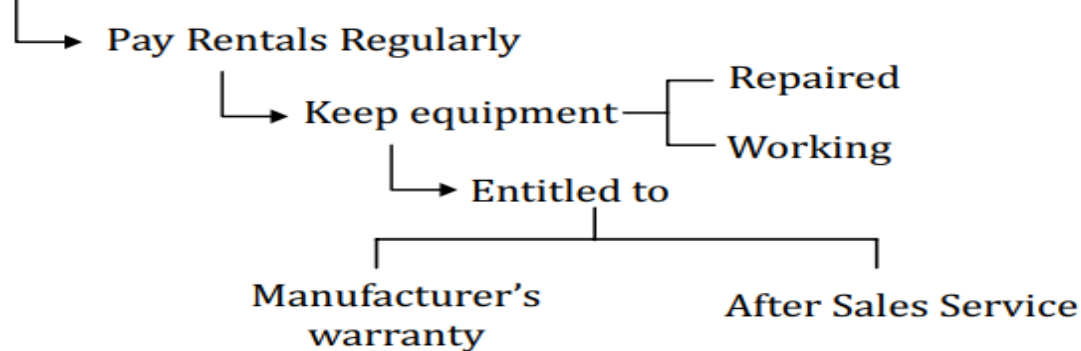
(iii) Manufacturer → Delivers equipment → Lessee



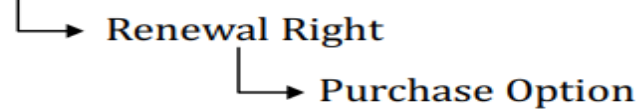
Notice of Acceptance

(iv) Lease Agreement → Detailed terms

(v) Lease Tenure → Lessee



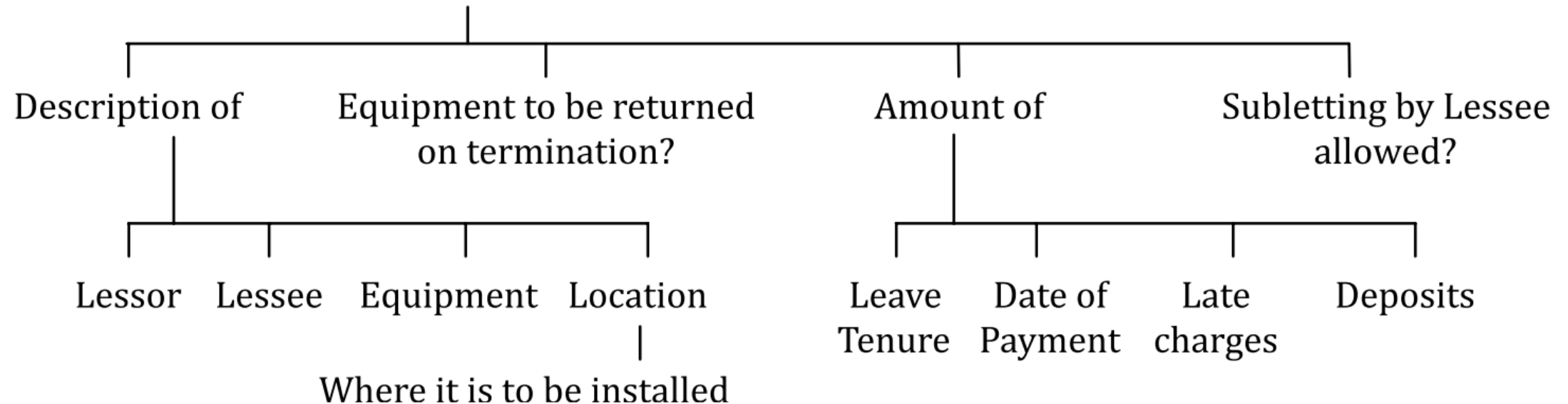
(vi) End of Lease pd. → Equipment Returned



Not in Original lease Agreement

→Audit Procedure

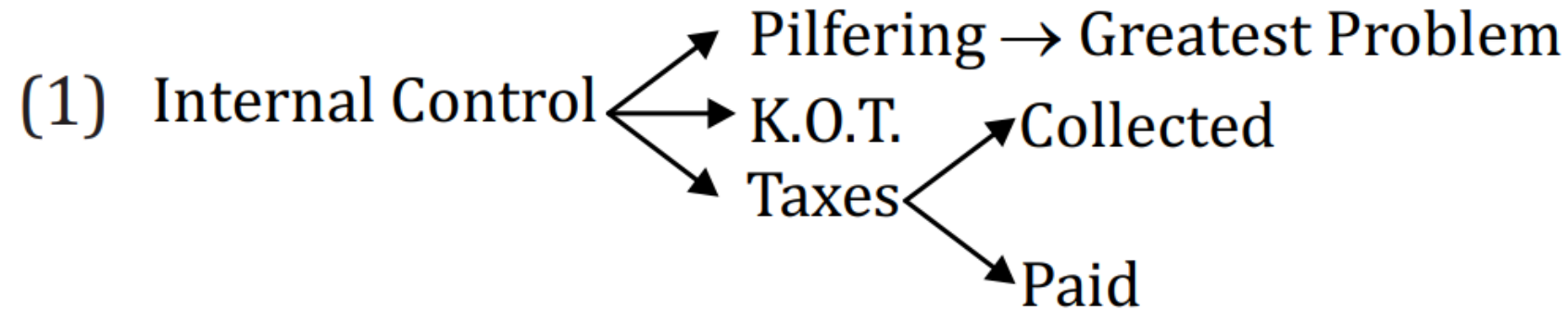
- (1) Check object clause → of leasing Co. → Ensure that they can take a financial activity
- (2) Procedure →for credit analysis of the lessee
- (3) Lease Agreement includes



- (4) Examine → Lease Proposal form
- (5) Ensure → Invoices of Equipment are retained safely
- (6) Examine → Acceptance letter of lessee
- (7) Any Board Resolution regarding lease
- (8) Copies of Insurance Policy

	Operating Lease	Financial Lease
Ownership	Remains with the lessor	Transfer option
Accounting Treatment	Renting arrangement. Treated as operating expenses	Loan arrangement. Appears on the balance sheet of the lessee
Purchase Option	Lessee does not have any option	Lessee to have a purchase option
Lease Term	Generally < 75 % → useful life	Generally ≥ estimated economic life

■ AUDIT OF HOTELS



(2) Room sales + Hall Booking

(3) Inventories

(4) Fixed Assets

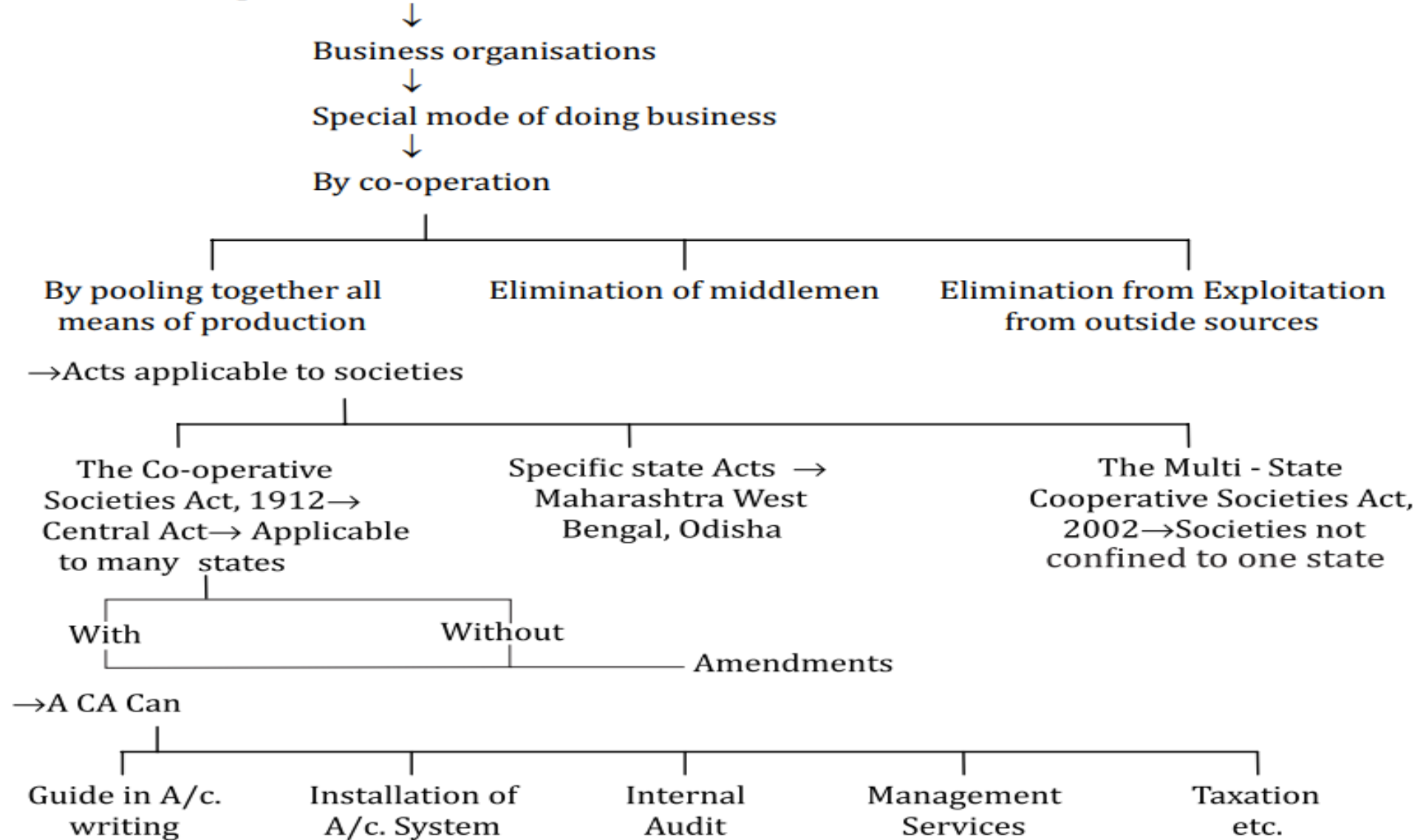
(5) Casual Labours

(6) Shops

Audit of Cooperative Societies

Summary Charts

Audit of Cooperative Societies

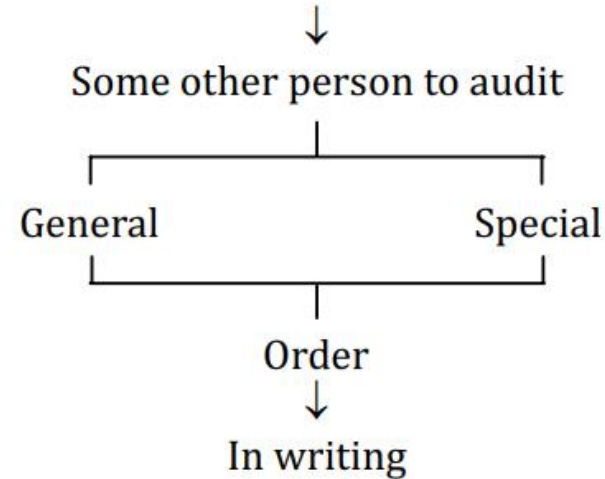


■ AUDIT AS PER SECTION 17 OF THE CO-OPERATIVE SOCIETIES ACT, 1912

(1) Registrar Shall —

Audit
—
Authorize

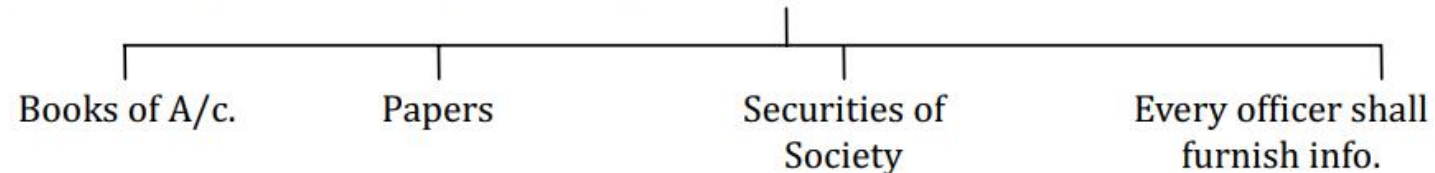
 — A/c's of society → Once at least every year



(2) Audit Includes —

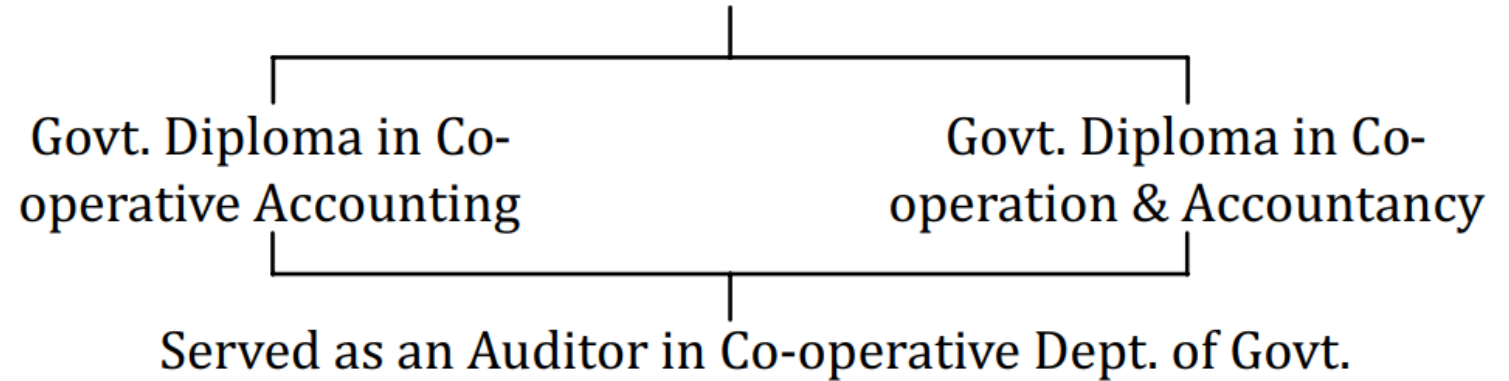
Examination → of overdue debts
—
Verification → of Assets & Liabilities

(3) Auditor shall have access → at all times → to

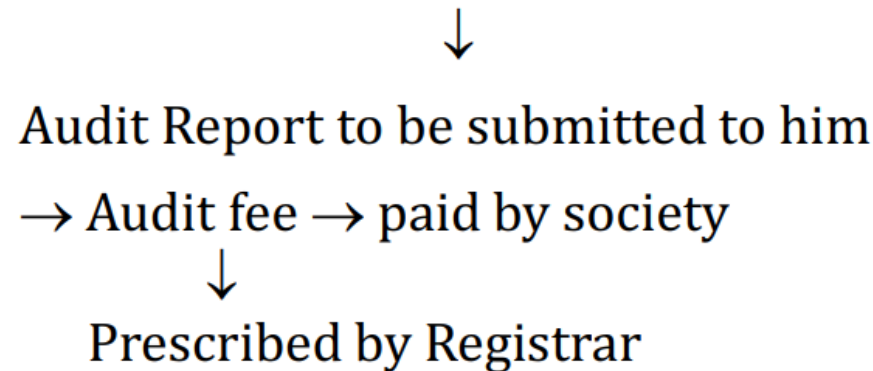


Points to be kept in mind for appointing Auditor

(1) Qualification of Auditor → A CA or Some state acts allow persons having



(2) Appointment of Auditor → By Registrar of Co-operative Societies



(3) Books, A/c's & Other Records → of Co-operative Society (Sec. 43(h) of Central Act)

Generally →

- (i) Daily cash sales summary Register
- (ii) Register for collection from Debtor
- (iii) Register for Recovery of Loans
- (iv) Register for Loan Disbursements
- (v) Any other Columnar Register

(4) Restriction on share Holdings (Sec. 5)

on each member to be $\leq 20\%$ of paid up share capital or $\leq ₹ 1000/-$



Prov . Of By-Laws → Not Contradictory

Limits in State acts may be different

(5) Restrictions on Loans (Sec.29)

Only to members are
allowed

Can be given to another society



With special sanction of Registrar

(6) Restriction on Borrowings (Sec.30)

Allowed up to limits mentioned in By-laws of society

(7) Investment of funds (Sec.32)

Allowed in

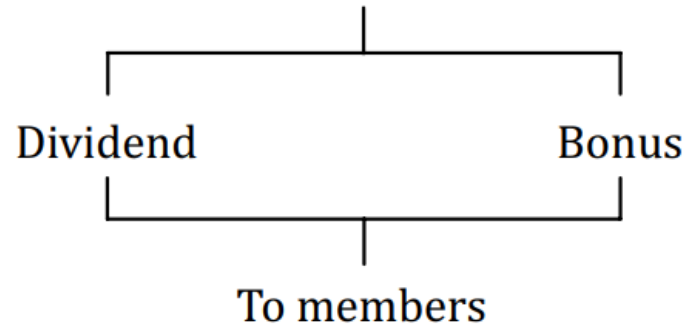
Central or state
Cooperative Bank Or
Co-operative or other banks
approved by Registrar

Securities
specified in Sec.
20 of the Indian
Trust Act, 1882

Securities of Other
Societies
↓
With Limited
Liability

Permitted by
CG SG

- (8) Appropriation of profits (Sec.33) → % age of profits should be transferred to → Reserve Fund → Before Distribution as



- (9) Contribution to charitable Purpose (Sec.34)
Registered Societies May transfer → $\leq 10\%$ of NP
- ↓
- After transfer to Reserve fund
- With sanction of Registrar
For any charitable purpose

- (10) Reserve fund
- Investment Outside business

Promote Object of Society

Utilization as W.C.

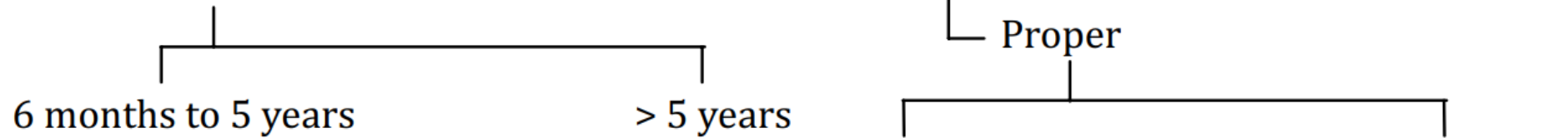
Only if state Act provides

- (11) Contribution to Education fund → only if state Act Provides

■ SPECIAL FEATURES OF CO-OPERATIVE AUDIT

→ Special features for conducting an audit : (10 points)

(1) Examination of overdue debts



(2) Overdue Interest → Interest

- accrued
- accruing

On A/c's → where even principal amount is overdue

Should not be included in calculation of Interest O/s

In practice, Overdue Interest Reserve A/c. is created → Any credit of overdue Interest → credited to Interest A/c. → is Reduced

(3) Certification of Bad Debts by → Managing Committee → Auditor

(4) Valuation of Assets & Liabilities

(5) Adherence to Co-operative principles → Objectives have been achieved?

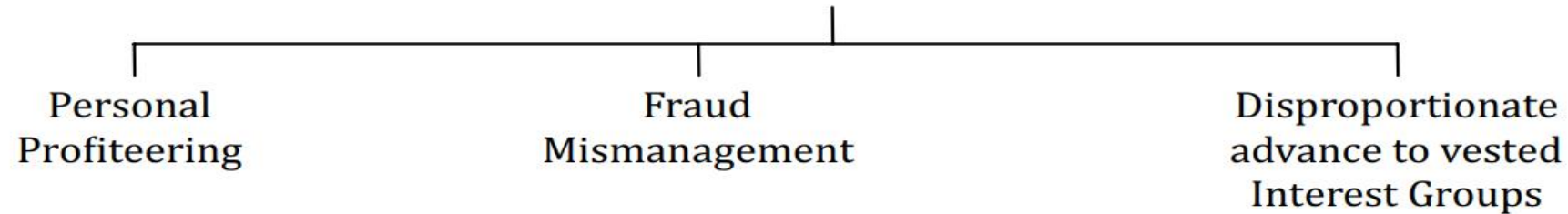
(6) Observation of the provisions of → Laws → Regulations

(7) Verification of Members register + Examining their Pass Books

Regarding Loans Given



(8) Special Report to Registrar → In case of irregularities



(9) Audit classification of society → Auditor awards a class to society



After Judgement → Based on criteria specified by Registrar

If management is not satisfied by
classification



If can appeal to Registrar → may
direct review of Audit
classification

(10) Discussion of Draft Audit Report → with Managing Committee

■ AUDIT, INQUIRY AND INSPECTION OF MULTI-STATE CO-OPERATIVE SOCIETIES

Audit, Inquiry & Inspection of Multi State Cooperative Society

Funds of MSCoS → Cannot be utilized (MSCoS)



for any Political Purpose

→ Books of A/c.

- | | | |
|-----|----------------------|---|
| (1) | All sum of Money | ┌ Received
└ Expended |
| (2) | Sale | |
| | Purchase | └ of goods |
| (3) | Assets + Liabilities | |
| (4) | If engaged in | ┌ Production
└ Processing
└ Manufacturing |
| | | |
| | | |
- Particulars of material & Labour

Audit of MSCOS (Sec.72 of the MSCOS Act, 2002)

(1) Qualification of Auditor → Only a practicing CA can be appointed

(2) Disqualification of Auditor →

(i) A body Corporate

(ii) Officer / Employee of MSCOS

(iii) Person who is

– a member

– in employment of officer / employee of MSCOS

– Indebted to MSCOS

– given guarantee

– Provided security

– of a 3rd party to MSCOS > ₹1,000/-

(3) Vacation of office → If auditor attracts Disqualifications



After appointment



Deemed to have vacated his office

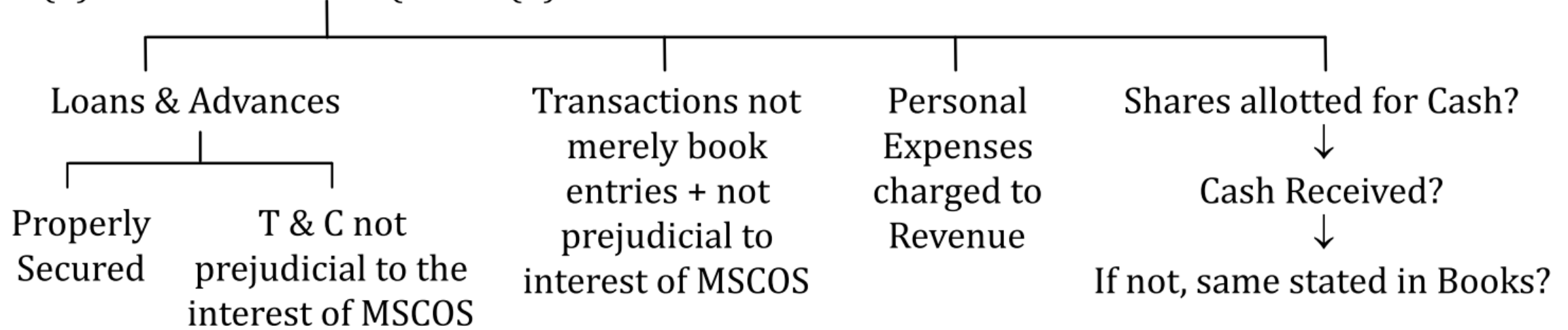
(4) Appointment of Auditor (Sec.70)



(5) Powers of Auditor (Sec. 73)

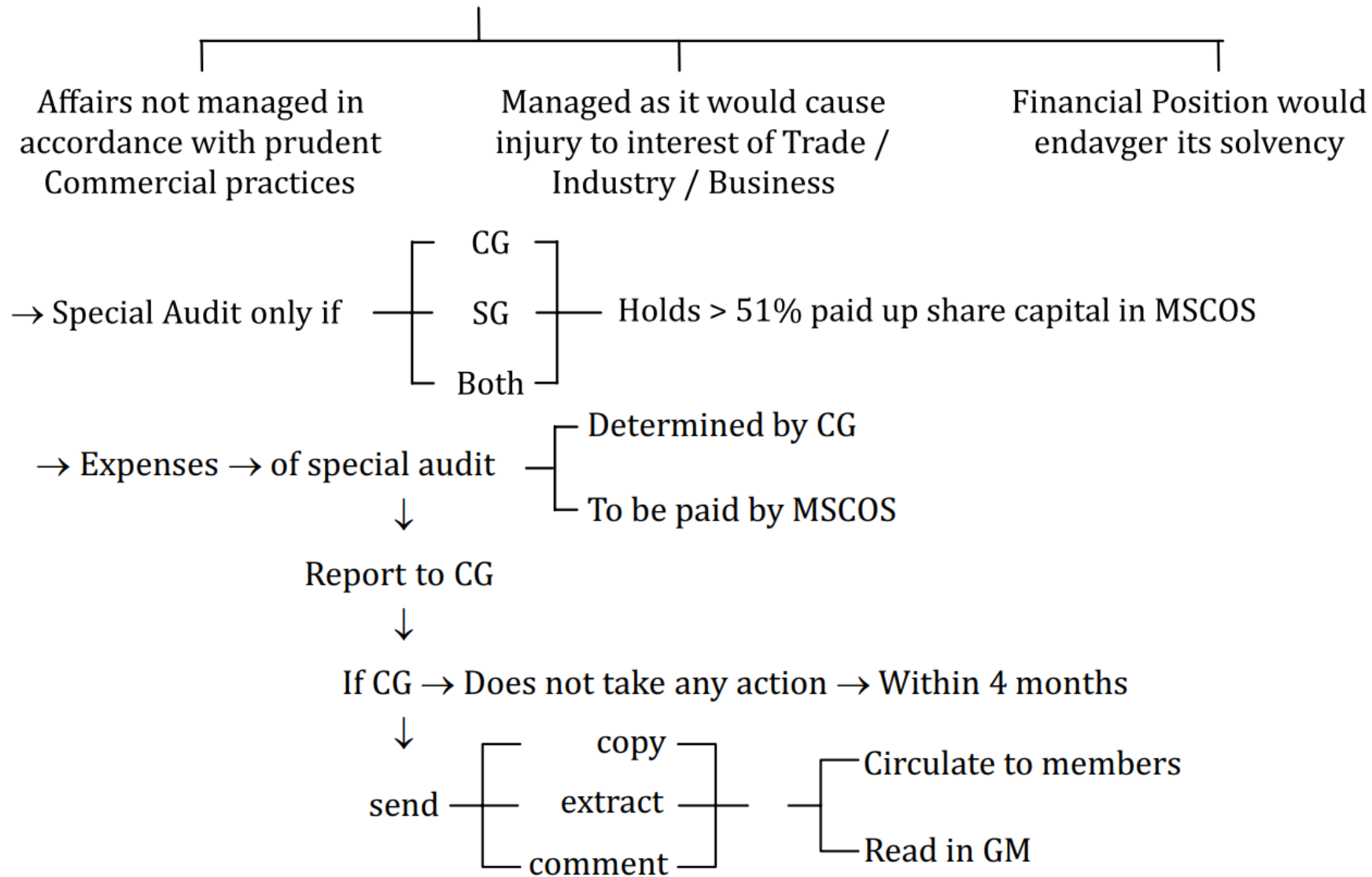


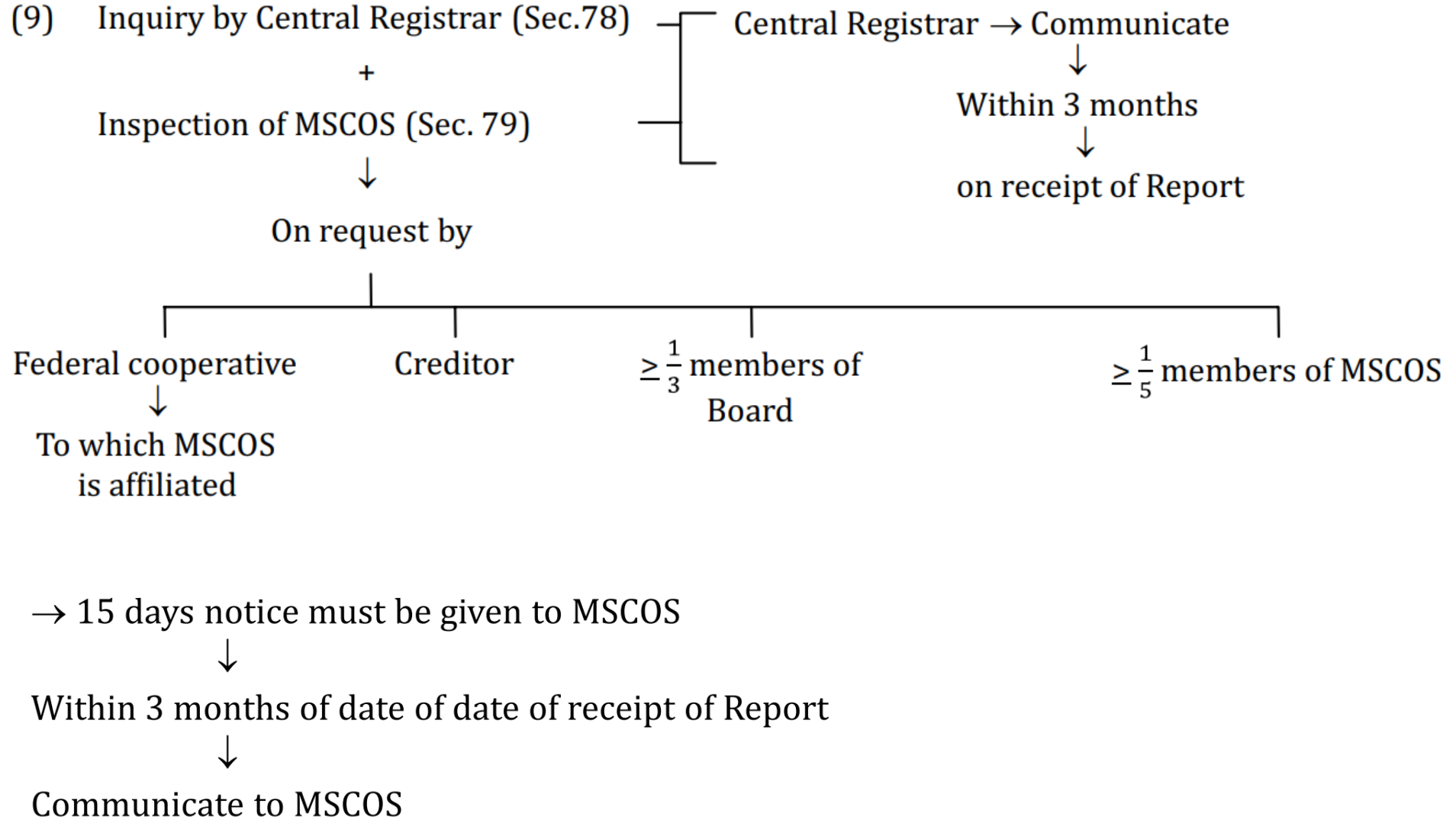
(6) Duties of Auditor (Sec.73(2))



(7) Content of Audit (Sec. 73(3) & 73(4))
Like General Audit Report (Chapter 8)

(8) Powers of CG to direct special Audit (Sec. 77)

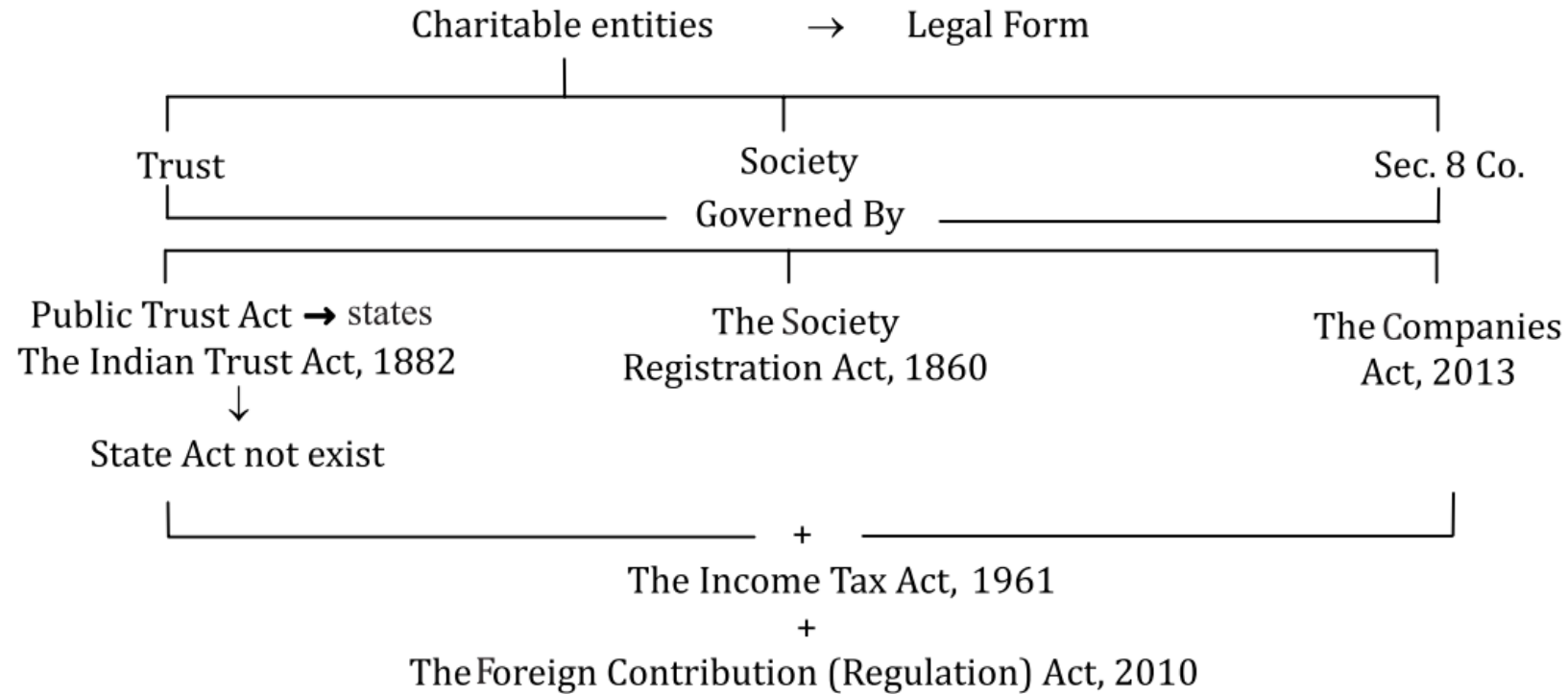




AUDIT OF TRUST AND SOCIETIES

Summary Charts

■ AUDIT OF TRUST & SOCIETIES



❖ Books of A/cs →

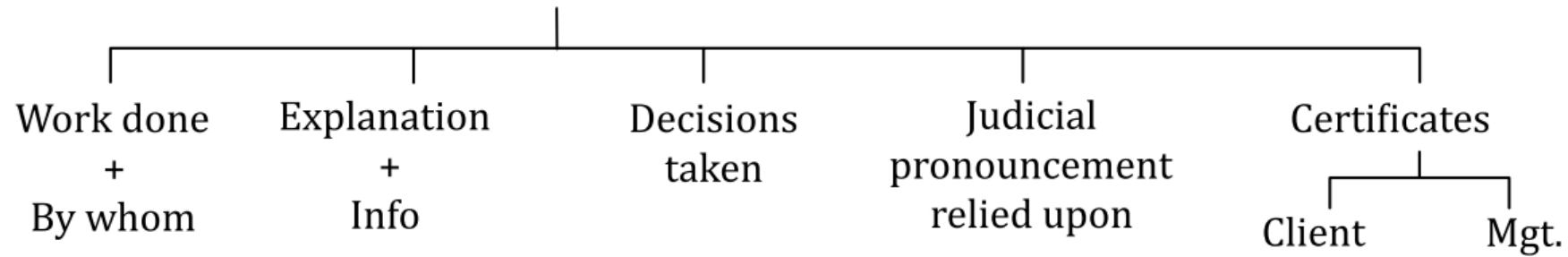
- i. Cash Book
- ii. Ledger
- iii. Journal
- iv. Copies of Bills
- v. Original Bills

❖ F.S. —

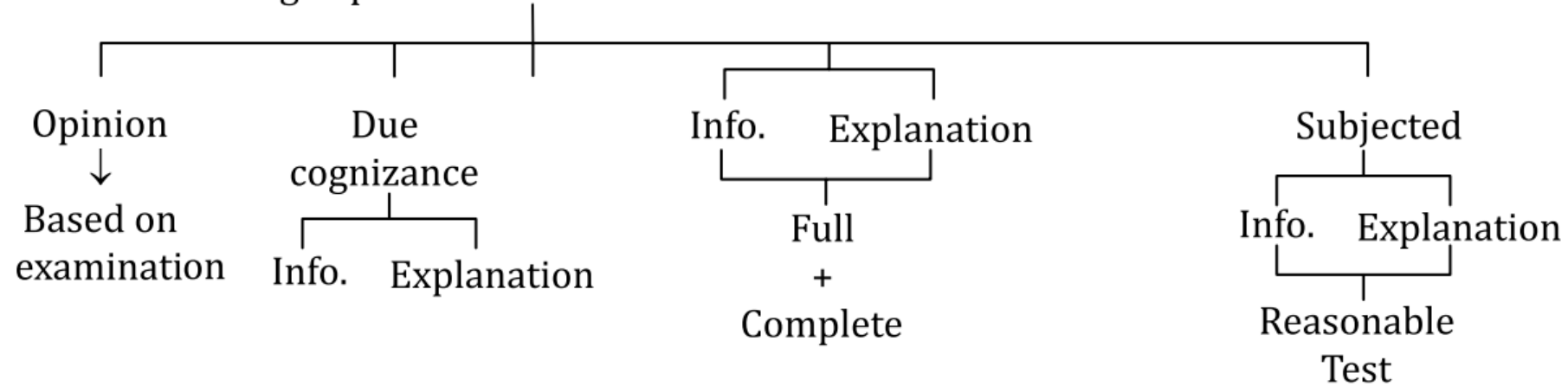
B/s
I/E

 — Format → State laws

- ❖ Auditor's Responsibility →
- i. Obtain — Books
— Records
 - ii. Company — AS
— SA
 - iii. Test check
 - iv. Keep Audit working papers



❖ Working Papers → Provide A.E.



❖ TRUSTS → Auditor to ascertain

