

*DOCUMENTATION OF*

*TAX AUDIT*

*& PEER REVIEW*

***DOCUMENTATION***

- *“The skill of an accountant can always be ascertained by an inspection of his working papers.”— Robert H. Montgomery, Montgomery’s Auditing, 1912*
  
- *Standard on Auditing (SA) 200, “Basic Principles Governing an Audit” (Paragraph 11), states, “The auditor should document matters which are important in providing evidence that the audit was carried out in accordance with the basic principles.”*

# **DOCUMENTATION**

- *Documentation, for purposes of this Standard, refers to the working papers prepared or obtained by the auditor and retained by him, in connection with the performance of his audit.*
  
- *Working papers:*
  - *aid in the planning and performance of the audit;*
  - *aid in the supervision and review of the audit work; and*
  - *provide evidence of the audit work performed to support the auditor's opinion.*

No one will believe you did  
something on an audit if  
there is nothing in your  
working papers file to show  
for it !!!

# **DOCUMENTATION**

*The working papers are classified as follows :*

- ✓ *Permanent Audit Files*
- ✓ *Current Audit Files*

# **DOCUMENTATION**

*A permanent audit file normally includes:*

- ✓ *Copy of initial appointment letter if the engagement is of recurring nature*
- ✓ *Record of communication with the retiring auditor, if any, before acceptance of the appointment as auditor*
- ✓ *NOC from previous auditor*
- ✓ *Information concerning the legal and organisational structure of the entity.*
- ✓ *In the case of a company, this includes the Memorandum and Articles of Association.*
- ✓ *In the case of a statutory corporation, this includes the Act and Regulations under which the corporation functions*

# **DOCUMENTATION**

- ✓ *Organizational structure of the client*
- ✓ *List of governing body including Name, Address and contact details. For Instance, the List of Directors in case of a company, List of partners in a partnership and list of Trustees in a Trust.*
- ✓ *Extracts or copies of important legal documents, agreements and minutes relevant to the audit.*
- ✓ *A record of the study and evaluation of the internal controls related to the accounting system. This might be in the form of narrative descriptions, questionnaires or flow charts, or some combination thereof.*
- ✓ *Copies of audited financial statements for previous years*



# **DOCUMENTATION**

- ✓ *Analysis of significant ratios and trends*
- ✓ *Copies of management letters issued by the auditor, if any.*
- ✓ *Notes regarding significant accounting policies.*
- ✓ *Significant audit observations of earlier years.*
- ✓ *Assessment of risks and risk management*
- ✓ *Major policies related to Purchases and Sales*
- ✓ *Details of sister concerns*
- ✓ *Details of Bankers, Registrars, Lawyers etc*
- ✓ *Systems and Data Security policies*
- ✓ *Business Continuity Plans*

# **DOCUMENTATION**

*A Current audit file normally includes:*

- ✓ *Correspondence relating to acceptance of annual reappointment.*
- ✓ *Extracts of important matters in the minutes of Board Meetings and General Meetings, as are relevant to the audit.*
- ✓ *Evidence of the planning process of the audit and audit programme*
- ✓ *Analysis of transactions and balances.*
- ✓ *A record of the nature, timing and extent of auditing procedures performed, and the results of such procedures*
- ✓ *Evidence that the work performed by assistants was supervised and reviewed.*
- ✓ *Copies of communications with other auditors, experts and other third parties.*

- ✓ *Copies of letters or notes concerning audit matters communicated to or discussed with the client, including the terms of the engagement and material weaknesses in relevant internal controls.*
- ✓ *Letters of representation or confirmation received from the client.*
- ✓ *Conclusions reached by the auditor concerning significant aspects of the audit, including the manner in which exceptions and unusual matters, if any, disclosed by the auditor's procedures were resolved or treated.*
- ✓ *Copies of the financial information being reported on and the related audit reports.*
- ✓ *Audit review points and highlight.*
- ✓ *Major weakness in Internal control*

***DOCUMENTATION***  
***FOR***  
***TAX AUDIT UNDER SECTION***  
***44AB OF THE INCOME TAX***  
***ACT 1961***

- *The main objective of the tax audit is to compute the taxable income according to the law and for maintaining transparency in the financial statements filed by the assesses with the Income-tax department.*
  
- *The tax audit u/s. 44AB of the Income-tax Act 1961 is significant practice area for Chartered Accountants. Since the introduction of tax audit, we have been given responsibilities to discharge the duties as tax auditors for the proper compliance of tax law by the assesseees.*

# *Tax Audit u/s 44AB - Report*

## ➤ Main Report u/s 44AB

✓ Form 3CA

✓ Form 3CB

*Basic Details of Assessee –  
{Clause 1 to 6} {also in Annexure 1}*

- ✓ *Name of Assessee*
- ✓ *Address*
- ✓ *Permanent Account Number*
- ✓ *Status*
- ✓ *Previous Year ended*
- ✓ *Assessment Year*

## *New Clause 4 inserted*

- *4. Whether the assessee is liable to pay indirect tax like excise duty, service tax, sales tax, customs duty, etc. if yes, please furnish the registration number or any other identification number allotted for the same.*



- Identity proof
- Residence/Address Proof
- PAN Card
- In case of
  - An individual : a proprietary letter/Shops and Establishment Licence
  - A firm : Partnership deed ; Registration Certificate
  - A company – Certificate of incorporation; Certificate to commence business (in case of public companies)
  - Any other entity : Incorporation/registration certificate or formation deed
- Last Balance Sheet or date of commencement of business

## *New Clause 8 inserted*

- *8. Indicate the relevant clause of section 44AB under which the audit has been conducted.*

*Partners and their Profit Sharing Ratios –  
{Clause 9}[Old Clause 8]*

- ✓ *If firm or Association of Persons, indicate names of partners / members and their profit sharing ratios {Clause 7(a)}*
- ✓ *If there is any change in the partners/members or their profit sharing ratios since the last date of preceding year, the particulars of such change. {Clause 7(b)}*

- Partnership Deed Amendment or Addendum to Deed of partnership

*Nature of Businesses or Professions –  
{Clause 10} [ old clause 9]*

- ✓ *Nature of business or profession (if more than one business or profession is carried on during the previous year, nature of every business or profession)*
- ✓ *If there is any change in the nature of Business or profession, the particulars of such change.*

- Management Representation letter
- Extracts of Objects Clause of the Memorandum of Association
- Extract of the Deed of Partnership
- Sales Tax/ VAT registration Certificate
- Excise Registration certificate
- Any other specific registrations such as NBFC, Chemists and Druggists etc.,
- Copy of last return of income filed

## *List Books of Accounts - {Clause 11}[Old clause 9]*

- 11. (a) *Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed.*
- (b) **List of books of account maintained and the address at which the books of accounts are kept.** *(In case books of account are maintained in a computer system, mention the books of account generated by such computer system. **If the books of accounts are not kept at one location, please furnish the addresses of locations along with the details of books of accounts maintained at each location.**)*
- (c) *List of books of account and nature of relevant documents examined.*

- Management Representation letter
- List of Books maintained
- Any law requiring the assessee to maintain the books of accounts for such businesses e.g. professionals under the Income Tax Act, 1961; traders under the VAT Laws etc.,



## *Profit and Gains Assessable on Presumptive Basis - { Clause 12} [Old Clause 10]*

- ✓ *Whether the profit and loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the amount and the relevant section*
  1. *44AD – Any Business;*
  2. *44AE – Plying, Hiring, or Leasing Goods Carriages*
  3. *44B – Shipping Business ;*
  4. *44BB – Exploration of Mineral Oils*
  5. *44BBA – Operation of Aircraft*
  6. *44BBB – Turnkey Power Projects or any other relevant section*
  7. ***Chapter XII-G – Income of Shipping Companies***
  8. ***First Schedule – Insurance Business***

- Whether falling within the definition of
  - Eligible business
  - Eligible assessee
- Basis of Presumptive Tax

*Method of Accounting –  
{Clause 13} [Old Clause 11]*

- ✓ *Method of accounting employed in the previous year.*
- ✓ *Whether there has been any change in the method of accounting employed vis-à-vis the method employed in the immediately preceding previous year.*
- ✓ *If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss.*
- ✓ *Details of deviation, if any, in the method of accounting employed in the previous year from accounting standards prescribed under section 145 and the effect thereof on the profit or loss.*

- Management representation letter
- Last audit report
- Provisions of law such as companies can maintain only accrual method of accounting
- Final statement of accounts for the year under audit and the immediate preceding financial year.
- Whether Section 145A applicabel
- Deviation, if any and the quantification thereof.

*Method of Valuation of Closing Stock –  
{Clause 14} [Old Clause 12]*

- ✓ *Method of valuation of closing stock employed in the previous year.*
- ✓ *Details of deviation, if any, from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss.*

- Management Representation letter
- Expert advise, if any required
- Type of business and customs and usages in such trade/business
- Applicability of Section 145A
- Deviations, if any and quantification thereof.
- Statement of reconciliation of profit, in case of deviation or change of method of valuation

*Method of Valuation of Closing Stock –  
{Clause 14} [Old Clause 12]*


## *Clause 15 [Old Clause 12A]*

- *Give the following particulars of the capital asset converted into stock in trade:-*
  - *Description of Capital Assets;*
  - *Date of acquisition*
  - *Cost of acquisition*
  - *Amount at which the asset is converted into stock in trade;*



- Management Representation letter/Board Resolution
- Details of the Capital Asset
- Reasons for conversion
- Impact of conversion

## *Amounts not Credited to the Profit & Loss Account – { Clause 16 } [Old Clause 13]*

- *Amounts not credited to Profit & Loss Account being:*
  - *The items falling within the scope of section 28;*
  - *The Proforma credits, drawbacks, [refund of duty of customs or excise or service tax, or refund of sales tax or value added tax], where such credits, drawbacks or refunds are admitted due by the authorities concerned.*
  - *escalation claims accepted during the previous year;*
  - *any other item of income*
  - *capital receipt, if any.*

- Claims made and Refund Orders
- Documentary evidence depending on nature of capital receipt and reasons for not crediting the profit and loss account

## *New Clause Inserted*

- *17. Where any land or building or both is transferred during the previous year for a consideration less than value adopted or assessed or assessable by any authority of a State Government referred to in section 43CA or 50C, please furnish:*
  - *A. Details of property*
  - *B. Consideration received or accrued.*
  - *C. Value adopted or assessed or assessable.*

## *Particulars of Depreciation of Fixed Assets – {Clause 18} [Old clause 14]*

- ✓ *Particulars of depreciation allowable as per the Income-tax act, 1961 in respect of each asset or block of assets, as the case may be, in the following form :-*
  - a) *Description of asset / block of assets.*
  - b) *Rate of depreciation*
  - c) *Actual cost or written down value, as the case may be.*
  - d) *Additions / deductions during the year with dates; in the case of any addition of an asset, date put to use; including adjustments on account of -*
    - i. *Modified Value Added Tax credit claimed and allowed under the Central Excise rules, 1944, in respect of assets acquired on or after 1st March 1994.*
    - ii. *Change in rate of exchange of currency, and*
    - iii. *Subsidy or grant or reimbursement, by whatever name called.*
  - e) *Depreciation allowable*
  - f) *WDV at end of the year*

- Copies of bills in respect of assets purchased during the audit period
- Details of fixed assets sold, scrapped or discarded or impaired
- Computation of addition/reduction in value on account of MODVAT Credit or exchange difference or Government subsidy
- Rates of depreciation applicable to each type of asset
- Extracts of Fixed Assets Register

## *Amounts Admissible various clauses of – { Clause 19} [Old Clause 15]*

- *Amount admissible under sections:-*
  - (a) 32AC – Investment in new plant & machinery*
  - (b) 33AB – Know-How*
  - (c) 33ABA – Site Restoration Fund*
  - (d) 35(1)(i), (ii), (iia), (iii), (iv); 35(2AA); 35(2AB) – Scientific Research*
  - (e) 35ABB – License to Operate Telecommunication*
  - (f) 35AC – eligible projects/schemes*
  - (g) 35AD – Specified business*
  - (h) 35CCA – Rural Development Programmes*
  - (i) 35CCB – Programmes of conservation of natural resources*
  - (j) 35CCC - Agricultural Extension Programme*
  - (k) 35CCD – Skill Development Programme*

## *Amounts Admissible various clauses of – { Clause 19} [Old Clause 15]*

- *Amount admissible under sections (contd.) :-*

*(l)35D – Preliminary Expenses*

- a) debited to the profit and loss account (showing the amount debited and deduction allowable under each section separately );*
- b) not debited to the profit and loss account.*

*(m)35DD – Amalgamation/Demerger expenses*

*(n)35DDA – Voluntary Retirement Scheme*

*(o)35E – Prospecting etc., for certain minerals*



- Details of such expenses and the category of such assets
- Documentary evidence as to its payment/receipt

## *Amount Paid / Received from the Employees – {Clause 20} [Old Clause 16]*

➤ *Relevant sections are:*

*For 20(a) – sec 36(1)(ii), For 20(b) – sec 2(24)(x) and 36(i)(va)*

- a) *Any sum paid to an employee as bonus or commission for services rendered, where such sum was otherwise payable to him as profits or dividend. [Section 36(1)(ii)]*
- b) *20(b) Details of contributions received from employees for various funds as referred to in section 36(1)(va).*
  - a) *Sr. No.*
  - b) *Nature of Fund*
  - c) *Sum received from employees*
  - d) *Due date for payment*
  - e) *Actual amount paid*
  - f) *Actual date of payment to the concerned authorities*

- List of employees and their salaries, applicability of PF and the contribution of the employer/employee
- Terms of employment
- In case of any agreement with any trade union, copy thereof

## *Amount Debited to Profit and Loss Account – { Clause 17 }*

- a) *expenditure of capital nature;*
- b) *expenditure of personal nature;*
- c) *expenditure on advertisement in any souvenir, brochure, tract, pamphlet or the like, published by a political party;*
- d) *expenditure incurred at clubs,*
  - i. *as entrance fees and subscriptions;*
  - ii. *as cost for club services and facilities used;*

- Query sheet in respect of Ledger Scrutiny
- Details of such payments on scrutiny of such expenses/cash or bank book, receipts thereof.

## *Amount Debited to Profit and Loss Account – {Clause 21a} [Old clause 17]*

- i. Being in the nature of capital, personal, advertisement expenditure etc.,*
- ii. Expenditure incurred at clubs being cost for club services and facilities used.*
- iii. by way of penalty or fine for violation of any law for the time being in force;*
- iv. any other penalty or fine;*
- v. expenditure incurred for any purpose which is an offence or which is prohibited by law;*

## *Amount Debited to Profit and Loss Account – {Clause 21b} [Old clause 17]*

*(b) amounts inadmissible under section 40(a);*

*under clause (i)*

*(A) Details of payment in respect of which tax is not deducted*

*(B) Details of payment in respect of which tax is deducted but  
not paid*

*Under clause (ia)*

*(A) Details of payment in respect of which tax is not deducted*

*(B) Details of payment in respect of which tax is deducted but  
not paid*

*Under clauses (iib), (iii), (iv) and (v)*

## *Amount Debited to Profit and Loss Account – {Clause 21b} [Old clause 17]*

*(c) (interest, salary, bonus, commission or remuneration inadmissible under section 40(b) / 40(ba) and computation thereof;*

*(d) Disallowance/deemed income u/s 40A(3)*

***(A) On the basis of the examination of books of account and other relevant documents/evidence, whether the expenditure covered under section 40A(3) read with rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft. If not, please furnish the details:***



## *Amount Debited to Profit and Loss Account – {Clause 21b} [Old clause 17]*

*(B) On the basis of the examination of books of account and other relevant documents/evidence, whether the payment referred to in section 40A(3A) read with rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft. If not, please furnish the details of amount deemed to be the profits and gains of business or profession under section 40A(3A);*

## *Amount Debited to Profit and Loss Account – {Clause 21b} [Old clause 17]*

*(e) provision for payment of gratuity not allowable under section 40A(7);*

*(f) Any sum paid by the assessee as an employer not allowable under section 40A(9);*

*(g) particulars of any liability of a contingent nature.*

*(h) amount of deduction inadmissible in terms of section 14A in respect of the expenditure incurred in relation to income which does not form part of the total income,*

*(i) amount inadmissible under the provision to section 36(1)(iii).;*

- Management representation letter
- Note on such expenses
- Certificate from the assessee
- Details of such payments made
- Relevant query sheet
- Amounts paid and the amounts payable as per law
- List of contingent liabilities
- Contingent liabilities provided for in the books of accounts
- Details of Total income
- Details of Exempt income

*Amount of Interest u/s. 23 of MSME Act, 2006 –  
{Clause 22}[Old Clause 17A]*

- *Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006*

- Correspondence with suppliers ascertaining their registration under the MSMED Act, 2006
- Management representation letter
- Amounts outstanding to such enterprises
- Calculation of interest

*Payments made to Persons specified u/s. 40A(2)(b)  
– {Clause 23}[Old Clause 18]*

- *Particulars of payments made to persons specified under section 40A(2)(b).*

- Details of specified persons under Section 40A(b)
- Ledger Scrutiny and the scrutiny of cash and bank books

## *Deemed to be Profits - {Clause 24} [Old Clause 19]*

*✓Amounts deemed to be profits and gains under section 32AC 33AB or 33ABA or 33AC.*



- Types of business
- Profits during the period
- Transfer of profits to Reserve/Fund and investment thereof as per law
- Board resolution

## *Profit Chargeable to Tax - {Clause 25}[Old Clause 20]*

- *Any Amount of profit chargeable to tax under section 41 and computation thereof.*

- Income specified in Section 41

*Sum Referred u/s.43B – {Clause 26} [Old Clause 21]*

- A. *Pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year and was*
- a) *Paid during the previous year ;*
  - b) *Not paid during the previous year*
    - *state whether sales tax, customs duty, excise duty or any other indirect tax, levy, cess, import, tec., is passed through the profit and loss account.*

*Sum Referred u/s.43B – {Clause 26} [Old Clause 21]*

- B. Was incurred in the previous year and was*
- a) Paid on or before the due date for furnishing the return of income of the previous year under section 139(1);*
  - b) Not paid on or before the aforesaid date.*

*Note: State whether sales tax, custom duty excise duty or any other indirect tax , levy, cess, impost etc. is passed through profit and loss account.*

- List of payments specified in Section 43B
- The provisions made thereof
- The amounts paid thereof

*Amount Debited to Profit and Loss Account –  
{Clause 27} [Old Clause 22]*

- a) *Amount of the Central Value Added Tax credit availed of or utilise during the previous year and its treatment in the profit & loss account and treatment of outstanding Modified Value Added Tax credits in the accounts.*
- b) *Particulars of income or expenditure of prior period credited or debited to the profit & loss account.*

## *{ Clause 28} [New clause inserted]*

- *28. Whether during the previous year the assessee has received any property, being share of a company not being a company in which the public are substantially interested, without consideration or for inadequate consideration as referred to in section 56(2)(viii), if yes, please furnish the details of the same*



## *{ Clause 29} [New clause inserted]*

- *29. Whether during the previous year the assessee received any consideration for issue of shares which exceeds the fairmarket value of the shares as referred to in section 56(2)(viib), if yes, please furnish the details of the same.*

*Details of any amount borrowed - {Clause 30}[Old Clause 23]*

- *Details of any amount borrowed on hundi or any amount due thereon (including interest on the amount borrowed) repaid, otherwise than through an account payee cheque [Section 69 D].*

*Particulars of each loan or deposit taken or accepted– {Clause 31(a)} [Old Clause 24(a)]*

- A. *Particulars of each loan or deposit in an amount exceeding the limit specified in section 269SS taken or accepted during the pervious year :-*
- i. *name, address and permanent account number (if available with the assessee) of the lender or depositor;*
  - ii. *amount of loan or deposit taken or accepted.*
  - iii. *Whether the loan or deposit was squared up during the previous year;*
  - iv. *Maximum amount outstanding in the account at any time during the year.*  
*(These particulars need not be given in the case of a Govt. Company , a banking company or a corporation established by a Central, State or Provincial Act)*

*Particulars of each loan or deposit repaid –  
{Clause 31(b)} [Old Clause 24(b)]*

- B. Particulars of each repayment of loan or deposit in an amount exceeding the limit specified in section 269 T made during the pervious year :-*
- i. Name , address and permanent account number (if available with the assessee.) of the payee;*
  - ii. Amount of repayment;*
  - iii. Maximum amount outstanding in the account at any time during the pervious year ;*
  - iv. Whether the repayment was made otherwise than by account payee cheque or account payee bank draft.*

## *A Certificate from the assessee - {Clause 31(c)}[Clause 24(c)]*

- *31(c) Whether the taking or accepting loan or deposit, or repayment of the same were made account payee cheque drawn on a bank or account payee bank draft based on the examination of books of account and other relevant documents*
- *The particulars (i) to (iv) at (b) and comment at (c) above need not be given in the case of a repayment of any loan or deposit taken or accepted from Government, Government company, banking company or a corporation established by a Central, State or Provincial Act;*

*Brought forward loss or depreciation –  
{ Clause 32(a) } [Old Clause 25(a)]*

- *Details of brought forward loss or depreciation allowance in the following manner, to the extent available ;*
  - a) *Assessment Year*
  - b) *Nature of loss / allowance*
  - c) *Amount as returned*
  - d) *Amount as assessed (give reference to relevant order)*
  - e) *Remarks*

- Last Assessment Order(s)
- Last Return(s) of income filed

- *Whether a change in shareholding of the company has taken place in the previous year due to which the losses incurred prior to the previous year cannot be allowed to be carried forward in terms of section 79.;*



## *[New Clauses inserted]*

- *32(c) Whether the assessee has incurred any speculation loss referred to in section 73 during the previous year, If yes, please furnish the details of the same.*
- *32(d) whether the assessee has incurred any loss referred to in section 73A in respect of any specified business during the previous year, if yes, please furnish details of the same*
- *32(e) In case of a company, please state that whether the company is deemed to be carrying on a speculation business as referred in explanation to section 73, if yes, please furnish the details of speculation loss if any incurred during the previous year.*

## *Chapter VI A – {Clause 33}[Old Clause 26]*

- *Section-wise details of deductions, if any, admissible under Chapter VI A or Chapter III (Section 10A, Section 10AA).*
- *Amount debited to P&L A/c*
- *Amount admissible as per the provisions of the Income Tax Act 1961 and also fulfills the conditions, if any specified under the conditions, if any specified under the relevant provisions of the Act or Rules or any other guidelines, circular etc., issued in this behalf.*

## Documents :

- 80 C – Copy of Receipts Copies
- 80 D – Copy of Insurance Premium Receipts
- 80 E – Copy of Interest statement or Payment confirmation
- 80 G – Copy of deduction Certificate or the payment receipt
- 80 IA, IAB, IB, etc. – Copy of Chartered Accountant Certificate.

*Tax Deducted at Source – {Clause 34}[Old Clause 27]*

- ***34(a). Whether the assessee is required to deduct or collect tax as per the provisions of Chapter XVII-B or Chapter XVII-BB, if yes please furnish details.***
- ***(b) Whether the assessee has furnished the statement of tax deducted or tax collected within the prescribed time. If not, please furnish the details.***
- ***(c) Whether the assessee is liable to pay interest under section 201(1A) or section 206C(7). If yes, please furnish details.***

## *Tax Deducted at Source – {Clause 27}*

- a) *Whether the assessee has complied with the provisions of Chapter XVII-B regarding deduction of tax at source and regarding the payment thereof to the credit of the Central Government.*
- b) *If the provisions of Chapter XVII-B have not been complied with, please give the following details :-*
  - i. *Tax deductible and not deducted at all.*
  - ii. *Shortfall on account of lesser deduction than required to be deducted*
  - iii. *Tax deducted late*
  - iv. *Tax deducted but not paid to the credit of the Central Government*

## *Stock Summary – {Clause 35}[Old Clause 28]*

- A. *In the case of a trading concern, give quantitative details of principal items of goods traded :*
- i. *Opening Stock*
  - ii. *Purchases during the previous year*
  - iii. *Sales during the previous year*
  - iv. *Closing Stock*
  - v. *Shortage / excess, if any*

## *Stock Summary – {Clause 35}[Old Clause 28]*

*B. In the case of a manufacturing concern, give quantitative details of the principal items of raw materials, finished products and by -products:*

*(a) Raw Materials:*

- i. Opening Stock*
- ii. Purchases during the previous year*
- iii. Consumption during the previous year*
- iv. Sales during the previous year*
- v. Closing Stock*
- vi. \*yield of finished products*
- vii. \* percentage of yield*
- viii. Shortage / excess, if any*

## *Stock Summary – {Clause 35}[Old Clause 28]*

*(b) Finished products / By-products:*

- i. Opening Stock*
- ii. Purchases during the previous year*
- iii. Quantity manufactured during the previous year*
- iv. Sales during the previous year*
- v. Closing Stock*
- vi. Shortage / excess, if any*



## *Tax on distributed Profits – {Clause 36}[Old Clause 29]*

- *In the case of a domestic company, details of tax on distributed profits under section 115-O in the following form :—*
  - *(a) total amount of distributed profits;*
  - *(b) amount of reduction as referred to in section 115-O(1A)(i)*
  - *(c) amount of reduction as referred to in section 115-O(1A)(ii)*

## *Tax on distributed Profits – {Clause 29}*

- *In the case of a domestic company, details of tax on distributed profits under section 115 O in the following form:*
  - i. *total amount of distributed profits*
  - ii. *total tax paid thereon*
  - iii. *dates of payment with amounts*

*Audit under other Law – {Clauses 37/38}[Old Clauses 30/31]*

- ✓ *37. Whether any cost audit was carried out, if yes, give the details, if any, of disqualification or disagreement on any matter/item/quantity as may be reported/identified by the auditor.*
- ✓ *38. Whether any audit was conducted under the Central Excise Act, 1944, if yes, give the details, if any, of disqualification or disagreement on any matter/item/quantity as may be reported/identified by the auditor.*

## *{ Clause 39} [New clause inserted]*

- *39. Whether any audit was conducted under section 72A of the Finance Act, 1994 in relation to valuation of taxable services, if yes, give the details, if any, of disqualification or disagreement on any matter/item/quantity as may be reported/identified by the auditor.*

## *Ratios – {Clause 40}[Old Clause 32]*

*Report the following major ratios:*

- *Turnover*
- *Gross profit / Turnover*
- *Net profit / Turnover*
- *Stock - in - trade / Turnover*
- *Material consumed / Finished goods produced*

## *{ Clause 41 } [New clause inserted]*

- *41. Please furnish the details of demand raised or refund issued during the previous year under any tax laws other than Income Tax Act, 1961 and Wealth Tax Act, 1957 alongwith details of relevant proceedings.*

# **DOCUMENTATION FOR TAX** **AUDIT**

*A reasonable sample checklist for conducting tax audit*

<input checked="" type="checkbox"/> <i>Appointment Letter defining scope</i>	<i>SA-210</i>
<input checked="" type="checkbox"/> <i>Management representation letter</i>	<i>SA-580</i>
<input checked="" type="checkbox"/> <i>List of related parties &amp; transactions</i>	<i>AS-18 &amp; SA-550</i>
<input checked="" type="checkbox"/> <i>Trial Balance</i>	<i>SA-500</i>
<input checked="" type="checkbox"/> <i>Financial statements duly signed by the owners</i>	<i>SA-500</i>

☑ <i>Notes on accounts and Disclosure of accounting policies</i>	<i>AS-1</i>
☑ <i>Valuation of Inventories and for the total year quantitative inflow, outflow statement</i>	<i>AS-2</i>
☑ <i>Bank balance confirmation</i>	<i>SA-505</i>
☑ <i>Bank loan statements</i>	<i>SA-505, Sec 43B of I.T Act</i>
☑ <i>Major sundry debtors and creditors balance confirmation</i>	<i>SA-505</i>
☑ <i>Analytical Ratio analysis</i>	<i>SA-520</i>
☑ <i>Sample purchase and sales bills</i>	<i>SA-500</i>



<input checked="" type="checkbox"/> <i>Proof of assets purchased &amp; revenue expenditure capitalized</i>	<i>SA-500, A.S 10, AS-11 &amp; A.S 16, Sec 36(1)(iii) &amp; 43A of I.T Act</i>
<input checked="" type="checkbox"/> <i>Extraordinary Items nature &amp; disclosure</i>	<i>AS-5</i>
<input checked="" type="checkbox"/> <i>Notes on the nature of business</i>	<i>SA-310</i>
<input checked="" type="checkbox"/> <i>Depreciation calculation statement</i>	<i>AS-6, Sec 32 of I.T Act</i>
<input checked="" type="checkbox"/> <i>Liabilities including contingent liabilities estimation</i>	<i>AS 29 with detailed working</i>
<input checked="" type="checkbox"/> <i>Statutory Compliances</i>	<i>Relevant P.F, ESI, Bonus, VAT Act's provisions</i>

- ✓ *Register for Tax Audits carried out during the year*
- ✓ *Documentation for 3CD should be separate*
- ✓ *Check list for 3CD, if possible*
- ✓ *For debatable issues, separate management representations, if required*
- ✓ *Important for Peer Review since tax audit is also an attest function.*

***DOCUMENTATION***  
***OF***  
***PEER REVIEW***

- *Even the best of the professionals need approbation. They are only human beings. They need and deserve the reconfirmation of their abilities and the way they work, from their peers. Such reconfirmation that professional seek is provided by the process of “Peer Review” (PR).*
- *The dictionary meaning of the word “Peer” is “A person who has equal standing with another or others” and the term “Review” is defined as “subject to a formal inspection or appraisal and reassessment of the matter in question”.*
- *Peer Review for chartered accountants would mean evaluation of a colleague’s work professionally.*
- *Peer Review Board was established by the Council of the Institute in March 2002 to conduct the system of PR.*
- *It is mandatory for all the practice units who are auditing listed companies and also Bank branches.*

*The factors that determine the form and content of documentations for a particular engagement are:*

- ✓ *The nature of the engagement*
- ✓ *The nature of the business activity of the client*
- ✓ *The status of the client*
- ✓ *Reporting format*
- ✓ *Relevant legislations applicable to the client*
- ✓ *Records maintained by the client*
- ✓ *Internal controls in operation*
- ✓ *Quality of audit assistants engaged in the particular assignment and the need to direct and supervise their work*

# **DOCUMENTATION FOR PEER REVIEW**

*The need for Working papers can be listed as follows:*

- ✓ *They aid in the planning and performance of the audit;*
- ✓ *They aid in the supervision and review of the audit work and to review the quality of work performed, in accordance with AAS 17 “Quality Control for Audit Work”;*
- ✓ *They provide evidence of the audit work performed to support the auditor’s opinion*
- ✓ *They document clearly and logically the schedule, results of test, etc.*
- ✓ *The working papers should evidence compliance with technical standards*
- ✓ *They document that Internal control has been appropriately studied and evaluated;*  
*and*
- ✓ *They document that the evidence obtained and procedures performed afford a reasonable basis for an opinion.*

# **DOCUMENTATION FOR PEER REVIEW**

- ✓ *They retain a record of matters of continuing significance to future audits of the entity;*
- ✓ *They enable an experienced auditor to conduct quality control reviews in accordance with Statement on Peer Review issued by the Institute of Chartered Accountants of India;*
- ✓ *The process of preparing sufficient audit documentation contributes to the quality of an audit*
- ✓ *They fulfil the need to document oral discussions of significant matters and communicate to those charged with governance, as discussed in AAS 27, “Communication of Audit Matters with those Charged with Governance.*

# **DOCUMENTATION FOR PEER REVIEW**

## *Guidance to staff on Audit documentation*

- ✓ *Filing/keeping of working papers*
- ✓ *Checklist of documents to be obtained and maintained*
- ✓ *Indexing of documents/ working papers*
- ✓ *Proper numbering/ sequencing of working papers*
- ✓ *Summarizing of overall findings*
- ✓ *Writing of queries*
- ✓ *Discussing with seniors on matters of importance*
- ✓ *Disposing of Query -at staff level/ senior level/ partner level*
- ✓ *Importance of the working papers to be signed, dated and approved by relevant level of audit staff with sufficient cross reference*



# **DOCUMENTATION FOR PEER REVIEW**

## *Tips for Auditors on documentation / working papers*

- ✓ *Clarity and Understanding*
- ✓ *Completeness and Accuracy*
- ✓ *Logical Arrangement*
- ✓ *Legibility and Neatness*
- ✓ *Safety*
- ✓ *Initial and date*
- ✓ *Summary of conclusions*



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