

Specific inquiries to be conducted

Inquiries pursuant to section 227 (1A)

1. Are loans and advances made by the Company covered by any security of the parties? If yes, are such loans and advances are prejudicial to the interest of the Company or its members.

2. The Transactions that are represented merely by book entries have in fact taken place and are not prejudicial to the interests of the Company?

3. If the Company is not an investment company within the meaning of section 372 of the Companies Act 1956, or banking company, whether the investments in shares, debentures, or securities are sold at loss?

4. Are loans and advances made by the Company shown as deposits?

5. Are personal expenses of directors or employees charged to revenue account, other than that payable under contractual obligations or in accordance with generally accepted business practice and legitimate business needs?

6. In respect of shares allotted for cash, has the Company actually received cash? The position as stated in the balance sheet is correct and not misleading?

Inquiries pursuant to the Companies (Auditor's Report) 2003

1. Is the Company a Private Company or a Public Limited Company?

Guidance:

Private Company as per section 3 (1) (iii) of the Companies Act 1956:

- that restricts the right to transfer the shares;
- Limits the number of members of the Company to fifty,
- Prohibits any invitation to the public to subscribe for any shares in or debentures of the Company;
- Prohibits any invitation or acceptance of deposits from persons other than its members, directors or their relatives.

Deviation from / Violation of any of these conditions - company ceases to be a private company; and the CARO 2003 would be applicable to it.

Calculation and Conclusion:

2. If it is a private limited Company,

- What is the sum of paid up capital and reserves? (If it is exceeding RS. 50 Lac at any point of time, CARO would be applicable)

Guidance:

- **Paid-up Capital means:**
 - Capital credited as paid up
 - Includes Equity and Preference
 - Deduct unpaid calls
 - Add amount of shares forfeited – threat of duplication – check Capital with Reserve
- Don't consider Share Application Money

- **Reserves means:**
 - Other than Provisions
 - Don't consider provision for depreciation
 - Capital and Revenue Reserves included
 - Consider Revaluation Reserve
 - Consider P& L Credit balance
 - Deduct P & L Debit balance from Revenue Reserve
 - Don't consider Miscellaneous Expenditure items

Calculation and Conclusion:

- Whether it has accepted any public deposit

(In that case it has become public company and the CARO 2003 is applicable – this is independent of consequences under section 58A.)

Guidance:

- Public Deposits:
 - Exempt deposits (from members, directors, or their relatives) not to be considered as public deposits.
 - Private company can not accept deposit – otherwise becomes public company – Section 43 of the Companies Act 1956

Calculation and Conclusion:

- Is the Company enjoying any loan / credit facility from any bank or a financial institution? (if the credit / loan facility is RS. 2,500,000 or more at any point of time in the year, CARO is applicable).

Guidance:

- Loan Outstanding
 - Loans from banks include any kind of facility.
 - Non-fund based credit converted to fund based credit – include as loan outstanding
 - Consider aggregate amount of loans outstanding with various banks and Institutions
 - NBFCs. Are not financial institutions
 - Interest accrued and due is as good as loan.
 - Interest accrued but not due may not be considered.
 - Outstanding balance under corporate credit card will be a facility.

Calculation and Conclusion:

- Whether its turnover has exceeded Rupees Five Crore during the year?

Guidance:

Turnover

- Aggregate amount of sales and services – purchase side not to be considered
- Agency Relationship – commission is turnover
- Calculate turnover as per regular method of accounting
- Sales-tax / excise collected – if not included in sales of P & L A/c., don't include. If included in sales of P & L A/c., include.
- Trade discounts to be excluded
- Commission allowed to third parties to be included

- Sales Returns of last year as well as current year may be excluded.
- Sales Returns in the next year pertaining to sales effected the current year should not be excluded.

Calculation and Conclusion:

Final Conclusion:

Whether CARO is applicable – Yes / No

General Points

1. Form vs. Substance – Look at the objective rather than language
2. Maintain same degree of examination – you are not an Investigator
3. Follow Auditing and Assurance Standards
4. Close interaction with the management is necessary
5. Advance and detailed planning is necessary.
6. Requirements in writing – pre audit and during audit – may be given to the management.
7. Management's Representation may be obtained.
8. Working papers are:
 - Evidence that opinion expressed based on examination
 - Evidence that given due cognizance to the information
 - Evidence that information and explanations were full and complete
 - Evidence that subjected such information and explanation to reasonable test
9. Materiality of items
10. Many items in the order requires judgment rather than purely objective tests
11. Judgment is always subjective.
12. Make a statement on all matters contained in the order
13. Qualifications, disclaimer, and adverse remarks need to be reasoned out
14. Check possibility of reporting under CARO even if the CARO is Not Applicable to a company.
15. If CARO not applicable – state in the main report that it is not applicable.
16. If a particular clause is not applicable – mention why it is Not Applicable
17. Management's explanation usually not necessary to be included - however, no debar.

_____, Chartered Accountant

Questionnaire for the qualified / under qualified staff of a Chartered Accountant with respect to the CARO 2003

_____ Limited

Points that we generally miss out

- The Board of Directors should appoint first Auditors within 30days of incorporation of the Company. If the Board does not exercise its powers within the said period, the general body should appoint the first auditors.
- At the time of appointment as Auditors in place of another auditor, we write a communication letter asking for “No Objection” from the past Auditor. There is nothing like raising any objection by the past Auditor. What one is expected to do is the communication to know any professional reasons as to why he should not accept the appointment. One should refrain from accepting any appointment as auditors if the fees of earlier Auditors are not paid. Hence it is better to include a question in the communication letter whether the fees of the earlier auditor is outstanding.
- In case of company audits, ask for the letter of re-appointment within seven days from the date of general meeting. File form no. 23B within next 30days with the office of Registrar of Companies as to acceptance or rejection of the appointment.
- Only General meeting can fill in casual vacancy due to the resignation of auditors.
- Balance sheet and other documents should be signed by at least two directors one among whom should be the Managing Director if he is so appointed. However, exception to the general rule is that, one director can also sign the accounts if other director(s) are not present in India. In that case, a statement stating the reasons for such sole signature should be attached to the balance sheet pursuant to sub-section (2) of section 215 of the Companies Act 1956.
- However, the annual return pursuant to section 159 of the Companies Act 1956 has to be signed by two directors. There is no exception provided.
- The Auditor should sign the balance sheet only after the directors have signed it.

Our Rights as Auditors

- Section 227 (1) confers rights on the auditors to carry out their attest function. These rights are; to access at all the times of books and accounts, vouchers kept anywhere – call for any information and explanation.
- As per section 228, the auditor can visit branch office of the company and can also have access to the accounts of the branch office.

Our Duties as Auditors

- In addition to the normal duties that we perform as auditors, we need to take care of certain important points. Pursuant to section 227 (1A), the auditor needs to make following inquiries:

-----, Chartered Accountant

- (a) Whether loans and advances made by the company against security are properly secured and are they prejudicial to the interest on the Company or its members.
 - (b) Whether transactions that are represented merely book entries are prejudicial to the interest of the Company.
 - (c) Where the Company is not an investment or a banking company, whether assets consisting of shares, securities, and debentures have been sold at a price less than at which they were purchased.
 - (d) Whether loans and advances made by the Company have been shown as deposits.
 - (e) Whether personal expenses have been charged to revenue.
 - (f) Where it is shown that the shares are allotted for cash, whether actually cash has been received; and if no cash is received, whether the position stated in the balance sheet is correct, regular, and not misleading.
- On inquiry, if the auditor is not satisfied as to any of the above matters, he should consider making adequate disclosures / qualifications in his report.
 - When an auditor makes a qualification or adverse remarks, he should give the reason for such qualification / adverse remark.
 - The qualification / adverse remarks should be given in bold or italic if the same is on a matter that affects functioning of the Company.

Auditing – a broad perceptive

- Auditing over a period of time has traveled beyond mere procedures and has transformed itself into a technology.
- The basic principles of management; viz. Planning; Organizing, Staffing, Directing, and Controlling have become the basic ingredients of auditing.

Sr. no.	Question	Answer	Remarks
1.	Existence of Fixed assets:		
(a)	Whether the Company has maintained fixed assets register / cards?		
(b)	Is the register showing quantitative details and situation of the fixed assets and other particulars as mentioned hereunder? ✓ Description of asset ✓ Accounts classification ✓ Location ✓ Quantity ✓ Original cost ✓ Depreciation rate and amount ✓ Cumulative depreciation ✓ Details regarding disposal.		
(c)	Are the net figures in the Register tallying with the written down value shown in the accounts?		
(d)	Did you come across any material that shows that the management has carried out physical verification of fixed assets? If yes, what is the interval between two physical verifications?		
(e)	Were there any discrepancies noticed by the management on its physical verification as compared to the book records / register?		
(f)	What is the effect of such discrepancies given in the books of account?		
(g)	Are the figures of gross block and accumulated depreciation ascertainable from the records of the company?		
(h)	What treatment is given to exchange rate difference arising on account of		

	pre-acquisition period and post-acquisition period of fixed assets?		
(i)	Has the company charged depreciation on its fixed assets? If yes, what is the method that is followed by it for providing depreciation? Is the method employed same as in the immediately preceding previous year? If the company has adopted any method and rates that are other than what is prescribed under Schedule XIV to the Companies Act 1956, what is the differential amount of depreciation? Is it less than the amount that would have been charged if the Company followed the method and rates prescribed in schedule XIV to the Companies Act 1956?		
(j)	What is the treatment given by the company to borrowing costs incurred on acquisition of fixed assets?		
(k)	Do you have any suggestions for improvement in the system?		
(g)	Has substantial part of fixed assets been disposed off during the year? If yes, whether it has affected the normal working or profitability of the Company in turn affected its working as a going concern?		
2.	Physical verification of Inventory		
(a)	Has the management carried out physical verification in respect of Inventory?		
(b)	Did you come across any material that shows that the management has carried out physical verification of Inventory? If yes, what is the interval between two physical verifications in respect of the following items? ✓ Raw materials ✓ Finished goods ✓ Stores and spare parts ✓ Stock of shares and securities		
(c)	Did the management check all inventories situated at every place of the entity?		
(d)	What did the management do about the inventories lying with third parties for some process or sent on consignment?		
(e)	Has the management considered inventories of third parties lying with it for some process or on consignment? If yes, is there any documentary proof in this respect?		
(f)	Has the management considered stocks in transit in physical verification?		
(g)	Do you have any suggestions for improvement in the system?		
	Adequacy in procedure of physical verification of stocks		
(a)	Were you present at the time of physical verification of stocks?		
(b)	Please name the officers that were present at the time of physical verification and indicate their designation.		
(c)	Was the staff of the Company equipped with sufficient instructions as to physical verification?		
(d)	How much time did that take in physical verification?		
(e)	Were any stocks removed or added during the physical verification?		
(f)	Do you have any suggestions for improvement in the system?		
	Discrepancies noticed on physical verification of stocks		
(a)	Were there any discrepancy noticed by the management during the physical verification as compared to the book records?		
(b)	What is the nature of discrepancy? Was is due to theft or misappropriation by any employee or officer of the		

	Company? Did the discrepancy arise in the normal course of production process?		
(c)	Do you think this discrepancy could have been avoided by any means? Please give your suggestions.		
(d)	What is the treatment given in the books of account of such discrepancy?		
(e)	Has the management taken adequate steps to ensure that such discrepancy do not arise in future?		
	Records of Inventory		
(a)	What records are maintained with respect to Inventory?		
(b)	Are these records according to you sufficient in order to protect the entity against any mismanagement?		
	Valuation of stocks		
(a)	What was the method of stock valuation in respect of the following items? ✓ Raw materials ✓ Work in progress ✓ Finished goods ✓ Shares and securities		
(b)	What was the method of valuation adopted in the immediately preceding previous year?		
(c)	Is there any change in the method of valuation of stock as compared to the earlier year? If yes, what was the necessity to change the method of valuation? What is the monetary impact on profit of the entity has taken place due to such change?		
(d)	Are the taxes, duties, etc. that are subjected to refund at a later date included in the inventory valuation?		
(e)	What is the raw material consumption ratio of current year and that of previous year?		
	3. Acceptance / Repayment of Loans		
(a)	Has the Company prepared Register pursuant to section 301 of the Companies Act 1956? If no, what steps that the management has taken to maintain it?		
(b)	Are there any companies under the same management within the meaning of section 370 (1B) of the Companies Act 1956? If yes, please name the relevant entity.		
(c)	Has the Company taken/given any loan from/to: ✓ Any director of the company? ✓ Any relative of such director (please refer section 6 of the Companies Act 1956) ✓ A firm in which such director or relative is a partner? ✓ Any other partner of such firm? ✓ Any private company of which the director is a director or member? If yes, please name the relevant person / entity.		
(d)	Has the company taken / given loan from / to a company under the same management as defined in section 370 (1B) of the Companies Act 1956? Two companies are deemed to under the same management if: ✓ The managing director or the manager of one body corporate is the managing director or manager of another body corporate. ✓ A majority of the directors of one body constitute or at any time within the six months immediately preceding constituted a majority of the directors of the other body corporate. ✓ If not less than one-third of the total voting power of both the body		

	<p>corporate is held by one person.</p> <ul style="list-style-type: none"> ✓ If holding company of one body corporate is under the same management as the other body corporate as stated above. ✓ If one or more directors of one body corporate while holding, whether by themselves or together with their relatives, the majority of shares in one body corporate also hold whether by themselves or together with their relatives, the majority of shares in other body corporate. 		
(e)	Does such loan carry any interest?		
(f)	What is the security offered for such loan?		
(g)	Is there any agreement as to terms and conditions of such loan? If no, when is the loan repayable? Is it payable on demand? Will the Company be able to sustain such repayment on demand?		
(h)	What are the rates on loans taken / given from / to other sources?		
(i)	What are the rates on loan given / taken by the Company to / from other persons / entity?		
(j)	Whether payment of the principal amount and interest (in cases of loans given as well as taken) are regular as stipulated in contract / Agreement?		
(k)	If overdue amount is more than one lakh interest (in cases of loans given as well as taken), what steps have been taken by the company for recovery / payment of the principal and interest;		
(l)	How many parties are there to / from whom loans are given / taken and what is the amount involved?		
4.	Adequacy as to internal control System		
(a)	How are the transactions for purchase of inventory (stores, raw materials, components, shares and securities) plant and machinery, equipment, other assets are carried out? Does the Company invite tenders from outsiders?		
(b)	Are the major purchases of such items from one party or some few parties only?		
(c)	Are such purchases effected from entities wherein the directors or other officers are interested?		
(d)	Is there any clause in the Articles of Association of the Company that restricts purchase of assets in any manner? If yes, whether the acquisitions of such assets are made in accordance with the manner that is prescribed in the Articles?		
(e)	Were there any board's resolutions for purchase of assets?		
(f)	Are the purchases made in accordance with the purchase orders?		
(g)	Are there specific requisitions from the concerned departments as to purchase of goods?		
(h)	Are the vouchers for expenses adequately supported and authorised?		
(i)	Are the payments for purchases made after there being authorisation from the proper level? Are the purchase bills passed after approval from the concerned departments?		
(j)	Are the transactions executed in accordance with management's general or specific authorisation?		
(k)	Are all transactions promptly recorded in the correct amount in the appropriate accounts and in the accounting period in which executed so as to permit preparation of financial information within a framework of recognised accounting policies and practices and relevant statutory requirements, if any, and to maintain accountability for assets?		
(l)	Are the assets of the Company safeguarded from unauthorised access, use or disposition?		

(m)	Are the recorded assets compared with the existing assets at reasonable intervals and appropriate action is taken with regard to any differences		
(n)	Are the issues to production made on a requisition from the production department?		
(o)	Is there a proper synchronization between the purchase, sale, and production departments? Is there any communication gaps?		
(p)	How are the sales affected? Are the parties billed according to the Performa invoices?		
(q)	Are the goods supplied to those parties whose balances are outstanding for a longer period? If yes, are there any compelling circumstances to do so?		
(r)	Are the goods sold to the concerns in which directors or officers are interested at a price that is lower than for what is sold to others?		
(s)	Are the discounts offered to customers with specific authorisation?		
(t)	Are dispatches of goods authorised from the sales and stores departments?		
(u)	Are there any other discrepancies existing in the internal control Has the management taken adequate steps to ensure that such discrepancy do not arise in future?		
(v)	Do you have any suggestions for improvement in the system?		
(w)	Whether there is a continuing failure to correct major weaknesses in internal control? (please refer to our last year's report and / or separate communication on this aspect with the management)		
5. Inter-group transactions exceeding RS. 500,000			
(a)	Are there any transactions of purchase of goods and materials from: ✓ Any director of the company? ✓ Any relative of such director (please refer section 6 of the Companies Act 1956) ✓ A firm in which such director or relative is a partner? ✓ Any other partner of such firm? ✓ Any private company of which the director is a director or member? If yes, please name the relevant person / entity and the amount of purchase of such goods and materials.		
(b)	Are there any transactions of sale of goods, materials, and services to: ✓ Any director of the company? ✓ Any relative of such director (please refer section 6 of the Companies Act 1956) ✓ A firm in which such director or relative is a partner? ✓ Any other partner of such firm? ✓ Any private company of which the director is a director or member? If yes, please name the relevant person / entity and the amount of sale of such goods, materials, and services.		
(c)	What are the market values of such purchase of goods and materials and sale of goods, materials, and services? (You can refer to the bills of purchases from and sales to other parties for arriving at the basis if the price list in this respect is not available for determining the market values)		
(d)	At what rates are the purchases of goods and materials and sale of goods, materials, and services made from other parties?		
(e)	Are there any items that are solely purchased or sold to the parties listed above?		
(f)	Are there any contracts or specific arrangements for such purchase from or sale to the above listed parties?		
(g)	Whether entries have been made for these transactions in the Register maintained under section 301?		

6.	Compliance with section 58A		
(a)	Has the Company made Register of directors and shareholders? If no, what action has the management taken to prepare it?		
(b)	Has the Company taken loan / deposits from the persons other than directors and shareholders? If yes, please name them.		
(c)	In case of a public company, has the Company taken loan / deposits from shareholders? If yes, please name them.		
(d)	If such deposits are taken, has the company issued advertisement for inviting such deposits or has filed statement in lieu of advertisement with the office of Registrar of Companies?		
(e)	What is the rate of interest on such deposits?		
(f)	Whether register of depositors maintained by the Company?		
(g)	Whether the Company has filed fixed deposit returns with the office of Registrar of Companies or Reserve Bank of India as the case may be?.		
(h)	Whether the depositors have been issued the receipts for having deposits accepted?		
(i)	What is the total amount of deposits / loan outstanding at the end of the year?		
(j)	Whether the company has deposited 15% amount of the deposits to be matured during the year in the specified assets? If yes, when? How much? What is the maturity amount of deposits during the year?		
(k)	Are there any small depositors within the meaning of section 58AA who have not been paid?		
(l)	Has an order has been passed by Company Law Board with respect to deposits accepted by the Company? If yes, whether the same has been complied with or not?		
8.	Internal audit procedures		
(a)	Is the paid up capital of the Company in excess of RS. 50 Lac at the commencement of the financial year?		
(b)	Is the average turnover for last three years is more than RS. Five Crore?		
(c)	Is the Company listed on any Recognised Stock Exchange?		
(d)	If the answer to (a) or (b) or (c) or all is in affirmative, whether there is an Internal Audit that has taken place? If yes, obtain a copy of that internal audit report.		
(d)	Who has conducted the internal audit?		
(e)	Are the queries of internal auditor solved by the management? Has the internal audit programme been reviewed?		
(f)	What are the broad suggestions of the Internal Auditor? Does the management implement these suggestions?		
(g)	Who is the authority before which the internal audit reports?		
8.	Maintenance of cost records		
(a)	Is the Company obliged to maintain cost records under Law? Please inquire with the concerned person from the management.		
(b)	If yes, has the Company maintained cost records?		
(c)	Are the records maintained in accordance with the order of the Central Government, if any?		
(d)	Are the entries in cost records, prima facie, made properly if one takes a broad view of such records?		

(e)	Has the cost audit been prescribed in respect of the cost records? If yes, have you obtained a copy of the cost audit report?		
17. Undisputed Statutory Dues			
(a)	Is the company regular in depositing with the appropriate authorities undisputed statutory dues including : <ul style="list-style-type: none"> ➤ Provident Fund ➤ Investor Education and Protection Fund ➤ Employees' State Insurance ➤ Income-tax ➤ Sales-tax ➤ Wealth Tax ➤ Custom Duty ➤ Excise Duty ➤ Cess ➤ Service Tax ➤ Any other statutory dues 		
(b)	Have you obtained a statement / account showing credit of such dues towards the government?		
(c)	Have you obtained the relevant payment challans and checked the dates of payments to the authorities? Please obtain a statement to the effect of payments.		
(d)	Is the Company regular in making the payments as per the due dates? Are there any specific orders extending the due date?		
(e)	Are there any delays in making the payments? If yes, what are the arrears and from which period are they outstanding?		
(f)	In case dues of <ul style="list-style-type: none"> ➤ Sales tax ➤ Income tax ➤ Custom tax (Duty) ➤ Wealth tax ➤ Excise duty ➤ Cess have not been deposited on account of any dispute , then what is the amounts involved and at which forum the dispute is pending?		
(g)	Are there any waiver petition (representation) as to interest / penalty for dues raised?		
10. Loss making Company			
(a)	When was the company registered?		
(b)	Are there any accumulated losses at the end of the financial year? If yes, what is the amount? Loss here means Loss as per P & L A/c. as adjusted by the qualifications as quantified by the Auditor.		
(c)	What is the Net worth of the Company at the end of the year? Net worth means Paid up Capital plus free Reserves – Exclude Revaluation Reserve, Provision for Amalgamation, and write back of depreciation – Include Share Premium		

(d)	Whether the Company has incurred cash losses in the financial year and in the financial year immediately preceding such financial year also?		
11.	Default in Repayment		
(a)	Has the Company borrowed funds from banks / financial institutions / through debentures?		
(b)	Is the Company repaying the dues (principal and interest) as per sanction / agreement / offer?		
(c)	If no, what is the period and amount of default?		
12.	Adequacy of documents		
(a)	Whether the Company has granted any loans and advances?		
(b)	Are such loans or advances granted on the basis of some securities? If yes, describe whether it is: ✓ Pledge of shares ✓ Debentures ✓ Other securities		
(c)	What documents / records are maintained for having granted such loans and advances and for recording the existence of such securities?		
(d)	Are such records containing all the information as to the name and nature of securities?		
13.	Provisions of special statute		
(a)	Whether the net-owned funds to deposit liability ratio is more than 1:20 as on the date of balance sheet;		
(b)	Whether the company has complied with the prudential norms on income recognition and provisioning against sub-standard/default/loss assets		
(c)	Whether the company has adequate procedures for appraisal of credit proposals/requests, assessment of credit needs and repayment capacity of the borrowers;		
(d)	Whether the repayment schedule of various loans granted by the nidhi is based on the repayment capacity of the borrower and would be conducive to recovery of the loan amount		
14.	Dealing or trading in shares		
(a)	Is the Company dealing or trading in shares, securities, debentures, and other investments?		
(b)	What are the records that are maintained for such investments?		
(c)	Are these records updated and proper entries made therein?		
(d)	Whether such investments are held in the name of the Company?		
(e)	If no, what is the reason?		
(f)	Which are the share and securities that are not held in the name of the Company?		
15.	Guarantee by the Company		
(a)	whether the company has given any guarantee for loans taken by others from bank or financial institutions,		
(b)	What are the terms and conditions of such guarantee?		
(c)	Take a general idea about the entity and its financial position for which the Company has stood guarantor?		
(d)	Is the Company in a position to meet with guarantee obligation in case of failure of that entity to meet with its obligation?		

(e)	Has the Company Section 372A and 295 of the Companies Act 1956?		
16.	Term loan facility		
(a)	Whether the Company has obtained term loans from any person?		
(b)	If yes, for what purpose?		
(c)	Has the money so borrowed been applied for the purpose other than the purpose listed above?		
(d)	Has it been applied for a short term purpose? If yes, report under clause 17		
17.	Short term and long term funds		
(a)	Whether the Company has obtained working capital loans from any person?		
(b)	If yes, has this money been applied for acquiring fixed assets or for any other long term purpose?		
18.	Preferential Allotment of shares		
(a)	Has the Company made preferential allotment to the following parties? ✓ Any director of the company? ✓ Any relative of such director (please refer section 6 of the Companies Act 1956) ✓ A firm in which such director or relative is a partner? ✓ Any other partner of such firm? ✓ Any private company of which the director is a director or member?		
(b)	If yes, what is the price at which the shares are allotted?		
(c)	What is the market or fair price of the shares? Has the Company obtained any valuation of shares?		
19.	Securities for debentures or Charge		
(a)	Has the Company borrowed funds by issuing debentures		
(b)	Has the securities been created as per the debenture trust deed?		
20.	End use of money		
(a)	whether the management has disclosed on the end use of money raised by public issues and the same has been verified;		
(b)	Have you checked prospectus to know purpose for which money is raised through public issue?		
(c)	Check schedule VI for disclosure of unutilised money of public issue.		
(d)	Check disclosures in draft directors' report		
21.	Fraud by or against the Company		
(a)	Whether any fraud on or by the company has been noticed or reported during the year;		
(b)	If yes, the nature and the amount involved is to be indicated.		

Adequacy as to internal control over purchase of stores, raw material etc., and for the sale of goods.

Refer Point No. 4 of the CARO 2003

-----, Chartered Accountant

- (a) How are the transactions for purchase of stores, raw materials, components, plant and machinery, equipment, other assets are carried out?
Does the company invite tenders / quotations from outsiders?
- (b) Are the major purchases of such items from one party or some few parties only?
- (c) Are such purchases effected from entities wherein the directors or other officers are interested? If so special approval required for the same?
- (d) Is there any clause in the Articles of Association of the company that restricts purchase of assets in any manner ?
If yes, whether the acquisitions of such assets are made in accordance with the manner that is prescribed in the Articles?
- (e) Were there any board's resolutions for purchase of assets?
- (f) Are the purchases made in accordance with the purchase orders?
Is revision of terms of purchase orders duly authorised?
- (g) Are there specific requisitions from the concerned departments as to purchase of goods?
- (h) Are the vouchers for expenses adequately supported and authorised?
- (i) Are the purchase bills are passed after approval from the concerned departments?
Are the payments for purchases made after there being authorisation from the proper level?
- (j) Are the transactions executed in accordance with management's general or specific authorisation?
- (k) Are all transactions are promptly recorded in the correct amount in the appropriate accounts and in the accounting period in which executed so as to permit preparation of financial information within a framework of recognised accounting policies and practices and relevant statutory requirements, if any, and to maintain accountability for assets ?
- (l) Are the materials, supplies, inspected and counted, weight or measured in the receiving departments?
- (m) Are the issues to production made on a requisiton from the production department?
- (n) Is there a proper synchronizaton between the purchase, sale, and production Departments?
Is there any communication gaps?
- (p) How are the sales affected
Are the parties billed according to the Performa invoices/ price list?

- (q) Are the goods supplied to those parties whose balances are outstanding for a longer period?
If yes, are there any compelling circumstances to so?
- (r) Are the goods sold to the concerns in which directors or officers are interested at a price that is lower than for what is sold to others ?
- (s) Are the discounts offered to customers with specific authorisation?
- (t) Are dispatches of goods authorised from the sales and stores departments?
- (u) Are there any other discrepancies existing in the internal control
Has the managements taken adequate steps to ensure that such discrepancy do not arise in future?
- (v) Are ageing schedule prepared periodically
- (w) In case of export sales :
Is a record maintained of import entitlements due?
Does the record cover the utilisation / sale of such entitlements?
Is there a procedure to ensure that claims for incentives etc., are mad properly and in times?
- (x) Is approval required for writing off bad debts?
- (y) Do you have any suggestions for improvement in the system?

Signature of the Senior Partner

Signature of the Audit Executive