CHAPTER 8 (12 marks) ensure proper recording of such receipts

Ch. 8 Auditing of different types of undertaking

Audit of Educational Institutions

1. Understand the Constitution

- Review the form of organisation (Partnership, sole proprietorship, etc)
- Review the trust deed
  - Governed under Societies Regulation Act, 1960
- Note down the provisions regarding account maintenance

2. Assess the Internal Control System

- Evaluate internal control effectiveness
- Focus on asset handeling, transactions, authorization to use asset.

3. Consult minute book

- Examine the meeting records to ensure with the compliance of law.
- Confirm adherence to decision on finances

4. Consult the budget

- Verify budget allocation
- Ensure approval for expenditure beyond budget

classmate

Date

Page

5. Verify receipt related transactions

a) Tuition fees :-

- Match fee receipts with fee register
- Ensure timely fee payment. } along with
- Check for late fee charges } proper recording
- Confirm that the amount deposited in bank daily.

b) Admission fees :-

- Confirm admission fees with signed admission slips.
- Confirm that the amount is credited to capital fund, unless otherwise

c) Other fees :-

- Verify collection of library fees, hostel fees, computer fees etc.
- Ensure proper recording of these fees under appropriate head.

d) Hostel dues and refunds :-

- Ensure hostel dues are recorded before closing student's account.
- Verify refunding of deposit money

e) Grants and donations :-

- Verify grants from government or other organisation with sanction letter and bank statement.
- Ensure proper recordings of donations.

6. Verify payment related transactions

- Confirm payment of salaries and wages + PF and IT
- Ensure proper accounting of expenses for seminars
- Validate regular expenses
- Verify the purchase of fixed assets.
- Re-new payment for hostel maintenance & food purchase

7. Verification of assets and liabilities

- Conduct physical check of asset and investment.
- Ensure depreciation and amortisation along with polices
- Examine outstanding bills and pending deposits.
- Check inventory against stock records

8. Verification of Financial Statements

- Confirm that the financial statements

Income & Expenditure Account

Balance Sheet

follow regulatory authority guidelines and comply with AS and legal requirements

Audit of Healthcare organisations

1. Understand the constitution } same as auditing of
2. Assess the internal control system } educational institutions
3. Consult minute book

4. Verify receipt

- Government grants
- Donations
- Legacies & Donations
- Interest & Dividends
- Patient's admission
- Pathological tests.

5. Verify payment related transactions

- Salaries of staff
- Doctor's remuneration
- Payment of consumables
- Overhead expenses
- Capital expenses

6. Verify assets and liabilities

- Stock register
- Fixed assets and investments
- Depreciation
- Liabilities

7. Verify Financial Statements

↓

Same as Auditing of educational institutions

Audit of Bank

(I) Kon?
→ Practicing CA

(II) Appoint?
C_1 → Banking Co. → AGM (shareholders)
C_2 → Nationalized Bank → BOD
C_3 → SBI → C & AG
C_4 → RRB → Bank by itself → take approval from CG

(III) Remuneration

Banking Co. → as per Sec 142 of CA, 2013

Nationalized Bank → RBI → in consultation with CG

(IV) Contents of Auditor's Report
(Same as per Sec 143 of CA, 2013)

In addition:-

1. Whether the FS represents true and fair view of the affairs of the bank and whether all necessary information is made available to him.

2. Whether the transactions have been within the powers of the bank.

3. Whether the returns received from the offices / branches have been found adequate

CRR → 4.5%
SLR → 18%

4. Any other matter

Report to Central Government

Auditing aspects of Bank

I General Issues

1. Understand the bank and its environment.
2. Understand the Accounting process
3. Understand the Risk Management process
4. Develop a detailed audit plan
5. Determine audit materiality
6. Understand the relevant BASEL framework
7. Determine the extent of reliance on reports of previous auditor.

II Specific issues

1. Advances :-
   i) Ensure the ICS is in place.
   ii) Ensure the proper documentation of account.

2. Cash in hand :-
   i) Physical Verification
   ii) Foreign Exchange
   iii) Ensure the ICS is in place

*3. Balance with RBI :-
   i) Confirm with RBI → CRR 4.5% ; SLR 18%

→

4. Fixed and other Assets :-
   i) Accounting Method
   ii) Physical Verification
   iii) Valuation

5. Borrowings :-
   i) Disclosure about borrowings
   ii) Rate of interest
   iii) Timely payment of borrowings and interest thereon

7. Deposits :-
   i) Disclosure about deposits
   ii) Rate of interest
   iii) Payment of interest due
   iv) Window dressing, if any
   fraud

7. Capital :-
   i) Examine opening balance
   ii) Examine SR, if there is any change in authorized share capital.

8. Reserves and Surplus :-
   i) Examine opening balance
   ii) Dividend paid, if any
   iii) Addition or deduction from surplus, if any.

9. Bills Payable and Receivables

10. Contingent Liabilities

Audit of Organizations in Hospitality Structure

- Food & Beverages
- Travel & Tourism
- Lodging
- Recreation (cinema halls, Amusement park)

* Audit Procedure (common for all organizations)

1. Understand the constitution.
2. Assess the internal control system
3. Verify the validity of business to run the business

A] Restaurants (Food & Beverages)

1. C - Cash Realisation → Check that the cash realised is based on the books of Accounts, if not, give reasons for difference.
2. R - Revenue Verification → Verify the total revenue is based on Sales Report / Sales Invoices
3. O - Overhead Expenses → Vouch all the payments on account of rent, electricity etc.
4. S - Salary Payments → Vouch the payment of salary on payroll, salary slips or attendence register.
5. S - Supplier's Payments → Vouch all the payments made to supplier on Purchase Order
6. P - Petty Cash Book → Carefully examining the petty cash book, any irregularity shall be examined.
7. D - Depreciation → Whether the depreciation is provided as per relevant AS.
8. F - Fixed Assets & Investment → Conduct the physical verification of fixed assets & vouch investments on the basis of investment register.

B] Travel and Tourism

1. F – Fixed Assets and Investments
2. O – Overhead Expenses
3. T – Tour Bookings
4. B – Booking Cancellations
5. A – Approved discounts
6. L – Liability Confirmation (vouch loan by agreement)

7. S – Staff payments and incentives
8. C – Customer collection
9. C – Commission Revenue

C] Hotels and Guest Rooms (Lodging)

1. C – Collection from hotels
2. R – Room rent and occupancy
3. O – Overhead expenses
4. S – Special events
5. S – Staff salaries

6. L – Liability Confirmation
7. A – Additional services and rent
8. P – Procurement
9. S – Stock Valuation

D] Recreation (Cinema hall, Amusement park)

1. Ticket Control
2. Ticket Sales Verification
3. Advance Booking
4. Staff salaries and payment

5. Fixed assets and investments
6. Refreshment and Sale of drinks
7. Supplier payment
8. Entertainment Tax
9. Advertisements

Audit of Co-operative Societies

- Meaning

a) It is a AOP → Voluntarily joined → to achieve a common economic objective ↓ by way of contribution to capital and accepting a fair risk & benefit of undertaking.

Asso ciations of Person

- Statutory Audit Requirements in Co-operative Socities

1. Kon?
   i Practicing CA
   ii Person holding a diploma → in co-operation account.

2. Appoint kon karega?
   Registrar of Socities (ROS)

3. Books maintained by Co-operative Socities:
   1. Cash Book
   2. Stock Register
   3. Register of fixed deposits
   4. Register of assets and investments
   5. Register of sureties

4. Restriction on shareholding :

max 20% of total shares | AND | ₹1,000 (FV)

5. Restriction on Loan : (Dena)

can grant loans only to members → approval of ROS

can grant loans to other co-operative socities → must be registered

6. Restriction on borrowings : (lena)

→ can accept loans/deposits from member + non-member

7. Investment of funds

- Central or State Co-operative bank
- Securities under Section 20 of Indian Trusts Act, 1862
- SSB of any other co-operative society + having limited liability

shares, stocks & bonds

- Any bank / person carrying on banking bussiness / co-operative banks → approved by ROS
  NBFC
  − Central / State Co-operative Bank
- Any other with the permission of ROS.

8. Appropriation of Profits

→ Min 25% of profit → transferred to Reserve Fund
→ ROS may reduce this rate, not less than 10%

9. Contribution to Charitable purpose

after transferred to Reserve Fund

Remaining profit × 10%
= can be used as charity

eg 100
(25)
75 × 10%
= 7.5

⇒ Steps taken by an auditor of Co-operative Society

1. General Points
- Ensure by-laws of society (internal rules & regulations)
- Examine ROM (Registrar of Members) ~~and individual~~
- Access the internal control system

2. Audit of Income
- Vouch receipt of cash with ROM.
- Sales shall be vouch against invoice.
- Loans / Advances shall be vouched against loan agreement.

3. Audit of Expenditure
- Ensure whether the expenses are made (खर्च जोगाए होते है) with the authorization of $\boxed{\text{managing committee}}$, especially large capital expenditure
- Vouch borrowings against loan agreement.

4. Other Points
- Appropriately classify overdue debts from 6 months – 5 years and report that to members with reasons. (Liability)
- Also classify overdue loans & advances and probability of recovery of such debts. (Asset)
- Overdue amount of interest received shall be credited to Overdue Interest Reserve Account.
- Bad debts shall be written off with the approval from managing committee

Audit of Local Self-Government

	Urban Self - Government	Rural Self - Government
Structure	• Municipal Corporation (Nagar Nigam) • Municipality (Nagar Palika) • Notified Area Council / Town Panchayat / Nagar Panchayat	• Gram Panchayat (Village level) • Panchayat Samiti (Block Level) • Zilla Parishad (District Level)
Functions	• General Administration and revenue collection • Public health and safety • Education and public works • Other areas like interest payment.	• They also generates revenue through local taxes • Funds are used for development and maintenance of public assets.

• Objectives

- Ensure the fairness and correctness of F.S ← Financial Statements
- Report on adequacy of ICS ← Internal Control
- Ensure the value of money is fully received on amount spent.
- Detect fraud and errors.

Audit of Local Bodies

1. Appointment
   - As per respective regulation
   - Prior approved by appropriate authority

2. Rules & Regulations
   - Obtain detailed understanding about it.

3. Relevant documents
   - Consult relevant documents, minutes, resolution

4. Utilization of Grants
   - Ensure grants received from government has been utilized for the specified purpose.

5. Potential Fraud
   - Ensure debt investigation into areas with potential frauds eg. Revenue Collection.

6. Provisions of Funds
   - If there is provision of any fund, ensure that expense is incurred from that provision.
   - Such provisions shall be authorized by competent authority.

7. Economical expenditure for Target Outcomes
   - Where there is huge financial expenditure involved, ensure that it is running economically and is expected to generate targetted outcome.