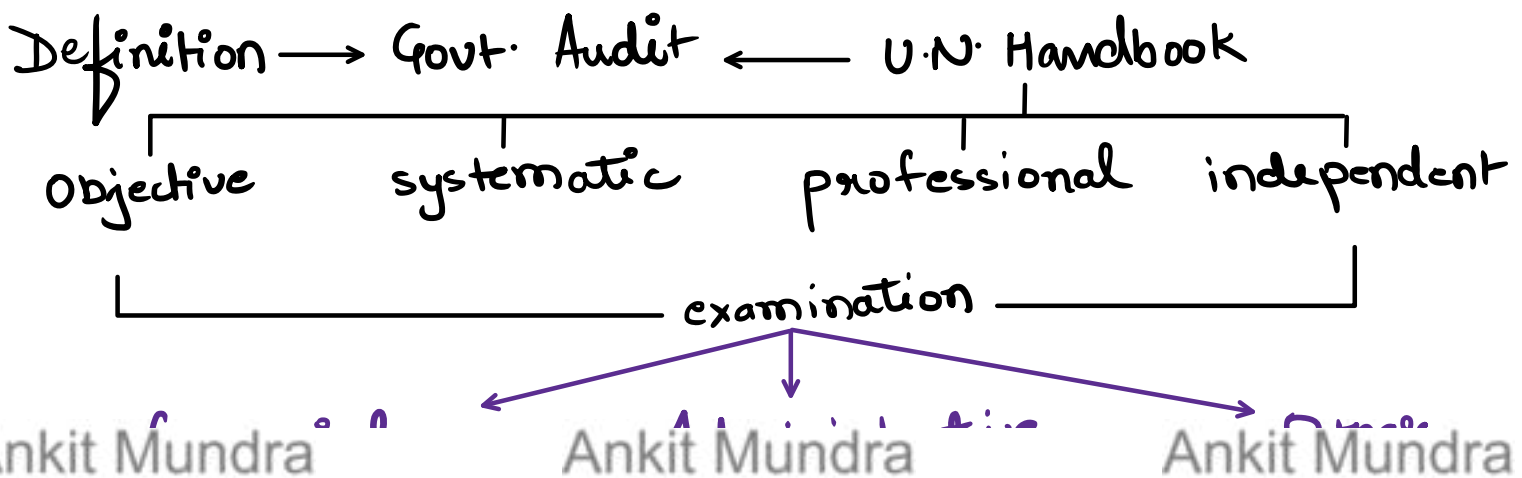
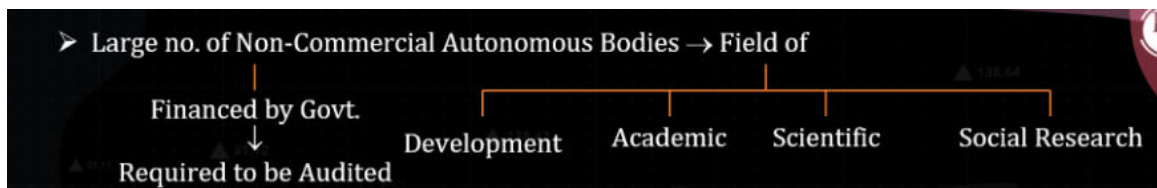
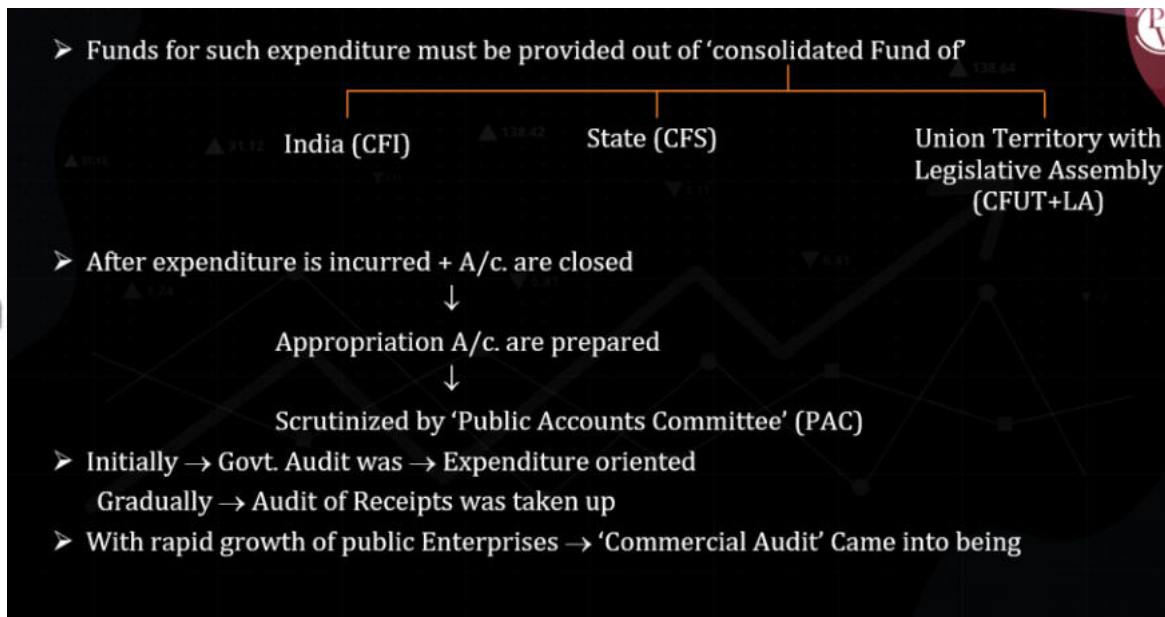
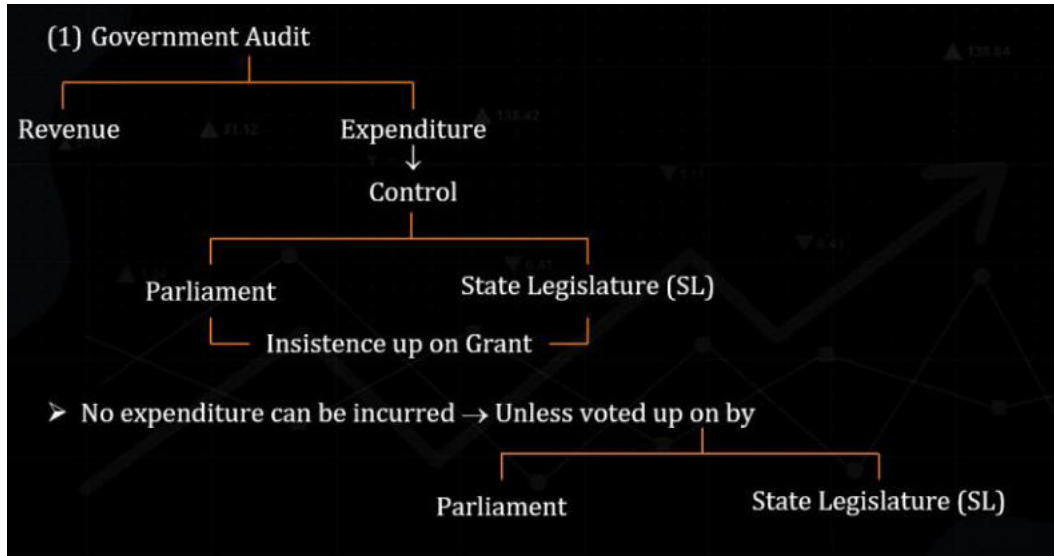


1. - GOVERNMENT AUDIT

1.1 - Background



financial

Administrative

Other

operations

of public entity

made subsequently → to their execution

for the purpose
 evaluating
 verifying

presenting

Report Explanatory
CommentsAudit
findings

conclusions

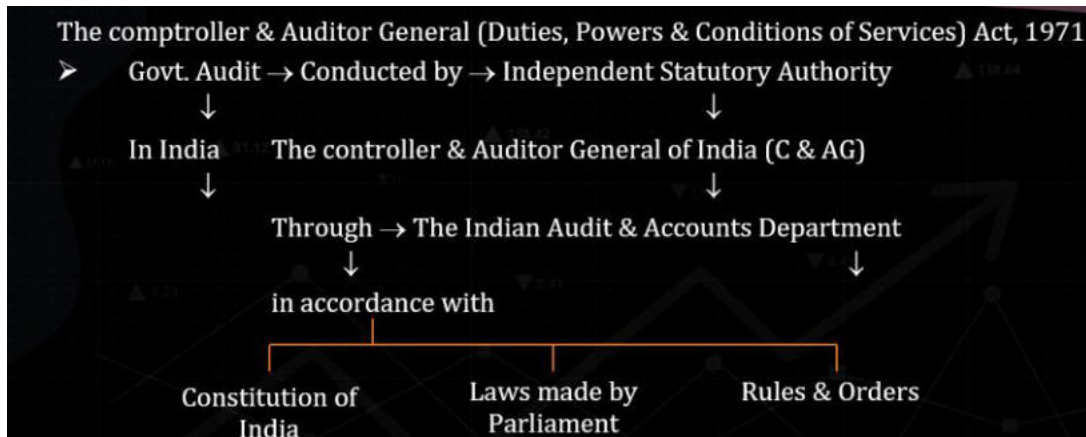
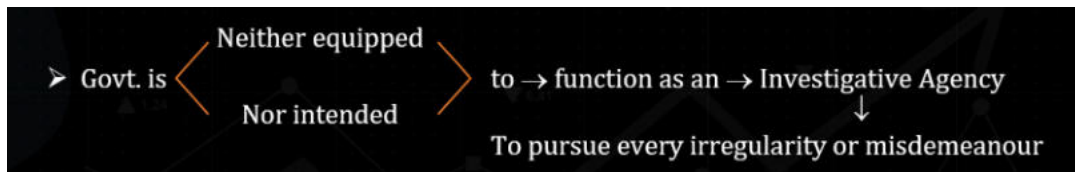
Recommendations

by Responsible officials

➤ Objective of Govt. AuditAccounting for
Public fundsAppraisal of Govt.
PoliciesBase for
corrective Action**➤ Main objectives of Govt. Audit**Ensuring
Accountability
↓
of Administration
↓
To legislativeFunctioning as an
↓
Aid to Administration

Administrative Accountability

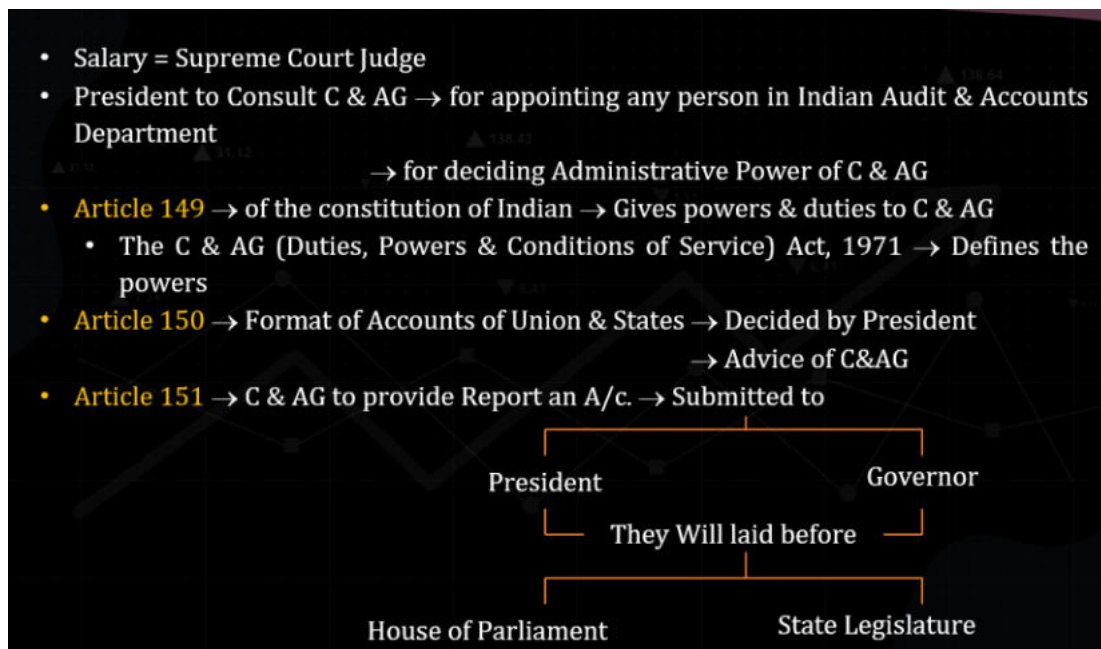
Administrative Accountability



1.2 - 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

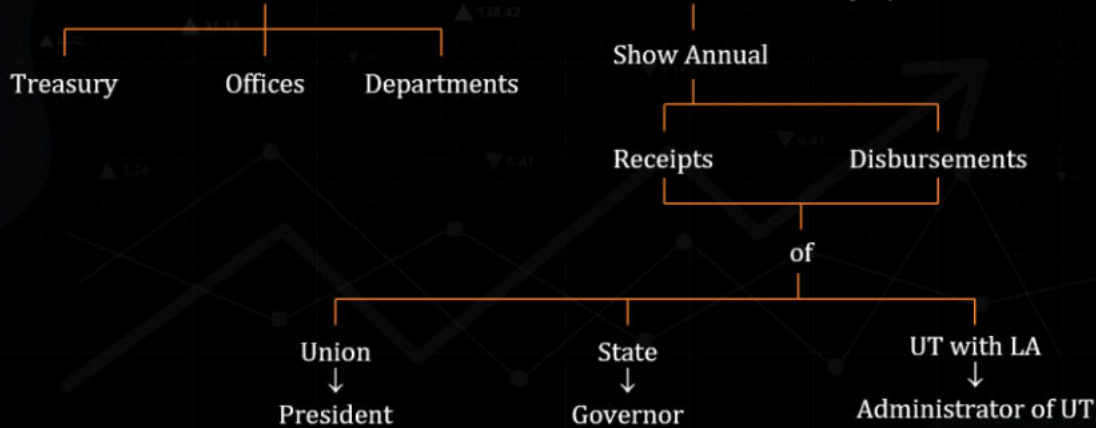


1.3 - Comptroller and Auditor General's — Duties and Powers

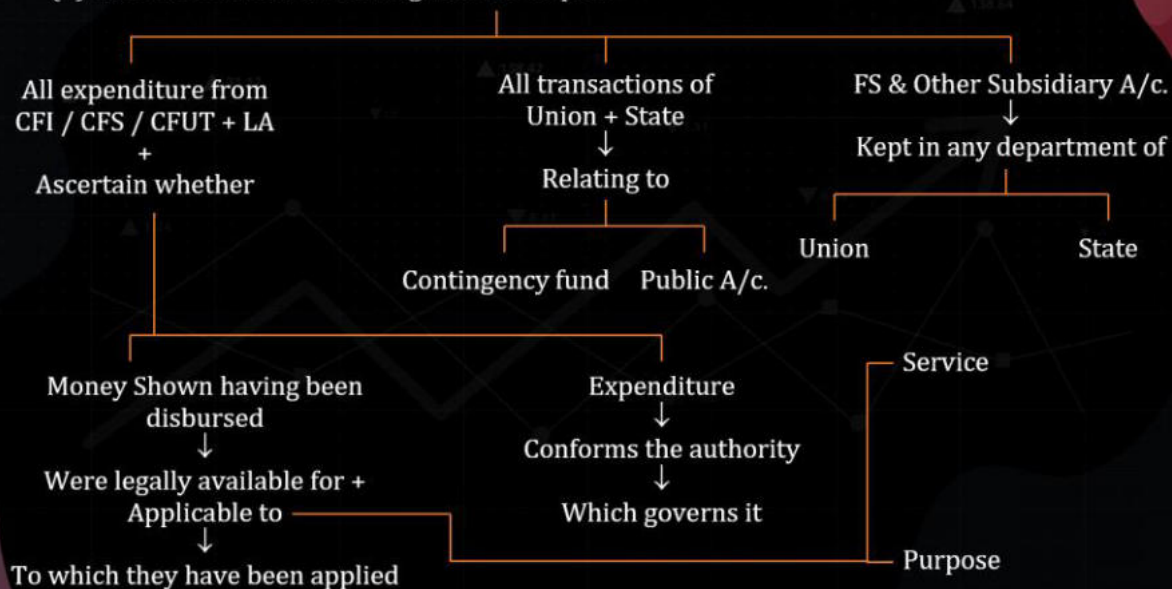
Duties of C & AG (7 Duties)

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

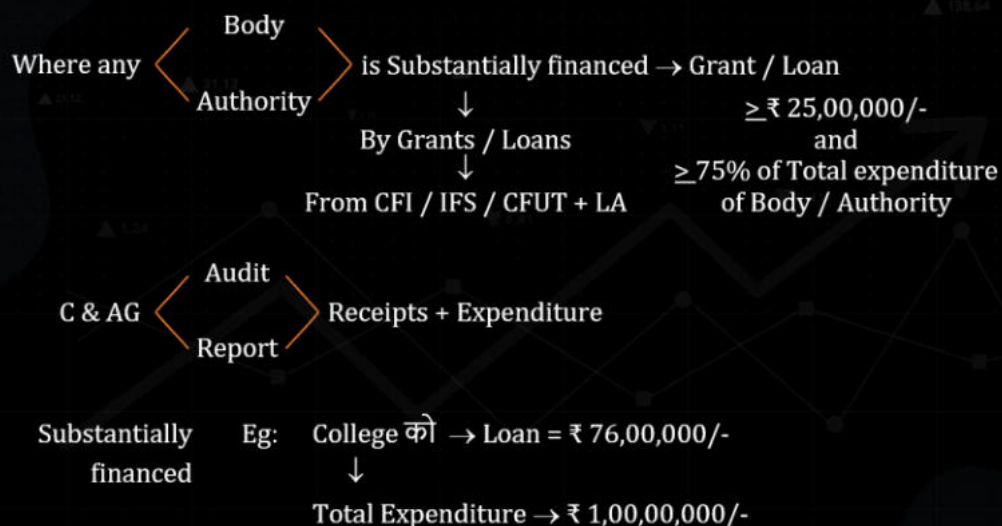
Rendered to Audit & Accounts Officers ← From Initial & Subsidiary A/c.



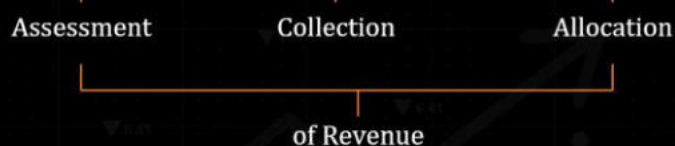
→ As per the Act → It is not the responsibility of CRAG → to → Give Info. → Prepare A/c.

(ii) General Provisions Relating to Audit Report

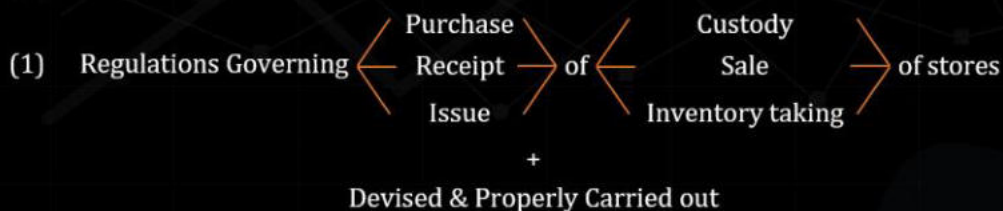
(iii) Audit of Receipts & Expenditure



(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

(2) Aim is to bring in any deficiencies in (3) Ensures By Units

(4) Periodical Verification

(vii) Audit of Govt. Co. & Corporations

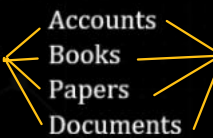
→ In accordance with the companies Act, 2013

→ Appoint Auditor V/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  relevant to audit → to be sent to specified places

(iii) To put such questions he may consider necessary
make such observations

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

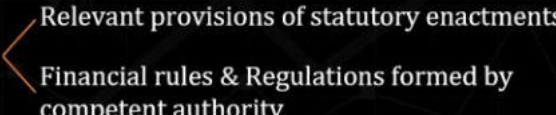
1.4 - Expenditure Audit

The basic standards → Set to ensure → provision of funds

↓
Authorised by competent authority
↓

Fixing limit within which → Expenditure can be incurred

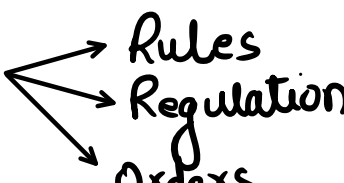
(i) Audit against Rules & orders

Expenditure incurred → conforms 

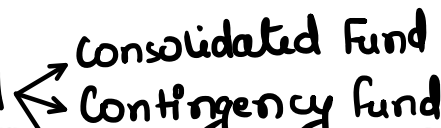
→ Quasi-Judicial Work → involves → interpretation

Constitution Statutes Rules Regulations Orders

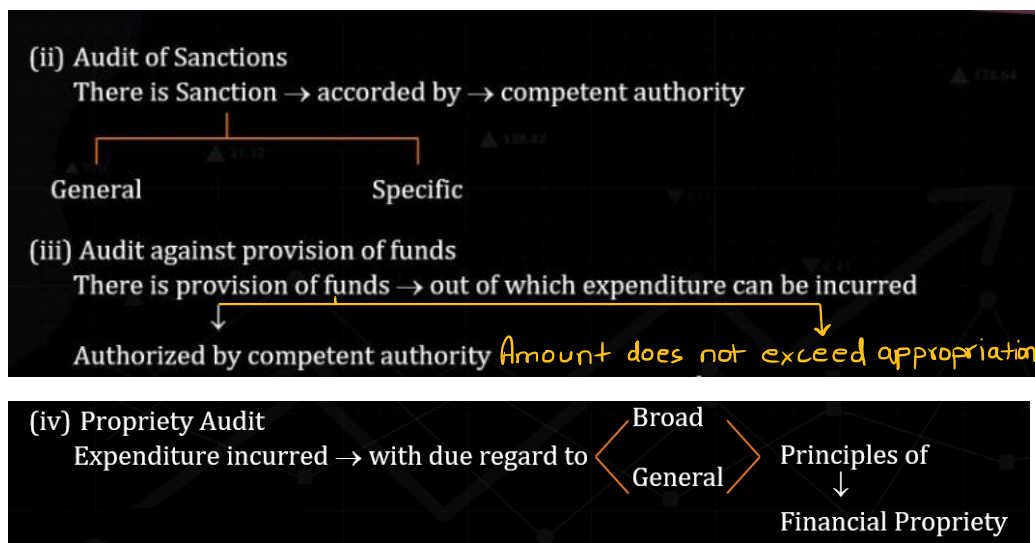
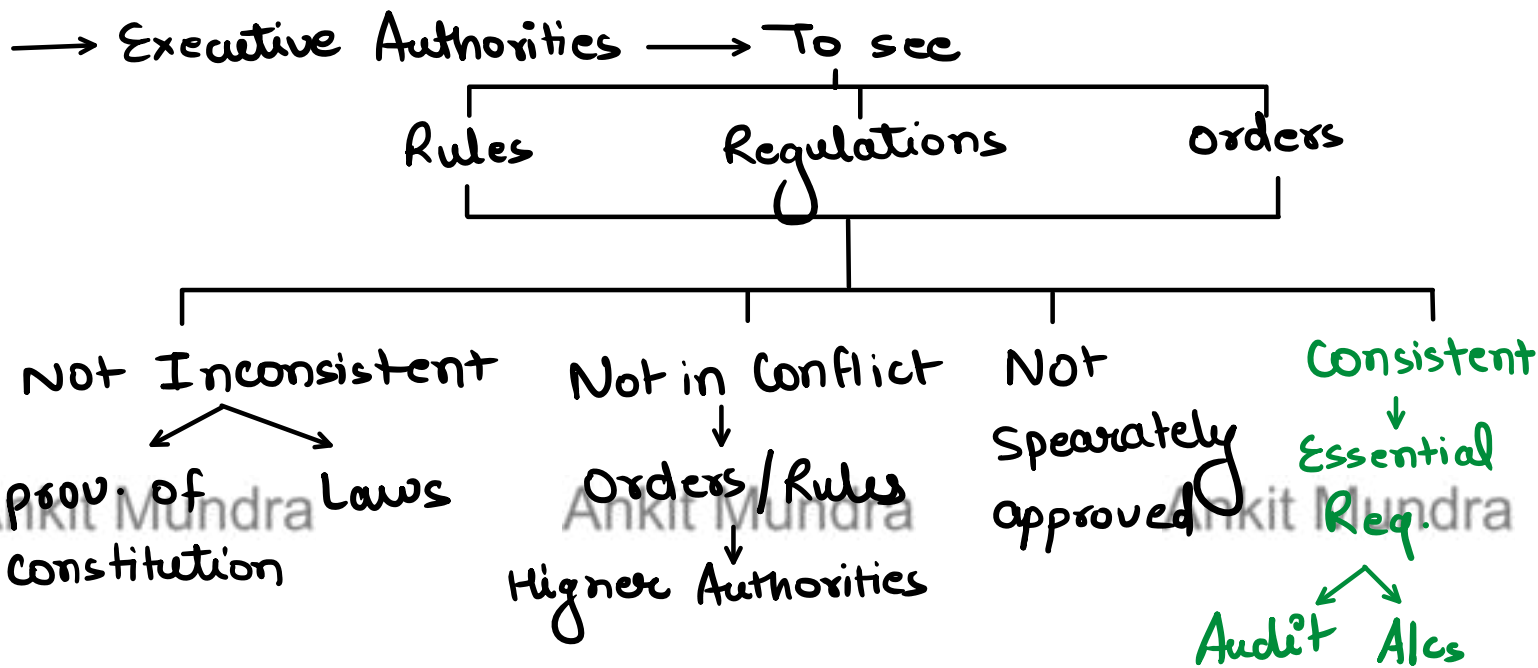
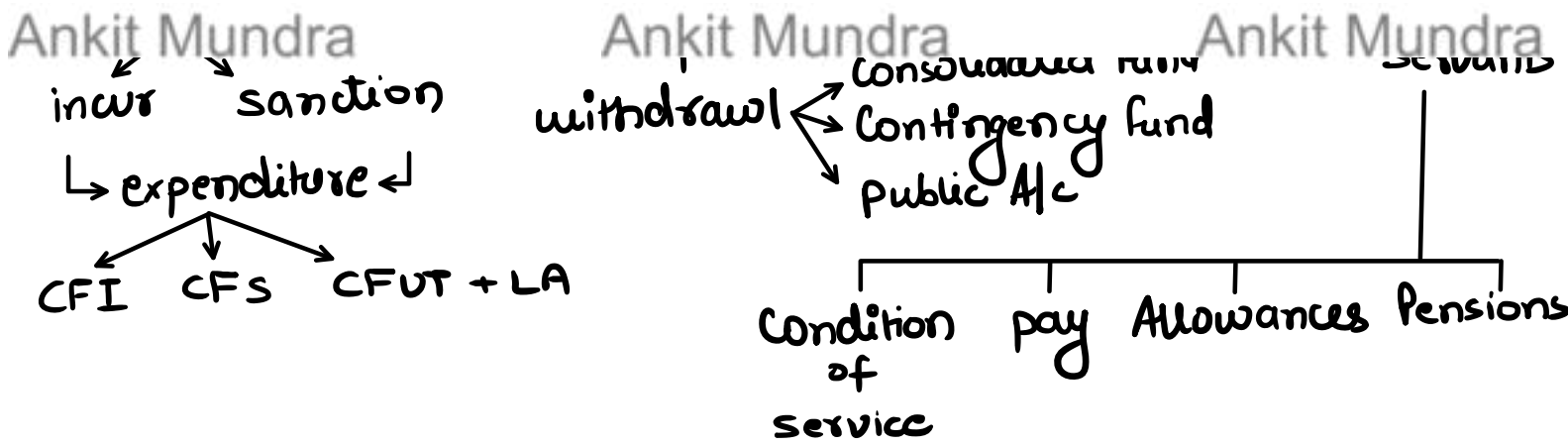
→ final power → interpretation ≠ C & AG

→ categories 

power
↓
incur sanction

presentation → claims
+
withdrawal 

Govt. Servants



Not > occasion As officer's own money Not to own Not for benefit of a particular

Not >
occasion
demands

As officer's
own money

Not to
own
advantage

Not for benefit
of a particular
person community
unless

Insignificant
amount

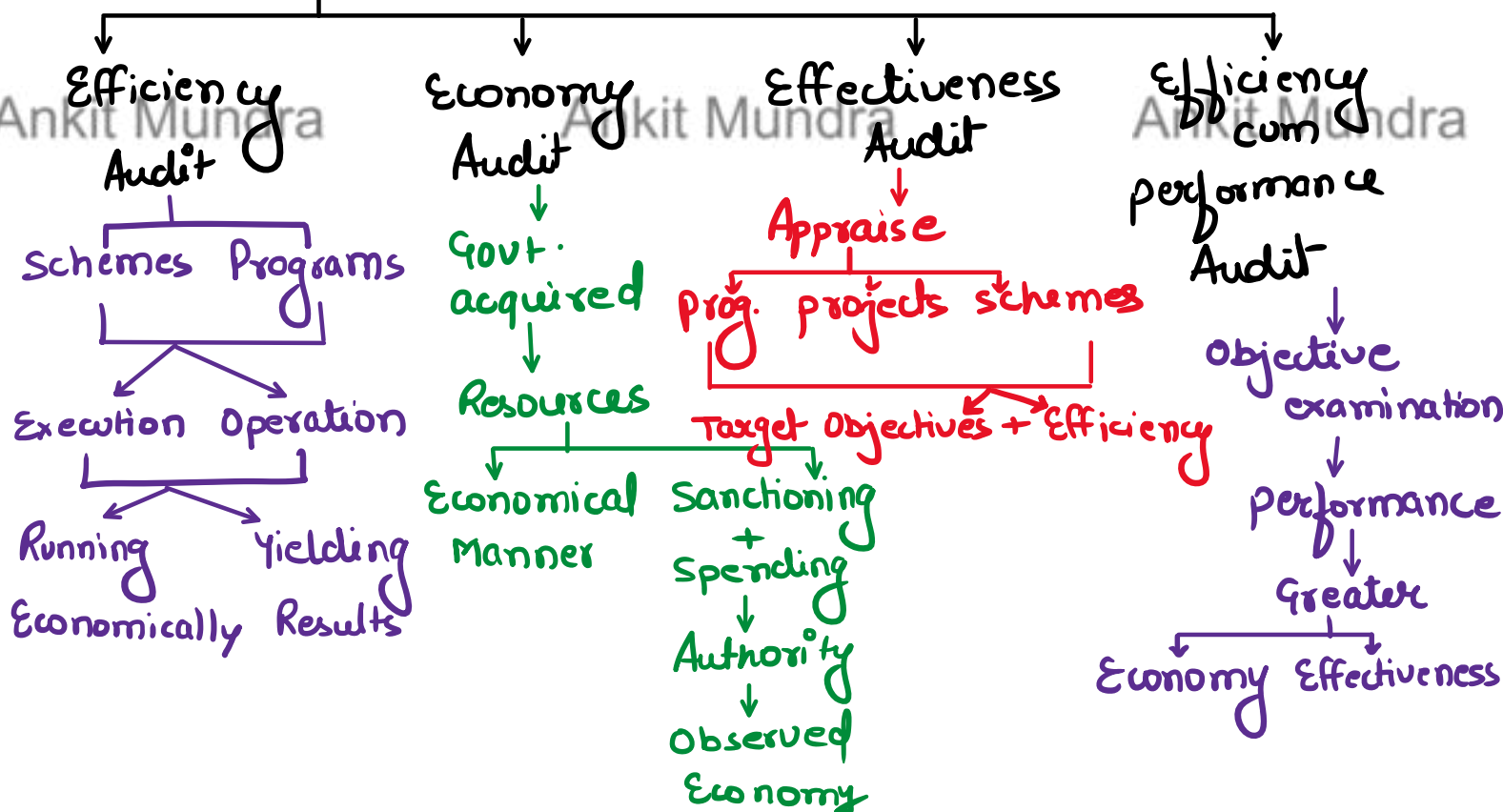
claim could
be enforced
in court
+

As per
recognised
policy custom

Not source of
profit to
recipient

Regularity Audit → alone not suff.

(v) Performance Audit / full Scope Audit



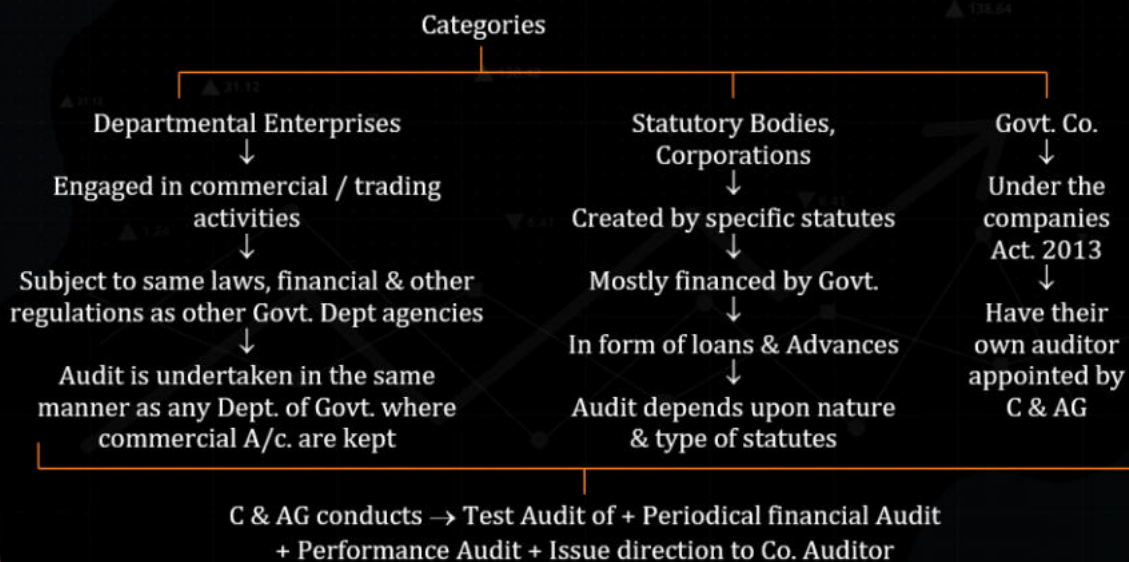
1.5 - Audit of Receipts

Audit of Receipts



1.7 - Audit of Commercial Accounts

Audit of Commercial A/c



In case of Govt. Co. → C & AG shall have right to → Within 60 Days → Receipt of Audit Report

Conduct supplementary Audit u/s 143(6)(a)
↓
FS of the Co.
↓
By such person(s) he may authorize
↓
Require Info.

Comment up on / Supplement
↓
Such audit report u/s 143(6)(b)

To be sent by Co. to

Member Trustee Anyone entitled to AGM

Test Audit
↓
C & AG can cause Test Audit

1.8 - Reporting Procedures

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

Union → President of India

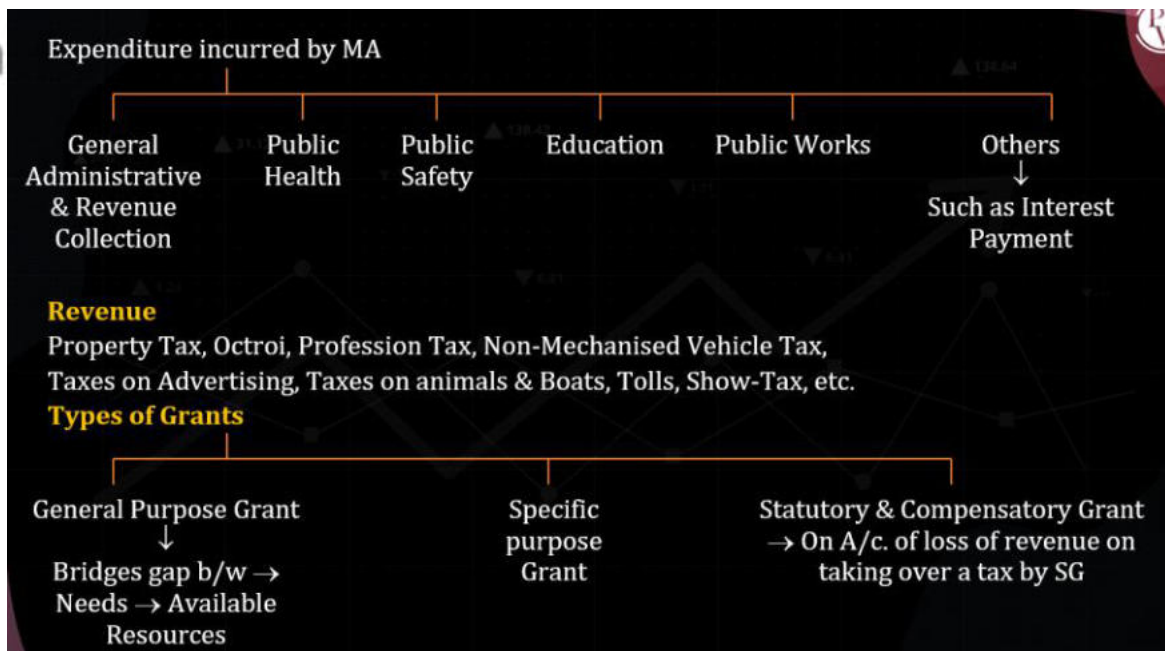
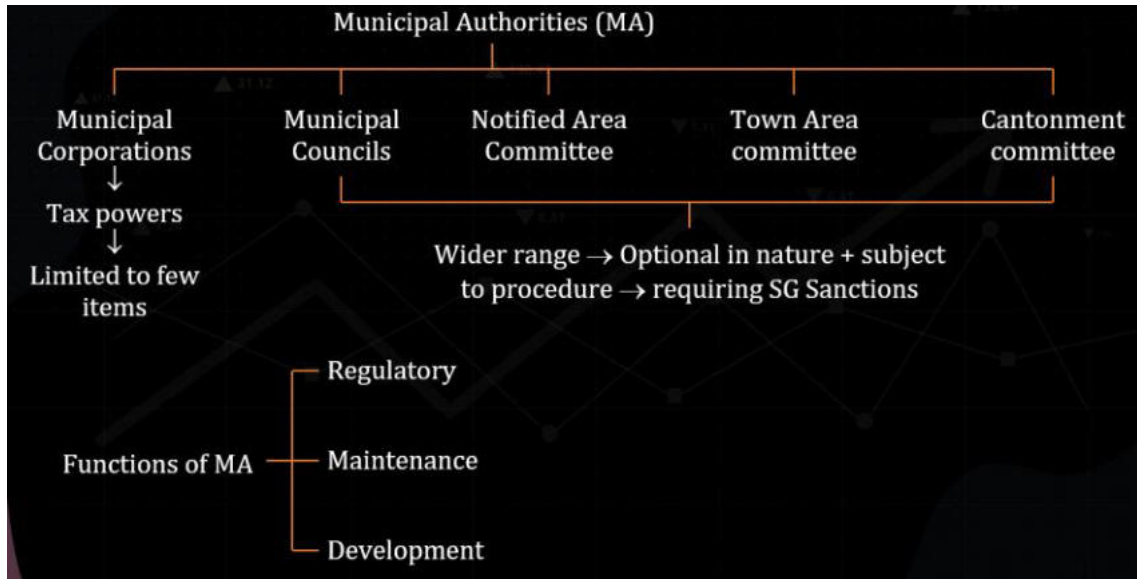
State → Governor

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

2. - AUDIT OF LOCAL BODIES

2.1 - Background

Definition → Municipality
 ↓
 Local Self Govt. → urban areas



2.2 - 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 raise + Money is spent

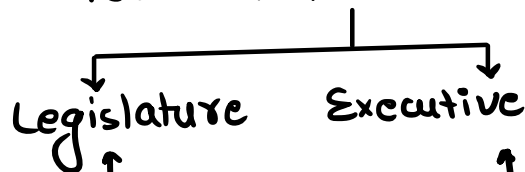
By Executive department

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

No strict separation b/w $\begin{matrix} \text{Revenue} \\ \text{Capital} \end{matrix} > \text{items}$

under 'Extraordinary Items' head

(2) Expenditure Control $\rightarrow$ Clear demarcation $\begin{matrix} \text{SG} \\ \text{CG} \end{matrix}$



Integration $\rightarrow$ Municipal Council
External Audit by SG because

Diff. to function

Cannot accommodate

as inquisitorial body

Independent Finance Officer

(3) Accounting Sys. $\rightarrow$ Municipal $\begin{matrix} \text{Accounting} \\ \text{Budget} \end{matrix} > \text{formats}$

CRITICISED

Neither
Simple

Not
Comprehensible

Sometimes provides

Inadequate

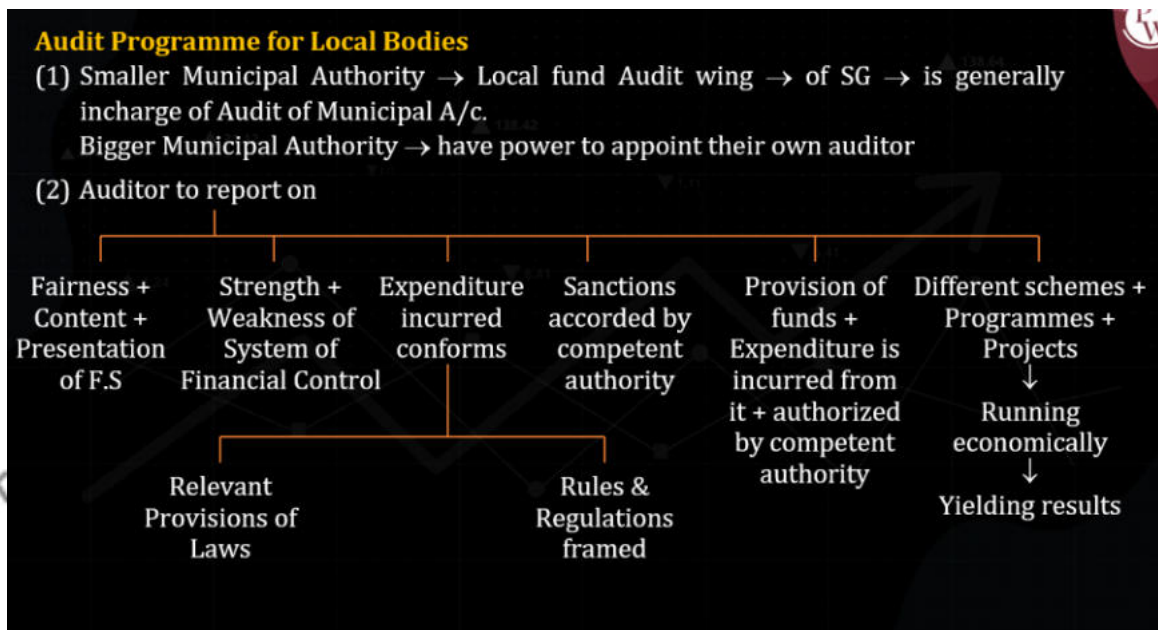
Surfeit

$\hookrightarrow$ Info. $\leftarrow$

2.3 - Objective of Audit of Local Bodies

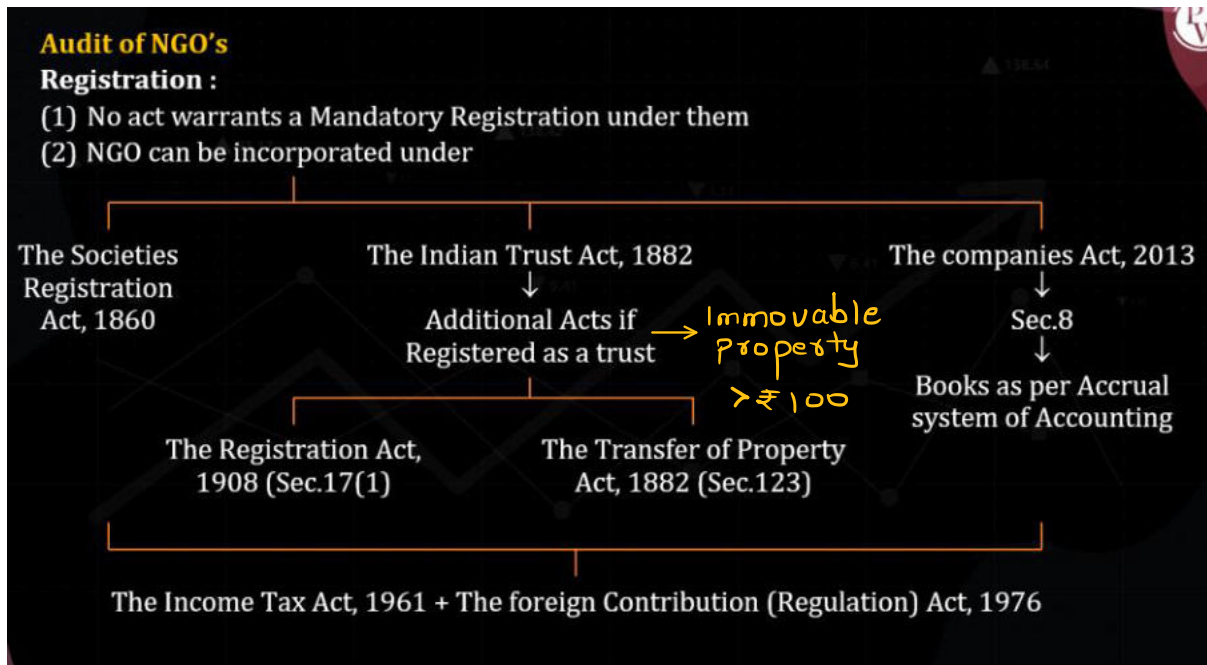


2.4 - Audit Programme for Local Bodies

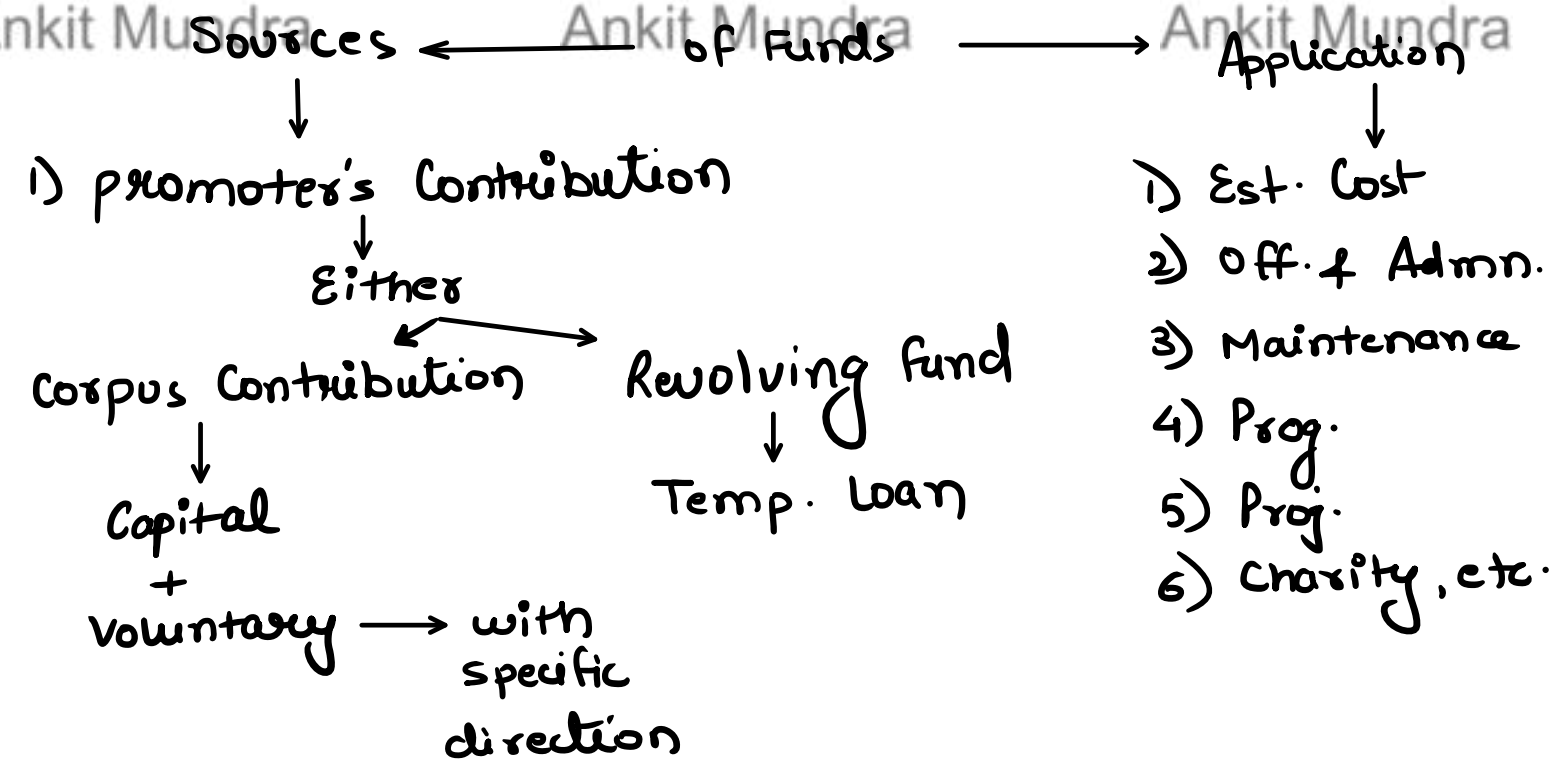


3. - AUDIT OF NON - GOVERNMENTAL ORGANISATION (NGO'S)

3.1 - Background

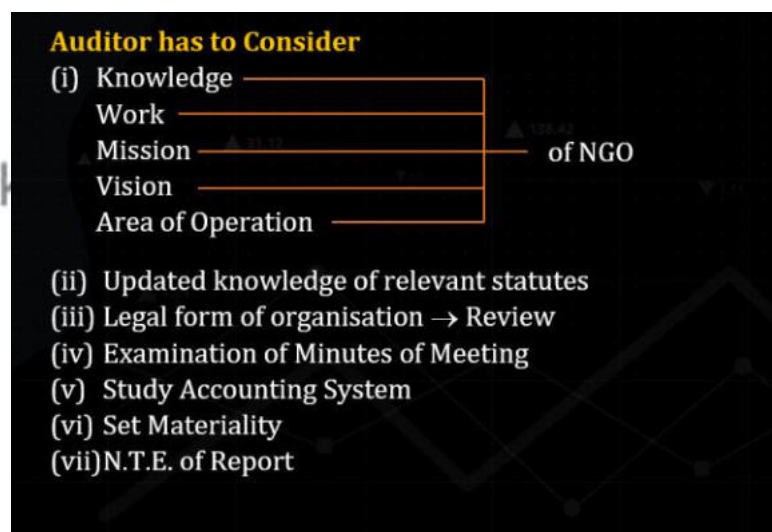
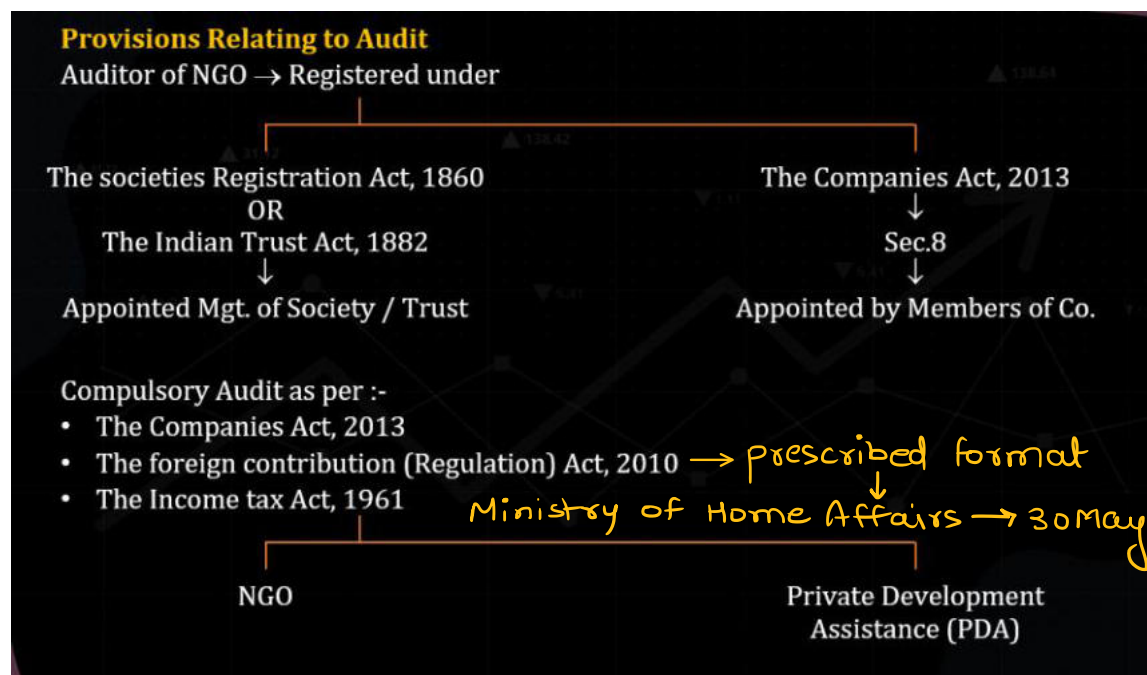


3.2 - Sources and Applications of Funds



2) Contribution in kind

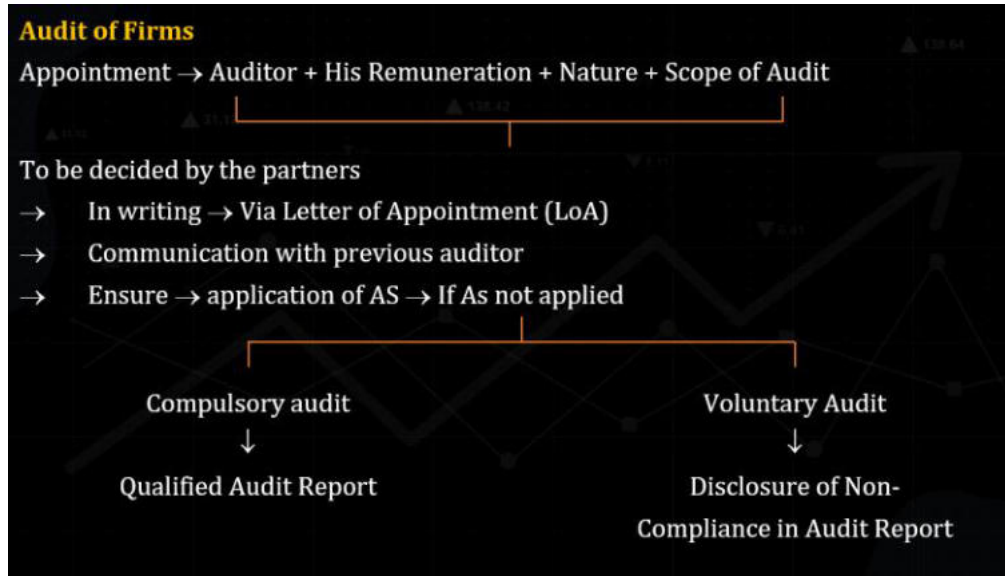
3.3 - Provisions Relating to Audit



4. - 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



→ Matters to be considered

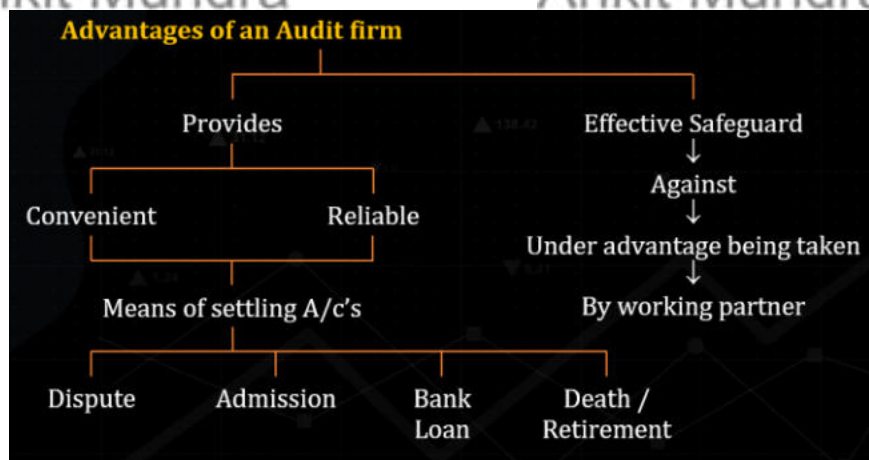
BEFORE AUDIT

- 1) Name > Business
- 2) Duration
- 3) Amt. of Capital
- 4) Year End?
- 5) Borrowing Capacity
- 6) Capital Loan > Interest Rate
- 7) Salaries
- 8) Managing Partner

P
A
R
T
N
E
R
S
H
I
P
D
E
E
D

DURING AUDIT

- (1) Confirming (LoA) → Signed by partner → Duly authorized
 - State
 - Scope
 - Nature
 - Limitation
- (2) Study the minutes
- (3) Verification of T & C of partnership agreement
- (4) Examining Books of A/c's
- (5) Verifying that interest of no partner has suffered
- (6) Provision for Tax has been made
- (7) Verifying P/L → Divided in Proper Ratio



5.1 - Basics of Limited Liability Partnerships (LLP) Audit

Definition → Small LLP

partner's Capital [Contribution]

Turnover

≤ ₹ 25,00,000

[Present]

≤ 40,00,000

≤ ₹ 5,00,00,000

[May be prescribed by CG]

≤ 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

Cost of Goods
Purchased

WIP

FG

Inventories

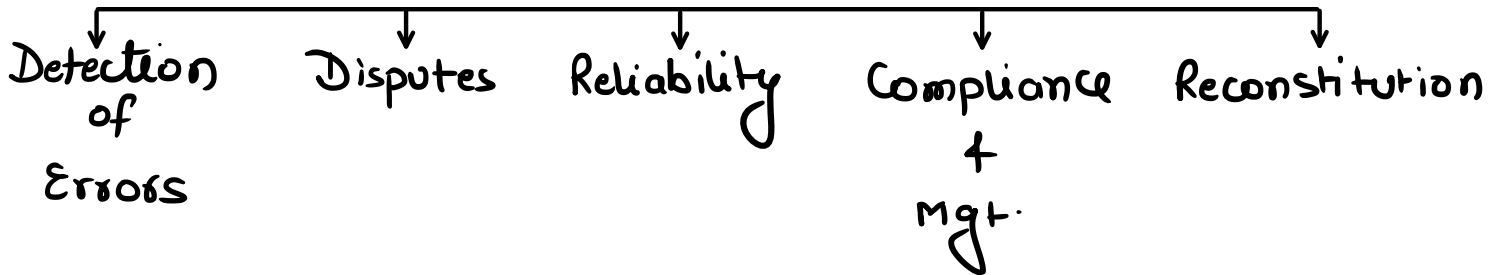
COGS

(iv) Other particulars which partners may decide

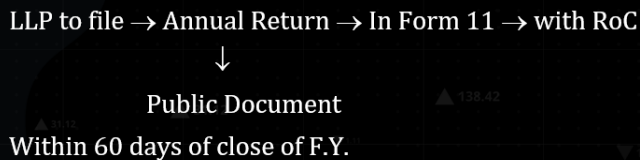
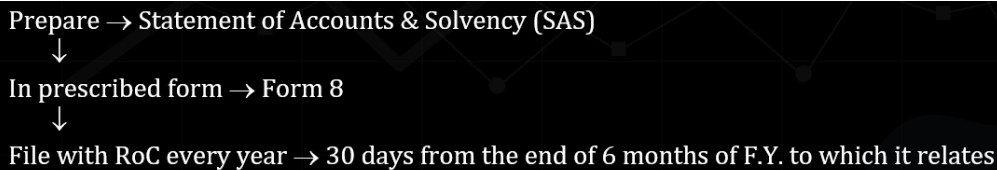
Audit of A/cs of LLP



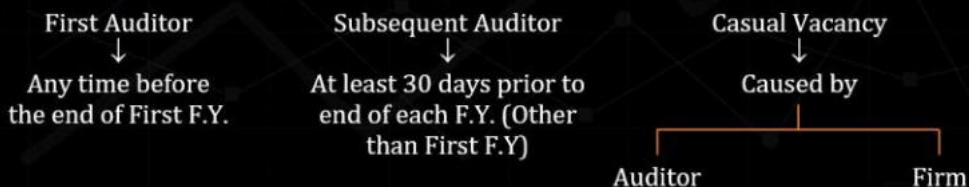
Advantages / Purpose / Need of Audit



Returns to be maintained and filed by an LLP :-

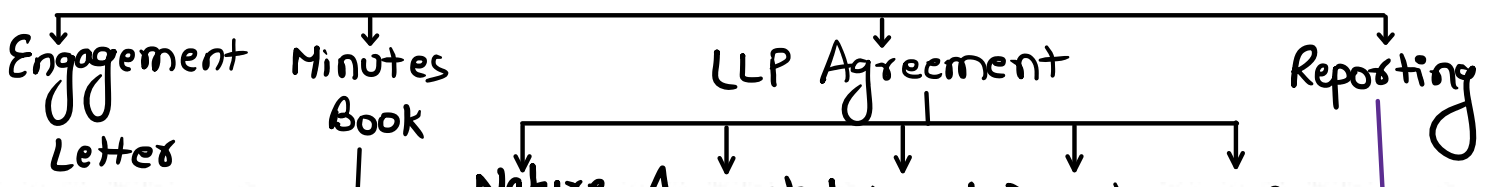


Appointment of Auditor → By designated partner



→ If designated partner fails → Other partners may appoint.

Auditor's Duty Regarding Audit of LLP



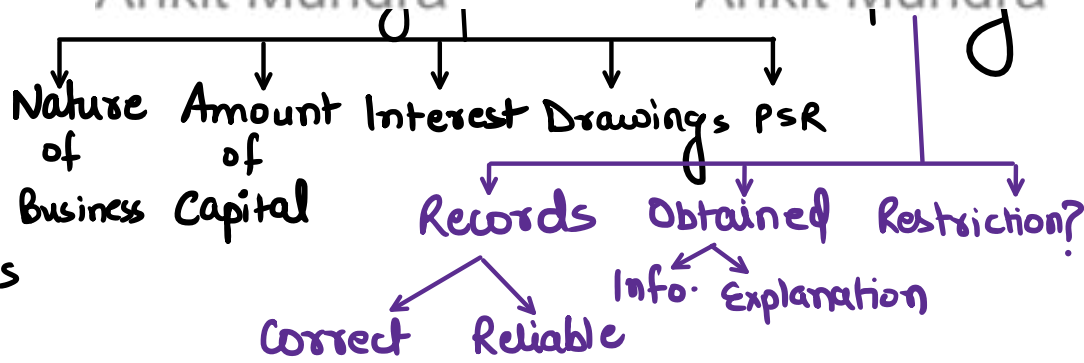
Ankit Mundra

Ankit Mundra

Ankit Mundra

UU
Letter
↓
writing

Book
↓
Refer
↓
Resolutions



Ankit Mundra

Ankit Mundra

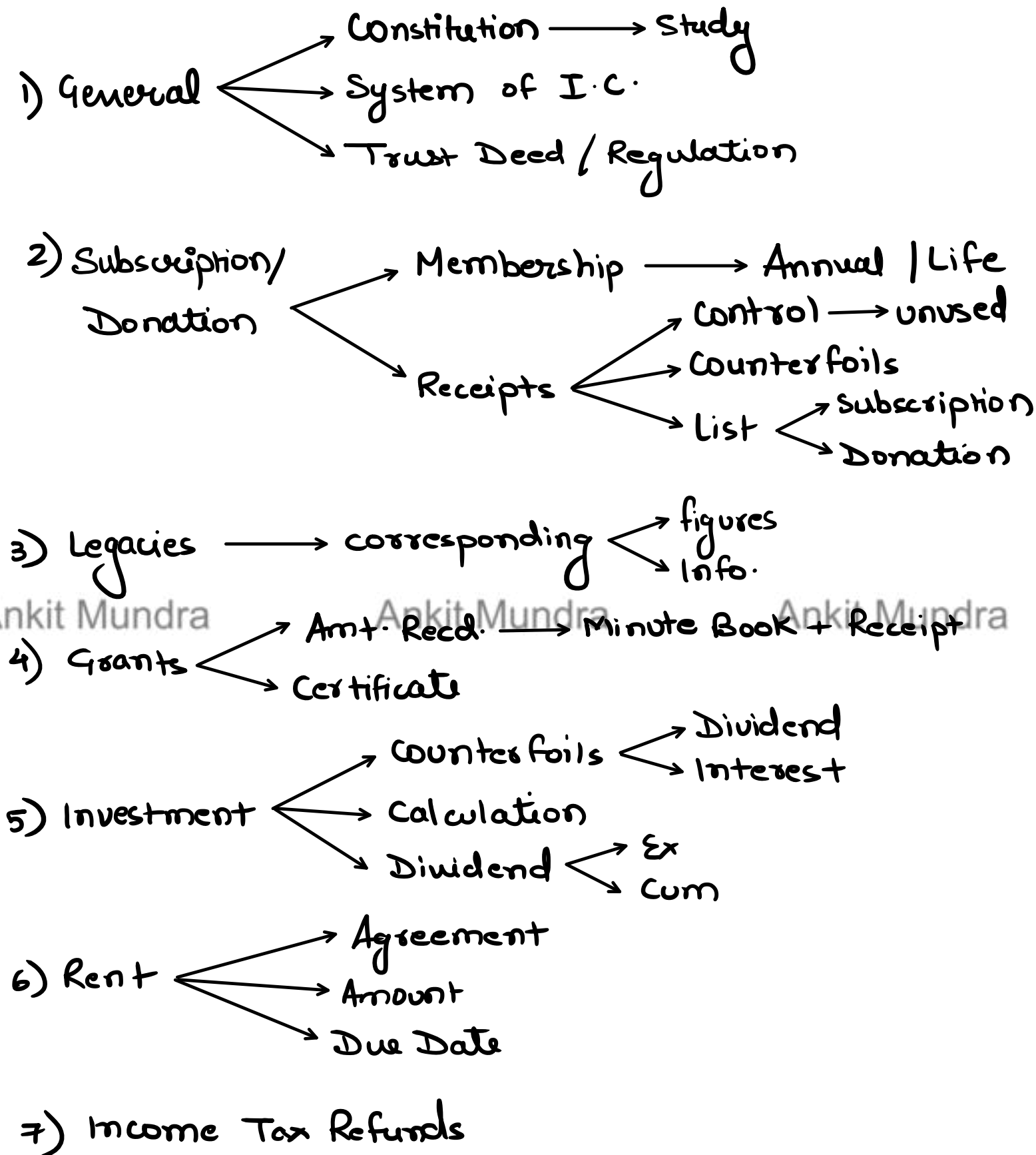
Ankit Mundra

Ankit Mundra

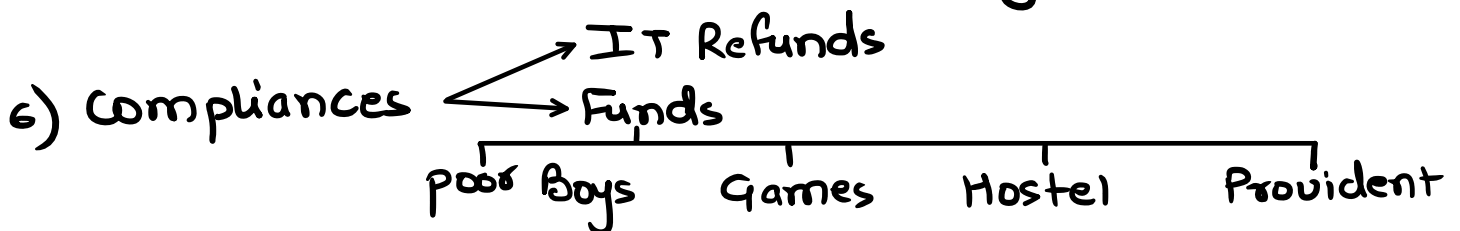
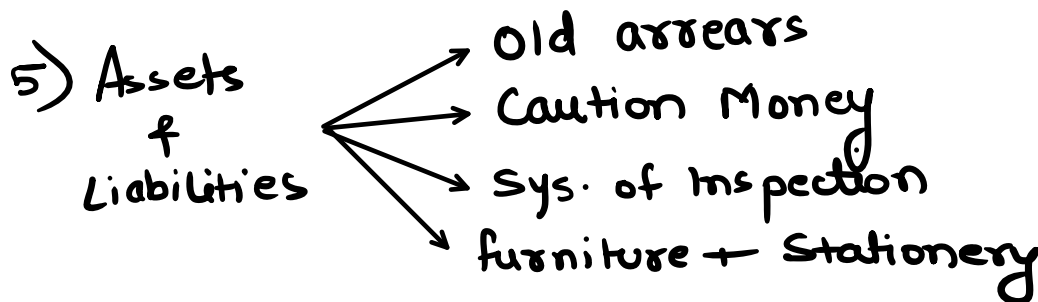
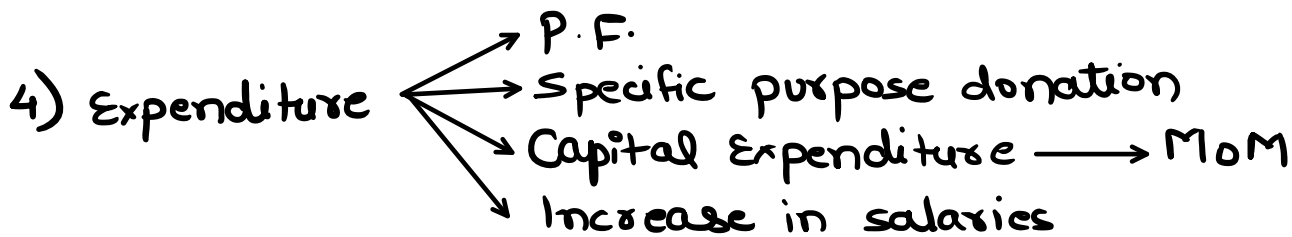
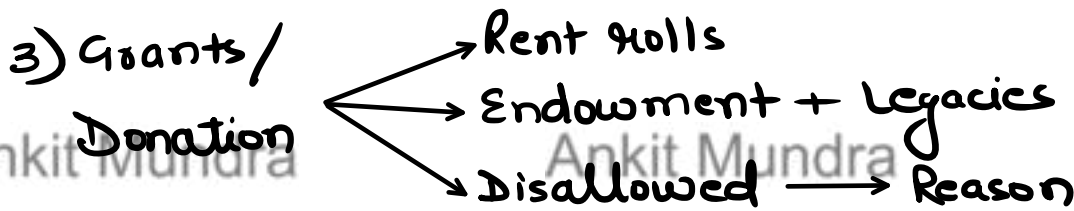
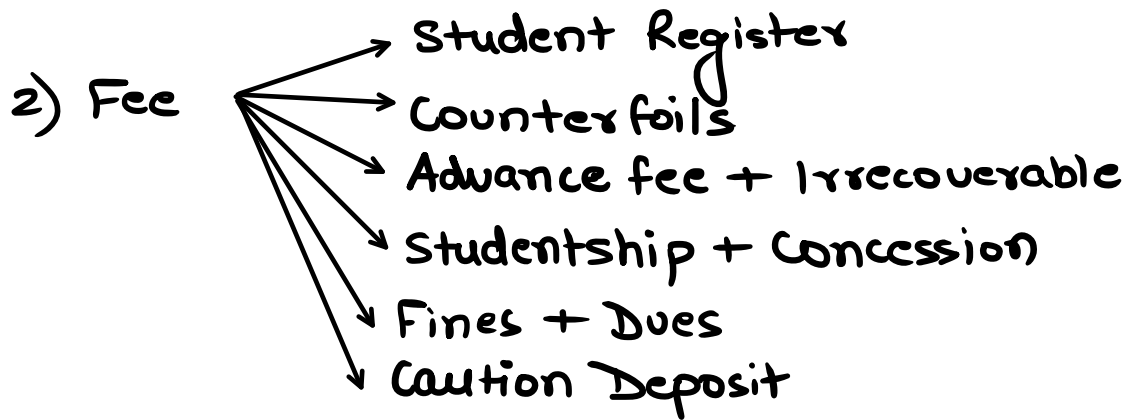
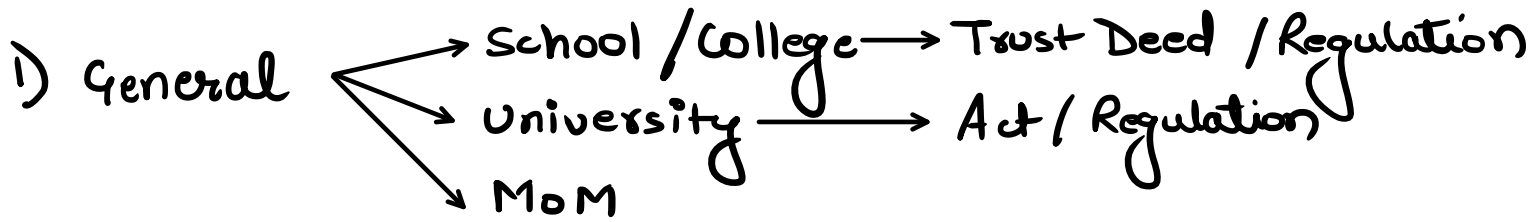
Ankit Mundra

Ankit Mundra

6. - AUDIT OF CHARITABLE INSTITUTION

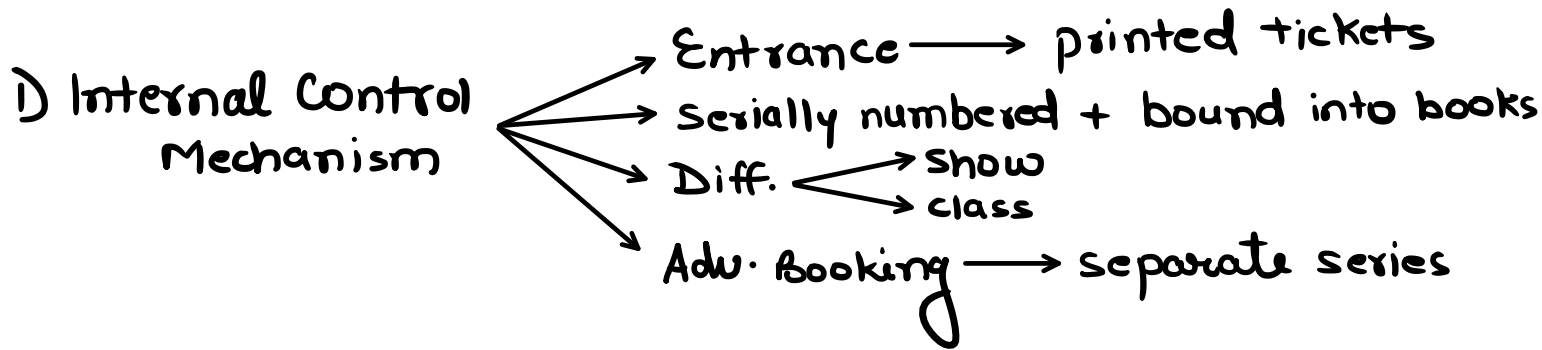


7. - AUDIT OF EDUCATIONAL INSTITUTIONS (SCHOOL, COLLEGE OR UNIVERSITY)



- 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

- 1) Entrance Fee + Counterfoils
- 2) Subscriptions
- 3) Arrears of Subscriptions
- 4) Arithmetical Accuracy
- 5) Irrecoverable Member Dues
- 6) Price $\begin{matrix} \nearrow \text{Food} \\ \searrow \text{Drinks} \end{matrix}$
- 7) Purchases $\longrightarrow$ Furniture + Sports items + Crockery
- 8) Management Powers



2) St. of ticket sold

3) Free passes

4) Tax collected

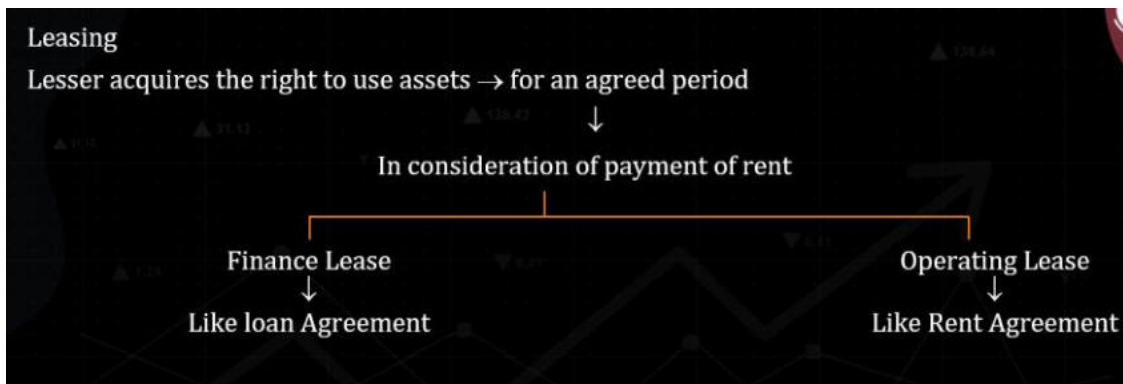
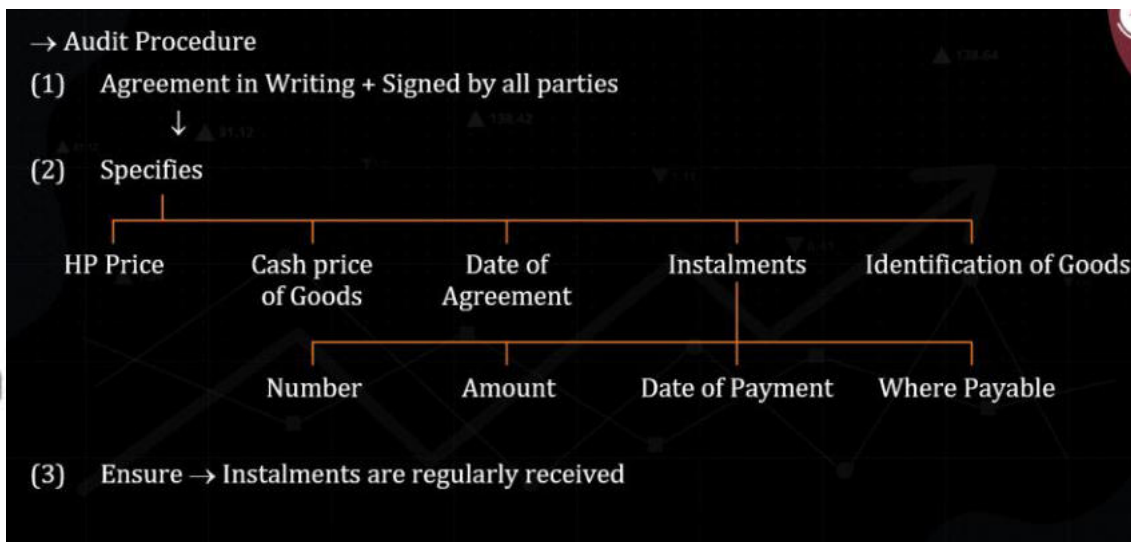
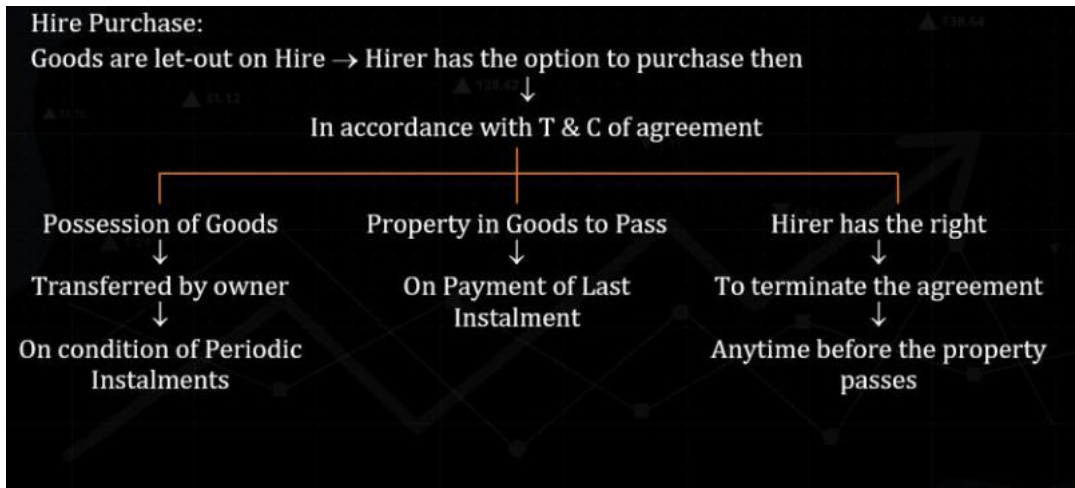
5) Advertisement

6) Depreciation

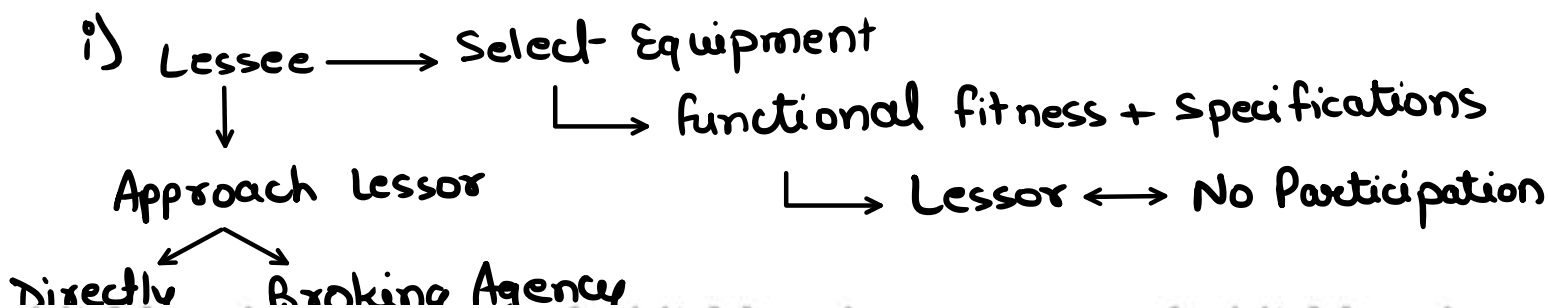
7) Adv. paid to distributors

8) Restaurant Income

11. - AUDIT OF HIRE PURCHASE AND LEASING COMPANIES



→ Finance Lease Modalities



Directly Broking Agency

ii) Lease Agreement $\begin{cases} \rightarrow \text{Negotiated} \\ \rightarrow \text{Rates finalised} \end{cases}$

iii) Manufacturer $\rightarrow$ Delivers Equipment $\rightarrow$ Lessee
 $\downarrow$
 Notice of Acceptance

iv) Lease Agreement $\rightarrow$ Detailed terms

v) Lease Tenure $\rightarrow$ Lessee

$\rightarrow$ Pay Rentals Regularly
 $\rightarrow$ Keep Equipment $\begin{cases} \rightarrow \text{Repaired} \\ \rightarrow \text{Working} \end{cases}$

$\rightarrow$ Entitled to

$\begin{cases} \text{Manufacturer's} & \text{After Sales} \\ \text{Warranty} & \text{Service} \end{cases}$

vi) End of Lease pd. $\rightarrow$ Equipment Returned

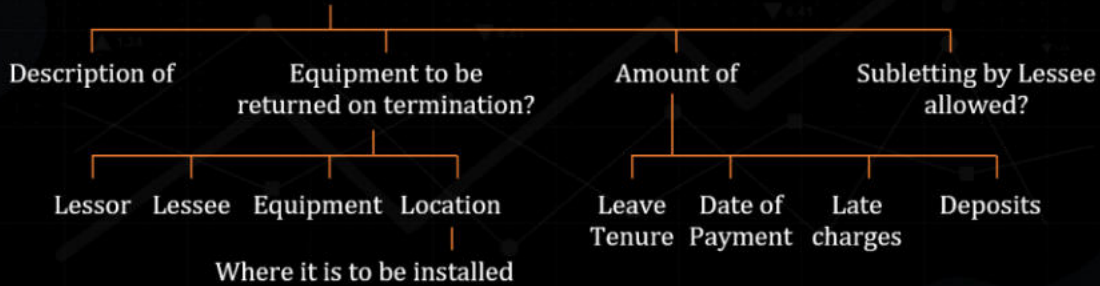
$\rightarrow$ Renewal Right

$\rightarrow$ purchase option

Not in Original Lease Agreement

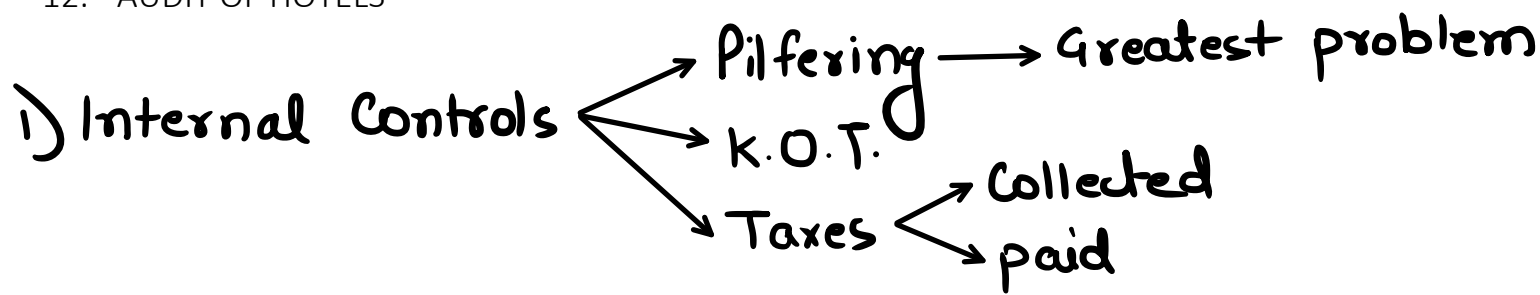
→ Audit Procedure

- (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



2) Room Sales + Hall Booking

3) Inventories

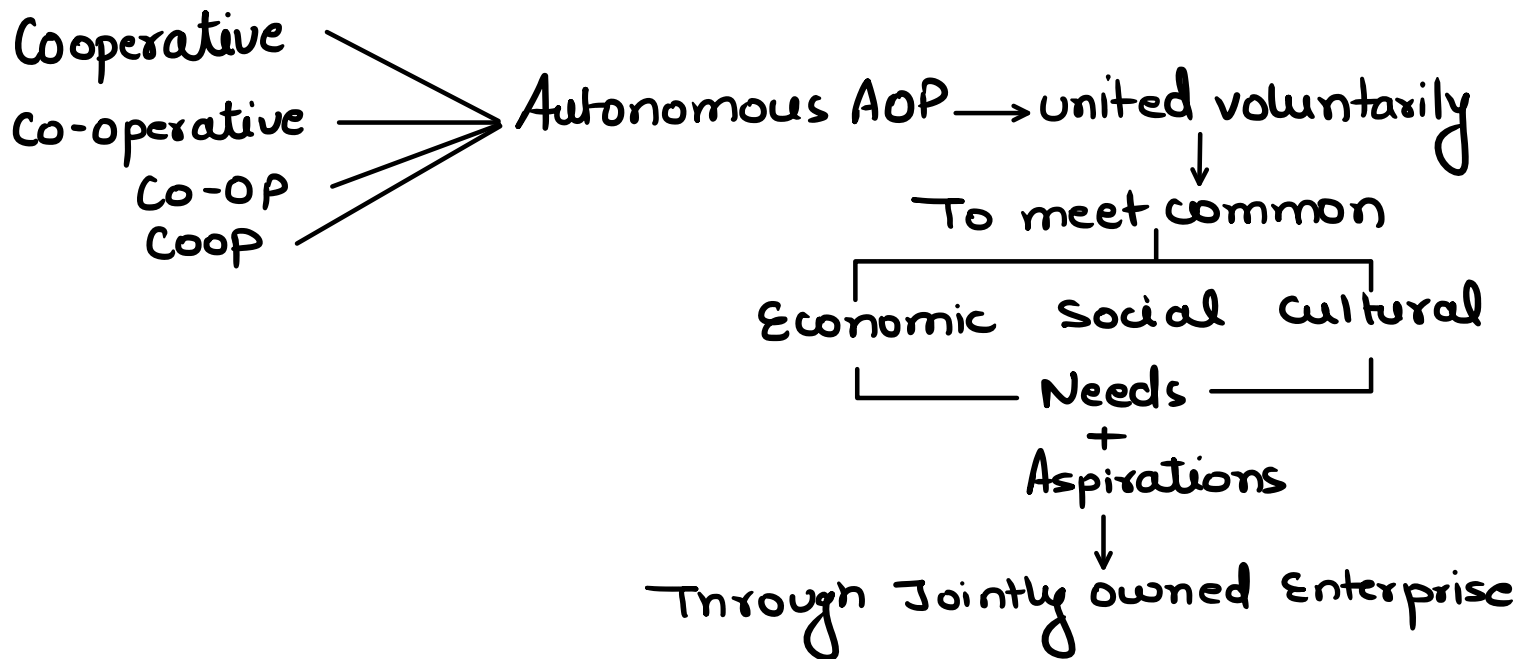
4) Fixed Assets

5) Casual Labours

6) Shops

13. - AUDIT OF CO-OPERATIVE SOCIETIES

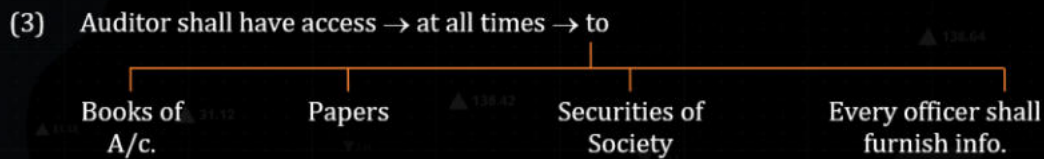
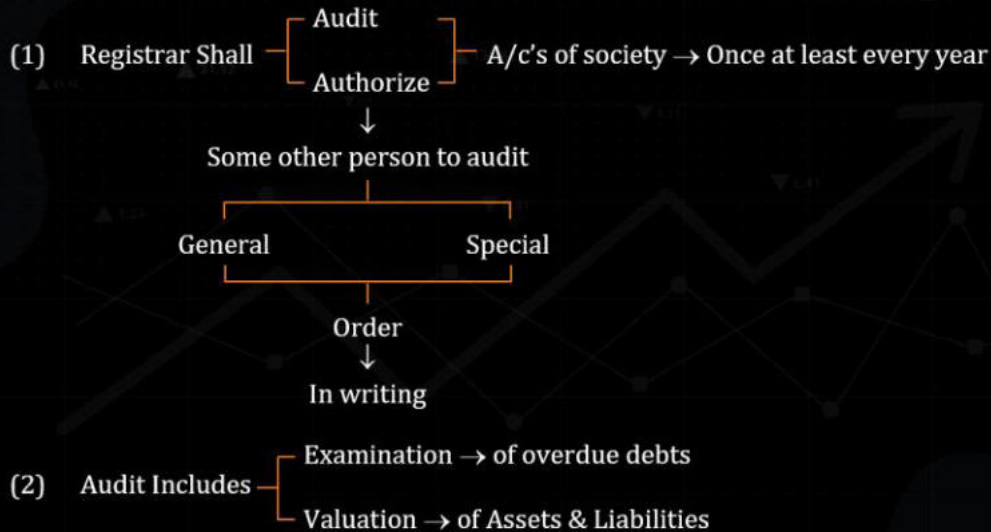
13.1 - Background



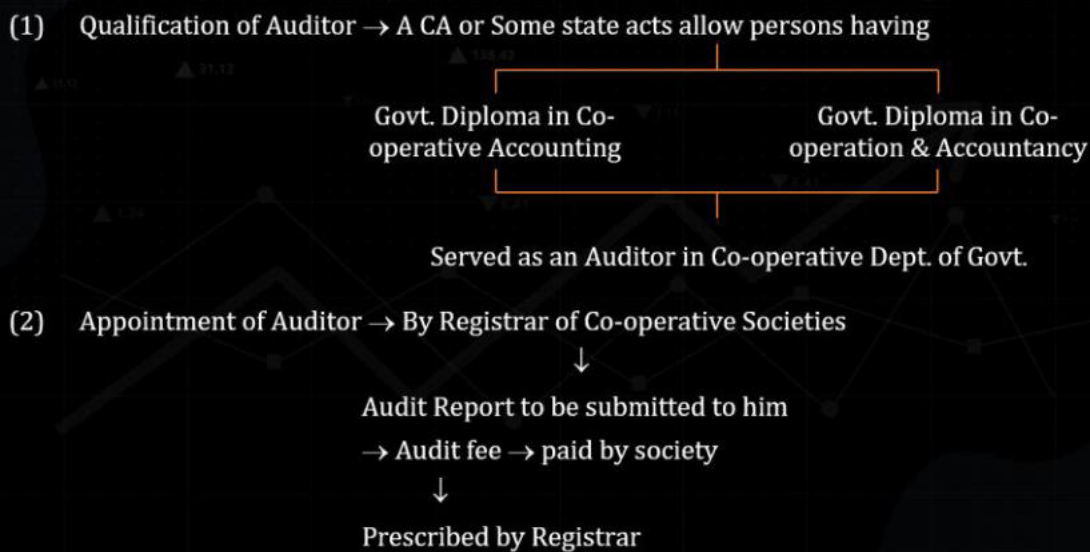
→ A CA Can



13.2 - Audit as per Section 17 of the Co-Operative Societies Act, 1912



Points to be kept in mind for appointing Auditor



(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 $\leq ₹ 1000/-$

Limits in State acts may be different

prov. of By-laws → Not Contradictory

(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

Dividend

Bonus

↓
To members

(9) Contribution to charitable Purpose (Sec.34)

Registered Societies May transfer → $\leq 10\%$ of NP

With sanction of Registrar

For any charitable purpose

↓
After transfer to Reserve fund

(10) Reserve fund

Investment Outside business

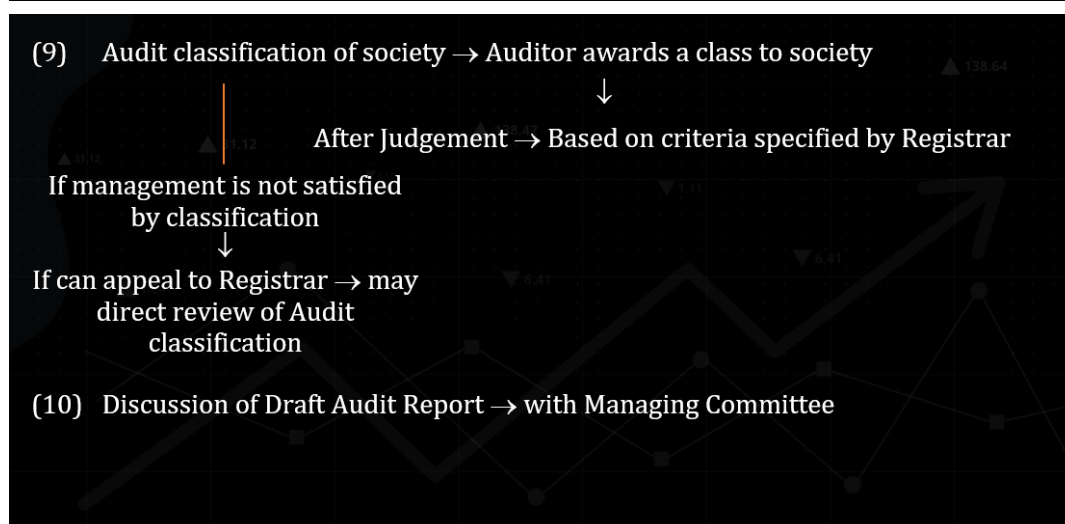
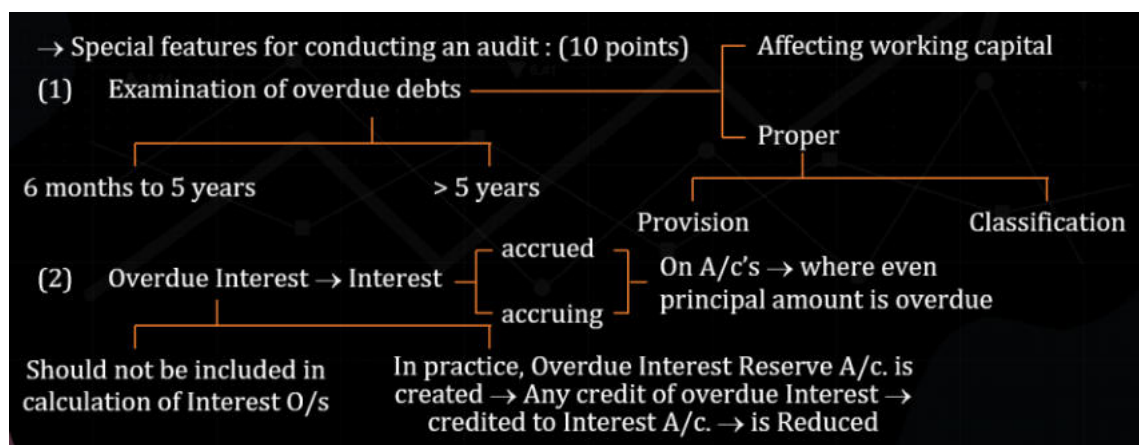
Promote Object of Society

Utilization as W.C.

Only if state Act provides

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

13.3 - Special Features of Co-Operative Audit



13.4 - 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 | [Production
Processing
Manufacturing] | |
| (4) | If engaged in | | |

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 securityof a 3rd party to MSCOS > ₹ 1,000/-

(3) Vacation of office → If auditor attracts Disqualifications

↓
After appointment
↓
Deemed to have vacated his office

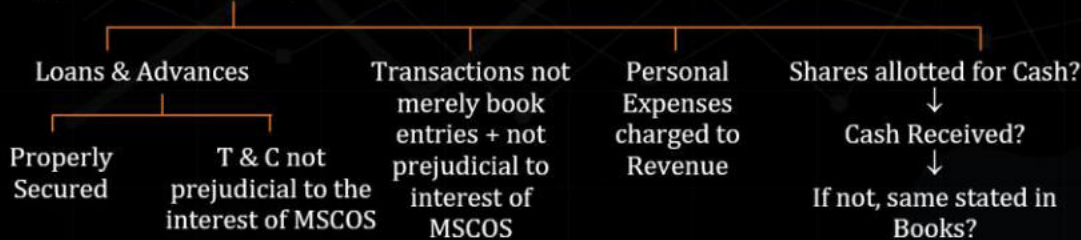
(4) Appointment of Auditor (Sec.70)



(5) Powers of Auditor (Sec. 73)



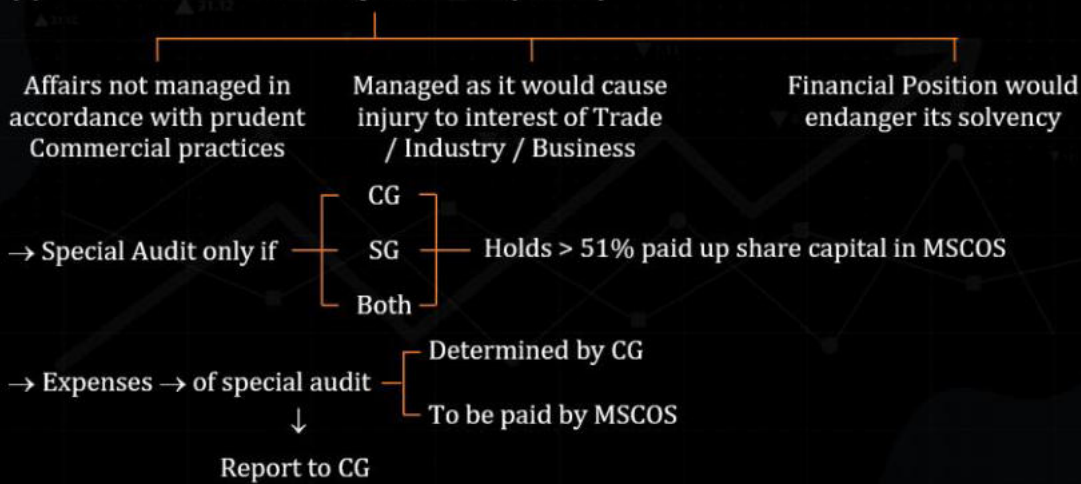
(6) Duties of Auditor (Sec. 73(2))



(7) Content of Audit (Sec. 73(3) & 73(4))

Like General Audit Report (Chapter 11)

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



If CG → Does not take any Action → within 4 months

↓

send → Copy
Extract
Comment → To → Circulate to members
Read in GM

(9) Inquiry by Central Registrar (Sec.78)

+

Inspection of MSCOS (Sec. 79)

↓

On request by

Federal cooperative

Creditor

$\geq \frac{1}{3}$ members of Board

$\geq \frac{1}{5}$ members of MSCOS

↓
To which MSCOS
is affiliated

→ 15 days notice must be given to MSCOS

↓

Within 3 months of date of receipt of Report

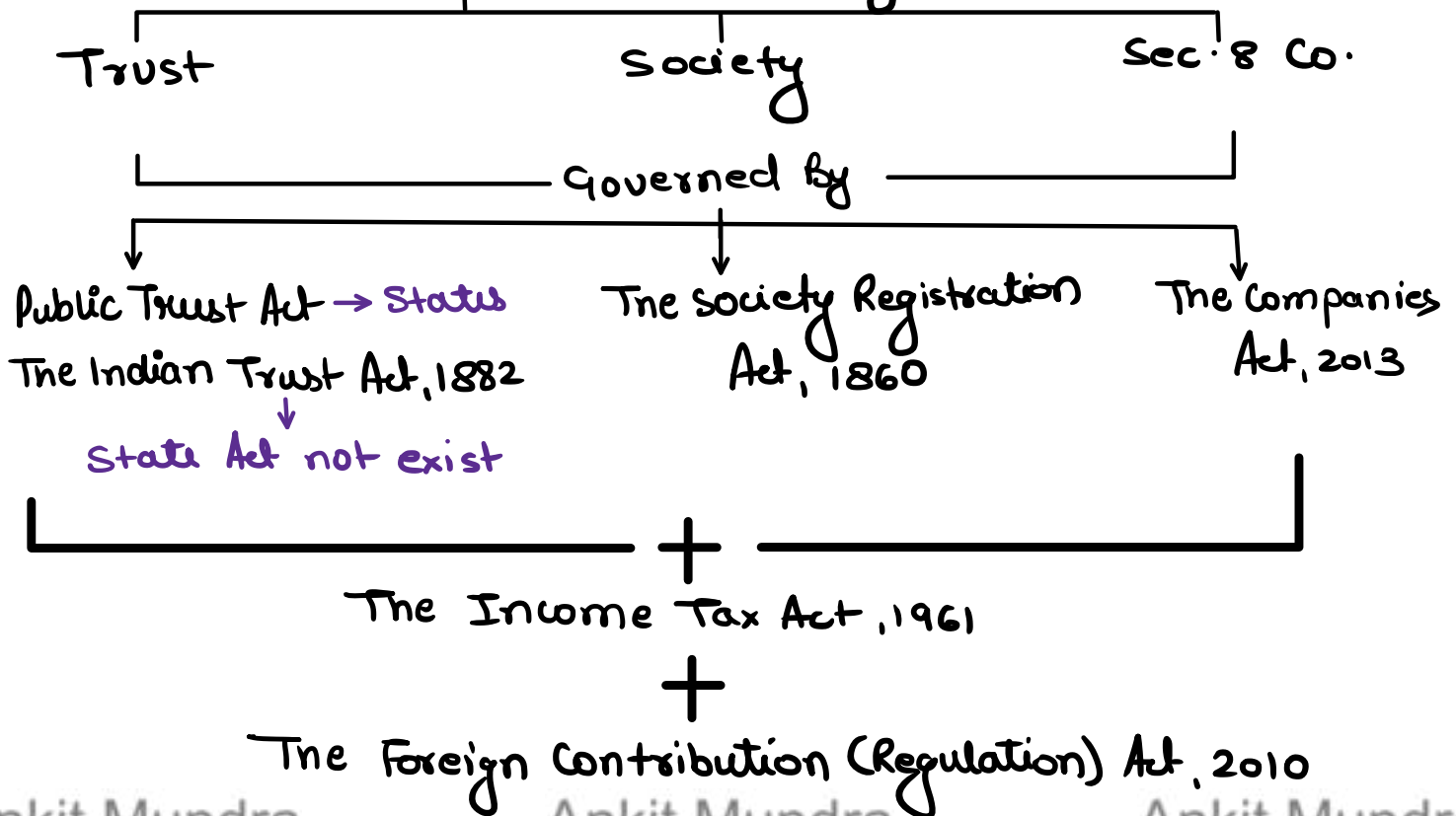
↓

Communicate to MSCOS

Central Registrar → communicate
within 3 months
on receipt of
Report

14. - AUDIT OF TRUSTS & SOCIETIES

Charitable Entities → Legal Form

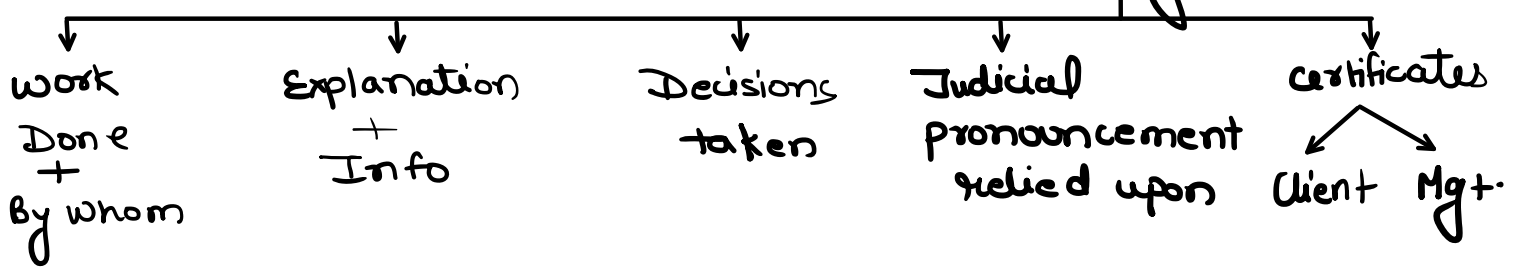


- * Books of A/cs →
- i) Cash Book
 - ii) Ledger
 - iii) Journal
 - iv) Copies of Bills
 - v) Original Bills

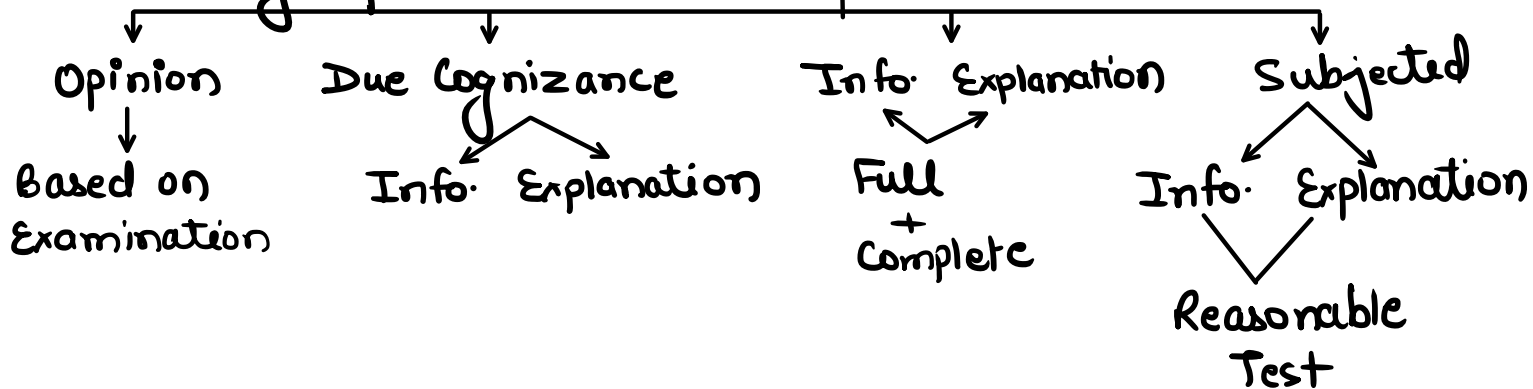
* F.S. $\begin{cases} \text{Bills} \\ \text{I/E} \end{cases} \rightarrow \text{Format} \rightarrow \text{state laws}$

- * Auditor's Responsibility →
- i) Obtain $\begin{cases} \text{Books} \\ \text{Records} \end{cases}$
 - ii) comply $\begin{cases} \text{AS} \\ \text{SA} \end{cases}$
 - iii) Test check

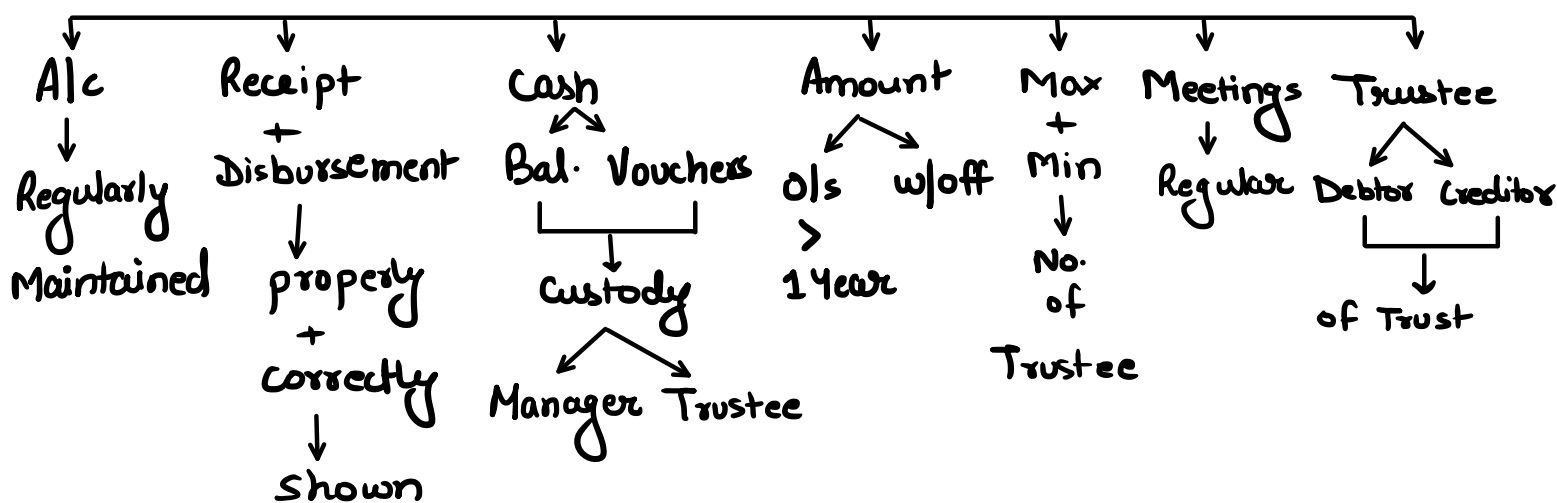
iv) Keep Audit Working Papers



* Working Papers → Provide A.E.



TRUSTS → Auditor to ascertain



SOCIETIES → Auditor's Consideration

