

### **Scope of Internal Audit for FY 2019-20**

- (I) The internal audit report should be detailed and conclusive.
- (II) It should specify the scope, methodology, extent of verification and observations with implication & risk suggestion.
- (III) Internal audit should verify all internal controls – operational, human resources, finance/accounts, IT areas etc.
- (IV) The report periodicity should be of every quarter.
- (V) The report should include verification of statutory compliance in respect of all applicable laws to the Company.
- (VI) Where possible, the report should specify the extent of checking in a particular area, for example – Petty cash – one month in a quarter, Bank payments – around 50% etc.

The Detailed scope of the audit is as follows:-

#### **Human Wealth Department**

- 1. Procedure followed for recruitment made during the period.
- 2. Maintenance of leave records and verification of leave applications.
- 3. Computation of Payroll with latest pay structure, authorization and disbursement thereof.
- 4. Perquisites - Eligibility / Actual payment.
- 5. Deductions on account of Provident fund, Employees State Insurance Act, Income tax, Profession tax, Advances, Housing loans, etc.
- 6. Procedure for medical reimbursements, hospitalization expenses, Leave travel allowance etc.
- 7. Compliance with various acts like PF, ESIC, Profession tax, the sexual harassment of women at workplace (prevention, prohibition and redressal) Act

#### **ADMINISTRATION**

- 1. Procedure for Hiring of vehicles.
- 2. Procedure for leasing of property
- 3. Purchase of stationery and other office expenditure. Procedure for invitation and processing of quotations / tenders.
- 4. Review of AMC's.

#### **IT DEPARTMENT**

- 1. Purchase procedures for IT (PC's, Hardware, Software, etc) / Premises
- 2. Procedure for invitation and processing of quotations / tenders
- 3. Review of AMC with vendor (for IT) including terms and conditions.

## **COMPANY POLICIES**

1. Review of policies and suggesting improvements needed, if any for adopting best practices.

## **OPERATIONS ACTIVITIES**

### **1. Billing and Collection:**

Verification of process of generation of bills for various services and collection of receivables. Verification of accrued income from various projects. Checking of the billing system software. Review of client agreements.

### **2. Physical verification of the documents in custody**

### **3. Withdrawal of Documents from Safe custody**

- a) Review of withdrawal requests.
- b) Request pending for withdrawal and the reasons thereof

### **4. Receiving and Inwarding:**

- a) Verification of procedures for receipt and inwarding of documents.
- b) Verification of timely billing and recovery of the same.

### **5. Use of maker and checker system.**

## **FINANCE ACTIVITIES**

### **A. GENERAL:**

1. Proper maintenance of all books of accounts, statutory registers.
2. Proper recording and checking of cash account and amounts spent out of it.
3. Review agreements with outsourcing agencies, if any.
4. Internal check and control for expenses, fixed Assets. Checking of vouchers, approval, etc.
5. Review of billings dispatched to the clients and their realization and reconciliation.
6. Age-wise analysis of doubtful receivables
7. Tax deducted at source on payments made and timely deposit with government.
8. Timely and correct payment of all statutory dues.
9. Inter Company reconciliation and balance confirmation.
10. Verification of monthly bank reconciliation statements.

### **B. INCOME:**

1. Proper maintenance of accounts.
2. Billings:

- a) IT software, Period and dispatch
- b) Collection
- c) Overdue bills

3. Income Reconciliation:

- a) Head-wise e.g. Physical Custody, Digitisation and other business, etc.
- b) Scrutiny of overdue statement and age-wise analysis of receivables.
- c) Identification of doubtful receivables.

**C. CAPITAL EXPENDITURE:**

- 1. Scrutiny of all payments made for Capital expenditure.
- 2. Ensuring that no capital expenditure is debited to revenue account.
- 3. Procedure for invitation and processing of quotations / tenders.
- 4. Annual verification of physical fixed assets and report if any discrepancies.

**SCOPE OF BRANCHES**

- 1. All exceptional items pertaining to the particular branch, particularly any serious violation of standard acceptable procedures.
- 2. Proper system for redressal of client grievances and analysis of repetitive complaints, if any.
- 3. Verification and review of procedures for storage, inward and outward of documents.
- 4. Use of maker and checker system.
- 5. Comment on proper placement of staff.
- 6. Control of unused stationery.
- 7. Comments on the quality of scrutiny by our officials in different activities like storage, digitization and general administrative work.
- 8. General Administrative activity at the branch including pest control, security etc.
- 9. Whether safety and surveillance equipment including fire extinguishers are in working order.
- 10. Physical verification of fixed assets at the location.
- 11. Atleast 6-8 branches of the company may be covered during a financial year under audit.