

## **Peer review-Audit ka overview**

This year small proprietorship firms have also received letter from the Peer review Board that their firm has come under peer review.(Sample copy enclosed).Peer review board plans to bring all firms under peer review within next few years. Since this peer review covers a period of three years, even those firms who have not received love letter this year may spruce up their files and records and get ready for peer review.

### **Ab tera kya hoga Auditor**

The peer reviewer (a co-professional ) appointed by Peer Review Board will come to your office and ensure the following:

- Technical standards laid down by the Institute have been followed.
- There is proper system of documentation.
- Various statutory and other regulatory requirements have been complied with.
- There is a proper system of training and grooming of articled/audit staff.

### **May I Come in Sir.**

The reviewer will come at the time and date convenient to you. It is not a surprise check. The reviewer will give 15 days advance notice to the practice unit and his visit shall be with mutual consent.

### **Adjustment ka kya hoga**

The Peer Reviewer will review documents relating to attestation function only. If you have not done any attestation function during the period under review (normally three years) you may simply state so and come out of the ambit of peer review.

### **Friendly Match**

Peer review as of now is like a friendly match. There is a china wall between the findings of peer review Board and Disciplinary Committee. No disciplinary action, as of now can be initiated on the basis of any adverse findings in a peer review. However as per the Chartered Accountants Amendment Act, 2006 in case the irregularities found in a peer review are of serious nature, the matter may be referred to the Disciplinary Committee.

### **Paise Kaun Dega**

Yes, You have to pay to the reviewer fee of Rs.2500 from your own pocket.

## **Kya Kya Dekhega**

The performance of a practice unit shall be judged on the basis of following parameters:

- Independence
- Continuing Professional Education
- Outside Consultation-Knowledge Outsourcing
- Staff Supervision and Development
- Office Administration
- Audit Planning and Documentation
- Review and evaluation of systems of Internal Controls (of the client)
- Substantive Tests-to reduce audit risks and proper sampling
- Financial Statement presentation
- Audit Conclusions & reporting

### **Sample Audit Check List**

In case your firm has received a letter from Peer Review Board, you must prepare and keep a checklist based on following lines in each file to show documentation:

- In case the client is registered under Sales Tax /VAT
  1. The Purchases ,turnover and stock as per Sales Tax/Vat returns should tally with the financial books.
  2. Credit/liabilities carried over to next year should match the figures in balance Sheet.

### **General**

1. TDS/PF/ESI deducted from employees/contractors/others has been:
  - Deducted properly
  - Deposited in time
  - Tallies with the return filed.
2. Bank Reconciliation/Bank certificates are available.
3. Physical verification/Internal audit Reports are available.
4. Details of Major additions/deletions to fixed assets.
5. Working papers of Depreciation, liabilities & provisions created
6. Contingent liabilities
7. Change in accounting Policy and impact thereof on current year figures.
8. Comparison with last year figures to check major deviations.
9. Accounting standards applicable and their appropriate reflection.

10. Substantive checks based on peculiarities of the unit.

Detailed Query list which an auditor should send to his client before commencing audit:

1. Latest/Last Internal Audit Report.
2. Organization chart – along with contact No.
3. Function – Maintenance/Construction, Procurement of Furniture/Electrical Equipments, Civil Electrical.

Fixed Assets Register – Maintenance on behalf/in r/o Corporate A/cs.

Scrap Sale: Furniture, Vehicle, Electrical

No Sales Tax No. - Copy of Challan

Funds – Limit system

Bank Guarantees

Layout – Room no. indicating location of different units.

MIS reports – List – latest copy

Technical/financial

Complete Record of Assets Scrapped/Sold during the year.

Asset type make year of purchase WDU Sale amount profit/loss

Policy regarding scrapping

Proposals underway

Civil contracts – authentication cases/counter claims

Any instances of encashment of Banak Guarantees.

## **TDS**

Records of Civil contractors/Transporters/Employees

Any instances of delay of TDC Last TDS filed Hard copy/soft copy/records.

List of cases whole PAN No is not available.

## **GL.**

Merger – Complete details

Foreign Currency

Details of A/cs payments Contract/Agreements with Clearing/Forwarding Agents

Concurrence Files of Hire Charges of Equipments/ Assets

Comparison of Revenue Exp. Last Year VS current Year –

AMC list of Valid contracts as on date. Valid upto.

Land Title Deeds

PF – EPF/FPS – Circular/Working.

Unpaid wages – more than three months suspended/Terminated employees

Liab for LST-Break up monthwise

## **Assets**

Land - Title deeds.

Office Buildings

File –

Any Correspondence with Insurance Co.

Canteen Build – FOC – No Claim Certificate from Guest House & Field Hostel

Balance Justification of Capitalisation.

Guest House – rent agreement

Residential Building – payments

1. Balance liab – whether provided in r/o development of green land
2. Metalling of Road – whether the road already enlisted prior to metalling
3. Road – ownership rights/right of use/booking of capital exp.
4. Whether Road – treat it as building?
5. Residential Building – Temporary
6. Whether Security Huts – can be termed as Residential Building.

Water supply installation – estimate purpose of constant pressure pump and shower cabin.

Assets which have already been depreciated upto 95%

Assets costing upto Rs. 750 treated as consumable – Accounting Manual relevant computers, Software licenses available, Typewriters – since no longer in use, what is the position/proposal for write off/sale AMC in r/o Typewriter.

Electrical Fitting & Equipments

3 LG make micro wave oven-V micro.

## Geological Equipment

List of equipments alongwith Log Books of equipments showing use of such equipments Justification of keeping them at H.O in case of infrequent use.

## **Geological Deptt.**

Surveys done during current year alongwith reports submitted if any – to get insight into the forthcoming projects.

## **Fire & Burglar Resistance.**

Documentation of work drills – follow up log books

Confirm that in case fire on 4.10.02 resulted in complete extinguishments of any asset no longer exists in books.

Surveillance equipment network

- Strategic locations, if possible
- Any back ups available
- Follow up action if any on the backs of surveillance equipments
- Any surveillances Reports
- Officials monitoring through such equipments

Intangible Assets – 26 accounting treatment circular ref treatment

Construction plant & Machinery awaiting disposal. Unit wise amounts – .

In respect of assets partially damaged in fire, whether reassessment of life has been done. List of such assets may be provided

Internal distribution lines in township-Independent feeder – whether booking proper?

Policy regarding change in account codes/-----/new awaiting codes circular manual

Exp. On assets not belonging to corporation.

- Copy of ICAIs' opinions
- PSL –reconciliation with GL.
- Last Physical Report- Inventory /Interim NPes
  - o Fixed Assets
- Petrol ,Oil & Lubricants –
- Steel issued – Copy of indemnity Bond
- Contractors – insurance Policies validity
- Mention regarding ownership-coverage
- Limit utilization/sanction monthwise
- Cash flow statement
- Working of prepaid exp.
- HBA –sample set of documents for treating an advance as secured list of cases whose mortgage dead has not been executed alongwith date of payment of advance.
- Computer Advance (Secured): sample set of documents for treating comp. Advance as secured.
- Legal vetting-HBA/Other advances/BGs.

- Regarding Repairs & Maintenance – In house facilities available-Staff utilization, Current chart of Accounts , various equipments for which licence fee is payable and upto date payment position lease Rent-Residential cases more then Rs. 10000/- TDS implications.
- Insurance- Chart showing Asset /Equip incurred insurance valid upto.
- Electricity charges.
- Statement –connection wise

Connection No            Units consumed            Period covered

Copy of institute’s opinion – regarding assets created on land not belonging to the corporation

Printing & Stationery – Cartridges etc procured GRs are being issued. But entry is not being made in PSL – exception regarding stationery & medicines.

Loss -            Material /Assets retained/written off

Wary loss on assets retained by ex-employees not being entirely treated as perquisite in the hands of employees. Treatment as per Income Tax Act reg. valuation of perquisites. Office order for writing off deposit with DESU.

Street lighting- Agreement/MOU regarding sharing of exp.

Books – In case books are of permanent nature, whether any memoranda records are being kept or not

Conference, seminars- Foreign Tour Exp should be booked to Travelling Exp foreign.

Policy regarding executing any bond in case of Foreign Travel depending upon purpose of Travel.



Exp. On CISF/Security

Contract Agreement

Theft Cases if any reported. Insurance claims pending for previous cases.

Misc. Receipts & recoveries

Excess claim record against recovered claim recoverable is being credited to

Misc.Receipts & recoveries

Profit/Loss on assets sold/Discarded

Provision not required written back

Other deferred revenue Exp.

This basically includes exp. on assets not belonging to the corporation. Initially the amount is being booked to CWIP. Since ultimately, it is to be treated as Revenue exp.

Justification for routing it through deferred revenue exp may be indicated.

Details of proposals concurred in by Finance in respect of Minor Works as per the following format:

Date on which Concurrence was given	Ref No. as per Concurrence Register	Work awarded to (Party Name)	Estimated Cost (Rs./Lakhs)	Awarded Amount (Rs. /Lakhs)	% Change over & above estimated cost

All the files concurred in by Finance (Above Rs.50 Lakhs) during the period 1.4.2005 to 30.9.2005 should be placed before Audit. Besides this, following information may be made available:

**Regarding Civil works:**

- Whether Cost estimates of Civil works are based on HPSR99.
- No. of Pocklands / Dozers available with the Unit.
- Departmental Civil works undertaken By NHPC.
- Hire Charges of Dozers/Pocklands alongwith relevant concurrence Files.

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**Regarding Operational Projects:**

- Confirmation that the Machines are being run in Free governor Mode as assured
- Details of Negative UI Charges in individual time blocks of 15 minutes
- Details/Relevant Page No. of Log Books in such cases.
- Flow of water available- In Cumecs during the past half year in the form of a Flow Chart.

The above information is of confidential nature and is being sent at the specific request of a member.

With Best Regards

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