Firm Profile



HK Shah & Co.

CHARTERED ACCOUNTANTS



www.hkshahandco.com

H K Shah & Co.

Our Philosophy

We believe that real value is created in farms and industries. Our Endeavour is to support and provide catalyst to the value creators with professional services of international standers relating to business advisory, management consultancy (especially finance syndication), accounts, tax and related Services. This will enable our client promoters, entrepreneurs who are the real value creators to focus on their expected core strength of further growth.

The Mission Statement

To dedicatedly and sincerely improve and upgrade the knowledge and application levels of our team and clients' team with a clear focus on regular development and continuing education for sustained growth and compatibility with long term vision in interest of country, world commerce & economy as also social wellbeing of human beings of world as whole by being inspired by the Indian values of "VASUDHAIV KUTUMBAKKAM" (WORLD IS A FAMILY).

Our Quality Policy

We are COMMITTED to strive for achieving PROFESSIONAL EXCELLENCE as practicing Chartered Accountants, in the areas of AUDITING and Consultancy of TAX MATTERS, LAW MATTERS and MANAGEMENT MATTERS, to the best satisfaction of our CLIENTS by continually improving our processes, updating our knowledge and training our key human resources". We are working in a fully computerized environment, while keeping the paper-work to minimum. Along with our associate firms we have over 200 files for taxations of assorted clients and audits for 40 Medium & Small sized entities. The firm also conducts statutory and concurrent audits for banks. We also undertake ROC & Company Law related assignments. We provide continuous and regular training to our staff to keep them updated with statutory changes and additions. Our professional approach blended with personal touch has earned us enormous confidence of all our clients, which is reflected in an enduring business relationship that we enjoy with them as also in the consistent growth in portfolio of our services.

Our Quality Policy

At HKSC, we strive to achieve, sustain and continuously improve the quality of services rendered in a manner that meets the stated, implied and perceived need of the clients' in the most cost effective way; provide assurance to clients that the intended quality of service will be, is being and has been achieved; bring in professional and analytical skills to an assignment, which we have developed, through the various experience and robust academic background, internal training, continuing professional education and engagement experience of our personnel. We ensure that we become our clients' most trusted Business Advisor and also see to it that we consistently exceed their expectations. In the nutshell, Value Creation for the client organizations is also what we focus apart from Value Addition.

Who are we?

- Started originally in 1981 as a proprietor firm by senior partner CA K. M. Shah.
- Since 1989 a partnership firm Mis. H.K. Shah & Co. was started with admission of CA H. K. Shah.
- Experience in various industries listed on BSE and NSE, National and State-level Government PSUs, Corporations, Boards, etc. both in the field of Internal and Statutory Audits.
- Expertise in Management Consultancy and Project Finance Syndication gives an extra edge in Management support.

Our Leadership Team

H K Shah B. Com, DTP, L.L.B, FCA

Senior partner, Mr. H. K. Shah is having more than 30+ years of experience in the field of Government Corporations' Internal Audit and other Audits, Valuation of Assets and Business, Project Finance Syndication, Statutory Audit of Government PSU Banks and various aspects of Company Law matters, transfer pricing, income tax and related matters.



He is possessing 30+ years' experience in the field of Finance Syndication for projects, statutory audit of various nationalized banks and RRB's, Stock Audit of Loan sanction limit from 1.00 to 50.00 crores, Revenue and Concurrent Audit of various nationalized Banks and project appraisal works of more than 1500+ SSI, SME and large manufacturing units and statutory audit of Govt. Of Gujarat 11 Corporation and Boards appointed by Comptroller and Auditor General of India, New Delhi, for the year 2001-02 and onwards till date. He has also experience in Internal Audit of various and unlisted and listed companies across wise range of sectors.

G K Shah *B. Com, HDSM (NIIT), F.C.A. DISA (ICAI)*

Senior partner Mr. G. K. Shah is FCA, and also ISA qualified. He is an expert in system audit. He has worked as Resident Advisor in one of the wings of HSBC Bank. He has wide experience in the field of personal loan, housing loan, car finance, and taxation work of all kind of entities. He has also rich knowledge in Internal Audit, Government Audit, Statutory Audit and Bank Audit. He has also given consultancy in accounting work of various corporations / listed companies. He has also attended detailed Seminar on IFRS (one-week full time programme) which was organized jointly by Sorab S. Engineer Co. and Arvind Mills.



He is experienced in the field of Car Finance, Personal Finance, and Housing Finance and worked as a Sr. Executive with one DSA of HSBC (Foreign Bank). He is well conversant with ROC work Audit and Appraisal work also. Also handling statutory audits and Govt. Audits, Income tax Consultancy, and other Company Law related matters and concurrent audit work of various nationalized banks like Andhra Bank, Bank of Baroda, Central Bank of India, United Bank of India, State Bank of Bikaner and Jaipur, Indian Bank, IOB, Bank of India, Vijya Bank, Union Bank Of India, Dena Gramin Gujarat Bank Ltd. etc. Experienced in migration audit, ISA audit etc. He is well versed in SME Project work legal documents and disbursement procedures and carried out assignments of 1 Cr. to 50 Crs.

Partners

K M Shah
B. Com, DTP, FCA

The Senior partner has experience at the highest level including the post of R.M. and Senior Manager (Finance) in State Finance Corporation and State Land Development Corporations, resulting in a deep and rich knowledge of Credit Appraisals, Sanction, Disbursements, Management Diagnosis, and Administrations and MIS.



Senior partner of the firm having experience and well versed in the field of

Project Finance, Appraisal, disbursement, legal documents, revival of sick units and stringent recovery measures, SME Projects, Administrative work, etc. K. M. Shah was Ex. Regional Manager of India's Biggest erstwhile Financial institution in term lending financial institution namely; Gujarat State Financial Corporation Ltd. He has his own firm under name in style M/s. Kanaiyalal Mohanlal Shah & Co., Chartered Accountants and he has ceased same proprietary concern for better prospects and joined H. K. Shah & Co., from 01/04/1990. The same firm was in existence since 01/04/1989. He has earlier worked with Gujrat's biggest C.A. Firm namely; Manubhai G. Patel & Co. and even after completion of article ship from shri Manubhai adopted him as senior audit officer of the firm namely Manubhai G. Patel & Co. In past with M/s. H. K. Shah & Co. Mr. K. M. Shah handled the Concurrent/Internal Audit of various nationalized banks, Govt. Corporation, Boards etc.

J G Vaidya B. Com, FCA

Another partner has rich experience of Corporate Audits like Bajaj Auto Ltd., Bharat Forge Ltd., Kirloskar Ltd. etc. whose turnover exceeds Rs. 1,000 Crores and in equity listing procedures. She has worked in a big firm of India located at Pune namely Dalal & Shah from 1984 to 1993 as Sr. Audit Asst.

She is admitted as partner in the firm. She is possessing certificate of practice since 1985 after passing C.A. exam. In 1984. She has worked in very Large firms of India based C.A. located at Mumbai/Pune & firm namely Dalal & Shah at Pune from 84 to 93 as Sr. Audit Asst. and carried out Statutory and Tax Audit of large public Ltd. co., like Bajaj Auto Itd., Bharat Forge Itd., Kirloskar Itd. having turn over exceeding Rs. 1,000 crores. She has experienced in finalization of accounts and certification of works. She had conducted statutory audit of State Bank of India, Bank of Maharashtra, etc. She had experience in public issue processing and auditing assignment also. She has also carried out various Internal Audit assignments of Pvt. Ltd. and Limited Companies during article ship. She has knowledge of Service Tax also.

Anil Dron M.Com, FCA

With our 36+ years of experience in the profession, he brings his dynamic expertise of taxation and audits to the firm. He has recently joined the firm and looks after the relevant assignments in Mumbai. With his extensive expertise and industry knowledge, CA Anil Dron has helped numerous clients achieve their financial goals. CA Anil Dron is widely respected in the accounting community for his professionalism, attention to detail, and dedication to his clients. He has successfully handled assignments of prestigious clients in the past adding an important asset to the firm.



Prerak Shah B.Com, FCA

He has handled audit of large scale listed statutory audits like Vadilal Industries Ltd., Gujarat Ambuja Exports Ltd. and non-listed manufacturing and trading entities like CJ Tobacco, trusts, etc. Has handled Government and Non-government grant audits like Aga Khan, TATA Trusts, etc.



He is certified FAFD, DISA & concurrent auditor of banks. He also has a working experience on IND-AS with more focus on IND AS 32, 107 & 109.

Internal Audits (including Process Audits) and simultaneous implementation of ICS and SOPs of Education Institutes, Hospitals including Zydus Hospitals - Anand and Gujarat Cancer Society (GCS), which are headed by Shri Pankaj Patel.

Post-articleship joined our firm. During the period, headed the accounting team placed by the firm at IIM Udaipur, whereby received a 'Letter Of Appreciation' from the Director, IIM Udaipur for helping them in implementation and migration to Microsoft Dynamics AX and other software. Worked with various ERPs like SAP R/3, Tally, Quickbooks, etc.

Malav Mistry B.Com, ACA

He has joined our firm since 2018 as a partner. Je provides consultancy to technology startups after having worked as Accenture, Bengaluru. He has also done certification courses like DISA.

His role includes managing audit assignments including company audits, audits of trusts and tax audit assignments of companies, firms and proprietary Concerns. He has also represented clients before the Income Tax Department in connection with their income tax proceedings an preparation of replies & documents in connection



with their income tax proceedings Steered matters relating to compliance of TDS provisions (including preparation of low TDS applications) and Company Law Providing Consultancy and Practicing on the matters related to Import Export Registration Code and related issues. He also does various Certifications for Foreign Currency Transactions, VISA Processing, LUT Bonds, etc.

Services Offered

A. Auditing & Assurance

- Statutory Audits
- Bank Audits
- Tax Audits
- Certifications

Notable that we have also been appointed as a Joint Auditor for Statutory audit along with a reputed Big4 for a prestigious EPC player

B. Internal Audit and Risk Advisory Services

- Internal Audit
- Systems Control Audit

C. Management Consulting Services

- Project Finance
- Management Audit
- Forensic Audits

D. Valuation Services

Valuations can be required when mandated or voluntarily by -

- Income Tax Act, 1961
- The Companies Act, 2013
- Mergers & Acquisitions

E. Data Science & Machine Learning (AI) Consulting Services

- Data Science
- Machine Learning
- Computer Vision
- Robotic Process Automation

F. Book-keeping Servies

As per the requirements of Indian Laws

G. Compliance Services

- Income Tax Act, 1961
- GST Act
- The companies Act, 2013
- Other laws as required

H. IT Systems Auditing and Consultancy Services

- Systems Audit
- Migration Audit

I. Business Support Services

- Company Incorporation
- Secretarial Compliance

Wide Empanelment with Various Govt. Organizations

- Peer Reviewed by ICAI
- Comptroller & Auditor General of India (C&AG) (WRO0510)
- Registrar of Co-operative society in individual names of partners
- Official Liquidator (Emp.no28)
- PDC for M.E.F. 04060
- National Highway Authority of India
- Reserve Bank of India Unique code No.122900 Category I Firm
- Telecom Regulatory Authority of India (Pending Approval)

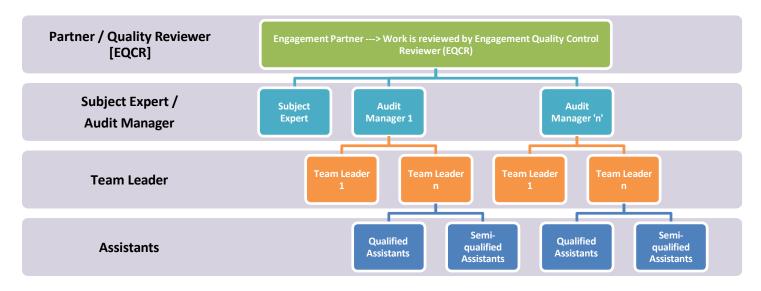
Digitized & Online Services

We are working in a fully computerized environment. Along with our associate firms, we have over 2000+ files for Taxation of assorted clients and Audits for 60 Large, medium and small sized entities.

Our firm also conducts statutory, specialized and concurrent audits for banks. We undertake ROC and Company Law related assignments. We provide continuous and regular training to our staff to keep them updated with statutory changes and additions.

Our professional approach blended with personal touch has earned us enormous confidence of all our clients which is reflected in an enduring business relationship that we enjoy with them as in the consistent growth of client profile and also in portfolio of our services.

Firm Hierarchy



- 1. We normally structure a team so that work of the team which is detailing the assignment is reviewed critically by a senior partner. This may entail application of more skilled man power at our level, but this brings about some critical extra value addition for the client.
- 2. We have association with various experts in various fields and hence necessary cross verification while maintaining professional secrecy can be done.
- 3. We will plan and program our audit to specifically comply with the specific points in scope provided to us over and above value-added suggestions. Our working paper formats are available for a glance.

Sectoral Experience

Particulars Particulars	PSU	Corporates	NGOs	Others	Total
Management Consultancy		12	1	2	15
Construction		4		1	5
Education		1	1	1	3
Engineering		2			2
Power		2			2
Chemicals, Petrochemicals		2			2
Oil and Gas		1			1
Internal Audit & Risk Advisory	16	11		1	28
Construction	9				9
Consultancy Service	2				2
Education	1			1	2
Engineering		1			1
Fertilizers	1				1
Manufacturing		3			3
Mining		1			1
Non-Banking Financial Companies	1	5			6
Trading	1	1			2
Non-Government Organisation	1				1
Statutory Audit & Assurance	23	190	4	1	218
Construction	8	17			25
Consultancy Service		5			5
Engineering	1	2			3
Fertilizers	2	2			4
Insurance	1				1
Manufacturing	1	90			91
Mining	2				2
Non-Banking Financial Companies	6				6
Trading	2	57		1	60
Non-Government Organisation		1	4		5
Power		1			1
Information Technology		3			3
Steel		2			2
Chemicals, Petrochemicals		6			6
Tourism		2			2
Transport other than Shipping & Aviation		2			2
Grand Total	39	213	5	4	261

Experienced Staff

We have a good number of experienced staff to cater to the changing business environments along with necessary technological updates.

We maintain a good proportion of the gender diversity that makes the working culture more efficient. Experienced staff ensures that the young talented HR assets of our firm are also mentored for their growth.

Our HKSC Alumni keeps in touch with the members of our firm.

Business Support Services

Apart from the traditional practice, our firm also helps the clients grow by providing services as mentioned below –

A. System Audit / ERP Assignments

The firm has trained staff that is experienced enough to work within ERP ecosystem. Systems that the firm possesses knowledge are SAP R/3, Oracle, Microsoft Dynamics AX, Core banking softwares like TCS Bancs, Infosys's Finacle, etc.

B. Book-keeping Services

Some names to mention are -

- Indian Institute of Management, Udaipur (IIM-U)
- Smart ICT Services Pvt Ltd (TATA-GIFT City)
- Hubtown Limited (Formerly known as Ackruti City Limited, Mumbai)-"Accounting in Oracle System for whole region of Gujarat"
- Narmadanagar Rural Development Society (NARDES), C/o GNFC, Bharuch
- Gujarat Housing Board
- Gujarat State Tribal Development Residential Educational Institutional Society

C. Project Finance & Valuation Services

Some names to mention are -

- GMDC (Appreciated by BIFR and ICICI w.r.t. Shree Ram Cements Ltd.)
- JV NIKO-GSPC (Appreciated by Mr. Pandian and Shri P.
- Chidambaram as representative of GSPC)
- AIMS Industries Ltd. etc.
- Som Shiva Impex Ltd. (Sintex Group)
- Samurai Holdings Pvt. Ltd. (Sintex Group)
- Mapin Publishing of Dr. Vikram Sarabhai Family
- Optimized Solutions Pvt. Ltd. (ISRO Joint Venture)
- Z- Axis Unmanned Machines Pvt. Ltd.
- Bookmywish E-commerce Pvt. Ltd.

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Contact Us

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BRANCH OFFICES

GUJARAT • Gandhinagar

• Vadodara

MAHARASHTRA • Mumbai

UTTAR PRADESH • Mathura

TAMIL NADU • Chennai

Internal Audit Methodology

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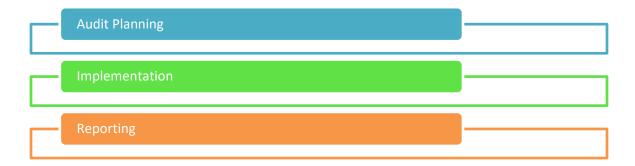
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Internal Audit Methodology



- Interactive audit observation format and detailed annexures along with graphs/charts for executive summary
- Practice to present and discuss draft audit report with staff for building and growing as a positive and friendly culture
- Follow-up for audit points in subsequent period
- Internal audit process compliant with Standards on Internal Auditing issued by ICAI.
- Can also assist the organization for compliance of ICFR as per Companies Act, 2013

On the next page, we are introducing our unique reporting template, which can be further customized as per the organization's requirements.

Observation I	No.		Туре	System / Both / Transaction	Department			Weightage	High / Low / Medium
Title									
				••					
Audit Obse	rvatior	1 & I	mplic	cations					
						Financial Implica	tions		
						Other Implication	IS		
						Recommendation	ns		
Manageme	ent Rep	oly							
Reason for							Responsible		
Observation							Person		
							(&		
							Designation)		
Corrective							Replied By		
Action							(&		
							Designation)		
Preventive							Estimated		
Action							Date		
							For		
							Compliance		
Observation	n Statu	16							
Observation	ii siulu	3						Compliance	Pending /
								Status	Substantially
								310103	Completed /
									Fully
									Complied

Internal Audit

Internal auditing is defined by Institute of Internal Auditors (U.K. and Ireland) as 'an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control and governance processes.'

Internal audit is a part of an organization's internal control framework because itis a master control that checks whether all other controls are working effectively. Internal Audit is 'a managerial control which functions by measuring and evaluating the effectiveness of other controls' (The Institute of Internal Auditors, New York). In this sense, internal audit is an overarching control over all other controls. It seeks to find out whether all other controls are satisfactorily working in practice by subjecting them to compliance tests. Where the compliance is either weak or absent, the internal audit conducts substantive checks in order to evaluate the impact of the non-compliance. Thus, it provides the management with a periodical assessment of the functioning of internal controls within the organization and recommends measures for strengthening them.

Traditionally, internal audit was seen more as an inspection mechanism concerned with identifying and reporting compliance with rules and procedures. While this objective remains relevant even today, internal auditors are now looked upon more as assurance providers to endorse soundness of processes within the organization. While the establishment and monitoring of the internal controls is the primary responsibility of the management, internal auditor supplements by providing an independent and objective assessment on their adequacy and offer suggestions for improvement. The purpose of internal audit is to evaluate effectiveness of management control systems and procedures and to assess whether public resources are managed in conformity with the laid down systems, principles and practices of public financial control. Thus, internal audit is a key element of good governance.

While internal auditors are a part of overall internal control system, they are not responsible for implementing specific control procedures. The auditors' role is to audit organization's internal control policies, practices and procedures to assure that controls are adequate to achieve organization's mission. It is the responsibility of managers to establish an effective internal control environment in their organization. This is part of their stewardship responsibility over the use of government resources. In other words, they set the tone through their actions, policies, and communications which result in a culture of either positive or lax control. As part of internal controls, the managers are expected to plan, implement, supervise, and monitor the internal controls. Therefore, it is equally important that the management assesses relative risks of different operations and institutes necessary internal controls such as supervisory checks on maintenance of cash book, regular bank reconciliation, etc. It should also document the internal controls in clear and unambiguous terms in procedural manuals so that everybody knows what is expected.

While as a principle internal audit should not be involved in any management functions, its services could be utilized in the following:

participating in committees in an advisory (non-decision making) capacity;

providing advice on internal controls; and

Answering technical questions; and providing training.

For being effective, IA should be manned by trained and competent staff and supervisory officers. Secondly, its independence must be ensured through proper reporting arrangements and a clear mandate. Lastly and most importantly, the effectiveness of IA would ultimately depend upon the importance that the organization attaches to its reports, which is reflected in the action taken.

Related to internal controls and internal audit are the concepts of compliance and substantive testing.

To sum up, the manager as much as the internal auditor should appreciate the role that internal controls play in minimizing the many risks the organization faces in its day to day operations. The risks are not necessarily always financial. There are risks to effective and efficient operations. For example, the potency of vaccine (for say pulse polio) is important for the objective of the programme to succeed. If there are no 'controls' ensuring the proper storage of vaccine, the programme faces the risk of failure, whose consequences are much more than the financial loss of amount spent on vaccine. While all of us are aware of internal controls intuitively, an internal auditor should specifically identify and document the internal controls in a given area so that he can test their effectiveness in operation.

Indicative Internal Audit Planning and Process

A. Ground work

1. Understanding the basics of internal Audit. How different it is from Statutory Audit.

Before commencing an internal audit, one should keep in mind the following basic points:

- a) Internal Audit is to be done based on pre decided scope of work. So, one should first read carefully what the scope says and extent of its coverage.
- b) Internal audit is not a fault-finding activity.
- c) Understanding the existing systems in an organization is very important.
- d) Internal Audit involves verifying whether laid down policies are followed.
- e) Comparison of processes with industry standards or ideal situation can also become a part of audit.
- f) Everything about working papers has to be studied.
- g) Previous reports should be read, in case of an on-going audit.
- h) Report writing is one of the most crucial parts of internal audit.
- i) Recommendations and suggestions also form part of audit.

B. About the client

It is imperative to understand certain important facts about the client for whom we are conducting the audit. (Refer template- 1 for details)

C. Planning the audit

Planning the entire audit assignment is the foremost activity before starting the actual audit. (Refer template- 2 for details)

Based on Scope of work and planning, Data / information required is requested to client for data evaluation and analysis purpose. (Refer template- 3 for details)

D. Execution

Audit is now to be carried out based on the scope laid down. Following would be the logical steps to start the audit:

- a) Visit to the audit place and preliminary activities there. (refer template-4 for details)
- b) Working papers record audit evidence obtained during an internal audit. They demonstrate the internal audit work completed and provide the link between the agreed scope of work, the audit programmed and the audit report. Working papers are the most important documents for the audit team. Standardization in working papers needs to be maintained. (refer template- 5 for details)
- c) SOP macro enabled excel sheet to be saved for each client, and used for filling scope and observations.
- d) Query sheets:

Query sheets should be shown to the team leader or senior and then submitted to the concerned person at each department on a very regular basis, and spot rectification, wherever possible, should be recommended and encouraged.

If query sheets are hand written, a copy should be kept with us.

e) Draft report

The unsolved queries will make up the draft report. Format for draft report should be standardized. Draft report should be submitted to the authorities concerned for their replies, reverts and compliances. After receiving the replies, the Final Audit Report has to be made, along with an Executive Summary.

f) Drafting the final IAR

After receiving reverts from the client, final audit report is drafted and submitted to the client. Wherever applicable, executive summary is prepared.

Template 1- Details of Auditee Client- to be filled by the team, and kept as reference in the working papers' file.

Name of the Client	
Business Entity	
Nature of business	
Products	
No. of locations along with products	
Financials	
Names of Director/Partners, etc.	
Management hierarchy	
Associate concerns, and Related part/Accounting	
software	
ERP/ used	

Template -2 Audit Plan

Purpose of Audit	Purpose and type of audit to be carried out has to be clearly defined
	in confirmation with the client.
Scope for the entire year	Yearly scope has to be designed first.
Scope for the quarter/month	Based on the priority and sensitivity of the areas to be audited,
	quarterly or monthly scope has to be decided.

Understand the scope	The team has to understand the scope and read the concepts to be ready to carry out the actual audit. Read and understand the
	· · · · · · · · · · · · · · · · · · ·
	checklist. Discuss doubts with team leader. Learning has to be done
	at office itself.
Estimated time fixed to complete	The scope as a whole need to be broken up into smaller areas, and
the audit	time required for each of them has to be decided.
Extent of verification	Extent of verification has to be laid down for each department
	under audit.
No. of persons needed	No. of persons required for audit has to be decided,
	area/department wise.
Composition of audit team	Each team has to be made with juniors and a senior, or as the case
	may be.
Work allocation	Team members have to be allotted different areas of scope, by the
	team leader.
Materials to be carried to the	Stationery, laptops (if required), etc. have to be entered in respective
audit place	registers and taken by the team.
Conveyance	Commuting to the audit place has to be arranged well in advance

Template -3 Data requirement as per Scope of Work

Area of work	Mention the areas which was mention in Scope
Data Requirement	To verification or testing of control, data and documents
	was requested
Data Request Date	Mention the date of data requested by Auditor
Data Received Data	Mention the actual date of data received from the client
Other Remarks	If data are not received or not provided then specific comments was
	mention with reasons.

Template -4 Preliminary activities at the client's place

emplace 4 r reliminary activities at	the ellent's place
Meeting the key personnel	On the first visit to the client's place, the team leader will meet and
	discuss the audit scope and methodology, with the officers' in-
	charge in each department.
Meet the related staff	The team leader will meet the related staff and introduce the team.
	Discuss about the infrastructure available to us for carrying out our
	audit activity.
Understanding the unit under	A detailed study has to be done about the systems and procedures
audit	and internal controls in the organization, of the areas/departments.
	Relevant information required for audit should be noted down as a
	reference for the team.
List of documents	list of documents pertaining to the internal controls, policies and
	procedures have to be collected and maintained for regular
	reference while auditing.

Template -5 Working papers

- 1. Regardless of the format, the working papers should include some basic information.
- The name of the client
- The period covered
- The date (audit working paper prepared)

- Title (subject matter)
- Assignment/file reference
- Clear cross-reference to linked documents or working papers (either on a hard copy file or electronically)
- The initials/signature of the internal auditor who prepared the working paper (or electronic equivalent)
- The initials/signature of the team leader who has reviewed the working paper, and the date on which the review was undertaken (or electronic equivalent)
- 2. Each file saved on the server folders of office should begin with name of the company audited, and subject of the matter stored in it should be clearly mentioned so as to make it, self explanatory.
- 3. Information and data obtained from the organization, which become the basis of audit, should be preserved.
- 4. Area wise checklist would become the core working papers.

Internal auditing is a scientific and professional skill. It is not a textbook process which can be straightforward implemented. The internal auditor with his experiences should use his experience to carry out the audits professionally.

Types of internal Audit sub-reporting are as below -

Standard Operating Procedures (SOPs)

A standard operating procedure, or SOP, is a set of step-by-step instructions compiled by an organization to help workers carry out complex routine operations. SOPs aim to achieve efficiency, quality output and uniformity of performance, while reducing miscommunication and failure to comply with industry regulations.

Internal Policy, Standards, Checklists, Coding & Documentation

Policies and procedures are an essential part of any organization. Together, policies and procedures provide a roadmap for day-to-day operations. They ensure compliance with laws and regulations, give guidance for decision-making, and streamline internal processes. However, policies and procedures won't do your organization any good if your employees don't follow them.

Employees don't always like the idea of having to follow the rules. But policy implementation is not just a matter of arbitrarily forcing employees to do things they don't want to do. Following policies and procedures is good for employees and your organization as a whole.

Business process re-engineering for adapting to ERPs

Business process reengineering gives organizations the opportunity to rethink the design of their processes. In doing so, organizations can identify changes that will positively impact their costs and quality, and ultimately help to improve customer service.

Business process reengineering provides monumental long-term process improvements. Without adequate technology tools to manage changes identified in a BPR process, however, effecting change and realizing improvements comes at a large cost to the organization in terms of human capital, inconsistent leadership, and the inability to do a total organizational overhaul.

Organizations are able to improve current processes step-by-step through the use of Enterprise Resource Planning software with great effect. Utilizing ERP, organizations more easily facilitate costs reductions and achieve drastic increases in quality. With companies offering Enterprise Resource Planning solutions in the cloud, the adoption and success of process improvement has never been easier to achieve.

IT Security Audits

A security audit is a manual or systematic measurable technical assessment of a system or application. Manual assessments include interviewing staff, performing security vulnerability scans, reviewing application and operating system access controls, and analyzing physical access to the systems. Automated assessments, or CAAT's, include system generated audit reports or using software to monitor and report changes to files and settings on a system. Systems can include personal computers, servers, mainframes, network routers, switches.

Process Audits

A process audit is an examination of results to determine whether the activities, resources and behaviors that cause them are being managed efficiently and effectively. A process audit is not simply following a trail through a department from input to output - this is a transaction audit. Processes generate results therefore for an audit to be a process audit it has to establish whether the results are being generated by an effectively managed process.

Energy and Efficiency Audits

An energy audit is an inspection, survey and analysis of energy flows, for energy conservation in a building, process or system to reduce the amount of energy input into the system without negatively affecting the output(s). In commercial and industrial real estate, an energy audit is the first step in identifying opportunities to reduce energy expense and carbon footprints.

When the object of study is an occupied building then reducing energy consumption while maintaining or improving human comfort, health and safety are of primary concern. Beyond simply identifying the sources of energy use, an energy audit seeks to prioritize the energy uses according to the greatest to least cost effective opportunities for energy savings.

STANDARDS ON INTERNAL AUDIT

Standard on Internal Audit (SIA) 110: Nature of Assurance

- Deals with those assignments performed by internal auditors where an <u>opinion</u> is required, and it clarifies the minimum requirements to be in place before an audit opinion report can be issued.
- Having accepted an assurance assignment, an Internal Auditor may not <u>change</u> that assignment to a non-assurance assignment, or from a reasonable assurance assignment to a limited assurance assignment <u>without reasonable justification</u>.

Standard on Internal Audit (SIA) 120: Internal Controls

- Define <u>Internal Controls</u>, how they mitigate risk, and how they are viewed from a legal perspective
- Explain the responsibilities of management and auditors Specify certain requirements which need to be satisfied to be able to provide assurance on Internal

♣ Standard on Internal Audit (SIA) 210: Managing the Internal Audit Function

- Internal Audit Charter or Engagement Letter outline <u>overall objectives</u> of internal audit
- Ensuring adequate <u>skilled resources and expertise</u> are in place and deployed well, to provide the <u>required level of assurance</u>.
- Quality of the work performed forms a sound basis for reporting and is supported by evidence and documentation.
- Work is conducted <u>in conformance with the Standards on Internal Audit</u> and other related pronouncements issued by the ICAI.

♣ Standard on Internal Audit (SIA) 220: Conducting Overall Internal Audit Planning

- Ensure that the <u>planned internal audits</u> are in line with the objectives of the internal audit function, as per the internal audit charter of the entity
- Align the organisation's <u>risk assessment</u> with the effectiveness of the risk mitigation implemented through internal controls
- Confirm and agree with those charged with governance the broad scope, methodology and depth of coverage of the internal audit work to be undertaken in the defined time-period.

♣ Standard on Internal Audit (SIA) 230: Objectives of Internal Audit

- The <u>Objectives of Internal Audit</u> and other terms of engagement of the external service provider are documented in a formal agreement referred to as the Engagement Letter.
- The Engagement Letter is <u>signed by the Engagement</u> Partner along with the appointing authority of the Company. An indicative list of terms of engagement, covered in an Engagement Letter is provided in this SIA

♣ Standard on Internal Audit (SIA) 240: Using the Work of an Expert

– Where the findings of the <u>Expert</u> will form part of the assurance report to be issued by the Internal Auditor, the Internal Auditor shall participate in defining the scope, approach, and work to be conducted by the Expert. Otherwise, the Internal Auditor shall not incorporate the finding of the Expert in his Internal Audit report

4 Standard on Internal Audit (SIA) 310: Planning the Internal Audit Assignment

- Ensure its <u>alignment with the objectives</u> of the Overall Internal Audit (Engagement) Plan and in line with stakeholder expectations.
- Ensure that the scope, coverage, and methodology of the audit procedures will form a sound basis for providing reasonable assurance.
- Allocate adequate time and resources to important aspects of the assignment and assign appropriate skills to complex areas and issues.

♣ Standard on Internal Audit (SIA) 320: Internal Audit Evidence

– All audit evidence shall be recorded in such a manner that it can be reproduced (if in digital form) and reviewed independently of the Internal Auditor. Details of these quality standards, the manner in which audit evidence shall be gathered, reviewed for sufficiency and appropriateness, validated for authenticity and reliability and stored as part of internal audit documentation, shall be written in the form of an internal audit process (as part of the Internal Audit Manual)

♣ Standard on Internal Audit (SIA) 330: Internal Audit Documentation

- The <u>ownership</u> and custody of the internal audit <u>work papers</u> shall remain with the Internal Auditor.
- The internal audit work paper files shall be <u>completed prior to the issuance of</u> the final internal audit report. Any pending administrative matters shall also be completed within sixty days of the release of the final report.

♣ Standard on Internal Audit (SIA) 350: Review and Supervision of Audit Assignments

- The periodicity and extent of the <u>review</u> shall be planned and documented at the audit planning stage considering the overall audit objectives, time, and budget constraints, as per the professional judgement of the Chief Internal Auditor or Engagement Partner.
- The documentation shall record the evidence of the supervision and review conducted, including the performance of any audit procedures subsequent to the review.

♣ Standard on Internal Audit (SIA) 360: Communication with Management

- It explains the importance of <u>two-way communication</u>, both while managing IA function & while conducting an IA assignment.
- The Internal Auditor shall establish a <u>written communication process and protocol</u> with management including essential exchange of information, cross

reference to the internal audit program, where appropriate, and the same is shared and agreed with them.

♣ Standard on Internal Audit (SIA) 370: Reporting Results

On completion of work, IA shall issue a <u>clear</u>, <u>well documented Internal audit</u> <u>report</u> which includes following <u>key elements</u>,

- Overview of objective, scope, and approach of the audit assignment
- The fact that an internal audit has been conducted in accordance the Standards of Internal Audit,
- An executive summary of <u>key observations</u> covering all important aspects, and specific to the scope of the assignment,
- A summary of the corrective actions required (or agreed by management) for each observation,
- Nature of assurance, if any, which can be derived from the observations

Standard on Internal Audit (SIA) 390: Monitoring and Reporting of Prior Audit IssuesThe specific objectives of this standard are to ensure:

- (a) Proper monitoring and closure of open issues from prior audits
- (b) Independent validation of corrective actions taken by the auditee
- (c) Escalation of any concerns in case of delays in closure of issues
- (d) Timely reporting of status to those charged with governance.

The overall objective of this Standard is to ensure that the auditee mitigate the risks highlighted in the audit observations through timely

corrective actions or that a conscious decision is taken to accept the risks, in case recommendations are delayed or not implemented.

Standard on Internal Audit (SIA) 5: Sampling

When designing an audit sample, the internal auditor should consider the <u>specific</u> <u>audit objectives</u>, the population from which the internal auditor wishes to sample, and the sample size. The sample size can be determined by the application of a statistically based formula or through exercise of <u>professional judgment</u> applied objectively to the circumstances of the particular internal audit engagement. When determining the sample size, the internal auditor should consider sampling risk, the tolerable error, and the expected error.

Standard on Internal Audit (SIA) 6: Analytical Procedures

When analytical procedures identify <u>significant fluctuations or relationships</u> that are inconsistent with other relevant information or that deviate from predicted amounts, the internal auditor should investigate and obtain adequate explanations and appropriate corroborative evidence. The internal auditor may <u>recommend appropriate courses of action</u>, depending on the circumstances.

Standard on Internal Audit (SIA) 7: Quality Assurance in Internal Audit

The <u>internal quality review</u> should be done by the person entrusted with the responsibility for the <u>quality in internal audit</u> and/ or other experienced member(s) of the internal audit function. The internal quality reviews should be undertaken on an ongoing basis.

Standard on Internal Audit (SIA) 11: Consideration of Fraud in an Internal Audit

The internal auditor should document <u>fraud risk factors</u> identified as being present during the internal auditor's assessment process and document the internal auditor's response to any other factors. If during the performance of the internal audit fraud risk factors are identified that cause the internal auditor to believe that additional internal audit procedures are necessary, the internal auditor should document the same.

Standard on Internal Audit (SIA) 13: Enterprise Risk Management

The internal auditor should submit his report to the Board or its relevant Committee, delineating the following information: — Assurance rating (segregated into High, Medium, Low) as a result of the review — Tests conducted — Samples covered; and — Observations and recommendations.

Standard on Internal Audit (SIA) 14: Internal Audit in an Information Technology Environment

The internal auditor should <u>review the</u> robustness of the <u>IT environment</u> and consider any weakness or deficiency in the design and operation of any IT control within the entity, by reviewing. If the internal auditor is not able to rely on the effectiveness of the IT environment as a result of the review, he may perform such substantive testing or test of IT controls, as deemed fit in the circumstances. The internal auditor should document the internal audit plan, nature, timing and extent of audit procedures performed and the conclusions drawn from the evidence obtained

♣ Standard on Internal Audit (SIA) 17: Consideration of Laws and Regulations in an Internal Audit

Obtaining an <u>understanding of the legal and regulatory framework</u>

- Laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements
- Procedures to identify instances of non-compliance
- other laws and regulations
- Non-compliance brought to the internal auditor's attention through other audit procedures
- Written representations

Standard on Internal Audit (SIA) 18: Related Parties

Should obtain sufficient appropriate audit evidence about management's assertion that a related party transaction was conducted on terms equivalent to those prevailing in <u>an arm's length transaction</u>. The internal auditor should consider the impact on the

internal audit report if it is not possible to obtain sufficient appropriate audit evidence concerning related parties and transactions, and should suitably disclose it in the internal audit report, based on its <u>materiality</u>.

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