

Acuite Ratings & Research Ltd

Internal Audit for the Financial Year 2022-2023

S.No	Particulars	Scope of Work
1.	Periodicity of Audit	Quarterly
3.	Place of Audit	Acuite – Mumbai Office (Kanjurmarg)
4.	Objective of Internal Audit	<p>The prime objective of internal audit is to examine and evaluate whether the framework of risk management, internal controls and governance processes are adequate and functioning properly. In addition, the objectives would include ;</p> <ul style="list-style-type: none">• Advising and recommending improvements in internal controls / internal financial controls on financial reporting• Ensuring compliance with internal guidelines and policies of the company as well as the applicable statutory and regulatory requirements.• Safeguarding the assets of the company.• Reviewing and ensuring adequacy of information systems security and control.• Reviewing and ensuring adequacy, relevance, reliability and timeliness of management information system.
5.	Scope of Internal Audit	<p>a) Examination and evaluation of adequacy and effectiveness of the internal control and risk management systems at various operations and activities</p> <p>b) Review of the accuracy and reliability of company's accounting records and financial reports with a view to ensure robustness of Internal Financial Controls on financial Reporting.</p> <p>c) Evaluation of adherence to legal and regulatory requirements covering Acts related to Finance, Taxation laws such, GST, Income Tax Act, etc. and approved policies and procedures.</p> <p>d) Examine that resources are acquired economically, used efficiently and safeguarded adequately.</p> <p>e) Carrying out any special assignment as directed by the Audit Committee.</p>

MAJOR AREAS TO BE COVERED IN COURSE OF INTERNAL AUDIT

The internal audit will cover the following areas:-

(1) Financial Accounting & Financial Reporting

- Compliance with observations of earlier audit.
- Accounting is done as per Accounting Standards and Accounting Policies
- Ledger scrutiny.
- Cash / Bank Vouching and bank reconciliations
- Maintenance of Fixed Assets register, verification and calculation of depreciation.
- Balance confirmations of all Debtors and Creditors
- Foreign currency transactions
- TDS and payment of other statutory dues in time
- Prior period adjustments
- Provisions and contingent liabilities
- Verify compliance in respect of related party transactions.
- Review of cash flow preparation including idle cash (if any) and utilisation process.
- Verify Investments are in line with the Investment Guidelines
- Revenue recognition including collection.
- Verify adherence to Delegation of Authority for bill payments.
- Reconciliation of Inter Company transactions in line with Master Intercompany Services Agreement (MISA) entered into with the group companies
- Limited review of half yearly financial statements (excluding certification of financial statements).

(2) Statutory / Regulatory Compliance

- Identification of legal framework and statutes as applicable and compliance thereof -Check registrations/renewals with different statutory authorities like labour department, PF, ESIC, GST, Professional Tax, etc.
- Ensure correct deductions and recoveries of taxes and statutory levies like TDS, GST, PF, ESIC, Professional Tax, etc.
- Ensure timely payment and deposit of taxes and other statutory levies.
- Reconciliation of TDS receivable from clients with Form 26 AS
- Reconciliation of GST as per books and as per Portal.
- Adherence to time limits in filing prescribed returns.
- Verify system of availing input tax credit on purchases and GST through a proper procedure of set-off.
- Status of assessments before various tax authorities.
- Details of statutory disputes and cases pending before various authorities with financial implications for being treated as contingent liabilities.

(3) Secretarial

- Compliance with applicable provisions of the Companies Act, 2013
- Appointment of Directors / Auditors and other key employees / officers.
- Compliance with Memorandum and Articles of Association of the Company
- Conduct of Board / Committee Meetings, minutes thereof,
- Verification of Registers - Members, Directors, Directors' shareholding and interest etc.
- Verification of various secretarial forms filed during the quarter

(4) **Sales Process**

- Checking the billing terms and conditions, which are defined in the agreement / contract signed with the client
- Verification of Short fees / discounts in line with internal approvals / discount approval policy in place
- Collections from the client with respect to the contractual collection period.
- Scrutiny of receipts in bank, otherwise than from cheques received from clients. Receivables ageing and realization analysis
- Verification of sales process for booking of revenues in the software with the booking of revenues in Tally
- Review of Sales incentive payable to business development team as per Company's policy.
- Review of any revenues leakages on account of any delay in booking revenues in the software.

(5) **Human Resources**

- Checking of wages and salaries of employees including, contractual staff on the basis of their respective terms and conditions of employment. –
- Test check a few individual files of personnel on site.
- Verify the records with special attention to LTC, Full & Final Settlement, Travelling allowances, Staff Loans/Advances, etc.
- Adherence to the HR process manual and policies
- Review of Payroll processing, Leave and attendance recording.
- Employee document management.

(6) **Administration**

- Review of existing contracts, renewals, costs etc and accounting thereof

(8) Internal Audit of Wholly Owned Subsidiary (on a half yearly basis)

- Review and report on the financial accounting, statutory compliance and human resources areas.

The internal audit should be supervised by a Partner with active involvement of a team consisting of a qualified Audit Manager / Senior Assistant. Internal Auditors are encouraged to suggest solutions to rectify the errors or deficiencies and not merely confine to making observations. Internal Auditors should also give suggestions for system improvement and ensure compliance of the audit observations at the site itself in their presence.