

## **SCOPE OF INTERNAL AUDITORS**

### **JALGAON JILHA SAHAKARI DUDH UTPADAK SANGH MARYADIT.**

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The Internal Auditors are free to look into all aspects of working which affect the financial management of the Jalgaon Jilha Sahakari Dudh Utpadak Sangh Maryadit, Jalgaon and any abnormality noticed by them whether covered by guidelines or not may please be reported to the management.

During verification of documents mentioned below, doubts if any should be cleared through audit note to head of accounts department. In case any discrepancies, irregularity, negligence noticed during pre audit or review should be informed to Managing Director. Only matter which are not cleared by respective department heads and account department head are taken in your monthly final audit report.

#### ➤ **Administration Department –**

- 1) Check the service records of the all employees at the time of sanction of annual grade increment and report discrepancies if any in the record.
- 2) Check the leave records of the every employee per year and check whether previous closing balance of leave days carried forward correctly to next year opening balance also pre audit of leave record whether the leave sanctioned are properly accounted or not and report discrepancies if any in the record.
- 3) Check bank statement and vouchers of Gratuity and leave encashment paid at the time of retirement to employees.
- 4) Verify the provisions of statues such as by laws, Co operatives laws, PF Act, Profession Tax Act, ESIC Act and any regulations, rules, notification etc framed under the aforementioned statues adequately complied with.
- 5) To verify that stocks are covered adequately through insurance and regular physical verification of stock are carried out ensuring that stocks are identifiable and are stores separately and properly.
- 6) Verify that rules, regulations, procedures (including clarification issued by the management) are complied with and to ensure contingent

liability provision for the court cases which are pending before the various court of law.

- 7) Pre audit of data in respect of employees with regard to leave, attendance, salary, transfer, bonus, overtime etc as per sangh policy.

### ➤ **Purchase Department –**

- 1) All purchase proposal to be pre audited and examined critically with the view to check that -
  - The requirement of Purchases must be as per production plan, consumption pattern and as per minimum/maximum order level.
  - It should be verified that revenue items or capital items purchase provision exist in budget.
  - Competent authority should approve purchase proposal. For this delegation of power should be preferred.
  - Approved indent raised by indenting group/department.
  - Comparatives statement should to be verified.
  - Quotations and offers received from vendor/suppliers should be verified.
  - Copy of invitation letter/enquiry letter send to suppliers should be verified.
  - Proper appraisal procedure has been followed.
  - Full justification for recommendation is given if single quotation received.
  - In case of inclusive rates, prevailing rates of taxes/duties are indicated in the proposal.
  - In case of repeat order, any changes in rates/taxes should be brought out in the proposal.
  - Complete examination of tender files, Rate revision files.
  - Normally order should be placed on technically acceptable lowest offer.
  
- 2) Pre audit of purchase orders and contracts (including amendments) and verify that they are within budget estimates and as per delegation of powers. While approving any amendments the financial implication should clearly be mentioned in the proposal.

- 3) Pre audit of all payment including verification of bank guarantee and other documents of security etc. It should be ensure that all the term and conditions of purchase order are fulfilled. The GRN in support of supply of material should clearly certify the quality and quantity of the material as per order.
- 4) Verify Purchase policy/procedure as laid down by union should be referred if proposal is cleared on single offer basis, justification should be in proposal itself
- 5) Discrepancies noticed during verification of purchase proposal should be noticed down and informed to Manager/Incharge for necessary correction. In case of non compliance should be informed to Managing Director and then reported.

➤ **Store Department –**

**A. Purchase Transactions :-**

- 1) Review system and procedure of receiving, checking, recording and issue of material from store.
- 2) Verify GRN entries of goods receipt with stock item ledger as well as with invoice also verify material received as per supplier delivery challan.
- 3) Verify internal Issue of material with material requisition note of consumption issued by consumption department.
- 4) Verify Posting of material in store ledger with reference to GRN and Material requisition note.
- 5) Monthly physical verification of all store inventory item and check with stock ledger/register maintain in store.
- 6) Verify material issue method followed by store and valuation of stock inventory.
- 7) Analysis of slow moving and non-moving items and give your comment/opinion on these item.
- 8) Verify item which was ordered by store but not custody not taken by intended department.
- 9) Verify recording of goods return/rejected of Supplier in stock register as well as in books.
- 10) Verify that unusable stores/commodities, discarded/dead stock are disposed off only after approval of the proper authority.

## **B. Sales Transactions :-**

- 1) Store material sale invoices should be verified on day to day on random basis with delivery challan/ gate pass and approved rates.
- 2) Verify whether store sale invoice amount deducted from milk bill if sale on credit.
- 3) Verify recording of goods return/rejected from customer in stock register as well as in books.
- 4) Discrepancies/Variation noticed during verification all store transaction/inventory should be noticed down and informed to Manager/Incharge for necessary correction. In case of non compliance should be informed to Managing Director and then reported.
- 5) Verify store sales debtors outstanding list and report long outstanding list with amount in monthly report.

## **➤ Procurement Department –**

- 1) Verify 10 days cycle milk bill of milk procurement with truck sheet/milk receipt summary report and approved procurement rates.
- 2) Verify capacity of milk transport vehicle utilized and reported to Managing Director.
- 3) Verify milk transport bill with approved transport rates.
- 4) Verify monthly KG FAT/SNF amount receivable from BMC.
- 5) CFP sale invoices should be verified on day to day on random basis with gate pass and delivery challan along with approved sales rates.
- 6) Verify whether CFP sale invoice amount deducted from milk bill if sale on credit.
- 7) Verify recording of goods return/rejected from customer in stock register as well as in books.
- 8) Verify CFP sales debtors outstanding list and report long outstanding list with amount in monthly report.

➤ **Cattle Feed Plant –**

- 1) Monthly physical verification of raw material and finished goods inventory of cattle feed laying with cattle feed factory and report in monthly report. If any discrepancies or variation found in stock then report to Managing Director.
- 2) CFP sale invoices should be verified on day to day on random basis with stock register, gate pass and books maintain at CFP factory.
- 3) Verify CFP transport bill as per approved rates.

➤ **EDP Department –**

- 1) Verify ERP system report and check whether they comply with statutory requirement such as GST Act, Income Tax Act, PF Act, ESIC Act and other allied laws.
- 2) Verify preloaded rates of all sales and procurement /purchase mentioned in ERP should be applied in Invoices or not.
- 3) Check whether system report generated by ERP is user friendly.

➤ **Marketing Department – Jalgaon and Turbhe.**

- 1) Milk and Milk Product sale invoices should be verified day to day on random basis with truck sheet, gate pass and delivery challan along with approved sales rates.
- 2) Verify recording of goods return/rejected from customer in stock register as well as in books.
- 3) Verify scheme given to customer with approved rates/notes.
- 4) Monthly physical verification of finished goods inventory in custody of marketing department at various location and report in monthly report all location stock. If any discrepancies or variation found in stock then report to Managing Director.
- 5) Verify whether capacity of milk distribution vehicle utilized or not and reported to Managing Director.
- 6) Verify distribution transport bill with approved rates.
- 7) Verify crates in custody of marketing department and monthly reconcile the crates closing balance. If variation found then report to Managing Director.

- 8) Verify marketing sales debtors outstanding list and report long outstanding list with amount in monthly report.
- 9) To verify that the system of appointment of distributors and document required as per sangh policy taken on record before appointing of agency.
- 10) Verify expire goods which are disposed off are properly recorded in stock register with proper approval.

### ➤ **Accounts Department –**

- 1) Receipt vouchers should be verified with reference to receipt issued. While verifying the receipt vouchers details information to be check such as name of the person, account head, nature of amount received etc.
- 2) Payment vouchers should be verified with reference to following –
  - Invoice/Bills are as per Purchase order.
  - Sanction notes of expenses duly approved by competent authority for payment.
  - Name of the suppliers
  - Amount of Invoice/bills to be match with P.O/Notes.
  - Certification of invoice/bills by respective department delegated authority for payment.
  - Invoices/bills check with delivery challan, gate pass, GRN etc
  - Store department properly recorded Invoice goods only after clearance by quality control department.
  - Payment for urgent purchase check whether delegation of power of invoice/bills passing officials.
- 3) Bank reconciliation statement should be audited on monthly basis. Any entry unadjusted/pending more than 3 months and frequent bouncing of cheques of any party should be reported also report any delay in preparation of the bank reconciliation statement.
- 4) Examine that instruction for renewal or encashment of investments such as bank fixed deposit, bank guarantee etc. are made in time and there is no loss of interest. Also done audit half yearly fixed deposit interest and balance statement prepare by department.

- 5) Cash should be physically checked and tally with cash book at least once in a month.
- 6) To verify whether all liabilities towards interest and principal of loan payable to NDDDB/Banks are discharged in time.
- 7) All calculation of interest and penal interest on loan should be checked.
- 8) Done regular post audit of Cash Book, Bank Book, Purchase Register, Sales Register, Journal Register and any subsidiary books on monthly basis.
- 9) Scrutinize regular trial balance and if any discrepancies found report it.
- 10) To verify whether compliance of the entire audit report ( statutory as well as internal) is prepared and put to the management.
- 11) It is prime duty of the internal auditor to given concrete opinion in the matter of deduction/collection of TDS, TCS and other taxation while making amount payment or receipt as per required rates prescribed as per the acts.
- 12) Internal Auditors is supposed to be check all invoices/bills and documents related to project for which grant received from NDDDB, Government or any other institutions.
- 13) All type of grants accounts are specifically checked and the utilization certificates issued to various government agencies or other agencies are to be pre audited after ensuring the amount of utilization mentioned in the utilization certificate tallies with the amount as per the ledger of the concerned head of grants.
- 14) To verify that all material consumed/received are booked as purchases.
- 15) To verify that advances received from buyers are properly accounted and that amount adjusted towards sales as well as advances paid to suppliers are properly accounted and that amount adjusted towards purchases in accordance with purchase order.
- 16) Verify that all purchases and sales transactions are properly and timely accounted for and checked.
- 17) Verify that all debit notes and credit notes are timely raised and settled.
- 18) Verify that monthly/quarterly/half yearly/annually return applicable per statues such as TDS return, TCS return, GST return, VAT return and Profession tax return and audit report where applicable submit in time.
- 19) To verify that all taxes as required under laws are deducted/collected and deposited in time.

- 20) To verify that all advances taken by employees are not settled within stipulated time and unspent balance if any not refunded in time.
- 21) Physical verification of investment should be carried out and verify with ledger accounts of each investment. This physical verification should be carried out on periodical basis. Ensure that proper accounting procedure for investment is followed by sangh. Variation and discrepancies should be reported.
- 22) Physical verification of fixed assets should be carried out once in a year and balances of each assets are tallied with fixed assets register. Variation and discrepancies should be reported.
- 23) Check amount of certificate and sign. Certificate which are issue to various department such as monthly stock statement to NDDDB, certificate of MPCB board, utilization certificate and any other certificate required to sangh.

➤ **Production/Dairy Department –**

- 1) Verify monthly Kg FAT and kg SNF report and proper accounting are done in dairy stock books/register.
- 2) Verification of input and output ratio against standard laid down in sangh policy variation if any to be reported.
- 3) Verify that processing and production losses are properly recorded and proper sanction taken for such losses.
- 4) In case of job work done by sangh or job work done from other by sangh then verify that all job work done as per work order and output goods are received/ paid as per order. Also verify job work goods laying with dairy are properly accounted.
- 5) Verify that proper record of material received from store and consumption of store item is maintained.
- 6) Verify that proper stock record of raw material and finished goods maintained by dairy. Also done audit of raw material and finished goods stock laying with dairy to be verify once in a month.

➤ **Turbhe Plant –**

- 1) Verify Milk and Milk Product sale invoices should be verified on day to day on random basis with truck sheet, gate pass and delivery challan along with approved sales rates.
- 2) Verification of input and output ratio against standard laid down by sangh policy variation if any to be reported.
- 3) Verify that processing and production losses are properly recorded and proper sanction taken for such losses.
- 4) Verify that proper record of material received from store and consumption of store item are maintained.
- 5) Verify that proper stock record of raw material and finished goods maintained at turbhe plant. Also done audit of stock laying with turbhe plant to be verify once in a three month.

➤ **Chiling center at 1) Faizpur, 2) Parola, 3) Pachora, 4) Chopda, 5) Chalisagaon –**

- 1) Monthly physical verification of finished goods of cattle feed, milk and other material laying with chilling centers. If any discrepancies or variation found in stock then report to Managing Director.
- 2) Cross verification of stock transfer from head office and return to head office with stock register maintained at chilling centers.
- 3) Cross verification kg FAT and kg SNF data transfer to head office with register.