

ANNEXURE – CE - VI

QUESTIONNAIRE FOR REVIEW OF INTERNAL CONTROL SYSTEM AND WALK THROUGH.

PURCHASES

1. Whether all purchases are centralised or de-centralised. If all purchases are authorised by few key persons like owner or Managing Director etc, it may require in-depth study of purchases.
2. Whether all the purchases are made only by issue of purchase order and whether different series of purchase order are issued. Also, the issuance of series of purchase order is centralised in the purchase section. Are there any cases where purchases have been made without issue of purchase order?
3. Whether there is a system of authorised Vendor List. If not, what is the system of approving particular vendor? Are there instances where substantial purchases have been made through unauthorised vendors?
4. Whether all goods entering into the factory premises have been entered at the gate and what details are mentioned at the gate Register.
5. Whether Goods Received Note (GRN) is prepared for each goods entered in the factory. Whether separate series of GRN is prepared for goods meant for different section like raw material, capital goods, stationery etc.
6. Whether a separate code number is available for each type of goods and whether the same is entered on the GRN.
7. Whether inspection for physical quantity or technical specification is carried out before the preparation of GRN or after preparation of the goods receipt note and what is the composition of inspection Group. Whether report of inspection is documented and whether a separate record is maintained by Inspection Department.
8. Whether rejected goods are stored separately. What is the system of entering the rejected goods/short quantity on the GRN?
9. Whether for purchase returns, debit notes are issued.
10. Whether for rejected goods any set procedure is followed.
11. What is the ratio of purchases made from dealers and manufacturers
12. How and at what stage excise and accounts department is informed about goods short received and rejected. What document is prepared in this connection.
13. Is there any mechanism to reconcile the quantity and value of goods entered in the stores department and as per the purchase register.
14. Whether CENVAT is availed before preparing the GRN or after preparing the GRN. On the goods rejected or short quantity received, whether the CENVAT reversal is done on each invoice basis or on the monthly basis. If on monthly basis whether it is done on the basis of any statement issued by GR Section.
15. Whether any item supplied free of cost by customer.

SALES

1. What is marketing pattern - is it through depot, stockist, C&F agent related person or directly by assessee.
2. Whether any bought out item also sold by company?
3. How many series of sales invoices are generated in the company? For example there can be different series for excisable goods, export goods, scrap, other items and job work.
4. Whether sales of all different series of invoices is entered in one sales account or in different sales account.
5. Whether different delivery challan/packing slips is prepared for goods cleared from different sections or there is a common series of delivery challan for all type of goods removed from the factory.
6. What is the control mechanism by which security person at the gate ensures that any goods going out of the factory is cleared under a document.

7. Whether removal of all type of goods from the factory is routed through excise section or there are particular types of goods cleared from some other sections. Who authorises for despatch of goods from the factory.
8. Whether any charges for erection/commissioning charged.
9. Whether any materials supplied to customer free of cost.
10. Any amount for marketing expenses, Advertisement, Royalty, Handling Charges, Packing Charges, Warranty, after sales service and Insurance received from customer on invoice or debit notes.
11. Whether sales tax return and excise return are prepared by same person. If different whether any reconciliation is made for the difference in both the returns.
12. Whether excise invoices and sales invoices are same or different. If it is different whether the excise department is informed of variation in both the invoices.
13. Who is authorised to fix the sales price and whether any printed price circulars are issued.
14. Who is authorised to make supplementary sales invoices or debit note for price variation/additional recoveries (advertisement, after sales service, additional packing, insurance, freight, depot charges) and how excise section is informed.
15. Whether clearance figure of ER 1/ER 2 is tallied with sales register on monthly basis and in case of any variation what action is being taken.
16. Whether any goods received for repair etc.
17. Types of discounts given and how are they accounted for in relevant records.
18. Whether customer's account is debited with net amount of sales invoice or gross amount of sales.
19. Is the company engaged in trading activity also? What is the storage place? Whether CENVAT is availed on such trading goods. Are the bought-out items supplied directly to the customer without bringing into the factory? If so whether separate invoice are issued or the value of the same is added in the excise invoice.

STORES

1. Whether receipt in the stores record are shown only after inspection of goods or before inspection.
2. Whether all receipt in the stores is entered only on receipt of GRN or there are some goods where receipt is shown without preparing the GRN.
3. Whether issues are made only on the basis of requisition by production department or any other department.
4. Whether code number of receiving section are entered in the store record. Whether it is possible to verify the issues made to section other than production department like for construction, R&D, sale of input as such and inputs for repairing and reprocessing work.
5. What is the frequency of physical inventory for high value and frequently used items (A category in ABC analysis) whether a report is prepared for stock verification and put-up to management and what is the frequency of reporting?
6. For goods covered by insurance claim what is the procedure for filing the claim. Whether such goods are entered in the store register or these are shown in separate account. Whether any register or report is prepared for all such claims.
7. Inputs sent out for Job Work, what records maintained. Whether scrap is received back or job work price is adjusted.
8. What is the frequency of stock taking of all the items? How difference is accounted for and what reports are prepared.
9. When any goods are found defective in the stores section or it gets damaged in production department, how it is reflected in the stores, whether any separate account or report is prepared for the same.

TAX ACCOUNTING

1. Whether excise duty paid on raw material is shown separately in purchase account at the time of entering purchase invoice or it is shown only at the end of the month.

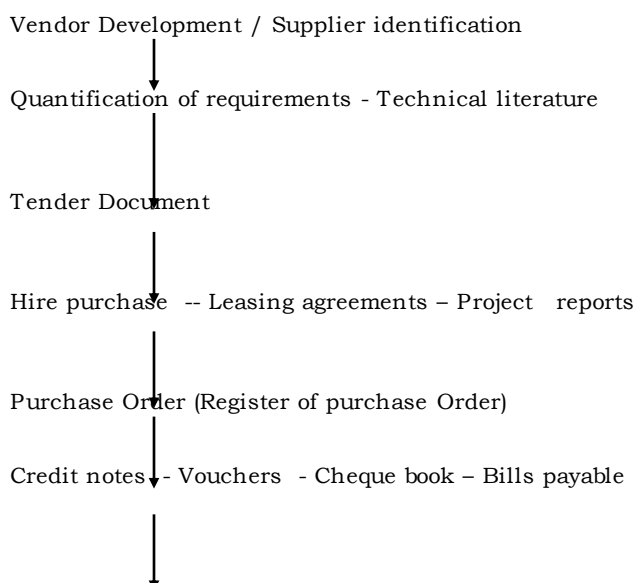
2. Whether all purchase bills are entered for full value and thereafter for rejected/stock quantity, credit note or sales return invoice is prepared.
3. Whether excise duty, payable on goods cleared, is shown separately in sales account and whether reconciliation is made with the amount of excise duty payable as per ER 1/ER 2 or other returns.
4. For capital goods whether full value including excise duty is debited in the books or net value is shown in the capital goods account.
5. For capital goods which are fully written off like spares for repair etc. whether excise duties deducted from such expenditure account or not?
6. What is the system to check excise duty liability (CENVAT and PLA) as shown in the financial records with the excise records. Whether any reconciliation is made for the differences.

JOB WORK

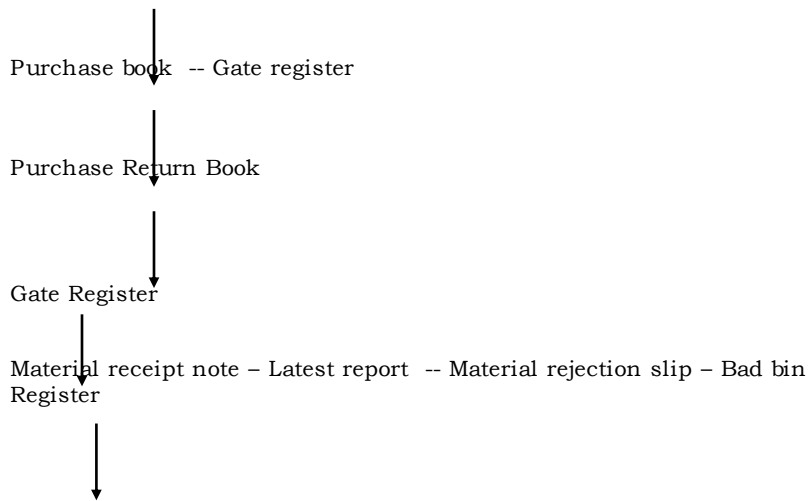
1. Whether any input/output ratio has been determined for sending the input for job work.
2. What records are maintained for sending the goods for job work and whether the records shows quantity of input sent, quantity of final product to be received, actually received and variation.
3. Whether any monthly or periodic statements are prepared for each job work and at what level the statements are verified for taking corrective action.
4. What is the system of treatment of scrap generated at the job work stage? Whether it is brought back to the factory or it is allowed to be disposed off by the job worker.
5. Whether the finished goods after job-work are being cleared from job-worker's premises.
6. When the goods are not received from the job worker in time what action is taken by the company and what accounting treatment is done for the same.
7. Are there some items, which are directly sent to the job worker without bringing them into the factory and how the same are accounted for in the records of the company.
8. Whether the finished goods are sold by the principal manufacturer directly from the premises of Jobworker?
9. Whether the finished goods are sold after transferring the same to any other place from the jobworker's premises? If yes, whether the normal transaction value is adopted for such sales in case the buyer is not related to the principal manufacturer?

WALK THROUGH: Flow chart showing movement of transactions; same route can be followed for walk through process.

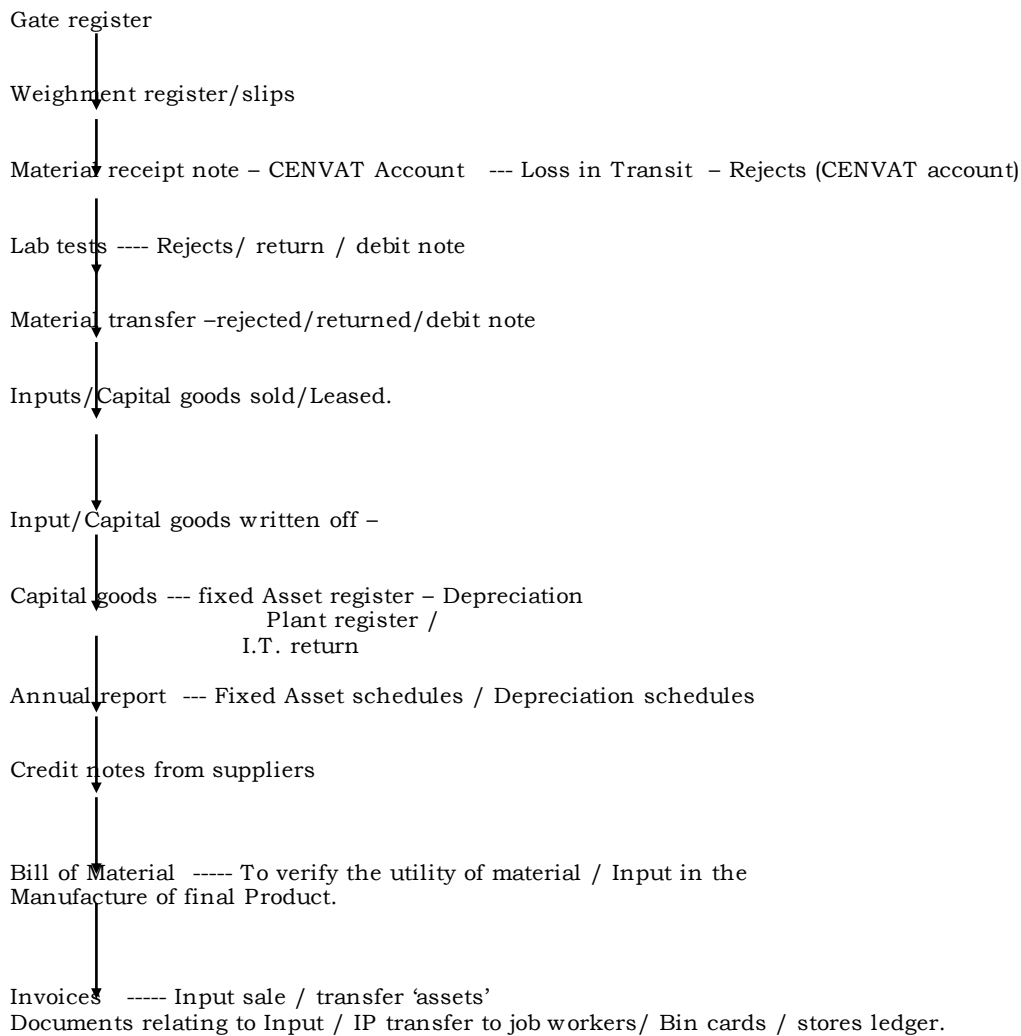
I. Purchases



Debit notes (for purchase return)



II CENVAT



III Production - Process Chart

Material Requisition Note - Bill of material - Hire purchase agreements,
Lease agreement, Cost Audit report- Cost Register Bin card



Material transfer note / issue slip

↓
Machine logbook --- Fixed Asset register --- Energy Audit report

↓
Job card / work order

↓
Time Card -- incentive card / register/Power generation/Consumption card

↓
Production Slip/Production register

↓
Material transfer note
(Final product)

Costing.

Bill of material - cost audit report - cost register - Process chart

↓
Machine logbook

↓
Job card (Work order) --- Bill of material

↓
Trial balance

↓
Balance sheet and P & L account / Annual report

IV Price determination (Transaction Value)

Invoices

↓
Debit notes

↓
Other income in Annual Report

↓
Debtors Ledger / Creditors Ledger

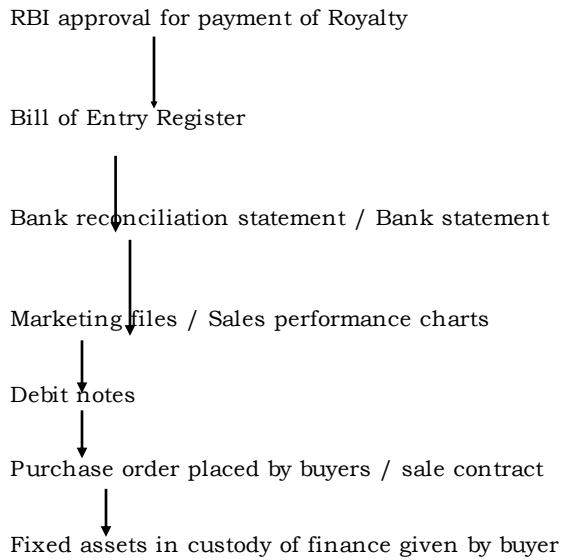
↓
Cost Audit Report

↓
Register for inter Corporate Loan

↓
Register of advances

↓
Dealers agreement / Consignment agents / C & F agents agreement





V. Classification

Research Development --- Product Development – Product lab

↓

Responsibility for verification of tax liability

↓

Intimation ---- Inter office Memo

↓

Marketing documents including literature.

VI. Sales / Removal of goods

Tender files

↓

Sales order Book -- Sales Performance Chart -- Scrap Register

↓

Marketing files

↓

Price lists

↓

Dealers agreement --- Distributor consignment Agents C & F Agents Agreements

↓

Weighment slip – Bin Card – Stores Ledger – Non moving stock register
 (For finished goods) (For finished goods)

↓

Delivery note – Invoices



Despatch advice



Gate pass - Invoices register



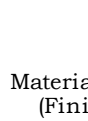
Gate register

VII. Sales return

Sales return book Bank Reconciliation Statement



Material return / receipt note----- Non moving stock register



Material transfer note ----- Inspection notes latest reports - Inter office Memo
(Finished goods / Intermediate products)



Credit notes --- Job card / work order



Debit notes



Bill of Material



Material requisition slip

VIII. New items produced. Discharge of duty and samples

New items produced.



Intimation



Fixation of value (procedure)



Clearance formality



Discharge of duty.

IX Non dutiable items

Name of the Non dutiable item



Bill of material ---- Cenvat credit availment



Material transfer note (Issue note) - Reversal of Cenvat credit