

WEBINT FOR INSTITUTE OF COST ACCOUNTANTS OF INDIA ON 7TH AUGUST 2020

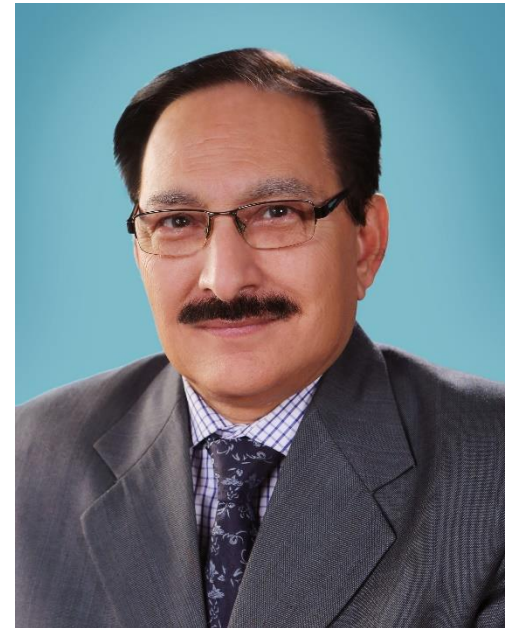
**Requirements of Documentation as per Cost
Auditing Standards- SCA 102**

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BRIEF ABOUT CMA J K BUDHIRAJA

- *Fellow Members of The Institute of Cost Accountants of India (ICAI) and The Institute of Company Secretaries of India (ICSI);*
- *Ex-Chief Executive Officer (CEO) of Insolvency Professional Agency of Institute of Cost Accountants of India (IPA ICAI);*
- *Ex-Senior Director (Technical), The Institute of Cost Accountants of India, HQ (Delhi Office), Lodhi Road, New Delhi-110003;*
- *Practiced as Cost Accountant and Registered Insolvency Professional, handled many cases CIRP under IBC 2016 and now Advisor, ICWAI MARF;*
- *Ex-General Manager (Finance)/CFO, Central Electronics Ltd. (CEL);*
- *Ex-Head (Finance)/CFO & Company Secretary, EdCIL (India) Ltd. (PSU). Also worked with National Fertilizers Ltd (NFL)-PSU, Hindustan Fertilizer Corporation Ltd (HFC)-PSU;*
- *Represented CMA Institute in Working Groups 2 & 3, constituted by MCA for drafting Rules and Regulations under IBC 2016;*
- *Ex-Member, Advisory Committee on Corporate Insolvency Process and Liquidation, constituted by Insolvency and Bankruptcy Board of India (IBBI);*
- *Ex-Member, Working Group constituted by IBBI for drafting Rules and Regulations relating to Guarantor Corporate Debtors, and Individuals having Businesses.*



FLOW OF PRESENTATION

- ❖ *Brief about the Standards on Cost Auditing (SCAs)*
- ❖ *Importance of Documentation in Audit*
- ❖ *Brief Requirements under Para 5 of Cost Audit Documentation*
- ❖ *Requirements as given in SCA-102- Cost Audit Documentation along with important Guidance Application related to a particular requirement*
- ❖ *Summing up in Bullet Points after presentation on Requirements to make matters more clear*
- ❖ ***Check Lists in Tabular Format-** Compliance as per Standard; Minutes of Meetings: with Management & others; Consumption of Materials and Utility; Analysis of Annual Accounts; P & L A/c; IT Infrastructure and Miscellaneous.*

COST AUDITING STANDARDS

- **Proviso to Section 148(3) of the Companies Act 2013 stipulates:** Provided further that the auditor conducting the cost audit shall comply with the cost auditing standards.
- ***Explanation given under Section 148(3) is as follows:***
- ***Explanation.—For the purposes of this sub-section, the expression “cost auditing standards” mean such standards as are issued by the Institute of Cost and Works Accountants of India, constituted under the Cost and Works Accountants Act, 1959, with the approval of the Central Government.***
- The Central Government vide its letter dated 10th September 2015 approved the following 4 Cost Auditing Standards which came into force with effect from 11th September 2015:
 - 1. Cost Auditing Standard-101 on Planning an audit of Cost Statements;***
 - 2. Cost Auditing Standard-102 on Cost Audit Documentation;***
 - 3. Cost Auditing Standard-103 on Overall objectives of the independent cost auditor and the Conduct of an Audit in Accordance with Cost Auditing Standards; and***
 - 4. Cost Auditing Standard-104 on Knowledge of business, its processes and the business environment***



Standards On Cost Auditing – Approved by Board

- *SCA-105 - Agreeing the Terms of Cost Audit Engagements*
- *SCA-106 - Audit Sampling*
- *SCA-107 - Audit Evidence*
- *SCA-108 - Materiality in Planning and Performing Cost Audit*
- *SCA-109 - Cost Auditor's Responsibility Relating to Fraud in an Audit of Cost Statements*
- *SCA-110 - Written Representations*
- *SCA-111 - Evaluation of Misstatements identified during the Cost Audit*
- *SCA-112 - Analytical Procedures*
- *SCA-113 - Using the Work of Internal Auditors*
- *SCA-114 - Using the Work of Cost Auditor's Expert*
- *SCA-115 - Communication with Those Charged with Governance*
- *SCA-116 - Communicating Deficiencies in Internal Control to those Charged with Governance and Management*
- *SCA-117 - Identifying and Assessing the Risks of Material Misstatement*
- *SCA-118 - The Cost Auditor's Response to the Assessed Risk*
- *SCA-119 - Related Parties*



COST AUDITING STANDARDS

- *What is difference between Cost Auditing Standards as mandated under Section 148(3) of the Companies Act 2013 and “Standards on Cost Auditing- SCAs” used by the Institute?*
- *There is no difference between “Standards on Cost Auditing (SCA)” issued by the Institute and “Cost Auditing Standards” referred to in section 148(3) of the Companies Act, 2013, both are to be used interchangeably.*



STRUCTURE OF STANDARDS ON COST AUDITING

Clauses	Explanation
1. Introduction	Explains subject matter of SCA in brief, and context in which the SCA is set.
2. Objectives	Objectives to be achieved by the cost auditor in complying with the requirements of SCA keeping in mind the interrelationships among other SCAs.
3. Scope	Scope and applicability of SCA keeping in view subject matter & specific expectations from cost auditor and others in the context in which the SCAs are set.
4. Definitions	Description of terminology used in SCA. However, no definition can override the meaning defined in law and regulations.
5. Requirements	Outlines the specific requirements of SCA. Requirements containing the word “shall”, is mandatory (<i>Bold Italic</i>) to be complied with, unless stated otherwise The Non Bold Italic part of this section provide further explanation to relevant requirement.



STRUCTURE OF STANDARDS ON COST AUDITING

SCA Elements	Comments
6. Application Guidance	<p>Provides further explanation of the requirements and guidance for carrying the requirements set out in the SCA.</p> <p>Covers background information, addresses meaning of requirements and explains the requirements precisely with examples wherever required.</p> <p>However, the actual procedures selected by the cost auditor require the use of professional judgment based on the particular circumstances of the entity.</p>
7. Effective Date	Date from which the application of the SCA is mandatory.
8. Statement of Modification	SCAs are formulated based on International Standards on Auditing (ISAs) which primarily focus on financial audit. Due to fundamental differences between the scope and methodology of financial and cost audit, " Statement of Modifications " are issued by the Institute containing comparison to International Auditing Standards.
Annexure / Appendices	Appendices form part of the application and other explanatory material. The purpose and intended use of an appendix/ annexure are explained in the body of the related SCA, or within the title and introduction of the appendix/ annexure itself.



Documentation is necessary:

- ***to have proper evidence that the audit was planned and performed in accordance with SCAs and***
- ***applicable legal & regulatory requirements.***

Cost auditor should document all matters, important in providing evidence to support the opinion given in the cost audit report.

Documentation means:

- ***working papers prepared by and for, or obtained and retained by the cost auditor in connection with cost audit on paper, film, electronic or other media.***



SCA - 102 Cost Audit Documentation

Standard prescribes that the cost auditor shall prepare documentation that is sufficient to enable other competent person to understand:

- ***conformance to audit procedures and SCAs,***
- ***results of audit procedures,***
- ***audit evidence and***
- ***significant matters arising during the audit.***

Cost Audit Documentation usually contains:

- ***checklist of compliances,***
- ***audit programs,***
- ***analysis,***
- ***audit query list,***
- ***abstract of significant relevant contracts,***
- ***letters of confirmation,***
- ***letter of representation,***
- ***abstract of entity's records etc.***



SCA - 102 Cost Audit Documentation

Objective of working papers is to record the cost audit work from one year to another and it contains the information such as:

- ***Client's Name,***
- ***Type of engagement (including scope, timing and direction of audit)***
- ***Nature of business,***
- ***Internal control system of the client (Observation on Internal control system of the client & comments)***
- ***Reliance on internal control Measures,***
- ***How the knowledge of business was obtained (Understanding the entity from Annual Report, Newspapers clippings, Economic reviews, Analytical reviews from Blumberg or other websites etc.)***
- ***Process of manufacture /Service – self manufactured, outsourced, job work, assembling, etc.***
- ***Clarifications obtained from the client.***



Importance of Documentation

- *Even if auditor may have executed appropriate audit procedures, but if he is not able to prove, then it is equal to having not done any work at all.*
- *Improper and incomplete documentation, at times, may even put the auditor in embarrassing situations.*

Documentation is:

- *Considered the backbone of audit,*
- *Evidence of record of work performed, explanations given, conclusion arrived at and compliance with standards,*
- *Reflection of performance in audit,*
- *Helpful in planning an audit of cost statements,*
- *Helpful in supervision and review,*
- *Resulting in better conceptual clarity,*
- *clarity of thought and expression,*
- *Facilitator of better understanding and helpful in avoiding misconceptions.*



Content and Form of Audit Documentation

Depends on a number of factors such as:

- ***size and complexity of the operations of the auditee,***
- ***extent of computerization of cost records,***
- ***assessed risks of material misstatement of cost,***
- ***cost audit methodology and tools used. For example whether automated queries were used to get audit evidence from cost records.***
- ***nature of the audit procedure to be performed.***

It is necessary to document everything on the basis of which conclusion in the form of Cost Audit Report is arrived at.

For example:

- ***consumption of materials by a product vis-a-vis its technical norms,***
- ***normal price for a related party transactions.***



Significant Matters to be included in Working Papers

Matters that may be documented together in an audit include:

- understanding of the entity and its internal control,***
- overall audit strategy and audit plan,***
- materiality,***
- assessed risks,***
- significant matters noted during the audit and conclusions reached,***
- significance of the evidence obtained to the assertion being tested.***



SCOPE: SCA - 102 Cost Audit Documentation

Scope

- *This Standard deals with the cost auditor's responsibility to prepare audit documentation for the audit of cost statements, records and other related documents.*
- *The specific documentation requirements of other Cost Auditing Standards do not limit the application of this Cost Auditing Standard.*
- *Laws or regulations may establish additional documentation requirements.*



Requirements: SCA - 102 Cost Audit Documentation

5. Requirements

5.1 The cost auditor as part of the audit documentation shall record audit procedures performed, relevant audit evidence obtained, and conclusions reached. (Refer 6.1)

- 1. Checklists: for compliance: Rules: CCRAR, CASS, GACAP;*
- 2. Audit Programs (Material, Employee Cost and others;)*
- 3. Analysis: Cost Audit relies more on analytical review than on substantive testing to establish true and fair view. (calorific value of different fuels used and average cost per unit of calorific value and specific heat consumption);*
- 4. Audit query list (log of audit queries raised and their resolution);*
- 5. Abstract of significant contracts relating to costs and revenues (supply of materials indicating price, quantity, terms and conditions of O&M contracts, terms of supply of contract labour and others);*
- 6. Letters of confirmation (Stock of materials with subcontractors);*
- 7. Letter of Representation from Management Correspondence (including email) concerning significant matters; 8. Abstract or copies of the entity records.*



Requirements: SCA - 102 Cost Audit Documentation

- *5.2 The Cost Auditor shall prepare audit documentation that is sufficient to enable another competent person, having no previous connection with the said audit, including person undertaking peer review to understand:*
 - *Conformance of audit procedures performed with legal and regulatory requirements;*
 - *Conformance to Cost Auditing Standards. (Refer 6.6)*
 - *The results of audit procedures performed*
 - *The audit evidence obtained*
 - *Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions. (Refer 6.7 & 6.8)*



Requirements: SCA - 102 Cost Audit Documentation

6.6 Audit documentation must contain evidence of conformance to requirements of Cost Auditing Standards in respect of this Standard and other standards **{Refer 5.2(b)}**:

▪ **Typical of such evidence are:**

- a) an adequately documented audit plan;
- b) the signed appointment letter from the auditee;
- c) Minutes of discussion with client personnel, with names of members of audit team present, particularly of the audit partner when he is present;
- d) Minutes of audit team discussions, with names of members of audit team present, particularly of the audit partner when he is present.



Requirements: SCA - 102 Cost Audit Documentation

6.7. Matters that give rise to significant risks of a material misstatement are significant matters.

- Those that causes a revision of the Cost Auditor's previous **assessment** of the **risks of material misstatement** is also a significant matter.
- Cost Auditor may have reached a certain conclusion regarding the **misstatement of the Material Cost in a Cost statement** based on the availability of a well documented **Bill of Materials** but his **assessment of risk may undergo a change** if he finds that there is considerable **use of substitute and alternate materials** in the actual production process.

6.8. Determination of the normal capacity for applying overheads is a significant matter in Cost Audit and requires not mere calculations but considerable judgment. These should be adequately documented. {Refer 5.2(e)}



Requirements: SCA - 102 Cost Audit Documentation

5.3 The Cost Auditor shall record the discussions of significant matters with client personnel and outsiders. (Refer 6.9).

[Minutes of the meeting with Management or those charged with governance, discussion with third parties seeking information or confirmation]

5.4 The Cost Auditor shall record any departure from the standard requirement in a Cost Auditing Standard. (Refer 6.11)

6.11. If, in exceptional circumstances, the Cost Auditor finds it necessary to perform alternative audit procedures different from a corresponding requirement in a Cost Auditing Standards, the Cost Auditor shall document how the alternative audit procedures performed achieve the aim of that requirement, and the reasons for the departure. (Refer 5.4)



Requirements: SCA - 102 Cost Audit Documentation

5.5 In documenting the nature, timing and extent of audit procedures performed, the Cost Auditor shall record the characteristics of the specific items or matters tested, the persons responsible for performing and reviewing such procedures with relevant dates and extent of review. (Refer 6.12)

In connection with a Cost Audit these may include:

- **Purchase Orders for supply of key raw materials,**
- **Goods Receipt Notes for materials,**
- **Issue notes for materials,**
- **bills of contractors for supply of contract labour among others.**
- **Where the Cost Auditor resorts to test checking, the basis used for selection, for example issues of spares above a certain value, and the documents selected.**



Requirements: SCA - 102 Cost Audit Documentation

5.6 The Cost Auditor shall prepare audit documentation on a timely basis. (Refer 6.14)

Preparing the audit Documentation on timely basis helps to enhance the quality of audit. Documentation prepared after the audit work has been performed is likely to be less accurate than the documentation prepared during execution.

5.7 If, in exceptional circumstances, Cost Auditor performs any new or additional audit procedures or draws new conclusions, after the date of Cost Audit Report, then he shall document such circumstances and details of such procedures performed. (Refer 6.15)

5.8 The cost auditor shall assemble the audit documentation in an audit file. (Refer 6.16) [should be completed within a reasonable time after the completion of the audit. The auditor should not delete or discard audit documentation of any nature before the end of its retention period]



Requirements: SCA - 102 Cost Audit Documentation

- 6.17. The audit documentation is the property of the Cost Auditor. *Unless otherwise specified by law or regulation, he may at his discretion, make portions of, or extracts from audit documentation available to clients.*
- 6.18. The Cost Audit Documentation should be retained for at least ten years from the date of the Cost Audit Report.
- Section 128(5) of the Companies Act 2013 provides a period of not less than eight financial years immediately preceding a financial year, or where the company had been in existence for a period less than eight years.



Summing up Requirements of Cost Audit Documentation

Cost Audit Documentation- ON GOING

i. Correspondence and discussions,

(a) *With team members*

(b) *With client*

ii. Analysis and determination of materiality

iii. **Documents prepared by client** - *Cost records, Cost Sheet, any other details or annexures etc.*

iv. **Audit Evidence** (*the area covered during review should be documented such as may include Purchase Orders for supply of key raw materials, Goods Receipt Notes for materials, Issue notes for materials, bills of contractors for supply of contract labour among others*)

v. **Analytical Procedures Performed** (*analytical review of Calorific value of different fuels used and average Cost per unit of calorific value and Specific Heat consumption Substantial documents and to support the calorific value the record of the above analysis and conclusion of the same*)

vi. **Audit Query List (log of audit query and their resolution);**

vii. **Clarifications on audit observations obtained from the client.**

viii. **Internal Control observations**



Summing up Requirements of Cost Audit Documentation

Post-Audit Documentation

- i. Confirmation for compliance of Rules: SCAs, CASs, Cost Audit Report and Record Rules and other regulatory requirements,*
- ii. Abstract of significant contracts relating to costs and revenues,*
- iii. Letters of confirmation for third parties,*
- iv. Observation of Financial Auditors,*
- v. Internal Audit Report and Action Taken Report by the Management relevant to area of cost audit.*
- vi. Letter of Representation from Management- Correspondence (including email) concerning significant matters,*
- vii. The results of audit procedures performed and evidence obtained*



Summing up Requirements of Cost Audit Documentation

Specific Matters

Cost Auditor shall record the characteristics of the specific items or matters tested the persons responsible for performing and reviewing such procedures with relevant dates and extent of review.

In above connection a Cost Audit Documentation may include:

- 1. Determination of Capacity and enhancement, if any*
- 2. Determination Normal and Abnormal loss,*
- 3. Document for supply of Key Raw materials,*
- 4. Terms with Contractors for supply of contract labour, hiring of equipment, among others.*
- 5. Where the Cost Auditor resorts to test checking, the basis used for selection.*
- 6. Suggestions on Performance improvements, if any.*



Cost Audit Documentation- Illustrative Example

Documentation- Check List

Sr.	SCA Ref	Particulars	Comments / Details
1.	6.1 a 1	Whether the Cost Records are in Compliant with requirements of Companies Act 2013 & CCRA Rules 2014 framed thereunder	
1.1	6.1 a 1	<i>If Not, Specify the Deviations, Reasons for Deviations & Cost Auditor's Comments on the same.</i>	
2.	6.1 a 2	Whether the Cost Records are Compliant with CRA-1 annexed with Companies (Cost Records and Audit) Rules 2014 (As SCA-102, it Cost Accounting Standards)	
2.1	6.1 a 2	<i>If Not, Specify the Deviations, Reasons for Deviations & Cost Auditor's Comments on the same.</i>	
3.	6.1 a 3	Whether the Cost Records are Compliant with Generally Accepted Cost Accounting Practices. (No reference in CRA-1)	
4.	6.15	Facts which become known to the Cost Auditor, after the Date of Cost Audit, which if known earlier would have caused the Cost Statements to be changed or Cost Audit Report to be Modified	



Cost Audit Documentation- Illustrative Example

Minutes of Audit Team Discussion: SCA - 102 Ref. 6.6 d

Meeting No.:						
Day:						
Date:						
Timing:						
Attendance						
Particulars	Name	Signature				
Audit Partner						
Audit Team Member 1						
Audit Team Member 2						
Audit Team Member 3						
Discussion Details	PLEASE REFER NEXT SLIDE					



Cost Audit Documentation- Illustrative Example

Discussion Details: SCA - 102 Ref. 6.6 d

Sr.	Issue Discussed	Comments / Summary / Decision Taken
1.0		
2.0		
3.0		
4.0		
5.0		
6.0		
7.0		
8.0		
9.0		
10.0		



Cost Audit Documentation- Illustrative Example

Minutes of Discussion with Auditee: SCA -102 Ref. 6.6 c

Meeting No.:						
Day:						
Date:						
Timing:						
Attendance						
Particulars	Name	Signature				
Audit Partner						
Audit Team Member 1						
Audit Team Member 2						
Audit Team Member 3						
Discussion Details	PLEASE REFER NEXT SLIDE					



Cost Audit Documentation- Illustrative Example

Discussion Details: SCA - 102 Ref. 6.6 c

Sr.	Issue Discussed	Comments / Summary / Decision Taken
1.0		
2.0		
3.0		
4.0		
5.0		
6.0		
7.0		
8.0		
9.0		
10.0		



Cost Audit Documentation- Illustrative Example

Audit Documentation (AD) - Analysis of Annual Accounts (AA)

Sr.	SCA Ref	Particulars	Comments	Auditee Representative	Audit Team Member	Audit Date
AD-AA-1.01		Year on year comparison of P&L for 3 years				
AD-AA-1.02		<i>Tabulate the year on year comparison of P&L for 3 years.</i>				
AD-AA-1.03		<i>Major items of deviations and comments / reasoning from Auditor & Auditee</i>				
AD-AA-1.04		<i>Impact of such deviations on Cost Audit and its treatment in Cost Audit</i>				
AD-AA-1.05	SCA-104 6.2 e	Trend Analysis w.r.t. Major Items of P&L Account. <i>This will indicate the trend as to Growth / Reduction in business or operations. Comments on the same from Auditor & Auditee. Its impact on Cost Audit and treatment in Cost Audit</i>				



Cost Audit Documentation- Illustrative Example

Audit Documentation (AD) - Analysis of Annual Accounts (AA)

Sr.	SCA Ref	Particulars	Comments	Auditee Representative	Audit Team Member	Audit Date
Notes to Accounts						
AD-AA-2.01		<i>Review the Notes to Accounts and identify the Notes which are relevant or will have major impact on Cost Audit.</i> Auditors & Auditees Comments on such notes to Accounts. <i>Impact of these items on Cost Audit & Its treatment in Cost Audit</i>				
AD-AA-3.01		Qualifications / Adverse Opinion in Annual Accounts				
		Review the Qualifications / Adverse Opinions in the Annual Accounts. <i>Assess its impact on Cost Audit and Treatment in Cost Audit. Comments of Auditor & Auditee.</i> Qualifications / Observations / Reservations by Cost Auditor w.r.t these items where ever relevant.				



Cost Audit Documentation- Illustrative Example

Audit Documentation (AD) - Related Party Transactions (RP)

Sr.	SCA Ref	Particulars	Comments	Auditee Representative	Audit Team Member	Audit Date
AD-RP-1.01		Identify the Related Party Transactions from Annual Accounts				
AD-RP-1.02		Identify the Related Party Transactions which are to be reported in Cost Audit				
AD-RP-1.03		Whether Transfer Pricing Report is Collected from the Auditee				
AD-RP-1.04		Identify the Method for Determination of Normal Price for Related Party Transactions				



Cost Audit Documentation- Illustrative Example

Audit Documentation (AD) - Related Party Transactions (RP)

Sr.	SCA Ref	Particulars	Comments	Auditee Representative	Audit Team Member	Audit Date
AD-RP-2.01		Identify the Related Parties who are Auditees of the Audit Firm				
AD-RP-2.02		Whether the Related Party Transaction Cross Check is verified in both the Auditee Cost Records				
		<i>Identified Discrepancies and Reasons for the same. Impact and Treatment in Cost Audit.</i>				
AD-RP-3.01		Whether the Related Party Details are available as per the Requirement of the Cost Audit Formats				
AD-RP-3.02		<i>Identify Deviations and Reasons for the same.</i>				
AD-RP-3.03		<i>Treatment of Deviations in Cost Audit and appropriate note in the Cost Audit Report.</i>				



Cost Audit Documentation- Illustrative Example

Audit Documentation (AD) - Material Valuation (MV)

Sr.	SCA Ref	Particulars	Comments	Auditee Representative	Audit Team Member	Audit Date
AD-MV-1.01		Collect the BOM for Major FG items on sample basis.				
AD-MV-1.02		<i>Obtain Management Representation for the Technical Accuracy of the BOM.</i>				
AD-MV-2.01		Whether system support is available to generate BOM Costing for the products.				
AD-MV-3.01		Material Valuation Method Used for BOM Costing (FIFO, Wt Avg, LIFO)				
AD-MV-4.01		<i>Tabulate the Variance in Material Consumption as per BOM Valuation & Actual Material Consumption</i>				
AD-MV-4.02		Comment on Variance and Materiality of the same. Its impact & treatment in Cost Audit				
AD-MV-5.01		Identify Major Input Materials				
AD-MV-5.02		Tabulate the Rate Variance in the Major Input Materials Year on Year				
AD-MV-5.03		Comment on Rate Variances & Reasons				
AD-MV-5.04		Material Valuation Rate for the Major Input Materials on sample basis				
AD-MV-5.05		Copy / Extract of the Latest PO for the sample Input Materials				



Cost Audit Documentation- Illustrative Example

Audit Documentation (AD) – Overheads (OH)

Sr.	SCA Ref	Particulars	Comments	Auditee Representative	Audit Team Member	Audit Date
AD-OH-4.01		Whether Functional Allocation is in line with the CRA-1				
AD-OH-4.02		<i>Identify Deviations if any and reasons for the same</i>				
AD-OH-4.03		Significant & Material Assumptions made for Over Head Allocation Logic				
AD-OH-5.01		Major Items of Overhead Costs				
AD-OH-5.02		Year on Year Comparison for Major Items of Cost				
AD-OH-5.03		Reasons for Material Variations. Comments, Impact & Effect in Cost Audit				
AD-OH-6.01		Manpower Cost Allocation Logic				
AD-OH-6.02		<i>Are there any recent changes in the Employee Agreements</i>				
AD-OH-6.03		<i>If yes, then impact of the same in Cost Statements and Notes in Cost Audit</i>				
AD-OH-6.04		Collect Copy of Major Labour Rate Revision Contract / Management Representation for the same				



Cost Audit Documentation- Illustrative Example

Audit Documentation (AD) – Utility

Sr.	SCA Ref	Particulars	Comments	Auditee Representative	Audit Team Member	Audit Date
AD-Utility-1.01		List out Major Utilities Required in the Operations				
AD-Utility-1.02		Tabulate Year on Year Utility Consumption Details - Quantity, Rate & Value				
AD-Utility-1.03		Tabulate Correlation of Utility Consumption with Operation Level				
AD-Utility-1.04		Comments on Variances. Reasons for Variances, Impact & Treatment of Variances in Cost Audit.				
AD-Utility-2.01		Sources for Utility Consumption – self generated & Bought out				
AD-Utility-2.02		Comparative Statement of self generated Utility Vs Bought Out Utility in terms of Qty, Rate & Value				
AD-Utility-2.03		Comments / Observations by Auditor				
AD-Utility-3.01		If a standard Norm is available for the Consumption of Utility				
AD-Utility-3.02		If yes, comparison of Std. Vs Actual Utility Consumption				
AD-Utility-3.03		If Not, year on year comparison of Actual Utility Consumption				



Cost Audit Documentation- Illustrative Example

Audit Documentation (AD) – Miscellaneous (Misc.)

Sr.	SCA Ref	Particulars	Comments	Auditee Representative	Audit Team Member	Audit Date
AD-Misc-1.01		Is the Auditee following the Environment Protection Norms as applicable				
AD-Misc-1.02		<i>If yes, note to that effect and documentary evidence for the same.</i>				
AD-Misc-2.01		If the Auditee is involved in CSR Activity				
AD-Misc-2.02		<i>If the Auditee is required to do CSR Activity as per Legal Requirements</i>				
AD-Misc-2.03		If the Legal Requirements are fulfilled. Documentary Evidence for the same				
AD-Misc-2.04		<i>Treatment of CSR Activity in Cost Statements. Related Note and Comments for Cost Audit</i>				
AD-Misc-3.01		Are there any Special Items which are to be considered at Product / Activity Level				
AD-Misc-3.02		List of such items				
AD-Misc-3.03		<i>Whether the treatment for the same is in accordance with the CRA-1 & CAS</i>				
AD-Misc-3.04		Test check the Accuracy of the Product / Activity Level working for these special items of cost				
AD-Misc-3.05		<i>Management Representation for accuracy of Product / Activity Level Cost Allocation</i>				



Cost Audit Documentation- Illustrative Example

Audit Documentation (AD) – IT Infrastructure (IT)

Sr.	SCA Ref	Particulars	Comments	Auditee Representative	Audit Team Member	Audit Date
AD-IT-1.01		Whether the company is using ERP System for processing data & information				
AD-IT-1.02		Name of the ERP System				
AD-IT-1.03		Year of Implementation				
AD-IT-2.01		Whether the ERP System Supports generation of Cost Records.				
AD-IT-2.02		<i>If yes, to what extent? Comments / Notes by Auditee & Auditor</i>				
AD-IT-3.01		Access Control Matrix for the ERP System				
AD-IT-3.02		Mechanism of Access Control exercised in ERP System				
AD-IT-3.03		Test Check the Access Control with the Auditee IT Team				
AD-IT-3.04		Controls implemented for Data Integrity & Data Protection				
AD-IT-3.05		Controls implemented for Backup Procedures & DRP				
AD-IT-3.06		Management Representation for IT Infrastructure to be in place and well implemented IT Infrastructure				
AD-IT-3.07		Certification from Expert for IT Infrastructure to be in place and well implemented IT Infrastructure				



*Thank
you*



**Former Senior
Director (Technical)
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