

Purchases and Trade Payables: Material Account Balance (Balance Sheet)/Class of Transactions (Income Statement)/Disclosure — RCM (Risk Control Matrix)

[illegible]

										recorded in the correct period. (Not recorded in cases where risks and rewards are transferred before receipt of goods.) (Financial)	upon actual receipt of material at factory. Purchases whose ownership is transferred prior to actual receipt is not recorded until GRN								As the control is ineffective.
3	Purchase	Recording Payables	✓	✓			✓			Amount is recorded in trade payables where no goods are received. (Financial)	No	No	No	No	No	No	Normal	Not Higher, As the controls are effective	
4	Purchase	Recording Inventory	✓	✓			✓		✓	Inventory and trade payables are recorded prior to receipt and/or title transfer of the inventory. (Financial)	No	No	No	No	No	No	Normal	Not Higher, As the controls are effective	
5	Purchase	Recording Payables				✓		✓		Inventory and trade payables are recorded at the incorrect amount. (Financial)	No	No	No	No	No	No	Normal	Not Higher, As the controls are effective	
6	Purchase	Recording of goods			✓			✓		Inventory is received and not recorded in the inventory system.	No	No	No	No	No	No	Normal	Not Higher, As the controls are effective	
7	Trade Payables	Vendor Management	✓				✓			The trade payables balance includes amounts due to unauthorised vendors. (Financial)	No	No	No	No	No	No	Normal	Not Higher, As the controls are effective	
8	Trade Payables	Translation of Foreign payables				✓				Foreign trade payables are translated using an incorrect foreign exchange rate. (Financial)	No	No	Yes, As the translation involves complicated work	No	No	No	Significant	Not Higher, As the controls are effective	
9	Purchases	Purchase Order Approval				✓		✓		The Purchases are not made at economic rates. (Operational)	No	No	No	No	No	No	Normal	Not Higher, As the controls are effective(see design gap)	
10	Purchases	Receipt of goods	✓			✓		✓		The quantity mentioned in the GRN exceeds the quantity mentioned in the	No	No	No	No	No	No	Normal	Not Higher, As the controls are	

										Purchase Order. (Operational)								effective
11	Trade Payables	Payment to vendors	✓			✓				The payments made to the vendors are at incorrect amounts. (Financial)	No	No	No	No	No	No	Normal	Not Higher, As the controls are effective
12	Trade Payables	Recording of discounts					✓			Discounts received are : - incorrectly recorded - omitted to be recorded. (Financial)	No	No	No	No	No	No	Normal	Not Higher, As the controls are effective

Control That Addresses Risk of Material Misstatement — Control Name	Control Design Conclusion (Effective, Ineffective)	ICQ for substantive procedure	Yes/ No/ Not Applicable	Remarks, if any	Control Implementation Conclusion (Implemented, Not Implemented)	Control Conclusion (Effective, Ineffective)	Control OE Effectiveness Testing Strategy (Test in Current Period, Using Prior Period Evidence, OE Testing Not Required)	Control Year Tested	Last	Operating Frequency (Annually, Six Monthly, Quarterly, Monthly, Weekly, Daily, Many Times per Day, As Needed)	Control Automated?
Controls in the entity to mitigate the risk of material misstatement. (Refer Para 107)	After evaluating of control design (Process flows and SOPs), whether the same is effective or ineffective? (Refer IG 11)	Questionnaire for answering whether the control is implemented and operating effectively or not?		Basis to support answers to ICQs for substantive procedures, if required.	Whether the control is in place or not? Implementation need not be tested if design is ineffective.	Whether the implementation of control is as per the design (Process flows and SOPs)? (Refer IG 13)	(Refer column 'List IPE')	If major changes have taken place the auditor must test the controls in current year. If no major changes have taken place, the auditor must test the controls at least every third audit. (Refer IG 16.3)		(Refer IG 11.8, 13.9 & 13.16)	(Refer IG 7)
Note 8							Note 11	Note 12		Note 13	
Col. 11	Col. 12	Col. 13	Col. 14	Col. 15	Col. 16	Col. 17	Col. 18	Col. 19	Col. 20	Col. 21	
a. After the arrival of truck at factory gate, • Entry at factory gate by the security personnel enters • Quality check entry of goods by stores • Gate inward entry at stores. • PO and GRN entered in the system (Preventative)	Ineffective. Until and unless the gate inward (103 Movement type) is reviewed there cannot be a surity that all inward entry are booked in the system.	Whether the gate entry is prepared when goods are received? Whether the gate inward entry is reviewed?	Yes No		Implemented	Effective	Test in current period	2015-16	As needed	No	
b. Upon receipt of goods, • GRN is prepared in the system against Purchase Order. • Inventory recorded automatically upon preparation of GRN; • Corresponding effect given to a control account (GRIR A/C is credited). • The rate is automatically picked up from Purchase Order. Upon receipt of invoice, c. • Counting of physical entry and followup of discrepancy.	Effective, As a 3 way match process of comparing the Invoice rate with PO and Invoice quantity with GRN is complete.	Whether upon receipt of goods GRN is prepared? Whether the Inventory is recorded and GRIR entry is booked when GRN is prepared? Whether GRN are prepared against purchase order? Whether Accounts executive passes entry after receiving invoice upon matching GRN and PO?	Yes Yes Yes Yes	GRN were verified during vouching. Verified during vouching. All GRN were prepared against Invoices are booked against GRIR GRN and PO are mentioned against invoice. It is done by accounts department, independent of production department.	Implemented	Effective	Test in current period	2015-16	As needed	No	
d. • Budget is prepared and presented to the board • Actual results are compared with budgeted • Variations, if any, are noted and reviewed by Executive Director • Budget is revised and approved by BOD. (Detective)	Effective, as any un recorded Inventory will be noted.	Whether physical verification of inventory is carried out periodically and reconciled with the ERP?	Yes	Minutes and Budget were Reviewed.	Implemented	Effective	Test in current period	2015-16	Quarterly	No	
		Whether upon receipt of goods GRN is prepared?	Yes								

		Whether the Inventory is recorded and GRIR entry is booked when GRN is prepared?	Yes							
		Whether GRN are prepared against purchase order?	Yes							
		Whether Accounts executive passes entry after receiving invoice upon matching GRN and PO?	Yes							
		Whether upon receipt of goods GRN is prepared?	Yes		Implemented	Effective	Test in current period	2015-16	As needed	No
		Whether the Inventory is recorded and GRIR entry is booked when GRN is prepared?	Yes							
		Whether GRN are prepared against purchase order?	Yes							
		Whether Accounts executive passes entry after receiving invoice upon matching GRN and PO?	Yes							
		Whether upon receipt of goods GRN is prepared?	Yes		Implemented	Effective	Test in current period	2015-16	As needed	No
		Whether the Inventory is recorded and GRIR entry is booked when GRN is prepared?	Yes							
		Whether GRN are prepared against purchase order?	Yes							
		Whether Accounts executive passes entry after receiving invoice upon matching GRN and PO?	Yes							
		Whether upon receipt of goods GRN is prepared?	Yes		Implemented	Effective	Test in current period	2015-16	As needed	No
		Whether the Inventory is recorded and GRIR entry is booked when GRN is prepared?	Yes							
		Whether GRN are prepared against purchase order?	Yes							
		Whether Accounts executive passes entry after receiving invoice upon matching GRN and PO?	Yes							
		Whether physical verification of inventory is carried out periodically and reconciled with the ERP system?	Yes		Implemented	Effective	Test in current period	2015-16	Quarterly	No
		Whether new vendors are added to the vendor master file once a transaction is entered into with them?	No		Implemented	Effective	Test in current period	2015-16	As needed	No
		Are the supporting forms verified with the authorised signatories?	Yes							
		Whether a particular reference rate is used throughout for all transactions with trade payables?	Yes		Implemented	Effective	Test in current period	2015-16	Monthly	No
		Whether ERP automatically calculates the translation amounts for foreign trade payables and other expenses?	No							
		If yes, whether the same is reviewed by the management?								
		If not, whether a calculation is prepared by person having sufficient knowledge and whether the same is reviewed by the management?	Yes							
		Whether the journal entry is entered in books of accounts after sufficient documentary evidence and	Yes							
		Whether Quotations are called for and QCFs are prepared?	Yes		Implemented	Effective	Test in current period	2015-2016	As Needed	No
		Whether the PO are approved by appropriate authority as per approval matrix?	Yes							
		Whether the PO released in the system only after approval is received?	Yes							
		Whether it is verified that the system quantity doesn't allow the GRN quantity to exceed the PO quantity.?	Yes		Implemented	Effective	Test in current period	2015-2016	As Needed	Yes

		Whether upon receipt o goods GRN is prepared? Whether the Inventory is recorded and GRIR entry is Whether GRN are prepared against purchase order? Whether Accounts executive passes entry after receiving invoice upon matching GRN and PO?	Yes Yes Yes Yes		Implemented	Effective	Test in current period	2015-16	As needed	No
a. Payment process involves preparation of a summary of payments to be made by purchase department . This summary is mailed to Accounts Executive. (Preventative)	Effective, As the summary is making ensures the	Whether such a summary of payments reviewed? Whether approvals taken from Manager accounts and Chairman/Managing Director?	Yes Yes		Implemented	Effective	Test in current period	2015-2016	As Needed	No
		Whether the Debit Notes are reconciled to the Credit Note and the Original Purchase Order?	Yes		Implemented	Effective	Test in current period	2015-2016	As needed	No

Is IPE Used in Testing or Performing a Relevant Control?	List IPE	Application System	Testing Reference IPE	Reference Evaluation D&I	Planned Nature, Timing, and Extent of Procedures to Evaluate Operating Effectiveness (OE) of Controls	Testing Reference OE	Findings and Observations (None Noted, Change to Plan, Deficiency, Identified or Suspected Fraud, Management Letter Comment, Material Weakness, Significant Deficiency)
(Refer IG 8)	IPE includes Process flows, SOPs, Workings, Ledgers or other system generated reports and documents obtained from the entity. (Refer IG 8)	Examples include, ERP, Tally, RAMCO, TIM, etc. (Refer IG 7)	Reference to workings and documents taken on file.	Reference to other workings and papers on file for evaluation of the Process flow and SOPs.	Timing and Extent of check has been mentioned with the documents. (Refer IG 13.27, 13.28 & 13.29)	Reference to workings and documents taken on file.	
Note 14		Note 15	Note 16	Note 18	Note 19	Note 20	Note 21
Col. 22	Col. 23	Col. 24	Col. 25	Col. 26	Col. 27	Col. 28	Col. 29
Yes	1. Automatic email	ERP	Email	Evaluation process flow.	1. Inquiry-Queries asked 2. Inspection-GRN reviewed 3. Observation-Process observed.	Email	Change to Plan
Yes	1.GRN(In ERP) 2. Vouchers(In ERP) 2. Purchase Orders(In ERP) 3. Invoices	ERP	Vouching	Evaluation process flow.	1. Inquiry 2. Inspection	Vouching	None Noted
Yes	1. Physical Verification done by client	ERP	Physical Stock Verification	Evaluation process flow.	1. Inquiry 2. Inspection	Physical Stock Verification	None Noted
Yes	1. Budget	ERP	Budget	Evaluation process flow.	1. Inquiry	Budget	None Noted

Yes	1.GRN(In ERP) 2. Vouchers(In ERP) 2. Purchase Orders(In ERP) 3. Invoices	ERP	Vouching	Evaluation process flow.	of 1. Inquiry 2. Inspection	Vouching	None Noted
Yes	1.GRN(In ERP) 2. Vouchers(In ERP) 2. Purchase Orders(In ERP) 3. Invoices	ERP	Vouching	Evaluation process flow.	of 1. Inquiry 2. Inspection	Vouching	None Noted
Yes	1.GRN(In ERP) 2. Vouchers(In ERP) 2. Purchase Orders(In ERP) 3. Invoices	ERP	Vouching	Evaluation process flow.	of 1. Inquiry 2. Inspection	Vouching	None Noted
Yes	1.GRN(In ERP) 2. Vouchers(In ERP) 2. Purchase Orders(In ERP) 3. Invoices	ERP	Vouching	Evaluation process flow.	of 1. Inquiry 2. Inspection	Vouching	None Noted
Yes	1. Physical Verification done by client	ERP	Physical Stock Verification	Evaluation process flow.	of 1. Inquiry 2. Inspection	Physical Stock Verification	None Noted
Yes	1. Vendor Regidtration form	ERP	Vendor Registration Form	Evaluation process flow.	of 1. Inquiry	Vendor Registration Form	None Noted
Yes	1. FEF working	ERP	Revaluation Working	Evaluation process flow.	of 1. Checking	Revaluation Working	None Noted
Yes	1. Purchase Orders. 2. Quotation Comparitive Forms. 3. Purchase Vouching.	ERP	Vouching	Evaluation process flow.	of 1. Inspection 2. Observation 3. Enquiry	Vouching	None Noted
Yes	1. Purchase Vouching.	ERP	Vouching	Evaluation process flow.	of 1. Inquiry 2. Inspection	Vouching	None Noted

Yes	1.GRN(In ERP) 2. Vouchers(In ERP) 2. Purchase Orders(In ERP) 3. Invoices	ERP	Vouching	Evaluation process flow.	of 1. Inquiry 2. Inspection	Vouching	None Noted
Yes	Advance Payment Request Memo	ERP	Advance Payment Request Memo	Evaluation process flow.	of 1. Inspection 2. Inquiry	Advance Payment Request Memo	None Noted
Yes	Credit Notes	ERP	Vouching	Evaluation process flow.	of 1. Inspection 2. Inquiry	Vouching	None Noted