



# Checklist For Statutory Audit

Jagdish & Associates  
(CHARTERED ACCOUNTANTS)



[jjbadlani@gmail.com](mailto:jjbadlani@gmail.com)  
+919999-670-767

# Steps for Statutory Audit

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## General Steps Before Starting Audit

### 1. Engagement Acceptance

- Check for independence, conflict of interest.
- Ensure engagement letter is signed (as per SA 210).

### 2. Understand the Client

- Nature of business
- Organizational structure
- Accounting systems and internal controls

### 3. Understand the Client

- Make the Applicability work paper (checking which Act or Law is applicable on the company)
- Set **overall** and **performance materiality** as per SA 320.

### 4. Obtain Trial Balance

- Request current year's trial balance.
- Compare with previous year to spot major changes.

## Item-Wise Audit Steps

### 1. Share Capital

- **Check ROC filings** (e.g., PAS-3 for allotments)
- Check Company details with MCA portal. <<https://www.mca.gov.in/>>
- Verify **board minutes** and resolutions
- Check the **register of members**
- Match with **Register of director** with MCA portal
- Confirm from **Form MGT-7, Form AOC-4**

### ◆ 2. Loans (Secured/Unsecured)

- Verify loan agreements
- Check terms: interest rate, repayment schedule
- Check dues, if any, verify it with the lender
- Confirm balances with lenders
- Check bank statements & Board approvals (if applicable)

### ◆ 3. Fixed Assets (Property, Plant & Equipment)

- Cross-check FA Register with GL on sampling basis.
- Verify additions with invoices, depreciation calculation
- Check the **percentage of scrap and depreciation** are as per Company Act, 2013.
- Physical verification report (if available)
- Check sale/disposal entries and related gain/loss being entered correctly in P/L Acc.

### ◆ 4. Investments

- Verify with demat account / investment register
- Check valuation – cost or market value (AS-13/Ind AS-109)
- Ensure classification (current/non-current)

### ◆ 5. Inventory

- Verify stock valuation method (FIFO/WAC etc.)
- Obtain **stock valuation certificate**
- Conduct physical stock verification (or rely on client report)
- Cross-check valuation with cost sheet and NRV

### ◆ 6. Trade Receivables / Debtors

- Age-wise analysis
- Confirm balances via external confirmation (SA 505)
- Check for provisioning for doubtful debts
- Reconcile with GL and trial balance

### ◆ 7. Cash & Bank Balances

- Obtain bank confirmations
- Obtain Cash certificate
- Reconcile bank statements with Bank ledger
- Verify cash balance via cash count on cut-off date
- Check for stale cheques, unusual transactions

### ◆ 8. Loans & Advances (Assets)

- Verify nature (employee advances, vendor advances, etc.)
- Check for recoverability
- Verify with agreements or supporting documents

### ◆ 9. Trade Payables / Creditors

- Perform ageing analysis
- Send confirmations to major parties
- Reconcile with supplier statements
- Verify compliance with MSME Act

### ◆ 10. Expenses (Major Heads)

- Vouch large/suspicious transactions on sampling basis.
- Compare with previous year.

- Check the reason for any major change in any expenses from previous year to current year.
- Check for cutoff, classification, and authorization
- Verify GST implications
- Verify TDS implications

#### ◆ 11. Revenue / Sales

- Test controls around revenue recognition
- Perform cut-off testing
- Match invoice with dispatch and receipt
- Compare with last year trends and budget

#### ◆ 12. Employee Benefit Expenses

- Check PF, ESIC, gratuity payments
- Reconcile with payroll
- Verify compliance with statutory dues

#### ◆ 13. Statutory Dues Payable

- Check GST, TDS, PF, ESIC returns
- Verify Balances as per Books and balances as per return
- Match payables with filed returns
- Verify timely payments

#### ◆ 14. Related Party Transactions

- Obtain list of related parties
- Obtain confirmation from related party
- Check with Form MBP-1, board minutes
- Verify pricing, approvals, and disclosures

#### ◆ 15. Provisions & Contingencies

- Verify basis for creating provision (warranty, litigation, etc.)
- Check estimation method
- Ensure disclosure as per AS/Ind AS

#### ◆ 17. Notes to Accounts & Disclosures

- Ensure all **mandatory disclosures** are made
- Verify with accounting standards and Schedule III

## Final Steps

### ✓ Audit Report Preparation

- Draft audit report in line with SA 700, 705, 706
- Include qualifications if needed

✓ **CARO Reporting (if applicable)**

- Complete the **CARO checklist**
- Document findings for each clause

✓ **Tax Audit Report (Form 3CD)**

- Collect tax-related details
- Verify TDS, expense classifications, clause-wise checklist

✓ **Documentation & Sign-Off**

- Ensure all working papers are properly signed
- Maintain indexing & cross-referencing
- Partner review and final sign-off