

# *Internal Audit Checklist*

## For Manufacturing Companies (Sample)

### 1. Regulatory Compliance & Legal Requirements

#### **GST Compliance**

- ☐ Verify GST registration certificates and validity
- ☐ Review monthly GSTR-1, GSTR-3B filing compliance
- ☐ Check annual GSTR-9 return filing
- ☐ Validate input tax credit claims and supporting documents
- ☐ Verify e-way bill generation for goods movement
- ☐ Review GST audit trail and documentation

#### **Factory Act & Labor Laws**

- ☐ Verify Factory License validity and renewal
- ☐ Check compliance with Factories Act, 1948
- ☐ Review ESI and PF registrations and contributions
- ☐ Validate minimum wage compliance
- ☐ Verify overtime payment calculations
- ☐ Check maintenance of statutory registers (Form 1, 2, 5, etc.)
- ☐ Review safety committee meetings and minutes

## Environmental Compliance

- ☐ Verify Pollution Control Board clearances
- ☐ Check Environmental Impact Assessment compliance
- ☐ Review water and air pollution monitoring reports
- ☐ Validate waste management and disposal procedures
- ☐ Check hazardous waste handling compliance
- ☐ Verify environmental audit certificates

## Other Statutory Compliances

- ☐ Company registration and ROC filings
- ☐ Income Tax compliance and TDS deductions
- ☐ Professional Tax registrations
- ☐ Trade license validity
- ☐ Fire safety clearances
- ☐ Electricity board clearances

## 2. Production & Operations

### Production Planning & Control

- ☐ Review production planning processes and documentation
- ☐ Verify capacity utilization reports
- ☐ Check production scheduling effectiveness
- ☐ Validate work-in-progress tracking systems
- ☐ Review production variance analysis
- ☐ Check machine utilization reports



## Quality Control Systems

- ☐ Verify quality control procedures and documentation
- ☐ Check calibration of measuring instruments
- ☐ Review quality inspection reports
- ☐ Validate customer complaint handling process
- ☐ Check ISO certification compliance (if applicable)
- ☐ Review rejection and rework analysis

## Inventory Management

- ☐ Physical verification of raw materials inventory
- ☐ Check finished goods stock reconciliation
- ☐ Verify perpetual inventory system accuracy
- ☐ Review inventory aging analysis
- ☐ Check slow-moving and obsolete inventory provisions
- ☐ Validate inventory valuation methods

## Plant & Machinery

- ☐ Verify fixed asset register completeness
- ☐ Check preventive maintenance schedules
- ☐ Review breakdown maintenance costs
- ☐ Validate depreciation calculations
- ☐ Check insurance coverage adequacy
- ☐ Review capital expenditure approvals

## 3. Financial Controls & Accounting

### Revenue Recognition

- ☐ Verify sales recognition policies compliance
- ☐ Check invoice generation and approval process
- ☐ Review credit terms and collection procedures
- ☐ Validate export sales documentation
- ☐ Check price approval mechanisms
- ☐ Review sales return and discount procedures

### Purchase & Procurement

- ☐ Verify vendor selection and approval process
- ☐ Check purchase order authorization limits
- ☐ Review goods receipt and inspection procedures
- ☐ Validate three-way matching (PO, GRN, Invoice)
- ☐ Check vendor payment terms compliance
- ☐ Review capital expenditure approval process

### Cash & Bank Management

- ☐ Verify bank reconciliations accuracy
- ☐ Check cash handling procedures
- ☐ Review signatory authorities for bank accounts
- ☐ Validate petty cash controls
- ☐ Check foreign exchange transactions (if applicable)
- ☐ Review investment policies and approvals

## Payroll & Human Resources

- ☐ Verify payroll calculation accuracy
- ☐ Check attendance and leave records
- ☐ Review employee benefit calculations
- ☐ Validate contractor payment procedures
- ☐ Check background verification processes
- ☐ Review performance evaluation systems

## 4. Internal Controls & Risk Management

### Segregation of Duties

- ☐ Check separation between authorization and recording
- ☐ Verify custody and recording function separation
- ☐ Review approval hierarchies and limits
- ☐ Validate independent verification processes
- ☐ Check IT access controls and user permissions

### Document Controls

- ☐ Verify document approval and authorization
- ☐ Check document retention policies
- ☐ Review filing and retrieval systems
- ☐ Validate backup and archival procedures
- ☐ Check confidentiality and security measures



## Risk Assessment

- ☐ Review business risk identification process
- ☐ Check operational risk mitigation measures
- ☐ Verify insurance coverage adequacy
- ☐ Review contingency planning procedures
- ☐ Check fraud prevention and detection controls

## 5. Information Technology Controls

### System Access & Security

- ☐ Verify user access controls and permissions
- ☐ Check password policy compliance
- ☐ Review system backup procedures
- ☐ Validate data recovery and business continuity plans
- ☐ Check antivirus and security software updates

### Data Integrity & Processing

- ☐ Verify input controls and validation
- ☐ Check processing controls and exception handling
- ☐ Review output controls and distribution
- ☐ Validate interface controls between systems
- ☐ Check change management procedures



## 6. Related Party Transactions

### Identification & Disclosure

- ☐ Verify related party identification procedures
- ☐ Check transaction approval processes
- ☐ Review pricing policies and arm's length principle
- ☐ Validate disclosure in financial statements
- ☐ Check board and audit committee approvals

## 7. Export & Import Operations (if applicable)

### Export Procedures

- ☐ Verify export documentation completeness
- ☐ Check EXIM policy compliance
- ☐ Review export incentive claims
- ☐ Validate foreign exchange realization
- ☐ Check export obligation fulfillment

### Import Procedures

- ☐ Verify import license and permits
- ☐ Check customs duty calculations
- ☐ Review advance authorization compliance
- ☐ Validate Bill of Entry documentation
- ☐ Check duty drawback claims



## 8. Management Reporting & MIS

### Financial Reporting

- ☐ Verify monthly financial statements accuracy
- ☐ Check budget vs. actual variance analysis
- ☐ Review cash flow projections
- ☐ Validate cost accounting systems
- ☐ Check profitability analysis by product/segment

### Operational Reporting

- ☐ Review production efficiency reports
- ☐ Check capacity utilization analysis
- ☐ Verify quality metrics reporting
- ☐ Review vendor performance evaluation
- ☐ Check key performance indicators (KPIs)

## 9. Audit Documentation & Follow-up

### Audit Trail

- ☐ Document all audit procedures performed
- ☐ Maintain working papers for all areas reviewed
- ☐ Record exceptions and management responses
- ☐ Document corrective action plans
- ☐ Prepare comprehensive audit report



## Follow-up Procedures

- ☐ Track implementation of previous audit recommendations
- ☐ Review effectiveness of corrective actions
- ☐ Update risk assessment based on findings
- ☐ Schedule follow-up audits for critical areas
- ☐ Report status to audit committee/management

