

Internal Audit Checklist for Real Estate Company

(Sample)

1. REGULATORY COMPLIANCE

1.1 Real Estate (Regulation and Development) Act, 2016 (RERA)

- RERA registration certificate is valid and up-to-date
- Project registration details are complete and accurate
- Quarterly progress reports submitted to RERA on time
- Carpet area definitions comply with RERA guidelines
- Advertisement and marketing materials comply with RERA norms
- Separate escrow account maintained for each project (70% of amounts received)
- Escrow account usage is only for land cost and construction
- Defect liability period (5 years) compliance tracked
- Grievance redressal mechanism is functional
- RERA website disclosures are updated regularly

1.2 Companies Act, 2013

- Board meetings held as per statutory requirements
- Board resolutions properly documented and executed
- Annual General Meeting conducted within prescribed timelines
- Statutory registers maintained and updated

- Related party transactions disclosed and approved
- Corporate Social Responsibility (CSR) compliance (if applicable)
- Director declarations and disclosures filed
- Secretarial audit completed (if applicable)

1.3 Income Tax Act, 1961

- TDS deducted on property purchases, contractor payments & rent
- TDS returns filed within due dates
- Advance tax payments made for ongoing projects
- Section 80IB/80-IBA deductions claimed correctly (if applicable)
- Transfer pricing documentation (if applicable)
- Tax audit compliance for applicable assessments

1.4 Goods and Services Tax (GST)

- GST registration maintained for all business locations
- Input tax credit claimed on construction materials and services
- GST returns filed monthly/quarterly as applicable
- Reverse charge mechanism applied correctly
- Composition scheme compliance (if opted)
- E-way bills generated for goods transportation
- GST on construction services calculated correctly

1.5 State-Specific Regulations

- Stamp duty paid on land acquisitions and registrations
- State Real Estate Regulatory Authority compliance
- Building plan approvals obtained from local authorities



- Occupancy certificates received for completed projects
- Environmental clearances obtained (if required)
- Water and electricity connections properly documented
- Labor law compliance for construction activities

2. INVENTORY MANAGEMENT

2.1 Revenue Recognition

- Revenue recognition policy aligns with Ind AS 115
- Percentage of completion method applied correctly
- Revenue recognized matches project completion stages
- Advance payments from customers properly accounted
- Cancellation and refund policies documented and followed
- Interest on delayed payments calculated and recorded

2.2 Inventory Management

- Land inventory valued at cost or net realizable value
- Work-in-progress correctly classified and valued
- Completed inventory aging analysis maintained
- Slow-moving inventory identified and provided for
- Physical verification of inventory conducted periodically
- Construction material inventory properly accounted

2.3 Project Costing

- Project cost budgets prepared and approved
- Actual costs tracked against budgets regularly
- Cost allocation between different projects verified



- Joint development agreement costs properly allocated
- Overhead allocation methodology documented and consistent
- Cost escalation approvals documented

2.4 Cash Flow Management

- Cash flow projections prepared for each project
- Escrow account transactions monitored and reconciled
- Bank reconciliations performed monthly
- Investment of surplus funds approved by board
- Working capital requirements assessed regularly
- Debt service coverage ratios monitored

3. OPERATIONAL CONTROLS

3.1 Land Acquisition

- Due diligence reports available for all land acquisitions
- Title verification completed by qualified advocates
- Encumbrance certificates obtained and verified
- Survey settlement records checked
- Development rights confirmed and documented
- Zoning and land use permissions verified
- Environmental impact assessments completed (if required)

3.2 Project Development

- Building plan approvals obtained before construction
- Architect and contractor agreements properly executed
- Construction progress monitored against approved plans



- Quality control measures implemented and documented
- Safety protocols followed at construction sites
- Material procurement follows approved vendor policy
- Change orders properly authorized and documented

3.3 Sales and Marketing

- Sales agreements comply with RERA requirements
- Booking amount collection procedures followed
- Customer KYC documentation completed
- Sales commission calculations verified
- Marketing material approvals documented
- Customer complaint resolution tracked
- Sales return and cancellation policies followed

3.4 Customer Relationship Management

- Customer database maintained with complete information
- Payment schedules communicated and tracked
- Construction progress updates provided to customers
- Possession handover procedures documented
- After-sales service commitments tracked
- Customer feedback collection and analysis

4. LEGAL & COMPLIANCE

4.1 Contracts and Agreements

- Land purchase agreements properly executed and registered
- Joint development agreements terms and conditions verified

- Construction contracts include appropriate clauses
- Sales agreements comply with legal requirements
- Vendor agreements include compliance requirements
- Employment contracts comply with labor laws
- Insurance policies adequate and current

4.2 Litigation and Disputes

- Pending litigation cases tracked and provisions made
- Legal opinions obtained for significant matters
- Arbitration proceedings properly managed
- Settlement agreements documented and executed
- Contingent liabilities assessed and disclosed
- Legal compliance calendar maintained

4.3 Intellectual Property

- Trademark registrations for project names verified
- Copyright protection for marketing materials
- Design patents for architectural innovations (if applicable)
- Third-party IP usage agreements documented
- Brand licensing agreements properly executed

5. RISK MANAGEMENT

5.1 Credit Risk

- Customer credit assessment procedures followed
- Payment default tracking and collection procedures
- Bank guarantee and security deposit management



- Vendor credit evaluation processes
- Joint venture partner financial stability assessment

5.2 Market Risk

- Market research and analysis for new projects
- Pricing strategy documentation and approvals
- Competitor analysis and market positioning
- Demand forecasting and inventory planning
- Economic indicator monitoring and impact assessment

5.3 Operational Risk

- Construction timeline risk assessment and mitigation
- Regulatory approval delays contingency planning
- Contractor performance monitoring and penalties
- Material price fluctuation risk management
- Weather and natural disaster risk assessment

5.4 Financial Risk

- Interest rate risk assessment and hedging strategies
- Currency risk management (if applicable)
- Liquidity risk monitoring and management
- Debt covenant compliance monitoring
- Investment risk assessment procedures

6. INTERNAL CONTROLS

6.1 Segregation of Duties

- Purchase and payment functions separated
- Bank reconciliation performed by independent person
- Inventory management and accounting functions separated
- Sales and collection functions segregated
- Project approval and execution functions separated

6.2 Authorization Controls

- Delegation of authority matrix documented and updated
- Expenditure approval limits defined and followed
- Investment decision authorization procedures
- Contract signing authority clearly defined
- Bank account operation authorization documented

6.3 Documentation Controls

- Document retention policy implemented
- Filing system organized and accessible
- Backup procedures for critical documents
- Digital document security measures
- Audit trail maintenance for all transactions

7. INFORMATION TECHNOLOGY

7.1 System Controls

- ERP system access controls and user permissions
- Data backup and recovery procedures tested
- System security measures implemented
- Software licensing compliance verified
- System change management procedures followed

7.2 Data Management

- Customer data privacy and protection measures
- Financial data accuracy and integrity checks
- Project data management and version control
- Reporting system accuracy and timeliness
- Data archival and retrieval procedures

8. HUMAN RESOURCES

8.1 Recruitment and Employment

- Background verification for key positions completed
- Employment contracts comply with labor laws
- Salary and benefits structure approved and documented
- Performance evaluation system implemented
- Training and development programs conducted



8.2 Compliance with Labor Laws

- Provident Fund and ESI contributions verified
- Professional tax payments current
- Bonus and gratuity calculations verified
- Leave policy implementation and tracking
- Contractor labor compliance monitoring

9. ENVIRONMENTAL & SOCIAL COMPLIANCE

9.1 Environmental Compliance

- Environmental clearance certificates obtained
- Pollution control measures implemented
- Waste management procedures followed
- Water conservation measures implemented
- Green building certifications pursued (if applicable)

9.2 Social Responsibility

- CSR policy and implementation (if applicable)
- Community development initiatives documented
- Rehabilitation and resettlement compliance (if applicable)
- Stakeholder engagement activities tracked
- Sustainability reporting prepared

10. BOARD & GOVERNANCE

10.1 Board Effectiveness

- Board composition meets regulatory requirements
- Independent directors appointed as required

- Board meeting minutes properly documented
- Board committee functioning verified
- Director training and evaluation completed

10.2 Governance Policies

- Code of conduct policy implemented
- Whistle-blower policy functional
- Risk management policy approved and implemented
- Related party transaction policy followed
- Insider trading policy compliance verified

AUDIT REPORTING

Key Areas for Management Attention

- Significant control deficiencies identified
- Regulatory compliance gaps documented
- Financial reporting accuracy issues
- Operational efficiency opportunities
- Risk management improvements needed

Follow-up Actions

- Management action plans received
- Implementation timelines agreed
- Responsibility assignments documented
- Progress monitoring mechanism established
- Next audit cycle planning completed

