PKC

Checklist for Conducting Internal Audit

in a Retail Store in India

PRE-AUDIT PREPARATION

Documentation Review

- ☐ Previous audit reports and management responses
- ☐ Store operational policies and procedures manual
- ☐ Organizational chart and reporting structure
- ☐ List of all licenses and permits
- ☐ Insurance policies and coverage details
- ☐ Vendor agreements and contracts
- ☐ Employee handbook and HR policies

Audit Planning

- ☐ Define audit scope and objectives
- ☐ Prepare audit timeline and schedule
- ☐ Assign audit team members and responsibilities
- ☐ Notify store management about audit dates
- ☐ Prepare audit tools and templates

1. SALES & CASH MANAGEMENT

Point of Sale (POS) Systems

- ☐ Verify POS system functionality and accuracy
- ☐ Check for proper user access controls and passwords
- ☐ Review transaction logs for unusual patterns
- ☐ Test cash register reconciliation procedures
- ☐ Verify backup systems and data recovery procedures
- ☐ Check integration with inventory management system

Cash Handling Procedures

- ☐ Observe cash handling practices during operations
- ☐ Verify daily cash counting procedures
- ☐ Check cash drawer limits and authorization levels
- ☐ Review cash deposit procedures and timing
- ☐ Verify segregation of duties in cash handling
- ☐ Check petty cash management and documentation
- ☐ Review cash shortage/overage reporting procedures

Sales Documentation

- ☐ Verify completeness of sales invoices and receipts
- ☐ Check numerical sequence of sales documents
- ☐ Review credit note and return procedures
- ☐ Verify GST invoice compliance and formats
- ☐ Check customer return and exchange policies
- ☐ Review gift card and loyalty program management

2. INVENTORY MANAGEMENT

Physical Inventory

- [ ] Conduct sample physical inventory counts
- [ ] Compare physical counts with system records
- [ ] Investigate significant variances
- [ ] Review inventory adjustment procedures
- [ ] Check damaged and obsolete inventory handling
- [ ] Verify high-value item security measures

Inventory Controls

- [ ] Review goods receiving procedures
- [ ] Check vendor invoice matching with purchase orders
- [ ] Verify inventory tagging and labeling systems
- [ ] Review stock rotation (FIFO/LIFO) practices
- [ ] Check inventory reorder levels and procedures
- [ ] Verify stock transfer documentation between locations

Loss Prevention

- [ ] Review shrinkage analysis and trends
- [ ] Check CCTV coverage and monitoring procedures
- [ ] Verify electronic article surveillance (EAS) systems
- [ ] Review employee bag checking procedures
- [ ] Check customer and employee theft prevention measures
- [ ] Verify incident reporting procedures

3. LEGAL & REGULATORY COMPLIANCE

Business Licenses and Permits

- [ ] Shop and Establishment License validity
- [ ] GST registration certificate and compliance
- [ ] Food Safety and Standards Authority of India (FSSAI) license
- [ ] Fire safety certificate and NOC
- [ ] Pollution Control Board clearance (if applicable)
- [ ] Municipal trade license
- [ ] Labor license and contractor license (if applicable)

Tax Compliance

- [ ] GST return filing status and accuracy
- [ ] Input tax credit reconciliation
- [ ] TDS compliance for applicable transactions
- [ ] Professional tax payments
- [ ] Property tax payments (if applicable)
- [ ] Review tax audit requirements and compliance

Labor Law Compliance

- [ ] PF and ESI registration and contributions
- [ ] Minimum wage compliance
- [ ] Working hours and overtime regulations
- [ ] Employee safety and welfare measures
- [ ] Maternity benefit compliance
- [ ] Contract labor regulations compliance
- [ ] Gratuity provisions and compliance

4. FINANCIAL CONTROLS & ACCOUNTING

Revenue Recognition

- [ ] Review sales cut-off procedures
- [ ] Verify revenue recognition policies
- [ ] Check for proper recording of discounts and promotions
- [ ] Review layaway and advance payment handling
- [ ] Verify gift card liability recording
- [ ] Check commission and incentive calculations

Expense Management

- [ ] Review expense authorization procedures
- [ ] Verify supporting documentation for expenses
- [ ] Check utility bill payments and reconciliation
- [ ] Review rent and lease payment compliance
- [ ] Verify maintenance and repair expense controls
- [ ] Check advertising and promotion expense approvals

Bank & Cash Reconciliation

- [ ] Review bank reconciliation procedures and frequency
- [ ] Check for outstanding items and their follow-up
- [ ] Verify cash book maintenance and accuracy
- [ ] Review cheque and payment authorization controls
- [ ] Check electronic payment system controls
- [ ] Verify inter-branch/inter-company transactions

5. HUMAN RESOURCES & PAYROLL

Employee Records

- ☐ Verify employee documentation and KYC compliance
- ☐ Check employment contract completeness
- ☐ Review background verification procedures
- ☐ Verify salary structures and grade definitions
- ☐ Check employee benefit administration
- ☐ Review performance appraisal systems

Payroll Controls

- ☐ Verify payroll calculation accuracy
- ☐ Check statutory deduction compliance
- ☐ Review overtime calculation and approval
- ☐ Verify bonus and incentive calculations
- ☐ Check payroll journal entries
- ☐ Review payroll reconciliation procedures

Attendance & Time Management

- ☐ Review attendance recording systems
- ☐ Check leave management procedures
- ☐ Verify shift scheduling and coverage
- ☐ Review time-off request approvals
- ☐ Check holiday and overtime policies
- ☐ Verify biometric/attendance system functionality

6. INFORMATION TECHNOLOGY & DATA SECURITY

System Security

- ☐ Review user access controls and permissions
- ☐ Check password policies and compliance
- ☐ Verify software licensing compliance
- ☐ Review data backup and recovery procedures
- ☐ Check antivirus and security software updates
- ☐ Verify network security measures

Data Management

- ☐ Review customer data protection measures
- ☐ Check employee data confidentiality controls
- ☐ Verify financial data security procedures
- ☐ Review data retention and disposal policies
- ☐ Check system integration and data accuracy
- ☐ Verify disaster recovery plans

7. CUSTOMER SERVICE & SATISFACTION

Service Standards

- ☐ Review customer service policies and procedures
- ☐ Check complaint handling and resolution processes
- ☐ Verify warranty and after-sales service procedures
- ☐ Review customer feedback collection systems
- ☐ Check staff training on customer service
- ☐ Verify accessibility compliance for differently-abled customers

Quality Assurance

- [ ] Review product quality control measures
- [ ] Check supplier quality assessment procedures
- [ ] Verify product recall procedures (if applicable)
- [ ] Review customer satisfaction surveys
- [ ] Check service level agreement compliance
- [ ] Verify product information accuracy and labeling

8. ENVIRONMENT, HEALTH & SAFETY

Store Safety

- [ ] Review fire safety equipment and procedures
- [ ] Check emergency evacuation plans and drills
- [ ] Verify first aid facilities and training
- [ ] Review workplace safety measures
- [ ] Check CCTV system functionality and coverage
- [ ] Verify security alarm systems

Health and Hygiene

- [ ] Review cleanliness and sanitation procedures
- [ ] Check pest control measures and documentation
- [ ] Verify food safety compliance (if applicable)
- [ ] Review employee health and safety training
- [ ] Check washroom facilities and maintenance
- [ ] Verify compliance with COVID-19 protocols (if applicable)

Environmental Compliance

- ☐ Review waste management and disposal procedures
- ☐ Check plastic usage and ban compliance
- ☐ Verify energy conservation measures
- ☐ Review water usage and conservation
- ☐ Check noise pollution compliance
- ☐ Verify environmental clearance compliance

10. INTERNAL CONTROLS & RISK MANAGEMENT

Segregation of Duties

- ☐ Review key process segregation of duties
- ☐ Check approval hierarchies and limits
- ☐ Verify independent review and monitoring
- ☐ Review exception reporting procedures
- ☐ Check management oversight controls
- ☐ Verify periodic rotation of duties

Risk Assessment

- ☐ Review business risk identification processes
- ☐ Check risk mitigation strategies
- ☐ Verify insurance coverage adequacy
- ☐ Review fraud risk assessment
- ☐ Check business continuity planning
- ☐ Verify crisis management procedures

POST-AUDIT ACTIVITIES

Audit Findings Documentation

- ☐ Summarize all audit findings and observations
- ☐ Classify findings by risk level (High/Medium/Low)
- ☐ Prepare detailed recommendations for each finding
- ☐ Document management responses and timelines
- ☐ Prepare executive summary for senior management
- ☐ Schedule follow-up audit activities

Management Action Plan

- ☐ Review management's corrective action plans
- ☐ Verify reasonableness of proposed timelines
- ☐ Check resource allocation for remediation
- ☐ Schedule periodic progress reviews
- ☐ Document responsibility assignments
- ☐ Establish monitoring and reporting mechanisms

Audit Report Preparation

- ☐ Prepare comprehensive audit report
- ☐ Include methodology and scope details
- ☐ Present findings with supporting evidence
- ☐ Provide actionable recommendations
- ☐ Include management responses
- ☐ Set up follow-up audit schedule

REGULATORY UPDATES & COMPLIANCE CALENDAR

Monthly Reviews

- ☐ GST return filing status
- ☐ TDS compliance verification
- ☐ PF and ESI contribution payments
- ☐ Bank reconciliation completion
- ☐ License renewal tracking

Quarterly Reviews

- ☐ Statutory audit requirements
- ☐ Tax compliance verification
- ☐ Insurance policy renewals
- ☐ Vendor performance evaluation
- ☐ Risk assessment updates

Annual Reviews

- ☐ License and permit renewals
- ☐ Annual compliance verification
- ☐ Policy and procedure updates
- ☐ Staff training requirements
- ☐ System upgrades and improvements