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COST AUDIT PLAN AND PROGRAMME

3.1 PLANNING FOR COST AUDIT

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3.1 Planning For Cost Audit

Basically the cost audit is industry oriented; it lays stress on propriety of expenditure and efficiency of performance. The cost auditor is required to comment, inter-alia, on current operating performance and internal control system of the manufacturing unit he is auditing and also recommends for improvement wherever felt necessary. Therefore, it is essential that he should do his own homework, as illustrated below, before commencing audit of the unit concerned:

1) Cost Auditor should gather knowledge about the history, growth and organisational structure of the unit he is auditing. It is expected that he has already collected relevant data about the industry from the association/chamber, before starting audit.

2) He should study the existing system and procedures followed by the unit to familiarise himself with the unit’s manner of working.

3) He should collect information about the types of products, specialties of the products, their cost structure and manufacturing process of the unit concerned.

4) He should also study the methods of cost accounting vis-à-vis financial accounting adopted by the unit.

5) The system and extent of internal checks in the unit should be studied. The unit’s internal audit program-cum-report would be of much help to him.

6) He should prepare a list of his requirements of information, explanation etc. which could be given to the management beforehand.
Such requirements would help in building up working notes for the purpose of giving his opinions in the Cost Audit Report and also to answer the queries that might come up from the Government after long interval. Illustrative list of requirements for Paper unit may be as under:

a) Monthly quantity of purchase, issues and stocks of major raw materials, chemicals etc.

b) Category wise (as per Para XVI of Schedule I of the Cost Accounting Records Rules) monthly/yearly production in quantities.

c) Estimated or standard requirement of the raw materials in respect of the items in (a) above, in quantity in relation to monthly/yearly production as in (b) above.

d) List of non-moving items of raw materials and spares (indigenous and imported separately) lying in stock at year-end. Items not moved for 12/24 months for raw materials and stores respectively and above to be listed with quantity and value.

e) Physical verification sheets or tags for work-in-progress as at beginning and closing of the year.

f) Utilisation statement of important Multi-purpose Vessels and Plants.

g) List of rate contracts for purchase of materials, transporting of goods, labour supplies etc.

3.2 Cost Audit Programme

Introduction

Cost Accounting Records (Paper) Rules 1975 as amended lay down the system and procedures for maintenance of records with particular reference to the Paper products covering the production,
processing or manufacturing. The Rules prescribe guidelines in general principle. for the companies to whom the Rules apply to maintain cost accounting records in certain prescribed manners and particulars relating to utilisation of materials, labour, overheads, machine utilisation, etc. The Rules prescribe proforma of various cost statements showing the cost of production and cost of sales of Paper products.

The Cost Auditor (Report) Rules 2001 has substituted the Cost Audit (Report) Rules 1996. The new Cost Audit (Report) Rules 2001 have been framed in broad terms and provide guidelines for the cost audit indicating the areas in which the direct attention of Cost Auditor is required.

The New Rules consist of 3 parts viz (a) Rules; (b) Form of the Cost Audit Report; and (c) Annexure to the Cost Audit Report. For a proper and efficient conducting of statutory cost audit, it is necessary for the Cost Auditor to acquaint himself thoroughly with the relevant provisions in the Companies Act, 1956, the provisions of the Records Rules and Cost Audit Report Rules, 2001.

Furnishing of Cost Accounting Records and Time Limit for Submission of Report

As per Rule 6 of the Cost Audit (Report) Rules 2001, the cost records, cost statements and annexure to the Cost Audit report and other records are to be furnished to the Cost Auditor within one hundred and thirty five days from the end of financial year as against within 90 days under earlier rules.

As per Rule 5 of the above Rules, the cost auditor shall submit his report to the Central Government and to the concerned Company within
180 days from the end of the Company's financial year to which the cost audit report relates. Non-adherence of the time limit will attract penal provision.

Therefore it is necessary for the cost auditor to chalk out his audit programme at least in broad outlines before the commencement of the audit. As the audit progresses and as the situation demands, he has to make suitable adjustments to the programme. He has to use his discretion to decide on what items he should spend more time for a study in depth and on what items the audit should be of a routine nature. As the work progresses, he will also be in a position to determine the percentage of check required for the different items to be covered in cost audit.

**Working out Cost Audit Programme**

After doing his homework, the Cost Auditor should draw out in detail a suitable plan of audit, which should cover audit of various elements of cost and sales as prescribed in the rules. The Cost Auditor shall discuss his audit programme with concerned officials of the company so as to ensure the availability of the concerned officials at the office as well as at the factory.

Areas of audit are broadly outlined in the following paras to serve as guidelines. These are illustrative and can be modified as the Cost Auditor feels necessary considering the size and specific requirements of the unit under audit.

**General**

1) Before starting the audit, meet the various important executives of the Company and note down the functions, responsibilities and power delegated to each.
2) Obtain a broad history of the company and its activities and other details as to when the factory was started, the major additions improvements, etc. made. Go round the factory and try to understand the processes involved, the flow of the process till the finished goods are packed and transferred to the finished goods stores for dispatch.

3) During the visit to the factory and through a process of seeking clarifications make a mental note of the common services of the company, which are being utilised by the Paper activity, and other products of the company.

4) Obtain the Balance Sheets of the company for the past two years and make a note of the important points contained in the Directors’ Report to the shareholders on the various financial, operation and technical aspects.

5) Have a look into the books/record containing production etc., statistics maintained by the factory in compliance with the excise and other Government requirements and note down the licensed! installed capacities. Ascertain the reasons for shortfall in production, if any.

6) Study the Cost Accounting system followed by the company in respect of the products under Cost audit and examines its adequacy with reference to the Cost Accounting Records (Paper) Rules.

7) Examine whether the Company has proper and adequately identified the various production and service cost centers and whether the expenditure has been initially booked to these cost centers correctly.

8) Examine the service cost statements, viz. Steam, power, air conditioning, etc., and whether these are allocated properly to the various cost centers. In respect of supplies made to or received from other units of
the company, ensure that the rates charged are reasonable and that the method followed are consistent.

9) Compare actual production of Paper with the installed capacity.

10) Reconcile quantity of production with that of sales, captive consumption and stocks in respect of each quality of Paper.

11) Ascertain any abnormal reasons for low productions and/or high usage of services and high down time in the plant. Find out whether these have been properly recorded and reported separately.

12) Verify whether consistency is maintained with regard to cost accumulation, cost allocation, cost analysis, cost treatment and costing procedures adopted for inventory valuation from period to period.

13) Examine the records maintained for inter-company transfers and verify the related party transactions relating to sales and purchases under para 26 of Annexure to the Cost Audit Report.

14) Look into the system of internal check in vogue and also into the points raised by the internal auditor and their final settlement.

15) Ask for the report of the financial auditor to the Board in case there is any and make a note of the points raised and their settlement.

**Materials**

1) Study the store accounting systems and procedures followed by the unit for indenting, purchasing, receiving and inspection and delegation of powers to the various authorities in this regard. Check the adequacy of the systems as appropriate for inventory control.

2) Collect a set of documents/proformae used for recording arrival of materials at the factory, their acceptance into stock, issues for
consumption, return and transfer of materials between the departments and stores, physical verification of stocks, written off unserviceable materials, etc., and check the system of linking the documents.

3) Examine the system of passing and payment of purchase bills to ensure that there is no scope of fraudulent or duplicate payment

4) Examine and note any delays in accounting of materials after their receipt in the factory.

5) Check whether the bin cards and individual material wise priced stock ledger are maintained. Also examine whether the records for raw materials are maintained for imported and indigenous supplies separately.

6) Check whether bin cards are posted chronologically and how often balances as per bin card are compared with the priced stock ledger.

7) Check the serial number control of the documents for receipts, issues and returns and transfers.

8) Examine the procedure for issues of materials to the user departments.

9) Verify entries into the priced stock ledger in respect of receipts, issues, returns with reference to goods received notes, requisitions, return notes, suppliers’ bills etc. Test checking of major raw materials for ensuring correct valuation of issues and stock should be done apart from checking of other materials as far as possible.

10) Check whether freight and all other incidental expenses have been considered as part of the individual items of material Cost.

11) Check the material issue analysis with special reference to non-production stock materials issued for non-production activities including capital jobs.
12) Compare actual quantities consumed in respect of key raw materials, with their estimated /standard quantity contents in actual finished products and ascertain reasons for significant over or under usages from the management.

13) Check that process chemicals used as catalysts having longer life of more than a year are prorated over its life.

14) Examine how losses of materials in storage and in process are accounted for and whether these are satisfactory according to cost accounting principles accepted as authoritative.

15) Scrutinize the transit losses register and verify the amounts reimbursed by the Insurance Company.

16) Examine if any stores/materials have been written off. If so, review the total amount written off under each category - damaged, obsolete and surplus stock for reasonableness and compare with previous years. Also examine the system and authority for adjustment of physical shortages and surplus found on physical stock taking.

17) Compare stores and stock levels with standards fixed and with preceding year levels. Obtain explanations of significant variations.

18) Check the valuation of year-end stock of materials, work-in-progress and finished stocks.

19) Check the system of treating CENTVAT benefit in the cost and financial accounting by the unit.

20) Where computerized accounting is in vogue, find out what control checks have been built up in the computer system.
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21) Check measuring devices available in stores, which are utilized for measuring incoming and outgoing stores. Review that these are periodically checked to ensure recording of correct weight.

22) Obtain the list of closing stocks of important chemicals/intermediates/materials by quantity and value at the end of the accounting year and calculate how many months’ requirements are held in stock and ascertain the reasons for abnormal stock holdings.

23) Obtain and check the list of materials, especially stores and spare parts that have not moved over two years (and the reasons therefor) with the stores ledger. Ascertain the total value of such items and relate them to the closing inventories of stores and spares at the end of the year.

24) Check the system of classification of materials into direct and indirect categories. Also examine the system of stores codification with regard to its simplicity, clarity and efficacy.

25) Reconcile consumption by adding purchases with opening balance and deducting closing stocks from the total thereof. (Note: This is only for reconciliation purposes as a tallying one)

26) Check that details of major input materials each constituting at least 2% of the total material cost and standard consumption thereof has been furnished in under Para 5(A) and 5(B) of the Annexure to the report.

26) In case company has imported materials during the year, verify the details furnished under para 6 of the Annexure to the Report relating to FOB price, Insurance & freight etc. with relevant bills of entry and other clearing documents.
Power Fuel and Utilities

1) Check the records showing generation purchase of electricity, steam, chilled water, treated water etc. and their distribution to various cost centers.

2) Check the correctness of various elements of costs of these utilities and compare the unit cost of generation with budget or previous periods.

3) Also check that details in respect of major items each constituting at least 2% of the total material cost relating fuel etc. has been furnished under para 7(A) of the Annexure to the Report Rules and standard consumption of power and fuel per unit of production under Para 7(B).

4) Verify the basis of distribution of the cost to various cost centers and assess whether the bases are reasonable.

Labour, Salaries and Wages

1) Review the system of recording of attendance at the Time Office and booking of time in the department for all employees, i.e. direct, indirect and supervisory personnel.

2) Study the classification of labour engaged in production and service departments as also the reclassification within the production department into direct (treated as variable) and indirect (treated as fixed).

3) Check the procedure for identification and booking of direct labour. A direct labour may be utilized for part of a month as indirect labour in the same production department or by transfer to service department.

4) Verify the correctness as to the preparation of pay roll and procedure followed for disbursement of wages to the workers. Check the adequacies
of internal checks to avoid over and under payments, fraudulent payments, etc.

5) Check the incentive scheme, if any, in operation. Examine it with reference to effectiveness on increasing productivity and reducing costs of production.

6) Examine the system followed for recruitment and payment of casual labour.

7) Check whether the pay roll shows separately the wages for time-rated and piece rate workers categorizing under permanent, temporary and casual worker.

8) Check the amount of previous year’s and deferred payment if any, and their treatment in cost accounting records.

9) Check the procedure followed for booking of labour to capital jobs and ensure that labour used for capital work, if any, is excluded from revenue expenditure.

10) Examine the procedure followed for authorization of overtime work and accuracy of the rates applied for preparing overtime bill.

ii) Check the reasons for abnormal idle time and overtime work. In the case of overtime payments, a cross check may be made with the output during that relevant period for reasonableness of the payment of overtime.

12) Check treatment of variances where standard costing system is followed.

13) Check the correctness of the analysis of wages and salaries into direct labour costs, indirect labour costs, wages and salaries allocated to service
cost centers /production Process centers/administration overheads, selling and distribution overheads etc. Also check the number of days available and actually worked etc. as required to be furnished under Para 8 of the Report Rules.

14) Ensure that payment of annual bonus and gratuity are not included in wages and salaries in cost account records.

15) Reconcile salaries and wages of different departments with the total salaries and wages booked in the financial books of accounts.

**Repairs and Maintenance**

1) Check and verify the expenses incurred on the repairs and maintenance of land and building, plant and machinery, equipments, staff quarters and colony etc. maintained by the company.

2) Check whether any expenditure on repairs and maintenance needs to be capitalised and if so necessary details have been furnished under Para 9 of the Annexure.

3) Check the deferred amount of repairs and maintenance incurred in earlier years and written off during the current year.

**Fixed Assets Register and Depreciation**

1) Check the assets registers or records are maintained for each type of assets and they show the locations, installation dates, original costs, written down value and rate of depreciation charged.

2) Verify the method of charging depreciation adopted by the unit.

3) Verify whether depreciation charged to cost accounts is more or less than the amount of depreciation in accordance with provisions of subsection (2) of Section 205 of the Companies Act, 1956. If it is more or
less, it is better that quantum of excess or under charge to be specified in cost records.

4) Check the department/cost centre wise asset values and amount of depreciation according to the assets registers or records.

5) Check the basis for apportioning depreciation of common assets to various cost centers and see that the basis used is reasonable and consistent.

6) Compare the amount of depreciation considered in financial accounts and depreciation charged in cost accounts. This difference should appear in Reconciliation Statement.

7) Check if the company has revalued the assets its impact is not included in the cost of production.

8) Examine the lease agreement in case the company has taken on lease fixed asset and verify the amount of lease rent paid thereof.

9) Verify the details furnished under para 10 and 11 of the Annexure to the Report.

**Utilisation of Equipment**

1) Examine the system of recording the utilisation of different segments of the plant.

2) Compare the total hours utilized with the available time as per working shifts from the logbook maintained for the vessels/plants.

3) Compare actual production of Paper with rated capacity of the plant producing Paper.
Overheads

1) Get hold of the trial balance of the organisation under audit and prepare a list of items of overhead covering factory, administration, selling and distribution eliminating those items of expenditure which are not to be considered in cost as per the Record.

2) Examine the correctness of classification of overheads according to cost accounting principle.

3) The vouching of the expenditure may be done on a limited scale since detailed routine checking has been carried out by the financial auditor and internal auditor.

4) Examine the basis adopted for primary distribution of overhead to cost centers and secondary distribution from service cost centers to ensure that the basis is reasonable and consistent.

5) Examine that the cost of utilities are not taken doubly i.e. once directly taken as an element of cost and again as overhead.

6) Examine the reasonableness and consistency of the basis of recovery of overhead adopted by the unit, the rate of recovery and, overhead charged to production cost centers where predetermined or estimated rates are used.

7) Check the extent of the amount of over or under recovery of overhead and its adjustment for variance to cost.

8) Examine the procedure adopted for segregating overhead into variable and fixed and verify whether variable overhead bear reasonable relationship with the activity or production.
9) Check that break-up under each head has been furnished in respect of major items constituting at least 80% of the overhead cost under each head as required to be furnished under para 12 of the Annexure to the Report Rules.

**Research and Development**

1) Check whether the unit under audit is a recognized R&D unit.

2) Verify the records maintained on R & D showing details of R & D work undertaken and their costs.

3) Verify the procedure of classifying the R&D expenses into process development and improvement, existing product development charging expenses to the cost of products.

4) Check the details furnished under para 13 of the Annexure to the Report Rules relating to the amount capitalised/deferred during the year, deferred amount of earlier years, if any and total amount provided in the cost of products.

5) Also examine the amount paid to related parties, if any under this head.

**Royalty Technical Know**

1) Ascertain if any Royalty has been paid to Collaborator/Technology supplier. If it is one time payment/lump sum check the charge to cost of product is equitable and reasonable.

2) Examine the Royalty agreement and check the details furnished under para 14 of the Annexure to the Report Rules. The details are to be furnished in respect of each agreement separately.
Quality Control Expenses

1) Check whether the company has ISO certificate or not. If yes verify the certification number, category in which the company is certified.

2) Check the amount incurred on the quality control, quality/ISDO audit etc. and their treatment in the cost of product, as furnished under para 15 of the Annexure to the Report Rules.

Pollution Control Expenses

1) Examine whether company is complying with the various legislation provision in regard pollution applicable to chemical industries.

2) Check the details of expenditure furnished under para 16 of the Annexure to the report in respect of effluent treatment, control of air pollution and ash pound etc. separately and its treatment in the cost of the product.

Abnormal & Non Recurring Cost

1) Ascertain whether there has been any abnormal and non-recurring cost during the year under audit. If so check the details furnished under para 17 of the Annexure to the Report Rules.

Note: Abnormal expenditure is to be excluded from cost and is to be treated as an item of reconciliation between profit and loss as per cost accounts with profit and loss account as per financial accounts. Abnormal cost of non-recurring nature is to be shown under this para. In other words if the cost is abnormal but if it is of recurring nature, it need not be shown under this para.
Inventory and Stores

1) Ensure the finished stocks and work-in-progress is physically verified in their respective stages.

2) Examine the system of physical verification in vogue and ascertain whether all the important items of raw materials, process materials, packing materials, stores and spares and finished goods, packing materials, etc., are verified at least once during the accounting year and that shortages/surpluses are properly investigated and adjusted.

3) Examine the value of non-moving items of stock, their percentage, in respect of direct material, indirect material, work-in-progress, finished goods etc. furnished under para 18(A) of the Annexure to the Report Rules.

Note: As per explanation (f) under para 28 of Annexure to the Report Rules, in case of direct materials such as raw materials and components, finished and semi-finished, direct process materials, direct materials, etc. which have not moved for more than twelve months, are to be regarded as Non-moving. In case of indirect materials such as stores and consumables, spares, oil and lubricants, small tools etc. which have not moved for more than 24 months are to be regarded as non-moving stocks,

4) Obtain the list of closing stocks of important materials by quantity and value at the end of the financial year and calculate how many months' requirements are held in stock and ascertain the reasons for abnormal stock holdings.

5) Examine the procedure and amount of the written off stock in respect of direct materials, indirect materials, WIP and finished goods during the year and verify the details furnished under para 18(b) of the Annexure to
the Report Rules. Ascertain the causes for write off and action taken for recovery of realisable value/residual value of the items written off.

Inventory Valuation

1) Check the correctness of the valuation of closing stock of work-in-progress with reference to different stages of manufacture, other materials (imported and indigenous), self manufactured.

2) Verify that there is no change in the method of valuation from period to period.

3) Examine and verify the valuation of scrap/wastages and the treatment of income generated from the sale of scrap/wastages etc. during the year.

4) Examine and verify the difference between the valuation of inventory as per the financial accounts and cost accounts.

Sales of the Product under Reference

1) Examine the system of preparation of sales invoices and recording of sales figures in accounts.

2) examine whether sales figures both in quantity and value for each type of product is available by direct tabulation of invoices.

3) Verify the sales figures given under this para in the Annexure.

4) Verify the domestic and export sales of the product under cost audit.

5) Verify whether separate cost statements are maintained for export products.

6) Ensure that the deemed exports are treated appropriately.
7) Verify the quantities exported, the countries to which exported and the FOB value of export (FOB values are to be treated as sales realisation as invoiced).

8) Examine that the basis of allocation and apportionment of expenses are in uniformity with the home products.

9) Ensure that the value of export incentives, viz cash compensatory support, duty draw back etc. are shown separately in the cost statement distinct from realisable value.

**Margin per Unit of Output**

1) Verify the margin per unit of output on domestic sale and export with reference to cost statements

2) If sale is made under group of product, check and verify the margin per unit of output of all the major group of products.

3) In case of significant variation in the margin compared to previous year, the reasons for the same are ascertained and recorded.

**Competitive Margin against Imports**

1) Examine whether detail in regard WTO requirements are maintained to assess its competitiveness in global market for import/export.

2) Check the information furnished under this para in the annexure with the source of information. Verify the cost of production details for domestic sale and export. This information is required under WTO/antidumping exercise against dumping of the goods.

3) The bound rate of various items under WTO agreement relevant to India is available on the web at:

Value Additions and Distribution of Earnings

1) Examine the methodology adopted for value addition. All materials such as raw materials, components, packing materials, process materials, stores and spares, consumables etc. and purchased services such as power, water, etc. are to be excluded.

2) The term value addition should be interpreted to mean the wealth creation due to the efforts or activities carried out by the company and hence only those items of costs which are totally outsourced and where no effort of whatsoever nature are put in by the company should be excluded as cost of bought out materials and services. Further explanation (e) under para 28 of the Annexure states “Value Addition” means the difference between the net output value (net sales adjusted for work-in-progress and finished goods stock) and cost of bought out materials and services for the product under reference.

3) Verify the distribution of the amount of value addition among employee’s shareholders, retained by the company, government as taxes and others.

Financial Position and Ratios

1) Verify the ratios given under this para.

2) Examine the capital employed for the product with reference to Cost centre wise fixed asset register and working capital required.

3) Verify the basis adopted for division of common assets e.g. Head office assets value may be prorated on basis such as turnover, manpower, profitability of different divisions or other suitable basis.
Capitalisation of Revenue Expenditure

1) Scrutinise the figures given under this para with reference to details given in financial accounts.

2) Verify whether share of overhead as applicable has been allocated.

3) Verify the amount of capitalisation under various heads in the fixed asset register such as Building, Plant and Machinery/equipment manufactured etc.

4) Verify the amount of excise duty paid and capitalized.

Related Party Transactions

1) Examine the appropriateness of the Transfer Policy adopted by the company for charging the price on sale or on purchase from the company under the same management.

2) Verify the details given under this para. If there is variation in the price charged compared to normal price or transactions are not on an arm's length, the same may be commented upon.

Central Excise Reconciliation

1) Verify the details given in this para with reference to Form C (5), PLA and Excise Duty paid as per Monthly Returns (ER 1).

2) Verify the amount of Centvat available by the company during the year.

3) Examine the difference between duty paid and recovered if any. The reasons for difference could be excise duty paid on free issues of samples, inter-factory transfer, captively consumed goods, etc.
Profit Reconciliation

1) Verify the reconciliation statement between the profit/loss as per the cost accounts and profit/loss as per the financial accounts.

2) Examine the variations and reasons thereof.

3) Note 2 under this para requires that profit arrived at for the factory, company and the product shall not include interest and dividend received on investment outside the business, capital gains and any other income which is neither normal nor of recurring nature. The profit so arrived shall be the normal operating profit earned during the financial year/period of the company.

Statistical Records

1) Examine whether the data maintained in the cost record are reconciled with the relevant returns submitted by the company to Central Excise authorities and other Govt. organisations.

Standard Cost

1) Where a system of standard costing is used, it should be ensured that such costs are converted into actual for the purpose of determining the figures required to comply with the requirements of Cost Accounting Record Rules. The cost Auditor should study and examine the method of adjustment of variances to arrive at the actual cost from the standard cost.

Cost Statements

Examine that cost statements have been prepared as per requirements of Cost Accounting Records Rules and Cost Audit Report Rules.
Authentication of the Annexure to the Cost Audit Report

The annexure to the Cost Audit Report Rules 2001 containing 28 paras and Proforma prescribed under the Rules has been authenticated and signed by the Company Secretary and at least one of director on behalf of the Company. In the absence of Company Secretary in the Company, the same shall be signed by at least two directors.

Preparation of Report

After conducting audit, the cost auditor should prepare his report and ensure that it covers all areas as required under these two rules. It is also open to him to make constructive recommendations for improvements wherever necessary for better compliance of the requirements of the Rules. The report should be brief, to the point, but complete in all aspects. The report should be discussed with the appropriate level of the management before finalization so that misunderstanding and unnecessary controversies can be avoided.

Scope of Cost Audit Certificate

1) The scope of the Cost Audit certificate has been enlarged under the revised rules. The Cost Auditor has to give his observations and suggestions on the following points:

(a) Adequacy of cost accounting system including the system of inventory valuation;

(b) Budgetary control system;

(c) Matters which appear to be clearly wrong in principle or apparently unjustifiable;

(d) Related party transaction;
(e) Give Break even point in case of company is incurring losses or when there is decline in profitability;

(f) Default on payment of dues to Government, financial institutions and bank etc.

(g) Steps required strengthening the competitive environment;

(h) Export commitment;

(i) Internal audit of cost records;

(j) Improvement in the performance in respect of Cost Control and Cost Reduction; and

(k) Other observations and suggestions relevant to the Cost Audit.

Form of the Cost Audit Report

1) Cost Audit Report duly authenticated by the Company Secretary and the Director along with auditor’s observations and suggestions, annexure and proforma is to be submitted in the form of one hard copy and a soft copy.

2) Department of Company Affairs has clarified vide its circular no.52/22/CBA-2002 dated 26th November 2002 that soft copy of the report shall be submitted in non re-writable CD-Rom containing two files/parts.

3) Part I of the soft copy of the cost audit report (including annexure and proforma) shall be in pdf Adobe Acrobat Version 4.0 or above or as an alternative in Microsoft office XIs format. The entire cost audit report shall be in one form only and shall not be in combination of both.

4) Part II of the soft copy shall consist of para 4 to para 28 of the annexure to the cost audit report in worksheet form of Microsoft office
Excel or compatible. No reference whatsoever including identity/locations of the unit or the company should find a place in the soft copy.

5) The Cost auditor should put the Rubber stamp and initials on all pages and initials for corrections therein, if any in the Cost Audit Report and Cost Statements maintained by the organization after these have been authenticated by the company.

6) Hard copy of the report should be properly bound.

7) All working papers and other important papers should be properly filed and indexed