

Broad Scope of Audit

1. For the purpose of disposing of the representations exchanges may consider the following 'Scope of Audit'

Category	Scope of audit
Companies which have Average Monthly Turnover of more than or equal to Rs. 100 Crores but there is prima facie suspicion / evidence of misuse and / or misrepresentation	<ol style="list-style-type: none"> a. Suspicious transactions/items as observed by exchange, if any. b. To seek specific inputs as may be required based on matters shared by SEBI, if any. c. Wherever applicable, the cash flow analysis to trace source of funds to end uses of funds in such transactions. d. Independent and /or physical verification of the underlying transactions.
Companies which have Average Monthly Turnover of less than Rs. 100 crores, and there is prima facie suspicion / evidence of misuse and / or misrepresentation	<ol style="list-style-type: none"> a. Suspicious transactions/items as observed by exchange, if any. b. To seek specific inputs as may be shared by SEBI, if any. c. Wherever applicable, the cash flow analysis to trace source of funds and end use of funds. d. Independent and /or physical verification of the underlying transactions. e. In addition, exam f. ine the books of accounts and backup records of the company for the period of two years (last available financials) including the year of transactions as mentioned in point (a): <ul style="list-style-type: none"> • Assess genuineness of Revenue, expenditure, assets / liabilities for the period of two years which shall also include the ageing analysis of loans and advances / borrowings/ investments etc. • Assess genuineness of the debtors/ receivables and creditors / payables, reconciliation of debtors / creditors as stated by the Company vis-à-vis the actual position and the prospects of recovery (focus on top debtors) / payment. • Analysis of related party transactions. • High value bank transactions to ascertain their relevance to the business of the company.

Category	Scope of audit
	<ul style="list-style-type: none"> • Assess genuineness of expenditure (capex as well as other goods and services) and review of top vendors / suppliers / customers • Analysis of the bank accounts of the company (and its subsidiaries if any) to identify the potential round-tripping of funds or accommodation transactions. • The nature of business alongwith the investments made by the company in its subsidiary companies alongwith the relevant fund flows, if any. • Assess genuineness of investments in both listed and unlisted companies with appropriateness of valuation and flow of funds. If investment in listed companies then reconciliation to be done with independently sourced statements from NSDL/CDSL. • Assessment of share application money including the share premium amount received by the company including the reversals, if any. For share premium assessment of utilization of funds, if any, in terms of provisions of Companies Act. • Comment on the shareholding pattern for the period under consideration– promoter holding, public shareholding, no. of such shareholders and their relationship with promoter and promoter group, if any, whether the company is promoter driven / professionally managed. <p>g. Wherever applicable, the relevant funds flow including analysis of relevant bank statements (also source and utilization of funds).</p>

In addition to the above, the scope of work may include the background checks, site visits, assessment of company's business model and meetings with key stakeholders including company auditors and directors. Background checks may include:

- a. Background / reputation checks based on public domain information related to antecedents of promoters, nature/ line of business, genuineness of business activities of the company
- b. Discussions with key stakeholders like Promoters/ Senior Management Team / Departmental heads, vendors, customers, company auditors, etc.
- c. Business history, directorship searches and litigations
- d. Assessment of size and scope of business
- e. Site visit for verifying existence of the company premises, assets, place of execution of services, etc.
- f. Interactions with the entities/persons involved in day to day affairs of the company.