

Scope and Audit Responsibilities of Internal Auditors (for Hospitality Division)

Scope of Work

Finance & Accounts Department

- Reviewing & verifying proper Accounting system/ Book keeping Verification of flow of revenue from Point of sale to Accounting system.

- **Trial balance**
 - General Ledger Scrutiny
 - Review of Journal Entries, Cash Book and Bank book
 - Verification of expenses with regards to system, procedure and propriety
 - Inter Unit Reconciliations-Reconciliation of account current with Head Office account.

- **Cash & Bank**
 - Physical Verification of Cash
 - Review of General Control over cash handling, cash insurance (for safe, in transit, fidelity)
 - Control over stock of Cheques and its utilization.
 - Approval of vouchers, completeness and supporting for cash/cheque receipts and cash payments
 - Checking of TDS deductions and timely payments.
 - IOU/Suspense vouchers.
 - Control over receipts of cheques.

- **Night audit procedures**

- **Loans & advances**
 - Sanctioning/Approvals
 - Security
 - Accounting Controls
 - Recovery Procedures

- **Fixed Assets**
 - Review of Procurement Process
 - Emergency Sanctions
 - Capitalization

- Inter Unit Transfers
- Fixed Assets Register
- Physical Verification and codification
- Depreciation accounting
- Disposal and write-offs
- Repair and Maintenance account
- Existence of Equipment AMC
- Adequacy of Insurance cover
- In case addition to fixed assets made at head office level, whether proper documents have been obtained and the capital account reconciled?

- **Statutory Compliance**
 Compliance with regards to timely deposit of statutory dues in government treasury and filing of returns etc. under:
 - Income Tax Act (TDS)
 - Sales tax Act
 - Prevention of Food and Adulteration Act.
 - ESIC/PF /EPF Act.
 - Luxury tax
 - Service tax
 - Entertainment and Other taxes.

- **Engineering division**
 - Physical Verification of Engineering stores
 - Vendor Evaluation, selection and performance assessment procedures
 - Control over issue of work orders
 - Review of procedures for receipts/issue of materials.
 - Response time.
 - Adherence to policies and procedures
 - Process for evaluating efficiency and effectiveness of the department.
 - Review of Guest complaint redressal system including response time.

- **Billing**
 - Verification of Invoices-timeliness and accuracy
 - Foreign Exchange bills
 - Agreement vis-à-vis billing
 - Review of process/ system of billing

- **HR and Training**
 - Checking of Payroll
 - Pre employment scrutiny of employees
 - Adherence to norms for Contract labour
 - Overtime procedures
 - Performance evaluation Procedures
 - Trailing policies and procedures
 - Provisions of Gratuity and Leave encashment
 - Checking of full and final settlement of employees
 - Recovery of any dues towards employees who have left the services

- **F&B Department**
 - Review of F&B daily cost report, F&B month end reconciliation and other reports generated
 - Physical verification of F&B stores , kitchen, stewarding and accounting for excess/shortage, if any
 - Periodic checks of production Vs portions sold.
 - Production planning
 - KOT drill –billing, cancellation of orders , complimentary (approvals etc)
 - Liquor control –physical verification, Excise records, outlet records, consumption analysis including control over mini bars.
 - Ascertainment of wastages during production
 - Review of Menu Cycles, price fixation
 - Process of communication of menus to F&B
 - Dish costing.

- **Banquets and ODC**
 - Rack rates Vs Offered rates
 - Billing –function prospectus, bills etc.
 - Procedure for pax verification
 - Procedure for outdoor catering
 - Bar Inventory procedures

- **Recreational Areas**
 - Telephones
 - Billing (guest/administrative)
 - STD/ISD baring procedures.
 - Laundry

- Procedure-receipt, service, billing, guest instructions, identification/ tagging
- Process of costing and pricing
- Hire charges of board rooms/offices
- Rent and Other income
- Business Centre
- Billing including complimentary use (approvals)
- License agreements for shop space/ counters/pastry shop etc.

- **Purchase**
 - Vendor evaluation, contracting and performance assessment
 - Evaluation of process of placing orders including quotations
 - Bill passing / processing procedures
 - Adherence to credit norms
 - Review of process of placing of orders, monitoring deliveries and receiving food stuff including the documentation done.
 - Checking of quality of materials received and materials ordered.

- **Stores**
 - Physical verification of inventory
 - Stocking arrangements and Process of Issue (FIFO /LIFO)
 - Identification of slow/Non moving stock
 - Procedure of identification of self life items , control over expiry , treatment etc.
 - Treatment of shortage /excess in inventory
 - Review of Inventory levels
 - Review of receipts/issue procedures
 - Control over scrap items

- **Credit control**
 - Adherence of Credit Policy
 - Credit extension procedures
 - Review of credit Committee meeting minutes etc.
 - Analysis of debtors Ledger
 - Monitoring and follow-up of overdue accounts
 - Status of legal cases, if any.

- **House keeping**
 - Lost and Found items

- Inventory holding –physical verification, record keeping etc.
 - Procedure- records, checking of rooms at the time of check-out , re-ordering, house –laundry, house keeper’s occupancy report/bill.
 - Work orders-tailoring / Carpet cleaning.
 - Policy on discards.
- **Security**
 - Gate passes-goods (returnable or non returnable), contractors, visitors.
 - Control over keys.
- **Front Office**

Review of internal controls over front office department & other departments.

Reception

- Review of the Guest Registration cards & Guest profiles in software.
- Arrival /departure register
- Key checks
- Guest complaints/Suggestions
- Special Promotions/ Schemes
- No show & retention charges
- Day use rooms
- Authorisation, documentation for discounts, complimentary stays, House use rooms, adhoc discounts, up gradations.
- Extension of credit
- FO occupancy status

FO cash

- Credit card procedures
- Allowances and paid outs.
- Physical verification of cash.
- Bills on hold
- Breakfast /meal coupons.

- **MIS**
 - Timeliness and responsibility to generate MIS.
 - Adequacy of information
 - Monthly MIS reconciliation with Trial Balance and other records.

- **General**

- Verifying all accounting policies and practices being implemented and being followed in day to day accounting.
- Analytical Review of Budget & Actual figures provided by the respective department.
- Inter department information/reconciliation.
- Examine the delegation of authority to various departmental Heads, vis-à-vis financial power and cross control over their function and exercise of authority.
- Analysis of normal and abnormal losses and quantification in all possible areas.
- Providing suggestion for optimum resource utilization. Analysis of optimum resource utilization.
- Over all analysis of Internal Controls.