



SCA -110
Standard on Cost Auditing
“Written Representations”
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The following is the **Standard on Cost Auditing, “Written Representations”**. In this Standard, the standard portions have been set in ***bold italic*** type. This standard should be read in the context of the background material, which has been set in normal type.

1. Introduction

- 1.1** The purpose of this Standard is to provide guidance to obtain written representations from management as audit evidence, the procedures to be applied in evaluating and documenting written representation, and the actions to be taken if management refuses to provide appropriate representations.
- 1.2** Audit evidence is the information used by the auditor in arriving at the conclusions on which the cost auditor’s opinion is based. Written representations are necessary information that the cost auditor requires in connection with the audit of the entity’s cost statements. Accordingly, similar to responses to inquiries, written representations are audit evidence.
- 1.3** Although written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own about any of the matters with which they deal. Furthermore, the fact that management has provided reliable written representations does not affect the nature or extent of other audit evidence that the cost auditor obtains about the fulfilment of management’s responsibilities, or about specific assertions. (Ref: Para 6.1)

2. Objective

The objective of this Standard is to enable cost auditor:

- 2.1** ***to obtain written representations from management and, where appropriate, those charged with governance that they believe that they have fulfilled their responsibility for the preparation of the cost statements and for the completeness of the information provided to the cost auditor.***
- 2.2** ***to support other audit evidence relevant to the cost statements or specific assertions in the cost statements by means of written representations if determined necessary by the cost auditor or required by other Standards on Cost Auditing; and***
- 2.3** ***to respond appropriately to written representations provided by management and, where appropriate, those charged with governance, or if management or, where***



appropriate, those charged with governance do not provide the written representations requested by the cost auditor.

3. Scope

This Standard deals with the cost auditor's responsibility to obtain written representations from management and, where appropriate, those charged with governance in an audit of cost statements, cost records and other related information.

4. Definitions

The following terms are being used in this standard with the meaning specified.

4.1 Audit Evidence: *Information used by the cost auditor in arriving at the conclusions on which the cost auditor's opinion is based. Audit evidence includes both information contained in the cost accounting records underlying the cost statements and all other related information.*

4.2 Cost Audit: *Cost audit is an independent examination of cost statements, cost records and other related information of an entity including a non-profit entity, when such an examination is conducted with a view to expressing an opinion thereon.*

4.3 Cost Audit Report: *Cost Audit Report means the report duly audited and signed by the cost auditor on an independent examination of the cost statements, cost records and other related information of an entity including a non-profit entity, expressing his opinion thereon. It includes any statement, qualifications, observations, etc. attached to the cost audit report, or that is required by law or regulation.*

4.4 Cost Auditor: *"Cost Auditor" means an auditor appointed to conduct an audit of cost records and shall be a cost accountant within the meaning of The Cost and Works Accountants Act 1959. "Cost Accountant" is a cost accountant as defined in clause (b) of sub-section (1) of section 2 of The Cost and Works Accountants Act, 1959 (23 of 1959) and who holds a valid certificate of practice under subsection (1) of section 6 and who is deemed to be in practice under subsection (2) of section 2 of that Act and includes a firm of cost accountants.*

4.5 Cost Statements:-*Cost Statements, in relation to an entity, includes plant-wise, factory-wise or service centre-wise;*

- i) quantitative details of capacity, production, trade purchases, sales and stocks;*
- ii) quantitative, rates and value details of consumption of materials, utilities and other inputs;*



- iii) *cost sheet showing element-wise, total as well as per unit cost of production of goods or provision of services, cost of sales and margin for each product or service;*
- iv) *reconciliation of profits, or in case of an entity carrying on any activity not for profit, of surplus, as per cost accounts and as per financial accounts;*
- v) *reconciliation of indirect taxes showing details of total clearance of goods / services, assessable value, duties/ taxes paid, CENVAT or VAT or Service Tax credit utilized, duties / taxes recovered and interest / penalty paid;*
- vi) *statement of value addition and distribution of earnings;*
- vii) *details of purchases and sales of goods and services with related parties showing transfer price vis-à-vis normal price; and*
- viii) *any explanatory note annexed to, or forming part of, any document referred to in (i) to (vii) above.*

4.6 Management: *The person(s) with executive responsibility for the conduct of the entity's operations. For some entities in some jurisdictions, management includes some or all of those charged with governance.*

Furthermore, in the case of a fair presentation framework, management is responsible for the preparation and fair presentation of the cost statements in accordance with the applicable cost reporting framework; or the preparation of cost statements that give a true and fair view in accordance with the applicable cost reporting framework.

4.7 Those charged with governance: *The person(s) or organisation(s) (e.g., a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.*

4.8 Written Representation: *A written statement by management provided to the cost auditor to confirm certain matters or to support other audit evidence. Written representations in this context do not include financial statements, cost statements, the assertions therein, or supporting books and records.*

5. Requirements

Management from whom Written Representations Requested

5.1 *The cost auditor shall request written representations from management with appropriate responsibilities for the cost statements and knowledge of the matters concerned. (Ref: Para. 6.2 - 6.6)*



Written Representations about Management's Responsibilities (Ref: Para. 6.7 - 6.9)

Preparation of the Cost Statements

5.2 The cost auditor shall request management to provide a written representation that it has fulfilled its responsibility for the preparation of the cost statements in accordance with the applicable cost reporting framework, including, where relevant, their true and fair presentation, as set out in the terms of the cost audit engagement.

Information Provided and Completeness of Cost Statements

5.3 The cost auditor shall request management to provide a written representation that:

- 1. It has provided the cost auditor with all relevant information and access as agreed in the terms of the cost audit engagement; and**
- 2. All transactions have been recorded and are reflected in the cost statements.**

Description of Management's Responsibilities in the Written Representations

5.4 Management's responsibilities shall be described in the written representations required by paragraphs 5.2 and 5.3 in the manner in which these responsibilities are described in the terms of the cost audit engagement.

Other Written Representations

5.5 Other Standards on Cost Auditing require the cost auditor to request written representations. If, in addition to such required representation, the cost auditor determines that it is necessary to obtain one or more written representations to support other audit evidence relevant to the cost statements or one or more specific assertions in the cost statements, the cost auditor shall request such other written representations. (Ref: Para. 6.10 - 6.14, 6.22)

Date of and Period(s) Covered by Written Representations

5.6 The date of the written representations shall be as near as practicable to, but not after, the date of the cost auditor's report on the cost statements. The written representations shall be for all cost statements and period(s) referred to in the cost auditor's report. (Ref: Para. 6.15 - 6.18)

Form of Written Representations

5.7 The written representations shall be in the form of a representation letter addressed to the cost auditor. If the law or regulation requires management to make written public statements about its responsibilities, and the cost auditor determines that such statements provide some or all of the representations required by paragraphs 5.2 or



5.3, the relevant matters covered by such statements need not be included in the representation letter. (Ref: Para. 6.19 - 6.21)

Doubt as to the Reliability of Written Representations and Requested Written Representations Not Provided

Doubt as to the Reliability of Written Representations (Ref: Para. 6.23 - 6.25)

5.8 If the cost auditor has concerns about the competence, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, the cost auditor shall determine the effect of such concern may have on reliability of representations (oral or written) and audit evidence in general.

5.9 In particular, if written representations are inconsistent with other audit evidence, the cost auditor shall perform audit procedures to attempt to resolve the matter. If the matter remains unresolved, the cost auditor shall reconsider the assessment of the competence, integrity, ethical values or diligence of management, or of its commitment to or enforcement of these and shall determine the effect that this may have on the reliability of representations (oral or written) and audit evidence in general.

5.10 If the cost auditor concludes that the written representations are not reliable, the cost auditor shall take appropriate actions, including determining the possible effect on the opinion in the cost auditor's report, having regard to the requirement in paragraph 5.12.

Requested Written Representations Not Provided

5.11 If management does not provide one or more of the requested written representations, the cost auditor shall:

- (a) Discuss the matter with management;**
- (b) Re-evaluate the integrity of management and evaluate the effect that this may have on the reliability of representations (oral or written) and audit evidence in general; and**
- (c) Take appropriate actions, including determining the possible effect on the opinion in the cost auditor's report, having regard to the requirement in paragraph 5.12.**

Written Representations about Management's Responsibilities (Ref: Para. 6.26 – 6.27)

5.12 The cost auditor shall disclaim an opinion on the cost statements if;



- (a) The cost auditor concludes that there is sufficient doubt about the integrity of management such that the written representations required by paragraphs 5.2 and 5.3 are not reliable; or**
- (b) Management does not provide the written representations required by paragraphs 5.2 and 5.3.**

6 Application Guidance

Written Representation as Audit Evidence

6.1 Written representations are an important source of cost audit evidence. If management modifies or does not provide the requested written representations, it may alert the cost auditor to the possibility that one or more significant issues may exist. Further, a request for written, rather than oral, representations in many cases may prompt management to consider such matters more rigorously, thereby enhancing the quality of the representations. (Ref: Para 1)

Management from whom Written Representations Requested (Ref: Para. 5.1)

6.2 Written representations are requested from those responsible for preparation of the cost statements. Those individuals may vary depending on the governance structure of the entity, and relevant law or regulation; however, management (rather than those charged with governance) is often the responsible party. Written representations may therefore be requested from the entity's chief executive officer and chief financial officer, or other equivalent persons in entities. In some circumstances, however, other parties, such as those charged with governance, are also responsible for the preparation of the cost statements.

6.3 Due to its responsibility for the preparation of the cost statements, maintenance of cost records and treatment of items of cost in cost statements, management is expected to have sufficient knowledge of the processes followed by the entity in preparing the cost statements and the assertions therein on which to base the written representations.

6.4 In some cases, however, management may decide to make inquiries of others who participate in preparing and presenting the cost statements and assertions therein, including individuals who have specialized knowledge relating to the matters about which written representations are requested. Such individuals may include:

- An actuary responsible for actuarially determined cost accounting measurements
- Expertise of engineers of the plant in understanding the production process including cycle time for production.
- Expertise of Engineers who are responsible and specialize in quality control.



- 6.5** In some cases, management may include in the written representations qualifying language to the effect that representations are made to the “best of its knowledge and belief”. It is reasonable for the cost auditor to accept such wording if the cost auditor is satisfied that the representations are being made by those with appropriate responsibilities and knowledge of the matters included in the representations.
- 6.6** The cost auditor may request management to include in the written representations the confirmation that it has made such inquiries as it considered appropriate to place it in the position to be able to make the requested written representations. It is not expected that such inquiries would usually require a formal internal process beyond those already established by the entity.

Written Representations about Management’s Responsibilities-

- 6.7** Cost audit evidence obtained during the cost audit that management has fulfilled the responsibilities referred to in paragraphs 5.2 and 5.3 is not sufficient without obtaining confirmation from management that it believes it has fulfilled those responsibilities. This is because the cost auditor is not able to judge solely on other cost audit evidence whether management has prepared and presented the cost statements and provided information to the cost auditor on the basis of the agreed acknowledgement and understanding of its responsibilities. For example, the cost auditor could not conclude that management has provided the cost auditor with all relevant information agreed in the terms of the cost audit engagement without asking it whether, and receiving confirmation that, such information has been provided.
- 6.8** The written representations required by paragraphs 5.2 and 5.3 draw on the agreed acknowledgement and understanding of management of its responsibilities in the terms of the cost audit engagement by requesting confirmation that it has fulfilled them. The auditor may also ask management to reconfirm its acknowledgement and understanding of those responsibilities in written representations. This is common in certain jurisdictions, but in any event may be particularly appropriate when:
- Those who signed the terms of the cost audit engagement on behalf of the entity no longer have the relevant responsibilities;
 - The terms of the cost audit engagement were prepared in a previous year;
 - There is any indication that management misunderstands those responsibilities;
 - or
 - Changes in circumstances make it appropriate to do so.



Considerations Specific to Regulated Entities (Ref: Para 5.2 – 5.3)

6.9 The mandate for cost audits of the cost statements of regulatory sector entities may be broader than those of other entities. As a result, the premise, relating to management’s responsibilities, on which audit of the cost statements of a regulated entity is conducted, may give rise to additional written representations. These may include written representations confirming that the items of cost and events have been carried out in accordance with applicable law, regulation or other authority.

Other Written Representations (Ref: Para 5.5)

Additional Written Representations about the cost Statements

6.10 In addition to the written representation required by paragraph 5.2, the cost auditor may consider it necessary to request other written representations about the cost statements. Such written representations may supplement, but may not form part of, the written representation required by paragraph 5.2. They include representations about the following:

- Whether the selection and application of cost accounting policies are appropriate; and
- Whether matters such as the following, where relevant under the applicable cost reporting framework, have been recognized, measured, presented or disclosed in accordance with that framework:
 - Plans or intentions that may affect the valuation of inventory and capacity of the plant;
 - The abnormal cost and prior period items of cost have been excluded from cost accounting records for the period;
 - The measurement, classification, allocation & apportionment of expenses to various products, activities, services, cost centres, departments, processes, etc. are properly made on the appropriate basis including estimates where-ever necessary. The basis adopted for such measurement, allocation and apportionment have been followed consistently with due modifications wherever necessary; and
 - Inventory valuation is done in conformity with the cost accounting principles.
 - Aspects of laws, regulations and contractual agreements for leasing of facilities and job works that may affect the cost statements, including non-compliance.

Additional Written Representations about Information Provided to the Cost Auditor



6.11 In addition to the written representation required by paragraph 5.3, the cost auditor may consider it necessary to request management to provide a written representation that it has communicated to the cost auditor all deficiencies in internal control of which management is aware.

Written Representations about Specific Assertions

6.12 When obtaining evidence about, or evaluating, judgments and intentions, the cost auditor may consider one or more of the following:

- The entity's past history in carrying out its stated intentions.
- The entity's reasons for choosing a particular course of action.
- The entity's ability to pursue a specific course of action.
- The existence or lack of any other information that might have been obtained during the course of the cost audit that may be inconsistent with management's judgment or intent.

6.13 In addition, the cost auditor may consider it necessary to request management to provide written representations about specific assertions in the cost statements; in particular, to support an understanding that the cost auditor has obtained from other cost audit evidence of management's judgment or intent in relation to, or the completeness of, a specific assertion. For example, if the intent of management is important to the valuation of work in progress, it may not be possible to obtain sufficient appropriate cost audit evidence without a written representation from management about its intentions. Although such written representations provide necessary cost audit evidence, they do not provide sufficient appropriate cost audit evidence on their own for that assertion.

Communicating a Threshold Limit (Ref: Para. 5.5)

6.14 The cost auditor may be required to accumulate misstatements identified during the audit, other than those that are clearly trivial. The cost auditor may determine a threshold above which misstatements cannot be regarded as clearly trivial. In the same way, the auditor may consider communicating to management a threshold for purposes of the requested written representations.

Date of and Period(s) Covered by Written Representations (Ref: Para. 5.6)

6.15 Because written representations are necessary cost audit evidence, the cost auditor's opinion cannot be expressed, and the cost auditor's report cannot be dated, before the date of the written representations. Furthermore, because the cost auditor is concerned with events occurring up to the date of the cost auditor's report that may require adjustment to or disclosure in the cost statements, the written representations are



dated as near as practicable to, but not after, the date of the cost auditor's report on the cost statements.

- 6.16** In some circumstances, it may be appropriate for the cost auditor to obtain an updated written representation about a specific assertion in the cost statements during the course of the audit.
- 6.17** The written representations are for all periods referred to in the cost auditor's report because management needs to reaffirm that the written representations it previously made with respect to the prior periods remain appropriate. The cost auditor and management may agree to a form of written representation that updates written representations relating to the prior periods by addressing whether there are any changes to such written representations and, if so, what they are.
- 6.18** Situations may arise where current management were not present during all periods referred to in the cost auditor's report. Such persons may assert that they are not in a position to provide some or all of the written representations because they were not in place during the period. This fact, however, does not diminish such persons' responsibilities for the cost statements as a whole.

Form of Written Representations (Ref: Para. 5.7)

- 6.19** Written representations are required to be included in a representation letter addressed to the cost auditor. In some jurisdictions, however, management may be required by law or regulation to make a written public statement about its responsibilities. Although such statement is a representation to the users of the cost statements, or to relevant regulatory or other authorities, the cost auditor may determine that it is an appropriate form of written representation in respect of some or all of the representations required by paragraph 5.2 or 5.3. Consequently, the relevant matters covered by such statement need not be included in the representation letter. Factors that may affect the cost auditor's determination include:
- Whether the statement includes confirmation of the fulfilment of the responsibilities referred to in paragraphs 5.2 and 5.3.
 - Whether the statement has been given or approved by those from whom the cost auditor requests the relevant written representations.
 - Whether a copy of the statement is provided to the cost auditor as near as practicable to, but not after, the date of the cost auditor's report on the cost statements (see paragraph 5.6).
- 6.20** A formal statement of compliance with law or regulation, or of approval of the cost statements, would not contain sufficient information for the cost auditor to be satisfied that all necessary representations have been consciously made. The expression of



management's responsibilities in law or regulation is also not a substitute for the requested written representations.

6.21 Appendix I provides an illustrative example of a representation letter.

Communication with Those Charged with Governance (Ref: Para. 5.5)

6.22 In certain organisation the cost auditor has to communicate with those charged with governance the written representations which the cost auditor has requested from management.

Doubt as to the Reliability of Written Representations and Requested Written Representations Not Provided

Doubt as to the Reliability of Written Representations (Ref: Para. 5.8–5.10)

6.23 In the case of identified inconsistencies between one or more written representations and cost audit evidence obtained from another source, the cost auditor may consider whether the risk assessment remains appropriate and, if not, revise the risk assessment and determine the nature, timing and extent of further cost audit procedures to respond to the assessed risks.

6.24 The cost auditor if has concerns about the competence, integrity, honesty, ethical values or diligence of management, or about its commitment to or enforcement of these, the cost auditor might conclude that the risk of management misrepresentation in the cost statements is such that a cost audit cannot be conducted. In such a case, the cost auditor may consider withdrawing from the engagement, where withdrawal is possible under applicable law or regulation, unless those charged with governance put in place appropriate corrective measures. Such measures, however, may not be sufficient to enable the cost auditor to issue an unqualified cost audit opinion.

6.25 The cost auditor has to document significant matters arising during the cost audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions. The cost auditor may have identified significant issues relating to the competence, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, but concluded that the written representations are nevertheless reliable. In such a case, all the significant matters should be documented.

Written Representations about Management's Responsibilities (Ref: Para. 5.12)

6.26 As explained in paragraph 6.7, the auditor is not able to judge solely on other cost audit evidence whether management has fulfilled the responsibilities referred to in paragraphs. Therefore, if, as described in paragraph 5.12(a), the cost auditor concludes



that the written representations about these matters are unreliable, or if management does not provide those written representations, the cost auditor is unable to obtain sufficient appropriate cost audit evidence. The possible effects on the cost statements of such inability are not confined to specific elements, items of cost and the cost statements and are hence pervasive. The cost auditor should disclaim or qualify an opinion on the cost statements in such circumstances.

- 6.27** A written representation that has been modified from that requested by the cost auditor does not necessarily mean that management did not provide the written representation. However, the underlying reason for such modification may affect the opinion in the cost auditor's report.

For example: The written representation about management's fulfilment of its responsibility for the preparation of the cost statements may state that management believes that, except for material non-compliance with a particular requirement of the applicable cost reporting framework, the cost statements are prepared in accordance with that framework. The requirement in paragraph 5.12 does not apply because the cost auditor concluded that management has provided reliable written representations. However, the cost auditor is required to consider the effect of the non-compliance on the opinion in the cost auditor's report.

The written representation about the responsibility of management is to provide the cost auditor with all relevant information agreed in the terms of the cost audit engagement may, for example, state that management believes that, except for information destroyed in a fire, it has provided the cost auditor with such information. The requirement in paragraph 5.12 does not apply because the cost auditor concluded that management has provided reliable written representations. However, the cost auditor is required to consider the effects of the pervasiveness of the information by supernatural activity like information destroyed in the fire on the cost statements and the effect thereof on the opinion in the cost auditor's report.

7 Effective Date

This Standard is effective for audits on or after _____.

8 Statement of Modifications: Modifications to ISA 580, "Written Representations"

The ISAs have been developed with focus on Auditing of Financial Statements, while the focus of SCAs is on Auditing of Cost Statements. Hence, following changes are introduced across all the SCAs:



1. Change of 'terms' used in the ISAs that have corresponding meaning in cost audit vis-à-vis financial audit, such as Auditor with Cost Auditor, Audit with Cost Audit, Financial Statements with Cost Statements, Financial Reporting with Cost Reporting, Audit Procedures with Cost Audit Procedures, Auditor's Responsibility with Cost Auditor's Responsibility, etc.;
2. Corresponding modification in definitions of similar terms, examples used and in the Application Guidance;
3. Unlike the practice followed in ISAs, definitions of all 'terms' relevant to this SCA are reproduced.

Addition:

- Paragraph on Considerations Specific to Regulated Entities (Paragraph 6.9) has been added to give effect to prevailing regulatory framework for audit of cost statements in Indian context.

Deletions:

- Paragraph (A9) of ISA 580 on considerations Specific to Public Sector Entities has been deleted as the same is not relevant to the Audit of Cost Statements in Indian context.



Illustrative Representation Letter

(This Illustrative Letter of representation may be modified as per the type/size of company, nature of audit, requirements under other SCAs, etc.)

The following letter is for use as a general guide with reference to the points mentioned in this respect. It may vary from one company to another and from one year to another. Therefore it can be adapted in view of individual requirements and circumstances.

(Company's letter head)

Date:

To,
M/S
Cost Accountants

Dear Sir/Madam

This representation letter is provided in connection with your audit of cost statements of (name of Company/ factory/ Unit)* for the (name the products/activities)* for the year ended _____ with the purpose of expressing an opinion as to whether the cost statements/ abridged cost statements give a true and fair view of the cost of production or cost of operation, cost of sales and margin for each of the products, services and activities covered by audit.

We confirm to the best of our knowledge and belief that -

COST STATEMENTS

1. We have fulfilled our responsibilities as set out in the terms of the audit engagement contained in the letter dated _____ for the preparation of cost statements and to ensure that the cost statements in accordance with the applicable laws and the Cost Accounting Standards (CASs) issued or that may be issued from time to time by the Institute of Cost Accountants of India, in particular to ensure that the cost statements give a true and fair view cost of production or cost of operation, cost of sales and margin for each of the products, services and activities under Cost Audit.
2. The list of cost accounting policies followed by the company in the preparation of cost statements as provided to you is complete and is issued with the approval of competent management.
3. We have corrected the mis-statements in the cost statements reported by you in the course of audit. The effects of uncorrected mis-statements, if any, are not material, both



individually and in the aggregate in the cost statements as a whole. A list of the uncorrected mis-statements is attached to this letter.

MATTERS RELATING TO OPERATIONS

4. There is no change in the installed capacity, manufacturing or operating process or technology during the year as compared to previous year, which have not been disclosed to you.**
5. We have provided you with access to all production / service facilities required for the purpose of Cost Audit.
6. The capacity of Product(s)/Service(s) are determined in accordance with manufacturer's specifications or technical assessments. These specifications are current and are applicable to the conditions prevailing in the audit year.
7. Where we were unable to provide you information on materials used, processes employed etc. on grounds of confidentiality, we have provided you with adequate surrogate information to enable you to satisfy yourselves on the correct determination of costs.

COST MEASUREMENT AND ASSIGNMENT

8. Significant assumptions used by us in making cost estimates are reasonable. There is no change in the cost accounting system followed by the company for identification of cost centers / cost objects, cost drivers, accounting for materials, allocation and absorption of overheads, basis of inventory valuation system, and method of charging depreciation or amortization followed by the company as compared to previous year.
9. Where costs are spread over periods based on benefits received, significant assumptions made in this regard are reasonable. **
10. We have applied our best judgement in determining the amount of costs which are abnormal and non-recurring and excluded such amounts from costs.
11. The cost statements containing product/service/activity-wise cost details have been properly compiled and reconciled with financial accounts. No costs relating to prior periods have been included in the cost statements for the current year.
12. Losses have been distinguished from costs and are not included in the cost statements.
13. Fines, penalties, damages and similar levies paid to statutory authorities or other third parties are not included in cost.
14. All subsidies / grants or amounts of similar nature received / receivable by the company in respect of costs incurred have been disclosed to you and reduced from such costs.



15. All outstanding liabilities (including those of income tax, excise duty, wealth tax, VAT/sales tax, and other taxes and duties where applicable) and outstanding incomes and assets have been provided for in the accounts.

The inventory includes all goods which are the property of this company wherever located, including goods sent on consignment account to customers.

INFORMATION PROVIDED

We have provided you with -

- a) Access to all information of which we are aware that is relevant to the preparation of cost statements including cost records, documentation and other matters.
- b) Additional information that you have requested for the purpose of this audit.
- c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- d) All particulars relating to utilization of material, labour and other items of cost relating to the products under Cost Audit have been recorded in the cost records and are reflected in the cost statements.

16. We have disclosed to you -

- a) All known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing cost statements.
- b) Details on all legal cases or other disputes pending, which would give rise to any costs other than those which have been disclosed in the cost statements and all demands made by the authorities not accepted by the company, assessments under dispute and pending litigations.
- c) All information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves
 - Management
 - Employees who have significant roles in internal control.
 - Others where the fraud could have a material effect on the financial statements.
- d) The results of assessment of the risk that the cost statements may be materially misstated as a result of fraud.
- e) All irregularities involving management or employees who have a significant role in the system of internal control that could have a material effect on the cost records.



- f) The identity of the entity's related parties and all the related party relationships and transactions with them of which we are aware.

17. We have provided you with all documentary evidence in support of the bases adopted to determine the normal price in respect of related party transactions and inter-company transfer and there is no shifting of profits between units to the detriment of ordinary investors at large.

ADEQUACY OF SYSTEMS

18. We have provided you with complete documentation on the cost system presently deployed in the company and access to the database for querying and to generate reports.

19. There are no persistent deficiencies in the cost accounting system pointed out in earlier cost audit reports but not rectified.

20. We have provided you with access to the working of the budgeting process, significant assumptions made in the preparation of budgets, budget documents, control reports and action taken on variances from budget.

21. The internal audit of financial accounts and cost accounting records for the year under audit has been carried out and you have been provided with the terms of engagement of the Internal Auditor, the Audit Plan, the internal audit reports and other communications from the internal auditor.

For _____ Ltd.

Name:

Designation:

* Strike out the words/sentences/para not applicable.

** In case of change, please give details including the impact on unit cost of production or cost of operation, cost of sales and margin of the company/factory/unit and Product/ Service wherever applicable.