FINAL EXAMINATION

June 2023

P–17(CMAD)
Syllabus 2022

COST AND MANAGEMENT AUDIT

Time Allowed: 3 hours | Full Marks: 100

The figures in the margin on the right side indicate full marks.
Where considered necessary, suitable assumptions may be made and clearly indicated in the answer.

Group–A : Cost Audit [50 Marks]

Question Nos. 1 and 5 are compulsory and answer any two from Question Nos. 2, 3 & 4.

Section-A

1. Choose the most appropriate answer to the following questions with justification. 1 mark will be awarded for correct answer and 1 mark for justification: 2×5=10

(i) Which of the following audit's primary objective is ensuring accuracy of cost data, accumulation and exact computation of the cost of a product? Justify your selection of the answer:
(A) Cost Audit
(B) Management Audit
(C) Internal Audit
(D) Financial Audit

(ii) As per Generally Accepted Cost Accounting Principles (GACAP), Cost of Production and distribution of Utilities is determined based on the normal or actual capacity whichever is _______. Briefly justify your Answer:
(A) lower
(B) higher
(C) equal
(D) Not applicable

(iii) Cost Auditor to report fraud under section _______ of the Companies Act, 2013
(A) 140 (12)
(B) 148 (2)
(C) 144 (10)
(D) 143 (12)
Justify your answer.

(iv) Write when the Cost Auditor of the Company shall be appointed for FY 2023-24:
(A) Before 31st March, 2023.
(B) Within 60 days of the commencement of the FY viz 30.5.2023.
(C) Within 180 days of the commencement of the FY.
(D) After AGM of previous year viz. FY 2022-23.
Give reason for your answer.

(v) Name the Cost Audit Standard wherein the principle that the overall objectives of the cost auditor is to check the risk of material misstatement is contained:
(A) Cost Auditing Standard 101
(B) Cost Auditing Standard 102
(C) Cost Auditing Standard 103
(D) Cost Auditing Standard 104
Justify your answer.

Section-B

Answer any two Questions: 16×2=32

2. (a) What are the social objectives of Cost Audit? 6

(b) The following figures are obtained from the Cost Accounting Records of VEE Ltd., a single product manufacturing company:

Year ended 31st March	**2023**	**2022**
	(Amount in ₹ lakh)	
Net Sales	8,120	6,700
Other Income	550	400
Export Incentives	70	50
Increase in Value of Stock of Finished Goods	40	20
Raw Materials Consumed	2,840	2,260
Direct Wages, Salaries, Bonus, Gratuity etc.	760	628
Power and Fuel	460	298
Stores and Spares	260	220
Other Manufacturing Overheads	745	655
Administrative Overheads:		
Audit Fees	45	65
Salaries and Commission to Directors	82	90
Other Overheads	490	430
Selling and Distribution Overheads:		
Salaries and Wages	45	50
Packing and Forwarding	40	30
Other Overheads	385	400
Total Depreciation	190	190
Interest Charges:		
On Working Capital Loans from Bank	100	85
On Fixed Loans from IDBI	145	105
On Debentures	55	65
Tax paid including provisions	484	400
Dividend paid	680	385
Dividend Distribution Tax	120	70

You are required to calculate the following parameters as stipulated in PART-D, PARA-3 of the Annexure to Cost Audit Report under the Companies (Cost Records and Audit) Rules, 2014 for the year ended March 31, 2023 and March 31, 2022:

(i) Value Addition.

(ii) Earning available for Distribution.

(iii) Distribution of Earning to the different claimants. 10

3. (a) Cost Accountants are bound by certain Professional ethics and requested to observe some fundamental principles. Please analyse the fundamental principles that will have to be followed by a Cost Accountant. 6

(b) Burnet Ltd., a manufacturing unit, provides the following extracts from its records for the year ended March 31, 2023:

The Company's specifications capacity for a machine per hour:	1,500 units
No. of shifts (each shift of 8 hours) per day:	3 shifts
Paid Holidays in a year (365 days):	
(i) Sunday	52 days
(ii) Other holidays	12 days
Annual maintenance is done within these holidays.	
Preventive weekly maintenance for the machine is carried on during Sundays.	-----
Normal idle capacity due to lunchtime, shift changes etc. per shift.	1 hour
Production based on sales expectancy in last 5 years (units in lakhs):	75.70 87.42 65.38 77.97 76.08
Actual production for the year (units in Lakhs) —	81.50

You are required to calculate: (i) installed Capacity; (ii) Practical Capacity; (iii) Actual Capacity (%); (iv) Normal Capacity; (v) Idle Capacity (%); (vi) Abnormal Capacity keeping in view of the relevant Cost Accounting Standard (CAS-2) and advise Management. 10

4. (a) Formulate an audit checklist for Auditing Repairs and Maintenance Cost from the perspectives of Cost Audit. 8

(b) What are the three stages of Audit? Analyse the three stages of Audit. 8

Section–C

5. Your friend, who has been appointed as the Cost Auditor of a Company, has sought your advice on:

(a) How to analyse the duty of the Cost Auditor to highlight utilization of resources by the Company during the year under Audit?

(b) Under what circumstances, a qualified Audit Report is to be issued? 4+4=8

Group–B : Management Audit; Internal Audit, Forensic Audit and Anti-Money Laundering [50 Marks]

Question Nos. 6 and 10 are compulsory and answer any two from Question Nos. 7, 8 & 9.

Section-A

6. Choose the most appropriate answer to the following questions with justification. 1 mark will be awarded for correct answer and 1 mark for justification: 2×5=10

(i) This analysis is useful in understanding the effect of variable costs on the net income (performance indicator). Justify your selection:

(A) Contribution Analysis

(B) Performance Analysis

(C) Technical Analysis

(D) Ratio Analysis

(ii) In the context of performance evaluation, this mechanism is perused in progressive organisations where employees, managers, subordinates and peers to provide feedback about performance of the employee from every angle. Explain the reason briefly:

(A) Rating Scale

(B) Feedback

(C) Goal Setting Exercise

(D) 360° Feedback Mechanism

(iii) A model categorizing known frauds grouped by categories and subcategories is known as: (Justify your selection)

(A) Fraud Triangle

(B) Fraud Square

(C) Fraud Model

(D) Fraud Tree

(iv) COSO, the Committee of Sponsoring Organizations, is an advisory group that designs frameworks to help organizations with risk management issues. Which of the following is not a part of the COSO Internal Control Integrated Framework? Why?

(A) Control environment

(B) Risk assessment

(C) Control activities

(D) Information and Communication

(E) Supervision

(v) Security in the design of information systems is used to

(A) inspect the system and check that it is built as per the specifications.

(B) protect data and programs from accidental or intentional loss.

(C) ensure that the system process data as it was designed to and that the results are reliable.

(D) ensure the privacy of data processed by it.

Justify your answer.

Section-B

Answer *any two* Questions: 16×2=32

7. (a) Describe the processes followed for ESG (environmental, social and governance) Audit. 8

(b) In a business environment, disruption of operations can occur. Do you agree? Analyse the problems that disrupt the operations and how a business organisation can plan for Business Continuity? 8

8. (a) State the benefits of Corporate Social Responsibility. Examine how the Internal Auditor can contribute effectively in the CSR program of the company. 9

(b) "The audit engagement team should hold discussions to gain a better understanding of the organization and its environment, including internal control, and also to assess the potential for material misstatements of the financial statements. All these discussions should be appropriately documented for future reference". Critically examine the statement. 7

9. (a) Co-operative Auditor has to examine the overdue debts if any, and a valuation of the assets and liabilities of the society while conducting an internal audit. Examine. 8

(b) What are the records that are required to be maintained by the Reporting Entity under Prevention of Money Laundering Act, 2022? How long do these records have to be maintained? Comment. 8

Section-C

10. You have been asked by the Management of a Company to formulate a policy regarding 'Whistle Blowing activity' that is currently prevalent in the Company. What are the points to be considered by you while forming such a policy? 8

SUGGESTED ANSWERS TO QUESTIONS

GROUP- A

SECTION-A

1.

(i) (A) Cost Audit
(ii) (B) Higher
(iii) (D) 143 (12)
(iv) (C) Within 180 days of the commencement of the FY.
(v) (C) Cost Auditing Standard -103

SECTION-B

2. (a)

Social Objectives of Cost Audit:

- verifying whether the pricing of the products are justified as per the product and quality are concerned,
- removing the disparities, if any, in the pricing of products and/or services,
- looking into the aspect that no cost based economic imbalance may occur in product and/or services,
- facilitating in the global market cost competitiveness of the products,
- ensuring the efficient utilization of resources.

2. (b)

Annexure to Cost Audit Report:
Part D-3- Value Addition And Distribution of Earnings for VEE Ltd., as a whole

(Amount in ₹ lakhs)

Particulars	**Current**	**Previous**
	Year 2022-23	Year 2021-22
Value Addition	2,865	2,327
Earnings available for Distribution	3,415	2,727
Distribution of Earnings to:		
Employees as Salaries and Wages, bonus, gratuity etc.,	805	678
Directors-Salaries and Commission	82	90
Shareholders as Dividend	680	385
Company as Retained funds (including depreciation)	1,044	934
Government as taxes:	604	470
Providers of Capital/Fund as Interest on Debentures:	200	170
Total Distribution of Earnings	**3,415**	**2,727**

3 (a)

In order to achieve the objectives of the accountancy profession, **cost accountants** have to observe **fundamental principles**, which are:

a) Integrity - A cost accountant should be straightforward and honest in performing his services.
b) Objectivity - A cost accountant should be fair and should not allow prejudice or bias or the influence of others to override objectivity.

c) Competence - A cost accountant must refrain from performing any service which he is not competent to carry out unless proper advice and assistance is obtained to ensure that the service is performed to the satisfaction.

d) Confidentiality - A cost accountant must not disclose information acquired during the course of his engagement and should not use or disclose any such information without proper and specific authority or unless there is a legal or professional right or duty to disclose.

e) Professional Behaviour - A cost accountant should act in a manner consistent with the good reputation of the profession. In addition to the fundamental principles above, a cost accountant in practice should be and appear to be free of any interest which might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity and independence

3 (b)

Calculation of different capacities Burnet Ltd.

(i) Installed Capacity: = **131.40 lakh** units

(ii) Practical capacity: = **94.815 lakh** units

(iii) Actual capacity = **62.02%**

(iv) Normal capacity = **76.51 lakh** units

(v) Idle Capacity: = **37.98%**

(vi) Abnormal Idle capacity = **13.315 lakh** units

Comments/ Advice to Management: Idle capacity of the plant is quite high. Management should make optimum utilisation of its installed capacity by increasing production.

4 (a)

Checklist for Audit of Repairs and Maintenance cost:

1. The Cost Auditor should obtain information, for the expenses incurred on Repairs and Maintenance for the previous five years – Cost centre wise, either from CMA department/Finance department or through ERP system in the company. It provides at a glance year wise, cost centre wise expenses on repairs and maintenance. If there is any substantial increase in expenditure with respect to any particular cost centre/cost centres, then reasons for the same should be discussed with the head of that cost centre(s), so that appropriate action can be taken to prevent such recurrences. Through these details, the cost auditor will come to know A category of cost centres which will account for 70% to 75% of total expenses on repairs and maintenance incurred. It is always advisable to focus on these A category cost centres to monitor, control and reduce expenses on repairs and maintenance. A little step taken by the management with respect to these A category of cost centres will result in far greater advantage to the management regarding cost control and cost reduction with respect to repairs and maintenance.
2. Similarly, the cost auditor should obtain information on Cost of Repairs and Maintenance (₹/Lakhs) for previous 5 years – product wise, either from CMA department/Finance department of through ERP system in the company. It provides at a glance year wise, product wise expenses on repairs and maintenance. If there is any substantial increase in expenditure with respect to any particular product then reasons for the same should be discussed with the head of concerned cost centre(s) so that appropriate action can be taken to prevent such recurrences.
3. The cost auditor can pick up few major items of repairs and maintenance and ensure that they have been booked against correct cost centres.
4. The cost auditor should ask for information – Cost of Repairs and Maintenance (₹/MT). Higher per MT expenses can be due to lower capacity utilization, which he needs to highlight to the management.

5. The cost auditor should also go through expense control chart which gives plant wise expenses duly tied up with Trial balance.

4 (b)

THREE STAGES OF AUDIT AND ANALYSIS OF THE STAGES:

The stages of an audit of cost statements are:

1. Planning
2. Performing
3. Reporting

Analysis:

Once the entity's acceptance or continuation decision has been made, the first stage is planning the audit. Broadly, the planning stage involves:

(i) Gaining an understanding of the client,

(ii) Identifying factors that may impact the risk of a material misstatement in the cost statements,

(iii) Performing a risk and materiality assessment, and

(iv) Developing an audit strategy.

The risk of a material misstatement is the risk that the cost statements include a significant error or fraud. The execution stage (or performing stage) of the audit involves the performance of detailed testing of internal controls and substantive testing of cost accounting policies and procedures. The reporting stage involves evaluating the results of detailed testing in light of the cost auditor's understanding of the entity and forming an opinion on the fair presentation of the entity's cost statements as a whole.

Planning an Audit- First Stage:

"It is well said that a well planned audit is almost half way done".

The planning stage involves determining the audit strategy as well as identifying the nature and the timing of the procedures to be performed. This is done to optimize efficiency and effectiveness when conducting an audit. Efficiency refers to the amount of time spent gathering audit evidence. Effectiveness refers to the minimization of audit risk. A well- planned audit will ensure that sufficient appropriate evidence is gathered to minimize the risk of material misstatement at the cost statement level.

Performing an Audit- Second Stage:

The performance, or execution, stage of the audit involves detailed testing of internal controls, material consumptions, cost accumulation, allocation, apportionment and absorption. If an auditor plans to rely on their client's system of internal controls, they will conduct tests of controls. Cost auditor will conduct detailed substantive tests of audit procedures for the period and detailed substantive tests of consumptions and balances recorded at the period end. The detailed testing provides the evidence that the cost auditor requires to determine whether the cost statements have been fairly presented.

Concluding and Reporting on an Audit- Final Stage:

The final stage of the audit involves drawing conclusions based on the evidence gathered and arriving at an opinion regarding the fair presentation of cost statements. The Cost auditor' sopinion is expressed in the cost audit report. At this stage of the audit, a cost auditor will draw on their understanding of the client, their detailed knowledge of the risks faced by the client, and the conclusions drawn when testing the entity's controls, transactions, cost heads, item of cost and related disclosures.

SECTION – C

5.

The Cost Audit and requirement of details are informative for better and clear understanding of the Users of Report. CRA –1, prescribes broad headings for detailed cost accumulation. The prescribed Format (Ref. CRA -3) i.e. the Cost Audit Report includes Unit-wise, Product/Service-wise Cost Statements and Schedules, deviation for the same need to be reported. Part – D of CRA-3 is a measure towards performance orientation.

(a) The duty of the Cost Auditor is, therefore, not to perform a 'fait accompli' audit but an audit of efficiency of minute details of expenditure, while the work is in progress. Apart from search for accuracy and detection of fraud, the Auditor needs to highlight propriety and quality aspect of performance. Some of such areas are:

Report:

a) Whether the machines and labour remained idle during the year because of the shortage of raw materials.
b) Whether a large quantity of raw materials were stocked which remained unutilized for a long time, thereby locking up the working capital of the company.
c) The cost auditor should state, if there has been a rise in the cost of production as compared to that of the previous year. He should analyze the causes of such a rise. He should clearly point out where the problem originates from.
d) The report should concentrate more on the cost of production, comparative profitability, and operating efficiency of different lines in which the company is engaged rather than the routine statistical or financial information.
e) The report should state, if there has been any wastage during the process of manufacture and how it could be avoided.
f) The cost auditor must state also the critical elements in the cost auditor's report covering areas (Whether a large quantity of raw materials were stocked which remained unutilized for a long time, thereby locking up the working capital of the company) in which it is possible to reduce the cost of production.

(b) Qualification of Report:

The report in which Cost Auditors express a qualified view of cost statements is a qualified audit report. It means that the company's cost records are not maintained in accordance with Generally Accepted Accounting Principles (GAAP) but no misinterpretations are involved. When the cost statements are materially misstated due to misstatement in one particular cost element, class of transaction or disclosure that does not have pervasive effect on the cost statements and when the cost auditor is unable to obtain audit evidence regarding particular cost element, its allocation and apportionment, class of transaction or disclosure that does not have pervasive effect on the cost statements.

A qualified audit report is issued when the cost auditor encounters any of these situations which do not comply with the generally accepted cost accounting principles and is not in conformity with the principles laid down in CRA-1.

GROUP - B

SECTION-A

6.

(i) (A) – Contribution Analysis

(ii) (D) - 360° Feedback Mechanism

(iii) (D) – Fraud Tree

(iv) (E)- Supervision

(v) (B) - Protect data and programs from accidental or intentional loss.

SECTION-B

7. (a)

ESG audits are important for the public, investors and the company alike. They are necessary because more consumers are looking for products and services from companies that have strong environmental, social and governance practices. According to a study conducted by Nielsen, "9 in 10 Millennials will switch brands or retailers, if that brand or retailer supports the wrong cause." For investors, ESG audits help provide insight into the company's approach towards these issues and how they manage risk. This is because information about a company's environmental risks can affect its share price, and in some cases it could even prevent companies from getting funding.

For the company, regularly conducting an ESG audit means that companies are more prepared for emerging risks or future issues that could arise. They could also provide insight into the company's supply-chain risks and transparency with shareholders. In turn, this attracts better employees and investors.

Steps in Planning for an ESG audit:-

Before conducting an ESG audit, companies should:

1) Identify their stakeholders
2) Understand how these stakeholders perceive their company's business activities
3) Identify the risks and opportunities related to ESG issues
4) Develop a plan for reporting on these issues, as well as procedures for evaluating them regularly.

Major processes for an ESG audit:-

The three main components of an ESG audit:

1) The scope: which issues are being evaluated?
2) The timeline: when is the assessment being carried out, and which periods or time frames are being studied?
3) The methodology: this part describes how the audit will be conducted. Companies should keep in mind that a good methodology should have layers of checks and balances to ensure it's as accurate as possible.
4) To evaluate whether the organization under audit have sustainable marketing focuses on creating long-term value by promoting environmentally, socially, and economically responsible products and services.

In conclusion, ESG audits allow companies to evaluate their business impact on the environment and society. This information can be used to develop effective, long-term strategies that help a company maintain an ethical and sustainable business model while improving their relationships with stakeholders. As we experience more massive weather events from the effects of climate change, companies will be under more pressure to exhibit their awareness and adherence to Environmental, Social and Governance standards.

7. (b)

Business continuity planning:

Yes, I agree with the statement. In a business environment, disruption of operations can occur because of two types of problems. First, some minor problems like power failure, UPS failure, server failure, inability to read/restore backups, cable fault, etc. can disrupt the operations. The second type of disruption can occur on account of natural calamities like fire, flood, building collapse, or man-made calamities like a bomb blast, radiation, virus attack, induced data loss, etc. Business Continuity Plan is prepared to recover from such kinds of interruptions. It relates to a higher level of failure. It is all about anticipating any disastrous event and planning adequately for the business to live through it. The IS auditors should verify the existence and operability of the Business Continuity Plan. They should also examine the awareness of the staff regarding the execution of the plan in a genuine emergency and comment upon its effectiveness. Business Continuity Plan should be documented and tested at regular intervals to assess its effectiveness.

BCP is required to satisfy short, medium and long term recovery. In the short term, the essential systems and services are restored. Medium-term plans are for recovering the organisation's systems and services temporarily. Long term plans are for a total recovery of the processing environment.

There are three methods of recovery namely cold, warm and hot backup sites. A cold site is where a computer room is provided in which equipment can be installed when needed. A warm site is a computer room filled with all the required equipment, but onto which all the software and applications must be loaded, when it is needed. A hot site is one where the original installation is duplicated and ready to use when a disaster occurs.

BCP should outline the responsibilities for all the recovery processes, procedures for reproducing the computer media, location of the backup media, priorities for recovery, sources of replacement hardware and software, and alternative data communication facilities.

8. (a)

Corporate social responsibility is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self- regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms.

Corporate Social Responsibility offers manifold benefits both internally and externally to the companies. Externally, it creates a positive image amongst the people for the company and earns special respect amongst its peers. Internally, it cultivates a sense of loyalty and trust amongst the employees in the organizational ethics.

Internal auditors have an opportunity to make value additions to the Corporate Sustainability Reporting process of their entity. They must have a good knowledge and understanding of prevalent CSR concepts. **Important role internal auditors can play** being involved in CSR at various levels:

(i) Internal Auditors might facilitate or advise management on CSR self-assessment activities.

(ii) Internal Auditors might be involved in auditing CSR programs, either as individual components of the audit plan, or as a broad-based review of how CSR is managed, and whether the company is achieving its CSR objectives.

(iii) Internal Auditors might become involved in coordinating or participating in CSR Report verifications.

(iv) Proposed expenditure is made in areas demarcated /specified.

8. (b)

Management is responsible for maintaining an adequate accounting/costing system incorporating various **internal Controls** to the extent appropriate to the size and nature of the Business. Internal controls consist of all the measures taken by the organization for the purpose of;

1) protecting its resources against waste, fraud, and inefficiency;
2) ensuring accuracy and reliability in accounting and operating data;
3) securing compliance with the policies of the organization.

Cost Audit Standard 101 to 104 states various methodologies for audit of the accounts and cost statements. The Application Guidance to CAS 101 states primarily that:

- The audit team members in planning the audit draws on their experience and insights, thereby enhancing the effectiveness and efficiency of the planning process.
- Industry regulators' requirement as to how costs will be handled.
- Unique features of an industry that influence audit requirements.

Planning for these audit procedures takes place over the course of the audit as the audit plan for the engagement develops. For example, planning of the auditor's risk assessment procedures occurs early in the audit process. Planning the nature, timing and extent of specific further audit procedures depends on the outcome of those risk assessment procedures.

For the initial audit, **additional matters** the auditor may consider in formulating the overall audit strategy and audit plan include consultations with the previous auditor, review of previous year's audit working papers, if not prohibited by other Law or regulation, and previous year's transactions having an impact on current year's cost, any major issues discussed with management and the communication of these matters to those charged with governance and how these matters affect the overall audit strategy and audit plan.

The Application Guidance to Cost Audit Standard 102 recommends, among others, evidence Audit documentation to requirements of Cost Auditing Standards in respect of this Standard and other standards. Typical of such evidence are:

a. an adequately documented audit plan
b. the signed appointment letter from the auditee
c. Minutes of discussion with client personnel, with names of members of audit team present, particularly of the audit partner when he is present
d. Minutes of audit team discussions, with names of members of audit team present, particularly of the audit partner when he is present.

9. (a)

Section 17 (2) of the Co-operative Societies Act, 1912 specifically **requires the auditor** to

(i) conduct an examination of the overdue debts, if any, and
(ii) a valuation of the assets and liabilities of the society.

Valuation of Assets and Liabilities- General principles of accounting and auditing conventions and standards are adopted at the time of valuation of assets and liabilities. No specific provisions or instructions under the Act and Rules are provided.

(iii) Point out various irregularities, improprieties, and departures from the provisions of the Act, rules framed there under, and the bye-laws of the society.

The **special features** of co-operative society audit, to be borne in mind while conducting the audit are as follows:

Examination of overdue debts: An Auditor has to examine and classify overdue debts: (a) From six months to five years and, (b) Overdue above five years in two categories and shall have to report it in his audit report. It affects its working capital position.

They will have to be classified as good or bad. The auditor will have to ascertain whether proper provisions for doubtful debts is made and whether the same is satisfactory. The percentage of overdue debts to the working capital and loans advanced will have to be compared with last year, so as to see whether the trend is increasing or decreasing whether due and proper actions for recovery are taken.

The position regarding cases in co-operative courts, District Courts etc. and the results thereof. Bad debts and irrecoverable losses before being written off against Bad Debts Funds, Reserve Fund etc. should be certified as bad debts or irrecoverable losses by the auditor, where the law so requires. Where no such requirement exists, the managing committee of the society must authorize the write-off.

Overdue interest should be excluded from interest outstanding and accrued due while calculating profit. Overdue interest is interest accrued or accruing in accounts, the amount of which the principal is overdue.

9. (b)

The law (PMLA, 2002) defines reporting entities as banks, financial institutions, those operating games of chance for reward, casinos, real estate agents, precious metal dealers and persons carrying on a designated business or profession. Every banking company, financial institution, intermediary, or a person carrying on a designated business or profession ("Reporting Entity") is required to verify the identity of their clients and the beneficial owner, maintain records of all transactions and documents evidencing identity of its clients as well as beneficial owners and periodical furnishing of information related to certain transactions. **The records maintained must contain information including:**

a. The nature of the transactions;
b. The amount of the transaction and the currency in which it was denominated;
c. The date on which the transaction was conducted and
d. The parties to the transaction to enable the Reporting Entity to reconstruct individual transactions.

The information relating to the transaction must be maintained for five years from the date of the transaction between a client and the Reporting Entity. The records relating to the identity of clients and beneficial owners as well as account files and business correspondence must be maintained for **five years** after the business relationship between a client and the Reporting Entity has ended or the account has been closed, whichever is later.

SECTION – C

10.

Ethical issues in business can be a difficult challenge to navigate for any business owner or in the Governance of the State. Though some laws and statutes exist to hold the Management and the working people accountable, these alone do not entirely deter employees from behaving unethically. An infamous example of this was the 2001 scandal with American oil giant Enron, which exposed for inaccurately reporting its financial statements for years, with its accounting firm Arthur Andersen signing off on statements despite them being incorrect. This is an example of violating ethics in accounting practices which is a serious concern for organization especially in listed public companies.

A whistleblower is a person, often an employee, who reveals information about activity within a private or public organization that is deemed illegal, immoral, illicit, unsafe or fraudulent. Whistle blowing means calling attention to wrongdoing that is occurring within an organization. The Government Accountability Project lists four ways to blow the whistle: reporting wrongdoing or a violation of the law to the proper authorities such as a supervisor, a hotline or even an Inspector General. Blowing the whistle is more formally known as 'making a disclosure in the public interest'. It's important you can do so knowing that you are protected from losing your job and/ or being victimized as a result of what you have uncovered and made public. The employer should encourage the people in the workforce to focus attention to the employer for unearthing any conspiracy which is ransacking the working of the organization. The Management should set a written policy that sets out the procedures for dealing with a protected disclosure. In broad terms, this should set out who will be afforded protection and how protected disclosures will be dealt with.