

# *Procurement to Payment Process Audit Checklist*

## **1. PROCUREMENT PLANNING & AUTHORIZATION**

### **1.1 Budget Planning & Approval**

- ☐ Annual procurement budget approved by competent authority
- ☐ Department-wise budget allocation documented
- ☐ Variance analysis between budgeted vs actual procurement spend
- ☐ Budget revision procedures followed as per company policy
- ☐ Capital vs revenue expenditure classification verified

### **1.2 Procurement Authorization Matrix**

- ☐ Board-approved delegation of financial powers (DFP) matrix in place
- ☐ Authority limits clearly defined for different procurement categories
- ☐ Approval hierarchy documented and communicated
- ☐ Emergency procurement authorization procedures defined
- ☐ Vendor empanelment authority limits specified

## 2. VENDOR MANAGEMENT & COMPLIANCE

### 2.1 Vendor Registration & Due Diligence

- ☐ Vendor registration process documented and followed
- ☐ GST registration certificates verified and valid
- ☐ PAN card verification completed
- ☐ Bank account details verified (cancelled cheque/bank certificate)
- ☐ Digital signature certificates validated where applicable
- ☐ Vendor background verification completed
- ☐ Financial capability assessment conducted
- ☐ Technical capability evaluation performed
- ☐ References checked and documented

### 2.2 Regulatory Compliance

- ☐ GST compliance status verified (GSTIN validity)
- ☐ TDS certificates and returns filed on time
- ☐ Professional tax compliance verified
- ☐ ESI/PF registration verified for service providers
- ☐ Shops & Establishment Act compliance checked
- ☐ Import/Export Code (IEC) verified for international vendors
- ☐ FEMA compliance for foreign vendors
- ☐ RBI approval obtained for foreign payments above threshold



## 2.3 Vendor Performance Management

- ☐ Vendor performance evaluation framework in place
- ☐ Regular performance reviews conducted and documented
- ☐ Non-performing vendor identification and action plans
- ☐ Vendor rating system implemented
- ☐ Blacklisting procedures defined and followed

## 3. PROCUREMENT PROCESS

### 3.1 Purchase Requisition

- ☐ Purchase requisition (PR) raised by authorized personnel
- ☐ Technical specifications clearly defined
- ☐ Budget availability confirmed before PR approval
- ☐ Urgent/emergency procurement justification documented
- ☐ Asset categorization (capital/revenue) properly classified

### 3.2 Vendor Selection & Quotation Process

- ☐ Minimum vendor quotation requirements followed as per policy
- ☐ Quotation validity period specified and adhered to
- ☐ Technical and commercial evaluation criteria defined
- ☐ Comparative statement prepared for vendor selection
- ☐ Single vendor justification documented where applicable
- ☐ Rate contracts/Annual Maintenance Contracts (AMC) utilized appropriately

### 3.3 Purchase Order Management

- ☐ Purchase orders (PO) issued within quotation validity period
- ☐ PO terms and conditions clearly specified
- ☐ Delivery schedules and milestones defined
- ☐ Payment terms negotiated and documented
- ☐ PO amendment procedures followed for changes
- ☐ PO acknowledgment received from vendors

## 4. GST & TAX COMPLIANCE

### 4.1 GST Documentation

- ☐ Correct HSN/SAC codes applied on purchase orders
- ☐ GST rates applied as per current tax structure
- ☐ Input tax credit (ITC) eligibility verified
- ☐ Place of supply determined correctly for GST purposes
- ☐ Reverse charge mechanism applied where applicable
- ☐ E-way bills generated for applicable transactions

### 4.2 Tax Deduction at Source (TDS)

- ☐ TDS rates applied as per Income Tax Act provisions
- ☐ TDS certificates issued to vendors within prescribed time
- ☐ TDS returns filed on time
- ☐ Lower TDS rate certificates verified and applied
- ☐ Non-resident taxation compliance for foreign vendors
- ☐ Section 194Q compliance for goods purchases exceeding ₹50 lakhs



## 5. GOODS RECEIPT & INSPECTION

### 5.1 Physical Verification

- ☐ Goods receipt notes (GRN) prepared for all receipts
- ☐ Physical verification of goods against PO specifications
- ☐ Quality inspection procedures followed
- ☐ Quantity verification documented
- ☐ Damage/shortage reports prepared where applicable
- ☐ Rejection procedures followed for non-conforming goods

### 5.2 Asset Management

- ☐ Fixed assets tagged and recorded in asset register
- ☐ Asset location and custodian details updated
- ☐ Insurance coverage arranged for high-value assets
- ☐ Depreciation calculation methods verified
- ☐ Asset transfer procedures documented

## 6. INVOICE PROCESSING & VALIDATION

### 6.1 Invoice Receipt & Verification

- ☐ Original tax invoices received from vendors
- ☐ Invoice format compliance with GST rules verified
- ☐ Invoice details matched with PO and GRN (3-way matching)
- ☐ Mathematical accuracy of invoices verified
- ☐ Advance adjustment properly accounted
- ☐ Credit notes processed for returns/adjustments

## 6.2 Approval & Authorization

- ☐ Invoice approval workflow followed as per DFP
- ☐ Supporting documents attached (PO, GRN, inspection reports)
- ☐ Budget head coding verified and approved
- ☐ Expense/capital classification reviewed
- ☐ Multi-level approval obtained for high-value invoices

## 7. PAYMENT PROCESSING

### 7.1 Payment Authorization

- ☐ Payment proposals prepared and approved by competent authority
- ☐ Payment method selection justified (RTGS/NEFT/cheque)
- ☐ Advance payments pre-approved and documented
- ☐ Hold payments identified and reasons documented
- ☐ Payment scheduling optimized for cash flow

### 7.2 Payment Execution

- ☐ Bank reconciliation performed before payment processing
- ☐ Vendor bank account details verified against master data
- ☐ TDS deducted and deposited as per statutory requirements
- ☐ GST payment coordination with accounts team
- ☐ Payment vouchers prepared with proper supporting documents
- ☐ Maker-checker process followed for payment authorization

## 7.3 Foreign Exchange Compliance

- ☐ LRS (Liberalized Remittance Scheme) limits verified for individual payments
- ☐ FEMA compliance ensured for business payments
- ☐ Forward cover arrangements documented for significant exposures
- ☐ Foreign exchange fluctuation accounting policy applied

## 8. RECORD KEEPING & DOCUMENTATION

### 8.1 Document Management

- ☐ Purchase files maintained with complete documentation
- ☐ Document retention policy defined and followed
- ☐ Electronic document management system utilized
- ☐ Access controls and security measures in place
- ☐ Backup and disaster recovery procedures tested

### 8.2 Audit Trail Maintenance

- ☐ Complete audit trail maintained from PR to payment
- ☐ System-generated reports and logs preserved
- ☐ Manual overrides documented and approved
- ☐ Change logs maintained for critical data modifications
- ☐ User access logs reviewed periodically

## 9. INTERNAL CONTROLS & SEGREGATION OF DUTIES

### 9.1 Process Controls

- ☐ Segregation of duties between procurement, receiving, and payment functions
- ☐ Independent verification of vendor master data changes
- ☐ Periodic reconciliation of procurement data with accounting records
- ☐ Exception reporting mechanisms in place
- ☐ Automated workflow controls functioning effectively

### 9.2 Financial Controls

- ☐ Budget vs actual variance analysis performed monthly
- ☐ Outstanding payables aging analysis reviewed
- ☐ Duplicate payment prevention controls in place
- ☐ Expense trend analysis conducted
- ☐ Cost center allocation verified

## 10. TECHNOLOGY & SYSTEM CONTROLS

### 10.1 ERP System Controls

- ☐ User access rights reviewed and updated quarterly
- ☐ System configuration changes authorized and documented
- ☐ Data backup and recovery procedures tested
- ☐ Interface controls between procurement and accounting modules verified
- ☐ System-generated reports validated for accuracy





## 10.2 Digital Compliance

- ☐ E-invoice compliance implemented where applicable
- ☐ Digital signature verification for critical documents
- ☐ Electronic payment reconciliation automated
- ☐ Cybersecurity measures in place for financial data
- ☐ Data privacy compliance ensured

## 11. REGULATORY REPORTING & COMPLIANCE

### 11.1 Statutory Reporting

- ☐ GST returns filed accurately and on time
- ☐ TDS returns and certificates issued timely
- ☐ Form 26AS reconciliation performed monthly
- ☐ Annual information returns filed where applicable
- ☐ Transfer pricing documentation maintained for related party transactions

### 11.2 Corporate Governance

- ☐ Related party transaction approvals obtained as per Companies Act
- ☐ Board/audit committee reporting on procurement activities
- ☐ Whistleblower mechanism in place for procurement fraud
- ☐ Conflict of interest declarations obtained from procurement staff
- ☐ Vendor grievance mechanism established



## 12. PERFORMANCE METRICS & KPIS

### 12.1 Procurement Efficiency

- ☐ Purchase order cycle time measured and analyzed
- ☐ Cost savings achieved through negotiations tracked
- ☐ Vendor performance metrics reviewed quarterly
- ☐ Emergency procurement frequency monitored
- ☐ Contract compliance percentage measured

### 12.2 Financial Metrics

- ☐ Payment cycle time to vendors tracked
- ☐ Early payment discount utilization monitored
- ☐ Outstanding payables turnover ratio calculated
- ☐ Procurement cost as percentage of revenue analyzed
- ☐ Budget variance analysis performed monthly

## 13. RISK MANAGEMENT

### 13.1 Risk Assessment

- ☐ Procurement risk register maintained and updated
- ☐ Vendor concentration risk evaluated
- ☐ Single source dependency identified and mitigated
- ☐ Foreign exchange risk assessment for imports
- ☐ Business continuity planning for critical suppliers



## 13.2 Fraud Prevention

- ☐ Procurement fraud risk assessment conducted
- ☐ Vendor duplicate check procedures in place
- ☐ Ghost vendor detection mechanisms implemented
- ☐ Bid rigging prevention measures established
- ☐ Regular rotation of procurement personnel

## AUDIT CONCLUSION & RECOMMENDATIONS

### Overall Assessment

- ☐ Procurement process maturity level assessed
- ☐ Control environment effectiveness evaluated
- ☐ Compliance gaps identified and prioritized
- ☐ System improvement recommendations provided
- ☐ Follow-up audit timeline established

### Action Plan

- ☐ Priority-wise corrective action plan prepared
- ☐ Responsibility matrix for implementation defined
- ☐ Timeline for compliance improvements set
- ☐ Cost-benefit analysis for system upgrades conducted
- ☐ Training requirements identified for procurement staff

