



WE PROVIDE  
MANAGEMENT AUDIT

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# 1. Services we can render in context to Management Audit

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## Our Management Audit services:

- (i.) Financial management planning and financial policy determination.
- (ii.) Capital structure planning and advice regarding raising finance.
- (iii.) Working capital management.
- (iv.) Preparing cash budget, cash flow statements, profitability statements, statements of sources and application of funds etc.
- (v.) Budgeting including capital budgets and revenue budgets.
- (vi.) Market research and demand studies.
- (vii.) Price-fixation and other management decision making.
- (viii.) Management accounting systems, cost control and value analysis.
- (ix.) Control methods and management information and reporting.
- (x.) Business Policy, corporate planning, organisation development, growth and diversification.
- (xi.) Tender Scrutiny, Internal Control on Materials as per Tender, Running Bills, Final Bill Computations verification etc.
- (xii.) Internal audit & accounting system analysis.

## 2. Objectives & Draft Scope of Work

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2.1 In view of the above, our objective behind this assignment would be as under:

Taking into consideration the commitments and the dedication of the management our objective is to render professional services to such pious Organisation and be a helping hand in proving the mission, vision, beliefs, values & philosophy of Efficient Engineers.

We understand that the senior / top management needs to know happenings in the company. However they should not be overburdened with too much operational and transactional *data*. The data should be processed into *information* i.e. analysis, summary, and exception reporting. The bottom line is that the information systems should enable them to implement, control, and monitor plans, strategies, tactics, new products, new business models or new business ventures. The reporting should be made periodically.

2.2 Broad Overview of Management Information Requirements on which our Scope of Work is planned:

- Activity forecasting
- Monitoring Performance
- Customer satisfaction
- Setting revenue goals
- Market penetration
- Cost
- Decision Making information aids in:
  - Setting earnings targets
  - Making business continuity plans
  - Compensation plans
  - Performance measures

2.3 Based on our understanding, the referred scope would cover the following:

### **STRATEGIC MANAGEMENT INFORMATION**

Areas include:

- Benchmarking information i.e. comparing the company's financial performance and ratios with industry competitors
- Regulatory requirements
- Competitive trends
- Financing/liquidity needs
- Financial exposures
- Industry trends
- Key Performance Indicators

## **ACCOUNTING & FINANCIAL STATEMENTS INFORMATION**

### **Accounting**

- Schedule of manual journal entries above a particular level with summary of backup for each entry and senior executive authorizing the entry.
- Adjustments to prior period data.
- Analysis of budget variations.
- Analysis of deviations from accounting standards.
- Analysis of major revenue items with possible alternative accounting treatments.

### **Financial Statements**

#### ***Revenue***

- Linearity Analysis of revenue by division or segments compared to prior periods.

#### ***Assets***

- Current asset-impairment analyses for major assets and changes from prior periods.

#### ***Reserves***

- Analysis of changes in reserve accounts (like bad debt, excess/obsolete inventory; accounts-payable accruals),
- Details of basis for the amount of reserve and explanation of changes from formula or rationale in prior periods

## **INFORMATION FROM INTERNAL AUDIT**

- The findings, conclusions, recommendations, any reservations or qualifications.
- Areas of non existence or weaknesses in internal controls.
- Areas where internal controls exist, but exceptions are observed.
- Improvements brought about in the operations between the last audit and the current audit.

## **OPERATIONAL INFORMATION**

- Analysis of receivables/payables aging, along with comparison of current data to prior periods
- Schedule of returns by customer, including comparisons to prior periods
- Analysis of significant sales to new customers,
- Schedule of significant collection problems, with explanation of reasons for non-payment.

- Schedule of deviations from standard payment or discount terms on significant transactions.

#### **Review of other information**

- Concentration of customers.
- Concentration of suppliers.
- Periodic review of Inventory Handling procedures & its Valuation methodologies.
- Analytical Inventory Overview & Statistics.
- Periodical review of system for prevention of fraud and misappropriation
- Review of analyst estimates.
- Periodical review of organisational structure and staffing to ensure that they are adequate with regard to organisation's business.

#### **Exception reporting**

- **Reporting of issues:** Management needs to be informed of technical problems like machinery breakdown, equipment failure, telecommunications failure, hardware/ software problems, space related issues, staff attrition etc.
- **Reporting of transaction related issues:** Reporting on exceptional transaction related issues, like failure to deliver on time, unresolved customer complaints, loss of goods etc.
- **Reporting of events requiring management intervention:** Procedure for reporting events that require management intervention.

2.4 Our very first exercise would involve understanding the nature, facts & circumstances of each of Efficient Engineers. This may involve:-

- Discussions with the concerned executives of your Company,
- Reviewing the Financial Statement of, your Company
- Reviewing the past performance of your Company,
- Reviewing the present situations of your Company,
- Reviewing future business plans, budgeted/projected financial statements and cash flows as may be available with your Company, which the Your Company believes to be the best estimate of the expected operating results for future years in light of the present market/ economic conditions, which should be vetted and approved by the concerned executives of your Company,
- Review of other facts and data considered pertinent to the value analysis so as to enable us to select appropriate methodology or a combination of methodologies for carrying out Management Audit.

2.5 Our assignment, to be performed under the management's direction, would involve:

- Obtaining an understanding of the operations and business plans of your Company.
- Regular discussions with the management of the Your Company and its Representatives
- Regular updating on the developments.
- Review meetings as per mutual convenience to assess the overall progress of the assignment with reference to the scope of work defined.

### **3. Time Frame**

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We shall cover the aforesaid areas over a defined time frame. The time frame would be finalised upon firming up of the scope.

Involvement of top management is critical for this assignment. Achieving the engagement objective and time frame will therefore be a function of timely availability of senior management inputs at various stages of the assignment. Further, our timing will depend significantly upon the availability and promptness with which reliable and accurate information is made available to us. It needs to be emphasised that the concerned executives of Your Company would need to provide full co-operation and ensure that all information asked for is provided within the stipulated time schedule.

#### **4. Providing quality Client Service**

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Our style is to have open, proactive and frequent contact with you to discuss to developments as they affect the assignment. Regular, open and informal communication helps to deal with issues before they become problems and ensure that there are no surprises. We will bring to the assignment our experience of handling other large clients.

#### **5. Confidentiality and Independence**

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We require strict adherence by ourselves to the ethical rules of our firm. As such, in all aspects of our practice, the firm and its people maintain a strict standard of confidentiality towards information, which is obtained during the course of carrying out our professional duties. Furthermore, the firm and its people maintain complete independence of interest and mental attitude in relationship with clients.

The information, which we may receive pursuant to our engagement, shall be kept confidential by us.

#### **6. Our Costs**

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Generally, our fees for handling assignments are based on the nature of complexities involved and the level of staff assigned to the job. We shall be pleased to render our services at INR 500000 + Service Tax per month initially for first year..

#### **7. Managing Expectations**

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##### **Client assistance**

For the smooth and successful continuity of our assignment, we would appreciate a co-ordination team comprising key Finance Executives from **your Company**. It will be needless to mention that the meeting of the service deadlines will depend on mutual reinforcement of commitments.

##### **Engagement letter**

It is our normal practice to send an engagement letter to clients as soon as possible following acceptance of any assignment setting out, inter-alia, terms of reference, scope, responsibilities of Management, etc.

We will send you, for your acceptance, an engagement letter, following our appointment.

##### **The Way Forward**

You will no doubt appreciate that a proposal of this nature is unlikely to contain every aspect of our approach, methodology and work plan. Whilst we have made sincere attempts, through this proposal, to communicate all the relevant matters, we will be pleased to have an opportunity to discuss the proposal with you to resolve any queries which you may have.

Please feel free to contact us. We will be very happy to discuss this further with you.

## **8. Disclaimer, Privileges and Limitations**

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- 9.1 Our report would be provided solely for the use of **your Company's** Management and will be treated in strict confidence and shall not confer any rights or remedies upon any other person not intended therein.
- 9.2 We will use reasonable skill and care in carrying out this assignment. In no event shall we be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or wilful default on the part of Efficient Engineers, its directors, employees or agents.
- 9.3 Our Reports, views, findings or opinions, should not be construed to be a representation as to the future.
- 9.4 Non-availability or insufficiency of the relevant records/ documents/ details may affect the output. In such circumstances the deliverables will have to be viewed in light of the underlying assumptions and/ or estimates, if any
- 9.5 Our reporting will be based on the projections, assumptions and other information provided by the concerned executives of Your Company which will not be reviewed by us for its accuracy, achievability etc.

## **9. General**

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Our perseverance has been richly rewarded by recognition and the praise of our clients. This appreciation has meant much to us, spurring us on to greater effort. It has given us cause for tremendous satisfaction, but at the same time it has not bred complacency. In myriad ways, while exercising continuous vigilance, we constantly strive to raise our standards of service, balancing it against our growth. All this has been possible due to the untiring diligence and dedication of our strongly motivated staff who have personalised the concept of service and helped create the reputation, which the firm enjoys.