

**INTERNAL AUDIT PROGRAMME
(Construction Audit)**

Company:	Prepared By:	
Date:	Checked By:	

		Exceptions Yes/No	Remark	Initial & Ref
1.	Preliminaries			
	Review: - <ol style="list-style-type: none"> a) Refer to the Audit Programme SCH VI b) Ascertain the projects is economically justified, approval at a higher level and based on sound assumptions. c) Ascertain the projects are supported by feasibility studies, cost-benefit analysis, environmental studies, and projections, budgets approved by the Boards. d) Identified any regulatory requirements research conducted and review for compliance to reduce litigation exposure. e) Monitoring or attending the relevant management meeting. 			
2.	General Procedures			
	Review: - <ol style="list-style-type: none"> a) Contract written policies and procedures for completeness, adequacy and proper approval. b) Take note of the special contract provision, rates, clauses, etc. c) Review the approval process including project initiation, budgeting and changes. d) Verify the construction administration control issues are adequately addressed: - <ul style="list-style-type: none"> ▪ Review the management oversight matter and legal involvement. ▪ Project documentation and reporting process. ▪ Construction administration process, including charge order, substitutions, project overruns and lien waivers. ▪ At least a staff must be based at the construction site to assist/ monitor the contractor work and to report weekly the work done by the contractors, their work force and construction equipment used. 			
3.	Bidding Procedures			
	Review: - <ol style="list-style-type: none"> a) Bid & award process, including project size, contractor solicitation, reference and selection and control of the over bid opening. b) Selected a sample and perform the following: <ul style="list-style-type: none"> ▪ Verify and obtained a least three bids for the job prior to awarding the contract. ▪ Verify the lowest bid was selected. ▪ If the general contractor was hired, verify at least three bids from subcontractors and were approved by the management ▪ Verify that documentation specifying the terms and conditions of work performed are adequate, with proper evaluation and before approval can be obtained. c) Conducted a checklist of the bids proposal as following: 			

	<ul style="list-style-type: none"> ▪ Verify the description of the work performed such as the labors rate, hours and materials, good purchase and etc. ▪ Verify the agreement of the purchase materials by third party where there are conflicts of interest with anyone in the company. ▪ Consider a bid package that requires the contractor to attach a formal written safety program and make the safety program a condition of awarding the bids and poor safety records may take unnecessary risks or allow poor work habits that could adversely affect the projects schedule and increase the risk of litigation. ▪ Determine whether contractors performing work are registered with the state. ▪ Since the construction industry is cyclical and volatile is important to confirm that the contractor financial viability was investigated before the contractor bid awarded. 			
5.	Accounting record/ Book keeping			
	<p>Review: -</p> <ul style="list-style-type: none"> a) Account department must keep proper records on the progress claim. b) Review how the project are being coded in GL and determine whether the project should remain active. c) Variation orders for amount more than RM 50,000 must be properly reviewed and approved. d) Verify the construction project management reports. e) Review whether any omission of misstatement concerning financial reporting. f) Review the contracted amounts, paid-to-dates, cost-to-completion to determine whether all liabilities have been properly records. g) Review the payment of stored materials and whether all the payment has made for materials. h) Verify against Delivery order and the good received note. 			
8.	Human Resource			
	<p>Review: -</p> <ul style="list-style-type: none"> a) Refer to Audit Programme P/L3 b) Check on the whether any discrepancies on conflict of interest including issues related to fraud, acceptance of gifts and indirect gifts. c) Review the regulation and policies. d) Ascertain the observation should also be made to determine whether employees are performing in assigned job. e) Review the evaluation report of Q/A Officer, side supervisor and etc. To check on the performance (highly changes to commit fraud in the project side). f) Documentation regarding overtime and whether or not it was authorized g) Safety procedure and policies that required by the government regulation 			
9.	Performance Bond			
	<p>Review: -</p> <ul style="list-style-type: none"> a) The performance bonds to ensure the correct dollar amounts and dated prior to the start of the contractor work. b) Check on the policies of performance bonding whether it based on the management acceptance of risk. 			
10.	Release of Retention Sum/Lien			

	<p>Review: -</p> <ul style="list-style-type: none"> a) The policies and guidelines that involve amounts that defined the release of retention sum. b) Are payments made after deducting the necessary costs on behalf, retention sum and penalties. 			
11.	Traveling and Entertainment claim			
	<p>Review: -</p> <ul style="list-style-type: none"> a) Policies of the claim expenses b) Verify the payment voucher and invoice c) Check on the following issues: <ul style="list-style-type: none"> ▪ The details of the claim and the purpose ▪ The range of the amount can be reimburse or claim 			
13.	Contract Insurance			
	<p>Review: -</p> <ul style="list-style-type: none"> a) Coverage for compliance with the company required policies: <ul style="list-style-type: none"> ▪ General liability coverage limit are appropriate ▪ Worker compensation coverage limits are appropriate ▪ Verify who is the certificate holder ▪ Verify whether the insurance coverage minimum or limits stated in the bid and contract documents reasonable. 			
14.	Contract revenues and receivable			
	<ul style="list-style-type: none"> a) Test the revenue and contract receivable for existence, verify the contract receivable as the balance sheet and selected a sample testing for most material covering more than 50 % of the total receivable balance. b) Sample selected where specific requesting uncollected balance as of balance sheet date, specifically including a statement of account. c) Verify against: <ul style="list-style-type: none"> ▪ Original contract price ▪ Total approved changes order ▪ Total billing ▪ Total payments ▪ Total unpaid balance ▪ Details of the claims ▪ Estimated completion date d) Review the final certification and agree figures to accounting records, and possible to obtain document from owner certifying the work was performed or acknowledging the liability. 			