

**CENTRAL INSTITUTE OF TECHNOLOGY  
KOKRAJHAR**

# **INTERNAL AUDIT MANUAL**

**(Approved by the 29<sup>th</sup> Finance Committee and Ratified in  
the 33<sup>rd</sup> Board of Governors Meeting)**

**2024**

**A Guide for  
Planning, Performing and Reporting in Internal Audit**

**(For Official Use)**

## FOREWORD

This manual is intended to be used for internal audit purpose of the Central Institute of Technology, Kokrajhar. This Manual provides guidance to the internal auditor for internal audit of the institute and will help to determine the extent of auditing steps and procedure to be applied in audit. Far reaching changes are taking place in the country in the activities affecting nature and volume of transactions following changes in rules and regulations day by day. Audit procedure and practices need also to keep pace with these changes.

It should be noted that instructions contained in this manual are not exhaustive nor should the internal audit staff follow them as a matter of mere routine function. Every audit should be carried out intelligently with an eye to all the important financial aspects of the various transactions which come under review.

Audit procedure and practices cannot remain static; hence it needs periodic review so that improvements can be made from time to time. Suggestions for improvement are welcome and will receive with careful consideration.

I would like to acknowledge the efforts taken by Sri Geremcha Brahma, Sr.Acctt, Sri Sunwind Basumatari, Jr.Acctt. and Sri Arun Kumar Gorai, Internal Audit Officer (Consultant) for preparation of this Manual.

I hope this Manual would be helpful for the officers, staff and members as well as the Internal Audit Wing of the Central Institute of Technology to improve the Internal Control System of the Institute.

Thanks.

Kokrajhar-

Date-



*[Signature]*  
23/05/2025  
Registrar (i/c)  
Registrar (i/c)  
CIT Kokrajhar

CIT, Kokrajhar



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# Internal Audit Manual

## CENTRAL INSTITUTE OF TECHNOLOGY KOKRAJHAR, ASSAM

### INTERNAL AUDIT MANUAL

## 1 Introduction

### **Definitions of Internal Audit**

*The Institute of Internal Audit, (IIA) USA defined, Internal Auditing as “an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analysis, appraisals, recommendations, counsel and information concerning the activities reviewed.”*

*The Institute of Chartered Accountants of India (ICAI) defined, Internal Audit as “an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity’s strategic risk management and internal control system.”*

### **1.1 Overview**

1. Central Institute of Technology, Kokrajhar, (CITK) is an autonomous Institute funded by the Ministry of Education (MoE), Government of India. It was established as an outcome of the Memorandum of Settlement (MOS) on Bodoland Territorial Council (BTC) signed between the Assam Government, the Union Government and the Bodo Liberation Tiger on 10<sup>th</sup> February 2003 in New Delhi. The Institute is registered under the Societies Registration Act, 1860 and functions under a Board of Governors (BOG). The main objectives of CITK are (i) to develop Human Resource at various levels, i.e Technicians, Supervisory and Executive Level for the development of the world and the Country, (ii) To cater the needs for technicians, engineers and entrepreneurs to strengthen R&D activities and to develop entrepreneurship base in the North-Eastern Region and (iii) to facilitate competency building in the Region. An effective Internal Audit mechanism is intended to assist in effective functioning of the Institute





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and in achievement of its vision and mission in an efficient manner. This manual prescribes internal audit procedures with a set of guidelines for directing, regulating and conducting internal audit in this institute i.e CIT, Kokrajhar to enhance the effectiveness of internal control system of the Institute.

### **1.2. Background**

2. The Comptroller & Auditor General of India (C&AG) is the statutory auditor of this Institute and conduct audit under section 20(1) of the Comptroller and Auditor General (Duties, Power and Condition of Service) Act, 1971. It conducts Financial Audit (audit of the annual accounts) and Compliance Audit (audit of transactions) of the Institute every year. Report on the financial audit termed as 'Separate Audit Report (SAR)' is laid before both the houses of the Parliament, where as the result of compliance audit termed as 'Inspection Reports (IR)' are pursued till final settlement of audit observations.

3. In addition, pre-audit of the major transactions of the Institute including prior vetting of purchase proposals of stores and services etc. are also conducted by the Internal Audit wing of this Institute on a regular basis. Pay fixation, arrear claims and other establishment vouchers etc. are also pre-audited. Annual accounts is also checked by the Internal Audit before submission to C&AG Audit. In this Institute, internal audit is conducted in pre-audit system by professional and experienced auditors engaged as Consultants.

4. Basing the concern raised by the C&AG of India and Union Ministry of Finance on the need for strengthening the Internal Audit Mechanism in autonomous institutions, the Ministry of Human Resources Development (MHRD) / MoE emphasized vide letter No. IA/IR/2016-17/256 dated 12 January 2017 to develop a comprehensive internal audit mechanism. The initiatives are taken by the Institute in this regard to ensure that all its accounts would be audited by internal auditors regularly in addition to formal audit by the C&AG.

5. Besides, in the Separate Audit Report (SAR) on the accounts of this CITK for the year 2022-23, CAG has commented on non-availability of post-audit, annual Internal Audit Plan, annual Internal Audit Report and lapse on the part of internal control system and Internal Audit





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Manual. The Institute, thus, considered the need for introducing a system of post-audit in addition to the existing pre-audit system, developing Annual Audit plan for post-audit, preparation of Internal Audit Manual and preparation of Annual Internal Audit Report. As a compliance measure and to further strengthen the existing internal audit system, this Internal Audit Manual has been prescribed introducing post audit in addition to existing pre-audit, preparation of Annual Internal Audit Plan and Annual Internal Audit Report.

### 1.3 Need for Internal Audit

6. The General Financial Rules 2017 at Rule 70 amended from time to time, prescribes the duties and responsibilities of the Head of the Institute. It states that the Head of the Institute shall: -

- Be responsible and accountable for financial management of the Institute;
- Ensure that the public funds released to the Institute are used for the purpose for which they were meant;
- Be responsible for the effective, efficient, economic and transparent use of resources of the Institute in achieving the stated objectives of the Institute, while complying with the performance standards;
- Be responsible for preparation of expenditure and other statements relating to the Institute as required by regulations, guidelines or directives issued by the Administrative Ministry, Government of India;
- Shall ensure that the Institute maintains full and proper records of financial transactions and adopts systems and procedures that will at times afford internal controls;
- Shall ensure that the Institute follows the Government approved procedure for execution of works, as well as for procurement of services and suppliers and implements it in a fair, equitable, transparent and cost-effective manner;
- Shall take effective and appropriate steps to ensure: - (a) collect all money due to the Institute/ Government and (b) avoid un-authorized, irregular and wasteful expenditure.

7. An independent internal audit would, therefore, help the Head of the Institute in effective discharge of all these functions. Internal audit should, therefore, aims at





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looking both at the financial and non-financial aspects of the Institute's operations and providing an assurance on achievement of the vision and mission of the Institute as well as short/long term targets set /agreed to in MoU signed with MHRD/MoE, Govt of India.

8. Internal Audit would help the Institute in improving economy, efficiency, effectiveness and transparency in Institute's administration in general and financial administration in particular. It will also help in maintaining a sound record keeping system with adequate checks and balances to ensure a sound information system for decision making by the Executives.

### 1.4 Purpose of this Manual

9. This Internal Audit Manual is developed to guide/assist the internal audit wing of the Institute to provide independent, objective, value-added and advisory services to the executive authority in various wings / sections of the Institute in order to improve the achievement levels. More specifically this manual is intended to provide internal audit wing with tools and information for assessing risk in processes and activities, developing an appropriate internal auditing work programme and planning, performing and reporting on internal audit engagements.

10. This Manual is intended to:

- i. Act as a handbook for internal auditors,
- ii. Identify roles & responsibilities of members of the internal audit team,
- iii. Shift the focus of internal audit from detection to solution,
- iv. Introduce the annual plan and programme for post-audit through risk-based assessment,
- v. Develop the concept of systematic sampling,
- vi. Standardize conduct of audit and reporting mechanism to improve audit effectiveness,





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### **1.5. Applicability**

11. This manual is designed for the Internal Audit staff /Consultant (Internal Auditor) who are primarily responsible for carrying out the internal audit function across different wings / sections of the Institute.

12. Each of the wing / section is involved in different functions assigned to them and hence the scope of operation of these wings / sections differ from one to another on various aspects. This manual contains guidance of a generic nature and outlines common procedures for conduct of internal audit in these wings/ sections.

13. The manual is intended to be used for internal purpose of the institute only.

### **1.6 Amendments**

14. The provisions of this Manual will be subject to amendment with the approval of BoG as per changing environment and future challenges.





## 2. Internal Audit Approach

### 2.1. Internal Audit Mechanism

15. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the operation of an organization. It helps an organization to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Thus, Internal Audit and Internal Controls are integral part of a sound financial management system worldwide.

16 Independence of Internal Audit is established by the organizational and reporting structure. Objectivity is achieved by an appropriate mindset.

17. The internal audit activity evaluates risk exposures relating to the organisation's governance, operations and information systems, in relation to:

- Efficiency and effectiveness of operations,
- Reliability and integrity of financial and operational information;
- Safeguarding of assets;
- Compliance with laws, regulations, guidelines and contracts.

18. Based on the result of the risk assessment, the internal auditors evaluate the adequacy and effectiveness of how risks are identified and managed / mitigated in the above areas,

19. The Internal Auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified. While management is responsible for internal controls, the internal audit activity provides assurance to the management that internal controls are effective and working as intended.

### 2.2 Position & Mission of Internal Audit

20. Internal Audit Team has to work as '**PARTNERS**' with the wings/ sections to strengthen financial management systems, build capacities of the audit/accounts personnel of the Institute and to guide them in achieving their objectives /targets in a more efficient manner.





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21 The services of internal auditor should be utilized by all levels of management in the investigation of any special problem/function. In addition to normal audit function; the Internal Auditor should be constantly alert to changing situation.

### 2.3 Duties and responsibilities of Internal Audit

22 The duties and responsibilities of an internal auditor are wide. It is difficult for an internal auditor to ascertain the extent to which his appraisal should go and where his responsibility ceases while appraising a particular operation. A conscientious internal auditor with good imagination and practical experience can render valuable service to the management.

23 The objectivity, skills and knowledge of competent and experienced internal auditors can significantly add value to an organisation's internal controls, risk management and governance processes. Similarly, an effective internal control activity can provide assurance to other stakeholders such as regulators, employees, financing institutions and grantee institution on proper utilization of grants and other resources of the Institute. The Internal Auditor is appointed by the management.

24 With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. The Internal Audit serves as a "THIRD EYE" for the management to control and watch the efficiency and working of various units under them.

25 The internal auditor should function independently. Independence denote freedom from conditions that threaten objectivity or the appearance of objectivity. Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires internal auditors not to subordinate their judgments on audit matters to that of others. Threats to objectivity should be managed at the levels of the individual auditors, audit assignment, functional and organizational level. He should not get himself involved in line function. He should act independently without fear and favour or prejudice.

26 Major duties and responsibilities of internal audit functionaries are summarized as





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below:

- Study of accounting procedures, including maintenance of records in the institute with a view to ensuring that they are correct, adequate and free from any defects or lacunae;
- Reports risk management issues and internal controls deficiencies identified directly to the Finance Committee through the Director / Registrar and provides recommendations for improving the organization's operations, in terms of both efficient and effective performance;
- Provides support to the institute's anti-fraud programs;
- Watch over the implementation of the prescribed procedures and the instructions/ orders issued from time to time;
- Scrutiny and check of payments and accounting work of the accounting units;
- Investigation of important arrears in accounting and other connected records;
- Periodical review of all accounts including cash book, payment vouchers, bank reconciliation statement and stores & stock accounts/record as well as physical verification of stores including disposal of unserviceable stores as per rules.
- Pursuance/settlement of audit objections taken in test audit notes issued by statutory audit offices and other matters relating to statutory audit;
- To examine and report on points or irregularities brought to its notice by the statutory audit;
- To examine the contracts and agreements executed by the institute in the light of rules laid down under GFRs, Manual for procurement of goods/services/works issued from time to time by the Govt of India.
- Internal audit assignments should be performed with proficiency and the professional skill and care.





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### 2.4. Role of Internal Audit Wing

27. The envisaged role of Internal Audit wing of the Institution is broadly divided into four areas as discussed below:

#### 2.4.1. System Strengthening

28. Internal audit should aim at strengthening of systems in the institute/work place. System strengthening shall include review of established systems like accounting procedures, procurement procedures/methods, internal control mechanisms and any other system operating in the institute/work place. Suitable recommendations shall be given for strengthening of the existing system for better management of the office and achievement of the set goals.

#### 2.4.2. Financial Compliance

29. They should also focus on financial compliance while conducting different types of audits as mentioned below:

(i) **Transaction audit** includes examination of all relevant vouchers of receipts and expenditure as per the cashbook /Bank statement to establish the expenditure with reference to the activities.

(ii) **Compliance audit** means examination of documents as to whether applicable Rules (GFRs/Works Manual)/Regulations/ Instructions/Guidelines issued by the competent authority/ administrative Ministry/ Government of India have been duly complied with.

(iii) **Pre-audit:** means conducting audit prior to release of payment. This includes examining the process of Tendering /NIQs and evaluation before issue of Purchase Order/ Work Order.

(iv) **Financial review:** includes examination of Income & Expenditure account, Balance Sheet etc. of the Institute as per applicable Accounting Standards/ Guidelines before submission to the Director for approval.

(v)

#### 2.4.3 Performance Review

30. Performance review is an assessment of efficiency and effectiveness of the programmes, with due regard to economy and addresses the issues of inputs, processes, outputs (Products) and outcomes (impact). Internal Audit functions on the principle of 3Es:





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- **Economy** – means acquiring resources at the lowest cost by observing financial proprieties keeping in view the objectives of the Auditee.
- **Efficiency** – refers to the relationship of inputs and outputs in terms of goods, services or other results and the resources used to produce them.
- **Effectiveness** – means the extent to which an auditee has achieved the objectives and the relationship between intended impact and actual impact of any activity.

### 2.4.4 Capacity Building

31. Internal Audit shall also support in building capacities of the accounts staff and strengthen financial management within the auditee. They should facilitate skill transfer by sharing of knowledge on better accounting practices.





### 3 Audit objectives, scope and methodology

#### 3.1. Objectives of Internal Audit

32. The internal audit would be conducted with the objectives to assess whether:

- Planning and budgetary mechanism is in place, adequate and effective;
- Funds were utilized in an economic, efficient and effective manner for the intended purpose;
- Procurement was made in a transparent and fair manner and were effectively utilized;
- Assets were created in economic, efficient and effective manner;
- Statutory provisions of law and administrative instructions issued by the Institute have been duly complied with;
- The system of internal control exists and is working effectively;
- Annual accounts has been properly drawn up, considered all known liabilities and depict a true and fair picture on the finances of the Institute.

33. The constructive appraisal of activities of internal audit moves beyond the financial accounting aspects into operational auditing. Appraisal of management methods and performances, whether established policies and procedures are adequate for the attainment of objectives, critical analysis and review of the soundness and adequacy of operating controls are included in the constructive appraisal activities. They also include the review of discharging of responsibilities and suggesting measures for streamlining the organizational working of the Institute.





### 3.2 Criteria for Internal Audit

34. Audit criteria for conduct of internal audit will be the extent of compliance with the following codal provisions/ documents:

- The Institutes ' Byelaws' as amended from time to time;
- Regulations prescribed by the Institute and approved by the Board of Governors (BoG);
- Decisions of the BOG and guidelines/ office orders issued by the Institute;
- Rules framed and Instructions / Guidelines / Office Memorandum issued by the Government of India and Union Ministry of Human Resources Development (MHRD) / MoE as are applicable to the Institute;
- General Financial Rules 2017 and Manual for Procurement of Goods & Manual for procurement of Works (updated June,2022 and amended from time to time) prescribed by the Government of India;
- Conditions mentioned in the Grants-in-Aid sanction order and financing agreements;
- Memorandum of Understandings /Agreements, contracts executed by the Institute with MHRD/ MoE, Project Management Consultants, agencies and contractors,
- Income Tax Act 1961, Central Goods and Services Tax Act/Rules ,2017/ orders and other statutory Acts and Rules.

### 3.3 Scope of Internal Audit

35. The scope of internal auditing within an organization is broad and may involve topics such as the efficiency of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations.

36. Internal auditing frequently involves measuring compliance with the entity's policies and procedures. However, internal auditors are not responsible for the execution of institute's activities; they advise management and the Internal Auditor enjoys reasonable freedom in the discharge of its functions.





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37. The appraisal of past transactions and happening probing into deviation from established policies and procedures, detection and prevention of errors and frauds, proper utilization of assets or safeguarding them and assessing the effective control in operations, to preserve the entire organization against wasteful operations are included in the protective functions of the internal audit.

38. The broad scope of internal audit activity would be:

Planning and execution of Annual Audit Programme-

- Assessment of Internal Controls within the Institute
- Risk Assessment and Sampling to narrow down areas of focus
- Tracking audit objections and monitoring compliance
- Pre-auditing procurement activities with special reference to economy, efficiency and effectiveness
- Ensure/Suggest adequate Capacity Building measures to the Accounts and other staff
- Strengthening of Financial Management System

### 3.4 Audit Methodology

39. Audit methodology would include-

- (i) pre-audit of purchase proposals, payment proposals exceeding ₹1 lakh, arrear payments, pay fixation and any other cases referred by the Registrar/ Director through examination of concerned files/ documents;
- (ii) Any audit advice sought by the section/wing on examination of concerned Act/ Rule/ instructions /guidelines issued by the Government of India and the Institute;
- (iii) Post audit of sampled cases as prescribed at Paragraph 3.6 through visit to the wing/section concerned with prior intimation and examination of accounts and other all records maintained therein including log books of equipment/ vehicles/ telephone, budget control register, stock registers, annual physical inspection/verification reports, bio-metric attendance, student attendance sheets, adjunct faculty attendance sheets, leave records, etc.





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- (iv) Joint physical inspection of any equipment/ asset along with concerned Lab-in-charge / representatives of Heads concerned and document the same as a part of audit evidence.
- (v) Collection and analysis of information / data (including electronic data) at Internal Audit Cell centrally,
- (vi) All records requisitioned by the Internal audit team must be produced as quickly as possible and should not be denied without explicit permission of the Director/ Registrar. Any other cases of non-production of records would also be brought to the notice of the Director/ Registrar by the Internal Auditor on quarterly basis and would be mentioned in the Annual Internal Audit Report as a separate paragraph.
- (vii) Internal Auditor would follow all ethical standards and confidentially, as prescribed in this Manual.

### **3.5 Goal of Internal Audit**

40. Goal of Internal audit is to-

(A) facilitate reduction of statutory audit observations by;

- i. Identifying system weakness and bottlenecks in implementation of the plans/ programmes;
- ii. recommending suggestions to improve the system;
- iii. Monitoring the compliance on recommendations.

(B) Facilitate settlement of statutory audit observations / paras raised by the C&AG.





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### 3.6 Norm/ quantum of Internal Audit

41. The norms for checking the record by the internal audit wing will be as under:

Sl. No.	Function	System of Pre-audit	Post-Audit (Random)
1	2	3	4
1.	<b>Retirement/ Superannuation Benefits</b>  Checking of a) New Pension Scheme (NPS) b) Leave Encashment c) Group Insurance Scheme (GIS) d) Death-cum-Retirement Gratuity (DCRG) (if applicable) e) Family Pension (if applicable) f) Pension Payment Orders (PPO) g) No Dues Certificate	100% 100% 100% 100% 100% 100% 100% 100%	-
2.	<b>Establishment Section</b> a) Pay fixation of all employees b) Checking of Personal Files c) Checking of Service Books including leave accounts. d) Leave Travel Concession e) Cumulative Professional Development Allowance/ Proposals for attending national/ International Conferences f) Checking of Appointment Letters before issuance g) Checking of appointment of Outsourcing Staff.	Yearly Yearly 100% 100% 100% 100% 100%	25 per cent 25 per cent
3.	<b>Transport Section-</b> Log books of all vehicles used by the institute.	100%	





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Sl. No.	Function	Proposed System of Pre-audit	Post-Audit (Random)
1	2	3	4
4.	<b>Work &amp; Estates</b>		
	a) Award/work orders of all works	Above Rs.1.00 Lac - 100%	Below Rs. 1.00 Lac-10%
	b) Supply orders	Above Rs.1.00 Lac - 100 %	Below Rs. 1.0 Lac-10%
	c) Running Bills of minor/major works	Above Rs.1.00 Lac - 100 %	Below Rs. 1.00 Lac-10%
	d) Final Bills of supplier/Contractor	Above Rs.1.00 Lac - 100 %	Below Rs. 1.00 Lac-10%
	e) Govt. agencies bills incl. Electricity, Water & Property Tax	100%	
	f) Cash Advances/Permanent Imprest	Above Rs. 15000/- - 100 %	Below Rs. 15000/-15%
	g) Outsourced Staff Salary	100%	
5.	<b>Stores &amp; Purchase</b>		
	a) All purchase proposals except Annual Rate Contract (ARC) cases/ Repeat Orders/ GeM purchase	Above Rs.1.00 Lac - 100 %	Below Rs. 1.00 Lac-10 %
	b) Checking of Stock Registers- Consumables/ Non- Consumables	Quarterly	
	c) Checking of Purchase Orders (before issuance)	Above Rs.1.00 Lac - 100 %	Below Rs. 1.00 Lac-10 %
	d) Checking of proposals of Annual Maintenance Contracts/ ARC's/ hiring of services	100 %	
6.	<b>Guest House Receipts</b>	If required	Above Rs.1.00 Lac - 100 %





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Sl. No.	Function	Proposed System of Pre-audit	Post-Audit (Random)
1	2	3	4
7.	<b>Institute Accounts/ Project Accounts (R&amp;D)</b>		
	a) Advance, Imprest & Adjustment	Above Rs. 15000/- - 100%	Below Rs. 15000/- 10%
	b) Payments to vendors /staff/ faculties/ students	Above Rs.1.00 Lac - 100%	Below Rs. 1.00 Lac- 10%
	c) Library Bills in Indian /Foreign Currency	100%	
	d) Invoices issued on consultancy	Above Rs.1.00 Lac - 100%	Below Rs. 2.00 Lac- 10%
	e) Liaison with Statutory Auditors and dealing with Audit/Inspection Report.	Ongoing-100%	
	f) Certification of Cash Book Balances as on 31 <sup>st</sup> March	Yearly	
	g) Certification of Investment/ encashment made	Yearly	
	h) Verification of Investment Receipt/Cash Balance	Monthly	
	i) Receipt & Payment Account	Yearly	
	j) Income & Expenditure Account	Yearly	
	k) Balance Sheet	Yearly	
	l) Bank Reconciliation Statement	Quarterly	
8.	<b>Hostel / Gymkhana</b>	Yearly	
	a) Cash Book, Trial Balance etc	Half yearly -100%	
	b) Bank Reconciliation Statement	Above Rs.1.00 Lac - 100%	Below Rs. 1.00 Lac- 10%
	c) Payment Vouchers	100%	
	d) Refund of Caution money- Institute/ Hostel	Yearly -100%	
9.	e) Annual accounts	100%	
	<b>Examination of cases marked by</b>		
	- Director	100%	
	- Registrar	100%	





## 3.7 Frequency of Internal Audit

42. A list of auditable units with frequency of conducting internal Audit is indicated below:

### A. Accounts

1. Salary (F&A Section)	Quarterly
2. Supplier Payments Section (F&A Section)	Quarterly
3. Stipend /Scholarship Payments (F&A section)	Quarterly
4. Project Accounts (R&D Section)	Quarterly

### B. Administration

5. Establishment	Annually
6. Store Purchase Section	Quarterly
7. Transport	Annually
8. Central Library	Annually
8. Academics	Half yearly
9. Security	Annually
10. Hindi Cell	Annually

### C. Works

11. Maintenance Units/Engineering cell (Civil & Electrical)-Half yearly	
12. D.G. Sets	Annually
13. Electric Bills	Quarterly
14. Horticulture & Sanitation	Annually

### D. Others annually

## 3.8 Sampling

43. Audit sampling means the application of audit procedures to less than 100% of the items to enable the auditor to obtain audit evidence and evaluate some characteristic of the items selected in order to form a conclusion concerning the population / total items. Selection of a sample is influenced by the size of the population, objectives, complexity, type of activity, transaction frequency and level of comfort expected from the test.

44. Since verifying each and every transaction is quite time-taking, the Internal Auditor may use sampling techniques to verify events, records, controls etc. so that the audit conclusions would apply to the entire population.





45. Sampling methods shall be applied in the cases where the controls are found existent and operating effectively and books of accounts / records are maintained properly.

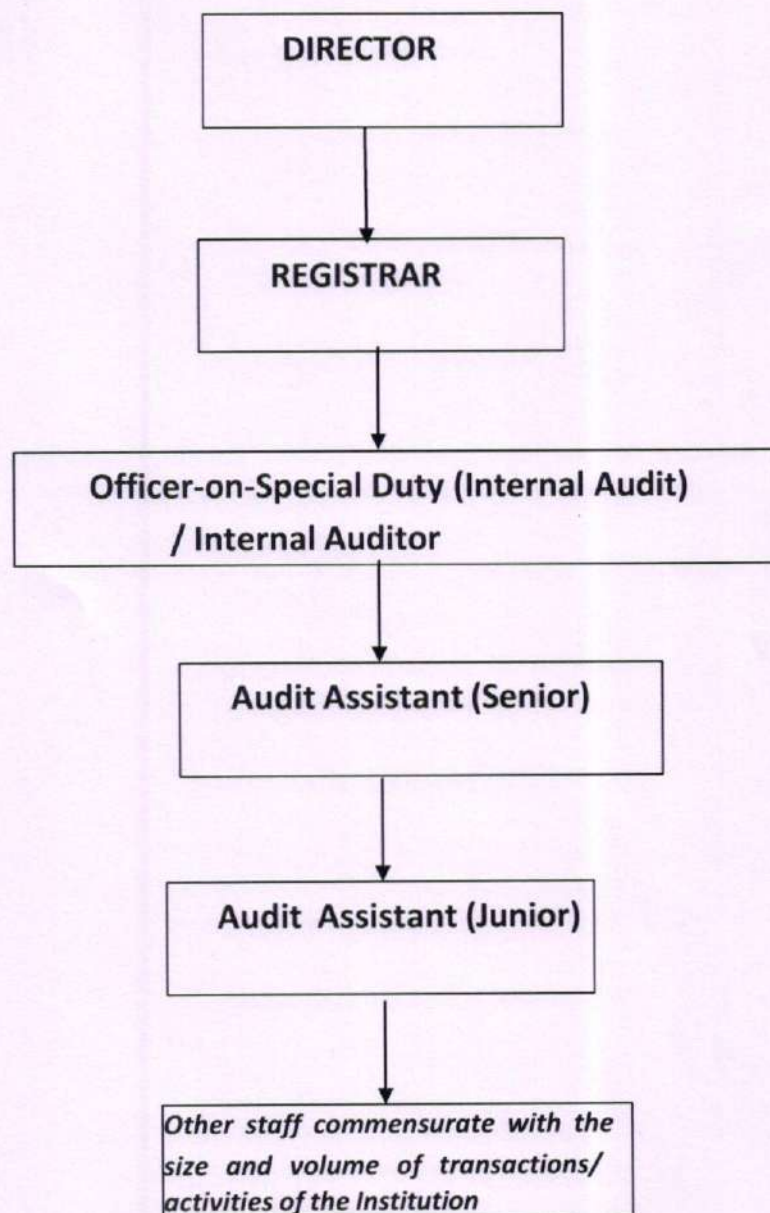




## 4. Internal Audit Structure

### 4.1 Organizational set- up

46. The organizational set up of internal audit wing in the Institute is as under:



*N.B.: Internal Audit Section will function under the direct control of the Director. OSD (Internal Audit) / Internal Auditor would report to the Director through the Registrar.*





### 5. Professional Standards

47. Professional Standards prescribe the norms, principles and practices, which the Internal Auditors shall adhere to during the course of audit. These standards shall act as a guide to internal auditors and overall audit function, thereby ensuring efficiency in operations and professional conduct.

#### 5.1. Professional Standards of Auditors

48. The Auditors are expected to maintain the following professional standards:

- **Objectivity:** Auditors should acknowledge and incorporate all information received from the Auditee without withholding any information which may distort the reporting of activities under review. Auditors shall be fair and independent in reporting any improper activities and transactions noticed.
- **Competency:** They should possess thorough knowledge of the audit process, applicable rules and orders and objectives of the audit. They should continually engage in improving their proficiency in audit procedures and techniques by attending training sessions, reading rules, manuals and instructions issued by the Institute/ Government of India from time to time.
- **Confidentiality:** Auditors should not disclose the information acquired during audit to any person unless there is a legal or professional obligation to do so. They should not use the information for any personal gain or in any other manner, which is detrimental to the Institute.
- **Integrity:** Auditors should comply with **ethical principles** and code of conduct governing the auditor's professional behaviour and responsibilities, which include; Integrity, Objectivity and Fairness, Confidentiality and Technical Standards.

#### 5.2. Audit Quality

49. The services rendered by the Auditors is expected to be of high quality and the quality can be maintained by following:

- Understanding the plan and programme of the Auditee going to be audited;
- Understanding the subject of audit
- Frequent discussions with the Auditee





- Use of standard sampling methods
- Use of Computer Assisted Audit Techniques (CAAT)/ Information Technology Audit Tests

### 5.2.1. Computer Assisted Audit Techniques (CAATs)

50. Computer Assisted Audit Techniques (CAATs) is the practice of using computers to facilitate and speed up the audit process by using spread sheets, word processors, advance software packages involving use of statistical analysis etc.

51. Usage of CAAT increases economy and efficiency in audit covering huge volume of transactions, saves times and focuses on areas of risk.

52. While planning an audit, the internal auditor may use both combinations of manual as well as computer assisted audit techniques and to consider its applicability to the situation and context.

53 While deciding use of CAATs, the Auditors may consider the following factors:

- Availability of CAATS with the Auditee;
- IT infrastructure;
- Availability data and data sources;
- Economy and time constraints.

### 5.3. Audit Quality Evaluation

54. C&AG of India reviews the quality, adequacy and effectiveness of the Internal Audit available in the Institute and comment on the same in its Separate Audit Report (SAR) each year. Such evaluation is to be considered by the Institute and effective step may be taken on its recommendations.

#### 5.3.1. Use of Experts

55. While conducting audit, auditors might come across certain specialized areas which require help of an expert, hence the Institute may empanel experts of specialized domains who can provide expert advice to the audit party.





### 5.3.2. Recognition

56. To encourage and motivate Internal Audit personnel, due recognition shall be given to outstanding and experienced audit personnel for its effort. The Institute may select best Internal Audit observation and present some awards or incentives to audit personnel engaged for internal audit each year.

57. While selecting the best report, authority shall consider systems and procedures employed by the team/audit personnel, any innovative solution provided by the team to handle any problem, quality of reporting or any other criteria which the Institute think fit to consider.





### 6. Audit Planning

This section deals with steps involved in selection of auditee units annually for the purpose of audit and planning the annual audit programme (other than those covered under pre-audit). The Institute may not have resources to audit all the transactions of all units/ wings/ sections during the course of one year; hence, Head of the Internal Audit shall select audit units for audit in each year on the basis of a systematic framework of risk assessment.

#### 6.1 Annual Audit Planning through Risk Assessment

58. The record of all the Wings/Units/Sections is required to be checked by the internal audit wing every year. Since it is not possible to audit all transactions / records of units/ wings/ sections every year hence a scientific method should be in place to select units/ wings/ sections and specific areas within those, cautiously for the purpose of audit. Since the objective of conducting internal audit is to ensure effective conduct of activities and achievement of desired goal by the Institute, hence offices (units/ wings/ sections) shall be selected on the basis of degree of risk parameters.

59. The Head of the Internal Audit is responsible for selection of offices for audit and to prepare an Annual Internal Audit Plan for the Institute for each financial year considering the norm and frequency prescribed at Paragraph 3.6 and 3.7. While effort will be made to cover all units, emphasis will be given on high risk activities/ programmes.

#### 6.2 Annual Internal Audit plan

60. Annual Internal Audit Plan would be prepared indicating the units selected for audit during the year and duration of audit. Same will be put up to the Director, well before the end of the preceding financial year.

61. In-addition, existing system of pre-audit would continue to be conducted on concurrent basis preferably by the Head of Internal Audit cell.

#### 6.3. Preparing Quarterly Audit programme

62. As the Annual Audit Plan provides only the number of working days allotted for each unit for carrying out audits, so after approval of the Annual Audit Plan by the Director, detailed quarterly audit programme (for post-audit) indicating duration of audit shall be prepared by Internal audit.





### 6.4. Communication of Audit Programme

63. The Head of the Internal Audit will communicate the programme of audit to the concerned Unit head well in advance preferably before 15 days indicating name of the Internal Auditor, period of accounts to be audited, date of commencement of audit and number of working days allotted for completion of audit. This can be sent by e-mail. A copy of this communication will be marked to the Auditor to take up and complete the audit within the stipulated time. In view of time limit fixed, the Unit head will be requested to extend their cooperation for completion of audit in due time. Before commencing audit, the internal auditors need to list the activities to be taken up during the course of audit.

### 6.5. Coordination with the Head of Auditee

64. Audit Team Head /In-Charge shall seek cooperation of the Head of Sections (HoS), Dy./ Asst Registrars, Professor-in-Charge, Warden, President, Gymkhana and other office personnel responsible for maintaining accounts / records for smooth conduct of audit. For that purpose, an Open-meeting / Introductory meeting/ Entry Conference may be conducted with Head of Office and other staff, on the date of commencement of audit.





### 7. Initiating an Audit

65. It is the responsibility of Internal auditor to take necessary steps to initiate the audit as planned in annual audit plan/ Quarterly programme. Before proceeding to conduct the audit, they shall ensure that below mentioned steps are taken.

#### 7.1. Planning Individual Audits

66. While planning individual audits, due considerations should be given to the information available in previous audit files of the auditee. In case of first audit, sufficient time should be given to the audit team to gain knowledge on the working of the Wing/ unit/section. Preliminary planning involves:

**i. Gaining an understanding of the Auditee functions:** Auditor should have fair and good knowledge of the organization and its operations. This includes understanding the rationale behind establishing the wing /unit/section, structure of the section /unit and their functions. Primary source of information about the unit can be obtained through the following documents:

- Annual Report
- Previous internal audit plans,
- Previous audit reports, Annual Accounts
- CAG inspection reports,
- Budget estimates, revised estimates and actual expenditure,
- Auditee's policy and procedures manuals, if any,
- Rules and regulations, Byelaws framed by the Institute that significantly governs the Auditee,
- Important circulars issued by Central Government and institute from time to time
- Organization charts and flow charts of processes,
- List of accounting registers and other records maintained in the unit,
- Management Information System (MIS) reports,
- Any other document relevant to audit.





ii. **Understanding Controls:** The Auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal controls in place in the unit. After gaining understanding of the organization/wing, auditor should identify key control areas in the wing/section. He/ She may examine and evaluate the existence and operation of control systems specified in the various codes, manuals and government orders relating to the accounting and other procedures.

iii. **Analyzing the earlier audit reports:** Analysis of the earlier audit reports are needed to verify the wing/section's compliance on the recommendations of the internal audit. Following issues need to be verified to understand the environment:

- Errors corrected at the instance of the audit,
- Remedial recourse or penal actions taken on the recommendation of the audit,
- Improvements in internal control systems in response to auditor's recommendations,

iv. **Identifying legal compliances to be made:** Auditor should acquaint himself with the applicable legal provisions like adherence to Acts, Rules, Codes and various government orders.

v. **Sharing and finalizing the areas of the audit in discussion with the Auditee:** Based on the understanding of Auditee functions and environment, detailed scope of audit will be finalized.

vi. **Providing an overview of the audit process to the Auditee:** Once the areas of Audit are finalized, the Auditor shall provide an overview of the audit process to be carried out. Requirements, support or any other information or disclosures required from the auditee may be obtained.

### 7.2. Risk Based Assessment

67. Risk assessment is the process of:

- Identifying and analyzing potential risks posing threat to the Wing/section/unit's financial aspects as well as achievement of its objectives, and
- Developing response to address the identified risks and prioritizing audit focus in the risk potential areas.

68. For illustration, in Government Institutions one of the potential risk area is tendering and award of contracts for procurement of goods or services, where high level of risk is involved. The activities like





award of contract to the right person whether followed or not, keeping in view technical and financial aspects provided in the tender document, guidelines of the Chief Vigilance Commission needs examination. The auditor may identify those areas which pose risk and evaluate the effectiveness of the operations in those areas.

Following may also be followed for risk-based assessment:

i. **Financial:** Auditors shall select those areas, accounts, schemes or programmes where maximum financial amount is involved and those areas shall be selected for detailed testing.

ii. **Non-Financial:** Auditors shall give high priority to the areas having high significance due to its nature of operations irrespective of the financial amounts involved. For example, i.e. areas where several and persistent irregularities are reported through previous audits (C&AG / Internal), several grievances or complaints are registered, assembly questions raised etc.

iii. **Analytical findings:** Audit areas can also be identified by doing analytical studies between certain facts to locate any discrepancies. Unusual or abnormal observations noticed while comparing data can be a risk parameter for detail audit.

- Budgeted provisions vs. Actual expenditure
- Fund received vs. Fund utilized
- Percentage of targets achieved (Target fixed if any)
- Achievement on Work Development/completion Schedule

iv. **Random review / Selection:** Auditors shall select certain areas randomly based on their professional judgment or experience within the Wing, section, unit. In random selection, priority shall be given to the areas which are not covered in previous year audits or not yet audited. For example, different months may be selected from one to another year. Internal Auditor shall not set a uniform pattern of selection every year but shall introduce an element of surprise.

69. After identification of risk areas, Auditors shall finalize the individual audit plan and more attention is to be given to potential risk areas where deployment of internal controls systems are weak or not existing at all. In-depth checking shall be undertaken in those focus areas.





### 7.3. Assessment of Internal Controls

70. Internal control mechanism is an integral process operated by an organization, designed to address risks and to provide a reasonable assurance in pursuit of organization's mission. Following general objectives are achieved by the process of Internal Control:

- Execution of orderly, ethical, economical, efficient and effective operations;
- Fulfilling of accountability obligations;
- Compliance with applicable laws and regulations;
- Safeguarding resources against loss, misuse and damage.

71. Auditors shall do an assessment of Internal Controls to ensure that an adequate internal control framework is in existence and operating as designed by the Institute and errors, if any, to be located with the operation of established internal controls. Internal Control Assessment will help Auditors to know the following:

- Reliability of records and registers maintained by the auditee unit;
- The extent and the depth of the examination that needs to be carried out in the different areas of accounting;
- What are the areas where controls are weak and where it is unnecessarily excessive;
- Whether suggestions can be given to improve the control systems.
- Whether the internal controls are sufficient
- Whether the internal controls are followed

#### 7.3.1. Types of controls

72. Generally, there are two types of internal controls such as:

- Preventive Control:** This type of internal control would prevent a risk from occurring. For example:
  - a. All transactions and events are initiated on proper authorizations and approvals.
  - b. Segregation of functions/ duties among the official as far as practicable to prevent risk.
  - c. Control over access to resources and records to prevent unauthorized or improper use of resources.





ii. **Detective Control:** Detective controls are measures that would point to any loss/ misdeeds/ misappropriation that is taking place in the organization. Any kind of reconciliation (bank reconciliation), analytical reviews, post audit, etc. would fall under this category as they help to detect if something had gone wrong. Some examples of such control activities are:

a. **Verifications:** Transactions or events are verified to ensure correctness and validity. Personal records / service books etc. are periodically verified to ensure their correctness.

b. **Reconciliations:** This is one of the most commonly used and effective control measures. Reconciliation of one set of records with another are made to ascertain correctness of the transactions or facts.

### 7.3.2. Tests of Internal Controls

73. Through audit procedures the effectiveness of the Auditee's internal control systems are assessed. The Auditors should make a list of internal controls which are in operation in the Auditee. Then Auditors shall perform tests of controls to assess the existence and adequacy of internal controls. However, the Auditor may not be required to test all the internal controls, he may select some sample controls based on the results of the risk assessment and professional judgment.

74. The Auditors may initially check the controls by conducting a compliance testing that is, testing to assess compliance with the internal control. Substantive testing is required to obtain evidence to ensure the completeness, accuracy and validity of the data produced by the accounting system.

To illustrate,

- i. Whether the bank reconciliations are made with the cash book/computerized data or not?
- ii. Whether Rule 226 of GFR 2017 regarding safe custody and monitoring of bank guarantee and other instruments if any, is followed or not?
- iii. Whether the stock and store registers are maintained or not? If maintained annual physical verification of stock /fixed assets is done or not under Rule 213(1) and (2) of GFR 2017 and library books under Rule 215? Etc.
- iv Whether procedures prescribed in Rule 144, 154 to 164 of GFR 2017 on procurement of goods, mandatory procedures for purchasing through GeM is followed or not?





75. The Auditor will first check whether there is compliance with the control measure. If it is noticed that the control measure is not operating properly, then the auditor would have to go for a substantive testing of the transactions to examine whether non-compliance with the control has resulted in any untoward incident.

76. The Internal Auditor after assessing controls shall give his recommendation (in Internal audit Inspection Report and Internal Audit Report) on the operation of the internal controls, whether operation of internal controls is satisfactory or needs improvement or is not in existence.





### 8. Audit execution/ Conduct of Audit

77. While conducting audit (other than pre-audit), Internal Auditors are required to visit various units, wings and sections. Further, field audit involves verification of accounts, relevant records and compliance to rules, codes and various orders; however, the responsibility of the Auditor is not limited to verification of accounts and procedures but also to give recommendations to improve the financial management system of the auditee.

78. Any discrepancies noticed while conducting audit or non-production of any record or non-cooperation by any Head of Unit/ Officer-In Charge shall be brought to the notice of the Unit Head by way of issue of Internal Audit Observation Memos. In case there is non-compliance even after intervention of the Unit Head, the matter may be reported to the office of the Director and then included in the Internal Audit Report.

79. Whenever any loss of money or stores is detected by means of any mis-appropriation or fraud, the fact shall be reported promptly through an Interim Report to the Director /Registrar who shall consider the gravity of the case and take appropriate actions.

80. Auditors are expected to continually update themselves with the various instructions and other guidelines issued by the Institute/ Central Government from time to time concerning audit.

#### 8.1. Audit of Receipts

81. The receipts of the Institute mainly consist of government grant as well as revenue derived from fees, fines, penalties, rents of institute's buildings and lands, receipts of loans, advances and deposits, interest or any other receipts.

82. In conducting the audit of receipts, the principal aim is to ascertain that adequate regulations and procedures have been framed to secure an effective check on the assessment, and collection and to see that such regulations and procedure are being followed. The Auditor shall also ascertain the adequacy of compliance with regulations and procedures for effective receipt, remittance, reconciliation and accounting of receipts.





83. Audit shall also be diligent in detection of irregularities, leakage or loss, fraudulent and forged receipts, other types of omissions or commissions in the process of levy and collection of taxes, fees, fines etc.

84. Auditor shall carefully verify any dues of the Institute left outstanding and suggest to the Appropriate authorities for effecting the recovery.

### 8.2. Audit of Payments

85. Payments made by the Institute are normally classified as revenue and capital expenditure, payment of loans and advances etc.

86. As major sources of finance of the Institute is Government grants, it is necessary to comply with the provisions of GFR and other instructions issued by the Government of India in Ministry of Finance and the administrative ministry (MHRD/ MoE). The procedure for incurring expenditure from the Govt grant required:

- **Provision** - Competent authority should make provision of funds and fix limits for incurring expenditure;
- **Sanction** – There should exist appropriate administrative and expenditure sanction accorded by a competent authority, authorizing the expenditure as per financial power delegated by the competent authority in terms of DFPRs.
- **Propriety** – Expenditure should be incurred with due regard to canons of financial propriety

87. Auditors should verify the above-mentioned procedures apart from verifying accounting aspect of expenditure while auditing.

88. Audit of expenditure should not merely be confined to see that the expenditure is covered by a sanction; but should also verify that the authority according the financial sanction is empowered to do so by virtue of powers vested in it by the constitution, laws and rules governing the Institute (in Act and Statutes) or by delegation. Auditors shall verify the payments made by the Auditee with reference to the following documents:

- The office copies of the paid vouchers / journal vouchers





- Counterfoils of cheques
- Copies of bank scrolls /statements
- Supporting bills, receipts and Approvals, GST tax invoices
- Stock entries in respect of procurement of goods
- Performance reports in respect of procurement of services.

89. While checking each payment, Internal Auditors shall also check the procedures of the payments. Whether cash transaction has been stopped and digital payments are ensured in all cases is also to be examined and deviation, if any is to be reported.

### 8.3. Audit of Grants-in-Aid

90. The main aim of audit of grants-in-aid is to ensure that (i) the amounts sanctioned as grants by GoI/ MHRD/ MoE has been utilised for the purposes for which those are sanctioned, (ii) they are not mis-utilized and

(iii) standards of financial propriety are maintained in expending of those resources.

91. Audit can be applied to the original grant itself or to the expenditure which is subsequently incurred out of the grant. Audit of the grant shall be conducted according to the general principles/rules laid down for the expenditure as indicated in preceding paragraph.

92. Following documents and registers are to be verified during the audit of grants in-aid:

- i. Order sanctioning the grants,
- ii. Register of grants,
- iii. Bank statement and receipt entry in electronic cash book/bank book,
- iv. Ledger indicating utilization of grants (budget head wise-separate for revenue and capital)
- vi. Utilization certificates (UCs).

93. In respect of R&D projects, the Auditor should verify the following matters while auditing grants-in-aid





released by different departments of Government of India (GoI):

- i. The nature of grant should be verified from Grants-in-aid sanction orders specifying normal grants or special purpose grants. If it is of special in nature then auditor must see that the circumstance under which grant was sanctioned continues to exist and the expenditure was made for the said purpose only.
- ii. Whether proposals for grants-in-aid are prepared with proper estimations?
- iii Whether grant has been utilized for the intended purpose (separately for equipment and recurring expenses)?
- iv. Ascertain the achievement of overall objectives of the project for which grants-in-aid are sanctioned and there is no wasteful expenditure.
- v. Utilization certificates (UCs) whether furnished for all the sanctioned grants.
- vi. Ascertain whether any unused portion of grants were refunded after completion of the project or not.
- (vii) Ascertain whether grant-in-aid is transferred and utilized for any other purposes, without prior sanction of the competent authority.
- (viii) Ascertain whether institute overhead in R&D, consultancy projects were duly deposited in Institute Corpus Fund and all statutory dues have been duly deposited with appropriate authorities in time.

### 8.4. Audit of Public Works

94. The Public Works includes buildings, roads, structures, their construction, maintenance and repairs, etc. In audit of Works expenditure, Auditor shall examine whether the expenditure has been incurred as per the procedure prescribed under the Central Public Works Manual/ Accounts Code, Manual for procurement of works/ MOU/ Contract agreement and GFRs. Execution of major capital works entrusted to Central Public Works Department (CPWD)/ or any Public Works Division as per rules /order of the competent authority, and the UCs & statement of accounts furnished by these agencies certified by the Engineering Section/cell of the Institute is to be examined.

95. In respect of repair or maintenance work, construction of temporary structure for convocation/ meetings etc., following routine audit checks would be applied by the internal auditor depending on the nature and





volume of such transactions.

i. Whether administrative approvals and technical sanctions have been accorded by the competent authority and provision of funds have been made.

ii. The procedures of calling for tenders/NITs/NIQs and allotment of the work is to be examined to verify transparency in the system.

iii Whether the rate paid for the work done are as per the rates allowed in the contract agreement.

iv. Scrutiny of Measurement books in respect of work done with value as per contract.

v. Recoveries like Security deposit, liquidated damage etc. from the contractors are made at the correct rates.

vi. Whether Advances given to agencies/ contractors are as per proper sanctions and are adjusted timely.

vii. Whether final payment is made on obtaining completion certificate issued by the appropriate authority.

viii. Fixation and timely collection of rent on buildings to be reviewed and any undue delays should be reported.

ix. In the absence of contract agreements, the manner of release of payments and rates thereon needs to be examined with reference to the prevalent schedule of rates.

x. Whether payments in excess or in contravention of the terms of the contract causing undue financial aid to the contractor have been made.

xi. Cases involving financial losses to the Institute and undue financial aid to the contractors are to be specially examined.

xii. Payments for deviations in the work made with due approval and rate of payment whether correct or not.

xiii. Quality control tests of materials, plain/ reinforced cement concrete etc whether conducted conforming to relevant Indian Standards





- xiv. Penalty levied if any for non-completion of work in time as per agreement.
- xv. Extension of time and extra payments for that if any whether, as per rules.
- xvi. Whether terms & conditions of the contract agreement including implication of duties & taxes (Income tax and GST) have been inserted in the contract agreement before tendering.

### 8.5. Audit of Procurements (Goods and Services)

96. Procurement Audit sometimes also termed as pre-audit and conducted for purchase of both goods and services.

#### 8.5.1. Scope of Procurement Review (Pre-audit of purchases)

97. In Procurement review, Internal Auditors shall assess whether:

- i. The contract terms and conditions for procurement of goods and services were comprehensively drawn up, and was unambiguous, free from uncertainties, indefinite liability, misinterpretation and serve to protect interest of the Institute;
- ii. The tender documents are comprehensively prepared, adequately addressed the interest of the Institute and ensured evaluation of bids on equitable and fair basis in a transparent manner;
- iii. Equal opportunity has been given to all bidders;
- iv. The system is tamper proof while receiving tenders;
- v. The system ensures complete transparency in Opening of Tenders;
- vi. The procurements are of specified quality and are made at competitive rates;
- vii. Rates finalized are reasonable and were arrived after due justification based on earlier Purchase Orders or Manufacturers price list;
- viii. Quantities purchased are not in excess of requirement (more than indented quantity) so as to avoid wasteful expenditure;
- viii. Advance payments made if any, were un-avoidable and was done as per rules (GFRs) with suitable safeguards to fully protect interest of the Institute;





- ix. Adequate measures were taken to avoid loss to Institute in the event of non-performance by the supplier (performance guarantee whether provided or not in the contract);
- x. Priority was accorded to post contract follow up so as to avoid time and cost over runs, loss to Govt. and/or undue benefit to suppliers
- xi Provisions of GFR 2017, Manual of procurement of Goods 2017 amended from time to time.

### 8.5.2 Verification of Stores and stock, library books

98. The Auditee is required to carry out annual physical verification of stores and stock as well as library books as per Rule 213 and 215 of GFR 2017 and record certificate of such verifications in the stock register. If no physical verification of stock is done at all, the Auditor shall undertake random verification of stock to ascertain the actual position of stock in few cases.

99. The Auditor is to ascertain that the regulations / guidelines prescribed by the Institute, provisions of GFR 2017 governing purchase, receipt and issue, custody, condemnation, sale and stock-taking of stores are properly carried out. He/she should bring to the notice of Institute any important deficiencies noticed during verification of stores or any grave defects in the system of control.

100. During physical verification undertaken, if any, Auditors shall compare the physical stock position with reference to stock balance of the stock register.

### 8.6 Audit of draft annual accounts

101. Internal audit will examine the draft annual accounts prepared by Finance & Accounts Section before its submission to the Independent Auditor and the Director. Compliance with the applicable Accounting Standards and guidelines (format of accounts) issued by MHRD/ MoE would also be examined. Deficiencies / omissions noticed would be rectified with proper documentation before submission to Independent Auditor.

### 8.7 Audit Working papers

102. Working Papers shall be kept in audit file for future reference and verification. Working papers shall not be attached to the report, but shall stand as proof that required due diligence was exercised before reporting any Audit observation. The Audit file may however, contain a list of Working papers referred / prepared to during the course of Audit. Generally working papers consists of;

- i. Audit plan





## Internal Audit Manual

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- ii. Audit Schedule
- iii. Previous Internal audit reports
- iv. Outstanding CAG audit paragraphs
- v. The financial statements of the Auditee
- vi. Physical verification reports of cash/stock and store etc.
- vii. Bank reconciliation statements
- viii. Data relating to budget provision and actual expenditure for the period of audit
- ix. Analysis of performance of specific projects both physical and financial
- x. Audit evidences relating to key audit findings
- xi. Internal Audit observation Memos and compliance received from the Auditee and
- xii. Draft Internal Inspection Reports / Annual Internal Audit Report





### 9. Reporting of Audit findings

103. The audit is treated as concluded once all the audit procedures and checks are completed. The Auditor shall finally review the working papers to see that the audit has been conducted according to plan and it has achieved its objectives. He should make note of any audit procedures that could not be completed due to non-production of records by the auditee unit or due to lack of time.

#### 9.1 Internal Audit Observation Memo

104.. After audit of each unit, Internal Audit Observation Memo (IAOM) showing the observations of audit along with action taken on previous year's observations, if any, is to be issued to the unit head for compliance. No objection shall be booked or reflected in draft internal audit inspection report without issue of a Internal Audit Observation Memo.

#### 9.2 Compliance to IAOMs

105. The IAOMs issued by auditors shall be complied by the Unit heads promptly. Compliance/ Replies to the IAOMs should be furnished by the unit heads within 15 days of the date of receipt and IAOMs in original returned to the Internal Auditor under the signature of the head of the section/ unit. Wherever satisfactory compliances would be received, same would not be included in the final Internal Audit Report.

106. In case the reply of the officer is found to be satisfactory, the objection need not be incorporated in the Internal Audit Inspection Report (IAIR). The original audit memos with reply thereon shall be appended with the Audit Inspection Report for reference. The Auditor shall mark dropped with red ink on the memo with date and signature of the head of the audit team. IAIR would be issued, whenever considered necessary, considering the nature and gravity of audit finding.

107. If IAO memo is not returned within stipulated time or returned with unsatisfactory replies, the Auditor shall incorporate the objection in the Internal Audit report without waiting for an indefinite period for the reply. The duplicate copy of the memo shall be attached with the Report / documented in the file to substantiate the Audit views.





### 9.3 Annual Internal Audit Report

108. At the end of the financial year, considering the compliances furnished and action taken on audit observations raised, Internal audit would prepare an INTERNAL AUDIT REPORT, which it would place before the Director, with recommendations for improvement, if any. Paragraphs of IAIR and Annual IAR would be pursued with the auditee, till final settlement.

### 9.4 Qualities of a good report

109.. The Auditors should exercise due professional care to ensure that the internal audit report, inter alia, is:

- Clear and not ambiguous
- Factual – presents all significant matters with disclosure of material facts
- Specific
- Concise
- Timely and
- Complies with generally accepted audit procedures

### 9.5 Content of the Internal Audit Report (IAR)

110.. The content of the IAR would be as under:

**9.5.1 Introduction:** Period covered under Audit, units covered, duration of audit, name of the Registrar, DDO, HOS, Unit heads (with period), scope and objective are to be mentioned.

**9.5.2 Audit Observations and Recommendations:** Audit criteria (what should be done), fact (what has been done), deviation, impact and recommendation Auditors on each audit observation shall be detailed out. This Section shall further be divided into three parts viz internal control review, major irregularities and minor irregularities.

**A. Internal Controls Review:** Internal Controls assessment results i.e. adequacy and effectiveness of the existing internal controls shall be mentioned in this section, with recommendations for improvement, wherever found necessary.





**B. Major Irregularities:** All major irregularities noticed during the course of audit shall be mentioned separately in this section. The Auditors shall also report consequences for non-compliance of the same. Reference evidence and memos shall be attached as annexure. Some examples of major irregularities are mentioned below:

- Fraudulent withdrawal from bank accounts / double payments
- Bogus payment and non-payment to beneficiaries
- Misappropriation of cash and stocks
- Any excess payments /excess or extra liability
- Irregularities in procurement involving excess or irregular payments or extra liability
- Loss in revenue and fee realization
- Irregularities in revenue and fee collections and utilizations
- Any un-authorized expenditure
- Statutory violations involving Income tax / GST, non / short collection, non/short remittances, delayed remittances including penalties etc.
- Procurement of stores / works without prior sanction of the competent authority.
- Billing with IT/ GST compliances.

**C. Other Irregularities:** Here Auditor shall report the observations on irregularities noticed while conducting audit. On each item of verification as mentioned below, separate observations will be given on irregularities.

- Physical Verification of assets, Stock and other items
- Receipts
- Payments
- Contingencies
- Grants-in Aid





- vi. Execution of works
- vii. Contracts
- viii. Stores
- ix. Procurements of goods and services
- x. Reconciliations
- xi. Utilization Certificate Review
- xii. Budget and Actual Review

**D. Recommendations:** In this section, Auditor shall provide the necessary recommendations to compile the lapses noticed during the audit. The Auditor shall provide the list of the areas needing improvement and recommendations for compliance along with a proposed time line.

### 9.6 Monitoring the quality of Internal Audit Reports

111. The management of the Institute shall check the adequacy and efficiency of the Internal audit on review of following documents:

- a) Internal Audit Plan
- b) Basic Principles Governing Internal Audit.
- c) Internal Audit Documentation
- d) Internal Audit Evidence.
- e) Consideration of Fraud in an Internal Audit.
- f) Internal Control Evaluation.
- g) Communication with audited units
- h) Reporting Standard





### 10 Follow up in Internal Audit

#### 10.1 Follow up to Internal Audit Observation Memos

112. The internal audit wing will regularly pursue the Internal Audit Observation Memos issued to each unit/ wing/section till the necessary action is taken there against and the observation of internal audit is settled with the approval of the competent authority.

#### 10.2 Follow up to paragraphs of Internal Audit Reports

113. Internal Audit will regularly pursue the paragraphs included in both the Internal Audit Inspection Report and Annual Internal Audit Report till final settlement.

#### 10.3 Coordination with External Audit /Statutory Audit

114.. The Internal audit wing will also coordinate with the CAG Audit and would monitor production of records and information requisitioned by CAG auditors and in examining and finalizing compliances furnished by different wings/ sections to the observations issued by CAG Auditors. These compliances will be submitted to Internal Audit with the approval of the Competent Authority. The Internal Auditor would act as the nodal officer of the Institute to coordinate with the CAG Audit.

#### 10.4 Follow up action on CAG Audit observations

115. Internal audit will regularly pursue the paragraphs /observations contained in inspection reports of CAG with concerned unit/ wing/ section till necessary action is taken there against and necessary compliance report is submitted to CAG Audit with the approval of the competent authority. These matters would be pursued with concerned sections/ wing, till the observations of CAG audit paragraphs are finally settled.

116. The status of unsettled paragraphs of CAG Audit as well as Internal Audit will be placed before the Finance Committee (FC) / BoG every year for perusal, discussion and further necessary action.

