

# **INTERNAL AUDIT MANUAL**

## **INDIAN INSTITUTE OF TECHNOLOGY ROPAR**

### **ROLE AND SCOPE OF INTERNAL AUDIT**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improvement in an organization's operations. 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. Internal auditing is a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes. 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 a “**THIRD EYE**” for the management to control and watch the efficiency and working of various units under them. The term ‘INTERNAL’ means work carried out by using one’s internal institute employees.

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.

Internal auditing frequently involves measuring compliance with the entity's policies and procedures. They advise management and the Internal Audit enjoys reasonable freedom in the discharge of its functions.

### **OBJECTIVES OF INTERNAL AUDIT**

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.

The constructive appraisal of activities 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, critically analyse and review 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.

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.

The services of internal auditor will be utilized by all levels of management in the investigation of any special problem/function, in addition to normal audit function; he must be constantly alert to changing situation.

The internal auditor should function independently. Independence denotes 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.

For the efficient discharge of his functions, the internal auditor should study and understand the organizations plans, policy, procedures and objectives. He should give a thoughtful approach to his work. In discharging his functions, he must be courageous and critical, yet fair in his views and interpretations.

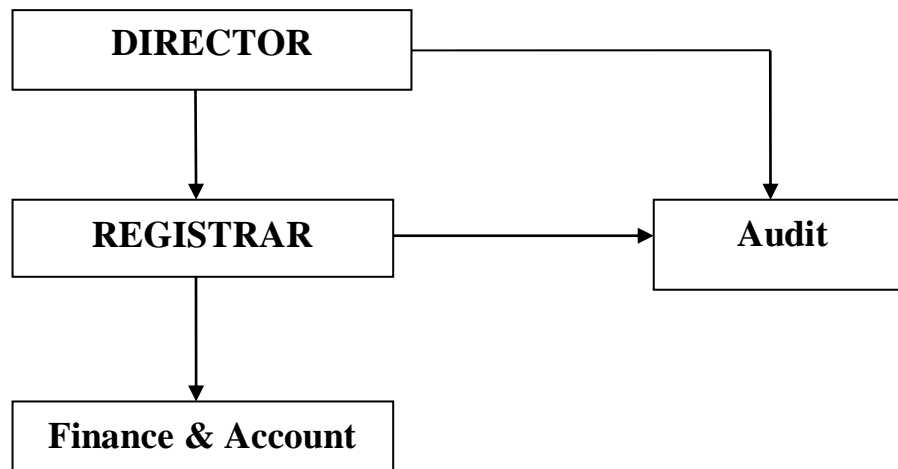
## **DUTIES OF INTERNAL AUDIT**

**Major duties and responsibilities of internal audit functions are summarized as below:**

- Study of prescribed 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 audit committee 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 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;
- Periodic review of all accounts including cash book, bank reconciliation statement and store records as well as physical verification of stores;
- Pursuance/settlement of 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.

## **ORGANISATIONAL SET UP OF INTERNAL AUDIT SECTION**

The organizational set of internal audit section is as under:



## NORMS OF INTERNAL AUDIT

The norms for checking the records by the internal audit wing will be as under:

Sl. No	Function	System of Pre-audit	Post-Audit
1	2	3	4
1.	<b>Retirement/ Superannuation/Terminal 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%	
2.	<b>Establishment Section</b> a) Pay fixation of all employees b) Personal Files c) Service Books including leave accounts. d) Leave Travel Concession e) Appointment Letters	100%  100%	Yearly (100%) Yearly (100%) Yearly (100%)
3.	<b>Transport Section</b> a) NIT for hiring vehicles b) Agreement with transport service providers c) Log books of all vehicles	100%  100%	Half yearly

<p><b>4.</b></p> <p><b>Work &amp; Estates</b></p> <p>a) Award/work orders of all works including DNIT</p> <p>b) Supply orders</p> <p>c) Running Bills of minor/major works</p> <p>d) Final Bills of Supplier/Contractor</p> <p>e) Govt. agencies bills incl. Electricity, Water &amp; Property Tax</p> <p>f) Cash Advances/ Permanent Imprest</p> <p><b>5.</b></p> <p><b>Stores &amp; Purchase</b></p> <p>a) All purchase proposals except DGS&amp;D, Annual Rate Contract (ARC) cases/ Repeat Orders</p> <p>b) Purchase orders</p> <p>c) Stock Registers- Consumables/ Non Consumables</p> <p>d) Proposals of Annual Maintenance Contracts/ ARC's/ hiring of services</p> <p><b>6.</b></p> <p><b>Guest House</b></p> <p>Receipts and expenditure/payments</p> <p><b>7.</b></p> <p><b>Hospital</b></p> <p>Hospital Expenditure</p>	<p>Rs.5.00 Lacs &amp; above - 100%</p> <p>Rs.3.00 Lacs &amp; above - 100 %</p> <p>Rs 2.00 Lac &amp; above - 100 %</p> <p>100 %</p> <p>100%</p> <p>Rs. 50,000/- &amp; above - 100 %</p> <p><b>Stores &amp; Purchase</b></p> <p>a) All purchase proposals except DGS&amp;D, Annual Rate Contract (ARC) cases/ Repeat Orders</p> <p>Rs.2.00 Lac &amp; above - 100 %</p> <p>b) Purchase orders</p> <p>Rs.5.00 Lac or (equivalent currency) &amp; above - 100%</p> <p>c) Stock Registers- Consumables/ Non Consumables</p> <p>d) Proposals of Annual Maintenance Contracts/ ARC's/ hiring of services</p> <p>100 %</p> <p><b>Guest House</b></p> <p>Receipts and expenditure/payments</p> <p><b>Hospital</b></p> <p>Hospital Expenditure</p>	<p>Below Rs. 5.00 Lac- 15%</p> <p>Below Rs. 3.0 Lacs- 15%</p> <p>Below Rs. 2.00 Lac- 15%</p> <p>100%</p> <p>Below Rs. 50,000/- 15%</p> <p>Below Rs. 2.00 Lac-15 %</p> <p>Below Rs. 5.00 Lac-15 %</p> <p>Half yearly</p> <p>Half yearly (100%)</p> <p>Half yearly (100%)</p>	
<p><b>8.</b></p> <p><b>Institute Accounts</b></p> <p>a) Advance, Imprest and their adjustment/ reimbursement</p> <p>b) Payments to vendors</p> <p>c) Library Bills in Foreign Currency</p> <p>d) Library bills in Indian Currency</p> <p>e) Investment/ encashment made</p> <p>f) Bank Reconciliation Statement</p>	<p>Rs. 50,000/- &amp; above - 100%</p> <p>Rs.5.00 Lac &amp; above - 100%</p> <p>100%</p> <p>Rs.2.00 Lac &amp; above - 100%</p>	<p>Below Rs. 50,000/- 15%</p> <p>Below Rs. 5.00 Lac- 15%</p> <p>Below Rs. 2.00 Lac- 15%</p> <p>Quarterly</p> <p>Half yearly</p>	

9.	<b>Project Accounts</b>		
	a) Advance, Imprest and their adjustment/ reimbursement	Rs. 50,000/- & above - 100%	Below Rs. 50,000/- 15%
	b) Payments to vendors	Rs.5.00 Lac & above - 100%	Below Rs. 5.00 Lac- 15%
10	<b>Employees Reimbursement</b>		
	a) T.A Bills (Domestic)	Rs. 50000/- & above - 100 %	Below Rs. 50000/- 15%
	b) T.A Bills (Foreign )	Rs. 50000/- & above - 100 %	Below Rs. 50000/- 15%
	c) Medical Bills	Rs. 50000/- & above - 100 %	Below Rs. 50000/- 15%
	d) Telephone bills		Half yearly 15%
	e) LTC		Half yearly 15%
	f) Children Education Allowance		Half yearly 15%
	g) CPDA		Quarterly 15%
11.	<b>Student Affairs</b>		
	a) Cash Book		Quarterly
	b) Bank Reconciliation Statement		Quarterly
	c) Payment Vouchers	Rs. 2.00 Lac & above - 100%	Below Rs.2.00 Lac – 15%
	d) Refund of Caution money-Institute/ Hostel	100%	
12.	<b>Examination of cases marked by</b>		
	- Director	100%	
	- Deans	100%	
	- Registrar	100%	
13.	<b>Others</b>		
	a) JEE		Annual 20%
	b) GATE/CEP/QIP		Annual 20%
	c) ICSR	Final Utilization Certificate (100%)	,

<b>14</b>	<b>Salary Bills</b>	Monthly	
<b>15.</b>	<b>Academic</b>		
	a) Scholarship	Monthly	
	b) Fellowship	Monthly	

## PERIODICITY OF INTERNAL AUDIT

The record of all the Departments/Centers/Units/Sections is required to be test checked by the internal audit wing every year. The audit plan showing the period of audit of each unit is to be got approved annually from the competent authority before 31<sup>st</sup> March each year. After audit of each unit the inspection report of each unit showing the observations of audit along with action taken on previous year's observations, if any, is to be issued to the unit with the approval of the competent authority. Each unit /department/ wing will attend to the preliminary observations of internal audit wing promptly so that it may not be included in the final inspection report. The each audit unit will give the reply to the inspection report within a fortnight of its issue.

A list of auditable units is appended below:

### A. Accounts

- |                              |             |
|------------------------------|-------------|
| 1. Supplier Payments Section | Half yearly |
| 2. Project Accounts          | Half yearly |

### B. Administration

- |                                 |          |
|---------------------------------|----------|
| 3. Establishment                | Annually |
| 4. Stores Purchase Section      | Annually |
| 5. Transport                    | Annually |
| 6. Central Library              | Annually |
| 7. Academics (fee receipt etc.) | Annually |
| 8. Security                     | Annually |
| 9. Any Other                    | Annually |

### C. Works & Estate

- |   |          |
|---|----------|
| 10. Maintenance Units (Civil, Electrical,<br>P.H& sanitation) | Annually |
| 11. D.G. Sets   | Annually |
| 12. Horticulture  | Annually |
| 13. Water Supply, Air condition etc.                          | Annually |

### D. Others

- |                     |          |
|---------------------|----------|
| 14. Day Care Center | Annually |
| 15. Hospital        | Annually |
| 16. Guest Houses    | Annually |



## **E. Departments**

Checking of Leave account of staff/ Stock Registers of Consumables & Non-Consumables, Project Registers, Performance of various projects executed vis-a-vis expenditure incurred there against etc.

1.	Mechanical Engineering	Annually
2.	Computer Science and Engineering	Annually
3.	Electrical Engineering	Annually
4.	Chemistry	Annually
5.	Humanities & Social Science	Annually
6.	Mathematics	Annually
7.	Physics	Annually
8.	Biomedical Engineering	Annually
9.	Civil Engineering	Annually
10.	Chemical Engineering	Annually

Any other unit/ work with the approval of the Director

## **CHECK LIST FOR STANDARDS ON INTERNAL AUDIT**

The management of the Institute shall check the efficiency of the Internal audit as per following Standards:

- a) Planning of Internal Audit Unit.
- b) Basic Principles Governing Internal Audit.
- c) Internal Audit Documentation/ Evidence in case of serious irregularity.
- d) Internal Control Evaluation.
- e) Communication with audited units
- f) Reporting Standard

## **FOLLOW UP ACTION ON INSPECTION REPORTS**

The internal audit wing will regularly pursue the inspection reports issued to each unit/ wing/ department till the necessary action is taken there against and the observations of audit settled with the approval of the competent authority.

