



Avinashilingam Institute for Home Science and Higher Education for Women

Deemed to be University under Category 'A' by MHRD, Estd. u/s 3 of UGC Act 1956

Re-accredited with 'A+' Grade by NAAC. Recognised by UGC Section 12 B

Coimbatore - 641 043, Tamil Nadu, India

Internal Audit Manual

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Registrar
Avinashilingam Institute for Home Science
and Higher Education for Women
(University Estd. u/s 3 of UGC Act 1956)
Coimbatore 641 043

Internal Audit Manual for AIHS&HE

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Registrar
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1. Preamble

Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore was established in 1957 to impart quality education for women at all levels. It is one of the eight deemed universities getting 100% Non-Plan Maintenance Grant from University Grants Commission for salaries, pension, retirement benefits and non-salary expenditure. It also receives Plan Grant (General Development Assistance) from University Grants Commission for creation of assets such as infrastructure, scientific equipment and all other capital expenditure of the institute. Further, the institute receives an annual block grant of Rs.85.20 Lakhs from Tamilnadu Government and Rs.10.00 Lakhs as Sponsoring Trust Contribution every year.

In addition to that, the institute receives funds from various funding agencies like UGC, CSIR, DAE, DST, ICSSR, and ICAR etc. for operating the research projects, conducting seminars and training programmes. Also, there are other sources of academic receipts from self-financed programmes, consultancy income, outsourcing income and alike. General Financial Rules 2017 are strictly followed for all the financial transactions. Apart from this, the specific instructions of the concerned funding agencies are strictly adhered to while incurring the expenditure under specific heads.

The Internal Audit Manual of the institute provides the procedures and guidelines followed by the Internal Audit Section in planning, executing and compliance of standards of internal audit.

2. Internal Audit – Definition

The Institute of Chartered Accountants of India (ICAI) has 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”.

3. Internal Audit Section

The Internal Audit Section of the institute has been constituted for the purpose of ensuring effective financial management as laid down in the General Financial Rules 2017.

The section works independently and with reasonable freedom in the discharge of its functions. The section is headed by the Internal Audit Officer and is adequately supported by junior audit officers.

The section ensures economic, efficient, effective and transparent use of all resources of the institute in general and financial aspects in particular.

4. Objectives

- 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, preserving the entire organization against wasteful operations.

- 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,
- Review of discharging of responsibilities and suggesting measures for streamlining the organizational working.

5. Role of Internal Audit Section

The Internal Audit Section of the institute contributes to the following:

- a) Financial Compliance
- b) Strengthening of Systems
- c) Performance Review
- d) Capacity Building

6. Duties and Functions

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; Check all the accounts of the Institute departments/offices and its maintained institutions.

- Look into the general accounting procedure and make suggestions for improvements in the procedure, if needed.
- Pre-audit of the bills of various departments/ sections presented for payment from Institute funds falling under following categories:
 - (a) Final payment of Provident Fund
 - (b) Bills for works and bills for refund of security deposits including the agreements relating to major works.
- Post-audit of the following on a suitable scale:
 - (a) Audit of Bank Receipts

(b) Audit of Bank Expenditure

(c) Audit of Accounts Registers

(d) Stock Accounts and other records

- Check the fixation of pay whether on general revision of pay scales or on appointment, promotion etc, and particularly the pay fixations as per Central Pay Commission guidelines.
- Re-fixation of pension of pensioners as per Central Pay Commission guidelines.
- Check the encashment of leave, arrears of employees.
- Audit of Endowment funds and quasi-commercial units.
- Investigate reported occurrences of fraud, embezzlement, theft, etc. as per order of the Competent Authority.
- Make arrangements for the Government Auditors to conduct the Audit of Annual Accounts of the institute smoothly.
- 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;
- Periodical 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;
- examine and report on points or irregularities brought to its notice by the statutory audit;
- examine the contracts and agreements executed by the institutes.

7. Duties of Internal Auditor

- 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.

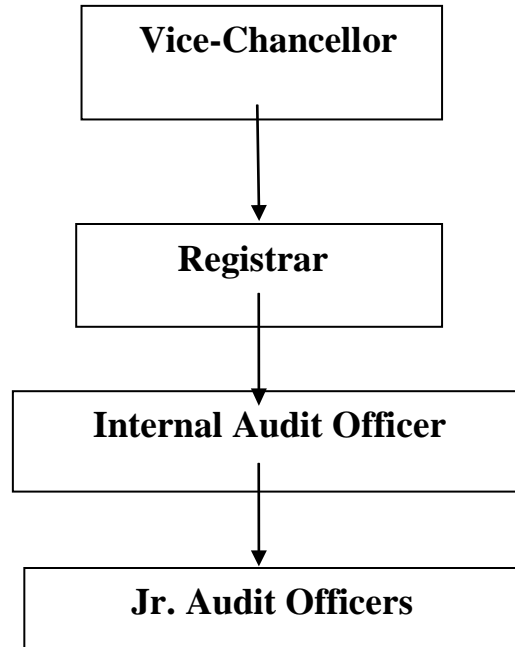
- The Internal Auditor should function independently. Independence denotes freedom from conditions that threaten objectivity or the appearance of objectivity. Objectivity is an unbiased mental attitude that allows Internal Auditors to perform engagements in such a manner that they have an honest belief 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.

8. Organizational Set Up

The organizational set of Internal Audit Section is as under:



9. Methodology

The methodology includes norms for pre-audit, post-audit, frequency of internal audit for various sections and audit sampling.

9 a. Norms of Internal Audit:

The norms for checking the record by the Internal Audit Section will be as under:

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

Sl. No.	Function	Proposed System of Pre-audit	Post-Audit (Random)
1	2	3	4
4.	Works & Estates a) Award/work orders of all works b) Supply orders c) Running Bills of minor/major works d) Final Bills of supplier/Contractor e) Govt. agencies bills including Electricity, Water & Property Tax f) Advances/Permanent Imprest g) Outsourced Staff Salary	Above Rs.1.00 Lac - 100% Above Rs.1.00 Lac- 100% Above Rs.1.00 Lac -100% Above Rs.1.00 Lac- 100% 100% Above Rs. 15000/- - 100 % 100%	Below Rs. 1.00 Lac-15% Below Rs. 1.0 Lac-15% Below Rs. 1.00 Lac-15% Below Rs. 1.00 Lac-15% Below Rs. 15000/-15%
5.	Stores & Purchase a) All purchase proposals, Annual Rate Contract (ARC) cases/ RepeatOrders b) Checking of Stock Registers- Consumables/ Non Consumables c) Checking of Purchase Orders (before issuance)	Above Rs.1.00 Lac -100% Quarterly Above Rs.2.00 Lac - 100 % 100 %	Below Rs. 1.00 Lac-15 % Below Rs. 2.00 Lac-15 % Above Rs.1.00 Lac – 100%

Sl. No	Function	Proposed System of Pre-audit	Post-Audit (Random)
1	2	3	4
6.	d) Checking of proposals of Annual Maintenance Contracts/ ARC's/ hiring of services Guest House/ Schools / Centers/ Cells/ Labs Income and Expenditure	100 % Quarterly	
7.	Institute Accounts/ Project Accounts a) Advance, Imprest & Adjustment b) Payments to vendors c) Library Bills in Foreign Currency d) Library bills in Indian Currency e) Liaison with Statutory Auditors and dealing with Audit/Inspection Report. f) Certification of Cash Book Balances as on 31 st March g) Certification of Investment/ encashment made h) Verification of Investment Receipt/Cash Balance i) Receipt & Payment Account j) Income & Expenditure Account k) Balance Sheet	Above Rs. 15000/- - 100% Above Rs.2.00 Lac- 100% 100% Above Rs.2.00 Lac - 100% Ongoing – 100% Yearly Yearly Monthly Yearly Yearly Yearly	Below Rs. 15000/- 15% Below Rs. 2.00 Lac- 15% Below Rs. 2.00 Lac- 15%

Sl. No	Function	Proposed System of Pre-audit	Post-Audit (Random)
1	2	3	4
8.	1) Bank Reconciliation Statement	Monthly	Below Rs. 1.00 Lac- 15%
	Student Affairs		
	a) Cash Book, Trial Balance etc	Monthly	
	b) Bank Reconciliation Statement	Monthly	
	c) Payment Vouchers	Monthly	
9.	d) Refund of Caution money- Institute/ Hostel	Above Rs.1.00 Lac - 100%	
		Yearly - 100%	
	Examination of cases marked by	100%	
	- Vice Chancellor	100%	
	- Registrar	100%	

9 b. Periodicity of Internal Audit:

The records of all the Departments/Centers/Units/Sections are required to be checked by the Internal Audit Section every year. The audit plan showing the period of audit of each unit is to be got approved annually from the competent authority before 31st 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/ Section will attend to the preliminary observations of Internal Audit Section 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. Finance:

- | | |
|------------------------------|-----------|
| 1. All Bank accounts | Monthly |
| 2. Supplier Payments Section | Quarterly |
| 3. Scholarship Payments | Quarterly |
| 4. Project Accounts | Quarterly |
| 5. Endowment accounts | Quarterly |

B. Administration

- | | |
|--------------------|-------------|
| Establishment | Annually |
| 6. Purchase | Quarterly |
| 7. Transport | Annually |
| 8. Central Library | Annually |
| 9. Academics | Half Yearly |
| 10. Security | Annually |

C. Works

- | | |
|--|----------|
| 11. Maintenance Units (Civil & Electrical) | Annually |
| 12. D.G. Sets | Annually |
| 13. Electric Bills | Annually |
| 14. Horticulture & Sanitation | Annually |

D. Others

15. Health Centre	Annually
16. Guest House	Annually
17. Schools / Centres / Cells/Labs	Annually

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

The internal audit will be carried for various schools/ Centres/Cells/Labs Annually.

10. Audit Ethics

The internal auditor and his team are expected to maintain the following professional standards:

- ✓ Acknowledge and incorporate all information received from the Auditee and ensure fair reporting practices. Improper activities and transactions shall be reported without any fear or bias.
- ✓ The team should possess thorough knowledge of the audit process, applicable rules and objectives of the audit.
- ✓ The team shall not disclose information gathered during audit to others unless there is any legal or professional obligation to do so. Further, they are refrained from using the information for personal gains.
- ✓ The team shall comply with the ethical principles and code of conduct governing the auditor's professional behavior and responsibilities.
- ✓ The services rendered by the team are expected to be of high quality.
- ✓ Computer Assisted Audit Tools and Techniques should be used wherever possible to enhance the quality, accuracy and speed of work.
- ✓ CAG of India shall review the quality of Internal Audit and provide comments on the same.
- ✓ The institute may appoint experts in special domain while conducting internal audit if needed.

11. 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.
- d) Internal Audit Evidence.
- e) Consideration of Fraud in an Internal Audit.
- f) Internal Control Evaluation.
- g) Communication with audited units.
- h) Reporting Standard.

12. Reporting of Audit Findings

Every quarter, the internal auditor prepares a report and submits to Registrar with suggestions for improvement. The report would consist of the following:

- a) Introduction covering the period of audit, units covered, duration, scope, objectives
- b) Audit Observations and Recommendations which would include audit criteria, facts, deviation, impact and recommendations. It shall also contain in control review, major irregularities and minor irregularities.

13. Follow up Action

The Internal Audit Section will regularly pursue the inspection reports issued to each unit/ /department/centre/cells/labs till the necessary action is taken there against and the observation of audit settled with the approval of the competent authority.

