

INDIAN INSTITUTE OF TECHNOLOGY ROPAR

AUDIT MANUAL

1. The Indian Institute of Technology Ropar (IIT Ropar), is an engineering and technology higher education institute located in Rupnagar, Punjab, India. It is one of the eight new Indian Institutes of Technology (IITs) established by the Ministry of Human Resource Development, Government of India under, The Institutes of Technology (Amendment) Act, 2012 which declares these eight IITs as well as the conversion of Institute of Technology, Banaras Hindu University to IIT. The Act was passed in the Lok Sabha on 24 March 2011 and by the Rajya Sabha on 30 April 2012.

ROLE OF INTERNAL AUDIT

2. 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 as 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 own employees. The Internal Auditor is appointed by the management.

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. However, internal auditors are not responsible for the execution of institutes’

activities; they advise management and the Internal Audit enjoys reasonable freedom in the discharge of its functions.

OBJECTIVES OF INTERNAL AUDIT

3. 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 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.

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 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.

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

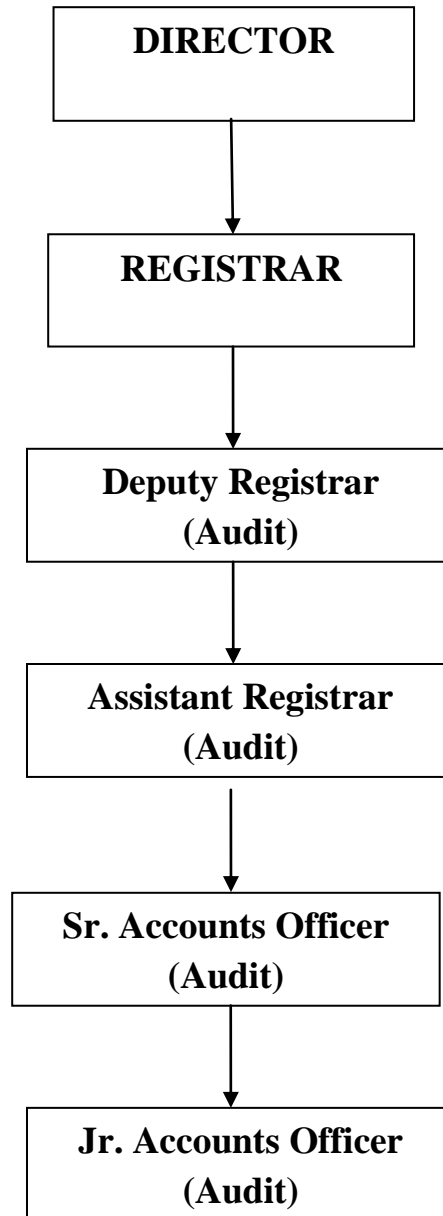
4. Major duties and responsibilities of internal audit functions are summarized as below:

- 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 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;
- 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;
- 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 institutes.
- Internal audit assignments should be performed with proficiency and the professional care.

ORGANISATIONAL SET UP

5. The organizational set of internal audit wing is as under:



N.B.: Audit Section will function directly under the Registrar and the Director.

NORMS OF INTERNAL AUDIT

6. 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.	Retirement/ Superannuation Benefits		
	Checking of		
	a) New Pension Scheme (NPS)	100%	-
	b) Leave Encashment	100%	
	c) Group Insurance Scheme (GIS)	100%	
	d) Death-cum-Retirement Gratuity (DCRG) (if applicable)	100%	
	e) Family Pension (if applicable)	100%	
	f) Pension Payment Orders (PPO)	100%	
	g) No Dues Certificate	100%	
2.	Establishment Section		
	a) Pay fixation of all employees	100%	
	b) Checking of Personal Files	Yearly	
	c) Checking of Service Books including leave accounts.	Yearly	
	d) Leave Travel Concession	100%	
	e) Cumulative Professional Development Allowance/ Proposals for attending national/ International Conferences	100%	
	f) Checking of Appointment Letters before issuance	100%	
	g) Checking of appointment of Outsourcing Staff.	100%	
3.	Transport Section		
	Log books of all vehicles	Monthly	

Sl. No.	Function	Proposed System of Pre-audit	Post-Audit (Random)
1	2	3	4
4.	Work & Estates		
	a) Award/work orders of all works	Above Rs.1.00 Lac - 100%	Below Rs. 1.00 Lac-15%
	b) Supply orders	Above Rs.1.00 Lac - 100 %	Below Rs. 1.0 Lac-15%
	c) Running Bills of minor/major works	Above Rs.1.00 Lac - 100 %	Below Rs. 1.00 Lac-15%
	d) Final Bills of supplier/Contractor	Above Rs.1.00 Lac - 100 %	Below Rs. 1.00 Lac-15%
	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.	Stores & Purchase		
	a) All purchase proposals except DGS&D, Annual Rate Contract (ARC) cases/ Repeat Orders	Above Rs.1.00 Lac - 100 %	Below Rs. 1.00 Lac-15 %
	b) Checking of Stock Registers- Consumables/ Non Consumables	Monthly	
	c) Checking of Purchase Orders (before issuance)	Above Rs.2.00 Lac - 100 %	Below Rs. 2.00 Lac-15 %
	d) Checking of proposals of Annual Maintenance Contracts/ ARC's/ hiring of services	100 %	
6.	Guest House		
	Receipts	Monthly	

Sl. No.	Function	Proposed System of Pre-audit	Post-Audit (Random)
1	2	3	4
7.	Institute Accounts/ Project Accounts		
	a) Advance, Imprest & Adjustment	Above Rs. 15000/- - 100%	Below Rs. 15000/- 15%
	b) Payments to vendors	Above Rs.2.00 Lac - 100%	Below Rs. 2.00 Lac- 15%
	c) Library Bills in Foreign Currency	100%	
	d) Library bills in Indian Currency	Above Rs.2.00 Lac - 100%	Below Rs. 2.00 Lac- 15%
	e) Liaison with Statutory Auditors and dealing with Audit/Inspection Report.	Ongoing	
	f) Certification of Cash Book Balances as on 31 st 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.	Student Affairs		
	a) Cash Book, Trial Balance etc	Monthly	
	b)Bank Reconciliation Statement	Monthly	
	c) Payment Vouchers	Above Rs.1.00 Lac - 100%	Below Rs. 1.00 Lac- 15%
	d) Refund of Caution money- Institute/ Hostel	100%	
9.	Examination of cases marked by		
	- Director	100%	
	- Registrar	100%	

PERIODICITY OF INTERNAL AUDIT

7. The record of all the Departments/Centers/Units/Sections is required to be 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 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/ 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. Salary Section | Annually |
| 2. Supplier Payments Section | Annually |
| 3. Scholarship Payments | Annually |
| 4. Project Accounts | Annually |

B. Administration

- | | |
|---------------------------|----------|
| 5. Establishment | Annually |
| 6. Store Purchase Section | Annually |
| 7. Transport | Annually |
| 8. Central Library | Annually |
| 8. Academics | Annually |
| 9. Security | Annually |
| 10. Hindi Cell | 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. Day Care Center | Annually |
| 16. Hospital | Annually |
| 17. Guest Houses | Annually |

E. Departments

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.

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

Any other unit/ work with the approval of the Director

CHECK LIST FOR STANDARDS ON INTERNAL AUDIT

8. The management of the Institute shall check the efficiency of the Internal audit as per following Standards:
- Planning of Internal Audit Unit.
 - Basic Principles Governing Internal Audit.
 - Internal Audit Documentation
 - Internal Audit Evidence.
 - Consideration of Fraud in an Internal Audit.
 - Internal Control Evaluation.
 - Communication with audited units
 - Reporting Standard

FOLLOW UP ACTION ON INSPECTION REPORTS

- 9 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 observation of audit settled with the approval of the competent authority.
