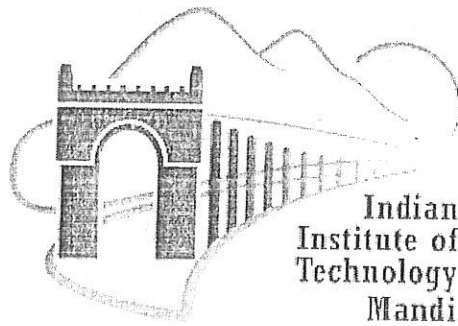


**AUDIT MANUAL**  
**FOR**  
**INTERNAL AUDIT SYSTEM**  
(Effective w.e.f. \_\_\_\_\_)



Indian Institute of Technology Mandi,  
Kamand, P.O. Kamand, District : Mandi (HP) – 175005.

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22/08/2019

Subodh Chandra

J. P. Singh  
Mandi

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*"Internal auditing is an independent appraisal activity with an organization for the review of accounting, financial and other operations as a basis for service to management.*

*It is a managerial control, which functions by measuring and evaluating the effectiveness of other controls."*

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## PREAMBLE

1. The Indian Institute of Technology Mandi (IIT Mandi) is an engineering and technology higher education institute of national importance located at Kamand, District : Mandi (Himachal Pradesh), India – 175005. It is one of the eight new Indian Institutes of Technology (IITs) established by the Government of India through the Institutes of Technology (Amendment) Act, 2012. This manual describes the objectives, duties, norms, planning, system for compliance of Internal Audit observations, etc.

## ROLE OF INTERNAL AUDIT

2. The executive is responsible for enforcing economy and efficiency in any organization. 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. It deals primarily with accounting and financial matters but its role to deal with matters of operating nature is also significant. It is the duty of the Internal Audit to bring to light wastefulness, failures, system weakness, deficiencies and the circumstances leading to infructuous expenditure. Internal auditing is a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on analysis 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 scope of internal auditing within an organization is broad and may involve topics like 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. Their role in the form of findings and recommendations is of advisory nature to the management. Internal Audit enjoys reasonable freedom in the discharge of its functions.

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## OBJECTIVES OF INTERNAL AUDIT

3. The appraisal of past transactions and happenings 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 which includes appraisal of management methods and performances. Further, adequacy of established policies and procedures for the attainment of objectives is part of critical analysis. Review of the soundness and adequacy of operating controls are included in the constructive appraisal activities of Internal Audit. They also include the review of discharging of responsibilities and suggesting measures for streamlining the organizational working.

The duties and responsibilities of 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 is 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 and policies, procedures and objectives. He should give thoughtful approach to his work. In discharging his functions, he must be courageous and critical, yet fair in his views and interpretations.

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## 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 programmes;
  - Watch over the implementation of the prescribed procedures and the orders issued from time to time;
  - Scrutiny and check payments and accounting work of the accounting units;
  - Investigation of important arrears in accounting and other connected records;
  - Periodical review of all accounts records 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;
  - Internal audit assignments should be performed with proficiency and the professional care.

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## ORGANIZATIONAL SET UP OF INTERNAL AUDIT

5. The organizational set up of Internal Audit Wing is as under:

DIRECTOR

Dy. Registrar/Asstt. Registrar  
(Audit & Accounts)

Jr. Superintendent

**N.B. : Audit wing will function directly under the Director as per Notification No. IIT  
Mandi/RS-03/2013/1280-93 dated 03.06.2013.**

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## NORMS FOR INTERNAL AUDIT

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

S. No.	Function	System of Pre-audit	Post-audit (Random)
1	<b>Retirement/Superannuation benefits</b> Checking of : a) Leave Encashment b) Death-cum-Retirement Gratuity (DCRG, if applicable) c) No Dues Certificate	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 excluding TA/Proposals for attending national/International Conferences f) Checking of appointment of Outsourcing Staff (proposals) g) Checking of personal claims (TA, Medical IPD only, etc.)	100% Yearly Yearly 100% TA 100% 100% 100%	15% Random quarterly.
3	<b>Transport Section</b> a) Log Books of all vehicles b) Transport receipts	Monthly Monthly	

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4	<b>Works &amp; Estates</b> a) Award/work orders of all works b) Supply orders c) Running bills of minor/major works d) Final bills of suppliers/contractors e) Govt. Agencies bills including Electricity, Water & Property Tax f) Cash Advances/Permanent Imprest g) Outsourced staff	Above Rs. 3.00 lakh – 100%. Above Rs. 3.00 lakh – 100% Above Rs. 50,000 – 100%. Above Rs. 50,000 – 100% Above Rs. 15,000 – 100% Above Rs. 15,000 – 100%	Below Rs. 3.00 lakh – 15%. Below Rs. 3.00 lakh – 15% Below Rs. 50,000 – 15%. Below Rs. 50,000 – 15% Below Rs. 15,000/- - 15% Below Rs. 15,000 - 15%
5	<b>Stores &amp; Purchase</b> a) All purchase proposals except DGS&D, Annual Rate Contract (ARC) cases/ Repeat Orders b) Checking of Stock Registers - Consumables/Non Consumables c) Checking of Purchase Orders (before issuance) d) Checking of proposals of Annual Maintenance Contracts/ARC's/hiring of services.	Above Rs. 3.00 lakh – 100% Monthly Above Rs. 3.00 lakh – 100% 100%	Below Rs. 3.00 lakh – 15%. - Below Rs. 3.00 lakh – 15% -
6	<b>Guest Houses</b> Receipts	Monthly	-

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	b)Bank Reconciliation Statement	Quarterly	-
	c)Payment Vouchers	Above Rs. 50,000/- - 100%	Below Rs. 50,000 - 15%.
	d)Claims such as Medical IPD, TA etc.	100%	
10	Examination of cases marked by		
	- Director	100%	
	- Registrar	100%	
	- Deans	100%	

### PLAN AND PERIODICITY FOR INTERNAL AUDIT

7.The record of all the Schools/Centres/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 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/school/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 audited unit will furnish reply to the inspection report within a fortnight of its issue.

A list of auditable units is appended below:

#### A. Accounts

- |                              |          |
|------------------------------|----------|
| 1. Salary                    | 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 |

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- |                          |          |
|--------------------------|----------|
| 9. Academics             | Annually |
| 10. Security/Outsourcing | Annually |
| 11. Hindi Cell           | Annually |

**C. Works**

- |  |          |
|--|----------|
| 12. Ongoing works                          | Annually |
| 13. Maintenance Units (Civil & Electrical) | Annually |
| 14. D.G. Sets                              | Annually |
| 15. Electric Bills                         | Annually |
| 16. Horticulture & Sanitation              | Annually |
| 17. Estate                                 | Annually |

**D. Others**

- |                     |          |
|---------------------|----------|
| 18. Day Care Centre | Annually |
| 19. Hospital        | Annually |
| 20. Guest House     | Annually |
| 21. Sports          | Annually |

**E. Schools**

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

- |   |          |
|---|----------|
| 1. School of Engineering                  | Annually |
| 2. School of Comp. Science & Elect. Engg. | Annually |
| 3. School of Basic Sciences               | Annually |
| 4. School of Humanities & Social Science  | Annually |

**F. Centres and Wings**

Checking of records such as Stock Registers, Maintenance Registers, procedure adopted/followed for making purchases/maintenance & records relating to receipts, if any. Performance of various Centres & Wings viz a viz expenditure incurred there against etc. List of various Centres and Wings is as under:

- |         |          |
|---------|----------|
| 1. AMRC | Annually |
| 2. Biox | Annually |

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| 3. C4FED                           | Annually |
| 4. Web Information & Network Group | Annually |

### CHECK LIST FOR STANDARDS OF INTERNAL AUDIT

8. 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.

### SYSTEM FOR COMPLIANCE OF INTERNAL-AUDIT OBSERVATIONS

9. Following system should be followed while complying to observations:

- i) After completion of internal audit of each unit, a report consisting of irregularities noticed should be submitted to the Director within five days of completion.
- ii) On approval of the report by the Director, a copy should be forwarded to the unit concerned for submission of detailed reply/compliance in annotated form to the Internal audit within 15 days of its issue.
- iii) If satisfied with the reply/compliance of the audited unit, the Internal audit should delete the observation from the report with the approval of the Director.
- iv) In case of unsatisfactory reply/compliance, the audited unit should again be directed for complying to the observations of internal audit.
- v) The Internal Audit wing should regularly pursue the inspection reports issued to each unit/wing/school till taking up of necessary action and settlement of the audit observation with the approval of the Director.

### PROCEDURE FOR REVISION IN NUMBER OF UNITS

10. If at any stage, it is felt that there is need for making addition in the auditable units, it should be added with the approval of the Director.

*Deepa*  
24/8/19  
*Asst. Dir.*  
22/08/2019

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