

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
3, INSTITUTIONAL AREA, LODI ROAD, NEW DELHI – 110003

I. Terms of Reference of the Internal Auditors for the Year 2020-21

- 1) The audit team will conduct audit concurrently month to month basis, throughout the year, as per the scope of work as stipulated in this document.
- 2) The auditor should comment in respect of the following points:
 - (i) Systems & Transactions as per the Scope of Audit
 - (ii) Action Taken Report (ATR) on previous Audit Reports.
 - (iii) Critical comments and recommendations for improvement in systems
- 3) The auditor should generate a 'Report of Exception' on a quarterly basis, where the systems need improvement and on deviations from standard operating practices.

II. Audit Report

- (i) The Audit team, during the audit, should discuss its observations/findings with the respective auditee and evaluate their response before formulating the draft report to be submitted to the Director (Finance)/ HoD (Internal Control). The Internal Auditor should finalize the report after discussion with the Director (Finance) / HoD (Internal Control). The final report should be submitted to the President with a copy to Director (Finance) / HoD (Internal Control).
- (ii) The Internal Auditor should also submit ATR/ follow-up report every month to the President with a copy to Director (Finance) / HoD (Internal Control).
- (iii) The Quarterly Report in respect of unresolved observations along with management replies/comments shall be submitted to the President with a copy to Director (Finance)

/ HoD (Internal Control). The last Quarter's Report shall include a concise executive summary.

- (iv) Flash Report should be submitted by the Internal Auditor immediately on detection of major irregularity in the course of audit, to the President with a copy to Director (Finance) / HoD (Internal Control).
- (v) The Internal Auditor should also give its observations about the adequacy and effectiveness of internal control system.
- (vi) Internal Audit Report should be signed by the partner of the Firm.

III. Commencement of Audit

The appointment for the year 2020-21 will be for 12 months commencing audit from April 2020 to March 2021 on continuous basis.

Scope of Work

A. Finance and Accounts

A1. Budgetary Control:

- Whether budgetary control is exercised for indenting and release of funds, statement of funds received vis-à-vis actual expenditure and budget provisions for major heads and various Departments
- Whether the funds have been spent for the purpose for which they were indented. {instances where (a) bills indented for but not paid and (b) bills paid but not indented for may be given}

A2. Inward Remittances & Incomes:

- Recording of remittances, Issuance of Invoice/Receipts and their deposition to the Bank.
- Reconciliation of programme-wise receipts with that of the number of participants and the fees and the Budget approved for each programme.
- Programme receipts are to be tallied with the TDS Certificates.
- Reconciliation of Programme fees received through ECS.
- To check the printed list of donations agreed with the total shown in the accounts and to ensure that all donations received for specific purposes have been applied to those purposes.

A3. Payments and Expenditures:

a) Capital Expenditure

- To vouch all purchases made and verify that capital expenditure was incurred after obtaining prior approval with proper purchase order/work order.
- To ensure that Fixed assets are sold/scrapped against written authority.

b) Revenue expenditure

- Checking of all payments made to the suppliers and others through Cheque / NEFT with reference to relevant pay orders/instruments and approval notes.
- Checking of Petty Cash Register and reconcile Opening Balance / Receipts / Payments /Closing Balance.
- To ensure that capital expenditure are not treated as revenue expenditure.
- To examine whether the payment vouchers have relevant supporting documents.
- To review unusual items (i.e. debit balance, one supplier with balance in various categories etc.)
- To ensure that statutory and other deductions from the suppliers' bills are correct and the statutory dues are deposited to the appropriate authority within the stipulated time.
- To ensure the expenses are not of personal nature.
- To ensure that controls and procedures in use are efficient, effective.
- Checking of purchase and refund of foreign currency for foreign visit and accounting thereof.

A4. Advances and Adjustment thereof:

- Checking Advance to Employees.
- Adjustment of Advances during the month is as per stipulation.
- To examine the system of receiving cash/cheque and the time lag between receipt of cash/cheque and deposit into bank.
- To verify the ageing analysis to ensure that all categories of advances have been included and to identify old advances.

A5. Cash and Bank

- Checking of quarterly Bank Reconciliation Statements of various Bank Accounts of the Institute and adjustment entries for charges etc.
- Obtaining Balance Confirmation directly from Banks and checking with book Quarterly.

- Returned draft/cheque with the subsequent realizations on a quarterly basis.
- To physically verify cash at accounts department at periodical intervals.
- To ensure all payments are recorded in the Bank Book

A6. Reconciliation of Current Account with HQ

A7. Foreign Currency Transactions

- Purchase of Foreign Currency to be checked with reference to the Bill, approval and corresponding payment.
- Checking the compliance with Foreign Exchange Laws, regulations and guidelines issued by RBI in respect of foreign currency receipts and payment.

A8. Statutory Payments and Compliances

- Checking of compliance of Statutory Payments & Statutory Returns within the target dates
 - ❖ TDS (U/S 194C, 194J, etc.)
 - ❖ GST
- To verify whether any legal dispute is pending before any forum.

B. Purchase

- Whether Tender Guidelines and DOP are being followed?
- Whether Repeat Orders placed, are based on orders placed earlier with proper tendering; whether other conditions governing the placement of Repeat Orders are followed ? If yes, whether the same has been reported to competent authority by Directorate of Finance.
- Whether any attempt has been made to split the tenders to keep the value of the contract within the delegated powers of the approving authority?

- Whether non-availability certificate and consumption pattern of last 3 years has been obtained from both Regional & Central Stores before raising indent?
- Report on delay in placement of supply orders (from the date of approval of indent).
- Whether materials have been supplied within the stipulated time; if not, whether liquidated damages have been imposed by the respective Department.
- Whether the payments made are as per the terms and conditions of the order, especially taxes and duties; whether tax concessions are availed?
- Report on maintenance of records such as Tender Register, Supply orders, etc.
- Whether local purchases made are within the powers delegated to the approving authority. In case of local purchase, whether the materials purchased have been consumed immediately?
- Whether advance payments made to suppliers are outstanding for a long time; list of such advances?
- Whether the tender notices are being hoisted on website as per guidelines.
- Total no. of supply order placed during the period of audit:

No. of contract/orders	Value
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- i) Open tender (advertised)
- ii) Limited tender
- iii) Negotiated contract
- iv) Repeat order
- v) LPC

- To verify the related documents against order placed for proprietary items.

C. CIVIL CONTRACT WORKS (CAPITAL & REVENUE)

- Whether provisions of Tender Guidelines and DOP are being followed?
- Whether any attempt has been made to split the tenders to keep the value of the contract within the delegated powers of the approving authority? If yes, whether the same has been reported to competent authority by the Directorate of Finance.
- Whether the works awarded have been completed within the scheduled time?
- In case of major works, whether there is any failure on the part of the management due to which work could not be completed in time resulting in escalation in the value of work originally awarded.
- Whether for civil works which were completed, final bills have been prepared in time and completion of work is accounted for or not. List of cases where final bill is pending for completed work and list of work –in –progress with age to be furnished. For old capital WIP reasons for keeping as WIP without capitalization / charged off to be furnished?

- Whether any abnormal variations in quantities or additions in items have been observed in Deviation Estimate / Revised Estimate; whether the reasons given for such variations appear justified and whether approval of competent authority has been obtained?
- Whether any advance has been given to the contractors and is outstanding for a considerably long time; whether such advance payments made have been properly recorded on the face of the bill copy and in the Bill Passing Register?
- Whether payment has been made as per the terms and conditions of the work order and on the basis of satisfactory performance as certified by the concerned authority; whether recoveries towards security deposit, secured advance, income tax, etc. have been made correctly?
- Maintenance of records such as Tender Register, TCR files, Work order and Agreement, Measurement Books, Bills, Bill Passing Register, EMD refund, etc.
- Total No. of contracts awarded during the period of audit

	No. of contracts	Value
1) Short notice tender		
2) Limited Enquiry / tender		
a. Paper Tender.		

D. CAT

- Checking the no. of students registered and Amount Received
- Procedure adopted for printing of CAT Study Notes and payment made to the suppliers.

- Appointment of ROCCs is as per the policy laid down by the Institute.
- Distribution of CAT Study Notes with reference to enrolment.
- Listing of Shares of Fees to the different RCs and Chapters.
- To check whether sharing of Fees is properly accounted for.
- Quarterly Physical verification of stock

E. CPD

- Checking the receipts with the number of participants and payment in respect of individual programs with sanctioned Budget of each programme.
- Checking of Invoices raised with reference to the attendance of the participants
- Checking the TDS amount connected with programme receipts.
- Checking the Programme-wise Sundry Debtors balances and recoveries thereof.
- Checking the Programme-wise Sundry Creditors and settlement thereof.
- To ensure that income/ expenses of the programmes which are organized for non members are routed through MARF.

F. Advanced Studies

- Checking the Approvals for starting different courses and the approved course structure
- No. of Courses organized and the students enrolment in the same.
- Reconciliation of fees collected with student's enrollment.
- To check whether the faculty payments are as per the policy?

G. Professional Development

- Checking the receipts with the number of participants and payment in respect of individual programs with sanctioned Budget of each programme.
- Checking of Invoices raised with reference to the attendance of the participants and compliance with GST Laws.
- Checking the TDS amount connected with programme receipts.
- Checking the Programme-wise Sundry Debtors balances and recoveries thereof.
- Checking the Programme-wise Sundry Creditors and settlement thereof.

- To ensure that income/ expenses of the programmes which are organized for non members are not taken into purview of the Institute's activities.
- Checking of publications made by the department.

H. Training and Placement Dept.

- Checking of receipts from students attending the training programme from list of such students maintained by management.
- Checking of receipts from Companies attending the Placement programme.
- Details of the Campus programmes organized, No. of Companies attended and recognition of fees as per the laid down policy.
- Checking the balances still due from Companies which have attended the placement programme.

I. Technical Directorate

- Due diligence in issuing the 'Cost Accounting Standards'
- Checking for all necessary approvals from the competent authorities before finalizing and issuing the Cost Accounting Standards
- Proper inventory check of the publications issued by the Directorate
- Seminars and programmes expenditure as per the DOP of the Institute

J. Fixed Assets and Stores

- To check & verify proper maintenance of records such as Day Book, Stores Receipts, Issue Voucher, Store Return Voucher, etc. Whether the records are computerized and detailed comments about the effectiveness of computerization.
- Whether the Material Budget has been prepared considering Last three years Consumption?
- To ensure that stock is in good condition.

- Physical verification of Fixed Assets and whether the title deeds are in the name of the Institute.
- To ensure that the stock is adequately insured.
- Physical verification of stores at random. Physical verification of the CAT Publications, Study materials, Prospectus, PD Publications, Exam forms, kits, etc.
- Whether there are any report of materials received short or in damaged condition for which claim has been made with insurance company/from supplier for replacement?
- To ensure that old and obsolete items are charged off. Disposal procedure adopted for same needs to be reviewed.
- Report on maintenance of records for scrap and suggestions for improvement & disposal thereof.
- Report on the scrap awaiting disposal – major items with the period since lying as scrap, their approximate value etc.
- Comments about the security arrangements and housekeeping of Central Stores and Regional Stores.
- Value of inventory in terms of number of months' consumption of stores and comparison with previous year's figures.
- Whether reconciliation between Price Stores Ledger and Financial Ledger has been done & necessary rectification carried out?
- Whether assessment of obsolete stores has been done?
- Whether Store Error lines are on a decreasing trend?
- Whether codification of material codes is in proper order?

K. Other areas as may be relevant and assigned from time to time.

IV. Internal Control and system

- Examination of deficiencies in the existing systems, if any.
- Assess effectiveness and efficiency of operations and identify wastes.

- Ensure economical and effective use of resources
- Ensure that the assets of the Institute are safeguarded and optimally used.
- Remedial measures and systems corrections, wherever needed.
- Comments on compliance of laid down procedures and norms.
- Ensure reliability of financial reporting.
- Ensure compliance with applicable laws and regulations, internal policies and standard operating procedures.
- Improvements in procedures wherever necessary.
- Ensure segregation of duties and proper authorization of transactions
- Risks in the Institute if any and methods to mitigate the same.
- Comments on Soiled Notes in each quarter.
- Verification of computation of Interest receivables from Banks.
- Areas of cost control through effective internal control mechanisms.
- Ensure adequate physical control over assets and records
- Carry out independent checks on performance
- Ensure that effective IT controls are in place
- Study of contracts/agreements and suggestions for improvements.
- Carry out Semi-Annual review/ monitoring of controls.
- Comments on compliance of previous internal audit observations/suggestions