

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

12, SUDDER STREET, Kolkata - 16

I. Terms of Reference of the Internal Auditors - HQ Kolkata (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) The monthly Audit Report is required to be submitted by the Auditors within 14th of the following month and the Quarterly Report should be submitted within 14th of the first month of the subsequent quarter.

(v) 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).

(vi) The Internal Auditor should also give its observations about the adequacy and effectiveness of internal control system.

(vii) 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:

- Remittances received through Cheque / Drafts and their deposition to the Bank.
- Checking of remittance received through Pay Fee Module /RTGS/NEFT/Credit Card & accounting thereof.
- Checking of periodical reconciliation of remittances received and deposits made into bank.
- Statement of General Ledger with reference to Control A/C balance and Subsidiary Ledger maintained by each department.
- 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.
- Verification of Investment of Surplus Fund

A3. Payments and Expenditures:

a) Capital Expenditure

- To vouch all purchases made and verify that capital expenditure was incurred after obtaining prior approval and as per Budget.
- To ensure that lease agreement are checked for leased fixed assets and the cost thereof should be compared with alternative methods of raising the required finance.

- To check that fixed assets register is maintained properly.
- To ensure that fixed assets are sold/scrapped against written authority.
- To check that depreciation on fixed assets has been written off at appropriate rate.
- To ensure that all fixed assets are insured against fire, strike, Riots and civil commotion, Flood, Earthquake, war, malicious damage, nuclear radiation and equipment break-down.
- To review the Capital Expenditure status Report which includes all capital work undertaken by the Institute.

b) Revenue expenditure

- Checking of all payments made to the suppliers and others through RTGS /NEFT with reference to relevant pay orders/instruments and approval notes.
- Verify whether bills are passed as per Supply/Work Order/Agreement/Manual on test check basis.
- Checking of Petty Cash Register and reconcile Opening Bal / Rec. / Payments /Closing Balances
- To ensure that capital expenditure (issue of capital items from stores) 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.
- Checking of T.A bills (Domestic /Foreign) of the Council Members and employees as per rules and their subsequent payment to the Travel Agents.
- To ensure that controls and procedures in use are efficient, effective and economical.
- Payment made in foreign currency after complying all the required formalities.

- In case of cheque payments, whether cheques are sent by registered post, if not whether proper acknowledgements have been obtained?
- AMC and other contracts undertaken for safeguard of assets and proper verification of records and documents
- Proper measures taken for wastage reduction and scrap sales as per the policy
- Petty nature works undertaken and certification by Engineers/Technical Resource persons.

A4. Advances and Adjustment thereof:

- Checking Advance to Employees.
- Adjustment/ Recoveries of Advances during the month is as per stipulation.
- Checking Vehicle Purchase Advances and House Building Loan to employees with reference to mortgage of deed & title/allotment letter and such other documents or documents as prescribed and subsequent recovery thereof.
- To examine the system of receiving cash/cheque/draft and the time lag between receipt of cash/cheque/draft and deposit of the same into bank.
- To verify the ageing analysis to ensure that all categories of advances have been included and to identify old and irrecoverable advances.

A5. Cash and Bank (including BRS)

- Checking of quarterly Bank Reconciliation Statements of various Bank Accounts of the Institute and entries for adjustment of charges etc.
- Obtaining Balance Confirmation directly from Banks and checking with Book Balances at the year end.
- Returned draft/cheque with the subsequent realizations on a quarterly basis.
- To physically verify cash collected at cash counter and in accounts department at periodical intervals.
- To ensure all payments are recorded in the Bank Book and DPR as per the rules of the Institute.

- To ensure that Stale Cheque Register is maintained

A6. Reconciliation of Current Account with Delhi

A7. RCs and Chapters

- Checking of Payment for construction of building/purchase of land/flat/ to Chapters with reference to prevalent rules and specific approval of competent authority as well as budgetary provisions.
- Checking of periodical reconciliation of current account balances with Regional Councils & Chapters considering salary, reimbursement of expenses, festival allowances and other adjustments with revenue grant payable.
- Checking of incorporation of claims of different Regional Councils/Chapters and their payment / adjustment with reference to supporting document.
- Accounting of publications supplied to Regional Councils /Chapters and checking the subsequent recoveries against such supplies.
- Checking the compliance with the Accounting Guidelines and SOP issued by the Headquarters.

A8. Foreign Currency Transactions

- Receipts and payment in Foreign Currency to be checked with reference to the Bank Advice.
- Checking the compliance with Foreign Exchange Laws, regulations and guidelines issued by RBI in respect of foreign currency receipts and payments.
- Inward Remittance Certificate from Banks for receipts from overseas.

A9. Payroll

- Checking payment of salaries and other allowances made to the employees of the Institute (including employees of Regional Councils and Chapters) and verify whether various recoveries made there from as per stipulation.

- To check the correctness of recording attendance, leave, unauthorized leave, etc. and timely reporting for preparation of payroll.
- To ensure that festival allowance and bonus are computed accurately and to review whether the incentive schemes is operating effectively and benefit all employees.
- Checking payments to LIC on account of Gratuity & Leave Encashment Fund based on actuarial valuation and correction of payments to outgoing employees out of funds received from LIC.
- To examine the procedure followed in case of termination of employment by resignation, retirement, etc.
- To ensure compliance with statutory laws and rules connected with employment.
- To verify terms of appointment of employees/retainers appointed during the period under Audit.
- To check that reimbursement of Leave Travel Concession is made with reference to actual bill submitted.

A10. Bank Guarantee

- Whether Bank Guarantee submitted against security deposit and performance guarantee has sufficient coverage for period of work?
- Whether Bank Guarantee has been properly recorded and realized in case of default?
- Whether genuineness of Bank Guarantee has been confirmed as per prevailing rules by the issuing bank?

A11. Statutory Payments and Compliances

- Checking of compliance of Statutory Payments & Statutory Returns within the target dates
 - ❖ TDS (U/S 194C, 194J, 192B, e.t.c.)

- ❖ Works Contract Tax (W.B.)
 - ❖ GST
 - ❖ Professional Tax, E.S.I, P.F.
 - ❖ Payments of rates and taxes.
- Status of pending Direct/Indirect Tax cases (quarterly).
 - To verify whether any legal dispute is pending before any forum.

B: Purchases

- 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: 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?

D: 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
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1) Short notice tender		
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2) Limited Enquiry / tender		
a. Paper Tender.		

E: HR

E1: Manpower

- Approved manpower vs. Actual manpower: Report on shortage/surplus of manpower in the various Departments of the Institute.
- Whether reconciliation of manpower on roll and manpower paid for as per Pay-sheet, is done by the Personnel department and so authenticated in the Pay-sheet?

- Checking of fixation of basic pay on promotion, revision of basic pay in disciplinary cases, subsistence allowance and new recruitment etc.

E2: Leave Records

- Whether maintained in the statutory format?
- Whether calculation for (i) eligibility for leave and (ii) leave credited have been made correctly?
- Whether balances of sick and earned leave have been brought forward from previous year correctly?
- Whether leave availed is supported by applications duly sanctioned?
- Whether postings in leave register are updated and corrected?
- Instances where leave has been availed with no leave balance.
- Instances where leave has been availed but attendance marked and paid for accordingly.

E3: Overtime & 'Work on Holidays' Workings Records

- Whether maintained in statutory format?
- Whether amount of OT sanctioned is within the delegated powers?
- Whether OT/'Work on Holidays' wages paid have been duly sanctioned?
- Whether the purpose of engaging on OT/Holiday is mentioned?
- Whether there are any instances where the employee was on leave but OT paid for?
- Whether there any instances where employees have been engaged continuously for twenty four hours (including normal duty)?

- % of manpower engagement on Holidays.
- % of cost of OT & 'Work on Holiday' over total salaries.
- Variance analysis of cost of normal overtime and Holiday workings with Budget and last year's figures showing details of physical and financial terms.
- Report on Holiday deployment vs Normal deployment, if more, reasons thereof.

E4: LTC

- Whether LTC register is maintained giving all the relevant information like details of the employee, members of his family, age, address, details of previous LTC availed etc. and whether the rate is as per applicable rates of Indian Railways and other mode of conveyance as applicable?

E5: Salary

- Whether the Institute's rules and regulations, set from time to time, being followed with respect to individual items of earning appearing in the pay-slip.
- 100% post audit to be carried out in respect of each element of salary paid Monthly as Basic, DA, conveyance etc.
- Checking of pay fixation arising out of promotion/up-gradation.
- Confirmation regarding compliance of the observations and recovery of over payment as pointed out in earlier salaries audit report. Disputes, if any, arising out of observations made by earlier auditors are to be scrutinized and settled before checking the bills of the concerned employees.
- Confirmation regarding discontinuation of billing of departed employees.

E6: Personal Advances

- Whether advances are recovered regularly?

- Whether second advance has been given before clearing the first advance?
- Whether interest on advances, applicable, if any, has been calculated correctly and recovered regularly?

E7: Other Payments

- Whether payments for other expenditures like TA, Transfer TA, LTC, Medical reimbursement etc. has been made as per rules. Any irregularities found is to be reported.

E8: HRD

- Are there any training programmes for the employees and whether training is conducted as per the Programme?
- Number of Technical Training held during the year and number of participants.
- Number of Non-Technical Training held during the year and number of participants.
- Training held indicating separately for different levels of employees
- Whether requirement of trained technical/skilled employee is assessed regularly?
What steps are taken to fulfill the gap if any?

F: Outside Repairs

Verification of following records / data / file:

- Whether major outside repair has been resorted to after obtaining “No objection Certificate” from the competent authorities at the Institute?
- Whether tender procedures have been followed to award the job?

- Whether the tender committee considers the reasonableness of the rate taking into consideration the previous rate for similar repair, if any, volume of work % cost of repair over cost of the assembly etc.
- Whether the order placed includes guarantee clause; in case of premature failure, whether this clause is operated to the benefit of the Company.
- Whether any Repair Register is maintained giving details of the Work Order Reference, details of the items given for repairs, to whom, time given for repairs, etc. similarly whether entries are made in the Register after arrival of the repaired items; whether reference of the Repairs Register is recorded on the backside of the bill passed for payment.
- Whether payment is made as per the terms and conditions of the work order and on the basis of certificate of satisfactory performance given by the concerned authority.
- Whether follow up action is taken up with the repairers for the items given for repairs but not returned.
- List of items given for repairs but not yet returned for more than three months from the scheduled date of delivery.

G. Membership Dept.

- Checking of Members Ledgers vis-à-vis Due Generation Report
- Checking of Remittance received through Credit Card/draft/Pay fee/other instruments with reference to the subsidiary ledger maintained by the department.
- Adjustment of Advance fees received from Members.
- Reconciliation of Fees received from the members and corresponding entries in the Books.

- Checking of Certificate of Practice fees received with number of members.
- Whether application money for associate/fellow applications which are pending for non compliance of eligibility criteria, has been returned in due course.

H. Examination Department

- Checking of Examination Centre Advance and their subsequent adjustment.
- Payment of remuneration to Examiners, Paper- setters, Moderators etc. vis-à-vis compliance with TDS provisions of the Income Tax Act, 1961
- Reconciliation of Examination fees received with the number of examinees (both domestic and foreign).
- Periodical Physical Verification of Stock of Examination Forms etc.
- Checking of Stock of Obsolete Exam Forms for write off.
- Stock records of receipts and distribution of Prize and Awards.
- Refund of fees to examinees, Compliance and Conditions.
- Details of physical forms sold.
- Details of Student Convocation Expenses

I. Directorate of Studies

- Checking of number of students registered with the Registration Fees received.
- Checking of number of students enrolled under Postal Tuition Scheme with the Postal Tuition Fees received and study materials distributed.
- Reconciliation of students registered under Oral Tuition Scheme and distribution of Study Materials to them.
- Reconciliation of sharing of various Fees payable to RCs and Chapters of the Institute with reference to the Receipts.
- Checking of number of Students registered under De-Novo, Registration Afresh schemes with that of the fees received.
- Checking the Procurement of Prospectus, Study Notes and other publications from the printers with reference to the Purchase Order ,distribution and payment there for .

- Checking the procedure for selection of the printers (Comparatives, approval, etc) and the payments made are as per the terms of appointment.
- Annual / quarterly verification of library books in the Members' Library.

J. Research and Journal Department

- Periodical reconciliation of advertisement bills raised, realization of the same with that of the advertisements published in the Journal.
- Reconciliation of realization of Journal Subscription from Non-members.
- Checking of printing and distribution of monthly Journals amongst Members and other dignitaries.
- Checking of distribution of Journal among the students with reference to number of Students enrolled under Postal Tuition Scheme.
- Checking of payments made to the Article-writers.
- Verification of Sales of Research publications with corresponding remittances and stock of Research Publications.
- Accounting for advertisements received on accrual basis.

K. Disciplinary and Legal Department

- To check case wise expenditure and empanelment of advocates.
- Checking of payments with approval.
- Whether empanelment of lawyers is maintained and it is modified from time to time with the approval of the competent authority?
- Number of cases pending in different courts.
- Whether empanelled lawyers are paid as per the Institute's rules and regulations?
- List of Foreign Lawyers deployed during the year.
- Opening balance and Closing balance of outstanding cases in different tier of courts.
- Action taken during current quarter against cases pending for more than 5 years.

L. Information Technology Department

- Checking of software licenses and period.

- Checking of purchase of IT related asset with approval of competent authority
- Checking of terms of Annual maintenance contracts issued by the department.

M. Tax Research Department

- Checking of printing and distribution of Guidance Note/Materials for GST and other publication.
- Checking of payments made to the writers for publications.
- GST programmes conducted by HQ and reimbursed to chapters/regions.
- Purchase of books for the Department.

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

O. Major Events like NCC, NCPC, Students Convocation, RC and Chapters Meet and other Events expenditure management and verification of records considering economy, effectiveness and efficiency of the tasks undertaken and efficacy of the propriety of the expenditure undertaken.

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