

PREFACE

Internal control is control of all controls. Besides, ensuring compliance with the prescribed rules and regulation, it helps achieve the objectives of an organization.

This Internal Audit Manual contains a comprehensive framework and structure for internal audit including internal audit procedures for internal audit in National Institute of Technology, Uttarakhand. It also includes the roles and responsibilities of the management relating to internal audit in the organization. The framework and structure described in the Manual are based on international standards and the best practices best suited to the organization.

I hope the faculty and staff of the Institute would find this Manual useful and practical. This Manual will be updated continuously on the basis of the feedback received from the faculty and staff.

**Director
NIT, Uttarakhand**

Chapter-I

Introduction

1. Introduction

- 1.1 National Institute of Technology (NIT) Uttarakhand was established as per the National Institute of technology Act, 2007 enacted by the Parliament. This is one among the ten newly sanctioned NITs in 2009 by Government of India under the 11th five year plan. The Institute is fully funded by Government of India under the Ministry of Human Resource Development. Presently, NIT Uttarakhand is carrying out its activities from its temporary campus at Government Polytechnic, Srinagar Garhwal, and Uttarakhand. A new temporary campus is also functional at old ITI Campus near Government Polytechnic. Presently the Institute is running full time B. Tech. Program in Computer Science and Engineering, Electrical and Electronics Engineering, Electronic and Communication Engineering, Mechanical Engineering and Civil Engineering with intake of 60 students in each branch.
- 1.2 NIT Act was amended in 2012 as per the National Institute of Technology (Amendment) Act, 2012. As per the Act, the Institute should exercise the following powers and duties, namely:
- to provide for instruction and research in such branches of engineering and technology, management, education, sciences and arts, as the Institute may think fit and for the advancement of learning and dissemination of knowledge in such branches;
 - to hold examinations and grant degrees, diplomas and other academic distinctions or titles;
 - to confer honorary degrees, other distinctions;
 - to fix demand and receive fees and other charges; to establish, maintain and manage halls hostels for residence of students
 - to supervise and control the residence and regulate the discipline of students of the students and to make arrangements for promoting their health, general welfare and cultural and corporate life;
 - to provide for the maintenance of units of National Cadet Corps;
 - to institute academic and other posts with the prior approval of the Central Government and to make appointments excluding the director;
 - to deal with any property belonging to or vested in the Institute in such manner as the Institute may think fit for advancing the objects of the Institute;
 - to receive gifts donations or benefactions from the Government and to receive bequests, donations and transfers of moveable or immovable properties from testators, donors or transferors.

- 1.3 The President of India shall be the visitor of every Institute. The Visitor may appoint one or more persons to review the work and progress of any Institute and to hold inquiries into the affairs there of and to report thereon in such manner as the Visitor may direct as he considers necessary in respect of any of the matters dealt with in the report and the Institute shall be bound to comply with such directions within reasonable time.
- 1.4 The following authorities constitute major authorities of the Institute:
- a) A Board of Governors;
 - b) A Senate; and
 - c) Such other authorities as may be declared by the Statutes to be the authorities of the Institute.

The Board of the NIT, Uttarakhand mentioned in the First Schedule shall consist of the following members, namely:-

The Chairperson to be nominated by the Visitor;

- a) The director, ex officio;
- b) Two persons not below the rank of the Joint Secretary to the Government of India to be nominated by the Central Government from amongst persons dealing with technical education and finance;
- c) Two persons to be nominated by the Government of the States in which the Institute is situated, from amongst persons, who, in the opinion of that Government, are technologists or industrialists of repute;
- d) Two persons, at least one of whom shall be a woman, having special knowledge or practical experience in respect of education, engineering or science to be nominated by the *Council*;
- e) One professor and one assistant professor or a lecturer of the Institute to be nominated by the Senate.
- f) The Director of the Indian Institute of Technology in whose zone the Institute is located, or his nominee, not below the rank of a professor.

The Board of every Institute mentioned in the Second Schedule shall consist of the following members namely:-

- (a) The Chairperson to be nominated by the Visitor;
- (b) Secretary, Department of Higher Education, Government of India, or his nominee not below the rank of the Joint Secretary to the Government of India, ex officio;
- (c) Director of the Institute, ex officio;
- (d) Director of Indian Institute of Technology, Bangalore, ex officio
- (e) Director of one of the Indian Institute of Technology, to be nominated by the Central Government;
- (f) Two Secretaries to the Government of India, to be nominated by the Central Government representing its scientific or Industrial Ministries;
- (g) Chief Secretary of the State in which the Institute is located, or his nominee not below the rank of the Joint Secretary to the Government of India, ex officio;

- (h) Two professors of the Institute of the Institute to be nominated by the senate;
- (i) Two eminent scientists, to be nominated by the nominated by the Council, having special knowledge or practical experience in respect of education, engineering or science, one of whom shall be a woman; and
- (j) Financial Advisor, Ministry of Human Resource Development, ex officio

1.5 The Board of NIT, Uttarakhand shall-

- a) take decision on question of policy relating to the administration and working of the Institute;
- b) institute courses of study at the Institute;
- c) make Statutes;
- d) institute and appoint persons to academic as well as other posts in the Institute
- e) consider and modify or cancel Ordinances;
- f) consider and pass resolutions on the annual report, the annual accounts and the budget estimates of the Institute for the next financial year as it thinks fit and submit them to the Council together with a statement of its development plans;
- g) Exercise such other powers and perform such other duties as may be conferred or imposed upon it be this act or the Statutes;

1.6 The Director of the Institute shall be appointed by the Visitor, on such terms and conditions of service and on the recommendations of a Selection Committee constituted by him in such manner, as may be prescriber by the Statutes

- i. The Director shall be the Principal Academic and Executive Officer of the Institute and shall be responsible for the proper administration of the Institute and for the imparting of instruction and maintenance of discipline therein.
- ii. The Director shall submit annual reports and accounts reports and accounts to the Board.
- iii. The Director exercise such other powers and perform such other duties as may be assigned to him by this Act or the Status or Ordinances.
- iv. *The Deputy Director of every Institute shall be appointed in such manner and on such terms and conditions as may be laid down by the Statutes and shall exercise such powers and perform such duties as may be assigned to him by this Act or the Statutes or by the Director.*

1.7 The Registrar of every Institute shall be appointed on such terms and conditions as may be laid down by the Statutes and shall be custodian of records, the common seal, the funds of the Institute and such other property of the Institute as the Board shall commit to his charge.

1.7.1 The Registrar shall acts as the Secretary of the Board, Senate and such Committees as may be prescribed by the Statutes.

- 1.7.2 The Registrar shall be responsible to the Director for the proper discharge of his functions.
- 1.7.3 The Registrar shall exercise such other powers and perform such other Duties as may be assigned to him by this Act or the Statutes or by the Director.
- 1.7.4 The Institute shall maintain proper accounts and other relevant records and Prepare an annual statement of accounts including the balance sheet in such form as may be specified by notification, by the Central Government In consultation with the Comptroller and auditor General of India.
- 1.7.5 The accounts of every Institute shall be audited by the Comptroller and Auditor General of India and any expenditure incurred by him in Connection with such audit shall be payable by the Institute to the Comptroller and Audit General of India.
- 1.7.6 The Comptroller and auditor-General of India and any person appointed By him in connection with the audit of the accounts of any Institute shall have the same frights, privileges and authority in connection with such Audit as the Comptroller and auditors General of India has in connection with the audit of the Government accounts, and, in particular shall have the right to demand the production of books, accounts, connected Vouchers and other documents and papers and to inspect the offices of the Institute.
- 1.7.7 The accounts of every Institute as certified by the Comptroller and auditor General of India or any other person appointed by him in this behalf together with the audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before each House of Parliament in accordance with such procedure as may be laid down by the Central Government.

Chapter-II Internal Controls

2 Internal Controls

- 2.1 Internal Controls are an integral process that is operated by an organization's management and personnel and is designated to address risks and to provide reasonable assurances that in pursuit of organization's mission, the following general objectives are achieved:
- Executing orderly, ethical, economical efficient and effective operations;
 - Fulfilling accountability obligations;
 - Complying with applicable laws and regulations;
 - Safeguarding resources against loss, misuse and damage
- 2.2 Committee of Sponsoring Organizations (COSO) has developed an internal control framework that has come to be accepted as the standard all over the world. The key concepts of COSCO framework include:
- Internal control are an on-going process, a means to an end, and not an end in themselves;
 - Internal controls are effected by people at all levels of an organization and not just policies and their documentation; and
 - Internal controls will never eliminate risk but can provide a reasonable assurance that controls is in place to mitigate risks.
- 2.3 Internal control is not a single measure but a series of prescriptions of do's and don'ts that touch every activity of the organization. In that sense it is an integral part of the organization. Also internal control is not something which is separate from the people who operate them. It is part of the roles and responsibilities of the persons working in the organization. As all organization exists for a purpose, the basic objective of internal control is to ensure that the organization achieves its mission; in other words, it aims to minimize the risk that the organization may not be able to achieve its mission. Any system of internal control can provide only reasonable assurances as it would not be economical to provide an absolute assurance. This recognizes the fact that there are costs associated with any internal control and such costs should not exceed benefit derived from it. Moreover, also result in delay and inefficiencies in operations.
- 2.4 Apart from ensuring ethical, efficient, economical and effective operations, one of the main objectives of internal control in public sector is to safeguard resources which are acquired with public money. Origination in the government sector is vulnerable in this respect because cash basis of accounting (which is predominant mode of accounting in government) does not provide sufficient assurance related to acquisition use and disposal of assets. With the intensive use of Information Technology in many government organizations internal controls related to IT have also assumed great deal of importance. Managers of organizations where IT is used should be aware of risks of poor controls in IT systems, particularly where they deal with payroll, procurement, stores, etc.

2.5 Inter control system exists to help organization to meet their goals and objectives. They enable management to deal with the changes in internal and external environments. They also promote efficiency, reduce risk of loss, and help ensure financial statement reliability and compliance with laws and regulation (COSO) internal control Framework). COSO Framework for internal control system consists of five interrelated and equally important components:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

2.6 The control environment sets the tone of an organization, influencing the control consciousness of its staff. It is the foundation for all other components of internal control, providing discipline and structure. This is, as already pointed out, determined by the management. Elements of control environment include:

- Personal and professional integrity and ethical values of the organization;
- Commitment to competence;
- Organizational structure; and
- Human resources policies and practices;

In addition to the above, cash based accounting in government brings with it certain control issues particularly with respect to assets and liabilities.

2.7 Risk assessment is the process of identifying and analyzing relevant risks to the achievement of organization's objectives and determining the appropriate response. Elements of risk assessment are:

Risk identification: The organization must identify risk that any of its stated objectives would not be achieved. To illustrate, an organization involved with conducting an examination, evaluating the answer papers and declaring results should assess the risk that any of these activities is not done properly. Once a risk (e.g. risk of breach of confidentiality of question paper) is identified, the organization should provide adequate internal control measures to reduce/eliminate the risk.

Risk evaluation: Risk evaluation involves assessing the significance of the risk (in terms of its gravity) and the possibility of the risk actually materializing. This requires the organization to categorize risk as high, medium or low based on some judgment. The ideal is for the organization to address the high category risks. In the above example, significant and possibility of risk i.e. breach of confidentiality would be considered very high.

Risk assessment: Risk assessment requires the organization to understand how much risk it is able to take. This is important because any risk mitigation comes at a cost. Sometimes, it is possible to transfer the risk to a third party. In the above case, the department responsible for conducting the examination cannot simply afford the risk of a leak of question paper. It is severely affects its reputation and credibility besides causing inconvenience to the students/candidates.

2.8 Control activities are the policies and procedure established to address risk and to achieve the organization's objectives. These are two types of controls.

- Prevent control: This type of internal control would prevent risk from occurring. An example of this would be barring the physical access to cash chest or the place from where cashier operates.
- Detect control: Detect controls are measures that would point to misdeeds through reconciliation), post audit, etc. would fall under this category as they help detect if something had gone wrong.

As a general rule, preventive controls are more expensive than detective controls. Any good system of internal control should have good mixture of the two. Also it would not be prudent to place excessive reliance on prevent control to the exclusion of detect control because once a prevent control compromised, there is no way to detect that an illegal act has or is occurring.

Chapter-III Internal Audit

3. Internal Audit

- 3.1 Internal auditing is defined by institute of Internal Auditors (U.K. and Ireland) as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control and governance process;
- 3.2 Internal audit is a part of an organization's internal control framework, because it is a master control that checks whether all other controls are working effectively. Internal Audit is a managerial control which functions by measuring and evaluating the effectiveness of other controls' (The Institute of Internal Auditors, New York). In this sense, internal audit is an overarching control over all other controls. It seeks to find out whether all other control over all other controls are satisfactorily working in practice by subjecting them to compliance tests. Where the compliance is either weak or absent, the internal audit conducts substantive checks in order to evaluate the impact of the noncompliance. Thus, it provides the management with a periodical assessment of the functioning of internal controls within the organization and recommends measures for strengthening them.
- 3.3 While internal auditors are a part of overall internal control systems, they are not responsible for implementing specific control procedures. The auditor's role is to audit organization's internal control policies and procedure to assure that controls are adequate to achieve organization's mission. It is the responsibility of managers to establish an effective internal control environment in their organization. This is part of their stewardship responsibility over the use of government resources. In other words, they set the tone through their actions, policies and communications which result in a culture of either positive or lax control. As part of internal controls the managers are expected to plan, implement, supervise and monitor the internal controls.

Therefore, it is equally important that the management assesses relative risk of different operations and institute necessary internal controls such as supervisory checks on maintenance of cash book, regular bank reconciliation, etc. it should also document the internal controls in clear and unambiguous terms in procedural manuals so that everybody knows what is expected.

- 3.4 Thus, internal audit is control of all controls. It not only ensures compliance with prescribed rules and regulations but also facilitates efficient and effective operations of activities in an organization besides ensuring sound financial reporting system. It ensures maintenance of all the requisite records and compliance with accounting principles
- 3.5 The internal auditors should possess sufficient understanding of the role of 'Risk'. Risk refers to possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.”
- 3.6 The internal auditors should be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.
- 3.7 The Head of internal audit should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the goals of the office. The internal audit activity's plan of engagements should be based on a risk assessment, undertaken at least annually. Inputs should be obtained from senior officers, for this purpose. As and when different risk factors are noticed, the initial risk assessment should be revised. The perception about risk factors may be shared across similar field offices and the views of other field offices can be taken into account for revisiting the initial risk assessment.
- 3.8 The Head of internal audit should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the goals of the office. The internal audit activity's plan of engagements should be based on a risk assessment, undertaken at least annually. Inputs should be obtained from senior officers, for this purpose. As and when different risk factors are noticed, the initial risk assessment should be revised. The perception about risk factors may be shared across similar field officers and the views of other field officers can be taken into account for revisiting the initial risk assessment.
- 3.9 The internal audit activity should assist the Office by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.
- 3.10 The IA wing may conduct compliance, performance and financial audit of the Institute. Compliance audit should focus on compliance with the prescribed rules and regulations orders and directions of the MHRD. Performance audit should be carried out to assess the economy, efficiency and effectiveness of operations. In other word, it should assess whether the planned objectives of the Institute have been achieved or not. As the audit of the annual accounts of the Institute are conducted by the CAG, the IA wing should pre-check annual accounts and should ensure that all the requisites records and documents have been properly maintained.
- 3.11 The Internal audit wing should assist in proper monitoring of implementation of contract management and it should see whether prompt notice are issued whenever there is a breach of provisions occur. The principle of contract management is stated below:

Exhibit-I

General Principles of Contract management

- ✓ The terms of contract must be precise, definite and without any ambiguities. The terms should not involve an uncertain or indefinite liability, except in the case of a cost plus contract or where there is a price variation clause in the contract.
- ✓ Standard forms of contracts should be adopted wherever possible, with such modifications as are considered necessary in respect of individual contracts. The modifications should be carried out only after obtaining financial and legal advice
- ✓ In cases where standard forms of contracts are not used, legal and financial advice should be taken in drafting the clauses in the contract.
- ✓ No work of any kind should be commenced without proper execution of an agreement as given in the foregoing provisions.
- ✓ Contract document, where necessary, should be executed within 21 days of the issue of letter of acceptance. Non-fulfillment this condition of executing a contract by the Contractor or Supplier would constitute sufficient ground for annulment of the award and forfeiture of Earnest Money Deposit.
- ✓ Copies of all contracts and agreements for purchases of the value of Rupees Twenty-five Lakhs and above, and of all rate and running contracts entered into by civil departments of the Government other than the departments like the Directorate General of Supplies and Disposals for which a special audit procedure exists, should be sent to the audit officer and/or the account officer as the case may
- ✓ The terms of a contract, including the scope and specification once entered into, should not be materially varied.
- ✓ Where material variation in any other terms or conditions in a contract becomes unavoidable, the financial and other effects involved should be examined and recorded and specific approval of the authority competent to approve the revised financial and other commitments obtained, before varying the conditions.
- ✓ Normally no extensions of the scheduled delivery or completion dates should be granted except where events constituting force majeure, as provided in the contract, have occurred have occurred or the terms and conditions include such a provision for the reasons. Extensions as provided in the contract may be allowed through formal amendments to the contract duly signed by parties to the contract.
- ✓ All contracts shall contain a provision for recovery of liquidated damages for defaults on the part of the contractor.
- ✓ Warranty clause should be incorporated in every contract, requiring the supplier to, without charges, repair or rectify defective goods or to replace such goods with similar goods free from defect. Any goods repaired or replaced by the supplier shall be delivered at the buyers premises without costs to the buyer.
- ✓ All contracts for supply of goods should reserve the right of Government to reject goods which do not conform to the specification.

Thus the internal Audit should assist the Institute in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Based on the results of the risk assessment, the internal audit activity should evaluate the adequacy and effectiveness of controls encompassing the organization governance, operations and information systems. This should include.

- Reliability and integrity of financial and operation information.
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with laws and rules and regulations

Chapter-IV Checklist for Internal Auditors

SL	Check	Yes	No	-NA-	Work Paper Reference
1	Whether there exists a formal mechanism in the shape of Acts & Policy statement in respect of standards and processes for internal control				
2	Whether the Organizational structure provides for clear reporting lines that establish links between accountability, responsibility and authorization of various activities:				
3	Whether the top management is conscious of the importance of internal control and gives it adequate importance. (Refer GFR 64)				
4	Whether a well-defined delegation of powers exists, with important/ exceptional matters being under the powers of higher levels of management				
5	Whether the Objectives of the Organization are well defined and whether there are any specific targets prescribed				
6	Whether procedural manuals exists in respect of: a. Financial matters (cash, banking, accounting, income, expenditure, budgeting, etc.) b. Staff recruitment, training, performance and discipline c. Purchase of goods and services, contracts d. Outsourcing of functions e. Code of personal conduct with guidance on gifts and hospitality f. Use of computer system				
7	Whether the various officials are given adequate training in their functional areas				
8	Whether there are specific and attainable targets set for various officers/officials in the organization				
9	Whether an Internal audit system is in place				
10	Whether there is a separation of duties in such a way that more than one individuals is involved in a transaction				
11	Whether there are physical access measures restricting access to buildings, information systems, valuables, etc.				
12	Whether there is a system of supervision and review of the work of various functionaries				
13	Whether there are system for taking adequate remedial action in case of thefts fraud, defalcation, etc.				
14	Whether there are adequate safeguards to protect cash, valuable and recourses through security/police escorts, safes, strong rooms physical access restriction, etc.				

15	Whether there are systems to ensure sequential numbering of documents, receipts vouchers, etc.				
16	Whether there are systems of Reconciliations, i.e. the act of balancing one system to another, for example, bank reconciliation, and reconciliation of department figures with accounting figures.				
17	Whether there are systems to ensure timely rendition of accounts				
18	Whether there are systems to obtain declaration of assets, intimation of certain high value transactions, etc.				
19	Whether there is an adequate and reliable MIS which will ensure that important/exceptional matters of matters requiring attention are being reported to appropriate higher levels of managements,				
20	Whether the department has prepared any manual or flow chart listing out steps in various activities and procedures which are specific to in working.				
21	Whether the Staff Inspection Unit or Internal work study/O&M Unit or any other agency has performed (i) Organization and Methods Studies and (ii) Work Measurement Study, etc. for prescribing appreciate work norms and standards of output in terms of quality and quality as envisaged in CSMOP and, if so, whether their recommendations were complied with.				
22	Whether time limits were fixed for disposal of cases and, if so, whether these time limits were adhered to.				
23	Whether the reference from Members of Parliament and VIPs were promptly attended to the prescribed manner.				
24	Whether any monthly programme of Inspection of section/desks during a year wise drawn by the Department/Institute.				
25	Whether the Inspecting Officer, after carrying out the Inspection as indicated above, has reported significant points, if any, emerging from the inspection, to the Director.				
26	Organizational analysis including procedural manuals, delegation of power Examine if internal Controls have been structure to ensure a clear and logical plan of organizational functions which establishes clear lines of authority and reasonability for administrative financial and technical activities keeping in view the entity's basic objective/activity. See. If: a. Organization set-up is designed to serve the main objective/goal/activities of the organization. b. The units are functionally segregated to ensure professional, functional and technical specialization. c. Post created and duties assigned have the approval				

	<p>of the competent authority.</p> <p>d. The financial functions are separate from administrative functions.</p> <p>e. The person responsible for the custody of the recourse is separate from the one who records transactions, maintain accounts and financial respects.</p> <p>f. The duties/responsibilities and financial powers of each authority are clearly defined.</p> <p>g. No post has remained vacant for a long period and whether additional charge held by another official has diluted and impacted financial/functional propriety.</p> <p>h. Procedural manuals have been prepared for various functions and activities and these manuals are reviews and updated periodically.</p>				
27	<p>Administrative Control Registers/Documents</p> <p>Maintenance of various control registers is an important element of internal control structure. All registers including subsidiary records should be numbered. Following is an illustrative list of some of the standard control registers being maintained</p> <p>a. Expenditure control register</p> <p>b. Advance Register</p> <p>c. Pay bill register</p> <p>d. TA and LTC bill register</p> <p>e. Medical claim expenditure register</p> <p>f. Library accession/issue register</p> <p>g. Stationery register</p> <p>h. Stock register</p> <p>i. Stock issue register</p> <p>j. Dead stock register</p> <p>k. Investment register</p> <p>l. Investment register</p> <p>m. Grant-in-aid register</p> <p>n. Sanction register</p> <p>o. Register of cheque books</p> <p>p. Ledgers</p>				
28	<p>EDP controls</p> <p>1) Type of activity/function computerized</p> <p>2) Whether various reports generated are being authenticated/utilized for the purpose for which those have been developed.</p> <p>3) Whether provision exists for generating management information system (MIS) reports for control purpose.</p> <p>4) Whether adequate security existed for accessing as well as recording as well as recording/modification of data only by authorized personnel.</p>				
29	Monitoring & evaluation of programmes and schemes				

	<ul style="list-style-type: none">• Whether the implementing agencies have submitted physical and financial targets in respect of the programmes/schemes implemented by the department/ministry.• Whether only physical inspection of works executed in the department was conducted by the controlling officer.				
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Checklist for Evaluation of Internal Controls relating to Cash Management

Sl. No.	Check	Yes	No	NA	Work Paper Reference
1	Whether cash book is maintained in prescribe form				
2	Whether cash book pages are machine numbered				
3	Whether cash book contains a certificate of the first page regarding the number of pages duly signed by competent authority				
4	Whether entries of receipts and expenditure are made promptly every day in the Cash book and attested by DDO every day after verification of receipts and payments with challans and vouchers.				
5	Whether pre – numbered receipts are issued in se of cash receipts				
6	Whether the entries in the cash book are checked by an officer not connected with the writing of cash book.				
7	Whether certificate to the effect that the cash balance found during physical verification agreed with the balance is recorded in the cashbook				
8	Whether surprise check of cash balance id conducted periodically by authorities not responsible for maintenance of cash book and a certificate to the effect that the cash balance found during physical verification agreed with the book balance is recorded.				
9	Whether a report of surprise check is maintained.				
10	Whether huge cash balance is maintained, in comparison with requirements for immediate disbursement. (As per Rule 100(2) of Receipt & Payment Rules, 1983 money shall not be drawn from Government accounts unless it is required for immediate disbursement)				
11	Whether payments are preferably made by cheque only and whether payment of large amounts (exceeding prescribed value) is made in cash and not by cheque (Payment of amount exceeding Rs. 10,000 should be made by cheques, as required by Receipt and Payment Rules 1983)				
12	Whether the book balances are periodically checked with physical balances and tallied.				
13	Whether receipts are correctly posted in chronological order from all receipt books				
14	Whether bank reconciliation is prepared regularly				

	and differences between balances as per bank pass book and cash book are being investigated and cleared.				
15	Whether cash receipts are not diverted to meet day to day expenditure.				
16	Where subsidiary cash books are maintained the transactions therein are accounted for in the main cash book promptly.				
17	Whether cashier has furnished fidelity bonds				
18	Whether cash balances are kept within limits prescribed and not excessive				
19	Whether all receipts (including cheques, drafts, etc.) were posted in accounts and deposited into Government account on the same day or next working day. (As per Receipt and Payment Rules, 1983.				
20	Whether Bank accounts have been opened with proper approval.				
21	Whether there is a need and justification having more than on bank account.				
22	Whether the payments are properly authorized and recorded immediately in the accounts.				
23	Whether counterfoils of pay in slips or cash receipts are on record.				
24	Whether cheque books are kept in safe custody and the prescribed procedure is duly observed.				
25	Whether adequate care is taken in issuing cheques in lieu of cancelled/time barred cheques with references to relevant records.				

Checklist for Evaluation of Internal Controls relating to Budgeting and Expenditure Control

Sl. No.	Check	Yes	No	NA	Work Paper Reference
1	Whether there are rules and instructions relating to the formulation of budget and revised estimates and responsibilities of different functionaries.				
2	Whether there were wide variations under 'Revenue Expenditure,' "Capital Expenditure", "Loans", Charged and Voted categories				
3	Whether the expenditure is contained within the approve revise estimates. Was the expenditure under Plan a non-Plan within the revised estimates? Was there and excess of saving beyond 10% Were there persistent savings over last three years under any Major head, indicating poor pre- budget scrutiny of schemes?				
4	Whether the Revised Estimates and Budget Estimate submitted to Finance Departments are supported by the estimate received from the estimating authorities for various zones/officers, etc. (DDOs)				
5	Whether the savings were surrendered before the end of financial year/affecting implementation of programmes activities.				
6	Whether there are arrangements to prevent transfer of funds form the Consolidated Funds to deposit accounts for utilization in subsequent financial years				
7	Whether the drawing and disbursing officers are adhering to the time schedules prescribed for submission of estimates.				
8	Whether the Department is exercising adequate scrutiny over the estimates furnished by the drawing and disbursing officers and the justification furnished in support of original estimates and estimates of additional requirements.				
9	Whether the administrative Secretary and head of the Department are exercising adequate and effective role in formulating the departmental budget and exercising their designated responsibilities.				
10	Provision of funds Examine whether a. Control records are maintained to watch progress of revenue and expenditure against				

	<p>estimated receipt and allocated funds.</p> <p>b. Variation between actual expenditure and budget allocation are examined of appropriate levels and wherever necessary re- appropriation is approved by specified authorities</p>				
11	Whether there adequate system and arrangements available for determination of allotment of funds of various drawing and disbursing officers and their timely release.				
12	Whether the DDO is nominated by competent authority.				
13	As per GFR 291, permanent advance of imprest for meeting day to day contingent and emergent expenditure should be granted to a government servant by the head of department in consultation with Internal Finance Wing, keeping the amount of advance to the minimum as required for smooth functioning. Check whether the provisions are compiled with.				
14	Whether the advances drawn for making advances payment to supplier etc. are adjusted within fifteen days of the drawl of advance (as required by Rule 292(2) of GFRs 2005).				
15	Check whether contingent advances, TA advances, LTC advances etc. are adjusted within the prescribed period.				
16	Whether the control registers prescribed under the GFRs, Receipt and Payment Rules, etc. for exercising check over expenditure are properly maintained in the prescribed manner. Some illustrative records are Cash Book, Bill Register, Dead Stock Register, stock Register of Receipt Books, TA Bill Register and long Books.				
17	Whether the funds are released timely to various drawing and disbursing officers				
18	Whether there are adequate arrangements for communication of allotments to the drawing and disbursing officers concerned.				
19	Whether there is a mechanism to prevent irregular diversion of funds and exercising control over utilization and prevention of diversions.				
20	Whether there are adequate arrangements of monitoring expenditure on schemes and their adequacy.				
21	Rush of Expenditure Whether there is mechanism to ensure uniformity in expenditure in every quarter and prevent rush of expenditure in every quarter and prevent rush of expenditure towards these close of the financial				

	<p>year. (Rule 56 (3) of GFRs provides that rush of expenditure, Particularly In the closing month of the financial year, shall be regarded as breach of financial propriety MOF has emphasized that under an effective cash management system, not more than 33 percent of the budget should be utilized during the last quarter.)</p>				
22	<p>Economy measures Whether the instructions issued from time to time by the Ministry of Finance, Department of Expenditure for observing fiscal prudence and austerity in expenditure management are compiled with. (For example, according to instructions of 16.05.2001, reiterated on 24.09.2004 and 23.11.2005, 10 percent cut in the number of post was to be made and posts lying vacant for more than year were to be abolished. Have these instructions been implemented by the Ministry. And it's attached and subordinate offices. Are restrictions on office expenses, telephones petrol, hospitality, etc. imposed by MOF implemented?</p>				
23	<p>Whether the expenditure on secret services is being adequately monitored by the respective Head of the Office through reports submitted by the officer designated for incurring expenditure of secret services.</p>				

Checklist for Evaluation of Internal Controls relating to accounting

Sl. No.	Check	Yes	No	NA	Work Paper Reference
1.	Whether there is regular reconciliation of figures of expenditure and receipts by the drawing and Disbursing Officers (DDOs). (Para 1.10 of the Civil accounts Manual)				
2.	Whether receipts are being used to meet expenditure, unless authorized by appropriate rules.				
3.	Whether a stock account of Receipt Books is maintained and closing balances in the stock account verified by the Head of Office periodically and a certificate to that effect recorded in the register (As per rules 22 to 24 of Receipt and Payment Rules).				
4.	<p>Realization of departmental revenue</p> <p>Whether systems have been prescribed for ensuring that:</p> <ol style="list-style-type: none"> a. Proper record of receipt books is kept and the books are issued only to persons authorities to issue receipts. b. Receipts are machine numbered and are issued in chronological order. c. Receipts are correctly posted in main cash book. d. Where subsidiary accounts are kept, totals are taken to main cashbook and the receipts are correctly posted. e. Revenue to be realized is correctly assessed, demand notice is issued and recovery watched through proper control records which are periodically reviewed. f. Revenue is correctly classified in account. g. In respect of realization by way of money order, cheques and drafts, an effective system of collection and accounting has been prescribed and followed. h. The revenues realized are duly posted in Demand and collection registers and cross checked to ensure that collections as posted in Demand and Collection register has been duly taken to cash book. i. Loss of revenues is duly examined and written off 				
5.	Acquaintance if payments				

	Whether the legal quittance in support of payment made is obtained in and Aquitaine Roll in Form GAR 24 for pay and allowances and of the office copies of bills for other payments. Under Rule 92 of Central Government Account (Receipt and Payments) Rules.				
6.	Whether advances are adjusted to appropriate head (for example, medical advances), what is the control exercised by Head of office/Department in this regard?				
7.	Whether the prescribed forms to show expenditure against the heads of accounts to watch receipt of the prescribed returns, etc., are maintained in the directorate or in the officers of the selected DDOs.				
8.	Whether Dead Stock register is maintained and entries made as soon as an item is procured and issued are made?				
9.	Whether the physical balance of dead stock items is tallied with the book balance of each item periodically?				
10.	Whether the Bill Register is maintained in Form GAR-9 by each head of office who is authorized to draw money on bills signed by him, reviewed monthly by a gazette officer and the result of the review recorded therein to prevent presentation of fraudulent bills.				
11.	TA Bill register <ul style="list-style-type: none"> • Whether there is control to ensure that TA advances are adjusted within 15 days of completion of the tour? • Whether it is ensured that, even when no advance is drawn for the tour, TA Bill is submitted within one year, as prescribed is GFRs? 				
12.	Log Books <ul style="list-style-type: none"> • Are logbooks in respect if staff cars and other vehicles maintained in the correct form and entries made promptly? • Is the log book being scrutinized by a senior officer once a month? • Is there a control to check misuse of the staff car? • Is history sheet of vehicle maintained? 				
13.	Office Contingencies Examine whether: <ol style="list-style-type: none"> a. Proper record if expenditure under each category i.e. stationery/postage, maintenance of vehicle, Freight, carriage etc. is being maintained. b. Expenditure on various items of contingencies is 				

	regulated according to prescribed scales and provision of funds.				
14.	<p>Vouchers</p> <p>Examine whether the following controls are in place:</p> <ol style="list-style-type: none"> a. Vouchers are entered in a chronological order and are given distinct serial numbers. b. Claims are clearly stated and are due and admissible. c. Arithmetical calculations are checked. d. Receipts of the claimants are available. e. Materials purchased with reference to the claims admitted for payment are duly recorded in the relevant stores/stock registers. f. Claims admitted is considered reasonable for the purchase and sanction for purchase/payment issued by prescribed authority is available on record. g. Vouchers are duly stamped "paid" and cancelled to eliminate possibility of double payment. h. Payments are, as far as possible, made by crossed cheques. i. Vouchers are correctly classified and entered into accounts. 				
15.	Whether registers for watching disposal of audit objections are maintained?				

General Checklist for Evaluation of Internal Controls relating to Personnel Administration

Sl. No.	Checks	Yes	No.	-NA-	Work Paper Reference
1.	<p>Whether there exists a transfer/placement of officers of various levels If is, whether the policy provides for rotation of officers posted of a particular place/post after completing a defined tenure (especially sensitive places/posts)?</p> <p>Whether the policy was implemented? Whether approval of the competent authority was obtained, for any deviation from the down policy?</p> <p>Whether there exists a centralized database of offices, place of posting, duration, posts held, etc. for enabling implementation of the transfer/ placement policy?</p>				
2.	Whether there is a policy of rotating the duties of staff, to prevent development of vested interests and enlarge the range of the skills of employees by exposing them to different kinds of work (for example, say, in key seat for not more than 2-3 years and in a section for not more than 5 years)				
3.	Whether there are systems to obtain declaration of assets, Intimation of certain high value transactions, etc.				
4.	Whether, the department has prepared any Manual or Flow Chart listing out steps in various activities and procedures which are specific to is working.				
5.	Whether there is an effective system in place for monitoring of (a) Fresh appointments, (b) Promotion and transfer.				
6.	Whether, in terms of Department of Expenditure Ministry of Finance CM Nos 7 (3) E. Coord/1999 dated 05.08.99 and DOPT OM No. 02.08.2001-P/C dated 16.05.2001 reiterated by the Ministry of Finance No's 7(5)E. Coord/2004, dated 24.09.04 and 7(2)E, Coord/2005, dated 23.11.2005, 10 percent cut in number of posts was made and abolition of posts lying vacant for more than one years was ensured.				
7.	Whether, in case of upgradation of posts, the conditions of upgradation were complied with (like surrender of a lower post)				
8.	Whether, as required by GOI, MF, OM. No. 3(3)-E				

	IV(A)/76 dated 25 th November 1976 below rule 199 of supplementary rules(SR), the head of office is inspecting annually at least ten percent of the service books and leave accounts				
9	Whether the service books of officials completing twenty five years of service/before five years of retirement were verified by the DDO.				
10	Whether any induction/seniority lists is maintained?				
11	Whether government has installed internal control for monitoring fresh appointments and transfer and postings in the department.				
12	Whether information regarding sanctioned posts vs. persons in position was available in a data base.				
13	Whether the Meetings of Board of Governors are held on due dates?				
14	Manpower analysis Whether internal controls are in place for ensuring that: a. Staff patterns conform to norms and standards prescribed for the purpose. b. Clear demarcation of functional responsibilities exist among the personnel. c. Job analysis, description and specifications have been clearly spelt out. d. Allocation and actual deployment of manpower is as per sanctioned strength and controls are available for monitoring efficient and effective utilization of manpower. e. Power systems have been instituted for reviewing at periodical intervals the work load and adequacy or otherwise of manpower resources.				
15.	Advances to employees Audit will examine whether control records have been devised and are being maintained for ensuring that: a. Proper record of advance in kept and recovery is watched b. Amount remaining unutilized is promptly refunded c. Recoveries are made in all cases as per rules.				
16.	HBA Whether there is system to ensure insurance of house/flat purchased using House Building Advance (HBA). As per Rule 7(b) of the House Building advance Rules on official has to be insure the house /flat immediately at his own cost on completion of construction or purchase of house/flat for no less than the amount of advance and shall keep it so ensured till the advance				

	together with internal thereon is fully repaid to the government.				
17.	<p>Provident Fund Accounts</p> <p>Examine whether:</p> <ul style="list-style-type: none"> • Whether there are adequate controls over sanction of advance/withdrawal from GPF to prevent fraudulent drawls. • The contributions to the fund are in accordance with the prescribed rates and credited to proper accounts • The increase or decrease is regulated in accordance with rules and contributions recovered. • The advance or withdrawals, both refundable and non-refundable are duly authorized for the specified purposes according to prescribed rules/scales and refund of advance/withdrawal is watched. • Interest is correctly accessed at prescribed rates and credited at the end of the financial year to the individual accounts. • Balance in each account is worked out at the end of year and communicated to the individual employee for acceptance/verification. 				
18.	<p>Expenditure on salary/wages</p> <p>Examine whether:</p> <ol style="list-style-type: none"> a. The employment of individual is approved by the competent authority. b. There are written authorities in accounts department of general increase in pay, individual for general increase in pay, advances of salary/wages/TA etc. leave availed, medical reimbursement, bonus etc. c. Proper control record of employment on specified job is available. d. An assessment of work vis-à-vis the expenditure incurred is made. e. There are adequate controls against the chances of inclusion of fictitious names, overstating of rates of wages or the day work put in etc. f. All existing posts have been created under orders of competent Authority and are in prescribed pay scales g. Pay fixation has been regulated correctly according to the rules applicable and that deduction for provident fund, income tax and advances taken have been correctly made and control registers have been maintained. h. Tours are duly sanctioned by the competent 				

	authority and claims regulated according to rules.				
19.	<p>Service Records</p> <p>Examine whether:</p> <ol style="list-style-type: none"> a. Procedures have been laid for ensuring that service records of all employees are being maintained and checked. b. All events are being recorded in service records and are being checked. c. Nominations in respect of DCRG and provident fund have been made and care available in the service records. d. All personal entitlements are being correctly worked out, checked, paid and properly recorded. 				

Checklist for Evaluation of Internal Audit

Sl. No.	Checks	Yes	No.	-NA-	Work Paper Reference
1.	Whether there is an arrangement for internal audit				
2.	Whether there are arrangements to ensure independence of the internal audit officials and prevent conflict of interest.				
3.	Whether the internal audit work encompasses of the important functional areas and desks of merely confined to accounts				
4.	Whether the internal audit wing also covers the various public sector units and autonomous bodies under the Ministry/department				
5.	Whether the duties relating to internal audit are separate from those relating to financial advice, receipt, disbursement and accounting functions.				
6.	Whether the internal audit wing is adequately staffed by qualified and trained personnel				
7.	Whether the internal audit officials are possessing adequate experience in the functional areas which they are required to audit.				
8.	Whether the internal audit officials are possessing adequate experience in the functional areas which they are required to audit.				
9.	Whether the internal audit officials are being retained in the internal audit wing as specialists, or being transferred to out other wings?				
10.	Whether large number of internal audit objections are outstanding for long				
11.	Whether the frequency of internal audit is adequate.				
12.	Whether the planning of internal audit work and allocation of time an allocation of audit are based on risk assessment. How/Whether it is ensured in audit planning that: <ul style="list-style-type: none"> • All key risks are identified and categorized and • Examined with reference to their like hood and impact. 				
13.	Whether all the units of offices planned for internal audit were covered, or whether there is a shortfall				
14.	Whether adequate follow – up action is taken in respect of the findings and recommendation of internal audit.				
15.	Whether the internal audit reports include substantive findings, and not merely minor				

	procedural lapses.				
16.	Whether the internal audit contains genuine issues of internal controls, compliance, fraud awareness and prevention and performance issues.				
17.	Whether the internal audit reports contain recommendations for correcting the deficiencies notices.				
18.	Whether the internal audit reports on each department/assignment are sent to the concerned Director in the form of a management letter? (Copy endorsed to the head of the unit audited)				
19.	Whether there is a Best Practice Guide or Manual for the internal audit wing and whether they are updated.				
20.	Whether the internal audit wing is associated with any risk assessment activity for the Department/Ministry				
21.	Whether audit Committees are constituted in the Ministry/Department for reviewing the compliance of the recommendations given by the internal audit.				
22.	Coordination between internal an statutory audit <ul style="list-style-type: none"> • Whether annual audit plans and programmes are shared to avoid duplication and assist in their respective audit planning • Whether institutional mechanism are created to ensure common understanding and sharing of audit techniques and methods; • Whether there is any sharing of training 				
23.	Whether periodic meetings are held between the statutory auditor and internal audit to review the progress?				
24.	Whether a Register of Settlement of Audit Objections/ Statutory Audit) was maintained.				

Checklist for evaluation of Internal Control relating to Stores

Sl No.	Check	Yes	No	-NA-	Work Paper Reference
1.	Check whether there are well devised departmental regulations/instructions governing purchase, receipt, inspection, custody, issue, condemnation, sale/disposal and stock verification of stores.				
2.	Check whether there were checks to ensure that the quantity to be purchased was determined taking into account the present and future work requirement of the concerned auditee entity (including requirement received from units and field formations) and the requirements have been assessed on a realistic basis and not merely based on availability of funds.				
3.	Check whether availability of funds (budget provisions) is checked and not exceeded before considering procurement.				
4.	Check whether store of the required specifications covered under rate contracts entered into by the Directorate General of supplies and disposals or any other approved rate contracts were purchased only under such rate contracts.				
5.	Check whether there is a system to ensure that open competitive tender (as prescribed under the relevant Financials rule) was adopted for purchase from contractors or suppliers.				
6.	Check Whether the systems ensure that purchases are made only from the lowest tenderer unless there are recorded reasons for not doing so and duly approved by the competent authority (Rules 137 to 161 of GFRs).				
7.	Check whether there is a system to ensure that store procured (ordered) are of approved quality and specifications.				
8.	Check whether there is a well-defined delegation of powers to sanction purchase.				
9.	Check whether the purchase orders are split up so as to avoid the necessity for obtaining the requisite sanction of higher authorities (Rules 148 of GFRs).				
10.	Check Whether there is a mechanism to ensure				

	that the purchase order terms and conditions conform to the applicable codal provisions and instructions/orders issued from time to time by the Government.				
11.	Check whether necessary precautions are taken to safeguard government interests in cases involving advance payments for supply of store in terms of the contract provisions of Government orders.				
12.	In cases where advance was paid to suppliers, check whether the a. Advance paid are as per terms of agreement b. Advance has been limited to the admissible amount and is not paid ahead of prescribe time. c. A proper record of such advance is kept and recovery/adjustment is watched. d. Stores were received within the stipulated period and the advance payments adjusted.				
13.	In case the officer draws money for making advance payment to suppliers etc. whether it is ensured that the advance is adjusted within fifteen days of drawl of advance. (Rules 292 (2) of the GFRs 2005).				

Custody and Issue of Stores

Sl No.	Check	Yes	No	-NA-	Work Paper Reference
1.	Check whether officers entrusted with custody of stores on holding charge of store have furnished the security prescribed in term of the instructions issued from time to time by the competent authority and whether such security is currently in force.				
2.	Check whether a particular official has been responsible for the custody of store for prolonged periods and if so, what safeguards were taken to prevent misuse of his position.				
3.	Check whether adequate storage facilities are available and precautionary measures have been taken to protects stores form damage undue deterioration, theft, pilferage, etc.				
4.	Check whether discrepancies, if any, between the book balance and the ground balance were reconciled promptly.				
5.	Check whether appropriate and effective follow up action has been taken on reports of physical verification of store for making good any losses.				
6.	Check whether adequate precautionary measures have been taken to prevent misuse of materials issued to contractors for use in works				
7.	Check whether there is a mechanism to ensure that adequate efforts are made to transfer surplus stores to other works divisions, departments or offices where these could be utilized.				
8.	Check whether a report on surplus stores that could not be so transferred to other works divisions, departments or offices and on obsolete and unserviceable stores, specifying the reason for so declaring them, has been promptly sent to the competent authority for facilitating their disposal.				
9.	Check whether there is a mechanism to ensure that all issues of stores are supported by proper indents and have been approved by the competent authority and acknowledged by the intended recipients.				

10.	Check whether there is a mechanism, to ensure that only such materials as are provided in the agreement were issued to contractors in a phased manner based on its use within a reasonable period.				
11.	Check whether there is a mechanism to ensure that the scale, if any prescribed by the Government or any other authority for issued of stores of any particular kind, was not exceeded while issuing the stores.				
12.	The Institute should put in place a system of physical verification of stores as the provisions of GFR.				
13.	Prompt and timely action should take by the management of the Institute in respect of deficiencies, shortages etc. pointed out during physical verification of stores.				

Write-off/disposal of stores

SL.No	Check	Yes	No	- NA-	Work Paper Reference
1.	Whether there is a mechanism to ensure that adequate measures are taken to survey and segregate surplus, unserviceable and obsolete stores and to consider their disposal in accordance with the procedures prescribed by Government in this regard				
2.	Check whether the sale of surplus stores is made on receipt of payments in advance against proforma invoices				
3.	Check whether sales and credit are authorized to the competent authority.				
4.	Check whether the sale proceeds are promptly realized, in case of sales on credit. Analysis and comment upon any instances of proceeds against credit sales remaining the unrealized for considerable periods.				

Stores management

SL.No	Check	Yes	No	-NA-	Work Paper Reference
1.	Check whether appropriate stock limits for different categories of stores were fixed by the auditee entity/Government.				
2.	Check whether the balances in stock exceed the prescribed limits.				
3.	Check whether there has been rush of expenditure on procurement of the close of the financial year of fictitious booking merely with a view to utilizing the budget grants.				

Store records

SL.No	Check	Yes	No	-NA-	Work Paper Reference
1.	Check whether all stores were examined, on receipt and while accepting delivery, to determine their condition and to ensure that they were of the approved quality, make and specification and the quantities conformed to these agreed upon				
2.	Check whether the stores have been taken on stock and entered in the Goods Received Sheets/Bin Cards				
3.	Check whether the previous stock balance have been correctly worked out, carried forward and authenticated by a responsible officer.				
4.	Check whether the individual bin brands have been maintained chronologically based on receipts and issues.				
5.	Check whether the Priced stores Ledgers containing the values account of stores have been maintained, wherever required to be maintained.				

Where period accounts are maintained

SL.No	Check	Yes	No	-NA-	Work Paper Reference
1.	Check whether the stores are placed in the prescribed manner with reasonable accuracy and the rates initially fixed are reviewed periodically, correlated with market prices and revised where necessary.				
2.	Check whether the value accounts tally with the accounts of works and departments connected with stores transactions.				
3.	Check whether there is a system of reconciliation of the balances with quantity accounts.				
4.	Check whether steps have been taken for the adjustment of profit or loss due to revaluation, stock verification or other caused nor indicative of any serious disregard of rules				

Physical Verification

SL.No	Check	Yes	No	-NA-	Work Paper Reference
1.	Check whether there is a system of regular physical verification of all stores. (Rules 192 and 194 if GFRs provides for physical verification of all stores at least once every year under rules prescribed by the head of the department)				
2.	check whether a certificate of verification of stores is recorded periodically by the responsible authority				
3.	Check whether the system adopted by the executive for verification is adequate and proper.				
4.	Check whether the discrepancies found on stock verification are properly investigated and reconciled				
5.	Check whether the staff responsible for stock verification are, wherever possible independent of those responsible for the physical custody of stores or for maintaining the accounts.				
6.	Check whether the stock verifiers works, wherever practicable, directly under the control of the Government and not under the heads of the individual departments concerned				

Checklist for Evaluation of Internal controls relating to Grants-in-aid and Loans

SI No.	Check	Yes	No	-NA-	Works Paper Reference
1.	Whether there is an adequate system to furnish to C&AG/Audit Office of the IA&AD every year detailed information about the financial assistance given to various institutions, the purpose(s) for which the assistance was sanctioned and the total expenditure of the institutions in order to identify the bodies and authorized that attract audit under Section 14 and 15 of the C&AG's (DPC) Act.				
2.	Whether there is a well-defined delegation of powers to sanction grants in aid?				
3.	Whether is a system to watch receipts of utilization certificates from the recipients of grants?				
4.	Whether there is a system of assessment by the sanctioning authority regarding the suitability of the institution seeking the grant and satisfying about clearance of any allegations against the institution.				
5.	Whether there is a mechanism to ensure that no grants are sanctioned where there is reasonable doubt or suggestion of correct practices unless the institution concerned has been cleared of the allegation;				
6.	Whether there is a system of indicating, in every order sanctioning a grant,, <ul style="list-style-type: none"> • Whether it is system recurring or non-recurring in nature • The object for which it is given • The general and special conditions, if any , attached to the grant • A provision to the effect that the accounts of the grantee institutions shall be open to inspection by the sanctioning authority/Audit whenever considered necessary by them. 				
7.	Where the power of sanctioning grants is delegated to subordinate authorities subject to the prior fulfillment of certain conditions by the grantees, whether the sanctioning authority is having adequate methods to satisfy itself of such fulfillment.				
8.	Whether there is a system to ensure that, before a grant is paid, the sanctioning				

	authorities under its control should, as far as possible, obtain audited statements of the accounts of the grantee institutions in order to establish that the grant is justified by their financial position and also to ensure that any previous grant was spent for the purpose for which it was intended, in case such requirement is stipulated by the Government.				
9.	In case of recurring grant-in-aid made to an institution, whether the sanctioning authority has a system to satisfy itself that the institution continues to function as intended and that the circumstances in recognition of which the grant was sanctioned still continue to exit.				
10.	<p>Whether there is a system to provide to Audit, a formal certificate confirming the proper utilization of the grant from the administrative, technical and financial points of view. Audit should watch the compliance of this requirement.</p> <p>Explanation:</p> <p>Normally, the certificated should be based on audited statements of accounts and reports regarding the performance or achievement of the grantee in relation to the objects and condition of the grants.</p>				
11.	<p>Release of grant-in-aid(GIA)</p> <p>Whether the Ministry of Finance (MoF) expenditure management guidelines of 23.11.2005 or other relevant instructions have been followed while releasing GIA to autonomous bodies.</p> <p>Explanation</p> <p>Ministry of finance through its experience management guidelines dated 23.11.2005, had directed that in order to reduce the dependence of autonomous bodies an budgetary support and set them on a course of greater self-reliance, the general purpose deficit grant-in-aid in 20054-06 would be reduced to 95 per cent of actual amount of such grants given in previous three years.</p>				
12.	Control to watch utilization of loans and grants				

	<p>Under rule 226(2) of GFRs, the utilisation certificate (UC) in respect of loan should be furnished within a reasonable time after the loan is paid to an institution. The target date should as far as possible be not later than eighteen months from the date of sanction of the loan. The due date for submission of the utilization certificate should be specified in the letter of sanctions of the loan.</p> <p>The due date for submission of the utilization certificate should be specified in the letter of sanctions of the loans. The target date as specified should be rigidly enforced and extension should be allowed only in very exceptional circumstances in consultations with the MoF under intimation to the audit Officer. No further loan be sanctioned unless the sanctioning authorities are satisfied about the proper utilisation of earlier loan sanctioned to an institution.</p> <p>What is the amount of loans for which utilization certificates have not been received even after the due date?</p> <p>Was there a control system to watch timely receipt of UCs and to ensure that further release of loan is not made unless the UC for previous loans was submitted?.</p>				
13.	<p>Under Rule 212(1) of GFRs, whenever a non-recurring grant is sanctioned to an institution, a certificate of actual utilization of the grant for the purpose for which it was given should be insisted upon. The UC should be submitted within 12 months of the closure of the financial year.</p> <p>Further, according to instruction of MOF of May 2003, no fresh grant is to be released unless utilization certificates for the previous grants were furnished.</p> <p>Check whether there was release of further grants even through the UCS in respect of the earlier grant was not received.</p>				
14.	<p>Under rule 208 and 209 of FGRs, if financial assistance was proposed to be granted to a profit-making society or organization the feasibility of giving such assistance as loan instead of grant-in-aid should be superficially</p>				

	considered by the sanctioning authority in consultation with the MoF Was this considered before releasing grant to profit-making societies/organizations?				
15.	<ul style="list-style-type: none"> • Have general principles for award of grant-in-aid for centrally sponsored schemes been followed? • Whether time bound targets for monitoring, mid-term evaluation and detailed impact studies as were prescribed? • Whether there were any changes in the time schedule, financial position and objectives of the original schemes? If so, were the changes reported to the Ministry? • Whether an evaluation mechanism was built into the project for concurrent reviews and mid-term action where necessary? • Whether a mechanism exists to ensure that the funds released have been utilized effectively? • Whether a mechanism exists to ensure that the date and facts relating to physical and financial performance are correct? • Whether plan schemes that are in operation with similar objectives targeting the same population were converged and the schemes not yielding results were weeded out? • Whether post completing review of centrally sponsored schemes was done and reviewed by the Ministry? 				
16.	<p>Outstanding loans and advances</p> <p>When the department gives loans to institution/organizations including public sector enterprises, the terms and conditions are specified. The number of installments in which the loan is to be repaid, and the rate of interest are specified. PAO will submit to the ministry annually a statement in Form GFR 20 showing details of outstaindg loans. Under rules 233 of GFR,s. The Ministry should watch receipts of the annual statement from the PAO, and conduct a review of the cases of defaults, in repayment of the installments of principal and interest due, and take suitable measures to enforce</p>				

	repayment of the same. Under rule 220(3) of GFRS, Government should lay down a procedure for periodical review of the old loans so that prompt action can be taken, if necessary, for enforcing regular payments. Ascertain the amount of repayments of outstanding and interest. Analyse the outstanding year wise. Was any action taken by the department/Ministry to enforce repayment?				
17.	Check whether appropriate or re appropriation from Plan heads to non-Plan heads are made only with the prior approval of Ministry of Finance. (Rule 10(6) (d) of Delegation of Financial Powers Rules).				

Thus, we can say that “internal control is not one event, but series of action and activities that occur throughout an entity operations and on an ongoing basis”. Internal control should be recognized as integral part of each system that management uses to regulate and guide its operations rather than as a separate system within an organization. Similarly Internal audit should include policies and procedures for ensuring that the audit finding and other reviews are promptly resolved.